

# There can Hardly be a Better Time Than Now to Start a SIP

## Expert Take



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larger than it used to be till a short while back. The significance really comes from the experience these new SIP investors are going to have over the next couple of years. Historically, whenever the stock markets are down, Indian investors have never invested in equity. This time it is different. Over the coming months, a good number of people are going to keep investing steadily in equity every month. This is the core logic of SIP investing — keep investing when prices are down so that you gain when they turn around. This is the buy-low, sell-high action that SIPs deliver automatically. Investors who will continue their monthly investments will eventually realise much higher gains if they stick with it long enough. Each rupee that they put into an equity fund now, at lower NAVs, buys them more units. When the time comes, the cheaper units would have delivered much higher returns, boosting the total returns they get.

Still, what is really important is not the gains themselves but that the impact that I hope this episode will have on the investing culture at large. Maybe I'm being a little optimistic but the experience that the current lot of SIP investors will have could be the seed for a larger change in Indian mutual fund investing. Think of it this way: ₹1,500 crore a month could mean 5 lakh investors if each is putting in



₹30,000 a month. The number could be higher if the investment is lower: 5 lakh investors sounds like a drop in the ocean in a country the size of India, but actually, it's not bad as a seed population. I'm hoping that eventually, the impact on the culture of fund investing (if that's the right word), will be far more significant than the number indicates.

Incidentally, ₹1,500 crore is also not an insignificant number in terms of the total cash flows into the stock markets. While FIIs may have brought in ₹5,000 crore or ₹6,000 crore in one of their better months recently, ₹1,500 crore is in the same order of magnitude. Everyone connected to the markets keeps complaining that there is no serious retail participation in the stock markets now. However, this ₹1,500 crore of SIP

money flowing into equity is far more important than whatever momentum-driven flows that day-traders used to bring in before 2008.

SIP money is here to stay and will get actually invested in stocks selected on a fundamental basis. By contrast, most day trader money was just flitting in an out of momentum stocks and index F&Os, which may have been better for brokers (hence the moaning) but not for the markets or the investors.

Anyhow, even though the current bear phase will no doubt put a halt to the growth of SIP volumes, it's good to see that the fundamental trend is encouraging.

And if you, personally, haven't yet started an equity SIP, then there could hardly be a better time to do that than now.

I'm not going to write about the obvious topic this week because I don't believe that there's anything new to be said. The shape of things is reasonably clear to every investor and whatever shall be shall be. However, for mutual fund investments, there's an interesting aspect to the current bear cycle that wasn't there earlier. Unlike earlier, Indian mutual funds are receiving significant regular inflows through SIPs (systematic investment plans). Based on the numbers that I've gleaned by talking to various people in the industry, about ₹1,500 crore is flowing in through the SIP route into equity funds every month.

I do realise that this not a great level to declare significant — for a potential market of our size, it should be ten times this figure. However, it is at least much