

BROKERAGES say that going forward some of the stocks may continue to do well

Seven Stocks Buck Midcap Trend, Post Handsome Gains

Amit.Mudgill@timesinternet.in

ETMarkets.com: Calendar 2018 has been pretty bad for the midcap pack, which has lost nearly 12%, on an average, from the January highs. Yet, there are exceptions.

Select stocks have not only managed to go unscathed in the mayhem but also added to the gains they had logged in 2017.

The question now is: do they offer scope for further upside at this stage?

The list of these smart midcaps which have not only remained resilient but also managed to add to their gains in recent months include midcap IT firms Mphasis and L&T Infotech, NBFC players Gruh Finance and Cholamandalam Investment, auto player Ashok Leyland, alcohol maker United Breweries and hotelier Indian Hotels Company, among others.

Shares of Mphasis have rallied 53%, in addition to the 29% jump they had witnessed in calendar 2017. L&T Infotech has gone up 50% this calendar after soaring 64% in 2017.

“Big money has actually been made in the midcap space. By midcaps, I mean companies that are almost at or around the \$1 billion market-cap mark. For instance, L&T Infotech and Mphasis. There are a number of similar stocks beyond the top four or five in the frontline IT pack,” Dipen Sheth of HDFC Securities told ET Now.

Brokerage Sharekhan is positive on L&T Infotech due to strong return ratios, dividend payout policy (40% of net profit in FY2018) and favourable delivery mix. But the company's operating cash flow to net

The Outperformers

(Returns in %)

Company	2018	2017
Mphasis	53.51	28.95
L&T Infotech	49.55	64.32
Gruh Finance	39.55	55.81
Chola Finance	21.54	36.90
Ashok Leyland	19.20	48.88
United Breweries	17.56	38.39
Indian Hotels	17.50	28.39

Source: Ace Equity

profit declined in fourth quarter on a sequential basis due to increased receivable days. The company management believes this will normalise after a quarter.

“We expect a 12-15% upside over the next 8-12 months,” Sharekhan said in a May-end report. HDFC Securities has a buy target of L&T Infotech with a target price of ₹1,720.

In case of Mphasis, brokerages have turned a bit wary after the recent rally. Kotak Securities has a ‘sell’ rating on the stock as it finds the valuation multiples rich given its relatively weak business profile with growth accruing from segments with low predictability.

While Mphasis may continue to have healthy payout policy, given that its cash balance at ₹2,480 crore accounts roughly for over 10 per cent of its market cap, its share is trading above the target prices set by different brokerages.

NBFCs Gruh Finance and Cholamandalam Investment have been two other solid performers.