

Now, investors target sunrise sectors for smart gains

Mansi Kapur | TNN

Mumbai: In a fast changing economy there are always new stories that give windfall returns compared with established businesses.

These investments maybe a tad risky, but returns from them can far compensate the loss from a basket of such investment. For example, Warburg Pincus invested in Bharati Telecom when Indian telecom regulation was still shaky. Their conviction however paid off, bringing them windfall profits when they sold their investment two years ago. Are there any such multi-baggers left in the market now? Alchemy Capital Management CEO K N Vaidyanathan, CEO says that his firm has identified a few secular themes like alternative energy and media and entertainment and life sciences.

"Infrastructure equipment manufacturers, consumer goods, leisure, bio-fuels are some of the sectors which we are focusing on. Media and entertainment is also very interesting as it is an inflation



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positive sector," he said.

While selecting stocks with a favourable risk-reward profile within these sectors is vital, there is a broad direction for most of the sectors based on the economic and political environment. Capital goods continue to be among the top picks with the government and the corporate sector is expected to invest more than \$300 billion over the next few years in building infrastructure.

Companies that help create infrastructure will be of a lot of interest, for example power equipment makers or power transmission firms.

Cement, which has been

taking a beating due to the dual excise policy announced in the budget, has now recovered and is expected to stay firm until mid 2008. Rising crude oil prices, environmental concerns and a need to diversify from conventional energy sources are likely to drive development and investments in the alternative energy area.

A favourable demographic profile, rising incomes and increased per capita spends will drive the growth for retail consumption across sectors. Therefore sectors like consumer goods, leisure, entertainment and media are expected to do well. Banking and

finance is also among the sectors expected to outperform the sensex in the near future.

Some research houses are not upbeat on commodities as a whole. "While selective stocks may outperform the sector, most commodity stock are trading at their peak. This is mainly because we are nearing the end of the commodity cycle. But this is again not true for all commodities," explains Edelhweiss research head Sriram Iyer.

Another sector expected to lag is auto. Demand for two-wheelers and commercial vehicles has slowed down considerably in the last few months, owing to rising interest rates. However, auto component makers and four wheeler companies are likely to survive this low tide.

No wonder Maruti Udyog has been picking up in recent weeks, as it is the only pure four-wheeler maker listed on the exchanges. Both Tata Motors and Mahindra & Mahindra have a significant contribution from their commercial vehicles business and tractors respectively.