Q1FY27 Result Review(10th September 2026)

Macro Backdrop: Growth Ahead, Inflation Normalising

- **Global:** Conditions swung sharply through the quarter. A West Asia escalation lifted crude and risk premia early on; the subsequent ceasefire and oil correction pulled G-Sec yields lower across tenors and drew strong FPI bond inflows. Trade policy remained the swing variable, with India's relative tariff position improving and the UK and EU free trade agreements progressing.
- **India:** Activity beat expectations. Real GDP grew 7.8% YoY in Q1FY27 to Rs 81.36 lakh crore against the ~7% the RBI had projected, with nominal GDP up 10.3%. The MPC held the repo at 5.25% for a second consecutive meeting on a neutral stance. CPI is projected at 4.6% for FY27 versus roughly 2% in FY26 — normalisation off an unusually low base rather than an inflation shock.

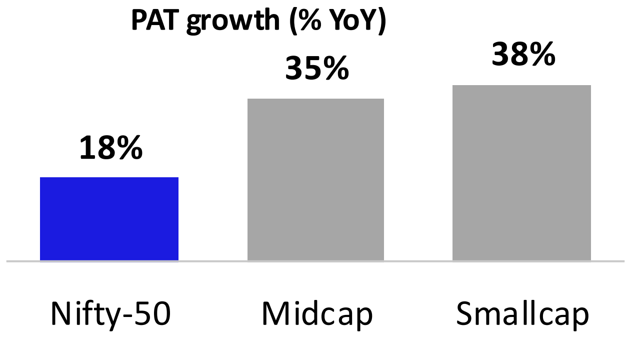
Nifty-50 Earnings: A Clean, Broad-Based Beat

- Aggregate PAT rose 18% YoY, the strongest print in ten quarters and roughly 800bps ahead of the ~10% consensus; listed India Inc revenue grew 19.4%, an eight-quarter high.
- The beat survives every scrub: EPS grew 12.9% against 4.5% expected, 11.5% excluding financials versus 1.9%, and 7.6% excluding oil and gas as well versus 3.2%.

Breadth of the Beat

- 19 sectors exceeded expectations. Across the tracked universe 48% of companies beat PAT estimates against 25% that missed, and the upgrade-to-downgrade ratio improved to 1.5x, with 130 upgrades of over 3% versus 89 downgrades.
- The caveat is concentration: ONGC, Hindalco, Reliance Industries, JSW Steel and Bharti Airtel together drove roughly 60% of incremental Nifty-50 profit, so headline growth overstates the median constituent's performance.

Q1FY27 headline	Value
Nifty-50 PAT growth (YoY)	+18%
Street estimate	~+10%
India Inc revenue growth	+19.4%
Sectors beating estimates	19
Upgrade : downgrade ratio	1.5x
FY27E Nifty EPS (Rs)	1,232
FY28E Nifty EPS (Rs)	1,425



Market Breadth: Large Cap vs Mid and Small Cap

Below the Index: Mid and Small Caps Led the Quarter

- The broader market converted revenue into profit far better than the index. NSE-500 revenue grew 18.5% with EBITDA up 17%; midcaps grew revenue 19.8% and EBITDA 24.2%, small caps 20.5% and 27.1%. PAT growth of 35% and 38% followed from operating leverage, not one-off items.
- India's margin problem in Q1FY27 was a large-cap problem: the Nifty sold considerably more without converting it into proportionate operating profit, while margins expanded across the SMID cohorts. Of the 26 Nifty-500 companies that grew both revenue and PAT over 50%, only two were large caps.
- Hit-rate, however, still favours large caps. On a 5% variance threshold, large caps posted the highest beat ratio at 50.6%, small caps 42.4% and midcaps just 40.6% — strong SMID aggregates are driven by a narrower set of outliers, not uniform delivery.

Fundamentals of Indian Equities

- **Earnings and valuation:** FY27 Nifty EPS was nudged up 0.6% to about Rs 1,232 and FY28 to Rs 1,425, implying mid-teens earnings growth into FY28. At current index levels that places the Nifty at roughly 20x FY27E and 17x FY28E — undemanding against its own five-year average and helped by the index having de-rated while earnings compounded.
- **Balance sheets:** The strongest part of the case. Every listed bank now reports net NPA below 1%, credit costs remain benign and corporate leverage is low, leaving both lenders and borrowers positioned to fund the next capex leg without stress.
- **Where the risk sits:** Valuation risk is concentrated in SMID. Midcap multiples are well below the 44x peak of September 2024 but still rich versus history, so Q1's delivery has to persist to hold current levels. Price action confirms the split: the Midcap 100 and Smallcap 100 hit record highs in late August 2026 and are up about 11% over one year, while the Nifty-50 is down 2.5% and sits 7.6% below its all-time closing high of 26,329.

Cohort	Rev	EBITDA	PAT
NSE-500	**+18.5%**	**+17.0%**	**+22%**
Midcap	**+19.8%**	**+24.2%**	**+35%**
Smallcap	**+20.5%**	**+27.1%**	**+38%**

Beat ratio by market cap	Q1FY27
Large-cap	**50.6%**
Small-cap	**42.4%**
Midcap	**40.6%**

Index performance	1-year
Nifty-50	**-2.5%**
Nifty Midcap 100	**+11%**
Nifty Smallcap 100	**+11%**

Source: Exchange filings, consensus estimates; NSE-500 PAT ex-OMC

Financials: Banking and NBFC

Banking: Volume Beat, Margin Miss

- Financials were among the largest contributors to the Nifty's Q1FY27 beat. Growth ran ahead of guidance for most lenders, with system credit expanding 17-18% YoY through mid-June 2026, comfortably above the ~14% pace assumed for the full year.
- Asset quality was the standout positive and ahead of expectations. Every listed bank, private and public, reported net NPA below 1% — a first for the sector. HDFC Bank's GNPA edged up only 2bps QoQ to 1.17%, while Indian Bank's fell to 1.86% from 3.01% a year earlier.
- Margins remained the soft spot and broadly met the cautious set-up. With the credit-deposit ratio still elevated at 83-84% and deposit growth trailing credit, funding costs stayed sticky even with the repo unchanged at 5.25%. HDFC Bank's NIM compressed to a record-low 3.26% from 3.38% in Q4FY26; SBI's improved marginally to 2.86%.

NBFC: In Line to Ahead

- Non-bank lenders continued to take share, aided by softer G-Sec yields across tenors and strong FPI bond inflows. Affordable housing financiers sustained around 20% YoY AUM growth, in line with expectations.
- Microfinance was the positive surprise, with both disbursement growth and collection efficiency improving off a stressed base. Gold financiers were the one soft pocket as realisations moderated with softer gold prices, a modest miss versus a strong FY26 base.
- Verdict: banks in line on profit, ahead on credit growth and asset quality, behind on margins. Deposit mobilisation remains the binding constraint on FY27 NIM.

Banking monitorables	Q1FY27
System credit growth (YoY)	17-18%
Credit-deposit ratio	83-84%
Repo rate	5.25%
Listed banks at net NPA <1%	All

Select prints	PAT	NIM	GNPA
HDFC Bank	+5%	3.26%	1.17%
SBI	+10%	2.86%	1.47%
Indian Bank	+10%	3.41%	1.86%

NBFC sub-segment	Q1 trend
Affordable housing finance	~20% growth
Microfinance	Improving
Gold finance	Moderating

Commodities and Cyclicals: Metals, Oil and Gas, Chemicals

Metals: The Quarter's Biggest Beat

- Metals delivered the sharpest upside surprise of the season, driven by firm aluminium and steel realisations, stable domestic demand and strong upstream margins. Vedanta's PAT rose 152%, Hindalco's 118% and JSW Steel's 96%; the ferrous segment led on both revenue and profit growth.
- Caveats: overseas downstream operations remain tariff-pressured, and leverage is rising as capex cycles step up. Much of the beat is price-led and therefore not a clean run-rate for FY27.

Oil and Gas: Upstream Ahead, OMCs Behind

- Oil and gas excluding oil marketing companies was among the strongest contributors to the Nifty beat, with ONGC and Reliance Industries between them accounting for a large share of incremental index profit on stronger realisations and refining spreads.
- OMCs were the clearest disappointment of the quarter. Elevated crude prices compressed marketing margins and made the segment a drag on aggregate earnings — the single largest offset to the index-level beat.

Chemicals: Two-Speed Quarter

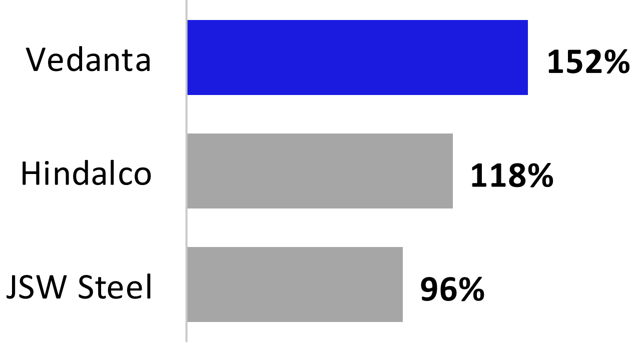
- Chemicals recorded strong aggregate earnings growth but with wide dispersion. CDMO, fluorochemicals and refrigerant-linked players beat on favourable mix and order execution, while commoditised producers stayed under Chinese pricing pressure. The late southwest monsoon deferred kharif agrochemical demand into Q2FY27, making domestic formulators a modest miss.

What to Watch Into Q2FY27

- The crude trajectory is the single biggest swing factor: it sets both the OMC drag and the input-cost line for chemicals and downstream manufacturing. A sustained correction would flip the aggregate mix, easing the OMC drag while trimming upstream gains.
- For chemicals, watch the deferred kharif demand landing in Q2 and any pricing discipline from Chinese suppliers. We stay selective, preferring CDMO and fluorochemical exposure over commodity chemistry.

Sector	vs expectation
Metals and mining	Beat
Oil and gas (ex-OMC)	Beat
Oil marketing companies	Miss
Chemicals	In line / mixed

Metals: PAT growth (% YoY)



Textiles, Defence, FMCG and Pharmaceuticals

Textiles: Strongest Turnaround of the Quarter

- Aggregate revenue for a 21-company textile set rose 18% YoY to about Rs 27,000 crore and EBITDA 34% to Rs 3,270 crore, against growth of just 2% each in FY26 — a clear beat. Vardhman Textiles, Welspun Living and Arvind reported EBITDA growth of 36-45%.
- Home textiles are the structural beneficiary as global buyers diversify sourcing away from Bangladesh and Vietnam, helped by the UK and EU free trade agreements, improved US tariff competitiveness and the revamped PLI scheme. Management commentary points to sustained order inflow through FY27.

Defence: Margin-Led Beat

- Defence and defence-engineering names delivered ahead of expectations, with segmental margins at several players improving by more than 1,000bps YoY on better mix and execution. Subsidiary turnarounds, rating upgrades and fresh DGQA certifications are near-term catalysts. Order-book conversion, not order intake, remains the swing factor.

FMCG and Pharmaceuticals

- FMCG delivered double-digit revenue growth on resilient demand, broadly in line with a set-up that was already positive; ITC was a notable miss. Rich sector valuations continue to cap upside even on in-line delivery.
- Pharma was mixed. CDMO-led franchises outperformed — Piramal Pharma grew revenue 17% with EBITDA up 72% and margin expanding about 400bps to 12.5% — while US-generics-heavy names lagged, with Dr Reddy's among the quarter's disappointments.

Sector	vs expectation
Textiles	Beat
Defence	Beat
FMCG	In line
Pharmaceuticals	Mixed

Textiles (21 cos)	Q1FY27	Q1FY26
Revenue (Rs cr)	27,000	22,880
EBITDA (Rs cr)	3,270	2,440
EBITDA margin	12.1%	10.7%

Textile PLI scheme	Detail
Companies shortlisted	170
Total outlay (Rs cr)	10,700
Incentive on incr. turnover	up to 15%

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Aamar Deo Singh	Head Research
Osho Krishan	Sr. Analyst – Technical & Derivatives
Sneha Seth	Sr. Analyst – Technical & Derivatives
Sugreem Vishwakarma	Sr. Analyst – Technical & Derivatives
Abhishek Chauhan	Sr. Analyst – Technical & Derivatives
Hitesh Rathi	Analyst – Technical & Derivatives
Bhuvan Shah	Analyst – Technical & Derivatives
Vaqarjaved Khan, CFA	Sr. Analyst – Fundamental
Shruti Panday	Analyst – Fundamental
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