

# No place to hide amid broad-based sell-off; top midcap stocks lose up to 50% in one month

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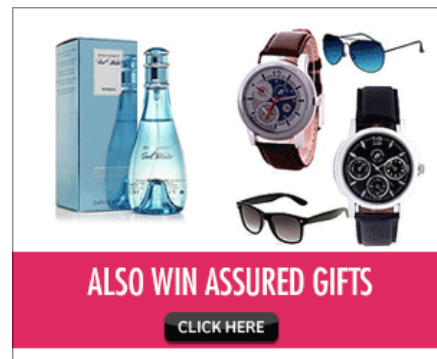
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NEW DELHI: The Indian market has almost reversed gains made so far in the year 2015, and the selling has been broad based with some of the midcap stocks losing up to 50 per cent in the last one month (as of data collected on April 20).

After a sharp fall in March, the S&P BSE Sensex has already plunged over 5 per cent so far in the month of April alone and a little over 2 per cent in the last one month.

Markets are weighed down by a heady mix of worries about corporate earnings slowdown in the March quarter, Chinese downturn, increasing debt worries in [Greece](#), and concern over retrospective [taxation](#) of overseas portfolio investors.

The S&P BSE Midcap index might have slipped less than 1 per cent, but most of its constituents have registered double digit cut in the last one month. Top losers among the midcap stocks include names like PS IT Infrastructure & Services Ltd (down 53%), [Risa International](#) (down 27%), [CCL International](#) (down 24%), Just Dial (down 21%), [Triveni Turbine](#) (down 17%), etc.



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Company Name	LTP	Change	% Chg	Today's Trend	Volume (Lacs)	Turnover (Cr)	Month Trend	Year % Chg
PS IT Infra	36.50	-0.70	-1.88		0	0		-53.74
Risa Intl	137.10	3.60	2.70		0.2	0.27		-27.07
CCL Intl	318.10	-4.00	-1.24		0.59	1.88		-24.06
Just Dial	1079.85	-37.45	-3.35		0.61	6.55		-21.58
Triveni Turbine	119.55	0.40	0.34		0.02	0.02		-15.95
Blue Dart Exp	6002.00	-145.80	-2.37		0.02	1.06		-16.93
Shoppers Stop	356.85	-8.05	-2.21		0.01	0.02		-16.01
Va Tech Wabag	750.05	3.60	0.48		0.02	0.13		-15.85
KPIT Cummins	162.65	-3.70	-2.22		0.54	0.89		-14.30
Ipca Labs	650.10	6.25	1.29		0.07	0.43		-13.88

Source: EconomicTimes.com

Most analysts on [Dalal Street](#) are of the view that midcaps might lose more than large caps if selling continues, and investors might be better off booking profits in these stocks, and buy them at a lower price. The overall growth story still remains intact, but for the short term, investors need to watch their portfolio and boom profit in midcaps or switch to large cap stocks.

"We have already seen a huge upside rally in Midcap Index and now over strength of market is down. So it is better to switch your portfolio in large cap stocks from midcap stocks," says Vivek Gupta, CMT - Director Research, CapitalVia Global Research Limited.

"Investors should book profit in midcap stocks at market price itself. We are expecting CNX Midcap to correct at least 900 points from here," he adds.

Midcaps have caught the fancy of institutional investors in recent times. Since CY 14, they have outperformed large caps by 29%, [ICICI Securities](#) said in a report.

This is because since early CY14, the 'hope rally' in Indian equities has seen midcaps outperform large caps. suggesting that investors

preferred the former in an improving growth outlook environment.

"Our empirical analysis reveals that sluggish growth and stagnation phase impacts midcaps more negatively than large caps. Consequently, during the ensuing economic recovery phase, midcaps grow faster due to favorable base effect and outperform large caps," said the report.

Unlike the peak of 2007, when cyclical drove midcap valuations, current valuations are driven by defensives, which have surpassed their peak valuations despite the outperformance of cyclical in CY14.

Even though midcaps have a higher growth profile in general, but are also prone to large price shocks. They usually outperform large caps at the time of economic recovery, which also leads to bubble valuations at time.

ICICI Securities highlighted in its report that higher earnings growth for midcaps during the economic recovery phase fuels expectations of similar earning growth extending into the foreseeable future. resulting in bubble valuations as seen towards the end of CY 2007.

However, in reality, mid-cap earnings tend to regress towards the mean earnings growth of the corporate sector over the long run.

Vikas Gupta, Executive Vice-President and [Fund Manager](#), Arthveda Fund Management Pvt Ltd, is of the view that it is unlikely that overall the midcap indices will outperform the large caps in this calendar year.

"The midcaps are priced at higher valuations and on an overall basis they will not outperform. Midcaps are overvalued as compared to large caps on PE ratio basis," he adds.

However, on other valuation ratios midcaps might look cheaper, but one should bear in mind that they are leveraged more than the large caps, and have higher near-term and longer-term default [risk](#) on their debt. Hence these are riskier companies, say experts.

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