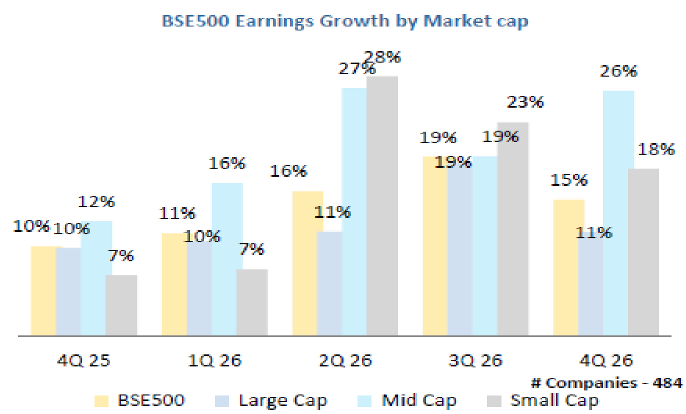
Nippon India Mutual Fund, MF/022/95/1

Connecting the Dots – Q4FY 26 Earnings Review – Broad Based Growth

Earnings for 4QFY26 were announced against a complex backdrop of global and domestic developments. Geopolitical tensions in West Asia, volatile commodity prices and an uncertain global growth environment weighed on sentiment. Despite these headwinds, corporate earnings were broad-based and better than market expectations.

Market Cap Segment Wise Performance

Nifty 50 delivered a 4% YoY PAT growth, however barring two companies, the PAT growth was at 9% YoY. Midcap segment continued to deliver robust growth with a YoY growth of 26%, outperforming both large and small cap segment. This was driven by operating leverage and stronger exposure to domestic oriented sectors. The earnings growth in Q4 was driven by growth in BFSI, Commodities and Automobiles.



Large cap segment delivered a steady growth of 11% YoY, lower than the last quarter. Small caps also posted healthy growth of 18%, however, the growth was lower than in the last quarter.

Domestic Sectors benefited from fiscal and monetary measures

The earnings growth in Q4 saw domestic oriented sectors benefiting from the ongoing transmission of monetary easing and fiscal measures taken during CY25, including GST rationalization and personal income tax cuts. Domestic-oriented sectors (ex an airline company) within BSE 500 delivered earnings growth of ~19%, their strongest performance in the past seven quarters.

	PAT Growth (YoY)
Segment	4Q FY26
BSE-500	15%
BSE-500 Ex Financials	16%
BSE-500 Domestic	14%
BSE-500 Domestic (ex an airline company)	19%

Sectoral Update

Banks & NBFCs – The banking sector saw a mixed quarter, with private banks delivering better earnings than public sector banks. Credit growth remained healthy, supported by higher working capital requirements. Asset quality across banks continued to improve. NBFCs delivered a strong performance in 4QFY26, driven by healthy disbursements and AUM growth following GST rate cuts, along with a notable improvement in asset quality, partly aided by seasonal factors. Demand remained broad-based across segments.

Metals: Saw robust earnings momentum driven by favourable pricing and improved realisations across both ferrous and non-ferrous segments.

Technology: Earnings remained steady but faced pressure from evolving demand trends and increased pricing competition, particularly due to automation and AI-led shifts. Companies, however, benefited from currency depreciation.

Automobiles: Strong volume-led growth, aided by monetary and fiscal measures announced in 2025.

Oil & Gas : Upstream companies saw subdued quarter amid volatile energy prices and margin pressures. Q4 earnings were robust for downstream companies, however Q1FY 27 may be impacted due to higher oil prices.

Capital Goods & Industrials: Order inflows remained healthy driven by strong traction in power Transmission and Distribution, transformers, railways, renewables, data centers, defense, and energy transition projects, along with improving private sector capex.

Cement: Cement demand was healthy in 4QFY26, led by a strong pickup in the construction activities, higher government spending and real estate projects

Consumer Staples : Staples companies witnessed improvement in volume growth (after a long period of low growth) during 4QFY26, supported by resilient rural consumption, improving urban recovery and GST-led affordability.

Healthcare: Domestic formulations saw healthy growth in Q4. US generics growth was muted due to end of exclusivity in generic Revlimid.

Real Estate: Continued to witness strong traction, especially in the premium category

Conclusion - The 4QFY26 earnings fared better than expected, with broad-based growth. However, the near-term earnings growth may likely be muted due to geopolitical developments and elevated energy prices.

Valuations of Indices

12-month Forward PE	Sep'24	May'26
NIFTY 50	24.8	18.6
NIFTY Midcap 100	35.5	27.8
NIFTY Smallcap 100	24.2	22.0

With India having underperformed on both absolute and relative terms, coupled with record FII outflows, a favourable base may have been created for Indian equities. Valuations might have also moderated meaningfully across market capitalizations and sectors, offering relatively attractive entry points for investors with a medium- to long-term horizon.

Markets may remain volatile in the short term due to developments arising from the West Asian crisis. Going forward, commodity prices may remain key, as prolonged elevated levels could affect India's macroeconomic parameters.

All Sources: Bloomberg, Avendus

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