

Monthly Overview

September 2017

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Pick of the Month: **Manappuram Finance Ltd.**

Manappuram Finance Limited is an NBFC. MANAPPURAM is the 2nd largest gold finance company spread across India and only two NBFC have pan India presence in gold finance MUTHOOTFINACE & MANAPPURAM. The company is having large AUM of 13379crores. It is having total branches of around 4106 and now share of new business is 19.8%. The Company holds 59.4tones of gold.

The Company operates in financing segment. Its geographical segment includes domestic. Its activities include Gold Loan/Loan against Gold, Money Transfer, Domestic Money Transfer, Foreign Exchange, SME & Loan against Property, Depository Services and Commercial Vehicle Loans. It provides loans against property to self-employed professionals/non-professionals and individuals/proprietorship, partnership and limited companies. It provides Commercial Vehicle Loans to first time users/buyers, captive customers, fleet owners, individuals/proprietorship, partnership and limited companies, and schools and colleges. Its securities available for Dematerialization (Demat) include equity shares, debt instruments, such as bonds and debentures (NCD) government securities, and mutual fund units. It has also been growing its presence across Microfinance, Housing Finance, Vehicle Finance and other aspects of consumer finance.

Diversification is working –

Manappuram Finance enters the non-Gold finance segments in FY14. It has been able to grow these segments to 19.8% of AUM as of Q1FY18 with Asirwad Microfinance constituting the significant proportion with 13.7% of over-all AUM. This diversification has enabled the company to both reduce dependence on gold finance and has opened new segments for growth.

NPAs have been easing –

Post a spike in gross NPA/ net NPA (2%/1.7%) in FY17 Manappuram Finance has seen a sharp improvement in Q1FY18 where both gross NPA / net NPA decline to 1.1%/0.9%.

Manappuram to benefit from the shift from informal to formal and steady gold price outlook:

Specialised NBFCs have operational advantages over banks, and as a consequence they continue to win market share. The shift from the unorganised sector to formal lending is expected to gain traction due to Aadhaar, Jan Dhan and demonetisation. Also, long-term outlook for gold prices remain steady.

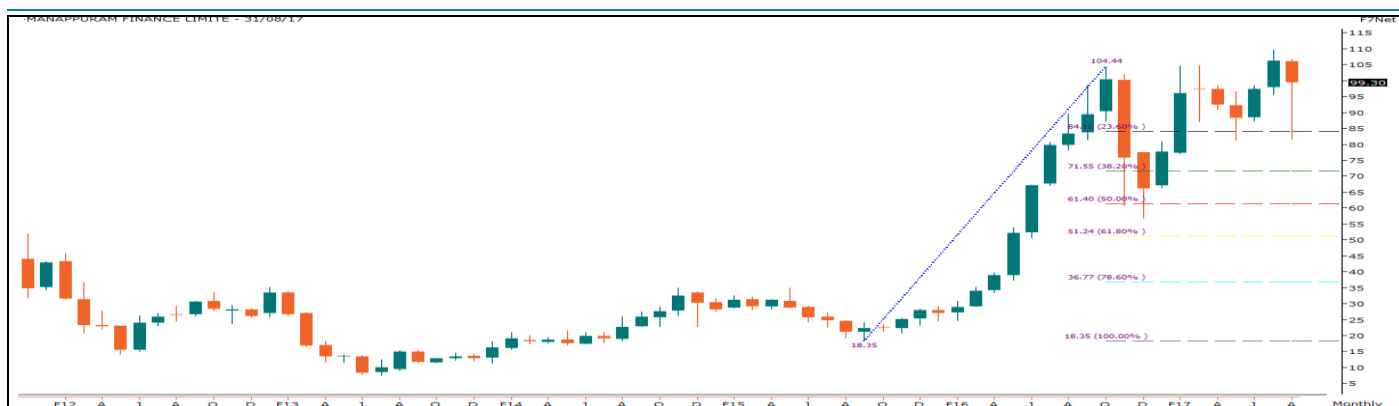
Valuation:

The stock is trading at P/BV of 2.2x/1.9x FY18/19E with a strong RoE of 22%.

Reco Target Price	BUY Rs142
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CMP	99
Target Price	142
Upside Potential	40%+
Market Cap (in cr.)	8600
Period (Months)	12-15
Stock P/E	11.06
Book Value (Rs)	41.16
Dividend yield	2.0%
52 Week High/Low (Rs)	110.4 / 57.8

Technical Overview: Manappuram Finance Ltd.



Source: F7Net

- As depicted on the Monthly chart, the stock rallied from the low of 18.35(Sep-15) to the high of 104.44 (Oct-16) and after that depicted weakness. However, from less than 61.8% retracement level it resumed positive trend with higher-top higher-bottom swing sequence.
- The stock created kind of triangle pattern on the weekly chart and after some weakness it is showing good pick-up since last two weeks.
- The momentum oscillator RSI (14period) is showing bullish bias on the weekly time frame chart.
- On the Daily time frame chart, the stock is showing 'W' formation with supportive volumes while the 14 period RSI is showing bullish diversion.
- The stock is trading above all the important averages i.e. 50DMA (95.6), 200DMA (88.27) and 200Week SMA (45.1).

Based on above mentioned technical & fundamental rational, we can build a long position in the stock with 12-15 months perspective and target can be placed at around 142. We can accumulate the stock in the range of 96-104. We believe the stock is having high-performance prospects with long-term perspective so one can hold the stock for a longer time for better returns.

Nifty Bank - Overview

Monthly Closing	24318	
Monthly High: 25198	Monthly Low : 23822	
Sector Bias:	Neutral	
Support Level:	23820	23100
Resistance Level:	25200	25900

Sector Outperformers

INDUSIND Bank
HDFC Bank

Sector Underperformers

Bank of Baroda
State Bank of India



Source:F7Net

Nifty Bank ended the month of August on a weak note by recording losses of around 3.3% after the robust performance of July month. Nifty bank hit the all-time high of 25198 in the initial trading days of the month but immediately after that started to show declining move. The profit booking dragged the index further down. The fall got arrested in mid-month and the index consolidated with mild recovery. As per the monthly chart pattern, Nifty Bank created a small negative candle with lower wick indicating buying from lower levels. The index reverted before touching the rising trend line resistance level. However, the long-term bias on Nifty Bank remains bullish. After the monetary policy review, the interest rate sensitive banking stocks extended the slide as the policy action failed to boost investor sentiments. During the month PSU banks depicted major weakness as the government decided to move forward with the merger of banks. NBFCs and selected private banks are showing good performance prospects.

Nifty 50 - Overview



Source: F7Net

Nifty Outlook

Nifty gave a positive start to the month by recording the all-time high of 10137 in August. However, it failed to sustain at higher levels and started to show weakness. During the Third Bi-monthly Monetary Policy review held on 2nd August RBI lowered the repo rate by 25 basis points to 6% and retained its neutral policy stance, but pegged its future action to more economic data. Post the policy announcement profit booking dragged the index further down. Nifty showed some recovery from mid-month with volatile trading sessions. Nifty closed the month of August in red by registering losses of around 1.8%. The foreign institutional investors (FIIs) have pulled out around Rs 15996 crore from Indian equities market in August 2017 while DII poured around Rs 16205 crores. Rising geopolitical tensions arising due to the disputes between the US and North Korea may be the reason for FII outflows.

In the month of August, Nifty formed a negative candle with a longer lower wick which is showing buying from lower levels. Nifty has remained weak after a robust performance of the previous month. But still Nifty managed to continue with uptrend sequence of high-top higher-bottom, on the monthly price chart. On the daily chart, Nifty was showing consolidation with a small triangle pattern. However, resistance line is penetrated to the upside by Nifty which is a positive sign. The 14-period RSI placed on the daily chart is also showing positive bias. Overall, the market is showing bull-run impetus so the rallies will be faster and bigger than the corrections or dips. The weakness in Nifty can be expected only if it trades below the recent swing low as well as the monthly low of August-17 of 9685. Any near-term dip in the market should be considered as buying the opportunity to create long in quality stocks with positional perspective. We are expecting the market to rally till 12000 levels by this financial year.

The long-term prospects of Nifty are good as the domestic factors like good progression of monsoon, earnings recovery and reforms measures will improve the qualitative profile of India's economic growth. In near-term Nifty may consolidate till it gets any directional push but consumption-driven companies likely to perform better due to festive demand supported by RBI rate cut. Some stocks like RELIANCE, POWERGRID, and BATA can be accumulated with long-term view while PHILLIPCAR, TATAGLOBAL and CHOLAFIN in small & mid cap space are showing good performance prospects.

Nifty Outlook:			
Short-term	Positive	Monthly Closing	9917
Medium-term	Neutral to Positive	Monthly High	10137
Long-term	Bullish	Monthly Low	9685
		Monthly Bias:	Positive
		Support Level:	9685 9450
		Resistance Level:	10250 10540
		Moving Average	
		Period	SMA
		50 Days	9825
		200 Days	9089
		200 Weeks	8092

Source: F7Net

Event Calendar

Date	Event	Period	Survey	Actual	Prior
01-Sep-17	Nikkei India PMI Mfg	Aug	--	51.2	47.9
05-Sep-17	Nikkei India PMI Services	Aug	--	--	45.9
05-Sep-17	Nikkei India PMI Composite	Aug	--	--	46
08-Sep-17	Trade Balance	Aug	--	--	-\$11449.8m
08-Sep-17	Exports YoY	Aug	--	--	3.90%
08-Sep-17	Imports YoY	Aug	--	--	15.40%
09-Sep-17	Local Car Sales	Aug	--	--	192773
11-Sep-17	BoP Current Account Balance	2Q	--	--	-\$3.43b
12-Sep-17	Manpower Survey	4Q	--	--	15.0%
12-Sep-17	CPI YoY	Aug	--	--	2.36%
12-Sep-17	Industrial Production YoY	Jul	--	--	-0.10%
13-Sep-17	SEA Total Edible Oil Imports	Aug	--	--	1489.1k
13-Sep-17	SEA Crude Palm Oil Imports	Aug	--	--	515.2k
13-Sep-17	SEA Palm Olein Imports	Aug	--	--	294.4k
13-Sep-17	SEA Edible Crude Palm Kernel Oil Imports	Aug	--	--	10.5k
13-Sep-17	SEA Sunflower Oil Imports	Aug	--	--	200.6k
13-Sep-17	SEA Soybean Oil Degummed Imports	Aug	--	--	468.4k
14-Sep-17	Wholesale Prices YoY	Aug	--	--	1.88%
25-Sep-17	Eight Infrastructure Industries	Aug	--	--	2.40%
28-Sep-17	Bloomberg Sept. India Economic Survey				
29-Sep-17	Fiscal Deficit INR Crore	Aug	--	--	63211

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