

ECHO

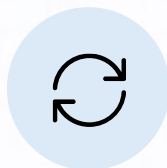
EARNINGS, CYCLES & HOUSE OUTLOOK

Decoding Corporate India's Earnings Cycle

Q1FY27



EARNINGS
INSIGHTS



CYCLE
ANALYSIS



SECTORAL
PERSPECTIVE



HOUSE
OUTLOOK



PORTFOLIO
POSITIONING



EARNINGS



BSE500 Results Snapshot

Earnings momentum remains healthy

Revenue Growth (YoY)



12%

↑ vs 12% in FY25

EBITDA Growth (YoY)



12%

↑ vs 11% in FY25

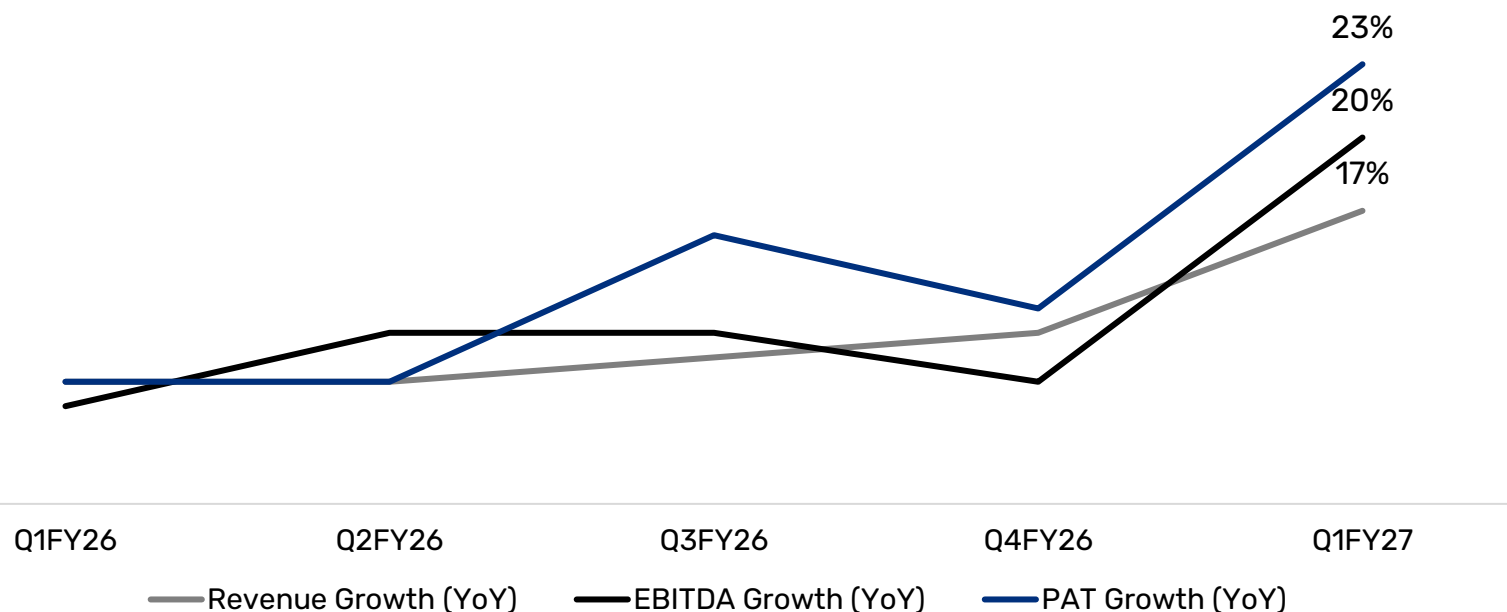
PAT Growth (YoY)



13%

↑ vs 10% in FY25

Earnings Growth Quarterly Trend



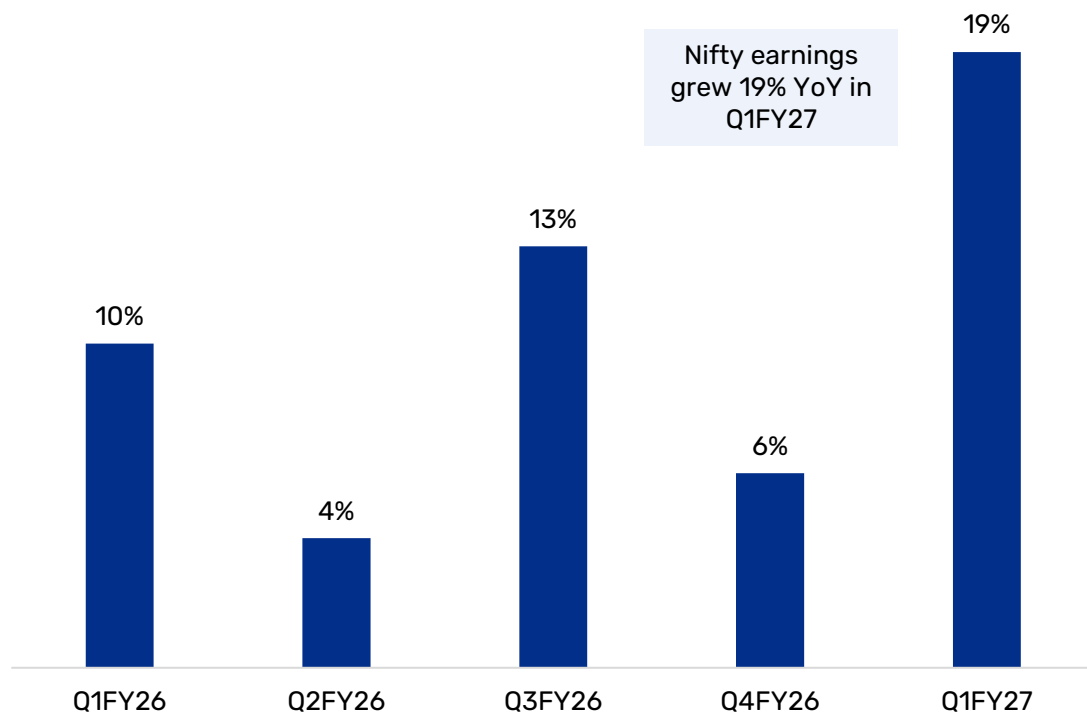
KEY INSIGHT

The simultaneous acceleration in BSE500 revenue, EBITDA and PAT with profits outpacing sales signals a demand-led earnings recovery supported by improving operating leverage.

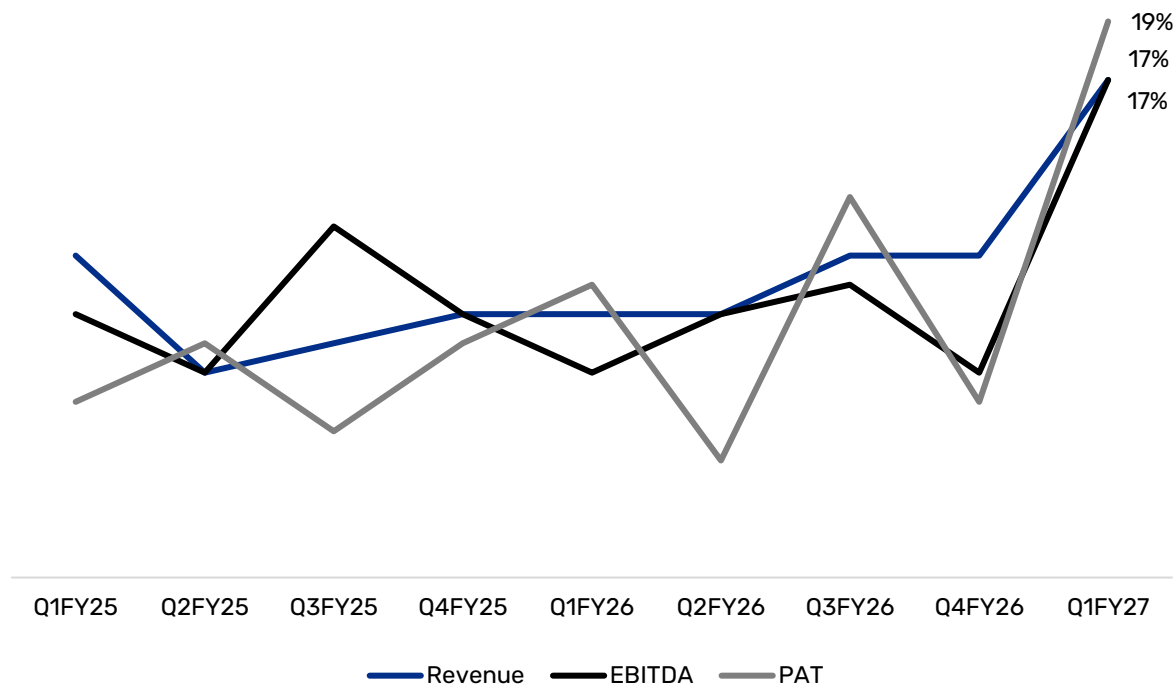
Nifty 50 Results Snapshot

Earnings growth broadens; demand-led recovery gains traction

Nifty 50 Earnings Growth (YoY)



Nifty 50 Earnings Growth Trend (YoY)



Key Takeaways



Nifty 50 recorded its strongest revenue growth in 12 quarters, with volumes remaining healthy despite price increases.



EBITDA kept pace with revenue, indicating stable operating margins, while PAT growth accelerated further.



Five heavyweights contributed around 60% of incremental profits, led by commodity-linked and telecom companies, while financials provided broader support through credit growth and improving asset quality.

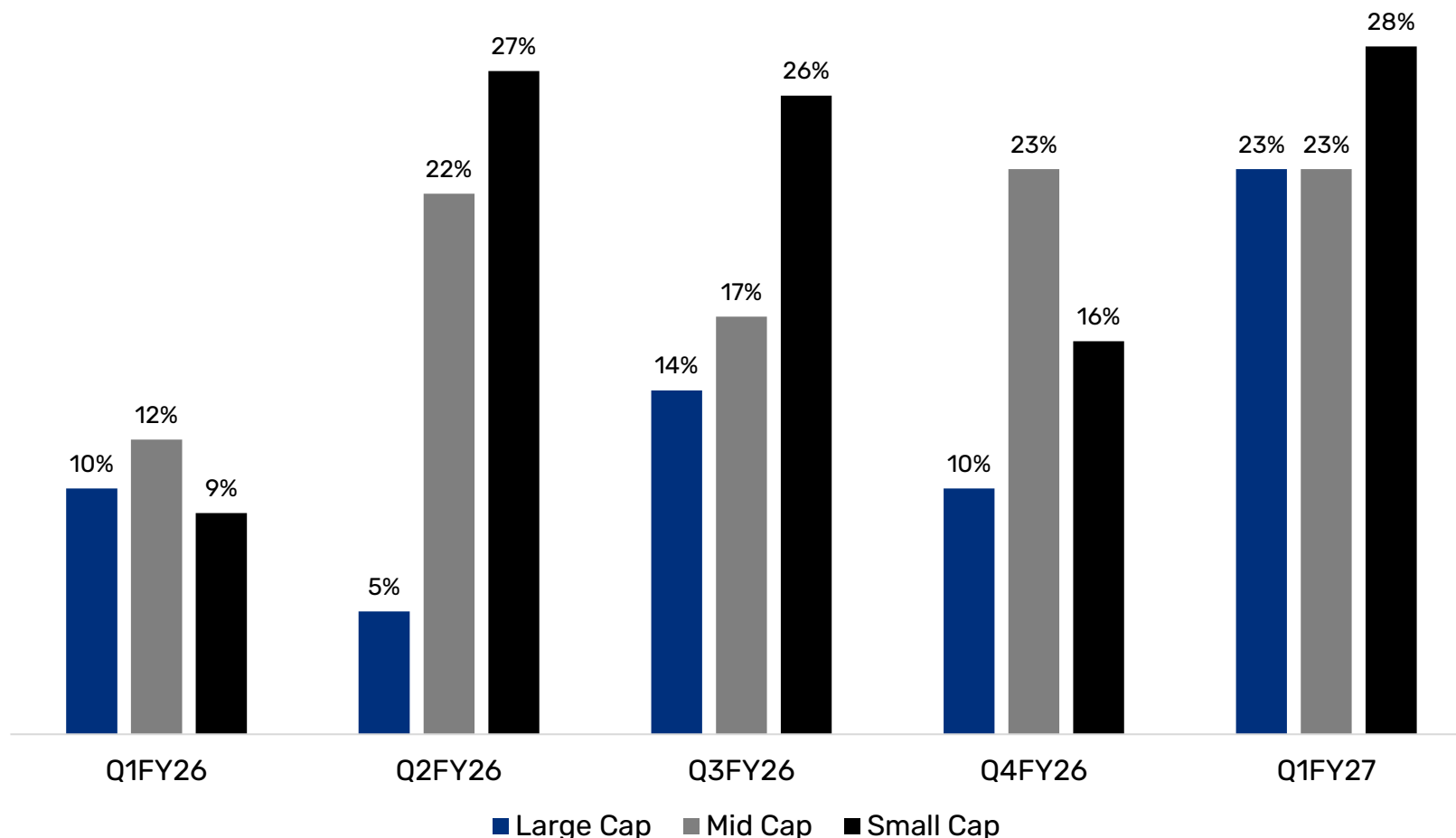


Sustainability will depend on volumes translating into stronger margins and continued earnings upgrades.

Earnings growth by Market Cap

Large caps catch up as earnings growth broadens

Earnings Growth across market caps (YoY)



KEY TAKEAWAY

- Large caps recorded the sharpest acceleration, with earnings growth rising from 10% in 4QFY26 to 23%. This catch-up strengthens the overall quality and breadth of the earnings cycle.
- Mid cap earnings growth remained steady at 23%, while small caps accelerated from 23% to 28%, retaining their leadership.
- Small cap earnings remained relatively more dispersed, with a higher proportion of companies reporting EBITDA contraction. With earnings-growth differentials narrowing, valuations and company-level execution become increasingly important for market-cap allocation.

Strong Q1 Earnings Reinforce FY27 and FY28 Estimates

	FY27E		FY28E	
	Pre 1Q	Post 1Q	Pre 1Q	Post 1Q
BSE500	17%	17% →	16%	16% →
Large Cap	15%	15% →	14%	14% →
Mid Cap	21%	21% →	20%	20% →
Small Cap	29%	28% ↓	23%	24% ↑



KEY TAKEAWAY

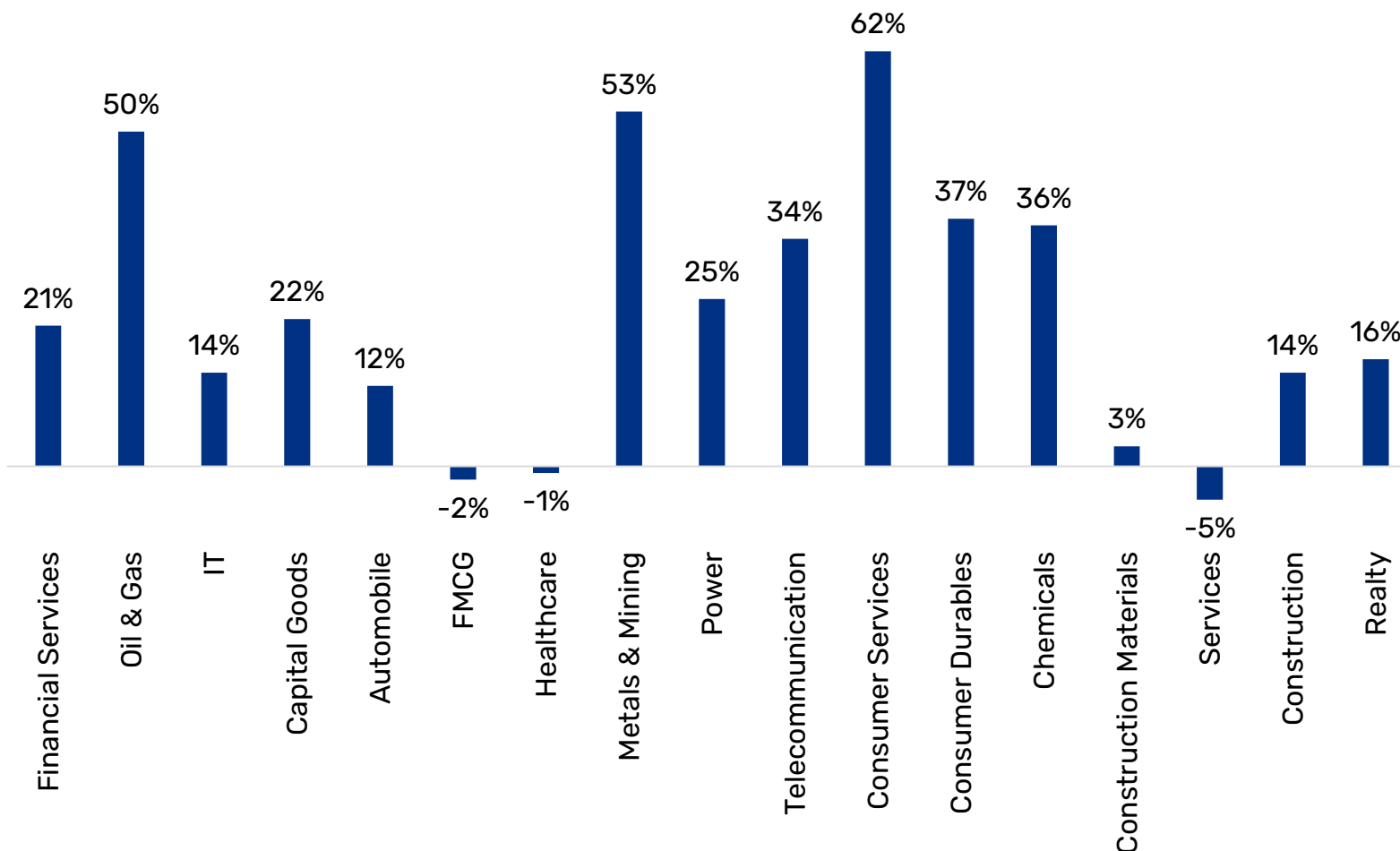
- Strong volume-led performance and improved earnings conversion have kept FY27 expectations intact, with upgrades outnumbering downgrades and most companies retaining guidance.
- Estimates remained stable across the BSE500, large caps and mid caps, while small caps retain the highest growth outlook despite some earnings shifting to FY28.
- FY28E growth remains healthy but moderates from a strong base; sustainability will depend on domestic demand, investment, employment and exports, with West Asia tensions remaining a key risk.

CYCLES



Sectoral Snapshot

Earnings Growth Sector-wise (YoY)



KEY TAKEAWAY

PAT growth was led by consumer services and commodity-linked sectors, with telecom, chemicals and consumer durables adding breadth.



Banking and Financial Services



Banks

- ✓ Loan growth improved QoQ and YoY, led by corporate and SME lending.
- ✓ Benign asset quality across private and PSU banks was a positive.
- ✓ Margins improved YoY, but QoQ growth remained low as lending yields repriced longer than deposit costs following the earlier rate cuts.



Diversified Financials

- ✓ Loan growth remained strong, supported by a seasonally strong Q1 for NBFCs.
- ✓ Lower borrowing costs following the repo rate reduction improved NIMs.
- ✓ Asset quality improved both QoQ and YoY.



Insurance

- ✓ Life insurers reported an increase in value of new business, especially in traditional products.
- ✓ Premium growth remained healthy, with insurers absorbing the impact of GST 2.0.



KEY TAKEAWAY

Loan growth and asset quality were strong across financials. Lower borrowing costs supported NBFC margins, while slower deposit repricing continued to weigh on banks' sequential margin growth.



Domestic Growth Businesses



Automobiles & Auto Components

- ✓ Growth was broad-based, supported by better affordability after GST 2.0 cuts and lower interest rates.
- ✓ Lower discounting and a favourable product mix improved realisations.
- ✓ Demand remained healthy, but higher raw material costs and an unfavorable currency weighed on margins. Price increases offset some of the pressure.



Consumer Staples

- ✓ GST 2.0 cuts on food, staples and personal care improved affordability and volumes.
- ✓ The West Asia conflict poses a risk, though companies are expected to use pricing power and cost management to support profitability.



Healthcare Services

- ✓ Diagnostics saw a sharp revival and a volume-led beat against expectations, supported by wellness growth and an offline shift.
- ✓ Hospitals maintained healthy occupancy positive growth in revenue per occupied bed.



KEY TAKEAWAY

Improved affordability supported auto- 2 wheeler sales improving faster than 4-wheeler, and staples volumes, while healthcare services showed strong operating trends. For staples, managing costs amid the West Asia conflict is the near-term test.



Cyclicals and Commodities



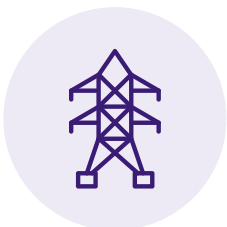
Metals & Mining

- ✓ Firm commodity prices supported earnings momentum in Q1FY26.
- ✓ Ferrous players benefited from seasonally strong volumes and higher realisations.
- ✓ The sharper rise in realisations than input costs made metals a meaningful contributor to incremental profits.



Oil & Gas

- ✓ Earnings grew but margins normalised from elevated previous quarters.
- ✓ Marketing margins moderated as higher crude prices and inventory dynamics raised input costs without a commensurate increase in retail fuel prices.



Utilities

- ✓ Steady electricity demand supported an earnings recovery from previous quarters.



KEY TAKEAWAY

Firm prices and realizations supported metals, especially ferrous players. Oil and gas delivered healthy YoY earnings, but higher crude costs pressured margins.



Export-oriented sectors



IT Services

- ✓ INR depreciation against the US dollar was the main driver of earnings growth.
- ✓ Unlike previous quarters, revenue did not beat expectations.
- ✓ Management flagged AI-led revenue deflation as a key risk, while FY27 guidance remained sluggish, similar to FY26 despite expectations of improvement.



Pharmaceuticals

- ✓ Domestic pharma saw a better performance
- ✓ Domestic formulations delivered positive growth.
- ✓ CDMOs reported robust results and a strong QoQ recovery, with improving pipeline and request-for-proposal momentum supporting expectations of continued strength into FY27.



KEY TAKEAWAY

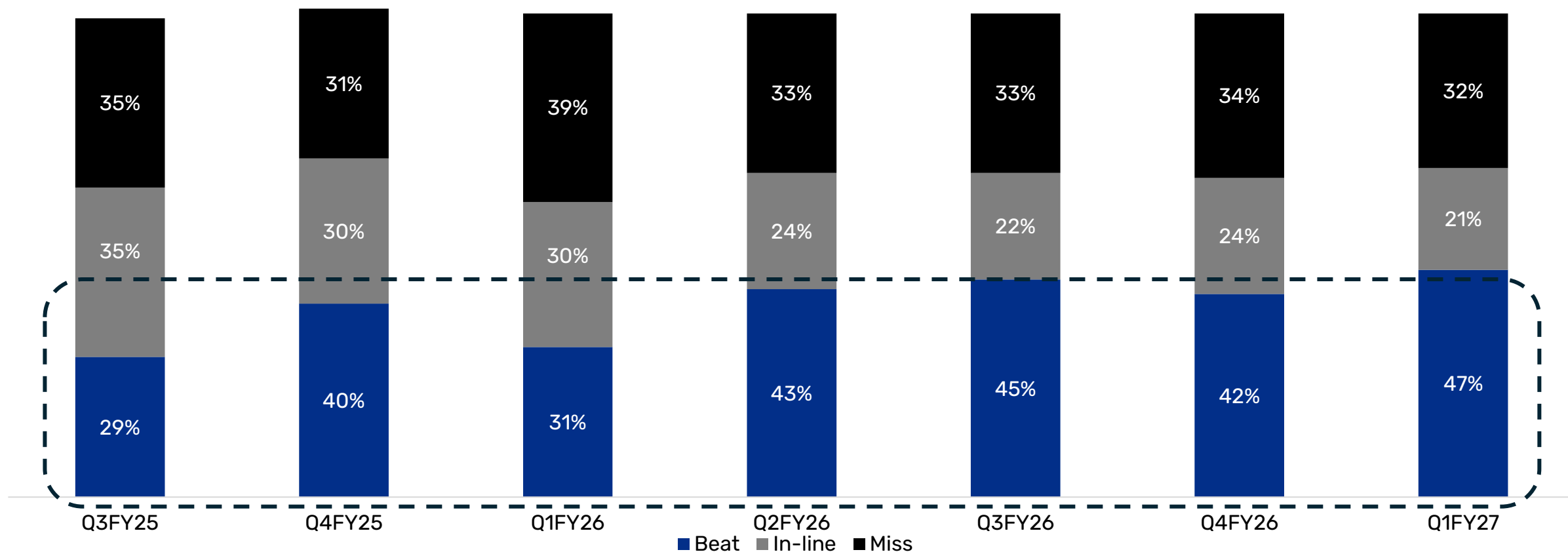
IT earnings benefited from the weaker Rupee, but revenue and guidance remained subdued. In pharmaceuticals, domestic formulations and CDMOs were strong despite continued pressure in US generics.



HOUSE OUTLOOK



Earnings trajectory improving for Bajaj AMC coverage universe



The share of companies beating expectations rose to its highest level in the period shown.

Our Portfolio Positioning

SECTOR	VIEW	POSITIONING
 Private Banks	Credit growth is picking up, particularly in corporate and SME lending, while valuations remain reasonable. With interest rates potentially rising, banks whose loans reprice faster than deposits could see an improvement in net interest margins. This, alongside resilient asset quality, supports our overweight position.	 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.	 NEUTRAL
 Consumer Discretionary	Auto demand has improved, supported by two-wheelers as well as passenger vehicles, but higher input costs could weigh on margins. The festive season could sustain demand; the key test is whether stronger volumes and pricing can offset cost pressure. We remain neutral while looking for clearer evidence of sustained earnings growth.	 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

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 or sector. 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 Mutual Fund Trustee Limited (Formerly known as 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.