

Days of broad-based rallies may come to an end soon

TIMES NEWS NETWORK

Mumbai: The days of broad-based rallies are over, or so it seems. In the last one-year, only four sectors managed to keep pace with the sensex, while others have lagged behind. Ask investors who made hay in the bull run between mid-2004 and mid-2006, and they'll tell you that the returns were not biased in favour of any particular sector.

Returns from almost all sectors except oil & gas, healthcare and pharma outperformed the sensex between 2004 and early 2006. While the sensex scaled by 150%, from the 5,000 level to cross the 12,000 mark, auto stock valuations grew 208%, second only to the capital goods sector, which reported a hike of 305%.

"The growth between early 2004 and mid-2006 was mainly because of the re-rating of India as an emerging market, which meant that there was a secular rally across all sectors. Now that the re-rating phenomenon has passed, this growth will be spe-

SECTORAL GAIN

Returns from individual sectors have slowed down in the past year

Sectors	May '06 - April '07 (%)	Aug '04 - May '06 (%)
Teck	49.56	187.33
Infotech	26.66	162.69
Oil and Gas	19.05	121.34
Sensex	12.05	150.56
Capital Goods	9.46	304.96
Healthcare	-1.19	94.11
Metals	-12.91	207.05
Auto	-13.96	208.04
FMCG	-17.88	194.37

cific to some sectors and stocks," said Alchemy Capital Management CEO K N Vaidyanathan.

Added to that were the fact that some sectors were undervalued at that time, FMCG being one of them, explained Edelweiss research head Sriram Iyer. FMCG stocks have returned 194% of the value in the two-year period.

However, after the stock market went through a major correction around May-June 2006, the sector has been lagging far behind.

Mid-2006 is considered by many to be a break-point in the secular sectoral run. Except for IT, oil & gas and sunrise sectors like media and telecom, all other sectors have witnessed poorer returns than the benchmark and trade about 10% below their respective May 2006 levels.

"Inflation, rising interest rates, government intervention through pricing policies and increased corporate taxation have led to growth in specific sectors, while others trailed behind," Vaidyanathan said. In the short term, more volatility and divergence was likely, he added. Since mid-2006, FMCG, auto and metals stocks have been the biggest laggards with returns from FMCG stocks falling by nearly 18% since May 2006. While cement was an under performer until April 2007, in the quarter ended June, it has turned around with the government withdrawing its efforts to cap prices.