

ETMarkets Smart Talk: Housing, building material & related sector might be a dark horse in Modi 3.0

By Kshitij Anand, ETMarkets.com • Last Updated: Jun 07, 2024, 09:00:00 AM IST

Synopsis

Whether the thrust on railway, defence & environment for capex would pan is not clear at this point, and markets hate uncertainty & de-rating happens when growth is not certain



However, with key NDA allies needed to form the government, the BJP would look to walk the balance between pushing growth, and reforms and accommodating prudent requests of such allies to ensure a stable government.

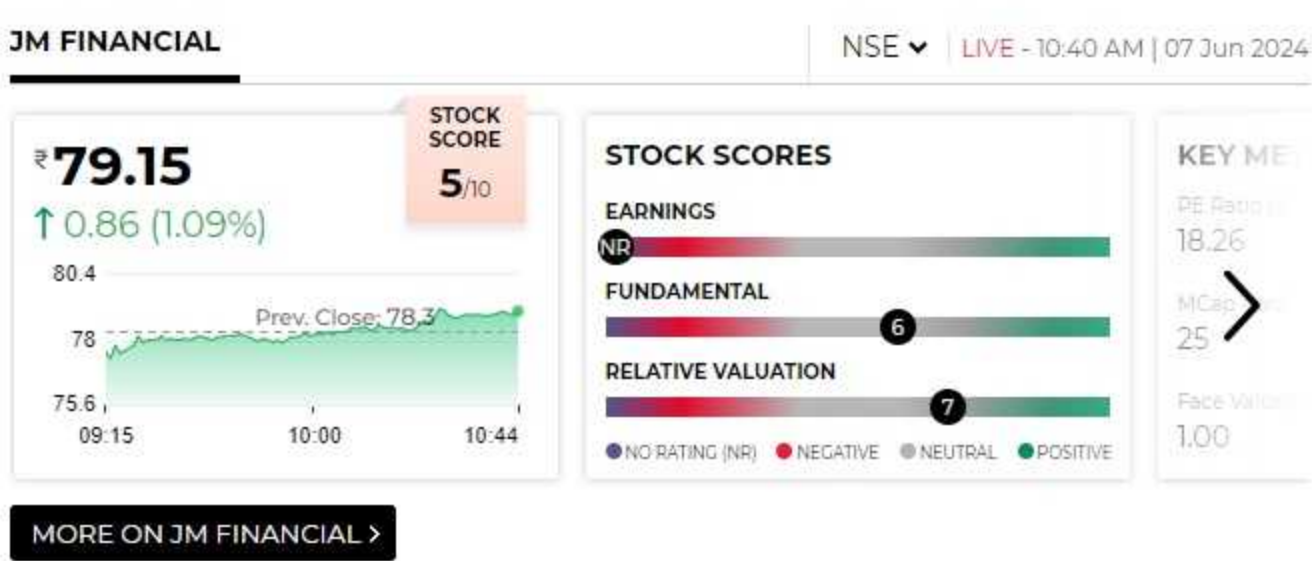
*“Housing, building material & related sector might be a dark horse, given the general thrust of **housing** for all & affordable housing theme, which may not change despite Modiji getting lower mandate in the election,” says Rakesh Parekh, MD and Co-Head, Portfolio Management Services, **JM Financial Ltd.***

*In an interview with **ETMarkets**, Parekh said:*

*“Discretionary consumption facing **rural areas** may come into the limelight if rain is good & **budget** focuses on rural spending incrementally,” Edited excerpts:*

A near 6% fall in the **market post the election outcome. What is D-Street scared off?**

The market is worried about the ability of Modiji to implement the agenda listed in the **BJP** manifesto, as he is now dependent on allies to pass laws and implement **reforms**.



Whether the thrust on railway, defence & environment for capex would pan is not clear at this point, and markets hate uncertainty & de-rating happens when **growth** is not certain

Many new investors are joining D-Street every month. Now, if someone wants to start their **investment journey in 2024 – how are the next 5 years looking?**

With India on track to become the third largest economy in the world, next only to the US & China, the next five years would be exciting & extremely rewarding for **equity markets**.

Though we are relatively expensive, India remains one of the highest-growth emerging markets with broad-based sector diversity & strong liquidity-driven flows from an **FII** perspective.

We advise new investors to slowly build their equity portfolios as this combination of growth and significant flows will create significant wealth in the coming years.

We will also see a Budget session in July. Do you expect any specific reforms from a market point of view?

We believe the full budget would be a continuation of the economic policies of the current **NDA Government**.

We would expect the Govt to announce a series of programmes like simplification of regulatory processes, increased investments in infrastructure, steps to attract more FDI & FII flows to support growth of manufacturing in India, including adding more sectors for PLI schemes as hinted in their election manifesto.

As India would gradually open up to global Bond markets in the 3rd term, we are also expecting an improvement in the country's sovereign credit ratings.

This would manifest itself in increasing flows into India for both the Govt & private sector investments which would further support fiscal stability and a stable LT investment focus.

How are FIIs likely to approach D-Street amid political uncertainty? The valuation premium was on stable fundamentals but the new govt might come with a different agenda. What are your views?

A) Given the NDA has got a mandate with pre-poll allies, we are hoping that the Government will be able to implement its promises as listed in the manifesto.

But any chatter of key allies not supporting this agenda and having a common minimum programme would be disturbing for markets in general, especially the FIIs. Formation of cabinet & presentation of budget would be important from that point of view for the markets over the next few days & weeks.

On the valuation side, BJP with a majority by itself would have been the best-case scenario; however, once the dust over the election settles, India would still be the fastest growing economy and hence likely continue to outperform in the longer term horizon.

Which could turn out to be a dark horse in FY25?

Housing, building materials & related sectors might be a dark horse, given the general thrust of housing for all & affordable housing theme, which may not change despite Modiji getting a lower mandate in the election.

Discretionary consumption facing rural areas may come into the limelight if rain is good & budget focuses on rural spending incrementally.

Is there a need to shuffle the portfolio amid political/reform uncertainty?

If the portfolio is heavily tilted towards policy & reforms, capex & infrastructure, which is at a risk of some slowdown on a high base & trading at a high valuation, investors need to reassess the weights towards those sectors.

Investors might look at defensive growth sectors like consumer & pharma, where the growth is not dependent on Government policy and agenda.

Do you think there is going to be a complete reset of the policy initiatives?

We believe the complete re-set is unlikely given people have voted for a clear majority to the NDA government, with parties having pre-poll alliances.

However, with key NDA allies needed to form the government, the BJP would look to walk the balance between pushing growth, and reforms and accommodating prudent requests of such allies to ensure a stable government.

The 2 key alliance partners might want some special treatment to their states or some power sharing in the cabinet.

But broad economic policies are unlikely to change as they are pro-growth & pro-investment in infrastructure, which cannot be questioned.

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