

Daily Voice | Chandraprakash Padiyar of Tata MF is optimistic on real estate ancillary businesses

Tata Mutual Fund is optimistic about the India story for the long term and rural is part of the India story, says Chandraprakash Padiyar.

SUNIL SHANKAR MATKAR | JANUARY 11, 2024 / 08:04 AM IST



Chandraprakash Padiyar is the senior fund manager (equities) at Tata Mutual Fund

"We do believe a large part of the near-term earnings outlook is well discounted in the price," said Chandraprakash Padiyar, the senior fund manager (equities) at Tata Mutual Fund in an interview with Moneycontrol.

He feels short-term positive earnings surprise will be limited given the heightened expectations. In fact, "we may see some marginal earnings downgrades in sectors like IT, commodities etc," he says.

Chandraprakash has over 22 years of experience in research and fund management and is optimistic about the real estate ancillary businesses that benefit from a real estate pick-up. These businesses include consumer durables, and home improvement goods (tiles, plywood, MDF).

Do you think the current consolidation indicates that the market is discounting earnings growth and interim budget moves?

Markets are always digesting incoming news flows/events and are said to be forward-looking. Over the past 12 months, we have seen a fairly sharp up move in some segments of the markets like the Midcap and the Small-cap segment.

We do believe a large part of the near-term earnings outlook is well discounted in the price. Short term, in our opinion, positive earnings surprise will be limited given the heightened expectations, in fact, may see some marginal earnings downgrades in sectors like IT, Commodities etc.

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Is it the time to stay away from real estate space?

Real estate cycle is seeing an upturn on the back of limited inventory of ready to use houses. Given the demand supply mismatch we believe the cycle has more legs to run and probably we are at an early to mid-stage of the upcycle.

Generally, developer stock prices have started to discount very strong earnings pickup for the next few years and hence it does make sense to be more selective incrementally. We are also optimistic about the ancillary businesses that benefit from a real estate pick-up like Consumer Durables, Home improvement goods like Tiles, Plywood, MDF etc.

Is it better to stick to midcap IT space, than largecap IT?

We see some amount of disconnect between near term earnings delivery and valuations for the IT sector. The market is pricing in a pick up in growth in earnings FY25 onwards.

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At the current juncture, data points towards continued weakness and hence we are underweight the IT sector.

What do you like the most among sectors for portfolio in 2024?

As mentioned earlier we are optimistic about the capital expenditure/Infrastrucutre story and hence are overweight on domestic cyclical like Banks, Capital Goods, Manufacturing, Real Estate and Consumer discretionary sectors.

What is your take on the total assets under management that crossed Rs 50 lakh crore mark in December?

It is heartening to note the long term approach investors are taking towards Equity mutual fund schemes in the form of SIP. DII ownership of the overall market is consistently moving higher relative to FII ownership providing the much needed stability over the long term.

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Have you started taking exposure to chemical space?

We have been very selective in our chemical sector exposure. Valuations for the sector have moderated a bit over the past 12 months, however, they continue to remain above our comfort levels. Earnings outlook as of now remain muted, however with inventory drawdowns likely reaching the bottom over the next 6 months, one can make a case for short term potential earnings pick up. We remain watchful for any early signs of improvement.

Do you expect any major announcement in the interim budget before general elections?

The government has made its intentions clear to direct a larger proportion of the budget towards productive infrastructure capex with a target to spend Rs 10,00,000 crore in FY24. We are optimistic about the long-term investment trajectory from the budgets going forward.

Is it the time to bet on rural economy stocks?

We are optimistic about the India story for the long term and rural is part of the India story.

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