



CORONA CRISIS SECTOR SCAN

KEDIA ADVISORY

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The Corona crisis has hit us all hard. Nobody could predict the scale of this crisis. People failed to foresee this because of mixed signals from global health agencies early on. Before the new coronavirus outbreak turned into a pandemic, India's equity benchmarks scaled new peaks as investors piled into heavyweights led by financials. But then the stocks tumbled tracking the worst global selloff in more than a decade as the restrictions to contain the virus stalled business. While Indian equities have recovered some of the losses but the benchmarks are still not out of the bear market.



OPPORTUNITY



As the coronavirus pandemic continues to inflict pain on the market and the economy, there is much uncertainty as to when COVID-19 will come under control. At this juncture, it seems that the pain will linger and there are tougher days ahead for the businesses and the economy. We see the COVID-19 pandemic came in stages across the world and its fading away also will happen in phases over the next few quarters. With no relief in

sight, investors must look for stocks that have the potential to endure the pain. Investors should look for quality with reasonable growth in businesses. Lower debt and higher cash generation companies will be better placed. India's long-term fundamental stories for discretionary and consumption are strong, and some sectors could be the new leaders given the starting point of valuations, ownership, and performance.

Mild impact and/or quick recovery	Sharp impact but moderate recovery time	Sharp impact and long drawn recovery
FMCG	Passenger vehicles	Airlines
Telecom	Two-wheelers	Hotels
Pharma	Consumer food	Real estate
Media-DTH	Hospitals	Gems and jewellery

IN SUMMARY, it is going to be a long haul to come out of the current situation. The economy and market will not bottom out till such time a medical solution is found to the current problem. This will allow lockdowns to be lifted and economic activity to resume at full scale. After a medical solution is found, the recovery will depend on steps taken by the government and RBI to support growth through fiscal and monetary measures. Investors are gripped by fear and predict a wide range of forecasts about the market (some of them extremely bearish). Unfortunately, the reigning pessimism will push people to assign high probability to extreme outcomes too. (Fear of further loss, herd mentality) Once you understand the market cycle and are convinced to take advantage of the crash, stay with the stock universe from the selected sector that you understand well, and be meticulous in picking up good quality businesses.

STAY TUNED.....