Top Line Blues

INDIA INC: SALES DOWN, PROFITS UP

(In Rs crore)	Sep-08	% Chg ^	Sep-09	% Chg#
NET SALES	1,586,375.80	39.86	1,424,682.10	-10.19
OTHER INCOME	27,425.37	-34.65	33,771.91	23.14
PBIDT	228,999.91	1.03	247,987.45	8.29
OPM %	14.44	-555 (bps)	17.41	297 (bps)
INTEREST	34,876.17	69.20	34,896.25	0.06
DEPRECIATION	46,743.09	22.79	56,708.45	21.32
NET PROFIT	106,294.02	-14.14	112,068.18	5.43

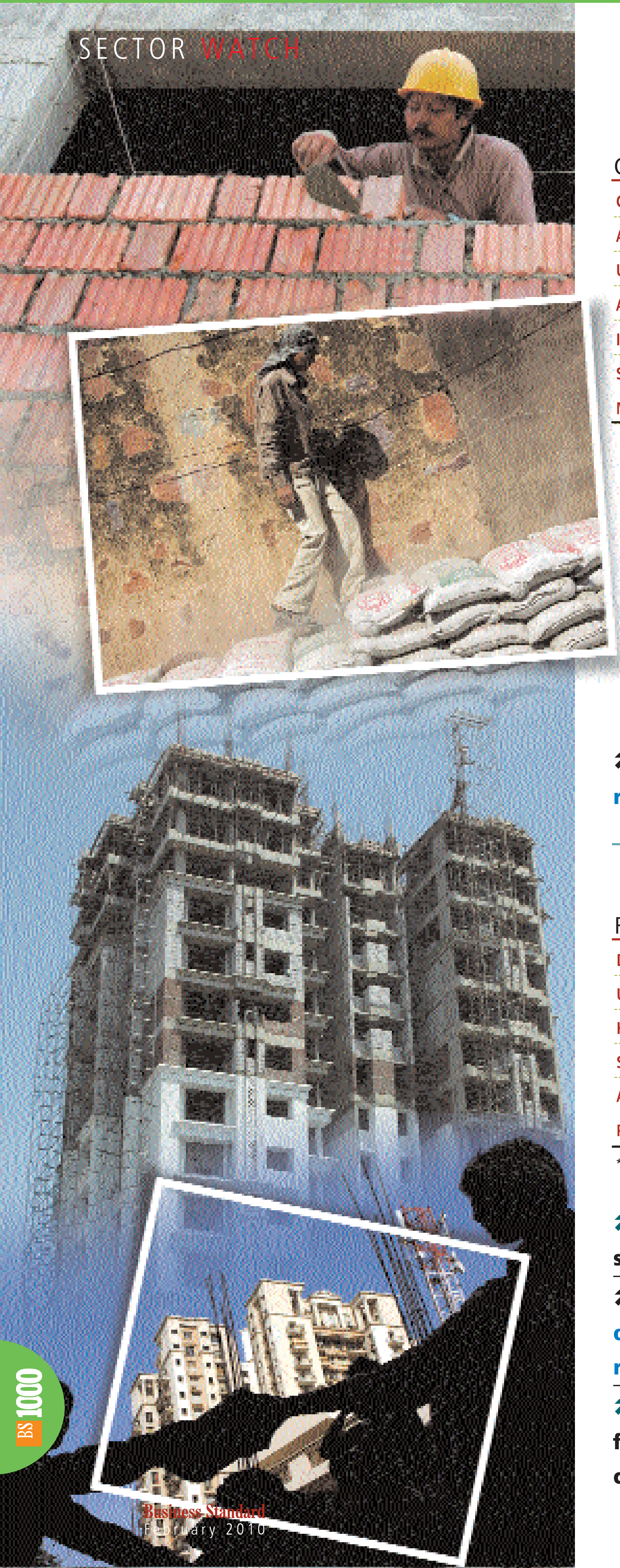
^ % Change over six months ended Sep '07 # % Change over six months ended Sep '08
Note: Sample 2643 Cos (Excluding Banks & NBFC).
Trailing six months ended September

- **Metals, refineries, realty and oil marketing companies drag down sales growth while profit is up on turnaround by oil marketing companies**
- **Interest cost declines as companies stop providing MTM losses on forex borrowings**
- **The second half of FY10 is expected to be better as automobiles, metals and realty may post healthy earnings**

AUTOMOBILES	Net sales*			Net profit*		
	Sep-08	Sep-09	% Chg	Sep-08	Sep-09	% Chg
TATA MOTORS	37,239.28	37,179.04	-0.20	-222.06	-307.00	-
MARUTI SUZUKI	9,583.84	13,445.38	40.29	761.97	1,153.54	51.39
MAH & MAH	6,500.86	8,694.46	33.74	405.96	1,103.79	171.90
HERO HONDA	6,033.24	7,851.15	30.13	579.17	1,097.25	89.45
BAJAJ AUTO	4,644.65	5,052.21	8.80	360.02	696.32	93.40
ASHOK LEYLAND	3,758.46	2,490.14	-33.75	117.81	96.38	-18.19

*Trailing six months ended September (Figures in Rs crore)

- **Demand returns on stimulus package and low interest**
- **Strong retail demand and low inventory to drive momentum in volumes**
- **Cost inflation to result in 20-100 bps decline in operating margins from the peak of FY10**
- **Roll-back of excise duty cut, pricing action, raw material cost and hardening of interest rates may affect profitability**



CEMENT	Net sales*			Net profit*		
	Sep-08	Sep-09	% Chg	Sep-08	Sep-09	% Chg
GRASIM INDS #	8,843.65	9,762.58	10.39	1,158.32	1,860.80	60.65
ACC	3,806.33	4,265.60	12.07	515.06	886.49	72.11
ULTRATECH CEMENT	2,892.19	3,493.59	20.79	429.20	668.67	55.79
AMBUJA CEMENT	2,950.46	3,458.36	17.21	827.12	643.13	-22.24
INDIA CEMENTS	1,786.21	1,942.92	8.77	276.41	281.22	1.74
SHREE CEMENT	1,241.08	1,822.07	46.81	218.39	580.04	165.60
MADRAS CEMENTS	1,279.32	1,616.34	26.34	227.54	308.30	35.49

Cement account for 76% sales and 74% operating profit

*Trailing six months ended September (Figures in Rs crore)

- **Demand revival, higher price realisation and decline in input cost increase profitability in H1**
- **Volume growth to remain strong at 10-12%, boosted by pick-up in the urban real estate sector**
- **Cement prices have started recovering from the bottom and are expected to firmup further**
- **Expect decline in cement prices in FY11, resulting in decline in profit**

REAL ESTATE	Net sales*			Net profit*		
	Sep-08	Sep-09	% Chg	Sep-08	Sep-09	% Chg
DLF	7,555.01	3,400.80	-55.00	3,799.31	835.74	-78.00
UNITECH	2,014.76	1,024.39	-49.20	782.23	335.63	-57.10
HDIL	1,047.64	649.04	-38.05	583.62	256.06	-56.13
SOBHA DEVELOPERS	628.50	400.70	-36.25	95.00	40.20	-57.68
ANSAL PROPERTIES	336.89	313.58	-6.90	45.06	41.91	-7.00
PARSVNATH DEVELOPERS	590.40	282.20	-52.20	95.87	75.24	-21.50

*Trailing six months ended September (Figures in Rs crore)

- **Tight liquidity, rise in interest cost and subprime crisis affected revenue and profit**
- **Future results may reflect the improving sector outlook, aided by low base impact and pick-up in residential property sales**
- **Debt levels for DLF and Unitech to decline further on account of fund raising from capital market**

PHARMACEUTICALS	Net sales*			Net profit*		
	Sep-08	Sep-09	% Chg	Sep-08	Sep-09	% Chg
DR REDDYS LABS	3,104.80	3,665.49	18.10	178.60	478.74	168.10
CIPLA	2,473.22	2,696.44	9.03	291.47	517.45	77.53
LUPIN	1,770.69	2,200.28	24.30	227.66	300.41	32.00
RANBAXY	2,363.22	2,196.07	-7.07	-329.20	861.53	-
SUN PHARMA	2,219.61	1,972.76	-11.10	1,014.21	617.65	-39.10
PIRAMAL HEALTHCARE	1,597.60	1,821.53	14.00	141.48	191.37	35.30
AUROBINDO PHARMA	1,392.69	1,735.40	24.60	-22.00	269.77	-

*Trailing six months ended September (Figures in Rs crore)

- **Export revenue declines on slowdown in the US, profit improves on non-provision for MTM losses**
- **Top-line growth will be led by higher growth in emerging markets and new launches**
- **Future profit growth will be strong due to low base effect and savings in interest cost**
- **CRAMS companies are likely to show improved performance**

IT - SOFTWARE	Net sales*			Net profit*		
	Sep-08	Sep-09	% Chg	Sep-08	Sep-09	% Chg
TCS	13,364.07	14,642.22	9.60	2,561.60	3,176.15	24.00
WIPRO	12,500.60	13,229.40	5.83	1,885.80	2,177.30	15.46
INFOSYS TECHNO	10,272.00	11,057.00	7.60	2,734.00	3,067.00	12.20
HCL TECHNO	2,283.05	2,392.86	4.81	240.25	223.69	-6.89
TECH MAHINDRA	2,281.20	2,254.82	-1.20	561.30	300.62	-46.40
ORACLE FIN SERVICES	1,339.21	1,389.04	3.70	198.99	390.35	96.20

*Trailing six months ended September (Figures in Rs crore)

- **Frontline IT companies posted single digit revenue growth on subprime problems Appreciation of rupee sees single digit growth**
- **US$ revenue growth of 14.6%-15.7% for the top three IT companies expected in FY11; Infosys should lead the growth chart**
- **EPS growth of 7.7%-10.3% for the top three IT companies expected in FY11 due to higher taxation and assumed rupee appreciation**

TELECOM-SERVICE	Net sales*			Net profit*		
	Sep-08	Sep-09	% Chg	Sep-08	Sep-09	% Chg
BHARTI AIRTEL	17,429.57	20,785.10	19.30	3,834.81	4,902.12	27.80
RELIANCE COMM	9,762.05	10,857.84	11.20	3,042.93	2,376.88	-21.90
IDEA CELLULAR	4,472.66	5,943.07	32.90	407.16	517.22	27.00
MTNL	2,319.86	1,889.50	-18.55	204.03	-21.67	-
TATA COMM	1,863.02	1,602.12	-14.00	131.39	42.39	-67.74
TATA TELESERVICES (MAH)	965.10	966.52	0.15	-82.07	-131.04	-

*Trailing six months ended September (Figures in Rs crore)

- **The decline in average revenue per user affect growth in sales and profit**
- **Lower tariffs to drive down operating margin for Bharti, Idea and Reliance Communication**
- **Aggressive cost saving by operators is a potential positive margin surprise**
- **Sector earnings would remain under pressure due to lower margins and tepid revenue growth**

CAPITAL GOODS	Net sales*			Net profit*		
	Sep-08	Sep-09	% Chg	Sep-08	Sep-09	% Chg
LARSEN & TOUBRO	14,583.63	15,228.89	4.42	962.70	2,178.60	126.30
BHEL	9,671.87	12,220.86	26.35	1,000.18	1,328.47	32.82
CROMPTON GREAVES	4,127.44	4,386.56	6.30	242.73	353.72	45.70
LANCO INFRATECH	2,182.90	4,121.91	88.80	110.62	238.41	115.50
KEC INTERNATIONAL	1,406.84	1,601.88	13.86	43.46	80.49	85.20
CUMMINS INDIA	1,496.85	1,233.27	-17.61	182.15	177.40	-2.61
THERMAX	1,499.45	1,190.61	-20.60	120.67	100.61	-16.62

*Trailing six months ended September (Figures in Rs crore)

- **Early signs of higher industrial activity as the IIP Index grew 10.3% in Oct 2009; YoY and capital goods index up 12.2%**
- **Lower commodity price benefits will continue to benefit BHEL and Crompton Greaves**
- **Expect higher order intake from infrastructure and industrial capex**
- **Expect revenue growth of 21% and profit growth of 25% in FY11**

FMCG	Net sales*			Net profit*		
	Sep-08	Sep-09	% Chg	Sep-08	Sep-09	% Chg
HINDUSTAN UNILEVER	8,180.71	8,703.79	6.39	1,104.79	971.72	-12.04
ITC	7,662.99	8,375.27	9.30	1,551.39	1,888.61	21.74
NESTLE INDIA	2,143.23	2,511.74	17.19	252.85	344.78	36.36
DABUR INDIA	1,295.14	1,590.69	22.82	178.47	230.53	29.17
BRITANNIA IND	1,531.90	1,589.75	3.78	93.63	106.44	13.68
NIRMA	1,466.86	1,586.87	8.18	41.20	143.30	247.82

*Trailing six months ended September (Figures in Rs crore)

- **Decline in cost of raw materials and price escalation increase profitability**
- **Expect 15% sales growth and 26% Adjusted PAT growth for FMCG firms**
- **Implementation of GST could be a key trigger for the sector as it would lower tax incidence**
- **Rising agro commodity prices could put pressure on margins**

REFINERIES	Net sales*			Net profit*		
	Sep-08	Sep-09	% Chg	Sep-08	Sep-09	% Chg
INDIAN OIL CORP	174,660.75	119,108.75	-31.81	-6,632.00	3,967.19	-
RELIANCE IND	86,201.00	78,035.00	-9.47	8,220.00	7,518.00	-8.54
BPCL	49,629.00	49,512.10	-0.20	930.90	1,284.70	38.00
HPCL	70,211.54	48,654.20	-30.70	-4,107.06	512.44	-
ESSAR OIL	22,560.00	16,523.00	-26.76	56.00	76.00	35.71
MRPL	24,184.90	14,013.76	-42.06	870.34	599.76	-31.09

*Trailing six months ended September (Figures in Rs crore)

- **The decline in oil price affect volume growth**
- **3QFY10 is marked by YTD higher oil prices; GRMs at 8-year low; QoQ margin decline in petrochemicals**
- **Strong earnings growth in FY11 will be witnessed in Reliance led by KG-D6**
- **Earnings over the next four years will be driven by large projects going on stream**