

DHFL Pramerica MF sees earnings growing 14-15% in 3-5 years

Corporate earnings are expected to touch 14-15 percent in the next 3-5 years, while for the next 2 years earnings growth will remain in the band of 10-12 percent, says Akash Singhanian, Deputy CIO-equities at DHFL Pramerica Mutual Fund.



Himadri Buch
Moneycontrol

“Around 14-15 percent earnings growth is achievable with GST coming in and cleanup of NPAs in the banking sector,” said Singhanian in an interview to Moneycontrol.

He calls the recent fall of 4-5 percent in the benchmark indices as ‘running correction in a bull market’. The fund house believes that going forward any significant fall in the market will not be triggered by fundamentals.

However, he does not rule out the possibility of correction in a bull market in select pockets due to overvaluation.

In the near term Singhanian expects the Indian markets to remain under a consolidation phase for the next one to two months as global markets will await US elections and Fed rate outcome.

He believes India will not remain insulated if global market witnesses a kneejerk reaction post the outcome of US elections and Fed rate.

However, there are fears of FIIs turning their backs on India on the back of adverse global developments.

In terms of performance of Indian market vis-à-vis other developing markets, Singhanian says, “India remains a good market in the medium to long term. In case of global correction, India will stand out as a strong emerging market and will definitely outperform.”

So far, FIIs have remained bullish on India due to positive economic factors such as stable currency, lower current account deficit and fiscal deficit.

DHFL Pramerica Mutual Fund is bullish on consumer discretionary, retail finance, NBFCs and cement.

“Valuations of consumer discretionary companies have gone up; none of them are cheap, but still

we think from a 2-3 year perspective and because of good earnings growth the sector will continue to do well,” Singhania said.

An avid traveler Singhania is positive on retail banks which have a greater proportion on assets like car loans and home loans while they are not going heavy on corporate banks.

He believes corporate banks are under huge asset quality pressure, which will peak out and stabilize by March 2017.

The fund house is running an underweight position in information technology, telecom, utility and pharmaceutical sectors.

“IT will continue to underperform because of growth challenges. For the next couple of years the pain will continue. Till we see spending and business confidence primarily in the US economy going up, the sector will struggle,” said Singhania who has over 12 years of experience in the fund management business.

He says consolidation in telecom industry will be a game-changer and if that happens the fund house will increase their weightage in the sector.

The fund house is sitting on 2-5 percent cash levels in its equity funds and has no plans of floating any equity scheme anytime soon.

Singhania manages assets under management worth Rs 1200 crore across 11 schemes.

Singhania has written an article on behavioural finance that explains quantitative and scientific aspect of behaviour and what are the different kinds of prejudices and biases that fund managers have.

http://www.moneycontrol.com/news/mf-interview/dhfl-pramerica-mf-sees-earnings-growing-14-153-5-years_7900781.html?utm_source=ref_article