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face to face
SAURABH MUKHERJEA,
 chief executive officer of Ambit Capital

'Markets were long due for a correction'

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MUMBAI: The BSE Sensex partly recovered from a 1,275-point descent on Tuesday, closing 561 points below its previous close. A global stocks crash, return of long-term capital gains tax in shares and budget proposals expected to push up inflation and interest rates are seen as some of the reasons for the ongoing correction.

However, Saurabh Mukherjea, CEO of Ambit Capital, says the Indian market is still overvalued by 15-20%. Edited excerpts from an interview:

What are your initial thoughts on the market crash?
 We have been saying this for the past year that markets are overvalued so much to the extent that they did not have any correlation or drew parallel with the fundamentals. So, from that point of view, a market correction was long overdue.

What are the factors that led to the correction? Do you envisage more pain in the future?
 Why the markets have corrected is one of the easiest and not required discussions one can have. With regards to 'Will there be any more correction'— a 5-6% correction at this point does not bring the market back to its fair value. The Indian markets are still 15-20% overvalued, but that does not mean that they will correct by that much.



Markets have stayed overvalued for the past one year and they will remain overvalued for some more time to come. But it is safe to assume that we are still 15-20% away from fair value.

Do you think that other asset classes have become more attractive? If yes, then which ones?
 This is not just an equity crash but a bigger correction has been in the bond markets. The g-sec (government securities) yields have increased from 6.3% to 7.6-7.7% in six months. So clearly, the bigger correction is in the bond markets. This is the case both in India and abroad and commodities have rallied in the meantime. So, the two biggest financial asset classes have pulled back. Gold historically has a negative correlation with equities; if equity sees a downturn, then gold is a safe harbour asset. *Nasrin Sultana contributed to the story.*