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Daily Voice: RBI seen pivoting to a more dovish stance to support growth; window for rate cuts still wide open, says Samvitti Capital's Prabhakar Kudva

According to Samvitti Capital's Prabhakar Kudva, Q4FY26 and Q1FY27 may see a marginal impact on account of higher crude prices in March and April, particularly for crude-sensitive sectors, but things should largely normalise by Q2.

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Prabhakar Kudva is the Director and Principal Officer - Portfolio Management Services at Samvitti Capital

"I would look at the next policy meeting as a far better gauge of the RBI's thinking., by which time the geopolitical picture and its pass-through to inflation should be considerably clearer", said Prabhakar Kudva, the Director and Principal Officer - Portfolio Management Services at Samvitti Capital in an interview to Moneycontrol.

He believes the RBI will eventually pivot towards a more dovish stance to support growth, which has been showing signs of moderation. The window for rate cuts is still very much open, it is more a question of timing then direction, he said.

From an earnings standpoint, he is of the view that Q4FY26 and Q1FY27 may see a marginal impact on account of higher crude prices in March and April, particularly for crude-sensitive sectors, but things should largely normalise by Q2.

What is your assessment of RBI policy and their commentary?

The RBI has, as widely expected, kept policy rates on hold. Given the hazy macro backdrop on account of the ongoing war and the attendant uncertainty around crude and the currency, it is genuinely difficult for the regulator to commit to a directional stance at this juncture, a pause was really the only sensible option.

The commentary was appropriately cautious without being alarmist. I would look at the next policy meeting as a far better gauge of the RBI's thinking, by which time the geopolitical picture and its pass-through to inflation should be considerably clearer.

My broader sense is that the RBI will eventually pivot towards a more dovish stance to support growth, which has been showing signs of moderation. The window for rate cuts is still very much open, it is more a question of timing than direction.

Do you advise investors to enter in a staggered manner, given the improved valuations after the recent correction?

Given the combined price and time we have witnessed over the last 18 months, valuations across several pockets now look reasonable, and investors who have been sitting on the sidelines or have not been running SIPs definitely need to start allocating to equities.

A staggered approach is always the more prudent route, but I would caution against stretching it out too long. Markets tend to bounce off the lows much faster than people expect, and investors who plan to deploy over 12-18 months often end up chasing higher prices. Ideally, the deployment should be completed over the next few months rather than dragged out.

What could be the war's impact on earnings, the economy, and equity markets?

Actually, the war appears to be moving towards closure, with a two-week ceasefire already announced and behind-the-scenes diplomatic efforts pushing towards a more durable resolution. Markets, as always, will price in the resolution well ahead of the actual event.

From an earnings standpoint, Q4FY26 and Q1FY27 may see a marginal impact on account of higher crude prices in March and April, particularly for crude-sensitive sectors, but things should largely normalise by Q2. The broader economy and corporate earnings cycle remain intact.

Have you seen any impact on retail participation and SIP flows into equities following the war?

Indian retail investors have matured significantly over the last few cycles and have been playing this one rather well, buying corrections rather than panicking out of them.

I don not anticipate any meaningful slowdown in SIP flows, and the latest AMFI data also does not reflect any such trend. Retail behaviour today is structurally very different from what we saw a decade ago.

Do you expect more measures from the RBI to support the currency?

It was a timely and decisive intervention, and broadly addresses the obvious gaps. My sense is that the RBI will continue to step in only at the extremes, which is exactly how a good regulator should behave. I do not expect the central bank to micromanage the currency on a day-to-day basis.

What further measures could the government take to support the economy and corporate earnings, considering the potential impact of the war?

The government has done a tremendous job of insulating day-to-day business activity from external shocks, with the exception of a handful of sectors directly exposed to crude. Time and again, the current dispensation has demonstrated its ability to handle crisis calmly and effectively, and I would expect the same playbook, calibrated fiscal support, supply-side management, and strategic reserves to be deployed if the situation warrants it.

Do private banks and utilities appear attractive for investment at current levels?

Purely on a valuation basis, both spaces look attractive. However, in private banks one has to closely track the growth trajectory, which is clearly showing as PSU banks and MBFCs continue to eat into their market share. stock selection within the space matters far more today than it did a few years ago.

Do you think the Strait of Hormuz situation is over now?

The Strait of Hormuz situation should be behind us reasonably soon, there is simply too much at stake globally for it to remain a prolonged disruption. The world economy and markets should return to normalcy over the next few months, especially with the US heading into mid-term elections in November, which itself becomes a strong incentive for de-escalation.

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