India Strategy

Q1FY27E – Energy shock hit, but strong underlying trends

Emkay Strategy ▸ Result Preview ▸ July 09, 2026

NIFTY 50: 23,882

Q1FY27E should be understandably soft, with average Brent at $97/bbl and supply tightness across multiple sectors. The good news is that demand remained strong, with revenue growth across staples/discretionary at 10%/51% yoy, showing little signs of fatigue. We see little risk to the FY27E Nifty EPSg forecast of 15%, with demand remaining strong and some margin tailwinds kicking in from 2QFY27E onwards. The two-year time correction has taken Nifty PE to 18.9x, 3.5% below 5Y LTA, and we remain constructive on Indian equities. We maintain our Mar-27 Nifty forecast at 29,000, implying a 1YF PE at 20.9x, close to LTA. We prefer discretionary (including autos), industrials, and are UW on BFSI.

Q1FY27 results summary

We expect weak Nifty PATg at 8.6% yoy, vs 5.2% in 4QFY25. Topline growth (excluding BFSI) decelerates to 9.5% from 13.6%, despite the pickup in inflation, but EBITDA margins improve by 230bp qoq to 20.3%. PATg for Emkay coverage (excluding OMCs) is stronger at 16.2%. Excluding OMC/BFSI, topline growth is expected at 22.9% yoy, while EBITDA margin at 17.4%. The headline PATg (Emkay universe) for FY27E is at (-12.7%), as OMC under-recoveries should drive a collective loss of Rs686bn. The 10% weighted Nifty EPSg for 1QFY27E is slightly behind the annual forecast of 15%, but we recognize that there was some pressure from the energy shock, which should recede in the latter part of FY27. We do not see this as a cause for worry.

Earnings recovery on track

We see little risk to the FY27E Nifty EPSg forecast of 15%, with demand remaining strong and some margin tailwinds kicking in from 2QFY27E onwards. The earnings recovery (FY24-FY26 CAGR: 6%) is aided by a broad macro revival. We expect consumption demand to remain strong on the back of multiple stimuli through CY25—GST cuts, 125bp of rate cuts by the RBI, and income tax cuts in Feb-25 and GOI capex/GDP remains resilient, though state and corporate capex is sluggish. Broader earnings forecasts also indicate a revival—the share of companies with +25% EPSg is expected to rise from 31% in FY26 to 43% in FY27 (based on the consensus universe of 500+ companies with 5+ analyst coverage). Discretionary, industrials, and materials are leading the earnings recovery. Energy is expected to report poor headline numbers because of the OMC losses.

Discretionary and metals lead the pack

Telecom, discretionary (excluding auto), and metals are the leading sectors in the Emkay coverage universe, with +35% PATg forecasts. Materials (excluding metals), pharma, and industrials are the laggards, with negative growth. Financials are set to post another strong quarter, with expected PATg at 18% (banks 19% and NBFCs 17%). Technology is also expected to post 12%, with currency-assisted margin tailwinds. Staples PATg is expected to be weak at 1.6% despite strong volume growth, with margin declines for ITC, Emami, and Colgate being the key drag. Excluding OMCs, mid-caps led the pack, posting a robust 33% PAT growth alongside 17.2% EBITDA growth, reflecting strong operating leverage. Small caps lagged materially, with adjusted PAT growth stuck in single digits.

Seshadri Sen
seshadri.sen@emkayglobal.com
+91-22-66121226

Mayank Sahu
mayank.sahu@emkayglobal.com
+91-22-66242410

Harsh Saxena
harsh.saxena@emkayglobal.com
+91-22-66121284

Anannya Morey
anannya.morey@emkayglobal.com

1QFY27 results summary

Exhibit 1: Adjusted PAT growth across broader indices and the Emkay universe

Adj PAT growth	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26	Q1FY27E
BSE 500	-5.2%	-4.7%	9.5%	16.1%	13.3%	20.3%	16.8%	14.0%	-11.8%
BSE 200	-7.2%	-6.1%	8.7%	14.8%	13.4%	20.2%	17.7%	14.7%	-14.4%
Nifty 50	4.9%	5.8%	6.2%	8.1%	10.6%	5.9%	9.9%	5.2%	8.6%
Emkay coverage Cos	-8.6%	-6.5%	5.6%	12.2%	15.1%	18.9%	16.6%	11.2%	-12.7%

Source: Company, Capitaline, Bloomberg, Emkay Research

Exhibit 2: Adjusted PAT growth across broader indices and the Emkay universe, excluding OMCs

Adj PAT growth (excl OMCs)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26	Q1FY27E
BSE 500	4.5%	3.3%	10.3%	15.1%	8.8%	15.2%	9.8%	10.9%	11.2%
BSE 200	5.2%	7.3%	11.7%	14.1%	8.0%	11.7%	10.5%	11.7%	13.4%
Nifty 50	4.9%	5.8%	6.2%	8.1%	10.6%	5.9%	9.9%	5.2%	8.6%
Emkay coverage Cos	3.6%	5.2%	6.2%	10.5%	10.2%	11.7%	7.5%	6.9%	14.1%

Source: Company, Capitaline, Bloomberg, Emkay Research

Exhibit 3: Nifty earnings, excluding financials

NIFTY 50 (Excl BFSI)	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27
Net sales growth	6.8%	5.0%	6.6%	7.3%	5.7%	9.2%	11.0%	13.6%	9.5%
EBITDA growth	3.7%	2.4%	9.2%	11.7%	9.8%	14.7%	3.6%	1.7%	6.3%
EBITDA margin	20.2%	19.5%	20.7%	20.1%	21.0%	20.5%	19.4%	18.0%	20.3%
Adj PAT growth	1.1%	1.1%	3.7%	11.2%	10.3%	9.4%	10.1%	3.5%	8.4%

Source: Company, Capitaline, Bloomberg, Emkay Research

Exhibit 4: 1QFY27 preview – Emkay coverage

Sectors	Net sales growth/net revenue	EBITDA growth/PPOP growth	EBITDA margin	Adjusted PAT growth	Q4FY26 adjusted PAT growth
Autos (23)	16.9%	9.8%	11.5%	5.6%	12.1%
Capital Goods (20)	12.5%	12.0%	10.2%	11.3%	3.9%
Telecom (3)	13.8%	15.7%	56.7%	35.8%	-4.0%
Discretionary (23)	51.0%	31.9%	7.8%	32.3%	76.9%
Staples (14)	10.5%	3.2%	20.3%	1.6%	9.1%
Energy (8)	37.9%	-68.5%	3.3%		4.5%
Financials (52)				17.8%	35.9%
Healthcare (8)	17.0%	20.6%	25.4%	14.3%	2.9%
Industrials (excl Cap Goods) (13)	19.0%	1.5%	20.7%	-5.9%	-48.2%
Technology (15)	15.3%	18.6%	22.2%	12.1%	13.4%
Materials (excl Metals) (10)	7.3%	-5.7%	17.1%	-13.1%	0.6%
Metals (9)	26.7%	49.4%	20.0%	66.6%	26.4%
Pharma (7)	11.8%	-3.6%	23.5%	-8.7%	-1.5%
Real Estate (5)	33.0%	65.9%	25.9%	61.3%	
Utilities (3)	23.4%	-14.8%	7.0%	-24.5%	-33.8%
Emkay Coverage Cos	**23.1%**	**-4.4%**	**17.4%**	**-12.7%**	**17.4%**
Excl BFSI and EX OMC	**22.9%**	**17.6%**	**18.6%**	**16.2%**	**4.9%**

Source: Company, Capitaline, Bloomberg, Emkay Research, Note: Figures in parentheses ( ) indicate the number of companies under coverage in each sector.

Exhibit 5: Q1FY27E results preview of Emkay's coverage universe by market cap, excl OMCs

Excluding OMCx	Net sales growth/net revenue	EBITDA growth/PPOP Growth	EBITDA margin	Adjusted PAT growth	Q4FY26 adjusted PAT growth
Large cap	13.8%	6.8%	21.4%	13.9%	-3.3%
Mid cap	14.8%	17.2%	20.0%	33.3%	7.0%
Small cap	15.2%	17.1%	11.7%	7.6%	26.8%

Source: Bloomberg, Emkay Research

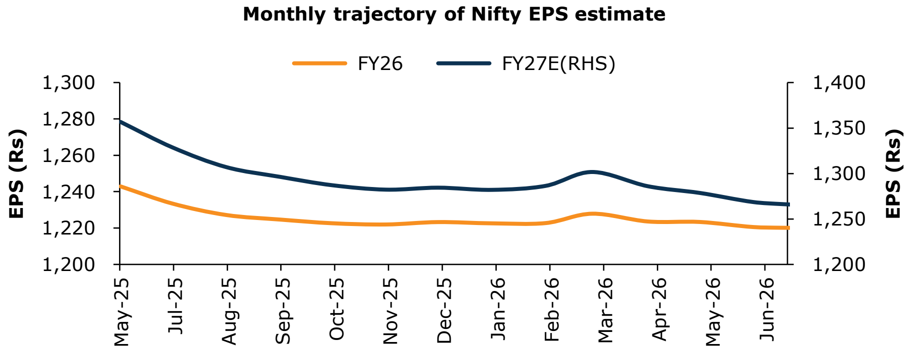
Exhibit 6: Exhibit 7: Companies under Emkay's coverage universe – Q1FY27E margin trajectory

Sectors	Sales growth (yoy)	EBITDA margin	Change in EBITDA margins qoq (bps)	Change in EBITDA margins yoy (bps)
Autos	16.9%	11.5%	-145	-74
Capital Goods	12.5%	10.2%	-54	-5
Telecom	13.8%	56.7%	26	90
Discretionary	51.0%	7.8%	5	-113
Staples	10.5%	20.3%	-200	-144
Energy	37.9%	3.3%	-1,102	-1,105
Healthcare	17.0%	25.4%	-23	76
Industrials (Ex-Cap goods)	19.0%	20.7%	-192	-356
Technology	15.3%	22.2%	-26	60
Materials (Ex-Metals)	7.3%	17.1%	-5	-236
Metals	26.7%	20.0%	121	304
Pharma	11.8%	23.5%	12	-374
Real Estate	33.0%	25.9%	727	514
Utilities	23.4%	7.0%	45	-314

Source: Company, Capitaline, Bloomberg, Emkay Research

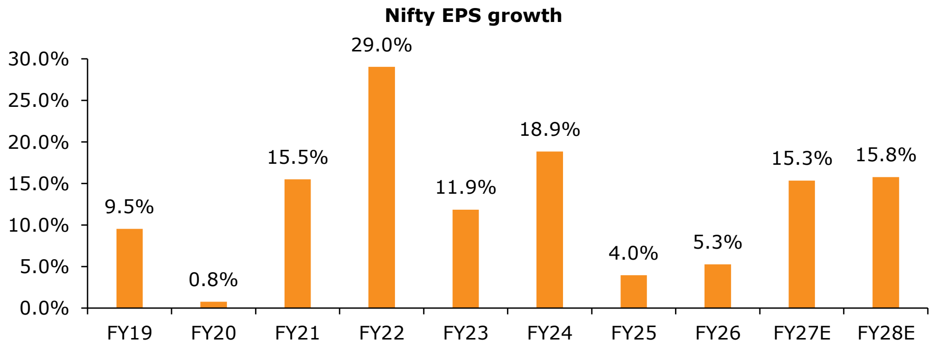
Earnings recovery on track

Exhibit 7: Nifty EPS on a stable trajectory



Source: Bloomberg, Emkay Research

Exhibit 8: Strong EPS growth bounce-back expected in FY27E and FY28E



Source: Company, Capitaline, Bloomberg, Emkay Research

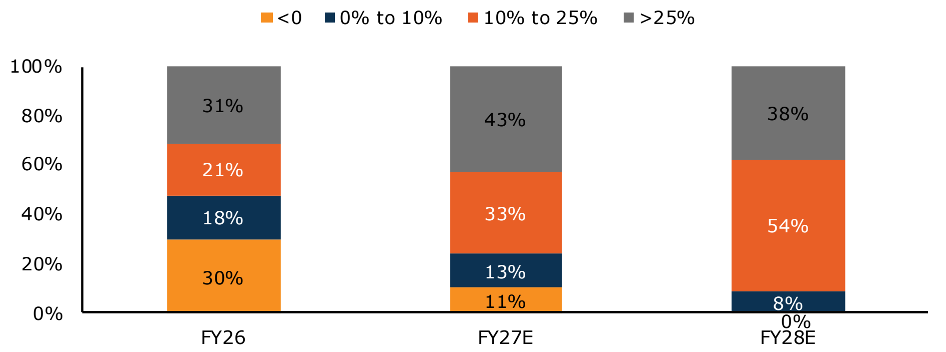
Exhibit 9: Nifty GICS sector-wise EPS growth in FY27E and FY28E

GICS sector	FY26	FY27E	FY28E
Telecom	51.9%	14.2%	21.3%
Discretionary	-30.1%	36.6%	23.2%
Staples	4.0%	-0.6%	12.4%
Energy	0.7%	13.5%	7.7%
Financials	2.4%	15.4%	18.0%
Healthcare	8.7%	5.4%	18.0%
Industrials	20.0%	28.6%	28.2%
Technology	11.8%	7.8%	6.5%
Materials	53.2%	28.0%	14.5%
Utilities	20.1%	-1.0%	8.3%
Nifty Index	**5.3%**	**15.3%**	**15.8%**

Source: Company, Capitaline, Bloomberg, Emkay Research

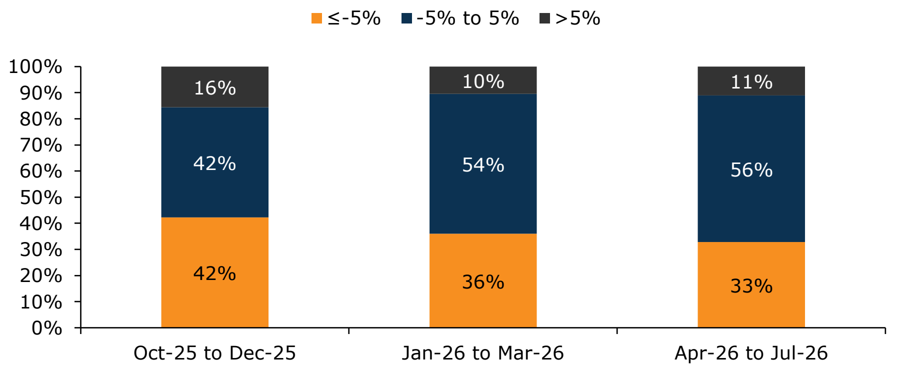
43% of consensus expects >25% EPS growth in FY27E, up from 31% in FY26.

Exhibit 10: Consensus universe* – EPS growth



*Source: Bloomberg, Emkay Research; Note: * Our consensus universe consists of 504 companies covered by 5+ analysts*

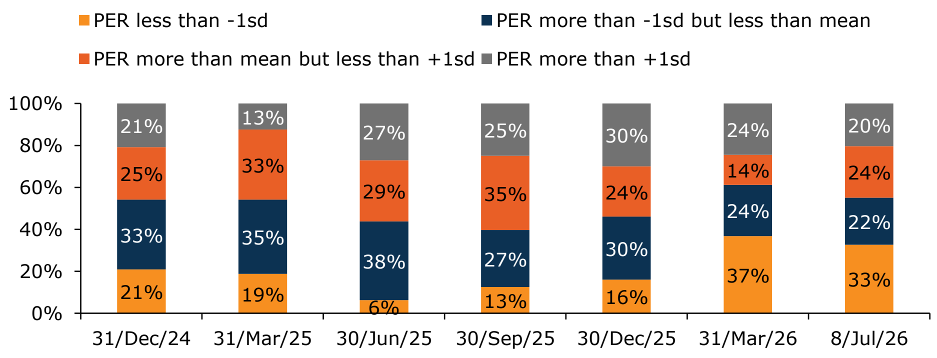
Exhibit 11: Consensus universe* earnings – Upgrades/downgrades



*Source: Bloomberg, Emkay Research; *Note: The consensus universe consists of 504 companies covered by 5+ analysts; Data as of 08-Jul-26*

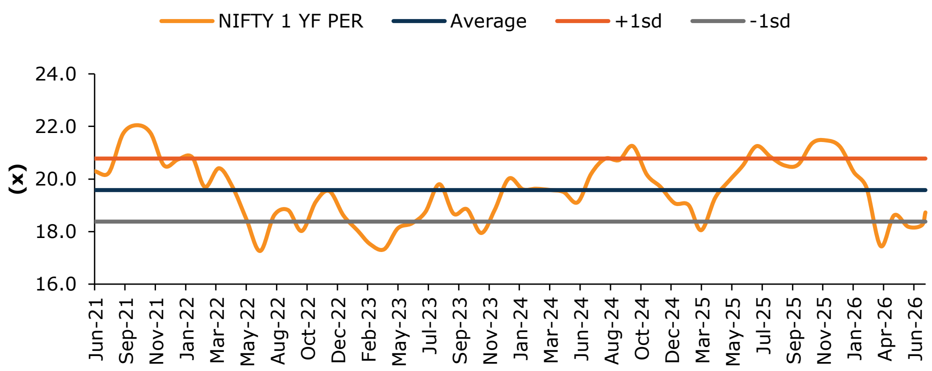
One-third of the market is trading below – 1SD on PER

Exhibit 12: Nifty valuations moderated on market correction



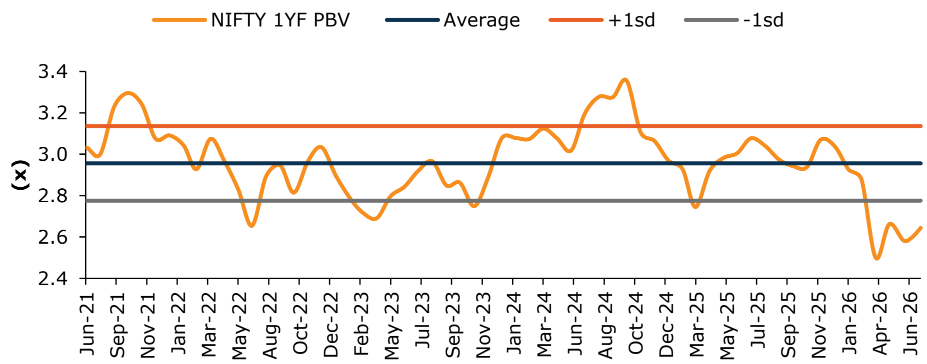
Source: Company, Bloomberg, Emkay Research

Exhibit 13: Nifty 1YF PER below the lower end (-1SD)



Source: Bloomberg, Emkay Research

Exhibit 14: Nifty 1YF PB below the lower end (-1SD)



Source: Bloomberg, Emkay Research

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REDUCE	5% upside to 15% downside
SELL	>15% downside

Emkay Global Financial Services Ltd.
CIN - L67120MH1995PLC084899
7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India
Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com

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