

ET EXCLUSIVE

Q&A

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‘Expect Policy Execution to be Aggressive Now’

The stock market in India has not gained much in the two years of the Narendra Modi-led government but this has more to do with external challenges than for want of policy initiatives, says Sunil Singhania, CIO-equity investments at Reliance Mutual Fund, which has on an average, assets worth ₹1.58 lakh crore under management. In an interview to **Sanam Mirchandani**, Singhania says the government is undertaking several measures that are structural in nature such as direct benefit transfer and combining Jan Dhan with mobile and Aadhaar. Edited excerpts:

The benchmark indices have not gained significantly over the last two years. Why do you think ‘acche din’ has bypassed the markets?

The change in government had an initial positive rub-off effect, but things have been challenging on the global front. The massive fall in commodity prices has impacted the global economy and also led to FII outflows from Indian equities. Concerns over the slowdown in China also impacted the global economy, which in turn led to slowdown in India’s exports. On the domestic front, the monsoon being sub-par for the last two years in succession impacted sentiment. The economy has not been as robust as everyone would have liked it, but on the policy front things are moving, though policies like GST have taken some time.

From a market perspective, what have been the key measures taken by the government?

The government is undertaking measures that are structural in nature such as tackling the subsidy in oil and gas, direct benefit transfer and combining Jan Dhan with mobile and Aadhaar. The move to bring India’s population in the banking system will be a good move. The tackling of banks’ non-performing loans problem is an ongoing process. It is a structural attempt to resolve the issue rather than a band-aid like solution. Even on the infrastructure side, planning has been good but we need to see how the execution pans out.

What have been the key misses on



GLOBAL FACTOR

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the reforms front?

We would have loved to see more pace in what the government has been doing on various fronts. Some support from the opposition parties would have led to the GST being passed much earlier and led to some kickoff in the economy. The execution could have been faster on infrastructure spending. However, the government’s coffers were not that great and this year will be the first year where the whole impact of lower crude prices would be available to the economy. This year, the execution could be much more aggressive.

The BJP has gained some traction in five states where elections have just concluded, but numbers still suggest that GST may not get through easily in the monsoon session. What is your take?

These numbers are known as far as the Rajya Sabha and its composition is concerned. There is definitely a small hope that GST would be passed, but we need to see how the BJP is able to build consensus with Congress and other parties. We are not necessarily banking on the GST passage in the monsoon session, but we are optimistic that it will be passed soon.

Which sectors are you bullish on?

We continue to be positive on private sector financial companies and stocks that will benefit from urban discretionary spending. We are increasingly positive on agrochemicals based on expectation of a normal monsoon not only in India but globally. We continue to be positive on good quality capex-

TOP THEMES



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Do you think FIIs have much to be worried about with the government’s focus on taxation on money routed via Mauritius?

We don’t see these proposed regulatory changes as a concern for FIIs in the long term, maybe some hedge funds or short-term traders may get hassled about it.

Private investments have not picked up. What do you think the government can do on that front?

It is not about government measures, but demand. Lots of sectors have spare capacity. Once the demand comes, capacity utilisation will move up and only then will private sector capex come in. The first move would be from public sector companies. We expect FY17 to be the year when corporate earnings should start trending to double-digit growth, and that is why market is trading at a slight premium to the long-term average. It will be more broad-based and hopefully, the monsoon will be the catalyst for that.