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Q4 earnings estimates indicate recovery

Lalatendu Mishra

Fourth quarter earnings estimates of top listed companies by some brokerages and analysts indicate a modest recovery in the economy. Whether this recovery would result in a turnaround would depend on the outcome of the general elections.

“During 4QFY2014, we expect an improvement in earnings growth for Sensex companies, largely on account of healthy revenue performance during the quarter,” Angel Broking said in its Q4 result preview.

“For Sensex companies, we expect earnings to grow by 8.7 per cent year-on-year and 5 per cent quarter-on-quarter,” the brokerage said in the review.

“While there are expectations of improvement in coming quarters, for this quarter the persistence of headwinds in cyclical sectors is expected to weigh on their margin performance during 4QFY2014,” Angel Broking said.

Others have also seen improvement in companies’ performance which is mostly driven by cost control and slight uptick in demand.

“We have seen little pick-up in demand so far across the industry spectrum which will get reflected in moderate growth in sales during this period,” Rajesh Mokashi, Deputy Managing Director, Care Ratings, told *The Hindu*.

“While overall industrial growth is expected to be negative for the year, we have seen positive growth in January which will be replicated in February too. Therefore, we could expect some modicum of growth in top-line being maintained though it would be in a single digit region,” he added.

“Profit growth would again vary across industries as we have seen differential growth trends across sectors. Banking companies would be under pressure on account of the provisioning ... IT, textiles, petro products, chemicals and electrical machinery could be expected to do marginally better than the others as their performance so far has been steady,” Mr. Mokashi added. “But, on the whole we could expect growth of between 6 per cent and 8 per cent in sales for the Nifty companies for the full year and net profit growth of around 7-8 per cent,” he added.

“We are yet to come out with our earnings estimates. But we have seen green shoots. The recovery is continuous for the past few quarters and a stable government at the Centre would be the sole deciding factor whether this recovery would turn into a turnaround. Turnaround will be a mirage in case of a fractured mandate,” said Ambareesh Baliga, Managing Partner, Edelweiss Global Wealth.

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