NSE
Corporate Performance Review
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Q4FY21 Earnings Review: Another upbeat quarter; Commodities drive profit upgrades

Corporate performance in Q4FY21 pointed to a strong rebound in sales as well as profitability. Aggregate net sales grew by 15.7%/18% YoY in the March quarter for the Nifty 50/Nifty 500 universe[1]—the highest in eight quarters, with recovery being broad-based across consumption and investment-oriented sectors, even as annual figures pointed to a modest contraction in FY21. Steady consumption demand post the festive season, easing supply-side bottlenecks, higher commodity prices and a favourable base benefited the top-line growth during the quarter. Profit at the *operating level*, however, grew by an optically higher 66.1%/60.6% YoY for the Nifty 50/Nifty 500 companies (ex-Financials), albeit off a low base. Savings on administration/marketing and rental expenses as compared to the year-ago period, thanks to adoption of the work-from-home working model by several companies during the pandemic, have partly offset the sharp surge in raw material expenses.

Robust operating profits, along with lower interest costs—a result of corporate deleveraging and decline in market interest rates, translated into a 145%/227% YoY jump in adjusted PAT for Nifty 50/Nifty 500 universe in Q4FY21. Earnings in Q4FY21 were led by Financials (strong show by PSU Banks), commodity-oriented sectors viz. Energy (higher margins, inventory gains) and Materials (higher metal prices) and Industrials (recovery in capex cycle).

Following a strong beat in FY21, the Consensus earnings estimates (from Refinitiv) for FY22 and FY23 for the top 200 covered companies by market cap has been revised upwards by 4-6% since April-beginning. Aggregate profit for these companies came in at 24.9% in FY21 vs. 17.8% estimated at the beginning of April 2021 and is now projected to grow at a strong 28% CAGR over the next two years (FY21-23). The upgrades over the last three months, however, were primarily led by Materials and to some extent Financials, excluding which profit estimates were marginally curtailed for the current fiscal year. This is also reflected in the Earnings Revision Indicator[2] (ERI) trend for the Nifty 50 universe, which has been on a steady downward trajectory since the onset of the deadlier second wave in February 2021 and is now hovering at near-zero levels, implying equivalent number of upgrades and downgrades. Barring Materials, all other sectors have seen a sharp rise in downgrades over the last few months. Prolonged weakness in consumption demand in the wake of impending third wave of COVID-19 and strengthening inflationary pressures, surge in NPA recognition by banks leading to higher provisioning requirements and a deterioration in global growth outlook are key downside risks to earnings estimates.

- **Favourable base and higher commodity prices drove top-line growth in Q4:** Aggregate net sales for Nifty 50/Nifty 500 companies grew by a strong 15.7%/18% YoY in Q4FY21–the highest in eight quarters, albeit off a low base (-6.2%/6% in Q4FY20), even as it dropped by 3.7%/4.2% in FY21. Persistent weakness in consumption demand before the COVID-19 pandemic hit the country was further impacted by a strict nation-wide lockdown in the same quarter last year. On a QoQ basis, net sales grew by a strong 9.3%/8.0% for Nifty 50/Nifty 500 companies, aided by higher realisations on surging commodity prices, a steady improvement in consumption demand post the festive season and vaccination roll-out and easing supply-side bottlenecks amid limited lockdown restrictions during the quarter.

  While the recovery in net sales was broad-based, sectors that were leaders included Consumer Discretionary (improved demand for auto and consumer durables), Materials (higher metal prices), Consumer Staples (higher demand for essential items), Communication Services (improved realisations and additions to customer base) and Financials (increase in net interest income due to lower cost of funds). After witnessing contraction for six quarters, Energy sector posted growth of 7% YoY in Q4 amid improving demand from manufacturing and industrial units and inventory gains resulting from higher crude oil prices. Export-oriented sectors such as IT and Health care also reported a decent growth in revenues.

Aggregate net sales for Nifty 50/Nifty 500 companies grew at an eight-quarter high of 15.7%/18% in Q4FY21.

[1] 489 companies in the Nifty 500 Index reported earnings data for Q4FY21 as on June 30th, 2021.
[2] *Earnings 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*.

- **Operating profits improved further on a lower base and higher revenues:** EBITDA for the Nifty 50/Nifty 500 companies (ex-Financials) grew by a healthy 66.1%/60.6% YoY in Q4FY21 vs. 17.4%/19.8% YoY growth in the previous quarter. While this was off a very low base (-20.8%/-20.2% YoY in Q4FY20), lower administration/marketing and rental expenses as compared to the year-ago period partly compensated for the sharp surge in raw material expenses during the quarter—the first YoY increase in the last four quarters. As such, EBITDA margin expanded by 654bps/590bps on an YoY basis to 21.4%/20.6% for the Nifty 50/Nifty 500 universe (ex-Financials) but contracted by 45bps/35bps on a sequential basis (QoQ), thanks to rising commodity inflation. Barring Utilities, all other sectors have reported a YoY expansion in operating profits, led by Energy, Consumer Discretionary, Materials and Communication Services.

EBITDA margin expanded on a YoY basis in Q4FY21, thanks to savings in administration and marketing costs, office rentals and other expenses, even as raw material costs and wage bill increased.

- **Strong revenue growth and lower interest costs aided profitability:** Aggregate adjusted PAT for the Nifty 50/Nifty 500 universe grew by a much higher 145%/ 226% YoY in Q4FY21. Favourable base effect, lower interest costs due to the accommodative monetary policy measures undertaken by the RBI, deleveraging exercise by Indian corporates, higher realisations by commodity companies and lower provisioning by banks have contributed to a strong rebound in profitability. PAT margins also witnessed an expansion by 592bps/665bps YoY (56bps/14bps QoQ) to touch 11.2%/10.4%.

  The expansion in net profit was largely broad-based with most sectors registering strong growth in profitability. Sectors that led the surge in profits were Financials (lower credit cost and provisioning), Energy (higher inventory gains due to surge in crude oil prices) and Materials (higher realisations due to increase in metal prices). Excluding these sectors, adj. PAT grew by 61.6% YoY for the Nifty 500 universe.

Aggregate adjusted PAT for the Nifty 50/Nifty 500 universe grew by a much higher 145%/ 226% YoY in Q4FY21, aided by strong top-line performance and lower interest costs.

- **Earnings estimates upgraded further:** Better-than-expected corporate earnings in FY21 and a sharp surge in commodity prices has translated into upward revisions in corporate earnings for FY22 and FY23 by 6.6% and 4.3% respectively for top 200 covered companies by market capitalisation. This was despite the deadlier second wave of COVID-19 and attendant ramifications on the economic recovery that was underway during the second half of FY21. With this, the aggregate earnings of top 200 companies in during FY21-23 is expected to grow at a CAGR of 27.6%. That said, the upward revisions were primarily led by Materials and Financials—accounting for ~43% of the aggregate profit—excluding which profit estimate for FY22 saw a cut of 1.8% in FY22 since March-end and were broadly retained for FY23. Prolonged weakness in consumption demand in the wake of impending third wave of COVID-19 and strengthening inflationary pressures, surge in NPA recognition by banks leading to higher provisioning requirements and a deterioration in global growth outlook are key downside risks to earnings estimates

Consensus earnings estimates for FY22 and FY23 for the top 200 covered companies by market cap has been revised upwards by 4-6% since April-beginning, translating into a earnings CAGR of 27.6% during FY21-23.

- **ERI dropped post the onset of second wave:** Following a meaningful improvement between September 2020 and January 2021, the ERI has been on a downward trajectory since the onset of the second wave of COVID-19 in February 2021. Except for Materials which has continued to see far upgrades far outnumbering downgrades, reflecting a sharp surge in metal prices and improvement in industrial demand, all other sectors have seen a sharp drop in the ERI levels. In fact, the ERI has dropped to sub-zero levels for Consumer Staples, Consumer Discretionary, Communication Services and Information Technology, implying higher number of downgrades than upgrades.

Nifty 50 Q4FY21 results

Corporates witnessed robust revenue growth in the fourth quarter: The recovery in revenue growth that started in the September quarter of FY21 after a sharp pandemic-induced contraction in the first quarter, continued through the third and was stronger in the fourth quarter. Aggregate net sales growth for the Nifty 50 universe stood at a robust 15.7% YoY (9.3% QoQ) in Q4FY21, but off a low base (-6.2% in Q4FY20)–marking the third sequential expansion in a row and the highest YoY growth in eight quarters. This strong top-line performance can be attributed to a) improved realisations because of higher commodity prices, b) ramping up of business activities on considerable easing of lockdown restrictions following a further drop in COVID infections in the early part of the quarter, and c) steady recovery in discretionary spending, aided by vaccination roll-outs. Within the Nifty 50 universe, 45 of the 50 companies posted a YoY growth in net sales.

While the recovery in net sales was broad-based, sectors that led the growth in net sales in Q4FY21 included: a) Consumer Discretionary: an improved demand environment for auto and consumer durables; b) Materials: Persistent rise in metal prices and higher demand from businesses as manufacturing and construction activities gained traction in the fourth quarter; c) Consumer Staples: Increased demand for essential items, especially for household and personal care products, due to limited restrictions on mobility; and d) Financials: Improved net interest income due to lower credit costs in case of banks and higher premium collection for insurance companies.

Other sectors that also contributed to the recovery in revenue growth, albeit marginally, include: a) Industrials: Increased cargo handling on higher exports and pick up in construction and infrastructure activities; b) Information Technology: Increased demand for digital transformation services (cloud services, automation, data migration and security etc., by companies to strengthen their IT infrastructure as they continued to adopt remote-working in a post-COVID environment; and c) Energy: Improved demand and inventory gains as crude oil prices have nearly tripled from Mar'20 levels.

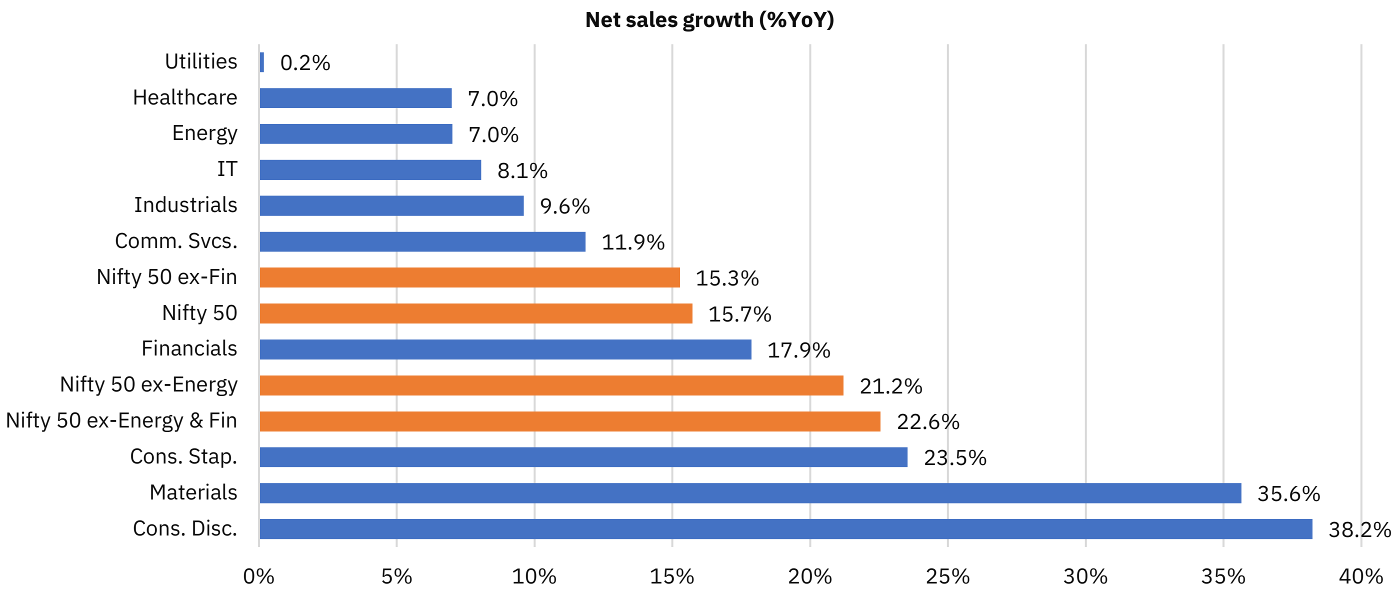
Corporates have delivered a robust performance in the fourth quarter because of improvement in the demand environment and rally in commodity prices. Significant easing of lockdown restrictions, lower infection rate and increased mobility has helped corporates bounce-back from last year's lows. While the fourth quarter results have ended the year on a good note, the impact of the second wave and imposition of lockdowns by major states in the months of April and May is expected to weigh on corporate performance in the June 2021 quarter. Rural demand which provided succour last year when urban demand was weak is likely to be impacted despite normal monsoons as the second wave of infections has hit the hinterland much harder than that seen during the first wave. Continued surge in commodity prices, while positive for the top-line, may hurt margins if demand fails to regain strength post the deadlier second wave.

Figure 1: Net sales growth of Nifty 50 companies in Q4FY21/FY21

Sector	QoQ growth (%)			YoY growth (%)			FY21	
	Q4FY20	Q3FY21	Q4FY21	Q4FY20	Q3FY21	Q4FY21	(Rsbn)	Growth (%)
Communication Services	7.8	5.8	(2.9)	11.7	24.2	11.9	1,013	17.4
Consumer Discretionary	(13.6)	30.6	7.9	(25.8)	10.7	38.2	4,879	(4.7)
Consumer Staples	(6.4)	4.3	4.7	(3.2)	10.4	23.5	1,347	9.8
Energy	(6.2)	18.1	18.8	(5.4)	(15.5)	7.0	15,116	(19.9)
Financials	(10.3)	7.5	(7.5)	(5.2)	14.3	17.9	9,960	15.3
Health Care	0.4	2.0	(4.7)	9.1	12.7	7.0	787	7.9
Industrials	20.5	15.9	31.4	1.7	0.5	9.6	1,485	(5.3)
Information Technology	0.7	4.4	2.7	7.4	6.0	8.1	4,398	5.6
Materials	2.6	13.4	18.8	(11.8)	17.1	35.6	5,607	7.7
Utilities	13.1	1.2	7.8	21.6	5.1	0.2	1,512	2.7
Nifty 50	**(4.5)**	**13.5**	**9.3**	**(6.2)**	**1.1**	**15.7**	**46,103**	**(3.7)**
Nifty 50 ex-Energy	**(3.4)**	**11.3**	**4.6**	**(6.6)**	**11.9**	**21.2**	**30,987**	**6.9**
Nifty 50 ex-Financials	**(3.2)**	**15.2**	**13.8**	**(6.4)**	**(1.9)**	**15.3**	**36,143**	**(7.8)**
Nifty 50 ex-energy ex-fin	**(0.3)**	**13.2**	**10.2**	**(7.2)**	**10.8**	**22.6**	**21,027**	**3.3**

Source: CMIE Prowess, Refinitiv Datastream, NSE.

Figure 2: Sector-wise net sales growth of Nifty 50 companies in Q4FY21



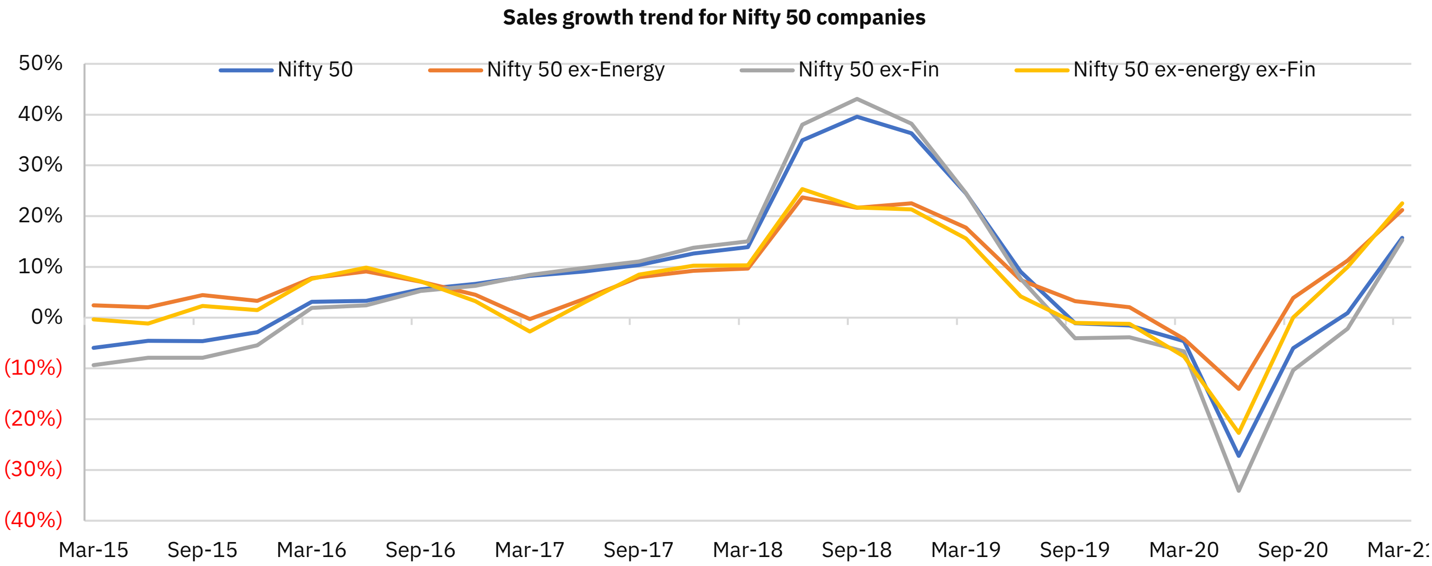
Source: CMIE Prowess, Refinitiv Datastream, NSE.

Figure 3: Sector-wise contribution of Nifty 50 companies to net sales growth in Q4FY21

Sectors	Net sales (Rsbn)	Contribution to net sales growth % QoQ	% YoY
Communication Services	257	(0.1)	0.2
Consumer Discretionary	1,618	1.0	3.8
Consumer Staples	366	0.1	0.6
Energy	4,869	6.2	2.7
Financials	2,454	(1.6)	3.2
Health Care	197	(0.1)	0.1
Industrials	517	1.0	0.4
Information Technology	1,156	0.2	0.7
Materials	1,799	2.3	4.0
Utilities	406	0.2	0.0
Nifty 50	**13,639**	**9.3**	**15.7**
Nifty 50 ex-Energy	**8,770**	**5.3**	**13.0**
Nifty 50 ex-Financials	**11,185**	**18.4**	**12.6**
Nifty 50 ex-energy ex-fin	**6,316**	**8.0**	**9.9**

Source: CMIE Prowess, Refinitiv Datastream, NSE.

Figure 4: Net sales YoY growth trend of Nifty 50 companies in last five years



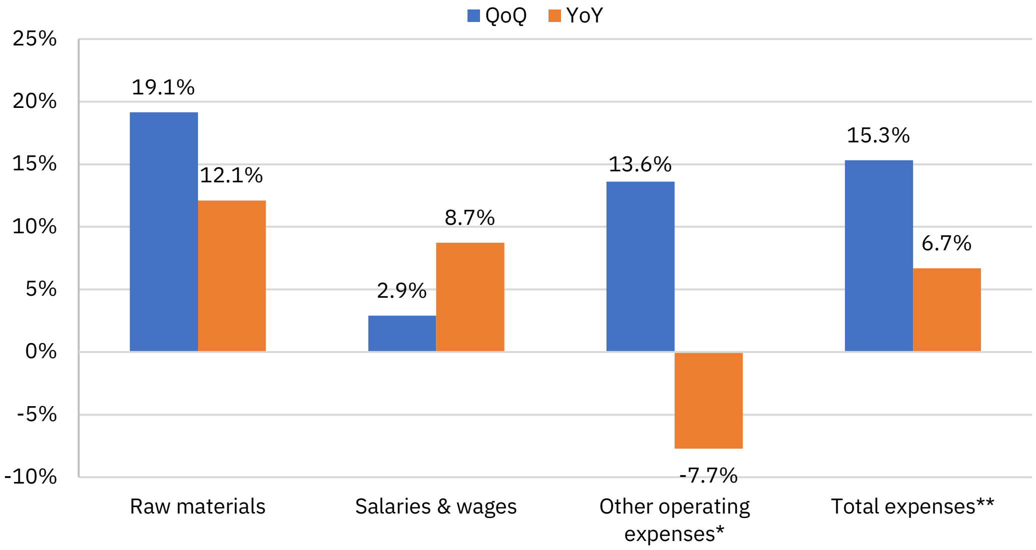
Source: CMIE Prowess, Refinitiv Datastream, NSE.

Higher revenues and a favourable base improved operating profit in Q4: EBITDA for the Nifty 50 universe excluding Financials grew by 66.1% YoY in Q4FY21 vs. 17.4% YoY growth in the previous quarter and -20.8% YoY in the March quarter last year. While savings in operating costs due to persistent cost-cutting measures have helped Nifty 50 companies improve operating profits in the September and December quarter of current fiscal, higher than expected revenue growth in the March quarter and a favourable base have helped register highest growth in operating profits in the last six years.

Notably, raw material (RM) costs and salaries & wages have increased on an YoY and QoQ basis marginally offsetting the cost-rationalisation efforts of the previous quarter. The input costs for the Nifty 50 companies (excl. financials) increased by 12.1% YoY and 19.1% QoQ, thanks to ramping up of manufacturing and construction activities in the fourth quarter and surge in commodity prices. While RM to sales ratio of Nifty 50 non-financial companies declined by 126bps YoY from 52% to 49.7%, the ratio has increased 201bps on an QoQ basis. Total operating expenses (excluding interest and depreciation) rose by 6.7% YoY (15.3% QoQ). As a result, while EBITDA margins have increased 603bps YoY in the March quarter, the rise in operating costs have compressed operating margins by 96bps on an QoQ basis.

Except Utilities, all other sectors reported a growth in operating profits, primarily led by Energy, Consumer Discretionary and Materials sectors. Within the Nifty 50 universe, 32 of the 39 non-financial companies posted a YoY growth in EBITDA.

Figure 5: Change in expenses for Nifty 50 companies (ex-Financials) in Q4FY21



Source: CMIE Prowess, NSE. * Other operating expenses include selling, general & administrative expenses, rental expenses and other operating costs. ** Total expenses exclude interest expenses and depreciation.

Figure 6: EBITDA growth of Nifty 50 companies in Q4FY21/FY21

Sector	QoQ growth (%)			YoY growth (%)			FY21	
	Q4FY20	Q3FY21	Q4FY21	Q4FY20	Q3FY21	Q4FY21	(Rsbn)	Growth (%)
Communication Services	16.9	9.2	8.9	50.4	34.7	25.5	468	25.5
Consumer Discretionary	(51.9)	40.1	1.1	(51.5)	27.7	168.5	733	18.8
Consumer Staples	(7.5)	0.8	2.0	(3.6)	3.0	13.7	395	1.7
Energy	(54.5)	(0.1)	26.8	(61.8)	(1.1)	175.7	2,483	17.2
Financials	(13.6)	0.8	(0.6)	2.0	(5.0)	9.2	5,373	0.8
Health Care	(19.0)	4.3	(27.6)	(3.6)	34.8	20.4	206	15.7
Industrials	(2.6)	20.4	18.0	(11.0)	11.3	34.8	373	7.3
Information Technology	(1.6)	7.7	(2.2)	6.4	16.7	15.9	1,255	12.4
Materials	19.9	24.1	25.1	(11.7)	74.1	81.6	1,217	34.1
Utilities	11.3	7.8	(8.9)	497.1	6.1	(13.2)	773	2.5
Nifty 50	**(17.9)**	**6.7**	**6.8**	**(11.6)**	**7.5**	**39.7**	**13,276**	**9.4**
Nifty 50 ex-Energy	**(9.2)**	**8.3**	**2.5**	**4.5**	**9.5**	**23.7**	**10,793**	**7.8**
Nifty 50 ex-Financials	**(21.3)**	**10.8**	**11.4**	**(20.8)**	**17.4**	**66.1**	**7,903**	**16.2**
Nifty 50 ex-energy ex-fin	**(4.0)**	**16.0**	**5.3**	**7.4**	**26.9**	**39.2**	**5,420**	**15.8**

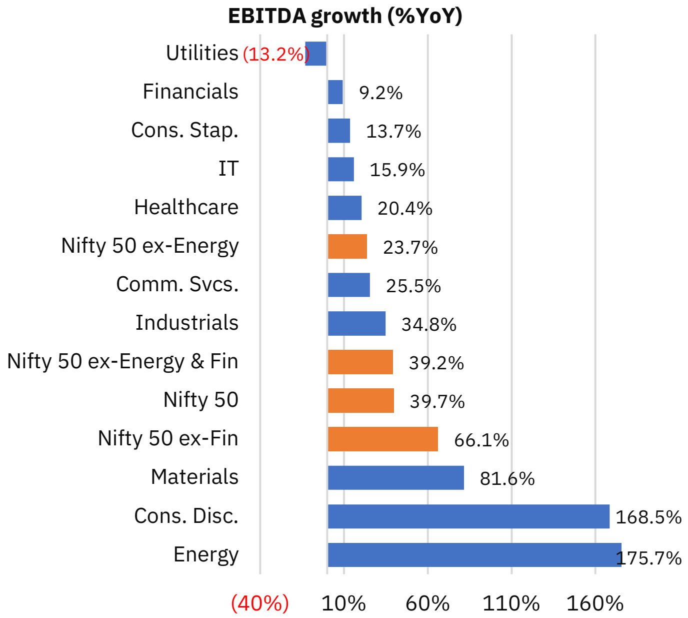
Source: CMIE Prowess, Refinitiv Datastream, NSE.

Figure 7: EBITDA margin of Nifty 50 companies in Q4FY21

Sector	EBITDA Margin (%)	QoQ change (bps)	YoY change (bps)
Communication Services	50.3	546	547
Consumer Discretionary	15.8	(107)	764
Consumer Staples	28.5	(73)	(246)
Energy	16.1	101	982
Financials	55.4	383	(438)
Health Care	21.9	(696)	245
Industrials	23.5	(268)	440
Information Technology	28.4	(143)	193
Materials	24.6	123	622
Utilities	45.5	(837)	(700)
Nifty 50	**27.5**	**(65)**	**472**
Nifty 50 ex-Energy	**33.8**	**(70)**	**68**
Nifty 50 ex-Financials	**21.4**	**(45)**	**654**
Nifty 50 ex-energy ex-fin	**25.5**	**(120)**	**305**

Source: CMIE Prowess, Refinitiv Datastream, NSE.

Figure 8: Sector-wise EBITDA growth of Nifty 50 companies in Q4FY21



Source: CMIE Prowess, Refinitiv Datastream, NSE.

Figure 9: Sector-wise EBITDA margin of Nifty 50 companies in Q4FY21

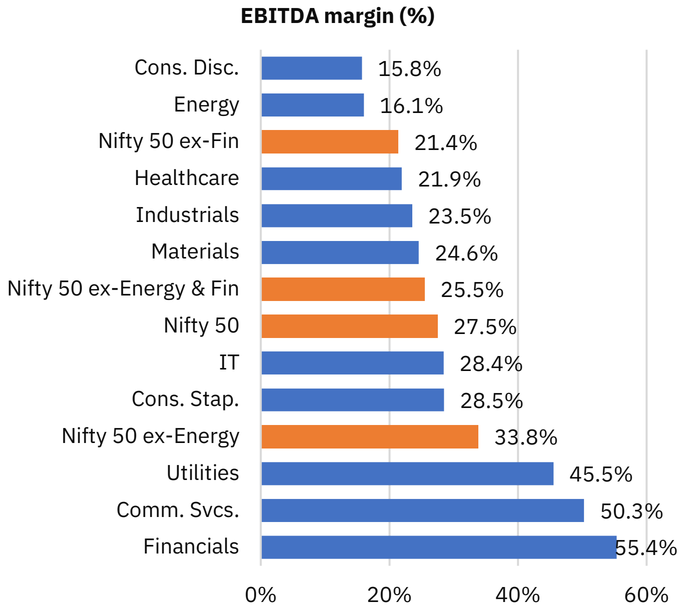
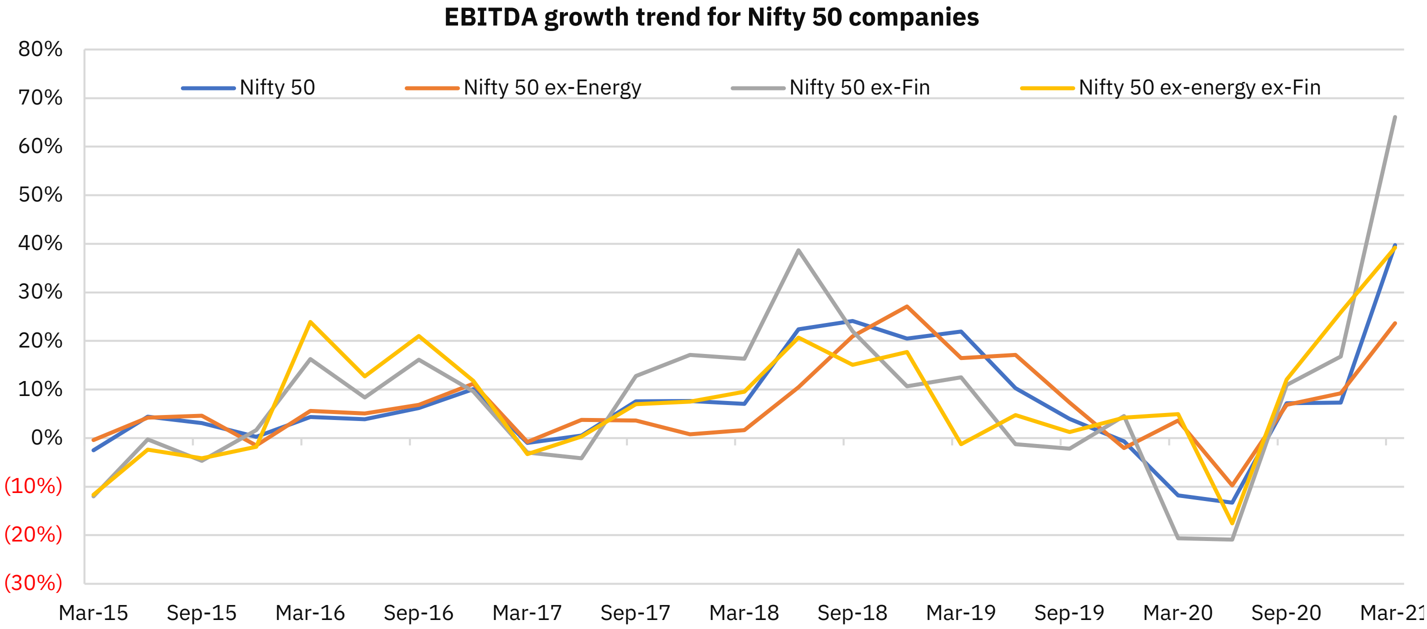


Figure 10: Sector-wise contribution of Nifty 50 companies to EBITDA growth in Q4FY21

Sector	EBITDA (Rsbn)	Contribution to EBITDA growth % QoQ	Contribution to EBITDA growth % YoY
Communication Services	129	1.5	1.0
Consumer Discretionary	255	0.4	6.1
Consumer Staples	104	0.3	0.5
Energy	579	(5.3)	14.2
Financials	1,359	(1.0)	4.5
Health Care	43	(2.4)	0.3
Industrials	122	2.7	1.2
Information Technology	329	(1.1)	1.7
Materials	442	12.8	7.6
Utilities	185	(2.6)	(1.1)
Nifty 50	**3,548**	**5.3**	**36.2**
Nifty 50 ex-Energy	**2,968**	**10.6**	**21.9**
Nifty 50 ex-Financials	**2,189**	**6.3**	**31.6**
Nifty 50 ex-energy ex-fin	**1,609**	**11.6**	**17.4**

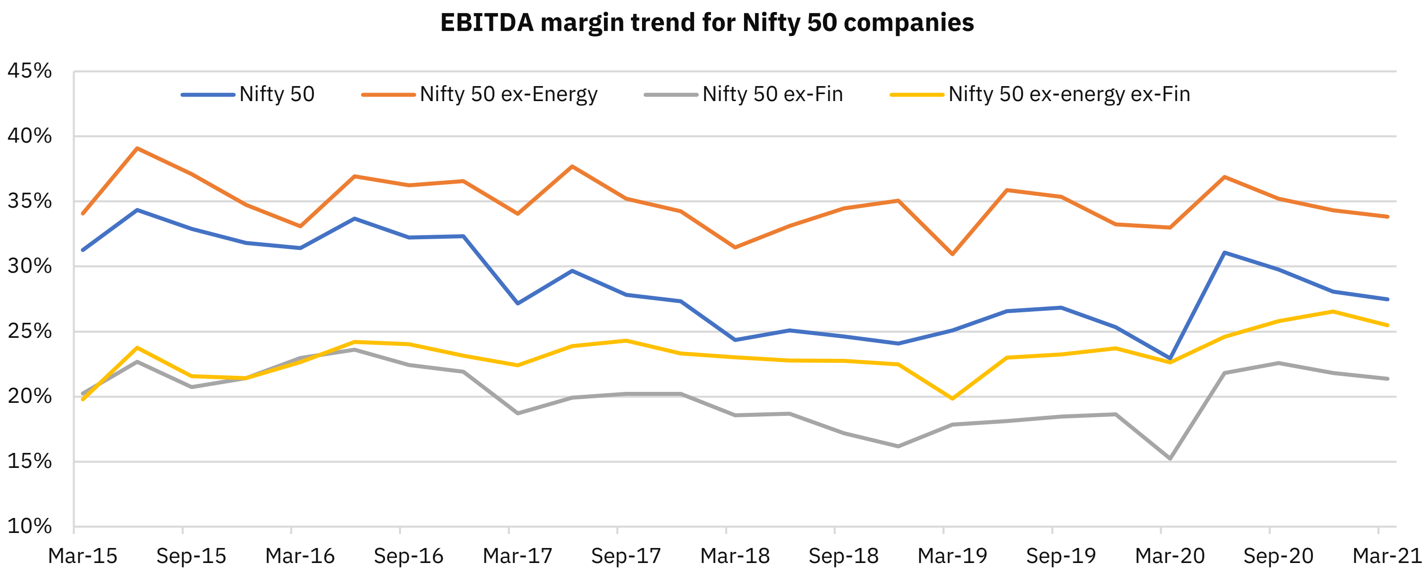
Source: CMIE Prowess, Refinitiv Datastream, NSE.

Figure 11: EBITDA growth trend of Nifty 50 companies



Source: CMIE Prowess, Refinitiv Datastream, NSE.

Figure 12: EBITDA margin trend of Nifty 50 companies



Source: CMIE Prowess, Refinitiv Datastream, NSE.

Adjusted profits surged aided by higher revenues and savings in borrowing costs: Aggregate adjusted PAT for the Nifty 50 companies grew by a much higher 145% YoY vs. 20.3% YoY growth in the previous quarter and a 42% YoY contraction in the same period last year. Robust growth in top-line and operating profits apart, lower interest expenses owing to a sharp drop in market interest rates following the RBI's monetary easing measures as well as deleveraging exercise by corporates contributed to the robust growth in corporate profitability. Interest cost for non-financial companies in the Nifty 50 universe fell by 16.7% YoY and 1.8% QoQ. Consequently, PAT margin improved by 592bps YoY (56bps QoQ) to 11.2% in Q4FY21—the highest in 27 quarters.

Except Communication Services, all sectors posted a growth in net profits on a YoY basis. Sectors that led the profit growth included a) Materials: Higher realisations from rising commodity prices b) Financials: Lower credit costs and provisioning in the fourth quarter, and c) Energy: Improved demand from ramping up of industrial activities and inventory gains from higher crude prices. Excluding Financials and Energy companies, PAT growth of Nifty 50 companies was 80% YoY. Within the Nifty 50 universe, 40 of the 50 companies posted a YoY growth in PAT. All sectors except Consumer Discretionary and Industrials have reported reduction in interest outgo for the March quarter vis-à-vis the same period last year.

Figure 13: PAT growth of Nifty 50 companies in Q4FY21/FY21

Sector	QoQ growth (%)			YoY growth (%)			FY21	
	Q4FY20	Q3FY21	Q4FY21	Q4FY20	Q3FY21	Q4FY21	(Rsbn)	Growth (%)
Communication Services	NA	NA	NA	NA	NA	(36.1)	36	NA
Consumer Discretionary	(144.8)	89.8	20.7	(155.3)	32.6	NA	184	92.6
Consumer Staples	(6.6)	(1.7)	5.4	2.2	2.0	15.0	266	3.3
Energy	(100.2)	(4.3)	46.6	(100.1)	10.3	NA	1,153	54.6
Financials	(41.2)	10.0	3.2	0.7	(0.0)	75.5	1,265	22.0
Health Care	(21.1)	(2.8)	(39.3)	9.2	50.5	15.8	123	19.3
Industrials	(5.5)	41.3	21.7	(25.5)	7.9	38.9	134	0.9
Information Technology	(1.4)	9.4	(12.3)	2.5	16.2	3.3	795	7.9
Materials	102.0	44.0	42.9	(14.3)	285.4	172.7	447	61.2
Utilities	(15.9)	0.4	(13.2)	(38.4)	20.3	24.2	277	19.8
Nifty 50	**(43.5)**	**12.6**	**15.0**	**(42.0)**	**20.3**	**145.1**	**4,679**	**29.4**
Nifty 50 ex-Energy	**(26.4)**	**18.3**	**6.5**	**(15.6)**	**23.3**	**78.5**	**3,527**	**22.8**
Nifty 50 ex-Financials	**(44.6)**	**13.6**	**19.3**	**(52.1)**	**29.8**	**179.7**	**3,414**	**32.3**
Nifty 50 ex-energy ex-fin	**(15.9)**	**22.9**	**8.2**	**(21.9)**	**39.9**	**80.0**	**2,262**	**23.3**

Source: CMIE Prowess, Refinitiv Datastream, NSE. NA: Not Applicable

Figure 14: PAT margin of Nifty 50 companies in Q4FY21

Sector	PAT Margin	QoQ change (bps)	YoY change (bps)
Communication Services	3.6	374	(271)
Consumer Discretionary	7.6	80	1049
Consumer Staples	19.4	13	(143)
Energy	8.5	162	852
Financials	14.8	153	487
Health Care	11.6	(662)	88
Industrials	9.9	(79)	210
Information Technology	16.8	(289)	(77)
Materials	12.0	203	604
Utilities	15.5	(375)	300
Nifty 50	**11.2**	**56**	**592**
Nifty 50 ex-Energy	**12.7**	**22**	**408**
Nifty 50 ex-Financials	**10.4**	**48**	**612**
Nifty 50 ex-energy ex-fin	**11.9**	**(23)**	**379**

Source: CMIE Prowess, Refinitiv Datastream, NSE.

Figure 15: Sector-wise PAT growth of Nifty 50 companies in Q4FY21

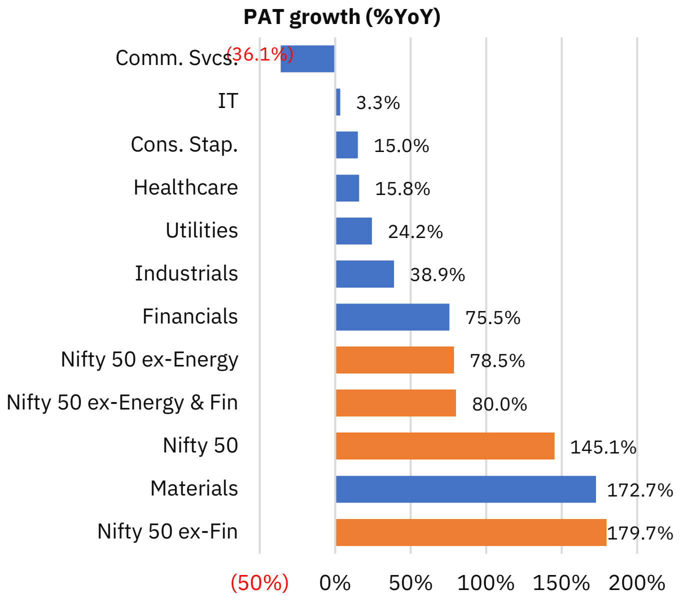
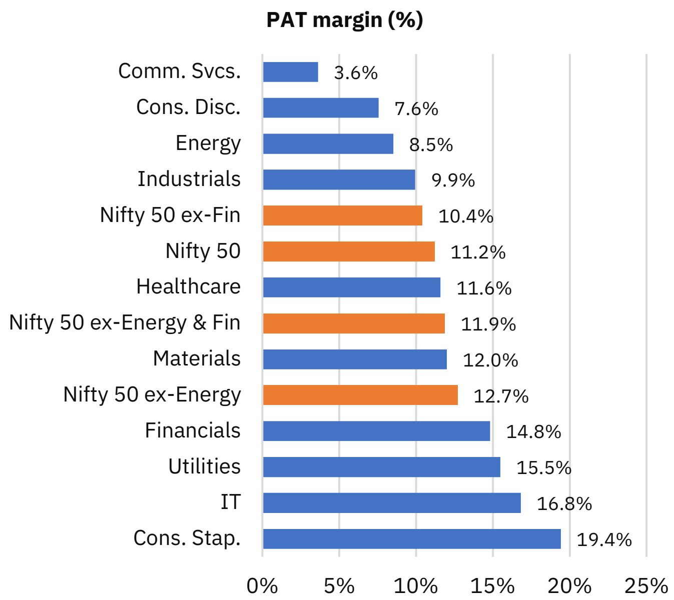


Figure 16: Sector-wise PAT margin of Nifty 50 companies in Q4FY21



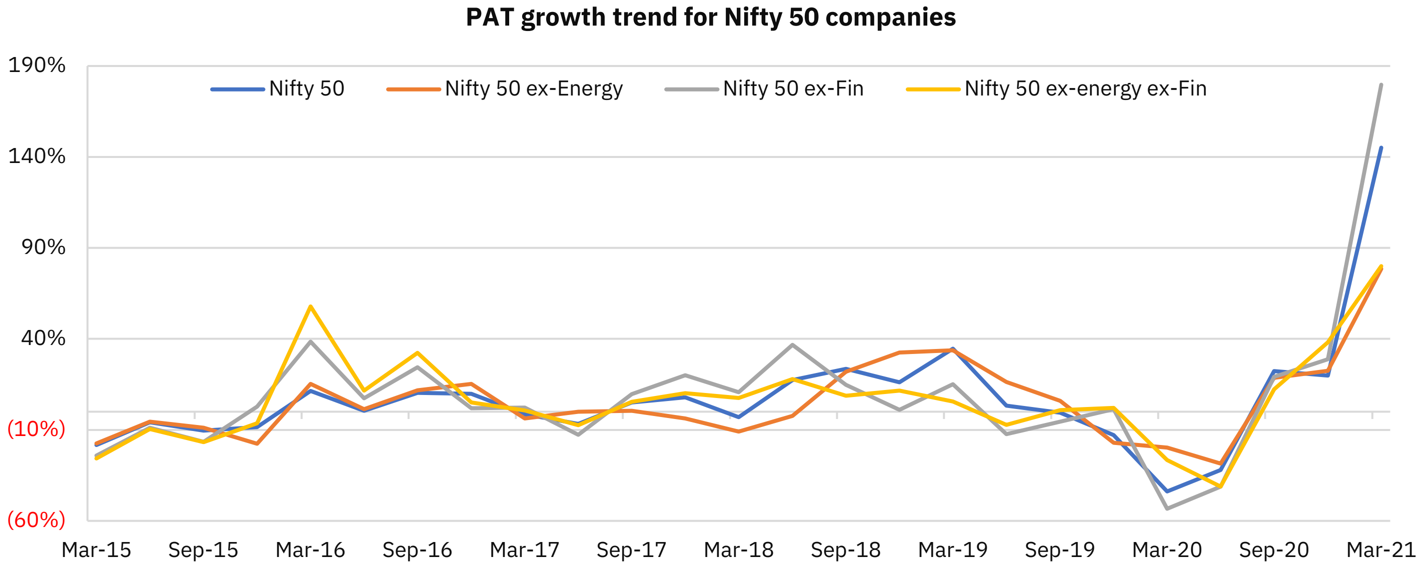
Source: CMIE Prowess, Refinitiv Datastream, NSE

Figure 17: Sector-wise contribution of Nifty 50 companies to PAT growth in Q4FY21

Sector	PAT (Rsbn)	Contribution to PAT growth	
		% QoQ	% YoY
Communication Services	9	0.7	(0.8)
Consumer Discretionary	122	1.6	25.1
Consumer Staples	71	0.3	1.5
Energy	415	9.9	66.5
Financials	364	0.8	25.1
Health Care	23	(1.1)	0.5
Industrials	51	0.7	2.3
Information Technology	195	(2.1)	1.0
Materials	216	4.9	21.9
Utilities	63	(0.7)	2.0
Nifty 50	**1,528**	**15.0**	**145.1**
Nifty 50 ex-Energy	**1,114**	**5.1**	**78.6**
Nifty 50 ex-Financials	**1,165**	**14.2**	**120.0**
Nifty 50 ex-energy ex-fin	**750**	**4.3**	**53.5**

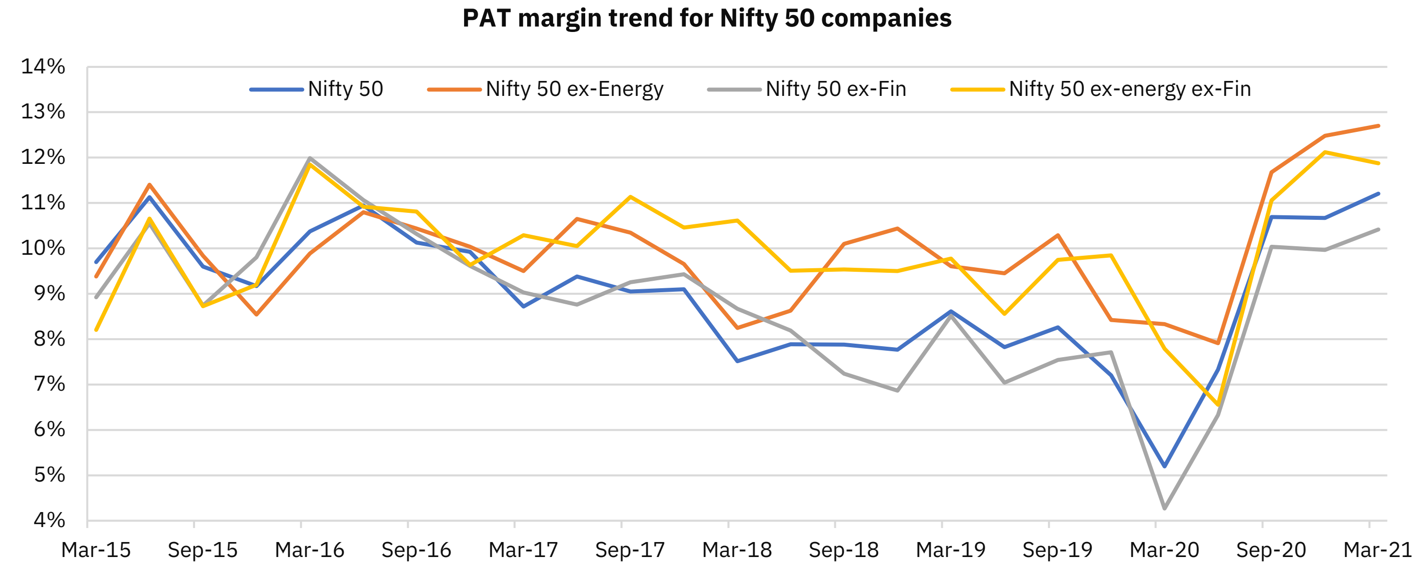
Source: CMIE Prowess, Refinitiv Datastream, NSE

Figure 18: PAT growth trend of Nifty 50 companies



Source: CMIE Prowess, Refinitiv Datastream, NSE

Figure 19: PAT margin trend of Nifty 50 companies



Source: CMIE Prowess, Refinitiv Datastream, NSE

Nifty 500 Q4FY21 results

Aggregate net sales for Nifty 500 companies registered highest growth in eight quarters: Aggregate top-line for the Nifty 500 companies also grew at an eight-quarter high of 18.1% YoY. An uptick in consumption demand and business activities, thanks to realisation of pent-up demand, significant easing of lockdown restrictions, and vaccination roll-out, has facilitated a significant recovery in top-line performance from the sharp contraction witnessed in the March and June quarters of last year. Within the Nifty 500 universe, 383 out of the 489 companies that have reported Q3 results (as of June 30th) have recorded a YoY expansion in sales in the March quarter. This was higher than the number of companies that reported growth in net sales in the December quarter (310 companies), highlighting that the recovery has broadened sequentially.

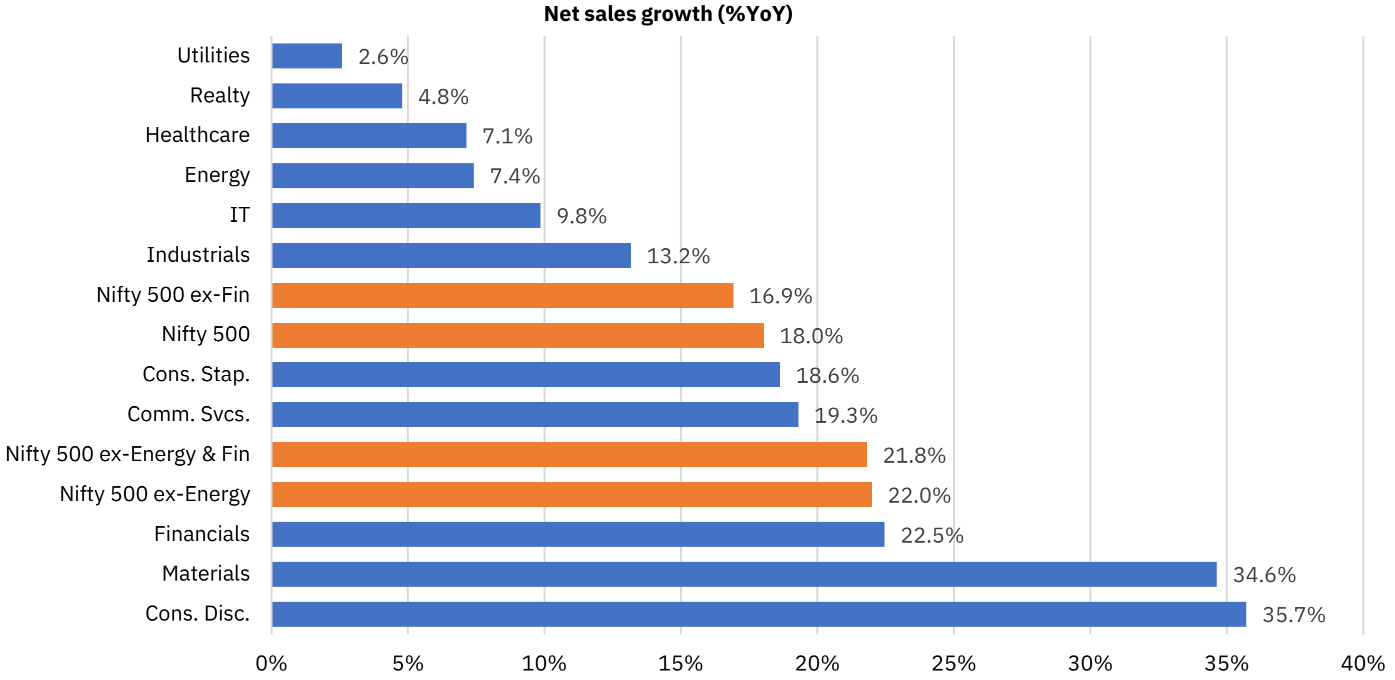
While most companies reported robust top-line growth largely because of favourable base, some sectors that have benefited from strengthened commercial activities in the March quarter included: a) Consumer Discretionary: Pent up demand nudged higher sales of automobiles and consumer durables, b) Materials: Global rally in commodity prices especially steel, aluminium and copper and higher demand because of boost in manufacturing and construction activities that has in turn resulted in to higher realisations, c) Consumer Staples: Increased mobility has elevated demand for essential items, which was hit by supply bottlenecks last year, d) Financials: An improvement in net interest income as a result of lower borrowing costs and an increase in retail credit as consumption demand improved, and e) Industrials: Increased government spending in infrastructure projects.

Figure 20: Net sales growth of Nifty 500 companies in Q4FY21/FY21

	QoQ growth			YoY growth			FY21	
Sector	**Q4FY20**	**Q3FY21**	**Q4FY21**	**Q4FY20**	**Q3FY21**	**Q4FY21**	**(Rsbn)**	**Growth (%)**
Communication Services	3.6	11.9	2.0	3.1	14.6	19.3	1,948	1.0
Consumer Discretionary	(7.5)	26.2	6.8	(14.8)	(6.3)	35.7	8,265	(23.5)
Consumer Staples	(7.6)	6.1	2.7	(1.1)	6.7	18.6	2,827	3.7
Energy	(5.9)	21.1	17.7	(5.0)	(14.1)	7.4	18,269	(19.4)
Financials	(10.3)	6.5	(6.5)	(5.2)	17.5	22.5	20,585	16.2
Health Care	(0.8)	0.5	(2.0)	6.2	7.6	7.1	2,769	5.9
Industrials	9.2	20.3	27.6	(8.8)	0.7	13.2	6,098	(10.1)
Information Technology	(1.0)	6.9	1.8	6.4	6.8	9.8	5,800	6.2
Materials	(2.8)	10.9	15.2	(12.0)	13.8	34.6	12,222	6.2
Real Estate	(10.5)	38.1	11.8	(31.7)	(16.1)	4.8	229	(26.7)
Utilities	6.3	2.0	8.9	10.1	0.2	2.6	3,367	(4.5)
Nifty 500	**(4.4)**	**13.0**	**8.0**	**(6.0)**	**2.2**	**18.0**	**82,378**	**(4.2)**
Nifty 500 ex-Energy	**(3.8)**	**10.9**	**5.2**	**(6.3)**	**8.1**	**22.0**	**64,109**	**1.2**
Nifty 500 ex-Financials	**(2.8)**	**15.3**	**12.7**	**(6.2)**	**(1.9)**	**16.9**	**61,793**	**(9.6)**
Nifty 500 ex-energy ex-fin	**(1.2)**	**13.0**	**10.5**	**(6.7)**	**4.3**	**21.8**	**43,524**	**(4.7)**

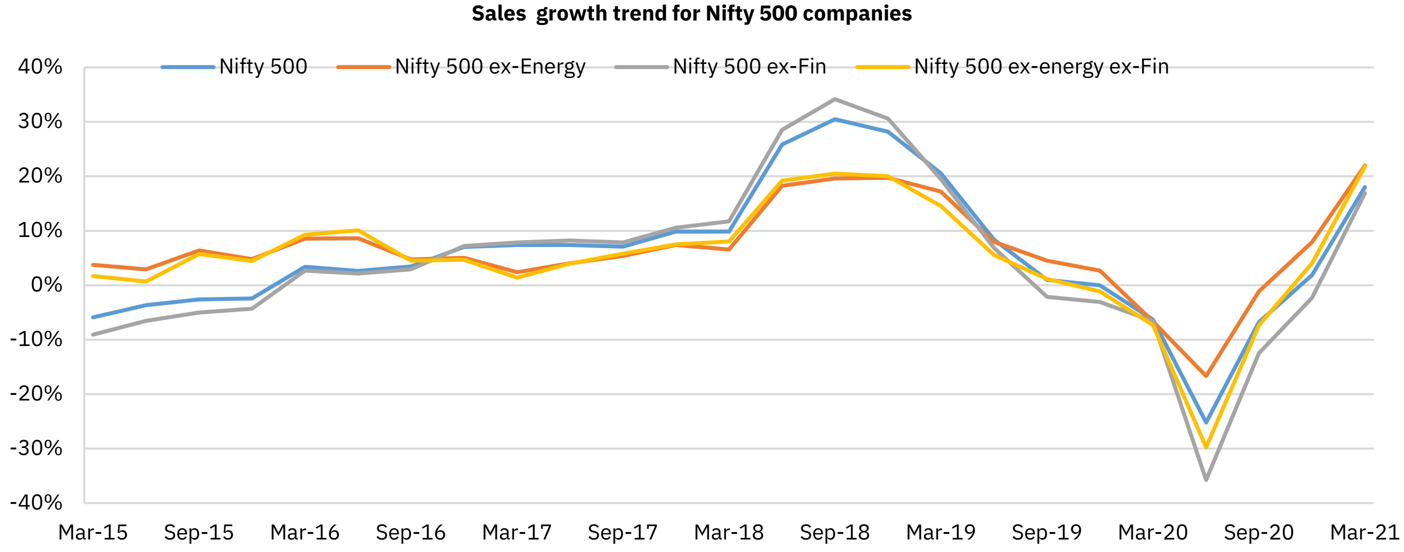
Source: CMIE Prowess, Refinitiv Datastream, NSE

Figure 21: Sector-wise net sales growth of Nifty 500 companies in Q4FY21



Source: CMIE Prowess, Refinitiv Datastream, NSE

Figure 22: Net sales YoY growth trend of Nifty 500 companies



Source: CMIE Prowess, Refinitiv Datastream, NSE.

Figure 23: Sector-wise contribution of Nifty 500 companies to net sales growth in Q4FY21

Sector	Net sales (Rsbn)	Contribution to net sales growth % QoQ	% YoY
Communication Services	445	(0.6)	0.4
Consumer Discretionary	2,686	0.9	3.5
Consumer Staples	768	0.1	0.6
Energy	5,912	4.9	2.0
Financials	5,022	(2.5)	4.5
Health Care	708	(0.0)	0.2
Industrials	2,048	1.8	1.2
Information Technology	1,545	0.2	0.7
Materials	3,811	2.8	4.8
Real Estate	79	0.0	0.0
Utilities	930	0.4	0.1
Nifty 500	**23,955**	**8.0**	**18.0**
Nifty 500 ex-Energy	**18,043**	**7.1**	**16.0**
Nifty 500 ex-Financials	**18,933**	**23.6**	**13.5**
Nifty 500 ex-energy ex-fin	**13,021**	**12.7**	**11.5**

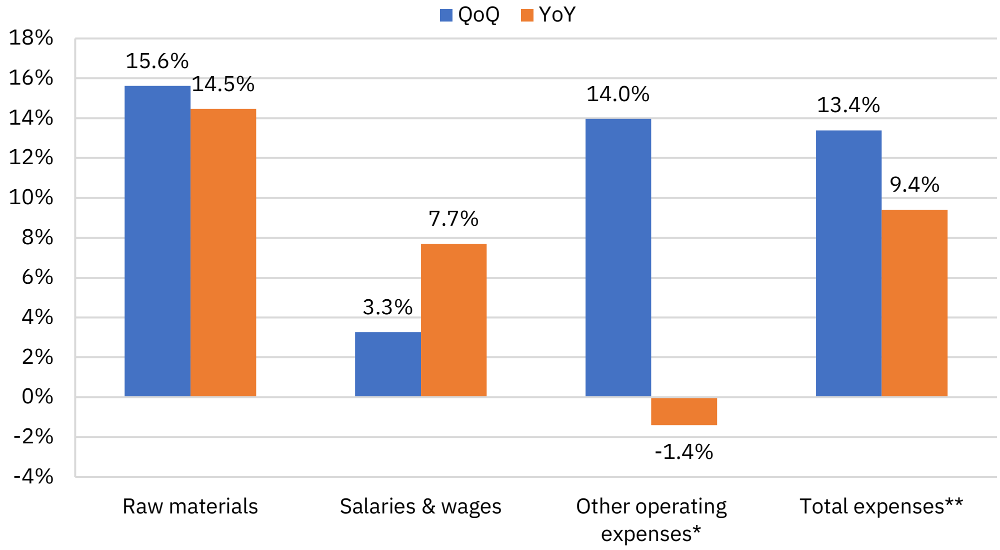
Source: CMIE Prowess, Refinitiv Datastream, NSE

Operating profits surged on robust revenue growth and favourable base effect: Aggregate EBITDA for the Nifty 500 universe excluding Financials grew by an optically higher rate of 60.6%YoY as compared to 19.8% YoY growth in December quarter and 20.2% YoY drop in the March quarter last year. The sequential (QoQ) growth in operating profits was also quite decent at 10.6% despite the surge in input costs. This was primarily on the back of double-digit growth in revenues, further supported by a favourable base.

Aggressive efforts in cutting operating costs which were stepped up by corporates in the first three quarters of this fiscal were partly offset by the sharp surge in raw material expenses during the March quarter. Total RM costs for the Nifty 500 universe excluding Financials rose by 14.5% YoY and 15.6% QoQ, leading to RM to sales ratio expanding by 89bps YoY and 172bps QoQ. Salaries and wage bill also rose by a modest 7.7% YoY. This was partly offset by continued savings on selling, general & administrative expenses, rental expenses and other operating costs. Consequently, EBITDA margins compressed by 38bps QoQ to touch 20.6% in the March quarter.

Within the Nifty 500 universe, 317/408 non-financial companies reported a YoY growth in EBITDA in the March quarter. Except Utilities, all other sectors reported a YoY expansion in operating profit and operating margins, with Energy, Consumer Discretionary and Materials leading the pack.

Figure 24: Change in expenses for Nifty 500 companies (ex-Financials) in Q4FY21



Source: CMIE Prowess, NSE. * Other operating expenses include selling, general & administrative expenses, rental expenses and other operating costs. ** Total expenses exclude interest expenses and depreciation.

Figure 25: EBITDA growth of Nifty 500 companies in Q4FY21/FY21

	QoQ growth			YoY growth			FY21	
Sector	Q4FY20	Q3FY21	Q4FY21	Q4FY20	Q3FY21	Q4FY21	(Rsbn)	Growth (%)
Communication Services	4.5	26.6	12.4	38.6	40.1	51.0	825	14.9
Consumer Discretionary	(40.8)	39.2	1.1	(39.7)	22.8	113.9	1,153	3.1
Consumer Staples	(12.2)	2.9	(0.4)	(8.7)	6.5	20.8	651	3.2
Energy	(61.0)	(1.6)	28.3	(68.4)	0.7	231.4	2,811	23.9
Financials	(9.8)	(1.6)	(3.8)	2.4	16.3	23.7	11,519	13.9
Health Care	(21.2)	3.4	(15.8)	(12.2)	18.4	27.0	711	14.6
Industrials	(7.0)	18.4	14.0	(26.8)	2.9	22.8	964	(9.0)
Information Technology	(1.5)	8.8	(1.3)	6.4	17.0	17.4	1,449	12.9
Materials	13.4	25.8	18.7	(7.8)	63.0	70.4	2,856	31.5
Real Estate	(17.7)	37.2	3.9	(32.6)	(9.0)	14.9	84	(26.6)
Utilities	11.2	3.6	(1.9)	112.2	5.8	(6.6)	1,375	0.8
Nifty 500	**(14.0)**	**6.3**	**4.1**	**(10.8)**	**18.2**	**42.8**	**24,397**	**13.7**
Nifty 500 ex-Energy	**(7.3)**	**7.3**	**1.2**	**0.2**	**20.7**	**31.4**	**21,586**	**12.5**
Nifty 500 ex-Financials	**(17.5)**	**13.6**	**10.6**	**(20.2)**	**19.8**	**60.6**	**12,878**	**13.5**
Nifty 500 ex-energy ex-fin	**(4.5)**	**18.0**	**6.3**	**(2.1)**	**25.5**	**39.5**	**10,067**	**10.9**

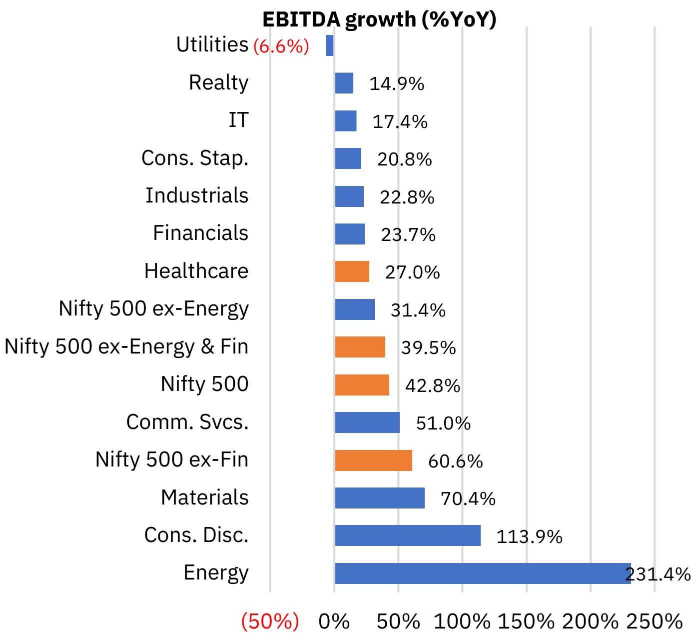
Source: CMIE Prowess, Refinitiv Datastream, NSE.

Figure 26: EBITDA margin of Nifty 500 companies in Q4FY21

Sector	EBITDA Margin	QoQ change (bps)	YoY change (bps)
Communication Services	44.4	411	933
Consumer Discretionary	15.3	(86)	559
Consumer Staples	22.3	(69)	41
Energy	15.0	124	1014
Financials	55.6	151	55
Health Care	23.4	(383)	367
Industrials	15.8	(188)	124
Information Technology	24.9	(78)	161
Materials	26.0	76	546
Real Estate	34.2	(260)	301
Utilities	37.5	(410)	(370)
Nifty 500	**28.0**	**(106)**	**486**
Nifty 500 ex-Energy	**32.2**	**(128)**	**232**
Nifty 500 ex-Financials	**20.6**	**(38)**	**562**
Nifty 500 ex-energy ex-fin	**23.2**	**(92)**	**295**

Source: CMIE Prowess, Refinitiv Datastream, NSE.

Figure 27: Sector-wise EBITDA growth of Nifty 500 companies in Q4FY21



Source: CMIE Prowess, Refinitiv Datastream, NSE.

Figure 28: Sector-wise EBITDA margin of Nifty 500 companies in Q4FY21

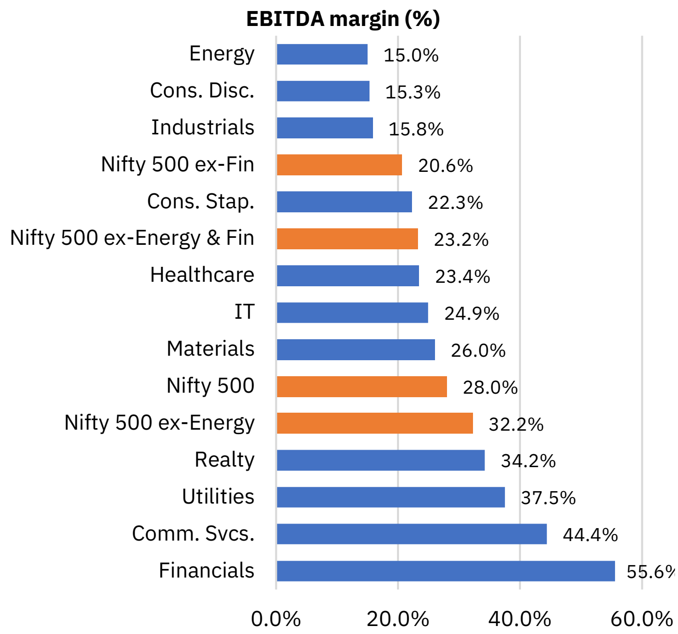
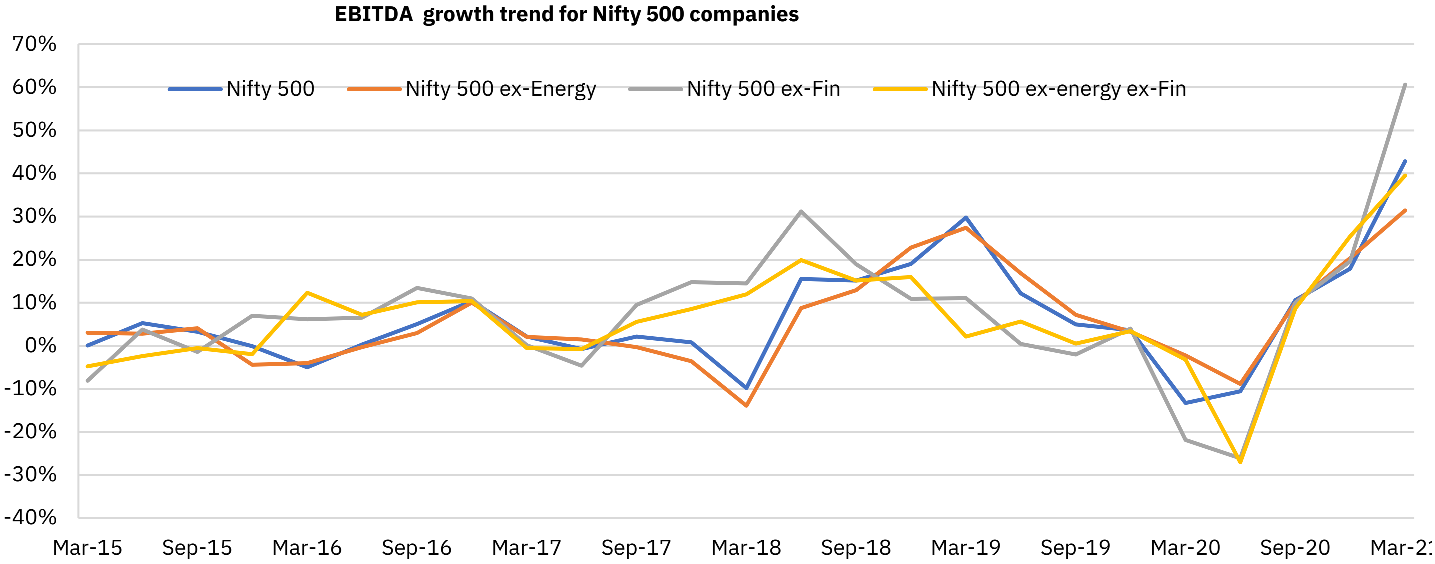


Figure 29: Sector-wise contribution of Nifty 500 companies to EBITDA growth in Q4FY21

Sector	EBITDA (Rsbn)	Contribution to EBITDA growth % QoQ	% YoY
Communication Services	197	(1.0)	1.4
Consumer Discretionary	411	0.1	4.7
Consumer Staples	171	(0.0)	0.6
Energy	887	4.1	13.2
Financials	2,793	(2.5)	11.4
Health Care	166	(0.6)	0.8
Industrials	324	0.8	1.3
Information Technology	385	(0.0)	1.2
Materials	990	3.3	8.7
Real Estate	27	0.0	0.1
Utilities	349	(0.1)	(0.5)
Nifty 500	**6,701**	**4.1**	**42.8**
Nifty 500 ex-Energy	**5,814**	**0.0**	**29.6**
Nifty 500 ex-Financials	**3,908**	**6.6**	**31.4**
Nifty 500 ex-energy ex-fin	**3,021**	**2.5**	**18.2**

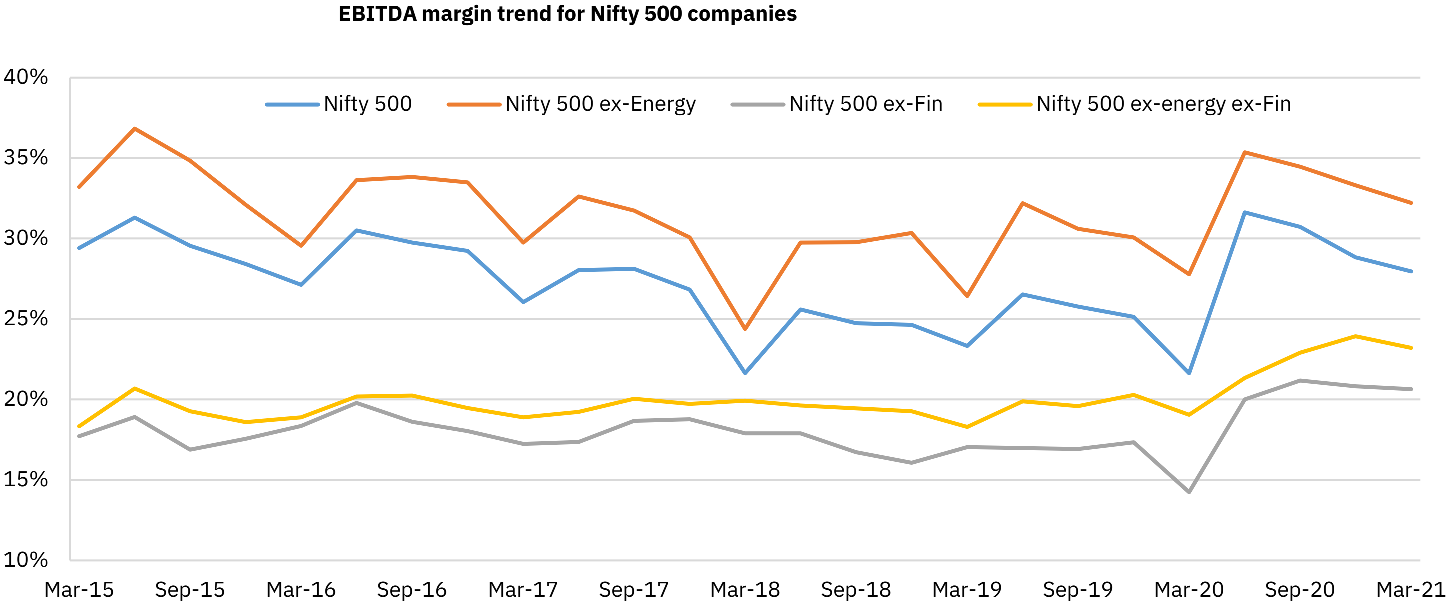
Source: CMIE Prowess, Refinitiv Datastream, NSE.

Figure 30: EBITDA growth trend of Nifty 500 companies



Source: CMIE Prowess, Refinitiv Datastream, NSE.

Figure 31: EBITDA margin trend of Nifty 500 companies



Source: CMIE Prowess, Refinitiv Datastream, NSE.

Adjusted PAT recorded more than 3x jump in the March quarter: Aggregate adjusted PAT for Nifty 500 companies grew by a robust 227% YoY in the March quarter–the highest growth in last six years, albeit off a low base (-50% YoY in the same quarter last year). The sharp YoY rise in PAT from the lows of last year was a result of a recovery in aggregate demand translating into higher revenue, coupled with savings from lower interest rates. Interest costs of the Nifty 500 universe (excluding Financials) declined 17.1% YoY and 2.1% QoQ due to multi-year low interest rates thanks to ultra-loose monetary policy by the RBI and deleveraging exercise by corporates. Consequently, PAT margin improved by 596bps YoY to 10.4% in Q4—the highest in six years.

The expansion in net profit was largely broad-based with all sectors registering a growth in net profits. Sector-wise, profit growth was primarily led by Financials (lower credit costs) and Materials (higher metal prices), as these sectors contributed nearly 62% and 51% respectively to the overall surge in profits in Q4.

Figure 32: PAT growth of Nifty 500 companies in Q4FY21/FY21

	QoQ growth (%)			YoY growth (%)			FY21	
Sector	Q4FY20	Q3FY21	Q4FY21	Q4FY20	Q3FY21	Q4FY21	(Rsbn)	Growth (%)
Communication Services	NA	NA	72.5	NA	NA	166.2	(48)	NA
Consumer Discretionary	(111.2)	104.8	12.7	(112.6)	29.3	NA	258	(1.4)
Consumer Staples	(13.9)	3.0	1.1	(14.9)	7.6	26.3	415	5.1
Energy	(112.1)	(6.5)	46.1	(108.7)	13.8	NA	1,317	71.8
Financials	(74.5)	3.3	(13.5)	23.7	224.9	1392.8	2,087	124.3
Health Care	(24.7)	3.6	(21.5)	(19.8)	49.4	55.5	379	31.4
Industrials	(29.2)	49.7	29.5	(57.7)	0.8	63.8	270	(21.8)
Information Technology	(1.7)	10.9	(9.5)	1.9	16.7	8.1	911	9.5
Materials	14.0	54.9	38.0	(22.7)	166.3	221.7	1,276	78.3
Real Estate	(32.3)	173.3	(25.6)	(54.5)	11.9	23.0	20	(42.4)
Utilities	10.8	4.3	0.9	7.5	16.7	6.3	532	5.9
Nifty 500	**(46.5)**	**18.3**	**10.9**	**(49.9)**	**65.6**	**226.8**	**7,417**	**51.0**
Nifty 500 ex-Energy	**(28.8)**	**24.0**	**5.1**	**(27.3)**	**79.7**	**153.9**	**6,100**	**47.1**
Nifty 500 ex-Financials	**(42.0)**	**25.1**	**19.6**	**(51.9)**	**40.1**	**172.4**	**5,329**	**33.8**
Nifty 500 ex-energy ex-fin	**(19.0)**	**36.7**	**13.2**	**(29.3)**	**48.7**	**98.6**	**4,013**	**24.8**

Source: CMIE Prowess, Refinitiv Datastream, NSE. NA: Not applicable.

Figure 33: PAT margin of Nifty 500 companies in Q4FY21

Sector	PAT Margin	QoQ change (bps)	YoY change (bps)
Communication Services	9.0	366	494
Consumer Discretionary	7.0	37	761
Consumer Staples	14.4	(23)	88
Energy	7.9	154	853
Financials	10.1	(87)	923
Health Care	12.2	(303)	380
Industrials	6.7	10	206
Information Technology	14.9	(187)	(24)
Materials	14.8	245	861
Real Estate	9.8	(492)	145
Utilities	15.3	(122)	53
Nifty 500	**10.4**	**26**	**662**
Nifty 500 ex-Energy	**11.2**	**(3)**	**579**
Nifty 500 ex-Financials	**10.4**	**61**	**596**
Nifty 500 ex-energy ex-fin	**11.6**	**28**	**448**

Source: CMIE Prowess, Refinitiv Datastream, NSE.

Figure 34: Sector-wise PAT growth of Nifty 500 companies in Q4FY21

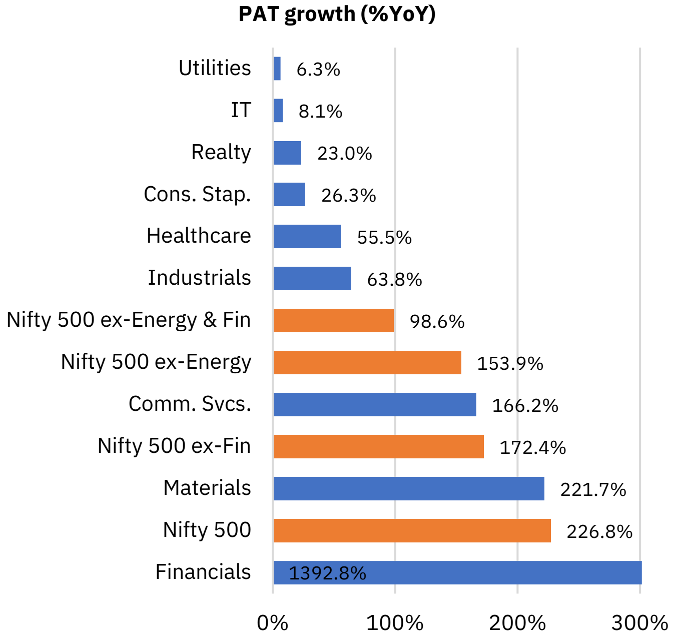
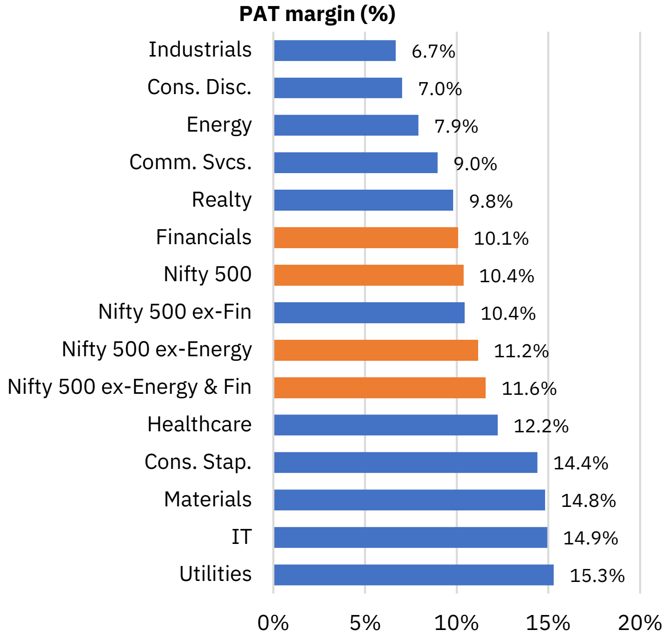


Figure 35: Sector-wise PAT margin of Nifty 500 companies in Q4FY21



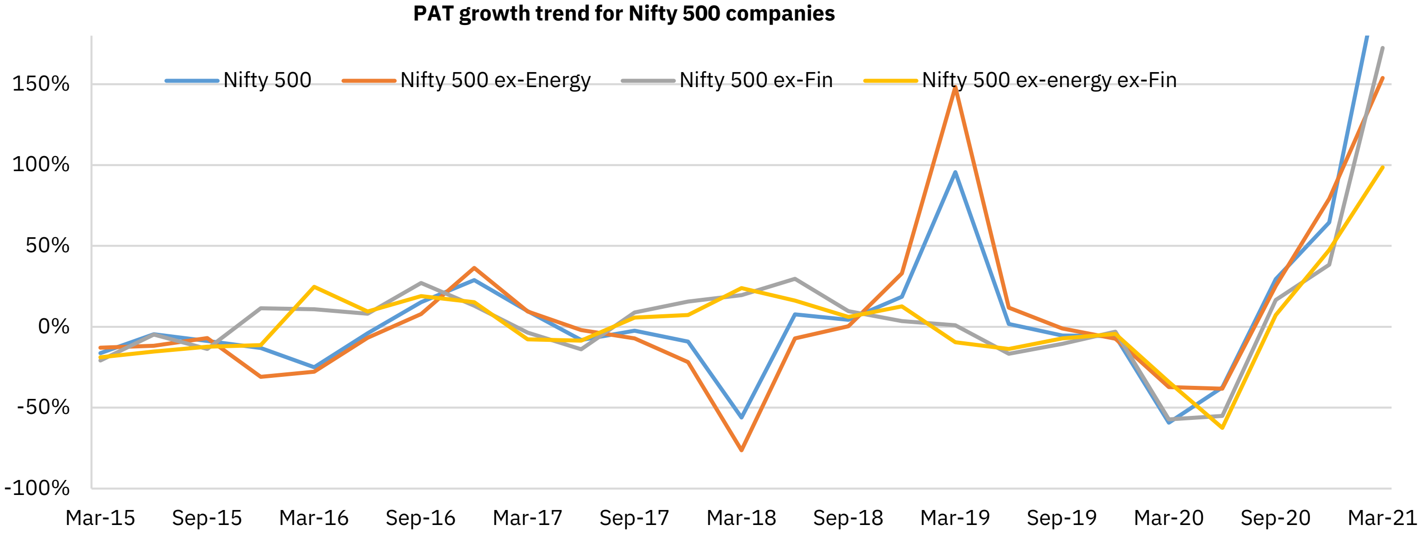
Source: CMIE Prowess, Refinitiv Datastream, NSE.

Figure 36: Sector-wise contribution of Nifty 500 companies to PAT growth in Q4FY21

Sector	PAT (Rsbn)	Contribution to PAT growth	
		% QoQ	% YoY
Communication Services	40	2.2	3.3
Consumer Discretionary	189	1.1	26.4
Consumer Staples	111	0.0	3.0
Energy	468	5.5	66.1
Financials	508	(3.3)	62.1
Health Care	87	(0.9)	4.1
Industrials	137	1.3	7.0
Information Technology	231	(0.8)	2.3
Materials	564	5.8	51.2
Real Estate	8	(0.1)	0.2
Utilities	142	0.0	1.1
Nifty 500	**2,483**	**10.9**	**226.8**
Nifty 500 ex-Energy	**2,015**	**5.4**	**160.7**
Nifty 500 ex-Financials	**1,976**	**14.2**	**164.7**
Nifty 500 ex-energy ex-fin	**1,508**	**8.7**	**98.6**

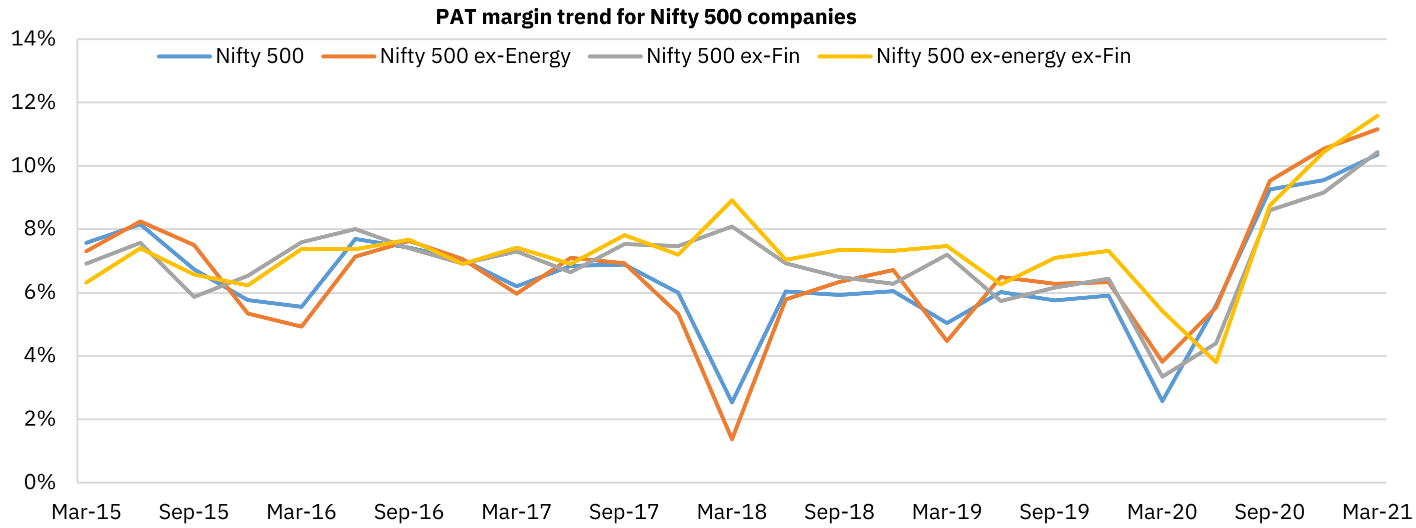
Source: CMIE Prowess, Refinitiv Datastream, NSE.

Figure 37: PAT growth trend of Nifty 500 companies



Source: CMIE Prowess, Refinitiv Datastream, NSE.

Figure 38: PAT margin trend of Nifty 500 companies



Source: CMIE Prowess, Refinitiv Datastream, NSE.

Earnings revision analysis

FY21 PAT beat estimates and fell only marginally short of pre-COVID estimate: Corporate earnings in Q4FY21 have beaten expectations yet again, thanks to ramping up of business activities, steady consumption demand and higher commodity prices. Our analysis of earnings performance of top 200 covered companies by market capitalisation[3] show a beat of 6.9% in FY21 aggregate profits vs. estimates at the end of March 2021. In fact, the FY21 profit growth of 24.9% for this universe is only a tad lower than ~30% estimated in early 2020 before the COVID-19 pandemic hit the country. Corporates have managed to report healthy profits in FY21 despite the demand- and supply-side bottlenecks brought in by the pandemic by significantly curtailing variable costs and benefiting from lower commodity prices during the first half of the year—a situation not so favourable for the economy at large. Additionally, low base (-7% in FY20 for the same universe) also supported profit growth in FY21.

Profit beat in FY21 primarily led by commodities: Inventory gains for oil marketing companies following a sharp surge in crude oil prices in the second half of the year and higher realisations earned by metal companies on account of rising global metal prices led to a significant beat in earnings for Energy and Materials sectors. A recovery in private capex cycle as well as Government investment—also reflected in the National Accounts data—significantly curtailed the profit contraction for the Industrials sector. Earnings for defensive sectors including IT, Healthcare and Consumer Staples in FY21 were broadly in-line with estimates.

Figure 39: Sector-wise profit beat/miss in FY21

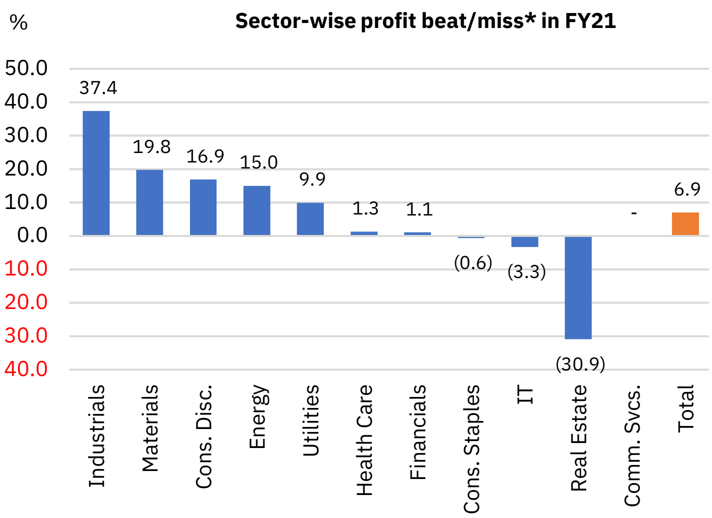
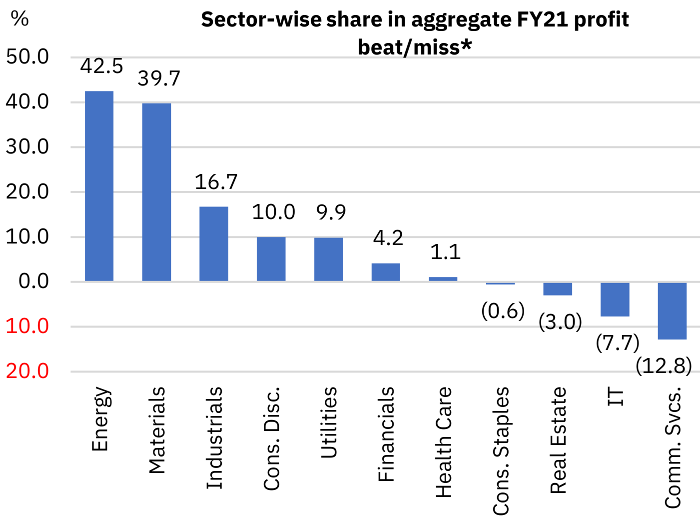


Figure 40: Sector-wise share in aggregate profit beat/miss* in FY21



Source: Refinitiv Datastream, NSE.
Note: Based on IBES earnings estimates of top 200 companies by one-year average market cap ending June 30th, 2020, covered by at least five analysts at any given point of time over the previous one year. * Profit beat/miss has been calculated as the percentage change in actual profit vs. profit estimate as on March 31st, 2021.

[3] The sample set consists of top 200 companies by one-year average market cap ending June 30th, 2020 covered by at least five or more analysts during the previous 12 months using IBES estimates from Refinitiv Datastream.

Figure 49: Monthly trend of sector-wise FY21 consensus earnings growth estimate (% YoY)

Sectors	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21*
Comm. Svcs.	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Cons. Disc.	25.6	18.4	-0.9	2.6	-14.8	-26.5	-34.0	-32.9	-23.7	-22.8	-21.4	-0.1	2.0	3.3	19.3	19.2
Cons. Staples	15.4	13.5	8.4	6.9	2.4	1.8	2.4	1.7	0.0	0.1	0.1	-0.1	0.0	0.0	0.2	(0.6)
Energy	17.6	11.9	7.6	0.9	-10.4	-14.3	-14.9	-15.0	-10.7	-10.2	-9.8	-2.2	0.0	1.5	9.0	15.0
Financials	49.1	45.1	50.2	49.0	40.2	30.0	28.6	28.4	46.4	48.1	50.8	64.3	65.0	65.9	66.4	66.8
Health Care	18.2	16.1	17.9	11.4	8.7	13.3	13.5	14.1	18.2	18.8	19.3	23.3	23.5	24.0	22.8	25.1
Industrials	16.8	10.5	11.0	-14.9	-22.6	-33.0	-34.6	-34.0	-30.0	-29.4	-28.5	-28.0	-28.2	-28.6	8.3	(2.1)
IT	9.5	4.0	-2.7	-3.6	-2.5	-0.5	0.2	3.6	4.9	5.2	7.8	10.0	10.3	9.6	6.7	6.7
Materials	28.2	9.2	-13.4	-40.3	-49.8	-42.8	-40.6	-38.8	-17.0	-11.2	-4.4	17.9	20.0	23.0	35.2	35.6
Real Estate	32.6	25.4	19.7	159.8	153.5	114.2	112.9	109.6	104.6	106.7	106.5	112.6	114.9	114.1	79.6	48.5
Utilities	10.0	9.3	9.3	4.6	0.5	-1.3	-1.3	-1.6	0.0	0.2	0.8	4.6	5.1	5.0	5.2	15.6
Total	**29.7**	**23.6**	**18.2**	**8.3**	**0.7**	**-3.2**	**-3.9**	**-3.7**	**4.4**	**5.9**	**7.9**	**16.9**	**17.8**	**18.6**	**23.2**	**24.9**

Source: Refinitiv Datastream, NSE.

Note: Based on IBES earnings estimates of top 200 companies by one-year average market cap ending June 30th, 2020, covered by at least five analysts at any given point of time over the last one year. * figures for June 2021 are actual earnings growth figures.

Consensus FY22/FY23 PAT estimates upgraded despite renewed COVID-induced uncertainties…: Better-than-expected corporate earnings in FY21 and expectations of pick-up in consumption demand in the second half has translated into upward revisions in corporate earnings for FY22 and FY23 by 6.6% and 4.3% respectively for top 200 covered companies by market capitalisation. This was despite the deadlier second wave of COVID-19 and attendant ramifications on the economic recovery that was underway during the second half of FY21. With this, the aggregate earnings of top 200 companies in FY22 and FY23 are now expected to grow at 37.9% and 18.1% respectively. That said, the upward revisions were primarily led by Materials and Financials—accounting for ~43% of the aggregate profit—excluding which profit estimate for FY22 saw a cut of 1.8% in FY22 since March-end and were broadly retained for FY23.

A sharp surge in COVID-19 infections in the quarter gone by, that turned out to be much more virulent than the first wave in terms of infection as well as mortality rates, has significantly dampened consumer as well as business sentiments. This is reflected in a several high-frequency indicators including RBI's consumer and business sentiment surveys and manufacturing/services PMI, among others. Even as the restrictions were localised and targeted during the second wave unlike the first wave, the loss of livelihoods seen during the second wave may have a lingering impact on consumers' propensity to spend. Rural demand, which remained fairly resilient last year, may get hit this time given the severity of COVID crisis in hinterlands. Considering this, the profit growth estimates for FY22—that factor in a swift recovery in consumption/investment demand—may face downside risks, particularly in the wake of an impending third wave. On the positive side, improving global growth outlook and a potential weakening of the INR bode well for export-oriented sectors.

Figure 41: Aggregate consensus profit growth estimate for top 200 covered companies (% YoY)

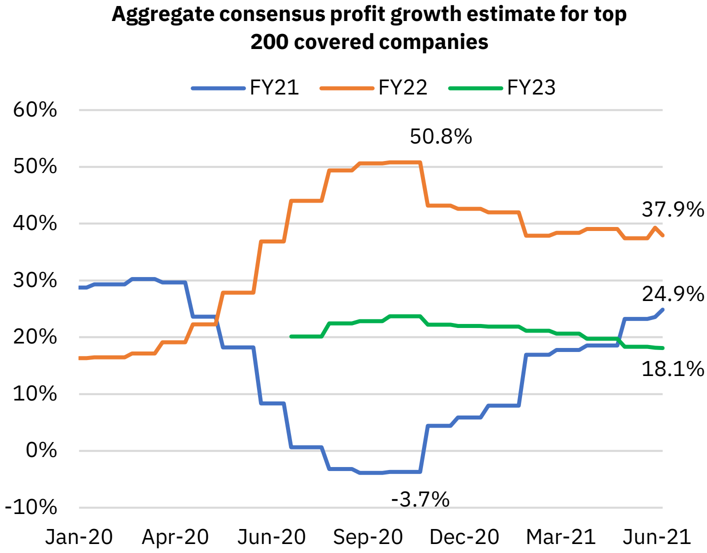
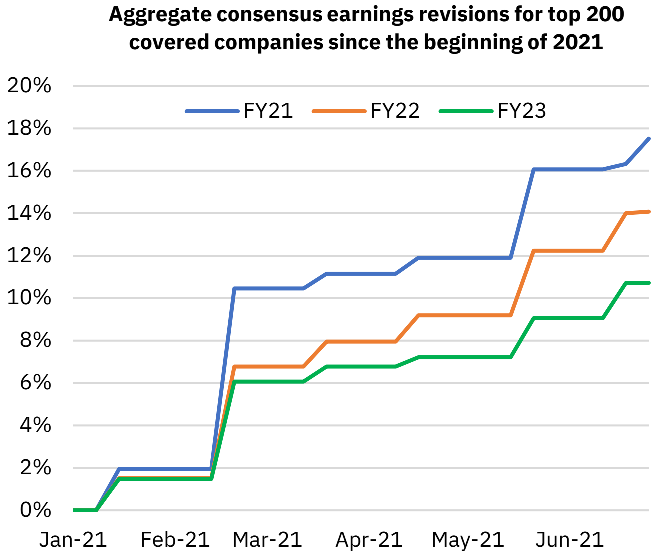


Figure 42: Aggregate consensus earnings revisions in 2021 till date for top 200 covered companies



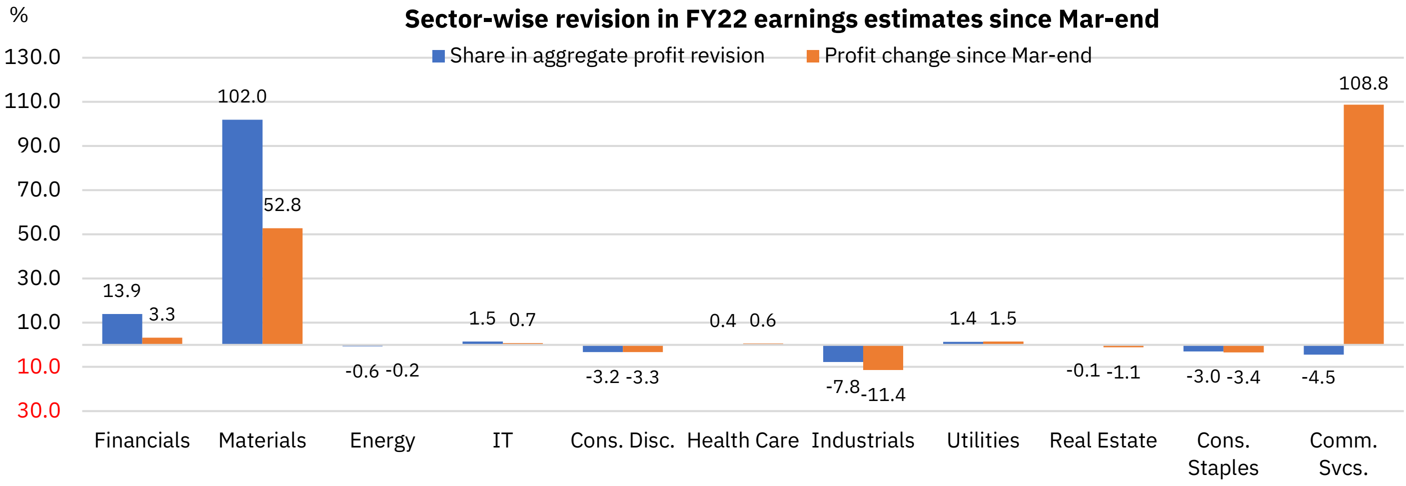
Source: CMIE Prowess, Refinitiv Datastream, NSE.
Note: Based on IBES earnings estimates of top 200 companies by one-year average market cap ending June 30th, 2020, covered by at least five analysts at any given point of time over the last one year. Data is as of June 25th, 2020.

Figure 43: Monthly trend of sector-wise FY22 consensus earnings growth estimate (% YoY)

Sectors	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21
Comm. Svcs.	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Consumer Disc.	48.6	87.0	113.2	150.1	177.4	173.7	157.6	157.3	153.0	117.5	116.9	115.7	83.6	79.4
Consumer Staples	15.8	17.0	19.6	21.2	20.9	21.6	22.9	23.0	23.1	23.3	23.0	23.0	20.5	19.6
Energy	22.5	28.8	39.1	44.5	46.9	46.6	39.8	38.3	38.4	27.0	27.0	26.5	15.4	10.2
Financials	32.6	39.4	47.9	53.4	54.6	52.6	42.5	42.8	41.5	41.2	41.6	41.6	43.3	44.7
Health Care	17.0	20.1	22.1	21.6	21.8	21.6	19.1	18.7	18.6	14.5	14.4	13.9	14.7	13.5
Industrials	20.9	66.0	76.7	99.9	104.6	105.4	96.8	96.3	95.3	98.7	100.2	101.6	32.5	29.2
IT	12.5	13.2	13.8	12.9	12.9	14.1	13.9	13.9	15.0	14.9	14.5	15.9	19.3	19.3
Materials	58.1	86.4	91.9	81.0	76.8	73.7	41.5	38.5	36.0	25.7	25.9	29.7	43.2	60.6
Real Estate	7.7	10.2	17.1	28.0	27.3	29.5	29.6	29.2	29.0	35.7	36.3	34.1	60.4	95.1
Utilities	11.2	15.0	18.0	20.2	20.1	21.1	18.8	18.7	18.4	18.0	18.3	18.5	18.6	9.3
Total	**27.9**	**36.9**	**44.0**	**49.4**	**50.6**	**50.8**	**43.2**	**42.6**	**42.0**	**37.9**	**38.4**	**39.1**	**37.4**	**37.9**

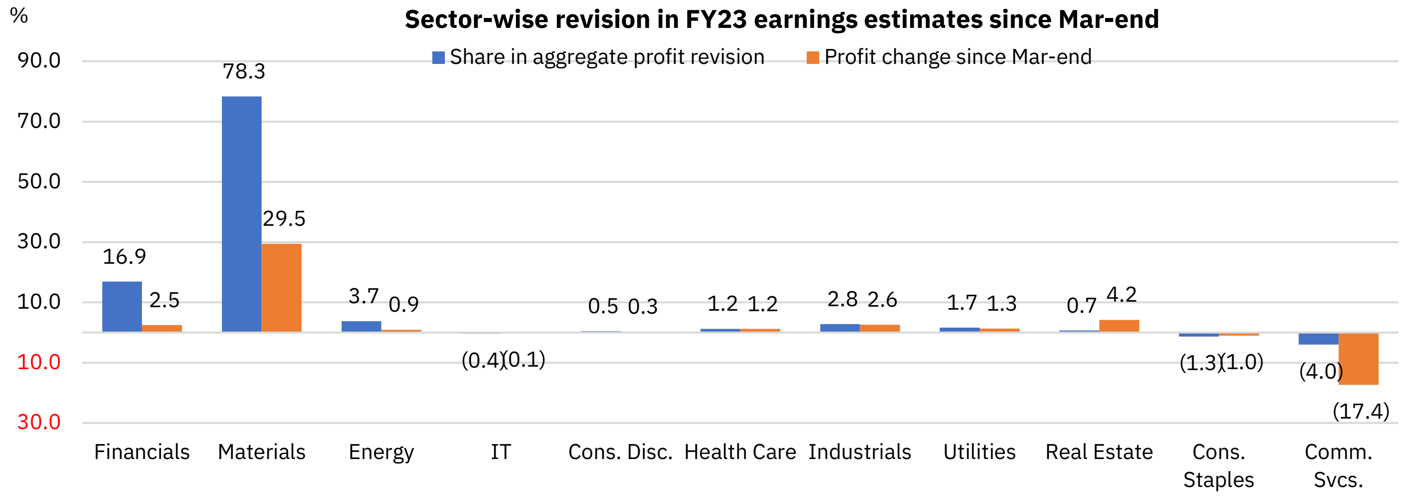
Source: Refinitiv Datastream, NSE.
Note: Based on IBES earnings estimates of top 200 companies by one-year average market cap ending June 30th, 2020, covered by at least five analysts at any given point of time over the last one year. * Data is as of June 25th, 2021.

Figure 44: Sector-wise revision in FY22 earnings estimates since March-end



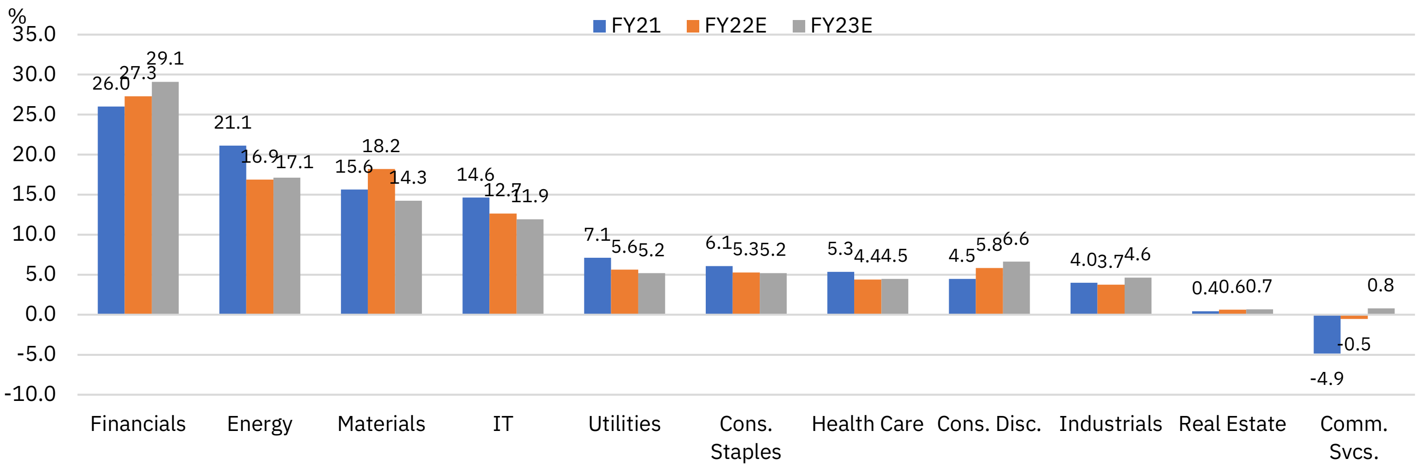
Source: Refinitiv Datastream, NSE.
Note: Based on IBES earnings estimates of top 200 companies by one-year average market cap ending June 30th, 2020, covered by at least five analysts at any given point of time over the last one year. Data is as of June 25th, 2021.

Figure 45: Sector-wise revision FY23 earnings estimates since March-end



Source: Refinitiv Datastream, NSE.
Note: Based on IBES earnings estimates of top 200 companies by one-year average market cap ending June 30th, 2020, covered by at least five analysts at any given point of time over the last one year. Data is as of June 25th, 2021.

Figure 46: Sector-wise share in earnings (As of June 25th, 2021)

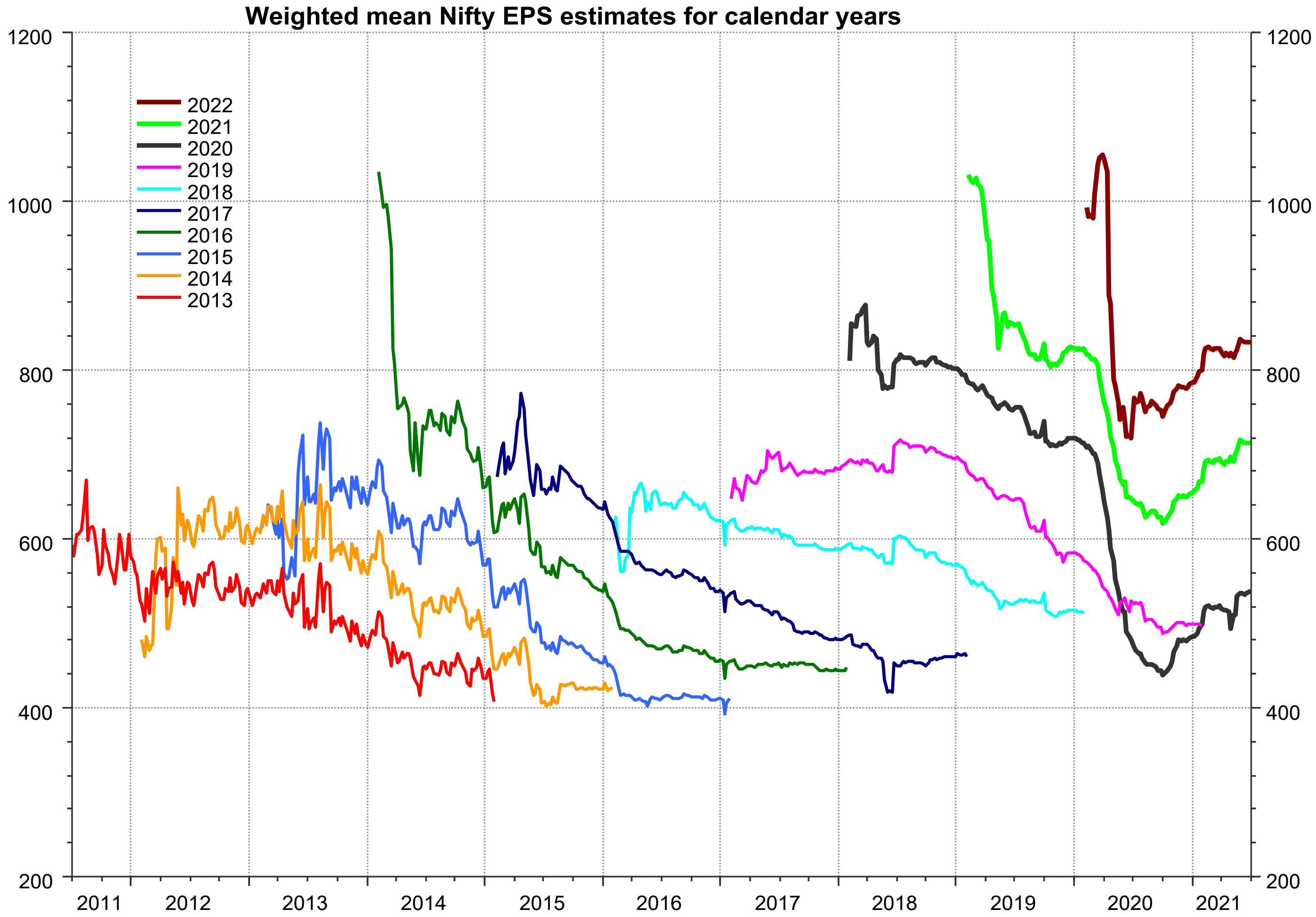


Source: CMIE Prowess, Refinitiv Datastream, NSE.
Note: Based on IBES earnings estimates of top 200 companies by one-year average market cap ending June 30th, 2020, covered by at least five analysts at any given point of time over the last one year. Data is as of June 25th, 2021.

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 played out this year with earnings for the Nifty 50 universe, following a steep cut initially after the onset of COVID-19 pandemic, witnessing meaningful upgrades over the last few quarters. Aggressive cost cutting initiatives by companies, ramping up of business activities, rising commodity prices and improvement in consumption demand improved earnings outlook, leading to ~9% and 6.5% increase in Nifty 50 EPS estimates for 2021 and 2022 respectively since the beginning of 2021.

Figure 47: Yearly trend of NIFTY 50 Consensus EPS estimates

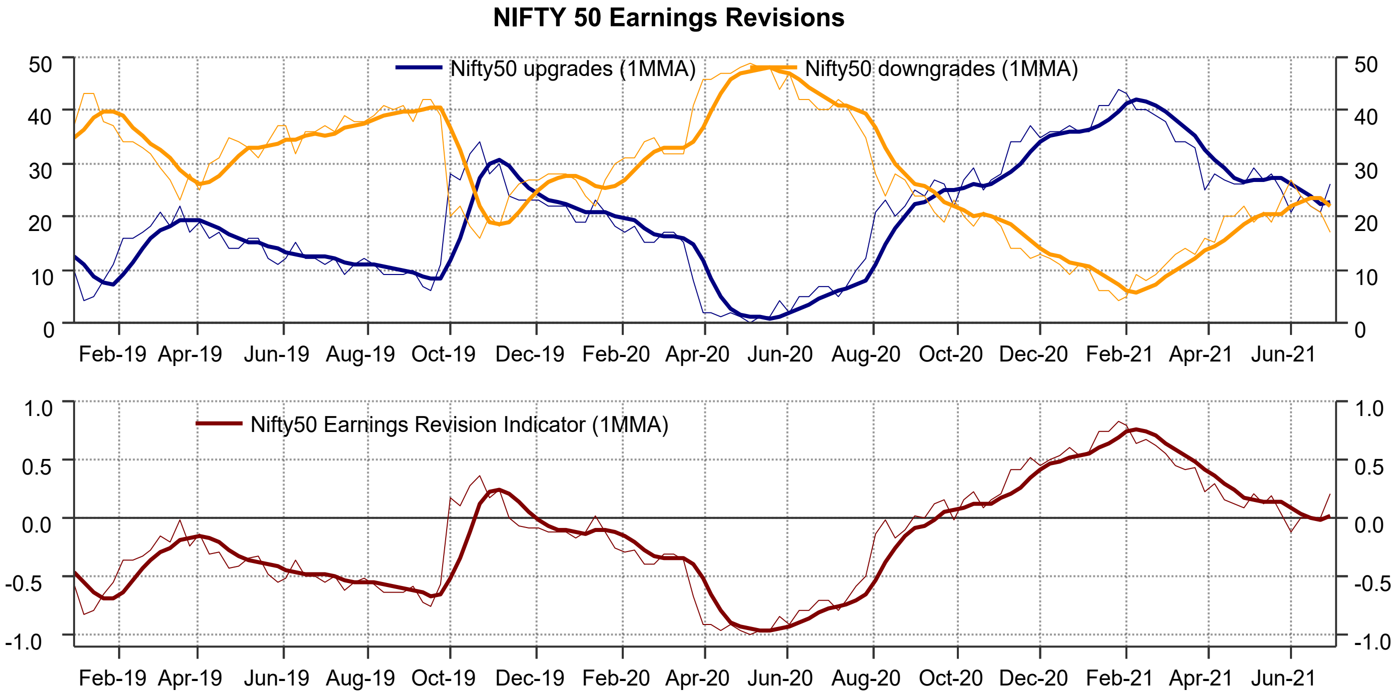


Source: Refinitiv Datastream, NSE.

Nifty 50 Earnings Revision Indicator dropped to near-zero levels: 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 worldwide.

The ERI, however, improved meaningfully beginning September 2020, as better-than-expected corporate earnings over the last few quarters and a stronger-than-anticipated post-lockdown recovery in business and consumption activities 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 February 2021. Except for Materials which has continued to see upgrades far outnumbering downgrades, thanks to a sharp surge in metal prices and improvement in industrial demand, all other sectors have seen a meaningful drop in the ERI levels. In fact, ERI has dropped to sub-zero levels for Consumer Staples, Consumer Discretionary, Communication Services and Information Technology, implying higher number of downgrades than upgrades.

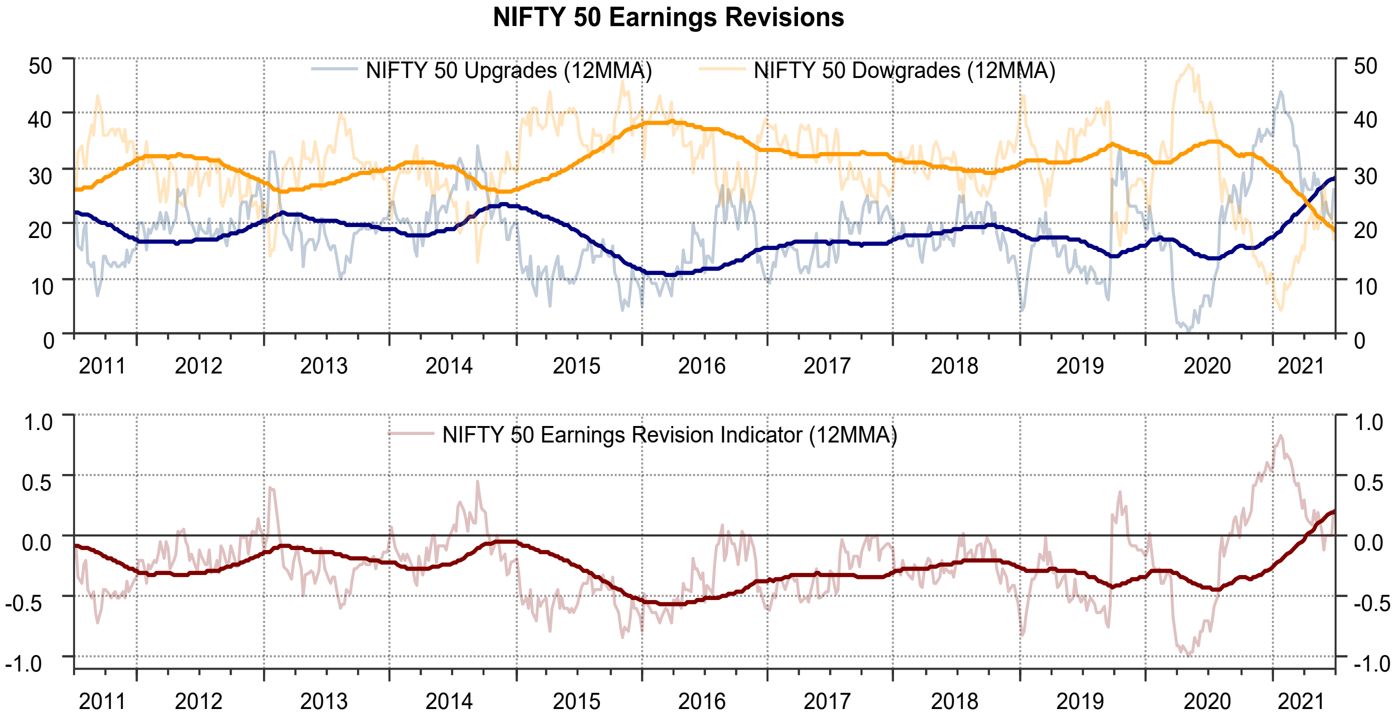
Figure 48: Nifty 50 Earnings Revision Indicator (since January 2019)



Source: Refinitiv Datastream, NSE

[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.

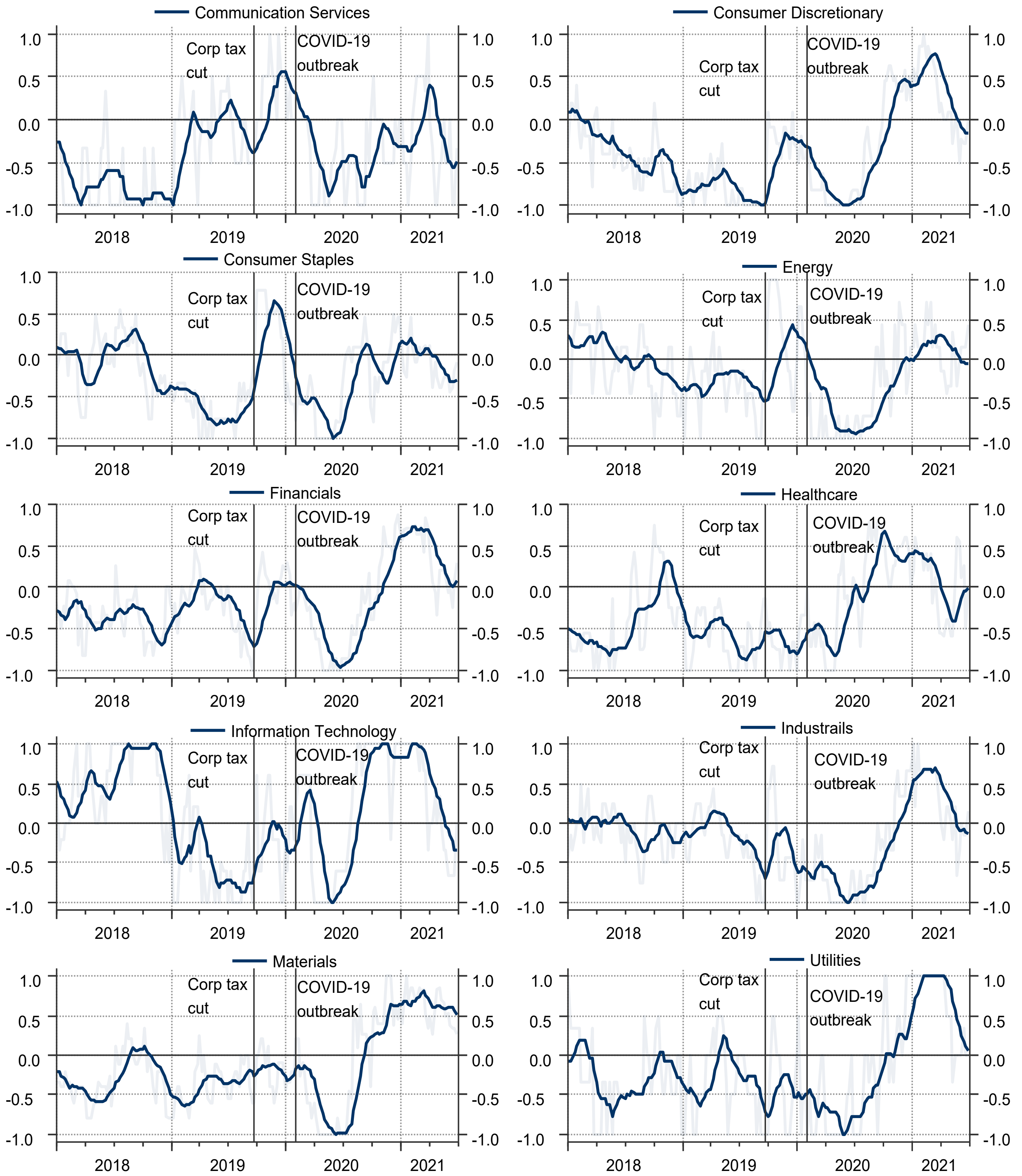
Figure 49: Nifty 50 Earnings Revision Indicator (10-year trend)



Source: Refinitiv Datastream, NSE.

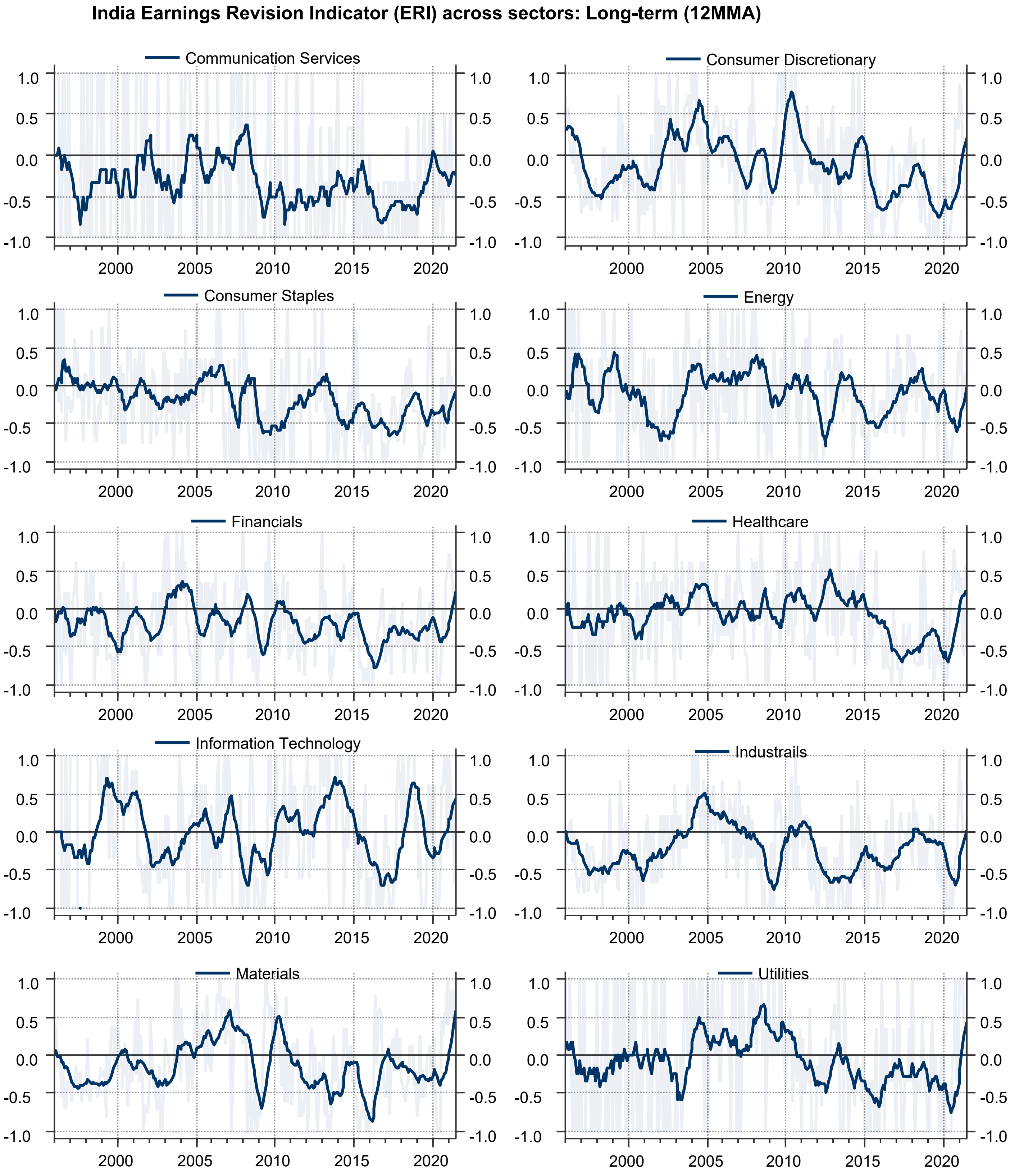
Figure 50: Short-term trend of Earnings Revision Indicator across MSCI sectors

India Earnings Revision Indicator across sectors: Short-term (2MMA)



Source: Refinitiv Datastream, NSE.

Figure 51: Long-term trend of Earnings Revision Indicator across MSCI sectors



Source: Refinitiv Datastream, NSE.

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