

Signs bode ill for stock markets

— Lalit Kumar Dangi

“Vikram Samvat 2075 does not look to be bright and cheerful on account of various factors like global trade war between China and the US, the global meltdown in securities and decline in earnings of the corporate sector among others. I know that investors have lost heavily in the recent market meltdown. But I feel that it will be difficult for them to recover their losses fully in the new Vikram Samvat,” maintains Mr. Lalit Kumar Dangi, a stock market veteran and a leading merchant banker who is Chairman of Libord group – stock brokers and investment bankers.



Excerpts from the interview:

Corporate India: How do you view the prospects for the Indian stock markets during Vikram Samvat 2075?

Lalit Kumar Dangi: Vikram Samvat 2075 does not look to be bright due to various factors like the trade war between China and the US, the global meltdown in securities, the decline in earnings of corporates in India, uncertainty surrounding the (2019) election results, the hike in crude prices, weakening of the rupee, deficiency in the current account, the li-

quidity crunch in NBFCs and banks, the system paralysis, the indifferent attitude of the government towards corporates, and the increase in the cost of living. These factors will affect the market and I feel the market may nosedive in Vikram Samvat 2075 upto May 2019. If a stable government comes to power, the market may start increasing from June 2019 but due to the debacle in the world economy the market may not fare very well.

CI: What are your expectations about the likely range of the Sensex and the Nifty during the new year?

LKD: The Sensex looks to range between 25,000 and 30,000, and the Nifty may range between 8,000 and 10,000.

CI: Investors have lost heavily in the recent market debacle. In order to recover their losses, in which 5 shares should they invest during moorat trading this year?

LKD: Investors have lost heavily during this year and it is very difficult for them to recover their losses. The FMCG and pharma sectors may fare well in the coming year, otherwise the market has a very gloomy picture. ■

try is capable of transforming its potential into performance, leading it to become the 3rd largest economy in the world going forward.

Challenges will also come along in the form of state elections in 2018 and Central elections in 2019, creating a significant amount of anxiety in the minds of aspiring Indians. As I see it, for the first time in last 70 years, we have seen the current government focusing sharply on producing growth and building prosperity for the masses with dedication and hard work.

In my humble view, the economy is already on the path of growth. Government policies are and will be consistent and, though challenging, the 2019 elections would be a catalyst for India in marching on the path of economic and social prosperity, registering her presence firmly in the global economy.

India's GDP is growing at a rate of 8 per cent and India is expected to be a 5 trillion dollar economy by 2025. Market capitalisation or market wealth is a mirror image of the GDP of the country, and in the next 6-7 years it would double from current levels at this GDP growth rate. While the prospects of the economy and the capital markets remain positive, there will be phases of volatility, given the global

— Deven R Choksey

headwinds which we talked about.

Under the current situation of an election year and strong global headwinds, the primary and secondary markets cannot be an exception to the rest of the world's markets. Valuations in Indian markets are becoming attractive and on a one-year forward horizon, the Nifty 50 trades at a price-earnings multiple of under 15, which is attractive for global as well local investors. Should the crude oil prices settle down, which in all likelihood will happen, the rupee will also settle down, since its fall has come due to a strong dollar and not because of a weak Indian economy. My view is that a correction is round the corner in these two important asset classes of crude and the dollar – our markets will rebound.

2009-12 was a period for gold and bullion commodities, 2013-2016 was for pharma and FMCG, and 2015-2018 was for NBFCs and corporate banks.

I feel 2019-2022 will be a period for auto, select commodities and companies which are in digital economies, along with companies selling life insurance. Over and above these themes, the markets play selectively and favour those companies where there are proven management abilities of delivering returns to investors. ■