

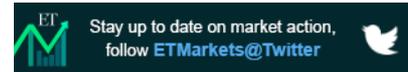
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Brexit has larger political fallout and less economic: Milind Barve, HDFC AMC

By ET Now | Jun 27, 2016, 11.04 AM IST

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In an interview to **ET Now**, **Milind Barve**, MD, **HDFC AMC**, shares his views on India's growth vis-a-vis Britain's exit from the **European Union**. Edited excerpts:



ET Now: How are you using the event of Brexit to your advantage to buy stocks?

Milind Barve: Fundamentally, this is an event which probably has larger political fallout and less economic, at least for all of us in India. We have seen these kind of events in the past, which seemed on the day of the event to rattle a lot of people and get them to think very pessimistically about the future.

But usually these things find a way out and they settle overtime and the most important thing is that given the fundamentals strength of the Indian economy one is really struggling to get the very clear and linkages of this event to how it could ever impact India's growth at all and right now it is really not very clear of why or how it should really impact India's growth trajectory in a meaningful manner.

I would argue though that the linkage where India's growth is very weak there is probably some linkage to Indian markets because half of free float is owned by foreigners and it is I would say common during days of such announcements that you will find some reaction of international capital allocators into various markets outside of their home countries, particularly EM and what we are seeing today in the middle of the day of the market is an event like.

This data points to reflect on a day like this and to remind ourselves about how we should look at events like this. UK ranks 12th in bilateral trade with India, the total trade with UK is about 14 billion, 9 billion of exports and 5 billion of imports.

ET Now: How do you really assess the near term picture? when I say near term picture next three to six months, the fact that the growth in the European Union will be low will automatically force central bankers to print more money so could we be staring at a new normal?

Milind Barve: Its connection with India's global growth is anyway anaemic and it is below 3%, and that can become 2%. But India's growth remains largely unaffected. Talking about currency, look at the way the currency has behaved and we have current account deficit for the last quarter actually balanced out.

For the year, yes, it is 1.1% that is probably the lowest it has been in the last four years. And even as we speak today which is middle of the day in the market the currencies hardly moved by less than 1%, it is just about close to 68 little under so that is not giving me a ringing alarm bells in sort of what is happening to the currency either.

If you look at the fixed income markets, if you look at the rates in the fixed income market they remained largely unchanged even as we are seeing at the peak of the bottom of the market today for the day, so I do not think there is enough justification of any shift in fundamentals of our economy. You could obviously see, given sort of the profound nature of this event probably look at how it is going to pan out politically but that is mostly going to be a restricted to the **Eu** and **UK** and you are seeing events of that unfold on TV as we speak.

I think one has to be a little more patient and just see what the real fall out is, this is certainly not a time to be selling in the market, you will regret it in most situations then not. I think as an economy we are as resilient as we could have ever been when we faced any other global challenges as in the past.

So I do not think this is not the crisis that we can, we cannot overcome. I am not trying to say this is not a challenge, this definitely is a challenge but it is something that we cannot stand surmount and we have all the ingredients that we need to be able to deal with it.

ET Now: Can markets now move on from rexit and Brexit and focus on Q1 earnings? Do you think local issues like GST and monsoon are far more critical and what is your sense of the earnings right now and especially for those companies which have a high exposure to UK or Europe?

Milind Barve: You got to focus exactly on what you said which is earnings and there is nothing as scared and valuable as earnings.

For example, there are companies which are based out of UK and are exporting to sort of in the EU region now if the pound rate to get weaker, it actually gives them a benefit rather than being a disadvantage. I am referring to a one particular company which has based in UK and exports to the rest of the EU, so it is not so simple that this is a company which has some businesses in UK.

If that company is exporting from UK you will actually be beneficial of a weaker pound versus EU so I think the linkages have to be really studied more closely, I think earnings are understanding which as we speak today is that impact on earnings of Indian companies is not going to be very significant for us to change the fundamental premise of where the earnings would be.

The valuations in terms of multiples are driven to some extent by flows and that for some short period of time at least you must be prepared to see a little moderation in flows into EMs and India as a consequence.

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