India Inc growth stuck in slow lane

Core earnings shrink in Q1; net profit growth fastest in 5 quarters

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The more things change, the more they remain the same for corporate India. In the April-June 2025 period (Q1FY26) — for the ninth consecutive quarter — listed companies witnessed only single-digit revenue growth, while their core earnings, excluding other income and one-time gains, contracted for the second time in four quarters. This comes as firms brace for the impact of 50 per cent US tariff on Indian goods.

Q1 RESULTS REVIEW

The weakness was broad-based in Q1FY26, with the exception of energy-intensive commodity producers such as steelmakers, cement firms, and oil-marketing companies. Benefiting from lower energy costs, they managed double-digit profit growth despite subdued revenues. By contrast, India Inc's key earnings engines — the firms in the banking, IT services, fast-moving consumer goods, automobile, pharmaceutical, and power sectors — reported muted growth in both sales and profits.

The combined net profit (adjusted for exceptional gains and losses) of 3,031 listed firms declaring results rose 9.4 per cent year-on-year in Q1FY26, the fastest pace in five quarters.

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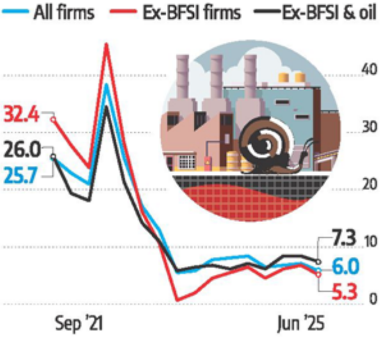
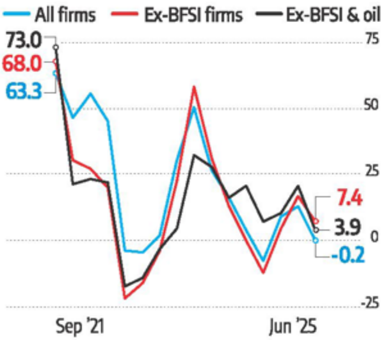
Muted sales growth

Revenue change (Y-o-Y in %)



Core earnings worsen

Change in profit before tax* (Y-o-Y in %)



*PBT excluding other income and non-recurring profits & gains
BFSI: Banks, non-banking financial companies, insurers and stock brokers
Note: Based quarterly results of 1,555 companies, excluding listed subsidiaries; Source: Capitaline; compiled by *BS* Research Bureau

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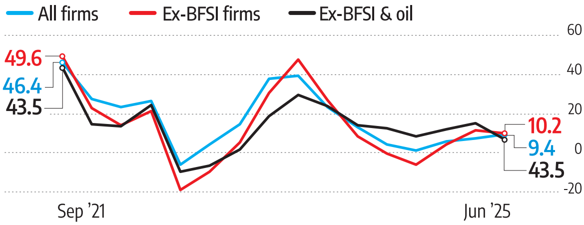
Better bottom line, thanks to other income



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Headline profit climbed to about ₹3.85 trillion, from ₹3.52 trillion a year earlier, but fell 3.8 per cent from roughly ₹4 trillion in Q4FY25. This resilience was because of exceptional gains, notably Reliance Industries' ₹8,924 crore profit from the sale of a 4.9 per cent stake in Asian Paints, and HDFC Bank's ₹9,128 crore profit from the sale of its stake in HDB Financial Services via the latter's intial public offering.

Banks also booked sizeable gains on their investment portfolios. SBI, Bank of Baroda, PNB, Axis Bank, Canara Bank, and Bank of India were among lenders reporting a sharp increase in treasury income after the RBI cut rates last quarter. Excluding such one-offs and other income, however, core profit before tax slipped 0.2 per cent Y-o-Y to about ₹3.42 trillion, compared with ₹3.43 trillion in Q1FY25 and ₹3.47 trillion in Q4FY25. Other income for listed companies rose 24.3 per cent year-on-year to ₹2.04 trillion, against ₹1.64 trillion a year earlier and ₹2.22 trillion in the previous quarter.

The more pressing concern for business leaders and investors is the prolonged weakness in corporate revenues. Combined net sales — gross interest income in the case of lenders — rose 6 per cent Y-o-Y in Q1FY26, the slowest since the September 2023 quarter. That marked the ninth straight quarter of single-digit growth, averaging just 6.9 per cent Y-o-Y since June 2023 and lagging nominal GDP growth by nearly 400 basis points. India's GDP at current prices expanded at an average of 10.9 per cent between June 2023 and March 2025, according to the National Statistics Office. Official figures for April–June 2025 are yet to be released.

Aggregate net sales rose to ₹37.95 trillion in Q1FY26 from ₹35.82 trillion in Q1FY24, but were down 3.5 per cent from ₹39.32 trillion in Q4FY25. Non-financial firms fared worse: Excluding banks, financial services companies and insurers (BFSI), combined net sales increased just 5.3 per cent over the past year, compared with 6.5 per cent growth in Q1FY25 and 6.7 per cent in Q4FY25. The 2,474 non-BFSI companies in the sample reported combined net sales of ₹29.72 trillion, up from ₹28.02 trillion a year earlier but down 3.9 per cent from ₹30.91 trillion in Q4FY25. Their adjusted net profit rose 10.2 per cent year-on-year to ₹2.51 trillion, but fell 6.6 per cent from ₹2.69 trillion in Q4FY25. Core profit before tax for this group was up 7.4 per cent to ₹2.7 trillion from ₹2.51 trillion in Q1FY25. The figure was ₹2.78 trillion in Q4FY25.

Excluding both BFSI and oil and gas — including Reliance Industries — the picture was even more subdued. Combined net sales of this group grew 7.3 per cent year-on-year to ₹21.8 trillion, the slowest in three quarters, marking a ninth successive period of single-digit expansion.

Analysts warn of further headwinds. "The June 2025 quarter was the first to reflect the impact of the initial round of tariffs announced by US President Donald Trump," said Dhananjay Sinha, co-head of research and equity strategy at Systematix Institutional Equity. "The pressure is likely to intensify in coming quarters as the US president expands his trade war."

Govt seeks to revamp entire tax system

While inaugurating two major national highway projects worth ₹11,000 crore on Sunday, Prime Minister Narendra Modi said the Centre had circulated the draft of the next-generation GST reforms among states and sought their cooperation to implement the proposal before Diwali. "For us, reform means the expansion of good governance," Modi said, adding that several major reforms would be introduced in the coming days to make both life and business easier. The proposed GST reforms are being perceived within the government as a move to reduce the burden on the common man, and as such the states will also gain from their people benefiting from a duty cut and rationalisation. Government sources were not expecting to encounter any significant political resistance from the states.

The central government reviewed each and every item under GST in the past eight months before finalising its recommendations to the GoM on rate rationalisation. In the meantime, five revenue secretaries changed hands at the finance ministry.

As part of its submission, the finance ministry has proposed to slash GST rates for cement and most automobiles and auto parts from 28 per cent to 18 per cent, which may significantly contribute to the anticipated revenue loss in the short run but boost consumption demand. "We are using the opportunity of the proposed revamp of GST to reduce rates on cement and automobiles, which have been long overdue and considered