

## Q3-FY17 Corporate results: An update

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The trends in corporate results for Q3-FY17 will be keenly monitored since this period coincided with the implementation of demonetization that in turn affected several companies whose business was related to cash transactions on purchase and sales sides. While the complete picture is yet to emerge, the preliminary results of a set of 379 companies does indicate that there would be differential impact on sectors. While aggregate growth in sales has been higher over a negative base year growth in 2015, growth in profit has been lower than that last year. The tables below present the images that are emerging at different stages.

The aggregate sample comprises 379 companies which have witnessed growth of 5.8% in sales over negative growth last year. Net profit has grown at a lower rate of 7.2% as against 11.2% last year. Net profit margin has remained marginally higher at 12.6%.

**Aggregate sample of 379 companies**

379 companies (Rs cr)	2015	2016
<b>Sales</b>	<b>342,239</b>	<b>362,064</b>
<b>Net profit</b>	<b>42,574</b>	<b>45,624</b>
<b>Growth in sales %</b>	<b>-1.1</b>	<b>5.8</b>
<b>Growth in Net profit %</b>	<b>11.2</b>	<b>7.2</b>
<b>Net profit margin %</b>	<b>12.4</b>	<b>12.6</b>

At the next stage banks have been excluded from the sample. Banks have different issues with respect to NPAs and provisioning which impacts their profitability. There is also a difference in performance between public sector and private banks. Similar trends are observed with sales registering similar increase while net profits have grown at a slower rate. Net profit margin remains unchanged.

**Sample of 363 companies excluding banks**

363 companies (Rs cr)	2015	2016
<b>Sales</b>	<b>274,203</b>	<b>290,046</b>
<b>Net profit</b>	<b>35,607</b>	<b>37,857</b>
<b>Growth in sales %</b>	<b>-3.9</b>	<b>5.8</b>
<b>Growth in Net profit %</b>	<b>15.6</b>	<b>6.3</b>
<b>Net profit margin %</b>	<b>13.0</b>	<b>13.1</b>

At the next stage, IT companies have been excluded as the factors affecting them are quite different and typically would not be

susceptible to currency issues. The emerging picture is once again similar when these companies are excluded.

#### 331 companies excluding banks and IT

331 companies (Rs cr)	2015	2016
Sales	219,352	231,391
Net profit	22,353	24,052
Growth in sales %	-7.0	5.5
Growth in Net profit %	21.6	7.6
Net profit margin %	10.2	10.4

At the last stage, two refinery companies have been excluded as this sector has been susceptible to changes in crude oil prices. Doing so reveals that there has been a different pattern. Growth in sales has slowed down from 7.9% to 2.9% as has net profit growth, though profit margin has improved. *It does look like that with a larger sample it will be possible to segregate among the non-IT, non-bank and non-refinery sector, the industries that have witnessed a slowdown in growth in sales which can be attributed to demonetization.*

#### 329 companies excluding Refineries

329 companies (Rs cr)	2015	2016
Sales	157,703	162,322
Net profit	15,038	15,738
Growth in sales %	7.9	2.9
Growth in Net profit %	7.6	4.7
Net profit margin %	9.5	9.7

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