

Earnings may disappoint in FY27

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India's real gross domestic product (GDP) grew by an impressive 7.7% in FY26, up from 7.1% in FY25. The drag from US tariffs was offset by the strength in consumer spending and domestic investment activity.

But FY27 is shaping up to be a roller-coaster ride. The West Asia conflict has meant high crude oil prices, rupee at record lows and fiscal slippage risks. High-frequency indicators such as freight movement and fuel consumption point to a moderation in activity over the past two months.

Retail inflation is also expected to accelerate amid higher food prices, driven by El Niño risks, and rising fuel costs. Weaker purchasing power could, in turn, weigh on local consumption.

Reflecting these concerns, the Reserve Bank of India on Friday kept interest rates unchanged but cut its FY27 GDP growth forecast to 6.6% from 6.9% and raised inflation projection by 50 basis points to 5.1%.

Macroeconomic dampeners have also led to higher input costs, forcing companies to raise prices to shield profit margins. Yet India Inc. has not

Tall task

The Street estimates mid-teens earnings per share growth for Nifty50 companies in FY27, despite downside risks.

Y-o-y change in Nifty50 earnings per share (in %)



Source: Nuvama Research, Bloomberg consensus estimates

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met the Street's earnings expectations even when global backdrop was more favourable.

"At the start of FY25, consensus expected Nifty50 earnings per share (EPS) growth of -15%, but actual growth came in at only 3.4%. Similarly, at the start of FY26, earnings were expected to grow 12-15%, whereas actual growth

was only 4.5% (6.9% if we assume the current reconstituted Nifty constituents)," JM Financial Institutional Securities said.

Yes, FY26's low base could support earnings growth to some extent. However, the war has made the volume-versus-margin trade-off tougher, so expectations should be tempered.

"For Nifty50 and BSE500 companies, FY27 consensus EPS estimates were trimmed by 1% after Q4FY26 results, still mid-teen growth expectation for Nifty50—a tall ask," said Prateek Parekh, executive director, institutional equities, Nuvama Wealth Management.

For BSE500, the Street pegs earnings recovery at a steep 17% CAGR over FY26-28 versus 9% over FY24-26. Here, the widening gap between Ebitda margin and operating cash flow can weigh on future profits, Parekh cautioned. For BSE500 companies (excluding oil marketing companies, BFSI) operating cash flow growth slowed to 4% in FY26 from 11% in FY25 due to adverse working capital conditions, showed Nuvama analysis.

Meanwhile, the government has announced regulatory and tax measures aimed at containing capital outflows and attracting foreign investment to support the rupee. But unless earnings growth visibility improves, foreign investors may continue to offload Indian equities. So far in 2026, for-

foreign portfolio investors have sold Indian stocks worth ₹2.44 trillion, per National Securities Depository data.

While the latest measures can contain the rupee's fall as foreign investors bet on debt securities, FPIs are not meaningfully returning to Indian stocks for at least another year, said Hitesh Jain, lead analyst at YesSecurities.

"India's earnings growth is not as attractive as some other AI theme-led markets, like South Korea available at lower multiple," Jain added.

The MSCI India index is down 7% so far in 2026, yet it trades at a one-year forward price-to-earnings of 20x, a premium to Asian peers, as per Bloomberg data. A reversal in the artificial intelligence (AI) trade, with Friday's decline in the

tech-heavy Nasdaq Composite reviving concerns of an AI bubble, could eventually pull foreign investors back to India. After all, AI exposure has been a key driver of global portfolio flows.

For now, however, India's rich valuations leave little room for disappointment.

ROUGH PATCH

THE Iran war has meant high crude oil prices, rupee at record lows and fiscal slippage risks

HIGH-frequency indicators like freight movement point to moderating activity in the past 2 months