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ETMarkets Smart Talk | India to benefit from global manufacturing shift as China+1 strategy gains momentum: Ankur Jhaveri

By Kshitij Anand, ETMarkets.com • Last Updated: Jul 03, 2025, 09:07:00 AM IST

Synopsis
Ankur Jhaveri of JM Financial highlights India's potential gains from the China+1 strategy amid global manufacturing shifts. He anticipates rural consumption and domestic manufacturing as key growth drivers, while geopolitical events and trade deals remain crucial market factors. Jhaveri suggests a bottom-up investment approach, favoring companies with solid earnings and reasonable valuations, particularly within the banking sector.

We believe that a pickup in consumption is imminent once global shock settles and impact would be visible with a lag of a quarter or two.

*In this edition of ETMarkets Smart Talk, **Ankur Jhaveri**, MD & CEO of **JM Financial Institutional Securities** Ltd., highlights how India stands to benefit from the evolving global manufacturing landscape, driven by the China+1 strategy.*

As global companies look to diversify supply chains away from China, Jhaveri believes this structural shift presents a multi-year opportunity for India.

*He also shares insights on key macro risks, sectoral valuations, policy expectations, and why rural consumption and **domestic manufacturing** are likely to be the twin growth engines in the coming quarters. Edited Excerpts –*

Q) We closed May on a high note but witnessed some volatility in June – is it geopolitical concerns weighing on sentiment?
A) There has been a series of events in June that got investors glued on to emerging geopolitical dynamics. June has certainly been more nervous compared to May and immediate investment strategies seems to be rather defensive.

Having said that it's not only geopolitical situation but also an expression of recent earning season that has impacted market volatility. Corporate commentary by large has been cautions, which has forced investors to re-calibrate their earning projects and multiples.

Q) As we are about to end 1H2025, what are your expectations or assumptions for the rest of the year?
A) Global environment continues to remain fluid since the change of US President. Tariffs, Monetary policy reaction, and geopolitical conflicts are driving market sentiments currently.

Going forward unfolding geopolitical events and finalisation of trade deals would be the key monitorable events from the market standpoint.

Any policy flip flops or further postponement of the tariff deadline would be negative for the US Dollar and hence should attract flows towards Emerging Markets.

Q) Are there any new or existing themes that are likely to do well in 2H2025?
A) Global manufacturing is undergoing a shift, and the recent policy actions be it fiscal or monetary are all targeted towards benefiting the domestic manufacturing ecosystem.

Global players have been diversifying their manufacturing capacities away from China, although other countries would also benefit from this shift, India too stands to gain. This is a multiyear theme and companies in the manufacturing supply chain will be the beneficiaries.

Secondly, in the immediate near term we see that the conditions are aligned in favour of consumption. Easy monetary policy, Favourable weather conditions - onset of La-Nina condition and Fiscal measures like recent Tax exemption would all improve consumption demand in the domestic economy - especially rural.

Q) Geopolitical concerns weighed on crude oil in the past few weeks. How do you see crude oil moving in the near future and what could be the possible impact on earnings and GDP growth?
A) Geopolitical conflicts seem to be broadening with every passing day, its impact on crude oil depends on the incremental steps taken by these countries in conflict.

To be specific, the entry of US in the Iran-Israel conflict complicates the issue further, the extent of retaliation by Iran will have serious implications on Crude oil price. Brent crude price is already up 22.9% in June, Iran's decision to block the Strait of Hormuz would further fuel the rally.

Oil imports form one fourth of India's total imports and out of 5.5 Mn Barrels per day (bpd) imports of crude oil currently, 2 Mn bpd is sourced through the Strait of Hormuz.

However, its impact could be cushioned meaningfully if crude oil imports are diversified from Russia, which does not use this corridor to supply oil. We believe that proactive monetary and fiscal policies should support growth in the current fiscal, hence 6.5% growth seems achievable which should reflect in corporate earnings as well.

Q) In terms of valuation comfort – which sectors are on your radar?
A) Banks provide margin of safety on the valuation front, while other sectors appear to be fully priced or trade above the historical averages.

However, valuation should not be the only criteria in an investment decision, considering the global uncertainty in which these businesses are functioning.

We believe bottom up approach would be suitable in current macro environment, companies with decent earnings visibility trading at reasonable valuation would be preferred.

Q) How are FIIs looking at India amid falling interest rates globally?
A)It is worth highlighting that the comfortable inflation trajectory has allowed the global central banks to ease policy rates. However, it is the tariffs and the related disruption which would decide the inflation path going forward, especially in the US.

Q) How is the rate trajectory looking from the RBI? Do you think the front-loaded 50 bps cut was enough to boost consumption?
A) The domestic inflation trajectory is expected to remain comfortable in the near term, which would allow the RBI to focus on growth, the governor indicated that the central bank is targeting a potential growth rate of 8%.

Moreover, Governor Malhotra recently hinted that if the inflation outlook turns out to be below RBI's projection, it will open up more room for policy easing.

This according to us is preparing the markets for more policy easing, however at this juncture we believe that the space for incremental policy easing if any would be restricted to 25bps.

On the recent front-loading of rate cuts, we believe that RBI intended to deliver a positive shock to the economy which would eventually fasten the rate transmission, the advance announcement of the CRR cut was to cushion the Banking NIMs to some extent.

We believe that a pickup in consumption is imminent once global shock settles and impact would be visible with a lag of a quarter or two.