

# Strategy

August 01, 2025

## 1QFY26 results: Okay-ish present, weaker future

1QFY26 earnings season shows (1) continued weakness in consumption, (2) muted IT services demand and (3) weak loan growth for banks. Aggregate earnings were broadly in line with our estimates and consensus estimates. However, a muted outlook across sectors resulted in further cuts in KIE/consensus earnings estimates.

### Disappointments in details in 1QFY26 earnings prints

Aggregate earnings in 1QFY26 for the Nifty-50 stocks were broadly in line with KIE and consensus estimates (see Exhibits 1-2). Companies reported decent revenue growth (see Exhibit 3-4), but the bulk of the beat in revenues came from (1) non-interest income growth of banks (large treasury income), (2) one-time gain from investment income for HDFCB and (3) O2C business of RELIANCE. Furthermore, we expect the final aggregate earnings growth for the Nifty-50 Index to be in mid-single digits, given the likely sharp earnings decline in the case of ONGC and TTMT.

### Downshift in earnings continued, but at a slightly slower pace

The FY2026E/27E EPS of Nifty-50 Index has seen further cuts over the past one month, reflecting the weakening growth outlook (see Exhibit 5), with FY2026E Nifty-50 EPS cut by 2% in the past one month. As such, we currently expect 10%/17% growth in net profits of the Nifty-50 Index in FY2026E/27E (see Exhibits 6-7). We note that quality of earnings of the Nifty-50 Index for FY2026 remains poor, with construction materials and metals & mining companies in aggregate contributing 32% and 25% of the incremental net profits of the Nifty-50 Index and KIE universe in FY2026. We note a similar trend in consensus earnings estimates for the Nifty-50 Index companies (see Exhibits 8-9).

### Consumer companies continue to struggle with weak volumes and profitability

Consumer companies saw weak volume growth in 1QFY26 too (see Exhibit 10). The increase in RM prices has further dented profitability over 1QFY26 (see Exhibits 11-12). Consumer companies have continued to attribute weak urban demand and increasing competitive intensity behind the frail volume prints (see Exhibit 13). Meanwhile, major auto companies witnessed a weak demand environment and a decline in margins (see Exhibits 14-15).

### Banks and IT services reported weak trends in line with expectations

Most major banks have delivered a broadly in-line quarter, with most banks reporting slowing credit growth, weakening NIMs, but broadly stable asset quality (see Exhibits 16-18). We note that most banks were comfortable with their asset quality, with only a select few banks highlighting weak asset quality in the unsecured retail and MSME segments (see Exhibit 19). Meanwhile, IT services companies continue to face challenges around growth and margins, given the persistent weak discretionary spending environment (see Exhibits 20-21). IT services companies cited uncertainties from (1) macro headwinds, (2) delayed decision-making by clients and (3) soft discretionary spending.

### Key estimates summary

	2025	2026E	2027E
<b>Nifty estimates</b>			
Earnings growth (%)	6.5	10.4	17.3
Nifty EPS (Rs)	1,015	1,104	1,306
Nifty P/E (X)	24.2	22.3	18.8
<b>Macro data</b>			
Real GDP (%)	6.5	6.2	6.5
Avg CPI inflation (%)	4.6	2.6	4.5

Source: Company data, Kotak Institutional Equities estimates

### Quick Numbers

Nifty-50 Index net profits increased 8.2% yoy, broadly in line with our expectations (based on 36 companies that have reported so far)

Nifty-50 Index EBITDA increased 4.4% yoy, 3.4% below expectations (based on 25 non-BFSI companies that have reported so far)

We expect net profits of the Nifty-50 Index to grow 10% and 17% in FY2026E and FY2027E, respectively

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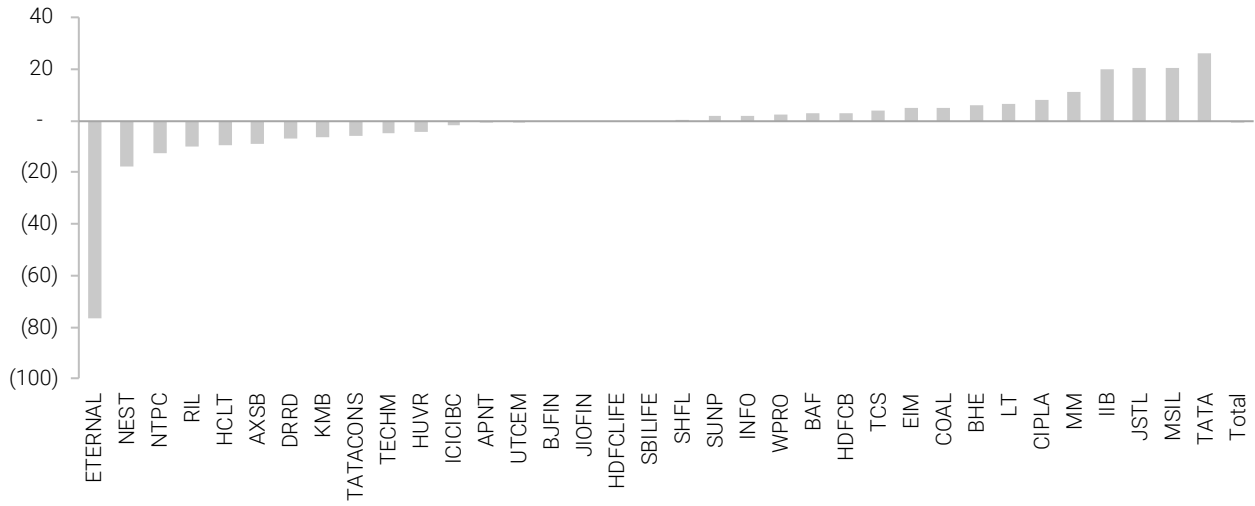
**1QFY26 results of the Nifty-50 Index were broadly in line with our expectations so far**
**Exhibit 1: Comparison of 1QFY26 net income of BSE-30 and Nifty-50 stocks, actual versus expected (Rs bn)**

Company	Sector	Adjusted net income (Rs bn)				Change (%)	Growth (%)	
		Jun-24	Mar-25	Jun-25A	Jun-25E	A versus E	yoy	qoq
Eicher Motors	Automobiles & Components	11.0	13.6	12.1	11.6	4	9	(12)
Mahindra & Mahindra	Automobiles & Components	26.1	24.4	34.5	30.6	13	32	42
Maruti Suzuki	Automobiles & Components	36.5	37.1	37.1	30.9	20	2	—
Axis Bank	Banks	60.3	71.2	58.1	60.4	(4)	(4)	(18)
HDFC Bank	Banks	161.7	176.2	181.6	178.4	2	12	3
ICICI Bank	Banks	110.6	126.3	127.7	123.2	4	15	1
IndusInd Bank	Banks	21.5	(22.4)	6.8	5.3	28	(68)	131
Kotak Mahindra Bank	Banks	44.4	49.3	44.7	44.7	(0)	1	(9)
Bajaj Finance	Diversified Financials	39.1	45.5	47.7	46.8	2	22	5
Bajaj Finserv	Diversified Financials	21.4	24.2	27.9	27.9	(0)	30	15
Jio Financial Services	Diversified Financials	3.1	3.2	3.2	3.2	(0)	4	3
Shriram Finance	Diversified Financials	19.8	21.4	21.6	21.5	—	9	1
HDFC Life Insurance	Insurance	7.2	13.8	8.1	8.2	(1)	13	(41)
SBI Life Insurance	Insurance	9.8	16.6	11.0	10.6	4	13	(34)
Adani Enterprises	Capital Goods	14.6	9.2	7.3	7.3	(0)	(50)	(20)
Bharat Electronics	Capital Goods	7.8	21.2	9.6	9.9	(3)	23	(55)
L&T	Capital Goods	27.9	50.2	36.2	33.7	7	30	(28)
Asian Paints	Commodity Chemicals	11.7	8.8	11.0	11.3	(2)	(6)	26
Ultratech Cement	Construction Materials	15.9	26.8	22.3	23.2	(4)	40	(17)
Hindustan Unilever	Consumer Staples	25.7	25.0	24.9	25.2	(1)	(3)	(0)
Nestle India	Consumer Staples	7.3	8.9	6.6	7.4	(11)	(10)	(26)
Tata Consumer Products	Consumer Staples	3.1	3.0	3.3	3.4	(2)	9	12
NTPC	Electric Utilities	45.1	57.8	47.7	44.4	8	6	(17)
Eternal	Internet Software & Services	2.5	0.4	0.3	0.3	(19)	(90)	(36)
HCL Technologies	IT Services	41.4	42.8	38.5	42.1	(9)	(7)	(10)
Infosys	IT Services	63.7	66.0	69.2	68.6	1	9	5
TCS	IT Services	120.4	122.2	127.6	123.5	3	6	4
Tech Mahindra	IT Services	8.5	11.9	11.4	11.9	(4)	34	(4)
Wipro	IT Services	30.0	35.7	33.3	33.1	1	11	(7)
JSW Steel	Metals & Mining	8.5	15.5	25.3	16.5	53	199	63
Tata Steel	Metals & Mining	13.2	16.9	22.1	17.7	25	68	31
Coal India	Oil, Gas & Consumable Fuels	109.4	95.9	87.3	103.0	(15)	(20)	(9)
Reliance Industries	Oil, Gas & Consumable Fuels	151.4	194.1	180.7	195.2	(7)	19	(7)
Cipla	Pharmaceuticals	11.8	12.2	13.0	12.0	9	10	6
Dr Reddy's Laboratories	Pharmaceuticals	13.9	16.7	14.1	14.8	(5)	1	(16)
Sun Pharmaceuticals	Pharmaceuticals	28.4	25.1	31.0	28.2	10	9	23
<b>BSE-30 Index</b>		<b>1,121</b>	<b>1,239</b>	<b>1,254</b>	<b>1,230</b>	<b>1.9</b>	<b>11.9</b>	<b>1.2</b>
<b>Nifty-50 Index</b>		<b>1,335</b>	<b>1,467</b>	<b>1,445</b>	<b>1,436</b>	<b>0.6</b>	<b>8.2</b>	<b>(1.5)</b>

Source: Companies, Kotak Institutional Equities estimates

## Aggregate earnings were broadly in line with consensus estimates

Exhibit 2: Comparison of 1QFY26 net income of Nifty-50 stocks versus consensus (%)



Source: Bloomberg, Kotak Institutional Equities

## Nifty-50 Index companies reported 6.4% yoy revenue growth, while KIE universe companies reported 7.3% yoy revenue growth, ahead of our expectations

Exhibit 3: Company-wise net sales analysis of KIE universe companies (Rs mn)

Company	Sector	Net sales (Rs mn)				Change (%)		
		Jun-24	Mar-25	Jun-25A	Jun-25E	A/E	yoy	qoq
Eicher Motors	Automobiles & Components	43,931	52,411	50,418	49,623	1.6	14.8	(3.8)
Mahindra & Mahindra	Automobiles & Components	270,388	313,534	340,832	331,771	2.7	26.1	8.7
Maruti Suzuki	Automobiles & Components	355,314	406,738	384,136	366,186	4.9	8.1	(5.6)
Axis Bank	Banks	192,317	205,901	208,178	199,004	4.6	8.2	1.1
HDFC Bank	Banks	405,053	440,937	531,678	440,724	20.6	31.3	20.6
ICICI Bank	Banks	265,548	284,530	301,394	283,261	6.4	13.5	5.9
IndusInd Bank	Banks	78,489	37,572	67,961	65,813	3.3	(13.4)	80.9
Kotak Mahindra Bank	Banks	90,315	96,124	97,190	97,190	(0.0)	7.6	1.1
Bajaj Finance	Diversified Financials	83,653	98,072	102,270	102,011	0.3	22.3	4.3
Bajaj Finserv	Diversified Financials	258,905	302,097	286,449	286,449	(0.0)	10.6	(5.2)
Jio Financial Services	Diversified Financials	4,797	5,568	5,807	5,807	(0.0)	21.0	4.3
Shriram Finance	Diversified Financials	52,339	55,655	57,725	58,465	(1.3)	10.3	3.7
HDFC Life Insurance	Insurance	28,660	51,860	32,340	32,982	(1.9)	12.8	(37.6)
SBI Life Insurance	Insurance	36,400	54,500	39,725	39,525	0.5	9.1	(27.1)
Adani Enterprises	Capital Goods	254,724	269,659	219,612	219,612	(0.0)	(13.8)	(18.6)
Bharat Electronics	Capital Goods	42,436	91,496	44,397	50,379	(11.9)	4.6	(51.5)
L&T	Capital Goods	551,198	743,923	636,789	643,992	(1.1)	15.5	(14.4)
Asian Paints	Commodity Chemicals	89,697	83,589	89,386	90,264	(1.0)	(0.3)	6.9
UltraTech Cement	Construction Materials	182,815	211,347	196,353	200,183	(1.9)	7.4	(7.1)
Hindustan Unilever	Consumer Staples	153,390	152,140	159,310	159,121	0.1	3.9	4.7
Nestle India	Consumer Staples	48,140	55,039	50,962	51,304	(0.7)	5.9	(7.4)
Tata Consumer Products	Consumer Staples	43,521	46,082	47,789	48,754	(2.0)	9.8	3.7
NTPC	Electric Utilities	444,192	439,037	425,726	391,351	8.8	(4.2)	(3.0)
Eternal	Internet Software & Services	42,060	58,330	71,670	66,822	7.3	70.4	22.9
HCL Technologies	IT Services	280,587	302,460	303,490	303,536	(0.0)	8.2	0.3
Infosys	IT Services	393,150	409,250	422,790	418,281	1.1	7.5	3.3
TCS	IT Services	626,130	644,790	634,370	649,926	(2.4)	1.3	(1.6)
Tech Mahindra	IT Services	130,055	133,840	133,512	133,951	(0.3)	2.7	(0.2)
Wipro	IT Services	219,432	225,266	221,528	219,908	0.7	1.0	(1.7)
JSW Steel	Metals & Mining	429,430	448,190	431,470	426,353	1.2	0.5	(3.7)
Tata Steel	Metals & Mining	547,714	562,181	531,781	505,148	5.3	(2.9)	(5.4)
Coal India	Oil, Gas & Consumable Fuels	331,701	341,564	318,804	323,997	(1.6)	(3.9)	(6.7)
Reliance Industries	Oil, Gas & Consumable Fuels	2,317,840	2,613,880	2,436,320	2,294,757	6.2	5.1	(6.8)
Cipla	Pharmaceuticals	66,939	67,297	69,575	70,611	(1.5)	3.9	3.4
Dr Reddy's Laboratories	Pharmaceuticals	76,961	85,284	85,721	84,911	1.0	11.4	0.5
Sun Pharmaceuticals	Pharmaceuticals	126,528	129,588	138,514	135,135	2.5	9.5	6.9
<b>KIE universe</b>		<b>13,849,424</b>	<b>15,277,812</b>	<b>14,862,803</b>	<b>14,467,291</b>	<b>2.7</b>	<b>7.3</b>	<b>(2.7)</b>
<b>BSE-30</b>		<b>8,540,280</b>	<b>9,340,023</b>	<b>9,132,387</b>	<b>8,795,618</b>	<b>3.8</b>	<b>6.9</b>	<b>(2.2)</b>
<b>Nifty-50</b>		<b>9,564,748</b>	<b>10,519,728</b>	<b>10,175,970</b>	<b>9,847,106</b>	<b>3.3</b>	<b>6.4</b>	<b>(3.3)</b>

Source: Companies, Kotak Institutional Equities estimates

## Nifty-50 Index companies reported 8.2% yoy PAT growth, while KIE universe companies reported 6.6% yoy PAT growth, broadly in line with estimates

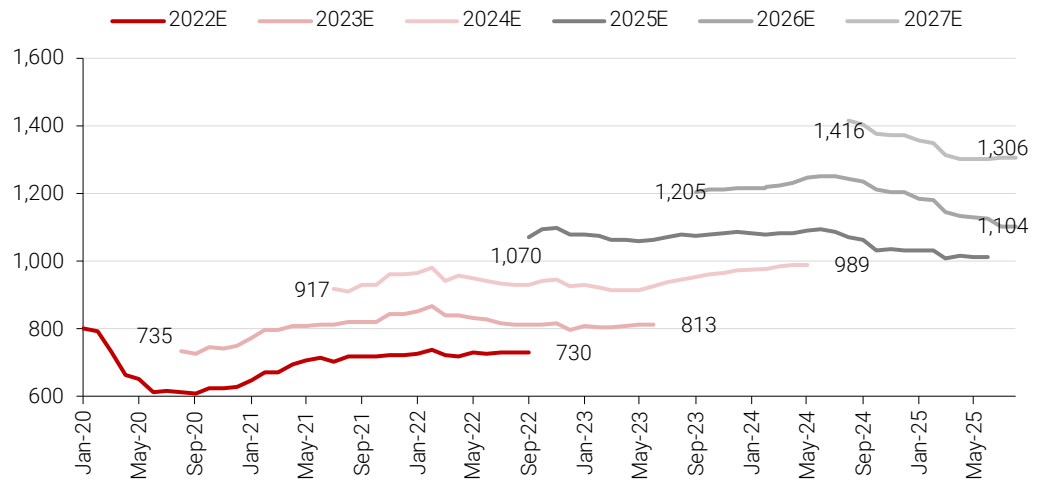
Exhibit 4: Company-wise adjusted PAT analysis of Nifty-50 companies (Rs mn)

Company	Sector	Adjusted profits (Rs mn)				Change (%)		
		Jun-24	Mar-25	Jun-25A	Jun-25E	A/E	yoy	qoq
Eicher Motors	Automobiles & Components	11,015	13,621	12,052	11,635	3.6	9	(11.5)
Mahindra & Mahindra	Automobiles & Components	26,126	24,371	34,498	30,570	12.9	32	41.6
Maruti Suzuki	Automobiles & Components	36,499	37,111	37,117	30,926	20.0	2	0.0
Axis Bank	Banks	60,346	71,175	58,061	60,414	(3.9)	(4)	(18.4)
HDFC Bank	Banks	161,748	176,161	181,552	178,374	1.8	12	3.1
ICICI Bank	Banks	110,591	126,296	127,682	123,198	3.6	15	1.1
IndusInd Bank	Banks	21,522	(22,360)	6,843	5,338	28.2	(68)	130.6
Bajaj Finance	Diversified Financials	39,120	45,456	47,653	46,762	1.9	22	4.8
Shriram Finance	Diversified Financials	19,806	21,394	21,557	21,504	0.2	9	0.8
HDFC Life Insurance	Insurance	7,180	13,760	8,130	8,230	(1.2)	13	(40.9)
SBI Life Insurance	Insurance	9,755	16,588	10,990	10,593	3.8	13	(33.7)
Kotak Mahindra Bank	Banks	44,350	49,328	44,722	44,722	(0.0)	1	(9.3)
Bajaj Finserv	Diversified Financials	21,377	24,166	27,891	27,891	(0.0)	30	15.4
Jio Financial Services	Diversified Financials	3,126	3,161	3,247	3,247	(0.0)	4	2.7
Adani Enterprises	Capital Goods	14,583	9,193	7,344	7,344	(0.0)	(50)	(20.1)
Bharat Electronics	Capital Goods	7,810	21,210	9,607	9,876	(2.7)	23	(54.7)
L&T	Capital Goods	27,857	50,225	36,172	33,723	7.3	30	(28.0)
Asian Paints	Commodity Chemicals	11,700	8,751	10,998	11,258	(2.3)	(6)	25.7
UltraTech Cement	Construction Materials	15,947	26,821	22,318	23,239	(4.0)	40	(16.8)
Hindustan Unilever	Consumer Staples	25,720	24,970	24,900	25,151	(1.0)	(3)	(0.3)
Nestle India	Consumer Staples	7,346	8,854	6,592	7,391	(10.8)	(10)	(25.5)
Tata Consumer Products	Consumer Staples	3,074	2,995	3,342	3,425	(2.4)	9	11.6
NTPC	Electric Utilities	45,110	57,781	47,747	44,359	7.6	6	(17.4)
Eternal	Internet Software & Services	2,530	390	250	309	(19.1)	(90)	(35.9)
HCL Technologies	IT Services	41,354	42,827	38,525	42,110	(8.5)	(7)	(10.0)
Infosys	IT Services	63,680	66,040	69,210	68,571	0.9	9	4.8
TCS	IT Services	120,400	122,240	127,600	123,508	3.3	6	4.4
Tech Mahindra	IT Services	8,515	11,940	11,406	11,860	(3.8)	34	(4.5)
Wipro	IT Services	30,032	35,696	33,304	33,093	0.6	11	(6.7)
JSW Steel	Metals & Mining	8,450	15,470	25,270	16,477	53.4	199	63.3
Tata Steel	Metals & Mining	13,175	16,894	22,098	17,734	24.6	68	30.8
Coal India	Oil, Gas & Consumable Fuels	109,436	95,925	87,342	102,979	(15.2)	(20)	(8.9)
Reliance Industries	Oil, Gas & Consumable Fuels	151,380	194,070	180,700	195,170	(7.4)	19	(6.9)
Cipla	Pharmaceuticals	11,776	12,218	12,976	11,953	8.6	10	6.2
Dr Reddy's Laboratories	Pharmaceuticals	13,929	16,701	14,099	14,772	(4.6)	1	(15.6)
Sun Pharmaceuticals	Pharmaceuticals	28,356	25,116	30,966	28,171	9.9	9	23.3
<b>KIE universe</b>		<b>1,887,891</b>	<b>2,073,690</b>	<b>2,012,565</b>	<b>1,995,070</b>	<b>0.9</b>	<b>6.6</b>	<b>(2.9)</b>
<b>BSE-30</b>		<b>1,120,701</b>	<b>1,239,400</b>	<b>1,253,824</b>	<b>1,230,009</b>	<b>1.9</b>	<b>11.9</b>	<b>1.2</b>
<b>Nifty-50</b>		<b>1,334,721</b>	<b>1,466,558</b>	<b>1,444,759</b>	<b>1,435,876</b>	<b>0.6</b>	<b>8.2</b>	<b>(1.5)</b>

Source: Companies, Kotak Institutional Equities estimates

**Our FY2026E EPS estimates have seen 2% cut over the past one month, while that for FY2027E have been stable**

**Exhibit 5: Nifty-50 Index EPS estimates trend, March fiscal year-ends, 2022E-27E (Rs)**



Source: Kotak Institutional Equities estimates

**We expect earnings of the Nifty-50 Index to grow 10% in FY2026 and 17% in FY2027E**

**Exhibit 6: Valuation summary of Nifty-50 sectors (full-float basis), March fiscal year-ends, 2025-27E (based on current constituents)**

	Mcap. (US\$ bn)	Adj. mcap. (US\$ bn)	Earnings growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			Div. yield (%)			RoE (%)		
			2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E
Automobiles & Components	169	91	11.5	4.1	16.8	22.2	21.3	18.2	12.0	11.9	9.9	4.3	3.8	3.3	1.4	1.6	1.7	19.5	17.9	18.3
Banks	470	404	10.5	(4.2)	23.4	17.3	18.1	14.7	-	-	-	2.6	2.3	2.1	1.0	1.1	1.2	14.9	12.8	14.1
Capital Goods	119	70	33.6	11.7	23.8	38.6	34.5	27.9	25.5	23.3	20.0	5.6	4.9	4.2	0.6	0.7	0.9	14.5	14.1	15.2
Commodity Chemicals	27	13	(26.2)	4.6	14.1	57.9	55.3	48.5	38.3	36.5	33.0	12.0	11.1	10.3	1.0	1.1	1.3	20.8	20.1	21.2
Construction Materials	62	28	(23.8)	53.2	23.1	53.7	35.1	28.5	17.6	13.6	12.0	3.2	3.0	2.8	0.5	0.6	0.6	6.0	8.6	9.7
Consumer Staples	165	87	(5.2)	6.0	10.6	42.4	40.0	36.2	30.9	28.9	26.1	10.2	10.0	9.7	2.3	2.2	2.4	24.1	25.1	26.7
Diversified Financials	134	60	17.9	23.4	23.4	31.8	25.7	20.9	-	-	-	3.2	2.9	2.6	0.5	0.5	0.6	10.0	11.3	12.4
Electric Utilities	68	33	7.3	9.4	7.3	15.2	13.8	12.9	10.2	9.1	8.9	2.1	1.9	1.7	2.8	2.9	2.9	13.8	13.8	13.5
Health Care Services	12	8	61.1	27.1	28.9	73.1	57.5	44.6	35.8	29.6	23.7	12.9	10.8	9.0	0.3	0.3	0.3	17.6	18.9	20.1
IT Services	283	130	8.9	4.3	9.7	22.6	21.7	19.8	14.8	14.2	12.9	6.7	6.3	5.9	3.4	3.6	4.0	29.4	28.9	29.9
Insurance	39	18	21.9	16.3	16.3	80.5	69.2	59.5	-	-	-	10.9	9.8	8.8	0.2	0.3	0.3	13.5	14.2	14.9
Internet Software & Services	34	24	50.1	81.8	143.6	558.1	307.0	126.0	426.6	195.5	79.8	9.7	9.2	8.4	-	-	-	1.7	3.0	6.7
Metals & Mining	68	37	5.7	91.2	14.7	25.7	13.4	11.7	9.9	7.1	6.5	2.0	1.8	1.6	1.1	1.4	1.5	7.9	13.4	13.6
Oil, Gas & Consumable Fuels	276	128	(10.4)	18.7	13.6	17.1	14.4	12.7	9.5	8.0	6.8	1.9	1.7	1.5	1.6	1.6	1.7	11.0	11.8	12.1
Pharmaceuticals	70	38	16.0	(4.5)	8.8	27.1	28.3	26.0	18.8	18.3	16.6	4.5	4.0	3.6	0.9	0.7	0.8	16.5	14.1	13.6
Retailing	55	29	20.3	23.0	20.3	90.4	73.5	61.1	53.9	45.5	37.9	28.0	21.6	16.9	0.2	0.3	0.4	31.0	29.4	27.7
Telecommunication Services	129	61	80.1	52.7	30.7	55.5	36.4	27.8	13.5	10.0	8.3	9.9	8.5	7.1	0.8	1.0	1.3	17.9	23.3	25.4
Transportation	33	11	26.1	17.7	13.5	25.6	21.8	19.2	17.4	15.1	12.6	4.7	3.9	3.4	0.5	0.7	0.7	18.2	18.1	17.5
<b>Nifty-50 Index</b>	<b>2,212</b>	<b>1,270</b>	<b>6.5</b>	<b>10.4</b>	<b>17.3</b>	<b>24.3</b>	<b>22.1</b>	<b>18.8</b>	<b>14.3</b>	<b>12.5</b>	<b>10.9</b>	<b>3.5</b>	<b>3.2</b>	<b>2.9</b>	<b>1.4</b>	<b>1.5</b>	<b>1.7</b>	<b>14.6</b>	<b>14.5</b>	<b>15.3</b>
<b>Nifty-50 Index (ex-energy)</b>	<b>1,936</b>	<b>1,143</b>	<b>11.1</b>	<b>8.6</b>	<b>18.1</b>	<b>25.9</b>	<b>23.9</b>	<b>20.2</b>	<b>16.3</b>	<b>14.2</b>	<b>12.6</b>	<b>4.1</b>	<b>3.7</b>	<b>3.3</b>	<b>1.4</b>	<b>1.5</b>	<b>1.7</b>	<b>15.7</b>	<b>15.4</b>	<b>16.2</b>
<b>Nifty-50 Index (ex-banks)</b>	<b>1,742</b>	<b>866</b>	<b>4.9</b>	<b>16.6</b>	<b>15.1</b>	<b>27.3</b>	<b>23.4</b>	<b>20.4</b>	<b>14.3</b>	<b>12.5</b>	<b>10.9</b>	<b>3.9</b>	<b>3.6</b>	<b>3.2</b>	<b>1.5</b>	<b>1.6</b>	<b>1.8</b>	<b>14.4</b>	<b>15.2</b>	<b>15.8</b>

Notes:

(a) We use consensus numbers for Adani Enterprises, Jio Financial Services and Kotak Mahindra Bank.

Source: Bloomberg, Kotak Institutional Equities estimates

**Construction materials, diversified financials, metals & mining and oil, gas & consumable fuels expected to deliver 76% of incremental Nifty-50 Index profits in FY2026E**

Exhibit 7: Breakup of net profits of the Nifty-50 Index across sectors, March fiscal year-ends, 2021-27E (based on current constituents)

	Net profits (Rs bn)							Contribution (%)					Incremental profits					
													2025		2026E		2027E	
	2021	2022	2023	2024	2025	2026E	2027E	2023	2024	2025	2026E	2027E	(Rs bn)	(%)	(Rs bn)	(%)	(Rs bn)	(%)
Automobiles & Components	150	70	279	600	669	696	813	4	8	8	8	8	69	14	28	3	117	8
Tata Motors	(14)	(107)	7	206	225	196	268	0	3	3	2	3	19	4	(29)	(3)	72	5
Banks	992	1,354	1,860	2,148	2,373	2,274	2,807	29	29	30	26	27	225	46	(99)	(12)	533	35
Axis Bank	66	130	212	249	264	239	300	3	3	3	3	3	15	3	(24)	(3)	61	4
HDFC Bank	431	507	603	608	673	736	907	9	8	8	8	9	65	13	62	8	171	11
ICICI Bank	162	233	319	409	479	480	536	5	5	6	5	5	70	14	1	—	56	4
State Bank of India	204	317	502	611	709	602	742	8	8	9	7	7	98	20	(107)	(13)	140	9
Capital Goods	99	117	158	202	270	301	373	2	3	3	3	4	68	14	32	4	72	5
Commodity Chemicals	31	31	42	55	40	42	48	1	1	1	—	—	(14)	(3)	2	—	6	—
Construction Materials	100	128	120	132	101	155	190	2	2	1	2	2	(32)	(6)	54	6	36	2
Consumer Staples	240	271	318	360	341	361	400	5	5	4	4	4	(19)	(4)	20	2	38	3
Diversified Financials	115	145	239	314	370	457	563	4	4	5	5	5	56	12	87	10	107	7
Electric Utilities	290	301	324	364	391	427	458	5	5	5	5	4	26	5	37	4	31	2
Health Care Services	1	9	8	9	14	18	24	—	—	—	—	—	5	1	4	—	5	—
Internet Software & Services	(8)	(12)	(10)	4	5	10	23	(0)	—	—	—	—	2	—	4	1	14	1
IT Services	810	917	975	1,004	1,094	1,141	1,252	15	13	14	13	12	90	18	47	6	111	7
Insurance	28	27	31	35	42	49	57	—	—	1	1	1	8	2	7	1	8	1
Metals & Mining	222	774	248	219	231	442	507	4	3	3	5	5	12	3	211	26	65	4
Tata Steel	85	426	86	34	24	144	168	1	—	—	2	2	(10)	(2)	120	14.5	24	2
Oil, Gas & Consumable Fuels	718	1,229	1,413	1,578	1,414	1,678	1,907	22	21	18	19	19	(165)	(34)	264	32	229	15
Coal India	127	174	281	374	353	373	370	4	5	4	4	4	(21)	(4)	20	2	(3)	(0)
ONGC	156	476	465	509	364	524	575	7	7	5	6	6	(144)	(30)	160	19	51	3
Reliance Industries	435	579	667	696	696	781	961	10	9	9	9	9	—	—	84	10	180	12
Pharmaceuticals	110	135	160	196	227	217	236	3	3	3	2	2	31	6	(10)	(1)	19	1
Retailing	8	23	37	44	53	65	78	1	1	1	1	1	9	2	12	1	13	1
Telecommunication Services	(29)	26	90	113	204	311	406	1	2	3	4	4	91	19	107	13	95	6
Transportation	43	56	83	90	113	134	152	1	1	1	2	1	24	5	20	2	18	1
Nifty-50 Index	3,919	5,601	6,375	7,466	7,952	8,778	10,296	100	100	100	100	100	486	100	826	100	1,518	100
Nifty-50 change (%)	10.4	42.9	13.8	17.1	6.5	10.4	17.3											
Nifty-50 Index ex-HPCL & COAL change (%)	3,786	5,365	6,059	7,011	7,559	8,371	9,888											
Nifty-50 Index ex-HPCL & COAL change (%)	13.0	41.7	12.9	15.7	7.8	10.7	18.1											
Nifty-50 EPS (Free-float)	536	730	813	988	1,015	1,104	1,306											

Notes:

(a) We use consensus numbers for Adani Enterprises, Jio Financial Services and Kotak Mahindra Bank.

(b) We exclude ONGC's ownership of HPCL for ex-HPCL computation.

Source: Bloomberg, Kotak Institutional Equities estimates

## Consensus have sharply cut their FY2026E EPS of a number of Nifty-50 Index companies over the past seven months

### Exhibit 8: Consensus EPS for Nifty-50 stocks, March fiscal year-end, 2026 (Rs)

Company	Sector	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Change (%)
															Jul-25/Dec-24
Bajaj Auto	Automobiles & Components	372	372	373	374	373	373	353	352	351	347	335	336	334	(10.2)
Eicher Motors	Automobiles & Components	185	184	184	184	181	182	183	184	185	184	181	180	182	0.0
Hero Motocorp	Automobiles & Components	269	262	262	260	260	260	259	254	252	250	249	249	249	(4.3)
Mahindra & Mahindra	Automobiles & Components	113	113	112	113	115	115	116	116	115	114	115	115	116	0.7
Maruti Suzuki	Automobiles & Components	545	545	545	524	522	522	525	526	526	501	500	500	500	(4.3)
Tata Motors	Automobiles & Components	79	80	80	78	72	71	68	67	66	62	60	55	54	(23.4)
Axis Bank	Banks	100	100	99	96	96	95	92	92	91	91	90	90	84	(11.6)
Jio Financial Services	Diversified Financials	NA	NA	NA	4	4	4	4	4	3	3	3	3	3	(34.1)
HDFC Bank	Banks	105	105	104	102	102	101	98	98	98	97	98	97	96	(5.6)
ICICI Bank	Banks	73	72	72	72	72	72	72	72	72	71	71	71	71	(1.2)
IndusInd Bank	Banks	150	149	149	132	129	128	111	108	103	99	63	59	47	(62.9)
Kotak Mahindra Bank	Banks	83	83	81	79	79	79	79	79	79	78	78	77	74	(5.9)
State Bank of India	Banks	83	82	82	81	83	83	83	80	79	80	78	78	78	(5.4)
Bharat Electronics	Capital Goods	7.6	7.6	7.6	7.7	7.7	7.7	7.6	7.7	7.7	7.6	8.1	8.1	8.1	5.7
L&T	Capital Goods	140	140	140	138	139	139	136	135	135	134	132	131	132	(5.4)
Asian Paints	Commodity Chemicals	57	57	57	55	51	51	51	48	48	48	45	45	45	(11.6)
Grasim Industries	Construction Materials	27	24	24	24	21	21	21	16	16	16	9	9	9	(59.1)
Ultratech Cement	Construction Materials	363	362	359	331	327	326	322	317	316	308	308	309	313	(3.8)
Hindustan Unilever	Consumer Staples	53	53	52	51	51	50	49	48	48	47	46	46	46	(8.6)
ITC	Consumer Staples	18	18	18	18	18	18	18	18	18	18	17	17	17	(3.0)
Nestle India	Consumer Staples	41	41	41	38	38	38	37	37	37	36	36	36	34	(10.0)
Tata Consumer Products	Consumer Staples	20	20	20	19	19	19	18	18	18	18	18	18	17	(11.9)
Bajaj Finance	Diversified Financials	35	35	35	34	34	34	34	34	34	34	34	34	33	(0.9)
Bajaj Finserv	Diversified Financials	80	80	80	85	87	87	75	75	74	68	68	68	62	(28.4)
Shriram Finance	Diversified Financials	54	54	55	55	55	55	53	53	53	52	52	51	50	(7.4)
NTPC	Electric Utilities	24	25	25	25	24	24	24	24	24	24	24	24	24	(2.9)
Power Grid	Electric Utilities	19	19	19	19	19	19	19	18	18	18	18	18	18	(4.4)
Apollo Hospitals	Health Care Services	138	136	135	134	135	136	136	134	134	134	128	128	128	(6.1)
HDFC Life Insurance	Insurance	10	10	10	11	11	11	10	10	10	10	10	10	10	(5.7)
SBI Life Insurance	Insurance	27	27	27	27	27	27	25	26	26	28	28	29	28	7.1
Eternal	Internet Software & Services	3	3	3	3	3	3	2	2	2	1	1	1	1	(57.5)
HCL Technologies	IT Services	69	69	69	70	70	70	70	70	69	67	67	67	64	(8.7)
Infosys	IT Services	72	72	72	72	72	72	72	72	71	68	68	68	69	(4.6)
TCS	IT Services	156	157	157	154	154	153	151	151	149	143	143	143	141	(8.0)
Tech Mahindra	IT Services	65	65	65	64	64	64	62	62	62	61	61	60	59	(7.2)
Wipro	IT Services	13	13	13	13	13	13	13	13	13	13	13	13	13	0.7
Hindalco Industries	Metals & Mining	66	65	66	65	65	65	65	67	67	67	67	67	68	3.7
JSW Steel	Metals & Mining	68	67	67	60	60	59	53	51	51	51	51	51	50	(15.6)
Tata Steel	Metals & Mining	14	13	13	13	12	12	10	10	10	10	10	10	10	(22.7)
Coal India	Oil, Gas & Consumable Fuels	63	65	65	63	63	63	61	60	60	59	58	58	58	(8.5)
ONGC	Oil, Gas & Consumable Fuels	40	44	43	44	40	40	40	39	39	38	32	32	32	(18.9)
Reliance Industries	Oil, Gas & Consumable Fuels	69	68	68	64	64	64	62	62	61	59	60	60	62	(3.7)
Cipla	Pharmaceuticals	65	65	65	64	64	64	63	63	63	63	62	62	61	(3.3)
Dr Reddy's Laboratories	Pharmaceuticals	71	70	70	70	70	70	70	70	70	69	68	67	64	(9.1)
Sun Pharmaceuticals	Pharmaceuticals	53	54	54	55	55	55	55	55	55	55	52	52	50	(9.4)
Titan Company	Retailing	59	58	57	57	56	55	55	55	55	54	53	53	53	(4.6)
Trent	Retailing	59	70	70	70	67	67	66	60	60	59	59	59	57	(14.4)
Bharti Airtel	Telecommunication Services	51	49	51	49	49	49	49	50	51	51	51	51	51	4.8
Adani Ports and SEZ	Transportation	60	61	62	57	57	57	56	56	56	55	57	57	58	0.8

Source: FactSet, Kotak Institutional Equities



## Consensus have sharply cut their FY2027E EPS of a number of Nifty-50 Index companies over the past seven months

### Exhibit 9: Consensus EPS for Nifty-50 stocks, March fiscal year-ends, 2027 (Rs)

Top 50 Indian Companies by Market Capitalization - Q4 2024																Change (%)
Company	Sector	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Jul-25/Dec-24	
Bajaj Auto	Automobiles & Components	413	415	417	427	427	426	399	399	398	393	384	382	380	(10.8)	
Eicher Motors	Automobiles & Components	205	202	202	202	205	205	207	211	211	210	206	205	206	0.5	
Hero Motocorp	Automobiles & Components	293	286	286	286	288	287	286	275	273	271	269	268	267	(6.9)	
Mahindra & Mahindra	Automobiles & Components	121	121	121	124	129	128	130	130	130	130	129	129	130	1.8	
Maruti Suzuki	Automobiles & Components	598	598	597	580	576	577	579	581	578	557	556	557	556	(3.5)	
Tata Motors	Automobiles & Components	94	92	92	89	83	82	80	78	77	73	71	67	67	(18.2)	
Axis Bank	Banks	115	115	116	112	111	110	105	105	105	104	104	104	101	(8.7)	
Jio Financial Services	Diversified Financials	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	3.9	3.9	3.9	NA	
HDFC Bank	Banks	125	125	125	119	119	118	112	112	113	113	113	113	111	(5.5)	
ICICI Bank	Banks	82	82	82	82	82	82	82	82	81	81	81	81	81	(0.9)	
IndusInd Bank	Banks	174	175	175	159	156	155	134	131	127	123	82	77	67	(56.9)	
Kotak Mahindra Bank	Banks	96	96	96	91	91	91	90	91	91	90	90	90	89	(2.3)	
State Bank of India	Banks	89	90	90	89	93	93	93	89	89	89	87	87	87	(6.6)	
Bharat Electronics	Capital Goods	8.9	9.0	9.0	8.9	8.9	8.9	8.9	9.0	9.0	9.0	9.6	9.7	9.7	9.0	
L&T	Capital Goods	159	159	159	162	165	165	162	162	162	161	159	159	159	(3.7)	
Asian Paints	Commodity Chemicals	65	65	65	63	60	60	59	54	54	53	51	51	50	(16.6)	
Grasim Industries	Construction Materials	23	32	32	33	30	30	29	26	26	26	18	18	18	(39.0)	
Ultratech Cement	Construction Materials	429	425	423	401	397	394	402	398	399	398	398	395	399	1.4	
Hindustan Unilever	Consumer Staples	57	57	57	56	56	56	54	53	53	51	51	51	51	(8.9)	
ITC	Consumer Staples	20	20	20	20	20	20	20	20	19	19	19	19	19	(2.8)	
Nestle India	Consumer Staples	46	46	46	43	43	43	42	41	41	41	41	41	39	(8.8)	
Tata Consumer Products	Consumer Staples	23	23	23	23	23	23	21	21	21	22	22	22	21	(8.1)	
Bajaj Finance	Diversified Financials	42	43	43	43	42	42	43	43	43	42	42	42	42	(1.7)	
Bajaj Finserv	Diversified Financials	91	93	95	106	108	108	92	92	93	86	86	86	77	(28.6)	
Shriram Finance	Diversified Financials	63	63	63	63	63	63	62	62	62	62	61	61	60	(4.3)	
NTPC	Electric Utilities	26	26	26	27	26	26	26	25	26	25	26	26	26	(1.8)	
Power Grid	Electric Utilities	19	20	20	20	20	20	20	19	19	19	19	19	19	(4.0)	
Apollo Hospitals	Health Care Services	181	181	181	180	174	175	176	173	173	170	165	167	167	(4.7)	
HDFC Life Insurance	Insurance	12	12	12	12	12	12	12	12	12	12	12	12	11	(8.6)	
SBI Life Insurance	Insurance	33	33	33	32	32	32	30	30	30	33	33	33	33	3.4	
Eternal	Internet Software & Services	4.0	4.3	4.3	4.3	4.3	4.3	3.7	3.6	3.6	3.3	2.8	2.8	2.8	(34.7)	
HCL Technologies	IT Services	76	76	76	78	78	78	78	78	77	73	73	74	72	(8.3)	
Infosys	IT Services	79	79	79	80	80	80	80	80	79	74	74	74	74	(7.1)	
TCS	IT Services	173	173	173	173	173	172	169	168	167	157	157	156	152	(11.5)	
Tech Mahindra	IT Services	80	80	79	80	79	79	80	80	79	76	76	76	75	(4.9)	
Wipro	IT Services	14	14	14	14	14	14	14	14	14	13	13	13	13	(3.2)	
Hindalco Industries	Metals & Mining	68	67	67	68	68	69	69	69	69	68	70	70	70	1.9	
JSW Steel	Metals & Mining	74	73	73	73	73	73	66	65	65	65	67	67	64	(11.5)	
Tata Steel	Metals & Mining	15	16	16	17	14	14	13	12	13	13	13	13	13	(10.1)	
Coal India	Oil, Gas & Consumable Fuels	72	68	67	66	66	66	64	63	62	62	61	61	60	(9.6)	
ONGC	Oil, Gas & Consumable Fuels	42	43	43	43	42	42	42	41	41	39	35	35	35	(16.0)	
Reliance Industries	Oil, Gas & Consumable Fuels	77	76	76	72	72	72	71	71	70	68	68	68	69	(4.8)	
Cipla	Pharmaceuticals	66	66	66	64	64	64	63	64	64	64	64	64	64	0.1	
Dr Reddy's Laboratories	Pharmaceuticals	59	58	57	57	57	57	59	58	57	57	56	55	55	(3.9)	
Sun Pharmaceuticals	Pharmaceuticals	58	59	60	62	62	62	63	62	62	62	60	60	58	(6.2)	
Titan Company	Retailing	69	69	70	70	67	67	67	66	66	66	65	65	64	(4.5)	
Trent	Retailing	79	90	93	93	90	90	88	80	79	77	77	77	74	(17.2)	
Bharti Airtel	Telecommunication Services	65	64	66	65	65	65	65	67	68	68	70	71	71	8.7	
Adani Ports and SEZ	Transportation	68	68	70	67	67	66	64	64	64	63	66	66	67	1.0	

Source: FactSet, Kotak Institutional Equities

## Weak volume growth for most consumer companies in 1QFY26

Exhibit 10: Volume growth of consumer companies, 1QFY24-26 (%)

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
<b>Staples</b>									
Britannia Industries - Domestic	—	—	6	6	8	8	6	3	
Colgate - Overall	6	(1)	2	2	8	8	5	—	(4)
Dabur - Domestic	3	3	4	4	5	(10)	1	(6)	(1)
HUL (FMCG business)	3	2	2	2	4	3	—	2	4
Marico - Domestic	3	3	2	3	4	5	6	7	
Marico - Parachute	(2)	1	3	2	2	4	3	(1)	
Marico - Saffola	11	2	(5)	5	5	—	3	(1)	
Nestle	2	2	1	6	1	(2)	2	2	3
TCPL - Food	6	6	5	4	10	1	1	6	6
TCPL - Tea	3	3	2	—	—	(3)	7	2	1
<b>Discretionary</b>									
Asian Paints (decoratives)	10	6	12	10	7	(1)	2	2	4
Berger (decoratives)	13	11	9	14	12	4	7	7	
ITC - Cigarettes	8	5	(2)	2	3	3	6	5	
Jubilant Foodworks (LFL)	(1)	(1)	(3)	0	3	3	13	12	
Kansai Nerolac	6	(1)	10	10	4	4	1	1	
Pidilite - Domestic consumer business	12	8	11	13	8	6	7	8	
United Breweries	(12)	7	8	11	5	5	8	5	11
United Spirits	(29)	(27)	(1)	4	3	(4)	10	7	
Varun Beverages	5	16	18	7	28	22	38	30	(7)

Source: Companies, Kotak Institutional Equities estimates

## RM prices have increased sharply over the past 3 months

### Exhibit 11: Monthly raw material trends for June 2025

No	Commodity	Unit	Current	% chg - local currency				% chg - currency Adj.				Companies impacted
				MoM	3M	6M	YoY	MoM	3M	6M	YoY	
Agri Commodities												
1	Tea - India Avg.	Rs/Kg	204	8	76	13	(7)	8	76	13	(7)	HUL
2	Tea - World Avg.	USD/MT	3,020	—	12	2	(6)	0	13	2	(4)	HUL
3	Tea - Mombassa/Kenya	USD/Kg	3	—	7	—	—	0	8	0	3	HUL
4	Coffee Arabica - Intl.	US cents/Pound	406	—	90	16	60	0	91	16	65	HUL, Nestle
5	Coffee Robusta - Intl.	US cents/Pound	258	—	43	0	16	0	44	0	20	HUL, Nestle
6	Sugar - domestic	Rs/Quintal	4,493	(2)	6	6	3	(2)	6	6	3	HUL, Nestle, ITC, Dabur, Britannia
7	Wheat	Rs/Quintal	3,875	—	10	(2)	15	—	10	(2)	15	ITC, Nestle, Britannia
8	Barley	Rs/Quintal	2,241	(4)	12	(7)	5	(4)	12	(7)	5	UBBL
9	Maize (corn)	USD/MT	192	—	1	—	—	0	1	0	3	Colgate, HUL, Dabur (Sorbitol)
10	Liquid Milk - domestic	Rs/Ltr	59	(3)	37	18	4	(3)	37	18	4	Nestle, Jubilant Foodworks, Britannia
11	Milk Powder - domestic	Rs/Kg	338	3	32	15	14	3	32	15	14	Nestle, Britannia
12	Rice	USD/MT	3,415	3	(5)	1	(8)	3	(5)	1	(8)	
Oil Commodities												
13	Crude Oil - Brent	USD/Barrel	71	11	(16)	(3)	(13)	11	(16)	(3)	(11)	HUL, GCPL, Jyothy Labs, Asian Paints, Pidilite
14	Palm oil	Rs/MT	106,683	(9)	17	(19)	22	(9)	17	(19)	22	HUL, GCPL, Jyothy Labs
15	PFAD	USD/MT	884	(1)	12	(12)	7	(1)	12	(12)	10	HUL, GCPL, Jyothy Labs
17	Copra	Rs/Quintal	22,793	22	134	60	129	22	134	60	129	Marico, Dabur
18	Coconut oil	Rs/Quintal	34,642	18	145	65	137	18	145	65	137	Marico, Dabur
19	Rice Bran oil	Rs/10Kg	1,025	(2)	37	2	21	(2)	37	2	21	Marico
21	Sunflower oil	Rs/MT	125,528	(5)	40	(2)	36	(5)	40	(2)	36	Marico
22	Groundnut oil	Rs/MT	135,972	1	(9)	(6)	(7)	1	(9)	(6)	(7)	Marico
23	Linseed oil	Rs/MT	133,828	4	38	5	31	4	38	5	31	Marico, Dabur, Bajaj Corp, Asian Paints
24	Castor oil	Rs/MT	142,472	5	16	9	21	5	16	9	21	Marico, Dabur, Bajaj Corp, Asian Paints
25	Mentha oil	Rs/Kg	993	(2)	(4)	(2)	2	(2)	(4)	(2)	2	Emami, Colgate, HUL, Dabur
Chemicals/Paints/Other Commodities												
26	Caustic soda	Rs/ 50Kg	2,522	(1)	20	(0)	16	(1)	20	(0)	16	HUL, GCPL, Jyothy Labs
27	Soda ash	Rs/ 50Kg	1,645	(1)	(5)	(2)	(5)	(1)	(5)	(2)	(5)	HUL, GCPL, Jyothy Labs
31	Tio2 Anatase	Rs/Kg	200	0	14	(6)	14	0	14	(6)	14	Asian Paints
32	Tio2 Rutile	Rs/Kg	283	(2)	3	3	2	(2)	3	3	2	Asian Paints
34	Turpentine oil	Rs/Ltr	135	3	16	3	17	3	16	3	17	Asian Paints
35	Formaldehyde	Rs/Kg	29	(3)	16	(12)	(3)	(3)	16	(12)	(3)	Asian Paints
36	Acrylic acid	Rs/Kg	94	(1)	(24)	(1)	(21)	(1)	(24)	(1)	(21)	Asian Paints
37	Vinyl Acetate - Domestic	Rs/Kg	88	(0)	(8)	6	(21)	(0)	(8)	6	(21)	Asian Paints
38	Vinyl Acetate - China	US\$/MT	756	(4)	(9)	(3)	(4)	(4)	(9)	(3)	(2)	Pidilite, Asian Paints
39	Styrene - domestic	Rs/Kg	77	2	(19)	(12)	(20)	2	(19)	(12)	(20)	Asian Paints
40	Gold	Rs/10gm	97,155	3	49	27	36	3	49	27	36	Titan, Jewellery companies

Inflationary = +3%

Deflationary = -3%

Source: Bloomberg, CMIE, Kotak Institutional Equities

## Consumer companies reported further moderation in profitability

### Exhibit 12: Gross and EBITDA margin of consumer companies under our coverage, 1QFY24-26 (%)

	Gross margin (%)								EBITDA margin (%)									
	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Asian Paints	42.9	43.4	43.6	43.7	42.5	40.8	42.4	43.9	42.7	23.1	20.2	22.6	19.4	18.9	15.4	19.1	17.2	18.2
Avenue Supermarts	15.2	14.7	14.9	14.5	15.6	14.9	14.7	14.2	15.3	8.7	8.0	8.3	7.4	8.7	7.6	7.6	6.4	7.9
Berger Paints	39.8	41.1	41.1	40.7	39.9	41.7	41.6	42.7		18.4	17.1	16.7	13.9	16.9	15.6	15.9	15.8	
Britannia Industries	41.9	42.9	43.9	44.9	43.4	42.6	38.7	40.1		17.2	19.7	19.3	19.4	17.7	16.8	18.4	18.2	
Colgate-Palmolive (India)	68.4	68.8	72.2	69.3	70.6	68.5	69.9	70.6	68.9	31.6	32.8	33.6	35.7	34.0	30.7	31.1	34.1	31.6
Dabur India	46.6	48.3	48.6	48.6	47.8	49.3	48.1	46.7	47.0	19.3	20.6	20.5	16.6	19.6	18.2	20.3	15.1	19.6
Godrej Consumer Products	53.7	54.9	55.9	56.1	55.9	55.5	54.1	52.5		18.6	19.5	23.0	22.3	21.7	20.7	20.1	21.1	
Hindustan Unilever	49.9	52.7	51.5	51.9	51.4	51.0	50.7	50.5	49.2	23.2	24.2	23.3	23.1	23.5	23.5	23.2	22.8	22.3
ITC	54.1	57.3	58.4	59.9	57.7	52.9	54.4	54.7		34.7	36.5	36.5	37.2	37.0	32.8	34.2	34.7	
Jubilant Foodworks	76.0	76.4	76.7	76.6	76.1	76.1	75.1	74.5		21.1	20.9	20.9	19.1	19.3	19.4	19.4	19.3	
Jyothy Labs	47.9	49.2	49.8	49.5	51.3	50.0	49.8	49.2		17.1	18.5	17.5	16.4	18.0	18.9	16.4	16.8	
Kansai Nerolac	35.3	35.7	36.2	34.8	37.0	34.0	35.3	34.6		16.1	14.6	13.2	10.8	16.3	11.5	13.4	10.2	
Marico	50.0	50.5	51.3	51.6	52.3	50.8	49.5	48.6		23.2	20.1	21.2	19.4	23.7	19.6	19.1	16.8	
Nestle India	54.8	56.5	58.6	56.8	57.6	56.6	56.4	56.2	55.2	22.7	24.4	24.2	25.4	22.9	22.9	23.1	25.2	21.6
Page Industries	52.9	55.7	53.0	56.2	54.1	56.5	56.3	60.9		19.5	20.8	18.5	16.8	19.0	22.6	23.0	21.4	
Pidilite Industries	49.0	51.3	52.9	53.4	53.8	54.4	54.3	55.0		21.6	22.1	23.7	19.9	23.9	23.8	23.7	20.1	
Tata Consumer Products	42.2	42.5	43.8	46.1	44.9	43.6	41.1	41.9	40.1	14.6	14.4	15.0	16.0	15.3	14.9	12.7	13.5	12.7
Titan Company	21.0	22.4	21.7	21.2	20.9	21.6	20.8	21.7		9.9	11.6	11.2	9.9	10.0	10.8	11.0	10.7	
United Breweries	40.6	44.5	44.0	41.7	43.0	43.8	44.2	42.1	42.5	9.8	9.8	8.0	6.7	11.5	10.7	9.4	8.0	10.8
United Spirits	43.0	43.4	43.4	43.3	44.5	45.2	44.7	44.5		17.1	16.4	16.4	13.6	19.5	17.8	17.1	17.1	
Varun Beverages	52.5	55.3	56.6	56.3	54.7	55.5	56.1	54.6	54.5	26.9	22.8	15.7	22.9	27.7	24.0	15.7	22.7	28.5

Source: Companies, Kotak Institutional Equities

## Most consumer companies noted subdued consumer demand and elevated competitive intensity

### Exhibit 13: Key discussion points of major consumer companies around extant demand and outlook, 1QFY26

Company	Key comments on demand and outlook
Asian Paints	Urban areas showed green shoots of demand recovery while rural demand remained weak. Competitive intensity continued to remain high, Management expects single-digit growth in the near term with potential rural improvement from normal monsoons. The company did not give any timeline on recovery
Colgate-Palmolive (India)	Subdued urban demand and elevated competitive intensity drove yoy decline in net sales. The company expects gradual recovery in 2HFY26
Dabur	Rural markets outperformed urban for five consecutive quarters while urban showed sequential recovery. Management expects sequential demand recovery due to softening food inflation and favorable monsoon. Competitive intensity has increased with Colgate requiring higher promotional schemes, and a small player called ED oil gained market share in UP and Bihar, though this was described as a localized issue and expected to be corrected.
Havells India	Cooling product sales declined due to an unexpectedly weak summer and subdued consumer demand. Rural demand (5-6% of revenues) outpaced urban. Management anticipates revenue and margin gains in H2, driven by a strong festive season
Hindustan Unilever	Rural regions had the most positive impact with demand growing ahead of urban demand, while growth uptick is coming from small cities. Urban growth is recovering but still below rural levels. Company noted that they have strengthened market share through acceleration in laundry, skin cleansing, hair, etc. Detergent bars face spread-out competition from global, local, and regional players, though liquids remain concentrated among few players.
Tata Consumer Products	Tea and salt grew double-digit in both value and volume. Growth businesses grew 7% (below target), impacted by unfavorable weather affecting RTD business. Company noted stable competitive intensity and suggested pricing may not yield market share. The outlook suggests growth acceleration from 2QFY26 onwards with NourishCo expected to exceed 30% growth and Capital Foods/Organic India returning to 30% growth levels.
United Breweries	Premium volumes grew 46% with over 300 bps market share gains, though demand varied sharply across states, with Karnataka seeing 16-17% yoy decline, while West Bengal saw double-digit decline. Competitive intensity was mixed. The company projects 5-6% volume growth, with upside to 7-8% if conditions improve, while any change in excise policies of key states may act as headwinds
Varun Beverages	Demand was significantly impacted by unseasonal heavy rainfall. Rural demand was particularly affected as temporary outlets closed during rains. Company noted increase in competitive intensity. The company expects demand recovery to depend on weather conditions

Source: Companies, Kotak Institutional Equities

## Most auto OEMs reported weak domestic volume growth in 1QFY26

Exhibit 14: Domestic volumes of select companies in auto sector, 1QFY24-26

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
<b>Domestic sales volumes (units)</b>									
Ashok Leyland	38,835	47,047	44,167	52,735	41,591	42,327	42,253	53,716	41,227
<b>Bajaj Auto</b>									
Two wheelers	542,931	505,320	655,453	547,007	582,497	636,801	587,855	501,096	529,344
Three wheelers	98,482	131,920	122,662	110,349	108,045	139,882	119,241	112,148	105,460
<b>Eicher Motors</b>									
Two wheelers	207,171	209,717	213,385	204,522	204,686	206,157	242,013	249,901	228,779
Commercial vehicles	17,855	18,256	19,253	23,972	17,930	18,861	19,113	26,416	19,514
Hero Motocorp	1,317,250	1,363,940	1,413,894	1,325,286	1,484,162	1,456,504	1,390,262	1,278,892	1,302,657
Hyundai Motor	148,303	158,772	147,329	160,313	149,455	149,639	146,022	153,550	132,259
Maruti Suzuki	414,055	459,052	406,983	479,791	419,114	425,500	431,020	485,133	393,572
M&M (passenger vehicles)	100,172	114,742	118,863	126,100	124,248	135,962	142,150	149,127	152,067
<b>Tata Motors</b>									
Commercial vehicles	79,535	96,003	89,387	101,309	82,489	75,975	88,809	95,637	74,042
Passenger vehicles	143,082	141,045	140,223	158,565	143,232	133,884	141,875	150,254	129,369
TVS Motors	721,470	792,351	846,962	796,267	828,323	912,461	910,887	867,554	913,946
<b>Yoy change (%)</b>									
Ashok Leyland	5	11	(1)	(7)	7	(10)	(4)	2	(1)
<b>Bajaj Auto</b>									
Two wheelers	73	(19)	44	32	7	26	(10)	(8)	(9)
Three wheelers	157	81	38	11	10	6	(3)	2	(2)
<b>Eicher Motors</b>									
Two wheelers	31	15	6	7	(1)	(2)	13	22	12
Commercial vehicles	16	15	15	(3)	0	3	(1)	10	9
Hero Motocorp	(1)	(2)	17	7	13	7	(2)	(4)	(12)
Hyundai Motor	(1)	(2)	9	9	1	(6)	(1)	(4)	(12)
Maruti Suzuki	12	8	6	12	1	(7)	6	1	(6)
M&M (passenger vehicles)	31	24	30	27	24	18	20	18	22
<b>Tata Motors</b>									
Commercial vehicles	(15)	4	(1)	(8)	4	(21)	(1)	(6)	(10)
Passenger vehicles	8	(2)	6	16	0	(5)	1	(5)	(10)
TVS Motors	28	9	35	17	15	15	8	9	10

Source: Companies, Kotak Institutional Equities

## Most large auto companies have reported weak margins in 1QFY26

Exhibit 15: Gross and EBITDA margin of auto companies under our coverage, 1QFY24-26 (%)

	Gross margin (%)								EBITDA margin (%)									
	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Amara Raja Energy & Mobility	28.9	31.6	34.0	34.5	31.1	32.4	33.1	32.3		12.8	13.8	15.1	14.6	13.7	14.1	13.1	11.5	
Apollo Tyres	45.0	45.7	46.6	47.2	45.5	44.8	41.5	43.4		16.8	18.5	18.3	16.4	14.4	13.6	13.7	13.0	
Ashok Leyland	26.3	26.5	27.8	28.2	27.8	28.8	28.5	29.4		10.0	11.2	12.0	14.1	10.6	11.6	12.8	15.0	
Bajaj Auto	28.1	29.0	28.9	29.7	30.0	28.7	28.7	30.1		19.0	19.8	20.1	20.1	20.2	20.2	20.2	20.2	
Balkrishna Industries	51.7	51.9	52.0	53.3	53.1	52.6	52.4	51.2	51.5	23.0	24.4	25.3	25.9	26.0	25.1	24.9	24.8	23.8
Bharat Forge	44.3	43.3	41.9	41.4	41.8	40.8	40.1	39.6		15.4	16.5	18.0	15.4	18.0	17.5	18.0	17.7	
CEAT	41.1	43.3	41.3	42.3	39.2	37.4	36.8	37.5	36.8	13.2	14.9	14.1	13.1	12.0	11.0	10.3	11.3	11.0
Eicher Motors	44.1	46.0	46.0	46.5	46.4	46.5	45.1	44.2	44.2	25.6	26.4	26.1	26.5	26.5	25.5	24.2	24.0	23.9
Endurance Technologies	40.9	39.8	39.9	43.0	42.5	42.2	42.9	43.9		13.1	12.5	11.7	14.5	13.2	13.1	13.0	14.3	
Escorts Kubota	30.2	32.3	30.6	31.9	31.9	30.4	26.9	30.6		14.0	12.9	13.5	12.8	14.3	10.3	11.4	12.1	
Exide Industries	28.3	31.1	31.5	33.0	30.7	31.5	32.0	31.2		10.6	11.8	11.5	12.9	11.5	11.3	11.7	11.2	
Hero Motocorp	30.6	31.4	32.7	33.6	32.3	33.3	34.2	34.5		13.8	14.1	14.0	14.3	14.4	14.5	14.5	14.2	
Hyundai Motor	24.2	25.1	26.6	28.5	28.1	27.4	26.8	28.7	29.3	12.0	13.1	12.9	14.3	13.5	12.8	11.3	14.1	13.3
Mahindra & Mahindra	24.7	24.4	24.6	26.8	26.3	25.8	25.6	25.9	23.9	13.4	12.6	12.8	13.1	14.9	14.3	14.6	14.9	14.3
Maruti Suzuki	27.2	29.4	29.1	28.6	29.8	28.1	28.4	28.1	27.8	9.2	12.9	11.7	12.3	12.7	11.9	11.6	10.5	10.4
MRF	38.8	40.8	40.1	38.9	37.3	36.5	33.1	36.1		17.6	18.5	17.2	14.2	16.1	14.4	11.6	15.0	
Samvardhana Motherson	43.5	43.2	44.8	47.4	46.4	45.8	47.1	45.9		8.6	8.0	9.0	10.8	9.6	8.8	9.7	9.0	
Schaeffler India	38.6	37.1	37.2	37.9	37.7	37.5	36.4	38.0	39.3	18.7	18.4	17.3	17.6	17.9	17.4	17.3	18.1	18.3
SKF	39.8	34.0	41.7	41.2	39.3	33.4	33.3	49.0		17.6	10.8	15.8	17.7	16.1	10.0	9.7	23.5	
Sona BLW Precision	56.9	55.1	59.1	56.4	57.6	56.0	55.9	56.7		27.8	28.2	29.3	28.0	28.1	27.6	27.0	27.1	
Tata Motors	37.6	36.4	38.3	38.5	39.0	38.7	38.4	37.9		13.3	13.1	13.9	14.2	14.4	11.5	11.0	13.9	
Timken	41.2	41.6	40.5	40.7	39.4	39.3	39.2	40.4	40.0	18.9	19.9	16.7	22.1	18.0	17.7	15.9	22.3	18.5
TVS Motor	25.4	26.0	26.3	27.2	28.6	28.5	28.4	30.2		10.6	11.0	11.2	11.3	11.5	11.7	11.9	14.0	
Uno Minda	35.8	34.4	35.0	36.5	35.6	35.1	34.5	35.6		10.7	11.1	10.8	12.5	10.7	11.4	10.9	11.6	
Varroc Engineering	36.8	36.7	36.3	39.3	37.5	35.8	35.4	35.9		10.1	10.3	9.3	11.2	9.2	10.0	9.0	10.5	

Source: Companies, Kotak Institutional Equities

## Credit growth has moderated in recent quarters, especially for private banks

Exhibit 16: Growth in loans for banks in KIE universe yoy, 1QFY24-26 (%)

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
<b>Public banks</b>									
Bank of Baroda	20	19	15	13	9	12	12	13	13
Canara Bank	13	12	12	11	10	10	10	12	12
Punjab National Bank	16	15	14	14	14	15	17	15	11
State Bank of India	15	13	15	16	16	15	14	12	
Union Bank	14	10	14	14	14	12	7	10	8
<b>Old private banks</b>									
City Union Bank	4	2	0	4	10	12	15	14	16
Federal Bank	21	20	18	20	20	19	16	12	
Karur Vysya Bank	12	14	16	16	16	14	14	14	15
<b>New private banks</b>									
Axis Bank	22	23	22	14	14	11	9	8	8
Bandhan Bank	8	13	20	16	24	24	16	9	6
DCB Bank	19	19	18	19	19	19	23	25	21
HDFC Bank	16	58	62	55	52	7	3	5	7
ICICI Bank	18	18	18	16	16	15	14	13	12
IndusInd Bank	22	21	20	18	15	13	12	1	(4)
Yes Bank	7	9	12	12	15	12	13	8	5
<b>Small finance banks</b>									
AU Small Finance Bank	29	24	20	25	43	48	49	46	23
Equitas Small Finance Bank	34	32	25	20	16	18	21	17	
Ujjivan Small Finance Bank	34	40	31	26	22	20	16	17	20
<b>Total</b>	<b>16</b>	<b>22</b>	<b>22</b>	<b>21</b>	<b>20</b>	<b>13</b>	<b>11</b>	<b>11</b>	
<b>Total (ex-HDFCB)</b>	<b>16</b>	<b>15</b>	<b>16</b>	<b>15</b>	<b>14</b>	<b>14</b>	<b>13</b>	<b>12</b>	
<b>Public sector</b>	<b>16</b>	<b>14</b>	<b>14</b>	<b>14</b>	<b>14</b>	<b>14</b>	<b>13</b>	<b>12</b>	
<b>Private sector</b>	<b>18</b>	<b>33</b>	<b>35</b>	<b>30</b>	<b>29</b>	<b>12</b>	<b>9</b>	<b>8</b>	

Source: Companies, Kotak Institutional Equities

### Most large banks have reported a modest decline in NIMs in 1QFY26

Exhibit 17: Net interest margin for banks in KIE universe, 1QFY24-26 (%)

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
<b>Public banks</b>									
Bank of Baroda	3.1	3.0	3.0	3.1	3.0	3.0	2.8	2.7	2.7
Canara Bank	2.7	2.7	2.7	2.7	2.5	2.5	2.4	2.4	2.2
Punjab National Bank	2.7	2.8	2.9	2.8	2.8	2.7	2.7	2.5	2.4
State Bank of India	3.1	3.0	2.9	3.0	2.9	2.9	2.8	2.8	
Union Bank	2.9	2.9	2.9	2.9	2.8	2.7	2.7	2.7	2.5
<b>Old private banks</b>									
City Union Bank	3.3	3.4	3.2	3.3	3.2	3.3	3.2	3.2	3.2
Federal Bank	3.1	3.1	3.1	3.1	3.1	3.0	3.0	2.9	
Karur Vysya Bank	3.8	3.7	3.9	3.8	3.8	3.8	3.7	3.7	3.5
<b>New private banks</b>									
Axis Bank	3.9	4.0	3.9	3.8	3.8	3.8	3.8	3.7	3.6
Bandhan Bank	6.7	6.6	6.7	7.1	7.1	7.0	6.5	6.1	5.9
DCB Bank	3.5	3.4	3.2	3.3	3.1	3.1	3.1	3.0	3.0
HDFC Bank	4.1	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.4
ICICI Bank	4.8	4.6	4.5	4.4	4.4	4.3	4.3	4.3	4.3
IndusInd Bank	4.2	4.3	4.4	4.3	4.1	4.0	3.8	2.2	3.4
Yes Bank	2.9	2.8	2.8	2.8	2.8	2.8	2.7	2.8	2.9
<b>Small finance banks</b>									
AU Small Finance Bank	5.6	5.5	5.5	5.2	6.2	6.1	5.9	5.7	5.3
Equitas Small Finance Bank	8.8	8.5	8.4	8.1	7.9	7.5	7.4	7.3	
Ujjivan Small Finance Bank	9.8	9.4	9.2	9.8	9.6	9.3	8.4	7.8	7.4
Utkarsh Small Finance Bank	9.1	9.4	9.9	10.0	9.7	9.0	7.5	6.2	

Source: Companies, Kotak Institutional Equities estimates

### NPLs and slippages are broadly under control; select banks have reported sharp increase in slippages qoq

Exhibit 18: Trend in gross NPLs, net NPLs and slippages, March fiscal year-ends, 2024-25 (%)

	Gross NPLs (%)					Net NPLs (%)					Slippages (%)				
	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
<b>Public banks</b>															
Bank of Baroda	2.9	2.5	2.4	2.3	2.3	0.7	0.6	0.6	0.6	0.6	1.1	1.2	1.0	1.1	1.2
Canara Bank	4.1	3.7	3.3	2.9	2.7	1.2	1.0	0.9	0.7	0.6	1.4	1.0	1.0	1.0	0.8
Punjab National Bank	5.0	4.5	4.1	4.0	3.8	0.6	0.5	0.4	0.4	0.4	0.8	0.9	0.7	1.1	0.7
State Bank of India	2.2	2.1	2.1	1.8		0.6	0.5	0.5	0.5		0.9	0.5	0.4	0.4	
Union Bank	4.5	4.4	3.9	3.6	3.5	0.9	1.0	0.8	0.6	0.6	1.0	2.3	0.8	1.1	1.0
<b>Old private banks</b>															
City Union Bank	3.9	3.5	3.4	3.1	3.0	1.9	1.6	1.4	1.3	1.2	1.5	1.5	1.7	2.1	1.5
Federal Bank	2.1	2.1	2.0	1.8		0.6	0.6	0.5	0.4		0.8	0.8	0.9	0.9	
Karur Vysya Bank	1.3	1.1	0.8	0.8	0.7	0.4	0.3	0.2	0.2	0.2	0.9	0.9	0.7	0.9	0.9
<b>New private banks</b>															
Axis Bank	1.5	1.4	1.5	1.3	1.6	0.3	0.3	0.4	0.3	0.5	2.0	1.8	2.1	1.8	3.1
Bandhan Bank	4.2	4.7	4.7	4.7	5.0	1.2	1.3	1.3	1.3	1.4	3.2	3.5	5.0	5.3	4.5
DCB Bank	3.3	3.3	3.1	3.0	3.0	1.2	1.2	1.2	1.1	1.2	3.6	3.7	3.6	3.1	4.6
HDFC Bank	1.3	1.4	1.4	1.3	1.4	0.4	0.4	0.5	0.4	0.5	1.3	1.3	1.4	1.2	1.4
ICICI Bank	2.2	2.0	2.0	1.7	1.7	0.4	0.4	0.4	0.4	0.4	2.0	1.7	1.9	1.6	1.9
IndusInd Bank	2.0	2.1	2.3	3.1	3.6	0.6	0.6	0.7	1.0	1.1	1.8	2.1	2.5	5.5	3.0
Yes Bank	1.7	1.6	1.6	1.6	1.6	0.5	0.5	0.5	0.3	0.3	2.1	2.3	2.3	2.0	2.4
<b>Small finance banks</b>															
AU Small Finance Bank	1.8	2.0	2.3	2.3	2.5	0.6	0.8	0.9	0.7	0.9	2.5	3.3	4.0	3.6	3.8
Equitas Small Finance Bank	2.7	3.0	3.0	2.9		0.8	0.8	1.0	1.0		4.5	5.8	6.5	5.9	
Ujjivan Small Finance Bank	2.5	2.5	2.7	2.2	2.5	0.4	0.6	0.6	0.5	0.7	2.6	3.2	4.6	4.6	4.3
Utkarsh Small Finance Bank	2.8	3.9	6.2	9.4		0.3	0.9	2.5	4.8		4.3	8.3	15.9	16.2	
<b>Total</b>	<b>2.5</b>	<b>2.4</b>	<b>2.3</b>	<b>2.3</b>		<b>0.6</b>	<b>0.6</b>	<b>0.6</b>	<b>0.5</b>						
<b>Public banks</b>	<b>3.2</b>	<b>3.0</b>	<b>2.8</b>	<b>2.8</b>		<b>0.7</b>	<b>0.6</b>	<b>0.6</b>	<b>0.5</b>						
<b>Private banks</b>	<b>1.7</b>	<b>1.7</b>	<b>1.7</b>	<b>1.8</b>		<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>						

Source: Companies, Kotak Institutional Equities

## Most banks reported stable asset quality, with marginal increase in stress in unsecured retail and MSME portfolios

### Exhibit 19: Discussion on asset quality by major lenders, 1QFY26

Banks	Comments on asset quality
Axis Bank	Major discussion focused on technical changes to asset classification criteria that impacted 1QFY26, with reported gross slippages of Rs82 bn (Rs27 bn technical impact). The bank indicated stabilization in retail unsecured segments with improving trends in credit cards and personal loans
Bandhan Bank	Moderate improvement with gross slippages declining to Rs15.5 bn in 1QFY26 from Rs17.5 bn in 4QFY25, primarily driven by an improvement in the EEB segment. The bank expects gradual recovery in the EEB segment over coming months with positive bias in 2HFY26. However, retail and housing segments showed some stress
Bank of Baroda	Asset quality remained robust, with slippages at Rs35 bn versus normalized Rs28-29 bn, mainly due to one large international account and marginal increase in personal loans. MSME segment is seeing majority of slippages but remains secured. Collection efficiency is strong at 98.9%
Canara Bank	The bank showed improved asset quality, with slippage ratio improving to 0.80%, with segment-wise slippages of (1) Rs6.50 bn in agriculture, (2) Rs4 bn in retail and (3) Rs10 bn in MSME. Management expects to exceed guidance targets by September/December 2025
HDFC Bank	Asset quality remains benign across segments, with retail NPA (excluding agri) stable yoy at 82 basis points. Credit costs increased slightly from 29 to 41 bps but remain benign, with June quarters typically elevated due to agricultural seasonality. Management expects eventual normalization and sees no immediate stress on the horizon
ICICI Bank	Asset quality discussions focused on marginal increases in unsecured portfolio slippages over a low base. Management expects the unsecured portfolio to stabilize and gradually improve, with provisions at 10.4% of core operating profit
IndusInd Bank	The bank reported improved gross and net slippages at 0.74% and 0.61% respectively, with microfinance showing elevated but declining stress (Rs8.9 bn slippages), while vehicle finance (Rs7.4 bn), corporate (Rs2.5 bn), and other retail (Rs6.9 bn) showed stable trends. Management expects microfinance stress to normalize in 3-6 months
Union Bank of India	Union Bank reported slippage ratio below 1% for 1QFY26, continuing with the downward trend. The MSME segment showed elevated slippages with NPA percentage increasing from 4.14% to 4.39%, while large corporate and retail segments saw declines. Management expects gross recoveries to continue outweighing slippages

Source: Companies, Kotak Institutional Equities

## IT services companies witnessed continued broad-based weakness

### Exhibit 20: Sequential and yoy growth in c/c revenues of IT companies, March fiscal year-ends, 2024-26

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
<b>Qoq % change in c/c revenues</b>									
HCL Tech	(1.3)	1.0	6.0	0.3	(1.6)	1.6	3.8	(0.8)	(0.8)
Infosys	1.0	2.3	(1.0)	(2.2)	3.6	3.1	1.7	(3.5)	2.6
LTI Mindtree	0.1	1.7	0.7	(1.3)	2.6	2.3	1.8	(0.6)	0.8
Mphasis	(3.5)	—	1.0	2.1	(0.1)	2.4	0.2	2.9	1.0
TCS	—	0.1	1.0	1.1	2.2	0.9	—	(0.8)	(3.3)
Tech Mahindra	(4.2)	(2.4)	1.1	(0.8)	0.7	1.9	1.2	(1.5)	(1.4)
Wipro	(2.8)	(2.0)	(1.7)	(0.3)	(1.0)	0.6	0.1	(0.8)	(2.0)
<b>Yoy % change in c/c revenues</b>									
HCL Tech	7.1	3.4	4.3	6.0	5.6	5.9	4.1	2.9	3.7
Infosys	4.2	2.5	(1.0)	—	2.5	3.3	6.1	4.8	3.8
LTI Mindtree	8.2	4.4	3.1	1.2	3.7	4.4	5.6	6.3	4.4
Mphasis	(8.4)	(11.0)	6.8	(0.4)	3.1	3.1	5.1	5.4	6.5
TCS	7.0	2.8	1.7	2.2	4.4	5.5	4.5	2.5	(3.1)
Tech Mahindra	(0.9)	(5.9)	(5.4)	(6.4)	(1.2)	1.2	1.3	0.3	(1.0)
Wipro	1.1	(4.8)	(6.9)	(6.6)	(4.9)	(2.3)	(0.7)	(1.2)	(2.3)

Source: Companies, Kotak Institutional Equities



**Most IT services companies saw a modest decline in profitability on a qoq basis**
**Exhibit 21: EBIT margins of IT services companies under KIE coverage, March fiscal year-ends, 2024-26 (%)**

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Coforge	11.5	11.9	13.8	14.4	13.6	11.7	11.8	13.2	13.1
Cyient	14.7	14.6	14.3	14.4	11.9	12.5	11.0	12.3	9.5
HCL Technologies	17.0	18.5	19.8	17.6	17.1	18.6	19.5	17.9	16.3
Hexaware Technologies	NA	NA	NA	13.0	12.3	13.3	13.1	14.2	10.1
Indegene	NA	NA	19.5	17.9	16.1	15.5	17.7	16.8	17.1
Infosys	20.8	21.2	20.5	20.1	21.1	21.1	21.3	21.0	20.8
KPIT Technologies	15.9	16.0	16.6	16.7	17.3	17.0	17.2	17.3	17.0
L&T Technology Services	17.2	17.1	17.2	16.9	15.6	15.1	15.9	13.2	13.3
LTIMindtree	16.7	16.0	15.4	14.7	15.0	15.5	13.8	13.8	14.3
Mphasis	15.4	15.5	14.9	14.9	15.0	15.4	15.3	15.3	15.3
Persistent Systems	14.9	13.7	14.5	14.5	14.0	14.0	14.9	15.6	15.5
RateGain	12.3	15.3	16.5	17.5	15.5	18.6	19.1	20.0	
Tata Elxsi	27.1	27.1	26.8	25.8	26.4	25.1	23.5	20.1	18.2
Tata Technologies	18.0	14.8	16.2	16.2	15.9	15.9	15.5	15.7	13.6
TCS	23.2	24.3	25.0	26.0	24.7	24.1	24.5	24.2	24.5
Tech Mahindra	6.8	4.7	5.4	7.4	8.5	9.6	10.2	10.5	11.1
Wipro	15.1	14.8	14.8	15.9	16.4	16.7	17.4	17.4	16.1

Source: Companies, Kotak Institutional Equities

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**ADD.** We expect this stock to deliver 5-15% returns over the next 12 months.

**REDUCE.** We expect this stock to deliver -5+5% returns over the next 12 months.

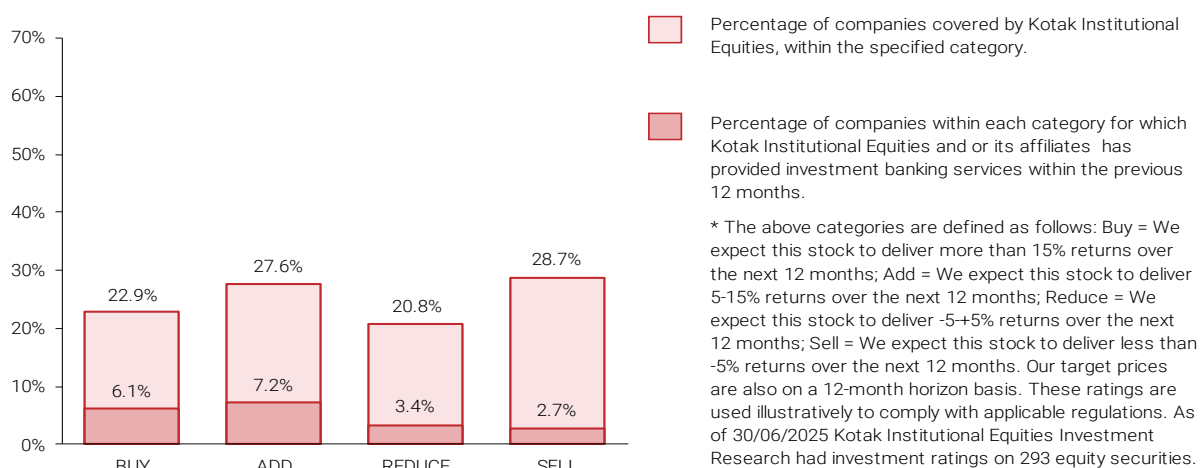
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