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Corporate Performance Q1-FY26

Net sales of a set of companies representing India Inc. were recorded at 4.9% while net profit growth stood at 11%. RBI's decision to lower rates resulted in significant deceleration in interest costs for companies, with several sectors noting an improvement in their debt serviceability capacity. However, the performance is not uniform across industries, with a few sectors exerting a greater influence on the aggregate sample. This is especially true for crude oil and the BFSI segment. However, management commentaries suggest that a recovery is underway, and the outlook remains largely positive. A normal monsoon, festive demand, low inflation, reduction in interest rates as well as income tax benefits should help support a recovery in demand. Infrastructure and linked sectors will continue to benefit from government's capex push. Export oriented sectors have navigated the challenging external environment reasonably well and remain well-positioned to face any future challenges. At the same time, services linked industries continue to post a steady growth performance. This suggests that we can expect a gradual improvement in the next few quarters.

Financial performance of India Inc.

Net sales of a sample of 2545 companies increased by 4.9% in Q1 FY26. In the similar period last year, sales had increased by 10.6%. Expenditure growth remained modest at 4.3% compared with 8.7% in Q1 FY25. Interest costs registered a growth of 9.6% in Q1 FY26, compared with 23.8% in Q1 FY25. Interestingly, since Feb'25, RBI has lowered repo rate by 100bps. Profit growth remained stable at 11%.

For the non-BFSI segment, growth in net sales was recorded at 3.6% in Q1 FY26. In Q1 FY25, net sales rose by 7.2%. Expenditure and interest costs were lower, resulting in an improvement in profitability. For the ex. BFSI companies, PAT growth was 13.3% in Q1 FY26, compared with 5.7% in Q1 FY25. However, these results have been skewed by a single large company in the crude oil sector. If we exclude it, the net sales growth for the non-BFSI segment stands at 4.7% (7.2% in Q1 FY25), while PAT growth was 8.3% in Q1 FY26 versus 7.1% in the same period last year.

Table 1: Summary Performance of companies for Q1 FY26 (2,545 companies)

	Amount in Rs. crore			% YoY	
Indicator	**Q1 FY24**	**Q1 FY25**	**Q1 FY26**	**Q1 FY25**	**Q1 FY26**
Net sales	24,41,822	27,01,712	28,33,645	10.6	4.9
Expenditure	19,05,096	20,70,508	21,59,897	8.7	4.3
Interest	3,27,380	4,05,365	4,44,464	23.8	9.6
PBDIT	6,78,936	7,89,914	8,73,866	16.3	10.6
PAT	2,94,316	3,27,433	3,63,579	11.3	11.0

Source: AceEquity, Bank of Baroda Research

Sector wise picture

The sector-wise performance for the non-BFSI segment has been presented in the table below. A total of 34 sectors have been identified and sorted on the basis of the size. Some key observations are:

- 4 sectors noted growth in net sales exceeding 15%. These were: diamond and jewellery, electricals, diversified manufacturing and hospitality.
- A total of 5 sectors registered growth in net sales between 10-15%, with FMCG and drugs and pharmaceuticals sector featuring as the biggest contributor.
- For a total of 10 sectors representing about 42% of total net sales, net sales growth was recorded in the range of 5-10%. Major sectors included here include autos and ancillaries, chemicals, telecom, infrastructure and capital goods.
- Another 7 sectors registered a growth of 0-5% in net sales in Q1 FY26. These included sectors such as textiles, plastics and aviation.
- Out of a total of 34 sectors, net sales for 8 sectors, which accounted for about 35% of the total sales, declined in Q1 FY26. These include some large sectors such as crude oil, iron and steel and power.
- For expenditure, a majority of sectors (24 out of 34) noted a growth rate of below 10%.
- Similarly, the proportion of sectors with growth in interest costs below 10% was more than 50%. In fact, interest costs for 10 sectors declined in Q1 FY26.
- In terms of profitability, a total of 15 sectors noted double-digit growth in PBDIT, led by electricals and diamond and jewellery.
- Along similar lines, for 17 sectors, the growth in PAT was more than 10% in Q1 FY26. These includes sectors such as crude oil and electricals.
- At the same time, PAT growth in 13 sectors declined on a YoY basis in Q1 FY26.

Table 2: Sector wise performance of non-BFSI segment

Sector	Net sales, In Rs. crores	Net sales, % YoY	Expenditure, % YoY	Interest, % YoY	PBDIT, % YoY	PAT, % YoY
Crude Oil	3,20,346	-7.5	-9.2	-15.4	27.0	63.2
Auto & Ancillaries	2,19,103	8.3	9.2	-6.8	21.7	29.3
IT	1,69,667	5.2	4.7	13.0	12.2	16.4
Iron & Steel	1,54,544	-0.8	-2.4	4.9	14.2	23.5
FMCG	1,16,619	11.1	13.6	-1.8	2.3	4.9
Power	99,958	-2.4	1.9	1.3	-7.8	-17.1
Chemicals	95,700	9.2	8.9	0.0	12.5	17.9
Healthcare	77,961	11.3	7.0	15.5	-4.4	-14.3
Infrastructure	71,125	5.7	6.1	-4.8	5.2	11.4
Capital Goods	68,582	10.0	9.8	15.2	11.9	5.4
Construction Materials	64,326	8.9	4.5	1.2	28.0	44.9
Non - Ferrous Metals	58,425	9.4	10.6	-15.1	15.3	26.2
Inds. Gases & Fuels	47,903	-1.4	2.1	-2.4	-23.9	-28.4
Telecom	45,034	9.8	4.5	5.5	8.1	7.1
Trading	35,642	3.2	3.3	66.9	22.0	21.4
Textile	34,444	3.4	3.5	-1.5	5.2	11.1
Retailing	32,991	12.8	12.2	16.9	20.1	13.6
Diamond & Jewellery	26,895	21.3	21.7	31.5	34.6	30.5

Agri	24,100	3.7	5.8	-13.8	5.2	63.8
Consumer Durables	23,224	-2.5	-1.1	11.6	-11.5	-18.4
Aviation	20,505	4.7	6.0	21.2	7.3	-20.7
Electricals	17,442	17.5	14.5	11.2	45.4	57.6
Alcohol	16,355	6.5	5.2	2.0	31.0	43.8
Logistics	16,053	0.1	0.3	19.2	-4.2	-15.7
Diversified	14,827	24.1	24.5	45.7	16.5	-20.3
Realty	14,437	-2.5	-3.9	-2.9	-2.7	10.5
Plastic Products	13,616	3.7	5.5	4.0	-23.1	-36.2
Gas Transmission	12,328	4.1	6.3	4.7	-3.3	-6.6
Business Services	10,559	5.7	10.4	22.5	-1.9	-6.8
Media & Entertainment	9,476	-1.4	0.1	-3.8	-0.4	4.1
Mining	8,556	11.2	16.7	91.4	-0.8	-4.6
Others	8,179	11.3	18.7	62.0	-9.9	-13.3
Hospitality	7,022	15.1	12.2	15.4	21.8	33.3
Paper	6,373	-1.8	2.0	22.8	-20.6	-31.3
Total-Non-BFSI	**19,62,314**	**3.6**	**3.3**	**1.3**	**9.4**	**13.3**

Source: AceEquity, Bank of Baroda Research

Interest coverage ratio

An important indicator of the health of a company is the interest coverage ratio (ICR) which measures the debt servicing capability of a firm. It is calculated as the ratio of PBIT and interest payments, and measures if the company is earning enough profits to cover its debt obligations. In Q1 FY26, the ICR of non-BFSI companies has increased to 7.35 from 6.75 in Q1 FY25. This can be attributed both to an improvement in profitability as well as lower interest costs. It must be noted that the RBI has lowered rates by 100bps since Feb'25. In response, the weighted average lending rates of SCBs have declined by 40bps (outstanding) and 71bps (fresh), which can explain the lower costs.

Some key takeaways from the sector breakup of ICR are:

- 17 out of a total of 34 sectors had an ICR of above the sample average i.e. 7.35
- Further, 18 sectors noted an improvement in ICR in Q1 FY26 vis-à-vis last year.
- Only 6 sectors had an ICR below 3. This included telecom sector, which has seen a steady improvement in ICR in the last few quarters.
- Interestingly, amongst the most capex heavy sectors such as power, crude oil, telecom, iron and steel and infra, only power has seen a decline in ICR in Q1 FY26, even though the ICR still remains above 3. For all others, there has been an improvement in ICR.
- Amongst major sectors, automobile and ancillaries, FMCG, drugs and pharma and chemicals had the highest ICR. Furthermore, for all these sectors there was an improvement in ICR vis-à-vis last year.

Table 3: Interest coverage ratio of India Inc. in Q1 FY26

Sector	No. of companies	Q1 FY25	Q1 FY26
Agri	74	2.01	2.45
Alcohol	12	7.29	9.79
Automobile & Ancillaries	149	17.60	23.42
Aviation	2	3.42	2.64
Business Services	45	18.92	14.65
Capital Goods	178	13.06	12.61
Chemicals	174	8.80	9.95
Construction Materials	71	4.85	6.78
Consumer Durables	38	11.82	8.85
Crude Oil	19	5.74	9.32
Diamond & Jewellery	30	5.97	6.20
Diversified	10	3.15	2.20
Electricals	34	5.85	7.88
FMCG	118	21.31	22.02
Gas Transmission	6	47.17	42.23
Healthcare	159	18.14	14.77
Hospitality	57	5.26	5.71
Inds. Gases & Fuels	8	19.69	14.77
Infrastructure	63	3.64	4.05
Iron & Steel	80	4.23	4.70
IT	137	46.68	46.73
Logistics	43	4.01	3.13
Media & Entertainment	46	5.32	5.54
Mining	10	97.17	49.81
Non - Ferrous Metals	24	6.06	8.38
Others	33	50.45	27.28
Paper	25	4.78	2.71
Plastic Products	68	8.91	5.89
Power	28	3.51	3.08
Realty	69	2.23	2.22
Retailing	23	9.25	9.26
Telecom	18	2.25	2.36
Textile	170	3.12	3.34
Trading	124	6.01	4.42
Non-BFSI Total	**2,145**	**6.75**	**7.35**

Source: AceEquity, Bank of Baroda Research

Key takeaways from results transcripts

Some key takeaways from the call transcripts of major players in different sectors have been noted down below:

- Crude oil: Lower oil prices impacted the sector. Tariff driven uncertainties also impacted businesses. However, with the government approving the LPG compensation package worth Rs. 30,000 crore, companies are expecting some improvement in profitability. With regard to the issue of imports of Russian oil, OMCs indicated that the decision is based on cost consideration, and the impact of any sanctions will be minimal.

- Auto and auto ancillaries:
    - The passenger vehicle (PV) segment continued to be marked by a subdued environment, particularly for entry segment cars. Consumers continued to show a preference for SUVs and MPVs. Rural demand remains relatively better than urban demand, and early onset of monsoon has aided rural sentiments. Companies are betting on festive season for a revival in demand conditions.
    - For two-wheelers demand remained largely stable, with monsoon arrivals and high inflation in urban centres cited as the major deterrent to demand. On the positive side, export growth continued to show buoyancy driven by demand from EM markets.
    - Growth in tractor segment in the domestic market was flat, even as exports continued to grow at a healthy pace. Outlook remains positive supported by higher sowing and normal monsoon.
- IT: Demand for AI continues to support a steady recovery in the sector.
- BFSI segment continued to show growth, even as industries such as manufacturing, consumer goods and logistics have been impacted due to significant macro-economic uncertainty.
- Iron and steel: Global steel prices continued to remain low due to oversupply from China. This impacted domestic business as well, despite the government's decision of imposing a 12% safeguard duty on imports of certain steel products for 200 days. On the domestic side, government capex continues to underpin steel demand.
- FMCG: Sequential improvement noted. Demand continues to be dominated by staples. Rural demand continues to outpace urban demand. Prices of inputs such as edible oils, wheat, maida etc. remain elevated, prompting companies to undertake cost optimization/staggered price hikes.
- Paper and paper products: Low prices impacting growth and profitability. However, there is a growing demand for sustainable packaging solutions including paperboard.
- Power: Low power demand due to early onset of monsoon as well as an unfavourable base impacted top line growth in the sector.
- Chemicals:
    - Paints: Some sequential pickup in urban demand visible even though early arrival of monsoon weighed on the recovery. Rural demand remained steady in Q1. Industrial demand continued to grow at a healthy pace, driven by demand from the automotive sector.
    - Fertilizers: Demand environment remained largely favourable supported by improved rainfall activity. However, divergence in spatial distribution of rainfall led to some disturbance. Robust sowing and healthy reservoir levels suggest a positive growth outlook for the sector. Prices for DAP increased due to lower supplies from China and Russia. However, NPK segment continued to post steady growth.
- Drugs and pharmaceuticals: The sector reported steady growth, driven by both exports and domestic market. Europe emerged as an important market for domestic manufacturers, while the US too reported higher sales. Further, management comments indicated that companies are not overtly concerned about higher US tariffs, and stated that they would counter it through price hikes or strategic partnerships.
- Infrastructure: Continued expansion in the sector supported by steady order inflows, with international orders also showing continued momentum.
- Textiles: For the spinning and yarn business, elevated price of domestic cotton continued to impact business growth. Due to lower global prices, Indian manufacturers resorted to imports, however higher import duty leads to a loss in competitiveness vis-à-vis countries such as Bangladesh and Vietnam. Companies also reported delays in new orders from the US due to

the uncertainty over tariff situation. For RMG and home textiles as well, companies reported a decline in orders from the US due to tariff uncertainty. Domestic urban demand showed recovery, while rural demand was steady.

- Consumer Durables: Cooler summer temperatures and early advent of monsoon in several parts of the country led to lower demand impacting sales in this sector. Industrial segment performed better.
- Hospitality: Hotel demand saw steady growth driven by marriage season and MICE. Travel and travel services too continued to show continued demand momentum due to changing consumer spending patterns. Some impact of both domestic and global geo-political tensions was visible, leading to higher cancellations. In terms of QSR, demand conditions remain largely muted, with value segment continuing to account for bulk of the demand.
- Real estate: Luxury/premium housing demand continued to be steady, as white-collar wage-growth continued to outpace the increase in housing prices. Demand for affordable housing still remained weak.
- Gems and jewellery: Despite high gold prices, the sector posted strong results. Demand momentum was sustained by marriages as well as festivals such as Akshay Trithiya.

Concluding remarks:

Continuing a trend seen over the last few quarters, results of India Inc continue to paint the picture of a gradual yet uneven recovery. While the financial performance of some companies continues to be impacted by certain idiosyncratic factors, the underlying theme remains of strength and resilience. Corporates remain optimistic on future demand prospects, with several commentaries noting a measured recovery in urban demand. This is likely to be aided by the early onset of the festive season. Rural demand has remained steady and a positive outlook for the agriculture sector amidst normal monsoon, higher kharif sowing and ample reservoir storage also bodes well for future prospects. Export oriented industries can face some uncertainty due to the higher tariffs, however, they seem to be well prepared to absorb/mitigate any shocks. Overall, we should see an improvement in India Inc.'s financial performance as economic activity picks up. Recent high-frequency indicators, particularly the latest PMI readings also point towards an improvement in domestic manufacturing and services sector activity.

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