

STOCKS SUCH as Indian Oil, BPCL and ONGC likely to offer good value to investors as govt could look at strategic divestments instead of selling at low valuations

Undervalued PSUs May Gain from Govt Rethink On Divestment Policy

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Mumbai: Any changes in divestment or dividend policies would benefit undervalued public sector undertakings (PSUs) such as Indian Oil, BPCL, Bharat Electronics, ONGC, NTPC, Powergrid Corporation, NMDC and Petronet LNG, among others, which could offer good value to the investors, analysts said. Stocks such as Coal India, Hindustan Copper, ONGC, BPCL, National Aluminium and Indian Oil rallied up to 10% intraday on Thursday over news the government is likely to sell stake in state-owned companies through strategic divestments instead of an offer-for-sale or exchange traded funds (ETFs).

The multiple offerings of CPSE ETF over the past one year has acted as a key overhang for some PSU stocks, which remained flattish during this period. BSE PSU plunged 18% in the last one year against 3.5% decline of the Sensex.

"The news of a possible rethink on selling of government stake at the present low valuations have come as a relief to public sector companies

A Positive Sign

Stock	CMP (₹)	YTD Rtn (%)	% fall from 3Y High	Target Price (₹)	Div Yield (%)	PE Ratio	BV Per Share (₹)
ONGC	125.15	-16.51	-40.65	192.76	0.60	5.26	173.40
Oil India	149.55	-14.45	-41.67	222.65	6.85	5.23	267.19
MRPL	46.40	-38.54	-67.40	68.80	2.16	23.92	56.75
NMDC	81.05	-16.31	-49.92	116.24	6.81	5.37	82.32
Coal India	194.85	-19.07	-41.52	272.81	3.00	6.92	42.93
IOC	124.70	-9.01	-45.15	169.77	2.00	6.77	119.47
Gail India	130.95	-27.31	-33.49	173.76	3.06	9.02	102.00
NTPC	123.45	-0.61	-20.50	154.55	4.45	8.05	111.21
BHEL	51.15	-30.03	-57.16	62.96	3.91	18.40	88.66

BV: Book value Source: Bloomberg

that are anyway trading at attractive valuations," said Gaurav Dua, senior VP, head, capital market strategy, Sharekhan. "Within the PSU basket, we prefer Bharat Electronics, ONGC, NTPC, Powergrid Corporation and Petronet LNG."

In the past, public sector companies have grossly underperformed due to the hangover of additional supply of paper by the government to raise resources. Lately, the government also resorted to transfer

of its holdings to cash-rich companies or via regular cash transfer by way of dividend payouts.

Stocks such as Steel Authority of India, National Aluminium, BHEL, Gail and Coal India have declined between 20% and 40% since the beginning of the year.

"The government's current stance of not willing to sell at distress valuations is a significant positive and that has been the reason for the interest in state-run stocks," said Na-

veen Kulkarni, head of research, Reliance Securities. "PSU companies have seen consistent declines because of lots of supply from the government." Stocks such as Irocon International, REC, Hindustan Aeronautics, NTPC and Engineers India currently offer an attractive dividend yield between 4% and 10%. A few of them like NMDC, ONGC, BHEL, National Aluminium and Oil India are trading at their book value.

"Some of the PSUs with sound fundamentals can offer good trading opportunities for the mid-term if government changes its divestment and dividend policies," said Asutosh Mishra, head of research, institutions, Ashika Stock Broking. "Stocks such as HPCL, BPCL, Indian Oil, NMDC, among others, with clear earnings visibility are currently available at discounted valuations."

In her budget speech on July 5, finance minister Nirmala Sitharaman said the government would continue with strategic divestment of select central public sector enterprises. The government has raised the divestment target for financial year 2020 to ₹1.05 lakh crore from ₹90,000 crore earlier.

Day Trading Guide | Kotak Securities



Nifty closed positively after witnessing heavy selling pressure in the first half of the day from the highs of 10920. Surprisingly, advance decline ratio stood at 2:1, which shows selling was in a few large-cap companies. For the next few days, Nifty should trade in the 10770-10870 range. A close below 10770 would be negative for market and we could correct to 10730 or 10630. A close above 10870 could lead to index rallying to 10970 or 11040. Buy Nifty if it corrects to 10780-10790 keeping stop loss at 10730.

Tech Picks

SHRIKANT CHOUHAN
Senior VP- Technical Research

TATASTEEL

Stock has given "bullish trend line breakout" on daily charts supported by volumes.

LAST CLOSE ▶ ₹345.15 STOP LOSS ▶ ₹337

BUY
TARGET
₹365

HERO MOTO CORP

Reversal from Fibonacci retracement level and strong support zone.

LAST CLOSE ▶ ₹2,605.90 STOP LOSS ▶ ₹2,540

BUY
TARGET
₹2,730

GAIL

At conflux of support zone and Fibonacci retracement on monthly charts.

LAST CLOSE ▶ ₹130.95 STOP LOSS ▶ ₹127.5

BUY
TARGET
₹137

HINDUSTAN UNILEVER

Negative RSI divergence and reversal from strong resistance zone.

LAST CLOSE ▶ ₹1,829.75 STOP LOSS ▶ ₹1,876

SELL
TARGET
₹1,750

F&O Strategy

SAHA J AGRAWAL
DVP-Derivatives, Research

SELL NSEFUT SEPT AXISBANK

CMP ₹652 | TARGET ₹675 | STOP LOSS ₹605/590

Bearish Flag Breakdown on weekly charts.

OPTIONS

Nifty BEAR PUT SPREAD: BUY SEPT 10800PE at ₹140 AND SELL 10600PE at ₹80; Premium Outflow: ₹60; SL: ₹30; TGT: ₹150/170

Nifty has gone through a pullback rally in the ongoing down trend, while it made a swing high of 11141. Below 10875, price action suggests that the downtrend has started rolling post consolidation. A fresh low of around 10600 is expected unless 11150 is breached on the higher side. However, the fall may be time-consuming and hence a bear put spread is apt in this situation.

Fx Technical

ANINDYA BANERJEE
DVP, Currency & Interest Rate Derivatives

USDINR: Buy between 71.60/80 TP 72.40/60 SL 71.35

GBPUSD: Buy between 1.2250/70 TP 1.25/1.2550 SL 1.2150

Commodity Calls

KOTAK COMMODITIES

COMMODITY	EXCHANGE	STRATEGY
Gold (Oct)	MCX	Sell at ₹39650/₹39700 TP ₹39200/₹39100 SL ₹39850
Crude Oil (Sep)	MCX	Buy at ₹3990/₹3980 TP ₹4100/4120 SL ₹3920
Copper (Sep)	MCX	Buy at ₹450/449 TP ₹455/458 SL ₹447
Ref Soy oil (Sep)	NCDEX	Sell at ₹754/755 TP ₹746/745 SL ₹758