

Corporate Performance: Q4-FY17

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Note: The following study includes analysis of companies that announced results on or before May 12th 2017.

The performance of a sample of 432 companies over the last quarter (Jan-Mar) 2017 period reveals a mixed picture, with net sales showing an improvement while the net profits declined further. Net sales grew by 10.5% in Q4 2017 after the growing by about 7.9% in Q4 FY16. However, net profit registered a decline of 14.3% over a decline of 12% 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 and other income.
- Refinery/oil companies get affected by the international price of crude oil. Drastic changes in crude oil prices in the last couple of years have 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 1 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 has been higher while the net profits have declined further on a y-o-y basis
- Excluding banks, IT, oil exploration, refineries and finance, the growth in sales has slowed down from 10.5% to 7.5% and the net profits have registered a sharp decline of over 107%

In terms of movement in net profit margin, the growth momentum has slowed down in Q4 2017 to 8.6% from 11% in Q4 2016.

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Table 1: Aggregate performance

All companies 432 companies	Rs crore			Growth (%)	
	2015	2016	2017	2016	2017
Net sales	374,681	404,359	446,889	7.9	10.5
Net profits	50,692	44,595	38,217	-12.0	-14.3
Net profit margin				11.0	8.6

Source: ACE Equity

- Overall performance shows mixed picture with sales growing at 10.5% in Q4 2017 over 7.9% in Q4 2016 while net profits have declined by 14.3% vis-à-vis 12% in Q4 2016.
- Profit margins down from 11% to 8.6%.

Table 2: Disaggregated performance

Minus banks, IT, oil exploration, refineries and finance 314 companies	Rs crore			Growth (%)	
	2015	2016	2017	2016	2017
Net sales	157,403	172,816	185,794	9.8	7.5
Net profits	17,103	16,124	-1,192	-5.7	-107.4
Net profit margin				9.3	-0.6

Source: ACE Equity

- Excluding banks, IT, oil exploration, refinery and finance, net sales growth down while net profits register sharp decline
- Performance skewed by 1 company. Excluding this one, growth in net profit would come down from 8.7% to -3.7%, while net profit margin will reduce from 9.2% to 8.1%.
- Profit margin turns negative

Table 3: Banks performance

Banks 17 companies	Rs crore			Growth (%)	
	2015	2016	2017	2016	2017
Net sales	84,709	93,436	98,229	10.3	5.1
Net profits	11,812	2,294	10,339	-80.6	350.7
Net profit margin				2.5	10.5

Source: ACE Equity

- Banks Q4 2017 net profits shows sharp growth on account of negative growth in Q4 2016
- Sample includes 10 private banks (including DCB), and 7 PSBs.

Table 4: IT companies performance

IT	Rs crore			Growth (%)	
	2015	2016	2017	2016	2017
32 companies					
Net sales	49,905	57,158	53,162	14.5	-7.0
Net profits	10,274	13,249	14,039	29.0	6.0
Net profit margin				23.2	26.4

Source: ACE Equity

- IT 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
3 companies					
Net sales	56,072	54,250	74,681	-3.3	37.7
Net profits	6,242	7,238	8,184	16.0	13.1
Net profit margin				13.3	11.0

Source: ACE Equity

- Oil exploration and refineries post healthy net sales growth while net profits register decline
- Profit margin declines as well
- 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
66 companies					
Net sales	26,592	26,699	28,859	0.4	8.1
Net profits	5,262	5,690	6,847	8.1	20.3
Net profit margin				21.3	23.7

Source: ACE Equity

- Finance companies post lower net sales growth while net profits register 20.3% growth in Q4 2017 as against 8.1% in Q3 2016
- Profit margin expand during the quarter

Interest cover

Interest cover (ratio of PBDIT/interest) has been calculated for the sample of 314 companies (minus banks, IT, oil exploration, refineries and finance). **The interest cover was marginally higher in Q4- FY17 to 1.49 times from 1.42 times in Q4-FY16.**

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