



# Monthly Research Compendium

AUGUST 2025





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*The Research Compendium is a compilation of some of ICRA's key research reports released in the previous month.*

The ICRA Research Compendium offers a summary of some of the most thought-provoking research reports published during the month



Each slide communicates key excerpts from the respective reports through charts and tables

Follow the link in the caption of each slide to access the detailed report on ICRA's website

**ICRA's sectoral outlook** as of July 2025

**Climate series:** Developing countries may face climate fund setbacks due to USA exit from Paris Accord

**Commercial Vehicles:** PM e-Drive scheme for trucks to accelerate electrification

**Economy:** Government capex supported investment activity in Q1 FY2026; fiscal buffers to enable Centre to do heavy lifting amid cautious private capex












**NBFC-MFI:** Asset quality pressure expected to persist in H1 FY2026; NBFC-MFIs' AUM growth projected at 10-15% in FY2026

































**Paper:** Earnings of printing and writing paper players to continue to slide in FY2026 amid high input costs and lower realisations

**Refining and marketing:** EU sanctions on Russian oil to restrict market for downstream oil companies

**Renewable Energy:** Performance of ICRA-monitored solar portfolio remained stable; wind portfolio witnessed a dip in FY2025

**Structured Finance:** Securitisation volumes rise in Q1 FY2026, led by participation of NBFCs

 <b>Positive</b>	
	Capital goods
	Defence
	Hospital
 <b>Negative</b>	
	Power – distribution
	Chemicals (basic)
	Chemicals (petrochemicals)
	Cut & polished diamonds
	NBFC-Microfinance Institutions (NBFC-MFI)
	Paper - Printing and Writing Paper

 <b>Stable</b>					
	Construction & construction equipment		Tyres		Media – broadcasting & exhibitors
	Cement		Renewable energy/ Power transmission/ Thermal		Retail (fashion)
	Ferrous metals		Upstream oil & gas		Insurance (life & general)
	Non-ferrous metals		Oil refining & marketing		Airlines & airport infra
	Roads & road logistics		Gas utilities		IT services
	Real estate – residential, commercial & retail		Ports		Telecom services
	Jewellery – retail		Pharma		Telecom towers
	Brokerage		Fertilisers		Chemicals (speciality)
	Automobile & automobile dealership		Sugar		Bank
	Auto components		Bulk tea		NBFCs (infra, retail NBFCs, HFC) & SFB
	Hotels				

Note: NBFC - Non-Banking Financial Companies

# Climate series: Developing countries may face climate fund setbacks due to USA exit from Paris Accord

## \$100 billion per year goal by developed countries

- At COP15 in 2009, developed nations pledged to channel \$100 billion a year to developing nations, to help them adapt to climate change and mitigate further rises in temperature.

## New Collective Quantified Goal (NCQG)

- According to the UN Environment Programme's 2021 Adaptation Gap report, adaptation costs in developing countries, already at \$70 billion per year, are expected to surge up to \$300 billion by 2030 and further to \$500 billion by 2050, driven by the accelerating pace of climate change.
- In light of the same, the NCDQ fund was introduced in 2021. The NCQG is a new annual financial target that developed economies must meet from 2025 to provide climate finance to developing nations.

**USA's exit from the Paris Agreement could hinder annual climate funding for developing nations and jeopardise the new financial commitments set to begin in 2025.**

## Exhibit: Climate finance provided and mobilised by developed countries

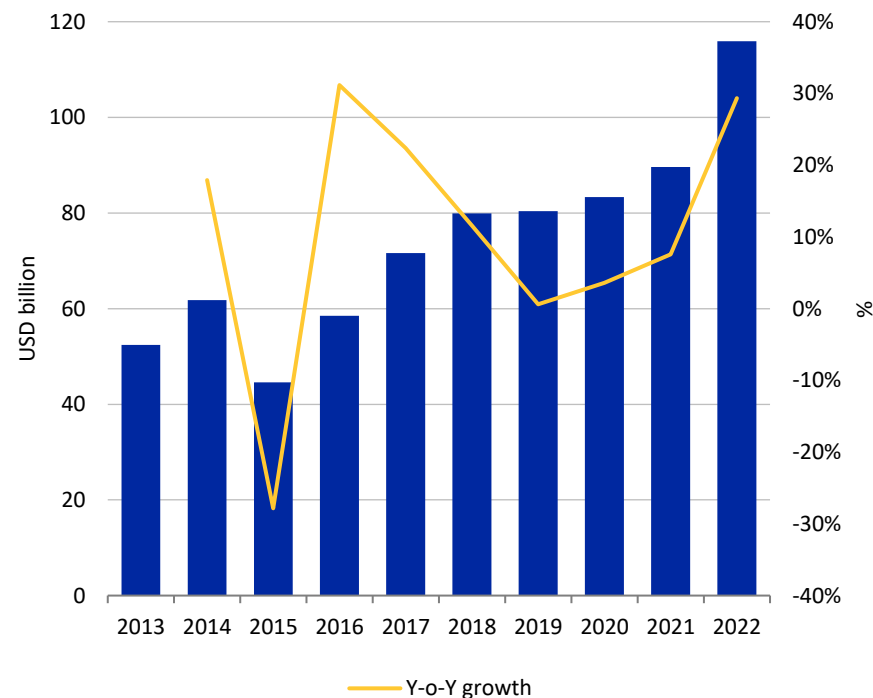
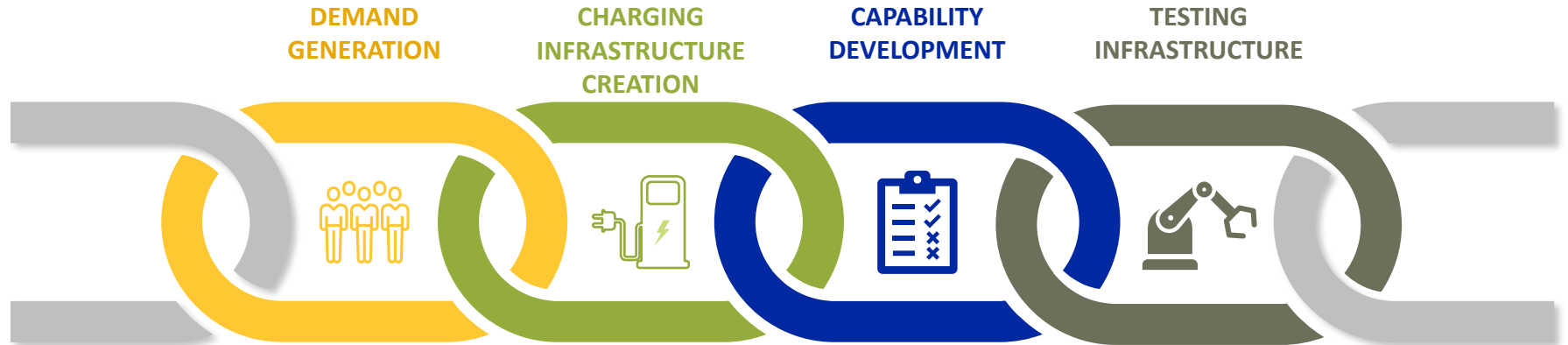


EXHIBIT 8: Focus areas of PM E-Drive scheme



- The Government of India's (Gol's) efforts to enhance EV adoption through policy support have been instrumental in increasing the electrification adoption over the past few years.
- Under the PM e-Drive scheme, the Government has again adopted a multi-pronged strategy to promote the development of an EV ecosystem. Along with demand incentives aimed at lowering the cost of acquisition, the Gol also remains focused on electrifying mass mobility and creation of adequate charging and testing infrastructure. Moreover, it aims to promote the creation of domestic manufacturing capabilities and strengthening of the EV supply chain, with manufacturers required to adhere to a phased manufacturing programme (which prescribes norms for domestic value addition) to be eligible for benefits.

Source: Press Information Bureau, Government of India, ICRA Research

# Economy: Government capex supported investment activity in Q1 FY2026; fiscal buffers to enable Centre to do heavy lifting amid cautious private capex



## Drivers






- The extra fiscal space to incur capex of Rs. 0.8 trillion could boost the GoI's on-budget capex growth to ~14% from 6.6% in FY2026, auguring well for demand for construction inputs like cement and steel.
- Articulation of new undisclosed schemes remains key to meet the capex target.
- The personal income tax relief is likely to lead to some improvement in household consumption, which is key for a sustained revival in private capex.
- Elevated capacity utilisation levels, healthy balance sheets of banks and corporates.
- The GoI's efforts to nudge state governments could push capex and support infrastructure financing.

## Headwinds

- Normalisation of housing demand over the past few quarters after double-digit growth in FY2022-2024.
- Outlook for external demand remains clouded with risks like potential impact of trade wars, elevated policy uncertainty and escalation of geopolitical tensions.
- The impact of tariff war between USA and other major countries could weigh on India's exports, although it can also emerge as an opportunity to capitalise on export markets and embolden manufacturing capacity, from a medium-term standpoint.
- Excess capacity in China and cheap imports could act as a drag on domestic production.
- Elevated exchange rate volatility could impact India Inc.'s profitability, and derail FDI investment flows.

# NBFC-MFI: Asset quality pressure expected to persist in H1 FY2026; NBFC-MFIs' AUM growth projected at 10-15% in FY2026

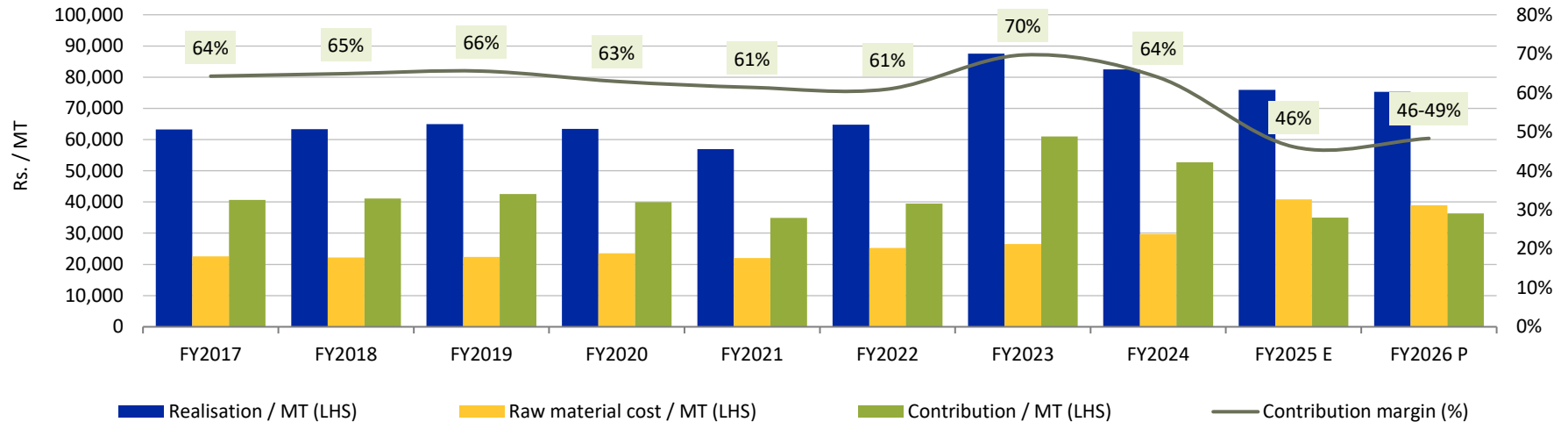
## Outlook – Negative

AUM Growth	Asset Quality	Funding and Liquidity	Profitability	Capital
				
<p><b>10-15% in FY2026</b></p> <p>Growth expected to resume in FY2026, supported by relaxation of qualifying asset criteria</p>	<p><b>Credit costs* – 4.0-4.2% in FY2026</b></p> <p>Credit costs expected to moderate, while remaining elevated in FY2026 with lingering asset quality stress</p>	<p><b>Rs. 16,000-18,000 crore in FY2026</b></p> <p>Additional funding (including securitisation) required to support growth, apart from refinancing existing/maturing lines</p>	<p><b>RoMA* – 1.5-1.7% in FY2026</b></p> <p>Some improvement likely in FY2026 with estimated moderation in credit costs</p>	<p><b>Adequate</b></p> <p>Moderate capital requirement, considering the growth outlook</p>

\* As a proportion of average managed assets

# Paper: Earnings of printing and writing paper players to continue to slide in FY2026 amid high input costs and lower realisations

Exhibit 6: Trend in contribution margins for ICRA's sample set for PWP segment

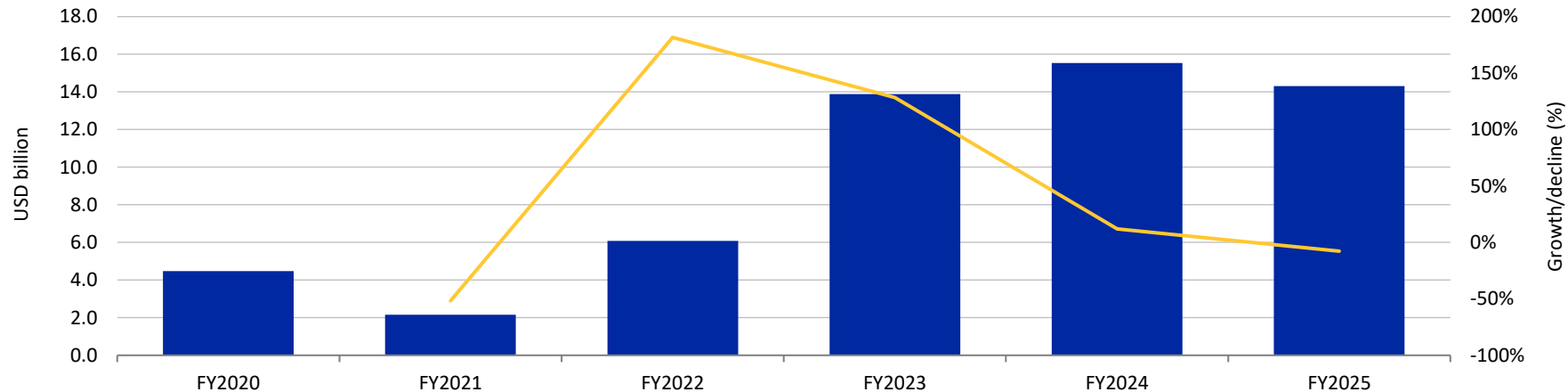


- Business outlook for the printing and writing paper (PWP) segment has been revised to Negative from Stable, given the expected continued pressure on earnings in FY2026. Competition from cheaper imports is likely to constrain improvements in realisations, while wood pulp prices (a key raw material) are expected to be elevated.
- Business outlook for the packaging sector continues to be Stable. Operating leverage benefits from increased scale of operations and a better product mix are likely to support margins in FY2026.

Source: Annual reports, ICRA Research, Aggregate of 7 listed entities

# Refining and marketing: EU sanctions on Russian oil to restrict market for downstream oil companies

Exhibit: India's export of petroleum products to EU



Source: CMIE, ICRA Research

- On July 18, the European Union approved its 18<sup>th</sup> sanctions package against Russia, under which it introduced an import ban on all refined products made from Russian crude oil and coming from any third country barring Canada, Norway, the US, the UK and Switzerland.
- India exported petroleum products of about \$14.3 billion to the EU during FY2025. Owing to the new sanctions, access of EU market could be restricted for Indian refiners.

# Renewable Energy: Performance of ICRA-monitored solar portfolio remained stable; wind portfolio witnessed a dip in FY2025

## Conclusion and Outlook



### Wind and Solar PLFs

The generation performance of the ICRA-monitored solar power portfolio remained stable, while performance of the wind power portfolio declined in FY2025 over the previous year despite a favourable monsoon



### PLF Variability Risk

The PLF variability risk is relatively higher for wind projects compared to solar projects as observed from generation data over the past few years. Hence, the debt coverage (i.e., debt service coverage ratio) rating benchmarks for wind projects are stricter compared to solar projects

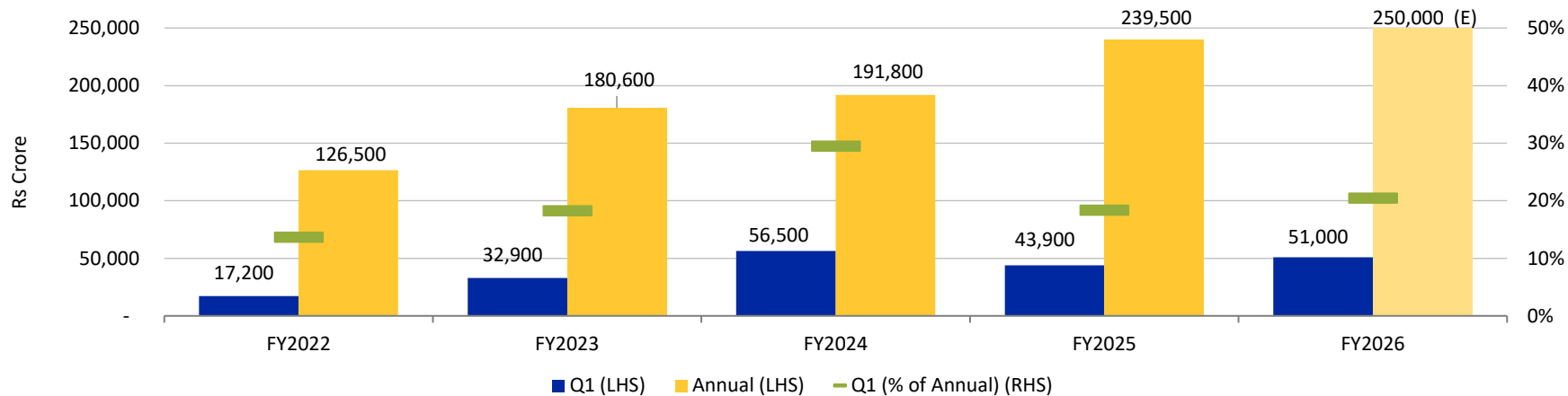


### Rating Trends and Outlook

The number of rating downgrades have been higher in ICRA-rated wind portfolio compared to solar portfolio due to weaker-than-expected generation performance. ICRA's outlook for the renewable energy (RE) sector remains Stable.

# Structured Finance: Securitisation volumes rise in Q1 FY2026, led by participation of NBFCs

Exhibit: Securitisation market volume (PTC & DA)



Source: ICRA Research

- As per ICRA estimates, the overall securitisation volumes rose by nearly 16% (YoY basis) and stood at Rs. 51,000 crore for Q1 FY2026. Unlike the previous few quarters, this growth was majorly fueled by the NBFCs. With the CD ratio partially normalising for the banks, their participation as issuers in the first quarter of FY2026 remained low.
- The first quarter volumes have generally been around 20% of the annual volumes in the past few years. Further, ICRA retains its estimate of annual volume of Rs. 2.5 trillion for FY2026, which also reflects that Q1 FY2026 will contribute ~20% to the annual volume.



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