Industry Speaks - Q1 FY19 Update

August 9, 2018

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Please find below highlights on various industries contributing to the performance of the companies as revealed by the corporates in Q1 FY19 performance update.

- **Banking**

- **Bank of Maharashtra:** Bank of Maharashtra's June quarter net loss nearly trebled to Rs 11.19 billion as bad loans spiked, resulting into higher provisioning coverage. The bank's gross non-performing assets (NPAs) worsened to 21.2% of the gross advances by June-end 2018 against 18.6% by June last year.

- **Dena Bank:** Dena Bank's net loss widened to Rs 7.2 billion for the first quarter (April-June, or Q1) of this fiscal year FY19 on a sharp rise in provisions for bad loans. Dena Bank is under PCA because of high bad loans. This has put it under restrictions on growing its loan book; it has to focus on recoveries, control expenses, and conserve capital.

- **Syndicate Bank:** State-owned Syndicate Bank said it losses have widened to Rs 12.8 billion during the quarter ended June, as bad loans rose. Besides, ther significant fall in interest earned on balances with RE other inter-bank funds. Due to rise in portion of bad the bank parked aside a higher provisioning amou NPAs at Rs 17.7 billion in June quarter, as against Rs billion a year ago.

- **Punjab National Bank:** Punjab National Bank reported a lower-than-expected net loss in the first quarter. PNB, which had set aside 50% of the provision requirement of Rs 7,178 crore in the March quarter, provided another Rs 1,863 crore in the June quarter. The remaining provision will be spread over the September and December quarters. This means the bank will have to take about 37% hit on account of the fraud over the next two quarters. The bank saw substantial recoveries during the first quarter of FY19. The bank aims at recovering Rs 20,000 crore overall by the end of September. Fresh slippages, or new loans turning bad, fell on a sequential basis to Rs 5,250 crore in the three months ending June 2018.

- **Indian Bank:** Total income during the first quarter of FY19 increased to Rs 51.3 billion from Rs 47.9 billion in same period of FY18 on good interest and investment earnings. Even as bank's ratio of bad loans fell from a year ago, in absolute terms the NPAs were high, showed the financial results of the lender in exchange filing.

- **Automobiles**

- **Mahindra and Mahindra Ltd.:** Consumption, both rural and urban, remains healthy. A normal monsoon, with a satisfactory temporal and spatial distribution, combined with the recently approved higher MSP for kharif crops should help support rural consumption further. Improving capacity utilization and credit offtake too augur well for investment activity. However, the recently announced and anticipated tariff increases by the United States and retaliatory measures by trading partners have increased the likelihood of escalating and sustained trade actions. These could pose risks to global recovery and investments. The numbers were supported by lower base as the industry volumes were hurt in the year-ago quarter due to the slowdown in demand preceding the implementation of GST in July 2017 and commercial vehicle volumes were adversely impacted due to supply constraints arising from implementation of BS IV norms.

- **TVS Motors:** TVS Motor Company posted 13.2% increase in profit after tax (PAT) at Rs 146.6 crore for the June quarter, riding on the back of robust sales across verticals. During the reported quarter, the overall two-wheeler sales of the company including exports grew 14% to 8.93 lakh units from 7.85 lakh units in the same period of FY18. Motorcycles sales grew 17% to 3.87 lakh units as compared with 3.3 lakh units in Q1 FY18. Scooter sales grew 12% to 2.88 lakh units as compared with 2.58 lakh units in the year-ago period. Total exports of the company grew 52% to 1.90 lakh units from 1.25 lakh units in the quarter ended June 2018.

- **FMCG**

- **Nestle India:** Nestle India Ltd, the local entity of Swiss packaged food maker Nestle SA, reported a 50% jump in its net profit for the quarter ended 30 June 2018, backed by lower cost of raw materials. The market momentum continued to be favorable and the company has sustained broad based volume growth across categories. There is an improvement in margins due to favorable cost of commodities and cost efficiency programs. However, the company is now witnessing headwinds in commodity prices. The growth rates are adversely impacted due to lower reported sales by the change in structure of indirect taxes and reduction in realisations to pass on the GST (Goods and Services Tax) benefits. On a comparable basis, domestic sales growth is ‘estimated’ at 14.5% supported by increase in volumes on a base impacted by softer trading ahead of the rollout of GST.

- **Britannia Industries Ltd.:** The Company has witnessed positive momentum in the market over the last few quarters. The double digit growth for the quarter is backed by a double digit volume growth primarily due to our investment in brands and widening our distribution network through focus on direct reach, rural market and weak states. The company continued their Premiumisation & Innovation journey with launch of "Triple Chocolate Chunkies", "Wonderfulls Butter Jeera & Mixed fruit", & "Multi Grain Rusk".

- **Parag Milk Foods Ltd.:** Growth is driven by an increase in revenue from Milk Products of 41% y-o-y which is led by growth in key product categories. Gross profit margins expanded mainly due to increase in revenues and efficient procurement prices. EBITDA Margin stood at 10.9% for Q1FY19 vis-à-vis 6.9% for Q1FY18 due to operating leverage and higher capacity utilizations.

- **Consumer Durables**

- **Blue Star:** Revenue growth during the quarter was driven by enhanced demand for chillers and VRF systems. Profitability improved mainly due to savings attained in project procurement costs and a better margin profile of projects closed in Q1FY19. Unitary Products revenues declined by 4% to Rs 830.76 crores from Rs 861.33 crores primarily due to soft summer conditions and unseasonal rains which reduced demand. However, Segment Results were flat at Rs 95.01 crores compared to Rs 95.29 crores during the same period in the previous year due to a better product mix and cost rationalization measures. The Professional Electronics and Industrial Systems Business revenues decreased by 3% from Rs 59.54 crores in Q1FY18 to Rs 57.71 crores, while the segment results declined by 13% to Rs 8.28 crores in Q1FY19 mainly due to changes in the products mix. The segment witnessed enhanced demand from the healthcare sector.

- **Bajaj Electricals:** Bajaj Electricals posted a 98% y-o-y increase in its net profit for the June quarter to Rs 40.5 crore, on the back of strong growth in its consumer durables business. The consumer durables segment overtook engineering, procurement and construction (EPC) to become the largest contributor to the company's overall revenue. Among the various segments it operates in, Bajaj Electricals fared the best in the consumer products segment, revenue from which rose 27.1% y-o-y to Rs 596.86 crore. Revenue from the EPC business fell 3% on year in the quarter under review to Rs 542.96 crore. This was because the costs incurred by the company to set up infrastructure for new power distribution orders from Uttar Pradesh impacted its margins. Revenue from consumer products segment grew on back of strong growth in LED products, fans and certain kitchen and domestic appliances

- **Textiles**

- **Arvind Ltd.:** Backed by the strong performance of Branded Apparel business the Company delivered an impressive EBITDA growth of 18% accompanied by an increase in top-line of 10%. Profit after Tax (PAT before exception items) grew by 13% to Rs 75 crore. Power Brands - Arrow, US Polo Association, Flying Machine and Tommy Hilfiger - grew by strong 16% (20% adjusted for GST). Unlimited - the value retail offering - grew by 20%. ***Outlook:*** Branded apparel segment is likely to continue its industry leading 20% plus growth momentum and steady margin expansion is expected. Garment volumes up ~20% following the verticalization strategy - greenfield expansion across 3 new states underway. Fabric volumes held nearly steady despite GST related base effect and Denim industry overcapacity. ***Outlook:*** Branded Apparel segment is likely to continue its industry leading 20%+ growth momentum and steady margin expansion is expected. Backed by garment expansion and new products, Textiles segment is likely to grow by 10% with improving margins.

- **Hospitality & Tourism Services**

- **Thomas Cook (India) Ltd.:** Travel Businesses revenue from operations increased 12% in Q1 FY19; EBIT registered a growth of 9% y-o-y on a comparable basis. Inbound business which registered a growth of 21% and 71% y-o-y in sales and revenue respectively led by higher volumes and better margin management. The Holidays business registered a sales growth of 14% and MICE a growth of 23% over the corresponding period. The Company's focus on sales analytics has resulted in a strong forward booking position – up by over 31%.

- **Gems & Jewellery**

- **Titan Company Limited:** The Company reported a growth of 31.4% in profit before tax for the quarter. All core businesses have shown a healthy growth in profit in addition to market share gains. The modern retail formats for our Watches business have recorded good growth. The jewellery industry went through a soft patch in the first quarter with decline in imports of gold by 39%. Despite the single digit revenue growth of our jewellery business in Q1, the profits grew by a healthy 16%. The Company has put together plans to stimulate demand for all its product categories through innovative advertising campaigns and new product launches in the coming quarters.

- **Paper and Paper Products**

- **Astron Paper and Board Mill Limited:** EBIDTA margins improved 13.40% during the current quarter, on back of better efficiencies and higher volumes. Over the last couple of years the Installed Capacity has increased from 66000 MT at (Halvad) one location in FY15 to current 120000 MT (at Halvad & Bhuj). This is being further expanded through expansion as well as acquisitions. With all expansions in place, the current manufacturing capacity by end FY19 is estimated at 174,600 tpa. The product range will expand to include both High RCT paper and GSM range from 80 to 350 GSM with 22 -35 BF. Since inception waste paper has been used as raw material instead of traditional usage of wood thus promoting the eco-friendly world. The plant is situated near the Mundra & Kandla port giving it lo cational advantage. We have firmly rooted ourselves in the Kraft Paper and packaging space and aspire to continue our strong growth momentum over the next couple of years and remain focused on growing operating and profitability margins.

- **Oil and Gas (Oil Marketing and Distribution)**

- **Gulf Oil Lubricants:** Gulf Oil Lubricants India achieves record growth in volumes of 33% yoy in Q1FY19. The higher volumes are on account of good demand conditions, effective distribution initiatives, brand building and new customer acquisition

- **Oil and Gas (Refineries & Petro/Oil Marketing and Distribution)**

- **BPCL:** The market sales were higher at 10.97 MMT as compared with 10.04 MMT achieved during the quarter ended 30th June 2017. The increase was mainly accountable in MS - Retail (5.97%), HSD - Retail (3.52%), LPG (11.01%) and ATF (26.43%) which is partly offset by decrease in SKO PDS (-14.75%). The Average Gross Refining Margin (GRM) during the quarter ended 30th June 2018 is 7.49 USD per barrel (April – June 2017: 4.88 USD per barrel)

- **HPCL:** Average Gross Refining Margin during the quarter was US $ 7.15 per BBL as against US $ 5.86 per BBL during the corresponding previous quarter. Domestic sales increased to 9.64 MT as compared with 9.20 MT in the corresponding quarter and the pipeline throughput increased to 5.45 MT as compared with 4.65 MT in the same period last financial year.

- **Aluminium**

- **NALCO:** The Company has achieved significant growth mainly from the Alumina segment. During the quarter, bauxite production was 18.59 lakh tonnes, as against the 18.81 tonnes produced during corresponding period of previous year. Alumina hydrate production was 5.83 lakh tonnes, which is 10.74% higher as compared with 5.26 lakh tonnes, 1.10 lakh tonnes of aluminium, which was 8.85% higher than 1.01 lakh tonnes produced during the corresponding period of last fiscal.

- **Media and entertainment**

- **DEN Networks:** Cable subscription rates have been increasing consistently Y-o-Y, further increases have been announced in July' 18, which has a huge upside potential for the industry as content cost should become a pass through. TV owning households in India have grown by 7.5% to 197mn in 2018. ARPUs of cable TV from phase1, 2, 3 and 4 cities are Rs. 144, 110, 80 and 64 respectively. Phase 3 realizations are moving towards Phase 2 ARPU's , Phase 2 realisations inching up to align with Phase 1 while Phase 1 ARPU's continues to trend upwards. Broadband subscribers of the company have grown to 1.06 lakh, while ARPU stands at Rs.552.

- **Glass**

- **Asahi India Glass:** The Company reported sales of Rs.746.25 crores in Q1 FY19, as compared to Rs.680.52 crores in Q1 FY18. About 60% revenue contribution comes from the automotive glass segment and remaining from float glass segment.

- **Power**

- **Inox Wind:** Inox Wind turns back into profitability after a 4 quarter gap on back of start of SECI-1 execution. Strong order book of 950MW. In discussions for additional orders from other winning IPPs. Look forward to FY19 as being a strong turnaround year for the sector driven by execution of SECI & state orders. The company has witnessed near-halving of Net Receivables, which has led to 43% reduction in working Capital requirement. The impact of 7.5GW auctions conducted over the last 15 months would be visible in installations in FY20.

- **Ceramics**

- **Somany Ceramics:** Somany Ceramics Ltd's revenue in Q1 FY19 grew 14.8% y-o-y to Rs 380.72 crore against Rs 331.64 crore in Q1FY18, driven by volume growth. Q1FY19 tiles volume stood at 11.00 MSM against 9.33 MSM in Q1FY18. The company looks forward to strengthen its BATHWARE Brand Segment which registered a 75% growth, contributing 10% to overall sales in Q1 FY19. The product portfolio under the Glazed Vitrified Tiles is also set to expand. The FII investments in the company have marginally declined. Capacity utilization of Kassar and Kadi plant stood at 81% and 82%, respectively, in Q1FY19 and is likely to further benefit from the reduction in VAT levied on natural gas by the Haryana Government.

- **Drugs & Pharma**

- **Cipla Ltd:** The company reported strong growth across India, South Africa and API business. The key differentiated launches in the US included Isoproterenol HCI injection and Testosterone Cypionate injection. The company is pleased with its performance in the quarter as it demonstrates the company’s strong foothold and continued growth momentum in its home markets. The limited competition launches in the US were in-line with the company’s expectations and it is looking forward to more interesting launches in the coming weeks. Business development efforts saw a significant boost - India partnership with Roche and Eli Lilly, in-licensed biosimilars in emerging markets and the proposed acquisition of Mirren (Pty) Ltd in the South African OTC space. These efforts will help drive portfolio build-up and sustainable growth in these markets. The company continued to retain its focus on quality with EIR received for its Goa & Indore plants.

- **Lupin Limited:** The first quarter of FY2019 has been subdued, primarily on account of the US and Japan. The company have made meaningful progress in building its complex generics and specialty business with the launch of Solosec™ in the US and its successful partnership to commercialize biosimilar Etanercept with Nichi-Iko for Japan and Mylan for Europe and other markets. The company remain committed to accelerating new product introductions, evolving its business and delivering on operational and cost efficiencies.

- **Steel**

- **SAIL Limited:** SAIL posted strong profit in Q1FY19 which indicated an acceleration of the overall performance of the company through concerted efforts of the entire collective. The company is bringing comprehensive improvements in its entire operations which are backed by efforts for improving efficiencies and improved techno- economic parameters. In the first quarter of FY19, the saleable steel production was 3.61 million tonnes which rose 13% over the corresponding period a year ago. The sales volume at 3.27 million tonnes in Q1FY19 was also 8% higher over the same period last year and the EBITDA per tonne of sales at Rs.8,211 for Q1FY19 reflected a robust functioning of all the processes. The company recorded improvement in all the techno-economic parameters including coke rate by 3%, blast furnace productivity by 2% and specific energy consumption by 3% over the corresponding period a year ago. The operational performance of the company has recorded improvement over the past many quarters and this trend is likely to continue and it has taken several new initiatives which will help in improving its physical and financial performance.

- Sugar

- **Shree Renuka Sugars Limited:** In the month of June 2018, government of India implemented a release mechanism as an initiative to counter falling sugar prices. Under this mechanism each sugar mill is allotted a quota thereby limiting the quantity of sugar that can be sold in the market. Consequently, sales were lower in the June 2018 quarter as against the comparative period. The Company has incurred continuing losses in the previous year ended March 31, 2018 and in current quarter.

- **Balrampur Chini Mills Limited:** The sugar industry is currently facing severe headwinds owing to record domestic production. This has led to a large unsold inventory and highly depressed sugar prices. Sales during Q1FY19 was 26.65 lac quintals as compared to 24.59 lac quintals during Q1FY18 and sugar realizations for the quarter stood at Rs.28.4 per kg compared to Rs.36.7 per kg in Q1FY18. The large disparity in input costs and realizations has impacted profitability of all sugar mills and subsequently their ability to pay farmers. The company’s sugar division’s performance is also in-line with the tough operating environment. The distillery and cogeneration segments have contributed positively owing to higher volumes. The central government did intervene and introduce various measures to improve the dynamics of the sector. However, the industry is still under considerable stress. With expectations of higher sugar output for the next season, the company is hopeful that the both central and state government would take a more proactive approach and adopt a rational cane pricing policy**.**

- **Dalmia Bharat Sugar and Industries Limited:** There is a dip in profitability of sugar segment due to lower sugar prices as compared to corresponding quarter though this has been mitigated by higher profitability in cogeneration and distillery segment. Operational performance during the quarter has been satisfactory. On the back of record breaking sugar production of 32.2 million tonnes in the sugar season 2017-18 and expected 35.5 million tonnes for sugar season 2018-19, outlook for sugar industry continues to be challenging. The government has come up with measures, which have shown some positive impact on sugar prices. However for long term improvement of health of the industry, linkage of cane prices with sugar prices is the key factor.

- **E.I.D.-Parry (India) Limited:** The performance of the company in Q1FY19 has been largely impacted due to the depressed sugar prices on account of higher sugar production in the country compared to previous sugar year. The price of sugar has gone down below cost of production due to mismatch in demand and supply position of sugar. The consolidated sugar operations of the company reported increase in losses on a y-o-y basis. The government of India has been supportive in taking necessary measures like monthly release order mechanism and specifying the minimum support price for sugar at Rs.29/kg from the month of June, 2018 to maintain the stability in sugar prices. However, low monthly release order quantity has impacted the sales, profitability and cash flows of the company. Export quota and the related subsidy given by government of India to sugar mills is not beneficial to the company on account of lower international sugar prices compared to domestic market and also the lower government incentives. Nutraceuticals business revenue grew y-o-y with improved profitability.

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