'Mkts have largely priced in muted Q1 earnings'

Q&A Markets are entering the second half of the year after a volatile six months. **Radhika Gupta,** managing director and chief executive officer of Edelweiss Mutual Fund, tells **Puneet Wadhwa** in an interview in New Delhi that markets are either portrayed as unstoppable or extremely fragile, but the truth lies somewhere in between. Edited excerpts:

Markets seem to be entering one crisis after another: From the West Asia war to concerns about weak monsoon and tepid corporate earnings. To what extent is the bad news, if any, on the domestic front priced in?

■ At the start of 2026, we believed India would emerge as a relative outperformer. Expectations were building that earnings growth was returning, and we saw early signs of that in the first quarter (January-March). Foreign institutional investor (FII) flows also started improving around February.

Then, the West Asia crisis unfolded. Crude oil prices crossed \$100 a barrel. As a result, I don't expect first-quarter earnings to be particularly strong because they would have reflected the impact of elevated oil prices. I believe the market has largely priced in a muted first quarter as regards corporate earnings.

With crude now back around \$70 a barrel, one of the biggest risks for India has eased. Markets are never free of risk, but the existential concern around sharply higher oil prices appears to be behind us. The government's measures, including those related to FCNR (Foreign Currency Non-Resident) deposits, have been positive and should help attract meaningful capital inflows. Hopefully, the worst is behind us, second-quarter earnings improve, and the earnings recovery that we expected materialises in the second half.

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Radhika Gupta
MD & CEO, Edelweiss Mutual Fund

Will you describe Indian markets as fragile at the moment?

■ No. I think the broader ecosystem tends to oscillate between excessive optimism and excessive pessimism. Markets are either portrayed as unstoppable or extremely fragile, whereas the truth generally lies somewhere in between. I would describe India as being in a fairly balanced position right now. Valuations are broadly reasonable. Economic growth remains faster than many major economies. We continue to benefit from a favourable demographic profile that should support growth. Most importantly, I remain a strong believer in Indian entrepreneurship. Ultimately, that is the foundation of long-term progress.

What risks are still not priced into the market?

■ The monsoon remains an uncertainty. Global interest rates also remain elevated. While India has seen a healthy pipeline of initial public offers (IPOs), there are also several large global IPOs that could absorb liquidity. Markets never reach a stage where every risk is priced in. There are always unknown unknowns.

How comfortable are you with current valuations? Is there room for a de-rating?

■ If you look at the past two years, the broader market hasn't delivered extraordinary returns. Largecap valuations are broadly around their historical averages. Smallcap valuations corrected before witnessing a recent rally. Midcap valuations are not cheap, but they are also close to long-term averages. This comes at a time when earnings growth in the mid-cap segment has remained healthy. So, are valuations frothy? I would say no. Are they extremely cheap? Also no. But they are certainly in a better place than they have been for some time.

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