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Crystal gazing: star sectors for '09

Debojyoti Ghosh & Shivani Mody | TNN

Are you confused about which stocks to pick and sectors to bank on in 2009? Though the global economy is going through a turmoil following the financial crisis, analysts and wealth managers are optimistic about certain sectors.

Narayan S A, MD of Kotak Securities, says select stocks in the pharmaceuticals, PSU banks, power, construction and capital goods sectors are expected to perform well. "Large players in the infrastructure sector which are less dependent on raising fresh capital from the market will outperform," he says.

Pharmaceuticals typically are not much impacted by a slowdown. Analysts say companies in the contract research and manufacturing services (CRAMS) and cardiovascular segment will do well. Many global pharma players are expected to use India's cheaper contract research and manufacturing facilities. "Lower penetration of the generic drugs in some of the regulated markets along with drugs going off-patent in the next few years will drive the growth of Indian pharmaceutical players," says Dinesh Thakkar, CMD of Angel



Broking. The falling interest rates is expected to work in favour of the banking sector, especially PSU banks. The construction and capital goods sector is also expected to outperform. "Companies that are dependent on government spending will do well as we expect public spending to go up," says Kotak Securities.

Nilesh Kotak, CEO of financial services firm Dhanvarshaindia.com, also notes that the government is infusing huge liquidity into the market, "three times more

than before". "With working capital easily available, infrastructure will have access to capital and will be able to perform better this year," he says.

The telecom and infrastructure sectors also look strong this year. "There remains tremendous potential for mobile companies to increase teledensity further," says Thakkar.

On the commodities front, zinc and crude are likely outperformers. "In the current market conditions, the value of zinc either tends to hold or go higher. It seems to be a good option to consider," says V K Sharma of Anagram Stock Broking.

Crude oil price is seen to have hit a bottom. And with regions like the US, Europe and China trying to pump-prime their economies, combined with the West Asia conflict, crude prices are expected to go up. "We are bullish on crude. Even in the futures market it is being quoted at higher levels," says Sharma. However, analysts predict the engineering, FMCG and IT sectors will be underperformers this year. "The engineering sector does have good orders but the long duration of the projects will not allow it to perform as desired," says an analyst.