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'Value investing is seeing a certain degree of comeback'

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Sounding a cautiously optimistic note, B Gopkumar, ED & CEO, Reliance Securities, said the painful period for the Indian market is a thing of the past, though investors should take informed decisions from a basket of quality stocks. In an interaction with *BusinessLine*, Gopkumar shared his views on a slew of topics of interest to investors. *Edited excerpts:*

THE BL INTERVIEW

Is there more pain for investors in the market? Where do you see the market going?

The challenges mostly emanate from global cues, but there are not many challenges for India. However, the Indian market will continue to remain highly volatile, which, to a large extent, has been priced in. The political environment ahead is uncertain with major State elections and the general elections, which will keep volatility high in the medium term.

The ongoing global trade war between the US and China and persistent liquidity crisis being faced by MSMEs will weigh heavily on the Indian market. So, the market is likely to be range-bound with some downward bias. However, the painful period for the Indian market is a thing of the past. Having said that, investors should take informed decisions from among the basket of so many quality stocks, which are available at attractive valuations following a sharp correction during the last six-eight months.

Which are the pockets of value in today's equity market?

The current market conditions provide a great opportunity to accumulate high-quality stocks at reasonable valuations. While the flight to quality is a consensus trade, the market is seeing an interesting trend reversal, with value investing seeing a certain degree of comeback. Thus, exploiting the best of both worlds – which is 'quality backed by value', or 'value backed by quality' – seems to be the most apt strategy at this juncture. Value metrics can be defined by simple PE multiples relative to the sector, while quality parameters can be defined by the financial strength of earnings over the last five years, management bandwidth and return ratios.

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>
> **B GOPKUMAR**
> ED & CEO, Reliance Securities

Banking is clearly seeing some degree of turnaround. The NPA cycle is past its peak. New growth opportunities arising from weakening of NBFCs provide good visibility on medium-term growth. Besides banks, following the recent correction, IT is a good sector to invest in as it has very good earnings visibility. In mid-caps, there is a wide choice of value stocks following the market correction. We particularly like NBCC and Escorts.

How far will RBI's actions at its latest board meeting help soothe the market nerves?

RBI's actions will dictate the market mood to some extent, but the challenges of liquidity are still not clear. Recent commentary by NBFCs seems to indicate that the challenges to liquidity are far past the peak levels seen in September 2018. However, RBI commentary on the liquidity challenges will be key to market sentiments.

Where do you see the rupee and oil headed?

The narrative for rupee and oil has changed from ₹80/dollar and $100/barrel, respectively to ₹68/dollar and $50/barrel of crude oil in a matter of days. So, sentiment changes are very fast, especially when it is related to crude and commodities.

However, as the global macro scenario evolves, the crude demand-supply scenario is more likely to stabilise soon, and crude should settle in the range of $60-65. Rupee should stabilise even faster at around 71 levels.

Tell us about reliancesmartmoney.com, which you say is India's first-of-its-kind 'neutral financial services marketplace', and how will investors gain from this product?

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It will meet the financial needs of all segments of customers that look at investing funds in mutual funds, stocks, loans & insurance, PMS, corporate FDs and bonds.

Investors need not have multiple accounts to access various financial products and can instead operate from a single account to access a wide range of financial products which are generally offered on multiple platforms.