

## **Narayan: Indian Economy won't Recoil**

(MENAFN - Khaleej Times) Kotak Securities Ltd. managing director and India's veteran financial leader S A Narayan speaks exclusively to Khaleej Times Chief Correspondent Ravi S Jha from Mumbai over the economic crisis, and market mayhem. He says: "India provides a good blend of fundamentally strong economy, corporate sector and attractive valuations".

### **Excerpts:**

#### **What should be the strategies for investors in the current situation?**

It would be prudent to look at the global investment landscape before deciding an effective investment strategy that can navigate anybody through the turbulence and uncertainty across world markets. The credit crisis in the US, bankruptcies, slowdown in global growth, rise of sovereign wealth funds, increasing risk premia (coupled with declining risk appetite), correction in commodity prices and faster growth in emerging economies are some of the key trends which should be kept in mind when determining investment strategy.

India currently offers a very attractive investment opportunity for global investors for the reasons of its growth, its relative isolation with global developments and presence of strong financial markets. One could still see some more volatility in line with global markets, and some domestic factors such as quarterly results and interest rate movement, which will depend on inflation.

#### **How strong are India's fundamentals, sectors, valuations, stock prices, investment opportunities?**

Indian market has emerged as very attractive destination for global investors over the last few years. This has happened due to factors like a supportive regulatory regime, and continuously improving macro and micro economics.

India offers a sustainable real GDP growth, conducive demographics, representation of diverse set of sectors in the equity markets, diverse ownership base, and large investment universe of more than 200 companies with \$ 1 billion plus market cap. It provides a good blend of fundamentally strong economy and corporate sector and attractive valuations.

Valuations, in particular have corrected by 30-60 per cent across sectors over the last 6 to 9 months, while growth prospects for most sectors have remained intact. The combination of steady growth in profits and rapid fall in valuations provides a strong catalyst for recovery in select stocks and sectors. The presence of a resilient corporate sector which has the ability to deliver robust growth provides an opportunity in crisis.

#### **What is the political scenario, and how it will map out for the economy of the country?**

India has its peculiarities when it comes to politics of the country. Despite that, it is worth commending that the country has, in general been having stable governments. This has been true despite the coalition governance coming in vogue in last few years.

The country has never gone on for a military rule. Despite being such a big democracy, there has been continuation of economic policies over the years, and has resulted in a relaxed and supportive investment environment for global investor. In the immediate short term, country is due for its next general elections; however, we don't see any significant impact of that on the financial markets.

### **What are the opportunities for middle-east investors in India?**

India offers an attractive investment opportunity for all the global investors. This applies more specifically to investors from Middle East. This is due to the reason that India offers a direct hedge on oil prices. Being an oil import dependent economy, generally there is a negative correlation between oil prices and Indian equity market. Any fall in oil prices directly benefits India's macro-economy. Thus, the losses made by Middle East investors due to fall in oil prices can be offset by the gains made by Indian market due to this fall.

