

INVESTING

# New-age companies missing from analysts' Diwali picks

None of the consumer tech companies like Nykaa, Paytm, and Zomato makes into Diwali 2023 pick by Axis Securities, IIFL Securities, and Kotak Securities.

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This Fortune India report brings compilation of the Diwali picks.

Image: Getty Images



The Diwali Muhurat Trading is perhaps the most unique aspect of the Indian Stock Market when the age-old Indian tradition of worshipping the Goddess of wealth, Laxmi, is carried out by cherry picking the stocks that promise assured growth. This Diwali, despite being a Sunday, NSE and BSE will function from 6.15pm to 7.15pm for Muhurat Trading.

For those who want to celebrate Diwali the Dalal Street style, this Fortune India report brings compilation of the Diwali picks of three research houses- Axis Securities, IIFL Securities, and Kotak Securities. Surprisingly, none of the new-age companies feature in these lists as recommended stocks.

## What is common and uncommon?

There is no common stock recommendation amongst all three reports, however, Bharati Airtel features in the recommendations of both Axis and IIFL Securities. Also, two of the Godrej Group companies feature separately in two portfolios.

It is also interesting to note that none of the stocks, like Nykaa, Zomato, Paytm, Cartrade, LIC, etc. that were listed with a huge hype in the past two years makes into any of the Diwali portfolios. The absence of new-age Consumer Tech companies from the Diwali Pick makes investors wonder why these research houses are shying away from picking these names. To be sure, many of these new-age companies are trading at much lower price than the price target set by research houses in their past reports.

It also seems that the current outlook is bullish on infrastructure development-related sectors, which also include lending institutions and power companies, while being cautiously optimistic about the India consumption story.

## The Axis Securities' Diwali Muhurat Picks:

The Axis Securities Report states that in the midst of a volatile global landscape, India remains in a favourable position for growth. According to the estimates of the International Monetary Fund (IMF), the Indian economy is set to be the fastest-growing economy in FY24 and FY25 within the emerging market category. This is poised to be a significant driving force behind Indian equities in the foreseeable future.

Their Diwali portfolio recommendations are based on identifying companies with higher growth potential with reasonable valuations, higher earnings visibility, proven track record with improving return ratios, and those that are leaders in their respective businesses. The portfolio claims to be a balance of Large, Mid, and Small-caps, along with being the right mix of domestic focus and export-oriented businesses.

The 9 picks recommended by Axis Securities are, HDFC Bank; TVS Motors; Bharti Airtel; SBI Life; APL Apollotubes; Astral limited; KPIT technology; Ahluwalia Contracts, and Jyothy Labs.

As per Axis Securities, their previous Diwali portfolio delivered returns of 28%, since last Diwali, with targets achieved for 7 out of 9 calls, and with superior margins.

## The IIFL Diwali Dhanotsav Portfolio:

The India outlook of the IIFL Report identifies activities related to Industrial or Infrastructure development as high momentum trends while the economy is soft on consumption, in general, and rural demand is weak. The report also states that Government's thrust on capex, above trend capacity utilisation in manufacturing, double-digit credit growth and moderation in commodity prices are expected to bolster manufacturing and investment activity.

From the global perspective, the report states that the war between Israel and Palestine has instilled caution among investors, resulting in a movement toward safe-haven assets like gold which rose from around \$1810 per ounce to a recent high of \$2005 per ounce. Also, the gap between US10Y Bond Yields (4.90%) and India 10Y Bond Yields (7.35%) has narrowed to 2.45% which is causing an outflow from the Indian markets.

Based on the Indian and Global trends, the IIFL portfolio lists a total of 12 stocks recommendations, out of which 5 are large-cap and 7 are mid-cap companies. The large-cap recommendations are NTPC, Bharati Airtel, Bajaj Finance, Interglobe Aviation, and Cummins. The mid-cap companies recommended are Godrejind, Kaynes Technology, CMS Info, MCX, JB Chemicals, Cholamandalam Financial Holding, and JSW Energy.

The report also claims that the IIFL Diwali Dhanotsav Equity portfolio of 2022 outperformed Nifty by 3.5%, and 8 out of 10 stocks delivered positive returns, giving them a strike rate of 80%.

## The Kotak Securities' Samvat 2080 Fundamental Muhurat Picks:

The Kotak Securities report opines that large-cap stocks offer better reward-risk balance, given more reasonable valuations, versus lofty valuations of most mid- and small-cap stocks. "However, we (Kotak Securities) find decent value in a few large-cap stocks and BFSI sector only in light of rich valuations of most stocks in the consumption, investment and outsourcing sectors," the report states.

The report also suggests that the recent correction in stock prices is an opportunity to add quality stocks, with attractive valuation, from a long-term investment perspective. Based on their assessment of markets, sectors, and stocks, Kotak Securities has recommended 8 stocks which are expected to do well within a period of one year.

The Diwali portfolio recommended by Kotak Securities consists of Canara Bank, Cipla, Cyient, Dalmia Bharat, Godrej Consumer, Macrotech Developers, PCBL, and Reliance Industries.