

Performance of Private Corporate Business Sector during 2014-15*

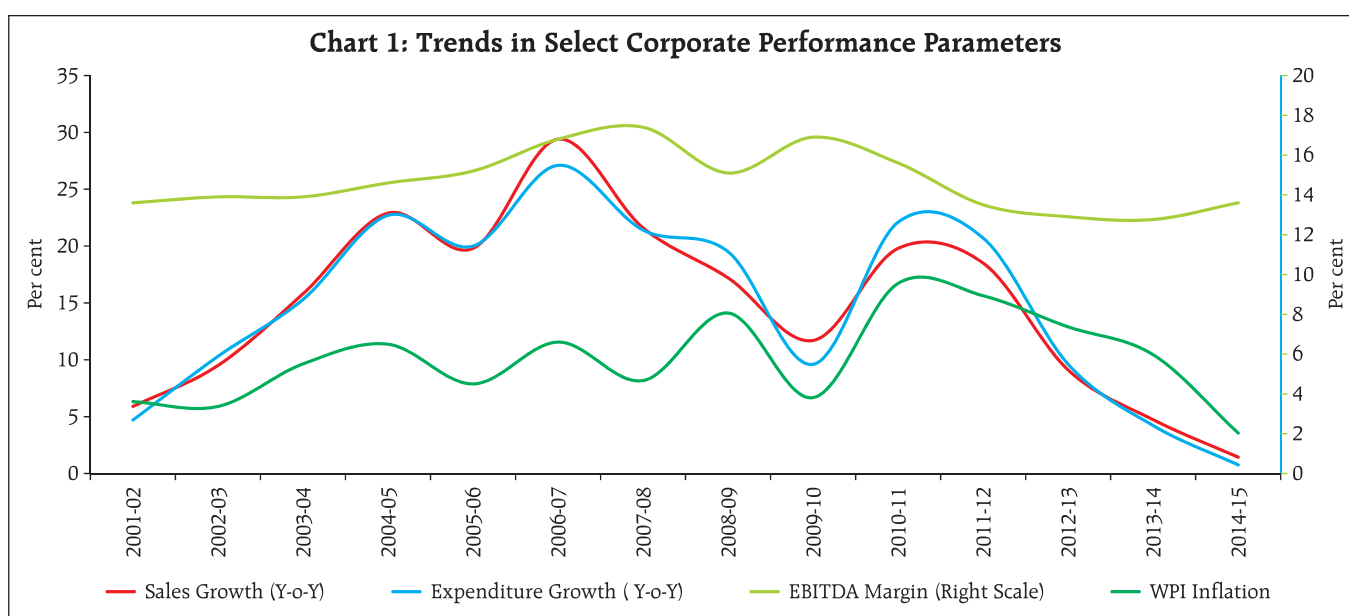
Sales growth of the private (non-financial) corporate business sector moderated for the fourth consecutive year led by a decrease in sales growth of manufacturing and IT sectors during 2014-15. Services (other than IT) sector partly recovered in 2014-15 showing higher growth in sales and EBITDA after some moderation last year. Net profit of the manufacturing sector contracted in 2013-14 and 2014-15 after a minor recovery in 2012-13. Performance in 2014-15 was affected primarily by the steep fall in oil prices during the year. This caused a sharp contraction in the sales and expenditure of the petroleum products industry group over the four quarters of 2014-15. This in turn, pulled down the aggregate as well as the manufacturing sector. However, an improvement was recorded in aggregate sales growth of non-oil companies for the first time in five years. Cost of raw materials (CRM) to sales was the lowest in 2014-15 compared with the last five years due to fall in commodity prices. The growth in raw material expenses for these companies remained low during the previous three

financial years which aided in better EBITDA growth and margins improved in 2014-15. Weak signals of a plausible turnaround were visible in terms of marginally better Y-o-Y sales growth for few of the important industries like Cement, Motor Vehicles, Iron & Steel, Machinery on the back of either a contraction or extremely low sales growth in 2013-14.

Quarterly results of 2,070 common companies showed declining trend in aggregate sales growth during the four quarters of 2014-15. It also showed higher EBITDA growth in the first half of the year which was not sustained. However, results for Q1:2014-15 indicated marginal improvement in sales growth excluding petroleum product industry.

1. Aggregate sales growth moderated and Operating profit (EBITDA) growth increased

1.1. Sales growth (Y-o-Y) of the private corporate sector continued to decelerate in 2014-15 for the fourth consecutive year. Nominal sales growth in this year was the lowest since 2001-02 (Chart 1). Value of production also decreased in 2014-15. Raw material expenses



* Prepared in the Corporate Studies Division of the Department of Statistics and Information Management Reserve Bank of India, Mumbai. The previous study 'Performance of Private Corporate Business Sector, during the 2013-14' was published in the October 2014 issue of the RBI Bulletin.

Table 1A : Performance of the Listed Non-Government Non-Financial Companies

No. of companies	2014-15		2013-14*
	2,925		2,854
Items	Amount (₹ billion)	Y-o-Y Growth# in Per cent	Y-o-Y Growth# in Per cent
	1	2	3
Sales	31,191	1.4	4.7
Value of Production	31,330	1.3	4.0
Expenditure	27,101	0.7	4.2
CRM**	13,893	-3.4	2.0
Staff Cost	2,595	10.5	11.8
Power and Fuel	1,152	5.1	1.0
Operating Profits(EBITDA)	4,229	5.3	2.3
Other Income@@	923	14.0	15.2
Depreciation	1,183	5.1	8.8
Gross Profits(EBIT)	3,969	7.3	3.0
Interest	1,270	4.4	11.5
Earnings Before Tax (EBT)	2,699	8.8	-0.5
Tax Provision	770	25.3	3.6
Net Profits ^	1,825	-0.7	-5.1
Paid-up Capital	1,531	2.8	3.8

* : Published in October 2014 issue of the RBI Bulletin

: Growth rates calculated on the basis of common set of companies during any period

** : CRM : Consumption of Raw Materials

@@ : Includes forex gain while forex losses are included in Expenditure

^ : Adjusted for non-operating surplus/deficit

contracted in 2014-15 after a sharp deceleration in 2013-14. Staff costs also showed a moderating trend for three years in a row, although it remained at a higher level than that observed in 2009-10. The trends in various components of expenditure as a proportion to sales since 2008-09 till 2014-15 revealed that at the aggregate level, CRM (cost of raw materials) to sales recorded a steady increase till 2011-12 and then continued to moderate to some extent till 2013-14. However, it recorded a steep fall in 2014-15 and was the lowest since 2008-09 (Chart 2). The staff cost to sales ratios have increased in recent three consecutive years after hovering around the same level from 2009-10 to 2011-12 (Table 6).

1.2. Earnings before interest, tax, depreciation and amortization (EBITDA) growth increased on account of lower expenditure growth. Earnings before interest and tax (EBIT) increased in 2014-15 compared to

Table 1B : Performance of the Listed Non-Government Non-Financial Companies – Excluding Petroleum Products Industry

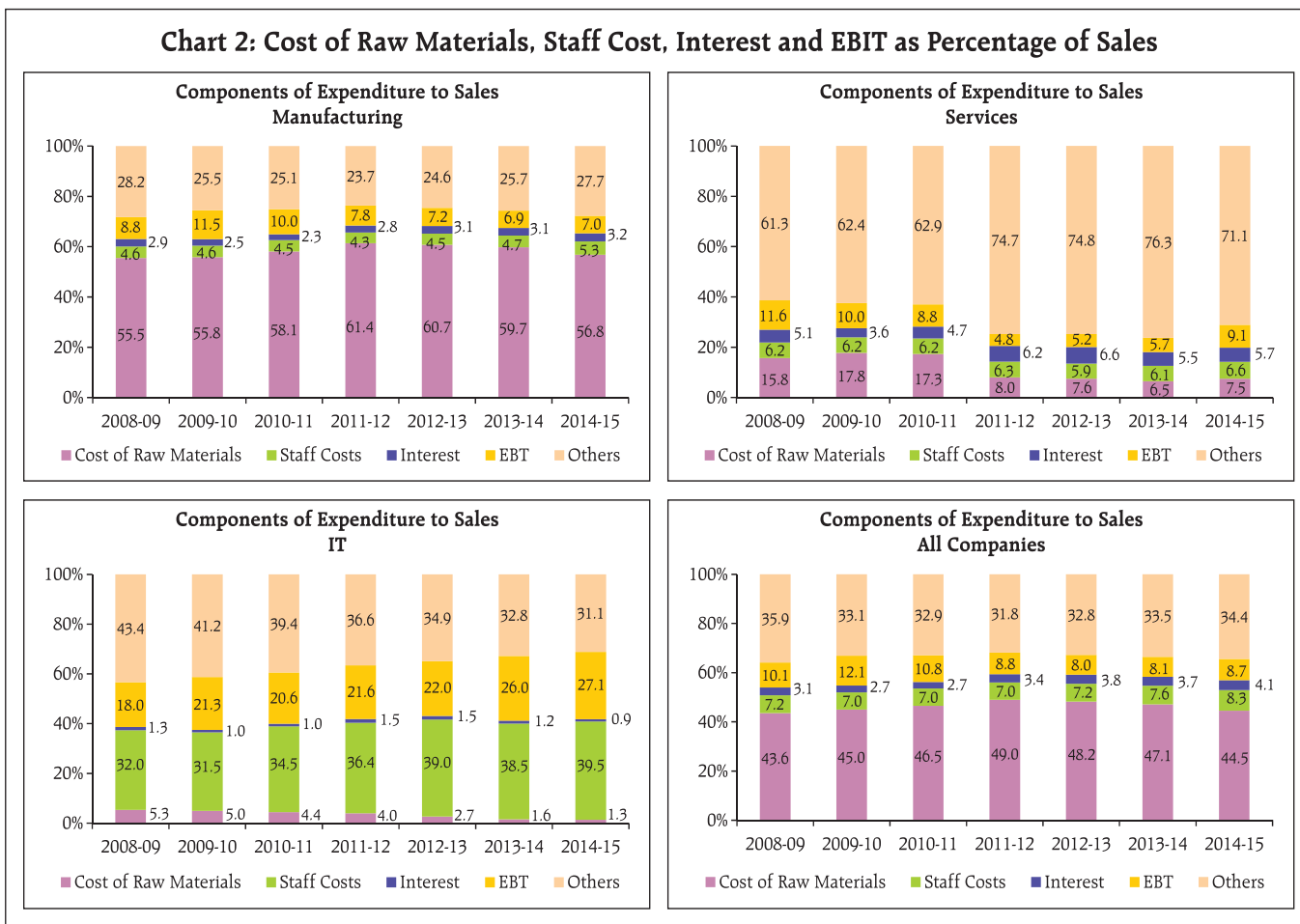
Indicator	2014-15	2013-14
No. of companies	2,907	2,836
Growth Rate (Y-o-Y)		
Sales	4.7	3.9
Expenditure	4.5	3.4
Raw Material	4.3	-0.4
Staff Cost	10.6	12.0
Power and Fuel	5.2	1.0
EBITDA	5.4	2.3
Other Income	16.1	15.3
Depreciation	6.4	10.7
EBIT	7.4	2.4
Interest	6.0	12.4
Tax Provision	27.5	2.9
Net Profits	-2.1	-7.3
Paid-up Capital	3.4	3.6
Ratio (Per Cent)		
CRM/Sales	49.0	49.0
Staff cost/Sales	8.9	9.5
EBITDA to Sales	13.9	14.3
EBIT to Sales	12.8	13.3
Net Profit to Sales	6.0	5.8

2013-14 consequent to increase in EBITDA. Net profit contracted in 2014-15 for the fourth consecutive year, though at a much lower rate compared with the earlier years. EBITDA margin increased in 2014-15 compared to 2013-14 but net profit margin remained range bound for previous three years.

Table 2: Important performance parameters

Period	No. of Companies	Sales Growth	Expenditure Growth	EBITDA Growth	Net Profit Growth	EBITDA Margin (Per cent)	Net Profit Margin (Per cent)
	1	2	3	4	5	6	7
2008-09	2,549	17.2	19.5	-1.0	-18.4	15.1	8.1
2009-10	2,629	11.7	9.6	26.6	28.8	16.9	9.4
2010-11	2,763	19.8	22.1	12.4	15.8	15.6	9.0
2011-12	2,679	18.5	20.7	1.7	-16.8	13.5	6.4
2012-13	2,931	9.1	9.6	3.5	-2.0	12.9	5.9
2013-14	2,854	4.7	4.2	2.3	-5.1	12.8	5.8
2014-15	2,925	1.4	0.7	5.3	-0.7	13.6	5.9

Growth indicators are Y-o-Y



1.3. Keeping in mind the huge impact of the fall in global petroleum prices, the performance of the companies excluding petroleum products was separately looked at in 2014-15 because the companies belonging to the petroleum products industry, recorded a significant contraction in sales (15.3 per cent Y-o-Y) and expenditure (17.4 per cent Y-o-Y). As expenditure contracted at a higher rate than sales, EBITDA growth improved in 2014-15. Contraction in other income led to a moderation in the net profit growth, which however remained at a higher level than the average of seven years. Improvement was observed in both EBITDA and net profit margins.

1.4. Based on 2,907 excluding petroleum product companies, slight improvement in Y-o-Y sales growth was observed in 2014-15 (4.7 per cent) compared with 3.9 per cent in the previous year though it remained

much below the growth observed during 2008-09 to 2011-12 (Table 1B).

2. Performance of small companies worsened further

2.1. Large companies exhibit a pattern of regularity in terms of filing their annual unaudited results as compared with the medium and small sized companies. This is evident from the fact that more number of small companies move in and out of the sample captured within reasonable time.

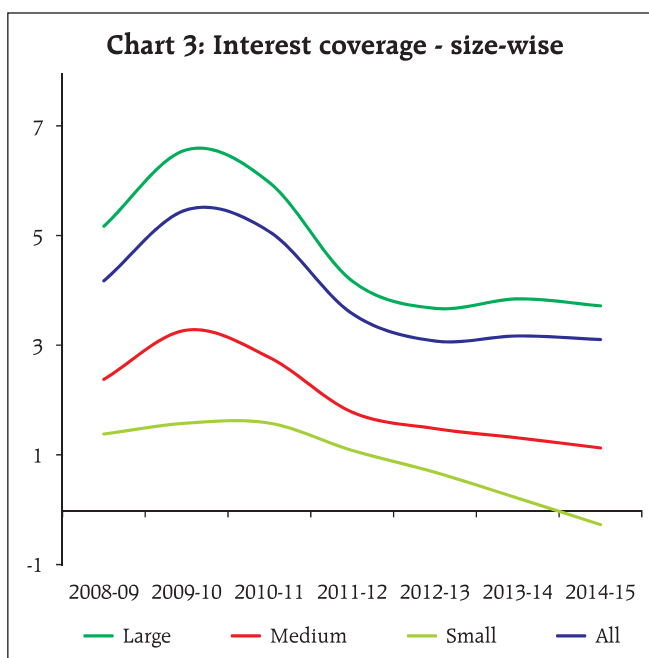
2.2. Large companies (sales more than ₹10 billion) recorded higher EBITDA growth, despite sales growth moderation. Medium companies (sales between ₹1 billion to ₹10 billion) recorded contraction in sales and profits. Sales growth of the small companies (sales less than ₹1 billion) faced major setback in 2013-14 and contracted further in 2014-15. For the small companies

Table 3: Size class wise per cent share in sales and no. of companies

Period	Large		Medium		Small	
	No. of Companies	Per cent share in sales	No. of Companies	Per cent share in sales	No. of Companies	Per cent share in sales
	1	2	3	4	5	6
2008-09	268	76.8	933	20.7	1,348	2.5
2009-10	323	79.1	973	18.8	1,333	2.2
2010-11	401	81.7	1,049	16.6	1,313	1.7
2011-12	414	84.0	998	14.6	1,267	1.4
2012-13	462	85.3	1,079	13.3	1,390	1.3
2013-14	474	86.3	1,001	12.4	1,379	1.3
2014-15	472	86.8	1,025	12.0	1,428	1.2

the sales growth contracted at a higher rate than the growth in components of expenditure *viz.*, cost of raw materials and staff costs. This resulted in higher expenditure to sales ratio (Table 6) and consequent operating losses *i.e.*, negative EBITDA. Among the three size groups, only the large companies showed slight improvement in margins from the level observed during the previous year (Table 4).

2.3. Interest coverage ratio (EBIT/Interest Expenses) showed a steady decrease across all size groups particularly since 2011-12 (Chart 3). Interest expenses contracted significantly for the small sized companies in 2014-15. However the problem of poor debt servicing capability remained severe for small companies due to

Chart 3: Interest coverage - size-wise

losses in the operating level itself, which further worsened the losses in the EBIT level.

3. Improvement in non-IT services sector

3.1. Sales growth of the manufacturing sector further worsened in 2014-15 and reached its lowest in the last seven years, but there has been an improvement in EBITDA growth (Table 5). The performance of the IT sector declined in 2014-15, with declining growth rates of sales, EBITDA and net profit after considerable improvement in the previous year. There has been a

Table 4: Size class wise performance parameters

Size Classes	Large					Medium					Small				
	Sales Growth	EBITDA Growth	Net Profit Growth	EBITDA Margin (Per cent)	Net Profit Margin (Per cent)	Sales Growth	EBITDA Growth	Net Profit Growth	EBITDA Margin (Per cent)	Net Profit Margin (Per cent)	Sales Growth	EBITDA Growth	Net Profit Growth	EBITDA Margin (Per cent)	Net Profit Margin (Per cent)
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2008-09	20.3	1.6	-12.5	16.2	9.3	10.2	-7.9	-40.6	11.9	4.3	-7.8	-40.2	-84.1	8.4	1.4
2009-10	13.0	27.1	26.4	17.6	10.2	9.6	25.0	45.7	14.7	6.5	-8.8	12.4	42.7	9.2	3.5
2010-11	20.6	13.3	18.1	16.2	9.8	19.1	7.5	4.1	13.2	5.6	-4.4	2.2	-70.4	8.7	1.1
2011-12	20.8	3.7	-15.0	14.0	7.0	9.5	-9.5	-34.6	11.1	3.4	-9.2	-23.6	125.7	6.3	1.2
2012-13	10.7	4.0	3.2	13.3	6.8	1.5	0.7	-62.1	10.5	1.3	-9.3	-14.4	\$	5.4	-4.7
2013-14	6.0	5.2	0.2	13.4	6.8	1.0	-15.1	-77.3	9.6	0.6	-26.3	-58.2	\$	3.2	-11.9
2014-15	2.3	6.3	3.0	14.5	7.1	-2.8	0.3	@	8.6	-0.8	-15.6	@	\$	-1.7	-17.6

Growth indicators are Y-o-Y

Table 5: Sector wise important performance parameters

Sector	Manufacturing					Services (other than IT)					IT				
	Sales Growth	EBITDA Growth	Net Profit Growth	EBITDA Margin (Per cent)	Net Profit Margin (Per cent)	Sales Growth	EBITDA Growth	Net Profit Growth	EBITDA Margin (Per cent)	Net Profit Margin (Per cent)	Sales Growth	EBITDA Growth	Net Profit Growth	EBITDA Margin (Per cent)	Net Profit Margin (Per cent)
Period	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2008-09	16.3	-4.1	-25.6	13.5	6.6	12.2	-8.2	-22	20.9	10.7	18.1	17.9	2.7	20.6	15.5
2009-10	13.3	33.9	45.2	16.1	8.6	3.7	0.0	-19.8	18.0	8.2	5.0	19.1	19.1	23.4	17.8
2010-11	23.0	11.9	20.6	14.4	8.3	7.1	9.3	3.4	17.7	7.8	15.0	11.4	12.5	22.2	16.7
2011-12	19.5	0.1	-21.7	11.9	5.5	14.3	-0.7	-42.2	16.1	3.7	18.6	14.9	23.3	21.6	17.5
2012-13	9.4	3.1	3.6	11.3	5.4	10.7	6.0	-29.6	16.0	2.7	11.3	17.0	7.1	22.5	16.8
2013-14	4.3	-0.2	-7.5	10.9	4.9	1.9	-4.5	-33.5	15.0	3.6	17.0	28.6	25.8	25.5	19.1
2014-15	0.4	3.3	-6.7	11.5	4.6	5.9	32.4	@	17.9	6.7	8.9	6.5	7.4	24.7	19.2

Growth indicators are Y-o-Y

noticeable turnaround in the performance of non-IT service sector with exceptional EBITDA and net-profit growth in 2014-15. However this jump in net profit growth was caused by the performance of a few select companies in the transportation, storage & communications and the trading industry. EBITDA margin improved for the manufacturing and non-IT sector and it has decreased slightly for IT sector.

3.2. During 2014-15, CRM to sales ratio continued its gradual declining trend for the manufacturing sector as a whole, while staff costs to sales ratio increased for the third consecutive year (Table 6). The non-IT services sector witnessed an increase in both CRM and staff cost to sales ratio in 2014-15. For IT sector an increase in staff cost to sales ratio is observed in 2014-15. Almost all sectors and size groups recorded an increase in staff cost to sales ratio during 2014-15 compared to previous year. Interest to sales ratio has gradually increased from 2.7 per cent in 2009-10 to 4.1 per cent in 2014-15, witnessing minor fluctuations in between.

3.3. Based on half-yearly financial statements of 2,638 companies common for previous 3 half years *i.e.*, from half years ended March 2014 to March 2015 it is observed that the improved performance of the non-IT services sector resulted in lower leverage (debt to equity) ratio and higher interest coverage and solvency ratio during the second half of 2014-15 compared to

previous year. The leverage ratio also improved for the manufacturing sector. Return on assets (ROA) weakened for all sectors and this decline was highest for IT sector. The IT sector weakened in terms of main financial ratios in tune with its declining growth rates of performance parameters. The manufacturing and non-IT services sector improved in terms of quick and current ratio.

4. Performance of major industries - weak signs of recovery in only few industries

4.1. Most of the industries remained much below the seven year average performance in terms of sales growth and EBITDA margin. However, a few major industries showed some signs of marginal recovery from successive deterioration.

4.2. In the basic goods sector, sales growth (Y-o-Y) improved for the Cement and the Iron & Steel industry in 2014-15 after successive and significant deceleration since 2011-12 ending in an overall contraction in 2013-14 (Chart 4 & 5). Margins are yet to recover to the levels observed in 2008-09 for both the industries. The Iron & Steel industry recorded a significant rise in interest burden, both due to a fall in profits and rise in interest. With a heavy share in aggregate borrowings, it turned out to be one of the most vulnerable industries. Also, the operating cash flow contracted for the group of 21 companies that have reported their cash flow statements for 2014-15. The net cash used in financing activities increased with a rise in long-term

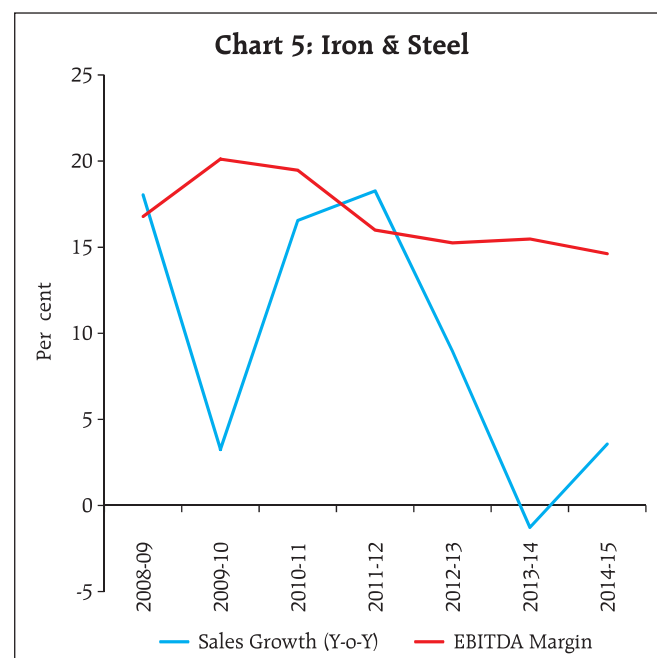
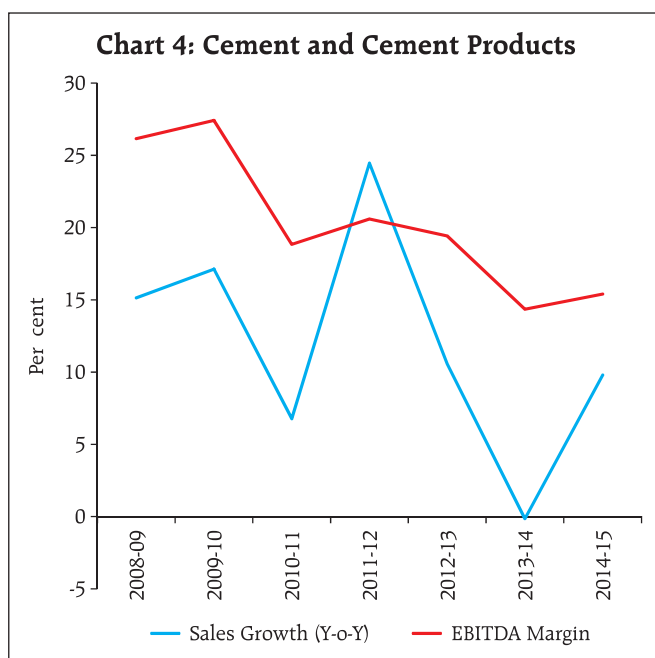
Table 6: CRM, Staff Cost and Interest Expenditure as percentage to Sales

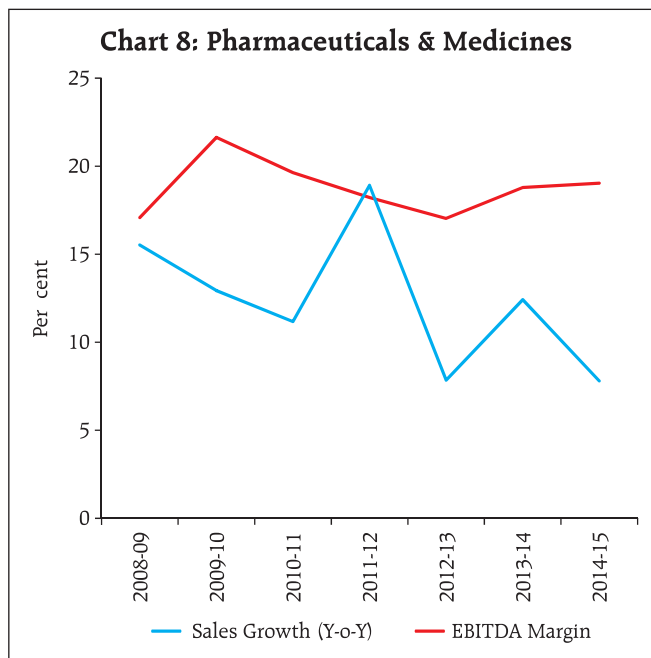
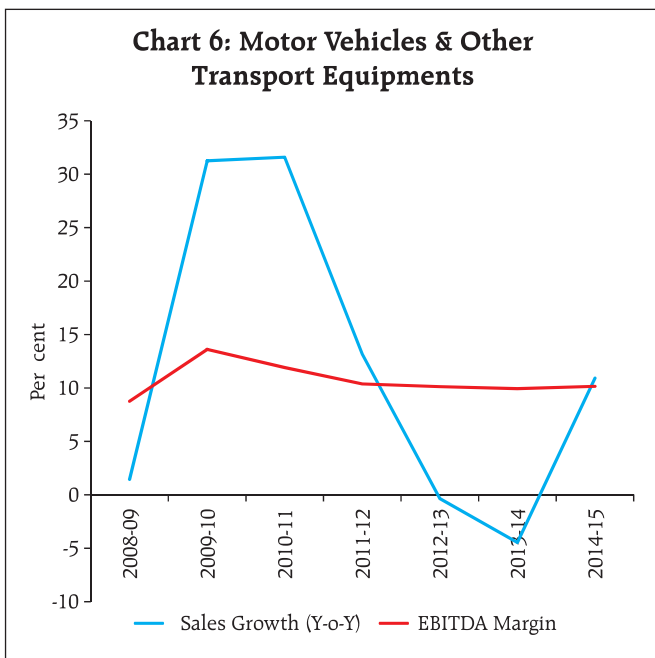
Period	CRM	Staff Cost	Interest Exp.	CRM	Staff Cost	Interest Exp.	CRM	Staff Cost	Interest Exp.
	Large			Medium			Small		
	1	2	3	4	5	6	7	8	9
Manufacturing									
2008-09	55.4	4.1	2.6	56.3	6.0	4.0	50.5	7.8	5.3
2009-10	56.4	4.1	2.2	59.9	6.3	3.5	50.4	8.2	5.0
2010-11	58.9	4.0	2.0	55.4	6.4	3.5	49.5	8.0	3.9
2011-12	62.5	3.8	2.5	56.0	6.6	4.2	51.1	9.4	5.0
2012-13	61.5	4.0	2.8	56.4	7.0	4.3	51.7	9.4	6.4
2013-14	60.4	4.2	2.7	56.3	7.0	4.7	50.2	9.8	9.7
2014-15	57.2	4.9	2.9	54.9	7.4	5.1	51.5	10.1	7.7
Services (Other than IT)									
2008-09	15.7	5.2	5.0	15.7	9.6	5.3	18.0	10.7	6.8
2009-10	18.8	5.2	3.1	14.1	9.6	5.0	14.8	11.9	7.5
2010-11	18.7	5.3	4.3	10.1	10.1	6.7	19.6	10.5	7.5
2011-12	7.8	5.3	5.1	8.2	10.0	11.2	15.1	10.3	6.6
2012-13	6.8	4.6	4.7	9.4	10.9	14.9	20.6	10.8	6.3
2013-14	5.4	4.9	4.1	10.3	11.4	11.6	16.1	11.0	11.6
2014-15	6.3	5.4	4.7	12.0	12.1	9.0	19.9	11.7	16.6
IT									
2008-09	5.2	32.4	1.0	4.7	30.9	2.5	12.0	26.1	3.5
2009-10	4.8	31.4	0.6	4.9	34.6	2.9	12.2	21.7	3.6
2010-11	4.2	34.8	0.7	4.1	34.0	2.4	15.5	24.3	7.0
2011-12	3.3	36.6	1.0	7.9	35.5	4.2	15.2	31.6	9.1
2012-13	2.0	39.4	0.8	7.6	36.2	6.0	10.5	33.5	9.2
2013-14	1.3	38.4	0.5	2.1	41.2	7.2	17.3	28.4	18.7
2014-15	1.0	39.8	0.4	4.7	37.3	6.7	13.3	31.7	11.9
All Companies									
2008-09	42.7	6.9	2.8	47.1	7.9	4.2	41.3	9.9	5.4
2009-10	45.0	6.7	2.4	45.8	8.1	3.9	41.7	9.9	5.2
2010-11	46.7	6.7	2.4	46.3	8.4	3.9	41.4	10.0	5.2
2011-12	49.6	6.6	3.0	46.5	8.8	5.2	41.3	11.4	6.2
2012-13	48.6	6.9	3.4	46.4	9.1	6.0	42.0	11.7	7.2
2013-14	47.3	7.3	3.2	46.9	9.0	6.1	39.6	11.7	11.3
2014-15	44.4	8.1	3.7	46.0	9.3	6.5	40.4	12.0	10.2

Sales is less than ₹1bn for small companies; between ₹1 bn to ₹10 bn for medium companies and more than ₹10bn for large companies.

and short-term borrowings and interest related payments. The Cement industry on the other hand

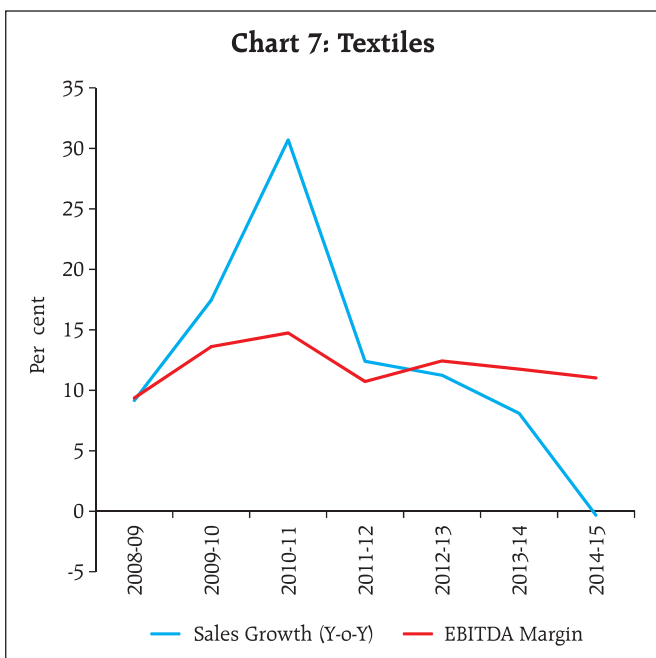
could increase its operating cash flow as well as the investing cash flow.



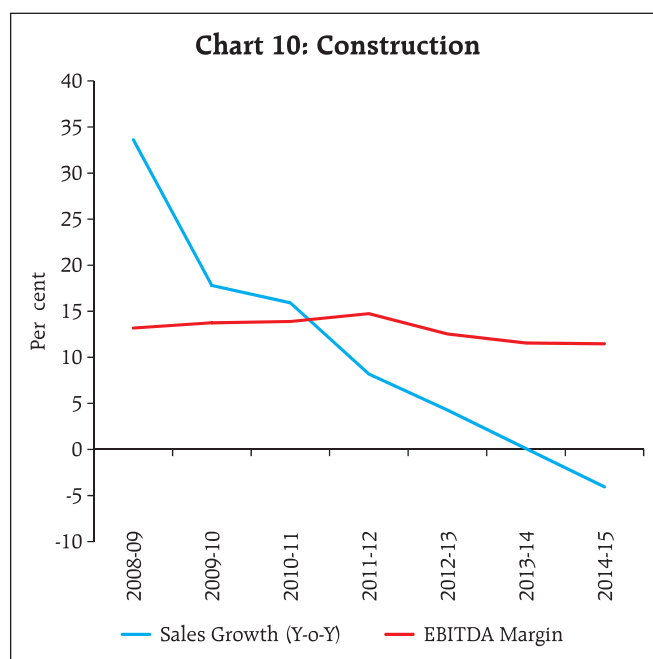
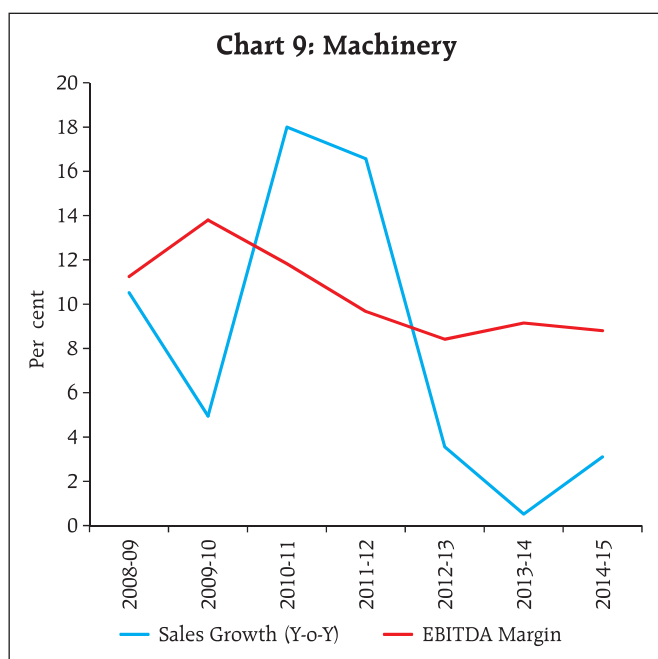


4.3. In the consumer goods sector, the Motor Vehicles industry recovered significantly after two years of successive contractions in Y-o-Y sales, although the growth rates remained lower than that observed during 2009-10 and 2010-11. However, an early analysis of the cash flow statements indicated lower operating cash flows. A pickup in EBITDA growth was observed. Net

profit suffered significantly in 2011-12 and is still in contraction. The Pharmaceuticals industry slowed down with respect to sales and EBITDA growth, while net profits contracted. The Textile industry stagnated in terms of sales growth with heavy contraction in net profit. Textiles is another vulnerable industry with high leverage, poor interest burden and large borrowings. Cash used in financing activities increased significantly in the early sample of cash flow statements in this industry.



4.4. In the capital goods sector, sales growth of the Machinery industry continued to remain weak, after the temporary recovery observed in 2010-11 and 2011-12 (Chart 9). Sales growth was higher in 2014-15 as compared to 2013-14. EBITDA showed a minor positive growth but net profit contracted significantly for the fourth consecutive year, and profitability remained low. The Construction industry contracted in sales after three years of successive deceleration (Chart 10). Expenditure growth also contracted in 2014-15. This led to contracting profits but profitability remained flat. Interest burden leaped up in 2013-14 and 2014-15, although aggregate interest expenses showed lower growth.



5. Contraction of sales and net profits on a quarterly basis.

5.1. Performance of a common sample of 2,070 listed non-government non-financial companies on a quarterly basis showed fluctuations in sales growth

(Y-o-Y) from Q1:2013-14 to Q2:2014-15 followed by successive contractions in Q3 and Q4 of 2014-15 (Table 8). EBITDA growth decreased from 10 per cent in Q2:2014-15 to 1.2 per cent in the next quarter and improved to 4 per cent in Q4:2014-15.

Table 7 : Important Performance Parameters of Select Industries

Industry	Period	Large			Medium			Small			All Companies		
		Sales Growth	EBITDA Margin (Per cent)	Net Margin (Per cent)	Sales Growth	EBITDA Margin (Per cent)	Net Margin (Per cent)	Sales Growth	EBITDA Margin (Per cent)	Net Margin (Per cent)	Sales Growth	EBITDA Margin (Per cent)	Net Margin (Per cent)
		1	2	3	4	5	6	7	8	9	10	11	12
Cement and Cement products	2013-14	0.6	15.3	7.7	-6.3	6.4	-0.5	-14.8	5.6	1.2	-0.1	14.4	6.9
	2014-15	9.7	15.8	7.2	9.1	11.2	6.7	34.9	9.2	0.8	9.8	15.4	7.1
Construction	2013-14	1.9	11.5	2.8	-12.1	11.4	1.1	-23.6	16.4	6.6	0.1	11.6	2.7
	2014-15	-3.0	11.9	2.2	-12.0	7.5	-8.8	-9.7	13.1	4.1	-4.1	11.5	1.1
Iron and Steel	2013-14	2.0	17.9	4.2	-14.4	2.9	-3.7	-31.5	-0.9	-39.6	-1.3	15.5	2.7
	2014-15	4.3	15.8	2.1	0.1	5.0	-4.2	-26.9	-4.7	-25.2	3.6	14.6	1.3
Motor Vehicles and other transport equipments	2013-14	-4.4	10.2	6.0	-4.4	8.3	2.6	-8.9	1.0	-5.9	-4.5	9.9	5.6
	2014-15	13.0	10.6	4.0	-3.9	6.7	-2.4	-28.3	-21.8	-43.3	10.9	10.2	3.3
Pharmaceuticals and medicines	2013-14	14.2	20.4	13.3	8.0	13.8	4.4	-8.4	5.3	-0.6	12.4	18.8	11.2
	2014-15	10.7	20.6	13.1	-3.1	12.7	4.5	-4.4	6.4	-3.2	7.8	19.0	11.4
Textiles	2013-14	7.1	13.7	3.3	11.5	8.8	0.3	-3.9	0.7	-14.8	8.1	11.7	1.8
	2014-15	2.7	14.3	3.7	-6.1	4.7	-3.5	-1.9	3.5	-9.0	-0.3	11.0	1.1
Machinery [^]	2013-14	1.5	9.6	6.0	-2.4	7.4	0.1	-14.1	7.2	0.6	0.5	9.1	4.8
	2014-15	3.0	8.8	2.3	5.4	9.1	2.7	-11.4	4.6	-6.2	3.1	8.8	2.2

[^] : includes Machinery & Machine Tools and Electrical Machinery and Apparatus

Sales is less than ₹1bn for small companies; between ₹1 bn to ₹10 bn for medium companies and more than ₹10bn for large companies.

Growth indicators are Y-o-Y

Table 8: Performance of the Select companies over the Quarters - 2013-14 and 2014-15

Item	2013-14				2014-15			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	1	2	3	4	5	6	7	8
No. of companies	2,070							
Year-on-year Growth rate in Per cent								
Sales	3.0	8.4	5.8	6.5	8.3	4.7	-0.1	-4.4
Expenditure	2.4	8.8	4.4	6.5	7.8	4.0	0.4	-6.0
Operating Profits (EBITDA)	2.2	1.1	5.6	6.4	14.1	10.0	1.2	4.0
Other Income	27.4	0.4	28.0	9.4	-0.7	33.2	3.5	8.4
Depreciation	8.8	11.8	7.3	8.4	7.3	4.4	6.0	5.9
Gross Profits (EBIT)	4.9	-1.9	8.9	6.5	12.8	16.9	0.3	4.5
Interest	8.0	16.7	6.9	6.9	2.3	5.3	8.8	10.7
Net Profits	-3.4	-14.7	7.1	11.6	24.6	29.7	-8.5	-10.3
Ratios in Per cent								
Cost of Raw Materials to Sales	55.0	57.4	56.3	57.2	56.0	56.9	53.8	51.5
Staff Costs to Sales	7.9	7.9	7.6	7.4	8.0	8.2	8.5	9.0
Interest to Sales	3.6	3.5	3.4	3.3	3.5	3.6	3.8	3.8
Interest to Gross profits	29.3	29.3	28.0	26.6	26.4	26.7	30.5	28.1
Interest Coverage (Times)	3.4	3.4	3.6	3.8	3.8	3.7	3.3	3.6
EBITDA to Sales	13.2	12.7	13.3	13.2	14.1	13.5	13.5	14.3
EBIT to Sales	12.4	11.9	12.3	12.4	13.1	13.4	12.4	13.6
Net Profits to Sales	6.2	6.0	6.5	6.9	7.2	7.4	5.9	6.6

5.2. Growth rates in net profits recorded and sustained high positive growth from Q3:2013-14 to Q2:2014-15 and subsequently contracted sharply in Q3 and Q4:2014-15. An explanation for the deteriorating net profit growth in Q4 could be the higher interest to gross profits despite positive growth rate in EBITDA (operating profits) and EBIT (gross profits). Interest coverage ratio remained steady across all quarters. EBITDA margins also maintained at a steady level during the eight quarter period. Other income increased from 3.5 per cent in Q3 to 8.4 per cent in Q4:2014-15.

5.3. Growth rates in both staff expenses and interest expenses, exhibited a gradual increase from Q1 to Q4:2014-15 whereas growth in CRM contracted sharply to negative 17.4 per cent in the last quarter.

5.4. Results available for Q1:2015-16 (April-June 2015) indicated a contraction in sales growth, but at a lower rate compared to Q4:2014-15 for the aggregate level and the manufacturing sector. The sales growth of the IT sector improved compared with previous quarter. There has also been an improvement in profitability ratio at the aggregate level.

Annex

Explanatory Notes

1. Selection of companies:
 - a. Results of companies which were available for financial year 2014-15 *i.e.* April 2014 to March 2015 were directly included in the sample.
 - b. Some companies filed earnings results ending March 2015, but covered either more than or less than a year and therefore were not directly comparable with the results reported by them for the previous year. Profit and Loss statements for such companies were generated from the comparable quarterly earnings results filed by them during FY: 2014-15.
 - c. Profit and loss statements of companies with financial year ending other than March were also included in the sample using a similar method of aggregating quarterly results as in (b) above.
 - d. In case of major amalgamations, profit and loss statements of the previous years were reconstructed from individual statements of the respective companies.
2. To compute the growth rates in any period, a common set of companies for the current and previous period is considered.
3. The classification of industries and sectors broadly follows the National Industrial Classification (NIC).
4. The manufacturing sector consists of industries like Iron & Steel, Cement & Cement products, Machinery & Machine Tools, Motor Vehicles, Rubber, Paper, Food products etc. This does not include 'Tea Plantations' and 'Mining & Quarrying' industries. The services (other than IT) sector includes Real Estate, Wholesale & Retail Trade, Hotel & Restaurants, Transport, Storage and Communication industries. This does not include Construction and Electricity Generation & Supply Industries.
5. FOREX gain and loss are reported on net basis by companies and included in the net profit calculation. While net FOREX loss is considered as a part of the expenditure and thus included in EBITDA, net FOREX gain is considered as a part of other income and included in EBIT.
6. Other income includes various regular incomes like rents, dividends, royalties etc. and does not include extra-ordinary income/expenses.
7. Extra-ordinary income/expenses are included in EBT and net profit. As the name suggests, these income/ expenses can be very large for some of the companies in a particular quarter.
8. Some companies report interest on net basis. However, some companies include the interest expenses on gross basis, where, interest received is reported in other income.
9. The ratio / growth rate for which denominator is negative or negligible is not calculated, and is indicated as '\$' or '@' respectively.

Glossary of Terms

EBITDA	-	Operating Profits / Earnings before Interest, Tax, Depreciation & Amortization	-	Sales + Change in Stock – Expenditure
EBIT	-	Gross Profits/Earnings before Interest & Tax	-	EBITDA+ Other Income – Depreciation & Amortisation
EBT	-	Earnings before Tax	-	EBIT – Interest Payment + Extra-ordinary income/expenses
Net Profit	-		-	EBT – Tax
Interest Burden	-		-	Interest Payment / EBIT*100
Interest Coverage	-		-	EBIT/Interest Payment