

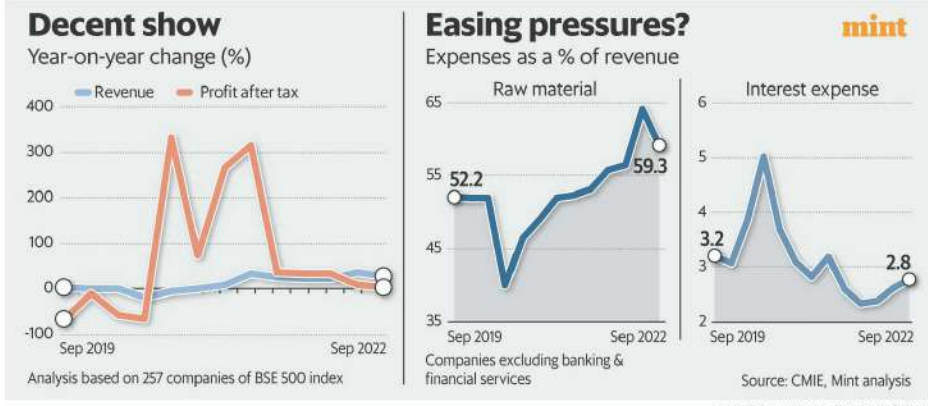
# Commodity-linked sectors face pain in Sep quarter

Niti Kiran  
niti.kiran@livemint  
MUMBAI

Revenue growth of the top listed companies slowed in the September quarter but stayed strong even as profit growth decelerated to a multi-quarter low as supply side bottlenecks persisted.

A Mint analysis of 257 companies of the BSE 500 index showed a 28% growth in revenue from a year earlier, while profits grew just 3%. Companies are still in the process of filing their Q2 results, and the analysis is based on results available so far.

The performance is inferior to the June quarter, when revenues and net profits for these companies grew 37% and 9%, respectively. This was weighed down by the performance of metal and oil and gas producers, which struggled as key commodity prices cooled marginally in the September quar-



ter. Excluding these sectors, the aggregate profits of companies rose 25% from a year earlier, while sales grew 21%.

“The aggregate earnings were dragged by global commodities (prices),” said Alok Agarwal, portfolio manager, Alchemy Capital Management. Despite the marginal decline, commodity prices still remain elevated compared to the pre-covid period.

Meanwhile, a 46% growth in

profits for the banking sector supported the earnings growth so far. A sub-sample of companies, excluding this segment (banking, financial services and insurance, or BFSI), posted a revenue growth of 33% but profits fell 19%.

On a sequential basis, revenues and profits grew 3% and 15%, respectively. However, moving forward, export-facing sectors may see adverse impact from the global slowdown and

recession fears in parts of the developed world, Agarwal said.

Besides, with inflation running hot, consumption might suffer, which can impact the volume growth of firms. “High inflation and rising rates can impact demand, but that is likely to be marginal,” noted V.K. Vijayakumar, chief investment strategist at Geojit Financial Services. “The negative impact on demand will be partly offset by strong growth

impulses in the economy. Demand for premium segments is robust.”

Some sectors are already feeling the pinch of a slowdown. Sectors such as consumer durables saw a sequential decline of 15% in revenues, FMCG sales dipped 0.8%, while construction and real estate firms witnessed a 9% drop in revenues. Meanwhile, spiralling input cost pressures showed signs of easing in the September quarter.

Raw material expenses as a percentage of total income declined almost 500 basis points from a peak of 64.2% in June 2022. “The input cost pressure seems to be ebbing, although its impact shows up with a lag,” Agarwal said. With a correction in crude oil and industrial metal prices, analysts expect raw material costs to fall further in the coming quarters which should augur well for sectors that rely on commodities as raw materials.

SARVESH KUMAR SHARMA/MINT