

Templeton Equity View: India

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Rise of Technology

All of us feel the rising influence of technology in our everyday life. The impact of technology is now being felt on the equity markets as well. Asian tech giants such as Samsung, Tencent, Alibaba, and Baidu have led the emerging market stock rally in the recent months. The share of Technology sector in EM Index has steadily grown from just under 10% in 2007 to nearly 27% in 2017. Technology has become the largest sector overtaking consumer and commodity sectors, underlining its relative importance in the economy. In first half of the year, technology sector contributed 43% of the 23% gain in MSCI EM index. Asian companies are even taking the lead over their developed world counterparts in some areas. For instance, 2016's yearly singles day event by Alibaba garnered roughly \$18bn in sales compared with roughly \$3.5 bn each for Cyber Monday and Black Friday sales of all US online retailers.

Back home, businesses operating in the ecommerce space and consumer technology space continue to experience rapid growth in customer base with rising adoption in the country. Most of these consumer facing technologies companies are either unlisted or part of global giants such as Facebook, Amazon and Google. The listed tech companies in India are dominated by IT services, a segment is largely driven by global corporate IT demand. It currently offers little opportunities to participate in the disruptive growth seen in the domestic ecommerce and consumer technology segment.