

Daily Voice: India-US trade deal likely by end-2025; Q3 to mark earnings rebound, says JM's Venkatesh Balasubramaniam

Venkatesh Balasubramaniam expects GDP growth to be around 7% in FY26, on the back of revival in consumption and a pickup in capex intensity. Adequate monsoons and comfortable reservoir levels would support sowing activity, aiding overall economic growth.

SUNIL SHANKAR MATKAR | NOVEMBER 17, 2025 / 06:47 IST

Join Us

Follow Us

Add as a preferred source on Google



Venkatesh Balasubramaniam is the Managing Director and Head of Research at JM Financial Institutional Securities

"The market is hoping for an India-US trade deal by the end of CY25," said Venkatesh Balasubramaniam, the Managing Director and Head of Research at JM Financial Institutional Securities, in an interview to *Moneycontrol*.

He believes earnings growth should definitely pick up from Q3.

"Bank numbers have bottomed out and should start improving from Q3, and the positive effect of GST cuts on consumption numbers will start having a more pronounced effect from Q3 onwards," he reasoned.

Do you think the reciprocal tariff is the biggest hindrance to investors' confidence in India's growth outlook?

While reciprocal tariffs remain an overhang, they are not the only factor influencing investor confidence in India's growth outlook. The broader issues that investors face are (1) Indian markets are too expensive, while EPS growth is not particularly strong; (2) India is not seen as a leader in next generation technologies like artificial intelligence (AI) like the USA or China; and (3) last but not least, the primary markets are absorbing significant liquidity, which in turn is keeping the secondary markets range-bound.

RELATED STORIES

**Venkatesh Balasubramaniam**
MANAGING DIRECTOR AND HEAD OF RESEARCH | JM FINANCIAL INSTITUTIONAL SECURITIES

**Daily Voice: Tepid EPS growth, rich market valuations indicate risks persist, JM Financial's Venkate...**

Do you expect India's growth to be close to 7 percent in FY26?

We expect GDP growth to be around 7% in FY26, on the back of a revival in consumption and a pickup in capex intensity. Adequate monsoons and comfortable reservoir levels would support sowing activity, aiding overall economic growth.

The recent moderation in PMI readings is likely to be reflected in manufacturing activity, while we expect the net

exports portion to remain a major drag on the economy. We see an upside risk to the RBI's growth expectation of 6.8%, while the IMF's 6.6% expectation has always played catch-up with actual economic performance.

Are you bullish on the entire auto sector?

We maintain a positive outlook on Maruti Suzuki (MSIL), Hero MotoCorp (HMCL), Mahindra & Mahindra (M&M), TVS Motor, and Ashok Leyland (AL). Our positive stance on MSIL and HMCL is supported by improving affordability post-GST rationalization, rising demand from first-time buyers, and better liquidity conditions following the RBI CRR cut.

TVS Motor continues to outperform the industry on the strength of its diverse product portfolio. For M&M, the tractor segment is expected to benefit from increased first-time buyers after the GST rate cut and up trading to higher HP models, while multiple upcoming launches in the passenger vehicle segment should further boost performance.

AL is well-positioned to gain from strong freight demand, sustained LCV momentum, and higher contribution from non-truck businesses, driving margins. Conversely, we remain cautious on Hyundai Motor, Eicher Motors, Bajaj Auto, and Tata Motors (both PV and CV businesses) within the sector.

Do you think the market is now expecting an India-US trade deal sooner rather than later, along with stronger earnings growth from Q3 onward?

The market is hoping for an India-US trade deal by the end of CY25. However, we believe it is impossible to predict if or when this will happen. Earnings growth should definitely pick up from Q3, primarily because of (1) banks (which is ~30 percent of the Nifty) numbers have bottomed out and should start improving from Q3, and (2) the positive effect of GST cuts on consumption numbers will start having a more pronounced effect from Q3 onwards.

Are you optimistic about the premiumisation theme, and do you like the retail, QSR, and food delivery segments?

We are negative on QSR (quick service restaurant) in the medium to short term, as underlying demand trends continue to remain weak, and we believe the road to recovery would be gradual and elongated.

In the overall retail pack, our preference is for the jewellery sector and expect the outperformance to continue. Apparel and footwear may see a bounce back from H2FY26 onwards led by the tailwinds from GST cut and other macro factors.

In the grocery retail side, we expect heightened competitive intensity to persist from Quick Commerce companies and this could impact revenue growth for Avenue Supermarts.

Vishal Megamart is expected to be insulated given the higher Tier 2 town salience and high share of private brands and apparel.

Quick Commerce: TAM is huge with enough scope for new category expansion. It will continue to remain a very high growth category due to channel shifts from offline retail and traditional ecommerce. However, we remain selective and prefer Eternal over Swiggy as the former's business is highly efficient in terms of customer quality, which gives us high visibility on their long-term profit pools.

Food delivery: It will continue to grow 1.2-1.5x of the underlying organised food services market due to underpenetration, habit changes, and new supply additions. It is also a cash cow business due to a negative working cycle and a sustainable EBITDA margin being achieved by the market leader Zomato.

Do you have high conviction in defence, energy, and renewables within the broader capex theme?

Defence

Defence capex has increased in FY26 based on spending tracking ahead of budget estimates. The underlying theme currently is indigenisation/localisation. We are witnessing Cabinet approvals for long-pending projects like landing platform docks and advanced medium combat aircraft, which provide long-term visibility of order inflows. Further, emergency procurement by the Ministry of Defence also opens up opportunities in areas like opto-electronics, bulletproof vests, among others.

Renewables

India is likely to have 777GW of power generation capacity by 2030, including 500GW from clean sources to meet the projected peak demand of 335GW. Also, the annual renewable energy (RE) capacity addition run rate of 15-18GW must scale up to 35-40 GW to meet COP26 commitments. Notwithstanding the current challenges viz. curtailment, unsigned PPAs, zero tariff, grid stability, and slow bidding, the industry is going to offer immense opportunities across the value chain (solar/wind/ storage). The industry players-EPC and equipment players with strong capital and capabilities are slated to grow multi-fold and become large in the future.

Thermal power

With a focus on energy security, India has reinitiated ordering of thermal power projects with a target to add 97 GW thermal capacity by FY34. Out of this, 45 GW has been ordered, and around 10 GW is under the advanced stage of execution. With a potential investment of at least INR 8 trillion over the next 10 years, the EPC and traditional capital goods players will benefit greatly from a fully domestic ecosystem.

Do you see a possibility of inflation rising and the economy slowing in the United States next year?

Inflationary pressures in the US have surprisingly remained subdued at 3% in September 2025 and lacked any meaningful signs of tariff-led uptick, even as the customs duty collections have increased 3.5X to \$30 billion in the last 6 months. This may indicate limited pass-through of tariffs in the system.

Powell, in his latest FOMC meet, indicated that there is an upside risk to inflation but is unsure whether it will be short-lived or it will persist. We expect an uptick in US inflation. However, the pace will depend on the extent of pass-through and the state of consumption demand in the system. On an annual basis, the Fed expects GDP growth to pick up from 1.4 percent in 2025 to 1.6 percent in 2026.

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.