

'Frequent revisiting of investments a must'

From being usually bullish, **MADHUSUDAN KELA**, chief investment strategist at Reliance Capital, has turned a bit cautious. In the current circumstances, he says, one has to keep revisiting investment strategy every three months. Value is important, he tells Joydeep Ghosh, but one can't lose sight of the near-term growth outlook of a particular sector or company. Edited excerpts:



mutual funds got over ₹16,000 crore of inflow in July-September.

How critical is the Bihar election outcome?

They're important as they'd decide whether the (ruling) NDA (coalition) is able to garner enough strength in the Rajya Sabha. So, the reform process could accelerate a bit if the result is in NDA's favour. However, one state election outcome will in no way decide how our macros and markets will get shaped over the next six to 12 months.

In an environment where a number of big companies and sectors are suffering, what are the key challenges for a fund manager?

A manager has to avoid committing large mistakes. It's important to differentiate between what is risky and what's value. Laziness and bias, both, can pose serious challenges to portfolio performance. Extreme rigour is needed to be able to discern opportunities in sectors facing headwinds. Our market is rewarding growth as it is scarce. So, while value is important, one can't lose sight from the near-term growth outlook a particular sector or company has.

How have things changed for a stock picker like you?

The basic tenets remain the same, to find stories with a combination of under-appreciated growth and relative value. However, there has been a lot of instability in the overall business environment in the past year. This means one has to keep assessing the existing investment every three months to see whether the investment stories are on the right track or not. Since the visibility is less, the need for frequently revisiting the investments has gone up, to ascertain whether these are doing well and if there's a need to replace that with more compelling opportunities at hand.



MADHUSUDAN KELA

Chief investment strategist,
Reliance Capital

What are key concerns for the Indian stock market?

There are more concerns on the global front. Emerging markets (EM) are under severe pressure, due to over-leverage. While there has been wide acknowledgement of the EM problem and asset markets have already significantly corrected, there is always risk of an accident somewhere in the world. That said, local concerns are abating at the margin, as both the government and the Reserve Bank (RBI) are trying to support the recovery. So, in the case of any global shake-off, India might not be meaningfully impacted.

RBI surprised the market with a 50 basis points rate cut. Do you see more easing soon?

RBI has done a commendable

by 125 bps in only eight months. Clearly, the priorities are changing to support growth recovery. Despite the sharp rate cuts, the real interest rate in India still remains quite elevated. That means there is both room and need for policy rates to further come down. However, with a 50 bps rate cut, RBI has front-loaded the easing. They would now like to see some transmission. Further, Consumer Price Index inflation could start to inch up from this month; therefore, RBI might wait for four or five months to see if inflation remains contained and then begin to extend the policy easing cycle.

Is investor interest waning in the Indian market, after the initial euphoria?

There has been some disenchantment from foreign institutional investors but domestic investors' interest hasn't wavered at all, despite high volatility in the past nine months. It's heartening to see domestic investors are using this global concern-induced correction to increase their equity allocation.