

Cement, metals, pharma post double-digit gains; auto, banking profits slip amid weak demand

Signs of Revival, but Demand is Yet to Gather Momentum

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ET Intelligence Group: A sector-wise review of the June quarter results season so far reveals that demand was subdued for majority of the sectors including automobiles, banking and finance, and information technology (IT). On the other hand, sectors including cement, metals and pharma benefitted from a combination of factors such as stable demand, lower input costs and better pricing.

AUTOMOBILES

Hits: Mahindra and Mahindra continued to report robust double digit growth in revenue and profit. Maruti Suzuki clocked better than expected revenue growth driven by better product mix.

Misses: Barring tractors, demand remained subdued for other segments. Bajaj Auto's Ebitda margin at 19.7% dropped below 20% for the first time in seven quarters, affected by adverse product mix.

Outlook: Demand has remained weak in the initial part of the September quarter. Hopes of revival are pinned on a possible pick up during the festive period spanning across the second and the third quarter amid new launches. Clarity on US tariffs will be crucial for auto and ancillary companies having export exposure.

Revenue change (YoY): 12.8%

Net profit change (YoY): 26.4%

BANKING

Hits: Public sector banks maintained a stable asset quality. Higher other income supported net profit for majority of the banks.

Misses: Net interest income and margins continued to slide amid interest rate cuts. Asset quality came

under pressure for private sector banks owing to stress in unsecured advances. Sector net profit fell year-on-year (YoY) for the first time in at least nine quarters.

Outlook: Margins are expected to stay under pressure in the September quarter as the effect of rate cuts continues to trickle down. Credit costs may soften in the second half of the fiscal year given receding pressure in unsecured portfolio.

Revenue change (YoY): 7.1%

Net profit change (YoY): -8.2%

CEMENT

Hits: Aggregate revenue growth was in double digits YoY for the first time in eight quarters helped by double digit volume growth and improved realisation. Ultratech reported 3% year-on-year fall in production cost amid lower power and logistics costs.

Misses: Heavy monsoon affected volume growth and pricing in certain parts of the country during the quarter. ACC's realisation remained weak.

Outlook: Demand is expected to improve after the monsoon. However, recently acquired less efficient assets by various companies are expected to affect the overall performance to some extent. Rebranding strategy may impact the volume growth of Ambuja Cements in the near term.

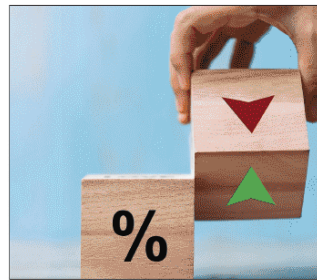
Revenue change (YoY): 13.9%

Net profit change (YoY): 51.1%

CONSUMER

Hits: Consumer Staples companies reported a volume uptick following steady demand from smaller towns and e-commerce channels. Companies also hinted at signs of revival in urban demand.

Misses: Margins declined YoY for major companies including Hindus-



tan Unilever, ITC, Marico, and Nestle amid higher inventory costs. This resulted in either single-digit increase or a drop YoY in net profit.

Outlook: Lower interest rates, improving banking sector liquidity, benign consumer price inflation and upcoming festive season are some of the favourable factors for the sector.

Revenue change (YoY): 11.3%

Net profit change (YoY): 3.4%

IT

Hits: Infosys and HCL Technologies revised the lower ends of their respective full year revenue guidance upwards, indicating a possibility of more stable business conditions in the coming quarters. Companies continued to report new deal wins despite the tough economic climate.

Misses: Healthcare, manufacturing, and retail sectors reported weakness amid tariff related uncertainties and project delays. Mid-tier companies have started reporting slower revenue after growing faster in previous quarters.

Outlook: The scenario remains cloudy amid heightened geopolitical and international trade related uncertainties. While deal flow remains intact, the extent of future growth will depend upon efficiency in execution.

Revenue change (YoY): 6.4%

Net profit change (YoY): 6.5%

OIL & GAS

Hits: Reliance Industries (RIL) delivered a strong YoY performance at the operating profit level for the June quarter driven by oil marketing, retail and digital services segments. It recorded higher volumes and improved realisation in the oil marketing segment and higher average revenue per user in the telecom segment.

Misses: Sequentially, RIL's oil-to-chemicals and retail divisions reported weaker operating profit before depreciation and amortisation (Ebitda).

Outlook: Domestic gas tariff related regulations will affect the performance of city gas distributors. During the quarter, GAIL secured permission to double the LPG capacity of the Jamnagar-Loni pipeline to 6.5 million tonnes per annum, which will aidkol volumes in future.

Revenue change (YoY): 1%

Net profit change (YoY): 47.4% (boosted by RIL's exceptional gain)

PHARMA

Hits: Sun Pharmaceuticals reported margin expansion and an increase in market share to 8.3% from 8% YoY in the Indian market. Aggregate top line growth remained at around 10% year-on-year for the ninth consecutive quarter.

Misses: The US generics business was under pressure due to higher competition. A combination of higher tax outgo and one-off items dented net profit for some of the companies. The US sales of Dr Reddy's Laboratories dropped due to pressure on gRevlimid prices.

Outlook: Sun Pharma's margin is expected to narrow for FY26 given the expenditure on new product launches. New offerings will be a key factor to drive growth for the current fiscal year.

Revenue change (YoY): 10%

Net profit change (YoY): 1%