

Finances of Non-Government Non-Financial Public Limited Companies, 2012-13*

The aggregate results of the select non-government non-financial public limited companies in 2012-13 revealed significant moderation in growth rates of major parameters as compared with those in 2011-12. Though earnings before interest, tax, depreciation and amortisation (EBITDA) increased, net profit i.e. profit after tax (PAT) continued to contract and profit margins decreased in the second consecutive year. Growth in net worth also fell while borrowings grew at the same rate as in the previous year. As a result, leverage moved up further and the debt serviceability worsened. Total funds raised during 2012-13 shrank on slower business activity. Share of funds raised through borrowings as well as share of funds used in fixed assets formation was higher.

This article presents the financial performance of select 3,014 non-government non-financial (NGNF) public limited companies for the financial year 2012-13 based on their audited annual accounts closed during April 2012 to March 2013¹. Revision in the Schedule VI of Companies' Act 1956 effective financial year 2011-12 brought about significant changes in the format of preparing financial statements, especially balance sheet, by companies. The current study analyses data in the revised format for the three year period from 2010-11 to 2012-13². The detailed data have been made available in the website of the Reserve Bank. The select

* Prepared in the Company Finances Division of the Department of Statistics and Information Management. Reference may be made to the June 2013 issue of the RBI Bulletin for the previous year study. In the present study, 512 new companies have been covered in addition to the 2,502 companies common with the previous study. Data of some of the companies in the sample were procured from Centre for Monitoring Indian Economy (CMIE).

¹ In the case of companies, which either extended or shortened their accounting year, their income, expenditure and appropriation account figures have been annualised. The balance sheet data, however, have been retained as presented in the annual accounts of the companies. The analysis of financial performance of the select companies is subject to these limitations.

² Due to changes in reporting format, values of some of the ratios published earlier might have undergone some change. Details have been provided with the data release.

3,014 companies covered in the latest data release accounted for 26 per cent of population paid-up capital (PUC) (provisional estimate supplied by Ministry of Corporate Affairs, GoI) of all NGNF public limited companies as on March 31, 2013.

1. Sales growth moderated significantly and net profits contracted

1.1 The performance of select NGNF public limited companies deteriorated in 2012-13. Growth in sales as well as in operating expenses declined sharply reflecting lower demand (*Statement 1 and Chart 1*). Earnings before interest, tax, depreciation and amortization (EBITDA) increased by 2.8 per cent as compared with a contraction in the previous year. However, the net profit (PAT) fell by 6.7 per cent on top of 8.6 per cent decline in the previous year. Growth in interest expenses, however, moderated from 30.5 per cent in 2011-12 to 22.1 per cent in 2012-13.

1.2 The composition of major expenditure items as percentage of sales revealed that expenditure on 'raw materials', which increased in 2011-12, remained stable in 2012-13 (Table 1). On the other hand, 'staff cost' increased in 2012-13. The share of 'interest expenses' gradually increased during the three year period. Share of 'other income' in sales also increased gradually.

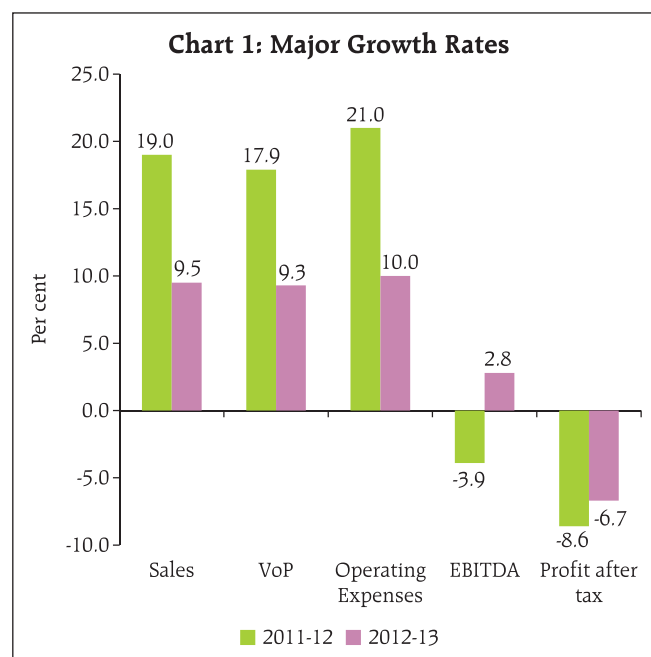


Table 1: Major items as share of sales

Item	(Per cent)		
	2010-11	2011-12	2012-13
Raw materials	56.8	58.6	58.5
Staff cost	7.3	7.2	7.6
Interest expenses	2.9	3.2	3.6
Other income	4.3	4.7	4.8

1.3 The smaller companies with sales 'Less than ₹1 billion' each were the worst performers in both the years 2011-12 and 2012-13 and recorded contraction in sales as well as in profits. Companies having sales between ₹1 billion and ₹10 billion also registered contraction in profits in both the years. Only the larger companies having sales '₹10 billion and above' stood out and were able to increase their profits.

1.4 Performance of the manufacturing sector was in line with that at aggregate level. Companies in the services sector and in 'electricity, gas, steam and air conditioning supply' improved EBITDA growth in 2012-13 but net profits continued to fall. Activity in the construction sector slowed down sharply as reflected by the fall in growth of sales from 22.7 per cent in 2011-12 to 2.9 per cent in 2012-13 and contraction in profits in both the years.

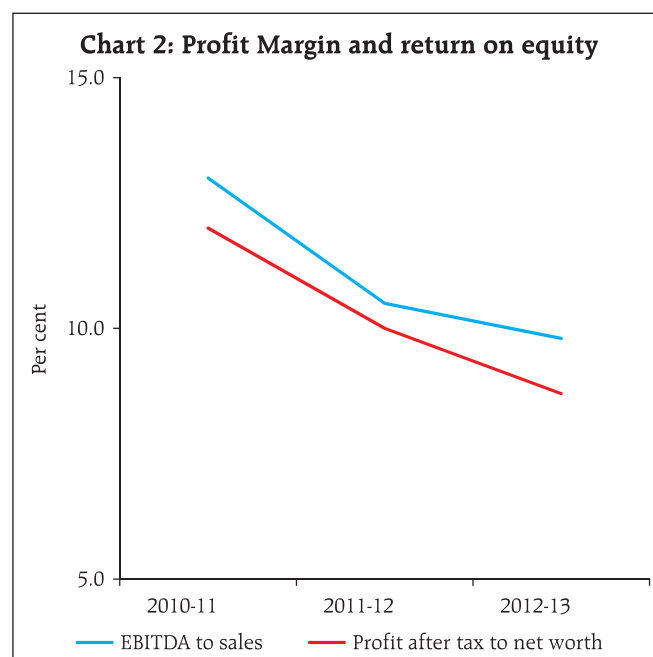
1.5 Performance of various industries in the manufacturing sector in 2012-13 was mixed. 'Textiles' industry, contrary to the general trend, recorded higher growth in sales in 2012-13 as compared with 2011-12 and substantial growth in profit. Besides, 'food products and beverages', 'chemical and chemical products' and 'pharmaceuticals and medicines' industries improved performance in terms of higher growth in profit mainly by containing operating expenses. Profit of the companies in 'cement and cement products' industry also increased in 2012-13, though at a lower rate. Profit of the companies manufacturing machinery continued to fall in 2012-13. Net profit in the 'Iron and steel' industry declined for the second successive year despite increase in EBITDA mainly on account of high interest payment. The 'motor vehicles and other transport equipments' industry performed the worst as its sales growth moderated to below 1 per cent and profit declined significantly in 2012-13.

1.6 In the services sector, aggregate sales as well as profit of the companies in 'real estate' industry continued its downward trend in 2012-13. 'Telecommunications' was one of the few industries which recorded moderation in the growth of EBITDA but high net profit growth. In contrast, the 'transportation' industry improved EBITDA growth but its net profit recorded sharp fall. 'Computer and related activities' witnessed healthy growth in sales as well as net profits in 2012-13, though they were relatively lower as compared with 2011-12.

2. Profit Margin continued to decline in most segments

2.1 The operating profit margin or EBITDA margin (EBITDA as percentage of sales) of select public limited companies fell gradually during the three year period from 2010-11 (13.0 per cent) to 2012-13 (9.8 per cent) reflecting their lower pricing power (Chart 2). The return on equity (PAT as percentage of net worth) to the investors also fell in a similar way.

2.2 The fall in the profitability was observed across sales size groups. Larger sales-size groups earned higher EBITDA margin in all the years during the study period. Companies in the largest sales-size group '₹10 billion and above' recorded an average EBITDA margin of 13.7 per cent in 2010-11 which fell gradually to 10.6 per cent



in 2012-13. EBITDA margin of the smallest sales-size group declined to a low of 1.8 per cent in 2012-13.

2.3 EBITDA margin in the services sector improved marginally in 2012-13 as compared with 2011-12 while other sectors followed the trend at the aggregate level. 'Computer and related activities' and 'transportation' industries in the services sector improved the EBITDA margin in 2012-13 boosted by higher profits. A few industries *viz.* 'food products and beverages', 'textiles', 'chemical and chemical products' and 'pharmaceuticals and medicines' in the manufacturing sector also recorded higher EBITDA margin in 2012-13 reversing the fall in 2011-12. Companies in the machinery industry (electrical as well as other machineries) was seen to operate at a very low EBITDA margin.

2.4 Return on equity was the highest in the manufacturing sector followed by construction, services sector and 'electricity, gas, steam and air conditioning supply' which recorded the lowest across years during the study period. As 'transportation' industry recorded loss at the aggregate, mainly affected by air transport companies, its return on equity was negative in consecutive years 2011-12 and 2012-13. Besides, companies in the 'telecommunications' industry earned, on an average, quite low return on equity.

3. Business expanded at slower rate for second consecutive year

3.1 Total net assets of the select companies grew at a slightly lower rate in 2012-13 than in 2011-12 (*Statement 2*). Only in case of companies in the lowest sales-size group 'Less than ₹1 billion' each, growth in total net assets was marginally higher than that in the previous year.

3.2 'Construction' and 'electricity, gas, steam and air conditioning supply' sectors suffered steep moderation in the growth of total net assets. Manufacturing sector also grew at a marginally lower rate while the services sector was able to maintain the growth rate of the previous year.

3.3 At the industry level, expansion was muted in the 'machinery and equipments (other than electrical)' and

'transportation' industries. Growth in the 'telecommunications' industry was at very low level in two consecutive years. However, contrary to the above trend, 'textiles', 'cement and cement products' and 'pharmaceuticals and medicines' expanded total net assets at higher rates.

4. Lower profits led to gradual increase in leverage and lower interest coverage ratio

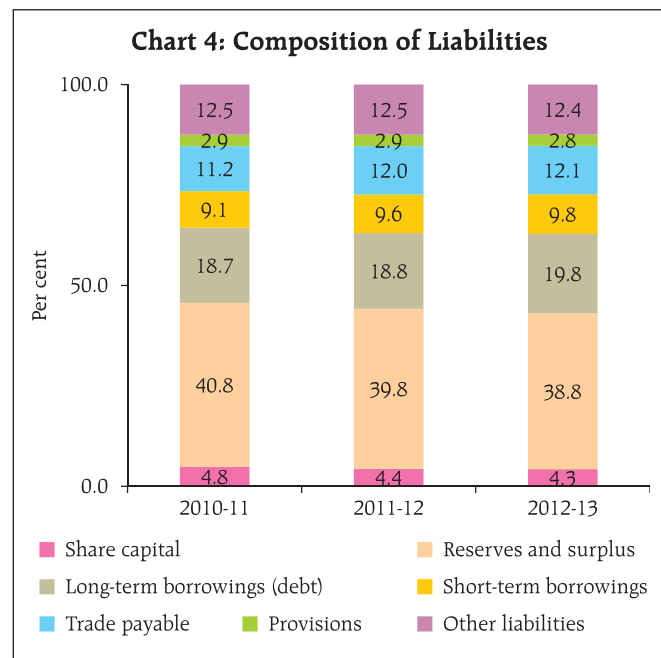
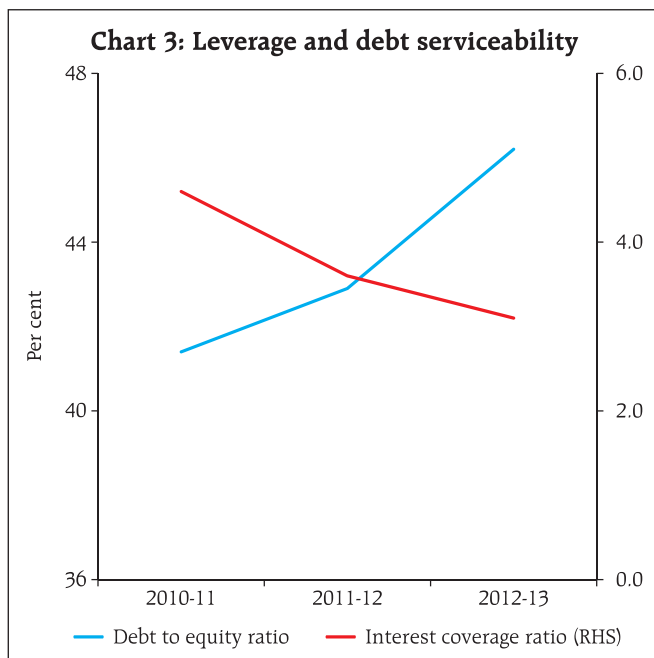
4.1 Lower net profits resulted in moderation in the net worth growth in 2012-13. Thus, companies took higher recourse to borrowings and it grew at a relatively higher rate. Growth in long term borrowings was at an even higher rate.

4.2 Companies in the sales-size group '₹5 billion - ₹10 billion' each registered very low growth in net worth and their total borrowings increased at a much higher rate.

4.3 Among the major industries, 'transportation' industry had sharp contraction (by 22.4 per cent) in net worth in 2012-13 on top of 6.8 per cent contraction in the previous year. This was mainly due to the losses of air transport companies. The 'machinery and equipments (other than electrical)' industry also showed marginal contraction in net worth in 2012-13, while its total borrowings recorded a marked rise. 'Iron and steel' and 'construction' industries also borrowed heavily in 2012-13.

4.4 Leverage, as measured by debt (long term borrowings) as percentage of equity (net worth), at the aggregate level had risen steadily since 2011-12 (*Chart 3*). A broader measure *viz.* total borrowings to equity ratio also presented similar movement by rising from 61.3 per cent in 2010-11 to 69 per cent 2012-13. Together with the rise in leverage, the interest coverage ratio (measured by EBIT to interest ratio), which reflects ability of corporates to service debt, fell successively in 2011-12 and in 2012-13.

4.5 Companies in the sales-size group '₹5 billion - ₹10 billion' each continued to be the most leveraged with their total borrowings to equity ratio exceeding 100 per cent in 2012-13 (*Statement 2*). Leverage of the largest



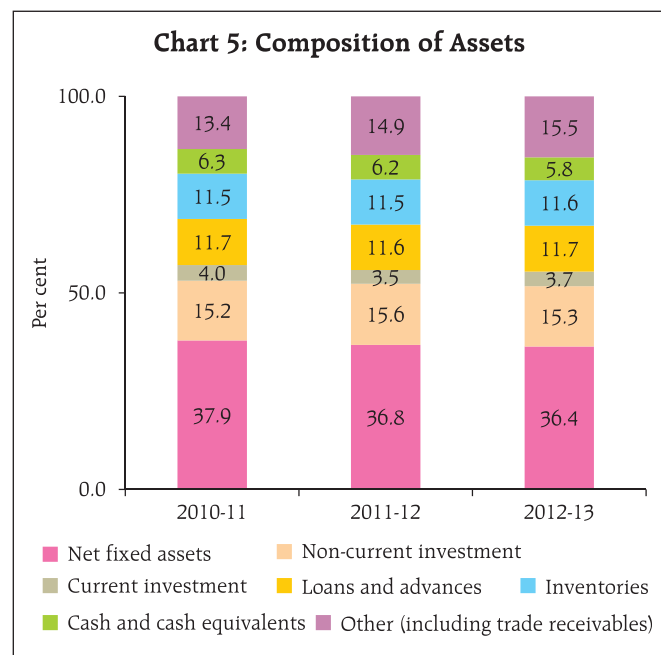
sales-size group '₹10 billion and above' each also recorded a continuous increase during the last two years.

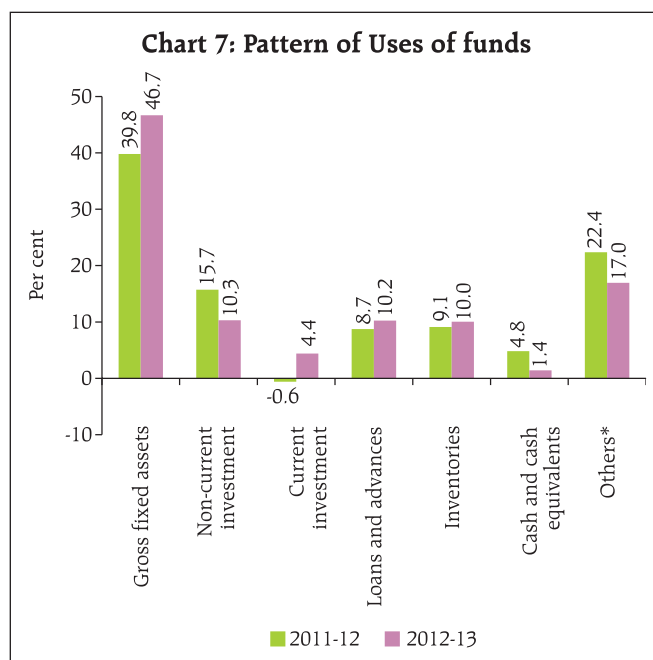
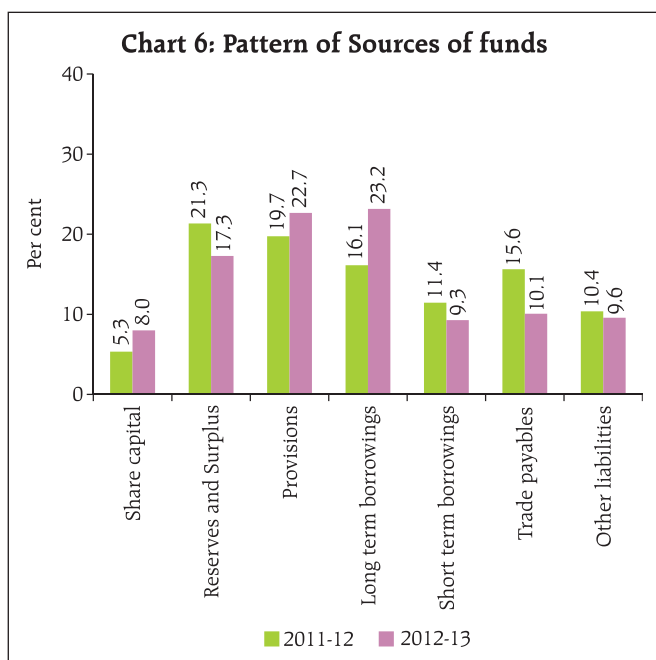
4.6 At sectoral level, services sector and its major constituent industries had relatively lower leverage except the 'transportation' industry. For the 'transportation' industry, the leverage was high at 220.3 per cent in 2012-13 together with a fall in interest coverage ratio to below 1 since 2011-12. Leverage was also high and rising resulting to fall in interest coverage ratio in 'electricity, gas, steam and air conditioning supply' and construction sector. 'Textiles' industry was the most leveraged and had the lowest interest coverage ratio in the manufacturing sector but the increase in their leverage was not appreciable during the period under study. The 'iron and steel' industry showed considerable rise in total borrowings to equity ratio. Higher interest expenses impacted its profitability and brought down its interest coverage ratio from 3.8 in 2010-11 to 1.9 in 2012-13.

5. Share of net worth in total liabilities declined gradually while current liabilities rose

5.1 During the three year period between 2010-11 and 2012-13, composition of liabilities of the select companies was characterized by decline in the share of

'reserves and surplus' and increases in the shares of borrowings, both long term and short term components, and trade payables, mainly in 2011-12 (*Statement 3A and Chart 4*). On the assets side, share of 'net fixed assets' declined due to increased share of provisions. Share of 'cash and cash equivalents' also gradually declined during the study period while that of 'trade receivables' and 'other assets' increased (*Statement 3B and Chart 5*).





5.2 Liquidity ratio, measured by current assets to current liabilities, was below 1 in the 'transportation' and 'telecommunications' industries in all the three years. It also declined in a few other industries *viz.* 'iron and steel' and 'electricity, gas, steam and air conditioning supply' where leverage was also high.

5.3 Of the funds raised during 2012-13, share of long term borrowings increased significantly while that in form of 'trade payables' declined by almost a similar extent (*Statement 4A and Chart 6*). As a result, share of external (i.e. other than companies' own) sources rose, but by a small magnitude. Among internal sources,

share of funds available through 'reserves and surplus' fell on lower accrual of profit.

5.4 Share of gross fixed assets formation in uses of funds rose appreciably during 2012-13 (*Statement 4B and Chart 7*). While share of funds parked in total financial investment fell marginally, there was a sharp drop in non-current investment in 2012-13. Funds kept idle as 'cash and cash equivalents' was lower at 1.4 per cent of total funds raised (4.8 per cent in 2011-12). This might be seen as an indication of an early sign of improving capital investment sentiment.

Statement 1: Growth rates of select parameters of select 3,014 NGNF public limited companies								
	Growth rates							
	Sales		Operating expenses		EBITDA		Net profit (PAT)	
	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13
Aggregate (All Co)	19.0	9.5	21.0	10.0	-3.9	2.8	-8.6	-6.7
Sales-wise								
Less than ₹ 1 billion	-5.1	-16.5	-3.6	-14.0	-45.6	-52.0	-45.6	-52.0
₹ 1 – ₹ 5 billion	7.5	1.6	11.6	1.1	-31.2	-8.2	-28.4	-42.8
₹ 5 – ₹ 10 billion	12.5	0.8	15.2	0.3	-29.9	-1.0	-52.0	-187.4
₹ 10 billion and above	21.7	11.8	23.7	12.6	1.1	4.0	-3.2	2.2
Industry-wise								
Mining and quarrying	-7.8	-38.5	12.7	-23.1	-37.2	-67.2	-40.9	-105.2
Manufacturing	20.6	9.6	22.5	10.0	-5.8	3.9	-6.9	-3.6
Food products and beverages	25.4	11.2	24.1	9.7	14.0	27.8	7.2	37.5
Textile	6.0	10.9	8.5	8.1	-39.5	60.3	-85.3	159.5
Chemicals and chemical products	19.8	12.0	22.8	8.9	-31.8	52.8	1.9	20.4
Pharmaceuticals and medicines	16.1	15.9	16.4	14.4	10.4	23.9	3.6	12.2
Cement and cement products	26.4	12.4	23.6	14.7	34.6	10.1	44.3	10.3
Iron and steel	23.5	8.4	23.0	10.4	2.1	3.7	-19.8	-39.7
Machinery and equipments n.e.c	16.3	-8.2	21.3	-5.2	-41.2	-69.1	-7.1	-83.9
Electrical machinery and apparatus	10.1	6.2	10.4	8.4	-27.1	-21.3	-42.7	-3.5
Motor vehicles and other transport equipments	15.4	0.9	16.7	0.9	3.7	-15.9	-0.9	-21.5
Electricity, gas, steam and air conditioning supply	26.2	20.6	34.3	21.8	2.3	16.0	-21.4	-35.2
Construction	22.7	2.9	24.0	3.5	-8.1	-11.3	-3.1	-10.2
Services	12.6	12.2	13.5	11.9	2.7	12.5	-11.1	-7.8
Transportation and storage	14.3	3.2	23.8	0.3	-35.2	31.0	-255.2	#
Telecommunications	9.7	9.4	6.9	9.6	21.4	9.0	-48.5	31.3
Real Estate	-7.3	-1.4	-7.1	6.6	-18.6	-12.2	-24.9	-19.9
Computer and related activities	21.9	16.5	23.9	15.1	13.9	21.9	21.1	10.0

Denominator nil, negative or negligible

Statement 1: Growth rates of select parameters of select 3,014 NGNF public limited companies (Concl.)						
	Growth rates					
	Net worth		Total borrowings		Total net assets	
	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13
Aggregate (All Co)	8.8	7.4	14.7	14.7	12.6	10.3
Sales-wise						
Less than ₹ 1 billion	4.5	1.8	2.5	4.3	5.0	5.5
₹ 1 – ₹ 5 billion	8.1	7.0	11.1	9.8	11.4	7.5
₹ 5 – ₹ 10 billion	3.0	1.4	8.0	18.4	9.8	7.4
₹ 10 billion and above	9.8	8.4	16.9	15.4	13.5	11.1
Industry-wise						
Mining and quarrying	6.8	-0.6	40.8	3.9	13.3	-0.2
Manufacturing	10.5	8.5	12.7	16.0	12.8	11.0
Food products and beverages	8.1	13.4	18.4	10.6	17.4	11.8
Textile	2.5	4.6	3.3	6.2	4.1	7.4
Chemicals and chemical products	18.0	11.0	21.9	14.5	16.8	11.5
Pharmaceuticals and medicines	13.4	14.3	9.8	12.5	14.1	14.6
Cement and cement products	12.6	10.6	12.4	16.1	10.2	13.2
Iron and steel	11.1	5.7	17.1	22.3	17.9	14.2
Machinery and equipments n.e.c	5.3	-1.1	14.3	19.5	15.8	1.4
Electrical machinery and apparatus	8.4	2.9	17.2	11.3	10.3	7.9
Motor vehicles and other transport equipments	11.3	10.3	2.7	15.8	11.2	6.2
Electricity, gas, steam and air conditioning supply	8.2	7.8	23.5	13.2	18.5	13.3
Construction	10.2	7.1	25.7	19.9	18.6	7.9
Services	5.0	5.1	15.4	11.5	9.1	9.1
Transportation and storage	-6.8	-22.4	14.3	3.1	10.0	0.5
Telecommunications	-0.2	0.1	23.4	5.6	3.0	3.0
Real Estate	5.8	3.3	-0.5	-1.4	6.3	6.3
Computer and related activities	15.7	16.7	9.1	12.5	17.3	16.5

Denominator nil, negative or negligible

Statement 2: Ratios of select parameters of select 3,014 NGNF public limited companies									
	Ratios								
	EBITDA to sales			PAT to net worth			Total borrowings to equity		
	2010-11	2011-12	2012-13	2010-11	2011-12	2012-13	2010-11	2011-12	2012-13
Aggregate (All Co)	13.0	10.5	9.8	12.0	10.0	8.7	61.3	64.6	69.0
Sales-wise									
Less than ₹ 1 billion	5.6	3.2	1.8	0.9	-1.2	-2.8	48.9	47.9	49.0
₹ 1 – ₹ 5 billion	10.1	6.5	5.8	7.7	5.1	2.7	70.8	72.7	74.5
₹ 5 – ₹ 10 billion	11.6	7.2	7.1	9.3	4.3	-3.7	82.5	86.0	100.2
₹ 10 billion and above	13.7	11.4	10.6	13.5	11.9	11.2	59.1	62.9	66.9
Industry-wise									
Mining and quarrying	42.7	29.1	15.5	21.6	11.9	-0.6	36.6	48.3	50.5
Manufacturing	11.8	9.2	8.7	14.2	11.9	10.6	64.2	65.4	69.9
Food products and beverages	4.9	4.4	5.1	9.0	8.9	10.8	89.4	97.7	95.3
Textile	12.2	6.9	10.0	12.5	1.8	4.4	162.4	163.2	164.5
Chemicals and chemical products	7.5	4.3	5.8	19.8	17.1	18.5	55.1	56.9	58.7
Pharmaceuticals and medicines	17.7	16.8	18.0	17.5	15.9	15.5	37.5	36.0	35.4
Cement and cement products	16.3	17.4	17.0	9.4	12.1	12.0	63.9	63.8	67.0
Iron and steel	18.5	15.3	14.6	12.1	8.7	5.0	107.2	112.9	130.7
Machinery and equipments n.e.c	10.1	5.1	1.7	14.4	12.7	2.1	42.2	45.8	55.3
Electrical machinery and apparatus	6.2	4.1	3.1	15.2	8.0	7.5	46.7	50.5	54.6
Motor vehicles and other transport equipments	9.6	8.7	7.2	18.9	16.9	12.0	57.3	52.9	55.5
Electricity, gas, steam and air conditioning supply	25.4	20.6	19.8	7.9	5.7	3.4	91.2	104.0	109.2
Construction	8.1	6.1	5.2	10.9	9.6	8.0	61.2	69.8	78.1
Services	16.8	15.3	15.4	8.7	7.4	6.5	50.8	55.9	59.2
Transportation and storage	15.8	9.0	11.4	3.5	-5.8	-25.0	134.9	165.6	220.3
Telecommunications	19.3	21.3	21.2	4.2	2.2	2.9	45.2	55.9	59.0
Real Estate	42.0	36.9	32.8	8.7	6.2	4.8	51.2	48.2	46.0
Computer and related activities	24.3	22.7	23.7	21.3	22.3	21.1	18.4	17.4	16.7

Statement 3: Composition of liabilities and assets of select 3,014 NGNF public limited companies			
(Per cent)			
A: Composition of liabilities			
CAPITAL AND LIABILITIES	2010-11	2011-12	2012-13
1. Shareholders' Funds	45.6	44.2	43.1
<i>of which,</i> (i) Share Capital	4.8	4.4	4.3
(ii) Reserves and Surplus	40.8	39.8	38.8
<i>of which,</i> Capital reserve	16.0	15.0	14.3
2. Long-term borrowings (debt)	18.7	18.8	19.8
<i>of which,</i> (i) Bonds / Debentures	2.8	2.6	2.9
(ii) Term loans from banks	9.3	9.3	9.8
3. Short-term borrowings	9.1	9.6	9.8
<i>of which,</i> from banks	6.6	6.7	6.8
4. Trade payables	11.2	12.0	12.1
5. Provisions	2.9	2.9	2.8
6. Other liabilities	12.5	12.5	12.4
(i) non-current	1.5	1.4	1.3
(ii) current	9.4	9.5	9.6
<i>of which,</i> maturities of long-term debt	3.5	3.8	3.7
7. TOTAL	100.0	100.0	100.0
B: Composition of assets			
ASSETS	2010-11	2011-12	2012-13
1. Gross Fixed Assets	53.9	53.3	53.8
(i) Tangible assets	41.2	41.7	42.0
(ii) Capital work in progress	7.6	7.0	6.9
(iii) Intangible asset	5.1	4.6	4.8
2. Depreciation (i) Tangible	14.6	15.0	15.7
(ii) Intangible	1.3	1.6	1.7
3. Net fixed assets	37.9	36.8	36.4
4. Non-current investments	15.2	15.6	15.3
5. Current investments	4.0	3.5	3.7
6. Loans and advances	11.7	11.6	11.7
<i>of which,</i> to related parties	0.1	0.1	2.6
7. Inventories	11.5	11.5	11.6
8. Trade receivables	10.2	11.1	11.4
9. Cash and cash equivalents	6.3	6.2	5.8
10. Other assets	3.2	3.8	4.1
(i) non-current	1.0	1.2	1.4
(ii) current	2.2	2.5	2.7
11. TOTAL	100.0	100.0	100.0

Statement 4: Composition of sources and uses of funds of select 3,014 NGNF public limited companies		
(Per cent)		
A: Composition of sources of funds during the year		
	2011-12	2012-13
Internal sources (Own sources)	41.3	40.4
1. Paid-up Capital	0.2	0.4
2. Reserves and Surplus	21.3	17.3
3. Provisions	19.7	22.7
<i>of which, Depreciation</i>	17.4	20.8
External sources (Other than own sources)	58.7	59.6
4. Share Capital and premium	5.1	7.6
<i>of which, Net issues</i>	1.8	2.1
5. Long-term borrowings	16.1	23.2
<i>of which, (i) Bonds / Debentures</i>	0.4	5.0
(ii) From banks	7.7	11.4
6. Short-term borrowings	11.4	9.3
<i>of which, From banks</i>	6.3	5.7
7. Trade payables	15.6	10.1
8. Other liabilities	10.4	9.6
(i) non-current	1.3	2.0
(ii) current	9.1	7.6
<i>of which, maturities of long-term debt</i>	5.4	2.5
9. TOTAL	100.0	100.0
B: Composition of uses of funds during the year		
	2011-12	2012-13
1. Gross Fixed Assets	39.8	46.7
(i) Tangible assets	37.5	36.1
<i>of which, Plant and machinery</i>	28.5	28.0
(ii) Capital Work-in-progress	1.8	4.8
(iii) Intangible assets	0.5	5.7
2. Non-current investments	15.7	10.3
3. Current investments	-0.6	4.4
4. Loans and advances	8.7	10.2
5. Inventories	9.1	10.0
6. Trade receivables	15.0	10.5
7. Cash and cash equivalents	4.8	1.4
8. Other assets	7.4	6.5
(i) non-current	3.3	2.6
(ii) current	4.1	3.8
9. TOTAL	100.0	100.0