

Worst of US tariff uncertainty behind us: WhiteOak Capital MD

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As markets cheered a 90-day truce in US reciprocal tariffs, exporting nations are closely watching how these changes could reshape manufacturing and supply chains. Prashant Khemka, Founder and Managing Director, WhiteOak Capital, explains how India's competitive edge in chemicals, garments, engineering and more may translate short-term pain into long-term gain.

Edited excerpts:

Markets staged a week-long relief rally since the US announced a 90-day pause on its reciprocal tariffs. Do you believe tariff related concerns have completely subsided?

It is reasonable to believe, as we do, that the worst of the tariff impact and uncertainty is behind us. The shock and awe when the reciprocal tariffs were announced has passed. From here on, it can only get better. There could be ripples that follow, but the impact on the markets could be unremarkable. It is possible that there might be some negative surprises after the 90-day pause. By and large, the market has absorbed the event risk already.

What would be the impact on India if the current tariff rates were to hold?

It is highly unlikely that final tariffs would be as high as the

initially announced tariffs. If they were to prevail, the impact of manufacturing capacity moving to the US would vary across industries and countries, with India likely to emerge as one of the primary beneficiaries relative to other countries

. In the immediate term, the tariffs may hurt demand for everyone but are unlikely to destroy demand in the long run. The structural market share gain for Indian companies, particularly manufacturing, can far outweigh the short-term pain.

Which Indian industries could benefit or be adversely affected?

Amongst exporting nations, the impact would be a function of relative difference in final tariffs and India's competitiveness in specific industries compared to other nations. Besides garmenting, there are industries such as chemicals and engineering goods, where India is already competitive enough to benefit at the expense of higher tariff countries such as China. For instance, while we import many basic chemicals from China, we also

compete with China in supplying intermediate and specialty chemicals to the US and Europe.

These Indian chemical companies are likely to benefit substantially if the relative tariffs are higher on China. We're already hearing from some of these companies that they are seeing a surge in enquiry levels over the last few days.

How do you see trade negotiations working out between countries, including India, and its potential impact on businesses?

I think India would be a relative winner, because going by the experience during Trump's first term, he is likely to be harsher on China when the dust finally settles on the tariffs front. Businesses that are excessively reliant on Chinese manufacturing must be very worried currently.

Many of them need to stitch together business continuity plans to remain open is a growing concern. This is where India becomes a relative beneficiary, as these companies rush to tie-up with

local players and potentially set up manufacturing facilities of their own over time.

How do you see FPI flows in Indian equities?

About three-fourths of the FPI investment in India is not in India-dedicated assets, but rather an allocation within a multi-country fund. So, it is natural for funds to keep shifting weights based on market performance and sometimes different narratives. Given the underperformance of the US market, we do see investors coming back to emerging markets and India.

As India has recovered from its underperformance earlier in the year, the narratives of "high valuations of India" and "slowing economic growth" have somewhat subsided. Not surprising that we have started seeing good interest amongst FIIs to deploy money in India dedicated funds.

What is your take on Indian valuations and corporate earnings for FY25?

Relative to the US, India is trading at a 5-10 per cent discount. Even relative to emerging markets, India seems to be below the average of the past two-three years.

Valuations do not suggest any excess on either side. Expectations for the market still remain, despite a slower earnings growth in FY25 of mid-single-digit.

We see no reason to be sceptical of India's corporate sector's ability to deliver low-double-digit earnings growth.