Bank of India
Mutual Fund

Quarterly Earnings Insight Q3FY26

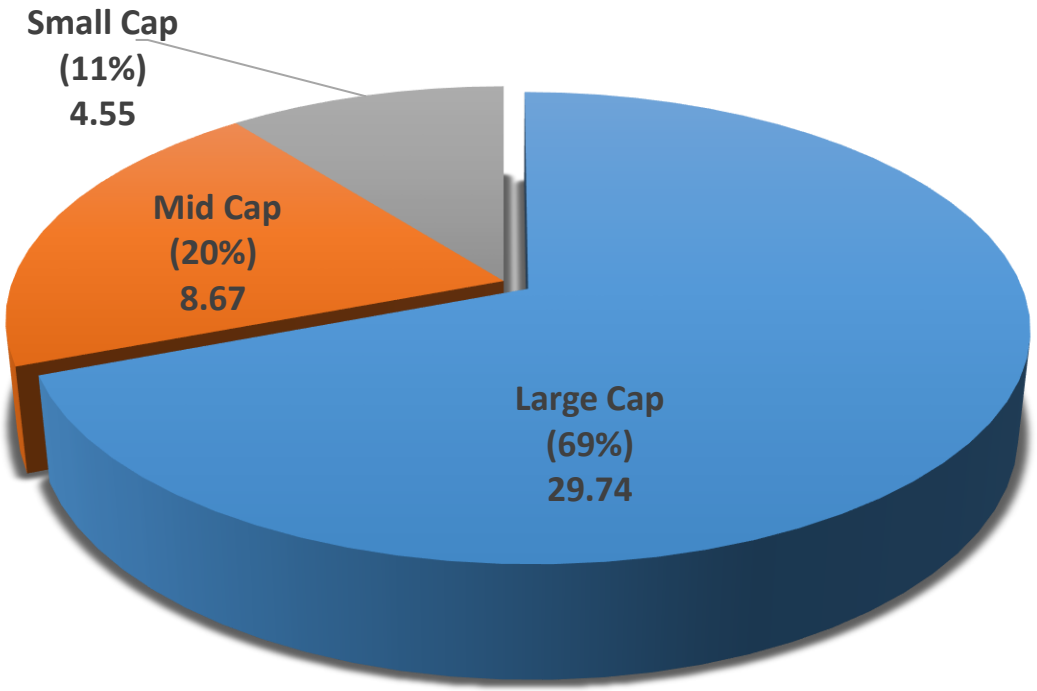
EARNINGS PULSE

MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.

Q3FY26 Earnings – Key Highlights

Nifty-500 revenue grew **11% YoY**, the highest growth seen in the last **11 quarters**, with **PAT up 16%**. Most of the sectors within the Nifty 500 companies reported double-digit profit growth, indicating a broad earnings recovery.

Fig i: Market Cap Wise - Revenue (Rs. Tn)



- Large-cap leadership showed up with healthy PAT growth led by Autos, PSU Banks, Energy, Financials, Industrials, Infrastructure, and Metals
- Mid Cap remained resilient with underlying PAT growth improving to ~20% after excluding major disappointments
- Momentum in Small-cap was visible in the last quarter results and the small cap companies reported healthy sales growth, and significant PAT growth YoY

- After six quarters of softness, earnings appear to be turning upward, supported by policy reflation, improving trade dynamics, and healthy domestic investor flows

Source: Bloomberg. Data as on quarter ending results for Nifty 500 market cap wise for the period ending Dec'25

Nifty 500 Displayed Healthy Revenue and PAT Growth

- Nifty 500 showed Revenue growth of ~11% (y-o-y) basis
- Within the Nifty 500, the BFSI segment revenue grown at 14% on Y-o-Y basis
- Nifty 500, PAT grew at 16% on y-o-y basis with BFSI growing at ~12% and non-BFSI at ~19%

Fig i: Revenue - Q3FY26

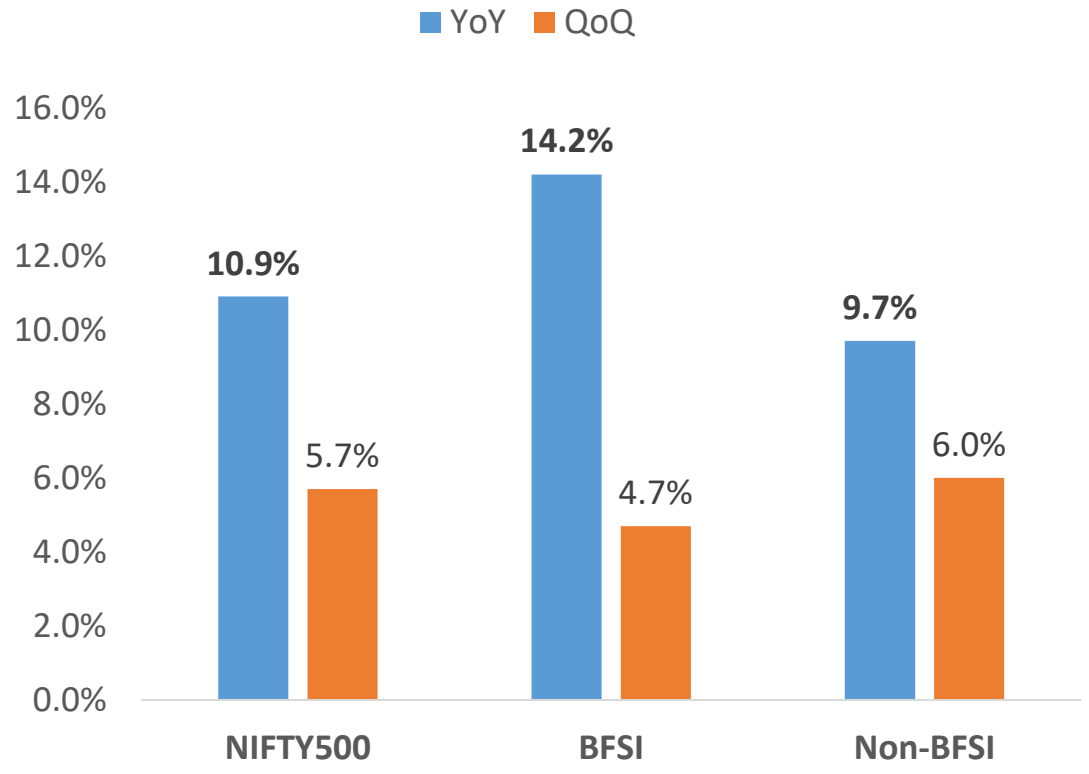
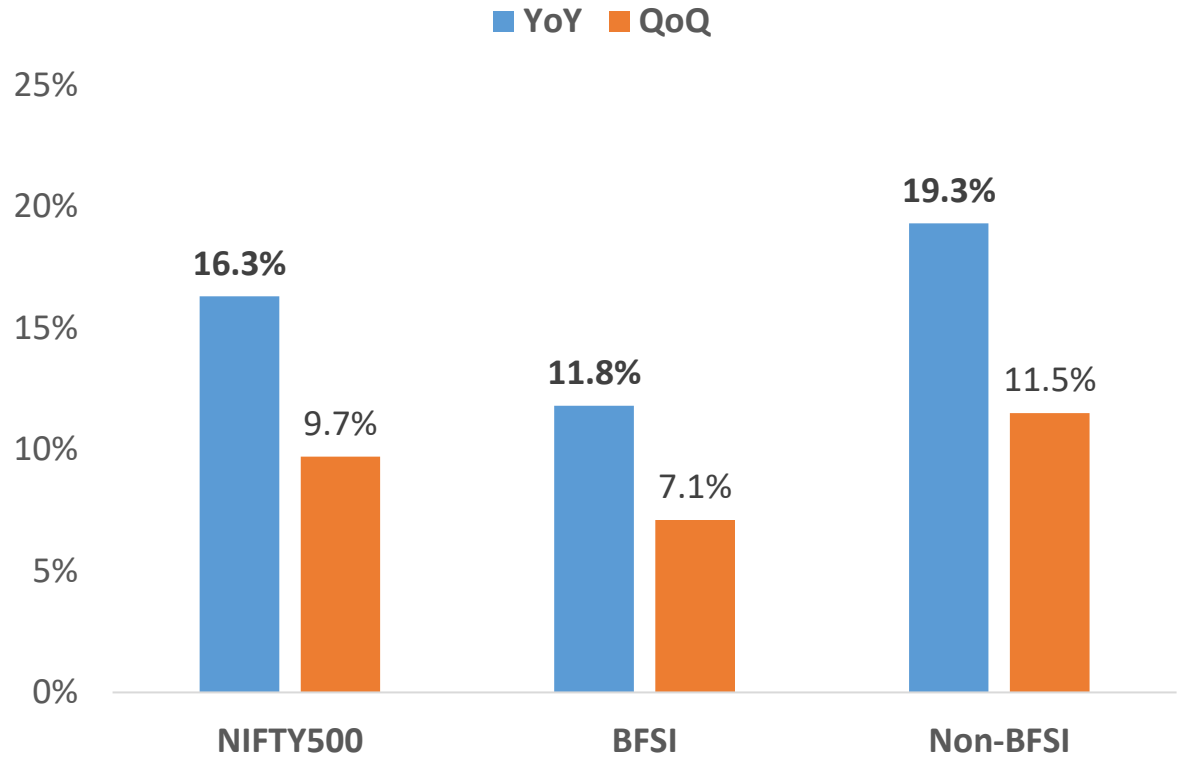


Fig ii: PAT Adjusted - Q3FY26



Source: Bloomberg. Data as on quarter ending results for Nifty 500 market cap wise for the period ending Dec'25

Mid & Small Cap showed significant improvement in PAT

- Large-cap PAT grew approximately ~14% year-over-year with Revenue growth of ~10%
- Midcap PAT grew approximately ~20% year-over-year with Revenue growth of ~14%
- Small-cap PAT grew approximately ~29% year-over-year with Revenue growth of ~11%

Fig ii: M-cap Wise - Revenue Growth

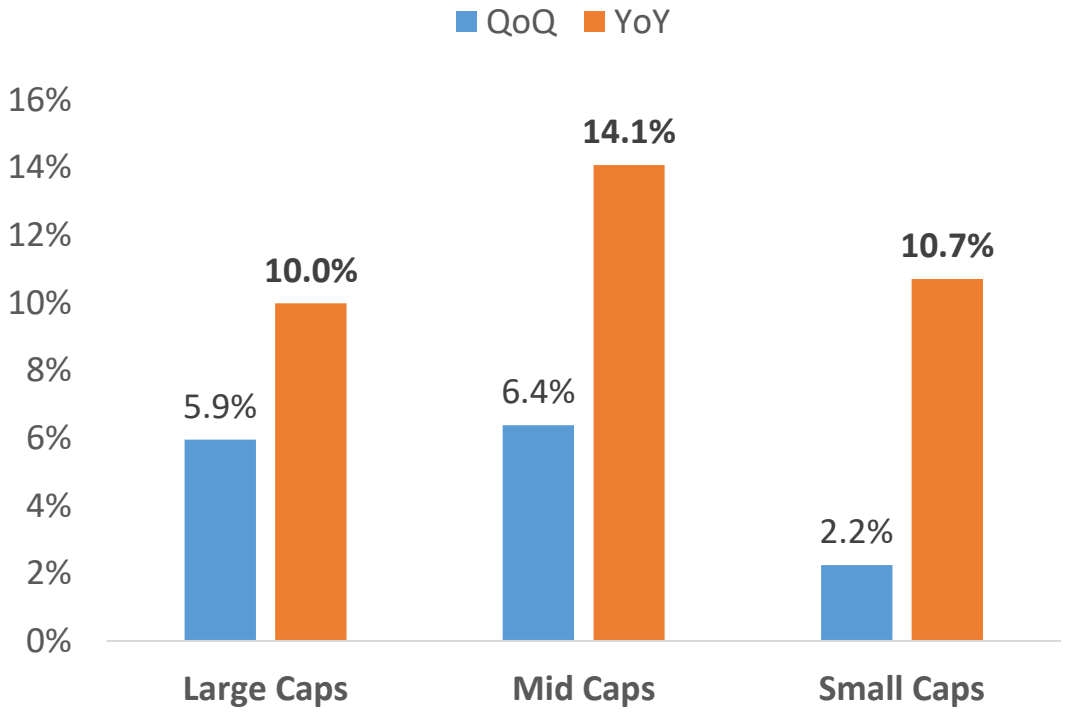
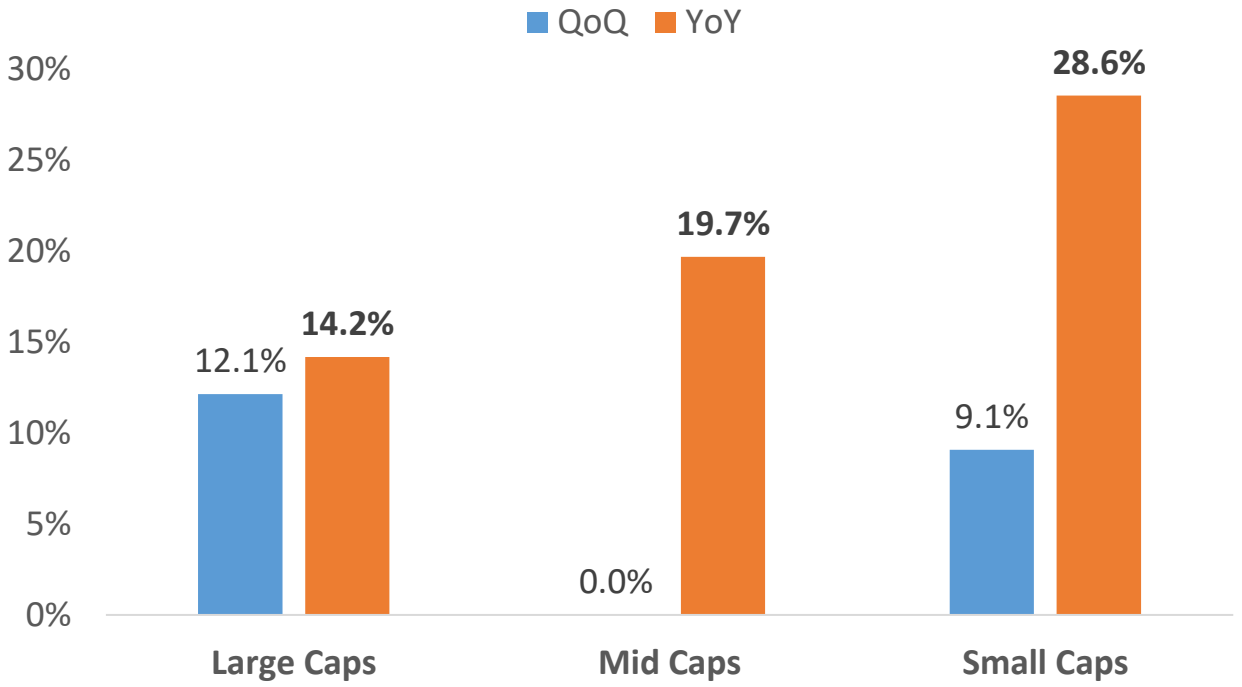


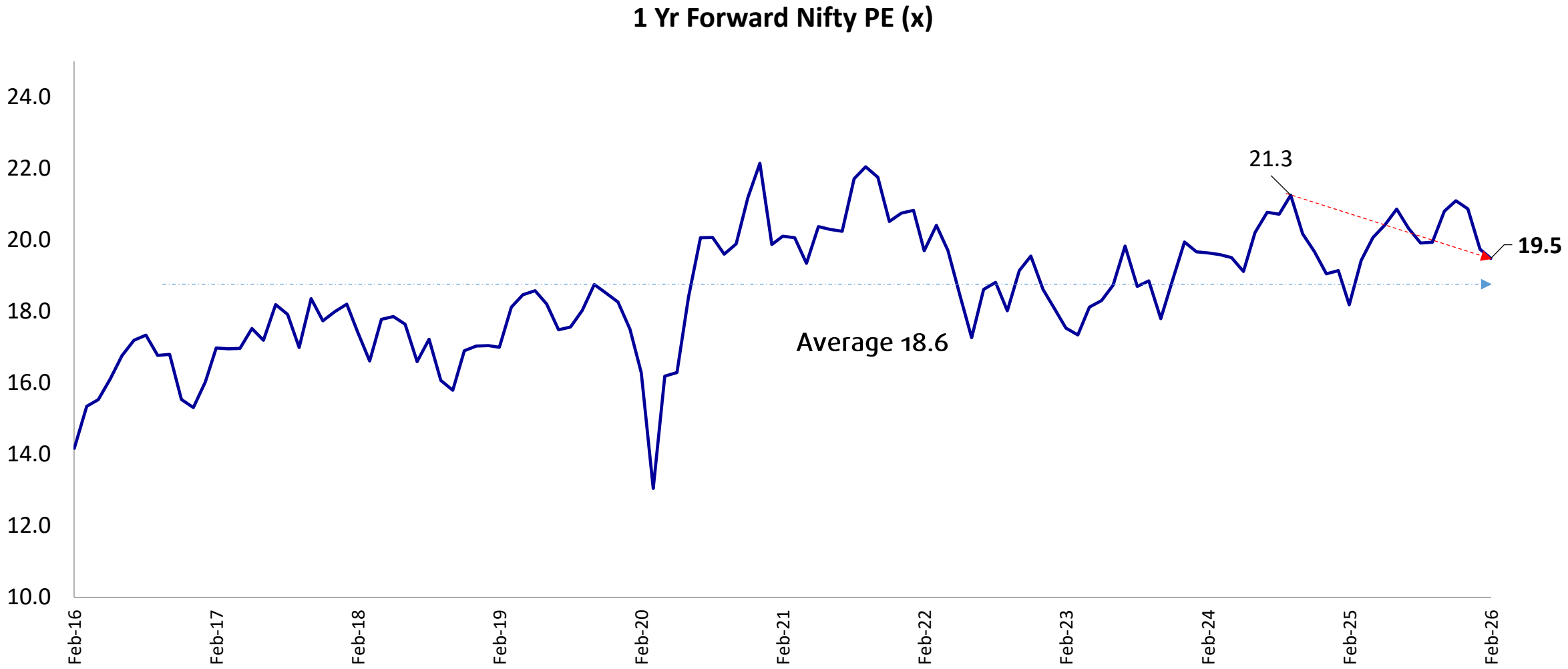
Fig iii: M-cap Wise - PAT Adj. Growth



Source: Bloomberg. Data as on quarter ending results for Nifty 500 market cap wise for the period ending Dec'25 PAT – Profitability After Tax; Mid cap PAT numbers remained flat on Q-o-Q basis as of Dec'25.

Valuations – Large Cap

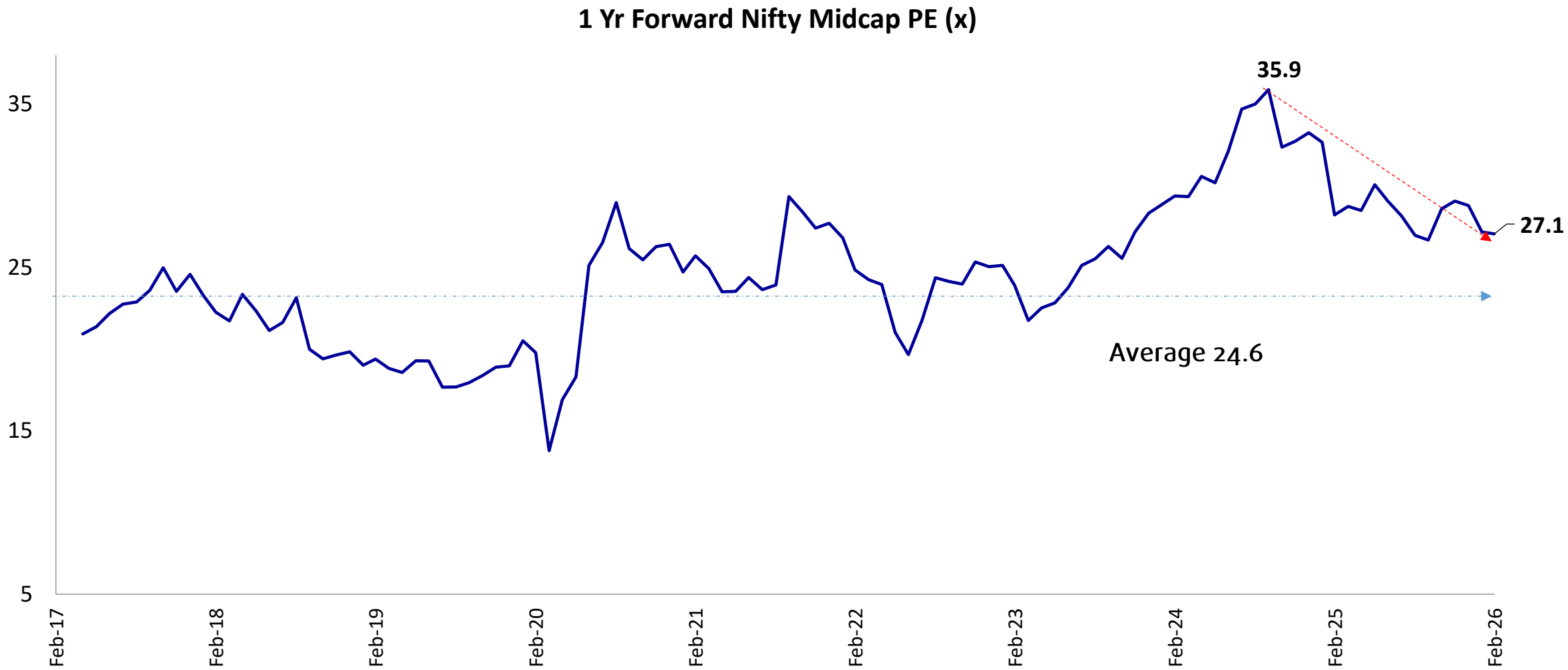
- PE of Nifty Trading at premium to the LTA; however, trading at discount to its two years high of 21.3



Source: MOFSL, Internal Research, Large Cap – Nifty 50. Data as on Feb 28, 2026. LTA – Long Term Average, PE – Price-to-Earnings Ratio;

Valuations – Mid Cap

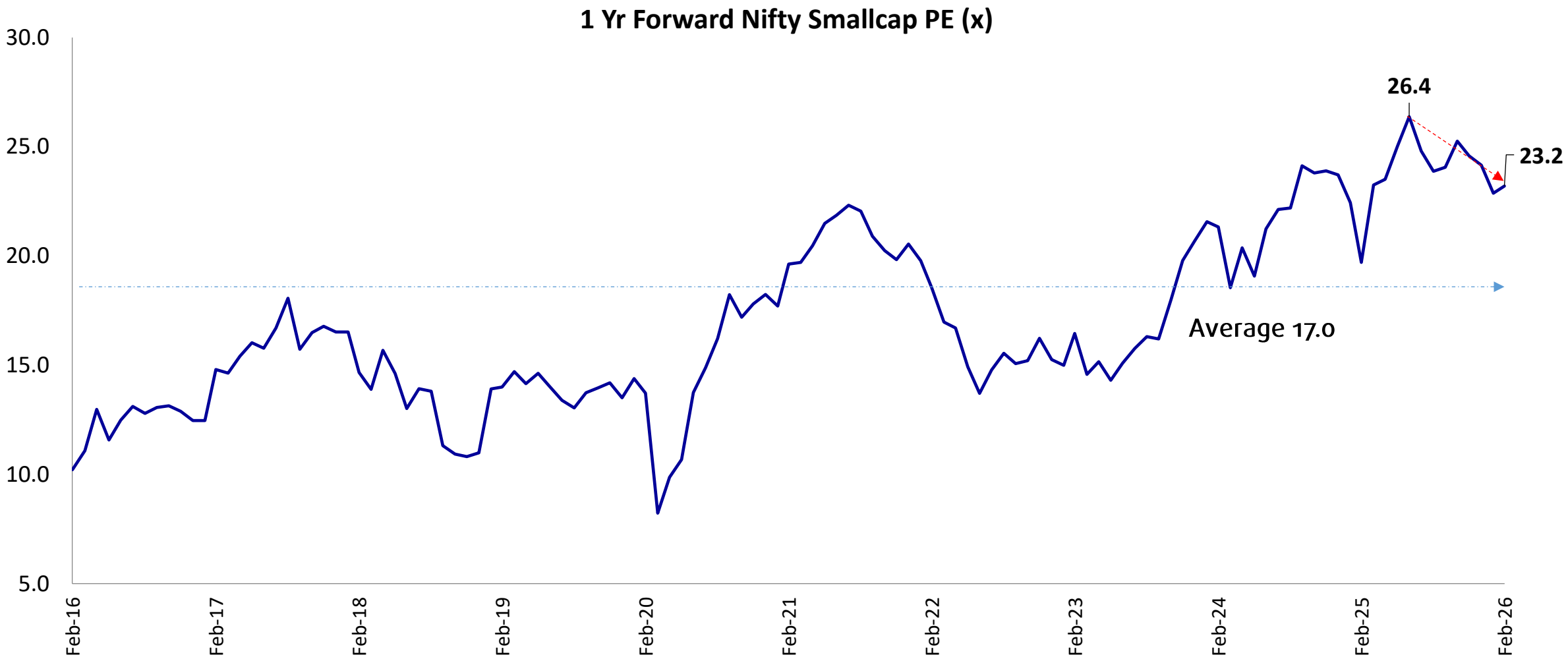
- PE of Mid Cap is trading at closer to its LTA; however, trading at significant discount to its previous high of 35.9



Source: MOFSL, Data as on Feb 28 2026. Mid Cap – Nifty Midcap 150. LTA – Long Term Average, PE – Price-to-Earnings Ratio;

Valuations – Small Cap

- PE of Small Cap is Trading at premium to its LTA; however, trading at discount to its one year high of 26.4



Source: MOFSL, Internal Research, Small Cap – Nifty Small Cap 100. Data as on Feb 28, 2026. LTA – Long Term Average, PE – Price-to-Earnings Ratio;

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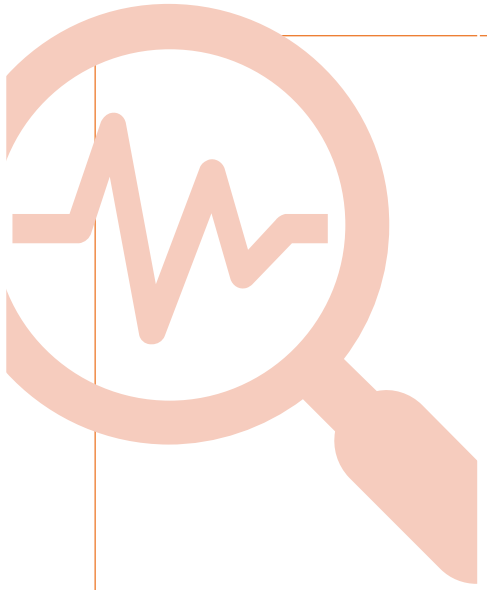


SECTOR INSIGHTS

#1.1 BFSI

Banking

- Banks have witnessed acceleration in advances growth in Q3FY26 after seeing moderation over last 3-4 quarters. This was mainly led by sustained momentum in secured retail & MSME segment and pick up in corporate loans led by PSU and select large private sector banks
- Within banks, PSU continued to outpace Pvt Banks on advances growth largely led by retail and MSME loan growth and some uptick in corporate loans
- Impact on profitability for the banks was largely contained on QoQ basis as decline in NIM (Net Interest Margin) led by Repo cut by RBI was lower than anticipated. While on YoY basis it is still lower, trajectory has been steady on QoQ basis with lower than anticipated decline and commentary was also favourable with regards to rebound of the same in FY27

Fig i: Advances Growth YoY %

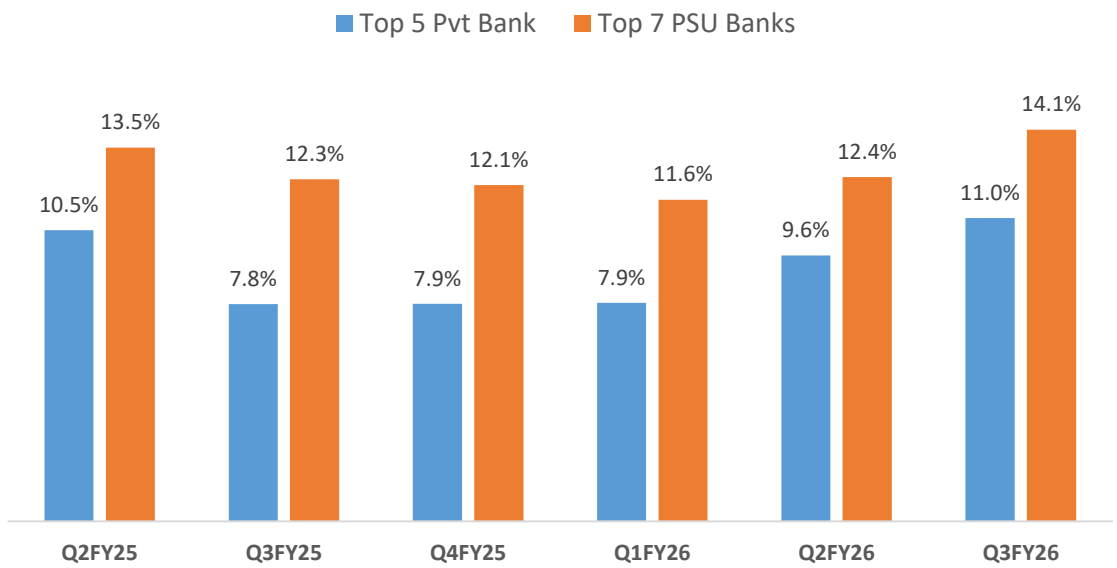
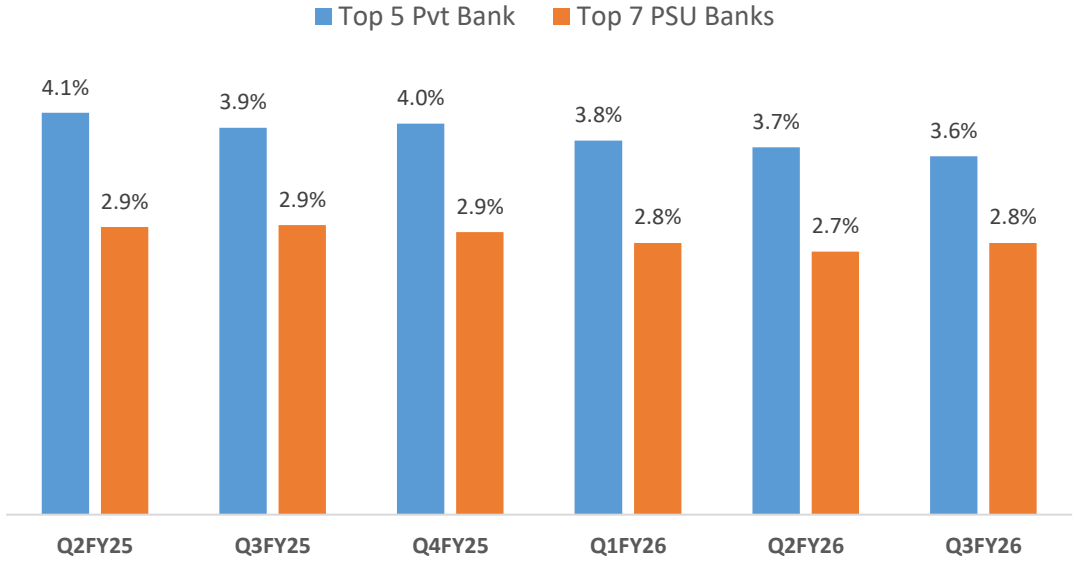


Fig ii: Median NIM



Source: Company Presentation. Data as on last quarter end Dec'25.

#1.2 BFSI

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NBFC

- Within NBFCS, Gold financiers continued to witness healthy loan growth on YoY basis supported by higher gold prices. Commercial Vehicles (CV) financiers saw slight deceleration in loan growth impacted by moderation in CV sales in the country led by heavy monsoon in October impacting disbursements, however, commentary remained positive led by recent GST cuts on CVs

- Diversified NBFCs including HFCs continued to witness steady loan growth led by underlying demand from retail segment

- NBFCs were able to report steady PAT growth led by ability to maintain NIMs on the back of high mix of fixed loan book

Capital Market

- Within Capital markets, exchanges continued to report revenue and PAT growth while broking companies have witnessed sharp bounce in revenue growth in last 2-3 quarters led by stabilization of new stringent F&O rules

- While Asset Management and Wealth Management companies continued to report steady growth, however, weakness in market is leading to deceleration in growth on QoQ basis

Fig i: Advances Growth YoY

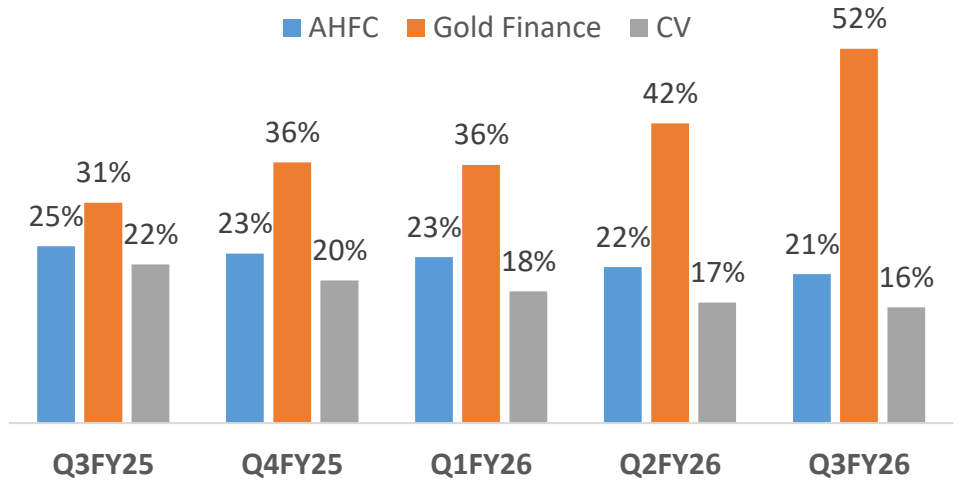
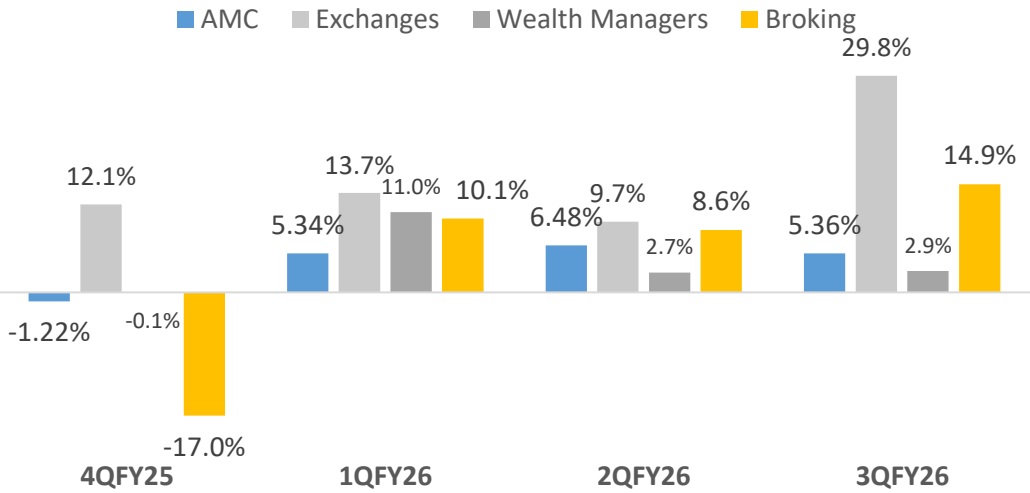


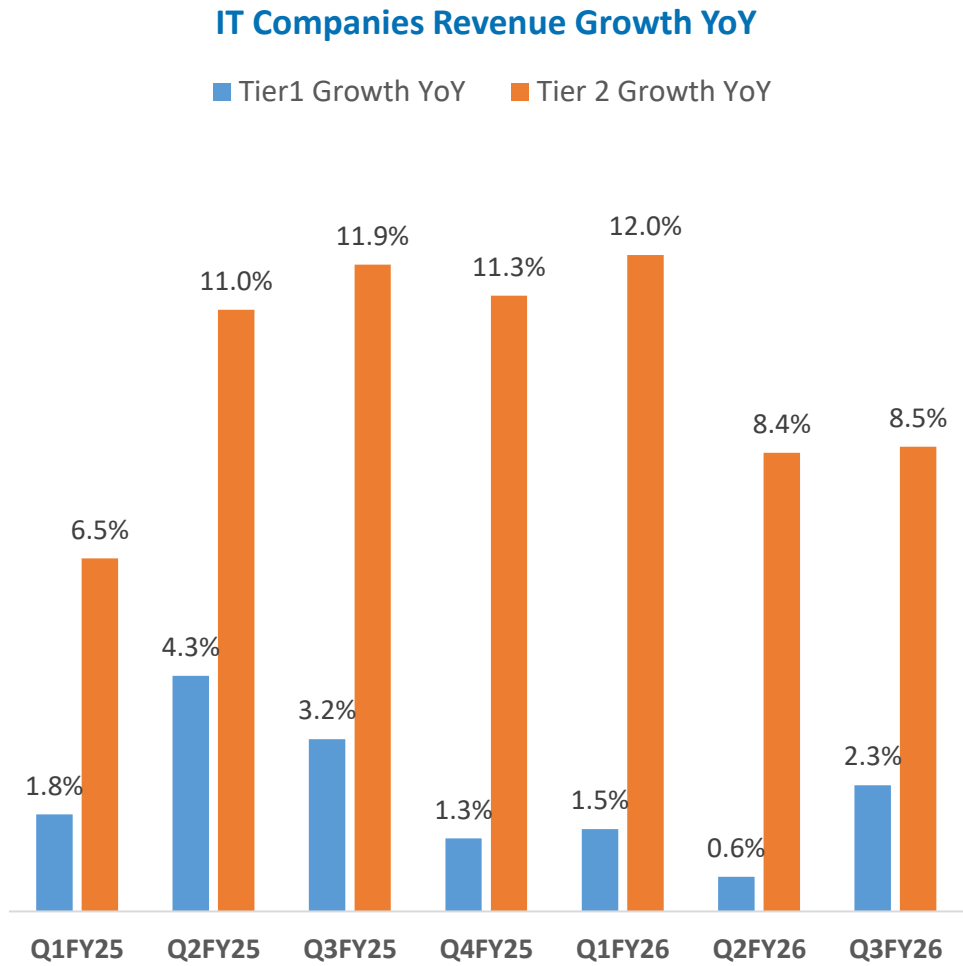
Fig ii: Revenue Growth QoQ



Source: Company Presentation, AHFC – Listed 5 pure play Affordable Housing Finance companies, CV – Top 4 large listed CV financers, Gold Financer – Top 2 listed Gold Financing companies, AMCs – top 5 listed AMCs and Exchanges – top 2 listed exchanges. Broking includes 2 large listed players broking revenue and Wealth Firms include large 5 listed Wealth companies. Data as on last quarter end Dec'25.

#2 Information Technology (IT)

- Revenue performance was steady in Q3FY26 amidst weak demand, including tariff impact and weak discretionary spending across many verticals
- Mid-tier and smaller IT companies outperformed their larger peers on revenue growth, a trend which is visible now for more than eight quarters
- EBIT margins improved QoQ for majority of IT companies across Tier 1 and Ter 2, largely led by INR depreciation and increasing utilization. Companies have managed to protect margins during such weak demand phase through efficiency measures, wage deferrals, and cost controls
- While sector continued to report steady growth, concerns over Gen AI productivity benefit to be passed on to the clients and value of new deals coming off led by expectation of lower man hours requirement is impacting the growth estimates for the companies in the IT sector
- Also, focus now is shifting from medium term low to mid single sigit growth for the sector to expectation of de-growth led by reduction in deal value owing to Gen AI benefits pass on clause



Insights:

Many companies have highlighted that clients have asked for pass back of Gen AI benefits and this ranges from 30-60% in certain cases. While investment would help IT companies to participate in new deals, the quantum and value of such newer deals led by benefit pass on clause would be key monitorable for the sector in near to medium term.

Source: Company Presentation, Data as on last quarter end Dec'25.

#3 Healthcare

- Domestic business growth has improved and remains healthy, driven by sales force addition, new product launches, volume growth, and price increases
- US generics business growth has slowed down during last five quarters on account of high base and limited new product launches, pricing erosion: impacting the margins expansion journey
- Diagnostic businesses sustained improvement in growth, scope for incremental operating leverage benefits are limited. Competitive landscape has been moderate
- Hospitals business has moderated to mid-teens. Despite improvement in utilization, pricing growth has been moderate impacting overall margin expansion

Insight:

Domestic business is expected to maintain high single digit to double digit growth momentum; US generic launch pipeline remains thin. Hospital sector growth is likely to mirror bed capacity addition and price increase going forward.

Fig i: Domestic Pharm Cos Rev Growth (%)

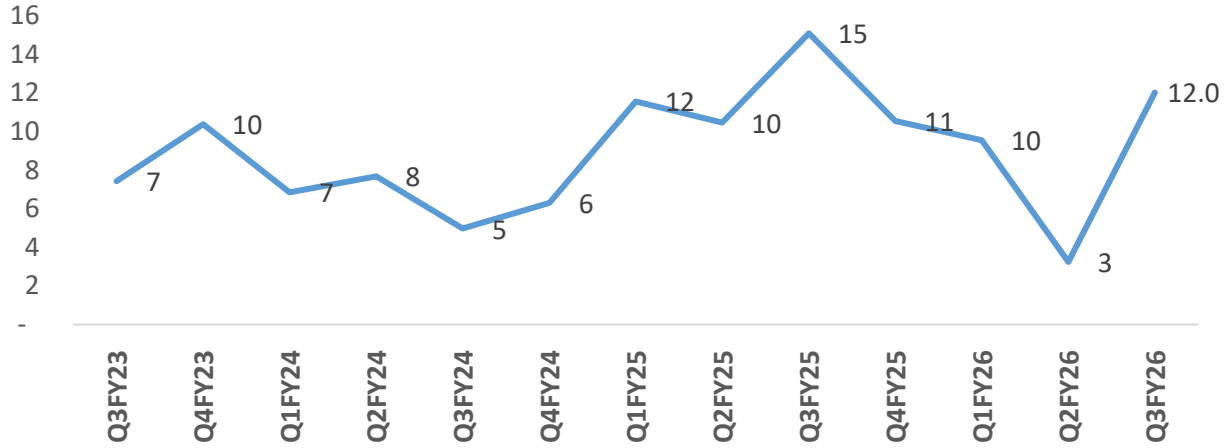
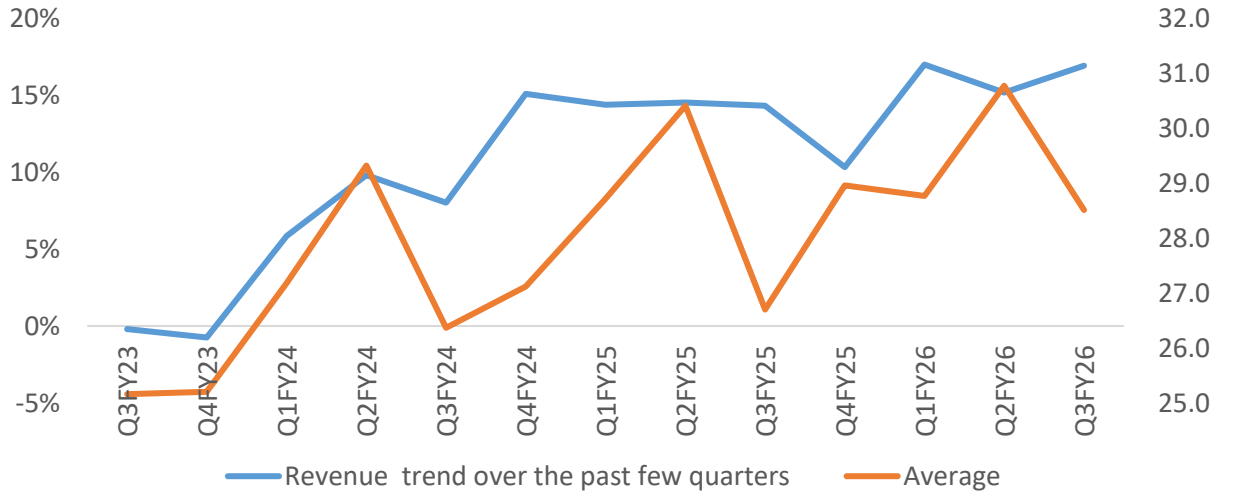


Fig ii: Diagnostic business growth healthy (%)



Source: Company Presentation. Data as on last quarter end Dec'25.

#4 Auto

- Automobile companies reported a healthy growth in Q3FY26, supported by the GST cut, robust festive demand, continued premiumization, and healthy growth in exports
- 2Wheeler segment reported better growth driven by recovery in domestic market and strong growth in exports
- Passenger Vehicle (PV) volumes, led by both cars and utility Vehicle segment. SUVs contributing 50%+ of overall PV demand led by new launches and consumer preference for premium models
- M&HCV and LCV segments witnessed double-digit growth in Q3, aided by higher freight movement, improving fleet utilization, and fleet expansion by operators
- Tractors reported better volume growth led by low base of last year, favourable rural conditions, above-average monsoon rains, and the early festive season
- Auto component companies reported better than expected numbers and operating performance in Q3FY26 supported by higher content per vehicle, Premiumization trend, increasing penetration of products such as (LEDs, Sensors, Alloy wheels, Sunroofs and electronics). Also, there was healthy demand in replacement market

Insight:

Automobile volume trajectory remained healthy and the premiumization trend continued in Q3FY26, driven by healthy volume growth and better realizations across segments. Overall sector sentiment is positive, supported by expectations of lower interest rates, higher disposable income from tax savings, the upcoming 8th Pay Commission, and the recent GST cut.

Fig i: SUV Trend in overall PV Industry Mix

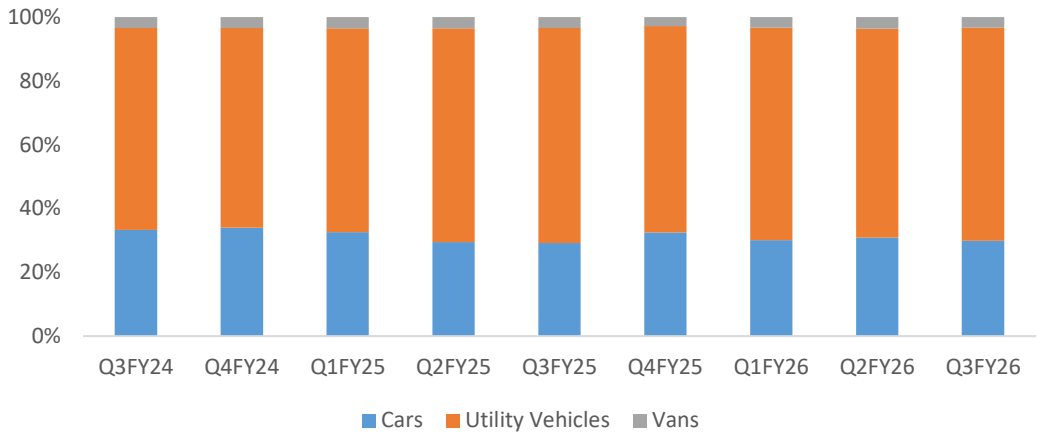
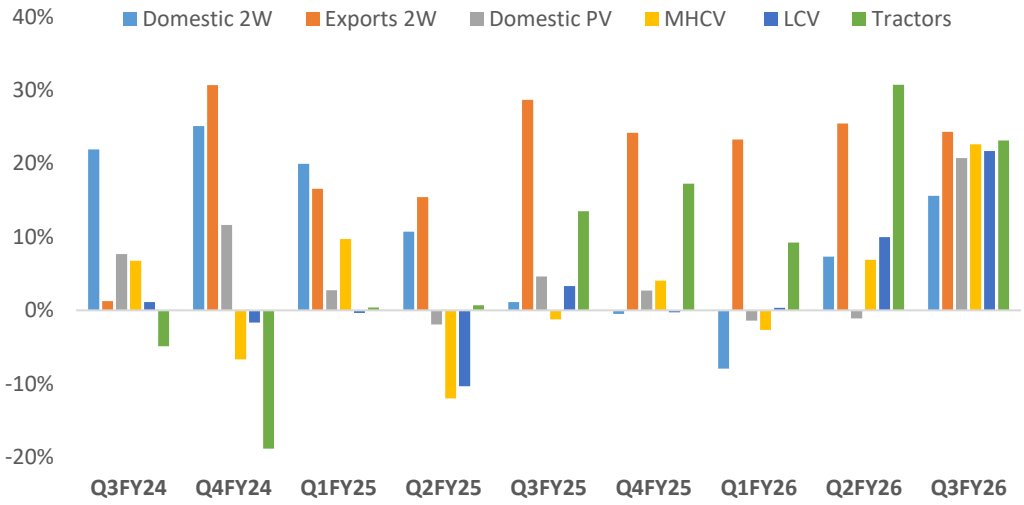


Fig ii: Auto Industry Performance in Q3FY26



Source: Fig I and II SIAM (Society of Indian Automobile Manufacturers) Industry, Data as on last quarter end Dec'25. MHCV (Medium & Heavy Commercial Vehicles) and LCV (Light Commercial Vehicles)

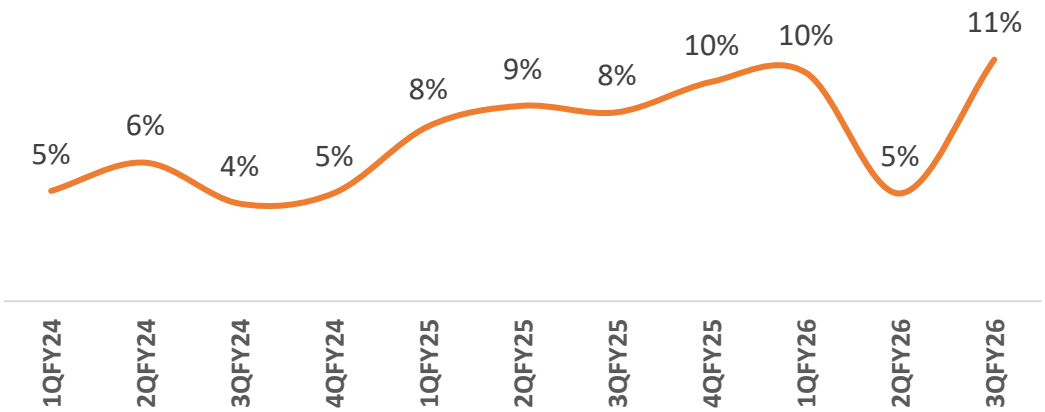
#5 Consumer

- Staples - revenue and volume growth improvement partly aided by restocking after GST rate cut and grammage increases. Food companies fared better than personal care peers. Most companies witnessed stability in RM prices
- Jewelry – Festivities aid strong sales growth despite high gold prices, consumer preferring low karat jewelry
- Liquor - traction in P&A spirits; RM benign; favorable UP excise policy
- Electronics – GST benefit supported demand; resilient performance,
- QSR – Subdued demand, operational efficiency drive profitability
- Key developments in 4QYTD - a) an increase in excise duty that affected tobacco companies and b) the EUFTA may increase competition in premium spirits

Insight:

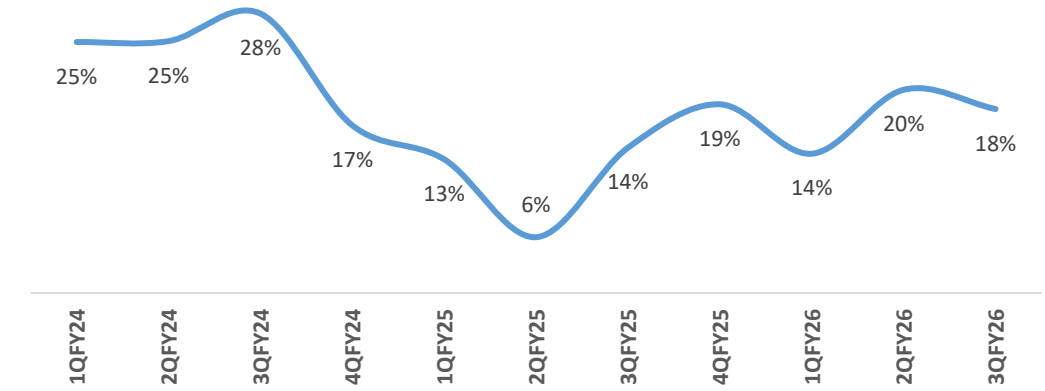
The macroenvironment continue to look favorable supported by the GoI's direct/ indirect tax cut, signed FTA, and factors including lower interest rates and controlled inflations stimulating spending in both rural and urban areas. Demand should be further boosted by a favorable winter and the expectation of a robust summer.

Fig i: FMCG growth



*** Representing FMCG, dairy and snacking companies*

Fig ii: Discretionary growth



*** Representing apparel, footwear, grocery, QSR, jewelry, liquor, watches, electronic retailer, eyewear and luggage companies*

Source: Company presentation, Data as on last quarter end Dec'25. QSR - Quick Service Restaurant; CSD – Canteen Store Department

#6 Capital Goods

- Order inflow was high in Q3FY26 indicating robust ordering activity, certain segments such as Transmission & Distribution (T&D) value chain now leading the capex cycle
- The ongoing capex cycle in domestic market remains tilted towards new-age sectors—Thermal and Renewable Power Generation, T&D, Data Centers, EV/Battery ecosystem, Semiconductors, and Electronics - whereas conventional factory Capex is yet to pick up meaningfully
- Power electrical equipment players across the High voltage value chain (Transformers, Switchgears, Gensets, HVDC components) continue to report robust execution and operates at multi year backlogs ensuring better revenue visibility
- Capital Goods product companies were able to maintain Margins YoY in Q3FY26 supported by higher pricing power, better product mix and operational efficiencies
- Large ticket-size HVDC equipment ordering has accelerated in the last six months

Insight:

Robust order books and improving margins provide earnings visibility, while capital goods companies are expanding capacities to cater to domestic and export demand.

Fig i: Power-grid Annual Capex (INR bn)

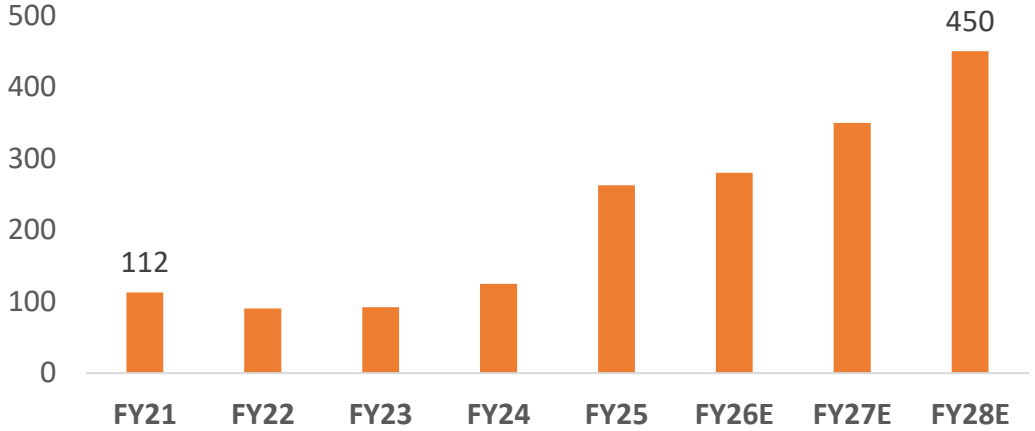
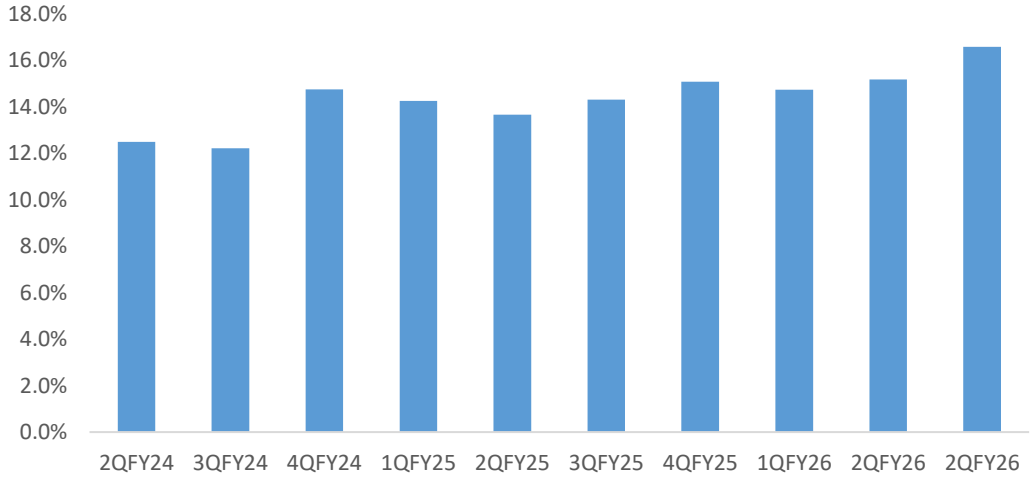


Fig ii: EBITDA Margins % - T&D Players



Source: Company Presentation, Data as on last quarter end Dec'25. HDVC – High Voltage Direct Current; Source: ce8e0ba3-1d51-4304-87fc-b29c4fdaa7d6.pdf

#7 Infrastructure

- Union Budget FY27 tried to balance fiscal prudence while maintaining thrust on capex & infrastructure development
- Total Infra capex for FY27 is pegged at Rs. 12.2tn (up 11.5% from FY26RE) with higher focus seen on segments like Power T&D, Housing & Defense. Roads & Rail also saw decent allocation with 8% and 10.5% YoY growth respectively
- Order inflow remains muted especially from the government's side especially in segments like Road, Rail & Water. Buildings & Power segment saw healthy order inflow. International order inflow also encouraging
- Margin performance was mixed; Road EPC players continue to see margin pressure while other players saw stable performance
- Continue to prefer diversified players with higher private & international exposure

Insight:
Healthy FY27 budget allocation for Infra & Capex a positive sign & may rejuvenate the sector after subdued couple of years.

FIG I: UNION BUDGET CAPEX ALLOCATION (IN TN)

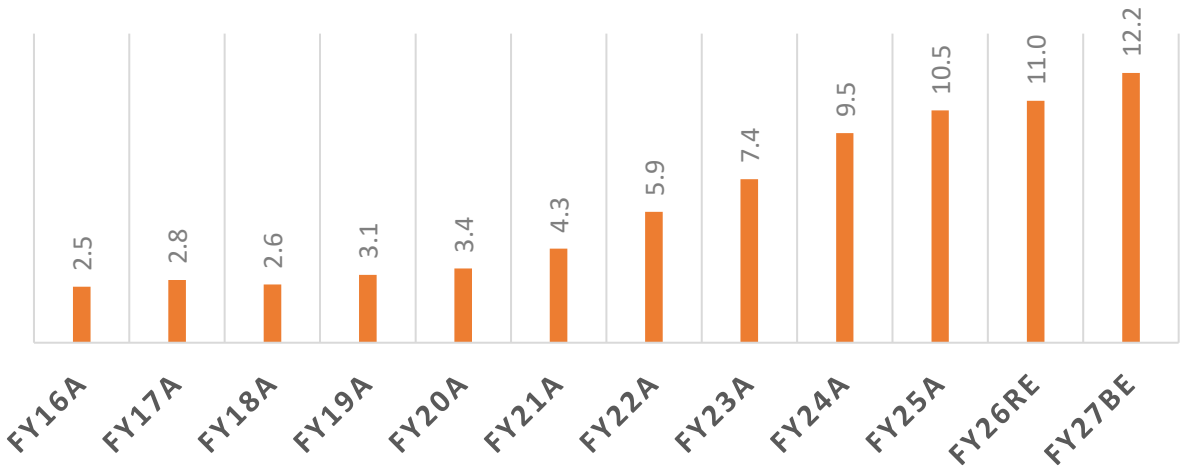
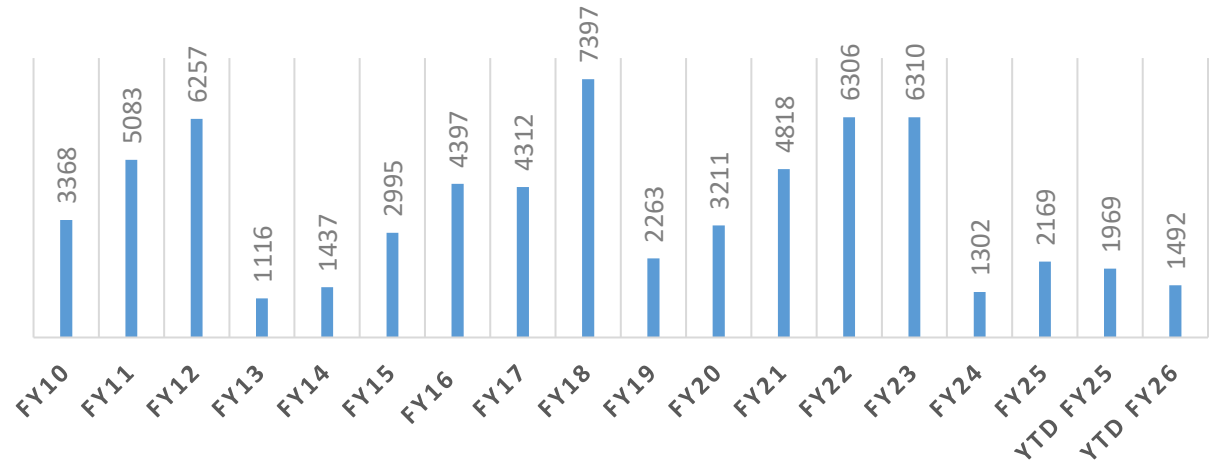


FIG II: NHAI AWARD (KM)



Source: NHAI, Data for the Quarter ended Dec'25. EPC - Engineering, Procurement, and Construction

#8 Metals

- Ferrous companies saw subdued performance in Q3FY26 due to muted demand, falling steel prices & subsequent margin cuts
- Steel prices touched 5yrs low in Q3. However, with the imposition of anti dumping duty during the quarter end we have seen sharp recovery in steel prices & subsequently margins are expected to recover sequentially
- Non-ferrous companies saw very healthy performance led by rise in commodity prices, reducing cost of production and sustained volumes. Healthy global demand, constrained supply & subsequently stable commodity prices may lead to healthy performance for the sector
- Steel converters saw both margin & volume pressure due to muted demand and higher competition
- Mining companies saw sequential recovery as heavy monsoons subsided & production volumes improved

Insight:

While outlook remains positive lead by healthy volumes & strong realisations; geopolitical volatility, disturbed trade & subsequent supply demand imbalance needs to be monitored.

Fig i: Steel Spread analysis

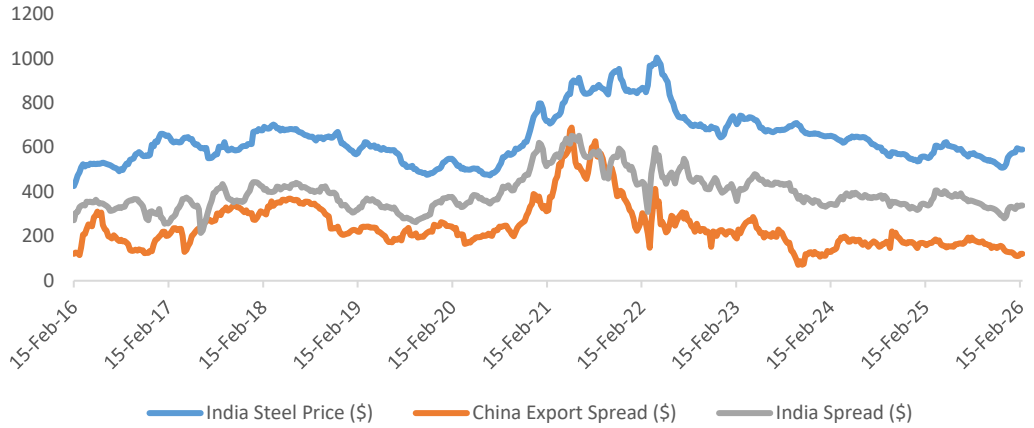
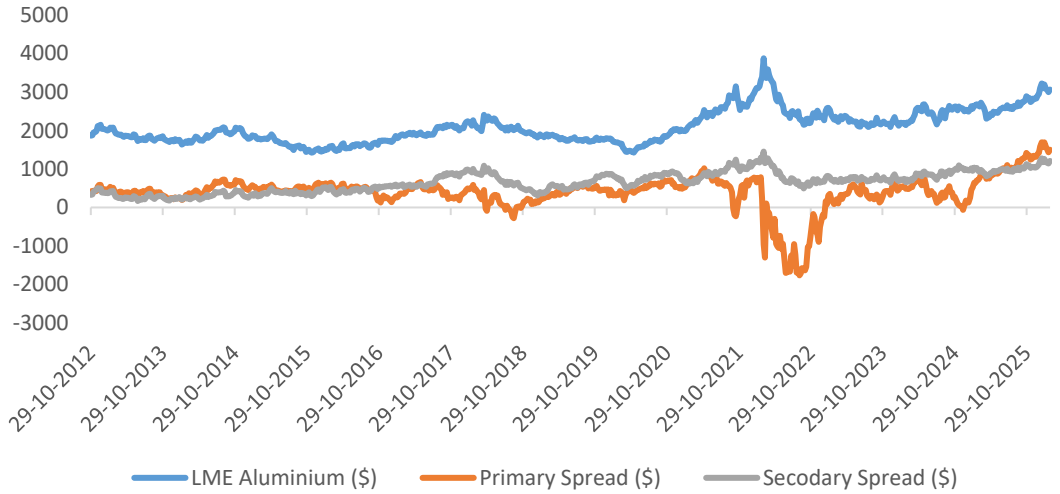


Fig ii: Aluminium Spread analysis



Source: Bloomberg, Kotak Institutional Equities Data as on Dec'25

Key Takeaways

- **Earnings cycle turning positive**: After six quarters of softness, corporate earnings are showing healthy recovery with broad-based sector participation
- **Market fundamentals Supportive**: Despite improving profits and supportive policy environment, foreign investor positioning and valuations remain subdued, creating potential opportunity
- **Beneficial medium-term outlook for Indian equities:** Taken together, the confluence of temporary market underperformance, improving trade conditions with the EU and US, a capex-heavy and reform-aligned Budget, stable monetary policy and resilient corporate earnings suggest a constructive medium-term outlook for Indian equities
- **Constructive outlook across asset classes**: Indian equities benefit from structural growth drivers and policy support, while fixed income—especially the short end of the curve—offers attractive risk-adjusted returns

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