

Is it still a good time to buy?

By Abir Pal/TNN

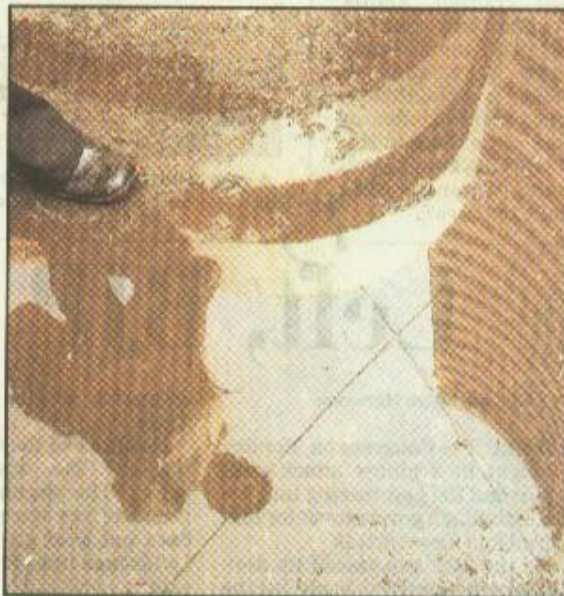
Mumbai: Predicting where the market will go from here is always a hazardous business. If there are some who believe that the sensex will continue to rise well beyond 7,000, there are those that strongly believe the good times are over.

This time, it's no different. "It's still a great opportunity for long term investors," says Devesh Kumar, Head of Equities, ICI-CI Securities. There's a reason why Kumar remains optimistic about the India story. Foreign investors—European and Japanese—are still pouring in money. Consumer demand is on the rise. And while a soaring market brings with it technical setbacks like profit booking and price corrections, they should not worry the long-term investor.

Now listen to Ranjit Mudholkar, CEO, Financial Planners Standards Board of India. Mudholkar feels it is time for exercising caution. The moment the market has scaled the psychological pinnacle of 7,000, it means that prices are already high and the potential for them to rise further is limited.

So where does that leave you? Confused? Probably. So how do you navigate a course that steers clear of unbounded enthusiasm and extreme caution?

The first thing that you need to do is get down to a round of proper financial planning. That means doing a clear reality check. After all, the allure of a rising market brings with it considerable entry costs. "In any bull market,



Should You Test The Waters?

volatility is very high. This raises the cost of buying a share and if an investor is unable to time his entry properly, it is difficult to make money despite the market rising," says Mudholkar.

Understanding market fundamentals is far more important than getting stuck with a "number". A leading stock market analyst—with nearly 15 years of experience—believes it is pointless to read too much into the 7000 figure. It does not mean that all shares are expensive and overvalued. Look at the macro fundamentals. And for the moment, all these parameters—be it GDP growth, GDP growth, inflation rate, global economy, corporate earnings remain favourable.

Besides, even if the price earnings multiple for Indian markets seem high at 13

-14 times, it's still at a discount compared to the more developed European markets, which are 18-20 times higher. The takeaway: there is still scope for an upside as this gap narrows. There's no reason why an investment made with a time horizon of 2-3 years should not be able to fetch annualised returns of 15-20%.

If you're convinced that the long-term fundamentals look attractive, the next thing to follow the two golden rules of equity investing in a bull market: gauge your "level of awareness" and "risk appetite".

According to Mudholkar, there are different categories. One, whose with high risk appetite and high level of awareness. Next are those with low risk appetite but high awareness. Retired professionals tend to fall into these category.