

# Bulls march on D-Street; top 10 stocks to buy in a rallying market

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The bulls have made a strong comeback on Dalal Street, helping the benchmark indices to hit their respective fresh 52-week highs for the second consecutive day in a row on Wednesday.

Ace investor Rakesh Jhunjhunwala predicted on Tuesday that a mega Bull Run is still ahead of us. However, analysts advised investors to look for stock-specific opportunities to make big money if one has an investment horizon of more than a year.

The breakout seen on the Nifty50 could take the index beyond the 9,000 level in the near term, experts said. But the possibility of some correction or consolidation cannot be ruled out.

"We follow a purely bottoms-up approach to investing. For us, there are always buy and sell signals at any point in time, because we have a stock-specific approach," Daljeet Singh Kohli, Head of Research, IndiaNiveshBSE -0.11 %, said in an interview with ETNow.

"I have one concern. There is too much of consensus and complacency that everything is good. Therefore, we will probably not see any kind of correction and we will keep on moving up and up (which may not hold true always)," he said.

Based on recommendations of global brokerages such as Credit Suisse, CLSA, Deutsche Bank, UBS, Citigroup and BofA-ML, we have compiled a list of top 10 stocks that are expected to outperform over the next one year or so.

## **HDFC Bank: Outperform| Target price Rs 1,470**

Credit Suisse maintained an outperform rating on HDFC Bank with a 12-month target price of Rs 1,470. The growth outlook still remains strong on the back of improving product breadth and distribution.

The management believes the bank will continue to be a dominant player in the payments space. The bank has grown its personal loan portfolio by nearly 40 per cent on a YoY basis through its 10-second personal loan scheme.

Nearly 40 per cent of the applications at HDFC Bank are received digitally and 85 per cent of approvals are done within 10 minutes.

The global investment bank believes digitally nimble banks would grab a large share of the \$600 billion opportunity in the lending space. HDFC Bank is best placed to capture that opportunity. The stock also figures on the Credit Suisse ex-Japan Asia Focus List.

### **Crompton Greaves: Buy | Target price Rs 86**

Citigroup maintained a buy rating on Crompton Greaves post June quarter results with a 12-month target price of Rs 86. The impact of one-offs in the June quarter has reversed, leading to an over 87 per cent year-on-year (YoY) growth in the power business.

Overall, domestic order inflow increased 18 per cent during the quarter. The September quarter could be weak due to exceptional events such as torrential rains and fire. The company management highlighted that it was on track to achieve October 31, 2016 deal target for international business sale, which is a positive sign.

The global investment bank senses a turnaround based on renewed management focus on the business. The proceeds received from the sale of international T&D business could well be used to deleverage balance sheet, the investment bank said.

### **LIC Housing Finance: Outperform | Target price Rs 640**

Credit Suisse maintained an outperform rating on LIC Housing Finance post June quarter results and has raised its 12-month target price to Rs 640 from Rs 625 earlier.

High dependence on bond funding, low spreads make the company sensitive to bond yields. The margin expansion is already playing out and should continue to do so in the near future.

According to estimates, bond funding accounts for 73 per cent of the total book and 43 per cent of bond portfolio matures in next three years. Refinancing of matured bonds will automatically lead to further cost reduction, the investment bank said.

Credit Suisse believes such refinance should lead to a 95 bp falls in overall funding costs. It continues to like LIC Housing Finance given the outlook for favourable funding cost and potential Pay Commission-related growth.

### **Whirlpool India: Buy | Target price Rs 1,100**

Deutsche Bank maintained a buy rating on Whirlpool India post June quarter results and has raised its 12-month target price to Rs 1,100 from Rs 1,030 earlier.

The June quarter saw the highest ever Ebitda margins of 15 per cent thanks to lower SG&A. With high valuation (30 times FY18E PE), the stock reflects good growth potential, Deutsche Bank said in a note. Refrigerators are likely to be early beneficiaries of government's target of 100 per cent electrification.

### **ITC: Buy | Target price Rs 320**

UBS maintained a buy rating on ITC, but raised its 12-month target price to Rs 320 from Rs 280 earlier. The global investment bank expects cigarette volume growth to drive stock re-rating.

UBS believes that cigarette volume remains a key driver of share price, as there is medium-term earnings visibility. The consumer affordability has improved in FY17. The global investment bank forecasts 3-4 per cent cigarette volume growth, and 150-200bp EBIT margin expansion.

### **Tata Motors: Buy | Target price Rs 635**

CLSA maintained a buy rating on Tata Motors post June quarter results, but raised its 12-month target price to Rs 635 from Rs 545 earlier.

The forex loss impacted JLR's margins but should bounce back in next few quarters, said the global investment bank. It expects JLR's margins to climb to about 16 per cent over FY18-19.

The India business continued to improve as it posted a 2nd consecutive quarter of profit. The volume growth outlook remains strong given a robust product pipeline. CLSA expects a strong 21 per cent earnings-per-share (EPS) Cagr over FY16-19.

### **Hindalco: Buy | Target price Rs 185**

Deutsche Bank maintained a buy rating on Hindalco, but raised its 12-month target price to Rs 185 from Rs 176 earlier. The supply-side discipline has fared better than expected, so the risk-reward is still favourable, the investment bank said.

Deleveraging is on track, which should boost the stock. The consolidated net debt has fallen for the first time in seven years.

### **Jubilant Life: Outperform | Target price Rs 590**

Macquarie maintained an outperform rating on Jubilant Life Sciences BSE -6.72 %, but raised its target price to Rs 590 from Rs 440 earlier.

The speciality sales (CMO / Radiopharma) are the biggest margin lever for the company. The pharma business provides much-needed stability to margins, said the Macquarie note.

BofA-ML has maintained a buy rating on ZEE Entertainment with a 12-month target price of Rs 520. The management has highlighted that they have not seen any signs of slowdown within ad spend which should keep stock prices afloat.

Patanjali continues to advertise aggressively and other big companies also maintain their spending. Telecom spends expected to stay robust on the back of imminent entry of Jio.

Aggregate programming hours of flagship channel expected to remain stable at 24. The Sports business contributes nearly \$1 billion of loss for Zee and if the company plans to exit this business it would boost EPS by 0.7/share.

**Britannia Industries: Buy | Target price Rs 3,300**

Citigroup maintained a buy rating on Britannia Industries post June quarter results with a 12-month target price of Rs 3,300. Despite lower gross margins, Ebitda margins continued to expand which is a health sign.

A 10 per cent domestic revenue growth is healthy given challenging market environment and deceleration in biscuits category.

Distribution tailwinds, increased focus on rural markets have helped the FMCG major. Citigroup is of the view that management is on track to execute their target of achieving double-digit volume growth. Manufacturing and supply chain efforts to control cost bode well for the business.

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