proactive

As India overtakes China as most populous country, how can you invest and is it attractive?

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India's economy is way more than just about tea

India is taking over from China as the most populous country in the world in the next few months, the UN Population Fund's World Population Dashboard confirmed today, with the opening of Apple's first store in the country this week a sign of the changing economic times.

As well as overtaking its neighbours over the Himalayas, the subcontinent has also improved as a place to invest, say managers who invest there.

Currently there are four London-listed investment trusts investing in India, listed by the Association of Investment Companies (AIC) under the newly renamed India/Indian Subcontinent and sector.

India focused investment companies

- abrdn New India Investment Trust PLC (discount 19.5% one-year record -8.8%)
- Ashoka India Equity Investment Trust PLC (LSE:AIE) (discount 1.3% one-year record -7.4%)
- India Capital Growth Fund Ltd (LSE:IGC) (discount 6.5% one-year record +12.7%)
- JPMorgan Indian Investment Trust PLC (discount 19.4% one-year record -0.3%)

Latest data on the AIC website shows all four are currently trading at a discount to net asset value, with the Ashoka trust the smallest, having outperformed its three rivals on a one-year basis, but its peers possessing the five-year and 10-year records it does not.

On a 10-year basis, the ICG trust, which mainly backs mid- and small-cap companies with a few large-cap stocks in the portfolio, has the best record, up 240%, followed by abrdn New India at 126% and the JPMorgan at 104%.

(Last month, AssetCo PLC (AIM:ASTO), the asset manager chaired by former Aberdeen boss Martin Gilbert, had agreed to acquire ICG manager Ocean Dial.)

India last year stood out in terms of relative performance against global equities which had their worst year since 2008.

"It was a great year for India especially against other emerging markets," said Gaurav Narain, the fund manager of India Capital Growth at Ocean Dial Asset Management said recently.

"India's traditional bottlenecks such as poor infrastructure; the long lead time in getting regulatory approvals; the difficulty in purchasing land; and the high costs and availability of capital are no longer topics of conversation.

"In fact, states are competing with each other to attract investments."

India is now competitive with other emerging markets on costs too, Narain said, with labour cost one third that of China and tax rates amongst the lowest in Asia.

The government is looking to attract companies such as Apple, which will this week cut the red ribbon on first India retail stores in Mumbai and New Delhi, with specific incentives through Production Linked Incentive (PLI) schemes that look to offset other disadvantages.

There is a recognition that India needs to be a manufacturing hub as it needs to employ its growing young population."

State owned, low-cost digital infrastructure has helped India "jump ahead several years", Narain says, improving the ease of doing business, adding that the private sector capex cycle and real estate markets also "appear" to be gaining momentum.

"There is no stress in the banking system. Non-performing loans are at near record lows, banks are well capitalised and are ready to invest. The same goes for corporate India which has low leverage."