

India Inc profit growth slowest in 14 quarters

Sample of early-bird companies shows worst net sales since Q3FY21

KRISHNA KANT

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The early-bird results for the October-December 2023 quarter (Q3FY24) hint at a slowdown in corporate profit growth and a further deceleration in India Inc's revenue growth.

The combined net profit of 215 early-bird companies that have declared their quarterly results so far is up 12.5 per cent year-on-year (Y-o-Y) in Q3FY24, growing at the slowest pace in the last 14 quarters.

These companies' net sales (gross interest income for banks and non-banking finance companies) were up 9.4 per cent Y-o-Y in the third quarter, their worst show since the December 2020 quarter when net sales were down 3.5 per cent Y-o-Y. The numbers are adjusted for the merger of HDFC Bank and HDFC in July 2023.

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The early-bird companies, excluding banks, finance, insurance, and stockbroking (non-BFSI), performed even more poorly, and their combined net profit was up 7.8 per cent Y-o-Y in Q3FY24, while their net sales were up just 4.5 per cent Y-o-Y during the quarter. This is the slowest revenue growth for non-BFSI companies since Q1FY23.

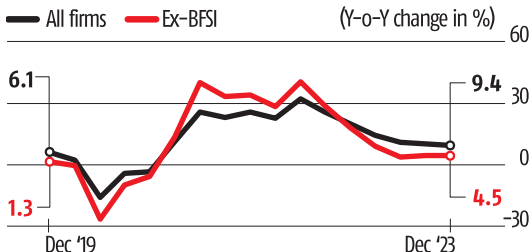
The early-bird companies in the *Business Standard* sample reported a combined net profit of ₹1.02 trillion in Q3FY24, up from around ₹91,000 crore a year ago and ₹99,484 crore. The combined earnings of 157 companies, excluding BFSI firms, moved up to ₹57,342 crore in Q3 from ₹53,175 crore a year ago and ₹55,175 crore in Q2FY23.

The combined net sales of early bird companies grew to ₹7.55 trillion in Q3FY24 from ₹6.9 trillion a year ago and ₹7.46 trillion in Q2FY24.

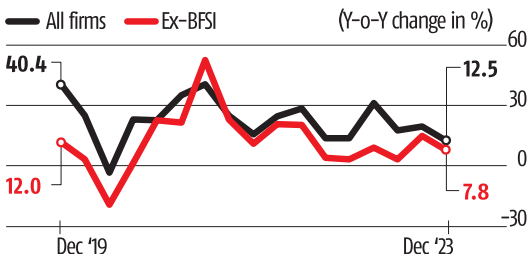


ILLUSTRATION: AJAY MOHANTY

REVENUE STUCK IN SLOW LANE



PROFIT GROWTH DECELERATES



Based on early-bird sample of 215 companies
 BFSI: Banks, non-banking finance companies, insurance, and stockbroking
 Source: Capitaline; compiled by BS Research Bureau

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India Inc profit...

For comparison, the combined net sales of non-BFSI companies inched up to ₹5.19 trillion in Q3FY24 from ₹4.96 trillion a year ago and ₹5.2 trillion in Q2FY24.

Some of the top companies in their sectors that are part of the early bird sample include Reliance Industries, HDFC Bank, Tata Consultancy Services (TCS), Hindustan Unilever, Ultratech Cement, Infosys, ICICI Bank, Kotak Mahindra Bank, Avenue Supermarts, Asian Paints, and Hindustan Zinc. Most of these companies reported lower-than-expected growth in net sales and net profit in Q3FY24.

Sectorally, the early bird sample is dominated by private-sector banks and information technology (IT) services companies, followed by Reliance Industries, which has a major presence in crude oil refining & petrochemicals, telecom, and retail.

Banks account for nearly 40 per cent of the combined net profit of early bird companies in Q3FY24, and their combined net profit was up 16.9 per cent

Y-o-Y in Q3FY24, down sharply from 25.2 per cent Y-o-Y growth in Q2FY24. The combined net profit of all BFSI companies was up 18.9 per cent Y-o-Y in Q3FY24, but the growth was slower than the 26.1 per cent Y-o-Y increase in Q2FY24.

Banks and finance companies have been the biggest driver of corporate earnings for nearly three years now, and the slowdown in their earnings growth is weighing on overall corporate earnings.

In comparison, the net profit of IT services companies, such as TCS, Infosys, Wipro, and HCL Technologies, that account for 27 per cent of the combined net profit of all early bird companies was up 3.4 per cent Y-o-Y to ₹27,627 crore in Q3FY24, growing at the slowest pace in the last six quarters.

The numbers suggest that corporate earnings would have been even lower if not for gains from Y-o-Y decline in raw material and energy costs that allowed companies to expand margins despite a slowdown in revenue growth. The earnings before interest, taxes, depreciation, and amortisation (Ebitda) or operating margins for all early bird companies were up 270 basis points (bps) Y-o-Y to a 13-quarter high of 34.2 per cent of revenues in Q3FY24, up from 31.5 per cent of revenues a year ago. One

basis point is one-hundredth of a per cent.

Ayodhya..

The locals were besotted with the promise of a 'New Ayodhya', the rapid development that the tier II city of an estimated 3 million people has witnessed since 2022.

Most of the Opposition leaders have decided to stay away from the afternoon ceremony and the subsequent speech by PM Modi, which could have him detail, with an eye on the Lok Sabha polls less than two months away, the contribution of his government in delivering upon on one of the Sangh Parivar's core agenda.

The medians of the roads have Lord Ram cutouts, while either of the two sides have vast hoardings of Modi and Uttar Pradesh Chief Minister Yogi Adityanath, detailing the ₹31,000 crore of development work, the 'Modi guarantees' or announcing the consecration ceremony. Only the Ram Janmabhoomi Teertha Kshetra Trust hoardings, few and far between, acknowledge the contribution of Mahant Avaidyanath, Ramachandra Paramhans and others. The Maharashtra government has put up some hoardings with Maharashtra CM Eknath Shinde, acknowledging the