



Equity Outlook

Samvat 2073 => Sensex +2703 & counting

India in the coming year will see fruits of the seeds sown in the last few years. There has been radical change in the way the ground reality was being addressed in the previous years and will be taken up in future. Let's look at our country over the last 6-7 decades and understand how things have evolved. In the nuances of the short term, we miss out on the long term and big picture.

Post independence – the 1950s till 1970s was an era of bi-cycles in India. The next two decade from 1970s till 1990s was a period of Scooters – let's say Hamara Bajaj. The 1990s till 2010 saw the surge of Motorcycles as a mass medium of transportation. With every passage of time and improved living of people, there was an improvement in the value of mode of transportation. Then as the standard of living of people increased the migration is currently on for Passenger Vehicles i.e. Cars at a massive pace. The period from 2010s till at least 2030 will see a continuous surge in demand of cars. Even currently not more than 30 lakh cars are getting sold annually for a country will population upwards of 130 crore.

We can see rising traffic in our city and irrespective of the number of bridges or better infrastructure around us, we cry crib and complain of the mess of traffic. A better simple thing would be visualize the demand for passenger vehicles and try to analyze an opportunity in the auto ancillary industry. The auto industry is driving the opportunity of exports for itself and so it will ride on the twin advantage from both domestic and international markets.

The Sensex of today has Banking sector accounting for over 23% of weight age. The sector continues to pay the price of the ills in the past. The NPAs created will keep on haunting them in the New Year as well. The other sector that has headwinds is the IT sector. This is one sector that is broadly witnessing most of its companies hit 52 week lows. As the investors witness markets rallying and their investment hitting lows – the behavioral bias is to sell and jump to the sector that is in flavor for the markets. The value of free float at current prices in the IT sectors is over Rs 4 lakh crore.

The free float in the auto ancillary sector after the top 5 companies is a mere Rs 25000 crore. Going forward we see a shift in money from IT and Banking sector to that of growing sector of auto ancillary. We see investment opportunity in the same and continue to be overweight in our PMS for our client money.

The broader markets in the New Year could see upsides but the meaningful money making opportunity will be in select pockets of Auto ancillary, Chemicals and Textiles. There will be global headwinds on the outcome of US elections in November and rising interest rates in US in December. We continue to have positive outlook and shall use the tremors in the global markets to buy Indian equities.

Happy Investing !

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