



PRASUN GAJRI
CIO
HDFC Standard Life Insurance

DOMESTIC PLAY

We are more comfortable with sectors linked to the domestic economy rather than the sectors exposed to global economy.

DO DIVERSIFICATION

The Indian market will have different themes at different points of time. Thus diversification will continue to pay off.

India On Growth Path

Even though predictions cannot be made about a turnaround in world economy, the positive factors in India will definitely provide a momentum to the markets

In general terms, India will continue to be one of the more attractive emerging markets. This is owing to the resilience of the Indian economy during this downturn, the fact that valuations are in line with other key emerging markets, and because the Indian market provides a large spectrum of stocks and sectors where the global investors can invest in. Thus from a macro perspective, I am positive about the Indian markets. I will not want to focus on the short-term trends in the Indian economy too much. In the short term, a lot will depend on how the monsoon plays out and how the recovery across the world shapes up.

I will continue to focus on the more structural aspects of the Indian economy which are likely to play out over the next few years. These include familiar themes like positive demographics, increasing infrastructure spend, rising consumption levels, rising rural prosperity and the likelihood of the Indian economy being a relatively impressive performer on the world stage. At the same time one will need to be conscious of the possible pitfalls and risks. I don't think that there is any doubt about the fact that fiscal issues are a problem for our economy. While growth is important, my feeling is that there needs to be a well-laid out and a time-bound plan for the fiscal situation to be brought under control.

This will provide a greater confidence to the rating agencies as well as the investors. The current assurances from the government regarding this issue lack detail. It is difficult to forecast when the rating agencies may react but it is quite evident that fiscal deficit will be the main factor if there is any rating downgrade in the future. As for the results in Q1, there were more positive surprises than negative ones. Some of the sectors like automobile, FMCG,

cement, IT and even banking surprised on the upside. However, the positive surprises were mainly on account of savings in the input costs, lower interest costs and lower manpower costs. A significant pick-up in the topline was missing.

My feeling is that the momentum will continue in the next quarter as well. Revival of global economy, pick-up in domestic credit demand, improving asset quality of banks and some positive actions by the government will be the factors to watch out for. We believe that the Indian economy will be a growth spot even though we are not as sanguine about the global economy. We are more comfortable with sectors linked to the domestic economy rather than the sectors exposed to global economy.

My advice to retail investors is to:

- a) **Stay Invested:** Investors are advised to stay invested in the equity markets keeping in mind the long-term growth potential. India as a country is at an inflection point. With over 3,000 stocks getting traded every day, opportunities are immense for the investor and the fund manager. Investing is more about patience and discipline and less about timing.
- b) **Asset Allocation:** While equity is expected to deliver a higher return than bonds over a longer period of time, commensurate with the higher risk, investors should stick to their decided asset allocation strategy.
- c) **Stick To Quality:** A strategy of investing in quality companies with sound financials pays in the long term.
- d) **Diversify:** The Indian market will have different themes at different points of time. It is difficult for any investor to time the market or any particular sector. Diversification will continue to pay off.

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