

# Early birds show sharp decline in Q2 earnings

Combined net of 441 firms up 5.8% YoY, slowest growth rate in 9 qtrs

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The early-bird results of companies in July-September 2022 (Q2FY23) suggest a slowdown in corporate earnings and the end of the post-pandemic boom in India Inc's margins and profits.

Corporate revenues, however, continue to grow in high double digits, thanks to the combined effects of higher inflation, high credit growth, and currency depreciation.

The combined net profit of 441 early-bird companies in the *Business Standard* sample was up 5.8 per cent year-on-year in Q2FY23, growing at the slowest pace in the last nine quarters.

In comparison, these companies' combined net profit was up 27.4 per cent Y-o-Y in Q1FY23 and 21.9 per cent Y-o-Y in Q2FY22.

These companies reported a combined net profit of around ₹1.2 trillion in Q2FY23, down

from ₹1.25 trillion in Q1FY23 and the lowest in the last four quarters (see charts).

As a result, the operating margin in Q2FY23 at 26.7 per cent (of revenues) was the lowest in the last 10 quarters while the net profit margin at 9.9 per cent in Q2FY23 was the lowest in the last nine quarters.

The combined revenues, or the income of the early-bird companies, were up 23.7 per cent Y-o-Y in Q2FY23 to reach ₹12.13 trillion.

For comparison, these companies' combined revenues were up 26.5 per cent Y-o-Y in Q1FY23 and 24.2 per cent Y-o-Y in Q2FY22, respectively.

Banks and finance companies were the top performers during the quarter and accounted for most of the incremental growth in overall corporate earnings in Q2FY23.

The combined net profit of 18 banks in our sample was up 60.1 per cent Y-o-Y to record a high of ₹37,672 crore in Q2FY23.

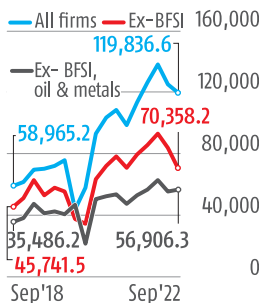


ILLUSTRATION: AJAY MOHANTY

## TRACKING THE NUMBERS

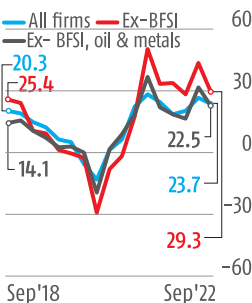
### Quarterly trend in net profit

(₹ crore)



### Historical trend in net sales growth

YoY chg (%)



Note: BFSI- Banks, financial services, insurance & stock broking  
Source: Capitaline; Compiled by BS Research Bureau

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Similarly, the combined profit of finance companies, including insurance, asset management and stock broking, was up 13.8 per cent YoY to record a high of ₹11,806 crore in Q2FY23. It was, however, a tough quarter for non-finance firms.

The combined net profit of early-bird companies ex-BFSI (banks, finance, insurance and stock broking) was down 11.4 per cent YoY to ₹70,358 crore in Q2FY23, the lowest in the last eight quarters. This was the first YoY decline in the combined earnings of non-finance firms in the last nine quarters. Mining, metals, cement, oil and gas, and consumer durable firms were the biggest laggards and most firms in these sectors reported a fall in net profit and even net loss due to a combination of lower sales realisation and high operating costs.

JSW Steel, the country's second-biggest steel manufacturer, reported a net loss of ₹915 crore in Q2FY23 against a net profit of ₹7,179 crore in Q2FY22. IT services exporters such as Tata Consultancy Services, Infosys and HCL Technologies, however, surprised on the upside with a QoQ rise in operating margins and faster growth in rupee revenues, thanks to gains from currency depreciation.

