When push comes to shove

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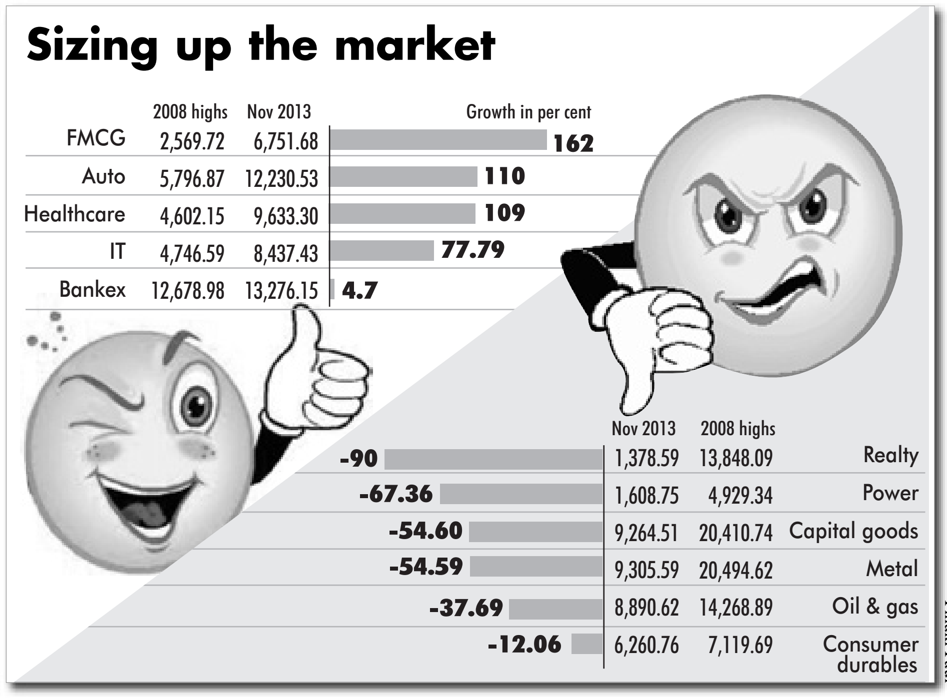
Thakkar is one who thinks the US rollback, inevitable as it is, may begin in 2013 itself.

On the election effect, Thakkar is more optimistic than many. He believes things won't be as bad as most people think even if the poll outcome is not decisive. "In the past we have had fractured mandates but India still managed to grow at 5-6 per cent," he points out. He pins his optimism on the fact that ultimately any democratic government has to act as per the needs and aspirations dictated by its demographics. If there is one thing that dominates the psyche of India, it is growth. "Sooner or later any new government will have to focus on creating jobs by kick-starting investments, speeding up clearances and resolving policy bottlenecks," he hopes.

To be fair to this government, a sense of urgency has marked its action in the past four or five months to keep the current account deficit within the target. Besides, clearances are being pushed for several big projects. This will continue no matter who comes to power after elections, according to Sonam Udasi, research head of IDBI Capital.

There have been other forms also such as cutting the fuel subsidy, letting higher foreign direct investment (FDI) in telecom, retail, aviation and pension companies.

D K Aggarwal, CMD of SMC Investments and Advisors, expects key foreign investments, especially in retail sector, to come in



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after the elections. "No matter who wins, it will mark the beginning of a change in the economy. Foreign retailers may not enter India before the elections, but once the results are out, India will once again be the favourite investment destination," says a confident Aggarwal.

Not so easy, holds Pandey, as there are key policy issues still to be sorted out, specially the policy deadlocks related to environmental clearances and land acquisition for infrastructure, fuel linkages for the power sector and fuel pricing for the oil and gas sector.

Udasi expects a near-flat 12 months for Sensex. The index will touch 22,000 by next Diwali, he forecasts. Reason: there is more upside for small and mid-caps that have been underperforming the broader indices by a big margin. This will rectify itself, he thinks. (The BSE small cap index is trading 58 per cent below the 2008 high; the mid-cap index is lower by 40 per cent.)

Given their underperformance now, it is possible that the infrastructure-related sectors of capital goods, power, metals and real estate will see better days. The divergence in their performance now was also seen in the 1990s amid the dot-com frenzy when technology, media and telecom raced ahead before finally collapsing. A similar phenomenon marked property and power stocks during the peak of 2008. An encore is possible.

"Sector rotation is possible and once the new government is in place," says Deepak Jasani, retail head of HDFC Securities. There will be reform and policy measures that will bring make infrastructure, power and capital goods stocks popular again. But he warns that, given their high leverage, most of these stocks may not revisit their earlier highs.

Tarway of Motilal Oswal Securities sees high probability of outperformance by the capital goods sector if the economy improves. "Valuations in this have very little downside. So one should start deploying funds in quality large-cap capital goods stocks," he advises.

The Indian market has significantly underperformed developed markets. This year alone US equities have returned 24 per cent. In dollar terms, the Indian market may be in negative territory. Vikas Gupta of Arthveda Fund Management, a wealth management outfit, points to a survey that shows investors prefer 10-50 per cent of their equity exposure going to global equities rather than Indian stocks.

But one needs to be careful from hereon as the future could present a different scenario, with big fund managers such as Larry Fink of BlackRock having warned that the Fed's policy is contributing to "bubble-like markets" in the US.

That description of the market could apply to India's FMCG and medicine stocks, which have been in an extended bull phase, aided by good rural spends. Not to worry, says Shah of Kotak Securities. He predicts: "Consumption demand is expected to remain strong in rural areas on the back of NREGA, higher MSPs and a good monsoon. Companies catering to rural consumption will report good growth in the months to come."

Aggarwal has this to say about the rural market: The good monsoon, NREGA and election spending will surely boost the rural economy and increase income levels of rural people. This will spice up the revenue generation capability of FMCG and consumption-oriented companies. But, he adds, the earnings of HUL and ITC clearly reflects that profit margins are under squeeze despite decent volume growth. Further, the bear market of the past two years has pushed a lot of money to stocks like HUL and ITC, leading to expensive valuations. "Keeping all these factors into account, the upside for these stocks appears to be limited," Aggarwal says.

Thakkar has faith in the long-term India consumption story, "It is intact." Consumption in many promising categories is still very low in urban India. In rural India, the penetration of these products is still lower. With rising income levels and changing consumer behaviour, Thakkar expects consumer spending on branded FMCG products to rise. But the has the same concerns as Aggarwal — that high valuations of FMCG stocks are already high. Among export stocks, IT shares will continue to sizzle. The rupee depreciation has helped IT companies price their services more competitively. Indian software employee salaries continue to remain just a fourth of those in the US; so more work can be expected to come India's way.

As for pharmaceuticals, once the companies settle their problems with the US Food & Drug Administration there will be no looking back for them. But the view ahead is still foggy.

In Samvat 2069 a large section of the Indian market has not participated in the rally. Fingers remain crossed on how they will do in the next Samvat.

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Profit still comes knocking at the door of the rich

From P1

Nevertheless, he still made it among the top 10 promoters with Rs 3,950 crore.

Together, the 10 hold stakes worth Rs 74,535 crore in their companies. Of course, this presumes that they have neither diluted nor increased their holdings between September 30 and October 30. The aggregate was 33.3 per cent more than the collective value (Rs 56,000) of their shares on Diwali last year.

The techies are back in full force: three of Infosys's promoters and one of Wipro are among the top 10. On Diwali eve last year, just one from each of these two companies was among the top 10.

Wipro's Azim Premji and Infosys' Sudha Gopalakrishnan, among the top 10 then and also now, have seen their respective holdings unchanged but values higher by 29.1 per cent (at Rs 4,453 crore) and 42.2 per cent (at Rs 4,087 crore), respectively.

The two techie promoters who made the grade this time are both from Infosys: Nandan Nilekani (market value Rs 2,774 crore) and Akshata Murthy (Rs 2,694 crore). Akshata Murthy just about made it to the 10th place.

A third made an entry in the list: she is Biocon's Kiran Mazumdar Shaw.

Mukesh Ambani and Ratan Tata, rich in their own right, are not on the list because their stakes in their companies are mainly held through family trusts and holding companies.

Both Sun Pharma's Shanghvi and Sun TV's Kalanithi Maran had more shares in their companies this September than a year earlier. Shanghvi's shares doubled after a one-to-one bonus issue; Maran's rose through the ranks, as fewer shares of his shares were pledged. (Our analysis this year excludes pledged shares but last year they were included.)

Neeraj Singal of Bhushan Steel, among the top 10 last year, dropped out this year because a little over half his total shares in the company are pledged.

Nilima Motapati and Kiran Divi, both promoters of Divi's Laboratories, fell off the list simply because their share price crashed.

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