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View on equity markets and top Diwali picks for Samvat 2075.. **Nov. 05, 2018**

Going ahead, we believe rupee movement, cues from the ongoing tussle between US and Iran, volatility in oil prices, movement of bond yields, festive sales, Q2FY19 earnings season, the outcome from (both exit polls and actual result) of upcoming assembly elections in five states will determine the market trend.
Last week, owing to fall in crude oil prices, rupee appreciation against the dollar, there was some confidence seen among street participants which led to a relief rally.

The volatility index (India VIX) was down 5.2 percent this week, while the largecap index rose 5.3 percent. Midcap and smallcap indices gained 7.3 percent and 6.3 percent, respectively.

With regards to Samvat 2075, we expect the market to be rangebound due to upcoming state elections and general elections in May 2019. No one can predict the outcome of elections but for an investor, the strategy should be to accumulate shares of companies which have a sustainable robust business model with good ethical management having a clearcut strategy for the future and focused on execution.
Investors can gradually start building their long-term portfolio in some of the top rung stocks of which many have come down 30-40 percent in the recent fall.

We believe equity is a great asset class and the current downturn is the best friend of a true investor. It is this time when one should put money in the market from medium to long-term perspective.
There are ample opportunities in the domestic bourses but the following are top three Diwali picks which could return 15-30 percent:

Maruti Suzuki: Buy | CMP: Rs 7,136 | Target: Rs 9,276 | Upside: 30 percent
We believe after the recent correction witnessed in the past 2 months, investors should grab this company. The stock had corrected by 32 percent from closing levels of last year Rs 9,731.35 to all the way to Rs 6,608.95 on October 31.
The company has a strong moat as it is the leading player in automotive space with a market share of 57 percent, strong dealer, distribution and after-sales service network. The company has always been the first choice for new car buyers.
In terms of performance, Q2FY19 result was subdued owing to margin pressure. According to the management, the margin was affected during Q2FY19 due to high raw material costs, adverse forex movements and high discount being offered.
However, we believe the long-term prospects of the company are intact. Always remember, such great companies would be available at decent valuation only at a distressed time. We expect 30 percent upside from CMP of Rs 7,136.

Reliance Industries: Buy | CMP: Rs 1,074 | Target: Rs 1,342 | Upside: 25 percent
We are very bullish on this company and expect strong value unlocking for its shareholders. The company has all the ingredients to reward its investors by next Diwali.

Reliance Industries (RIL) Q2FY19 result was a mixed bag. A strong petrochemical performance was weakened partially by lower refinery profits. Further, higher rupee depreciation and lower treasury profits took a toll on interest expenses and other income.

Taking a bird's eye view on the company, RIL has completed major planned capital expenditures and the units have started stabilising. With projects starting to deliver, the company is likely to see steady cash flows during the year which would enable further operating efficiencies and higher returns.

The overall macro environment is also conducive for the various verticals where the company has exposure. With a full commissioning of the ROGC and PX units, we expect great vertical integration and higher margins for the petrochemical business.

We believe Jio would continue its stellar run, going forward, on the back of significant capacity, latest 4G technology, rollout of JioGigaFiber, the acquisition of Den and Hathway and huge unmet potential available in India.

The company is now focusing aggressively on expanding the retail consumer business presence which saw a strong traction in Q2FY19. According to company's FY18 annual report, the company has set a vision to ensure that the revenue contribution of these consumer-centric segments is on par with the non-consumer ones (refining, upstream oil and gas, petrochemicals) over the next decade.

Endurance Technologies: Buy | CMP: Rs 1,256 | Target: Rs 1,450 | Upside: 15 percent
The recent correction in the stock price of this company offers investors a wonderful opportunity to tap a leading well-managed company with a new age business model in the auto ancillary space. Endurance Technologies is one of India's leading automotive component manufacturing companies, complete solution provider from design to after-market service.

The company's top five clients in India are Bajaj Auto, Honda 2-Wheeler or HMSI, Royal Enfield, Yamaha India and Hero Motocorp.

In Europe, the company predominantly caters to four wheeler OEMs, focusing on engine and transmission components. Its marquee clients include Volkswagen Group including Porsche and Audi and Daimler. Its top five clients in Europe are Fiat Chrysler, Daimler, Volkswagen Group, BMW and Opel which has now been acquired by Peugeot.

Getrag transmission, who's a key supplier of transmission assemblies to Ford, is Endurance major export client for aluminium castings. Getrag transmission has now been acquired by Magna, which is one of the largest automotive component companies globally and is also involved in assembling cars for OEMs.
This opens a new aluminium casting export opportunities for Endurance Technologies from the Magna Group as a whole.

We recommend a buy on this stock owing to its leadership position in aluminium die casting segment in India in terms of installed capacity, strong technology capabilities (as of FY18, the company has a portfolio of six granted patents, seven registered designs, and 52 patent applications), continuous thrust on R&D to develop products for the new age, marquee clients both in India and Europe, consistent free cash flow generation and good return ratios (RoE: 22.4 percent and ROCE of 20 percent in FY18).

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SEBI registration Number: INH000001170 as per SEBI (Research Analysts) Regulations, 2014.

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