ONE YEAR OF MODI: VALUATIONS, RISKS AND MARKET OUTLOOK

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How do you rate the Modi government's performance so far?	It's been average. Labour law reforms were a positive but rural demand has evaporated.	A lot of reforms have already taken place and others are in process. We expect better outcomes of the efforts in days to come.	It's unfair to judge the government's performance from a market's perspective. It is relatively clear the focus is on much broader issues.	It's doing a commendable job in laying the foundation for strong economic growth. It has successfully pushed key reforms.	It has been satisfactory given the constraints such as global and political headwinds. Also, Modi is new to national politics.	It has had a great start and is now moving well towards bringing in the right changes that can have a long-lasting impact on the economy.
What is your take on current market valuations?	Valuations are high if the bet is that corporate earnings will be poor in FY16. There is downside risk to the current rosy estimates.	Valuations are well below historical averages and we see limited downside	The pace of economic revival will be key. Economic growth is likely to pause as the government executes its clean-up act.	The recent correction has resulted in valuations coming back to reasonable levels and offers investors a strong opportunity to enter.	Valuations are reasonable given the assumptions that earnings have bottomed out. Earnings growth is expected to catch up from the second half of FY16	Earnings upgrades are likely to happen in the second half of 2015-16.
Are there any key risks from a domestic perspective?	If the BJP doesn't do well in Bihar, then the government will be on the back foot till UP elections. There is also significant economic risk.	Domestic risks are posed by the government's inability to push pending Bills and reforms. Besides, monsoon has to be watched	Consensus expectation of 17 per cent EPS growth in FY16 is pure fantasy. I expect a 10 per cent pull-back over the next six months.	Weakness in earnings and monsoon worries could be domestic risks.	Government's inability to convert good intentions into actionable policies would be a key risk.	In our view, execution. We have everything going in our favour, including the commitment of the government.
Where would you expect the market to be by the end of the year?	We are headed lower by year-end, unless we see a 75 bps rate cut. If we see strong rate cuts, we should be at present levels or a tad higher.	We have a target of around 9,600 for the Nifty and about 31,600 for Sensex by December-end.	Despite the likelihood of earnings estimates being pulled back, there is high chance that Sensex will reach 30,000 by December 2015.	We expect earnings growth to gain momentum over the coming quarters and have a FY16-end Sensex target of 33,156.	The markets can go back to their all-time high of 30,000.	One needs to look beyond December, and we stay positive.