



SIGNS OF REVIVAL

Corporate India puts up a spirited show in Q4

Analysts say rationalised costs helped their cause

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IF THE quarterly results are any indication, India Inc is surviving the downturn. According to a SundayET analysis of 345 companies with a minimum market capitalisation of Rs 100 crore, which have announced their fourth quarter results, net profits of companies have not slowed down.

The March quarter results show that companies have been able to arrest declining profits in comparison to the December quarter. Of the said companies whose date was studied only 42 have posted net losses during the Q4FY09.

The net profits were marginally negative at 0.17% for the said companies, compared to the quarter ending March 2008 while their December 2008 quarter net fell by around 10%, compared to the quarter ending December 2007. The net profits for the said companies have grown by around 15% in the March quarter from the corresponding quarter last year. Whereas in the December quarter, there was a dip in the net profits by almost 10% on quarter-on-quarter basis.

The companies have posted such results in the face of shrinking operating margins. The average operating margins has come down to 9% this quarter from 25% in the corresponding previous quarter.

The results are clear signals of the economy looking upwards. Companies such as Bank of Baroda, Reliance Communications, HDFC Bank, 3i Infotech, Axis Bank, Glaxosmithkline, Infosys Technologies and Hero Honda have increased their net profits by 30% in the last quarter on the yearly basis.

Dipen Shah, vice-president — private client group research, Kotak Securities said the positive results are mainly because the companies have rationalised their costs. "Though it's still a mixed bag," he said.

For Bank of Baroda (BoB), it was a spectacular quarter. The bank posted net profit growth of 172% to Rs 752 crore during the said period. An overall income growth and better cost control helped BoB post high profits.

While the treasury income of the bank increased by 131% to Rs 387 crore against Rs 168 crore in the same quarter last year, profits from sale of investments went up to Rs 301 crore from Rs 81 crore. Even the net interest margin increased to 3.17% in the fourth quarter from 2.72% in the same period last year.

SHOWING STRENGTH



Company Name	Growth in Net Profits (Q409)
Firstsource Solutions	265.53
Mphasis	229.30
Bank Of Baroda	172.28
Reliance Communications	122.86
Jaiprakash Associates	83.13
3i Infotech	77.22
Axis Bank	60.89
Hero Honda Motors	34.64
H D F C Bank	33.91
Infosys Technologies	32.74

Source: CMIE Database Figures in % & calculated on standalone profit basis

The Reliance Communications story is no different. The company's net profits went up by 122% to Rs 1,139 crore bolstered by non-operational income to the tune of Rs 894 crore in the fourth quarter which included Rs 157 crore of extraordinary income. However, if the consolidated figure of all its subsidiary companies are taken into account then Q4 net was down 3% to Rs 1454 crore.

Infosys is one of the few IT companies which has made an improved show. It posted a net profit growth of more than 30% to Rs 1,569 crore.

Anup Bagchi, executive director of ICICI Securities, said the results have been overall satisfactory and beyond the industry's expectations. "A stable government now will only ensure better growth," he said.

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