
asset 360ONE
panorama
June 2025

Key Insights:

Corporates report recovery in sales, improved margins, and muted growth in employee costs

- Operating profit growth slowed in FY25 due to a muted improvement in margins compared to FY24
- Large-caps reported flat margins and muted profit growth in FY25; small- and mid-caps reported healthy growth
- EPS downgrades continue for the third straight quarter, with the severity rising down the capitalisation scale
- Banks' margins contract on falling CASA ratio, tighter liquidity, and clampdown on high-yielding unsecured loans
- Repo rate cuts to compress margins further, though better system liquidity may soften the impact
- Employee expense growth moderates in FY25, weighing on urban consumption

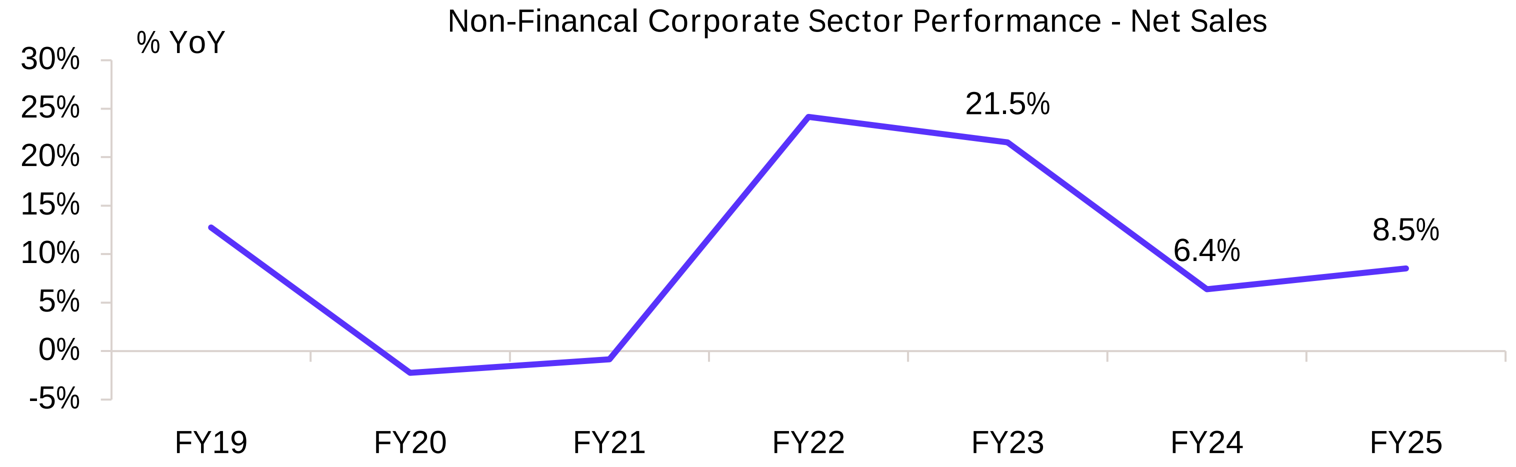
Corporate debt sustainability continues to improve, while capex growth slows

- Debt-to-equity ratio for the corporate sector declined in FY25, while interest coverage ratio remained stable
- The proportion of debt held by highly leveraged companies also fell in FY25
- Corporates continue to generate healthy cash flows with a stable CFO-to-operating profit ratio
- Corporations raised more capital in FY25 through both equity and debt; dividend outflows were also higher
- Corporate investments witnessed muted growth in FY25, but the outlook remains bright
- Cyclical sectors witness a downturn as economic growth slows, while defensives maintain stable performance
- Consumption growth is expected to marginally outpace investment growth over the next two years

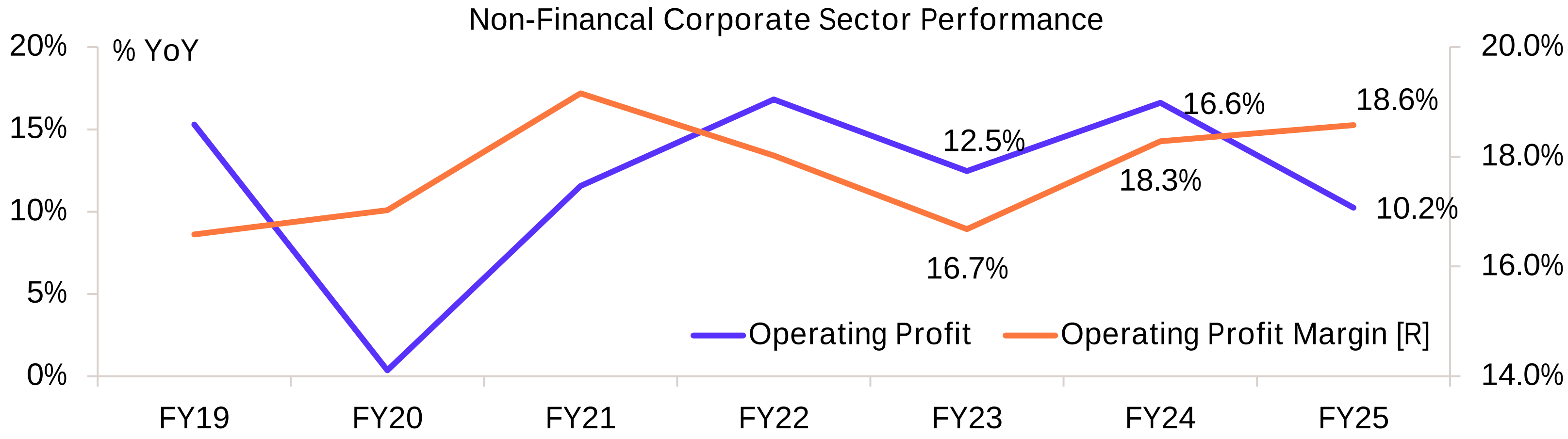
Corporate Sector Performance

Corporate sales growth shows a slight improvement in FY25

Operating profit growth slowed due to modest margin improvement, compared to the strong improvement in FY24



Listed corporates reported a marginal recovery in sales growth to 8.5% YoY in FY25, from a muted 6.4% YoY in the previous year



Operating profit margin improvement was modest in FY25, following a sharp increase in FY24

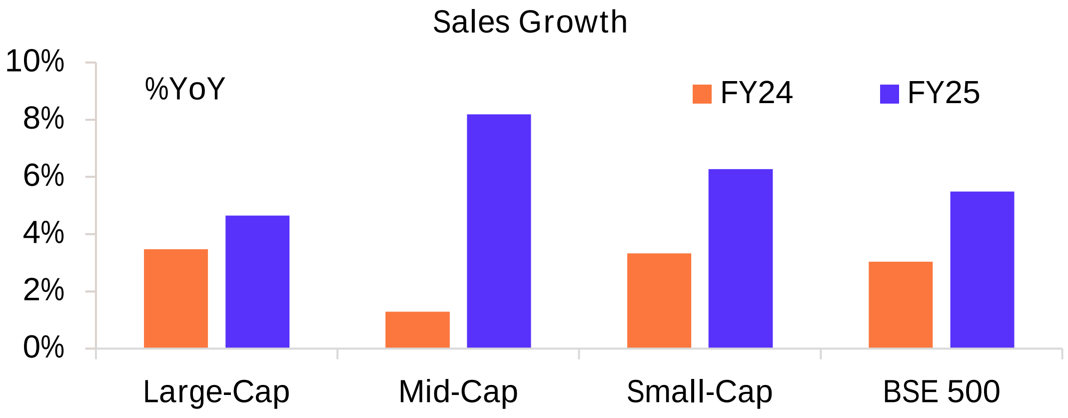
As a result, operating profit growth moderated to 10.2% YoY in FY25, down from a healthy 16.6% in the previous year

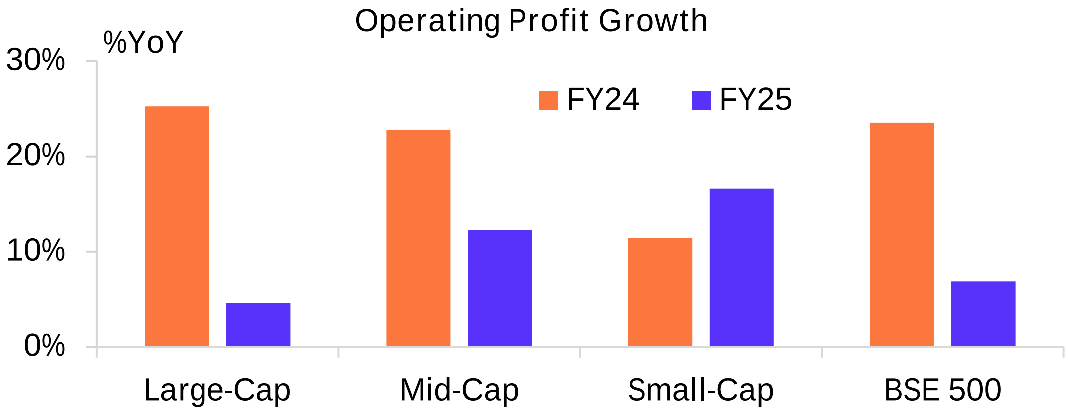
Source: Ace Equity, 360 ONE Asset Research

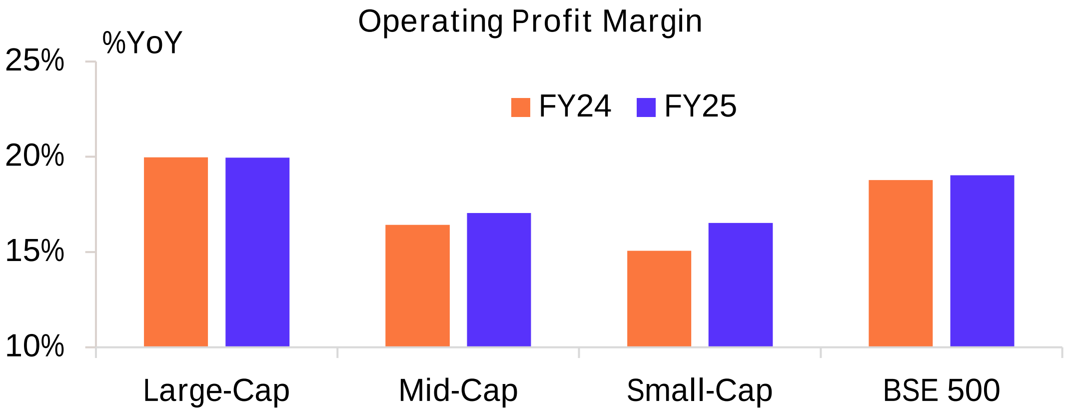
Note: Non-financial corporate sector performance is based on a sample of over 2,100 companies, excluding those in the Power, Petroleum, Metal, and Construction sectors

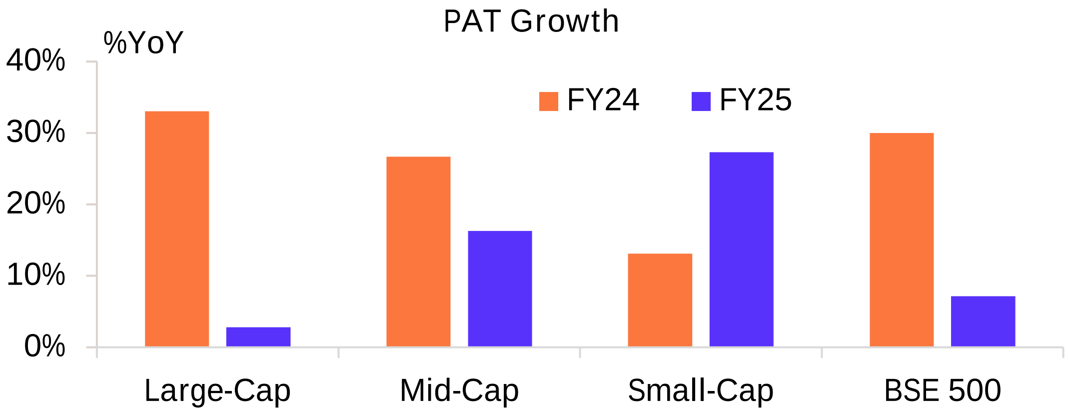
Large-caps report flat margins and muted profit growth in FY25

Small and mid-caps report healthy profit growth, supported by a recovery in margins







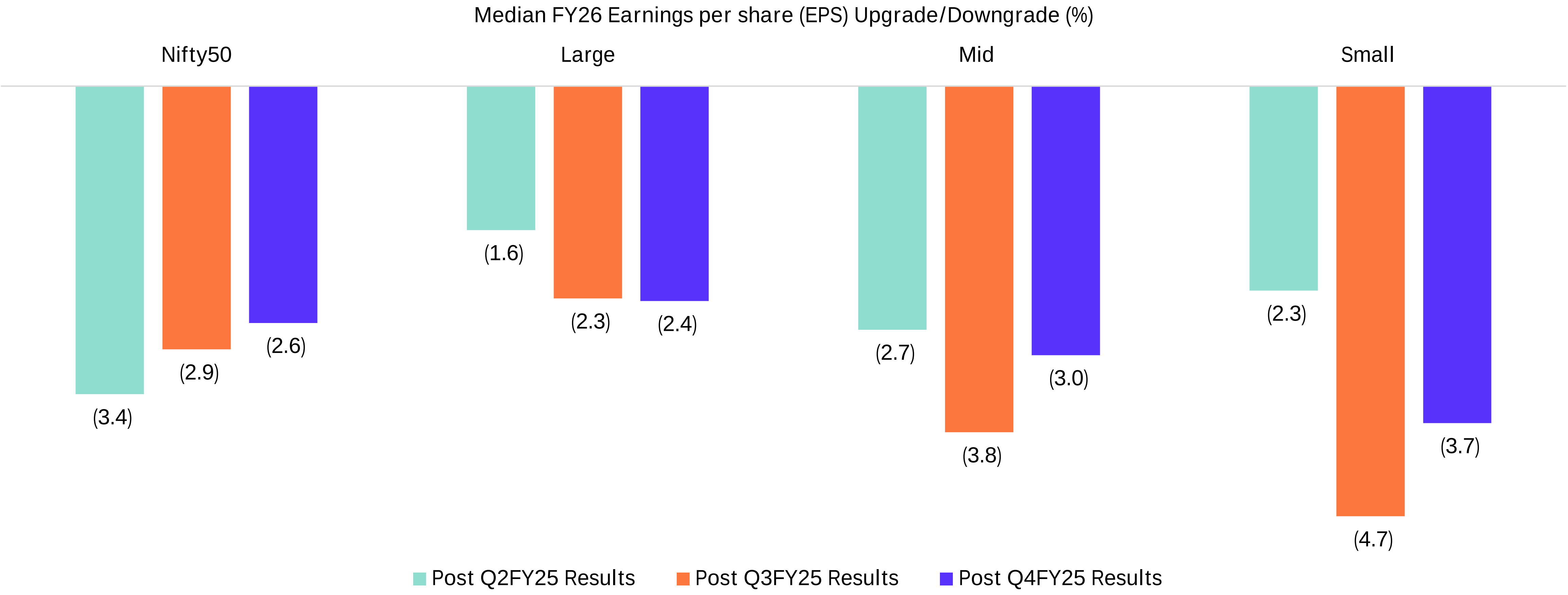


Source: Yes Securities

Note: The above analysis is based on a consistent set of 375 companies (excluding financials)

EPS downgrades continue for the third straight quarter

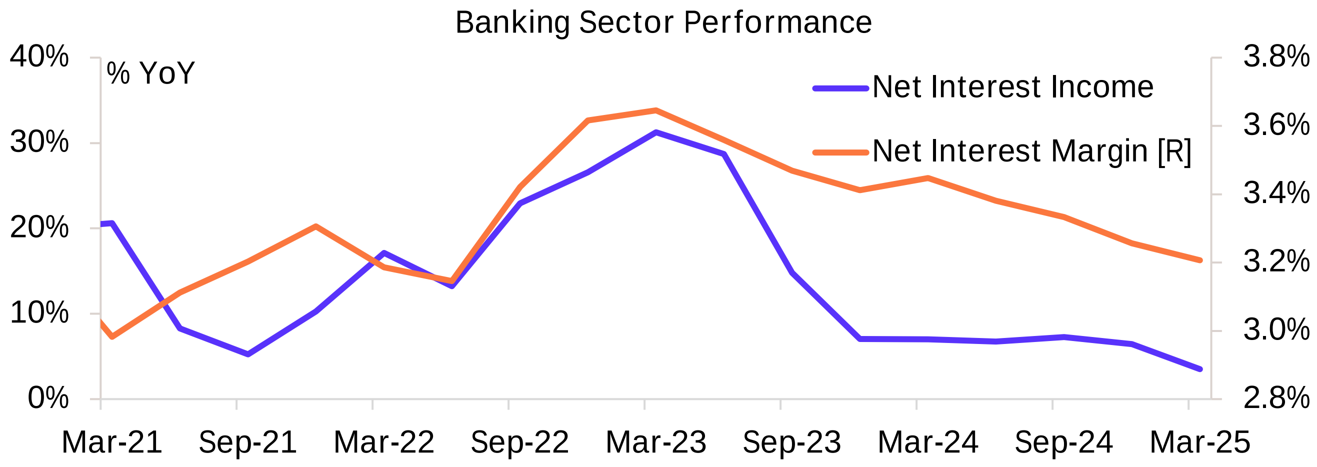
The magnitude of downgrades increases as we move down the capitalisation scale



Source: IIFL Securities

Banks' net interest margins contract during FY25

Net interest income growth remains subdued on account of the slowdown in credit growth and margin compression

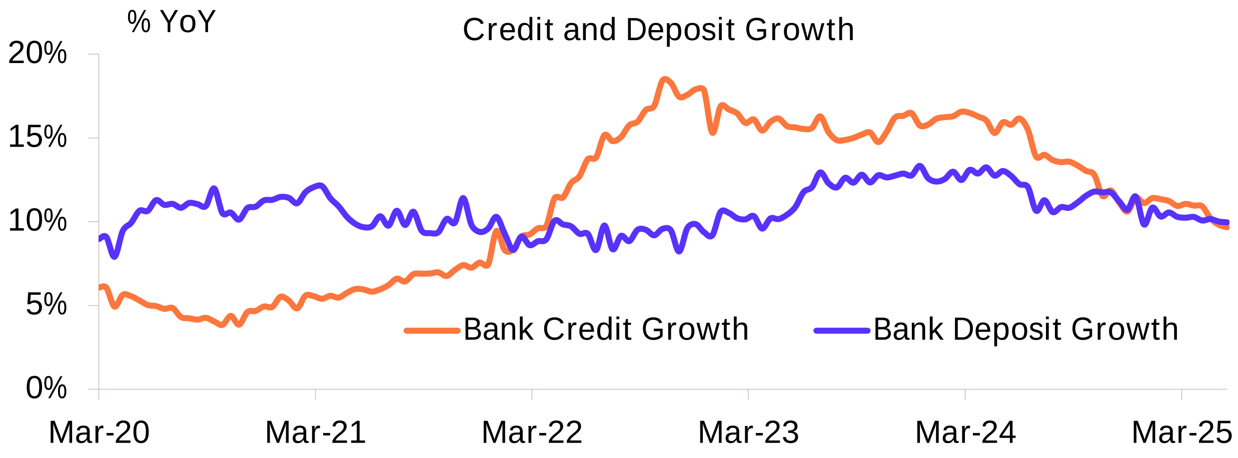


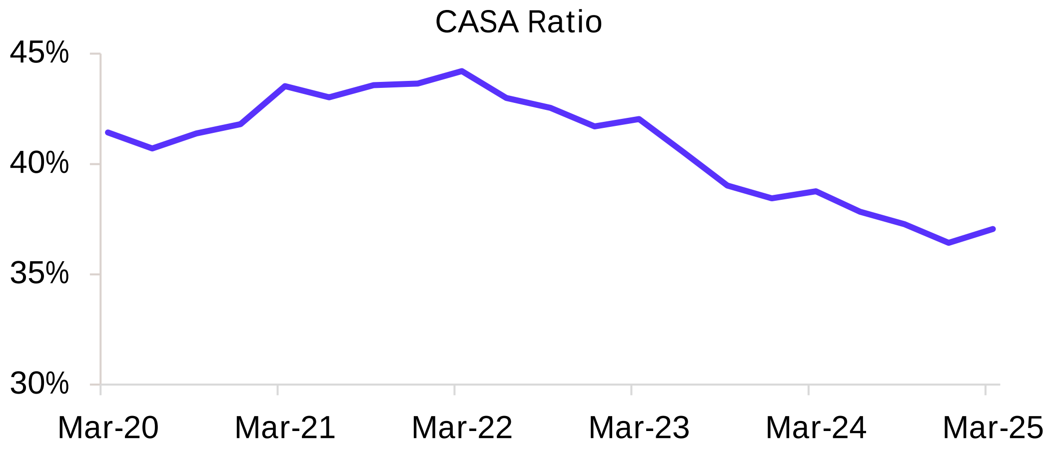
Banks' net interest margins (NIMs) contract during FY25 due to tight liquidity conditions, declining CASA ratio and the RBI's clampdown on high-yielding unsecured personal loans

Consequently, net interest income growth remained subdued in FY25

Banking credit growth has slowed from 16% in March 2024 to 11% by March 2025

The decline has been primarily driven by a slowdown in credit to NBFCs/HFCs and retail segments such as vehicle loans, personal loans, and credit cards



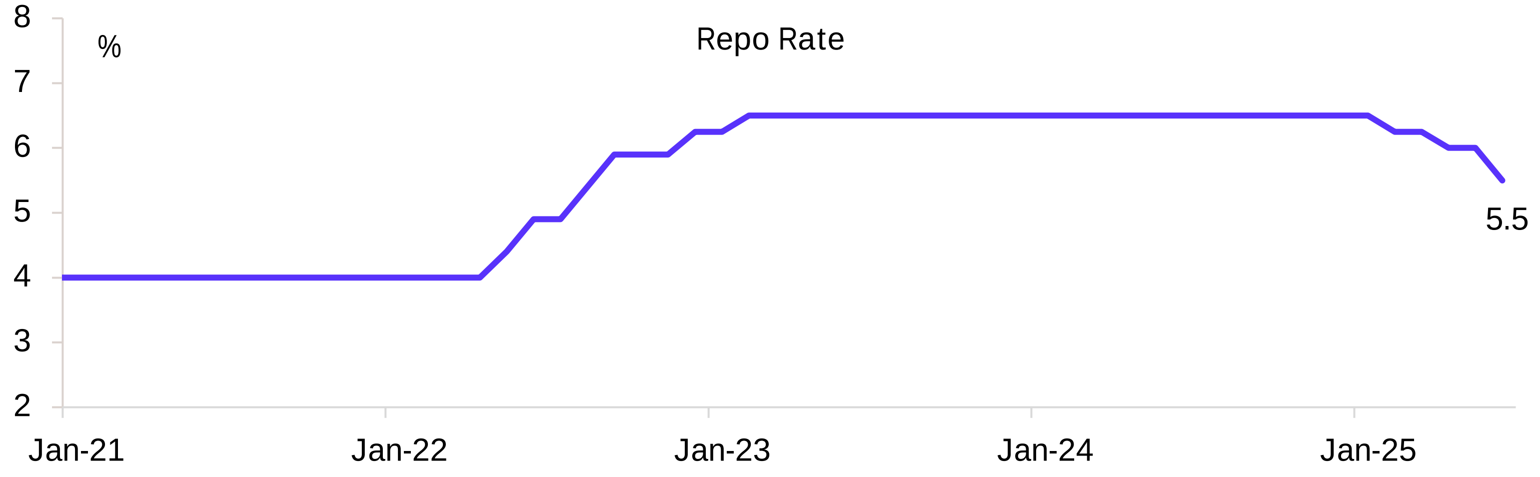


Source: Ace Equity, RBI, Avendus Spark, 360 ONE Asset Research

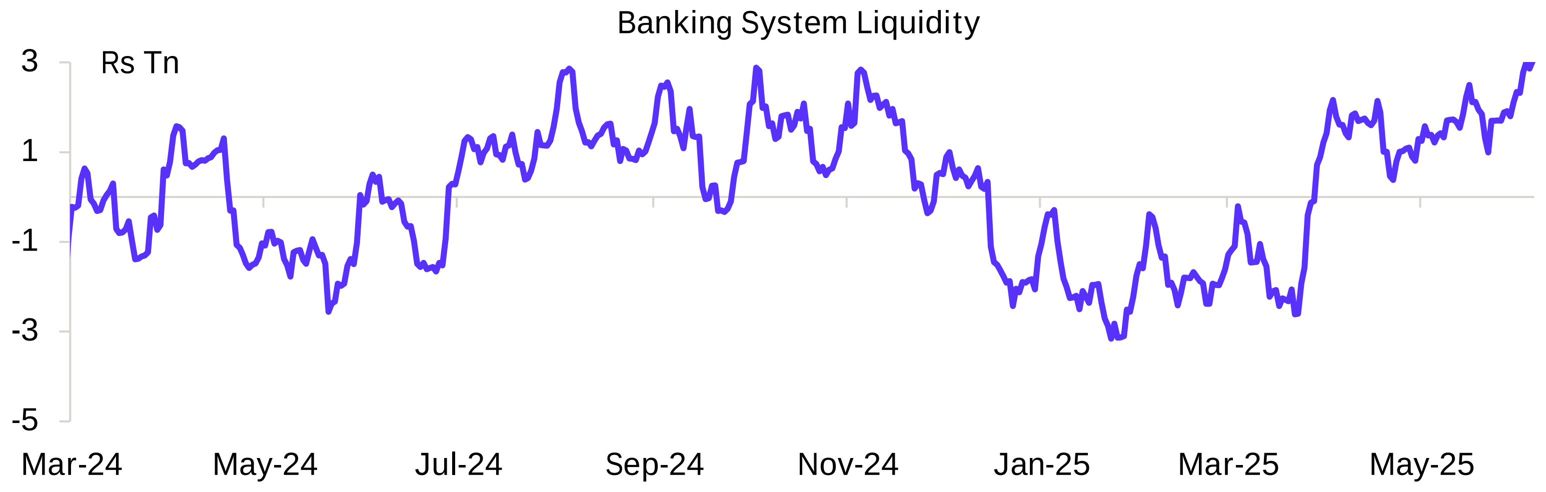
Note: Banking sector performance is based on a sample of 14 banks; CASA ratio is based on a sample of 13 banks

Repo rate reductions to further compress net interest margins

However, improved banking system liquidity should help ease the impact



The 50-bps reduction in the repo rate in June 2025 will lead to further margin compression, as yields on assets adjust faster than the cost of liabilities due to loans linked to the External Benchmark Lending Rate (EBLR)



However, banking system liquidity has turned into a surplus due to the reduction in the cash reserve ratio, open market purchases of government securities, and FX swaps

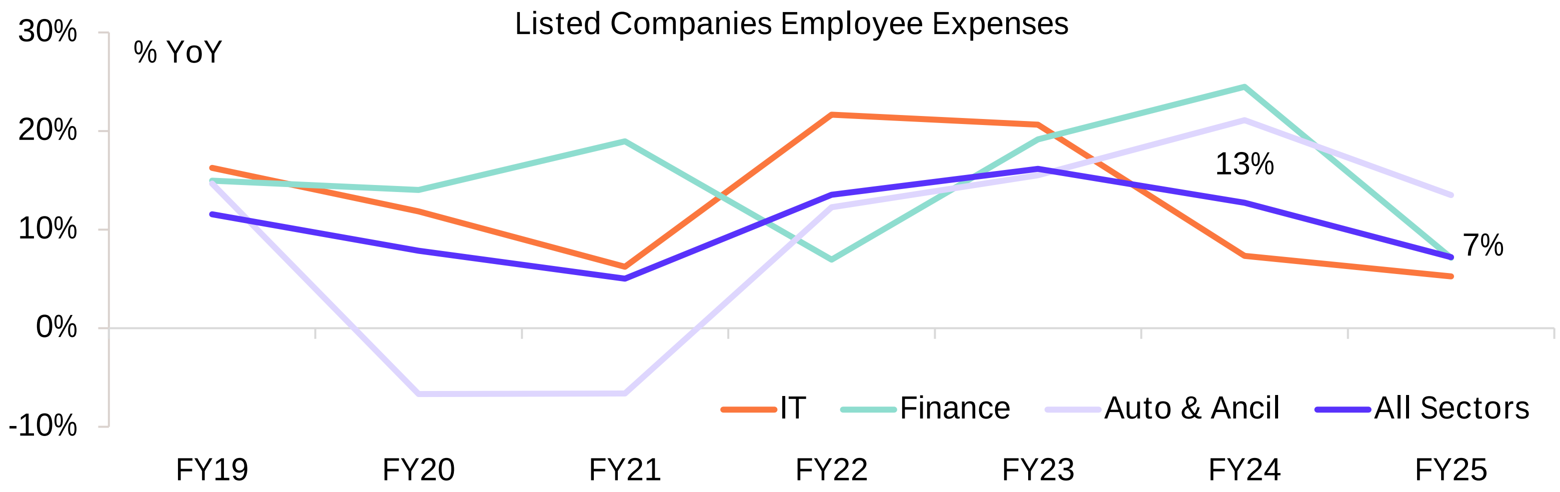
The surplus liquidity should support faster transmission of the repo rate reductions to banks' cost of funding as well, and thus soften the impact

Source: Ace Equity, RBI, 360 ONE Asset Research

Note: MCLR - Marginal Cost of Funds-based Lending Rate

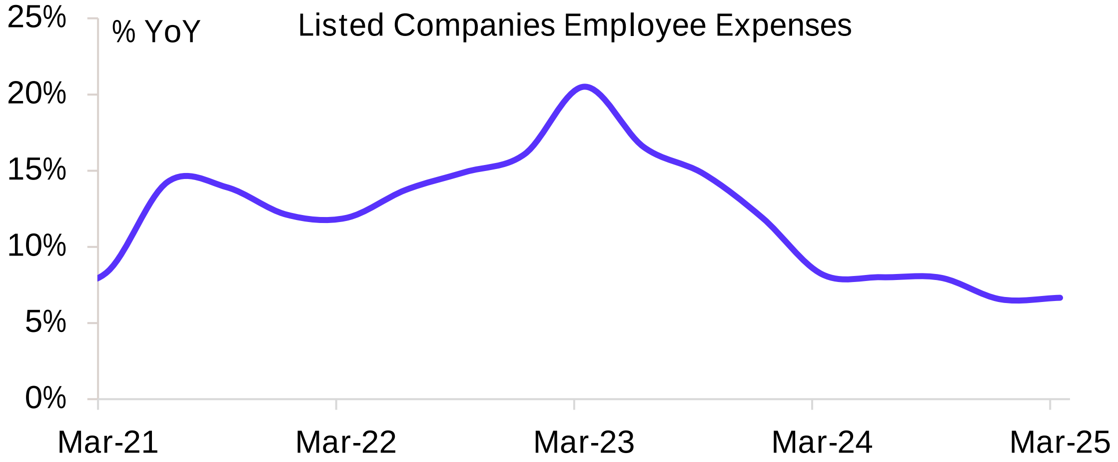
Employee expense growth moderates further in FY25

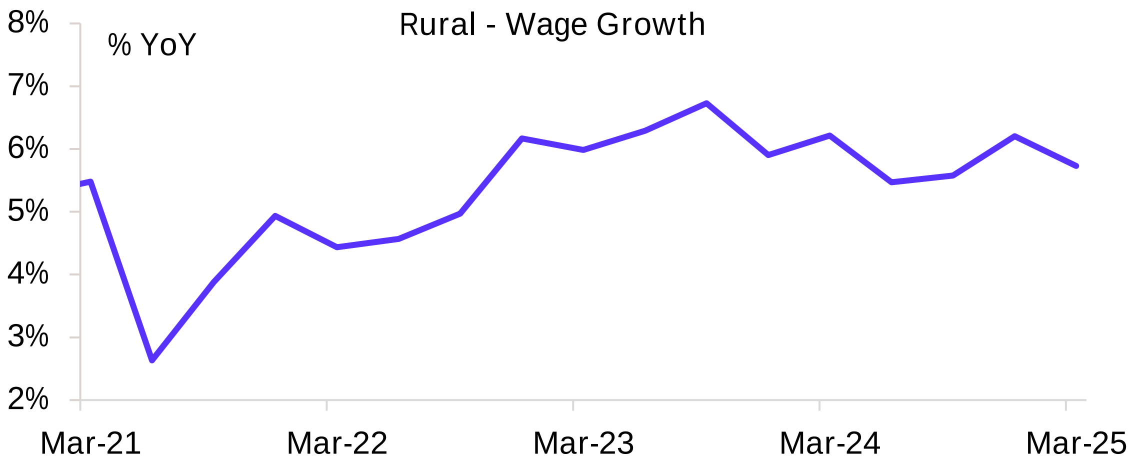
Muted employee expense growth, driven by weak hiring and low increments, is weighing on urban consumption



The moderation in employee expense growth reflects persistent weakness in IT sector hiring and a sharp slowdown in employee cost growth in the finance sector

Weak employee expense growth weighs on urban consumption, whereas steady rural wage growth supports recovery in rural demand



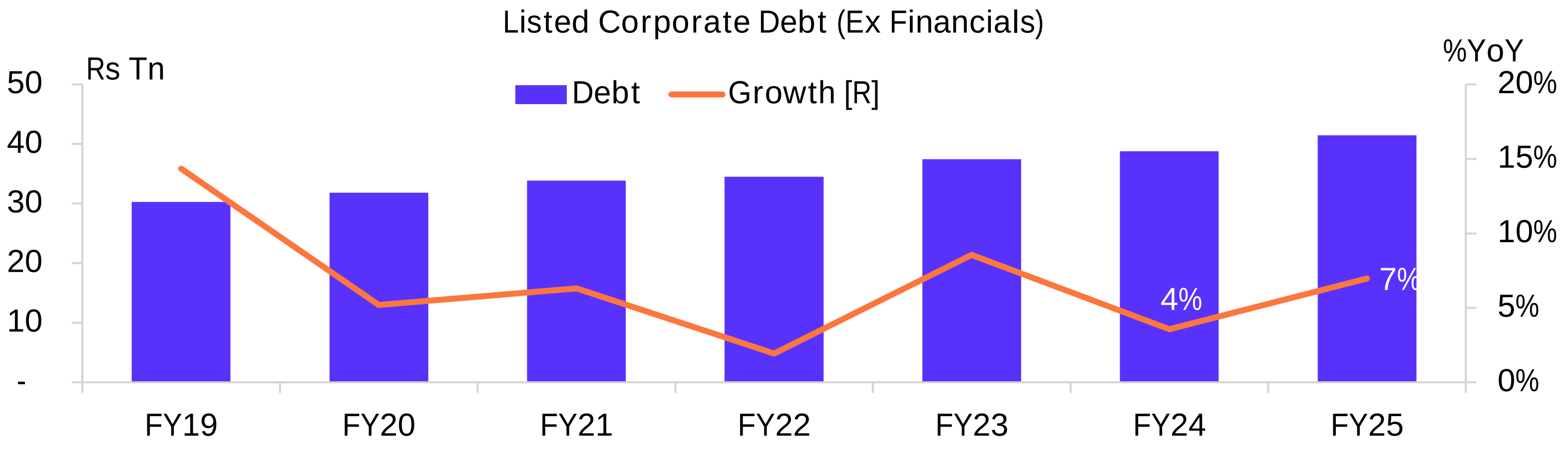


Source: Ace Equity, CMIE, 360 ONE Asset Research

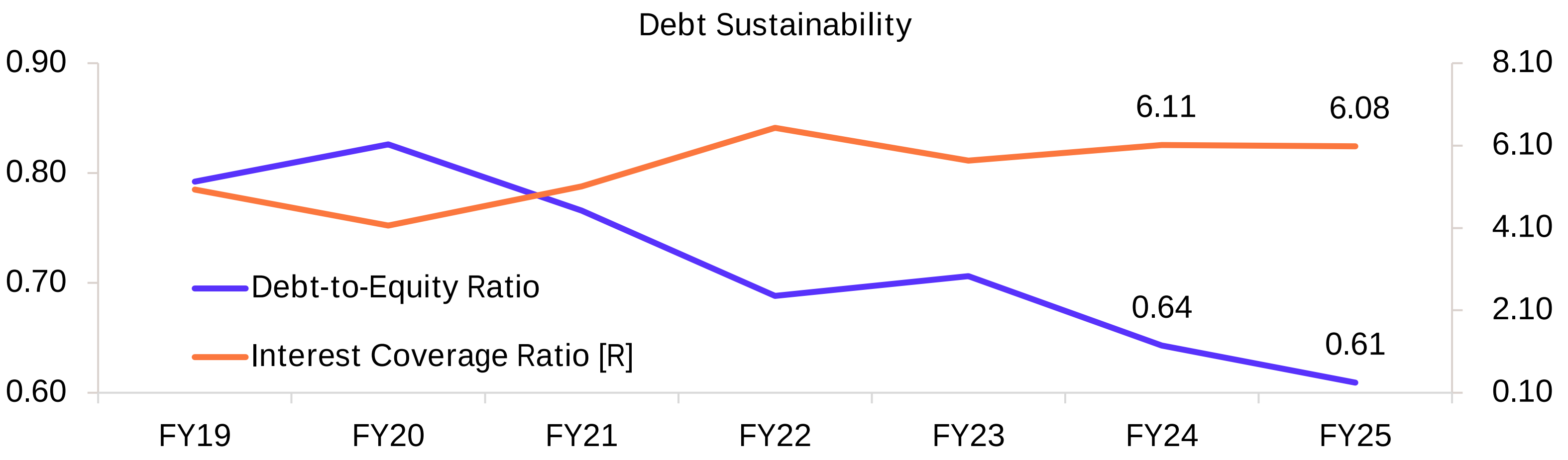
Note: Employee expenses are based on a sample of over 2,900 companies

Corporate debt sustainability continues to improve in FY25

Debt-to-equity ratio for the corporate sector declined in FY25, while the interest coverage ratio remained steady



Listed corporate debt growth picked up to 7% YoY in FY25 from 4% YoY in FY24



The debt sustainability parameters remained healthy in FY25

The debt-to-equity ratio improved to 0.61 in FY25 from 0.64 in FY24, while the interest coverage ratio remained healthy at ~6.1

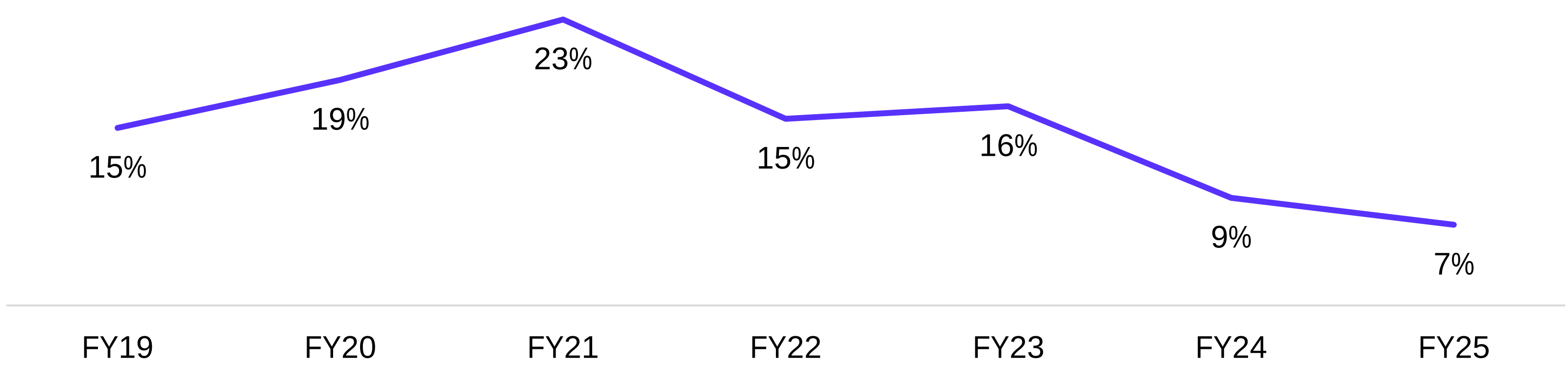
Source: Ace Equity, 360 ONE Asset Research

Note: Corporate debt analysis is based on a sample of over 2,500 companies

Proportion of debt held by highly leveraged companies fell in FY25

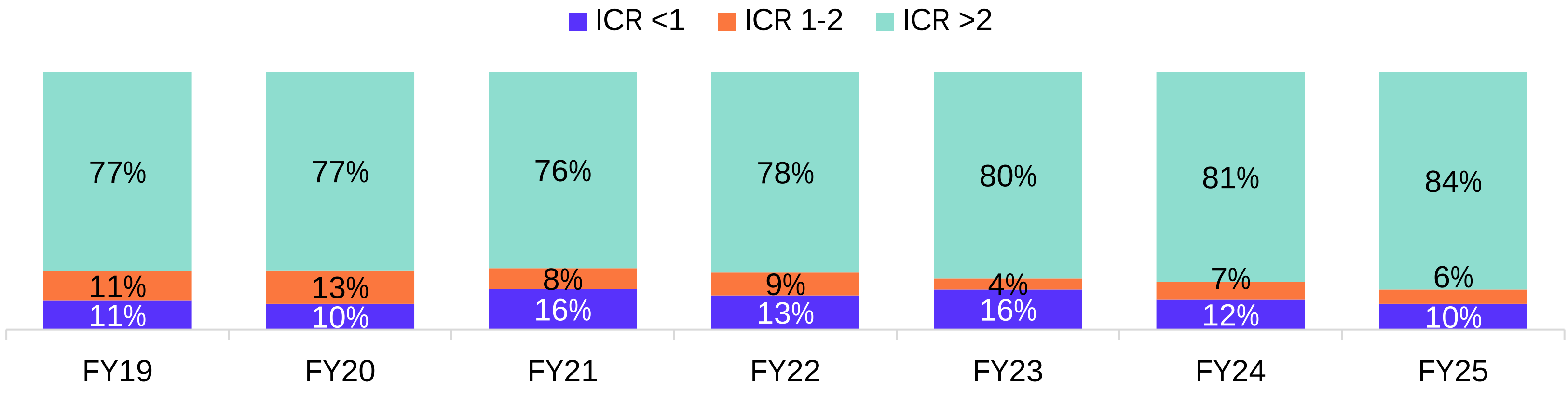
Distribution of debt based on interest coverage ratio also improved

Proportion of Total Debt Held by Companies with Debt-to-Equity Ratios Above 2



The proportion of debt held by highly leveraged companies, with the debt-to-equity ratio above 2, declined to 7% in FY25 from 9% in FY24

Distribution of Debt Based on Companies' Interest Coverage Ratio (ICR)



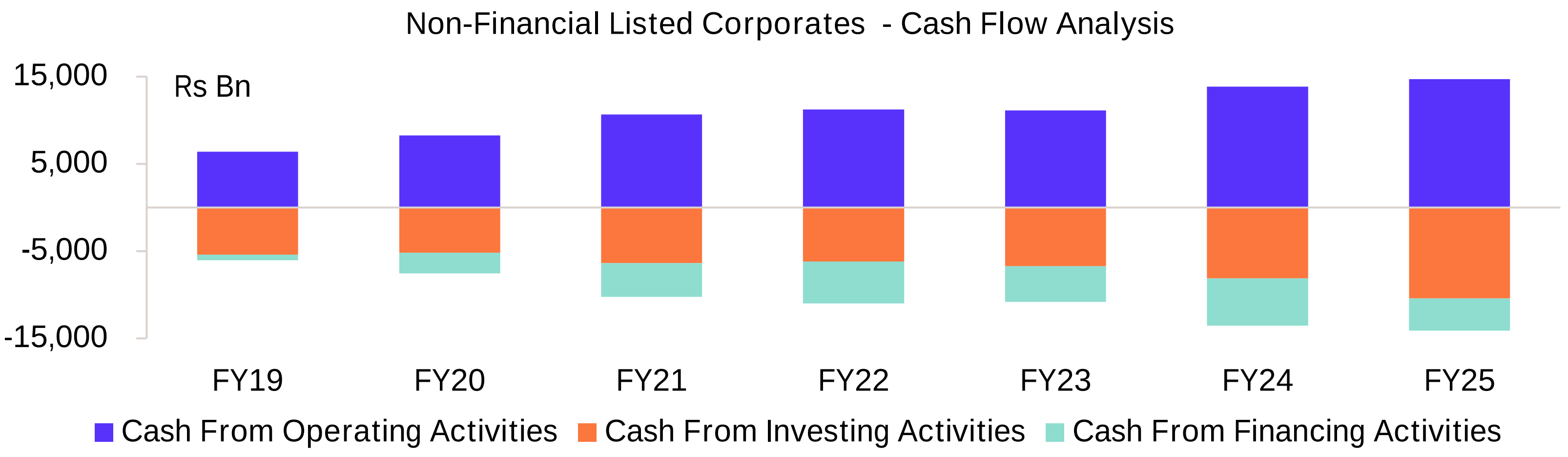
The proportion of debt held by companies with an interest coverage ratio (ICR) > 2 increased to 84% in FY25 from 81% in FY24, while that held by companies with ICR < 1 decreased to 10% from 12% in the previous year

Source: Ace Equity, 360 ONE Asset Research

Note: Corporate debt analysis is based on a sample of over 2,500 companies

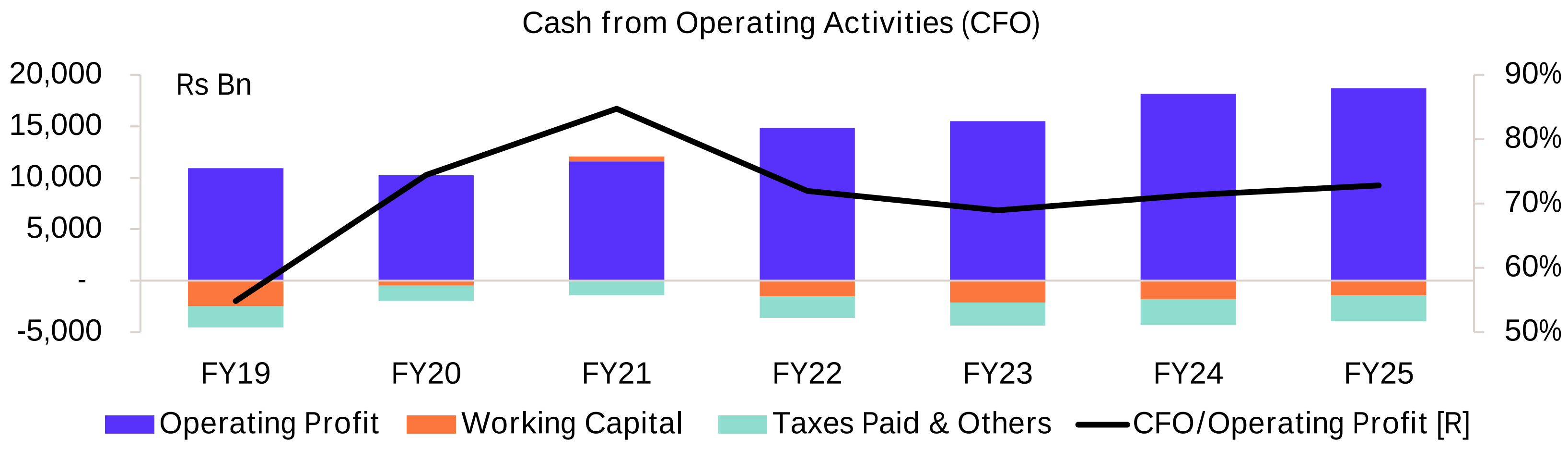
Corporates continue to generate healthy cashflows

Investment outflows have increased in FY25, while financial outflows have moderated



Listed corporates witnessed higher cash flow from operating activities in FY25 compared to the previous year

However, cash outflow from investing activities increased substantially, while outflow from financing activities decreased



The cash flow from operating activities (CFO) to operating profit ratio remains stable at 73% in FY25

Working capital outflows in FY25 were lower than in the previous year

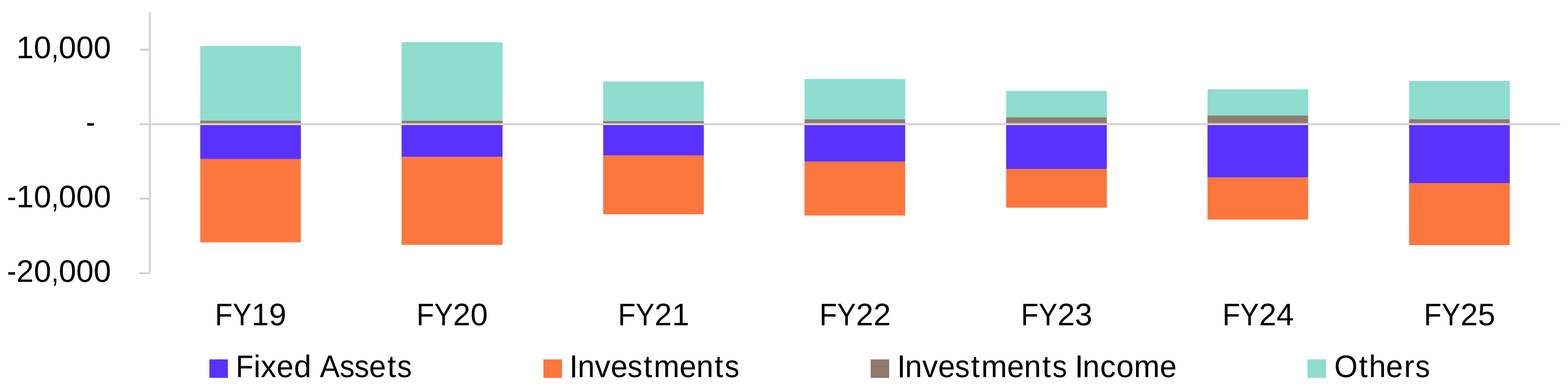
Source: Ace Equity, 360 ONE Asset Research

Note: Cash flow analysis is based on a sample of over 1150 companies

Investment outflows are mainly driven by higher financial investments

Corporations raised more capital in FY25 through both equity and debt, and dividend outflows were also higher

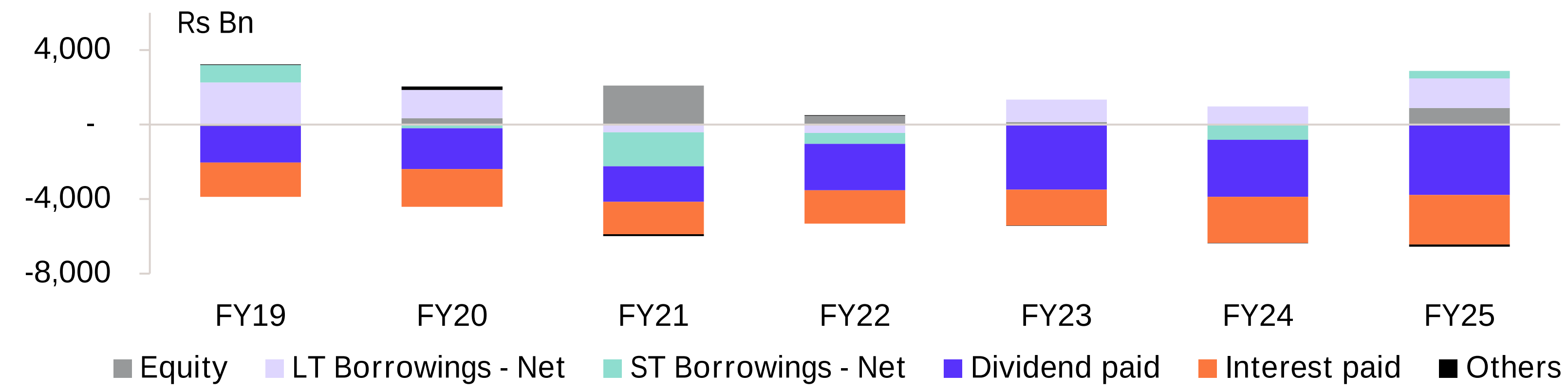
Cash from Investing Activities



Fixed asset outflows increased in FY25, indicating higher capital investments

Investment outflows were significantly higher in FY25, driven by non-current investments (excluding subsidiaries), likely financial in nature

Cash from Financial Activities



Corporates raise higher capital in FY25 through equity infusion, short-term and long-term debt

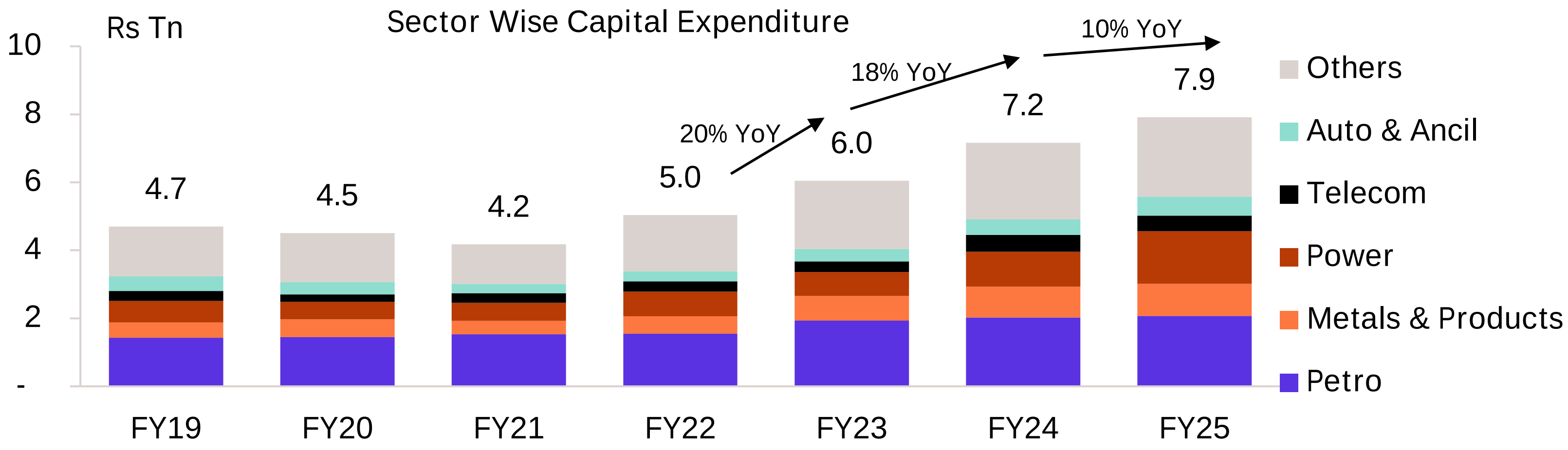
Dividend outflows also picked up in FY25

Source: Ace Equity, 360 ONE Asset Research

Note: Cash flow analysis is based on a sample of over 1150 companies

Corporate investments witness muted growth in FY25

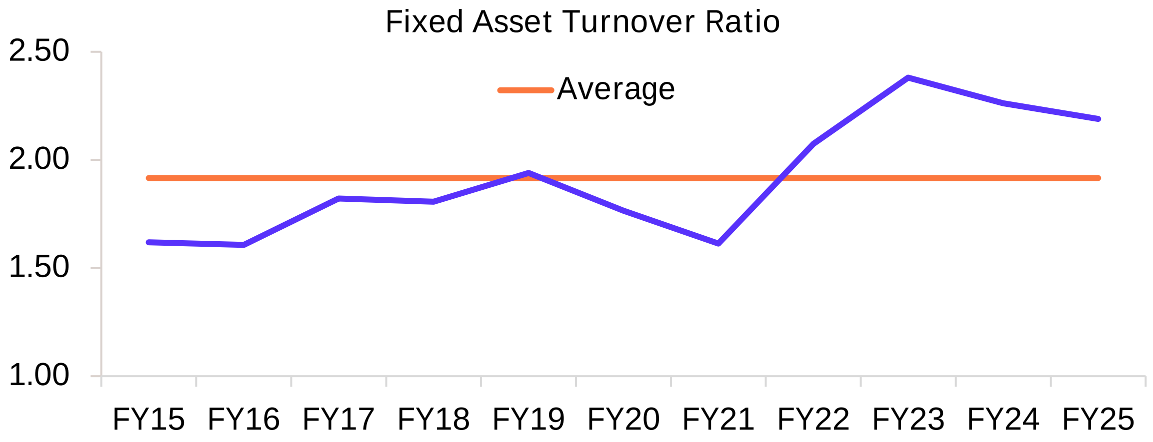
Healthy fixed asset turnover and high capacity utilisation favour continued capital spending

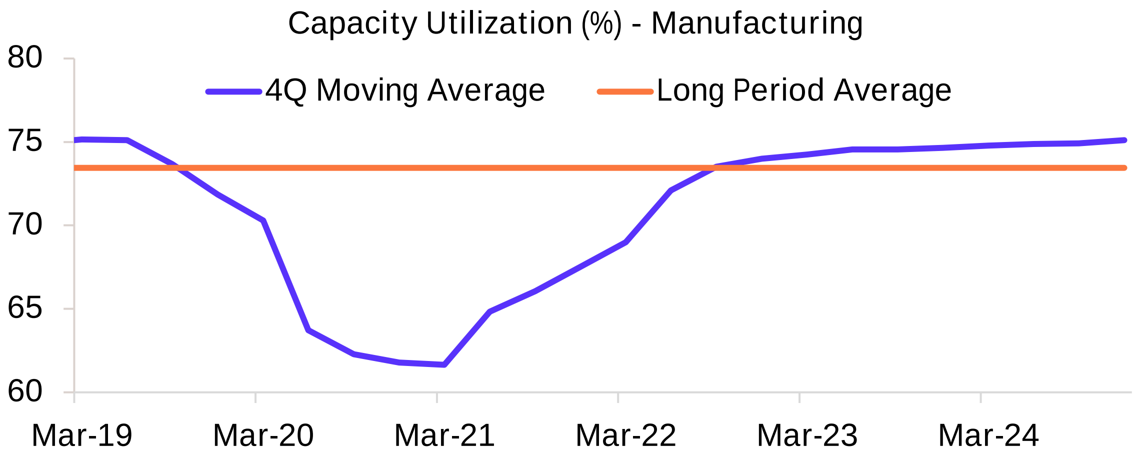


Corporate investments witnessed muted growth in FY25, possibly due to the general elections in Q1

The power sector, however, saw a significant pickup in investments during the year

Fixed asset turnover and capacity utilisation remain above the long-term average, favouring continued capital spending



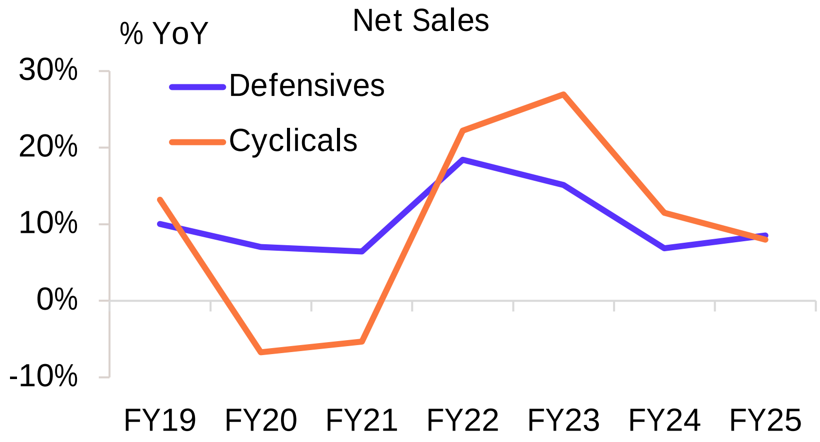


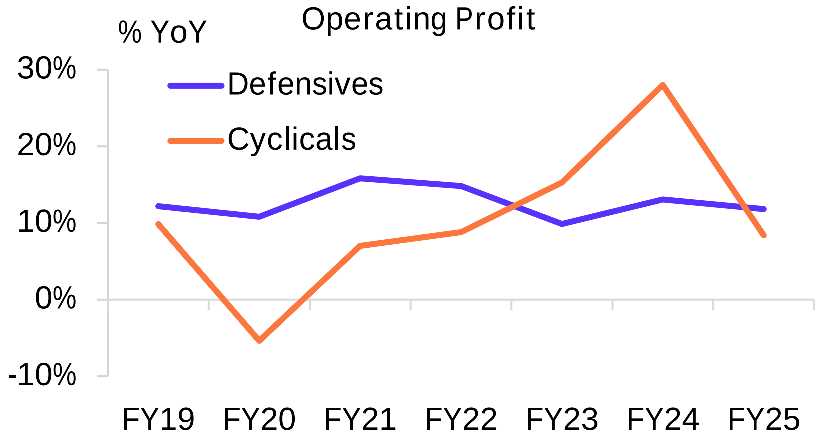
Source: Ace Equity, RBI, 360 ONE Asset Research

Note: Capital expenditure is based on a sample of over 1150 companies; Fixed asset turnover based on a sample of over 980 companies

Consumption growth expected to outpace investment growth

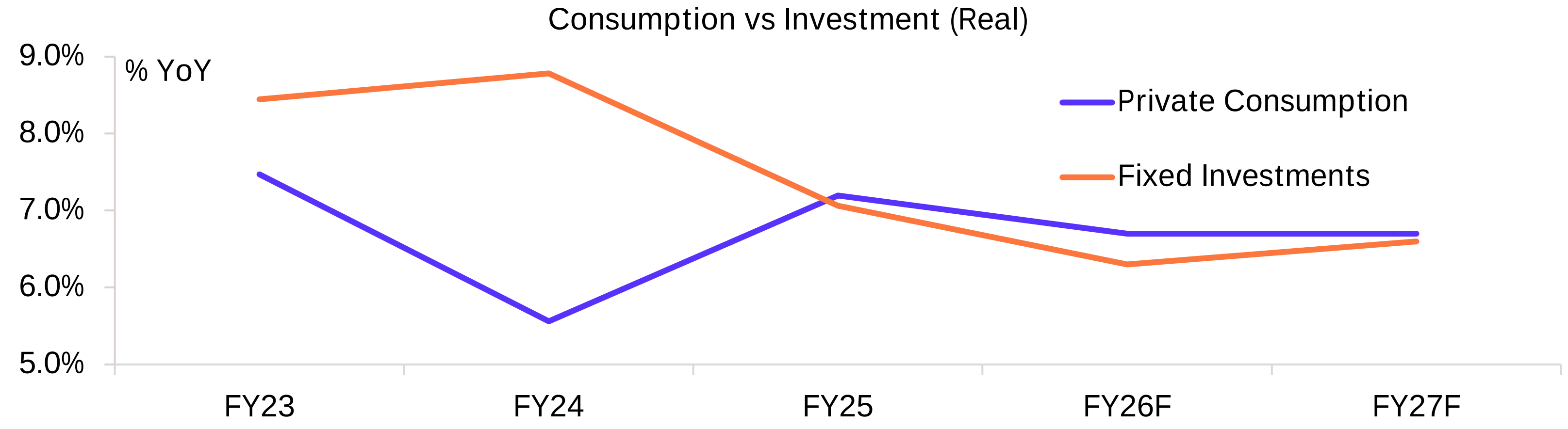
Cyclical sectors witness a downturn as economic growth slows, while defensives maintain stable performance





The slowdown in economic growth in FY25 leads to a downturn in cyclical sectors, while defensive sectors maintain stable performance

The macro environment — characterised by high valuations, multiple growth risks, muted growth in budgeted capex by the central government, and strained state government finances — favours defensive sectors over cyclicals in the near term



Consumption growth is expected to marginally outpace investment growth over the next two years

Lower inflation and income tax reductions should support consumption, while muted government capex may keep investment growth comparatively weak

Source: MOSPI, Ace Equity, 360 ONE Asset Research

Note: Cyclicals include construction, logistics, cement, power, auto and ancillaries, and real estate sectors. Defensives include IT, pharma, telecom, FMCG, and healthcare sectors. FY26F and FY27F forecasts are based on RBI's Survey of Professional Forecasters, June 2025.

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