

Corporate Performance: Q4-FY17

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Note: The following study includes analysis of companies that announced results on or before May 19th 2017.

The performance of a sample of 732 companies over the last quarter (Jan-Mar) 2017 period reveals a positive picture, with net sales and net profits showing an improvement. Net sales grew by 10.5% in Q4 2017 after the growing by about 7% in Q4 FY16. Also, net profit registered a strong growth of over 65% over a decline of ~50% in the corresponding period last year.

The overall performance has however, been skewed to an extent due to the performance of banks, oil companies and refineries, IT and finance which were guided by other exogenous factors. Banks which had been affected by NPAs, have now posted huge profits on back of higher interest, non-interest and other income. Refinery/oil companies get affected by the international price of crude oil and drastic changes in the last couple of years has swung growth in net sales and net profits. IT companies tend to get affected by global factors and carry almost negligible leverage while finance companies, by virtue of their operations are distinct from other services segments.

These industries have been excluded sequentially in Table 2 to provide a disaggregated picture in the subsequent analysis that is presented in the table below.

Table 1 provides an overview of the same.

- For the aggregate sample, growth in sales and profits has been higher on a y-o-y basis. Net profits have been positive over negative growth rate last year
- Excluding banks, IT, oil exploration, refineries and finance, the growth in sales has marginally improved from 10.5% to 10.8% and the net profits growth rate slowed down to just 9.5% (-38.5%) over a growth of about 67.3% (-18.9%) growth of aggregated companies

In terms of movement in net profit margin, the growth rate improved in Q4 2017 to 7.8% from 5.1% in Q4 2016.

Table 1: Aggregate performance

Q4	Rs crore			Growth (%)	
732 companies	2015	2016	2017	2016	2017
Net sales	580,961	621,384	686,683	7.0	10.5
Net profits	62,464	31,895	53,361	-48.9	67.3
Net profit margin				5.1	7.8

Source: ACE Equity

- Overall performance shows positive picture with sales growing at 10.5% in Q4 2017 over 7% in Q4 2016 and net profits registering a positive growth rate of 67.3% vis-à-vis a decline of 49% in Q4 2016.
- Profit margins improved

Table 2: Disaggregated performance

Minus banks, IT, oil exploration and refineries	Rs crore			Growth (%)	
549 companies	2015	2016	2017	2016	2017
Net sales	266,901	293,446	325,010	9.9	10.8
Net profits	24,541	15,085	16,522	-38.5	9.5
Net profit margin				5.14	5.08

Source: ACE Equity

- Excluding banks, IT, oil exploration, refinery and finance, net sales growth up and net profits registered positive growth rate of 9.5% as against a decline in Q4 2016
- Profit margin register marginal slow down

Table 3: Banks performance

Banks	Rs crore			Growth (%)	
32 companies	2015	2016	2017	2016	2017
Net sales	156,581	160,991	164,345	2.8	2.1
Net profits	14,040	-12,447	4,449	-188.6	135.7
Net profit margin				-7.7	2.7

Source: ACE Equity

- Q4 net sales of Banks register positive growth but at a slower pace on a y-o-y basis
- Banks Q4 2017 net profits shows sharp growth on account of negative growth in Q4 2016
- Sample includes 14 private banks (including DCB), and 18 PSB

Table 4: IT companies performance

IT	Rs crore			Growth (%)	
53 companies	2015	2016	2017	2016	2017
Net sales	51,778	59,114	61,320	14.2	3.7
Net profits	10,276	13,469	14,156	31.1	5.1
Net profit margin				22.8	23.1

Source: ACE Equity

- IT sales and profits registered growth but still under pressure on both fronts while margins maintained
- US impact probably just started

Table 5: Oil exploration and refineries performance

Oil Exploration & Refineries	Rs crore			Growth (%)	
	2015	2016	2017	2016	2017
7 companies					
Net sales	75,989	76,927	102,328	1.2	33.0
Net profits	7,741	8,820	10,285	13.9	16.6
Net profit margin				11.5	10.1

Source: ACE Equity

- Oil exploration and refineries post healthy net sales growth. Also, net profits show improvement
- Profit margin however declines
- Fluctuating crude oil prices have an impact on domestic players profit margins

Table 6: Finance companies performance

Finance	Rs crore			Growth (%)	
	2015	2016	2017	2016	2017
91 companies					
Net sales	29,711	30,907	33,680	4.0	9.0
Net profits	5,865	6,967	7,949	18.8	14.1
Net profit margin				22.5	23.6

Source: ACE Equity

- Finance companies post higher net sales growth while net profits register lower growth rate of 14.1% in Q4 2017 as against 18.8% in Q4 2016
- Profit margin expand during the quarter

Interest cover

Interest cover (ratio of PBDIT/interest) has been calculated for the sample of 549 companies (minus banks, IT, oil exploration, refineries and finance). The interest cover was marginally higher in Q4 FY17 to 6.10 times from 6.05 times in Q4FY16.

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