# India Inc profit growth slowest in 11 quarters

## Slowdown in revenue growth, spike in interest expenses hit Q4 earnings

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Mumbai, 7 May

The corporate results for the January-March 2023 quarter (Q4FY23) are turning out to be a whimper after a strong showing by early-bird companies. The combined net profits of 390 companies that have declared their fourth-quarter results are up just 2.3 per cent year-on-year (YoY) in Q4FY23, which is the worst performance by them since April-June 2020 (Q1FY21).

In comparison, their combined net profits were up 47.6 per cent YoY in Q4FY22 and 3.4 per cent in Q3FY23.

Corporate earnings have taken a beating from a slowdown in revenue growth and a sharp rise in interest expenses.

Combined net sales (gross interest income in the case of banks and non-bank lenders) of the companies in the Business Standard sample were up 13.8 per cent YoY in Q4FY23, growing at the slowest pace in the last nine quarters.

In comparison, net sales were up 22.4 per cent YoY in Q4FY22 and 18.7 per cent in Q3FY23.

The biggest headwind for corporate earnings came from high interest costs. The combined interest expenses of the sample companies were up 37.7 per cent YoY in Q4FY23, growing at the fastest pace in at least 17 quarters. The sharp rise in this blunted the gains from lower commodity prices and resultant savings in raw material expenses.

The combined raw material costs of these companies were up just 0.8 per cent YoY in the fourth quarter, leading to an expansion in the gross margins for most of the manufacturing companies. The overall earnings turn out to be weak despite a good showing by banks and automobile companies.

"The aggregate performance has been led by BFSI (banks, financial services and insurance) and automobiles while it has been dragged (down) by weaker than expected performance of metals and mining companies," wrote Gautam Duggad and Deven Mistry of Motilal Oswal Securities.

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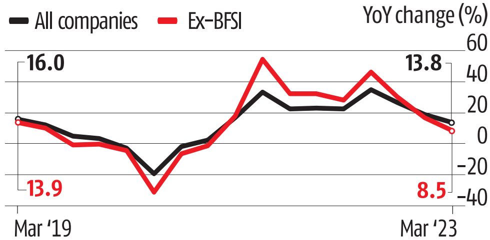
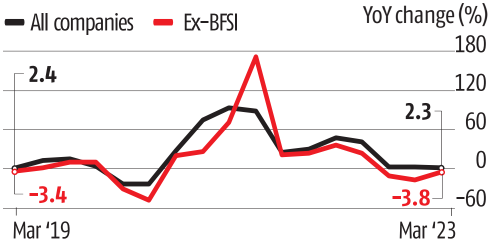
IMAGING: AJAY MOHANTY

### TREND IN NET SALES GROWTH




### TREND IN NET PROFIT GROWTH




Note: Based on quarterly result of a common sample of 390 companies
BFSI: Banks, financials services, insurance & stock broking
Source: Capitaline, Compiled by BS Research Bureau

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lion. Even Domino's has seen its MAU go up to around 13 million.

The marketing blitz has also played a role in the retention of customers. The retention of daily and monthly active users for both Zomato and Swiggy is at around 12-13 per cent, while in the case of Domino's, it is 6 per cent.

## India Inc...

BFSI firms continue to be the prime engine of corporate earnings but their pace slowed considerably during the quarter. Their combined net profits were up 13.6 per cent Y-o-Y in Q4FY23.

However, this is down sharply from the 71.6 per cent y-o-y in Q4FY22 and 37.3 per cent Y-o-Y in Q3FY23. If this trend continues, it will weigh on corporate earnings in coming quarters, given the BFSI sector's share in the overall corporate earnings.

BFSI companies accounted for 39.2 per cent of the combined corporate earnings of all 390 companies in Q4FY23. That is more than any other sector.

BFSI companies gained from higher lending rates and a continued traction in credit growth but their bottom line is facing heat from a rise in interest rates on bank deposits and in wholesale borrowings. The combined gross interest income of BFSI companies was up 28.2 per cent Y-o-Y in Q4FY23, the best in more than four years, but their interest expenses grew even faster at 36.8 per cent y-o-y in the quarter.

Excluding BFSI, the combined net profits of other companies in the sample were down 3.8 per cent y-o-y in Q4FY23 while their net sales growth slowed to 8.5 per cent in the quarter from 16.7 per cent y-o-y in Q3FY23.

The revenue growth of non-BFSI companies in Q4FY23 was the lowest in the last nine quarters.

Metals and mining companies were the biggest laggards in the sample and their combined net profits were down 68.7 per cent y-o-y in Q4FY23.

Excluding BFSI and metals, the combined net profits for the sample were up 9.6 per cent y-o-y in Q4FY23, while their net sales increased 10.4 per cent. This was largely due to a rise in contribution from automakers, which gained from a decline in metal prices and higher sales.

But it's doubtful if automakers can fully compensate for a likely decline in earnings contribution from BFSI, metals and IT companies.