

Q2FY23 Earnings Review: Strong top-line, weaker profitability

The second quarter of the current fiscal (Q2FY23) saw top line expanding further, aided by strong demand and financial conditions, while profitability plunged, attributed to commodity sectors. Aggregate net sales for Nifty 50/Nifty 500 companies¹ grew by 27.4% YoY, as strong consumption demand ahead of the festive season outweighed weaker realisations for commodities. Profit of non-financial Nifty 50/Nifty 500 companies at the operating level (EBITDA) declined for the first time in last two years by 0.6% YoY/8.1% YoY, owing to higher non-input operating costs. This led to operating margins contracting to two-year/four-year low of 16.6%/13.6%. Aggregate adjusted PAT growth in Q2FY23 for the Nifty 50/Nifty 500 companies was the lowest in last nine quarters at -1.8%/-8.4% YoY. Strong profit decline for commodity sectors more than negated robust profits generated by Financials, led by higher credit demand, lower credit costs and improved margins. Excluding Financials, net adjusted PAT fell by a much higher 17.4%/27.3% YoY for Nifty 50/Nifty 500 companies.

Export-oriented (IT) and commodity companies have been feeling the heat of a weakening global economy, while domestic sectors have benefited from resilient consumption and improving investment demand. This is also reflected in downward earnings revisions this year that have been dominant in these sectors. Consensus earnings estimates (from Refinitiv) for FY23/24 for the top 200 covered companies by market cap have seen a cut of 10.5%/5.2% since March-end (As on December 19th, 2022), following a spree of upgrades during the whole of last fiscal year. This translates into an expected aggregate profit growth of 7.0%/22.5% in FY23/FY24 (vs. +43% in FY22), implying a CAGR of ~15% during FY22-24. Excluding Materials, where downgrades have been the steepest, expected profit CAGR for the top 200 companies during FY22-24 is pegged at a strong 20.6%. Earnings Revision Indicator² (ERI) trend for the Nifty 50 universe, however, has moved into the positive territory, implying upgrades outnumbering downgrades, thanks to upward revisions in profit estimates for Banks and Industrials.

Tightening monetary policy, deteriorating global growth outlook and falling commodity prices are likely to weigh on topline performance over the coming quarters. On the positive side, falling commodity prices should ease input cost pressures, thereby providing downside support to the earnings trajectory during this period.

- Net sales improved in Q2FY23 but at a slower pace:** Aggregate top-line of Nifty 50/Nifty 500 universe came in at 27.4% YoY and 5.7% QoQ/12.5% QoQ in Q2FY23. The YoY growth was primarily led by Energy and Financial companies, together comprising 52% and 59% of the total revenues of the respective universes. While upstream oil companies found support from higher realisation due to price inflation over the year, Financials sector benefitted from revival in industrial and retail credit, interest rate hikes and improved asset quality. Excluding Energy and Financials, revenue growth came in at 24.5% YoY/4% QoQ and 25.4% YoY/5% QoQ for Nifty50/Nifty500 companies. Continued revival in consumption demand, aided further by the onset of festive season provided a succour during the quarter.
- Sustained cost pressures dragged operating margins to eight-year lows:** EBITDA for Nifty 50/Nifty 500 companies (ex-Financials) declined for the first time in last two years by 0.6% YoY/8.1% YoY and 4.2% QoQ/6.4% QoQ. While input cost pressures have been diminishing, other operating costs such as power, fuel, transportation, logistics and wages have been rising, which has resulted in EBITDA margins contracting to two-year/four-year lows of 16.6%/13.6% for respective universes. Total operating expenses rose by 38.5%/35.2% YoY but remained flat on a QoQ basis, thanks to easing inflationary environment. Materials sector was worst hit by margin pressures owing to a demand slowdown and falling prices.

Aggregate net sales of Nifty50/Nifty 500 companies grew by 27.4% YoY in Q2FY23, aided by strong YoY performance by Energy and Financials sector.

EBITDA for Nifty 50/Nifty 500 companies (ex-Financials) declined for the first time in last two years by 0.6% YoY/8.1% YoY and 4.2% QoQ/6.4% QoQ.

¹497 companies in the Nifty 500 Index reported earnings data for Q2FY23 as on December 18th, 2022.

²Earnings Revision Indicator over a period is calculated as (no of upgrades – no of downgrades)/(total number of upgrades and downgrades). A value less than zero indicates downgrades outnumbering upgrades and vice versa.

- **Materials dragged profit growth in Q2FY23:** Aggregate adjusted PAT growth for the Nifty 50/Nifty 500 companies was the lowest in last nine quarters at -1.8%/-8.4% YoY in Q2FY23. On a sequential basis, profits grew by 6.2%/7.2% QoQ in the quarter gone by for the respective universes. Companies in the Financial sector drove the aggregate profitability due to improved asset quality, increased credit demand and robust net interest income. Materials, on the other hand, was a laggard in the September quarter, posting the lowest profit growth in the last nine quarters due to rising logistics and fuel costs and lower realisations that contracted margins. Profits of Consumer Discretionary companies registered a healthy growth on an YoY and QoQ basis due to low base and improved demand environment, partly offsetting rising operating costs. Industrials sector also posted healthy gains in the second quarter due steady order inflows. While Energy companies contributed significantly to top-line performance, profit margins were stressed due to subdued marketing margins of downstream oil companies.
- **Earnings estimates downgraded further...:** Our analysis of earnings performance of top 200 covered companies by market capitalisation show that aggregate profit estimates for FY23/FY24 have been curtailed by 10.5%/5.2% since March-end (As on December 19th, 2022), following a spree of upgrades during the whole of last fiscal year. The downgrades were primarily led by export-oriented (IT) and commodity companies (Materials, Energy), excluding which cut in profit estimates for FY23/FY24 was relatively muted at 3.7%/1.2%. With this, the aggregate earnings of top 200 companies are now expected to increase by 7.0%/22.5% in FY23/FY24, following a ~43% PAT growth in FY22, implying a CAGR of ~15% during FY22-24. Notably, Materials and Utilities are the only sectors for which aggregate earnings are expected to drop during FY22-24, excluding which expected profit CAGR for the top 200 companies during FY22-24 is pegged at a strong 22.6%. This is led by Financials and Consumer Discretionary, together accounting for ~64% the absolute change in aggregate profits of top 200 covered companies during FY22-24.
- **...Even as ERI moved into the expansion zone:** The ERI has been on a downward trajectory since the onset of the second wave of COVID-19 in March 2021 and hovered near-zero levels until early this year. Russia's invasion of Ukraine in late February 2022, China slowdown, unprecedented spike in global inflation trajectory, and consequent aggressive policy tightening and weakening external demand environment have led to a deterioration in earnings outlook since then, leading to ERI falling deep into the negative territory in the first half of this year. ERI, however, has been recovering since then and moved into the positive territory, despite downgrades in aggregate estimates, led by upgrades in Financials and Industrials.

Aggregate adjusted PAT growth for the Nifty 50/Nifty 500 companies at -1.8%/-8.4% YoY in Q2FY23 was the lowest in nine quarters.

Consensus earnings estimates for FY23/24 for the top 200 covered companies have been slashed by 10.5%/5.2% in since Mar-end, translating into an earnings CAGR of ~15.0% during FY22-24.

Table of Contents

Nifty 50 Q2FY23 results.....	5
Nifty 500 Q2FY23 results	15
Earnings revision analysis	25

Table of Figures

Figure 1: Sector-wise net sales growth of Nifty 50 companies in Q2FY23.....	6
Figure 2: Net sales YoY growth trend of Nifty 50 companies in last seven years.....	7
Figure 3: Change in expenses for Nifty 50 companies (ex-Financials) in Q2FY23	8
Figure 4: Sector-wise EBITDA growth of Nifty 50 companies in Q1FY23	9
Figure 5: Sector-wise EBITDA margin of Nifty 50 companies in Q1FY23.....	9
Figure 6: EBITDA growth trend of Nifty 50 companies in last seven years	10
Figure 7: EBITDA margin trend of Nifty 50 companies in last seven years	11
Figure 8: Sector-wise PAT growth of Nifty 50 companies in Q2FY23.....	12
Figure 9: Sector-wise PAT margin of Nifty 50 companies in Q2FY23.....	12
Figure 10: PAT growth trend of Nifty 50 companies in last seven years	13
Figure 11: PAT margin trend of Nifty 50 companies in last seven years	14
Figure 12: Sector-wise net sales growth of Nifty 500 companies in Q2FY23	16
Figure 13: Net sales YoY growth trend of Nifty 500 companies in last seven years	16
Figure 14: Change in expenses for Nifty 500 companies (ex-Financials) in Q2FY23.....	18
Figure 15: Sector-wise EBITDA growth of Nifty 500 companies in Q2FY23	19
Figure 16: Sector-wise EBITDA margin of Nifty 500 companies in Q2FY23	19
Figure 17: EBITDA growth trend of Nifty 500 companies in last seven years.....	20
Figure 18: EBITDA margin trend of Nifty 500 companies in last seven years	21
Figure 19: Sector-wise PAT growth of Nifty 500 companies in Q2FY23	22
Figure 20: Sector-wise PAT margin of Nifty 500 companies in Q2FY23	22
Figure 21: PAT growth trend of Nifty 500 companies in last seven years	23
Figure 22: PAT margin trend of Nifty 500 companies in last seven years	24
Figure 23: Aggregate consensus profit growth estimate for top 200 covered companies (% YoY).....	25
Figure 24: Aggregate consensus earnings revisions in CY22 TD (Jan'22-) for top 200 covered companies.....	25
Figure 26: Sector-wise revision in FY23 earnings estimates since March-end	26
Figure 27: Sector-wise share in earnings	27
Figure 28: Yearly trend of NIFTY 50 Consensus EPS estimates	28
Figure 29: Nifty 50 Earnings Revision Indicator (since January 2019)	29
Figure 30: Nifty 50 Earnings Revision Indicator (10-year trend)	30
Figure 31: Short-term trend of Earnings Revision Indicator across MSCI sectors	31
Figure 32: Long-term trend of Earnings Revision Indicator across MSCI sectors	32

Table of Tables

Table 1: Net sales growth of Nifty 50 companies	5
Table 2: Sector-wise contribution of Nifty 50 companies to net sales growth in Q2FY23	6
Table 3: EBITDA growth of Nifty 50 companies	8
Table 4: EBITDA margin of Nifty 50 companies in Q1FY23	9
Table 5: Sector-wise contribution of Nifty 50 companies to EBITDA growth in Q2FY23	10
Table 6: PAT growth of Nifty 50 companies	11
Table 7: PAT margin of Nifty 50 companies in Q2FY23	12
Table 8: Sector-wise contribution of Nifty 50 companies to PAT growth in Q2FY23	13
Table 9: Net sales growth of Nifty 500 companies	15
Table 10: Sector-wise contribution of Nifty 500 companies to net sales growth in Q2FY23	17
Table 11: EBITDA growth of Nifty 500 companies	18
Table 12: EBITDA margin of Nifty 500 companies in Q2FY23	19
Table 13: Sector-wise contribution of Nifty 500 companies to EBITDA growth in Q2FY23	20
Table 14: PAT growth of Nifty 500 companies	21
Table 15: PAT margin of Nifty 500 companies in Q2FY23	22
Table 16: Sector-wise contribution of Nifty 500 companies to PAT growth in Q2FY23	23
Table 17: Monthly trend of sector-wise FY22 consensus earnings growth estimate (% YoY)	26
Table 17: Monthly trend of sector-wise FY23 consensus earnings growth estimate (% YoY)	26

Nifty 50 Q2FY23 results

Financials and Energy companies drove YoY Nifty revenue growth in Q2: Aggregate net sales of Nifty 50 companies grew by a strong 27.4% YoY to Rs16.5trn in Q2FY23 as compared to 33.8% YoY in the previous quarter and 26.6% YoY in the corresponding quarter last year. Even as YoY growth has moderated, sequentially the Q2 revenue growth has improved to 5.7%, primarily led by Financials sector which has benefited from improved credit growth, rising interest rates and improved asset quality during the quarter, excluding which revenue growth came in at a modest 1.2% QoQ. Notably, the YoY revenue growth rate for Q2FY23, however, was higher than the average growth rate of 10% witnessed in the five (5) September quarters during the 2015-2019 period.

All sectors reported YoY expansion in revenues led by Energy, that accounted for ~43% of the absolute increase in Nifty 50 earnings. This was aided by higher realisations by upstream Oil & Gas companies, thanks to elevated international crude oil prices as compared to the year ago period. On a sequential basis, however, revenues for the Energy sector dipped owing to drop in crude prices as well as falling gross refining and marketing margins. Energy and Financials comprised 52% of the Nifty revenues and 56% of the revenue growth in Q2FY23, barring which, revenue growth came in at a lower 24.5%YoY and 4% QoQ.

Other sectors that witnessed strong YoY growth in net sales include: a) Consumer discretionary: Favourable base and revival in auto demand; b) Industrials: Improved investment demand reflected by robust order inflows; c) Information Technology: Higher realisation due to sustained global demand for digitisation and cloud services and depreciation in INR; d) Utilities: Robust power demand; e) Communication services: Higher average revenue per user (+4% QoQ) because of premiumisation; and f) Consumer Staples: Improved demand for processed food and price hikes. Within the Nifty 50 universe, 48 and 38 companies recorded top line growth on a YoY and QoQ basis respectively in the September quarter.

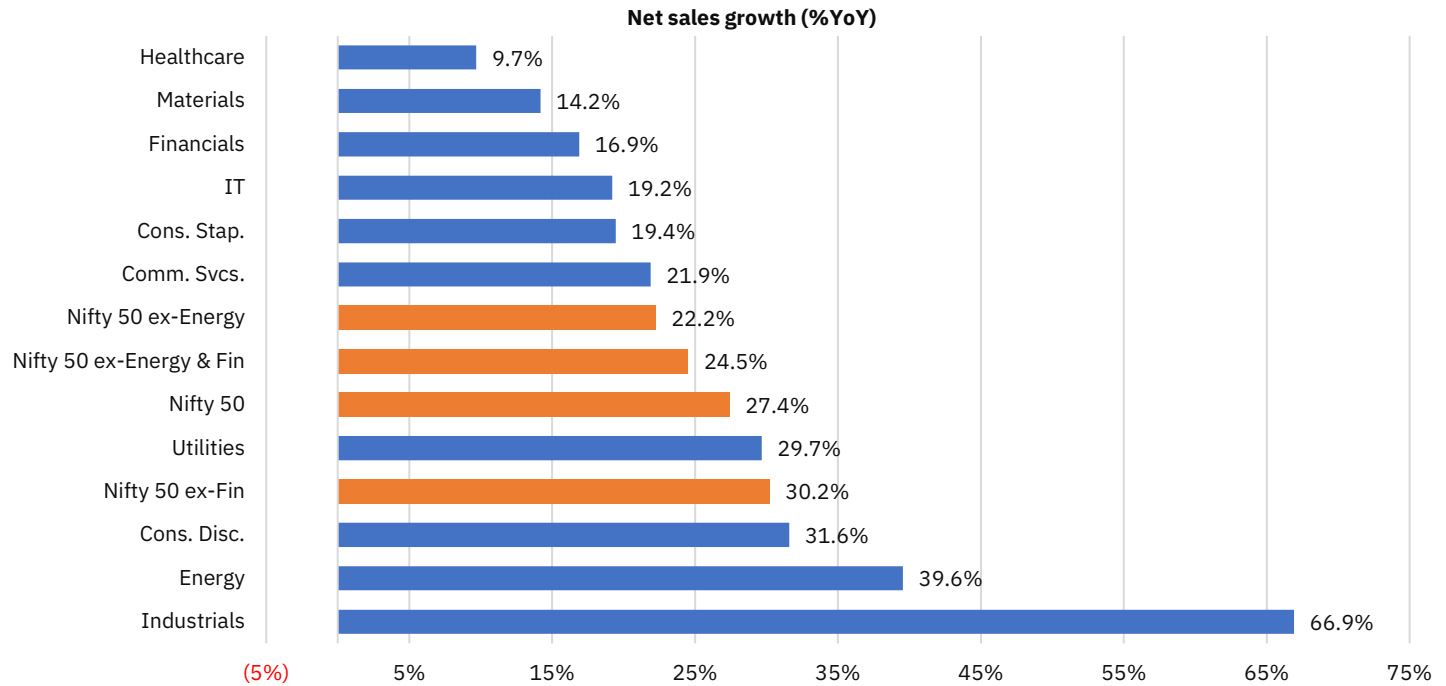
Going forward, tightening monetary policy, deteriorating global growth outlook and falling commodity prices are likely to weigh on topline performance over the coming quarters.

Table 1: Net sales growth of Nifty 50 companies

Sector	QoQ growth			YoY growth		
	Sep-21	Jun-22	Sep-22	Sep-21	Jun-22	Sep-22
Communication Services	5.5	4.1	5.2	13.0	22.2	21.9
Consumer Discretionary	7.1	(0.9)	9.8	13.5	28.3	31.6
Consumer Staples	5.7	7.7	0.9	11.4	25.0	19.4
Energy	13.1	11.7	(2.7)	46.7	62.2	39.6
Financials	14.4	(10.3)	30.3	10.7	2.7	16.9
Health Care	2.9	4.5	6.6	15.8	5.9	9.7
Industrials	11.1	(0.3)	5.9	19.8	75.0	66.9
Information Technology	4.8	4.7	5.0	18.5	19.0	19.2
Materials	13.8	(7.6)	(0.9)	48.0	31.1	14.2
Utilities	6.4	13.2	2.3	14.6	34.9	29.7
Nifty 50	11.0	1.9	5.7	26.6	33.8	27.4
Nifty 50 ex-Energy	10.2	(2.8)	10.4	19.6	22.0	22.2
Nifty 50 ex-Financials	10.2	4.5	1.2	31.6	41.8	30.2
Nifty 50 ex-energy ex-fin	8.5	(0.2)	4.0	23.8	29.9	24.5

Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

Note: The above table provides data for companies in the Nifty 50 index as on end of September 2022.

Figure 1: Sector-wise net sales growth of Nifty 50 companies in Q2FY23


Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

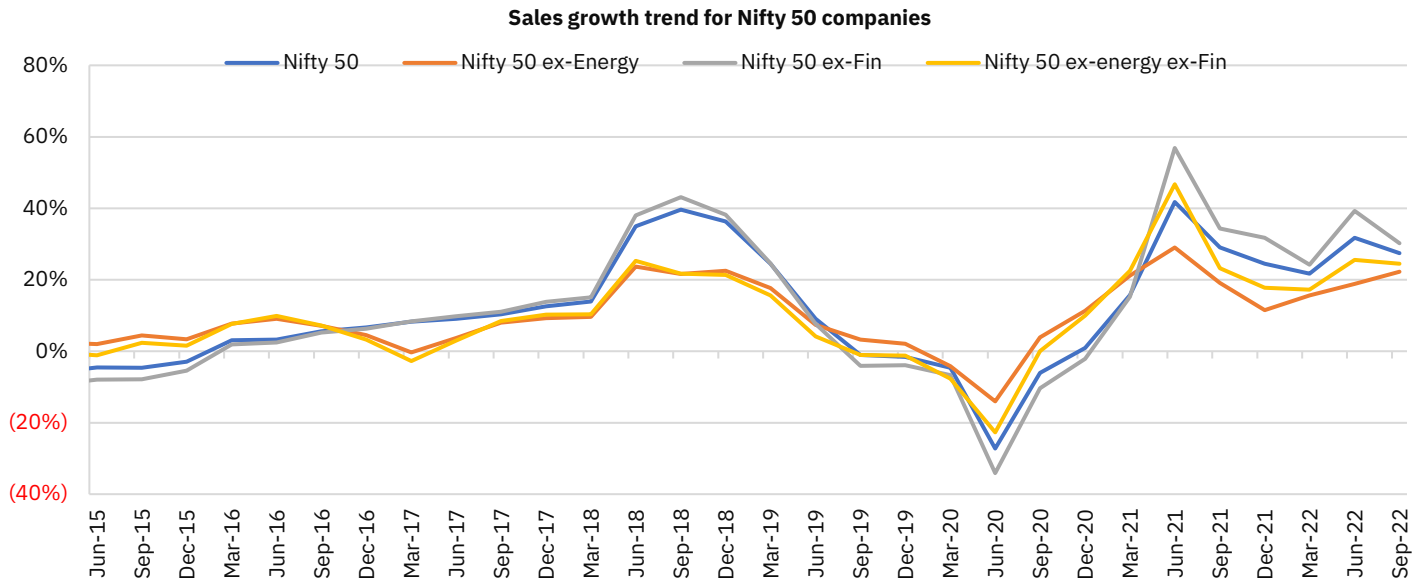
Note: The above chart provides data for companies in the Nifty 50 index as on end of September 2022.

Table 2: Sector-wise contribution of Nifty 50 companies to net sales growth in Q2FY23

Sector	Net sales (Rsbn)	Contribution to net sales growth	
		% QoQ	% YoY
Communication Services	345	0.1	0.5
Consumer Discretionary	1,715	1.0	3.2
Consumer Staples	446	0.0	0.6
Energy	5,434	(1.0)	11.8
Financials	3,193	4.7	3.5
Health Care	292	0.1	0.2
Industrials	861	0.3	2.7
Information Technology	1,522	0.5	1.9
Materials	2,202	(0.1)	2.1
Utilities	553	0.1	1.0
Nifty 50	16,563	5.7	27.4
Nifty 50 ex-Energy	11,129	32.0	15.6
Nifty 50 ex-Financials	13,370	4.8	23.9
Nifty 50 ex-energy ex-fin	7,936	9.3	12.0

Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

Note: The above table provides data for companies in the Nifty 50 index as on end of September 2022.

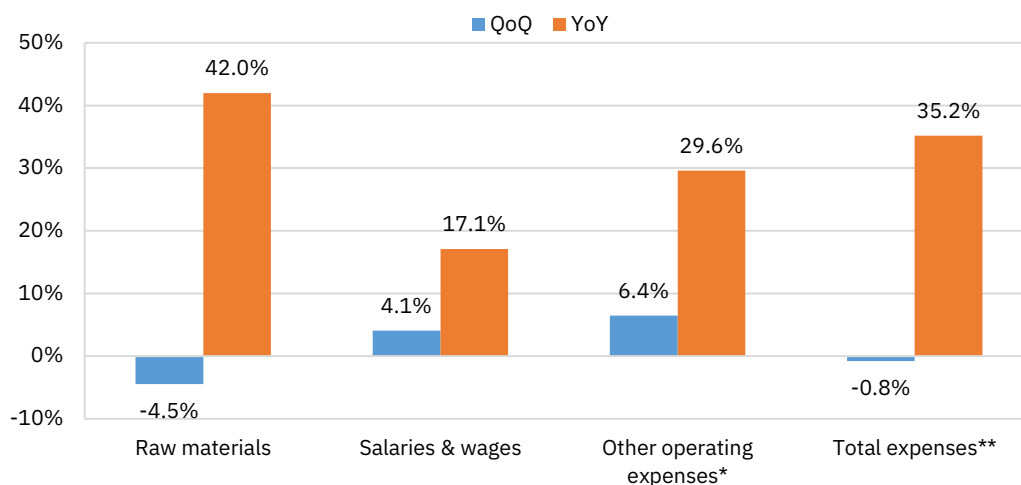
Figure 2: Net sales YoY growth trend of Nifty 50 companies in last seven years


Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

Note: The above chart includes companies in the Nifty 50 index as on end of respective quarters.

Rising operating costs continued to compress operating margins in Q2: EBITDA for the Nifty 50 universe excluding Financials declined by 0.6% YoY/4.2% QoQ in Q2FY23—the first decline in last nine quarters—as compared to +11.4% YoY/-8.1% QoQ in the previous quarter. Consequently, operating margins contracted by 513bps YoY/93bps QoQ (vs -446bps YoY/-222bps QoQ in June quarter) to 10-quarter low of 16.6%, weighed down by commodity price acceleration in the last one year and increase in salary and wage bill. On a QoQ basis, however, raw material (RM) costs have fallen (-4.5% QoQ) thanks to sequential dip in commodity prices amid global recession worries and China slowdown. Notably, RM cost to net sales ratio has fallen by 263bps QoQ in the September quarter. Wage bill, however, continued to rise, recording 17.1% YoY and 4.1% QoQ increase as compared to 14.9% YoY and 4% QoQ growth in the previous quarter.

Total expenses (excluding interest and depreciation) rose by 35.2% YoY, higher than 30.2% YoY growth in revenues, indicating a negative operating leverage on a YoY basis, where increase in total operating cost has outpaced increase in revenues persistently, thereby leading to margin contraction. Sector-wise, Materials, Utilities, Industrials and Energy companies have witnessed substantial contraction in operating margins, thanks to weekend domestic demand and price deflation.

Figure 3: Change in expenses for Nifty 50 companies (ex-Financials) in Q2FY23


Source: CMIE Prowess, NSE EPR.

Note: 1. The above chart provides data for companies in the Nifty 50 index as on end of September 2022.

2. *Other operating expenses include selling, general & administrative expenses, rental expenses, and other operating costs.

3. ** Total expenses exclude interest expenses and depreciation.

Table 3: EBITDA growth of Nifty 50 companies

Sector	QoQ growth			YoY growth		
	Sep-21	Jun-22	Sep-22	Sep-21	Jun-22	Sep-22
Communication Services	6.1	2.6	7.5	33.4	23.4	25.0
Consumer Discretionary	48.0	(26.5)	39.7	(6.6)	40.1	32.2
Consumer Staples	11.2	3.2	6.5	7.0	21.6	16.4
Energy	8.1	(11.4)	(9.2)	21.1	23.5	3.7
Financials	9.1	(1.0)	17.7	7.9	18.7	28.0
Health Care	11.1	18.1	7.8	17.6	15.6	12.1
Industrials	13.9	(5.2)	9.1	7.5	33.6	28.0
Information Technology	3.3	(3.4)	8.3	11.5	2.3	7.3
Materials	5.2	(8.8)	(39.9)	75.4	(7.9)	(47.4)
Utilities	(2.7)	(2.2)	2.9	3.8	5.1	11.2
Nifty 50	8.5	(5.1)	4.7	16.1	14.8	10.8
Nifty 50 ex-Energy	8.6	(3.6)	7.8	15.2	13.1	12.2
Nifty 50 ex-Financials	8.2	(7.7)	(4.2)	22.2	12.3	(0.6)
Nifty 50 ex-energy ex-fin	8.2	(5.9)	(2.0)	22.6	8.1	(2.1)

Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

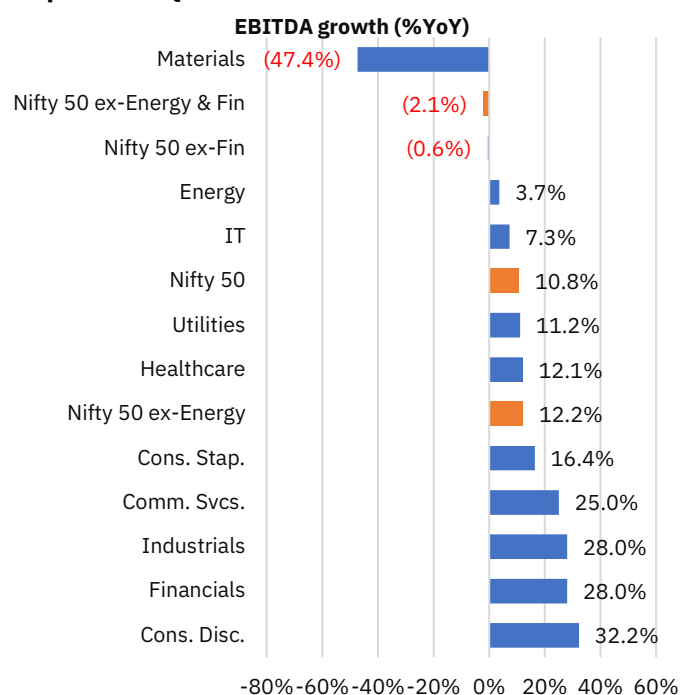
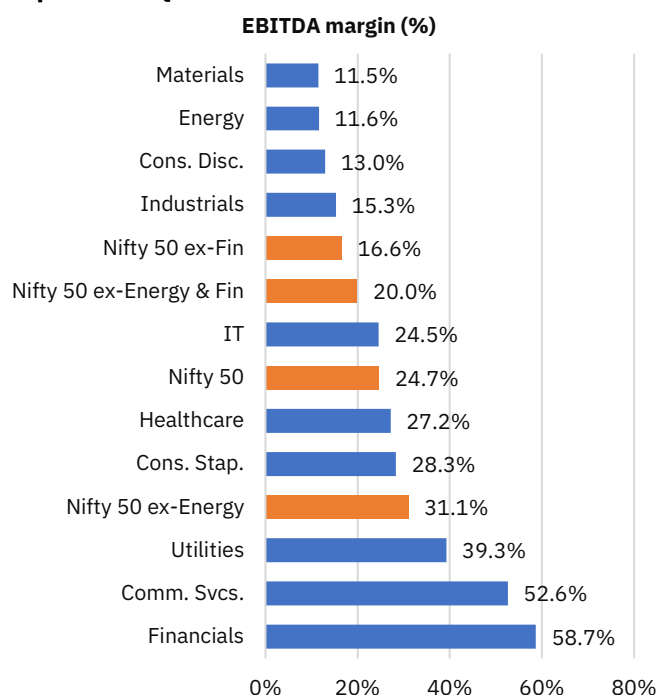
Note: The above table provides data for companies in the Nifty 50 index as on end of September 2022.

Table 4: EBITDA margin of Nifty 50 companies in Q2FY23

Sector	EBITDA Margin	QoQ change (bps)	YoY change (bps)
Communication Services	52.6	111	132
Consumer Discretionary	13.0	278	6
Consumer Staples	28.3	148	(74)
Energy	11.6	(83)	(402)
Financials	58.7	(626)	510
Health Care	27.2	30	59
Industrials	15.3	44	(465)
Information Technology	24.5	75	(273)
Materials	11.5	(745)	(1343)
Utilities	39.3	24	(653)
Nifty 50	24.7	(23)	(371)
Nifty 50 ex-Energy	31.1	(76)	(278)
Nifty 50 ex-Financials	16.6	(93)	(513)
Nifty 50 ex-energy ex-fin	20.0	(123)	(544)

Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

Note: The above table provides data for companies in the Nifty 50 index as on end of September 2022.

Figure 4: Sector-wise EBITDA growth of Nifty 50 companies in Q1FY23

Figure 5: Sector-wise EBITDA margin of Nifty 50 companies in Q1FY23


Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

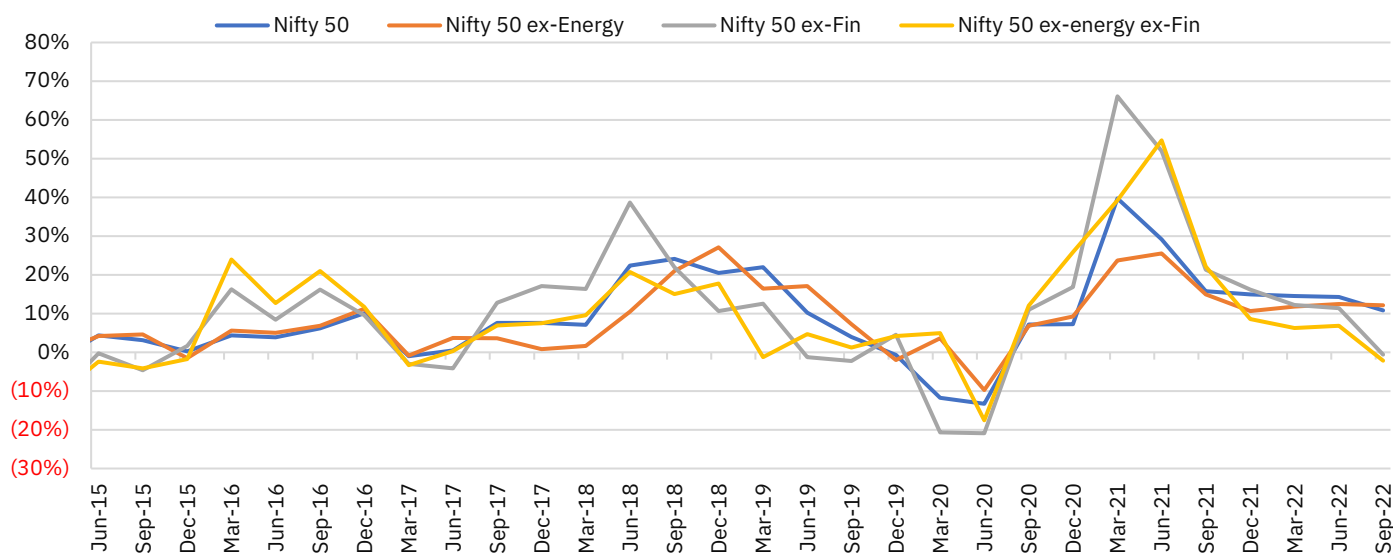
Note: The above charts provide data for companies in the Nifty 50 index as on end of September 2022.

Table 5: Sector-wise contribution of Nifty 50 companies to EBITDA growth in Q2FY23

Sector	EBITDA (Rsbn)	Contribution to EBITDA growth	
		% QoQ	% YoY
Communication Services	182	0.3	1.0
Consumer Discretionary	222	1.6	1.5
Consumer Staples	126	0.2	0.5
Energy	630	(1.6)	0.6
Financials	1,873	7.2	11.1
Health Care	79	0.1	0.2
Industrials	132	0.3	0.8
Information Technology	373	0.7	0.7
Materials	253	(4.3)	(6.2)
Utilities	217	0.2	0.6
Nifty 50	4,088	4.7	10.8
Nifty 50 ex-Energy	3,458	6.4	10.2
Nifty 50 ex-Financials	2,215	(2.5)	(0.3)
Nifty 50 ex-energy ex-fin	1,584	(0.8)	(0.9)

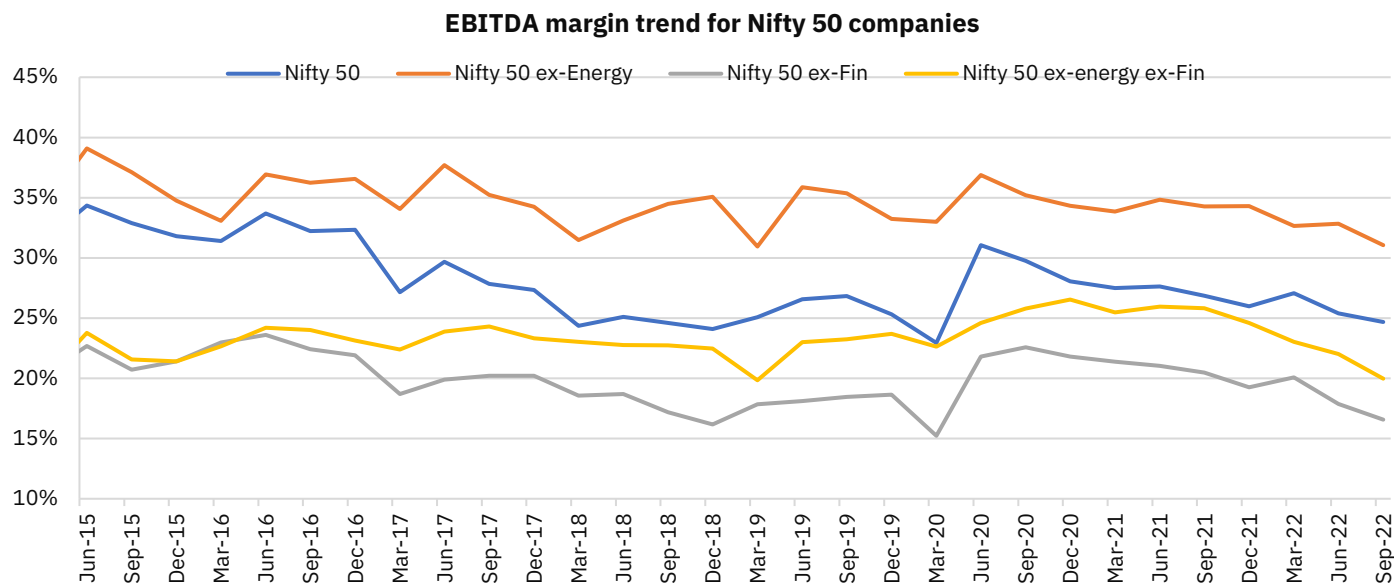
Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

Note: The above table provides data for companies in the Nifty 50 index as on end of September 2022

Figure 6: EBITDA growth trend of Nifty 50 companies in last seven years
EBITDA growth trend for Nifty 50 companies


Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

Note: The above chart includes companies in the Nifty 50 index as on end of respective quarters.

Figure 7: EBITDA margin trend of Nifty 50 companies in last seven years


Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

Note: The above chart includes companies in the Nifty 50 index as on end of respective quarters.

Commodity sectors dragged profitability in Q2: Aggregate adjusted PAT for the Nifty 50 companies fell by 1.8% YoY, marking the first YoY decline in last two years, thanks to continued operating margin contraction and higher interest expenses. Sharp contraction in profits of Materials and Energy sector weighed on overall profitability of Nifty 50 universe. Financials sector posted impressive profit growth of 37.5% YoY and a PAT margin of 18.6%, attributed to strong credit growth, robust interest income and improved asset quality. Excluding Financials, aggregate net profit of Nifty 50 universe declined by a steep 17.4% YoY. Besides Financials, Telecom and Consumer Discretionary sectors reported robust profit growth aided by increased demand and decreased cost pressures. The overall profit margin of 9.3% (-276bps YoY) was the lowest in the last nine quarters.

Table 6: PAT growth of Nifty 50 companies

Sector	QoQ growth			YoY growth		
	Sep-21	Jun-22	Sep-22	Sep-21	Jun-22	Sep-22
Communication Services	40.1	(0.7)	20.7	NA	171.0	133.5
Consumer Discretionary	NA	(98.8)	8517.5	(64.5)	NA	274.8
Consumer Staples	10.1	3.8	9.6	5.9	22.1	21.5
Energy	48.7	(16.7)	(10.4)	69.8	17.9	(28.9)
Financials	24.0	(10.5)	30.2	31.9	33.8	40.5
Health Care	22.7	17.6	6.5	17.6	23.2	7.0
Industrials	18.0	(31.2)	31.1	8.2	20.4	33.7
Information Technology	2.7	(8.4)	9.5	11.6	(0.7)	5.8
Materials	9.0	(27.6)	(67.2)	162.1	(20.2)	(76.0)
Utilities	9.9	(13.7)	(7.6)	(2.1)	21.0	1.7
Nifty 50	25.2	(17.0)	6.2	40.0	15.9	(1.8)
Nifty 50 ex-Energy	18.9	(17.1)	10.7	32.1	15.3	7.5
Nifty 50 ex-Financials	25.7	(19.7)	(4.9)	43.3	9.2	(17.4)
Nifty 50 ex-energy ex-fin	16.1	(21.0)	(2.4)	32.3	5.5	(11.3)

Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

Note: 1. The above table provides data for companies in the Nifty 50 index as on end of September 2022.

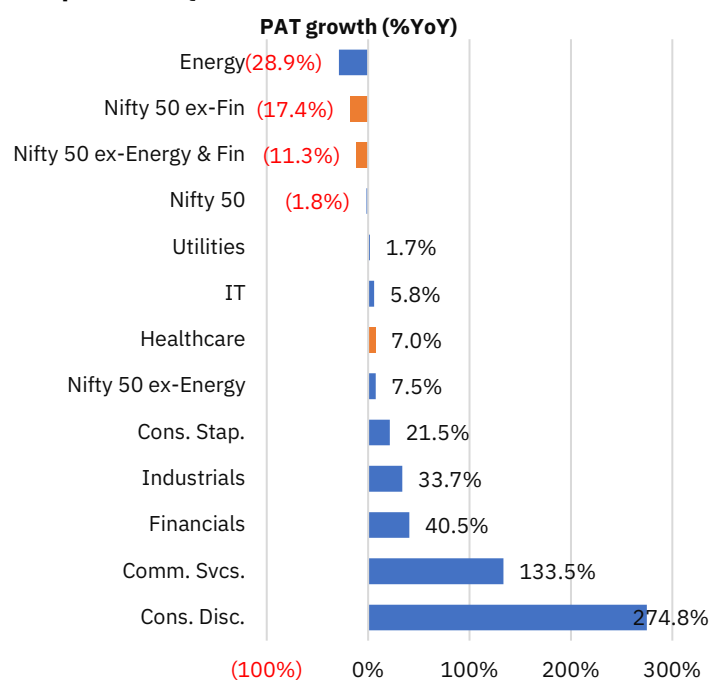
2. NA: Not Applicable.

Table 7: PAT margin of Nifty 50 companies in Q2FY23

Sector	PAT Margin	QoQ change (bps)	YoY change (bps)
Communication Services	8.6	110	412
Consumer Discretionary	4.1	409	269
Consumer Staples	19.8	157	34
Energy	5.2	(44)	(500)
Financials	18.6	(1)	312
Health Care	16.7	(0)	(42)
Industrials	5.8	110	(143)
Information Technology	15.7	64	(199)
Materials	2.9	(577)	(1071)
Utilities	13.0	(139)	(357)
Nifty 50	9.3	4	(276)
Nifty 50 ex-Energy	11.3	4	(155)
Nifty 50 ex-Financials	7.1	(45)	(407)
Nifty 50 ex-energy ex-fin	8.3	(54)	(336)

Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

Note: The above table provides data for companies in the Nifty 50 index as on end of September 2022.

Figure 8: Sector-wise PAT growth of Nifty 50 companies in Q2FY23


Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

Note: The above charts provide data for companies in the Nifty 50 index as on end of September 2022.

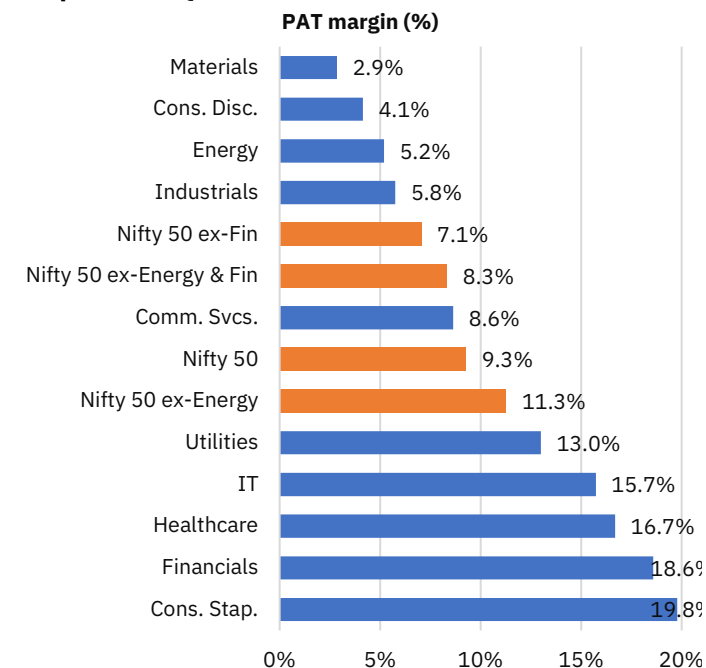
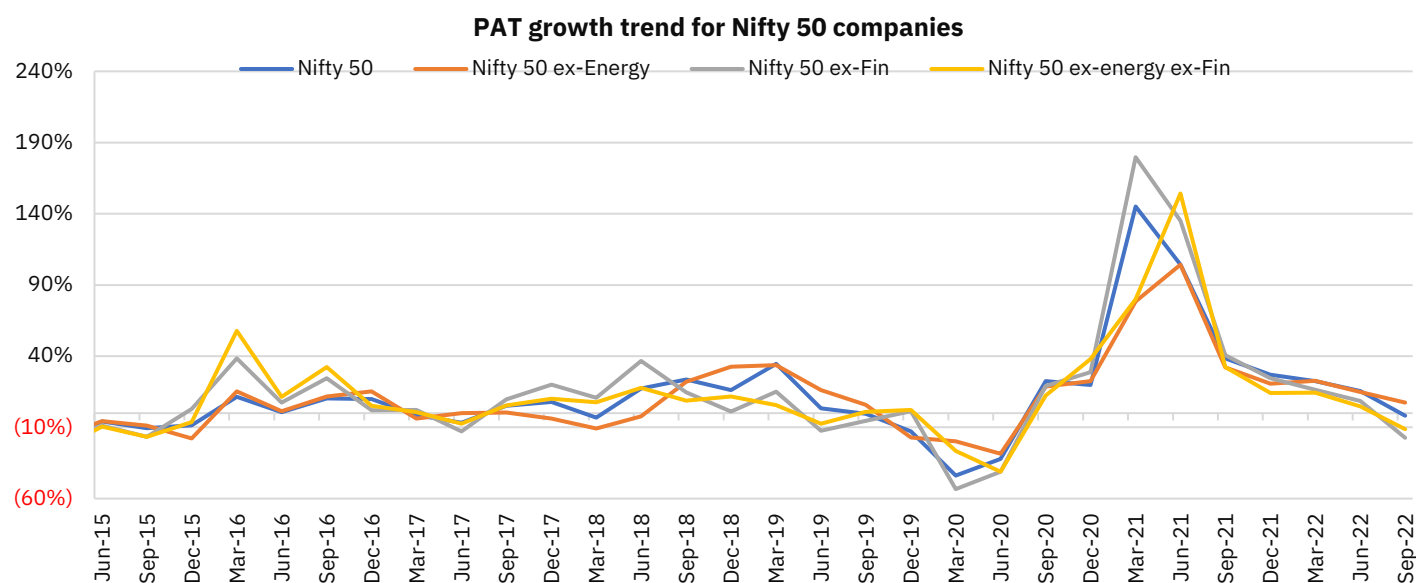
Figure 9: Sector-wise PAT margin of Nifty 50 companies in Q2FY23


Table 8: Sector-wise contribution of Nifty 50 companies to PAT growth in Q2FY23

Sector	PAT (Rsbn)	Contribution to PAT growth	
		% QoQ	% YoY
Communication Services	30	0.4	1.1
Consumer Discretionary	71	4.9	3.3
Consumer Staples	88	0.5	1.0
Energy	282	(2.3)	(7.3)
Financials	593	9.5	10.9
Health Care	49	0.2	0.2
Industrials	50	0.8	0.8
Information Technology	239	1.4	0.8
Materials	63	(8.9)	(12.7)
Utilities	72	(0.4)	0.1
Nifty 50	1,537	6.2	(1.8)
Nifty 50 ex-Energy	1,255	8.4	5.6
Nifty 50 ex-Financials	944	(3.4)	(12.7)
Nifty 50 ex-energy ex-fin	661	(1.1)	(5.4)

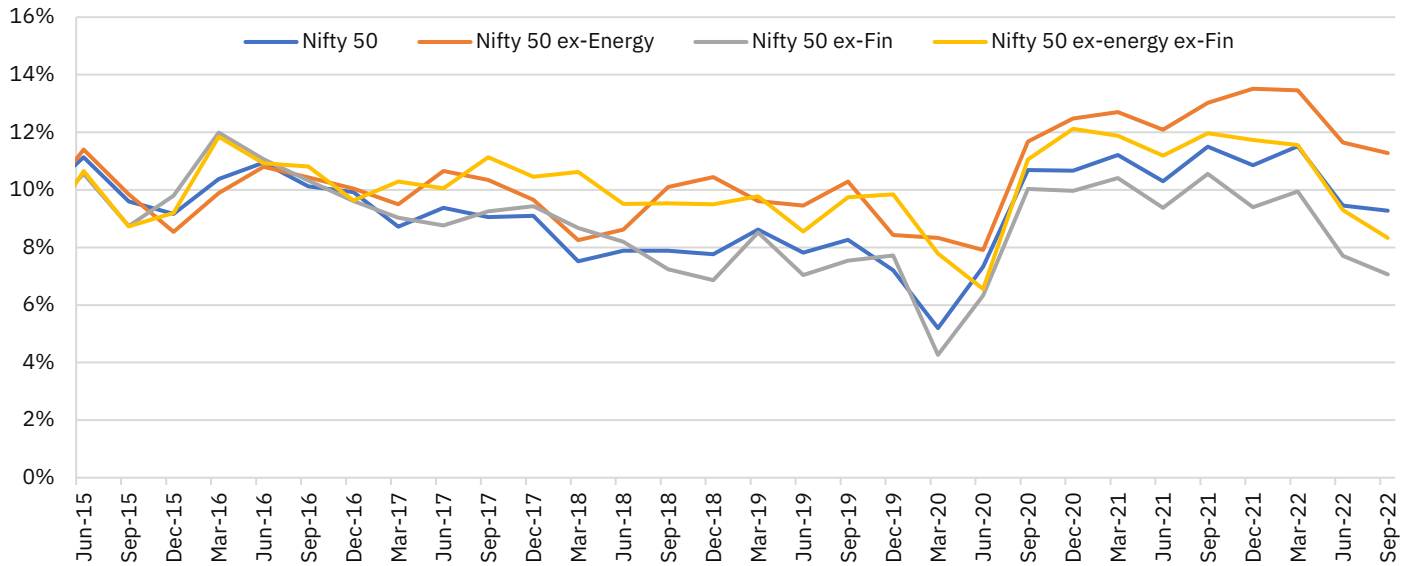
Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

Note: The above table provides data for companies in the Nifty 50 index as on end of September 2022.

Figure 10: PAT growth trend of Nifty 50 companies in last seven years


Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

Note: The above chart includes companies in the Nifty 50 index as on end of respective quarters.

Figure 11: PAT margin trend of Nifty 50 companies in last seven years
PAT margin trend for Nifty 50 companies


Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

Note: The above chart includes companies in the Nifty 50 index as on end of respective quarters.

Nifty 500 Q2FY23 results

Improved festive demand and credit offtake drove Nifty 500 revenues: Aggregate top-line for the Nifty 500 companies grew by 27.4% YoY in Q2FY23, lower than the 35.1% YoY growth in the previous quarter but higher than the average growth rate of 7.9% for the five September quarters during 2015-2019 period. On a sequential basis, aggregate revenues growth of the Nifty 500 universe gathered momentum and grew by 12.5% on top of an 3.4% QoQ growth in the previous quarter for the same composition.

Strong festive and pent-up demand, aided by waning COVID concerns, and higher realisations due to elevated commodity prices vis-à-vis a year ago period drove revenue growth of Nifty 500 companies. Consumer Discretionary, Financials and Energy companies comprised nearly 65% and 91.4% of YoY and QoQ growth respectively, while they constituted 59% of Nifty 500 revenues for Q2FY23. Excluding the abovementioned sectors, revenue growth came in at 22.5% YoY and 2.5% QoQ in the September quarter.

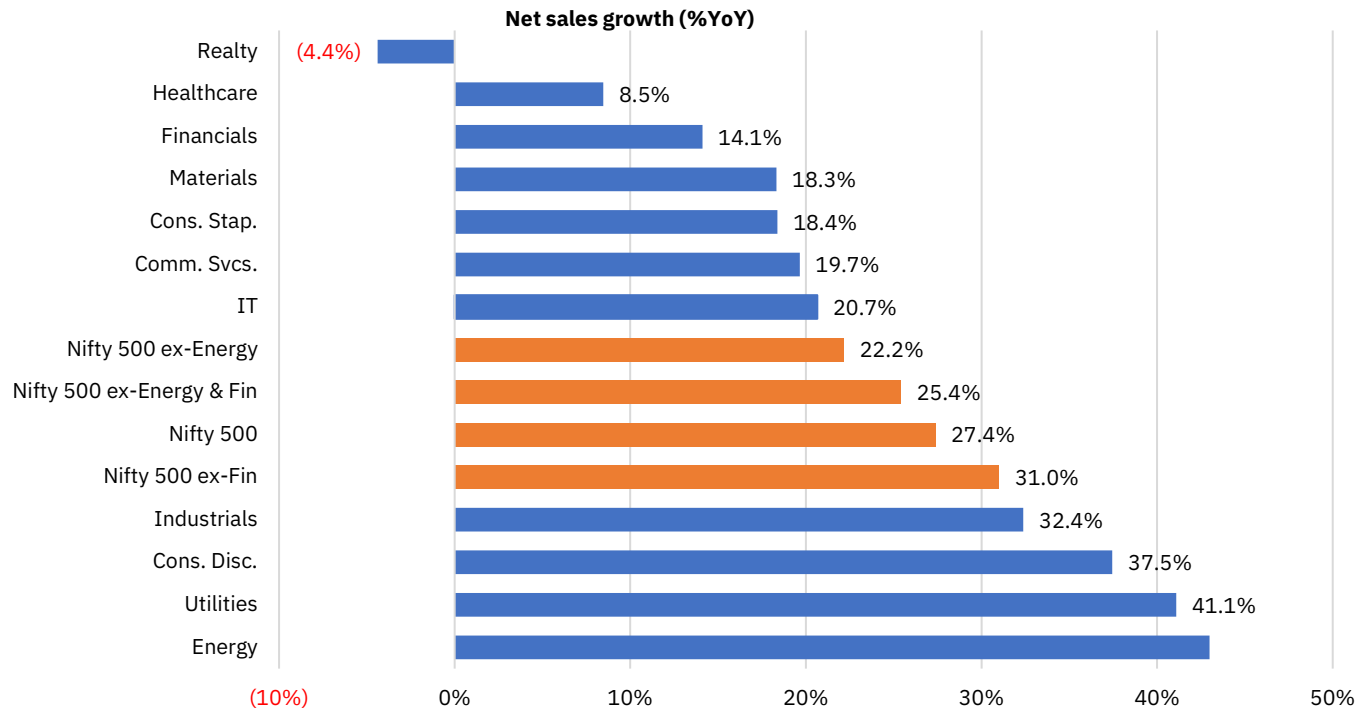
Within the Nifty 500 universe, 434 and 333 out of 497 companies recorded expansion in revenues on an YoY and QoQ basis respectively in the September quarter. Barring Real Estate, all sectors within the Nifty 500 universe registered an YoY expansion in net sales in the September quarter. The real estate sector was impacted by decline in demand amid rising mortgage rates. Utilities also registered modest decline in revenue on a sequential basis due to reduced demand for industrial PNG.

Table 9: Net sales growth of Nifty 500 companies

Sector	QoQ growth			YoY growth		
	Sep-21	Jun-22	Sep-22	Sep-21	Jun-22	Sep-22
Communication Services	5.4	4.9	5.1	17.5	19.6	19.7
Consumer Discretionary	6.3	(7.5)	15.0	39.9	26.8	37.5
Consumer Staples	10.0	15.0	4.1	14.2	25.0	18.4
Energy	14.1	16.7	(4.7)	53.9	71.1	43.0
Financials	9.8	(8.1)	69.6	7.3	0.1	14.1
Health Care	1.7	3.5	5.8	10.4	4.2	8.5
Industrials	25.3	(5.4)	3.1	24.8	61.9	32.4
Information Technology	5.2	4.6	5.7	17.6	19.7	20.7
Materials	14.9	(1.3)	1.0	39.7	34.1	18.3
Real Estate	31.9	(21.1)	(17.7)	37.9	52.8	(4.4)
Utilities	11.5	24.2	(0.4)	25.7	57.9	41.1
Nifty 500	11.6	3.4	12.5	28.5	35.1	27.4
Nifty 500 ex-Energy	10.8	(1.7)	20.2	21.6	23.1	22.2
Nifty 500 ex-Financials	12.1	6.0	1.4	36.0	45.1	31.0
Nifty 500 ex-energy ex-fin	11.2	0.5	5.0	28.8	32.7	25.4

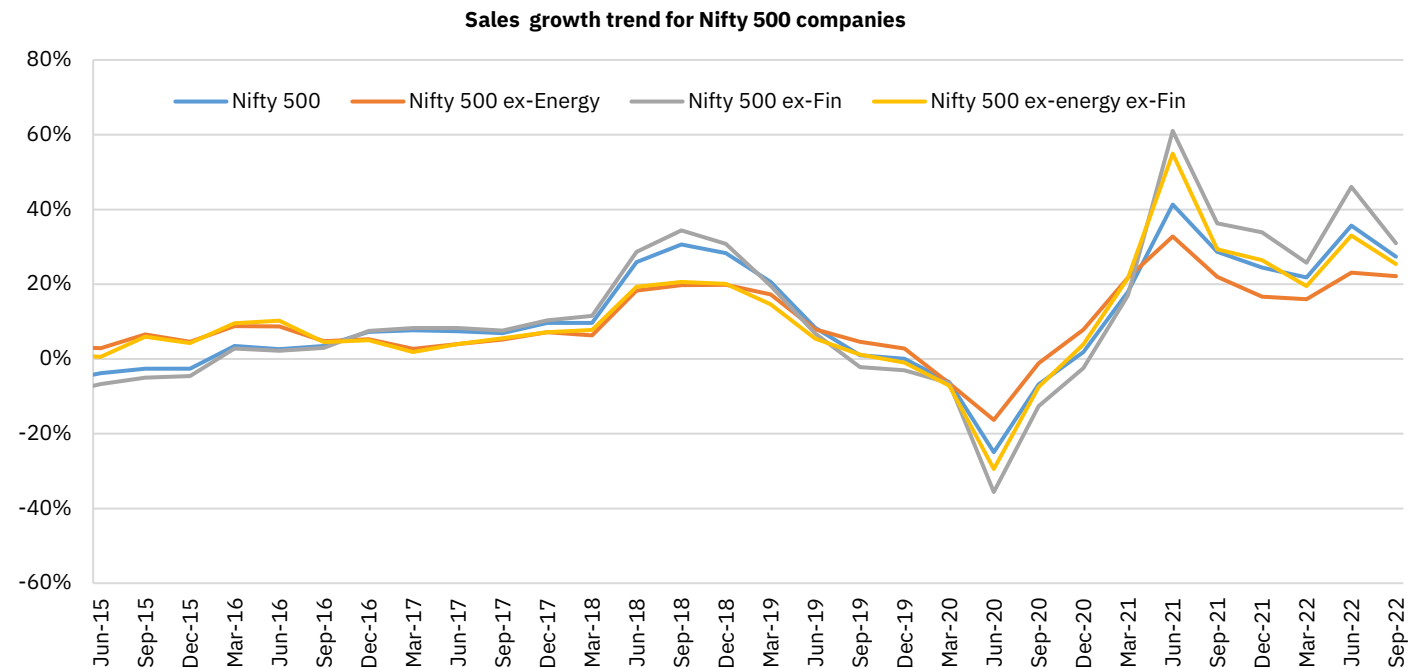
Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

Note: The above table provides data for companies in the Nifty 500 index as on end of September 2022.

Figure 12: Sector-wise net sales growth of Nifty 500 companies in Q2FY23


Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

Note: The above chart provides data for companies in the Nifty 500 index as on end of September 2022.

Figure 13: Net sales YoY growth trend of Nifty 500 companies in last seven years


Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

Note: The above chart includes companies in the Nifty 500 index as on end of respective quarters.

Table 10: Sector-wise contribution of Nifty 500 companies to net sales growth in Q2FY23

Sector	Net sales (Rsbn)	Contribution to net sales growth	
		% QoQ	% YoY
Communication Services	698	0.1	0.4
Consumer Discretionary	3,763	1.6	4.0
Consumer Staples	1,187	0.2	0.7
Energy	9,130	(1.5)	10.7
Financials	6,280	11.3	3.0
Health Care	828	0.1	0.3
Industrials	2,381	0.2	2.3
Information Technology	2,034	0.4	1.4
Materials	4,698	0.1	2.8
Real Estate	79	(0.1)	(0.0)
Utilities	1,485	(0.0)	1.7
Nifty 500	32,563	12.5	27.4
Nifty 500 ex-Energy	23,432	14.0	16.6
Nifty 500 ex-Financials	26,282	1.2	24.3
Nifty 500 ex-energy ex-fin	17,152	2.7	13.6

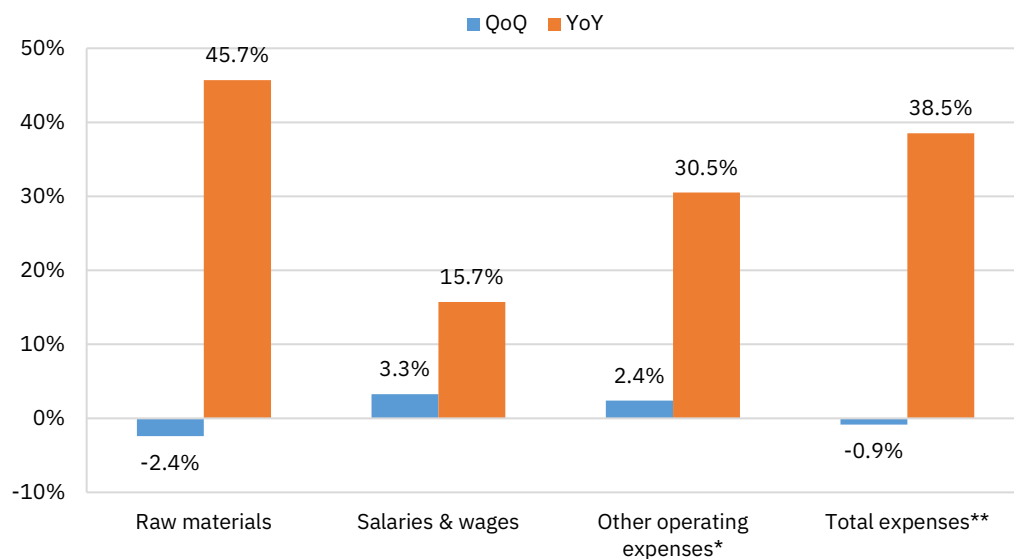
Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

Note: The above table provides data for companies in the Nifty 500 index as on end of September 2022.

Operating cost pressures dragged operating margins to eight-year lows: Aggregate EBITDA for the Nifty 500 universe excluding Financials declined by 8.1% YoY/6.4% QoQ, despite expansion in revenues during the September quarter. This is owing to rising operating costs such as power, fuel, transportation, logistics, and wages, partly offset by moderation in raw material costs. Consequently, operating margin for the Nifty500 companies contracted by a steep 580bps YoY and 114bps QoQ to an eight-year low of 13.6% in the September quarter.

While total RM cost for the Nifty 500 universe excluding Financials rose by 45.7% YoY in the September quarter, it declined 2.4% QoQ due deflation in commodity prices witnessed during the quarter. RM to sales ratio expanded by 472bps YoY but declined by 379bps QoQ 493 bps QoQ. Salaries and wage bill also inched up by 15.7% YoY and 3.3% QoQ, a tad higher than the previous quarter. Total expenses (excluding depreciation and interest) rose by 38.5% YoY but was marginally lower on QoQ basis.

Within the Nifty 500 universe, 248 and 209 of the non-financial companies reported an expansion in EBITDA in the September quarter on a YoY and QoQ basis respectively. Compression in operating margins was broad-based, with all sectors reporting a YoY contraction. Consumer Discretionary, Healthcare, Industrials and IT sector posted marginal margin expansion on an QoQ basis, aided by rise in demand.

Figure 14: Change in expenses for Nifty 500 companies (ex-Financials) in Q2FY23


Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

Note: 1. The above chart provides data for companies in the Nifty 500 index as on end of September 2022.

2. *Other operating expenses include selling, general & administrative expenses, rental expenses, and other operating costs.

3. ** Total expenses exclude interest expenses and depreciation.

Table 11: EBITDA growth of Nifty 500 companies

Sector	QoQ growth			YoY growth		
	Sep-21	Jun-22	Sep-22	Sep-21	Jun-22	Sep-22
Communication Services	42.4	(5.3)	3.2	78.4	17.2	(14.5)
Consumer Discretionary	49.0	(14.0)	21.7	8.4	48.7	23.7
Consumer Staples	14.9	4.8	1.6	8.5	21.6	8.4
Energy	6.9	(25.9)	(10.8)	16.4	2.3	(14.6)
Financials	8.1	(0.7)	19.4	2.0	16.5	23.5
Health Care	0.6	7.3	10.5	9.1	(7.1)	2.1
Industrials	39.8	(14.2)	9.7	15.9	62.3	29.8
Information Technology	3.0	(3.8)	8.2	12.8	3.4	8.2
Materials	4.4	(7.5)	(32.4)	55.4	(3.8)	(37.3)
Real Estate	29.1	(13.0)	(45.9)	39.5	46.0	(38.4)
Utilities	2.4	4.2	(3.1)	11.1	12.7	6.7
Nifty 500	10.4	(6.3)	5.4	14.0	12.7	5.7
Nifty 500 ex-Energy	10.9	(3.0)	7.4	13.7	14.2	8.4
Nifty 500 ex-Financials	12.2	(10.6)	(6.4)	25.6	9.7	(8.1)
Nifty 500 ex-energy ex-fin	13.7	(5.5)	(5.3)	28.3	11.8	(6.3)

Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

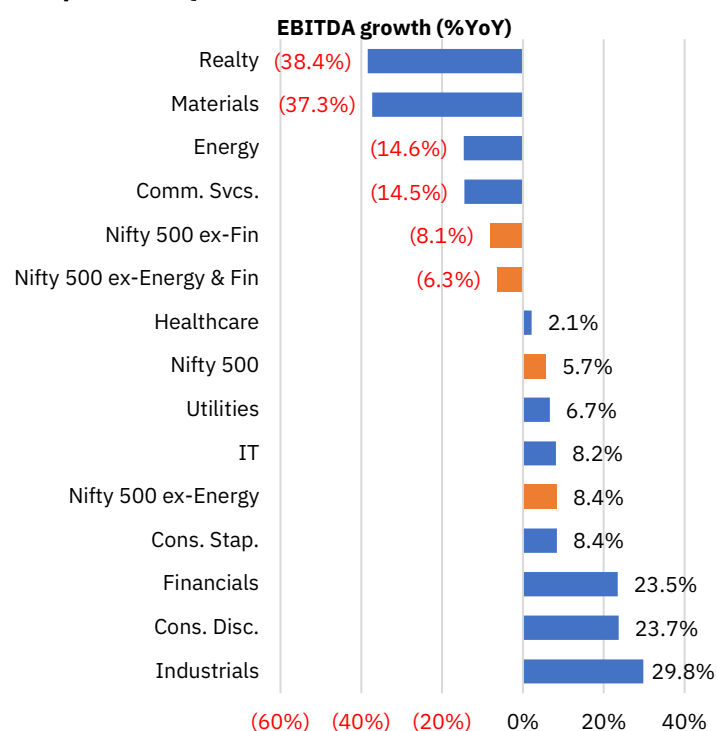
Note: The above table provides data for companies in the Nifty 500 index as on end of September 2022.

Table 12: EBITDA margin of Nifty 500 companies in Q2FY23

Sector	EBITDA Margin	QoQ change (bps)	YoY change (bps)
Communication Services	41.6	(77)	(1660)
Consumer Discretionary	10.1	55	(112)
Consumer Staples	17.1	(43)	(157)
Energy	7.7	(53)	(516)
Financials	59.3	(538)	449
Health Care	22.9	98	(142)
Industrials	14.7	88	(29)
Information Technology	21.3	48	(245)
Materials	13.1	(646)	(1161)
Real Estate	22.6	(1180)	(1250)
Utilities	27.4	(76)	(883)
Nifty 500	22.4	(44)	(461)
Nifty 500 ex-Energy	28.2	(127)	(358)
Nifty 500 ex-Financials	13.6	(114)	(580)
Nifty 500 ex-energy ex-fin	16.8	(183)	(570)

Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

Note: The above table provides data for companies in the Nifty 500 index as on end of September 2022.

Figure 15: Sector-wise EBITDA growth of Nifty 500 companies in Q2FY23


Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

Note: The above charts provide data for companies in the Nifty 500 index as on end of September 2022.

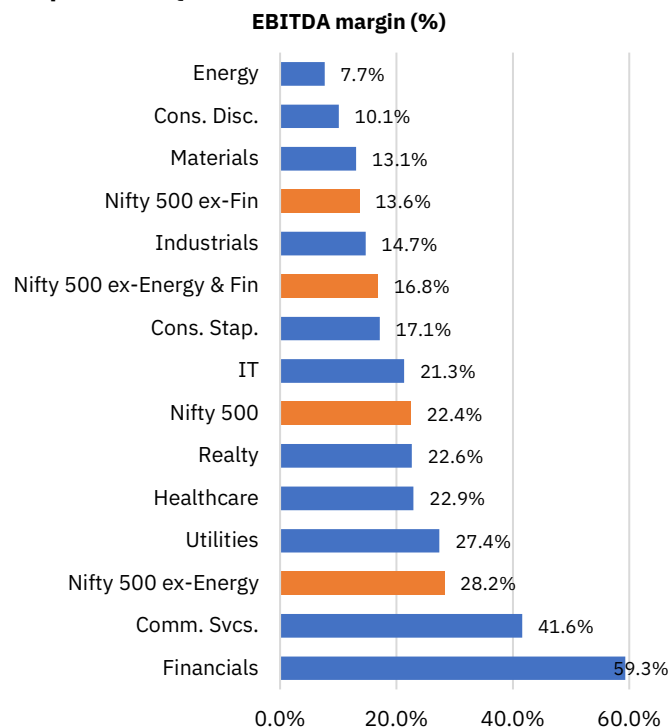
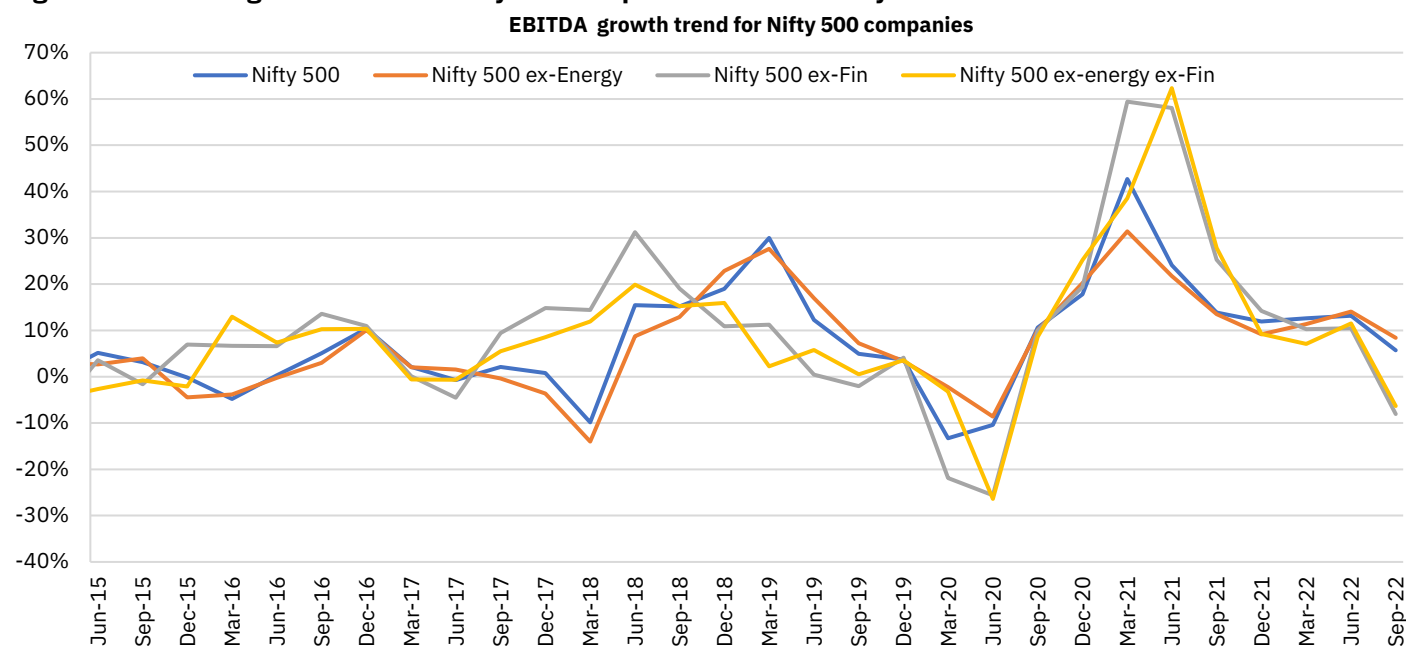
Figure 16: Sector-wise EBITDA margin of Nifty 500 companies in Q2FY23


Table 13: Sector-wise contribution of Nifty 500 companies to EBITDA growth in Q2FY23

Sector	EBITDA (Rsbn)	Contribution to EBITDA growth	
		% QoQ	% YoY
Communication Services	290	0.1	(0.7)
Consumer Discretionary	380	1.0	1.1
Consumer Staples	203	0.0	0.2
Energy	698	(1.2)	(1.7)
Financials	3,725	8.9	10.2
Health Care	190	0.3	0.1
Industrials	350	0.4	1.2
Information Technology	433	0.5	0.5
Materials	615	(4.2)	(5.3)
Real Estate	18	(0.2)	(0.2)
Utilities	406	(0.2)	0.4
Nifty 500	7,309	5.4	5.7
Nifty 500 ex-Energy	6,611	6.6	7.4
Nifty 500 ex-Financials	3,584	(3.5)	(4.5)
Nifty 500 ex-energy ex-fin	2,886	(2.3)	(2.8)

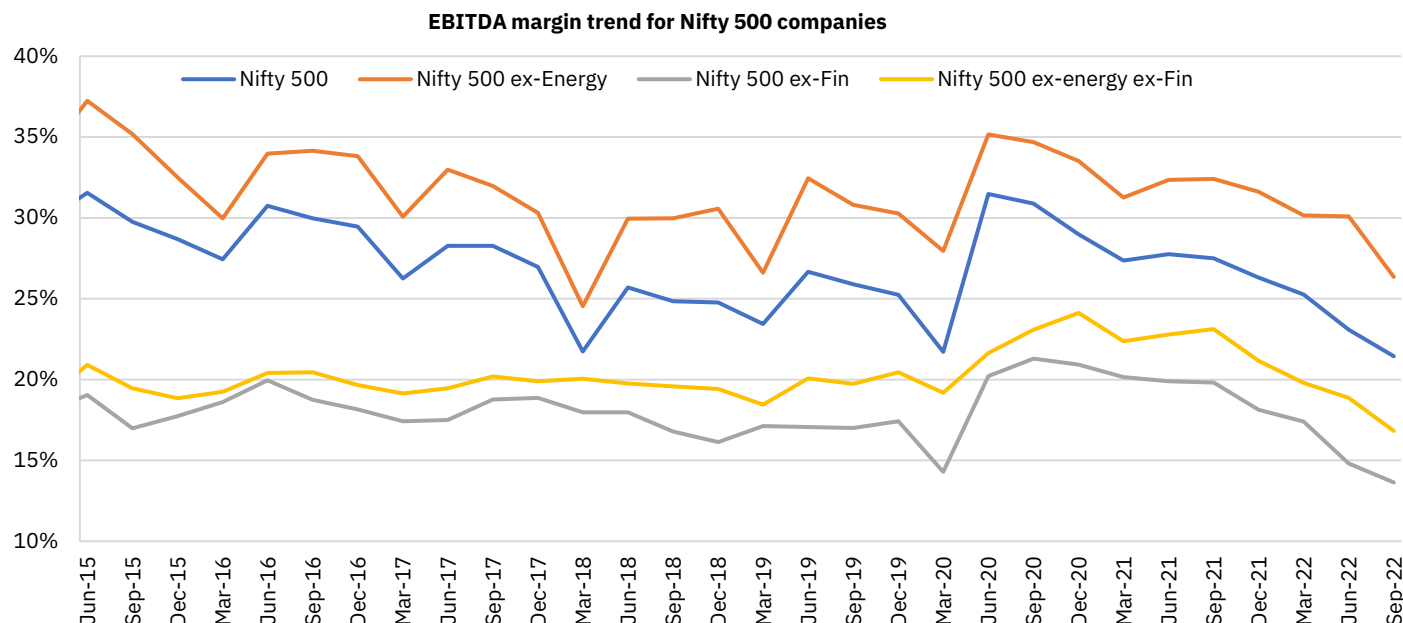
Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

Note: The above table provides data for companies in the Nifty 500 index as on end of September 2022.

Figure 17: EBITDA growth trend of Nifty 500 companies in last seven years


Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

Note: The above chart includes companies in the Nifty 500 index as on end of respective quarters.

Figure 18: EBITDA margin trend of Nifty 500 companies in last seven years


Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

Note: The above chart includes companies in the Nifty 500 index as on end of respective quarters.

Financials drove PAT growth for Nifty 500 universe: Aggregate adjusted PAT for the Nifty 500 companies fell by 8.4% YoY but expanded 7.2% QoQ. Financial drove profitability for Nifty 500 universe on a YoY as well as QoQ basis by posting an impressive 42.1% YoY and 45.5% QoQ growth. Excluding Financials, profits declined 27.3% YoY and 12.4% QoQ. The overall profit margin compressed in a broad-based manner across sectors to a nine-quarter low of 9.3%, particularly led by Materials and Energy. Within the Nifty 500 universe, 269/256 companies reported a profit expansion on a YoY/QoQ basis in the September quarter vs. 326/199 companies in the previous quarter.

Table 14: PAT growth of Nifty 500 companies

Sector	QoQ growth			YoY growth		
	Sep-21	Jun-22	Sep-22	Sep-21	Jun-22	Sep-22
Communication Services	NA	NA	NA	NA	NA	(157.7)
Consumer Discretionary	NA	(51.5)	114.9	(12.9)	NA	86.8
Consumer Staples	16.3	3.9	1.0	10.2	25.0	8.8
Energy	38.1	(41.5)	(15.4)	46.9	(14.6)	(47.7)
Financials	29.6	(8.9)	45.5	21.7	45.4	42.1
Health Care	(3.1)	11.4	14.0	2.7	(11.6)	4.0
Industrials	170.6	(35.4)	22.5	43.0	189.4	37.2
Information Technology	2.8	(8.9)	9.3	13.6	0.4	5.9
Materials	7.4	(16.5)	(53.6)	118.0	(9.7)	(60.6)
Real Estate	86.3	(8.0)	(83.6)	155.0	152.2	(77.5)
Utilities	8.2	(1.9)	(11.9)	13.5	23.0	0.1
Nifty 500	29.9	(18.8)	7.2	41.4	17.5	(8.4)
Nifty 500 ex-Energy	28.0	(13.6)	10.6	40.2	24.7	1.1
Nifty 500 ex-Financials	30.0	(23.0)	(12.4)	50.7	6.9	(27.3)
Nifty 500 ex-energy ex-fin	27.2	(16.4)	(11.7)	52.1	14.2	(20.0)

Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

Note: 1. The above table provides data for companies in the Nifty 500 index as on end of September 2022.

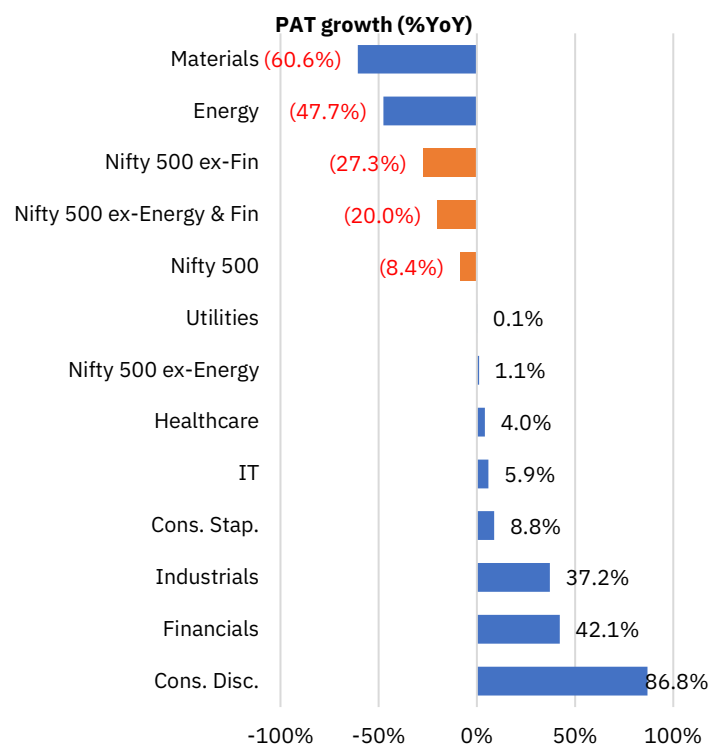
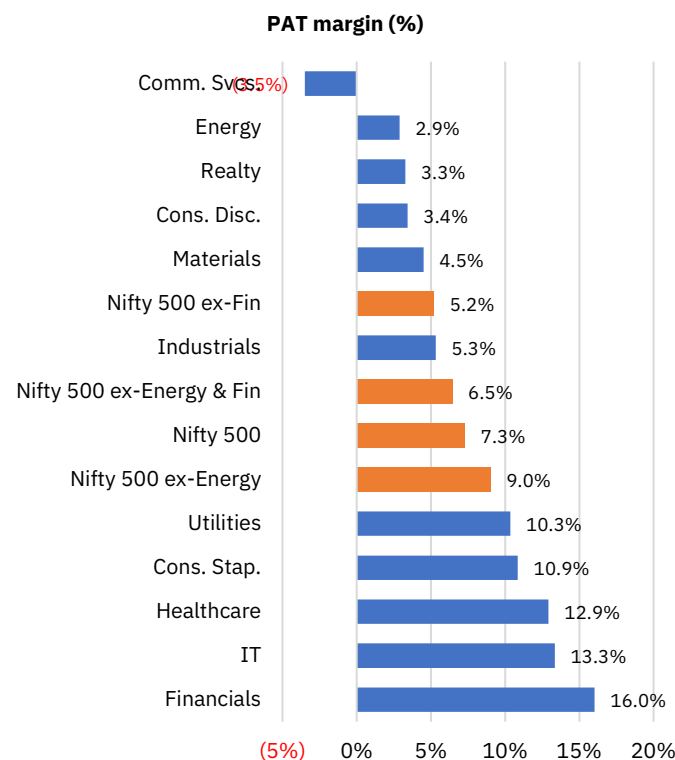
2. NA: Not Applicable

Table 15: PAT margin of Nifty 500 companies in Q2FY23

Sector	PAT Margin	QoQ change (bps)	YoY change (bps)
Communication Services	(3.5)	35	(1072)
Consumer Discretionary	3.4	160	91
Consumer Staples	10.9	(34)	(95)
Energy	2.9	(36)	(500)
Financials	16.0	9	316
Health Care	12.9	93	(55)
Industrials	5.3	84	19
Information Technology	13.3	44	(186)
Materials	4.5	(529)	(900)
Real Estate	3.3	(1318)	(1063)
Utilities	10.3	(135)	(424)
Nifty 500	7.3	(35)	(285)
Nifty 500 ex-Energy	9.0	(60)	(188)
Nifty 500 ex-Financials	5.2	(83)	(419)
Nifty 500 ex-energy ex-fin	6.5	(122)	(366)

Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

Note: The above table provides data for companies in the Nifty 500 index as on end of September 2022.

Figure 19: Sector-wise PAT growth of Nifty 500 companies in Q2FY23

Figure 20: Sector-wise PAT margin of Nifty 500 companies in Q2FY23


Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

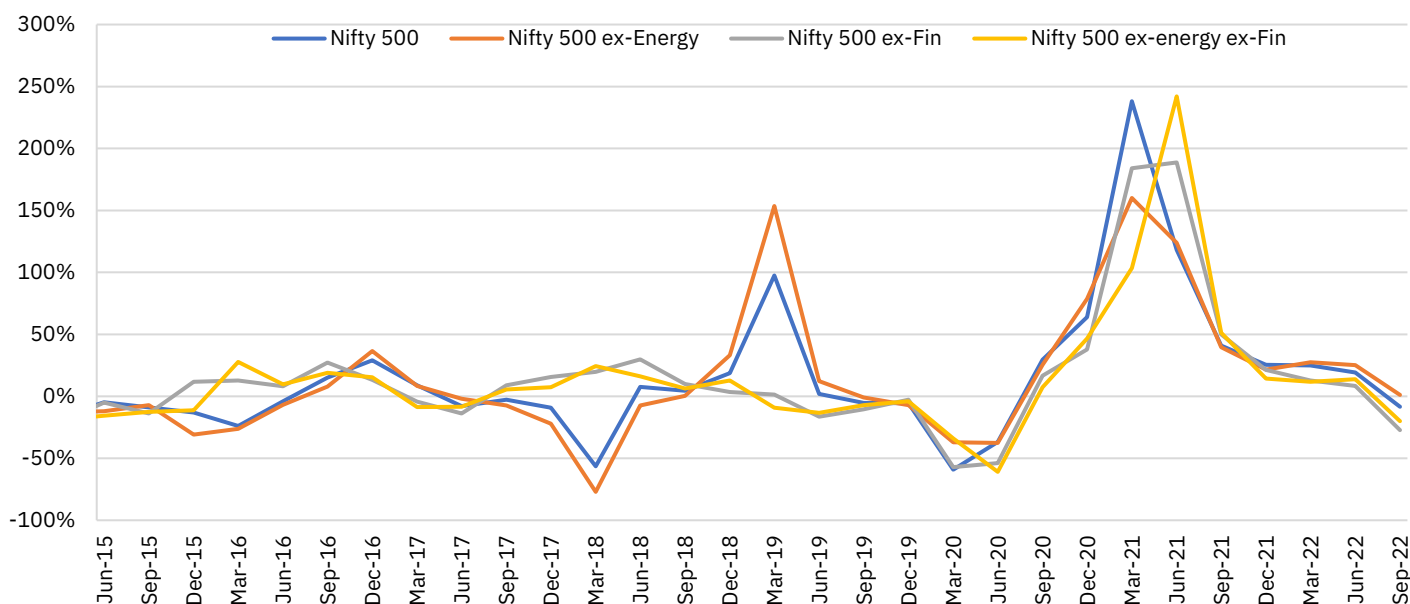
Note: The above charts provide data for companies in the Nifty 500 index as on end of September 2022.

Table 16: Sector-wise contribution of Nifty 500 companies to PAT growth in Q2FY23

Sector	PAT (Rsbn)	Contribution to PAT growth	
		% QoQ	% YoY
Communication Services	(24)	0.0	(2.6)
Consumer Discretionary	129	2.9	2.3
Consumer Staples	129	0.1	0.4
Energy	263	(2.0)	(9.2)
Financials	1,007	15.4	11.5
Health Care	107	0.6	0.2
Industrials	127	1.0	1.3
Information Technology	271	1.0	0.6
Materials	211	(10.3)	(12.5)
Real Estate	3	(0.6)	(0.3)
Utilities	154	(0.9)	0.0
Nifty 500	2,376	7.2	(8.4)
Nifty 500 ex-Energy	2,113	9.2	0.9
Nifty 500 ex-Financials	1,370	(8.2)	(19.9)
Nifty 500 ex-energy ex-fin	1,106	(6.2)	(10.6)

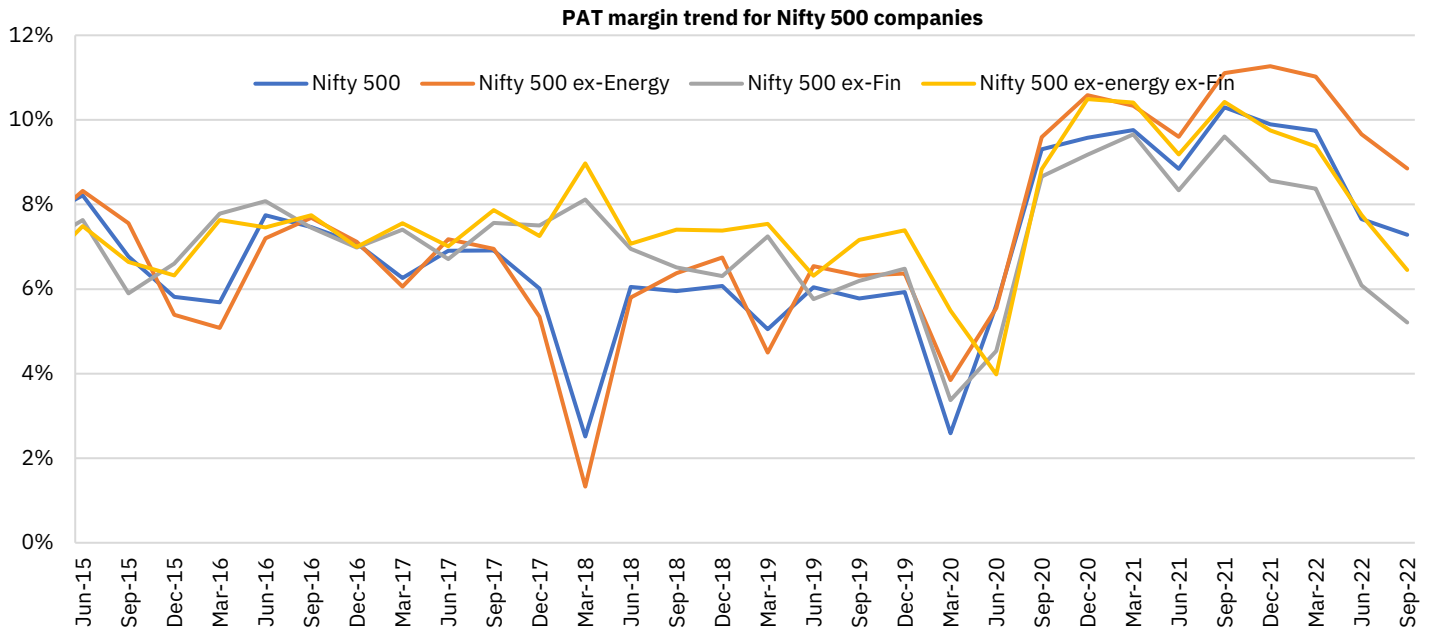
Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

Note: The above table provides data for companies in the Nifty 500 index as on end of September 2022.

Figure 21: PAT growth trend of Nifty 500 companies in last seven years
PAT growth trend for Nifty 500 companies


Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

Note: The above chart includes companies in the Nifty 500 index as on end of respective quarters.

Figure 22: PAT margin trend of Nifty 500 companies in last seven years


Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

Note: The above chart includes companies in the Nifty 500 index as on end of respective quarters.

Earnings revision analysis

Consensus FY23/FY24 aggregate PAT estimates downgraded further: Falling realisations of commodity sectors due to easing prices may weigh on corporate profitability in the absence of sustenance of current demand environment, leading to profit downgrades. Our analysis of earnings performance of top 200 covered companies by market capitalisation³ show that aggregate profit estimates for FY23 and FY24 have been curtailed by 10.5% and 5.2% respectively since March-end (As on December 19th, 2022). This followed nearly 9.7% increase in FY23 profit estimate during the whole of last fiscal year (Apr'21-Mar'22). The downgrades were primarily led by export-oriented (IT) and commodity companies (Materials, Energy), reflecting the impact of worsening global growth outlook and slowdown in China. Additionally, Consumer Discretionary sector has also been seeing downgrades, thanks to weakening domestic demand. These four sectors accounted for more than 80% of the profit downgrades for the top 200 companies in this fiscal thus far, much higher than their combined share of ~50% to FY23 expected earnings for this universe. Excluding these sectors, cut in profit estimates for FY23 and FY24 was relatively muted at 3.7% and 1.2% respectively.

With this, the aggregate earnings of top 200 companies are now expected to increase by 7.0% and 22.5% in FY23 and FY24 respectively, following a ~43% PAT growth in FY22, implying an earnings CAGR of ~15% during FY22-24. Excluding Materials, which has seen the steepest drop in earnings estimates over the last several months, PAT growth in FY23 is estimated at ~21%, led by Financials and Consumer Discretionary. Notwithstanding downgrades, Financials sector is expected to contribute 45% of the profit change over FY22-24, followed by Consumer Discretionary at 19%. Energy, Industrials, Communication Services and Information Technology are all expected to contribute around 8-11% each to the profit change during this period.

Figure 23: Aggregate consensus profit growth estimate for top 200 covered companies (% YoY)

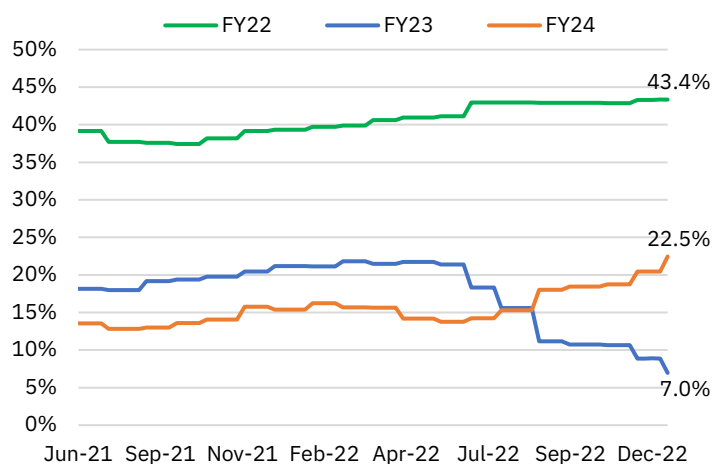
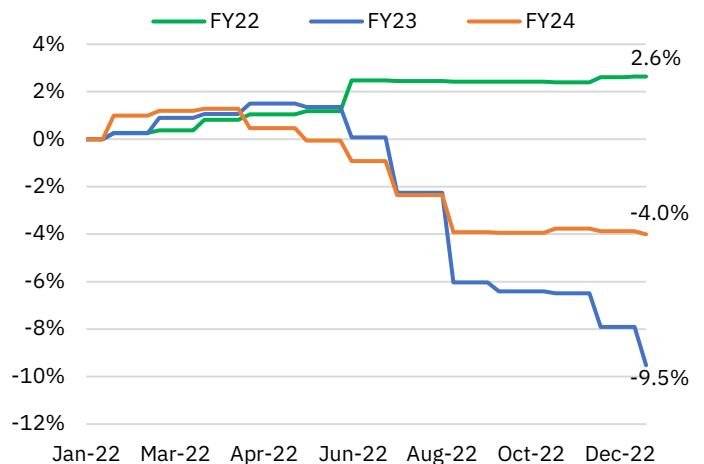


Figure 24: Aggregate consensus earnings revisions in CY22 TD (Jan'22-) for top 200 covered companies



Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

Note: Based on IBES earnings estimates of top 200 companies by one-year average market cap ending June 30th, 2022, covered by at least five analysts at any given point of time over the last one year. Data is as of December 19th, 2022.

³ The sample set consists of top 200 companies by one-year average market cap ending June 30th, 2022 covered by at least five or more analysts during the previous 12 months using IBES estimates from Refinitiv Datastream.

Table 17: Monthly trend of sector-wise FY22 consensus earnings growth estimate (% YoY)

Sectors	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
Comm. Svcs.	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Cons. Disc.	7.9	(10.9)	(12.6)	(15.4)	(28.5)	(28.6)	(28.6)	(28.6)	(28.6)	(28.6)	(28.6)	(28.6)
Cons. Staples	16.2	14.1	14.0	13.4	13.5	13.8	13.8	14.0	14.0	14.0	14.3	14.3
Energy	27.0	32.6	34.7	36.5	37.7	42.9	42.9	42.9	42.9	42.9	42.9	42.9
Financials	41.5	42.8	43.7	43.9	47.2	47.8	47.7	47.7	47.7	47.7	47.7	47.7
Health Care	9.7	9.9	9.7	9.5	2.5	8.4	8.4	8.3	8.3	8.3	8.0	8.0
Industrials	13.6	5.6	5.3	3.3	0.4	(4.0)	(4.1)	(4.0)	(3.9)	(4.0)	(3.9)	(3.1)
IT	17.8	17.6	17.6	17.1	17.4	17.4	17.4	17.4	17.4	17.4	17.4	17.4
Materials	92.7	91.1	91.7	92.0	95.0	94.5	94.5	94.1	94.1	93.9	99.2	99.2
Real Estate	91.3	87.3	88.0	87.0	84.7	80.2	80.2	80.2	80.2	80.2	80.2	80.2
Utilities	12.9	16.1	16.6	16.9	19.4	32.8	32.8	32.8	32.8	32.8	32.8	32.8
Total	39.7	39.9	40.6	40.9	41.1	43.0	42.9	42.9	42.9	42.9	43.3	43.4

Source: Refinitiv Datastream, NSE EPR.

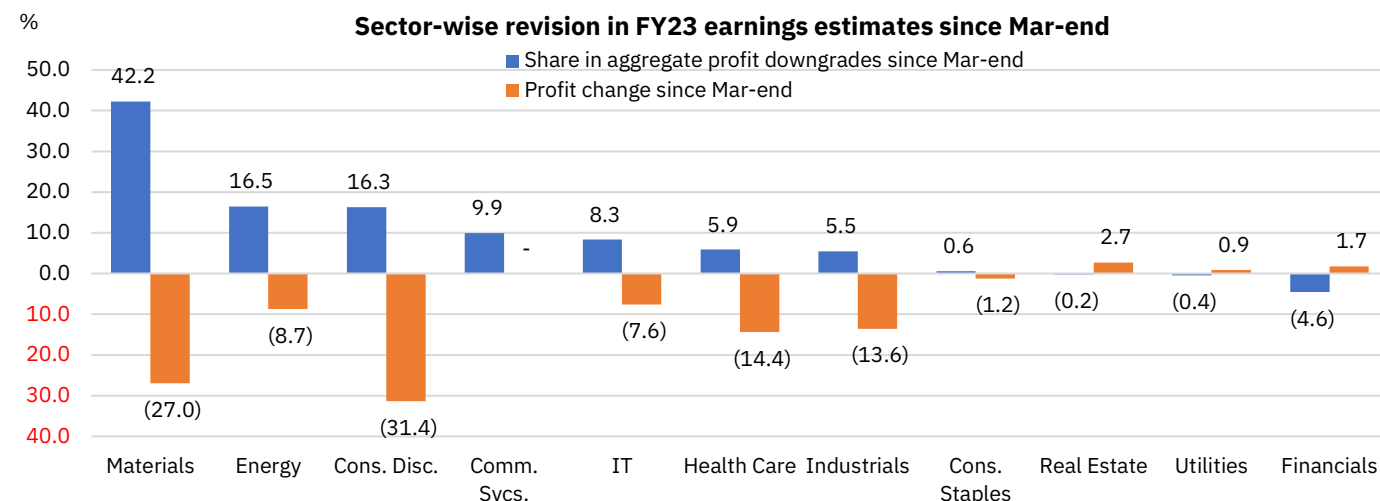
 Note: Based on IBES earnings estimates of top 200 companies by one-year average market cap ending June 30th, 2022, covered by at least five analysts at any given point of time over the last one year. * Data is as of December 19th, 2022.

Table 18: Monthly trend of sector-wise FY23 consensus earnings growth estimate (% YoY)

Sectors	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
Comm. Svcs.	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Cons. Disc.	129.6	171.1	169.9	179.5	213.6	213.2	209.8	201.7	200.0	195.4	191.7	133.5
Cons. Staples	17.8	18.7	18.4	18.0	15.9	15.2	15.3	16.2	16.2	16.5	16.5	16.5
Energy	16.9	16.8	16.4	17.7	19.1	18.4	14.5	7.3	5.7	4.7	2.9	0.2
Financials	29.9	30.4	30.3	29.8	25.8	24.6	23.9	23.4	23.4	24.4	28.8	28.9
Health Care	23.7	20.7	20.7	20.3	26.2	14.6	14.2	8.4	8.1	7.6	5.2	5.1
Industrials	64.7	70.2	70.0	72.3	81.3	87.0	85.4	75.0	75.1	77.1	62.5	59.7
IT	15.6	15.7	15.6	14.5	12.2	11.9	9.8	7.3	7.1	6.9	6.8	6.9
Materials	-10.0	-8.4	-8.7	-7.4	-5.9	-14.0	-20.0	-26.6	-26.2	-26.6	-34.8	-35.3
Real Estate	38.7	41.6	40.6	40.9	41.3	44.7	44.0	48.6	49.9	51.3	50.8	50.7
Utilities	7.1	3.3	3.0	2.9	2.0	-7.2	-7.3	-7.0	-7.1	-6.2	-7.9	-8.8
Total	21.2	21.8	21.5	21.7	21.4	18.3	15.6	11.2	10.7	10.7	8.9	7.0

Source: Refinitiv Datastream, NSE EPR.

 Note: Based on IBES earnings estimates of top 200 companies by one-year average market cap ending June 30th, 2022, covered by at least five analysts at any given point of time over the last one year. * Data is as of December 19th, 2022.

Figure 25: Sector-wise revision in FY23 earnings estimates since March-end


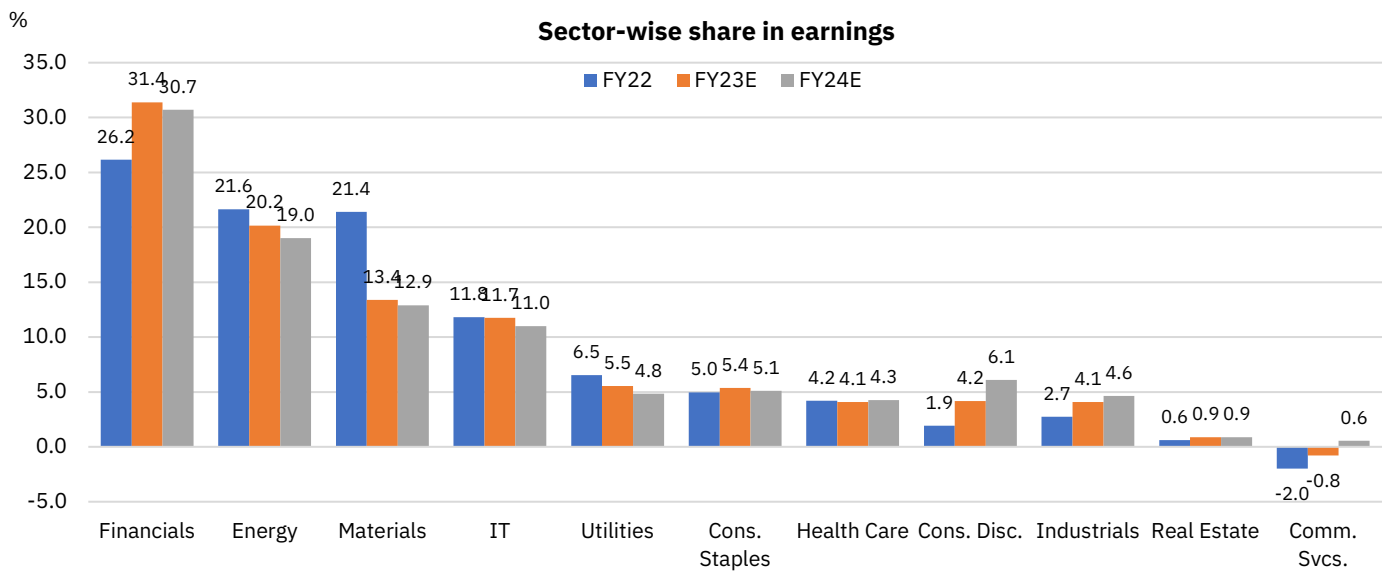
Source: Refinitiv Datastream, NSE EPR.

 Note: Based on IBES earnings estimates of top 200 companies by one-year average market cap ending June 30th, 2022, covered by at least five analysts at any given point of time over the last one year. Data is as of December 19th, 2022.

Share of Financials, Consumer Discretionary, and Industrials to aggregate corporate earnings to rise over the next two years:

Strengthening recession worries, coupled with slowdown in China, is likely to keep a check on crude oil and commodity prices. This is already reflected in a sharp dip in commodity prices over the last few months. Consequently, there has been a meaningful dip in the share of Materials and Energy to aggregate corporate earnings estimates of top 200 companies over the next two years. For instance, Materials accounted for ~21% of the aggregate earnings for top 200 companies in FY22, which is expected to drop to 13.4% in FY23 and further to 12.9% in FY24. Utility companies are also expected to see a drop in their share in overall corporate earnings of these 200 companies. The reduced share of these sectors to aggregate corporate earnings during this period is expected to be taken over by Financials, Consumer Discretionary, and Industrials. Clearly, the earnings trajectory over the next two years hinges on persistence of consumption and investment demand.

Figure 26: Sector-wise share in earnings

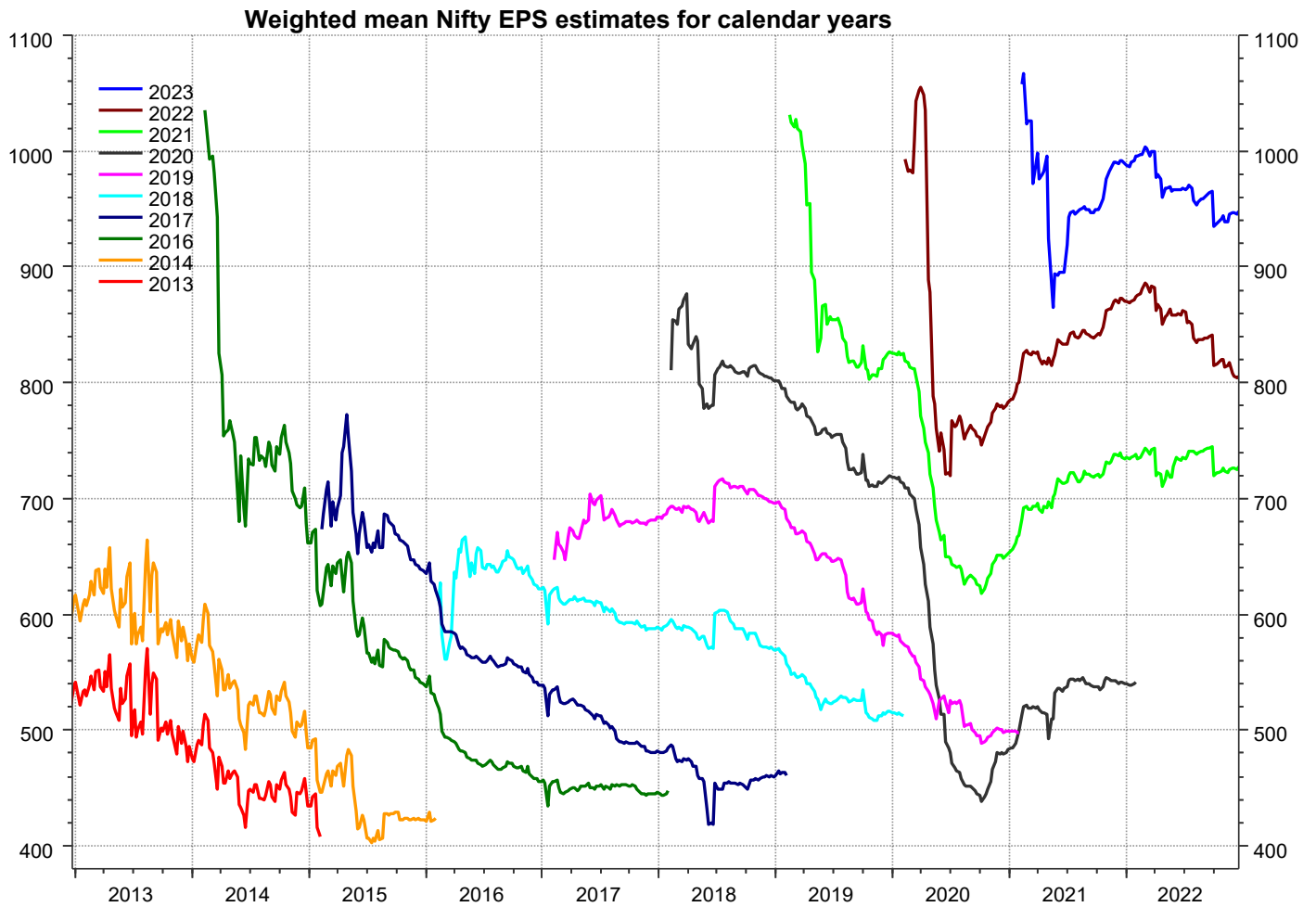


Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

Note: Based on IBES earnings estimates of top 200 companies by one-year average market cap ending June 30th, 2022, covered by at least five analysts at any given point of time over the last one year. Data is as of December 19th, 2022.

The chart below shows how Consensus estimates usually begin the year (calendar) with a bullish view on earnings, but are then brought back to *terra firma* with downgrades, year after year, as the macro environment overhang prevails over optimism.

A different story has played out in the pandemic era with earnings for the Nifty 50 universe, following a steep cut initially after the onset of COVID-19 pandemic, witnessing meaningful upgrades over subsequent quarters. In fact, earnings growth in FY22 was the highest in at least last 10 years. Strengthening stagflationary concerns globally and weakening external demand have weighed on domestic earnings outlook. Breaking the trend seen over FY21-22, earnings estimates have seen downgrades this year, with Nifty 50 EPS estimates for both 2022 and 2023 getting curtailed by 9% and 5.6%, respectively, from the peak level seen in early March just around Russia's invasion of Ukraine.

Figure 27: Yearly trend of NIFTY 50 Consensus EPS estimates


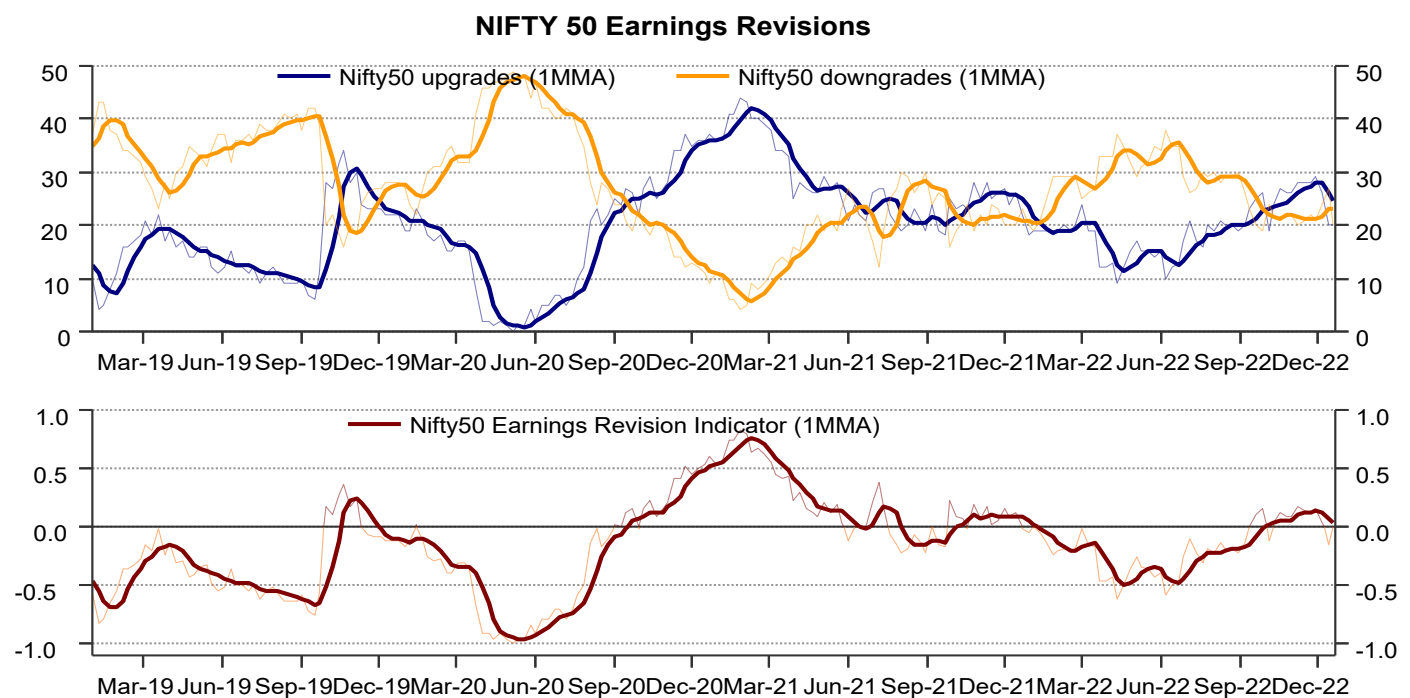
Source: Refinitiv Datastream, NSE EPR.

Nifty 50 Earnings Revision Indicator remained in the contraction zone: The Earnings Revision Indicator (ERI)⁴ for the Nifty 50 universe had remained in the negative zone between 2015 and mid-2020, implying downgrades outnumbering upgrades, albeit for a brief period in late 2019 when profit estimates got upgraded post the cut in corporate tax rate. In fact, the ERI fell even deeper into the negative zone during May-June 2020 to the lowest level since the data is available (2007) as corporate earnings outlook got severely impacted due to massive supply and demand disruptions caused by mass-scale COVID-19-induced lockdowns implemented worldwide.

The ERI, however, improved meaningfully beginning September 2020, as better-than-expected corporate earnings over the previous quarter, a stronger-than-anticipated post-lockdown recovery in business and consumption activities and a spike in commodity prices led to upgrades across the board. That said, the ERI has been on a downward trajectory since the onset of the second wave of COVID-19 in March 2021 and hovered near-zero levels until early this year.

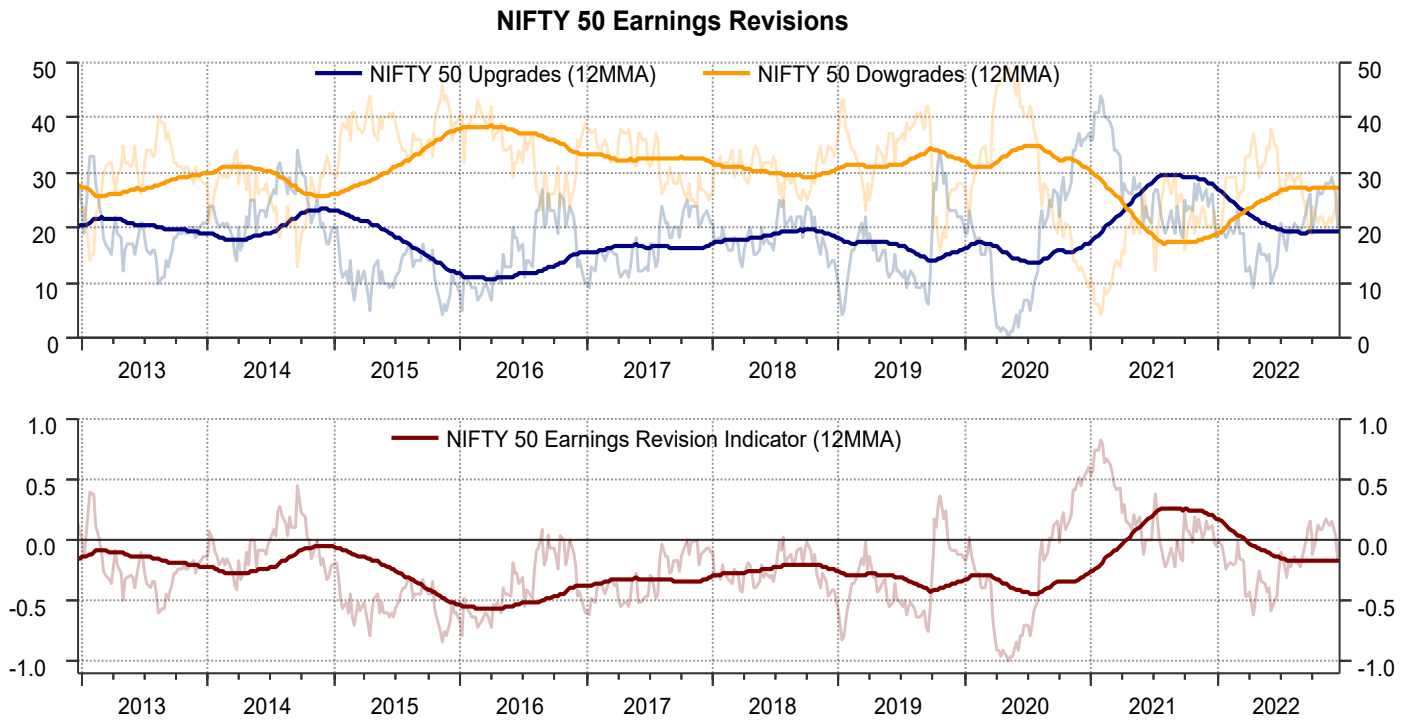
Russia's invasion of Ukraine in late February 2022, China slowdown, unprecedented spike in global inflation trajectory, and consequent aggressive policy tightening and weakening external demand environment have led to a deterioration in earnings outlook since then, leading to ERI falling deep into the negative territory in the first half of this year. ERI, however, has been recovering since then and moved into the positive territory, despite downgrades in aggregate estimates, led by Financials and Industrials.

Figure 28: Nifty 50 Earnings Revision Indicator (since January 2019)

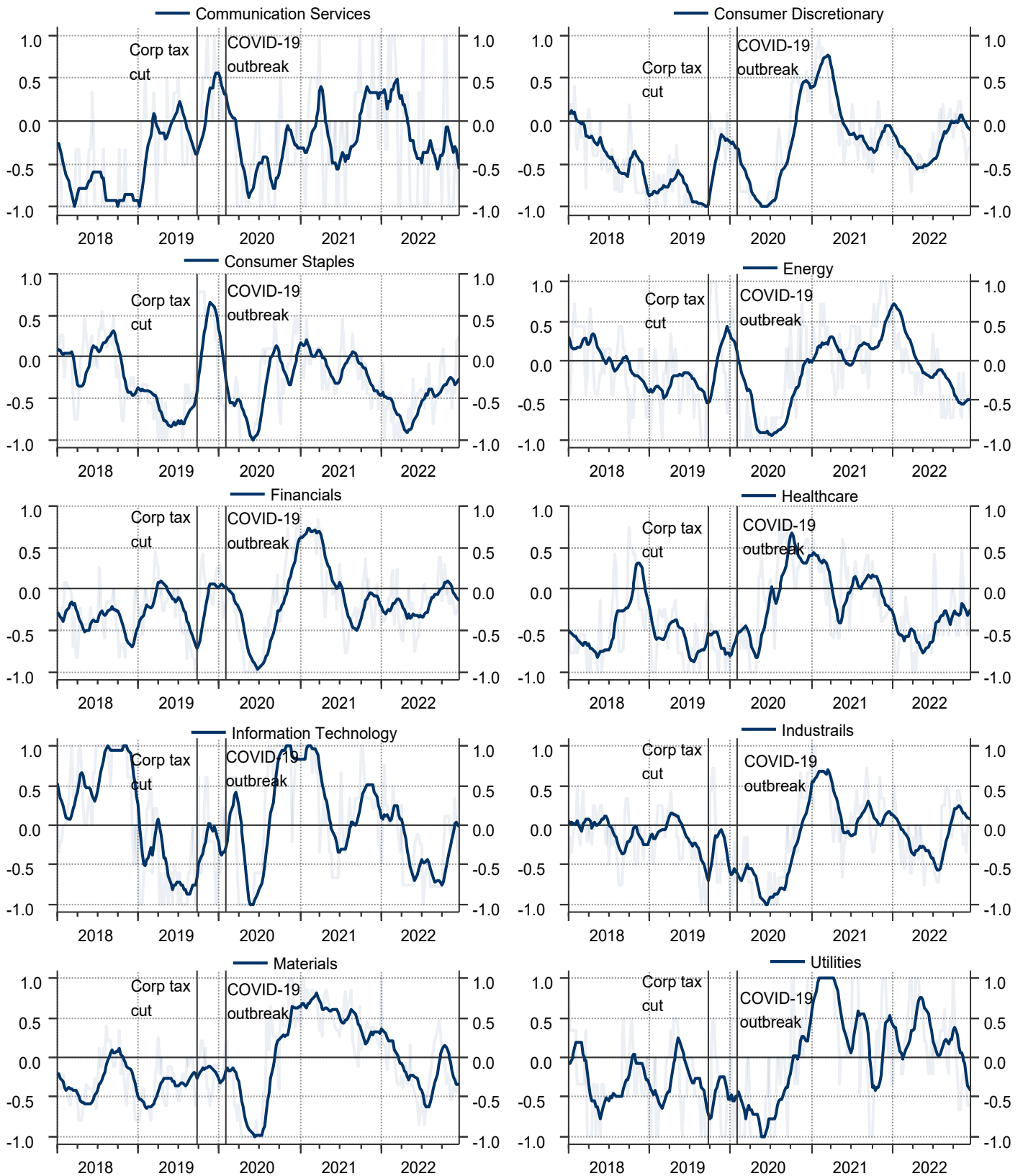


Source: Refinitiv Datastream, NSE EPR.

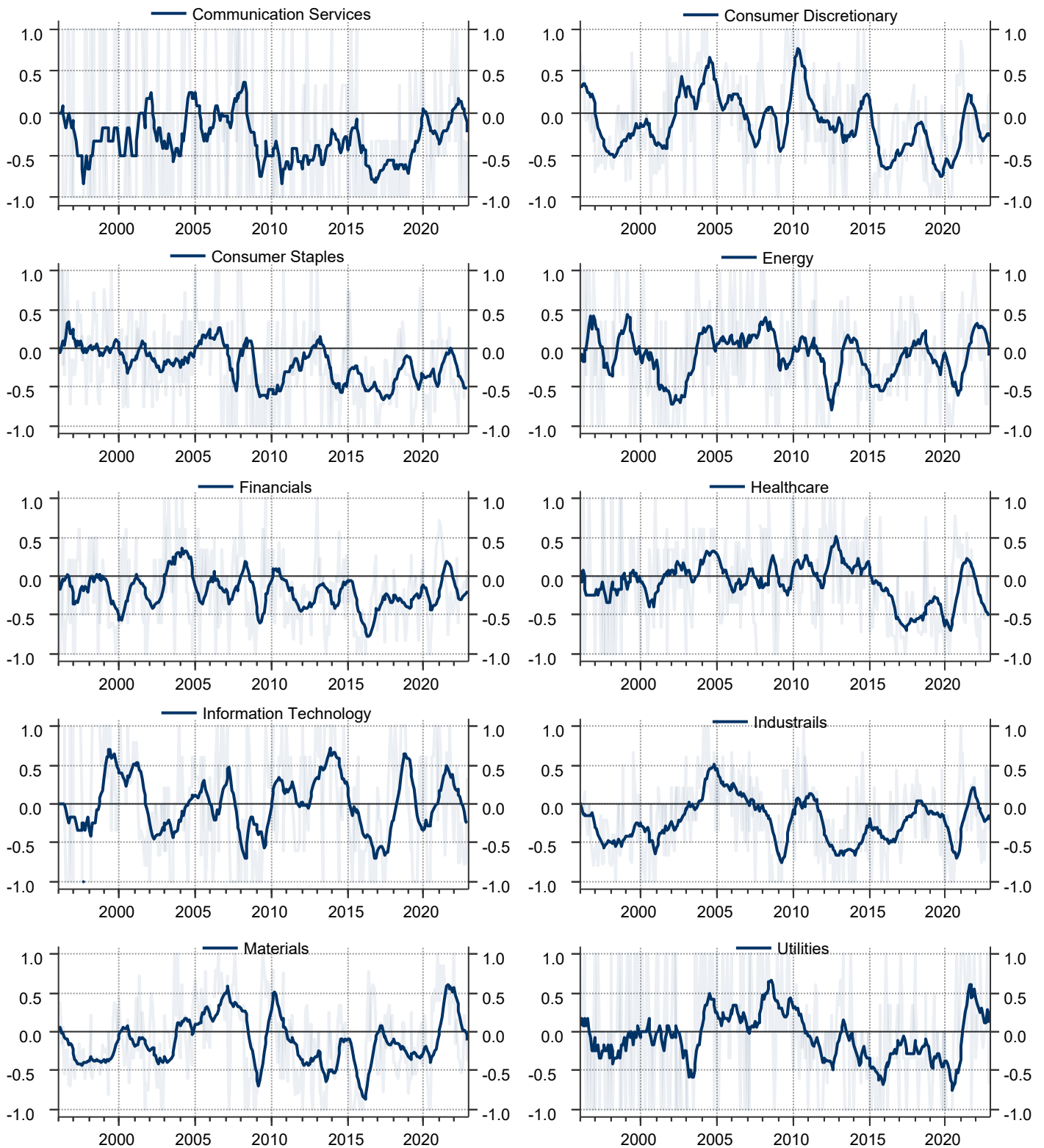
⁴ The ERI is calculated as “(number of upgrades – number of downgrades)/total number of upgrades and downgrades”. It can range between -1 to 1.

Figure 29: Nifty 50 Earnings Revision Indicator (10-year trend)


Source: Refinitiv Datastream, NSE EPR.

Figure 30: Short-term trend of Earnings Revision Indicator across MSCI sectors
India Earnings Revision Indicator across sectors: Short-term (2MMA)


Source: Refinitiv Datastream, NSE EPR.

Figure 31: Long-term trend of Earnings Revision Indicator across MSCI sectors
India Earnings Revision Indicator (ERI) across sectors: Long-term (12MMA)


Source: Refinitiv Datastream, NSE EPR.

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