

# NBFCs weathered DeMo storm

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**T**HE performance of top NBFC stocks since demonetisation has been diversified. These stocks were in a bull run phase over the last one year and served those who found it difficult to do business with banks. NBFC stocks have given phenomenal returns as compared to bank stocks that had taken a hit due to their asset quality issues in March-April last year.

They had been outperforming the markets earlier, which makes their one-year return much superior to that of banks. However, the micro finance institutions – they operate in a high cash environment – saw their stocks suffer November 8 onwards due to cash crunch following the demonetisation of high-value currency notes.

An analysis of stocks' performance of top 35 NBFCs by market capitalisation shows two separate sets of impacts following demonetisations. In the first, NBFCs that operate in metros and urban locations saw positive impacts of demonetisation and their share price move up sharply. As a result shares of rural-focused NBFCs fell since demonetisation was kicked off. Their returns since November 8, 2016 showed a huge fall led by Shriram City Union Finance (-17.94 per cent since demonetisation/30.27 per cent in last one year); Mannapuram Finance(-13.57 per cent/154.22 per cent); Cholamandalam Investment & Finance Company (-12.21 per cent/41.39 per cent); Mahindra & Mahindra Financial Services (-10.15 per cent/29.01 per cent); Repco Home Finance(-8.65 per cent/11.55 per cent); Equitas Holdings (-7.77 per cent/Not available); Muthoot Finance (4.89 per cent/94.56 per cent); Ujjivan Financial Services (-2.92 per cent/NA); Shriram Transport Finance(-2.09 per cent/10.71 per cent) and Bharat Financial Inclusion (-1.95 per cent/51.94 per cent).

Vishal Rampuria and Darpin Shah, analysts at HDFC Securities in a report on Repco Home Finance, which deals in small ticket size housing loans mostly to the self-employed category said, "NPAs have shot up post demonetisation, led by slippages in the big ticket LAP (loans against property) book. Management is confident of recovery, as slipped loan

## Stock performance of top NBFCs

Company	Returns after demonetisation (%)*	One-year return (%)
Housing Development Finance Corporation Ltd	3.86	23.6466
Bajaj Finserv Ltd	34.36	148.2991
Bajaj Finance Ltd	17.78	74.8736
Indiabulls Housing Finance Ltd	15.23	40.3421
Power Finance Corporation Ltd	25.59	68.4204
Rural Electrification Corporation Ltd	30.72	93.9655
LIC Housing Finance Ltd	6.41	22.2489
Shriram Transport Finance Company Ltd	-2.09	10.7145
Bajaj Holdings & Investment Ltd	-6.05	44.0313
L&T Finance Holdings Ltd	17.35	92.3381
PNB Housing Finance Ltd	10.5	
Mahindra & Mahindra Financial Services Ltd	-10.15	29.0162
Sundaram Finance Ltd	16.65	24.6036
Cholamandalam Investment & Finance Company Ltd	-12.21	41.3906
Max Financial Services Ltd	-0.89	70.0638
Reliance Capital Ltd	16.17	55.5233
Muthoot Finance Ltd	-4.89	94.5603
GRUH Finance Ltd	14.34	55.697
Shriram City Union Finance Ltd	-17.94	30.2726
IIFL Holdings Ltd	21.58	95.6454
Edelweiss Financial Services Ltd	22.7	135.5728
Bharat Financial Inclusion Ltd	-1.95	51.9496
Dewan Housing Finance Corporation Ltd	13.26	88.1652
Motilal Oswal Financial Services Ltd	31.16	153.4054
IDFC Ltd	-15.84	38.9543
Manappuram Finance Ltd	-13.57	154.2203
Capital First Ltd	2.13	69.9903
JM Financial Ltd	-8.21	100.5019
Can Fin Homes Ltd	21.25	101.6822
Equitas Holdings Ltd	-7.77	NA
Ujjivan Financial Services Ltd	-2.92	NA
IFCI Ltd	20.08	21.5606
SREI Infrastructure Finance Ltd	2.81	60.8423
Repco Home Finance Ltd	-8.65	11.5573
Max India Ltd	8.07	NA
Religare Enterprises Ltd	-18.95	-24.7516

Source: Capitaline | \* Figures for the period between Nov 8, 2016 to Mar 22, 2017

against property loans have loan to value (LTV) under 50 per cent."

"The recent demonetisation move has also increased stress, with gross NPAs going up to 4.2 per cent in

3QFY17," the analysts added.

The NBFCs saw their shares move up between November 8 and March 22 along with their record-breaking one-year period performance.