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IN
CONVERSATION
WITH
SHAILY GANG

Head - Products
Tata Asset Management



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In an exclusive interview with Amit Singh Sisodiya, Associate Editor, *The Global ANALYST*, Shaily Gang, Head - Products, Tata Asset Management, shares her views on a range of issues such as the recent sell-off in the Indian stock market during the past few months and the reasons for the same, how the ongoing trade war is likely to impact the economy and businesses, investment style that her asset management company (AMC) follows and her outlook on the Indian market, etc.

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■ **What is your view on the sell-off in the market witnessed over the past few months? What factors do you attribute to the carnage in global equities?**

The recent sell-off in the markets is a result of a mix of both domestic and global factors. On the domestic side, inflation and rising interest rates have been weighing in on both rural and urban consumption, which have got reflected in weaker corporate earnings. This slowdown has definitely impacted market sentiment. Globally, things aren't looking too calm either, with geopolitical tensions, trade issues, and rising commodity prices adding to the uncertainty. To top it off, foreign institutional investors (FIIs) have been pulling out funds, adding more pressure. Since September 2024, the Nifty 50 has corrected by around 13%, though it has bounced back somewhat, paring down most of those losses. Interestingly, while FIIs have been selling, domestic investors have been stepping up, putting in ₹3.7 lakh cr in the past six months. There are some signs of improvement though, with FIIs recently returning to the market. So, while the market's been volatile, the outlook seems to be stabilizing a bit, but we'll need to keep an eye on how things unfold.

2. **Given that United States tariffs on India have not been fully defined yet, and exports to the US make up only 2% of India's gross**

domestic product (GDP), do you think the recent panic selling in the Indian market was premature and a little too harsh? Or is it possible that there are deeper concerns, such as corporate earnings pressure, valuations, or the potential long-term impact of US actions, similar to what happened with Canada and Mexico, which led to the recent bearish onslaught?

Unlike previous market corrections driven by global crisis, this time, the pressure seems to be coming from within India. The real issue lies in the country's economic challenges—

“For us, the starting point is making sure that valuations are in our favor. By purchasing stocks at the right price, we believe we can protect ourselves from market volatility and build long-term value in the portfolio. Even in challenging times, this disciplined approach helps us stay resilient.”

weak corporate earnings, stretched valuations, and continued FII outflows—which have all contributed to the slow and painful decline that we're seeing. We believe the pain might persist for a bit longer, perhaps a quarter or so, as we work through these uncertainties.

At this point, markets are likely to be more influenced by corporate earnings than macro factors like the strength of the USD, tariffs, or inflation. Nifty-50 valuations are now only slightly above their long-term average, so we could be entering a phase where returns are more about

individual sectors and stocks rather than the index itself. In other words, the market may shift to a stock-specific focus, with broader index movements taking a backseat for now.

3. **Assuming that the current US regime does choose to impose additional tariffs on Indian goods, what sectors do you think are likely get impacted more?**

The recent moves by the Donald Trump administration have definitely ramped up trade tensions, creating a sense of uncertainty across various industries. However, it's still a bit early to make a definitive call, as the US may impose "reciprocal" tariffs on a country-by-country basis, which means the impact could vary. It will also be important to see if these tariffs target specific sectors, especially those critical to India, such as pharmaceuticals. The potential effects will depend largely on how these tariffs are structured and which sectors are hit hardest.

4. **What is your view on the Indian IT industry? What will be the impact of the ongoing trade war on it?**

The Indian IT industry had a strong rally in the second half of last year, driven by hopes of a growth recovery, thanks to the rate cut cycle and expectations of improving US economic conditions. Between June and September 2024, there were growing expectations that IT spending in sectors like banking, financial services, and insurance (BFSI) and retail in the US would pick up. However, with the uncertainties following the US elections and the pause in the rate cut cycle, there's renewed concern about delays in the recovery of IT discretionary spending. Post-Covid, the sector saw its valuations re-rated due to investor confidence in Indian IT firms' ability to adapt to the changing technology trends, which boosted growth prospects. However, the new uncertainties after the US elections have raised concerns about moderate growth in the third year for IT companies. This has cast doubt on the

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premium valuations the sector had been enjoying, leading to a sharp correction in IT stocks.

5. **On the rupee front too, the situation is not good either with its ongoing struggle vis-à-vis dollar continuing to be a major concern. How do you think the persistent weakness in INR will likely impact the market?**

The recent depreciation of the rupee against the US dollar is driven by a combination of global monetary policies, capital

outflows, geopolitical uncertainties, and domestic trade imbalances. While the balance of payments (BoP) surpluses could offer short-term relief, the increase in currency circulation, especially in March, may put more pressure on the rupee. Looking ahead, I believe global financial markets will experience reduced volatility, and the USD may stabilize within its current range. As a result, we could see a reversal of the safe-haven trade that has benefited the dollar. Ultimately, currency stability will play a crucial role in shaping future rate cuts and investment strategies, so it's something we'll need to keep an eye on moving forward.

6. **How do you plan to ensure your funds continue to perform well despite the lingering challenges?**

Our investment approach is based on the principle of growth at a reasonable price (GARP). Since India is a growing economy, we focus on ensuring that growth remains a core part of our portfolios. However, for us, consistent, sustainable growth is more important than chasing short-term gains. We also prioritize businesses that generate strong, free cash flow, as these tend to be the ones that the market re-rates positively over time. The beauty of



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such businesses is that their stock prices tend to experience less volatility.

Additionally, we always aim to buy growing companies at a reasonable price. For us, the starting point is making sure that valuations are in our favor. By purchasing stocks at the right price, we believe we can protect ourselves from market volatility and build long-term value in

the portfolio. Even in challenging times, this disciplined approach helps us stay resilient.

7. **What would be your advice to investors?**

In times of market volatility, it's important to focus on the businesses you're invested in and assess whether they have the potential to grow their earnings consistently over time. For example, over the past six months, we've seen a shift in sentiment from optimism to pessimism, mainly due to slowing GDP growth. However, we believe that better days are ahead. So, the key is to regularly evaluate your portfolio and ask yourself if the businesses you hold are likely to continue growing at a healthy pace. If the answer is yes, there's no need to worry too much about short-term fluctuations. Focus on the long-term fundamentals, and if earnings are on track to grow, the market will likely follow suit over time.

8. **Do you foresee any other challenges this year?**

In 2025, China's equity market may continue its upward momentum from 2024, driven by growing interest in the tech sector. This is particularly likely if the stimulus measures start to show positive results in economic data and corporate earnings.

● THE RECENT MOVES BY THE TRUMP ADMINISTRATION HAVE DEFINITELY RAMPED UP TRADE TENSIONS, CREATING A SENSE OF UNCERTAINTY ACROSS VARIOUS INDUSTRIES. HOWEVER, IT'S STILL A BIT EARLY TO MAKE A DEFINITIVE CALL, AS THE US MAY IMPOSE “RECIPROCAL” TARIFFS ON A COUNTRY-BY-COUNTRY BASIS, WHICH MEANS THE IMPACT COULD VARY.

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