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Market still holds significant upside in the long term: Tata Mutual Fund

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With stronger balance sheets, fiscal stability and liquidity measures from the RBI, growth should recover, leading to double-digit earnings growth over the next two to three years, said Meeta Shetty, Fund Manager, Tata Asset Management. "We might experience sideways movement in the near term; the structural factors supporting the economy make the market attractive for long-term investors," she added.

Edited excerpts:

Your views on the broader markets?

In terms of broader market performance, we are in a volatile phase with low returns over the past year.

Although markets have rallied over the last couple of months, if we look at the last one-year returns, it's a low single-digit number. This can be attributed to expensive valuations and a slowdown in the economy.

We didn't see a massive correction, which typically happens when markets are expensive, as, structurally, India stays one of the most preferred markets from a long-term perspective.

India, being the fastest-growing economy, has fiscal checks in place, and even if one looks at the corporate sector, we are seeing one of the lowest levels of debt/equity. Even the banking sector is at its lowest levels of NPAs. This gives confidence to the investors from a long-term perspective.

With stronger balance sheets, fiscal stability and liquidity measures from the RBI, the growth should recover, leading to double-digit earnings growth over the next two-three years.

Given the current high valuations in the Indian market, do you see room for further upside?

Despite the current expensive valuations, we believe the Indian market still holds sig-



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MEETA SHETTY
Fund Manager
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nificant upside in the longer term.

We are likely to see a return to double-digit earnings growth, driven by strong corporate balance sheets, robust asset quality in the banking sector and positive liquidity measures from the RBI. The credit growth, which was in the high teens last year, has come down to a high single-digit number now. While we might experience sideways movement in the near term, the structural factors supporting the economy make the market attractive for long-term investors.

One of the funds you handle is pharma & healthcare... How do you see tariffs or the threat of tariffs from the US impacting this sector?

When one analyses the India pharma exports from the US perspective, India has a very strategic presence, with the highest number of USFDA-approved plants in India, creating such a large ecosystem can take multiple years; a large volume share in the US oral pharma market today — can be pegged anywhere between 60 and 75 per cent.

But when we look at it from India's perspective, Indian companies selling in the

US market are not generating remarkably high ROEs/ROCEs in their generic supplies, except for a few one-time opportunities, which may not last long. Hence, any significant pressure on the margins of Indian companies due to the tariff might push them to calibrate their US market strategy.

In our pharma fund, we have moved towards higher exposure to healthcare names, given the comfort on growth and outlook. Pharma stocks, at the same time, have seen a decent run over the last year, and the valuations are trading higher vs the long-term average.

You largely handle sectoral themes. Throw some light on that.

I manage diversified funds as well as a technology theme fund. The IT sector has seen a sharp correction over the last six months, due to concerns in the US economy.

Enterprise in the US had cut on the discretionary spends since 2022 due to higher inflation, increasing interest rates and the fear of a slowdown in the macros in the US. These concerns are continuing due to the tariff uncertainties, leading to the third year of lower growth for the IT services companies. However, the correction has driven the valuation to a reasonable level, and the sector can see some re-rating if the growth outlook improves.

From a sell-side analyst to buy-side, how is your transmission now?

I was fortunate enough to have the opportunity to work for esteemed organisations in the industry, both on the buy side as well as the sell side.

A sell-side role helps you with building deep expertise in specific industries and sharpening analytical skills, while on the buy-side, it helps with adding more dimensions to these skills by looking at multiple sectors instead of focusing on any single industry. The buy-side industry also helps build critical thinking and decision-making capabilities.