

# Daily Voice: Tepid EPS growth, rich market valuations indicate risks persist, JM Financial's Venkatesh warns

*If the US President Trump decides to cut India's tariffs from 50 percent to 10-25 percent, that could be a boost for the market, said Venkatesh Balasubramaniam.*

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Venkatesh Balasubramaniam is the Managing Director and Head of Research at JM Financial Institutional Securities. The market is expensive, trading at 22.8x FY26E P/E, says Venkatesh Balasubramaniam, Managing Director and Head of Research at JM Financial Institutional Securities.

"Expensive valuations and tepid EPS growth imply the risks are not fully priced in, he said in an interview with *Moneycontrol*.

Given expensive market valuations and tepid growth expectations, even if the market hits a new high, it will be difficult to hold on to the same, he added.

He maintains a constructive view on the internet space, supported by his preference for four key names: Eternal, Nykaa, Paytm, and Ixigo. "Each of these companies is well-positioned to benefit from structural growth drivers such as increasing digital adoption, expanding online consumption, and improving monetization models, he reasoned.

**Do you believe the risks are now fully priced into market valuations? If so, do you expect the market to hit new highs sooner rather than later? Also, could any strong developments on the India-US trade deal front serve as an added boost for the markets?**

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Venkatesh Balasubramaniam

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The market is expensive, trading at 22.8x FY26E P/E. In FY25, we started the year with expectations of 15 percent+ EPS growth, which ended up at 3.4 percent growth. For FY26E, we again started with 15 percent+ EPS growth, which has already been revised down to 7.7 percent. Expensive valuations and tepid EPS growth imply the risks are not fully priced in.

New highs don't mean much if those highs cannot be held. Given expensive market valuations and tepid growth expectations, even ifthe market hits a new high, it will be difficult to hold on to the same.

Yes, if the US President Trump decides to cut India's tariffs from 50 percent to 10-25 percent, that could be a boost for the market.

**Do you see a significant opportunity emerging in the hospital space?**

Amongst pharma, CDMO, hospitals and diagnostics, hospitals would be a preferred sub sector. We like [Apollo Hospitals Enterprise](#) and [Aster DM Healthcare](#) among hospitals.

We like Apollo on account of its hospital business, which is expected to grow at 14 percent CAGR FY25-28E (3 percent growth contribution from new projects and expansion), with sustainable margins of 24 percent+ during the period. Incremental benefits are expected to come from strong growth prospects across both the offline pharmacy network as well as digital pharmacy, greater visibility on 24/7's breakeven and the Keimed merger, all of which will garner EPS CAGR FY25-28E of 27 percent.

We also like Aster on account of benefits of the merger with QCIL. We expect the company to register an Adjusted EPS CAGR FY25-28E of 42 percent (39 percent CAGR ex of merger accounting, from better operational efficiencies post demerger of the GCC business).

While [Max Healthcare Institute](#) continues to outperform listed peers in execution and operational efficiency, its inorganic growth strategy outside core markets is expected to dilute its profitability for the next 2 years.

**Do you believe the rally in the platform theme is just getting started and has a long way to go? Does that mean you're constructive on this space?**

We maintain a constructive view on the internet space, supported by our preference for four key names, [Eternal](#), [Nykaa](#), [Paytm](#), and [Ixigo](#). Each of these companies is well positioned to benefit from structural growth drivers such as increasing digital adoption, expanding online consumption, and improving monetization models. Our positive stance on multiple players within the sector underscores our broader confidence in the long-term potential of the Indian internet ecosystem.

**Do you expect the next tech cycle to begin toward the end of 2026 or in the first half of 2027? If so, does that imply earnings upgrades are unlikely before then?**

The IT sector is currently navigating several structural and cyclical headwinds, including the rising competitiveness from Global Capability Centers (GCCs), the rapid evolution and potential disruption driven by AI adoption, and policy-related uncertainties, particularly around potential changes to US immigration and H1B visa regulations under Trump's administration.

Given these multiple moving parts, we currently lack clear visibility on when the next upgrade cycle for IT earnings might begin. For now, the sector remains in a period of adjustment rather than acceleration.

**Do you anticipate a double-digit tariff hike in the telecom sector around December-January? Are you strongly bullish on the telecom space?**

We are positive on [Bharti Airtel](#) due to the high likelihood of ~15 percent tariff hike in the telecom business between November 2025-January 2026, ahead of Jio's planned IPO in 1HCY26. Further, the stock is likely to benefit if Jio's IPO equity valuation is likely above \$150 billion despite adjusting for a potential holding company discount.

**Are you seeing signs of renewed FII inflows into India?**

No, we are not seeing any renewed interest from FIIs. FIIs net buyers in Q1FY26 to the tune of USD 4.6 billion, have turned net sellers in Q2FY26 to the tune of USD 9.5 billion.

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