

Infrastructure companies could drive next bull run

Good times or bad times don't last forever. Just like the sensex can't move in the same direction always. After every fall there will be bull run and vice versa. And after every fall, there come certain sectors, which lead the pack. Intelligent investors make money by identifying these sectors early.

Before trying to identify the sectors that could lead the next bull phase, we need to take a peek into the past. After a bull phase for a few years, the sensex crashed by the end of 1998 and later it peaked during the first half of the year 2000. During this period, a few sectors that led the pack were fast moving consumer goods (FMCG), IT and banks.

Again, the market fell in 2000 and most of the IT companies declined considerably. The fall continued till end of 2002, however there were several ups and downs in between. But the next bull rally started in 2003 and lasted till the beginning of 2008. During this period, sectors such as oil & gas and power in 2003, IT and realty in 2004 and 2005, oil & gas and

realty in 2006, auto and healthcare in 2007 were the leaders.

Realty performed better during 2004 to 2006, as there was a huge demand for housing and commercial space. During this period, IT and BPO were on expansion mode. Interestingly, prior to this bull phase there were not many listed real estate players. Similarly, prior to the bull run of 1998 to early 2000, many listed IT companies did not exist. In the end of 1998 there were around 110 listed IT companies and the number went up to 187 prior to the fall of 2000.

Going forward, a few new sectors are expected to emerge. Anup Bagchi, executive director, ICICI Securities, said, "The Government's spending is going to play a pivotal role for the next few years. Consequently, several social sector companies might emerge to work with government on public private partnership basis. Although, there aren't many listed entities as of now but this sector surely has the potential to lead the next rally."

India still faces bottlenecks in basic infrastructure and this sector will attract regular investment from both government and private players. Dhiraj Sachdev, VP & head of equities at HSBC Asset Management Company, said, "Non-commodity and non-export oriented sectors will do well. Within the infrastructure sector, power equipment and engineering companies are expected to be pioneers in the next bull phase due to high domestic demand."

However the infrastructure companies which performed well in the last bull run are quite different from those that are likely to do well in the next bull run. Says, Amitabh Chakraborty, president equity, Religare Securities, "In the last bull run infrastructure construction companies performed better but in the coming bull run infrastructure companies, which own the asset are expected to do well."

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