

ECHO



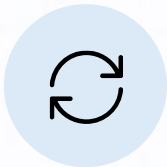
EARNINGS, CYCLES & HOUSE OUTLOOK

Decoding Corporate India's Earnings Cycle

June 2026



EARNINGS
INSIGHTS



CYCLE
ANALYSIS



SECTORAL
PERSPECTIVE



HOUSE
OUTLOOK



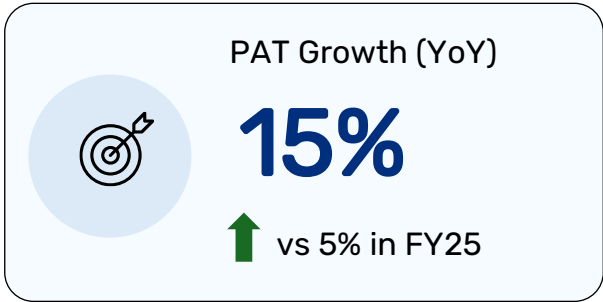
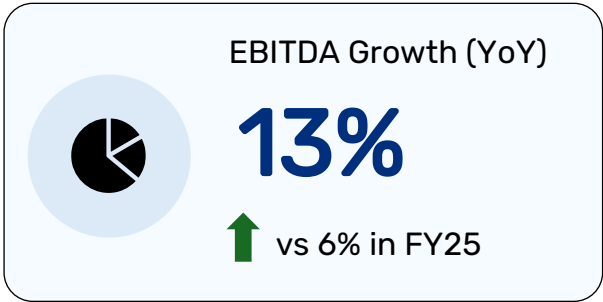
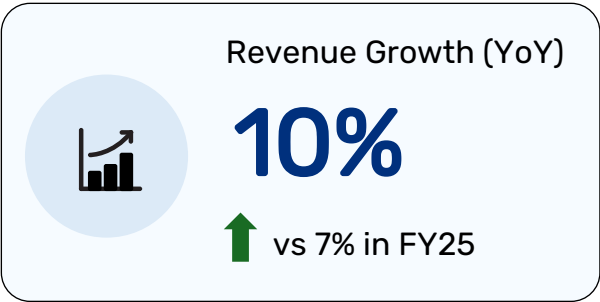
PORTFOLIO
POSITIONING



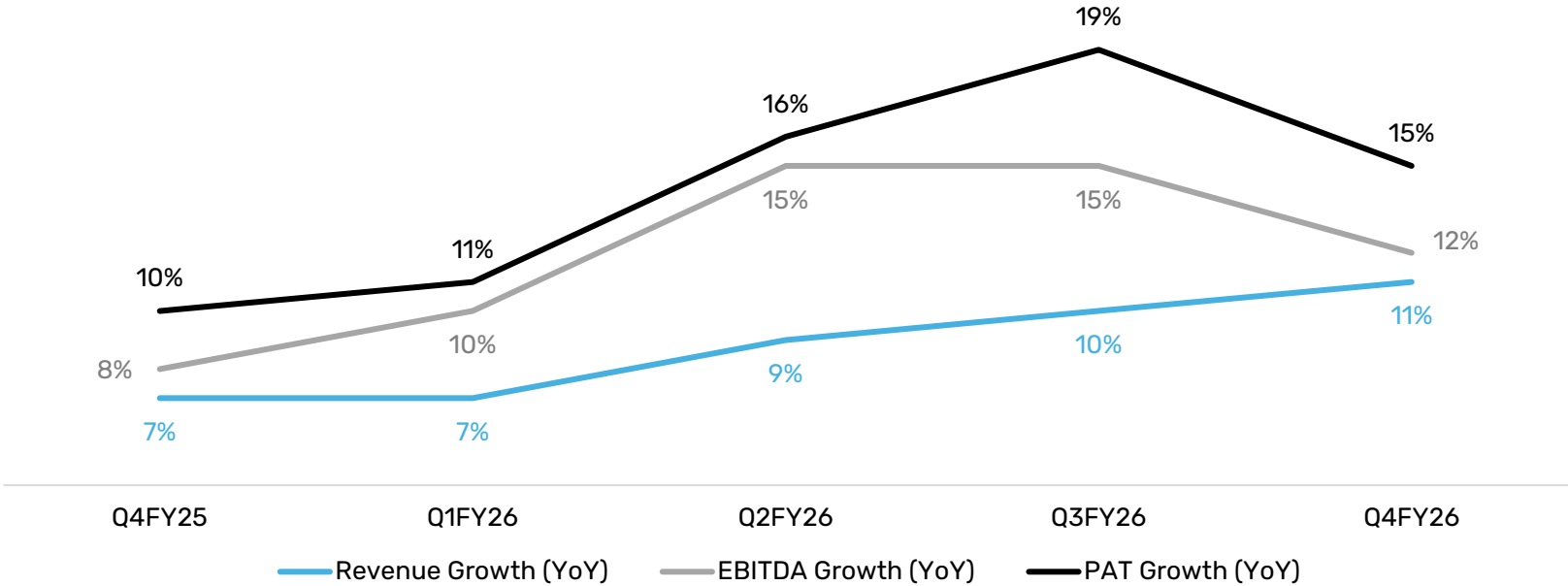
EARNINGS

BSE500 Results Snapshot

Earnings momentum remains healthy



EARNINGS GROWTH TREND (YoY)



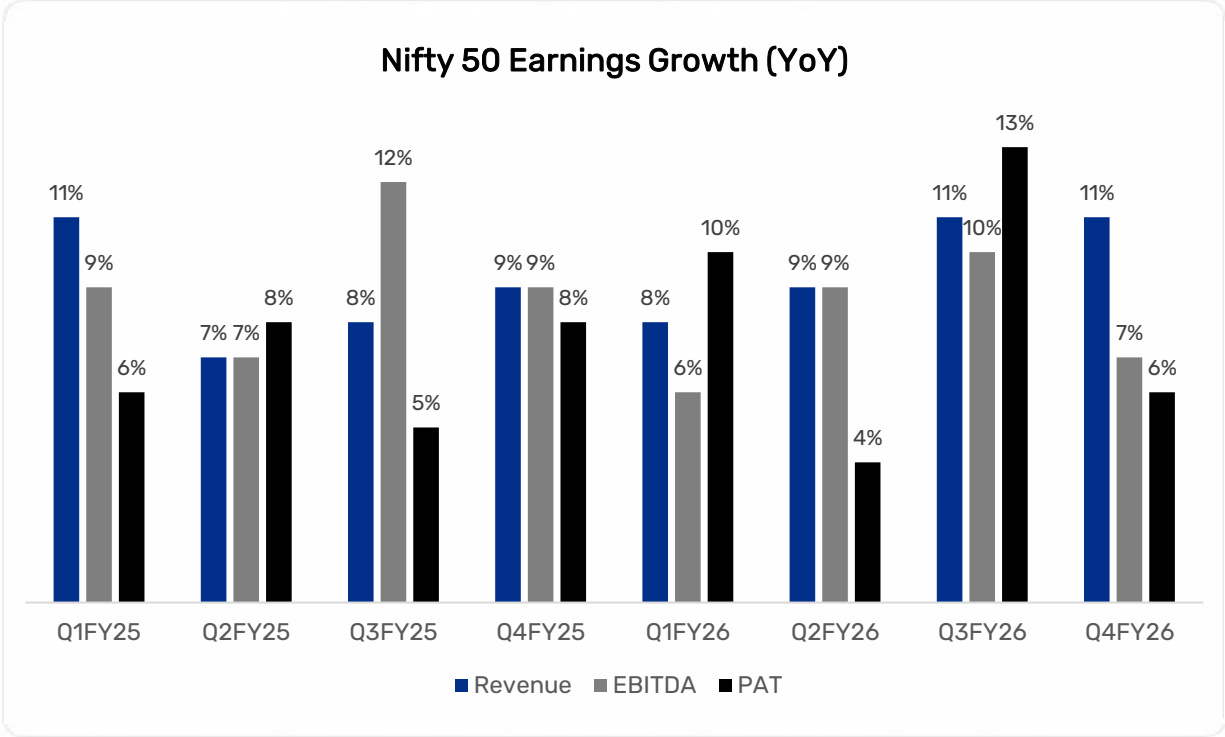
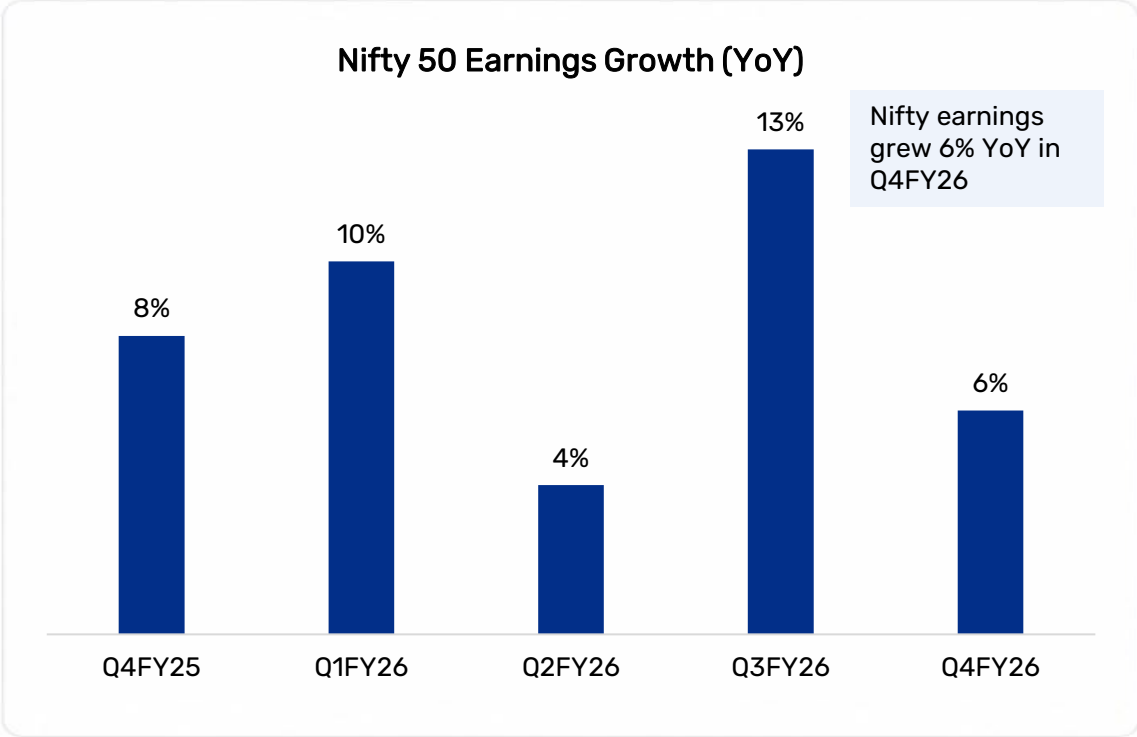
KEY INSIGHT

Revenue growth remained resilient despite geopolitical uncertainty, while EBITDA and PAT continued to outperform FY26 averages.

Source: Avendus Spark. Data pertaining to Q4FY26. Past performance may or may not be sustained in future.

Nifty 50 Results Snapshot

Earnings growth broadens; demand-led recovery gains traction



Key Takeaways

Growth is no longer the primary constraint for corporate India.

Stronger demand drove the fastest revenue growth in seven quarters, despite heightened geopolitical uncertainty.

However, profits lagged as earnings conversion remained weak.

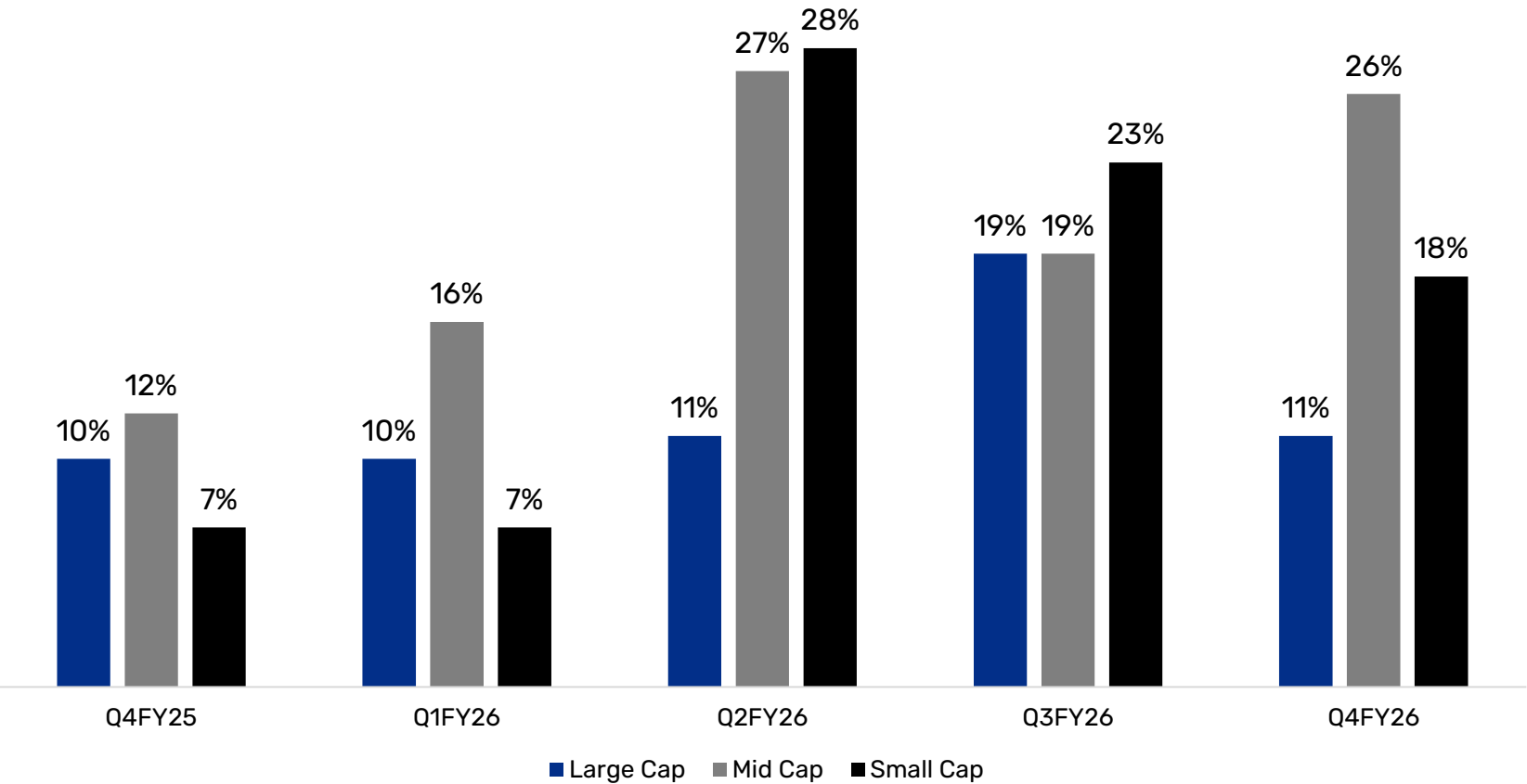
A mix of sector-specific margin pressures, forex losses and lower treasury gains weighed on profitability.

Source: Avendus Spark. Data pertaining to Q4FY26. Past performance may or may not be sustained in future.

Earnings growth by Market Cap

Recovery broadens across market caps: Mid caps lead the outperformance

BSE500 Earnings Growth by Market Cap (% YoY)



KEY TAKEAWAY



The earnings recovery was no longer confined to large-cap leaders.



Mid cap earnings (26%) outperformed both small and large caps. The outperformance was driven by a combination of healthy business momentum and improved profitability, resulting in stronger earnings conversion than peers.

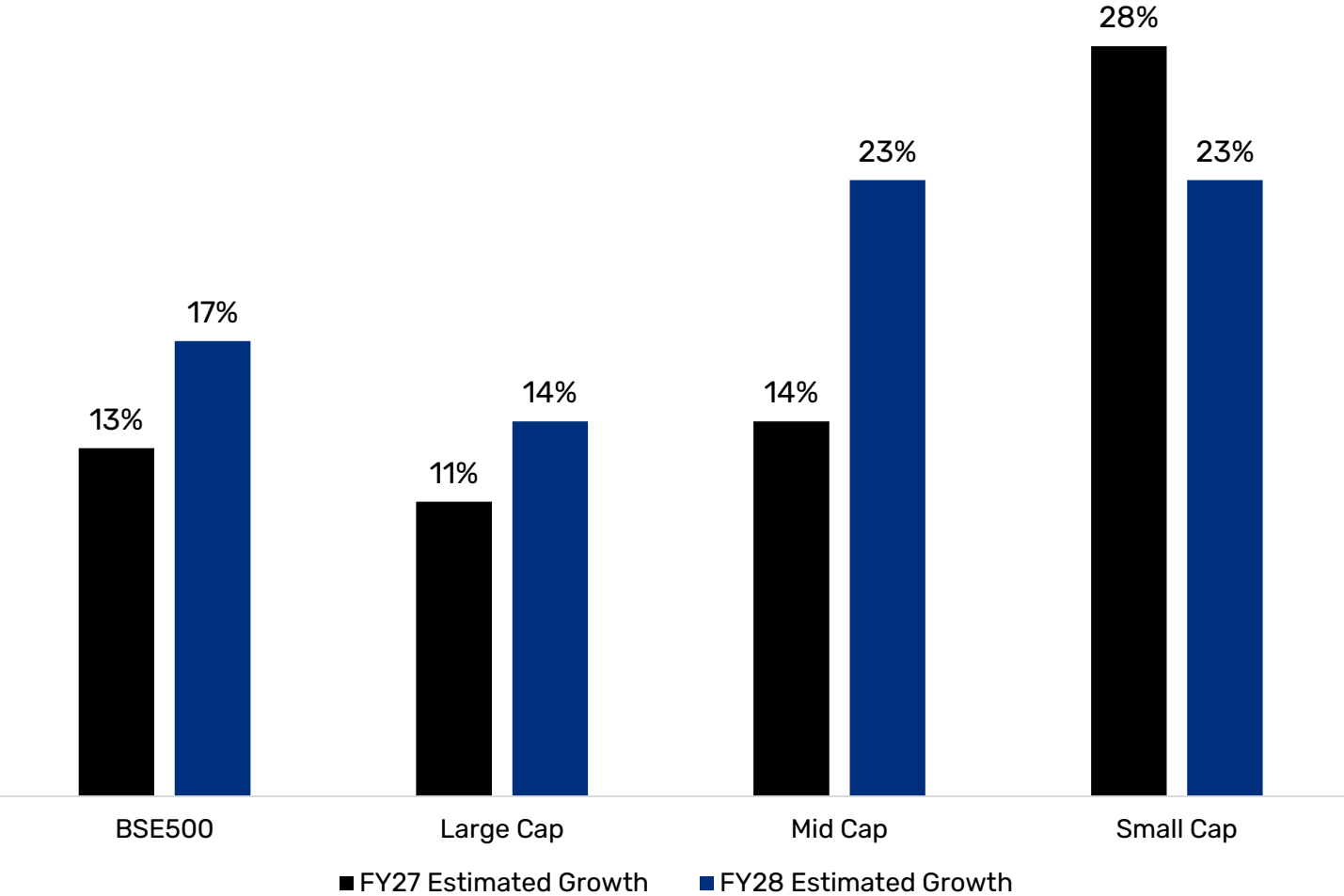


Small caps reported healthy earnings growth as well, although the improvement was less pronounced than in midcaps.

Source: Avendus Spark. Data pertaining to Q4FY26. Past performance may or may not be sustained in future.

Earnings estimates for FY27 and FY28

FY27 and FY28 Estimated Growth



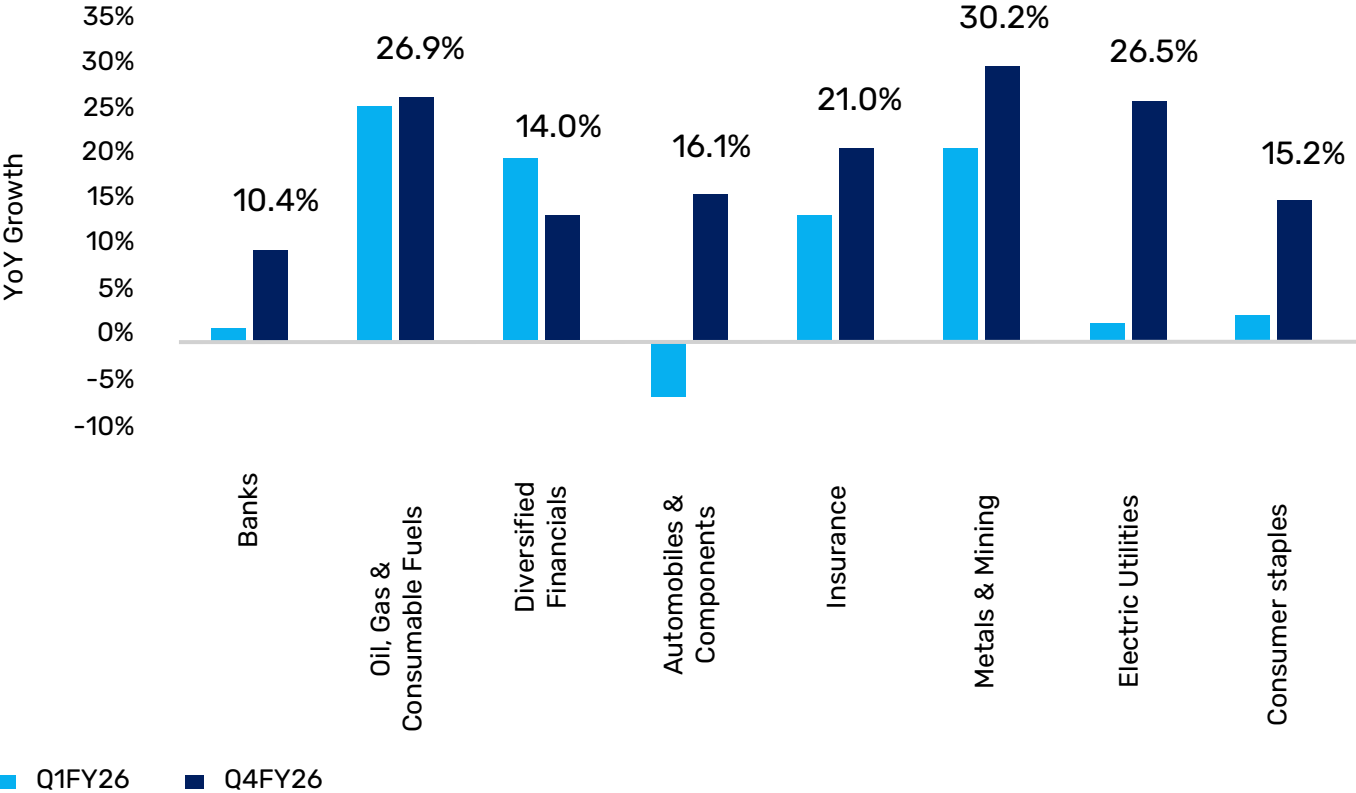
KEY INSIGHT

- The West Asia conflict could weigh on corporate earnings over the next 1-2 quarters through higher input, energy and logistics costs.
- However, the impact is largely viewed as cyclical rather than structural.
- Medium-term earnings expectations remain constructive, supported by resilient domestic demand and healthy business fundamentals, with the pace of margin recovery and the duration of geopolitical tensions remaining the key monitorables.

Source: Avendus Spark. Estimates for FY27 and FY28.

CYCLES

NIFTY 500 Index witnessed a robust earnings growth supported by key sectors



KEY TAKEAWAY

- ✓ Q4FY26 earnings growth was broad-based, led by financials, metals, utilities and domestic cycles.
- ✓ While commodity-linked sectors remained the largest contributors, improving trends in consumption, healthcare and financial services point towards a broader recovery in corporate profitability.

Source: Kotak Institutional Securities. Data pertaining to Q4FY26. Past performance may or may not be sustained in future.

1 Banking and Financial Services



Banks

- ✓ Credit growth improved across corporate and SME segments.
- ✓ Asset quality trends remained benign across private and PSU banks.
- ✓ Margin expansion on YoY basis; rate cut transmission gradual due to slower deposit repricing.



Diversified Financials

- ✓ Healthy loan growth and lower funding costs supported earnings.
- ✓ Improvement in asset quality and NIMs strengthened profitability.



Insurance

- ✓ Premium growth remained healthy, driven by traction in traditional products.
- ✓ Value of new business expanded, reflecting improving business quality.



KEY TAKEAWAY

Financials delivered a steady performance with strong credit growth, benign asset quality and healthy profitability. Rate transmission remains gradual, while operating leverage and improving business quality continue to support earnings.

Source: Internal Analysis. Data pertaining to Q4FY26.

2 Domestic growth businesses



Automobiles & Auto Components

- ✓ Growth was broad-based and supported by structural tailwinds, including improved affordability following the GST 2.0 rate cuts and lower interest rates.
- ✓ Year-end dispatches and seasonal demand provided an additional boost to volumes.



Consumer Staples

- ✓ Lower inflation and GST benefits improved affordability and aided volume growth.
- ✓ Policy measures aimed at supporting consumption, strengthened demand conditions.



Healthcare Services

- ✓ Diagnostics volumes recovered, supported by wellness demand and higher footfalls.
- ✓ Hospitals benefited from healthy occupancy and higher revenue per occupied bed.



KEY TAKEAWAY

Domestic demand continues to drive earnings across key sectors, supported by improving affordability, policy support and stronger footfalls. This trend is likely to sustain, providing a solid foundation for earnings growth ahead.



Source: Internal Analysis. Data pertaining to Q4FY26.

3 Cyclical and Commodities



Metals & Mining

- ✓ Increasing commodity prices, stronger realizations and healthy demand supported earnings growth.
- ✓ Non-ferrous players were key beneficiaries of improving pricing trends.



Oil & Gas

- ✓ Earnings remained robust despite moderation from earlier highs.
- ✓ Rising crude prices and inventory effects impacted margins, though underlying demand remained healthy.



Utilities

- ✓ Higher electricity demand during the summer season supported revenue and earnings.
- ✓ Improved utilization levels aided earnings recovery across the sector.



KEY TAKEAWAY

Cyclicals and commodities remained key contributors to earnings growth, driven by favourable pricing trends, steady demand and improved operating performance across the sector.



Source: Internal Analysis. Data pertaining to Q4FY26.



IT Services

- ✓ Earnings aided by currency, but underlying demand remained soft.
- ✓ Management commentary remains cautious on discretionary spending and AI-led pricing pressures.



Pharmaceuticals

- ✓ Domestic formulations and CDMO businesses delivered healthy growth.
- ✓ Pricing pressure persisted in US generics, though medium-term outlook remains constructive.



KEY TAKEAWAY

Export-oriented sectors showed a mixed trajectory. IT services remained cautious amid soft demand, while pharmaceuticals continued to deliver healthy growth despite ongoing pricing pressures.



Source: Internal Analysis. Data pertaining to Q4FY26.

HOUSE OUTLOOK

Our Portfolio Positioning

SECTOR	VIEW	POSITIONING
 Private Banks	Fill selling at historically extreme levels which presents a classic contrarian opportunity. Interest rates are bottoming out while credit growth is picking up. Valuations remain reasonable vs. history. Our sector rotation model signals early signs of leadership shifting to Private Banks over the next 3-6 months.	 OVERWEIGHT
 Healthcare	Structural industry tailwinds drive long-term growth for CRAMS, hospitals, diagnostics, and wellness. US Generics-focused pharma may see near-term headwinds due to tariff, but India being one of the lowest-cost drug manufacturers globally remains a durable, structural advantage.	 OVERWEIGHT
 Industrials	Government capex continues to remain strong despite moderation in intensity. Transition towards sustainable energy and grid upgradation bodes well for power and power equipment sub-sectors. Companies within these segments remain structurally well-positioned for multi-year growth.	 OVERWEIGHT
 Consumer Discretionary	Pick-up in demand is slower than expected in auto sector. Premiumization continues post-COVID with strong growth in luxury real estate, travel, and tourism. Tax cuts and 8th Pay Commission should support broader consumption weight, but catalyst timelines remain uncertain.	 NEUTRAL
 FMCG	Improving demand trajectory expected from income tax cuts and likely 8th Pay Commission implementation. However, growth rates still remain lower than other sectors. Cyclical uptick in macro augurs a look at faster-growing sectors. Other sectors appear relatively more favourable over FMCG at current valuations.	 UNDERWEIGHT
 IT	Global policy uncertainty looms on IT at a time when companies were already struggling for growth recovery. Worries on stagflation in the US have created a frugal setup towards technology investments. Demand signals remain cautious in the near-term. We await improved demand visibility before adding exposure.	 UNDERWEIGHT

Source: Internal Analysis. Data pertaining to Q4FY26.

Disclaimer

This document should not be treated as endorsement of the views/opinions or as an investment advice. This document should not be construed as a research report or a recommendation to buy or sell any security. This document alone is not sufficient and should not be used for the development or implementation of an investment strategy. The recipient should note and understand that the information provided above may not contain all the material aspects relevant for making an investment decision. The decision of the Investment Manager may not always be profitable; as such decisions are based on the prevailing market conditions and the understanding of the Investment Manager. Actual market movements may vary from the anticipated trends. Neither Bajaj Finserv Mutual Fund / Bajaj Finserv Mutual Fund Trustee Limited / Bajaj Asset Management Limited (Formerly known as Bajaj Finserv Asset Management Limited) nor its Directors or employees shall be liable for any damages whether direct or indirect, incidental, punitive special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. Investors are advised to consult their own investment advisor before making any investment decision in light of their risk appetite, investment goals and horizon. This information is subject to change without any prior notice.

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.