

**ASSOCHAM**  
**FINANCIAL**  
**PULSE**  
**STUDY**

**Quarterly Performance Analysis of the Organized  
Manufacturing Sector**

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## EXECUTIVE SUMMARY

- ❖ The 90 Indian manufacturing firms posted rise in their net sales by 33.73 per cent on an average but was unable to maintain a healthy top and the bottom line, as net profit slipped by -34.63 per cent, they also witness surging cost in interest (53.88 per cent), raw material (42.33 per cent) and wage (23.124 per cent) during Q2 FY'09 as against Q2 FY'08.
- ❖ 30 small manufacturing companies on an average registered maximum rise of 41.43 per cent in their net sales during the second quarter of the FY'09 as against Q2 FY'08.
- ❖ But, on other hand the 30 small size manufacturing firms witness the maximum burnt with 90.61 per cent net losses, 69.10 per cent rising interest cost, 33 per cent raw material cost and 28.28 per cent pressure of wage cost in Q2 FY'09 against Q2 FY'08, on an average.
- ❖ 20 large size manufacturing companies on an average registered rise of 32.13 per cent in their net sales during the second quarter of the FY'09 as against Q2 FY'08.
- ❖ On an average, the 20 large size manufacturing companies registered falling net profits by -30.13 per cent and rising costs of raw material (20.82 per cent), interest (54.45 per cent) and wage (16.04 per cent) against Q2 FY'08.
- ❖ 40 mid size manufacturing companies on an average registered rise of 28.75 per cent in their net sales during the second quarter of the FY'09 as against Q2 FY'08.
- ❖ The 40 mid size manufacturing companies on an average posted a mere growth of 8.15 per cent in their net profit, however, their interest cost grew by 42.56 per cent, raw material and wage cost was up by 14.94 per cent and 23.76 per cent respectively as compared in the second quarter of the previous fiscal.

## INTRODUCTION

### TIME PERIOD

The report prepared by ASSOCHAM Research Bureau has taken corporate results announced by companies engaged in manufacturing activities during the second quarter ending September 2008. Organized manufacturing companies that have announced their results during 20<sup>th</sup> October- 5<sup>th</sup> November 2008-09, have been taken for analysis.

### DATA SOURCE

The report is prepared on the data posted by companies engaged in manufacturing activities, on the Bombay Stock Exchange website.

### SAMPLE SIZE

The ASSOCHAM Research Bureau (ARB) has taken total 90 organised manufacturing companies that are further bifurcated and classified for a broader analysis as:

- **20 large size manufacturing companies** (Companies that have registered net sales more than Rs. 500 crore in Q2 FY '09),
- **40 mid size manufacturing companies** (Companies that have registered net sales in the range of Rs. 500-100 crore in Q2 FY '09) and
- **30 small size manufacturing companies** (Companies that have registered net sales less than Rs. 100 crore in Q2 FY '09).

### PARAMETERS

The analysis of the Indian manufacturing companies is based on the parameters including net sales, net profit, interest cost, raw material cost and wage cost.

### METHODOLOGY

Simple average and sum of the parameters are taken for analysis of the study.

## **Small size manufacturing companies face severe pressures in their bottom and top line in Q2 FY'09: Assocham**

In spite of registering double digit growth of 41.43 per cent in net sale on an average by the 30 small size manufacturing firms, they witness the maximum burnt with 90.61 per cent net losses, 69.10 per cent rising interest cost, 33 per cent raw material cost and 28.28 per cent pressure of wage cost in Q2 FY'09 against Q2 FY'08, on an average, according to Assocham Financial Pulse (AFP) study.

The AFP study on “**Quarterly Performance Analysis of the Organized Manufacturing Sector**”; reveals that among the group of firms, 30 small manufacturing companies on an average registered maximum rise of 41.43 per cent in their net sales during the second quarter of the FY'09 as against Q2 FY'08. It was followed by 20 large size manufacturing companies (32.13 per cent) and 40 mid size manufacturing companies (28.75 per cent) respectively.

The analysis of the organized Indian manufacturing sector was based on the quarterly results posted by 90 Indian companies engaged in various manufacturing activities, on Bombay Stock Exchange (BSE) from 20<sup>th</sup> October - 5<sup>th</sup> November 2008. The AFP analysis of the Indian manufacturing sector is based on parameters including net sales, net profit, interest cost, raw material cost and wage cost.

The total 90 manufacturing companies are further bifurcated and classified for a broader analysis as, 20 **large size manufacturing companies** (Companies that have registered net sales more than Rs. 500 crore in Q2 FY '09), 40 **mid size manufacturing companies** (Companies that have registered net sales in the range of Rs. 500-100 crore in Q2 FY '09) and 30 **small size manufacturing companies** (Companies that have registered net sales less than Rs. 100 crore in Q2 FY '09).

“The falling numbers of the Index of Industrial Production (IIP) for the manufacturing sector from 9.5 per cent in April-September 2007-08 to 4.8 per cent in the same period of current fiscal could well be reflected and is in sync with the performance posted by the 90 manufacturing companies in second quarter of FY 2008-09, as analyzed by AFP study.”

In terms of net sales in Q2 FY '09 the top three small size manufacturing companies include Rama Newsprint and Paper Ltd (Rs. 98.59 crore), Ramco Industries Ltd (Rs. 90.53 crore) and Modern Steel Ltd (Rs.84.25 crore). However, the top three large size manufacturing companies are Tata steel Ltd with net sales of Rs. 6744.16 crore in Q2 FY'09, Sterlite Industries (India) Ltd. (Rs. 6593.77 crore) and Grasim Industries Ltd (Rs. 4,452.45 crore) among others. Companies such as Adhunik Metaliks Ltd witness net sales of Rs. 391.62 crore in second quarter of 2008-09, Finolex Cables Ltd (Rs. 364.98 crore) and Oriental Paper and Industries Ltd. (Rs. 352.56 crore) are the top 3 mid size manufacturing companies.

#### Performance Parameters of Manufacturing Companies

Manufacturing Company size	No. of companies	Broad Parameters (Average %)				
		Net Sales	Net profit	Interest Cost	Raw Material Cost	Wage Cost
Large*	20	32.13	-30.13	54.45	29.82	16.04
Mid**	40	28.75	8.15	42.56	14.94	22.83
Small***	30	41.43	-90.61	69.10	33.00	28.28

Source: Corporate Announcements for the quarter ending September 2008-09.

\* Companies that have registered net sales more than Rs. 500 crore in Q2 FY '09;

\*\* Companies that have registered net sales in the range of Rs. 500-100 crore in Q2 FY '09;

\*\*\* Companies that have registered net sales less than Rs. 100 crore in Q2 FY '09.

Despite, on an average posting healthy net sales, the manufacturing companies reported net losses along with high interest, raw material and wage cost in the second quarter of FY'09 over the corresponding period of the previous fiscal.

In the second quarter of the financial year 2008-09, out of the **30 small size manufacturing companies**, 16 reported net losses as against Q2 FY'08, with the maximum loss incurred by Indo Asian Fusegear Ltd (-80.22 per cent). Further, 26 small size manufacturing companies recorded rise in their interest cost, with Champagne Indage Ltd registering maximum growth in interest cost by 237.5 per cent in Q2 FY'09 as against Q2 FY'08.

Out of the 30 small sizes manufacturing companies, 21 and 26 companies witnessed the burden of rising raw material and wage cost respectively in the second quarter of current financial year. Swaraj Engines Ltd (117.62 per cent), under the group of small size companies recorded maximum rise in their raw material cost and Champagne Indage Ltd (95.8 per cent) registered maximum growth in wage cost in Q2 FY'09 as against Q2 FY'08.

“As the cost of finance and raw material gets dearer, it is the small manufacturing firms that witness the pressure most. These companies sell out their stock of goods at cheap prices, thus, their net sales increases but financial statements get weak.”

The **20 large size manufacturing companies** also witnessed the pressures of global slowdown as it was well reflected in their performance parameters. In the second quarter of FY 2008-09, on an average, the 20 large size manufacturing companies registered falling net profits by -30.13 per cent and rising costs of raw material (20.82 per cent), interest (54.45 per cent) and wage (16.04 per cent) against Q2 FY'08.

Out of the 20 large size manufacturing firms, almost 13 companies witness fall in their net profits during Q2 FY'09 against Q2 FY'08. The maximum loss during the period was incurred by ISPAT Industries Ltd (-297.48 per cent) and JK Tyres and Industries Ltd (-231.47 per cent). Moreover, AFP found that 15 large size manufacturing firms

faced rise in their interest cost, with Bhushan Steel Ltd (146.5 per cent) witnessing the maximum growth in Q2 FY'09 as against Q2 FY'08.

All the 20 large size manufacturing firms recorded increase in their raw material cost, with Coromandel Fertilizers Ltd witnessing maximum rise of 237.49 per cent in Q2 FY'09 against Q2 FY'08. Whereas, there were 16 large size manufacturing companies that posted rise in their wage cost, as the maximum increase was registered by Shree Cement Ltd by 52.98 per cent in the second quarter of 2008-09 against the same period of the previous fiscal.

The **40 mid size manufacturing companies** could manage to post better results than the peer group of manufacturing companies on the performance parameter in the second quarter of the current financial year as compared to the previous fiscal.

During Q2 FY 2008-09, the 40 mid size manufacturing companies on an average posted a mere growth of 8.15 per cent in their net profit, however, their interest cost grew by 42.56 per cent, raw material and wage cost was up by 14.94 per cent and 23.76 per cent respectively as compared in the second quarter of the previous fiscal.

Twenty four mid size manufacturing companies reported net losses in Q2 FY'09 as against Q2 FY'08, with the maximum loss incurring by Himatsingka Seide Ltd (-278.79 per cent). There were around 32 mid size manufacturing companies registering increase in their interest costs, with Lanco Industries Ltd witnessing the maximum rise by 185.16 per cent during Q2 FY'09 as against Q2 FY'08.

Out of the 40 mid size manufacturing companies, 36 and 34 companies recorded rise in their raw material and wage cost respectively in Q2 FY'09 over Q2 FY'08. Maithan Alloys Ltd, in the mid size manufacturing companies, registered the maximum increase in raw material cost by 280.56 per cent, whereas Jindal Drilling and Industries Ltd witnessed the maximum increase of 191.54 per cent in wage cost during Q2 FY'09 as compared to Q2 FY'08.

## ANNEXURE

**The 90 manufacturing companies that have been analyzed for the study:**

Large size manufacturing companies	Small size manufacturing companies
ACC Limited	Bhartiya International Limited
Ambuja Cement Limited	Burnpur Cement Limited
Apollo Tyres Ltd.	Champagne Indage Limited
Ashok Leyland	Cords Cable Industries Limited
Bajaj Auto Limited	Facor Alloys Limited
Bhushan Steel Limited	Fulford (India) Limited
Chambal Fertilisers and Chemicals Limited	High Energy Batteries (India) Limited
Coromandel Fertiliser Limited	Indag Rubber Limited
Exide Industries Limited	Indo Asian Fusegear Limited
Grasim Industries Limited	Jayshree Chemicals Limited
Hindustan Zinc Limited	Kar Mobiles Limited
ISPAT Industries Limited	KKCL (Kewal Kiran Clothing Limited)
JK Tyre & Industries Ltd.	Liberty Shoes Limited
JSW Steel Limitd	Minda Corporation Limited
Motherson Sumi System Limited	Modern Steels Limited
Piramal Healthcare Limited	Monnet Ispat & Energy Limited
Shree Cement Ltd.	Morepen Laboratories Limited
Sterlite Industries (India) Limited	Nippo Batteries Co. Ltd.
Tata Steel Limited	Oswal Yarns Limited
The India Cement Limited	Panasonic Carbon India Co. Limited
	Rama Newsprint and Papers Ltd.
	Ramco Industries Limited
	Raunaq International Limited
	Shreyans Industries Limited
	Suraj Stainless Ltd.
	Swaraj Engines Limited
	Tai Industries Limited
	Tamilnadu Jai Bharath Mills Limited
	The Andhra Petrochemicals Limited
	Tuticorin Alkali Chemicals and Fertilisers Limited
	Xpro India Limitd

<b>Mid size manufacturing companies</b>
Adhunik Metaliks Limited
Asahi India Glass Limited
Binani Cement Limited
DCW Limited
Finolex Cables Limited
Garware Wall Ropes Limited
Heg Limited
Himatsingka Seide Limited
Hindustan Sanitaryware & Industries Limited
ICI India Limited
Indo-Swift Laboratories Ltd.
Jamna Auto Industries Limited
Jindal Drilling & Industries Limited
JK Paper Ltd.
K.P.R Mill Limited
Kanoria Chemicals & Industries Limited
L.G.Balakrishnan & Bros. Limited
Lanco Industries Limited
Maithan Alloys Limited
Mirc electronics Limited
Munjil Showa Limited
Mysore Cement Limited
Nitco Limited
Orient Paper & Industries Ltd.
Punjab Tractors Limited
Savita Chemicals Limited
Seshasayee Paper and Boards Limited
Sona Koyo Steering System Ltd.
Subros
Supreme Petrochem Ltd.
Swaraj Mazda Limited
Tamil Nadu Newsprint and Paper Limited
Tata Metaliks Limited
Tata Sponge Iron Limited
Tata Tea Limited
Texmaco Limited
The Andhra Pradesh Paper Mills Limited
The Madras Aluminium Company Limited
The West Coast Paper Mills Limited
Wyeth Limited