*Finances of Non-Government Non-Financial Public Limited Companies, 2015-16**

The aggregate results of the select non-government non-financial public limited companies revealed that profitability of the companies shored up by soft raw material and power and fuel costs despite tepid sales growth. Smaller companies, however, could not benefit much. Debt to equity ratio at the aggregate level was contained. Some improvement in fixed capital investment was observed.

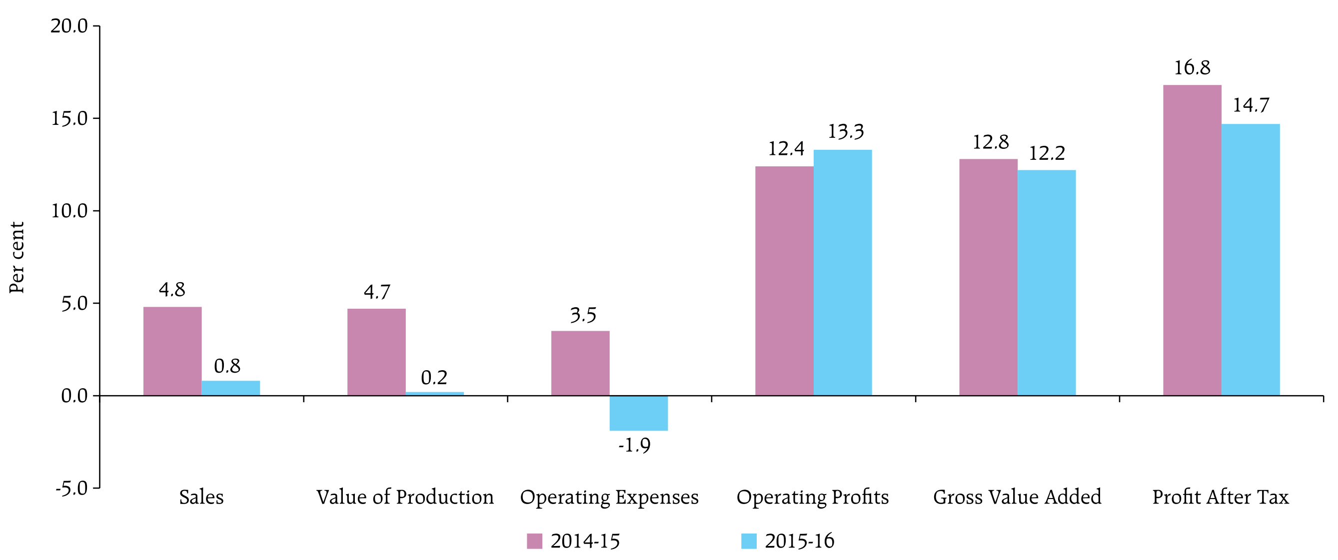
This article presents the financial performance of select 19,602 non-government non-financial (NGNF) public limited companies for the financial year 2015-16 based on their audited annual accounts during April 2015 to March 2016, along with comparable data from the period from 2013-14 to 2014-15. The data are available on the Reserve Bank's website at **https://dbie.rbi.org.in/DBIE/dbie.rbi?site=statistics#!2_44** The 19,602 companies covered in the latest data release accounted for 39.9 per cent of the population's paid-up capital (PUC) of all NGNF public limited companies as on March 31, 2016.

1. **Corporate Profitability Improved Despite Slower Sales Growth**

1.1. Sales growth of the select companies continued to decelerate during 2015-16, mainly due to subdued rural demand. However, the companies benefitted from lower cost of raw materials, power and fuel resulting in contraction of operating expenses. Accordingly, the growth of operating profits was higher. Magnitude of recovery in corporate earnings in terms of net profit growth was muted (Statement 1 and Chart 1).

1.2. The aggregate picture was marked by unevenness. While the companies in all size classes experienced lower sales growth, only the large companies (sales more than ₹10 billion) recorded higher operating profits growth, aided by sharper contraction in

Chart 1: Major Growth Rates



* Prepared in the Company Finances Division (CFD) of the Department of Statistics and Information Management, Reserve Bank of India. Reference may be made to the May 2016 issue of the RBI Bulletin for the previous year study.

operating expenditure. Performance of the small companies' (sales less than ₹1 billion) in terms of operating and net profit growth worsened in 2015-16. Medium sized companies (with sales between ₹1 billion to ₹10 billion) witnessed moderation in operating profits growth (Statement 1).

1.3. For companies in the mining sector, sales contracted for the second consecutive year, but its magnitude was lower in 2015-16. However, operating (and net) profits of these companies declined sharply. Continued poor performance of companies in textile and iron and steel industries pulled down the sales growth of manufacturing sector as a whole. In contrast, motor vehicles and other transport equipment industry in the manufacturing sector recorded pickup in sales. In respect of operating profits, the sector did well barring iron and steel industry. Lacklustre demand and stalled projects impacted the sales growth of construction sector companies' and their operating profits growth plummeted in 2015-16. Services sector companies suffered moderation in both sales growth and operating profits growth.

1.4. One favourable development from the perspective of the corporate sector was that it could retain the pricing power (operating profit margin) despite weak demand conditions. Large companies had an edge over small companies in terms of better pricing power. Manufacturing and services sectors witnessed steadily improving pricing power along with better return on equity.

2. Companies Faced Higher Wage Cost Pressure

2.1. Despite a contraction in total operating expenses, staff cost of the select companies recorded 11.5 per cent growth and was higher than the sales growth. As a result, the share of staff cost in total sales rose sharply by 80 basis points (bps) in 2015-16 on top of 60 bps rise in the previous year (Table 1).

Table 1: Major Items as Share of Sales

(Per cent)

Item	2013-14	2014-15	2015-16
Raw Materials	58.4	56.2	51.7
Staff Cost	7.0	7.6	8.4
Interest Expenses	3.6	3.7	3.9
Other Income	1.8	1.9	1.9

2.2. Contraction in raw material expenses helped in containing the fall in nominal gross value added (GVA) growth. While the companies in the smallest size class recorded lower GVA in 2015-16, those in the largest size class could maintain the momentum in GVA growth in 2015-16 (Table 2).

3. Corporate Leverage at the Aggregate Level Showed Signs of Improvement

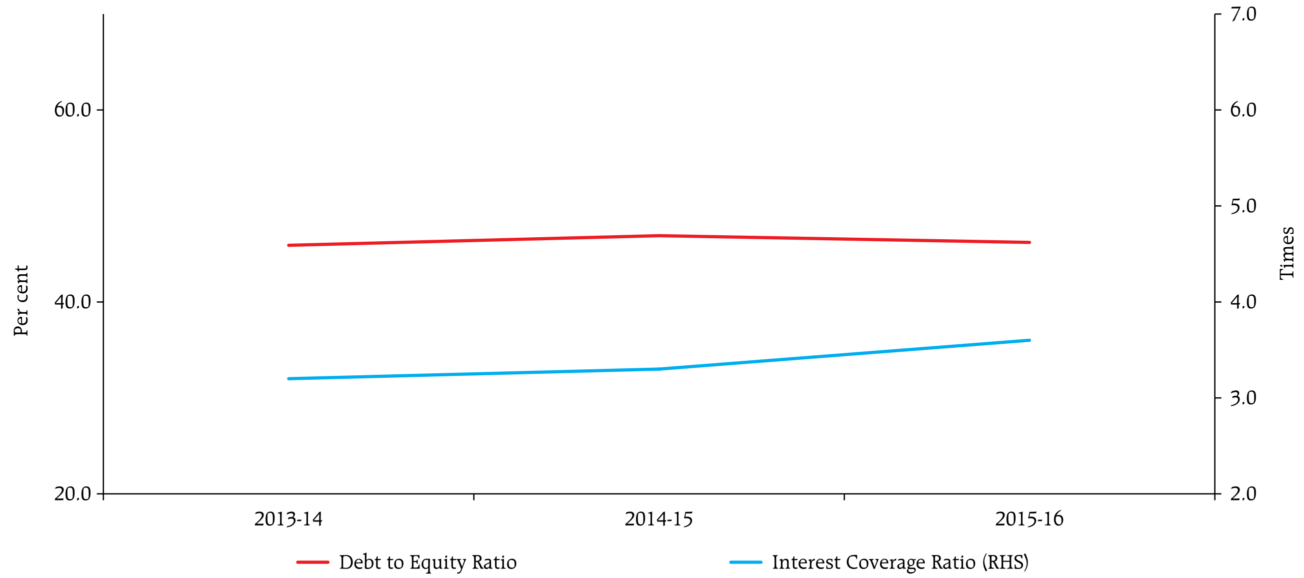
3.1. On the face of weaker corporate results in the last few years, corporate leverage has remained a cause of concern. In that respect, the aggregate position of the public limited companies did not show any deterioration in 2015-16. The debt (*i.e.*, long-term borrowings) to equity ratio registered marginal decline in 2015-16. However, the small sized companies bucked the trend. More worryingly, in the relatively more leveraged industries, *viz.*, iron and steel and electrical machinery and apparatus as also in the electricity and construction sectors, the debt to equity ratio rose further in 2015-16. In contrast, the debt to equity ratio in the services sector including

Table 2:Growth Rate in Gross Value Added for Select 19,602 Public Limited Companies

(Per cent)

Sales Class Wise	2014-15	2015-16
Less than ₹1 billion	8.3	-0.7
₹1 – ₹5 billion	12.2	10.9
₹5 – ₹10 billion	15.4	7.3
₹10 billion and above	13.0	13.7
Aggregate	12.8	12.2

Chart 2: Leverage (Debt to Equity) and Interest Coverage Ratio



the telecom and the real estate companies declined in 2015-16 (Chart 2, Statement 2).

3.2. The share of long-term borrowings in the total borrowings remained around two-third in the aggregate. However, the share of bank borrowings in total borrowings declined further and for the companies with very high leverage ratio (more than 400 per cent), it fell quite sharply (Table 3).

3.3. The position of debt held by the vulnerable companies *i.e.* companies with leverage ratio more than 200 per cent and ICR less than 1 (including companies with negative net worth) showed some improvement in 2015-16. The share of bank borrowings held by the vulnerable companies declined to 24.5 per cent from 30.3 per cent in previous year (Table 4).

4. Recourse to Fresh Borrowings Was Lower

4.1. Of the funds raised by the selected companies during 2015-16, the share of borrowings declined sharply from 24.8 per cent in 2014-15 to 16.5 per cent in 2015-16 indicating deleveraging process undertaken by the companies. This also resulted in decline in share of funds raised through external

Table 3: Share of Long-Term Borrowings in Total Borrowings (as per Leverage Ratio)

Leverage Ratio (Per cent)	Share of Long Term Borrowings in Total Borrowings (Per cent)			Share of Bank Borrowings in Total Borrowings (Per cent)		
	2013-14	2014-15	2015-16	2013-14	2014-15	2015-16
0- 100	49.80	54.10	49.92	57.48	53.02	58.22
100 – 200	74.75	71.86	80.50	60.28	59.10	45.65
200 – 300	86.74	85.70	85.29	64.38	61.25	61.56
300 – 400	91.98	92.75	84.30	52.37	60.12	58.25
Above 400	81.61	86.67	87.39	61.82	63.35	46.09
Net worth <0	78.93	77.20	75.75	44.73	44.67	48.28
Total	64.83	67.58	67.92	57.73	55.50	53.60

Chart 3: Pattern of Sources of Funds

sources. Accretion from internal sources, in the form of provisions (including depreciation provision) and reserves and surplus, was the major source of funds in 2015-16 (Statement 4A, Chart 3).

4.2. Reversing the trend observed during 2014-15, more than three-fourth of the fund garnered during 2015-16 was used in fixed assets formation by the selected companies. It can be seen as an early indicator of improved business sentiment (Statement 4B, Chart 4).

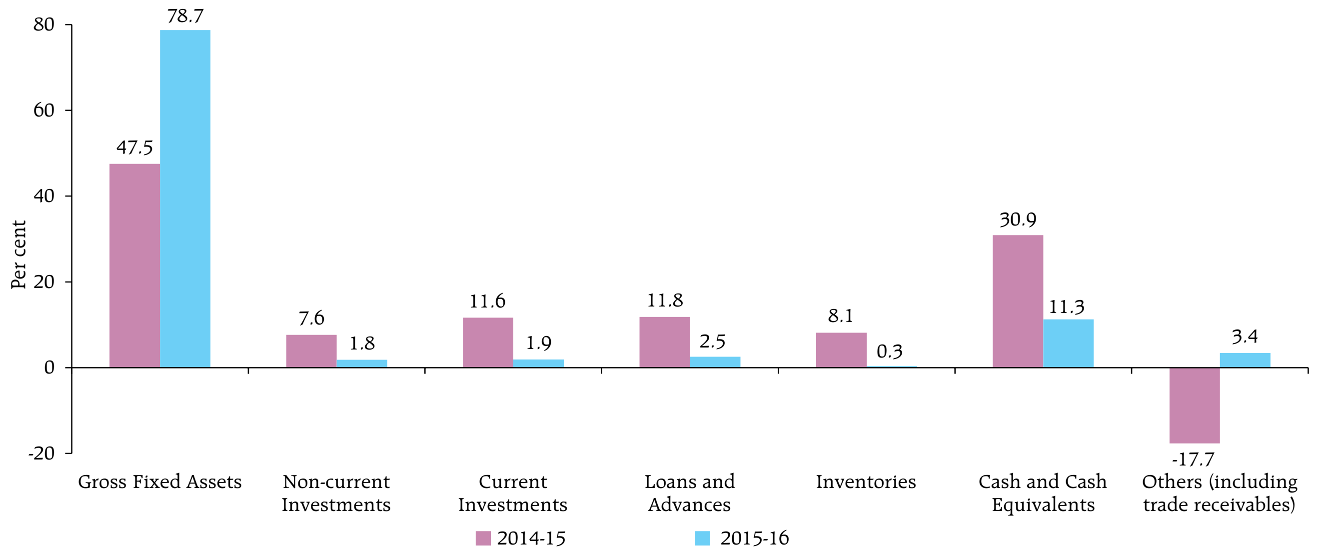
Table 4: Share of Bank Borrowings Held by Vulnerable Companies

(per cent)

Year	Number of Vulnerable Companies*	Share of Debt of Vulnerable Companies in 19,602 Companies' Debt	Share of Bank Borrowings of Vulnerable Companies in 19,602 Companies' Bank Borrowings
2013-14	1729	33.9	26.6
2014-15	1723	35.9	30.3
2015-16	1777	31.2	24.5

* includes companies with negative net worth

Chart 4: Pattern of Uses of Funds



5. Conclusion

The aggregate results of the select NGNF public limited companies in 2015-16 revealed that despite slower sales growth, downturn in the commodity price cycle helped the sector in maintaining the nominal GVA growth at a comparable level of the previous year. Higher profit margin signalled better pricing power of the corporates. There has not been any deceleration in the leverage position at the aggregate level and increased fixed capital formation may indicate some improvement in business conditions.

Statement 1: Growth rates of select parameters of select 19,602 NGNF public limited companies								
	Growth Rates (Per cent)							
	Sales		Operating expenses		Operating profits		Net profit (PAT)	
	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16
Aggregate (All Cos.)	4.8	0.8	3.5	-1.9	12.4	13.3	16.8	14.7
Sales-wise								
Less than ₹1 billion	-4.2	-3.1	-5.7	-1.9	11.3	-8.5	-17.1	-44.7
₹1 billion - ₹5 billion	5.6	1.7	3.9	-0.03	16.5	12.5	25.2	46.6
₹5 billion - ₹10 billion	10.0	4.2	10.6	4.0	11.2	3.7	30.6	-40.1
₹10 billion and above	4.8	0.6	3.5	-2.9	12.1	15.6	16.8	16.9
Industry-wise								
Mining and quarrying	-14.1	-5.7	-7.1	3.2	-26.0	-23.6	-54.1	-29.2
Manufacturing	2.6	-1.7	1.4	-5.3	10.8	17.1	18.3	16.0
Food products and beverages	7.3	2.2	5.8	2.3	12.7	9.6	25.4	-5.9
Textile	-11.3	-21.0	-13.0	-26.2	2.5	20.6	4.1	26.4
Chemicals and chemical products	10.4	8.6	10.5	5.1	9.9	26.4	11.6	33.1
Pharmaceuticals and medicines	14.6	14.4	15.2	9.0	11.8	42.2	8.1	50.1
Cement and cement products	13.9	3.9	12.9	2.4	25.5	10.1	71.8	-15.3
Iron and steel	2.7	-16.5	4.2	-17.2	1.7	-33.0	41.1	#
Machinery and equipments *n.e.c.*	7.9	2.7	8.7	0.9	12.4	5.3	30.2	17.2
Electrical machinery and apparatus	11.3	5.2	10.3	3.8	16.8	17.6	40.3	30.0
Motor vehicles and other transport equipments	13.2	14.9	12.6	11.8	26.6	29.8	36.1	21.3
Electricity, gas, steam and air conditioning supply	18.4	9.8	16.0	4.2	32.6	35.9	#	-102.3
Construction	8.8	3.6	6.9	1.1	24.8	0.5	21.3	-29.0
Services	8.8	5.8	7.4	5.1	16.3	7.3	21.5	15.4
Transportation and storage	9.3	11.7	11.3	11.8	5.2	15.4	39.4	36.8
Telecommunications	4.3	0.6	0.5	-4.7	38.3	51.6	#	#
Real Estate	20.0	3.2	23.8	-0.5	30.2	-7.4	25.9	4.5
Computer and related activities	18.7	5.4	21.4	7.0	5.2	-5.1	-6.2	-10.7

Denominator negative, nil or negligible

Statement 1: Growth rates of select parameters of select 19,602 NGNF public limited companies *(Concld.)*

	Growth Rates (Per cent)					
	Net worth		Total borrowings		Total assets	
	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16
Aggregate (All Cos.)	8.8	8.2	6.8	6.1	8.3	8.5
Sales-wise						
Less than ₹1 billion	3.9	1.9	8.0	11.3	7.2	6.7
₹1 billion - ₹5 billion	7.8	9.6	10.9	8.4	8.4	8.6
₹5 billion - ₹10 billion	11.7	7.1	8.8	4.4	8.4	6.3
₹10 billion and above	9.8	9.6	4.8	3.8	8.7	9.2
Industry-wise						
Mining and quarrying	-3.3	-0.1	-10.3	5.4	-4.0	0.7
Manufacturing	9.6	8.9	1.8	7.1	7.8	9.3
Food products and beverages	7.4	7.4	-1.1	5.7	5.1	4.1
Textile	8.4	10.3	4.4	3.5	7.0	12.3
Chemicals and chemical products	12.5	14.7	6.3	11.3	9.6	10.9
Pharmaceuticals and medicines	19.4	20.8	22.4	3.3	18.3	12.9
Cement and cement products	9.5	7.8	18.6	-3.5	13.1	5.7
Iron and steel	4.6	-10.1	-0.8	3.2	5.0	-2.9
Machinery and equipments *n.e.c.*	7.0	6.6	0.1	3.8	6.1	2.0
Electrical machinery and apparatus	3.8	6.5	3.8	15.5	4.6	9.2
Motor vehicles and other transport equipments	12.4	12.6	-33.9	-3.1	8.4	13.3
Electricity, gas, steam and air conditioning supply	13.5	4.1	20.2	11.5	15.9	9.2
Construction	10.6	5.1	15.2	15.0	13.5	9.3
Services	6.8	8.9	8.7	-1.7	7.6	7.0
Transportation and storage	-1.0	7.2	3.4	-4.0	6.0	9.3
Telecommunications	4.8	5.8	-12.5	-1.9	4.9	14.7
Real Estate	6.6	5.9	8.2	1.5	5.6	2.2
Computer and related activities	0.8	10.3	3.8	1.6	7.1	5.8

Statement 2: Ratios of select parameters of 19,602 NGNF public limited companies

	Ratios (Per cent)								
	Operating profit to sales			PAT to net worth			Debt to equity		
	2013-14	2014-15	2015-16	2013-14	2014-15	2015-16	2013-14	2014-15	2015-16
Aggregate (All Cos.)	13.1	14.1	15.8	11.1	11.9	12.6	45.9	46.9	46.2
Sales-wise									
Less than ₹1 billion	10.4	12.1	11.5	1.8	1.5	0.8	57.7	62.3	69.9
₹1 billion - ₹5 billion	10.5	11.6	12.8	4.1	4.8	6.4	61.8	60.3	64.8
₹5 billion - ₹10 billion	11.8	11.9	11.9	5.6	6.5	3.7	57.9	59.2	55.4
₹10 billion and above	13.9	14.9	17.1	15.3	16.2	17.3	38.6	39.4	36.6
Industry-wise									
Mining and quarrying	37.9	32.7	26.5	21.0	10.0	7.1	7.4	6.5	6.6
Manufacturing	12.5	13.4	16.0	13.6	14.6	15.6	39.6	40.0	39.1
Food products and beverages	8.1	8.5	9.1	18.0	21.0	18.4	49.8	56.2	47.2
Textile	8.7	10.1	15.4	10.0	9.6	11.0	43.3	46.4	43.2
Chemicals and chemical products	15.1	15.0	17.4	16.5	16.4	19.0	23.5	23.6	21.9
Pharmaceuticals and medicines	16.7	16.3	20.3	21.7	19.7	24.4	21.1	23.4	18.5
Cement and cement products	14.0	15.4	16.3	8.4	13.2	10.4	52.1	56.9	47.8
Iron and steel	11.0	10.9	8.7	2.6	3.5	-9.9	76.2	82.5	91.8
Machinery and equipments *n.e.c.*	12.9	13.5	13.8	11.9	14.5	15.9	19.9	19.5	22.7
Electrical machinery and apparatus	12.8	13.5	15.0	7.7	10.4	12.7	65.8	62.5	72.9
Motor vehicles and other transport equipments	10.9	12.2	13.7	12.6	15.3	16.5	7.6	5.5	4.4
Electricity, gas, steam and air conditioning supply	13.9	15.6	19.3	0.2	0.6	-0.01	117.9	126.3	144.0
Construction	15.7	17.9	17.4	5.0	5.4	3.7	109.0	115.4	124.0
Services	13.8	14.8	15.0	9.1	10.3	10.9	38.9	38.9	35.0
Transportation and storage	15.0	14.4	14.9	5.4	7.6	9.7	77.2	74.1	65.6
Telecommunications	6.1	8.1	12.3	-20.4	-10.2	-11.7	117.0	92.9	88.1
Real Estate	26.0	28.3	25.4	3.8	4.5	4.4	57.0	56.0	52.5
Computer and related activities	18.9	16.7	15.1	18.2	16.9	13.7	11.0	9.0	10.7

Statement 3: Composition of liabilities and assets of 19,602 NGNF public limited companies

(Per cent)

A. Composition of liabilities

CAPITAL AND LIABILITIES	2013-14	2014-15	2015-16
1. Shareholder's Funds	42.3	42.5	42.4
of which, (i) Share Capital	7.5	8.0	7.9
(ii) Reserves and Surplus	34.8	34.5	34.5
of which, Capital Reserve	12.4	12.1	11.8
2. Long-term borrowings (debt)	19.5	20.0	19.7
of which, (i) Bonds / Debentures	2.5	3.1	3.3
(ii) Term loans from banks	12.0	11.8	10.6
3. Short-term borrowings	10.6	9.6	9.3
of which, from banks	5.3	4.6	4.9
4. Trade payables	11.0	10.9	10.5
5. Provisions	2.6	2.8	2.5
6. Other liabilities	14.1	14.2	15.7
(i) non-current	2.9	2.8	2.8
(ii) current	11.2	11.4	12.9
7. TOTAL	**100.0**	**100.0**	**100.0**

B: Composition of assets

ASSETS	2013-14	2014-15	2015-16
1. Gross Fixed Assets	66.9	65.3	68.2
(i) Tangible assets	43.3	41.9	42.9
(ii) Capital work in progress	6.5	6.6	6.7
(iii) Intangible assets	16.4	16.1	18.1
2. Depreciation (i) Tangible	21.5	19.6	20.2
(ii) Intangible	1.8	1.8	1.8
3. Net fixed assets	43.6	44.0	46.2
4. Non-current investments	6.4	6.5	6.2
5. Current investments	4.2	4.8	4.6
6. Loans and Advances	12.9	12.8	12.0
7. Inventories	11.9	11.6	10.7
8. Trade receivables	11.3	11.1	11.2
9. Cash and cash equivalents	1.5	3.7	4.6
10. Other assets	8.2	5.5	4.4
(i) non-current	1.4	1.3	1.3
(ii) current	6.8	4.2	3.1
11. TOTAL	**100.0**	**100.0**	**100.0**

Statement 4: Composition of sources and uses of funds of 19,602 NGNF public limited companies

(Per cent)

A. Composition of sources of funds during the year

	2014-15	2015-16
Internal sources (Own sources)	**42.1**	**48.1**
1. Paid-up Capital	14.5	4.9
2. Reserves and Surplus	23.8	20.5
3. Provisions	3.9	22.7
of which, Depreciation	-1.7	22.9
External sources (Other than own sources)	**57.9**	**51.9**
4. Share Capital and Premium	7.8	5.9
5. Long-term borrowings	26.9	12.1
of which, (i) Bonds / Debentures	10.1	4.5
(ii) From banks	9.3	-2.9
6. Short-term borrowings	-2.1	4.4
of which, From banks	-3.7	6.6
7. Trade payables	9.9	3.8
8. Other liabilities	15.4	25.8
(i) non-current	0.7	2.5
(ii) current	14.7	23.3
9. TOTAL	**100.0**	**100.0**

B. Composition of uses of funds during the year

	2014-15	2015-16
1. Gross Fixed Assets	47.5	78.7
(i) Tangible assets	25.5	41.7
(ii) Capital Work-in-progress	8.4	5.5
(iii) Intangible assets	13.6	31.5
2. Non-current investments	7.6	1.8
3. Current investments	11.6	1.9
4. Loans and advances	11.8	2.5
5. Inventories	8.1	0.3
6. Trade Receivables	8.9	10.0
7. Cash and cash equivalents	30.9	11.3
8. Other assets	-26.6	-6.6
(i) non-current	0.2	1.2
(ii) current	-26.8	-7.9
9. TOTAL	**100.0**	**100.0**