

The Indian markets have corrected 56% from their peak in a span of one month due to the pandemic situation, which has frozen the world economy due to serious lockdowns across the globe. The pandemic is severe in nature on account of no vaccines being found yet to pre-empt the spread of COVID 19 disease. In this situation, it is hard to predict the bottom, as global demand has come to a grinding halt. This will lead to a recessionary situation across nations. We feel that the markets, at the current situation, have discounted 2 quarters of de-growth in earnings. We believe, the blue-chip stocks are trading at lucrative valuations offering a once in a decade opportunity. Hence, we believe, long term investors can start investing in quality stocks in a staggered manner.

Below are our recommended stocks which we believe investors can start investing in tranches over a long-term period.

- HDFC Bank** – HDFC Bank is a proxy play for the Indian retail banking with a proven track record of good earnings and good risk management system. The bank has historically maintained a run rate of 20% on the credit growth on a higher base with minimum asset quality deterioration.
CMP: Rs.895, Mkt Cap: Rs.4,90,518 Cr, FY21 P/B: 2.4x
- Kotak Mahindra Bank** – Kotak Mahindra Bank has continuously reported good set of earnings supported by high corporate governance. The bank is emerging as a strong proxy play for retail banking with strong credit growth and stable asset quality.
CMP: Rs.1,208, Mkt Cap: Rs.2,30,978 Cr, FY21 P/B: 3.0x
- Hindustan Unilever** – HUL has a leadership position for most of its product portfolio. The company has a track record of strong financials on every count on a higher base. We expect the company to continue reporting good double-digit volume growth on account of strong demand for its products during the ongoing pandemic.
CMP: Rs.1,837, Mkt Cap: Rs.3,97,602 Cr, FY21 P/E: 45.7x
- Infosys** – Infosys has been reporting good set of earnings for couple of quarters in a row. The company has raised its revenue guidance on a lower band two consecutive times in a row which infuses confidence in the stock. Due to the strong comeback we prefer Infosys over TCS in the long haul.
CMP: Rs.545, Mkt Cap: Rs.2,32,280 Cr, FY21 P/E: 12.6x
- Larsen & Toubro** – L&T is a strong proxy play for India's infrastructure. It contributes 16% p.a on government's infrastructure spend. Government in his union Budget 2020 had announced a plan to spend Rs.100 lakh crs in infrastructure over a period of 5 years, thereby assuring L&T an order worth Rs.16 lak crs from the government over a period of 5 years.
CMP: Rs.843, Mkt Cap: Rs.1,18,371 Cr, FY21 P/E: 10.4x
- SBI Cards** – SBI cards is the second largest player in India in the credit cards industry. The credit card industry in India is at a very nascent stage with penetration rate of a mere 3% as on Dec 2019. With the impetus given by the government of India towards the digital push, we expect the credit card industry to grow steeply in the future.
CMP: Rs.693, Mkt Cap: Rs.65,032 Cr, FY21 P/B: 9.9x
- IRCTC** – IRCTC enjoys a monopoly in providing online ticket booking, packaged drinking water, and catering services to passengers travelling by Indian Railways (IR's). It has a market share of ~73% and ~45% in online rail bookings and packaged drinking water respectively. Due to the monopoly status, we expect the company to retain its leadership position in both the segments thereby reporting healthy set of earnings in the future.
CMP: Rs.1,000, Mkt Cap: Rs.16,006 Cr, FY21 P/E: 17.6x

8. **Colgate & Palmolive** - Colgate is India's biggest oral care products company with ~ 97% of its sales coming from the Colgate product category. The company is market leader in oral care category with 52.1% market share in toothpaste category and enjoys strong brand equity, built over the years through high investment on creating consumer awareness and brand recall. We expect the Volume growth to remain robust in both penetration and per capita consumption on account of brand loyalty.
 CMP: Rs.1,114, Mkt Cap: Rs.30,286 Cr, FY21 P/E: 32.5x
9. **Alkem Laboratories** - Alkem is one of the companies with higher exposure (two-third of the business) to domestic formulation (DF), which is a strong industry outperformer. It has lower exposure to US generics (~25%) on account of the late entrant, which is driven by new launches. During Q3 FY20, sales in the US grew 12.6% YoY, mainly driven by market-share gains in existing products and new product launches. Currently, the company has 80 approved ANDAs of which nearly 65 have been commercialized and going forward, it is gearing up the pace of its ANDA filings, targeting ~12 launches and capitalizing on in-licensing opportunities.
 CMP: Rs.2,204, Mkt Cap: Rs.26,352 Cr, FY21 P/E: 19.7x
10. **Jubilant Foodworks** - The company is a strong play in the consumption space with a leadership position in the Pizza segment. It is expanding in the overseas market where it opened its 3 outlet in the Bangladesh region. The company reported strong SSG of 5% in 3QFY20 on a higher base and we expect company to continue reporting strong ssg growth on account of product innovation.
 CMP: Rs.1,228, Mkt Cap: Rs.16,206 Cr, FY21 P/E: 34.4x

Company Name	Mkt Cap	CMP	52 Wk High	Discount from peak	Valuation Multiple	Valuation			RoIC for Non Bank & RoE for Banks		
						FY19	FY20E	FY21E	FY19	FY20E	FY21E
Hindustan Unilever Ltd	397,602	1,836.7	2,307.2	20.4%	P/E	67.3	54.8	45.7	109.0	111.7	114.4
Kotak Mahindra Bank Ltd	230,978	1,207.8	1,740.0	30.6%	P/B	4.0	3.5	3.0	13.3	14.7	15.0
HDFC Bank Ltd	490,518	894.8	1,304.1	31.4%	P/B	3.2	2.8	2.4	17.0	16.3	16.9
Infosys Ltd	232,280	545.4	847.4	35.6%	P/E	15.4	14.0	12.6	52.0	59.5	72.0
Larsen & Toubro Ltd	118,371	843.3	1,606.7	47.5%	P/E	13.7	11.8	10.4	22.5	18.8	19.6
SBI Cards & Payment Ser Ltd	65,032	692.6	769.0	9.9%	P/B	18.2	13.5	9.9	24.1	25.7	26.9
IRCTC Ltd	16,006	1,000.4	1,995.0	49.9%	P/E	52.3	27.0	17.6	26.3	29.7	33.1
Colgate Palmolive Ltd	30,286	1,113.5	1,641.0	32.1%	P/E	40.2	36.4	32.5	67.3	70.0	72.7
Alkem Laboratories Ltd	26,352	2,204.0	2,720.0	19.0%	P/E	34.7	22.8	19.7	20.3	26.1	28.2
Jubilant Foodworks Ltd	16,206	1,228.0	1,973.0	37.8%	P/E	50.7	43.1	34.4	37.8	40.5	43.2

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