Generated by Clearly Reader
(clearlyreader.com)

Sign in to try free AI Skim Sign in

India's long-term growth story intact, but investors turning cautious: JM Financial's Anuj Kapoor- Moneycontrol.com

Www.moneycontrol.com 11 Minutes Read 2383 Words EN

Kapoor, Managing Director & CEO – Private Wealth, JM Financial Services, said the disconnect between India's strong structural outlook and an increasingly difficult global environment has made investors more defensive. Wealthy individuals and family offices have therefore raised their preference for cash, alternative assets and global diversification as they brace for a slower and more uncertain path to India's long-term growth story.

Generated by Clearly Reader
(clearlyreader.com)

Global turmoil pushes India's growth payoff further out; investors turn cautious: JM Financial's Anuj Kapoor

- HNIs hoard cash and delay investments amid uncertainty

Generated by Clearly Reader
(clearlyreader.com)

- Offshore diversification is now a priority for all UHNI investors
- REITs, InvITs, and real assets are gaining traction in portfolios

Did our AI summary help?

India's medium- to long-term growth story remains intact, but geopolitical tensions, elevated oil prices and inflationary pressures have prolonged the wait for investors, prompting high-net-worth individuals (HNIs) and family offices to preserve liquidity, defer investment decisions and diversify portfolios, Anuj Kapoor, Managing Director & CEO – Private Wealth, JM Financial Services said in an exclusive interview with Moneycontrol.

Edited excerpts

Q1: As a leading wealth manager to High Net Worth Individuals and family offices in India, what is the current mood among investors and how are they positioning portfolios amid this uncertainty?

Generated by Clearly Reader (clearlyreader.com)

A year ago, the prevailing concern was that generating returns from equities had become increasingly challenging despite continued conviction in India's long-term economic trajectory. While this growth story remains intact, recent global developments have effectively delayed its realisation. Investors today are confronting a longer period of uncertainty than initially anticipated. They remain quite risk-averse and are clearly postponing decisions.

It is likely that corporate earnings could face pressure over the current and potentially, the next quarter. At present, domestic consumption remains the key pillar supporting economic activity. Meanwhile, across Ultra HNIs, HNIs, and retail investors, we are seeing a clear preference for preserving liquidity and maintaining portfolio flexibility. Decision-making cycles have lengthened, with investors increasingly seeking income-generating opportunities, alternative strategies, and capital preservation over aggressive risk-taking. Many had already moved a meaningful portion of their portfolios into cash or liquid assets earlier this year.

Generated by Clearly Reader (clearlyreader.com)

Q2: Given this delay in the growth trajectory, could you elaborate on the current state of private capex and whether any green shoots are emerging?

Private capex in India has still not revived in a broad-based way. For several years now, it has been government infrastructure spending that has continued to carry the investment cycle, while private sector investment has remained selective and cautious. A key reason was the post-IBC/NCLT restructuring phase.

But today, the bank balance sheets are substantially healthier, NPAs are at multi-decade lows, and the banking system is well-capitalised and ready to support growth. The real question now is whether corporate India is willing to invest more aggressively ahead of demand in sectors where capacity is clearly needed (such as healthcare and hospitality) which remain significantly underpenetrated. Hospitality, in particular, could become one of India's strongest structural growth themes over the next 10 to 20 years.

Generated by Clearly Reader (clearlyreader.com)

Q3: The war-led uncertainty has added pressure on the rupee this year, though some experts believe this depreciation was overdue. How is this dynamic influencing client preferences for offshore diversification?

Earlier, offshore diversification featured in roughly seven out of ten UHNI conversations. Today, it is ten out of ten. The combination of INR depreciation, India’s BoP dynamics, current account pressures, and the structural import-export imbalance suggests that the rupee is likely to remain on a gradual weakening path over time. That said, I do not believe the RBI will allow the rupee to depreciate unchecked.

The recent pace of currency weakness has already led to a policy response, with measures aimed at attracting foreign capital and stabilising external flows. These include steps to improve the appeal of Indian debt markets and the reopening of the FCNR(B) route, to draw meaningful forex inflows.

For practical portfolio allocation, investors should be prepared to assume INR depreciation of roughly 3 to 4% per annum over the medium term.

Generated by Clearly Reader (clearlyreader.com)

Q4: Within offshore diversification, does the US remain the dominant destination, or are other global themes gaining traction?

Global investing today is no longer just a US technology conversation. The opportunity set is much wider, both geographically and thematically. US technology dominated offshore allocations for some time, but at current levels I would be more selective in parts of that market where valuations already appear rich. If investors want exposure, it may be more sensible to access it through diversified vehicles such as technology ETFs rather than concentrated single-stock positions.

Generated by Clearly Reader (clearlyreader.com)

What looks far more compelling to me today is the power and electricity ecosystem as a global structural theme. The AI boom is rapidly increasing computing demand, and that is translating directly into much higher energy demand. The IEA expects electricity demand to double by 2030, with AI-focused power demand set to triple. It has identified grids as a bottleneck globally, with over 2,500 GW of projects stalled in queues. The World Economic Forum has also highlighted grid connectivity is becoming a binding constraint, with new data-centre projects often requiring much longer to secure power than to actually build the facility itself.

Q5: How are you reading the current FPI/FII sentiment and foreign flows into India?

Generated by Clearly Reader (clearlyreader.com)

I do not expect the current flow environment to change dramatically in the near term. In fact, the risk of further outflows remains real. US Treasuries are yielding roughly 4.25% to 4.50%, offering global investors a highly attractive risk-free return in dollar terms. At the same time, US corporate earnings have surprised materially on the upside, with Q1 2026 S&P 500 earnings growth tracking close to 28% versus expectations of around 13% at the start of the quarter. While there is understandable discussion around elevated valuations and a potential AI bubble in parts of the US market, the reality is that global capital still has attractive alternatives.

In that context, the next two quarters could remain difficult for India from a foreign flow standpoint. Pressure is unlikely to disappear quickly, and outflows may well continue. Going forward, if India wants to improve its competitive position meaningfully, broader tax rationalisation in capital markets may also need to be considered.

Generated by Clearly Reader (clearlyreader.com)

Q6: Against this foreign-domestic flow dynamic, which asset classes are seeing increased momentum in client portfolios this fiscal year?

There is clearly a greater focus today on alternative asset classes and differentiated return streams, and a new set of winners is emerging across portfolios. REITs and InvITs remain particularly relevant because they are backed by operating real assets and offer a relatively stable, income-generating profile. In a market environment where liquidity, visibility and predictability are being valued more highly, these instruments are naturally attracting greater investor attention. India’s listed REIT/InvIT market has also deepened in scale and breadth, with exposure gradually extending beyond office assets into retail, industrial and warehousing.

Real assets more broadly, whether through funds linked to real estate, infrastructure, logistics, warehousing or digital infrastructure, are also becoming increasingly important. These strategies offer investors access to higher-yielding cash-flow streams and can provide diversification benefits relative to listed equities.

Q7: In the current environment, which sectors are you preferring or approaching with caution?

I remain cautious on traditional IT services. The correction in the sector has been meaningful, but the more important question is whether the business model itself is facing structural change due to AI. The downside risks are still difficult to quantify with confidence.

The sectors I would focus on are Power, Defence, Healthcare, and Banking & Financial Services.

Generated by Clearly Reader (clearlyreader.com)

Power stands out as a long-duration theme because AI and data-centre expansion are driving electricity demand sharply higher. Defence remains structurally attractive given localisation, order visibility and a sharp rise in exports. Banking and financial services continue to benefit from stronger balance sheets, low NPAs and resilient system-level growth. Healthcare also deserves serious attention as a structural theme, supported by rising demand, capacity expansion, stronger hospital and diagnostics economics, and a gradual move toward higher-value products and services. At a broader level, India still needs to do far more on innovation and R&D. (R&D spend remains stuck at roughly 0.64% of GDP, and private-sector participation is still too low relative to global peers.) The real need is for more patient risk capital, more willingness to invest ahead of demand, and much greater corporate appetite for innovation-led investing at scale.

Q8: How is this environment affecting the broader M&A, deal-making, and capital-raising landscape?

Generated by Clearly Reader (clearlyreader.com)

Deal activity should continue across formats. Financial services will remain among the most active sectors because capital is its core input. Recent bank fundraising plans underlines this point even clearly, this includes large proposed QIPs in the banking system.

The IPO market is not particularly hot right now. After a record 2025, issuance has slowed in 2026 due to volatility and weaker risk appetite, even though the underlying pipeline remains very strong, with 236+ mainboard proposals still in the system. That is why alternative routes such as QIPs, OFSs and other market-based capital raises should continue to see activity.

Companies still need growth capital, and financial sponsors still need exits and liquidity. In a market like this, fundraising does not disappear but shifts into pragmatic structures. New-age technology companies may see some delay in accessing public markets (not because capital is unavailable, because investors are more selective).

Generated by Clearly Reader (clearlyreader.com)

Q9: With several large domestic and US mega IPOs in the pipeline, what impact do you anticipate on secondary market liquidity?

Starting with the US markets, I think they are likely to absorb a significant amount of global liquidity in the near term, given the scale of expected IPOs and broader capital-markets activity there. The 2026 issuance pipeline is increasingly being described as larger, later-stage and concentrated in sectors tied to long-term structural themes such as AI, infrastructure, aerospace and digital platforms. Several market outlooks have explicitly highlighted the likelihood that a relatively small group of large issuers could account for a significant share of annual US issuance.

The current environment is also one where capital is moving not only toward safety, but also toward developed markets with deep and scalable opportunity sets. That is why the US is likely to continue attracting a disproportionate share of global flows in the near term.

Q10: What does this overall environment mean for Indian markets and domestic investor behaviour?

Domestic capital formation in India remains strong, supported by steady household flows into financial assets. SIP contributions, for example, have remained robust, with AMFI reporting Rs 30,954 crore in May 2026. There is, however, some visible caution in the secondary market. NSE data points to softer retail investment activity in FY26, moderation in cash-market participation, and weaker trading indicators such as lower cash turnover and fewer active trading accounts. That said, investors are not abandoning equities. What appears to be happening is a shift from aggressive direct participation toward more calibrated and disciplined exposure, especially through mutual funds. It isn’t a matter of doubt about whether investors still believe in equities. Because they clearly do. The question is more about timing, valuations and risk appetite.

Q11: How significant could any slowdown in domestic allocations be?

Generated by Clearly Reader (clearlyreader.com)

It is very difficult to predict investor behaviour with precision in an environment like this. The IMF and other global outlooks continue to emphasise that downside risks remain elevated. The good news is that we are not in panic mode today. Markets are cautious, but not disorderly.

Markets have also now absorbed some important realities: inflation is likely to remain higher than investors had hoped, and oil prices are materially above prior assumptions. In India, the RBI raised its FY27 inflation forecast to 5.1% and lowered growth expectations. Even in the US, inflation rose to 4.2% in May 2026, driven significantly by energy costs.

There is always a tendency for markets to get caught up in the excitement around a company or an IPO. But the underlying principles do not change. So the investor’s focus should be on business quality, sustainability of the model, management credibility, and the long-term opportunity and not just the hype surrounding the offering.

Generated by Clearly Reader (clearlyreader.com)

Q12: Certain observations and conversations have led me to wonder whether the unlisted/pre-IPO space is seeing price corrections for some of the names that were highly sought after earlier this year. Do you see this phenomenon, and what has driven it?

The unlisted and pre-IPO market went through a clear frenzy phase until last year, driven heavily by FOMO. A few marquee names, especially NSE, created the impression that pre-IPO investing was an easy route to outsized gains, and that brought a lot of less-discerning capital into the space. The difficulty is that this is a high-risk, illiquid asset class, and many investors did not fully understand that. Price discovery is opaque, liquidity is limited, and monetisation can be pushed out for years if a company delays or abandons its IPO plans. From a portfolio standpoint, this should be treated as a small satellite allocation, not a core holding. Even for aggressive investors, I would keep exposure modest, broadly in the 5% to 10% range at most.

Q13: So, would you say this correction in the unlisted space was inevitable?

Generated by Clearly Reader (clearlyreader.com)

Yes. The market has curtailed materially and perhaps that correction was necessary. When the pitch in any market starts relying on FOMO, the result is usually the same: reckless selling, indiscriminate buying and a build-up of excesses. As a result, valuation corrections were inevitable. A clear crunch in the unlisted market is being led by trading volumes having reportedly fallen 40% to 70%. Activity has narrowed sharply to only a few names. The size of the market may be shrinking. I'm not saying unlisted deals are not happening. But it is now a market for the astute, informed investor. Suitability has to be the primary criterion when deciding who to sell these opportunities to.

Disclaimer: JM Financial Services Ltd. a SEBI registered Intermediary | SEBI Reg. Nos.: Stock Broker - INZ000195834 | Depository Participant - IN-DP-541-2020 | Investment Adviser - INA000012351 | Research Analyst - INH000001196 |
AMFI Registered Mutual Fund Distributor - ARN0002 |
Visit https://www.jmfinancialservices.in/support/updates/registration-details for Reg. Nos. of principal entities whose products are being distributed by JM Financial Services Limited

Disclaimer: The views and investment tips expressed by investment experts on Moneycontrol.com are their own and not those of the website or its management. Moneycontrol.com advises users to check with certified experts before taking any investment decisions.