

Q2FY26 Earnings Wrap-up and Sectoral Outlook

*Broad-based Earnings Marginally above Estimates,
Earning Suprises in our Coverage*

November 21, 2025



India Q2FY26 Earnings Wrap-up

Nifty 50 Earnings Fared Marginally better than Expectations

Headline Index Earnings Performance

Overall Q2FY26 earnings for Nifty 50 (Excl. Tata Motors PV) witnessed a growth of 6.9% YoY (-7.3% QoQ), whereas it outperformed the consensus estimate marginally by 1.5%, led by improved growth traction across Consumer Discretionary, Diversified, Energy, Financial services, Hospitals, Metals and Pharma sector.

Reported earnings for Nifty 50 grew marginally by 1.7% YoY (-10.5% QoQ), as it was impacted by one-off losses from continued operations in Tata Motors PV.

Nifty 50 Q2FY26 Earnings Snapshot

Sector (Net Profit in INR Bn)	Q2FY26	Q1FY26	Q2FY25	QoQ (%)	YoY (%)	Q2FY26E	Delta (%)
Autos	41	152	117	(73.3%)	(65.4%)	136	(70.1%)
Building Materials^	18	36	10	(51.0%)	75.4%	23	(21.8%)
Capital Goods*	13	10	11	32.8%	17.9%	6	119.6%
Consumer Disc.	26	26	19	(3.4%)	33.6%	24	4.5%
Consumer Staples	90	90	88	(0.2%)	2.1%	90	(0.1%)
Conglomerates	214	277	183	(23.0%)	16.7%	203	5.4%
Energy	151	185	165	(18.4%)	(8.4%)	147	3.0%
Financial Services	691	697	700	(1.0%)	(1.4%)	645	7.1%
Hospitals	10	7	7	30.7%	46.6%	9	9.6%
Infrastructure	70	69	58	1.5%	20.5%	72	(2.6%)
IT Services	281	280	271	0.4%	3.7%	286	(1.6%)
Metals	95	83	52	14.5%	82.7%	92	2.4%
Pharma	59	50	56	18.3%	5.5%	56	5.4%
Power	86	96	91	(10.5%)	(4.8%)	95	(8.8%)
Telecommunication	68	59	36	14.2%	89.0%	71	(4.6%)
Transportation#	(26)	22	(10)	(218.6%)	161.6%	(11)	(134.1%)
Nifty	1,885	2,142	1,855	(12.0%)	1.7%	1,943	(3.0%)
Auto's (Ex-TMLPV)	105	113	88	(6.9%)	20.0%	113	(7.3%)
Nifty (Ex-TMLPV)	1,950	2,102	1,825	(7.3%)	6.9%	1,921	1.5%

Source: Factset, Choice Institutional Equities

Note: Analysis is based on sector's net profit, which is arithmetic summation of individual companies clubbed in the particular sector. Bajaj Finserv and Jio Financial are excluded from Financial Services sector for analysis, due to unavailability of FactSet Consensus estimates. *Capital Goods includes only Bharat Electronics. #Transportation includes only InterGlobe Aviation. ^Building Materials includes Grasim Industries and Ultratech Cement.

Among sectors, **biggest earnings surprise** (outperformed consensus net profit estimates) in the index was observed in Hospitals (+9.6%), Financial Services (+7.1%), Conglomerates (+5.4%), Pharma (+5.4%) and Consumer Discretionary (+4.5%).

Large earnings miss (underperformed consensus net profit estimates) in the index was witnessed in Building Materials (-21.8%), Power (-8.8%) and Autos (-7.3%) [Excl. Tata Motors PV]

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Earning Upgrades were Marginal for Nifty 50

Headline Index Earnings Revision

Post Q2FY26, Nifty 50 observed marginal revisions (in consensus estimate), as aggregate net profit for FY26E/ FY27E/ FY28E was downgraded by 0.7% and upgraded by 0.1% and 0.3%, respectively.

Larger upgrades (in the consensus net profit estimates) were witnessed across

(a) Autos on the back of improved traction in auto sales volume, (b) Capital Goods on better expectation of private capex in 2HFY26, (c) Telecommunication led by growth in wireless ARPU driven by premiumisation and (d) Financial Services driven by higher credit growth and stabilising NIM margin.

Downgrades (in the consensus net profit estimates) was observed for

(a) Building Materials due to lower realisation and lower profitability; (b) Energy due to lower revenue growth, (c) Metals as a result of weaker realisation and lower domestic demand, (d) Power owing to lower power demand and weaker margin and, (e) Transportation, due to one-off forex losses.

Nifty 50 Earnings Upgrades and Downgrades (Post Q2FY26)

Sector (Net Profit in INR Bn)	New Estimates			Old Estimates			Revisions (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Autos	471	547	616	461	525	584	2.0%	4.1%	5.6%
Building Materials[^]	90	124	152	97	130	156	(7.7%)	(4.9%)	(3.0%)
Capital Goods[*]	60	71	83	59	70	82	2.1%	1.7%	1.9%
Consumer Disc.	116	154	199	119	157	199	(2.6%)	(2.2%)	(0.3%)
Consumer Staples	862	935	1,015	863	940	1,020	(0.0%)	(0.6%)	(0.5%)
Conglomerates	858	979	1,094	862	994	1,113	(0.5%)	(1.5%)	(1.6%)
Energy	718	777	836	751	790	860	(4.4%)	(1.7%)	(2.8%)
Financial Services	2,847	3,290	3,854	2,807	3,253	3,823	1.4%	1.1%	0.8%
Hospitals	37	47	58	37	48	59	(1.4%)	(1.6%)	(1.6%)
Infrastructure	313	374	439	312	372	440	0.3%	0.5%	(0.3%)
IT Services	767	878	955	769	875	954	(0.3%)	0.4%	0.2%
Metals	425	554	625	470	564	617	(9.6%)	(1.7%)	1.3%
Pharma	217	232	264	218	234	264	(0.7%)	(0.9%)	(0.0%)
Power	386	423	447	397	431	447	(2.8%)	(1.9%)	0.1%
Telecommunication	292	417	518	288	410	503	1.4%	1.8%	3.0%
Transportation[#]	77	95	107	86	97	106	(9.8%)	(1.5%)	1.3%
Nifty	8,536	9,897	11,263	8,597	9,891	11,226	(0.7%)	0.1%	0.3%

Source: Factset, Choice Institutional Equities

Note: Analysis is based on sector's net profit, which is arithmetic summation of individual companies clubbed in the particular sector. Bajaj Finserv and Jio Financial are excluded from Financial Services sector for analysis, due to unavailability of FactSet Consensus estimates. ^{*}Capital Goods includes only Bharat Electronics. [#]Transportation includes only InterGlobe Aviation. [^]Building Materials includes Grasim Industries and Ultratech Cement.

Topline Growth for Coverage Universe Surprised on the Upside

Choice Coverage Universe Revenue Performance

Revenue for our coverage universe (Excl. Realty – Developers) grew 13.0% YoY (+6.5% QoQ), while it **stood above our estimates by 3.0%**, driven by surprises across Auto, AlcoBev, Cement, Defence, IT Services, New-age companies and Pharma sector.

Among our coverage, revenue stood higher than estimate for:

- **New-Age coverage**, by 15.7% led by **restructuring in Nazara Tech and higher realisation in IndiaMart**
- **Cement**, by 11.7% led by **higher clinker sales and one-off items including government grants**
- **Pharma**, by 6.2% due to **one-off impacts in a few companies, with Glenmark being the key contributor**
- **Defence**, by 5.0% due to **faster execution of orders**
- **Building Materials**, by 1.9% led by **higher home improvement demand**
- **Autos**, by 1.8% led by **stronger than expected volume momentum**
- **AlcoBev**, by 1.6% led by **surprise from United Spirits**
- **ER&D Services**, by 1.4% on the back of **improved execution of orderbook**.

Similarly, revenue estimates stood lower than estimate for **Realty – Flexible workspaces by 4.6%** as the seat additions for the coverage lagged behind guidance.

Choice Equity Coverage Q2FY26 Revenue Snapshot

Sector (Revenue in INR Bn)	Q2FY26	Q1FY26	Q2FY25	QoQ (%)	YoY (%)	Q2FY26 CIE Est.	Delta (%)
Autos	1,489	1,342	1,263	10.9%	17.8%	1,462	1.8%
AlcoBev	63	61	55	3.0%	15.6%	62	1.6%
Cement	594	632	496	(6.0%)	19.7%	532	11.7%
Building Materials	24	21	23	13.7%	5.4%	24	1.9%
Defence	151	107	124	40.9%	21.9%	144	5.0%
Realty - Developers	22	13	20	64.2%	6.4%	NA	nm
Realty - Flexible workspaces	6.2	5.5	4.6	12.1%	35.5%	6.5	(4.6%)
Pharma	671	607	577	10.5%	16.3%	631	6.2%
Hospitals	158	147	136	7.7%	16.4%	159	(0.6%)
IT Services	2,033	1,945	1,909	4.5%	6.5%	2,017	0.8%
ER&D Services	73	70	68	3.7%	6.1%	72	1.4%
New Age and Internet	12	11	8.7	5.6%	32.4%	10	15.7%
Overall Coverage#	5,273	4,949	4,664	6.5%	13.0%	5,119	3.0%

Source: Choice Institutional Equities

Note: Analysis is based on sectoral coverage's revenue, which is arithmetic summation of revenue of individual companies clubbed in the particular sector.

#Overall Coverage revenue excludes Realty- Developers sector, due to absence of estimates.

Bottom-line Growth for Coverage Universe Surprised on the Upside

Choice Coverage Universe Earnings Performance

Net profit for our coverage universe (Excl. Realty – Developers) grew 17.7% YoY (+8.6% QoQ), while it **outperformed our estimate by 7.7%**, driven by major surprises across Auto, Cement, Defence, Hospitals, IT Services and Pharma sector.

Among our coverage, net profit stood higher than estimate for:

- **Cement**, by 105.4% led by **one-off items including other income and income tax credit**
- **Pharma**, by 11.1% led by **major surprise from Glenmark Pharma** and some **one-offs observed** within the coverage
- **Hospitals**, by 9.1% led by **improved operational efficiencies** for **matured/existing facilities**
- **Realty – Flexible workspaces**, by 7.2% due to **cost optimisation** and **lower leasing/fit-out costs**
- **Autos**, by 4.9% led by **stronger volume offtake** and **improved operating leverage**
- **Defence**, by 4.8% led by **improved revenue growth**
- **AlcoBev**, by 2.3% led by **surprise from United Spirits**.

Similarly, net profit missed our estimates for:

- **New-Age coverage**, by 65.6% led by **one-off losses in Nazara Tech** and **normalisation of margins in IndiaMart**
- **Building Materials**, by 37.5% led by **weaker margins**
- **ER&D Services**, by 1.6% led by **one-offs in Cyient**.

Choice Equity Coverage Q2FY26 Earnings Snapshot

Sector (Net Profit in INR Bn)	Q2FY26	Q1FY26	Q2FY25	QoQ (%)	YoY (%)	Q2FY26 CIE Est.	Delta (%)
Autos	158	139	134	13.6%	18.4%	151	4.9%
AlcoBev	7.3	7.2	5.4	2.5%	34.9%	7.2	2.3%
Cement*	55	52	23	6.2%	137.1%	27	105.4%
Building Materials	0.6	0.2	0.4	142.0%	48.5%	0.9	(37.5%)
Defence	34	25	29	33.5%	16.6%	32	4.8%
Realty - Developers	5.2	6.6	3.5	(21.1%)	51.3%	NA	nm
Realty - Flexible workspaces	0.7	0.6	0.8	28.2%	(3.5%)	0.7	7.2%
Pharma	125	105	98	18.7%	27.9%	112	11.1%
Hospitals	20	16	15	26.6%	35.4%	18	9.1%
IT Services	311	307	296	1.2%	5.2%	309	0.5%
ER&D Services	7.8	7.9	9.3	(0.7%)	(16.3%)	7.9	(1.6%)
New Age and Internet	0.7	2.2	1.7	(69.0%)	(59.7%)	2.0	(65.6%)
Overall Coverage#	719	662	611	8.6%	17.7%	668	7.7%

Source: Choice Institutional Equities

Note: Analysis is based on sectoral coverage's net profit, which is arithmetic summation of net profit of individual companies clubbed in the particular sector.

#Overall Coverage net profit excludes Realty-Developers sector, due to absence of estimates.

Top-line Revisions for Coverage Universe are Contained

Choice Coverage Universe Revenue Revision

Revenue growth for our coverage universe was upgraded by 1.0%/ 0.7%/ 0.9% for FY26E/ FY27E/ FY28E, respectively, majorly driven by AlcoBev, Cement, ER&D Services, Pharma, and IT Services.

Among our coverage, revenue estimate was upgraded for:

- **AlcoBev**, by 1.4%/ 5.8%/ 6.1% improved volumes as well change in estimates
- **ER&D Services**, by 2.4%/ 5.0%/ 2.1% stemming from early green shoots including large deal wins, improving deal conversions, and expected program ramp-ups
- **Cements**, by 0.5%/ 0.9%/ 2.3% owing to expectations of higher volume offtake on the back of increased capacities
- **IT Services**, by 1.7%/ 1.3%/ 1.2% led by improved execution of current order book and large deal wins
- **Pharma**, by 1.8%/ 0.4%/ 1.2% underpinned by steady outlook and strong pipeline visibility
- **Hospitals**, by 1.0%/ 1.1%/ 1.1% led by improvement in ARPOB for most of the coverage companies, for FY26E/ FY27E/ FY28E, respectively.

Similarly, revenue estimates were downgraded for New-Age coverage by -3.4%/ -4.2% for FY27E/ FY28E, respectively, due to decline in revenue from discontinued operations for Nazara Tech.

Choice Equity Coverage Revenue Upgrades and Downgrades (Post Q2FY26)

Sector (Revenue in INR Bn)	CIE New Estimates			CIE Old Estimates			Revisions (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Autos	5,932	6,823	7,819	5,932	6,848	7,837	0.0%	(0.4%)	(0.2%)
AlcoBev	273	337	384	269	318	362	1.4%	5.8%	6.1%
Cement	2,659	2,900	3,241	2,646	2,874	3,167	0.5%	0.9%	2.3%
Building Materials	103	118	137	104	119	137	(0.8%)	(0.8%)	0.6%
Defence	742	886	1,045	741	885	1,042	0.1%	0.1%	0.3%
Realty - Developers	117	131	148	117	131	148	0.0%	0.0%	0.0%
Realty - Flexible workspaces	27	31	37	27	31	37	0.0%	0.0%	0.0%
Pharma	2,631	2,927	3,285	2,585	2,914	3,245	1.8%	0.4%	1.2%
Hospitals	650	784	966	643	776	955	1.0%	1.1%	1.1%
IT Services	8,120	8,788	9,588	7,981	8,673	9,471	1.7%	1.3%	1.2%
ER&D Services	296	339	385	289	323	377	2.4%	5.0%	2.1%
New Age and Internet	48	57	68	47	59	71	2.1%	(3.4%)	(4.2%)
Overall Coverage	21,596	24,120	27,102	21,380	23,951	26,848	1.0%	0.7%	0.9%

Source: Factset, Choice Institutional Equities

Note: Analysis is based on sectoral coverage's revenue, which is arithmetic summation of revenue of individual companies clubbed in the particular sector.

India Q2FY26 Earnings Wrap-up

Bottom-line for Coverage Universe Marginally Revised Upwards

Choice Coverage Universe Earnings Revision

Net profit estimate was revised for our coverage universe marginally by -0.1%/ 0.6%/ 1.2% for FY26E/ FY27E/ FY28E, respectively, majorly led by sectors including AlcoBev, Building Materials, Cement, ER&D, Hospitals, IT Services and Pharma.

Among our coverage, net profit estimates was upgraded for:

- AlcoBev, by 6.0%/ 3.3%/ 4.1% reflecting improved revenue growth
- Pharma, by 2.9%/ 0.8%/ 2.0% on the back of improved revenue growth and steady sector outlook, for FY26E/ FY27E/ FY28E, respectively.

Similarly, net profit estimates were downgraded for:

- ER&D Services, by 13.9% for FY26E led by weaker operating leverage
- New-Age coverage, by 11.1% for FY26 led by one-offs related to discontinued operations for Nazara Tech.

Further, estimates were downgraded for Cement by 4.1%/ 1.0% due to weaker EBITDA/t driven by higher operational expenses and, for Building Materials, by 9.8%/ 1.3% led by weaker operational leverage, for FY26E/ FY27E, respectively.

Choice Equity Coverage Earnings Upgrades and Downgrades (Post Q2FY26)

Sector (Net Profit in INR Bn)	CIE New Estimates			CIE Old Estimates			Revisions (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Autos	612	727	847	611	726	842	0.1%	0.1%	0.6%
AlcoBev	30	37	45	28	36	44	6.0%	3.3%	4.1%
Cement	221	292	355	231	294	354	(4.1%)	(1.0%)	0.1%
Building Materials	3.9	6.5	9.2	4.3	6.6	9.0	(9.8%)	(1.3%)	3.0%
Defence	177	218	258	177	218	258	(0.0%)	0.0%	0.2%
Realty - Developers	19	28	31	19	28	31	0.0%	0.0%	0.0%
Realty - Flexible workspaces	3.8	6.0	8.0	3.8	6.0	8.0	0.0%	0.0%	0.0%
Pharma	442	507	585	430	503	574	2.9%	0.8%	2.0%
Hospitals	78	102	133	78	102	132	0.6%	0.4%	0.6%
IT Services	1,273	1,431	1,603	1,273	1,414	1,577	0.0%	1.2%	1.6%
ER&D Services	31	42	51	36	42	51	(13.9%)	0.0%	0.0%
New Age and Internet	7.8	9.0	12	9.0	9.0	12	(13.4%)	0.0%	0.0%
Overall Coverage	2,899	3,405	3,938	2,900	3,385	3,892	(0.1%)	0.6%	1.2%

Source: Factset, Choice Institutional Equities

Note: Analysis is based on sectoral coverage's net profit, which is arithmetic summation of net profit of individual companies clubbed in the particular sector.

Positive on Cement and Building Materials; Bearish on Coal

Industry	Sector	Outlook	Choice Sector View
Basic Materials	Construction Materials	Positive	Multiple Tailwinds drive Positive Construction Materials Sector Outlook Building Materials (Tiles, Bathware, PVC Pipes, Plywood, MDF, etc.): We have a positive stance on the Building Materials sector. The sector is expected to recover meaningfully in 2H FY26, supported by improving Individual Home Builders (IHB) demand, which contributes 65–70% of overall sector demand, along with seasonal restocking and stronger government spending in housing and water infrastructure. Normalising raw-material prices and smoother supply chains are also set to aid both, volumes and margin, while channel inventories continue to stabilise. Pipes and Bathware remain best positioned for a sharper recovery. As exports are improving, tiles stay neutral and wood panels remain cautiously optimistic. Cement: We have a positive stance on the Cements sector. Cement sector outlook for FY26/27E is driven by: 1) GST rate cut from 28% to 18%, 2) Pent-up demand from weak FY25 and YTD FY26E, 3) Higher spending by central and state governments on infrastructure (+12–15% CAGR over FY25-27E), coupled with steady demand from IHB and Real Estate sectors due to favourable interest rate cycle, 4) Implementation of cost-optimisation initiatives by cement companies, 5) Improving product mix, 6) Increasing capacity utilisation with higher demand and 7) Improvement in pricing due to higher demand and better capacity utilisation. Industry volumes are projected to grow by ~6–7% YoY in FY26E, and FY27E could see double-digit growth in our view. While Q3FY26 is likely to witness a sequential uptick in volumes.
	Steel & Other Metals	Neutral	India is a Bright Spot for Steel and Non-ferrous Demand, Currency Depreciation to Support Domestic Pricing Steel: Global demand for steel and non-ferrous metals is expected to be impacted by US tariffs related friction in the global manufacturing supply chains. The tariff situation, apart from several other dynamics, continues to weigh on global steel prices. At such a time, steel demand in India is expected to be relatively stronger, and grow by high single digits in FY26/27E. Recent imposition of 11–12% safeguard duty would protect pricing and profitability for Indian steel mills. Non-ferrous Metals: While demand for non-ferrous metals, such as Aluminium, Zinc and Copper is expected to grow by high single digits over FY26/27E, pricing is expected to be supported by currency depreciation.
	Mining	Neutral	Steel Production Growth to drive Higher Iron Ore Demand; Coal Pricing to Increase in FY27 Iron ore: Iron ore demand in India would be supported by strong growth in steel production in FY26/27E. Pricing, which is a function of domestic as well as global factors, is expected to be stable. Coal: Coal pricing in India is largely fixed (for 85–90% of the volumes) and is altered once in 2–3 years. We expect a ~10% hike in prices for this segment in FY27E by Coal India as the company needs to pass on the impact of wage inflation. Pricing for rest of the 10–15% volumes is expected to be volatile owing to a combination of factors, such as international coal prices, domestic availability of lower-priced coal, etc.

Led by Demand, Upbeat on AlcoBev and Autos

Industry	Sector	Outlook	Choice Sector View
Consumer Discretionary	AlcoBev	Positive	Premiumisation drives Growth despite Regulatory Headwinds; Q3 Poised for Festive Boost Coverage companies delivered robust volume growth of 7.7-37.7% in Q2FY26, defying industry-wide pressure from excise policy changes. While Maharashtra's 20–25% volume decline reflects the dampening effect of IMFL and imported liquor price hikes, modern excise policies in Uttar Pradesh and Telangana successfully supported H1FY26 performance. The extended festive season and wedding calendar will drive Q3 consumption, amplified by the September 2025 GST rationalisation and higher income tax exemption limits boosting discretionary spending. Premiumisation remains a structural growth driver. India's Premium and Luxury Spirits segment, 10% of the INR 2.65 trillion spirits market in FY24, will expand at 11.0% CAGR through FY29E, outpacing GDP growth. The Luxury AlcoBev segment accelerated 16.1% over CY22-CY25, the fastest within the luxury category. Supply-side innovation through new launches and demand tailwinds from rising disposable incomes and aspirational consumption will sustain this momentum.
	Automobile & Auto Ancillaries	Positive	Structural Tailwinds to aid Steady Growth We expect India's automobile sector to expand at a 7.7% CAGR over FY25–28E, driven by a boost in overall demand owing to the reduction in GST, rising disposable income, growing rural demand and a continued shift towards premiumisation. The PV segment is set for growth, aided by the passenger car category, which had lagged behind over the last few quarters but grew 5.1% YoY in Q2FY26 as compared to industry growth of 2.4%, supported by GST rationalisation. The 2W segment is also poised for solid growth, driven by the revival in entry-level demand as well as sustained momentum in premium categories. In the auto ancillary space, we remain positive on the strength of new product launches and capacity expansion. We expect auto ancillary companies to continue benefiting from the ongoing trends of premiumisation, electrification and technological upgrades.
Energy	Oil & Gas-Upstream	Neutral	Cautious Outlook on Indian E&P We project domestic oil & gas output to expand at a low to mid-single-digit rate by FY 28E. As highlighted in earlier quarters, wherein we remain cautious about the actual delivery of production growth, the largest oil & gas producer in India has curtailed its initial guidance of oil and gas production growth after H1FY26 results. We maintain neutral outlook on Oil & Gas Upstream.
	Oil & Gas-Downstream	Positive	Lower Crude Prices to continue to Benefit India's Refining and Retail Fuel Business India's oil consumption is expected to expand at ~3% CAGR over FY25–FY28, driven primarily by transportation fuel, while natural gas will expand at ~6% CAGR, favouring city-gas distributors. We continue to expect Brent to average at USD 69/b this fiscal year - supporting stronger refining margin, lower LPG losses and improved automotive-fuel margin in FY26 versus FY25.

Credit Cycle to lift NBFC sentiment; Strength in Hospitals led by Realizations

Industry	Sector	Outlook	Choice Sector View
Financials	Banks	Neutral	Consumption and Regulatory Tailwinds, Earnings Growth supported by Higher Credit Growth Margin across banks has largely bottomed out following the 100bps decline in the repo rate and is expected to remain stable in Q3FY26. We anticipate an additional 25bps policy rate cut in December '25 MPC meeting, which should further support system-wide credit growth. Overall credit growth for FY26E is expected to remain healthy at ~11–11.5%, while credit cost should stay contained given the easing stress in the unsecured segment. Moreover, with stronger deposit accretion, the Credit-to-Deposit ratio is likely to remain stable. Looking ahead, earnings growth in H2FY26 is expected to be supported by robust credit offtake across retail, MSME and corporate segments.
	NBFCs	Positive	Credit Stress to Stabilise, while Credit Growth to Surpass Banks over FY26E and FY27E As per CRISIL, NBFC credit offtake is expected to expand at a CAGR of 17%–18% for FY26E. With increasing formalisation of the economy, higher demand NBFCs are expected to gain market share from banks. The vehicle finance segment is expected to see strong momentum, supported by GST cuts and potential rate reduction, with no major asset-quality concerns anticipated. Stress in the MSME segment has largely stabilised, though not yet improved, with Q3 expected to remain steady. Gold financing is likely to record healthy growth, although yield compression is expected to persist due to heightened competition intensity. Asset-quality risks remain contained and the segment should continue to expand. In affordable housing, elevated competition is exerting some pressure. Although, mild stress is visible in the 30+ DPD bucket, Q3 is expected to stabilise.
Healthcare	Hospitals	Positive	Indian Hospital Industry enters Accelerated Growth and Return Phase The Indian hospital industry has entered a high-growth, high-return phase. Once under-penetrated and low-margin, the sector now benefits from strong structural tailwinds, rising life expectancy, higher insurance coverage and booming medical tourism, which drives steady cash-flow compounding, margin expansion and sustained capacity growth. With healthcare delivery forming ~71% of the total healthcare market and projected to exceed INR 7.7 Tn by FY27E, hospitals remain one of the most attractive long-term opportunities in Indian equities. The recent CGHS tariff revision is set to boost profitability meaningfully from FY27, with other schemes likely to follow. The sector is now in an accelerated expansion cycle, enabling operators to scale up while maintaining strong performance and stable mature-unit margin.
	Pharmaceuticals	Positive	Pharma Sector Poised for Sustained, Innovation-led Growth The sector outlook for the pharmaceutical industry remains positive, supported by a strategic shift towards high-value, complex launches, such as peptides and biosimilars, which should help offset pricing pressure in the US and UK markets. Growth will continue to be led by the domestic India market and strong momentum across non-US international geographies. Additionally, sustained traction in CDMO is expected to reinforce structural expansion. With innovation pipelines intact and external risks relatively contained, the industry is poised to expand at an estimated 8–9% CAGR, strengthening the positive outlook.

Defence and Capital Goods Demand Cycle Turns Optimistic

Industry	Sector	Outlook	Choice Sector View
Industrials	Aerospace & Defence	Positive	India's Defence Boom: High-tech, High-growth, High-conviction India's defence manufacturing sector is entering a powerful multi-year expansion cycle, supported by strong government tailwinds and an aggressive push towards indigenisation. Total defence production is projected to nearly triple to INR 3 Tn by FY29, implying an ~18% CAGR, driven by higher domestic procurement, deeper localisation and increasing private-sector participation. The government's roadmap emphasises scaling up complex systems – missiles, avionics, radars, UAVs and space-based assets – with multiple "Make" and iDEX programmes aimed at accelerating technology adoption. With India targeting defence exports of INR 500 Bn by FY29, the manufacturing ecosystem is being positioned not just as import-replacement but as a competitive global supplier. These structural shifts create one of the strongest long-term outlooks in India's manufacturing landscape. The combination of expanding domestic demand, rising platform-level integration by Indian companies and sustained government policy support will drive scale, capex visibility and supply-chain deepening across DPSUs and private players. With large upcoming opportunities in aircraft, missile systems, sensors and electronics, the sector is poised for high-visibility growth over the next 3–5 years.
	Capital Goods	Positive	Green Shoots in Private Capex, Multi-year Growth Intact H1FY26 saw a clear upturn in investment intent: New project announcements totalled ~INR 34 Tn (+22% YoY), with private promoters accounting for well over 70%, led by manufacturing and electricity projects. Government capex reached ~INR 4.3 Tn. in Apr–Aug (+43% YoY), with front loaded execution supporting transport and defence outlays. Companies in the sector reported mid teens revenue growth in Q2 FY26, with margin support from operating efficiencies. Risks centre on spending cadence and timing rather than direction: A slower pace or mix shift in public infrastructure outlays could soften near-term execution, while deferrals in private capex conversion may elongate timelines from intent to orders and revenues. However, a policy thrust in renewables, power, transmission and core transport infrastructure continues to anchor medium-term demand.

Constructive on Developers and Flexible Workspace

Industry	Sector	Outlook	Choice Sector View
Realty	Developers	Positive	Launch-led Acceleration amid Improving Affordability We remain positive on the residential market, supported by improving affordability from the rate-cut cycle and GST reform. While momentum remains particularly strong in the mid-income and premium categories, with luxury housing witnessing outsized growth in major cities owing to wealth creation, favourable taxation on capital gains' reinvestment and increasing NRI demand. However, the cycle now in its fifth year, we expect pre-sales and pricing growth to moderate for the remaining year.
	Flexible Workspace	Positive	Supported by Strong Industry Momentum; Progressing towards Guidance India's office and flex workspace market should continue to outpace traditional office absorption, to grow 2× faster than traditional leasing, driven by heightened corporate emphasis on agility, distributed workforces and cost-optimisation. Domestic enterprises and global capability centers (GCCs) are adopting managed office solutions to reduce capex and maintain scalability.
Technology	IT Services	Neutral	AI-led Acceleration Putting Growth Back on Track US-led macroeconomic uncertainty has continued to delay client decision-making, with large discretionary spending still not materialising. This has dampened the Indian IT sector's growth over the past few years. However, in Q2FY26, most Indian IT services companies delivered resilient financial performance. This was supported by accelerated AI adoption, which positively impacted both, revenue growth and margin resilience, in Q2FY26. Thus, despite persistent macroeconomic headwinds and cautious client spending, we expect Indian IT services companies to post decent growth in FY26E, driven by steady conversion of large deals and an expanding deal pipeline supported by AI opportunities. Tier-I players are expected to grow between 0.1% and 6.6%, while Tier-II players are likely to outperform with growth in the range of 5.0%–28.7% in FY26E. EBIT margin is also expected to remain broadly stable supported by selective AI-led pricing premiums and improved utilisation stemming from lower headcount additions. While our view remains 'Neutral,' we believe there is valuation comfort across our coverage where most of the IT companies are trading below their 5-year mean.
	ER&D	Neutral	Speedbumps; But No Red Flags Near-term demand remains soft across Auto and Hi-tech, but deal momentum, SDV programs and industrial digitisation continue to hold medium-term fundamentals intact. We expect H2 improvement to be driven by deal conversions rather than a broad-based demand uptick. With valuations having reset meaningfully, the risk–reward turns more balanced to selectively constructive.

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BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months
Mid & Small Cap*	
BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months
Other Ratings	
NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change
Sector View	
POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be in statis over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

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