**Press Release**
**June 17, 2022**

# India Inc. pens a story of revenue growth even as it grapples with margin headwinds: ICRA

- ***The aggregate revenues of 583 listed companies evaluated by ICRA (excluding financial sector entities) grew by 22.7% on Y-o-Y basis and 10.7% on Q-o-Q basis in Q4 FY2022***
- ***Commodity and energy cost inflation coupled with supply chain disruptions resulted in contraction in operating profit margin (OPM) by 135 bps on Y-o-Y basis and 74 bps on Q-o-Q basis***
- ***Margin recovery is expected from H2 FY2023; however, aforementioned challenges may constrain the recovery and thus remain key monitorable***

The aggregate revenues of 583 listed companies evaluated by ICRA (excluding financial sector entities) grew by 22.7% Y-o-Y and 10.7% sequentially on Q-o-Q basis during Q4 FY2022. These trends were visible across sectors, although to a varying degree. The revenue growth of Corporate India was expectedly positive aided by economic growth due to healthy demand scenario and price hikes seen across several sectors, leading to higher realisation levels. While sectors like airlines, construction, iron & steel, oil & gas, among others had significant Q-o-Q growth in Q4 FY2022, few other sectors like hotels, retail and FMCG witnessed sizeable sequential revenue decline during the quarter.

On the demand side, ICRA notes that the recovery momentum was most pronounced in infrastructure-oriented sectors such as iron & steel, metals & mining, oil & gas, cement, and also travel and leisure sectors such as aviation and automotive, wherein both volume and realisation growth supported revenues during the quarter. Although FMCG sector had remained relatively resilient to the pandemic given its essential nature, there were some temporary disruptions, primarily emanating from subdued rural demand. Combined with price hikes taken by most players to offset the input cost inflation, the revenue growth for most of the players was modest.
**Commenting on the trends, Mrs. Kinjal Shah, Vice President & Co-Group Head, ICRA, says, "***While revenues of ICRA sample set in Q4 FY2022 grew at a healthy pace on a Y-o-Y basis favourably supported by lower base of Q4 FY2021, operating profit margin (OPM) of India Inc. for the quarter contracted both on a sequential as well as Y-o-Y basis. Operating margins were lowest in the last six quarters. In addition to sharp increase in input costs due to rising commodity prices, energy cost inflation and supply chain disruptions, several sectors also faced rural distress, which hampered demand prospects and thus impacted revenues and margins to an extent."*

ICRA believes that Q1 FY2023 performance of India Inc. would face similar constraints as supply chain issues are easing only gradually, while commodity-led headwinds continue, especially in the wake of rising crude oil prices, INR's depreciation vis-à-vis US$ and geo-political developments. Furthermore, rising inflation is likely to have adverse impact on consumer-sentiment and thus demand in select sectors.

While the credit metrics improved sequentially in Q4 FY2022 with the Omicron wave having a limited impact on the business environment, the combined impact of these multiple headwinds on the debt servicing indicators remains to be seen. The weakening would be especially visible in sectors which have limited ability to pass on these inflationary pressures through price hikes to end customers.

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