

DAILY VOICE | Expect FY22 to be constructive but volatile; COVID second wave intensity, monsoon key ahead: Shridatta Bhandwadar of Canara Robeco MF

Shridatta Bhandwadar, the Head of Equities at Canara Robeco MF, expects the year to be constructive but volatile, and with lot of time and price consolidation with sectoral rotations playing a more important role.

SUNIL SHANKAR MATKAR | APRIL 17, 2021 / 07:44 AM IST



Shridatta Bhandwadar of Canara Robeco MF feels that the economy will continue to improve through CY21. "This is driven by global and local stimuli on fiscal side, easy monetary policies and financial and operating leverage playing out, as growth rates improve," he said in an interview to Moneycontrol's Sunil Shankar Matkar.

Canara Robeco MF's strategy remains to invest in businesses and managements with superior earnings growth, which will help the firm deliver good risk adjusted returns over medium term.

Bhandwadar, the Head of Equities at Canara Robeco MF, expects the year to be constructive but volatile and with lot of time and price consolidation with sectoral rotations playing more important role.

Here are the edited excerpt of the interview:

Q. Will the second wave of COVID-19 hit corporate earnings in Q1FY22 and FY22?

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A. The second wave has just begun and so far, we don't expect it to impact immediate quarter earnings much. Also, the base is favourable for next two quarters. Impact on FY22 earnings would be a function of intensity of the second wave. If we get a broad-base lockdown, surely it will have some impact on earnings. However, given that the vaccines are in place and death rates are low as of now, we expect the market to see through the second wave and thus impact should be limited.

Q. Given the rising COVID-19 risk in India, have you changed your investment strategy?

A. We at Canara Robeco remain focus on underlying business and management quality. While the sectoral allocations will see modest changes if the operating environment changes meaningfully, we don't see any change in our investments strategy. Strategy remains to invest in businesses and managements with superior earnings growth, which will help us deliver good risk adjusted returns over medium term.

Q. The economy has started showing signs of improvement in CY21. But now do you think the second wave of COVID-19 will hit economic growth of the country?

A. Economy will continue to improve through CY21. This is driven by global and local stimuli on fiscal side, easy monetary policies and financial and operating leverage playing out, as growth rates improve. The second wave can create some moderation based on its intensity.

Q. The Indian Rupee started weakening again, against the US dollar. Do you think one should start investing in export-related sectors?

A. Indian Rupee started weakening given the commitment of the RBI to keep yields low through bond buying program worth Rs 1 lakh crore for FY22 – this is the first time RBI has given an explicit commitment. Exports, as a space, is what we like irrespective of near-term rupee direction given the real demand pick up in developed countries. This demand pick is driven by massive fiscal expansion going on in US and other developed countries.

Q. After 70% of the rally in FY21 was on a low base in March 2020 due to the COVID-19 crisis, what is your outlook on markets for FY22?

A. Post bounce back and disproportionate returns last year, we expect FY22 to be more normalised return year. We have witnessed more than 20 percent earnings upgrades in FY21 – earnings trajectory during 2HFY22, once low base is over, would decide the outcomes this year. Also, intensity of COVID-19's second wave, monsoon, etc. will be key factors. We expect the year to be constructive but volatile and with lot of time and price consolidation with sectoral rotations playing more important role.

Q. Considering the current environment, should one stick to equity for investment or should one look at other asset classes?

A. Equities from three-five years perspective still looks the best asset class in our view. Happy investing through SIPs.

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FIRST PUBLISHED: APR 17, 2021 07:44 AM