Q2FY26 Consolidated Preview

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Axis Securities Equity Research

A TRANSITION QUARTER BEFORE GROWTH PICKS UP

The Q2FY26 earnings season was marked with interesting events: 1) Mixed trends in US policies, 2) Indian currency depreciation, 3) Slower uptick in exports, 4) GST 2.0 announcement and implementation, 5) A normal and well-distributed monsoon, and 6) Good Reservoir levels. All these developments suggest that the Q2FY26 earnings season is likely to exhibit a mixed trend, broadly in line with previous quarters that witnessed a relatively soft performance. Some breather is expected in Q2FY26, led by sequential improvement in some of the pockets of high-frequency indicators; however, the broader consumption demand could still take one more quarter to get back on track and to undergo a complete inventory adjustment. Most of the significant developments are expected in the second half of the current financial year, leading to a potential improvement in economic momentum. Overall, the improvement in earnings is expected in certain pockets like Telecom, Industrials, Materials, Utilities, and Consumer Discretionary. On the other hand, Banks, Staples, and certain pockets of Pharma would continue to face some pressure. Based on our and consensus estimates, we forecast Nifty to deliver Revenue/EBITDA/PAT growth of 9%/4.8%/8% YoY, respectively, for the quarter. Moreover, excluding Interglobe Aviation, Nifty PAT is expected to grow by 6.5% YoY.

India's domestic economy well-positioned: Despite external risks, India's domestic growth trajectory remains intact, with key macroeconomic factors supporting a stronger FY26 compared to FY25. On a YTD basis, the Indian market has underperformed the US market and other emerging markets by a notable margin. FTSE India is now trading at a PE premium of 49% to the EM index (PE), vs. an average premium of 44%. During Sep'24, the Indian market traded at a 97% PE premium to EM. And now, after the correction, it is trading at a 49% premium, which looks attractive compared to the past. That said, relative valuation stabilisation does not necessarily translate into an immediate rally in the current scenario. Markets are expected to track the following four key parameters, in addition to various other developments: 1) Progress on US trade deal negotiations, 2) Revival of the earnings growth cycle, which is likely to start from Q3FY26 onwards, 3) Revival in a credit growth cycle, and 4) Transmission of fiscal and monetary benefits into consumption growth.

Key Highlights for Q2FY26:

NIM pressure likely to reduce sequentially for most of the Banks: We expect NIMs to bottom out in Q2FY26. Margin compression will continue during the quarter, reflecting the full impact of the 100bps rate cut. However, the quantum is expected to be lower sequentially for most banks. We would watch out for management optimism on growth pick-up (likely in H2FY26 and onwards). This will be supported by a) GST-rate rationalization, driving consumption demand, b) Income tax rate cut, and c) Pick-up in unsecured credit, with headwinds easing gradually.

Higher pricing to boost margin in cement: Cement demand in Q2FY26 is expected to show single-digit YoY growth due to seasonal monsoon weakness, following robust 12% volume growth observed in Jul'25. Rural demand is likely to outperform urban, supported by above-average monsoon and wage growth, while infrastructure spending continues to support overall volumes.

Channel-level disruption is expected in Consumption: While GST 2.0 reforms are structurally positive and are expected to drive long-term formalisation and consumption growth, the transition phase caused temporary disruptions across trade channels as distributors adjusted inventories to align with the revised tax framework.

Strong volume growth in the Automobile sector: We expect EBITDA/PAT for our OEM coverage universe to grow by 11.2%/21.2% YoY on account of GST rate cut, subdued commodity inflation, and favourable regulatory norms. The revenue growth is largely led by low to mid-single-digit industry growth for 2W/PVs/CVs and double-digit volume growth in the tractor industry. The anticipated YoY decline in EBITDA margin is attributed to higher discounts and increased advertisement spending, partially offset by a favourable product mix driven by higher exports and price hikes implemented over the past year.

IT Sector moderate growth, Recovery ahead: The IT Services sector is anticipated to report moderate growth in Q2FY26, driven by a lack of improvement in demand, a steady deal pipeline, and uncertainties in macroeconomic conditions such as Trump tariffs, H1-B visa restrictions, the proposed US HIRE bill, and the ongoing trade war. Over the last few quarters, clients of Indian IT Services companies have been reducing IT budgets due to economic uncertainty, particularly in the US and Europe. Management guidance remains critical at the current juncture.

***OUR TOP 9 "TRADING BUYs" Earnings Play*: Bajaj Finance, Dalmia Bharat, Kalpataru Projects, Kirloskar Brothers, TVS Motors, Coforge, Lupin, Fortis Healthcare and V-Mart**

***Note*:* *Returns expectations: 5-10%. Recommendations given in this report may differ from our long-term stock recommendations, which are based on a one-year target.*

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Quarterly Preview for Nifty 50 – Q2FY26

	Revenue					EBITDA					PAT				
Sector	Q2FY26E	Q1FY26	QoQ%	Q2FY25	YoY%	Q2FY26E	Q1FY26	QoQ%	Q2FY25	YoY%	Q2FY26E	Q1FY26	QoQ%	Q2FY25	YoY%
Auto & Auto Ancillary	481725	501148	-3.9%	431519	11.6%	62374	66268	-5.9%	59411	5.0%	52721	45582	15.7%	47833	10.2%
Banks	113200	114964	-1.5%	112281	0.8%	84306	102108	-17.4%	86532	-2.6%	52671	59176	-11.0%	57162	-7.9%
Consumer Disc	177224	178370	-0.6%	158345	11.9%	20738	20574	0.8%	17594	17.9%	13033	12025	8.4%	10900	19.6%
Consumer Staples	87049	88212	-1.3%	81015	7.4%	17291	16989	1.8%	17201	0.5%	11791	11404	3.4%	12197	-3.3%
Financials	16840	15999	5.3%	14302	17.7%	13278	12679	4.7%	11292	17.6%	7137	6921	3.1%	6083	17.3%
Healthcare	220613	214924	2.6%	206021	7.1%	51996	53789	-3.3%	50773	2.4%	34232	30243	13.2%	37355	-8.4%
Industrials	158060	154961	2.0%	132270	19.5%	59196	61253	-3.4%	50089	18.2%	35498	37254	-4.7%	28029	26.6%
Insurance	43113	32694	31.9%	37343	15.5%						2028	1640	23.7%	1880	7.9%
IT	177133	171551	3.3%	169704	4.4%	35866	34284	4.6%	34409	4.2%	29011	28052	3.4%	27154	6.8%
Materials	27026	30495	-11.4%	23255	16.2%	3231	4790	-32.5%	2348	37.6%	1996	2106	-5.2%	1580	26.3%
Metals & Mining	195778	196402	-0.3%	182461	7.3%	31722	35604	-10.9%	28227	12.4%	13903	17137	-18.9%	11653	19.3%
Oil & Gas	279000	278600	0.1%	265400	5.1%	63500	56900	11.6%	56100	13.2%	31900	26900	18.6%	31600	0.9%
Telecom	51738	49463	4.6%	41473	24.7%	15895	15374	3.4%	10846	46.6%	7926	7422	6.8%	3300	140.2%
Utilities	56828	56995	-0.3%	54956	3.4%	22139	20700	7.0%	38737	-42.8%	7972	7571	5.3%	6544	21.8%
Transport	183166	204963	-10.6%	169696	7.9%	21122	52046	-59.4%	16178	30.6%	-6610	21611	-130.6%	-9888	-33.2%
Total	**2268494**	**2289742**	**-0.9%**	**2080041**	**9.1%**	**502654**	**553357**	**-9.2%**	**479737**	**4.8%**	**295209**	**315042**	**-6.3%**	**273383**	**8.0%**
Total Ex Interglobe Aviation	**2085328**	**2084779**	**0.0%**	**1910345**	**9.2%**	**481532**	**501311**	**-3.9%**	**463559**	**3.9%**	**301819**	**293431**	**2.9%**	**283271**	**6.5%**

Source: Axis Securities, Bloomberg, Note: Data in Cr, NC – not comparable, Adani Enter., Jio Financials, and Bajaj Finserv are not included in the calculation.

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