India’s Growth Story Remains Resilient

But earnings are entering a more selective, more important phase

India’s economy continues to stand out against an uncertain global backdrop. Recent data points to resilient domestic demand, strong credit growth, steady deposit mobilisation and continued confidence in the country’s medium-term prospects — and the Q1 FY27 corporate earnings season is now testing whether that strength is translating into the numbers that matter most to investors.

A Strong Macro Backdrop

SBI economic research pegs real GDP growth at around 8% for Q1 FY27. Credit growth has stayed robust at roughly 19.3% year-on-year for the fortnight ended July 31, against deposit growth of about 15.4%, while foreign-exchange reserves stood at approximately $707 billion. A related tailwind is the RBI’s concessional FCNR(B) swap facility, under which $52.3 billion had been mobilised as of August 13, with total mobilisation potentially reaching $65–70 billion by the scheme’s close — higher still once other foreign-currency borrowings are included. Together, these signals point to a domestic financial system with considerable liquidity and credit-support capacity, which can in turn reinforce consumption, capex and corporate investment.

From Macro Resilience to Corporate Earnings

A strong economy must eventually show up in company results, and Q1 FY27 earnings have, in several segments, come in ahead of expectations — even as businesses contend with elevated raw-material, employee and marketing costs. Revenue growth is being supported by domestic demand and improving business activity, but the ability to protect margins is what increasingly separates winners from laggards. Banking, industrials and infrastructure continue to show strength, while the impact of commodity prices and input costs remains mixed elsewhere — a reminder that economic growth and stock-market returns are related, but not the same thing.

Theme	What It Means for Investors
Credit cycle	Strong loan growth can support bank and financial-sector earnings, provided asset quality holds up.
Domestic demand	A resilient consumer and investment cycle can lift revenue growth across industries.
Input costs	Higher raw-material and operating costs can pressure margins, making pricing power essential.
Operating leverage	Companies with under-utilised capacity can see profits grow faster than revenue as volumes rise.
Valuations	Strong earnings alone don’t make a stock attractive if the market already prices in the growth.

Sector Snapshot

Banking & Financial Services

Healthy loan demand and improving balance sheets support earnings, but the sustainability of credit growth and quality of incremental loans matter more than headline numbers.

Industrials & Infrastructure

India’s capex cycle remains a structural tailwind; higher capacity utilisation can drive operating leverage, though valuations and order-book quality need scrutiny.

Automobiles

Domestic demand and new product cycles support volumes, while commodity costs, competition and financing conditions remain key swing factors.

Oil, Gas & Commodities

Earnings can be volatile, driven by global prices, refining margins and input costs — making cycle positioning and earnings quality especially important.

Cement & Construction — Infrastructure spending remains supportive; volume growth, realisation, fuel and freight costs, and margin discipline as competition evolves are the variables to track.

> *“Investors ultimately participate in corporate earnings and cash flows — not GDP growth directly. When valuations are already elevated, even good earnings can produce modest returns; when expectations are conservative, results that improve can do the opposite.”*

For long-term investors, that distinction argues for discipline over prediction: focus on asset-allocation quality, consistency of the underlying businesses, valuation discipline, and alignment with your own time horizon and risk tolerance — rather than trying to call every short-term market move.

What We’d Watch From Here

01 **Earnings breadth** — spreading across sectors, or still concentrated?

02 **Margins** — are input costs moderating, and can profitability hold?

03 **Credit quality** — can loan growth continue without asset-quality slippage?

04 **Capex** — is the investment cycle turning into sustainable private capex?

05 **Liquidity** — how do domestic flows, FPI flows and global rates move markets?

06 **Valuations** — are investors paying a reasonable price for the growth on offer?

A Balanced Conclusion

India’s economic backdrop — strong demand, robust credit, healthy reserves and resilient earnings — is genuinely encouraging for the medium to long term. But higher costs, global uncertainty and current valuations mean a positive outlook is not a guarantee of positive returns. The opportunity is not simply to be optimistic about India, but to stay selective, understand what markets are already pricing in, and build portfolios that can absorb volatility while participating in long-term growth.

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