

Q4FY23 Earnings Review: Top line growth moderates; margins improve

The top line growth of Nifty 50/Nifty 500¹ universes slowed to nine-quarter low of 14%/14.5% YoY in Q4FY23, with expansion mainly led by Financials, and Consumer Discretionary. These two sectors together contributed 57%/53% to the absolute YoY revenue expansion in Nifty50/Nifty 500 companies, much higher than their combined share of about 32-33% in total revenues. Strong credit offtake and margin improvement provided a boost to top-line for Financials, while Consumer Discretionary benefited from strong demand for autos and discretionary services. Aggregate EBITDA growth for non-financial Nifty50/Nifty500 companies improved vis-à-vis last quarter and stood at 9.8%/6.1% YoY, but undershot the topline growth, leading to margin compression on a YoY basis. On a QoQ basis, however, EBITDA margins expanded on easing input cost pressures, partly offset by surge in salaries and wages. Higher operating and interest costs on a YoY basis impacted profitability, with aggregate adjusted PAT growth for the Nifty 50/Nifty 500 companies expanding 11.1%/10.3% YoY and 9.6%/18.9% QoQ in Q4 FY23. In FY23, while revenue growth came in at a robust 22.8%/28.6%, EBITDA and PAT growth were much lower at 6.8%/1.9% and 8.3%/8.1% respectively for non-financial Nifty50/Nifty500 universes.

Export-oriented (IT, Pharma) and commodity companies have continued to face headwinds from weakening global economy, while domestic sectors have benefited from a resilient consumption demand, strong capex thrust by the Government and improving private investments. This is also reflected in continued downgrades in IT, Pharma and Materials sectors, even as the magnitude of downgrades has come off. Consensus earnings estimates (from Refinitiv) for FY24/25 for the top 200 covered companies by market cap have seen a modest cut of 0.6%/0.8% since March-end (As on July 14th, 2023). This translates into an expected aggregate profit growth of 26.3%/15% in FY24/FY25 (vs. +3.1% in FY23), implying a CAGR of 20.5% during FY23-25. Notwithstanding modest downgrades, the Earnings Revision Indicator² (ERI) improved last quarter, and currently hovers at near-zero levels, implying equivalent number of upgrades and downgrades. This was primarily led by more upward revisions in Banks and Consumer Discretionary, while IT and Materials continued to see ERI hovering in the negative zone.

Weakening global growth is likely to continue to remain an overhang on export-oriented and commodity sectors. On the positive side, relatively resilient domestic demand, continued government's thrust on capex and improvement in private capex, thanks to strengthened balance sheets and healthy banking sector, should support corporate earnings, further aided by easing price pressures.

- Net sales growth dropped to nine-quarter lows in Q4FY23:** Aggregate top-line growth of Nifty 50/Nifty 500 universe came in at 14%/14.5 YoY in Q4FY23—the lowest YoY growth in last nine quarters, falling from 18.9%/18.5% YoY in the previous quarter and 22.4%/21.8% YoY in Q4FY22. The YoY growth was primarily led by Financials, and Consumer Discretionary, together contributing 57%/53% to the absolute YoY revenue expansion in Nifty50/Nifty 500 companies, much higher than their combined share of about 32-33% in total revenues. Excluding these two, revenue growth was much lower at 8.3%/9.8% YoY and 3.3%/3.2% QoQ.

Strong credit offtake and margin expansion provided a boost to top-line for Financials, while Consumer Discretionary benefited from strong auto demand and services. Commodity sectors, viz., Materials and Energy reported revenue growth in single digits, weighed down by weak global demand and easing prices.

- EBITDA margins contracted on a YoY basis but improved sequentially:** Aggregate EBITDA for non-financial companies in the Nifty50/Nifty500 universe grew 9.8%/6.1% YoY. While this was higher than EBITDA growth in the previous

Aggregate top-line of Nifty 50/Nifty 500 universe came in at 14%/14.5 YoY and 4.7%/10.7% QoQ in Q4FY23, aided by strong YoY performance by Financials, Consumer Discretionary and Energy sector.

¹ 497 companies in the Nifty 500 Index reported earnings data for Q4FY23 as on July 11th, 2023.

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.

quarter, it was lower than net sales growth rate in the Q4. Increase in raw material costs and wage bill on an YoY basis, offset by rationalisation in other operating costs, compressed EBITDA margins by 17bps/97bps YoY to 19.6%/16.8%. While the EBITDA growth and margins of large cap companies (Nifty 50) was a tad higher in Q4FY23, companies in the broader listed space (Nifty 500) underperformed.

On a sequential basis, EBITDA margins improved 87bps/142 bps QoQ, thanks to easing input cost pressures amid falling crude oil and commodity prices. Consumer Discretionary and Industrials sector registered strong EBITDA growth, aided by strong consumption and capex demand. Materials sector posted poor operating performance, weighed down by global slowdown and falling metal prices.

- **High interest costs impacted profitability in Q4:** Aggregate adjusted PAT growth for the Nifty 50/Nifty 500 companies expanded 11.1%/10.3% YoY and 9.6%/18.9% QoQ. This was primarily led by Financials and Consumer Discretionary, together contributing almost entirely to the YoY expansion in aggregate profit for Nifty 50/Nifty 500 companies. Excluding these two, PAT growth actually came in at much lower 2.9/-1.3% YoY. Higher input costs on a YoY basis and rise in interest expenses following a series of rate hikes by the RBI have impacted profitability in the fourth quarter.
- **Earnings estimates downgraded marginally...:** Our analysis of earnings performance of top 200 covered companies by market capitalisation show that aggregate profit estimates for FY24/FY25 have been curtailed by a modest 0.6%/0.8% since March-end (As on July 14th, 2023). This followed nearly 6% downgrades for FY24 during the whole of last year. The downgrades were primarily led by export-oriented (IT, Pharma) and commodity companies (Materials), reflecting the impact of worsening global growth outlook and renewed slowdown in China. Excluding these, profit estimates for FY24 and FY25 actually saw modest upgrades of 1.4% and 0.7% respectively. With this, the aggregate earnings of top 200 companies are now expected to increase by 26.3%/15% in FY24/FY25, following a ~3% PAT growth in FY21, implying a CAGR of 20.5% during FY23-25. Sector-wise, Financials is expected to contribute a quarter to absolute earnings change over FY23-25, lower than its share of about 31% in total earnings, followed by Energy at 20.5%. Notwithstanding downgrades, Materials is expected to contribute 14.5% to the total profit change over FY23-25, thanks to a low base on account of a steep drop in earnings for this sector in FY23.
- **...Even as the ERI moved higher:** After a sharp recovery from the pandemic-induced drop in mid-2020, the ERI dropped meaningfully post the onset of the second wave in March 202, and has since hovered in a tight band of -0.5 to 0.1. While upgrades picked-up pace in the second half of 2022 on the back of resilient economic performance, improving capex cycle and strong earnings growth reported by Financials, number of downgrades started rising again early this year led by commodity and export-oriented sectors. The ERI, however, has been recovering since the last few months despite modest downgrades at an aggregate level, and is currently hovering near zero, implying equivalent number of upgrades and downgrades.

EBITDA for nonfinancial companies in the Nifty50/Nifty500 universe grew 9.8%/6.1% YoY, which came in higher than EBITDA growth.

Financials and Consumer Discretionary were major contributors to PAT growth in Q4FY23, while Materials was a drag.

Consensus earnings estimates for FY24/25 for the top 200 covered companies were curtailed by a modest 0.6%/0.8% since Mar-end, translating into an earnings CAGR of 20.5% during FY23-25.

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Nifty 50 Q4FY23 results

Financials and Auto companies drove YoY revenue growth in Q4: Aggregate net sales growth of Nifty 50 companies moderated for the third quarter in a row to 14% YoY to Rs17.5trn in Q4FY23 from 18.9% YoY in the previous quarter and 22.4% YoY in the corresponding quarter last year. This translates into a revenue growth of 22.8% in FY23, a tad lower than 25.9% growth in the previous year. That said, the YoY revenue growth in the March quarter was higher than the average growth rate of 8.8% witnessed in the same period over five years prior to the onset of the pandemic (2015-19). Within the Nifty 50 universe, 48 and 33 companies recorded expansion in revenues on an YoY and QoQ basis respectively in the March quarter.

Sector-wise, Financials contributed the most to revenue growth in Q4, benefiting from NII margin expansion, strong credit offtake, and improved asset quality, and accounted for 36.6%/25.8% of the absolute YoY/QoQ increase in Nifty 50 earnings. This was much higher than its 20% share in aggregate Nifty50 revenues in the March quarter. Excluding Financials, Nifty 50 revenue growth was a tad lower at 10.8% YoY. Other sectors that were outperformers in terms of YoY and QoQ revenue growth rates in Q4 were Auto (higher sales) and Industrials (capex demand). While Energy sector contributed 15.4% of growth in Nifty revenues on account of improved refining and marketing margins, the contribution to sequential growth in revenues was nil due to decline in realisations on account of easing crude oil prices and a weak external environment. Materials posted a lacklustre YoY growth in revenues during the quarter, however, revenues expanded on a sequential basis primarily aided by improvement in metal prices QoQ.

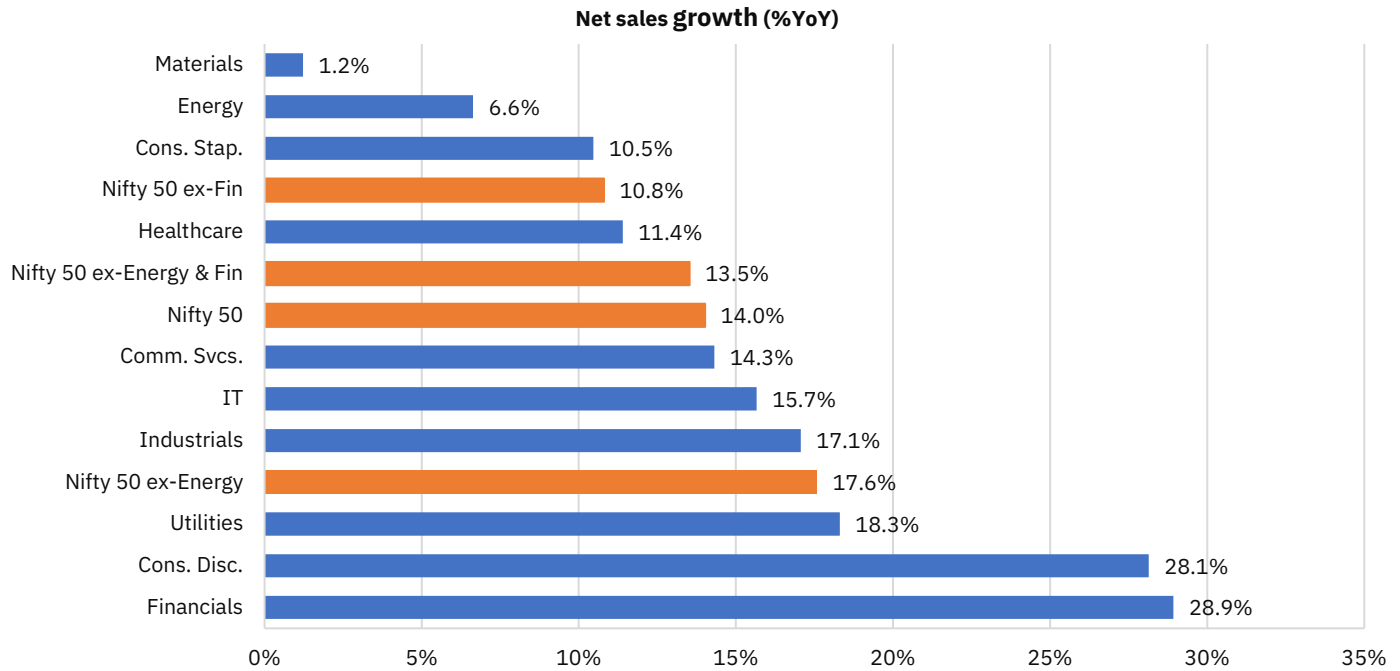
Corporate revenue growth is on a declining trend since the last few quarters, weighed down by muted external and rural demand. Weakening global growth is likely to continue to remain an overhang on export-oriented and commodity sectors, even as strong rabi harvest and normal southwest monsoon may provide some fillip to rural demand. On the positive side, relatively resilient domestic demand, continued government's thrust on capex and improvement in private capex, thanks to strengthened balance sheets and healthy banking sector, should support corporate earnings, further aided by easing price pressures.

Table 1: Net sales growth of Nifty 50 companies

Sector	QoQ growth			YoY growth			FY23	
	Mar-22	Dec-22	Mar-23	Mar-22	Dec-22	Mar-23	(Rsbn)	Growth (%)
Communication Services	5.5	3.7	0.6	22.3	19.9	14.3	1,391	19.4
Consumer Discretionary	5.7	5.5	11.6	(2.6)	21.4	28.1	7,104	27.2
Consumer Staples	(0.1)	1.4	0.2	12.2	10.1	10.5	1,793	15.9
Energy	10.0	(0.5)	(1.4)	36.2	19.0	6.6	21,757	28.9
Financials	5.4	3.9	6.2	11.3	28.0	28.9	12,483	19.5
Health Care	(2.1)	2.0	(1.9)	16.4	11.2	11.4	1,157	9.6
Industrials	31.3	(9.7)	22.7	25.1	25.2	17.1	3,408	40.9
Information Technology	2.7	5.3	(0.1)	19.7	18.8	15.7	6,175	18.1
Materials	16.5	(2.0)	12.7	36.8	4.6	1.2	9,014	11.4
Utilities	9.2	1.0	1.2	17.6	27.7	18.3	2,218	27.3
Nifty 50	9.3	1.1	4.7	22.4	18.9	14.0	66,500	22.8
Nifty 50 ex-Energy	8.9	1.8	7.7	16.7	18.9	17.6	44,743	20.0
Nifty 50 ex-Financials	10.1	0.4	4.4	25.1	16.9	10.8	54,018	23.6
Nifty 50 ex-energy ex-fin	10.2	1.0	8.3	18.7	15.5	13.5	32,260	20.2

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 2023.

Figure 1: Sector-wise net sales growth of Nifty 50 companies in Q4FY23


Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

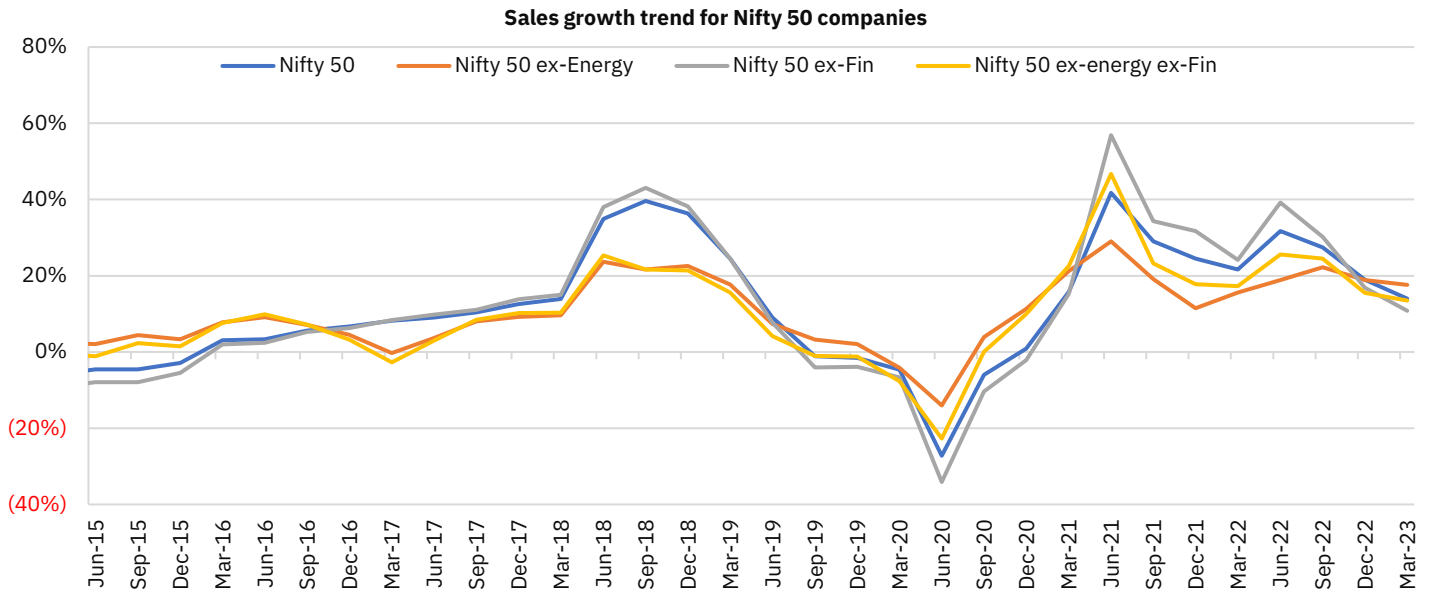
Note: The above chart provides data for companies in the Nifty 50 index as on end of March 2023.

Table 2: Sector-wise contribution of Nifty 50 companies to net sales growth in Q4FY23

Sector	Net sales (Rsbn)	Contribution to net sales growth	
		% QoQ	% YoY
Communication Services	360	0.0	0.3
Consumer Discretionary	2,019	1.3	2.9
Consumer Staples	453	0.0	0.3
Energy	5,333	(0.4)	2.2
Financials	3,522	1.2	5.1
Health Care	292	(0.0)	0.2
Industrials	955	1.1	0.9
Information Technology	1,601	(0.0)	1.4
Materials	2,433	1.6	0.2
Utilities	565	0.0	0.6
Nifty 50	17,533	4.7	14.0
Nifty 50 ex-Energy	12,200	15.3	11.9
Nifty 50 ex-Financials	14,011	10.4	8.9
Nifty 50 ex-energy ex-fin	8,678	11.7	6.7

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 2023.

Figure 2: Quarterly trend of Nifty 50 revenue growth (YoY)


Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

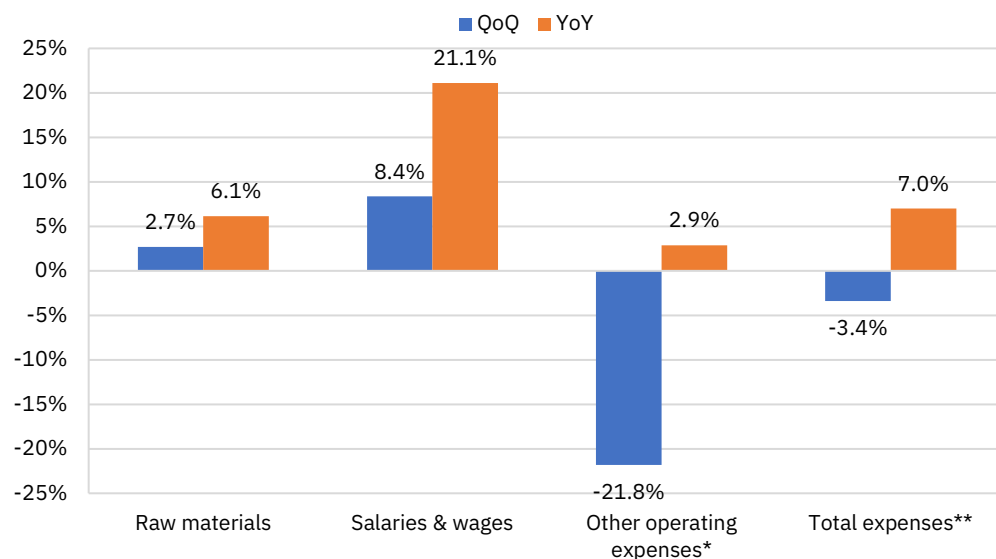
Note: The above chart includes companies in the Nifty 50 index as on end of respective quarters.

Easing input cost pressures led to sequentially expansion in EBITDA margins:

Operating profit (EBITDA) for the Nifty 50 universe excluding Financials grew by 9.8% YoY/9.2% QoQ in Q4FY23 to Rs5trn as compared to +5.7% YoY/13.7% QoQ in the previous quarter. The YoY growth in EBITDA, however, was lower than revenue growth (14%YoY) during the quarter, as cost pressures continued to remain elevated as compared to last year despite cost-cutting efforts. Consequently, operating margins improved sequentially but contracted on an YoY basis. EBITDA margin for Nifty 50 universe in Q4FY23 was the highest in last four quarters at 19.6% (+87bps QoQ and -17bps YoY). Within the Nifty 50 universe, 31 of 39 non-financial companies reported a YoY growth in operating profits.

Easing input cost pressures (+2.7% QoQ), thanks to falling commodity prices, and gradual pass-through, has eased pressure on operating costs. Raw material to net sales ratio fell 214bps YoY and 81bps QoQ in the March quarter. This, however, was partly offset by continued jump in the wage bill, recording a sizable 21.1% YoY and 8.4% QoQ increase in the March quarter.

Sectors that reported contraction in EBITDA margins on an YoY basis included Materials, Utilities and Information Technology, reflecting the impact of weak global demand and declining commodity prices. Companies in the Industrials and Consumer Discretionary sectors, on the other hand, exhibited a diverging trend.

Figure 3: Change in expenses for Nifty 50 companies (ex-Financials) in Q4FY23


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 2023.

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			FY23	
	Mar-22	Dec-22	Mar-23	Mar-22	Dec-22	Mar-23	(Rsbn)	Growth (%)
Communication Services	6.0	(2.6)	10.8	27.1	13.9	19.0	723	20.1
Consumer Discretionary	8.8	23.7	12.8	(15.0)	38.2	43.2	967	38.6
Consumer Staples	0.2	6.9	0.1	10.1	17.7	17.7	515	18.2
Energy	9.8	26.9	6.6	27.7	12.0	8.8	2,978	11.6
Financials	4.1	8.8	8.8	18.4	32.0	38.0	7,723	29.6
Health Care	(15.4)	(2.3)	(6.2)	34.7	5.2	16.7	303	12.1
Industrials	18.5	(2.9)	32.4	(4.7)	18.9	32.9	549	28.4
Information Technology	(1.2)	8.3	0.0	8.6	11.9	13.2	1,526	8.8
Materials	3.5	11.6	30.5	7.6	(36.7)	(20.2)	1,323	(28.2)
Utilities	2.4	10.3	0.8	16.8	13.7	11.9	910	10.5
Nifty 50	4.7	11.5	9.0	14.8	16.1	20.8	17,516	15.8
Nifty 50 ex-Energy	3.6	8.7	9.5	12.1	17.0	23.7	14,538	16.7
Nifty 50 ex-Financials	5.1	13.7	9.2	12.5	5.7	9.8	9,794	6.8
Nifty 50 ex-energy ex-fin	3.1	8.4	10.4	6.8	3.0	10.3	6,815	4.8

Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

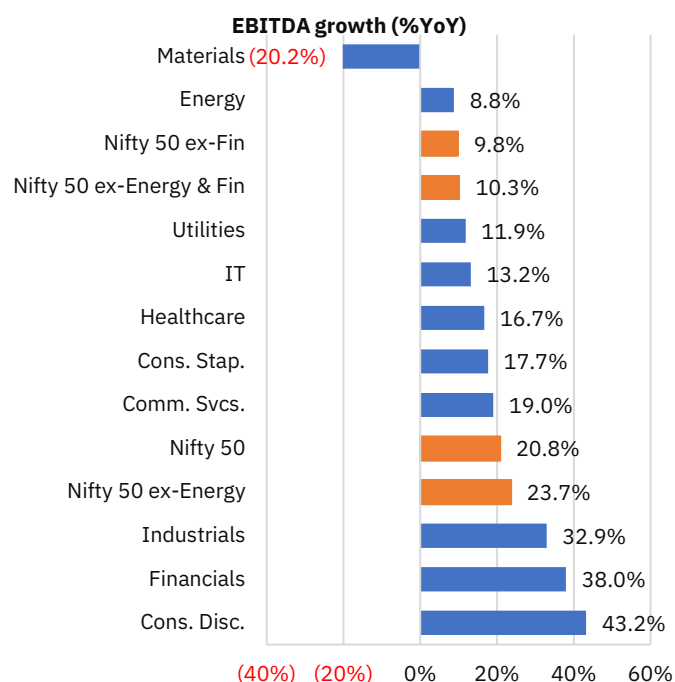
Note: The above table provides data for companies in the Nifty 50 index as on end of March 2023.

Table 4: EBITDA margin of Nifty 50 companies in Q4FY23

Sector	EBITDA Margin	QoQ change (bps)	YoY change (bps)
Communication Services	54.4	502	216
Consumer Discretionary	15.4	16	162
Consumer Staples	29.8	(3)	182
Energy	16.0	120	31
Financials	63.0	152	413
Health Care	24.9	(112)	113
Industrials	17.7	130	212
Information Technology	25.2	2	(54)
Materials	15.1	206	(406)
Utilities	42.7	(16)	(246)
Nifty 50	28.3	111	160
Nifty 50 ex-Energy	33.7	58	166
Nifty 50 ex-Financials	19.6	87	(17)
Nifty 50 ex-energy ex-fin	21.9	42	(64)

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 2023.

Figure 4: Sector-wise EBITDA growth of Nifty 50 companies in Q4FY23


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 2023.

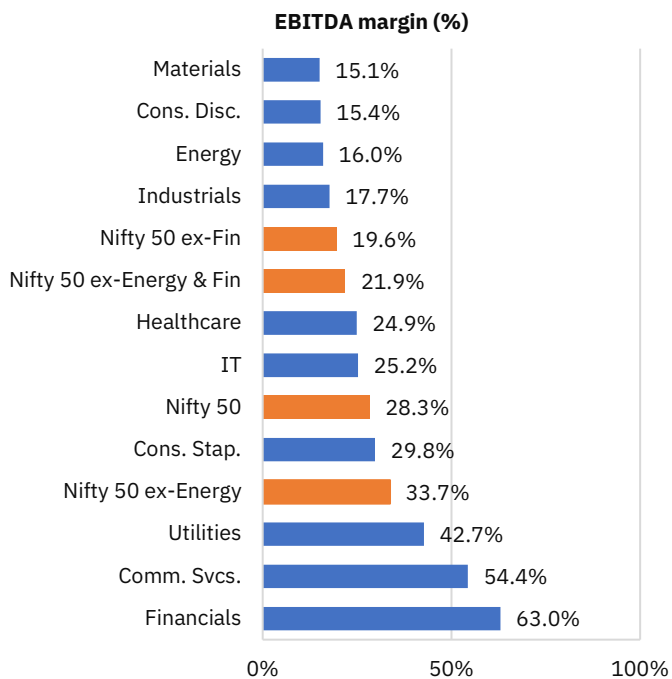
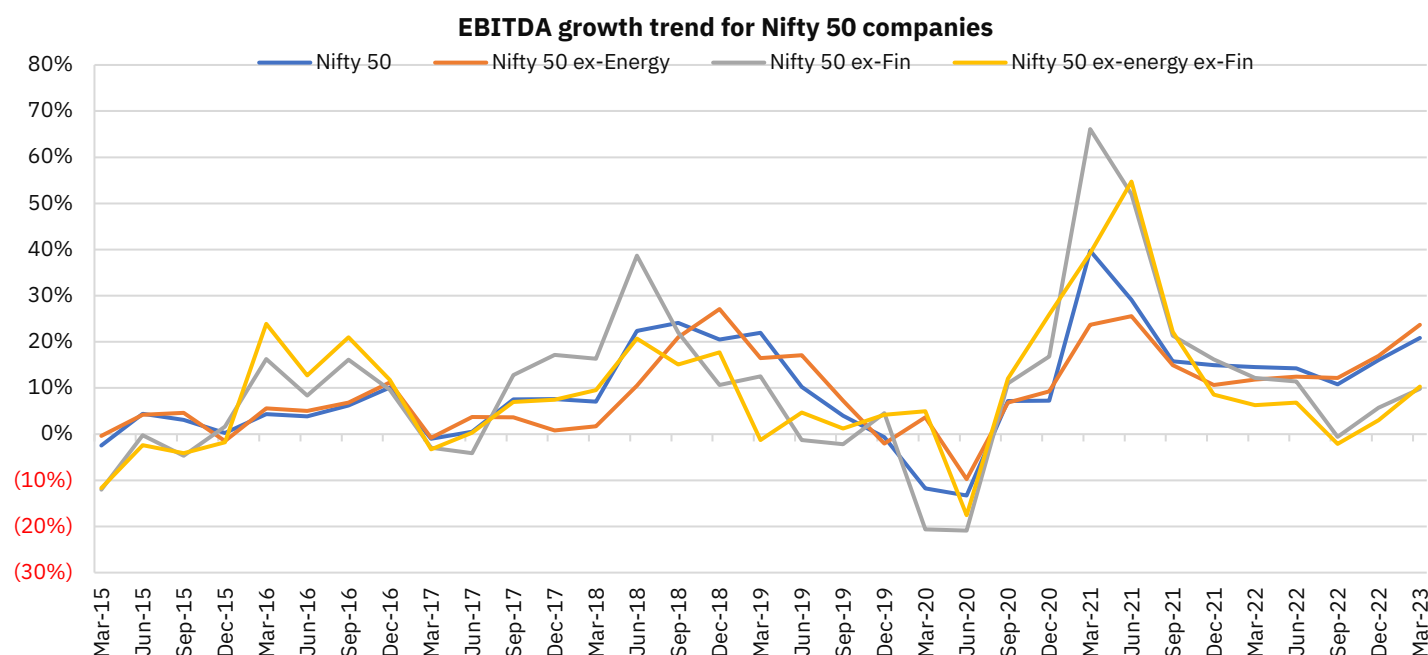
Figure 5: Sector-wise EBITDA margin of Nifty 50 companies in Q4FY23


Table 5: Sector-wise contribution of Nifty 50 companies to EBITDA growth in Q4FY23

Sector	EBITDA (Rsbn)	Contribution to EBITDA growth	
		% QoQ	% YoY
Communication Services	54.4	502	216
Consumer Discretionary	15.4	16	162
Consumer Staples	29.8	(3)	182
Energy	16.0	120	31
Financials	63.0	152	413
Health Care	24.9	(112)	113
Industrials	17.7	130	212
Information Technology	25.2	2	(54)
Materials	15.1	206	(406)
Utilities	42.7	(16)	(246)
Nifty 50	28.3	111	160
Nifty 50 ex-Energy	33.7	58	166
Nifty 50 ex-Financials	19.6	87	(17)
Nifty 50 ex-energy ex-fin	21.9	42	(64)

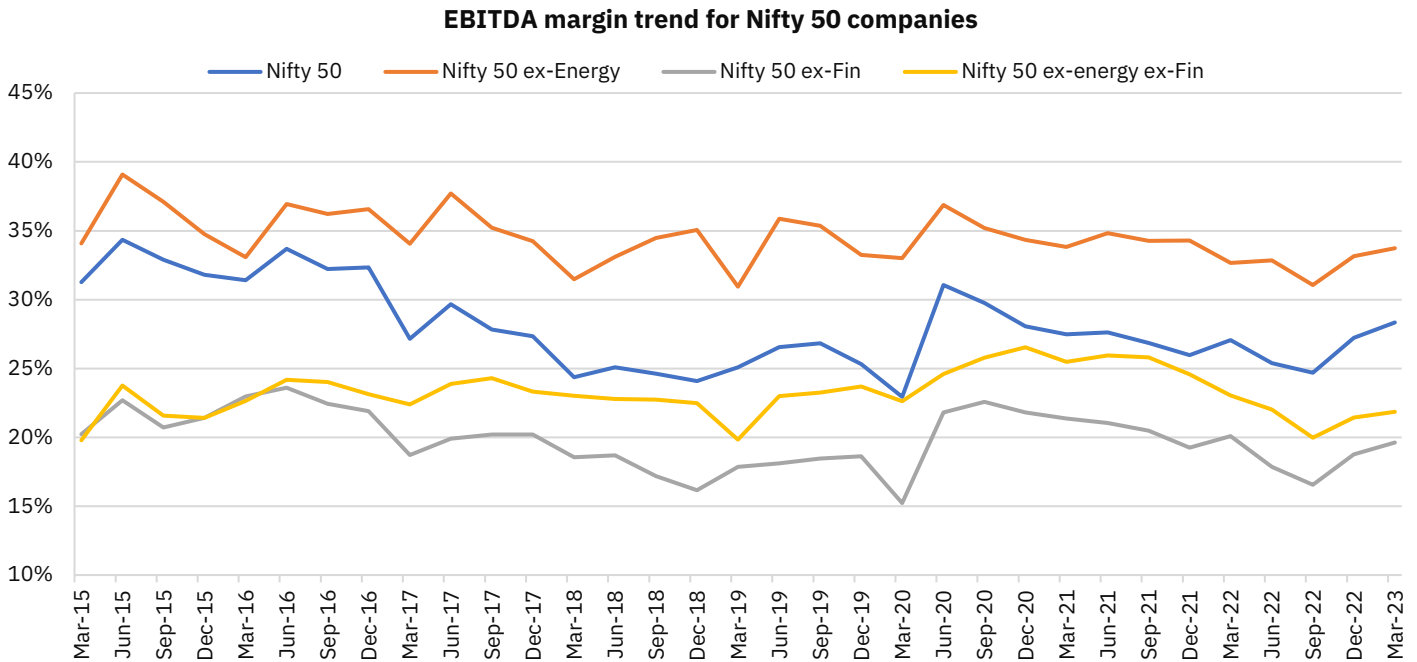
Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

Note: The above table provides data for companies in the Nifty 50 index as on end of March 2023

Figure 6: Quarterly trend of Nifty 50 EBITDA growth (YoY)


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: Quarterly 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.

Surge in interest and operating costs drag profit growth: The aggregate adjusted PAT for Nifty 50 companies grew by 11.3% YoY to Rs1.9trn, nearly 2pp higher than that in the previous quarter, but much lower than 22.5% YoY in the year-ago period. A meaningful dip in profits of Materials and Utilities weighed on overall profitability of Nifty 50 universe, partly attributed to margin contraction and higher interest expenses. While Financials sector posted impressive profit growth of 15.4% YoY, contributing 40% to the aggregate YoY profit expansion of the universe, PAT margin contracted 195bps YoY and 256bps QoQ due to higher wage bill and operating costs. Excluding Financials, aggregate net profit of Nifty 50 universe remained flat. Consumption sectors also performed well during the quarter, benefiting from continued demand and higher realisations. Within the Nifty 50 universe, 36 companies reported YoY growth in net income.

Table 6: PAT growth of Nifty 50 companies

Sector	QoQ growth			YoY growth			FY23	
	Mar-22	Dec-22	Mar-23	Mar-22	Dec-22	Mar-23	(Rsbn)	Growth (%)
Communication Services	54.4	(12.3)	61.7	167.2	62.3	69.9	123	95.5
Consumer Discretionary	25.6	65.7	29.2	(44.7)	118.7	125.1	342	198.4
Consumer Staples	(0.4)	3.6	1.8	9.1	17.5	20.0	353	20.2
Energy	3.1	36.6	16.5	21.2	5.2	18.9	1,432	1.7
Financials	8.3	7.7	(7.9)	40.1	35.8	15.4	2,276	30.6
Health Care	(18.0)	(3.3)	(8.0)	60.3	(0.6)	11.5	185	9.5
Industrials	37.5	0.9	60.5	(2.8)	25.0	45.9	218	33.2
Information Technology	2.0	8.2	0.3	22.7	10.7	8.9	977	6.3
Materials	9.7	14.3	96.9	27.1	(70.3)	(46.6)	467	(53.6)
Utilities	13.8	17.2	9.1	43.2	6.4	2.0	326	7.1
Nifty 50	7.3	15.3	9.6	22.5	8.9	11.3	6,699	8.3
Nifty 50 ex-Energy	8.5	10.5	7.6	22.8	10.0	9.2	5,267	10.3
Nifty 50 ex-Financials	6.8	20.1	19.4	16.4	(2.0)	9.6	4,423	(0.4)
Nifty 50 ex-energy ex-fin	8.6	13.0	20.9	14.5	(5.3)	5.5	2,991	(1.4)

Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

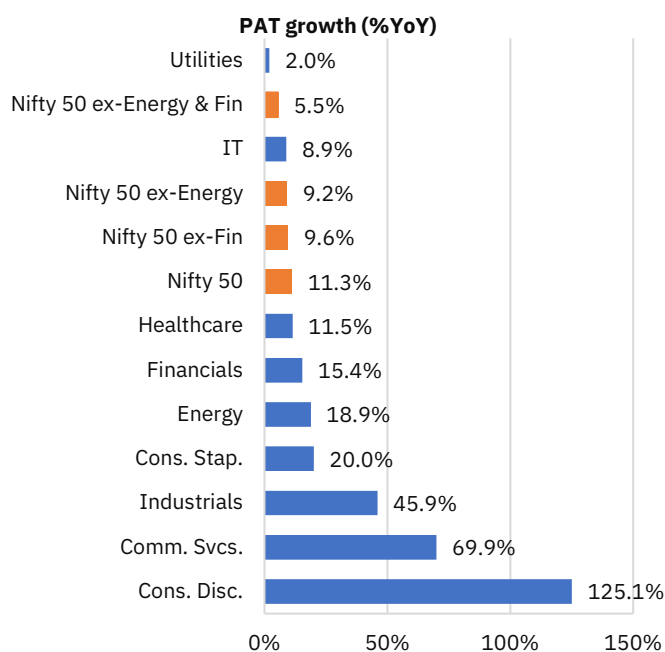
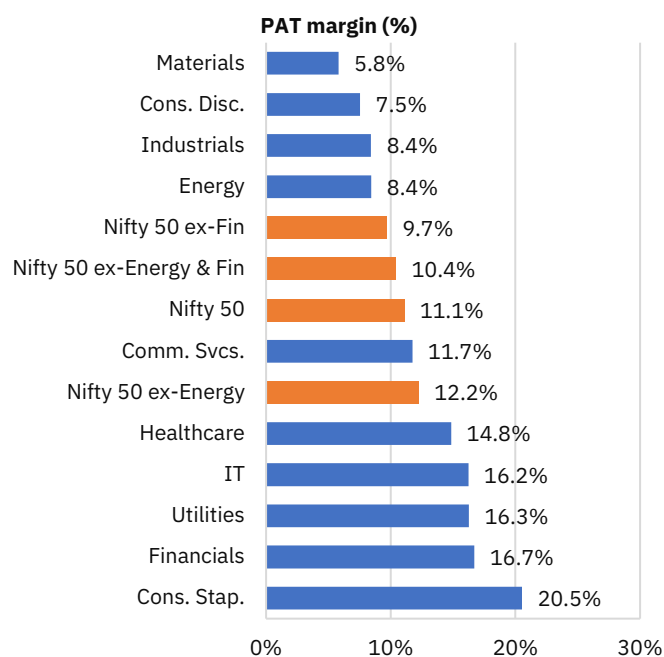
Note: 1. The above table provides data for companies in the Nifty 50 index as on end of March 2023.

Table 7: PAT margin of Nifty 50 companies in Q4FY23

Sector	PAT Margin	QoQ change (bps)	YoY change (bps)
Communication Services	11.7	444	384
Consumer Discretionary	7.5	103	325
Consumer Staples	20.5	31	164
Energy	8.4	129	87
Financials	16.7	(256)	(195)
Health Care	14.8	(98)	2
Industrials	8.4	198	166
Information Technology	16.2	5	(101)
Materials	5.8	248	(521)
Utilities	16.3	118	(260)
Nifty 50	11.1	49	(27)
Nifty 50 ex-Energy	12.2	(0)	(94)
Nifty 50 ex-Financials	9.7	122	(11)
Nifty 50 ex-energy ex-fin	10.4	109	(80)

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 2023.

Figure 8: Sector-wise PAT growth of Nifty 50 companies in Q4FY23

Figure 9: Sector-wise PAT margin of Nifty 50 companies in Q4FY23


Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

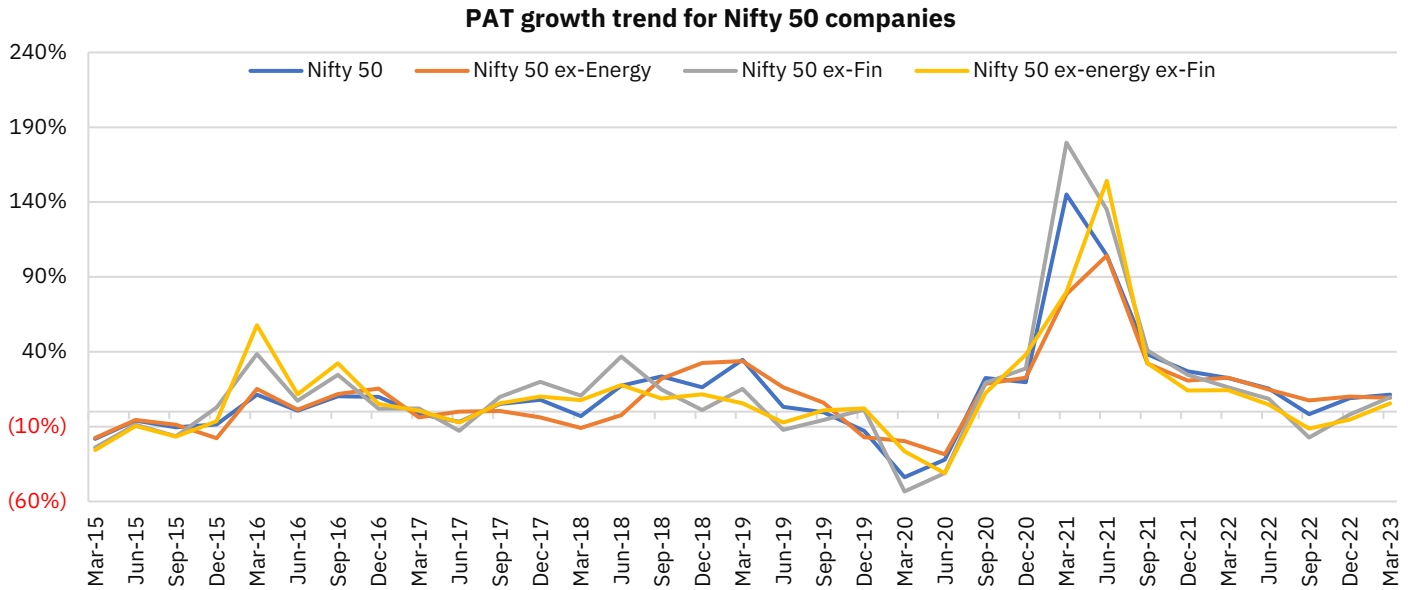
Note: The above charts provide data for companies in the Nifty 50 index as on end of March 2023.

Table 8: Sector-wise contribution of Nifty 50 companies to PAT growth in Q4FY23

Sector	PAT (Rsbn)	Contribution to PAT growth	
		% QoQ	% YoY
Communication Services	42	0.9	1.0
Consumer Discretionary	152	1.9	4.8
Consumer Staples	93	0.1	0.9
Energy	449	3.6	4.1
Financials	588	(2.9)	4.5
Health Care	43	(0.2)	0.3
Industrials	80	1.7	1.4
Information Technology	260	0.0	1.2
Materials	141	3.9	(7.1)
Utilities	92	0.4	0.1
Nifty 50	1,942	9.6	11.3
Nifty 50 ex-Energy	1,492	6.0	7.2
Nifty 50 ex-Financials	1,353	12.4	6.8
Nifty 50 ex-energy ex-fin	904	8.8	2.7

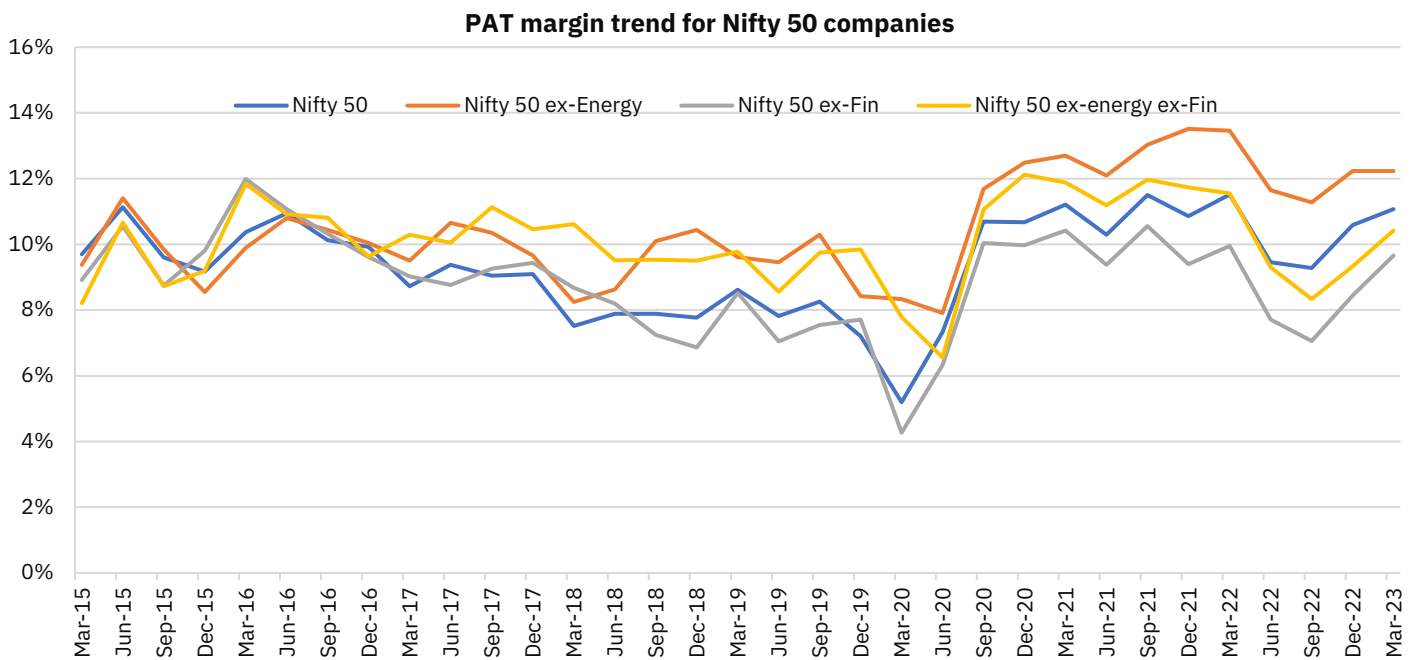
Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

Note: The above table provides data for companies in the Nifty 50 index as on end of March 2023.

Figure 10: Quarterly trend of Nifty 50 PAT growth (YoY)


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 Q4FY23 results

Revenue growth of Nifty 500 companies dropped to nine-quarter lows: Aggregate top-line for the Nifty 500 companies grew by 14.5% YoY in Q4FY23 to Rs34trn, lower than the 18.5% YoY growth in the previous quarter and 21.8% YoY growth in the corresponding quarter last year. While this growth rate was higher than the average growth rate of 7% for the corresponding periods during the previous five years in the pre-pandemic period (2015-19), it was the lowest in last nine quarters. Within the Nifty 500 universe, while 406 out of 497 companies recorded an YoY expansion in revenues, QoQ expansion was reported by relatively fewer companies (323/497).

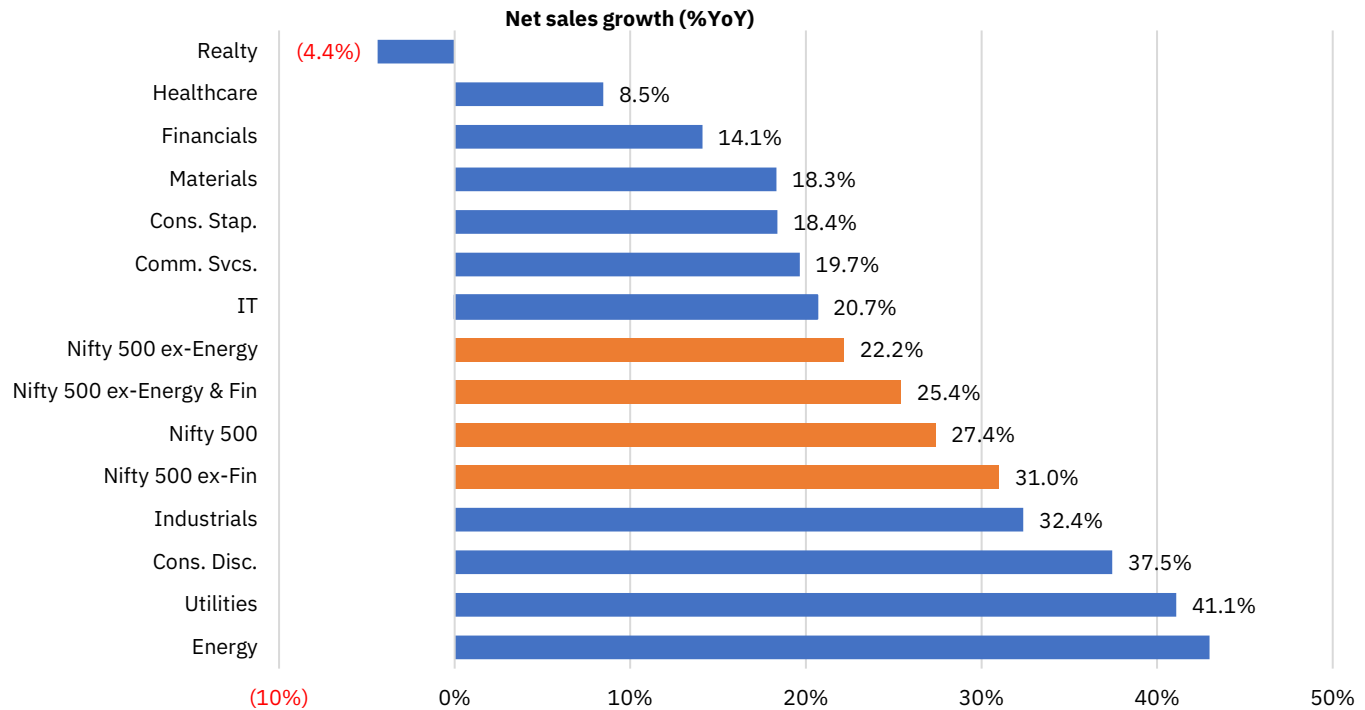
While all sectors posted revenue growth on an YoY basis, the growth was uneven and concentrated to two sectors. The Financial sector within the Nifty 500 universe posted stellar revenue growth, excluding which revenue growth stood at much lower 12.2% YoY and 4.5% QoQ. Barring these sectors, companies posted 12.2% YoY and 4.5% QoQ growth. Strong credit growth, robust net interest margins and improved asset quality were the drivers for strong performance of the Financials sector during the quarter. Consumer Discretionary sector also reported strong revenue growth, albeit off a low base, thanks to strong auto sales and demand for consumer services. Notably, Financials and Consumer Discretionary contributed 52.6% to the aggregate revenue growth of the Nifty 500 universe during the quarter.

Table 9: Net sales growth of Nifty 500 companies

Sector	QoQ growth			YoY growth			FY23	
	Mar-22	Dec-22	Mar-23	Mar-22	Dec-22	Mar-23	(Rsbn)	Growth (%)
Communication Services	2.4	3.5	(2.2)	16.9	14.3	9.2	2,767	15.4
Consumer Discretionary	10.9	6.8	12.3	8.4	23.4	26.3	15,478	28.3
Consumer Staples	21.4	1.3	(1.8)	8.9	11.9	12.8	4,667	17.5
Energy	8.1	(0.2)	(1.7)	38.8	20.0	9.1	36,783	32.4
Financials	4.3	0.3	35.9	7.3	21.3	25.1	32,912	42.0
Health Care	4.0	4.6	1.0	11.9	10.9	11.2	3,455	9.9
Industrials	29.6	0.5	18.9	18.4	18.8	13.9	9,659	28.0
Information Technology	3.5	8.2	0.4	19.6	22.7	19.3	8,364	20.7
Materials	14.6	(2.7)	8.6	33.2	7.6	2.7	19,080	14.0
Real Estate	51.7	29.1	30.1	16.4	12.7	7.3	411	13.8
Utilities	14.8	(3.1)	1.2	29.0	26.4	16.7	6,215	34.8
Nifty 500	10.5	1.1	10.7	21.8	18.5	14.5	139,792	28.6
Nifty 500 ex-Energy	11.4	1.5	15.4	16.4	18.0	16.5	103,009	27.3
Nifty 500 ex-Financials	11.9	1.3	4.5	25.7	17.7	12.2	106,880	24.9
Nifty 500 ex-energy ex-fin	13.9	2.1	7.8	19.9	16.5	13.7	70,098	21.4

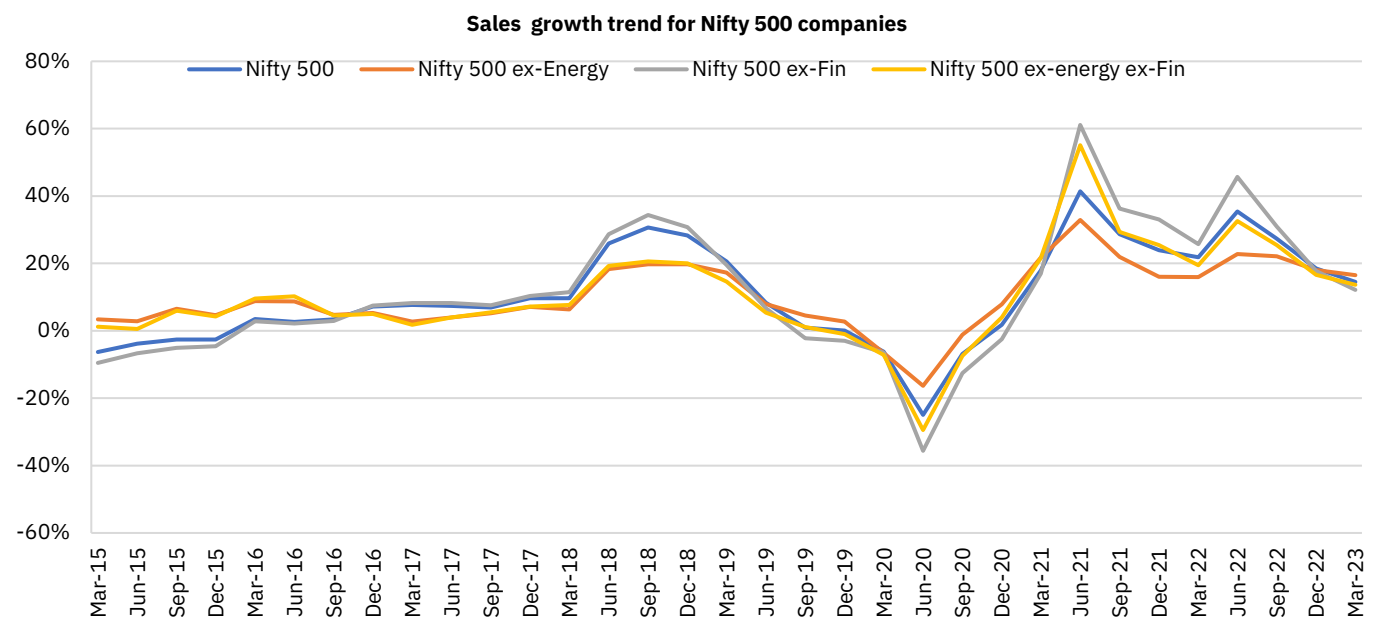
Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

Note: The above table provides data for companies in the Nifty 500 index as on end of March 2023.

Figure 12: Sector-wise net sales growth of Nifty 500 companies in Q4FY23


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 2023.

Figure 13: Quarterly Nifty 500 revenue growth trend (YoY)


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 Q4FY23

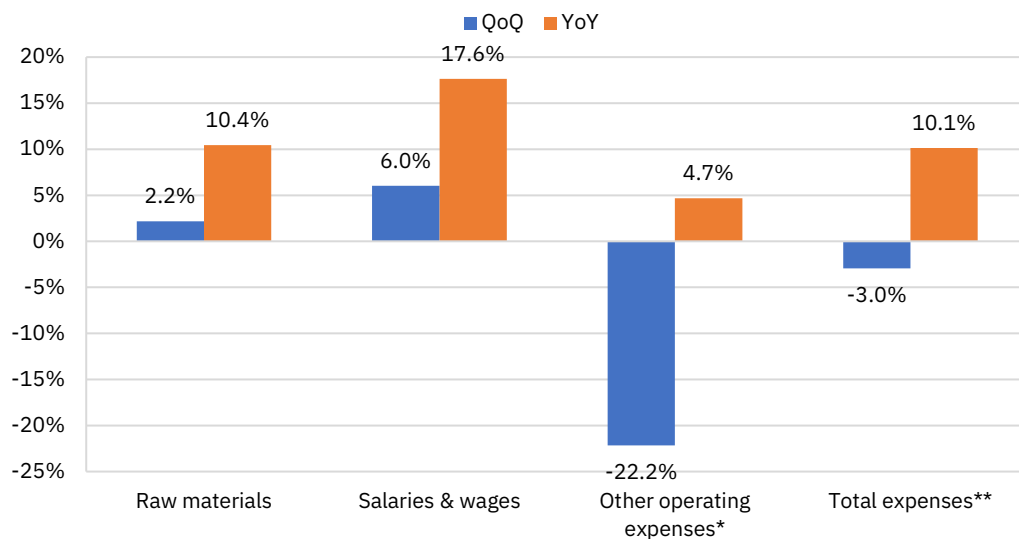
Sector	Net sales (Rsbn)	Contribution to net sales growth	
		% QoQ	% YoY
Communication Services	701	(0.0)	0.2
Consumer Discretionary	4,488	1.5	3.1
Consumer Staples	1,160	(0.1)	0.4
Energy	8,959	(0.5)	2.5
Financials	6,907	7.1	4.6
Health Care	898	0.0	0.3
Industrials	2,772	1.3	1.1
Information Technology	2,209	0.0	1.2
Materials	5,012	1.2	0.4
Real Estate	133	0.1	0.0
Utilities	1,525	0.1	0.7
Nifty 500	34,766	10.7	14.5
Nifty 500 ex-Energy	25,807	11.2	12.0
Nifty 500 ex-Financials	27,859	3.6	10.0
Nifty 500 ex-energy ex-fin	18,899	4.1	7.5

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 2023.

Lacklustre revenue growth weighed on operating income: Aggregate EBITDA for the Nifty 500 universe excluding Financials expanded by 6.1% YoY/14.1% QoQ to Rs9trn, dragged down by weak revenue growth and elevated operating costs. Consequently, operating margin for the Nifty500 companies contracted by 97bps YoY in the March quarter to 16.8%. However, margins improved sequentially by 142bps, thanks to moderation in input cost pressures during the quarter.

While total RM cost for the Nifty 500 universe excluding Financials rose by 10.4% YoY in the March quarter, it increased at a lower rate of 2.2% sequentially due to decline in commodity prices. RM to sales ratio declined 211bps YoY and 125bps QoQ. A majority of the share in increase in the overall raw material costs was contributed by Industrials sector (61%), which also reported better revenue growth during the quarter. Salaries and wage bill witnessed a significant increase at 17.6% YoY and 6% QoQ, resulting in expansion of wages to net sales ratio by 24bps YoY and 14bps QoQ. Forty six percent of the rise in wage bill was contributed by the Energy sector. Within the Nifty 500 universe 326 and 304 companies reported YoY and QoQ growth in operating revenue in the March quarter respectively.

Figure 14: Change in expenses for Nifty 500 companies (ex-Financials) in Q4FY23


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 2023.

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			FY23	
	Mar-22	Dec-22	Mar-23	Mar-22	Dec-22	Mar-23	(Rsbn)	Growth (%)
Communication Services	(9.1)	(5.2)	11.4	21.1	(15.8)	3.2	1,146	(4.4)
Consumer Discretionary	1.8	16.0	11.5	(11.4)	24.6	36.3	1,622	32.8
Consumer Staples	(1.3)	8.8	(8.7)	6.4	14.2	5.7	819	12.6
Energy	13.5	37.0	26.7	19.2	2.7	14.6	3,652	2.2
Financials	2.7	6.3	10.3	16.5	29.5	35.4	15,961	28.8
Health Care	(9.8)	14.3	(15.3)	7.5	3.3	(2.9)	774	(2.1)
Industrials	23.0	12.2	24.6	15.5	25.5	27.2	1,517	33.5
Information Technology	1.4	9.2	1.4	9.9	15.4	15.4	1,786	10.6
Materials	7.7	8.0	23.3	5.2	(27.4)	(16.9)	3,091	(21.8)
Real Estate	8.9	103.0	17.9	5.9	4.5	13.1	130	5.2
Utilities	21.8	(1.9)	6.5	15.4	6.6	(6.8)	1,779	6.6
Nifty 500	5.5	9.8	12.2	12.8	13.1	18.6	32,277	13.6
Nifty 500 ex-Energy	4.4	7.0	10.3	11.8	14.6	19.3	28,625	15.3
Nifty 500 ex-Financials	7.8	13.6	14.1	10.1	0.1	6.1	16,316	1.9
Nifty 500 ex-energy ex-fin	6.1	8.0	10.3	7.4	(0.6)	3.4	12,664	1.8

Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

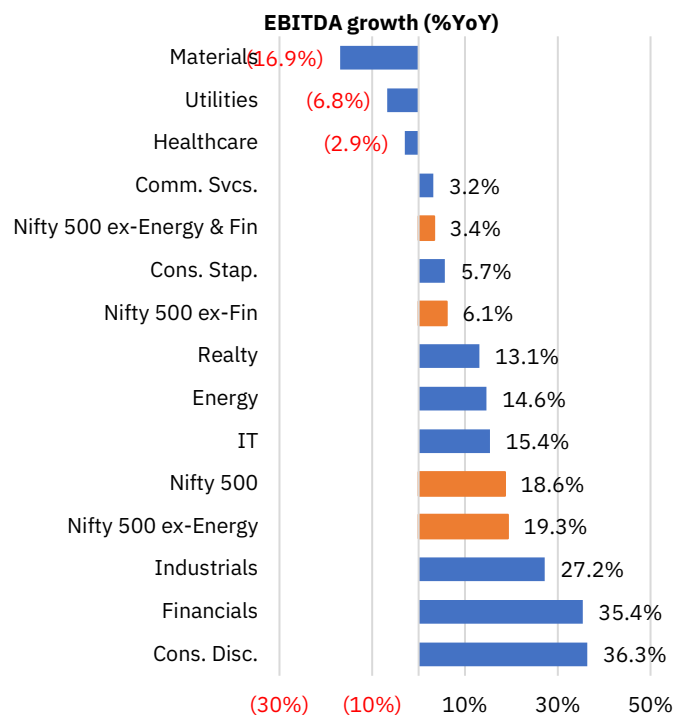
Note: The above table provides data for companies in the Nifty 500 index as on end of March 2023.

Table 12: EBITDA margin of Nifty 500 companies in Q4FY23

Sector	EBITDA Margin	QoQ change (bps)	YoY change (bps)
Communication Services	43.5	530	(254)
Consumer Discretionary	10.9	(8)	81
Consumer Staples	17.1	(130)	(115)
Energy	13.5	303	65
Financials	64.9	165	493
Health Care	20.2	(387)	(294)
Industrials	17.3	78	180
Information Technology	21.7	21	(73)
Materials	16.8	200	(398)
Real Estate	32.1	(332)	167
Utilities	29.5	147	(743)
Nifty 500	26.4	148	91
Nifty 500 ex-Energy	30.8	51	71
Nifty 500 ex-Financials	16.8	142	(97)
Nifty 500 ex-energy ex-fin	18.4	43	(183)

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 2023.

Figure 15: Sector-wise EBITDA growth of Nifty 500 companies in Q4FY23


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 2023.

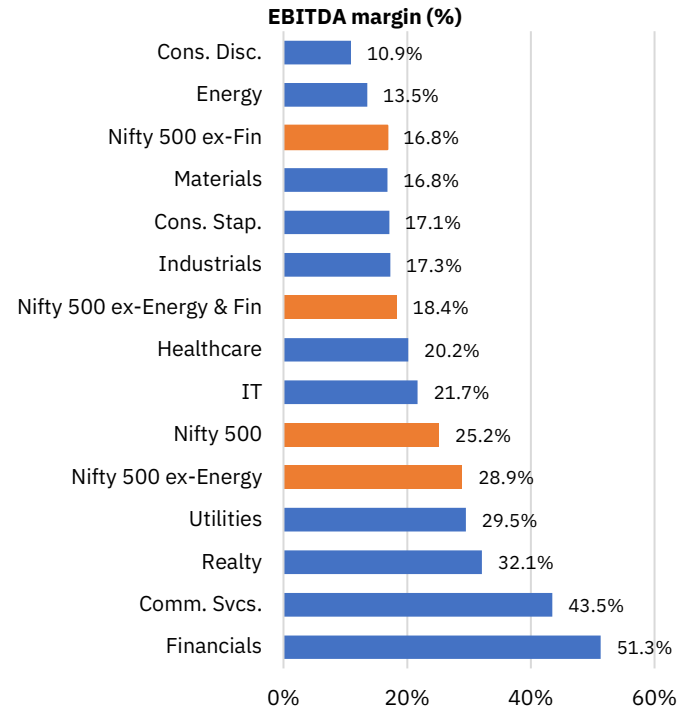
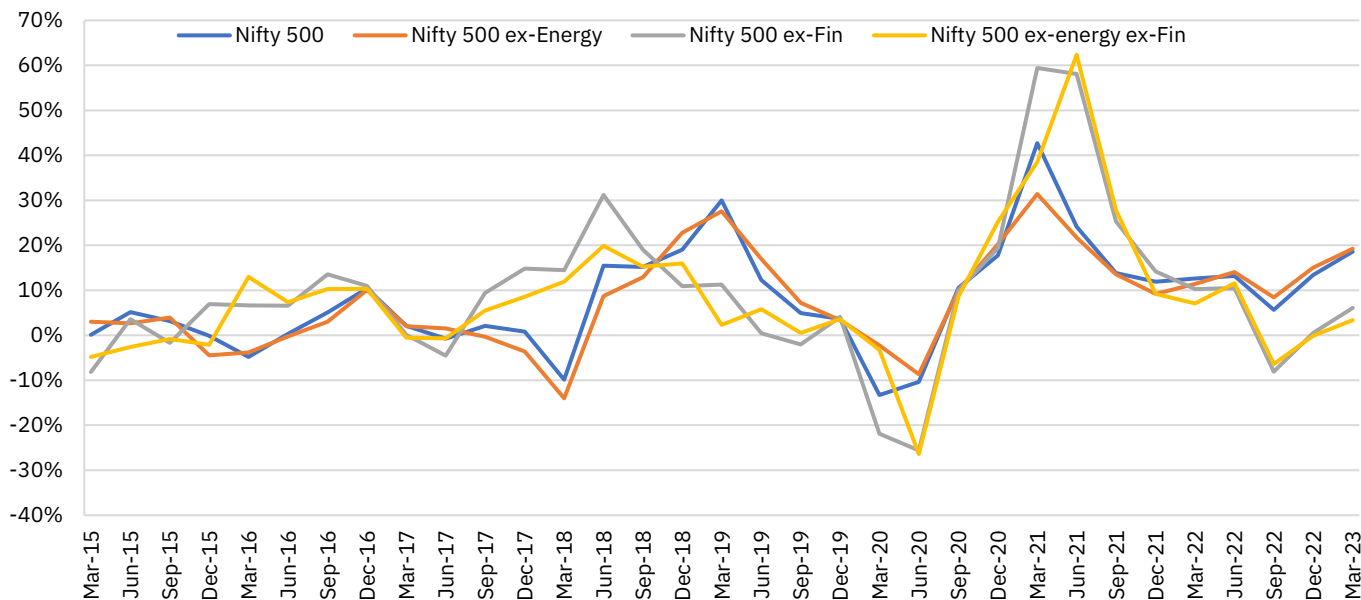
Figure 16: Sector-wise EBITDA margin of Nifty 500 companies in Q4FY23


Table 13: Sector-wise contribution of Nifty 500 companies to EBITDA growth in Q4FY23

Sector	EBITDA (Rsbn)	Contribution to EBITDA growth	
		% QoQ	% YoY
Communication Services	305	0.4	0.1
Consumer Discretionary	491	0.6	1.7
Consumer Staples	199	(0.2)	0.1
Energy	1,213	3.1	2.0
Financials	4,480	5.2	15.2
Health Care	181	(0.4)	(0.1)
Industrials	479	1.1	1.3
Information Technology	479	0.1	0.8
Materials	842	1.9	(2.2)
Real Estate	43	0.1	0.1
Utilities	449	0.3	(0.4)
Nifty 500	9,161	12.2	18.6
Nifty 500 ex-Energy	7,948	9.1	16.6
Nifty 500 ex-Financials	4,681	7.0	3.5
Nifty 500 ex-energy ex-fin	3,468	3.9	1.5

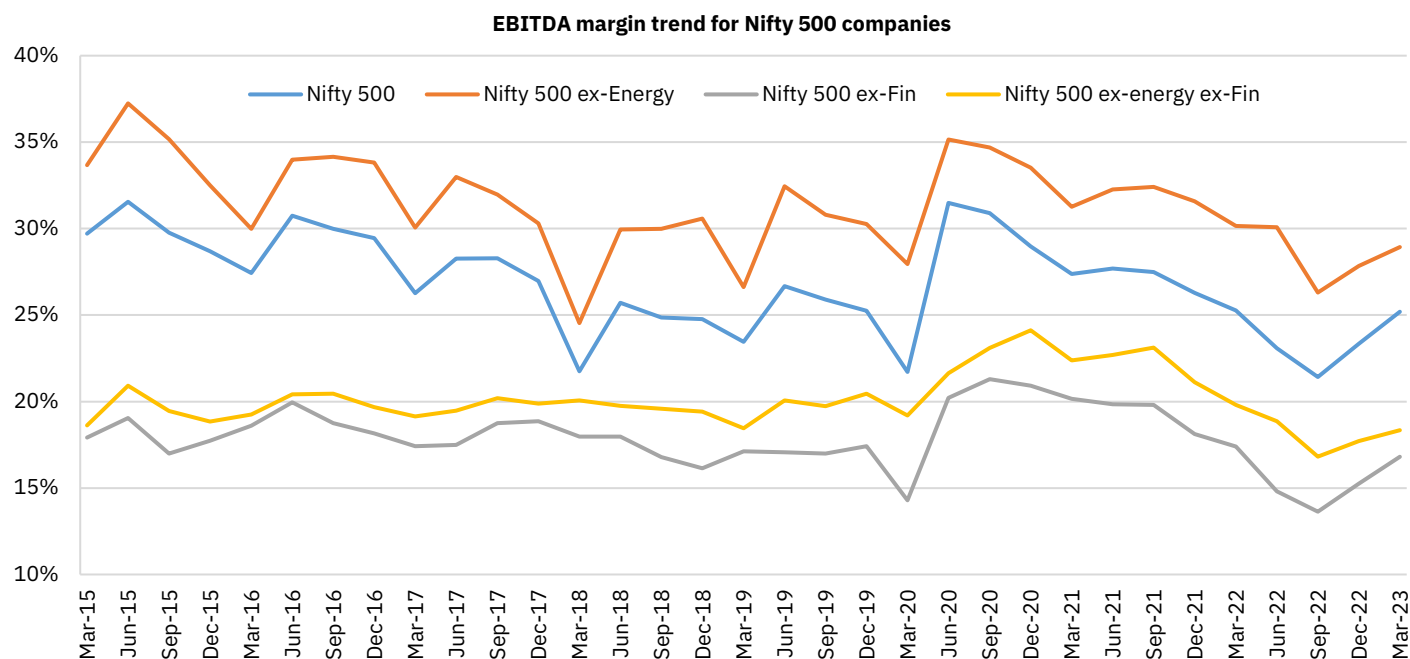
Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

Note: The above table provides data for companies in the Nifty 500 index as on end of March 2023.

Figure 17: Quarterly Nifty 500 EBITDA growth trend (YoY)
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.

Financials, Energy and Consumer Discretionary sectors pushed PAT growth: The aggregate adjusted PAT for the Nifty 500 companies increased by 10.3% YoY to Rs33trn in Q4FY23 vs. 4.4% YoY in the previous quarter and 21.5% last year. PAT margins contracted 37bps YoY to 9.5%. Financials, Energy and Cons. Discretionary sectors were major contributors to the profit growth in the quarter gone by. Barring these sectors, aggregate profit fell by 9.8% YoY in Q4. Interest cost burden for the Nifty 500 universe (incl. Financials) rose by 33% YoY. Within the Nifty 500 universe, 285 and 200 companies reported a profit expansion on a YoY and QoQ basis in the March quarter.

Table 14: PAT growth of Nifty 500 companies

Sector	QoQ growth			YoY growth			FY23	
	Mar-22	Dec-22	Mar-23	Mar-22	Dec-22	Mar-23	(Rsbn)	Growth (%)
Communication Services	(120.5)	NA	NA	NA	(256.1)	NA	-95	(501.4)
Consumer Discretionary	1.5	37.8	25.3	(35.6)	51.7	87.3	599	101.2
Consumer Staples	0.7	8.6	(14.1)	7.8	13.5	(3.2)	514	10.8
Energy	12.3	67.4	47.0	13.8	(6.9)	21.8	1,665	(11.2)
Financials	6.4	0.6	3.4	67.0	43.3	26.0	4,383	47.7
Health Care	(21.4)	21.1	(27.0)	2.8	(13.8)	(20.0)	365	(15.2)
Industrials	35.8	35.7	37.2	15.5	38.8	40.2	633	52.0
Information Technology	4.4	9.7	1.7	21.6	14.3	11.2	1,119	7.8
Materials	12.5	8.9	50.5	4.6	(51.7)	(35.4)	1,305	(39.7)
Real Estate	1.6	644.1	41.6	59.7	10.4	53.8	64	23.3
Utilities	39.6	(15.0)	44.6	24.9	(15.3)	(12.3)	698	2.6
Nifty 500	8.7	13.0	18.9	21.5	4.4	10.3	11,250	8.1
Nifty 500 ex-Energy	8.0	6.7	13.8	23.4	6.7	7.8	9,585	12.3
Nifty 500 ex-Financials	9.7	23.7	29.6	8.8	(12.2)	3.7	6,867	(7.7)
Nifty 500 ex-energy ex-fin	8.8	13.3	23.5	7.1	(13.9)	(2.4)	5,202	(6.5)

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 2023.

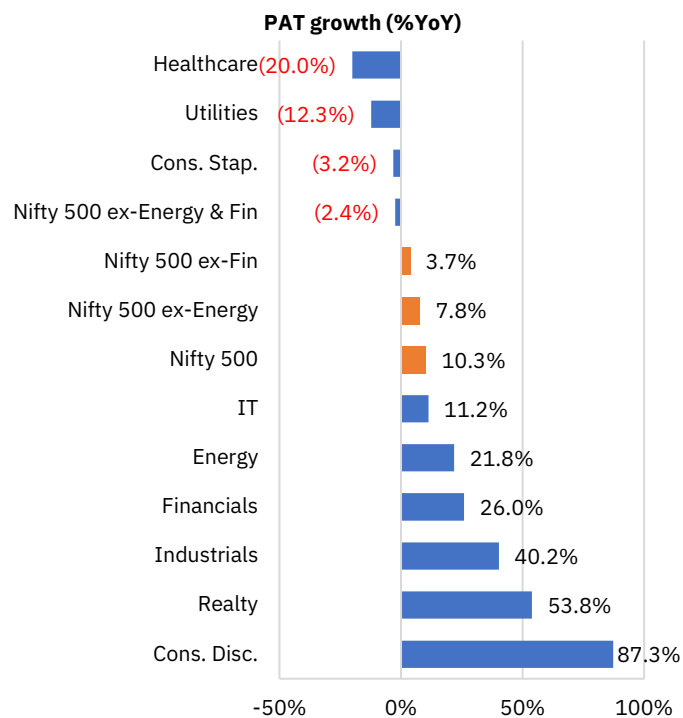
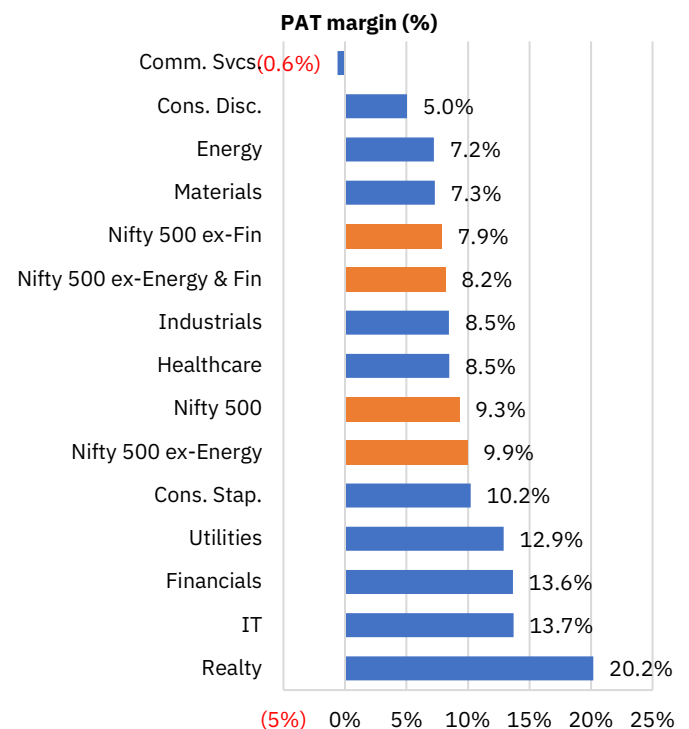
2. NA: Not Applicable

Table 15: PAT margin of Nifty 500 companies in Q4FY23

Sector	PAT Margin	QoQ change (bps)	YoY change (bps)
Communication Services	(0.6)	499	21
Consumer Discretionary	5.0	53	164
Consumer Staples	10.2	(147)	(168)
Energy	7.2	240	75
Financials	16.1	(187)	11
Health Care	8.5	(325)	(330)
Industrials	8.5	112	159
Information Technology	13.7	17	(99)
Materials	7.3	203	(431)
Real Estate	20.2	164	611
Utilities	12.9	387	(427)
Nifty 500	9.5	86	(37)
Nifty 500 ex-Energy	10.3	20	(83)
Nifty 500 ex-Financials	7.9	152	(64)
Nifty 500 ex-energy ex-fin	8.2	104	(134)

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 2023.

Figure 19: Sector-wise PAT growth of Nifty 500 companies in Q4FY23

Figure 20: Sector-wise PAT margin of Nifty 500 companies in Q4FY23


Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

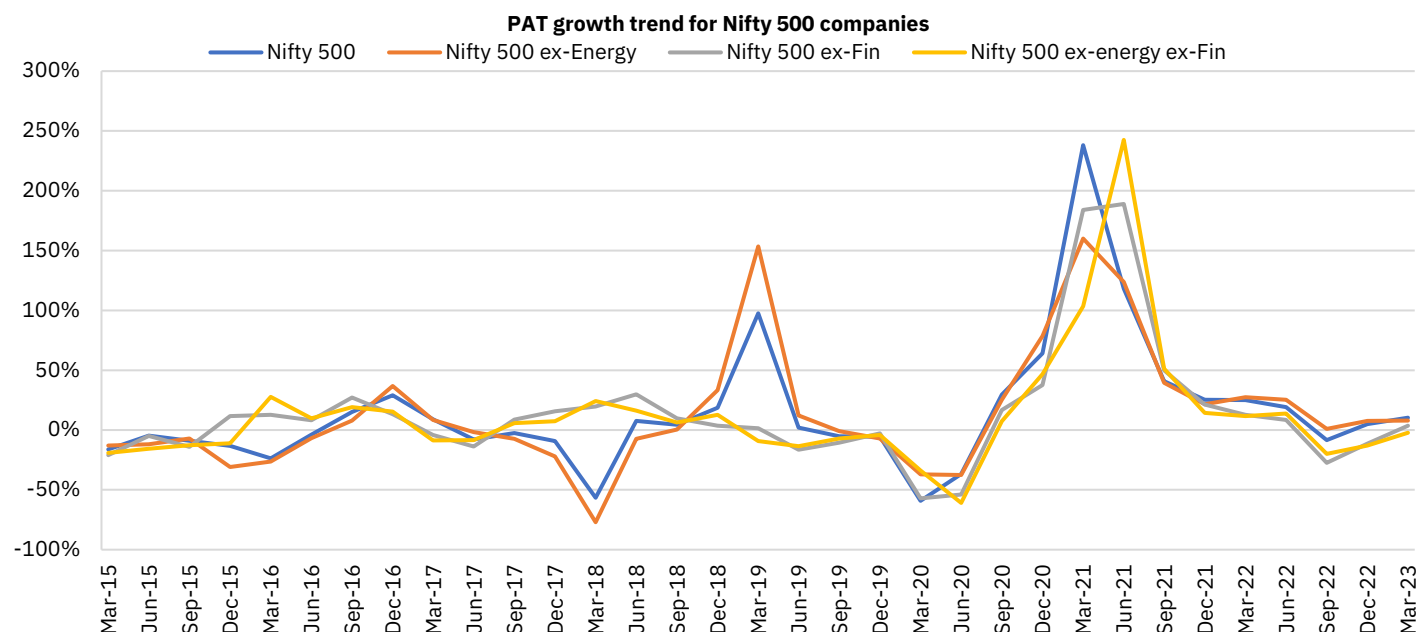
Note: The above charts provide data for companies in the Nifty 500 index as on end of March 2023.

Table 16: Sector-wise contribution of Nifty 500 companies to PAT growth in Q4FY23

Sector	PAT (Rsbn)	Contribution to PAT growth	
		% QoQ	% YoY
Communication Services	(4)	1.2	0.0
Consumer Discretionary	226	1.6	3.5
Consumer Staples	119	(0.7)	(0.1)
Energy	649	7.2	3.9
Financials	1,109	1.4	7.6
Health Care	76	(1.0)	(0.6)
Industrials	234	2.2	2.2
Information Technology	303	0.2	1.0
Materials	366	4.3	(6.7)
Real Estate	27	0.3	0.3
Utilities	197	2.1	(0.9)
Nifty 500	3,300	18.9	10.3
Nifty 500 ex-Energy	2,652	11.6	6.4
Nifty 500 ex-Financials	2,192	17.5	2.6
Nifty 500 ex-energy ex-fin	1,543	10.2	(1.2)

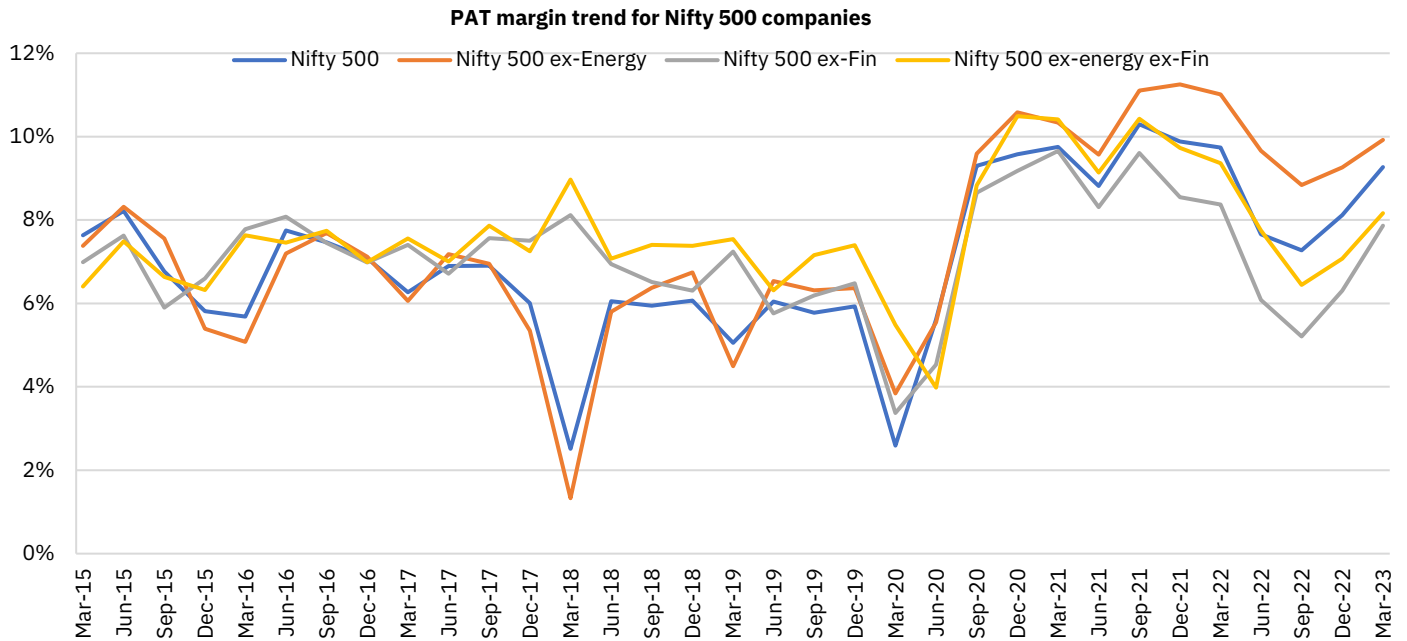
Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

Note: The above table provides data for companies in the Nifty 500 index as on end of March 2023.

Figure 21: Quarterly Nifty 500 PAT growth trend (YoY)


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.

Company-wise distribution analysis of Nifty 500 corporate earnings

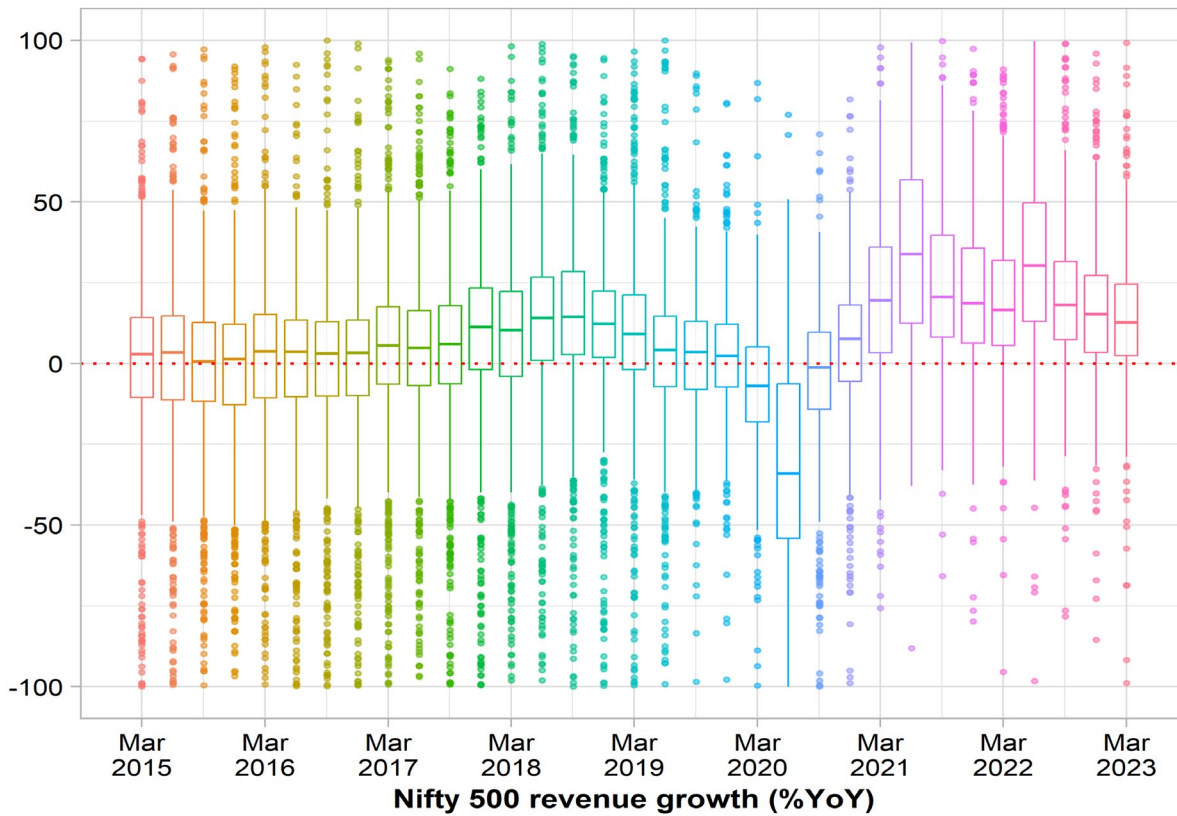
Revenue growth divergence of Nifty 500 companies has come off further: The median and mean revenue growth for the Nifty 500 companies came off for the third quarter in a row in Q4FY23. This was accompanied with reduced divergence in revenue growth from the median growth rate over the last three quarters after a significant increase post the onset of the COVID-19 pandemic, as visible from the narrowing bands of the interquartile ranges (IQR). Notwithstanding tighter IQRs, number of outliers has increased significantly in the fourth quarter, particularly on the higher side despite the drop in median/mean revenue growth. Notably, outliers on the negative side—number of companies reporting significant decline in revenue growth—has also come off in recent quarters. Further, the difference between the median and mean revenue growth has also reduced.

The table below shows that performance across quantiles and financial parameters has improved in the last nine years. While the IQR of revenue growth rate of Nifty 500 was predominantly tighter, the IQR of EBITDA growth is relatively divergent. The IQR of operating margins, however, is narrower compared to EBITDA growth, with the median margin remaining fairly stable across quarters. PAT growth closely follows the trend in EBITDA growth.

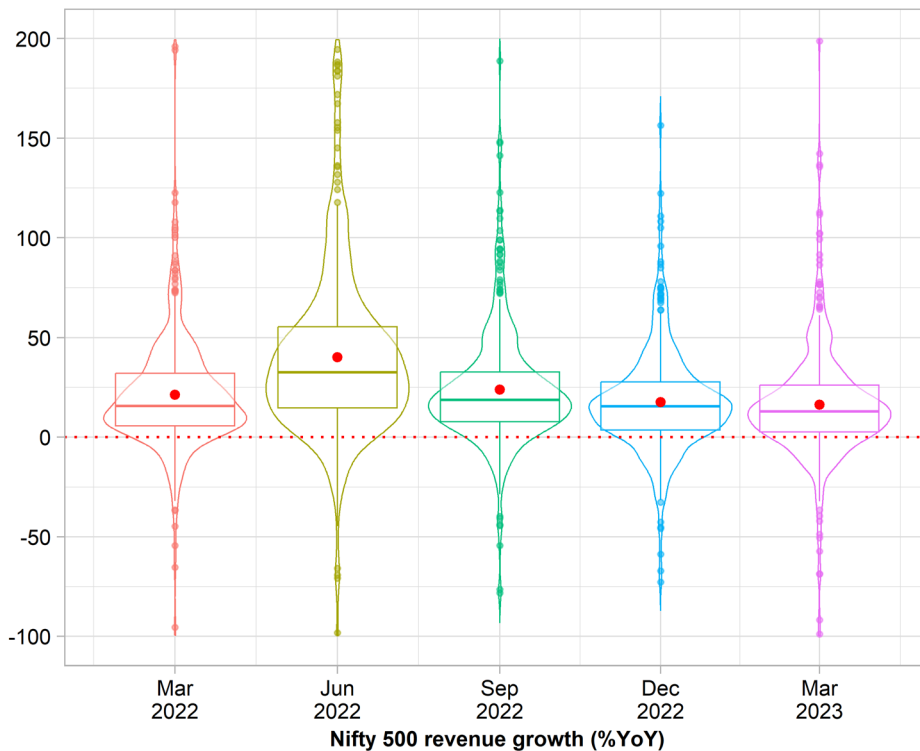
Table 17: Interquartile range across performance parameters in March quarters of last nine years

Quarters	Revenue Growth (%YoY)			EBITDA Growth (%YoY)			PAT Growth (%YoY)			EBITDA Margin (%)			PAT Margin (%)		
	25%	50%	75%	25%	50%	75%	25%	50%	75%	25%	50%	75%	25%	50%	75%
Mar-15	-8.8	4.0	15.9	-25.2	5.0	32.5	-40.7	2.8	43.2	7.2	13.9	21.9	-0.1	5.0	11.3
Mar-16	-8.4	4.8	17.7	-14.4	14.8	45.3	-35.4	14.4	51.2	8.5	15.6	24.5	0.4	5.6	12.6
Mar-17	-5.4	6.4	20.3	-21.8	2.8	26.5	-32.3	4.4	40.8	8.2	14.7	23.9	0.9	6.2	12.9
Mar-18	-3.3	11.0	24.7	-15.5	13.3	42.2	-24.9	10.7	56.4	8.3	15.5	24.6	1.3	6.7	13.7
Mar-19	-0.1	10.9	25.0	-19.1	6.9	33.3	-29.6	6.9	42.9	8.2	14.8	23.9	1.2	6.9	12.9
Mar-20	-17.4	-3.7	8.3	-36.3	-8.1	14.9	-67.7	-21.5	11.9	10.7	16.5	24.9	1.3	6.8	13.1
Mar-21	1.1	18.3	36.0	5.9	34.6	71.3	8.7	47.9	125.6	13.7	19.9	27.9	5.7	10.6	16.9
Mar-22	5.0	15.4	31.6	-12.9	8.2	35.1	-20.8	12.2	47.2	11.7	18.5	26.3	5.9	11.3	17.2
Mar-23	3.2	14.0	28.7	-12.0	10.6	37.3	-22.7	13.1	46.3	12.4	17.5	25.5	5.2	9.9	16.9

Source: CMIE Prowess, Refinitiv Datastream, NSE EPR. Note: EBITDA growth and EBITDA margin excludes financial companies.

Figure 23: Distribution of revenue growth of Nifty 500 companies across quarters


Source: CMIE Prowess, Refinitiv Datastream, NSE EPR. Note: The horizontal line in the middle of the box denotes the median, with the top and bottom lines of the box denoting 75th and 25th percentile respectively.

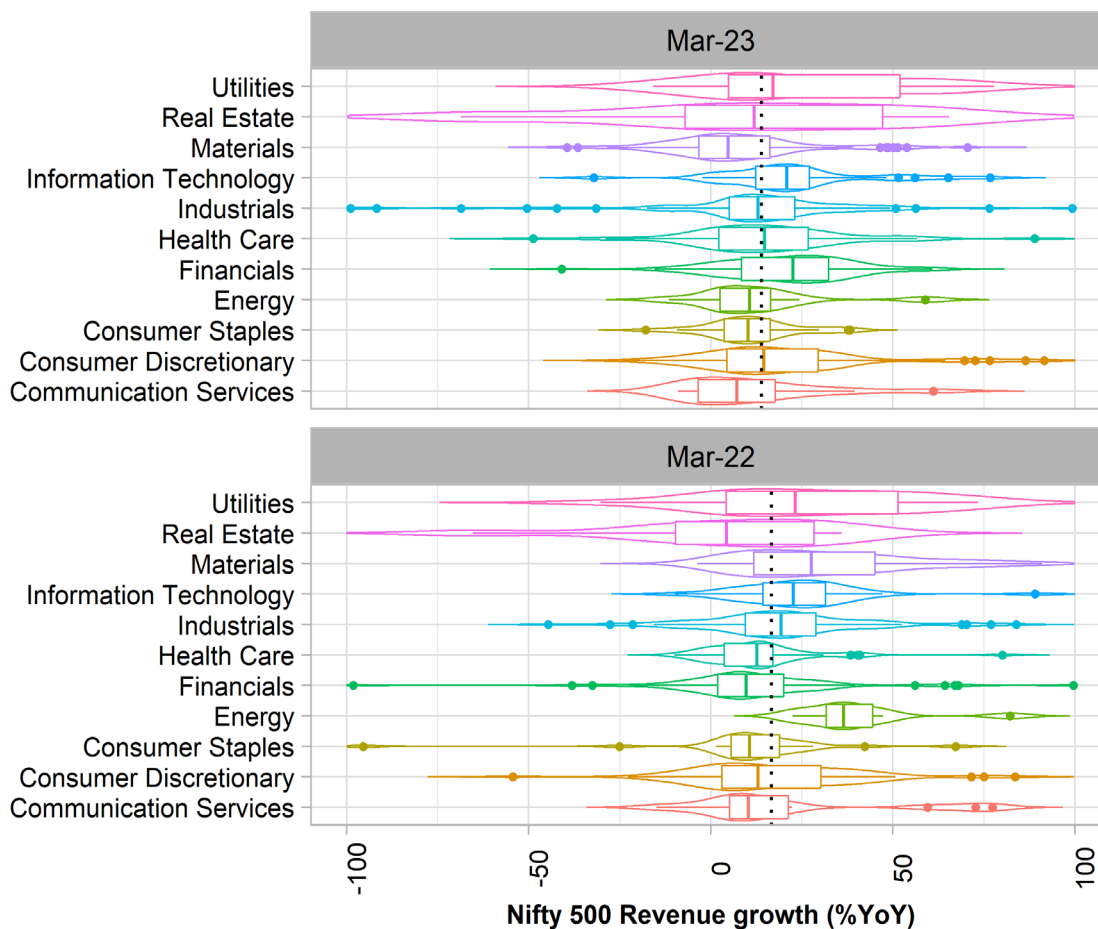
Figure 24: Distribution of revenue growth of Nifty 500 companies across last five quarters


Source: CMIE Prowess, Refinitiv Datastream, NSE EPR. Note: A violin plot depicts distributions of numeric data for one or more groups using density curves. The width of each curve corresponds with the approximate frequency of data points in each region. The red dot denotes mean for the quarter, and the horizontal line in the middle of the box denotes the median. The top and bottom lines of the box denote 75th and 25th percentile respectively.

Revenue growth variation reduced for Materials but widened for Healthcare and Financials: The chart below shows the revenue growth distribution across sectors within the Nifty 500 universe. The divergence in revenue growth across companies at the sector level was the lowest in Consumer Staples and Energy, and the highest in Utilities and Real Estate. While Materials saw the divergence across companies coming off meaningfully in Q4 FY23 as compared to the year-ago period, that in Healthcare and Financials widened. Further, all sectors barring Information Technology and Financials saw median revenue growth coming off as compared to the year-ago period.

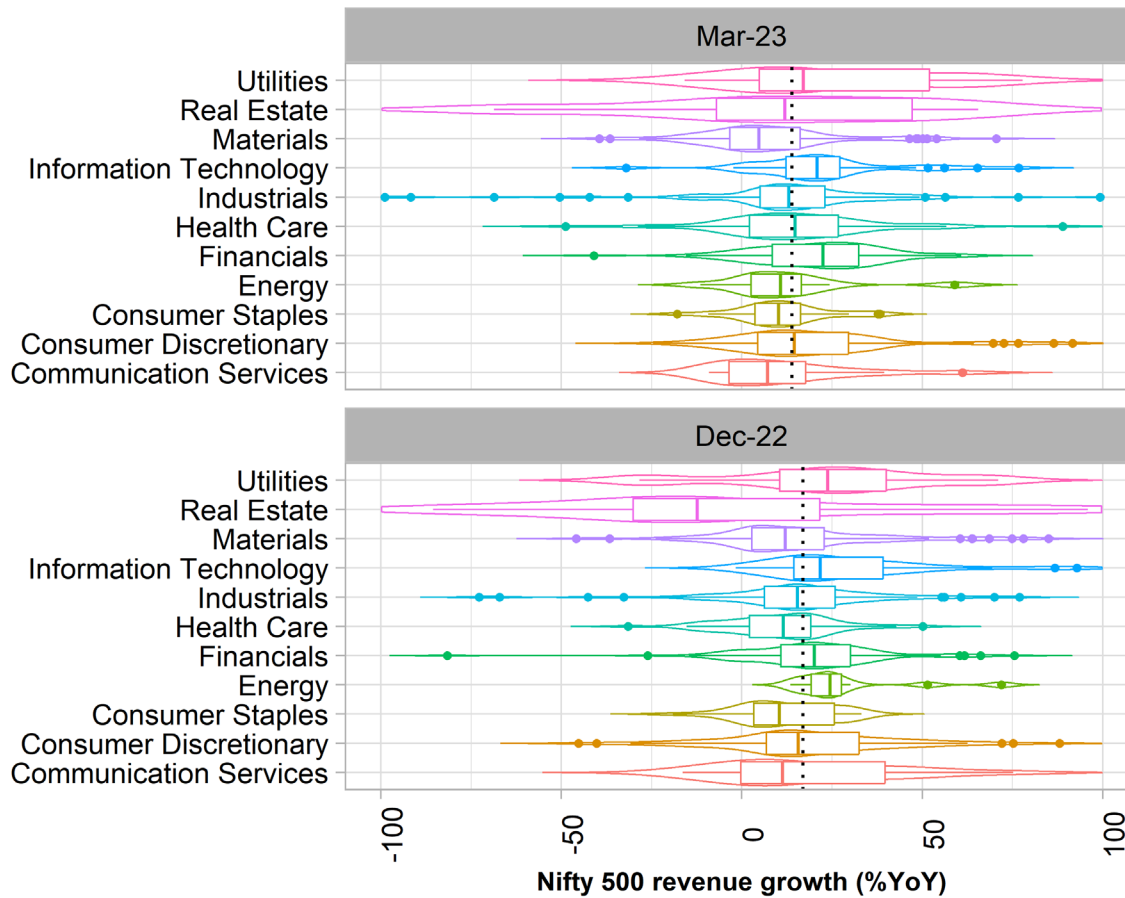
Inter-quartile range on a QoQ basis widened for Utilities, Healthcare and Financials, indicating sequentially higher divergence in revenue growth, while that for Information Technology, Consumer Staples and Communication services came off.

Figure 25: Distribution of revenue growth of Nifty 500 companies by sectors in Q4FY23 vs Q4FY22



Source: CMIE Prowess, Refinitiv Datastream, NSE EPR. Note: The dotted line denotes median for the quarter.

Figure 26: Distribution of revenue growth of Nifty 500 companies by sectors in Q4FY23 vs Q3FY23

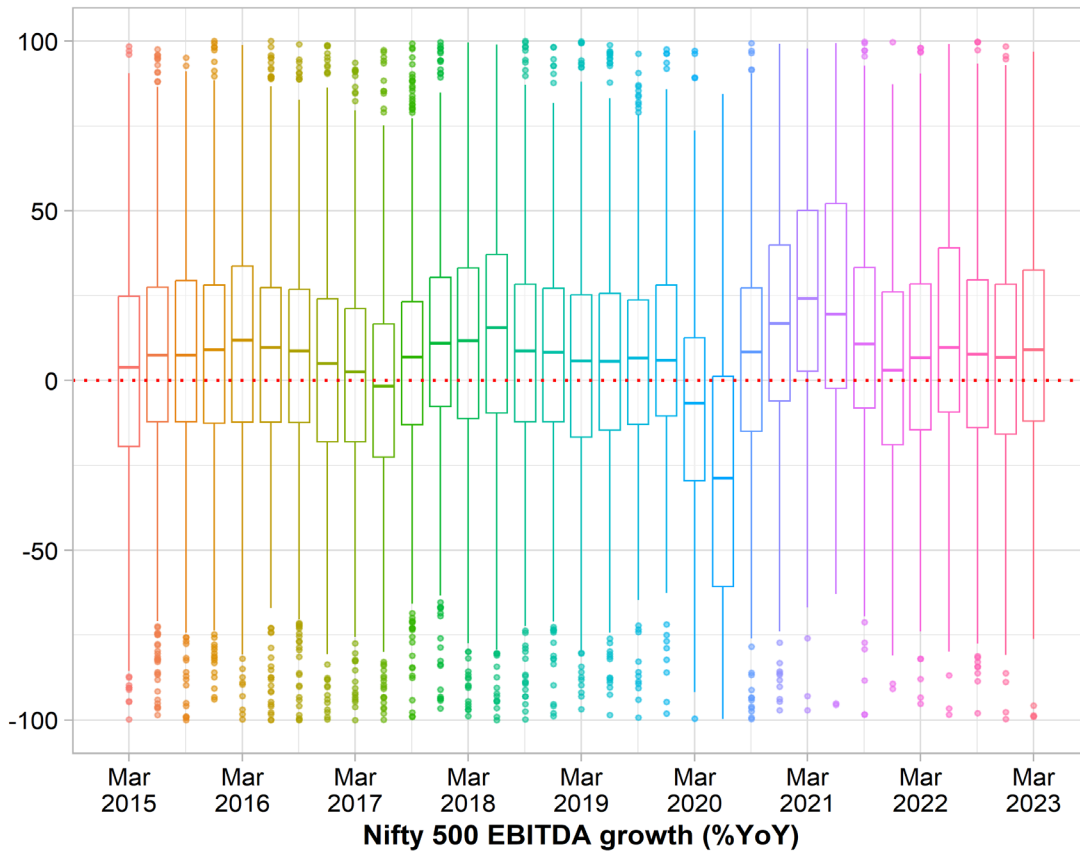


Source: CMIE Prowess, Refinitiv Datastream, NSE EPR. Note: The dotted line denotes median for the quarter.

Inter-quartile range for EBITDA growth has moved higher but has remained steady:

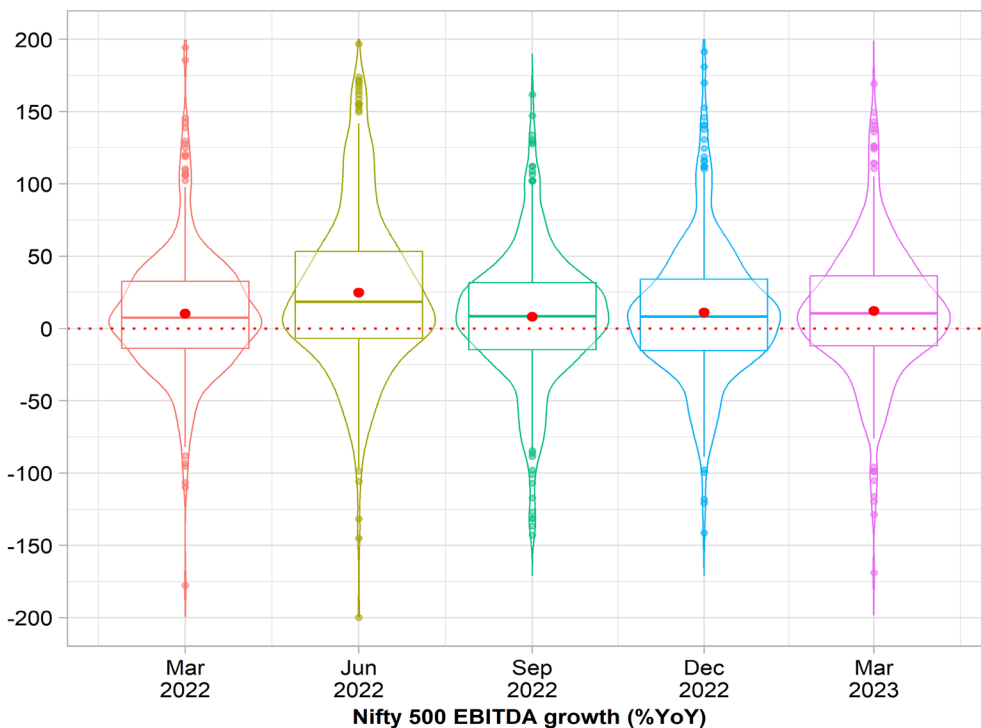
The divergence in the operating income growth remained fairly steady on a QoQ as well as YoY basis in the fourth quarter, after widening marginally in the previous quarter, even as it wider than that seen for revenue growth. Further, similar to the trend seen in revenue growth distribution, outliers in terms of EBITDA growth also increased in the fourth quarter. Notably, the median and mean EBITDA growth has moved in alignment over the last three quarters. Unlike revenue growth, mean as well as median EBITDA growth improved marginally on a QoQ basis, reflecting the impact of sequential easing of input price pressures. Consequently, median and mean margins across companies improved in the fourth quarter, but with tighter IQRs, even as the outliers on the lower side increased sequentially.

Figure 27: Distribution of EBITDA growth of Nifty 500 companies (excl. Financials) across quarters

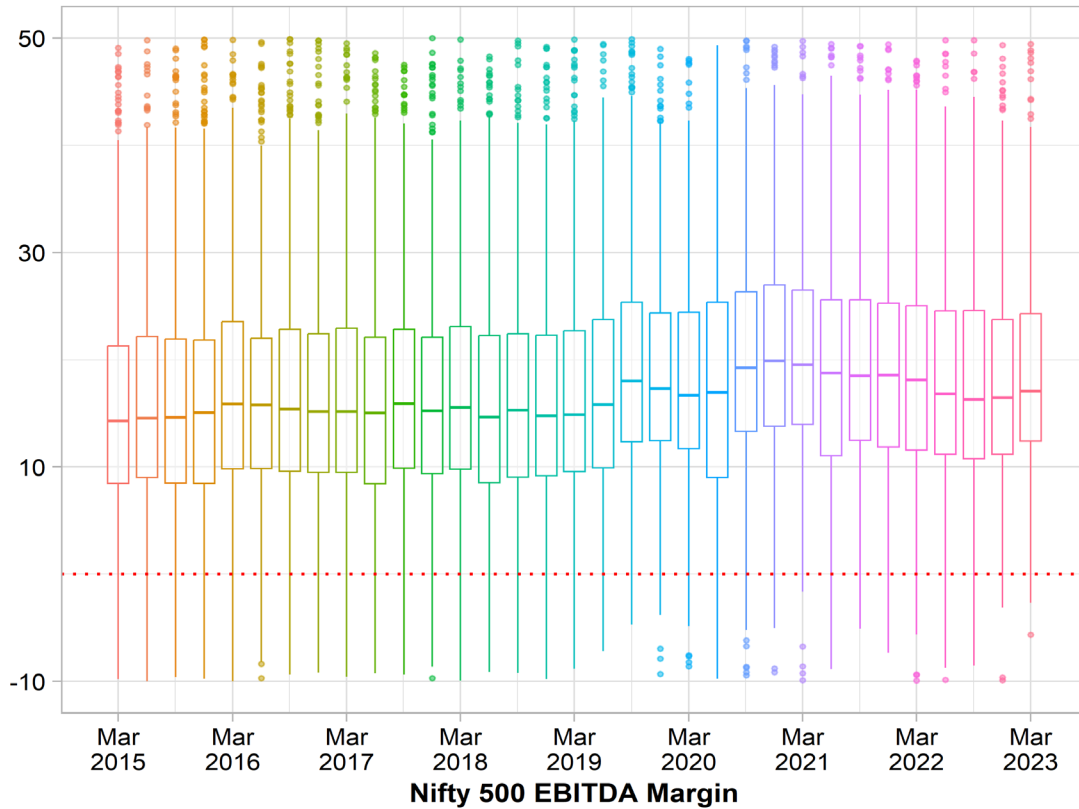


Source: CMIE Prowess, Refinitiv Datastream, NSE EPR. Note: The horizontal line in the middle of the box denotes the median, with the top and bottom lines of the box denoting 75th and 25th percentile respectively.

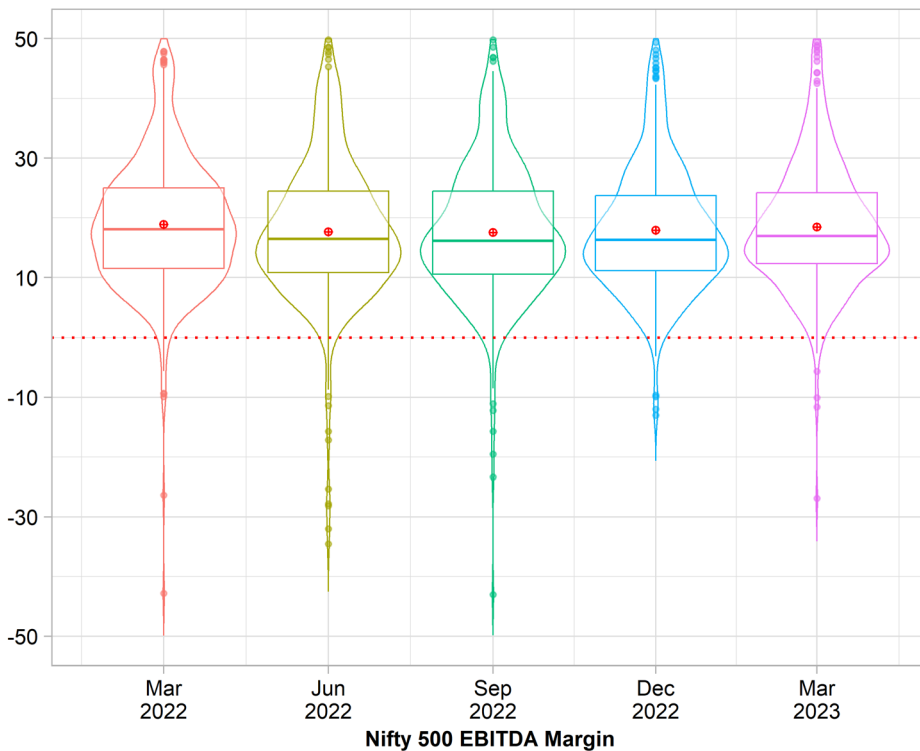
Figure 28: Distribution of EBITDA growth of Nifty 500 companies (excl. Financials) for last five quarters



Source: CMIE Prowess, Refinitiv Datastream, NSE EPR. Note: A violin plot depicts distributions of numeric data for one or more groups using density curves. The width of each curve corresponds with the approximate frequency of data points in each region. The red dot denotes mean for the quarter, and the horizontal line in the middle of the box denotes the median. The top and bottom lines of the box denote 75th and 25th percentile respectively.

Figure 29: Distribution of EBITDA margin of Nifty 500 companies (excl. Financials) across quarters


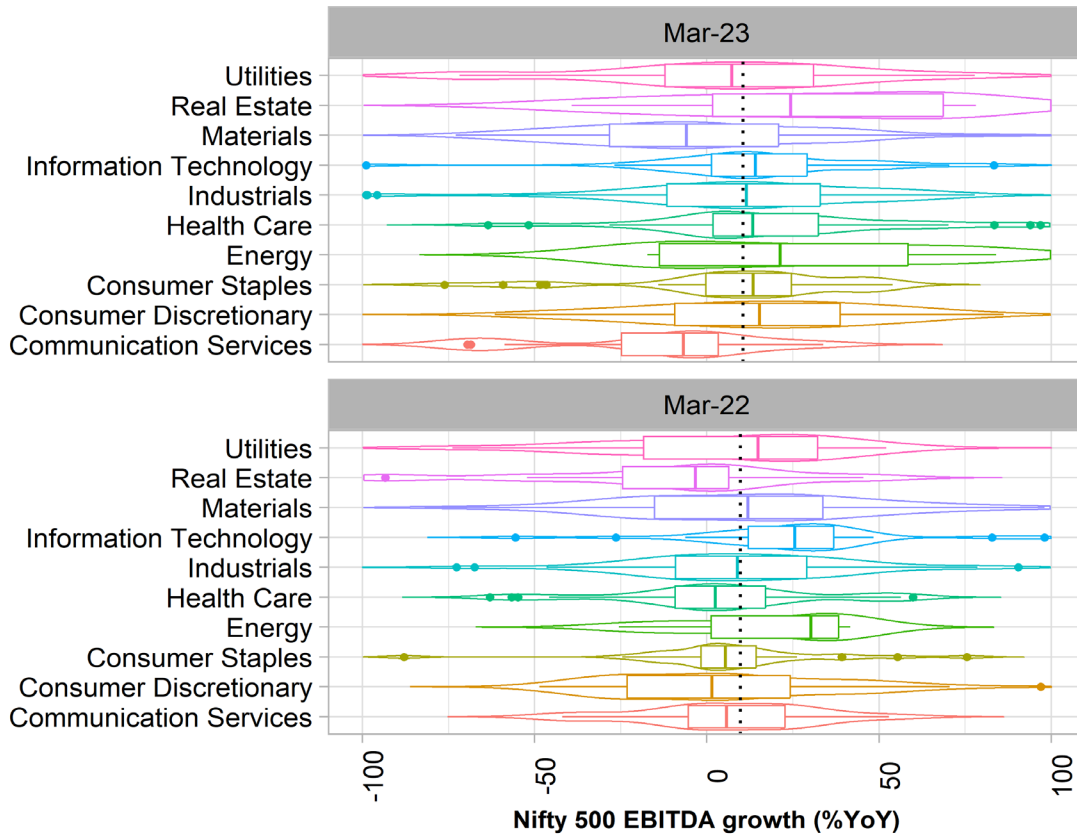
Source: CMIE Prowess, Refinitiv Datastream, NSE EPR. Note: The horizontal line in the middle of the box denotes the median, with the top and bottom lines of the box denoting 75th and 25th percentile respectively.

Figure 30: Distribution of EBITDA margin of Nifty 500 companies (excl. Financials) for last five quarters


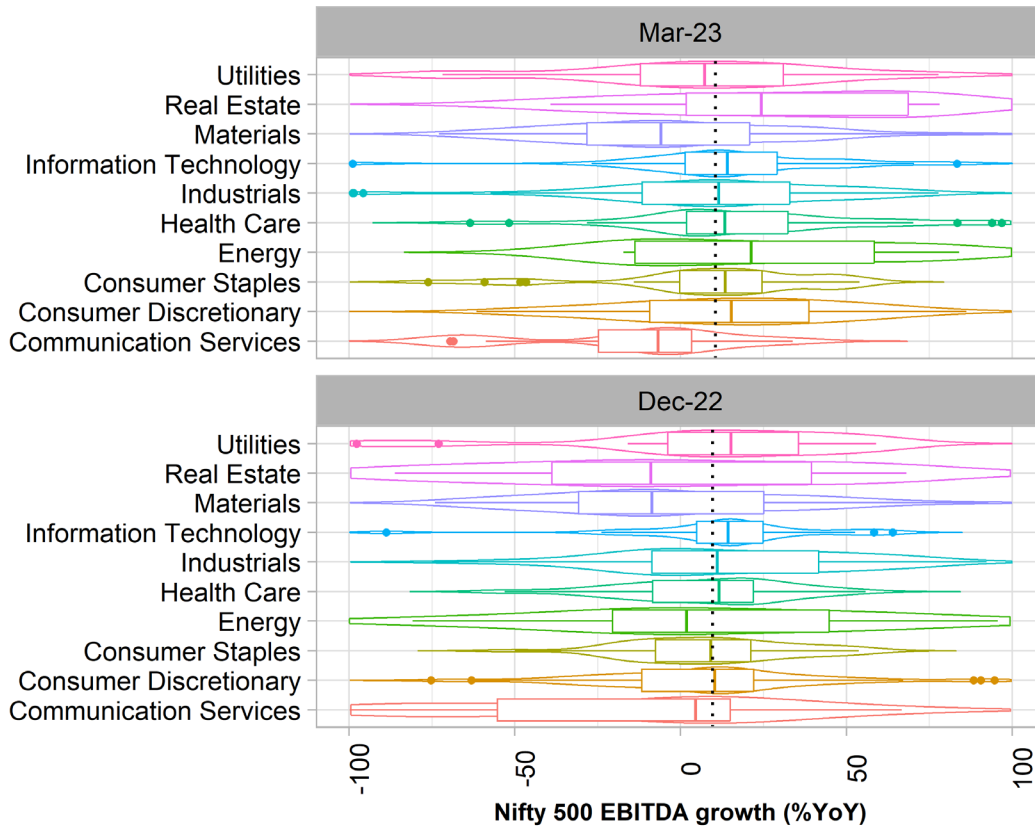
Source: CMIE Prowess, Refinitiv Datastream, NSE EPR. Note: A violin plot depicts distributions of numeric data for one or more groups using density curves. The width of each curve corresponds with the approximate frequency of data points in each region. The red dot denotes mean for the quarter, and the horizontal line in the middle of the box denotes the median. The top and bottom lines of the box denote 75th and 25th percentile respectively.

EBITDA growth divergence widened across most sectors in Q4FY23: At the sector level, all sectors barring Utilities and Consumer Discretionary, reported wider ranges in EBITDA growth in Q4FY23, vs. the previous year. That said, the number of outliers has come off for most sectors on a YoY basis. Sectors like Real Estate and Financials have done better, but with high variance.

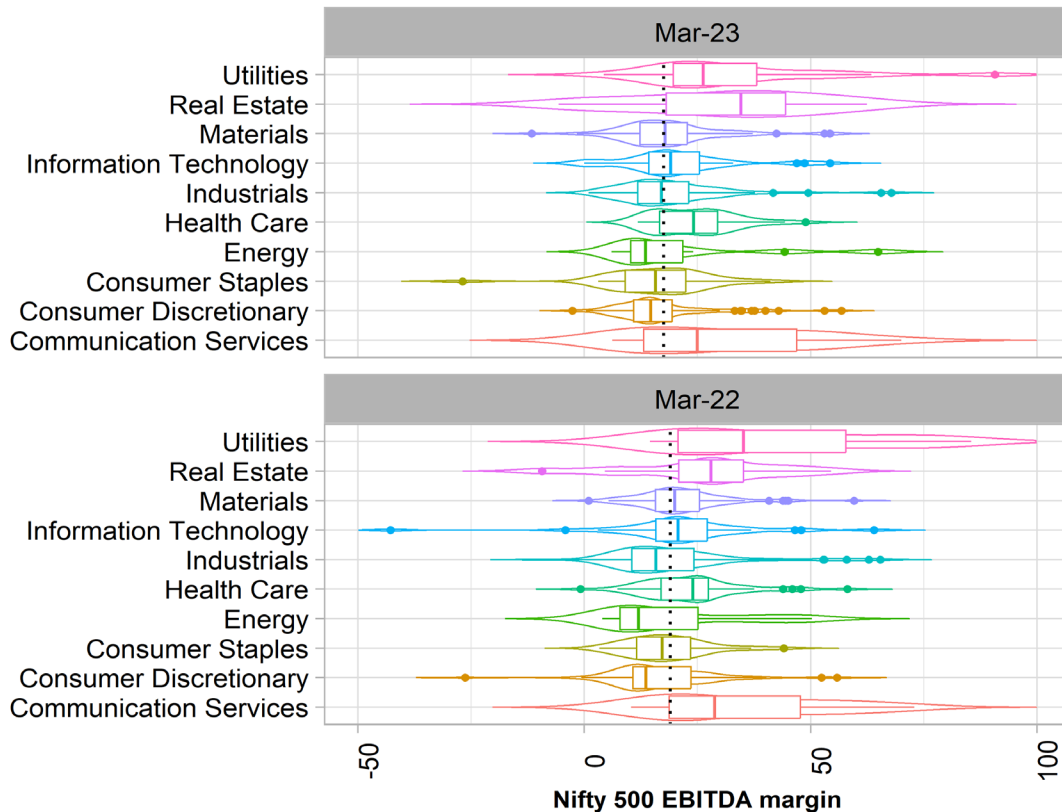
Figure 31: Distribution of EBITDA growth of Nifty 500 companies (excl. Financials) by sectors in Q4FY23 vs Q4FY22



Source: CMIE Prowess, Refinitiv Datastream, NSE EPR. Note: The dotted line denotes median for the quarter.

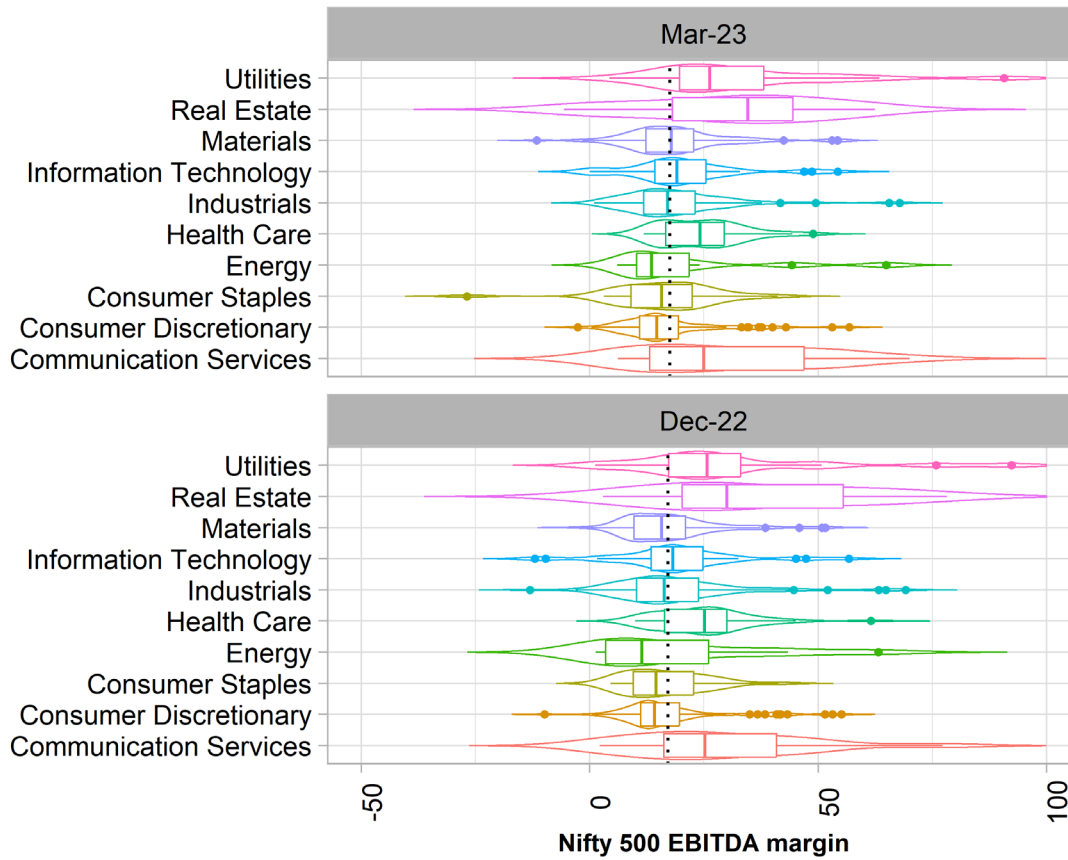
Figure 32: Distribution of EBITDA growth of Nifty 500 companies (excl. Financials) by sectors in Q4FY23 vs Q3FY23


Source: CMIE Prowess, Refinitiv Datastream, NSE EPR. Note: The dotted line denotes median for the quarter.

Figure 33: Distribution of EBITDA margin of Nifty 500 companies by sectors in Q4FY23 vs Q4FY22


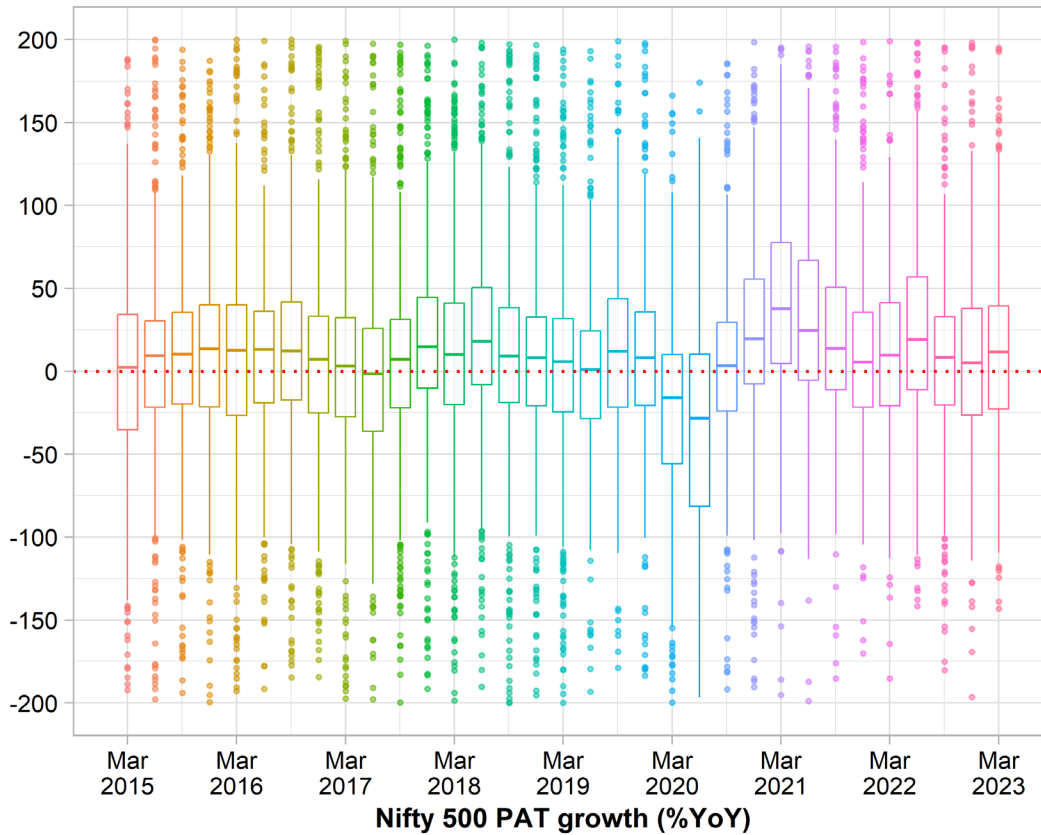
Source: CMIE Prowess, Refinitiv Datastream, NSE EPR. Note: The dotted line denotes median for the quarter.

Figure 34: Distribution of EBITDA margin of Nifty 500 companies by sectors in Q4FY23 vs Q3FY23

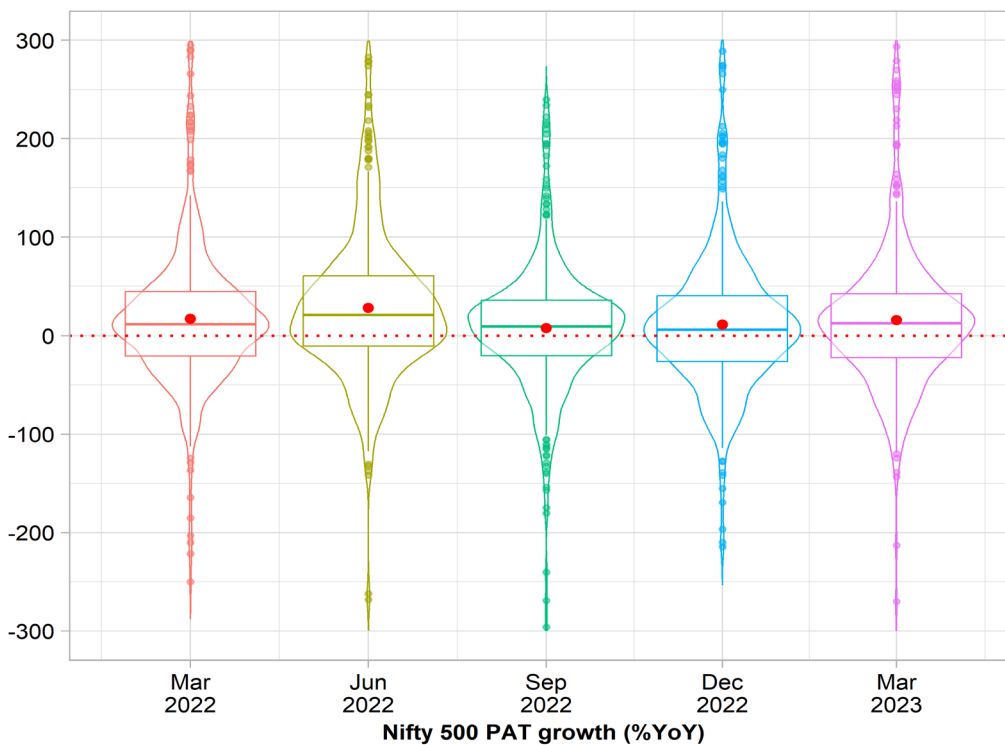


Source: CMIE Prowess, Refinitiv Datastream, NSE EPR. Note: The dotted line denotes median for the quarter.

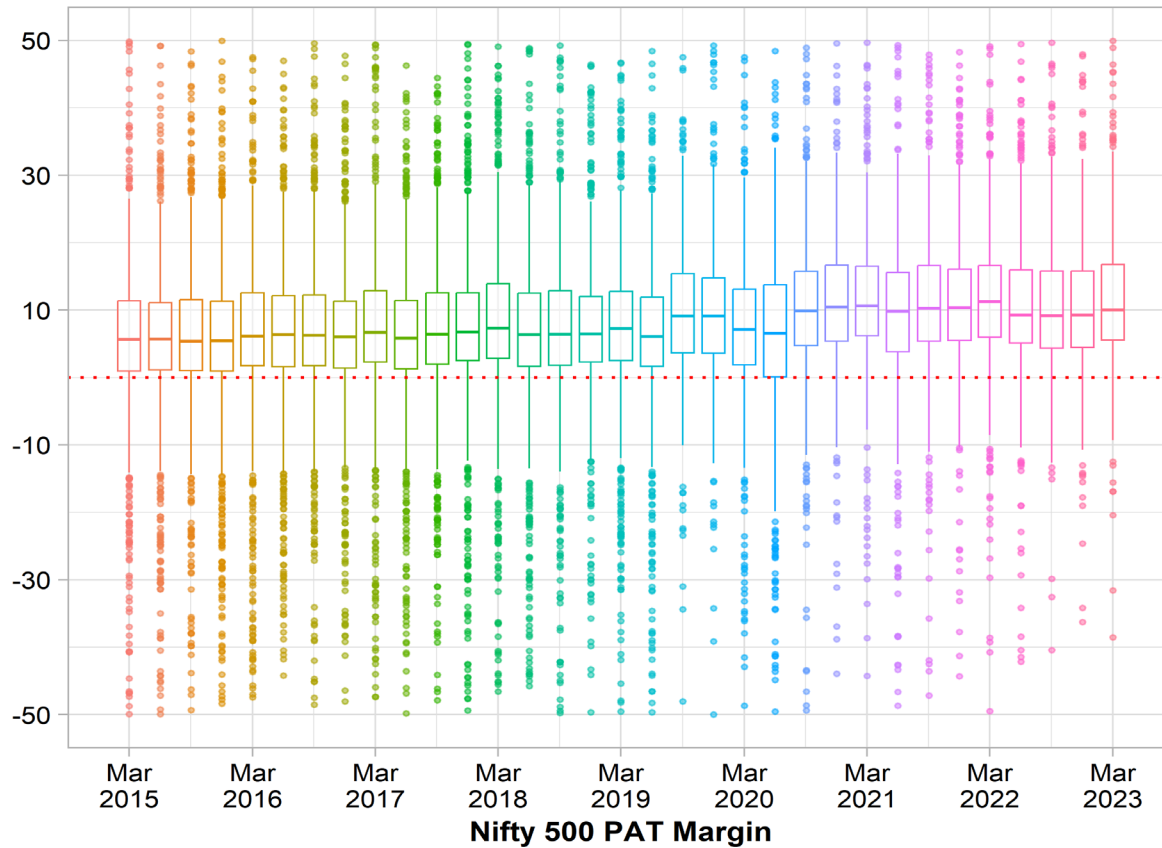
Inter-quartile range for PAT growth has moved higher and reduced marginally: The median and mean PAT growth improved marginally in Q4FY23 as compared to the previous quarter, in line with the trend seen for EBITDA growth. Easing input prices on a sequential basis made up for higher interest and wage expenses. This was accompanied with a slightly tighter IQR as compared to the previous quarter as well as the year-ago periods, even as the tail on the lower side increased on a QoQ basis. The median and mean PAT margins also improved on a QoQ basis, with the entire inter-quartile range moving higher.

Figure 35: Distribution of PAT growth of Nifty 500 companies across quarters


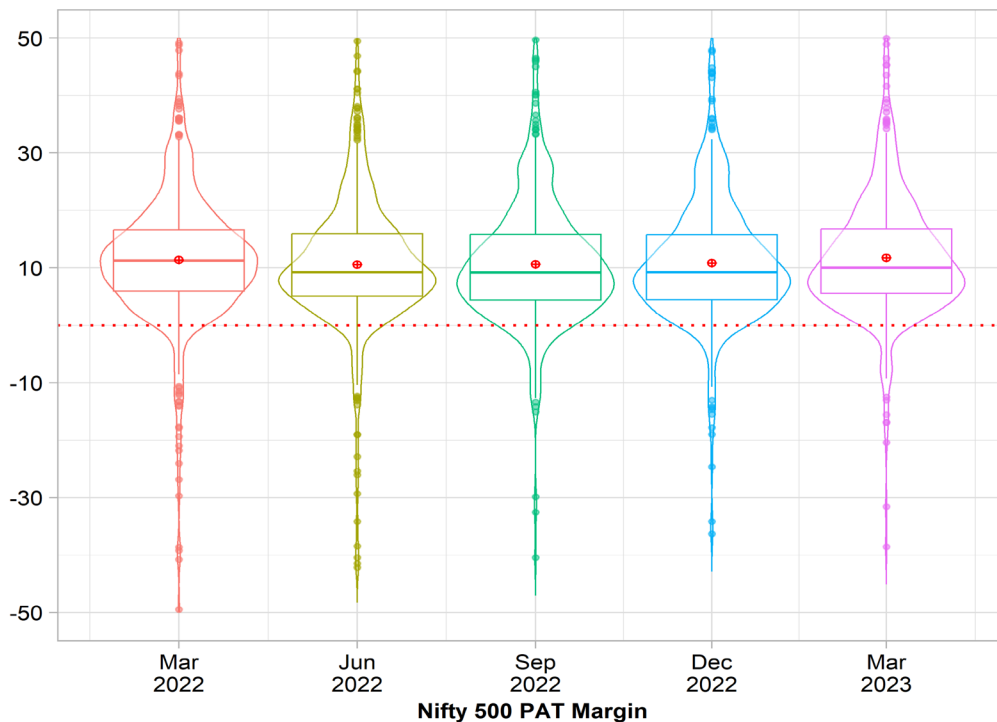
Source: CMIE Prowess, Refinitiv Datastream, NSE EPR. Note: The horizontal line in the middle of the box denotes the median, with the top and bottom lines of the box denoting 75th and 25th percentile respectively.

Figure 36: Distribution of PAT growth of Nifty 500 companies for last five quarters


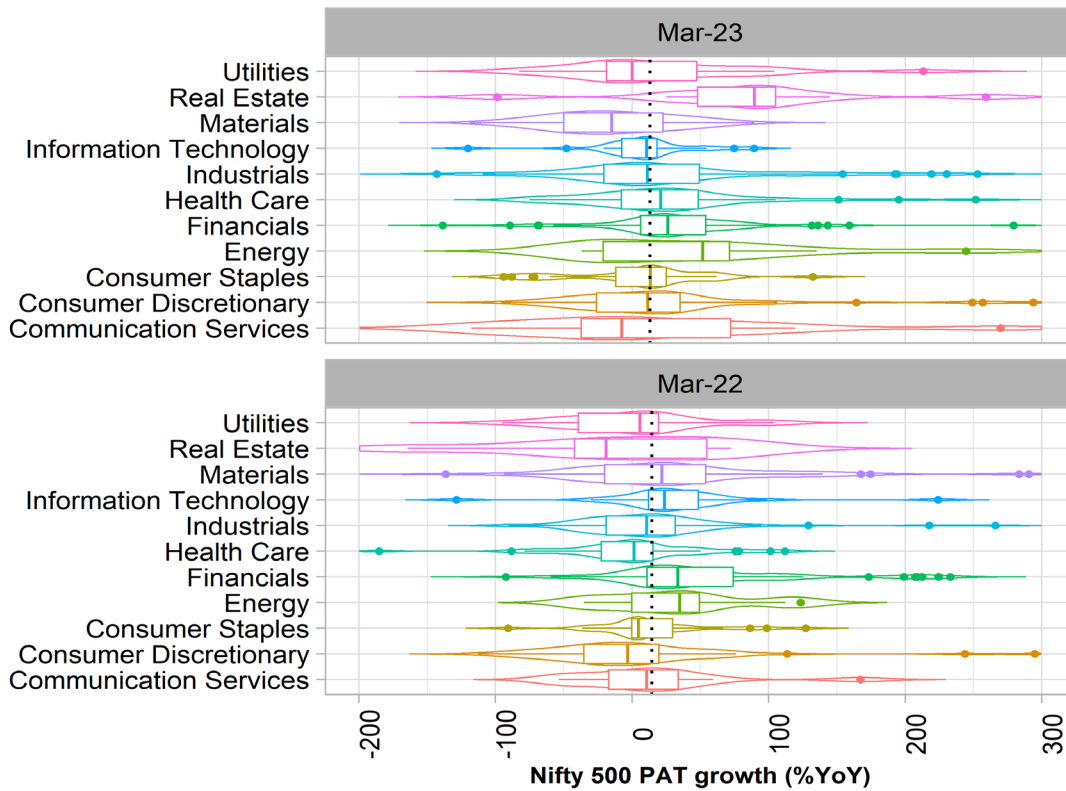
Source: CMIE Prowess, Refinitiv Datastream, NSE EPR. Note: A violin plot depicts distributions of numeric data for one or more groups using density curves. The width of each curve corresponds with the approximate frequency of data points in each region. The red dot denotes mean for the quarter, and the horizontal line in the middle of the box denotes the median. The top and bottom lines of the box denote 75th and 25th percentile respectively.

Figure 37: Distribution of PAT margin of Nifty 500 companies across quarters


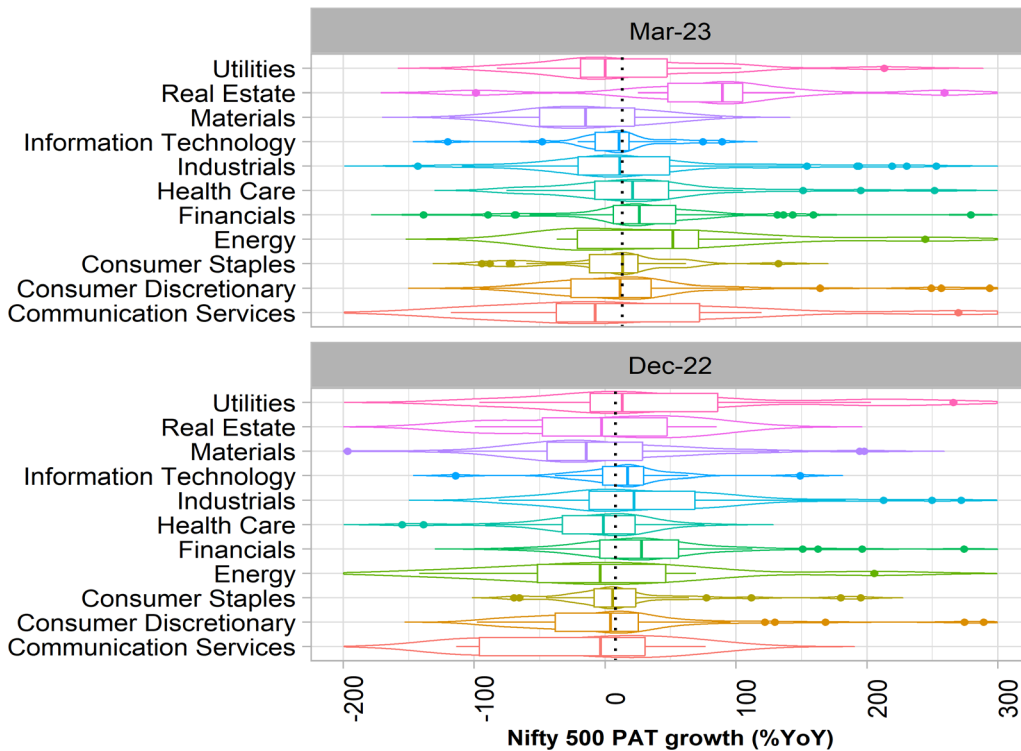
Source: CMIE Prowess, Refinitiv Datastream, NSE EPR. Note: The red dot denotes mean for the quarter.

Figure 38: Distribution of PAT margin of Nifty 500 companies for last five quarters


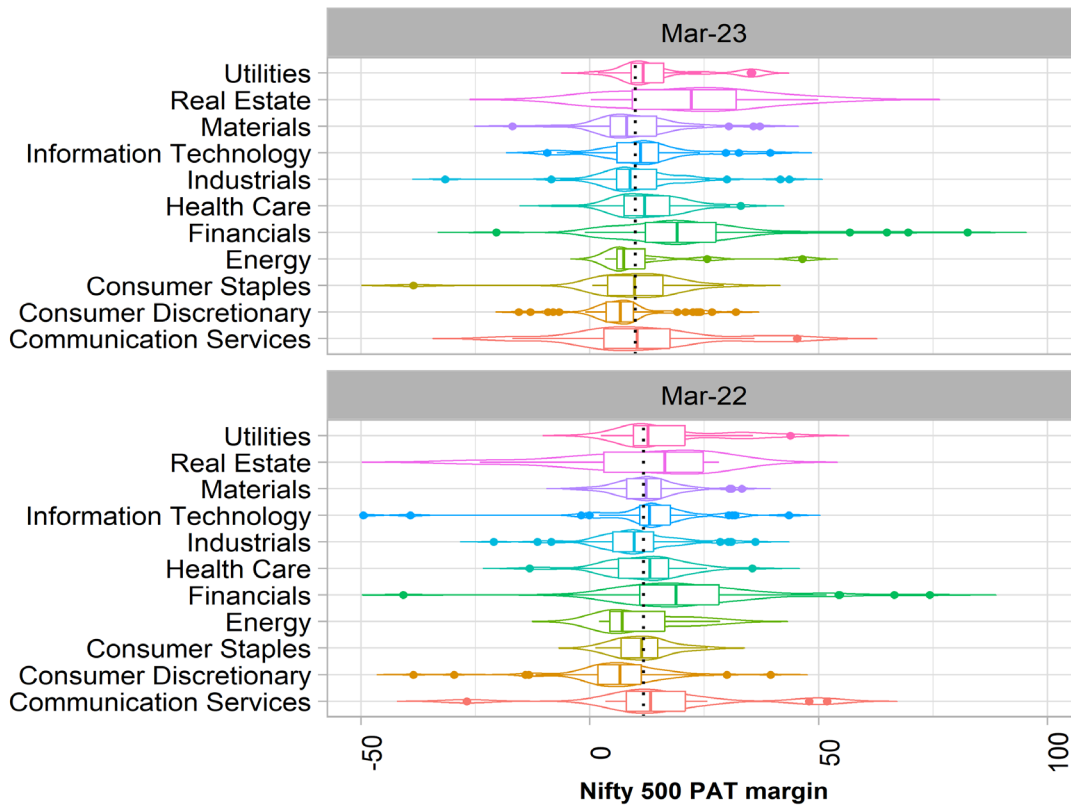
Source: CMIE Prowess, Refinitiv Datastream, NSE EPR. Note: A violin plot depicts distributions of numeric data for one or more groups using density curves. The width of each curve corresponds with the approximate frequency of data points in each region. The red dot denotes mean for the quarter, and the horizontal line in the middle of the box denotes the median. The top and bottom lines of the box denote 75th and 25th percentile respectively.

Figure 39: Distribution of PAT growth of Nifty 500 companies by sectors in Q4FY23 vs Q4FY22


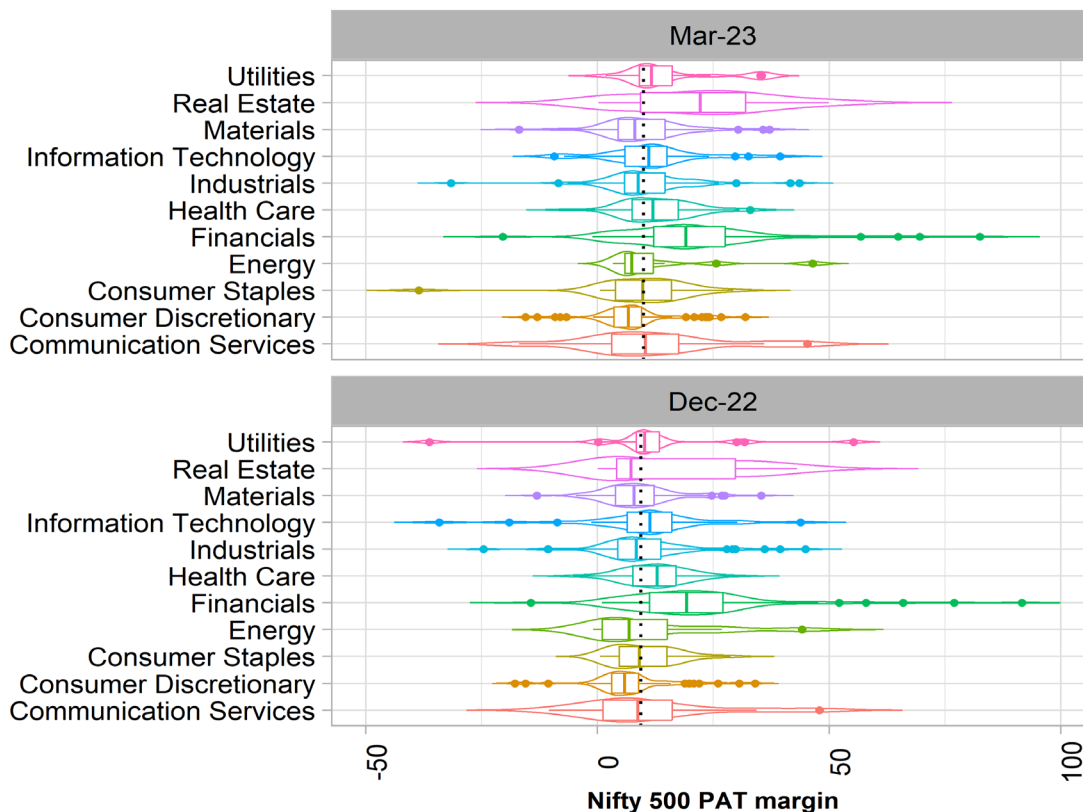
Source: CMIE Prowess, Refinitiv Datastream, NSE EPR. Note: The dotted line denotes median for the quarter.

Figure 40: Distribution of PAT growth of Nifty 500 companies by sectors in Q4FY23 vs Q3FY23


Source: CMIE Prowess, Refinitiv Datastream, NSE EPR. Note: The dotted line denotes median for the quarter.

Figure 41: Distribution of PAT margin of Nifty 500 companies by sectors in Q4FY23 vs Q4FY22


Source: CMIE Prowess, Refinitiv Datastream, NSE EPR. Note: The dotted line denotes median for the quarter.

Figure 42: Distribution of PAT margin of Nifty 500 companies by sectors in Q4FY23 vs Q3FY23


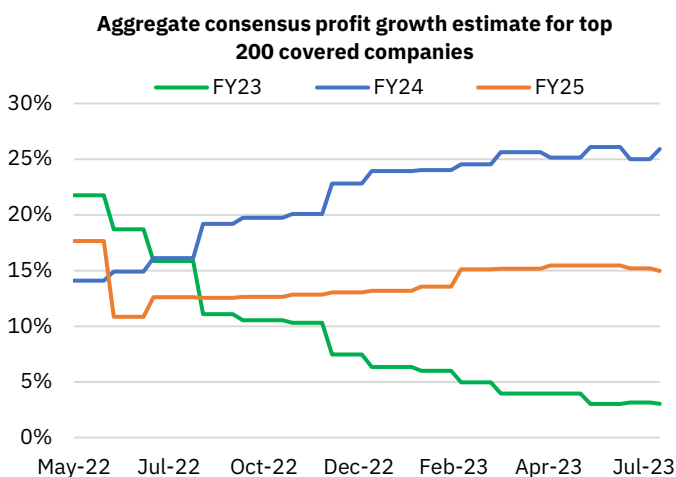
Source: CMIE Prowess, Refinitiv Datastream, NSE EPR. Note: The dotted line denotes median for the quarter.

Earnings revision analysis

Consensus FY24/25 aggregate PAT estimates downgraded marginally: Weak external demand and falling realisations of commodity sectors due to easing prices have weighed on corporate profitability and is likely to remain an overhang. Our analysis of earnings revisions of top 200 covered companies by market capitalisation³ show that aggregate profit estimates for FY24 and FY25 have been curtailed by a modest 0.6% and 0.8% since Mar-end (As on July 14th, 2023). This followed nearly 6% downgrades for FY24 during the whole of last year. The downgrades were primarily led by export-oriented (IT, Pharma) and commodity companies (Materials), reflecting the impact of worsening global growth outlook and renewed slowdown in China. Total drop in earnings estimates for these three sectors was 2.6x the drop in earnings for the entire universe, but with a mere 26% share in total earnings. Excluding these sectors, profit estimates for FY24 and FY25 actually saw modest upgrades of 1.4% and 0.7% respectively.

With this, the aggregate earnings of top 200 companies are now expected to increase by 26.3% and 15.0% in FY24 and FY25 respectively, following a modest 3.1% PAT growth in FY23, implying an earnings CAGR of ~20.5% during FY23-25. Excluding Materials, which has seen the steepest drop in earnings estimates over the last year or so, PAT CAGR over FY23-25 is estimated at a tad lower 19.8%. Sector-wise, Financials is expected to contribute a quarter to absolute earnings change over FY23-25, lower than its share of about 31% in total earnings, followed by Energy at 20.5%. Notwithstanding downgrades, Materials is expected to contribute 14.5% to the total profit change over FY23-25, thanks to a low base on account of a steep drop in earnings for this sector in FY23 (Materials accounted for 92% of the total earnings miss for the entire universe). This is a tad higher than its share in overall earnings and is followed by Consumer Discretionary at 12.5%. Industrials, Consumer Staples, Communication Services, Healthcare and Utilities are all expected to contribute around 3-6% each to the profit change during this period.

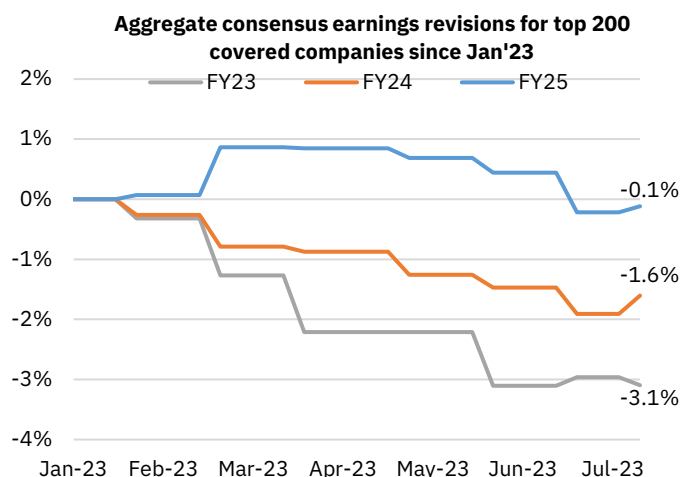
Figure 43: Aggregate consensus profit growth estimate for top 200 covered companies (% YoY)



Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

Note: Based on IBES earnings estimates of top 200 companies by one-year average market cap ending June 30th, 2023, covered by at least five analysts at any given point of time over the last one year. Data is as of July 14th, 2023.

Figure 44: Aggregate consensus earnings revisions since Jan'23 for top 200 covered companies



³ The sample set consists of top 200 companies by one-year average market cap ending June 30th, 2023 covered by at least five or more analysts during the previous 12 months using IBES estimates from Refinitiv Datastream.

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

Sectors	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23
Comm. Svcs.	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Consumer Disc.	169.4	168.1	161.2	148.7	120.6	122.1	128.7	127.3	128.1	142.4	146.2	146.2
Consumer Staples	16.2	16.2	16.5	16.5	16.5	16.7	17.4	17.2	17.2	17.4	17.4	17.4
Energy	5.4	3.3	2.3	(2.2)	(3.5)	(4.8)	(7.6)	(8.7)	(7.4)	(11.1)	(10.3)	(10.3)
Financials	26.8	26.4	27.1	30.8	31.1	31.3	36.6	34.6	34.7	38.5	39.4	38.2
Health Care	7.9	7.6	7.1	4.9	4.7	4.3	1.6	1.3	0.8	2.3	0.4	0.4
Industrials	72.5	75.2	77.3	65.9	63.1	63.9	60.2	59.8	59.2	57.7	60.4	60.6
IT	7.3	7.1	6.9	6.9	7.0	7.8	7.9	7.8	7.2	6.6	6.6	6.6
Materials	(27.2)	(26.7)	(27.1)	(34.6)	(35.2)	(36.0)	(44.1)	(44.4)	(45.2)	(47.0)	(47.8)	(47.8)
Real Estate	44.8	45.8	47.3	39.7	39.8	39.9	37.1	36.9	38.2	36.9	33.9	33.9
Utilities	(5.4)	(5.6)	(4.9)	(6.9)	(8.0)	(7.8)	(7.7)	(7.7)	(7.9)	(15.3)	(11.9)	(11.9)
Total	11.1	10.5	10.3	7.5	6.3	6.0	5.0	4.0	3.9	3.0	3.2	3.0

Source: Refinitiv Datastream, NSE EPR.

 Note: Based on IBES earnings estimates of top 200 companies by one-year average market cap ending June 30th, 2023, covered by at least five analysts at any given point of time over the last one year. * Data is as of July 14th, 2023.

Table 19: Monthly trend of sector-wise FY24 consensus earnings growth estimate (% YoY)

Sectors	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23
Comm. Svcs.	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Consumer Disc.	48.7	50.3	52.4	58.7	75.1	72.8	66.7	66.6	66.5	61.1	59.6	60.4
Consumer Staples	16.2	15.9	15.9	16.4	16.4	16.3	16.3	16.3	16.4	15.5	15.5	15.2
Energy	11.7	14.1	15.1	18.2	19.5	19.8	23.5	24.6	22.5	27.4	26.0	28.3
Financials	22.1	22.1	22.0	21.9	21.9	21.9	18.8	20.9	20.5	19.6	18.1	20.3
Health Care	22.2	22.4	22.7	26.5	26.4	26.1	24.7	24.6	24.9	17.6	16.9	16.4
Industrials	28.6	27.7	27.7	34.0	36.0	35.3	36.2	36.7	37.5	38.6	37.0	37.8
IT	13.5	13.3	14.6	14.5	14.5	14.1	14.1	14.1	12.2	11.4	11.3	10.5
Materials	9.1	9.0	8.5	16.3	17.7	19.7	30.5	31.4	32.5	33.3	32.2	31.1
Real Estate	25.4	24.2	23.6	30.7	31.5	30.8	27.6	28.3	28.3	22.7	23.0	23.9
Utilities	7.2	7.2	6.7	7.8	8.0	7.9	10.2	10.4	11.3	20.8	16.5	16.5
Total	19.2	19.7	20.1	22.8	23.9	24.0	24.5	25.6	25.1	26.1	25.0	25.9

Source: Refinitiv Datastream, NSE EPR.

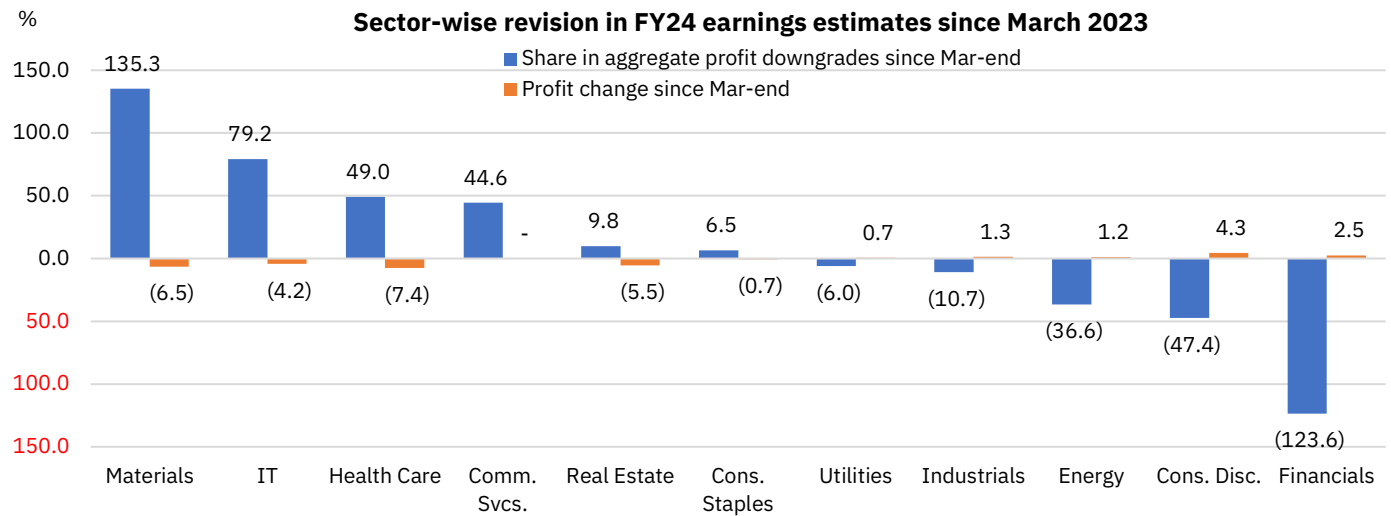
 Note: Based on IBES earnings estimates of top 200 companies by one-year average market cap ending June 30th, 2023, covered by at least five analysts at any given point of time over the last one year. * Data is as of July 14th, 2023.

Table 20: Monthly trend of sector-wise FY25 consensus earnings growth estimate (% YoY)

Sectors	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23
Comm. Svcs.	118.9	133.5	132.9	187.8	189.2	240.5	529.6	864.6	1167.2	7127.7	NA	NA
Consumer Disc.	22.7	21.5	22.5	22.2	22.8	23.1	23.3	23.5	23.4	22.4	22.2	22.3
Consumer Staples	12.0	12.3	12.6	13.1	13.1	12.8	13.5	13.7	13.6	13.8	13.9	14.0
Energy	2.3	2.3	1.6	2.2	3.1	3.8	5.2	5.7	6.7	6.2	4.8	3.3
Financials	18.3	18.3	18.3	17.0	16.7	16.6	17.2	16.8	16.9	16.3	16.4	16.4
Health Care	14.9	15.1	15.1	13.1	13.0	12.8	13.8	13.9	14.2	18.4	19.7	19.9
Industrials	17.6	17.0	15.4	17.3	16.6	17.1	19.5	19.7	19.4	20.3	19.7	19.2
IT	11.8	12.1	12.2	11.3	11.4	11.9	12.0	12.0	12.1	12.3	12.3	12.4
Materials	4.5	5.2	7.4	10.1	10.1	11.9	17.1	16.9	17.1	17.7	17.5	17.7
Real Estate	18.9	20.6	18.5	22.5	22.2	21.9	22.5	22.5	22.3	22.9	23.1	22.8
Utilities	3.5	3.5	4.5	4.8	5.7	6.1	7.7	8.0	8.3	8.6	8.9	8.8
Total	12.6	12.6	12.8	13.0	13.2	13.6	15.1	15.2	15.4	15.4	15.2	15.0

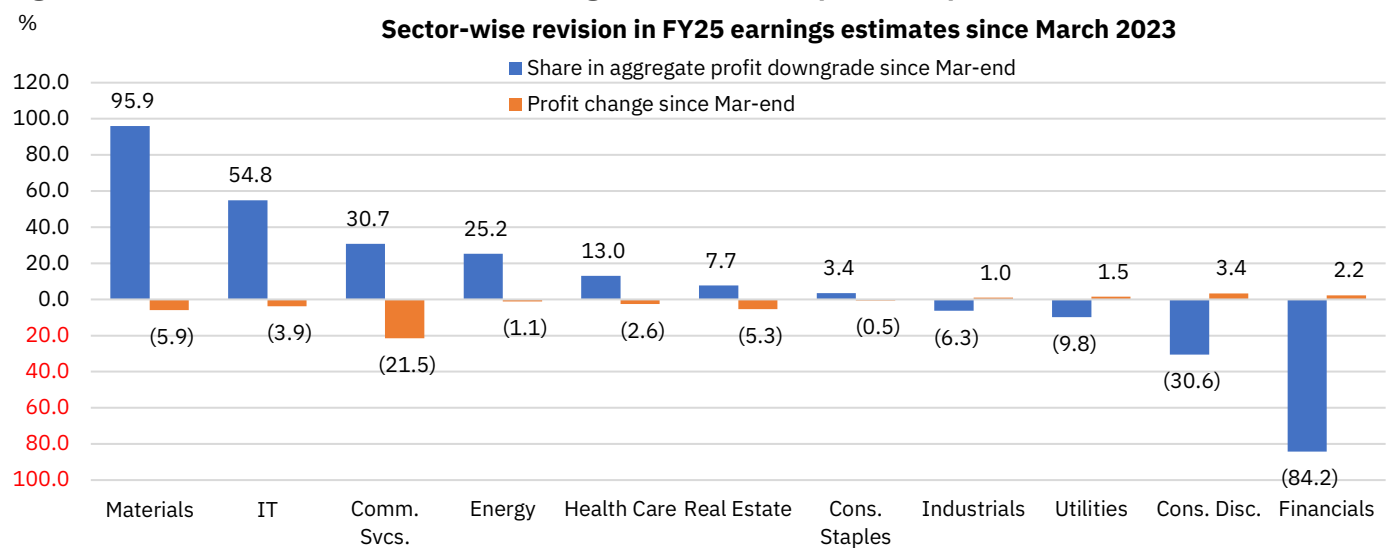
Source: Refinitiv Datastream, NSE EPR.

 Note: Based on IBES earnings estimates of top 200 companies by one-year average market cap ending June 30th, 2023, covered by at least five analysts at any given point of time over the last one year. * Data is as of July 14th, 2023.

Figure 45: Sector-wise revision in FY24 earnings estimates for top 200 companies since March 2023


Source: Refinitiv Datastream, NSE EPR.

Note: Based on IBES earnings estimates of top 200 companies by one-year average market cap ending June 30th, 2023, covered by at least five analysts at any given point of time over the last one year. Data is as on July 12th, 2023.

Figure 46: Sector-wise revision in FY25 earnings estimates for top 200 companies since March 2023


Source: Refinitiv Datastream, NSE EPR.

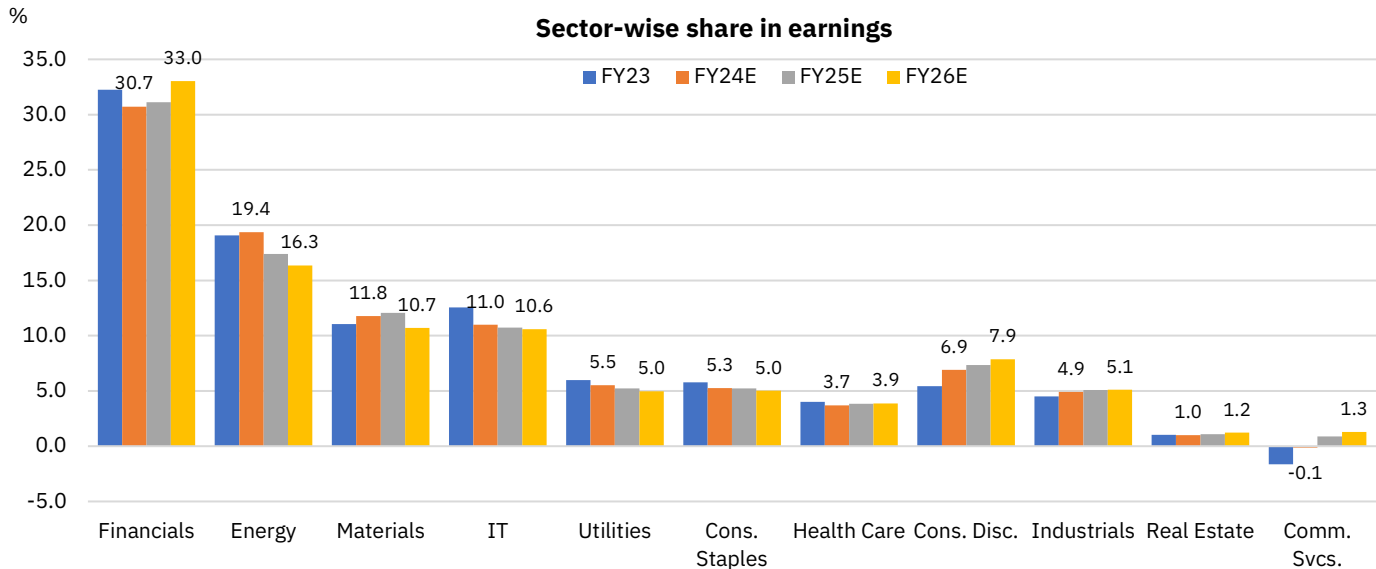
Note: Based on IBES earnings estimates of top 200 companies by one-year average market cap ending June 30th, 2023, covered by at least five analysts at any given point of time over the last one year. Data is as on July 12th, 2023.

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

Strengthening slowdown worries, coupled with renewed weakness in China, is likely to keep a check on crude oil and commodity prices. This is already reflected in a sharp dip in commodity prices over the last several months. Further, global growth slowdown has also weighed on demand for IT services. Consequently, the share of Energy, Materials, and IT sectors to aggregate corporate earnings estimates of top 200 companies is expected to drop meaningfully over the three years. For instance, Materials accounted for ~21% of the aggregate earnings for top 200 companies in FY22, which is expected to drop to 11.0% in FY23, only to rise modestly 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, and Industrials. Clearly, the earnings trajectory over the next two years hinges on persistence of consumption and investment demand.

Figure 47: Sector-wise share in earnings

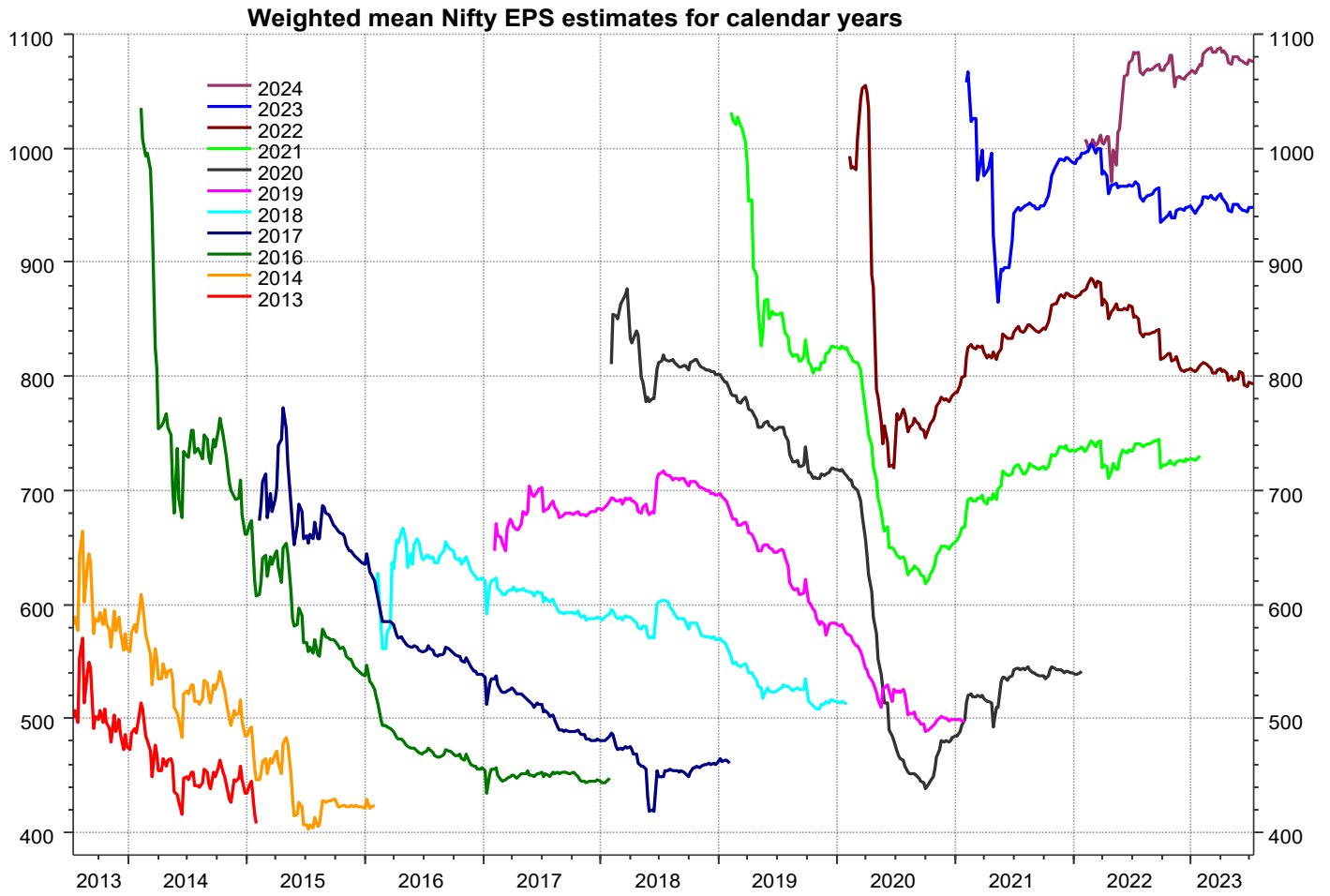


Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

Note: Based on IBES earnings estimates of top 200 companies by one-year average market cap ending June 30th, 2023, covered by at least five analysts at any given point of time over the last one year. Data is as of July 14th, 2023.

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 post-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 global growth concerns, rising inflation and repercussions of aggressive rate hikes on demand outlook have weighed on earnings estimates, leading to steep downgrades in earnings for 2023 over the last few months. The EPS estimates for Nifty 50 for 2023 and 2024 have been downgraded by 1% each in the June quarter. This translates into total earnings downgrade of 5.3% for 2023 from the peak last year in March, while that for 2024 has remained fairly steady.

Figure 48: Yearly trend of NIFTY 50 Consensus EPS estimates


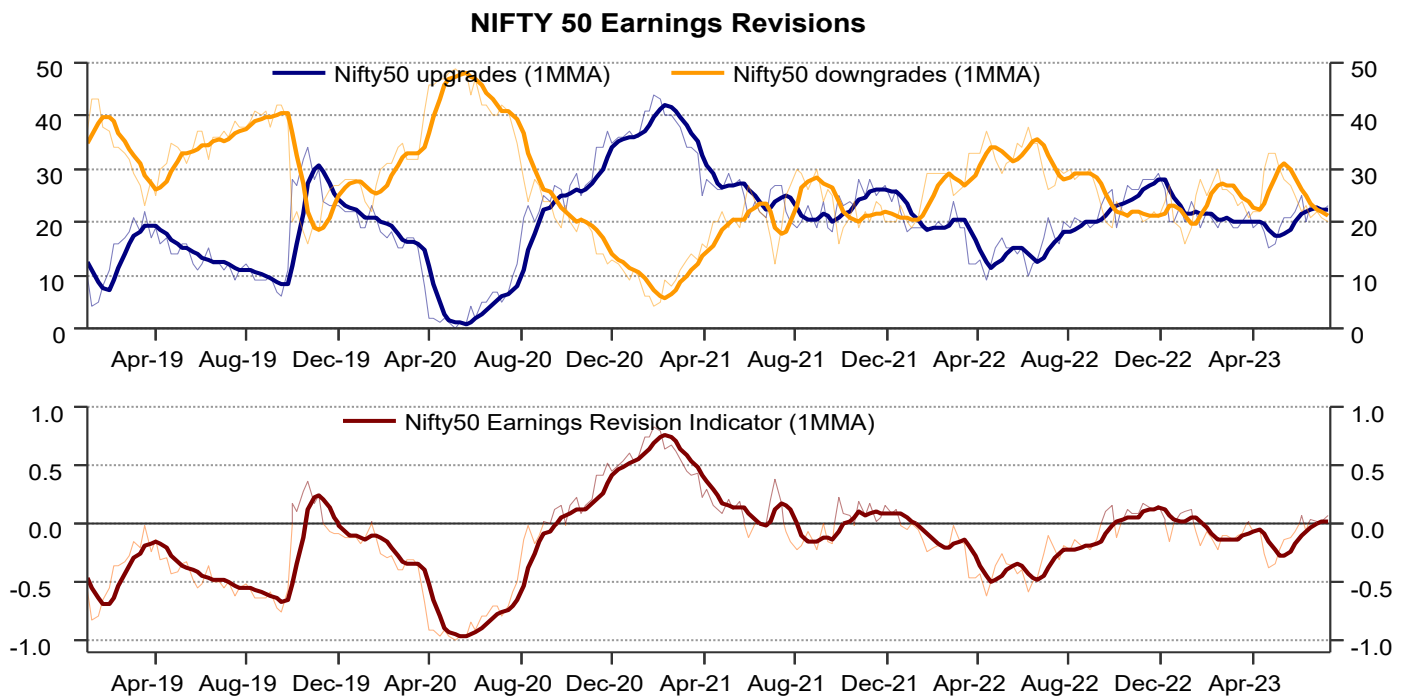
Source: Refinitiv Datastream, NSE EPR.

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

The ERI, however, improved meaningfully beginning September 2020, as better-than-expected corporate earnings over the previous quarter, a stronger-than-anticipated post-lockdown recovery in business and consumption activities and a spike in commodity prices led to upgrades across the board. That said, the ERI dropped sharply post the onset of the second wave of COVID-19 in March 2021, and has since hovered in the band of -0.5 to 0.1. While upgrades picked-up pace in the second half of 2022 on the back of resilient economic performance, improving capex cycle and strong earnings growth reported by Financials, number of downgrades started rising again early this year led by commodity and export-oriented sectors. ERI, however, has been recovering since the last few months despite modest downgrades at an aggregate level, and is currently hovering near zero, implying equivalent number of upgrades and downgrades.

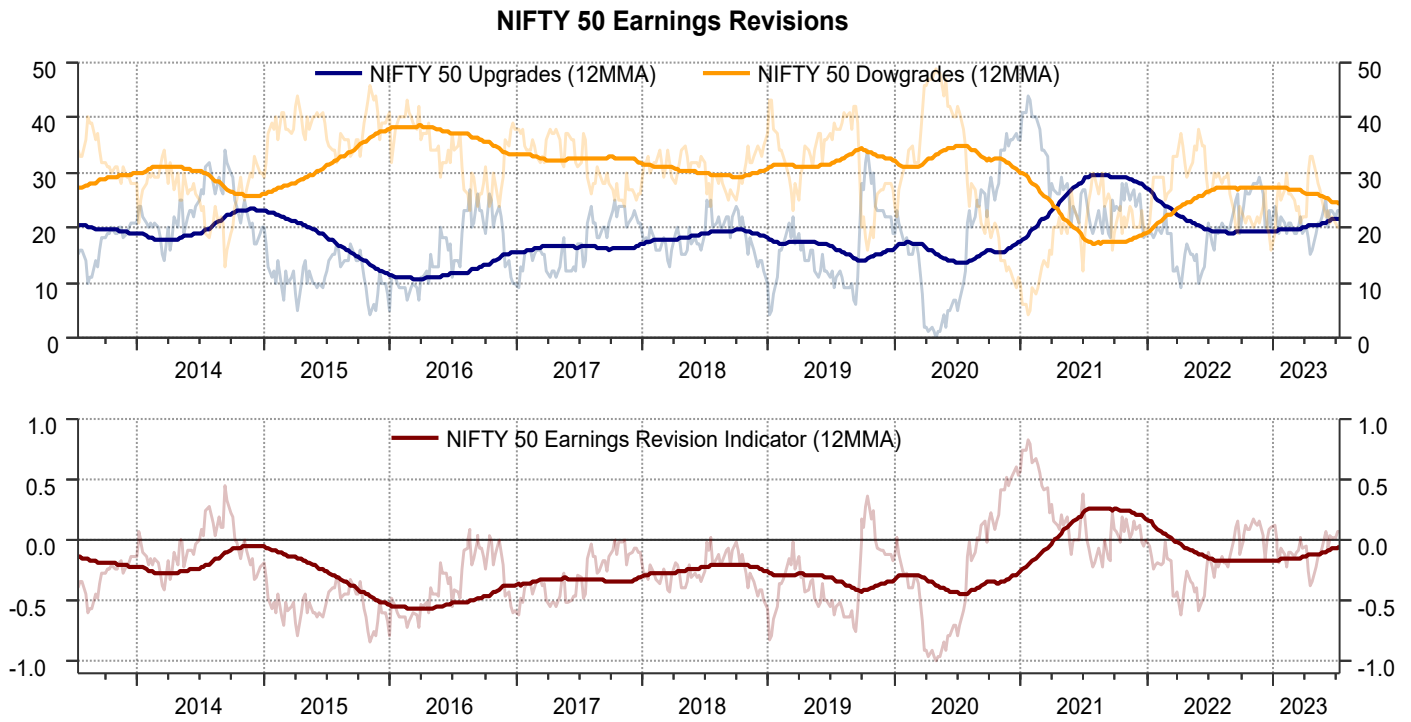
Sector-wise, upgrades were primarily seen in Financials and Consumer Discretionary, while most other sectors continued to see their ERIs hovering in the negative territory, led by Information Technology and Materials.

Figure 49: Nifty 50 Earnings Revision Indicator (since January 2019)

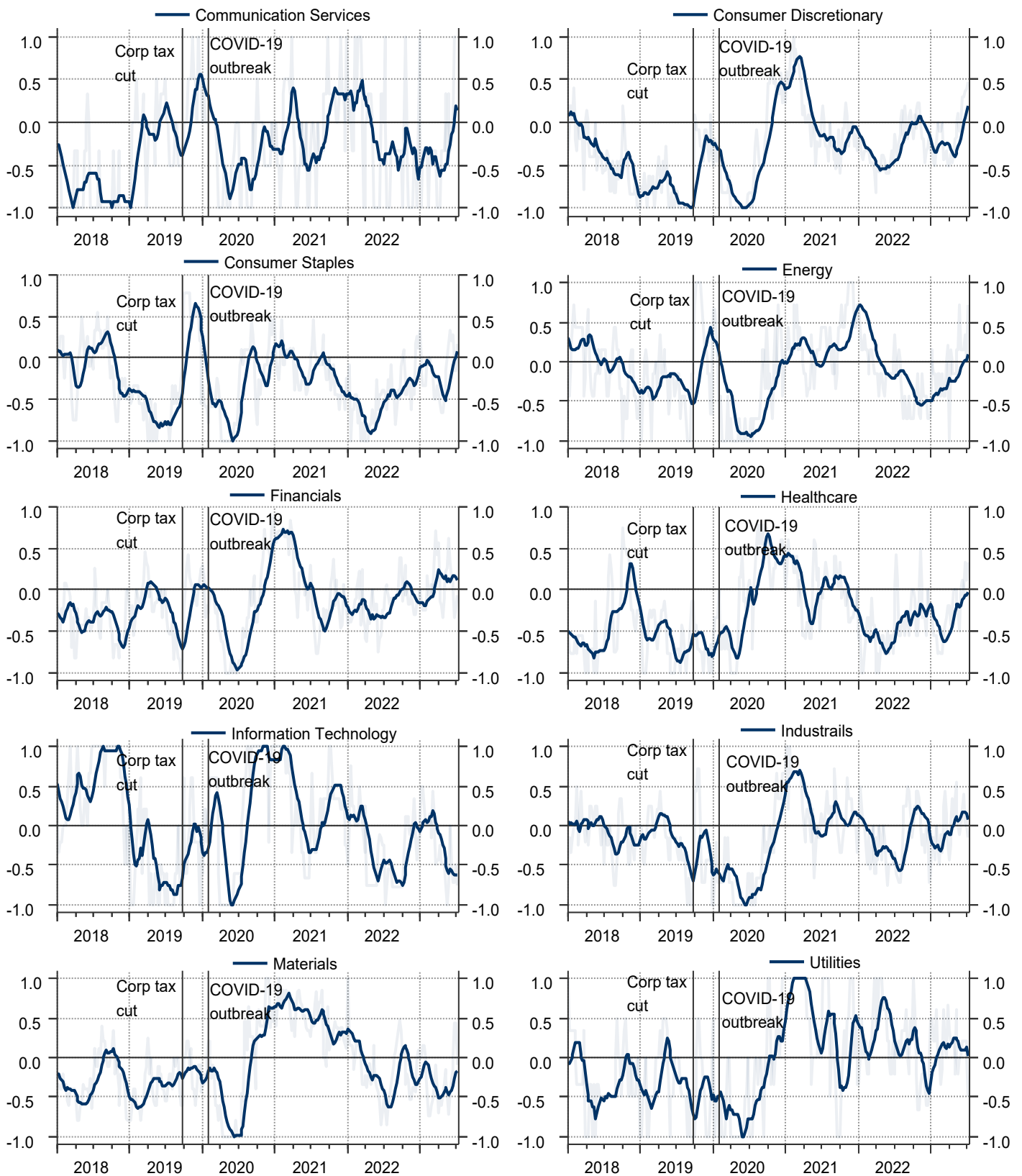


Source: Refinitiv Datastream, NSE EPR.

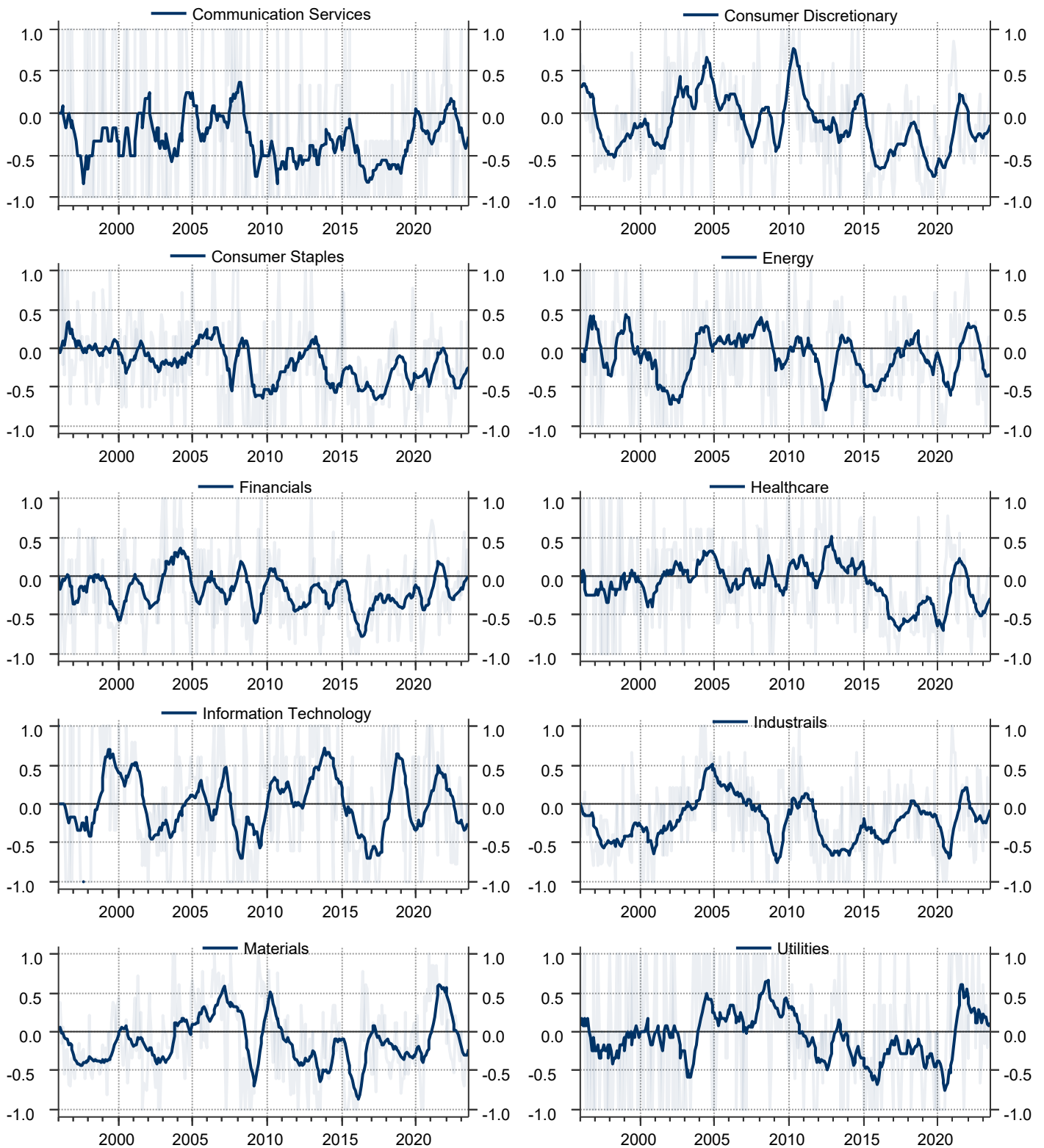
⁴ The ERI is calculated as “(number of upgrades – number of downgrades)/total number of upgrades and downgrades”. It can range between -1 to 1.

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


Source: Refinitiv Datastream, NSE EPR.

Figure 51: 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 52: Long-term trend of Earnings Revision Indicator across MSCI sectors
India Earnings Revision Indicator (ERI) across sectors: Long-term (12MMA)


Source: Refinitiv Datastream, NSE EPR.

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Tirthankar Patnaik, PhD	tpatnaik@nse.co.in	+91-22-26598149
Prerna Singhvi, CFA	psinghvi@nse.co.in	+91-22-26598316
Ashiana Salian	asalian@nse.co.in	+91-22-26598163
Smriti Mehra	smehra@nse.co.in	+91-22-26598163
Ansh Tayal	atayal@nse.co.in	+91-22-26598163
Anand Prajapati	aprajapati@nse.co.in	+91-22-26598163
Shuvam Das	shuvamd@nse.co.in	+91-22-26598163

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