

Goldman Sachs Just Flipped on India — Here's Why It Matters

In 2024, Goldman Sachs called India "too expensive." This decision, driven by market conditions and valuations, led to a significant shift in investment sentiment.



They cut their rating from Overweight to Neutral, triggering a massive \$30 billion in foreign institutional investor outflows. Midcaps bled, and many smallcap systematic investment plans (SIPs) saw deep red. The market sentiment turned cautious, and retail investors watched their portfolios struggle through a challenging year.

Now, in late 2025, Goldman Sachs is changing its tune with a dramatic reversal: "India is back. We see upside from here." Their new Nifty target stands at 29,000 by 2026, representing approximately a 14% jump from current levels.

This shift marks a significant psychological inflection point for Indian markets. When a major global investment bank like Goldman Sachs changes its stance so decisively, it signals more than just numbers — it reflects a fundamental reassessment of India's economic trajectory and investment potential.

So what changed? The answer lies in four structural pillars that have emerged to support India's bull case. From crucial policy shifts to a robust earnings revival, from strategic foreign investor positioning to enhanced valuation defensibility, the entire landscape has transformed. This upgrade isn't just about Goldman's billions; it's about renewed sentiment, powerful momentum, and the potential for your systematic investment plans that looked dull in 2024 to roar back to life in 2026.

The Four Structural Pillars Behind India's Bull Case



Growth-Supportive Policies

The government's hinting at slower fiscal tightening, RBI-driven liquidity comfort, Infrastructure push 2.0, and smoother GST flows. Growth is getting political oxygen again.



Earnings Revival

Goldman expects India Inc's EPS growth to jump from 10% (FY25) to 14% (FY26). Midcaps are earnings-sensitive, and when profits rebound, midcaps re-rate.



FII Positioning

India has lagged emerging market peers since 2022. Global funds are underweight India, creating significant upside potential as they shift from sellers to buyers.



Defensible Valuations

India trades at approximately 23× P/E — still premium, but the gap is narrowing. Earnings now justify the premium, reducing fear and strengthening conviction.

These four pillars represent a fundamental shift in India's investment narrative. The combination of supportive government policies, improving corporate earnings, favourable foreign investor positioning, and justified valuations creates a compelling case for renewed optimism. Infrastructure, consumption, and defence midcaps are receiving their green signal, marking what could be the next leg of India's earnings cycle.

Policy Support and Earnings Growth: The Foundation

Growth-Supportive Policies Are Back

Translation: Growth is getting political oxygen again. Infrastructure, consumption, and defence midcaps — this is your green signal. The government's strategic pivot towards supporting economic expansion through multiple channels creates a favourable environment for corporate growth and market performance.

- Slower fiscal tightening providing breathing room
- RBI-driven liquidity comfort easing financial conditions
- Infrastructure push 2.0 driving capital expenditure
- Smoother GST flows improving business efficiency

10%

FY25 EPS Growth

Current earnings growth baseline

14%

FY26 EPS Growth

Expected earnings acceleration

Earnings Revival Is Turning Real

Goldman expects India Inc's EPS growth to jump from 10% in FY25 to 14% in FY26. Midcaps are earnings-sensitive. When profits rebound, midcaps re-rate. This could mark the next leg of India's earnings cycle, providing fundamental support for market valuations.

The earnings revival isn't just a forecast — it's backed by improving business conditions, policy support, and recovering demand across sectors. This combination creates a powerful catalyst for market performance.

29K

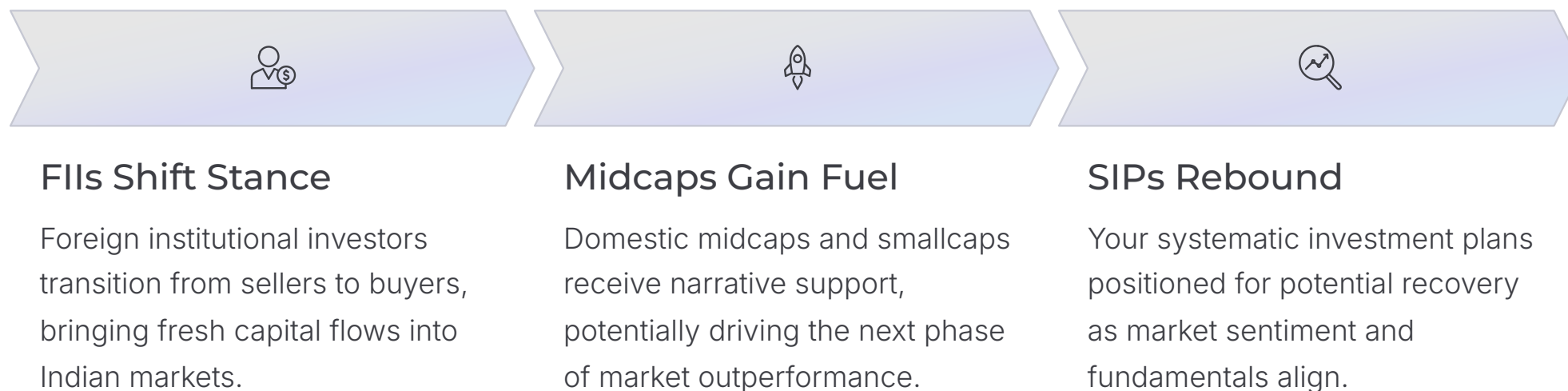
Nifty Target

Goldman's 2026

What It Means for Investors

You don't need Goldman's billions — just its sentiment. This upgrade is a psychological inflection point that could reshape market dynamics over the coming months. When a major global investment bank reverses its stance so dramatically, it sends ripples through the entire investment ecosystem. Foreign institutional investors turn from sellers to buyers, domestic midcaps and smallcaps gain narrative fuel, and the entire market psychology shifts from caution to cautious optimism.

Your systematic investment plans that looked dull in 2024 might just roar back in 2026. The key is understanding that this isn't about chasing returns or abandoning discipline — it's about recognising that the fundamental backdrop has improved. The combination of policy support, earnings growth, improved foreign investor positioning, and defensible valuations creates a more favourable environment for equity investments than existed in 2024.



However, this doesn't mean abandoning caution or discipline. The upgrade provides a more favourable backdrop, but successful investing still requires selectivity, patience, and a long-term perspective. Stay invested, stay systematic, but remain selective rather than euphoric.

But Let's Keep Our Feet on the Ground

Goldman sees approximately 14% upside to their Nifty target of 29,000 by 2026. Whilst this represents attractive potential returns, risks still loom on the horizon. The investment landscape remains complex, and multiple factors could derail the optimistic scenario. Global rate cuts could be delayed if inflation proves stickier than expected, artificial intelligence and technology disruption could reshape competitive dynamics, geopolitical tensions could flare unexpectedly, policy implementation could stumble, and valuation fatigue could set in if earnings disappoint.

So stay selective, not euphoric. The improved backdrop doesn't eliminate the need for careful stock selection, diversification, and risk management. Focus on quality businesses with strong fundamentals, sustainable competitive advantages, and reasonable valuations. Avoid chasing momentum or getting swept up in market euphoria. Remember that even in a bull market, not all stocks perform equally, and maintaining discipline separates successful long-term investors from those who get caught in market cycles.

Global Rate Uncertainty

Delayed rate cuts if inflation remains persistent could impact liquidity and valuations across emerging markets including India.

Technology Disruption

AI and tech dislocation could reshape competitive landscapes and create unexpected winners and losers across sectors.

Geopolitical Risks

Global tensions and regional conflicts could impact trade flows, supply chains, and investor sentiment unpredictably.

Policy Execution

Policy slip-ups or implementation challenges could undermine the supportive backdrop that underpins the bull case.

Valuation Fatigue

If earnings growth disappoints, current premium valuations could face pressure despite improved sentiment and positioning.

The path forward requires balancing optimism with realism. Goldman's upgrade provides a more favourable backdrop and improved sentiment, but successful investing still demands discipline, selectivity, and a clear-eyed assessment of both opportunities and risks. Stay invested, stay systematic, but remain vigilant and selective in your approach.