

**RESEARCH****CONSUMER STAPLES | Q3FY26 REVIEW**

Mixed Recovery Trends

**METALS & MINING | Q3FY26 REVIEW**

Weak realisations impacted EBITDA/t, despite strong volume growth

**OIL & GAS | Q3FY26 REVIEW**

OMCs shine on robust Refining margins

**SUMMARY****CONSUMER STAPLES: Q3FY26 REVIEW**

- FMCG companies commentary turned positive, suggesting visible uptick in demand trend post GST rate cuts
- While Rural continued to outperform Urban, the divergence seems to have narrowed
- Margins benefiting from softer input costs, though sustained growth depends on continued volume traction and operating leverage

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**METALS & MINING: Q3FY26 REVIEW**

- Overall, Steel coverage universe delivered weaker-than-expected operational performance amid declining steel prices
- Jindal Steel led domestic growth at 20.0% YoY, followed by SAIL at 17.0%. Tata Steel and JSW Steel, too, posted healthy gains
- Post results, we downgrade JSW Steel to HOLD from BUY, maintain HOLD on Jindal Steel and Tata Steel; and reiterate SELL on SAIL

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### **OIL & GAS: Q3FY26 REVIEW**

- OMCs reported strong performance due to Refining business performance. RIL reported EBITDA growth of 5.1%YoY
- Exploration companies' performance got impacted by decline in crude realisations and lower Oil & Gas volumes
- Post results, we maintain BUY on RIL and BPCL; upgrade to BUY from HOLD on Mahanagar Gas (MGL) and Indraprastha Gas (IGL)

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## Mixed Recovery Trends

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- **While Rural continued to outperform Urban, the divergence seems to have narrowed**
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**FMCG — tailwinds to sustain growth momentum:** FMCG sector delivered a resilient growth in Q3FY26, driven by GST-led grammage benefits and channel restocking supporting the near-term momentum, while margin expansion was modest. Among peers, TCPL/Marico/Nestlé India reported strong revenue growth of 15%/ 26.6% /18.3% YoY, respectively. On the profitability front, UBL/TCPL/Britannia Industries delivered robust EBITDA growth of 59.8%/28%/16.0% YoY. While October witnessed some impact from GST-led transitory disruptions, management commentaries indicated a sequential pickup in growth during November and December. Although the FMCG sector continues to see steady revenue growth, margin sustainability remains a key concern. Price hikes have not been sufficient to fully offset the rising input costs, driven by the weakness in INR and volatility in commodity prices; particularly for companies having significant exposure to palm oil and crude-linked derivatives.

**Margin pressures and valuation risks intensify:** Elevated valuation multiples add to the risk, as they may not adequately factor in the persistent cost volatility and the possibility of demand softening if price increases weigh on consumers. Companies like Dabur, HUL, and TCPL are passing on selective increases, but continue to absorb part of the cost burden, limiting margin recovery. With a large share of raw materials linked to global prices and imports, currency depreciation remains a key risk. While the demand is expected to improve in 2026, sustaining profitability will depend on effective cost control, pricing discipline, and managing valuation expectations amid persistent input volatility. The commentary from major FMCG players highlighted a stabilising demand, gradual rural recovery, steady urban trends, as also an improving volume growth momentum.

**Top picks:** Q3FY26 reaffirms the structural resilience of India's FMCG industry, with consumption recovery and premiumisation acting as important long-term growth drivers. We prefer Marico, considering its favourable risk-reward profile, along with Britannia as a structurally strong play.



**Weak realisations impacted EBITDA/t, despite strong volume growth**

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**Healthy volume performance:** Industry (Steel) reported 4.6% YoY volume growth in Q3FY26 v/s 9.0% YoY growth in previous Q2FY26. For 9MFY26, volumes rose 7.0% YoY to 120 mt on strong demand from the auto and construction sectors.

Among coverage steel companies, Jindal Steel reported strong volume growth of 20.0%, driven by a 3.0 MTPA capacity ramp-up commissioned in Q2FY26. Domestic industry market growth of 4.6% YoY was led by double-digit volume growth by listed players, while growth in the unorganised segment remained subdued due to the fall in steel prices impacting cost competitiveness.

**Domestic pricing surprised negatively:** Domestic steel pricing surprised negatively, with average realisations declining YoY and QoQ despite a sharp fall in imports (-42.4% YoY, -35.9% QoQ). Weak pricing weighed on EBITDA/tonne across companies that declined YoY and QoQ for all companies. However, prices have rebounded by Rs3,000–3,500/t since end-Dec'25 and are expected to remain firm in Q4, on the back of a seasonally strong construction demand.

**EBITDA per tonne performance:** Weak pricing had an impact on EBITDA per tonne YoY and QoQ. EBITDA/t was lower by 38%YoY for Jindal Steel, lower by 6% for JSW Steel (Standalone), lower by 10%YoY for Tata Steel standalone and 3% for SAIL. Cost for Jindal Steel was also impacted by a one-time start-up cost of Rs3,500mn related to the ramp-up of expanded capacity.

**Management outlook:** Outlook is positive in the near term for Q4FY26E, on a seasonally better period for construction activity and expects the price improvement to sustain till start of monsoon. Expects the industry demand to be around 7.0-9.0% for FY27E.

**Improving steel outlook; prefer JSW Steel:** Outlook has improved on price improvement and sustainability of demand. We prefer JSW Steel in our pack – with TP at Rs1,307 with reduced rating to HOLD from BUY, owing to improved stock performance.



## OMCs shine on robust Refining margins

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- **Exploration companies' performance got impacted by decline in crude realisations and lower Oil & Gas volumes**
- **Post results, we maintain BUY on RIL and BPCL; upgrade to BUY from HOLD on Mahanagar Gas (MGL) and Indraprastha Gas (IGL)**

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**OMCs reported strong performance:** Among various sub-segments of the Oil & Gas sector; oil marketing companies (OMCs) showed strong operational performance on account of higher GRM YoY. OMCs coverage universe reported a revenue growth of 5.0%YoY and EBITDA growth of 91.0%YoY. Average GRM of universe increased to USD11.4/bbl from USD4.9/bbl in Q3FY25, due to higher product cracks. OMCs' domestic volumes also went up 4.6% YoY (+12.8% QoQ), showing improved performance.

**RIL:** reported a good performance with revenue growth of 10.4% YoY and EBITDA growth of 5.1%YoY. (+4.0% QoQ). EBITDA performance was driven by Telecom and O2C businesses with +16.1%YoY and 14.6%YoY growth. Telecom subscribers grew by 6.9%YoY and ARPU rose by 5.1%YoY to Rs214. Revenue performance of FMCG business remained strong at Rs150bn - a growth of 1.8xYoY. Outlook is positive, driven by consumption demand in Retail, fixed broadband in Telecom; FMCG consumer brands and green energy business.

**Upstream (ONGC & Oil India):** Performance of ONGC (standalone) & Oil India (standalone) declined at both the revenue & EBITDA levels primarily due to fall in crude oil realisation by 15.0% YoY. Crude oil production also saw a decline YoY by 2.2% for ONGC and 1.2% for Oil India.

**CGD companies:** MGL and IGL reported good growth of 11.5%YoY and 8.2%YoY respectively, driven by volume growth. The YoY volume growth of MGL was 12.0% and while that of IGL was 3.4%YoY. However, Gujarat gas disappointed with a 11.9%YoY decline in revenue, given the 28% YoY fall in industrial volumes. EBITDA spread for the coverage CGD players increased 18% YoY and 3.7% QoQ on an average to Rs6.5/scm, due to the benefit of lower gas cost.

**Prefer RIL, BPCL, MGL and IGL:** Maintain a BUY on RIL with TP of Rs1,690 due to positive outlook on O2C, Retail and Telecom businesses. Maintain a Buy on BPCL with TP of Rs448 on account of positive outlook on product cracks, expansion project at Bina refinery and Petchem project at Kochi.



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