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### Bearish in near-term but greedy in long-term: Nikhil Chandak, JM Financial

*Amid an inflationary environment and consequent tightening of monetary policy stances both in India and globally, those buying stocks with a short-term outlook must stay away until there is clarity, says **Nikhil Chandak**, MD & Head of Investments, **JM Financial***
***NSE 1.16 %**. On the other hand, long-term investors should be greedy at the moment. In this interview, he also talks about themes he is bullish on.*

**We are in the middle of rate hikes, an unending war, soaring inflation and not-so-impressive earnings season. Is it the time to be greedy or fearful?**
Well, it depends on the investment horizon of an investor, whether one has a short-term investment outlook of a month or a year or a longer term view of 3-5 years. The near-term outlook is visibly bearish given the spike in inflation and consequent tightening of monetary policy stances both in India and globally. So, it makes sense for an investor or a trader with a short-term outlook to stay out of the volatility until there is clarity. Having said that, for a longer-term patient investor, history has shown time and again that a crisis is the best time to build holdings in quality companies at attractive valuations. So, a longer term investor should naturally be greedy at the moment and should be evaluating options to invest in resilient companies which can weather the storm.

**Did you use the recent correction to reshuffle your portfolio? If yes, then can you throw some light on what went in and what went out?**
From a sectoral perspective, we are not as bullish as we have been a few months back on metals, commodities and technology. On the other hand, we are positive on the opening up of stocks in segments like retail, quick service restaurant (QSR), multiplexes etc. There has been a build-up of Covid and lockdown fatigue in India and it's a global phenomenon. So, companies in these segments have the benefit of leveraging huge pent-up consumer demand. We are also positive on private financials where valuations are reasonable, select auto stocks especially those related to the commercial vehicle segment and sectors benefiting from the demand revival in the real estate and housing segment.

**New-age startups that got listed in the last one year have now given up a lot of gains. Anything that you like in this pocket and why?**
We have been extremely selective while investing in IPO bound new-age start-ups. We primarily use three basic filters as evaluation criteria - a) the competitive intensity and pricing power of a start-up in its business segment, b) profit and cash flow visibility over an approximate time horizon of 3-4 years, and c) whether the start-up

has already diluted equity or will need to dilute equity beyond reasonable levels to fund growth. If a company does not make the cut based on these filters, we prefer to give it a miss. That essentially means that we avoided almost 90 percent of these IPOs and have held on to very select names with proven resilience while adopting a longer-term view.

**What is the best strategy in your opinion to adopt in a rising interest rate environment for someone with a 1-2 year view?**
Retail investors who are not in a position to invest time to track markets regularly can go for systematic investment plans (SIPs) or continue with their SIPs in index funds and exchange traded funds (ETFs). There are enough investment options in index funds and ETFs across large-caps, mid-caps and small-caps. However, for active, savvy and patient investors, the current stock selection criteria needs to have a higher quality threshold.

The broad-based bull market which we have witnessed over the last two years where companies across almost all sectors did well is behind us. In the next couple of years, only those companies with built-in resilience and strong pricing power to battle the inflationary pressures will do well and strengthen their positions towards delivering sustainable growth.

**Given all the inflationary headwinds and rising interest rates, is it best to stay away from the entire consumer pack at this stage?**
We are, in general, not quite bullish on consumer staples given rich valuations relative to earnings growth. Our view is that the inflationary pressures will further restrict stock performance in this space.

**Which are the 3-4 long-term themes that you are betting on?**
Private financials, select auto companies, housing-centric themes coupled with opening up of stocks in segments like retail, QSR etc. are the areas where we are most constructive.