

# Magma Fincorp

Refer to important disclosures at the end of this report

## On solid path of profitable growth; resuming coverage with Buy

- Magma Fincorp reported a loss of Rs6.5bn in Q4 after taking a one-time write-off of Rs2.7bn and management overlay provision of Rs6.2bn (factoring in the second Covid wave). The company introduced 100% provisions and wrote off all accounts in the 90+ DPD in SME lending, 180+ DPD in Vehicle Finance and 730+ DPD bucket in Housing.
- In our view, after recent fund infusion and current quarter clean-up, Magma is well-placed on adequacy, promoter back-up and liquidity fronts. We are building in ~30% AUM CAGR for FY21-24E, backed by product diversity. With ease in cost of funds, we expect margin expansion to 875bps by FY23E from ~800bps in FY21.
- The company has already announced a change in management, under which Mr. Vijay Deshwal, Business head at ICICI Bank, will join as CEO from July'21. We believe the company is well-placed to attract new talent from across industries which would be the biggest trigger for overall growth.
- With change in guard, we do believe Magma 2.0 would be a journey of superior profitable growth, resulting in significant improvement in return ratios. We are resuming coverage of Magma Fincorp with Buy rating and TP of Rs175, corresponding to 2.1x P/ABV FY23E with RoE of 10.8% and RoA of 3.4%.

**Surge in disbursements aided by sufficient adequacy and product diversity:** Management intends to triple AUM by FY25E, backed by sufficient liquidity and diversity in product offerings. Magma intends to discontinue business in used CV/CE and tractor financing space, which are relatively riskier businesses. Management intends to create sizeable presence in loans to professionals, PL, non-affordable housing loans and SME LAP. It also intends to introduce consumer durable financing, co-branded credit cards and digital lending products by the end of FY22E. With professional management taking guard, we are optimistic about growth numbers.

**Cost of fund advantage to support margins and improve asset quality:** New promoters should lead to significant improvement in borrowing profile (shift toward capital markets), which in turn should support rejig in asset mix with the right mix of secured-unsecured loans – thus de-risking the loan book from Black Swan events. With ease in cost of funds, the company has dual advantages. Margin expansion being most obvious, the company can focus on quality of customers. And, this is possible at lower yields.

**Outlook and valuations:** Magma, after fund infusion, is well-placed on adequacy, promoter back-up and liquidity. Probable rating upgrades, lower cost of funds and ability to inject equity by the promoter (without fear of forced dilution) are the key positives. We are resuming coverage with Buy rating and TP of Rs175, corresponding to 2.1x P/ABV FY23E with RoE of 10.8% and RoA of 3.4%.

Please see our sector model portfolio (Emkay Alpha Portfolio): [BFSI-NBFCs \(Page 11\)](#)

### Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Net income	12,767	12,520	13,080	17,789	23,603
Net profit	271	(5,590)	5,044	6,858	9,525
EPS (Rs)	1.0	(20.7)	6.6	9.0	12.5
ABV (Rs)	85.7	77.4	77.4	83.7	92.2
RoA (%)	0.2	(3.9)	3.3	3.4	3.5
RoE (%)	1.0	(22.6)	12.2	10.8	13.6
PE (x)	136.0	(6.6)	20.6	15.2	10.9
P/ABV	1.6	1.8	1.8	1.6	1.5

Source: Company, Emkay Research

CMP	Target Price
Rs 136 as of (May 31, 2021)	Rs 175 (▲) 12 months
Rating	Upside
BUY	28.4 %

### Change in Estimates

EPS Chg FY22E/FY23E (%) (34)/(40)	
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	NR

### Emkay vs Consensus

	EPS Estimates	
	FY22E	FY23E
Emkay	6.6	9.0
Consensus	7.9	11.5
Mean Consensus TP (12M)	Rs -	

### Stock Details

Bloomberg Code	MGMA IN
Face Value (Rs)	2
Shares outstanding (mn)	763
52 Week H/L	148 / 13
M Cap (Rs bn/USD bn)	104 / 1.43
Daily Avg Volume (nos.)	3,164,565
Daily Avg Turnover (US\$ mn)	5.4

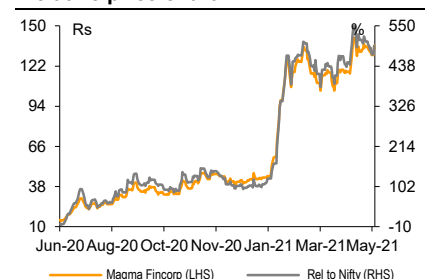
### Shareholding Pattern May '21

Promoters	73.3%
FIIIs	8.7%
DIIIs	6.6%
Public and Others	11.5%

### Price Performance

(%)	1M	3M	6M	12M
Absolute	15	16	191	921
Rel. to Nifty	8	8	142	527

### Relative price chart



Source: Bloomberg

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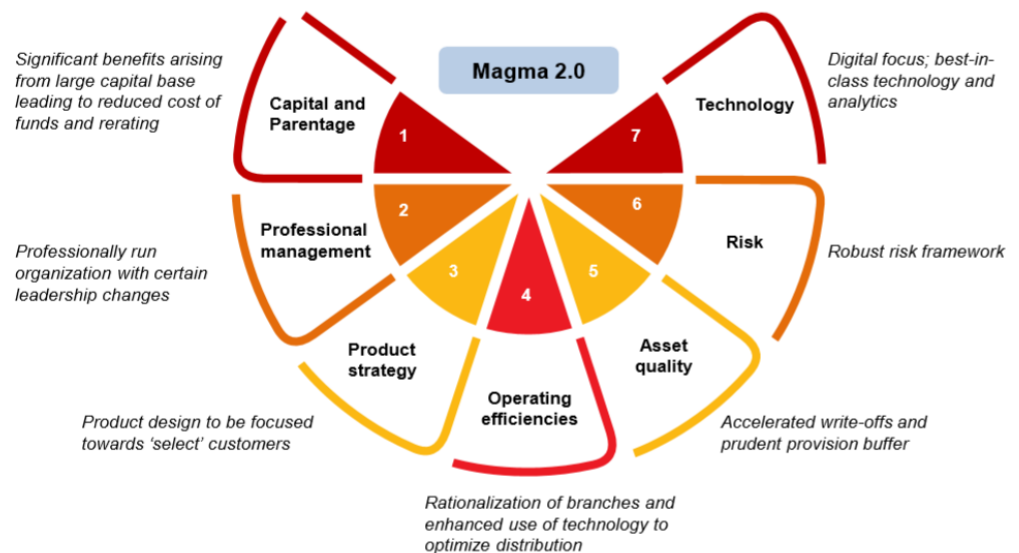
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## Magma 2.0 – Embarking on a new journey under the Poonawalla-led Rising Star Holdings umbrella

### Changes in management

- Magma Fincorp has announced a series of leadership changes following the Poonawalla-controlled Rising Sun Holdings acquiring controlling stake (~60%) through an equity infusion of Rs34.6bn in May' 21. The board has appointed Mr. Adar Poonawalla as Chairman, Mr. Abhay Bhutada as MD (effective June, 1, 2021) and Mr. Vijay Deshwal as CEO (expected to join in the 1st week of July).
- Vijay Deshwal is currently a business head at ICICI Bank, responsible for its fast-growing services sector, including new-age businesses. He is also responsible for driving the liability strategy for the corporate ecosystem at the bank. Having handled pan-India financial institutions including NBFCs for over six years, Deshwal has a deep understanding of various asset classes and the cyclicity of these businesses. He had previously headed debt syndication business for ICICI Bank for over five years.
- The company is going to add a new set of leadership team with the appointment of highly qualified and experienced professionals from reputed financial institutions for various senior management positions, set to join by Q2FY22. Along with this, rebranding of the company as a Poonawalla Group firm is underway. It is setting the foundation for a strong, stable organization of the future with a well-defined corporate governance framework.

### Exhibit 1: Strategic pillars of Magma 2.0



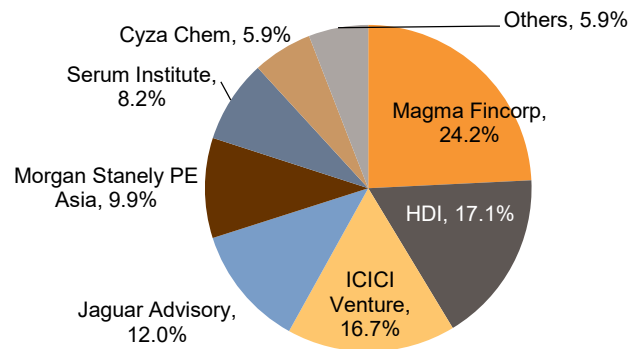
Source: Company, Emkay Research

### Magma HFC

- Magma Fincorp has infused Rs5bn of equity into Magma HFC as of May 31, 2021, increasing net worth of the HFC to around Rs100bn. The company has received statutory approval for change of name to Poonawalla Housing Finance Limited. Capital infusion has improved Tier-1 ratio to ~53.3% with leverage standing at 2.5x. The company is expecting to grow at a much higher pace due to the reduction in cost of funds and expansion of customer base. It has presence in affordable housing loans and is also planning to enter in non-affordable housing loan as cost of funds has been reduced. Management mentioned that the new capital will help the HFC grow faster and accelerate the timeline for listing of the company.

### Magma HDI

- The franchise announced a fund-raising of Rs5.25bn. Fresh capital infusion of Rs.2.5bn by ICICI Ventures and Morgan Stanley PE Asia and secondary sale by existing promoter of Rs2.75bn. The infusion should be value-accretive and improve the solvency ratio. New investors include Cyza Chem Pvt Ltd (a Poonawalla Group Company), and two family offices, apart from ICICI Ventures and Morgan Stanley.

**Exhibit 2: Magma HDI shareholding pattern (post transaction basis)**

Source: Company, Emkay Research

**Changes in product mix**

- Now, the company can provide loans at competitive rates, benefiting from a large equity base and reduced cost of funds. It is changing the product strategy and is focusing more on select customers and small/medium business segments with opportunity to cross-sell. It is discontinuing products such as Used CV/CE, tractors and auto lease, and is introducing products to address defined customer need in a large, underserved niche segment.
- New products, including loans to professionals, PL, non-affordable housing loans and SME LAP will start with immediate effect. Poonawalla Finance Pvt. Ltd. is already experienced in loans to professional and PL, and has a loan book of Rs12bn which will be merged with Magma Fincorp. Other new products such as co-branded credit cards, consumer durable loans, EMI card, medical equipment, machinery loan, insurance cross-selling, merchant cash advance and digital lending products will be launched by Mar'22.
- The company will rely more on digital distribution and work on enhancing efficiency and asset quality to reduce credit costs and improve profitability, which should result in enhanced growth, higher IRR and risk-adjusted return on capital.

**Exhibit 3: Magma's Product Strategy**

Current Product	New Product Suite	Additional Products & Services
Used Car Loan	Used Car Loan	Co-Branded Credit Card
Business Loans	Business Loans	Consumer Durables
Affordable Home Loan	Affordable Home Loan	EMI Card
Small Ticket LAP	Small Ticket LAP	Medical Equipment
Used CV	Loan To Professionals	Machinery Loan
Used CE	Personal Loans	Insurance Cross-sell
Tractors	Non-Affordable Home Loan	Merchant Cash Advance
Auto Lease	SME LAP	Digital Lending Products
To be discontinued	New Products	To be launched before Mar'22

Source: Company, Emkay Research

**Operating cost**

- The company plans to rationalize operating costs by leveraging Poonawalla's digital strength for distribution as well as collections. It aims to realign cost structures and maintain a branch-light model, going ahead.

**Change in write-off policy**

- The company has adopted one of the most conservative policies in the industry for technical write-offs, effective Q4FY21. This policy change has resulted in a one-time write-off of Rs2.74bn (1.9% of AUM) in Q4FY21. The company has created management overlay provision of Rs6.2bn (4.4% of AUM) in Q4FY21 on account of Covid-19 second wave, and holds cumulative provisions of Rs11.92bn (11.4% of AUM) as of Q4FY21, which provides comfort for future uncertainty.

**Exhibit 4: Changes in write-off policy**

Product segment	Product(s)	Earlier write-off policy	Revised write-off policy
Asset Backed Finance (ABF)	Cars, CV, CE, Auto Lease, Used Assets, Agri	730+ DPD	180+ DPD
SME	Unsecured loan	450+ DPD	90+ DPD
Mortgage	Affordable Housing Finance	Case to case basis	730+ DPD

Source: Company, Emkay Research

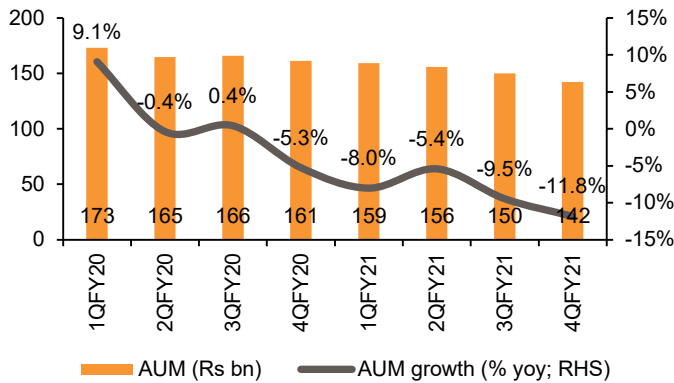
**Exhibit 5: Management vision for 2025**

- To be among Top 3 NBFCs for consumer and small/medium business finance
- Accelerated growth with calibrated underwriting approach; ~3x of current AUM
- Top-notch cost of funds in the industry; 200-250bps reduction
- Best-in-class provisioning to avoid any surprises in financial performance; net NPAs sub 1%
- State-of-the-art, cutting-edge technology; to be a 'Key Opinion Leader' for tech in NBFCs
- Accelerate the growth trajectory of subsidiaries followed by value unlocking through IPO
- To become the most trusted financial service provider in the country

Source: Company, Emkay Research

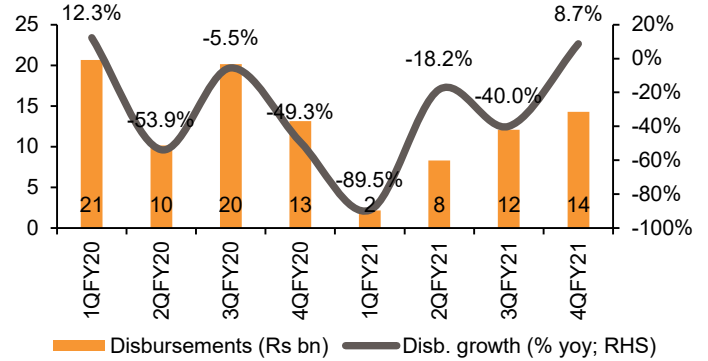
## Story in Charts

**Exhibit 6: AUM declines ~12% yoy in Q4**



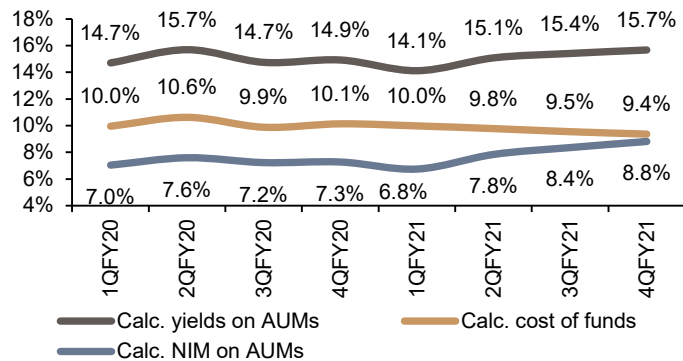
Source: Company, Emkay Research

**Exhibit 7: Disbursements up 9% qoq in Q4**



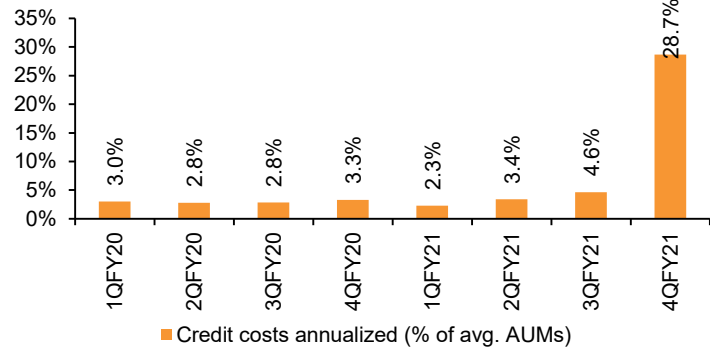
Source: Company, Emkay Research

**Exhibit 8: Improving yields (on changing portfolio mix) and reduction in cost of funds helped margins**



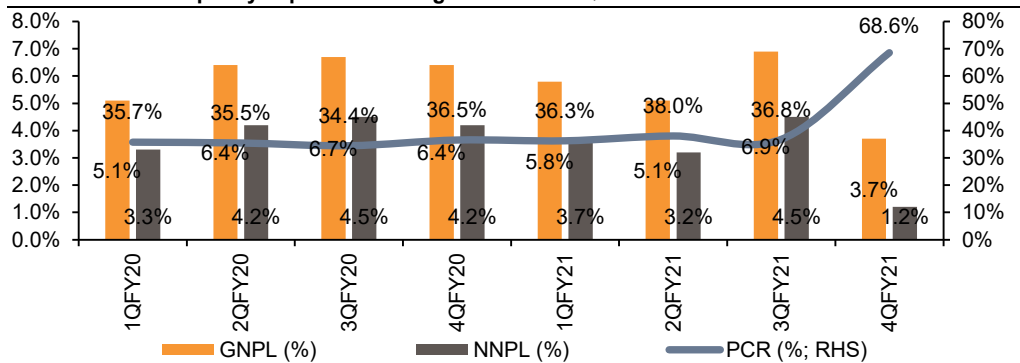
Source: Company, Emkay Research

**Exhibit 9: Credit costs spike due to one-off charges (change in write-off policy and Covid provisions)**



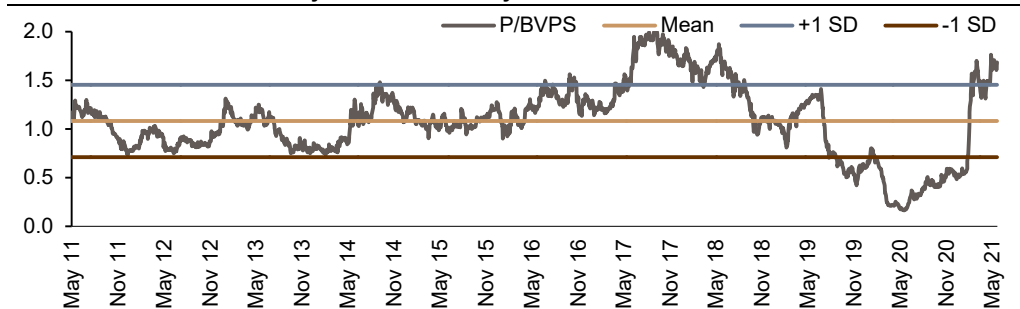
Source: Company, Emkay Research

**Exhibit 10: Asset quality improves with high write-off in Q4**



Source: Company, Emkay Research

**Exhibit 11: The stock currently trades at ~1.7x 1-year forward P/B**



Source: Company, Emkay Research

**Exhibit 12: Quarterly financials**

Particulars (Rs m)	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	% yoy	% qoq	FY20	FY21	% yoy
Operating Income	6,103	5,659	5,939	5,893	5,728	-6.1%	-2.8%	25,134	23,189	-7.7%
Interest Expenses	3,127	2,954	2,849	2,696	2,505	-19.9%	-7.1%	12,938	11,005	-14.9%
Net Operating Income	2,976	2,705	3,090	3,197	3,223	8.3%	0.8%	12,196	12,184	-0.1%
Operating Expenses	1,705	1,391	1,380	1,316	1,496	-12.3%	13.7%	6,959	5,583	-19.8%
Operating Profit	1,344	1,354	1,797	1,946	1,870	39.2%	-3.9%	5,808	6,937	19.4%
Provisions	1,342	914	1,330	1,777	10,489	681.8%	490.3%	4,980	14,480	190.7%
% of operating profit	99.8%	67.5%	74.0%	91.3%	560.9%			85.7%	208.7%	
Profit Before Tax from core biz	2	440	468	169	(8,619)	NA	NA	828	(7,543)	NA
Op. results from Gen. Ins. Biz	(43)	30	37	5	(16)	NA	NA	(10)	55	NA
Profit Before Tax	(41)	470	504	174	(8,636)	NA	NA	818	(7,488)	NA
Tax	314	93	124	44	(2,159)	NA	NA	547	(1,898)	NA
Reported PAT (after MI)	(355)	377	381	130	(6,477)	NA	NA	271	(5,590)	NA
Gross NPA (%)	6.4%	5.8%	5.1%	6.9%	3.7%			6.4%	3.7%	
Net NPA (%)	4.2%	3.7%	3.2%	4.5%	1.2%			4.2%	1.2%	
Provision coverage ratio (%)	37%	36%	38%	37%	69%			37%	69%	
AUM (Rs mn)	161,340	159,220	155,710	150,060	142,250	-11.8%	-5.2%	161,340	142,250	-11.8%
Disbursement (Rs mn)	13,120	2,160	8,300	12,080	14,260	8.7%	18.0%	64,070	36,800	-42.6%

Source: Company, Emkay Research

**Exhibit 13: Revision in earnings estimates**

Y/E Mar (Rs mn)	FY22E			FY23E			FY24E
	Earlier	Revised	% change	Earlier	Revised	% change	Introduced
Net interest income	12,372	12,240	-1.1%	14,231	16,698	17.3%	22,293
PPOP	6,568	6,914	5.3%	8,039	10,840	34.9%	15,688
PAT	2,684	5,044	87.9%	4,033	6,858	70.1%	9,525
EPS (Rs)	10.0	6.6	-33.8%	15.0	9.0	-40.1%	12.5
BV (Rs)	116	80	-31.0%	130	87	-33.0%	96

Source: Company, Emkay Research

**Exhibit 14: Key assumptions**

(in %)	FY21	FY22E	FY23E	FY24E
Loans growth	-16.1%	25.9%	41.6%	40.5%
Borrowings growth	-13.0%	4.2%	45.3%	47.7%
Yield on average loans	17.2%	16.0%	15.5%	15.0%
Cost of average int. liabilities	9.8%	8.0%	7.7%	7.4%

Source: Company, Emkay Research

## Con-call highlights

- Poonawalla Group has injected a capital of Rs32.06bn through Rising Sun Holdings, making Magma a highly capitalized NBFC in the industry.
- **Capital raising:** Magma HDI Gen Ins franchise announced a fund-raising of Rs5.25bn (fresh capital infusion of Rs2.5bn + Secondary sale by existing promoter of Rs2.75bn), subject to regulatory approvals. New investors are ICICI Ventures, Morgan Stanley, Cyza Chem Pvt Ltd (a Poonawalla group company), and two family offices.
- Magma Group has infused Rs5bn capital in Magma Housing Finance (a 100% subsidiary), increasing its net worth to Rs10bn and improving CRAR to 58% (as of May 31, 2021). It will support Magma's liquidity, reduce cost of funds and help improve credit rating.
- **Collection efficiency:** Focus on efficient collections resulted in CE of 101.8% in Mar'21. Q4FY21 CE neared normalization at 99%. However, the trend slowed with April recording 84% CE due to Covid second wave.
- The company plans to slowly move to digital platforms to control operating costs.
- **Provisioning:** The company has designed a conservative provisioning policy of 100% provisions and write-off of all accounts at 180+DPD in vehicle finance (earlier 730+DPD), 90+DPD in unsecured SME lending (earlier 450+DPD), 730+DPD in Affordable Housing. This has had an additional impact of Rs2.7bn in Q4.
- Additional management overlay stood at Rs6.21bn against Covid uncertainties, with a provision coverage of 68.6%, which is expected to normalize in FY22.
- 0 to 90 bucket ECL is at 7.2% (highest in the industry) and overall ECL is at 9.5% of total assets.
- Liquidity buffer as of May 15, 2021 stands at Rs50bn.
- **Management strength:** The board will be headed by Mr. Adar Poonawalla, Chairman, Mr. Abhay Butada, MD of the Group effective June 1, 2021, and Mr. Vijay Deshwal, new CEO. The management team will be augmented with highly qualified professionals from reputed institutions - expected to join by Q2FY22.
- New CEO Vijay Deshwal has been in the financial sector for 19 years and has handled the tech-driven services business at ICICI Bank. Earlier, he also managed debt syndication and has headed commercial business for North region at ICICI Bank.
- **Future outlook:** The company is looking to grow AUM to Rs450-500bn by FY25 by means of modifying product portfolio, improving customer profile and leveraging lower cost of funds and abundant liquidity to scale up.
- Cost of funds should decline to 7-7.5% with the capital infusion and strong parentage.
- **Product portfolio shift:** Plans to launch Loans to Professionals and Personal Loans – present in the Poonawalla portfolio (valued at Rs12bn, write-off policy of 85+DPD, majority contracts in 0 bucket), Affordable home loans, Non-affordable home loans (in metros and large cities), and Secured SME loans. Further, by FY22-end, it plans to introduce consumer durable loans, medical equipment loans, machinery loans and merchant cash advance.
- Discontinued products: used CV, used CE, and tractors and auto lease.
- Higher thrust will be on housing to expand products and customers. It plans expansion in affordable and non-affordable housing and SME LAP (>40k SME customers having secured and unsecured loans demand).
- Good opportunity in used car segment as finance penetration is >25%, and most of it is unorganized.
- **Others:** Branch expansion - will continue with a branch-light model and leverage on Poonawalla's digital strength.
- Competitive advantages: strong capital position, leverage at 1.3 times, improved digital efficiency and cost structures.
- Distribution of consumer loans, personal loans and professional loans will be through digital footprint established by Poonawalla Group.



**Key Financials (Consolidated)****Income Statement**

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
<b>Net interest income</b>	<b>12,196</b>	<b>12,184</b>	<b>12,240</b>	<b>16,698</b>	<b>22,293</b>
<b>Other income</b>	<b>571</b>	<b>336</b>	<b>839</b>	<b>1,091</b>	<b>1,310</b>
<b>Net income</b>	<b>12,767</b>	<b>12,520</b>	<b>13,080</b>	<b>17,789</b>	<b>23,603</b>
Operating expenses	6,969	5,528	6,110	6,894	7,860
<b>Pre provision profit</b>	<b>5,798</b>	<b>6,992</b>	<b>6,969</b>	<b>10,895</b>	<b>15,743</b>
<b>PPP excl treasury</b>	<b>5,798</b>	<b>6,992</b>	<b>6,969</b>	<b>10,895</b>	<b>15,743</b>
Provisions	4,980	14,480	1,925	2,246	2,923
<b>Profit before tax</b>	<b>818</b>	<b>(7,488)</b>	<b>5,044</b>	<b>8,649</b>	<b>12,820</b>
Tax	547	(1,898)	0	1,790	3,295
Tax rate	67	25	0	21	26
<b>Profit after tax</b>	<b>271</b>	<b>(5,590)</b>	<b>5,044</b>	<b>6,858</b>	<b>9,525</b>

**Balance Sheet**

Y/E Year End (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Equity	539	539	1,527	1,527	1,527
Reserves	26,941	21,404	59,264	64,751	71,894
<b>Net worth</b>	<b>27,480</b>	<b>21,943</b>	<b>60,791</b>	<b>66,277</b>	<b>73,421</b>
Borrowings	119,870	104,330	108,722	157,988	233,424
<b>Total liabilities</b>	<b>152,397</b>	<b>132,122</b>	<b>175,653</b>	<b>230,713</b>	<b>313,615</b>
Cash and bank	7,083	7,747	22,993	18,719	19,142
Investments	1,506	1,774	1,087	1,264	1,867
Loans	135,465	113,612	143,055	202,548	284,663
Others	6,002	7,043	6,436	5,995	5,690
<b>Total assets</b>	<b>152,397</b>	<b>132,122</b>	<b>175,653</b>	<b>230,713</b>	<b>313,615</b>

**Key Ratios (%)**

Y/E Year End	FY20	FY21	FY22E	FY23E	FY24E
NIM	7.4	8.0	8.1	8.8	8.4
RoA	0.2	(3.9)	3.3	3.4	3.5
RoAE	1.0	(22.6)	12.2	10.8	13.6
GNPA (%)	6.4	3.7	4.8	4.7	4.4
NNPA (%)	4.2	1.2	1.6	1.6	1.4

Per Share Data (Rs)	FY20	FY21	FY22E	FY23E	FY24E
EPS	1.0	(20.7)	6.6	9.0	12.5
BVPS	101.8	81.4	79.6	86.8	96.2
ABVPS	85.7	77.4	77.4	83.7	92.2
DPS	0.0	0.0	1.0	1.8	3.1

Valuations (x)	FY20	FY21	FY22E	FY23E	FY24E
PER	136.0	(6.6)	20.6	15.2	10.9
P/BV	1.6	1.8	1.8	1.6	1.5
P/ABV	1.6	1.8	1.8	1.6	1.5
Dividend Yield (%)	0.0	0.0	0.7	1.3	2.3

Source: Company, Emkay Research

Growth (%)	FY20	FY21	FY22E	FY23E	FY24E
NII	8.2	(0.1)	0.5	36.4	33.5
PPOP	(18.1)	20.6	(0.3)	56.3	44.5
PAT	(91.1)	(2,166.2)	(190.2)	36.0	38.9
Loans	(9.8)	(16.1)	25.9	41.6	40.5



Quarterly (Rs mn)	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21
NII	2,976	2,705	3,090	3,197	3,223
NIM(%)	7.3	6.8	7.8	8.4	8.8
PPOP	1,301	1,384	1,834	1,951	1,854
PAT	(355)	377	381	130	(6,477)
EPS (Rs)	(1.32)	1.40	1.41	0.48	(24.02)

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-20	Sep-20	Dec-20	Mar-21	May-21
Promoters	24.4	24.4	24.4	24.4	73.3
FIIIs	32.3	32.4	30.2	28.5	8.7
DIIIs	26.9	26.4	25.0	20.2	6.6
Public and Others	16.4	16.9	20.5	26.9	11.5

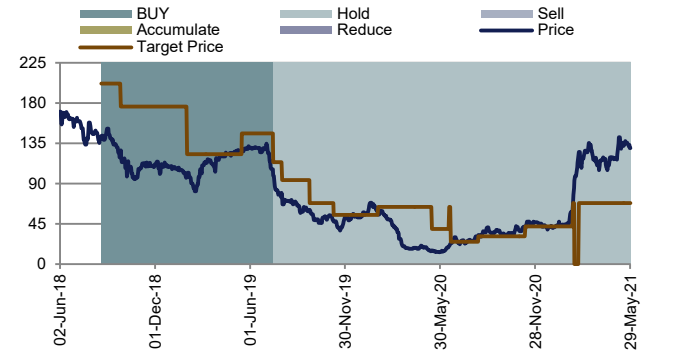
Source: Capitaline

## RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
19-Feb-21	125	68	12m	Hold	Jignesh Shial
11-Feb-21	94	-	12m	Hold	Jignesh Shial
08-Feb-21	70	68	12m	Hold	Jignesh Shial
09-Nov-20	40	42	12m	Hold	Jignesh Shial
16-Sep-20	38	31	12m	Hold	Jignesh Shial
11-Aug-20	32	31	12m	Hold	Jignesh Shial
19-Jun-20	24	25	12m	Hold	Jignesh Shial
16-Jun-20	20	64	12m	Hold	Jignesh Shial
14-May-20	15	39	12m	Hold	Jignesh Shial
08-Mar-20	39	64	12m	Hold	Jignesh Shial
01-Feb-20	55	64	12m	Hold	Jignesh Shial
19-Nov-19	39	55	12m	Hold	Jignesh Shial
08-Nov-19	47	55	12m	Hold	Jignesh Shial
23-Sep-19	61	68	12m	Hold	Jignesh Shial
28-Aug-19	68	94	12m	Hold	Jignesh Shial
01-Aug-19	74	94	12m	Hold	Jignesh Shial
15-Jul-19	99	114	12m	Hold	Jignesh Shial
25-May-19	129	146	12m	Buy	Jignesh Shial
25-May-19	129	146	12m	Buy	Jignesh Shial
16-May-19	126	146	12m	Buy	Jignesh Shial
15-Feb-19	81	123	12m	Buy	Jignesh Shial
31-Jan-19	97	123	12m	Buy	Jignesh Shial
02-Nov-18	107	176	12m	Buy	Jignesh Shial
26-Sep-18	127	176	12m	Buy	Jignesh Shial
24-Sep-18	119	202	12m	Buy	Jignesh Shial
20-Aug-18	143	202	12m	Buy	Jignesh Shial

Source: Company, Emkay Research

## RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

## Emkay Alpha Portfolio – BFSI-NBFCs



### Analyst: Jignesh Shial

#### Contact Details

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#### Sector

NBFCs/AFCs

#### Analyst bio

Jignesh Shial is a CA and has total 12 years of research experience. His team currently covers 11 NBFCs/AFCs.

### EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight (Normalised)
<b>BFSI-NBFCs</b>	<b>7.85</b>	<b>7.85</b>	<b>0%</b>	<b>0</b>	<b>100.00</b>
Bajaj Finance	1.69	1.67	-1%	-1	21.34
Cholamandalam Investment	0.24	0.25	2%	1	3.19
Edelweiss Financial Services	0.00	0.00	NA	0	0.00
HDFC	5.20	5.22	0%	2	66.56
L&T Finance Holdings	0.08	0.08	0%	0	1.06
LIC Housing Finance	0.16	0.17	7%	1	2.18
Magma Fincorp	0.00	0.00	NA	0	0.00
Mahindra Finance	0.11	0.07	-38%	-4	0.87
Nippon Life	0.06	0.06	-1%	0	0.78
Shriram City Union Finance	0.00	0.00	NA	0	0.00
Shriram Transport Finance	0.30	0.32	5%	1	4.03
<b>Cash</b>	<b>0.00</b>	<b>0.00</b>	<b>NA</b>	<b>0</b>	<b>0.00</b>

Source: Emkay Research

\* Not under coverage: Equal Weight

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

### Sector portfolio NAV

	Base					Latest
	1-Apr-19	1-Jun-20	1-Dec-20	1-Mar-21	30-Apr-21	31-May-21
EAP - BFSI-NBFCs	100.0	82.5	122.4	139.4	133.3	140.7
BSE200 Neutral Weighted Portfolio (ETF)	100.0	77.3	115.2	131.1	125.2	132.0

\*Performance measurement base date 1<sup>st</sup> April 2019

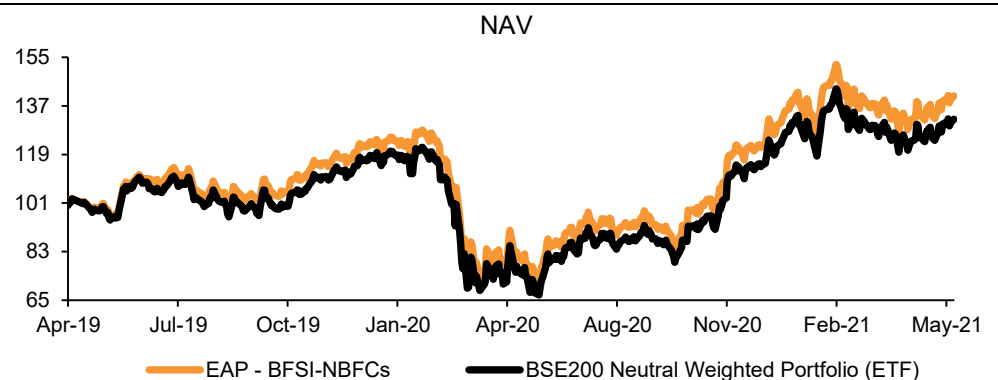
Source: Emkay Research

### Price Performance (%)

	1m	3m	6m	12m
EAP - BFSI-NBFCs	5.5%	0.9%	15.0%	70.6%
BSE200 Neutral Weighted Portfolio (ETF)	5.5%	0.7%	14.6%	<b>70.8%</b>

Source: Emkay Research

### NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

## Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

Completed Date: 01 Jun 2021 10:26:17 (SGT)

Dissemination Date: 01 Jun 2021 10:27:17 (SGT)

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