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Monthly Research Compendium

DECEMBER 2025

Monthly Research Compendium

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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

Summary

ICRA's sectoral outlook as of November 2025

Automobiles: Festive retail sales soar on GST rate reductions

Auto components: Navigating the global supply-chain fault line - The rare earth magnets chapter

Cross sectoral trends and outlook: PLI - schemes meeting objectives; yet, timelines at risk of being missed as manufacturing progress varies

Economy and cross sector: Festive season trends indicate GST rate cut boosted volumes; durability of volume boost remains uncertain

Economy: India's merchandise trade deficit soared to 13-month high in Sep 2025, after US penalty rollout; CAD to widen materially in Q2 FY2026

Electric vehicles: EV penetration gradually picking up pace in India

Fertilisers: Higher NBS rates to keep profitability stable for NPK fertiliser; DAP imports to remain loss-making

Real estate: Bengaluru - Launches up 10-12% in FY2026; YTS stays comfortable

Summary

Renewable energy: Consolidation of players likely in solar module manufacturing industry; vertically integrated entities expected to benefit in long run

Securities broking: Capital market intermediaries brace for margin softening amid proposed MF expense ratio overhaul

ICRA's sectoral outlook as of November 2025

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Positive

- Capital goods
- Defence
- Hospital

Negative

- Power – distribution
- Chemicals (basic)
- Chemicals (petrochemicals)
- Cut & polished diamonds
- NBFC-Microfinance Institutions (NBFC-MFI)
- Paper - Printing and writing paper
- Textile (apparel exports)

Stable

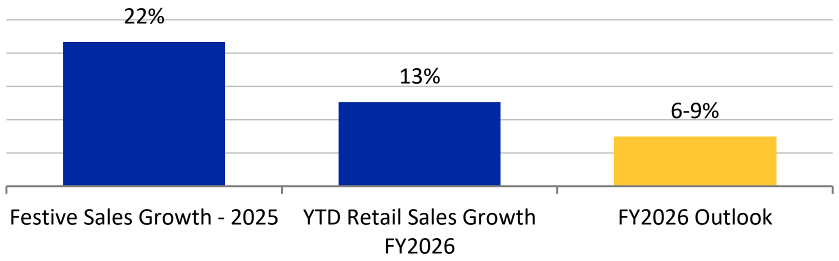
Construction & construction equipment	Tyres	Media – broadcasting
Cement	Renewable energy/ Power transmission/ Thermal	Retail (fashion)
Ferrous metals	Upstream oil & gas	Insurance (life & general)
Non-ferrous metals	Oil refining & marketing	Airlines & airport infra
Roads & road logistics	Gas utilities	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

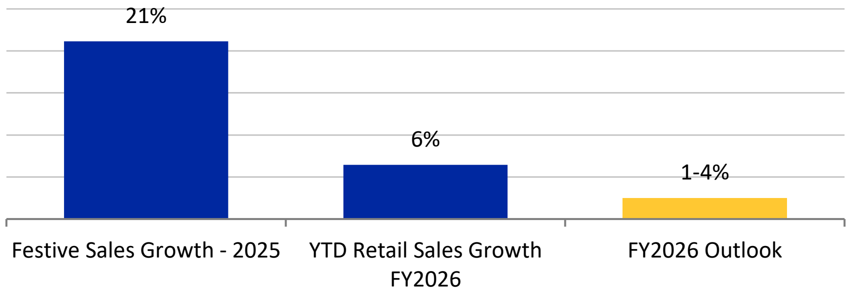
Automobiles: Festive retail sales soar on GST rate reductions

- The recently concluded festive season brought cheer to the automotive industry, marked by significant retail growth in both the two-wheeler and passenger vehicle segments. Sentiments since the onset of the festive period (beginning with Navratri) were boosted by the recent rationalisation of Goods and Services Tax (GST) across segments, which helped enhance vehicle affordability.
- Two-wheeler (2W) retail sales recorded a robust 22% growth to around 41 lakh units during the festive season, supported by festive cheer, steady rural demand, and GST rate reductions. Dealers reported a notable rise in footfalls and bookings, further aided by attractive discounts and offers. This festive season growth follows a relatively subdued performance in H1 FY2026 (0.7% YoY), making the recent uptick significant. However, sustaining this momentum beyond the festive period remains a key monitorable. ICRA projects 2W wholesale volume growth of 6-9% in FY2026, driven by steady replacement demand and improving rural sentiment on the back of a healthy monsoon.
- Passenger vehicle (PV) retail sales during the festive season grew at a strong pace of 21% YoY to 8.1 lakh units, supported by attractive discounts, GST rate reductions, and competitive financing options. With robust retail sales during the festive season, the industry’s inventory levels are estimated to have moderated to around 45-50 days by the end of October 2025 (as per ICRA estimates). ICRA expects PV wholesale volumes to grow by 1-4% in FY2026, with a rebound in H2 FY2026 offsetting the softness observed in H1 FY2026 (1.5% YoY contraction).

Two-Wheeler



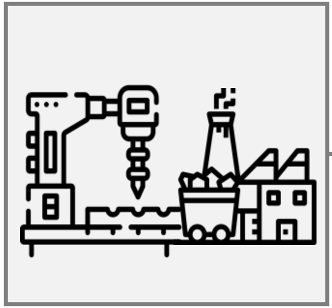
Passenger Vehicle



**Year-to-date retail sales growth in FY2026 has been boosted by an earlier festive season compared to last year*

Auto components: Navigating the global supply-chain fault line - The Rare Earth Magnets Chapter

Key highlights of the 'Scheme to Promote Manufacturing of Sintered Rare Earth Permanent Magnets'



Overview

- The Union Cabinet approved the 'Scheme to Promote Manufacturing of Sintered Rare Earth Permanent Magnets' on November 26, 2025. This initiative aims to establish 6,000 metric tonnes per annum (MTPA) of integrated rare earth permanent magnet (REPM) manufacturing in India, thereby enhancing self-reliance and positioning India as a key player in the global REPM market.

Total outlay

- The total financial outlay of the scheme is Rs. 7,280 crore, comprising sales-linked incentives of Rs. 6,450 crore on REPM sales for five years and capital subsidy of Rs. 750 crore for setting up an aggregate of 6,000 MTPA of REPM manufacturing facilities.

Time duration

- The total duration of the scheme will be seven years from the date of award, including a two-year gestation period for setting up an integrated REPM manufacturing facility, and five years for incentive disbursement on the sale of REPM.

Scheme allocation

- The scheme envisions allocating the total capacity to five beneficiaries through a global competitive bidding process. Each beneficiary will be allotted up to 1,200 MTPA of capacity.

Scheme benefits

- The scheme will support the creation of integrated REPM manufacturing facilities, involving the conversion of rare earth oxides to metals, metals to alloys, and alloys to finished REPMs.

Source: PIB, ICRA Research

Cross sectoral trends and outlook: PLI - schemes meeting objectives; yet, timelines at risk of being missed as manufacturing progress varies

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PLI scheme current progress

Capex

- Of the total expected capex of Rs. 4 trillion to be incurred by corporates under the incentive scheme (which is over a period of 5-6 years), Rs. 1.76 trillion had been invested as of March 2025 (40-45% of the total estimated capex).

Incremental Sales/Production

- Incentives under most sectors are linked to incremental sales/production.
- The current capex deployment led to incremental sales of around Rs. 16.50 trillion (as of March 2025).

Exports

- Exports surpassed Rs. 5.31 trillion till November 2024, which was 30-35% of the incremental sales/production, with significant contributions from sectors such as largescale electronics manufacturing, pharmaceuticals, food processing, and telecom & networking products.

Employment

- The scheme has generated direct and indirect employment for 12 lakh individuals.

PLI scheme capex estimates

Exhibit: Actual and expected capex from incentive scheme

	FY2023	FY2024	FY2025	FY2026P	FY2027 and beyond
Actual and expected capex (Rs trillion)	~0.6	~0.7	~0.5	~0.7	~1.5
% of the total capex	~15%	~18%	~14%	~18%	~35%

- If the run rate of the average monthly capex deployed in the past (calculated based on the capex figures given by the Ministries at regular intervals) continues, ICRA estimates that ~Rs. 2.5 trillion capex will be incurred by March 2026, which is 60-65% of the total estimated capex.
- The PLI scheme is broadly meeting its objectives, but most sectors have missed intended timelines. Progress varies, with rapid gains in electronics, pharmaceuticals, and telecom, while ACC batteries and solar PV modules are advancing slowly. Success depends on domestic capabilities and the manufacturing ecosystem. Continued effort and policy refinement will be needed to fully realise the schemes' potential.

Source: Ministry of Commerce and Industry, ICRA Research

Economy and cross sector: Festive season trends indicate GST rate cut boosted volumes; durability of volume boost remains uncertain

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Exhibit: Sectoral impact of GST reduction

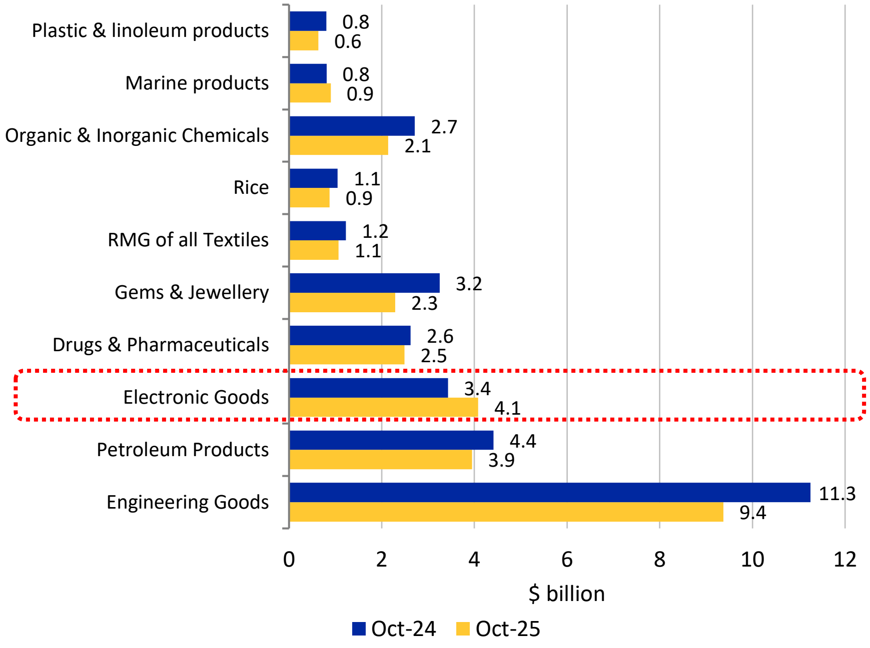
Sector	GST rate (before Sep 22, 2025)	GST rate (After Sep 22, 2025)	GST reduction impact during festive season
Two-wheeler	28%	18%*	21-22% YoY growth during the festive season (September 22, 2025 to October 31, 2025)
Passenger vehicle	28%	18%#	
Tractor	12-28%	5-18%	Sales during October 2025 rose by 13-14% YoY
Commercial vehicle	28%	18	8.4% YoY growth in Q2 FY2026, with major boost to the sales momentum seen after September 22, 2025
Fashion retail	12% 12%	5% 18% (above Rs.2,500)	Customers enjoy GST benefits in the value segment Face higher costs in the luxury segment
Insurance	2-18%	Nil	Enhanced affordability of insurance policies drives demand
Room air conditioners (RACs)	28%	18%	6-8% reduction in the RAC prices owing to a lower GST increases affordability
Hotels (budget)	12%	5%	Occupancy set to rise as tax benefits are passed on to consumers
Cement	28%	18%	Real estate developers deferring cost benefits for ongoing projects. New real estate launches may see GST benefits on cement
Fertilisers	18%	5%	GST rate cut to boost farm economy and ease working capital pressures
Speciality chemicals	12-18%	5%	GST cuts to lower costs for end-use industries; though margin impact remains limited
Oil and gas	12%	18%	Higher GST rates add strain to a sector already grappling with global price weakness

GST rate cuts have eased the tax burden for consumers and businesses by lowering prices on essentials and improving affordability across key sectors. Early indicators and festive season trends confirm these benefits, signaling a recovery in volumes led by pent-up demand. However, whether this momentum can be sustained in the coming quarters will hinge on economic trends and sectoral dynamics.

*Source: ICRA Research; Note: * Motorcycles (350 cc and below), # - Petrol /Diesel & Petrol /Diesel Hybrid, LNG, CNG cars (not exceeding 1,200 cc & 4,000 mm)*

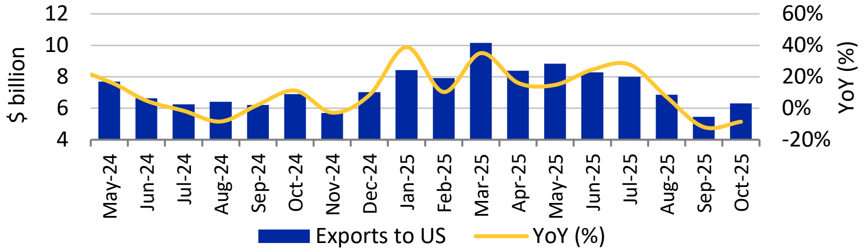
Economy: India saw highest-ever trade deficit in October 2025; likely dip in gold imports, higher exports to cool deficit prints during November-December

Exhibit: Barring electronic goods (+19%), exports of all major items saw a YoY contraction in October 2025 including engineering goods, gems and jewellery, chemicals, ready made garments (RMG) and petroleum products



Source: Ministry of Commerce and Industry, GoI; CMIE; ICRA Research

Exhibit: India's exports to the US fell by 8.6% YoY to $6.3 billion in October 2025, even as they were 15.4% higher in MoM terms; this suggests that a part of the YoY fall was attributed to the early onset of the festive season



Source: Ministry of Commerce and Industry, GoI; CMIE; ICRA Research

India's merchandise imports soared to an all-time high of $76.1 billion in October 2025, representing a YoY expansion of 16.6%, owing to the tripling of gold imports, aided by festive demand and possibly speculative/investment demand at higher prices, as well as a robust 12.4% growth in non-oil non-gold items. In contrast, merchandise exports witnessed a base-effect-led contraction of ~12% to $34.4 billion, driven by most key items except electronic goods (+19.1%; exempted from US tariffs). This resulted in the merchandise trade deficit (MTD) peaking at $41.7 billion in October 2025, significantly exceeding the $26.2 billion seen in the year-ago month and the monthly average of ~$26 billion in H1 FY2026. While the trade deficit is expected to cool in November-December 2025 from these levels owing to a sequential dip in gold imports, the current account deficit (CAD) is set to widen materially to ~2.4-2.5% of GDP in Q3 FY2026 from the ~1.8% of GDP expected in Q2 FY2026.

Electric Vehicles: EV penetration gradually picking up pace in India

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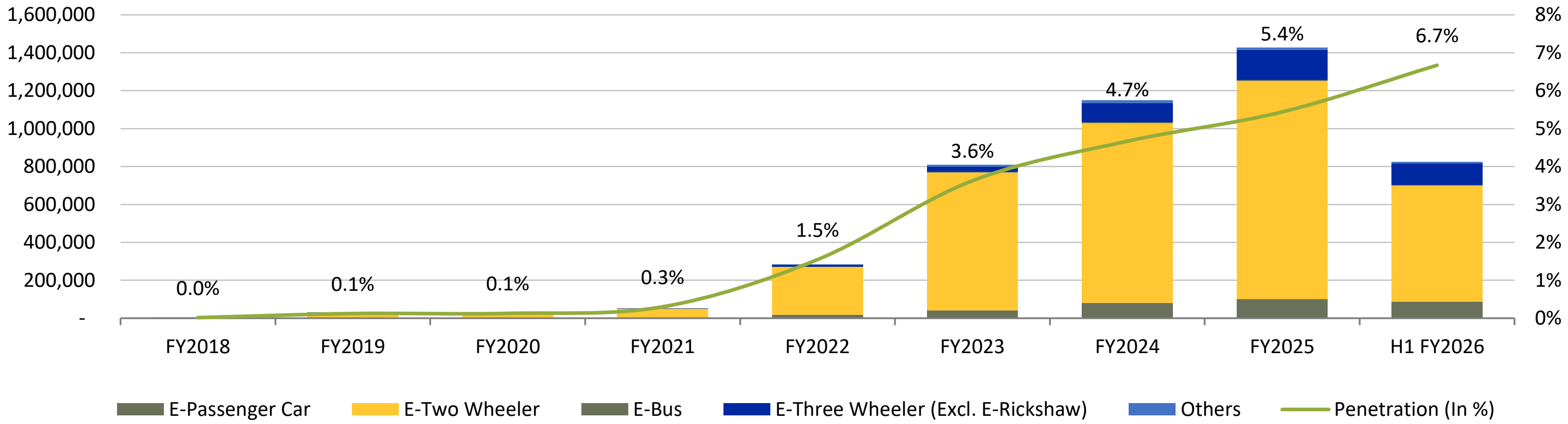
Exhibit: Trend in EV sales in India (excluding e-rickshaws)



- Unlike some of the major automobile markets like China, Europe, and the US, India has been relatively behind the curve in adopting EVs. However, the scenario has changed since FY2022, and India is now gearing up to adopt EVs in a meaningful manner.
- India's electrification journey is currently being driven by two-wheelers (2W) and three-wheelers (3W), as opposed to passenger cars in other markets. One of the key reasons is the role of the Government, which offered high subsidies for these segments vis-à-vis cars, thereby materially lowering the total cost of ownership.

Source: VAHAN, ICRA Research

Fertilisers: Higher NBS rates to keep profitability stable for NPK fertiliser; DAP imports to remain loss-making

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Exhibit: Trend in NBS rates

Rs./MT	H1 FY2023	Q3 FY2023	Q4 FY2023	H1 FY2024	H2 FY2024	H1 FY2025	H2 FY2025	H1 FY2026	H2 FY2026
N	91,960	98,020	99,270	76,490	47,020	47,020	43,020	43,020	43,020
P	72,740	66,930	49,940	41,030	20,820	28,720	30,800	43,600	47,960
K	25,310	23,650	25,700	15,910	2,380	2,380	2,380	2,380	2,380
S	6,940	6,120	2,840	2,800	1,890	1,890	1,760	2,610	2,870
Product subsidy									
DAP (18:46:0)	50,103	48,431	40,841	32,641	22,541	21,675	21,911	27,800	29,805
NPK (20:20:0:13)	33,842	33,786	30,211	23,868	13,814	15,394	14,993	17,663	18,569
NPK (10:26:26)	34,690	33,353	29,593	22,453	10,734	12,788	12,928	16,257	17,390
NPK (12:32:16)	38,362	36,964	32,005	24,854	12,686	15,214	15,399	19,495	20,890
MOP	15,186	14,190	15,420	9,547	1,428	1,428	1,427	1,428	1,428
SSP	7,513	7,513	7,513	7,513	3,540	4,804	5,121	7,263	7,408*

**Subsidy for SSP has been capped at Rs. 7,408/MT*

- For the recently announced NBS rates for the rabi season of FY2026, the subsidy rates have been increased for phosphate and sulphur. This should keep the profitability of various NPK grades stable, as sulphur prices have witnessed a sharp increase since last subsidy rates were announced.
- Phosphate and sulphur prices have risen over the course of YTD CY2025, and the industry had partly absorbed the impact of the increased costs during the kharif season. With the enhancement in the subsidy rates as well as some price hikes by manufacturers, their profitability is expected to remain healthy.

Source: DoF, ICRA Research

Real estate: Bengaluru - Launches up 10-12% in FY2026; YTS stays comfortable

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Exhibit: Yearly trend in new launches in Bengaluru (in msf)

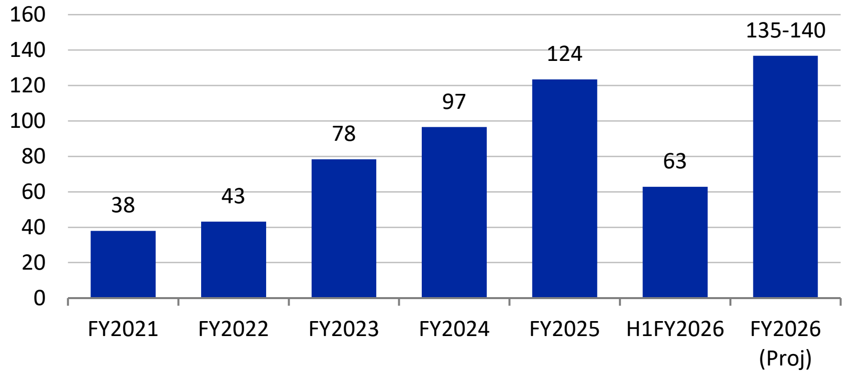
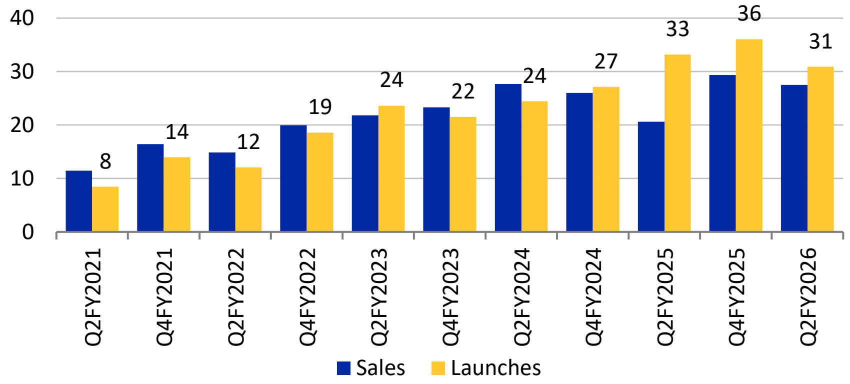


Exhibit: Trend in quarterly sales and launches in Bengaluru (in msf)



Source: ICRA Research and Propequity

- New residential launches in Bengaluru surged to 124 msf in FY2025, rising at a CAGR of 34% (FY2021-FY2025) supported by mid and luxury segment demand and Government emphasis on various infrastructure development, leading to expected improvement in connectivity.
- Further, the new launches grew by 7% YoY in H1 FY2026 to 63 msf and ICRA expects an 10-12% YoY increase in launches for FY2026 driven by comfortable inventory levels, sustained demand from mid and luxury segments (mainly Rs. 2.0-3.5-crore ticket size within this segment) and smoothening of the e-khata process.
- The overall YTS is expected to edge up to 1.2-1.4 years by March 2026 from 1.1 years on account of healthy luxury launch pipeline and recent moderation in sales velocity for the segment.

Renewable Energy: Consolidation of players likely in solar module manufacturing industry; vertically integrated entities expected to benefit in long run

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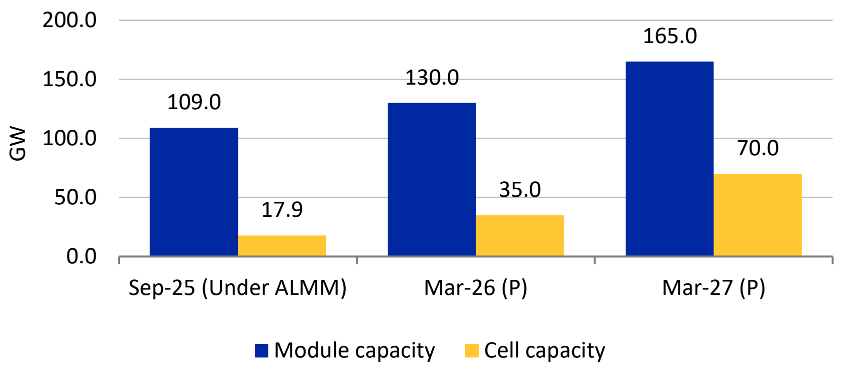
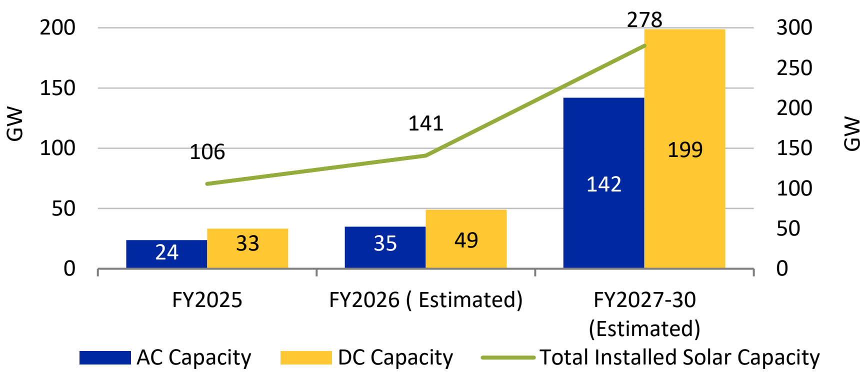
Exhibit: Current module and cell manufacturing capacity registered under ALMM and estimated capacity addition



Source: ICRA Research; MNRE; P - ICRA Projections

Exhibit: Projected solar capacity addition



Source: ICRA Research; CEA; Note: DC capacity estimated assuming DC/AC ratio of 1.4x

- The module and cell manufacturing capacity registered under ALMM stood at over 109-GW and 17.9-GW, respectively, as of September 2025. However, the operational module manufacturing capacity is estimated at 80-85 GW, given that some module facilities continue to be constrained by older technologies (Polycrystalline and MonoPERC) and lower-wattage modules that no longer align with current market demand which is tilted towards TOPCon and Heterojunction modules, resulting in lower operational capacity than the installed capacity. Further, ICRA expects the module and cell manufacturing capacity to scale-up to 165 GW and 70 GW, respectively, by March 2027 driven by various policy measures undertaken by the Government.
- The annual solar module production is expected to be 60-65 GW* over the near term against the projected annual solar capacity installation of 45-50 GWdc. Further, the recent imposition of US tariffs has redirected the modules from the export market to the domestic market. Hence, the overcapacity in module production will likely lead to consolidation of smaller/pureplay module players. However, the vertically integrated manufacturers will benefit over the long term due to greater control over the supply chain.

Note: assuming 70-75% capacity utilisation of operational capacity*

Securities broking: Capital market intermediaries brace for margin softening amid proposed MF expense ratio overhaul

Elimination of additional 5 bps charge allowed on scheme AUM where exit load is applicable/levied

Revision in base expense ratio slabs by about 15 bps with statutory levy over and above the expense ratio

Rationalisation of broking charges allowed in cash and derivative segments

Provision for voluntary adoption of performance-linked differential expense ratios

Source: SEBI, ICRA Research

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Thank You!