

## Q4FY22 Earnings Review: Growth moderates further, downgrade cycle begins

Corporate earnings growth momentum slowed down further in Q4FY22. That said, the performance was healthy when seen in the light of a worsening global backdrop that entailed escalated geopolitical tensions, elevated input prices and accentuated supply-side bottlenecks. Aggregate net sales for Nifty 50/Nifty 500 companies<sup>1</sup> grew by 21.7% YoY in Q4FY22 vs 21.2%/24.1% YoY in the previous quarter, aided by higher realisations due to partial pass-through of input cost inflation. Profit of non-financial companies at the *operating level* (EBITDA) grew by 12.2%/10.2%—the lowest in last six quarters, thanks to a weak demand environment and rising input and other operating costs. Compression in EBITDA margins, however, was lower in the March quarter (-243 bps YoY) for the Nifty 500 universe as compared to the previous quarter (-305 bps YoY), as companies started passing on higher prices to final consumers. Net adjusted PAT rose by 22.5%/24.6 YoY for Nifty 50/Nifty 500 companies, led by commodity sectors (Materials and Energy) and Financials, excluding which PAT growth came in at a much lower 10%/10.2% YoY. Overall, Nifty 50 companies fared better in Q4 as compared to the broader universe (Nifty 500), reflecting their pricing power and effective cost rationalisation.

Following a steady upgrade cycle until early this year, earnings outlook has got severely impaired by the Russia-Ukraine standoff, strengthened global stagflation risk, China slowdown and weakening domestic demand environment. Consensus earnings estimates (from Refinitiv) for FY23/24 for the top 200 covered companies by market cap have seen a cut of 1.4%/1.9% in 2022 thus far, translating into aggregate profit growth of 18%/14.8% and a CAGR of ~16.5% during FY22-24. All sectors, barring Energy and Utilities, have seen a dip in profit estimates during this period. This is also reflected in the Earnings Revision Indicator<sup>2</sup> (ERI) trend for the Nifty 50 universe, which has fallen deep into the negative territory, implying downgrades far outnumbering upgrades. Earnings trajectory over the next two years hinges on a credible improvement in consumption and investment demand, as evident from a visible increase in share of Financials, Consumer Discretionary and Industrials to aggregate corporate earnings. As such, we see further downside risks to earnings estimate, particularly in the wake of rising interest rates, subdued demand environment and tightening global liquidity.

- Revenue growth momentum moderated further in Q4FY22:** Aggregate top-line growth for Nifty50 and Nifty500 companies registered a growth of 21.7%YoY /9%QoQ and 21.7%YoY/8.5%QoQ respectively in Q4FY22 as compared to 21.2% YoY/7.9%QoQ and 24.1%YoY/8.9% QoQ in the previous quarter. While the revenue growth of large-cap companies (Nifty 50) was a tad higher than the previous quarter both on YoY and QoQ basis, companies in the broader listed universe (Nifty 500) underperformed vis-à-vis previous quarter, reflecting the disproportionate impact of slowing consumption and rising input cost pressures on smaller companies. Revenue growth in the quarter gone by was primarily led by higher realisations in commodity sectors, even as growth in volume terms remained weak due to accentuated inflationary pressures that eroded into people's savings, thereby impacting their consumption budgets. As such, consumption sectors underperformed in terms of revenue growth in the March quarter.

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*Aggregate net sales of Nifty50/Nifty 500 companies grew by 21.7% YoY in Q4FY22, primarily led by higher realisations in commodity sectors, even as growth in volume terms remained weak.*

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While all sectors achieved revenue expansion in the March quarter, Energy, Materials and Utilities outperformed and recorded 30-40% YoY growth, gaining largely from the pass-through of higher input costs to consumers. These sectors accounted for nearly 76%/72% of the overall YoY revenue growth rate of Nifty 50/Nifty 500 universe in Q4FY22.

<sup>1</sup>493 companies in the Nifty 500 Index reported earnings data for Q4FY22 as on June 19<sup>th</sup>, 2022.

<sup>2</sup>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*.

- Intensifying cost push factors weighed on operating margins in Q4FY22:**

EBITDA for Nifty 50/Nifty 500 companies (ex-Financials) grew at a six-quarter low of 12.2%/10.2% YoY in Q4FY22 vs 16.7%/13.2% YoY in the previous quarter, thanks to rising input costs and a weak demand environment. EBITDA margins shrank by 168bps/203bps YoY and 112bps/84bps QoQ to 20.2%/17.3%. This was, however, a tad lower than 258/313bps YoY and 123/165bps QoQ dip in operating margins of Nifty50/Nifty 500 companies in the previous quarter, as companies started passing on higher raw material costs to final consumers. Raw material costs spiked by 34.2%/36.5% YoY and 12.1%/11.8% QoQ for Nifty 50/Nifty 500 companies in the March quarter as commodity prices soared globally in response to supply shortages and disruptions caused by the Russia-Ukraine conflict and export bans by major commodity-supplying countries. Salaries and wage bill for the respective universes also rose by 15%/14.3% YoY and 4.8%/4% QoQ for Nifty 50/Nifty 500 companies. Consequently, total operating expenses surged by 27.4%/29.7% YoY and 11.5%/11.2% QoQ respectively in Q4FY22.

Sector-wise, all sectors barring Consumer Discretionary recorded an expansion in operating profit. Operating margins, however, expanded for all sectors but Communication Services. Materials sector was affected the most, registering a margin contraction of 531bps/527bps YoY because of sharp rise in raw material expenses and slowing demand.

- Profit growth in Q4FY22 was led by Financials:** The pace of aggregate adjusted PAT growth for the Nifty 50/Nifty 500 companies moderated for the fifth quarter in a row to 22.4%/24.8% YoY and 7.1%/8.4% QoQ in Q4FY22. While expansion in net profits was broad-based, it was Financials sector that drove aggregate profitability despite a high base last year. This is attributed to increase in credit offtake, improvement in asset quality and lower cost of funds. Consumer Discretionary, on the other hand, registered a decline in net profits, thanks to suppressed demand conditions and elevated input costs. Other sectors that reported higher profit growth as compared to the previous quarter include 1) Real Estate: Higher demand in premium segment and commercial space, 2) Utilities: Higher power demand during summers, partly offsetting higher costs, and 3) IT: Higher revenues due to strong demand and currency tailwinds.

While profitability of all sectors, except Consumer Discretionary, grew in Q4, performance in terms of PAT margins remained divergent. PAT margins showed modest gains of 7bps/24bps YoY for Nifty 50/Nifty 500 universe, largely on account of gains from interest savings, as rate hike cycle commenced only in May. Sectors that witnessed contraction in margins include Consumer Discretionary, Materials, Energy, Health Care, Utilities and Consumer Staples.

- Earnings estimates downgraded:** Our analysis of earnings performance of top 200 covered companies by market capitalisation show that aggregate profit estimate for FY23 and FY24 were downgraded by 1.4% and 1.9% respectively since March-end (As on June 24<sup>th</sup>, 2022). This followed nearly 9.5% increase in FY23 profit estimate during the whole of last fiscal year (Apr'21-Mar'22). Except for Energy and Utilities, all sectors saw a dip in profit estimates, led by Materials, Financials, and Information Technology. With this, the aggregate earnings of top 200 companies are now expected to increase by 18%/14.8% in FY23 and FY24 respectively following a 41% PAT growth in FY22, implying an earnings CAGR of ~16.5% during

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*EBITDA for Nifty 50/Nifty 500 companies (ex-Financials) grew at a six-quarter low of 12.2%/10.2% YoY in Q4FY22, thanks to rising input costs and a weak demand environment.*

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*The pace of aggregate adjusted PAT growth for the Nifty 50/Nifty 500 companies moderated for the fifth quarter in a row to 22.4%/24.8% YoY and 7.1%/8.4% QoQ in Q4FY22.*

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*Except Consumer Discretionary, all other sectors recorded an YoY jump in net profits.*

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*Consensus earnings estimates for FY23/24 for the top 200 covered companies saw a dip of 1.4%/1.9% in 2022 thus far, translating into an earnings CAGR of 16.5% during FY22-24.*

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FY22-24. Financials, Consumer Discretionary and Energy together account for ~66% of the absolute change in aggregate corporate earnings of top 200 covered companies during FY22-24.

- **ERI fell deep in the contraction 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, intensifying inflationary pressures, China slowdown and weakening of domestic as well as global demand environment have led to a significant deterioration in earnings outlook since then, leading to ERI falling deep into the negative territory to 22-month lows. All sectors, barring Utilities, have ERI hovering in the negative zone, with Healthcare and Information Technology leading the pack. Earnings trajectory over the next two years hinges on a credible improvement in consumption and investment demand, as evident from a visible increase in share of Financials, Consumer Discretionary and Industrials to aggregate corporate earnings. As such, we see further downside risks to earnings estimate, particularly in the wake of rising interest rates, subdued demand environment and tightening global liquidity.

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## Nifty 50 Q4FY22 results

**Aggregate revenue reported for Nifty 50 companies in Q4FY22 improved sequentially:** Aggregate net sales of Nifty 50 companies grew by 21.7% YoY/9% QoQ in Q4FY22, a tad higher than 21.2%YoY/7.9% QoQ growth seen in the previous quarter. This is primarily on the back of higher realisations for commodity sectors and partial pass-through of rising raw material costs to consumers. Commodities sectors such as Energy and Materials registered a robust revenue growth of 36.2% and 36% YoY respectively, reflecting better realisations, even as growth in volume terms remained weak. Forty-seven (47) or 94% of the companies in Nifty 50 index registered an YoY expansion in revenues in Q4FY22.

Revenue growth for consumption sectors remained weak, thanks to subdued demand and elevated input costs. Consumption spending diminished as rising inflation impacted household disposable incomes. Automobiles companies registered an YoY dip in revenues as global shortage of semiconductor chips and rising steel prices weighed on production and sales.

Other sectors in the Nifty 50 universe that witnessed strong YoY revenue growth despite challenging macro backdrop include a) Communications services: Increase in average revenue per user on tariff hikes; b) Information technology: Sustained strong demand for digitisation and cloud services despite macro concerns; c) Health Care: Higher revenues due to steady domestic and US sales and rise in prices; d) Utilities: Increase in power demand with the advent of summer; e) Financials: Higher credit offtake; and f) Industrials: Strong order inflows, reflecting strong capex spending by the Government and steady recovery in private sector investments.

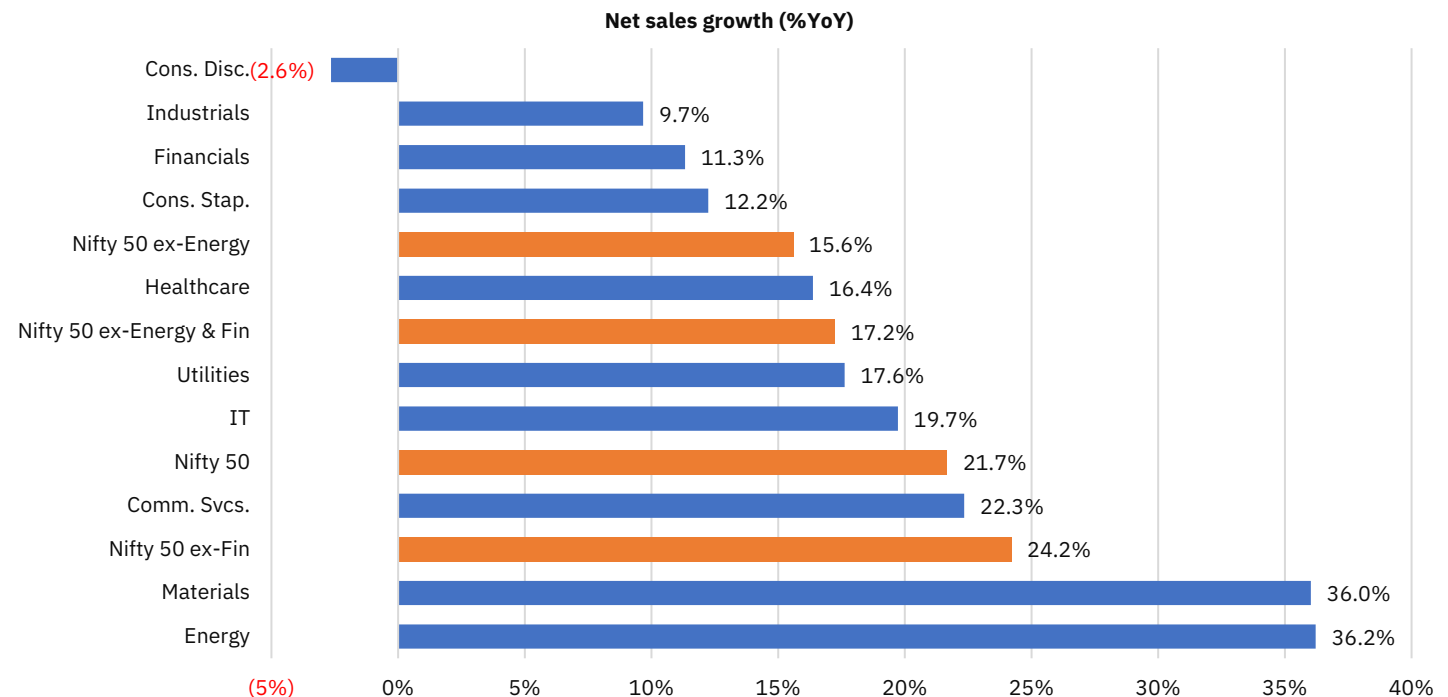
The major impact of elevated commodity prices and rising interest rates on consumption demand and subsequently corporate profitability is likely to unfold in the forthcoming quarters. Continued pass-through of higher costs amid intensifying global economic uncertainty, rising interest rates and uneven post-pandemic domestic recovery does not bode well for the already subdued demand conditions. While a normal monsoon would provide some respite, an unfavourable global environment in the wake heightened geopolitical tensions, slowdown in China and rising expectations of an impending global recession are likely to weigh on the domestic economy. On a positive note, the recovery in private investment that is currently underway and strong capex push by the Government should provide succour to the economy.

**Table 1: Net sales growth of Nifty 50 companies**

Sector	QoQ growth			YoY growth			FY22	
	Mar-21	Dec-21	Mar-22	Mar-21	Dec-21	Mar-22	(Rsbn)	(%YoY)
Communication Services	(2.9)	5.4	5.5	11.9	12.6	22.3	1,165	15.1
Consumer Discretionary	7.9	14.4	5.7	38.2	(0.6)	(2.6)	5,586	14.5
Consumer Staples	4.7	10.0	(0.1)	23.5	17.6	12.2	1,548	14.9
Energy	19.2	16.7	10.0	8.8	47.6	36.2	16,882	47.1
Financials	(7.5)	(5.1)	5.4	17.9	(2.3)	11.3	10,442	4.8
Health Care	(3.7)	0.7	(2.1)	5.8	14.5	16.4	1,056	18.3
Industrials	31.4	12.9	30.8	9.6	10.2	9.7	1,723	16.0
Information Technology	2.7	5.6	2.7	8.1	19.8	19.7	5,228	18.9
Materials	18.8	7.0	16.5	35.6	38.7	36.0	8,239	47.0
Utilities	7.8	2.5	9.2	0.2	16.1	17.6	1,743	15.3
<b>Nifty 50</b>	<b>8.5</b>	<b>7.9</b>	<b>9.0</b>	<b>17.2</b>	<b>21.2</b>	<b>21.7</b>	<b>53,613</b>	<b>25.9</b>
<b>Nifty 50 ex-Energy</b>	<b>4.6</b>	<b>4.1</b>	<b>8.4</b>	<b>21.1</b>	<b>11.5</b>	<b>15.6</b>	<b>36,731</b>	<b>18.1</b>
<b>Nifty 50 ex-Financials</b>	<b>13.3</b>	<b>11.4</b>	<b>9.8</b>	<b>17.0</b>	<b>28.2</b>	<b>24.2</b>	<b>43,171</b>	<b>32.4</b>
<b>Nifty 50 ex-energy ex-fin</b>	<b>10.2</b>	<b>8.2</b>	<b>9.6</b>	<b>22.4</b>	<b>17.9</b>	<b>17.2</b>	<b>26,288</b>	<b>24.4</b>

Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

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

**Figure 1: Sector-wise net sales growth of Nifty 50 companies in Q4FY22**


Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

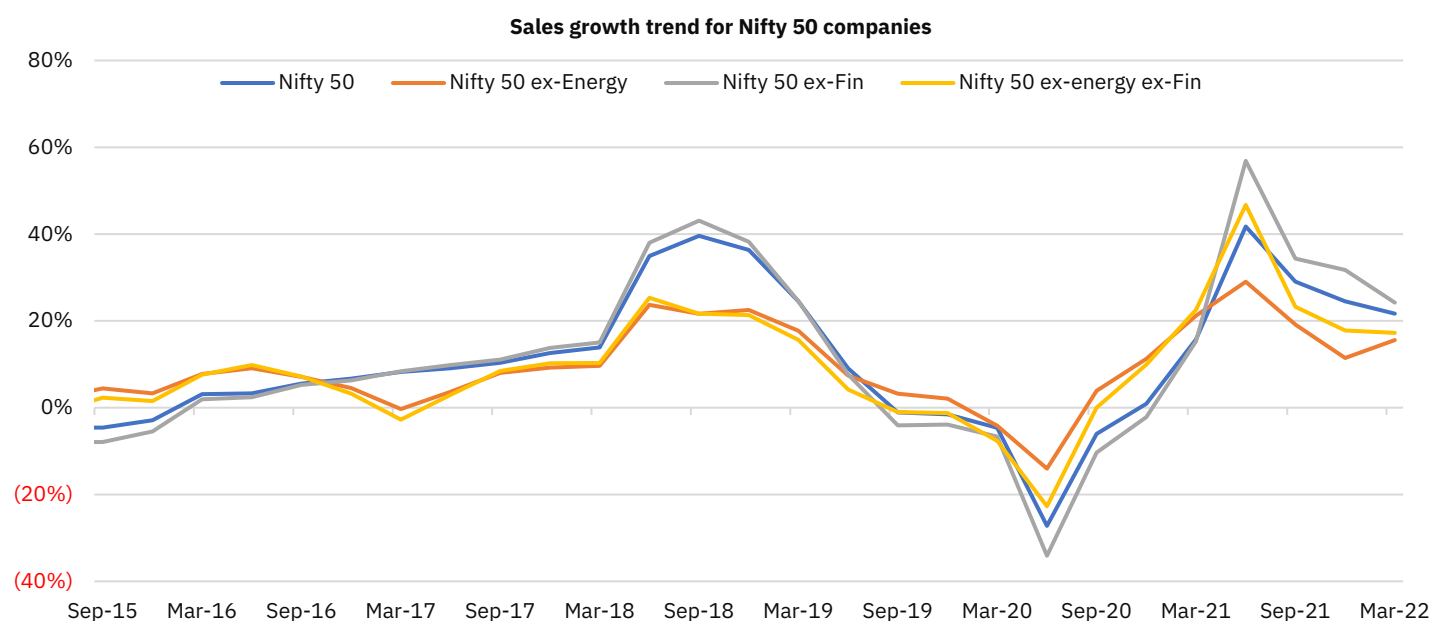
Note: The above chart provides data for companies in the Nifty 50 index as on end of March 2022.

**Table 2: Sector-wise contribution of Nifty 50 companies to net sales growth in Q4FY22**

Sector	Net sales (Rsbn)	Contribution to net sales growth	
		% QoQ	% YoY
Communication Services	315	0.1	0.5
Consumer Discretionary	1,576	0.6	(0.3)
Consumer Staples	410	(0.0)	0.4
Energy	5,001	3.3	10.7
Financials	2,732	1.0	2.2
Health Care	262	(0.0)	0.3
Industrials	567	1.0	0.4
Information Technology	1,384	0.3	1.8
Materials	2,447	2.5	5.2
Utilities	478	0.3	0.6
<b>Nifty 50</b>	<b>15,172</b>	<b>9.0</b>	<b>21.7</b>
<b>Nifty 50 ex-Energy</b>	<b>10,171</b>	<b>13.7</b>	<b>11.0</b>
<b>Nifty 50 ex-Financials</b>	<b>12,440</b>	<b>19.2</b>	<b>19.4</b>
<b>Nifty 50 ex-energy ex-fin</b>	<b>7,439</b>	<b>11.3</b>	<b>8.8</b>

Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

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

**Figure 2: Net sales YoY growth trend of Nifty 50 companies in last six 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.

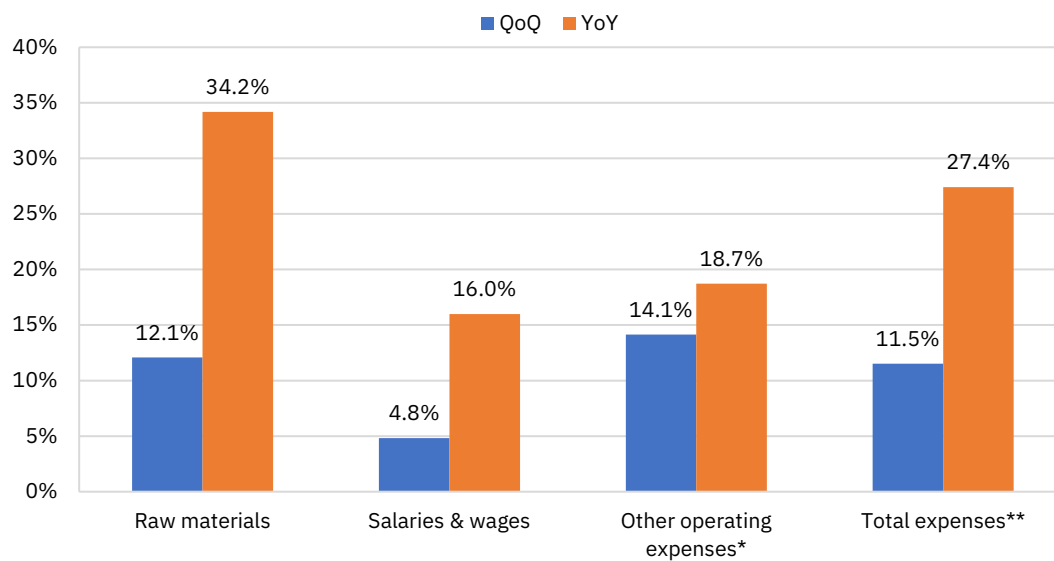
**Input cost inflation weighed on operating margins across sectors:** While EBITDA for the Nifty 50 universe excluding Financials grew by 12.2% YoY/4.9% QoQ in the March quarter—the lowest growth rate in six quarters (vs 16.7% YoY/7% QoQ in March quarter), operating margins contracted by 215bps YoY/93bps QoQ. High global commodity inflation and increase in operating expenses including wages significantly weighed on operating margins, even as companies resorted to aggressive cost rationalisation efforts to tide over the impact of rising costs and protect margins to some extent.



Raw material (RM) costs and salaries & wages of Nifty 50 non-financial companies in the quarter gone by rose on a YoY as well as QoQ basis. RM costs for the Nifty 50 companies (excl. financials) rose by 34.2% YoY (12.1% QoQ). Total expenses (excluding interest and depreciation) rose by 34.2% YoY (vs 21.7% YoY increase in net sales) and 11.5% QoQ (vs 9% QoQ increase in net sales) indicating a negative operating leverage, where increase in total operating cost has outpaced increase in revenues persistently. This in turn has led to operating margins contracting by 215bps YoY/93 bps QoQ.

Sector-wise, all sectors, except Health Care and Communication Services, witnessed contraction in operating margins. Within the Nifty 50 universe, 26 of 39 or 67% of the non-financial companies registered an EBITDA expansion in Q4FY22.

**Figure 3: Change in expenses for Nifty 50 companies (ex-Financials) in Q4FY22**



Source: CMIE Prowess, NSE EPR.

Note: 1. The above chart provides data for companies in the Nifty 50 index as on end of March 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			FY22	
	Mar-21	Dec-21	Mar-22	Mar-21	Dec-21	Mar-22	(Rsbn)	% YoY
Communication Services	8.9	6.9	6.0	25.5	30.6	27.1	602	28.7
Consumer Discretionary	1.1	18.4	8.8	168.5	(21.1)	(15.0)	698	(4.8)
Consumer Staples	2.0	5.7	0.2	13.7	12.2	10.1	435	10.1
Energy	21.4	17.5	9.8	49.2	41.2	27.7	2,669	32.2
Financials	(0.6)	5.5	4.1	9.2	13.0	18.4	5,957	10.9
Health Care	(27.4)	4.2	(15.4)	16.6	15.6	34.7	271	25.1
Industrials	18.0	8.0	15.1	34.8	(6.3)	(8.6)	378	1.2
Information Technology	(2.2)	3.8	(1.2)	15.9	7.4	8.6	1,403	11.8
Materials	25.1	(7.4)	3.7	81.6	28.6	6.6	1,885	54.9
Utilities	(8.9)	7.9	2.4	(13.2)	3.9	16.8	823	6.4
<b>Nifty 50</b>	<b>5.3</b>	<b>6.4</b>	<b>4.6</b>	<b>27.3</b>	<b>15.2</b>	<b>14.5</b>	<b>15,120</b>	<b>17.9</b>
<b>Nifty 50 ex-Energy</b>	<b>2.5</b>	<b>4.2</b>	<b>3.5</b>	<b>23.6</b>	<b>10.7</b>	<b>11.8</b>	<b>12,450</b>	<b>15.2</b>
<b>Nifty 50 ex-Financials</b>	<b>9.2</b>	<b>7.0</b>	<b>4.9</b>	<b>41.7</b>	<b>16.7</b>	<b>12.2</b>	<b>9,163</b>	<b>23.0</b>
<b>Nifty 50 ex-energy ex-fin</b>	<b>5.2</b>	<b>3.1</b>	<b>2.9</b>	<b>39.0</b>	<b>8.7</b>	<b>6.3</b>	<b>6,493</b>	<b>19.6</b>

Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

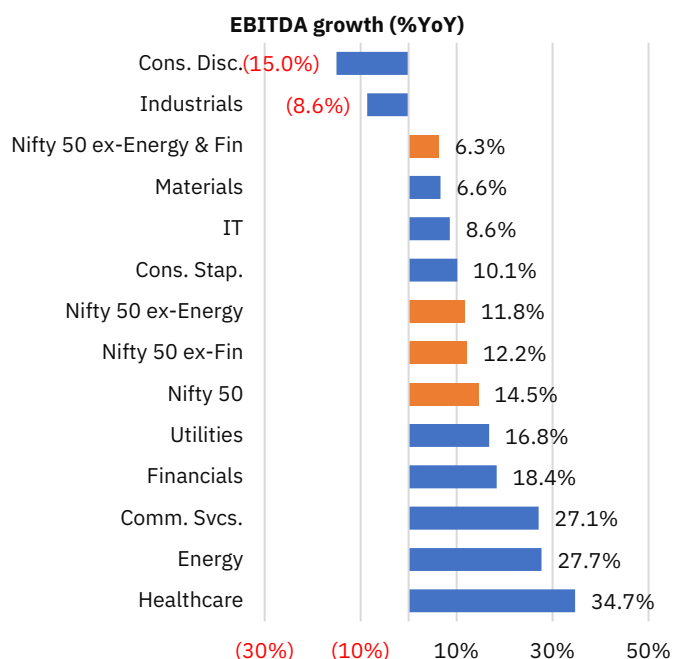
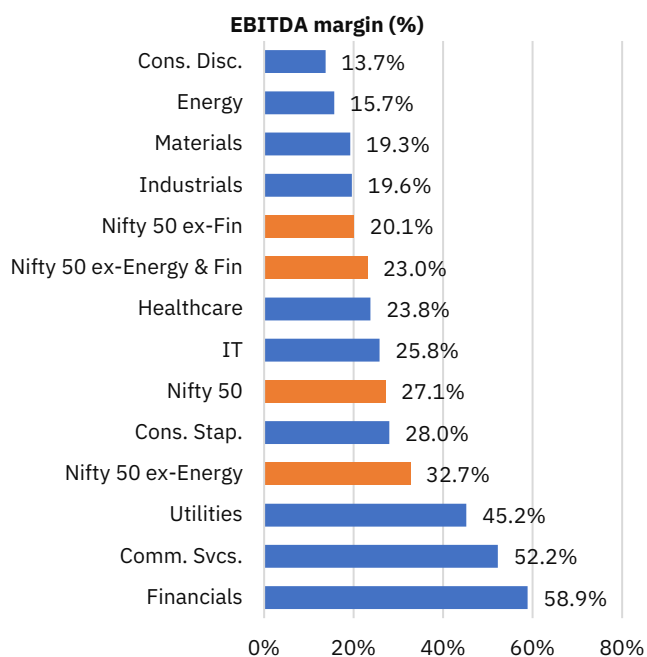
Note: The above table provides data for companies in the Nifty 50 index as on end of March 2022.

**Table 4: EBITDA margin of Nifty 50 companies in Q4FY22**

Sector	EBITDA Margin	QoQ change (bps)	YoY change (bps)
Communication Services	52.2	27	195
Consumer Discretionary	13.7	39	(200)
Consumer Staples	28.0	7	(53)
Energy	15.7	(4)	(105)
Financials	58.9	(72)	350
Health Care	23.8	(374)	323
Industrials	19.6	(268)	(393)
Information Technology	25.8	(100)	(265)
Materials	19.3	(239)	(531)
Utilities	45.2	(301)	(32)
<b>Nifty 50</b>	<b>27.1</b>	<b>(112)</b>	<b>(168)</b>
<b>Nifty 50 ex-Energy</b>	<b>32.7</b>	<b>(157)</b>	<b>(110)</b>
<b>Nifty 50 ex-Financials</b>	<b>20.1</b>	<b>(93)</b>	<b>(215)</b>
<b>Nifty 50 ex-energy ex-fin</b>	<b>23.0</b>	<b>(151)</b>	<b>(237)</b>

Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

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

**Figure 4: Sector-wise EBITDA growth of Nifty 50 companies in Q4FY22**

**Figure 5: Sector-wise EBITDA margin of Nifty 50 companies in Q4FY22**


Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

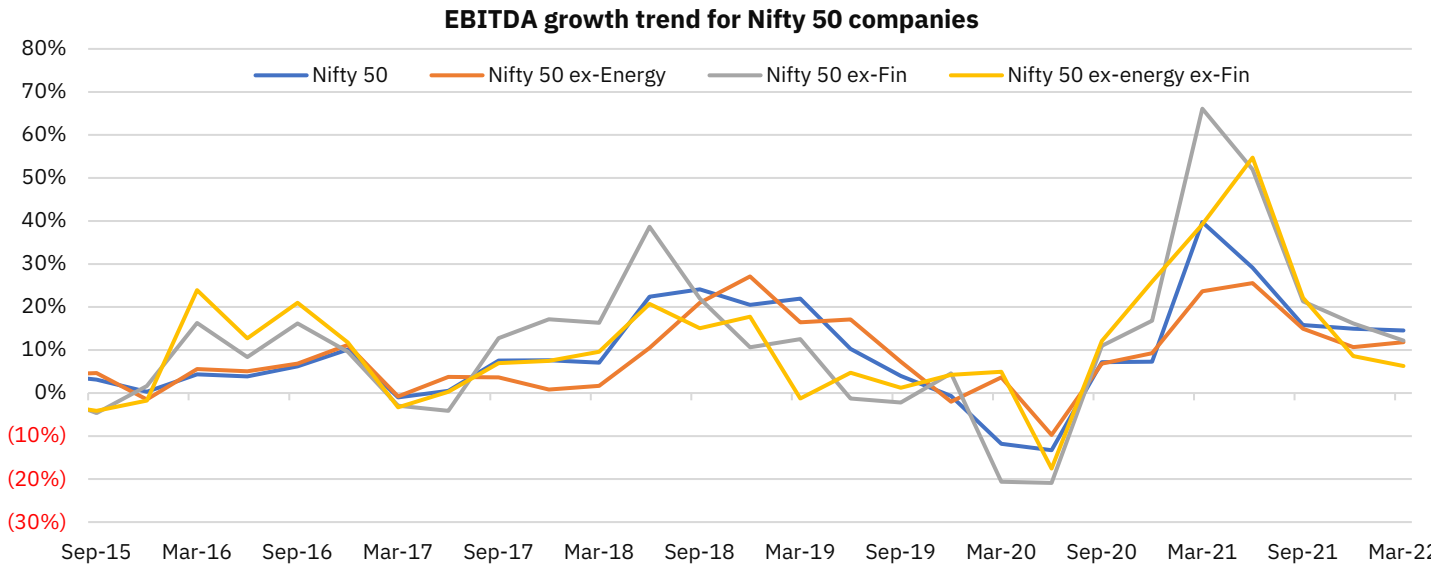
Note: The above charts provide data for companies in the Nifty 50 index as on end of March 2022

**Table 5: Sector-wise contribution of Nifty 50 companies to EBITDA growth in Q4FY22**

Sector	EBITDA (Rsbn)	Contribution to EBITDA growth	
		% QoQ	% YoY
Communication Services	165	0.2	1.0
Consumer Discretionary	217	0.4	(1.1)
Consumer Staples	115	0.0	0.3
Energy	784	1.8	4.7
Financials	1,608	1.6	7.0
Health Care	62	(0.3)	0.4
Industrials	111	0.4	(0.3)
Information Technology	357	(0.1)	0.8
Materials	471	0.4	0.8
Utilities	216	0.1	0.9
<b>Nifty 50</b>	<b>4,106</b>	<b>4.6</b>	<b>14.5</b>
<b>Nifty 50 ex-Energy</b>	<b>3,322</b>	<b>2.8</b>	<b>9.8</b>
<b>Nifty 50 ex-Financials</b>	<b>2,498</b>	<b>3.0</b>	<b>7.6</b>
<b>Nifty 50 ex-energy ex-fin</b>	<b>1,714</b>	<b>1.2</b>	<b>2.8</b>

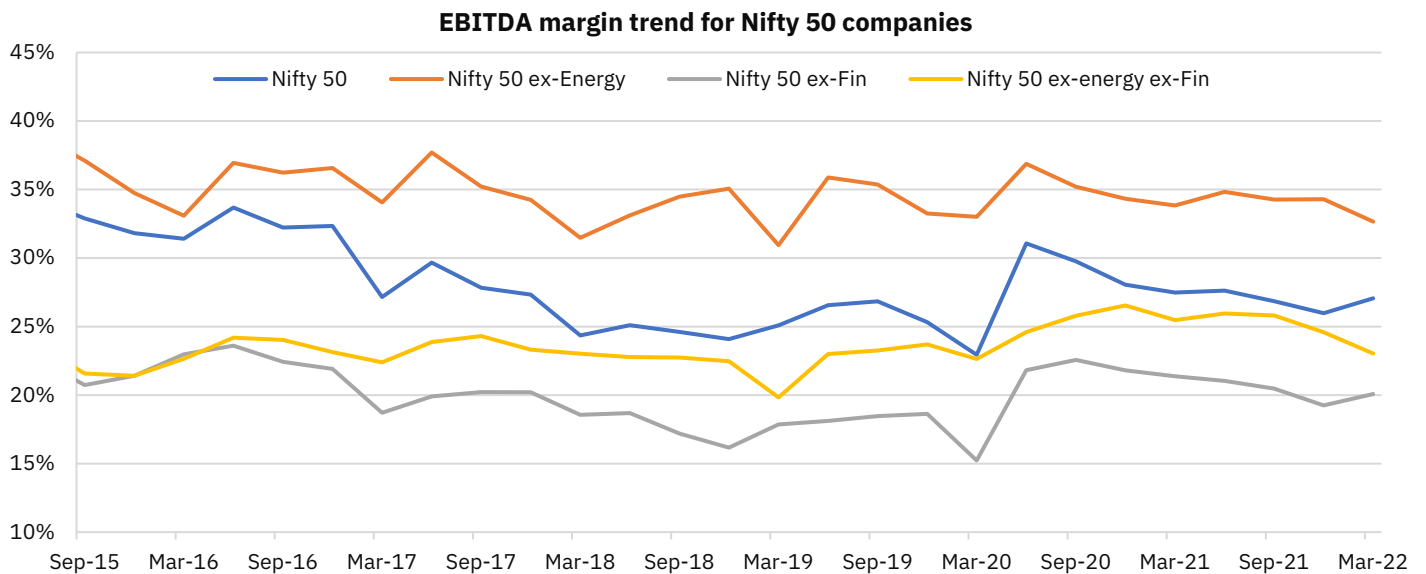
Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

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

**Figure 6: EBITDA growth trend of 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**


Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

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

**Financials sector contributed significantly to PAT growth in Nifty 50 universe:**

Aggregate adjusted PAT for the Nifty 50 companies grew by a decent 22.4% YoY and 7.1% QoQ in Q4FY22. Financials contributed significantly, thanks to better credit offtake, lower credit costs and improving asset quality, and accounted for nearly 45% and 34% of the incremental profits on YoY and QoQ basis. Energy sector accounted for another 20% and 9% of incremental profits as higher crude prices resulted in an improvement in gross refining margin. Excluding Financials and Energy, aggregate net profit of Nifty 50 universe grew at a much lower rate of 7.5% YoY and 4% QoQ. Consumer Discretionary and Industries were the only sectors to record a YoY contraction in net profits, reflecting the impact of accentuated supply issues, rising cost pressures, and weakening demand environment, even as the former saw some respite from easing supply of chips. Forty (40)

or 80% of the Nifty 50 companies posted a YoY expansion in net profit in the quarter gone by.

While the quarter witnessed a modest expansion in PAT margins on a YoY basis, on a QoQ basis, there was a dip of 20bps. The YoY expansion in margins was led by Financials, Healthcare, Utilities, Communication Services and Information Technology, while all other sectors recorded a dip. The sequential compression in PAT margins was lower than that seen in operating margins due to savings in interest expenses on account of lower interest rates as compared to the year-ago period.

**Table 6: PAT growth of Nifty 50 companies**

Sector	QoQ growth			YoY growth			FY22	
	Mar-21	Dec-21	Mar-22	Mar-21	Dec-21	Mar-22	(Rsbn)	Growth (% YoY)
Communication Services	NA	26.2	54.4	(36.1)	NA	167.2	63	76.8
Consumer Discretionary	20.7	183.9	25.6	NA	(46.8)	(44.7)	115	(37.6)
Consumer Staples	5.4	7.2	(0.4)	15.0	15.4	9.1	294	10.5
Energy	29.1	(7.7)	3.1	110.0	51.7	21.2	1,409	52.5
Financials	3.2	11.4	8.3	75.5	33.5	40.1	1,743	37.8
Health Care	(37.7)	4.0	(18.0)	22.4	21.8	60.3	169	36.6
Industrials	21.7	13.8	29.4	38.9	(5.4)	0.6	156	15.8
Information Technology	(12.3)	3.5	2.0	3.3	5.5	22.7	919	15.6
Materials	42.9	(7.9)	9.8	172.7	62.7	25.0	1,029	130.2
Utilities	(13.2)	12.1	13.8	24.2	9.3	43.2	304	10.0
<b>Nifty 50</b>	<b>10.7</b>	<b>4.0</b>	<b>7.1</b>	<b>84.7</b>	<b>26.6</b>	<b>22.4</b>	<b>6,200</b>	<b>39.3</b>
<b>Nifty 50 ex-Energy</b>	<b>6.5</b>	<b>8.0</b>	<b>8.2</b>	<b>78.7</b>	<b>20.8</b>	<b>22.7</b>	<b>4,792</b>	<b>35.8</b>
<b>Nifty 50 ex-Financials</b>	<b>13.6</b>	<b>1.3</b>	<b>6.6</b>	<b>88.1</b>	<b>23.9</b>	<b>16.3</b>	<b>4,457</b>	<b>39.9</b>
<b>Nifty 50 ex-energy ex-fin</b>	<b>8.2</b>	<b>6.1</b>	<b>8.2</b>	<b>80.3</b>	<b>14.3</b>	<b>14.3</b>	<b>3,048</b>	<b>34.8</b>

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 March 2022.

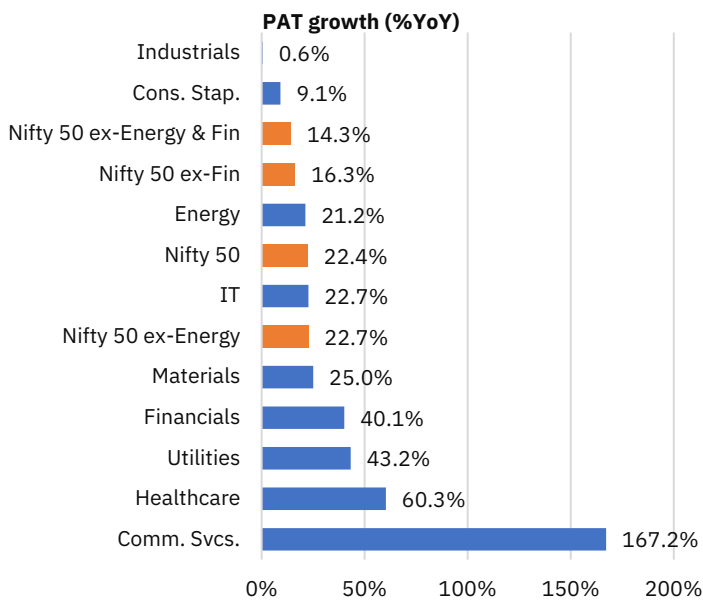
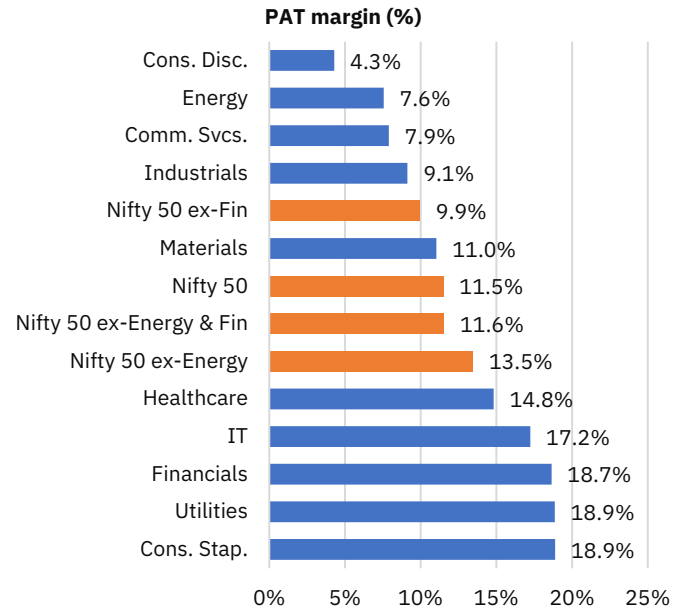
2. NA: Not Applicable.

**Table 7: PAT margin of Nifty 50 companies in Q4FY22**

Sector	PAT Margin	QoQ change (bps)	YoY change (bps)
Communication Services	7.9	250	428
Consumer Discretionary	4.3	68	(327)
Consumer Staples	18.9	(5)	(54)
Energy	7.6	(50)	(94)
Financials	18.7	50	383
Health Care	14.8	(286)	406
Industrials	9.1	(9)	(82)
Information Technology	17.2	(12)	42
Materials	11.0	(67)	(97)
Utilities	18.9	76	337
<b>Nifty 50</b>	<b>11.5</b>	<b>(20)</b>	<b>7</b>
<b>Nifty 50 ex-Energy</b>	<b>13.5</b>	<b>(3)</b>	<b>78</b>
<b>Nifty 50 ex-Financials</b>	<b>9.9</b>	<b>(30)</b>	<b>(67)</b>
<b>Nifty 50 ex-energy ex-fin</b>	<b>11.6</b>	<b>(15)</b>	<b>(29)</b>

Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

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

**Figure 8: Sector-wise PAT growth of Nifty 50 companies in Q4FY22**

**Figure 9: Sector-wise PAT margin of Nifty 50 companies in Q4FY22**


Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

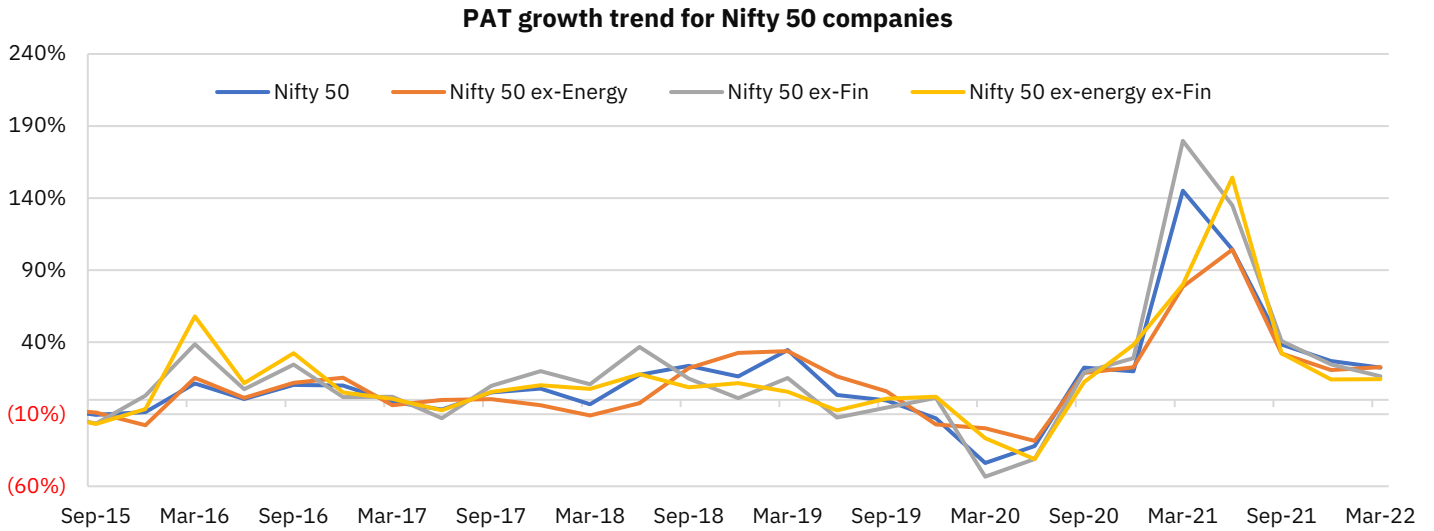
Note: The above charts provide data for companies in the Nifty 50 index as on end of March 2022.

**Table 8: Sector-wise contribution of Nifty 50 companies to PAT growth in Q4FY22**

Sector	PAT (Rsbn)	Contribution to PAT growth	
		% QoQ	% YoY
Communication Services	25	0.5	1.1
Consumer Discretionary	68	0.8	(3.8)
Consumer Staples	77	(0.0)	0.5
Energy	378	0.7	4.6
Financials	510	2.4	10.2
Health Care	39	(0.5)	1.0
Industrials	52	0.7	0.0
Information Technology	239	0.3	3.1
Materials	270	1.5	3.8
Utilities	90	0.7	1.9
<b>Nifty 50</b>	<b>1,747</b>	<b>7.1</b>	<b>22.4</b>
<b>Nifty 50 ex-Energy</b>	<b>1,369</b>	<b>6.4</b>	<b>17.8</b>
<b>Nifty 50 ex-Financials</b>	<b>1,238</b>	<b>4.7</b>	<b>12.2</b>
<b>Nifty 50 ex-energy ex-fin</b>	<b>860</b>	<b>4.0</b>	<b>7.5</b>

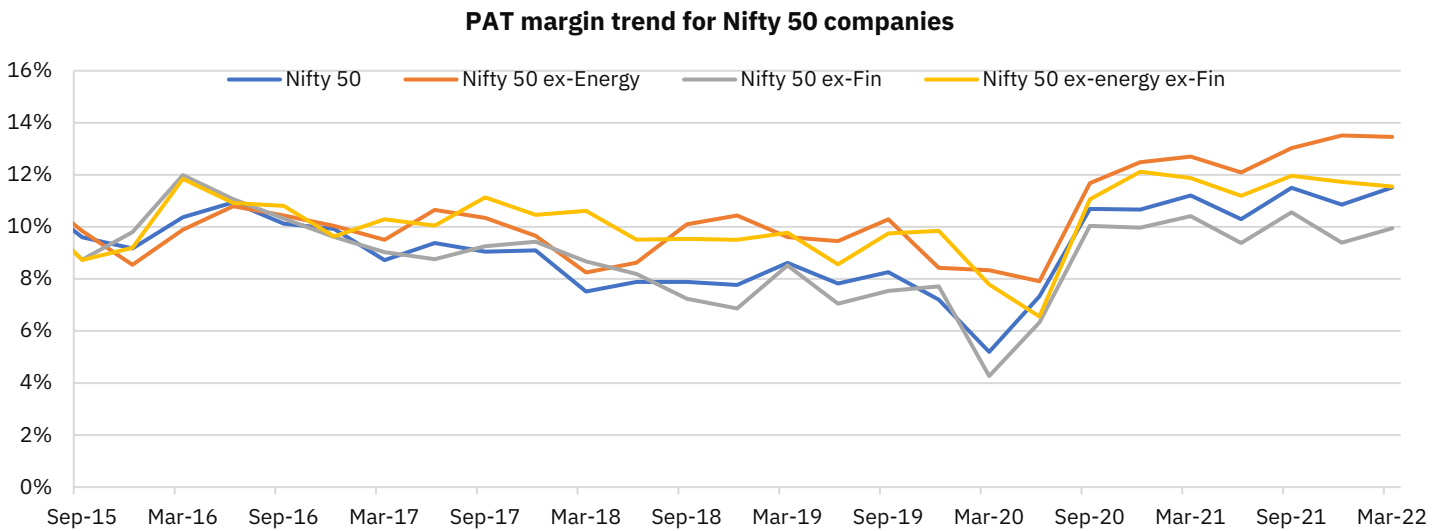
Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

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

**Figure 10: PAT growth trend of 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 11: PAT margin trend of 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 Q4FY22 results

**Higher realisations drove revenue growth:** Aggregate top-line for the Nifty 500 companies grew by 21.7% YoY/8.5% QoQ in Q4FY22, lower than the growth rate of 24.1% YoY/8.9% QoQ seen in the previous quarter for the same composition. While pass-through of higher input prices to final goods provided some relief, demand weakened further with rising inflation eating into household disposable incomes. Additionally, renewed COVID infections, thanks to the emergence of Omicron variant in the March quarter, also affected the demand environment and business activities, albeit to a much lesser extent as seen during the last two waves, as restrictions imposed were far more limited and targeted. Within the Nifty 500 universe, 421 of 493 or 85% of the universe recorded an YoY expansion in the March quarter.

All sectors in the Nifty 500 universe registered an YoY expansion in net sales in the March quarter led by 1) Energy: higher refining margins on elevated crude oil prices, partly offsetting weaker marketing margins for oil marketing companies, 2) Materials: Higher realisations for metal companies on rising input prices, 3) Utilities: Increase in power demand, 4) Industrials: Strong order inflows, and 5) Information Technology: Sustained strong demand for cloud migration and other digital services.

On a sequential basis, sectors that led the rebound included Industrials, Materials, Consumer Discretionary, Energy and Real Estate, while Consumer Staples was the only sector within the Nifty 500 universe to report a QoQ contraction as price hikes failed to compensate for demand slowdown.

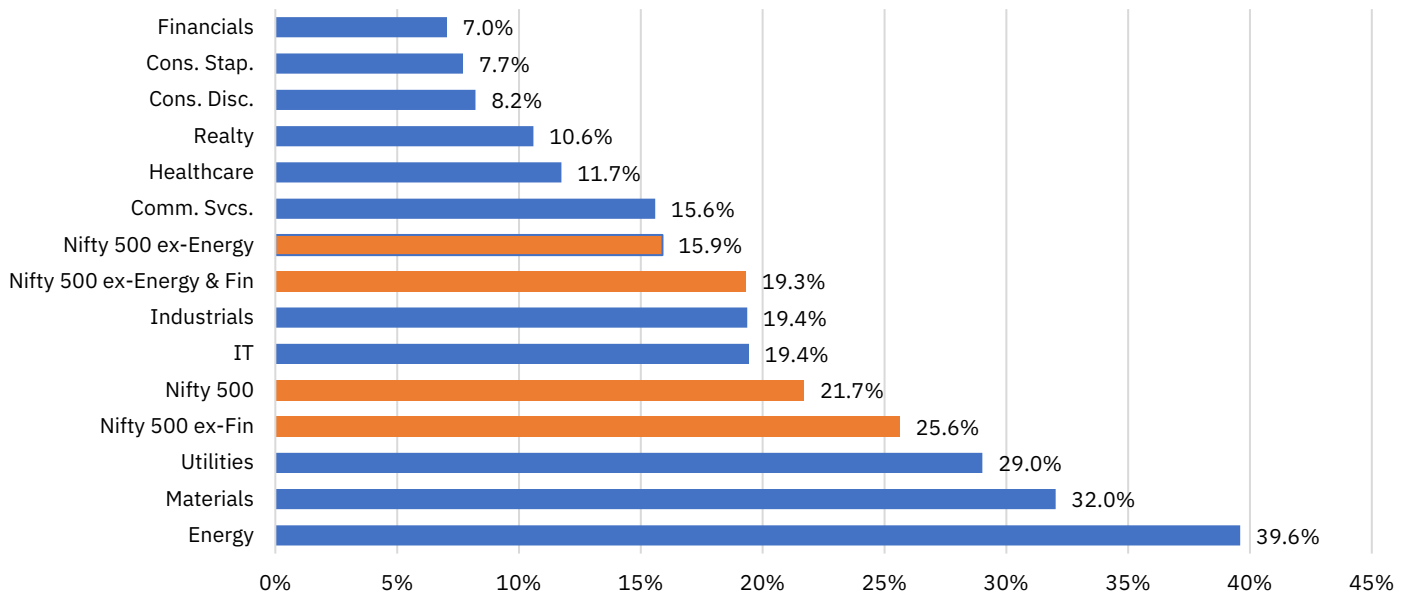
**Table 9: Net sales growth of Nifty 500 companies**

Sector	QoQ growth			YoY growth			FY22	
	Mar-21	Dec-21	Mar-22	Mar-21	Dec-21	Mar-22	Rsbn	Growth (% YoY)
Communication Services	(0.8)	6.5	3.5	9.5	10.8	15.6	2,351	15.0
Consumer Discretionary	33.4	19.3	9.9	33.8	31.8	8.2	11,849	38.6
Consumer Staples	2.7	6.9	(4.6)	18.4	16.0	7.7	3,276	14.9
Energy	18.1	18.9	8.9	7.3	51.4	39.6	28,247	52.6
Financials	(6.8)	(4.5)	4.0	21.5	(4.1)	7.0	20,969	2.0
Health Care	(2.0)	1.2	0.3	6.3	9.2	11.7	3,096	12.1
Industrials	27.7	13.7	23.7	13.2	23.5	19.4	7,657	27.8
Information Technology	1.7	6.3	3.3	9.8	17.6	19.4	6,813	18.4
Materials	14.4	5.9	12.9	34.0	33.6	32.0	15,619	40.9
Real Estate	13.7	0.2	38.8	3.1	(9.4)	10.6	275	14.3
Utilities	8.9	8.1	5.4	2.6	33.2	29.0	4,334	28.7
<b>Nifty 500</b>	<b>10.7</b>	<b>8.9</b>	<b>8.5</b>	<b>17.5</b>	<b>24.1</b>	<b>21.7</b>	<b>104,486</b>	<b>27.9</b>
<b>Nifty 500 ex-Energy</b>	<b>8.5</b>	<b>5.5</b>	<b>8.4</b>	<b>21.1</b>	<b>16.0</b>	<b>15.9</b>	<b>76,240</b>	<b>20.6</b>
<b>Nifty 500 ex-Financials</b>	<b>16.4</b>	<b>12.7</b>	<b>9.6</b>	<b>16.4</b>	<b>33.5</b>	<b>25.6</b>	<b>83,517</b>	<b>36.6</b>
<b>Nifty 500 ex-energy ex-fin</b>	<b>15.7</b>	<b>9.7</b>	<b>9.9</b>	<b>21.0</b>	<b>25.6</b>	<b>19.3</b>	<b>55,271</b>	<b>29.6</b>

Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

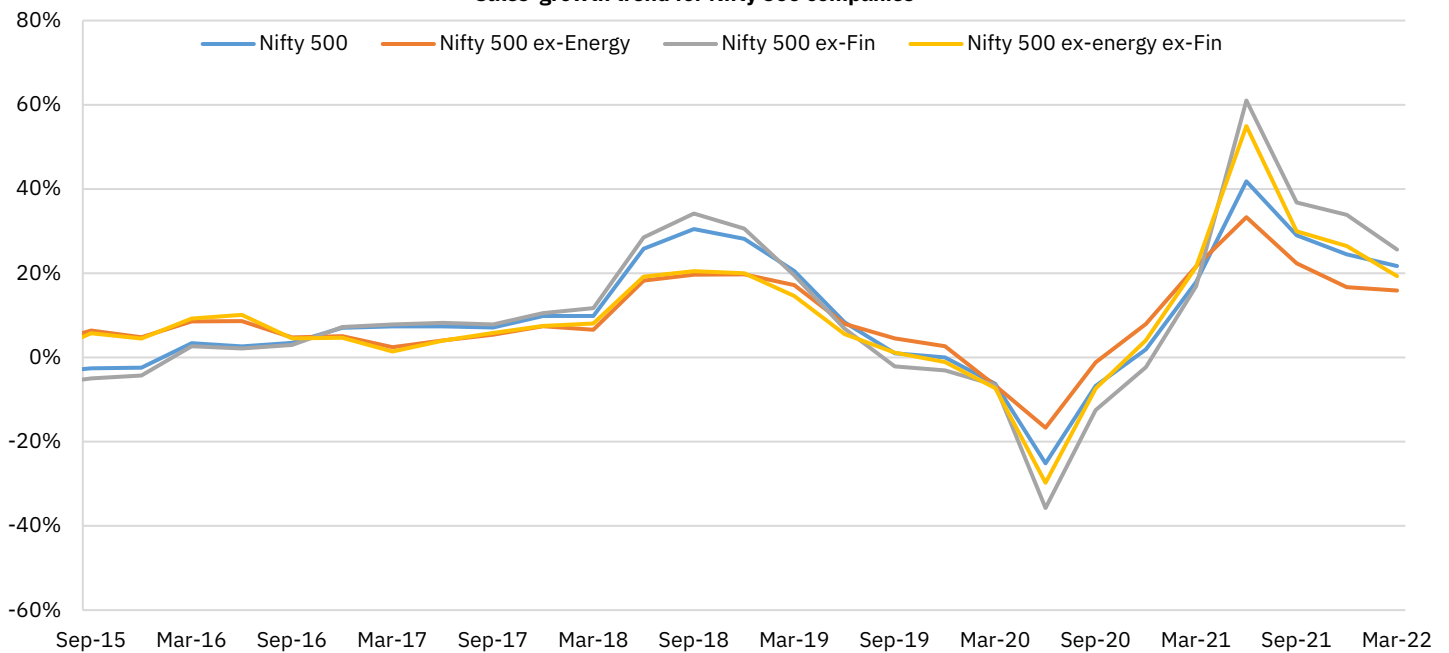
Note: The above table provides data for companies in the Nifty 500 index as on end of March 2022.



**Figure 12: Sector-wise net sales growth of Nifty 500 companies in Q4FY22**
**Net sales growth (%YoY)**


Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

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

**Figure 13: Net sales YoY growth trend of Nifty 500 companies**
**Sales 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.

**Table 10: Sector-wise contribution of Nifty 500 companies to net sales growth in Q4FY22**

Sector	Net sales (Rsbn)	Contribution to net sales growth	
		% QoQ	% YoY
Communication Services	633	0.1	0.3
Consumer Discretionary	3,492	1.1	1.1
Consumer Staples	834	(0.1)	0.2
Energy	8,383	2.5	9.7
Financials	5,521	0.8	1.5
Health Care	784	0.0	0.3
Industrials	2,486	1.7	1.6
Information Technology	1,822	0.2	1.2
Materials	4,532	1.9	4.5
Real Estate	92	0.1	0.0
Utilities	1,200	0.2	1.1
<b>Nifty 500</b>	<b>29,780</b>	<b>8.5</b>	<b>21.7</b>
<b>Nifty 500 ex-Energy</b>	<b>21,397</b>	<b>6.0</b>	<b>12.0</b>
<b>Nifty 500 ex-Financials</b>	<b>24,259</b>	<b>7.7</b>	<b>20.2</b>
<b>Nifty 500 ex-energy ex-fin</b>	<b>15,876</b>	<b>5.2</b>	<b>10.5</b>

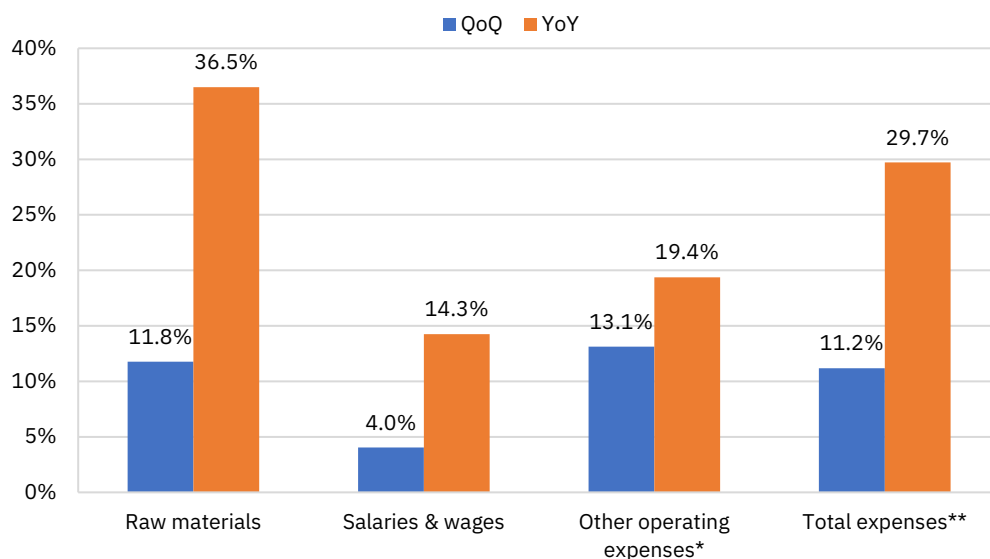
Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

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

**Rising cost pressures dragged EBITDA margins to seven-quarter lows:** Aggregate EBITDA for the Nifty 500 universe excluding Financials grew by 10.1% YoY/6.7% QoQ, much lower than revenue expansion in the March quarter. This was also lower than 13.2% YoY/3.2% QoQ growth observed in the previous quarter. This led to operating margins compressing by 243bps YoY and 47bpsQoQ to an eight-quarter low of 17.3%. This is primarily attributed to surge in raw material costs and operating cost pressures, that companies failed to fully transmit. Additionally, deterioration in demand environment also impacted companies' ability to pass on input cost pressures, particularly for smaller companies.

Total RM costs for the Nifty 500 universe excluding Financials rose by 36.5% YoY and 11.8% QoQ in the March quarter, which has led to RM to sales ratio expanding by 321bps YoY and 146 bps QoQ. Salaries and wage bill also inched up by 14.3% YoY and 4% QoQ. Total expenses (excluding depreciation and interest) rose by 29.7% YoY and 11.2% QoQ, much higher than the revenue growth of 21.7% YoY and 8.5% QoQ.

Within the Nifty 500 universe, 304 of 493 or 62% of the non-financial companies reported an YoY growth in EBITDA in the March quarter. Compression in operating margins was broad-based, with all sectors, except Communication Services, reporting a YoY contraction. Materials sector suffered the most, reflecting the impact of a sharp surge in input costs that could only be partially passed on, particularly in the wake of weakening demand environment.

**Figure 14: Change in expenses for Nifty 500 companies (ex-Financials) in Q4FY22**


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 March 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			FY22	
	Mar-21	Dec-21	Mar-22	Mar-21	Dec-21	Mar-22	Rsbm	Growth (% YoY)
Communication Services	(0.5)	(4.6)	(8.9)	33.1	31.6	20.5	1,195	36.9
Consumer Discretionary	1.4	13.2	3.5	112.5	(14.4)	(12.3)	1,183	6.3
Consumer Staples	(0.4)	0.9	(2.6)	22.8	6.9	4.5	707	8.1
Energy	28.7	14.4	14.7	260.8	35.4	20.7	3,609	27.4
Financials	(3.4)	5.4	2.9	24.1	8.7	15.8	12,314	5.8
Health Care	(16.0)	0.9	(10.8)	26.3	0.5	6.8	758	7.0
Industrials	12.6	16.8	20.3	23.8	10.3	16.4	1,163	20.2
Information Technology	(1.4)	3.4	1.1	17.1	7.6	10.3	1,624	12.9
Materials	19.1	(8.8)	8.8	68.4	13.2	4.3	3,502	40.9
Real Estate	5.2	13.2	2.5	12.0	9.8	7.0	101	20.9
Utilities	(1.9)	(1.4)	7.2	(6.6)	5.7	15.4	1,531	11.4
<b>Nifty 500</b>	<b>3.7</b>	<b>4.2</b>	<b>5.0</b>	<b>42.5</b>	<b>11.1</b>	<b>12.6</b>	<b>27,688</b>	<b>14.5</b>
<b>Nifty 500 ex-Energy</b>	<b>0.7</b>	<b>2.8</b>	<b>3.5</b>	<b>30.3</b>	<b>8.2</b>	<b>11.4</b>	<b>24,079</b>	<b>12.8</b>
<b>Nifty 500 ex-Financials</b>	<b>9.7</b>	<b>3.2</b>	<b>6.7</b>	<b>59.9</b>	<b>13.2</b>	<b>10.2</b>	<b>15,374</b>	<b>22.7</b>
<b>Nifty 500 ex-energy ex-fin</b>	<b>5.0</b>	<b>0.1</b>	<b>4.2</b>	<b>36.9</b>	<b>7.6</b>	<b>7.0</b>	<b>11,765</b>	<b>21.3</b>

Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

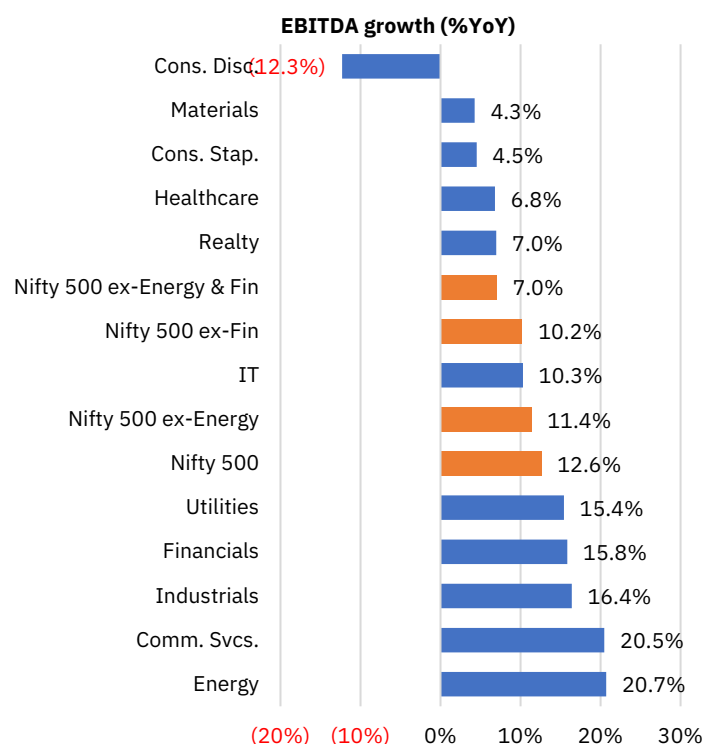
Note: The above table provides data for companies in the Nifty 500 index as on end of March 2022.

**Table 12: EBITDA margin of Nifty 500 companies in Q4FY22**

Sector	EBITDA Margin	QoQ change (bps)	YoY change (bps)
Communication Services	46.7	(633)	189
Consumer Discretionary	10.0	(61)	(234)
Consumer Staples	21.5	43	(66)
Energy	12.9	65	(201)
Financials	59.7	(67)	453
Health Care	22.4	(276)	(103)
Industrials	15.2	(44)	(39)
Information Technology	23.0	(52)	(191)
Materials	19.8	(73)	(527)
Real Estate	31.6	(1122)	(107)
Utilities	33.5	54	(395)
<b>Nifty 500</b>	<b>25.2</b>	<b>(84)</b>	<b>(203)</b>
<b>Nifty 500 ex-Energy</b>	<b>30.0</b>	<b>(140)</b>	<b>(122)</b>
<b>Nifty 500 ex-Financials</b>	<b>17.3</b>	<b>(47)</b>	<b>(242)</b>
<b>Nifty 500 ex-energy ex-fin</b>	<b>19.7</b>	<b>(109)</b>	<b>(226)</b>

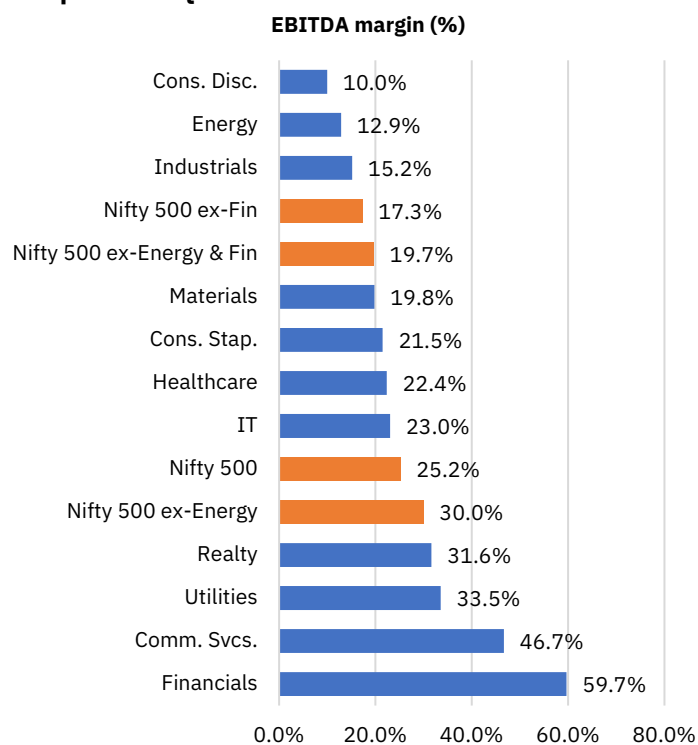
Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

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

**Figure 15: Sector-wise EBITDA growth of Nifty 500 companies in Q4FY22**


Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

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

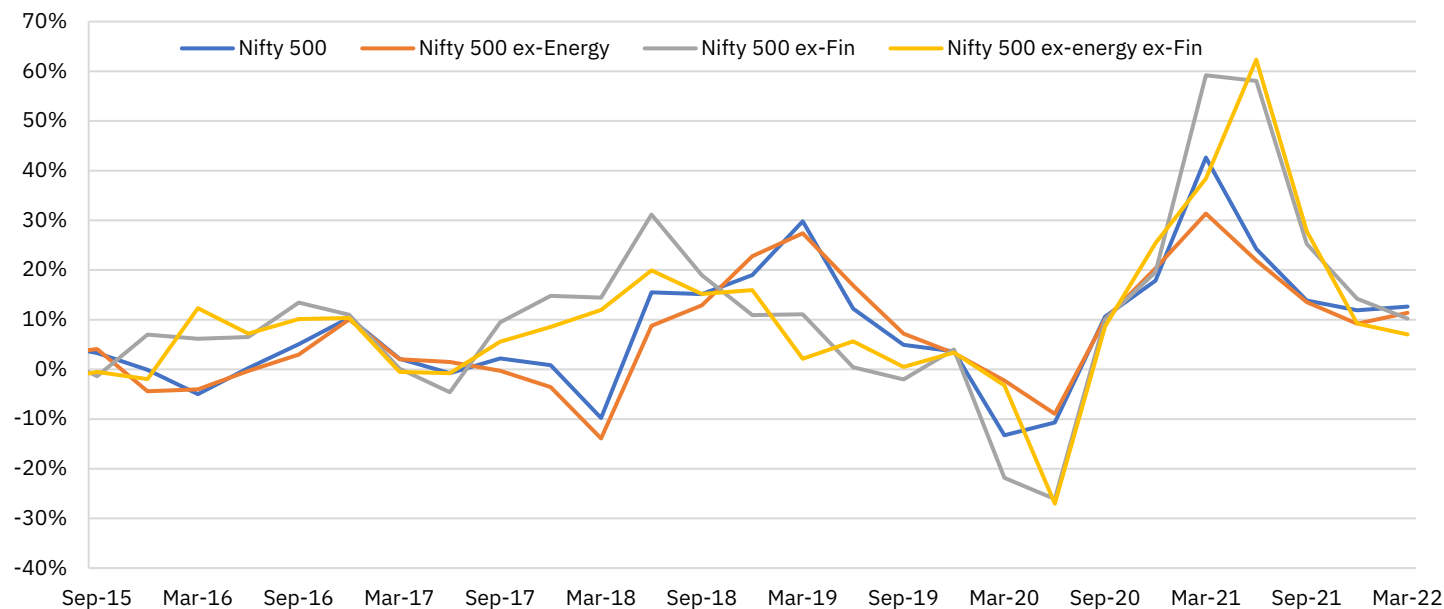
**Figure 16: Sector-wise EBITDA margin of Nifty 500 companies in Q4FY22**


**Table 13: Sector-wise contribution of Nifty 500 companies to EBITDA growth in Q4FY22**

Sector	EBITDA (Rsbn)	Contribution to EBITDA growth	
		% QoQ	% YoY
Communication Services	296	(0.4)	0.8
Consumer Discretionary	349	0.2	(0.7)
Consumer Staples	179	(0.1)	0.1
Energy	1,078	1.9	2.8
Financials	3,294	1.3	6.8
Health Care	175	(0.3)	0.2
Industrials	378	0.9	0.8
Information Technology	420	0.1	0.6
Materials	897	1.0	0.6
Real Estate	29	0.0	0.0
Utilities	402	0.4	0.8
<b>Nifty 500</b>	<b>7,497</b>	<b>5.0</b>	<b>12.6</b>
<b>Nifty 500 ex-Energy</b>	<b>6,419</b>	<b>3.1</b>	<b>9.8</b>
<b>Nifty 500 ex-Financials</b>	<b>4,203</b>	<b>3.7</b>	<b>5.9</b>
<b>Nifty 500 ex-energy ex-fin</b>	<b>3,125</b>	<b>1.8</b>	<b>3.1</b>

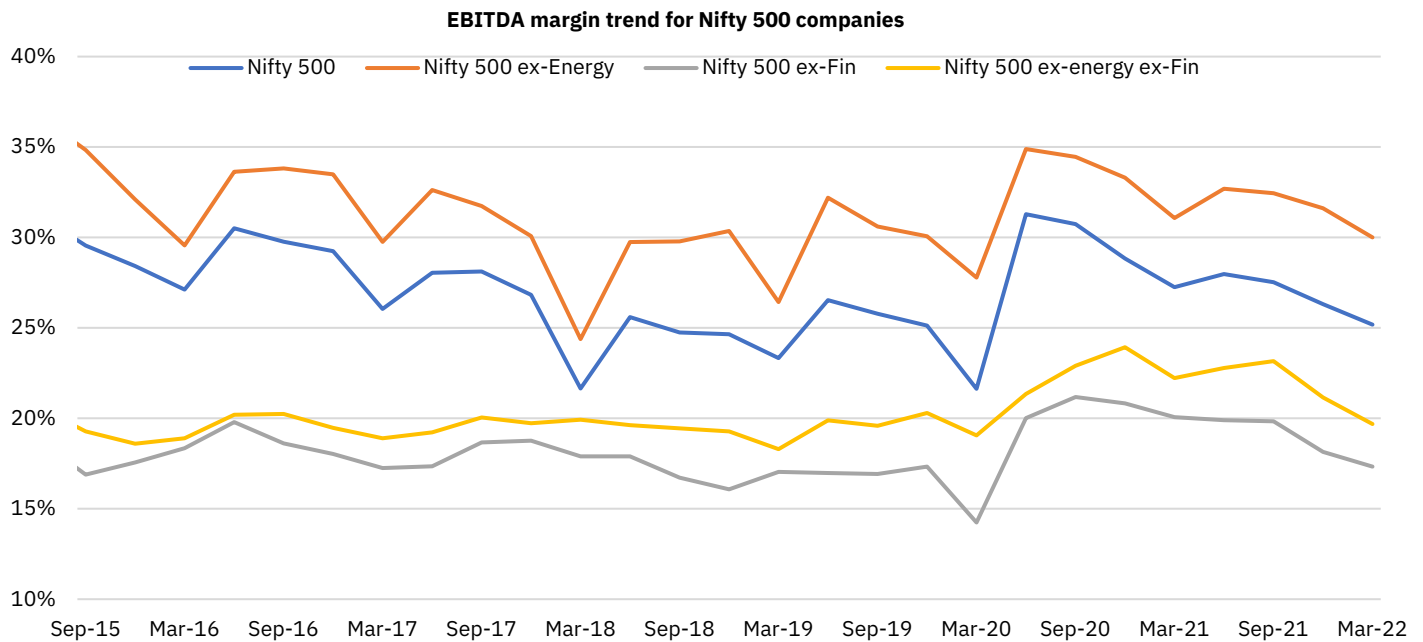
Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

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

**Figure 17: EBITDA growth trend of Nifty 500 companies**
**EBITDA 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 18: EBITDA margin trend of 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.

### Commodity and Financial companies drove profitability for Nifty 500 universe in Q4FY22:

Aggregate adjusted PAT for the Nifty 500 companies grew by 24.6% YoY and 8.4% QoQ. Companies in the Materials and Energy sectors led the PAT growth as higher commodity prices improved realisation, even as growth in terms of volume sales remained somewhat weak. Financials contributed significantly (nearly 61%) to incremental profits because of expansion in net interest margins, pick-up in credit growth, improved asset quality and higher recoveries. Excluding these sectors, aggregate PAT growth stood at a modest 10.2% YoY and 2.6% QoQ.

While operating margins contracted significantly, PAT margins expanded by 23bps YoY. Excluding Materials, Energy and Financials, PAT margins contracted by 35bps YoY to touch 5.1%, reflecting weak demand and input cost pressures for non-commodity sectors. Within the Nifty 500 universe, 291 of 493 or only 59% of the companies reported growth in net profits on a YoY basis in the March quarter reflecting inability of mid- and small cap companies to effectively pass on rising cost inflation to consumers.

**Table 14: PAT growth of Nifty 500 companies**

Sector	QoQ growth			YoY growth			FY22	
	Mar-21	Dec-21	Mar-22	Mar-21	Dec-21	Mar-22	Rsbm	Growth (% YoY)
Communication Services	NA	(42.2)	(98.7)	NA	NA	NA	24	NA
Consumer Discretionary	14.2	77.1	7.1	NA	(36.1)	(37.3)	275	4.1
Consumer Staples	1.1	1.0	(2.2)	29.7	8.8	5.4	458	9.9
Energy	50.0	(5.2)	14.2	NA	51.9	15.6	1,893	43.3
Financials	(12.6)	16.5	7.5	1146.5	35.9	67.5	2,885	38.5
Health Care	(21.6)	10.6	(22.7)	55.6	3.0	1.6	407	7.6
Industrials	28.1	40.6	31.4	76.8	23.8	23.4	427	52.0
Information Technology	(9.7)	3.1	4.4	7.1	6.1	22.7	1,057	16.8
Materials	31.6	(11.0)	15.7	144.0	26.3	12.8	1,948	78.9
Real Estate	(17.3)	44.2	(13.3)	59.0	40.6	47.4	39	126.7
Utilities	0.9	3.2	12.2	6.3	12.3	24.9	631	18.7
<b>Nifty 500</b>	<b>8.9</b>	<b>4.8</b>	<b>8.4</b>	<b>228.1</b>	<b>25.1</b>	<b>24.8</b>	<b>10,044</b>	<b>40.1</b>
<b>Nifty 500 ex-Energy</b>	<b>1.8</b>	<b>7.3</b>	<b>7.1</b>	<b>144.4</b>	<b>20.5</b>	<b>27.1</b>	<b>8,151</b>	<b>39.4</b>
<b>Nifty 500 ex-Financials</b>	<b>17.2</b>	<b>0.4</b>	<b>8.7</b>	<b>170.8</b>	<b>20.9</b>	<b>12.5</b>	<b>7,159</b>	<b>40.8</b>
<b>Nifty 500 ex-energy ex-fin</b>	<b>8.8</b>	<b>2.6</b>	<b>6.8</b>	<b>86.2</b>	<b>12.9</b>	<b>11.3</b>	<b>5,266</b>	<b>39.9</b>

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 March 2022.

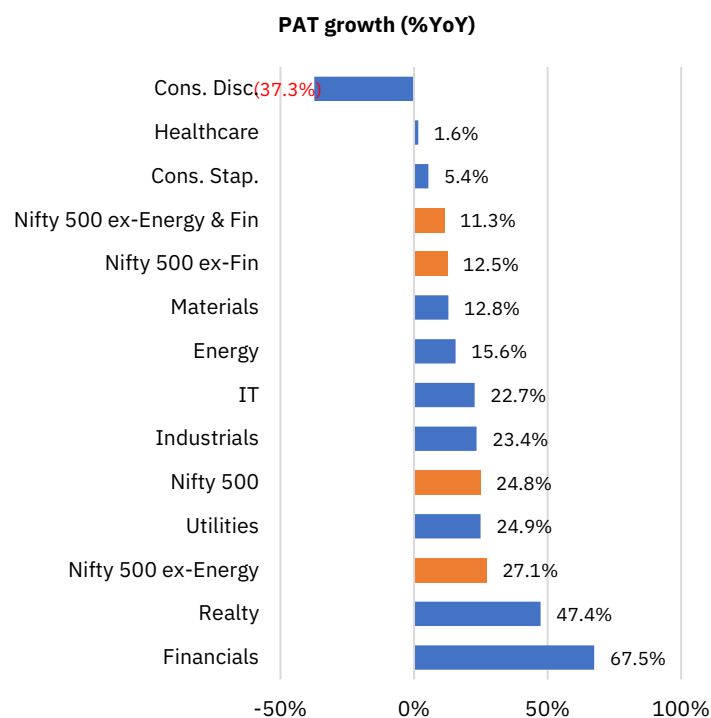
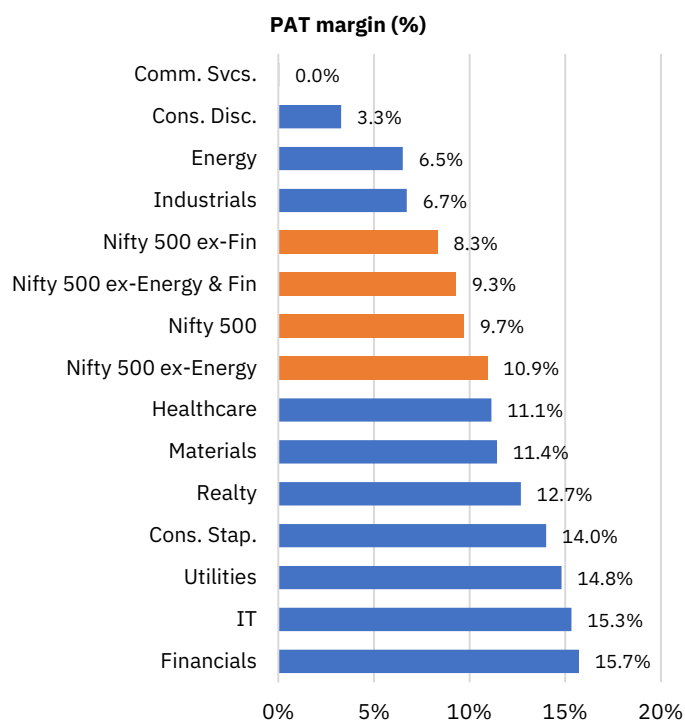
2. NA: Not Applicable

**Table 15: PAT margin of Nifty 500 companies in Q4FY22**

Sector	PAT Margin	QoQ change (bps)	YoY change (bps)
Communication Services	0.0	(400)	540
Consumer Discretionary	3.3	(9)	(239)
Consumer Staples	14.0	35	(31)
Energy	6.5	30	(135)
Financials	15.7	51	567
Health Care	11.1	(331)	(111)
Industrials	6.7	39	22
Information Technology	15.3	16	41
Materials	11.4	28	(194)
Real Estate	12.7	(762)	316
Utilities	14.8	89	(49)
<b>Nifty 500</b>	<b>9.7</b>	<b>(1)</b>	<b>24</b>
<b>Nifty 500 ex-Energy</b>	<b>10.9</b>	<b>(13)</b>	<b>97</b>
<b>Nifty 500 ex-Financials</b>	<b>8.3</b>	<b>(6)</b>	<b>(97)</b>
<b>Nifty 500 ex-energy ex-fin</b>	<b>9.3</b>	<b>(27)</b>	<b>(67)</b>

Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

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

**Figure 19: Sector-wise PAT growth of Nifty 500 companies in Q4FY22**

**Figure 20: Sector-wise PAT margin of Nifty 500 companies in Q4FY22**


Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

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

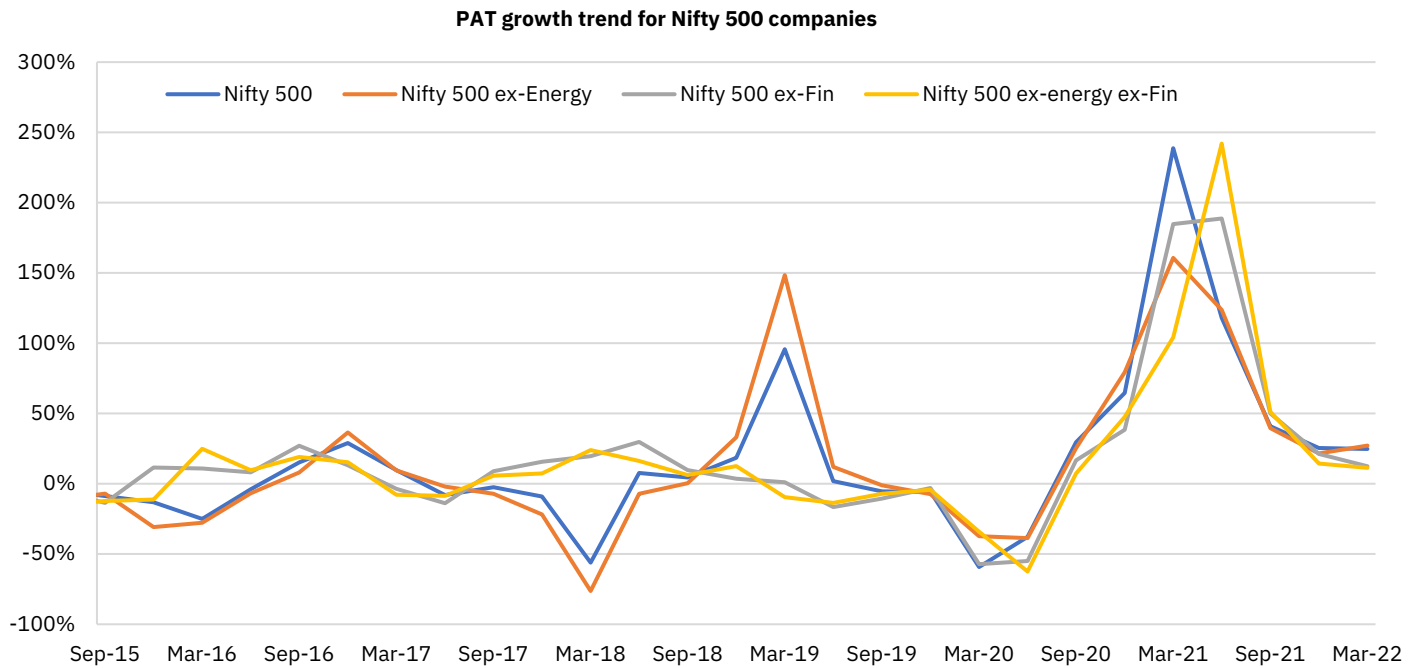
**Table 16: Sector-wise contribution of Nifty 500 companies to PAT growth in Q4Y22**

Sector	PAT (Rsbn)	Contribution to PAT growth	
		% QoQ	% YoY
Communication Services	0	(0.9)	1.3
Consumer Discretionary	115	0.3	(3.0)
Consumer Staples	117	(0.1)	0.3
Energy	546	2.5	3.2
Financials	868	2.3	15.1
Health Care	87	(1.0)	0.1
Industrials	167	1.5	1.4
Information Technology	279	0.4	2.2
Materials	518	2.6	2.5
Real Estate	12	(0.1)	0.2
Utilities	178	0.7	1.5
<b>Nifty 500</b>	<b>2,886</b>	<b>8.4</b>	<b>24.8</b>
<b>Nifty 500 ex-Energy</b>	<b>2,341</b>	<b>5.8</b>	<b>21.6</b>
<b>Nifty 500 ex-Financials</b>	<b>2,019</b>	<b>6.1</b>	<b>9.7</b>
<b>Nifty 500 ex-energy ex-fin</b>	<b>1,473</b>	<b>3.5</b>	<b>6.5</b>

Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

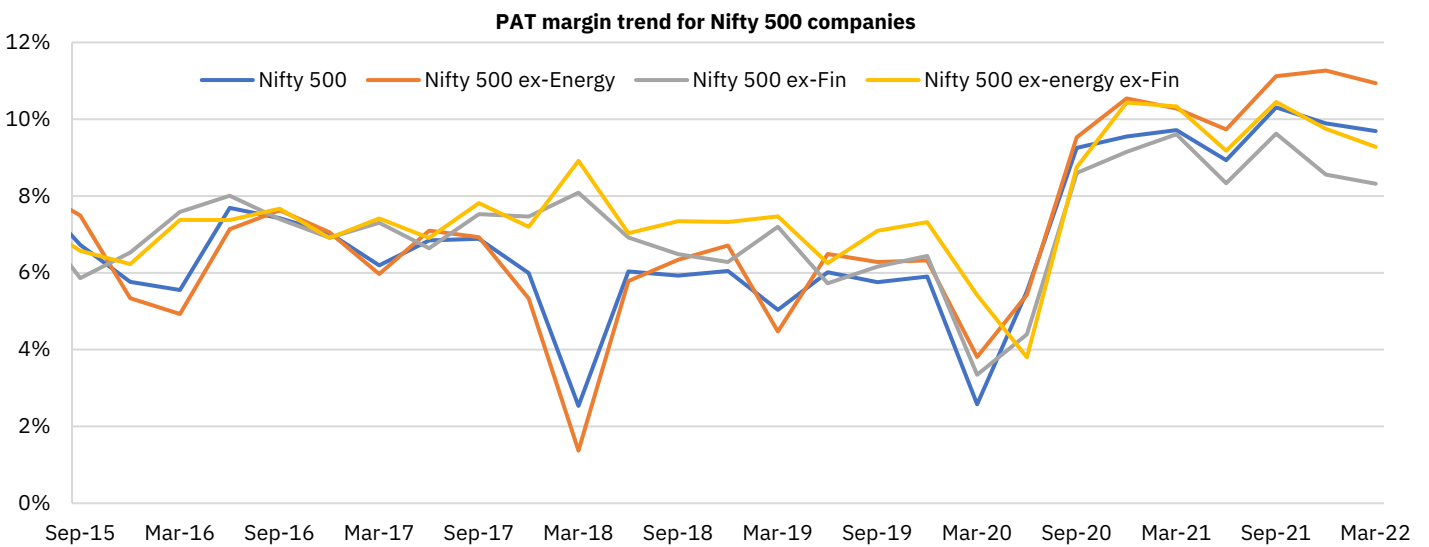
Note: The above table provides data for companies in the Nifty 500 index as on end of March 2022.



**Figure 21: PAT growth trend of 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**


Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

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

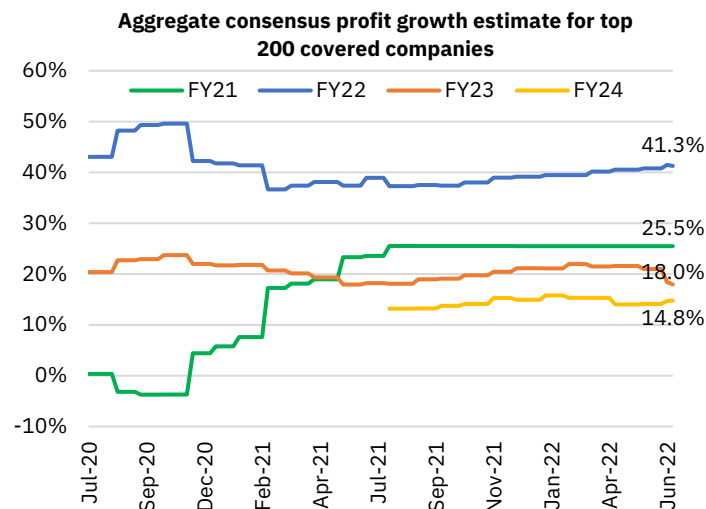
## Earnings revision analysis

**Consensus FY23/FY24 aggregate PAT estimates downgraded by 1.4%/1.9% in 2022TD:** Momentum in corporate earnings recovery slowed down further in Q4FY22, reflecting subdued demand environment, accentuated supply chain disruptions and intensifying input cost pressures. Accordingly, aggregate consensus estimates for FY23 and FY24 have seen marginal downgrades. Our analysis of earnings performance of top 200 covered companies by market capitalisation<sup>3</sup> show that aggregate profit estimate for FY23 and FY24 have been downgraded by 1.4% and 1.9% respectively since March-end (As on June 24<sup>th</sup>, 2022). This followed nearly 9.5% increase in FY23 profit estimate during the whole of last fiscal year (Apr'21-Mar'22). Except for Energy and Utilities, all sectors saw a dip in profit estimates for FY23 and FY24, with Materials, Financials and Information Technology contributing the most.

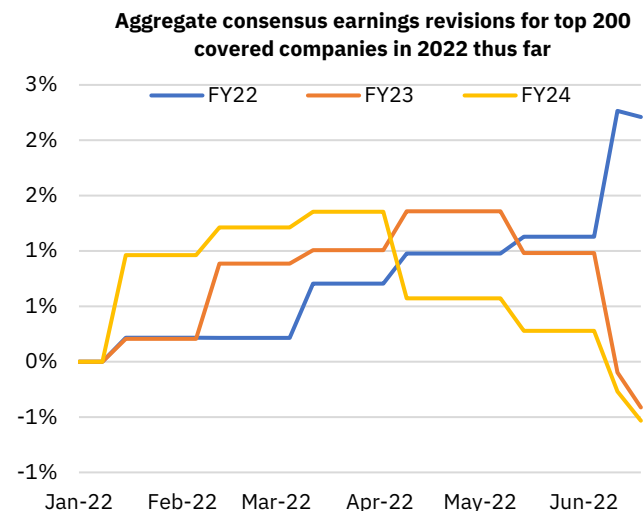
With this, the aggregate earnings of top 200 companies are now expected to increase by 18%/14.8% in FY23 and FY24 respectively following a 41% PAT growth in FY22, implying an earnings CAGR of ~16.5% during FY22-24. Notwithstanding downgrades, Financials sector is expected to contribute 36% of the profit change over FY22-24, followed by Consumer Discretionary, Energy, Industrials, Communication Services and Information Technology. In fact, Financials, Consumer Discretionary and Energy are together expected to account for ~66% of the absolute change in aggregate corporate earnings of top 200 covered companies during FY22-24. profit change over FY22-24.

Weakening of domestic as well external demand that got further hit by worsening inflation geopolitical tensions, and rising interest rates, along with elevated input cost pressures and accentuated supply-side bottlenecks, weighed on profit growth for non-commodity sectors in the quarter gone by. Earnings prospects aren't looking any brighter as reflected in downgrades across the board—the first time in several quarters. Risks are skewed to the downside, particularly in the wake of increasing expectations of a recession next year. On the positive side, weakening demand environment should arrest the surge in commodity prices seen over the last one year.

**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 30<sup>th</sup>, 2021, covered by at least five analysts at any given point of time over the last one year. Data is as of June 24<sup>th</sup>, 2022.

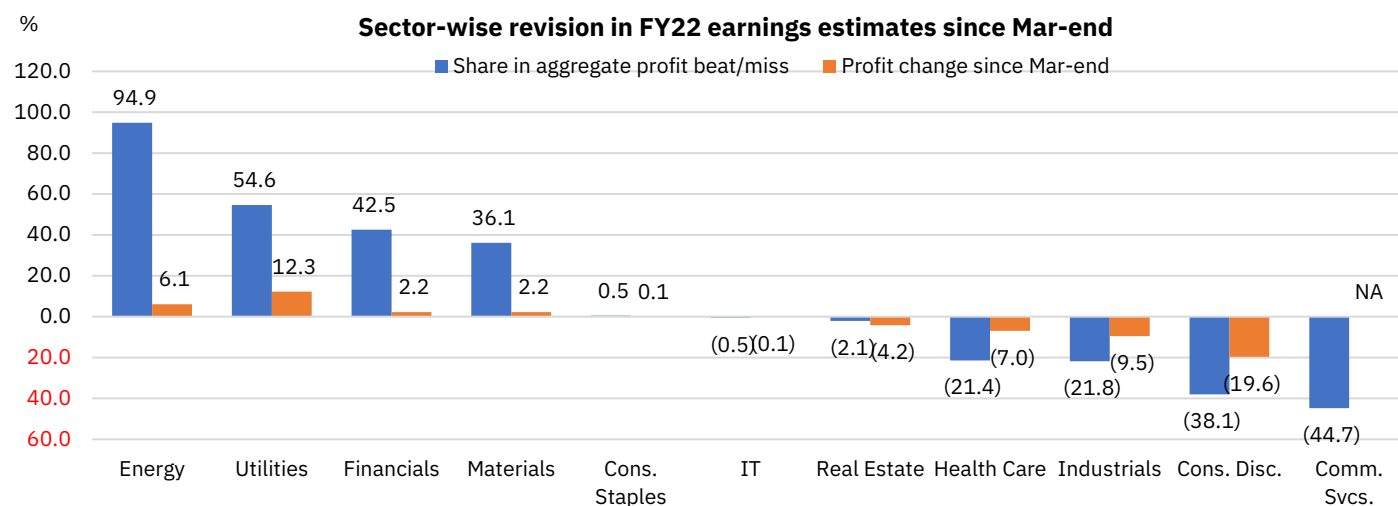
<sup>3</sup> The sample set consists of top 200 companies by one-year average market cap ending June 30<sup>th</sup>, 2021 covered by at least five or more analysts during the previous 12 months using IBES estimates from Refinitiv Datastream.

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

Sectors	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22
Comm. Svcs.	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Consumer Disc.	120.4	86.5	80.8	74.1	54.7	52.9	49.1	26.2	14.4	11.3	-7.9	-9.1	-11.4	-28.7	-27.0
Consumer Staples	23.0	20.5	19.6	19.2	17.4	17.3	17.3	16.4	16.4	16.1	14.1	14.0	13.6	13.9	14.2
Energy	27.0	15.7	12.9	12.1	12.6	13.0	15.8	22.5	24.8	27.0	32.6	34.7	36.5	37.7	42.9
Financials	40.8	42.9	44.9	44.6	40.7	40.5	40.4	39.9	40.2	40.4	41.1	42.0	42.2	45.3	41.7
Health Care	13.7	14.0	14.1	13.8	12.6	12.6	12.7	8.1	7.8	7.1	7.2	6.3	6.0	-0.4	-1.1
Industrials	98.7	31.0	28.4	25.9	14.0	14.2	14.7	14.1	13.9	14.1	5.7	5.0	3.1	-0.5	-5.0
IT	15.9	19.4	19.3	18.3	18.7	18.8	19.0	18.8	19.0	18.2	18.1	18.1	17.7	18.1	18.1
Materials	28.7	46.5	61.4	65.8	82.7	84.7	86.1	92.9	93.3	93.8	92.0	92.5	92.9	97.0	96.8
Real Estate	30.3	65.3	97.0	95.5	94.6	94.1	93.0	93.6	92.1	91.3	87.3	88.0	87.0	84.7	80.2
Utilities	18.4	18.3	14.9	9.5	10.1	9.9	9.7	11.6	12.1	12.9	16.1	16.6	16.9	19.4	32.8
<b>Total</b>	<b>38.1</b>	<b>37.4</b>	<b>39.0</b>	<b>37.3</b>	<b>37.5</b>	<b>37.4</b>	<b>38.0</b>	<b>39.0</b>	<b>39.2</b>	<b>39.5</b>	<b>39.5</b>	<b>40.2</b>	<b>40.5</b>	<b>40.8</b>	<b>41.3</b>

Source: Refinitiv Datastream, NSE EPR.

 Note: Based on IBES earnings estimates of top 200 companies by one-year average market cap ending June 30<sup>th</sup>, 2021, covered by at least five analysts at any given point of time over the last one year. \* Data is as of June 24<sup>th</sup>, 2022.

**Figure 25: Sector-wise revision in FY22 earnings estimates since March-end**


Source: Refinitiv Datastream, NSE.

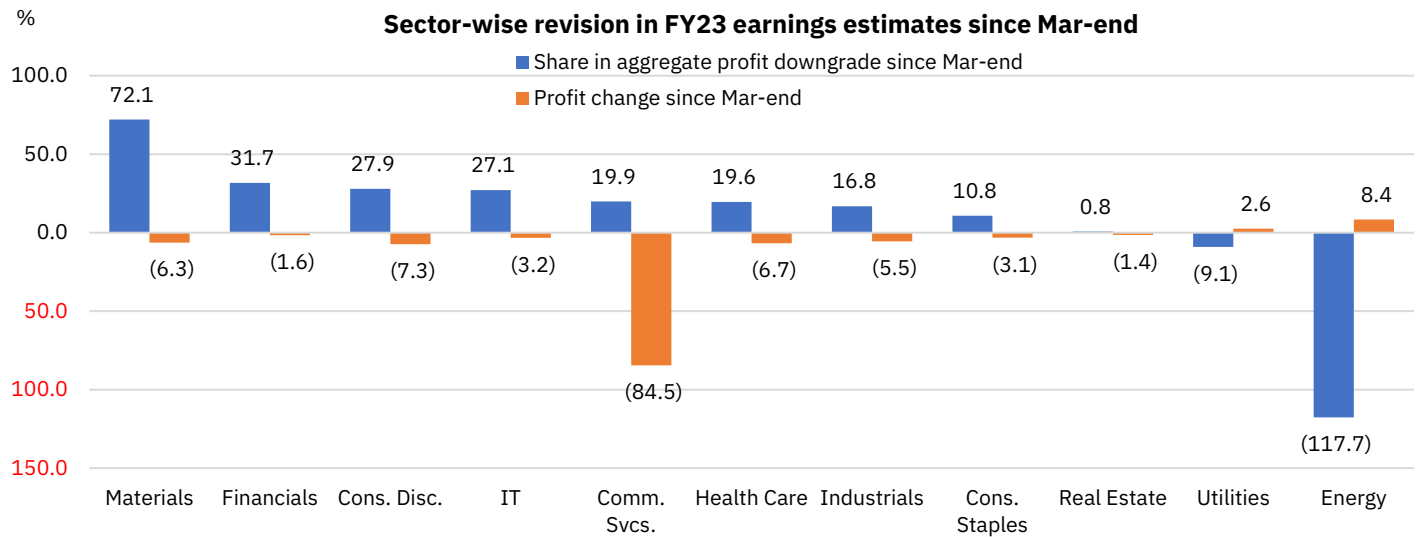
 Note: Based on IBES earnings estimates of top 200 companies by one-year average market cap ending June 30<sup>th</sup>, 2021, covered by at least five analysts at any given point of time over the last one year. Data is as of June 24<sup>th</sup>, 2022.

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

Sectors	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22
Comm. Svcs.	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Consumer Disc.	29.7	32.4	36.4	41.4	57.8	59.2	65.9	94.9	113.8	117.8	155.8	153.9	160.1	202.2	192.8
Consumer Staples	13.5	15.0	16.3	16.7	18.1	18.2	18.3	18.3	18.3	18.4	19.3	19.0	18.5	15.9	15.1
Energy	17.3	18.7	20.1	19.5	18.9	19.0	19.3	16.2	17.4	16.9	16.8	16.4	17.4	18.7	18.9
Financials	26.0	25.5	25.7	26.1	28.6	28.8	28.9	30.2	30.2	30.3	31.2	31.0	30.5	26.7	25.4
Health Care	19.6	19.9	20.9	20.8	21.3	21.3	21.3	25.1	25.3	25.6	21.6	21.9	21.7	27.7	22.3
Industrials	26.5	29.1	46.3	48.5	61.4	61.2	61.6	64.3	65.6	65.0	71.1	71.4	73.6	74.4	79.0
IT	11.9	11.1	11.2	12.4	12.7	12.6	14.1	14.7	14.6	15.7	15.8	15.7	14.6	12.4	12.0
Materials	5.2	-3.0	-6.5	-8.6	-9.9	-10.4	-9.9	-9.3	-9.3	-10.2	-8.5	-9.2	-8.2	-7.1	-16.7
Real Estate	26.7	26.0	30.1	30.2	31.0	31.6	34.4	36.0	35.7	38.7	41.6	40.6	40.9	41.3	44.7
Utilities	9.2	9.4	9.4	9.9	10.3	10.3	10.4	8.3	7.6	7.1	3.6	3.2	3.1	2.0	-7.1
<b>Total</b>	<b>19.3</b>	<b>17.9</b>	<b>18.2</b>	<b>18.1</b>	<b>19.0</b>	<b>19.1</b>	<b>19.8</b>	<b>20.4</b>	<b>21.1</b>	<b>21.1</b>	<b>22.0</b>	<b>21.5</b>	<b>21.6</b>	<b>21.0</b>	<b>18.0</b>

Source: Refinitiv Datastream, NSE EPR.

 Note: Based on IBES earnings estimates of top 200 companies by one-year average market cap ending June 30<sup>th</sup>, 2021, covered by at least five analysts at any given point of time over the last one year. \* Data is as of June 24<sup>th</sup>, 2022.

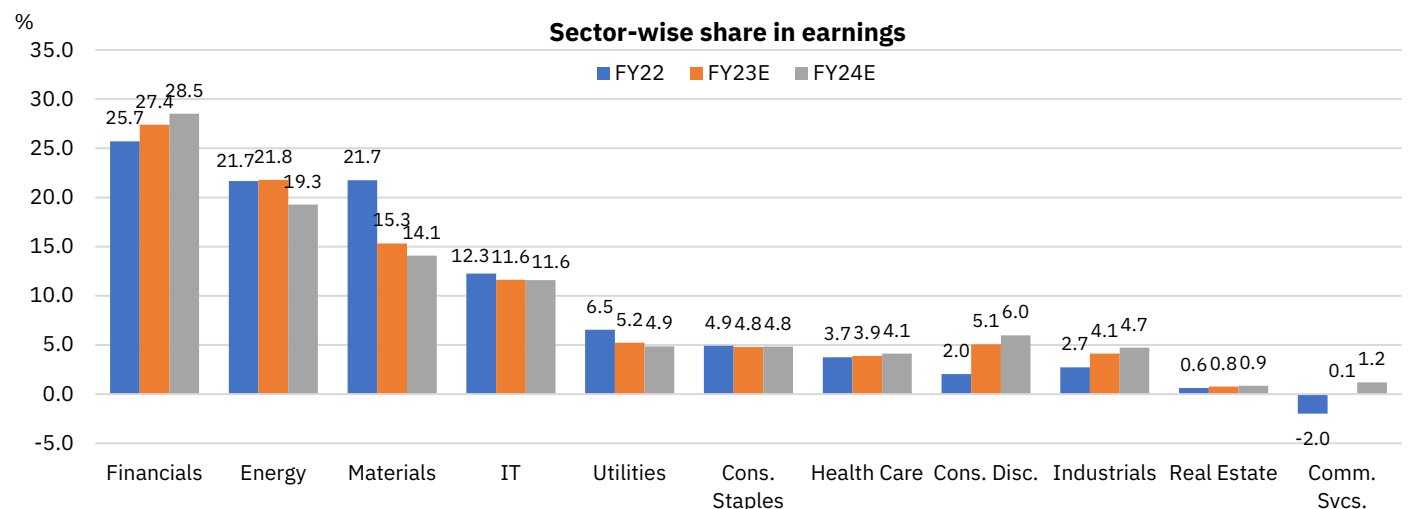
**Figure 26: Sector-wise revision in FY23 earnings estimates since March-end**


Source: Refinitiv Datastream, NSE EPR.

Note: Based on IBES earnings estimates of top 200 companies by one-year average market cap ending June 30<sup>th</sup>, 2021, covered by at least five analysts at any given point of time over the last one year. Data is as June 24<sup>th</sup>, 2022.

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

Increasing expectations of a global recession next year, coupled with slowdown in China, is likely to keep a check on crude oil and commodity prices. This is reflected in a sharp dip in the share of Materials and Energy to aggregate corporate earnings estimates of top 200 companies over the next two years. 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, Healthcare and Industrials. Clearly, the earnings trajectory over the next two years hinges on a credible improvement in consumption and investment demand, the absence of which may result in further downgrades.

**Figure 27: Sector-wise share in earnings**


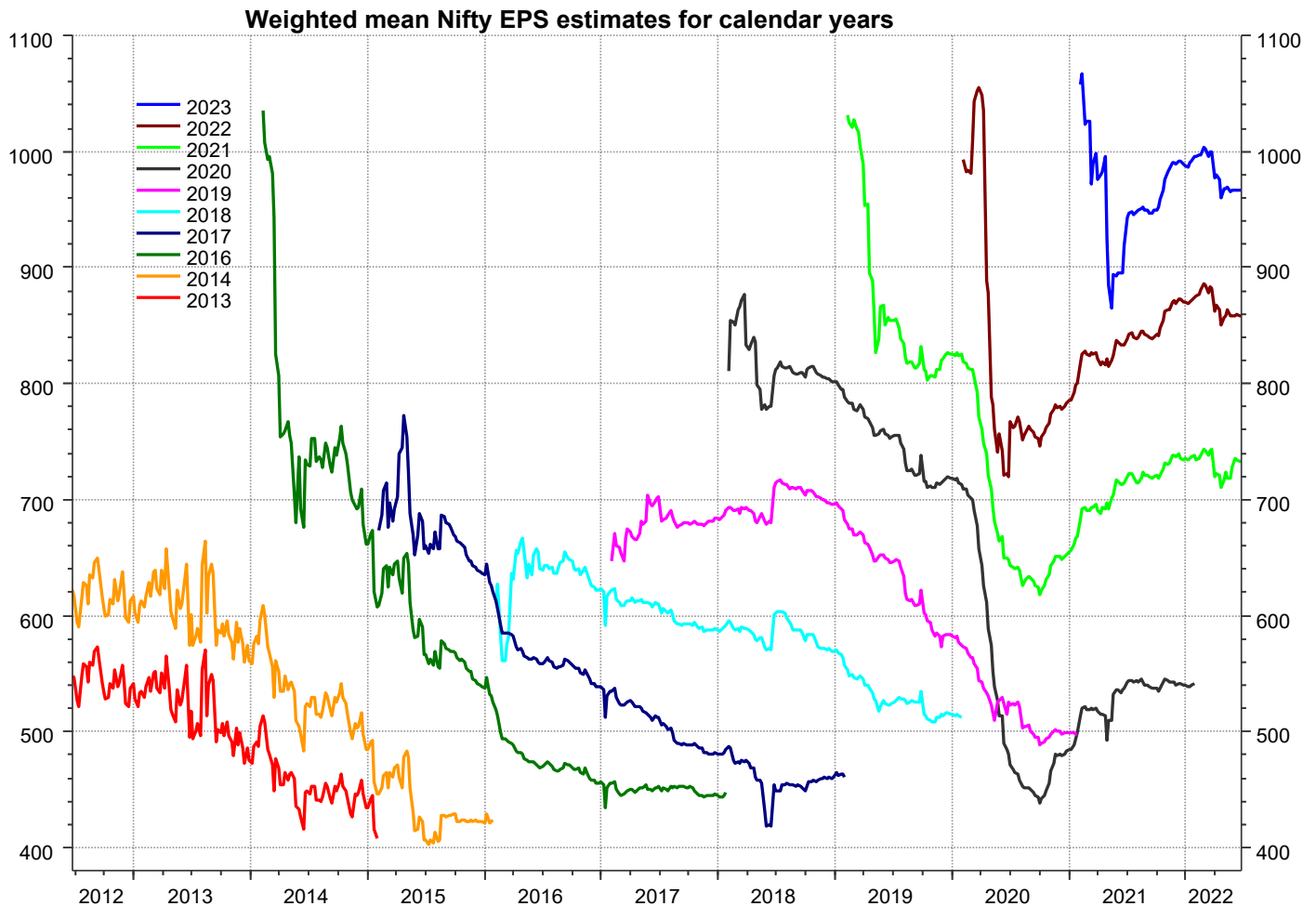
Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

Note: Based on IBES earnings estimates of top 200 companies by one-year average market cap ending June 30<sup>th</sup>, 2021, covered by at least five analysts at any given point of time over the last one year. Data is as of June 24<sup>th</sup>, 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 demand environment back home have significantly weighed on 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 seeing a dip of 3.6% and 3.0%, respectively, from the peak level seen in February just before Russia's invasion of Ukraine.

**Figure 28: Yearly trend of NIFTY 50 Consensus EPS estimates**



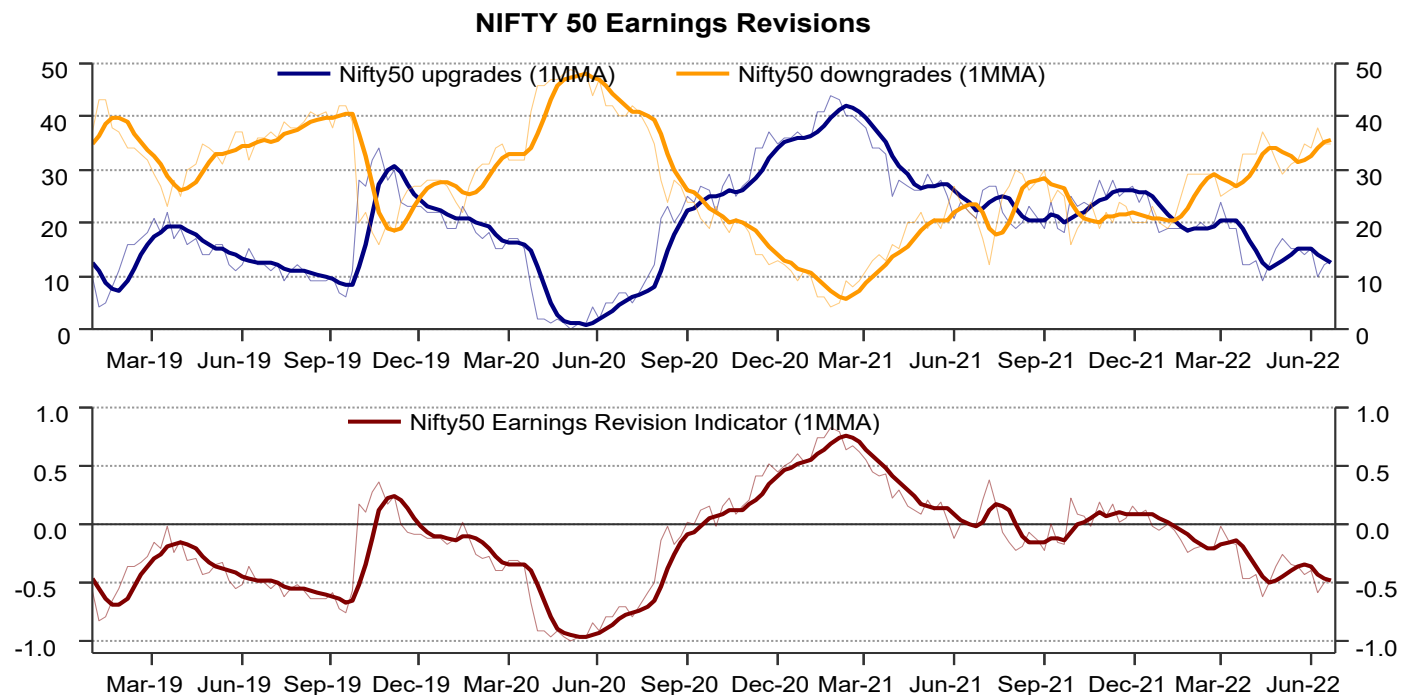
Source: Refinitiv Datastream, NSE EPR.

**Nifty 50 Earnings Revision Indicator further deep into the contraction zone:** The Earnings Revision Indicator (ERI)<sup>4</sup> 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 last several quarters, 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.

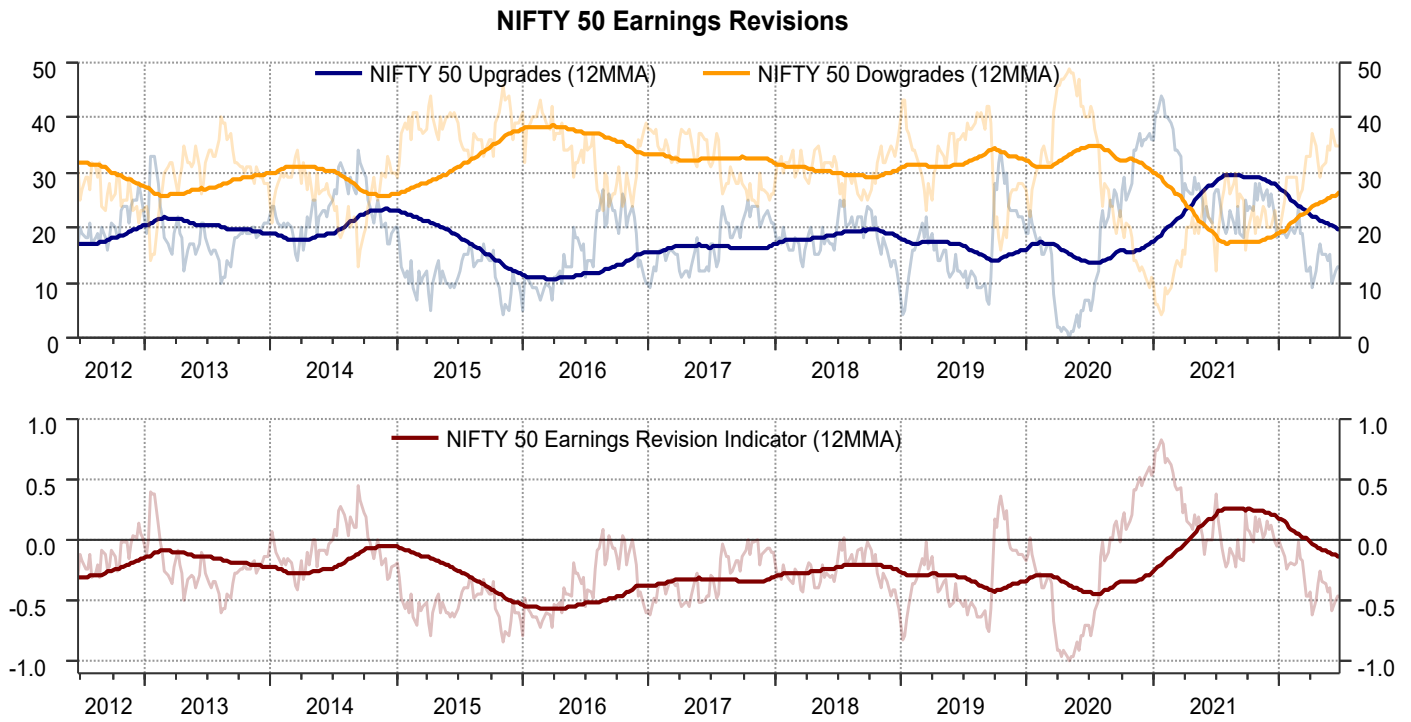
Russia's invasion of Ukraine in late February 2022, intensifying inflationary pressures, China slowdown and weakening of domestic as well as demand environment have led to a significant deterioration in earnings outlook since then, leading to ERI falling deep into the negative territory to 22-month lows. All sectors, barring Utilities, have ERI hovering in the negative zone, with Healthcare and Information Technology leading the pack.

**Figure 29: Nifty 50 Earnings Revision Indicator (since January 2019)**

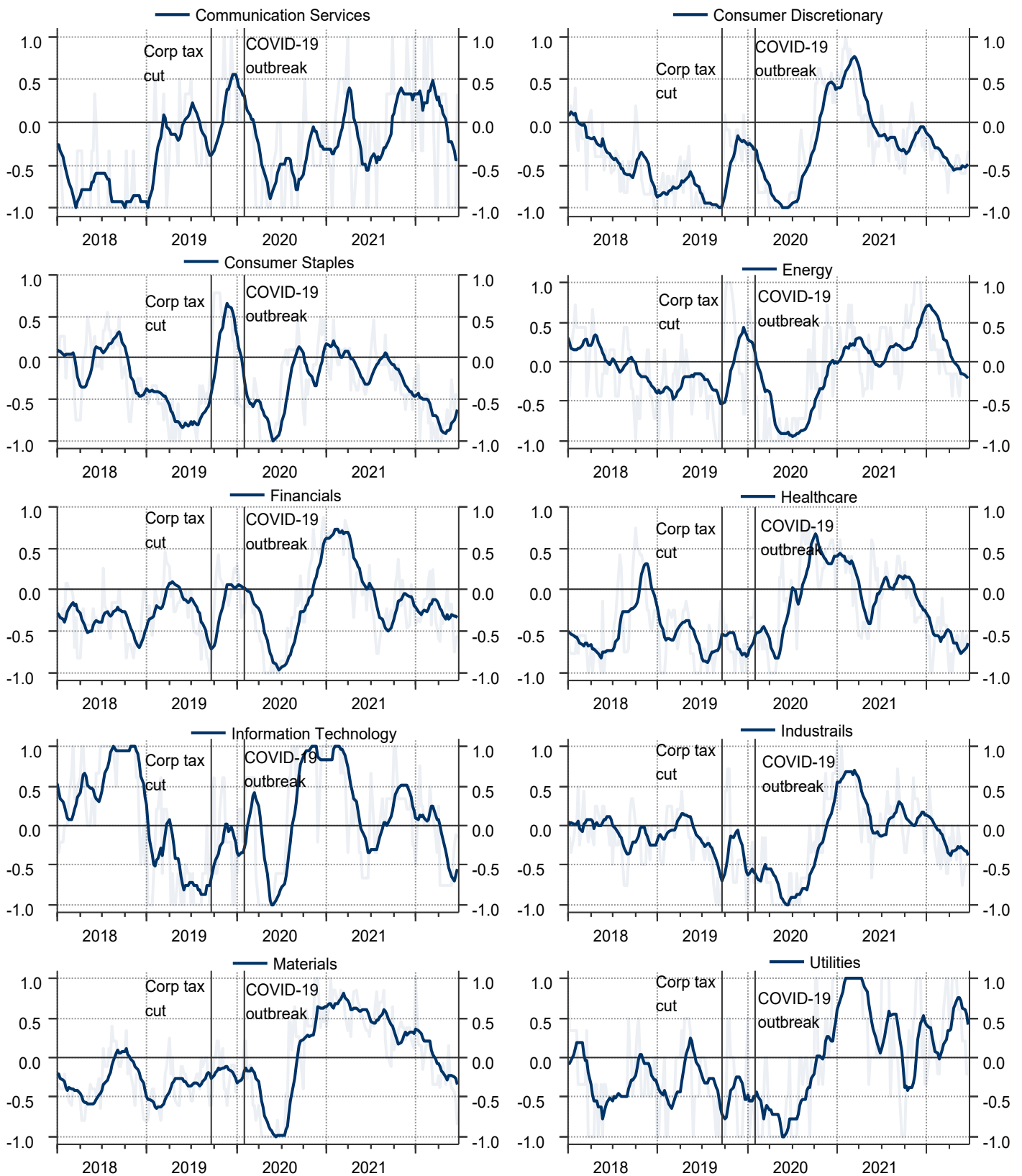


Source: Refinitiv Datastream, NSE EPR.

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

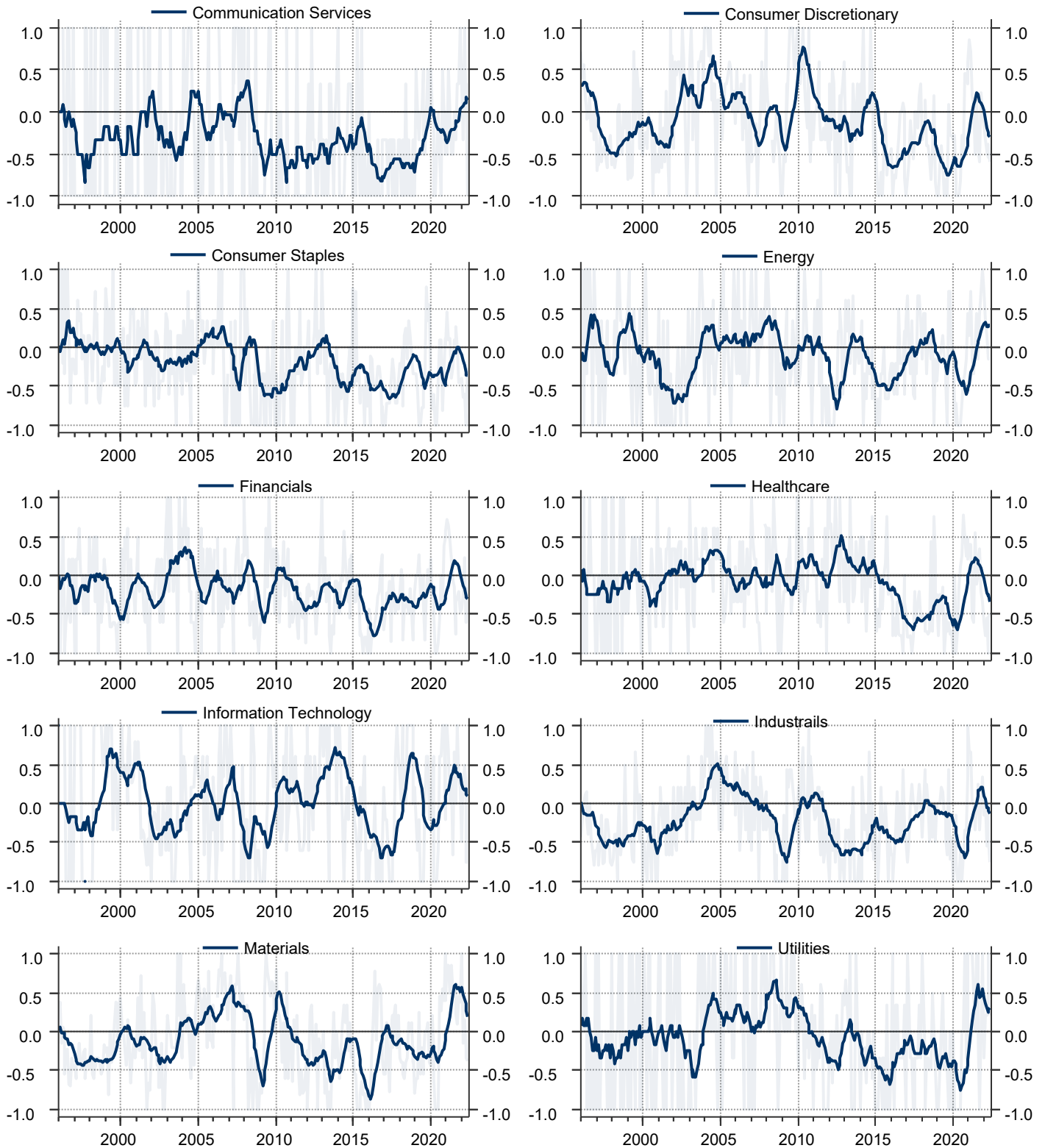
**Figure 30: Nifty 50 Earnings Revision Indicator (10-year trend)**


Source: Refinitiv Datastream, NSE EPR.

**Figure 31: 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 32: 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.

## Economic Policy & Research

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