Agri, NBFC, tractor among monsoon stocks to shine: Avinnash Gorakssakar, Precision Investment

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In a chat with ET Now, Avinnash Gorakssakar, CIO & HoR, Precision Investment, says TCS could see selling pressure and management commentary could be softer compared to Infosys.

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ET Now: Would you be reasonably confident about the monsoon cheer companies? Will it be rural-based NBFCs? Will it be some of these insecticides, pesticide companies or is it the Hero MotoCorps and the Maruti Suzukis that will benefit because of the rural spent?
Avinnash Gorakssakar: Initially, the pesticide and the tractor companies are the first elements of rural revival and after that come the NBFCs, specifically, M&M Financial Services. There are a lot of other beneficiaries like housing finance, cement. These are also going to be sectors which are going to be benefit from growing rural economy. So I would presume that initially you will find the agro and maybe the pesticide players, something like United Spirits or PI Industries, probably tractor companies like Escorts, Swaraj Engines, Mahindra doing well. Clearly this is a pack which has underperformed for a long time and there is definitely a good risk reward ratio provided. We see the first quarter numbers for the overall rural theme because clearly the MET has clearly said that July to September is the first period where maximum monsoon comes and that is going to be remarkably better than the last two years.

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ET Now: We have got TCS and Wipro results lined up next week. Can Infy now clearly be at the top of the pecking order? What is the expectation from TCS, Wipro? Do you think Infy has done the best within the IT pack already?
Avinnash Gorakssakar : No because if you see for the last five to six quarters, TCS has actually not met its guidance and clearly TCS does not give any official guidance. More importantly, we feel that there could possibly be some further margin pressures and if you look atInfosys, one good thing is that the margin improvement has been a very big positive surprise. This is partly, of course, aided by the currency tailwind but most importantly the management commentary has been pretty strong and optimistic. I would presume that even the first quarter of FY17 would be definitely better and that would possibly be in the first pecking order followed by possibly HCL Tech. I think TCS could possibly see some selling pressure as I believe that the management commentary would be moderately softer as compared to Infosys.

ET Now: Let us start off with your recommendations -- there is Somany Ceramics as well as Indiabulls Housing Finance.
Avinnash Gorakssakar : Both the stocks have been selected largely because these are also indirectly monsoon themes. In fact, if you talk about Indiabulls Housing, we have been very positive on the housing finance space. We feel that the fourth quarter as well as FY17 should be a stronger quarter as well as a stronger financial period for Indiabulls Housing. In terms of asset quality, in terms of their presence in the LAP market, we feel therencould be 18-19 per cent earnings growth. So we are looking at a profit of Rs 2200 crore for FY16 and probably Rs 2800 crore plus for FY17. Considering the price to book value is slightly close to two times, we expect good upside over the next 12 months. Our target price is around Rs 800. The other stock, Somany Ceramics, is in ceramic tile space, again an urban and rural kind of play. They have a very large capacity again largely funded, driven by outsourcing and we feel that the kind of earnings story which is expected to unfold in FY17. We could possibly see an earnings of mostly Rs 18 to Rs 20 for FY17.