



SMART INVESTING

Discounted PSU Stocks Like GAIL, SBI, NTPC Good Bets, say Analysts

DISCOUNTED YIELD from several cos higher than bank FDs; earnings outlook promising, too

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Mumbai: State-owned GAIL, Hindustan Petroleum Corp, Bharat Petroleum Corp, NTPC, State Bank of India, Coal India and Power Grid Corp among others, which are grossly undervalued compared with their global peers, offer great value, according to analysts.

Some of these stocks have finally started reacting positively to earnings delivery and the transition to green energy. Most of them could be strong re-rating candidates if the government stops frequent selling of their stake, said analysts.

"The DIPAM (Department of Investment and Public Asset Management) secretary's recent statement highlighted frequent dividends from PSUs, possible inclusion of market cap improvement as a key target for management and government avoiding frequent stake sales," JM Financial analyst Subhadip Mitra said. "If acted upon, these measures could lead to a re-rating of India's CPSE cohort for good."

Stocks such as SBI, Power Finance

Primed for an Upgrade

Stock	LTP (₹)	Return (%)		Yield (%)	PE
		1 Mth	3 Mth		
Gail India	122.50	41.62	34.54	5.22	5.86
ONGC	91.20	33.24	25.45	5.48	10.52
Bharat Electronics	116.85	25.58	15.64	1.20	15.61
REC	135.85	24.35	27.62	12.51	5.40
Power Finance Corp	118.40	20.20	32.51	8.02	4.39
Indian Oil Corp	93.95	15.70	16.64	4.52	-
Coal India	134.70	10.64	6.10	5.57	5.45
NTPC	98.25	9.84	8.68	3.20	8.39
BPCL	395.15	5.22	-2.66	4.18	25.44
HPCL	218.30	4.93	12.67	4.47	12.60

Corp, Gail, ONGC, REC and Engineers India have rallied between 20% and 30% in the last one month. BHEL, Cochin Shipyard, Indian Oil, Bharat Electronics and NTPC jumped 10-15% in one month.

"We are witnessing a catch-up move in Nifty PSE and Nifty PSU Banking", with both indices having crossed

their recent swing highs on the weekly chart and also sustaining well above their respective 200 DEMA (double exponential moving average), said Siddhartha Khemka, head of retail research at Motilal Oswal. "Considering the current chart structure of PSU Banking and PSE indices and their components, we are expecting

continuation in ongoing momentum in coming days too," he added.

In a scenario of dismal returns from fixed deposits and money markets funds including liquid funds, PSU stocks offer healthier dividend yield, which led investors to lap up these stocks, said analysts.

"As money continued to flow into equities, PSU stocks offered a strong value proposition to investors as these stocks were neglected for long despite reporting sustained earnings," said Binod Modi, the head of strategy at Reliance Securities. "As long as interest rates or bond yields remain depressed, high dividend yield PSU stocks should continue to see investor interest."

Stocks such as REC, SJVN, Power Finance, Hudeco, NHPC, Engineers India, Coal India and ONGC are currently offering a dividend yield of 5-13% and most of them are trading at a price to earnings ratio of less than 10. PSU stocks have seen sharp corrections due to frequent stake sales by the government, selling by large foreign funds as a result of increased environmental, social and governance focus.



Sensex hits new peak of 46,000 on FPI buying

OUR BUREAU

Mumbai, December 9

Just three trading sessions after it hit 45,000-mark, the Sensex on Wednesday scaled a new peak of 46,000. Foreign portfolio investors kept up the momentum with net purchases of ₹3,564 crore.

Sensex rose 1.09 per cent on Wednesday to close at 46,103. The broader index Nifty gained 1.02 per cent, or 136 points, at 13,529. Both the Sensex and Nifty have gained 80 per cent from the lows they hit in March due to the Covid crisis.

RIL shares rise

Reliance Industries picked up steam on Wednesday reacting to its chairman, Mukesh Ambani's video message on Tuesday urging the government to accelerate the roll out of 5G telecom services and scrap the outdated 2G technology. RIL share price had been sub-

New high

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dued for several trading sessions on the back of rumours surrounding Ambani's health. But the shares rose 1.65 per cent on Wednesday to close at ₹2,026, its highest level since mid-November. RIL had hit a 52-week high of ₹2,368 in September.

Private sector lender HDFC gained 2.15 per cent to close at ₹1,405. Public sector company stocks including Gail, BEL, BHEL, NBCC among others have witnessed a sharp rally over the past week.