Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	31,160	4.2	-24.5
Nifty-50	9,112	4.2	-25.1
Nifty-M 100	12,554	3.4	-26.6
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	2,790	1.4	-13.6
Nasdaq	8,154	0.8	-9.1
FTSE 100	5,843	2.9	-22.5
DAX	10,565	2.2	-20.3
Hang Seng	9,811	1.3	-12.2
Nikkei 225	19,346	0.0	-18.2
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	27	-4.4	-60.0
Gold ($/OZ)	1,684	2.3	11.0
Cu (US$/MT)	4,993	0.3	-18.8
Almn (US$/MT)	1,441	1.0	-19.1
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	76.3	0.0	6.9
USD/EUR	1.1	0.7	-2.5
USD/JPY	108.5	-0.3	-0.1
YIELD (%)	**Close**	**1MChg**	**CYTDchg**
10 Yrs G-Sec	6.5	0.05	-0.1
10 Yrs AAA Corp	7.6	0.06	0.0
Flows (USD b)	**9-Apr**	**MTD**	**CYTD**
FIIs	0.23	-0.07	-6.90
DIIs	-0.06	0.01	10.21
Volumes (INRb)	**9-Apr**	**MTD***	**CYTD***
Cash	543	490	443
F&O	17,885	10,806	15,001

Note: *Average

Today's top research idea

Oil & Gas: OPEC+ announcement of production cut paltry

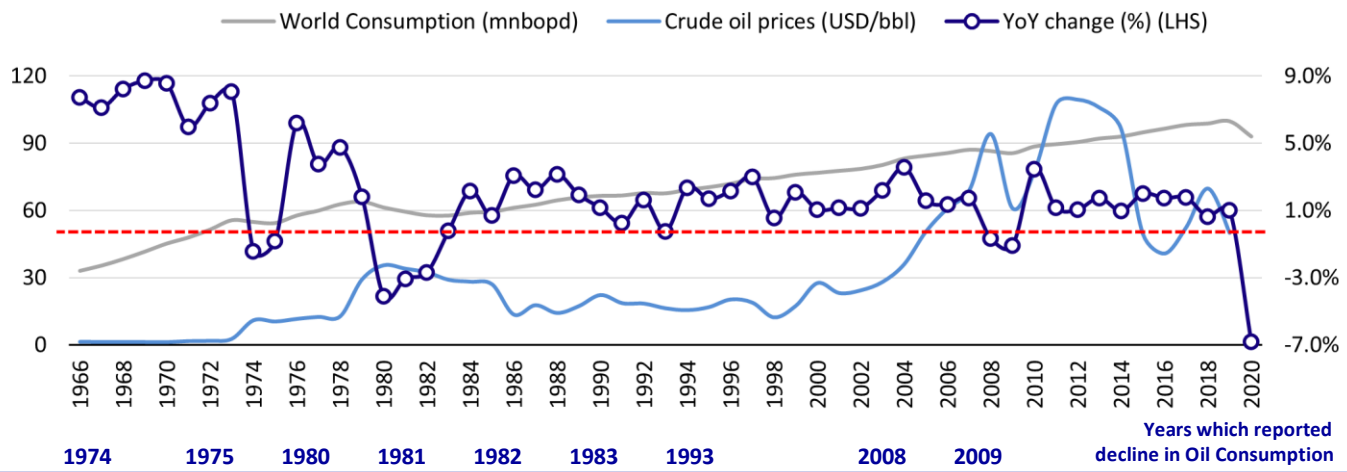
- The collapse in global fuel demand owing to the world-wide spread of the Coronavirus (COVID-19) has led to a sharp decline in crude oil prices.
- The OPEC secretariat's analysis suggests that the market is expected to see demand contraction of ~6.8mnbopd in 2020 (with ~12mnbopd in Apr-Jun'20).
- Thus, in an effort to balance the global oil markets and stabilize prices, a record production cut of 10mnbopd has been announced by the OPEC+ starting May'20.
- The deal announced by OPEC+ on 9th Apr'20 has a set of phased-out cuts until Apr'22 (cut by 10mnbopd starting May-Jun'20, reduced to 8mnbopd during Jul-Dec'20 and to 6mnbopd over Jan'21-Apr'22), and extension of this agreement would be reviewed in Dec'21.
- The cut is with respect to Oct'18. Baseline production for Saudi Arabia and Russia has been set at 11mnbopd (in Oct'18, the former produced 10.6mnbopd while the latter produced 11.6mnbopd).

Research covered

Cos/Sector	Key Highlights
Oil & Gas	OPEC+ announcement of production cut paltry
Godrej Consumer	Covid-19 led lockdown weighs on performance
Expert Speak	FINANCIALS: COVID-19 pandemic to have cascading effect across value chain
	HEALTHCARE: COVID-19: Molbio's TruenatTM beta COV test – A potential game changer

Chart of the Day: Oil & Gas (OPEC+ announcement of production cut paltry)

2020 to see largest percentage decline of ~7% (amounting to decline of 6.8mnbopd) since 1966



Source: BP, MOFSL

Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

Lockdown 2.0: Hotspots in focus as India explores decentralized exit strategy

As the nationwide lockdown nears an end, hotspots or infection clusters across India have risen three-fold to 150 in the past week, complicating the government's efforts to contain the spread of covid-19…

2

Oil price war ends with historic Opec+ deal to cut production

The world's top oil producers pulled off a historic deal to cut global petroleum output by nearly a 10th, putting an end to the devastating price war between Saudi Arabia and Russia. After a week-long marathon of bilateral calls and four days of video conferences with government ministers from around the world -- including the OPEC+ alliance and the Group of 20 nations -- an agreement finally emerged to tackle the impact of the global pandemic on demand…

3

Road construction resumes in Bihar, MP, Maharashtra, Gujarat

Local administrations in Bihar, Maharashtra, Madhya Pradesh and Gujarat have begun providing permission to resume road construction and repair work even as the government toys with extension of lockdown with some caveats to allow economic activity to resume…

4

World Bank sees India's GDP growth at 1.5-2.8%, lowest since 1991 crisis

The World Bank has scaled down India's gross domestic growth (GDP) growth projection to 1.5-2.8 per cent for the current fiscal year, which would be the lowest economic expansion since the balance of payments crisis of 1991-92, as Covid-19 is dragging down activities in the already slowing economy…

5

Govt plans to set up chain of 20 lakh 'Suraksha Stores' retail shops across India

Ahead of extending restrictions on the mobility of goods and persons, the government plans to set up a chain of 20 lakh retail shops called 'Suraksha Stores' across India which will provide daily essentials to citizens while maintaining stringent safety norms.

6

With SBI saying 'no', banks divided on relief to NBFCs

The banking industry is split on offering moratorium on payments to non-banking financial companies (NBFCs) with one group extending the regulator-blessed facility, while the other dragging its feet on whether to do so or not, said industry participants…

7

Ordinance to amend IBC likely this week

The Union Cabinet will likely take up this week an ordinance to amend the Insolvency and Bankruptcy Code, to prevent companies from being forced into insolvency proceedings due to default caused by the Covid-19 crisis…

Oil & Gas

OPEC+ announcement of production cut paltry

- **The collapse in global fuel demand owing to the world-wide spread of the Coronavirus (COVID-19) has led to a sharp decline in crude oil prices.**
- **The OPEC secretariat's analysis suggests that the market is expected to see demand contraction of ~6.8mnbopd in 2020 (with ~12mnbopd in Apr-Jun'20).**
- **Thus, in an effort to balance the global oil markets and stabilize prices, a record production cut of 10mnbopd has been announced by the OPEC+ (press release), starting May'20.**

Unprecedented times demand unprecedented actions

- The deal announced by OPEC+ on 9th Apr'20 has a set of phased-out cuts until Apr'22 and are as follows:
  - Production cut by 10mnbopd starting May-Jun'20,
  - Cuts would be reduced to 8mnbopd during Jul-Dec'20,
  - Eventually, cuts would be reduced to 6mnbopd over Jan'21-Apr'22, and
  - Extension of this agreement would be reviewed in Dec'21.
- The cut is with respect to Oct'18. Baseline production for Saudi Arabia and Russia has been set at 11mnbopd (in Oct'18, the former produced 10.6mnbopd while the latter produced 11.6mnbopd).
- **However, according to our understanding, total change in Mar'20 v/s Oct'18 production is a decrease of 1.5mnbopd. Thus, the current cut of 10mnbopd from May'20 means that countries need to cut 8.5mnbopd from Mar'20 levels.**

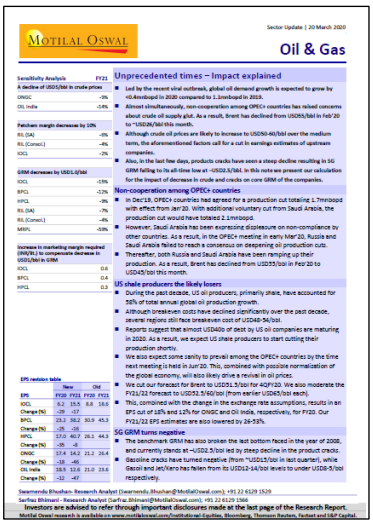
Our read through…

- Excluding Qatar and Ecuador, total production stood at 31.8mnbopd in Oct'18 and at 27.8mnbopd in Feb'20.
- Saudi Arabia produced 9.7mnbopd in Feb'20. According to a statement issued by Saudi Arabia in early-Mar'20, the country plans to ramp up production to 12.3mnbopd.
- Mar'20 data is not yet out. Considering that in Mar'20 all countries produced an amount similar to Feb'20 (barring Saudi Arabia, which ramped up production to 12mnbopd), production (excluding Russia) would have stood at 30.1mnbopd in Mar'20 v/s 31.8mnbopd in Oct'18 (a decrease of 1.7mnbopd).
- Additionally, in Mar'20, Russia issued a statement that it would ramp up production by 0.3mnbopd. Considering that Russia produced 11.8mnbopd in Mar'20, it means an increase of 0.2mnbopd v/s Oct'18.

Extract of introductory remarks by OPEC Secretary General *(click here for full speech)*

- The data and analysis presented and deliberated, underscores the scale of the massive challenge before us.
- Only one month ago at the meetings in Vienna, expected **2020 global GDP growth** was **2.4%.** Today, it is a **negative 1.1%.** It is incredible to think that the global contraction is far greater than that for the **Great Recession of 2008-2009.**
- In early **March,** expected **2020 global oil demand growth** was just **below 0.1 mb/d.** Today we are looking at a contraction of **6.8 mb/d,** with the second quarter alone close to **12 mb/d** and expanding. These are staggering numbers! Unprecedented in modern times.

Please refer our earlier report


Sector Update | 20 March 2020

MOTILAL OSWAL

Oil & Gas

Unprecedented times – Impact explained

Sensitivity Analysis FY21

A decline of USD1/bbl in crude prices

ONGC -9%

OIL India -14%

Petchem margin decreases by 10%

RIL (SA) -8%

RIL (Consol.) -4%

IOCL -2%

GRM decreases by USD1.0/bbl

IOCL -13%

BPCL -12%

HPCL -9%

RIL (SA) -7%

RIL (Consol.) -4%

MRPL -0.0%

Increase in marketing margin required (INR/lit.) to compensate decrease in USD1/bbl in GRM

IOCL 0.6

BPCL 0.4

HPCL 0.3

EPS revision table

	New		Old	
EPS	FY20	FY21	FY20	FY21
IOCL	9.2	15.5	8.8	18.6
Change (%)	-19	-17		
BPCL	23.2	38.2	30.9	45.3
Change (%)	-28	-16		
HPCL	17.0	40.7	26.1	44.3
Change (%)	-35	-8		
ONGC	17.4	14.2	21.2	26.4
Change (%)	-18	-46		
OIL India	18.5	12.6	21.0	23.6
Change (%)	-12	-47		

Non-cooperation among OPEC+ countries

- In Dec'19, OPEC+ countries had agreed for a production cut totaling 1.7mnbopd with effect from Jan'20. With additional voluntary cut from Saudi Arabia, the production cut would have totaled 2.1mnbopd.
- However, Saudi Arabia has been expressing displeasure on non-compliance by other countries. As a result, in the OPEC+ meeting in early Mar'20, Russia and Saudi Arabia failed to reach a consensus on deepening oil production cuts.
- Thereafter, both Russia and Saudi Arabia have been ramping up their production. As a result, Brent has declined from USD55/bbl in Feb'20 to USD45/bbl this month.

US shale producers the likely losers

- During the past decade, US oil producers, primarily shale, have accounted for 38% of total annual global oil production growth.
- Although breakeven costs have declined significantly over the past decade, several regions still face breakeven cost of USD40-56/bbl.
- Reports suggest that almost USD40b of debt by US oil companies are maturing in 2020. As a result, we expect US shale producers to start cutting their production shortly.
- We also expect some sanity to prevail among the OPEC+ countries by the time next meeting is held in Jun'20. This, combined with possible normalization of the global economy, will also likely drive a revival in oil prices.
- We cut our forecast for Brent to USD51.5/bbl for 4QFY20. We also moderate the FY21/22 forecast to USD52.5/60/bbl (from earlier USD65/bbl each).
- This, combined with the change in the exchange rate assumptions, results in an EPS cut of 18% and 12% for ONGC and Oil India, respectively, for FY20. Our FY21/22 EPS estimates are also lowered by 26-53%.

SG GRM turns negative

- The benchmark GRM has also broken the last bottom faced in the year of 2008, and currently stands at ~USD2.0/bbl led by steep decline in the product cracks.
- Gasoline cracks have turned negative (from ~USD15/bbl in last quarter), while Gasoil and Jet/Naro has fallen from its USD12-14/bbl levels to under USD8-9/bbl respectively.

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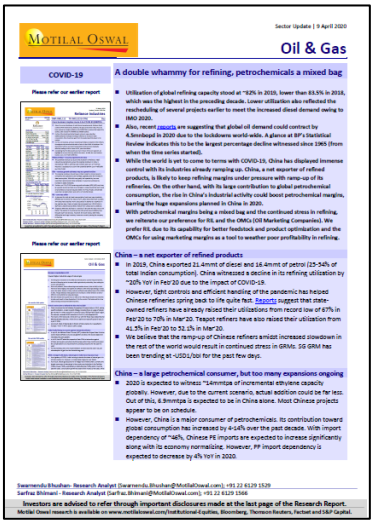
Sector Update | 9 April 2020

MOTILAL OSWAL

Oil & Gas

COVID-19

A double whammy for refining, petrochemicals a mixed bag

Please refer our earlier report

Please refer our earlier report

Utilization of global refining capacity stood at ~82% in 2019, lower than 83.5% in 2018, which was the highest in the preceding decade. Lower utilization also reflected the rescheduling of several projects earlier to meet the increased diesel demand owing to IMO 2020.

Also, recent reports are suggesting that global oil demand could contract by 4.5mnbopd in 2020 due to the lockdowns world-wide. A glance at BP's Statistical Review indicates this to be the largest percentage decline witnessed since 1965 (from when the time series started).

While the world is yet to come to terms with COVID-19, China has displayed immense control with its industries already ramping up. China, a net exporter of refined products, is likely to keep refining margins under pressure with ramp-up of its refineries. On the other hand, with its large contribution to global petrochemical consumption, the rise in China's industrial activity could boost petrochemical margins, barring the huge expansions planned in China in 2020.

With petrochemical margins being a mixed bag and the continued stress in refining, we reiterate our preference for RIL and the OMCs (Oil Marketing Companies). We prefer RIL due to its capability for better feedstock and product optimization and the OMCs for using marketing margins as a tool to weather poor profitability in refining.

China – a net exporter of refined products

- In 2019, China exported 21.4mmt of diesel and 16.4mmt of petrol (25-54% of total Indian consumption). China witnessed a decline in its refining utilization by ~20% YoY in Feb'20 due to the impact of COVID-19.
- However, tight controls and efficient handling of the pandemic has helped Chinese refineries spring back to life quite fast. Reports suggest that state-owned refiners have already raised their utilizations from record low of 67% in Feb'20 to 70% in Mar'20. Teapot refiners have also raised their utilization from 41.7% in Feb'20 to 51.1% in Mar'20.
- We believe that the ramp-up of Chinese refiners amidst increased slowdown in the rest of the world would result in continued stress in GRMs. SG GRM has been trending at ~USD1/bbl for the past few days.

China – a large petrochemical consumer, but too many expansions ongoing

- 2020 is expected to witness ~14mmtpa of incremental ethylene capacity globally. However, due to the current scenario, actual addition could be far less. Out of this, 6.8mmtpa is expected to be in China alone. Most Chinese projects appear to be on schedule.
- However, China is a major consumer of petrochemicals. Its contribution toward global consumption has increased by 4-14% over the past decade. With import dependency of ~46%, Chinese PE imports are expected to increase significantly along with its economy normalizing. However, PP import dependency is expected to decrease by 4% YoY in 2020.

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Impact on stocks

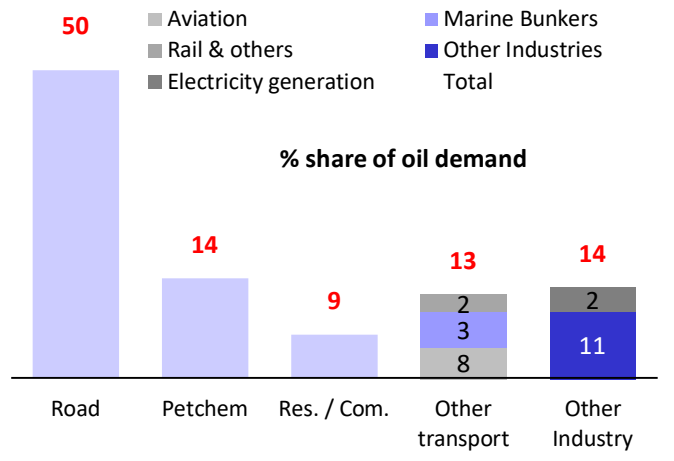
- OPEC+ has also called upon all major producers to contribute to efforts aimed at stabilizing the market, as oil demand growth for 2020 indicates the largest percentage decline witnessed since 1966 (from when the time series started, refer exhibit 4).
- **Upstream players** like ONGC and Oil India would definitely benefit from an increase in oil prices as a result of the production cuts. Our calculations suggest that an increase of USD5/bbl in crude prices leads to ~9%/14% change in EPS for ONGC/OILI. According to our recent conversation with ONGC, the breakeven price for the company stands at ~USD40/bbl.
- **GAIL** would also benefit through better realization of LPG and HCs, reduced concerns on US HH contracts and better petrochemical margins. We reiterate our positive stance on the stock.
- **RIL** would benefit marginally through better petrochemical margins. For every 10% increase in petrochemical margin, RIL's EPS reflects a change of 6%/4% on standalone/consol. basis.
- However, recovery in oil prices would aid the **Oil Marketing Companies** (**OMCs)** through inventory gains, but marketing margins would reduce for sure. To build a perspective of the relationship between marketing margin and GRM, our estimates suggest that OMCs requires INR0.2-0.5/liter of additional gross marketing margin to offset the decrease of USD1/bbl in GRM. Please refer to our latest report on RIL/OMCs.

Oil production by major oil producers (mnbopd)

OPEC oil production (mnbopd)	Oct-18	Jan-20	Feb-20	Mar-20	Remarks
Algeria	1.1	1.0	1.0	1.0	
Angola	1.5	1.4	1.4	1.4	
Congo	0.3	0.3	0.3	0.3	
Ecuador	0.5				
E Guinea	0.1	0.1	0.1	0.1	
Gabon	0.2	0.2	0.2	0.2	
Iran	3.3	2.1	2.1	2.1	
Iraq	4.7	4.5	4.6	4.6	
Kuwait	2.8	2.7	2.7	2.7	
Libya	1.1	0.8	0.1	0.1	
Nigeria	1.8	1.8	1.8	1.8	
Qatar	0.6				
Saudi Arabia	**10.6**	**9.7**	**9.7**	**12.0**	**Early Mar'20, Saudi Arabia has said that it would ramp up to 12.3mnbopd**
UAE	3.2	3.0	3.0	3.0	
Venezuela	1.2	0.8	0.8	0.8	
Total OPEC excl. Qatar	**31.8**	**28.3**	**27.8**	**30.1**	
Non-OPEC oil production					
Russia	11.6	11.5	11.5	**11.8**	**Early Mar'20, Russia has said that it would ramp up by 0.3mnbopd**
Mexico	2.1	2.0	2.0	2.0	
US	11.5	12.8	12.8	12.8	
Brazil	2.5	3.2	3.2	3.2	

Source: OPEC, MOFSL

Transportation constitutes >60% of total oil demand (which is most impacted by lockdowns)



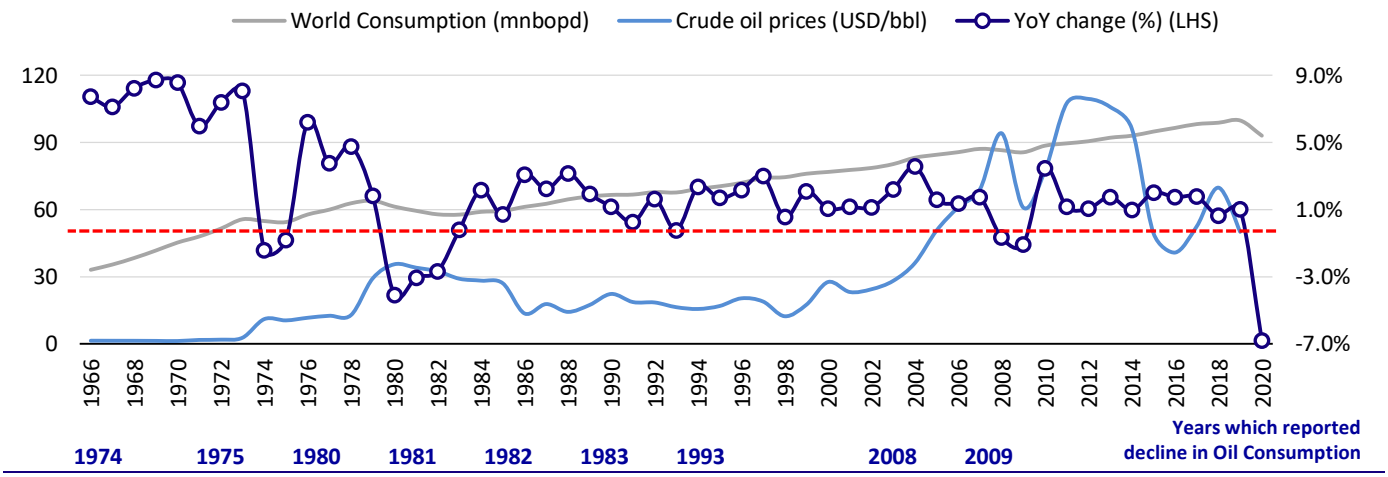
Source: Statista (*Note: OECD in 2017*), MOFSL

Decline in US rig count not yet at 2016 level, when it dropped to a low of 404

North America Rig Count	Total	Weekly change
07-Feb-20	1,047	1%
14-Feb-20	1,045	0%
21-Feb-20	1,035	-1%
28-Feb-20	1,030	0%
06-Mar-20	996	-3%
13-Mar-20	967	-3%
20-Mar-20	870	-10%
27-Mar-20	782	-10%
03-Apr-20	705	-10%
09-Apr-20	637	-10%
Change since March	-359	-36%

Source: Baker Hughes, MOFSL

2020 to see largest percentage decline of ~7% (amounting to decline of 6.8mnbopd) since 1966



Source: BP, MOFSL

Godrej Consumer Products

BSE SENSEX	S&P CNX
31,160	9,112

Stock Info

Bloomberg	GCPL IN
Equity Shares (m)	1,022
M.Cap.(INRb)/(USDb)	608.5 / 8
52-Week Range (INR)	772 / 425
1, 6, 12 Rel. Per (%)	10/7/10
12M Avg Val (INR M)	857
Free float (%)	36.8

Financials Snapshot (INR b)

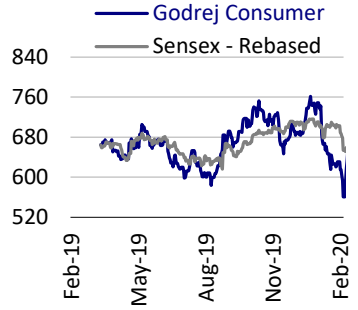
Y/E Mar	2020E	2021E	2022E
Sales	103.3	107.5	118.2
Sales Gr. (%)	0.2	4.0	10.0
EBITDA	22.7	23.6	26.0
Margins (%)	21.9	22.0	22.0
Adj. PAT	15.4	16.0	17.6
Adj. EPS (INR)	15.0	15.6	17.3
EPS Gr. (%)	-0.5	4.0	10.5
BV/Sh.(INR)	74.3	74.4	73.9
Ratios			
RoE (%)	20.7	21.0	23.3
RoCE (%)	16.6	17.2	19.2
Payout (%)	66.6	85.4	87.8
Valuations			
P/E (x)	39.6	38.1	34.5
P/BV (x)	8.0	8.0	8.1
EV/EBITDA (x)	27.4	26.3	23.9
Div. Yield (%)	1.7	2.2	2.5

Shareholding pattern (%)

As On	Dec-19	Sep-19	Dec-18
Promoter	63.2	63.2	63.2
DII	2.2	2.2	2.3
FII	27.7	27.8	27.7
Others	6.8	6.7	6.8

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR595 TP: INR620(+4%) Neutral

Covid-19 led lockdown weighs on performance

Godrej Consumer Products Ltd (GCPL) has released its pre-quarterly update for 4QFY20. Key insights highlighted below:

Macro outlook: 4QFY20 was an unprecedented quarter due to the spread of the Coronavirus (COVID-19) pandemic globally, which impacted all geographies that GCPL operates in. While the company has adhered to the lockdown, it has also worked with the Indian government to re-open the supply chain for essential items in the country. However, there were significant issues with manufacturing, transportation and distribution of essential items in the later part of Mar'20. GCPL expects the situation to gradually improve in the coming days, with manufacturing and distribution of essential items being restored, at reduced levels.

- **GCPL witnessed steady demand across categories till mid-Mar'20. However**, social distancing and the eventual lockdown in many geographies (where GCPL operates), resulted in **virtually no sales in the later part of Mar'20, significantly impacting its sales performance in 4QFY20.**
- **In these tough times, the company has worked on launching hygiene products across geographies, some of which have already been executed; the rest should get launched and scaled up in the near term**.
- **India market:** Demand was steady till the COVID-19 outbreak, but slumped in the last 12 days of Mar'20 due to disruption in both back-end/front-end supply chains. March also marks the start of the season for a few categories like soaps and household insecticides (HI). **Consequently, we expect GCPL to report high-teens revenue decline in the quarter. It also saw low-double-digit sales decline in distributor performance, implying depletion in stock levels.** However, the company is awaiting data on stock levels with the general trade shelves. GCPL expects a gradual bounce-back in the near term, driven by restoration of the supply chain, higher consumption for Personal Wash and an ongoing favorable season for HI. The company has continued to gain market share across key categories of its operations.
- **Indonesia market:** GCPL **recorded close to mid-single-digit constant currency (CC) sales growth**, despite the COVID-19 disruptions. The country is following extreme social distancing practices as of now.
- **GAUM (Godrej Africa, the US and the Middle East):** GCPL **recorded decline in teens, in CC terms**, amidst the COVID-19 disruptions in many countries of its operations. Most big-sized markets are in lockdown or in partial lockdown mode till mid-Apr'20.
- **Within 'others' geographies:** The performance in Latin America is expected to be steady in CC terms. However, in INR terms, the company expects performance to be muted. Performance in SAARC countries was also steady.
- Thus, the company's **international business is expected to record mid-single-digit sales decline in INR terms, resulting in low-double-digit consolidated sales in 4QFY20.**

Valuation and view: Over the course of the decade (FY10-20E), GCPL has posted healthy growth on all fronts. However, in recent years, the sales slowdown in the domestic business, continued inability to scale-up margins and improve the international business' weak RoCEs have had an adverse effect on the pace of earnings growth. Apart from the COVID-19 led lockdown challenges, which is more of a short-term phenomenon, the loss of dominance in Hair Color, the advent of unorganized incense stick players in HI and weak execution in the Africa business remain key concerns. Also, based on GCPL's management commentary, there is no indication that pace of earnings will improve v/s the past five years. Given the weak earnings outlook and inferior RoCE compared to peers, valuations of 34.5x FY22E EPS appears fair.

Expert Speak

COVID-19 pandemic to have cascading effect across value chain

Corporate revenues to decline 4-7%; Risk lingering in several lending segments

To discuss the impact of the COVID-19 outbreak on the economy, credit outlook and the financial sector, we interacted with CRISIL Rating's Managing Director and CEO, Ms. Ashu Suyash, and the entire top management team. Key insights highlighted below:

Ms. Ashu Suyash, Managing Director and CEO, CRISIL Ratings

Managing Director and CEO of CRISIL Ratings, Ms. Ashu Suyash, has over 30 years' experience in the financial services sector. Ms. Suyash leads CRISIL's Indian and global businesses and also serves as a member of the operating Committee for S&P Global. Prior to joining CRISIL (2015), she served as the CEO of L&T Investment Management Ltd and L&T Capital Markets Ltd. Also, from 2003-12, she was the Country Head and MD of Fidelity's Indian mutual fund business. Over the years, she has been recognized among India and Asia's top-50 women in business by various publications. She is a Chartered Accountant and holds a Bachelor's degree in Commerce.

COVID-19 pandemic intensifies challenges world-over; corporate revenues to decline 4-7%

- The hit in consumption demand due to social distancing has led to serious implications across various segments of the economy. Weak domestic demand and slowdown in the global economy should impact export-oriented, investment and consumption-linked sectors.
- Export-linked sectors such as Textiles, Seafood, Gems and Jewelry, Leather and Engineering are facing slowdown pressures. Product exports should decline at a faster pace due to the slowdown in Europe and the US. In the IT space, maintenance projects should continue while new projects would face delays and postponement.
- Some of the consumption-linked sectors such as Hotels, Consumer Durables, Multiplexes, Retail Trade and Airlines have been witnessing a sharp drop in business; we believe this would have a cascading effect across the value chain.
- Supply chain disruption would be limited to few segments like agro chemicals, auto components, etc. Labor disruption would be a key challenge in sectors like Construction.
- The Auto sector would continue to see negative growth across vehicle segments. Passenger vehicles would be the worst impacted; we also expect ~20% volume decline in the Commercial Vehicle segment.
- Further, Infrastructure spending by the government should decline 8-9% as these funds would be diverted toward the Healthcare sector. Thus, Construction, Real Estate and Industrial Machinery along with sectors that are linked, such as Cement and Steel could see volumes plummet.
- Despite the plunge in crude and few other commodity prices, we expect overall corporate revenues to decline 4-7% while EBITDA should decline 6-9% (there exists further downside risk to these estimates).
- **Credit ratio** (number of upgrades to downgrades) declined to 0.77% during 2HFY20 v/s 1.21% in 1HFY20. Given the challenging macros, we expect to see rating downgrades faster than rating upgrades.

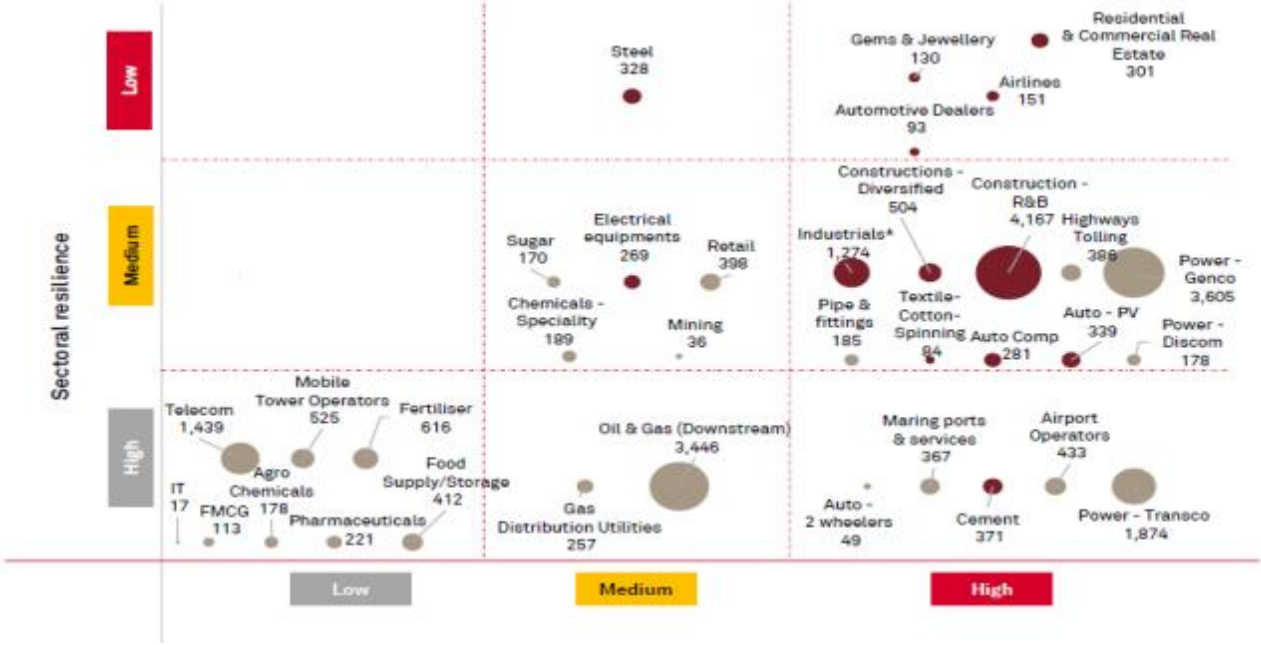
Risks lingering in several lending segments; liability side challenges for NBFCs/HFCs

- The most resilient segment amongst various retail assets would be home loans as majority of the borrowers are salaried. Gold loans would see faster asset-backed recovery while vehicle loans would see disruptions, however, as economic activity resumes, this segment would reflect recovery trends. Further, the most vulnerable segments on the retail side would be LAP, MFI, unsecured loans and MSME loans. The RBI moratorium too provides some relief on the asset side while liability constraints remain a key challenge for NBFCs.
- Non-banks (NBFCs/HFCs) have high share of capital market borrowings where no moratorium has been announced so far by the RBI. Also, banks are not providing any moratorium to the NBFC sector. Thus, NBFCs could face ALM mismatch in the near term. NBFCs with good rating and strong parentage have liquidity cushion up to 2 months toward the repayment of capital market borrowings. Overall, we expect weak credit growth of ~3-4% for FY21E.

Other highlights

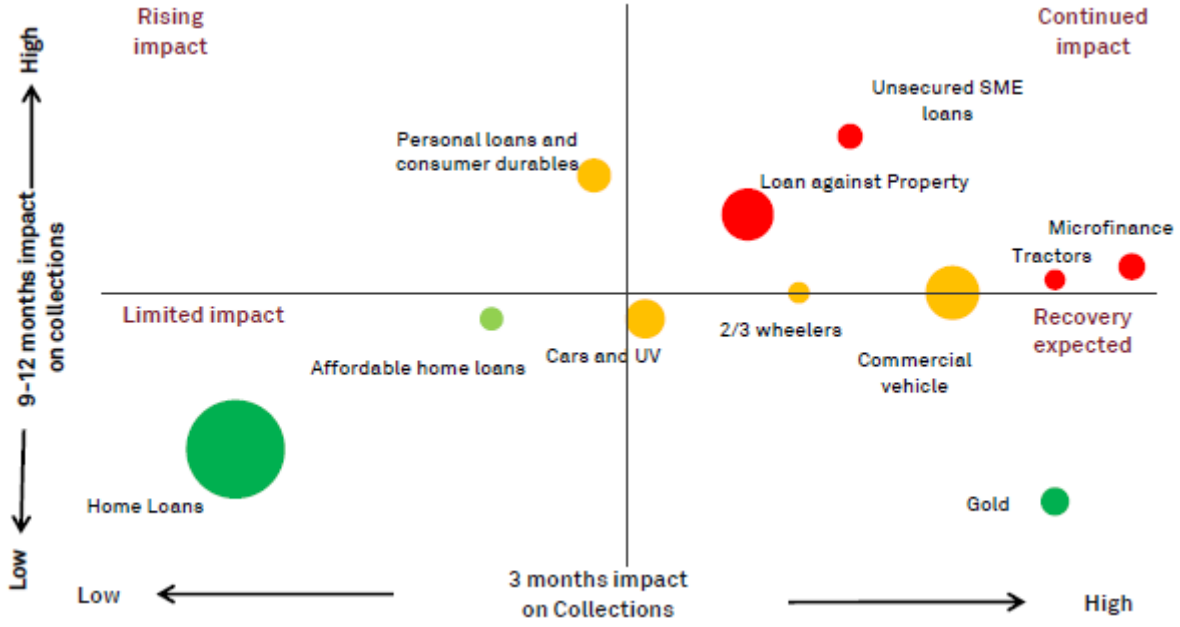
- CRISIL has cut GDP growth forecast for FY21E under base case to 3.5% v/s 5.2% projected earlier. Inflation, weak credit outlook and increase in rating downgrades in the system are the key risks to these estimates if the lockdown extends post Apr'20.
- Overall fiscal stimulus should be below 1% of the GDP with heavy reliance on monetary measures. Further, fiscal stimulus could be in the form of contingent liability where the government offers guarantees on loans.
- In the Life Insurance sector, ULIPs would be the most impacted compared to Term-Plan policies.

Impact on sectors because of the COVID-19 lockdown



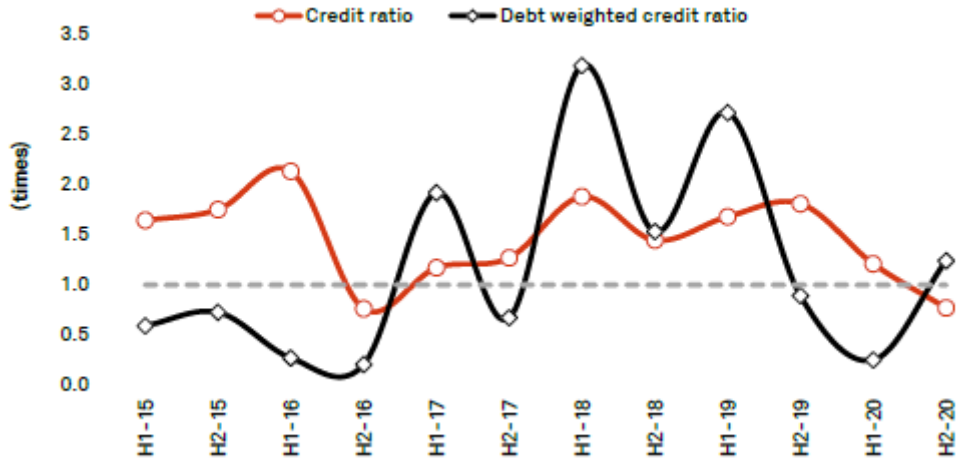
Source: CRISIL Ratings; ***Note: Size of the bubble (INRb) indicates rated debt quantum***

Vulnerability assessment of different asset classes



Source: CRISIL Ratings

Trends in credit ratio and debt-weighted credit ratio; Credit ratio declined to 0.77% during 2HFY20 vs 1.21% in 1HFY20.



Source: CRISIL Ratings

COVID-19: Molbio's Truenat™ beta COV test – A potential game changer

Considerable reduction in time as well as risk associated with conducting COVID-19 test

Amid the global COVID-19 outbreak, with higher scope for the lockdown being extended in major parts of India, we hosted a discussion with Molbio Diagnostics, developer of the 'point-of-care' machine, which can diagnose COVID-19 (Truenat™ beta COV test) within one hour.

- **Molbio's public and private lab infrastructure has the potential to increase the touch points for COVID-19 diagnostics in India by 5x (from ~200 centralized labs to 1,000 labs within the considered proximity).**
- **The COVID-19 test rate at a national level can be increased from the current 14–15K per day figure to 55–65K per day using Molbio's molecular diagnostic platform (Truelab™) over the next three weeks.**
- **The COVID-19 testing conducted using Molbio's technology potentially reduces the risk at laboratories as well as for the person conducting the test. Sample collected in viral transport medium (VTM) with virus Lysis buffer under Truenat™ beta COV test avoids biosafety/biosecurity concerns.**
- **Furthermore, the test cost would be significantly lower for patients at INR1,340, compared with the current PCR test priced at INR4,500.**

- **Difference between centralized lab-based PCR testing and point-of-care testing**
  Under the current PCR testing, a swab sample from the nasal passage or throat, typically collected at home, needs to be sent to a large centralized lab by mail. Thus, considering the logistics of getting the samples to the lab, results may take a couple of days. Molbio's patented Truenat beta CoV test delivers the patient's results in just under an hour. The large centralized lab does batch processing with ~96 samples per batch. The Truenat platform can conduct 12/24/48 tests in eight hours depending on the machine's capacity. While the capacity per machine may be lower, it reduces considerable logistic hurdles as well as the risk of carrying the sample due to its point-of-care machines.
- **Steps involved in conducting COVID-19 testing using Truelab platform**
  The swab sample collection is done in a Lysis buffer. By feeding the sample into the Lysis buffer, the virus is inactivated on contact, making it safer for the person handling the sample. The entire content of Lysis buffer is fed into a cartridge. The cartridge is then loaded in the equipment and the testing is commenced. Nucleic acids are entirely extracted from the sample to free the inhibitors from the sample. This exercise takes 20 minutes, following which reagents are added to run the PCR test. Running the test requires 35 minutes. Thus, the result of the test can be found in less than an hour. The machines are well-equipped, such that the test result can be sent to ICMR's centralized website to further understand hotspot detection and conduct other regional studies.
- **Current government orders of COVID-19 testing kits to Molbio**
  Molbio currently has orders to supply 1.2m testing kits from the third week of April till the first week of June. The company expects to supply kits for 2–3m tests over a period of 5–6M. It has 800 machines already installed at the public and private

Molbio Diagnostics has been at the forefront in infectious disease diagnostics, with approved kits for 23 different diseases (such as TB, H1N1, Dengue, and Hepatitis B and C) and a pipeline of 40+ diseases. The company is playing a pivotal role in the Government of India's plan to eradicate TB in India.
Molbio Diagnostics has successfully developed a test to diagnose COVID-19 (Truenat beta CoV test), which can provide results using the PCR technology through its POC machines within one hour.

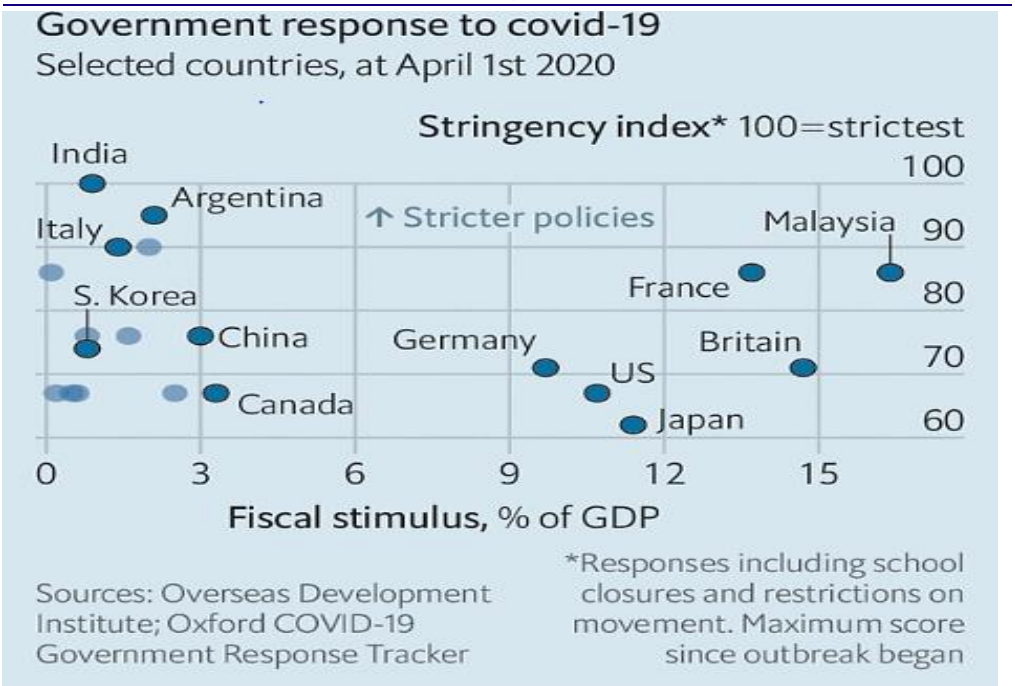
Sriram Natarajan, Technocrat, Founder Director / CEO
Mr Natarajan has around 34 years of experience in developing, manufacturing, and marketing diagnostic devices and kits, catering to the worldwide markets in both the private and public sectors. He founded Tulip Group in 1989 and grew it to become the largest IVD reagent company in India and a significant player globally.

Chandrasekhar Nair, Co-founder / Chief Technical Officer
Mr Nair has extensive experience in bioprocess modeling, scale up, and commercial implementation of bio and chemical processes. Over the past decade, his focus has been on the realization of rapid, portable, high-quality and low-cost diagnostics that would bring the power of a modern laboratory to near-care use. He holds a number of Indian and international patents.

sector levels. Molbio already has orders to supply 1,500 machines and thus has adequate installations for the given orders of testing kits.

- **Rate of tests per day post using Molbio's technology platform, in addition to existing public/private PCR-based testing setups**
  The testing rate at the national level currently stands at 14–15K per day. Using Molbio's technology, the rate could be increased to 55–65K per day.
- **Advantage of reducing time taken to achieve test results**
  The Truenat beta COV test can enable same-day testing, reporting, and initiation of patient isolation (if required), thereby reducing the risk of infection spreading while test results are awaited.
- **Capex to install machines and cost per test for patients**
  The machine cost (capex) is around INR6.5L for 12 tests in eight hours, INR8.5L for 24 tests in eight hours, and INR12.5L for 48 tests in eight hours. The cost per test is around INR1,340.
- **Reasons for lower cost to patients v/s current PCR-based testing (amounting to INR4,500 per test for private labs)**
  Considering the process of manufacturing and single testing model (unlike the batch processing in current PCR tests), coupled with lower raw material cost, the realization per test is kept lower at INR1,340 but is still profitable. Furthermore, the TB-related test has also added considerable volume, supporting the lower price of raw materials required for testing.
- **Any comparison with antibody tests**
  Antibody tests would also provide the result, but with a lag time. On the other hand, the Truenat beta COV test can detect a positive case even when the concentration of the virus is just about 100 per ml.
- **Any comment on availability of reagents to conduct testing once machines are installed**
  There is sufficient availability of reagents in place for the current load of testing and planning to cater to reasonable future demand.
- **Comment on reduction in testing for TB using Molbio's technology**
  Before Molbio introduced this technology, the average cost per test for TB was a subsidized INR900. Using Molbio' technology, the price has been reduced to INR640 per test.
- **Comment on lower rate of COVID-19-positive cases in total tests conducted v/s that of other countries**
  The early implementation of lockdown, which is being religiously followed by the people of India, has resulted in a lower rate of COVID-19-positive cases in the total tests conducted, compared with that of other countries.
- **Approvals required to procure machines from Molbio to conduct COVID-19 testing**
  Molbio has all the approvals in place to supply the machines. It can supply to any ICMR-approved lab to conduct COVID-19 testing.
- **Limitation in understanding flattening of COVID-19 curve**
  Given the current relatively slower pace of testing as well as the limited number of samples tested considering India's population, it is difficult to understand the tentative timeline for the flattening of the COVID-19 curve.

India has undertaken the strictest action among all the major countries



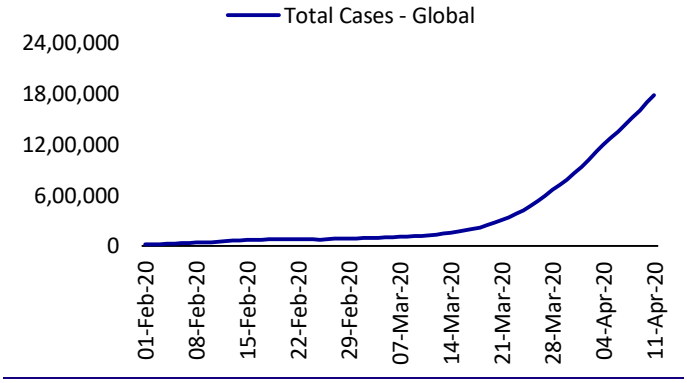
Source: The Economist

COVID-19 cases have spread aggressively in the US and Europe

Country	Total Cases	Total Active Cases	Total recovered	Total Deaths	Deaths/1 M Population
USA	533,115	482,033	30,502	20,580	62
Spain	166,019	86,656	62,391	16,972	363
Italy	152,271	100,269	32,534	19,468	322
France	129,654	89,431	26,391	13,832	212
Germany	125,452	65,181	57,400	2,871	34
China	82,052	1,138	77,575	3,339	2
UK	78,991	68,772	344	9,875	145
Iran	71,686	23,318	43,894	4,474	53
Turkey	52,167	48,101	2,965	1,101	13
Belgium	29,647	19,584	6,463	3,600	311
India	**8,355**	**7,367**	**715**	**273**	**0.2**

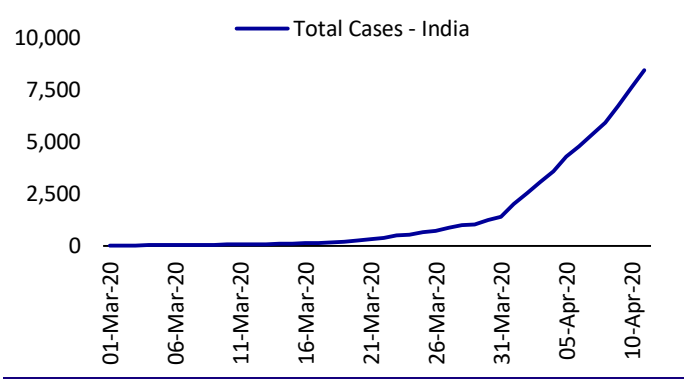
Source: Worldometers.info, Government of India

The number of global cases is fast approaching 2 mn



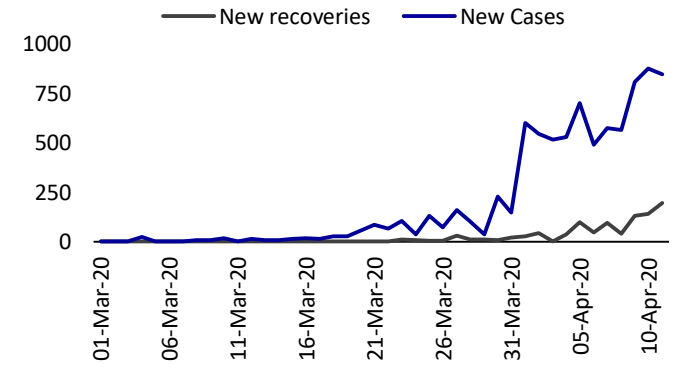
Source: Worldometers.info

Cases in India are also on the rise



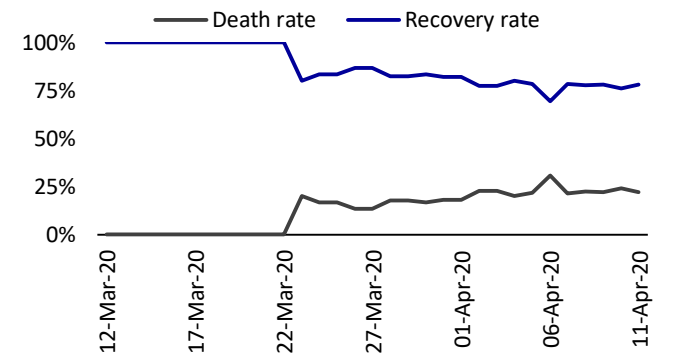
Source: Worldometers.info

Cases continue to rise in India despite the lockdown



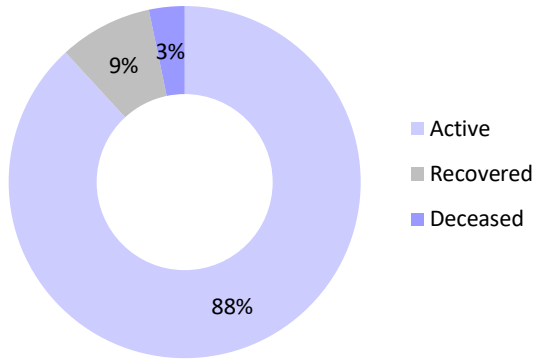
Source: Worldometers.info

The death rate is at ~2.6% of the total cases in India



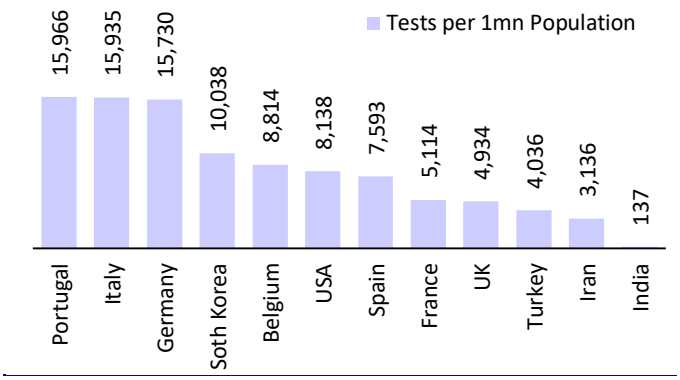
Source: Worldometers.info

The recovery rate in India is currently at ~9%



Source: Ministry of Health and Family Welfare, India

The lack of adequate testing is still a concern in India



Source: Worldometers.info

Maharashtra has seen the highest number of cases thus far

State	Confirmed	Active	Recoveries	Deaths
Maharashtra	1,761	1,426	208	127
Delhi	1,069	1,025	25	19
Tamil Nadu	969	915	44	10
Rajasthan	700	676	21	3
Madhya Pradesh	532	496	-	36
Telangana	504	452	43	9
Uttar Pradesh	452	402	45	5
Gujarat	432	366	44	22
Andhra Pradesh	381	364	11	6
Others	1,191	1,006	151	34
Total	**8,355**	**7,367**	**715**	**273**

Source: Ministry of Health and Family Welfare, India

PRESTIGE ESTATES: WHEREVER PRESENT, COMPANY TAKING CARE OF THE LABOURERS AND THEIR HYGIENE; Irfan Razack, MD

- Have already seen two weeks of lockdown, One more week has to be seen through and hopefully if the curve comes down, there will be some partial opening up.
- Right now, need to see how company can control overheads and expenses. Will have to bounce back.
- Housing is an important segment and there is an opportunity - will present itself may be in the next quarter. This quarter will have to just see how company can evaluate the situation and then restart the work. Have to see how company can at least deliver the goods that was promised to customers.
- On retail front, have stopped the rents for customers till it restarts. On the office front, the goods are safe since company dealing with the MNCs. Though they are working from home, they are linked to their office spaces. So, they will be paying the rents and hence do not see any problem there.
- Hospitality of course has become nil and it will take at least two quarters for it to bounce back.
- Some of the labourers have left and there is nothing that company can do but have managed to contain most of the labourers working on large projects in the camp itself. They are pretty safe and medical checkups also have been given. Company is doing this in Bangalore, Hyderabad, in Kochi and in Chennai. In fact, in Kochi company has a major labour camp. Doing an IT park and a shopping centre.
- Confident they (labour force) will come back but there will be a break in work. Should be able to resume at least with a 50-75 per cent capacity.

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SCALE UP THE RELIEF PACKAGE TO 5-6% OF GDP

- The covid-19 crisis is a bolt from the blue. There is no precedent of this particular strain of coronavirus, and hence, any projections of its impact can just be intelligent guesses. Predictive numbers need to be relied upon with great caution. One has to keep a very close watch on how the crisis unfolds and keep tinkering with different actions as facts regarding the virus trajectory, the effectiveness or otherwise of containment efforts, and reactions of economic actors become clearer. The crisis would, as any crisis does, affect both the supply and demand sides of the economy and stress not only the financial markets but the socio-economic fabric of society. The country has been put under a nationwide lockdown since 25 March. While social distancing is necessary to prevent the rapid spread of the epidemic, there is a huge economic cost that it entails. There is no denying the fact that the choice seemed to be between the economy and lives. However, sooner than later, questions regarding rising unemployment, shutting down of businesses, increasing non-performing assets, supply chain disruptions, reduced investments, and contracting demand would become serious challenges. The sooner we reframe the choice from being between GDP and lives to being between lives and lives, the better we would be able to manage the crisis.

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Index and MOFSL Universe stock performance

Index	1 Day (%)	1M (%)	12M (%)
Sensex	**4.2**	**-12.6**	**-20.0**
Nifty-50	**4.2**	**-12.8**	**-21.9**
Nifty Next 50	**3.4**	**-8.9**	**-18.6**
Nifty 100	**4.1**	**-12.3**	**-21.5**
Nifty 200	**4.0**	**-13.1**	**-22.5**
Company	**1 Day (%)**	**1M (%)**	**12M (%)**
Automobiles	**10.4**	**-16.0**	**-35.4**
Amara Raja Batt.	4.0	-15.8	-22.7
Ashok Leyland	4.2	-33.6	-50.1
Bajaj Auto	8.4	-5.6	-16.6
Bharat Forge	5.0	-40.5	-51.6
Bosch	6.1	-16.3	-42.9
CEAT	10.1	-15.9	-25.3
Eicher Motors	4.2	-23.3	-34.7
Endurance Tech.	-1.2	-39.2	-49.9
Escorts	6.4	-11.7	-11.7
Exide Inds.	5.8	-4.4	-32.1
Hero Motocorp	9.7	1.9	-24.1
M & M	16.7	-17.7	-42.8
Mahindra CIE	2.8	-38.6	-66.8
Maruti Suzuki	13.2	-14.2	-26.4
Motherson Sumi	17.5	-27.7	-56.3
Tata Motors	10.4	-29.5	-63.8
TVS Motor Co.	6.9	-23.5	-36.6
Banks-Private	**5.3**	**-26.1**	**-37.6**
AU Small Fin. Bank	3.4	-53.3	-15.1
Axis Bank	7.3	-32.7	-45.0
Bandhan Bank	-0.7	-48.6	-65.2
DCB Bank	5.8	-41.8	-56.1
Equitas Holdings	7.6	-52.6	-69.5
Federal Bank	0.5	-43.7	-58.2
HDFC Bank	4.0	-16.0	-19.3
ICICI Bank	7.4	-25.0	-13.7
IndusInd Bank	-0.8	-56.4	-77.6
Kotak Mah. Bank	7.5	-19.2	-4.9
RBL Bank	-0.2	-41.9	-81.9
South Ind.Bank	-1.0	-21.5	-65.8
Banks-PSU	**3.3**	**-22.9**	**-60.7**
BOB	5.3	-26.7	-61.5
BOI	3.0	-15.0	-66.4
Canara	5.1	-24.4	-67.9
Indian Bk	3.5	-27.3	-82.5
PNB	3.0	-21.0	-66.7
SBI	2.6	-26.0	-40.4
Union Bk	-0.5	-14.9	-69.5
NBFCs	**6.1**	**-21.7**	**-22.0**
Aditya Birla Cap	5.4	-28.8	-50.5
Bajaj Fin.	9.3	-36.6	-15.4
Cholaman.Inv.&Fn	13.9	-37.4	-42.0
HDFC	9.3	-16.1	-17.7
HDFC Life Insur.	-1.0	-8.9	23.6
L&T Fin.Holdings	3.8	-39.4	-61.3
LIC Hsg Fin	14.3	-10.1	-53.5
M&M Fin.	4.4	-48.4	-59.8
Muthoot Fin	6.9	-11.4	19.8
MAS Financial Serv.	5.0	-45.3	-3.5
ICICI Pru Life	0.1	-13.4	-5.9
IIFL Wealth Mgt	-4.2	-28.6	
PNB Housing	2.9	-34.8	-81.0

Note: Sectoral performance are of NSE/BSE Indices

Index	1 Day (%)	1M (%)	12M (%)
Nifty 500	**3.9**	**-13.8**	**-23.1**
Nifty Midcap 100	**3.4**	**-19.7**	**-30.7**
Nifty Smallcap 100	**3.9**	**-26.1**	**-42.6**
Nifty Midcap 150	**3.2**	**-18.6**	**-25.9**
Nifty Smallcap 250	**3.4**	**-23.3**	**-37.2**
Company	**1 Day (%)**	**1M (%)**	**12M (%)**
Repco Home	4.2	-56.7	-75.3
Shriram City Union	1.2	-45.4	-56.4
Shriram Trans.	13.3	-31.4	-44.9
Capital Goods	**1.7**	**-22.7**	**-39.0**
ABB	-0.2	-17.7	-26.9
Bharat Elec.	5.6	0.6	-26.9
BHEL	5.2	-17.7	-68.9
Blue Star	6.9	-34.7	-26.5
CG Cons. Elec.	5.9	-14.8	0.4
Cummins	7.2	-26.9	-52.2
Engineers India	2.4	-3.4	-44.7
Havells	3.5	-9.8	-27.7
K E C Intl	0.0	-48.6	-44.9
L&T	0.6	-26.3	-40.9
Siemens	4.5	-10.2	0.2
Thermax	-0.2	-17.3	-26.8
Voltas	5.6	-21.1	-16.4
Cement	**4.3**	**-18.6**	**-32.7**
Ambuja Cem.	6.1	-17.9	-30.1
ACC	4.5	-19.7	-39.5
Birla Corp.	2.4	-38.5	-17.0
Dalmia Bhar.	4.1	-35.2	-55.1
Grasim Inds.	3.3	-16.4	-37.3
India Cem	0.5	16.1	-5.5
J K Cements	1.3	-26.4	12.8
JK Lakshmi Ce	2.1	-31.8	-45.8
Ramco Cem	6.8	-30.8	-34.3
Shree Cem	5.6	-23.1	-10.8
Ultratech	3.3	-17.7	-19.2
Consumer	**0.4**	**3.2**	**-3.6**
Asian Paints	2.7	-11.6	14.5
Britannia	1.0	-6.4	-5.7
Colgate	1.7	7.8	10.8
Dabur	-0.6	0.6	20.3
Emami	3.1	0.1	-43.2
Godrej Cons.	-0.6	-2.8	-10.5
GSK Cons.	-2.4	12.2	46.6
HUL	-3.5	11.8	41.4
ITC	3.8	4.6	-37.5
Jyothy Lab	10.1	-10.2	-41.7
Marico	2.4	11.6	-16.7
Nestle	0.0	4.9	56.1
Page Inds	2.7	-20.4	-30.0
Pidilite Ind.	3.5	-17.7	5.9
P&G Hygiene	-1.0	4.1	1.8
Tata Consumer	4.8	-6.2	46.6
United Brew	3.1	-20.5	-33.6
United Spirits	4.9	-11.1	1.2
Healthcare	**4.6**	**13.5**	**-5.7**
Alembic Phar	3.7	6.1	22.7
Alkem Lab	0.9	4.6	55.5
Ajanta Pharma	3.1	0.6	38.3
Aurobindo	5.0	-2.2	-41.4

Index and MOFSL Universe stock performance

Company	1 Day (%)	1M (%)	12M (%)
Biocon	1.9	10.9	7.7
Cadila	0.2	37.0	2.5
Cipla	13.0	36.2	9.0
Divis Lab	6.8	6.0	34.9
Dr Reddy's	-1.7	18.1	31.4
Glenmark	6.1	-6.9	-61.3
GSK Pharma	11.4	6.3	7.5
IPCA Labs	-0.9	9.8	71.3
Jubilant Life	5.0	-25.6	-50.1
Laurus Labs	5.1	3.1	2.6
Lupin	11.7	21.0	-2.7
Strides Pharma	1.2	-26.1	-33.2
Sun Pharma	4.2	15.3	-3.1
Torrent Pharma	0.9	21.7	37.0
Infrastructure	**3.3**	**-9.7**	**-21.3**
Ashoka Buildcon	17.9	-36.8	-61.7
IRB Infra.Devl.	9.0	-3.4	-53.1
KNR Construct.	-1.0	-26.3	-24.8
Media	**3.9**	**-22.5**	**-54.1**
PVR	4.7	-32.6	-37.7
Sun TV	4.8	-15.9	-44.8
Zee Ent.	5.0	-23.0	-63.5
Metals	**5.0**	**-15.6**	**-45.6**
Hindalco	6.5	-24.9	-50.4
Hind. Zinc	-0.3	3.9	-41.9
JSPL	7.9	-30.3	-50.1
JSW Steel	7.6	-27.3	-43.0
Nalco	2.5	-1.6	-46.2
NMDC	5.8	-4.6	-23.8
SAIL	3.5	-11.7	-55.3
Vedanta	9.3	-19.0	-59.6
Tata Steel	3.7	-11.6	-48.4
Oil & Gas	**2.8**	**-4.4**	**-24.6**
Aegis Logistics	0.7	-23.9	-25.4
BPCL	0.7	-18.6	-3.1
Castrol India	2.6	-13.4	-30.6
GAIL	2.5	-12.6	-48.9
Gujarat Gas	2.3	-15.4	51.1
Gujarat St. Pet.	1.1	-11.2	6.7
HPCL	4.3	-2.5	-18.9
IOC	1.9	-16.1	-46.2
IGL	5.3	10.1	47.8
Mahanagar Gas	1.0	-6.7	-11.6
MRPL	7.0	-29.8	-62.8
Oil India	2.2	0.2	-48.9
ONGC	4.1	3.5	-50.9
PLNG	4.0	0.9	-6.5
Reliance Ind.	2.3	9.5	-8.7
Aditya Bir. Fas.	0.2	-38.3	-31.3
Retail			
Avenue Super.	4.7	12.6	62.5
Future Lifestyle	4.8	-70.7	-78.5
Future Retail	3.8	-76.6	-84.5
Jubilant Food	1.1	-13.9	-0.5
Shoppers St.	1.1	-44.6	-54.5
Titan Co.	11.1	-15.6	-7.6
Trent	0.1	-29.9	33.1
V-Mart Retail	1.4	-23.7	-37.0

Company	1 Day (%)	1M (%)	12M (%)
Technology	**1.9**	**-14.3**	**-21.0**
Cyient	0.4	-43.4	-63.3
HCL Tech.	1.4	-13.3	-16.2
Hexaware	6.3	-24.0	-24.6
Infosys	0.9	-9.4	-16.1
L&T Infotech	3.0	-25.4	-15.9
Mindtree	0.3	-18.8	-23.5
Mphasis	0.6	-14.8	-31.3
NIIT Tech	0.9	-33.0	-14.4
Persistent Sys	0.8	-24.9	-17.1
TCS	3.5	-10.5	-15.4
Tech Mah	-2.6	-22.5	-30.9
Wipro	1.8	-8.2	-28.1
Zensar Tech	0.2	-27.8	-61.4
Telecom	**5.7**	**-4.5**	**3.2**
Bharti Airtel	5.9	-1.5	51.5
Bharti Infra.	4.5	-17.5	-44.7
Idea Cellular	2.5	-18.0	-80.6
Tata Comm	9.9	-12.5	-18.9
Utiltites	**2.8**	**-12.8**	**-29.6**
Coal India	2.4	-10.9	-40.9
CESC	3.7	-21.0	-35.8
JSW Energy	-0.2	-11.1	-41.8
NHPC Ltd	0.0	8.2	-10.1
NTPC	2.2	-15.4	-35.9
Power Grid	3.7	-9.3	-17.2
Tata Power	2.4	-7.9	-49.7
Torrent Power	0.8	-4.7	13.8
Others			
Brigade Enterpr.	1.8	-29.3	-10.9
BSE	4.6	-17.4	-46.9
Coromandel Intl	3.3	-12.3	19.4
Concor	11.9	-10.1	-27.9
Essel Propack	2.1	2.7	46.9
Godrej Agrovet	-1.1	-13.1	-24.5
Indian Hotels	0.1	-35.0	-50.7
Interglobe	5.0	-14.4	-25.3
Info Edge	-0.4	-11.3	18.6
Kaveri Seed	7.6	-18.7	-29.5
Lemon Tree Hotel	0.0	-60.4	-77.2
MCX	-1.4	-18.4	30.4
Oberoi Realty	1.5	-36.9	-42.6
Phoenix Mills	2.5	-31.6	-15.1
PI Inds.	1.0	-7.7	38.9
Quess Corp	0.0	-58.0	-71.1
SRF	8.1	-13.1	31.3
S H Kelkar	6.1	-11.7	-50.1
Tata Chemicals	1.9	-21.7	-13.1
Team Lease Serv.	0.0	-34.1	-48.0
Trident	2.8	-10.6	-34.8
UPL	-0.4	-38.0	-49.5

NOTES

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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