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# "INVESTMENT ANALYSIS AND PORTFOLIO MANAGEMENT OF TOP STOCK PICKS IN INDIA AMID MARKET TURMOIL DURING COVID-19"

*Mr. Ajay Nair*

*Keraleeya Samajam (Regd.) Dombivli's Model College*

**Abstract :**

*Managing open innovation is typically viewed as managing a project with a set of expectations. It requires careful planning and proven management principles to enable companies to respond to their needs in the most effective and efficient way possible. However, the literature on integration and comparison among project management, project portfolio management and open innovation principles is limited. Viewing open innovations as a series of separate projects can lead to many problems including those related to transaction costs and risks. This paper extensively reviews the literature of project management, project portfolio management, and open innovation in the hope that these principles can be better integrated and synergized both in terms of the literature and in practice.*

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## Introduction :

Portfolio management is the art and science of making decisions about investment mix and policy, matching investments to objectives, asset allocation for individuals and institutions, and balancing risk against performance. Portfolio management is all about determining strengths, weaknesses, opportunities and threats in the choice of debt vs. equity, domestic vs. international, growth vs. safety, and many other trade-offs encountered in the attempt to maximize return at a given appetite for risk.

Although it is common to use the terms "portfolio management" and "financial planning" as synonyms, these staples of the financial services industry are not the same. Portfolio management is the act of creating and maintaining an investment account, while financial planning is the process of developing financial goals and creating a plan of action to achieve them. Professional licensed portfolio managers are responsible for portfolio management on behalf of others, while individuals may choose to self-direct their own investments and build their own portfolio. Portfolio management's ultimate goal is to maximize the investments' expected return given an appropriate level of risk exposure.

Portfolio management, in general, can by either passive or active in nature. Passive management is a set-it-and-forget-it long-term strategy that often involves simply tracking a broad market index (or group of indexes), commonly referred to as indexing or index investing.

Active management instead involves a single manager, co-managers or a team of managers who attempt to beat the market return by actively managing a fund's portfolio through investment decisions based on research and decisions on individual holdings. Closed-end funds are generally actively managed.

Security Market of the wider financial market where securities can be bought and sold between subjects of the economy, on the basis of demand and supply. Security markets encompasses stock markets, bond markets and derivatives market where prices can be determined and participants both professional and non professional can meet Securities markets can be split into two levels: primary markets, where new securities are issued, and secondary markets where existing securities can be bought and sold. Secondary markets can further be split into organized exchanges, such as stock exchanges and over-the-counter, where individual parties come together and buy or sell securities directly. For securities holders knowing that a secondary market exists in which their securities may be sold and converted into cash increases the willingness of people to hold stocks and bonds and thus increases the ability of firms to issue securities.

There are a number of professional participants of a securities market and these include; brokerages, broker-dealers, , investment managers, speculators as well as those providing the infrastructure, such as clearing houses and securities depositories.

A securities market is used in an economy to attract new capital, transfer real assets in financial assets, determine prices which will balance demand and supply and provide a means to invest money both short and long term.

## Professional Management :

A primary advantage of mutual funds is not having to pick stocks and manage investments. Instead, a professional investment manager takes care of all of this using careful research and skillful trading. Investors purchase funds because they often do not have the time or the expertise to manage their own portfolios, or they don't have access to the same kind of information that a professional fund has. A mutual fund is a relatively inexpensive way for a small investor to get a full-time manager to make and monitor investments. Most private, non-institutional money managers deal only with high-net-worth individuals-people with at least six figures to invest. However, mutual funds, as noted above, require much lower investment minimums. So, these funds provide a low-cost way for individual investors to experience and hopefully benefit from professional money management.

## Review of Literature :

1. **Mr. Eish Taneja, Dr. Suneel Arora, Dr. Chand Tandon :** The paper examines to study as to how Covid has impacted valuations considering various dimensions such as stock indices which are linked with various sectors. The impact of Covid in India started with Lockdown which was initiated on March-2020. The paper draws on observations which was done on a couple of factors which act as an indicator to draw some basic conclusions like - analysis of various M&A (mergers and acquisitions) which happened during the time, ratings conducted at country level to validate the estimated impacts and re-validation

with real data, stock market indices (multiple) and also gold prices Covid-19 has impacted the Indian market and also valuation of various Indices used. While there have been some recoveries in certain sectors like Pharmacy or Telecom however all major sectors have shown a negative growth as compared to pre Covid levels.

2. **Yashraj Varma 1, Renuka Venkataramani, Maiti :** The onset of the COVID-19 pandemic and lockdown announcements by governments have created uncertainty in business operations globally. For the first time, a health shock has impacted the stock markets forcefully. India, one of the major emerging markets, has witnessed a massive fall of around 40% in its major stock indices' value The COVID-19 pandemic increased uncertainty and risk around the globe and affected both developed and emerging economies such as the United States, Italy, Spain, Brazil and India. Existing studies recorded diversified results. Ozil and Arun (2020) used major government policies such as public health measures, restrictive measures, social distancing policies, and fiscal monetary policies to elucidate the impact of COVID-19 on the global.The COVID-19 pandemic increased uncertainty and risk around the globe and affected Both developed and emerging economies such as the United States, Italy, Spain, Brazil, And India. Existing studies recorded diversified results. Ozil and Arun (2020) used major Government policies such as public health measures, restrictive measures, social distancing Policies, and fiscal monetary policies to elucidate the impact of COVID-19 on the global economy. According to them, higher fiscal policy and restriction on movement had a Negative impact on the level of economic active economy. According to them, higher fiscal policy and restriction on movement had a negative impact on the level of economic activities.

3. **1, Parthajit Kayal 1 and Moinak Maiti :** The onset of the COVID-19 pandemic and lockdown announcements by governments have created uncertainty in business operations globally. For the first time, a health shock has impacted the stock markets forcefully. India, one of the major emerging markets, has witnessed a massive fall of around 40% in its major stock indices' value. Therefore, we examined the short-term impact of the pandemic on the Indian stock market's major index (NIFTY50) and its constituent sectors. For our analysis, we used three different models (constant return model, market model, and market-adjusted model) of event study methodology. Our results are heterogeneous and largely depend on the sectors. All the sectors were impacted temporarily, yet the financial sector faced the worst. Sectors like pharma, consumer goods, and IT had positive or limited impacts. We discuss the potential explanations for the same. These results may be useful for investors in safeguarding equity portfolios from unforeseen shocks and making better investment decisions to avoid large, unexpected losses.

## Research Methodology :

The research is based on historic data of last 5years (2 Jan, 2015 - 3 April, 2020). The research includes the first few days of lockdown period amid COVID-19 also.The research work is based on the secondary data from the published sources. The data is sourced from Financial Times, Research papers and a Bloomberg Quint article.

Investment analysis and Portfolio Management concepts and principles are applied in this Research. We have analyzed the stocks in the portfolio, calculated the return and risk individual stock as well as portfolio risk and return, created an optimized portfolio and studied the effect of diversification on the portfolio in this research.

## 1. Research Objective :

To analyze the top 10 stocks picks in India amid COVID- 19, calculate their risks and return, create an optimized portfolio using these stocks and understand the effect of diversification. Allocate investment in different stocks considering risk-return criteria.

## 2. Research Gap :

The research in Investment Analysis and portfolio management studies that many researches are done in this field. The researches at micro level have been rarely carried out by scholars in India. There is lack of research on Actual Investment Analysis and portfolio management of different investment options. There is also lack of research on various portfolios that are claimed to give good returns in Market turmoil conditions with its optimal weight allocation. There is also lack of research on practical Implementation of various concepts of Investment analysis and Portfolio Management. The research on effect of diversification on actual investment options and optimal no of stocks with good returns to be invested in is also rare. Also there is lack of research in variety of options available in one Investment option. There is also less research done on Investment Analysis and Portfolio Management for COVID-19 as this pandemic has started affecting people since December as per WHO reports internationally.

## 3. Results and Findings:

It is revealed that when the global economy is on a slowdown mode no emerging economy can grow at its normal pace. The Indian economy was grappling with its own issues and COVID-19 made the matters worse. India's GDP has been on a consistent decline after peaking out at 7.9 in Q4 of FY 2018 to 4.5 in Q2 of FY 2020. The industry was facing demand problems, due to which business houses were reluctant to undertake capex plans, unemployment was at its peak and exports which were consistently down for several months. India has the problem could be more acute and longer lasting, the economy was in parlous state due to Covid-19 struck. Due to the measures adopted to prevent the spread of the Coronavirus Disease 2019 (Covid-19), especially social distancing and lockdown, non-essential expenditures are being postponed. This is causing aggregate demand to collapse across the India. In addition to the demand reduction, there will also be widespread supply chain disruptions, as some people stay home, others go back to their villages, imports are disrupted, and foreign travel is stopped. This will negatively affect production in almost all industries. Gradually the shock will spread to manufacturing, mining, agriculture, public administration, construction - all sectors of the economy. This will adversely affect investment, employment, income, and consumption, pulling down the aggregate growth rate of the economy. Like India, several international economies are becoming cognizant of the risk they face by being overly dependent on one market. Making the current situation a learning opportunity, this is the time India can work on capturing potentially 40% of their competitor's market share by looking at indigenous production of goods, furthering the country's Make in India campaign.

**4. Objectives :**

The major objectives of this study are:

1. To understand impact of Covid-19 on overall Indian Economy
2. To understand impact of Covid-19 on different sectors
3. To find out the challenges for different sectors in Indian economy

**Data Analysis/ Overview of the Market :**

**1. Analysis on the Stocks that performed well during Covid 19 crisis.**

If 2020-21 was a year of an unprecedented crisis, it also scripted history for several stocks, which managed to extract benefits out of the disruptions.

As people became more and more dependent on technology amid the Covid lockdowns across the world, technology services companies grabbed the opportunity with both hands. Adoption of some tech services grew manifold, working wonders for them.

Beyond technology firms, companies from e-commerce, logistics, power, kitchen appliances . agrochemicals and pharma made the most of the pandemic and the resultant constraints.

These are the 10 stocks that saw a huge change in fortunes as the pandemic turned things

(1) **Tanla Platforms :** The technology services company reinvigorated itself with a new strategy and use of blockchain and emerged top pick on Dalal Street. The stock grew nearly 2,100 per cent in the last one year, thanks to a surge in the use of telecommunication.

(2) **Intellect Design Arena :** The company builds products for the entire banking domain, including corporate banks, NBFCs, central banks, retail banks, wealth managers and insurance companies. A surge in financialization increased the needs of its services, helping it swell bottom line as well as story price in 2020. The stock shot up nearly 1,300 percent.

McLeod Russel: Despite the Covid-19 pandemic that created a demand-supply mismatch, the bulk tea industry witnessed a sharp rise in both consumption as well as prices of tea. Whatever the reason, this helped McLeod Russel, one of the largest tea growers in the world. The stock skyrocketed nearly 1,000 per cent during the year.

(3) **CG Power :** Fortunes turned for this troubled power firm after Tube Investments invested hundreds of crores of rupees in the last one year to fund its expenses in a year when power consumption saw steady growth leading to the need of more equipment. As a result, the company's shares climbed nearly 950 per cent from a new low it has hit earlier in the year.

(4) **Borosil Renewables :** As the government announced its Atmanirbhar initiative to deal with the Covid fallout, the maker glass for solar panels saw a change in fortunes. As focus is more on cutting imports from China, it is expected to gain further. The stock climbed about 700 per cent in last one year.

(5) **Ramco Systems :** The company provides technology solutions to manage employees, finances, logistics and warehouses, among other things. With people working from homes, these solutions become imperative for companies to function smoothly. Expectedly, the shares of Ramco fallout, the maker glass for solar panels saw a change in fortunes. As focus is more on cutting imports from China, it is expected to gain further. The stock climbed about 700 per cent in last one year.

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**2. Top Stocks Which Went Under Bankruptcy During Covid 19**

**(1) Dewan Housing Finance Limited - US$13.93 billion**

Dewan Housing Finance Ltd. (DHFL) is a non-banking financial company that was established in the year 1984 by Rajesh Kumar Wadhawan. The company was set up in order to assist the lower and middle-income groups to avail housing finance in India's tier 2 and tier 3 cities. DHFL was the 2nd housing finance company to be set up after HDFC.

The company performed well for over 3 decades maintaining good growth and even acquiring companies like Deutsche Postbank Home Finance. The company also took on slum development and slum rehabilitation projects in Maharashtra.

These projects and several others were financed through debt raised by the company. This orchestrated development of DHFL was however cut short after Cobrapost, a group of journalists published an expose on DHFL on 29 January 2019.

According to the expose DHFL had diverted the Rs. 31,000 crores from the loans they had taken to various shell companies for the personal gains of its promoters which included Kapil Wadhawan, Aruna Wadhawan and Dheeraj Wadhawan.

Cobrapost also alleged that DHFL had made crores worth of donations to political parties possibly to keep them shielded. For eg. Rs. 14,282 crores worth of loans were diverted to these shell companies under slum development rehabilitation.

In addition, the Bharatiya Janta Party too received donations worth Rs. 20 crores. What earlier seemed like a well-orchestrated growth of DHFL now seemed like a well-orchestrated scam.

**(2) Bhushan Power and Steel - US$6.9 billion**

Bhushan Power & Steel Ltd. (BPSL) was founded in 1970 and went on to become one of the top steel manufacturing companies in the country. Between 2007 and 2014 the company met most of its expansion needs through loans. These loans were used for meeting working capital requirements, purchase of plant and machinery, and other expansion related activities. This caused the company to raise over Rs. 47,204 crores from 33 banks and other institutions.

Despite this, the company maintained good growth and reasonable profits. This would have meant that at least the loans were being put to good use. BPSL however kept continuously missing payment deadlines. In April 2019 the CBI began investigating into the company and it was later revealed that the money was diverted to 200 shell companies. This caused the banks to suffer from huge NPA's forcing the company into National Company Law Tribunal (NCLT

**(3) Essar Steel (US$6.9 billion) - Biggest Bankruptcies in India**

Essar Steel was part of the Essar group which was set up in 1969 and is owned by the Ruia family. The company first fell into the debt trap in 2002 where it underwent Corporate Debt Restructuring for a debt of Rs. 2,800 crore. Luckily for Essar, the company survived and was back on track by 2006.