November 15, 2017 I Industry Research

Corporate Performance: Q2-FY18

Note: The study includes analysis of companies performance that announced results on or before November 14, 2017.

The performance of a sample of 1,241 companies over the last quarter (Jul-Sep) 2017 period reveals a negative picture, with net sales showing slower growth and net profits showing negative growth. Net sales growth slowed down to 7% in Q2 FY18 after registering a growth of 10% in Q2 FY17. Also, net profit registered a decline of about 1.5% in FY18 over a growth of 13.2% in the corresponding period last year. This slowdown may be attributed to a series of factors such as lower industrial growth, limited pick-up in demand, adjustment to GST regime, etc.

Usually, the overall performance gets skewed to an extent due to the performance of banks, oil companies, IT and finance which are guided by other exogenous factors. Banks have been affected by NPA recognition and provisioning which finally affects profits growth. 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.

However, in Q2 FY18, after excluding the banks, IT, oil exploration & refinery and finance companies, the performance of industry depicts similar trend as that of the aggregate sample. For analysis purposes, these industries have been excluded sequentially in Table 2 to provide a disaggregated picture.

Tables 1 & 2 provide an overview of the same.

- For the aggregate sample, growth in sales has slowed down from 10% to 7% and net profits declined marginally over positive growth rate last year. Excluding banks/finance/IT/oil exploration & refineries the growth in sales was lower at 4.7% compared with 11.8% last year.
- Net profits declined by 1.5% for the aggregate sample after growing by 13.2% last year. Excluding banks, IT, oil & refinery and finance, the growth in net profits declined from +15.4% growth to negative 4.4%.

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In terms of movement in net profit margin there has been a decline vis-à-vis positive growth in corresponding period last year for both the samples (Tables 1 and 2).

Table 1: Aggregate performance (all companies)

Q2	Rs crore			Growth (%)	
1,241 companies	FY16	FY17	FY18	FY17	FY18
Net sales	1,078,162	1,185,885	1,269,296	10.0	7.0
Net profits	92,742	105,021	103,438	13.2	-1.5
Net profit margin (%)	8.6	8.9	8.1		

Source: AceEquity

- Net sales grew at a slower rate of 7% in Q2 FY18 on top of 10% in Q2 FY17
- Net profits declined by 1.5% y-o-y to Rs 103,438 crore in Q2 FY18 from Rs 105,021 crore in Q2 FY17
- Profit margins in Q2 FY18 witnessed a contraction of over 70 bps when compared to the Q2 FY17

Table 2: Industry performance – Excluding banks, IT, oil & refineries and finance (%)

Minus banks, IT, refineries, Finance	Rs crore			Growth (%)	
920 companies	FY16	FY17	FY18	FY17	FY18
Net sales	505,520	565,406	591,982	11.8	4.7
Net profits	41,612	48,036	45,945	15.4	-4.4
Net profit margin (%)	8.2	8.5	7.8		

Source: AceEquity

- Net sales grew at a much slower rate of 4.7% in Q2 FY18 on top of 11.8% in Q2 FY17
- Net profits declined by 4.4% y-o-y to Rs 45,945 crore in Q2 FY18 from Rs 48,036 crore in Q2 FY17
- Profit margins witnessed a contraction of over 70 bps when compared to the Q2 FY17
- Excluding banks, IT, oil & refinery and finance companies, the net margins further contracted

Interest cover

Interest cover (ratio of PBDIT/interest) has been calculated for the sample of 920 companies (excluding banks, IT, oil & refinery and finance). *The interest cover remained largely stable in Q2 FY18 at 5 times from 5.1 times in Q2 FY17.*

Size wise Analysis

This section of the study breaks down the sample of 920 companies by size, to see if the performance of the companies differs across size groups. The size groups have been defined on the basis of net sales figures for the second quarter of FY18. Table 2 below gives the composition of the sample differentiated across various size groups for Q2-FY18.

The 110 companies in the size range of sales of above Rs 1,000 crore each, constituted 71% of total sales of the sample companies and dominated the overall performance. The next two size ranges of Rs 500-1000 crore and Rs 250-500 crore had shares of 13.4% and 9.3% respectively. Hence, the top 335 companies in terms of sales above Rs 250 crore each accounted for 93.4% of the total sales.

Weighed down by the implementation of GST in the beginning of the Q2 FY18 (July 1, 2017), industry operations were impacted quite markedly during the quarter. While none of the size range posted losses, the cumulative sales y-o-y in Q2 FY18 were comparatively lower. Net profits of companies with sales higher than Rs 500 crore and the ones below Rs 100 crore posted y-o-y decline during the quarter. Profits of companies in size range less than Rs 100 crore posted a sharp decline of over 70% in net profits from Rs 1,102 crore in Q2 FY17 to Rs 311 crore in Q2 FY18.

Table 3: Sample Profile by Size

Size Range (Rs. Cr)	No. Of Companies	Net Sales (%)		Net Profits (%)	
		Q2 FY17	Q2 FY18	Q2 FY17	Q2 FY18
Above 1,000	110	11.5	4.9	10.9	-7.4
500-1,000	95	6.6	1.1	27.0	-3.1
250-500	130	18.7	6.8	104.8	28.0
100-250	137	18.0	7.4	-5.8	50.5
Less than 100	448	13.4	2.9	30.4	-71.8

Source: AceEquity

The size wise breakdown provides the following results:

- All groups witnessed comparatively lower growth in sales in this quarter. Companies with sales above Rs 1,000 crore witnessed growth of sales of 4.9% and clearly dominated the aggregate performance with a share of over 70% in total sales.
- Companies in size range Rs 500-1000 core and that in less than Rs 100 crore registered y-o-y decline in net profits while the companies in net sales between Rs 100 crore and Rs 500 crore range posted y-o-y higher net profits.
- Companies in size range of Rs 100 to Rs 250 net sales range has reported a sharp growth of 50.5% y-o-y in absolute value terms from Rs 1,631 crore in Q2 FY17 to Rs 2,453 crore in Q2 FY18 after declining y-o-y in Q2 FY17. Net profits of companies in size group of Rs 250-500 crore increased by 28% y-o-y from Rs 2,743 crore in Q2 FY17 to Rs 3,512 crore in Q2 FY18 after increasing by a sharp 104.8% y-o-y from Rs 1,340 crore to Rs 2,742 crore in Q2 FY17.
- Interestingly, the size range with maximum number of companies i.e. less than Rs 100 crore, registered the sharpest y-o-y decline in net profits from Rs 1,102 crore in Q2 FY17 to Rs 311 crore in Q2 FY18.

Conclusions

The overall performance has been driven by the large companies that accounted for 71% of the share in terms of total net sales. They recorded negative growth in net profits of 7.4% y-o-y in Q2 FY18 as against a growth of about 10.9% in Q2 FY17. Those at the lower end of the size scales witnessed lower growth in both sales and profit with an exception of companies in size range of Rs 100 crore to Rs 250 crore that recorded a sharp increase of about 50.5% in net profits.

Industry wise analysis

The table below provides information on industry wise performance of 50 sectors. The indicators included are net sales and net profit growth for the two quarters.

Table 4: Growth in net sales in Q2 (%)

Industry	No of companies	FY17	FY18
Consumer Goods (Non-discretionary)	**107**	**10.5**	**3.1**
Consumer foods	25	13.9	5.7
Sugar	10	39.1	27.3
Tea/Coffee	5	-11.5	12.6
Pharmaceuticals & drugs	53	7.0	-0.1
Household & Personal products	14	9.7	-0.1
Consumer Goods (Discretionary)	**48**	**5.3**	**4.8**
Textiles	39	5.0	2.1
Consumer Durables-Domestic Appliances	9	6.0	12.0
Automobiles & Related	**48**	**22.1**	**7.4**
Passenger Cars	2	38.5	6.7
Tractors	2	19.5	20.4
Two & Three Wheelers	3	19.5	2.0
Auto Trucks/LCVs	4	7.2	17.0
Tyres & allied services	3	8.8	4.1
Auto Ancillary	34	22.1	4.3
Capital Goods	**93**	**7.7**	**-3.9**
Engineering	5	-1.4	12.5
Engineering-Industrial Equipment	52	5.6	4.1
Electronics -Components	5	1.8	3.7
Electrodes & welding Equipment	5	0.4	44.2
Electric Equipment	16	14.8	-20.6
IT-Hardware	4	-6.0	-10.4
Telecom Equipment	6	-15.2	15.5
Metals	**37**	**19.9**	**16.0**
Steel & Iron products	26	28.0	12.6
Aluminium & aluminium products	4	-0.7	31.0
Metals - Non-ferrous	7	8.2	21.5
Construction/Real Estate	**88**	**4.0**	**1.6**
Cement	25	13.7	2.2
Ceramics/Marble/Granite/Sanitary ware	10	14.3	-0.4
Construction - Real Estate	26	-9.0	2.0
Engineering Construction	27	-2.0	1.2
Banking	**32**	**2.3**	**7.4**
Banks - Public	17	-2.8	7.0

Banks - Private	15	15.0	8.2
Finance	**112**	**7.1**	**14.5**
Housing Finance	10	16.8	12.7
Finance - NBFC	102	-2.8	16.8
Services	**99**	**11.0**	**-2.1**
Hospitals & Healthcare Services	6	16.5	9.2
Retailing	7	123.5	3.2
IT- Software	64	6.6	3.9
Telecommunications - Service Providers	7	7.6	-16.9
Hotels, Resorts & Restaurants	15	6.9	1.1
Oil/Refinery/Mining	**14**	**13.9**	**11.3**
Mining & minerals	3	12.9	13.5
Refineries	5	16.1	11.9
Oil Exploration	6	-8.9	2.5
Others	**92**	**-0.3**	**5.5**
Pesticides & Agrochemicals	12	23.4	3.8
Fertilizers	13	-13.3	0.3
Dyes & pigments	4	12.3	0.5
Paper & Paper products	14	12.4	-0.7
Diamond & Jewellery	10	11.2	19.1
Rubber products	3	-11.2	3.1
Plastic products	28	-2.3	2.8
Paints Total	4	23.9	0.3
Industrial Gases & Fuels	4	-5.0	16.3

Source: AceEquity, CARE Ratings

- Of the 48 industries considered here, 40 industries have witnessed positive growth in sales in Q2 FY18. Some of the leading industries were consumer goods, consumer durables – domestic appliances, tractors and trucks/LCVs, engineering, electrodes and welding equipment, metals, banking and finance – NBFCs and Housing, Oil exploration, refining and mining, Hospitals, diamond and Jewellery, plastic products, industrial gases and fuels, etc.
- 8 industries witnessed negative growth on a y-o-y basis in net sales of Q2 FY18 with significant declines witnessed in electric equipment, IT hardware, metals – ferrous and telecom service providers. Ceramics/marble/granite/sanitary ware and paper and Paper products, were also down.

Conclusions

Industries related to households where demand is inelastic remained largely stable with minimal slowdown. Pharmaceuticals and drugs and household & personal products remained largely stable y-o-y during Q2 FY18. Consumer industries like textiles and consumer durables which get extended to auto segment witnessed an improvement on back of release of pent up demand from the previous quarters and pre-festival demand. In case of tractors a good monsoon in most parts of the country was a factor pushing growth.

Services like telecom service providers were affected most perceptibly on back of intense competition among telecom players whereas Hotels, resorts and restaurants, hospitals, IT software and retailing witnessed y-o-y growth, however lower than that in Q2 FY17. Growth in construction/real estate related activities registered marginal y-o-y growth as marginal signs of improvement in demand post demonetisation were seen. The banking and finance companies (both housing finance and NBFCs) however did well.

Table 5 provides information on growth in net profit for various industry groups classified under specified headings.

Table 5: Net Profit Q2

Industry	No of companies	Net Profit (Rs Crore)			Growth in Net Profit (%)	
		FY16	FY17	FY18	FY17	FY18
Consumer Goods (Non-discretionary)	**107**	**7,667**	**8,182**	**8,474**	**6.7**	**3.6**
Consumer foods	25	802	955	1,184	19.1	23.9
Sugar	10	(17)	397	420	*	5.6
Tea/Coffee	5	158	190	206	20.6	8.6
Pharmaceuticals & drugs	53	4,963	4,589	4,333	-7.5	-5.6
Household & Personal products	14	1,762	2,051	2,331	16.4	13.7
Consumer Goods (Discretionary)	**48**	**686**	**477**	**700**	**-30.5**	**46.8**
Textiles	39	551	364	462	-33.8	26.6
Consumer Durables-Domestic Appliances	9	135	112	238	-17.0	112.3
Automobiles & Related	**48**	**6,071**	**7,395**	**8,107**	**21.8**	**9.6**
Passenger Cars	2	2,412	3,469	3,816	43.8	10.0
Tractors	2	25.93	52.83	96.26	103.8	82.2
Two & Three Wheelers	3	1,971	2,304	2,336	16.9	1.4
Auto Trucks/LCVs	4	-67.51	-276.38	77.34	*	*
Tyres & allied services	3	771.33	832.28	630.50	7.9	-24.2
Auto Ancillary	34	957.20	1013.08	1151.86	5.8	13.7
Capital Goods	**93**	**1,158**	**1,677**	**1,298**	**44.8**	**-22.6**
Engineering	5	182.80	216.92	246.37	18.7	13.6
Engineering-Industrial Equipment	52	314.00	733.31	811.08	133.5	10.6
Electronics-Components	5	0.30	0.39	0.46	29.1	17.4
Electrodes & welding Equipment	5	67.07	20.97	220.41	-68.7	951.2
Electric Equipment	16	560.20	698.95	21.31	24.8	-97.0
IT-Hardware	4	4.88	1.90	4.50	-61.0	136.5
Telecom Equipment	6	28.26	4.12	-5.89	-85.4	*
Metals	**37**	**1,099**	**3,040**	**5,419**	**176.7**	**78.3**
Steel & Iron products	26	-1,554	201	1,733	*	763.5

Aluminium & aluminium products	4	254.78	129.33	242.91	-49.2	87.8
Metals - Non-ferrous	7	2,398	2,710	3,443	13.0	27.1
Construction/Real Estate	**88**	**3,058**	**4,483**	**3,109**	**46.6**	**-30.6**
Cement	25	1,199	1,653	1,590	37.9	-3.9
Ceramics/Marble/Granite/Sanitary ware	10	99.15	126.78	117.09	27.9	-7.6
Construction - Real Estate	26	632.96	419.75	348.16	-33.7	-17.1
Engineering Construction	27	1127.57	2282.62	1054.07	102.4	-53.8
Banking	**32**	**16,453**	**12,286**	**7,277**	**-25.3**	**-40.8**
Banks - Public	17	6028.67	2542.19	-3273.48	-57.8	*
Banks - Private	15	10,424	9,744	10,550	-6.5	8.3
Finance	**112**	**4,059**	**6,228**	**7,874**	**53.4**	**26.4**
Housing Finance	10	2,933	3,482	4,086	18.7	17.3
Finance - NBFC	102	1,126	2,746	3,788	143.9	37.9
Services	**99**	**17,179**	**18,039**	**13,633**	**5.0**	**-24.4**
Hospitals & Healthcare Services	6	35.57	97.02	87.50	172.8	-9.8
Retailing	7	36.58	169.71	153.12	363.9	-9.8
IT- Software	64	14,867	15,605	16,236	5.0	4.0
Telecommunications - Service Providers	7	2,243	2,139	-2,868	-4.6	*
Hotels, Resorts & Restaurants	15	-3.96	28.55	24.90	*	-12.8
Oil/Refinery/Mining	**14**	**13,127**	**19,727**	**22,389**	**50.3**	**13.5**
Mining & minerals	3	1,294	1,156	217	-10.7	-81.3
Refineries	5	6,351	12,930	16,369	103.6	26.6
Oil Exploration	6	5,481	5,641	5,804	2.9	2.9
Others	**79**	**2,991**	**3,208**	**4,393**	**7.3**	**36.9**
Pesticides & Agrochemicals	12	635.02	509.38	931.79	-19.8	82.9
Fertilizers	13	762.14	839.38	1056.12	10.1	25.8
Dyes & pigments	4	22.13	47.15	36.82	113.1	-21.9
Paper & Paper products	14	-44.37	-248.84	2.01	*	*
Diamond & Jewellery	10	256.55	304.81	470.50	18.8	54.4
Rubber products	3	13.93	12.24	14.87	-12.1	21.5
Plastic products	28	410.14	366.78	348.06	-10.6	-5.1
Paints Total	4	580.39	777.49	765.12	34.0	-1.6
Industrial Gases & Fuels	4	355	600	768	68.9	28.1

*Note: values marked as * cannot be considered due to high +/- impact*

Source: AceEquity

- Only 3 industries namely telecom service providers, telecom equipment and PSBs reported net loss during the quarter
- 28 industries registered positive growth in Q2 FY18 out of which 15 industries witnessed growth lower than that in the comparable period last year while the rest posted y-o-y higher profits in Q2 FY18.
- 16 industries registered y-o-y decline in net profits during the quarter. Maximum decline was witnessed in construction and real estate, mining, paper & paper products, electric equipment, etc. Profitability of services like healthcare, hospitality and retailing were also impacted.

Below mentioned are various factors contributing to the growth and de-growth in sales and profit for the second quarter of this financial year ***as revealed by various companies*** in their investors' presentations;

Most of the industries in Q2 FY18 that have posted lower growth numbers were affected by the a series of factors such as *lower industrial growth in the country, limited pick-up in demand, adjustments to GST regime, etc. during the quarter.* The effect was felt most of the companies as we can also see from the financials. This led to slower movement in the consumer durables, industrial activity, etc which led to comparatively lower sales during the quarter.

- **Cement:** Cement industry registered marginal growth in sales during Q2 FY18, however, profits declined by about 4% on a y-o-y basis. **Subdued demand affected the industry both operationally as well as at the margin level during the quarter.**

- **Automobiles:** Auto industry was impacted the most during Q2 FY18 on account of implementation of GST. The **uncertainties revolving around tax rates under GST created further disruption**. Despite being in the highest tax slab under GST regime, **the cess on passenger cars was hiked in August 2017**. This led to lower growth in sales of automobiles and related industry during the quarter. However, tractors and trucks/Lcvs registered higher sales on a y-o-y basis **on back of good monsoon in most parts of the country and increased farm activities**. Also, the industry registered profits, however lower than that in the corresponding period previous year on account of various discounts, exchange offers and easy financing options offered by players to offload the stocks.

- **Household & personal products: T**he demand for the industry being non-discretionary, the industry sales remained largely stable during the quarter. **With tax incidence on various products coming down post GST, many players passed on the benefits to consumers by offering discounts and various schemes to maintain the volume sold**. Profits grew by over 14% in Q2 FY18, marginally lower than that in Q2 FY17.

- **Pharmaceuticals and drugs:** Sales declined marginally as the industry **witnessed regulatory challenges in the US market during the quarter**. Profits registered y-o-y decline in line with the sales in Q2 FY18.

- **Passenger Cars:** Domestic market saw an upward trend in sales during the quarter. In domestic markets, as most of the demand comes from tier II and tier III cities, **the pent up demand post demonetisation and post implementation of GST translated into sales during the quarter. However, the growth was restricted due to increase in cess on passenger cars in August 2017 which again led to slowdown in demand**. Also, exports declined by over 8% y-o-y in Q2 FY18. Growth was limited as the industry continued to face headwinds due to volatile business environment driven by crude prices and fluctuations of local currencies.

- **Non-ferrous metals:** Sales increased on back of y-o-y **higher metal prices** realized in Q2 FY18. Global aluminium and copper prices increased by about 24% and 33% respectively during the quarter. Also, **operational efficiencies led to higher production** in Q2 FY18. In line with higher sales, profits registered double-digit growth during the quarter.

- **Fertilizers:** Sales registered only marginal growth in Q2 FY18 vis-à-vis a sharp growth recorded in Q2 FY17 **on back of lower production led by de-stocking activity of players post implementation of GST**. However, profits recorded a double-digit growth in the quarter.

- **Steel & iron:** Steel industry registered a growth in sales, however lower during the quarter on back of higher government spending on infrastructure along with demand from industries such as auto, consumer durables etc. **Out of the companies that declared results, top 5 players (accounting for about 90% of the market) have registered a cumulative sales growth of over 12% y-o-y in Q2 2018.** Top player registered growth **on back of capacity additions that enabled higher material availability and entry into new segments with wider product range**. Profits witnessed a sharp rise on back of higher deliveries and better realizations by a top player.

- **Textiles:** Textiles demand during the quarter remained subdued **on back of weak consumer sentiments that led to volume decline.** Top 5 players together registered a 4% y-o-y decline in sales. However, despite higher raw material prices industry posted positive net profits during the quarter. This growth was led by one company in the set that accounted for about 14% of the share in total sales of the set

- **Sugar:** Sugar industry witnessed a double digit growth in net sales during the quarter. Also, **on back of y-o-y higher sugar prices during the quarter**, the companies registered marginal increase in profits. Average small grade sugar prices in Mumbai increased by about 2% on a y-o-y basis during Q2 FY17. The sector is aided by Central and State Government's rational policies, to ensure sustainability of the Industry and the farmer.

- **Retailing:** Net sales registered marginal increase but at a much lower rate on a y-o-y basis **as demand remained muted** during the quarter. Also, profits growth continues to be in negative territory.

- **Paints:** Sales increased marginally during the quarter **on back of higher off-take of products in volume terms** in Q2 FY18. Profits however, declined marginally by about 1.6% y-o-y during the quarter.

Table 6: Outlook for FY18

Sectors expected to recover	
Automobiles	
Commercial Vehicles	On back of higher outlay for infrastructure and transportation segment will be positive for the CV segment demand
Tractors	Good monsoon in most parts of the country and higher allocation for farm credit shall fuel demand for farm equipment and tractors segment
Two-wheelers	Reduction in tax burden for individuals earning below Rs 5 Lakh is likely to increase demand for two-wheelers and small car segment. There should be some recovery on account of deferred demand which should manifest during the year

Cement	Demand for cement is expected to pick up in the coming quarters given picking up of infrastructure projects especially the ones implemented by Central Government. Demand from real estate would remain to be on the low given the dual impact of GST and RERA having slowed down the industry. Sagarmala and Bharatmala initiative of Government with an outlay of about Rs 15 lakh crores is expected to revive growth in the infrastructure space. This would partly offset the subdued demand from housing and real estate.
Construction	The continued focus of the government on infrastructure development through increased allocation towards roads, railways, irrigation, etc, would be beneficial for the construction industry. Also, focus of government on promoting affordable housing will augur well for the industry
Oil & Gas	In view of the domestic gas production, the decrease in the duty from 5% to 2.5% is likely to benefit petrochemical industry wherein LNG is used as a feed stock. Also, the formation of integrated 'oil major' will likely have strong bargaining power and will be the likes of the bigger oil companies globally. Also, setting up of Strategic crude oil reserves will benefit companies during high crude oil prices
Paints	The demand for the industry is forecasted to improve on back of government push given to real estate, affordable housing and infrastructure industry. Also, higher disposable income in the hands of consumers is expected to contribute to the demand
Sectors expected to remain neutral	
Engineering and Capital goods	Higher investments in railway infrastructure, national highways, power infrastructure, defence expenditure proposed for FY 2017-18 vis-à-vis FY 2016-17 would translate in orders for railway equipment manufacturers, power transmission and distribution equipment, defence equipment manufacturers etc.
Pharmaceuticals	With NLEM (National List of Essential Medicine) 2015 and DPCO (Drug Price Control Order) 2016 already in place, some more drugs are likely to come under price control but this is not likely to impact growth of the pharmaceutical industry. Indian Pharmaceutical Industry (IPI), which derives growth primarily from export market, is expected to continue to see similar growth trend in line with the last 3 years. However, companies with links with the USA could be under pressure on account of the policies pursued there.
Real Estate	Infrastructure status of affordable housing: Under the scheme for profit-linked income tax deduction for promotion of affordable housing, carpet area instead of built-up area of 30 and 60 square meters will be counted. This would enable purchasers to get more spacious homes and affordable housing segment will be more lucrative for the developers. Reduction of long-term capital gains tax period from 3 years to 2 years might lead to increase in demand since this may increase the secondary sales as well. Also government will provide interest subsidy to affordable housing buyers, this will have positive impact on real estate

Steel	Demand expected to be up due to the infra thrust of the government. In addition to this, the government gave nod for the policy that provides preference to domestically produced steel to be procured by the government for its projects. The progress of construction segment including real estate would further provide clues.
Telecom	Telecom sector will be the backbone of all these initiatives (Rural digitization initiatives such as “Bharat Net”, “DigiGaon”, “Swayam”, incentivizing of cashless/ digital payments) and thus would get benefited because of rise in data consumption. However, the ARPU (Average Revenue Per User) is expected to remain under pressure. Nonetheless, the norm of bundled plans provides an opportunity to the telecom players to improve their ARPU in due course
Sector movement - Can’t say	
Banking	The revival in the banking sector hinges on economic revival which would lead to improvement in asset quality and profitability. On the capital adequacy front, there is substantial requirement of capital especially for PSU banks given the significant deterioration in their asset quality.
Information Technology	India has capabilities in delivering both on-shore and off-shore services to global clients and emerging technologies offer new opportunities for top IT firms in India. However, US policy implications on the industry are yet to be seen.

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