WiseBasket
Pre-Researched Stock Portfolio

Prudent Broking
Money through wisdom

Bank Basket

Without credit circulation, our economy will not be able to survive. Given this scenario, can you afford to ignore financing stocks?

There is a strong reason why financials comprise 40% of Nifty 50 index and here is a portfolio we have constructed comprising the best banks of India. This portfolio will benefit from the revival in corporate credit cycle and increasing culture among millennial of taking retail loans.

Why Should you Invest in this Portfolio!

Bank Nifty has Delivered Fantastic Returns for Investors

Capacity Utilization Levels of Manufacturing Units in India is Reaching 75%+ Levels Triggering a New Investment Cycle

Gross Non-Performing Asset Cycle Nearing its End

Bank Nifty has Delivered Fantastic Returns for Investors

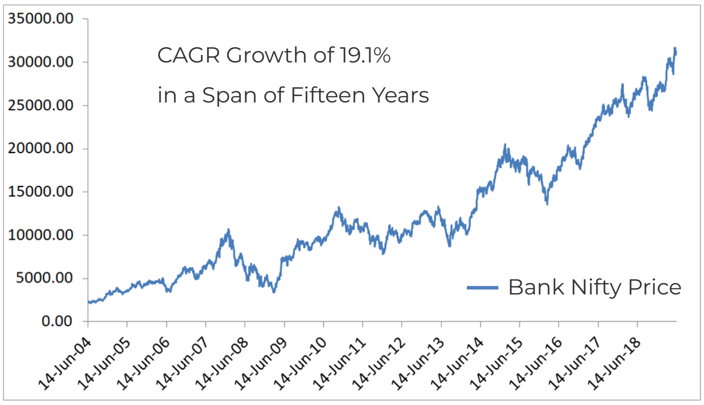
Investors have made decent money by investing in banks especially the private sector ones. And this is validated by the table below which reflects the Bank Nifty returns over different time periods.

Particulars	15 yrs	10 Yrs	5 Yrs	3 Yrs
Bank Nifty Returns	19.1%	15.9%	15.4%	20.8%

Source: ACE Equity

And here is a chart which shows the Bank Nifty movement over fifteen years.

Bank Nifty Price Movement over Fifteen Years



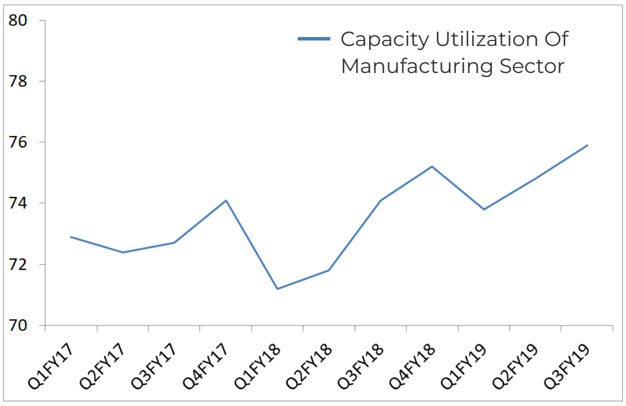
Source: ACE Equity

An investment of Rs 1 lakh fifteen years back in Bank Nifty would have grown to almost Rs 13.8 lakhs. However, if you would have invested the same amount in bank fixed deposit and considering a CAGR of 9% returns in this instrument, a person would have got Rs 3.7 lakhs. **Hence, investing in Bank Nifty has led to additional inflows to the tune of a massive Rs 10.1 lakhs.**

Capacity Utilization Levels of Manufacturing Units in India is Reaching 75%+ Levels Triggering a New Investment Cycle

Current capacity utilization level of Indian manufacturing unit is inching higher and has reached levels of 76% in December 2018. As capacity utilization reaches 80%+ levels, there will be a need to increase capacities which will drive the new investment cycle. As investment cycle picks up, the need for corporate credit will arise, in-turn boosting the loan growth for these banks. As Non-Banking Finance Companies (NBFC) are facing liquidity issues, banks will be the biggest beneficiaries of this revival in corporate credit cycle.

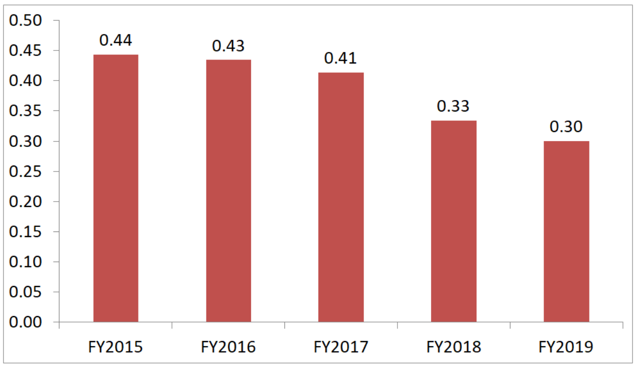
Capacity Utilization Of Manufacturing Sector



Source: RBI Survey

Not only this, the appetite to take leverage on the balance sheet has improved significantly for Indian listed companies. This is evident from the reducing total debt/equity ratio and increasing interest coverage ratio from 2015 to 2019 as seen in the chart below.

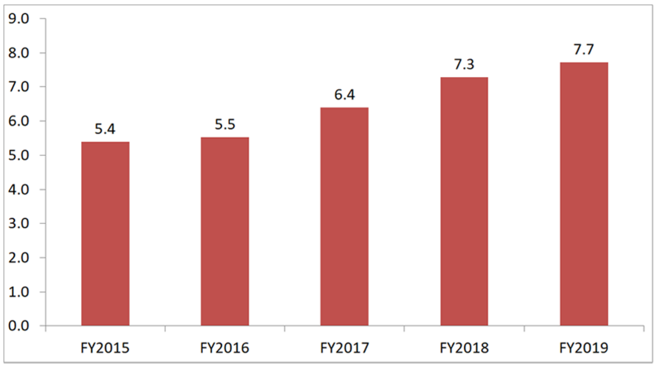
Median Debt/Equity of Nifty 500 Companies



Source: ACE Equity

Median Debt/Equity of Nifty 500 Companies

Median Interest Coverage of Nifty 500 Companies



Source: ACE Equity

Median Interest Coverage of Nifty 500 Companies

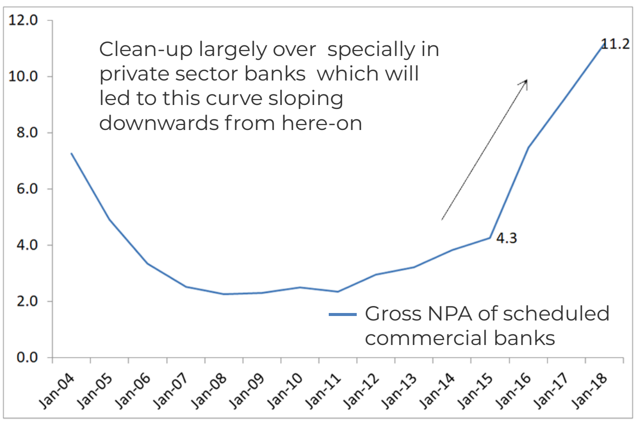
As Indian companies have reduced its total debt/equity ratio significantly since 2015, it now has the balance sheet strength to take on more debt in order to set up new factories or expand its current manufacturing units.

Gross Non-Performing Asset Cycle Nearing its End

Clean-up exercise undertaken by Reserve Bank of India (RBI) led to a huge rise in bad loans. Gross Non Performing Asset (GNPA) rose to 11.2% in March 2018 from 4.3% in March 2015.

Having said that, provisions have been made for these bad loans and the clean-up is largely over.

Gross NPA of Scheduled Commercial Banks as a % of Gross Advances



Source: RBI Website

Banks have started reporting lower slippages beginning March 2019. This will lead to lower provisioning and higher profits for the banks in the coming years.