

INDIA INC'S PROFIT-TO-GDP RATIO AT 15-YEAR HIGH

SAMIE MODAK & SUNDAR SETHURAMAN

Mumbai, 11 June

India Inc's profit as a percentage of gross domestic product (GDP) has risen to a 15-year high led by improvement in the bottom line of financials, energy and automobile companies.

The profit-to-GDP ratio for Nifty 500 companies rose to 4.8 per cent in 2023-24 (FY24), up from 4 per cent at the end of preceding financial year FY23, according to an analysis done by Motilal Oswal.

The ratio for the entire listed universe stood at 5.2 per cent.

Financial, energy (oil & gas) and automobile companies accounted for 95 per cent incremental growth in profit in FY24, as per the brokerage.

The corporate profit for the Nifty-500 universe grew at a faster pace of 30 per cent-year-on-year (Y-o-Y) in FY24, after moderating to 9.3 per

cent Y-o-Y in FY23. It was 52 per cent Y-o-Y in FY22.

India Inc's FY24 profit pool also got a boost as growth momentum remained strong during the last quarter of the financial year.

In Q4FY24, the Y-o-Y earnings growth for top 200 firms was over 20 per cent, around 500 basis points ahead of consensus estimates.

"The Y-o-Y growth was strong for financials, autos, real estate, capital goods and healthcare. The Y-o-Y growth was weak for commodities, particularly for metals and chemicals and consumer staples. The growth was modest in high single-digits for IT services," Nomura said in a note last week.

The earnings upgrades were prominent for autos, power, oil/gas and industrials, while IT Services, FMCG and chemicals continued to record cuts in consensus estimates, the note added.

Northward bound

The improvement was underpinned by profit growth in financials, energy, and auto companies

