

Daily Voice: Corporate India structurally stronger than in past cycles; JM Financial's Dimplekumar Shah cites three reasons

Q2FY27 results will test margin resilience. A failure to deliver could raise second-half earnings expectations, likely prompting profit-booking and consolidation in stretched small-, mid- and large-cap (SMID) segments, JM Financial's Dimplekumar Shah said.



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Corporate India is structurally stronger than in past cycles, backed by a decade of deleveraging, effective corporate tax cuts to 25 percent, and strong cash flows, said Dimplekumar Shah, Managing Director and CEO – Equity Broking, Business Affiliates & Retail Wealth at JM Financial Services, in an interview with Moneycontrol.

Over the next 12–18 months, he said, becoming materially more bullish on equities would require de-escalation in West Asia accompanied by lower oil prices, a broad-based recovery in urban and rural consumption, a pickup in private capex reflected in order books, positive FII flows, and confirmed delivery of around 15 percent or higher FY27 Nifty-50 earnings growth.

Meanwhile, Q2FY27 results will test margin resilience. A failure to deliver could raise second-half earnings expectations, likely prompting profit-booking and consolidation in stretched small-, mid- and large-cap (SMID) segments, he said.

Are corporate India's balance sheets strong enough to withstand a prolonged period of higher commodity and financing costs?

Corporate India is structurally stronger than in past cycles, backed by a decade of deleveraging, effective corporate tax cuts to 25 percent, and strong cash flows that have left Nifty-50 non-financials with low net debt and substantial net cash buffers.

Supported by well-capitalized banks with clean asset quality, broad corporate debt sits at decade lows. This provides genuine shock absorption, meaning current risks center on margin sensitivity in import-heavy sectors—such as paints, tires, chemicals, FMCG, and oil marketing companies (OMCs)—making today's environment an earnings-quality issue rather than a balance-sheet crisis.

What is the biggest risk to India's earnings story today that the market is still underestimating?

While Q1FY27 Nifty revenue grew in the mid-teens with resilient EBITDA margins (ex-OMCs), low-cost inventory likely aided performance. Persistent input and energy costs could trigger margin contraction in Q2FY27, threatening full-year Nifty-50 EPS growth targets of 15.2 percent, especially given that Q1 achieved 12.9 percent, leaving a steep 16.7 percent ask rate for the remaining nine months.

Small- and mid-caps (SMIDs) remain particularly vulnerable to drawdowns on earnings disappointments, as the Nifty Midcap-150 trades at 28x 1-year forward PE (versus its 25x long-term average) and the Smallcap-250 trades at 24x (versus its 18–19x average).

Are premiumisation trends in consumption sustainable?

Premiumization is structural in autos, durables, travel, and select FMCG, supported by rising per-capita income and expanding affluent cohorts. However, elevated food and fuel inflation threatens urban discretionary spend and mass-market volume growth, risks narrowing premiumization into an isolated trend rather than an economy-wide driver.

Do you see greater value in private-sector banks or select PSU banks at current valuations, and why?

Frontline private banks trade at 30–40 percent discounts to historical averages (2.5–3.8x forward P/ABV), with several near decade-low multiples. Easing credit-to-deposit (CD) ratios and FCNR-backed deposits support credit growth without aggressive deposit repricing, signaling a NIM trough. Superior asset quality and efficiency favour private banks (ICICI Bank as top pick), while PSU banks remain neutral (SBI as key outlier).

If the West Asia conflict persists, which earnings assumptions in the Indian equity market would you revisit first?

First-line impact: Margin compression and immediate earnings downgrades for crude-sensitive sectors (OMCs, paints, tires, chemicals, aviation). Second-line impact: Sustained oil at \$90–100 a barrel widens the current account deficit (CAD) and devalues the Rupee, forcing the RBI to pivot from growth to rate hikes, hurting rate-sensitives (banks, NBFCs, real estate).

Has the inflation-growth equation become sufficiently favourable for the RBI to prioritise growth, or could the oil shock change that calculus?

With July 2026 inflation at 4.45 percent, FY27 inflation projected at 5.0 percent (within the 4 percent $\pm$ 2 percent target), and Q1FY27 GDP growth strong at 7.8 percent, the RBI currently has room to tilt toward growth. An oil shock remains a tail risk rather than the baseline expectation.

Could a prolonged period of range-bound markets actually be healthy for Indian equities by allowing earnings to catch up with valuations?

A range-bound "time correction" would allow solid mid-teens earnings growth to absorb elevated valuations. Q2FY27 results will test margin resilience; failure to deliver raises 2H ask rates, likely prompting profit-booking and consolidation in stretched SMID segments.

Also, what would make you materially more bullish on Indian equities over the next 12-18 months, and what would make you turn structurally cautious?

Over the next 12–18 months, becoming materially more bullish requires West Asia de-escalation with lower oil prices, a broad-based urban and rural consumption recovery, private capex showing up in order books, positive FII flows, and confirmed around 15 percent+ FY27 Nifty-50 earnings delivery.

Conversely, turning structurally cautious would stem from a prolonged oil shock forcing RBI rate hikes, weak mass-market demand, SMID earnings failing to catch up with valuations, or structural current account deficits pressuring the rupee.