

Best time for valuation-conscious investors: Dr. Vikas V Gupta, Arthveda Fund

By ET Now | 31 Oct, 2015, 12.18PM IST

[Post a Comment](#)

In an interaction with ET Now, Dr. Vikas V Gupta, Executive Vice President, Traded Markets & Investment Research, Arthveda Fund Management Pvt.Ltd., shares his opinions on the market.

ET Now: Talking about **Indian market** valuations are you concerned the way we are cracking nicely from almost 8400 we have come down to almost 8000 levels, what is your take?

Dr. Vikas V Gupta: As far as valuations as an investor who is going to allocate money into the market these are some of the best times. You want to allocate when the valuations are low, when things are cheaper rather than when valuations are higher so this is one of the best times to start looking carefully.

ET Now: Another thing which is a combination of factors which is keeping markets under pressure is the prospect of earnings because they are absolutely weak right now and perhaps may continue because of the last leg of the earnings, global cues are already not very conducive are you concerned that this could continue taking the markets slow and lead to a bigger correction?

Dr. Vikas V Gupta: Yes, so if you are going with the near term outlook of course there are lot of things to worry about you will worry about the Fed rate hike whether it will happen in December or not, you can worry about what is happening in China, you can worry about what is happening in the **global economy** in general, what is happening with the Indian earnings okay but if you just stretch your horizon a little bit to two to three year time range things are going to look very very different.

There is ample liquidity, all the central bankers have clearly indicated that nobody is going to back out so they are going to make sure that first economy turns and then they will stop the liquidities, nobody is going to create liquidity trouble before that so that is the first thing. So availability of money to **invest** is not the issue, now next thing you are worried about is okay near term earnings are not so good but 7 per cent plus **GDP** growth rate the highest growth rate in the world is expected from India by every major research organisation so given that that is the number one growth rate and it is a significantly large and very diversified economy.

Some companies going to have or lot of companies are going to have much higher earnings two to three years down the line the question is exactly when is the turning point is it in next six months, is it in next one and a half years so those are the things which people debate about.

If you are a long term investor I do not think it matters to you whether the turnaround happens two months-three months or two years from now, if you have the patience swift through it pick the good **stocks** and you have access to a very very good portfolio and good returns in the long run.

ET Now: But what exactly are you talking about in terms of good returns if one were to talk about a five to eight years horizon what is the potential of Indian market in terms of returns on a **CAGR** basis?

Dr. Vikas V Gupta: So if you just look at first off all the basic growth rate, basic growth rate is likely to be on the upside of 7 per cent, 7 per cent is a consensus even for a bad year so called bad year which is this year. So going forward when little bit of things take off it should be around 8 plus 8.5 even 9 that is the real GDP.

On top of it you have the nominal GDP so nominal GDP should be about 14-15 best companies are listed and the Indian stock market the top 500 companies they are very high quality companies. The lot of unlisted unorganised businesses which contributes to GDP but they might have a lower return on equity, the listed companies have a better return on equity so that gives you something like 18 per cent long run returns given that you are getting cheap valuations probably have a little bit extra return expected on top of that.

So not going very crazy about the projections you are still looking at anywhere between 18 per cent to 22 per cent conservatively.



© BCCL 2015. ALL RIGHTS RESERVED.

"You want to allocate when the valuations are low, when things are cheaper rather than when valuations are higher"

ET SPECIAL: Love visual aspect of news? Enjoy this exclusive slideshows treat!

ET Now: Talk to us a little bit about your own fund which are the areas you have been overweight and which are the ones you have been avoiding and hence are underweight?

Dr. Vikas V Gupta: Yes, so now a domestic equities funds we have two kinds of things one is the large caps on the largest top 50 stocks and the other one picks from the top 500 stocks a portfolio of 25 or 50 depending on the requirement of diversification.

So there our overweight positions which the sections which we think are undervalued are primarily midcap IT, auto ancillaries, some two wheeler companies, and some basic materials these are cash rich PSU basic material companies which are completely debt free and cash rich.

Again on the underweight side there are some basic material companies, private companies which are heavily leveraged so let us be very clear that you have to avoid some of them and you have to actually over allocate to some of them.

Stay on top of business news with The Economic Times App. [Download it Now!](#)   

[Live Market](#)

[News](#)

[Portfolio](#)

[Mobile](#)

[Live TV](#)

[Newsletter](#)

[Commodities](#)

[Speed](#)

[QnA](#)

[Blogs](#)

[Alerts](#)

Other Times Group news sites

Times of India | इकनॉमिक टाइम्स
ईडिजीनोमिक्स टाइम्स | Mumbai Mirror
Times Now | Indiatimes
नवभारत टाइम्स | महाराष्ट्र टाइम्स
ವಿಜಯ ಕರ್ನಾಟಕ | Lifehacker
Gizmodo | Eisamay | IGN India
NavGujarat Samay

Living and entertainment

Timescity | iDiva | Bollywood
Zoom | Luxpresso
Online Songs | Travel
Guides | Hotel
Reviews | Cricbuzz.com

Networking

itimes | MensXP.com

Hot on the Web

Daily Horoscope | Weather in Delhi
Mumbai Map | Horoscope
Hotels in Delhi | Xiaomi Mobile
Phones

Services

Book print ads | Online shopping
Matrimonial | Astrology | Jobs | Property | Buy car | Bikes in India
Used Cars | Online Deals | Restaurants in Delhi | Movie Show Timings in
Mumbai
Remit to India | Buy Mobiles | Listen Songs | Voice Greetings | Technology
News | Augmented Reality