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Betting on private banks, agri theme: Parag Thakkar, HDFC Securities

By ET Now | Updated: Oct 05, 2016, 10.59 AM IST

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In a chat with [ET Now](#), [Parag Thakkar](#), Head-Institutional Sales, HDFC Securities, says despite MIP on steel, be selective about steel ancillaries. Edited excerpts

ET Now: With MIP on steel, the smaller steel stocks are all active. You have been bullish on this space. You believe that the government is doing enough. What are your thoughts on so steel and steel ancillaries? What would you do today?

Parag Thakkar: I have been bullish on [JSW Steel](#) for example or in stocks where valuations were very reasonable. That was [Kalyani Steel](#) and we have discussed this in the past. The story remains same and I would be very selective in that space. I will not go and chase any steel stock or a small company with a very high leverage in that space. I will be very selective and continue to be bullish on the same names.

ET Now: But you were talking about buying into ancillaries.

Parag Thakkar: Some of the ancillaries include companies like Orient Refractories have an excellent balance sheet, net cash balance sheets, very high ROCs. They will definitely benefit from import substitution which will happen in steel due to MIP or anti-dumping duties. These are not covered stocks but sponge iron companies like [Tata Sponge](#) where you have a net cash of Rs 500 crore in the [balance sheet](#) can be interesting. But I would still stay away from leverage and prefer good managements.

ET Now: [Bharat Forge](#) continues to have problem with class 8 US trucks and the lingering volumes continue to be an issue for them.

Parag Thakkar: Yes. It is a great company no doubt but going through cyclical issues.

ET Now: But is this the time to buy or do you think the stock would correct further?

Parag Thakkar: I think the stock has moved up actually. So, it is not pricing in the problem if they are going to persist. I would not be an aggressive buyer in that stock.

ET Now: What are the themes that you are working with right now?

Parag Thakkar: Definitely private sector banks. I continue to like a very healthy private sector bank like Kotak. The [ING Vysya](#) integration is almost over. Credit cost is going to decline. Cost to income ratio is going to decline. They are going to grow at 20% from here on for many years. Small pieces of the [business](#) like [mutual fund](#), [insurance](#) are going to become very big future.

We had a decent monsoon and so I like something like [Rallis](#) in that space or [PI Industries](#) or Swaraj Engine, a supplier to [Mahindra](#) & Mahindra like. So agri space is looking very interesting.

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