

# ETMarkets Smart Talk: Rural consumption could top priority in Modi 3.0's final Budget in July: Vinay Jaising

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## Synopsis

The BJP led NDA alliance is confident of forming the government for the third time consecutively which has not happened in India since 1962 when the Nehru led Congress was in Power; and an extremely spectacular event.



Stock market returns for India have been in teens over the longer term as long as one is willing to be a long-term investor. The lower the age of the investor the more the risk-taking appetite should be and the equity allocation

*"One thing the government missed earlier was increasing the consumption spend of rural India and that in our eyes will be the incremental addition to the Indian interim budget," says Vinay Jaising, MD and Co-Head, Portfolio Management Services, JM Financial Services Ltd.*

*In an interview with ETMarkets, Jaising said: "We will not be surprised if we see incremental*

*spending on rural welfare and other populist*

*measures," Edited excerpts:*

### **Will it be a smooth ride for the govt in Modi 3.0 and how do you see the scenario playing out for markets?**

The BJP led NDA alliance is confident of forming the government for the third time consecutively which has not happened in India since 1962 when the Nehru led Congress was in Power; and an extremely spectacular event.

The current NDA is however weaker by 61 votes. The good news for the economy is most of the big reforms including making India a global destination by lowering taxes, JanDhan Aadhar Mobile which has led to India being one of the most digitised countries in the world, Production linked incentives which should make India the world manufacturing capital are already implemented.

Also, the manifesto is very likely to be followed which focuses on three pillars.

- 1) Continue the path of Responsible Growth through Fiscal Prudence, Low Inflation and High Growth.
- 2) The aim is to Make Bharat a Global Manufacturing Hub through a series of initiatives for simplification of regulatory processes and investment in capacity building.
- 3) Increase in Focus on improving the investment cycle through policy initiatives of Make in India and PLI (Production Linked Incentives)

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FII's who have been net sellers of USD 4.5 billion in the last 45 days and are below their decade low in India ownership at 16% will wait to see this path being followed with the first indication coming in from the Indian budget for 2024.

The ride in the stock market may not be as smooth as last year however, we believe the market volatility will soon reduce, as soon as the government shows consistency in following its path it has laid out

### **After the recent volatility do you feel that we have bottomed out at least in the short term?**

We believe stock specific where valuations have showcased exuberance, corrections will happen and as soon as we start seeing Q1F2025 results which should be starting in a month all eyes would move back to fundamentals of companies which in our eyes in most sectors are very strong and broad based

Retail appetite is continuing to amaze the markets and is a rising tide. It needs to be fuelled by FII liquidity which we believe is a function of a good final budget for 2025

Over a year we see a growth trajectory of over 15% of Indian profitability of indices and in line we should see markets perform.

### **What about policy reforms? Do you see a shift of reforms to welfare politics?**

We will not be surprised if we see incremental spending on rural welfare and other populist measures. The budget 2025 already has Rs. 1.3 trillion higher dividends received from RBI and the direct and GST tax collections are getting stronger by the month.

Interest rates are expected to fall globally which should lower the country's debt burden, thus despite additional spending on welfare we believe the path to lowering the fiscal deficit would also be achieved.

We also believe the absolute growth in Capex of Rs1.5-1.7 trillion per annum would be attained or increased every year by the government in its aspiration to make India a global manufacturing hub

### **Which sectors are likely to do well in the new regime? FMCG and IT stocks have picked up momentum recently. What are your views?**

The new regime is not significantly different from the old regime as we see it, however the run up in certain small caps and mid-caps may make investors rebalance their portfolios to partly increase their weightage on large caps and book gains in certain spaces in the capex related sectors where valuations have gone to absurd levels

IT sector is inundated by global geopolitical uncertainties and we expected a slowdown in order book before it increases

FMCG as sector has its set of challenges on increasing demand and most of them are already at the average 5-year valuations and with tepid growth ahead

In our eyes Growth at Reasonable Prices (GARP) of bottom-up stocks in themes linked to Consumption; Capex including Power and Make in India should continue to do well

### **Railways, PSUs, and PSE rose in the run-up to the election outcome. Do you see de-rating in some of these sectors and how should investors approach them who are already invested?**

The principal of buying should always remain focused on fundamentals with a margin of safety.

Railways have had very high earnings growth, albeit their PE rerating has also been higher for some of them.

PSU and PSE also have had improvement in their productivity and now their valuation gap in comparison to private peers have lowered.

Now one should not look at any of these names as a blind basket to buy or sell, but on their individual merits.

### **Things that investors should avoid doing when looking at the poll outcome that might not be the ideal scenario?**

At times coalition governments in theory may make more powerful forces and take better policy decisions since it becomes more democratic than a thought of a single party.

Also, coalition government can last a full tenure specially if it's the formation of just 3 big parties which have most of the votes.

Policy making is more important than seeing polls and election results.

### **FII's were net short in the run-up to election results. How are they viewing India for long-term investments? Have you had a chance to speak to some of the FII's?**

FII have net sold US\$ 2 bn post-election result and we believe we are waiting to see the formation of the new government and then passing the budget before they take any meaningful action.

### **Is it time to reshuffle the portfolio? What is the ideal asset allocation one can look at in the 30-40-year age bracket?**

Timing in the market is far more important than focusing on timing the market

Reshuffling is a function of the price movement of the stock and change in its thesis. If either has happened and fundamentally arrives at a sell or buy call one must do so.

As a general rule, if the manifesto is followed one may not need to make changes. For any investor of any age who has not invested in the markets Systematic Investments on a month basis should help moderate fluctuations

Stock market returns for India have been in teens over the longer term as long as one is willing to be a long-term investor. The lower the age of the investor the more the risk-taking appetite should be and the equity allocation

*(Disclaimer: Recommendations, suggestions, views, and opinions given by experts are their own. These do not represent the views of the Economic Times)*