

INDIAN CORPORATE SECTOR: Q4 FY2023 PERFORMANCE REVIEW AND OUTLOOK

**Sequential recovery in margins as
inflationary pressures ease; impact of
possible global recession on India Inc.
remains monitorable**

JUNE 2023



1 Summary



2 Financial performance of the corporate sector in Q4 FY2023



3 Key macroeconomic trends



4 Key trends in the Indian corporate sector



Corporate India reported a moderate 5% sequential growth in revenues in Q4 FY2023. Along with the softening in input costs, this supported 58 bps expansion in earnings.

Evolution of the global economic scenario, especially with concerns of a looming economic recession, would remain a key monitorable over the near term.



- **The aggregate revenues of 579 listed companies evaluated by ICRA (excluding financial sector entities) grew by 11.4% on a YoY basis and 5.2% sequentially during Q4 FY2023.** Mixed trends were visible across sectors - while sectors like construction, automotive, hotels and power reported QoQ growth in revenues due to improved demand and successive price hikes, few others like IT services witnessed sequential decline due to recessionary trends brewing in developed markets. Few others like retail, aviation and gems & jewellery witnessed sequential decline in revenues following a seasonally-strong festive quarter.
- **Operating leverage benefits coupled with price hikes undertaken and easing of some input costs led to a sequential expansion in operating profit margin (OPM) of India Inc by 58 bps to 16.1% in Q4 FY2023.** While input costs softened in recent months, they remain higher compared to the historic trends. As a result, India Inc's OPM is yet to reach its previous historic highs witnessed during Q1 FY2022.
- **Despite increase in debt levels in FY2023 as compared to FY2022, increase in absolute earnings of India Inc. led to improvement in TD/OPBITDA from 4.0 times in FY2022 to 3.8 times in FY2023.** Additionally, the interest coverage ratio of ICRA's sample, adjusted for sectors with relatively low debt levels (IT, FMCG and pharma), witnessed a QoQ improvement in Q4 FY2023 to 4.7 times from 4.2 times in Q3 FY2023, aided by improvement in earnings despite hardening in interest rates.
- **Although stabilisation of commodities and other input prices over recent months** provides some relief, ICRA believes the ongoing geopolitical, recessionary and inflationary challenges are likely to continue to pose some headwinds and raise uncertainties in the operating environment. Accordingly, the ability of Corporate India to manage these challenges remains critical.



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Analytical Contact Details

Name	Designation	Email	Contact Number
Shamsher Dewan	Group Head	shamsherd@icraindia.com	0124 – 4545 328
Kinjal Shah	Co-Group Head	kinjal.shah@icraindia.com	022 – 6114 3442
Sruthi Thomas	Sector Head	sruthi.thomas@icraindia.com	0124 – 4545 822
Yashowardhan Swami	Senior Analyst	yashowardhan.swami@icraindia.com	0120 – 6606 9923
Trisha Agarwal	Analyst	trisha.agarwal@icraindia.com	022 – 6114 3457





ICRA

Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	shivakumar@icraindia.com	022-61693304
Neha Agarwal	Head – Research Sales	neha.agarwal@icraindia.com	022-61693377
Rohit Gupta	Head Business Development - Infrastructure Sector	rohitg@icraindia.com	0124-4545340
Vivek Bhalla	Head Business Development - Financial Sector	vivek.bhalla@icraindia.com	022-61693372
Vipin Saboo	Head Business Development – Corporate Sector - West & East	vipin.saboo@icraindia.com	022-61693348
Shivam Bhatia	Head Business Development – Corporate Sector - North & South	shivam.bhatia@icraindia.com	0124-4545803
Naznin Prodhani	Head – Media & Communications	communications@icraindia.com	0124-4545860





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