

'Markets will continue to attract more flows compared to bank deposits'

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Nikhil Ranka, chief investment officer - equity alternatives at Nuvama Asset Management, says investors could scout for bottom-up mid-caps and small-caps stocks to generate superior returns



As stock markets are navigating a phase of consolidation, amid persistent global uncertainties, investors are looking for direction and clarity. Given this, **Nikhil Ranka**, chief investment officer – equity alternatives at Nuvama Asset Management, tells **Nikita Vashisht** in an email interview that retail investors could scout for bottom-up mid-caps and small-caps stocks to generate superior returns in this sideways market. Edited excerpts:

What is your overall view on the markets over the short-to-medium term?

Given the broad-based slowdown, as suggested by macroeconomic indicators, the markets will likely consolidate in the 24,800-25,800 range in the short-term. We, however, expect [Nifty](#) to post an EPS of ₹1,300 for fiscal 2026-27 (FY27). Based on 20x FY27e EPS, we arrive at the Nifty's fair value of 26,000 over next six to nine months.

What are the 3 major themes that investors could bet on in the current market for long-term wealth creation?

Telecom and Cement have seen consolidation and are immune to global uncertainties. Both these sectors are likely to outperform over the next 12 months. Besides, select pharma stocks in the CDMO space could do very well in the coming quarters.

How has retail investors' behaviour changed over the last one year amid market volatility?

The domestic inflows in mutual funds have stayed very strong despite the near-term hiccups. In fact, the [systematic investment plan \(SIP\)](#) book has grown and is at its all-time high of ₹27,000 crore per month. Given the decline in interest rates, the markets will continue to attract inflows as compared to bank deposits and would likely keep the markets well supported.

What is the road ahead for the primary market given the secondary market uncertainty?

The pipeline for primary markets seems extremely robust with companies expected to raise \$50 billion in the primary markets over the next 12-15 months. The good thing is that, post the recent correction in markets, promoters' expectations have been tamed a bit, leaving some money on the table for investors.

How has your Nuvama Absolute Return Strategy (NARS) and Nuvama Multi Asset Strategy Return Fund (NARS+) performed during the current market volatility?

In-line with guidance, NARS+ has delivered 17-per cent gross returns, while NARS has delivered 13-per cent returns over the last 12 months. This has been in the backdrop of Nifty delivering just 7.5 per cent return during the period. This translates to a meaningful alpha of 300-400 basis points over traditional fixed income returns on a post-tax basis.

Are you looking at new funds/offerings to cater to market uncertainty?

A flexi-cap fund was recently launched, and we are in the process of launching an 'Asset Allocator Fund', which is a multi-asset investment strategy.

Are there particular segments in the Indian equity markets that are underexplored and can deliver alpha?

Mid-caps and small-caps will always throw bottom-up ideas, which can generate superior returns even in a sideways market. Given the consolidation in cement space, mid-cap cement stocks look attractive at current levels.

Do you think 6-year low inflation will prompt further rate cuts from the Reserve Bank of India (RBI), or will the previously front-loaded cut hold back the MPC?

Given that the RBI has changed stance from 'Accommodative' to 'Neutral', we expect a maximum 25-basis point rate cut over the next 6 to 9 months. If the economic slowdown accelerates, more rate cuts can happen, but the base case remains 25 basis points (bps) cut from here.

What's your outlook on mid- and small-caps in the current environment?

Mid- and small-caps are likely to outperform large-caps as the outlook for earnings growth in large-cap space is subdued for the next two quarters.