

## Performance of Private Corporate Business Sector during the First Half of 1999-2000\*

The financial performance of the private corporate business sector in the first half of 1999-2000 i.e., April to September 1999, is assessed in this article, based on **abridged** audited/unaudited financial results of companies published in the financial/news dailies or collected from The Stock Exchange, Mumbai. Since the data on only a few selected items are available from the abridged results of companies and these are provisional in nature, analysis based on these data can be taken at best as indicative. The reference period of the study is the half-year ended September 1999. The listed companies have been publishing abridged results on a quarterly basis since the first quarter (April to June) of 1998-99. Companies have been usually reporting results for the first half of the accounting year along with the results of second quarter July to September 1999, but this practice was not followed by some other companies. In the latter case, the results for the first half were derived by combining the results of companies for the first and second quarters of 1999-2000. The study covers 921 non-financial non-Government public limited companies.<sup>#</sup>

### Overall performance

Sales of the 921 non-financial public limited companies registered a rise of 12.1 per cent in the first half ended September 1999 to Rs.1,27,128 crore (Table 1). Other income at Rs.2,886 crore showed a rise of 4.9 per cent. Total expenditure amounting to Rs.1,08,861 crore moved up by 11.9 per cent, at about the same rate as sales and depreciation provision (Rs.5,254 crore) increased by 12.6 per cent. Gross profits went up by 12.2 per cent to Rs.15,899 crore during the period under review. Besides, interest payments at Rs.6,430 crore rose moderately by 7.5 per cent. Pre-tax profits moved up by a higher rate of 15.6 per cent to Rs.9,469 crore. With tax provision rising by 17.0 per cent to Rs.1,842 crore, post-tax profits amounting to Rs.7,627 crore, recorded a rise of 15.2 per cent in the first half of 1999-2000. Of the 921 companies covered in the study, 716 companies reported post-tax profits in the period under review against 701 companies in the previous year.

**TABLE 1 : FINANCIAL PERFORMANCE OF 921 NON-FINANCIAL  
COMPANIES, FIRST HALF OF 1999-2000**

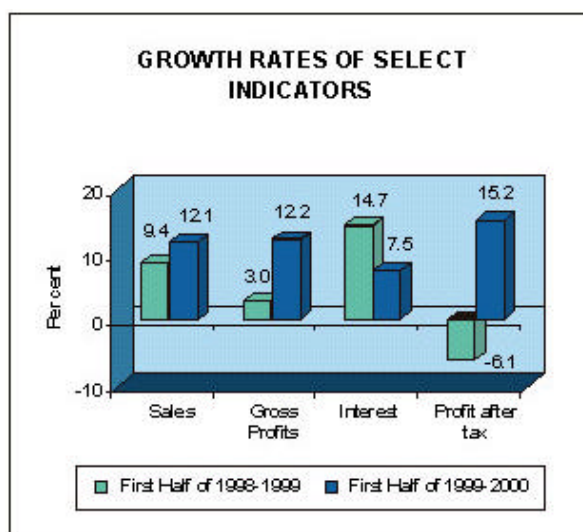
Item	1999-2000 (April-Sept.)	Growth rate (Per cent)		
		1998-99 (April-Sept.)*	1999-2000 (April-Sept.)	Annual 1998-99**
1	2	3	4	5
<i>Number of companies</i>	921	953	921	1248
Sales	1,27,128	9.4	12.1	8.6
Other income	2,886	12.4	4.9	11.5
Total expenditure	1,08,861	10.2	11.9	9.4
Depreciation	5,254	17.0	12.6	15.9
Gross profits	15,899	3.0	12.2	0.8

Interest	6,430	14.7	7.5	16.6
Profits before tax	9,469	-5.0	15.6	-12.0
Tax provision	1,842	0.6	17.0	-0.1
Profits after tax	7,627	-6.1	15.2	-14.7
<i>Paid-up capital</i>	<i>19,810</i>	<i>6.6</i>	<i>6.3</i>	<i>4.7</i>

Note: (\*) : Based on 953 companies included in the study on 'Performance of Private Corporate Business Sector during the First Half of 1998-99' published in the February 1999 issue of the RBI Bulletin.

(\*\*) : Based on 1248 companies included in the study on 'Performance of Private Corporate Business Sector, 1998-99' published in the October 1999 issue of the RBI Bulletin.

With a view to obtaining a broad comparative picture of the direction and magnitude of changes, the performance of 921 non-financial companies in terms of growth rates of selected indicators in the first half of 1999-2000 was compared with the corresponding rates of 953 non-financial companies in the first half of 1998-99, covered in the previous study. The comparison is, only broad and indicative, on account of the fact that the sets of companies covered in the two studies are different. Business activity of the private corporate sector during the first half of 1999-2000 was characterised by signs of recovery with sales and profits recording noticeable growth. Growth in sales was higher, by more than two and a half percentage points, at 12.1 per cent during the first half of 1999-2000 as compared with 9.4 per cent in the corresponding period of the previous year. Gross profits considerably improved recording a growth of 12.2 per cent as against 3.0 per cent rise in the same period of 1998-99. Interest payments registered a moderate rise of 7.5 per cent in the first half of 1999-2000, at nearly half of the increase of 14.7 per cent witnessed in the first half of 1998-99.



In consequence, pre-tax profits rose further by 15.6 per cent in sharp contrast to a fall of 5.0

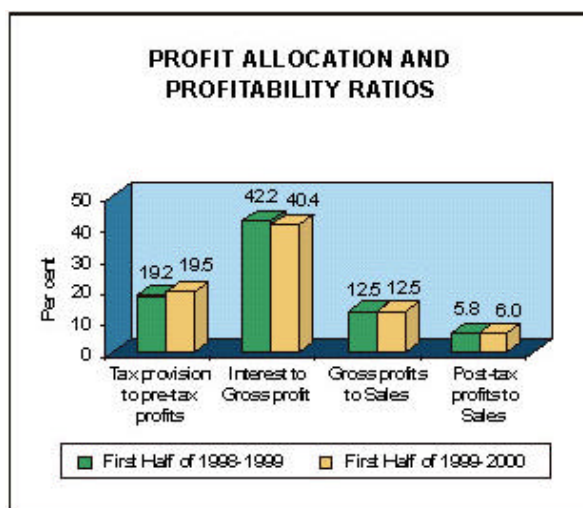
per cent observed in the corresponding period of the previous year. Rise in tax provision was much higher at 17.0 per cent as compared with a marginal increase of 0.6 per cent during the same period of the previous year. Post-tax profits rose by 15.2 per cent in sharp contrast to a fall of 6.1 per cent in the previous year.

Interest cost of sales was slightly lower at 5.1 per cent (5.3 per cent in the previous year). Interest burden (ratio of interest as percentage of gross profits) was also lower by about two percentage points to 40.4 per cent during the period under review (Table 2).

**TABLE 2 : PROFIT ALLOCATION AND PROFITABILITY RATIOS,  
FIRST HALF OF 1998-99 AND 1999-2000**

Ratio	(Per cent)		
	1998-99 (April-Sept.)	1999-2000 (April-Sept.)	Annual 1998-99
1	2	3	4
<b>Profit Allocation Ratios</b>			
Tax provision to Profits before tax	19.2	19.5	21.2
Interest to Gross profits	42.2	40.4	51.9
<b>Profitability Ratios</b>			
Gross profits to Sales	12.5	12.5	11.4
Profits before tax to Sales	7.2	7.4	5.5
Profits after tax to Sales	5.8	6.0	4.3
<b>Other Ratios</b>			
Interest to Sales	5.3	5.1	5.9
Interest to Expenditure <sup>\$</sup>	5.5	5.3	6.1

*\$ : Expenditure includes interest and depreciation provision*



Profit margin (ratio of gross profits to sales) remained unchanged at 12.5 per cent while return on sales (ratio of profits after tax to sales) slightly improved to 6.0 per cent (5.8 per cent in the previous year).

### **Rates of growth and profitability according to size of paid-up capital**

The distribution of companies covered in the study according to size of paid-up capital showed greater concentration in the lower size classes of Rs.1 crore to Rs.5 crore and Rs.5 crore to Rs.10 crore (55.8 per cent in terms of number), though their share in terms of paid-up capital was low at 13.3 per cent (Table 3). The top 158 very large companies each with a paid-up capital of Rs.25 crore and above accounted for as much as 71.1 per cent of the total paid-up capital of the companies covered in the study, whereas 265 companies in the modal size class of Rs.1 crore to Rs.5 crore had low share of 4.5 per cent.

The top 158 companies recorded lower growth in sales of 11.6 per cent as compared with the companies in the size class of Rs.15 crore to Rs.25 crore whose sales moved up by 15.5 per cent. Growth in total expenditure of the companies in the top two size classes was nearly at the same rate as sales. In contrast, 265 companies in the modal size class recorded low growth in sales at 6.5 per cent and total expenditure at 5.8 per cent. Generally the growth rates of sales and profits fluctuated across the size groups.

Pre and post-tax profits of companies in the size class of Rs.15 crore to Rs.25 crore recorded impressive rise of 26.9 per cent and 27.4 per cent respectively, whereas in the case of the top companies, the rise in profits was much lower at 14.3 per cent and 13.1 per cent respectively. Profitability ratios in the first half of 1999-2000 were generally higher than those in the same period in 1998-99 across the size classes. Companies in the top size group, of Rs.25 crore and above, operated with sales margin of 13.4 per cent in the first half of 1999-2000 (13.3 per cent in the previous year) and their return on sales was at 6.4 per cent. For companies each with paid-up capital in the range of Rs.15 crore to Rs. 25 crore, margin on sales and return on sales improved by about half percentage point to 12.8 per cent and 6.8 per cent respectively in the period under review (Table 4).

**TABLE 3 : GROWTH RATES OF SELECTED ITEMS ACCORDING TO SIZE OF PAID-UP CAPITAL, FIRST HALF OF 1999-2000**

Size group (Rs. crore)	No. of comp- anies	Paid-up capital		Growth rates (Per cent)							
		Amount outstanding (Rs.crore)	Per cent share	Sales	Total expen- diture	Depre- ciation provision	Gross profits	Interest	Profits before tax	Tax provi- sion	Profits after tax
1	2	3	4	5	6	7	8	9	10	11	12
Less than 1	49	25	0.1	23.4	22.0	14.1	52.8	-38.4	1160.9	65.3	...*
1 – 5	265	886	4.5	6.5	5.8	14.1	9.2	8.0	10.2	5.8	11.5
5 – 10	249	1,745	8.8	13.7	13.2	16.3	16.3	2.8	28.6	20.5	30.4
10 – 15	105	1,260	6.4	13.1	13.6	8.4	-0.7	1.6	-2.5	-12.6	-0.1
15 – 25	95	1,817	9.2	15.5	15.8	17.6	20.0	9.0	26.9	25.0	27.4
25 and above	158	14,077	71.1	11.6	11.3	11.9	12.1	8.9	14.3	19.3	13.1
<b>All Companies</b>	<b>921</b>	<b>19,810</b>	<b>100.0</b>	<b>12.1</b>	<b>11.9</b>	<b>12.6</b>	<b>12.2</b>	<b>7.5</b>	<b>15.6</b>	<b>17.0</b>	<b>15.2</b>

\*Profits after tax was negative in the first half of 1998-99.

TABLE 4 : PROFIT ALLOCATION AND PROFITABILITY RATIOS ACCORDING TO SIZE OF PAID-UP CAPITAL, FIRST HALF OF 1998-99 AND 1999-2000

Size group (Rs. crore)	(Per cent)									
	Profit allocation ratios				Profitability ratios					
	Tax provision to Profits before tax		Interest to Gross profits		Gross profits to Sales		Profits before tax to Sales		Profits after tax to Sales	
1	2	3	4	5	6	7	8	9	10	11
Less than 1	166.4	21.8	92.4	37.3	7.6	9.4	0.6	5.9	-0.4	4.6
1 - 5	22.7	21.8	46.7	46.3	8.4	8.6	4.5	4.7	3.5	3.6
5 – 10	18.3	17.1	47.6	42.1	11.0	11.2	5.8	6.5	4.7	5.4
10 – 15	18.8	16.9	44.4	45.4	11.3	9.9	6.3	5.4	5.1	4.5
15 – 25	18.8	18.5	38.5	35.0	12.4	12.8	7.6	8.4	6.2	6.8
25 and above	19.2	20.1	41.5	40.3	13.3	13.4	7.8	8.0	6.3	6.4
<b>All Companies</b>	<b>19.2</b>	<b>19.5</b>	<b>42.2</b>	<b>40.4</b>	<b>12.5</b>	<b>12.5</b>	<b>7.2</b>	<b>7.4</b>	<b>5.8</b>	<b>6.0</b>

## Industry-wise performance

Information on major industrial activities of companies is not available in the abridged financial results for many companies. In such instances, available information from newspapers or the previous annual reports of the companies is used. Even so, the industry-wise analysis of companies is attempted based on 882 companies (activity-wise details in respect of 39 companies were not available). It is also possible that some of the companies have undertaken new activities in the recent year and needed to be classified differently. The industrial classification needs to be viewed with some circumspection. The industry-wise analysis attempted in this article may be viewed with this caveat.

Growth rates of important indicators across the industry groups showed considerable variation (Table 5). Sales of engineering companies registered a rise of 13.7 per cent in the

first half of 1999-2000. Within the engineering industry, sales of automobile and ancillary companies recorded an impressive growth at 21.6 per cent followed by electrical machinery companies with a rise of 12.8 per cent in sales, whereas sales of the iron, steel and allied products recorded a reduced growth of 9.7 per cent. Cement companies fared well with the sales rising by 15.6 per cent. Electricity generation and supply companies, however, recorded a low growth in sales of 5.3 per cent. Performance of construction companies was indeed notable whose turnover posted a growth of 36.7 per cent. Sales of chemical industry rose at a comparatively lower rate of 11.7 per cent than that of the private corporate sector as a whole. Within the chemical industry, sales of the basic industrial chemical companies rose by 11.6 per cent; sales growth of pharmaceutical and drug companies was even lower at 9.0 per cent. Amongst other industries, the performance of information technology companies was very impressive, with their sales accelerating by 38.0 per cent – in fact, the highest growth among all industries. Textiles and paper and paper products also fared well with sales of each registering a rise of 13.6 per cent, followed by plastic product companies (12.4 per cent). Industries recording moderate to low growth in sales were food processing (9.2 per cent), trading (8.6 per cent), sugar (7.1 per cent) and rubber and rubber products (5.5 per cent). Earnings of hotel industry steeply declined by as much as 12.3 per cent; sales of tea companies also showed a fall of 2.3 per cent in the period under review.

Across the industries, payment by way of interest rose moderately in the first half of 1999-2000. The rise in interest payments was moderate in the case of industries like basic industrial chemicals (6.9 per cent), pharmaceuticals and drugs (8.8 per cent), cement (10.2 per cent) and construction (7.9 per cent). In fact, interest payments declined for industries such as electricity generation and supply (-12.7 per cent), rubber and rubber products (-19.6 per cent), paper and paper products (-15.5 per cent), information technology (-12.3 per cent) and trading (-9.2 per cent). On the other hand, in respect of iron, steel and allied products (19.4 per cent), automobiles and ancillaries (16.1 per cent), textiles (17.4 per cent), rise in interest payments was relatively higher in the first half of 1999-2000.

TABLE 5 : INDUSTRY-WISE GROWTH RATES OF SELECTED ITEMS, FIRST HALF OF 1999-2000

(Per cent)

Industry/ Industry group	No. of comp- anies	Paid-up capital		Growth rates							
		Amount outstanding (Rs.crore)	Per cent share	Sales	Total expen- diture	Depre- ciation provision	Gross profits	Interest	Profits before tax	Tax provi- sion	Profits after tax
1	2	3	4	5	6	7	8	9	10	11	12
1. Engineering	255	5,861	29.6	13.7	13.3	10.7	19.8	9.9	29.9	26.3	31.4
<i>Of which,</i>											
i) Iron and steel and allied products	27	2,101	10.6	9.7	8.1	15.4	16.3	19.4	0.9	19.2	-7.9
ii) Automobiles and ancillaries	40	1,472	7.4	21.6	21.5	10.5	32.0	16.1	42.7	26.5	50.5
iii) Electrical machinery	76	894	4.5	12.8	12.9	7.6	9.2	—	18.0	32.6	15.1
iv) Other machinery	52	492	2.5	-0.4	0.2	7.6	9.4	-0.3	26.7	2.5	46.9
2. Chemicals	182	5,093	25.7	11.7	11.9	13.7	8.8	2.6	13.0	19.4	11.4
<i>Of which,</i>											
i) Basic industrial chemicals	78	2,462	12.4	11.6	11.9	10.9	6.5	6.9	6.0	25.7	3.0
ii) Pharmaceuticals and drugs	52	826	4.2	9.0	7.6	20.0	23.1	8.8	27.2	23.2	28.1
3. Cement	21	811	4.1	15.6	15.3	9.0	15.5	10.2	34.9	-36.3	46.3
4. Electricity generation and supply	8	451	2.3	5.3	7.6	8.2	5.2	-12.7	12.6	17.3	11.0
5. Construction	14	82	0.4	36.7	37.2	16.9	25.1	7.9	41.1	49.8	37.9
6. Textiles	85	2,150	10.9	13.6	12.9	15.7	16.7	17.4	16.1	-1.5	16.4
7. Tea	7	103	0.5	-2.3	7.9	5.5	-21.0	-1.6	-22.3	-26.1	-20.5
8. Sugar	7	79	0.4	7.1	15.1	10.3	-22.9	3.0	...*	-69.4	...*
9. Food processing	45	761	3.8	9.2	10.7	-4.9	-2.7	-4.5	-2.0	9.8	-4.4
10. Rubber and	11	173	0.9	5.5	6.3	11.3	-3.7	-19.6	29.4	58.6	27.2

rubber products												
11. Paper and paper products	17	198	1.0	13.6	10.5	8.1	69.1	-15.5	...*	52.7	...*	
12. Plastic products	18	132	0.7	12.6	13.4	17.5	16.5	1.8	36.2	-7.0	38.3	
13. Information Technology	37	490	2.5	38.0	34.7	48.9	57.2	-12.3	71.0	76.2	70.6	
14. Trading	29	157	0.8	8.6	8.5	2.5	8.8	-9.2	32.3	39.4	31.8	
15. Hotel	18	323	1.6	-12.3	-8.2	29.0	-26.0	82.3	-41.9	-36.7	-42.6	
16. Diversified	13	688	3.5	7.4	5.8	8.0	9.6	24.3	-9.9	-27.9	-7.1	
<b>All companies</b> (including others)	<b>921</b>	<b>19,810</b>	<b>100.0</b>	<b>12.1</b>	<b>11.9</b>	<b>12.6</b>	<b>12.2</b>	<b>7.5</b>	<b>15.6</b>	<b>17.0</b>	<b>15.2</b>	

\* Profits before tax and profits after tax were negative.

'—': negligible

**TABLE 6 : INDUSTRY-WISE PROFIT ALLOCATION AND PROFITABILITY RATIOS, FIRST HALF OF 1998-99 AND 1999-2000**

(Per cent)

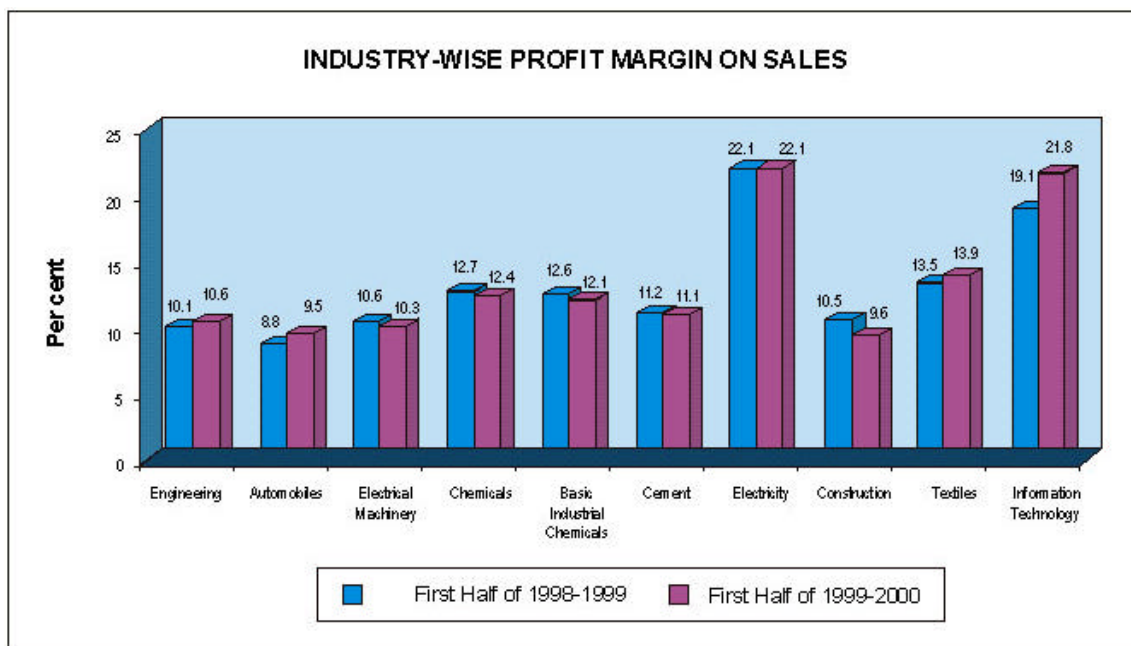
Industry/ Industry group	Profit allocation ratios				Profitability ratios					
	Tax provision to Profits before tax		Interest to Gross profits		Gross profits to Sales		Profits before tax to Sales		Profits after tax to Sales	
	1998- 1999	1999- 2000	1998- 1999	1999- 2000	1998- 1999	1999- 2000	1998- 1999	1999- 2000	1998- 1999	1999- 2000
1	2	3	4	5	6	7	8	9	10	11
1. Engineering	28.5	27.7	51.3	47.1	10.1	10.6	4.9	5.6	3.5	4.1
Of which,										
i) Iron and steel and allied products	32.4	38.3	83.1	85.3	8.7	9.2	1.5	1.3	1.0	0.8
ii) Automobiles and ancillaries	32.7	29.0	40.2	35.3	8.8	9.5	5.3	6.2	3.5	4.4
iii) Electrical machinery	16.9	19.0	49.1	45.0	10.6	10.3	5.4	5.6	4.5	4.6
iv) Other machinery	45.4	36.8	64.1	58.4	9.2	10.1	3.3	4.2	1.8	2.6
2. Chemicals	19.8	20.9	39.8	37.5	12.7	12.4	7.7	7.8	6.1	6.1
Of which,										
i) Basic industrial chemicals	13.2	15.7	58.5	58.7	12.6	12.1	5.2	5.0	4.5	4.2
ii) Pharmaceuticals and drugs	18.6	18.0	22.2	19.6	13.7	15.5	10.7	12.4	8.7	10.2
3. Cement	13.8	6.5	78.2	74.5	11.2	11.1	2.4	2.8	2.1	2.6
4. Electricity generation and supply	24.9	25.9	29.1	24.1	22.1	22.1	15.7	16.8	11.8	12.4
5. Construction	27.1	28.8	48.3	41.7	10.5	9.6	5.4	5.6	4.0	4.0
6. Textiles	1.7	1.5	45.2	45.5	13.5	13.9	7.4	7.6	7.3	7.4
7. Tea	31.6	30.1	6.5	8.1	32.0	25.9	29.9	23.8	20.4	16.6
8. Sugar	40.6	*	75.1	100.3	15.4	11.1	3.8	—	2.3	-0.5
9. Food processing	17.3	19.3	27.2	26.7	8.2	7.3	6.0	5.3	4.9	4.3
10. Rubber and rubber products	7.2	8.9	67.6	56.5	9.3	8.4	3.0	3.7	2.8	3.3
11. Paper and paper products	*	23.6	124.3	62.1	6.3	9.4	-1.5	3.6	-2.2	2.7
12. Plastic products	4.6	3.2	57.3	50.1	13.1	13.5	5.6	6.7	5.3	6.5
13. Information technology	6.3	6.5	16.5	9.2	19.1	21.8	16.0	19.8	15.0	18.5
14. Trading	5.7	6.0	56.5	47.1	5.4	5.4	2.4	2.9	2.2	2.7
15. Hotel	10.6	11.6	12.8	31.6	23.5	19.8	20.5	13.6	18.3	12.0
16. Diversified	13.6	10.9	57.1	64.8	9.9	10.1	4.2	3.5	3.7	3.2
<b>All companies</b> (including others)	<b>19.2</b>	<b>19.5</b>	<b>42.2</b>	<b>40.4</b>	<b>12.5</b>	<b>12.5</b>	<b>7.2</b>	<b>7.4</b>	<b>5.8</b>	<b>6.0</b>

\* Profits before tax was negative

'—': negligible

Post-tax profits of the industries like information technology, cement, construction and engineering recorded a notable rise during the period under review. Profits after tax of information technology companies significantly improved, rising by as much as 70.6 per cent, -highest among all the industries, followed by industries such as automobiles and ancillaries (50.5 per cent), cement (46.3 per cent), construction (37.9 per cent), plastic products (38.3 per cent), trading (31.8 per cent), engineering (31.4 per cent) and

pharmaceuticals and drugs (28.1 per cent). Textile (16.4 per cent), chemical (11.4 per cent) and electricity generation and supply (11.0 per cent) companies registered somewhat lower rise in their after-tax profits in the period under review.



There was a discernible reduction in the interest burden (ratio of interest to gross profit) for most of the industries in the first half of the 1999-2000 as compared with that witnessed for the same period of the previous year (Table 6).

Interest burden for engineering industries eased by 4.2 percentage points to 47.1 per cent whereas for chemicals, it came down by 2.3 percentage points to 37.5 per cent during the period under review. Industries for which interest burden was much lower were information technology (9.2 per cent), pharmaceuticals and drugs (19.6 per cent), electricity generation and supply (24.1 per cent) and food processing (26.7 per cent). Interest burden continued to remain at very high levels for industries such as iron and steel and allied products (85.3 per cent), cement (74.5 per cent) and sugar (100.3 per cent), paper and paper products (62.1 per cent).

Profit margin on sales (ratio of gross profits to sales) of most of the industries in the first half of 1999-2000 was at around the same level as in the corresponding period of the previous year. Engineering and chemical industries operated with a sales margin of 10.6 per cent and 12.4 per cent respectively. Industries for which the sales margin was relatively high were tea (25.9 per cent), electricity generation and supply (22.1 per cent), information technology (21.8 per cent), pharmaceuticals and drugs (15.5 per cent) and textiles (13.9 per cent). Profit margin was relatively low and varied between 7 and 9 per cent for industries like iron and steel and allied products, automobile and ancillaries, construction, food processing, rubber and rubber products and paper and paper products.

Return on sales (ratio of profits after tax to sales) for chemical industry was 6.1 per cent as compared with 4.1 per cent for the engineering industry. Higher return on sales was observed in the case of pharmaceuticals and drugs (10.2 per cent), tea (16.6 per cent) and information



technology (18.5 per cent). On the other hand, industries registering lower return on sales (between 2 and 4 per cent) were cement, other machinery, construction, rubber and rubber products and paper and paper products.

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\* Prepared in the Corporate Studies Division of the Department of Statistical Analysis and Computer Services.

# The previous study on 'Performance of Private Corporate Business Sector during the First Half of 1998-99' was published in the February 1999 issue of the Reserve Bank of India Bulletin.