

INDIAN CORPORATE
SECTOR: Q2 FY2025
PERFORMANCE REVIEW
AND OUTLOOK

India Inc. enters H2 FY2025 with cautious optimism

**NOVEMBER 2024** 



### **Agenda**











### **Highlights**



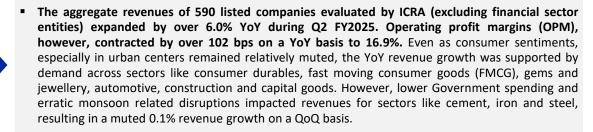


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Corporate India reported a moderate 6.0% YoY revenue growth in Q2 FY2025. Higher input costs led to moderation in OPM by 110 bps to 16.9% in Q2 FY2025.

The evolving global economic and political scenario, ramp-up in Government spending along with pick up in urban demand will remain key monitorables over the near term.







Higher input cost coupled with lower demand led to a YoY contraction in India Inc.'s OPM by 102 bps to 16.9% in Q2 FY2025. Although input costs softened in recent months, they remain elevated over historic levels. Nonetheless, India Inc.'s OPM is expected to improve in H2 FY2025, led by festive season and operating leverage benefits.



■ The interest coverage ratio of India Inc. moderated to 4.1 times in Q2 FY2025 over 4.5 times in Q2 FY2024. Lower profitability amid subdued demand and higher finance cost led (aided by a combination of higher rates and debt levels) to the moderation in interest coverage ratio. India Inc. reported a marginal 4% YoY increase in debt levels as on September 30, 2024, led primarily by sectors like ferrous and non-ferrous metals and cement sectors. With expected improvement in earnings (owing to operating leverage benefits) and stable interest costs, interest coverage ratio is expected to improve marginally to 4.5-5.0 times in Q3 FY2025.



 ICRA forecasts the GDP growth to print at 6.5% in FY2025, amid expectations of a pickup in H2
 FY2025 aided by tailwinds owing to an improvement in rural demand and an acceleration in
 Government capital expenditure (capex).



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