

“Growth Accelerates in Dec’25 as Revenue Momentum Outpaces Profit Normalisation; Underlying Performance Remains Robust Despite One-Off Profit Impact from Labour Code Provisions”

# CORPORATE EARNINGS

Q3 FY26



02.03.2026

**BANKING RESEARCH TEAM**

## Overall performance during Dec'25 qtr

- ❖ Net Sales growth improved further to 16.0% YoY in Dec'25, rising from the strong performance of 13.7% in Sep'25, indicating sustained demand momentum across sectors. The sequential strengthening reflects broad-based consumption and industrial pickup boosted by GST rate cuts, festive demand, strong credit offtake which helped limit business impact of US-India trade deal.
- ❖ Operating Profit remained stable to marginally higher to 12.1% in Dec'25 compared with 12.0% in Sep'25, showing continued recovery despite a high base. This stability suggests easing cost pressures, better utilization, and supportive operating leverage from higher volumes supported profitability.
- ❖ PAT growth of 10.7% in Dec'25 moderated versus 13.5% in Sep'25, reflecting normalization after an exceptionally strong prior quarter. Earnings remained healthy, although some pressure from interest costs, taxes, or one-off adjustments softened the sequential performance.
- ❖ The new labour codes led to a sharp one-time increase in employee-related provisions, impacting listed companies on account of higher compliance costs, directly denting quarterly PAT across sectors. The IT & Technology sector saw the largest hit, with major firms taking substantial exceptional charges in the Dec'25 quarter.

## Outlook

- ❖ Risks from volatile crude prices, slowing global trade, geopolitical tensions and financial-market volatility poses downside risks to investment sentiment and external demand, potentially affecting near-term business outlook.
- ❖ That said, if the geopolitical tensions subside soon, then profitability may remain steady while sales volumes continue to post healthy growth, supported by resilient demand and improving operating conditions in Mar'26 quarter.
- ❖ Additionally, government capex is expected to revive meaningfully in the March'26 quarter, providing a strong boost to infrastructure execution and supporting overall growth momentum.
- ❖ Overall, while favourable domestic macro conditions provide space for Mar'26 to deliver a steady, broad-based performance, yet impact of geopolitical tensions needs close watch as there are various moving parts: oil price spike, gas supply disruptions, trade & aviation corridors related issues among others.

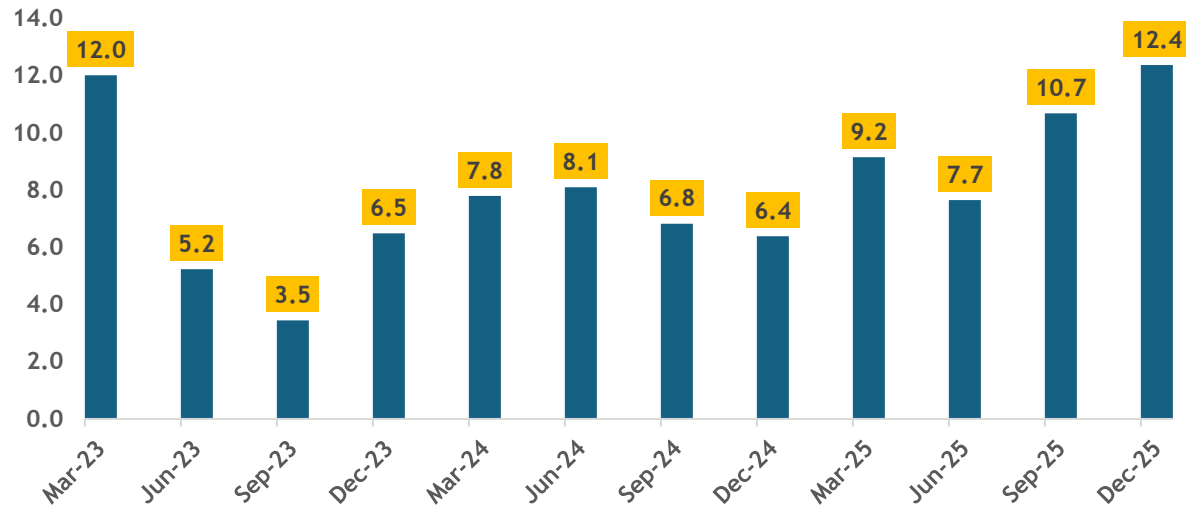
## Manufacturing

- ❖ Net sales growth rose from 13.7% in Sep'25 to 16.0% in Dec'25, reflecting stronger year-end demand and improved dispatches across key manufacturing segments.
- ❖ Operating profit growth moderated from 19.1% in Sep'25 to 15.9% in Dec'25, as the exceptionally strong profitability of the previous quarter normalised despite stable input-cost conditions.
- ❖ PAT growth eased from 27.6% in Sep'25 to 17.9% in Dec'25, driven by normalisation of earlier margin gains and one-off adjustments in the December quarter.
- ❖ Manufacturing performance appears weaker once adjusted for Petro companies' earnings, as the sector's growth was overshadowed this quarter by exceptionally strong profitability in Petro players driven by higher refining margins.
- ❖ Overall, manufacturing sector showed strong earnings growth (sales and PAT) on the back of GST rate cut which further boosted festive demand along with strong credit offtake. This helped offset the impact of delay in US-India trade deal even as companies were able to also limit business impact by exploring alternate trade partners across sectors

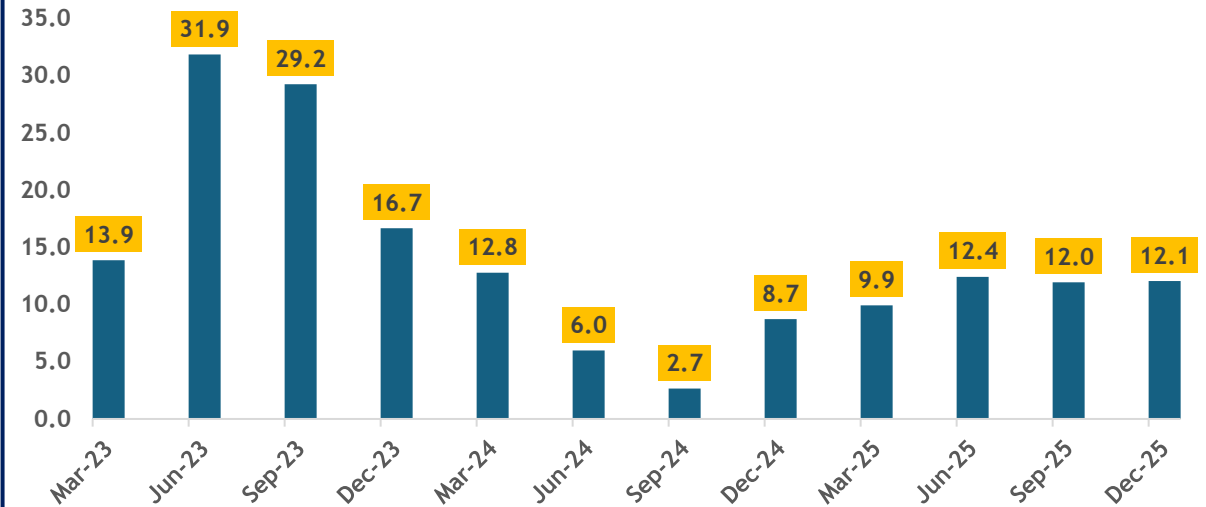
## Services

- ❖ Net sales growth improved to 8.5% in Dec'25 from 8.0% in Sep'25, reflecting steady demand recovery across discretionary services, transportation, hospitality, and healthcare supported by year-end activity
- ❖ Operating profit growth moderated to 10.0% in Dec'25 from 12.8% in Sep'25, indicating stable margins but slight softening due to higher service-related operating costs and normalisation of earlier gains.
- ❖ PAT growth declined sharply to -4.7% in Dec'25 from 9.2% in Sep'25, as higher wage costs, provisions, and finance-related expenses weighed on bottom-line performance despite stable revenue and operating profits.
- ❖ That said, if we adjust for the drag from IT sector, PAT year-over-year in Dec-25 for Services ex-IT y-o-y growth is up 6.8% versus overall Services growth of 4.9%; ex-IT outperformance reflects higher core profitability.
- ❖ Overall performance reflected healthy demand and stable margins, but earnings momentum softened slightly due to normalisation of earlier gains and selective cost pressures in the December quarter.

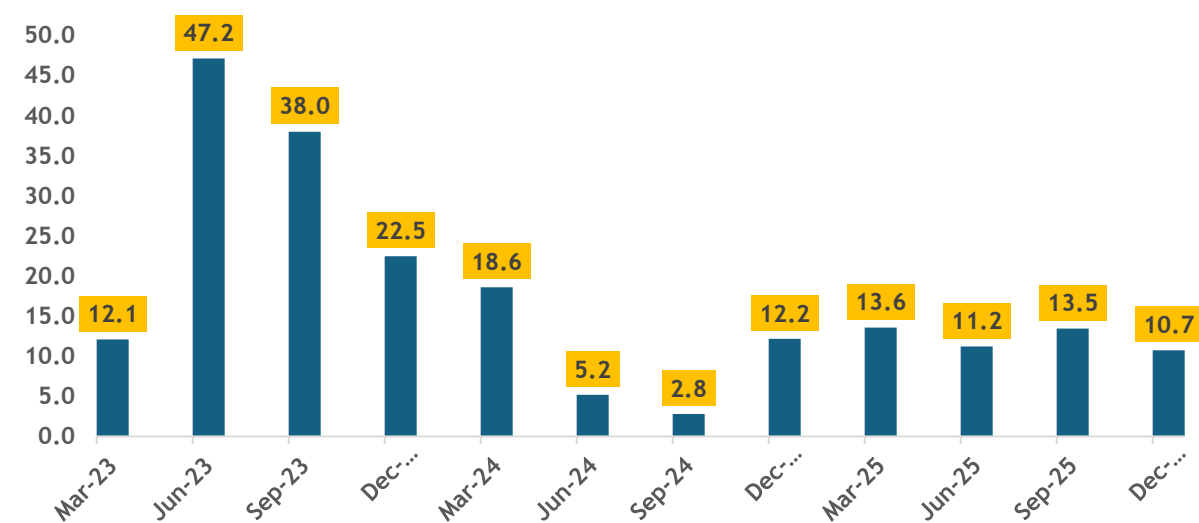
### Net Sales - Overall



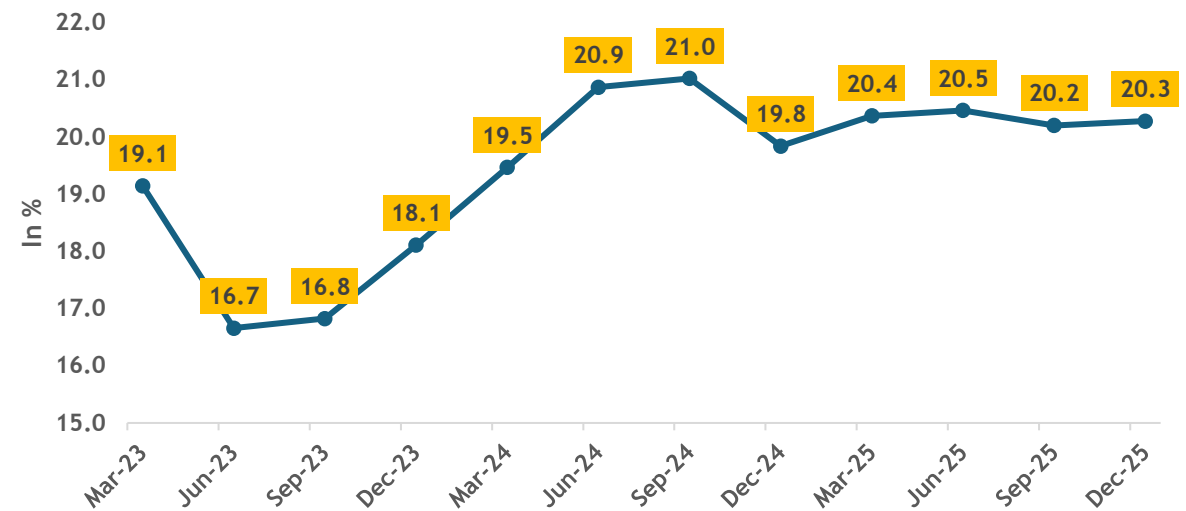
### Operating Profit - Overall



### PAT - Overall



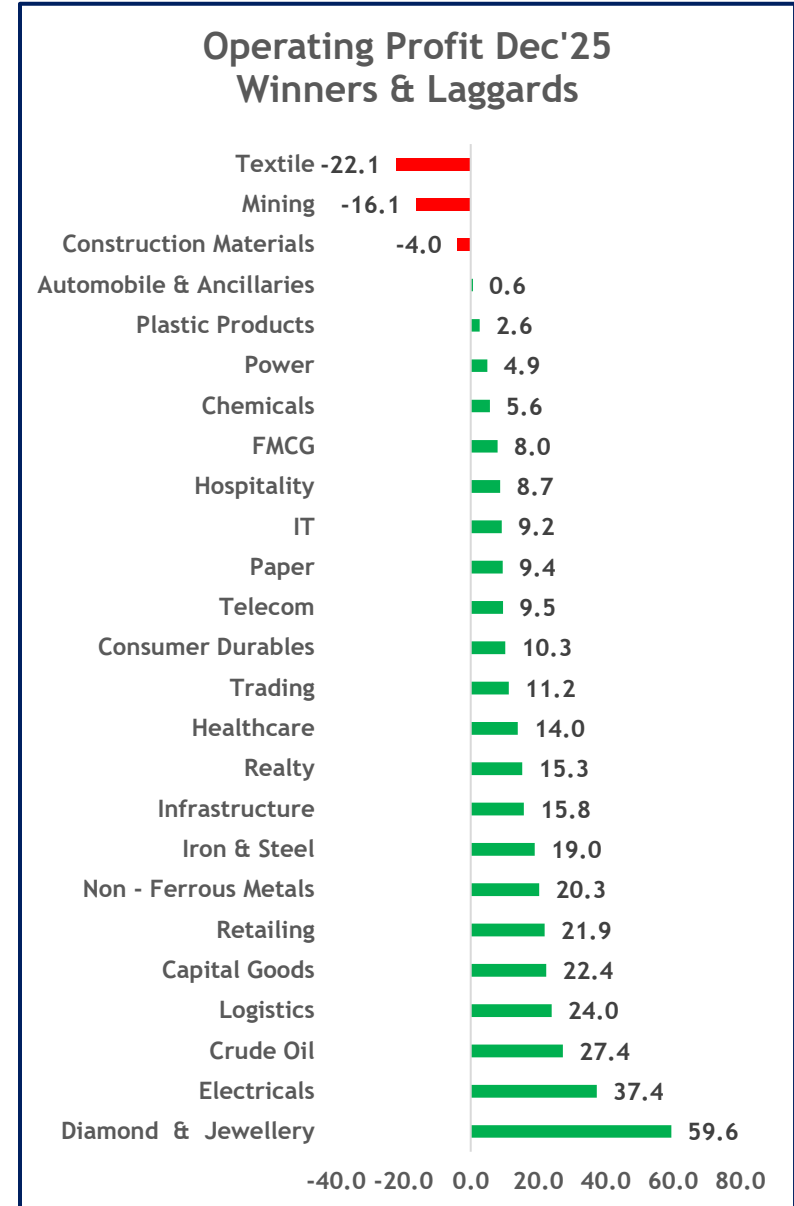
### Operating Profit to Turnover Ratio (%) - Overall



# Operating Profit Y-o-Y Growth (%) Dec'25 (Winners vs Laggards)

Top 5 Winners	Growth (%)	Underlying Reason
Diamond & Jewellery	59.6	Strong festive/wedding demand and export diversification driving higher margins.
Electricals	37.4	Robust infra/real-estate activity and stable input costs supporting profitability.
Crude Oil	27.4	Improved refining margins and higher throughput boosting operating efficiency.
Logistics	24.0	Higher freight volumes and e-commerce momentum improving asset utilization.
Capital Goods	22.4	Increased public and private capex leading to strong order execution and leverage.

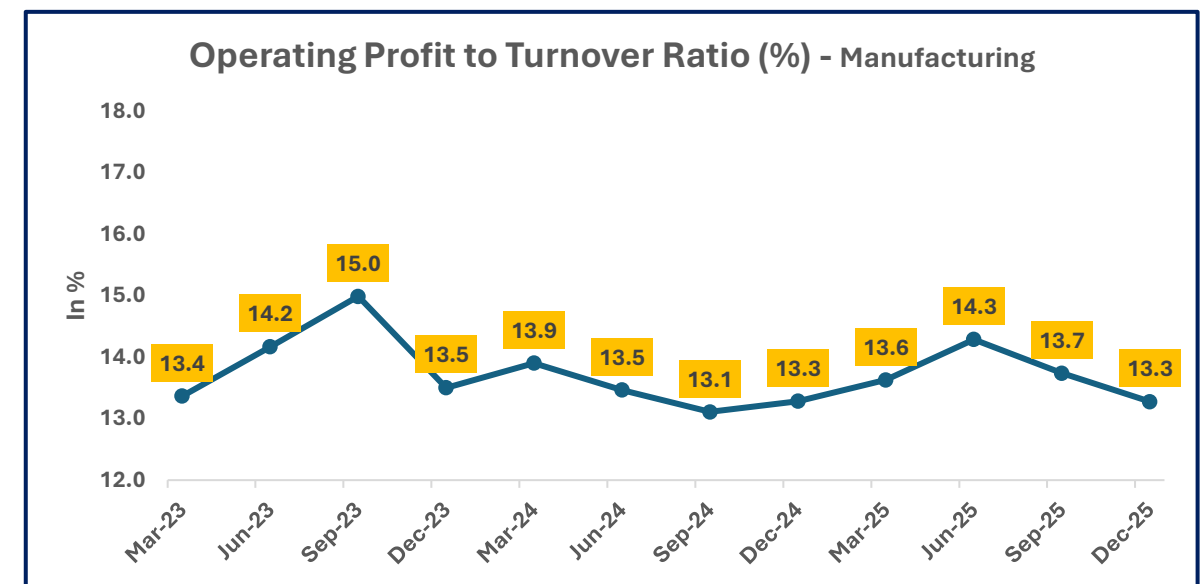
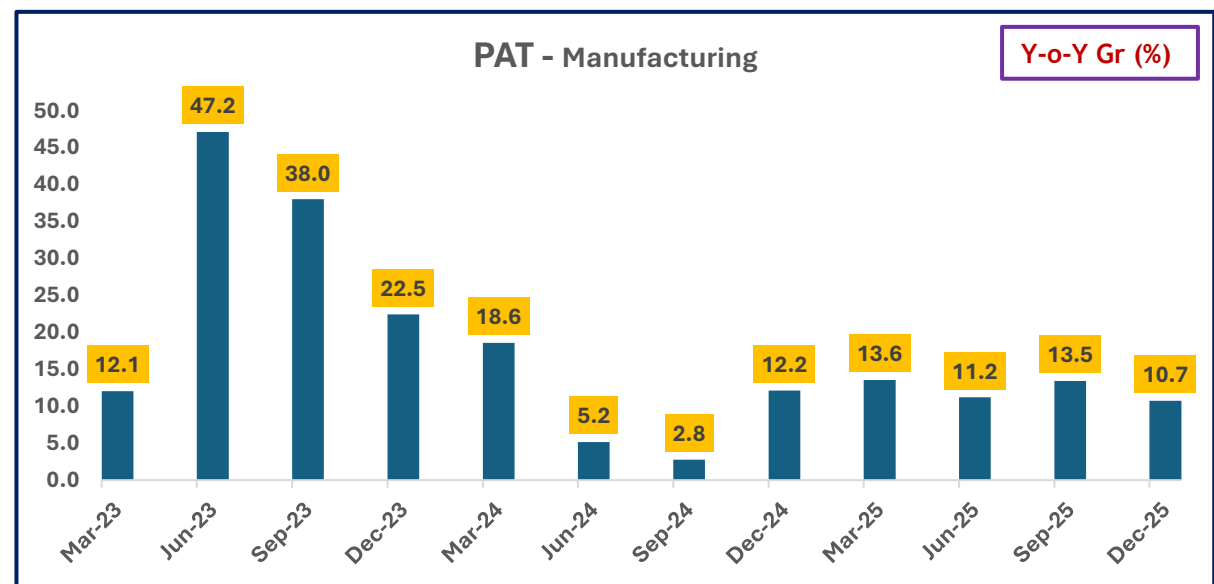
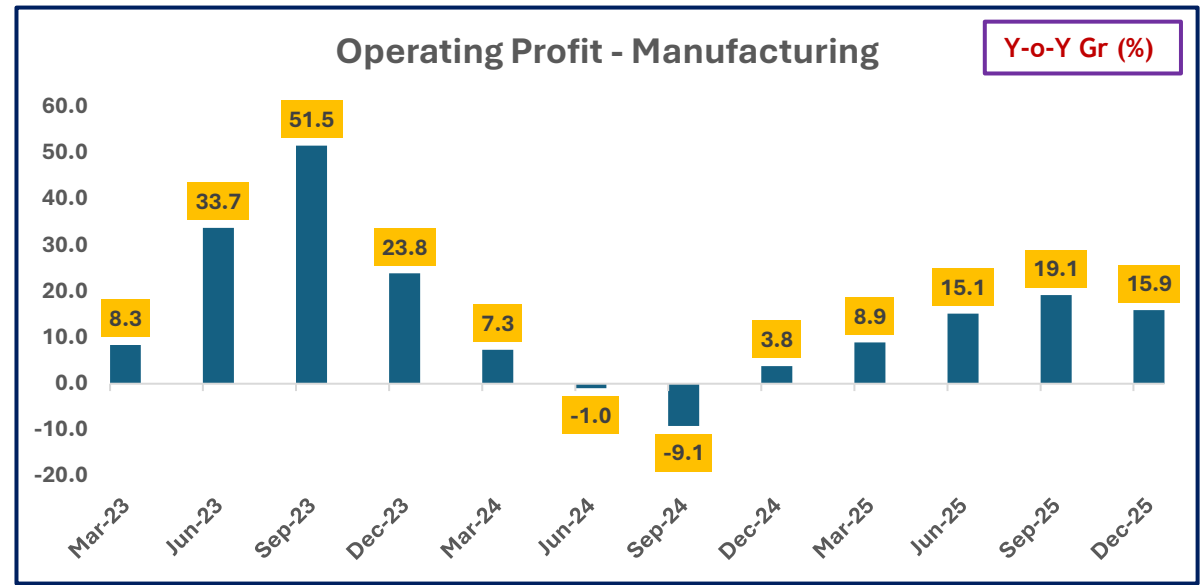
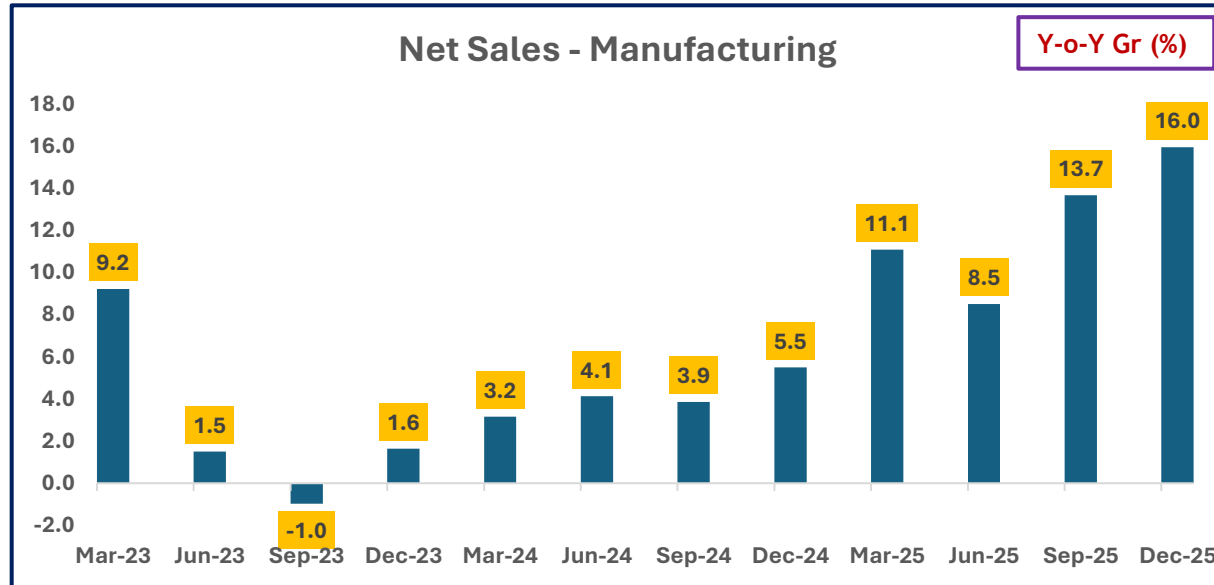
Bottom 5 Laggards	Growth (%)	Underlying Reason
Textiles	-22.1	Tariff Impact and Weak global retail demand compressing margins.
Mining	-16.1	Lower commodity realizations and rising extraction costs impacting profitability.
Construction Materials	-4.0	Cost pressures and price competition limiting margin expansion.
Automobile & Ancillaries	0.6	Mixed OEM demand and discounting pressures keeping margins subdued.
Plastic Products	2.6	Resin price fluctuations and soft demand affecting margin stability.



# Manufacturing

**“Manufacturing sector, supported by strong Petro-sector gains, shows clear signs of promise, but the underlying profitability momentum continues to remain a key concern on account of volatile input cost”**

# Manufacturing momentum improved, but profitability remains under strain owing to tariff pressures and subdued external demand



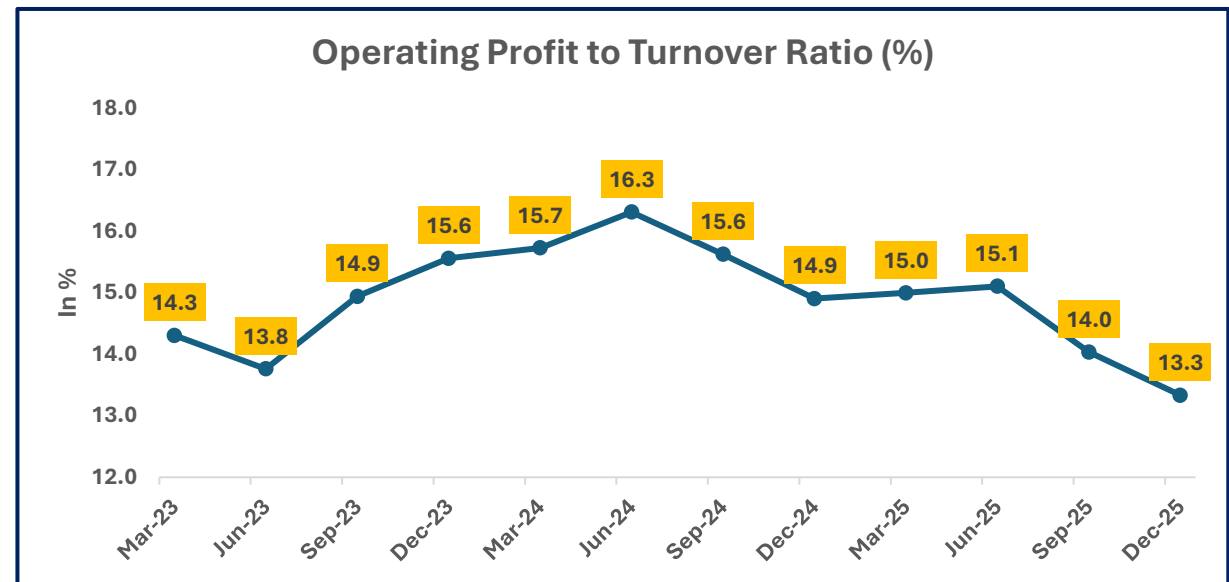
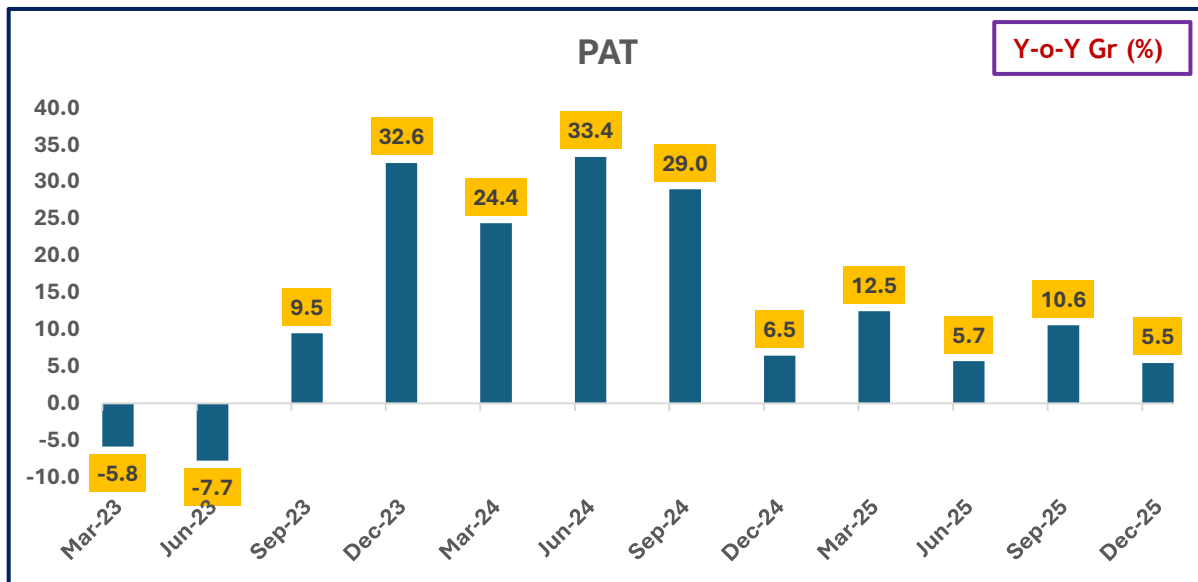
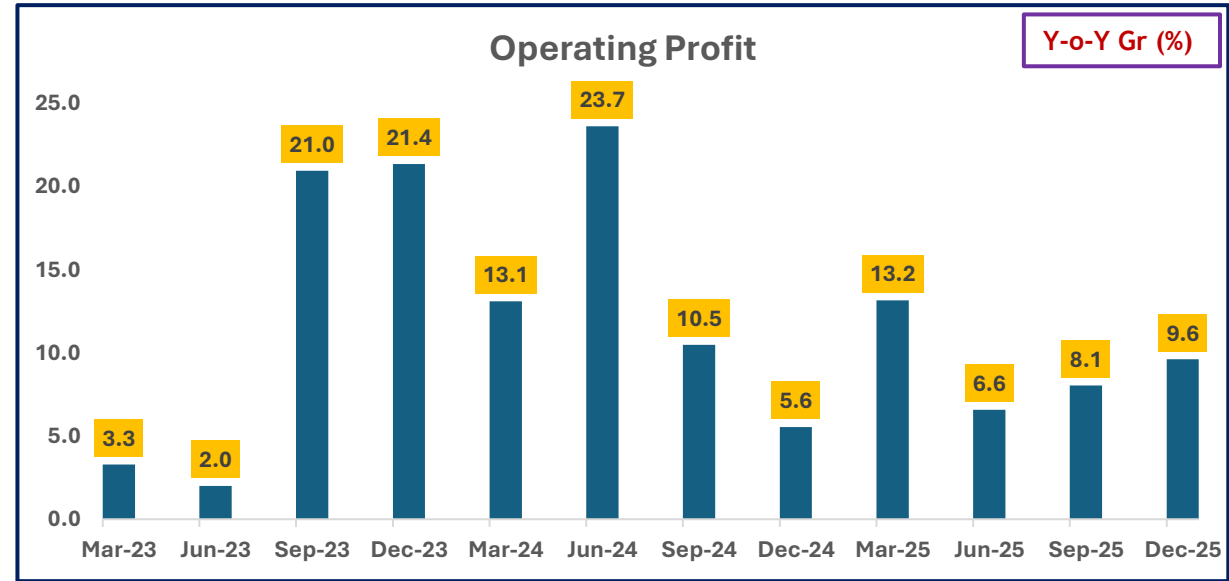
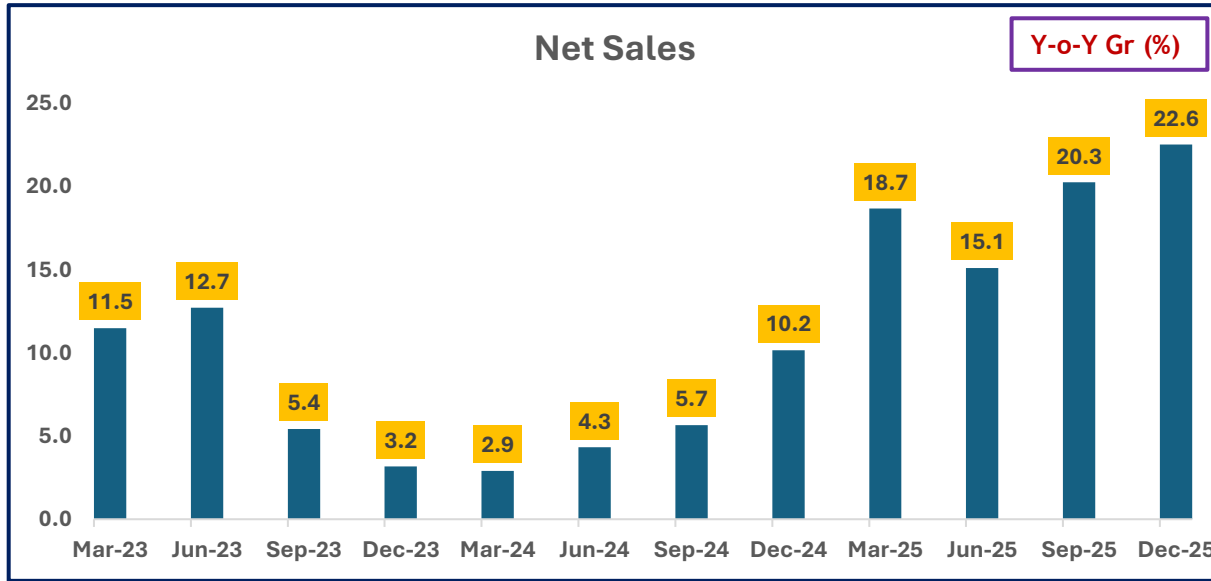
Sample Size -Total companies -2,453, Manf.- 1,434, Services- 542, BFSI - 209, Others- 268

Source: UBI Research & Ace equity

# Manufacturing Ex - Petro

“Manufacturing ex-petro continues to remain weak due to the lack of a broad-based revival in private investment, which is limiting volume expansion and profitability traction across core industrial segments”

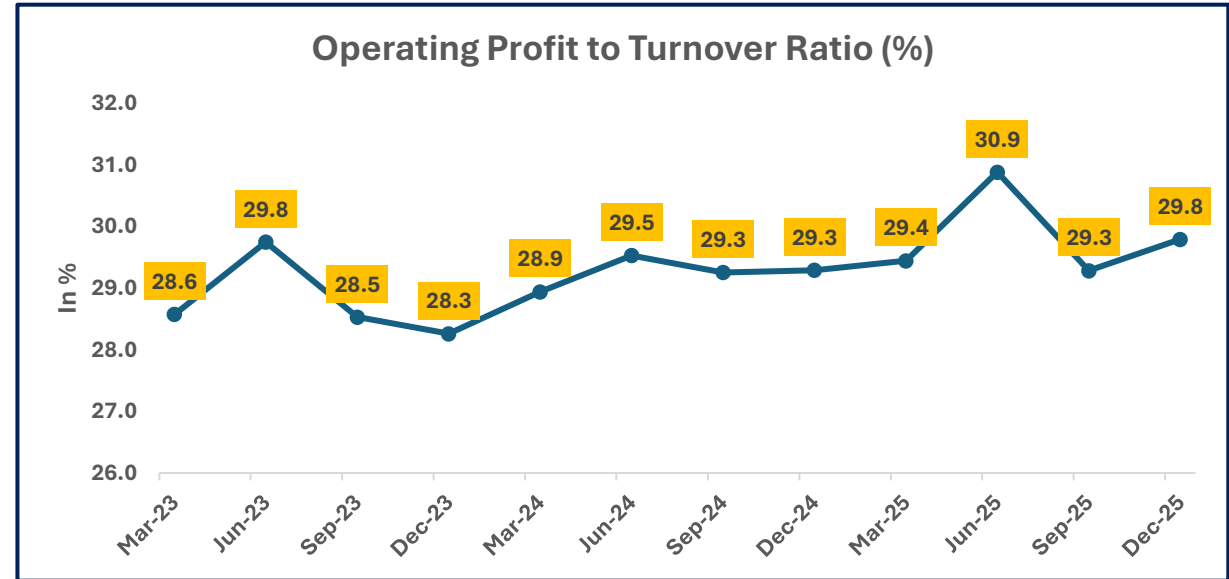
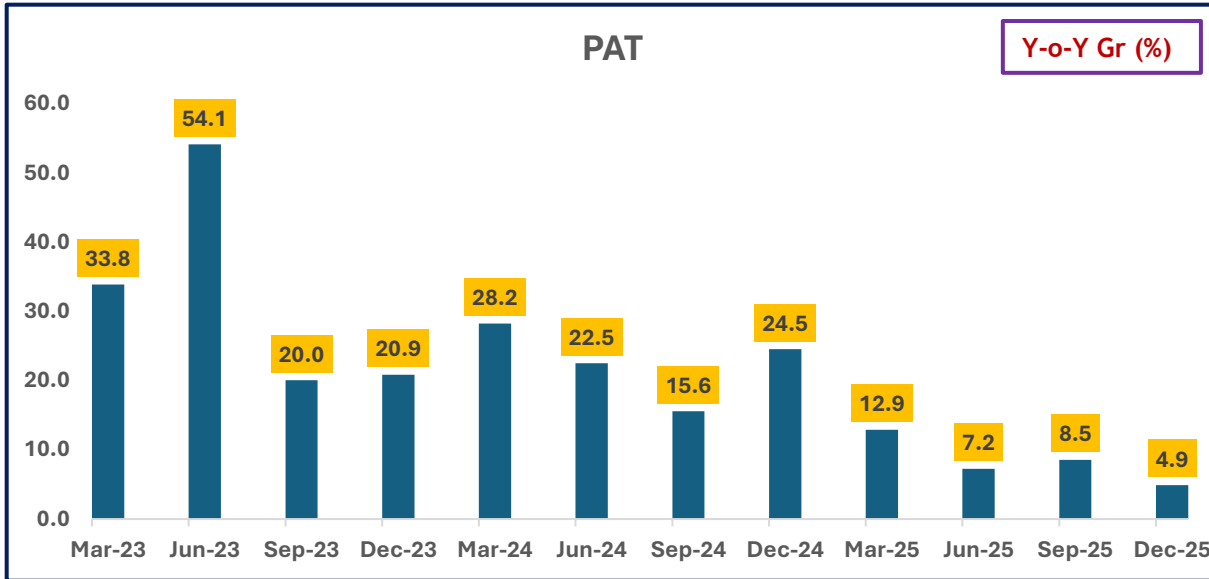
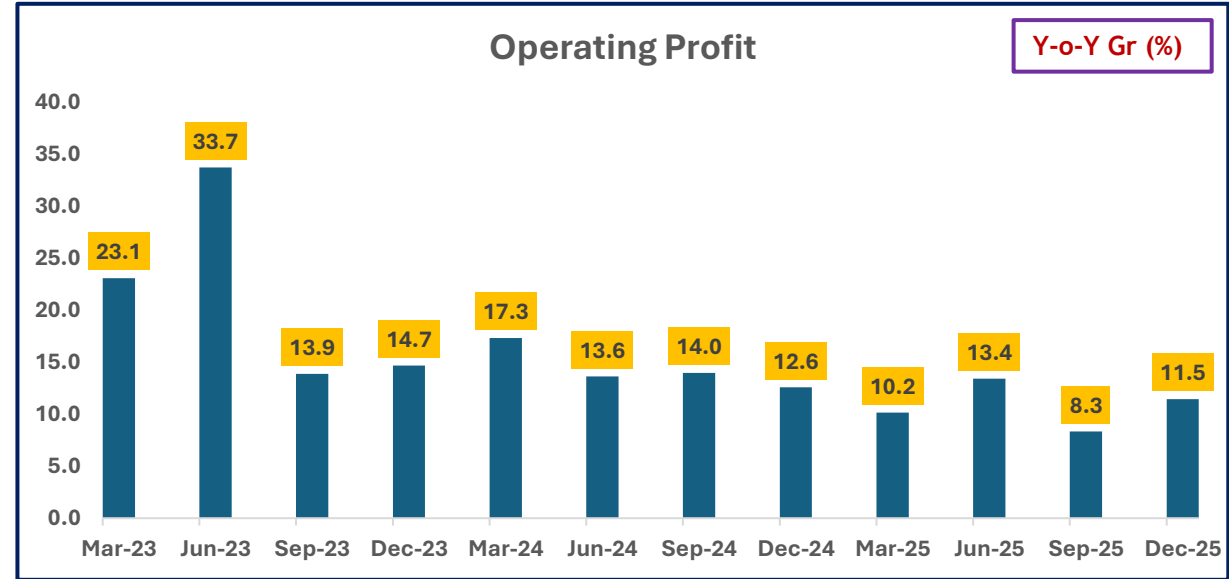
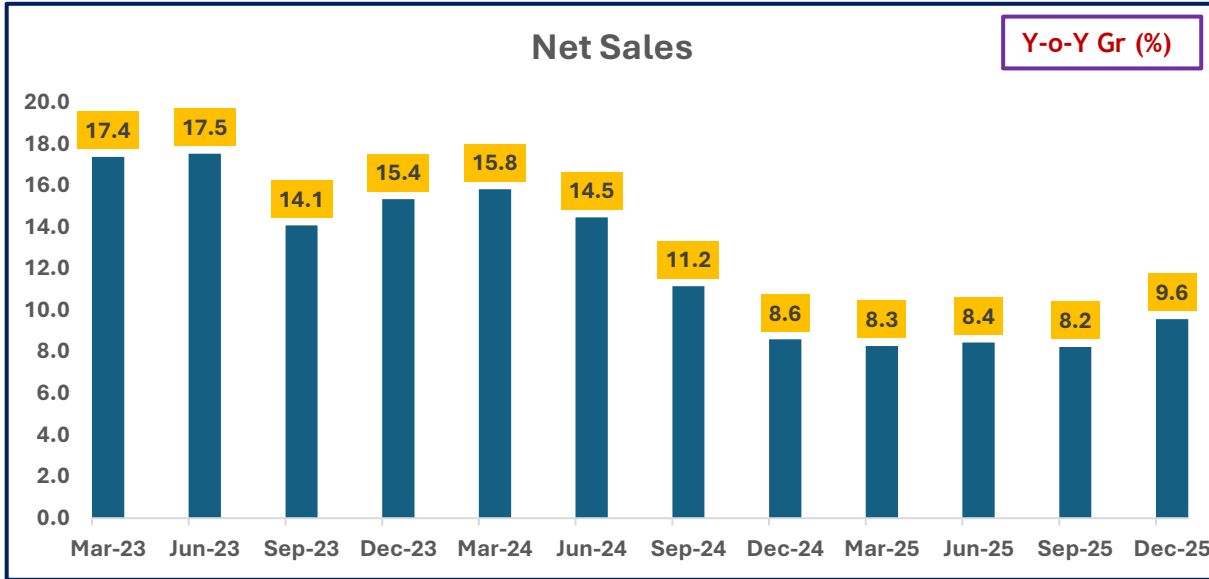
# Manufacturing operating profit has grown at a modest pace if adjusted for petroleum sector earnings performance



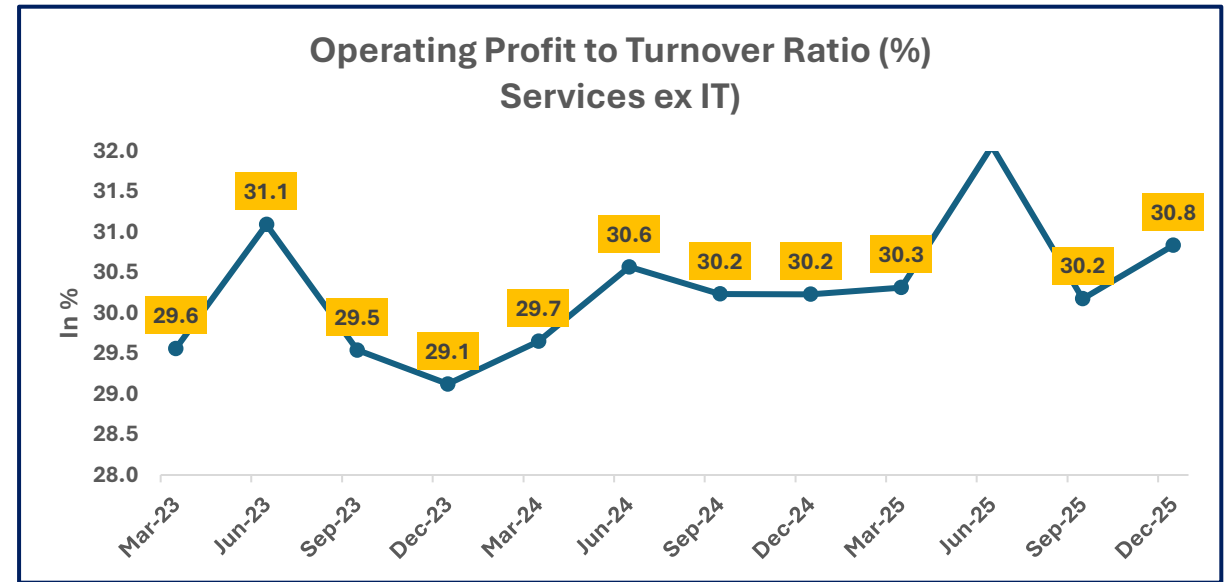
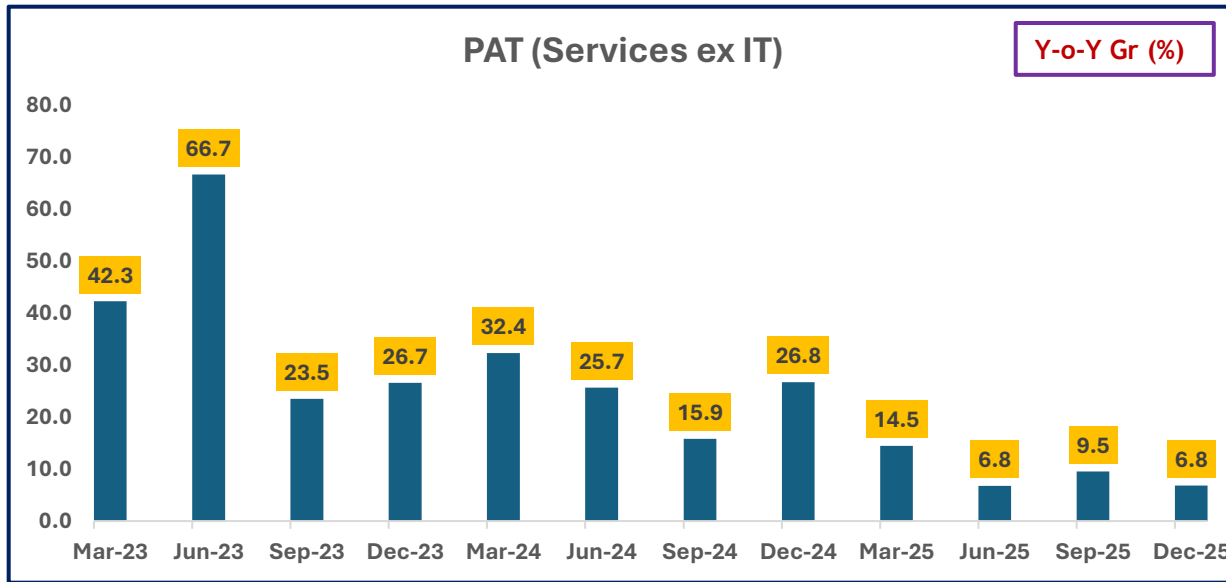
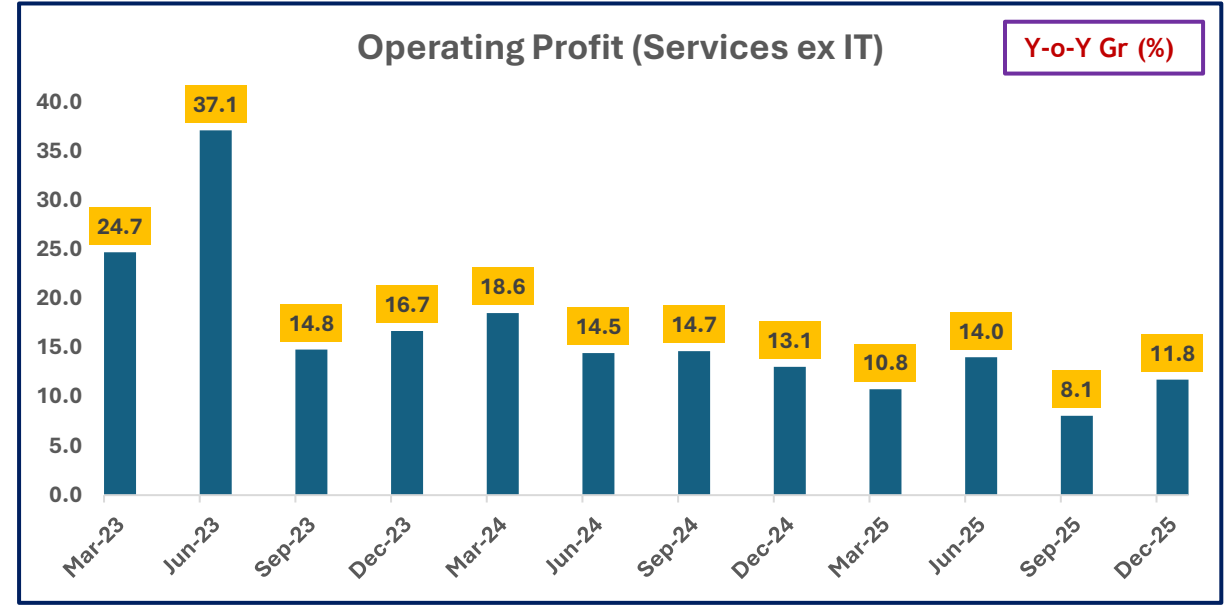
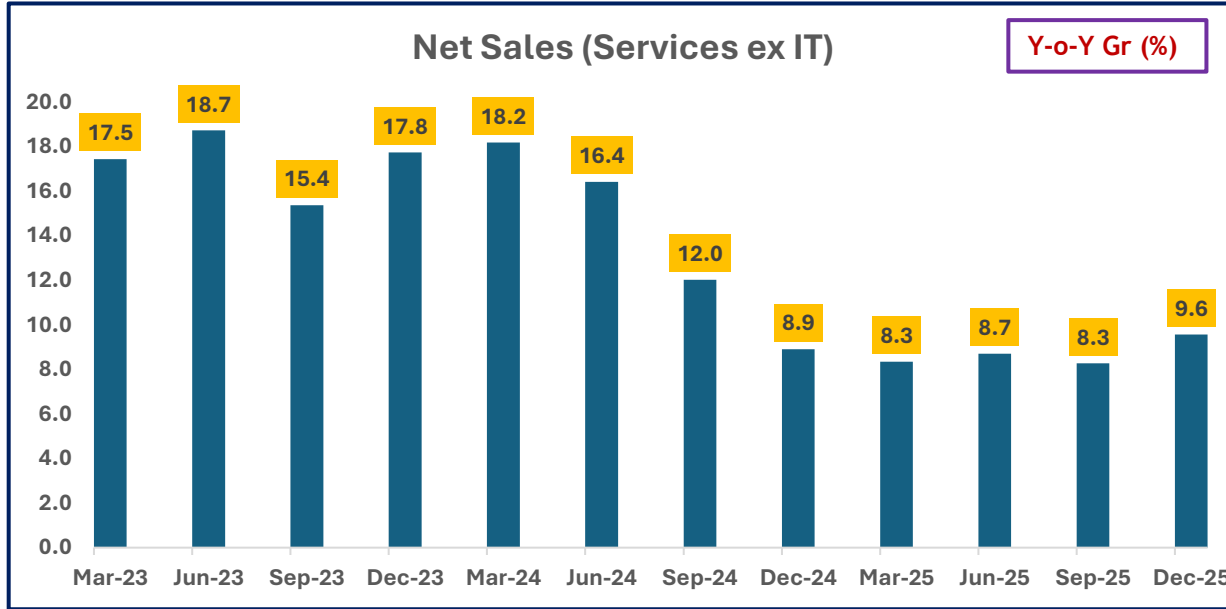
# Services

**“Operating profit eased reflecting a mild sequential slowdown likely driven by softer demand momentum and higher quarter-end costs, leading to a more moderate finish compared with the stronger performance seen in the September quarter.”**

# Services sector profitability weakened in Dec '25 as one-time labour-law provisions amplified bottom-line pressure despite steady revenue



# PAT improves when adjusted for IT-service earnings



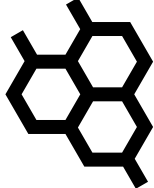
## Automobile & Ancillaries Sector (Stable revenues but margin pressure kept profitability muted in Dec'25)

- ❖ In the Dec'25 quarter, the Automobile & Ancillaries sector delivered stable revenues, but profitability remained muted.
- ❖ Net sales grew to ₹400,475 crore, up 8% YoY from ₹369,774 crore, supported by steady passenger vehicle demand but offset by weakness in exports and two-wheeler volumes.
- ❖ Operating profit stood at ₹57,179 crore versus ₹56,829 crore last year, indicating flat YoY growth due to discounting and input-cost pressures.
- ❖ PAT declined to ₹22,402 crore, a 13% YoY drop from ₹25,827 crore, affected by higher finance costs and an unfavourable mix.
- ❖ Going ahead, the sector is expected to recover gradually with PVs and CVs showing resilience while 2W exports remain the key factor as a mark of traction in revival of rural demand; margins should improve as commodities stabilize.


## Capital Goods Sector (Strong execution and capex momentum supported a healthy quarter)

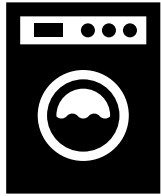
- ❖ The Capital Goods sector posted a strong Dec'25 quarter supported by robust execution and capex momentum.
- ❖ Net sales rose to ₹95,180 crore, up 17% YoY from ₹81,559 crore, reflecting solid public and private capex.
- ❖ Operating profit increased to ₹16,456 crore, a 22% YoY rise from ₹13,441 crore, driven by operating leverage and order book execution.
- ❖ PAT improved to ₹9,268 crore, up 20% YoY from ₹7,692 crore, aided by cost control and scale efficiencies.
- ❖ Performance was lifted primarily by strong order execution and continued infrastructure spending.
- ❖ The sector outlook remains positive as multi-year capex cycles are intact, order inflows remain healthy, and margins should keep trending upward. Government capex push may augur well for the overall growth if the sector.

## Chemicals Sector (Weak global demand and pricing pressure kept growth soft)

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- ❖ The Chemicals sector experienced a mixed yet improving quarter with gradual margin recovery. Net sales increased to ₹140,720 crore, up 9% YoY from ₹129,439 crore, though still affected by global demand softness.
  - ❖ Operating profit rose to ₹20,252 crore, up 6% YoY from ₹19,173 crore, supported by stabilizing input costs.
  - ❖ PAT surged to ₹13,464 crore, a strong 41% YoY jump from ₹9,556 crore, driven by improved spreads and lower cost pressures.
  - ❖ The improvement was mainly due to easing raw materials and early signs of margin normalization through export diversification or sharing of higher import duties.
  - ❖ Over the coming quarters, specialty chemicals are expected to outperform, and export recovery should gradually strengthen as global conditions normalize with the relaxation in tariff pressure from the US.

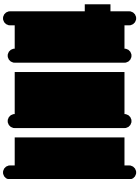
## Construction Materials (Soft quarter with weak pricing and cost pressure impacting profitability)

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- ❖ The Construction Materials sector had a soft Dec'25 quarter with cost pressures weighing on margins. Net sales grew to ₹78,919 crore, up 12% YoY from ₹70,770 crore, helped by volume pickup but capped by pricing weakness.
  - ❖ Operating profit declined to ₹12,207 crore, down 4% YoY from ₹12,712 crore, due to higher fuel and logistics costs.
  - ❖ PAT fell sharply to ₹4,077 crore, a 27% YoY decline from ₹5,572 crore, reflecting margin compression and higher expenses.
  - ❖ The sector's weakness primarily stemmed from cost inflation and price competition.
  - ❖ Demand outlook remains strong given housing and infrastructure momentum, but margin recovery will depend heavily on cooling fuel prices.



## Consumer Durables sector (Volume recovery visible but margins yet to fully normalize)


- ❖ Consumer Durables recorded a steady quarter with volume recovery but weaker profitability. Net sales reached ₹34,769 crore, up 7% YoY from ₹32,371 crore, supported by festive demand and restocking.
- ❖ Operating profit rose to ₹2,677 crore, up 10% YoY from ₹2,428 crore, aided by easing raw-material prices.
- ❖ PAT, however, dropped to ₹995 crore, a 19% YoY decline from ₹1,224 crore, impacted by higher marketing and financing costs.
- ❖ The consumer durables sector continued to see steady sales traction, supported by urban demand, premiumisation, and replacement cycles, though volume momentum remained uneven across categories.
- ❖ While festive-season demand provided a temporary lift, the sector still faces cost-sensitivity and delayed discretionary purchases, keeping the earnings outlook moderately cautious.




## Crude Oil Sector (Strong refining margins and throughput boosted profitability)

- ❖ The Crude Oil sector delivered a strong Dec'25 quarter driven by refining margin strength. Net sales came in at ₹995,312 crore, up 7% YoY from ₹930,339 crore, supported by stable demand.
- ❖ Operating profit rose significantly to ₹131,312 crore, a 27% YoY increase from ₹103,102 crore, driven by robust GRMs (gross refining margins).
- ❖ PAT soared to ₹62,180 crore, up 45% YoY from ₹42,907 crore, benefitting from strong refining economics.
- ❖ The key performance driver was sustained high refining spreads.
- ❖ While margins may normalize slightly, refining profitability is expected to grow modestly with curbs on importing Russian crude oil and on account of margin hit of \$2 to \$4 in GRM due to adjustment made to process USA/Venezuela crude oil.

## FMCG Sector (Stable demand with gradual improvement in profitability)

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- ❖ FMCG saw steady growth with modest margin improvement but stable bottom-line performance. Net sales rose to ₹153,425 crore, up 11% YoY from ₹138,121 crore, reflecting firm urban consumption and early rural revival.
  - ❖ Operating profit increased to ₹26,148 crore, up 8% YoY from ₹24,221 crore, supported by easing commodity costs and GST rate cut led demand recovery.
  - ❖ PAT remained broadly flat at ₹15,091 crore, compared to ₹14,904 crore last year, due to higher cost absorption due to GST compliance related adjustment.
  - ❖ FMCG profitability in the December quarter remained flat as companies absorbed the one-time adjustment from GST rate rationalization, which temporarily pressured margins despite steady demand.
  - ❖ Going forward, revival of rural demand augurs well for the sector, besides food inflation trends and premiumization will shape the sector's margin trajectory.

## Pharmaceuticals Sector (Pharma Sector Delivers Steady Growth with sustained export potential)

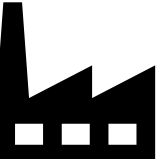
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- ❖ In the Dec'25 quarter, net sales stood at ₹114,051 crore, compared with ₹101,274 crore in Dec'24, marking a 13% YoY increase. This growth was driven by stable domestic demand and improving export traction.
  - ❖ Operating profit rose to ₹30,149 crore in Dec'25 from ₹26,496 crore last year, registering a 14% YoY improvement. Margin expansion was supported by better product mix and normalizing input and freight costs.
  - ❖ PAT in Dec'25 came in at ₹15,527 crore, slightly higher than ₹15,138 crore in Dec'24, reflecting a 3% YoY rise. Profitability benefited from lower supply-chain costs and steady operational efficiencies but was moderated by R&D reinvestments.
  - ❖ Improving demand, better margins and normalization of costs supported steady performance.
  - ❖ The sector is positioned for moderate but stable growth, supported by improving exports and a gradual pickup in the US generics market. Margin trajectory is expected to remain positive with easing cost pressures.



## Infrastructure Sector (Strong execution momentum with healthy profitability)

- ❖ The Infrastructure sector posted a strong quarter with robust execution and profitability expansion. Net sales grew to ₹129,779 crore, up 8% YoY from ₹119,633 crore, supported by strong execution of road and transport projects.
- ❖ Operating profit increased to ₹20,052 crore, up 16% YoY from ₹17,318 crore, driven by operating leverage and government led capex revival in the Dec'25 quarter.
- ❖ PAT jumped to ₹10,152 crore, a 71% YoY surge from ₹5,925 crore, aided by lower finance costs and efficiencies.
- ❖ Infrastructure activity remained robust with strong execution momentum and healthy project pipelines, supported by sustained government capex, though delays in clearances and uneven state-level spending continue to pose execution risks.
- ❖ The infrastructure sector is poised for strong and broad-based growth, supported by sustained government capex, accelerating project execution, and improving private-sector participation.

## Iron & Steel Sector (Mixed quarter with moderate demand and fluctuating realizations)

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- ❖ Iron & Steel delivered a mixed but improving quarter with margin uplift. Net sales rose to ₹209,615 crore, up 9% YoY from ₹191,506 crore, supported by stable domestic demand.
  - ❖ Operating profit increased to ₹29,319 crore, up 19% YoY, aided by cost efficiencies.
  - ❖ PAT grew sharply to ₹10,491 crore, a 71% YoY jump from ₹6,135 crore, helped by lower raw-material costs.
  - ❖ Government capital expenditure particularly on roads, railways, metros, bridges, and housing has been one of the strongest demand drivers for steel, creating sustained growth momentum.
  - ❖ However, global price movements remained uneven due to fluctuations in iron ore, coking coal, and freight costs.
  - ❖ Overall, the quarter reflected a balanced pricing environment, where domestic demand supported stability but global softness and import competition restricted any significant growth prospect.

## Power Sector (Stable quarter with consistent operating performance)

- ❖ The Power sector recorded a stable quarter with modest improvement in profitability. Net sales in Dec'25 were ₹130,046 crore, up 2% YoY from ₹127,065 crore, reflecting stable demand but limited tariff-led growth.
- ❖ Operating profit rose to ₹50,172 crore, up 5% YoY from ₹47,813 crore, supported by better thermal margins.
- ❖ PAT improved to ₹14,219 crore, up 9% YoY from ₹13,091 crore, aided by cost stability.
- ❖ Renewables have now crossed the halfway mark in India's total power generation mix and targeting a massive expansion of clean energy capacity by 2030, supported by accelerated solar, wind, hybrid, storage, and green-hydrogen-linked investments signals investment revival in the sector.
- ❖ However, elevated input and equipment costs, including modules, turbines etc and DISCOM hesitation in signing long-term power-purchase agreements affecting revenue visibility for new renewable projects.

## Textile Sector (Weak demand conditions continued to drag performance)

- ❖ Textile had a weak quarter with continued pressure on volumes and profitability. Net sales declined to ₹44,130 crore, down 4% YoY from ₹46,206 crore, hurt by global demand softness.
- ❖ Operating profit fell to ₹4,924 crore, down 22% YoY from ₹6,322 crore, due to raw-material cost volatility.
- ❖ PAT dropped to ₹1,388 crore, a 44% YoY fall from ₹2,468 crore on account of margin hit due to tariff tantrums.
- ❖ Frequent policy shifts such as the sudden US tariff regime changes have created unpredictability in pricing, working capital cycles, and order visibility, leading to deferred or cancelled contracts.
- ❖ Recent tariff relaxations in select categories have improved competitiveness, but the sector continues to face structural tariff-risk over major markets, keeping long-term planning difficult, while domestic consumption remains supportive.

- ❖ **Bottomline – The trajectory of the current corporate earnings cycle will hinge largely on the duration of the war, while strong domestic macro fundamentals should cushion the economy, limiting the broader earnings impact in the current Mar’26 quarter.**
- ❖ The earnings visibility to remain clouded due to ongoing geopolitical tensions between Iran and Israel & the US, which could influence crude oil prices and input cost trajectories in the near term.
- ❖ The Strait of Hormuz crisis has forced major global carriers to suspend operations through the corridor while rerouting ships around the Cape of Good Hope has increased voyage distances by thousands of nautical miles pushing up fuel consumption significantly. Emergency conflict surcharges and war-risk insurance premiums has made shipping & logistics even more expensive.
- ❖ Commodity prices may surge this quarter as the war disrupts shipping routes tightens global supplies and fuels inflationary pressures across energy, metals, and agriculture.
- ❖ Sectors likely to perform well in the March 2026 quarter include banking, autos, capital goods, FMCG and infrastructure supported by resilient domestic demand, stable credit conditions, and ongoing government-led capex momentum.
- ❖ Oil-importing industries, chemicals, logistics, aviation, and select export-oriented manufacturing may face pressure from higher crude prices, freight disruptions, and geopolitical uncertainty.
- ❖ Domestic demand is expected to remain resilient, supported by steady consumption, healthier urban spending, and improving investment activity, though geopolitical uncertainties may create near-term pressure on discretionary segments and export-linked industries.

# Thank You !

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