NO RECOVERY YET

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It was another muted quarter for India Inc, with aggregate profit growth at both the operating and net level growing at only under one per cent over a year-ago period. The sample is of 2,300 companies which have declared results so far. The numbers are worse for the benchmark indices such as the Nifty, where operating and net profit are down between three-five per cent over the year-ago quarter, with aggregate numbers below expectations.

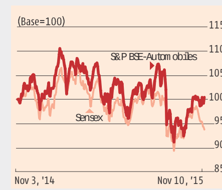
For the broader universe, while companies benefited from lower raw material costs, boosting gross profit margins, higher employee costs and other expenses limited gains at the operating level. Gains at the net level were negated by higher depreciation and interest costs.

Broadly, capital goods, metals, cement and fast-moving consumer goods disappointed, while financials and information technology delivered largely in line with expectation. Companies in the pharmaceutical (barring Lupin and Sun Pharma), automobile (except for Tata Motors and Eicher) and oil marketing surprised positively.

Analysts at Kotak Securities say the underlying trends of volumes, order book and non-performing loans indicate economic recovery remains elusive. What has aggravated matters across the consumption space is lack of rural demand due to unseasonal poor rain.

AUTOMOBILES

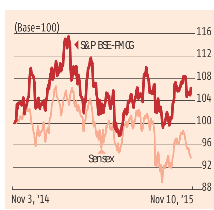
Sep 2015 quarter (% change y-o-y)	Sales	PBIDT	Net profit	Price (₹) Nov 10	FYTD# % Chg
Maruti Suzuki	13.2	40.4	42.1	4,715	27.5
Tata Motors*	1.1	-54.4	-	408	-25.0
M&M	-1.8	1.1	-2.4	1,262	6.3
Bajaj Auto	2.6	63.3	57.9	2,442	21.0
Hero MotoCorp	-1.7	5.1	1.1	2,657	0.6



- Lower raw material costs helped auto makers beat margin estimates
- Volume growth helped commercial vehicle makers post robust revenue growth, but tractors disappointed on weak rural demand
- Festive season to boost sales but discounts remain high in M&HCVs, cars
- Demand woes saw most auto component makers post a muted show
- Tata Motors was the key underperformer on JLR one-offs and lower margins but Maruti, Bajaj Auto and TVS Motor did well

FMCG

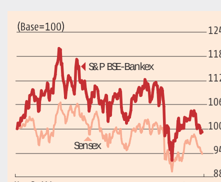
Sep 2015 quarter (% change y-o-y)	Sales	PBIDT	Net profit	Price (₹) Nov 10	FYTD# % Chg
ITC	-1.4	3.0	0.3	337	3.4
Hindustan Unilever	4.7	-0.3	-2.6	803	-8.0
Nestle India	-32.1	-50.6	-60.1	6,067	-12.6
United Spirits	5.7	486.8	-	3,486	-4.8
Dabur India*	8.7	17.8	18.7	265	-0.2



- Higher ad spends and price cuts brought healthy volume growth amidst soft demand
- Lower realisations pulled down revenue growth to multi-quarter lows
- Handsome margin expansion, even as some cost savings were passed on to consumers
- ITC's cigarette volumes continued to fall due to tough regulatory environment but margins were up 100 bps; slower FMCG growth a concern
- HUL's volumes grew 7% but pricing deflation in soap and detergents offset gains in other segments; one-offs impacted net profit

BANKS

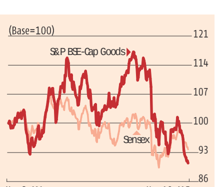
Sep 2015 quarter (% change y-o-y)	Net interest income	Operating profit	Net profit	Price (₹) Nov 10	FYTD# % Chg
State Bank of India	7.4	20.6	25.1	241	-9.6
HDFC Bank	21.2	24.2	20.5	1,054	3.1
ICICI Bank	12.8	9.8	11.9	262	-16.8
Punjab National Bank	4.1	2.2	7.9	134	-7.4
Axis Bank	15.2	14.7	18.9	469	-16.4



- Private banks continued to post healthy growth in loans and deposits
- Private banks had some asset quality stress; ICICI and Axis worst hit
- SBI had healthy growth on all fronts; surprised positively by saying asset quality issues close to bottoming out
- With power sector reforms and higher demand for road projects, credit offtake could increase for the sector
- Falling base rates could keep banks' margins under check in the interim

CAPITAL GOODS

Sep 2015 quarter (% change y-o-y)	Sales	PBIDT	Net profit	Price (₹) Nov 10	FYTD# % Chg
Larsen & Toubro*	10.6	22.4	15.6	1,347	-21.6
BHEL	-3.2	-	-	178	-24.1
Bharat Electronics	14.5	36.3	40.7	1,245	11.6
ABB	6.5	24.8	30.6	1,202	-4.4
Crompton Greaves *	-6.2	-2.8	-25.1	169	1.6



- Revenues and profitability were below estimates, affected by sluggish economic growth
- Order flows were below expectation
- Project execution, too, remained weaker than expected and impacted top line growth
- Execution of orders remains a concern for BHEL; 35 per cent of its order book is slow moving
- Larsen & Toubro lowered its order inflow and revenue growth forecast for FY16
- Most players, including L&T and BHEL, have seen analysts lower their earnings estimates and target prices

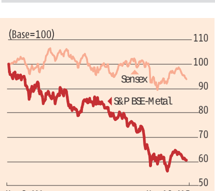
INFORMATION TECHNOLOGY

Sep 2015 quarter (% change y-o-y)	Sales	PBIDT	Net profit	Price (₹) Nov 10	FYTD# % Chg
TCS*	14.1	13.8	16.0	2,462	-3.4
Infosys*	17.2	9.7	9.8	1,106	-0.2
Wipro*	6.4	8.9	7.2	556	-11.4
HCL Technologies*	15.6	-1.8	-2.7	851	-13.2
Tech Mahindra*	20.5	8.7	9.2	525	-16.6

- Dollar revenue growth slowed for top players for another quarter
- Pricing remained largely stable
- A weaker rupee and higher employee utilisations aided margins
- TCS' constant currency revenue missed expectations again but company remains confident of growth
- Infosys put up a good show for the second straight quarter and also maintained its earlier full-year revenue growth forecast
- December quarter is seasonally weak due to holidays and less working days; overall outlook stable

METALS

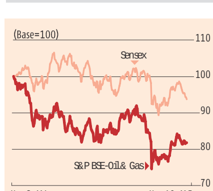
Sep 2015 quarter (% change y-o-y)	Sales	PBIDT	Net profit	Price (₹) Nov 10	FYTD# % Chg
Vedanta*	-15.9	-27.3	-39.9	90	-52.4
Tata Steel*	-18.1	-17.7	21.9	218	-31.2
JSW Steel*	-21.5	-37.3	-84.4	874	-3.7
SAIL	-21.2	-	-	45	-33.7
Hindalco Industries	4.3	48.1	31.1	79	-38.5



- Profitability of non-ferrous firms was hurt by lower base metal prices
- The debt on books of most remains a concern
- Ferrous firms were also impacted by low steel prices, while domestic demand remained muted
- Tata Steel saw higher impact, led by weak international demand and realisations
- Lower coal prices benefited non-integrated firms such as JSW Steel which saw input costs decline
- Analysts maintain a cautious view on the sector, given weak domestic demand and cheaper import

OIL & GAS

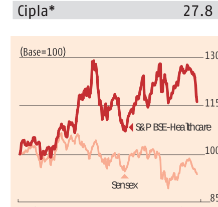
Sep 2015 quarter (% change y-o-y)	Sales	PBIDT	Net profit	Price (₹) Nov 10	FYTD# % Chg
Reliance Industries *	-35.4	6.1	12.5	922	11.8
ONGC	1.0	-4.6	-11.1	237	-22.8
Indian Oil	-23.5	245.6	-	399	8.3
Bharat Petroleum	-25.1	47.1	119.3	876	8.2
Hindustan Petroleum	-18.6	-87.3	-	734	12.8



- Lower crude oil prices weighed on revenues and margins of upstream companies Cairn and ONGC
- Downstream companies benefited from higher gross refining margins
- Oil marketing companies saw higher margins but inventory losses shaved off gains
- Diesel and petrol price deregulation also helped OMCs by way of lower working capital
- Gas transmission and trading companies like GAIL continued to suffer due to high LNG prices
- Analysts are generally optimistic on Reliance Industries, ONGC and OMCs

PHARMA

Sep 2015 quarter (% change y-o-y)	Sales	PBIDT	Net profit	Price (₹) Nov 10	FYTD# % Chg
Sun Pharma *	-14.7	-30.0	-46.0	732	-28.4
Dr Reddy's Labs*	11.2	42.9	25.7	3,336	-4.3
Aurobindo Pharma*	14.6	18.5	21.4	832	36.3
Lupin*	2.0	-24.3	-35.1	1,791	-10.8
Cipla*	27.8	40.2	44.4	641	-9.9



- Barring Lupin and Sun Pharma, companies did well on healthy domestic and export show
- Product approvals in the US were muted; niche drugs drove gains
- Weak US & India sales impacted top line and margins at Lupin
- Sun's India sales grew only one per cent on inventory and seasonality; pricing pressures dented its US sales
- Dr Reddy's did well due to limited competition drugs and market share gains in the US
- Price increases in key molecules and one-off gains in the US helped Cadila do well

*Source: Capitaline; * Consolidated results; # Fiscal year to date; Share prices have been rounded off; The table includes the top companies in each sector based on market cap; Financials based on reported numbers; PBIDT: Profit before interest, depreciation and tax*

Compiled by **BS Research Bureau**