

An opportunity to cherry-pick stocks: What to buy

Select companies in infra, capital goods, private banks, auto, oil & gas, and mining could be considered by investors

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The Greece uncertainty has led to increased volatility in Indian markets recently. While this trend is likely to continue in the near-term chances of Indian markets falling from current levels is not ruled out either. Amidst this, experts say, the market would offer opportunity to investors to cherry pick good stocks. Notably, while valuations have become attractive, experts believe that irrespective of the outcome of Greek crisis implications for emerging markets as India are limited.

Says Nilesh Shah, managing director, Kotak Mutual Fund, “While unfolding events in Greece will keep debt, equity and currency markets volatile, they are going to provide good opportunities for building duration in fixed income market and domestic cyclicals portfolio in equity market”. Rakesh Arora, managing director and head of research at Macquarie Capital Securities (India), echoes a similar view. Macquarie's top picks in model portfolio include Axis Bank, HDFC Bank, Yes Bank among private banks; Larsen & Toubro (L&T) in the capital goods space; Maruti, TVS Motor among automobiles; besides TCS, JSW Energy, and Strides Arcolab.

Among emerging markets, India is well-placed compared to peers, say experts. Anil Sarin, chief investment officer (equity) at Edelweiss Global Asset Management Group, says while on one hand the impact of any unfavourable development on Greece will be limited, the falling commodity prices bring more benefits to India. He prefers stocks in the infra, power transmission and railways space.

Infrastructure development remains the key for India, if growth is to catch up. The government’s initiatives will definitely yield results and companies in infrastructure, power and power ancillary should benefit, says Ambreesh Baliga, an independent market expert. While there may be some stress on the balance sheet of many infra players, banks and the government will take initiatives to help the companies as in the case of Bhushan Steel, says Baliga, adding that investors could look at L&T, BHEL, KEC, IL&FS and Ambuja Cement.

With crude prices under check, oil marketing companies will continue to benefit and outperform on the back of strong marketing margins, stable crude and currency, says Rahul Shah, vice-president (equity advisory group) at Motilal Oswal Securities. BPCL and HPCL are among top picks here. NBFCs, especially in the housing finance sector, could also be considered. Dewan Housing Finance is one stock it has been regularly recommending to its clients. While L&T is also seen as a good pick, investors should accumulate it on dips.

Growth concerns regarding Indian IT companies might have led to a correction in their share price.

However, Vikas Gupta, executive vice-president at Arthveda Fund, says large-cap IT companies such as Infosys, Wipro and HCL Tech have become very attractive. For HCL Tech, while there are near-term headwinds (including its European exposure), it remains a value pick for long-term investors.

In addition, public sector miners such as Coal India and NMDC are also seen as value picks. With the government, Coal India and Railways working in close co-ordination, the coal miner is seen gaining. For NMDC, the correction in iron-ore prices has led to a 40 per cent fall in the stock in the past year. However, with iron-ore prices at the bottom of the curve, NMDC's profitability should improve as demand environment looks up. Thus, the cheap valuations at which the stock is trading and dividend yields it offers, NMDC is also seen as a value pick.