Daily Voice: RBI likely to cut FY26 inflation outlook, keep rates unchanged in August, says JM Financial's Ankur Jhaveri

US tariffs has been a major overhang on the global trade as well as the financial markets since the start of 2025. However, the frequent postponement of the tariff deadlines has allowed markets time to digest their likely impact, said JM Financial's Ankur Jhaveri.

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Ankur Jhaveri is the MD & CEO - Institutional Equities at JM Financial Institutional Securities

In the August policy meeting, Ankur Jhaveri, MD & CEO - Institutional Equities at JM Financial Institutional Securities, believes that the MPC (Monetary Policy Committee) would lower its inflation expectation by at least 20bps for FY26 to 3.5% and may wait to monitor trends thereafter.

Further, he believes that incremental rate cuts are in the pipeline, a possible status quo in the August meeting, considering that the front-loading of rate cuts has already been done in the June MPC meet (50bps).

Meanwhile, within BFSI, "our bias is towards large caps and prefer larger banks/large diversified NBFCs, followed by life insurers/wealth managers, then general insurers/AMCs and mid-banks/NBFCs," said Ankur Jhaveri in an interview to *Moneycontrol*.

Do you expect the RBI to revise its inflation forecast, and is there still a possibility of a repo rate cut in the upcoming August policy meeting?

The food-led moderation in CPI inflation continued in June with a 2.1% print, the lowest since February 2019. Even quarterly, CPI inflation averaged 2.7% in Q1FY26 - 20bps lower than RBI's projection. Inflationary pressures are not evident in the latest retail prices (July 1-23), which provides comfort on the inflation trajectory in the near term.

We believe that the MPC would lower its inflation expectation by at least 20bps for FY26 to 3.5% and may wait to monitor trends thereafter. We believe that incremental rate cuts are in the pipeline, possible status quo in the August meeting, considering that the front-loading of rate cuts has already been done in the June MPC meet (50bps).

Given the current equity market environment, do you think the market is more concerned about

What's your analysis of the June quarter earnings announced so far? Are there strong signs of earnings recovery, or do you expect the recovery to pick up from the September quarter onward?

Consensus expects 10.6% YoY PAT growth in FY26E. For Q1FY26E, we had expected 10.4% YoY Nifty EPS growth and 12.8% YoY PAT growth for our JM Financial universe. However, early trends from Q1FY26 show both revenue and PAT growth falling below expectations. Broad-based PAT growth is muted (Excluding one-offs), and sectors like BFSI, Consumer, and IT have reported tepid growth so far.

Nifty continues to trade rich, leaving limited room for earnings disappointment. While markets remain focused on earnings, they are also watching for surprises on the trade front with the US. Overall, trade deals could affect broader market sentiment, while earnings will likely have a more stock and sector-specific impact.

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Do you foresee strength in the cables and wires (C&W) segment in the near future? Does this make you a buyer in the segment?

India's C&W segment is expected to post a 12% CAGR over FY25-28E. Export growth is also expected to be a key driver. Over the last five years, India's C&W exports have grown at a 16% CAGR, and the country's share in global C&W exports has inched up significantly, improving global positioning, supported by strong demand and a positive China+1 sentiment.

We expect the share of organised players to rise, driven by greater competitive intensity, large capex requirements, and increasing regulatory approvals. Strong macro tailwinds and constant capacity expansion initiatives by leaders make us a buyer, tilted towards them.

Do you see significant opportunities in renewables, transmission & distribution, data centers, and new energy sectors? Do you have any exposure to these segments?

India's current colocation (colo) Data Centre (DC) capacity is 1,350MW, constituting 5.5% of global capacity. Rising data consumption, supportive regulation, data localisation push, and a thriving start-up ecosystem are factors driving DC demand. Leading DC players such as NTT, Nxtra, Sify, etc. have already announced planned and under-construction capacity addition of 2GW by 2028. Total new capacity announced, including 3GW by Reliance alone, exceeds 5GW, making our 2030 estimate achievable. This could sustain even beyond 2030 if India were to capture global DC demand.

On the energy front, India has a goal of 500 GW of non-fossil capacity by 2030 and net-zero emissions by 2070. Currently, renewable generation capacity is little more than 200 GW. So, we have a long runway to cover. This offers huge opportunities for all stakeholders- developers, supply chain players, financiers, and consumers. Renewables are intermittent and variable.

Additionally, in India, demand centres and generation hubs are distantly located. So, transmission and distribution players like equipment manufacturers and EPC players become the natural beneficiaries of the growth in new energy sectors. Energy transition is a journey. Every journey has challenges, so are in this. But directionally, we are on the track. For instance, today, we have 50% of the installed power generation capacity coming from non-fossil fuels. This is five years ahead of the 2030 target set under the Paris Agreement.

Which segment in BFSI (Banking, Financial Services, and Insurance) do you consider the strongest investment bet at the moment?

Within BFSI, our bias is towards large caps and prefers larger banks/large diversified NBFCs, followed by life insurers/wealth managers, then general insurers/AMCs, and mid-banks/NBFCs. For large lenders, we expect margins to bottom out in Q2 and expand thereafter, driven by CRR cuts applicable from September 2025 onwards.

Large diversified NBFCs should grow at 22%+. The life insurance sector should see gradual improvement in growth, with the industry reporting 12%+ growth by year-end, alongside margin expansion. Wealth managers are strongly growing their offering, providing growth visibility beyond the already strong 20%+ organic growth. It's prudent to be diversified within BFSI and stay invested with segment leaders to capture industry growth over the long term.