India Inc Q4 earnings beat estimates, but growth slows

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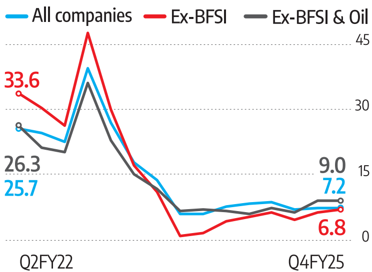
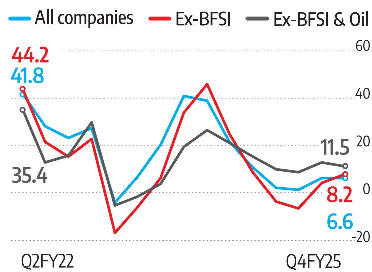
Net sales growth muted

Y-o-Y change (%)



Profit in the slow lane

Y-o-Y change (%)



BFSI: Banks, non-banking finance companies, insurance, and stock broking
Note: Based on quarterly results of 1,555 companies, excluding their listed subsidiaries
Source: Capitaline; compiled by BS Research Bureau

Corporate earnings for the January-March 2025 quarter (Q4FY25) surpassed Street expectations, led by Bharti Airtel, Indian Oil Corporation (IOC), and base metal producers Hindalco and Vedanta, as well as leading private-sector lender ICICI Bank.

The combined net profit (adjusted for exceptional gains and losses) of 1,555 companies (excluding their listed subsidiaries) grew 6.6 per cent year-on-year (Y-o-Y) in Q4FY25, well above most brokerage estimates. In their earnings previews, various brokerages had projected Y-o-Y growth of -5 per cent to 1 per cent for companies in their coverage universe.

However, despite exceeding expectations, the pace of earnings growth remained similar to the previous quarter (Q3FY25) and marked a slowdown from the double-digit rise in Q4. For comparison, the sample's combined net profit grew 10.8 per cent Y-o-Y in Q4FY24 and by 6.5 per cent Y-o-Y in Q3FY25. In absolute terms, the combined adjusted net profit grew to a new high of ₹3.6 trillion in Q4, up from ₹3.39 trillion a year ago and ₹3.23 trillion in Q3FY25. Turn to Page 6 ▶

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Bharti Airtel corners one-third of India Inc's Q4 profit growth

Telecom major Bharti Airtel emerged as the single largest contributor to incremental earnings growth, accounting for nearly a third (32.5 per cent) of the total increase in corporate profits. This was followed by Indian Oil Corporation (13.3 per cent) and Hindalco (9.4 per cent). Together, the top five contributors accounted for 73 per cent of the total Y-o-Y growth in corporate earnings during the quarter.

Bharti Airtel's consolidated net profit surged 185.7 per cent Y-o-Y in Q4FY25. Similarly, net profits of Indian Oil and Hindalco increased 57.8 per cent and 66.3 per cent Y-o-Y, respectively.

Overall, revenue growth remained in single digit for the eighth consecutive quarter. All key sectors, including banking, financial services and insurance (BFSI), oil & gas, IT services, automobiles, and metals & mining, reported single-digit Y-o-Y growth in net sales for the quarter.

The combined net sales (gross interest income for lenders) were up 7.2 per cent Y-o-Y in Q4FY25, down from 8.4 per cent in Q4FY24 and in line with the 7.2 per cent growth seen in Q3FY25. In absolute terms, net sales (including gross interest income for banks) grew to ₹34.96 trillion in Q4FY25 from ₹32.61 trillion a year earlier and ₹33.18 trillion in the previous quarter.

On an aggregate level, companies gained from improved Ebitda (earnings before interest, taxes, depreciation, and amortisation) or operating profit margins, as operating costs grew at a slower pace than revenues. The biggest savings came from raw material costs (down 48 basis points Y-o-Y), followed by employee expenses (down 11.3 bps). Raw material expenses rose 5.9 per cent Y-o-Y, and employee costs were up 6.1 per cent — both below the 7.2 per cent growth in net sales.

Among key sectors, mining & metals, pharmaceuticals, power, and public-sector oil-marketing companies recorded double-digit earnings growth. In contrast, BFSI, automobiles, IT services, and FMCG sectors registered flat to low single-digit earnings growth.

However, beyond a few standalone bright spots, the majority of listed companies disappointed, leading to more earnings downgrades than upgrades. "Earnings downgrades are 1.6 times the number of upgrades so far. Until now, 21 of 33 companies in our coverage universe have reported an upgrade/downgrade of more than 3 per cent each, leading to an adverse upgrade-to-downgrade ratio for FY26E," write analysts at Motilal Oswal Financial Services in their interim earnings review for Q4FY25.

As a result, the brokerage has kept its FY26E Nifty 50 earnings per share (EPS) estimate broadly unchanged at ₹1,155 but has raised the FY27E EPS estimate by 0.3 per cent to ₹1,332. This will translate into an expected earnings growth of 4.1 per cent Y-o-Y for Nifty 50 companies in FY26E, hinting at a further slowdown in corporate earnings growth. The brokerage, however, expects a recovery in corporate earnings growth in FY27 with Nifty 50 companies projected to see 15.3 per cent Y-o-Y growth in their EPS for FY27E.

For comparison, the Nifty 50 closed Friday with a trailing EPS of ₹1,110, up 5.4 per cent from ₹1,053 at the end of May 2024, according to data from the National Stock Exchange.

Analysts at Elara Capital said midcaps outperformed in Q4FY25 compared to their largecap peers. "In Q4FY25, midcap earnings significantly outpaced largecaps, with PAT rising 21.4 per cent Y-o-Y versus a mere 4.3 per cent for the Nifty 50. Earnings momentum for Nifty Midcap 150 was led by banks (up 39.5 per cent), information technology (up 47.3 per cent), metals (up 36 per cent), and chemicals (up 250.3 per cent)," write Bino Pathiparampil and Saharsh Kumar of Elara Capital's interim earnings review.

However, the combined quarterly net profit of Nifty Midcap 150 companies at around ₹51,300 crore was less than one-third that of Nifty 50 companies, which posted a combined profit of ₹1.6 trillion. This means large caps will continue to drive overall corporate earnings growth in FY26.