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10 Outperforming Stocks of Last Samvat and What the Street Expects Now

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Mumbai: Samvat 2074 was a year of moderate gains for the market, with the Nifty gaining 3.8% and the Sensex rising 8% during the period — its worst performance since the Samvat year ended November 2015 which saw the benchmarks falling 2.4-3.7%. The broader market did not fare well in Samvat 2074, with the BSE MidCap index down 9% during the same period. High valuation, global as well as domestic macro worries kept investors on the edge in the last Samvat, which ended Tuesday. However, there are some stocks that stood out. ET takes a look at 10 such stocks and looks at the outlook for them going ahead.

HEG

Stock Price: ₹4,124.4
Samvat 2074 Change: 226.2%
Forward P/E: 5.20
Consensus Rating:

5 Buy/0 Hold/0 Sell
Consensus Target Price: ₹6,198
The company has benefited from the surge in prices of graphite electrodes and is seen as the purest play on the sector by analysts. Bank of America Merrill Lynch said in a recent note that the five-fold increase in graphite electrode prices have led to significant rise in the company's profitability in the last one year. The stock is trading at 3.8 times P/E on FY20 earnings basis, well below its peers in China and Japan, said BofAML in a report in October, initiating coverage on HEG with a 'buy' rating. The bank's target price of ₹6,700 on HEG would mean a potential upside of 62%.

GRAPHITE INDIA

Stock Price: ₹981.05
Samvat 2074 Change: 115.8%
Forward P/E: 5.75
Consensus Rating:

6 Buy/1 Hold/1 Sell
Consensus Target Price: ₹1,388
Graphite India, also a beneficiary of rising graphite electrode prices, has also been on the radar of investors in the last Samvat. Like HEG, Graphite India is also trading well below peers on China and Japan, said BofAML, which initiated coverage on the stock in October with a 'buy' rating and target price of ₹1,550. "On the back of strong earnings, the company is forecast to generate ₹25-35 bn pa (billion per annum) in annual free cash flow over the next 3 years. This should support enhanced dividends, while it is also looking to invest in related industries for future growth such as Graphene," said BofAML.

L&T TECHNOLOGY SERVICES

Stock Price: ₹1,661.65
Samvat 2074 Change: 109.8%
Forward P/E: 25
Consensus Rating:

12 Buy/3 Hold/1 Sell
Consensus Target Price: ₹1,792.21
Engineering services firm L&T Technology is in a sweet spot with strong potential for scale-up in engineering design services, said analysts. "Management has raised USD revenue growth guidance (FY19) to 21% YoY (vs 16% guidance earlier). We believe the guidance is conservative and company will easily surpass the guidance," said brokerage Prabhudas Lilladher, which has an 'accumulate' rating on L&T Technology with a target price of ₹1,780. Edelweiss Securities raised target price on L&T Technology recently to ₹1,820 from ₹1,725, citing all-round outperformance and strong growth



trajectory.

L&T INFOTECH

Stock Price: ₹1,691.85
Samvat 2074 Change: 109.1%
Forward P/E: 19.85
Consensus Rating:

20 Buy/3 Hold/0 Sell
Consensus Target Price: ₹1,997.57
Consistent performance on margin and revenue fronts has led to the stock's outperformance last Samvat. Antique Stock Broking, which has a 'buy' rating on L&T Infotech with a target price of ₹2,140, said the stock's valuation at 18.6 times FY19 EPS is attractive given the solid business momentum. "LTI (L&T Infotech) continues to remain our top pick in the mid-cap space and we like it for its consistently strong revenue and margin performance," said Antique in a recent note. Kotak Institutional Equities said recently that L&T Infotech's strong growth deserves a premium multiple. A rich client base, focus, strong digital capabilities and lesser drags will continue to power strong revenue growth, said Kotak Institutional.

DIV'S LABORATORIES

Stock Price: ₹1,478.55
Samvat 2074 Change: 68.45%
Forward P/E: 32.12
Consensus Rating:

14 Buy/1 Hold/1 Sell
Consensus Target Price: ₹1,555.50
Div's Laboratories has been seen as a strong play in the contract research and manufacturing services segment, which has aided the stock. However, HDFC Securities said the stock is trading at 30 times FY19 earnings estimates, which is at a 20% premium to its historical average. The brokerage recently downgraded the stock to sell with a target price of ₹1,345. Motilal Oswal also maintained a neutral recommendation in a note in October, with a target price of ₹1,390.

BIOCON

Stock Price: ₹629.3
Samvat 2074 Change: 64.73%
Forward P/E: 57.07
Consensus Rating:

12 Buy/2 Hold/6 Sell
Consensus Target Price: ₹650.90
Strong traction in biologics has helped sustain investors' interest in the stock of late. Motilal Oswal expects the biologics segment to perform strongly going ahead led by improved traction for approved biosimilars in both regulated and emerging markets. However, analysts are wary of expensive valuation of Biocon. Motilal Oswal has a neutral stance on shares of Biocon as it sees limited upside in the stock. "The stock price has moved up sharply in the recent past resulting in the rich valuation for the

stock. We recommend a switch to Aurobindo Pharma or Pfizer," said Centrum Broking in a recent report. Centrum has a sell rating on Biocon with a target price of ₹480.

TCS

Stock Price: ₹1,931.95
Samvat 2074 Change: 49.4%
Forward P/E: 22.90
Consensus Rating:

24 Buy/17 Hold/9 Sell
Consensus Target Price: ₹2,134.89
Weakness in the rupee and favourable sentiment for defensive sectors, including IT, has helped TCS shares outperform. "We believe the stock of TCS would continue to trade at a healthy premium to its peers, given its superior execution capabilities in digital, best-in-class organic revenue growth among large peers and healthy traction in digital momentum," said BNP Paribas-owned Sharekhan, which has a buy rating on TCS with a target price of ₹2,400.

INFOSYS

Stock Price: ₹666.80
Samvat 2074 Change: 45.4%
Forward P/E: 22.9
Consensus Rating:

24 Buy/17 Hold/9 Sell
Consensus Target Price: ₹790.14
Strong growth in BFSI vertical besides favourable sentiment for the sector has aided sentiment in the stock. "Infosys trades at 22% discount to TCS. We believe Infosys valuations are reasonable considering the improving growth trajectory. We see possibility of Infosys narrowing its discount wrt (with respect to) TCS owing to improved growth and strong aggression on deal wins," said Prabhudas Lilladher in a note. The brokerage has a buy rating on Infosys with a target price of ₹790.

UNITED BREWERIES

Stock Price: ₹1,252.25
Samvat 2074 Change: 48.65%
Forward P/E: 64.97
Consensus Rating:

5 Buy/1 Hold/3 Sell
Consensus Target Price: ₹1,317.75
A recovery in beer volumes post the highway ban and re-igniting competitive intensity are driving strong improvement in its growth and profitability, according to analysts. "We expect margins to improve, led by cost efficiencies, recovery in high-margin markets and operating leverage from increasing volumes. UBL is increasing its dominance with consistent market share gains and we believe diminishing competitive intensity is a big tailwind, which can provide upside to our forecasts," said Emkay Global. "With earnings CAGR of 28% over FY19-FY21 and improvement in ROCEs (return on capital employed), current valuations appear attractive," added Emkay.

GLAXOSMITHKLINE CONSUMER HEALTHCARE

Stock Price: ₹7,102.45
Samvat 2074 Change: 43.9%
Forward P/E: 34.24
Consensus Rating:

18 Buy/6 Hold/1 Sell
Consensus Target Price: ₹7,914.06
Analysts said GSK Consumer's performance has seen a strong improvement led by management's focus on new variants and channels. Edelweiss Securities has recently raised target price on the stock to ₹7,297 from ₹6,604 but retained hold rating due to overhang of the outcome of Horlicks brand's strategic review. Prabhudas Lilladher also has a hold rating on the stock due to uncertainty on the strategic review.