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# Corporate Performance:
- Q4-FY17
- FY17

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## Section A – Q4 FY17

*The performance of a sample of 1,966 companies over the last quarter (Jan-Mar) 2017 period reveals a mixed picture. Though the performance shows positive outcome with both net sales and net profits growth showing improvement, the growth can be attributed to the oil exploration companies & refineries. Net sales witnessed marginally higher growth rate of 10.9% in Q4 2017 after the growing by about 10.1% in Q4 FY16. Net profit registered growth of 19.6% over a decline of over 28% in the corresponding period last year. A part of the better performance may be attributed to the low base effect too.*

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 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.

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 marginally higher while the growth in net profits has been positive over negative growth rate last year.
- However, excluding banks, IT, oil/refinery and finance the growth in net profits turned negative (-8.3%) from positive 19.6%.

In terms of net profit margin movement, the margins have expanded by about 50 bps y-o-y in Q4 FY17 to reach 6.6%. However, after excluding banks, finance, IT and refinery and oil companies, margins show a decline of over 100 bps on a y-o-y basis during the quarter. (Table 2).

**Table 1: Aggregate performance (Growth in %)**

| | No of companies | Net Sales Q4FY16 | Net Sales Q4FY17 | Net Profit Q4FY16 | Net Profit Q4FY17 |
|---|---|---|---|---|---|
| **All companies** | **1,966** | 10.1 | 10.9 | -28.6 | 19.6 |
| Minus banks, IT, oil/refinery and finance | 1,534 | 15.8 | 7.8 | -0.1 | -8.3 |
| Banks | 37 | 3.9 | 3.8 | -184.0 | -144.5 |
| IT | 115 | 14.2 | 4.2 | 30.3 | 3.0 |
| Oil Exploration & Refineries | 15 | 2.1 | 26.4 | -17.1 | 12.8 |
| Finance | 265 | 5.4 | 4.7 | 8.3 | -45.3 |

*Source: ACE Equity*

**Table 2: Net profit margin (%)**

| | No of Companies | Q4FY16 | Q4FY17 |
|---|---|---|---|
| **All companies** | **1,966** | 6.1 | 6.6 |
| Minus banks, IT, oil/refinery and finance | 1,534 | 7.6 | 6.5 |
| Banks | 37 | -6.8 | 2.9 |
| IT | 115 | 21.2 | 21.0 |
| Oil Exploration & Refineries | 15 | 6.6 | 5.9 |
| Finance | 265 | 20.1 | 10.5 |

*Source: ACE Equity*

- Profit margins improved by about 50 bps in Q4 FY17 when compared to the Q4 FY16
- *For Finance companies, net profit performance was pulled down by huge losses made by just one company under term lending during the quarter*
- Excluding banks, IT, oil exploration & refineries and finance companies, the net margins declined by over 100 bps on a y-o-y basis

**Interest cover**

Interest cover (ratio of PBDIT/interest) has been calculated for the sample of 1,534 companies (minus banks, IT, oil and finance). *The interest cover was marginally higher in Q4 FY17 at 5.51 times from 5.44 times in Q4 FY16*.

***Size wise Analysis***

This section of the study breaks down the sample of 1,534 companies (excluding banks, finance, IT & oil 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 fourth quarter of FY17. Table 2 below gives the composition of the sample differentiated across various size groups for Q4-FY17.

The 129 companies in the size range of sales of above Rs 1,000 crore each, constituted over 68% 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% and 9% respectively. Hence, the top 87 companies in terms of sales above Rs 250 crore each accounted for 90% of the total sales.

During Q4-FY17, the impact of demonetization continued to hamper the performance of small companies (size range of sales below Rs 100 crore) as significant volumes of transactions in small companies happen on cash basis and operations were impacted quite markedly.

**Table 3: Sample Profile by Size**

| Size Range (Rs. Cr) | No. Of Companies | Net Sales (%) | | Net Profits (%) | |
|---|---|---|---|---|---|
| | | Q4 FY16 | Q4 FY17 | Q4 FY16 | Q4 FY17 |
| Above 1,000 | 129 | 16.9 | 8.1 | -25.5 | -4.3 |
| 500-1,000 | 111 | 11.6 | 4.3 | 69.3 | -39.1 |
| 250-500 | 151 | 17.6 | 9.4 | 6.7 | 50.8 |
| 100-250 | 246 | 11.9 | 6.0 | 48.0 | -3.2 |
| Less than 100 | 897 | 13.6 | 10.8 | -* | -* |

*Note: Net Profit (%) of companies with sales less than Rs 100 crore could not be calculated on account of huge losses incurred*
*Source: ACE Equity*

The size wise breakdown provides the following results:

- Net sales in all the size ranges witnessed a decline in sales in this quarter.
- ***Highest growth in net profit was also seen in companies with sales between Rs 250 - 500 crore. Companies in this group were the only ones to witness improvement on a cumulative basis.***
  - Small companies registered a y-o-y decline in net profits of over 80% and posted a cumulative loss of Rs 1,362 crore in Q4 FY17.
  - This was followed by the '500 - 1,000 group' which registered a net loss of about 40% after increasing by over 69% in Q4 FY16.
  - Companies with sales between Rs 100 crore and Rs 250 crore posted a marginal decline of over 3% in net profits over a sharp expansion of about 48% during the same period in FY16. However, companies in the '250 - 500 group' registered a sharp increase of over 50% on a y-o-y in the net profits in Q4 FY17.
  - Interestingly, companies with below Rs 100 crore sales each were the largest in number and registered a sharp decline in net profit for Q4 2017.

***Conclusions***

*The overall performance has been driven by the large companies that have also been less impacted by the demonetization relative to smaller companies. Growth in sales has slowed down across all groups, while net profit growth has improved for only the mid-size group of companies with sales of between Rs 250-500 crore.*

**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 Q4 (%)**

| Industry | No of companies | FY16 | FY17 |
|---|---|---|---|
| **Consumer Goods (Non-discretionary)** | **149** | **10.1** | **4.9** |
| Consumer foods | 34 | 5.1 | 9.5 |
| Sugar | 17 | 30.6 | 12.5 |
| Tea/Coffee | 8 | 1.8 | 13.2 |
| Pharmaceuticals & drugs | 74 | 8.8 | -0.4 |
| Household & Personal products | 16 | 7.5 | 6.7 |
| **Consumer Goods (Discretionary)** | **176** | **3.7** | **3.0** |
| Textiles | 164 | 4.2 | 6.7 |
| Consumer Durables-Domestic Appliances | 8 | 11.8 | 5.7 |
| Consumer Durables-Electronics | 4 | -5.1 | -21.7 |
| **Automobiles & Related** | **69** | **24.4** | **6.9** |
| Passenger Cars | 3 | 26.5 | 13.1 |
| Tractors | 2 | 3.3 | 26.3 |
| Two & Three Wheelers | 7 | 25.9 | -4.1 |
| Auto Trucks/LCVs | 4 | 34.7 | 8.0 |
| Tyres & allied services | 7 | 9.8 | 4.5 |
| Auto Ancillary | 46 | 16.1 | 8.7 |
| **Capital Goods** | **162** | **4.7** | **7.8** |
| Engineering | 13 | -9.3 | 35.6 |
| Engineering-Industrial Equipment | 79 | -6.3 | 5.4 |
| Electronics -Components | 13 | 7.2 | -8.6 |
| Electrodes & welding Equipment | 8 | 0.7 | 4.6 |
| Electric Equipment | 30 | 28.8 | 11.2 |
| IT-Hardware | 9 | -20.3 | 2.2 |
| Telecom Equipment | 10 | 34.4 | 4.6 |
| **Metals** | **73** | **0.7** | **31.1** |
| Steel & Iron products | 47 | -0.4 | 29.1 |
| Aluminium & aluminium products | 8 | 5.3 | 19.9 |
| Metals - Non-ferrous | 14 | 2.2 | 35.7 |
| Metals - Ferrous | 4 | -13.9 | -78.8 |
| **Construction/Real Estate** | **136** | **3.7** | **-2.8** |
| Cement | 34 | 19.8 | 7.1 |
| Ceramics/Marble/Granite/Sanitary ware | 14 | 14.8 | 4.8 |
| Construction - Real Estate | 48 | 32.0 | -3.6 |
| Engineering Construction | 40 | 14.9 | 2.3 |
| **Banking** | **38** | **3.9** | **3.8** |
| Banks - Public | 21 | -1.0 | 2.1 |
| Banks - Private | 16 | 18.7 | 8.2 |

| | | | |
|---|---|---|---|
| **Finance** | **137** | **8.8** | **9.6** |
| Housing Finance | 12 | 14.7 | 14.1 |
| Finance - NBFC | 125 | 3.2 | 4.7 |
| **Services** | **152** | **11.0** | **0.2** |
| Hospitals & Healthcare Services | 17 | 16.0 | 10.7 |
| Retailing | 11 | -12.6 | 10.3 |
| IT- Software | 92 | 14.0 | 4.0 |
| Telecommunications - Service Providers | 8 | 8.7 | -10.2 |
| Hotels, Resorts & Restaurants | 24 | 12.6 | 3.8 |
| **Oil/Refinery/Mining** | **20** | **1.6** | **26.8** |
| Mining & minerals | 5 | -38.6 | 72.0 |
| Refineries | 7 | 4.4 | 26.1 |
| Oil Exploration | 8 | -23.3 | 31.9 |
| **Others** | **136** | **63.4** | **4.0** |
| Pesticides & Agrochemicals | 17 | 11.2 | 3.9 |
| Dyes & pigments | 12 | 17.4 | 8.9 |
| Paper & Paper products | 27 | 9.4 | 8.8 |
| Diamond & Jewellery | 13 | 233.5 | -0.1 |
| Rubber products | 7 | -2.9 | 2.0 |
| Plastic products | 45 | -1.0 | 8.3 |
| Paints Total | 5 | 19.6 | 8.7 |
| Industrial Gases & Fuels | 10 | -15.4 | 12.2 |

- Out of the industries considered here, 41 have witnessed positive growth in sales in Q4 FY17. Some of the leading industries were consumer foods, tea/coffee, tractors, engineering, aluminium & aluminium products, non-ferrous metals, retailing, refineries, mining & minerals, oil exploration, industry gases & fuels, etc.
- 8 industries witnessed negative growth in net sales of Q4 FY17 with significant declines witnessed in consumer durables-electronics, electronic – components, ferrous metals, telecom – service providers. Two & three wheelers industry was also down.
- Only 20 industries witnessed an improvement in sales growth.

***Conclusions***

The Indian economy went through a cash crunch post demonetization resulting in a demand shock. The uncertainty in the market not only impacted the discretionary spend and its growth but also had a strong impact on the wholesale and the MBO channel sales. Industries related to households where transactions are largely in cash witnessed slower growth compared with Q4 FY16 including discretionary consumer industries like textiles and durables which get extended to auto segment. Within non-discretionary consumer goods sugar, household & personal products as well as drugs and pharmaceuticals were affected.

Telecom service providers were affected most perceptibly with IT-Software, Hospitals and hotels also being on the downslide. However, retail industry picked up momentum during the period on back of online transactions. However, everything related to real estate – construction, cement, engineering construction saw a slowdown with decelerating activities. At the aggregate level, capital goods and metals industry saw an uptick in net sales. The housing finance companies also did well but at a slower rate. However, NBFC finance registered higher growth in sales in Q4 FY17.

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

**Table 5: Net Profit Q4**

| Industry | No of companies | Net Profit (Rs Crore) | | | Growth in Net Profit (%) | |
|---|---|---|---|---|---|---|
| | | Q42015 | Q42016 | Q42017 | FY16 | FY17 |
| **Consumer Goods (Non-discretionary)** | **149** | **5,918** | **7,624** | **8,070** | **28.8** | **5.8** |
| Consumer foods | 34 | 902 | 912 | 1,087 | 1.2 | 19.1 |
| Sugar | 17 | (223) | 847 | 901 | -479.3 | 6.4 |
| Tea/Coffee | 8 | (252) | (132) | (102) | -47.6 | -22.8 |
| Pharmaceuticals & drugs | 74 | 3,739 | 4,179 | 4,092 | 11.8 | -2.1 |
| Household & Personal products | 16 | 1,753 | 1,817 | 2,091 | 3.7 | 15.1 |
| **Consumer Goods (Discretionary)** | **176** | **690** | **1,325** | **605** | **92.0** | **-54.3** |
| Textiles | 164 | 584 | 1,389 | 1,061 | 137.8 | -23.6 |
| Consumer Durables- Appliances | 8 | 166 | 195 | 208 | 17.5 | 7.0 |
| Consumer Durables-Electronics | 4 | (60) | (259) | (665) | 333.0 | 157.0 |
| **Automobiles & Related** | **69** | **3,650** | **6,471** | **5,640** | **77.3** | **-12.8** |
| Passenger Cars | 3 | 1,826 | 2,072 | 2,429 | 13.5 | 17.2 |
| Tractors | 2 | 32 | 41 | 77 | 28.7 | 87.4 |
| Two & Three Wheelers | 7 | 1,393 | 2,298 | 2,050 | 64.9 | -10.8 |
| Auto Trucks/LCVs | 4 | (875) | 347 | (289) | -139.7 | -183.2 |
| Tyres & allied services | 7 | 894 | 1,053 | 792 | 17.8 | -24.8 |
| Auto Ancillary | 46 | 380 | 659 | 582 | 73.4 | -11.7 |
| **Capital Goods** | **162** | **3,093** | **1,202** | **3,478** | **-61.2** | **189.5** |
| Engineering | 13 | 111 | 86 | 104 | -22.3 | 21.5 |
| Engineering-Industrial Equipment | 79 | 2,633 | 1,718 | 2,083 | -34.8 | 21.2 |
| Electronics-Components | 13 | 3 | (19) | 77 | -792.8 | -499.9 |
| Electrodes & welding Equipment | 8 | 31 | 54 | 75 | 74.4 | 40.0 |
| Electric Equipment | 30 | 452 | (633) | 959 | -240.1 | -251.6 |
| IT-Hardware | 9 | (12) | (29) | 3 | 130.0 | -109.2 |
| Telecom Equipment | 10 | (124) | 25 | 176 | -119.9 | 615.7 |
| **Metals** | **73** | **3,213** | **(8,409)** | **16,135** | **-361.7** | **-291.9** |
| Steel & Iron products | 47 | 222 | (1,683) | 973 | -856.6 | -157.8 |
| Aluminium & Aluminium products | 8 | 360 | 147 | (81) | -59.2 | -155.4 |
| Metals - Non-ferrous | 14 | 2,606 | (6,893) | 15,239 | -364.5 | -321.1 |
| Metals - Ferrous | 4 | 24 | 20 | 4 | -15.1 | -82.0 |
| **Construction/Real Estate** | **136** | **5,353** | **6,547** | **3,858** | **22.3** | **-41.1** |
| Cement | 34 | 1,807 | 2,331 | 1,963 | 29.1 | -15.8 |
| Ceramics/Marble/Granite/Sanitary ware | 14 | 136 | 176 | 167 | 29.2 | -5.3 |
| Construction - Real Estate | 48 | 849 | 1,631 | 529 | 92.1 | -67.6 |
| Engineering Construction | 40 | 2,562 | 2,409 | 1,200 | -6.0 | -50.2 |
| **Banking** | **38** | **17,870** | **(15,003)** | **6,683** | **-184.0** | **-144.5** |
| Banks - Public | 21 | 7,790 | (23,788) | (3,751) | -405.4 | -84.2 |
| Banks - Private | 16 | 10,080 | 8,785 | 10,434 | -12.9 | 18.8 |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Finance** | **137** | **5,885** | **7,086** | **8,150** | **20.4** | **15.0** |
| Housing Finance | 12 | 3,089 | 4,098 | 5,889 | 32.7 | 43.7 |
| Finance - NBFC | 125 | 2,797 | 2,988 | 2,261 | 6.9 | -24.3 |
| **Services** | **152** | **17,869** | **17,475** | **(3,277)** | **-2.2** | **-118.8** |
| Hospitals & Healthcare Services | 17 | 124 | 152 | 125 | 22.1 | -17.5 |
| Retailing | 11 | 36 | 6 | (124) | -84.3 | -2290.1 |
| IT- Software | 92 | 11,075 | 14,207 | 14,645 | 28.3 | 3.1 |
| Telecommunications - Service Providers | 8 | 6,666 | 3,182 | (18,126) | -52.3 | -669.6 |
| Hotels, Resorts & Restaurants | 24 | (33) | (71) | 203 | 112.7 | -386.8 |
| **Oil/Refinery/Mining** | **20** | **34,758** | **34,228** | **36,172** | **-1.5** | **5.7** |
| Mining & minerals | 5 | 11,202 | 14,711 | 14,157 | 31.3 | -3.8 |
| Refineries | 7 | 19,078 | 14,347 | 17,645 | -24.8 | 23.0 |
| Oil Exploration | 8 | 4,478 | 5,170 | 4,370 | 15.4 | -15.5 |
| **Others** | **136** | **2,830** | **4,183** | **3,427** | **47.8** | **-18.1** |
| Pesticides & Agrochemicals | 17 | 184 | 434 | 175 | 135.9 | -59.8 |
| Dyes & pigments | 12 | 27 | 68 | 88 | 146.7 | 30.4 |
| Paper & Paper products | 27 | 125 | 236 | 197 | 88.7 | -16.7 |
| Diamond & Jewellery | 13 | 370 | 516 | 686 | 39.5 | 32.9 |
| Rubber products | 7 | 15 | 10 | 16 | -32.3 | 62.4 |
| Plastic products | 45 | 679 | 565 | 709 | -16.8 | 25.5 |
| Paints Total | 5 | 512 | 1,181 | 695 | 130.5 | -41.1 |
| Industrial Gases & Fuels | 10 | 917 | 1,173 | 861 | 27.9 | -26.6 |

- 7 industries out of 50 reported net loss on a y-o-y basis during the quarter.
- However, in absolute value terms, 30 industries witnessed negative growth in net profit in Q4 FY17.
- Maximum decline was witnessed in industry group of tea/coffee, textiles, auto trucks/LCVs, tyre, electronic components, electric equipment, IT – hardware, metals, real estate, PSBs. Under services, retail industry witnessed a sharp decline flowed by telecom service providers and hotels, resorts & restaurants. Hospitals & healthcare was also down.
- 19 industries registered a positive growth in net profits in Q4 2017

## Section B – FY17

**Table 6: Aggregate performance (Growth in %)**

| | No of companies | Net Sales FY16 | Net Sales FY17 | Net Profit FY16 | Net Profit FY17 |
|---|---|---|---|---|---|
| **All companies** | **1,065** | 3.6 | 5.4 | -14.3 | 21.0 |
| Minus banks, IT, oil/refinery and finance | 810 | 8.8 | 6.1 | -5.4 | 17.4 |
| Banks | 36 | 6.0 | 2.3 | -71.5 | 97.6 |
| IT | 67 | 12.9 | 6.8 | 12.7 | 5.0 |
| Oil Exploration & Refineries | 9 | -18.7 | 6.8 | 21.2 | 19.0 |
| Finance | 143 | 3.6 | 10.4 | 7.5 | 9.6 |

*Source: ACE Equity*

**Table 7: Net profit margin (%)**

| | No of Cos | FY16 | FY17 |
|---|---|---|---|
| **All companies** | **1,065** | 8.1 | 9.4 |
| Minus banks, IT, oil/refinery and finance | 810 | 7.9 | 8.8 |
| Banks | 36 | 2.3 | 4.5 |
| IT | 67 | 22.4 | 22.0 |
| Oil Exploration & Refineries | 9 | 10.9 | 12.2 |
| Finance | 143 | 19.1 | 18.9 |

*Source: ACE Equity*

- For the aggregate sample, growth in sales has been higher while the growth in net profits has been positive over negative growth rate last year.
- However, excluding banks, IT, oil/refinery and finance the growth in net sales declined from 8.8% in FY16 to 6.1% in FY17.
- Profit margins improved by about 130 bps in FY17 when compared to the FY16
    - Excluding banks, IT, oil exploration & refineries and finance companies, the net margins improved from 7.9% to 8.8%

**Interest cover**

Interest cover (ratio of PBDIT/interest) has been calculated for the sample of 810 companies (minus banks, IT, oil and finance). *The interest cover remained stable at 5.68 times in FY17 in line with 5.69 times in FY16*.

**Table 8: Growth in net sales in FY (%)**

| Industry | No of companies | FY16 | FY17 |
|---|---|---|---|
| **Consumer Goods (Non-discretionary)** | **68** | **10.5** | **7.1** |
| Consumer foods | 11 | 12.4 | 12.1 |
| Sugar | 5 | 3.5 | 26.0 |
| Tea/Coffee | 5 | 5.7 | -2.5 |
| Pharmaceuticals & drugs | 37 | 12.0 | 7.5 |
| Household & Personal products | 10 | 9.5 | 3.3 |
| **Consumer Goods (Discretionary)** | **80** | **7.7** | **9.8** |
| Textiles | 76 | 3.0 | 6.8 |
| Consumer Durables-Domestic Appliances | 4 | 38.3 | 24.3 |
| Consumer Durables-Electronics | 0 | - | - |
| **Automobiles & Related** | **38** | **19.5** | **7.6** |
| Passenger Cars | 2 | 23.7 | 14.5 |
| Tractors | 1 | -13.2 | 21.2 |
| Two & Three Wheelers | 6 | 13.4 | 0.5 |
| Auto Trucks/LCVs | 3 | 32.2 | 3.8 |
| Tyres & allied services | 4 | 8.6 | 2.2 |
| Auto Ancillary | 22 | 12.0 | 8.8 |
| **Capital Goods** | **91** | **22.1** | **9.8** |
| Engineering | 9 | 13.0 | 13.1 |
| Engineering-Industrial Equipment | 39 | 13.3 | 7.0 |
| Electronic Components | 8 | 1.2 | 2.0 |
| Electrodes & welding Equipment | 4 | -1.9 | 0.4 |
| Electric Equipment | 20 | 36.8 | 17.0 |
| IT-Hardware | 4 | -37.3 | -34.0 |
| Telecom Equipment | 7 | 10.6 | -11.9 |
| **Metals** | **46** | **1.8** | **15.7** |
| Steel & Iron products | 30 | -2.0 | 20.9 |
| Aluminium & Aluminium products | 3 | -7.2 | -14.2 |
| Metals - Non-ferrous | 10 | 10.5 | 5.6 |
| Metals - Ferrous | 3 | 3.3 | -3.5 |
| **Construction/Real Estate** | **72** | **3.7** | **-2.8** |
| Cement | 19 | 19.4 | 3.0 |
| Ceramics/Marble/Granite/Sanitary ware | 6 | 14.5 | 5.1 |
| Construction - Real Estate | 27 | 5.6 | 2.8 |
| Engineering Construction | 20 | 10.8 | 3.7 |
| **Banking** | **38** | **6.0** | **2.3** |
| Banks - Public | 21 | 2.1 | -1.2 |
| Banks - Private | 15 | 18.4 | 11.7 |
| **Finance** | **75** | **6.4** | **11.4** |
| Housing Finance | 9 | 15.6 | 14.5 |
| Finance - NBFC | 66 | -2.5 | 7.8 |

| | | | |
|---|---|---|---|
| **Services** | **85** | **12.0** | **4.0** |
| Hospitals & Healthcare Services | 5 | 20.8 | 16.0 |
| Retailing | 6 | 15.5 | -15.0 |
| IT- Software | 57 | 13.1 | 6.9 |
| Telecommunications - Service Providers | 6 | 9.1 | 1.8 |
| Hotels, Resorts & Restaurants | 11 | 15.6 | 9.4 |
| **Oil/Refinery/Mining** | **14** | **-18.7** | **6.9** |
| Mining & minerals | 5 | -22.8 | 35.9 |
| Refineries | 4 | -21.3 | 8.3 |
| Oil Exploration | 5 | -5.3 | 0.4 |
| **Others** | **65** | **-8.9** | **0.2** |
| Pesticides & Agrochemicals | 7 | 11.5 | 11.2 |
| Dyes & pigments | 4 | -23.9 | 28.0 |
| Paper & Paper products | 13 | 13.9 | 10.1 |
| Diamond & Jewellery | 5 | -7.4 | 12.6 |
| Rubber products | 6 | 6.6 | -4.4 |
| Plastic products | 23 | -16.6 | 0.4 |
| Paints Total | 3 | 17.1 | 7.4 |
| Industrial Gases & Fuels | 4 | -17.3 | -7.2 |

**Table 9: Net Profit FY**

| Industry | No of companies | Net Profit (Rs Crore) | | | Growth in Net Profit (%) | |
|---|---|---|---|---|---|---|
| | | FY15 | FY16 | FY17 | FY16 | FY17 |
| **Consumer Goods (Non-discretionary)** | **68** | **14,490** | **16,027** | **19,776** | **10.6** | **23.4** |
| Consumer foods | 11 | 833 | 1,001 | 1,099 | **20.1** | **9.8** |
| Sugar | 5 | (44) | 1 | 851 | * | * |
| Tea/Coffee | 5 | 157 | 127 | 217 | **-19.0** | **69.8** |
| Pharmaceuticals & drugs | 37 | 7,076 | 8,669 | 10,724 | **22.5** | **23.7** |
| Household & Personal products | 10 | 6,467 | 6,228 | 6,884 | **-3.7** | **10.5** |
| **Consumer Goods (Discretionary)** | **80** | **3,146** | **4,504** | **4,648** | **43.2** | **3.2** |
| Textiles | 76 | 2,966 | 4,049 | 3,936 | **36.5** | **-2.8** |
| Consumer Durables- Appliances | 4 | 190 | 457 | 713 | **140.6** | **55.8** |
| Consumer Durables-Electronics | 0 | (11) | (2) | (1) | * | * |
| **Automobiles & Related** | **38** | **10,373** | **19,989** | **20,245** | **92.7** | **1.3** |
| Passenger Cars | 2 | 7,032 | 8,569 | 11,293 | **21.9** | **31.8** |
| Tractors | 1 | 75 | 101 | 201 | **34.8** | **99.7** |
| Two & Three Wheelers | 6 | 5,506 | 7,548 | 7,709 | **37.1** | **2.1** |
| Auto Trucks/LCVs | 3 | (4,601) | 168 | (2,237) | * | * |
| Tyres & allied services | 4 | 1,301 | 2,069 | 1,653 | **59.0** | **-20.1** |
| Auto Ancillary | 22 | 1,060 | 1,535 | 1,626 | **44.9** | **5.9** |
| **Capital Goods** | **91** | **(5,008)** | **1,480** | **2,826** | * | **91.0** |
| Engineering | 9 | 37 | 15 | 70 | **-58.4** | **358.3** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Engineering-Industrial Equipment | 39 | 515 | 571 | 884 | **10.9** | **54.6** |
| Electronics -Components | 8 | (4) | 0 | 172 | * | * |
| Electrodes & welding Equipment | 4 | 137 | 151 | 156 | **10.3** | **2.9** |
| Electric Equipments | 20 | (5,157) | 1,314 | 1,827 | **-125.5** | **39.1** |
| IT-Hardware | 4 | (27) | (33) | (7) | **26.3** | **-80.3** |
| Telecom Equipment | 7 | (509) | (538) | (275) | **5.7** | **-48.9** |
| **Metals** | **46** | **17,527** | **(10,758)** | **23,072** | **-161.4** | * |
| Steel & Iron products | 30 | 7,605 | (6,779) | 3,845 | **-189.1** | * |
| Aluminium & aluminium products | 3 | 2 | (13) | 8 | **-687.7** | * |
| Metals - Non-ferrous | 10 | 9,920 | (3,962) | 19,211 | **-139.9** | * |
| Metals - Ferrous | 3 | (0) | (4) | 7 | * | * |
| **Construction/Real Estate** | **72** | **9,293** | **9,896** | **10,308** | **6.5** | **4.2** |
| Cement | 19 | 2,777 | 3,006 | 3,574 | **8.2** | **18.9** |
| Ceramics/Marble/Sanitary ware | 6 | 373 | 460 | 499 | **23.3** | **8.5** |
| Construction - Real Estate | 27 | 1,109 | 1,246 | 950 | **12.3** | **-23.8** |
| Engineering Construction | 20 | 5,033 | 5,183 | 5,285 | **3.0** | **2.0** |
| **Banking** | **38** | **71,542** | **20,368** | **40,250** | **-71.5** | **97.6** |
| Banks - Public | 21 | 34,320 | (19,634) | 474 | **-157.2** | **-102.4** |
| Banks - Private | 15 | 37,222 | 40,002 | 39,777 | **7.5** | **-0.6** |
| **Finance** | **75** | **19,738** | **21,639** | **24,661** | **9.6** | **14.0** |
| Housing Finance | 9 | 10,371 | 12,305 | 15,796 | **18.7** | **28.4** |
| Finance - NBFC | 66 | 9,366 | 9,333 | 8,865 | **-0.4** | **-5.0** |
| **Services** | **85** | **59,290** | **56,109** | **38,892** | **-5.4** | **-30.7** |
| Hospitals & Healthcare Services | 5 | 149 | 176 | 205 | **17.7** | **16.9** |
| Retailing | 6 | 117 | 178 | 275 | **52.3** | **54.5** |
| IT- Software | 57 | 41,448 | 46,523 | 48,762 | **12.2** | **4.8** |
| Telecommunications - Service Providers | 6 | 17,994 | 9,415 | (10,348) | **-47.7** | **-209.9** |
| Hotels, Resorts & Restaurants | 11 | (418) | (182) | (2) | **-56.5** | **-98.9** |
| **Oil/Refinery/Mining** | **14** | **51,258** | **62,254** | **68,900** | **21.5** | **10.7** |
| Mining & minerals | 5 | 13,773 | 16,810 | 14,815 | **22.1** | **-11.9** |
| Refineries | 4 | 20,968 | 29,273 | 36,099 | **39.6** | **23.3** |
| Oil Exploration | 5 | 16,517 | 16,171 | 17,985 | **-2.1** | **11.2** |
| **Others** | **65** | **8,258** | **8,260** | **10,308** | **0.0** | **24.8** |
| Pesticides & Agrochemicals | 7 | 907 | 900 | 1,093 | **-0.8** | **21.5** |
| Dyes & pigments | 4 | 56 | 40 | 80 | **-28.4** | **97.9** |
| Paper & Paper products | 13 | 43 | 242 | (120) | **458.6** | **-149.7** |
| Diamond & Jewellery | 5 | 857 | 703 | 819 | **-17.9** | **16.4** |
| Rubber products | 6 | 51 | 47 | 50 | **-7.8** | **4.7** |
| Plastic products | 23 | 627 | 451 | 617 | **-28.2** | **36.8** |
| Paints Total | 3 | 1,785 | 2,736 | 2,556 | **53.2** | **-6.6** |
| Industrial Gases & Fuels | 4 | 3,930 | 3,141 | 5,213 | **-20.1** | **66.0** |

*Note: * - Values cannot be determined (very high negative positive values)*

Below mentioned are various factors contributing to the growth and de-growth in sales and profit for the FY17 ***as revealed by various companies*** in their investors' presentations;

Most of the industries in Q3 and Q4 2017 that have posted lower growth numbers were affected by the liquidity crunch caused by the demonetization drive of the government. The effect was felt most by the smaller companies as we can also see from the financials. This led to slower movement in the consumer durables, industrial activity, etc which led to lower sales during the quarter.

- **Cement:** The industry sales increased but at a slower rate and performed better at the net profit level registering a growth of about 19% during the year. However, the performance was skewed on account of weak performance in Q3 and Q4 as the industry ***was affected by delay in execution of projects, slow construction activity and surplus inventory in urban real estate. A***s a good proportion of transactions happen on cash basis, the activity had slowed down. However, the year witnessed positive profits margins on account of government spending on infrastructure. Top 5 players in cement industry have recorded a cumulative rise in sales by 4% in FY17.
- **Automobile:** FY17 has been an eventful year for the auto sector. Auto industry impacted sharply on account of the demonetization drive. Total auto industry sales slowed down during the year while at the net profit level, the industry saw a large dip on account of one of the companies in the Trucks/LCVs segment registering huge losses. However Tractors saw a turnaround in situation with sales increasing by a sharp 21% y-o-y and passenger cars sales slowed down and increased by about 9% in FY17. The Auto industry also faced short term headwinds after the BS-III verdict of Supreme Court in Q4 FY17.
- **Passenger Vehicles:** Passenger vehicles posted strong domestic sales during the year ***with new launches and prediction of normal monsoon in FY18.***
- **Two – three wheelers:** Domestic market saw a downward trend in sales during the quarter while export sales grew but at a slower rate***. In domestic markets, as most of the demand comes from tier II and tier III cities, where most transactions happen on a cash basis, the sales took a hit and declined during the Q3 and Q4 FY17.*** With ban on sale of BS III vehicles, players offered heavy discounts in the last week of March 2017 to clear the inventory compromising the profits.

  However, the auto industry is showing signs of recovery post the demonetization drive and the BS-III vehicle ban that affected the industry.
- **Household & personal products:** The demand for the industry being non-discretionary, the industry witnessed positive growth in the sales during the year, however, at a slower rate. ***Despite discounts and schemes offered by various players to maintain the volume sold***, the cumulative profits of the players grew by over 10% during the year.
- **Steel & iron:** Steel industry registered a sharp rise in domestic sales during ***the year with the import duty imposition on steel on back of higher government spending on infrastructure along with improved demand from industries such as auto, consumer durables etc.*** Also, there was a surge in exports during the year. Out of the companies that declared results, top 5 players (accounting for over 90% of the sample) have registered a cumulative sales growth of about 24% y-o-y FY17.
- **Textiles:** Textiles demand during the year improved and players registered a sales growth of about 7% y-o-y vis-à-vis a growth rate of about 3% in the FY16. However, ***with oversupply of cotton and fluctuating crude oil prices, players net profits declined by about 3% y-o-y.***
- **Sugar:** Sugar industry witnessed a double digit growth in net sales during the year. Also, net margins of players improved in FY17 mainly led by higher sugar prices during the year. ***The sector is aided by Central and State Government's rational policies, to ensure sustainability of the Industry and the farmer.***
- **Retailing:** Net sales saw a sharp decline of about 15% as demand remained weak. However, companies posted double-digit profits in FY17.
- **Paints:** ***The industry was impacted by the price decrease as well as demand for core protective coating products being affected by low infrastructure spends by consumers.***

**Table 8: Outlook for FY18**

| Sectors movement – Positive | |
|---|---|
| Automobiles | |
| Commercial Vehicles | On back of higher outlay for infrastructure and transportation segment, it is expected to be positive for the CV segment demand |
| Tractors | Higher allocation for farm credit, prediction of good monsoon and therefore higher farm incomes, 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 during Q3 and Q4 which should manifest in FY18 |
| Cement | Higher outlay and focus on Infrastructure, housing (including affordable housing) and rural development are likely to boost the cement demand over the next 12 months or so |
| 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 |
| 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. With Real Estate (Regulation & Development) Act (RERA) being implemented from May 1, 2017, will help in regulating and increase transparency in the real estate sector by protecting the interests of the buyer and impose penalties on the unruly builders |
| 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 |
| Oil & Gas | In view of the deficit 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 |
| 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 |
| Steel | Demand expected to be up due to the infra thrust of the government. The progress of construction segment including real estate would further provide clues |
| 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. |
| **Sector movement – Can't say** | |
| | |
| 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. |
| 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. The banking sector is going through challenging times with NPAs being the primary concern. Banks have been recognizing and providing for the same which has affected their profitability. Individual banks which are stressed need special attention and the RBI is already in the process of identifying such banks under the Prompt Corrective Action policy being pursued. |
| 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. |

*A major disruption in the performance of industries that cannot be conjectured now would be the implementation of the GST. This would affect specific companies in particular which are not geared for this transformation.*