



Monthly Research Compendium

JANUARY 2026





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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 December 2025

Climate series: COP30 - Progress in climate finance, sustainable ecosystem slows amid hurdles in fossil fuel consensus and the US withdrawal

Corporate: Premiumisation fuelling the current chapter of India's consumption growth journey

Cross sectoral trends and outlook: Consumption trends were mixed in Q2 FY2026; festive season and GST rate cuts to boost demand in Q3

Cross sectoral trends and outlook: India – Mexico trade and financial flows - Higher duties may moderately impact auto exports; metals unaffected

Economy: Economic activity remained healthy in Q3 FY2026 aided by GST rate cut-led surge in demand during festive season

Gas utilities: LNG terminal capacities to remain underutilised for the foreseeable future





Real estate – Commercial: Bengaluru office market to sustain single-digit vacancy levels in FY2027

































Real estate – Commercial: Office occupancy in Delhi NCR expected to surpass 80% for the first time by March 2027

Real estate – Residential: Area sold in National Capital Region estimated to grow by 12-15% to reach decadal high in FY2026

State Finances: Permitted additional borrowings during FY2021-FY2025 beyond base limit allowed states to incur a fiscal deficit higher than 3% of GSDP

State Finances: Revenue deficit of states widened mildly amid higher welfare spending in recent years; capex improved to 2.5% of GSDP

 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

Climate series: COP30 - Progress in climate finance, sustainable ecosystem declines amid hurdles in fossil fuel consensus and the US withdrawal

Positive

Climate finance

- Incremental finance in NCQG, FRLD, adaptation finance
- Steps to mobilise \$1.3 trillion per year by 2035 from public and private sources

Adaptation focus

- Tripling the finance
- Finalised Global Goal on Adaptation – benchmarks to measure global progress in building climate resilience

Sustainable ecosystem

- Trade rules or policies designed by countries to reduce global emissions but can impact exporters in developing countries were taken up for discussions
- Transition mechanism considered to protect jobs and labour rights while moving away from fossil fuels
- Other sustainable initiatives taken up for health, farmers and agriculture
- Programme launched to scale-up NAPs
- One Ocean Partnership, partners committed to catalyse \$20 billion by 2030

Negative

Phasing out of fossil fuels

- Over 80 countries pushed hard for an official decision to “transition away from fossil fuels” with clear timelines. However, a bloc of major oil and gas producers refused any explicit language.

The US's exit from COP

- This move is expected to reduce overall contributions by developed nations and may pause committed disbursements.

COP30 marked steady, incremental progress in global climate action, with notable advances in climate finance, sustainable ecosystem and international cooperation. However, the conference was challenged by the lack of consensus on phasing out fossil fuels and the withdrawal of the US from the Paris Agreement.

Despite these hurdles, nearly [122 nations](#) reaffirmed their commitment by submitting updated NDCs signaling a decisive move toward a new climate economy. However, the gap between pledged resources and the actual needs of developing countries remains a pressing concern.

Corporate: Premiumisation fuelling the current chapter of India's consumption growth journey



Source: ICRA Research

Cross sectoral trends and outlook: Consumption trends were mixed in Q2 FY2026; festive season and GST rate cuts to boost demand in Q3

While the GDP dataset suggests that the growth in India's Private Final Consumption Expenditure (PFCE) has improved to 7.9% in Q2 FY2026 from 7.0% in Q1 FY2026 (amidst a seven-quarter average of +7.1%), the growth in nominal terms has remained lacklustre at 9.3% (vs. +9.2% in Q1), well below the consistent double-digit growth that was seen in this indicator through FY2025. This is reflected in the mixed trends seen across consumption categories. FMCG companies saw a deceleration in their growth rates in Q2 over Q1, amid transitory channel disruptions as well as some likely deferment of purchases ahead of the GST rate rationalisation, along with adverse impact of excess rainfall. Besides, the revenue growth of discretionary items such as alcoholic beverages and quick service restaurants (QSR) was lacklustre in the quarter. However, the pan-India premium hotel occupancy levels were firm in Q2 FY2026, driven by business travel, MICE, and leisure travel, and have also improved further in October-November 2025, even as the performance of domestic air passenger traffic remained weak. The sales for home improvement players, in the tiles and paints categories were also muted in Q2 FY2026. The GST rate cuts likely led to deferment of purchases of durables such as PVs and 2Ws, which have later seen a surge in sales in October-November 2025.

Sectors	Q1 FY2025	Q2 FY2025	Q3 FY2025	Q4 FY2025	Q1 FY2026	Q2 FY2026
FMCG sales* (YoY %)	6.8%	8.7%	11.1%	11.8%	11.1%	6.9%
Retail sales* (YoY %)	4.6%	1.5%	18.4%	21.6%	17.2%	18.9%
QSR sales* (YoY %)	8.1%	7.0%	13.4%	12.5%	12.1%	9.8%
Alcobev sales* (YoY %)	10.4%	6.3%	9.2%	2.9%	5.0%	5.2%
Food delivery~ (YoY %)	14.2%	12.9%	12.9%	12.7%	14.1%	16.8%
PVs registrations (YoY %)	0.5%	-3.2%	11.5%	5.4%	4.2%	6.9%
2Ws registrations (YoY %)	13.0%	5.1%	12.9%	-0.8%	5.2%	0.9%
Tractor registrations (YoY %)	-11.5%	-6.0%	19.6%	-5.3%	5.8%	14.3%
Paints sales* (YoY %)	-0.6%	-2.4%	-2.7%	-0.2%	0.8%	3.2%
Ceramic tiles sales* (YoY %)	1.7%	0.5%	2.0%	3.9%	2.7%	3.2%
Movies sales* (YoY %)	-8.8%	-18.9%	11.1%	-0.5%	23.4%	12.4%
Internet (ARPU; YoY %)	7.5%	15.3%	19.0%	18.8%	19.1%	10.4%
Hotels occupancy (%)	64.0%	69.7%	74.0%	75.7%	63.3%	69.3%
Domestic Air Passenger Traffic (YoY %)	4.2%	6.5%	9.4%	10.3%	4.4%	-2.4%
YoY growth; sequential pick-up	YoY growth; sequential dip	YoY growth; no sequential change	YoY contraction; sequential pickup	YoY contraction; sequential dip		

Source: ICRA Research, Note: *Data is for Revenue growth for a sample of companies across these sectors; ~Average monthly transacting users across major platforms;

Source: CMIE; Ace Equity, Company documents; ICRA Research

Cross sectoral trends and outlook: India-Mexico trade and financial flows – Higher duties may moderately impact auto exports; metals unaffected

Mexico has enacted a sweeping tariff reform raising MFN import duties from countries without an FTA, including India. This move, part of broader import-substitution measures, is aimed at bolstering Mexican industries such as automotive, textiles, steel, and electronics by making non-FTA imports relatively more expensive.

Import tariff

- Duty rates: New rates range from 5% up to 50%.
- Products/sectors affected: Automotive & auto parts, textiles and apparel, plastics, steel/aluminum, appliances, furniture, footwear, toys, paper, cosmetics, and glass.
- Breadth: Various sources place the coverage at approximately 1,463 tariff subheadings.
- Effective date: The tariff reform takes effect January 1, 2026.



Free Trade Agreement

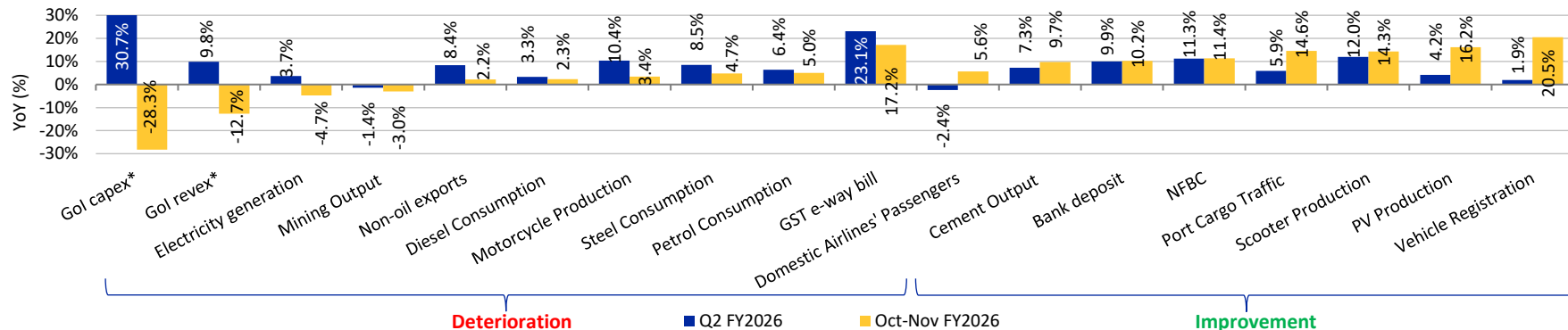
- In response, India has actively initiated negotiations for a Preferential Trade Agreement (PTA) as a quicker, targeted measure to safeguard exports in key sectors.
- Technical-level talks commenced in [December 2025](#) following high-level consultations. These discussions have focused on strengthening bilateral trade and investment ties, expanding economic cooperation, fostering business partnerships, and exploring opportunities across diverse sectors.
- At the same time, both nations have begun preliminary dialogue on a comprehensive FTA.
- However, given the longer timelines and complexities involved, priority is currently placed on advancing the more practical PTA framework to deliver immediate relief.



While Indian automobile exports to Mexico may face a slowdown due to higher duties, metal exports remain unaffected as they fall under exempt categories.

Economy: Economic activity remained healthy in Q3 FY2026 aided by GST rate cut-led surge in demand during festive season

EXHIBIT: YoY performance of high frequency non-agri indicators in Q2 and October-November FY2026



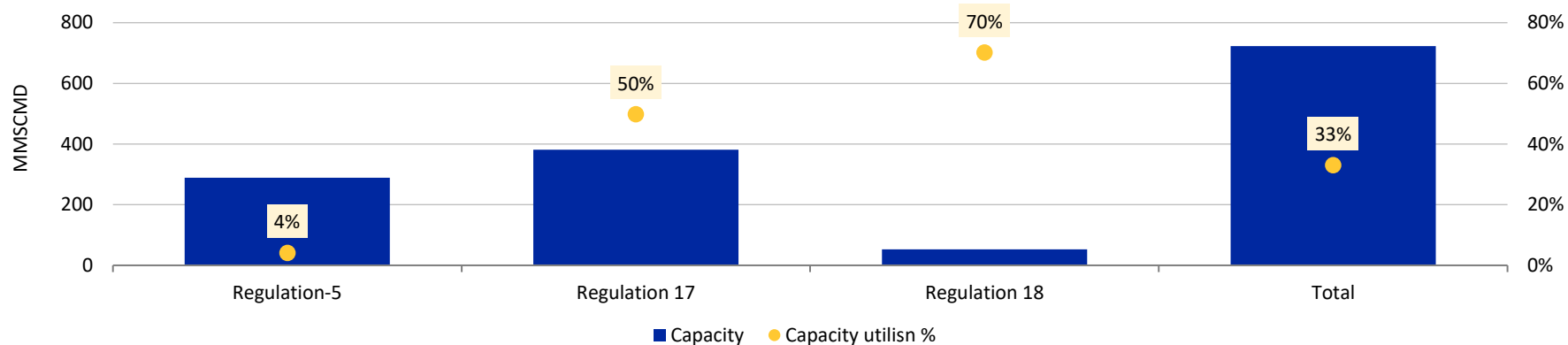
*Data available for October 2025 only; NFBC: Non-food bank credit; Gol's revex excludes interest and subsidy payments; Source: CIL; Ministry of Commerce, Gol; Indian Railways; Indian Ports Association; JPC; RBI; PPAC; CMIE; PPAC; CEI; GSTN; DGCA; Ministry of Road Transport and Highways; CEIC; ICRA Research

- The available data for October-November FY2026 indicates a mixed trend across a majority of non-agri indicators, with the YoY performance of as many 10 of the 18 indicators witnessing a deterioration over Q2 FY2026, while the remaining eight saw an improvement.
- The YoY performance of PV and scooter production as well as vehicle registrations displayed a pickup in October-November FY2026 over Q2, owing to the consumption boost, post the GST rate cuts as well as the festive season uptick. Additionally, some trade and transport related indicators such as cargo traffic at major ports and domestic airline passenger traffic also saw a better performance during this period, partly owing to the shift in the festive season^.
- In contrast, the remaining 10 indicators moderated during October-November FY2026, compared to the previous quarter, including non-oil exports (YoY contraction in October; amid steep tariffs and high base), electricity generation, finished steel consumption, mining output, fuel consumption (partly owing to an adverse base), the Gol's non-interest non-subsidy revenue expenditure as well as capex (after frontloading in H1).

^festive period: a) 2022 – Sep 26 to Nov 6; b) 2023 – Oct 15 to Nov 25; c) 2024 – Oct 3 to Nov 15; d) 2025 – Sep 22 to Nov 2

Gas utilities: LNG terminal capacities to remain underutilised going forward for the foreseeable future

Exhibit: Natural gas pipeline infrastructure capacity utilisation (Q1 FY2026)

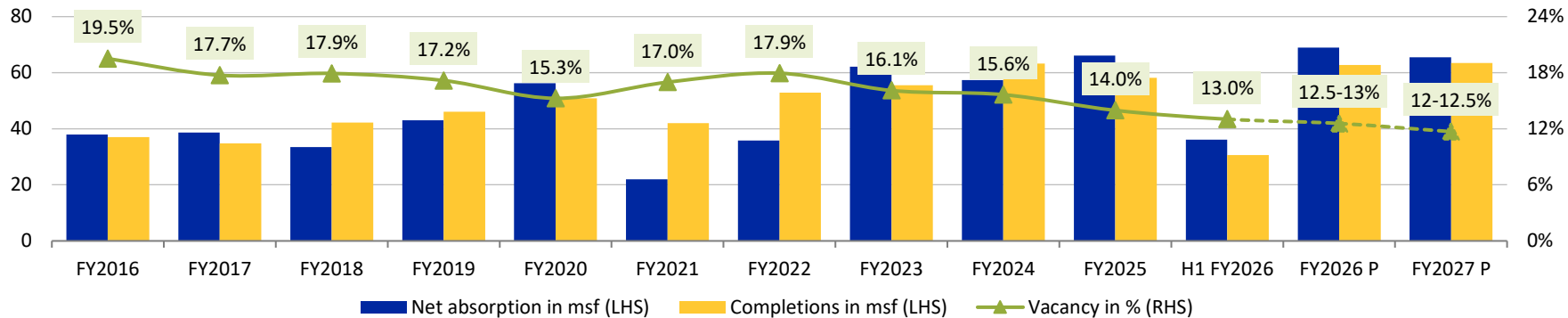


Source: PNGRB, ICRA Research; **Regulation 5**: Criteria for selection of entity for an EoI to lay a pipeline through bidding process; **Regulation 17**: Entities authorized by the Central Government for laying, building, operating or expanding natural gas pipeline before the appointed day; **Regulation-18**: Entity not authorized by the Central Government for laying, building, operating or expanding natural gas pipeline before the appointed day where appointed day is October 1, 2007, the day of establishment of Petroleum and Natural Gas Board (PNGRB)

- Overall pipeline network utilisation remains around 33% with nearly 40% of the pipeline capacity utilised to the extent of a mere 4%.
- Regulation-18 pipelines include Gujarat State Petronet Limited's (GSPL's) LP and HP gas grid and Gujarat Gas Limited's (GGL's) Hazira Ankleshwar pipeline. Given the strong gas consumption ecosystem in Gujarat and its proximity to gas sources, the capacity utilisation has remained robust.
- While take-or-pay agreements can ensure economics for LNG terminals, the pipeline infrastructure remains underutilised owing to low gas consumption growth and the additional cost on account of the same is borne by the natural gas consumers across the network.

Real estate – Commercial: Bengaluru office market to sustain single-digit vacancy levels in FY2027

Exhibit 1: Annual trend in net absorption, supply and vacancy – aggregate for top six cities

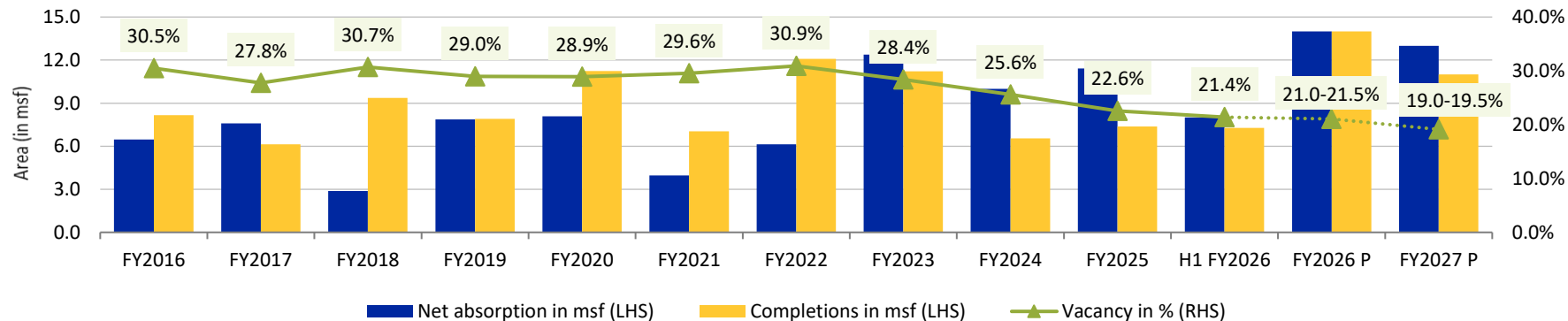


Source: Propequity, ICRA Research; P - Projected

- The net absorption stood at record high levels of 66 msf in FY2025 (15% YoY growth) across India’s top six cities, surpassing the 58-msf supply. The momentum has carried into H1 FY2026, with 36 msf of net absorption, surpassing the supply of 30.6 msf. ICRA expects this trend to continue in FY2026 and FY2027, with net absorption rates remaining strong above 65 msf and vacancy rates projected to decline to all-time lows of 12.5-13.0% by March 2026 and further to 12.0-12.5% by March 2027 from 14% as of March 2025, reflecting strong fundamentals.
- The slowdown in leasing from global IT firms has been compensated handsomely by the GCC and the BFSI sectors, which ICRA expects will continue to dominate leasing activity, accounting for majority of the space uptake in FY2026 and FY2027.

Real estate – Commercial: Office occupancy in Delhi NCR expected to surpass 80% for the first time by March 2027

Exhibit 4: Trends in incremental supply, net absorption and vacancy for Delhi NCR

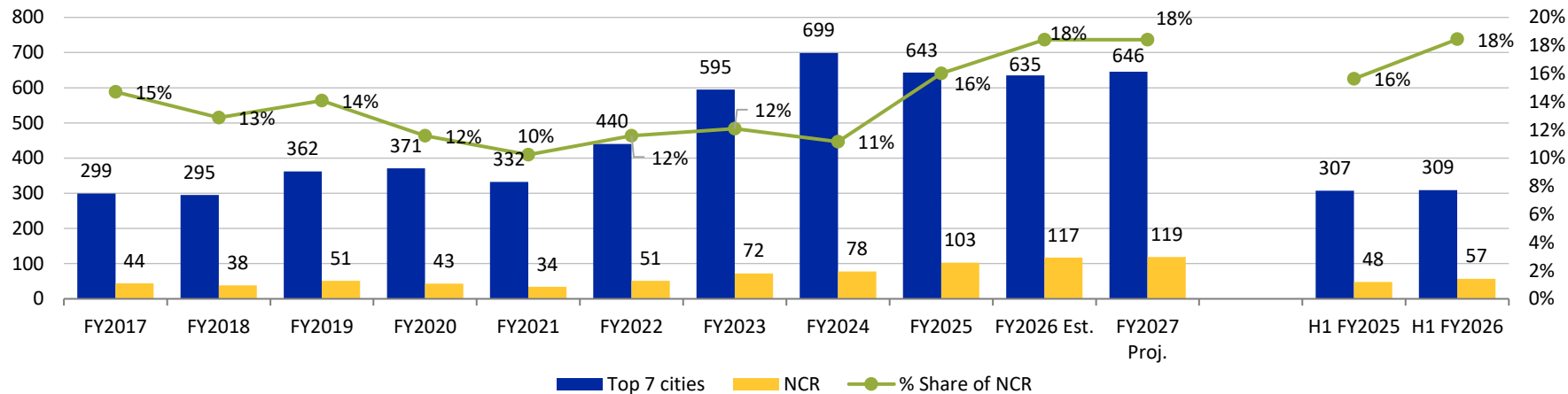


Source: Propequity, ICRA Research; P- Projected

- Delhi NCR’s office market recorded a significant reduction in vacancy to 21.4% by September 2025 from 30.9% in March 2022, driven by leasing from diverse sector tenants and net absorption outpacing supply since FY2023. Despite an expected annual influx of ~14 msf of new supply in FY2026 and ~11 msf in FY2027, occupancy levels are projected to rise to 78.5-79.0% by March 2026 and 80.5-81.0% by March 2027, supported by adequate pre-leasing of ~31% of new supply in H2 FY2026 - FY2027 and expected strong leasing trends. Historical high vacancy in Delhi-NCR is on account of low occupancy of 50-55% in peripheral business districts (PBD) of Gurugram.
- As of September 2025, Delhi NCR’s total Grade-A office stock stood at ~204 msf. Of this, IT special economic zones (SEZs) accounted for ~28 msf with an occupancy of 83%, while the non-SEZ segment comprised ~176 msf at an ~78% occupancy.

Real estate – Residential: Area sold in NCR estimated to grow by 12-15% to reach decadal high in FY2026

Exhibit: Trend in area sold for top-seven cities vis-à-vis NCR (in msf)



- The NCR’s share of total area sold across the top seven cities rose from 10-12% during FY2021-FY2024 to 16% in FY2025, driven by a sharp increase in area sold in the NCR even as aggregate area sold across the top seven cities declined.
- In FY2025, the NCR reported robust growth of around 32% in its area sold, reaching 103 million square feet (msf), driven by continued strong demand for the luxury and mid segments.
- In H1 FY2026, area sold grew by 19% YoY to 57 msf, backed by healthy sales velocity and launches. ICRA estimates the area sold to expand by 12-15% to 115-120 msf in FY2026, reaching a decadal high, with growth expected to remain in a similar range in FY2027.

Source: ICRA Research and Propequity; msf: million square feet; data excluding stalled projects; Est: Estimates; Proj: Projections

State Finances: Permitted additional borrowings during FY2021-FY2025 beyond base limit allowed states to incur a fiscal deficit higher than 3% of GSDP

EXHIBIT: Financing of fiscal deficit of a state- Illustrative example

% of GSDP as per NSO	FY2021	FY2022	FY2023	FY2024	FY2025
Base Borrowing Limit	4.0%	3.8%	3.6%	3.4%	3.0%
Reform-Linked Borrowing	0.9%	0.0%	0.0%	0.0%	0.0%
Loans from the Centre (GST and Capex)	0.6%	0.8%	0.6%	0.9%	0.8%
Total Borrowing Limit (Sum of above=A)	5.5%	4.5%	4.2%	4.3%	3.9%
Fiscal Deficit (B)	5.3%	3.4%	3.4%	3.3%	4.2%
Gap between total borrowing limit and fiscal deficit (C=A-B)	0.3%	1.1%	0.8%	1.0%	-0.3%

- Several states had unutilised borrowing limit in FY2021, which the GoI had permitted for use in FY2022. For instance, in FY2021, a state had an unutilised borrowing limit (including GST compensation loans, interest-free capex loans, normal borrowing limit and additional borrowing flexibility) of 0.3% of the GSDP, which it used for funding its fiscal deficit in FY2022. That state's fiscal deficit in FY2022-FY2024 was below the total borrowing limit for those years. Accordingly, in FY2025 PA, the state had unutilised carried-forward borrowings of the GSDP of previous year(s). The state seems to have used that for funding its fiscal deficit of 4.2% of the GSDP in FY2025 PA as the borrowing limit was 3.9% of the GSDP in that year.
- If in any year, a state government exceeds its borrowing limit, ICRA understands that the GoI adjusts the over-borrowed amount from the borrowing limit of the next financial year. As per various news reports, the GoI has made certain adjustments in the borrowing limit for a few states. While ICRA believes that there is a strict oversight on state borrowings from the market over the course of the year, there have been instances of states exceeding their borrowing limits on account of receipts from public account of the state governments, which may become apparent only after the audited accounts are made available.

AP, Bihar, Chhattisgarh, HP, Kerala, MP, Punjab, Rajasthan, TN and Telangana, etc., could have utilised the borrowings during FY2022-FY2025.

Source: State Budgets; CAG; NSO; FC reports; Lok Sabha questions; Rajya Sabha questions; ICRA Research

State Finances: Revenue deficit of states widened mildly amid higher welfare spending in recent years; capex improved to 2.5% of GSDP

EXHIBIT: Trends in capital expenditure of 19 states

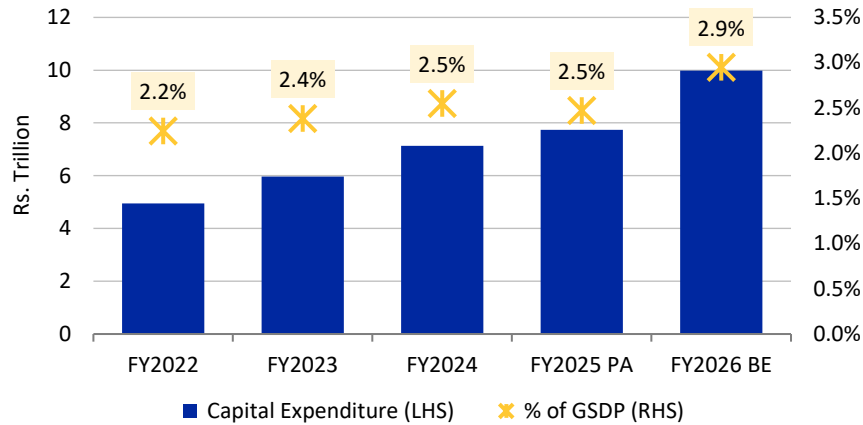


EXHIBIT: Trends in capital expenditure and interest-free capex loans to 19 states

Rs. Billion	Capital Expenditure		Capex Loans		Share
	Total (A)	Incremental change (B)	Total (C)	Incremental change (D)	E=D/B
FY2022	4,948	993	116	20	2%
FY2023	5,971	1,023	715	599	59%
FY2024	7,137	1,166	957	241	21%
FY2025 PA	7,742	605	1,282	325	54%

- The combined capital expenditure of the 19 sample states increased to Rs. 7.7 trillion in FY2025 PA from Rs. 4.9 trillion in FY2022, recording a robust CAGR of 16.1%. This was supported by more than 10x increase in the magnitude of interest-free capex loans by the GoI to all the states in FY2025 from FY2022 (to Rs. 1.5 trillion from Rs. 142 billion). Notably, such loans are outside the normal borrowing limits of the states.
- The 19 sample states availed Rs. 1.3-trillion capex loans in FY2025, up from Rs. 116 billion in FY2022. Incrementally, such loans funded 50-60% of the increase in capex by the 19 states in FY2023 and FY2025 PA amid funding a moderate 21% in FY2024. Excluding these loans, capital expenditure of the 19 states reported a CAGR of 10.2% during FY2022-FY2025 PA.
- Overall, the capital expenditure of the sample states increased to 2.5% of the GSDP in FY2025 PA from 2.2% of GSDP in FY2022, benefitting from expansion in the magnitude of capex loans. For FY2026 BE, the 19 states have forecast their total capex to rise by a high 28.9% to Rs. 10.0 trillion.

Source: State Budgets; CAG; NSO; Lok Sabha questions; Rajya Sabha questions; ICRA Research



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