



Weekly Newsletter

Markets Take a Breather

Markets this week

- The markets started the truncated week on a flat note amid consolidation as investors awaited corporate earnings and outcome of Federal Reserve policy meeting. The markets continued to remain in wait and watch mode on Wednesday. Finally, the market consolidation ended on Thursday as both the Nifty as well as Bank Nifty ended on record closing highs mainly driven by ICICI Bank which gained almost 10% in a single session post its earnings announcement, positive European cues after status quo by Federal Reserve, and cabinet's approval to National Steel Policy 2017 & amendments to Banking Regulation Act also aided market sentiment. All the gains of the previous session were reversed on the last trading session of the week as the markets witnessed profit booking at higher levels.
- NIFTY and SENSEX ended the week in red as they settled below psychological levels of 9300 and 30000 respectively. Nifty ended at 9285 down by 19 points (-0.20%) and Sensex at 29859 down by 60 points (-0.20%). The broader markets marginally outperformed, NIFTY MIDCAP and SMALLCAP index gained 0.69% and 0.19% respectively.
- The biggest sectoral gainer for the week was REALTY as it added 1.59% as the sector was aided by the introduction of RERA. Godrej Properties gained 14.82% and Sobha Ltd. was the other big gainer with an increase of 8.97%.
- The biggest sectoral loser for the week was METAL as it lost 3.93% for the week, fall in global copper prices put significant pressure on the sector. Vedanta and Hindalco were the big losers from the Metal pack, they lost 8.23% and 6.77% respectively.

Corporate updates

- Union Cabinet approved a new framework for faster resolution of stressed assets which includes amendment in Banking Regulation Act. The new framework envisages setting up multiple oversight committees (OC) under the aegis of RBI to monitor progress of the top NPA.
- The Union Cabinet approved the New Steel Policy 2017. The policy aspires to achieve 300 million tonne of steel making capacity translating into additional investment of Rs.10 lakh crore by 2030-31. The policy envisages to domestically meet the entire demand of high grade automotive steel, electrical steel, special steels and alloys for strategic applications and increase domestic availability of washed coking coal, so as to reduce import dependence on coking coal from about 85% to around 65% by 2030-31.
- TCS has been selected by one of Europe's largest utilities companies 'Vattenfall' to provide IT services across multiple European operations including Sweden, Germany and the Netherlands. It is a multiyear partnership in which TCS would be responsible for the development and maintenance of a large number of applications.
- Infosys is planning to hire 10,000 Americans over the next two years and establish four new technology and innovation hubs across the US focusing on cutting edge technology areas. The first hub is expected to come up in Indiana in August 2017.

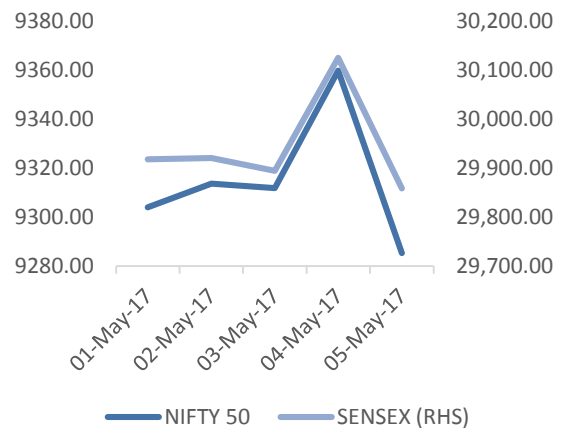
02nd to 05th May, 2017

Indian equity benchmark indices' returns

Broad Indices	WkCl	WkOp	% Chg
NIFTY 50	9285	9304	-0.20%
SENSEX	29859	29919	-0.20%
NIFTY MID 50	4690	4658	0.69%
NIFTY SMALL 50	4154	4146	0.19%

Sectoral Indices	WkCl	WkOp	% Chg
AUTO	10108	10255	-1.43%
BANK	22605	22358	1.10%
ENERGY	11925	12263	-2.76%
FINANCIAL	9164	9066	1.08%
FMCG	23630	23675	-0.19%
IT	10086	9944	1.43%
METAL	2857	2974	-3.93%
PHARMA	9935	10120	-1.83%
REALTY	255	251	1.59%

Benchmark Indices



FII and DII weekly investments (RS Cr)

Action	FII Inv (Equity)	DII Inv (Equity)
Buy	19922	12030
Sell	22016	10152
Net	-2095	1878

Nifty top 5 gainers/losers

Gainers	WkCl	WkOp	% Chg
Indiabulls Hsng	1099	1017	8.04
ICICI Bank	300	279	7.76
Adani Ports	343	328	4.78
Bharti Infratel Ltd.	369	355	3.99
Grasim Inds.	1185	1155	2.6

Losers	WkCl	WkOp	% Chg
Tata Motors	420	459	-8.57%
Hindalco	186	199	-6.77%
Lupin	1251	1338	-6.53%
Reliance Inds.	1333	1395	-4.47%
ZEEL	508	527	-3.67%



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IPO Note – Housing and Urban Development Corp. (HUDCO)



Housing and Urban Development Corporation (HUDCO) is a wholly-owned government company with nearly 46 years of experience in providing loans for housing & urban infrastructure projects in India. Conferred the status of Miniratna (Category-I) by the government, it offers housing finance & urban infrastructure loans primarily to state governments & their agencies which constituted 89.9% of its loan book as on 9MFY17. HUDCOs total sanctioned loans since inception stood at Rs.1,63,140 cr, of which Rs.60,230 cr or 39.0% were housing finance loans and Rs.1,02,910 cr or 61.0% were urban infrastructure finance loans as on 9MFY17. Its total outstanding loan portfolio was Rs.36,390 cr during the same period, comprising of Rs.11,230 cr or 30.9% in housing finance loans and Rs.25,180 cr or 69.1% in urban infrastructure finance loans & project-linked bonds. It also provides consulting services for government housing & urban infrastructure programmes, such as DAY-NULM, JNNURM & PMAY-HFA (Urban), through the appraisal & monitoring of projects. It advises on urban & regional planning, design & development and environmental engineering.

Utilisation of Proceeds

Since the entire issue is an OFS, the company will not receive any proceeds from the issue. The primary purpose is the disinvestment goals of the Government.

Key strengths

- Policy push with respect to Housing for All & urban infrastructure development a significant tailwind.
- Focus on lending to state governments & agencies translate to better asset quality & lower borrowing costs.
- Lower borrowing costs, prudent provisioning & comfortable leverage to help grow loan book & improve return ratios.
- Established track record, profitable since inception and a strong financial position.
- Pan-India presence and strong relationships with state governments and their agencies.
- Unleveraged balance sheet to boost growth without raising capital, making it ROE Accretive

Recommendation

HUDCO’s dual focus is toward infrastructure development & housing finance, these sectors have emerged to be of primal focus for the Centre and this bodes well for the company. These sectors also have vast untapped opportunity in India. With close to 90% exposure of its loan portfolio coming from state governments & their agencies, it has managed to maintain its AAA rating and gain access to a diversified & low cost funding base.

At the issue price band of Rs. 56-60, the stock is offered at 1.25x-1.35x its 9MFY2017 BV, which we believe is an attractive price, this along with its long standing relationships with state governments, comfortable NIM & debt position, ability to raise funds from a wide variety of institutional & non institutional sources, healthy asset quality & prudent approach makes it an exciting long term proposition. Keeping all this in view, we recommend **SUBSCRIBE to the issue.**

Details of Issue

Price Band (INR)	56-60 (INR 2 discount for RII)
Issue Size (INR Cr)	1,210
Opening Date	08 th May,2017
Closing Date	11 th May,2017
Finalisation of basis of allotment	17 th May,2017
Initiation of Refunds	18 th May,2017
Listing Date	19 th May,2017
Retail Allocation	35%
Offer for Sale	20.4 cr shares
Fresh Issue (INR Cr)	NIL
Face Value (INR)	10
Bid Lot	200
Listing on	NSE & BSE

Key Financial Ratios

Particulars (Rs cr)	9MFY17	FY16
Revenue	2,613	3,253
PAT	496	811
NII	1,104	1,345
Net worth	8,908	8,412
NoF	8,836	8,343
Borrowings	24,843	25,609
Profitability ratios:		
NIM	4.30%	4.10%
D/E ratio	2.8	3
Spread	2.10%	2.10%
Cost/income	13.10%	13.70%
Return on avg assets	1.80%	2.40%
ROE	7.60%	10.00%
Asset quality ratios:		
Prov coverage	79.00%	70.60%
GNPA (%)	6.80%	6.70%
NNPA (%)	1.50%	2.10%

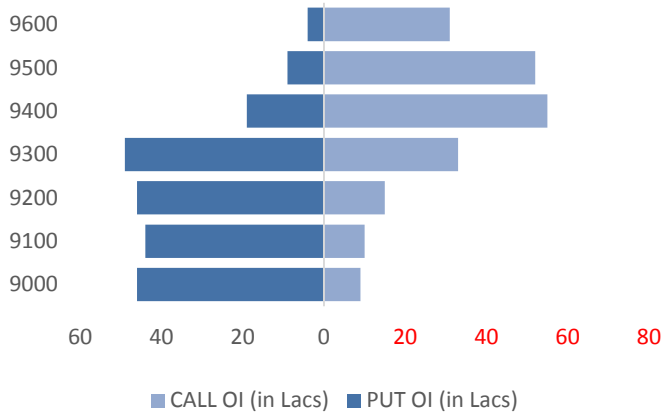
Shareholding Pattern (%)

	Pre	Post
Promoters	100	90
Others	NIL	10



Weekly Newsletter Markets Technical View

NIFTY Index Option Open Interest



Maximum put open interest was seen at 9300 followed by 9200 with 49 lakh and 46 lakh contracts respectively. 9200 PE had accumulated 34 lakh contracts. 9000 and 9100 saw maximum put addition and will act as a crucial support.

Fresh call writing was seen at 9400 with 55 lakh contracts which will act as a key resistance for the index for the current expiry. While strike prices 9300 had 33 lakh contracts and 9500 had 52 lakh contracts respectively. The put-call-ratio (PCR) stands at 1.02.

Resistance	R1 – 9315	R2 – 9350	R3 – 9400
Support	S1 – 9257	S2 – 9200	S3 – 9136

Market Outlook

Indian bourses reversed their weekly gains to close on a negative note below 9300, but took support at the gap up level at 9270. Global indices also displayed mixed cues throughout the week, the French election results will be watched closely early next week but analysts do not expect a major reaction unless Emanuel Macron loses. FIIs were net sellers for a second consecutive week while DIIs continued to be net buyers.

The gap up area of 9220-9270 is now firmly established as a strong support. The index has to stay healthy above 9260 to see 9350-9420. On the flip side, a breach of 9230 will take the index towards 9170-9080. The overall trend continues to be positive and any dips can be viewed as buying opportunities.