

UPWARD REVISION IN TARGET PRICE

These Stocks Could See an Upside in Uncertain Times

Analysts have been cutting target prices of stocks under their coverage post demonetisation, which is expected to slow down the economy and squeeze corporate earnings growth. But, there are a few stocks, whose target prices have been upgraded by analysts amid the gloom. These are Nalco, Balkrishna Industries, Lakshmi Machine and Kaveri Seeds among others. ET compiles a list of 10 stocks which can give 10-20% return over next one year based on increase in price targets:

Balkrishna Inds

Company reported an impressive EBITDA margin of 33.0% in Sept quarter. PAT grew at 57.4% QoQ and 145.2% YoY. "We believe despite pricing pressures in the tire market, presence in diverse geographies enables co to tackle certain market/economic shocks owing to their strong presence in the replacement market" said Jagannadham Thunuguntla of Karvy Stock Broking.

Lakshmi Machine

A healthy balance sheet with surplus cash of Rs. 1000 crore as of FY 2016. No debt on its book since FY 2005. Though LMW reported a muted performance, analysts expect the textile companies to do well in FY 2017. expected to generate higher free-cash flow, which may result in higher dividend payout", said Ankit Gor, analyst, Systematix Research.

National Aluminium

Sharp jumps in alumina prices and stable aluminium prices are likely to drive Nalco's performance ahead, according to analysts. "We cut our FY 2017 estimates by 12% to factor in Q2's significantly weak performance. However, we raise our FY 2018 estimates by 30% to factor in higher commodity prices and we revise our target price to ₹76 from ₹60 earlier" said Dhawal Doshi, analyst, Phillip Capital.

Kaveri Seed

Kaveri dominates the cottonseed market in India and is gaining market share. It has also shown consistent performance despite challenging environment. "The outlook for FY 2018 looks brighter, given increase in cotton price and high probability of crop rotation in favour of cotton, augurs well for cotton acreage expansion" said Sathyanarayanan M of Cholamandalam Securities.



Stock	CMP (₹)	% Chg since Nov 8	Target Price (₹)	% Chg in target in 1 month	PE
National Aluminium	54.65	5.30	65.17	30.71	19.24
Balkrishna Industries	1,083.40	6.80	1,126.86	26.08	18.18
Lakshmi Machine	3,863.40	-5.90	4,035.50	10.87	19.22
Kaveri Seed Co	388.80	-3.91	488.83	7.91	15.55
Vinati Organics	568.90	-0.83	673.75	7.29	22.31
Natco Pharma	578.40	1.20	617.64	6.33	63.56
Raymond	461.70	-23.81	600.50	6.00	30.78
JK Tyre & Industries	108.50	-23.67	170.80	5.98	5.31
GMDC	89.60	-14.95	112.67	5.30	11.82
NBCC India	219.80	-6.27	268.57	4.04	42.39

Source: Bloomberg

Vinati Organics

Vinati is the largest player for Isobutyl Benzene commanding more than 65% of the global market. "A well experienced and able management coupled with good growth in the Acrylamido Methylpropane Sulfonic Acid (ATBS) segment, driven by demand in the water treatment, projects a positive outlook for the company," said Praveen I, analyst, Cholamandalam Securities.

Natco Pharma

Natco expects to file about 6 to 7 ANDAs during FY 2017, has made considerable investments for new formulations facility at Vizag and to be completed by March 2017. "With monetization of its US pipeline approvals, we expect profits to grow by over 3 times over FY 2016-19 and RoCE to improve from 21% in FY 2016 to 39% in FY 2019" said a note by Axis Securities.

Raymond

Co expects a turnaround in non-core businesses such as hardware & tools and auto components. In FY 2016, the company disposed the loss-making forging business in auto components. "With non-core businesses improving steadily, we revise our revenue growth estimates to 9.5% from 11.7% for FY 2017 and to 10.5% from 12.0% for FY 2018," said Sagarika Mukherjee of Elara Capital.

JK Tyre

JK Tyre corrected 22% since Nov 8 after a sharp rally. "We downgraded our revenue estimates for FY 2017 and FY 2018 to Rs 8080 crore and Rs 9420 crore. However, adjusting for reversals of provisions and higher-than-expected profitability of CIL businesses, our EPS estimate for FY17E and FY18E stand at Rs 24.2 and Rs 26.1" said Shaikat Ali of Quantam Securities.

GMDC

GMDC is the largest merchant seller of lignite in India. Post demonetization, it is likely to see weak demand. "With competing coal (Indonesian imports) currently at Re1/000 Kcal, lignite is attractively priced at Rs 0.7/000 Kcal. This should aid GMDC's volumes at current pricing" said Ankur Kulshrestha of HDFC Securities.

NBCC

The stock is trading 26% down from its recent highs of Rs 300 levels in October 2016. Despite demonetisation, its long term story is intact, say analysts. "We like NBCC's business model given the huge quantum of opportunities, going ahead, and expect its revenues, earnings to grow at 32.6%, 25.1% CAGR, respectively, in FY 2016-18" said Deepak Purswani, analyst, ICICI Securities.