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Results Insights

Q3FY18: Nifty 50 earnings a mixed bag

The quarter ended December 31, 2017 results for Nifty 50 companies (comprising 10 BFSI and 40 others) have been announced. The earnings this quarter were a mixed bag mainly on account of some companies reporting better numbers on the back of lower base of last year (*remember* Q3FY17 was demonetization quarter!), whereas some others reported lower profitability owing to weak operational performance. The PSU banks have particularly disappointed on the back of higher provisioning and weaker asset quality.

Net sales of the 40 Nifty 50 companies (non-BFSI) grew by 13.8% YoY, whereas net profit grew by 15.2%. Net interest income (NII) of the 10 Nifty 50 BFSI companies grew by 12.8% YoY, while net profit declined by 17.4%.

Nifty	YoY Net Sales/NII Growth (%)	YoY Net Profit Growth (%)	Best Performing in Net Sales/NII Growth	Best Performing in Net Profit Growth	Worst Performing in Net Sales/NII Growth	Worst Performing in Net Profit Growth
Non-BFSI (40 stocks)	13.8	15.2	UltraTech Cement	Tata Steel	Sun Pharma	Sun Pharma
BFSI (10 stocks)	12.8	-17.4	Bajaj Finance	Bajaj Finance	State Bank of India	State Bank of India

The best performing BFSI in this quarter is Bajaj Finance both in NII and Net profit terms. The biggest deterioration in results amongst BFSI stocks was seen in SBI (on the back of significant fall in asset quality owing to RBI's additional NPA classification based on its inspection), where this bank has posted quarterly loss of ₹2,413 crore. This is the first time SBI had posted quarterly loss after 19 years (SBI had posted loss last time in 1999). In the private sector banks, ICICI Bank had the biggest drop in profits to the tune of 32.4%.

In the Non-BFSI segment, the best performing companies are: UltraTech Cement (in Net sales terms) and Tata Steel (in Net Profit terms). Sun Pharma is the worst performer both in terms of Net Sales and Net Profit.

Nifty 50 Results Summary Snapshot

Overall of the Nifty 50 set, 14 companies (28.0% of the set) have reported numbers above expectation, 9 companies (18.0%) have reported results in-line with expectation, 17 companies (34.0%) have reported mixed set of numbers and 10 companies (20.0%) have reported numbers below estimates.

Results Summary	No. of Companies	% of Set
Above	14	28.0
In-line	9	18.0
Mixed	17	34.0
Below	10	20.0
Total	50	

Summary of the 40 Nifty 50 companies (ex-BFSI) (Amount in ₹ crore)

SN	Company Name	Q3FY18 Net Sales	YoY (%)	Q3FY18 Net Profit	YoY (%)	Vs Consensus Estimates
1	Hindustan Unilever	8,323	2.4	1,326	27.7	Above
2	Adani Ports and SEZ	2,689	21.7	994	18.1	Above
3	Tech Mahindra	7,776	2.9	924	9.4	Above
4	Indian Oil Corporation	1,10,667	18.9	7,883	97.3	Above
5	Larsen & Toubro	28,747	10.1	1,490	53.2	Above
6	Mahindra & Mahindra	11,578	4.6	920	16.5	Above
7	HPCL	57,230	18.0	1,950	22.6	Above
8	Tata Steel	33,100	20.1	1,603	415.9	Above
9	Coal India	20,708	5.3	3,005	4.2	Above
10	Ambuja Cements	6,171	26.0	409	57.9	Above
11	Infosys	17,794	3.0	5,129	38.3	In-line
12	TCS	30,904	3.9	6,545	-3.9	In-line
13	Reliance Industries	99,810	25.7	9,445	25.5	In-line
14	Hero MotoCorp	7,305	14.8	805	4.3	In-line
15	Eicher Motors	2,251	23.1	521	24.5	In-line
16	Gail (India)	14,414	18.8	1,262	28.4	In-line
17	Bharti Infratel	3,655	7.5	585	-5.6	Mixed (Revenue - above, PAT -below)
18	Zee Entertainment	1,838	12.1	322	28.3	Mixed (Revenue - above, PAT -below)
19	UltraTech Cement	8,019	33.7	456	-23.3	Mixed (Revenue - above, PAT -below)
20	HCL Technologies	12,809	8.4	2,075	0.6	Mixed (Revenue - above, PAT -below)
21	ITC	9,673	5.7	2,815	6.3	Mixed (Revenue - below, PAT - above)
22	Dr Reddy's Laboratories	3,806	2.7	303	-38.5	Mixed (Revenue - above, PAT -below)
23	Maruti Suzuki (India)	18,940	13.9	1,799	3.0	Mixed (Revenue - In-line, PAT -below)
24	UPL	4,194	7.0	586	27.3	Mixed (Revenue - below, PAT - above)
25	Vedanta	24,361	25.5	3,067	-5.3	Mixed (Revenue - above, PAT -below)
26	Power Grid Corporation	7,507	13.2	2,041	5.7	Mixed (Revenue - In-line, PAT -below)
27	Bajaj Auto	6,369	25.7	1,013	3.7	Mixed (Revenue - In-line, PAT -below)
28	Hindalco Industries	11,023	18.4	446	39.1	Mixed (Revenue - above, PAT -below)
29	Tata Motors	74,156	16.0	1,201	189.4	Mixed (Revenue - In-line, PAT -below)
30	Bosch	3,072	14.1	281	28.8	Mixed (Revenue - above, PAT -below)
31	Aurobindo Pharma	4,269	11.0	595	2.8	Mixed (Revenue - above, PAT -below)
32	Sun Pharma Ind.	6,598	-14.1	400	-76.8	Mixed (Revenue - In-line, PAT -below)
33	Bharti Airtel	20,319	-12.9	306	-39.3	Below
34	Wipro	13,669	-0.1	1,931	-8.5	Below
35	Asian Paints	4,261	10.5	555	19.0	Below
36	NTPC	20,774	7.1	2,361	-4.4	Below
37	Lupin	3,900	-11.5	222	-65.0	Below
38	Cipla	3,834	7.6	401	6.9	Below
39	ONGC	22,996	14.9	5,015	15.2	Below
40	BPCL	60,616	13.2	2,144	-5.6	Below
Total		8,10,126	13.8	75,128	15.2	

Source: Company, Capitaline, Bloomberg, Media Reports

Summary of the 10 Nifty 50 BFSI companies (Amount in ₹ crore)

SN	Company Name	Q3FY18 NII	YoY (%)	Q3FY18 Net Profit	YoY (%)	Vs Consensus Estimates
1	YES Bank	1,889	26.8	1,077	22.0	Above
2	HDFC Bank	10,314	24.1	4,643	20.1	Above
3	Axis Bank	4,732	9.2	726	25.2	Above
4	Kotak Mahindra Bank	2,394	16.8	1,053	19.7	In-line
5	Indiabulls Housing Finance	1,410	23.6	930	23.8	In-line
6	Bajaj Finance	2,370	38.7	767	38.0	In-line
7	IndusInd Bank	1,895	20.1	936	24.6	Mixed (NII and PAT - In-line, asset quality weakened)
8	ICICI Bank	5,705	6.4	1,650	-32.4	Below
9	HDFC Ltd	3,822	11.5	3,229	18.3	Below
10	State Bank of India	18,688	5.2	-2,416	NM	Below
Total		53,219	12.8	12,594	-17.4	

Source: Company, Capitaline, Bloomberg, Media Reports; NM: Not Meaningful

Conclusion

While Nifty 50 companies are attempting to push earnings growth north-wards, the hiccups in terms of asset quality (for BFSI) and operational challenges (for Non-BFSI) stocks keeping the Nifty earnings momentum capped. It is quite crucial that earnings momentum has to revive for the markets to sustain at the elevated levels. Going forward, the consensus earnings expectations for key indices are as follows:

Consensus Earnings expectation for Indices

Nifty	FY18E	FY19E	FY20E
EPS	491	616	735
YoY Growth (%)	11.0	25.4	19.4
P/E	21.0	16.8	14.0

Sensex	FY18E	FY19E	FY20E
EPS	1,531	1,947	2,343
YoY Growth (%)	9.7	27.1	20.4
P/E	21.8	17.2	14.3

Source: Bloomberg

Centrum Wealth Research

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