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Dimensions Team: What is your view on the current global economy, and how is India differentiated from other emerging markets?

PC: As far as the global economy is concerned, it is very dismal. We are yet to recover from the global financial crisis. As per my experience, I have never seen a situation like this in the last 50 years. The global economy may grow less than 2% year on year over the next 10 years. We had a high period of high economic growth during 1980's and 1990's. But the current scenario is different. Coming to India's situation, India is really doing well with a growth rate of 7%+ over last few quarters. India is now the fastest growing economy in the world.

Dimensions Team: It is said that, every eight years that there would be a Recession. With the current markets showing volatility to that of pre-recession times, do you see a global recession in the near future?

PC: Yes, there is a slight possibility of a global recession. Word Recession doesn't have a definition, and with the current scenario, the global economy might not grow at a rate that is expected. If you define global economic growth rate of less than 2% as depression, yes there might be a chance. On the bright side, we may not see a situation like the depression of 1930s because we have become scalable in managing world economy.

Dimensions Team: What is the scope of Fundamental Analysis of Stock Markets in the future?

PC: As far as fundamental analysis is concerned, it will be the anchor of valuation. The most important model in valuation of companies you will ever learn is the DCF model. Yes, you have situations where market sentiments have become extremely buoyant, prices are exaggerated, and that buoyancy may continue for a year or two. But eventually, market will have to revert to fundamentals.

Dimensions Team: In western countries**,** the individual investors as a ratio of investments is much more than that of Indian Counterparts. But an investment firm may have vital information, which may not be accessible to individual investor. So shouldn't companies be open regarding the information to the public?

PC: No, I think today, if you look at dissemination of information, individual investors are hardly at any disadvantage. When I started my career almost 47 years back, individual investors did not have access to much information like corporate reports. Today, things have changed. Regulation in the US as well as in India have made it clear that a company has to disseminate the information at the same time to individual investors and institutional investors. So individual investors are not at any disadvantage whatsoever. Markets have now become efficient in US and many parts of the world. In an efficient market, an institutional investor, although equipped with technical analysis and mathematical modelling, is unlikely to have a significant advantage.

Dimensions Team: Talking about Masala Bonds, which is creating a lot of buzz, what will the impact of Masala Bonds be in India?

PC: It will not have a significant impact. Masala Bond is denominated in rupees, which essentially means that exchange risk is borne by the investor not by the issuer. The popularity of these bonds at this juncture means that overseas investors do not perceive a huge exchange rate risk, and that perception may be based on the fact that the Indian economy is likely to grow well. It reflects the faith of the external investors in the Indian economy and the Indian government.

Dimensions Team: How do you find current valuations of small cap and midcap stocks?

PC: Valuations are slightly stretched at this point of time. They are based on people's impression that corporate earnings may rise steadily at 15 % or 18%, but to my mind, it is an untested proposition. We also have to understand that, there is so much of liquidity in the global markets. It's about US $12 to 13 Billion dollars. All assets are inflated. So we have no idea what the true value is because of enormous liquidity globally. In India also, the same condition persists. We are in an overvalued zone. We expect Indian firms to grow at a slightly higher rate than their western counterparts. If you look at the situation of Apple, it is struggling. After registering enormous growth for a decade, it has now declined. Most of those firms have reached a stage of maturity, but Indian companies are still expected to prevail in the growth stage. Hence they are overvalued.