

MONEY GURU INDIA

Aventus picks 10 promising under-performers of '11

By STAFF WRITER

Aventus Securities has picked 10 promising under-performers of 2011 that are likely to see a big rebound when the market begins its upward march. Several stocks that fell sharply during 2011 may possess the properties that could drive an equally large rebound when equities valuations recover. This was visible in the previous cycle that stretched from 2008 to 2010. During this period, a large number of the initial under-performers not only recovered lost ground, but their appreciation was also strong enough to make them outperform Sensex from the peak of the previous cycle to the next peak. "The promising under-performers are scattered across sectors and market capitalisation. We put the spotlight on 10 stocks that are capable of such a rebound – Axis Bank (buy), Biocon (buy), Hindalco Industries (buy), ICICI Bank (buy), IDBI Bank (buy), Maruti Suzuki (neutral), NCC (buy), Sanghvi Movers (neutral), Shriram Transport Finance (buy) and SKS Microfinance (buy)," the brokerage said. Beaten down stocks tend to recover value in the next upturn. As many as 268 stocks in the BSE500 basket had underperformed Sensex during the rapid fall in the wake of the global financial crisis of 2008. The mean erosion in market capitalisation of these stocks was 58.9 per cent, well above the 45.5 per cent fall in Sensex. The rebound during 2009-2010 saw the market capitalisation of these 268 stocks rise 227.9 per cent, well above the 157.4 per cent rise in Sensex. Several stocks outperformed across the cycle. As many as 123 of 268 underperformers during 2008 outperformed Sensex from the peak of the previous cycle (August 2008) to the more recent peak in November 2010. "Therefore, a significant portion of the underperformers not only recovered the value that was lost in the initial phase, but they also more than made up for the initial losses in the later phase of the cycle," it said. "Contrary to common perceptions, we find underperformers were dispersed across a large number of sectors. In 2008, engineering (27) and financials (27) had the largest number of stocks within the 268 underperformers, followed by IT services, metals, construction and real estate. In 2011, 343 of the BSE500 underperformed and financials (46), engineering (28), metals (27) and construction (23) make up the large part," it said. "We have focused on the factors that provide resilience to these stocks during the ongoing downturn and those that would facilitate a rebound in their growth, earnings and valuation over the medium term. We also estimate the potential 'worst-case' value for the stock under sustained adverse conditions," the brokerage said. *(Disclaimer: All information provided on moneyguruindia.com pertaining to investing, stocks, securities must be understood as information and not investment advice. We advise all readers to seek advice from a professional investment adviser before making any investment decisions on the basis of any of our content. All reports, analysis, columns, statements or listings featured in the site are not meant to be solicitation or recommendation to buy, sell, or hold securities. We are merely providing information.)*