

Top ten high value stocks; should investors buy, sell or hold?

NEW DELHI: It has been a breakout year for the Indian markets with the Sensex and the Nifty both rallying over 30 per cent each so far in the year 2014.

After a strong rally seen so far in the year, analysts are convinced that the bull run is here to stay and the Indian markets will make record highs in the year 2015 as well, supported by revival in investment activity, bounce back in economic growth and further policy announcements by the Modi-led government.

Foreign investors have already affirmed their stance on the Indian markets, considering the fact that global money managers have already poured USD 16.5 billion into Indian stocks so far in the year 2014.

Riding on the momentum, many high value stocks have more than doubled so far this year - which brings us to our next question: Is it advisable to hold them or investors should rather book profits on rallies?

Stocks	Closing Price (Rs)	Recommendation	YTD Return (%)
MRF	34,293.05	Hold with stop loss of Rs 24,050	87.38
Bosch	18,592.30	Stop loss can be placed at Rs 14,900	87
Tide Water Oil India Ltd	17,486.80	Trade with stop loss of Rs 13,500	135
Eicher Motors	14,349.90	Rs 10,700 can be placed as trail stop loss	201
Page Industries	9,700.70	Hold with the stop loss of Rs 8,600	91
Shree Cements	8,881.90	Hold with the stop loss of Rs 6,800	107
Honeywell Auto	6,757.90	May hold with the stop loss of Rs 6,548	153
3M India	6,201.25	May hold with stop loss of Rs 5,610	76
Nestle India	6,189.75	May hold with stop loss of Rs 5,630	18
Blue Dart	5,753.20	Investors should book profit	71

Analyst: Vivek Gupta, CMT – Director Research, CapitalVia Global Research Limited
 Note: Closing price as on 2nd December

Analysts are of the view that some of these stocks are overvalued and booking profits would be the right strategy. "Do not hold any stock based on rumor or speculation," warn analysts.

"Investors should not hold any stock for long periods of time when we know that it is significantly overvalued. Many investors like to chase these stocks since they have

generated huge returns in the last few quarters or years," says Dr. Vikas Gupta of Arthveda Fund Management Pvt Ltd.

"This is a speculation on their continuing to perform fundamentally. While the probability of that is high too, the risk is very great if the lesser chances of them missing their fundamental expectations materialize. Then the result on the portfolio will be disastrous," he adds.

Investors can look at booking profits in logistic stocks as the government is on the planning stage to utilize huge infrastructure of the India Post for e-com logistics.

"Investors should hold consumer stocks like Eicher, Nestle and MRF," says Siddharth Sedani, Vice President - Portfolio Management Service at Microsec Capital Ltd.

"PSUs like Tide Water Oil, which has removed a lot of bottlenecks from its systems and is thriving for global business through its European and Middle East arm, may fetch better returns in future as valuations are still relatively inexpensive compared to companies like Castrol," he adds.

Sedani is of the view that companies like Bosch may still outperform as new technology innovations may bring better pricing power for the company.

We have collated recommendations from various analysts on the top ten high value stocks, which have rallied up to 200% so far in the year 2014:

MRF: Can book profits

"MRF has posted strong quarterly results recently with operating margins increasing on the back of low raw material cost. Auto ancillary is expected to show strong growth going forward and much of this has been factored in the stock price already," says Kiran Kumar Kavikondala, Director & CEO, WealthRays Securities.

"Currently MRF's P/E is seen at 18.55, which is higher than the industry P/E of 15.54. Investors can lighten their portfolio and can direct investment to its peers with better forward P/E," he adds.

Bosch: Can test 27000 mark in next 8-12 months

"It has multiplied exponentially in five years i.e. from roughly 2800 to over 19500 levels and still there's no sign of exhaustion. As per the projection technique, it can test the 27000 mark in the next 8-12 months," says Ajit Mishra, AVP - Equity Retail Research, Religare Securities Limited.

Tide Water Oil India Ltd: Accumulate the stock and retain in your portfolio

The stock at current price is trading at 9.59 P/E, with FY15E P/E of 16.3. Therefore accumulate decision is recommended. The stock can be retained in portfolio, the company has been expanding its global footprint and has strong operating margins, says Kavikondala of WealthRays Securities.

Eicher Motors: Maintain your long positions

The stock has been outperforming majority of its peer in the auto segment and steadily marching northward with every passing day. So, maintain your long positions, says Mishra of Religare Securities Ltd.

Page Industries Ltd: Valuations look slightly stretched

"The company has performed well in Q2, but much of it has been factored in and valuations are slightly stretched," says Kiran Kumar Kavikondala, Director & CEO, WealthRays Securities.

"Investors may trim their position and move into other stocks. With the current price of the stock FY15E P/E is expected at 51.95, which is lower than current P/E of 68.18," he adds.

Shree Cements Ltd: Can test Rs 14000 mark in coming months

"Though the majority of cement counters are in a consolidation phase, it's gradually inching upward. It can test the 14000 mark in the coming months," says Mishra of Religare Securities Limited.

Honeywell Auto: Hold the stock for further gains

Honeywell Auto has been on rise from September when it partnered with Tata in

building a turbocharged engine. Technically the stock still looks strong and we recommend holding on this stock. Kavikondala is of the view that currently the stock is trading at 54.8 P/E which is higher than industry P/E of 38.72.

3M India: Investors can add more positions

It is currently witnessing profit taking after a vertical rise in the last six months and likely to retrace to 5500 in the coming days. However, the bias is still positive so one can add more positions around that levels, says Mishra.

Nestle India Ltd: Investors can look at buying the stock

It is one of the leading FMCG companies in India. The stock has looked positive since the Q2 results which beat expectations and is set to make more gains. At the current price the P/E of the stock is seen at 53.12, which is slightly above industry average. We recommend a BUY on this stock, added Kavikondala.

Blue Dart Ltd: Trade cautiously

Mishra is of the view that the logistic company has garnered considerable returns for its investors and the technical charts are in the favor of positive bias to prevail ahead as well. But investors should maintain some caution as volumes are low in this counter.

(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.)