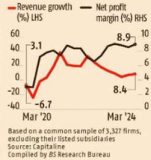


AUTO, BFSI DOMINATED Q4 EARNINGS CIRCUIT

Operating margins put the pedal to the metal on corporate earnings, fuelled by sector-wide Ebitda margin gains, driving net profits to victory in five straight quarters. KRISHNA KANT & RAM PRASAD SAHU get a ringside view

Operating margins have been the primary driver of corporate earnings in India in recent quarters, despite revenue growth suffering from weak consumer demand. Companies across sectors have reported a sharp improvement in earnings before interest, tax, depreciation, and amortisation (Ebitda) margins over the past two years, benefitting from lower commodity and energy prices. Higher margins more than compensated for slower revenue growth, resulting in double-digit growth in net profit for five consecutive quarters. Adjusted for exceptional gains and losses, the combined net profit of listed companies rose by 11.4 per cent year-on-year (Y-o-Y) in the fourth quarter (Q4) of 2023-24 (FY24), down from 17.5 per cent in Q4 of 2022-23 (FY23) and 24.1 per cent in the third quarter (Q3) of FY23. Quarterly combined revenues increased by 8.4 per cent Y-o-Y, a decline from 13 per cent in Q4FY23 but an improvement from 7.3 per cent in Q3FY24. Ebitda margin for the quarter increased to 26.3 per cent of revenues in Q4FY24, up from 24 per cent a year ago but slightly down from 26.4 per cent in Q3FY24.

MARGINS UP, REVENUE GROWTH SLIPS



This fourth-quarter Ebitda margin was nearly 200 basis points (bps) higher than the five-year average of 24 per cent. Consequently, the net profit margin reached 8.9 per cent of revenues in Q4FY24, close to an all-time high and nearly 190 bps higher than the five-year average net profit margin of 7 per cent. Sector-wise, corporate earnings in Q4 were driven by domestic cyclical sectors such as automotive, banking and finance, capital goods, cement, pharmaceutical, and healthcare. In contrast, global cyclical sectors such as metals and mining and oil and gas companies underperformed, dragging down profitability. The quarter also saw fast-moving consumer goods companies and information technology services exporters experiencing flat to low single-digit growth in revenues and profits. According to analysts at Motilal Oswal Financial Services, corporate earnings exceeded expectations, largely due to stronger-than-anticipated performances from lenders and the automotive sector. They noted that gains from margin expansion appear to have peaked in Q4FY24. Here is the earnings scoreboard of top companies across 10 major sectors in the listed space for Q4FY24.



Oil & Gas

The fourth quarter (Q4) of 2023-24 (FY24) was a muted quarter for oil and gas companies, with flat-to-low single-digit growth in revenues and a decline in margins and profits

Among top producers, Oil and Natural Gas Corporation (ONGC) and GAIL (India) were outliers, reporting strong profit growth thanks to gains from lower operating costs that more than compensated for the lower revenue growth

Public sector oil-marketing companies such as Indian Oil Corporation (IndianOil) and Bharat Petroleum Corporation (BPCL) reported a decline in margins due to lower gross refining margins in Q4, which was partly offset by an improvement in marketing margins

The oil-to-telecommunications major Reliance Industries (RIL) was also a laggard with a 1.8 per cent year-on-year (Y-o-Y) decline in net profit in Q4, while its net sales were up 11.1 per cent Y-o-Y during the quarter



Q4FY24 (% chg Y-o-Y)	Net sales	RM cost	Other expenses	PBITD	Interest cost	PAT
Reliance Industries	11.1	11.9	8.5	14.0	-1.0	-1.8
IndianOil	-2.6	-1.5	23.7	-28.1	9.7	-50.0
ONGC	1.6	3.8	-19.9	63.6	29.7	125.0
BPCL	-1.3	-0.7	4.6	-19.4	-15.8	-30.3
GAIL (India)	-1.4	-12.9	2.7	215.4	49.1	289.3