

As summer knocks at your door, AC, fridge & ice cream makers turn hot

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NEW DELHI: That winter jacket is already redundant, and as summer comes knocking on the door, a bunch stocks are again grabbing investors' interest.

Manufacturers of coolers, air conditioners, refrigerators and ice-creams are staples of the summer season. The harsher the summer, the better it is for the companies making these products.

In March, stocks of Vadilal, Kwality, Blue Star, Voltas, and Khaitan Electricals have surged up to 41 per cent as investors jostled to call dibs on these counters to capture them cheap after the downtrend of January and February.

“Yes, summer stocks have started showing some action. But this is a short-term rally, most likely,” said Deepak Shenoy, Founder, Capital Mind.

“As the Indian summer is getting harsher and harsher every season, investors expect these stocks do well,” Shenoy added.

Vadilal, Kwality, Blue Star and Bajaj Electricals are among the biggest gainers from the rally seen in this theme. Vadilal has gained 41 per cent, Kwality (35 per cent), Blue Star (12.6 per cent) and Bajaj Electricals (15 per cent).

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“The room air-conditioning business has 48 per cent of the share of the overall the company's overall topline. The margin will show significant improvement over the next two years, close to that 7.1 per cent mark. It envisaging 11 per cent increase in topline overall, to reach that Rs 3,977 crore mark. The return on equity (RoE) is in excess of 25-26 per cent and valuations are not steep at this point of time. So, Blue Star is something that I like at this juncture,” he said.

For Shenoy, Vadilal, Kwality and Blue Star are likely to do better than the others in the lot. “Overall, there is some interest in the summer stocks Blue Star, Kwality and Vadilal. Kwality is cheaper of the lot, although, it is not showing as strong a trend as others and if the market continues to stay strong then these stocks will do better than the rest of the pack,” he said.

Other stocks that have rallied in the meantime include Symphony (23 per cent), Khaitan Electrical (0.26 per cent) and Whirlpool of India (12 per cent).