

Daily Voice | If Taylor Swift tour can boost GSDP in US, then why cricket world cup won't revive consumption here?

There are worries for the market, about the impact of the slowing US economy, impact of geopolitics, strengthening commodity prices and the upcoming elections in India, says Asit Bhandarkar of JM Financial MF.

SUNIL SHANKAR MATKAR | OCTOBER 12, 2023 / 07:44 AM IST



Asit Bhandarkar is the Senior Fund Manager (Equity) at JM Financial Mutual Fund

Markets are marching back to record highs after a spate of consolidation. On the sectors in terms of valuations, Asit Bhandarkar, a senior fund manager for equities at JM Financial Mutual Fund, told *Moneycontrol* that financials, automobiles and infrastructure sectors are trading at reasonable valuations as against their historical valuations over the previous decade.

Festive season will begin soon India which does constitute an important portion of discretionary spending. "Based on our channel checks, we look forward to a robust outlook to this festive season given the improving outlook on rural consumption, pick up in government spending and improving employment trends," he says.

With more than 16 years of experience in equity research and fund management, Asit feels banks and NBFCs will face net interest margins (NIM) compression but still post strong earnings in Q2FY24. Excerpts from the interview:

What do you expect from the overall September quarter earnings and also Nifty50 earnings?

Corporate profits have been robust with an earnings growth of 33 percent YoY for recent quarter gone by (for comparable companies in the BSE 500). Since the tailwind of lower input costs may continue for this quarter as well, a similar strong set of numbers is expected on back of demand build up for the festive season.

Bloomberg consensus expects the Nifty earnings growth at 10.4 percent for FY2024 due to the impact of increasing energy prices, higher base and election led decision-making slowdown going into the second half.

Also read: [TCS Q2 show impresses but investors may stay on sidelines, say analysts](#)

Which sectors do you think will drive the earnings growth in the September quarter?

It is expected that the sectors like auto, cement, capital goods, consumer staples and discretionary may benefit from demand and margin improvement. Banks and NBFCs will face net interest margins (NIM) compression but still post strong numbers.

Which are three important factors that would dominate investor conversations in the rest of the current financial year?

Majority of investor conversations are about the new opportunities presented by the growth of the Indian economy like China +1, Production Linked Incentives (PLI,) Import substitutions, Internet businesses etc. On the other hand, there are worries about the impact of the slowing US economy, impact of geopolitics, strengthening commodity prices and the upcoming elections in India.

Also read: [Corrections in equities to offer good buying opportunities: Kotak Alternate Asset Managers](#)

Which are the three sectors that are still trading at reasonable valuations?

Financials, automobiles and infrastructure sectors are trading at reasonable valuations as compared to their historical valuations over the previous decade.

Do you expect the SIP flows to equity to remain high in going forward?

In recent times, inflows via the SIP route have been reasonably strong. We believe the investors are now more knowledgeable and well advised than a decade back. SIPs flows have endured several crisis in the past few years including Covid, Ukraine-Russia war, Fed interest rate increase, European energy crisis etc.

Also read: [World Bank says global economy getting weaker, but US and India bright spots](#)

Although it is impossible to make accurate predictions on this front, it does so appear that SIP flows will remain an important source of funds for Indian markets. The pace of SIP flows may vary with times and circumstances but broadly allocation to equities will only grow in future.

Is it the time to add exposure to healthcare space?

We cannot give specific investment recommendation. Pharma companies have significant global presence and are mature businesses. Healthcare sector, in general, presents a moderate growth opportunity with defensive characteristics. In the past, in face of heightened volatility, we have seen that healthcare sector has helped reduce volatility for investors.

Do you really think ICC Cricket World Cup and festive season will boost consumption in the short term?

Globally, we have read about how Beyoncé concert led to higher inflation in Sweden or how a Taylor Swift tour have positively affected GDP of certain States in US. The events such as the G20 meetings, ICC Cricket World Cup have important but transitory impact and it is very difficult to assess the impact of these events given the sheer size and scale of our economy.

Festive season, however, does constitute an important portion of discretionary spending. Based on our channel checks, we look forward to a robust outlook to this festive season given the improving outlook on rural consumption, pick up in government spending and improving employment trends.

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