Table of Contents (TOC)

Sr.No	Topic Name	Page No
1	SEBI PMS Rules 2026: What Can Portfolio Managers Invest In?	2 to 5
2	India's Housing Market: Is the Property Market Finally Slowing Down?	6 to 8
3	India's GDP Is Growing, but Why Is the Stock Market Lagging?	9 to 11
4	AI Data Centre Boom in India: How It Is Pressuring the Power Grid	12 to 14
5	India's Steel Sector: How the 2047 Policy Could Change the Industry	15 to 18
6	Banking Sector Q2FY27 Results: What Should Investors Expect?	19 to 21

601,6TH Floor, 9 Rajgir Building, Opp. McDonalds, Near Tirumala Shop, Kora Kendra Flyover Junction, S.V. Road, Borivali (W) M- 400092

SEBI PMS Rules 2026: What Can Portfolio Managers Invest In?



India’s Portfolio Management Services, or PMS, market is moving towards a major change. SEBI has approved a new regulatory framework for portfolio managers, under which the scope of their investments will expand to IPOs, primary market debt issues, foreign securities and direct mutual fund plans. Along with this, several compliance rules have also been eased.

This change has come at a time when the size of the PMS industry has grown rapidly. According to SEBI’s July proposal, assets managed under portfolio management services had risen from Rs 18.07 lakh crore in April 2019 to Rs 42.61 lakh crore by May 2026.

Let us understand SEBI’s new PMS rules in detail and know what the expanding investment options mean for investors and portfolio managers.

What's Happening?

The SEBI board has approved the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2026, which will replace the existing 2020 framework. The objective of the new rules is to expand the

investment options available to portfolio managers while simplifying the regulatory and operational process.

Under the new framework, portfolio managers have been permitted to invest in IPOs and primary market issues of the debt market. Along with this, with the client's consent, a

maximum of 10% of the client's AUM can be invested in investment-grade, unlisted non-convertible debt securities.

The minimum ticket size for PMS investment will remain Rs 25 lakh. Apart from this, investment in ETFs can be made up to 1.25 times the client's AUM. This will give PMS managers more options for building portfolios than before.

Investment Scope Expanded from IPO to Foreign Securities

With the new PMS rules, the investment universe of portfolio managers has expanded. Now, portfolio managers providing both discretionary and non-discretionary services will be able to invest in IPOs and primary issues of the debt market. Apart from this, they will be permitted to invest in overseas listed equity and debt, REITs, foreign mutual funds, ETFs, index funds and foreign government debt.

However, such investments will be subject to the applicable rules of the Foreign Exchange Management Act and RBI's Liberalised Remittance Scheme. SEBI has also permitted Indian-registered portfolio managers to manage and advise overseas funds investing in foreign securities. This can open the way for the Indian PMS industry to expand its role beyond domestic assets into global investment management.

Major Change in PRIM and Compliance

SEBI has also introduced Portfolio Managers Route for Investing in Mutual Fund Units, or PRIM. Under this, portfolio managers will be able to invest clients' money in direct mutual fund plans of Indian AMCs, ETFs, index funds and specialised investment funds.

For PRIM, the minimum ticket size has been set at Rs 25 lakh and the minimum net worth at Rs 2 crore. There will be a 25% limit on

investment in schemes of affiliated, group or associate AMCs. The fixed management fee will be a maximum of 1% of the client's AUM, while a performance-based fee model has also been permitted. Relief will also be available from provisions related to exit load in PRIM.

SEBI has also introduced the concept of Independent Fund Managers, or IFMs. IFMs will be able to manage client portfolios together with a registered portfolio manager, but the full responsibility for their activities will remain with the concerned registered PMS.

Rules have also been simplified on the compliance front. According to SEBI, the size of the regulations has been reduced from 70 pages to 33 pages, that is, a reduction of about 53%, while the total word count has been reduced by about 42%. Portfolio managers with AUM of less than Rs 100 crore have been exempted from the requirement of a dealing room if they have an adequate audit trail and internal controls.

What Does This Mean for Investors?

From an investor's perspective, the biggest change is the additional flexibility available to portfolio managers. Access to IPOs, the primary debt market, foreign equity, debt, REITs, foreign funds and Indian direct mutual fund plans can increase the scope for spreading the portfolio across different asset classes.

Retaining the existing minimum PMS investment of Rs 25 lakh means that the benefit of these new options can be provided within the same existing PMS framework. Meanwhile, the permission to invest up to 10% in investment-grade unlisted non-convertible debt gives managers one more option for asset allocation.

However, with more investment options, the portfolio structure can also become more complex. Therefore, the actual impact of these changes will depend to a large extent on how PMS managers use different asset classes according to the client's risk profile and investment strategy.

What's Next?

SEBI's decisions are not limited only to the PMS sector. The regulator has also permitted Foreign Portfolio Investors, or FPIs, to participate in physically settled non-agricultural commodity derivatives. However, they

will have to square off or roll over their positions at least 3 days before the contract expiry.

According to Reuters, this will increase foreign investors' access to the commodity derivatives market, and there is a possibility of an increase in trading volume, especially in the bullion market. SEBI has also expanded the scope of accredited investors. Now, individuals with Rs 5 crore and body corporates with Rs 20 crore based on securities market assets will also be eligible.

Overall, these changes indicate that SEBI is moving forward in the direction of expanding investment options in the Indian capital market, simplifying the regulatory process and strengthening the market's linkage with foreign investment and global fund management.

Source:- Motilal Oswal Research360 , Kotak Research , Business Research, Mint Research.

India’s Housing Market: Is the Property Market Finally Slowing Down?



India’s housing market appears to be entering a consolidation phase after a few years of strong growth. Overall home sales have remained stable, but new launches are outpacing sales, and buyer preference is clearly shifting towards more expensive homes.

Amid this change, the performance of different cities and price segments varies considerably. There is weakness in affordable housing, while demand in the premium segment remains strong.

Let us understand India’s housing market in detail and see whether this is a real slowdown or the beginning of a new phase.

What's Happening?

During January–September 2026, 2,58,238 homes were sold across the eight major housing markets, remaining almost at the same level as last year. In contrast, new launches rose 4% to 2,79,899 units. In Q3 2026 alone, 86,767 homes were sold, which was 1% lower, while launches rose 4% to 92,549 units.

This was the 16th consecutive quarter in which new supply exceeded sales. Its impact is visible in inventory absorption. The average time taken to sell a home rose from 5.8 quarters in Q3 2025 to 6.1 quarters in

Q3 2026, marking the fourth consecutive quarter of increase and the highest level since Q2 2023. However, during 2018–2021, this was generally in the range of 7–11 quarters.

Why Does Demand Appear Different Across Cities?

Mumbai remained the largest market, with sales of 72,804 units, and recorded annual growth of 1%. In Bengaluru, sales rose 5% to 43,140 units, while in Pune, sales remained almost stable at 36,402 units. Hyderabad, Ahmedabad, Chennai and Kolkata recorded growth of 2–4%, and the combined sales of the other seven markets, excluding NCR, rose 2%.

NCR was the exception. Here, sales fell 11% to 35,574 units. However, sales in NCR outside Gurugram rose 3%. A large part of the weakness came from the Rs 5–10 crore segment, where sales fell 39% to 4,033 units, while 5,002 new homes were launched. Gurugram alone holds 57% of NCR's unsold inventory.

Market Shifting Towards Premium Homes

The biggest change in the housing market is visible in the price mix. The share of homes above Rs 1 crore rose to 55% of total sales in 9M CY26, compared with 50% a year earlier. In the broader long-term trend, this share has risen from around 16% in 2018 to nearly 56%.

In the Rs 1–2 crore segment, sales rose 6.8% to 77,087 units, and its share stood at 30%, compared with 28% last year. Bengaluru sold 19,713 units in this segment. The Rs 2–5 crore segment rose 19.4% to 51,501 units and accounted for 19.9% of total sales; Bengaluru led with 12,965 units, while growth in this segment in Chennai was 54%.

In contrast, sales of homes below Rs 50 lakh fell 14% to 47,660 units, and the share declined from 22% to 18%. The Rs 50 lakh–Rs 1 crore segment also fell 5.9% to 69,380 units, with a 26.9% share.

Luxury Segment and the Price Picture

Sales in the Rs 5–10 crore segment fell 9% overall to 9,397 units. Meanwhile, the Rs 10–20 crore segment rose 16% to 2,587 units, of

which 1,536 units were in NCR. The Rs 20–50 crore segment rose 69% to 571 units, of which 58% of sales took place in Mumbai. Above Rs 50 crore, 53 homes were sold, with Mumbai leading.

Despite the slower pace of sales, prices did not decline. Prices rose between 3% and 17% across different markets. In NCR, Delhi became 17% more expensive, Ghaziabad 14%, Greater Noida and Bengaluru 11%, Noida and Faridabad 7%, and Gurugram 4%. In most other cities, the increase was in the range of 3–6%.

What Does This Mean for Investors?

The current data does not show uniform weakness across the entire housing market. Overall sales are stable, but the affordable segment is shrinking and the share of expensive homes is rising. At the same time, launches remain above sales and inventory is taking a little longer to clear.

Therefore, to understand the direction of the market, it will be important to look at the city, price segment, new supply, unsold inventory and prices together rather than only overall sales. NCR's performance also shows that weakness in any one price segment or city does not represent the picture of the entire national market.

What's Next?

At the macro level, GDP grew 7.8% in April–June 2026. The RBI had earlier estimated 7%, while in August, the FY27 growth forecast was placed at 6.7% and the repo rate remained unchanged at 5.25%.

Going forward, the festive season, income growth, local demand and supply available at the right price will be the key factors determining the direction of the housing market. The current figures point more towards normalisation and changing buyer preferences rather than a broad decline. The real test will be how balanced sales and inventory absorption remain amid rising launches.

Source:- Motilal Oswal Research360 , Kotak Research , Business Research, Mint Research.

India’s GDP Is Growing, but Why Is the Stock Market Lagging?



India’s economy is growing at a rapid pace, but the stock market is not delivering returns at the same pace. GDP growth and market returns do not always move in the same direction because the economy is much broader than the listed market, while a few large companies have a greater influence on the indices.

Along with this, global interest rates, crude oil prices, the movement of the rupee, foreign investment and capital flows linked to AI are affecting Indian equities.

Let us understand why the Indian stock market is lagging despite strong economic growth and which factors could determine its future direction.

What's Happening?

India’s GDP grew nearly 8% in the April–June 2026 quarter, and the economy is maintaining a growth rate of above 7%. Despite this, retail investors who invested in the Nifty in 2026 have seen their wealth decline by approximately 15%. In dollar terms, the Nifty has delivered annual returns of around 6% over the past 10 years.

South Korea's Kospi has risen 62% since January and nearly 170% over the past two years. Meanwhile, the Indian benchmark has fallen for eight consecutive weeks, its longest losing streak in nearly 25 years. In the September derivatives series, the Nifty 50 fell nearly 6.7%, while the correction that began on 16 August reached 8.7%.

Pressure from Foreign Investment, Oil and Expensive Capital

Foreign institutional investors have withdrawn approximately $40 billion from the Indian market over the past two years, while foreign investor outflows in 2026 stood at $27.8 billion. With the effective yield on US government bonds above 5% and the 10-year Treasury yield reaching levels last seen after 2002, American bonds have become more attractive.

Crude oil prices have remained in the $90–100 per barrel range, and shipping disruptions in the Strait of Hormuz have entered their eighth month. India imports more than 90% of its crude oil requirements. The US warning of tariffs of up to 100% on countries trading in Russian oil, along with the weak rupee, is also putting pressure on foreign investors' returns and market sentiment.

Valuation, AI and Weak Market Breadth

Strong GDP growth does not automatically translate into high market returns. The market prices in expectations of future corporate earnings in advance. If investors have already paid high valuations, earnings need to catch up with those expectations for further returns to follow. India's second challenge is its limited exposure to AI. A large part of global investment has gone towards AI and technology companies in markets such as the US, Taiwan and South Korea, while the Indian large-cap index has limited exposure to this trend.

Market breadth is also weak. In the NSE 500, only 12% of stocks are trading above their 20-day moving average, while 16% are above their 50-day moving average. Nearly 18% of stocks are near their 52-week lows, while 36.4% are above the 200-day moving average (DMA) and 26.2% are above the 100-DMA.

The base of domestic investment has strengthened. Mutual fund assets under management have risen from nearly $125 billion in 2016 to approximately $900 billion, and the number of Indians investing in shares and mutual funds has more than tripled to 150 million.

What Does This Mean for Investors?

Strong GDP growth and a weak stock market are not contradictory. Market performance depends on a balance of earnings, valuations and liquidity. In the first half of FY27, Indian companies raised a record $25 billion in equity. The June quarter earnings season saw more positive surprises than negative ones, but margins will remain an important factor to watch in the September and December quarters.

After nearly one and a half years of relative underperformance, Indian valuations have become more attractive compared with those in other markets. However, this does not guarantee an immediate rally, as energy prices, global yields and foreign investment flows remain important factors.

What's Next?

Going forward, the direction of the Indian stock market will depend on several factors. The RBI has raised the repo rate by 25 basis points, or 0.25 percentage points, marking the first increase since February 2023. This will keep the market focused on interest rates and corporate borrowing costs.

According to CareEdge, a reduction in geopolitical tensions and more attractive valuations could lead to an improvement in FPI inflows. However, trade tensions and high energy prices remain challenges for corporate performance. Upcoming quarterly results will also help clarify the extent to which these pressures have affected corporate margins.

Despite foreign investor outflows, domestic investors have maintained their monthly investment flows into mutual funds. Going forward, the real test will be whether these domestic investment flows remain strong if the market sees a deeper correction.

Source:- Motilal Oswal Research360 , Kotak Research , Business Research, Mint Research.

AI Data Centre Boom in India: How It Is Pressuring the Power Grid



The rapid expansion of AI and cloud infrastructure in India is giving fresh momentum to the data centre industry. This growth is not limited to digital services; it is also rapidly changing the requirements for electricity, transmission, renewable energy, storage and grid modernisation.

As data centres demand more power, pressure on existing grid infrastructure is increasing. This makes issues such as upgrade costs, supply reliability and the availability of clean power more important.

Let us understand India's data centre boom in detail and see how it is creating new opportunities and challenges for the power sector, renewable energy and investors.

What's Happening?

There are approximately 150 operational data centres in the country, with nearly the same number in the pipeline. Installed capacity has risen from 375 MW in 2020 to nearly 1,575 MW. By 2030, this could reach 13–18 GW, while power demand from data centres is estimated to reach nearly 17 GW by 2031–32.

Traditional cloud racks require 5–10 kW of power, while AI racks can require more than 120 kW. Data centres in India consumed nearly 13 TWh of electricity in 2024, accounting for 0.8% of national demand. Global consumption stood at 415 TWh, or 1.5% of total electricity demand, and grew at an annual rate of 12% over five years. Due to AI, this could reach 945 TWh by 2030.

Data centres could add 1-2 GW of annual power demand in India. Noida has 125 MW of operational capacity, with more than four times that capacity in the pipeline. During the grid event on 12 June, nearly 32 MW of load was shed. An upgrade of 2,100 MVA was suggested for the Talegaon–Kharghar line, while the cost of the SCADA/EMS upgrade in the North-East rose from Rs 521 crore to nearly Rs 688 crore.

New Demand for Grid Upgrades and Capital Goods

India's HVDC capacity is estimated to rise from 34.5 GW in FY27 to 55 GW by FY32, and the CEA has identified an additional 78 GW pipeline by FY36. For 220 kV substations, 100% of the target has been achieved, but execution of 400 kV substations is lagging by nearly 60%.

Of the $38 billion in commitments in H1 2026, more than 85% were for multi-city investments, compared with more than 60% in 2021–23. In 2024 and 2025, Hyderabad accounted for 23% and 15% of commitments, respectively, while Tier-II cities accounted for 16% and 27%. In H1, 130 MW of capacity was added, of which 94% was in Mumbai and 6% in Chennai.

Mumbai accounts for more than 52% of capacity, while Chennai accounts for 18%. More than 80% of capacity is concentrated in Mumbai, Chennai and Delhi-NCR. In H2, more than 200 MW of capacity could be added, taking total capacity to 2 GW by the end of 2026. Total commitments since 2021 stand at nearly $173 billion. More than 15% are linked to AI, while hyperscale account for 50-55% of activity.

The Challenge of Renewable Energy and Net-Zero

The renewable energy requirement of data centres could rise from 16.1 GW in 2026 to 32.4 GW by 2030, while IT load could increase from 2.7 GW to 5.4 GW. Meta has contracted nearly 1 GW of capacity, of which

837 MW is from Clean Max and 88 MW from Fourth Partner Energy. There is also a 168 MW AI data centre partnership in Jamnagar.

Amazon has a 199 MW wind agreement and 50 wind-solar projects. Google has supported a 150 MW solar project and previously supported 186 MW of wind-solar capacity. Data and AI account for 42% of Clean Max's contracted sales, while hyperscale deals account for more than 35%. Power purchase agreements (PPAs) generally run for 15–20 years.

Coal accounts for nearly 70% of India's electricity generation, and the country's net-zero target is 2070. The CEA's 2030 BESS target is 41.6 GW/208 GWh. At nearly $80/kWh, the estimated hardware requirement is $17 billion. The VGF scheme provides $0.56 billion, or Rs 5,400 crore, and supports up to 40% of $6.8 billion in investment. The SHANTI Act allows private co-investment of up to 49% in nuclear power. India's PUE benchmark is 1.35, while Singapore has a legal standard of 1.3.

What Does This Mean for Investors?

Data centre expansion could increase demand for HVDC systems, transformers, BESS, renewable energy, nuclear power and advanced cooling. Reliable 24x7 power supply, transmission constraints and project delays are key risks. In Q1 2026, major industry players made commitments of nearly $178 billion.

The global land footprint of AI data centres could exceed 14,500 square km by 2030. Their estimated power consumption would be nearly three times the combined annual consumption of Pakistan, Bangladesh and Nigeria, countries with a combined population of more than 650 million.

What's Next?

The Power Ministry has spoken of supporting data centre growth with affordable and sufficient green energy, but achieving this appears challenging under current conditions. The cost of solar power in India is low, but AI data centres require 99.9995% uptime, while solar power is unavailable after sunset.

According to the CEA, India could have 41.6 GW/208 GWh of BESS capacity by 2030, but even this would provide only about 5-6 hours of peak support. In this situation, increasing reliable clean power and

storage capacity alongside data centre expansion will be necessary, particularly as India works towards its 2070 net-zero target.

India’s Steel Sector: How the 2047 Policy Could Change the Industry



India’s steel sector is moving towards major changes in the coming decades. With rising demand from infrastructure, housing and manufacturing, the government has proposed a new steel policy to increase the country’s steel production capacity, reduce dependence on imports and promote environmentally friendly production.

Let us understand the proposed steel policy in detail and see what opportunities it could create for the Indian steel industry and investors.

What's Happening?

The objective of the government’s proposed National Steel Policy-Vision 2047 is to make India a leading steel-producing country. Under the proposal, the target is to increase crude steel production capacity to 604 million tonnes (MT) by 2047, nearly 2.75 times the current capacity of 220 million tonnes.

Earlier, the National Steel Policy 2017 had set a target of achieving 300 million tonnes of capacity by 2030-31. However, the new draft estimates that capacity will reach 294 million tonnes by 2030.

According to the draft, demand for finished steel could rise from 164 million tonnes in 2025–26 to 505 million tonnes by 2047. Meanwhile, per capita steel consumption is estimated to increase from 116 kg to 302 kg, while exports could reach 45 million tonnes.

The government has estimated crude steel production of 531 million tonnes, assuming 88% capacity utilisation. However, the policy is currently a draft and has been issued for public consultation.

Rising Demand for Raw Materials and the Supply Challenge

The availability of raw materials will be one of the biggest challenges in increasing steel production. Raw materials account for approximately 65–70% of the total cost of steel production.

India imports nearly 92% of its coking coal requirements, mainly from Australia, the US and Russia. According to the new policy, annual demand for coking coal could rise from the current 72 million tonnes to 236 million tonnes by 2047.

The country has an annual coking coal washing capacity of approximately 39 million tonnes. However, only 6 million tonnes of washed coal are produced from nearly 17 million tonnes of feed coal.

Similarly, demand for iron ore is estimated to rise from 299 million tonnes to 772 million tonnes. One concern is that the share of high-grade iron ore in reserves fell from 70% in FY19 to 46% in FY22.

To address these challenges, the government plans to promote investment in overseas mining assets, expand coal washeries and develop slurry pipeline projects.

Green Steel and Reduction in Carbon Emissions

The second important objective of the proposed policy is to make steel production more environmentally friendly. The government aims to reduce carbon emission intensity per tonne of crude steel from the current 2.54 tonnes to 1.54 tonnes of carbon dioxide by 2047.

To achieve this, technologies such as energy efficiency measures, renewable energy, coal gasification, green hydrogen and carbon capture will be promoted. However, there is another important challenge. As production increases, total annual carbon emissions could rise from the current level of approximately 432 million tonnes to nearly 818 million tonnes by 2047.

This means that even if emissions per tonne of steel decline, total emissions could increase. Therefore, the effective use of green technologies will be important for the industry's future.

What Does This Mean for Investors?

The proposed steel policy could create opportunities for domestic steel producers as well as companies involved in mining, transportation and green technology.

Following the policy announcement, the Nifty Metal Index rose 1.05% to 12,127.15 on 12 October. Meanwhile, SAIL, APL Apollo Tubes, Jindal Steel, Tata Steel, JSW Steel and other metal stocks recorded gains ranging from nearly 0.07% to 2.15%.

The government aims to increase the share of railways in finished steel transportation to 62% and raise its share in iron ore transportation from 42% to 49%. Along with this, it plans to increase slurry pipeline capacity to more than 299 million tonnes annually.

These measures could create long-term opportunities in the steel and logistics sectors. However, investors should keep an eye on companies' production costs, raw material availability and capacity expansion plans.

What's Next?

In the coming years, India's steel sector could expand on the back of domestic demand, exports and new technologies. The government also plans to protect domestic companies from low-quality imports while increasing steel production.

In the financial year 2025–26, India became a net exporter of finished steel. During this period, imports declined by approximately 32% to 6.5

million tonnes, while exports rose by nearly 36% to 6.6 million tonnes. The new policy also proposes support for approximately 2,550 secondary producers, which account for around 47% of total production capacity.

The government will review steel demand estimates approximately every five years. In this situation, the success of the policy will depend on securing raw materials, controlling costs and adopting clean technologies while expanding production capacity.

Source:- Motilal Oswal Research360 , Kotak Research , Business Research, Mint Research.

Banking Sector Q2FY27 Results: What Should Investors Expect?



The Indian banking sector could record strong earnings in Q2FY27, but the picture behind this growth is not entirely straightforward. On one hand, loan growth, core banking income and lower provisioning are supporting profits. On the other hand, net interest margins could remain under pressure in the near term due to foreign currency deposits.

Both credit and deposit growth have strengthened across the banking system. However, external challenges such as crude oil prices, El Niño and drought conditions in some states could affect asset quality and borrowers' repayment capacity going forward.

Let us understand banks' earnings, margins and the outlook for Q2FY27 in detail.

What's Happening?

According to Emkay Research, the net profit of Indian banks could rise 25.4% year-on-year in Q2FY27, which covers the July–September quarter. Strong loan growth, better income from core banking operations and lower provisioning are the key factors behind this growth.

Credit growth across the banking system stood at 18.1% as of 15 September. Meanwhile, deposit growth rose from 12% in June to 17.3%. This has also significantly reduced the gap between credit and deposit growth. In Q2FY27, the gap between non-food credit growth and deposit growth narrowed to nearly 50 basis points, compared with approximately 500 basis points in the previous quarter.

Net interest income is estimated to grow 12.5% YoY, while pre-provision operating profit could rise 17.2%. Meanwhile, provisioning could decline 8.7%, providing additional support to net profit.

Why Does Pressure Remain on Margins?

Despite strong profit growth, net interest margins, or NIMs, could remain under pressure in Q2FY27. According to the report, NIMs across the banks covered could decline by 1-32 basis points sequentially. Margins at large private banks are estimated to decline by 7-32 basis points, while the decline at public sector banks could be relatively lower, at around 1-9 basis points.

The primary reason is the sharp inflow of FCNR(B), or Foreign Currency Non-Resident (Bank) deposits. These deposits have improved funding and liquidity, but their cost could put pressure on lending margins in the near term. A portion of the additional funds is expected to be used first to repay high-cost liabilities, followed by deployment into other assets and, gradually, into loans.

Credit Growth Strong, but External Risks Also Present

FCNR(B) deposits have improved deposit mobilisation across the banking system and could also support the liquidity coverage ratio. The report expects these inflows to support net interest income (NII), pre-provision operating profit (PPOP), profit after tax (PAT), earnings per share (EPS) and return on equity (RoE).

Asset quality is expected to remain stable for now. There are signs of reduced fresh stress in unsecured retail loans, which include personal loans, credit cards and microfinance.

However, external risks have not been completely eliminated. High crude oil prices could increase the operating costs of businesses and

households. Along with this, El Niño, an uneven monsoon and drought conditions in five states could put pressure on borrowers' repayment capacity and the outlook for banks' asset quality.

What Does This Mean for Investors?

The current picture of the banking sector reflects a mix of strong profit growth and temporary margin pressure. The potential 25.4% growth in net profit, 18.1% credit growth and lower provisioning are positive signals. However, the estimated 1–32 basis point decline in NIMs means that the quality of near-term earnings needs to be watched closely.

The report describes large private sector banks as being in a better position due to strong balance sheet growth, better operating profit, healthy return ratios and attractive valuations. Even so, investors need to focus not only on profit growth but also on margins, asset quality and management commentary.

What's Next?

According to the report, an improvement in NIMs could gradually become visible in the second half of the financial year. Banks could take nearly two quarters to fully absorb the additional liquidity. A reduction in expensive liabilities, the deployment of additional funds into loans and the benefit of the recent rate hike for banks with floating-rate loans could support margins.

However, once FCNR(B) funding normalises, credit growth across the banking system in FY27 is estimated to moderate to around 16%. Despite this, organic loan growth is expected to remain healthy.

Going forward, the key factors to watch will be how banks manage risks linked to crude oil prices, an uneven monsoon and drought conditions, how stable asset quality remains, and whether the current earnings growth can be sustained alongside a recovery in margins.

Source:- Motilal Oswal Research360 , Kotak Research , Business Research, Mint Research.

601,6TH Floor, 9 Rajgir Building, Opp. McDonalds, Near Tirumala Shop, Kora Kendra Flyover Junction, S.V. Road, Borivali (W) M- 400092