

Strategy

4QFY25 review: Nifty EPS a beat; but FY26/27 estimates cut

Nifty50 EPS grew by 4.9% in 4QFY25, ahead of expectations of a 2.2% YoY decline. Factoring in the 4QFY25 results, our Nifty50 EPS for FY26E and FY27E have been cut by 5.3% and 5.9% respectively. Consequently, our Nifty50 EPS growth now stands at 12.0% (vs. 16.4% earlier) for FY26E and 14.3% (vs. 15.1% earlier) for FY27E. Of these, the largest EPS cuts for FY26E are in Automobiles, Cement, Oil & Gas, and NBFCs. For FY26E, we expect Telecom, Metals & Mining, Consumer, Oil & Gas and Banks to do the heavy lifting. Out of the 50 companies in the Nifty, 18% missed estimates in 4Q while 48% beat our estimates and the rest reported an in-line quarter. Further, if we split 4QFY25 performance in terms of market capitalisation, we see that the proportion of misses in small caps was the largest, followed by mid-caps and then large caps; 31% of small-cap companies missed expectations, while the misses were lower in midcaps and large caps at 28% and 17% respectively.

- **4QFY25 Nifty50 EPS growth ahead of expectations** - In 4QFY25, Nifty50 EPS grew 4.9% YoY (vs. expectation of 2.2% decline YoY). Ex-financials, EPS grew 10.5% YoY (vs. expectation of -0.8% YoY). On a YoY basis, amongst key sectors, (1) Financials declined 1.8% YoY, (2) Oil & Gas declined 6.6% YoY, (3) IT declined 3% YoY, and (4) consumer declined 9.3% YoY. Further, on a YoY basis, sectors that saw the highest YoY EPS growth were: (1) Metals & Mining (+33.2% YoY), (2) Ports and Logistics (+23.3% YoY), (3) Industrials (+18% YoY), and (4) Infrastructure (+16.7% YoY).
- **EPS estimates cut for FY26E and FY27E** - Through 4QFY25 results, our Nifty50 EPS for FY26E and FY27E have been cut by 5.3% and 5.9% respectively. Consequently, our Nifty50 EPS growth now stands at 12.0% (vs. 16.4% earlier) for FY26E and 14.3% (15.1% earlier) for FY27E. Of these, the largest EPS cuts for FY26E are in Automobiles, Cement, Oil & Gas, and NBFCs.
- **Which sectors have to do the heavy lifting in FY26E?** - We forecast 12.0% YoY growth in FY26E Nifty50 EPS. Sectors that are expected to do the heavy lifting are: Consumer (+14% YoY and 5.6% weight in Nifty50 PAT), Telecom (+73% YoY growth and 2.5% weight in Nifty50 PAT), Metals and Mining (+23% YoY growth and 7.2% weight in Nifty50 PAT), Oil & Gas (+23% YoY growth, and 11.0% weight in Nifty50 PAT) and Banks (+7% YoY growth and 37.7% weight in Nifty50 PAT).
- **JMFL coverage universe EPS grows 9.5% YoY in 4QFY25** - The JM Financial coverage universe 4QFY25 EPS grew 9.5% YoY. Sectors that saw the highest YoY EPS growth were: (1) EMS (+113% YoY), (2) Aviation (+62% YoY), and (3) Healthcare (+44% YoY). Sectors that saw the weakest YoY EPS performance included: (1) Building Materials (-28% YoY), (2) Depositories (-22% YoY), and (3) Auto Ancillaries (-17% YoY). Compared to estimates, the largest beats were seen in Internet, followed by EMS and Utilities. Among the misses, Healthcare and Real Estate led the pack.
- **Small caps had higher share of misses** - Out of the 50 companies in the Nifty, 18% missed estimates in 4Q while 48% beat our estimates and the rest reported an in-line quarter. Further, if we split 4QFY25 performance in terms of market capitalisation, we see that the proportion of misses in small caps was the largest, followed by mid-caps and then large caps; 31% of small-cap companies missed expectations, while the misses were lower in midcaps and large caps at 28% and 17% respectively.



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Nifty Valuation table (JMFL Estimates)

| Particulars | FY25 | FY26E | FY27E |
|-------------|--------|--------|--------|
| Nifty Index | 24,542 | 24,542 | 24,542 |
| EPS (INR) | 1,012 | 1,133 | 1,295 |
| YoY (%) | 2.7 | 12.0 | 14.3 |
| BPS (INR) | 6,865 | 7,483 | 8,193 |
| YoY (%) | 5.5 | 9.0 | 9.5 |
| PE (x) | 24.2 | 21.7 | 18.9 |
| PB (x) | 3.6 | 3.3 | 3.0 |
| ROE (%) | 15.1 | 15.8 | 16.5 |

Source: Bloomberg, JM Financial

Nifty Valuation table (Bloomberg Estimates)

| Particulars | FY25 | FY26E | FY27E |
|-------------|--------|--------|--------|
| Nifty Index | 24,542 | 24,542 | 24,542 |
| EPS (INR) | 1,012 | 1,150 | 1,317 |
| YoY (%) | 2.7 | 13.7 | 14.5 |
| PE (x) | 24.2 | 21.7 | 18.9 |
| ROE (%) | 15.1 | 15.3 | 15.4 |

Source: Bloomberg, JM Financial

JM Financial Research is also available on: Bloomberg - JMFR <GO>, Thomson Publisher & Reuters, S&P Capital IQ, FactSet and Visible Alpha

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4QFY25 Nifty50 EPS growth ahead of expectations

- In 4QFY25, Nifty50 EPS grew 4.9% YoY (vs. expectation of -2.2% YoY). Ex-financials, EPS grew 10.5% YoY (vs. expectation of -0.8% YoY). Ex Financials and Oil & Gas, EPS grew 14.8% YoY (expectation of +0.1% YoY).
- On a YoY basis, amongst key sectors, (1) Financials declined 1.8% YoY, (2) Oil & Gas declined 6.6% YoY, (3) IT declined 3% YoY, and (4) consumer declined 9.3% YoY.
- Further, on a YoY basis, sectors that saw the highest YoY EPS growth were: (1) Metals & Mining (+33.2% YoY), (2) Ports and Logistics (+23.3% YoY), and (3) Industrials (+18% YoY), and (4) Infrastructure (+16.7% YoY).
- As we compare beats and misses vs. estimates, utilities, metals & mining, and industrials stood out with a beat of 28.3%, 20%, and 12.4% respectively, while Cement at -6.7% and Oil & Gas at -2.3% were key misses.

In 4QFY25, Nifty50 EPS grew 4.9% YoY (vs. expectation of -2.2% YoY)

Exhibit 1. Nifty50 – 4QFY25 PAT performance

| Sector | Vs. estimate | YoY | QoQ |
|---|--------------|--------------|--------------|
| Automobiles | 2.5% | 12.3% | 17.5% |
| Cement | -6.7% | -47.0% | -17.5% |
| Consumer | -0.4% | -9.3% | -4.3% |
| Consumer Retail | 9.8% | 10.7% | -12.1% |
| Industrials | 12.4% | 18.0% | 59.9% |
| Infrastructure | 2.5% | 16.7% | 49.5% |
| Internet | 5207.5% | -77.8% | -33.9% |
| IT Services | 4.6% | -3.0% | 2.0% |
| Metals and Mining | 20.0% | 33.2% | 93.0% |
| Oil and Gas | -2.3% | -6.6% | -1.0% |
| Pharmaceuticals | 10.6% | 15.4% | -10.1% |
| Ports and Logistics | 8.3% | 23.3% | 16.8% |
| Telecom | 214.9% | 1353.2% | -16.2% |
| Utilities | 28.3% | 15.9% | 34.8% |
| Financials | 2.2% | -1.8% | -0.4% |
| NBFC | -0.1% | 13.9% | -16.6% |
| Private Sector Banks | 0.1% | -2.3% | -1.2% |
| SOE Banks | 15.0% | -9.9% | 10.4% |
| Insurance | 3.0% | 51.4% | 90.2% |
| Nifty Index | 7.3% | 4.9% | 4.8% |
| Nifty Commodities | 1.9% | 0.0% | 10.9% |
| Nifty excl. Financials & Oil & Gas | 14.7% | 14.8% | 11.5% |
| Nifty excl. Financials | 11.4% | 10.5% | 9.1% |

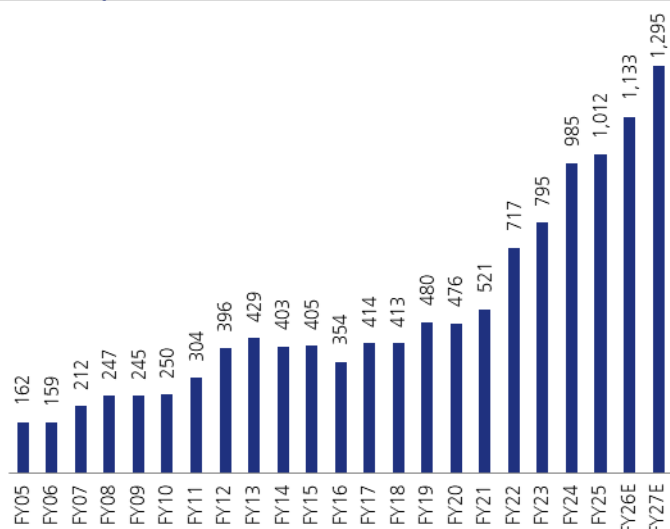
Source: Company, JM Financial

Change in Nifty50 FY26E and FY27E EPS post 4Q results

Following the 4QFY25 results, our Nifty50 EPS for FY26E and FY27E have been cut by 5.3% and 5.9% respectively. Consequently, our Nifty50 EPS growth for FY26E now stands at 12.0% (vs. 16.4% earlier), and for FY27E it stands at 14.3% (15.1% earlier). Of these, the largest EPS cuts for FY26E are in Automobiles, Cement, Oil & Gas, and NBFCs.

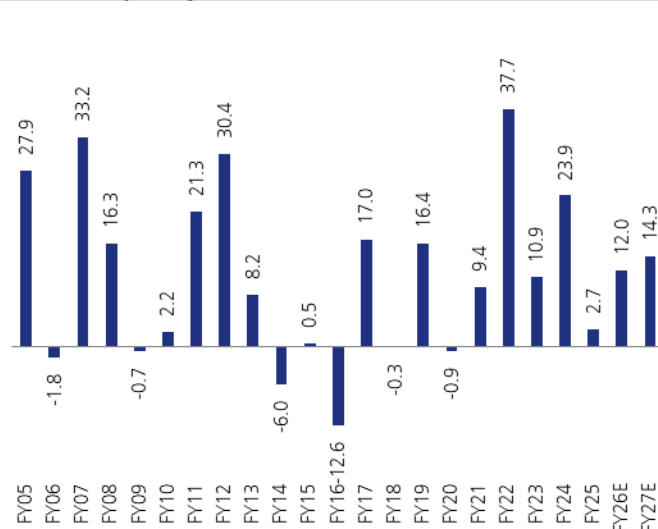
We now expect Nifty50 EPS growth of 12.0% and 14.3% for FY26E and FY27E respectively.

Exhibit 2. Nifty EPS trend (INR)



Source: Company, JM Financial

Exhibit 3. Nifty EPS growth (%)



Source: Company, JM Financial

Exhibit 4. Drivers of Nifty50 FY26 EPS growth (highest contributors highlighted)

| Name | FY25 PAT | FY26E PAT | FY27E PAT | FY26 yoy growth | FY27 yoy growth | PAT weight |
|--------------------------|--------------|--------------|--------------|-----------------|-----------------|--------------|
| Automobiles | 359 | 376 | 420 | 4.9% | 11.5% | 7.3% |
| Cement | 30 | 36 | 51 | 18.8% | 41.7% | 0.7% |
| Consumer | 255 | 290 | 337 | 13.8% | 16.5% | 5.6% |
| Industrials | 26 | 28 | 32 | 8.6% | 14.5% | 0.5% |
| IT Services | 499 | 528 | 575 | 5.8% | 9.1% | 10.3% |
| Metals and Mining | 300 | 370 | 421 | 23.4% | 13.7% | 7.2% |
| Oil and Gas | 460 | 567 | 658 | 23.3% | 16.0% | 11.0% |
| Pharmaceuticals | 107 | 127 | 143 | 18.8% | 12.7% | 2.5% |
| Utilities | 191 | 204 | 216 | 6.8% | 5.7% | 4.0% |
| Infrastructure & Ports | 160 | 195 | 225 | 22.1% | 15.4% | 3.8% |
| Telecom | 74 | 128 | 175 | 72.9% | 36.6% | 2.5% |
| Financials | 2,116 | 2,280 | 2,610 | 7.7% | 14.4% | 44.5% |
| Banks | 1,805 | 1,933 | 2,211 | 7.1% | 14.3% | 37.7% |
| NBFC | 291 | 324 | 372 | 11.2% | 14.8% | 6.3% |
| Insurance | 20 | 23 | 27 | 16.6% | 18.4% | 0.4% |
| Nifty Index | 4,576 | 5,129 | 5,863 | 12.1% | 14.3% | |
| Nifty (ex-Financials) | 2,460 | 2,849 | 3,254 | 15.8% | 14.2% | 55.5% |
| Nifty (ex Oil & Gas) | 4,116 | 4,563 | 5,206 | 10.8% | 14.1% | 89.0% |

Source: Company, JM Financial

We forecast 12.0% YoY growth in FY26E Nifty50 EPS.

Sectors which are expected to do the heavy lifting are:

Consumer (+14% YoY and 5.6% weight in Nifty50 PAT)

Telecom (+73% YoY growth and 2.5% weight in Nifty50 PAT)

Metals and Mining (+23% YoY growth and 7.2% weight in Nifty50 PAT)

Oil & Gas (+23% YoY growth, and 11.0% weight in Nifty50 PAT)

Banks (+7% YoY growth and 37.7% weight in Nifty50 PAT)

4QFY25 review: What happened with the JMFL universe?

Sectoral beats and misses

- Out of 288 companies covered by the JM Financial research team, 27% missed estimates while 48% beat expectations. The balance 25% reported an in-line quarter. It is pertinent to note that, here, our criterion of a beat or a miss is a variance of 5% vs. the estimated number.
- Sectors that saw the highest proportion of misses included – General Insurance (100%), followed by Real Estate (64%), Building Materials (54%), Healthcare (54%), and Infrastructure (42%).
- Amongst sectors performing better than expectations, the ones that stood out were - Textiles (100%), Cement (78%), Electronics Manufacturing (75%), PSU Banks (75%), and Internet (67%). Meaty sectors falling under this criterion include Oil & Gas (67%), Private Sector Banks (60%) and IT Services (53%).

27% of companies missed our expectations. If we split 4QFY25 performance in terms of market capitalisation, 31% of small-cap companies missed expectations. Meanwhile, the misses were lower in midcaps and large caps at 28% and 17% respectively.

Exhibit 5. Sectors with the highest proportion of beats and misses

| Sector | % of misses | Sector | % of beats |
|--------------------|-------------|---------------------------|------------|
| General Insurance | 100% | Textile | 100% |
| Real Estate | 64% | Cement | 78% |
| Building Materials | 57% | Electronics Manufacturing | 75% |
| Healthcare | 54% | Public Sector Banks | 75% |
| Infrastructure | 42% | Internet | 67% |
| Pharmaceuticals | 40% | Oil and Gas | 67% |
| Asset Management | 40% | Utilities | 67% |
| Metals and Mining | 33% | Chemicals | 62% |
| Automobiles | 33% | Industrials | 60% |
| Consumer Durables | 33% | Private Sector Banks | 60% |
| Consumer | 33% | Metals and Mining | 58% |
| Industrials | 30% | IT Services | 53% |

Source: Company, JM Financial

Proportion of misses larger in small caps

- Out of the 50 companies in the Nifty, 18% missed estimates in 4Q while 48% beat estimates and the rest reported an in-line quarter.
- Further, if we split 4QFY25 performance in terms of market capitalisation, we see that the proportion of misses in small caps was the largest, followed by mid-caps and then large caps; 31% of small-cap companies missed expectations, while the misses were lower in midcaps and large caps at 28% and 17% respectively.

Exhibit 6. Beats and misses across market capitalizations

| Market Capitalization | Beats | In-line | Miss | Total Companies | % of misses |
|-----------------------|-------|---------|------|-----------------|-------------|
| Nifty50 | 24 | 17 | 9 | 50 | 18.0% |
| Large Caps | 37 | 23 | 12 | 72 | 16.7% |
| Mid-caps | 34 | 16 | 19 | 69 | 27.5% |
| Small-caps | 66 | 32 | 45 | 143 | 31.5% |

Source: Company, JM Financial. Note – 4 INVITs excluded as per AMFI classification

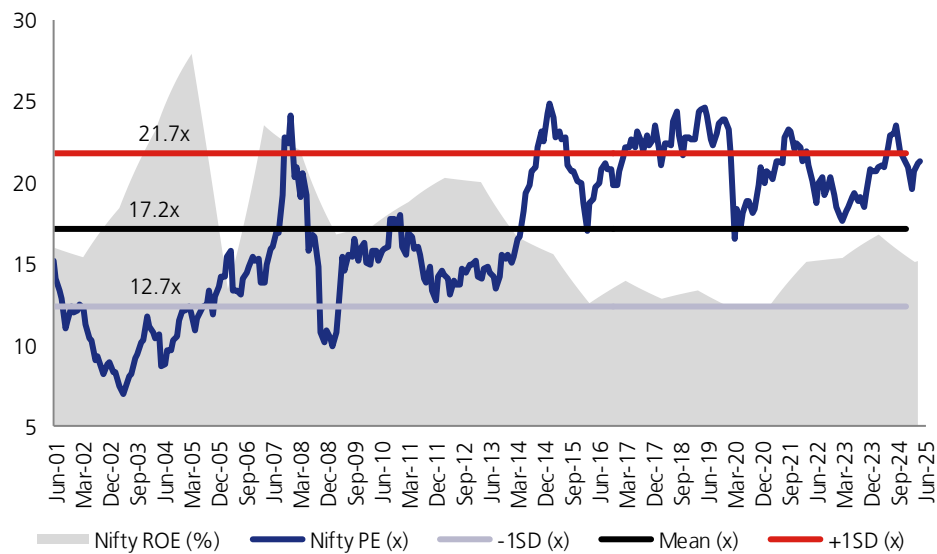
The JM Financial coverage universe 4QFY25 EPS grew 9.5% YoY. Sectors that saw the highest YoY EPS growth were: (1) EMS (+113% YoY), (2) Aviation (+62% YoY), and (3) Healthcare (+44% YoY). Sectors that saw the weakest YoY EPS performance included: (1) Building Materials (-28% YoY), (2) Depositories (-22% YoY), and (3) Auto Ancillaries (-17% YoY). Compared to estimates, the largest beats were seen in Internet, followed by EMS and Utilities. Among the misses, Healthcare and Real Estate led the pack.

Exhibit 7. JMFL coverage universe – 4QFY25 PAT performance

| Sector | Vs. estimate | YoY | QoQ |
|--------------------------------------|--------------|--------------|--------------|
| Auto Ancillaries | -0.6% | -17.3% | 10.3% |
| Automobiles | 4.4% | 12.3% | 22.7% |
| Aviation | 4.5% | 61.9% | 25.3% |
| Building Materials | 2.3% | -28.4% | 16.9% |
| Cement | 11.6% | 3.0% | 251.8% |
| Chemicals | 16.9% | 14.1% | 28.4% |
| Consumer | 0.2% | -4.6% | -1.2% |
| Consumer Durables | 2.2% | 29.0% | 58.1% |
| Consumer Retail | 6.9% | 1.0% | -30.4% |
| Depository | -15.6% | -22.4% | -22.9% |
| Diversified Services | -7.5% | 6.8% | 4.7% |
| Electronic Manufacturing Services | 34.6% | 112.8% | 127.5% |
| Healthcare | -14.6% | 44.0% | 17.5% |
| Hotels | -3.9% | 26.7% | 0.5% |
| Industrials | 2.5% | 11.8% | 54.7% |
| Infrastructure | 2.5% | 15.1% | 51.3% |
| Internet | 842.3% | NM | NM |
| IT Services | 3.0% | 2.0% | 1.2% |
| Media | -2.5% | 27.8% | -32.6% |
| Metals and Mining | 9.1% | 5.8% | 21.9% |
| Oil and Gas | 9.3% | -3.5% | 15.5% |
| Pharmaceuticals | 0.9% | 17.5% | -2.1% |
| Real Estate | -6.6% | 6.7% | 3.3% |
| Sugar | 6.6% | 11.5% | 250.9% |
| Telecom | NM | NM | -42.1% |
| Textile | 21.4% | 2.3% | 29.6% |
| Utilities | 34.1% | 24.9% | 40.2% |
| Financials | 7.1% | 3.0% | 8.2% |
| NBFC | -1.5% | 4.8% | -7.2% |
| NBFC - MFI | nm | -199.5% | nm |
| Private Sector Banks | 0.4% | -2.3% | -1.8% |
| Small Finance Banks | -23.3% | -40.7% | -10.5% |
| SOE Banks | 18.1% | -2.4% | 7.2% |
| Asset Management | 1.3% | 3.7% | -5.8% |
| General Insurance Cos | -24.3% | -22.9% | -45.7% |
| Life Insurance | 14.4% | 36.4% | 67.5% |
| JM Financial | 10.5% | 9.5% | 12.3% |
| JM Financial excl. Financials | 12.4% | 13.3% | 14.6% |

Source: Company, JM Financial

Exhibit 8. Nifty50 – 1-yr P/E band chart



Source: Bloomberg, JM Financial

APPENDIX I

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|-----------------------|---|
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