Investment Rationale:

- **Indian markets have seen a sharp fall in last few weeks. The fall has been largely triggered by global events – coronavirus spread and debacle in crude oil markets.**
- **Fear of deep economic recession is creating havoc in the markets. The extent of fall in individual stocks has been sharp.**
- **We feel this is a temporary phase and markets will recover from this fall. Investors should not panic and stick to their asset allocation strategy.**
- **The latest policy tools brought into use by RBI (LTRO) and postponement of Gilt maturities through operation twist have added significant monetary stimulus to the financial system.**
- **As India is net importer of oil, it surely benefits from lower crude oil prices.**
- **As we have seen in the past, stock prices will remain volatile. It is prudent to accumulate stocks gradually over the next one year.**
- **We are recommending five well-known, high quality, large cap stocks – acquire them gradually by using DIYSIP (Do It Yourself Systematic Investment Plan) method.**
- **These stocks have potential to generate 12-14% per annum return under SIP method.**

SIP Stocks:

Sr. No	Company	Industry	FV	CMP	Market Cap (Rs. Cr)	Book Value	Net Sales FY19	PAT FY19	EPS TTM	P/E TTM	P/BV	Dividend Yield (%)
1	ICICI Bank	Bank	2	447	289607	177	71912	4254	14.69	30.44	2.53	0.3
2	Infosys	IT	5	642	273505	143	82675	15404	38.17	16.83	4.49	3.48
3	NTPC	Electric Utilities	10	98	97808	114	95742	12640	14.4	6.81	0.86	6.44
4	Reliance Industries	Refineries	10	1105	701694	639	566263	39588	71.49	15.46	1.73	0.61
5	Ultratech Cement	Cement	10	3789	109265	1219	37379	2435	126.81	29.88	3.11	0.3

Infosys:

- Infosys is a global leader in next-generation digital services and consulting. It enables clients to navigate their digital transformation over 46 countries. With over three decades of experience in managing the systems and workings of global enterprises, the company steer clients through their digital journey by enabling the enterprise with an AI-powered core that helps prioritize the execution of change.

- Audit committee found no evidence of financial impropriety or executive misconduct by the company in its investigation into allegations contained in the anonymous whistleblower complaints and determined that the allegations were substantially without merit.

- Infosys has sharpened its focus to increase share within large accounts as visible by uptick in >USD 100mn and T25. This uptick was largely supported by hiring of deal directors and increased engagement with deal advisors/consultants. The strategic partnership with Temasek in Singapore and South East Asia and with Hitachi, Panasonic and Pasona in Japan are creating larger deal opportunities for the company in the APAC region.

- Infosys margin trajectory has lowered over last year on account of accelerated investments, increase in localization and investments in S&M in order to strengthen large deal/T100 teams. We believe margins to be bottomed out in 1QFY20 and from here onward steady trajectory can be expected as the investments will start yielding results.

- After the recent whistleblower allegations and the impact of the recent COVID-19 issues resulted into deep correction in the stock price of Infosys. The stock is currently trading around its historical median P/E.

NTPC :

- NTPC Ltd. (NTPC) is India's largest power generating company. NTPC has established itself as the dominant power major with presence in the entire value chain of the power generation business.
- From fossil fuels it has forayed into generating electricity via hydro, nuclear and renewable energy sources. The total installed capacity of the company is ~58.2 GW as on Q3FY20.
- We believe NTPC is on track to achieve the targeted capacity addition of ~5 GW for FY20 (achieved 4.2 GW in 9MFY20) and with many projects near completion, NTPC's capacity addition momentum is likely to continue in FY21 and beyond also.
- With strong pipeline of capacity addition in order to achieve its long term capacity guidance of 132 GW by 2032, growth visibility for the company remains promising.
- India's power demand has started growing in last two months after five months of continuous decline. This upward trend will continue in long term as the economy activities pick up.
- Stock is currently trading at an attractive valuation of ~1x P/B with substantial dividend yield.

ICICI Bank:

- ICICI Bank has transformed itself from a corporate focused bank to a retail bank in the last 5 years. The focus of the management has shifted to lower risk retail loans to increase granularity in the lending book. Consequently the share of retail advances in the total advances of the bank has increased from 39% to 60% in 5 years.
- CASA ratio of ICICI bank is amongst the best in the industry and second only to Kotak Mahindra Bank. Due to this strong CASA franchise, the bank has managed to keep its cost of deposits low (one of the lowest in financial space), which helps the bank in a current tight liquidity environment.
- We strongly feel that Asset Quality worsening has picked out for corporate facing banks. This is evident also in the case of ICICI bank. As absolute NPAs has been reducing on QoQ basis.
- Provisions are expected to decline henceforth on account of sufficient PCR, recoveries from NCLT exposures and no large watch list items.
- Strong CASA franchise, improving NIM, lower credit cost etc. will improve return ratios for the bank. We have estimated 17% CAGR growth in NII and 87% CAGR in Net profit (on the back of lower base and lower provision requirement) over next 3 years. ICICI bank is well capitalized (16% CAR) to fund our 16% CAGR expected growth in Loan book over same period.
- We feel that there is sufficient upside left for ICICI bank looking at the growth perspective and comfortable valuation.

Reliance Industries:

- Reliance Industries Ltd. (RIL) is one of the largest private sector companies in India with businesses in telecommunication, petrochemicals, synthetic fibers, fiber intermediates, textiles, retail and energy.

- RIL is constructing 10 gasifiers and cost disclosed at Rs 540bn. This will allow RIL to convert its existing petcoke production to natural gas and thereby stop the import of LNG, which it uses for its energy needs. RIL is also spending US$5bn gross (US$3.3bn net) to develop three sets of fields (R series, Satellite and MJ) from the KG-D6 block which together are likely to produce a peak output of 30mmscmd. Production from the R series (12mmscmd peak output) is likely to start in Q1FY21, followed by Satellite field by Q1FY22 (5- 7mmscmd peak output) and MJ-1 field by Q1FY23 (12mmscmd peak output).

- Post implementation of tariff hikes of up to 40% for prepaid customers (90% of subscriber base) from Dec 19, Jio's tariffs remain at a discount of around 25% to peers'. Its digital/Jio average revenue per subscriber (ARPU) is expected to rise from Rs 128 in Q3FY20 to Rs155/175 in FY21/22 and new subscribers to 120 mn (34%) by FY22 (Total subscribers stood at 370mn as on 31st Dec, 2019).The success in Jio/retail has been on the back of massive investments which have resulted in a higher gearing. We expect, benefits of Interconnect Usage Charge (IUC) and subsequent tariff hike would be fully reflected in the next 1-2 quarters.

- The Abu Dhabi National Oil Company (ADNOC) signed Framework Agreement with RIL to explore development of Ethylene Dichloride (EDC) facility in Ruwais (UAE). RIL will evaluate the potential creation of EDC manufacturing facility. Reliance and BP bought Niko ltd.'s 10% stake in KG-D6 for $36 mn. RIL and BP's participating Interest now stands at 66.7% and 33.3% respectively and the deal has been approved by GoI.

- RIL is attempting to bring down its net debt (Rs 1,545bn, US$22bn) to zero by March 21. RIL is attempting to sell 20% stake in the refining/petchem business for US$15bn (implying enterprise value of US$75bn) and execute asset/stake sale in telecom/retail to reduce the debt.

- Geo political tension, currency volatility, competition in Indian telecoms, low return ratios, delay in bringing down debt and lower utilization of recently started downstream energy projects are key concerns for RIL. These concerns are discounted in the current stock price and now it offers an attractive risk-reward for a patient investor.

Ultratech Cement:

- India is the second largest cement market in the world. With 24% market share in India, UltraTech Cement is the largest manufacturer of grey cement, Ready Mix Concrete (RMC) and white cement in India.

- Ultratech has a consolidated capacity of 117.35 Million Tonnes Per Annum (MTPA) of grey cement post consolidation. Company has 23 integrated plants, 1 clinkerisation plant, 27 grinding units and 7 bulk terminals and > 100 RMC plants.

- It has a white cement plant with a capacity of 0.56 MTPA and 2 Wall Care putty plants with a combined capacity of 0.8 MTPA. UltraTech market white cement under the brand name of Birla White.

- It is also India's largest exporter of cement reaching out to meet the demand in countries around the Indian Ocean and the Middle East.

- Petcoke prices have gone down around 20-25% in the last few months. The Government’s announcement of increasing the load specifications of trucks, the freight costs are also going down for cement companies.

- The government thrust on affordable housing for realizing its vision of “Housing for All” by 2022 and Smart City program should also help in demand growth for cement. With limited capacity addition, outlook for the cement sector is very promising.

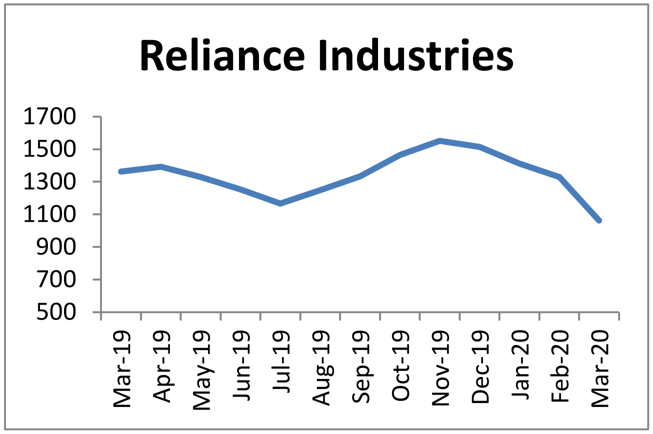
- Company also started working on improving realization of recently acquired century textile’s assets. Century plants operating at lower capacity utilization so that turnaround of that plants help with better profitability.

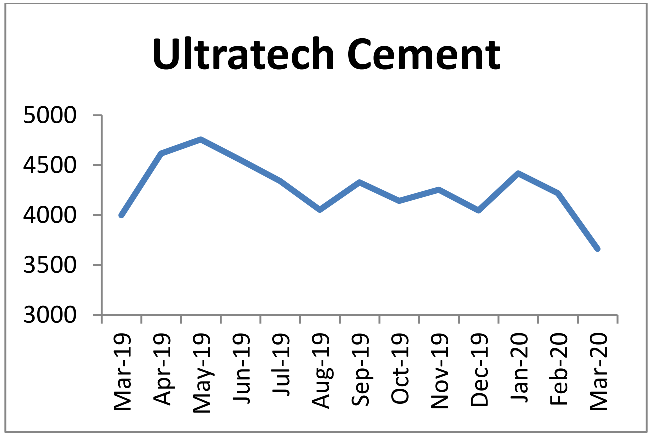
- Pre-acquisition century plant has ~30% of pet coke consumption, which has enhanced to 69%. Nathdwara plant continuously operated at 60% of utilization level and achieved cost reduction: Rs ~ 425/t since acquisition.

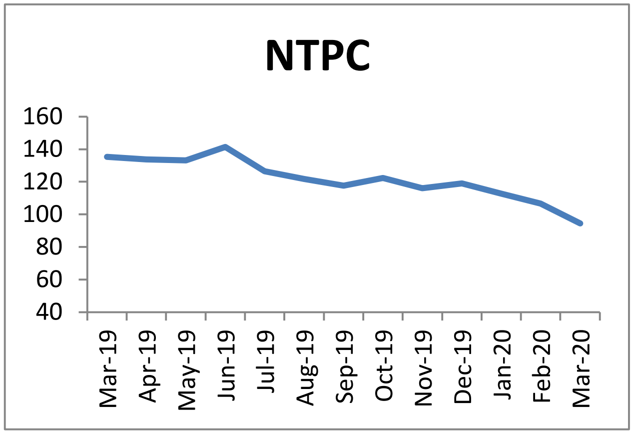
- As on Mar-19, gross D/E stood at 0.65x, while net D/E at 0.5x. We estimate that it would get reduced to 0.35x by FY21.

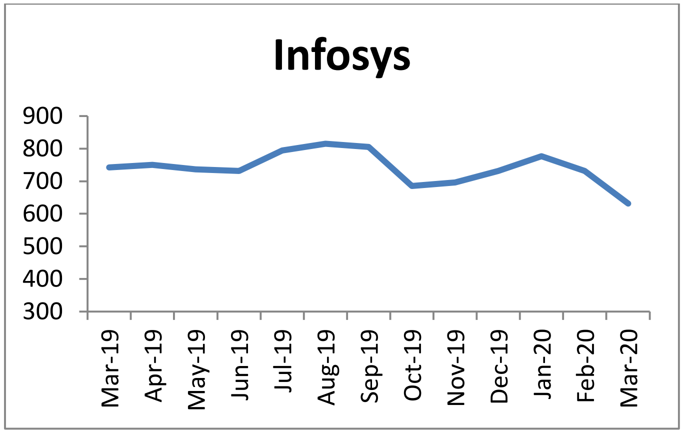
- Strong FCF and company also looking to divest its non-core assets in China & UAE will help to the company to deleverage balance sheet.

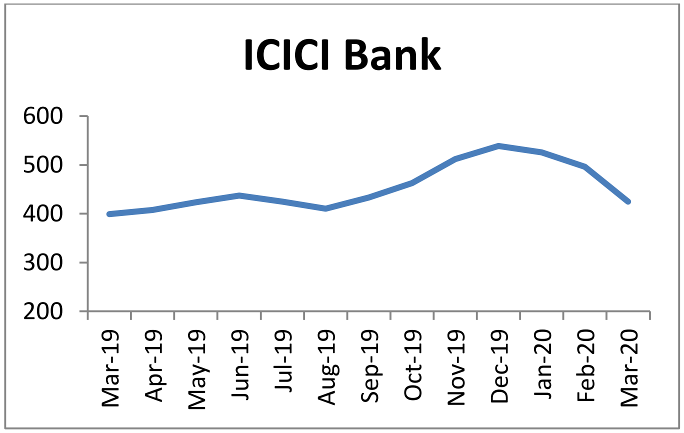
- The recent fall in stock price offers an attractive entry point for investors to gradually accumulate this market leader.











Stock	Analyst	Qualification	Holding
ICICI Bank	Nisha Sankhala	MBA	No
Infosys	Manthan Jhaveri	CA	No
NTPC	Nisha Sankhala	MBA	No
Reliance Ind.	Jimit Zaveri	MBA	No
Ultratech Cem.	Jimit Zaveri	MBA	No

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