



Introduction

For the past one year the world is in the grip of one of the worst recessions in history. Big corporations in sectors like banks, insurance, automobiles etc succumbed and went bankrupt. Job losses became a common phenomenon and there was a general feeling of uncertainty. Governments across the world had to step in by announcing economic and stimulus packages and even bail outs to certain industries/banks to pull out their economies out of recession. This seems to be having the desired effect and global recessionary fears appear to be fading away slowly.

The global recession and liquidity crunch had also adversely affected the power sector in India. However the first quarter results for this fiscal are showing a sign of recovery. The Government's stimulus announcements seems to be working and we can see some light at the end of the tunnel.

In order to review the performance of the industry, IEEMA carried out an analysis of the 1st quarter results (April- June 2009) of a few select companies. This will also help manufacturers to compare themselves on various parameters and possibly workout strategies for improving performance.

The Industry Performance

The sales income of companies in the power sector has increased for the quarter ending June 2009, thus showing signs of recovery. The sales have increased marginally but profits have increased substantially due to control over raw material costs. The Companies that we have analyzed show a cumulative growth in sales by little over 11% over the corresponding quarter of the previous year. There is no increase in costs of raw material consumed as commodity prices have cooled off. Operating profit increased by 10% and there is healthy growth in profit before tax at 17%. Even operating profit margins have

(While carrying out this exercise, methodology applied is the one which is in line with the established accounting standards. The sales figures are exclusive of excise duty and also do not include other income which has been shown separately. Operating profit is calculated before charging depreciation and interest paid, whereas PBT has been shown excluding extra-ordinary figures of income or expenses. EPS is profits after tax divided by number of shares. Since the data is obtained from various sources and utmost care has been taken while computing the data, there could be rare possibility of errors in the figures. It would be our endeavor to correct such figures and publish the same in the subsequent issues, if brought to our notice.)

Name of Company	Quarter ended	Sales	Other Income	Total Income	Operating Profit/Loss	Ratio to Sales	Interest	Ratio to Sales
ABB Ltd	June,09	151,485	1,102	152,587	13,791	9%	804	0.53%
	June,08	163,031	732	163,762	20,787	13%	450	0.28%
Areva T & D Ltd	June,09	78,825	-	78,825	10,709	14%	1,625	2.06%
	June,08	62,342	20	62,362	11,639	19%	422	0.68%
Amara Raja Batteries Ltd	June,09	30,653	61	30,715	7,171	23%	298	0.97%
	June,08	31,567	33	31,600	4,524	14%	392	1.24%
Apar Industries Ltd	June,09	50,453	-	50,453	3,286	7%	308	0.61%
	June,08	54,034	-	54,034	3,199	6%	341	0.63%
Aplab Ltd.	June,09	2,022	27	2,049	133	7%	122	6.05%
	June,08	1,990	9	1,998	171	9%	102	5.15%
Asian Electronics Ltd	June,09	2,860	-	2,860	639	22%	452	15.80%
	June,08	4,400	-	4,400	654	15%	690	15.68%
Bajaj Electricals Ltd	June,09	36,538	19	36,557	3,569	10%	856	2.34%
	June,08	31,758	52	31,810	2,511	8%	801	2.52%
Bharat Heavy Electricals Limited	June,09	567,142	22,709	589,851	59,156	10%	428	0.08%
	June,08	441,504	20,594	462,098	45,951	10%	256	0.06%
Bharat Bijlee Ltd	June,09	11,364	30	11,394	872	8%	99	0.87%
	June,08	10,565	37	10,602	1,326	13%	45	0.43%
Bharat Electronics Ltd.	June,09	91,055	4,374	95,429	9,164	10%	9	0.01%
	June,08	39,219	5,290	44,509	(2,424)	-6%	5	0.01%
Crompton Greaves Ltd	June,09	219,752	2,390	222,142	24,764	11%	470	0.21%
	June,08	203,475	1,636	205,111	20,902	10%	715	0.35%
Diamond Power Infrastructure Ltd	June,09	16,987	35	17,022	2,529	15%	591	3.48%
	June,08	17,752	41	17,792	2,449	14%	494	2.79%
Easun Reyrolle Ltd	June,09	3,645	80	3,725	214	6%	146	4.01%
	June,08	3,652	154	3,806	527	14%	64	1.75%
Emco Ltd	June,09	19,264	5	19,269	2,520	13%	867	4.50%
	June,08	18,335	-	18,335	2,390	13%	553	3.01%
Eveready Industries Limited	June,09	23,286	390	23,676	3,034	13%	876	3.76%
	June,08	21,984	-	21,984	2,029	9%	1,096	4.98%
Finolex Cables Ltd	June,09	32,775	1,082	33,857	4,996	15%	493	1.50%
	June,08	40,181	1,049	41,230	4,749	12%	585	1.46%
Havell's India Ltd	June,09	58,985	41	59,026	7,244	12%	163	0.28%
	June,08	55,408	61	55,469	5,499	10%	490	0.88%

Dep	PBT	Ratio to Sales	Raw materials consumed	Ratio to Sales	Man-power Costs	Ratio to Sales	EPS	Name of Company
1,248	12,841	8.48%	98,696	65.15%	10,852	7.16%	3.90	ABB Ltd
881	20,187	12.38%	108,398	66.49%	10,150	6.23%	6.20	
1,148	7,578	9.61%	50,587	64.18%	6,998	8.88%	2.10	Areva T & D Ltd
616	9,941	15.95%	39,500	63.36%	5,035	8.08%	2.70	
1,020	6,407	20.90%	16,334	53.29%	1,480	4.83%	4.90	Amara Raja Batteries Ltd
714	2,291	7.26%	23,167	73.39%	1,216	3.85%	2.60	
288	2,662	5.28%	38,555	76.42%	566	1.12%	7.60	Apar Industries Ltd
254	2,561	4.74%	45,834	84.82%	489	0.91%	5.90	
50	(39)	-1.92%	1,225	60.60%	525	25.94%	0.80	Aplab Ltd.
37	31	1.55%	1,563	78.54%	550	27.62%	0.30	
116	71	2.48%	1,016	35.52%	229	8.01%	0.20	Asian Electronics Ltd
246	(282)	-6.41%	2,311	52.52%	389	8.84%	0.90	
218	2,514	6.88%	3,249	8.89%	1,993	5.45%	9.40	Bajaj Electricals Ltd
189	1,573	4.95%	3,646	11.48%	1,665	5.24%	5.70	
9,610	71,867	12.67%	357,528	63.04%	111,368	19.64%	9.60	Bharat Heavy Electricals Limited
7,258	59,031	13.37%	251,788	57.03%	89,530	20.28%	7.80	
194	609	5.36%	9,892	87.05%	1,319	11.61%	7.30	Bharat Bijlee Ltd
120	1,198	11.34%	9,563	90.52%	1,228	11.62%	13.50	
2,801	10,728	11.78%	51,038	56.05%	17,043	18.72%	9.10	Bharat Electronics Ltd.
2,405	456	1.16%	21,898	55.84%	15,911	40.57%	0.00	
3,713	22,990	10.46%	114,648	52.17%	28,650	13.04%	4.40	Crompton Greaves Ltd
3,226	17,941	8.82%	125,936	61.89%	25,065	12.32%	3.30	
138	1,835	10.80%	10,428	61.39%	168	0.99%	6.60	Diamond Power Infrastructure Ltd
61	1,934	10.89%	14,748	83.08%	125	0.71%	11.00	
111	37	1.02%	2,585	70.92%	373	10.23%	0.10	Easun Reyrolle Ltd
88	529	14.49%	2,359	64.59%	464	12.71%	1.40	
435	1,223	6.35%	14,976	77.74%	990	5.14%	1.40	Emco Ltd
376	1,461	7.97%	17,208	93.86%	950	5.18%	1.70	
591	1,757	7.54%	10,626	45.63%	1,970	8.46%	2.20	Eveready Industries Limited
666	279	1.27%	7,336	33.37%	1,926	8.76%	0.40	
951	2,736	8.35%	26,133	79.73%	1,573	4.80%	1.40	Finolex Cables Ltd
655	1,142	2.84%	32,653	81.26%	1,572	3.91%	0.50	
539	6,583	11.16%	30,736	52.11%	1,914	3.24%	8.10	Havell's India Ltd
368	4,702	8.49%	29,097	52.51%	2,216	4.00%	7.00	

Name of Company	Quarter ended	Sales	Other Income	Total Income	Operating Profit/Loss	Ratio to Sales	Interest	Ratio to Sales
Indo Asian Fusegear Ltd	June,09	4,766	21	4,787	436	9%	432	9.06%
	June,08	6,476	33	6,509	872	13%	334	5.16%
Indo Tech Transformers Ltd	June,09	1,513	84	1,597	208	14%	37	2.45%
	June,08	5,398	137	5,535	1,695	31%	37	0.69%
Jyoti Structures Ltd	June,09	4,858	8	4,866	540	11%	178	3.66%
	June,08	4,020	0	4,020	484	12%	134	3.33%
KEI Industries Ltd	June,09	17,599	3	17,602	591	3%	974	5.53%
	June,08	22,836	(6)	22,830	2,320	10%	1,002	4.39%
Kalpataru Power Transmission Ltd	June,09	48,728	643	49,371	5,840	12%	1,400	2.87%
	June,08	47,583	506	48,089	5,680	12%	1,579	3.32%
KEC International Ltd	June,09	72,693	-	72,693	8,614	12%	2,177	2.99%
	June,08	60,024	-	60,024	6,155	10%	1,804	3.01%
Kirloskar Electrical Company Limited	June,09	19,921	59	19,980	2,188	11%	538	2.70%
	June,08	19,633	30	19,663	735	4%	152	0.77%
Larsen & Toubro Limited	June,09	740,829	22,276	763,105	83,191	11%	10,959	1.48%
	June,08	694,187	16,139	710,326	71,007	10%	5,051	0.73%
Precision Wires India Ltd	June,09	12,626	37	12,664	1,256	10%	98	0.78%
	June,08	16,102	7	16,109	1,342	8%	95	0.59%
Reliance Infra Limited	June,09	244,633	24,418	269,051	29,952	12%	10,367	4.24%
	June,08	219,811	42,032	261,843	39,606	18%	7,742	3.52%
Siemens Limited	June,09	191,767	780	192,547	26,489	14%	1,185	0.62%
	June,08	182,045	164	182,209	26,705	15%	1,106	0.61%
Techno Electrical & Engineering Co Ltd	June,09	12,350	1,241	13,591	1,225	10%	56	0.45%
	June,08	11,517	537	12,054	842	7%	4	0.03%
Transformers & Rectifiers (India) Ltd	June,09	8,594	51	8,645	1,453	17%	106	1.23%
	June,08	8,499	143	8,642	1,459	17%	145	1.71%
Voltamp Transformers Limited	June,09	10,420	723	11,143	1,621	16%	19	0.18%
	June,08	17,015	306	17,321	3,442	20%	7	0.04%
W.S. Industries (India) Ltd	June,09	4,496	6	4,502	345	8%	149	3.32%
	June,08	5,190	4	5,194	590	11%	191	3.68%
TOTAL	June,09	2,792,883	82,695	2,875,578	317,740	11%	37,280	1.33%
	June,08	2,521,532	89,738	2,611,270	289,816	11%	26,882	1.07%

increased by 1%. Interest expenses have increased by more than 39% which indicates the high cost of funds. Manpower costs have also increased by over 21% indicating increased employment/salaries. The sector has definitely shown a turnaround.

Sectoral Performance

Multi-Product companies fared better when compared to single product companies in the power sector. The sales of Multi-Product companies like L&T, Siemens, Crompton, BHEL etc have increased by 11% while operating profit increased by 12%. The operating margins remain unchanged at 11%. The profit before tax has increased by little over 9%.

The Cables industry in the study comprising of

KEI Industries, Finolex Cables, Precision Wires etc has performed poorly. Sales for this segment have decreased by 17% but profit before tax has increased by 15%. This is mainly because of reduction in raw material costs which has resulted in decline in the cost of consumption of raw materials by 26%.

The sales of Industrial Electronics group have increased substantially. There is also a substantial increase in profits. Big companies like Bharat Electronics has done well while smaller companies like Aplab have reported decreased performance.

The Transformers sector represented in the study by EMCO, Indo-Tech Transformers, Voltamp Transformers etc. has performed very poorly. Sales

Dep	PBT	Ratio to Sales	Raw materials consumed	Ratio to Sales	Man-power Costs	Ratio to Sales	EPS	Name of Company
152	(127)	-2.67%	2,641	55.41%	674	14.15%	0.80	Indo Asian
196	375	5.79%	2,911	44.95%	613	9.47%	2.10	Fusegear Ltd
98	73	4.82%	1,837	121.41%	157	10.38%	0.30	Indo Tech
97	1,561	28.92%	3,690	68.36%	146	2.70%	9.80	Transformers Ltd
31	339	6.98%	3,009	61.93%	128	2.64%	2.70	Jyoti Structures Ltd
17	333	8.29%	2,604	64.77%	103	2.56%	2.50	
369	363	2.06%	14,522	82.52%	463	2.63%	0.50	KEI Industries Ltd
279	1,013	4.44%	20,564	90.05%	504	2.21%	0.80	
817	4,266	8.75%	22,294	45.75%	3,231	6.63%	12.10	Kalpataru Power Transmission Ltd
599	4,008	8.42%	26,917	56.57%	2,787	5.86%	10.90	
616	5,821	8.01%	32,316	44.46%	3,871	5.33%	7.80	KEC International Ltd
459	3,892	6.48%	34,166	56.92%	3,430	5.71%	5.20	
455	1,254	6.29%	12,800	64.25%	1,804	9.06%	1.90	Kirloskar Electrical Company Limited
33	580	2.95%	7,537	38.39%	416	2.12%	1.50	
9,373	85,135	11.49%	139,346	18.81%	51,148	6.90%	26.80	Larsen & Toubro Limited
6,587	75,508	10.88%	181,969	26.21%	39,742	5.72%	8.50	
264	931	7.37%	9,576	75.84%	222	1.76%	5.30	Precision Wires India Ltd
252	1,002	6.22%	14,114	87.66%	239	1.48%	5.80	
7,220	36,783	15.04%	76,416	31.24%	15,494	6.33%	14.00	Reliance Infra Limited
6,121	25,746	11.71%	65,390	29.75%	12,451	5.66%	10.60	
1,994	25,680	13.39%	113,378	59.12%	14,277	7.44%	5.00	Siemens Limited
1,613	26,198	14.39%	124,781	68.54%	11,957	6.57%	5.00	
14	2,678	21.69%	10,123	81.96%	392	3.17%	3.90	Techno Electrical & Engineering Co Ltd
15	1,360	11.81%	9,842	85.45%	301	2.61%	1.90	
85	1,313	15.28%	7,105	82.67%	315	3.67%	6.80	Transformers & Rectifiers (India) Ltd
58	1,399	16.46%	7,185	84.54%	209	2.46%	7.20	
98	2,227	21.38%	7,670	73.61%	445	4.27%	14.70	Voltamp Transformers Limited
95	3,646	21.43%	11,912	70.01%	532	3.13%	22.90	
98	104	2.30%	2,174	48.34%	563	12.52%	0.30	W.S.Industries (India) Ltd
98	305	5.87%	2,933	56.51%	525	10.11%	0.90	
44,853	319,239	11.43%	1,293,457	46.31%	281,195	10.07%		
34,681	271,900	10.78%	1,253,519	49.71%	232,436	9.22%		

have declined by over 19%. Operating profit has declined by a massive 31%. Profit before tax has also decreased substantially by 39%.

The transmission sector comprising of companies like Jyoti Structures, Kalpataru Power, KEC International etc. for this study has done well with growth in sales by 12% while profit before tax has increased nicely by over 36%.

Conclusion

On a careful analysis of various segments in the Electrical sector it can be seen that this sector could be on a recovery path. Many companies have shown an increase in profits but sales have increased marginally. Interest costs have gone up significantly

indicating that credit is still not available cheaply. Manpower costs have also gone up indicating increased employability in this sector. Though the first quarter results show positive trend, the preliminary reports for the current second quarter seem to be showing a down trend, at least during the first half of the second quarter. It all will therefore depend heavily on the timely implementation of the 11th Plan Power Programme.



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