

Corporate Performance Update (Non-bank companies): Q2 FY19

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Note: The following study includes analysis of company's performance that announced results on or before November 2, 2018. Also, banks have been excluded from the study.

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The results of 783 companies in Q2 FY19 (*Table 1*) over the last year (Q2 FY18) reveals an improved performance picture, with net sales registering a double-digit growth during the quarter over Q2 FY18 performance. Also, after registering a negligible growth of about 0.1% in Q2 FY18, net profits witnessed a growth of about 5.2% y-o-y in Q2 FY19. Net profit margin however, witnessed marginal contraction of about 40 basis points y-o-y during the quarter.

The other operating income of the aggregate sample witnessed a sharp double-digit growth of about 70% y-o-y during the quarter ended September 2018 over a 7.8% y-o-y growth witnessed during the same period previous year and the total expenditure increased by 24% y-o-y in Q2 FY19.

For the aggregate sample, (*Table 1*), operating profit margin contracted marginally on a y-o-y basis but continued to witness double-digit growth of over 19%. In line with operating margins, with increased interest and depreciation cost, the net profit margin continued to remain positive but witnessed marginal contraction of about 40 basis points on a y-o-y basis.

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Table 1: Aggregate performance (all companies)

783 companies	Rs crore			Growth (%)	
	FY17	FY18	FY19	FY18	FY19
Net sales	644,329	695,586	845,002	8.0	21.5
Other Operating Income	2,021	2,179	3,710	7.8	70.3
Total Expenditure	542,315	576,371	714,622	6.3	24.0
Operating Profits	131,242	145,812	161,032	11.1	10.4
Operating profit margin (%)	20.4	21.0	19.1		
Interest	29,397	33,173	38,386	12.8	15.7
Depreciation	20,859	22,139	23,924	6.1	8.1
Net profits	60,280	57,534	66,910	0.1	5.2
Net profit margin (%)	9.4	8.3	7.9		

Source: AceEquity

- For the aggregate sample of 783 companies, sales registered a double-digit growth of 21.5% y-o-y in Q2 FY19 over 8% y-o-y growth during Q2 FY18.
- Total expenses increased at a higher rate of 24% during this period.
- Net profits have registered a growth of about 5.2% compared with a negligible growth of 0.1% during the corresponding period last year.
- Net profit margins witnessed marginal contraction of about 40 basis points during the quarter

Industry-wise highlights - Q2 FY19

1. **Auto ancillary** industry net sales witnessed a double-digit growth of about 20.6% y-o-y over a growth of 7.7% during Q2 FY18. Net profits registered sharp growth of over 50% vis-à-vis a 0.4% increase in Q2 FY18
2. Net sales of **cement and construction materials** industry grew by 16.2% over a growth of 3.3%. However, net profits further declined by over 11% in Q2 FY19 after declining by about 2.7% in Q2 FY18
3. **Chemicals** industry witnessed 21.6% y-o-y increase in net sales and net profits increased by over 30% during the quarter
4. **Construction - Real Estate** industry registered a sharp growth of close to 37% y-o-y in net sales over a growth of about 12% during the same period last year. Net profits witnessed sharp growth as well after declining by about 12% during the corresponding period last year
5. Net sales of **Finance – Housing** industry largely remained stable on a y-o-y basis while the net profits increased by over 20% in the current quarter over a growth of about 13.5% in Q2 FY18
6. **Finance – NBFCs** – net sales continued the momentum registering over 26% growth in Q2 FY19 over a 24% y-o-y growth in Q2 FY18. However, net profits growth almost halved to about 28% y-o-y vis-à-vis a growth of about 50% witnessed in Q2 FY18
7. **Hotels, resorts and restaurants** industry net sales grew by about 5.2% y-o-y in Q2 FY19 after marginally declining in Q2 FY18. Also, net profits witnessed sharp growth during the quarter

8. **IT (Education, hardware, software, networking and BPO/ITeS)** industry witnessed double-digit growth of about 18% y-o-y during Q2 FY19 vis-à-vis a growth of about 4.2% during the corresponding period previous year. Also, net profits witnessed a growth of over 15% during the quarter
9. After remaining stable in Q2 FY18, net sales of **paper and paper products** industry witnessed a growth of over 30% y-o-y in Q2 FY19
10. Net sales of **steel and iron products** industry grew by about 23.5% y-o-y during September 2019 quarter vis-à-vis a growth of about 20% in Q2 FY18

Interest cover

Interest cover (ratio of PBDIT/interest) has been calculated for the sample of 783 companies (excluding banks). *The interest cover was marginally lower at 4.2 in Q2 FY19 from 4.4 times in Q2 FY18.*