Impact of COVID-19 on Indian Stock Market

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Abstract - This project aims to inform about the impact of Covid-19 on Indian economy. It aims on providing the impact of the Covid-19 on four different sectors i.e. Information Technology (IT), Banking, Realty and Pharmaceutical. We have used regression and event study method for hypothesis testing to find out the influence of an event (Covid-19) on the change in stock prices of the company and reaction to information disclosure. The companies used in our research paper are Infosys and Tata Consultancy Services from the Information Technology sector, HDFC Bank and ICICI Bank from the Banking Sector, Britannia and Godrej Consumer Products from the FMCG sector and Dr. Reddy and Sun Pharma from the Pharmaceutical sector.

Index Terms— Indian Stock Markets, COVID-19, Regression Analysis, Indian Economy, National stock exchange, Financial Markets, Profitability.

Introduction

Indian economy has been experiencing a noteworthy slowdown over the past few quarters. In the third quarter of financial year 2019-2020, the Indian economy grew at a six-year low rate of 4.7%. Invest and consumption demand has been falling and many stimulus measures had been taken by the government to bring back the economy. The government had a strong hope of recovery in the last quarter of the financial year 2019-2020. However, the coronavirus epidemic has made the retrieval difficult in the near term. The epidemic has offered new challenges for the Indian economy which will cause severe impact on the demand and supply elements of the economy which can likely derail India's growth story.

Impact on Financial Market

The uncertainty of the rise in cases and no proper treatment available for the coronavirus led to high volatility in the market which further lead to huge crashes and wealth erosion which impacted the consumption levels of the economy. A major slide was seen in the domestic equity markets on march 12 when both BSE Sensex and NSE Nifty crashed by more than 8% in a single day following the trend of the global equity markets. The fall reportedly wiped out Rs. 10 lakh crores of market capitalisation in a single day. The NSE Nifty fell by 868 points whereas BSE Sensex fell by 2919 points. The fall continued as investors resorted to relentlessly sell amid rise in coronavirus cases. The market then plunged to a new low on March 19 when Sensex closed 581 points lower a 28288 and Nifty fell 205 points to end at 8263. The worst was seen on March 23,2020 when Nifty was halted from trading for 45 minutes during the early deals when it reached the circuit of 10%. Nifty had hit the lower circuit for the first time since May 2009 in the opening deals. Nifty tanked 1135 points or 13% at the end of the day and closed at 7610. The BSE Sensex closed 13% below at 25981 levels with all 30 constituents ending in the red. With the fall on March 23, Rs.13.88 trillion was lost and in the month of March investors lost around Rs. 56.22 trillion. (Standard, 2020)

Impact on Demand Side

The Covid-19 epidemic caused a great impact on the tourism, hospitality and aviation sector. Malls, shopping complexes, airports and theatres were closed in the lockdown which affected the consumption of both essential, discretionary items and travelling. Consumption also got impacted because there were many layoffs and reduction in

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salary for employees and no income for daily wage earners as several sectors had to slow down their activities. As the fear and panic started increasing among consumers, it led to postponement of purchasing decisions. Travel restrictions severely impacted both the transport sector and hospitality sector as there were large scale cancellations from business travellers as well as tourists.

Impact on Supply Side

Many Indian manufacturers were affected as there were shutdown of factories which led to delay in supply of goods from china as they sourced their intermediate and final product requirements from China. Sectors like automobiles, pharmaceuticals, electronics, chemical products etc are facing shortage of raw materials and component. This has obstructed business sentiments and affected the production schedule as well as investments of various companies of India. India's exports are also affected because of slowdown in manufacturing activity in Asian markets. (FICCI, 2020)

Impact on International Trade

The impact of coronavirus has impacted the exports of Indian products like sea food, petrochemicals, gems, jewellery etc. to China. The fisheries sector alone anticipated to incur a loss of more than Rs.1300 crores due to the export restrictions. India exports approximately 34% of its petrochemicals to China. This will lead to a reduction in prices of petrochemical products as due to export restrictions, finding a new market for the products will be tough. The pharmaceutical industries import approximately 69% of its intermediaries from China which will be affected. The electronic industries import approximately 67% of their components from China. Indian industries will face a high increase in cost of production because of the export restrictions. India's impact due to the coronavirus epidemic is expected to be about $348 million. (M.G Arun, 2020)

Literature Review

- **Impact of covid-19 on the Indian economy**

According to the UN report, India seems to be in the top 15 most affected countries in the world as China has halted its manufacturing process. The trade impact is estimated to be at 348 million dollars. According to the Asian Development Bank, the trade impact would be somewhere between 387 million $ to 29.9 Billion $. In India, the chemical sector has been affected the most with a 129 million $ trade impact hit, textiles and apparels at 64 million $, automotive at 34 million $, electrical machinery at 12 million $, metal and metal products at 27 million $, leather products at 13 million $ and wood and furniture products at 15 million $. A drop in China's manufacturing Purchasing Manager's Index (PMI), directly affects India as it electronic imports account for 45% from China. Around one-third of machinery and two-fifths of organic chemicals that India purchases come from China. Around 65% – 70 % of pharmaceutical ingredients and 90% of certain mobile phones come from China to India. (Kumar, 2020)

- **Effect of Covid-19 on Indian economy and Supply chain**

The global pandemic of coronavirus has had an adverse effect on all economic activities in India. Economist Keynes had once suggested the concept of trade cycles after a great depression. The fourth stage is to measure the country's real GDP and growth rate. IMF has projected a GDP of 1.9%, India's worst growth performance since liberalization policy of 1991. In India, the impact on real or predictive sectors of the economy is worse than that of the 2008 financial crisis. The impact on the financial sector has led to a stock market crash, liquidity crisis as it began to drain out from the global market in the banking system and various changes in the monetary market. The pandemic has hit the Indian economy dream of reaching a USD 5 trillion with a 7% GDP by the year 2024. The virus has deeply affected our supply chains and manufacturing operations. It continues to do so daily. It has already forced major European economies and the US to shut down its operations and it will continue to do so in developing nations like India. The virus has resulted in an 8% crash on BSE Sensex and Nifty Fifty on a single day on March 12 and it reportedly wiped off 10 Million in a single day. (Shruti Agarwal, 2020)

- **Impact of COVID-19 on the Indian Economy**

This paper talks about how the pre-covid period will result in a long-lasting problem for India post-covid. The GDP has a downward trajectory since 2015-16 and unemployment had reached a 45 year high. GDP growth slowed down to 4.2% in 2019-20, its lowest since 2002-03. Consumption expenditure has been falling, for the first time in decades. The banking sector, the sector that everyone would turn to in this crisis is badly broken. The PSUs have been dealing with a mountain of losses in Non-performing assets. The virus caused a major disruption in demand and supply which is expected to likely continue even after the lockdown in lifted. Consumption, Investment and exports are remained to be subdued for a long period of time. Widespread supply chains disruptions will continue for a while owing to lack of raw materials, slowing global trade, exodus of a million of migrant workers from urban areas and travel related restrictions. This will negatively impact production in all domestic countries. The eventual damage of the economy is likely to be significantly worse than what is expected. The government needs to balance the income support required In order to make sure the economy does not spin out of control. The government needs to find greater scope in supporting incomes for the poor. (Sengupta, 2020)

- **Impact of COVID on Indian economy**

India's real GDP growth decelerated to its lowest in over six years in 3Q 2019-201, and the outbreak of the COVID-19 posed fresh challenges. Steps taken to contain its spread, such as the nationwide lockdown have brought economic activity to a near-standstill, with impacts on both consumption and investment. While Indian businesses, barring a few sectors, can possibly insulate themselves from the global supply chain disruptions caused by the outbreak due to relatively lower reliance on intermediate imports, their exports to COVID-19 infected nations could take a hit. In sum, the three major contributors to GDP -- private consumption, investment and external trade -- will all get affected. A weak domestic consumption and consumer sentiment will have firms delay their growth which will in turn hamper growth. Shutdown of factories and the resultant delay in supply of goods in China, could result in a shortage of both raw materials and intermediate goods for Indian companies importing from there. A large cash flow gap has been created for corporates due to the disruptive impact on demand. This gap cannot be filled through market borrowing. (KPMG, 2020)

- **Impact of Covid-19 on Indian Economy**

Due to the uncertainty of the course of Covid-19, the financial market has become highly volatile, leading to wealth erosions and stock market crashes in turn impacting consumption levels. This was seen when BSE Sensex and Nifty Fifty crashed by more than 8% on a single day. BSE Sensex was down to 2919 points- its biggest one day fall while NSE dropped by 868 points. An estimated Rs 10 lakh crore was wiped off in that fall. The fall has continued till date as investors have resorted to selling as the cases keep soaring on. On March 19, the Indian Stock market again plunged a new low where Sensex closed 581 points lower at 28288 and Nifty fell by 205 points to end at 8263. On the trade side, the outbreak of this virus has majorly impacted exports of sea food, jewellery and petrochemicals to China. (Ficci, 2020)

- **The Economic Cost of COVID-19: A Potential Pandemic Impact on Indian Economy**

The outburst of the Coronavirus has wildly disrupted the major economies in the world, i.e. The United States of America and China and has had a drastic effect on their supply chains. The impact of Covid-19, that originated in Wuhan, is so strong that all countries have been under lockdown and the economies have been hit pretty hard. In the paper, you can see how the rapid increase in the spread of Covid-19 has turned the entire globe into a pool of uncertainty. It is something like we have never seen before and is not just another turn in the business cycle but a shakeup in the world's economic order. This paper talks about how the pandemic has affected sectors in the Indian economy and how every company is trying to minimize losses and reduce risk in such a dismal situation. (Parth, 2020)

- **Impact of Covid-19 on Sectors of Indian Economy and Business Survival Strategies**

The outbreak of the novel Covid-19 disease has affected lives of millions of people around the world. The virus not only has grave dangers to human existence but has also had negative consequences to the business cycle leading to the economic system, trade and commerce. This paper helps to understand the different sectors that have been affected by the pandemic and how hard it has hit them. It also explains how India, an emerging economy, can rise as an important leader in the global market post this pandemic. It also talks about the strategies that can be adapted by the sectors in India to cope with and survive in these tough times. (Paul, 2020)

- **Impact of COVID-19 on Indian Industry: Challenges and Opportunities**

The outburst of the coronavirus pandemic has come as an unparalleled shock to the economy of India. The Indian Government has announced various measures to tackle this dire situation from additional funds for healthcare and food securities to tax deadline extensions and incentives allocated to all the sectors. Due to extended lockdowns, all over the globe and disrupted demand and supply chain the economy is likely to face recession or slowdown for a while. The paper talks about the sectors that have been affected by Covid-19 and has introduced a set of policy recommendation for each sector. (Mr. Girish Jadhav, 2020)

- **COVID-19: Challenges for the Indian Economy: Trade and Foreign Policy Effects**

The economy of India has been hit hard by the ongoing global pandemic, Coronavirus. Although India has managed to control the spread of coronavirus well, it has already disrupted economic activities and life in our country. To free the economy, the government of India has announced a variety of monetary and fiscal policy. This paper covers the three key issues, that are, firstly, the magnitude of the effect of the coronavirus which is how impactful has the effect been, and how much time will it take to recover to the normal state, especially India's exports. Secondly, India's instant challenges in dealing with recovery. And lastly, the long-term structural challenges that covid-19 has left with the Indian economy. ((RIS), 2020)

- **Impact of Covid-19 On Indian Economy**

The credit rating agencies and World bank have slashed the growth rate of India to 1.2-2% which hasn't been this low since the 1990s.The unemployment rate is as high as 28.6 % which has led to reverse migration of migrant workers which increases the risk of income equality and potential increase in rural poverty and food insecurity .Rules and regulations like dividing the country in zones has had a negative impact on the intra and interstate movement of goods while closing of national borders has significantly impacted international trade .There is huge dip in various sectors which provide non-essential services and products due to the lockdown being implemented .There is a growing belief that this crisis will have the same effects worldwide like the recession of 2008 as the market sentiment is already poor and there has been estimates of this impact being worth in trillions .All these factors and results have increased the emphasis on scaling down the fiscal and monetary policies which can be done by economic relief packages ,while creating favourable and innovative policies to jumpstart the various industries (J.D.Sonkhaskar, 2020)

Methodology

According to the theory of the event study method, when an efficient market hypothesis is valid, the influence of a particular event will be reflected in the change of stock price and reaction to information disclosure. Therefore, the event study methods widely used in economics and finance empirical studies to identify the impact of specific events.

Event Study Set-up

In this paper, we examine the impact of the unexpected outbreak of COVID-19 on stock markets of affected countries. According to several COVID-19 news sources, in late December 2019 a new disease outbreak was recorded in Wuhan. Later, on Dec. 31, the virus was first identified to the WHO. But it was not until 20 January, 2020, when the National Health and Fitness Commission of the People's Republic of China high-level expert group leader Zhong Nanshan proposed in an interview that the new coronavirus could be transmitted among people, that the disease attracted wide public attention. Right after the interview, the infectious coronavirus began to appear in the press over the world, which grabbed the headlines of the major media. Thus, 23rd March, 2020, when the lockdown news broke out in India causing a stir, is selected as the event day.

The shares of companies which are indexed in NSE's NIFTY Index is considered for analysis. The price quotes have gathered from the website of National Stock Exchange. We have broadly taken four sectors into consideration for our analysis namely Banking, Realty, Information Technology (IT), and Pharmaceuticals sector. In the respective sectors, we have thus chosen the following companies; HDFC Bank, ICICI Bank, Oberoi Realty, DLF, Infosys, Tata Consultancy Services (TCS), Sun Pharma and Dr Reddy. The study has considered the impact of the major events on the share prices of these four sectors.
The event considered in this study is Announcement of 21 days lock down for India by Indian Prime Minister. Tools applied to analyse the data is the Regression analysis tool pack.

To carry out the regression analysis we have taken 'Time' (t) as our independent variable, Event Variable and Event by Time Variable (Time x Event Variable) as our dependent Variables. Further we have calculated the logarithmic form of the stock prices to smoothen the analysis. The regression equation expressed is in the form $Y=m_1X_1 + m_2X_2 + m_3X_3 + c$;
Where, Y being the dependent Variable is in the form of Log (stock prices).
Where, m_1 is the of the coefficient of Time variable(t).
Where, X_1 being the independent Variable is the Time Variable (t)
Where, m_2 is the of the coefficient of Event variable.
Where, X_2 being the independent Variable is the Event Variable
Where, m_3 is the of the coefficient of Event by Time Variable.
Where, X_3 being the independent Variable is the Event by Time Variable

Where, C being constant is the addition of the coefficient of Intercept and coefficient of Event Variable

In our analysis, we have quantified the time variable as in we have given a numerical value to each day in order to smoothen our regression. We have thus taken 6 months prior to the event and 5 months post the event in order to draw a conclusion of the impact of COVID-19 on the chosen companies. Thus, the total number of days comes up to 225 days.
Coming to the Event variable, we have marked the pre-event period as '0' and the post-event period as '1'.
The Event by Time Variable is the multiplication of the Time Variable (t) and the Event Variable.

Some basic interpretations of the regression analysis are as follows;
(Assuming 95% confidence level)
We first check the Significance F value in the ANOVA table. The Significance F Value gives you the probability that the model is wrong. Therefore, to proceed further we need to check for the value of Significance F to be less than 5%. If this condition satisfies then we are good to go for the further analysis else we conclude that the sample data cannot be tested.

We then look at the p-Value for each of the Variable. If the p-Value is less than 5% we can conclude that COVID-19 has caused a structural problem in the business or we can simply say that it is not significant.

Moving on we look at the coefficients of the variables. If the coefficient of Event by Time variable is positive, we can say that the event has caused a benefit or if it is close to zero then we can say that the effect of the event has been neutral on the company.
If the Event Variable is negative, it shows that the stock prices of the company had seen a huge one time drop but the growth outlook has not changed.
Lastly a negative Coefficient of Time signifies that the stock was not performing well for the historic period. In our case it would be 6 months prior to the event.(HaiYue Liu, 2020)

Analysis & Conclusion

Through the analysis we can conclude whether the event has had a positive or negative impact on the Index. The p value of x1 i.e. time is 25.27% which is more than 5% that means it is not significant. Hence, we consider it to be zero. The coefficient of x1 i.e. -0.0147% shows the negative daily growth in the Index from the historical data taken from 1st September 2019 to 30th July 2020. The p value of x2 i.e. event variable is 0.00% which is less than 5% that means it is significant. The coefficient of x2 i.e. -79.8774% that shows a huge one-time drop-in price of the Index caused due to the event. The p-value of x3 i.e. event by time variable is 0.00% which is less than 5% that means it is significant. The coefficient of x3 i.e. 0.3505% shows that the daily growth of the Index from the day of the event i.e. 23rd march 2020 to 30th July 2020. The Index had a negative growth rate historically (-0.0147%) but a positive daily growth rate of 0.3505% during the period of the event which shows that the Index has performed better during the event. The x3 coefficient provides to be a benchmark while comparing different companies listed on the National Stock Exchange. The companies thus can be compared by the coefficient of event by time variable with that of the Index (Nifty 50). We can thus conclude that if the company's event by variable coefficient is greater than that of Nifty 50 is has over performed the Index and vice-versa.

Nifty 50 Index
SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.867344719
R Square	0.752286861
Adjusted R Square	0.748924239
Standard Error	0.059349674
Observations	225

ANOVA

	df	SS	MS	F	Significance F
Regression	3	2.364086591	0.788028864	223.7203307	0.00%
Residual	221	0.778446815	0.003522384		
Total	224	3.142533406			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	9.370715929	0.010196942	918.9731643	0.00%	9.350620242	9.390811616	9.350620242	9.390811616
time	-0.0147%	0.000128215	-1.146810059	25.27%	-0.00039972	0.000105642	-0.00039972	0.000105642
event variable	-79.8774%	0.046770999	-17.07839895	0.00%	-0.890948025	-0.706599545	-0.890948025	-0.706599545
event by time	0.3505%	0.00028013	12.51284338	0.00%	0.002953151	0.004057285	0.002953151	0.004057285

IT Sector

Industry Overview

The Information Technology (IT) sector is one of the key driving forces fuelling the world economy's growth. The IT sector includes IT services, Business Process Management, Software products & engineering services and hardware. IT outsourcing is the strategic use of external service suppliers to efficiently provide IT-related business process, application service and infrastructure solutions for end-to-end business outcomes which were conventionally handled by internal resources. Companies opt for outsourcing primarily to scale back their business costs, accelerate time regarding completion of project, rely on external expertise to achieve tasks different from their core competencies and take advantage of intellectual property amongst others.

As many economies are continuing with the lockdown due to the Covid-19 issue, revenue generation for most companies across sectors has been affected while rate of unemployment has also inched upwards. Amidst fear of worsening economic conditions, the countries and companies largely dependent on outsourcing are trying to control the IT service imports so that they can employ their own resources to the assigned job. Amidst the challenging situation due to pandemic that the IT industry is witnessing, the companies are expected to significantly see their growth slow. Companies like TCS, Infosys, and HCL technologies are at the front to stand the extreme blow as the demand from customers in the US and Europe, which are worst hit by COVID-19, is expected to fall. However, companies that have never thought of outsourcing could take advantage of this situation to partner with subcontracting firms during this time. Companies are now accepting work from home, thereby requiring more cloud services and IT applications to effectively enhance and strengthen their information related security from cyber-attacks. So on one side, when the Indian IT industry is expected to witness pressure on new contracts and pricing, there are segments within the IT domain wherein outsourcing is anticipated to increase. Near term issues persist, though the same problems are likely to open new opportunities to some within the outsourcing services area. (Televisory, 2020)

Company Overview

Tata Consultancy Services

To assess whether the company should be taken into the portfolio we take help of the Regression analysis. Through the analysis we can conclude whether the event has had a positive or negative impact on the company. The p value of x1 i.e. time is 0.05% which is less than 5% that means it is significant. The coefficient of x1 i.e. -0.04% shows the negative daily growth in the company in the historical data taken from 1st September 2019 to 30th July 2020. The p value of x2 i.e. event variable is 0.00% which is less than 5% that means it is significant. The coefficient of x2 i.e. -67.04% that proves the company had a one-time drop in prices because of the event. The p value of x3 i.e. event by time variable is 0.00% which is less than 5% that means it is significant. The coefficient of x3 i.e. 0.36% shows that the daily growth in share price of the company from the day of the event i.e. 23rd march 2020 to 30th July 2020. The company had a negative growth rate historically (-0.04%) but a positive daily growth rate of 0.36% during the period of the event which shows that the company performed better during the event. The x3 coefficient of Nifty is 0.35% which shows that the company outperformed the benchmark during the period of the event which means that Tata Consultancy Services is a good stock which should be added to our portfolio.

Tata Consultancy Services
Regression Analysis
SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.785756143
R Square	0.617412717
Adjusted R Square	0.612219224
Standard Error	0.047448998
Observations	225

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	3	0.80295535	0.267651783	118.8819879	0.0000000
Residual	221	0.497561028	0.002251407		
Total	224	1.300516378			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95*
Intercept	7.67751125	0.008152272	941.7634102	0.0000000	7.661445109	7.69357739	7.661445109	7.6935
time	-0.04%	0.000102506	-3.521352035	0.05%	-0.000562973	-0.000158945	-0.000562973	-0.00015
event variable	-67.04%	0.037392573	-17.92977045	0.00%	-0.744131905	-0.596748608	-0.744131905	-0.59674
event by time	0.36%	0.000223959	16.06704493	0.00%	0.003156985	0.004039721	0.003156985	0.00403

Tata Consultancy Services Q1FY2021 revenue fell by 7.1% QoQ and 7.8% in YoY in USD terms. According to estimates of Elara Capital, the revenue was 1.4% below estimates. The fall in revenue was because of weakness across all verticals (except healthcare) and geographies (except Europe) of Tata Consultancy Services.

Sector-wise change in revenue

Sector	Increase/Decrease in YoY Revenue
Life Sciences and Health Care	+13.8%
Financial Services and Insurance	-4.9%
Retail and Consumer Packaged Goods	-12.9%
Manufacturing	-7.1%

There was a net decline of 4788 (1.06%) employees QoQ which shows that the company might have laid off the employees. The suspension of entry of H1-B and L visas in USA till the end of calendar year 2020 might affect the revenue of TCS

Due to the pandemic, the management has said that Q1 of FY2021 has had a peak revenue and margin impact and the management expects a steady recovery over the rest of the FY2021. They expect a steady recovery because of the following reasons:

1. There has been a 21.2% YoY increase in Total Contract Value (TCV) bookings in Q1 at $6.9bn and a 24.2% YoY growth on Last Twelve Months (LTM) basis at $28.2bn.
2. There has been an improvement in the digital deal pipeline (the highest in several quarters)
3. They expect a structural opportunity to gain market share which is led by deeper customer engagements and pandemic influenced vendor consolidation.

The company has benefitted from the following reasons:

1. Smart secure workplace.
   The company has rolled out various digital infra solutions for its employees.

2. Customer experience
   Several customers shifted to online mode, leading to significant demand for interactive, analytics and front-end transformation.

3. Core transformation
   The company has witnessed a strong demand for cyber security and cloud transformation.

In response to the lockdown, the company launched a program to ensure business continuity using its secure borderless workspaces model which allows its employee to work from home which makes it safe for its employees as well as helps to continuously provide services to its customers.

Innovation in the time of a Pandemic

A team of TCS Scientists working at the TCS' Innovation Lab in Hyderabad used the deep neural network-based generative and predictive models to identify 31 new molecules that might help to provide a cure for Covid-19. With the help of Artificial Intelligence (AI), the scientists have shortened the initial drug design from several months to only a few days. They are working closely with India's Council for Scientific and Industrial Research (CISR). CISR has agreed to provide it's lab to TCS for the synthesized testing of the 31 molecular compounds.

Uninterrupted Learning during the Pandemic

TCS offered free access to the TCS iON Digital Glass Room to schools and colleges across india so the student's learning journeys could continue without interruptions in a secured virtual environment. The TCS iON Digital Glass Room empowers teachers to engage with students in real time by sharing videos, assignments and it can also conduct polls, quiz, debates etc.

Even though the pandemic has caused various problems, Tata Consultancy Services has managed to get its business back on track and has had a growth rate higher than that of the benchmark nifty. Therefore, we suggest a **BUY** decision for TCS. (Elara Capital, 2020)

Infosys

To assess whether the company should be taken into the portfolio we take help of the Regression analysis. Through the analysis we can conclude whether the event has had a positive or negative impact on the company. The p value of x1 i.e. time is 0.02% which is less than 5% that means it is significant. The coefficient of x1 i.e. -0.06 % shows the negative daily growth in the company in the historical data taken from 1st September 2019 to 30th July 2020. The p value of x2 i.e. event variable is 0.00% which is less than 5% that means it is significant. The coefficient of x2 i.e. -88.20% that proves the company had a one-time drop-in price because of the event. The p value of x3 i.e. event by time variable is 0.00% which is less than 5% that means it is significant. The coefficient of x3 i.e. 0.50% shows the daily growth in share price of the company from the day of the event i.e. 23rd march 2020 to 30th July 2020. The company had a negative growth rate historically (-0.06%) but a positive daily growth rate of 0.50% during the period of the event which shows that the company performed better during the event. The x3 coefficient of Nifty is 0.35% which shows that the company outperformed the benchmark during the period of the event which means that Infosys is a good stock which should be added to our portfolio.

INFY
Regression Analysis
SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.72023581
R Square	0.51873963
Adjusted R Square	0.51220668
Standard Error	0.07280945
Observations	225

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	3	1.262807353	0.420935784	79.4036277	6.88458E-35
Residual	221	1.171568743	0.005301216		
Total	224	2.434376096			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	6.6469394	0.012509483	531.3520504	0.00%	6.622286256	6.671592539	6.622286256	6.671592539
time	-0.0603%	0.000157293	-3.8347413	0.02%	-0.00091316	-0.00029319	-0.00091316	-0.00029319
event variable	-88.1955%	0.057378087	-15.3709428	0.00%	-0.99503352	-0.76887707	-0.99503352	-0.76887707
event by time	0.5033%	0.00034366	14.64667652	0.00%	0.004356201	0.00571074	0.004356201	0.00571074

Infosys had a better than expected quarter according to various brokerage reports. The Q1FY21 revenue fell by 2.4% QoQ and 0.3% YoY. Infosys suspended salary hikes and promotion for the Q1FY21. Infosys had an excellent quarter with:

- Better than expected revenue momentum.
- 25.5% YoY Constant Currency (CC) growth in digital.
- Expansion in operating margins of the company.
- Infosys signed 15 deals with Total Contract Value (TCV) of $1.74bn.
- Better collections and cash flows.

Infosys signed 15 deals out of which five were signed in the Banking, Financial Services and Insurance (BFSI) sector, three each in retail, energy and utilities, hi-tech and one in manufacturing sector.

Sector-wise change in revenue

Sector	**Increase/Decrease in Y**
Hi-Tech	+13.4%
Life Sciences	+7.7%
Financial Services	+2.1%
Manufacturing	+0.3%
Energy and Utilities	-0.2%
Communication	-0.7%
Others	24.4%

Margin enhancement in the quarter was motivated by currency tailwinds (+70 bps), lower travel expenses (+230 bps), and lower Selling, General and Administrative expenses (+110 bps), moderately balanced by lower utilisation (-150 bps) and higher variable pay (-100 bps).According to the management, partial gains are temporary while other gains are structural. Segment wise margin increased in sequence across verticals except the energy and utilities and manufacturing verticals.

Infosys had invested in localisation initiatives in the U.S which helped minimise the supply side issues during the period of travel restrictions. As the majority workforce in the U.S is local, it helped the company to better manage the issue of suspension of H1-B and L visa.99% of the employees of Infosys are working from home which helped to reduce the impact of coronavirus on the revenue of the company. Further, majority clients of Infosys are Fortune 500/Global 500 members who have strong balance sheets are were able to survive the economic conditions caused by the pandemic. Infosys has been investing in digital technologies over the past couple of years which helped it gain advantage during the pandemic and helped capitalise on opportunity of the pandemic. Infosys gained 110 new clients in the Q1FY21.

The COVID-19 epidemic is triggering supply disruption and will lead to material weakening of the demand situation and cut in optional spending, request for rate concession, and delay of large deal wins. Nevertheless, Infosys provides services to a great number of Fortune 500/Global 500 customers and they have a strong balance sheet and are able to face the economic conditions of the Coronavirus. Infosys has been investing in digital technologies for the past couple of years to capture the large portion of future digital spends. Assumed strong relations with customers and robust execution abilities, Infosys is well positioned to capitalise on prospects as and when customers boost their technology spends. Further, as the company has perfumed better than the benchmark Nifty 50, we suggest a **BUY** decision for the stock. (Elara Capital, 2020)

FMCG Sector

Industry Overview

The Fast-Moving Consumer Goods industry is the 4th largest industry and a key contributor to the Indian Economy. It provides employment to about 3 Million people in India which would account for 5% of total factory employment. The industry is a pretty competitive market due to the presence of multinationals, domestic companies and unorganized sellers. Unorganized players have captured a major portion in the market while generating more than 50% of the revenue for FMCG companies by selling products for Rs 10 or less. Domestic companies have proved to be tough players in the market by outstripping MNCs and multinationals. From a period ranging from 2005-2014, domestic companies have had a growth in profits of 24% as compared to 10% of multinationals. The Indian FMCG sector has witnessed phenomenal growth of 16% from 2006 to 2013. The industry has tripled in size over the last 10 years, growing much faster than in past decades.

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The recent pandemic has had an impact on the FMCG sector in India. The rule of social distancing has had a negative impact on the industry. Logistical issues, lack of adequate labour and operations limiting to production of only limited items have had a drastic negative impact on the sector. Companies involved in manufacturing of processed food and non-perishable items have seen an increase in their sales as there has been lack of availability of fresh fruits and vegetables. On the other hand, restaurants and retail food establishments have been facing problems owing to lack of food supplies, employees and strict government lockdowns. Simultaneously demand for organic and natural ingredient infused food is increasing at an exponential rate. Demand for cosmetic and colour products, amid the COVID-19 outbreak are anticipated to see a steep downfall. Apart from those products that are deemed to be essential during such crisis, other non-essential products are anticipated to cater huge loss in later half of the year. In India, post-Covid-19 outbreak, demand for hand sanitizers, hand wash and other health hygiene products are anticipated to increase at an exponential rate. The year 2020 is anticipated to have the highest growth for these products. Increasing awareness among Indian consumers related to hand hygiene antiquates is anticipated to create lucrative opportunities for many domestic and international players till 2022. Strong e-commerce infrastructure in India is also expected to contribute towards the growth of hand sanitizers, hand wash and other hygiene products (Patil, 2020) (Market Research Future , 2020)

Company Overview

Godrej Consumer Product

To assess whether this company should be taken into the portfolio we take the help of Regression analysis. Through the analysis we can conclude whether the event has had a positive impact or a negative impact on the company. We can see that the p-value, from the data collected ranging from 1st September 2019 to 31st July 2020 of x1 i.e. time in the analysis is less than 0.05 as it is very close to 0, this indicates that it is significant. We then look at the coefficient of x1 i.e. time and see whether it is positive or negative. We can see that the co-efficient of x1 i.e. time is negative indicating a negative growth in the historical returns of the company. X2 i.e. Event Variable of Godrej Consumer Products is significant as the p-value is less than 0.05. There can be observed that the coefficient of X2 is negative (-0.9764) indicating a one-time drop in the prices. The x3 i.e. event by time p-value is again significant as the value is less than 0.05. If this significant value appears, we move on to analyse the co-efficient of x3 i.e. event by time where we can see that the pandemic had a positive outlook on the company's stock. The 0.53% indicates the company had a growth in stock prices during the outbreak. X3 tells us that during the event the stock prices had an upward trend as compared to its historical prices and if we compare the company's X3 to the X3 of Nifty i.e. 0.35, we see that the stock has outperformed the market and we should add it in the portfolio.

Godrej Consumer Products
Regression Analysis
SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.779864997
R Square	0.608189414
Adjusted R Square	0.602870718
Standard Error	0.074908003
Observations	225

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	3	1.924914333	0.641638111	114.3493523	0.0000
Residual	221	1.240077181	0.005611209		
Total	224	3.164991514			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	6.561414348	0.012870038	509.8209006	0	6.53605064	6.586778056	6.53605064	6.586778056
Time	-0.000779723	0.000161826	-4.818263673	0.0000	-0.001098643	-0.000460802	-0.001098643	-0.000460802
Event Variable	-0.976436753	0.059031869	-16.54084089	0.0000	-1.092774179	-0.860099327	-1.092774179	-0.860099327
Event by Time	0.53%	0.000353565	14.85488887	0.0000	0.004555375	0.005948955	0.004555375	0.005948955

Godrej Consumer Products did not see any major growth during this lockdown according to its Q1FY2020 report but the growth was enough for it to be considered in the portfolio. It clocked a neutral performance with revenues only increasing by 5% in India and Indonesia while the OPM expanded by 77 bps to 20.3%. The domestic volume grew by 3% with rural growth staying ahead of urban growth. A 95 growth was seen in the portfolio which consisted of 85% of household insecticide (HI), hygiene and value for money products. A strong demand was seen in HI and hygiene products due to the need for sanitization in the ongoing virus. A strong growth of 27% and 15% was seen in the two products respectively. The management is hopeful that there where will be a sequential improvement in gross margins and in HI products over the coming quarters. A few minor negatives faced by the company were that hair colour products had declined by 18% as their demand fell.

Godrej CP has a mixed review with Hi and hygiene gaining but volumes decreasing by 3% and hair colour segment failed to shine. The Q1FY2021 revenue was flat at Rs. 2327.3 crore. The Indian market grew by 5% to Rs. 1358 crore with sales volume growing 3%, missing out largely on consumers expectation. The OPM in the Indian market expanded by 400 bps to 27.3%. Due to unfavourable revenue spend the gross margins fell by 286 bps to 54.3%. The HI and hygiene products picked up a strong growth. Products such as soaps saw that the revenue was almost flat with just a declining of 2% on y-o-y basis in the initial part of the quarter. But due to the virus, the company is grabbing the opportunity to produce Godrej Protekt health soap and Cinthol+ which is already gaining some good traction in the market. On the other hand, the HI category saw a strong growth of 27% y-o-y basis to Rs. 540 crores, which was driven by strong underlying consumer demands. After attaining this growth, the company is focusing more on advertising the category of disease prevention, which will help the company drive growth in the current scenario. The overall HI category is expected to deliver sustainable growth once the pandemic situation normalizes. HI penetration is lower in rural geographies. Increased penetration, especially in rural, penetration in other formats, innovation, market share gains and distribution expansion will help drive growth in HI segment in the medium to long term.

The hygiene portfolio delivered a strong 15% growth in market. The portfolio consisted of kitchen protection (dish wash, fruit & veggie wash), personal protection (hand wash, body wash, hand sanitiser, health soaps) and home protection (disinfectant liquids and sprays, surface wipes).

For a long-term perspective, Godrej CP is continuously looking for an opportunity to innovate by expanding its hygiene portfolio. It started entering the market of producing sanitiser products in response to fight COVID-19. They have launched a hand wash which is very sustainable and cheap to buy at Rs. 15. The hand wash is launched in a belief that they see sanitization and hand washing a regular practice in order to fight the virus.

The company is becoming future ready. They have initiated projects and are making future ready investments to ramp up their different processes. Recent investments such as building the hygiene portfolio and growth in HI products have created a strong base for future growth. No doubt that this quarter Godrej CP has faced mixed results but them grabbing opportunities for the future show that this company can be added in the portfolio. In our opinion, since the growth of Godrej CP was better than the Nifty market, there should be **BUY** transaction and should be added in the portfolio. (Godrej CP, 2020)

Britannia

To assess whether the company should be taken into the portfolio we take help of the Regression analysis. Through the analysis we can conclude whether the event has had a positive or negative impact on the company. The p value of x1 i.e. time is 0.05% which is more than 5% that means it is not significant and the coefficient of x1 should be considered 0. The p value of x2 i.e. event variable is 0.00% which is less than 5% that means it is significant. The coefficient of x2 i.e. -81.116% that proves the company had a one-time drop in prices because of the event. The p value of x3 i.e. event by time variable is 0.00% which is less than 5% that means it is significant. The coefficient of x3 i.e. 0.4737% shows that the daily growth in share price of the company from the day of the event i.e. 23rd march 2020 to 30th July 2020. The x3 coefficient of Nifty is 0.35% which shows that the company outperformed the benchmark during the period of the event which means that Britannia is a good stock which should be added to our portfolio.

Britannia clocked up strong numbers in Q1FY2021 where the revenue went up by 26.5% on y-o-y basis with the Operating Profit margin (OPM) at 21% (better than street expectations). The growth in OPM was witnessed by a cut in advertisement expenditure and efficiencies at various operational levels. Britannia faced a strong start to the quarter with a growth in volumes and value of the sales volume rising by 21.5%. Under Britannia, different products clocked up high growth levels as well. Due to strong demand and lesser availability of non-branded products, break and rusk had a

Britannia
Regression Analysis
SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.824745469
R Square	0.680205089
Adjusted R Square	0.675863982
Standard Error	0.05727423
Observations	225

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	3	1.541981343	0.513993781	156.6893025	0.00
Residual	221	0.724954568	0.003280337		
Total	224	2.266935911			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	8.01052146	0.009840357	814.0478296	0.00%	7.991128514	8.029914406	7.991128514	8.029914406
time	0.0115%	0.000123732	0.929332602	35.37%	-0.00012886	0.000358833	-0.00012886	0.000358833
event variable	-81.1162%	0.045135429	-17.9717387	0.00%	-0.90011306	-0.7222112	-0.90011306	-0.7222112
event by time	0.4737%	0.000270334	17.52168912	0.00%	0.004203939	0.005269462	0.004203939	0.005269462

higher growth than biscuits. For the dairy segment, cheese registered double-digit numbers.

Globally, all geographical locations registered a double-digit growth except the Middle East. Although the Middle East didn't experience double digit growth, we should not rule out on adding Britannia to our portfolio. On account of the growth registered in Q1FY2021, the company expects this growth to be consistent in the coming quarters with a higher demand from in-house consumption, improvement in supply of key markets, market share gains from small players and a strong recovery in rural demand. Although regular lockdown in few domestic markets may hinder growth and impact earnings, the company still expects the growth on revenue and volume to continue at such levels.

In Q1FY2021, the company had mainly two key positives:

- The consolidated revenue bettered expectations by growing by 26.7% on y-o-y basis to Rs. 3420.6 crore in Q1FY2020 from Rs. 2700.4 crore in Q1FY2020, which was driven by a 21.5% volume growth and 5% price and growth mix. Gross margin expanded by 124 basis points to 41.7% due to moderation in flour and milk prices. Not only that but OPM grew by 634 bpm to 21% due to reduction in costs mainly advertisement costs and efficiencies.
- A growth in domestic business to Rs 3220 crore by 24.8% y-o-y sees a positive impact on the company. The company continued its investment in in key brands through innovative product launches and relevant activations. The company ran on-air as well as print promotions for its products like Nutrichoice and Good day which helped the brands gain good traction.

Other highlights of the company would be that they overcame the problem of incremental costs. Costs of hygiene, sanitization and safety increased. However, the company rationalized these costs through prudent advertisement spending, improved manpower productivity, reduction in wastage, renegotiated contracts, lower distributor stock, efficient working capital management and savings in discretionary spends.

Even during the on-going Covid-19, the company expects to continue this stellar performance. Britannia's manufacturing and supply levels are back to pre-covid numbers. For the future, the company is expanding its distribution reach to the rural areas. With a pump-up in volumes and the expectation that this growth will continue in the coming quarters, Britannia is trying to turn Covid-19 into an opportunity. By partnering with delivery apps like Dunzo, the company is trying to supply essential products like biscuits, wafers, cakes, milkshakes and ghee to urban and rural areas. Dunzo would source the product from the distribution centres and deliver them through the no contact delivery rule. Through the analysis, we can conclude by saying that the investor should exercise the **BUY** option since the performance of the company outperforms Nifty in the on-going pandemic. (ET Bureau, 2020)

BANKING SECTOR

INDUSTRY OVERVIEW

The banking system plays an important role in the modern economic world. Banks collect the savings of the individuals and lend them out to business-people and manufacturers. Bank loans facilitate commerce. Manufacturers borrow from banks the money needed for the purchase of raw materials and to meet other requirements such as working capital. It is safe to keep money in banks. Interest is also earned thereby. Thus, the desire to save is stimulated and the volume of savings increases. The savings can be utilized to produce new capital assets. Thus, the banks play an important role in the creation of new capital (or capital formation) in a country and thus help the growth process.

Banking stocks witnessed the hardest fall during the market crash, with the Public Sector banks witnessing 52-week lows. Even during the bull market recovery, Banking sectors recovery underperformed the broader market. As explained above banks are the backbone of the country's economic growth.

Since businesses have been adversely affected during this pandemic, they are not even able to generate enough revenue to cover their basic fixed expenses, let alone make profit and repay their debts and loan obligations. Hence these get added to the banks NPA' s or non-performing assets. Hence the banking sector here took a bigger hit than the corporates during this crisis.
(Indian Banking Sector , 2020)

COMPANY OVERVIEW

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HDFC Bank

To assess whether this company should be taken into the portfolio we take the help of Regression analysis. Through the analysis we can conclude whether the event has had a positive impact or a negative impact on the company. We can see that the p-value of x1 i.e. time in the analysis is less than 0.05 as it is pretty close to 0, this indicates that it is significant and the co-efficient of x1 i.e. time indicates a growth in the historical prices for the last 6 months. X2 i.e. Event Variable of HDFC Bank is significant as the p-value is less than 0.05 and it indicates a one-time drop in the price of the stock. This one-time drop can also be indicated with a negative value of co-efficient of x2 i.e. event variable (in this case -0.854759). The x3 i.e. event by time p-value is again significant as the value is less than 0.05. If this significant value appears, we move on to analyse the co-efficient of x3 i.e. event by time where we can see that the pandemic had a positive outlook on the company's stock. The 0.369 indicates the company had a growth in stock prices during the outbreak. X3 tells us that during the event the stock prices performed better than its historical prices and if we compare this growth to the growth of Nifty i.e. 0.35, we see that the stock has outperformed Nifty and we **add** it in the portfolio.

According to the company reports for Q1FY21, HDFC Bank's operational performance was largely

HDFC Bank
Regression Analysis
SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.89269851
R Square	0.79691064
Adjusted R Square	0.79415377
Standard Error	0.06207069
Observations	225

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	3	3.341087091	1.113695697	289.0636381	3.35922E-76
Residual	221	0.851462158	0.00385277		
Total	224	4.192549248			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	7.12514739	0.010664442	668.121899	0.00%	7.104130372	7.146164405	7.104130372	7.146164405
time	-0.0355%	0.000134094	-2.648417931	0.87%	-0.000619401	-9.08701E-05	-0.000619401	-9.08701E-05
event variable	-85.4760%	0.048915315	-17.47427796	0.00%	-0.951159967	-0.758359641	-0.951159967	-0.758359641
event by time	0.3697%	0.000292973	12.62029235	0.00%	0.003120024	0.00427478	0.003120024	0.00427478

in line with expectations, but asset quality deteriorated slightly q-o-q, as agriculture loans turned a pain point. Nevertheless, management commentary was positive and reassuring and indicated a bright long-term outlook. For Q1FY21, the net interest income (NII) stood at Rs. 15,665 crores, up 17.8% y-o-y (in line with expectations), while PAT stood at Rs. 6,658 crore, up 19.6% y-o-y (in line) with net interest margins (NIMs) at 4.3%, stable sequentially and within the guidance range.

Key Highlights:

1) COVID-19 response: The bank has given all due bonuses and increments, etc to employees and moved all excess staff to the collections segment.
2) Moratorium: The share of moratorium book as of Q1FY21-end is 9% of the total loan book, including all loan portfolios, including agriculture.
3) Capital raising: The bank has adequate capital at the moment, and doesn't feel the need to raise more now.
4) Margin outlook: Margins within the guided range of 4.1-4.4% and bank has managed ALM well with an appropriate risk-based pricing policy. It will continue to see the margins within the stated band.
5) Corporate loans: The bank focused on high-quality corporate entities and witnessed some demand, as seen in the Q1 numbers. The bank is seeing a shift in corporates' preference towards banks from debt markets. June collections stood at 94% of its y-o-y collections in the corporate book. Strong brand and digital bandwidth helped in gaining of market share. Remains poised for further market share gains. Asset-quality trend of corporate loan book is strong with ~86% of the externally-rated portfolio being 'AA & above'.

Key Positives:

- Net interest margin (NIM) was stable sequentially at 4.3% helped by a lower cost
  of funds and growth.
- Cost-to-income ratio was at 35.0% as against 39% for the corresponding quarter

ended June 30, 2019. Operating expenses were lower primarily due to lower loan origination and sales volumes.

Key Negatives:

- CASA deposits stood at 40.1% of total deposits were down from 42.2%, as on March 2020.

Key Risk:

- An elongated phase of uncertainty due to intermittent lockdowns may impact growth, and rise in NPAs in unsecured and other retail segments can pose risks to profitability.

According to Sharekhan, the structural drivers are in place for HDFC Bank, helping it gain market share, aided by operational efficiencies and best-in-class asset quality. The top management succession will be keenly watched, and the bank has already finalized three candidates to succeed Mr. Aditya Puri (whose term ends in October 2020) and has now indicated that there may be an internal candidate for the same. Recent events and exits were well clarified to by the management. Business upheavals caused the cost-to-income (C/I) ratio to decline to 35% levels, which may normalise to ~39% levels, but the bank expects the same to ease further in the medium term. Going forward, there will be challenges on credit cost and growth. However, the bank has built strong provision buffer, which are at ~149% of GNPAs which is believed work as strong bulwark against probable future risks. The bank's operating performance remains strong, but the growth is expected to return largely in FY22E, as the economy the demand environment is expected to improve. Any weakness in the stock would be an **opportunity for investors to add** it to their long-term portfolio. (Sharekhan , 2020)

ICICI Bank

To assess whether this company should be taken into the portfolio we again take the help of Regression analysis. Through the analysis we can conclude whether the event has had a positive impact or a negative impact on the company. We can see that the p-value of x1 i.e time in the analysis is less than 0.05 as it is pretty close to 0, this indicates that it is significant and the co-efficient of x1 i.e time indicates a growth in the historical prices for the last 6 months. X2 i.e Event Variable of ICICI Bank is significant as the p-value is less than 0.05 and it indicates a one-time drop in the price of the stock. This one-time drop can also be indicated with a negative value of co-efficient of x2 i.e event variable (in this case -0.54108553). The x3 i.e event by time p-value is not significant as the value is more than 0.05. In such a case we move on to analyze the co-efficient of x3 i.e event by time where we can see that the pandemic had a neutral outlook on the company's stock. Since p value of event by time is not significant it indicates that the event by time coefficient is not different from 0, and that the rate at which the company was growing has not changed. Seeing this stock has a growth rate of 0.14 compared to that of Nifty i.e. 0.35, we see that the stock has underperformed Nifty or is in a neutral state and we **do not add** it in the portfolio.

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ICICI Bank
SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.895214583
R Square	0.80140915
Adjusted R Square	0.798713346
Standard Error	0.089261998
Observations	225

ANOVA

	df	SS	MS	F	Significance F
Regression	3	7.105923805	2.368641268	297.2802651	2.83472E-77
Residual	221	1.760862666	0.007967704		
Total	224	8.866786471			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 9
Intercept	6.089862213	0.015336216	397.0902773	0.00%	6.059638269	6.120086156	6.0596
time	0.1353%	0.000192836	7.018361767	0.00%	0.00097336	0.001733425	0.000
event variable	-54.1086%	0.070343653	-7.692030568	0.00%	-0.679715726	-0.402455335	-0.6797
event by time	0.0212%	0.000421315	0.504143271	61.47%	-0.000617907	0.001042713	-0.0006

Analyzing the company reports, ICICI Bank posted good numbers for Q1FY2021, where operating performance was better than expectations, and large provisions (partly due to COVID-19) resulted in lower-than-expected PAT. Asset quality improved on a sequential basis, with moratorium book at 17.5% (from 30% in Q4FY2020). Net interest margin (NIM) was at 3.69% (down 18 bps q-o-q) mainly due to high deposit growth as compared to advances growth. Net interest income (NII) at Rs. 9,280 crores were up 19.9% y-o-y, and came in line with expectations. While other income was boosted by stake sale gains (Rs. 3,036 crore) and higher treasury income, fee income was Rs. 2,104 crore, down y-o-y and q-o-q, reflecting lower business volumes and customer activity in view of the lockdown.

Key Highlights:

1) Fee income: Significant decline in fee income was due to lower business volumes and slowdown in customer activity affected by the lockdown.
2) Corporate book: The bank is looking to reduce concentration risk and improve credit rating in the corporate portfolio.
3) On the cost front, the bank will continue to spend on technology at a reasonable level. Increased employee expenses were largely due to retrial provisions.
4) Collection efficiency: Collection efficiency is at 80% of pre-COVID levels
5) Employee expenses: Increased employee expenses due to higher provisions.
6) Capital raising: Proposed capital raising will help strengthen the bank's balance sheet and capital position. The bank is seeing opportunities and would like to be prepared for the same
7) The bank has not sold any NPA during the quarter.

Key Positives:

- De-risking of advances book continues with A- and above book at 70.1%, and even gross slippages declined significantly to Rs. 1,160 crores, which was a 20-quarter low.
- Cost to Income (C/I, Calculated) came in at a low at 30.1%, at multi-quarter low, helped by high other income (due to one-off stake sale benefit) and lower advertising and marketing costs due to the lockdown.
- Utilized the sales proceeds to create additional provision buffer to take the total to Rs. 14,368 crores (~2.3% of outstanding loans) as total provision buffer; PCR at 78.6%

Key Negatives:

- BB and below book at 2.7% of loan book (up 13 bps q-o-q; total fund based and non-fund based).
- Net interest margin was 3.69% in Q1FY2021 (down 18 bps q-o-q) due to higher liquidity and relatively strong deposit inflows compared to credit demand because of the lockdown.

Key Risks:

- Significant deterioration in retail asset quality could derail the expected improvement in profitability
- Delay in resolution of stressed assets can impact the credit cost assumptions, and hence the valuation figures.

According to Motilal Oswal, the impact of COVID-19 would have a severe impact across multiple segments due to the contagion effect. There is an expected potential increase in delinquencies in SME/business loans, Auto, builder portfolio, Kisan credit card and the unsecured retail segment, etc.

ICICI can expect the BB and below pool to increase in the coming quarters, and thus, slippage trends should remain elevated. Though the bank carries a COVID-19 related provision of INR82.8b, moratorium book still remains high at 17.5%. Thus, credit cost can be estimated to remain elevated at 3.2% for FY21E.

The lockdown is disrupting financial markets and consumer behaviour and FY2021 for India is likely to be impacted. ICICI Bank remains a strong business franchise with strong capitalization and displays a stable trend in asset quality. Hence, we can see that the growth rate has not been hampered from the regression analysis. But since ICICI Bank has underperformed the benchmark Index, it is currently **not recommended to add** ICICI Bank in one's portfolio. (Motilal Oswal, 2020)

PHARMACEUTICAL SECTOR

INDUSTRY ANALYSIS

The Indian pharmaceuticals sector is the third largest in the world with production that satisfies 60% of the total demand of vaccines used globally. India's Active Pharmaceutical Industry (API) was expected to generate about $6billion by the end of Fiscal year, 2020.

The rise of covid-19 has exposed India's dependency on China for acquiring API. Due to disturbance in the supply chain across the globe, attaining API for production of hydroxychloroquine (HCQ) which is one of the key drugs recommended for treating the virus. The disrupted chain has caused raw material prices to shoot up amid limited supply and has made it extremely difficult for manufacturers of generic drug to conduct trials or launch new products. Rising to the occasion, Prime Minister Narendra Modi has called for a self-reliant "Aatmanirbhar Bharat" campaign that envisions India to emerge as a manufacturing superpower. To reduce our dependency, the government has already announced in April,2020, Rs. 10000 crores of investments to incentivize production of APIs in India.

Amidst the chaos of a pandemic, unlike other sectors, the pharmaceutical sector is expected to show positive returns as investors devoted their attention and money here, hoping that the vaccine, If and when created would prove to be a beneficial investment.

According to Sharekhan, The Pharma sector is unlikely to be materially impacted by the Coronavirus pandemic. Major suppliers of bulk drugs (APIs) have resumed production. Recognizing the potential risk of the supply disruption of drug shortages within the country, the government has quickly addressed all standing issues by ensuring movement of all essentials. If full manufacturing resumes by end of April, companies can recover a large portion of lost sales during the remainder of the year. Given the cost-conscious nature of various of various exports markets, Experts believe that companies with a wider product portfolio and integrated value chain are expected to benefit. India can heavily rely on getting competitive advantage by becoming a major provider of global goods and services. (Nath, 2020)

COMPANY OVERVIEW

Sun Pharma

To assess whether Sun Pharma should be taken into the portfolio, we take the help of Regression analysis. Through the analysis we can conclude whether the event has had a positive impact or a negative impact on the company.

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Here, we can see that the p-value of x1 that is time in the analysis is more than 0.05 as it is at 0.0833% which indicates that it is not significant and hence the co-efficient of x1 that is time should be considered as 0. The X2 variable that is Event Variable of Sun Pharma is significant as the p-value is less than 0.05 and it indicates a one-time drop in the price of the stock. This one-time drop can also be indicated with a negative value of co-efficient of x2 that is event variable (in this case -0.432). The x3 that is event by time, the p-value here again is significant as the value is less than 0.05. If this P-value appears to be significant, we move on to analyse the co-efficient of x3 that is event by time where we can see if the pandemic had a positive or a negative outlook on the company's stock. The 0.003 indicates the company had a growth in stock prices during the pandemic. X3 tells us that during the event, here coronavirus, the stock prices performed better than its historical prices as we know the pharmaceutical sector was not the most profitable before. And lastly we decide whether or not to add this stock to your portfolio which in this case, we shouldn't. This was because when we compare the company's growth (0.0030) to the growth of Nifty on 23rd March which is 0.35, we see that the stock has underperformed Nifty and hence although it has shown growth, it may not outperform the benchmark.

Sun Pharma
Regression Analysis
SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.690014798
R Square	0.476120421
Adjusted R Square	0.469008933
Standard Error	0.066499308
Observations	225

ANOVA

	df	SS	MS	F	Significance F
Regression	3	0.888202231	0.29606741	66.9508905	7.79236E-31
Residual	221	0.977296899	0.004422158		
Total	224	1.865499131			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	6.055623421	0.011425329	530.0174025	0.00%	6.033106882	6.078139961	6.033106882	6.078139961
time	-0.0250%	0.000143661	-1.739719633	8.33%	-0.00053305	3.31909E-05	-0.00053305	3.31909E-05
event variable	-43.2119%	0.052405327	-8.245702371	0.00%	-0.535396857	-0.328840603	-0.535396857	-0.328840603
event by time	0.3032%	0.000313876	9.660823234	0.00%	0.002413726	0.003650871	0.002413726	0.003650871

Sun pharma's revenue stayed flat QOQ at Rs.76 billion while its domestic business grew 3% YoY. We also saw a downfall in Taro (an acquisition by Sun Pharma) by 33% QoQ. The growth in the Indian business of 10% was an outcome of an enduring portfolio. Non-Taro sales in USA was down by 21% QoQ which was affected mainly by the lower speciality sales, this decline seen in speciality sales was driven by the pandemic as the patients could not meet the doctors affecting products like Levulan and Ilumya the most.

According to estimates made by Elara Capital Securities,

1. The EBITDA increased 18% QoQ to INR17.5bn v/s their estimates of 15.5bn.
2. In Q1, Taro made a one-time expense to the Department of Justice for settlement charges of $479mn.
3. The adjusted amount for one-offs and forex gains was down by 22% YoY vs their estimates of INR 9mn.

According to the managing director of the company, Dilip Shanghvi, they are continuing to focus on minimizing losses and controlling costs while improving efficiencies in their entire line of businesses. They believe that Covid-19 is going to have an impact on how they operate and conduct their business for at least a short period of time. They have a few key areas they want to focus on:

- **Employee protection and keeping their workplace safe and coronavirus free**: Sun Pharma shut its second largest facility at Dadra, Dadra & Nagar Haveli after 17 of it's employees tested positive for coronavirus. Although the facility produced top demanded products like Hydro chloroquine (HCQ), they temporarily suspended operations at the plant and will commence once all necessary procedures are conducted. A statement had been made implying that they will remain committed to the supply of medicines to patients and doctors and are taking all procedures to make a safe and healthy workplace for their employees. They also said, "The health, safety and well-being of all our employees is of paramount importance to us."

- **Digital engagement with doctors and patients**: Sun pharma uses 'RespiTrack[4]' tracks their patient's treatment by allowing them to record their progress. It also helps them increase their compliance to the medication. Sun Pharma had recently also launched a 'Thank you Doctor' campaign to express gratitude towards doctors for their selfless service and sacrifices. It features real life testimonies of patients who have recovered from cancer, heart attack and coronavirus. It is a tribute to the front liners who play a very important role in our life.

- **Protecting the supply chain, ensuring maximum utilization of their facilities; working closely with vendors to continue supply along with improving productivity and efficiency, enabling work from home for employees wherever and whenever necessary**: Sun Pharma Head (Mumbai Business), Kriti Ganorkar says that the drug company is in the process of expanding its business in order to increase their reach. They wish to expand by 10% out of which 7% has already been done, this is to have a greater reach to a larger number of doctors and more territories. They wish to launch new medicines to get ahead of the pandemic as soon as possible.

- **Focusing on collecting cash, preserving cash, and wherever possible, finding a way to reduce the overall debt of the company**: Dilip Shanghvi said in their Earnings call release that they are putting in efforts to reduce the overall debt of the company. We can already see a reduction in the total borrowings of the company by almost $400 million in a year.

Dr. Reddy
Regression Analysis
SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.940097181
R Square	0.88378271
Adjusted R Square	0.8822051
Standard Error	0.053724227
Observations	225

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	3	4.850733079	1.616911026	560.2034476	5.7737E-103
Residual	221	0.637870649	0.002886293		
Total	224	5.488603728			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	7.892491604	0.009230427	855.051649	0.00%	7.874300683	7.910682526	7.874300683	7.910682526
time	0.1124%	0.000116062	9.68713208	0.00%	0.000895581	0.001353042	0.000895581	0.001353042
event variable	-8.9503%	0.042337819	-2.114029633	3.56%	-0.172940928	-0.006065882	-0.172940928	-0.006065882
event by time	0.1345%	0.000253578	5.303932464	0.00%	0.000845219	0.001844698	0.000845219	0.001844698

Dilip Shanghai, in their press release of Q1FY2021 says that the impact of the global pandemic, Coronavirus has been seen in the performance of the financials of quarter 1. The continuous lockdown across markets should not be an indicator of the fundamentals and the underlying strength of the company. Despite the challenging conditions, the company has shown positive results and has not lost market share of any of their key products in USA and also in the Indian domestic market. Their timely risk mitigation initiatives ensured smooth operations of their manufacturing markets and hence maintaining their timely supply of drugs.

Sun Pharma has launched AQCH, a psychopharmaceutic drug that could potentially be a treatment for Covid-19 patients. The drug has shown anti-SARS-CoV-2 effects in vitro-testing conducted in collaboration with International Centre for Genetic Engineering and Biotechnology (ICGEB), Italy. It was then, the first psychopharmaceutic drug to be approved for Phase-II clinical trials by Drug Controller General of India (DCGI). It is going to be conducted across 12 centres in India with 21o patients. The results are expected to come in October,2020.

Sun Pharma has also launched FluGuard, a Favipiravir, in India at a nominal rate of Rs.35 per tablet. This is the only oral anti-viral treatment approved in India to potentially treat Covid-19 patients with mild to moderate symptoms.

Before the prevalence of this pandemic, Sun Pharma's performance was low and it gave negative returns for almost 3 years. It's market price on March 20,2020 was at INR 365.25 which was more or less a constant rate at which it was traded. Post covid, it's market prices are being traded in between the range of 400-500 in the past few months. This growth could be an event-driven growth that may fade away in long term. Although we have seen positive results and outcomes, as seen in the excel file attached, the growth is still lesser than Nifty which suggests that it has not outperformed the benchmark and hence it is suggested to not add this company in your portfolio. For an investor with a high-risk appetite may choose to buy for growth in the short term. (Outlook, 2020) (Healthworld, 2020)

DR. REDDY'S LABORATORIES

To assess whether Dr. Reddy should be taken into the portfolio, we take the help of Regression analysis. Through the analysis we can conclude whether the event has had a positive impact or a negative impact on the company.

Here, we can see that the p-value of x1 that is time in the analysis is less than 0.05 which indicates that it is significant. Then we see the co-efficient of x1, that is, time has a positive value of 0.11% which indicates the growth of the stock based on historical prices before Covid. The X2 variable that is Event Variable of Dr. Reddy is significant as the p-value is less than 0.05 and it indicates a one-time drop in the price of the stock. This one-time drop can also be indicated with a negative value of co-efficient of x2 that is event variable (in this case -0.0895) which proves that it was a drop due to the event that had occurred. The x3 that is event by time, the p-value here again is significant as the value is less than 0.05. If this P-value appears to be significant, we move on to analyse the co-efficient of x3 that is event by time where we can see if the pandemic had a positive or a negative outlook on the company's stock. The 0.0013 indicates the company had a growth in stock prices during the pandemic. X3 tells us that during the event, here coronavirus, the stock prices performed better than its historical prices as we know the pharmaceutical sector was not the most profitable before. And lastly, we decide whether or not to add this stock to your portfolio which in this case, we shouldn't. This was because when we compare the company's growth (0.0013) to the growth of Nifty on 23rd March which is 0.35, we see that the stock has underperformed Nifty and hence although it has shown growth, it may not outperform the benchmark.

Dr. Reddy showed a strong YoY growth of 30% in the Q1FY2021 earnings mainly led by Pharmaceutical Services and Active Ingredients (PSAI) / EU and other emerging markets. According to the recent Motilal Oswal report, their first quarter revenues grew 15% YoY INR44.2bn against last year with their estimate at INR44.5bn. While this growth was led by EM/PSAI/EU markets, there was a decline of 6% YoY growth in US sales in the subdued markets along with a fall of 10% YoY in DF sales which 14% of the total sales. The EBITDA was up by 53% YoY to INR11.1bn against their estimate of INR9.6bn. Profit after tax was lower by 30% YoY due to higher tax rate of 34.1% versus the original 22% YoY.

The threats imposed by Covid-19 came in multiple folds. Supply chains were disrupted, immediate lockdown imposed almost all over the world, especially India. Within 2 days of the breakout, the government of India decided to go a complete lockdown creating with manufacturing and distribution channels which resulted in losses in revenue due to forced shutdown. However, Dr. Reddy's being a pharmaceutical company came under essential items and so its operations went on even with the lockdown but by ensuring utmost care and following all procedures. The top management of the company said in a discussion with its shareholders that if this situation continues for another six to eight months which it is expected to, research on diseases other than covid-19 will be delayed and we can already see it happening in hospitals as they have reduced the intake of non covid patients. They believe that this would lead to a greater issue as delaying treatment will not only worsen patient's condition but will also reduce the demand for many pharmaceutical products, says the Chairman K. Satish Reddy and co-chairman and MD G.V. Prasad in their annual report 2019-20.

Dr.Reddy's highest priority in these dreary conditions remains to be the health, safety and security of their employees, suppliers and partners along with keeping their commitment to patients and customers to deliver affordable health care medicines. The various activities they have engaged in, to contain and cope with the global pandemic, are:

- **Employee safety and well-being**: They are taking necessary actions to ensure complete safety and well-being of more than 22,000 employees across the globe. Extra layer of safety procedures and health care is being taken of fellow colleagues that are going to the manufacturing sits, laboratories and distribution centres. They are complying with the advisories from the local government and are issuing guidance for remote working to all the colleagues who can do so.
- **Continues supply of medicines**: Being a global pharmaceutical company and leader in generics, it remains persistent in its commitment to deliver affordable and quality medicines to its patients and customers. Their employees are working hard to deal with the challenges imposed by the lockdown in India and other regions without compromising health and safety. The company displays eternal gratefulness to their employees to make working, in harsh conditions like these, possible.
- **Donations to Covid-19 support Programmes**: Dr. Reddy is stepping in to help the community that has been severely affected by the coronavirus outbreak. They have made monetary donations to the government of Telangana and has enables access to N-95 masks for frontline health workers. They have also made donations to the Andhra Pradesh CM relief fund. They collaborated with Akshay Patra and are now sponsoring 25000 meals a day and are also providing dry provisions to around 20,000 families in Andhra Pradesh and Telangana. Along with this they are supplying Hydroxychloroquine to hospitals in the USA that are hit hard by the pandemic
- **Production of sanitizers**: Manufacturing facilities in areas like Shreveport and Louisiana, USA are using their excess capacity to produce hand sanitizers that are being donated to hospitals and health systems that are in need.
- **Employee volunteering and contributions**: Dr. Reddy's employees all over the globe are taking initiatives in their own way to help the people affected by the outbreak. Their workers have taken an initiative to help the Government of Telangana Social Initiative Forum and Akshay Patra Foundation in distributing meals, spreading awareness on social distancing, wearing masks and other critical support. Dr. Reddy's promotes monetary contribution made by individual employees to the Prime Minister's CARE FUND by coming up with the Dr. Reddy's matching programmes.

At Dr. Reddy's, they believe that although the pandemic has caused a drastic impact on lifestyles, economy and financials all over the globe, they are determined to stand by their values and beliefs of 'Good Health, can't wait' and keep supporting their patients, partners, colleagues and communities.

Dr. Reddy's partners with Fujifilm and Global response Aid (GRA) for Avigan, a favipiravir, which could potentially be a treatment for Covid-19. Dr. Reddy has exclusive rights of manufacturing and has granted the rights to develop, sell and distribute Avigan in all countries other than China, Japan and Russia. Dr. Reddy's has exclusive rights to developing, selling and distributing Avigan all over India. Fujifilm is currently conducting a clinical trial on Avigan focusing on Covid-19 patients in Japan and in the USA and is working to increase its production by partnering with domestic and overseas firms. The product will be introduced in the market once all applicable approvals have been sought.

Just like Sun Pharma, Dr. Reddy's pre-covid performance was pretty low and it had been giving negative returns for quite some time. The market price closed at INR 2897.25 on 20th March,2020 and it had been trading in the range of 2500-3000 in the past six months. It was only after the Covid-19 outbreak that it saw a growth and started gaining positive returns. It started trading in the range of 3900-4500 recently. This positive return hints towards an event-driven growth and may not last in the long term. We can also see in our analysis that although it had been making positive returns, its growth has not been able to outperform the growth of the benchmark, that is, Nifty and hence we suggest not to add this stock in your portfolio. If you are an investor with a higher risk appetite, you may invest and get positive returns for the short term. (Dr.Reddy's, 2020) (The Hindu, 2020)

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