

# India Inc may report highly profitable Q4

Nifty50 firms may show 15.6% earnings growth, say brokerages; revenue growth to disappoint

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Brokerages expect India Inc to report an upturn in earnings for the March quarter of 2022-23, after a relatively muted showing in the previous two quarters. This growth is expected to be led by banking, financial services and insurance (BFSI) companies, FMCG firms, and automobile makers.

The combined net profit of the Nifty50 companies (excluding Adani Enterprises) is expected to have grown 15.6 per cent to ₹1.77 trillion in Q4FY23, from ₹1.53 trillion a year ago. The index companies' combined net profit was up 9.3 per cent year-on-year (YoY) in Q3FY23 and 1.4 per cent YoY in Q2FY23.

Brokerages, however, expect companies to report a further slowdown in revenue growth due

to sluggish aggregate demand and a decline in commodity prices, which adversely affects price realisations of firms in the mining & metals and oil & gas space.

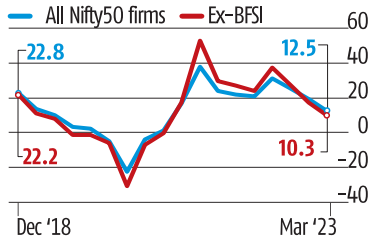
These Nifty50 companies may report 12.5 per cent YoY growth in net sales (net interest income in case of lenders) in Q4FY23 to ₹13.69 trillion in Q4FY23, against ₹12.17 trillion a year ago.

Earnings estimates suggest that brokerages are betting on the margin expansion for manufacturers in the fourth quarter of FY23 -- amid a decline in commodity and energy prices -- to more than offset the slowdown in revenue growth. The Street expects banking and non-banking lenders to continue to deliver strong growth in top line and net profit in the fourth quarter, just like they did in the first nine months of FY23.



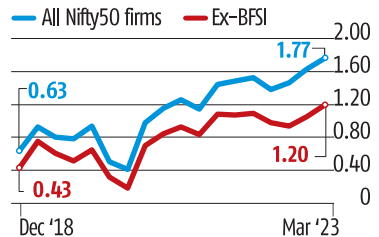
## REVENUE GROWTH: LOSING STEAM? (YoY chg in %)

Nifty50 firms' net sales growth



## EARNINGS GROWTH: GREAT HOPES

Nifty50 firms' net profit (₹ trn)



BFSI: Banking, financial services & insurance  
Source: Capitaline, Bloomberg, Compiled by  
BS Research Bureau

## El Niño...

State-run weather forecasting agency India Meteorological Department (IMD) will release its first forecast for the 2023 monsoon season later this month. Turn to Page 6 >

“The weak spot in the overall economy story has been agriculture, and any shock in terms of poor monsoon will definitely impact kharif production. It would be a major risk going forward, something which could keep inflation on the higher side even though the Reserve Bank of India (RBI) expects inflation to moderate in this fiscal year,” said Madan Sabnavis, chief economist at Bank of Baroda.

Skymet in its forecast also said it expects northern and central parts of the country to be at risk of rain deficiency. It further said Gujarat, Madhya Pradesh, and Maharashtra will receive deficient rains during the main monsoon months of July and August.

Punjab, Haryana, Rajasthan and Uttar Pradesh may also receive below normal rains in the second half of the season.

“Courtesy the triple-dip-La Niña, the southwest monsoon recorded normal/above-normal rainfall for the past four consecutive seasons. Now, La Niña has ended. Major oceanic and atmospheric neutrals are in line with ENSO (El Niño-Southern Oscillation). El Niño is more likely to become a major feature during the monsoon. The return of El Niño may predict a weak monsoon,” said Jatin Singh, managing director, Skymet.

## India Inc...

The combined net profit of 11 BFSI firms that are part of the Nifty50 is expected to have grown 32.3 per cent to ₹56,824 crore in Q4FY23, from ₹42,939 crore a year ago; their net interest income, brokerages expect, to have grown 29.4 per cent YoY to ₹1.82 trillion in Q4FY23, from ₹1.4 trillion in Q4FY22.

In all, BFSI companies are likely to account for 58 per cent of incremental growth in corporate earnings in Q4FY23.

Excluding BFSI companies,

the combined net profit of the rest of index companies might have grown 9.1 per cent to around ₹1.2 trillion in the January-March 2023 period from ₹1.1 trillion a year ago, according to brokerages.

In contrast, the combined net profit of non-BFSI companies had declined year-on-year in Q2 and Q3. FMCG firms and automakers are likely to be the biggest earnings drivers in the non-BFSI space, followed by IT services exporters, such as Tata Consultancy Services, Infosys, and HCL Technologies.

The analysis is based on Q4 earnings estimates from multiple brokerages, including Motilal Oswal Financial Services, Kotak Institutional Equity, Elara Securities, and Bloomberg Consensus Estimates. Estimates are for 49 of the Nifty50 companies, excluding Adani Enterprises, which is not widely tracked by brokerages.

These brokerages, however, don't see a secular and broad-base growth in corporate earnings. “Earnings performances for both MOFSL Universe and Nifty in Q4 are likely to be lopsided and led by a few heavyweights. Five companies within the MOFSL Universe (SBI, IOC, BPCL, IndiGo, and Tata Motors) are expected to contribute 72 per cent of the incremental YoY accretion in earnings. Similarly, within the Nifty, five companies (SBI, ICICI Bank, ONGC, Tata Motors, and BPCL) are likely to contribute 82 per cent of the incremental YoY accretion in earnings,” write analysts at Motilal Oswal Financial Services.

## Imports...

In value terms, India's import of electronic components from China during the period contracted 29 per cent to \$7.4 billion, while that from Taiwan rose to \$1.3 billion. India's overall imports from Taiwan during April-February rose by 34 per cent to \$7.5 billion. Even as India's total imports from China grew 6.2 per cent, its share in India's overall imports declined to 13.8 per cent from 15.5 per cent during the same period a year earlier.

Amid pressure on India's merchandise exports due to global headwinds, the central government has been focusing on curbing non-essential