

ETMarkets Smart Talk| Growth themes to outperform value in FY26–27 as domestic demand stays strong: Ankur Jhaveri of JM Financial

By Kshitij Anand, ETMarkets.com • Last Updated: Oct 13, 2025, 09:08:00 AM IST

Synopsis

India's equity markets navigate global headwinds, with domestic demand and reforms expected to drive growth sectors. Despite FII outflows and valuation concerns, strong SIP flows indicate a deepening investment culture. Experts anticipate growth themes to outperform value plays in FY26–27, supported by policy stability and structural reforms.



Agencies

This transition is supported by easier access to financial education, enabling retail investors to better understand long-term compounding and digest short-term volatility.

*In this edition of ETMarkets Smart Talk, Ankur **Jhaveri**, Managing Director & CEO – Institutional Equities at JM Financial Institutional Securities Ltd, shares his insights on how India's equity markets are navigating a complex global environment marked by Western trade*

*headwinds, elevated tariffs, and **FII** outflows.*

Despite external uncertainties, Jhaveri believes India's strong domestic demand, policy stability,

*and structural reforms like **GST rationalisation** will continue to drive growth-oriented sectors ahead of value plays in FY26–27.*

*He also discusses **RBI's** measured stance, the evolving IPO landscape, and how rising **SIP flows** reflect a deepening investment culture across India. Edited Excerpts –*

Q) Western headwinds seem to have slowed equity markets. How are you interpreting the current situation?

A) Western headwinds particularly elevated tariffs on Indian exports pose a clear risk to India's external account. While negotiations are still underway, the uncertainty around their resolution continues to weigh on market sentiment.

Domestic factors like **GST** cuts are expected to offset some of the immediate negatives by boosting consumption, providing a cushion in the near term.

Markets typically react cautiously to ambiguity, and without clarity on trade agreements or tariff normalization, sectors directly affected may lack meaningful triggers.

Combined with valuation concerns across emerging markets, foreign investors are likely to remain risk-averse until there's more visibility on both global and domestic fronts.

Q) The H-1B visa may not have a large impact on IT companies' balance sheets, but it could be a significant sentiment hit. What are your views, and how will this affect the future environment for IT companies?

A) While the direct financial impact of H-1B visa restrictions on IT companies may be limited, the sentiment hit is notable.

New H-1B petitions have already declined significantly, and future issuances may be restricted to niche skill sets. This could be margin-neutral initially, but wage inflation in the subcontractor and local talent pool may exert second-order pressure.

Companies are likely to offset this through increased offshoring, price renegotiations, and a greater push toward local hiring.

Top IT firms currently have only 1.2–4.1% of their workforce on H-1B visas, so the overall exposure is manageable.

However, given the industry's adaptability, companies are expected to pass on costs and maintain hiring momentum.

With one of the major regulatory overhangs now behind, this development could be viewed as a net positive for long-term stability.

Q) How do you see RBI's stance in the recent policy meeting?

A) The RBI maintained a neutral stance in its October policy meeting, keeping the repo rate unchanged at 5.5%, following a cumulative 100 bps cut earlier this year.

This reflects a prudent “wait and watch” approach amid global uncertainties, including elevated US tariffs. While a rate cut may have supported consumption, the RBI appears focused on allowing previous easing to transmit effectively through the system.

The dovish tone, coupled with GST rationalisation and benign inflation (revised down to 2.6% for FY26), creates a supportive environment for yields and credit flow. Although headline inflation may trend upward, the RBI's communication signals confidence in domestic resilience.

Growth projections have been revised upward to 6.8%, reinforcing the view that fiscal and monetary measures are working in tandem.

Overall, the stance is balanced, supportive of growth without compromising stability, and leaves room for future easing if needed.

Q) The silver lining for D-Street could be that we might close September on a positive note after falling for the past two months. What are your expectations for the festive October month?

A) After a challenging two-month stretch, September's positive close offers a much-needed breather for D-Street. Looking ahead to October, the festive season is expected to drive strong discretionary consumption—particularly in two-wheelers, passenger vehicles, and apparel.

Early indicators such as robust enquiry volumes suggest that demand is likely to sustain through the month.

Importantly, the earnings season will be a key driver of market sentiment. If corporate results meet or exceed expectations, it could reinforce investor confidence and potentially push indices to new highs.

With macro indicators stable and consumption trends supportive, October could mark a continuation of the recovery, provided demand momentum holds and earnings deliver.

Q) Earnings have been lacklustre over the past few quarters. The government has done its part with the GST bonanza. When do you expect the benefits to start reflecting on company balance sheets?

A) The GST rationalisation has already begun to influence consumption positively, especially in discretionary categories.

While staples may see a modest uplift, the broader impact is expected to reflect more clearly in company balance sheets over the next two quarters.

Early signs point to higher-than-expected sales, and if this momentum sustains, it could mark the beginning of a structural uptrend rather than a temporary blip.

However, a comprehensive earnings recovery will depend on broader participation particularly from the financial sector, which forms nearly a third of the **Nifty**.

As external headwinds ease, especially with progress on bilateral trade negotiations with the US, the environment should become more conducive for margin expansion and top line growth.

If demand remains resilient and companies manage to pass on costs effectively, the GST-led boost could translate into sustained earnings improvement through FY26.

Q) FIIs seem to be selling in a hurry. It looks like there are two strong trends on D-Street – fear from FIIs and FOMO from DIIs. Meanwhile, money has been flowing more into primary markets than secondary markets. Do you see this as a concern, or just part of the market cycle?

A) The recent trend of sustained FII selling has been a key drag on Indian equities, largely driven by stretched valuations currently ~22x one-year forward PE relative to emerging market peers.

However, strong and steady DII inflows have provided a cushion, preventing sharp corrections and supporting market stability.

The shift in investor interest from secondary to primary markets reflects a strategic move to build sizable positions in quality names, often difficult to accumulate in the secondary market due to liquidity constraints.

Capital flows are inherently cyclical and influenced by global factors such as US tariff uncertainties and muted earnings. Markets appear to be undergoing a time correction, with investors adopting a wait-and-watch approach.

Government measures to boost domestic consumption have been well received, and if earnings pick up meaningfully over the next few quarters, FIIs may return. For now, this phase seems more like a healthy consolidation than a structural concern.

Q) Which theme do you think will perform better in FY26-27 – growth or value?

A) Growth has consistently outperformed in India, and we expect this trend to continue into FY26–27. While value may see intermittent phases of outperformance, the broader market preference remains tilted toward growth—particularly in sectors with strong domestic demand and limited external exposure.

Companies offering earnings visibility and sustainable growth are likely to command a premium over peers, especially in a macro environment that rewards consistency and scalability.

The premiumisation trend is also gaining traction, with investors willing to pay up for businesses that demonstrate structural growth rather than cyclical spikes.

While external headwinds remain a key monitorable, any easing especially on trade fronts could further reinforce the growth narrative.

Overall, we remain constructive on growth-oriented themes, with a focus on quality names that can deliver through cycles.

Q) How are you interpreting the new IPOs hitting D-Street?

A) The surge in IPO activity reflects a confluence of favourable market conditions and structural shifts in India's economy. Promoters are capitalizing on strong valuations to monetize mature businesses and seed new ventures.

Simultaneously, India's transition into a higher growth phase, supported by rising per capita income and global relevance, is prompting companies to raise capital for expansion.

Retail flows via SIPs continue to provide a strong counterparty to these exits, and the move toward primary markets allows investors to build meaningful positions in emerging leaders.

From a long-term perspective, this broadening of the market is healthy, enabling deeper participation and better capital allocation. As India inches closer to becoming the third-largest economy, the trend signals confidence in domestic growth and a maturing investment ecosystem.

Q) We are seeing Rs 28,000 crore a month in SIPs. Are Indians really investing, or just automating without a plan? What are your views?

A) India is witnessing a structural shift in savings behaviour, with more individuals channelling funds into equity and equity-linked products.

Traditionally inclined toward long-term instruments like gold and fixed deposits, Indian investors are now embracing market-linked avenues for higher returns.

This transition is supported by easier access to financial education, enabling retail investors to better understand long-term compounding and digest short-term volatility.

Sustained SIP flows over the past year, despite negative returns, reflect growing maturity and conviction in long-term investing. While this trend is encouraging, it's worth noting that many retail investors haven't yet experienced a deep market correction.

Their behavior will need close monitoring over the next few cycles to assess resilience. For now, the shift appears healthy and aligned with India's broader financial evolution, as investors increasingly prioritize long-term wealth creation over short-term market noise.

(Disclaimer: Recommendations, suggestions, views, and opinions given by experts are their own. These do not represent the views of the Economic Times)