

## Stock-taking: on India Inc's Q2 earnings

Corporate earnings show a mild recovery, but **valuations** (मूल्यांकन) remain a major concern (मामला, चिन्ता)

India Inc.'s earnings performance for the second quarter of the financial year has **turned out** (prove to be the case., emerge उभर कर आना, निकलना) to be largely **in line with** (in accord, in agreement, in harmony, in (or not in) alignment or accordance with के समान) street expectations. Both revenue and profits, when compared to the results reported for the first quarter ending June, have shown signs of improvement that suggest a slow but **steady** (regular, constant, स्थिर) **pick-up** (become better; improve) in demand in the wider economy. This is comforting news for many who feared that the twin shocks of demonetisation and the **hasty** ((adjective) – quick, hurried, fast, speedy) implementation of the GST would have significant medium to long-term effects on the economy. The quick **rebound** ((noun) – an increase in something (value, amount) after a decline फिर से उछाल आना) in the earnings of corporate India, however, should not come as too much of a surprise. Both demonetisation and the introduction of the GST, while definitely **disruptive** (troublesome हानिकारक), are **transitory** ((adjective) – temporary, short-lived, short-term, क्षणिक) in terms of their economic impact. It is also worth noting that most analysts had revised their earnings estimates downwards **in the wake of** ((phrase) – aftermath, as a consequence of, as a result of इसके परिणाम स्वरूप) the rapid policy changes. Such moderation in expectations too has probably played a part in making the earnings performance look better. However, the financials of many companies are yet to fully recover to match their performance prior to demonetisation. This is **striking** ((adjective) – noticeable, prominent; significant, ध्यान देने योग्य) in sectors such as microfinance and housing finance, where companies have struggled to **revive** ((verb) – reintroduce, re-establish, restore फिर से ताजा करना) their loan book and **disbursements** ((noun) – spending, expending, paying out भुगतान) growth rates, also in companies dependent on consumer demand. Many have clocked profit growth through cost-cutting rather than superior revenues.

Going forward, however, a return to largely normal earnings growth is more likely than not as the wider

economy returns to normal under a more stable policy climate. None of this is to deny the expensive valuations at which Indian stocks are currently priced by **jubilant** ((adjective) – elated, triumphant, joyful प्रफुल्ल) investors. The market, which has been **hitting new highs** (hit the high spots **to do only the important, obvious, or good things**), **Pay attention only to the most important places or part s.**) every passing week, has not cared much about the lack of sufficient earnings growth. It has been **generous** ((adjective) – liberal, ungrudging; kind/good.) in offering sky-high prices to initial public offerings, and now trades at a historically expensive price to earnings ratio, calculated based on **trailing** (पिछली) earnings, of well over 24. The tightening of **liquidity** ((noun) – liquid assets; cash; (liquid asset is an asset which can be easily sold/converted into cash without losing its value.)) by major central banks like the U.S. Federal Reserve has not **dampened** ((verb) – decrease, reduce, lower.) its spirits either. Domestic mutual funds have been more than able to fill the gap left by foreign investors, thanks to a **surge** ((noun) – sudden increase, rise, growth तेजी से आगे बढ़ना) in retail investors putting in money through monthly plans. The Centre's recent initiatives to **ramp up** ((phrasal verb) – increase or cause to increase) spending in the economy by reviving credit growth and public infrastructure spending could **yield** ((verb) – produce, give, provide) some positive results, but will take time to **materialize** ((verb) – happen, take place, occur). Visibility on the time **horizon** ((noun) – range of experience, outlook, perspective/perception) for a **full-blown** ((adjective) – fully developed, complete, thorough/entire) and **sustainable** ((adjective) – maintainable, valid, reliable/dependable कायम रहने वाला, लंबे समय तक चल सकने वाला) **uptick** ((noun) – a small increase) in corporate earnings remains as **hazy** ((adjective) – indistinct, unclear, ill-defined अस्पष्ट) as the **smog** ((noun) – fog mixed with smoke; (a cloud of dirty air)) that is **engulfing** ((verb) – affect/disturb, overwhelm, overrun निगल जाना) the capital where policy-makers are **fire-fighting** ((noun) – an act of dealing problems as they come (instead of avoiding them strategically)) on GST. A swift and tactful **unraveling** (unravel (verb) – solve/resolve, clarify, decipher/explain सुलझाना) of the GST **tangles** (tangle (noun) – muddle, mix-up, confusion फंस जाना) could, in fact, be the quickest **fillip** (fillip (noun) – stimulus, boost, encouragement/impetus प्रेरणा) for reviving consumption and investment.