

Strategy

2QFY26 Nifty50 EPS growth at 8.4% YoY

In 2QFY26, Nifty50 EPS grew 8.4% YoY (vs. expectation of +4.4% YoY). Ex-financials, EPS grew 12.4% YoY (vs. expectation of +10.8% YoY). Following the 2QFY26 results, our Nifty50 EPS has been increased for FY26E and FY27E by 0.2% and 0.5% respectively. Consequently, our Nifty50 EPS growth for FY26E now stands at 7.9% (vs. 7.7% earlier), and for FY27E it stands at 15.9% (15.5% earlier); hence, the ask rate for the balance 6 months of FY26 stands at 7%. In FY26, sectors that are expected to do the heavy lifting are: Oil & Gas, Metals and Mining, IT Services, Telecom, Infrastructure and NBFC. Further, if we split 2QFY26 performance in terms of market capitalisation, we see that the proportion of misses was the largest in smallcaps, followed by mid-caps and then large caps; 32% of small-cap companies missed expectations, while the misses were lower in mid-caps and large caps at 27% and 26% respectively.

- **2QFY26 Nifty50 EPS growth at 8.4% YoY:** After growing 9.5% YoY in 1QFY26, Nifty50 EPS grew 8.4% YoY in 2QFY26 (vs. expectation of 4.4% YoY). Ex-financials, EPS grew 12.4% YoY (vs. expectation of +10.8% YoY). The worst-performing sector was Internet, which declined 63.1%. Further, on a YoY basis, sectors that saw the highest EPS growth were: (1) Metals & Mining (+132.3%), (2) Telecom (+111.2%), (3) Consumer Retail (+59.1%), (4) Healthcare (+40.4%), (5) Cement (+28.9%) and (6) Ports and Logistics (+24.5%).
- **Sectoral beats and misses amongst the Nifty50:** Industrials, healthcare and metals & mining stood out with a beat of 24.1%, 22.1% and 17.9% respectively, while Consumer Retail at -23.9%, Internet at -15.7%, Utilities at -12.8%, Infrastructure at -9.2% and Ports and Logistics at -8.3% were key misses.
- **EPS estimates increased for FY26E and FY27E:** Following the 2QFY26 results, our Nifty50 EPS has been increased for FY26E and FY27E by 0.2% and 0.5% respectively. Consequently, our Nifty50 EPS growth for FY26E now stands at 7.9% (vs. 7.7% earlier), and for FY27E it stands at 15.9% (15.5% earlier). With this, the ask rate for the balance 6 months of FY26 stands at 7%.
- **Which sectors have to do the heavy lifting in FY26E?** We forecast 7.9% YoY growth in FY26E Nifty50 EPS. Sectors that are expected to do the heavy lifting are: Oil & Gas (+21% YoY growth, and 11.1% weight in Nifty50 PAT); Metals and Mining (+30% YoY growth and 4.9% weight in Nifty50 PAT); IT Services (+9% YoY and 10.2% weight in Nifty50 PAT); Telecom (+86% YoY growth and 3.0% weight in Nifty50 PAT); Infrastructure (+24% YoY growth and 3.2% weight in Nifty50 PAT) and NBFC (+11% YoY and 6.4% weight in Nifty50 PAT)
- **JMFL coverage universe EPS grows 9.9% YoY in 2QFY26:** The JM Financial coverage universe 2QFY26 EPS grew 9.9% YoY. Sectors that saw the highest YoY EPS growth were: (1) Hotels (+803% YoY), (2) Metals and Mining (+84% YoY), (3) Cement (+51% YoY), (4) Oil and Gas (+32% YoY), (5) Healthcare (29%), (6) Industrials (29%) and Life Insurance (27%). Sectors that saw the weakest YoY EPS performance included: (1) Textile (-63% YoY), (2) Automobiles (-27% YoY) and (3) Real Estate (-21% YoY). Compared to estimates, the largest beats were seen in Telecom, followed by Life Insurance, Textiles and Auto Ancillaries. Among the misses, Internet, Consumer Retail and Media led the pack.
- **Small caps had higher share of misses:** Out of the 50 companies in the Nifty50, 28% missed estimates in 2Q while 40% beat estimates and the rest reported an in-line quarter. Further, if we split 2QFY26 performance in terms of market capitalisation, we see that the proportion of misses was the largest in small caps, followed by mid-caps and then large caps; 32% of small-cap companies missed expectations, while the misses were lower in mid-caps and large caps at 27% and 26% respectively.



Venkatesh Balasubramaniam

venkatesh.balasubramaniam@jmfl.com | Tel: (91 22) 66303081

Shanay Mehta

shanay.mehta@jmfl.com | Tel.: (91 22) 69703680

Shalin Choksy

shalin.choksy@jmfl.com | Tel: (91 22) 66303380

We acknowledge the contribution of **Dharmendra Sahu** in preparation of this report.

Nifty Valuation table (JMFL Estimates)

Particulars	FY25A	FY26E	FY27E
Nifty Index	25,910	25,910	25,910
EPS (INR)	1,019	1,100	1,274
YoY (%)	3.4	7.9	15.9
BPS (INR)	6,904	7,409	8,149
YoY (%)	6.1	7.3	10.0
PE (x)	25.4	23.6	20.3
PB (x)	3.8	3.5	3.2
ROE (%)	15.2	15.4	16.4

Source: Bloomberg, JM Financial

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

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2QFY26 Nifty50 EPS growth at 8.4% YoY

- In 2QFY26, Nifty50 EPS grew 8.4% YoY (vs. expectation of +4.4% YoY). Ex-financials, EPS grew 12.4% YoY (vs. expectation of +10.8% YoY). Ex Financials and Oil & Gas, EPS grew 15.6% YoY (expectation of +14% YoY).
- The worst performing sector was Internet, down 63% YoY.
- The sectors that saw the highest YoY EPS growth were: (1) Metals & Mining (+132%), (2) Telecom (+111%), (3) Consumer Retail (+59%), (4) Healthcare (+40%), (5) Cement (+29%) and (6) Ports and Logistics (+25%).
- Industrials, healthcare and metals & mining stood out with a beat of 24.1%, 22.1% and 17.9% respectively, while Consumer Retail at -23.9%, Internet at -15.7%, Utilities at -12.8%, Infrastructure at -9.2% and Ports and Logistics at -8.3% were key misses.

After growing 9.5% YoY in 1QFY26, Nifty50 EPS grew 8.4% YoY in 2QFY26 (vs. expectation of 4.4% YoY).

Exhibit 1. Nifty50 – 2QFY26 PAT performance

Sector	Vs. estimate	YoY	QoQ
Automobiles	7.7%	0.1%	-4.5%
Aviation	NM	NM	-218.6%
Cement	0.4%	28.9%	12.1%
Consumer	1.2%	1.6%	0.2%
Consumer Retail	-23.9%	59.1%	2.7%
Healthcare	22.1%	40.4%	28.6%
Industrials	24.1%	17.9%	32.7%
Infrastructure	-9.2%	15.6%	8.5%
Internet	-15.7%	-63.1%	160.0%
IT Services	0.2%	8.8%	5.3%
Metals and Mining	17.9%	132.3%	29.9%
Oil and Gas	1.7%	1.2%	-24.1%
Pharmaceuticals	6.6%	6.5%	13.9%
Ports and Logistics	-8.3%	24.5%	-6.2%
Telecom	4.2%	111.2%	23.8%
Utilities	-12.8%	6.0%	-28.1%
Financials	6.9%	4.0%	-0.4%
NBFC	0.6%	11.8%	0.5%
Private Sector Banks	6.2%	1.8%	-1.6%
SOE Banks	13.9%	10.0%	5.2%
Insurance	4.8%	-2.3%	-17.7%
Nifty Index	3.8%	8.4%	-4.7%
Nifty excl. Financials & Oil & Gas	1.4%	15.6%	-3.0%
Nifty excl. Financials	1.4%	12.4%	-8.0%

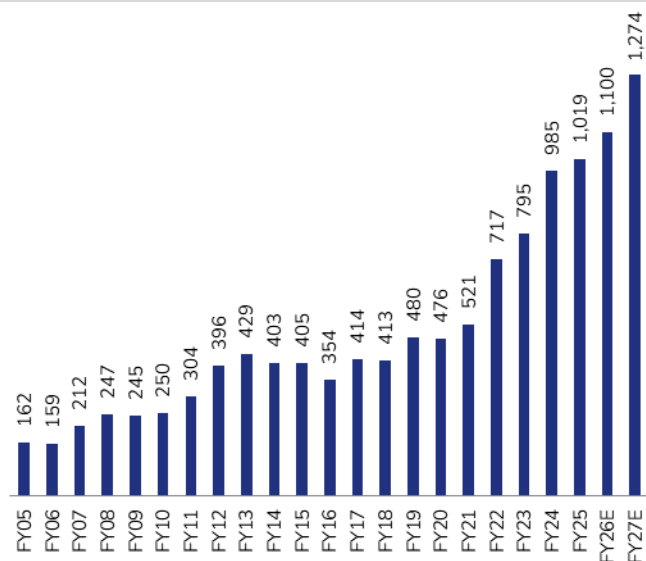
Source: Company, JM Financial

Change in Nifty50 FY26E and FY27E EPS post 2Q results

Following the 2QFY26 results, our Nifty50 EPS has been increased for FY26E and FY27E by 0.2% and 0.5% respectively. Consequently, our Nifty50 EPS growth for FY26E now stands at 7.9% (vs. 7.7% earlier), and for FY27E it stands at 15.9% (15.5% earlier).

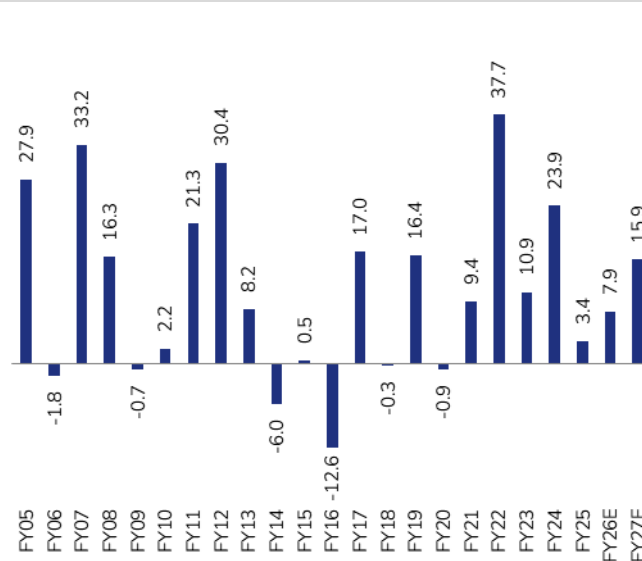
We now expect Nifty50 EPS growth of 7.9% and 15.9% for FY26E and FY27E respectively.

Exhibit 2. Nifty EPS trend (INR)



Source: Company, JM Financial

Exhibit 3. Nifty EPS growth (%)



Source: Company, JM Financial

Exhibit 4. Drivers of Nifty50 FY26 EPS growth (highest contributors highlighted)

Name	FY25 PAT	FY26E PAT	FY27E PAT	FY26 yoy growth	FY27 yoy growth	PAT weight
Automobiles	331	315	362	-5.0%	14.9%	6.2%
Aviation	41	43	54	4.7%	25.4%	0.9%
Cement	31	33	47	8.3%	42.8%	0.8%
Consumer	239	255	286	6.7%	11.8%	4.9%
Consumer Retail	15	22	27	44.3%	20.3%	0.5%
Healthcare	21	27	36	29.4%	30.3%	0.6%
Industrials	26	28	33	9.1%	16.4%	0.6%
Infrastructure	124	154	184	24.0%	19.7%	3.2%
Internet	4	3	29	-21.4%	858.8%	0.5%
IT Services	499	543	590	8.9%	8.6%	10.2%
Metals and Mining	171	221	285	29.5%	28.9%	4.9%
Oil and Gas	459	554	646	20.7%	16.5%	11.1%
Pharmaceuticals	96	104	122	8.9%	17.3%	2.1%
Ports and Logistics	38	46	57	22.5%	23.1%	1.0%
Telecom	69	129	177	85.5%	37.3%	3.0%
Utilities	321	338	348	5.4%	3.1%	6.0%
Financials	2,138	2,197	2,528	2.8%	15.1%	43.5%
-Private Sector Banks	1,508	1,545	1,788	2.5%	15.7%	30.8%
-SOE Banks	318	306	342	-3.8%	11.9%	5.9%
-NBFC	292	324	372	10.7%	14.8%	6.4%
-Insurance	20	22	26	13.2%	16.1%	0.4%
Nifty Index	4,622	5,013	5,808	8.5%	15.9%	
Nifty (ex-Financials)	2,484	2,816	3,281	13.4%	16.5%	56.5%
Nifty (ex Oil & Gas)	4,162	4,459	5,163	7.1%	15.8%	88.9%

Source: Company, JM Financial

We forecast 7.9% YoY growth in FY26E Nifty50 EPS.

Sectors that are expected to do the heavy lifting are:

Oil & Gas (+21% YoY growth, and 11.1% weight in Nifty50 PAT)

Metals and Mining (+30% YoY growth and 4.9% weight in Nifty50 PAT)

IT Services (+9% YoY and 10.2% weight in Nifty50 PAT)

Telecom (+86% YoY growth and 3.0% weight in Nifty50 PAT)

Infrastructure (+24% YoY growth and 3.2% weight in Nifty50 PAT)

NBFC (+11% YoY and 6.4% weight in Nifty50 PAT)

2QFY26 review: What happened with the JMFL universe?

Sectoral beats and misses

- Out of 337 companies covered by the JM Financial research team, 29% missed estimates while 40% beat expectations. The balance 31% reported an in-line quarter. It is pertinent to note that, here, our criterion of a beat or a miss is a variance of 5% vs. the estimated number.
- Key sectors that saw the highest proportion of misses included – Media (80%), Infra (62%), Cement (50%), Hotels (50%), Utilities (46%), Chemicals (44%), Internet (42%), Telecom (40%) and Consumer Retail (38%).
- Key sectors that saw the highest proportion of beats included – Small Finance Banks (100%), Auto Ancillaries (82%), Alcoholic Beverages (67%), Industrials (67%), Pipes (67%), SOE Banks (67%), Life Insurance (60%), Metals and Mining (58%) and Consumer Durables (55%).

Exhibit 5. Sectors with the highest proportion of beats and misses

Sector	% of beats	Sector	% of misses
Small Finance Banks	100%	Media	80%
Auto Ancillaries	82%	Infrastructure	62%
Alcoholic Beverages	67%	Cement	50%
Industrials	67%	Hotels	50%
Pipes	67%	Utilities	46%
SOE Banks	67%	Chemicals	44%
Life Insurance	60%	Internet	42%
Metals and Mining	58%	Telecom	40%
Consumer Durables	55%	Consumer Retail	38%

Source: Company, JM Financial

After growing 11.2% YoY in 1QFY26, JM Financial coverage universe EPS grew 9.9% YoY in 2QFY26.

29% of companies missed our expectations while 40% beat expectations.

If we split 2QFY26 performance in terms of market capitalisation, 32% of small-cap companies missed expectations. The misses were lower in mid-caps and large caps at 27% and 26% respectively.

Proportion of misses larger in small caps

- Out of the 50 companies in the Nifty50, 28% missed estimates in 2Q while 40% beat estimates and the rest reported an in-line quarter.
- Further, if we split 2QFY26 performance in terms of market capitalisation, we see that the proportion of misses was the largest in small caps, followed by mid-caps and then large caps; 32% of small-cap companies missed expectations, while the misses were lower in mid-caps and large caps at 27% and 26% respectively.

Exhibit 6. Beats and misses across market capitalisation

Market Capitalisation	Beats	In-line	Miss	Total Companies	% of misses
Nifty50	20	16	14	50	28.0%
Large Caps	32	25	20	77	26.0%
Mid-caps	36	24	22	82	26.8%
Small-caps	67	52	55	174	31.6%

Source: Company, JM Financial. Note – 4 REITs excluded as per AMFI classification

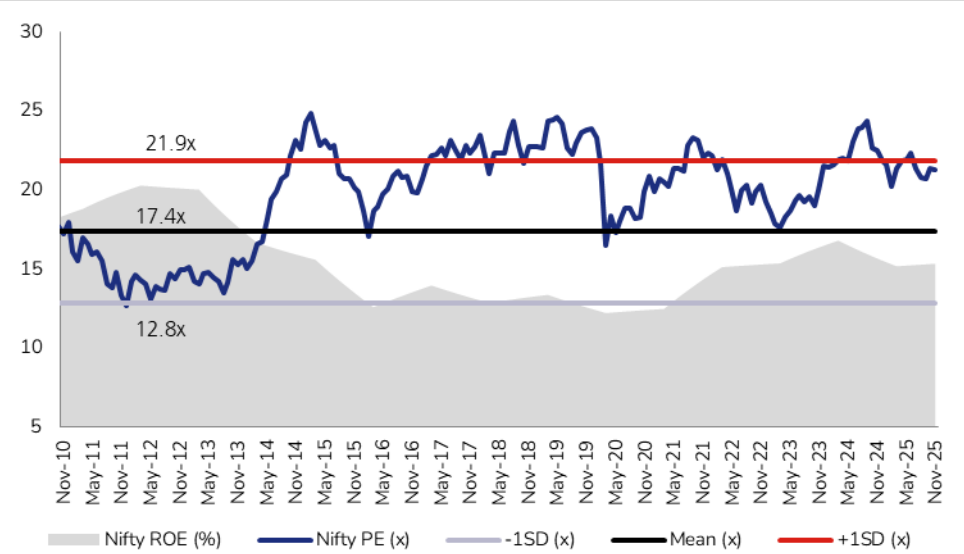
The JM Financial coverage universe 2QFY26 EPS grew 9.9% YoY. Sectors that saw the highest YoY EPS growth were: (1) Hotels (+803% YoY), (2) Metals and Mining (+84% YoY), (3) Cement (+51% YoY), (4) Oil and Gas (+32% YoY), (5) Healthcare (29%), (6) Industrials (29%) and Life Insurance (27%). Sectors that saw the weakest YoY EPS performance included: (1) Textile (-63% YoY), (2) Automobiles (-27% YoY) and (3) Real Estate (-21% YoY). Compared to estimates, the largest beats were seen in Telecom, followed by Life Insurance, Textiles and Auto Ancillaries. Among the misses, Internet, Consumer Retail and Media led the pack.

Exhibit 7. JMFL coverage universe – 2QFY26 PAT performance

Sector	Vs. estimate	YoY	QoQ
Alcoholic Beverages	16.3%	23.8%	15.6%
Auto Ancillaries	20.4%	16.9%	21.2%
Automobiles	5.7%	-26.6%	-25.9%
Aviation	NM	NM	-218.6%
Building Materials	4.1%	13.4%	64.1%
Cement	-18.7%	50.5%	-46.3%
Chemicals	4.4%	8.6%	-5.4%
Consumer	2.5%	2.7%	-4.8%
Consumer Durables	0.4%	17.9%	-3.8%
Consumer Retail	-27.9%	0.7%	-23.8%
Exchanges	6.4%	-3.0%	30.5%
Diversified Services	-25.0%	-19.3%	-21.6%
Electronic Manufacturing Services	-5.3%	17.1%	-25.8%
Healthcare	6.3%	29.3%	27.9%
Hotels	-5.8%	803.0%	3.4%
Industrial Gases	-1.2%	20.6%	19.6%
Industrials	18.0%	28.8%	69.1%
Infrastructure	-9.7%	7.0%	2.5%
Internet	-976.6%	NM	-3390.0%
IT Services	1.0%	9.7%	5.6%
Media	-23.3%	-11.7%	-13.1%
Metals and Mining	18.7%	83.8%	1.2%
Oil and Gas	20.0%	32.3%	-8.8%
Pharmaceuticals	9.8%	16.9%	11.8%
Pipes	7.9%	-5.2%	9.0%
Ports and Logistics	-4.5%	21.1%	-0.6%
Real Estate	12.4%	-20.5%	18.8%
Sugar	37.4%	NM	6.7%
Telecom	41.8%	NM	209.9%
Textile	39.6%	-63.3%	-50.0%
Utilities	-9.0%	5.0%	-23.2%
Financials	0.1%	1.3%	-1.5%
NBFC	1.5%	24.5%	7.4%
NBFC - MFI	NM	NM	NM
Private Sector Banks	2.2%	-4.7%	-4.6%
Small Finance Banks	22.7%	-13.5%	53.5%
SOE Banks	-13.2%	-6.4%	0.6%
Asset Management	0.0%	-7.1%	-4.2%
General Insurance Cos	15.8%	5.3%	-6.1%
Life Insurance	40.2%	26.8%	-8.7%
JM Financial	2.9%	9.9%	-6.4%
JM Financial excl. Financials	4.6%	15.3%	-8.8%

Source: Company, JM Financial

Exhibit 8. Nifty50 – 1-year forward P/E band chart



Source: Bloomberg, JM Financial

APPENDIX I

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Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

Registered Office: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.

Board: +91 22 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfincial.research@jmfll.com| www.jmfll.com

Compliance Officer: Ms. Ashley Johnson | Tel: +91 22 6224 1862 | | Email: ashley.johnson@jmfll.com

Grievance Officer: Ms. Ashley Johnson | Tel: +91 22 6224 1862 | Email: instcompliance@jmfll.com

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Rating	Meaning
BUY	Expected return $\geq$ 15% over the next twelve months.
ADD	Expected return $\geq$ 5% and $<$ 15% over the next twelve months.
REDUCE	Expected return $\geq$ -10% and $<$ 5% over the next twelve months.
SELL	Expected return $<$ -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

Previous Rating System: Definition of ratings	
Rating	Meaning
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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