India: The Reset That Strengthened the Case

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Christopher Gannatti, CFA
Global Head of Research

Key Takeaways

- After a year of overheated valuations and investor crowding, India's equity market has undergone a healthy reset with more defensible valuations and renewed investor interest.
- Post-election policy continuity reinforces India's unique combination of macro prudence and growth ambition, supporting opportunities in infrastructure, manufacturing and digital formalization.
- With resilient earnings, strong domestic inflows and light foreign positioning, India now offers long-term compounding potential at more reasonable entry points than in 2023.

After a difficult 12 months, India's equity story is quietly regaining its rhythm. Valuations that once looked stretched have compressed to more defensible levels, policy continuity after the 2024 election has reassured markets and the long-term growth engine, powered by demographics, digital infrastructure and industrial reshoring, remains intact. For investors who found India "too hot" last year, the temperature is beginning to normalize.[1]

From Overcrowded to Overlooked

Twelve months ago, India was everyone's favorite emerging-market story, given its high growth, strong earnings and political stability. The problem was that too much capital chased the same idea at once. By late 2024, valuations on the Nifty 50 traded near historic premiums versus other emerging markets, while foreign inflows stalled.[2] The subsequent cooling in performance wasn't about broken fundamentals—it was about digestion.

That digestion phase may now be ending. Recent market behavior suggests investors are rediscovering India with more realistic expectations. Valuations have moderated to levels that may be more "defensible," even after accounting for an elevated return on equity. Unlike past cycles where corrections were triggered by macroeconomic instability, this one was valuation-driven, a healthier reset that clears the way for renewed participation.[3]

The Post-Election Reassurance

India's general election was a stress test for its market narrative. The results, while slightly below the ruling coalition's earlier dominance, confirmed continuity rather than disruption. Investors now have

greater visibility on the government's infrastructure and manufacturing push, alongside disciplined fiscal management.

Policy direction remains consistent: large-scale capex in transportation, renewables and defense; ongoing formalization of the economy through a goods and services tax (GST) and digital payments; and the expansion of production-linked incentives. In effect, India's policy mix remains one of the few in emerging markets combining growth ambition with macro prudence.[4]

Defensible Valuations, Durable Growth

The "defensible valuations" framework is important. India's long-term equity premium rests not on cheapness but on the credibility of growth. Earnings resilience through cycles, a deepening domestic investor base and strong balance sheets give India the capacity to sustain higher multiples than peers. What's changed over the past year is that investors can now access these qualities without paying 2023's euphoric prices.

Foreign investor positioning is still light compared to history. Meanwhile, domestic systematic investment plans (SIPs) continue to absorb volatility with monthly inflows above ₹20,000 crore (roughly $2.4 billion).[5] The underlying message: this is not a fragile market dependent on fickle hot money. It is an increasingly self-funded growth engine.

A Market Built for Compounding

Thematically, India remains a rare blend of cyclical and structural appeal. Manufacturing and infrastructure spending provides the near-term growth pulse; the broader digital and services ecosystem underpins the compounding story. The interplay of these two forces, industrial capacity expansion and digital monetization, suggests that India's next decade may resemble an "emerging-market hybrid" between China's 2000s-scale buildout and the U.S.'s 2010s innovation cycle.[6]

Yes, the next few quarters could still bring volatility, especially if global risk appetite weakens, but the structural trend is difficult to dismiss. India is not the cheapest market, but it may again be one of the most investable.

A Simpler Case Than It Seems

Many investors overcomplicate the India thesis. It doesn't require predicting election outcomes or dissecting every reform announcement. The essential story is straightforward: a young population, improving productivity, capital inflows shifting east and governance continuity. The recent reset has made it easier to participate in that story at sensible prices.

In short, India's equity case has moved from exuberance to equilibrium. For those who missed the first wave or stepped aside amid last year's crowding, this may be the time to look again, because sometimes, complexity fades just as opportunity returns.

[1] Source: S. Bhattacharya et al., "India: Defensible Valuations," Goldman Sachs Research, November 2025.

[2] Source: S. Koul, et al., "Leaning in as Growth Revives: Raising India Back to Overweight," Goldman Sachs Research, 11/7/25.

[3] Source: Bhattacharya et al., 2025.

[4] Source: S. Koul, et al., "India Weekly Kickstart," Goldman Sachs Research, 11/14/25.

[5] Source: Bhattacharya et al., 2025.

[6] Source: S. Koul, et al., "Leaning in as Growth Revives: Raising India Back to Overweight," Goldman Sachs Research, 11/7/25.