



# THE SUNDAY TIMES



IAN COWIE | PERSONAL ACCOUNT

## There are more than a billion reasons to invest in India

The country is bidding to become the world's third biggest economy and I think it's a great time to join the gravy train

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Saturday April 27 2024, 6.00pm, The Sunday Times



**W**ith voting under way by the world's largest electorate of 968 million people, international investors should consider India's bid to become the world's third biggest economy within three years. If that aim sounds ambitious, bear in mind that when its prime minister, Narendra Modi, came to power a decade ago, the country ranked ninth by the gross domestic product (GDP) measure of economic output.

Since then India has overtaken Canada, Russia, France and the United Kingdom to rank fifth, according to the World Bank. Now, with the investment bank Goldman Sachs estimating economic growth at 6 per cent a year, another bank, Jefferies, predicts that India will surpass Germany and Japan by 2027.

Modi's militant Hindu nationalism has its critics, not least among India's Muslim minority, but there can be no doubt that his government has modernised the vast subcontinent. For example, the country has issued digital identification to 1.3 billion of its 1.44 billion people.

This 12-digit ID can be cross-referenced with biometric information, including fingerprints, iris scans and a facial photograph held in a government database. Known as "Aadhaar" — "foundation" in Hindi — this system enables 80 per cent of the adult population to have bank accounts and participate as consumers and entrepreneurs in the world's fifth-largest electronic payments system.

Families who gained from the wealth creation that this digital infrastructure enabled include our own prime minister, Rishi Sunak, and his wife, Akshata Murty. Her father, Narayana Murthy, co-founded the Bangalore-based information technology group Infosys, and she has a shareholding that paid her £13.5 million dividend income last year.

On a smaller scale, investors can gain exposure to India via unit trusts and investment trusts or exchange traded funds (ETFs). The average India sector investment trust had total returns of 29 per cent over the past year, 41 per cent over five years and 174 per cent over the past decade, according to the independent statistician Morningstar. Over the same periods the average UK All Companies trust delivered 9.2 per cent, 21 per cent and 78 per cent.

Ashoka India Equity (stock market ticker: AIE) is the top performer over the past year and five years but lacks a ten-year track record, having launched in 2018. It generated growth of 47 per cent and 155 per cent over the short and medium term, for ongoing charges of 0.5 per cent. Like all four investment trusts in this sector, it pays no dividends.

Abrdn New India (ANII) ranks second over the past year with 35 per cent, followed by 44 per cent and 211 per cent. It's hard to say that both my investment trusts in this sector lag in the bottom half over the past year but I really mustn't grumble.

The medium and smaller companies specialist, India Capital Growth (IGC), achieved 31 per cent over the past year, 78 per cent over five years and 312 per cent over a decade, while the more blue chip or big company-focused JP Morgan Indian (JII) delivered 19 per cent, 27 per cent and 151 per cent.

The latter's recent performance has been weak, although the long view offers some consolation. I first invested in 1996, when it was called Fleming Indian, paying 63p a share for stock that cost 929p this week. Tracker fund types will never know, but I can attest from personal experience that you [never forget your first ten-bagger](#).

India Capital Growth is a more recent venture, where I paid 121p a share in September 2021, [as reported here at that time](#), for stock that cost 162p when I bought some more this month. India Capital Growth shares are priced 11 per cent below their net asset value (NAV), while JP Morgan Indian — like Abrdn New India — trades at a 19 per cent discount to its NAV. Ashoka India Equity is the exception, trading at a 2.74 per cent premium to its NAV.

Never mind the past and the present; what about the future? Higher oil prices might hurt India because it has little of its own and attracts odium for buying Russian fuel, despite American and European sanctions. However, countries don't have "friends", they have "interests", and few folk would argue that the British Empire's impact on India was entirely altruistic.

Tensions are rising with China, where I am glad I got rid of a decade-long exposure several years ago, after learning about the maltreatment of more than a million Uighurs. Some “business is business” types mocked me for being “woke” when I reported that move but they have paid a high price for their cynicism since then.

More positively, India is benefiting as global companies including Apple and Tesla favour doing business in a democracy with an independent judiciary to protect property rights; unlike a dictatorship where wealth can be confiscated in an instant.

Political uncertainty is still a worry, but British investors have learnt to live with that closer to home after four prime ministers in less than five years. By contrast, the Indian election on June 4 is expected to result in business as usual, with Modi winning a third term after a decade in power.

### **Miner merge is unlikely to unearth much profit**

Copper is essential to electrification and will be a key commodity for the coming century, just as iron ore and steel built the industrial era. Everything from electric vehicles to data centres and renewable energy requires lots of the red metal.

That’s why BHP Holdings (BHP), the world’s biggest miner, has launched a blockbuster £31 billion bid to buy Anglo American (AAL), which the smaller firm rejected on Friday, claiming it “significantly undervalues” AAL.

Dig a little deeper and, while it is obvious that the investment bankers advising both firms will make out like, er, gangmasters, it is less obvious what is in it for BHP shareholders — including your humble correspondent. AAL shares spiked 16 per cent higher on news of the bid but BHP slipped 5 per cent lower on fears it may overpay if this turns into an auction.

Chief executives are competitive people and corporate vanity often precedes a fall in share prices. So let's not forget that it's the shareholders who own both these businesses. BHP already makes more than a quarter of its revenues from copper as it transitions from “dirty digger” to what it calls “future-facing commodities”, such as its vast potash fertiliser mine in Canada.

By contrast, Anglo American is a mixed bag of diworsification that includes diamonds of dubious utility, platinum in falling demand for exhaust systems exiting the infernal combustion engine, and a money pit in Yorkshire that hopes to make a form of fertiliser relatively few farmers buy.

To be candid, I much prefer BHP as it is, which is why I have been a shareholder for more than a decade instead of investing in Anglo American. I hope that this bid flops before more capital is buried and wealth destroyed.