

India: Identifying sectoral challenges and opportunities amid West Asia crisis

CORPORATE EARNINGS REPORT



MARCH 2026

BANKING RESEARCH TEAM

Sectoral challenges in the current scenario				
Rank	Sector	Impact Level	Key Risk Drivers	Jun-26 Operating Profit estimated Margin Guidance
1	Aviation	Severe	Fuel cost + low pricing power	Low single digit / near breakeven, with downside risk if fuel remains elevated
2	Oil Marketing / Refining	Severe	Crude volatility + policy risk	3% - 6% (highly volatile) depending on fuel price pass-through and inventory impact
3	Chemicals & Petrochemicals	High	Crude-linked inputs + exports	12% - 16%, with pressure from input costs but partial recovery via pricing
4	Textiles	High	High input cost + exports	10% - 14% with raw material pressure, energy and logistics cost weak export demand
5	Logistics & Shipping	High	Freight disruption + fuel costs	10% - 14%, subdued due to higher freight and fuel costs, with mild recovery potential
6	Paints	High	Raw material inflation (crude derivatives)	18% - 22%, slight compression but supported by pricing actions and premiumization
7	Cement	Moderate	Fuel (petcoke/diesel) costs + packaging cost	16% - 20%, stable with mild pressure, backed by demand and pricing discipline
8	Metals	Moderate	Energy + global pricing linkages	20% - 25%, relatively stable aided by global pricing linkage
9	Automobiles	Moderate	Input + logistics cost + export	10% - 13%, largely stable with gradual cost pass-through
10	FMCG	Low	Packaging + transport costs + commodity cost	20% - 24%, stable to improving due to strong pricing power and product mix

- ❖ Severely impacted sectors such as aviation and oil marketing face significant margin stress due to high fuel costs and limited pricing flexibility.
- ❖ High-impact sectors (chemicals, textiles, logistics, paints) are likely to see margin compression driven by input cost inflation and supply chain disruptions.
- ❖ Moderate-impact sectors like cement, metals, and automobiles may experience mild pressure but retain stability through demand and cost pass-through mechanisms.
- ❖ Low to minimal impact sectors like FMCG remain resilient, supported by strong pricing power (passing on the price hike through reduced grammage value) and domestic demand. However high input cost may put downward risk on margins going forward.

- ❖ **Revenue Growth to Remain resilient:** Corporate earnings in Q1 FY27 are expected to be supported by strong top-line momentum, with companies continuing to benefit from domestic driven demand conditions and favourable base effect.
- ❖ **Margin Pressure Likely to Persist:** Despite healthy revenue growth, operating margins may remain under pressure due to elevated input costs, higher employee expenses, and sustained logistics/fuel costs.
- ❖ **Moderation in Profit Conversion:** The sharp rise in expenditure seen in recent quarters could limit the translation of revenue growth into operating profit, leading to only modest expansion in operating earnings.
- ❖ **PAT Growth may lag Top-Line:** Bottom-line growth is likely to be more subdued compared to revenue, as higher interest costs, depreciation (due to past capex), and tax normalization weigh on net profitability.
- ❖ **Sectoral divergence in earnings is likely,** with consumption and domestically driven businesses expected to outperform, while rate-sensitive and externally exposed sectors such as real estate, capital goods, aviation, oil & gas, chemicals, and logistics may face heightened pressure amid the ongoing conflict.
- ❖ **Impact of Global Uncertainties:** External risks, including the West Asia geopolitical situation, may add volatility through input cost fluctuations and supply chain disruptions, impacting earnings visibility.
- ❖ **Focus on Efficiency & Cost Control:** Companies are expected to prioritize cost optimization, operational efficiency, and supply chain resilience, which will be key factors in sustaining earnings stability.
- ❖ **Overall:** Q1 FY27 corporate earnings are likely to show resilient but not uniform growth, with strong revenues offset by cost pressures and external uncertainties, resulting in moderate and quality-dependent profit growth.

Corporate Earnings

Earnings remained resilient in Q4 FY26 despite tariff related uncertainties, yet outlook has come under pressure on West Asia conflict even if sectoral divergence remains wide and needs close watch.

Overall performance during Mar'26 quarter

- ❖ **Net Sales:** Net sales growth stood at 11.7% in Mar-26, reflecting recovery in demand momentum and improved business traction in Q4.
- ❖ **Operating Profit:** Operating profit grew by 10.9% in Mar-26, indicating stable operating performance with reasonable cost absorption despite some pressure in the last month of Q4 owing to west Asia crisis.
- ❖ **PAT:** PAT growth came in at 17.9% in Mar-26, showing a strong rebound in bottom-line profitability driven by better operational leverage and efficiency gains.
- ❖ **Expenditure:** Expenditure increased by 11.2% in Mar-26, suggesting a relatively elevated cost environment that limited margin expansion in the quarter.
- ❖ **Operating Profit Margin:** Margins were maintained at 24% in Mar-26, reflecting stable but range-bound profitability without significant expansion due to higher input costs.

Outlook

- ❖ **Supply Chain Disruption:** The West Asia crisis could disrupt key supply chains, leading to delays in raw material availability and increased uncertainty in production planning.
- ❖ **Cost Pressures:** Elevated geopolitical tensions are likely to push up energy, fuel, and logistics costs, which can compress margins and increase overall expenditure burden.
- ❖ **Export & Demand Impact:** Businesses with exposure to affected regions may see weaker export demand and order volatility, impacting revenue visibility in the near term.
- ❖ **Overall outlook remains challenging for Q1FY27, with the extent of impact largely contingent on the duration and intensity of the West Asia conflict.**

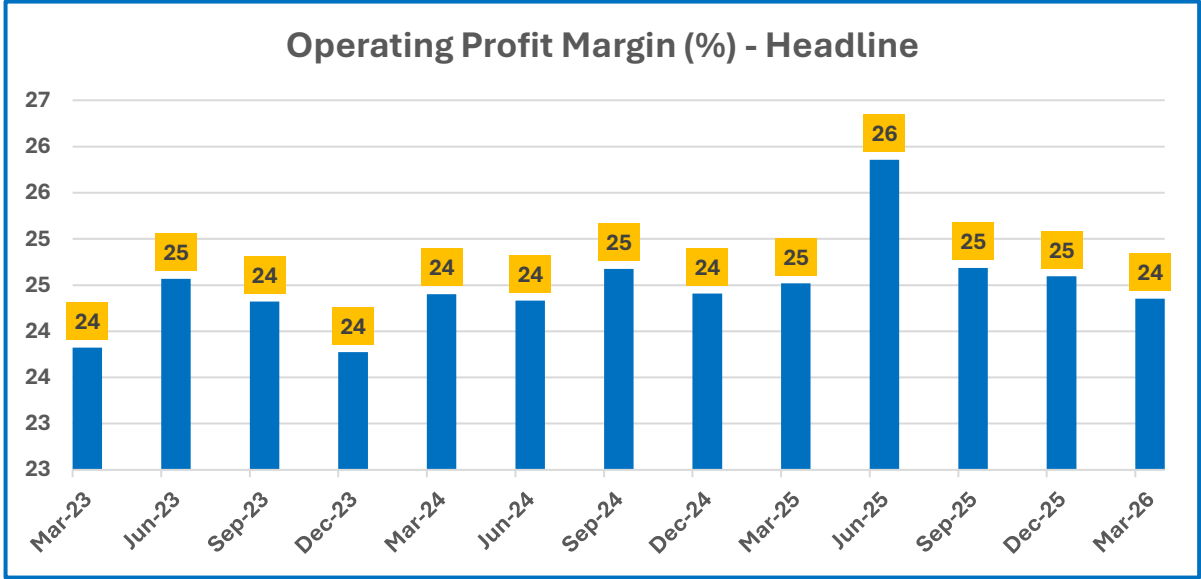
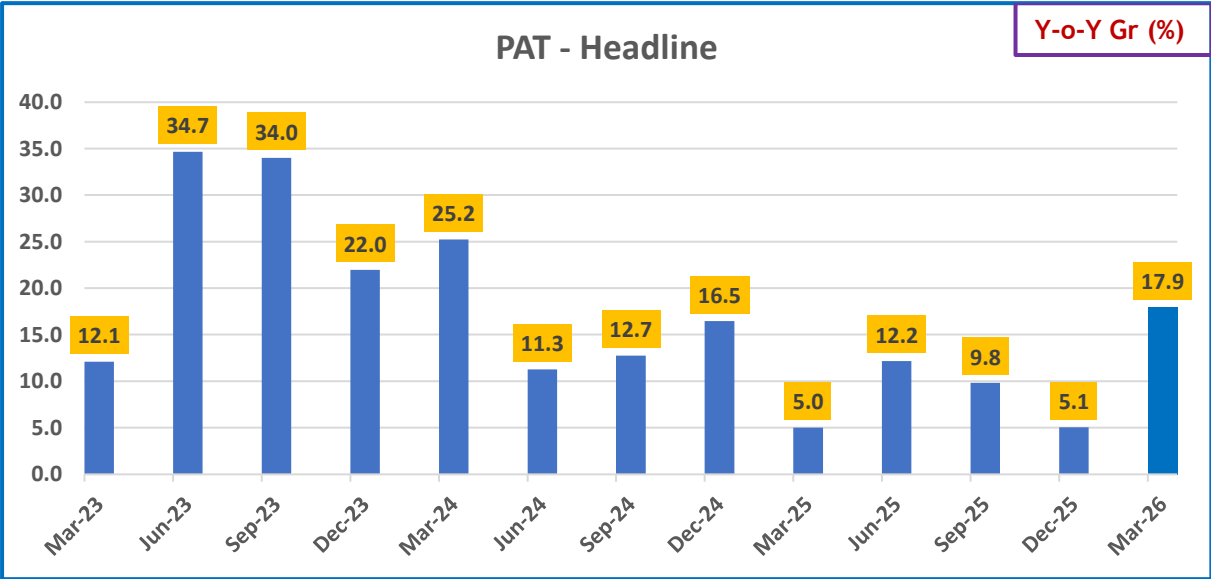
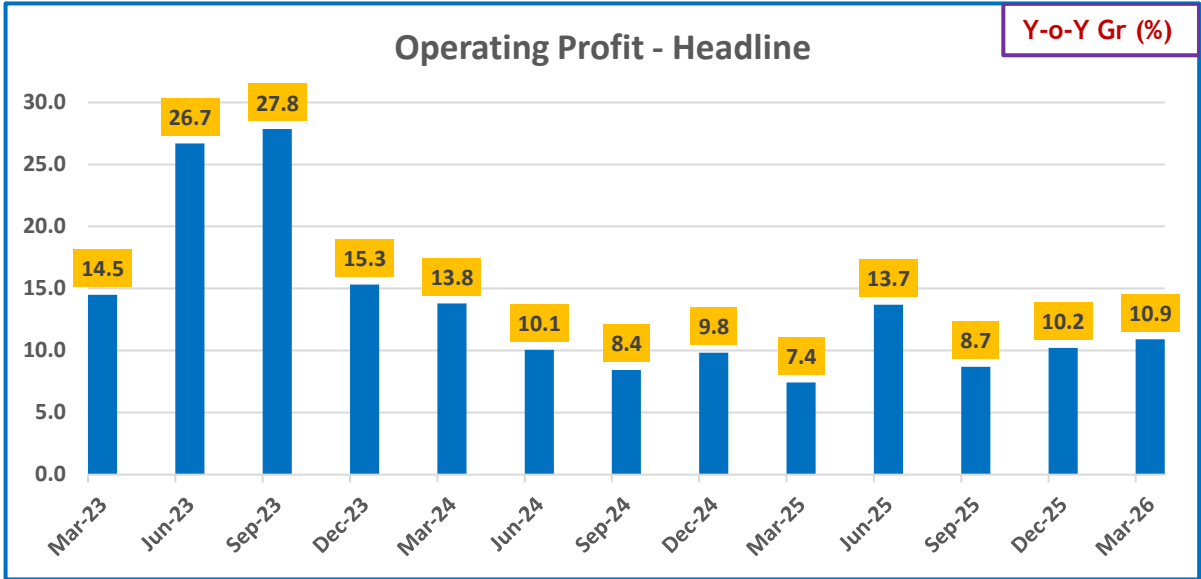
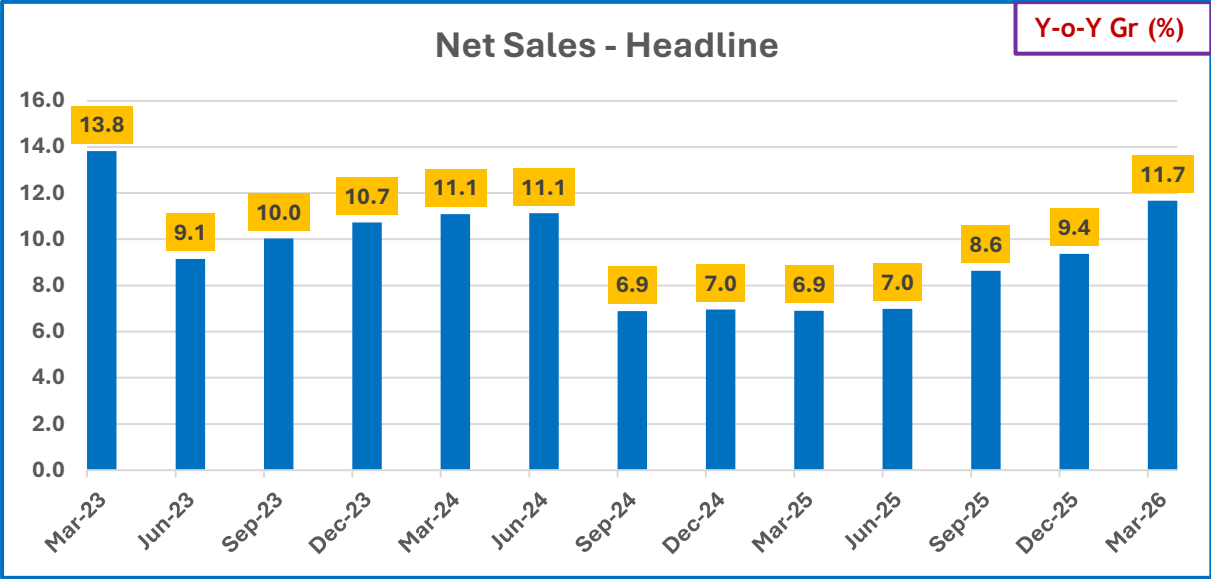
Manufacturing

- ❖ **Net Sales:** Growth improved steadily to 13.0% in Mar-26, indicating a strong recovery in demand after a period of muted performance.
- ❖ **Operating Profit:** Performance remained volatile through the period, but rebounded to 14.2% in Mar-26, signaling improving operational stability.
- ❖ **PAT:** After weak and uneven trends earlier, PAT showed a sharp recovery to 27.1% in Mar-26, reflecting strong bottom-line improvement.
- ❖ **Expenditure:** Costs increased significantly to 13.2% in Mar-26, suggesting a rising cost environment that could weigh on margins.
- ❖ **Operating Profit Margin:** Margins remained stable in the 16-17% range, with Mar-26 at 17%, indicating consistent profitability despite fluctuations in growth and costs.

Services

- ❖ **Net Sales:** Growth is strong and accelerating, reaching 18.9% in Mar-26, indicating robust demand momentum and sustained business expansion.
- ❖ **Operating Profit:** Operating profit remains steady and healthy at 14.7% in Mar-26, reflecting consistent operational performance despite fluctuations during the period.
- ❖ **PAT:** PAT growth is weak at 2.9% in Mar-26, after a sharp decline in the previous quarter, highlighting pressure on bottom-line profitability despite strong revenue growth.
- ❖ **Expenditure:** Costs have risen significantly to 21.6% in Mar-26, indicating a high-cost environment that is weighing on profitability.
- ❖ **Operating Profit Margin:** Margins remain strong but slightly moderated at 32% in Mar-26, suggesting resilience in profitability, though under some pressure from rising costs.

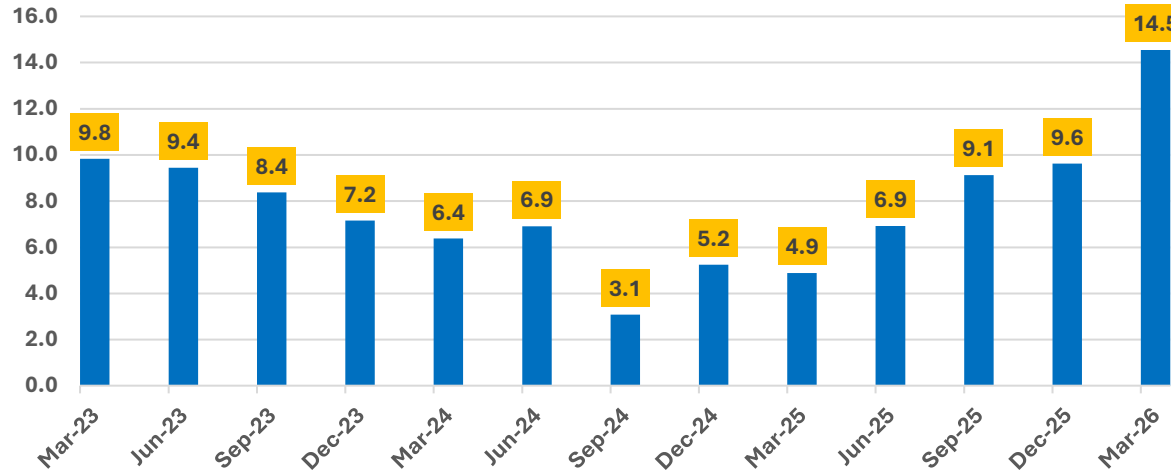
Headline earnings shows a resilient recovery, with Q4 acceleration despite lingering impact of West Asia crisis on costs and demand



Ex-petro manufacturing highlights stronger Q4, underscoring limited impact once petroleum-linked volatility is excluded

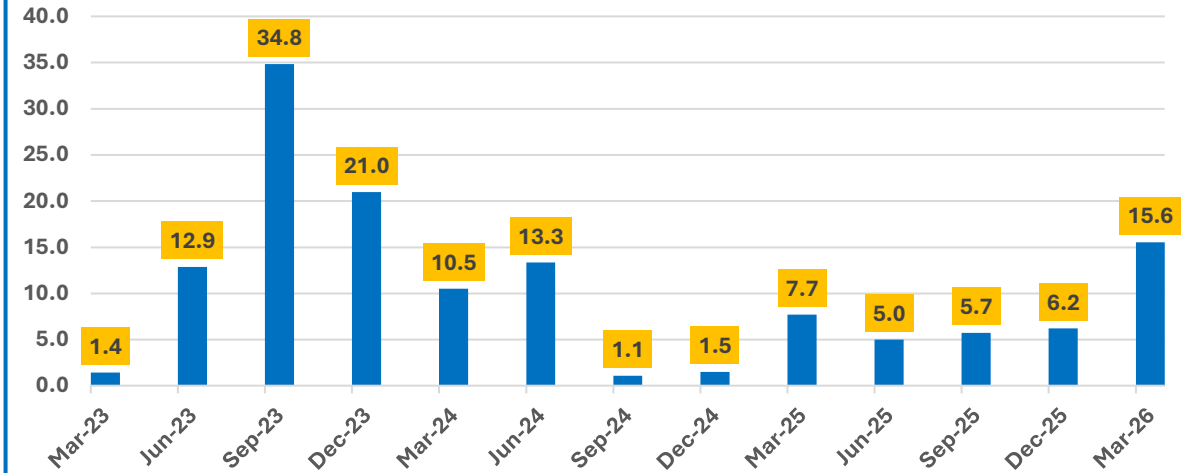
Net Sales - Manufacturing ex Petro

Y-o-Y Gr (%)



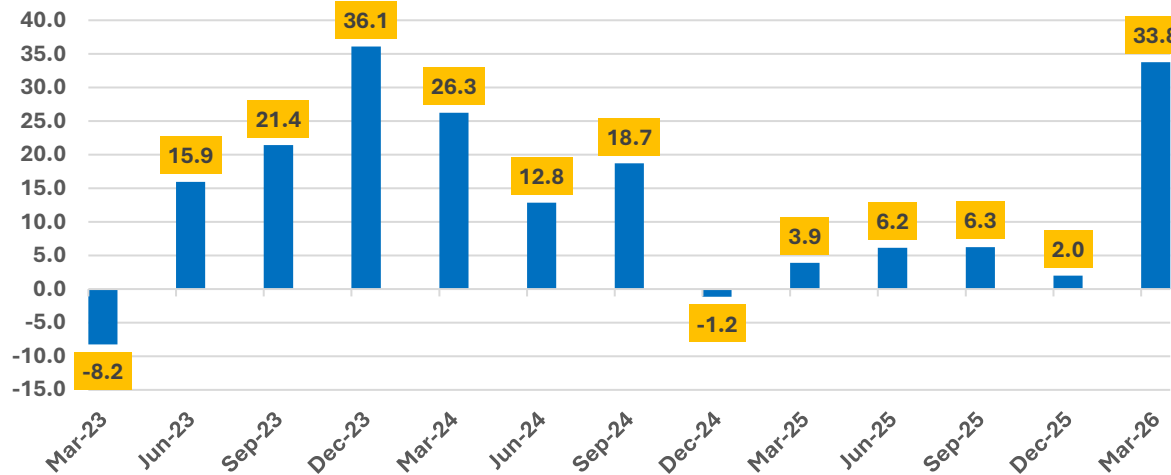
Operating Profit - Manufacturing ex Petro

Y-o-Y Gr (%)

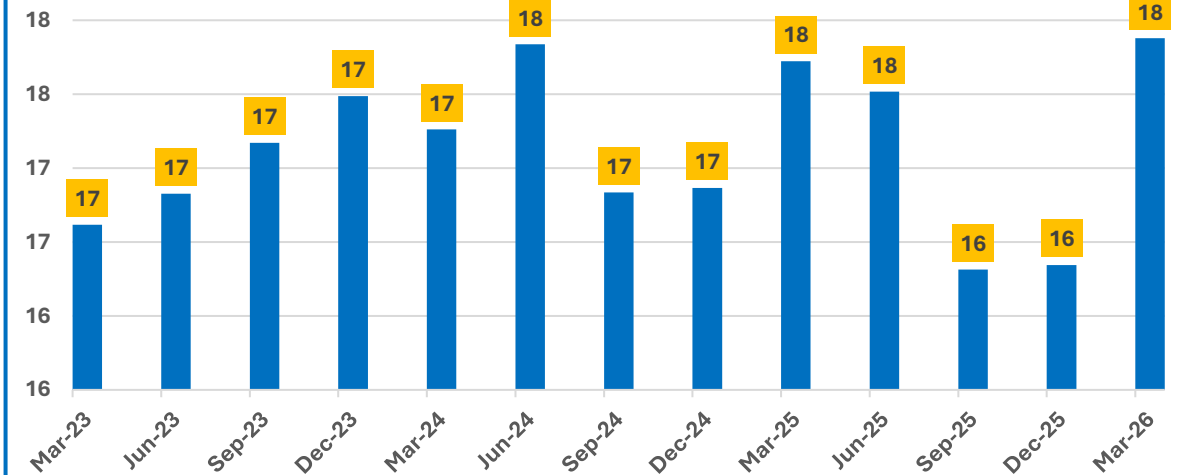


PAT - Manufacturing ex Petro

Y-o-Y Gr (%)

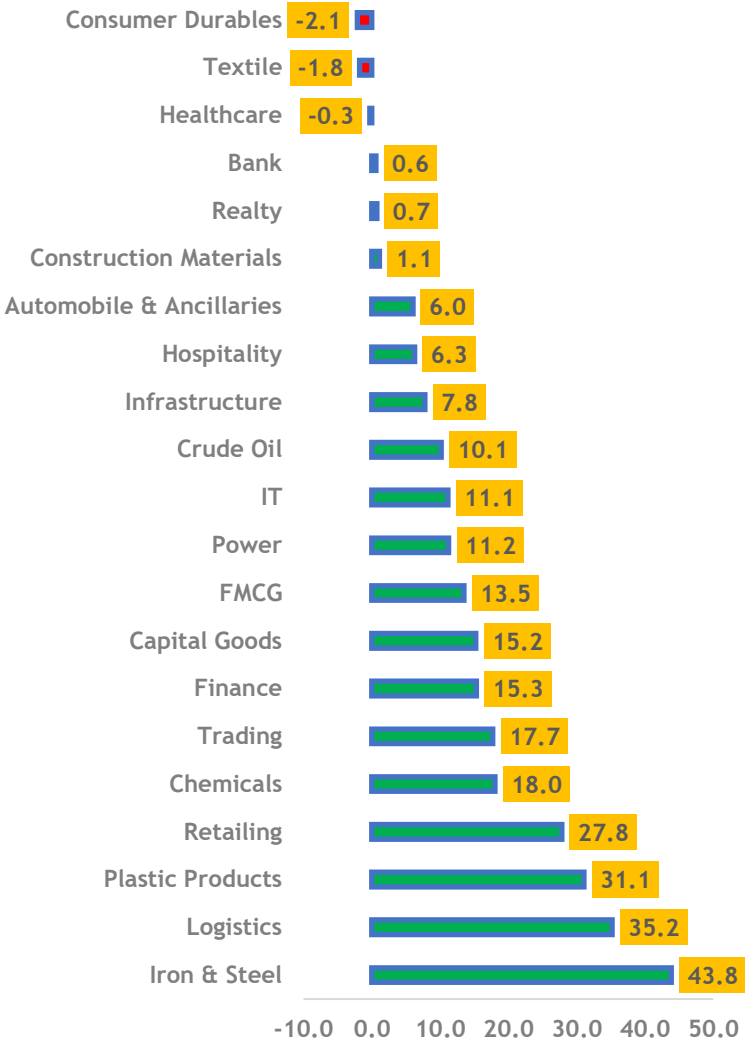


Operating Profit Margin (%) - Manufacturing ex Petro



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

Operating Profit Winners and Laggards (Mar'26 Y-o-Y Gr (%))



Sector	Growth (%)	Underlying Reason
Iron & Steel	43.8	Supply disruptions and elevated global prices amplified domestic realizations and margins.
Logistics	35.2	Demand pressure in the last month of Q4 was offset by Re-routing and higher freight rates driven by West Asia disruptions.
Plastic Products	31.1	Stable demand pass-through and limited impact of oil-linked volatility aided margin resilience.
Retailing	27.8	Consumption held firm owing to effect of GST rate cut, despite inflationary pressures arising from geopolitical supply shocks.
Chemicals	18.0	Export opportunities improved as global supply chains adjustment; Also, healthy inventory level delayed the impact of rising input cost.

Sector	Growth (%)	Underlying Reason
Consumer Durables	-2.1	Demand weakness persisted as inflationary pressures from geopolitical tensions dampened discretionary spending.
Textile	-1.8	Soft exports and elevated input costs amid global disruptions weighed on margins.
Healthcare	-0.3	Pricing pressures and input cost volatility limited earnings growth despite steady demand.
Construction Materials	1.1	Higher energy and logistics costs due to West Asia crisis constrained margin expansion.
Realty	0.7	Elevated input costs and cautious demand amid uncertainty moderated profitability.

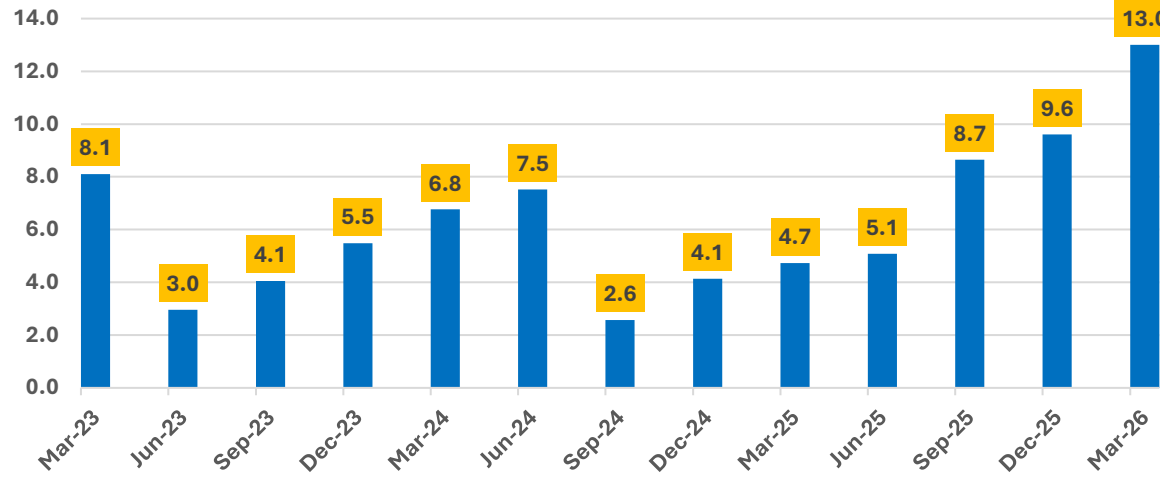
Manufacturing

Q4 FY26 highlights manufacturing resilience, with limited impact from late-quarter West Asia disruptions; however, lingering cost and supply pressures could weigh on momentum, making the June quarter more challenging despite the current recovery trend.

Q4 FY26 underscores a steady recovery in manufacturing, with sector resilience cushioning the early impact of the West Asia conflict

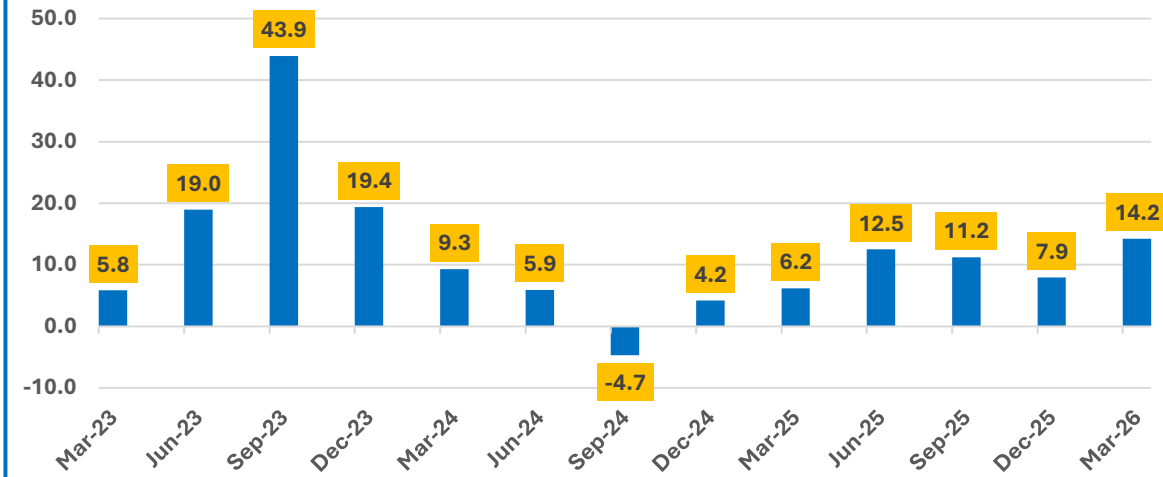
Net Sales - Manufacturing

Y-o-Y Gr (%)



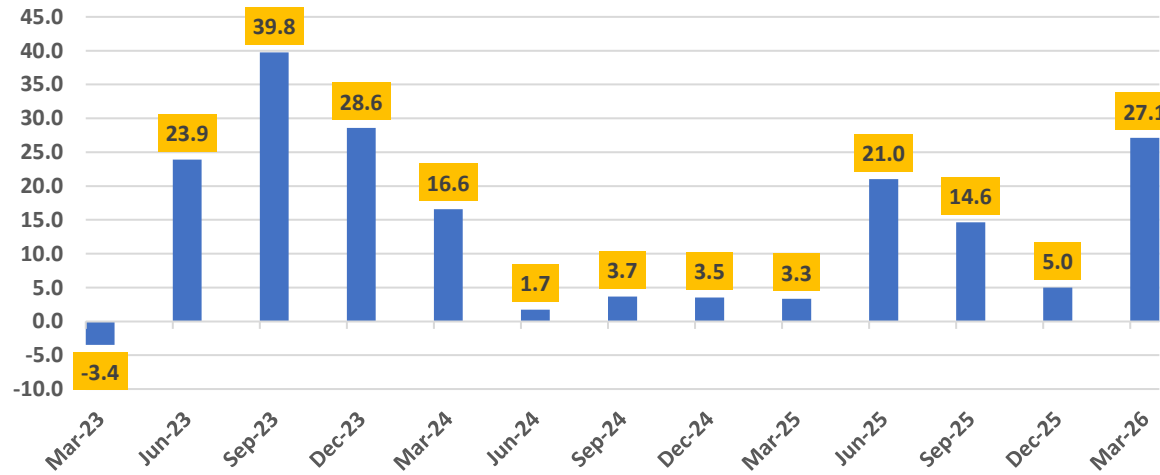
Operating Profit - Manufacturing

Y-o-Y Gr (%)

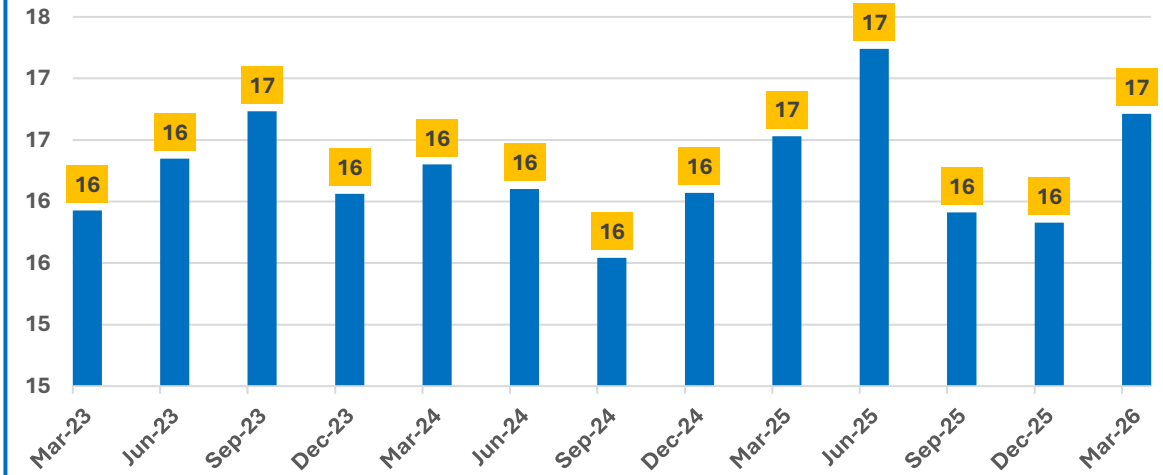


PAT - Manufacturing

Y-o-Y Gr (%)



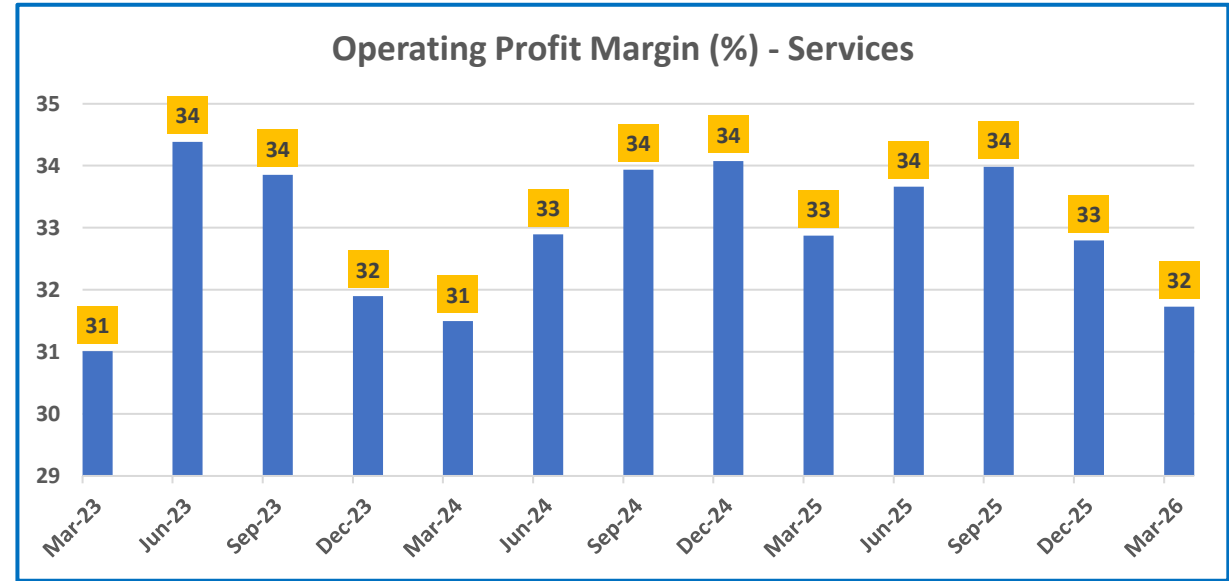
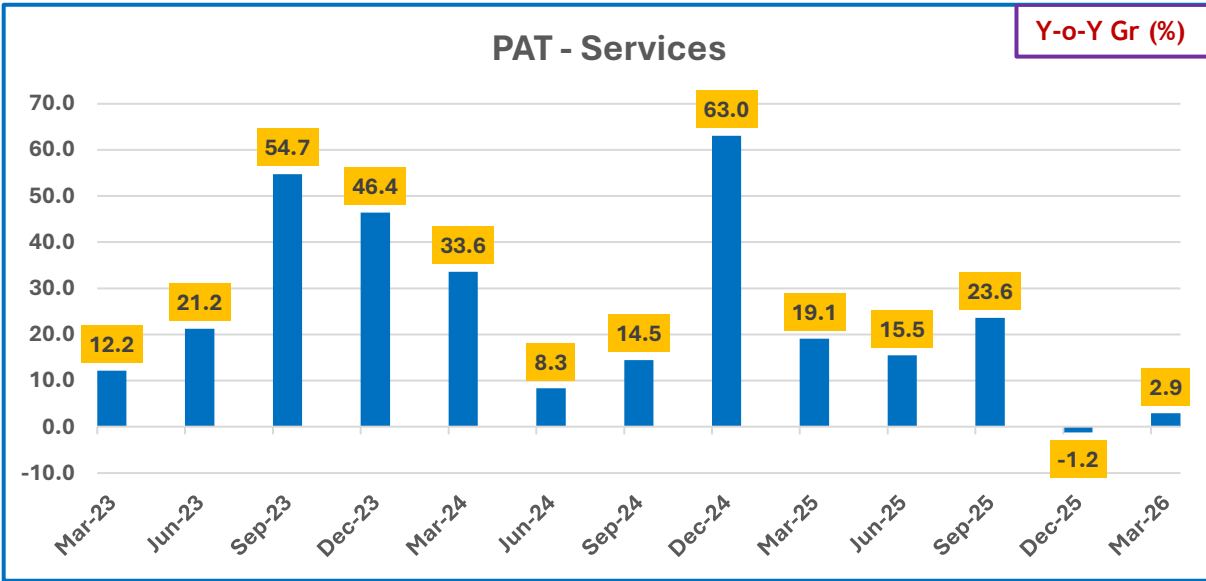
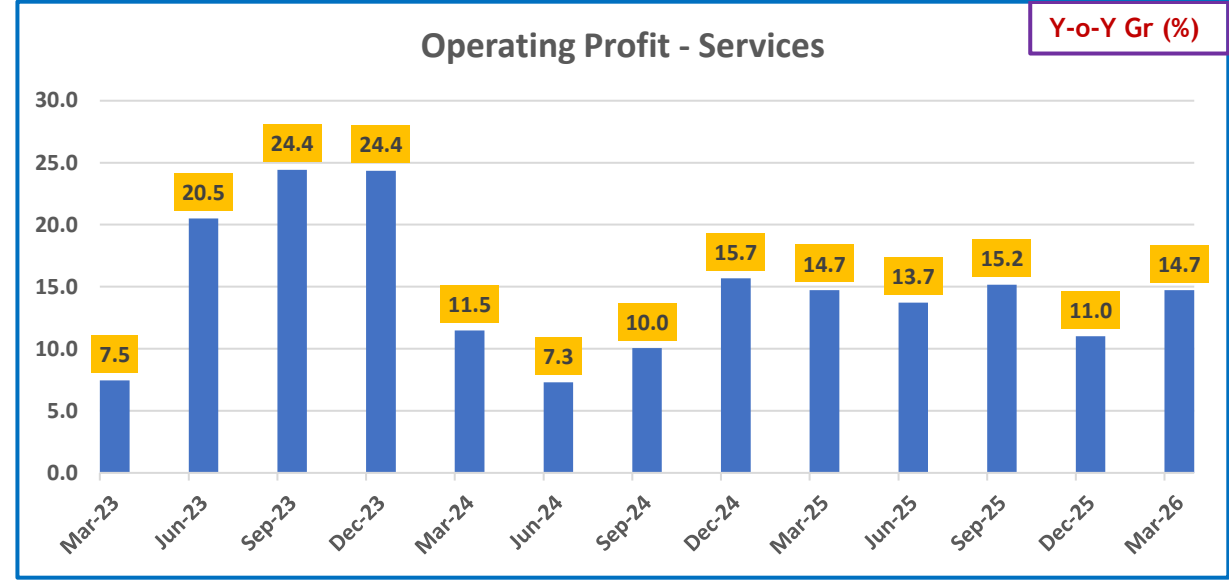
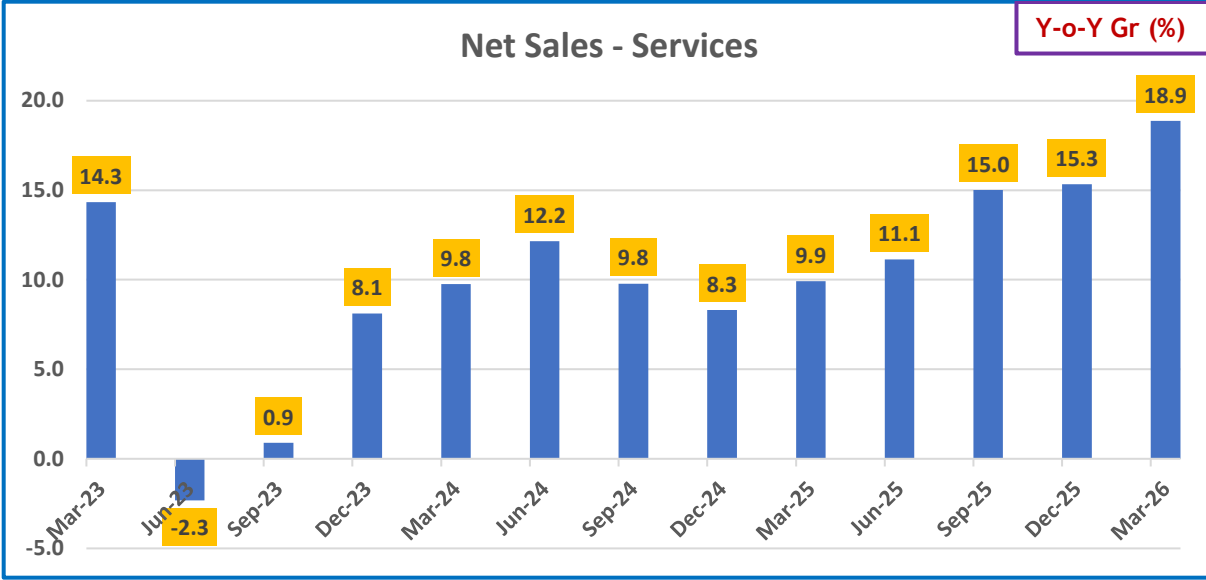
Operating Profit Margin (%) - Manufacturing



Services

Services sector demonstrates a strong recovery trajectory, with steady improvement in sales growth in Q4 FY26. Profitability remains stable despite minor margin fluctuations, highlighting resilience. Momentum persisted despite disruptions, though a slowing global economy may pose challenges to sustaining growth in the coming quarters.

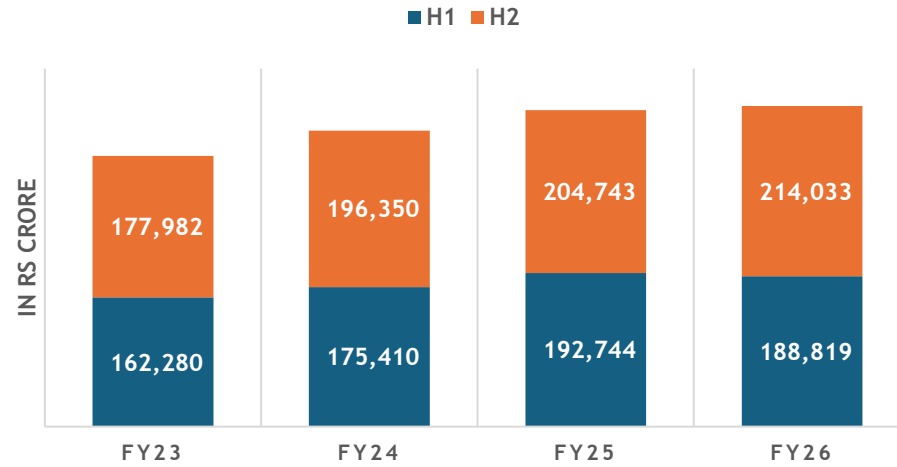
Services sector sustains strong momentum, with Q4 FY26 acceleration despite global disruptions



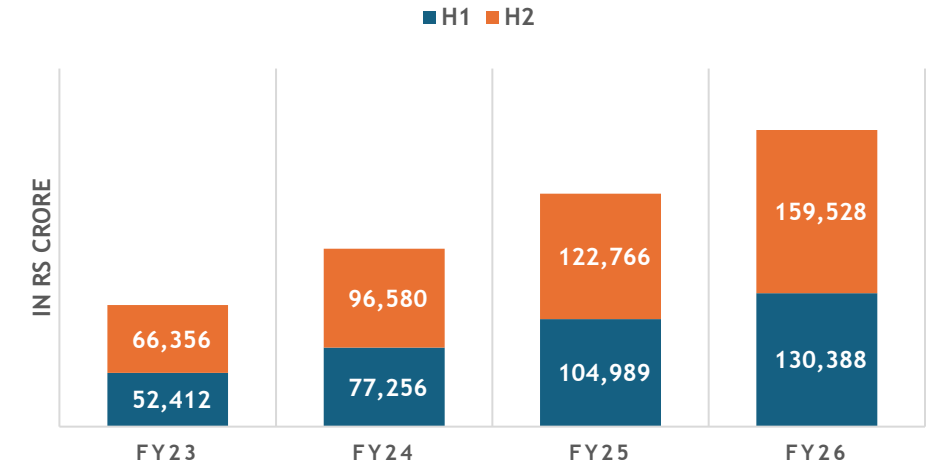
Capex

Capex trends reflect a gradual recovery led by select sectors like infrastructure and logistics, while overall investment remains uneven. Despite resilience in pockets, the sharp moderation in recent quarters signals rising caution, with geopolitical uncertainties and supply disruptions likely to dampen investment sentiment and delay broad-based private capex revival going forward.

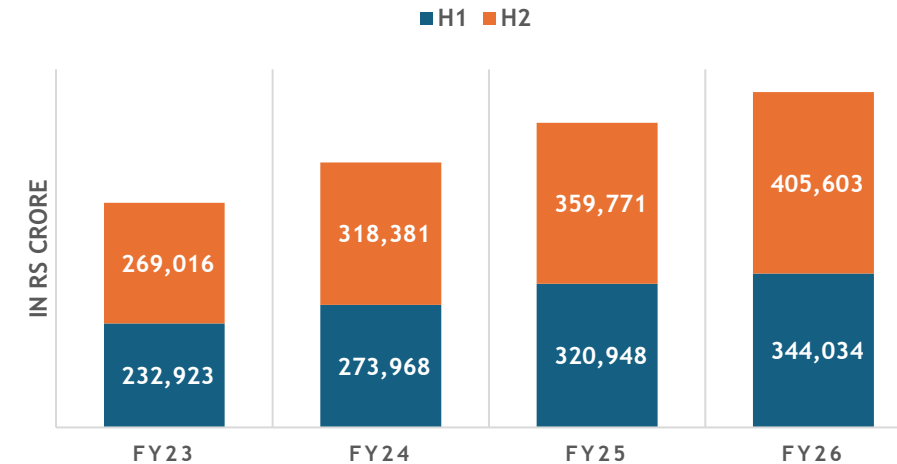
MANUFACTURING CAPEX



SERVICES CAPEX



HEADLINE CAPEX

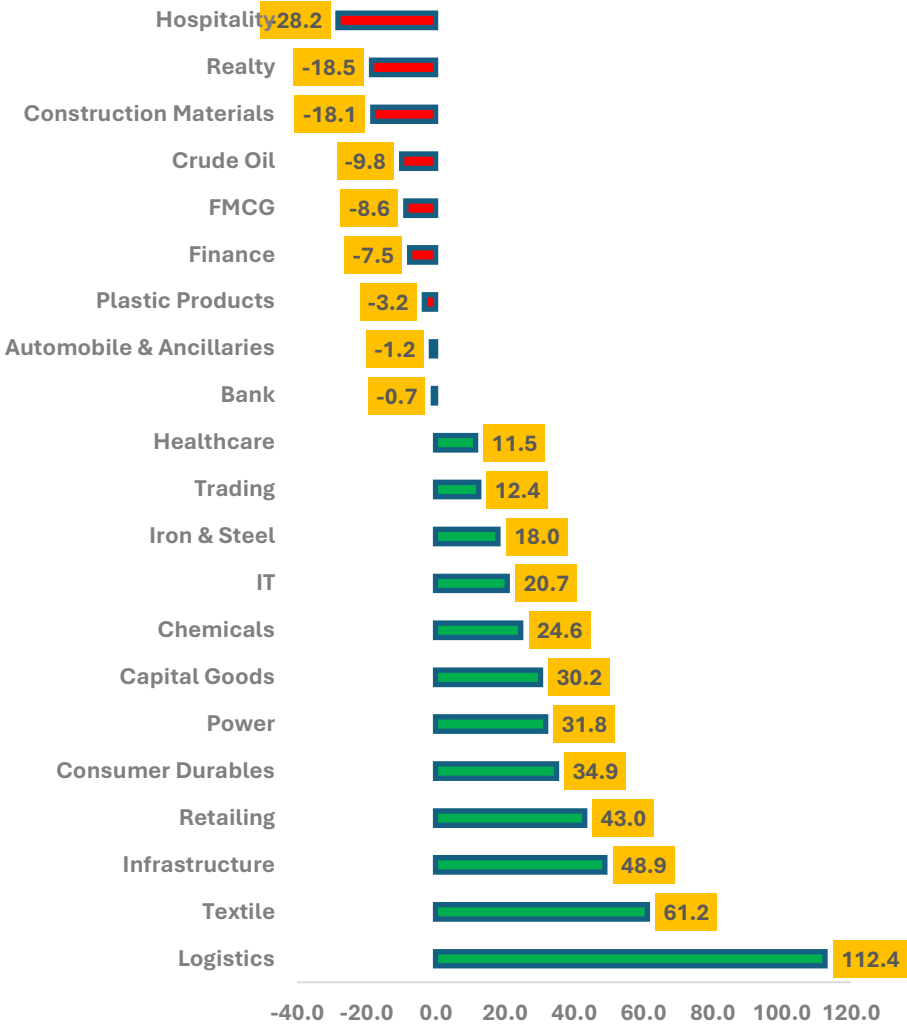


Capex remains selective rather than broad-based, with sharp divergence between winners and laggards highlighting that private investment is picking up only in specific pockets

Sector	Growth (%)	Remark
Logistics	112.4	Sharp expansion driven by supply-chain realignment and trade rerouting, with strong momentum likely despite rising costs ahead.
Textile	61.2	Export-led capex surge on China+1 shift, though global slowdown may moderate future investments.
Infrastructure	48.9	Government-led capex push sustaining strong growth, with continued visibility despite limited late-quarter disruptions.
Retailing	43.0	Consumption recovery and tax rationalisation driving expansion, with demand sensitivity a key monitor.
Consumer Durables	34.9	Policy support and premium demand aided investments, though cost pressures may weigh in Q1.

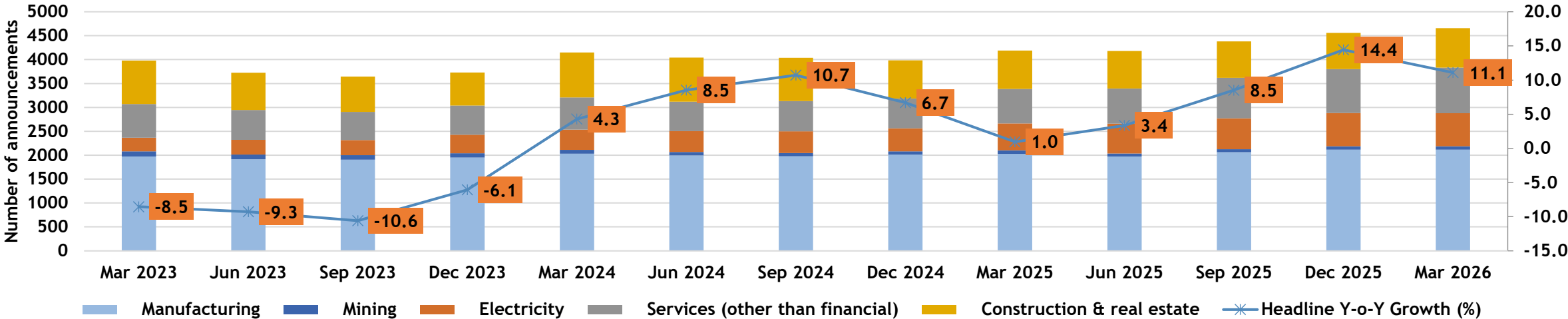
Sector	Growth (%)	Remark
Hospitality	-28.2	Post-cycle normalisation and cautious outlook amid global uncertainty drive sharp capex pullback.
Realty	-18.5	High costs and demand moderation constrain investment, with outlook dependent on interest rates.
Construction Materials	-18.1	Input cost inflation and late-quarter disruptions (West Asia impact) compress capex appetite.
Crude Oil	-9.8	Geopolitical uncertainty and price volatility delay investments, with outlook tied to oil stability.
FMCG	-8.6	Prior capacity build-up and efficiency focus limit capex, with gradual recovery supported by rural demand.

Capex Winners and Laggards
(Mar'26 Y-o-Y Gr (%))

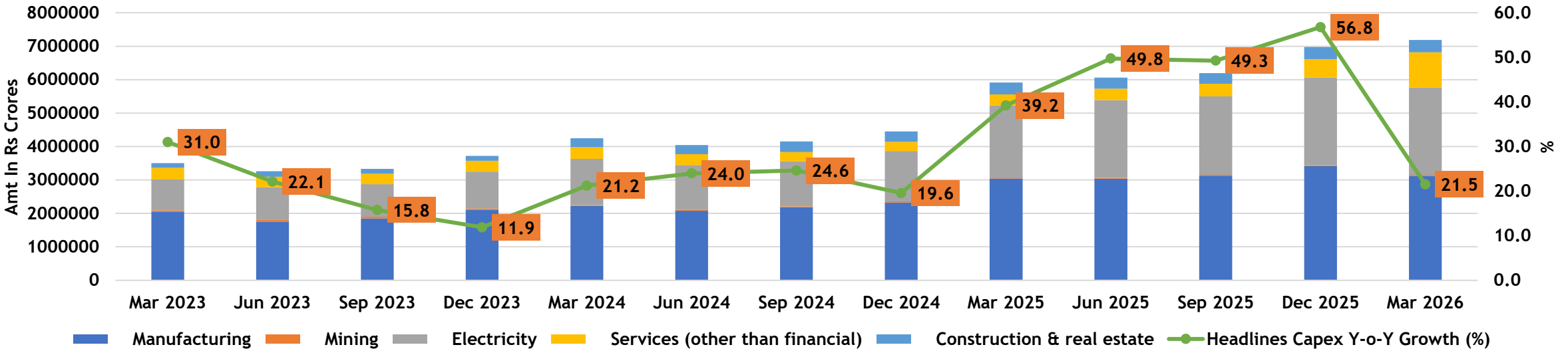


Overall project announcements show improving momentum but the sharp moderation in Mar'26 suggests rising caution amid growing uncertainty

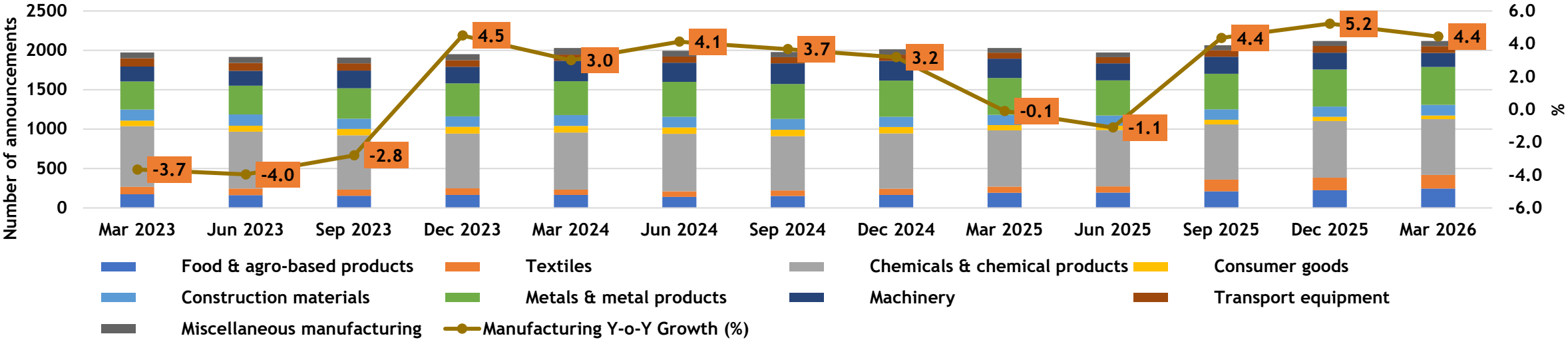
Project Annoucements (Numbers) - Sector wise



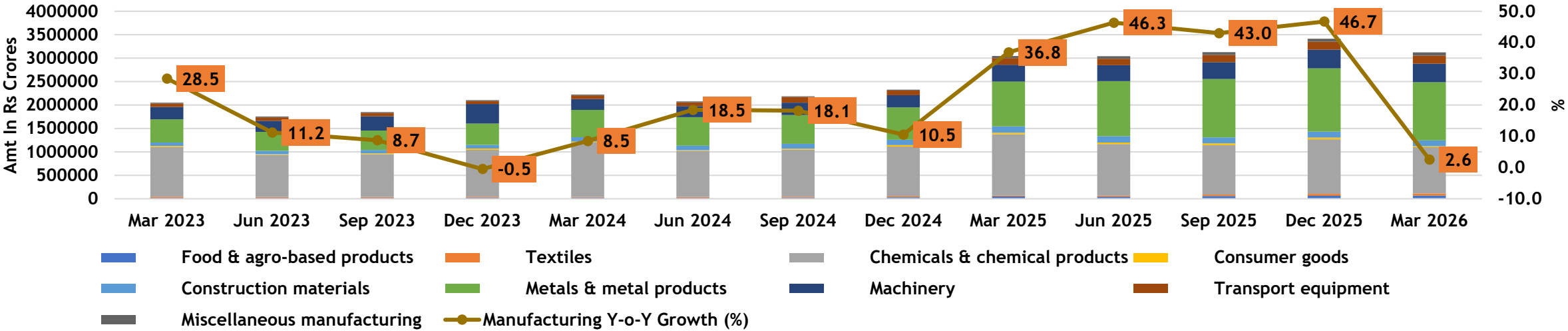
Project Annoucments (Actual) - Sector wise



Project Annoucements (Numbers) - Manufacturing



Project Annoucements (Actuals) - Manufacturing



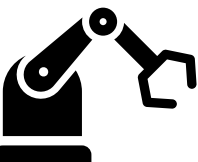


Automobile & Ancillaries Sector -

- Revenue growth of ~65-70% reflects strong demand recovery across cycle phases.
- Profits expanded ~2.5x-3x, showing strong operating leverage benefits.
- Earnings remain cyclical and sensitive to global disruptions and demand shocks.
- Margin expansion into high-teens indicates better pricing and cost control.
- High capex indicates capacity readiness for future demand.
- West Asia impact: Rising crude prices can increase input and logistics costs, pressuring margins in near term.

Corporate guidance amid west Asia crisis

- Rising crude leading to raw material cost increase (~8-12%), resulting in margin compression of ~100-150 bps
- Industry growth expected at ~5-7% in FY27, with leaders guiding >10% growth
- Premiumisation (SUV mix) supporting realizations but offset by higher discounts
- Export markets disruption leading to 5-10% decline in export volumes
- Ancillaries impacted by dual pressure of freight + input cost inflation



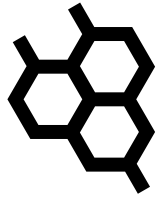
Capital Goods Sector -

- Revenue growth (~50%+) driven by revival in capex cycle.
- Profit doubling highlights strong execution momentum.
- Cost absorption phase visible as profit growth trails revenue.
- Margins stable → pricing discipline maintained.
- Strong capex pipeline → future order visibility intact.
- West Asia impact: Oil-driven inflation can delay private capex decisions, impacting order inflow.

Corporate guidance amid west Asia crisis

- Strong order pipeline with 10-15% growth visibility driven by domestic infrastructure
- Execution delays due to supply disruptions → lag of 1-2 quarters
- Input cost inflation causing margin pressure of ~50-100 bps
- Defence and localisation trends offering partial cushion
- Export-linked EPC exposure risk impacting 10-15% project pipeline

Chemicals Sector -



- Revenue growth (~25-30%) shows post-boom normalization.
- Profit growth muted → pressure on spreads.
- Margins volatile due to raw material price sensitivity.
- Earnings inconsistent → cycle still stabilizing.
- Continued investments → long-term structural confidence.
- West Asia impact: Direct exposure as petrochemical feedstock costs may rise sharply with crude spikes, hitting margins

Corporate guidance amid west Asia crisis

- Feedstock cost inflation of ~5-10% due to crude-linked inputs
- Freight cost surge 2-3x with delivery delays of 25-30 days
- Commodity chemical margin compression of ~200-300 bps
- Supply disruptions affecting key intermediates and production cycles
- Specialty chemicals resilient with limited margin impact (<100 bps)

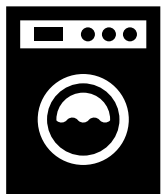
Construction Materials



- Revenue up (~40-45%) driven by infra and housing demand.
- Profit largely volume-led → limited margin expansion.
- Margins volatile due to energy and freight costs.
- Earnings sensitive to commodity cost swings.
- Capex reflects capacity expansion cycle.
- West Asia impact: Fuel cost escalation can raise cement/logistics cost, compressing margins.

Corporate guidance amid west Asia crisis

- Demand growth moderated to ~4-6%
- Fuel cost increase leading to ₹150-250/ton cost escalation
- Freight and logistics cost pressure impacting margins (~100 bps)
- Export weakness resulting in ~5-7% volume decline
- Pricing discipline required to protect profitability

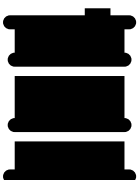


Consumer Durables sector

- Revenue doubled (~100%+) driven by strong consumption demand.
- Profit growth (~70%) shows initial scaling pressure.
- PAT growth (~3x) highlights operational efficiency gains.
- Stable margins indicate competitive balance.
- Asset-light growth supports scalability.
- West Asia impact: Inflation from oil shocks can reduce discretionary demand, slowing growth momentum.

Corporate guidance amid west Asia crisis

- Input cost inflation leading to margin compression of ~100-200 bps
- Expected price hikes of 3-5% to offset cost pressure
- Urban demand driving growth of ~8-12%
- Supply chain disruptions impacting imports and inventory cycles
- Export slowdown leading to ~5-8% revenue impact



Crude Oil Sector

- Revenue growth (~25-30%) stable on large base.
- Profit growth (~50%) driven by price cycles.
- Earnings extremely volatile due to global geopolitical sensitivity.
- Margins fluctuate sharply → non-linear returns.
- High capex reflects capital-intensive structure.
- West Asia impact: Direct beneficiary; geopolitical tensions can drive price spikes → boosting profitability.

Corporate guidance amid west Asia crisis

- Crude prices elevated at \$100+ range, increasing macro pressure
- Upstream companies benefiting with EBITDA expansion of ~10-20%
- OMCs facing margin pressure due to pricing controls
- Supply disruptions affecting critical import routes (~40%)
- Every \$10 increase leads to higher import bill and CAD expansion (~0.3% GDP)

FMCG Sector

- Revenue growth (~50%) achieved with low volatility.
- Profit growth (~60-70%) reflects efficiency gains.
- Margins stable due to pricing power.
- Strong earnings visibility → defensive sector.
- Moderate capex → high cash generation.
- West Asia impact: Commodity inflation may impact input costs, but partially passed to consumers.

Corporate guidance amid west Asia crisis

- Strong demand with **growth of ~8–12%**
- Input inflation causing **margin decline of ~50–150 bps**
- West Asia exposure leading to **up to 40% decline in regional business**
- Price hikes and shrinkflation (~2–4%) implemented
- Rural demand recovery at risk if inflation exceeds **4–5%**

Pharmaceuticals Sector

- Revenue growth (~50%+) strong and consistent.
- Profit doubling shows core strength.
- PAT growth (~3x+) reflects high earnings quality.
- Margins above ~25% indicate premium positioning.
- Efficient capital allocation ensures sustainability.
- West Asia impact: Minimal direct impact; sector remains **defensive vs geopolitical shocks**.

Corporate guidance amid west Asia crisis

- Stable growth outlook at **~8–12%**
- Margin impact limited to **~50–100 bps** due to logistics costs
- API supply chain disruptions manageable
- Strong export demand (US/EU markets)
- Defensive nature with relatively low geopolitical sensitivity
-

Infrastructure Sector

- Revenue growth (~55-60%) driven by project execution.
- Profit doubling → operational improvement.
- Margins improving → turnaround phase.
- Earnings depend on execution speed and funding.
- High capex → investment-driven growth.
- West Asia impact: Higher interest rates & inflation may delay project funding and execution timelines.

Corporate guidance amid west Asia crisis

- Revenue growth expected at ~10-15%
- Execution delays of 1-2 quarters due to logistics constraints
- Project cost inflation of ~5-8%
- Trade slowdown impacting ports and logistics-linked infra
- Strong government capex providing demand visibility

Iron & Steel Sector

- Revenue growth (~5-10%) remains subdued.
- Profits fluctuate with commodity price cycles.
- Margins stable but no structural expansion.
- Earnings inherently volatile.
- High capex reflects scale competitiveness.
- West Asia impact: Energy cost increase can raise production costs, impacting margins despite stable demand.

Corporate guidance amid west Asia crisis

- Volume growth moderated to ~2-5%
- Energy cost increase leading to EBITDA decline of ~5-10%
- Export demand slowdown impacting ~5-8% volumes
- Domestic infra demand providing partial support
- Raw material and freight cost increase of ~8-12%

Power Sector

- Revenue growth (~40-45%) steady.
- Stable operations due to regulated business model.
- PAT volatile due to leverage and cost fluctuations.
- High but inconsistent margins.
- Large capex reflects long-term infrastructure nature.
- West Asia impact: Fuel (coal/gas) cost inflation can impact generation cost and profitability.

Corporate guidance amid west Asia crisis

- Sector growth remains moderate at ~1-3%
- Fuel cost increase of ~5-15%
- Gas shortage impacting generation mix
- Renewable capacity addition accelerating
- Regulated returns ensuring **stable margins** (impact <100 bps)

Textile Sector

- Revenue growth (~0-5%) reflects stagnant demand.
- Profit decline (~15-20%) indicates margin pressure.
- Weak earnings visibility persists.
- Low margins → limited pricing power.
- Minimal capex → low growth confidence.
- West Asia impact: Higher input and freight costs further strain already weak margins.

Corporate guidance amid west Asia crisis

- Export slowdown leading to 5-8% volume decline
- Input cost increase causing margin compression of ~150-250 bps
- Freight delays affecting delivery timelines
- Domestic demand supporting **moderate growth** (~6-8%)
- Working capital cycle increase (~20%) due to logistics delays

Thank You !

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