

India's sectoral credit outlook-2026

Stability dominates amid global shocks

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Executive summary

India's macroeconomic outlook: resilient growth amidst geopolitical bottlenecks

India's FY26 GDP growth remained resilient at 7.6%, supported by broad-based momentum in manufacturing and services. Growth is projected to ease to 6.7% in FY27, reflecting risks from crude-price volatility and the ongoing West Asia conflict. From a credit standpoint, robust growth continues to aid fiscal consolidation and debt sustainability. Core inflation stayed stable, though geopolitical uncertainty, volatile energy markets, and emerging El Niño-linked weather risks pose challenges to price stability. FY27 inflation is expected to average 4.6%, up from 3.4% in Q4 FY26, driven by potential energy shocks and food-price volatility. Overall, India's credit profile remains supported by resilient growth, contained inflation, and strong banking fundamentals, even as volatility in industrial and energy-exposed sectors heightens credit risks.

Sectoral credit outlook and forecast parameters

The BWR credit framework evaluates credit outlook of key sectors in India through benchmark classification, where "Positive" revenue growth ranges from 10% in mature sectors to more than 18% in high-growth industries. Credit resilience is further evaluated by operating margin improvements and gearing ratios. Financial solvency is anchored by coverage-based benchmarks. Interest coverage ratios above 9.0 and debt service coverage above 4.0 are classified as "Very healthy" with threshold bands calibrated to reflect the distinct financial risk profiles across respective industry lifecycles.

Analytical framework and sectoral coverage

The sectoral analysis evaluates the credit quality and financial health of 25 key industries, spanning across the major clusters such as IT, power, infrastructure, manufacturing, and consumer goods. Performance is assessed by benchmarking critical financial metrics, including revenue growth, operating margins, gearing, and coverage ratios against specific lifecycles stages and BWR's proprietary sectoral forecasts.

Digital transformation and media resilience

The IT sector maintains a stable outlook as it transitions from volume driven to value driven, leveraging automation to sustain margins despite rising AI talent costs. Stability in communications sector is driven by ARPU expansion to INR 220 and a significant moderation in 5G-related capex. Media Print is supported by a resurgence in advertising revenue and an 18–20% decline in newsprint costs. Also, Paper and newsprint exhibit a stable trajectory as robust packaging demand offsets structural declines in traditional writing paper.

Strategic energy transition and stable utility

Renewable power holds a stable outlook, supported by India achieving over 280 GW of non-fossil capacity and continued policy momentum. Power transmission is in a stable stage, reflecting its central role in the green energy transition and a mandate for large scale infrastructure investment. While thermal generation remains stable due to its indispensable role in grid stability and long-term Power Purchase Agreements (PPAs), Power distribution continues to face a Negative to Stable bias. Financial weakness in distribution persists with INR 7.4 trillion in gross debt, although smart metering provides a critical recovery path.

Industrial upsurge and resource momentum

The Mining sector is in a structural upcycle with a stable outlook, strengthened by the strong domestic demand and transformative policy reforms. Metals and metal products are likewise stable, supported by crude steel production reaching 168.4 million tonnes in FY26 and domestic HRC prices recovering to INR 53,800 per tonne following the reinstatement of safeguard duties. Construction materials are stable, reflecting a surge in demand for high-performance glass and aluminum, alongside Quality Control Orders (QCOs) that support higher domestic realization. Meanwhile, Chemicals remain stable, as strategic diversification continues into specialized products to balance the threat of low-cost imports.

Resilient infrastructure and essential services

Infrastructure construction remains stable, supported by strategic shift towards higher margin segments like high-speed rail corridors and power transmission, along with infrastructure roads carry a stable outlook as capital is monetized via InvIT (targeting INR 400 billion). Real estate holds a stable outlook, with a 31% YoY surge in residential sales and SWAMIH fund-driven project unlocking, offsetting rising construction costs. Healthcare is positive, supported by Ayushman Bharat's expansion to all senior citizens aged 70+ and increasing per capita healthcare spending. Automobiles remain stable, with robust domestic demand and 16% surge in passenger vehicle exports segment cushioning against global geopolitical uncertainties. Consumer goods holds a positive outlook, supported by deepening tier-II and tier-III penetration and a projected 17.3% revenue CAGR through 2030.

Key takeaways

The year FY26 in a nutshell

7.4–7.6%

GDP Growth FY26

Led by manufacturing and services >9%; PFCE 61.5% of GDP



5.25%

RBI Repo Rate

Post 125bps easing; neutral stance amid conflict risk



4.6% FY27F

Headline Inflation

Peaking 5.2% Q3 FY27; core stable at 4.4%



USD 698 billion

Forex Reserves

April 2026 — buffer against ₹92/USD pressure



4.4% of GDP

Fiscal Deficit

Debt-to-GDP 56%; conflict risks further slippage



Sector Outlook | FY27

2

Positive

22

Stable

1

Negative to Stable

of 25 sectors assessed, FY26–27 (F)

0.82

Gini Coefficient (PD)

FY26 — up from 0.68; strong discriminatory power



1-Year Stability — Key Cohorts

97%

AAA

94%

AA

96%

A

BWR 5-yr weighted avg · excl. INC

Source: BWR Research, B2K Analytics, April 2026

Operation epic fury — Credit impact by sector category

Geopolitical energy shock | Brent crude USD 105–112/bbl. | Strait of Hormuz disruption | Feb–Apr 2026

⚠️ UNDER PRESSURE	↑ BENEFICIARIES	✦ RESILIENT
Energy cost spikes, high leverage and supply-chain disruption from the Strait of Hormuz closure are squeezing margins and stressing debt-service capacity.	Structurally positioned to gain from the green energy pivot, rising commodity realizations, and accelerating defense indigenization as the crisis unfolds.	Demand-inelastic, domestically anchored sectors with strong cash reserves and zero direct energy-supply-chain exposure, providing safe-haven credit stability.
KEY SECTORS	KEY SECTORS	KEY SECTORS
Power distribution	Power generation renewable	Healthcare services
Infrastructure roads	Mining and metals	IT sector
Power generation - thermal	Automobiles and ancillaries	Telecommunication services
Chemicals	Construction materials	Consumer goods

Source: BWR Research. Impact assessed on energy exposure, leverage, supply-chain dependency and cash-flow resilience.

Sector-wise Credit Outlook Distribution | FY27

Major sector outlook classification — Positive (2) | Stable (22) | Negative-to-Stable (1) | 25 sectors total

↑ POSITIVE Key sectors	✦ STABLE Key sectors	⚠️ NEGATIVE TO STABLE Key sectors
<ul style="list-style-type: none"> Healthcare services Consumer goods 	<ul style="list-style-type: none"> Chemicals Communication services Automobiles Real estate Infrastructure construction Railways Port and shipping 	<ul style="list-style-type: none"> Power distribution

Source: BWR Research and B2K Analytics, April 2026

BWR's 1-year rating stability remained in line with the industry average

5-year weighted average stability rate by rating cohort; BWR transition matrix (%)

AAA	97.01%	99.36%
AA	94.44%	93.83%
A	96.04%	92.58%
BBB	94.95%	90.66%
BB	88.61%	85.86%
B	87.32%	74.45%
C	83.33%	53.88%

A snapshot of sectoral outlook in FY27

Sector	Revenue growth	Operating margins	Gearing	Interest coverage	Debt service coverage	Sector outlook – FY27
Automobiles & Ancillaries	Stable	Improving	Very low	Very healthy	Very healthy	✔ Stable
IT Sector	Stable	Stable	Very low	Very healthy	Very healthy	✔ Stable
Telecommunication Services	Stable	Improving	Average	Below average	Below average	✔ Stable
Consumer Goods	Stable	Improving	Low	Average	Very healthy	✔ Positive
Food & Argo-based Products	Stable	Improving	Very low	Very healthy	Very healthy	✔ Stable
Chemicals	Stable	Deteriorating	Very low	Healthy	Average	✔ Stable
Textiles	Stable	Deteriorating	Low	Average	Healthy	✔ Stable
Metal & Metal Products	Stable	Improving	Low	Average	Average	✔ Stable
Mining	Stable	Stable	Very low	Very healthy	Very healthy	✔ Stable
Healthcare Services	Moderately positive	Improving	Very low	Healthy	Average	✔ Positive
Hotel & Tourism	Moderately positive	Strongly improving	Low	Average	Average	✔ Stable
Paper, Newsprint	Stable	Stable	Very low	Average	Healthy	✔ Stable
Media Print	Stable	Improving	Very low	Very healthy	Very healthy	✔ Stable
Infrastructure Roads	Stable	Improving	-	Below average	Weak	✔ Stable
Infrastructure Transport Services	Stable	Strongly improving	Very high	Below average	Average	✔ Stable
Infrastructure Construction	Stable	Improving	Average	Average	Average	✔ Stable
Real Estate	Moderately negative	Improving	-	Average	Average	✔ Stable
Construction Materials	Stable	Stable	Very low	Healthy	Very healthy	✔ Stable
Power Transmission	Stable	Stable	Average	Average	Average	✔ Stable
Power Distribution	Stable	Improving	-	Very healthy	Weak	✔ Negative to Stable
Power Generation – Thermal	Stable	Stable	Average	Average	Average	✔ Stable
Power Generation – Renewables	Moderately negative	Improving	Average	Below average	Below average	✔ Stable
Railways	Stable	Improving	Average	Average	Below average	✔ Stable
Airport Infrastructure	Stable	Strongly improving	High	Below average	Average	✔ Stable
Ports and Shipping	Stable	Improving	Low	Average	Healthy	✔ Stable

Macroeconomic trend and outlook



Macroeconomic trend and outlook

Resilient domestic demand sustains India's growth momentum in Q4FY26

India's macroeconomic momentum stayed resilient in Q4FY26, with GDP growth at 7.7%, backed by strong domestic demand, easing inflation, and a supportive policy stance. Growth was broad-based across services, public capex, and private investment. From a credit perspective, higher growth bolsters fiscal consolidation and debt sustainability, though external shocks like West Asia oil disruptions pose ongoing risks to margins and current account deficit (CAD) stability. However, the prolonged West Asia conflict could shave up to 1.0% of FY27 growth, pressuring energy markets, employment-intensive sectors, and aggregate demand. FY27 growth is projected at 6.7%, driven by consumption and infrastructure-led capex, though fiscal and external risks remain.

RBI holds rates, maintains neutral policy stance

The RBI maintained a status quo of the repo rate at 5.25% as per MPC held in Jun 2026, with the SDF at 5% and MSF/Bank Rate at 5.5%, retaining a neutral stance to preserve flexibility amid geopolitical risks, energy price spikes, and potential weather disturbances. While headline inflation remains below target and core prices stabilize, risks have risen, warranting a cautious pause. FY26 GDP was estimated at 7.6%, supported by resilient consumption demand, credit expansion, and supply-side improvements.

Inflation remains benign, CPI revised to 4.6% for FY27

Inflation settling well below target through FY26 reinforces the RBI's price stability mandate and policy credibility. However, inflation in India is expected to gradually rise during the year and is projected at 4.6% in FY27, while peaking around 5.2% in Q3 FY27 and core inflation is projected at 4.4%, reflecting elevated price levels from rising global energy prices, geopolitical spillovers from the West Asia conflict, and the potential impact of El Niño on spatial and temporal disruptions. Any adverse monsoon outcome could reignite food price pressures, adding a domestic supply-side risk to an already challenging external environment through FY27.

Business sentiment improves as policy continuity and demand outlook strengthen

India's business confidence strengthened, with the CII business confidence index rising, reflecting optimism around demand, policy continuity, and investment prospects. Strategic discussions at the 56th World Economic Forum (Davos) reinforced India's positioning as a key global growth engine, manufacturing hub, and beneficiary of supply-chain diversification.

India's FY26-27 outlook: strong macros, balanced growth-inflation, amid global risks

India enters the remainder of FY27 with strong macro fundamentals, improving inflation-growth balance, robust external buffers, and rising business confidence. While global uncertainties, commodity price volatility, and geopolitical risks remain key monitorable, the medium-term outlook remains constructively stable, supporting credit quality across sectors.

Manufacturing anchors growth among global headwinds

Under the revised series, manufacturing and services expansion emerged as the primary demand drivers of FY26 growth, with the secondary and tertiary sectors collectively registering above 9% growth. On the expenditure side, Private Final Consumption Expenditure (PFCE) at 61.5% of GDP, the highest since FY12, remains a key contributor, supported by real income gains and GST rationalization-led price relief, while Gross Fixed Capital Formation (GFCF) is anchored by sustained government capital expenditure momentum and a gradual revival in private investment.

Strong growth reinforces sovereign credit profile

India's revised GDP growth of 7.6% for FY26 supports its sovereign credit profile through stronger revenue buoyancy, though the nominal GDP contraction mechanically elevates the fiscal deficit-to-GDP to 4.4% and debt-to-GDP to 56%, challenging the fiscal consolidation roadmap. The West Asia conflict has further prompted a downward revision of FY27 growth to 6.5-6.7% from earlier estimates of 6.8-7.2%, though India's structural resilience and domestic demand buffers sustain its growth momentum among emerging economies.

India's trade softens sequentially amid manageable deficit and rupee volatility

India's exports and imports moderated sequentially, with the trade deficit remaining manageable amid stable non-oil exports and softer commodity prices. With Brent crude prices witnessed a surge of USD 138 per barrel in April 2026, the merchandise trade deficit is estimated to widen in the near term, primarily driven by a sharply higher import bill. Forex reserves strengthened between October 2025 and February 2026, (averaged around USD 660–728 billion during the quarter) providing a strong external buffer. However, it fell to USD 698 billion in April 2026. INR crossed the 92 per USD mark, pressured by persistent portfolio outflows, trade-related headwinds and a strong US dollar.

Going forward, the rupee is expected to remain volatile but broadly range-bound, supported by adequate reserves and RBI's active liquidity and FX management. On the export side, IT and technology services, a surge in HR Coil exports, and gains in pharmaceuticals and textiles from the India-EU and India-US trade deals partially offset the widening merchandise trade deficit driven by elevated energy imports.

PMI pulse: From expansion to recalibration: Manufacturing peaks, services steer through last quarter divergence

High-frequency indicators point to improving growth momentum - manufacturing, services, and core sectors gain momentum

Composite PMIs maintained a firm expansionary trajectory (Manufacturing: 56–58; Services: 58–60) on robust demand aggregates, while IIP and Core Sector output (averaging 5–6% and 7–8% YoY) signal strengthening industrial production and a narrowing output gap. This procyclical acceleration is driven by increased fiscal spending and optimized capacity utilization across the steel, cement, and refinery verticals. However, India's manufacturing slowed in March 2026, with PMI slipping to 53.9 in March 2026.

PMI divergence highlights cautious growth optimism

India's PMI landscape pointed to a cautiously optimistic outlook, with resilient services sustaining consumption and job creation even as manufacturing moderated amid the West Asia conflict and rising input costs. The composite PMI remained firmly in expansionary territory, broadly consistent with the RBI's revised FY27 GDP forecast of 6.7%. Record export order growth partly offset softer domestic demand, while the RBI's neutral stance and active liquidity support-maintained credit transmission across sectors.

Manufacturing recovery hinges on global stability

Heading into FY27, PMI is expected to remain firm at 57–59, supported by digital exports, urban consumption, and expanding trade linkages from India-US and India-EU agreements, with IT and healthcare as primary expansionary anchors. Manufacturing recovery, led by autos, metals, and construction materials, hinges on West Asia conflict resolution, easing input costs, and sustained transmission of government capex and PLI-led investment.

India-EU FTA — 'Mother of all deals'

India-EU seal landmark free trade agreement

India-EU FTA — The 'Mother of all deals' creates the world's largest free trade zone finalized in January 2026, the India-EU FTA spanning 25% of global GDP, 20% of global trade, and 2 billion people, with approximately 90% of goods moving duty-free at full implementation. The agreement covers goods, services, business mobility, and non-tariff barriers with the EU and UK together accounting for 21% of India's merchandise exports.

Textiles, pharma, leather, chemicals and other engineering goods poised to gain from this trade.

Sectors currently facing EU import duties of 4% to 26% stand to benefit most from tariff elimination, with textiles, pharmaceuticals, specialty chemicals, leather and footwear, and marine products seeing the most direct uplift.

India-EU FTA moderately credit-positive; sector-specific gains to outweigh risks

The India-EU FTA is moderately credit-positive, with meaningful benefits expected from FY27 as tariff reductions deepen and firms align with EU regulatory standards. Export diversification across textiles, chemicals, and pharmaceuticals reduces concentration risk and supports revenue growth for outward-facing issuers. Near-term impact remains measured, with phased implementation through FY28 and the withdrawal of EU GSP benefits from January 2026 creating a transitional headwind until the agreement is formally enacted.

India-US trade deal tariff relief anchors export competitiveness

Tariff cap at 18% anchors stability, fuels USD 500 billion bilateral trade ambition and rupee resilience.

Finalized in February 2026, the India-US interim trade agreement reduced reciprocal tariffs from 50% to 18%, targeting USD 500 billion in bilateral trade by 2030, with India committing to USD 100 billion in US energy and technology procurement to diversify its energy mix toward US LNG. IT services, pharmaceuticals, textiles, and auto ancillaries emerge as the primary beneficiaries gaining from tariff liberalization, improved market access, and deeper integration into North American supply chains.

Closure of Strait of Hormuz triggers energy shocks with wide ranging macroeconomic implications on India.

Operation Epic Fury-context and escalation of the US-Iran-Israel conflict

On February 28, 2026, the US and Israel launched Operation Epic Fury against Iranian sovereign facilities, triggering retaliatory strikes across Gulf states and effectively halting commercial shipping through the Strait of Hormuz. For India, the conflict reversed the external stability gained from the February 2026 US-India trade deal, spiking energy import costs, widening the current account deficit, and disrupting key supply chains.

Outlook weakens across energy sector specific industries

The conflict has created a sharply bifurcated sectoral landscape, with oil marketing companies, airlines, fertilizers, chemicals, ceramics, basmati rice exporters, and diamonds and jewelry all facing a deteriorating outlook. The pressures are broad-based margin compression from rising input costs, export market disruption, working capital stress, and under-recoveries for downstream refiners are collectively weighing on cash flows and debt-service capacity across these segments, while basmati rice, chemicals, and tourism face disrupted Gulf routes and rising costs, creating a sharply tiered credit outlook across sectors.

Oil producers and defense sectors positioned to benefit from the conflict

Oil producing companies benefit from higher crude realizations, though prolonged elevated prices risk eroding refiner dividends to the government and weakening overall PSU dividend receipts. Defense and aerospace stand as the sole clear beneficiary swelling order books, rising government spending on indigenization, and heightened geopolitical urgency reinforce existing positive outlook on the sector.

Near term outlook, external buffers provide resilience against shocks

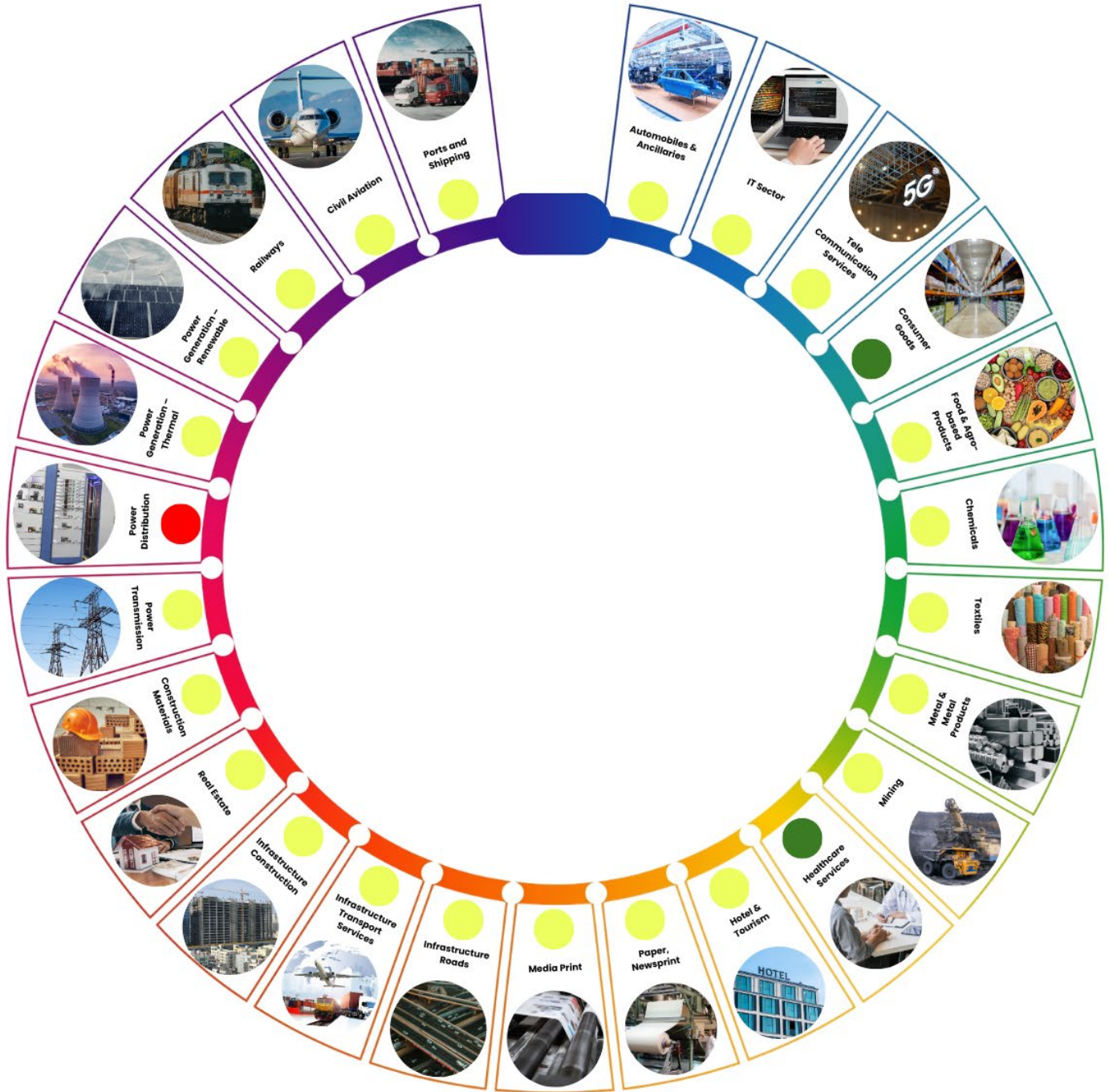
India's USD 698 billion forex reserves as of April 2026 and pre-conflict CAD of 1.3% of GDP provide a meaningful near-term buffer, with the Economic Stabilization Fund deferring immediate retail fuel price revisions. However, India's credit profile remains supported by resilient growth, contained inflation, and strong banking fundamentals, but volatility in industrial and energy-linked sectors elevates credit risks. Fiscal consolidation continues, yet high debt and a potentially wider CAD limit sovereign headroom. Stable liquidity, predictable policy, and large reserves offer buffers, though external pressures and energy-price risks remain key sensitivities.

Strong demand supports sectors, but energy and external risks linger.

India's sectoral outlook is broadly stable to positive, supported by strong domestic demand and export momentum. Autos, construction, textiles, hotels, and communication services remain stable, while consumer goods, agriculture, metals, mining, and healthcare trend positive. Real estate stays resilient, though roads and power distribution face lingering stress. Overall credit quality is firm but sensitive to energy prices and external volatility.



Sector-wise credit outlook - FY27



Note: ● Positive ● Stable ● Negative to Stable



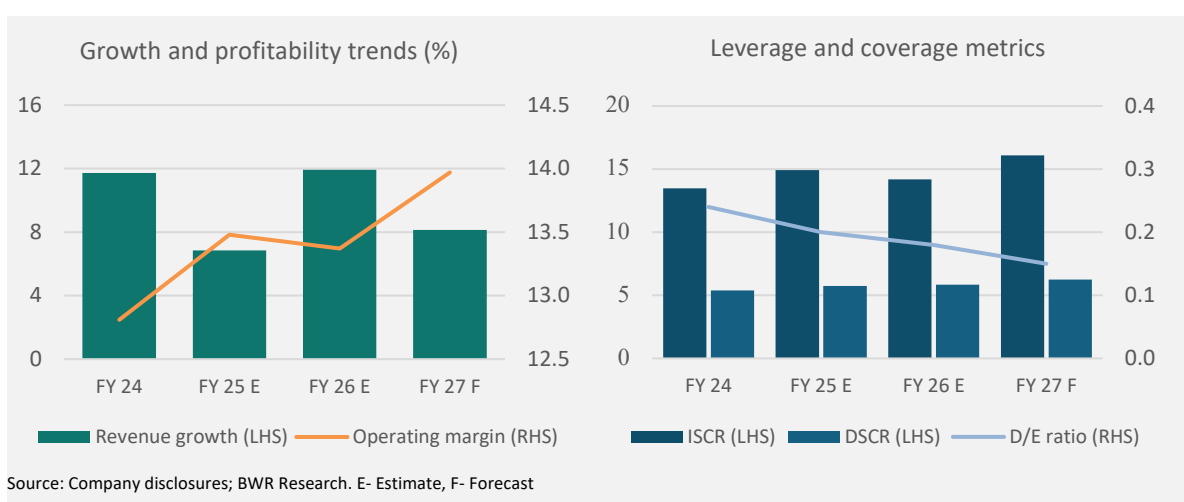
Automobiles and ancillaries

Stable

Revenue growth	Operating margin	Gearing	Interest coverage	Debt service coverage
Stable	Improving	Very low	Very healthy	Very healthy
5% to 12%	12% to 18%	0.0 to 0.5	≥ 9.0	≥ 4.0

About the sector: The sector encompasses passenger and commercial vehicle manufacturing, alongside specialized tier-component production such as forging and casting. It spans the entire automotive value chain, from original equipment manufacturers (OEMs) to the aftermarket parts network.

Sector performance snapshot: The sector recorded a 16% surge in passenger vehicle exports to 6,70,930 cars and SUVs in April to December 2025 compared to 5,78,091 units in the same period of previous year, primarily driven by policy reforms including rationalization of GST rates and the Faster Adoption and Manufacturing of Electric Vehicles (FAME-III) scheme, which allocates INR 100 billion to accelerate EV adoption through 2026. Revenue growth is supported by 12.66% volume growth in the SUV segment. Operating margins are improving, supported by easing raw material costs for ancillaries, though this benefit is partially offset by rising EV technology investment costs. Financial health remains strong, marked by low gearing and healthy coverage metrics, as leading OEMs and component manufacturers deploy internal reserves to fund PLI-linked capacity addition.^{1 2 3}



Analytical interpretation of trends

Revenue and profitability: Revenue growth is estimated to jump to 11.9% in FY26 as GST reforms, tax cuts, and interest rate cuts trigger a major surge in vehicle buying and aftermarket parts demand. Once this initial wave of policy-driven purchasing cools down, consumer spending naturally settles into a steady rhythm, causing revenue growth to normalize at a projected 8.1% by FY27. Operating margins are estimated at 13.4% in FY26 and projected at 14% by FY27. Profitability across the ancillary value chain is gradually supported by a structural shift towards premium technology-led components such as ADAS, advanced infotainment, and next-generation braking modules, sustaining the improving margin trajectory through FY27.

Solvency and resilience: Auto component makers are covering the high cost of switching to electric and multi-fuel parts using their own cash flow and foreign investment rather than taking out high-cost bank loans. Due to less new debt, their balance sheets are remarkably clean; the debt-to-equity ratio is falling from 0.2 in FY25 to an estimated 0.18 in FY26, and down to a projected 0.15 by FY27. This minimal debt keeps the sector's financial health incredibly secure, leaving operators with a projected interest coverage of 16.1 and a debt service coverage of 6.2 in FY27.

Key risk and challenges

- **Slowing Export Markets:** Weakening demand across Europe and threatened US tariffs could hit export-reliant component manufacturers hard.
- **Input cost pressure:** Elevated raw material prices remain a key headwind and could compress operating margins by 50 to 100 bps over the next fiscal year.

Credit outlook: Stable

This stable outlook reflects a strong domestic market and consistent demand. Balance sheets remain healthy, supported by minimal debt, while a deliberate shift towards premium and EV-focused products protects margins. Subdued international demand stemming from global geopolitical tensions remains a key challenge, but steady cash flows and calibrated capital expenditure keep the sector well insulated. As suppliers expand their advanced technology offerings, this financial foundation is expected to support sustained operational resilience through FY27.



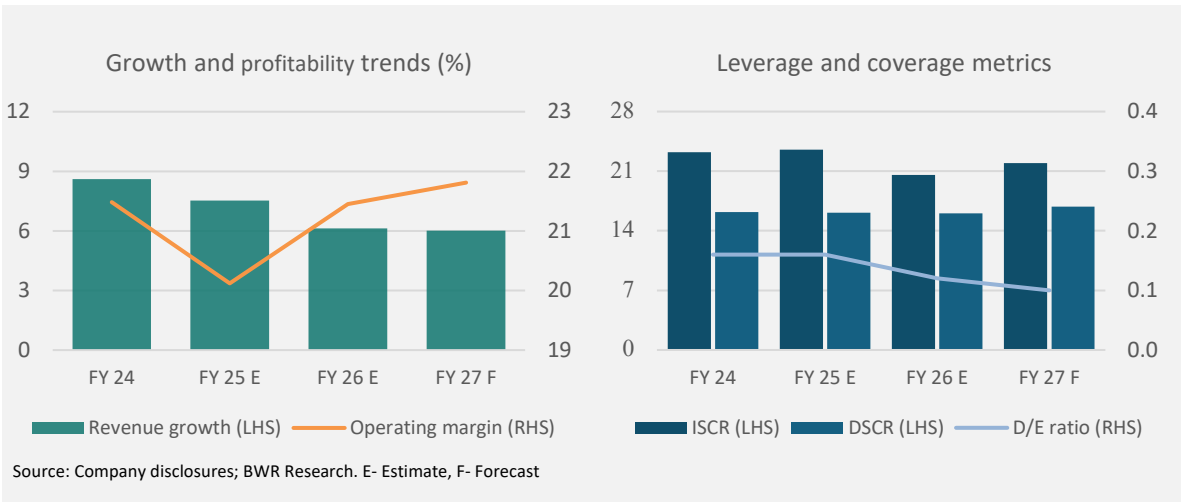
IT Sector

Stable

Revenue growth	Operating margin	Gearing	Interest coverage	Debt service coverage
Stable	Stable	Very low	Very healthy	Very healthy
5 to 12%	18 to 24%	0.0 to 0.5	>=9.0	>=4.0

About the sector: Driven by advanced software engineering capabilities, the IT sector is rapidly shifting from volume to value through hyper-automation. This evolution leverages mature global delivery models and a network of Global Capability Centers (GCCs) to deliver scalable, high-impact business outcomes.

Sector performance snapshot: The sector recorded USD 418 billion services export in FY26 and benefitted from the introduction of a 15.5% common safe harbor margin for consolidated IT categories in the Union Budget 2026-27. Revenue growth is supported by India's second global positioning in AI skill development as of February 2026 and the India AI mission's deployment of 38,000+ Graphics Processing Units (GPUs), while operating margins remain resilient due to cloud-infrastructure tax holidays through 2047. Financial health is anchored by very low gearing and strong coverage ratios, as more than 1,700 GCCs leverage domestic data-center capacity expanding at over 20% annually following the Digital Personal Data Protection Rules, 2025.^{4 5 6}



Analytical interpretation of trends

Revenue and profitability: The sector is undergoing a structural shift as companies rapidly adopt automation and artificial intelligence, driving an estimated 6.1% revenue growth in FY26 and projected to remain at 6.0% in FY27. While this transition accelerates top-line momentum, the concurrent surge in specialized AI talent costs temporarily compresses operating margins below the 20.1% recorded in FY25. As these digital investments mature and operational efficiencies are realized, the financial pressure eases, allowing operating margins to recover to a projected 21.8% in FY27, confirming the sector's stable long-term earnings trajectory.

Solvency and resilience: The sector is cutting its debt load, dropping the debt-to-equity ratio to an estimated 0.1 in FY27 from 0.16 in FY25. This de-leveraging provides additional cash accruals, which pushes up the debt service coverage ratio to the projected 16.8 in FY27 from 16.1 in FY25. With minimal cash leaking out to pay interest, firms are left with a massive internal cash buffer to self-fund innovation.

Key risk and challenges

- **Geographic concentration:** Heavy reliance IT spending from the US region (54.1% in FY24, and 52.9% in FY25) and European region (30.8% in FY24, and 32.8% in FY25) creates a significant geographical concentration risk and is exposed to associated macroeconomic risks.
- **Structural skill obsolescence:** The rapid shift toward AI represents continuous and significant capital investment in skill development to prevent skill mismatch and competitive delivery standards.

Credit outlook: Stable

The stable outlook reflects the Indian IT sector's structural transition from volume-based contracts to high-value digital services, leveraging automation and artificial intelligence to sustain operating margins. Long-term sector stability is reinforced by steady technology exports and targeted policy support through initiatives such as the India AI Mission, which partially offsets softening discretionary IT spending globally. However, the pace of AI-led transformation entails continuous operational realignment, with direct implications on overall industry performance.



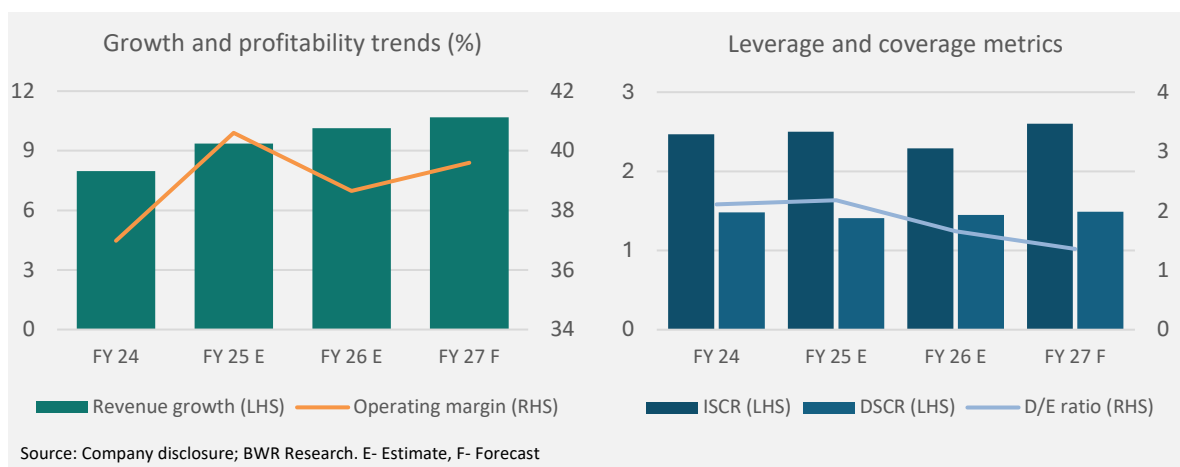
Tele communication services

Stable

Revenue growth	Operating margin	Gearing	Interest coverage	Debt service coverage
Stable	Improving	Average	Below average	Below average
5% to 12%	>24%	1.0 to 2.0	1.0 to 3.0	1.0 to 2.0

About the sector: The sector is composed of modern fiber optics, 5G cellular systems, and satellite communication networks. Telecom companies are moving away from traditional phone and internet packages to sell these advanced digital services.

Sector performance snapshot: The sector is strengthened by a 12% to 15% anticipated tariff hike in July 2026 and an Industry-wide Average Revenue Per User (ARPU) projected to reach INR 220 by the end of FY27, from INR 190 at the end of FY26 with currently reaching to a total subscriber base (wireless and wireline) of around 1,338 million as of April 2026. Revenue growth and operating margins are driven by 31 GB average monthly data usage per user and robust traction in 5G Fixed Wireless Access (FWA) segments in FY25. Financial health reflects average gearing though interest as peak 5G capital spending concludes, while the Digital Communications Commission (DCC) finalizes a stable 5% satellite spectrum fee to support indigenous 6G and 5G-Advanced standardization. ^{7 8 9}



Analytical interpretation of trends

Revenue and margin dynamics: Revenue growth expands sequentially from 9.4% in FY25 to an expected 10.1% in FY26, before reaching a projected 10.7% in FY27 due to strategic tariff hikes. These price increases are a direct response to heavy 5G rollout costs, which modestly moderate operating margins from 40.6% in FY25 to an expected 38.7% in FY26, remaining well above the Strongly Improving threshold. However, this infrastructure spending pays off as premium data monetization and FWA take hold. This network utilization turns the initial cost into a sharp profitability rebound, lifting projected margins to 39.6% in FY27.

Solvency and resilience: A natural wind-down in peak 5G infrastructure spending is cutting the need for new bank loans, dropping the debt-to-equity ratio from an expected 1.7 in FY26 to a projected 1.4 in FY27. Paying down these loans automatically lowers the industry's annual interest spending, while predictable payment timelines for government AGR dues prevent unexpected cash drains. Consequently, rising 5G revenues can cover these remaining financial duties much more easily, lifting the estimated 2.3 ISCR in FY26 to a projected 2.6 in FY27. This steady inflow of cash similarly drives the DSCR upward from an estimated 1.4 in FY25 to a projected 1.5 in FY27, securing long-term solvency.

Key risks and challenges

- **Regulatory and compliance costs:** New regulations, including the Telecommunications Act 2023 and the Data Protection Act, require significant investment in security and compliance.
- **Slowing User Revenue:** Average revenue per user is expected to slow down as the 5G market becomes crowded. This trend forces companies to look beyond traditional mobile plans and invest in cloud services and digital app ecosystems to keep total revenues growing.

Credit outlook: Stable

The sector's stable outlook is driven by upcoming tariff hikes and a sharp drop in 5G infrastructure spending, which is rapidly freeing up cash flow. While legacy debt levels remain high, risk is mitigated because market revenue is now concentrated among a few dominant, top-tier operators. This consolidation, alongside a strategic focus on high-paying premium subscribers, creates a highly predictable revenue stream. This revenue growth ensures the company can reliably pay down old loans over time. However, because heavy debt clearance eats up cash right now, short-term coverage will look temporarily reduced through FY27.



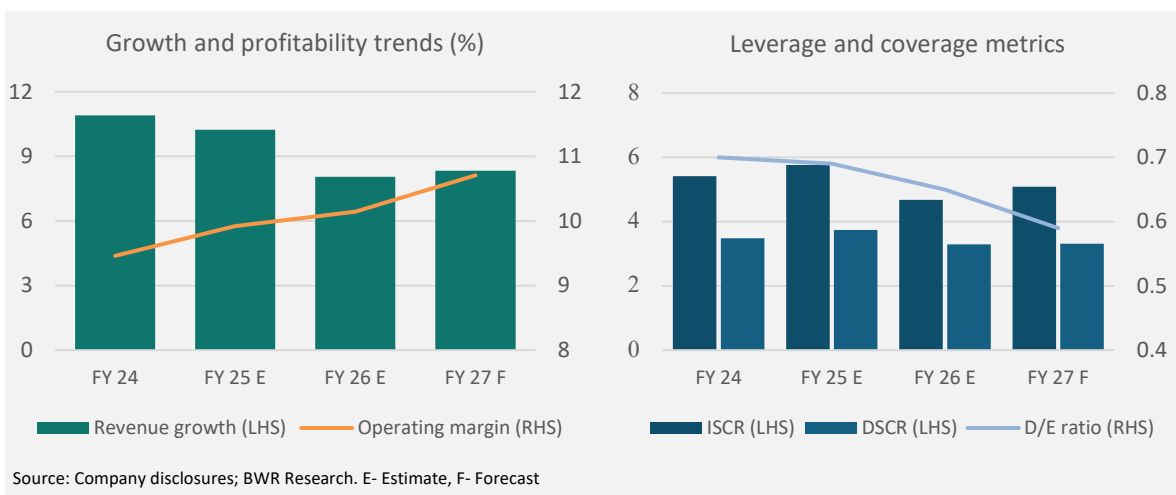
Consumer goods

Positive

Revenue growth	Operating margin	Gearing	Interest coverage	Debt service coverage
Stable	Improving	Low	Average	Very healthy
3% to 10%	10% to 15%	0.5 to 1.0	2.0 to 5.0	>3.0

About the sector: The sector includes electronics and home appliances, supported by rising consumer buying in both cities and villages. Sales are expected to grow due to a stronger local component manufacturing ecosystem and the widespread availability of digital EMI and financing options.

Sector performance snapshot: The sector's momentum is anchored by over INR 110 billion in PLI factory investments and targeted GST cuts, which have systematically removed manufacturing bottlenecks. Simultaneously, the explosion of digital financing and Buy Now, Pay Later (BNPL) options has unlocked massive consumer buying power across tier-II and tier-III cities, driving high asset turnover and a projected 17.3% revenue CAGR through 2025 to 2030. This volume surge, paired with a market shift toward premium appliances, provides partial support to operating margins, which are actively improving as domestic production efficiencies offset global raw material and freight pressures. Because factories are running at full capacity, companies are generating enough independent cash flow to expand without taking on new bank loans, keeping the industry's financial health secure with low gearing and healthy debt coverage.^{10 11}



Analytical interpretation of trends

Revenue and margin dynamics: Revenue growth is projected to remain strong at around 8.1% in FY26 to 8.3% in FY27, supported by deeper penetration in tier-II/III cities, rising urban demand and steady rural consumption. The rise of (BNPL) platform and digital lending acts as a critical growth engine, balancing the competitive focus on capturing market share in smaller towns. Operating margin is projected to improve modestly to 10.7% in FY27 from an estimated 9.9% in FY25. Profitability is reinforced by the high-growth durables segment but sees a downward pressure due to spike in raw material prices and freight cost.

Solvency and resilience: Debt-to-equity ratio is projected to improve to 0.6 in FY27 from 0.7 in FY24, reflecting a gradual reduction in long-term leverage. However, rising interest rates on short-term working capital loans are expected to temporarily compress the interest coverage ratio from 5.8 in FY25 to a projected 5.1 in FY27. Despite this interest squeeze, accelerating sales volumes are generating strong cash accruals, securing a healthy projected DSCR of 3.3 in FY27. This robust cash flow ensures major operators can easily fund frontier innovation and absorb higher credit demands without depleting their core reserves.

Key risk and challenges

- **Unsecured loan delinquencies:** The sharp growth in credit cards and personal loans has resulted in rising defaults, with RBI considers BNPL as an extension of formal credit.
- **Inflationary pressures and interest rates:** While the current core inflation is stable, sudden inflationary shocks or high interest rates on unsecured debt could dampen discretionary purchasing power.

Credit outlook: Positive

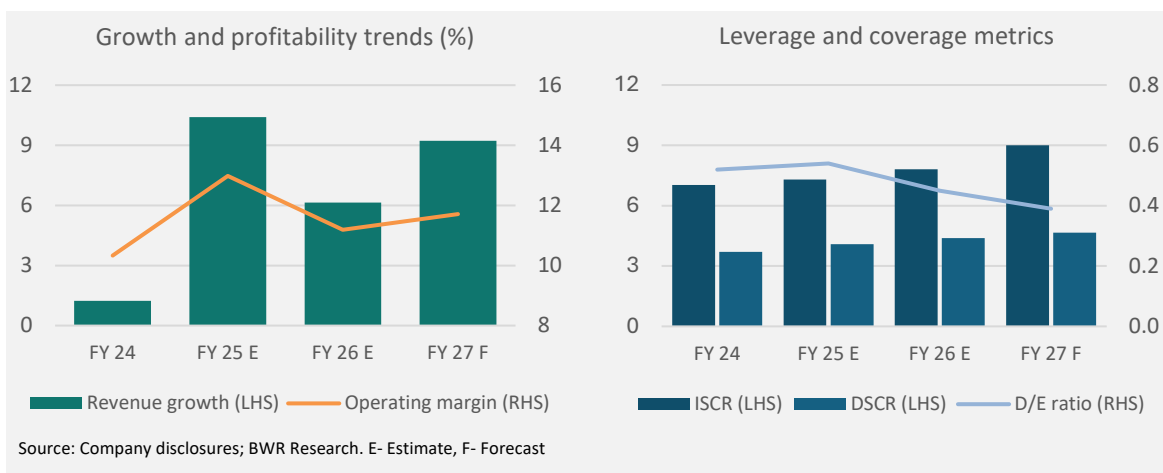
The sector's positive outlook balances rapid sales growth, aided by GST tax cuts, against rising uncollateralized credit risks from easy BNPL and UPI lending. This systemic default exposure is safely managed because companies are maintaining adequate cash accruals, expanding via internal funds, and keeping overall gearing low. By offsetting aggressive digital market expansion with disciplined debt structures, consumer goods operators maintain a reliable buffer against market volatility through FY27.



Revenue growth	Operating margin	Gearing	Interest coverage	Debt service coverage
Stable 3% to 10%	Improving 10% to 15%	Very low 0.0 to 0.5	Very healthy ≥8.0	Very healthy ≥3.0

About the sector: Spanning packaged foods, dairy value-added products, and premium seafood exports, the sector is undergoing structural formalization. Growth is anchored by investments in robust post-harvest infrastructure, such as cold chain networks, and the digitalization of farm-to-fork supply chains to optimize traceability and efficiency.

Sector performance snapshot: The sector is expected to benefit from INR 40.6 billion government allocation and the INR 20 billion NABARD fund dedicated to strengthening post-harvest infrastructure. Revenue growth and operating margins are mainly driven by strong domestic consumption, policy initiatives, and a rising demand for premium processed value-added foods and high-value seafood exports by FY27. Financial health remains strong with very low gearing and a healthy coverage ratio, as organized players utilize PLI incentives and internal accruals to fund technological upgrades. This superior solvency is anchored by healthy cash flows in the dairy and basmati rice segments, providing a significant cushion against global supply chain pressures. ^{12 13 14}



Analytical interpretation of trends

Revenue and margin dynamics: Revenue growth is accelerating from an estimated 6.1% in FY26 to a projected 9.2% in FY27, driven by surging volume demand for FMCG foods and seafood exports. However, spiking logistics costs and volatile crude oil prices actively drag operating margins from 13.0% in FY25 to 11.2% in FY26, with only a modest recovery projected to 11.7% in FY27, as erratic raw material costs from unpredictable unorganized local mandi prices compound the squeeze. A structural shift toward high-margin premium and value-added foods acts as a partial buffer, preventing a steeper decline in core profitability.

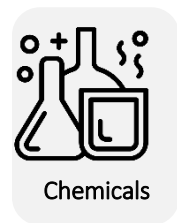
Solvency and resilience: Debt-to-equity ratio is expected to improve to 0.4 in FY27, from 0.5 in FY25. Supported by a strong ISCR of 9.0 and a DSCR of 4.7 in FY27, the sector demonstrates superior solvency. This liquidity is anchored by healthy cash flows in the dairy and basmati rice segments, and across the value chain, ensuring organized processors can self-fund expansions while maintaining a resilient capital structure despite global supply chain pressures.

Key risk and challenges

- **Market fragmentation:** A dominant unorganized presence continues to challenge organized players in maintaining consistent pricing power and brand loyalty.
- **Infrastructure deficit:** Lack of cold chains and warehousing causes 30% wastage of agricultural produce, causing on average INR 900 billion losses every year.

Credit outlook: Stable

The outlook is stable, supported by consistent consumption and structural government incentives. Stability is anchored by record exports and the formalization of agro financing through digital adoption. While capital expenditure is rising to support processing infrastructure, the sector's strong cash flows driven by steady demand and shift towards value added products and institutional support provide a robust cushion against fluctuations in raw material costs through FY27.

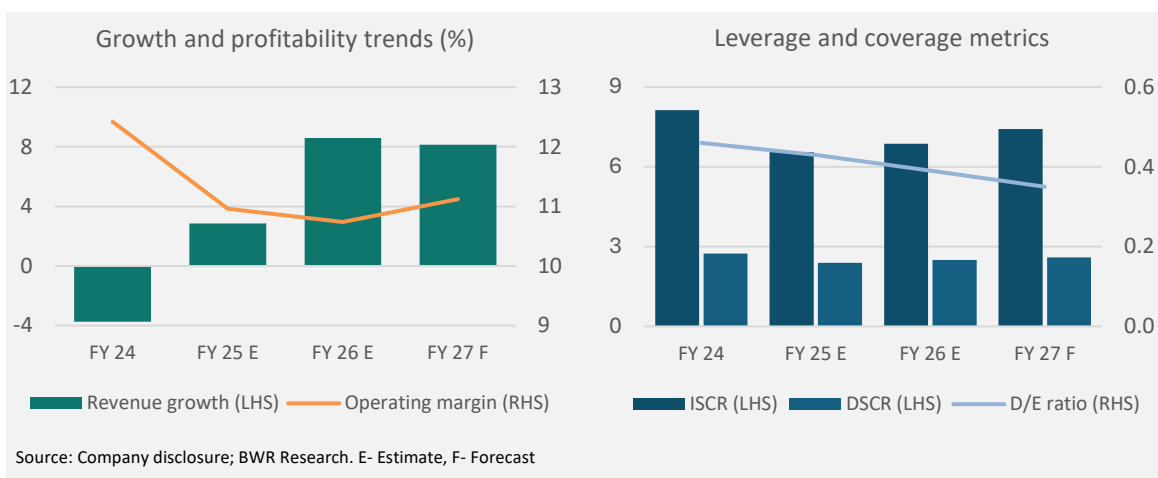


Stable

Revenue growth	Operating margin	Gearing	Interest coverage	Debt service coverage
Stable	Deteriorating	Very low	Healthy	Average
5% to 12%	9% to 12%	0.0 to 0.5	6.0 to 9.0	2.0 to 3.0

About the sector: Covering basic industrial chemicals, fine chemicals, and specialty portfolios, the sector is driving a high-value transition into agrochemicals and performance materials. This strategic diversification into low-volume, high-value chemistry allows manufacturers to mitigate global price volatility and establish defensible market positions.

Sector performance snapshot: The sector is gaining momentum from the Union Budget's INR 6 billion allocation for three chemical parks and a projected 10.9% production surge in 2026. Deep manufacturing linkages with domestic refineries are allowing firms to pivot into high-margin fine chemicals and agrochemicals, partially cushioning the deteriorating operating margin trend driven by import competition. This shift is generating massive internal cash reserves, supplemented by INR 43.3 billion in mobilized API investments. By using this cash to self-fund capacity expansions, companies maintain low gearing and healthy debt coverage, providing a resilient financial cushion against low-cost import dumping. ^{15 16 17}



Analytical interpretation of trends

Revenue and margin dynamics: After a 3.8% revenue contraction in FY24 and a flat 2.9% recovery in FY25 due to aggressive Chinese dumping. Now revenue growth is expected to rebound at 8.1% in FY27, supported by specialty chemical segment, a shift towards high margin custom manufacturing and high-value specialized chemicals. However, margins are expected to decline to 10.7% in FY26 and partially recover to 11.1% by FY27 as manufacturers pivot toward high-margin specialty chemicals and custom manufacturing. This structural shift, combined with stabilizing feedstock prices, supports a gradual recovery but does not fully offset near-term profitability deterioration.

Solvency and resilience: The sector exhibits superior solvency, with its debt-to-equity ratio projected at a conservative 0.4 in FY27 alongside a robust 7.4 ISCR in FY27. This clean balance sheet gives companies the financial headroom to pursue substantial debt-funded capex in high-value specialty chemical expansions without overleveraging. Supported by a projected DSCR of 2.6 in FY27, this strong cash generation creates a highly resilient safety net. Consequently, major players can easily absorb near-term cash shocks from global price drops while fully sustaining their long-term expansion goals.

Key risk and challenges

- **Import risks:** Surging, low-cost imports from China continue to depress prices for basic chemicals, necessitating a faster pivot to specialty segments.
- **Input cost volatility:** Fluctuations in feedstock prices and energy costs remain a threat to operating margins, requiring high operational efficiency to maintain competitive delivery standards.

Credit outlook: Stable

The outlook is stable, supported by strong domestic demand from the specialty chemicals segment, regulatory easing and benefits arising out of past capex, as most of capex completed by FY27. However, structural pressure from Chinese exports remains an ongoing challenge. Stability is anchored by comfortable leverage and strategic diversification into specialized products. As the industry scales toward 2030, its robust fundamental cash flows and government support provide a significant buffer against near-term discretionary spending slowdowns and global supply-chain intermittency.



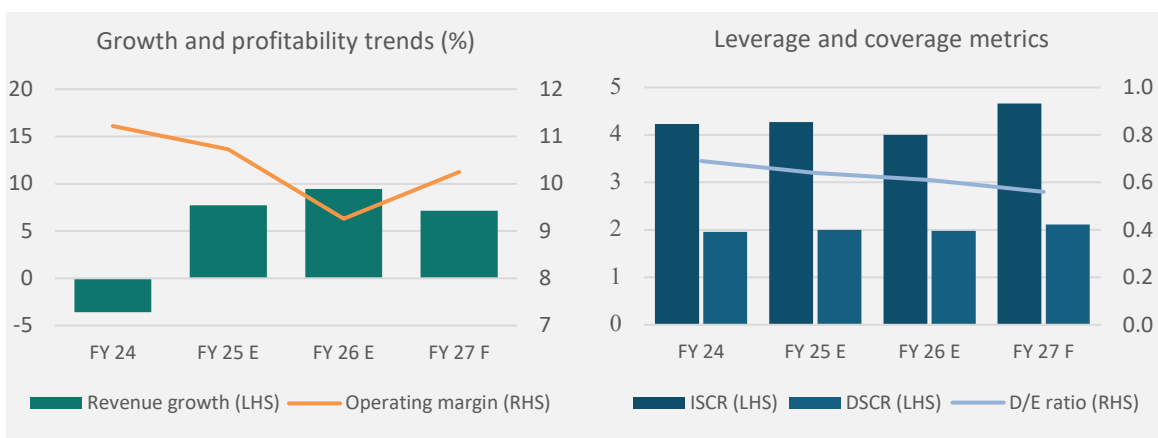
Textiles

Stable

Revenue growth	Operating margin	Gearing	Interest coverage	Debt service coverage
Stable 3% to 10%	Deteriorating 7% to 10%	Low 0.5 to 1.0	Average 2.0 to 5.0	Healthy 2.0 to 3.0

About the sector: Including traditional garment manufacturing and high-margin technical textiles for industrial use, the sector is scaling rapidly. Structural growth is anchored by state-of-the-art integrated mega-parks that optimize supply chain clusters for global export competitiveness, while domestic retail fuels consistent volume growth.

Sector performance snapshot: The sector benefits from the PM MITRA scheme, which has operationalized seven mega integrated parks to enhance global competitiveness and scale. Revenue growth and operating margins are supported by 10% to 12% annual growth in the domestic market and a strategic pivot toward technical textiles, targeted to reach a USD 45 billion valuation by 2026. Financial health reflects low gearing and healthy debt service coverage, as firms leverage stabilized cotton prices and government production-linked incentives to modernize technology. This robust solvency ensures organized players can navigate export demand volatility and emerging tariffs in Western markets while sustaining high domestic cash flows.^{18 19}



Source: Company disclosures; BWR Research. E- Estimate, F- Forecast

Analytical interpretation of trends

Revenue and margin dynamics: Revenue growth is estimated to reach 9.4% in FY26 and is projected to 7.2% by FY27, helping the sector counter weak global exports and overseas trade friction. This international slump originally dragged operating margins to 11.2% in FY24. However, margins are expected to decline to 9.3% in FY26 and partially recover to 10.3% by FY27 as manufacturers pivot toward high-margin technical textiles. This structural shift, combined with stabilizing raw cotton prices, supports a gradual recovery but does not fully offset near-term profitability deterioration.

Solvency and resilience: The sector's debt-to-equity ratio is projected to improve to 0.6 in FY27 from 0.7 in FY24, as government incentives and robust domestic sales allow firms to pay down debt. This deleveraging secures an interest coverage of 4.7 and a DSCR of 2.1 in FY27, freeing up the liquidity needed to fund technological upgrades. Paired with a sharp moderation in inventory levels, this financial cushion ensures organized players can easily absorb geopolitical tensions and tariff shocks in the US and Europe while scaling up production for the growing home textile segment.

Key risk and challenges

- **Export vulnerability:** Emerging tariffs threaten to make Indian products less competitive, increasing the risk of order cancellations and intense competition from Vietnam and Bangladesh.
- **Inventory stress:** While improving, high inventory levels in specific segments could lead to localized liquidity constraints for smaller and non-diversified manufacturers.

Credit outlook: Stable

The outlook is stable, driven by expected Free Trade Agreements (FTAs) with the UK and EU, scale efficiencies, and export diversification and domestic demand driven by rising per capita income. Stability is anchored by consistent 10% to 12% domestic market growth and proactive government support through PM Mitra Parks. While apparel manufacturers face near-term pressures, the industry's role in essential supply chains and the rapid scaling of technical textiles provide a resilient foundation. As cotton prices remain stable, the sector is well-positioned to sustain its debt obligations and manage operational performance through FY27.²⁰



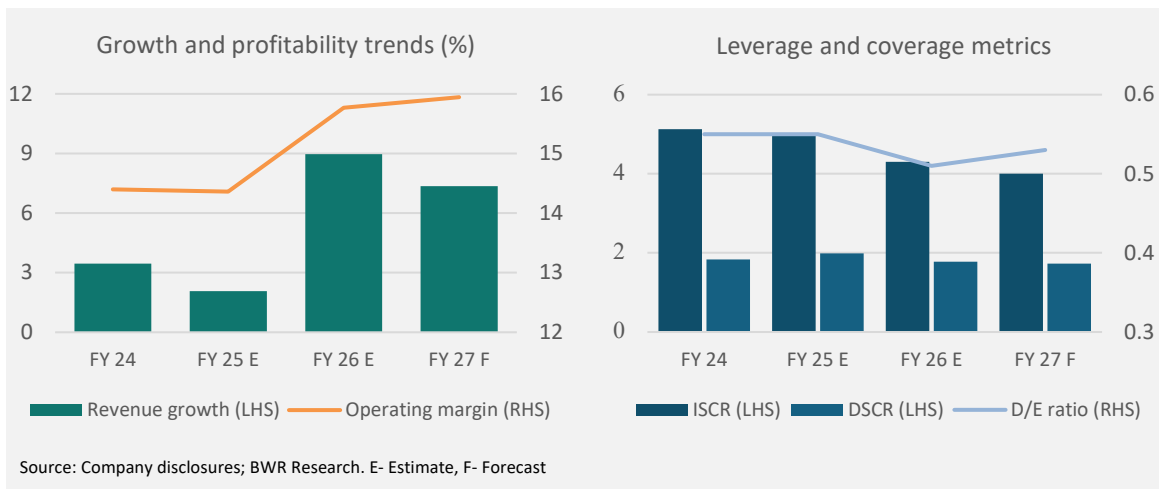
Metal and metal products

Stable

Revenue growth	Operating margin	Gearing	Interest coverage	Debt service coverage
Stable	Improving	Low	Average	Average
3% to 10%	15% to 20%	0.5 to 1.0	2.0 to 5.0	1.0 to 2.0

About the sector: Comprising crude steel and vital non-ferrous metals, this sector leverages strong industrial demand to act as the primary manufacturing and structural backbone for national infrastructure and construction.

Sector performance snapshot: India's crude steel output rose 10.7% to 168.4 million tonnes in FY26, driven by domestic demand, infrastructure, construction, railways, and manufacturing, sustaining industrial momentum. Revenue growth and operating margins are recovering because domestic Hot Rolled Coil (HRC) prices rebounded to INR 53,800 per tonne in FY26, following new safeguard duties, alongside a 35.9% surge in finished steel exports. This strong cash generation allows major players to maintain low gearing by self-funding brownfield expansions toward the 300 million tonnes capacity target for 2030, keeping coverage ratios stable despite high coking coal costs triggered by West Asia conflicts.^{21 22 23}



Analytical interpretation of trends

Revenue and margin dynamics: Revenue growth is estimated to spike to 9.0% in FY26 from 2.1% in FY25, driven by an infrastructure demand surge across roads, railways, and defense. This recovery is amplified by a sharp rebound in domestic HRC prices, pulling operating margins up from 14.4% in FY25 to 15.8% in FY26. In FY27, revenue growth is projected to normalize at 7.4% and margins at 15.9% as this initial pricing shock stabilizes. This transition is a healthy baseline correction, as core profitability remains protected from global price volatility due to domestic demand.

Solvency and resilience: The industry's debt-to-equity ratio is expected to stay flat at 0.5 through FY27. This low leverage gives major players the balance sheet room to raise fresh debt for green tech upgrades and capital expansions without stressing their credit profiles. At the same time, operating cash flows from ongoing businesses are expected to cover debt matrices strongly, holding interest coverage estimated at a healthy 4.3 in FY26 and a projected DSCR at 1.7 by FY27. This mix of low debt and steady cash lets companies fund their growth and acquire smaller rivals while staying competitive globally.

Key risk and challenges

- **Global competition:** Persistent risks from low-cost Chinese imports and global overcapacity can disrupt domestic pricing dynamics.
- **Transition costs:** Intense pressure to invest in sustainable manufacturing (Green hydrogen) requires significant capital, potentially stretching balance sheets of non-integrated players.

Credit outlook: Stable

The sector's outlook is stable, backed by an ongoing domestic steel upcycle and key policy changes. A major driver is the vehicle scrappage policy, which creates a steady loop by generating cheap domestic scrap metal for production while boosting new vehicle sales. At the same time, growth in base metal mining like zinc for galvanized steel creates a reliable domestic supply chain. Because these local demand channels are locked in, factories are running at high capacity. This stable production keeps fixed costs low, ensuring healthy cash flows and market consolidation that will shield companies from global price shocks through FY27.

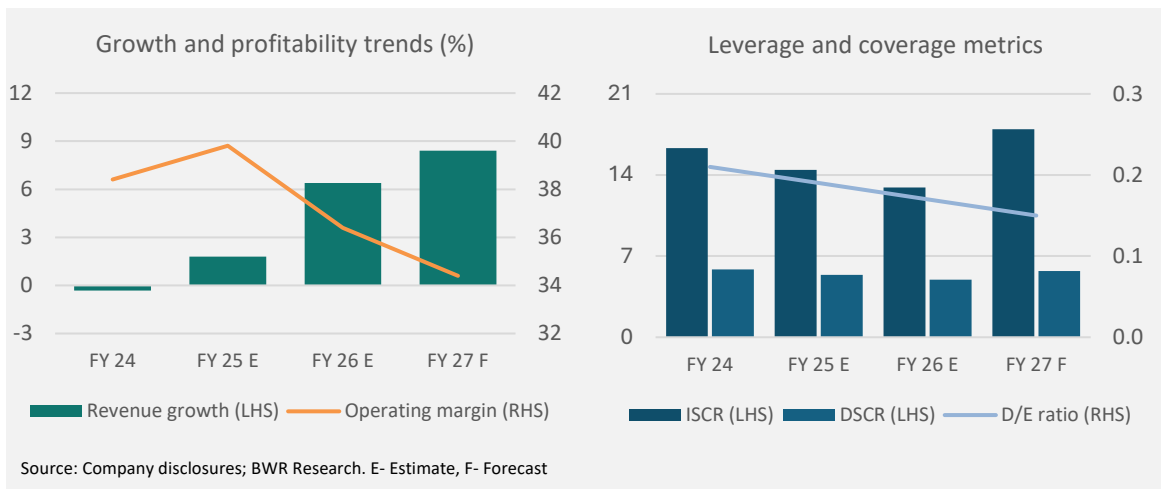


Stable

Revenue growth	Operating margin	Gearing	Interest coverage	Debt service coverage
Stable	Stable	Very low	Very healthy	Very healthy
3% to 10%	>20%	0.0 to 0.5	>=8.0	>=3.0

About the sector: The sector encompasses the extraction of critical minerals and base metals vital to global industrial supply chains. Currently navigating a prolonged structural upcycle, the industry is strategically focused on resource security and mineral sovereignty to feed domestic manufacturing pipelines.

Sector performance snapshot: The sector is in a structural upcycle, supported by the National Critical Mineral Mission securing supply chains. Growth is led by the National Mineral Development Corporation (NMDC), which achieved a 100.3% net sales surge in Q4 FY26 following a record 53 million tonnes produced over the full year. Operating margins are partially supported by a 20% Year-on-Year revenue rise in base metals like zinc and the Mines and Minerals Development and Regulations (MMDR) Amendment Act 2026, though near-term input cost pressures continue to weigh on overall profitability. This policy change creates a reliable cash stream, keeping gearing low and coverage ratios healthy as firms comfortably self-fund brownfield expansions and aggressive mineral block auctions.^{24 25}



Analytical interpretation of trends

Revenue and margin dynamics: Revenue growth is estimated to accelerate from 1.4% contraction in FY25 to 6.4% in FY26 due to robust domestic steel and infrastructure demand. It is projected at 8.4% in FY27, supported by a shift from muted performance to high demand in steel, aluminum, and zinc. Operating margins are estimated to contract to 36.4% in FY26 from 38.4% in FY24 due to elevated input cost pressures and supply surges, before recovering to a projected 34.4% in FY27. Profitability is expected to be benefited by the MMDR Amendment Act, which allows captive mines to sell 50% of production in the open market, and the National Critical Mineral Mission's focus on reducing import dependence, which cushions against margin pressures from global commodity price volatility.

Solvency and resilience: Debt-to-equity ratios are projected to drop to a lean 0.2 by FY27 as mining companies use massive cash windfalls to clear down their borrowings. This exceptional cash generation easily covers the money tied up in high mining inventories while fully paying for large-scale factory expansions from internal accruals. As companies are not dependent on new bank loans for their growth, their debt is falling rapidly, pushing the projected DSCR to 5.7 in FY27 and the strong ISCR of 18.0 in FY27. This combination of low debt and high coverage gives operators a major financial cushion to absorb rising construction costs without hurting their bottom line.

Key risk and challenges

- **Operational cost pressures:** Elevated energy prices and the adoption of stricter Construction Equipment Vehicle Stage V (CEV-V) emission norms for mining equipment are expected to squeeze margins and increase project execution costs.
- **Regulatory and macro risks:** Potential delays in environmental clearances and land acquisition, alongside geopolitical tensions in West Asia, pose risks to project timelines and working capital stability for FY27.

Credit outlook: Stable

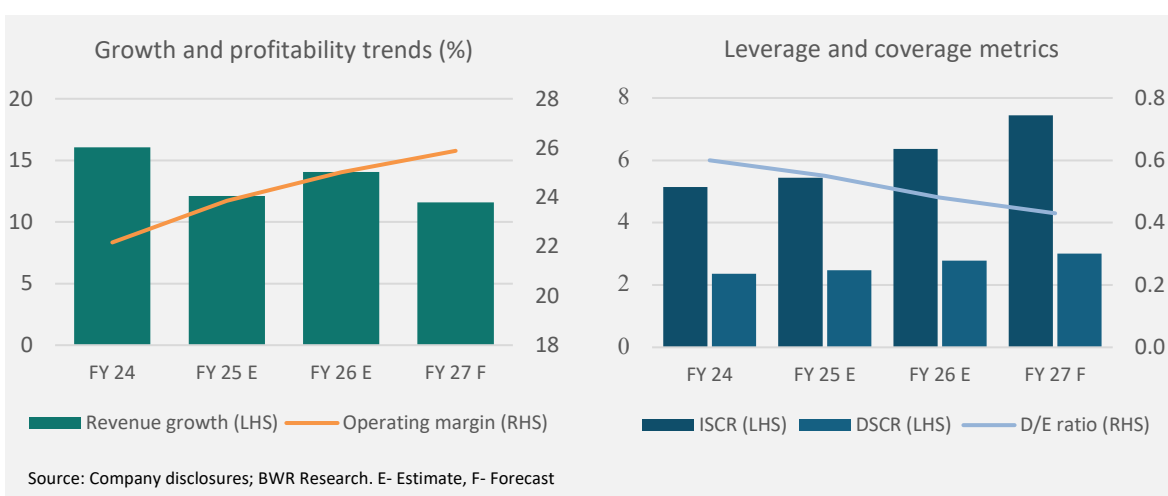
The outlook is stable, driven by sustained high domestic demand and transformative policy support. Stability is anchored by improved leverage and lower debt levels among major miners. As sectoral volume growth is projected to accelerate to 6% to 8% in FY27, industry's low leverage provides a cushion against global headwinds, though the ongoing moderation in operating margins warrants monitoring as input cost pressures work through established players.²⁶



Revenue growth	Operating margin	Gearing	Interest coverage	Debt service coverage
Moderately positive 12% to 18%	Improving >24%	Very low 0.0 to 0.5	Healthy 6.0 to 9.0	Average 2.0 to 3.0

About the sector: The sector incorporates corporate hospital operations and advanced diagnostic services, propelled by a growing patient base and rising healthcare awareness. The industry's strategic focus centers on expanding clinical bed capacity in tier-II and tier-III cities, while rapidly scaling dedicated senior care and assisted living platforms.

Sector performance snapshot: The sector is expanding as the Ayushman Bharat rollout to seniors aged 70 and above, effective September 2024, continues to unlock a growing patient base through FY26. While this government scheme increases volume, overall profit margins are protected by high margin medical tourism projected to hit USD 13 billion in 2026 and a focus on complex elective surgeries. This strong cash mix allows hospital chains to self-fund specialty bed expansions into tier II cities from internal accruals. By avoiding expensive new bank debt, companies keep leverage exceptionally low and coverage ratios healthy, ensuring stable credit profiles as they build out senior care infrastructure. ^{27 28}



Analytical interpretation of trends

Revenue and margin dynamics: Revenue growth is estimated to reach 14.1% in FY26 from 12.1% in FY25, driven by steady occupancy and a post expansion surge in elective surgeries. This volume growth, paired with a rising Average Revenue Per Occupied Bed (ARPU), is expected to push FY26 operating margins up to 25%. In FY27, revenue growth normalizes to a projected 11.6% and margins to 25.9% as these initial high value surgical backlogs level off and pricing pressures hit the diagnostics segment. Even with this stabilization, overall profitability remains well anchored by a steady baseline of chronic disease management and rising diagnostic testing volumes in smaller towns.

Solvency and resilience: Debt-to-equity ratios are projected to improve to 0.4 in FY27 from 0.6 in FY24 as mature hospitals generate enough cash to pay for new expansions from internal accruals. This strong internal cash flow easily covers the high fixed setup costs of adding beds in tier II cities and building out home healthcare platforms. As companies are having less dependency on bank loans for growth, debt service metrics remain adequate, with a healthy interest coverage of 7.4 in FY27 and a average DSCR of 3.0 in FY27. This self-funding model ensures long-term stability while major players scale up operations.

Key risk and challenges

- **Regulatory caps:** Potential government price controls on essential procedures and consumables could compress operating margins for smaller operators.
- **Expansion risks:** Rapid scaling across multiple geographies carries the risk of cost overruns and lower-than-expected occupancy in gestation-period facilities.

Credit outlook: Positive

The outlook is positive, driven by an ageing population and increasing per capita healthcare spending. This expanding patient base ensures that newly added hospital capacity is rapidly absorbed. While the diagnostic segment navigates competitive pricing, the hospital sector's robust internal cash flows and active consolidation provide a substantial financial cushion. Anchored by comfortable debt metrics, the industry maintains a strong performance through FY27.



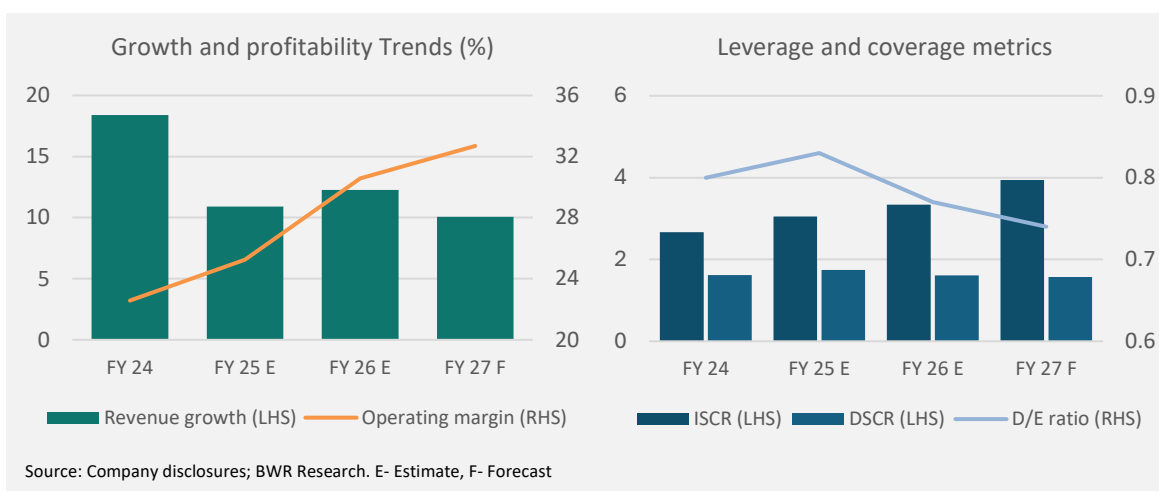
Hotel and tourism

Stable

Revenue growth	Operating margin	Gearing	Interest coverage	Debt service coverage
Moderately positive	Strongly Improving	Low	Average	Average
10% to 15%	>20%	0.5 to 1.0	2.0 to 5.0	1.0 to 2.0

About the sector: The sector is driven by a strong resurgence across luxury, mid-scale, and spiritual tourism segments, catering to both domestic and international travelers. To optimize financial resilience and accelerate scale, the industry is strategically pivoting toward asset-light franchise models and professional management contracts.

Sector performance snapshot: The hospitality sector is in an upcycle, with revenue driven by a projected INR 1,215 billion market size by 2026. This growth is powered by premium weddings and the Meetings, Incentives, Conferences, and Exhibitions segment. Profitability is anchored by Average Room Rates (ARR) moving toward INR 8,800 and the Chalo India initiative targeting a 15% increase in foreign tourists. Financial health is strong because hotel chains are switching to asset light franchise models to expand into tier II and tier III spiritual tourism hubs. By letting local partners own real estate, companies avoid heavy building costs. This keeps debt exceptionally low and ensures robust coverage ratios, as incoming cash easily covers expansion plans without new bank loans. ^{29 30 31}



Analytical interpretation of trends

Revenue and margin dynamics: Revenue growth is estimated to reach 12.3% by FY26 from 10.9% in FY25, driven by ARR rising toward INR 8,800 amid strong demand for premium hotels. Operating margins are expected to peak at 30.6% in FY26 due to price growth and asset light expansions. Further, margins projected to improve to 32.7% in FY27, due to sustained domestic leisure travel and robust corporate demand, even though the West Asia conflict dampens international corporate travel. Profitability remains anchored by domestic concerts and events, while a manageable supply growth of 5% prevents the oversupply risks seen in previous cycles, keeping the baseline stable.

Solvency and resilience: Debt-to-equity ratios are estimated to hold near 0.8 through FY25 as major listed hotel chains balance debt reduction with fresh borrowing for property upgrades. While companies are spending capital on expansions, surging room revenues keep their overall leverage in check. This steady cash generation supports adequate debt servicing capabilities, keeping interest coverage at 3.3 and the DSCR at 1.6 in FY26. This reliable cash flow provides a solid financial cushion, protecting hotel operators from rising construction costs and localized economic downturns while they grow their portfolios.

Key risk and challenges

- **Financing issues:** High-interest rates and the long gestation period for new developments make financing challenging, particularly for new hotel projects.
- **Development lag:** While supply is lagging demand, the high capital outlay for premium projects may slow down the industry's ability to scale rapidly in emerging business hubs.

Credit outlook: Stable

Growth is expected to be strong in luxury hotels, and even faster in mid-scale and budget hotels due to increased business travel and improved tourism infrastructure. Stability is anchored by record occupancy levels and improved financial profiles resulting from lower capital expenditure. As industry scales into budget segments and leverages high-margin mice activities, the resulting cash flow strength provides a significant cushion against potential volatile global economic conditions. However, the sector faces risk from West Asia conflicts, rising operating costs, which may result in low traveling across the globe and tourism financing.



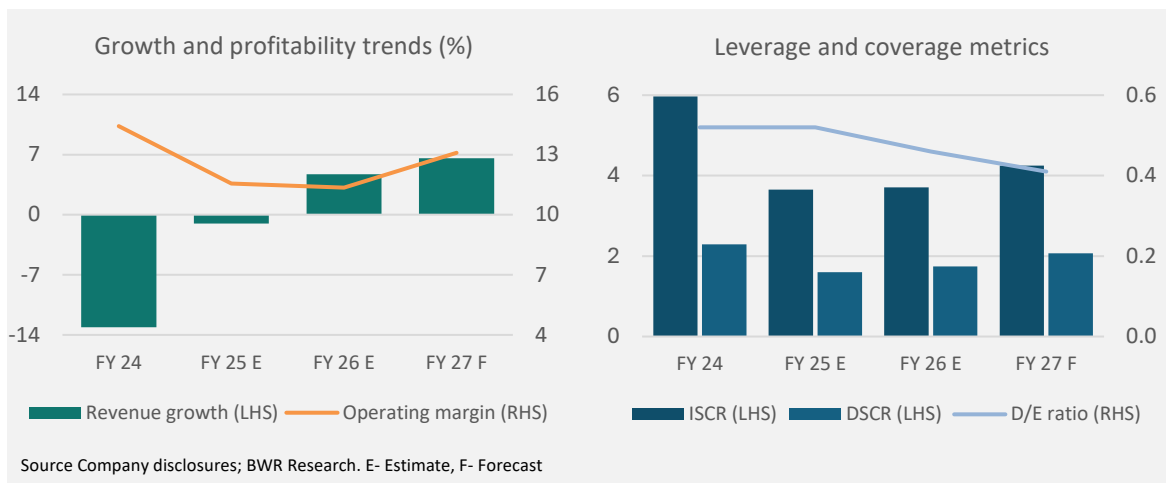
Paper, newsprint

Stable

Revenue growth	Operating margin	Gearing	Interest coverage	Debt service coverage
Stable	Stable	Very low	Average	Healthy
1% to 7%	12% to 16%	0.0 to 0.5	1.0 to 4.0	1.25 to 2.0

About the sector: Producing writing, printing, and sustainable packaging papers, the sector is navigating a major structural shift. Plummeting traditional newsprint volumes are being countered by a massive spike in packaging demand, fueled by the global transition to plastic-free alternatives.

Sector performance snapshot: The sector is growing at 6% to 8% annually, led by an 8.2% surge in packaging from e-commerce and consumer goods. While mills face wood fiber shortages, they are keeping capacity utilization at 95% by using recycled fiber. Operating Margins are protected because the government is probing cheap paperboard imports from China and Indonesia, preventing foreign price undercutting. This regulatory support secures local profits and generates adequate cash flows, allowing major mills to self-fund green technology upgrades, keeping leverage very low and coverage metrics at average to healthy levels. As a result, debt remains very low and coverage ratios stay healthy. ^{32 33 34}



Analytical interpretation of trends

Revenue and margin dynamics: Revenue growth is recovering to an estimated 4.7% in FY26, reversing a severe 13.1% contraction in FY24. This historic drop occurred because cheap ASEAN and Chinese imports flooded the market, undercutting domestic prices and dragging operating margins to 11.6% in FY25 from 14.4% in FY24. The turnaround to a projected 13.1% margin in FY27 hinges entirely on recent anti-dumping interventions, which imposed strict import duties to eliminate predatory foreign undercutting. By restoring a fair domestic pricing floor alongside stabilizing global hardwood pulp costs, local mills can finally convert their high e-commerce driven packaging utilization exceeding 95% into actual bottom-line profitability.

Solvency and resilience: The industry's financial health is strengthening, with leverage projected to improve to 0.4 by FY27 from 0.5 in FY24, as manufacturers pivot away from the declining newsprint market. Surging profits from e-commerce paperboards and sustainable packaging are funding this shift. Because these new segments are highly profitable, companies can cover factory expansion costs from internal accruals while paying down debt. This self-funded model keeps debt service metrics healthy, leading to an estimated ISCR of 3.7 in FY26 and a DSCR of 1.7 in FY26.

Key risk and challenges

- **Structural demand shift:** Rapid digitalization is driving a structural decline in the demand for writing and printing paper (WPP) and newsprint.
- **Import and volatility:** A surge in low-cost imports remains a risk to domestic realizations. Additionally, any resurgence in pulp or raw material costs could strain the recovery in operating profit margins.

Credit outlook: Stable

The outlook is stable, driven by robust demand in the packaging segment and a steady recovery in institutional consumption. Stability is anchored by improved operational efficiencies, booming e-commerce demand and the resilience of essential supply chains (Pharmaceuticals/FMCG). While newsprint faces long-term challenges, the industry's shift toward sustainable production and its strong capacity utilization provide a resilient foundation for healthy credit profiles through FY27.



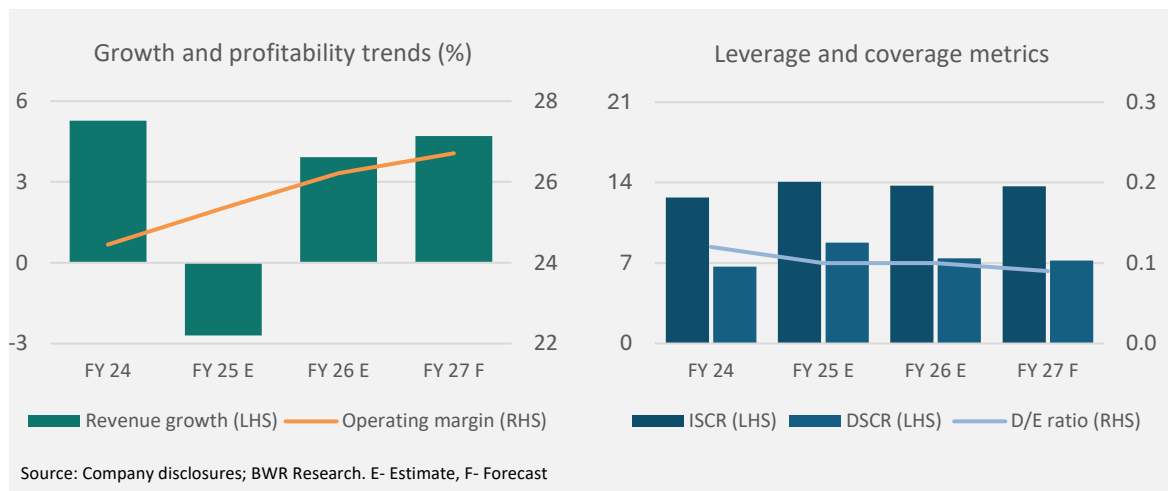
Media print

Stable

Revenue growth	Operating margin	Gearing	Interest coverage	Debt service coverage
Stable 1% to 7%	Improving >16%	Very low 0.0 to 0.5	Very healthy ≥7.0	Very healthy ≥2.0

About the sector: Focusing on newsprints and periodical journalism, the sector continues to command high consumer trust, particularly across hyper-local vernacular demographics. The industry is currently executing digital transformation, transitioning away from legacy ad-dependency toward diversified, hybrid digital-subscription models to ensure sustainable growth.

Sector performance snapshot: The sector is supported by a 26% hike in government advertisement rates effective from December 2025 and a 4.5% rise in newspaper advertising, projected to reach INR 170.9 billion in 2026. This revenue growth sustains India's massive print readership of over 400 million. Operating margins are expanding because newsprint costs dropped 18% to 20% while corporate ad volumes remain high. This profitability translates into strong cash reserves, allowing major players to maintain a debt free, net cash status. Publishers are using this internal cash to fund digital transitions, aided by the government's Press Sewa Portal which has digitized over 1.5 lakh records to lower administrative costs and keep coverage ratios healthy.^{35 36}



Analytical interpretation of trends

Revenue and margin dynamics: Revenue growth is projected to reach 4.7% in FY27, recovering from a 2.7% contraction in FY25 as digital media expansions and localized ad expenditures gain traction. Operating margins are expected to improve to 26.2% in FY26 and remain at 26.7% in FY27 as cost pressures ease out. This profitability is anchored by high margin vernacular dailies in tier II and tier III cities, which outpace English publications. While print faces a modest long term growth rate, the strong credibility of regional publications and rising purchasing power in smaller markets sustain resilient hyper local advertising demand.³⁷

Solvency and resilience: The debt-to-equity ratio is projected to drop marginally from 0.1 in FY26 to 0.09 by FY27. This minimal reliance on leverage ensures that coverage metrics remain highly robust, with the ISCR at 13.7 and DSCR at 7.4 in FY26, moving to 13.7 and 7.2 respectively by FY27. Because traditional print operations require very little fresh capital expenditure, publishers continuously accumulate large cash surpluses. These internal reserves allow companies to fully self-fund their digital transitions and subscription models from internal accruals, completely protecting their credit profiles from debt risks.

Key risk and challenges

- **Weak rural penetration:** While digital is growing, the reach and infrastructure for digital advertising in rural India are still evolving, leaving a digital-print hybrid challenge.
- **Macroeconomic sensitivity:** Profitability is highly susceptible to economic downturns, which directly affect corporate ad-spend budgets, and fluctuations in global newsprint costs.

Credit outlook: Stable

The outlook is stable, supported by a resurgence in advertising revenue and a strong, highly credible readership base that keeps traditional print volumes resilient. This reliable revenue engine requires low ongoing capital expenditure, allowing publishers to convert profits directly into large cash surpluses. While digital competition persists, this high liquidity gives major players a robust financial cushion. It allows them to fully self-fund their own digital technology upgrades from internal accruals rather than relying on debt, ensuring they maintain stable credit profiles through FY27.



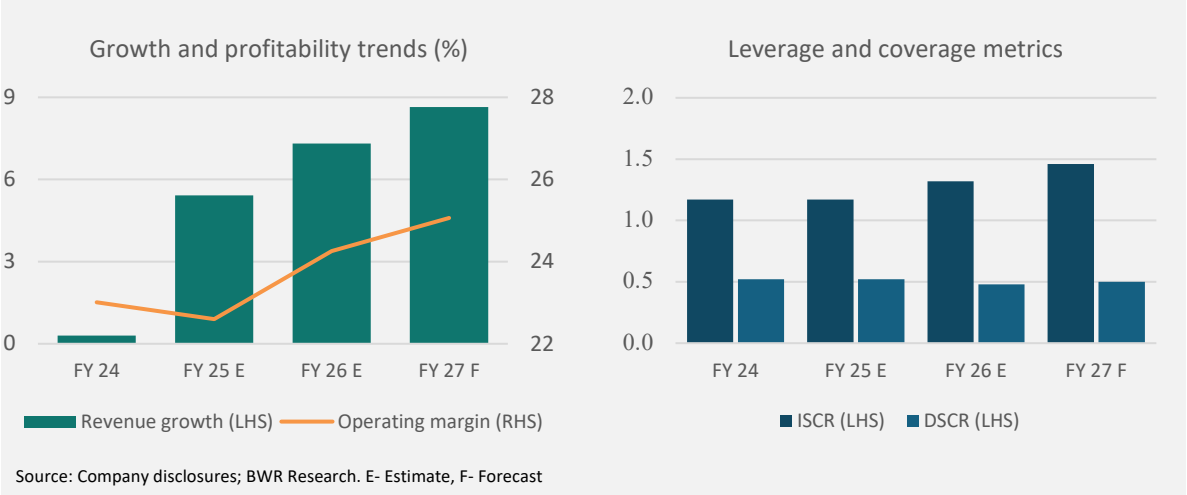
Infrastructure roads

Stable

Revenue growth	Operating margin	Interest coverage	Debt service coverage
Stable	Improving	Below average	Weak
3% to 10%	>20%	0.0 to 2.0	< 0.5

About the sector: The sector focuses on the development of national highways, expressways, and high-speed corridors. Capital efficiency is achieved through innovative monetization frameworks such as Toll Operate Transfer (TOT) and Infrastructure Investment Trusts (InvITs), ensuring sustained liquidity for ongoing project.

Sector performance snapshot: The sector is targeting 10,000 km of new project allocations in FY27, but execution is bottlenecked by high corporate debt and a 15% cost overrun across 1,100 existing large projects, which keeps debt service coverage weak. To overcome these funding constraints, the industry is shifting toward Hybrid Annuity Model (HAM) and Build-Operate-Transfer (BOT) contracts to better distribute project risks. Simultaneously, developers are executing INR 400 billion asset monetization plan through InvITs. By selling off operational, toll-yielding highways to these trusts, companies are unlocking tied-up equity to pay down corporate debt. This de-leveraging process, supported by inflation-linked toll revenues and integration with VAHAN database, frees up the necessary capital to pursue new highway projects with reduced risk.^{38 39 40}



Analytical interpretation of trends

Revenue and margin dynamics: Accelerated construction on existing project backlogs is lifting sector revenue growth to 7.3% in FY26 and 8.6% in FY27. This faster execution, combined with cooling steel and bitumen prices, is pushing operating margins up to 24.3% in FY26 and 25.1% in FY27. Rising traffic volumes across completed national highway stretches further protect these profit margins by spreading fixed operational costs over a much larger revenue base.

Solvency and resilience: Unpaid bills and delayed project sites continue to trap actual cash, keeping the debt service coverage ratio weak at 0.5 across FY26 and FY27, while interest coverage stays tight at 1.3 and 1.5. Developers are actively selling operational highways to investment trusts to unlock frozen capital. This immediate cash influx provides the vital liquidity needed to pay down corporate bank debt and fund new project bidding.

Key risk and challenges

- **Counterparty risk in state projects:** The shift towards state-led projects increases risk, as state-level entities often have longer receivable cycles and higher counterparty risks compared to NHAI.
- **Competitive bidding:** Companies are winning new contracts by bidding very low prices just to secure work. However, when steel and fuel costs suddenly spike, these fixed price contracts destroy their profit margins.

Credit outlook: Stable

The outlook is stable, supported by resilient toll traffic and a structural shift toward sustainable private financing models. While new project allocations might experience brief execution delays, the government's focus on high-speed corridors ensures a steady long-term pipeline. Operating margins remain strong, though largely absorbed by high leverage; aggressive asset monetization through investment trusts provides the primary near-term credit support. This self-funded model allows construction firms to manage localized cost overruns and lower their balance sheet leverage through FY27.



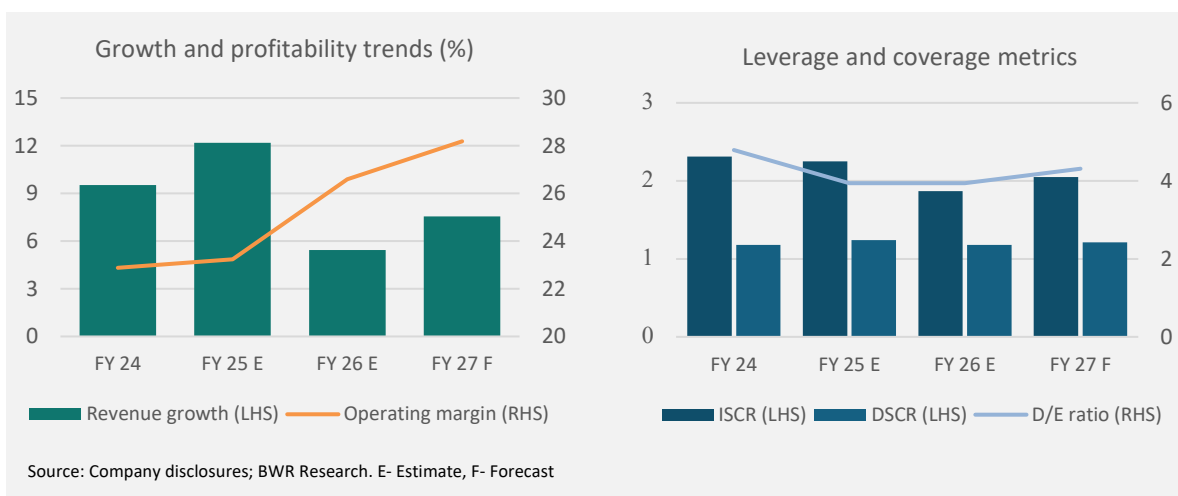
Transport service

Stable

Revenue growth	Operating margin	Gearing	Interest coverage	Debt service coverage
Stable	Strongly improving	Very high	Below average	Average
3% to 10%	>20%	> 3.0	0.0 to 2.0	1.0 to 2.0

About the sector: Covers Road logistics and commercial freight services vital for internal trade. Backed by proactive national policies and unified GST reforms, the sector is rapidly shedding its legacy fragmentation to emerge as a highly formalized, compliance-driven logistics market.

Sector performance snapshot: The sector is growing steadily at 8% each year and aims to reach a USD 362 billion value by 2030. Steady freight volumes, booming e-commerce, and the rapid formalization of road logistics are driving both revenue growth and healthier operating margins. Notably, Goods and Services Tax (GST) reforms have successfully elevated the organized market to an 80% share. On the financial front, heavy borrowing to fund fleet expansions has resulted in high gearing and below average interest coverage. However, these debt burdens are kept manageable by resilient domestic manufacturing activity, which holds an 18% market share, alongside better cash flow visibility brought on by widespread digital adoption.⁴¹



Analytical interpretation of trends

Revenue and margin dynamics: As the industry loses bulk freight volumes to rail and sea alternatives, revenue growth is decelerating sharply to 5.4% in FY26 from 12.2% in FY25. Growth is projected to recover to 7.6% by FY27, driven by improved infrastructure links across ports and dedicated freight corridors. Meanwhile, operating margins improved modestly from 22.9% in FY24 to 23.2% in FY25 despite elevated fuel costs and muted trade activity, before improving to an estimated 28.2% in FY27 as capacity utilization improves.

Solvency and resilience: Heavy capital debt persists as logistics firms aggressively fund warehousing hubs and terminal networks, keeping the debt-to-equity ratio high at 3.9 in FY26 and 4.3 in FY27. This high leverage is counterbalanced by steady manufacturing activity, which generates sufficient cash flow to keep debt servicing manageable. Interest coverage remains below average at 1.9 in FY26, edging to 2.1 in FY27, while the debt service coverage ratio holds at ~1.2 across FY26 and FY27, reflecting the high leverage burden even as organized players benefit from steady freight volumes.

Key risk and challenges

- **Operational expense risk:** Profitability is highly sensitive to rising operating expenses and fluctuations in fuel and maintenance costs and potential disruptions in exports to West Asia.
- **Competitive intensity:** High intensity competition among unorganized players continues to moderate the operational performance and pricing power of some organized entities.

Credit outlook: Stable

The outlook is stable, driven by consistent domestic freight demand and steady growth across the broader logistics market. This stability is further anchored by consistent government capital expenditure on infrastructure and steady, long-term growth across the broader logistics market. While debt levels remain elevated to fund network expansion, the ongoing shift toward digital adoption and supportive tax reforms provides a resilient financial foundation. Ultimately, as road transport maintains its dominance, the sector is well-positioned to comfortably sustain its debt obligations while scaling services to meet national goods demand through FY27.



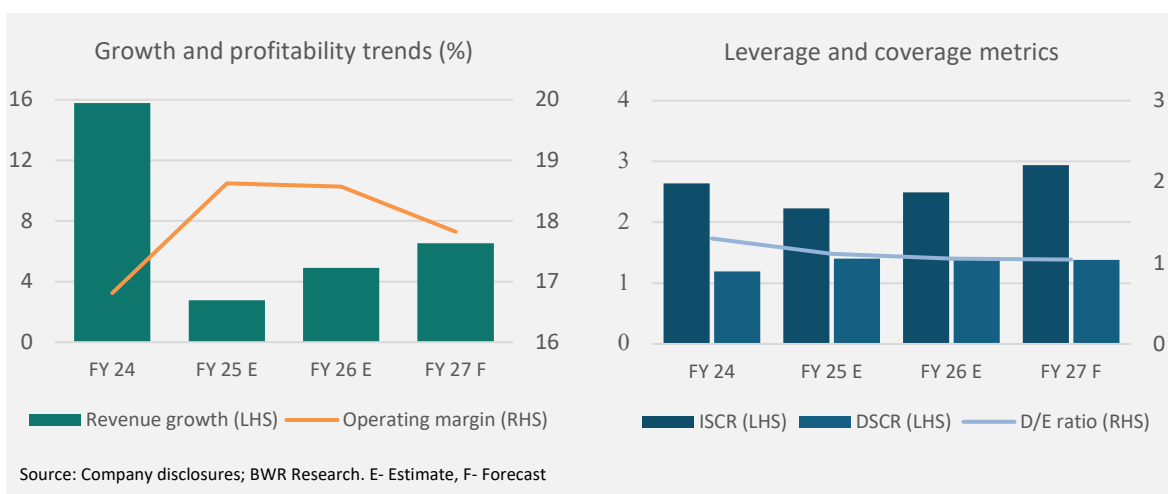
Infrastructure construction

Stable

Revenue growth	Operating margin	Gearing	Interest coverage	Debt service coverage
Stable	Improving	Average	Average	Average
3% to 10%	15% to 20%	1.0 to 2.0	2.0 to 5.0	1.0 to 2.0

About the sector: The sector encompasses the engineering, procurement and construction (EPC) of critical transport infrastructure, including high-speed road corridors and multi-modal logistics hubs. Catalyzed by national asset-creation policies and regulatory reforms, the industry is transitioning toward highly formalized, tech-driven EPC framework.

Sector performance snapshot: The sector is supported in 2026 by high-intensity execution of the National rail plan and PM Gati Shakti projects. This momentum drives revenue growth and operating margins through the rapid scale-up of multi-modal logistics parks and diversification into high-growth sub-sectors like data centers. However, capital-intensive project cycles cause average gearing and interest coverage. To manage this resulting average debt service coverage, operations are safely sustained using improved credit access from public sector banks and tech-enabled monitoring that enhances asset turnover. ^{42 43}



Analytical interpretation of trends

Revenue and margin dynamics: Sector revenue growth has decelerated from 15.8% in FY24 to 4.9% in FY26, driven by a slowdown in new order awards from MoRTH and NHAI, with growth projected to rebound to 6.5% in FY27 as government capital expenditure accelerates across the National Infrastructure Pipeline. This order slowdown, combined with aggressive bidding and volatile raw material prices, is simultaneously squeezing profitability, and because contractors face limited price-escalation clauses, operating margins are expected to improve to 18.6% in FY26 and 17.8% in FY27, approaching the lower boundary of the improving range and signaling a risk of further deterioration if input cost pressures persist.

Solvency and resilience: This severe margin compression is counterbalanced by aggressive balance sheet deleveraging, with the debt-to-equity ratio tracking downward from 1.1 in FY25 to 1.0 in FY27. By systematically paying down principal debt, construction firms are reducing their absolute interest obligations. This reduction in finance costs allows the interest coverage ratio to improve from 2.2 in FY25 to 2.5 in FY26 and 2.9 in FY27, while the debt service coverage ratio holds steady at 1.4 across the years, ensuring the sector remains solvent despite shrinking operational profits.

Key risk and challenges

- **High working capital and financial constraints:** Infrastructure projects are capital-intensive, leading to high leverage, substantial bank guarantee requirements, and a high risk of NPAs for banks.
- **Execution and cost risks:** Regulatory hurdles and the implementation of CEV Stage V emission norms for construction equipment are raising acquisition costs, potentially impacting short-term liquidity.

Credit outlook: Stable

The outlook is stable, supported by a strategic shift toward complex, high-margin segments like high-speed rail and power transmission corridors. While a temporary slowdown in government project awarding caps near-term revenue growth, a massive backlog from the national infrastructure pipeline provides a reliable execution cushion. This stable performance is fundamentally protected by aggressive corporate deleveraging. By systematically lowering total debt and shrinking their interest burdens, construction firms maintain adequate debt-servicing capabilities with moderate coverage metrics, ensuring credit quality remains stable through FY27.



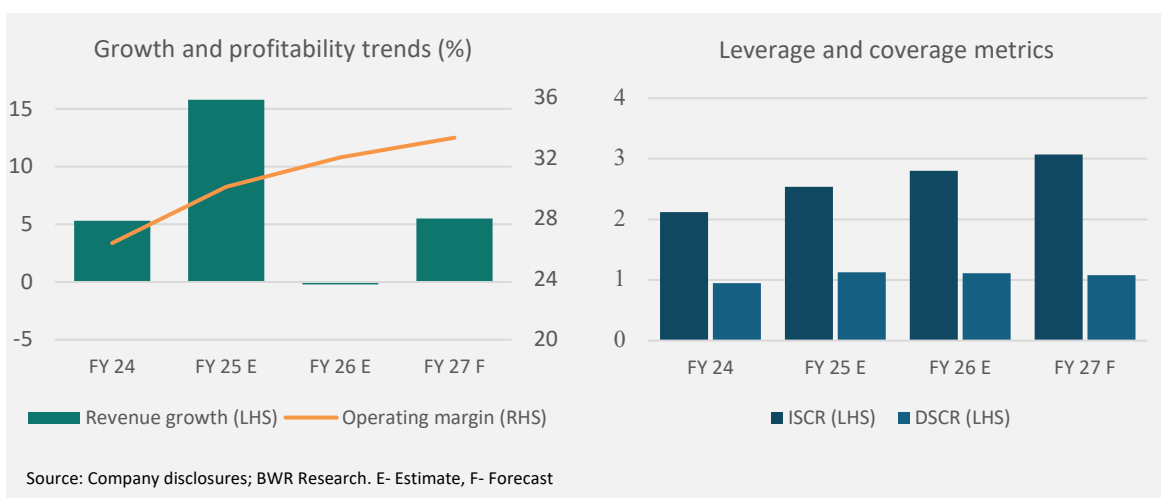
Real estate

Stable

Revenue growth	Operating margin	Interest coverage	Debt service coverage
Moderately negative 0% to 3%	Improving >20%	Average 2.0 to 5.0	Average 1.0 to 2.0

About the sector: This industry covers everything from home building to specialized commercial properties like data centers. Most of the current market activity comes from building middle-income apartments and restarting older, delayed building projects.

Sector performance snapshot: The sector is strongly supported by a 31% YoY surge in residential sales across top cities and a 10% to 12% luxury price appreciation in FY25. Because record-low inventory levels partially offset rising construction costs and a strategic shift toward mid-income housing, revenue growth remains moderately negative in the near term while operating margins are improving. Financial health displays low gearing, as top-tier firms consistently choose joint development agreements instead of heavy debt. Furthermore, average coverage ratios are effectively maintained through strong pre-sales collections and successfully unlocking stalled projects via the Special Window For Affordable and Mid-Income Housing (SWAMIH) fund. ^{44 45 46}



Analytical interpretation of trends

Revenue and margin dynamics: Sector revenue growth is decelerating sharply to -0.2% in FY26 from 15.8% in FY25 due to price volatility in commercial and residential properties, before recovering to 5.5% in FY27 on strong luxury housing demand. Concurrently, a heavy mix of low-priced mass-market developments has stripped builders of pricing power, operating margins slightly improving from 30.1% in FY25 to 32.0% in FY26. Operating margin is expected to stabilize at 33.3% in FY27 as inventory clears and the sales mix shifts toward higher-margin premium residential projects, data centers, and warehousing spaces.

Solvency and resilience: Low-margin projects and execution delays are drying up cash, forcing firms to take on more mezzanine funding. This rising debt is manageable because companies are backing their largest projects with upfront cash from private equity partners and REIT listings. This investor backing prevents bank liabilities from spiraling out of control. Consequently, interest coverage remains steady at 2.8 in FY26, and the debt service coverage ratio stays functional at 1.1 in FY26, giving firms the financial breathing room to keep operations running smoothly.

Key risk and challenges

- **Unsold property backlog:** Major real estate hubs like Mumbai and Pune have enough unsold housing stock to last over 30 months. This heavy supply is expected to delay sales and hurt cash flows for upcoming projects.
- **Refinancing pressures:** Continuous building demands a non-stop supply of construction loans. This funding is highly vulnerable when interest rates fluctuate.

Credit outlook: Stable

The outlook is stable, supported by steady demand for luxury housing and prime commercial office spaces. While high inventory levels in a few specific cities remain a concern, healthy household income growth keeps overall sales predictable. This steady demand, combined with strong backing from private equity and institutional investors, protects the sector's financial health. Even as firms take on more construction loans to fund their transition into premium projects, this investor support ensures they can comfortably manage their debt through FY27.



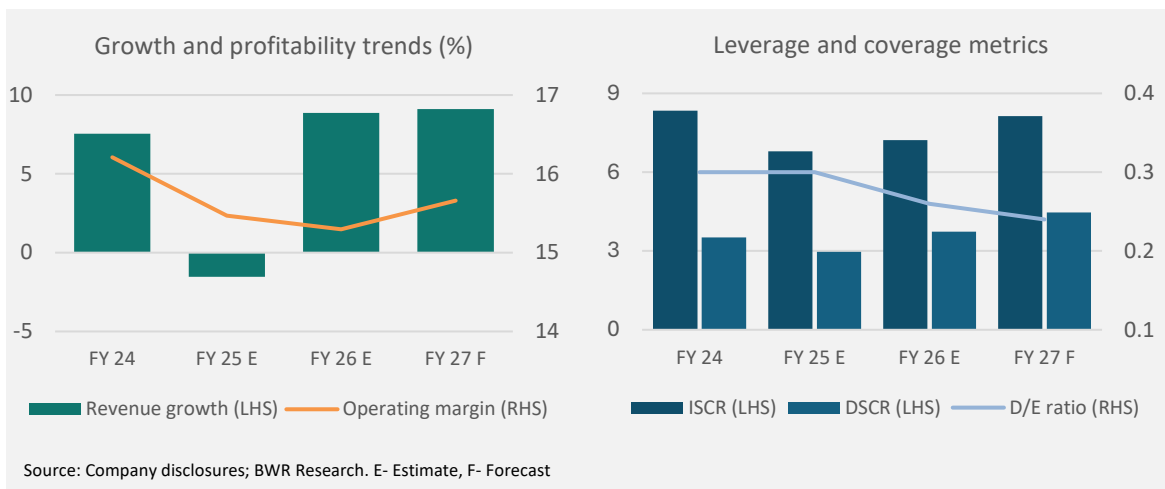
Construction materials

Stable

Revenue growth	Operating margin	Gearing	Interest coverage	Debt service coverage
Stable	Stable	Very low	Healthy	Very healthy
3% to 10%	15% to 20%	0.0 to 0.5	5.0 to 8.0	>=3.0

About the sector: The construction materials industry produces the foundational components required for real estate and infrastructure development. The sector is dominated by heavy commodities like cement, concrete, and structural steel, alongside finished building products like specialized pipes and glass.

Sector performance snapshot: The sector is supported by the PM Awas Yojana (Urban) 2.0, which targets the construction of one crore houses for the urban poor and middle class through FY26-FY30. Revenue growth and operating margins are driven by the rising demand for sustainable infrastructure materials and the Quality Control Orders (QCOs) on wood-based panels, ensuring higher domestic realization. Financial health is anchored by very low gearing and healthy coverage, as leading players leverage internal accruals to fund specialized expansions in plastic pipes and specialized chemicals. This superior solvency provides a solid buffer against input cost volatility and rising energy prices.⁴⁷



Analytical interpretation of trends

Revenue and margin dynamics: Sector revenue is bouncing back sharply, moving from a contraction of 1.5% in FY25 to a growth of 8.9% in FY26 and 9.1% in FY27. This turnaround is driven by massive infrastructure spending by Gol, strong order books, and new urban housing schemes. Operating margins are stabilizing from 15.5% in FY25 to an estimated 15.3% in FY26 and projected to 15.7% in FY27. This profitability is fueled by a structural upcycle in residential real estate and Grade-A warehousing, which has driven up the demand and prices for backend building materials like cement.

Solvency and resilience: The sector operates on highly conservative leverage, with the debt-to-equity ratio falling from 0.3 in FY25 to 0.24 in FY27. Because companies are keeping their debt loads so low, their financial health is exceptionally strong. The interest coverage ratio improves from 6.8 in FY25 to 7.2 in FY26 and 8.1 in FY27. Similarly, the debt service coverage ratio climbs from 3.7 in FY26 to 4.5 in FY27. This superior solvency means even smaller mid-cap firms have plenty of breathing space to manage their day-to-day working capital cycle without facing debt-servicing risks.

Key risk and challenges

- **Input cost volatility:** Potential spikes in raw material and energy prices remain a primary threat, potentially squeezing operating margins across the cement and specialized material segments.
- **Execution delays:** While demand is robust, slower project execution and project delays could impact on timely revenue recognition and stretch working capital cycles.

Credit outlook: Stable

The outlook is stable, backed by the ongoing boom in infrastructure and urban housing. This construction activity drives massive demand for high-margin materials like plastic pipes and wood panels. Because these specialized products bring in steady, reliable cash, manufacturing firms can easily fund their factory expansions out of their own pockets. By relying on internal profits instead of bank loans, companies keep their debt exceptionally low, protecting their credit profiles through FY27.



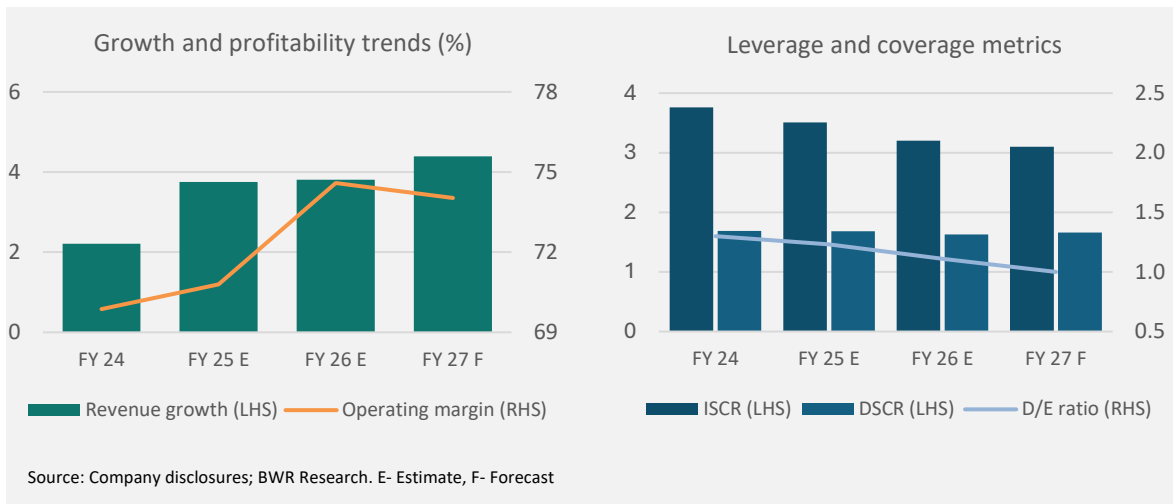
Power transmission

Stable

Revenue growth	Operating margin	Gearing	Interest coverage	Debt service coverage
Stable	Stable	Average	Average	Average
3% to 10%	65% to 75%	1.0 to 2.0	2.0 to 5.0	1.0 to 2.0

About the sector: This industry focuses on building and running the major high-voltage power lines that keep the national electricity grid stable. The sector is central to the country's shift toward clean energy, as it builds specialized green corridors and advanced direct-current systems to connect large-scale solar and wind projects to the main grid.

Sector performance snapshot: The sector is thriving on a INR 9.1 trillion capital expenditure push and the National Electricity Policy 2026. Splitting up state utilities has exposed grid bottlenecks, triggering a 37% year-on-year surge in new transmission lines as of April 2026. This rapid building drives steady revenue, while operating margins stay stable, due to guaranteed regulated returns and a shift toward premium High-Voltage Direct Current (HVDC) projects. To fund new renewable energy lines without piling on debt, firms are selling off old running assets. This recycling keeps their balance sheets stable with average leverage and debt coverage.^{48 49 50}



Analytical interpretation of trends

Revenue and margin dynamics: Revenue growth moved upwards from 2.2% in FY24 to 3.8% in FY26 and is projected to reach 4.4% in FY27. This steady climb is driven by aggressive grid expansion, renewable energy integration, and rising domestic power demand. Concurrently, operating margins are improving steadily from 69.9% in FY24 to 74.6% in FY26, moderating slightly to a projected 74.0% in FY27. While short-term tariff variations cause minor fluctuations, the massive surge in orders for transformers, substations, and higher-capacity transmission circuits ensures highly stable and long-term profitability.

Solvency and resilience: The sector's expanding profit margins are allowing firms to steadily reduce their reliance on debt, with the debt-to-equity ratio tracking down from 1.3 in FY24 to 1.1 in FY26 and 1.0 by FY27. This disciplined deleveraging keeps financing costs low. As a result, the interest coverage ratio remains comfortable at 3.2 in FY26 and 3.1 in FY27, while the debt service coverage ratio remains steady at 1.6 in FY26 and 1.7 in FY27. Improved billing discipline under the current regulatory framework ensures reliable cash collection, allowing firms to easily fund new grid projects.

Key risk and challenges

- **Staff and resource shortages:** Fresh project orders are expected to slow down because companies are currently too busy trying to finish their existing workload.
- **Land clearance delays:** Legal fights over land access and slow government land acquisition are expected to delay project completions. These ongoing delays could cause the sector to miss the official National Electricity Plan goals set for March 2027.

Credit outlook: Stable

The outlook is stable, driven by the critical role of grid transmission in India's green energy shift. Financial stability is fundamentally protected by a robust regulatory framework that guarantees fixed returns on commissioned assets, completely shielding the sector from global economic downturns or domestic tariff fluctuations. As electricity demand rises through FY27 and more renewable energy plants come online, major grid operators will see highly predictable cash flows. This guaranteed income ensures adequate debt servicing capabilities and protects the credit profiles of major regulated players.



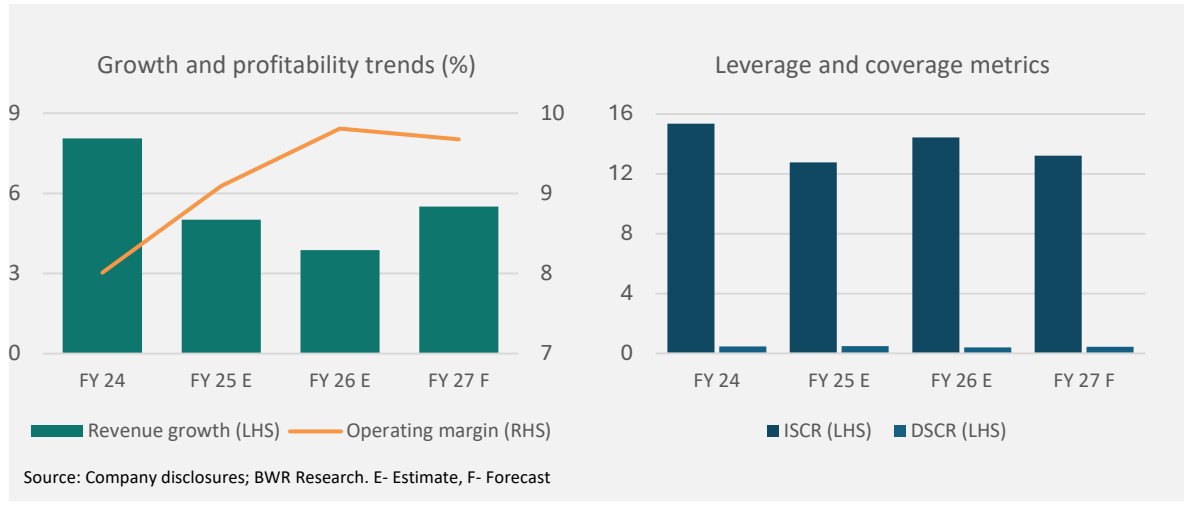
Power distribution

✓ Negative to Stable

Revenue growth	Operating margin	Interest coverage	Debt service coverage
Stable	Improving	Very healthy	Weak
3% to 10%	7% to 10%	>=8.0	< 0.5

About the sector: This consists of power distribution companies that handle last-mile electricity delivery, customer billing, and payment collections. Current sector upgrades focus heavily on installing smart meters and digital grid tools to reduce power theft, improve bill collection rates, and make utility operations financially stable.

Sector performance snapshot: The sector is undergoing structural reform through the Revamped Distribution Sector Scheme (RDSS), which has pushed Aggregate Technical and Commercial (AT&C) losses down to 15.0% in FY26, even as the sector continues to carry a massive gross debt of INR 7.4 trillion. To work through this debt burden, the rollout of 53 million smart meters combined with Late Payment Surcharge (LPS) rules has forced state utilities to clear their dues on time. This improvement in collection efficiency keeps revenue growth steady and interest coverage ratios very healthy, though debt service coverage remains weak, reflecting the sector's heavy legacy debt repayment obligations.^{51 52 53}



Analytical interpretation of trends

Revenue and margin dynamics: Revenue growth is expected to hold steady at 3.9% in FY26 and is projected to reach 5.5% in FY27 as cities expand, will result in surge in power demand. Government support through the RDSS scheme and the rollout of smart meters are helping utilities improve billing and collection efficiencies, partially arresting margin pressure. While the panel classifies operating margins as Improving, the near-term trajectory from 9.8% in FY26 to 9.7% in FY27 remains under pressure, with a sustained recovery contingent on tariff rationalization and loss reduction targets being met.

Solvency and resilience: The sector shows a massive disconnect between a high interest coverage ratio, estimated at 14.4 in FY26, and a weak debt service coverage ratio, estimated at 0.4 in FY26, indicating highly leveraged utilities with high long-term debt and unsustainable near-term repayment obligations. This happens because the 2022 LPS rules legally force state utilities to pay off old, legacy power bills in fixed monthly installments. These mandatory principal repayments drain immediate cash, dragging down the DSCR. However, steady cash collection and funds from government ensuring debt servicing in a timely manner.

Key risk and challenges

- **Subsidy and tariff gaps:** Deep dependency on government subsidies and low electricity rate increases limit financial recovery, keeping production costs higher than selling prices. Additionally, reducing power theft, fixing line losses, and boosting bill collection rates remain major operational hurdles.
- **Debt sustainability:** High corporate debt levels mean distribution utilities require continuous government bailouts to meet their loan repayments. At the same time, the industry is expected to face ongoing financial strain from years of accumulated losses.

Credit outlook: Negative to Stable

The outlook is gradually shifting from negative to stable, but the recovery remains split. State utilities still face immediate pressure because they cannot easily raise retail power prices and are stuck waiting on delayed government subsidy payouts. Conversely, private operators enjoy clear stability because their smart grids and strict collection discipline ensure they get paid immediately. As rising electricity demand through FY27 benefits the entire grid, meeting government targets to cut technical losses will allow state entities to catch up, stabilizing the sector's overall credit profile.



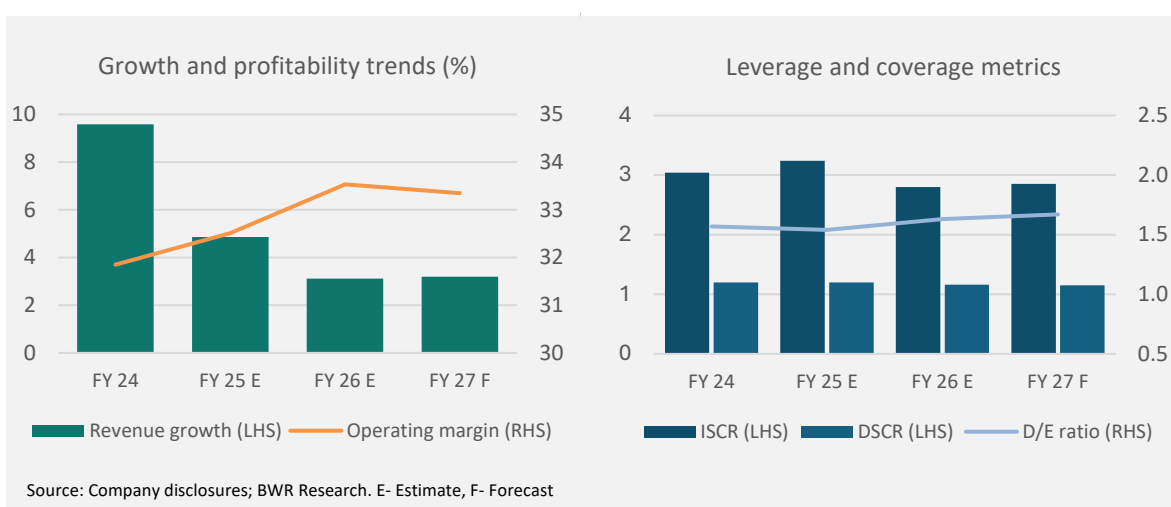
Power generation thermal

Stable

Revenue growth	Operating margin	Gearing	Interest coverage	Debt service coverage
Stable	Stable	Average	Average	Average
1% to 7%	30% to 40%	1.0 to 2.0	1.0 to 4.0	0.75 to 1.25

About the sector: This sector provides the foundational electricity required to maintain grid stability. Coal-fired generation is expected to remain critical for meeting peak energy demand as the country builds out its green energy capacity. Long-term supply agreements support the financial health of these utility assets, keeping operators insulated from volatile spot market electricity prices.

Sector performance snapshot: The thermal power sector is taking on a critical grid-balancing role, with plans for 97,000 MW of new coal capacity by 2035 to anchor intermittent renewable energy. Revenue growth remains highly stable, supported by a steady Plant Load Factor (PLF) of 64% to 66% that met a peak demand of 242.5 GW in FY26. Operating margins are equally resilient, protected by a 34.2% drop in expensive coal imports as domestic fuel supply improved. This better fuel availability, combined with a dramatic reduction in outstanding utility dues to just INR 41.1 billion by early 2026, has unlocked massive liquidity. This consistent cash flow ensures generators maintain a healthy financial profile with average leverage and comfortable debt coverage. ^{54 55 56 57}



Analytical interpretation of trends

Revenue and margin dynamics: Revenue growth is expected to remain stable at 3.1% in FY26 and is projected to be 3.2% in FY27, as capacity additions lag slightly behind schedule due to project delays. Operating margins are expected to rise to 33.5% in FY26 from 32.5% in FY25, it is projected to remain at 33.4% in FY27 as construction costs picked up due to rising domestic coal prices. Despite minor fluctuations in power plant usage, long-term revenue visibility remains exceptionally secure because most private generation capacity is locked into fixed Power Purchase Agreements (PPAs).

Solvency and resilience: The sector's ongoing investment cycle is driving up borrowing, with the debt-to-equity ratio expected to reach 1.6 in FY26 and projected to 1.7 in FY27. This increasing debt burden is placing minor pressure on coverage metrics. The interest coverage ratio is expected to remain at 2.8 in FY26 and is projected to be 2.9 in FY27, while the debt service coverage ratio is expected to hold steady near 1.16 in FY26 and 1.15 in FY27. Strong core operational cash flows and guaranteed off-take agreements give major operators the necessary cushion to manage these higher debt liabilities safely.

Key risk and challenges

- **Regulatory compliance:** Mandatory installation of Flue Gas Desulfurization (FGD) systems to meet stricter environmental norms significantly increases capital requirements.
- **Intermittency management:** Thermal plants must increasingly adjust operations to handle solar/wind intermittency, impacting long-term testing timelines and equipment lifecycles.

Credit outlook: Stable

The credit outlook is stable, anchored by the indispensable role of thermal power in stabilizing the national grid. Because coal plants must provide constant backup for intermittent renewable energy, they operate under long-term contracts that guarantee fixed capacity payments for plant availability. This contractual structure completely insulates producers from demand fluctuations, turning rising power consumption into highly predictable revenue. By converting steady grid-balancing duties into guaranteed cash flows, major operators can easily absorb ongoing capital expansion debt, shielding their credit profiles from structural risks through FY27.



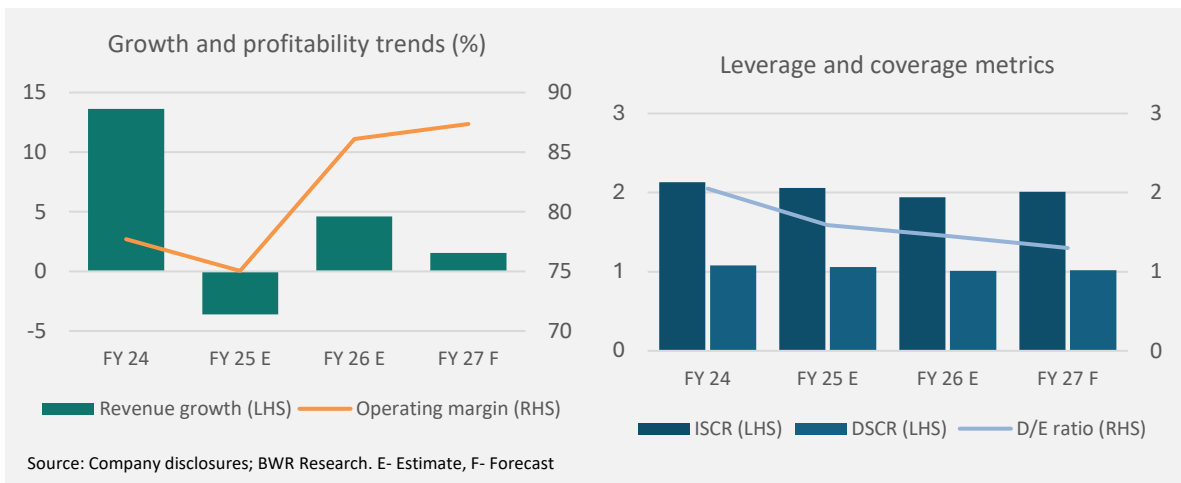
Power generation renewable

Stable

Revenue growth	Operating margin	Gearing	Interest coverage	Debt service coverage
Moderately negative	Improving	Average	Below average	Below average
0% to 5%	70% to 90%	1.0 to 2.0	1.0 to 3.0	1.0 to 2.0

About the sector: This industry focuses on green energy projects, including solar farms, wind networks, and combined hybrid facilities. The sector is moving toward providing reliable, around-the-clock electricity by using large battery storage systems.

Sector performance snapshot: The sector is underpinned by India's achievement of 283.46 GW of non-fossil capacity as of April 2026, marking a significant milestone toward the 500 GW national target. Revenue growth has turned moderately negative as solar tender activity slows, while operating margins improve, supported by the strategic shift toward Firm and Dispatchable Renewable Energy (FDRE) and hybrid projects that command superior realization over standalone solar or wind. Financial health reflects average gearing and a below average DSCR, as the industry leverages record high institutional investment, including USD 9.84 billion in Q1 FY26 to fund massive infrastructure builds. While interest coverage is below average due to the high capital intensity of ongoing 24/7 power projects, credit profiles are moderately supported by the rapid formalization of the Commercial and Industrial (C&I) segment and declining Battery Energy Storage System (BESS) costs, which plummeted from INR 10.18 per unit to INR 2.1 per unit. ^{58 59 60 61}



Analytical interpretation of trends

Revenue and margin dynamics: Revenue growth is expected to hit 4.6% in FY26, while it is projected at 1.6% in FY27 as major solar projects are getting well connected through central grid. Operating margins are expected to stage a clear turnaround, rising from 75.0% in FY25 to 86.1% in FY26 and a projected 87.4% in FY27. This recovery is driven by a shift to hybrid solar-wind-storage setups, which allow operators to bypass power fluctuations and command premium prices from industrial clients.

Solvency and resilience: The sector's aggressive capacity expansion relies heavily on debt, keeping leverage elevated with a debt-to-equity ratio expected to be 1.5 in FY26 and projected at 1.3 in FY27. Because of this high borrowing, coverage metrics will remain tight but stable. The interest coverage ratio is expected to hold near 1.9 in FY26 and 2.0 in FY27, while the debt service coverage ratio tracks right at 1.0 across both years. Falling battery storage costs are structurally lowering total project expenses, helping companies defend narrow cash buffers and fulfill debt service obligations.

Key risk and challenges

- **Payment delays:** Financial trouble at the state utility level creates severe payment risks. Delayed collections on outstanding power bills threaten the daily cash flow of private project developers.
- **Infrastructure shortfalls:** Massive potential capacity stays stuck due to infrastructure gaps. The sector requires immediate transmission line upgrades to connect new wind and solar plants.

Credit outlook: Stable

The credit outlook is stable, defined by a balance between project execution, grid connectivity and secure revenue safety. Aggressive capacity building keeps leverage high, capping near-term credit upside and leaving companies with moderated cash coverage metrics through FY27. However, this risk is entirely neutralized by state policy backing, predictable auction timelines, and long-term contracts that guarantee power offtake. By matching high capex with locked-in revenue streams, the sector ensures financial stability to insulate operators from broader market shocks.



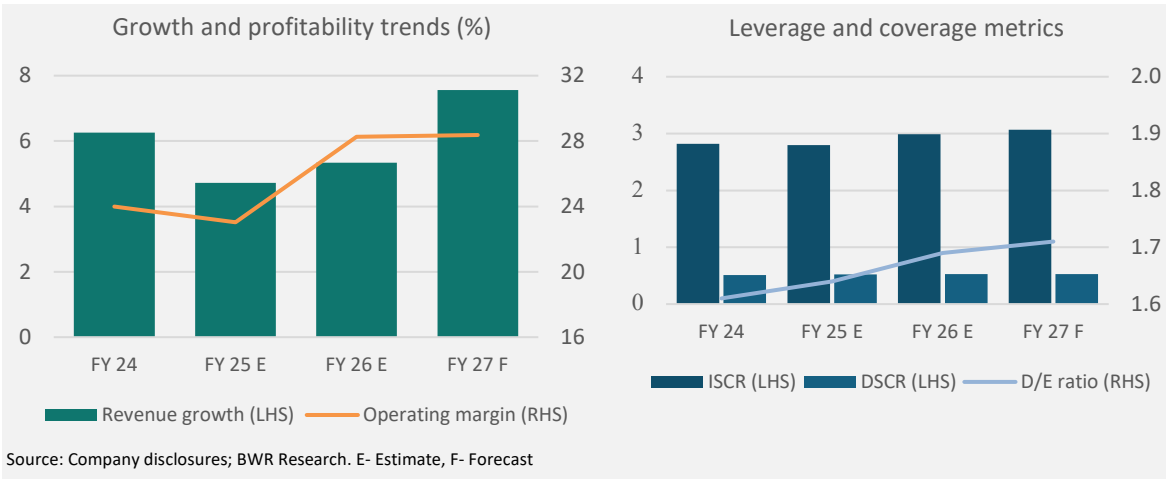
Railways

Stable

Revenue growth	Operating margin	Gearing	Interest coverage	Debt service coverage
Stable	Improving	Average	Average	Below average
3% to 10%	>20%	1.0 to 2.0	2.0 to 5.0	0.5 to 1.0

About the sector: Focused on national rail network expansion including track doubling and transformative station modernization, this sector is built for high-intensity execution. It acts as the critical logistical spine for the economy, accelerating the throughput of integrated freight corridors.

Sector performance snapshot: The sector is seeing a major volume boost in FY26 as new high-density freight corridors and multi-track trunk lines finally come online. This newly expanded capacity directly drove cumulative freight loading up 3.3% to 1,504 million tonnes, pulling INR 1.6 trillion in revenue during the first 11 months of FY26. To fund this massive construction blitz, the sector has relied on targeted loans from public sector banks, keeping its overall debt profile moderate. Because upfront building costs remain high, debt service coverage will naturally feel a bit tight in the near term. However, because these heavy investments are backed by steady government spending and are already generating immediate cargo revenue, the sector's core credit strength remains well-protected during this intensive growth cycle.⁶²



Analytical interpretation of trends

Revenue and margin dynamics: Revenue growth is estimated to hit 5.3% in FY26 and is projected to be 7.6% in FY27, driven by strong cargo demand. Operating margins are expected to jump from 23.0% in FY25 to 28.3% in FY26 and are projected to remain 28.4% in FY27. This profitability surge is driven by new high-density freight corridors and multi-modal hubs, which allow the network to haul bulk commodities much more efficiently and capture higher-margin freight returns.

Solvency and resilience: Massive project funding keeps leverage elevated, with the debt-to-equity ratio estimated at 1.7 in FY26 and projected at 1.7 in FY27. Consequently, debt metrics are sharply mismatched, while interest coverage holds comfortably near 3.0 in FY26 and projected to 3.1 in FY27, the debt service coverage ratio sits at a low 0.5 for both years. This tight coverage reflects heavy upfront construction costs outpacing initial revenues, with DSCR remaining below average at 0.5 across both years, mitigated by strong public sector bank credit and government backing that provide a secure near-term safety net towards debt servicing capabilities.

Key risk and challenges

- **Execution and land acquisition:** Complex government approvals and slow land acquisition frequently delay building timelines. These delays drag out project schedules and trap working capital in unfinished construction sites.
- **Commodity and margin pressure:** Fixed-price EPC contracts face severe margin compression during sudden global spikes in raw material prices like steel, cement, and copper.

Credit outlook: Stable

The credit outlook for India's railway sector is stable, anchored by an intense national focus on upgrading high-density corridors, expanding the Dedicated Freight Corridor network, and achieving full track electrification. Financial stability is secured through robust state backing and massive multi-year order backlogs for both public sector undertakings and engineering contractors. Driven by the strategic rollout of homegrown technologies like *Kavach*, this massive modernization provides a powerful cushion against global macroeconomic shocks and localized traffic fluctuations.



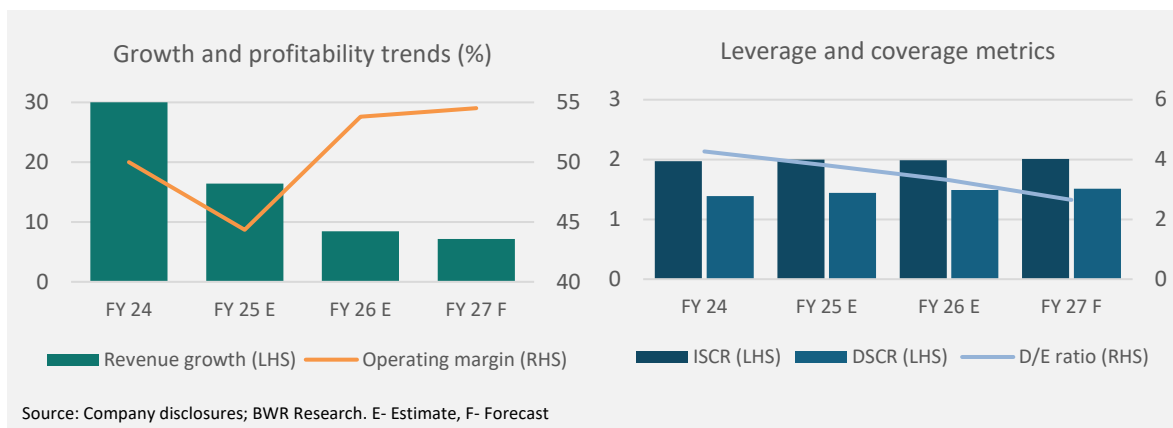
Airport infrastructure

Stable

Revenue growth	Operating margin	Gearing	Interest coverage	Debt service coverage
Stable	Strongly improving	High	Below average	Average
3% to 10%	40% to 60%	2.0 to 3.0	0.0 to 2.0	1.0 to 2.0

About the sector: This sector covers the development and operation of airports, where the main goal is building better regional hubs and making local travel easier. Market expansion is driven by upgrading large gateway terminals and expanding runway facilities to handle more flights and daily passenger volumes.

Sector performance snapshot: The sector is navigating an intensive capacity expansion phase, with regional airport development and terminal upgrades accelerating to absorb a structural surge in domestic travel. Revenue growth remains stable, and operating margins are strongly improving, as resilient passenger traffic consistently offsets rising maintenance costs and project overheads. On the financial front, gearing stays high and interest coverage is below average, reflecting heavy debt-funded capital commitments for runway and terminal modernization. Nevertheless, an average debt service coverage ratio allows established operators to preserve liquidity and sustain construction execution timelines, ensuring modernization programs advance without disruption.



Analytical interpretation of trends

Revenue and margin dynamics: Sector revenue growth is expected to normalize to an estimated 8.5% in FY26 and a projected 7.2% in FY27, down from 16.4% in FY25, as the post-pandemic travel surge stabilizes into steady growth. Operating margins are expected to reach a near-term high of an estimated 53.8% in FY26, up from 44.4% in FY25, due to completion of heavy start-up costs for new terminals for some of the airports. Further, margins are projected to improve to 54.5% in FY27 as these expanded facilities open up, allowing operators to collect high-margin retail fees and airport charges from a larger volume of passengers.

Solvency and resilience: The sector shows a steadily improving credit profile, with the debt-to-equity ratio falling from 3.8 in FY25 to an estimated 3.3 in FY26 and shrinking further to a projected 2.7 in FY27 as operators started generating cash to repay construction loans. This aggressive debt reduction improves interest coverage to an estimated at around 2.0 across FY26 and FY27, though it remains in the below average range, while debt service coverage holds at an average level, supported by steady passenger traffic and aeronautical fee collections.

Key risk and challenges

- **Rigid project overheads and tariff regulations:** High fixed maintenance costs and long regulatory timelines for setting passenger fees squeeze operating margins, restricting profitability gains even during periods of strong passenger traffic growth.
- **Heavy debt-funded capital expenditure:** Massive capital commitments for runway and regional terminal expansions result in highly leveraged balance sheets, exposing operators to significant solvency risks during sudden traffic downturns.

Credit outlook: Stable

The credit outlook for the airport infrastructure sector is stable. While heavy spending on terminal expansions pressures near-term cash flows, steady growth in passenger traffic keeps the industry moving forward safely. Furthermore, operators are successfully paying down construction loans, which is lowering debt levels and stabilizing interest coverage. This rising terminal footprint and predictable cash flow generation are expected to keep financial performance steady through FY27.



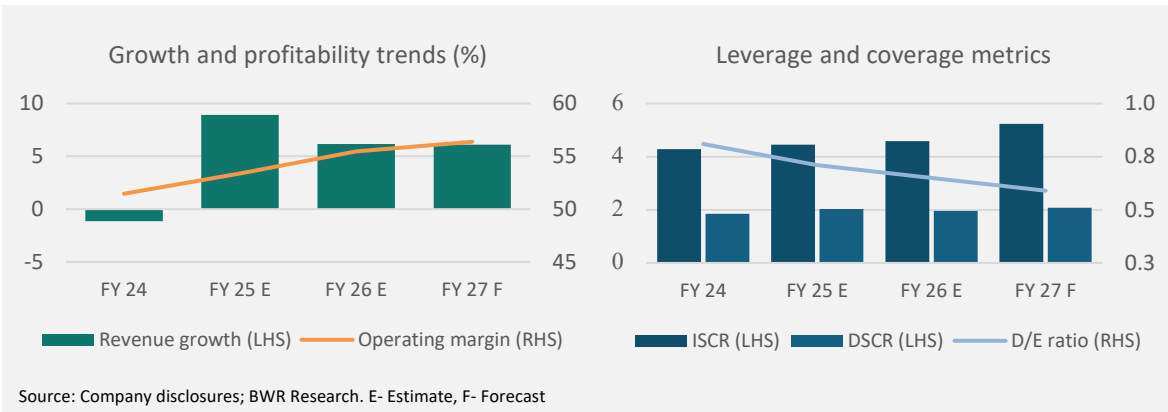
Ports and shipping

Stable

Revenue growth	Operating margin	Gearing	Interest coverage	Debt service coverage
Stable	Improving	Low	Average	Healthy
3% to 10%	50% to 60%	0.5 to 1.0	2.0 to 5.0	2.0 to 3.0

About the sector: The sector manages maritime trade networks, upgrades coastal infrastructure, installs high-speed cargo machinery at terminals, and builds industrial zones next to ports to lower the cost of moving commercial goods.

Sector performance snapshot: The sector is entering a major growth phase, powered by countries diversifying their supply chains and signing new free trade agreements that boost local exports. Higher cargo volumes and a shift toward high-tech, automated ports are driving up total revenues and profits. Financially, companies in the sector are keeping their debt low by using their own cash reserves to build new infrastructure. This low-debt approach ensures they have a strong buffer to handle regional shipping delays or unexpected fuel price shocks.



Analytical interpretation of trends

Revenue and margin dynamics: Revenue growth is expected to stable to 6.2% in FY26 and 6.1% in FY27, normalizing from the high base of 8.9% in FY25. Operating margins are expected to slightly improve from 53.4% in FY25 to 55.5% in FY26 and move further to a projected 56.4% in FY27. This profitability dip is driven directly by recent geopolitical conflicts that have disrupted traditional maritime routes and increased freight operational costs. To prevent a deeper drop, port companies are leaning heavily on steady container volumes from recent free trade pacts and deploy automated gates, helping accelerate vessel turnarounds to protect core cash flows.

Solvency and resilience: The sector is growing structurally safer due to deliberate debt reduction, even as operating profits soften. The debt-to-equity ratio is expected to improve to 0.65 in FY26 and is projected to remain 0.6 in FY27. These deleveraging lowers interest burdens, driving the interest coverage ratio up from 4.6 in FY26 to a strong 5.2 in FY27. Concurrently, the debt service coverage ratio remains highly resilient, holding steady ~2.0 in FY26 and FY27. This low-debt structure gives maritime hubs a massive financial shield, allowing them to fund ongoing digital modernization while easily servicing obligations during global shipping disruptions.

Key risk and challenges

- **Global trade and geopolitical disruptions:** Escalating tensions along major maritime trade lanes and frequent canal closure force costly route diversions, threatening cargo throughput consistency at domestic gateways.
- **Tariff regulatory shifts:** Periodic revisions in the tariff frameworks by maritime regulatory bodies can limit the ability of port operators to fully pass on rising operational overheads.

Credit outlook: Stable

The credit outlook for India's ports and shipping sector is stable, due to consistent growth in cargo volumes and the development of new deep-water transshipment hubs. Port companies maintain highly predictable revenues through long-term government lease contracts that shield their income from sudden shifts in global trade. At the same time, upgraded machinery and digital tracking systems are reducing ship turnaround times, keeping port operations highly efficient even when international freight rates fluctuate through FY27.

Ratings model performance analysis and stability rate

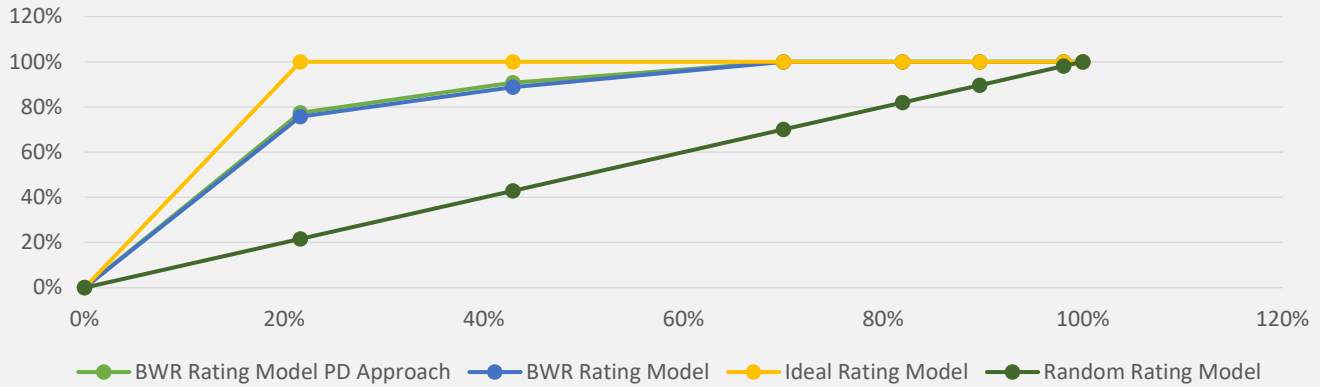


Ratings model performance assessment

Gini coefficient of 0.82 confirms moderate to high ratings discriminatory power

Lorenz curve analysis for FY26 yields a Gini coefficient of 0.82 as of FY26 under the Probability of Default (PD) approach, indicating that the rating model demonstrates meaningfully superior discrimination over a random classifier — well above the 0.40 threshold for adequate predictive power. The Gini Coefficient of 0.82 (82%) is an indicator that the rating model has a moderate to high discriminatory power. The substantial improvement from 0.68 in FY25 reflects improvement of macroeconomic outlook in FY26, which compressed the default differential between lower-rated cohorts.

Lorenz curve and Gini coefficient analysis for FY26



Source: BWR Research. ^ Including all ratings

Default concentration validates speculative grade ordinal structure

Approximately 100% of cumulative defaults in FY26 were concentrated in speculative-grade categories (BB and below), with 15 defaults recorded across B and BB cohorts against 47 from C rated entities in aggregate. The lower-than-expected default incidence in the C category relative to B and BB is attributable to information receipt delays rather than any structural model misclassification.

Static pool methodology ensures statistical integrity of transition metrics

Transition rates and the Gini coefficient are computed on a clean static pool that excludes INC-classified entities at period-start, mid-year INC migrations (other than default downgrades), and withdrawn ratings ensuring that observed rating movements reflect genuine credit events rather than administrative or information-driven reclassifications.

Stability rate and transition matrix

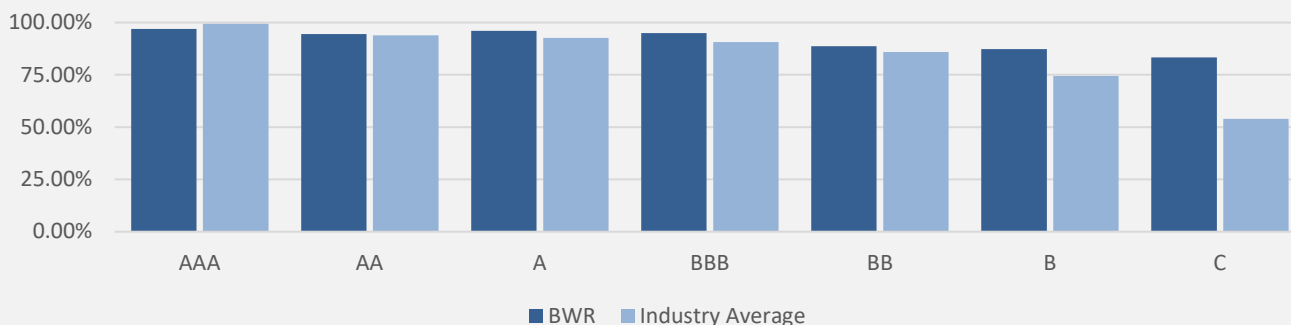
Stability rate remained in line with industry standard

Across all rating agencies, BWR ratings reaffirmation remained stable at ~95+%, among Investment grade ratings (BBB- and above), and ~86% among non-investment grade ratings (BB+ or below). Industry average for "AAA" rated clients stood at 99.36%, followed by "AA", "A" and "BBB" is at 93.83%, 92.58% and 90.66% respectively. Lower category rating especially "B" and "C" still remain high of 74.45% and 53.88%, this was primarily due to very high number of INC cases, where default rate is difficult to predict due to non-availability of information about the issuer. BWR's active portfolio remained very low and has high INC cases in low rated bucket.

Favorable macro environment supports upgrades across rating spectrum

Low inflation, GST rationalization, sustained government capital expenditure, and robust domestic consumption collectively drove a high stability rate and elevated upgrade momentum across rated entities in FY25 and FY26. Default realization was disproportionately concentrated in lower-rated cohorts, while AA, A, and BBB categories maintained high stability supported by steady demand in roads, power, real estate, FMCG, and hospitality.

Ratings stability rate as of FY26



Source: Regulatory disclosures across all CRAs, BWR Research. ^ Including all INC cases (Issuer not cooperating)

BWR's Cumulative default rates across all ratings

Since inception BWR's Cumulative default has improved y-o-y as of FY26, especially bringing the default rates in the higher rated entities closer to the expected regulator PDs. BWR's cumulative default rate (CDR's) remained well within specified guidelines.

BWR's transition matrices across all ratings over the last five years

Transition rates (one-year weighted average) for all ratings for the last 5 Financial year period (excluding withdrawals and INC) remained in line with the industry. BWR's stability rate for "AAA", "AA" and "A" remained in line with industry average of 97.01%, 94.44% and 96.04% respectively. Further, it has improved over the last five years, as not a single default occurred during the same time.

Transition matrix across all ratings – FY26

BWR's one-year average transition matrices across all ratings for the last 5 Financial year period (excluding withdrawals & INC) as of FY26								
	AAA	AA	A	BBB	BB	B	C	D
AAA	97.01%	1.49%	0.00%	1.49%	0.00%	0.00%	0.00%	0.00%
AA	0.79%	94.44%	4.76%	0.00%	0.00%	0.00%	0.00%	0.00%
A	0.00%	1.32%	96.04%	1.98%	0.33%	0.00%	0.00%	0.33%
BBB	0.00%	0.00%	1.40%	94.95%	2.43%	0.00%	0.09%	1.12%
BB	0.00%	0.00%	0.00%	6.09%	88.61%	1.58%	0.34%	3.38%
B	0.00%	0.00%	0.00%	0.00%	6.78%	87.32%	0.59%	5.31%
C	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	83.33%	16.67%
D	0.00%	0.00%	0.00%	0.00%	7.89%	13.16%	0.00%	78.95%

Also, BWR's default percentages have increased as the rating moves towards lower categories "BB", "B" and "C". Higher stability rate in non-investment grades especially in "BB", "B" and "C" category, was mainly due to small sample size of active portfolio rated by BWR. During the last five years, only a couple of active clients was part of "C" rating category, therefore remained elevated.

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