

RESEARCH**BANKING | Q2FY26 PREVIEW**

Margin pressure and lower treasury gains to weigh on PPOP

CEMENT | Q2FY26 PREVIEW

Listless quarter; GST rate cut impact likely from Q3

CONSUMER DURABLES | Q2FY26 PREVIEW

Weak demand, inventory overhang; margins tight

DIVERSIFIED FINANCIALS | Q2FY26 PREVIEW

Steady AUM growth

SUMMARY**BANKING: Q2FY26 PREVIEW**

- Credit growth remains moderate, mainly due to weak demand from corporates. Credit growth likely to be back-ended in FY26
- Earnings to witness NIMs pressure, but will be partially offset by lower CC. Asset quality to moderate with slippages expected to improve
- Top picks: ICICIB, KMB, HDFCB and SBIN in large caps, while FB and KVB in midcaps

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CEMENT: Q2FY26 PREVIEW

- A healthy ~12% (coverage universe) demand YoY despite early monsoons, driven by improved rural sentiment and lower base YoY
- Cement prices hiked early in Q1 failed to continue momentum due to early onset of the monsoon; GST impact to be visible from Q3 onwards
- Avg EBITDA margin (cement coverage) estimated at ~17%, up by ~400 bps on weak base YoY (-380bps QoQ), average EBITDA/t at ~Rs 900

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CONSUMER DURABLES: Q2FY26 PREVIEW

- Weak demand and elevated channel inventory, along with GST deferring demand to quarter end; margin pressure likely
- Wires & cables continue to outperform, driven by improving construction activity and continued stocking
- Growth momentum in EMS intact, growth normalizes to double digit in Dixon as the high base kicks in

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DIVERSIFIED FINANCIALS: Q2FY26 PREVIEW

- For our coverage universe, QAAUM is expected to grow 15% YoY
- Divergent trends seen on the PAT front with HDFCAMC expected to lead with 14% YoY
- Our top picks continue to be NAM and HDFCAMC

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BANKING

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10 October 2025

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Credit growth remains muted, likely to improve from 2HFY26: System credit growth remains muted at 10.4% YoY, mainly due to slow growth in the industry (6.5% YoY), NBFC (3.4%), and unsecured retail (8.4%). These three sectors accounted for ~40% of system non-food credit. However, we note that RBI proposed several regulatory updates in Oct'25 to improve the flow of credit such as a) lower RWAs for corporates (with AA, BBB and BB ratings from 30% to 20%, 100% to 75% and 150% to 100%, respectively), MSME, mortgage and credit cards b) expanding the capital market lending scope like allowing banks to finance M&A by Indian corporates c) withdraw guideline on enhancing credit supply for large borrowers through market mechanism, among others. These measures are likely to support credit growth. We expect system credit offtake to stay moderate at 11-12% YoY in FY26, largely supported by the retail and MSME segments. Credit growth for our coverage banks is expected to be at ~10.6% YoY/~3.1% QoQ for Q2FY26.

NIMs pressure to persist but will be partially offset by lower CC: Post the RBI reducing repo rates by 100bps, in CY2025 till date, the WALR on O/S loans declined by 46bps during Feb-Aug'25. We expect a large impact of the transmission of 50bps repo rate cut in Jun'25 to be seen in Q2FY26 and result in QoQ decline in NIMs across most banks. We expect NIMs to bottom out by Q2/ Q3FY26, given that there are no further repo rate cuts, and probably be cushioned by: a) 100bps CRR cut from Sep'25 in a phased manner b) lagged impact of deposit repricing (15bps reduction in WADTDR on O/S TDs during Feb-Aug'25). Further, PPOP is likely to decline due to lower trading profits, as the 10-year g-sec yields rose to 6.58% (+25 bps QoQ) in Q2FY26. However, the QoQ fall in PAT is likely to be lower at ~9% vs PPOP fall of ~17%, given the likely lower CC across most banks.

Slippages expected to improve gradually: We expect slippage ratio to improve across banks on QoQ basis, considering lower agri seasonality vs. Q1, stress in unsecured segments have largely peaked out and CE seems to be improving. We remain watchful on CV and small-ticket LAP segments in terms of AQ. Overall, we remain positive on the sector given likely bottoming of NIMs, moderation in slippages and CC. PAT is expected to grow in high-teens in FY27 vs. mid-single digit in FY26.



CEMENT

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Listless quarter; GST rate cut impact likely from Q3

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Monsoons a temporary blip for volume: Cement demand was steady in Q2FY26, at ~12% gain YoY, though a weak base helped reflect healthier gains. Demand revival visible in Q1FY26 did get impacted in many pockets due to early monsoons reflected in the ~9% QoQ fall in volume in our coverage universe. Demand was impacted across regions due to monsoons. However, states like Bihar (pre-election demand), West Bengal, Gujarat and Maharashtra were the outliers. Above-normal monsoon helped improve sentiments in the rural segment, though infrastructure activity got impacted, deferring urban demand.

Price stays listless, full impact of GST rate cut from 2H: Prices stayed range-bound but gained YoY, helped by the strong revival in Q1. The YoY pricing for our coverage universe improved by ~2.5% but fell 1% QoQ due to the monsoon. Further, prolonged monsoon spell till September-end added concerns. The GST price cut impact was only at the fag-end of the quarter and its full impact is expected from 2HFY26. Concerns were about the demand staying listless despite price decline towards the last few days of the quarter despite pre-festive period.

Margins improve YoY as cost structure further helps: Realisations of our coverage companies improved by an average of ~2.5%YoY (down ~1% QoQ). With limited negative cost headwinds offset by lower operating leverage, margin profile improved to 16.6% healthy in a monsoon quarter (weakened by ~380bps QoQ). Efficiently driven companies like UTCCEM, STRCEM, and SRCM outperformed the industry while ACC, TRCL and JK Lakshmi were below par.

EBITDA/t averages at Rs900/tn: We estimate EBITDA/t at Rs 906/tn, recovering from a low base YoY, on better pricing and limited cost headwinds. Better efficiencies due to alternate fuel usage, helped recovery. EBITDA/t improvement was healthy on a weak base YoY. UTCCEM, SRCM and STRCEM stayed above industry average, but ACC and Ramco Cements fared below average.

No major change in stance: We continue to be positive on UTCCEM and STAR CEM (BUY) and assign SELL rating on JK Lakshmi, Dalmia Bharat and TRCL.

Recommendation snapshot

Ticker	Price	Target	Rating
ACC IN	1,886	2,038	HOLD
ACEM IN	569	592	HOLD
DALBHARA IN	2,228	1,926	SELL
JKCE IN	6,621	5,652	SELL
JKLC IN	852	731	SELL
NUVOCO IN	433	427	HOLD
SRCM IN	29,445	28,874	HOLD
STRCEM IN	266	333	BUY
TRCL IN	1,019	752	SELL
UTCCEM IN	12,281	14,556	BUY

Price & Target in Rupees | Price as of 10 Oct 2025



CONSUMER DURABLES

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- **Wires & cables continue to outperform, driven by improving construction activity and continued stocking**
- **Growth momentum in EMS intact, growth normalizes to double digit in Dixon as the high base kicks in**

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Weak demand in CD, W&C outshines: Demand in consumer durables stayed weak, with the GST rate cut deferring RAC purchases by ~4-5 weeks. We see RAC softness, Voltas/Blue Star UCP sales to decline 7-10% YoY, Lloyd to decline 8% YoY (Voltas cushioned by wider reach) and margins flat to slightly lower on tepid volumes/promos. Wires & Cables is the bright spot (+17-19% YoY) on restocking, gov't capex and higher copper prices. EMS is mixed: Dixon ~+23% YoY (Mobiles ~+35%), Amber's CD to decline 5% YoY but outperforming via client adds/commercial AC. Elevated channel inventory keeps Q4FY26 primary billing risk if secondary offtake doesn't normalize.

Weak demand continued in RACs and other cooling categories: For Q2FY26, we expect a weak print across cooling names: Voltas/Blue Star RAC down ~7-10% YoY on soft demand and elevated channel stock, with the GST rate-cut deferring purchases by ~4-5 weeks to quarter-end. Lloyd likely ~8% YoY lower; Voltas' wider reach may cushion volumes. FY26 remains challenging—high inventory risks 4Q primary billings if secondary offtake doesn't normalise. In ECD, fans ~2-3% YoY (ex-cooling) while lighting stays sluggish.

W&C to continue to report steady growth on the back of improved construction activity: We estimate W&C companies to report revenue growth of 17-19% YoY (ex-other products), driven by channel restocking and sustained demand for cables, supported by government-led capex and elevated copper prices during the quarter. A key monitorable in the upcoming quarter will be commentaries on rising competitive intensity and its potential impact on capacity expansion plans.

EMS companies' growth momentum intact in 2QFY26: We forecast Dixon to deliver ~23% YoY revenue growth, driven by stronger smartphone volumes; we model the Mobile Phones division at ~35% YoY on a high base. In RAC, demand softness should weigh on contract manufacturers; however, we expect Amber to outperform the category with a limited ~5% YoY decline, supported by client additions and a richer mix (notably commercial AC).



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Healthy AUM growth amid slower inflows: Overall, all the listed AMC companies are expected to register 15% YoY and 6% QoQ QAAUM growth in Q2FY26. NAM and HDFCAMC are likely to report QAAUM growth of 19% YoY (6% QoQ) and 15% YoY (5% QoQ) respectively. Both UTIAM and ABSLAMC may report 11% YoY QAAUM growth. Core revenue growth is expected to grow at 11% YoY (4% QoQ) for all the AMCs. For our coverage companies, PAT will likely remain stable YoY. The industry AUM (closing basis) witnessed growth of 13% YoY (2% QoQ) to Rs 76.6 trn in Q2FY26. Net inflows declined 17% YoY to Rs 1,880.9 bn and grew 2% YTD. On YTD basis, the number of NFOs launched stood at 109, garnering Rs 417.9bn vs 95 NFOs in Q2FY25. For Jul'25, Aug'25 and Sep'25, the AUM (closing basis) grew 16% YoY, 13% YoY and 13% YoY respectively. This was aided by an increase in the equity AUM growth of 13% YoY, 10% YoY and 8% YoY in Jul'25, Aug'25 and Sep'25 respectively. During the period, share of equity AUM remained stable in the 58-59% range.

ABSLAMC is likely to see its core revenue growth at 8% YoY (3% QoQ), aided by better yields during the quarter. PAT is likely to grow at 4% YoY (down 9% QoQ) to Rs 2.5 bn.

HDFC AMC is expected to register core revenue growth of 14% YoY (5% QoQ). Equity AUM is expected to grow healthy owing to improving fund performance. PAT is likely to increase by 14% YoY (down 12% QoQ) to Rs 6.6 bn.

NAM India is expected to register core revenue growth of 11% YoY (4% QoQ), aided by higher AUM growth. PAT is likely to de-grow by 4% YoY to Rs 3.5 bn.

UTI AMC may register core revenue growth of 6% YoY (4% QoQ). PAT is expected to decline by 30% YoY to Rs 1.8 bn, owing to lower other income.



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BUY – Expected return >+15%

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SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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