

Export-driven sectoral indices outperform stock market rally

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VARYING FORTUNES

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Index	All-time high	All-time high date	Close on 12 March	% away from all-time high
Sensex	22,023.98	3 Oct 2014	21,856.22	-0.76
Auto	12,816.75	7 Mar 2014	12,620.28	-1.53
IT	9,853.6	3 Mar 2014	9,355.38	-5.06
Healthcare	10,893.18	3 Mar 2014	10,219.97	-6.18
Bankex	15,335.89	20 May 2013	13,723.53	-10.51
FMCG	7,600.05	24 Jul 2013	6,648.26	-12.52
Consumer durables	8,221.12	7 Dec 2012	6,147.03	-25.23
Oil and gas	14,268.89	15 Jan 2008	9,058.47	-36.52
Capital goods	21,020.97	15 Nov 2007	11,374.99	-45.89
Metals	20,494.62	4 Jan 2008	8,915.24	-56.50
Power	4,929.34	8 Jan 2008	1,624.42	-67.05
Realty	13,848.09	8 Jan 2008	1,423.25	-89.72

Source: Bloomberg

PARAS JAIN/MINT

LOOKING OUTWARD

Export-driven sectoral indices outperform stock market rally

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MUMBAI

The ongoing stock market rally—the Sensex, BSE's benchmark index, is near a record high—is largely driven by export-driven stocks, with shares of companies dependant on domestic demand languishing on account of the economic slowdown.

Of BSE's 11 sectoral indices, only three are within 10% of their record highs—IT, healthcare, and auto. While IT and healthcare stocks have benefited from a weaker rupee, some auto stocks have gained from cost-cutting measures and strong rural demand.

BSE's realty, power and metal indices are 50% off their highs.

The BSE Auto index recorded a new high last week, and is only 1.5% away from that level; the IT index recorded a new high earlier this March and is 5.1% away from that; and the healthcare index, which also saw a record high earlier in March, is 6.2% away from that level.

The 30-share Sensex recorded a new high of 22,023.98 points on Monday, and is only 0.8% away from posting a new record.

"All companies that are export oriented are doing pretty well. On the other hand, those that had expanded in a very big way, based on domestic opportunities, are caught on the wrong foot," said Ambareesh Baliga, managing partner of Edelweiss Global Wealth, the wealth management arm of Edelweiss Financial Services Ltd.

Among stocks of large soft-

ware firms that get their revenue largely from overseas markets, **Tata Consultancy Services Ltd** is 10% away from a record high, and rival **Infosys Ltd** 4.5% away.

Among pharmaceutical stocks, those of **Dr Reddy's Laboratories Ltd** and **Sun Pharmaceutical Industries Ltd** are 8.5% and 8.7% away, respectively, from their all-time highs.

Among the auto blue chips, tractor and utility vehicle maker **Mahindra and Mahindra Ltd** (M&M) and car maker **Maruti Suzuki India Ltd** are only 3.5% and 5% away, respectively, from their all-time highs.

"The successful monsoon last year has boosted the sales of tractors for M&M. It is the biggest player in that space and has attracted investor interest," said Surjit Arora, a research analyst at brokerage firm **Prabhudas Lilladher Pvt. Ltd**, adding that higher margins in the tractor business have helped cushion the slowdown in utility vehicle sales for the company.

According to Arora, Maruti Suzuki has benefited from cost-cutting measures.

In sharp contrast to these indices (and companies) are those that are substantially off their highs. These are victims of the slowdown in Asia's third largest economy. The Indian economy is expected to grow 4.9% in the year that will end on 31 March, although some analysts say the number could be lower.

The BSE realty index, which tested a record high in January 2008, is nearly 90% off its highs. The power and metal indices are 67.1% and 56.5%, respectively, off their highs seen in January

2008.

Top real estate developer **DLF Ltd** is 84.7% away from its high seen in January 2008. State-owned power producer **NTPC Ltd** is down 53.2% from its record high, while state-owned power equipment maker **Bharat Heavy Electricals Ltd** is 68.6% away. Among metals, **Sesa Sterlite Ltd** and **Tata Steel Ltd** have been the worst affected, and are down 64.5% and nearly 65%, respectively, from their record high levels.

Any turnaround in the investment cycle after the national election scheduled for April-May could change that, say analysts. As could expectations of a stable and reform-minded government at the Centre.

"Stocks of some sectors which have lagged behind could now start catching up, as they participate in the broader rally on hopes that we may see a stable government at the Centre," said Baliga of Edelweiss.

Expectations that Narendra Modi, seen to be pro-reforms and pro-industry, would lead the Bharatiya Janata Party to a victory—as predicted by most opinion polls—and form a stable government pushed the Sensex to a record high earlier this week.

"Good quality stocks, which had lagged behind due to policy decision issues and related delays, could catch up if we see Modi taking charge at the Centre, as he is perceived to be someone who takes timely decisions," said Sandeep Singal, co-head of institutional equities at **Emkay Global Financial Services Ltd**.