

The Economic Times

Title : Economic Revival Hints India Inc may Surprise St with Positive Show

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Location :

Article Date : 07/17/2014

Early birds have reported mixed set of results, but experts say rest will do much better

The earnings season for the quarter to June 2014 has kicked off with a mixed bag of results. But as a growing number of companies unveil their numbers, there could be positive surprises, if early indicators such as IIP growth in May 2014, which is likely to have improved even further in June, are any indication.

Less than 50 listed companies have announced their numbers for the April-June 2014 quarter so far and except a few companies such as Tata Sponge or HFCL, the earnings score card has been average. Companies such as Infosys and IndusInd Bank underwent corrections after their earnings announcements, although the reported profits reflected handsome growth. “The results season so far has been mostly in line with market expectations,” said Gaurang Shah, vice-president, Equities, Geojit BNP Paribas. “But there is a real possibility that India Inc's April-June 2014 quarterly performance would surprise on the positive side,” he said.

Corporate earnings are likely to be on the higher side because of a visible improvement in economic activity. IIP growth in May was 4.7%, beating expectations and the figure is expected to be better in June.

Business Cycle Indicator (BCI), a lead indicator of the index of industrial production (IIP) trend, developed by ZyFin Research, a financial research and analytics company, also showed that industrial activity in June was better than May. The BCI, which grew 4.8% in May, gained 5% in June and rose further to 6.6% for July indicating continued growth in domestic industrial activity.

“BCI is a forward-looking indicator using a lot of real-time economic data as well as consumer sentiments,” said Debopam Chaudhuri, chief economist, ZyFin Research.

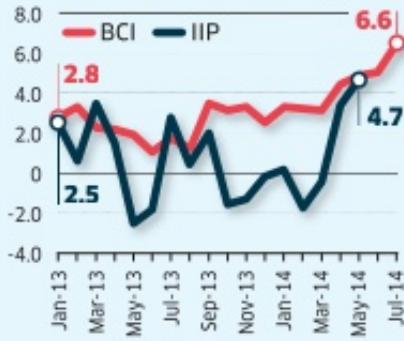
“Growth in June 2014 will tend to be positive and be 3-4%. This will mainly be due to the low base effect of the negative number last June,” said DR Dogra, managing director & CEO, CARE Ratings. “Dogra said that this will be driven by basic and capital goods. Basic goods have shown a steady increase while capital goods have a strong negative base effect, especially for non-electrical goods,” he said.

Based on the IIP numbers of May 2014, Nomura's chief economist Sonal Varma wrote in her report that Nomura's GDP growth forecast for April-June 2014 “is tracking around 5.2% YoY versus 4.9% in April and above its official forecast of 4.7%. The report said that the firm expects India's economic data to surprise positively in the coming months.

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Season of Hope

BCI vs IIP Y-o-Y Growth Figures



BCI: Business Cycle Indicator
IIP: Index of Industrial Production
SOURCE: ZYFIN RESEARCH