

Corporate Performance: H1-FY15

Overview:

A study of the performance of 3,042 companies showed that net sales increased by 3.7% in Q2-FY15 compared with 9.4% in the previous year while net profit increased by 14.7% compared with a negative growth of 24.0% in Q2-FY14. Half yearly performance for 2,913 companies show that net sales increased by 6.4% (8.6%) and net profit by 21.6% (6.3%).

However, a sub-sample of 2,986 companies (excluding banks, IT and oil companies) showed that net sales increased by 6.4% in Q2-FY15 as against 6.7% in the previous year while net profit increased by 28.7% (-16.6% last year). Lower growth in costs, especially interest costs did assist in pushing the profits up. Consequently net profit margins increased to 8.1% as against 6.7% in Q2-FY14.

When looking at the half yearly performance (2,759 companies excluding banks, IT and oil companies), net sales increased by 6.3% in H1-FY15 as against 6.9% in the previous year while net profit increased by 23.4%. Net profit margins increased to 8.4% as against 7.2% in H1-FY14.

Table 1 and provides information on the financial performance of Q2 FY15 over Q2 FY14

Table 1: Performance summary 2,986 companies

Growth rate (%)	Q2 FY14	Q2 FY15
Net sales	6.7	6.4
Expenditure	7.5	4.9
Interest Expenses	23.7	9.9
PAT	-16.6	28.7
Ratio		
Net Profit Margin	6.7	8.1
Interest Cover	2.2	2.4

Source: ACE Equity

Table 2: Performance summary of 2,759 companies

Growth rate (%)	H1 FY14	H1 FY15
Net sales	6.9	6.3
Expenditure	7.6	4.8
Interest Expenses	20.2	12.8
PAT	-10.2	23.4
Ratio		
Net Profit Margin	7.2	8.4
Interest Cover	2.3	2.4

Source: ACE Equity

Table 1 and 2 provides the information of the financial performance of a sub-sample of the aggregate excluding Banks, IT and oil companies. The overall performance of these companies can be attributed to the following factors:

- Net sales registered a growth of 6.3% in H1-FY15 compared with 6.9% in the previous year.
- Aggregate expenditure across companies was recorded at 4.8% in H1-FY15 as against a higher growth of 7.6% in H1-FY14.
 - Salaries and wages registered a negative growth of 1.8% in H1-FY15 as against a growth of 14.1% in H1-FY14.
 - Also, growth in interest expenses was seen at 12.8% lower than 20.2% recorded earlier. The growth in bank credit witnessed a decline from 7.4% in H1-FY14 to 4.6% in H1-FY15. The lower growth in interest expense was on account of lower off take in credit.
- Net profits registered a significant growth of 23.4% in H1-FY15 compared with negative 10.2% growth in H1-FY14. Low base effect contributed to the higher growth in net profit.
- Net profit margin, defined by the net profit to net sales ratio also increased in H1-FY15 at 8.4% over 7.2% in H1-FY14.
- Interest cover, defined as the Profit before Interest and Tax (PBIT) to interest increased marginally from 2.3 in H1 last fiscal to 2.4 in H1 of the current fiscal.

Banking sector

- The financial performance of 40 banking companies indicate that the aggregate net sales (interest earned) increased by 11.8% in the first half of the current financial year as against 11.0% recorded in the corresponding period of the previous fiscal.
- Provisions and contingencies, which includes provisions for NPAs declined by 3.9% vis-a-vis a positive growth of 53.7% over the corresponding period in H1-FY14.
- Net profits recorded an increase of 13.1% as against growth of -10.8% in H1-FY14. The net profit margin increased marginally to 9.1% in H1-FY15 as against 9.0% in the same period last year.
- **The gross NPA ratio increased to 4.1% in H1 FY15 compared with 3.9% in H1 FY14.**
- **27 out of 40 banks witnessed an increase in their Gross NPA ratio while 13 banks witnessed a decline.**
- On the positive side, all the banks have maintained capital adequacy ratio of above 10%.

Table 4: Performance summary of 40 banks

Growth Rate (%)	H1 FY14	H1 FY15
Net Sales	11.0	11.8
Provisions and contingencies	53.7	-3.9
PAT	-10.8	13.1
Net Profit Margin	9.0	9.1
Gross NPAs	3.9	4.1

Source: ACE Equity

IT

A sample of 120 companies showed that net sales increased by 11.2% in H1-FY15 as against 22.3% in the previous year while net profit increased by 17.4% (24.2% last year). Profit Margin show an improvement to 20.8% as against 19.7% in H1-FY14

Oil Companies

A sample of 9 companies showed that net sales stood at 3.9% in H1-FY15 as against 8.8% in the previous year while net profit increased by 31.3% in H1-FY15. Profit Margin show an improvement to 3.6% as against 2.8% in H1-FY14

Industry wise analysis

An industry wise performance covering 45 sectors has been evaluated here in terms of growth in sales and profitability in H1-FY15 compared with H1-FY14.

- Growth in net sales was positive across 40 sectors, with nineteen sectors witnessing double digit growth.
 - Highest growth was registered by Dyes & Pigments (32.0%), followed by Mining & Minerals (29.3%), Electronics (17.1%) and Gases & Fuels (15.3%)
 - A robust growth in sales was witnessed in case of mining & minerals segment which is in line with the significant increase in output as revealed by the IIP.
 - Negative growth was witnessed by 5 sectors namely Sugar (-3.6%), Tea/Coffee (-6.3%), Diamond & Jewellery (-8.5%), Engineering (-9.3%) and Electric Equipments (-12.4%)
- Growth in net profit was positive for 32 sectors while 13 industries register negative growth.
 - Industries which witnessed a significant improvement are Pharmaceuticals (6.0% to 74.0%), Plastics (-24.7% to 48.7%), Fertilizers (-45.1% to 43.4%), Consumer Durables (-9.2% to 33.3%), Diesel Engines (-11.5% to 26.9%), Consumer Food (10.0% to 20.7%) and Chemicals (-43.3% to 18.4%)
- Profit Margins improved for 24 industries, some of which witnessed improvement are;
 - Metals (37.2% to 40.8%), Pharmaceuticals (13.4% to 20.7%), Diesel Engine (11.7% to 13.5%) and Telecom (2.1% to 11.7%)
- Profit margins moderated for 19 sectors; it included sectors such as Mining & Minerals (40.4% to 29.5%), Tea/Coffee (15.3% to 10.8%), Breweries & Distilleries (19.4% to 10.7%) and Automobiles (6.3% to 5.0%)

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Annexure

Table 1: Growth in Net Sales and Net Profits

Industry	Growth %	No of Companies	Net Sales		Net Profit	
			H1 FY14	H1 FY15	H1 FY14	H1 FY15
Abrasives		4	2.9	8.4	-8.4	3.4
Air conditioners		4	1.1	14.3	-23.1	94.8
Auto ancillary		85	-2.0	13.1	-6.7	7.4
Automobiles		19	-3.9	8.2	-6.2	-14.0
Bearings		11	10.2	5.3	26.2	21.2
Breweries & Distilleries		15	2.4	2.2	*	-43.9
Cable		23	-1.6	12.9	0.1	11.1
Casting/Forging		24	-5.1	15.0	-17.2	69.4
Cement & Construction activities		40	-0.2	9.6	-47.6	15.6
Ceramics & Sanitary ware		25	13.7	14.2	-72.9	5.7
Chemicals		114	-4.0	8.1	-43.3	18.4
Consumer Durables		26	8.2	8.5	-9.2	33.3
Consumer Food		90	11.3	11.1	10.0	20.7
Diamond & Jewellery		37	3.4	-8.5	*	*
Diesel engine		6	-9.0	9.6	-11.5	26.9
Diversified		18	-3.7	5.1	-10.7	-39.8
Dyes & Pigment		27	18.4	32.0	124.3	82.1
Electric Equipments		40	-8.4	-12.4	*	*
Electrodes & Welding equipment		9	-16.0	3.9	-43.2	9.4
Electronics		35	2.1	17.1	-81.7	120.9
Engineering		160	-3.3	-9.3	-35.2	-42.7
Fertilizers		20	3.1	11.4	-45.1	43.4
Finance		513	19.4	14.1	14.3	15.4
Gases & Fuels		18	22.3	15.3	-23.7	11.3
Glass		11	8.9	5.6	114.8	-88.4
Hotel		46	6.3	5.9	*	-32.8
Household & Personal Products		18	9.9	13.3	0.3	6.5
Metals		36	10.0	3.9	6.4	13.9
Mining & Minerals		28	67.1	29.3	-16.6	-5.7
Packaging		50	3.3	11.4	*	-65.1
Paints		9	12.7	15.1	9.4	11.9
Paper & Paper products		42	14.2	6.1	6.2	-88.7
Pesticides		23	27.4	13.3	42.5	18.9
Pharmaceuticals		138	11.3	11.2	6.0	74.0
Plastic		86	12.2	7.9	-24.7	48.7
Power Generation		31	4.7	11.2	-15.0	12.1

Printing	26	12.1	7.5	3.7	7.3
Real Estate	135	3.0	4.7	-37.0	8.3
Steel & Iron	33	-13.2	7.9	-84.5	*
Sugar	36	-2.1	-3.6	*	-38.4
Tea/Coffee	26	30.1	-6.3	17.6	-33.8
Telecom	24	11.1	10.6	-3.2	*
Textiles	304	11.2	3.0	-37.5	82.6
Tyres & Allied	7	1.7	7.8	43.6	22.9
Wood & Wood Products	11	11.2	8.2	-36.6	158.3

*Unusually high growth rates (positive as well as negative)

Table 2: Net Profit Margin

Industry	Growth %	No of Companies	Net Profit Margin	
			H1 FY14	H1 FY15
Abrasives		4	8.3	8.0
Air conditioners		4	2.6	4.5
Auto ancillary		85	4.6	4.4
Automobiles		19	6.3	5.0
Bearings		11	7.7	8.8
Breweries & Distilleries		15	19.4	10.7
Cable		23	3.0	3.0
Casting/Forging		24	5.2	7.7
Cement & Construction activities		40	4.2	4.5
Ceramics & Sanitary ware		25	-0.4	-0.3
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Diesel engine		6	11.7	13.5
Diversified		18	7.8	4.4
Dyes & Pigment		27	5.2	7.2
Electric Equipments		40	-0.6	-1.9
Electrodes & Welding equipment		9	5.7	6.0
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Glass		11	-2.7	-0.3
Hotel		46	-16.4	-10.4
Household & Personal Products		18	14.3	13.5
Metals		36	37.2	40.8

Mining & Minerals	28	40.4	29.5
Packaging	50	-3.6	-1.1
Paints	9	9.4	9.1
Paper & Paper products	42	0.4	0.0
Pesticides	23	9.6	10.1
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