Top ten blue-chip stocks to bet on in Modi's 2nd year as PM

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NEW DELHI: It has been a roller-coaster ride for investors under the Modi-led government, which completes its one year in office today. On a consolidated basis, the S&P BSE Sensex is up nearly 12 per cent, but it is still down over 2,000 points from its record high of 30,024.74 recorded in March.

Though most foreign brokerages have slashed their respective year-end targets for the benchmark indices, they feel confident that in the next one year, Indian markets are set to hit record highs.

The euphoria is supported by reforms already initiated by the government in 2015. More reform measures will support growth and kickstart investment cycle in Asia's third largest economy.

"We expect now the Modi 2.0 will be more execution-based as a basic ground work has been done, and further execution plays the key role," says Rohit Gadia, Founder & CEO, CapitalVia Global Research Ltd.

"Many positive things were well established. The Swaccha Bharat Abhiyaan, the Jan Dhan Yojna, Jan Dhan Bima Yojna all had a great impact on the functioning of economy. Apart from that, 'Make in India' project was one of the great initiative," he adds.

Citigroup, UBS and HSBC are some of the foreign brokerages that have trimmed their Sensex and Nifty targets for the calendar year 2015, on concerns over poor corporate performance, growing fears related to a weak monsoon, and other markets looking more attractive.

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But, Citigroup sees upside in the next 12 months for India markets. They have introduced a June 2016 target of 35,000 for the Sensex. The equivalent Nifty targets are 9,760 for December 2015 and 10,600 for June 2016.

British brokerage Barclays also maintained its 12-month Nifty target of 10,219, saying the government is on course to delivering the required reforms, which will push the markets in the medium term.

Most analysts on the Dalal Street expect further execution of the reforms in the next one year. In the coming year, focus of the Modi Sarkar would be on passing several key bills such as land acquisition and GST.

Gadia is of the view that proper execution of several programme initiatives will pave the way for faster GDP growth as the government focuses on foreign fund inflows, technological upgradation and capacity building.

If we compare the macroeconomic numbers with the previous year, we may find the situation has improved and the economy will grow at a faster rate if more reforms are implemented and executed properly.

On the macro front, the economy is growing at 7.5-8 per cent, and the current account deficit is under control. Forex reserves are high and inflation is moderate.

"We expect several measures taken by the Modi government to start showing impact on the ground. Reduction in red tape and citizen friendliness will start becoming visible with more measures in the next one year," says Vikas Gupta, EVP & Fund Manager, Arthveda Fund Management Pvt. Ltd.

"Government-controlled funds, including ones locked in PSUs, will start being deployed to kick off the investment cycle. PSUs should start showing brighter results, except the PSU financial companies," he adds.

We have collated a list of ten stocks suggested by different experts that are poised to do well in the next one year of the Modi-led government:

Stock Name	Analyst	Research Firm	Target Price
Reliance Industries	Rohit Gadia	CapitalVia Global	1045
M&M	Rohit Gadia	CapitalVia Global	1445
Bharti Airtel	Rohit Gadia	CapitalVia Global	484
ONGC	Rohit Gadia	CapitalVia Global	480
State Bank of India	Rohit Gadia	CapitalVia Global	380
Axis Bank	Vaibhav Agrawal	Angel Broking	672
ICICI Bank	Vaibhav Agrawal	Angel Broking	394
Infosys	Vaibhav Agrawal	Angel Broking	2570
L&T	Vaibhav Agrawal	Angel Broking	2013
Coal India	Vaibhav Agrawal	Angel Broking	425

Analyst: Rohit Gadia, Founder & CEO, CapitalVia Global Research Ltd.

Reliance Industries Ltd:

The stock is in a correction phase and is forming an inverted-head-and-shoulder pattern in long-term chart. It is also trading above its 200-days moving averages, with the breakout of the pattern at the level of 945. The stock may experience fresh buying, which can lead it to targets of Rs 1045. Support of 845 should be placed as a stop loss.

M&M Ltd:

After giving a good upside breakout from its major resistance mark, the stock is now trading below the next resistance of Rs 1,290 on the daily charts. It is sustaining below the falling trend line and also undergoing healthy consolidation on the short-term charts.

With the crossing of its immediate resistance of Rs 1,290, it may show upside move, and could very well lead to the targets of 1,445. Support of 1,135 acts as technical stop loss.

Bharti Airtel Ltd:

The stock is sustaining after giving breakout from its downward sloping trend-line on the long-term chart, and is managing to trade above the same. The next resistance is placed around Rs 427. The stock is also trading above its 50 and 200 days moving averages.

It may show an up-rally with the crossing of the resistance mark of 427. One may hold the position with the stop loss of 370 for a target of 484.

ONGC:

The stock was showing correction, but bounced back from its 200 DMA on the major charts and is currently trading sideways. It is facing the resistance of Rs 343.20 and trading with the RSI of 57.84.

In near term, the upside movement can be expected if it crosses its mentioned level, which may lead it to the targets of 400, 480, while major support of 298 can be placed as stop loss.

State Bank of India:

The stock is trading in a major bullish trend after the recent correction. It has formed the reversal chart pattern, and is also trading above its 50 and 200 days moving averages.

The stock has given a breakout from the reversal chart pattern and now trading in range. If the stock crosses the level of 305 and continues to sustain above the important support level of 232, it may surge till the level of 378-380.

Analyst: Vaibhav Agrawal, VP & Head of Research at Angel Broking Pvt. Ltd

Axis Bank (CMP: Rs 567/ TP: NR 672/

Axis Bank's healthy branch expansion has not only helped it maintain low cost deposits (CASA at a healthy 45%), but also improve its mix of profitable retail loans to total loan book from 20% to 39%.

It is well-capitalised with Tier I capital adequacy at 12%, positioning it strongly for growth and market share gains as GDP growth revives. On valuation front, the bank is trading at 2.3x FY2017 P/ABV. We recommend a BUY on Axis Bank.

ICICI Bank (CMP: INR 314/ TP: INR 394/ Upside: 25%)

Sustained improvement in NIM and operating efficiency, along with the bank's substantial branch expansion in the past four to five years and strong capital adequacy have positioned it to grow at least a few percentage points faster than the average industry growth rate.

Improvement in NIM and decent credit growth are expected to drive 18% CAGR in net profit over FY2015-17E and enable a RoE of 16.3% by FY2017E. At CMP, the bank's core banking business (after adjusting INR 46/share towards value of subsidiaries) is trading at 2.0x FY2017E ABV. We recommend a BUY on ICICI Bank.

Infosys (CMP: INR 2,037/ TP: INR 2,570/ Upside: 26%)

Infosys has given its future USD revenue growth guidance for FY2016 at 10-12% on CC basis. We expect the company to post 7.7% USD revenue growth in FY2016. By FY2017, the company expects to lead the industry growth and reach a milestone of achieving sales of US$ 20 bn by FY2020.

Also, the company plans to utilise cash properly through increased dividends and acquisitions, so that it can increase its capital efficiency. Currently, we have built in a conservative growth for FY2017. We recommend a BUY on the stock with a price target of Rs 2,570.

Larsen & Toubro (CMP: INR 1,640/ TP: INR 2,013/ Upside: 23%)

We are of the view that L&T is well positioned to benefit from expected gradual recovery in the overall capex cycle. Our view is on account of L&T's diverse presence across sectors, its execution capabilities and strong balance sheet.

RoEs of the standalone entity is expected to expand from 13% in FY2015E to 16% in FY2017E. On assigning 21x P/E multiple to our FY2017E EPS estimates to the standalone entity and ascribing separate values to its investments in subsidiaries (using P/E, P/BV and M-cap basis), we arrived at FY2017E-based target price of INR 2,013.

Given the strong upside from current levels, we advise investors to BUY the L&T stock.

Coal India (CMP: INR 368/ TP: INR 425/ Upside: 15%)

We expect CIL earnings to grow at a fast clip led by 1) Strong domestic demand from power, steel and cement 2) Aggressive production targets of 1 billion tonne by 2020, 3) strong support from the new government 4) Pricing gap between realisations and landed cost of imported coal 5) Infrastructure and technological enhancements, increase in coal washing capacities helping improve margins.

We value the stock at 8x FY2017E adjusted EBITDA to arrive at our target price of Rs 425 and recommend a BUY on Coal India.

(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.)