8 REASONS TO STAY BULLISH ON INDIAN EQUITIES

WHY INVEST NOW:

Following a year of price and time correction, Indian equities appear poised for a healthier second half—offering investors a compelling opportunity to raise equity exposure.

01 Macros are solid

- **Inflation** has fallen sharply with headline CPI printed **~2.1% YoY in Aug-25** (up from 1.6% in Jul but well below the 4% target midpoint).
- **Forex reserves** are near record highs at **~$702 bn (week ended Sept 12, 2025)**, providing ample external buffer.
- **Current Account Deficit** expected **~1% of GDP** in FY26 despite tariff/geopolitical noise, as exports improve and imports cool.
- **Fiscal consolidation** is on track: FY26 **fiscal deficit budgeted at 4.4% of GDP**; April–July FY26 deficit at **29.9% of budget estimates**, consistent with back-loaded receipts/spends.
- **Balance sheets are healthier**: RBI's latest assessments highlight robust capital buffers, improving asset quality across FIs/NBFCs.

02 Growth momentum is improving

- **Real GDP** grew **7.8% YoY in Q1 FY26 (Apr–Jun 2025)**; manufacturing and construction both >7.5% YoY.
- **Earnings**: Q1 FY26 prints show **Nifty profit growth ~8% YoY**, with **midcaps outpacing** (**+24%**).

03 Valuations are reasonable

- Nifty's 12-month forward P/E is in the **~18.5–20x range**, close to its 5- and 10-year averages.
- Index quality keeps improving with higher-ROE as lower-leverage franchises replace old cyclicals.

04 Exports & trade agreements

- Despite US tariff noise, **talks have accelerated** toward a **US–India trade agreement** (USTR announced Terms of Reference in April 2025).

Past performance may or may not be sustained in future. Source: Bloomberg, Reuters, RBI, prsindia.org, Ministry of Statistics
Data as on 31st August 2025

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05 Earnings revisions remain resilient

- Even with U.S. tariff headwinds, Nifty earnings projections remain broadly unchanged.
- Select sectors saw upgrades; a few heavyweight cuts kept the index-level path **relatively stable**.

06 Policy stimulus to consumption

- **Direct taxes:** Union Budget 2025-26 raised relief under the **new regime** and re-slabbed rates (no tax up to **₹12 lakh** effective FY26 for many under the new regime, with higher standard deduction) **boosting household consumption**.
- **Indirect taxes:** The **56th GST Council** approved a **two-tier structure (5% & 18%)** with rate reductions effective **Sept 22, 2025**.
- **Rates:** The **policy repo is 5.50%** and the RBI has maintained a neutral stance as inflation undershoots, leaving scope for easier financial conditions to keep supporting consumption.

07 Capex cycle is strong

- **Central capex**: FY26 budget estimates allocates **₹11.2 lakh crore** (+~10% YoY), continuing the infrastructure push. States also get **50-year interest-free loans** to spur state-level capex.

08 Heavy FPI Underweight Leaves Room for Flows

- FPIs have been net sellers YTD 2025 (NSDL) amid tariff and geopolitical volatility. This de-risking has left India heavily underweight in emerging markets, creating significant potential buying capacity if macro and earnings visibility stay firm.
- Meanwhile, **domestic flows are resilient** (SIP and equity MF inflows remain robust), providing a demand floor.

Source: Bloomberg, Reuters, RBI, prsindia.org, Ministry of Statistics || Data as on 31st August 2025