

From the Fund Manager's desk...

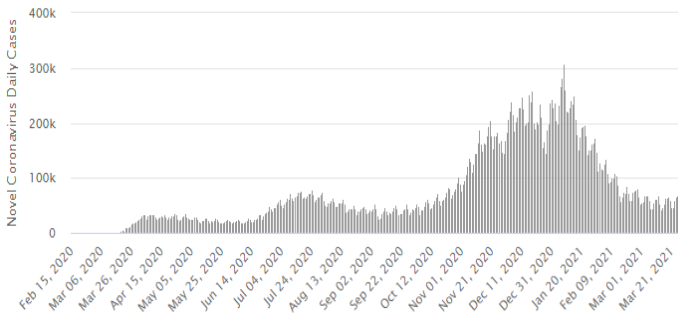
COVID-19: Once Bitten, Twice shy!

It has been a year since India went into a nation-wide lockdown. Back then, India was probably the only country which took such a strong measure to contain the pandemic. A year later, one may find themselves in a Deja-Vu like situation. The new reported cases as of yesterday stands at >60,000 compared to <1,000 total cases at the time of lockdown in Mar-2020 and ~97,000 cases at its peak in September-2020.

However, this time around, we have a better understanding of the virus, better preparedness and two home grown vaccines at hand. In this note, we take a look at the possible implications of a 2nd wave of COVID cases in India, the on-going vaccination drive and the impact of these events on investors.

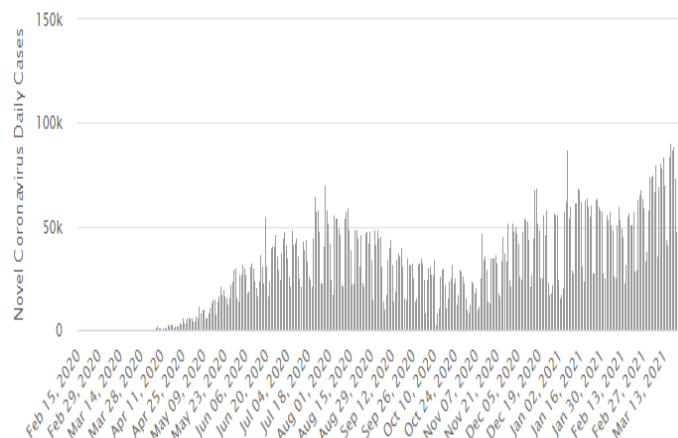
COVID-19: 2nd wave across the world...

Exhibit 1: USA went through 3 waves with each being higher than the one before



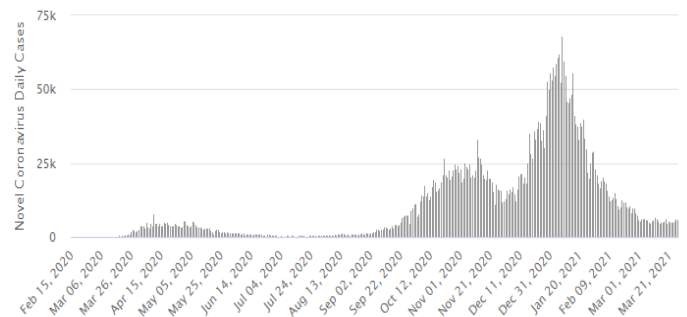
Source: Ambit Asset Management, [worldometer](https://www.worldometer.info), as of 26th Mar 2021

Exhibit 3: Brazil is the 2nd most impacted country globally with >75,000 daily cases



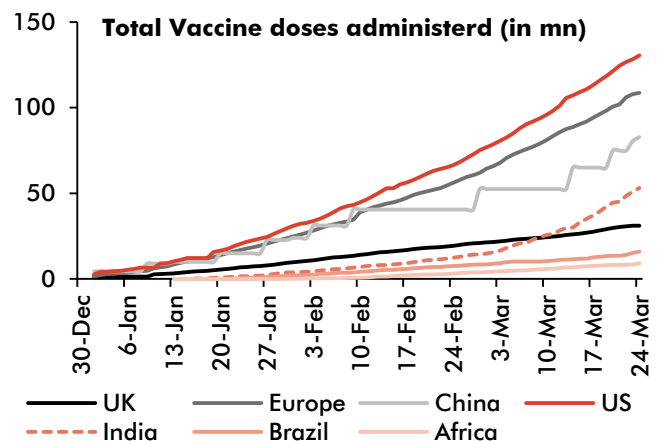
Source: Ambit Asset Management, [worldometer](https://www.worldometer.info), as of 26th Mar 2021

Exhibit 2: 2nd wave in UK saw stricter curfews / lockdowns being imposed



Source: Ambit Asset Management, [worldometer](https://www.worldometer.info), as of 26th Mar 2021

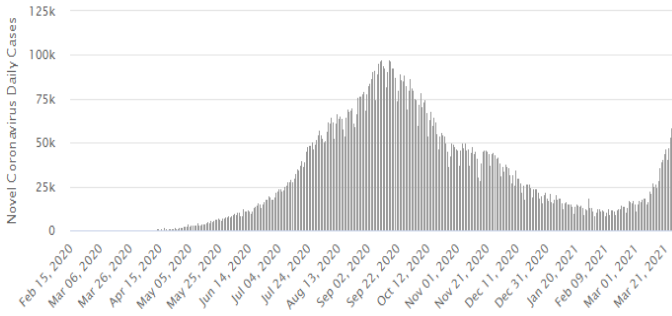
Exhibit 4: Increased pace of vaccine roll-out world over has been extremely encouraging



Source: Ambit Asset Management, [Our World In Data](https://ourworldindata.org)

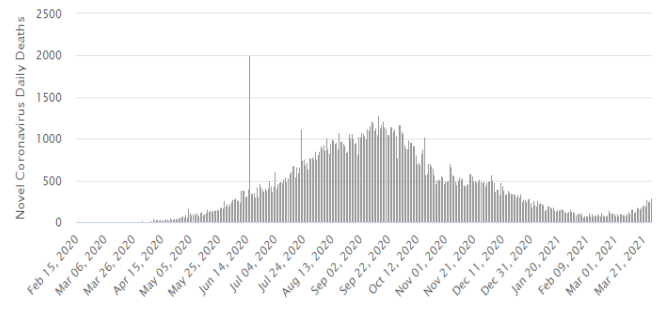
Even on our home turf, cases are on the rise...

Exhibit 5: India headed for its 2nd wave of rise in COVID cases



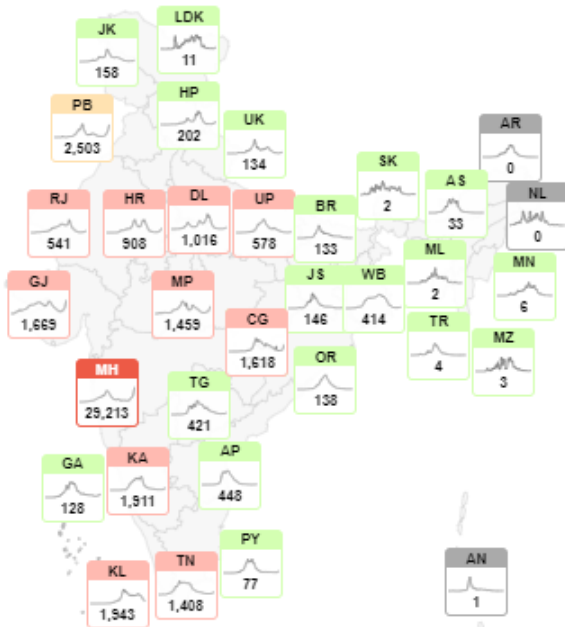
Source: Ambit Asset Management, worldometer, as of 26th Mar 2021

Exhibit 6: Better preparedness, immunization of at-risk population in India (60+) has helped lower death rate



Source: Ambit Asset Management, worldometer, as of 26th Mar 2021

Exhibit 7: So far, the spread this time is limited to certain hot-spots...



Source: Ambit Asset Management, NDTV, as of 26th Mar 2021

Exhibit 8: ...with Maharashtra being the most impacted state accounting for ~50% of new cases in the country



Source: Ambit Asset Management, NDTV, as of 26th Mar 2021

Exhibit 9: Median 2nd wave peak of new cases for other countries* has been 2.6x of Wave-1 peak. A similar trend for India could imply much higher new cases from here on

Top Countries as per Total cases	Wave-1 Peak	Wave-2 Peak	% of Wave-1 Peak	Bottom since Wave 1 Peak	% of Wave 1 peak	Wave 1 Peak	Wave 2 Peak	Bottom since Wave 1 Peak
US	33,105	70,782	214%	21,578	65%	Apr-20	Jul-20	Jun-20
Brazil	46,263	76,738	166%	16,139	35%	Jul-20	Mar-20	Nov-20
Russia	10,982	28,934	263%	4,776	43%	May-20	Dec-20	Aug-20
France	4,537	56,377	1,243%	272	6%	Apr-20	Nov-20	May-20
UK	4,919	25,331	515%	545	11%	Apr-20	Nov-20	Jul-20
Italy	5,646	35,289	625%	175	3%	Mar-20	Nov-20	Jul-20
Spain	8,641	20,193	234%	262	3%	Mar-20	Oct-20	Jun-20
Turkey	12,400	32,096	259%	2,376	19%	Apr-20	Dec-20	Jun-20
Germany	5,837	25,775	442%	247	4%	Apr-20	Dec-20	Jun-20
		MEDIAN	263%					

Source: Ambit Asset Management, worldometer, 7 Day Moving Average of New Cases, * - Top-10 countries barring India as per Total Cases

But this time India is better prepared

Exhibit 10: The 'unknowns' faced last time have been well dealt with placing us in a relatively better position this time around

Steps taken	Impact
Curb in personal expenses	<ul style="list-style-type: none"> Savings run-rate inched up to 21% during lockdown in April-May'20 which provided the public with buffer to navigate the uncertainty
Cost rationalization by companies	<ul style="list-style-type: none"> Rationalization of fixed expenses in light of lower revenue increased efficiency resulting in better operating leverage and higher margins once normalcy resumed
RBI's pro-activeness	<ul style="list-style-type: none"> Liquidity surplus improved from Rs3.8trn to average Rs 6.5trn for April to August. During the COVID period, the forex reserves expanded \$107bn, this resulted in liquidity injection. RBI pumped in Rs8trn through forex operations apart from LTRO, OMOs. RBI did OMO of Rs 3trn in FY21. RBI bought moratorium leading to standstill NPA recognition & restructuring mechanism to avoid rising NPA for genuine customers.
Government's Emergency Credit Line Guarantee Scheme (ECLGS)	<ul style="list-style-type: none"> Government budgeted Rs3tn towards credit guarantee to MSME sector which was the most impacted following the lockdown, leading to sanctions of Rs1.6tn to 4.2mn MSME till Sept'20
Vaccination	<ul style="list-style-type: none"> One of the fastest rate of vaccination globally (~0.23Cr per day) which may further increase going ahead

Source: Ambit Asset Management

Vaccines: Key to India tackling the 2nd wave

- 'Vaccine-Maitri' may take a back-seat:** As of 19th March, India has supplied 5.96cr doses of COVID-19 vaccines to 72 nations across the globe. This is expected to slow-down as COVID cases at home have seen a sharp jump in the last few days. Additionally, from 1st April the Government is extending vaccination to everyone above the age of 45.
- Increased pace of Vaccine procurement:** The government has recently placed an additional order of 12cr doses for the two approved vaccines. Further, increased production capacity of these vaccines and approval of other vaccines in the pipeline will help quicken the vaccination pace and return to normalcy.
- Private sector support:** Once enough supply is procured, the government could look at allowing private hospitals / clinics to carry out vaccination. Private companies stepping up to take charge of vaccination for their employees will further help.

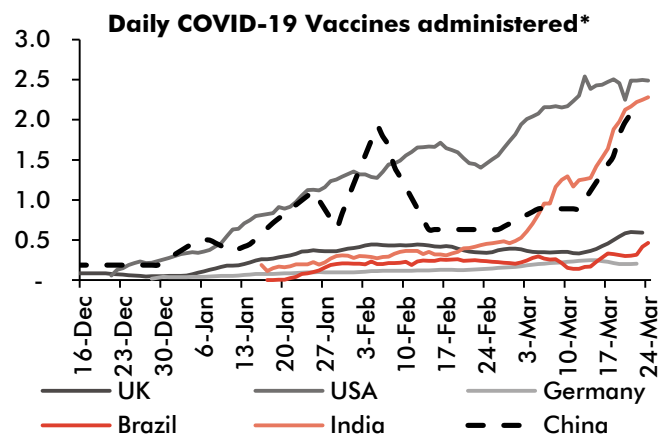
If the Government allows participation by diagnostics chain, the likes of Dr. Lal Pathlabs could be well placed to deliver vaccines post minor training to its employees (as understood from our interaction with management).

Exhibit 11: Encouraging progress in vaccination across major countries

Population Vaccinated	1st Dose	2nd Dose
Israel	60%	53%
US	25%	13.4%
UK	41%	3.3%
Germany	8.97%	3.99%
India	2.94%	0.57%
Japan	0.49%	0.02%

Source: Ambit Asset Management, CNBC TV-18

Exhibit 12: Vaccine rollout in India faster than on an absolute basis compared to other countries



Source: Ambit Asset Management, [Our World In Data](#), * - Rolling 7 Day Average

Exhibit 13: We estimate India could vaccinate the super-spreaders (20-45 age group) in urban areas in 3-5 months under various scenarios

	In Cr.	% of total
Population	138	
20-45 Age Group	55.2	40%
Population in Urban areas	19.3	35%
2 dose vaccination for 20-45 age group in Urban areas		
Scenario	Doses / day (cr.)	Months needed
Current / Pessimistic*	0.15	9
Base Case	0.26	5
Optimistic	0.38	3

Source: Ambit Asset Management estimate, Wikipedia, *Assumed 2/3rd of daily vaccines being administered are in Urban areas

Exhibit 14: Possibility of other vaccines receiving authorization will increase the pace of vaccination in India

Vaccine	Countries using
Oxford/AstraZeneca	89
Pfizer/BioNTech	79
Moderna	34
Sinopharm	22
Sputnik V	20
Sinovac	14
Johnson & Johnson	2
Covaxin	1

Source: Ambit Asset Management, Our World in Data, Note: Locations where data on doses administered is available

Conclusion:

- 1. A more localized response rather than nation-wide lockdown:** While the 2nd wave may result in higher case than the previous peak, we feel a nation-wide lock-down is less likely. We expect a more localized response with hot spots or even high-risk states witnessing restrictions like night curfew or limitations on public gathering. ***This will limit the economic impact and incentivize people to be more cautious and take precautions.***
- 2. Temporary lifestyle impact rather than permanent economic impact:** While people's lives may be impacted in the near-term due to restricted mobility courtesy certain localized responses, the economic impact of the same however will be limited.
- 3. Large drawdowns in equity markets unlikely:** Equity markets are unlikely to react in the same manner as the country – and world, at large – is better prepared in terms of understanding of the virus, its death rate and preparedness of medical infrastructure. Most of these were big 'unknowns' last year. ***Ironically, the Indian markets started their up-move from 24th March 2020 – the 1st day of lockdown.***
- 4. Return to Quality/Continue focus on earnings for long term wealth creation:** We believe companies which deliver superior EPS growth will continue to outperform within their respective sectors and the index, as seen in the past (Refer to Exhibit: 15 & 16). This outperformance will be further propelled by the K-Shaped recovery currently underway.

Excerpts from Dr. Devi Shetty's (Chairman and Founder, Narayana Health) article:

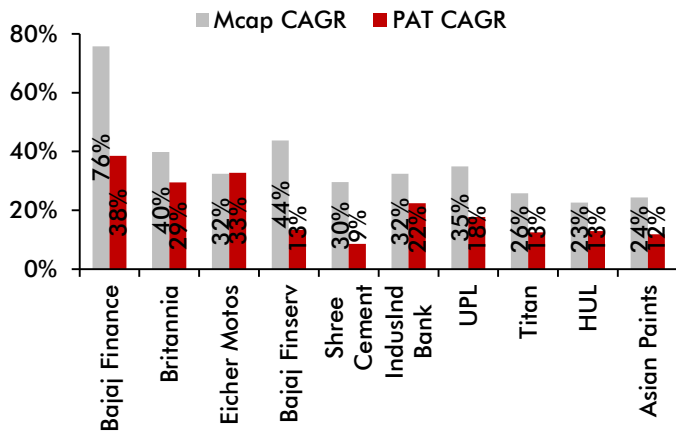
"The first lockdown came at tremendous cost to society and the economy, but it bought us time to prepare our infrastructure and plan our strategy.

"A second lockdown will not make us any more prepared and the virus will still be waiting for us when we open up.

"There's a good chance that we can stop the pandemic within the next six months if we take up mass vaccination on a war footing and vaccinate people between the ages of 20 to 45, who're the real super-spreaders."

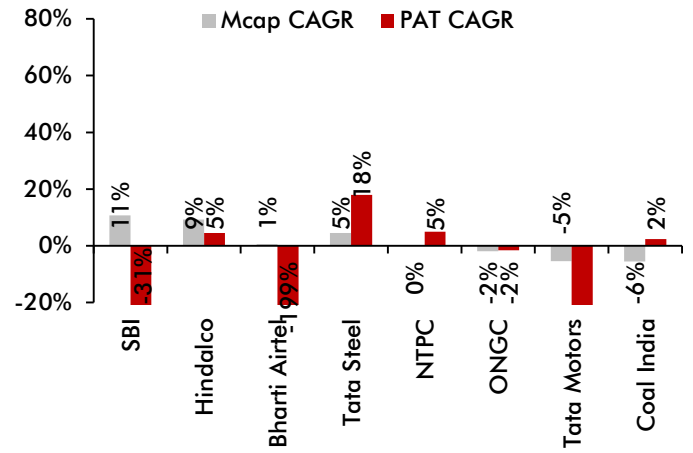
A temporary spurt in COVID cases in India may impact equity markets negatively in the near term. However, India is better placed now than it was a year before. Investors should see this as an opportunity and use the market volatility to increase their equity allocation and invest in quality companies.

Exhibit 15: Top Nifty performers from FY12-19 witnessed strong EPS growth during that time period...



Source: Ambit Asset Management, Bloomberg

Exhibit 16: ...while the bottom performers witnessed EPS decline



Source: Ambit Asset Management, Bloomberg

For any queries, please contact:

Umang Shah- Phone: +91 22 6623 3281, Email - aiapms@ambit.co

Ambit Investment Advisors Private Limited -

Ambit House, 449, Senapati Bapat Marg,

Lower Parel, Mumbai - 400 013

Risk Disclosure & Disclaimer

Ambit Investment Advisors Private Limited ("Ambit"), is a registered Portfolio Manager with Securities and Exchange Board of India vide registration number INP000005059.

This presentation / newsletter / report is strictly for information and illustrative purposes only and should not be considered to be an offer, or solicitation of an offer, to buy or sell any securities or to enter into any Portfolio Management agreements. This presentation / newsletter / report is prepared by Ambit strictly for the specified audience and is not intended for distribution to public and is not to be disseminated or circulated to any other party outside of the intended purpose. This presentation / newsletter / report may contain confidential or proprietary information and no part of this presentation / newsletter / report may be reproduced in any form without its prior written consent to Ambit. All opinions, figures, charts/graphs, estimates and data included in this presentation / newsletter / report is subject to change without notice. This document is not for public distribution and if you receive a copy of this presentation / newsletter / report and you are not the intended recipient, you should destroy this immediately. Any dissemination, copying or circulation of this communication in any form is strictly prohibited. This material should not be circulated in countries where restrictions exist on soliciting business from potential clients residing in such countries. Recipients of this material should inform themselves about and observe any such restrictions. Recipients shall be solely liable for any liability incurred by them in this regard and will indemnify Ambit for any liability it may incur in this respect.

Neither Ambit nor any of their respective affiliates or representatives make any express or implied representation or warranty as to the adequacy or accuracy of the statistical data or factual statement concerning India or its economy or make any representation as to the accuracy, completeness, reasonableness or sufficiency of any of the information contained in the presentation / newsletter / report herein, or in the case of projections, as to their attainability or the accuracy or completeness of the assumptions from which they are derived, and it is expected each prospective investor will pursue its own independent due diligence. In preparing this presentation / newsletter / report, Ambit has relied upon and assumed, without independent verification, the accuracy and completeness of information available from public sources. Accordingly, neither Ambit nor any of its affiliates, shareholders, directors, employees, agents or advisors shall be liable for any loss or damage (direct or indirect) suffered as a result of reliance upon any statements contained in, or any omission from this presentation / newsletter / report and any such liability is expressly disclaimed. Further, the information contained in this presentation / newsletter / report has not been verified by SEBI.

You are expected to take into consideration all the risk factors including financial conditions, risk-return profile, tax consequences, etc. You understand that the past performance or name of the portfolio or any similar product do not in any manner indicate surety of performance of such product or portfolio in future. You further understand that all such products are subject to various market risks, settlement risks, economical risks, political risks, business risks, and financial risks etc. and there is no assurance or guarantee that the objectives of any of the strategies of such product or portfolio will be achieved. You are expected to thoroughly go through the terms of the arrangements / agreements and understand in detail the risk-return profile of any security or product of Ambit or any other service provider before making any investment. You should also take professional / legal /tax advice before making any decision of investing or disinvesting. The investment relating to any products of Ambit may not be suited to all categories of investors. Ambit or Ambit associates may have financial or other business interests that may adversely affect the objectivity of the views contained in this presentation / newsletter / report.

Ambit does not guarantee the future performance or any level of performance relating to any products of Ambit or any other third party service provider. Investment in any product including mutual fund or in the product of third party service provider does not provide any assurance or guarantee that the objectives of the product are specifically achieved. Ambit shall not be liable for any losses that you may suffer on account of any investment or disinvestment decision based on the communication or information or recommendation received from Ambit on any product. Further Ambit shall not be liable for any loss which may have arisen by wrong or misleading instructions given by you whether orally or in writing. The name of the product does not in any manner indicate their prospects or return.

The product 'Ambit Good & Clean Portfolio' has been migrated from Ambit Capital Private Limited to Ambit Investments Advisors Private Limited. Hence some of the information in this presentation may belong to the period when this product was managed by Ambit Capital Private Limited.

You may contact your Relationship Manager for any queries.