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INDIAN CORPORATE SECTOR: Q3 FY2026 PERFORMANCE REVIEW AND OUTLOOK

Domestic demand remains key anchor amid volatile export environment

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Agenda

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2 Financial performance of the corporate sector in Q3 FY2026

3 Key macroeconomic trends

4 Key trends in the Indian corporate sector

Highlights

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Corporate India recorded a 10.6% YoY revenue growth in Q3 FY2026, driven by improved demand in select consumption, commodity-linked, and infrastructure-linked sectors. The OPM remained resilient, with a 73 bps improvement YoY, despite volatile export demand and cost environment.

- **Aggregate revenues of 2,948 listed companies in ICRA's sample (excluding financials) grew by 10.6% YoY in Q3 FY2026**, led by select consumption-oriented sectors like automobiles and hospitality, with lesser support from retail and FMCG. Consumption growth was also aided by premiumisation and a continued shift towards organised players. Higher gold and non-ferrous metal prices boosted revenues of jewellery retailers and non-ferrous producers, with infrastructure-linked sectors such as capital goods and cement also supporting growth, driven by healthy order execution and real estate-led volume gains.
- **Aggregate operating profit margins (OPM) showed resilience despite sectoral divergence, with overall margins expanding by 73 bps YoY to 16.1% in Q3 FY2026.** Margins expanded in sectors like power, oil and gas, gems and jewellery, and iron and steel, but were partly offset by margin contraction in sectors like real estate, metals and mining, and chemicals. The OPM is likely to improve by 50-75 bps YoY in Q4 FY2026, supported by resilient rural demand, alongside the continued traction in urban demand spurred by the recent goods & services tax (GST) rate reductions.
- **India Inc.'s interest coverage ratio improved to 5.3 times in Q3 FY2026 from 4.6 times in Q3 FY2025**, aided by operating profits growth and largely flat interest costs (owing to cumulative 125 bps policy rate cuts since February 2025). With earnings expected to grow further, capex remaining measured, and no further policy rate cuts anticipated, debt-servicing capacity of corporate India is likely to remain comfortable with interest coverage ratio projected at 5.3-5.5 times in Q4 FY2026.
- **Recent US tariff reductions have improved prospects for export-oriented sectors** such as textiles, diamonds, leather, and auto components. However, the export environment remains uncertain, marked by tariff vacillations, geopolitical tensions, and supply chain realignments.
- **ICRA's credit outlook for India Inc. for FY2027 is underpinned by strengthening domestic consumption, and a supportive policy environment.** Private capex is likely to remain selective amid global uncertainties and is seen to be focused on select segments of manufacturing (defence, electronics manufacturing, and other PLI-supported segments), renewables, and data centres, etc. Several of these are policy-backed segments, which partly mitigates execution and demand risks.

Note: PLI – Production Linked Incentive

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