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FMCG, healthcare sectors hold promise in 2011

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Upturn in investment cycle to be trigger for strong performance of stocks

SECTOR OUTLOOK

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Year 2011 would be the year of FMCG and healthcare sectors, say market experts.

"It was refreshing to see sectors such as FMCG and healthcare which are typically perceived as 'defensive' by many, figure in the bracket of top performing sectors for 2010," said Mr K. Anant Rao, CEO, Kurtosis Analytics and Advisors. "Not many would have placed their bets on these two sectors in 2010 and I feel they will continue to outperform in the coming year 2011 as well," he added.

"I would stick with the domestic consumption theme across sectors as these could be safe bets," said Mr Kishor Ostwal CMD CNI Research.

A significant upturn in the investment cycle would be the key driver for continuous strong performance stocks across sectors, say market experts. "Oil and gas, steel and metals would see better performance in case the economy upturns," said Mr Aneesh Srivastava, CIO - IDBI Federal Life Insurance Co Ltd

The introduction of the Direct Taxes Code will provide further relief to the salaried class and boost consumption, they say.

"In India we see a shift beyond consumer staples, to autos, media, cable distribution, retailing, health-care and airlines — all beneficiaries of higher income levels," said Mr Gopal Agrawal, Deputy CIO and Head Equity Mirae Asset Global Investments (India) Ltd.

"Rising rural consumption on the back of higher crop realisations, rising wages and wealth effects through higher land and gold prices, will provide a multi-year theme," he added.

Three factors will enable the pharma sector to do well in 2011. They are: lower penetration of "Western medicines", industry estimates which forecast a higher two-digit annual expansion for the domestic industry; and the huge number of patent expiry of drugs in the developed markets.

M&A ACTIVITY

India Inc closed deals close to $55 billion during the year, an all-time record. "With the expectations of a 16-18 per cent growth in earnings for the Indian corporates along with an optimistic economic growth forecast and a focus on improving infrastructural facilities, India continues to remain an attractive investment destination for global investors in the upcoming New Year," said Mr D.R. Dogra, MD &CEO, CARE Ltd . "The M&A activities are also likely to continue their current pace as companies are comfortable in adopting the inorganic route to expand and increase their market share," he added.

CONCERNS

Experts say that realty, infrastructure and power would underperform in 2011.

"Sectors which are sensitive to interest rates won't be a great bet for 2011," said Mr Rao. Commodities globally have given an excellent return in the last decade and expecting a repeat of the same performance in the new decade would be unfair, he added.

"Investors would continue to remain cautious over issues such as the 2G spectrum and other scams and corporate governance matters," said Mr Dogra. "These can dampen the premium enjoyed by the Indian markets currently," he added.

"Investors may avoid highly priced IT, telecom, banking and auto stocks," said Mr Ostwal. "There would be pressure on banking especially with respect to liquidity and net interest margins," said Mr Srivastava.

"Industrials could be the dark horse of 2011 if the government gets its act together on infrastructure spending and the private sector embarks on capacity expansion," concludes Mr Agrawal.