

INDIAN CORPORATE
SECTOR: Q1 FY2026
PERFORMANCE REVIEW
AND OUTLOOK

India Inc. delivers resilient Q1

FY2026 performance; prepares for a cautious remainder of the fiscal year

AUGUST 2025

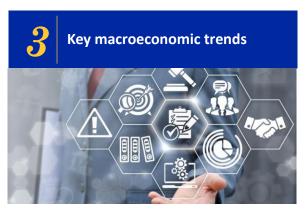


Agenda











Highlights





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Corporate India recorded a moderate 5.5% YoY revenue growth in Q1 FY2026, driven by steady—though subdued—demand across consumption and infrastructure-linked sectors. Margin pressures were evident in consumption and export-oriented industries, even as easing input costs provided relief to commodity-linked sectors such as steel manufacturina and oil marketing. Overall, operating margins remained resilient, with a modest 7 bps improvement YoY, notwithstanding a mixed demand and cost environment.











- Aggregate revenues of 585 listed companies in ICRA's sample (excluding financial sector entities) rose 5.5% YoY in Q1 FY2026, supported by consumption-led sectors like consumer durables, retail, hotels, gems & jewellery, and infrastructure-linked sectors like capital goods, cement, and construction. Consumption sector growth was supported by premiumisation and the continuing value shift towards organised players, while infrastructure sector growth benefitted from a low base due to last year's election-related slowdown, amid early monsoons and lower energy demand this year weighing on revenue growth of construction and energy sector companies.
- Corporate India reported a steady operating profit margin (OPM) of 18.1% in Q1 FY2026 (on a YoY basis). Margin expansion in sectors like cement, steel, oil marketing, and telecom was offset by a margin contraction in sectors like auto, consumer durables, IT services, and textiles. The OPM is likely to be sustained at 18.0-18.2% in Q2 FY2026, supported by resilient rural demand and softening of some input costs like crude oil and coal.
- The interest coverage ratio of India Inc. declined marginally to 4.9 times in Q1 FY2026 vis-a-vis 5.0 times in Q1 FY2025. Commodity-linked sectors experienced an improvement in the interest coverage ratio, while export-linked sectors saw a decline of a similar magnitude. The interest coverage ratio of India Inc. is forecast to improve slightly in Q2 FY2026 benefitting from the festive season demand impulses and greater transmission of policy rate cuts on the borrowing rates.
- India Inc. is set to post steady YoY revenue growth in Q2 FY2026 supported by healthy rural demand amid continued urban sluggishness. While income tax relief and easing food inflation offer support, a broader recovery in consumer sentiment remains key to reviving urban spending. A potential GST rate cut promises to be that demand stimulator. Meanwhile, geopolitical tensions and the US tariff turbulence continue to weigh on export-oriented sectors, including agro-chemicals, textiles, auto components, cut and polished diamonds, and IT services.



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