



IAN COWIE | PERSONAL ACCOUNT

# You should think about investing in India this Diwali

Ian Cowie | Sunday November 12 2023, 12.01am, The Sunday Times



**R**emembrance Sunday and the start of Diwali, the Hindu festival of light, coincide today, and will be marked by millions of people of many faiths in Britain and India. Both events remind us about the possibility of peaceful coexistence, despite all the violence elsewhere.

Back to business, India has overtaken Britain as the world's fifth biggest economy, according to the International Monetary Fund. More importantly for investors, the Bombay Stock Exchange (BSE) has beaten London's FTSE 100 index over the past decade, five-year and one-year periods. Share prices on the BSE soared 233 per cent, 85 per cent and 6.2 per cent respectively, while the FTSE 100 followed far behind with 59 per cent, 5 per cent and 0.6 per cent. So investors keen to maximise returns should consider exposure to the subcontinent.

Coming down from the clouds of macroeconomics, perhaps this small investor had better 'fess up to personal bias, because India is home to my first ten-bagger — a stock whose price soared tenfold. In 1996 I paid 63p a share for an investment trust that was then Fleming Indian but is now JPMorgan Indian (stock market ticker: JII) and which cost £8.54 at close of business on Friday.

To be fair, you would need £1.92 today to buy what £1 bought in 1996, according to the Bank of England. But India's economy is growing more strongly than Britain's, and this fact is reflected by stock market valuations.

Unfortunately for this long-term shareholder JII's performance has been poor for the past decade. While the Association of Investment Companies' Indian subcontinent sector delivered average returns over the standard three periods of 173 per cent, 49 per cent and 4.2 per cent respectively, JII lagged behind with 156 per cent, 38 per cent and 0 per cent.

Fortunately I began turning paper profits into real ones as long ago as 2006, so I really mustn't grumble, and more recently diversified into the India Capital Growth fund (IGC), where I paid £1.21 a share in September 2021. IGC's focus on medium-sized and smaller companies is paying off, and the shares cost £1.64 at close of play on Friday.

That valuation follows total returns over the usual three periods of 359 per cent, 94 per cent and 21 per cent. No wonder IGC shares trade at a modest 7 per cent discount to their net asset value (NAV), compared with JII's, which are priced 19 per cent below the NAV.

Neither investment trust pays a dividend but both may benefit from rising tensions between America and China. Multinational companies have reduced their reliance on hostile regimes since Russia's invasion of Ukraine underlined important differences between doing business in dictatorships and democracies. India is the world's biggest democracy where human and property rights are protected by an independent judiciary. None of those advantages applies in China, and some of the world's largest companies are now reallocating their resources accordingly.

For example, [as reported here last year](#), the technology giant Apple (AAPL) is transferring the production of iPhones from China to India. Gaurav Narain, the IGC fund manager, said: "Apple is already exporting over \$1 billion of phones out of India every month.

"Motorola [MSI] has also shifted part of its phone manufacturing from China to India. This has happened for several reasons, including India's labour costs being one third of those in China today."

Jason Hollands from the wealth manager Evelyn Partners said: “Unlike China, which has an ageing population and shrinking workforce, India has a positive demographic profile.

“The average age in India is 28.7 years, and almost 35 per cent of the population is under 20, which should help drive growth for decades. Investors wanting a pure-play India fund might consider Ashoka India Equity [AIE] or the Goldman Sachs India Equity Portfolio [GSIER].”

Many investors already have substantial exposure to the subcontinent through shares listed in London or elsewhere in Europe because the underlying businesses are global. For example, the consumer goods giant Unilever (ULVR), the world’s biggest food business, Nestlé (NESN), and the drinks group Diageo (DGE), which happen to be my sixth, seventh and tenth most valuable shareholdings, have big Indian subsidiaries.

Perhaps the most extreme example of this is ULVR, which has a London stock market value of £97 billion. More than a third of that consists of a 60 per cent stake in Hindustan Unilever, whose BSE shares are worth a total of £57 billion.

India has become an increasingly important consumer as its middle class trades up to premium brands. This can mean forsaking local firewater in favour of DGE products such as its single malt Godawan, which is named after the great Indian bustard, an endangered bird that the distiller is paying to protect.

But a profit warning on Friday knocked DGE back by 15 per cent, so I topped up at £27.41 and also bought some more ULVR at £39.64. India consumes nearly half the whisky sold on the planet. That is why our prime minister Rishi Sunak discussed local tariffs on the drink with his opposite number Narendra Modi at the recent G20 economic summit in Delhi. Both men happen to be Hindu and neither drinks alcohol.

Investing internationally is an effective way to diminish risk by diversification. Whether that is through global emerging markets funds or single-country shares, it makes sense to consider India, which is now the world's biggest nation, with a population of more than 1.4 billion — or nearly a sixth of humanity.