Quarterly Result in March 2011 - Strong Growth

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The March 2011 quarter showed a 23% YoY growth in sales and 15% YoY growth in net profit for a total of 1849 companies.

This was as per our expectations. Corporate earnings growth has been strong in sectors such as Autos, Banks, Domestic FMCG companies, Oil (drilling, exploration & transportation), Steel (CR/HR, GP and Sponge Iron), Software and Power.

Sectoral Performances

Auto: Major companies showed strong growth in net profits in March 2011 with an exception of Hero Honda which showed a decline due to Hero group going solo without the Honda JV and Maruti Suzuki which is facing high input costs. Nine companies showed growth of 47% YoY in net profits and 31% YoY in sales for March 2011. Bajaj Auto showed 165% YoY growth in net profits but included non-recurring ₹ 827crs. surplus on pre-payment of sales tax.

AUTO (major cos)	*Company Name*	*Sales (₹ Crs.)*		*% chng*	*PAT (₹ Crs.)*		*% chng*
		Mar-10	*Mar-11*		*Mar-10*	*Mar-11*	
Auto - 2/3wheeler	Bajaj Auto	3,399	4,200	24	529	1,400	165
	Hero Honda	4,122	5,391	31	599	502	(16)
	Scooters India	40	52	29	(2)	(1)	(39)
	TVS Motor	1,217	1,633	34	20	42	105
Cars	Maruti Suzuki	8,425	10,092	20	657	660	1
LCV's & HCV's	Ashok Leyland	2,939	3,828	30	222	298	34
	Eicher Motors	100	151	50	9	14	57
	SML Isuzu	219	282	29	9	12	41
Tractors	Escorts	676	902	33	41	73	77

Banks: Overall the banking sector growth in this quarter has been excellent. Eleven private sector banks grew by an average of 51% YoY in net profits in March 2011 with an exception of DCB which turned positive and that too with a strong growth. 14 public sector banks grew by an average 38% YoY. Private banks showed stronger growth in income over public sector banks. The sector is being plagued by rising NPLs. SBI's net profit declined 99% due to higher provisioning for NPL.

Banking Sector (Pvt. & Public) Net profit more than 10% in March 2011 except SBI	*Sales (₹ Crs.)*			*Net Profit (₹ Crs.)*		
Private	***Mar-10***	***Mar-11***	*% chng*	***Mar-10***	***Mar-11***	*% chng*
South Ind Bk	514	704	37	39	82	112
Dhanlaxmi Bank	150	296	97	6	11	99
IndusInd Bank	720	1,049	46	98	172	75
Federal Bank	953	1,100	15	117	172	47
YES BANK	665	1,223	84	140	203	45
ICICI Bank	5,827	7,156	23	1,006	1,452	44
ING Vysya Bank	568	777	37	68	91	34
Axis Bank	2,988	4,367	46	765	1,020	33
HDFC Bank	4,053	5,469	35	837	1,115	33
Kotak Mahindra	881	1,233	40	203	249	23
JK Bank	773	1,014	31	120	139	15
DCB	114	148	30	(8)	11	Loss to Profit
Public						
IOB	2,548	3,532	39	127	434	241
Canara Bank	4,797	6,418	34	503	899	79
Syndicate Bank	2,513	3,162	26	168	289	72
IDBI Bank	4,081	5,025	23	318	516	62
Bank of Baroda	4,354	6,334	45	906	1,294	43
State Bnk My	918	1,061	16	124	164	33
Andhra Bank	1,708	2,364	38	240	313	30
Bank of India	4,525	6,307	39	428	494	15
Allahabad Bank	2,207	3,119	41	225	258	15
Dena Bank	1,063	1,407	32	137	157	15
State B Bikaner	1,033	1,330	29	166	188	13
Corporation Bank	1,922	2,555	33	312	345	11
State Bnk Tr	1,127	1,426	27	217	238	10
SBI	17,965	21,721	27	1,867	21	(99)

Cement: We have taken only large scale cement players since mid or small sized cement companies are either non-economical or have been showing very high volatility in sales and profits in the past years. This quarter has been bad and out of the total 5 companies with sales of more than ₹ 500 crs., Ultratech Cement is the only company which showed strong growth of 218% YoY in net profits in March 2011 while the other 4 companies showed an average **decline** of 36% YoY in March 2011.

Cement (sales of more than ₹ 500 crs. in March 2011)

Company name	*Sales (₹ Crs.)*			*Net Profit (₹ Crs.)*		
	Mar-10	*Mar-11*	*%Chg*	*Mar-10*	*Mar-11*	*%Chg*
UltraTechCement	1,923	4,556	137	229	727	218
ACC	2,136	2,424	13	405	351	(13)
Ambuja Cements	2,019	2,222	10	462	407	(12)
Prism Cement	2,125	1,062	(50)	100	36	(64)
Birla Corp	627	601	(4)	138	63	(54)

FMCG: Local FMCG companies have showed good growth over MNC's. Out of 7 companies, 4 local companies showed an average 55% YoY growth in net profits in March 2011. The balance 3 MNC's have shown 21% decline in profits in March 2011.

Company name	*Sales (₹ Crs.)*			*Net Profit (₹ Crs.)*		
	Mar-10	*Mar-11*	*%Chg*	*Mar-10*	*Mar-11*	*%Chg*
Bajaj Corp	121	110	(9)	27	27	(2)
Dabur India	702	826	18	101	129	27
Gillette India	222	263	19	43	21	(51)
Godrej Consumer	282	656	132	63	111	75
HUL	4,380	4,967	13	581	569	(2)
Marico	458	621	35	60	132	118
P&G	205	235	14	44	39	(11)

Real Estate: The quarterly growth had been terrible with almost all companies showing a decline in net profits in March 2011. Main reason has been the rising input costs with slack demand. Higher interest rates and a strong rise in prices resulted in low demand. Most real estate companies have been holding onto the prices and have been having high inventories resulting in negative cash flows.

Real Estate (Sales of more than ₹ 50 crs. in March 2011)

Company name	*Sales (₹ Crs.)*			*Net Profit (₹ Crs.)*		
	Mar-10	*Mar-11*	*%Chg*	*Mar-10*	*Mar-11*	*%Chg*
Indiabulls Real	25	54	115	6	(8)	(244)
Vipul	78	82	6	(1)	5	(449)
MVL	33	57	74	3	7	104
VasconEngg	245	233	(5)	17	19	14
Godrej Proper	N.A.	241	na	N.A.	39	na
Brigade Enterp	138	91	(34)	32	27	(15)
Sobha Developer	403	344	(14)	56	40	(28)
Puravankara Pro	110	100	(9)	36	9	(74)

Oil Drilling and Exploration: Oil and Gas sector has been the talked about sector given the strong rise in global crude oil prices. High oil prices results in increased activity for oil drilling and exploration. Net profits grew by an average of 33% YoY in March 2011 for 5 companies with an exception of Jindal Drilling showing a small decline. Petronet LNG has been an exception with strong growth. This company has been expanding capacities and has been having fixed operating margins enabling the company to show consistent growth in sales and net profits given the strong demand and increasing capacities.

Oil Drilling and Exploration and Transportation

Company name	*Sales (₹ Crs.)*			*Net Profit (₹ Crs.)*		
	Mar-10	*Mar-11*	*%Chg*	*Mar-10*	*Mar-11*	*%Chg*
Guj Gas	409	529	29	62	72	16
Hind Oil Explor	85	93	10	21	24	19
Jindal Drilling	245	261	6	31	27	(13)
Petronet LNG	2,385	3,986	67	97	206	112
Selan Explore	18	20	12	6	8	31

Steel: This sector has been highly volatile given the slump in global steel prices. Domestic steel prices have been higher over global prices. Out of the entire ambit of the steel industry, only some sub-sectors such as CR/HR coils, Sponge Iron and GP manufacturers showed growth in net profits in March 2011.

CR/HR Strips *Company name*	*Sales (₹ Crs.)*			*Net Profit (₹ Crs.)*		
	Mar-10	*Mar-11*	*%Chg*	*Mar-10*	*Mar-11*	*%Chg*
Lloyds Steel	672	912	36	(152)	27	Loss to profit
Ruchi Strips	331	311	(6)	2	4	187
Pennar Inds	240	302	26	14	19	38
Bhushan	1,609	1,966	22	241	288	20
GP/GC Sheets *Company name*	*Sales (₹ Crs.)*			*Net Profit (₹ Crs.)*		
	Mar-10	*Mar-11*	*%Chg*	*Mar-10*	*Mar-11*	*%Chg*
Ispat Industry	2,484	2,722	10	22	70	214
Vardhman Ind	81	82	1	1	2	107
Large Steel Cos. *Company name*	*Sales (₹ Crs.)*			*Net Profit (₹ Crs.)*		
	Mar-10	*Mar-11*	*%Chg*	*Mar-10*	*Mar-11*	*%Chg*
Steel Exchange	250	511	104	(3)	2	(157)
JSW Steel	5,205	7,105	37	717	833	16
SAIL	12,230	12,166	(1)	2,085	1,507	(28)

Pig Iron Company name	Sales (₹ Crs.)			Net Profit (₹ Crs.)		
	Mar-10	Mar-11	%Chg	Mar-10	Mar-11	%Chg
Kirloskar Ferro	258	299	16	11	21	87
Lanco Industry	159	230	44	12	11	(13)
Tata Metaliks	308	392	27	24	5	(77)
Rolling *Company name*	*Sales (₹ Crs.)*			*Net Profit (₹ Crs.)*		
	Mar-10	Mar-11	%Chg	Mar-10	Mar-11	%Chg
Modern Steels	75	99	32	0	1	156
ISMT	343	493	44	16	17	6
Surana Ind	295	411	39	10	7	(34)
Ashiana Ispat	57	75	33	1	1	(53)
Sponge Iron *Company name*	*Sales (₹ Crs.)*			*Net Profit (₹ Crs.)*		
	Mar-10	Mar-11	%Chg	Mar-10	Mar-11	%Chg
Tata Sponge Iron	171	195	14	33	43	28
Jindal Steel	2,389	2,742	15	549	648	18
Monnet Ispat	438	446	2	72	77	6
Orissa Sponge	48	36	(25)	(9)	(22)	150
Tubes/Pipes *Company name*	*Sales (₹ Crs.)*			*Net Profit (₹ Crs.)*		
	Mar-10	Mar-11	%Chg	Mar-10	Mar-11	%Chg
Surya Roshni	504	739	47	29	40	39
Mah Seamless	405	551	36	75	91	21
PSL	850	692	(19)	24	23	(3)
Oil Country	103	108	5	15	13	(9)
Suraj Stainless	54	69	28	1	1	(19)
Rajratan Global	45	39	(14)	4	2	(51)
Jindal Saw	1,086	1,163	7	180	80	(56)
Crimson Metal	11	25	139	2	1	(67)
Vallabh Steels	69	51	(26)	0	0	(79)

IT Software: We have taken only large cap IT software companies with sales of more than ₹ 500 crs. in March 2011. A small change in management decisions in small and mid cap companies have been having a very big impact as also on the sustainability of these companies. The 6 companies with sales of more than ₹ 500 crs. have shown a strong growth of 41% YoY (average) with an average sales growth of 22% YoY in March 2011.

IT (Sales of more than ₹ 500 crs. in March 2011)

Company name	*Sales (₹ Crs.)*			*Net Profit (₹ Crs.)*		
	Mar-10	*Mar-11*	*%Chg*	*Mar-10*	*Mar-11*	*%Chg*
Oracle Finance	606	694	15	145	335	131
TCS	5,807	7,970	37	1,440	2,149	49
HCL Tech	1,287	1,698	32	263	332	26
Infosys	5,500	6,668	21	1,430	1,730	21
Patni Computer	493	543	10	158	177	12
Wipro	6,141	7,178	17	1,237	1,338	8

Power: Power generation and distribution has been one of the strong sectors given the huge demand. Sales grew by an average 91% YoY while net profits grew by 36% YoY in March 2011.

Power Generation/Distribution (Sales of more than ₹ 150 crs. in March 2011)

Company name	*Sales (₹ Crs.)*			*Net Profit (₹ Crs.)*		
	Mar-10	*Mar-11*	*%Chg*	*Mar-10*	*Mar-11*	*%Chg*
Adani Power	201	856	325	98	174	77
NTPC	12,732	15,980	26	2,018	2,782	38
Torrent Power	1,717	1,722	0	288	340	18
CESC	770	875	14	100	112	12
JSW Energy	N.A.	1,203	na	N.A.	220	na
Jaiprakash Pow	N.A.	169	na	N.A.	17	na

All figs in all sectors are standalone
source: www.moneycontrol.com

Overall Outlook: We think, IT software would be a key sector for an even higher growth in quarters ahead largely coming from economic turnaround in the US. Power is going to be defensive, banks would be plagued with rising NPLs and Autos would be negative. We think the hike in interest rates and input costs will begin to have pressures on operating margins which will result in lower net profits. However, we continue to think that the corporate earnings growth for BSE-30 companies will be in the range of 14-15% YoY in FY12.