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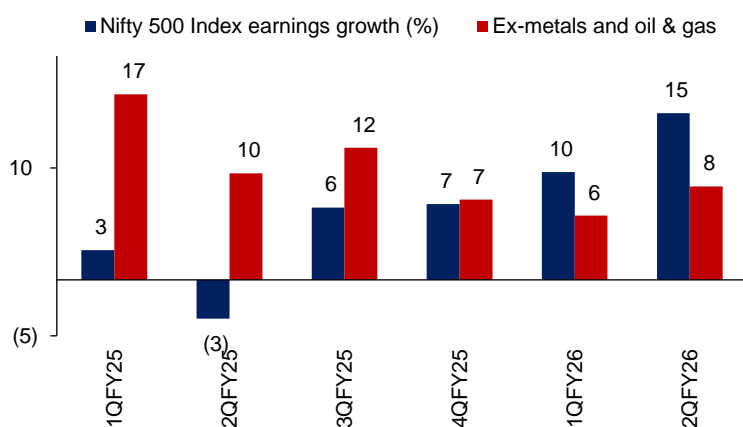
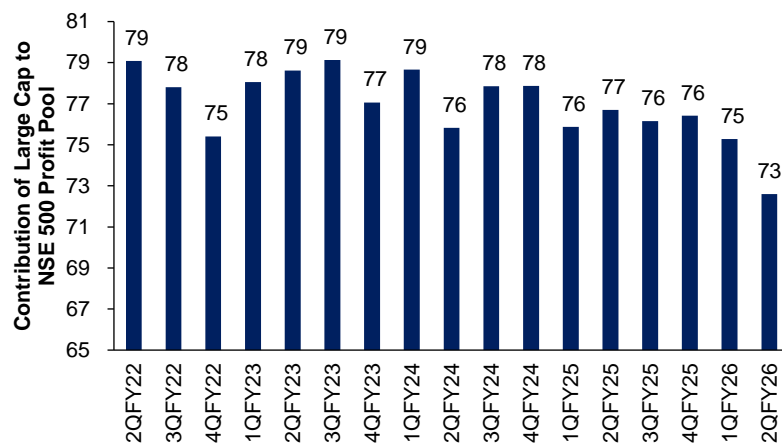
Q2 FY26 Earnings - Growth momentum driven by Small and Mid-Caps**What's the Point?**

Healthy earnings season(Q2FY26): 15% year-on-year profit growth (NIFTY 500) driven by Metals and Oil & Gas. Breadth of growth was good as 17 out of 30 sectors recorded double-digit sales growth

Shifting profit pool dynamics: Large-cap contribution to Nifty 500 earnings has tapered over recent quarters, driven by the outperformance of Mid-caps

Strong margin expansion: Margins higher than a year ago owing to decline in Raw Materials Costs and improved operating efficiency

The Q2 FY26 earnings season delivered a healthy performance, with Nifty 500 companies posting a robust 15% year-on-year (YoY) profit growth. The momentum was largely driven by metals and oil & gas sectors. Even after excluding these heavyweights, earnings grew a healthy 8% YoY. Encouragingly, the breadth of growth was good as 17 out of 30 sectors recorded double-digit sales growth despite overall Sales growth remaining modest at 6% YoY.

Nifty 500 Index companies saw 15% increase in Profit After Tax (PAT) on a YoY basis, but only 8% YoY ex-metals and oil & gas

Contribution of large-cap companies to Nifty 500 Index Profit After Tax (PAT) has come down in the recent quarter
**Small and Mid-Caps continue to outpace Large Caps**

Nifty 100 companies posted a modest 9% YoY PAT growth in Q2 FY26, while Mid and Small-cap segments stole the spotlight with a robust 30%+ YoY increase. The surge in Mid and Small-cap earnings was fueled by strong performances from NBFCs, Metals, Oil & Gas, and Pharmaceuticals. Even after excluding Oil & Gas, which benefited from low base effect, Mid-caps and Small-caps delivered growth of 29% and 21% YoY, respectively. Notably, the profit pool dynamics are shifting with Large-cap contribution to Nifty 500 earnings tapering over recent quarters, driven by the outperformance of Mid-caps. Mid-cap contribution rose from 15% in Q4 FY25 to 19% in Q2 FY26, while Large-Cap share declined, highlighting the broadening earnings base beyond the top 100 companies.

Sectoral Snapshot

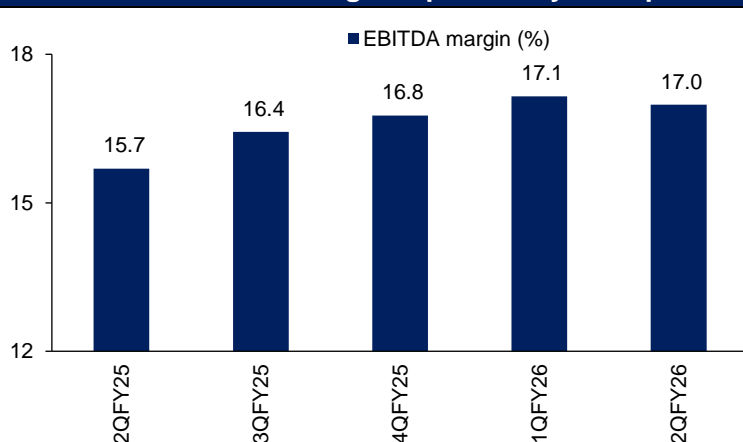
- **Metals & Mining:** Steel companies benefited from lower costs driving YoY growth, while non-ferrous segment benefited from higher realizations.
- **Oil & Gas:** Strong rebound driven by higher refining margins and favorable base effect.
- **Construction Materials:** In spite of seasonal weakness, profit growth driven by low base and stable input costs.

- **Pharmaceuticals:** Mixed bag as CDMO and Domestic Pharma did well, while in Generics, adverse base dampened growth. Sector continues to benefit from currency tailwinds.
- **Telecom:** Healthy growth aided by rise in Average Revenue per User (ARPU), data usage and premiumization
- **Utilities:** Earnings dragged by weak demand and execution challenges in Generation and Transmission
- **Chemicals:** Mixed quarter with generally weak showing from commodity chemical segment
- **Banks:** Earnings were impacted due to the pass-through effect of the regulator's policy rate cuts.
- **Automobiles:** Healthy quarter with onset of festive season. Earnings momentum to continue with impact of GST cuts to reflect from Oct-Dec quarter (Q3FY26).

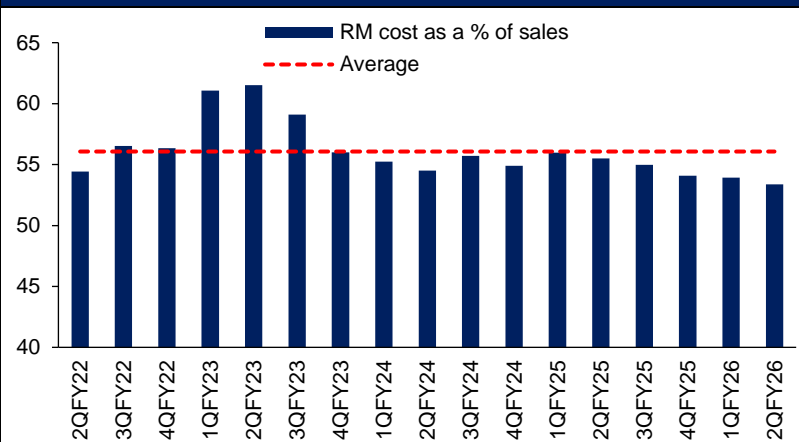
Margin Expansion

Similar to the preceding quarter, Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) margin remained strong with margins being 130bps higher than a year ago. This could be attributed to decline in Raw Material Cost owing to benign crude oil prices and improved operating efficiency.

NIFTY 500: EBITDA margin expanded by 130 bps YoY



Raw Material Cost as % of Sales continues to decline



Conclusion: Strengthening Equity Outlook

After a muted FY25, corporate profitability has regained momentum, supported by broad-based performance and improving operating metrics. The strong showing from Mid/Small-caps highlights a broadening of the earnings base. Margin expansion, aided by benign input costs and efficiency gains, further strengthens the outlook.

NIFTY50	FY25	FY26E^	FY27E^	FY28E^
EPS*	1013	1077	1269	1455
Growth %	2%	8%	17%	14%

*Earnings Per Share, Sources: Bloomberg, Capitaline, ^ Kotak Institutional Equities

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