THE ECONOMIC TIMES

By Kshitij Anand, ECONOMICTIMES.COM | 19 Nov, 2014

Market cap set to double in 3-4 years; top stock & sector bets

NEW DELHI: The combined market capitalisation of India's publicly listed companies on BSE briefly crossed the Rs 100 lakh crore mark on Tuesday, but the rally is here to stay and the figure might well double in the next 3-4 years, say analysts.

India, which became the ninth-biggest market in the world after crossing the historic mark in the previous session, is on the cusp of a multi-year bull run.

The S&P BSE Sensex, which has already rallied over 33 per cent so far in the year 2014 to hit record levels above 28000, has outperformed emerging market peers as well as indices across the world on YTD and 1-year basis.

"Already the markets have surged 33 per cent year to date, and if we can take 20 per cent as the annual growth figure over the next 4 years, you will see the markets doubling in 4 years," says Raghu Kumar, cofounder, RKSV. "This is definitely do-able if investor confidence remains high, both domestically and from FIIs," he adds.

Months	BSE Total Market Cap in Rs Crore
January	6744398.38
February	6893083.08
March	7415296.09
April	7494790.68
May	8407833.93
June	9020000.29
July	9010269.52
August	9259480.92
September	9382248.66
October	9684691.4
November	9923326.44
Source: BSE India	

THE ECONOMIC TIMES
By Kshitij Anand, ECONOMICTIMES.COM | 19 Nov, 2014

India's market capitalisation has risen 41 per cent so far this year, highest among all countries, on the back of Rs 93,000-crore investments by foreign institutional investors.

In the last three months alone, FIIs have invested Rs 21,727 crore. A blip in October (Rs 892 crore) has been followed by investment of Rs 8,283 crore so far in November, the best monthly figure since August, said an ET report.

The Indian equity markets are currently buoyant and there is still plenty of room for a sustained bull run on the back of improving fundamentals and a focused new government at hand that is intent on formulation of pro-economic growth policies.

"Given these catalysts, one can reasonably expect market levels and hence stock prices to soar in the next 3-5 years. Share price appreciation (holding capital structures constant) translates to a corresponding growth in market capitalization," says Vikas V Gupta - Executive Vice President, Traded Markets & Investment Research, ArthVeda Fund Management Pvt. Ltd.

"Factoring in all of the above, we can estimate a robust growth in the BSE Sensex market cap reaching the 200 lakh crore mark in the next 3 years and the 315 lakh crore mark in the next 5 years," he adds.

Well, there will be slight correction along the way, buy analysts see the bull-run to remain intact given the fact that the rate cycle is likely to reverse in 2015, which will aide growth and revive investment cycle. Earnings growth for India Inc too is set to rebound in the coming quarters.

"We just did our earnings review for the quarter gone by and so far the earnings were marginally down on an aggregate basis some 0.8 per cent or so. On an individual company basis there would be variances, but for the year we are still sticking to 15 per cent growth and following that up with 18% growth for the coming year," says Anant Shirgaonkar, Head of India Equities, UBS.

"The recovery is going to be back ended. So in the second half of the year and especially next year there would be more earnings surprises in store for us," he adds. Shirgaonkar remains extremely bullish on the market with a target of about 9600 on the Nifty, which is about 15 per cent upside from here till December of 2015.

A change in government has altered the perception about the Indian market among global fund managers. They feel India's medium to long-term growth trend is premised on the inter-play of the structurally positive factors of demographics, reforms and globalisation.

India's GDP growth appears to have bottomed out and will gradually recover with the implementation of various pro-growth policies, but attaining 8 per cent growth rate might not be possible next year.

Modi's landslide win earlier this year has lifted business and investor confidence which helped the stellar run seen in equity markets. Fiscal consolidation and easing pressures on inflation and narrowing current account deficit all point to the fact that macros are improving.

India's economy will accelerate in 2015/16 but will fail to attain the heady growth rates of the past decade without sweeping structural reforms, the Organisation for Economic Cooperation and Development said on Wednesday.

In a country survey, the Paris-based think tank forecast that Asia's third-largest economy would grow by 6.6 per cent in 2015/16, up from its last forecast of 5.7 per cent growth in May. Growth would edge higher to 6.8 per cent in 2016/17, it said.

We have collated a list of stocks and sectors from various analysts to ride the bull run:

Raghu Kumar, cofounder, RKSV

From a sector perspective, most of the big reforms unleashed by the government are related to infrastructure and manufacturing. Looking at manufacturing firms like Ashok Leyland, Bajaj Auto, Hero Honda, Larsen & Toubro, and Cipla, etc.

Manufacturing firms in the whole are bound to do well, regardless of whether they fall within the defense sector, auto sector, pharma, etc.

Finally, export-driven firms belonging to IT and pharma will reap many benefits as the world continues to look to India, provided the rupee stays stable.

Vikas V Gupta - Executive Vice President, Traded Markets & Investment Research, ArthVeda Fund Management Pvt. Ltd.

NMDC: It has a monopoly position in iron ore. With the market and GDP growth set to escalate to new highs in the coming 5 years, domestic iron demand for Indian infrastructure projects is bound to increase. Further, the company is highly profitable, cash-rich and very safe (no debt). Current short term share price weakness augurs as a good entry point.

Infosys: Coupled with attractive valuations, potential gains from a growing US economy and a struggling rupee, Infosys' strong quality and recently instated top-notch management should ensure that the company continues to perform well. In fact, the company's strong fundamentals alone (management changes and shuffling are simply the superficial elements of the strong fundamental core of the company) warrant the stock as an attractive investment. This fact has been corroborated by the recently strong reported results as well.

Coal India: Good fundamentals in the sense of high profitability, zero-debt and rich in cash accompanied with favourable undervaluation. The company has monopoly position in coal supplies to the power sector. With Indian GDP growth story panning out strongly (as per our Market Outlook report), electricity production and consumption are also set to rise, thus assisting Coal India.

Anant Shirgaonkar, Head of India Equities, UBS

We are bullish right away and the best time to buy stocks is when there is less clarity rather than waiting for entire clarity to emerge. What we see is that the intent of the government is right. We think that there could be more steps that they may take on the LPG front which could be the next leg of some of these names.

So within the PSU basket, our favourites are ONGC and GAIL. We think ONGC will be the biggest beneficiary on any of these subsidy reforms that we see going forward. On the private side, we like Reliance.

Prabhudas Lilladher

Our preferred picks are HDFC Bank, SBI and ICICI Bank among the financials; L&T and Ashoka Buildcon among engineering & capital goods; Infosys, MindTree and KPIT Technologies among IT; ACC and JK Lakshmi Cement among basic materials; Maruti Suzuki and Motherson Sumi Systems among automobiles; and Britannia among FMCG.

(Views and recommendations expressed in this section are the analysts' own and do not represent those of EconomicTimes.com. Please consult your financial advisor before taking any position in the stocks mentioned.)