

India Inc's Q1 show may remain muted

Top line, bottom line growth may be at multi-quarter low

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India's corporate sector could be staring at a deceleration in revenue and profit growth in the first quarter (Q1) of 2024-25 (FY25), with brokerages tempering their growth projections compared to the previous financial year.

Estimates for Q1FY25 suggest a further slow-down in revenue growth and flat-to-marginal growth in overall corporate earnings.

According to brokerages, the combined net profit of Nifty 50 companies could have grown by 1.6 per cent year-on-year (Y-o-Y) in the April-June 2024 period – the slowest in seven quarters. The index companies' net profit grew by 15.2 per cent Y-o-Y in Q4FY24 and by 38.9 per cent Y-o-Y in Q1FY24.

Similarly, the combined net sales (or net interest income for lenders) of these companies are expected to have risen by just 4.4 per cent Y-o-Y in Q1FY25, the slowest pace in 14 quarters. The index companies' net sales had increased by 8.4 per cent Y-o-Y in Q4FY24 and 7.1 per cent in Q1FY24.

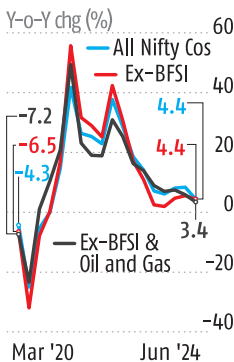
Excluding banking, financial services, and insurance (BFSI) firms, the combined net profit of Nifty 50 companies is projected to have grown by 1.5 per cent YoY in Q1FY25, the slowest since the December 2022 quarter.

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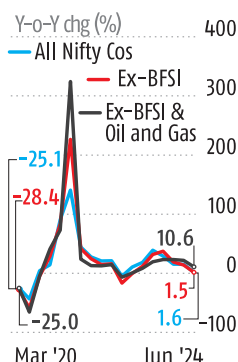


**RESULTS
PREVIEW**

REVENUE: IN THE SLOW LANE



NET EARNINGS: LOSING MOMENTUM



Note: Brokerage estimates for June 2024 quarter; actuals for previous quarters; Source: Brokerage estimates, Bloomberg, and Capitaline
Compiled by BS Research Bureau

Margin contraction may weigh on corporate showing

Their combined net sales are also expected to have witnessed an uptick of 4.4 per cent Y-o-Y, the least in three quarters.

The combined net profit, excluding both BFSI and oil & gas sectors, is expected to have risen by 10.6 per cent Y-o-Y in the June 2024 quarter, down from 21.8 per cent in Q4FY24 and 19.3 per cent in Q1FY24. This relatively strong earnings growth is largely attributed to higher margins, as their combined net sales are projected to have grown by only 3.9 per cent Y-o-Y, the slowest since Q2FY21.

This analysis is based on the quarterly financials of 49 Nifty 50 firms, excluding Adani Enterprises. For previous quarters, combined figures include HDFC, which merged with HDFC Bank

last July. HDFC's Q1FY24 earnings estimates are incorporated into HDFC Bank's numbers.

The numbers suggest a broad-based slowdown in corporate earnings, with the exception of automobile makers, which are likely to report double-digit profit growth, even as they, too, face sluggish revenue growth. The combined net profit of the top six automakers in the Nifty 50 index is projected to have increased by 29.1 per cent Y-o-Y in Q1FY25, driven by margin expansion. However, they are expected to report a combined net sales uptick of only 6.7 per cent Y-o-Y in the quarter under review, down from 14.4 per cent in Q4FY24 and 30.5 per cent in Q1FY24.

Firms in other major sectors, including BFSI, oil & gas (including

RIL), IT services, FMCG, and mining and metals, are likely to report low single-digit revenue and profit growth or even an earnings contraction on a Y-o-Y basis.

Brokerages attribute this to the anticipated poor performance by OMCs and margin contraction. Analysts at Motilal Oswal estimate the MOFSL Universe earnings to remain flat and Nifty earnings to grow 4 per cent Y-o-Y in Q1. Excluding OMCs, the MOFSL Universe and Nifty earnings are expected to grow by 11 per cent Y-o-Y and 8 per cent Y-o-Y, respectively. Analysts at Elara Securities note that while the surface-level earnings performance largecap and midcap stocks appear "lacklustre", smallcap stocks are expected to "outperform" significantly.