Major events cancelled, Travel bans, Mass gatherings prohibited, Stock markets collapse………

The ongoing spread of the new coronavirus has become one of the biggest threats to the global economy and financial markets. The virus, first detected in the Chinese city of Wuhan in December 2019, has infected more than 185,372 people in at least 162 countries and territories globally, according to the world meters of those infected, more than 7182 people have died so far.

Covid-19 outbreak as a pandemic has resulted in increased nervousness among investors. As far as domestic stock markets are concerned, the free-fall has led to a significant rise in the volatility index, which indicates that investors still remain worried about the prevailing economic disruptions caused by the coronavirus outbreak.

COVID-19 not only effecting human life but also crating slowdown not only the Chinese economy but also in the global economy. China in last decades has become the central manufacturing hub of many global businesses. Any disruption of China's output is expected to have repercussions elsewhere through regional and global value chains.

According to Government estimate, India's economic growth could take a hit of up to half a percentage point in FY21 because of the disruptions caused by the Covid-19 outbreak but economists believe a deeper cut of up to one percentage point. Growth in the first two quarters of the next fiscal could be as low as 4-4.5%. The economy is forecast to grow 5% in current fiscal, the slowest in 11 years. The Economic Survey had forecast 6-6.5% rise in FY21, but Covid-19 has hurt recovery prospects.

Not just India but markets around the globe have witnessed carnage over the past few weeks due to the coronavirus outbreak. From Dow Jones in the US to other major markets in the world, each one has registered serious collapse due to rising doubts over the total financial impact of the virus outbreak.

As the virus keeps spreading across the globe rapidly, analysts expect the carnage to continue until there is a global decline in new positive cases. Fortunately in China no of new cases are decreasing but in counties like USA, Italy and Iran is still showing rising new cases which is disturbing the sentiment of the global market.

With over 20% cut in key benchmark indices, all major countries including Indian equity market has entered the bear market territory. So investors should remain cautious and not jump in hurry because despite this deep cut, our broader market is still not in cheap valuations zone due to earnings impact due to this pandemic. However, one cannot deny that risk is low here due to lesser leverage in India compared to other markets.

World stock market reaction

USA	**FTSE**	**DAX**	**CAC**	**NIKKEI**	**SENSEX**	**CRUDE**
-29%	-33%	-35%	-36%	-28%	-26%	-54%

Just like pharma will benefit from the Covid-19 spread, there are several other sectors that will directly benefit from the fall in crude oil. "Sectors like paints, speciality chemicals, cement, pvc pipes, etc will benefit due to fall in crude prices and therefore, are worth betting on now. Investor with a 3-5 year view, this is a fantastic time to start investing. However, further fall of 8-10% cannot be ruled out due to higher volatility in the market.

Keeping in mind all these factors we have selected few large cap companies and made a large cap portfolio, which we feel can outperform the market in long term:

COMPANY	SECTOR	% ALLOCATION	BUYING FREQUENCY
RELIANCE INDUSTRIES	REFINERY	10%	5%+3%+2%
ICICI BANK	BANK PVT	12%	6%+3%+3%
HDFC LTD	NBFC	10%	5%+5%
BHARTI AIRTEL	TELECOM	7%	4%+3%
IGL	OIL & GAS	7%	4%+3%
VOLTAS	WHITEGOOD	7%	4%+3%
TATA CONSUMER	FMCG	8%	4%+4%
TCS	SOFTWARE	12%	6%+3%+3%
ASIAN PAINTS	PAINTS	10%	4%+3%+3%
ULTRATECH	CEMENT	10%	5%+5%
HDFC AMC	WEALTH MGMT	10%	5%+2%+3%
STATE BANK OF INDIA	BANK PSU	5%	3.5%+1.5%

Reliance Industries

Reliance Industries Ltd. is one of the largest private sector companies in India with businesses in hydrocarbon exploration and production, petroleum refining and marketing, petrochemicals, retail and telecommunications. In Q3FY20, there was a robust growth in Digital Services at 36.1% YoY whereas Organized Retail segment registered a growth of 27.4% YoY. Share in revenue of Digital services and Retail sector also increased at 8% and 22% with a growth of 38% (YoY) and 30% (YoY) respectively. Jio's subscriber base increased 32.1% YoY to 370mn; addition of 37.1mn users in Q3. ARPU improved to Rs. 128 from Rs. 120 in Q2, due to increase in subscribers and IUC revenue. Retail store count 11,316; 456 new stores added during the quarter with 26.6% YoY increase.

The Retail and Digital services are the emerging business in Reliance, digital Service business is expected to expand further due increasing base of subscribers, however Refining and Petrochemical business is expected to continue under pressure for some time due to decrease in crude oil price and slowed in demand due to coronavirus. In an effort to become a net debt-zero company, Reliance Industries had entered into a memorandum of understanding with Saudi Aramco to sell a minority stake in its oil-to-chemical business at an enterprise valuation of $75 billion. The Deal is expected to complete this year. Further Reliance is aiming to list its consumer businesses Reliance Jio and retail arm Reliance Retail in next five years which will unlock value for the company. Coronavirus impacted the Refining and Petrochem business of Reliance; however, in a longer term company is expected to perform well on back of strong fundamentals and strong growth in Digital Segment.

Bharti Airtel

Bharti Airtel Limited is a leading global telecommunications company with operations in 16 countries across Asia and Africa. The company had over 419 million customers across its operations at the end of Q3FY20.The group witnessed highest ever 4G subscriber additions at 21mn during the quarter primarily due to IUC tariff charge by JIO. Airtel Africa posted revenue of $883 million in Q3FY20, up 14.2% year-on-year from $783 million, largely driven by improved performance in the 'Rest of Africa' region, supported by solid results in Nigeria and East Africa, this is now the eighth consecutive quarters of double digit revenue growth on YoY basis and improving EBITDA margins. The company successfully raised Rs. 21,502cr of funding through a combination of fresh equity issuance via qualified institutional placement (QIP) and issue of convertible bonds.

In Q3FY20 ARPU was at Rs. 140. The company expects ARPU's to reach Rs. 300 in long-term, allowing them to generate a RoCE of 15.0%. We expect improvement in market share, increased ARPU's and easing liquidity pressure post recent funds raising despite AGR overhang. Airtel is also poised to benefit from IUC charges as JIO started charging subscribers on interconnect usage fee. As per the Fitch rating Bharti Airtel is likely to gain 30 million mobile users in FY21, after the increase in tariff and equity injection. Increasing Subscriber base and rise in tariff will improve EBITA of the company also injection of equity will help to lift the liquidity pressure due to AGR dues; hence we are bullish on this stock.

Indraprastha Gas Limited

Indraprastha Gas Limited is India's leading natural gas distribution companies. The Company supplies compressed natural gas (CNG) to the transport sector and piped natural gas (PNG) to the domestic, industrial and commercial sectors in Delhi and the National Capital Region (NCR). IGL has 524 CNG stations, 12.93 lacs residential consumers and 5300 industrial / commercial customers. The rise in environment awareness & regulations has prompted the need for CNG conversions in Delhi, thus benefiting IGL's CNG volumes at 4.9 mmscmd in Q3FY20 (up 9.2% YoY). On the PNG front, volumes increased 18.7% YoY to 1.8 mmscmd.

The government has set a target of taking piped gas service from 55 lakh at present to 4 crore in the next 3-4 years. The number of CNG stations is expected to increase to 10,000 by 2024 as more cities get city gas service. In Budget it is proposed to expand the national gas pipeline from the present 16,200 km to 27,000 km, this will help IGL to expand its business. The company is ready with an Rs 1,100 crore investment plan for expanding CNG stations and pipeline network to meet an expected double-digit growth in city gas demand in 2020-21. The company will have 559 CNG stations by the end of the month and plans to add another 60 in 2020-21. IGL took piped gas to 2.8-3 lakh homes in the current fiscal and will maintain the same pace in 2020-21. The coronavirus outbreak and its subsequent impact on LNG demand has led to spot LNG prices further dropping to $ 3.1 per mmbtu in March, the low prices would result in lower gas costs for IGL. In Budget it is proposed to expand the national gas pipeline from the present 16,200 km to 27,000 km, this will help IGL to expand its business across the country.

Voltas

Voltas Limited a part of Tata group is an air conditioning and engineering company. Its operations are classified under three major business segments: Unitary Products, Engineering Projects, and Engineering Products and Services. The company continued to hold No 1 position in room air conditioner business with YTD market share of 24.3% despite stiff competition. Unitary Cooling Products (UCP) segment revenue in Q3 December 2019 registered growth of 14%, through its new Home Appliances JV brand, Voltas Beko, the Company has launched a wide range of Refrigerators, including the Direct Cool refrigerator series. The Company has also increased the portfolio of Washing Machines and Dishwashers. In Budget Govt. increased the duties on AC Components which Voltas decided to pass on customers and will increase the prices of ACs from 3% to 5% in March 2020. IMD's March-May forecasts suggest average temperature is expected to be warmer than usual. Demand environment should enable easy absorption of price hikes. The rapid spread of the Coronavirus threatens to disrupt component supply chain from China as the lead time of shipment is 15-20 days which will adversely impact the Air Conditioner companies. However, Voltas is adequately covered with inventory for 4QFY20 and will be able to explore alternate sources such as Korea and Thailand. We expect Voltas will continue its leadership position on the back increasing product portfolio.

ICICI Bank

ICICI Bank is India's second largest private sector bank and has a network of 5,275 branches and 15,589 ATMs across India with 50% of branches in semi-urban and rural areas. The bank's loans and advances grew 12.6% YoY in Q3FY20 to Rs. 635,654cr primarily driven by growth in domestic retail loan book. Net Interest Income increased 24.3% YoY, Net interest margin expanded 37bps to 3.77% in Q3FY20. The Gross and net NPA ratio improved to 5.9% and 1.5% at Q3FY20 end vs. 6.4% and 1.6%, respectively at Q2FY20 end, largely driven by recoveries.

The bank is operating at healthy capital position with a total capital adequacy ratio at 16.5% in Q3FY20. Balance-sheet of the bank has now strengthened remarkably over the years with lower concentration of large borrowers, rise in granular retail loans and increase in lending to better rated corporates. The Bank has subsidiaries with strong businesses includes ICICI prudential Life Insurance, ICICI Lombard General insurance, ICICI Securities that will unlock value for the bank. With strong balance-sheet, the bank is now well-placed to participate in multi-year strong credit growth. We Expect that asset quality of bank further improve in near future and will help it to strengthen its balance sheet.

HDFC Ltd.

Housing Development Finance Corporation Limited provides housing finance to individuals and corporates in India. HDFC also provides construction finance to real estate developers and provides lease financing. HDFC's loan book increased 13.4% YoY to Rs. 441,472cr in Q3FY20 (Rs. 426,739cr in Q2FY20). Individual loan book rose 16.4% YoY, while non-individual loan grew at 6.2% YoY during the quarter. The individual loan approvals and disbursements rose by 15.0% and 13.0%, respectively.

The Company is focusing on quality of non-individual loans on the back of uncertainty and risk aversion in the lending environment. Individual loans are expected to support earnings in the upcoming quarters. HDFC is one of the few large lenders in India with substantial ownership stakes in subsidiaries which are full-scale and leaders in their respective industries. HDFC Ltd because of strong brand has been able to raise funds at competitive rates and withstand the current tight liquidity environment. Given the healthy individual loan growth with focus on affordable housing, stable margins and comfortable asset quality, we believe HDFC Ltd is well positioned for multi-year growth.

SBI

SBI is the largest commercial PSU bank in India. Bank operates 21,959 branches globally and has a vast network of 58,599 ATMs/CDMs. It provides a wide range of financial services, such as insurance, credit cards and asset management, through its subsidiaries. Higher provisions for legacy stress coupled with slow credit growth impacted operational performance in the past. State bank of india reported a strong quarter, supported by NCLT recoveries, improving fee based income trends and controlled Opex driving healthy Pre-provision operating profit (PPoP) growth.

SBI reported a strong operating performance in a tough quarter but the management continues to be confident that balance sheet has been repaired and guides for a strong recovery in coming year. There are so many subsidiaries of SBI like SBI life insurance (Mcap 71661 cr.), SBI general insurance, SBI Asset management, SBI capital Market, SBI card and Payment (Mcap 69271 cr). Going forward SBI unlock the value by way of listing these companies. With the current market cap of 199,331.20 Cr. it seems undervalued. We maintain BUY recommendation for the company as we feel in entire PSUs SBI will be outperformer in coming quarter.

TATA Consumer

Tata group announced a restructuring of its consumer products business under the umbrella of Tata Consumer Products Ltd. The developments have transformed Tata Consumer from a beverages company to an FMCG enterprise. The transfer of the consumer products business of Tata Chemicals has transformed Tata Consumer from largely a beverages company to an FMCG (fast moving consumer goods) enterprise. It has brought new vigour to the company, which was otherwise stuck in a low growth trajectory.

New restructured entity to be renamed tata consumer and have Mcap of 26955 Cr at cmp of Rs. 282. Brands like Tata Tea, Tata Salt, Tata Sampann, Tetley and many more under single roof will be managed more efficiently. Management seems to be very aggressive - new products are being launched in very 3-6 months. Moreover it seems that it is targeting to become a global consumer company. Tata Consumer’s operating profit margin of less than 15% lags the FMCG sector’s average of about 20%. With valuations already seeing significant expansion, the new CEO will have to quickly deliver merger benefits. We believe that the company’s diversified product portfolio and its innovation driven approach has helped its steady performance during challenging times. Tata Consumer Products would be in a unique position to leverage the strong brand, wider product portfolio and distribution reach to serve the growing aspirations of consumers across the country.

TCS

TCS is a leader in the global IT services space with the most consistent strategy and execution resulting in market share gains and growth across cycles. The company reiterated its focus on investing heavily in up skilling mid-level employees. In addition, it was also indicated that attrition is not being looked at as a management tool. TCS is proactively focusing on “Less is more” philosophy of clients despite the ν near term deflation impact it can have on volumes. TCS is a pioneer in IT services globally with strong execution across geographies, strong delivery team, consistent strategy which helps them to win wallet shares gains & helps them to deliver cross selling services in tight pricing environment. Management commentary in Q3FY20 earnings call was more optimistic on key verticals as challenges bottom out. We expect TCS to deliver 6% revenue CAGR & EPS CAGR of 7% over FY20E-22E and it will give handsome return to investor in coming year.

Asian Paints

Asian paint is the market leader in the Indian paint manufacturing industry with a market share of 60% in decorative segment. Introduced few products in distemper category – this has led to revival of distemper category. Rural and small towns continue to grow faster. The entire coatings business, however, benefited from benign raw material price environment. The domestic paints industry commands strong pricing power, which is evident from frequent price hikes amidst inflationary raw material prices; moreover, price cuts happen with a lag in a deflationary environment. Asian paints are expected to grow ahead of the market on account of its pricing strategy at the lower end, higher growth in premium products, brand equity and distribution strength. However, moderation in real estate and auto segments can act as barrier. Due to drastically fall in crude oil and raw material prices (monomers and TiO2) is expected to enhance the margin we believe, even if the inflationary pressure returns, Asian paints has pricing power to deal with it.

Ultra tech Cement

UltraTech Cement Ltd. is the largest cement manufacturer in India, and is involved in production of grey cement, white cement, and Ready Mix Concrete (RMC). Company completed the acquisition of Century Cement on October 1, 2019. The company has been witnessing improvements in demand from states such as Odisha, West Bengal, Jharkhand, Bihar, Tamil Nadu, Maharashtra, Rajasthan, Telangana & MP etc. Cement consumption to grow gradually along with increase in government spending in Highways, affordable housing and housing for all, modernization of metros. We expect the demand to recover with revival of real estate and infrastructure projects. Continued capacity expansion, improved contribution from acquired assets, increased synergies between existing assets and deleveraging of balance sheet are expected to drive company’s performance going forward.

HDFC AMC

HDFC Asset Management Company Ltd. is one of the largest asset management companies (AMC) in India. The company is investing heavily in technology to have strong digital foothold, as 69.1% of its transactions came from website and app platform and the trend is expected to continue. Company’s redemption rate in equity mutual fund is lower than that of the industry. Mutual funds have been growing at more than 20.0% over the last 5-6 years compared to 9.0%-10.0% growth clocked by bank deposits. Growing acceptance of mutual fund by retail investor provides huge opportunity for the industry. The company will continue to focus on international business (AUM US$1.8bn). It manages funds for advises international clients including high quality sovereign funds and institutions on their Indian investments. Currently, the company is in dialogue with a number of people who could provide international mandates. According to our analysis Company has reasonable valuation at the current price hence, we can buy this stock for medium to long term point of view.