

# COPING WITH AN UNCERTAIN MARKET

The market meltdown has cleaned up nearly 60 per cent of investor wealth. How are investors trying to cope with their losses? We take a look. MANU KAUSHIK

**T**HESE ARE TRYING TIMES for even the most seasoned investors with exposure to the stock market. Or are they, really? *Business Today* reached out to four retail investors in three cities to gauge their mood in the wake of the market crash and find out how they are coping. The findings are startling.

All four are swimming in a sea of red—Chennai-based Rajesh Ramani, one of the investors profiled in this story, has already booked losses of nearly Rs 20 lakh on investments made since September 2007. And they are doing their own little things to cope—Manoj Gurnani of Delhi, for instance, has stopped tracking the market on a daily basis to avoid getting stressed by the continuous fall.

But the one thing these four investors aren't even thinking of is quitting the market. In fact, all of them have kept their faith in the market and

themselves. While someone like Mumbai-based Abhiraj Jalota refuses to blame his investment strategy for the mess—"I don't want to exit these stocks (the ones he holds) just because they are down. The fundamentals of companies in my portfolio are still strong"—the others are drawing up new plans to play in the next uptrend.

These investors are ready to play the waiting game. But this time, the wait could prove to be a long one. Says Ashok Jainani, VP-Research, Khandwala Securities: "The RBI and the SEBI have taken several measures to restore stability to the market, but the impact of these is yet to be seen."



**"The market has shown ruthlessness towards investors with a herd mentality"**

**Himanshu Kohli**  
Client Associates

The market crash has destroyed investor portfolios across the board. But, as some of the investor profiles show, it has been particularly severe on those who entered the market late last year or when it was at its peak in January this year, as well as those

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RACHIT GOSWAMI

## Manoj Gurnani

Entrepreneur, Delhi

**A**n astute investor, **Manoj Gurnani**, 42, is not too perturbed by the sharp correction in the stock market. What has really helped him maintain composure in these dire times is belief in his investment strategy. "I hold shares of fundamentally-sound stocks so the thought of panic-selling didn't even occur to me. I have not sold a single stock; rather I have added small quantities over the last two months," says Gurnani, whose portfolio consists of stocks of companies from the technology, infrastructure, construction, engineering, telecom and banking sectors.

A believer in spreading risk, Gurnani is also planning to invest in real estate in the NCR region over the next 6-8 months. He has also invested in fixed deposits (FDs) and insurance schemes. "I am not track-



## Abhiraj Jalota

Investment banker, Mumbai

Being a banker makes **Abhiraj Jalota**, 47, a conservative investor by nature. "In my business, the flow of income (fees and commissions) is erratic. So, to meet unforeseen contingencies and achieve future goals, I have always tried to maintain a 50-50 ratio between debt and equity. Though, of late, the sliding market has skewed that ratio," he says. Jalota's equity portfolio, which he built last December with stocks of Reliance Infrastructure, Reliance Capital, ONGC and Jai Corp, is today down 71

**INVESTMENT PHILOSOPHY:** I will not get out of the stock market just because everybody else is selling. **A sensible strategy is to hold on to your stocks and wait for the upside to give profits.**

per cent. "I don't want to exit these stocks just because they are down. The fundamentals of companies in my portfolio are still strong," he says, adding, "Average is not my cup of tea. I will start accumulating more large-cap stocks preferably with a 3-5 year horizon."

Jalota's Stocks	No of units	APP (Rs)	MoP	Current * Price (Rs)	Net Loss/Profit
Jai Corp	1,000	1,200	Dec.'07	107.45	-10,92,550
Reliance Infrastructure.	500	1,300	Nov.'07	516.6	-3,92,000
Reliance Capital	500	2,200	Dec.'07	587.3	-8,06,500
ONGC	500	950	Oct.'07	693.55	-1,28,500
<b>Total</b>					<b>-24,19,550</b>

\* As on November 14, 2008

APP: Average Purchase Price

MoP: Month of Purchase

ing markets on a day-to-day basis these days, but that doesn't mean I am missing out on excellent bargain opportunities. This is an ideal time for investors like me to slowly nibble into the market. This market offers a great opportunity to people who couldn't participate in the last bull run. Bear markets take their own time to recover. Over the next 9-12 months, we can see good times start rolling all over again," he says. Gurnani is particularly hot about the telecom

**INVESTMENT ADVICE:** This market offers a great opportunity to people who could not participate in the last bull run.

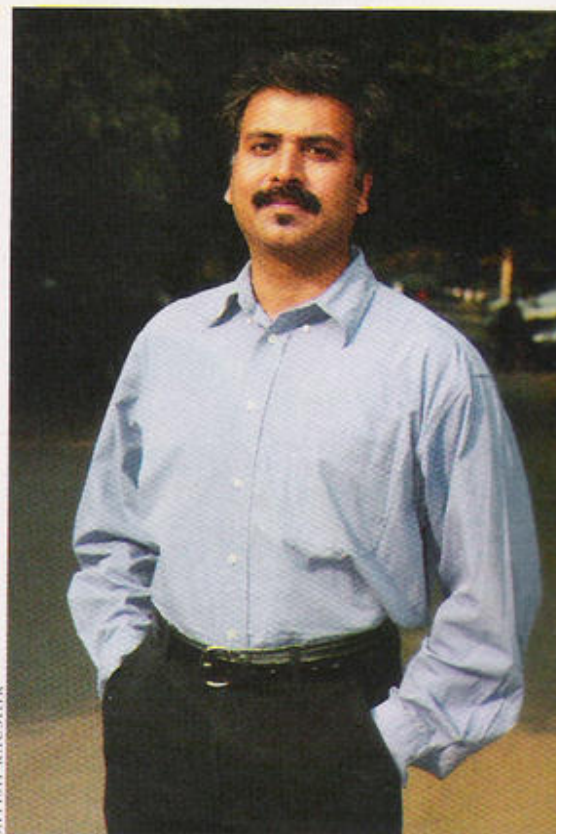
sector. "I will soon start accumulating a couple of stocks in this space," he says. Gurnani also believes that as interest rates begin moving south, sectors such as auto, realty, and banking will once again become prime attractions.

Gurnani's Stocks	No of units	APP (Rs)	MoP	Current * Price (Rs)	Net Loss/Profit
ITC	700	175	June'07	170.2	-3,360
Infosys Technologies	50	1,800	Aug.'07	1,217.9	-29,105
ICICI Bank	150	900	Aug.'07	395.95	-75,607.5
Engineers India	175	500	Oct.'06	386.2	-19,915
Tata Teleservices	2,500	24	Aug.'06	20.19	-9,525
Subhash Projects & Marketing	300	58	Oct.'08	55	-900
<b>Total</b>					<b>-1,38,412.5</b>

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SATISH KAUSHIK

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who tried to ride the volatility since then. Says Himanshu Kohli, Founder Partner, Client Associates: "Time and again, the market has shown its ruthlessness towards investors with a herd mentality. Investment in equities should be made on the basis of one's risk profile, time horizon and financial goals, and never on expectations of market movements during a short period."

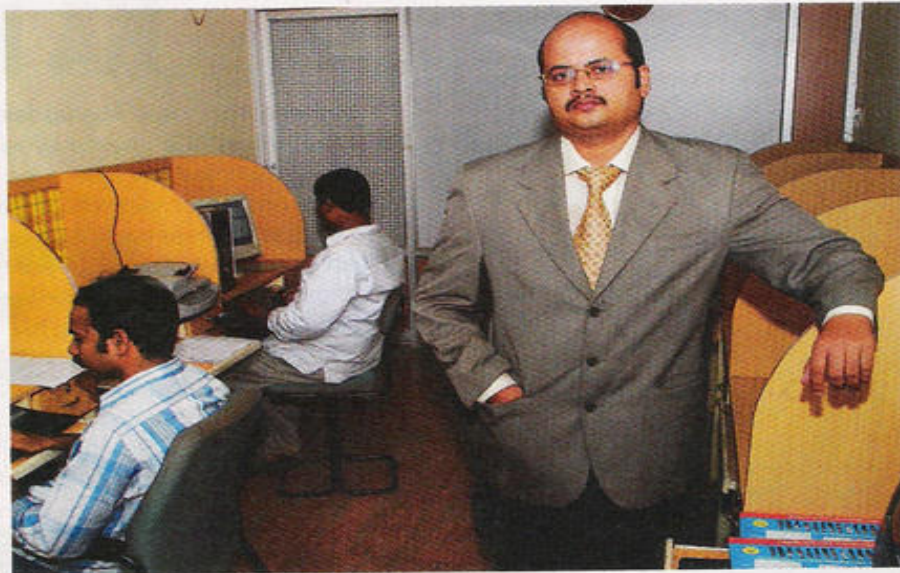
The sharp correction over the past few months coupled with the prospects of a further fall from current levels and a recession-led protracted bear phase has prompted many retail investors to run for cover and restrict their losses by pulling out money from stocks and investing it in safer, fixed-income government securities. But is that the right thing to do at this juncture? Says Jainani: "It is true that many equity investors have never experienced big market declines. But that doesn't mean that they should get spooked and begin to question their investment strategies. Retail investors should not pull out from the market at this juncture. In fact, it is a good opportunity to buy good stocks at lower levels."

Experts also caution against significant changes in asset allocation during a market crash. Most investor portfolios are typically made up of 25 per cent equity, 60 per cent debt and 15 per cent liquid money. But with the Sensex down nearly 60 per



**"Retail investors should not pull out from the market at this juncture"**

**Ashok Jainani**  
Khandwala Securities



G. KESHAV RAJ

## Rajesh Ramani

Consultant, Chennai

The last leg of the bull run proved to be a perfect trap for 38-year-old **Rajesh Ramani**, who has booked losses of nearly Rs 20 lakh on his investments made since September 2007. He invested Rs 30.91 lakh in September last year and March this year, in shares of HUL, ITC, Reliance Industries, VSNL and Tata Steel, hoping to earn 20 per cent returns over a one-year period. "As the economy was doing well and everything was looking rosy, the return potential in equities was quite compelling then," says Ramani.

When the July meltdown battered his portfolio, his brokerage made him buy future contracts of Arvind Mills, India Cements, Reliance Industries and VSNL to offset his losses in the cash market.

But that proved an even bigger disaster, causing him a loss of Rs 13.25 lakh in the F&O alone.

But Ramani's belief in the market remains intact. "I have learned that patience does pay in the stock mar-

**INVESTMENT ADVICE:** Stock market investing is a long-term game—a minimum of 3-5 years. In future, I am going to take informed decisions and stay invested for the long term.

ket." He wants to make a comeback into the markets by March next year. And he already has his plans worked out. "Stocks such as Punj Lloyd, L&T, BHEL, and Deepak Fertilisers & Petrochemicals are expected to gain over the long-term period," he shares.

Ramani's Stocks	No of units	APP (Rs)	MoP	Exit Price	Selling Date	Net Loss/Profit
Reliance Industries	450	2,275	Mar.'08	1,619	Sept.'08	-2,95,200
VSNL	350	502	Mar.'08	452	Sept.'08	-17,500
Tata Steel	600	780	Mar.'08	450	Sept.'08	-1,98,000
HUL	3,200	243	Sept.'07	221	Sept.'08	-70,400
ITC	3,200	202	Sept.'07	183	Sept.'08	-60,800
<b>Total</b>						<b>-6,41,900</b>

\* As on November 14, 2008

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**Ravindra Mehta**, CFO,  
Maharashtra Power Transmission  
Structures, Mumbai

A seasoned equity investor, **Ravindra Mehta**, 42, is not one to get bogged down by the market meltdown. In fact, he has been busy cherry picking. It's not as though Mehta has not been hurt by the market crash. "Compared to last year, my portfolio is down by more than 50 per cent, but most stocks are still trading above the cost of acquisition," says Mehta, who has Hindalco, Tata Motors, ONGC and Reliance Industries in his portfolio. He has recently added stocks such as Nagarjuna Construction, GVK Power & Infrastructure and Hindustan Construction. "I expect investments in infrastructure stocks to generate 25-30 per cent returns over

the next one year," he says. Besides, Mehta also sees huge upside potential in base metal and pharma stocks. "A combination of both mid- and large-cap pharma stocks can easily give returns in excess of 30 per cent over the next 1-1.5 years," he says. A chartered accountant by training, Mehta never takes advices from his brokers. "I know my needs and goals very well. I don't think anybody can grow my money better than I can do," he says with an air of confidence.

**INVESTMENT ADVICE:** A combination of both mid- and large-cap pharma stocks can easily give returns in excess of 30 per cent over the next 1-1.5 years.

Mehta's Stocks	No of units	APP (Rs)	MoP	Current * Price (Rs)	Net Loss/Profit
Reliance Industries	200	285	Nov.'03	1,148.55	1,72,710
Hindalco	1,000	110	Nov.'06	56.6	-53,400
Tata Motors	800	150	Nov.'06	136.95	-10,440
ONGC	300	650	Nov.'06	693.55	13,065
Nagarjuna Construction	2,000	60	Oct.'08	60.05	100
GVK Power & Infrastructure	5,000	11	Oct.'08	16.07	25,350
Hindustan Construction	1,500	49	Oct.'08	49.9	1,350
<b>Total</b>					<b>1,48,735</b>

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NISHIKANT GAMRE

cent since January, the equity component in such portfolios are likely to be down to 10 per cent of the total value. "In such cases, an investor should try and stick to the original asset allocation. This can be done by increasing the exposure towards equity by 5 per cent in every quarter."

**INVESTORS' TOOLKIT**

This is precisely the time that you should hold your nerves and go about re-balancing your portfolio to set you up for the next economic upturn.

- **RE-JIG ASSETS.** Look at the current percentage of your assets in stocks, bonds, mutual funds, real estate and other precious metals or even cash. **This is the first step in assessing how to allocate your assets** to get a maximum return on your overall portfolio.
- **REVIEW RISK APPETITE.** If your risk appetite has reduced in the last few months, think again. Unless you are nearing retirement age, **there's no need to shy away from stocks that are at rock bottom valuations.** Allocate more towards stocks, but reduce exposure to volatile stocks.
- **BOND WITH GAINS.** Debt is getting attractive with higher yields, but the debt market has shown that it can be vulnerable to credit risks. **Go for the safer short- or long-term gilt funds** that invest predominantly in government securities. Avoid churning.
- **DON'T OVERDO CASH.** Cash is good during hard times, but you may forego returns in the short term. **Make sure your cash is invested in, say, liquid plus funds,** so you can withdraw it quickly in case a good buying opportunity comes up.
- **PATIENCE VERSUS PANIC.** This market is all about being patient and keeping an eye out for the best bargains. This is just the right environment where **calm and patient investors make their wealth.**