Business Standard

How to spot alpha stocks in an uncertain stock market? Himani Shah explains

Stock market outlook: Uncertain times in stock markets present interesting opportunities to invest in high-quality companies at attractive valuations, says Himani Shah of Alchemy Capital Management

If we observe a sustained deviation from the company's core strategy, we reassess our investment stance, says Himani Shah, Alchemy Capital

Nikita Vashisht | New Delhi
3 min read Last Updated : Jul 18 2025 | 12:45 PM IST

US President Donald Trump's tariff policies have created an uncertain market environment, with investors keeping their eyes peeled for the impact on various sectors. With near-term stock market volatility likely to persist, **HIMANI SHAH**, co-fund manager at Alchemy Capital Management tells **Nikita Vashisht** in an email interview how investors could stay anchored in this market for long-term value creation. Edited excerpts:

How are you navigating the current uncertainty in the markets? Have you tweaked your investment strategy in recent months?

Navigating market uncertainty is an inherent part of investing. Our approach has always been rooted in identifying companies that demonstrate resilience and adaptability in the face of disruption. By focusing on businesses that have consistently turned challenges into opportunities and carve out a niche, building a competitive edge within their sector, investors can emerge long-term winners.
That said, while we remain aware of market sentiment, our strategy is grounded in fundamentals rather than speculation. Uncertain times often present interesting opportunities to invest in high-quality companies at attractive valuations.

How do you balance short-term volatility with long-term conviction in your investment approach?

Data-driven insights are a good guide. If a company continues to deliver on key performance metrics—such as revenue growth, profitability, capital efficiency, and strategic execution—despite external volatility, investors should stay out in such stocks with confidence.

That said, we remain vigilant. If we observe a sustained deviation from the company's core strategy, underperformance in critical financial parameters, or valuations that significantly outpace fundamentals, we reassess our stance. In such cases, we actively seek alternative opportunities—many of which emerge during disruptive periods.

Is there any stock/sector, which looks expensive, but still lucrative for long-term gains?

Electronics Manufacturing Services (EMS) is one of the sectors that often appears expensive when viewed through traditional valuation metrics like Price-to-Earnings (P/E). However, when assessed through more forward-looking models such as Price/Earnings-to-Growth (PEG) or Discounted Cash Flow (DCF), EMS reveals compelling long-term value.

This has been clearly demonstrated by the industrial transformation stories of China and South Korea, both of which strategically leveraged EMS to scale their economies and build global competitiveness. India, too, is following a similar trajectory.

Which market segment offers better risk reward? Large, mid- or small-caps?

In the current risk-reward framework, it's prudent to remain market-cap agnostic. Rather than categorising opportunities strictly by size—large, mid, or small-cap – investors should focus on identifying fundamentally strong businesses across the spectrum. By staying flexible across market capitalisations and sectors, one can uncover high-quality opportunities that offer attractive risk-adjusted returns, regardless of size.

Which sectors could surprise positively and negatively during the ongoing Q1 results season?

EMS and Pharma may surprise positively in the Q1-FY26 results season, as both sectors would benefit from India's emergence as a credible alternative in global supply chains. In contrast, FMCG and IT are seeing some slowdown—IT due to a policy overhang from US President Donald Trump's tariff restrictions, and FMCG as premiumisation shifts demand from staples to discretionary categories. Quick commerce is also driving impulse buying and brand switching, boosting regional brands.