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Strategy

44% of companies missed PAT expectations in Q2FY25 so far

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Q2FY25 earnings so far, have made investors jittery and we have seen stocks of companies reporting weak earnings/ weak outlook correcting. Based on the analysis of 157 companies who have reported out of the JM Financial coverage universe of 275 companies, we come to the following conclusions: (1) 44% (69 companies) missed expectations, 41% (65 companies) beat expectations while 15% (23 companies) were inline. (2) 27% (43 companies) have reported weaker revenue growth than expected. (3) There is a slowdown in urban demand seen across FMCG, retail, auto and mall operators. (4) Chemicals and consumer durables have also seen a moderation in demand (5) MFIs and select private sector banks/ NBFCs witnessed stress in their unsecured book.

- BFSI: PSU banks reported strong numbers due to recoveries, which drove down credit costs and lower opex. MFIs saw a weak Q2, driven by higher credit costs. NBFCs and private banks were a mixed bag, with misses driven by elevated credit costs.
- FMCG and Retail: Larger companies indicated a weakening of urban demand, raw material inflation, and the inability to take commensurate price hikes.
- Auto OEMs and Ancillaries: Auto OEMs were impacted by demand issues and raw material costs. Q2 was strong for Auto Ancillaries.
- Chemicals: Sluggish demand and piling of inventory with customers led to misses. Favourable revenue mix and strong contract manufacturing revenue drove select beats.
- Oil Refining & Marketing and City Gas Distribution: Oil Refining & Marketing saw a tepid Q2, due to a weak GRM and the LPG business struggling to recover. CGD companies missed estimates due to higher gas costs.
- Real estate, REITs, and hotels: Timely project completions and inventory sales drove beats in real estate. Hotels saw a good Q2 and hinted at a robust Q3 (wedding season). Mall consumption was weak.
- EMS and consumer durables: Strong Q2 for EMS companies, lower channel inventories and acquisitions drove growth. Consumer durable companies largely missed estimates, driven by weak demand, high raw material prices, elevated ad spends and BIS-related impacts.
- Building Materials: Largely missed, due to aggressive pricing by unorganized players, lower utilization levels and the resulting operating deleverage.

Exhibit 1: Sectors with more than 50% misses and beats

Miss Percentage		Beat Percentage	
Oil Refining & Marketing	100%	Internet	86%
MFI	100%	Metals	83%
Industrials	80%	Auto Ancillaries	75%
Building Materials	80%	AMC	67%
Consumer Durables	75%	PSU Banks	67%
Auto OEMs	75%	Diagnostics & Hospitals	67%
City Gas Distribution	67%	IT Services	60%
Chemicals	60%	Pharma	60%

Source: JM Financial

Exhibit 2: Q2FY25 results so far

Company	Revenue weaker than expected?	Reason for weakness	Q2FY25 PAT	Reasons for the PAT beat or miss
Asset Management				
HDFC AMC	No	NA	Miss	Higher tax provisions
UTI AMC	No	NA	Beat	Lower tax provisions
NAM	No	NA	Beat	Lower tax provisions
Insurance				
HDFC Life Insurance	No	NA	In line	NA
SBI Life Insurance	Yes	Weak group business	In line	Slower growth, margins in-line
ICICI Prudential	No	NA	Miss	Margin compression
ICICI Lombard	Yes	Weak fire business	Beat	Higher investment income, while COR disappointed
Star Health & Allied	No	NA	Miss	COR weak, higher claims due to monsoon illnesses
NBFCs				
AB Capital	No	NA	In line	In line Q2
Aptus Value housing	No	NA	In line	In line Q2
Cholamandalam	No	NA	Miss	Higher operating expenses
Five-Star	No	NA	In line	In line Q2
Home First	No	NA	In line	In line Q2
LIC Housing	Yes	Margin contraction	Beat	Lower credit costs led by one off interest recoveries
MMFS	No	NA	Miss	Higher credit costs
Piramal Enterprises	No	NA	Miss	Higher credit costs
PNB Housing	No	NA	Beat	Recoveries from written off pool
Poonawalla	No	NA	Miss	Elevated credit costs
Shriram Finance	No	NA	In line	In line Q2
Micro-finance Institutions				
CreditAccess Grameen	Yes	Growth moderation	Miss	Higher credit costs
Muthoot MicroFin	No	NA	Miss	Higher credit costs
Spandana Sphoorty	Yes	Growth moderation and margins contract	Miss	Higher credit costs
Private Sector Banks				
Axis Bank	No	NA	In line	In line Q2
Bandhan Bank	Yes	Moderation in high-yielding EEB book	Miss	Growth slowdown and higher credit costs
City Union Bank	No	NA	In line	In line Q2
DCB bank	No	NA	In line	In line Q2
Federal Bank	No	NA	Beat	Lower credit costs
ICICI Bank	No	NA	In line	In line Q2
IndusInd Bank	Yes	Margin contraction due to slowdown in MFI	Miss	Elevated credit costs
KMB	Yes	Lower other income	Miss	Elevated credit costs
Yes Bank	No	NA	Beat	Lower credit costs led by recoveries
PSU Banks				
Bank of Baroda	No	NA	In line	In line Q2
Canara Bank	No	NA	Beat	Moderation in opex and lower credit costs
PNB	No	NA	Beat	Lower credit costs led by recoveries
Small Finance Banks				
AU SFB	No	NA	Beat	Controlled opex and higher treasury gains
Ujjivan SFB	Yes	Margin contraction due to slowdown	Miss	Elevated opex and credit costs

IT Services and ER&D				
TCS	No	NA	Miss	Due to Margin miss and FX losses
Infosys	Yes	Lower growth from acquisition integration	Miss	Due to lower other income
HCL Tech	No	NA	Beat	Due to beat on revenue and margin
Wipro	No	NA	Beat	Revenue beat and margin expansion
Tech Mahindra	No	NA	Beat	Higher than expected margin expansion
LTIM	No	NA	Beat	Due to higher other income
Coforge	No	NA	Miss	Due to lower other income
Persistent	No	NA	Beat	Due to higher revenue growth
KPIT	No	NA	Beat	Due to higher other income
Tata Tech	Yes	Flat sequential growth in Auto ER&D	Miss	Lower revenue growth, lower other income, higher taxes
FMCG				
Tata Consumer	Yes	Tea volumes weak due to weather & competition	Beat	Tax benefit on set-off of accumulated losses
Hindustan Unilever	Yes	Moderation in urban demand	In line	In line Q2
Colgate-Palmolive India	No	NA	In line	In line Q2
ITC	No	NA	Miss	Higher RM cost and high competitive intensity
Godrej Consumer	No	NA	Beat	Higher other income, lower finance cost & depreciation
Bikaji	No	NA	In line	In line Q2
Marico	No	NA	Beat	Higher other income (one-off)
Dabur	No	NA	Beat	Higher other income
Retail				
Avenue Supermarts	Yes	Impact from competition	Miss	Lower than expected margin on negative leverage
Metro Brands	No	NA	Miss	Miss on margins and negative leverage
Bata India	Yes	Decline in mass end of the footwear	Beat	Lower than expected other expenses
Sapphire Foods	Yes	Higher than usual impact on vegetarian days	Miss	Miss on margins and negative leverage
Westlife Foodworld	No	NA	Beat	Higher other income
Restaurant brands India	No	NA	Beat	Better than expected margins and higher other income
Go Fashion	No	NA	Beat	Better than expected margins and higher other income
Titan Company	No	NA	Miss	Miss on margins, higher interest and depreciation
Auto OEMs				
Maruti Suzuki India Ltd	No	NA	Miss	Adverse commodity cost and higher sales promotion
Bajaj Auto Ltd	Yes	Realisation miss on unfavourable mix	Miss	Unfavourable mix.
TVS Motor Company Ltd	Yes	Realisation miss on unfavourable mix	Miss	Revenue miss; margins were in line.
Mahindra and Mahindra Ltd	No	NA	Beat	Higher than expected other income
Auto Ancillaries				
Ceat Ltd	No	NA	Miss	RM cost inflation
Sona BLW Precision Forgings	No	NA	Beat	Strong revenue and other income growth
SJS Enterprise Ltd	No	NA	Beat	Strong revenue growth and healthy margins
ASK Automotive Ltd	No	NA	Beat	Strong revenue growth. Margins in line.
Chemicals				
PCBL	Yes	Dip in carbon black and flattish Aquapharm	Miss	Weak revenue performance
Ami Organics	No	NA	Beat	Favourable mix (jump in high-margin pharma)
Tatva Chintan Pharma Chem	Yes	Demand challenges	Miss	Sluggish sales due to demand challenges
SRF	Yes	Lower chemicals volume due to inventory issues	Miss	Pricing pressure, weak packaging film margins.
Aether	No	NA	Beat	Sharp jump in contract manufacturing sales.

Diagnostics & Hospitals				
Dr Lal Path Labs	Yes	Lower volume growth	Beat	Better than anticipated margins
Krsnaa	No	NA	In line	In line Q2
Aster DM	No	NA	Beat	Significant margin improvement across clusters
Pharmaceuticals				
Torrent Pharma	Yes	Lower growth in India, Germany and Brazil	Miss	Lower other income
Sun Pharma	No	NA	Beat	Higher EBITDA margin due to higher gRevlimid
Cipla	No	NA	Beat	Higher other income and lower tax rate
Biocon	No	NA	Miss	Weaker EBITDA margin
Dr Reddy's	No	NA	Beat	Higher gRevlimid contribution driving higher margins
Infrastructure				
PSP Projects	Yes	Extended monsoon and delay in new projects.	Miss	Weaker margins amid cost overruns
Kalpataru Projects	No	NA	Beat	Higher other income
Larsen & Toubro	No	NA	Beat	Higher revenue and higher other income
KEC International	No	NA	Miss	Higher interest costs and lower other income
Internet				
CarTrade	Yes	Vehicle repossessions weak on lower defaults	Beat	Strong operating leverage
PB Fintech	No	NA	Beat	Operating Leverage due to revenue beat
Zomato	No	NA	Miss	Higher than expected tax rate
IndiaMart	No	NA	Beat	Higher than expected operating margin and other income
Just Dial	Yes	Weaker than expected collections growth in 2Q	Beat	Higher than expected other income
Route Mobile	Yes	Curtailed spends by OTTs and geopolitical issues	Beat	Higher than expected other income
Saregama	No	NA	Beat	Better performance in videos and higher other income
Media & Entertainment				
Zee	No	NA	Beat	Due to significant margin beat
PVR Inox	No	NA	Miss	Due to higher lease interest and depreciation cost
Metals				
JSW Steel	Yes	Realizations declined	Beat	Lower costs and lower effective tax rate
Jindal Steel & Power	No	NA	Beat	Lower Raw material costs
Hindalco - Novelis	No	NA	Beat	Extraordinary expenses due to Sierre floods
Jindal Stainless	No	NA	In line	In line Q2
Hindustan Zinc	No	NA	Beat	Extraordinary items worth INR830 mn
Lloyds Metals and Energy	No	NA	Beat	Other income of INR1,054 mn
Textiles				
Welspun Living	No	NA	Miss	Higher other expenses and higher Interest costs
PDS Ltd.	No	NA	Beat	Higher revenue given higher GMV QoQ
Others				
Interglobe Aviation	No	NA	Miss	Higher forex loss and higher aircraft rental charges
CDSL	No	NA	Beat	Strong revenue from higher transaction and IPO charges
CMS Info Systems	No	NA	Miss	Weak revenue mix given a slow H1; likely rebound in H2
Oil Refining & Marketing				
Bharat Petroleum	Yes	Weak GRM and LPG under-recovery	Miss	Weak GRM and LPG under-recovery
Hindustan Petro.	Yes	Weak GRM and LPG under-recovery	Miss	Weak GRM and LPG under-recovery
Indian Oil	Yes	Weak GRM and LPG under-recovery	Miss	Weak GRM and LPG under-recovery

Oil & Gas - Others				
Oil India	Yes	Lower crude & gas sales volume	Miss	Lower crude & gas sales volume
GAIL	Yes	Lower gas trading margin and higher gas opex	Beat	Lower Depreciation and higher other income
Petronet LNG	Yes	Lower regasification volume	Miss	Lower inventory & trading gain
Reliance Industries	Yes	Lower Retail revenue	Beat	Lower Depreciation
City Gas Distribution				
Gujarat Gas	No	NA	Beat	Better Industrial Volume and EBITDA Margin
Indraprastha Gas	No	NA	Miss	Higher gas cost and lower sales realisation
Mahanagar Gas	No	NA	Miss	Higher gas cost
Telecom				
Bharti Airtel	No	NA	Miss	Higher depreciation and finance cost
Bharti Hexacom	No	NA	Miss	Higher depreciation and finance cost
Indus Towers	Yes	Lower tower and tenancy additions	Beat	Higher recovery of past dues from VIL
Power				
Coal India	Yes	Decline in coal realisation prices	Miss	Decline in coal realisation. Change in accounting policy
NTPC	No	NA	Beat	Higher Regulatory income
SJVN	No	NA	Miss	Higher finance Cost (+60% YoY)
Suzlon	No	NA	Miss	Annual increments and ESOP costs
BHEL	No	NA	Beat	Higher revenue due to execution of thermal order book
Tata Power	No	NA	Beat	Increase in regulatory and dividend income
JSW Energy	Yes	Lower merchant volumes	Beat	Decline in cost of Fuel and higher other income
EMS				
Cyient DLM	No	NA	Miss	Higher interest cost due to Altek acquisition.
Amber Enterprises	No	NA	Beat	Prolonged summers and lower channel inventories.
Dixon Technologies	No	NA	Beat	Strong mobile volumes and impact of Ismartu acquisition
Kaynes Technologies	No	NA	In line	In line Q2
Shivalik	Yes	Weak demand in North America	In line	In line Q2
Avalon Tech	No	NA	Beat	Strong operational performance
Consumer Durables				
V-Guard	No	NA	Beat	Gross margin improvement
RR Kabel	No	NA	Miss	Weak EBITDA margins
Stovekraft	No	NA	Miss	Higher depreciation and interest cost
Voltas	No	NA	Miss	BIS impact on commercial ref & weak UCP margin
Blue Star	No	NA	Miss	BIS impact on commercial ref & weak UCP margin
Havells	No	NA	Miss	Raw material inflation and higher ad spends
Bajaj Electricals	No	NA	Miss	Higher ad spends and price erosion in lighting.
TTK Prestige	No	NA	In line	In line Q2
Industrials				
AIA Engineering	Yes	De-stocking and supply chain constraints	Miss	Operating deleverage
Bharat Electronics	No	NA	Beat	Strong execution driving better margins
Ideaforge	Yes	Weak order book execution	Miss	Operating deleverage
ABB	Yes	Process Automation weak due to execution miss	Miss	Weak revenue and other income
Mtar	No	NA	Miss	Recovery delayed; to improve as new products ramp up

Building Materials				
Kajaria Ceramics	No	NA	Miss	Morbi players aggressive & unfavourable revenue mix
Somany Ceramics	No	NA	Miss	Aggressive pricing by Morbi players
Greenply	No	NA	Miss	Lower utilisation of MDF plant and raw material inflation
Greenlam	No	NA	In line	NA
Greenpanel	Yes	Muted demand & increasing competition in MDF	Miss	Raw Material inflation
Real Estate, REITs, Hotels				
Oberoi Realty	No	NA	In line	In line Q2
DLF	No	NA	Beat	Higher than expected project completions and sales
Phoenix Mills	No	Lower consumption across malls	Miss	Lower mall consumption and lower residential revenue
Macrotech Developers	No	NA	In line	In line Q2
Embassy Office Parks REIT	No	NA	Miss	Due to asset impairment and deferred tax adjustment
Mindspace REIT	No	NA	Miss	Higher than expected tax rate
Chalet Hotels	No	NA	Miss	Higher than expected tax rate

Source: Company, JM Financial

APPENDIX I

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