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# Stocks recommended by CLSA, Motilal Oswal, Edelweiss after corporate tax cuts

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Benchmark indices BSE Sensex and NSE's Nifty 50 have surged over 8 percent the last two sessions after finance minister Nirmala Sitharaman reduced corporate tax rates for domestic companies and new manufacturing firms. Industry leaders and analysts have called the move a structural reform that will improve investor sentiment and propel economic growth. Many brokerages have revised their stock strategies and index targets following the tax reforms. Here are the top stock ideas recommended by brokerages CLSA, Motilal Oswal, Edelweiss, Credit Suisse and Prabhudas Lilladher.

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# CLSA

**BEST WAY TO PLAY THE IMPROVED CAPEX OUTLOOK  
IS VIA ICICI, AXIS, SBI, L&T AND ADANI PORTS**

**REDUCED WEIGHT IN IT BY 3PPTS AND ADD TO ADANI  
PORTS AND ICICI**

**COMPANIES WITH LARGE TAX BENEFITS: HDFC BANK,  
KOTAK BANK, ITC, COLGATE, BRITANNIA, ONGC, BPCL,  
ICICI LOMBARD, L&T, BAJAJ AUTO, HERO, EICHER, ZEE,  
BHARAT FORGE, PIDILITE ETC. OTHER TOP PICKS: RIL,  
HDFC, ICICI PRU LIFE, BHARTI AIRTEL, SUN PHARMA  
AND HCL TECH.**

CLSA believes HDFC Bank, ITC, Kotak Bank, ONGC, Larsen and Toubro, Sun Pharma and HCL Technologies are among the firms that would receive large tax benefits.



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**LARGE-CAPS:**

**ICICI BANK, STATE BANK OF INDIA,  
LARSEN AND TOUBRO, ULTRATECH, TITAN, EICHER MOTORS,  
ICICI PRU LIFE, BHARTI AIRTEL**

**MID-CAPS:**

**INDIAN HOTELS, FEDERAL BANK,  
MAHINDRA AND MAHINDRA FINANCIAL SERVICES,  
ASHOK LEYLAND, PI INDUSTRIES, ADITYA BIRLA FASHIONS  
AND RETAIL, TRENT, JK CEMENT, OBEROI REALTY**

Motilal Oswal recommends ICICI Bank, SBI, L&T, Titan and Airtel among largecap stocks. In midcaps, Indian Hotels, Ashok Leyland, Mahindra Finance and JK Cements are among the top stocks the brokerage recommends.

**CREDIT SUISSE**



**CONSUMER SECTOR PICKS AVENUE, COLEGATE, NESTLE,  
PAGE, ASIAN PAINTS, CROMPTON, JUBLANT, BRITANNIA,  
UNITED SPIRITS, HUL**

**INDUSTRIAL COMPANIES LIKE ABB, SIEMENS, AND  
CUMMINS WOULD BENEFIT SHORT CYCLE IN THE NEAR-TERM**

**L&T WILL BENEFIT OVER THE LONGER TERM**

Avenue Supermarts, Nestle, Asian Paints, ABB India and L&T are among the top stocks Credit Suisse prefers following the tax reforms.

## **EDELWEISS**

**LARGE-CAPS:  
AXIS BANK, BHARTI AIRTEL, DR REDDY'S, HCL TECH, HUL,  
ICICI BANK, ICICI LOMBARD, AND ULTRATECH CEMENT**



**MID/SMALL-CAPS:**  
**APOLLO HOSPITALS, MINDTREE, SOBHA, SPICEJET, AND VOLTAS**

Edelweiss' top stock ideas include Axis Bank, Bharti Airtel, MindTree, SpiceJet and ICICI Bank.

## **PRABHUDAS LILLADHER**

**LARGE CAP:**  
**HDFC BANK, ICICI BANK, MARUTI SUZUKI, L&T, HCL TECH,  
ULTETECH CEMENT, BRITANNIA, SIEMENS, UPL  
AND PETRONET LNG**

**MIDCAPS:**  
**SHIRAM TRANSPORT FINANCE, JUBILANT FOODWORKS,  
PI INDUSTRIES, AND CROMPTON GREAVES CONSUMER**



Ultratech Cement and Shriram Transport Finance among the stocks to invest after corporate tax cuts.

CORPORATE TAX RATE CUT <b>IMPACT</b> 		
RISE IN INDEX TARGET		
BROKERAGES	INDEX	TARGET
UBS	NIFTY JUNE 2020	<b>12,300</b>
JPMORGAN	NIFTY MARCH 2020	<b>12,200</b>
CITI INDIA	SENSEX MARCH 2020	<b>40,500</b>
NOMURA	NIFTY MARCH 2020	<b>12,545</b>
MORGAN STANLEY	SENSEX JUNE 2020	<b>45,000</b>
GOLDMAN SACHS	NIFTY TARGET	<b>13,200</b>

UBS, JP Morgan, Nomura and many other brokerages have revised their strategies and targets for the Sensex and the Nifty post the announcement.



- To attract invst in mfg, local cos incorporated after Oct 2019 to pay tax at 15%
- That effective tax for new cos shall be 17.01%, incl cess and surcharge. Cos enjoying tax holidays will be able to avail concessional rates post the exemption period
- Will give MAT relief for those opting to continue paying surcharge and cess. MAT has been reduced to 15% from 18.5% for cos who continue to avail exemptions and incentives
- To stabilise flow of funds into mkt the enhanced surcharge announced in Budget will not apply on capital gains arising on sale of any security, including derivatives by FPIs
- For listed cos which made announcement for buyback before July 2019 it is provided that tax on buyback on shares of such companies will no be charged
- Revenue foregone by undertaking these measures is Rs 1.45 lakh cr/year



**Here is the highlight of finance minister Nirmala Sitharaman's tax reform announcement.**

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September 24, 2019 09:11 AM IST | Business

## In pictures: The inimitable Paris



Stepping into the Petit Fer à Cheval bistro is like travelling back in time. The classic Paris watering-hole's old phone wouldn't have looked out of place in the hands of Edith Piaf. The signage could have been the backdrop for a Maurice Chevalier movie. History seems to seep out of the walls. It even has an old tap, like today's beer taps, that used to serve absinthe, which was one of painter Vincent Van Gogh's tippling. Over a century old, the cafe-restaurant in the historic Marais district of Paris has a horseshoe-shaped bar, hence its name: The Little Horseshoe.





Cheval bistrot café-restaurant, named after its horseshoe-shaped bar, is like travelling back in time. (AP Photo/Thibault Camus)



A woman walking on the street is reflected in a mirror of the cafe "Au petit Fer à Cheval" (The small horseshoe), in the historical Marais district of Paris. (AP Photo/Thibault Camus)



A customer takes a seat at a table outside the cafe "Au petit Fer a Cheval" (The small horseshoe), in the historical Marais district of Paris. (AP Photo/Thibault Camus)





A man holds a bunch of flowers as he walks past the cafe "Au petit Fer a Cheval"  
(The small horseshoe), in the historical Marais district of Paris. (AP  
Photo/Thibault Camus)





A customer waits for his bill at the cafe "Au petit Fer a Cheval" (The small horseshoe), in the historical Marais district of Paris. (AP Photo/Thibault Camus)





WALTER DIALER HUBERT, centre, indicates directions to a customer of the cafe "Au petit Fer à Cheval" (The small horseshoe), in the historical Marais district of Paris. (AP Photo/Thibault Camus)



Chef Philippe looks through the window of the kitchen of the cafe "Au petit Fer à Cheval" (The small horseshoe), in the historical Marais district of Paris. (AP Photo/Thibault Camus)



A waiter talks with the kitchen staff of the cafe "Au petit Fer à Cheval" (The small horseshoe), in the historical Marais district of Paris. (AP Photo/Thibault Camus)





Waiter Didier Hubertof polishes a mirror of the cafe "Au petit Fer à Cheval" (The small horseshoe), in the historical Marais district of Paris. (AP Photo/Thibault Camus)





**Waiters Jean Baptiste Magnique, center, and Didier Hubert talk with customer of the cafe "Au petit Fer a Cheval" (The small horseshoe), in the historical Marais district of Paris. (AP Photo/Thibault Camus)**





Waiter Didier Hubert writes on a board the menu of the day of the cafe. (AP Photo/Thibault Camus)

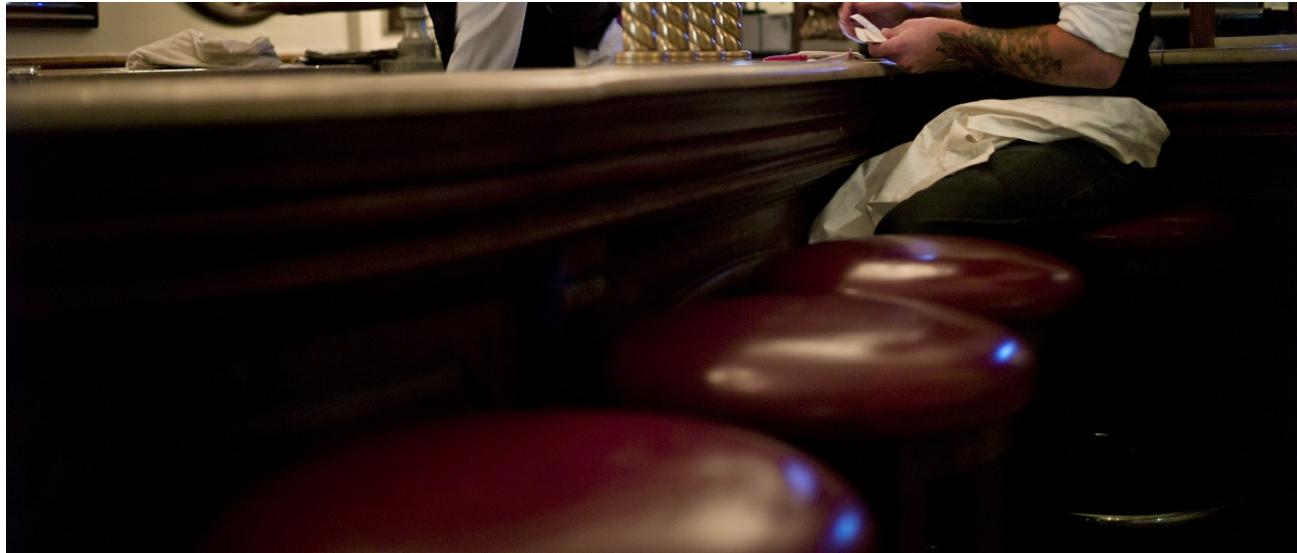


Loic, a waiter of the cafe "Au petit Fer a Cheval" (The small horseshoe), in the historical Marais district of Paris, puts away chairs at closing time. (AP Photo/Thibault Camus)



Booba, left, a waiter of the cafe "Au petit Fer à Cheval" (The small horseshoe), in the historical Marais district of Paris, talks with a customer. (AP Photo/Thibault Camus)





Loic, a waiter of the cafe "Au petit Fer à Cheval" (The small horseshoe), in the historical Marais district of Paris, checks bills at closing time. (AP Photo/Thibault Camus)

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September 24, 2019 07:59 AM IST | Market

# Top brokerage calls for September 24: Credit Suisse maintains 'underperform' on **Infocus**, Morgan Stanley bullish



Indian shares are likely to extend gains made in the last two sessions on the government's booster in the form of corporate tax rate cut, a reform which is likely to benefit several firms. Asian shares too were trading higher, adding to positives for the domestic market. At 7:00 am, the SGX Nifty futures traded 0.69 percent or 79.50 points higher at 11,680.50, indicating a strong start for Sensex and Nifty. Among brokerages, Credit Suisse is bearish on Infosys and Morgan Stanley is bullish on RIL. Here are the top brokerage calls for Tuesday:

## CREDIT SUISSE ON INFOSYS

(CMP: 765)

MAINTAIN  
**UNDERPERFORM**

**TARGET: 690**  
(PREVIOUS TARGET: 670)

- Staring At A Weaker H2 On Softness In Key Large Verticals & Base Effect
- Forex May Now Become A Headwind In Near Term
- Discount To TCS Is Now Just 10%, Expect This To Widen To 15-20%
- Bake In Weaker Rupee Leading To Minor EPS Cuts

**Credit Suisse on Infosys:** The brokerage has an 'underperform' rating on the stock but raised its target to Rs 690 per share from Rs 670 earlier. The company



## JEFFERIES ON PETRONET LNG

(CMP: 251.90)

MAINTAIN  
**BUY**

TARGET: **315**

- Valuations Reasonable After The 6% Fall On Sep 23
- Earnings May Also Rise From Tax Rate Cuts
- Near-term Volumes Look Solid
- \$2.5 bn MoU For 5 mt From Tellurian But Direct Exposure Only \$0.5 Bn



**Jefferies on Petronet LNG:** The brokerage maintains 'buy' rating on the stock with a target of Rs 315 per share. It added that the valuation of the stock is reasonable post the 6 percent fall on September 23 and earnings may also rise from tax rate cuts.

CITI ON TECH MAHINDRA



MAINTAIN  
**NEUTRAL**

TARGET: 730

(PREVIOUS TARGET: 705)

- Stock Should Continue To Be Supported By Positive Sentiment
- Raise FY21/22 Revenue & EPS Estimates By 3% & 2-3%
- Increase Our Target Multiple By 0.5x To 15.5x



**Citi on Tech Mahindra:** The brokerage maintains 'neutral' call on the stock and has raised its target to Rs 730 per share from Rs 705 earlier. The stock should continue to be supported by positive sentiment, it said, raising FY21-22 revenue and EPS estimates by 3 percent and 2-3 percent.

## MORGAN STANLEY ON RELIANCE IND

(CMP:1,236.35)

MAINTAIN  
**OVERWEIGHT**

- Increasing Investor Confidence In Earnings Delivery
- Lower Taxes & Cheaper



- See An Earnings CAGR Of 17% Over FY19-21



**Morgan Stanley on Reliance Industries:** The brokerage is 'overweight' on the stock with a target of Rs 1,369 per share. The company is increasing investor confidence in earnings delivery, the brokerage said, adding that lower taxes and cheaper gas feed costs should de-risk outlook.

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September 24, 2019 07:42 AM IST | Market

# 10 things you need to know before the opening bell on September 24

Indian shares are likely to extend gains made in the last two sessions on the government's booster in the form of corporate tax rate cut, a reform which is likely to benefit several firms. Asian shares too were trading higher, adding to positives for the domestic market. At 7:00 am, the SGX Nifty futures traded 0.69 percent or 79.50 points higher at 11,680.50, indicating a strong start for Sensex and Nifty.



1. Asia: Overall, the MSCI Asia ex-Japan index added 0.06 percent. Japan's Nikkei advanced 0.34 percent while South Korea's KOSPI traded flat. ASX200 and Topix index gained 0.12 percent and 0.64 percent respectively. (Image: AP)





2. US: US stocks barely budged on Monday, with slight gains in shares of Apple offset by mixed economic data that added to caution over the prolonged US-China trade war, reported Reuters. The Dow Jones Industrial Average rose 14.92 points, or 0.06 percent, to 26,949.99, the S&P 500 lost 0.29 points, or 0.01 percent, to 2,991.78 and the Nasdaq Composite dropped 5.21 points, or 0.06 percent, to 8,112.46. (Image: Reuters)





3. Markets at close on Monday: Indian shares extended gains on Monday to log their biggest two-day gain in a decade as investors expect the government's surprise move to cut corporate taxes to revive flagging growth in Asia's third-largest economy. The Sensex ended 1,075 points higher at 39,090, while the broader Nifty50 index added 326 points to end the day at 11,600. Meanwhile, foreign institutional investors (FIIs) bought Rs 2,684 crore in the cash market and domestic institutional investors (DIIs) bought Rs 292 crore. The rupee was trading flat at 70.92 against US dollar. (Image: Reuters)





4. Crude Oil: Oil prices slipped in the morning of Asian trading hours, with the international benchmark Brent crude futures contract declining 0.45 percent to \$64.48 per barrel and US crude futures shedding 0.39 percent to \$58.41 per barrel. (Image: Reuters)



5. Government On Tax Collection: As finance minister Nirmala Sitharaman on



at best the actual revenue forgone could be around Rs 80,000 crore. However, sources shared that since not all corporate taxpayers are expected to do the transition from the earlier regime to the new regime in this fiscal itself, the government could lose only about Rs 80,000 crore of the estimated Rs 1.45 lakh crore. (Image: Reuters)





says a report. After reviewing the existing state of mortgage-backed securitisation, it gave a host of recommendations on the legal, tax structures of mortgage-backed securitisation transactions and standardisation of such practices. The report also recommended specific measures for facilitating secondary market trading in mortgage securitisation instruments. (Image: Reuters)



**7. Mining Industry Highest Taxed In World:** Mining industry in India is still the highest taxed in the world despite the government's decision to slash corporate

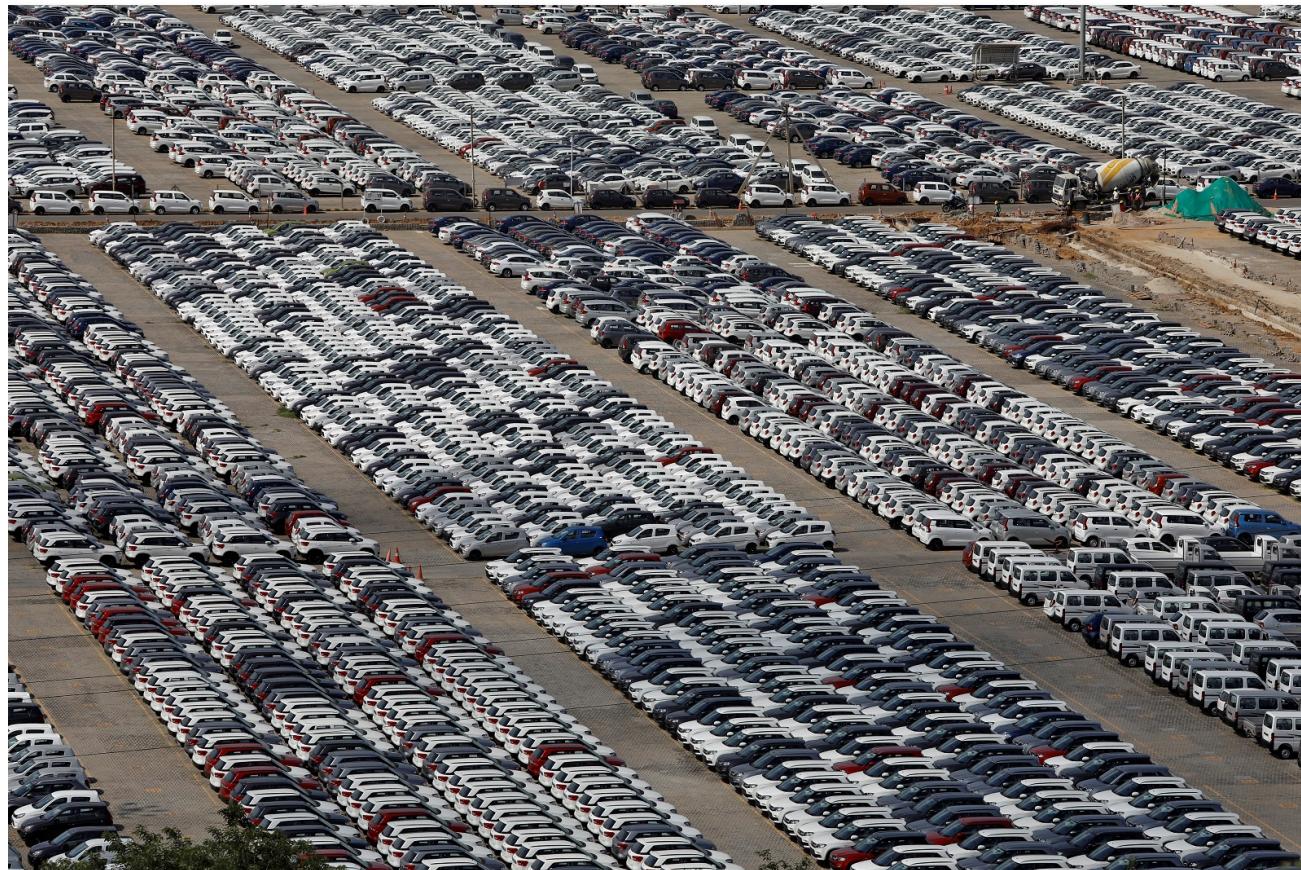
deriving long-term benefits in terms of sustained raw material security for industries. "The government needs to realise that the taxation regime for mining in India affects all downstream industries and employment opportunities in the economy while fuelling the already skewed balance of payment through the additional import of minerals," Mohanty said. (Image: Reuters)



8. Nitin Gadkari On Electric Vehicles: Allaying fears of the automobile industry, Union Road Transport Minister Nitin Gadkari on Monday said there is no need to ban petrol and diesel vehicles as electric mobility has picked up momentum on its own and all buses would be electric in two years. A panel headed by Niti



and buses. Now, it has started naturally. There is no need to make it mandatory. There is no need to ban petrol and diesel vehicles. In the next two years, all buses would be electric and run on bio-ethanol and CNG (compressed natural gas)," said Gadkari. (Getty Images)



**9. Corporate Tax Cuts On Auto Sales:** Massive reduction in corporate tax rates will have minimal impact to revive the steeply falling auto demand as the 10-12



automakers offer a 7-8 percent discounts, the report adds. "Original equipment makers (OEMs) could choose to pass corporate tax cut benefit to customers, but this would imply only a 1-2 percent additional discount as against 7-8 percent if they were offered a 10 percent GST cut (which did not happen)," foreign brokerage Jefferies said in the report Monday. (Image: Reuters)



10. Telecom War Erupts Ahead Of TRAI Review: After months of lull, old and new telcos on Monday locked horns with Airtel accusing Reliance Jio of "gaming" the



**multiplying the system to detriment of their users, without naming Reliance Jio, a senior Airtel official alleged that "one large 4G-only operator" has arbitrarily slashed ring time for outgoing calls to other networks, thereby converting calls into missed calls and triggering a callback. Jio countered the allegation saying it allows ring time of 20 seconds in line with practices by most global operators, including Vodafone of UK. (Image: Reuters)**

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