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Nifty may test 11000 and Sensex 33k in next 6-12 months; top stocks to bet on

NEW DELHI: The Indian market has rallied nearly 15 per cent in the past six months after Narendra Modi was sworn in as the Prime Minister of India on May 26, 2014.

However, the rally is not over yet, as analysts at top brokerage firms see further upmove in store which will push benchmark indices to record highs.

For the year, the BSE Sensex has rallied over 33 per cent to record highs of above 28000 and the rally may well stretch till 33000 in the next six-twelve months, say analysts. Tracking the momentum, they see the 50-share Nifty index hovering around 11000 in the same period.

"After experiencing a great rally so far this year, the Indian markets still have plenty of room for a substantial move from the current levels," says Rohit Gadia, Founder & CEO, CapitalVia Global Research Ltd.

"While talking about the next target for the Indian equity markets in the next 6-12 months, we are expecting the Nifty to be test the level of 9800-10000, while the Sensex may text the level of 32600-33000," he adds.

Most analysts at top brokerage firms expect the economic uptick in India would propel business prospects, which means a meaningful turnaround in financials and rerating of market multiples.

Considering the overall situation of falling crude prices and control over domestic inflation, analysts predict a strong growth in earnings in the coming quarters, which will give further boost to the markets.

"In my view, the room for investment flow is huge and a moderate re-rating in market multiples could also happen....and both would keep the market at higher levels during the next 6-12 months," says Tushar Pendharkar, Equity Strategist- Right Horizons Financial Services.

The market has been factoring in steps taken by the government in the past six months and hopes of implementation of upcoming reforms such as GST and insurance bill and a possible RBI rate cut on the back of cooling inflation have supported the rally.

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However, for the next 6-12 months, global factors may weigh on the markets post the Budget in February. Some global events include China's slowdown in manufacturing, slowdown in Europe and most importantly normalization of the US monetary policy which poses a huge threat to India's currency.

"Gold import curbs are further anticipated to control CAD, but the government will have to find a more permanent solution," says Kiran Kumar Kavikondala, Director & CEO, WealthRays Securities.

"The government has already cut non-plan expenditure by 10% for FY15. The next budget should focus on reducing subsidy burden significantly, which will be a big positive for the markets. Based on these factors, we expect the upper cap of the Nifty to be at 9000," he adds.

Vikas V Gupta, Executive Vice President at ArthVeda Fund Management Pvt Ltd, says that the upcoming Budget will be an important event, which will be eyed by investors not just in India but across the globe.

"We think post budget, the markets could be in the 9000-11000 range for the Nifty over the next 6-12 months. However, ArthVeda as a house doesn't focus on market levels but on fundamentals. Based on our estimates of fundamentals, we expect 30% earnings growth in Nifty in FY16," he adds.

We have collated a list of stocks and sectors from various analysts at different brokerage firms, which will be in focus in the next 12 months:

Rohit Gadia, Founder & CEO, CapitalVia Global Research Ltd

In the near term, the focus of investors will be on actions taken on pending bills, mainly the Insurance Amendment Bill, Goods & Services Tax (GST) Bill, and banking sector reforms. With references to this, one should keep an eye on stocks like Reliance Capital, State Bank of India, Max India, NBFCs, HDFC, ICICI Bank, and LIC housing Finance.

Raghu Kumar, Cofounder at RKSV

Seeing how IT, pharma, auto and defense have done wonderfully over the past 6 months, I expect the same to continue. Dr. Reddy's, Cipla,Ashok Leyland, Hero Motorp, Infosys and Wipro should continue to do well. However, it's better to focus on the sectors versus individual stocks and look for stocks that are underpriced in a sector that is doing well.

Kiran Kumar Kavikondala, Director & CEO, WealthRays Securities

Axis Bank: (Buy @ 472; Target - 525)

Axis Bank has been on a strong rally after posting good Q2 results. Introduction of GST in the winter session of Parliament could further boost the banking sector and Axis Bank could be one of the beneficiaries from that.

IOC: (Buy @ 343, Target - 400)

IOC looked positive after the deregulation of diesel prices by the government, but the fall in global crude prices have hampered its momentum. More reforms in the energy sector are expected from the government, which could give PSUs more monopoly in their operations.

Sobha Developers: (Buy @ 470; Target - 550)

Some reforms in the realty sector is expected such as easing of Land acquisition rules and raising of FII limits in the Realty sector is also expected. Sobha Developers has given consistent performance throughout the year and these reforms could further boost the stock.

Bajaj Financial Services: (Buy @ 1075; Target - 1200)

Despite average Q2 results, Bajaj Financial Services is trading at its 52-week high in expectation of increase in the FDI limit in the insurance sector. The reforms could take the stock further up.

Vikas V Gupta - Executive Vice President at ArthVeda Fund Management Pvt. Ltd.

For us, some of the top holdings in our value-oriented Smart Alpha strategy are in mineral resources/mining, automobile and the IT sector. In short, all companies with strong balance sheets will benefit from reforms since they can utilize their strong resources to capitalize on the B2C, B2B and B2G growth opportunities.

Many unlisted companies and foreign players will also benefit from the expected growth opportunities. Contrary to many players, we don't think the financials and banks necessarily will benefit in the next 6-18 months since many companies have large underutilized capacities and won't need to invest further to grow.

Tushar Pendharkar, Equity Strategist- Right Horizons Financial Services

I believe that banking, auto, infra and IT could outperform the market in the next 3-5 years. A few of the names would be ICICI Bank, Larson & Toubro, Axis Bank, Maruti Suzuki, HDFC Bank, Tata Motors, Ambuja Cement, UltraTech, Sun Pharmaceuticals, BHEL, TCS, Infosys Tech, Tech Mahindra and HCL Tech.

(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.)