

MONTHLY INVESTMENT UPDATE

India Rewind

Sept 2026

MSCI INDIA (AUG)

-0.4%
(approx.)

MSCI EM (AUG)

+3.2% | vs World +2.5%
(approx.)

FPI EQUITY (AUG)

+\$3.1bn | 2nd consecutive month
(approx.)

GDP (1QFY27)

7.8% | GVA 8.2% YoY

FLOWS & MARKET

August kept allocators navigating Middle East tensions and a less comfortable US macro backdrop. **MSCI EM +3.2%** (approx.), **MSCI World +2.5%** (approx.), **MSCI India -0.4%** (approx.). **FPIs bought +\$3.1bn** (approx.) in Indian equity – a second consecutive positive month – alongside ~\$6bn from DIIs. Taiwan and South Korea also rebounded, so this is **not a wholesale reallocation away from North Asia, but a meaningful reduction in selling intensity after four difficult months**. YTD foreign flows remain substantially negative; the recovery is real but early.

GROWTH & HIGH-FREQUENCY DATA

Real GDP grew **7.8%** YoY in June quarter, ahead of expectations; GVA expanded **8.2%**. High-frequency data counsel against reading this as uninterrupted acceleration – Manufacturing PMI eased to **52.8** and Services PMI recovered only modestly to **54.1**, both still expansionary but with softer survey momentum. Credit, infrastructure activity and mass mobility are holding up better than selected urban discretionary indicators. Resilient, but uneven.

1QFY27 EARNINGS

Results covering **~87%** of MSCI India market cap show the crude and currency shock did not derail earnings. Downgrades have largely stabilised and surprises were modestly positive.

PROFIT GROWTH (EX-COMMODITY)

+14% YoY | Strongest in 6 quarters
(approx.)

REVENUE GROWTH

+17% YoY | Topline held up well
(approx.)

COVERAGE

~87% YoY | Of MSCI India mkt cap

AI & MEDIUM-TERM OPPORTUNITY

India's AI advantage is in talent, digital public infrastructure and enterprise adoption – not semiconductor manufacturing. Adoption is broadening across IT services, telecom, retail and industrials. India has the region's **second-largest data-centre capacity pipeline** after China. The constraint: dependable power, water and structural reform. **AI accelerates India's existing strengths – it is not a substitute for manufacturing competitiveness, infrastructure and R&D.**

OUTLOOK

Growth and earnings are improving; domestic liquidity is deep; external funding has stabilised. But relative equity performance remains weak, valuations are not inexpensive, and oil, food inflation and global yields remain live risks. **The case for India is shifting from macro defence toward selective domestic growth – durable foreign re-entry will require continued earnings delivery, contained inflation and confidence that currency stability can persist.**



ASHISH TEKWANI
MANAGER,
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JAY KOTHARI
SENIOR VICE PRESIDENT,
LEAD INVESTMENT STRATEGIST

	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27E
ECONOMIC ACTIVITY AND EMPLOYMENT								
GDP, USD bn	2,871	2,668	3,176	3,390	3,568	3,910	3,920	4,055
GDP per capita, USD	2,141	1,969	2,321	2,451	2,554	2,771	2,760	2,832
Real GDP growth, %	4	-6.6	8.7	7.2	8.2	6.5	7.7	6.9
PRICES, INTEREST RATES AND MONEY								
CPI inflation, % y/y (average)	4.8	6.2	5.5	6.7	5.4	4.6	2.1	5
Repo rate, % (year-end)	4.4	4	4	6.5	6.5	6.3	5.3	5.8
10-year bond yield, % (year-end)	6.1	6.2	6.8	7.3	7.1	6.5	7	7
USDINR (year-end)	75.4	73.5	75.8	82.3	83	85.6	94.7	96
FISCAL ACCOUNTS								
General government budget balance, % GDP	-7.8	-13.9	-9.5	-9.4	-8.5	-8	-8	-7.5
BALANCE OF PAYMENTS								
Trade balance, USD bn	-158	-102	-189	-266	-243.2	-287.2	-337.3	-351.1
Exports, USD bn	320	296	429	456	440.2	441.8	446.1	473.3
Imports, USD bn	478	398	619	720	683	729	783	824
Current account balance, USD bn	-25	24	-39	-67	-25	-23	-25	-47
Foreign direct investment (net), USD bn	43	44	38.6	35	18	1	7	20
Total FX reserves, USD bn	478	577	607	578	646	668	691	735
Total external debt, % GDP	19.5	21.4	19.1	18	18.1	17.1	19.8	19.6
CREDIT RATINGS								
Moody's	Baa2	Baa3	Baa3	Baa3	Baa3	Baa3	Baa3	Baa3
S&P	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-	BBB	BBB
Fitch	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-

Source: CEIC, Haver, UBS estimates; Note: Data is for FY ending March; E – Estimates. Data as of August 2026

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