

The Q2FY18 BCPI: Stronger Sales and Profit Growth in Q2

MA India's most recent Business Confidence and Performance Index (BCPI) survey finds a big, all-round drop in expectations on all the main performance measures: sales, order books, profitability, capacity utilisation, and net hiring. However, the majority firms expect Q2 (July-September) to have been better

than Q1, especially on the sales and profitability fronts. At the median, firms expect 5-10 per cent sales growth in Q2 (Chart 1), up from less than 5 per cent in the previous three months. Encouragingly, fewer companies – 16 per cent, down from 26 per cent in Q1 – expect negative revenue growth in the September-ending quarter. Going forward,

median sales growth is projected to stay in a similar, 5-10 per cent range in the second half of FY18, as in H1. Meanwhile, margins may have been under pressure in H1 – with the median firm expecting less than 5 per cent net profit growth (Chart 3) – but this improve in the second half, with the median moving up to 5-10 per cent (Chart 4).

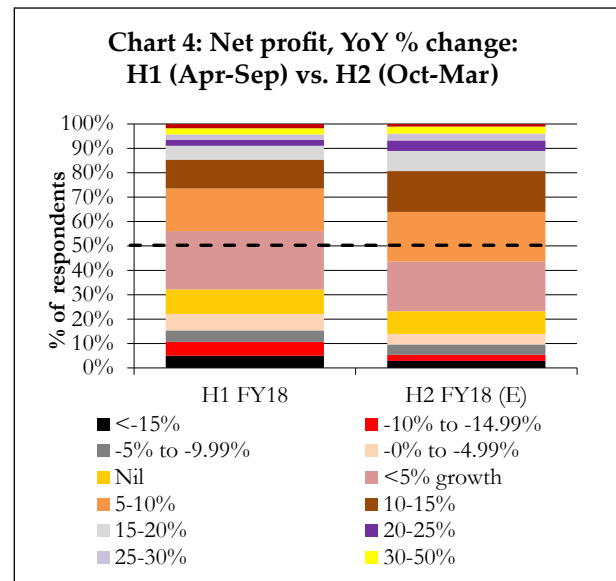
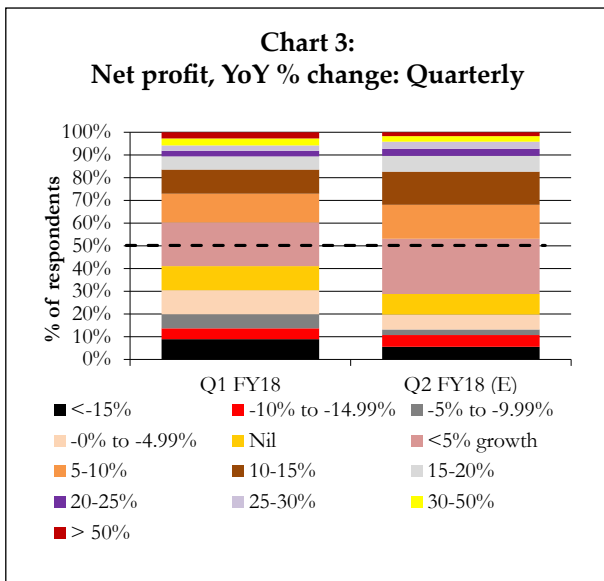
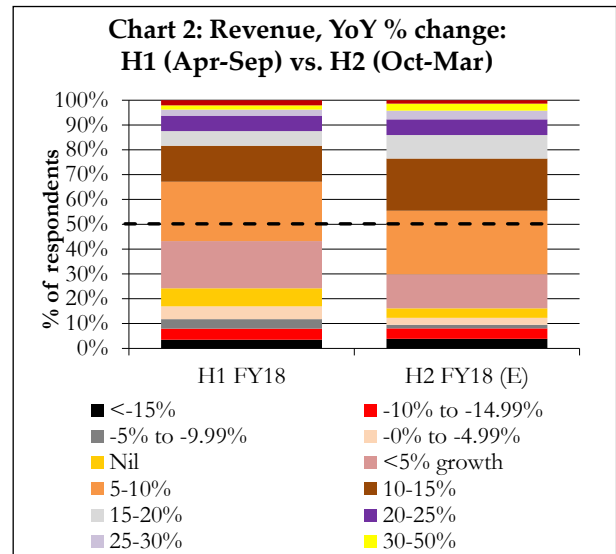
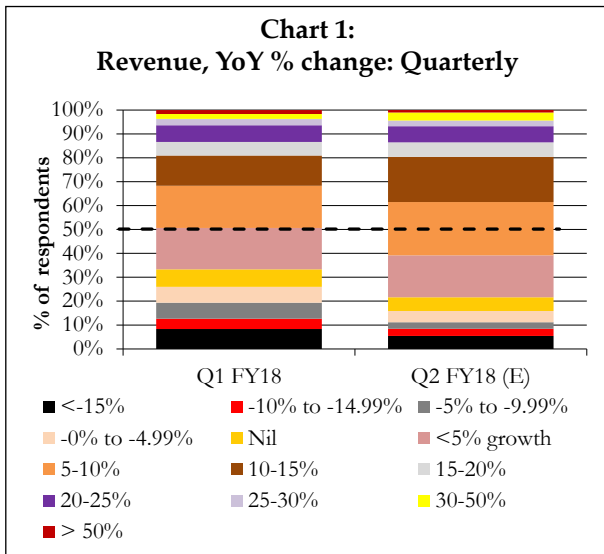


Chart 5:
Revenue, YoY % change: Quarterly

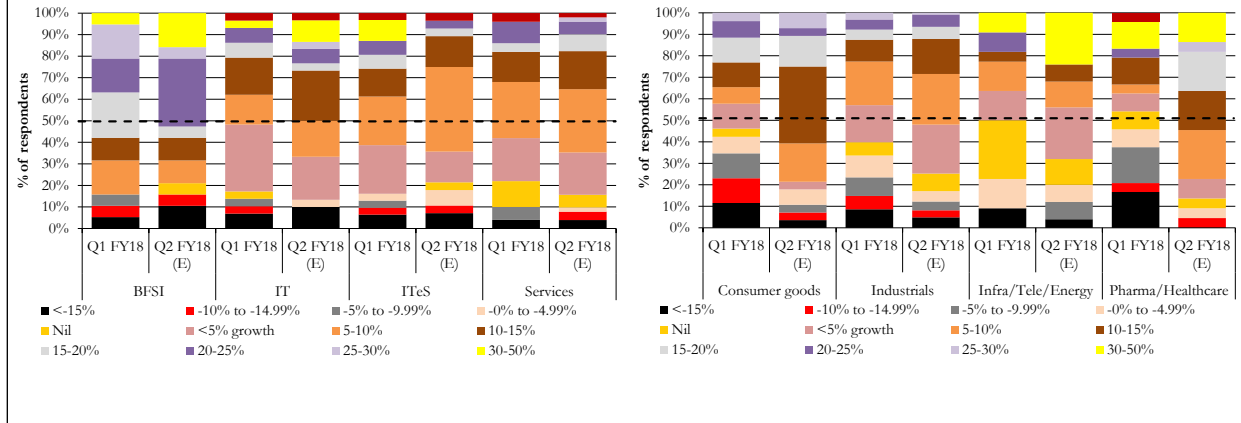
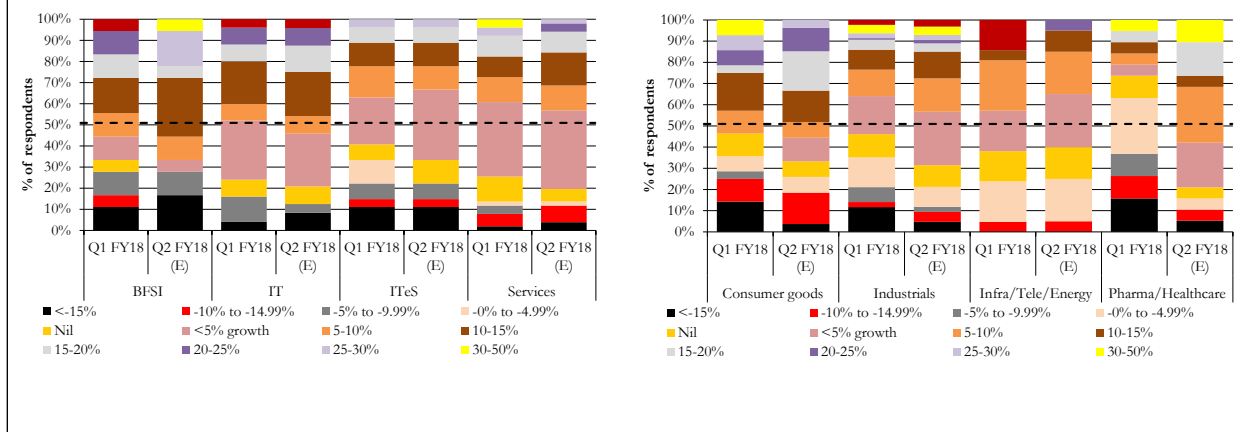


Chart 6:
Net profit, YoY % change: Quarterly



Sector-wise, most industries project improving sales numbers in Q2 compared to Q1 (Chart 5). BFSI tops the list, with the median at 20-25 per cent, up from 15-20 per cent the previous quarter, followed by IT (10-15 per cent, up from 5-10 per cent) and consumer goods (10-15 per cent, up from <5 per cent). ITeS and services companies are expected to hold firm, with 5-10 per cent sales growth. Industrial

firms expect similar growth trends (though improving from <5 per cent in Q1), while infrastructure, energy and telecom firms remain in the doldrums. Pharmaceutical and healthcare companies, who at the median saw zero sales growth in Q1, expect a big jump, to 10-15 per cent, in the second quarter.

For the majority of sectors, net profit growth in Q2 was expected to have held steady at under 5 per

cent. However, banking and other financial services companies report higher expectations (10-15 per cent, up from 5-10 per cent, Chart 6), as do IT (5-10 per cent, up from <5 per cent) and pharma and healthcare firms (5-10 per cent, up from -5 per cent). ■

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