BAJAJ MUTUAL FUND

HOW SECTORS RESPOND TO THE BUSINESS CYCLE

THE EQUITY COMPASS | EDITION 26

Think of the economy as a neighbourhood market. The pharmacy, bank, factory, technology office, grocery shop, lifestyle store and automobile showroom share the same street, but the crowd does not reach every doorway together.

Edition 25 followed the economy through expansion, peak, contraction and trough. This edition asks how those same phases can feel different from one sector to another. The India snapshots give indicative phase readings, not forecasts or investment signals.

1. PHARMA | *MEDICINE PURCHASES ARE HARDER TO POSTPONE*

A family may postpone a holiday, but it is less likely to postpone a necessary medicine. Some treatments are bought regularly; others rise with seasonal illnesses.



INDIA SNAPSHOT

In October 2026, domestic pharma sales value grew 12.23% and units sold rose 1.58% from a year earlier. Cancer medicine sales value grew faster, at 18.7%. This suggests a domestic expansion phase, with different treatments growing at different speeds.

HOW THE PHARMA BUSINESS CYCLE TYPICALLY WORKS

EXPANSION
Medicine sales rise

→

PEAK
Growth may level off

→

CONTRACTION
Essential demand may hold up

→

TROUGH
Demand stabilises before recovering

A new medicine or approval can start a company's own cycle, even when the wider economy is slowing.

2. INDUSTRIALS | *THE ORDER ARRIVES BEFORE THE EARNINGS*

A factory planning a new production line first asks for quotations, then orders the machines. For the supplier, the cycle begins before the equipment is built or delivered.



INDIA SNAPSHOT

Industrial production grew 6.7% in September 2026 from a year earlier, while capital goods output rose 10.4%. Bank loans to industry grew 19.5% as on September. Growth in machinery output and lending suggests an expansion phase supported by investment activity.

HOW THE INDUSTRIALS BUSINESS CYCLE TYPICALLY WORKS

EXPANSION
New orders rise

→

PEAK
Workloads and costs may be high

→

CONTRACTION
New orders slow

→

TROUGH
Enquiries stabilise before orders recover

The next test is whether rising investment produces completed projects and further orders.

3. BANKING | *BORROWERS NEED SAVERS TOO*

A bank may fund a long home loan with deposits that mature much sooner. As lending grows, it must keep attracting savers. This links the borrowing cycle to competition for deposits.

INDIA SNAPSHOT

As on October 2026, scheduled commercial bank credit grew 18.2% and deposits grew 16.7% from a year earlier. Loans were growing faster than deposits, making the ability to attract savings important. This suggests an expansion phase in lending.



HOW THE BANKING BUSINESS CYCLE TYPICALLY WORKS

EXPANSION
Loan demand rises

→

PEAK
Lending and funding pressures may be high

→

CONTRACTION
Borrowing slows; repayment risks may rise

→

TROUGH
Repayment stress may ease before lending recovers

The risks of a lending boom may become visible later, when repayments fall due.

4. CONSUMER DISCRETIONARY | *SOME PURCHASES CAN WAIT*

A family may leave a new sofa in its online cart until a bonus arrives. The need has not disappeared; the timing of the purchase has changed.

INDIA SNAPSHOT

Retail sales tracked by an industry survey rose 8% in September 2026 from a year earlier. Yet urban and rural confidence indices stood at 87.9 and 90.6, below the neutral level of 100. Spending continued despite household concerns, suggesting an uneven expansion phase.



HOW THE CONSUMER DISCRETIONARY BUSINESS CYCLE TYPICALLY WORKS

EXPANSION
Households spend more

→

PEAK
Spending may level off

→

CONTRACTION
Purchases are delayed

→

TROUGH
Demand stabilises before purchases recover

Purchases put on hold can return when incomes and confidence improve.

5. AUTO AND AUTO COMPONENTS | *ONE SALE SUPPORTS MANY BUSINESSES*

A vehicle booking reaches beyond the showroom. Tyre makers, battery suppliers and electronics manufacturers may all receive a share of the work.

INDIA SNAPSHOT

In July to September 2026, domestic passenger vehicle sales grew 30.7%, two-wheelers 15.2% and commercial vehicles 28.7% from a year earlier. Passenger vehicles and commercial vehicles grew faster than two-wheelers. This suggests an expansion phase, with momentum differing across vehicle types.



HOW THE VEHICLE AND AUTO COMPONENT BUSINESS CYCLE TYPICALLY WORKS

EXPANSION
Vehicle sales rise

→

PEAK
Sales may level off

→

CONTRACTION
Buyers delay replacement

→

TROUGH
Bookings stabilise before sales recover

A truck fleet follows freight demand; a two-wheeler buyer follows the household budget.

6. IT SERVICES | *A NEW DEAL TAKES TIME TO EARN REVENUE*

A global retailer approves a technology upgrade. The IT firm wins the contract, builds a team and delivers the work over several quarters. The announcement comes before the full revenue.

INDIA SNAPSHOT

Revenue in US dollar terms for a sample of Indian IT services companies is forecast to grow 3% to 5% in FY2027, after 3.5% in FY2026. Clients remain cautious about new projects. This suggests a slow expansion phase, with growth also depending on how quickly existing contracts move into delivery.



HOW THE IT SERVICES BUSINESS CYCLE TYPICALLY WORKS

EXPANSION
Clients approve more projects

→

PEAK
Demand may level off

→

CONTRACTION
Clients delay projects

→

TROUGH
Project demand stabilises before revenue recovers

The next turn depends on clients moving from cost control to fresh technology investment.

7. FMCG | *THE GROCERY BASKET CHANGES WITH THE SEASON*

A grocery shop sells essentials every day, but festivals bring extra orders for snacks, gifts and packaged food. Shops stock up ahead of these busy weeks.

INDIA SNAPSHOT

In October 2026, FMCG sales value rose 15% from a year earlier, with rural growth of 17% and urban growth of 11%. Prices and festive stocking helped the rise. This suggests expansion in sales value; quantity data are needed to judge the underlying increase in consumption.



HOW THE FMCG BUSINESS CYCLE TYPICALLY WORKS

EXPANSION
Quantity sold rises

→

PEAK
Growth may level off

→

CONTRACTION
Buyers cut quantities or switch brands

→

TROUGH
Sales stabilise before demand recovers

Repeat purchases after the festive season help show whether the pickup will last.

WHAT THIS MEANS FOR MUTUAL FUNDS

- Fund managers consider demand, company profits, borrowing costs, cash flow and whether share prices are reasonable.
- A sector's share prices can fall even when sales rise. Investors also react to costs, valuations and expectations.
- One economy can contain several sector cycles. Understanding the difference helps put business and market movements in context.

THE CYCLE PROVIDES CONTEXT NOT A RECOMMENDATION

Sources: Pharmarack, MoSPI, RBI, ICRA, Internal Analysis | Data as on 31st October 2026

For educational purposes. Examples are hypothetical. Phase readings are indicative and may change; they are not investment recommendations. Data may be revised.

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