

## Corporate Performance Update: Q1 FY19 – Part I

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*Note: The following study includes analysis of performance of companies that announced results on or before August 16, 2018.*

The performance of 3,225 companies in Q1 FY19 (*Table 1*) over the last year (Q1 FY18) reveals an improved performance picture, with net sales registering a double-digit growth during the quarter over Q1 FY18 performance. Also, after declining by 9.7% y-o-y in Q1 FY18, net profits witnessed a growth of about 8.6% y-o-y in Q1 FY19. Net profit margin witnessed marginal contraction of about 30 basis points y-o-y during the quarter.

Usually, the overall performance gets skewed to an extent due to the performance of banks which are guided by other exogenous factors. Banks have been affected by NPA recognition and provisioning which finally affects profits while finance companies, by virtue of their operations are distinct from other services segments.

In Q1 FY19, after excluding the banks and finance companies (*Table 2*), the performance of industry (2,698 companies) depicts almost similar trend as that of the aggregate sample in terms of sales. However, in terms of profits, the aggregate performance of companies witnessed a sharp improvement and increased by 32% y-o-y vis-à-vis a decline of 12.3% registered in Q1 FY18.

For the aggregate sample, (*Table 1*), net profit margin remained positive, but witnessed a slower growth during the quarter. While after excluding banks and finance companies, the net profit margins improved marginally by about 100 basis points in Q1 FY19 (*Table 2*).

As can be seen, the Indian economy has been picking momentum leaving behind the demonetization and GST implementation impact that did impact industry performance between Q3 FY17 and Q2 FY18.

**Table 1: Aggregate performance (all companies)**

3,225 companies	Rs crore			Growth (%)	
	FY17	FY18	FY19	FY18	FY19
Net sales	1,374,983	1,550,674	1,748,639	12.8	12.8
Net profits	104,262	94,107	102,187	-9.7	8.6
Net profit margin (%)	7.6	6.1	5.8		

Source: AceEquity

- For the aggregate sample of 3,225 companies, sales registered a stable growth of 12.8% y-o-y.
- Net profits have registered a growth of about 8.6% compared with a decline witnessed during the corresponding period last year.
- Net profit margins witnessed marginal contraction of about 30 basis points during the quarter

**Table 2: Industry performance – Excluding banks and finance**

2,698 companies	Rs crore			Growth (%)	
	FY17	FY18	FY19	FY18	FY19
Net sales	1,122,283	1,280,379	1,449,118	14.1	13.2
Net profits	87,895	77,080	101,711	-12.3	32.0
Net profit margin (%)	7.8	6.0	7.0		

Source: AceEquity

- Excluding banks and finance companies, net sales grew at a slower rate of 13.2% y-o-y compared with 14.1% y-o-y during same period last year.
- Net profits witnessed a double-digit growth of 32% y-o-y to Rs 101,711 crore in Q1 FY19 from Rs 77,080 crore in Q1 FY18
- Profit margins witnessed an expansion of 100 basis points when compared to Q1 FY18

**Interest cover**

Interest cover (ratio of PBDIT/interest) has been calculated for the sample of 2,698 companies (excluding banks and finance companies). *The interest cover improved to 5.9 times in Q1 FY19 from 5.4 times in Q1 FY18.*