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“With the government’s focus rising on manufacturing, indigenisation, railways and defence, many PSUs in these segments have seen improvement in their finances”

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spending by the government, and the ‘Make in India’ initiative have helped Magazon Dock Shipbuilders, says A.K. Prabhakar, Head of Research of IDBI Capital Markets. The company’s order book stood at ₹39,117 crore as of June 2023.

In terms of top gainers, Lloyds Metals & Energy came in at No. 2. During the study period, its one-year average m-cap increased 210 per cent to ₹16,569 crore from ₹5,343 crore the year before. Jindal Stainless, another metals firm, delivered 155 per cent growth in its one-year average m-cap at ₹21,057 crore as of September 30, 2023, up from ₹8,265 crore a year earlier. It secured the fifth spot among the top performers.

The surge in domestic infrastructure combined with an upswing in the capital goods sector has generated significant demand for domestic steel and metal companies, according to Kranthi Bathini, Equity Strategist at WealthMills Securities. “These factors have notably supported firms such as Lloyds Metals & Energy and Jindal Stainless,” he says, adding that “the momentum is expected to persist in the upcoming quarters” due to the ongoing capex story and infrastructure spending in India.

Railways infra firm Rail Vikas Nigam Ltd (RVNL), has secured the third spot among the top gainers. Its one-year average market value has surged 180 per cent to reach ₹19,476 crore. Sharing its views on the company’s performance, HDFC Securities stated in a report that railway PSU stocks have enjoyed strong support from the Indian government, which has been providing funding and backing for critical railway infrastructure projects. The steady demand from Indian Railways has kept RVNL’s income steady. Order inflows and the execution of the present order book have been good for the company,

with consultation services increasing margins. The government’s focus on constructing new lines and electrifying rail has increased order inflows and visibility.

This year, the Ministry of Railways has got a budgetary allocation of ₹2.4 lakh crore, accounting for 24.10 per cent of the government’s overall capex.

Separately, with a 159 per cent surge in its one-year average m-cap, The Fertilisers and Chemicals Travancore, has landed at the fourth position among the biggest gainers on the list. Alok Agarwal, Head-Quant and Portfolio Manager at Alchemy Capital Management, says, “With the government’s focus rising on manufacturing, indigenisation, railways and defence, along with improvements in the credit cycle, the bulk of the PSUs in these segments have seen a material improvement in their finances and earnings visibility. All these, coming at historically low valuations, have made the risk-reward paradigm pretty attractive.”

Not too far behind, state-owned lenders Punjab & Sind Bank and UCO Bank, with over 100 per cent growth in their one-year average m-cap, are placed at the sixth and seventh positions, respectively, among the top gainers. G. Chokkalingam, Founder of Equinomics Research and Advisory, explains: “UCO Bank and Punjab & Sind Bank, among other PSU banks, have not only enhanced their profits but also significantly improved the quality of their assets.” Overall, the banking industry has experienced favourable conditions, marked by record credit growth and enhancements in asset quality in recent times. Consequently, “these two PSU banks have outperformed market trends due to their exceptional performance,” he adds.

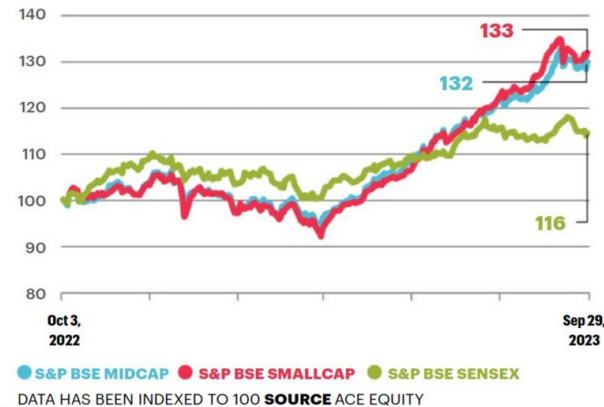
In FY23, UCO Bank’s net profit jumped by 104 per cent over a year,

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SMALL IS BEAUTIFUL

➤ The broader markets outpaced large-caps during the study period for the BT500 list this year

➤ The Sensex advanced 15 per cent, while the mid-cap and the small-cap indices gained nearly 30 per cent each



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while Punjab & Sind Bank witnessed a rise of 26 per cent.

Following closely on the list of top gainers in terms of one-year average m-cap are Varun Beverages (up 98 per cent), Kalyan Jewellers India (up 96 per cent), Raymond (up 95 per cent) and Suzlon Energy (up 95 per cent).

Rahul Sharma, Head of Research at stock advisory firm Equity99, says, “Varun Beverages is rapidly expanding globally by establishing manufacturing and distribution facilities in several countries. Now, it intends to expand into the Democratic Republic of the Congo and South Africa. This... [will] potentially increase its global market share.”

As for Raymond, Sharma believes that the company’s focus on growth across its various businesses is a promising sign. “This growth-oriented approach indicates that Raymond is actively working to ex-

pand and diversify its operations. This can be achieved through strategies like launching new product lines, entering new markets, or expanding existing ones,” he says.

THE LAGGARDS

Generic injectables maker Gland Pharma witnessed a massive 53.40 per cent plunge in its one-year average m-cap at ₹23,826 crore on September 30, 2023. Brokerage firm Nirmal Bang Securities sounded a note of caution on the firm, citing its annual plant shutdowns and volatile growth and margins in the recent past, owing to client as well as product-related issues.

FSN E-Commerce Ventures, parent of cosmetics-to-fashion retailer Nykaa, and Quess Corp, are next among the laggards on the list with a decline of 45.10 and 39.60 per cent, respectively, in their one-year average m-cap. According to

Nuvama Institutional Equities, rising competition and increasing debt are overhangs on longer-term visibility and potential reasons the FSN E-Commerce Ventures stock did not re-rate recently compared with other platform peers.

Meanwhile, after reporting a drop of over 50 per cent in consolidated net profit in FY23, FSN has posted nearly 16 per cent growth in the bottom line during the first half of FY24. Among the other major laggards in terms of one-year average m-cap are National Standard (India), Tata Teleservices (Maharashtra), Metropolis Healthcare, Tanla Platforms, Aarti Industries, Adani Energy Solutions and Alok Industries with 35-38 per cent erosion in their m-cap during the BT500 study period for this year.

Sharing its views on Aarti Industries, Nuvama believes that the near-term demand would remain muted, having an adverse impact on Q3FY24, though volumes would revive from Q4FY24 onwards. “Faster pick-up in agrochem and confirmation of volume growth revival are key triggers for Aarti Industries shares,” the brokerage firm states in a report.

Due to the de-merger of Piramal Pharma in 2022, Piramal Enterprises’ one-year average m-cap fell substantially. So, it is not considered to be the biggest loser.

But what’s next? According to Alchemy’s Agarwal, domestic cyclical firms from sectors such as auto and manufacturing, industrials, capital goods, power, defence and railways, may continue to stay in the limelight over the next year. “After a long hiatus, we are already seeing strong earnings delivery by these sectors. The government’s commitment to capex and the companies’ order books provides further evidence of earnings visibility,” he says. BT

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