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Bring back inflation to fast-track growth: Shankar Sharma

BY AMI SHAH, ETMARKETS.COM | UPDATED: SEP 18, 2019, 01.46 PM IST

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Shankar Sharma, Vice Chairman & Joint Managing Director, **First Global**, expects earnings to decline at the upcoming earnings season for the quarter ending September. In an interview on the sidelines of the Morningstar Investor Conference, Sharma said only domestic factors were hurting the Indian market. He said there were select opportunities in the smallcap space for experienced professionals, but others should stick to opting for mutual funds in this space. Edited excerpts:

What do you make of the market currently? Are there opportunities for value buying at this point?

It is a very segmented market in which just a handful of companies are doing well, stock-performance wise. The broad bull market in India is in danger. It will keep getting a narrower and narrower bull market where only a handful of stocks will do well. But the majority of the market appears to be suffering from a variety of factors.

Aren't we almost there?

In terms of the Nifty and all, we are not there. We are still up for the year. Nifty has still not fallen for the year. It is not a down year and so you cannot say it has corrected. Smallcaps, in some sense, has already declined. I do not think Nifty is there.

Are there any opportunities that you are spotting right now?

Yes, there are opportunities in smallcaps. In largecaps, I do not see much barring the mainline good companies, IT and all. They will obviously benefit because of the rupee. I do not like banks because in a slowing economy, they might run into some headwinds.

What is hurting the market?



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Only domestic factors. There are no global factors that are wrong. By and large, Russia is doing well, Brazil is doing well, the US is doing well. Everything is doing well. India is kind of an outlier.

How will the impact of the spike in oil price play out in the market?

It is very, very dangerous; very, very worrisome. Obviously, India is always vulnerable to oil. We had the benefit of oil in the last five years. Now, it appears they are going to suffer from the reversal of those benefits.

Has the economy bottomed out?

I do not think so.

When do you think it will start recovering?

It will not recover unless there is a big stimulus. On its own, it is not going to recover very soon.

How do you view the FM's stimulus packages so far? Are they enough for the economy to bounce back? Or are these benefits likely to accrue in very long run?

They are good moves. They are in the right direction. Only time will tell whether they are enough or not.

But do you think she would have done more already?

Let us see how many fiscal bullets they have and I do not think they need to say everything on day one.

We have already had three sets of announcements.

May be, there are three more, who knows? They are doing it in bits to see what is the reaction, how the stock market takes it and all that. It is a little bit of a calibrated approach.

How do you expect the upcoming earning season to pan out and will we continue to see earnings downgrades?

You will see an earnings decline. Growth is off the table. We only have to worry about how much they decline.

From a miniscule growth, are we now going to declining growth?

Yes.

What are your expectations on the GST meeting, considering the shape of the economy at this point of time?

We are under stress. On the macro-economic front, it is looking pretty worrisome. Revenues clearly will lag the targets; they already are lagging. In August, there was 3-4% growth while the modelling was for 25% growth. The RBI dividend will only bridge that gap but that is not really growth; that is like a one-time shot. The GST numbers are running below estimate anyway. We we have a problem on the tax collection front.

Do you think we will have big bang announcements from the GST meeting? Will they cut the rates for the auto sector?

I think they will.

And any other sectors that you see?

Auto is the most hurt and auto has a ripple effect downstream. They will focus on that.

Media reports suggest more reforms are on the way from the government. Do you have a wishlist for the government?

You have to bring back [inflation](#) to the economy. Without inflation you will not be able to kindle growth. That is it. It might sound counterintuitive but that is my reading.

Mid and smallcaps have fallen sharply. You touched upon this but is it time to buy or is it still difficult to go bottomfishing?

You can buy selectively but it is a difficult space. It is not meant for small investors to do stock picking. You can at best buy funds. For professionals like us, there are opportunities but you have to work very hard to find them because many companies are being very badly hurt.

It is getting difficult by the days?

Yes.

Would you look at PSU banks after the set of reforms that have been announced?

No, no, I am not interested.

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