

# 'Expect India to outperform peers in six months'

There has been no stopping the Indian markets these past few weeks as they have scaled fresh peaks. **VINAY JAISING**, managing director of portfolio management services at JM Financial Services, tells **Puneet Wadhwa** in an email interview that in case the US undergoes a strong recession, Indian markets can also fall or have a time-wise correction. Investors, he observes, should add stocks on every decline. Edited excerpts:

## Do you think the markets can sustain their current levels?

Since April, the Indian market has been the second-best performer after the Japanese (Nikkei) equity market. However, calendar year-to-date, Morgan Stanley Capital International India has been a relative underperformer, and a lot of our rich historic relative valuations have time-corrected.

On an absolute valuation, though, we are at our peak index level but trade close to the last five-year average. Our earnings growth trajectory — at a 15 per cent compound annual growth rate in the next two years — is on the upswing, compared to the rest of the world, where we expect increasing interest rates for at least a quarter and a possible recession, as showcased by the US' inverted two-year and 10-year interest rates.

We may end the year contributing a sixth of the incremental world gross domestic product.

Thus, India is relatively expected to outperform its peers in the next six months. In case the US undergoes a strong recession, Indian markets can also fall or have a time-wise correction. However, we do not

expect it to be steep.

## What has been your investment strategy these past few months?

We have started focusing a lot more on domestic-facing sectors, especially those related to capital expenditure (capex). Defence, water treatment, power equipment, and building material companies, including cement, are all linked to the capex growth of the country. This trend, we believe, is only growing.

## Are foreign institutional investor (FII) flows likely to sustain over the next six to 12 months?

The Indian currency has depreciated in double digits since January 2022, and FIIs withdrew as much as \$19 billion in 2022. We estimate this led to FII ownership in India falling from 21 per cent to nearly 18 per cent.

A stronger rupee due to lower commodity prices and resilient exports should further help FII inflows into the country.

## Is it time for investors to take some money off the table?

Investors should add stocks on every decline. Certain investments or stocks have become extremely expensive, or

the business thesis has changed.

In such cases, investors can swap and start accumulating stocks in capex-linked sectors.

## What are your expectations from the 2023-24 (FY24) April-June quarter results season?

We expect 10 per cent revenue growth (on average) for India Inc in the June quarter and a profit after tax growth of about 25 per cent. The stellar performance in the June quarter should come from oil-marketing companies, capex-linked plays, and industrials.

Telecommunications (telecom), financials, especially banks, and automotive should outperform. The underperformers will be from the agriculture, metals, and specialty chemical sectors.

## Is food-led inflation likely to become a sore point for the markets over the next few months?

**“JIO FINANCIAL SERVICES SHOULD MAKE A BIGGER DENT IN THE FINTECH NAMES AND NBFCs FOCUSING ON RETAIL IN INDIA THAN THE BANKS”**



We have sharp year-on-year (YoY) disinflation in energy prices, which should suppress headline inflation numbers this quarter, so this is not a big concern area for us.

## Stocks of new-age companies have done well. Is there any merit in the run-up?

For new-age companies, although valuation has become attractive and the results of some have been better than expected, we have concerns about valuation and their relatively higher cost of capital. As a strategy, we are avoiding them. Instead, we prefer credit card companies, quick-service restaurants, and telecom companies over them as proxies. Also, many new-age names have financial technology (fintech) competitors like Open Network for Digital Commerce, Bima Sugam, and Unified Payments Interface, which could change their business dynamics.

## How will Jio Financial Services (JFS) shake things up for the banking and non-banking financial company (NBFC) spaces?

We are bullish on the loan book growth for banks and NBFCs, which has been steady at over 15 per cent in the past 15 months, against 11-12 per cent historically.

However, we believe that net interest margins seem to have peaked. Finance companies will largely normalise their earnings in FY24. On a YoY basis, their loan book growth should largely equate with net profit growth.

More on [business-standard.com](https://business-standard.com)



**VINAY JAISING**  
Managing Director—  
PMS, JM Financial  
Services

PHOTO: KAMLESH PEDNEKAR