

Q2FY24 Earnings Review: Margin tailwinds drove profits higher

The top line growth of Nifty 50/Nifty 500¹ universes slowed to a 11-quarter low of 7.3%/5% YoY in Q2FY24, with expansion mainly led by Financials, and Consumer Discretionary. Excluding these two, revenue growth declined by 1.2% YoY for both Nifty 50 and Nifty 500 universes. Strong credit offtake provided a boost to topline for Financials, while Consumer Discretionary benefited from strong demand for autos and discretionary services. Aggregate EBITDA growth for non-financial Nifty50/Nifty500 grew by a robust 30.4%/40.9% YoY, albeit off a low base, owing to margin tailwinds emanating from cost cutting initiatives and falling input prices. This led to a strong 36.1%/45.2% YoY growth in aggregate adjusted PAT for the Nifty 50/Nifty 500 companies, primarily attributed to Energy, and Consumer Discretionary. These two sectors together contributed to more than half of the YoY expansion in aggregate profit, excluding which PAT growth came in at much lower 19.4%/24.5% YoY for Nifty 50/Nifty 500 companies, thanks to higher interest expenses.

Domestic cyclical sectors including Financials, Industrials, and Consumer Discretionary have benefited from resilient domestic demand and reviving capex cycle, while commodity and export-oriented sectors including Materials and Information Technology have continued to face headwinds from weakening global economy and falling commodity prices. This is also reflected in continued downgrades in IT and Material sectors, excluding which aggregate profit estimates of top 200 companies by market cap rose by 1.9% and 0.3% for FY24 and FY25 respectively since September-end. This translates into an expected aggregate profit growth of 28.5%/14.0% in FY24/FY25, implying an earnings CAGR of 21% during FY23-25. The Earnings Revision Indicator² (ERI) has also moved into the positive territory following a strong Q2, implying higher number of upgrades than downgrades. This was on the back of upgrades in Consumer Discretionary, Energy and Industrials that have outnumbered the downgrades in Information Technology, Materials and Consumer Staples.

Weakening global growth is likely to continue to remain an overhang on export-oriented and commodity sectors. On the positive side, strong festive 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 a 11-quarter low:** Aggregate top-line growth of Nifty 50/Nifty 500 universe moderated further to 7.3%/5% YoY in Q2 FY24—the lowest YoY growth in last 11 quarters, falling from 9.5%/9.1% YoY in the previous quarter and 27.8%/27.5% YoY in Q2FY22. The YoY growth was primarily led by Financials, contributing 76%/81% to the absolute YoY revenue expansion in Nifty50/Nifty 500 companies, much higher than its share of about 21%/27% in total revenues. This was followed by Consumer Discretionary, contributing another 36%. Excluding these two, revenue growth actually declined by 1.2% YoY for both Nifty 50 and Nifty 500 universes.

Strong credit offtake provided a boost to topline for Financials, while Consumer Discretionary benefited from strong auto demand. Consumer Staples, on the other hand, faced headwinds from subdued rural demand. Commodity sectors, viz., Materials and Energy reported a YoY contraction in revenues for the second quarter in a row, weighed down by weak global demand and lower crude oil and commodity prices.

- **Easing input prices supported operating margins in Q2FY24:** Aggregate EBITDA for non-financial companies in the Nifty50/Nifty500 universe grew by a

Aggregate top-line of Nifty 50/Nifty 500 universe came in at 7.3% /5.0% YoY led by Financials and Consumer Discretionary. Excluding these two, top-line growth fell by 1.2% for both Nifty 50 and Nifty 500 companies.

¹ 485 companies in the Nifty 500 Index reported earnings data for Q2FY24 as on November 10th, 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.

robust 30.4%/40.9% YoY, albeit off a low base (-0.5%/-8.8% YoY in Q2FY23). This was significantly higher than revenue growth during the quarter owing to margin tailwinds emanating from cost cutting initiatives and falling input prices. Excluding financials, EBITDA margin expanded by 460bps/552bps YoY to 21.2%/19.6% for Nifty50/Nifty 500 companies.

Energy sector accounted for nearly 50% of the absolute YoY expansion in operating profit in Q2, aided by higher marketing margins reported by OMCs thanks to lower crude oil prices. That said, even after excluding Energy and Financials, margin expansion for Nifty50/Nifty 500 companies was fairly robust at 222/310bps YoY. Information Technology was the only sector to report a YoY contraction in EBITDA margin, driven by headwinds from weakening demand for IT services in the largest economies.

- **PAT growth robust:** Aggregate adjusted PAT growth for the Nifty 50/Nifty 500 companies expanded 36.1%/45.2% YoY and 1.2%/0.5% QoQ. This was primarily led by Energy, and Consumer Discretionary, together contributing to 59%/54.3% to the YoY expansion in aggregate profit for Nifty 50/Nifty 500 companies. Excluding these two, PAT growth actually came in at much lower 19.4%/24.5% YoY, partly attributed to higher interest expenses. Interest expenses for the Nifty 500 ex Financials universe rose by 14.4% YoY, higher than 8.6% jump for the top 50 companies.
- **Earnings estimates upgraded:** Our analysis of earnings performance of top 200 covered companies by market capitalisation show that aggregate profit estimates for FY24 and FY25 were revised upwards for most sectors barring Materials (Metal, Chemicals) and Information Technology. Worsening global demand and continued slowdown in China have weighed on earnings for IT and commodity-focused companies. Excluding these two sectors, comprising of about 21% to overall earnings, aggregate profit estimates of top 200 companies rose by 1.9% and 0.3% for FY24 and FY25 respectively. The upgrades were primarily led by Energy, Financials and Consumer Discretionary. With this, the aggregate earnings of top 200 companies are now expected to increase by 28.5% and 14.0% in FY24 and FY25 respectively, following a modest 3% PAT growth in FY23, implying an earnings CAGR of 21% during FY23-25. Sector-wise, Financials is expected to contribute nearly 30% to the absolute earnings change over FY23-25, followed by Energy at 27.4% and Consumer Discretionary at ~15%, together contributing 72%, much higher than their combined share of 59% to total earnings.
- **...Even as the ERI moved higher:** After a sharp drop following the onset of the Russia-Ukraine war in February 2022, the Earnings Revision Indicator (ERI) for the Nifty 50 universe picked up meaningfully in the second half of 2022, indicating higher number of upgrades than downgrades. This was aided by resilient economic performance, strong Government capex and robust credit offtake by banks. Since then, the ERI has hovered in a tight range, and has moved into the positive territory now after a strong Q2. This was on the back of upgrades in Consumer Discretionary, Energy and Industrials that have more than made up for downgrades in Information Technology, Materials and Consumer Staples.

EBITDA for nonfinancial companies in the Nifty50/Nifty500 universe grew by a robust 30.4%/40.9% YoY, thanks to lower input prices.

Energy, Financials and Consumer Discretionary were major contributors to PAT growth in Q2FY24, while Information Technology was a drag.

Aggregate earnings growth of top 200 companies is pegged at 28.5% and 14.0% in FY24 and FY25 respectively, implying an earnings CAGR of 21% during FY23-25.

Table of Contents

Nifty 50 Q2FY24 results.....	5
Nifty 500 Q2FY24 results	15
Company-wise distribution analysis of Nifty 500 corporate earnings.....	25
Earnings revision analysis.....	36

Table of Figures

Figure 1: Sector-wise net sales growth of Nifty 50 companies in Q2FY24.....	6
Figure 2: Quarterly trend of Nifty 50 revenue growth (YoY)	7
Figure 3: Change in expenses for Nifty 50 companies (ex-Financials) in Q2FY24	8
Figure 4: Sector-wise EBITDA growth of Nifty 50 companies in Q2FY24	9
Figure 5: Sector-wise EBITDA margin of Nifty 50 companies in Q2FY24.....	9
Figure 6: Quarterly trend of Nifty 50 EBITDA growth (YoY)	10
Figure 7: Quarterly EBITDA margin trend of Nifty 50 companies	11
Figure 8: Sector-wise PAT growth of Nifty 50 companies in Q2FY24.....	13
Figure 9: Sector-wise PAT margin of Nifty 50 companies in Q2FY24.....	13
Figure 10: Quarterly trend of Nifty 50 PAT growth (YoY)	14
Figure 11: PAT margin trend of Nifty 50 companies	14
Figure 12: Sector-wise net sales growth of Nifty 500 companies in Q2FY24	16
Figure 13: Quarterly Nifty 500 revenue growth trend (YoY)	16
Figure 14: Change in expenses for Nifty 500 companies (ex-Financials) in Q2FY24.....	18
Figure 15: Sector-wise EBITDA growth of Nifty 500 companies in Q2FY24	19
Figure 16: Sector-wise EBITDA margin of Nifty 500 companies in Q2FY24	19
Figure 17: Quarterly Nifty 500 EBITDA growth trend (YoY).....	20
Figure 18: EBITDA margin trend of Nifty 500 companies.....	21
Figure 19: Sector-wise PAT growth of Nifty 500 companies in Q2FY24	22
Figure 20: Sector-wise PAT margin of Nifty 500 companies in Q2FY24	22
Figure 21: Quarterly Nifty 500 PAT growth trend (YoY).....	23
Figure 22: PAT margin trend of Nifty 500 companies.....	24
Figure 23: Share of Nifty index constituents in overall net sales of Nifty 500 universe in Q2FY24	24
Figure 24: Distribution of revenue growth of Nifty 500 companies across quarters.....	26
Figure 25: Distribution of revenue growth of Nifty 500 companies across last five quarters	27
Figure 26: Distribution of EBITDA growth of Nifty 500 companies (excl. Financials) across quarters	28
Figure 27: Distribution of EBITDA growth of Nifty 500 companies (excl. Financials) for last five quarters.....	29
Figure 28: Distribution of EBITDA margin of Nifty 500 companies (excl. Financials) across quarters	30
Figure 29: Distribution of EBITDA margin of Nifty 500 companies (excl. Financials) for last five quarters.....	31
Figure 30: Distribution of PAT growth of Nifty 500 companies across quarters	32
Figure 31: Distribution of PAT growth of Nifty 500 companies for last five quarters	33

Figure 32: Distribution of PAT margin of Nifty 500 companies across quarters	34
Figure 33: Distribution of PAT margin of Nifty 500 companies for last five quarters	35
Figure 34: Aggregate consensus profit growth estimate for top 200 covered companies (% YoY)	36
Figure 35: Aggregate consensus earnings revisions since Jan'23 for top 200 covered companies	36
Figure 36: Sector-wise revision in FY24 earnings estimates for top 200 companies since September 2023	37
Figure 37: Sector-wise revision in FY25 earnings estimates for top 200 companies since September 2023	38
Figure 38: Sector-wise share and contribution to earnings	38
Figure 39: Yearly trend of NIFTY 50 Consensus EPS estimates	39
Figure 40: Nifty 50 Earnings Revision Indicator (since January 2019)	40
Figure 41: Nifty 50 Earnings Revision Indicator (10-year trend)	41
Figure 42: Short-term trend of Earnings Revision Indicator across MSCI sectors	42
Figure 43: Long-term trend of Earnings Revision Indicator across MSCI sectors	43

Table of Tables

Table 1: Net sales growth of Nifty 50 companies	6
Table 2: Sector-wise contribution of Nifty 50 companies to net sales growth in Q2FY24	7
Table 3: EBITDA growth of Nifty 50 companies	8
Table 4: EBITDA margin of Nifty 50 companies in Q2FY24	9
Table 5: Sector-wise contribution of Nifty 50 companies to EBITDA growth in Q2FY24	10
Table 6: PAT growth of Nifty 50 companies	12
Table 7: PAT margin of Nifty 50 companies in Q2FY24	12
Table 8: Sector-wise contribution of Nifty 50 companies to PAT growth in Q2FY24	13
Table 9: Net sales growth of Nifty 500 companies	15
Table 10: Sector-wise contribution of Nifty 500 companies to net sales growth in Q2FY24	17
Table 11: EBITDA growth of Nifty 500 companies	18
Table 12: EBITDA margin of Nifty 500 companies in Q2FY24	19
Table 13: Sector-wise contribution of Nifty 500 companies to EBITDA growth in Q2FY24	20
Table 14: PAT growth of Nifty 500 companies	21
Table 15: PAT margin of Nifty 500 companies in Q2FY24	22
Table 16: Sector-wise contribution of Nifty 500 companies to PAT growth in Q2FY24	23
Table 17: Interquartile range across performance parameters in September quarters of last nine years	25
Table 18: Monthly trend of sector-wise FY24 consensus earnings growth estimate (% YoY)	37
Table 19: Monthly trend of sector-wise FY25 consensus earnings growth estimate (% YoY)	37

Nifty 50 Q2FY24 results

Revenue growth remained muted in Q2: Aggregate net sales growth of Nifty 50 companies continued to moderate and recorded growth in single digits for the second quarter in a row of 7.3% YoY to Rs 17.3trn, down from 27.8% YoY growth in the corresponding quarter of last year. This followed a double-digit expansion in the preceding nine quarters. Comparing this with the pre-pandemic performance, the YoY revenue growth in the quarter gone by was lower than the average growth rate of 10% witnessed in the same period over five years prior to the onset of the pandemic (2015-19). Within the Nifty 50 universe, 42 and 37 recorded an expansion in revenues on an YoY and QoQ basis respectively.

Sector-wise, Financials contributed significantly to the revenue growth, accounting for slightly more than three quarter of the absolute YoY increase in the Nifty 50 aggregate sales, propelled by banks that benefited from strong credit offtake and improved asset quality. Excluding Financials, Nifty 50 revenue growth came in at a mere 2.1% YoY—the lowest in 11 quarters. Going forward, the recent RBI decision to tighten capital norms for unsecured lending by banks and NBFCs may pose headwinds to credit growth. Among other sectors, sales growth was led by Consumer Discretionary, notably Automobiles, reflecting the impact of strong demand and easing supply issues, even as Consumer Staples reported growth in low single digits, thanks to weak rural demand amid erratic south-west monsoons. Export-oriented sectors such as Information Technology and Healthcare also saw the topline growth moderating, while commodity sectors including Materials and Energy felt the brunt of falling crude oil and commodity prices. Excluding Energy, Revenue growth for Nifty 50 companies was much better at 13.6%.

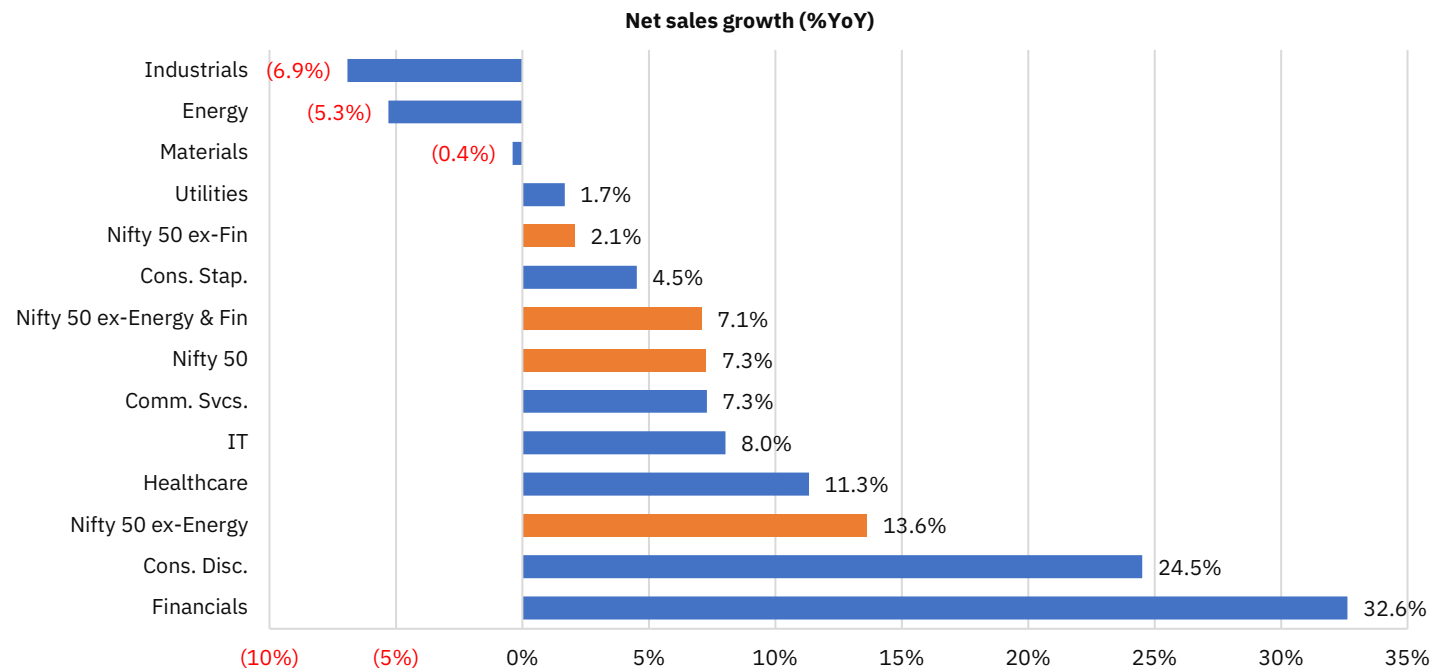
The pace of revenue growth declined this fiscal for the Nifty-50 universe, weighed down by muted external and rural demand. Weak global backdrop, intensifying geo-political strife and tight financial conditions are likely to continue to remain an overhang on export-oriented sectors. On the fillip side, domestic-oriented themes including relatively resilient domestic demand, sustained government's thrust on capex, improving capacity utilisation and revival in private capex cycle on account of strengthened balance sheets and healthy banking sector, should continue to support corporate earnings.

Table 1: Net sales growth of Nifty 50 companies

Sector	QoQ growth			YoY growth		
	Sep-22	Jun-23	Sep-23	Sep-22	Jun-23	Sep-23
Communication Services	5.2	4.0	(1.1)	21.9	14.1	7.3
Consumer Discretionary	9.8	0.6	5.2	31.6	30.0	24.5
Consumer Staples	0.9	(0.6)	3.4	19.4	2.0	4.5
Energy	(2.7)	(2.4)	(1.1)	39.6	(6.8)	(5.3)
Financials	28.0	7.1	11.8	17.4	51.8	32.6
Health Care	6.6	6.8	4.2	9.7	13.9	11.3
Industrials	5.9	(16.7)	0.8	66.9	(2.2)	(6.9)
Information Technology	5.1	(0.3)	0.8	19.5	12.6	8.0
Materials	(0.9)	(8.9)	(1.0)	14.2	(0.2)	(0.4)
Utilities	2.3	(4.2)	3.9	29.7	0.1	1.7
Nifty 50	4.9	(1.6)	2.8	27.8	9.5	7.3
Nifty 50 ex-Energy	9.3	(1.2)	4.6	22.6	18.8	13.6
Nifty 50 ex-Financials	1.2	(3.5)	0.7	30.2	2.6	2.1
Nifty 50 ex-energy ex-fin	4.0	(4.1)	1.7	24.5	9.5	7.1

Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

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

Figure 1: Sector-wise net sales growth of Nifty 50 companies in Q2FY24


Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

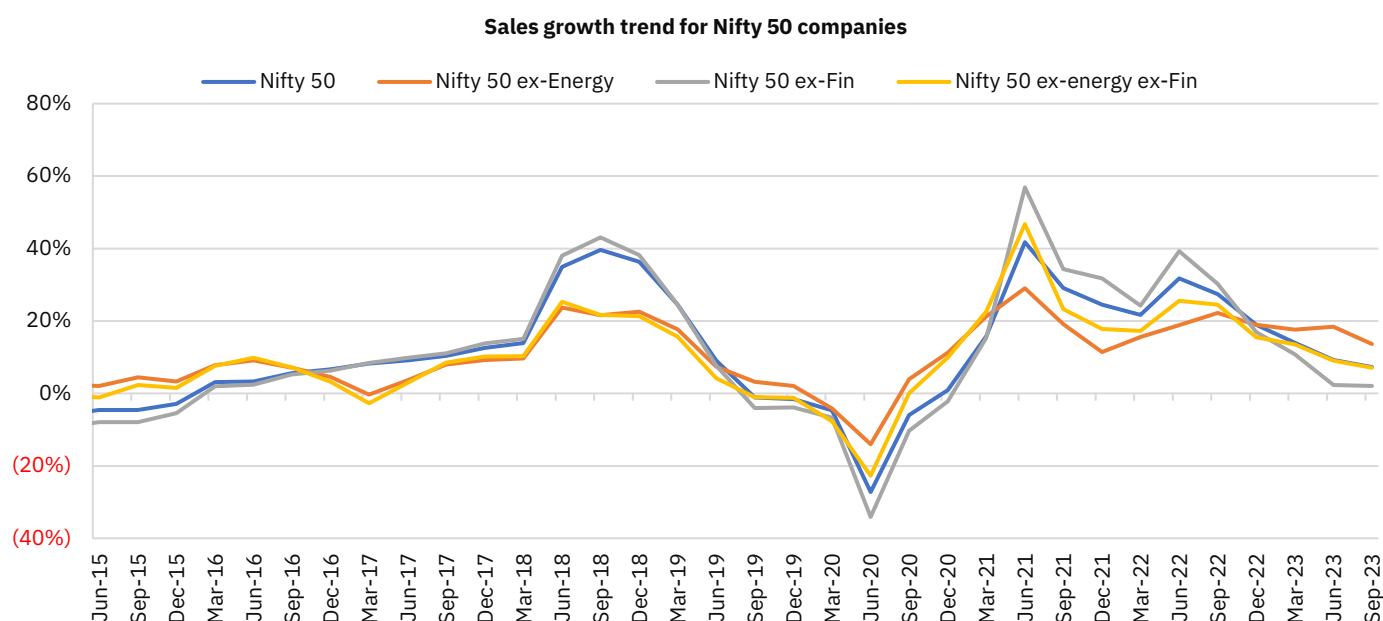
Note: The above chart provides data for companies in the Nifty 50 index as on end of September 2023.

Table 2: Sector-wise contribution of Nifty 50 companies to net sales growth in Q2FY24

Sector	Net sales (Rsbn)	Contribution to net sales growth	
		% QoQ	% YoY
Communication Services	370	(0.0)	0.2
Consumer Discretionary	2,135	0.6	2.6
Consumer Staples	466	0.1	0.1
Energy	5,146	(0.3)	(1.8)
Financials	3,652	2.3	5.6
Health Care	325	0.1	0.2
Industrials	802	0.0	(0.4)
Information Technology	1,696	0.1	0.8
Materials	2,193	(0.1)	(0.1)
Utilities	563	0.1	0.1
Nifty 50	17,349	2.8	7.3
Nifty 50 ex-Energy	12,203	8.2	9.1
Nifty 50 ex-Financials	13,696	1.4	1.7
Nifty 50 ex-energy ex-fin	8,551	2.3	3.5

Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

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

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


Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

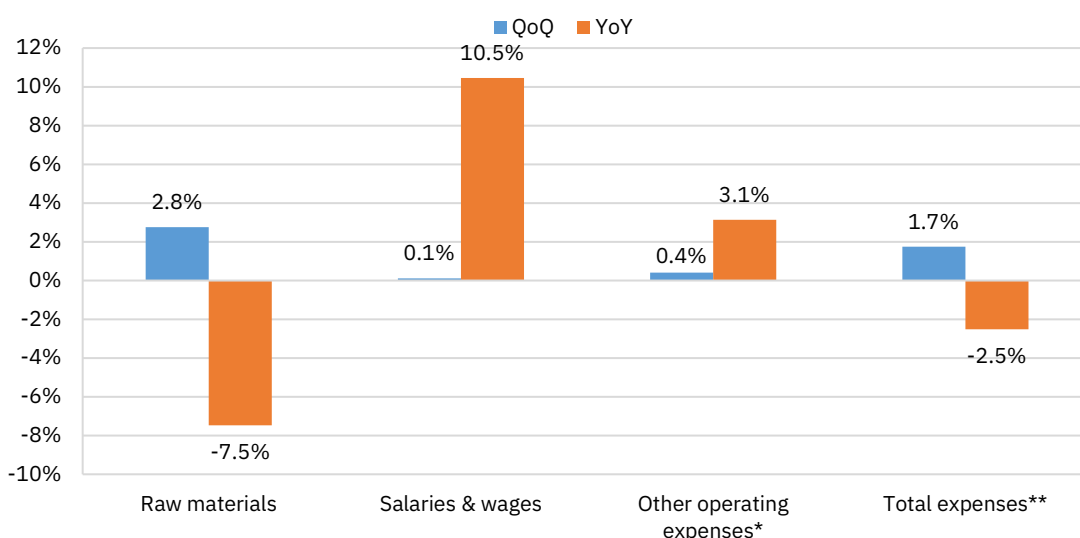
Note: The above chart includes companies in the Nifty 50 index as on end of respective quarters.

Easing input prices supported operating profit in Q2FY24: Operating profit (EBITDA) for the Nifty 50 universe excluding Financials grew by a robust 30.4% YoY in Q2FY24 to Rs 2.9trn, marginally higher than 24.9% YoY growth in the previous quarter. On a QoQ basis, EBITDA growth stood flat on account of increasing funding cost. The YoY expansion in EBITDA was significantly higher than revenue growth during the quarter owing to margin tailwinds emanating from cost cutting initiatives and falling input prices. Excluding financials, EBITDA margin expanded by 460bps YoY to 21%, marking the second quarter in a row of a 21%+ margin. The improvement was primarily driven by

Energy (+791 bps), thanks to strong margins reported by oil marketing companies amid lower crude oil prices. Notably, even after excluding Financials and Energy, there was a considerable margin improvement of 222bps on a YoY basis. Within the Nifty 50 universe, 36 of 40 non-financial companies reported a YoY growth in operating profits.

Easing input cost pressures (-7.5% YoY), thanks to falling commodity and fuel prices, coupled with continued cost-cutting initiatives, led to a contraction in total expenses (-2.5%). That said, salaries and wages surged recording a sizeable 10.5% YoY growth, even as the pace has moderated. On a YoY basis, only Information Technology sector reported a contraction in EBITDA margin, driven by headwinds from weakening demand for IT services in the largest economies.

Figure 3: Change in expenses for Nifty 50 companies (ex-Financials) in Q2FY24



Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

Note: 1. The above chart provides data for companies in the Nifty 500 index as on end of September 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		
	Sep-22	Jun-23	Sep-23	Sep-22	Jun-23	Sep-23
Communication Services	7.5	4.9	(0.5)	25.0	21.6	12.5
Consumer Discretionary	39.7	4.9	7.3	32.2	104.4	57.0
Consumer Staples	6.5	1.2	1.9	16.4	15.3	10.4
Energy	(9.2)	21.9	(3.5)	3.7	49.8	59.2
Financials	17.6	13.8	10.5	28.2	58.7	49.2
Health Care	7.8	16.5	5.6	12.1	15.1	12.8
Industrials	9.1	(14.7)	8.1	28.0	19.7	18.6
Information Technology	8.2	(5.2)	2.6	7.6	12.6	6.8
Materials	(39.9)	(9.0)	(6.6)	(47.4)	(20.4)	23.8
Utilities	2.9	(5.0)	3.2	11.2	8.7	9.0
Nifty 50	4.2	8.6	4.7	10.2	37.9	38.5
Nifty 50 ex-Energy	7.2	5.7	6.7	11.5	35.2	34.6
Nifty 50 ex-Financials	(4.1)	4.8	0.0	(0.5)	24.9	30.4
Nifty 50 ex-energy ex-fin	(2.0)	(2.8)	2.0	(2.0)	14.3	19.0

Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

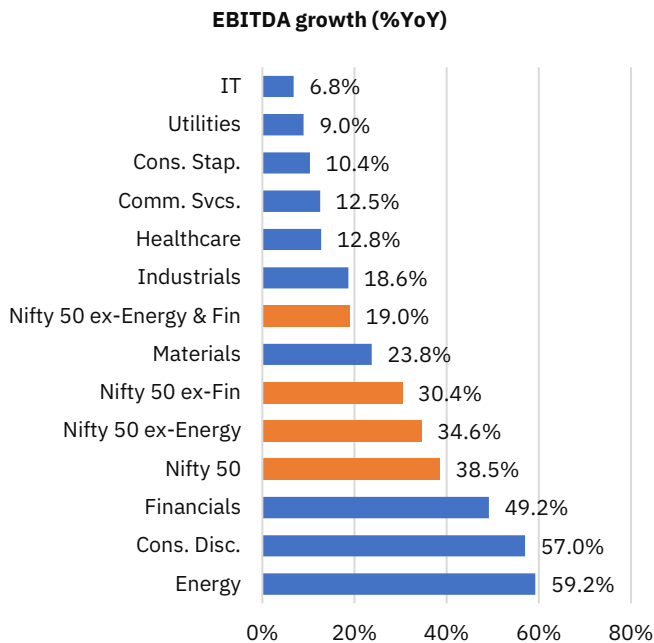
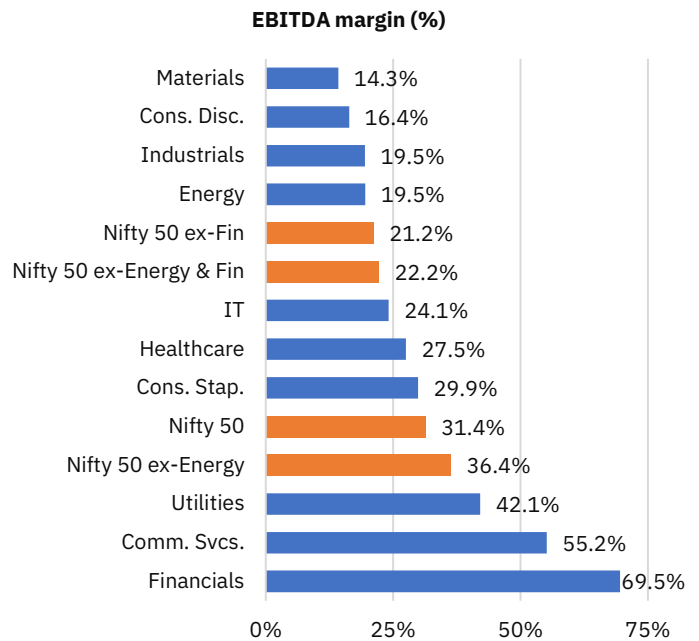
Note: The above table provides data for companies in the Nifty 50 index as on end of September 2023.

Table 4: EBITDA margin of Nifty 50 companies in Q2FY24

Sector	EBITDA Margin	QoQ change (bps)	YoY change (bps)
Communication Services	55.2	30	258
Consumer Discretionary	16.4	33	338
Consumer Staples	29.9	(43)	158
Energy	19.5	(48)	791
Financials	69.5	(82)	770
Health Care	27.5	37	36
Industrials	19.5	132	419
Information Technology	24.1	42	(28)
Materials	14.3	(84)	278
Utilities	42.1	(30)	282
Nifty 50	31.4	55	707
Nifty 50 ex-Energy	36.4	73	565
Nifty 50 ex-Financials	21.2	(13)	460
Nifty 50 ex-energy ex-fin	22.2	6	222

Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

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

Figure 4: Sector-wise EBITDA growth of Nifty 50 companies in Q2FY24

Figure 5: Sector-wise EBITDA margin of Nifty 50 companies in Q2FY24


Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

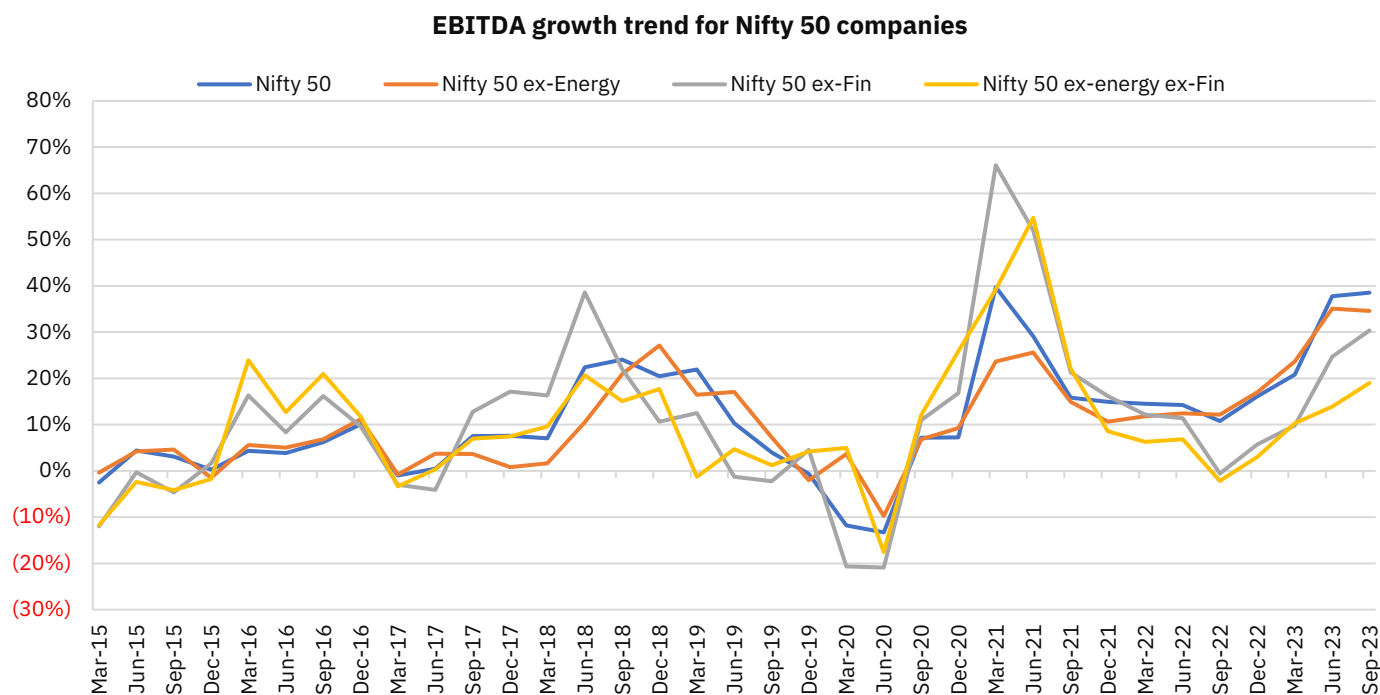
Note: The above charts provide data for companies in the Nifty 50 index as on end of September 2023.

Table 5: Sector-wise contribution of Nifty 50 companies to EBITDA growth in Q2FY24

Sector	EBITDA (Rsbn)	Contribution to EBITDA growth	
		% QoQ	% YoY
Communication Services	204	(0.0)	0.6
Consumer Discretionary	349	0.5	3.2
Consumer Staples	139	0.1	0.3
Energy	1,004	(0.7)	9.5
Financials	2,539	4.6	21.3
Health Care	90	0.1	0.3
Industrials	156	0.2	0.6
Information Technology	409	0.2	0.7
Materials	313	(0.4)	1.5
Utilities	237	0.1	0.5
Nifty 50	5,440	4.7	38.5
Nifty 50 ex-Energy	4,436	5.4	29.0
Nifty 50 ex-Financials	2,901	0.0	17.2
Nifty 50 ex-energy ex-fin	1,897	0.7	7.7

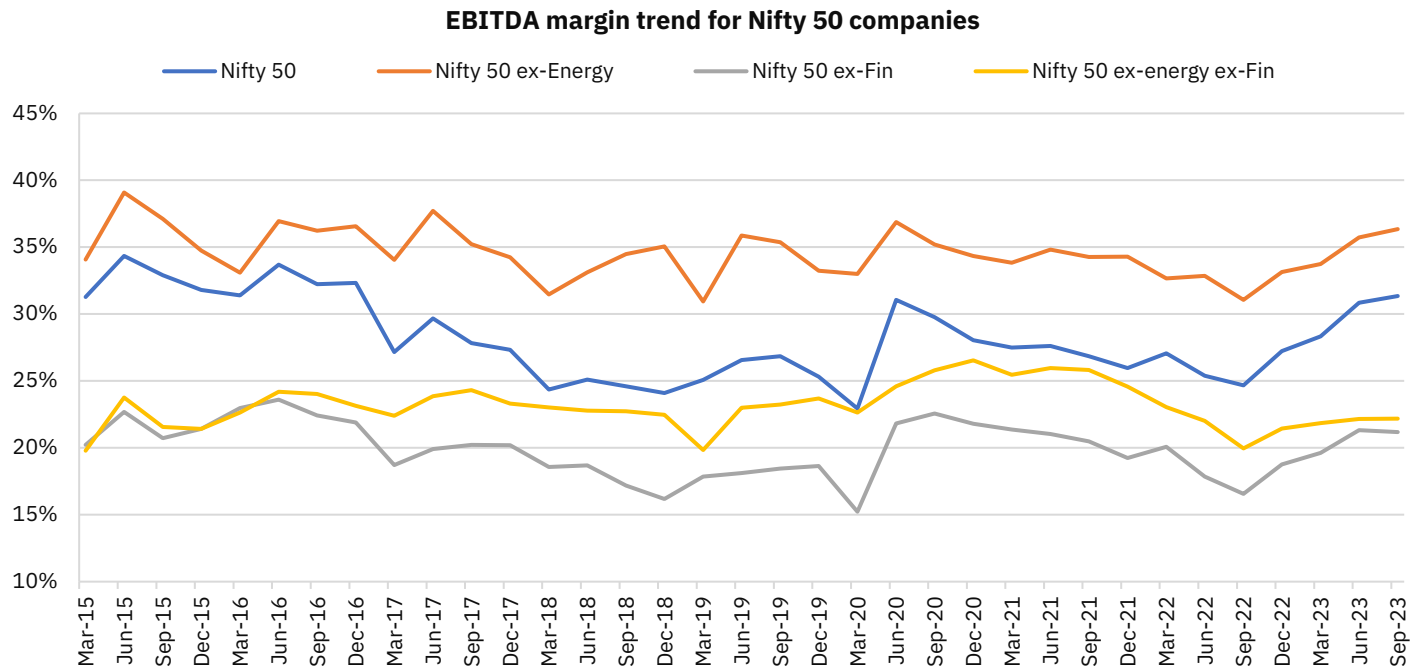
Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

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

Profit expanded in double-digit led by Financials and Energy: The aggregate adjusted PAT for Nifty 50 companies recorded a significant growth of 36.1% YoY to Rs 2trn partly on account of favourable base (-2.7%YoY Sep'22), even as it was marginally lower than 41.4% YoY growth in the previous quarter. Excluding HDFC bank, the growth fell slightly lower to 35.7%YoY. Most of the sectors reported double-digit YoY expansion with Consumer Discretionary outpacing and recording 111.5%YoY driven by Auto companies (initial revival in two-wheeler industry and surge in sales of premium cars). This was followed by Energy (+83.1%), Materials (+52.9%) and Industrials (+30.8%). Furthermore, a meaningful YoY improvement in profits of Communication Services (increased average revenue per user) and Materials (improved demand and high revenue realisation due to price hike) as against the previous quarter supported the overall profitability of Nifty 50 universe in Q2.

While the Financial sector posted impressive profit growth of 23.6% YoY, contributing 23.2% to the aggregate YoY profit expansion of the universe, its PAT margin contracted 130bps YoY and 154bps QoQ on account of compression in net interest margins. However, excluding HDFC bank, the PAT growth of the financial sector was much lower at 19%YoY. Contrary to the general trend, the aggregate net profit of Nifty 50 universe excluding Financials registered a higher PAT growth of 43%YoY—first time in last eight quarters, primarily reflecting the impact of margin tailwinds during the quarter. Within the Nifty 50 universe, 40 companies reported an YoY expansion in net income.

Table 6: PAT growth of Nifty 50 companies

Sector	QoQ growth			YoY growth		
	Sep-22	Jun-23	Sep-23	Sep-22	Jun-23	Sep-23
Communication Services	20.7	(64.0)	141.0	133.5	(38.4)	23.0
Consumer Discretionary	8517.5	(11.0)	10.9	274.8	16331.7	111.5
Consumer Staples	9.6	(0.2)	1.3	21.5	15.4	6.6
Energy	(10.4)	21.4	(5.3)	(28.9)	73.2	83.1
Financials	30.7	23.7	2.9	43.0	57.1	23.6
Health Care	6.5	20.0	8.0	7.0	13.8	15.3
Industrials	31.1	(26.6)	10.0	33.7	55.8	30.8
Information Technology	9.3	(6.5)	2.0	6.1	12.6	5.1
Materials	(67.2)	(19.7)	(15.4)	(76.0)	(40.8)	52.9
Utilities	(7.6)	(7.5)	0.0	1.7	9.3	18.3
Nifty 50	5.3	5.7	1.2	(2.7)	41.6	36.1
Nifty 50 ex-Energy	9.9	0.8	3.7	6.7	32.4	24.9
Nifty 50 ex-Financials	(4.9)	(0.9)	0.5	(17.2)	35.4	43.0
Nifty 50 ex-energy ex-fin	(2.3)	(11.9)	4.4	(11.0)	17.9	26.0

Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

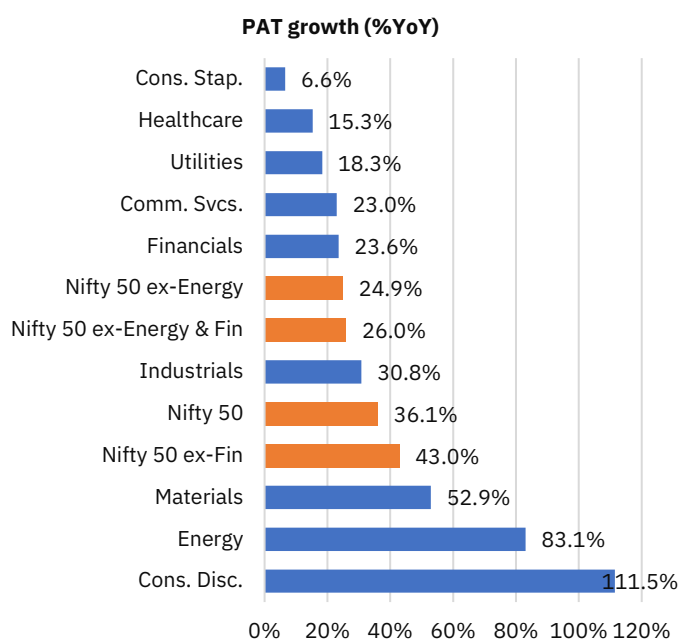
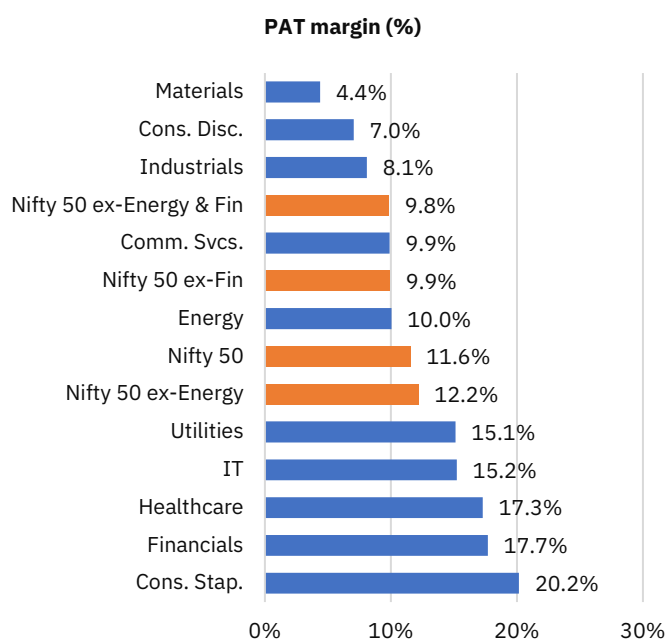
Note: 1. The above table provides data for companies in the Nifty 50 index as on end of September 2023.

Table 7: PAT margin of Nifty 50 companies in Q2FY24

Sector	PAT Margin	QoQ change (bps)	YoY change (bps)
Communication Services	9.9	583	126
Consumer Discretionary	7.0	37	290
Consumer Staples	20.2	(42)	39
Energy	10.0	(44)	485
Financials	17.7	(154)	(130)
Health Care	17.3	61	60
Industrials	8.1	68	233
Information Technology	15.2	18	(42)
Materials	4.4	(74)	152
Utilities	15.1	(59)	213
Nifty 50	11.6	(18)	245
Nifty 50 ex-Energy	12.2	(10)	110
Nifty 50 ex-Financials	9.9	(2)	284
Nifty 50 ex-energy ex-fin	9.8	25	148

Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

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

Figure 8: Sector-wise PAT growth of Nifty 50 companies in Q2FY24

Figure 9: Sector-wise PAT margin of Nifty 50 companies in Q2FY24


Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

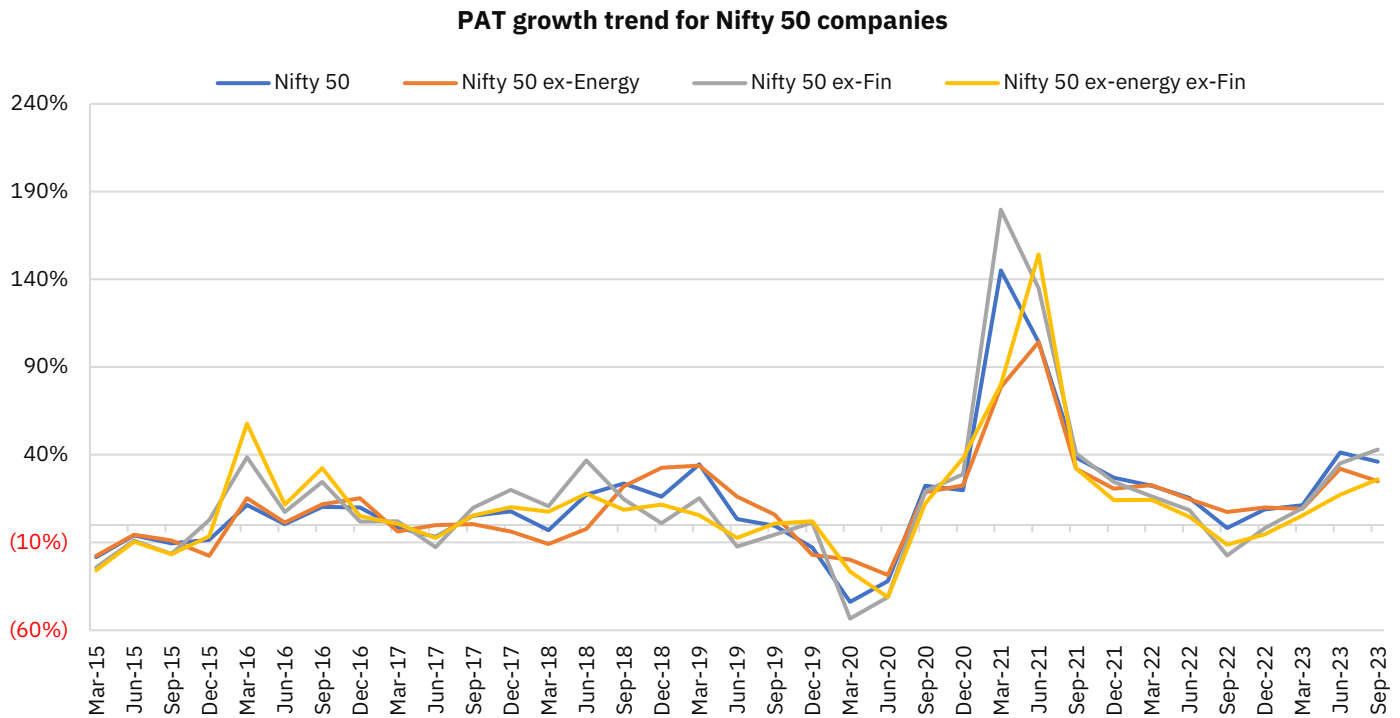
Note: The above charts provide data for companies in the Nifty 50 index as on end of September 2023.

Table 8: Sector-wise contribution of Nifty 50 companies to PAT growth in Q2FY24

Sector	PAT (Rsbn)	Contribution to PAT growth	
		% QoQ	% YoY
Communication Services	37	1.1	0.5
Consumer Discretionary	150	0.7	5.4
Consumer Staples	94	0.1	0.4
Energy	517	(1.4)	15.9
Financials	646	0.9	8.4
Health Care	56	0.2	0.5
Industrials	65	0.3	1.0
Information Technology	258	0.3	0.9
Materials	96	(0.9)	2.3
Utilities	85	0.0	0.9
Nifty 50	2,005	1.2	36.1
Nifty 50 ex-Energy	1,488	2.7	20.2
Nifty 50 ex-Financials	1,358	0.3	27.7
Nifty 50 ex-energy ex-fin	842	1.8	11.8

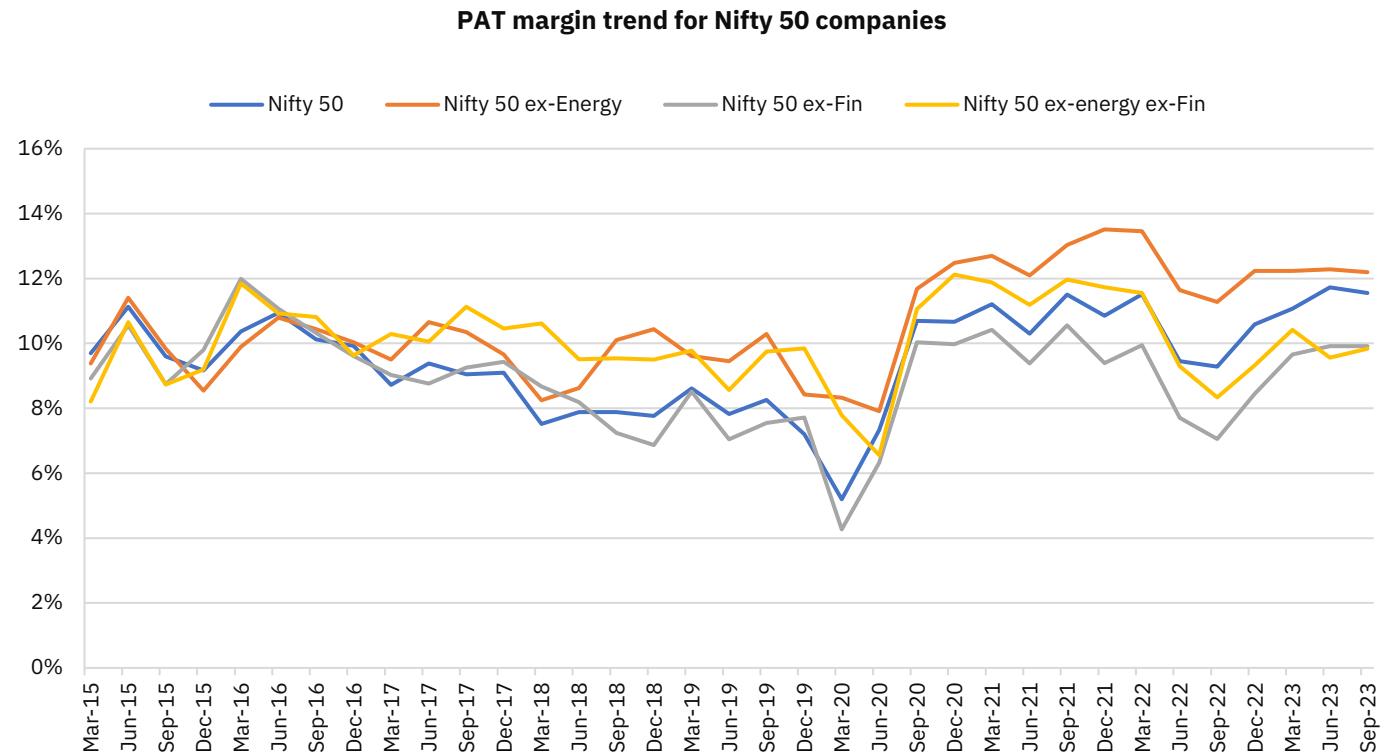
Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

Note: The above table provides data for companies in the Nifty 50 index as on end of September 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 Q2FY24 results

Revenue growth of Nifty 500 companies dropped to 11-quarter lows: Aggregate top-line for the Nifty 500 companies grew by 5.0% YoY in Q2FY24 to Rs 35trn, lower than 9.6% YoY growth in the previous quarter and 27.4% YoY growth in the corresponding quarter last year. The growth rate also remained below the average growth rate of 7.2% for the corresponding periods during the previous five years in the pre-pandemic period (2015-19). Within the Nifty 500 universe, 371 out of 485 companies recorded an YoY expansion in revenues, while QoQ expansion was reported by relatively fewer companies (330/485).

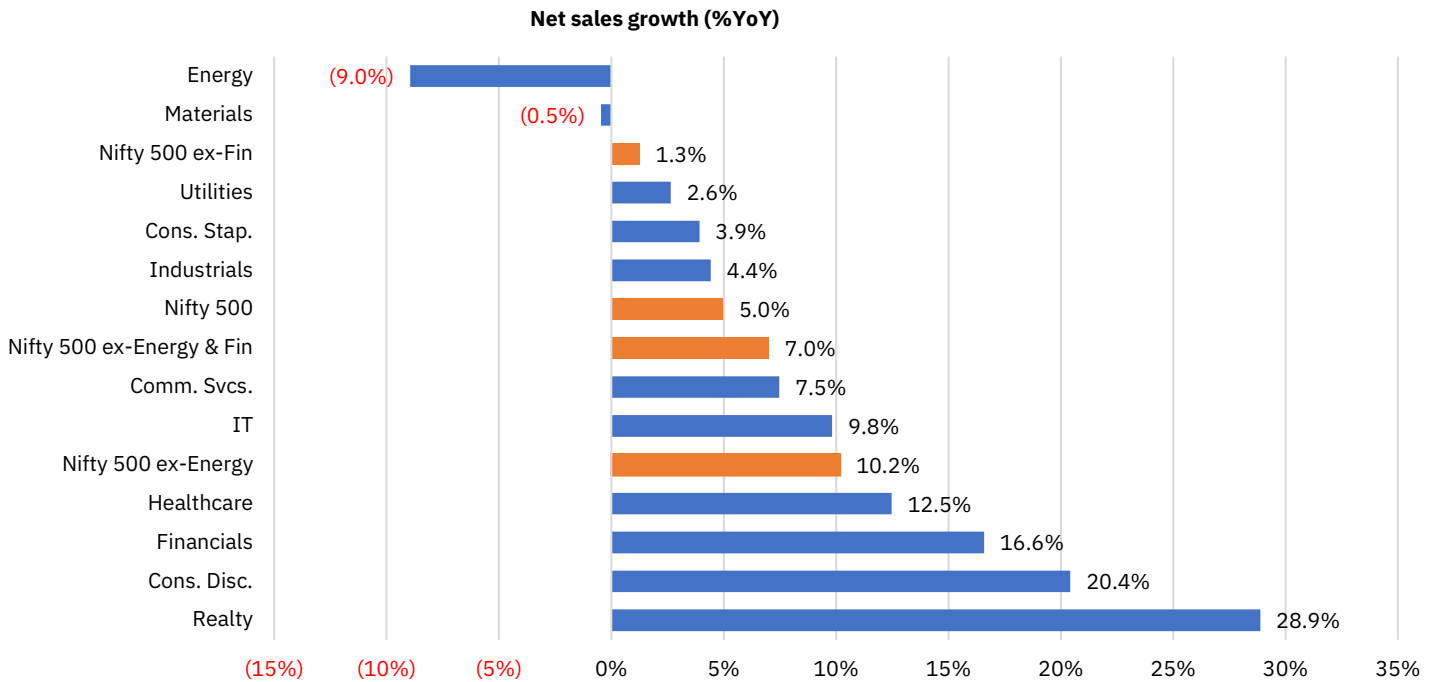
All sectors barring Energy and Materials registered an YoY expansion in revenues even as growth remained uneven across sectors. In line with the larger universe, Financials and Consumer Discretionary were the primary contributors to the aggregate revenue growth of the Nifty 500 universe during the quarter. Financials continued to perform well, even as it registered some moderation in the topline growth due to compression in net interest margins, aided by strong credit offtake. Consumer Discretionary sector also reported strong revenue growth, benefiting from strong demand for automobiles, while FMCG sector faced headwinds from subdued rural demand. Further, real estate registered a strong 29%YoY revenue growth—the highest in five quarters, albeit off a low base (-4.4% YoY in Q2 FY23). Commodity sectors including Energy and Materials, on the other hand, saw a YoY contraction in the top line growth for the second quarter in a row for the wider universe as well, reflecting the impact of lower crude oil and commodity prices. The revenue growth of Nifty500 companies excluding Energy stood at a slightly better but a 11-quarter low of 10.2%YoY.

Table 9: Net sales growth of Nifty 500 companies

Sector	QoQ growth			YoY growth		
	Sep-22	Jun-23	Sep-23	Sep-22	Jun-23	Sep-23
Communication Services	5.4	8.7	(2.5)	19.1	15.7	7.5
Consumer Discretionary	15.1	(5.5)	4.9	37.8	29.5	20.4
Consumer Staples	4.8	3.5	0.8	18.7	7.5	3.9
Energy	(4.7)	(2.5)	(4.8)	43.0	(8.8)	(9.0)
Financials	70.6	4.8	7.5	14.1	36.4	16.6
Health Care	6.7	4.1	3.2	7.0	13.6	12.5
Industrials	3.4	(13.6)	1.6	33.5	4.2	4.4
Information Technology	5.8	(0.9)	1.7	20.6	14.1	9.8
Materials	1.0	(7.1)	1.6	17.4	(1.6)	(0.5)
Real Estate	(18.4)	(29.3)	8.9	(2.6)	(3.5)	28.9
Utilities	(4.5)	2.0	3.5	40.9	(5.3)	2.6
Nifty 500	12.0	(1.9)	1.8	27.5	9.1	5.0
Nifty 500 ex-Energy	19.5	(1.7)	4.1	22.2	16.7	10.2
Nifty 500 ex-Financials	1.3	(3.9)	(0.1)	30.9	2.4	1.3
Nifty 500 ex-energy ex-fin	4.8	(4.6)	2.3	25.3	8.9	7.0

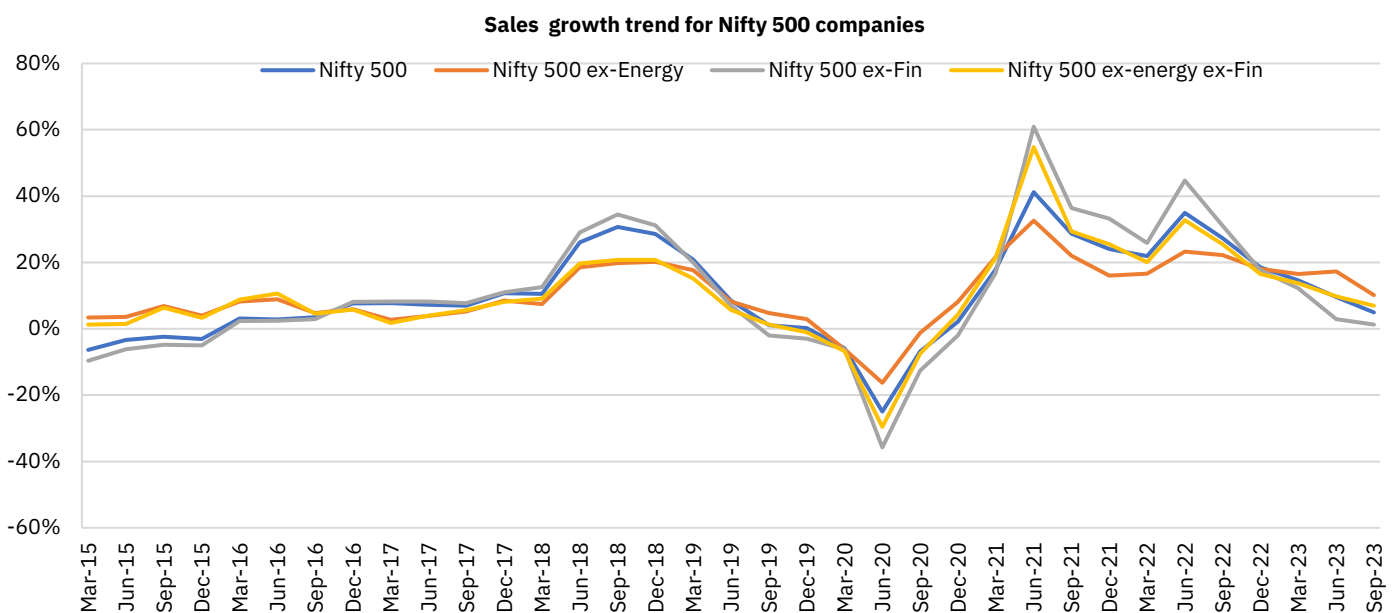
Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

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

Figure 12: Sector-wise net sales growth of Nifty 500 companies in Q2FY24


Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

Note: The above chart provides data for companies in the Nifty 500 index as on end of September 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 Q2FY24

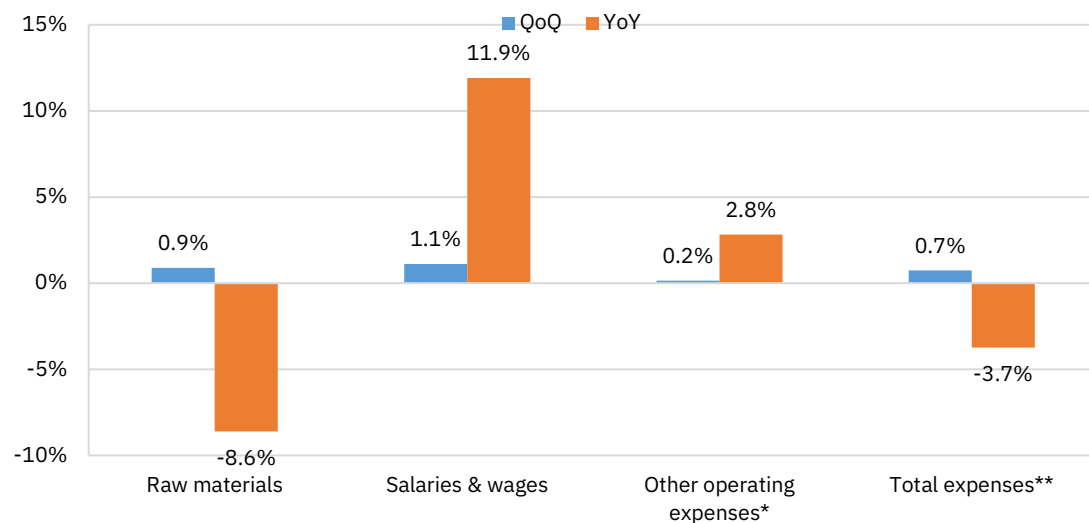
Sector	Net sales (Rsbn)	Contribution to net sales growth	
		% QoQ	% YoY
Communication Services	728	(0.1)	0.2
Consumer Discretionary	3,510	0.5	1.8
Consumer Staples	1,195	0.0	0.1
Energy	8,313	(1.2)	(2.4)
Financials	9,432	1.9	4.0
Health Care	942	0.1	0.3
Industrials	2,406	0.1	0.3
Information Technology	2,226	0.1	0.6
Materials	4,684	0.2	(0.1)
Real Estate	99	0.0	0.1
Utilities	1,608	0.2	0.1
Nifty 500	35,143	1.8	5.0
Nifty 500 ex-Energy	26,830	3.0	7.4
Nifty 500 ex-Financials	25,711	(0.1)	1.0
Nifty 500 ex-energy ex-fin	17,398	1.1	3.4

Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

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

Lower input costs more than made up for weaker top line in Q2 FY24: Aggregate EBITDA for the Nifty 500 universe excluding Financials expanded by a significant 40.9% YoY/1.7% QoQ to Rs5trn, albeit off a low base (-8.8% YoY in Q2 FY23). Energy sector accounted for nearly 50% of the absolute YoY expansion in operating profit in Q2, aided by higher marketing margins reported by OMCs thanks to lower crude oil prices. This, however, came off a steep 14.6% YoY drop in EBITDA of Energy sector in the same period last year. Real Estate reported the highest EBITDA growth among sectors while IT reported the lowest growth at 8.9% YoY. Major IT companies including Wipro, TCS, and Infosys reported subdued earnings in Q2 owing to negative externalities from the global economy and heightened macro uncertainties which may continue to weigh on margins in the second half of the financial year.

With commodity prices declining, the total RM cost for the Nifty 500 universe excluding Financials contracted by 8.6% YoY in the Q2FY24, even as it expanded by a modest 0.9% on a QoQ basis. This was driven by decline in costs for Materials and Real Estate sectors. Further, RM to sales ratio declined 304bps YoY but increased by 283bps QoQ, led by a sequential increase in cost for Consumer Discretionary (+65%QoQ). Salaries and wages also witnessed a significant increase of 11.9% YoY for the Nifty 500 universe, a tad higher than 10.5% YoY for Nifty 50 companies. IT and Consumer Discretionary together contributed to around 56% increase in the YoY wage bill. Consequently, operating margin for the Nifty500 companies excluding Financials expanded by nearly 550bps YoY in the September quarter to an eight-quarter high of 19.6%. Within the Nifty 500 universe, 371 and 311 companies reported YoY and QoQ growth in operating revenue in the September quarter respectively.

Figure 14: Change in expenses for Nifty 500 companies (ex-Financials) in Q2FY24


Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

Note: 1. The above chart provides data for companies in the Nifty 500 index as on end of September 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		
	Sep-22	Jun-23	Sep-23	Sep-22	Jun-23	Sep-23
Communication Services	3.7	7.6	0.9	(14.8)	17.7	14.8
Consumer Discretionary	21.4	7.4	4.4	24.1	68.6	45.8
Consumer Staples	1.9	16.0	0.5	8.7	17.2	15.2
Energy	(10.8)	21.0	(3.1)	(14.6)	87.3	103.6
Financials	19.5	14.8	7.3	23.4	60.6	44.6
Health Care	(2.6)	23.4	8.4	(7.7)	15.7	26.7
Industrials	10.0	(12.8)	3.3	29.6	33.1	27.2
Information Technology	8.2	(5.0)	3.1	7.7	14.2	8.9
Materials	(32.1)	(8.5)	4.6	(38.1)	(16.6)	27.3
Real Estate	(49.3)	(22.8)	34.7	(40.7)	5.2	179.4
Utilities	(10.0)	20.7	1.6	8.4	12.7	27.5
Nifty 500	4.3	10.6	4.5	4.8	42.3	42.8
Nifty 500 ex-Energy	6.2	9.0	5.8	7.5	36.7	36.4
Nifty 500 ex-Financials	(7.8)	6.7	1.7	(8.8)	27.7	40.9
Nifty 500 ex-energy ex-fin	(7.0)	1.7	3.7	(7.3)	12.8	25.7

Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

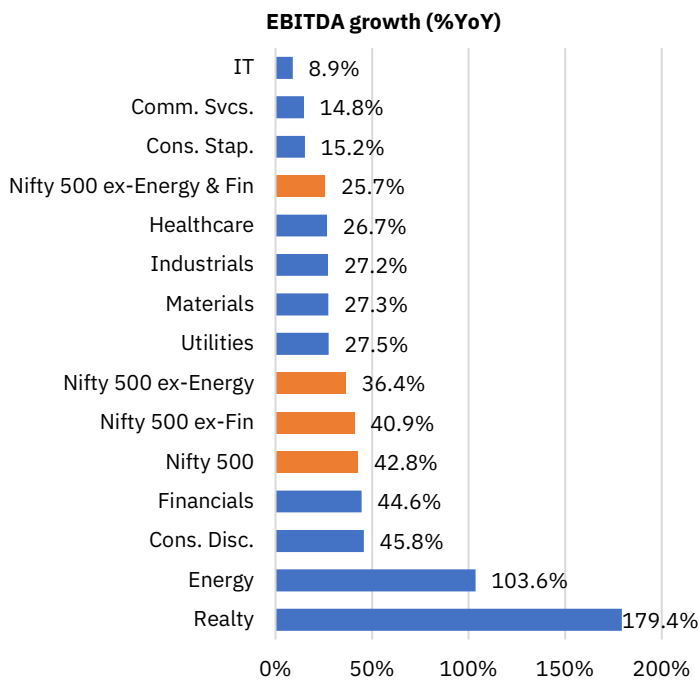
Note: The above table provides data for companies in the Nifty 500 index as on end of September 2023.

Table 12: EBITDA margin of Nifty 500 companies in Q2FY24

Sector	EBITDA Margin	QoQ change (bps)	YoY change (bps)
Communication Services	44.8	150	285
Consumer Discretionary	15.5	(6)	270
Consumer Staples	19.4	(6)	190
Energy	17.1	30	945
Financials	56.8	(7)	1100
Health Care	25.5	121	285
Industrials	17.6	30	316
Information Technology	21.1	28	(18)
Materials	16.8	48	368
Real Estate	47.5	908	2557
Utilities	34.2	(62)	666
Nifty 500	29.6	76	784
Nifty 500 ex-Energy	33.5	56	642
Nifty 500 ex-Financials	19.6	34	552
Nifty 500 ex-energy ex-fin	20.8	28	310

Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

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

Figure 15: Sector-wise EBITDA growth of Nifty 500 companies in Q2FY24


Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

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

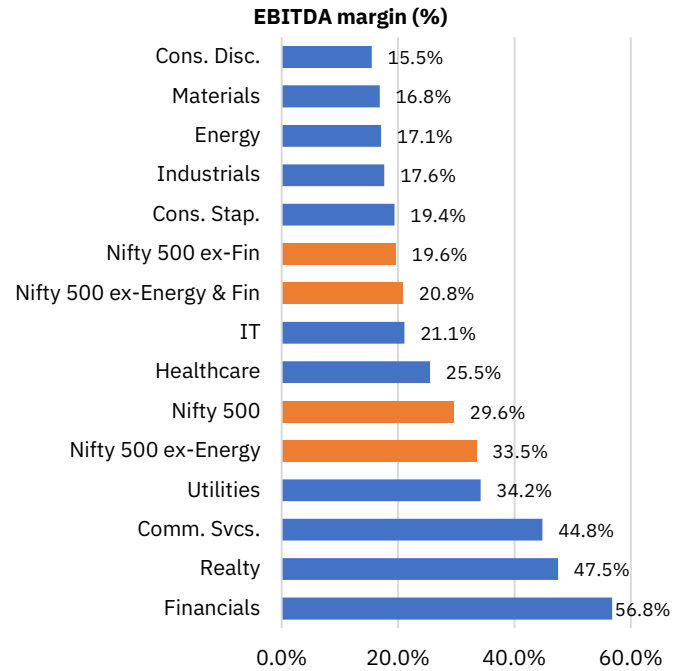
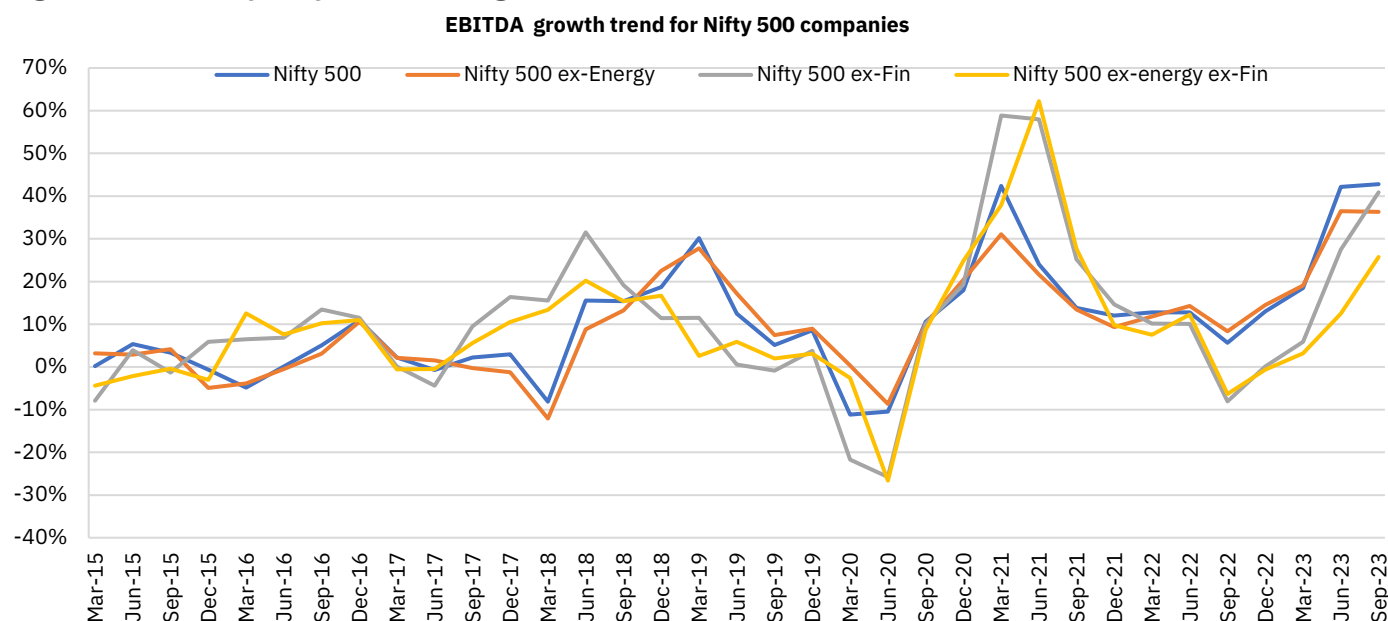
Figure 16: Sector-wise EBITDA margin of Nifty 500 companies in Q2FY24


Table 13: Sector-wise contribution of Nifty 500 companies to EBITDA growth in Q2FY24

Sector	EBITDA (Rsbn)	Contribution to EBITDA growth	
		% QoQ	% YoY
Communication Services	326	0.0	0.6
Consumer Discretionary	544	0.2	2.3
Consumer Staples	232	0.0	0.4
Energy	1,422	(0.5)	9.9
Financials	5,355	3.7	22.7
Health Care	240	0.2	0.7
Industrials	425	0.1	1.2
Information Technology	469	0.1	0.5
Materials	789	0.3	2.3
Real Estate	47	0.1	0.4
Utilities	550	0.1	1.6
Nifty 500	10,398	4.5	42.8
Nifty 500 ex-Energy	8,977	5.0	32.9
Nifty 500 ex-Financials	5,043	0.8	20.1
Nifty 500 ex-energy ex-fin	3,621	1.3	10.2

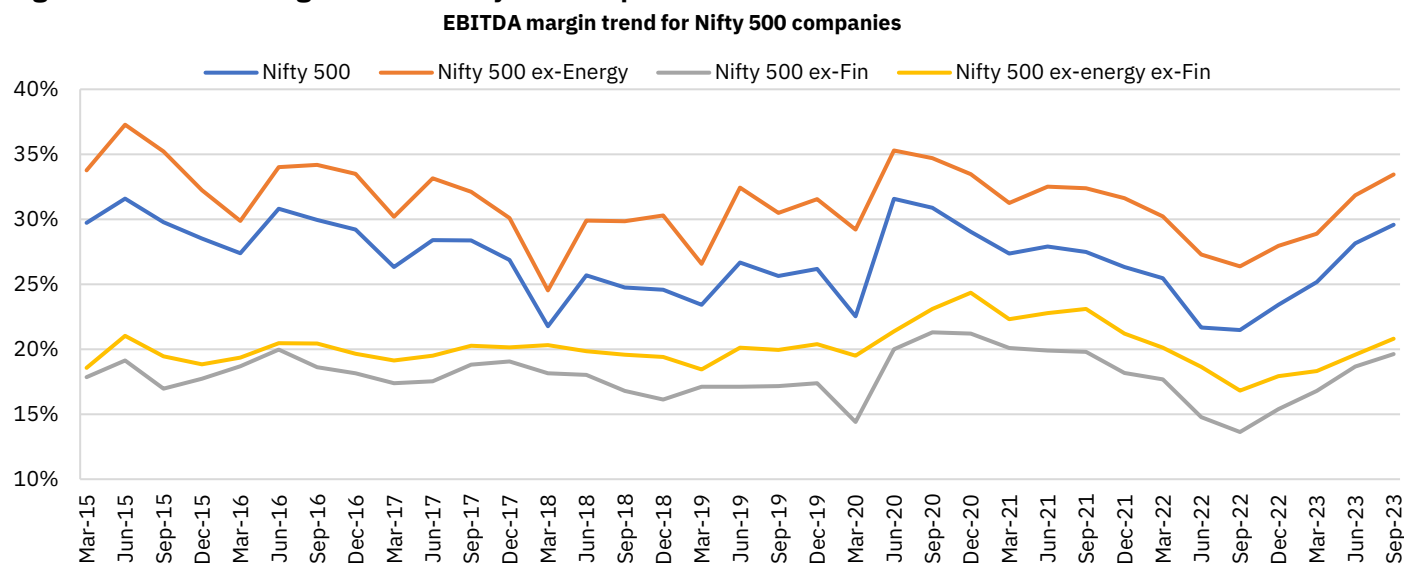
Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

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

Figure 17: Quarterly Nifty 500 EBITDA 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 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 45.2% YoY to Rs3.5trn in Q2FY24 vs. (-)10.1% YoY in Q2FY23 and 50.7% in Q1FY24. PAT margins expanded by 279bps YoY while declined by a modest 13bps QoQ to 10.1%. Energy was the biggest contributor to PAT growth in the September quarter, contributing to 20.5% of the 45.2% growth, followed by Financials at 6.4% and Consumer Discretionary at 4.0%. Excluding Energy and Consumer Discretionary, profit growth for the Nifty 500 companies came in at much lower 24.5%, partly attributed to higher interest expenses. Interest expenses for the Nifty 500 ex Financials universe rose by 14.4% YoY, higher than 8.6% jump for the top 50 companies, implying higher cost of funds for smaller companies. Within the Nifty 500 universe, 322 and 280 companies reported a profit expansion on a YoY and QoQ basis in the September quarter respectively.

Table 14: PAT growth of Nifty 500 companies

Sector	QoQ growth			YoY growth		
	Sep-22	Jun-23	Sep-23	Sep-22	Jun-23	Sep-23
Communication Services	NA	NA	NA	(154.8)	NA	NA
Consumer Discretionary	112.8	(1.0)	2.3	89.2	265.8	78.8
Consumer Staples	1.4	22.0	(0.8)	9.2	15.2	12.0
Energy	(15.4)	23.5	(4.5)	(47.7)	157.2	190.2
Financials	47.0	9.4	1.0	43.7	66.0	14.3
Health Care	(12.6)	49.3	12.4	(18.6)	13.9	42.5
Industrials	23.1	(16.8)	(7.6)	37.0	86.3	44.6
Information Technology	9.2	(6.6)	2.6	5.6	14.0	7.2
Materials	(52.7)	(13.7)	0.6	(60.7)	(31.8)	43.3
Real Estate	(87.6)	(40.1)	49.1	(82.4)	10.0	1227.6
Utilities	(22.2)	29.8	3.8	5.9	22.4	63.3
Nifty 500	4.5	6.8	0.5	(10.1)	50.7	45.2
Nifty 500 ex-Energy	7.5	2.8	2.0	(0.9)	34.5	27.6
Nifty 500 ex-Financials	(15.2)	5.5	0.2	(28.5)	43.6	70.2
Nifty 500 ex-energy ex-fin	(15.2)	(2.0)	2.8	(21.7)	16.4	41.1

Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

Note: 1. The above table provides data for companies in the Nifty 500 index as on end of September 2023.

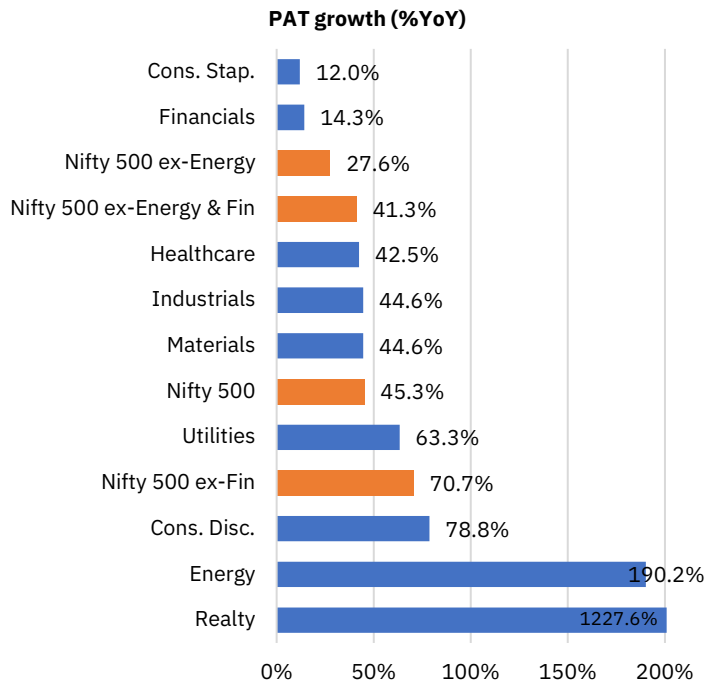
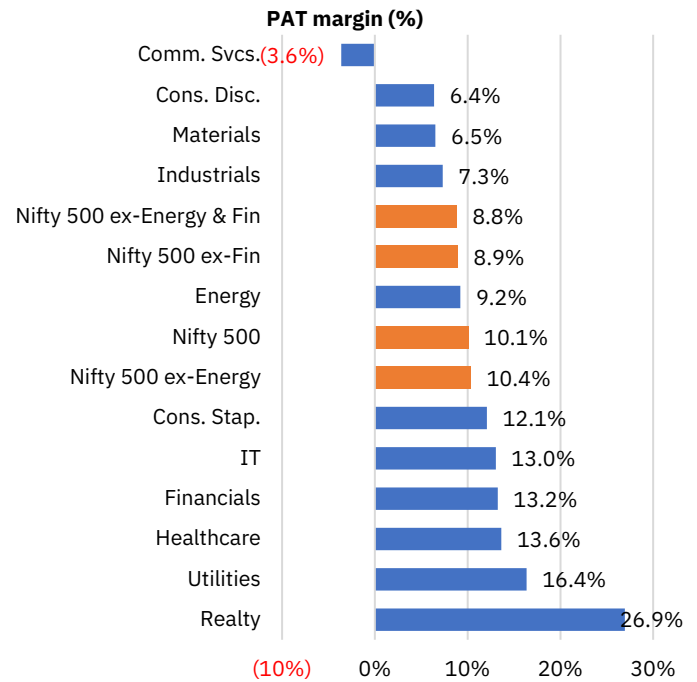
2. NA: Not Applicable

Table 15: PAT margin of Nifty 500 companies in Q2FY24

Sector	PAT Margin	QoQ change (bps)	YoY change (bps)
Communication Services	(3.6)	130	38
Consumer Discretionary	6.4	(16)	208
Consumer Staples	12.1	(18)	87
Energy	9.2	3	631
Financials	13.2	(84)	(27)
Health Care	13.6	111	287
Industrials	7.3	(73)	203
Information Technology	13.0	11	(32)
Materials	6.5	(6)	200
Real Estate	26.9	727	2433
Utilities	16.4	5	608
Nifty 500	10.1	(13)	279
Nifty 500 ex-Energy	10.4	(21)	142
Nifty 500 ex-Financials	8.9	3	362
Nifty 500 ex-energy ex-fin	8.8	4	213

Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

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

Figure 19: Sector-wise PAT growth of Nifty 500 companies in Q2FY24

Figure 20: Sector-wise PAT margin of Nifty 500 companies in Q2FY24


Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

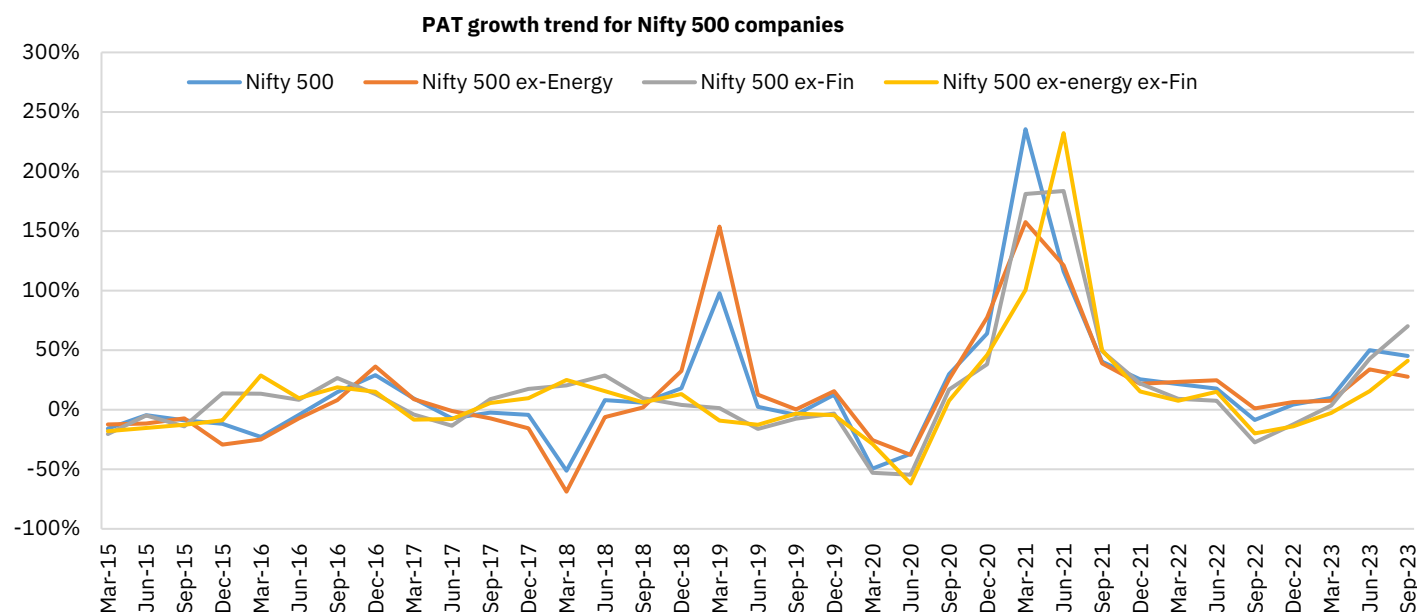
Note: The above charts provide data for companies in the Nifty 500 index as on end of September 2023.

Table 16: Sector-wise contribution of Nifty 500 companies to PAT growth in Q2FY24

Sector	PAT (Rsbn)	Contribution to PAT growth	
		% QoQ	% YoY
Communication Services	(26)	0.3	0.0
Consumer Discretionary	224	0.1	4.0
Consumer Staples	144	(0.0)	0.6
Energy	765	(1.0)	20.5
Financials	1,250	0.4	6.4
Health Care	128	0.4	1.6
Industrials	176	(0.4)	2.2
Information Technology	290	0.2	0.8
Materials	306	0.1	3.8
Real Estate	27	0.2	1.0
Utilities	263	0.3	4.2
Nifty 500	3,546	0.5	45.2
Nifty 500 ex-Energy	2,782	1.5	24.7
Nifty 500 ex-Financials	2,297	0.2	38.8
Nifty 500 ex-energy ex-fin	1,532	1.2	18.3

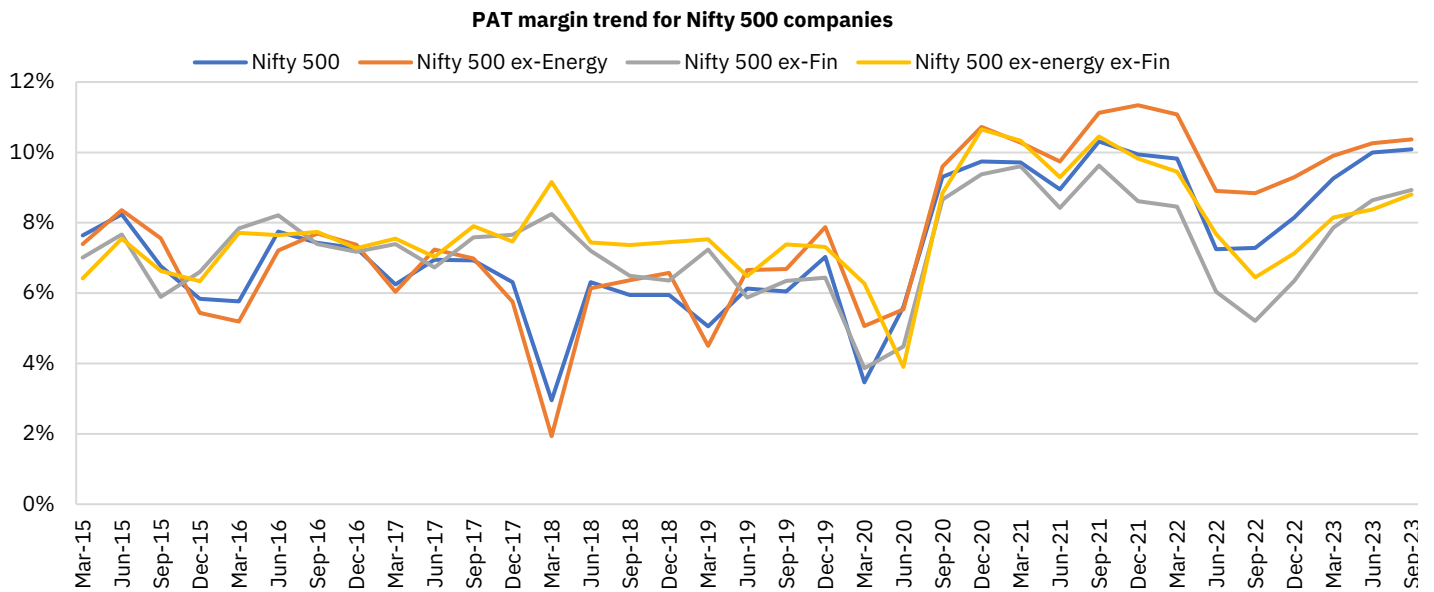
Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

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

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


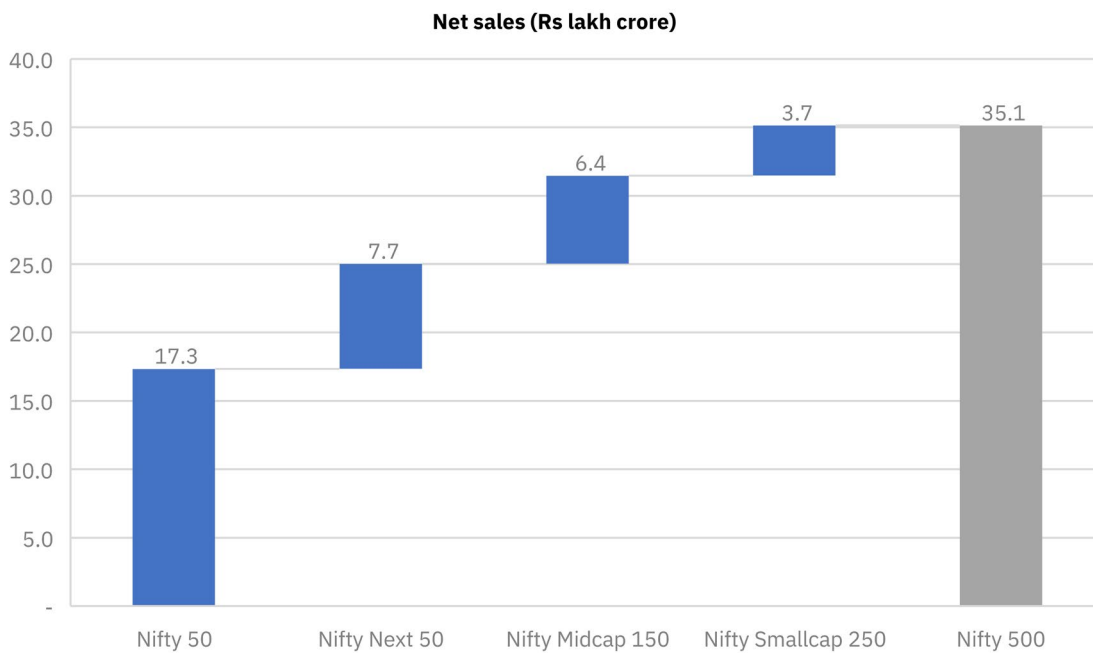
Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

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.

Figure 23: Share of Nifty index constituents in overall net sales of Nifty 500 universe in Q2FY24


Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

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

Company-wise distribution analysis of Nifty 500 corporate earnings

Median revenue growth registered a slight uptick in Q2FY24: Even as the aggregate revenue growth for the Nifty 500 companies moderated in the September quarter, the median YoY growth across was a tad higher as compared to the previous quarter. This was accompanied by a marginal drop in the deviation of revenue growth, as visible from the contracting bands of the interquartile ranges (IQR). Despite the narrower IQRs, there has been a notable increase in the number of outliers on the higher side, while the outliers on the lower side—number of companies reporting significant decline in revenue growth—have declined significantly in the post-COVID period.

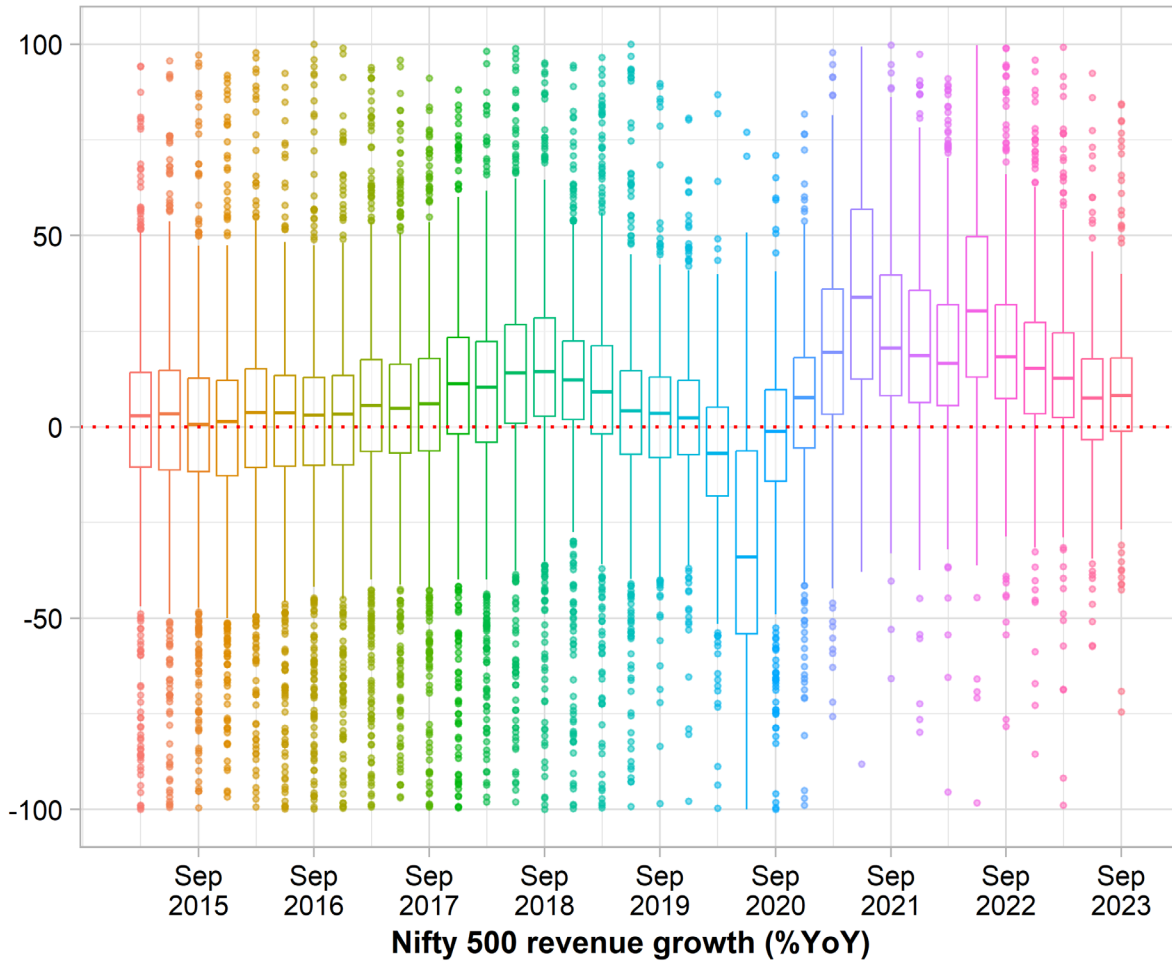
The table below shows an improvement in performance across various quartiles and financial parameters over the past nine years. The IQRs for revenue, EBITDA and PAT growth have consistently tightened over the last nine years, even as the ranges have remained fairly wide for the latter two. In contrast, the IQR for EBITDA margin in Q2 FY24 was slightly narrower than average IQR in the September quarter of last nine years, while that for PAT margin was broadly in line. Further, the median EBITDA margin in the September quarters of the post-pandemic period (2020-23) was nearly 300bps higher than that in the pre-pandemic years of our analysis period (2015-19), reflecting the impact of cost-cutting initiatives and easing commodity prices in the post-pandemic period.

Table 17: Interquartile range across performance parameters in September 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%
Sep-15	-10.0	2.5	14.6	-16.2	8.4	34.0	-24.8	11.9	42.0	7.4	14.6	23.5	0.2	5.1	11.7
Sep-16	-8.8	3.7	14.7	-13.3	10.1	32.2	-20.7	13.8	53.0	8.6	15.3	24.2	0.9	5.7	12.3
Sep-17	-4.9	6.7	19.7	-14.2	8.1	29.9	-25.3	8.5	37.5	9.1	15.9	24.5	0.9	6.0	12.6
Sep-18	3.1	15.3	31.7	-14.8	10.0	36.3	-23.5	9.6	45.1	7.7	15.1	23.3	0.6	5.6	12.8
Sep-19	-6.4	4.5	15.4	-12.9	7.8	26.8	-24.4	11.9	45.0	12.3	18.3	26.0	3.1	9.1	15.7
Sep-20	-11.9	-0.1	10.9	-18.4	8.3	30.8	-26.3	3.5	40.1	13.0	19.5	27.2	4.2	9.6	15.8
Sep-21	6.6	19.9	44.1	-6.3	14.0	42.8	-10.1	16.7	63.1	12.5	18.9	27.7	5.3	10.3	16.8
Sep-22	7.4	18.1	31.6	-14.7	8.5	32.2	-20.4	10.7	37.7	10.8	16.5	25.9	4.3	9.2	16.0
Sep-23	0.5	10.4	22.7	1.9	18.5	41.6	-2.3	16.9	45.9	13.1	18.3	27.3	5.7	10.2	17.7

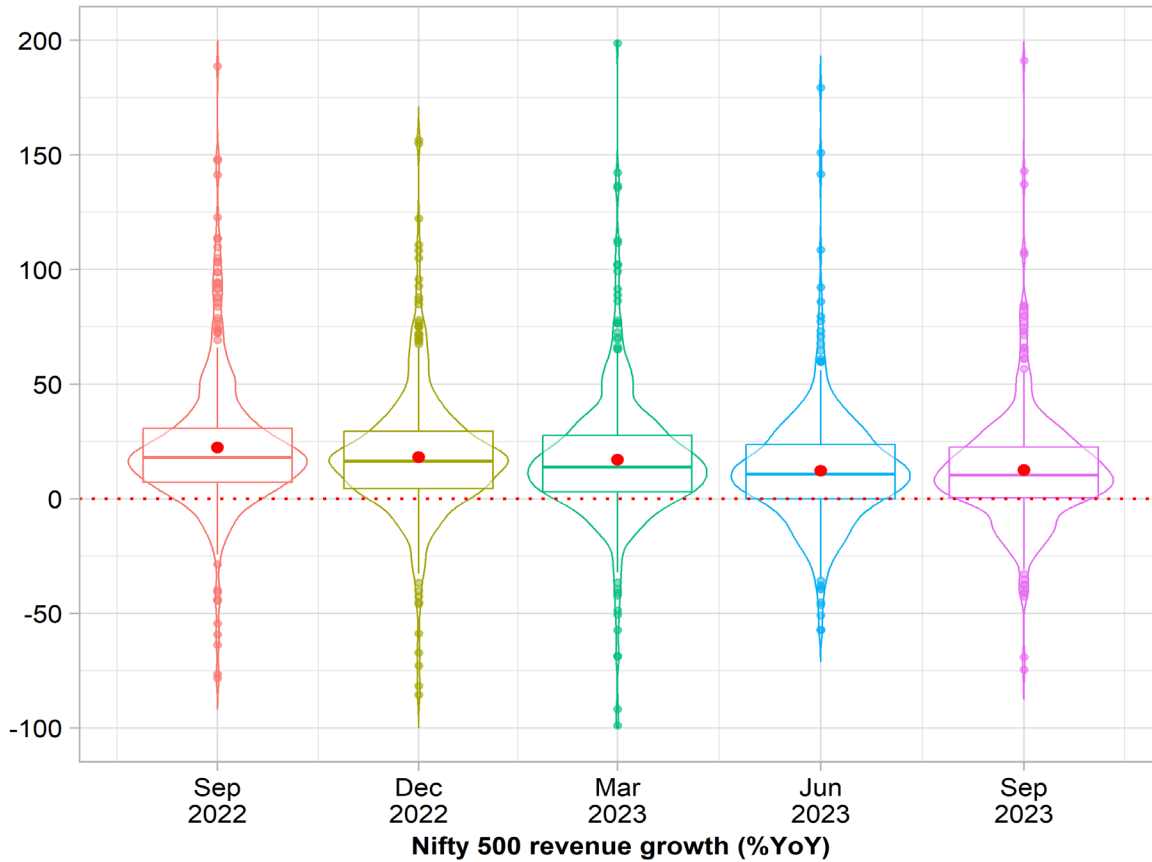
Source: CMIE Prowess, Refinitiv Datastream, NSE EPR. Note: EBITDA growth and EBITDA margin excludes financial companies.

Figure 24: 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.

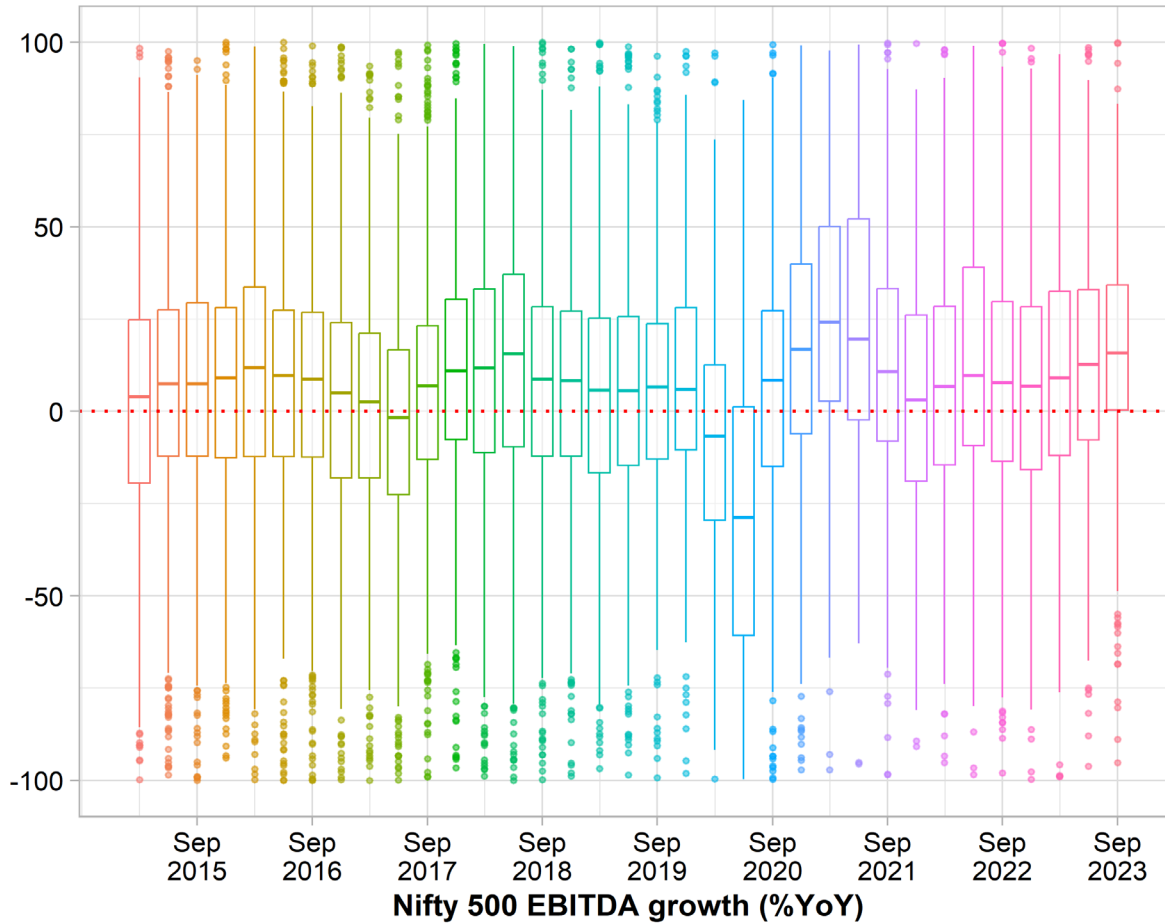
Figure 25: Distribution of revenue growth of Nifty 500 companies across last five quarters



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.

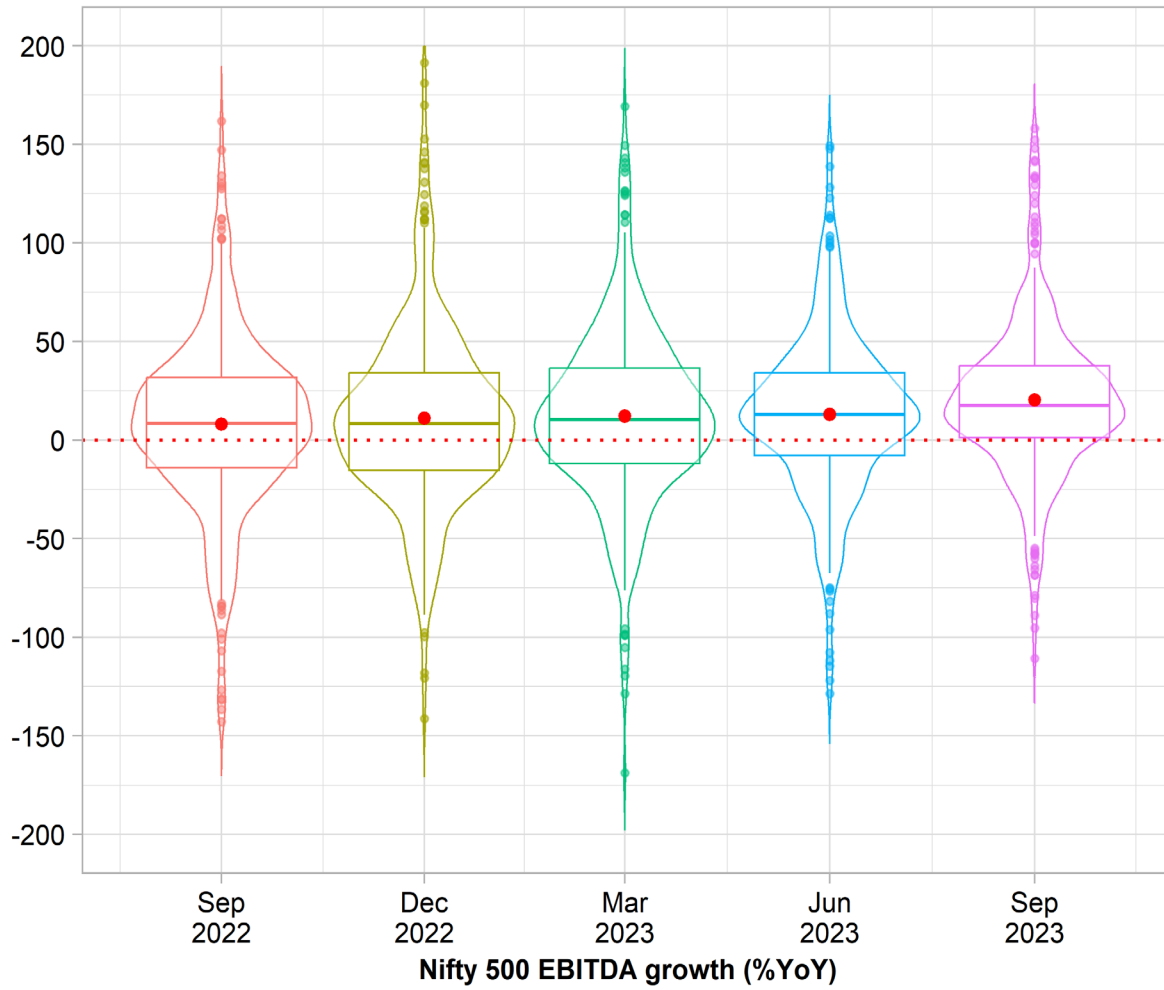
IQR for EBITDA growth has moved higher for three consecutive quarters: The IOR for EBITDA growth of Nifty 500 universe (excl. Financials) has moved higher for three consecutive quarters. Additionally, the divergence in the EBITDA growth in Q2FY24 has come off meaningfully aided by decline in raw material costs, with companies in the lower quartile displaying better performance in EBITDA growth. Consequently, median and mean margins across companies improved in the September quarter. Notably, the divergence in EBITDA growth of Nifty 500 companies is much wider than revenue growth across quarters.

Figure 26: Distribution of EBITDA growth of Nifty 500 companies (excl. Financials) across quarters



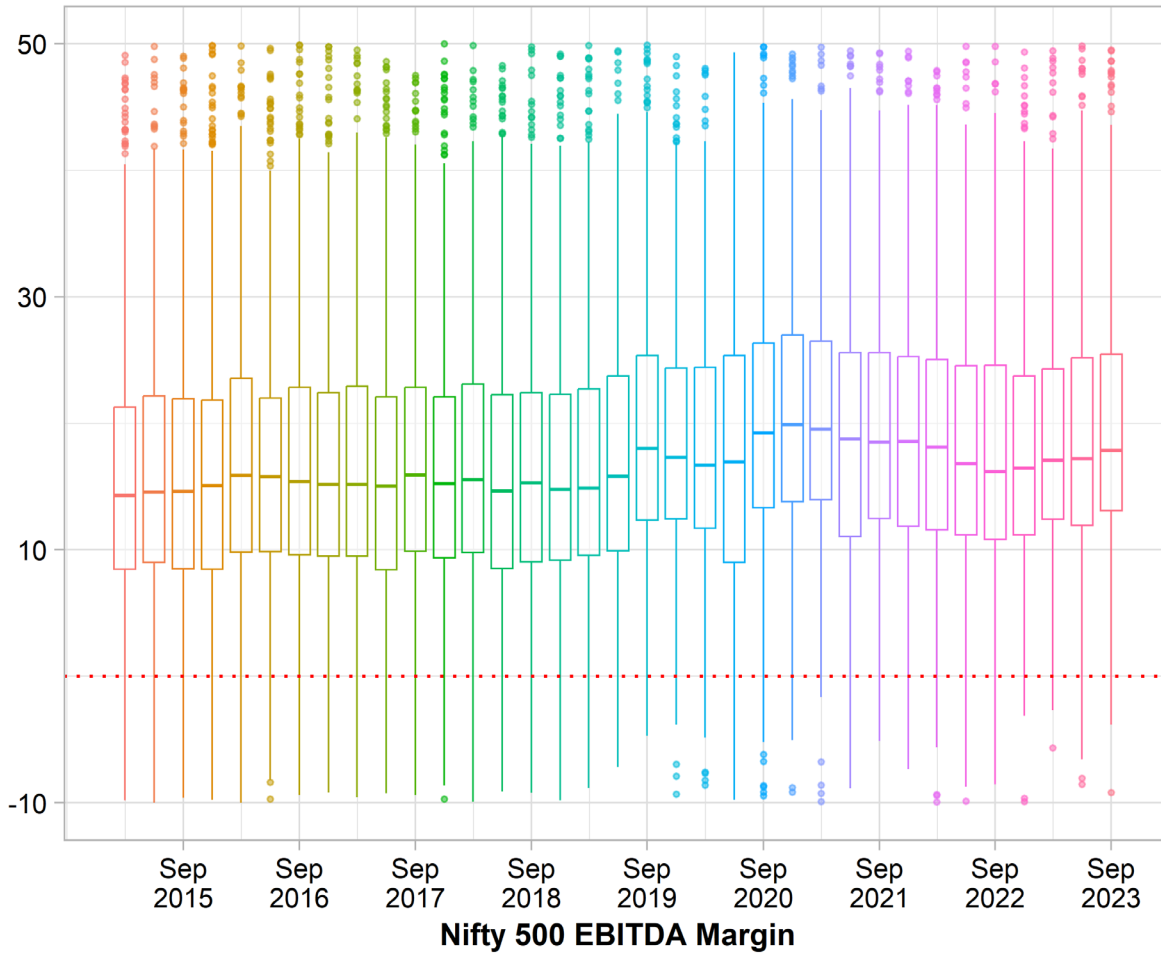
Source: CMIE Prowess, Refinitiv Datastream, NSE EPR. Note: The horizontal line in the middle of the box denotes the median, with the top and bottom lines of the box denoting 75th and 25th percentile respectively.

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

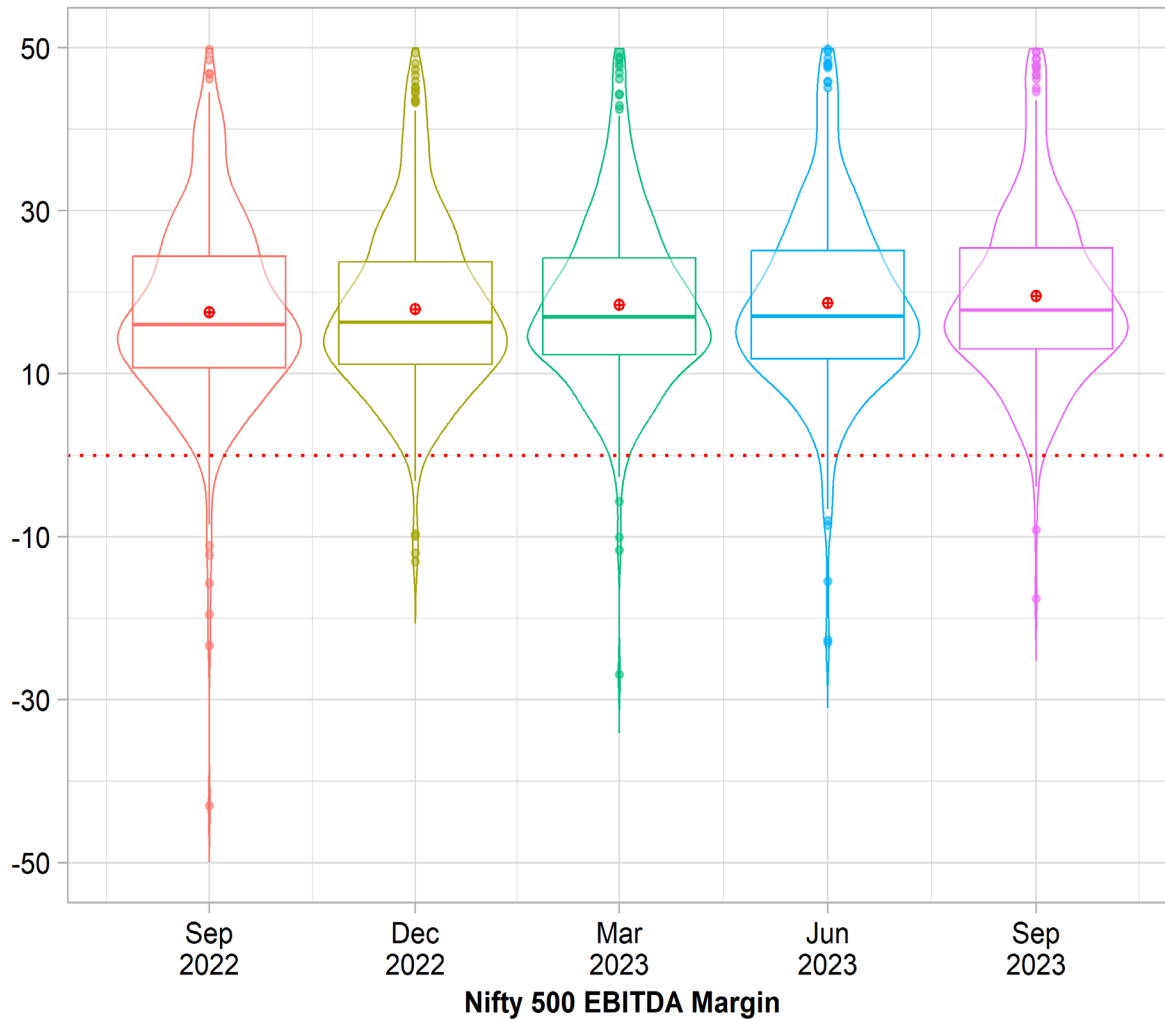


Source: CMIE Prowess, Refinitiv Datastream, NSE EPR. Note: A violin plot depicts distributions of numeric data for one or more groups using density curves. The width of each curve corresponds with the approximate frequency of data points in each region. The red dot denotes mean for the quarter, and the 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 28: Distribution of EBITDA margin of Nifty 500 companies (excl. Financials) across quarters



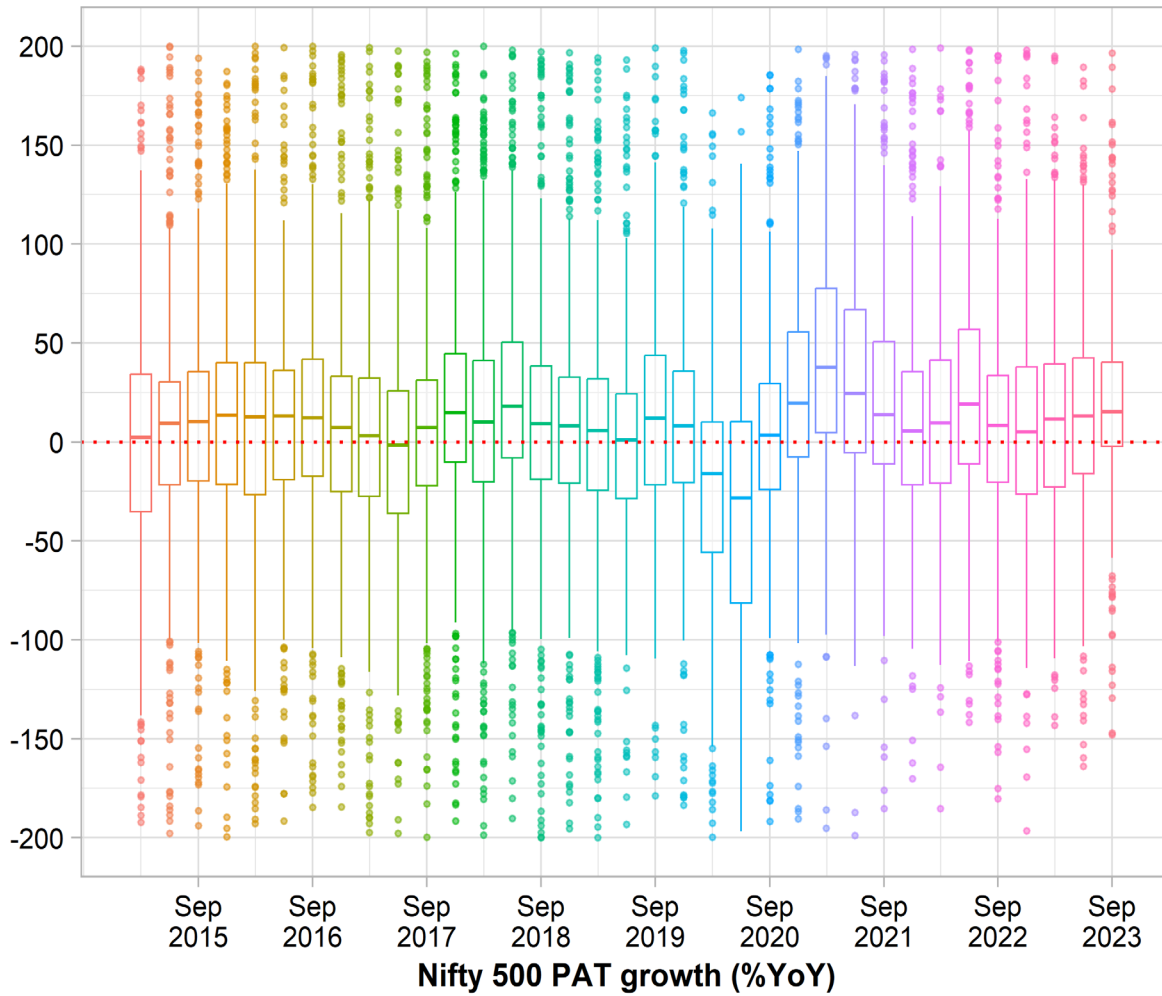
Source: CMIE Prowess, Refinitiv Datastream, NSE EPR. Note: The horizontal line in the middle of the box denotes the median, with the top and bottom lines of the box denoting 75th and 25th percentile respectively.

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


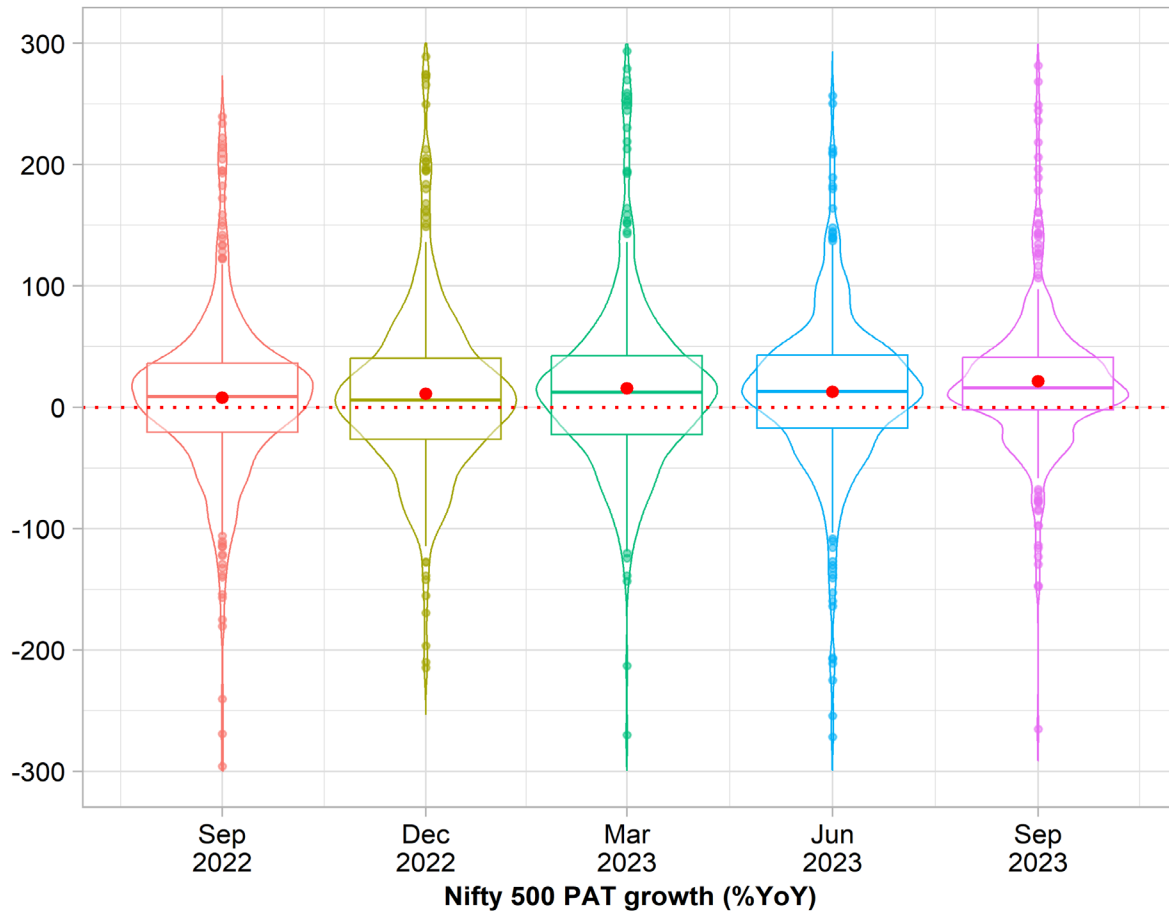
Source: CMIE Prowess, Refinitiv Datastream, NSE EPR. Note: A violin plot depicts distributions of numeric data for one or more groups using density curves. The width of each curve corresponds with the approximate frequency of data points in each region. The red dot denotes mean for the quarter, and the 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.

Divergence in PAT growth of Nifty 500 companies has narrowed markedly in Q2FY24:

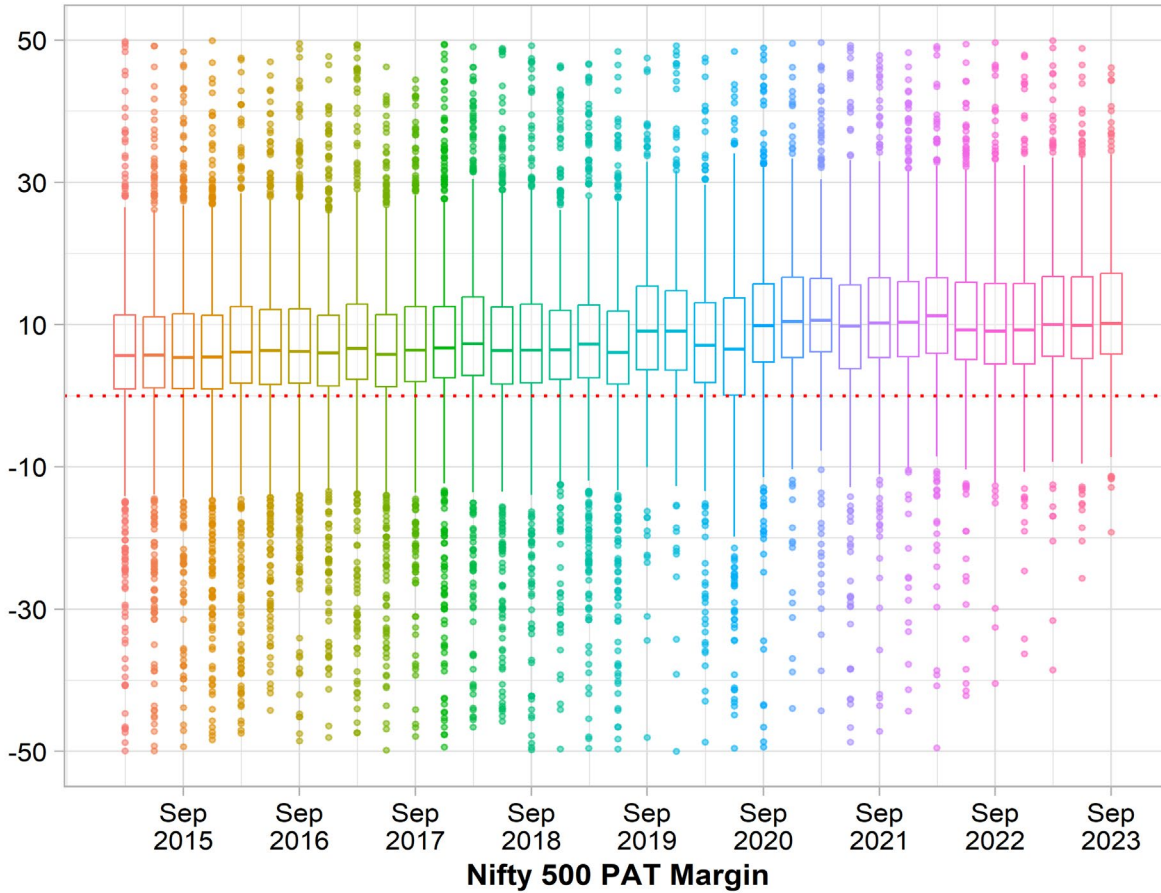
The deviation in PAT growth of Nifty 500 companies has contracted meaningfully in the September quarter as visible from the narrowing IQR bands. The median PAT growth and PAT margin have also registered an uptick for three and four consecutive quarters respectively—a consequence of decreasing input costs pressures, partly offset by higher cost of funds. Over the years, IQR of PAT margins has remained largely stable as compared to IQR of PAT growth of the Nifty 500 universe.

Figure 30: Distribution of PAT growth of Nifty 500 companies across quarters


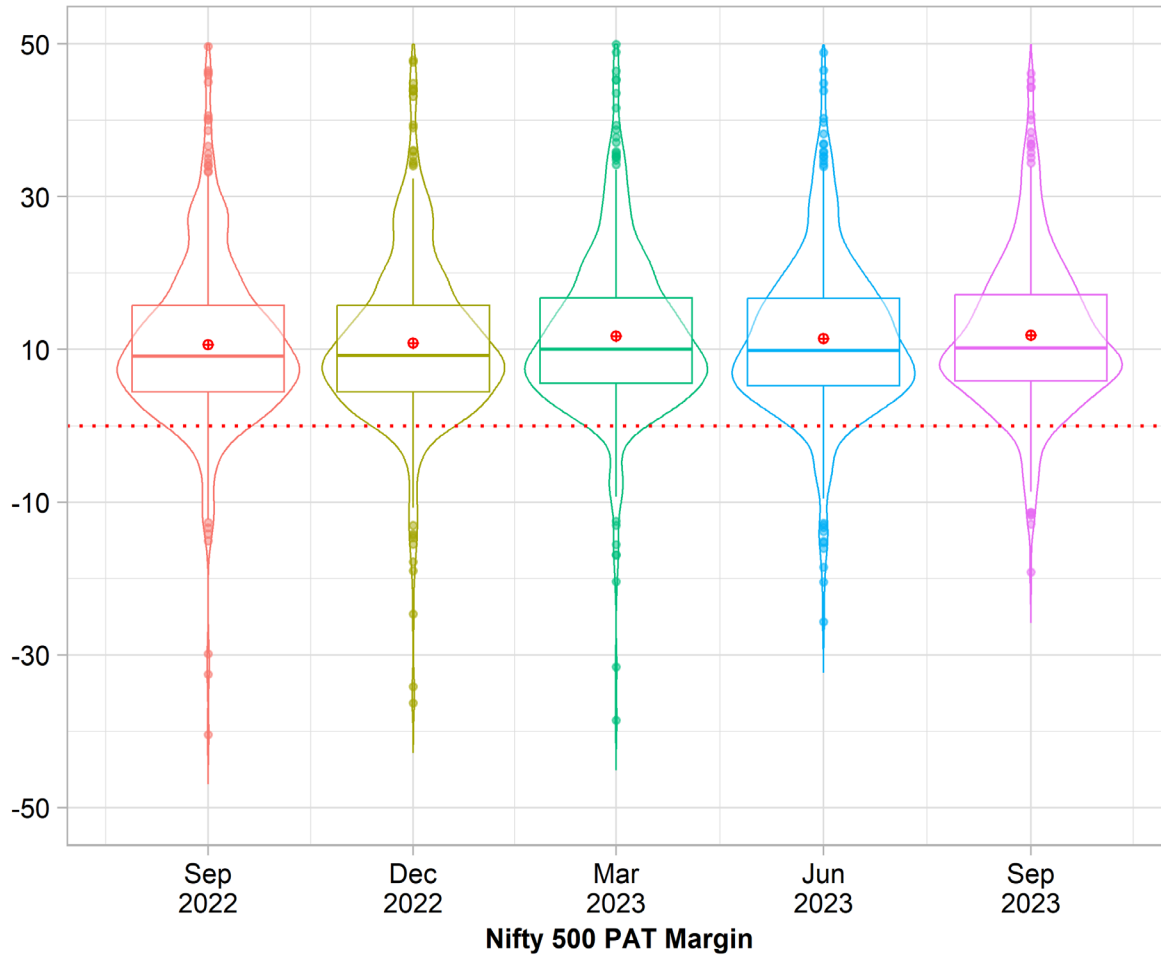
Source: CMIE Prowess, Refinitiv Datastream, NSE EPR. Note: The horizontal line in the middle of the box denotes the median, with the top and bottom lines of the box denoting 75th and 25th percentile respectively.

Figure 31: 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 32: Distribution of PAT margin 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 33: 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.

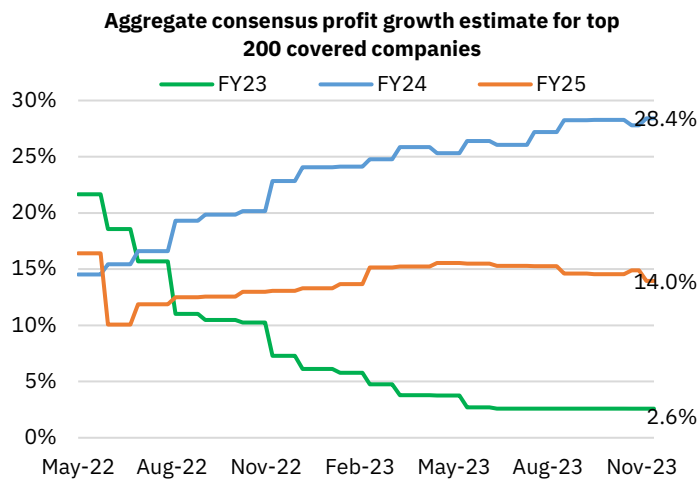
Earnings revision analysis

Consensus FY24/25 aggregate PAT estimates upgraded/downgraded marginally:

Resilient discretionary demand and strong credit offtake, coupled with margin tailwinds emanating from lower commodity/fuel prices and continued focus on improving cost efficiency, have translated into a strong profit growth for India Inc. in the quarter gone by, partly offset by weak rural and external demand. Our analysis of earnings revisions of top 200 covered companies by market capitalisation³ show that aggregate profit estimates for FY24 and FY25 were revised upwards for most sectors barring Materials (Metal, Chemicals) and Information Technology. Worsening global demand and continued slowdown in China have weighed on earnings for IT and commodity-focused companies. Excluding these two sectors, comprising of about 21% to overall earnings, aggregate profit estimates of top 200 companies rose by 1.9% and 0.3% for FY24 and FY25 respectively since September-end. The upgrades were primarily led by Energy, Financials and Consumer Discretionary.

With this, the aggregate earnings of top 200 companies are now expected to increase by 28.5% and 14.0% in FY24 and FY25 respectively, following a modest 3% PAT growth in FY23, implying an earnings CAGR of 21% during FY23-25. Sector-wise, Financials is expected to contribute nearly 30% to the absolute earnings change over FY23-25, followed by Energy at 27.4% and Consumer Discretionary at ~15%, together contributing 72%, much higher than their combined share of 59% to total earnings.

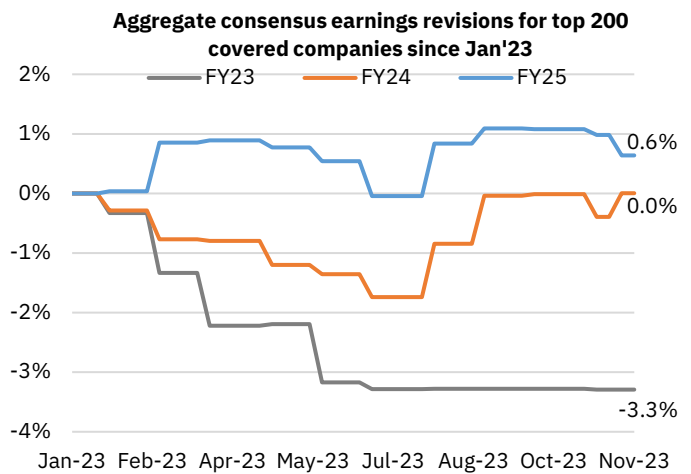
Figure 34: Aggregate consensus profit growth estimate for top 200 covered companies (% YoY)



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 November 22nd, 2023.

Figure 35: 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 FY24 consensus earnings growth estimate (% YoY)

Sectors	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23
Comm. Svcs.	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Consumer Disc.	72.8	66.7	66.6	66.5	61.1	59.7	61.7	69.7	70.2	71.7	76.2
Consumer Staples	16.7	16.7	16.6	16.7	16.2	16.2	15.9	15.2	15.1	15.0	14.2
Energy	19.8	23.5	24.6	22.5	27.4	26.0	28.7	33.9	34.2	35.1	40.2
Financials	22.2	19.0	21.2	20.9	20.3	20.6	24.4	25.8	25.9	25.3	27.3
Health Care	26.1	24.7	24.6	24.8	17.5	16.8	16.1	19.0	19.2	19.2	20.5
Industrials	35.7	36.6	37.1	37.8	38.9	37.7	39.0	43.4	43.3	44.9	46.0
IT	14.1	14.1	14.1	12.2	11.4	11.3	9.5	8.1	7.9	5.3	4.2
Materials	19.1	30.6	31.2	32.2	31.9	31.7	29.0	22.9	22.6	20.7	11.8
Real Estate	30.8	27.6	28.3	28.3	22.7	23.0	23.1	22.5	21.9	22.2	22.4
Utilities	8.3	10.5	10.9	11.4	20.8	18.0	17.7	16.6	16.6	16.7	17.2
Total	24.1	24.8	25.9	25.3	26.4	26.0	27.2	28.2	28.3	27.8	28.4

Source: Refinitiv Datastream, NSE EPR.

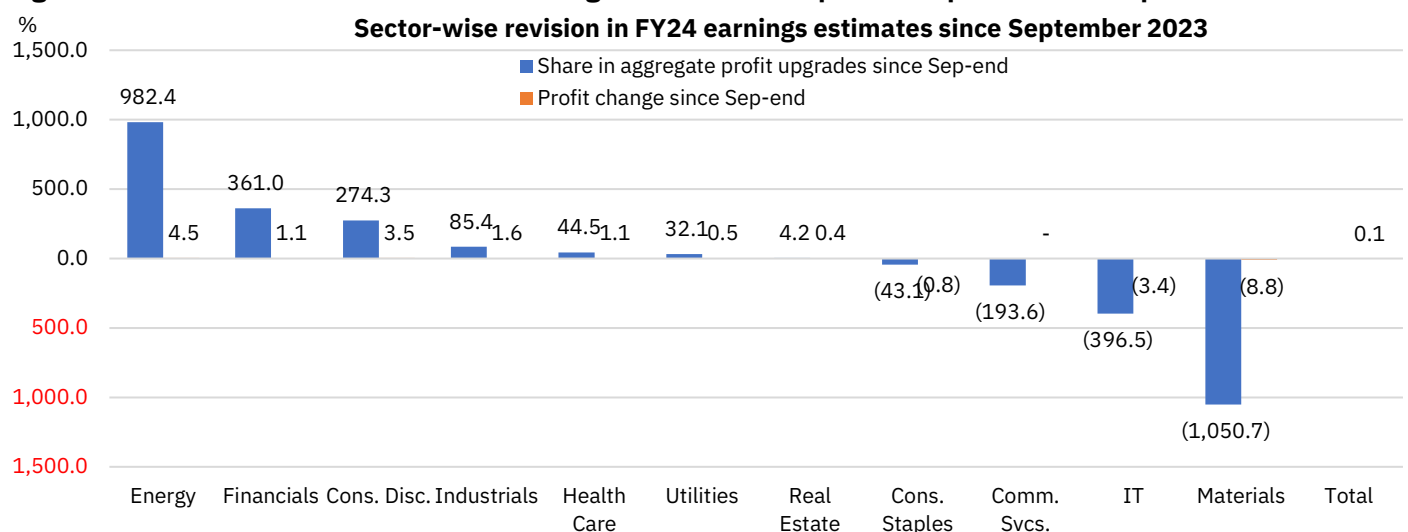
 Note: Based on IBES earnings estimates of top 200 companies by one-year average market cap ending June 30th, 2023, covered by at least five analysts at any given point of time over the last one year. * Data is as of November 22nd, 2023.

Table 19: Monthly trend of sector-wise FY25 consensus earnings growth estimate (% YoY)

Sectors	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23
Comm. Svcs.	240.5	529.6	864.6	1167.2	7127.7	NA	NA	NA	NA	NA	NA
Consumer Disc.	23.1	23.3	23.5	23.4	22.4	22.2	22.4	21.0	20.9	20.7	19.3
Consumer Staples	13.3	13.9	13.9	13.9	14.0	14.0	14.1	14.7	14.8	14.9	14.6
Energy	3.8	5.2	5.7	6.7	6.2	4.8	3.2	-0.6	-1.0	-0.7	-4.5
Financials	16.8	17.5	17.1	17.1	16.5	16.6	17.2	16.5	16.4	16.4	15.1
Health Care	12.8	13.8	13.9	14.2	18.3	19.7	20.1	19.8	19.6	19.4	18.6
Industrials	17.3	19.7	19.7	19.5	20.1	19.5	19.3	18.6	18.8	18.0	18.0
IT	11.9	12.0	12.0	12.1	12.3	12.3	12.2	12.8	12.9	14.0	14.6
Materials	12.7	17.0	16.7	16.9	17.3	17.2	17.6	20.0	20.5	21.6	27.0
Real Estate	21.9	22.5	22.5	22.3	22.9	23.1	23.8	24.8	25.0	25.8	26.8
Utilities	5.4	8.1	8.4	9.5	9.9	10.3	10.7	11.6	11.6	12.4	12.6
Total	13.7	15.1	15.2	15.6	15.5	15.3	15.2	14.6	14.6	14.9	14.0

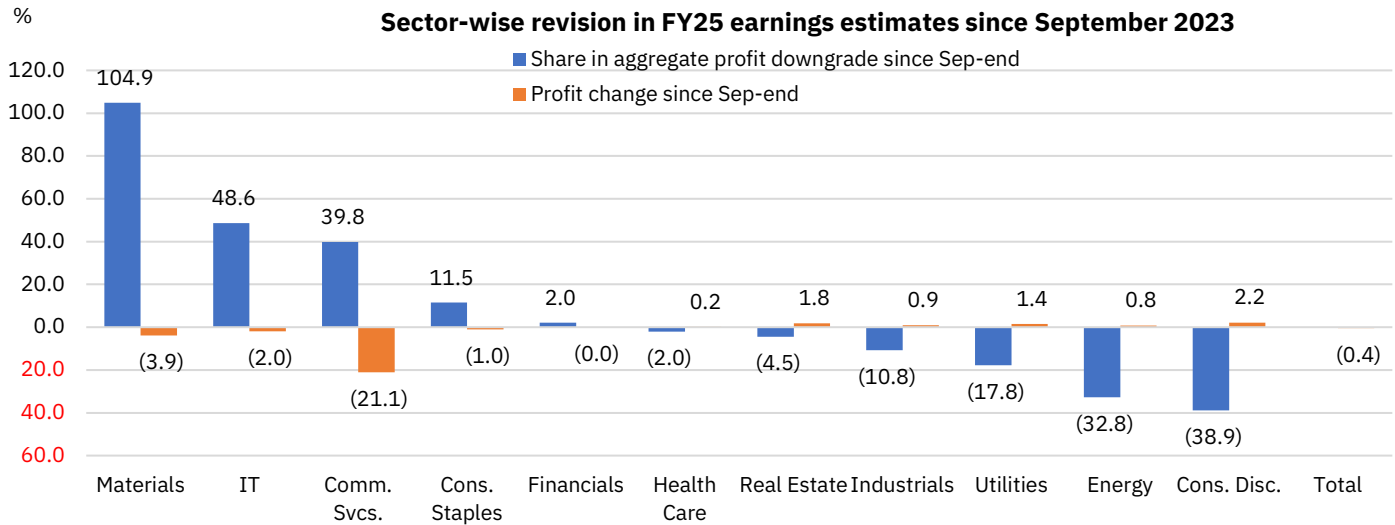
Source: Refinitiv Datastream, NSE EPR.

 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 November 22nd, 2023.

Figure 36: Sector-wise revision in FY24 earnings estimates for top 200 companies since September 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 November 22nd, 2023.

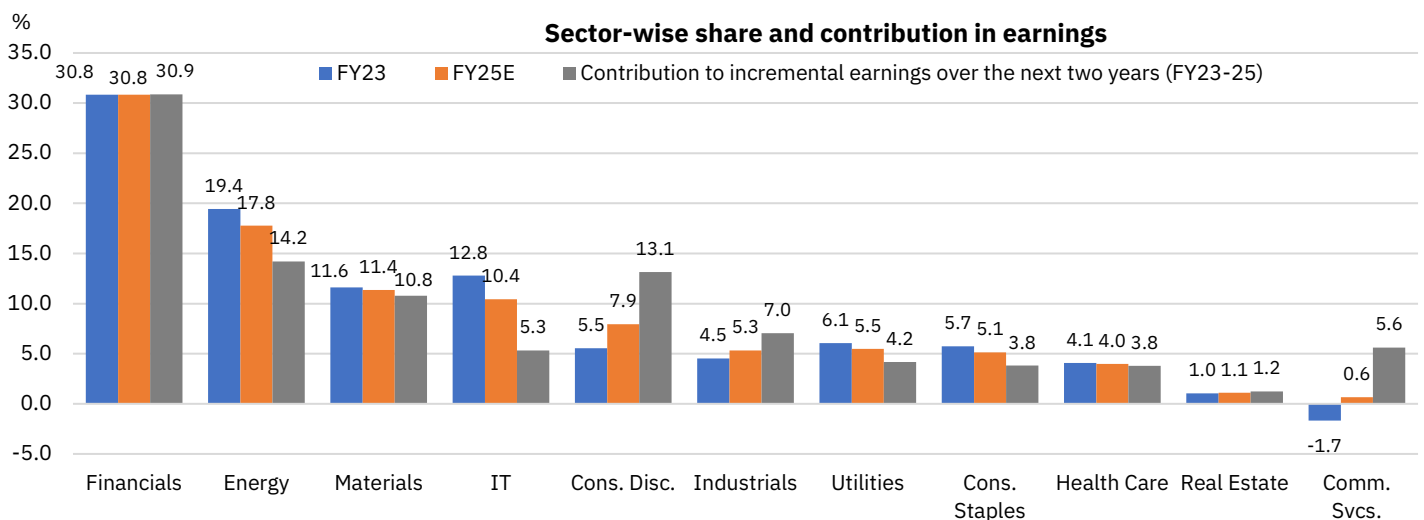
Figure 37: Sector-wise revision in FY25 earnings estimates for top 200 companies since September 2023


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 November 22nd, 2023.

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

Notwithstanding accentuated geopolitical conflicts, expectations of global growth slowdown gathering momentum next year, coupled with a sustained weakness in China, is likely to keep a check on commodity prices. Further, global growth slowdown is also expected to continue to weigh on demand for IT services. Consequently, the share of Energy and IT sectors to aggregate corporate earnings estimates of top 200 companies is expected to drop over the three years. Utility and Consumer Staples companies are also expected to see a drop in their respective share in overall corporate earnings of these 200 companies, with the latter weighed down by weak rural demand. The reduced share of these sectors to aggregate corporate earnings during this period is expected to be primarily taken over by Consumer Discretionary, and Industrials, while that for Financials is expected to remain steady at about 31%. Clearly, the earnings trajectory over the next two years hinges on persistence of consumption and investment demand.

Figure 38: Sector-wise share and contribution to earnings


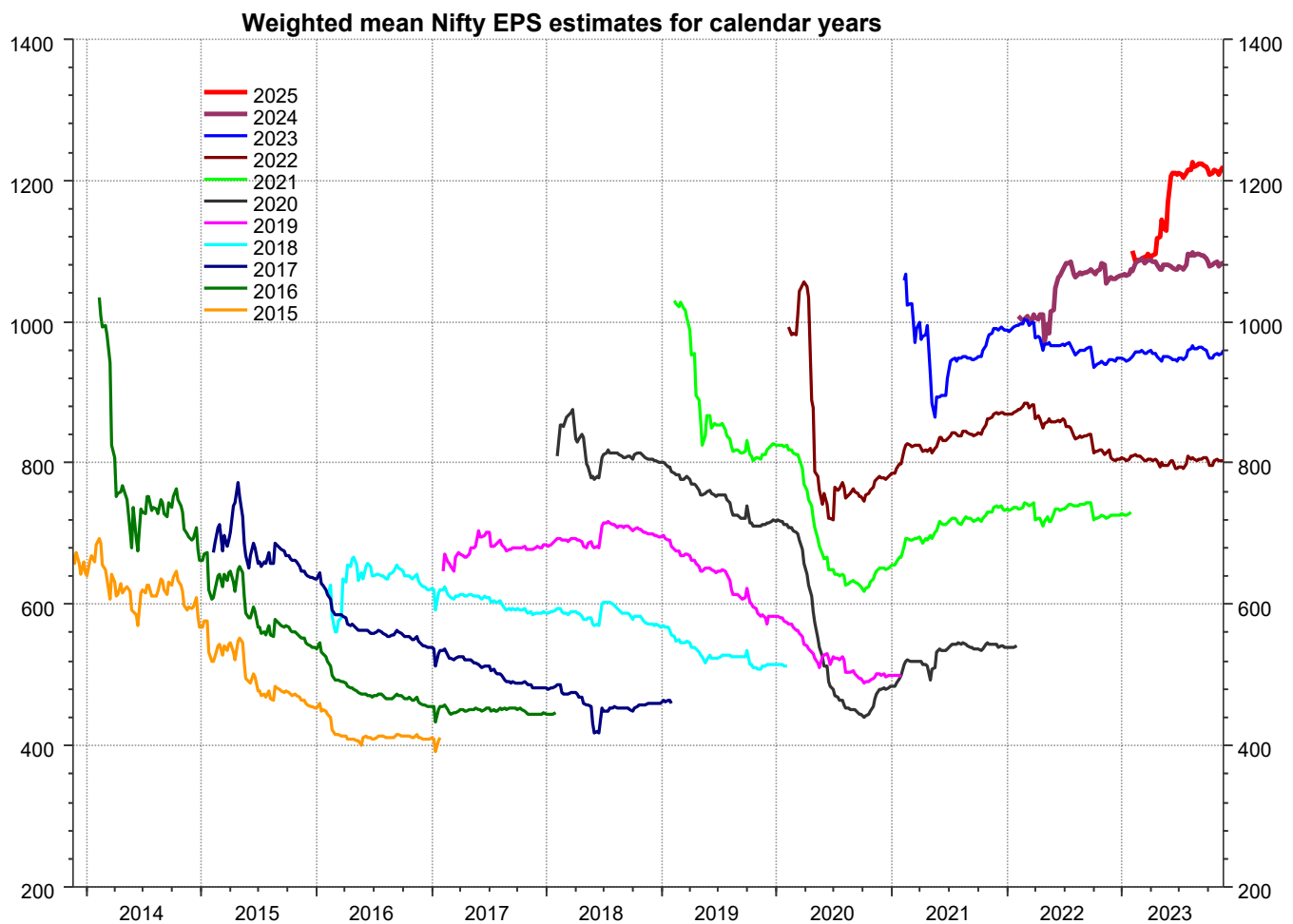
Source: CMIE Prowess, Refinitiv Datastream, NSE EPR.

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 November 22nd, 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 this time, with earnings for the Nifty 50 companies steadily getting revised upwards for 2024 and 2025, barring interim bouts of small cuts. The EPS estimates for Nifty 50 for 2024 and 2025 are up 7.8% and 10.7% each from their initial estimates.

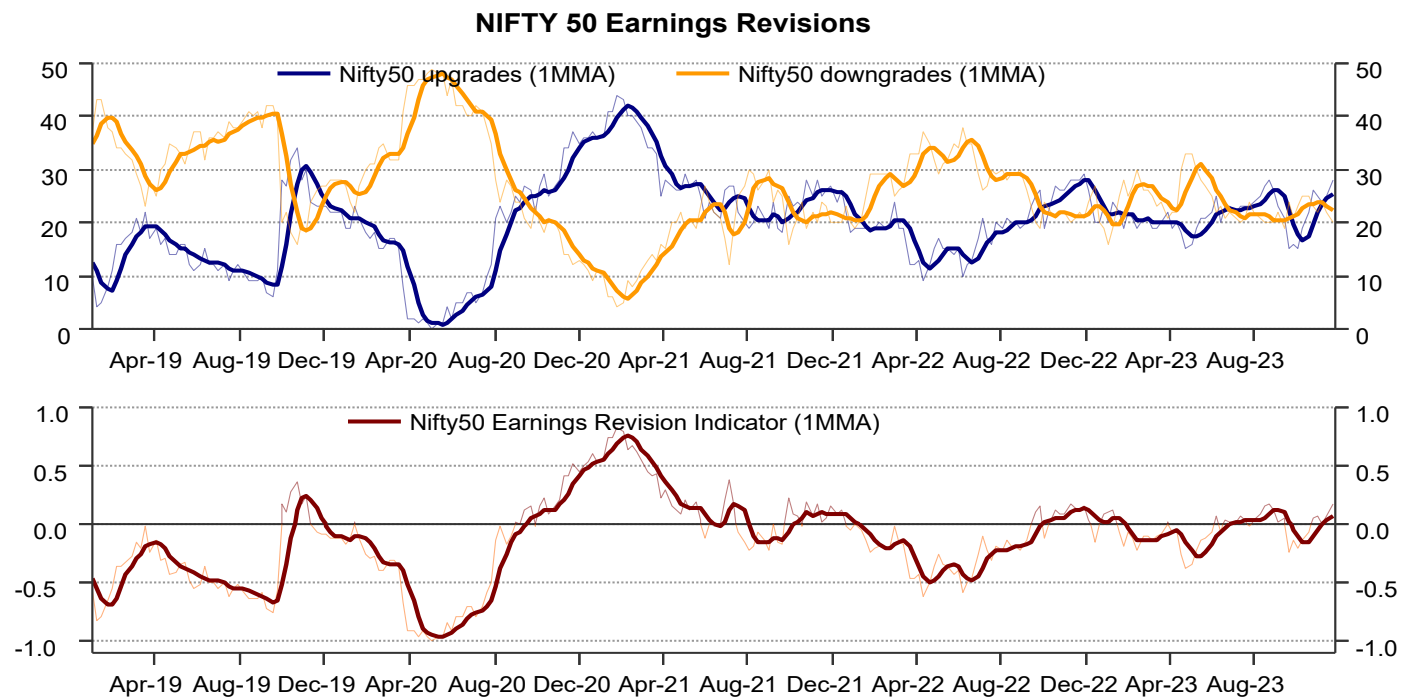
Figure 39: Yearly trend of NIFTY 50 Consensus EPS estimates



Source: Refinitiv Datastream, NSE EPR.

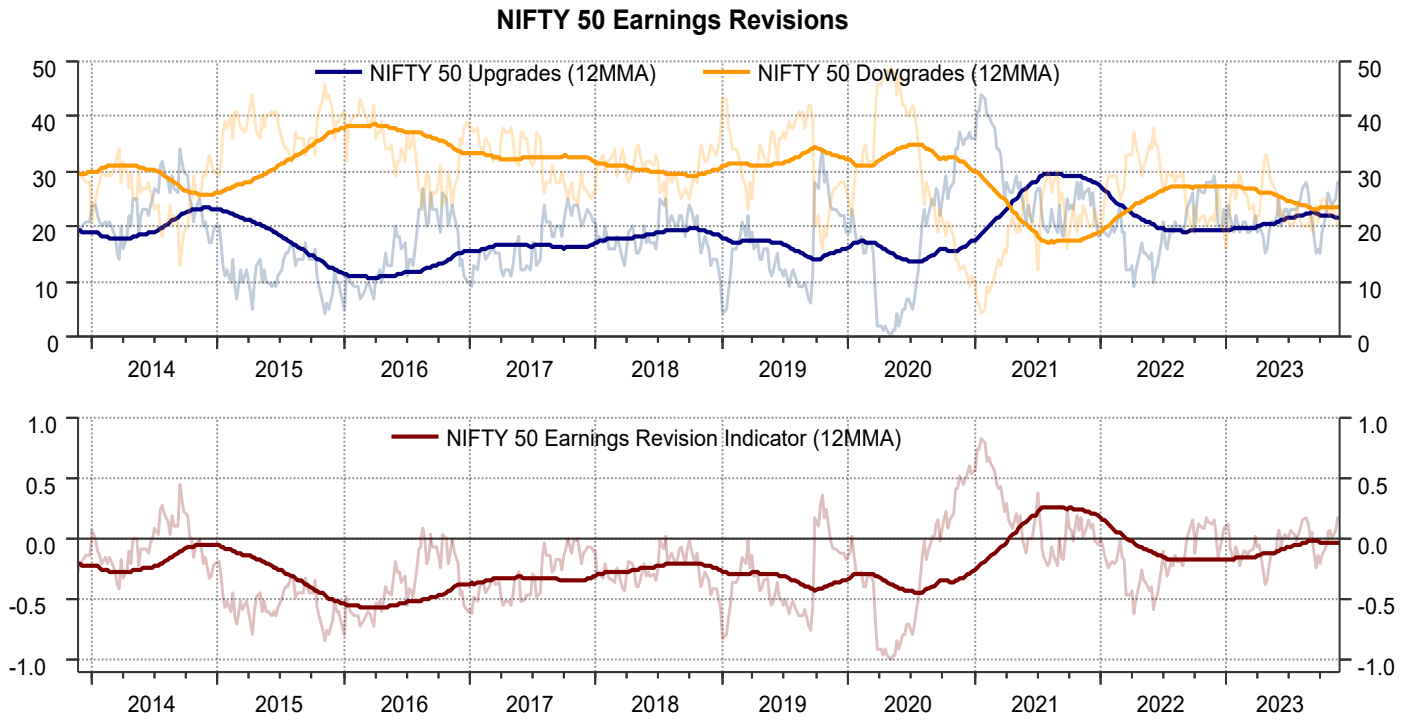
Nifty 50 Earnings Revision Indicator improved after a strong Q2: After a sharp drop following the onset of the Russia-Ukraine war in February 2022, the Earnings Revision Indicator (ERI)⁴ for the Nifty 50 universe picked up meaningfully in the second half of 2022, indicating higher number of upgrades than downgrades. This was aided by resilient economic performance, strong Government capex and robust credit offtake by banks. Since then, the ERI has hovered in a tight range, and has moved into the positive territory now after a strong Q2. This was on the back of upgrades in Consumer Discretionary, Energy and Industrials that have more than made up for downgrades in Information Technology, Materials and Consumer Staples.

Figure 40: Nifty 50 Earnings Revision Indicator (since January 2019)

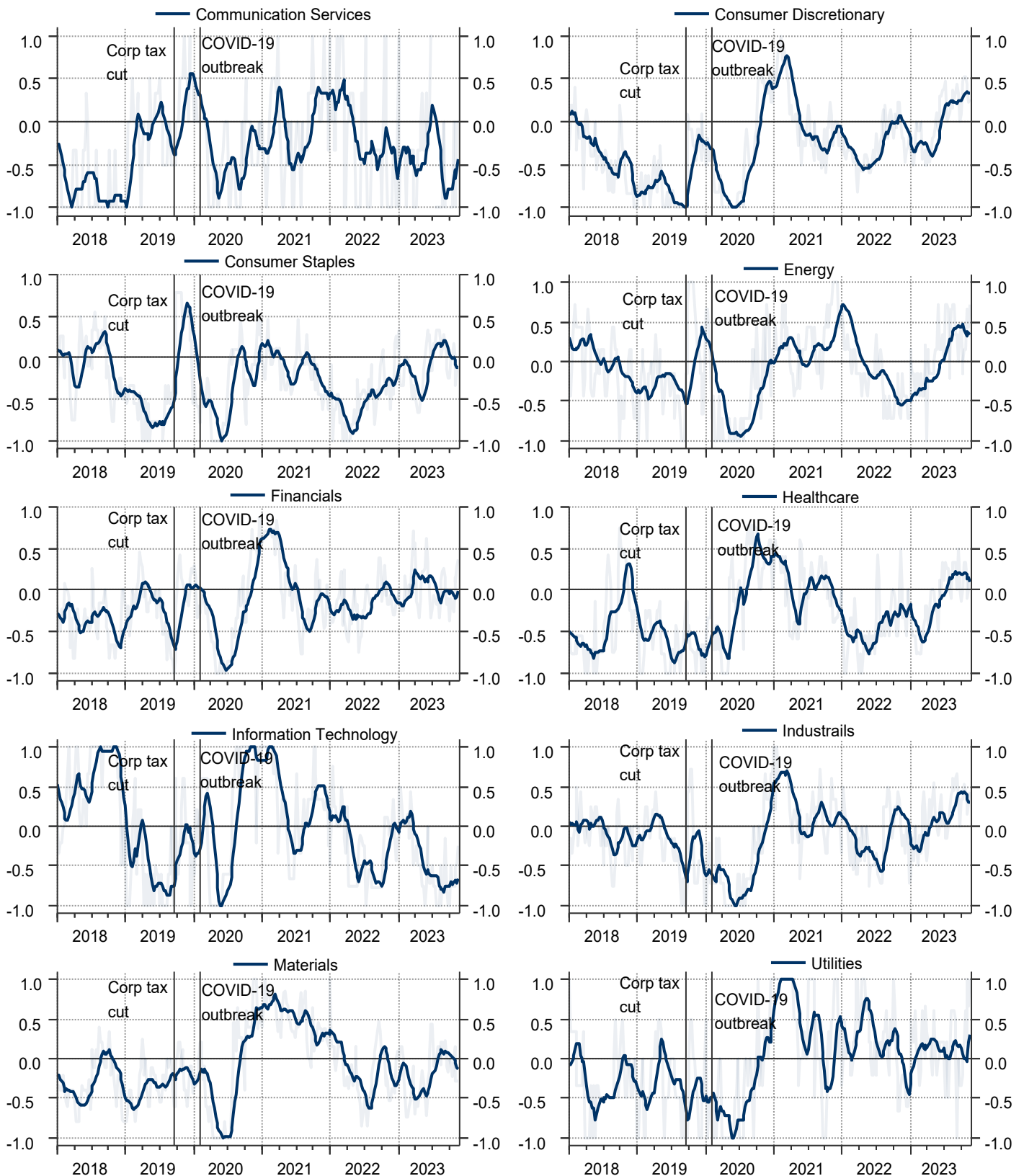


Source: Refinitiv Datastream, NSE EPR.

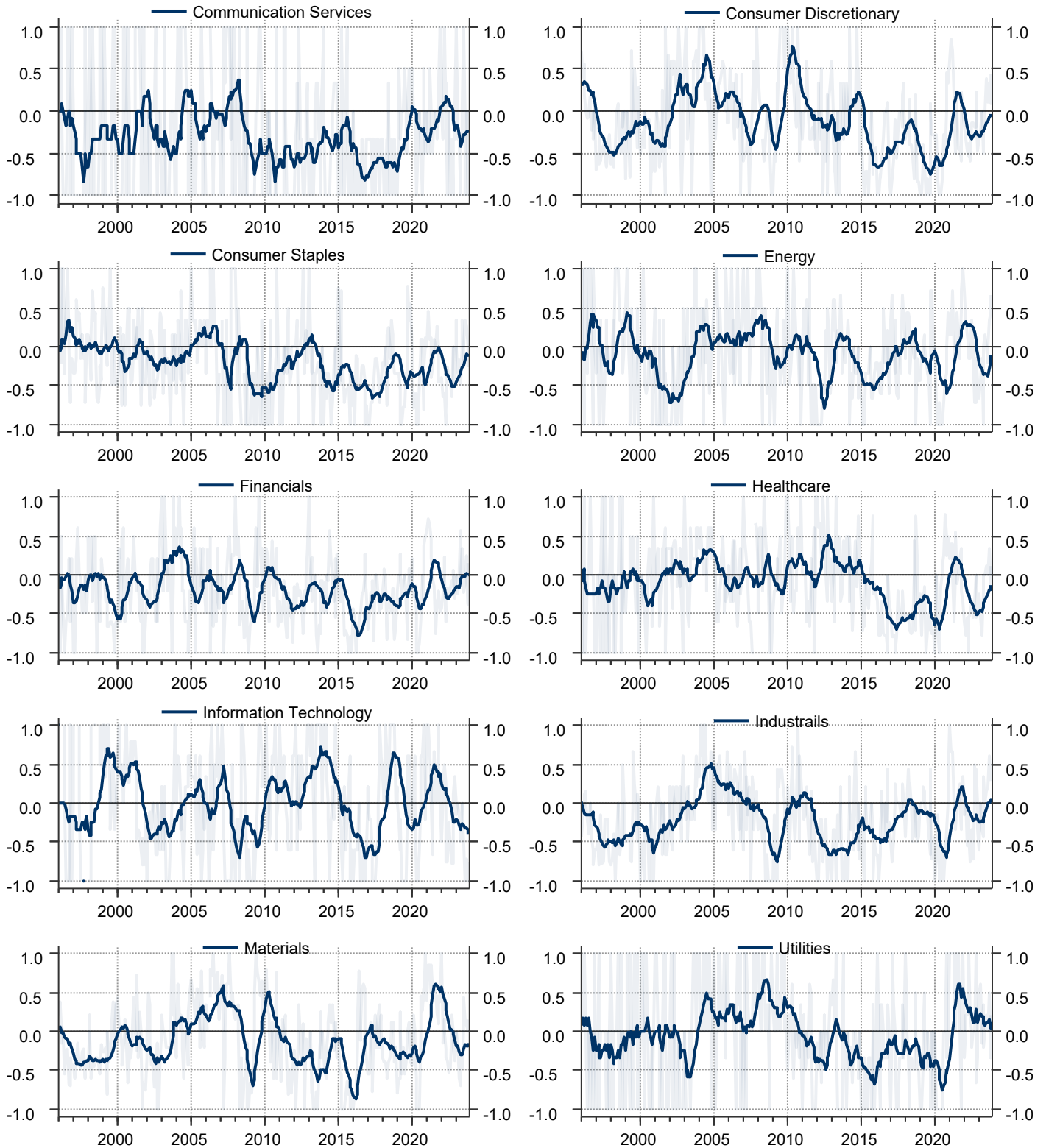
⁴ The ERI is calculated as “(number of upgrades – number of downgrades)/total number of upgrades and downgrades”. It can range between -1 to 1.

Figure 41: Nifty 50 Earnings Revision Indicator (10-year trend)


Source: Refinitiv Datastream, NSE EPR.

Figure 42: 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 43: 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
Prosenjit Pal	ppal@nse.co.in	+91-22-26598163
Smriti Mehra	smehra@nse.co.in	+91-22-26598237
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
Isha Sinha	consultant_isinha@nse.co.in	+91-22-26598163

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