

'From long-term perspective, things are moving well'

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Volatility in Indian equity markets will continue as India is a part of emerging markets, said Sunil Singhania, Chief Investment Officer — Equity, at Reliance Asset Management Company. But India is favoured by foreign investors more than any other country and hence they look at volatility as opportunities. Excerpts from the interview:

Should investors be worried about the outflows from India?

A billion dollar outflows should be looked at in comparison with monthly savings of \$6-7 billion India is getting from lower oil prices. My interaction with global investors gives me confidence that India is at a much sweeter spot than any other country in the world. At the same time, India is a part of emerging market. So, if EMS experience outflows, the In-

dian market will get impacted. I think the moment the world stabilises, India will be the biggest beneficiary in terms of flows and markets.

The strategy you are adopting right now...

We are bullish on financials, given the shift happening from physical savings to financial savings. Secondly, we believe urban consumption should do much better than rural consumption, which has got affected because of poor rains and lower agricultural prices.

On the other hand, urban consumption is benefiting because inflation has come down. We would soon have the Seventh Pay Commission. And, generally the environment on jobs in urban areas is better than earlier. We also need quality capital goods companies because if India has to go from \$2 trillion to \$4 trillion, lots of

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spending will have to take place in infrastructure, railways, capital goods, etc.

Almost everything on macro seems to be falling in place... When do you see earnings picking up?

We are in the same kind of scenario today that we saw in 2002-2008. In 2008-14, India had capacity but no demand. Interest costs went

up. So, operational leverage became a headwind and profit growth was hardly there. The moment demand revives, you will have massive operating leverage coming into play.

Interest rates are also falling. We have had 125 basis points rate cut in the last one year. So, financial leverage will also come in. Our view is that between now

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SUNIL SINGHANIA,
CIO — Equity, Reliance AMC

and 2020, earnings can rise at a CAGR of 17-18 per cent.

Will Fed rate hike be a non-event now?

Whenever there is an expectation of a big event going to be happen, people over-analyse it in advance. And by the time it actually happens, it is already discounted so much that there is no impact in the market. We have seen such events, such as the fiscal cliff, tapering of quantitative easing by the US, Greece exit, and so on, in the past. Our view is that the Fed increasing interest rates, in fact, might be taken positively by the markets because it will

be a signal that the US economy is growing quite fast.

Would you list out the global and domestic factors that pose major risks to the Indian market?

The world is much more stable than it was in mid-2010. We don't see a catastrophic kind of scenario. Yes, global growth is going to be slower; but this will be positive for India as that will mean softer commodity and oil prices.

On the domestic front, there is expectation government spending will pick up and the economy will start to revive, on which we are also very confident. But there is a small percentage probability that it might not happen.

In the near term, if the election results go against the ruling party that can be a short-term risk. Near-term risks will always be there but from the medium- to longer-term perspective, we are very clear that things are moving well for India.