

Investing - Finding Opportunity in Adversity

Volatility is an inevitable part of investing, more so with stock markets. Covid-19, is an unprecedented crisis as fear has become the dominating emotion. The stress and panic that is created in the minds of investors makes them behave emotionally rather than rationally.

The virus that started in Wuhan, China, has now spread to over 200 countries, the most impacted being the US and Europe, while China seems to have controlled the pandemic. The subsequent global response (economic lockdowns) to contain the spread of virus has acted as a catalyst for the sharp global equity market correction which was already dealing with the stress of slowing global growth amid trade wars. With all economic activity coming to a grinding halt all across the world, markets went into a tailspin correcting 25-35% across the board. Like most other countries around the world, India also decided to impose a 21 day shutdown to control the spread of COVID -19, given the population density and lack of medical infrastructure.

As the Govt. continues to deal with containing and defeating the virus medically, it has also been dealing with the socio - economic fallout of this event. Investors should consider the measures taken by the Govt. and RBI to mitigate the short to medium term negative effects on the economy, as well as, some other unintended benefits to the economy and investment opportunities that might arise.

Measures from Government and the RBI to support the economy: Govt. announced Rs. 1.7 Lakh Crore relief package for the economically backward citizens and is also expected to announce sector specific measures in the near to short term to address the concerns of affected sectors. RBI, doing its part, has reduced the Repo Rate by 75 bps to 4.4%, Cash Reserve Ratio (CRR) reduced by 100 bps to 3% and other measures infusing a total of around Rs. 4 lakh Cr liquidity into the system to cushion the negative effects on the economy. Further, RBI has allowed a 3 month moratorium on term and working capital repayments on all loans given by banks and NBFCs. Further, with falling crude oil exerting deflationary pressure, RBI has more room to cut interest rates, which augurs well for equity markets ahead.

Sharp decline in Oil Prices: One of the unintended benefits to Indian economy is the sharp fall in oil prices as global growth grinds to a halt. The resultant sudden demand crash and supply glut amid price war between Saudi Arabia and Russia led to drop in Oil prices by around 50% hitting 18 year lows. India is expected to benefit from lower crude prices as we import around 80% of the crude requirement and approximately 1% reduction in crude oil prices saves India \$1.2 billion annually.

Valuations have become more attractive: The impact of shutdowns and weak growth could result in short to medium term earnings hit and normalisation is expected from H2FY21, provided the virus is contained. Several market data points like Market Cap-to-GDP ratio is at its lowest since FY10 (95% in FY10 to 54% FY20), Nifty earnings yield versus the 10-year bond yield is at 0.88% comfortably above its 10-year average of 0.74% and Consensus Nifty one-year forward PE of 16.2, is at a 12% discount to long-term average of 18.5x and at levels last seen in February 2014 and Nifty trailing price to book (P/B) at 2.1x is below the historical average of 2.6x.

Key actionable points investors should remember before acting on stocks:

- It is important to look at Covid-19 as a “one off event” and stock prices usually react disproportionately to these short-term developments, whereas long-term assumptions and valuations do not change significantly.
- As seasoned investors will tell you, it is at such volatile times that investors should remain focussed and maintain caution until normalcy returns to the markets.
- Current volatility/correction provides long term investors a great opportunity to buy companies with strong business models, healthy balance sheets and with leaders implementing effective strategies to not only sustain but thrive once the present day uncertainties abate. Further investors should look at making steady investments spread over a period and avoid trying to time the market bottom.

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MARKET WATCH

| Indices | 31/03/2020 | 28/02/2020 | % VAR |
|---------------|------------|------------|-------|
| Nifty 50 | 8,598 | 11,202 | -23.2 |
| BSE Sensex | 29,468 | 38,297 | -23.1 |
| BSE Mid Cap | 10,570 | 14,600 | -27.6 |
| BSE Small Cap | 9,609 | 13,709 | -29.9 |
| BSE-500 | 11,098 | 14,628 | -24.1 |
| NASDAQ | 7,700 | 8,567 | -10.1 |
| DOW | 21,917 | 25,409 | -13.7 |
| FTSE | 5,672 | 6,581 | -13.8 |
| NIKKEI | 18,917 | 21,143 | -10.5 |

| Other Indicators | 31/03/2020 | 28/02/2020 | % VAR |
|---------------------|------------|------------|-------|
| BRENT CRUDE (\$/Bl) | 22.7 | 50.5 | -55.0 |
| FOREX (Rs/\$) | 75.6 | 72.9 | -3.8 |
| GOLD (Rs/10Gms) | 43000.0 | 41397.0 | 3.9 |

| Top Gainers - BSE 500 | CMP | % VAR |
|-------------------------------|-------|-------|
| India Cements Ltd. | 106 | 10% |
| BASF India Ltd. | 1,125 | 10% |
| Dr. Reddy's Laboratories Ltd. | 3,121 | 7% |
| Hindustan Unilever Ltd. | 2,299 | 6% |
| GlaxoSmithKline Consumer | 9,974 | 6% |

| Top Losers - BSE 500 | CMP | % VAR |
|---------------------------|-----|-------|
| Future Retail Ltd. | 78 | -74% |
| IndusInd Bank Ltd. | 351 | -68% |
| Welspun Corp Ltd. | 62 | -67% |
| Future Lifestyle Fashions | 118 | -66% |
| Varroc Engineering Ltd. | 128 | -66% |

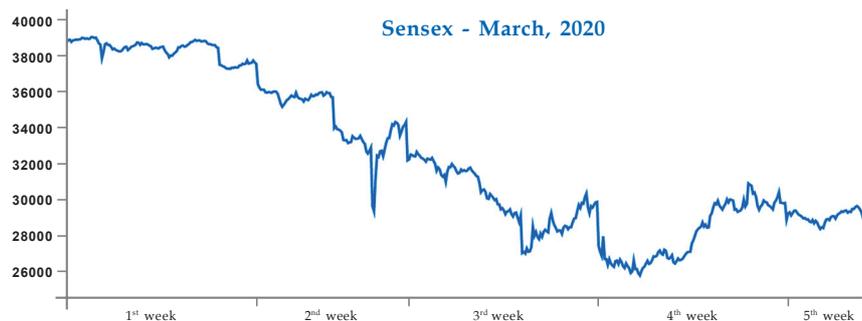
| Sectoral Indices | 31/3/2020 | 28/2/2020 | % VAR |
|------------------|-----------|-----------|-------|
| BSE Realty Index | 1,354 | 2,124 | -36% |
| BANKEX | 22,050 | 33,416 | -34% |
| BSE Auto | 10,746 | 15,569 | -31% |
| BSE Metal | 5,713 | 8,241 | -31% |
| BSE Cap Goods | 10,979 | 15,398 | -29% |
| BSE Cons Durable | 19,363 | 26,151 | -26% |
| BSE PSU | 4,460 | 5,881 | -24% |
| BSE Oil&Gas | 10,021 | 12,620 | -21% |
| BSE Power | 1,378 | 1,717 | -20% |
| BSE IT Sector | 12,843 | 14,987 | -14% |
| BSE Healthcare | 12,149 | 13,480 | -10% |
| BSE FMCG Sector | 10,255 | 10,964 | -6% |

Institutional Activity (Rs. Cr.)

| Institution | March-2020 | Feb-2020 | CYTD'20 |
|-------------|------------|----------|---------|
| FII | -61,973 | 1,819 | -48,030 |
| MF | 28,276 | 9,863 | 39,523 |

Key Macro Economic Indicators (Y-o-Y, Gr⁰%)

| Indicator | Prior Year | Latest |
|--------------------------|------------|--------|
| Real GDP(%) | 6.6 | 4.7 |
| Industrial Production(%) | 1.5 | 2.2 |
| Manufactuirng PMI | 54.3 | 54.5 |
| CPI(%) | 2.5 | 6.6 |
| WPI(%) | 2.7 | 2.2 |
| Core Sector(%) | 1.5 | 2.2 |
| Repo rate(%) | 6.6 | 4.4 |



Market Review March - 2020

March 2020 witnessed significant volatility and indiscriminate selling across the globe, and domestic markets moved in tandem with other global markets owing to concerns relating to Covid-19 pandemic, resultant fear of economic slowdown and recent fall in global crude oil prices.

Uncertainty has driven the India volatility index, also called fear index, to touch fresh highs, surpassing its historic peak during the global financial crisis in November 2008.

Of the Nifty 500, around 490 companies reported negative returns in March, with around 320 companies reported losses in the range of 74-25%, and it is 46 out of Nifty 50 and 28 out of Sensex 30 reported price correction.

The heavy selling from FIIs led to massive liquidity outflow from domestic markets, which is around \$15 bln in Equity and Debt making it the highest ever sell off by FIIs in a month.

RBI has opted for an aggressive repo rate cut of 75 bps, coupled with 100 bps in CRR. A slew of measures including Rs 3.74 lakh crore liquidity boost announced for the financial markets to ease the pain in the domestic economy.

With country wide 21 days lockdown announced, Govt. announced a comprehensive economic package Rs. 1.7 lakh crore package to deal with the impact of Covid-19. To place a tighter framework to curb high market volatility, market regulator Sebi announced revising market wide position limit for stocks in the derivative segment flexing dynamic price bands and other measures for one month starting March 23rd.

Following the unprecedented correction in markets over the last two months, promoters of around 300 large as well as mid-and small-sized companies bought equity shares worth of Rs 4000 crore in the month of March alone via open market purchase.

Globally, most of the Central Banks adopted bond buying and liquidity injection in an attempt to ease economic hit from the coronavirus.

Market Outlook - April 2020

Following two months of deep losses, April 2020 would be a crucial month for domestic markets as investors would await clarity on containment of Covid-19 across the globe.

With Country under lockdown till April 15th (as of now), and production suspensions announced by majority manufacturing companies, economic activity is largely expected to be muted for the month of April 2020. Any extension of the lockdown could hurt sentiment further.

Investors would track the continued economic measures from Central Banks/Govt. in the wake of the coronavirus pandemic and impact of recently announced liquidity/ economic measures.

Corporate news flows could drive the markets, and with management commentary on business continuity plans would be watched for cues. Corporates got extension of deadline till June 30th to file corporate earnings to cope with curbs imposed by Govt. to contain the spread.

FIIs flows, Rupee movement against dollar and Oil prices will be tracked for cues. Continuation of outflow trend from FIIs on recession fears could under weigh the sentiment.

Global market movements will be watched closely, while the announced lockdowns continue globally to contain the virus, economic developments from China will be tracked for further cues. Policy measures and Stimulus aid by various countries and their impact to be monitored for cues.

Monthly Technical Outlook - Nifty

Nifty closed the month of March with deep losses of 23% breaking below multiple support levels at 10600 and 10000, indicating a clear downtrend in the short to medium term time frame. Crucial Nifty level to watch going forward would be at the recent swing low of 7500 and only a decisive fall below could indicate that the market correction could extend towards 7200 and thereafter towards 6600. On the upside, any pull back is expected to face strong resistance in the 9000-9500 band.

Monthly Delivery Trading Call

Reco Date : 3rd, April, 2020
 Company Name : Cadila Healthcare Ltd.
 Ticker (NSE) : CADILAHC
 CMP : 274.6
 Comment : 1) Potential breakout from a Cup and Handle Pattern.
 2) Confirmation of breakout above 285.
 3) Trading above 20, 50 and 200 EMA in the Daily charts.
 Buy Range : 275/285
 Stop Loss : 250/240
 Targets : 310/330



Note: All levels on an EOD (End of Day) basis.

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Commodity Review - Outlook

| | 03/31/2020 | 02/28/2020 | %VAR | Outlook |
|----------------|------------|------------|---------|--|
| Gold Jun | 43255.00 | 41397.00 | 4.49% | Gold prices closed the fourth consecutive month with gains tracking high volatility in the U.S. dollar and sharp correction witnessed in global equity markets over Coronavirus pandemic and as countries enforce lockouts to stop the spread. Gold has also been witnessing profit booking at higher levels as portfolio gold holding are being sold to cover losses suffered in equity markets. While Gold is usually seen as a safe haven in times of uncertainty, however, in the absence of liquidity in other avenues, selling in Gold at higher levels could be seen which could cap any sharp upside. <i>Technically, Gold seems to be consolidating in a broad range of 40000-44000 and a decisive move out of this band could provide directional cue to prices.</i> |
| Silver May | 39523.00 | 43979.00 | -10.13% | Silver prices closed the second consecutive month with losses taking cues from the base metal pack, being as how silver is classified as an industrial metal, which saw a sharp correction as global growth comes to a grinding halt as countries impose shutdowns to contain the virus. <i>Technically, prices have broken below crucial support at 43000 which could now act as resistance in any recovery. On the downside, crucial support at 35000 would be watched closely as a decisive fall below could indicate a short to medium term trend reversal leading to further correction.</i> |
| Copper Apr | 377.55 | 421.85 | -10.50% | Copper prices closed the month with deep losses as global spread of the virus has brought the global economic growth and trade to a standstill, as countries impose shutdowns and travel restrictions to contain the spread. Concerns grow as the world is expected to enter a recession triggered by the pandemic and copper being an indicator of economic activity would be the first to take a major hit from this event. <i>Technically, prices have broken below crucial supports in the 400-420 band (which could act as resistances in any recovery) and trading at multiyear lows indicating weakness. On the downside, short term support is seen in the 300-330 band. In view of the sharp fall some consolidation could be seen in the near term.</i> |
| CrudeOil Apr | 1680.00 | 3263.00 | -48.51% | Crude Oil closed the month with the worst monthly and quarterly losses on record as Coronavirus pandemic has put half of humanity in lockdown and brought global trade and growth to a near halt, collapsing oil demand. The perfect storm emerged with Saudi and Russia getting into a price war, while the market was already dealing with a supply glut issue. As it stands now, U.S. and Europe are rejecting Saudi Arabia oil shipments and ports in India are now declaring force majeure on crude purchases from Middle East as fuel demand plunges amid coronavirus lockdowns. Oil prices are expected to stabilise as U.S. oil rigs have starting shutting down and early reports indicate Saudi Arabia and Russia could reach a truce to stem the fall in prices. <i>Technically, prices are currently trading at 18 year lows with no relevant support levels. Price action in the month of April could define if any sort of bottom is formed. On the upside, in case any recovery is seen it is expected to face resistance in the 2000-2200 band.</i> |
| NaturalGas Apr | 131.40 | 124.30 | 5.71% | Natural Gas closed the month with minor gains, after fourth consecutive months of losses, but still trading close to multiyear lows not seen since 2016. Elevated production and lack of demand as weather transitions into low demand spring season could keep prices range bound. <i>Technically, prices continue to trade close to recent multiyear lows made at 117. While a decisive fall below the recent low could indicate a deeper correction, on the upside, any attempt at a recovery is expected to face strong resistance in the 140-150 band and only a decisive move above this band could indicate that any recovery would sustain.</i> |

Note: Rupee movement has to be considered while trading in Dollar denominated international commodities.

CMP: Rs. 388

Agro Tech Foods Ltd.

EPS(TTM): Rs. 15.8

Company Profile: Agro Tech Foods Ltd (ATFL), incorporated in 1986, is an affiliate of ConAgra Foods Inc. USA with 51.7% stake in it. ATFL operates under three segments viz. Sourcing & Institutional Business, Branded Foods & Oils, and Others. The Company's brands include Sundrop, ACT II, Sundrop Snack Break, Sundrop Peanut Butter, Healthy World and Sundrop 10 min Yummeals. Company has 14 manufacturing facilities pan-India and a manufacturing network of 5 plants across the country with retail distribution coverage of 400,000 stores. The Company has three wholly owned subsidiaries, Sundrop Foods India Limited, Agro Tech Foods (Srilanka) Pvt. Ltd and Agro Tech Foods (Bangladesh) Pvt. Ltd. It has a predominant presence in edible oils (75% of sales), 2nd largest player in the super premium refined edible oil category with a 45% market share.

| Key Financials (Rs. Cr.) | FY 15 | FY 16 | FY 17 | FY 18 | FY 19 |
|---------------------------|-------|-------|-------|-------|-------|
| Total Income | 765 | 780 | 815 | 815 | 827 |
| OPM (%) | 7.9 | 7.3 | 8.1 | 8.2 | 8.3 |
| PAT | 37 | 23 | 28 | 32 | 34 |
| Equity | 24.4 | 24.4 | 24.4 | 24.4 | 24.4 |
| ROE (%) | 11.8 | 6.9 | 9 | 9.3 | 9.1 |
| DE (x) | 0.1 | 0.3 | 0.1 | 0.0 | 0.0 |
| EPS (Rs.) | 15.2 | 9.5 | 11.4 | 12.9 | 14.1 |
| Book Value (Rs.) | 128.8 | 138.4 | 125.7 | 139.4 | 154.5 |
| DPS (Rs.) | 2.0 | 2.0 | 2.0 | 2.5 | 2.5 |
| Promoter H(%) last 5 Qtrs | 51.8 | 51.8 | 51.8 | 51.8 | 51.8 |

Investment Rationale:

- Operates under strong parent, ConAgra Foods, one of North America's leading packaged food companies with recognized brands.
- Agro Tech's established market position in the edible oil brand, 'Sundrop' enjoys pricing premium, and Company's continued effort in improving revenue diversity from its food business segment, over the last 2-3 years, driven by an expanding product portfolio.
- Agro Tech is a debt-free entity as on March 31, 2019. The financial risk profile remains strong and large networth, backed by steady cash accrual of over Rs 40 crore each over the last two fiscals.

Concerns:

- Availability of edible oils and Intensifying competition in the oil business, which contributes 69% to the revenues.
- Short term earnings in food segment could take a hit amid ongoing lockdown due to Covid-19.

Outlook: Agro Tech's strategy of increasing the contribution of high-margin foods to sales (31% currently, from 22% in fiscal 2016. In the latest updated quarter, Foods accounted for 43% of Company Gross Margin - expected to cross 50%.) through distribution expansion, entering new categories and focusing on niche segments within the foods segment is expected to aid future growth. Further, the company's strong parent, wider geographic footprint and distribution expansion coupled with strategic plant locations would save freight costs, making it a better player in the segment ensuring decent margin expansion. Company operates with a strong balance sheet including zero debt and good reserves supporting inorganic growth prospects going forward. Thus, all these opportunities with decent valuations makes it a long term investment option.

CMP: Rs. 263

Cadila Healthcare Ltd.

EPS(TTM): Rs. 13.8

Company Profile: Cadila Healthcare Ltd. (CHL) has presence across the pharmaceutical value chain of research, development, manufacturing, marketing and selling of finished dosage human formulations (generics, branded generics and specialty formulations, including biosimilars and vaccines), Active Pharmaceutical Ingredients (APIs), animal healthcare products and consumer wellness products. Company's dosage forms include modified release oral solids, transdermal, topicals and nasals, biologics, vaccines, and New Chemical Entities (NCE). Geographically derives 50-55% of revenues from the US, 30% from India and remaining from Europe and emerging markets including countries in Latin America, Asia Pacific region and Africa.

| Key Financials (Rs. Cr.) | FY 15 | FY 16 | FY17 | FY18 | FY19 |
|---------------------------|-------|-------|-------|--------|--------|
| Total Income | 8,804 | 9,554 | 9,644 | 12,334 | 13,476 |
| OPM (%) | 20.5 | 25.6 | 21 | 23.9 | 23.6 |
| PAT | 1,151 | 1,934 | 1,488 | 1,776 | 1,849 |
| Equity | 102.4 | 102.4 | 102.4 | 102.4 | 102.4 |
| ROE (%) | 27.1 | 33.9 | 21.4 | 20.3 | 17.8 |
| DE (x) | 0.5 | 0.4 | 0.7 | 0.6 | 0.7 |
| EPS (Rs.) | 10.6 | 18.9 | 14.5 | 17.3 | 18.1 |
| Book Value (Rs.) | 41.5 | 55.7 | 68 | 85.4 | 101.4 |
| DPS (Rs.) | 2.4 | 3.2 | 3.2 | 3.5 | 3.5 |
| Promoter H(%) last 5 Qtrs | 74.8 | 74.8 | 74.8 | 74.9 | 74.9 |

Investment Rationale:

- Cadila has recently completed domestic business restructuring to focus on larger brands and therapeutic segments with better growth prospects. Cadila is ranked fourth largest player in the Indian branded formulation space with 3.94% market share.
- Company is constantly focusing on building alternative growth platforms like NCE, Biologics and Vaccines, which are expected to deliver from FY21 onwards and reduce the company's dependence on limited competition drugs in the US for earnings. Further, it is an early entrant in the biologics & vaccine space and has the largest portfolio of

launched biosimilars whose cumulative sales aggregate to Rs 250 Cr annually.

- Cadila received about 175 new product approvals in the past three years, which will increase new drug launches in the US. Cadila expects 20-30 new approvals annually in the US.
- Cadila's promoter stake (63.5%) in Zydus Wellness (ZWL, Revenues @Rs. 807 Cr for FY19), a wellness company is expected to add value to the group in the long run. Zydus latest acquisition of Heinz portfolio, is a profit accretive, that expands ZWL's existing portfolio over a larger geographical footprint.

Concerns:

- Increased scrutiny from USFDA, intensified competition in key products resulting in higher costs.

Outlook: Although the warning letter for Moraiya plant, Ahmedabad (45% of US sales), could delay near term approvals, company's focus on lowering dependence on Moraiya for new approvals, with around 20-30 new approvals coming from other plants, of which 10 should be limited competition, would be a long term growth driver for the company. Hydroxychloroquine (HCQS) is a near term opportunity for Cadila as this drug is being tested by USFDA for potential treatment of Coronavirus. On valuation front, the company is trading at a PE of 22x on TTM earnings, and with a P/B of 2.5x on latest BV. Thus the improving growth opportunities especially from FY21 amid growing domestic segment, lined up launches in US business and strong growth prospects from wellness subsidiary, will make Cadila a decent long term opportunity.

CMP: Rs. 182

Gujarat State Petronet Ltd.

EPS(TTM): Rs. 27.6

Company Profile: Gujarat State Petronet Ltd. (GSPL) a group entity of the GSPC group, is India's 2nd largest gas transporter, operating 2621 kms gas transmission grid and transports over 38mmmscmd of natural gas in Gujarat. With 33% share in India's gas demand, it holds around 16% of total natural gas pipeline networks in India. GSPL holds 27.47% stake in Sabarmati Gas Ltd and 54.17% in Gujarat Gas Ltd, which are into the business of developing City Gas Distribution (CGD) network, contributing to around 19% of GSPL's transmission revenues. GSPL holds 11% stake in Swan Energy's SPV Swan LNG in its terminal at Dahej.

| Key Financials (Rs. Cr.) | FY 15 | FY 16 | FY 17 | FY 18 | FY 19 |
|---------------------------|-------|-------|-------|-------|-------|
| Total Income | 1,120 | 1,085 | 6,019 | 7,383 | 9,499 |
| OPM (%) | 86.6 | 88.4 | 29.2 | 29.3 | 28.1 |
| PAT | 486 | 465 | 554 | 741 | 999 |
| Equity | 563 | 563 | 564 | 564 | 564 |
| ROE (%) | 12.8 | 11.6 | 12.2 | 30.5 | 30.3 |
| D/E (x) | 0.3 | 0.3 | 0.7 | 2.2 | 1.4 |
| EPS (Rs.) | 8.6 | 8.2 | 9.8 | 13.1 | 17.7 |
| Book Value (Rs.) | 67.0 | 70.6 | 80.2 | 43.0 | 58.4 |
| DPS (Rs.) | 1.2 | 1.5 | 1.5 | 1.7 | 2.0 |
| Promoter H(%) last 5 Qtrs | 37.6 | 37.6 | 37.6 | 37.6 | 37.6 |

Investment Rationale:

- GSPL is a natural monopoly in its areas of operations due to huge entry barriers in terms of regulations and huge capex involved.
- Aggressive capex plans (Rs 15500 Cr), in debottlenecking its gas grid and adding connectivity to existing and new LNG terminals, developing three new pipelines of approx 4481 kms to carry around 100 mmmscmd of gas covering 9 states via its subsidiaries augurs well for the company.
- Transmission tariff hikes from FY19 onwards of some pipelines by 27.9-117% gives visibility on GSPL's earnings

for the next 3-4 years. Similarly Capacity of GSPL's high pressure (HP) network shall exceed 50mmmscmd in the next 3-5 years which would improve tariff and revenue due to higher volumes.

- Strong earnings growth in the last 5 years (CAGR) sales rose by 54%, PAT grew by 19%, ROE @ 18%. strong volume growth at a 10.2% CAGR over FY14-19, Currently available at Reasonable valuations @ P/E of 6.6x and P/BV of 2.5x.

Concerns:

- Demand slowdown, adverse change in transmission tariffs or regulatory changes, slowdown in commissioning of pipelines.

Outlook: GSPL's aggressive capex plans, strong client base and expanding Pan India presence is likely to benefit as the primary play on increasing usage of natural gas in the country. The Government plans to make gas 15% of India's primary energy mix by 2030 (from 6.2%), LNG imports are expected to increase due to the low gas pricing scenario coupled with commissioning of pipelines would improve the company's prospects. Being a transmission provider it helps to minimize risks associated with fluctuations in natural gas prices. Increasing demand for transmission lines, strong Cash flow generation capability, reducing debt profile coupled with investments in high growth city gas distribution (CGD) would drive growth momentum going forward. However in the short term earnings would be impacted due to the shutdown in Industrial activity due to lock down in the areas it operates.

CMP: Rs. 240

Tata Communications Ltd.

EPS(TTM): NA

Company Profile: Tata Communications Ltd. (TCL), incorporated in 1986, is a leading B2B provider of international wholesale voice communication (28% of revenues) and data services (72%) globally. TCL is among the top 5 IP providers on 5 continents and offers public and private network connectivity to more than 240 countries and territories. Its network includes the only global fibre ring that connects the Middle East. Company's customer base includes approx. 1600 global carriers and in the Data segment, Traditional Services continued to remain large contributors with 65%, followed by 21% from Growth & Innovation Services, 12.3% from Subsidiaries and 1.1% from Rentals.

| Key Financials (Rs. Cr.) | FY 15 | FY 16 | FY 17 | FY 18 | FY 19 |
|---------------------------|--------|--------|--------|--------|--------|
| Total Income | 20,395 | 18,545 | 19,977 | 17,031 | 16,587 |
| OPM (%) | 16.1 | 13.6 | 18.5 | 13.5 | 16.9 |
| PAT | 1 | 9 | 322 | -329 | -82 |
| Equity | 285 | 285 | 285 | 285 | 285 |
| ROE (%) | 0.4 | NA | 20.2 | NA | NA |
| DE (x) | 40.7 | -39.2 | 5.8 | 15.4 | NA |
| EPS (Rs.) | 0.1 | 0.3 | 11.3 | -11.5 | -2.9 |
| Book Value (Rs.) | 11.3 | -12.7 | 55.9 | 17.5 | NA |
| DPS (Rs.) | 5.5 | 4.3 | 6 | 4.5 | 4.5 |
| Promoter H(%) last 5 Qtrs | 74.9 | 74.9 | 74.9 | 74.9 | 74.9 |

Investment Rationale:

- TCL owns the world's largest subsea cable network & is the only private subsea cable owner that has 100G deployed across major world routes with its own infrastructure.
- Company handles more than 24% of the global internet route, totaling more than 7,300 petabytes a month.
- TCL has been divesting non-core assets in line with its strategy to focus on digital infrastructure services complementing an asset-light growth model. As part of strategy, Company continues to rationalise ATM portfolio and focus on profitability.

** Networth is negative for FY19.

- Company's Net debt is at US\$1.25 billion (as of Dec 2019), with Net Debt to EBITDA at 2.9x vs 3.4x an yr ago. With no peak capex plans in the short to medium term, TCL is planning to bring down net debt to ebitda to 2.2-2.5x driven by deleveraging through organic cash flow generation.

Concerns:

- Apart from increasing dependence upon its Enterprise side managed services, in the medium term, business disruption in the global economy amid Covid-19 could impact performance.

Outlook: Tata Comm, a leading global provider of wholesale voice communication and data services by virtue of its strong network infrastructure and a niche it has created for itself in the managed (data) services space would benefit from greater opportunities in the data market. Its' focus on segments such as mobility, Internet of Things (IoT), media and entertainment, financial services, and health care would be the key drivers going forward. Company is in the transformation phase to a next generation digital infrastructure provider from a pure connectivity provider, and evolving to a two pronged engagement model - targeting revenue maximisation and acquisition. Further, post transfer of surplus land, the company still holds close to 750 acres of land across various states, and the de-merger will enable evaluation of options to monetise this land at a later stage.

We have provided below a short list of companies which we feel are currently available at attractive valuations, particularly when viewed with a Long Term (L) perspective. The CMP and the Market Cap. are based on 01/04/2020.

CONSERVATIVE INVESTOR (Low Risk Profile)

| Sl. No. | Company Name | Industry | CMP (Rs.) | Market Cap (Rs.Cr) | FV (Rs.) | EPS* (Rs.) | P/E* (x) | P/B* (x) | Div. Yld. (%) | Equity (Rs.Cr) | ROE (%) | ROCE (%) |
|---------|-----------------|--------------------|-----------|--------------------|----------|------------|----------|----------|---------------|----------------|---------|----------|
| 1 | ITC Ltd. | Diversified | 166 | 2,04,481 | 1 | 12.3 | 13.6 | 3.5 | 3.5 | 1,229 | 21.3 | 31.0 |
| 2 | Marico Ltd. | FMCG | 264 | 34,047 | 1 | 9.6 | 27.4 | 9.6 | 1.8 | 129 | 41.0 | 41.2 |
| 3 | Agro Tech Foods | FMCG/Edible Oil | 388 | 946 | 10 | 15.8 | 24.6 | 2.4 | 0.6 | 24 | 9.5 | 14.4 |
| 4 | DFM Foods | FMCG | 173 | 867 | 2 | 7.1 | 24.3 | 6.0 | 0.7 | 10 | 25.3 | 24.8 |
| 5 | GIPCL | Power Gen. & Dist. | 49 | 748 | 10 | 23.3 | 2.1 | 0.3 | 5.9 | 151 | 9.9 | 14.6 |

MODERATE INVESTOR (Medium Risk Profile)

| Sl. No. | Company Name | Industry | CMP (Rs.) | Market Cap (Rs.Cr) | FV (Rs.) | EPS* (Rs.) | P/E* (x) | P/B* (x) | Div. Yld. (%) | Equity (Rs.Cr) | ROE (%) | ROCE (%) |
|---------|-------------------|----------------------|-----------|--------------------|----------|------------|----------|----------|---------------|----------------|---------|----------|
| 1 | Wipro | IT - Software | 190 | 1,08,411 | 2 | 17.3 | 11.0 | 2.1 | 0.4 | 1,143 | 16.0 | 20.0 |
| 2 | Cadila Healthcare | Pharmaceuticals | 263 | 26,913 | 1 | 13.8 | 19.1 | 2.6 | 1.3 | 102 | 17.8 | 16.0 |
| 3 | GSPL | Gas - Infra & Trans. | 182 | 10,289 | 10 | 27.6 | 6.6 | 2.5 | 1.2 | 564 | 30.3 | 23.3 |
| 4 | Suven Pharma | Pharmaceuticals | 216 | 2,743 | 1 | 20.6 | 10.5 | 4.6 | - | 13 | 37.0 | 47.3 |
| 5 | CCL Products | Coffee | 175 | 2,329 | 2 | 12.0 | 14.6 | 2.6 | 2.0 | 27 | 18.5 | 20.2 |

AGGRESSIVE INVESTOR (High Risk Profile)

| Sl. No. | Company Name | Industry | CMP (Rs.) | Market Cap (Rs.Cr) | FV (Rs.) | EPS* (Rs.) | P/E* (x) | P/B* (x) | Div. Yld. (%) | Equity (Rs.Cr) | ROE (%) | ROCE (%) |
|---------|-------------------|----------------------|-----------|--------------------|----------|------------|----------|----------|---------------|----------------|---------|----------|
| 1 | Exide Inds | Auto Ancillaries | 131 | 11,169 | 1 | 9.9 | 13.2 | 1.7 | 1.8 | 85 | 13.8 | 6.5 |
| 2 | Tata Comm. | Telecommunications | 240 | 6,831 | 10 | - | - | - | 1.9 | 285 | 2.7 | 7.0 |
| 3 | Qness Corp | Technology Solutions | 212 | 3,127 | 10 | 17.9 | 11.9 | 1.1 | 0.0 | 148 | 9.4 | 12.7 |
| 4 | Heidelberg Cement | Cement | 137 | 3,105 | 10 | 11.6 | 11.8 | 2.5 | 2.8 | 227 | 18.8 | 23.4 |
| 5 | IFB Industries | Home Appliances | 267 | 1,081 | 10 | 12.7 | 21.0 | 1.7 | 0.0 | 41 | 11.8 | 11.7 |

All figures are on Consolidated basis, where ever applicable; ROE (%) - Return on Equity; ROCE (%) - Return on Capital Employed; P/E (x) - Price earnings; P/B (x) - Price to Book Value; Div Yld (%) based on latest FY.

* Trailing 12 Months;

Please refer Research Disclaimer at <http://www.zenmoney.com/RAdisclaimer.pdf>

Data Sources: Stock exchanges, SEBI, Capitaline, company's information from publicly available sources, Tickerplant Marketview Terminal.

Personal Finance Queries



Q) I am investing in different mutual fund schemes, through SIP, for my child's education for the past 3 years. The recent stock market fall has eroded my profits. Now my portfolio is showing negative returns, which worries me. I have started this SIPs with a 15yrs view. In the current situation should I continue my investments or should I stop for some time?

- Mr. Bhanu Prasad - Nalgonda

A. Equity investments fall under high risk -high return category. While short to medium term volatility cannot be avoided, if held for long term it can generate high risk adjusted returns. You have started SIP for your child's education which is 12 years from now, equity investments are a good option for building corpus for your child's education. As your goal is long term, you should ideally continue your SIP regardless of what happens in the markets in the short term and stay invested till your goals are reached.

Continuing SIP during volatile times helps to reduce overall cost of acquisition by averaging during volatility which would improve your portfolio returns when markets recover. However stopping the SIP during volatile markets can result in missing on the benefits of compounding.

To clarify your Personal Finance Queries, please email your questions to advisor@zenmoney.com.

Mutual Fund-SIP returns for top funds in different categories

| | Mutual Fund Scheme Names | Inception Date | AUM (Rs.Cr) | NAV (Rs) | 1 Year Returns (%) | 3 Year Returns (%) | 5 Year Returns (%) | Since Inception (%) |
|--------------------------|---------------------------------------|----------------|-------------|----------|--------------------|--------------------|--------------------|---------------------|
| Large Cap Funds | Axis Bluechip Fund | 05-Jan-10 | 11823.95 | 25.41 | -28.92 | -2.73 | 4.16 | 9.21 |
| | Mirae Asset large cap Fund | 04-Apr-08 | 16733.83 | 37.38 | -47.62 | -15.24 | -3.15 | 10.36 |
| | ICICI Prudential Bluechip Fund | 23-May-08 | 23608.74 | 30.65 | -48.01 | -16.74 | -5.17 | 7.59 |
| | Aditya Birla SL Focused Equity Fund | 24-Oct-05 | 4205.28 | 44.39 | -45.50 | -15.84 | -5.22 | 7.97 |
| | SBI Bluechip Fund | 14-Feb-06 | 22043.89 | 28.75 | -48.00 | -17.12 | -6.25 | 7.16 |
| | Nippon India Large Cap Fund | 08-Aug-07 | 11744.56 | 23.30 | -54.77 | -20.49 | -7.55 | 6.24 |
| Large and Mid Cap Funds | Mirae Asset Emerging Bluechip Fund | 09-Jul-10 | 9613.59 | 40.42 | -44.59 | -13.60 | -0.54 | 13.66 |
| | Canara Robeco Emerging Equities | 11-Mar-05 | 5597.34 | 72.46 | -39.91 | -14.13 | -2.00 | 13.63 |
| | Invesco India Grw. Opportunities Fund | 09-Aug-07 | 2498.42 | 26.37 | -41.84 | -12.86 | -2.24 | 8.32 |
| | Kotak Equity Opportunities Fund | 09-Sep-04 | 3167.85 | 91.47 | -43.35 | -14.39 | -3.48 | 9.93 |
| | Sundaram Large and Mid Cap Fund | 27-Feb-07 | 1167.45 | 25.10 | -48.16 | -16.05 | -3.94 | 6.58 |
| | DSP Equity Opportunities Fund | 16-May-00 | 5279.30 | 162.35 | -47.15 | -17.29 | -5.08 | 15.16 |
| Value Funds | Invesco India Contra Fund | 11-Apr-07 | 4668.45 | 35.58 | -43.96 | -14.99 | -3.00 | 9.77 |
| | Kotak India EQ Contra Fund | 27-Jul-05 | 866.17 | 37.88 | -49.07 | -16.15 | -4.29 | 7.14 |
| | Tata Equity P/E Fund | 29-Jun-04 | 4567.21 | 94.23 | -50.36 | -20.95 | -6.56 | 10.60 |
| | L&T India Value Fund | 08-Jan-10 | 7040.66 | 24.23 | -53.15 | -23.22 | -9.16 | 6.65 |
| | HDFC Capital Builder Value Fund | 01-Feb-94 | 4010.08 | 182.33 | -59.03 | -26.19 | -11.32 | 13.97 |
| Focused/ Multi Cap Funds | Axis Focused 25 Fund | 29-Jun-12 | 9764.08 | 23.13 | -35.51 | -8.47 | 1.70 | 7.22 |
| | Canara Robeco Eq. Diversified Fund | 16-Sep-03 | 1771.87 | 108.84 | -35.94 | -9.02 | -0.26 | 11.20 |
| | UTI Equity Fund | 20-Apr-92 | 10499.23 | 113.15 | -37.89 | -10.59 | -1.85 | 9.32 |
| | Kotak Standard Multicap Fund | 11-Sep-09 | 29459.53 | 25.94 | -47.85 | -15.81 | -3.85 | 7.66 |
| | SBI Magnum Multi Cap Fund | 29-Sep-05 | 8491.77 | 35.53 | -48.38 | -16.98 | -5.11 | 7.42 |
| | Aditya Birla Sun Life Equity Fund | 27-Aug-98 | 11582.16 | 526.98 | -47.71 | -17.89 | -5.37 | 16.10 |
| | Motilal Oswal Multicap 35 Fund | 28-Apr-14 | 12371.55 | 19.00 | -47.00 | -18.46 | -5.48 | -1.51 |
| Mid Cap Funds | DSP Midcap Fund | 14-Nov-06 | 7458.11 | 43.16 | -37.85 | -13.69 | -2.55 | 11.55 |
| | Kotak Emerging Equity Scheme | 30-Mar-07 | 6850.82 | 28.64 | -45.25 | -17.62 | -5.36 | 9.77 |
| | L&T Midcap Fund | 09-Aug-04 | 6212.86 | 94.43 | -47.22 | -21.12 | -6.70 | 11.25 |
| | HDFC Mid-Cap Opportunities Fund | 25-Jun-07 | 22754.65 | 37.77 | -49.24 | -21.75 | -8.33 | 10.79 |
| | Sundaram Midcap Fund | 30-Jul-02 | 5952.32 | 319.41 | -50.36 | -23.69 | -10.31 | 16.09 |
| Small Cap Funds | SBI Small Cap Fund | 09-Sep-09 | 3475.83 | 39.00 | -43.43 | -16.70 | -2.64 | 13.32 |
| | Nippon India Small Cap Fund | 16-Sep-10 | 8566.82 | 25.81 | -55.42 | -26.36 | -9.69 | 8.80 |
| | HDFC Small Cap Fund | 03-Apr-08 | 9154.08 | 24.88 | -61.95 | -29.63 | -11.97 | 5.87 |
| | DSP Small Cap Fund | 14-Jun-07 | 5044.62 | 37.39 | -50.42 | -25.57 | -12.03 | 10.84 |
| | L&T Emerging Businesses Fund | 12-May-14 | 5606.21 | 14.22 | -62.34 | -32.07 | -12.90 | -8.47 |
| | Franklin India Smaller Comp. Fund | 13-Jan-06 | 6627.49 | 32.51 | -59.01 | -30.20 | -14.97 | 8.70 |
| ELSS/Tax Saving Funds | Axis Long Term Equity Fund | 29-Dec-09 | 21658.58 | 37.32 | -34.76 | -7.72 | 0.71 | 11.49 |
| | Invesco India Tax Plan | 29-Dec-06 | 1028.18 | 39.80 | -39.79 | -12.45 | -2.47 | 10.10 |
| | Aditya Birla Sun Life Tax Relief 96 | 06-Mar-08 | 10072.72 | 23.75 | -41.10 | -14.99 | -3.81 | 8.81 |
| | Kotak Tax saver | 23-Nov-05 | 1135.45 | 33.06 | -45.58 | -14.94 | -4.16 | 6.91 |
| | Mirae Asset Tax Saver Fund | 28-Dec-15 | 3281.58 | 13.08 | -47.14 | -14.59 | -4.24 | -4.24 |
| | DSP Tax Saver Fund | 18-Jan-07 | 6096.28 | 35.48 | -47.97 | -16.44 | -4.64 | 8.69 |

| | Mutual Fund Scheme Names | Inception Date | AUM (Rs.Cr) | NAV (Rs) | 1 Year Returns (%) | 3 Year Returns (%) | 5 Year Returns (%) | Since Inception (%) |
|--------------------------------|---------------------------------------|----------------|-------------|----------|--------------------|--------------------|--------------------|---------------------|
| Hybrid Equity (Balanced) Funds | Canara Robeco Equity Hybrid Fund | 01-Feb-93 | 3071.18 | 138.77 | -26.12 | -5.14 | 1.57 | 9.80 |
| | SBI Equity Hybrid Fund | 09-Oct-95 | 32469.67 | 114.79 | -31.36 | -6.68 | 0.43 | 12.84 |
| | DSP Equity & Bond Fund | 27-May-99 | 6464.64 | 130.24 | -30.57 | -7.67 | -0.08 | 13.06 |
| | ICICI Prudential Equity & Debt Fund | 03-Nov-99 | 20611.45 | 101.89 | -42.17 | -14.18 | -3.81 | 12.05 |
| | HDFC Balanced Advantage Fund | 11-Sep-00 | 40920.34 | 142.12 | -48.05 | -16.54 | -4.72 | 6.87 |
| | Aditya Birla SL Equity Hybrid 95 fund | 10-Feb-95 | 8944.95 | 559.56 | -43.61 | -17.17 | -6.72 | 15.52 |
| | Nippon India Equity Hybrid Fund | 08-Jun-05 | 6937.18 | 34.26 | -58.96 | -26.46 | -12.70 | 6.23 |
| Dynamic Asset Allocation Funds | L&T Balanced Advantage Fund | 07-Feb-11 | 660.92 | 21.77 | -21.10 | -4.38 | -0.12 | 6.74 |
| | ICICI Prudential Balanced Adv. Fund | 30-Dec-06 | 28092.25 | 29.76 | -32.64 | -8.36 | -1.05 | 8.21 |
| | Aditya Birla SL Balanced Adv. Fund | 25-Apr-00 | 2629.85 | 44.01 | -32.49 | -9.69 | -1.46 | 9.24 |
| | Motilal Oswal Dynamic Fund | 21-Sep-16 | 1239.23 | 11.23 | -20.64 | -4.39 | - | -2.21 |

Source: www.mutualfundindia.com

- While one year returns are absolute returns; more than one year returns are CAGR (Compounded Annual Growth Rate) returns.
- Returns given are for an equal monthly investment through Systematic Investment Plan (SIP) in growth option.
- AUM values are as on 29th February, 2020 & NAV as on 25th March, 2020.

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