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Stocks that bucked the sectoral trend

2013 A REWIND

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Everyone and their aunts know that stocks in the FMCG, software and pharma sectors delivered healthy returns in 2013, while stocks of those such as capital goods manufacturers, banks and infrastructure companies declined.

But following these broad sector trends is not always a good idea.

LIGHTING UP PORTFOLIOS

There are many stocks that perform well despite their peers in the same sector doing badly or stocks that deliver negative returns despite the sector on the whole delivering positive return.

Here are some instances of stocks that bucked the trend in their sector in 2013.

Havells India is up 26 per cent this year even as the consumer durables industry is facing a tough time due to inflationary pressures and high interest rates. The festive season, too, failed to push sales in a big way. Other stocks in this sector, Whirlpool of India and Videocon Industries, are down 21 and 18 per cent, respectively, year-to-date.

Havells India's portfolio of smaller-ticket items such as fans, lights and switches shielded it from waning discretionary demand. Improvement in operational efficiency at its European business also helped.

The capital goods sector, too, was hurt by poor order flows as investments waned. The stocks of Greaves Cotton, BEML and Cummins India took a hit, falling 9-16 per cent. India's largest power equipment maker BHEL also lost 24 per cent year-to-date. Nonetheless, there were others such as Thermax, which generated a return of 13 per cent. The ability to keep up order flows despite subdued demand served the company well. Likewise, Alstom T&D India eked out gains of 5 per cent in 2013.

DOWNSIZING HELPS

Infrastructure was yet another sector bogged down by a multitude of concerns — high debt levels, trouble in financing projects and delays in getting approvals. Stocks from this segment have seen sharp price declines with IRB Infrastructure, GVK Power and Infra and Jaypee Infratech, falling between 27 and 54 per cent.

But investors made money in GMR Infrastructure, which has rallied 27 per cent year-to-date. Successful efforts to sell stakes in some of its projects have helped it ease its leveraged balance sheet.

Similarly, with most players in the Indian steel industry battling weak demand and rising raw material costs, many steel stocks closed the year in red. But JSW Steel (up 24 per cent) and Tata Steel (flat for the year), among the largest steel makers, did better. Growth in overall sales volume, increase in the share of exports and gradually improving iron-ore supplies in Karnataka helped JSW Steel. Access to captive raw material (Indian operations) and improvement in the European business worked for Tata Steel. Wockhardt has the dubious distinction of closing the year 72 per cent down, even as the rest of the pharma pack surged, thanks to rupee depreciation and expanding global presence. Multiple warnings from the US Food and Drug Administration sapped Wockhardt's stock of its vitality.

In the entertainment space, multiplex chains such as PVR and INOX Leisue had a blockbuster year, surging 123 and 35 per cent, respectively. But the likes of TV18 Broadcast and Dish TV India fared poorly, with stock prices declining 27 and 21 per cent, respectively.

TV18 Broadcast bore the brunt of the TRAI order restricting TV advertisements to 12 minutes an hour as also the cut in advertisement spending by companies. Apart from the high level of debt, the stock of Dish TV India was affected by the company's inability to raise the average revenue per user.

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