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March quarter review: PAT sinks, sales falter, 'Acche Din' still away!

As Dalal Street gets into the thick of earnings season, it's safe to conclude the corporate results released so far have not disappointed investors and can at best be called a mixed bag.

Data available with database AceEquity showed a total of 209 BSE500 companies have declared their March quarter earnings so far. These 209 companies have together reported a meagre combined net sales growth of 1.13 per cent on quarter-on-quarter (QoQ) basis and 3.75 per cent on year-on-year (YoY) basis to Rs 4,54,042 crore in Q4.

The combined net profit for these companies degrew by nearly 2 per cent YoY, while it grew 14.46 per cent sequentially to Rs 55,740 crore in the fourth quarter, compared with Rs 56,844 crore the firms reported in the corresponding quarter of last year.

"As expected the topline was muted as the economy has not been performing well. But corporates were able to manage the bottomline through cost cutting measures on account of lower inputs costs," independent market analyst, Ambareesh Baliga said.

Vikas Gupta, CIO, ArthVeda Capital pointed out that given the weakness in commodity prices globally, commodity producers and commodity-linked businesses have had a significant drag on combined corporate earnings during the quarter gone by.

Broader picture

Among the sample companies, 194 have reported profits, while 15 slipped in losses.

During the quarter, a total of 37 companies reported net sales growth in excess of 20 per cent, 17 in excess of 15 per cent and 31 in excess of 10 per cent YoY.

Kotak Mahindra Bank (65 per cent), Grasim Industries (up 47.18 per cent), Adani Ports (45.60 per cent), Shriram Transport (26.25 per cent) and Indiabulls Housing Finance (up 25.84 per cent) remained some of the companies, which reported highest sales growth in the over Rs 2,000-crore revenue club.

On the bottom line front, 87 companies reported over 20 per cent profit growth, 14 over 15 per cent and 22 over 5 per cent growth YoY.

Vedanta reported a standalone net profit of Rs 3,882 crore for the March quarter, up Rs 576 per cent from Rs 573.79 crore in the year-ago quarter.

Grasim Industries' standalone net profit grew 573 per cent YoY to Rs 208.59 crore from Rs 30.97 crore in the year-ago quarter.

Hero MotoCorp, HDFC, Coromandel International, Kotak Mahindra Bank, TVS Motors and Yes Bank reported profit growth anywhere between 25 per cent and 35 per cent.

Turnaround cases

Among the companies that staged a turnaround, Cairn India reported a standalone net profit of Rs 347 crore for the quarter, compared with a net loss of Rs 1044 crore in the year-ago quarter. OBC, Chambal Fertlisers,

BASF India and Phoenix Mills remained other firms that reported profits in Q4FY16 against losses in Q4FY15.

Jindal Steel narrowed its losses to Rs 146 crore against Rs 235 crore in the year-ago quarter, AceEquity data suggested.

FY17 Outlook

Experts believe India Inc will clock double digit growth in the fiscal year 2017, if the forthcoming monsoon season doesn't get delayed.

"If monsoon is normal then automobiles, agriculture related firms, private banks and FMCG would do well. Cement due to over capacity, highly leveraged infra companies and real estate due to lack of pick-up in demand would suffer," told G Chokkalingam, Founder & Managing Director, Equinomics Research & Advisory to Business Today online.

Baliga said given the lower base of FY16, aggregate corporate earnings growth could achieve low double digit growth in FY17.

"Going ahead, a low double digit growth rate can be expected as multiple tailwinds exist, namely expected lower interest rates (lower interest cost), debt reduction and continued low input costs due to subdued commodity prices, at least for the next 2 quarters," said Baliga.

"With the UDAY scheme, finances of State Electricity Boards (SEBs) would improve in future. Impact of pick up in various infrastructure projects will be felt in near term. The various infrastructure projects which have taken off will have a trickle-down effect," added Baliga.

Sectors that will lead the growth

Automobile and Rural theme are expected to perform well, to start off with. Since economy is expected to perform well overall, sectors such as Engineering, Infrastructure, Capital Goods, Power Ancillaries and Cement too will do well.

Sectors that will face tough time

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Infrastructure and construction related companies will continue to struggle for some more time; especially those which do not have viable projects to be completed quickly and brought online.

Banks may continue to be under pressure due to the NPA situation for another 2 quarters, but the situation seems to be priced in to a large extent. The USFDA issues will continue to bother the Pharma companies and headwinds faced by the IT companies is expected to keep pressure on the IT majors.