

Performance of The Private Corporate Business Sector During The First Half Of 2002-03*

The financial performance of the private corporate business sector in the first half of 2002-03 (April to September 2002) is assessed in this article, based on abridged financial results of companies published in the financial/ news dailies and also collected from the major Indian stock exchanges. These data on the selected items are generally provisional in nature and the results based on these data are only indicative. The listed companies have been usually reporting results for the first half of the accounting year along with the results of the second quarter (July to September). However, this practice is not followed by some of the companies. The results for the first half in respect of 146 such companies were derived by aggregating their results for the first and second quarters of 2002-03. The study covers 1,034 non-financial non-Government public limited companies¹. The article includes size-wise and industry-wise analysis of the performance of these companies. Based on the abridged financial results of 1,236 companies for the first quarter (Q1 : April to June 2002) and 1214 companies for the second quarter (Q2 : July to September 2002), a review of the performance of the private corporate sector including a brief analysis of major components of expenditure over the first two quarters of 2002-03 has been presented.

Overall Performance

The performance of the private corporate sector during the first half of 2002-03 as compared to the first half of the previous year is characterised by higher sales, reduced interest payments and improved profitability. Sales of 1,034 non-financial non-Government public limited companies registered a rise of 8.7 per cent to Rs.1,82,057 crore in the first half of 2002-03 (Table 1). Total expenditure amounting to Rs.1,56,215 crore went up by 8.0 per cent - at a rate lower than that of sales. Depreciation provision at Rs.8,207 crore increased by 4.6 per cent. Gross profits moved up by 11.5 per cent to Rs.21,610 crore during the half-year under review. Interest payments declined by 10.6 per cent to Rs.7,099 crore. Pre-tax profits moved up by 26.9 per cent to Rs.14,512 crore. Profits after tax amounting to Rs.10,994 crore recorded a rise of 22.9 per cent in the first half of 2002-03. Of these 1,034 companies covered in the study, 747 companies reported post-tax profits in the period under review as against 733 companies in the corresponding period of the previous year.

With a view to obtaining a comparative picture of the direction and magnitude of changes, the growth rates of select indicators of the 1,034 non-financial non-Government companies in the first half of 2002-03 were compared with the corresponding rates of 1,209 companies in the first half of 2001-02, covered in the previous study. As the selected companies in the two studies are not identical, the comparison over the years is broad and only indicative.

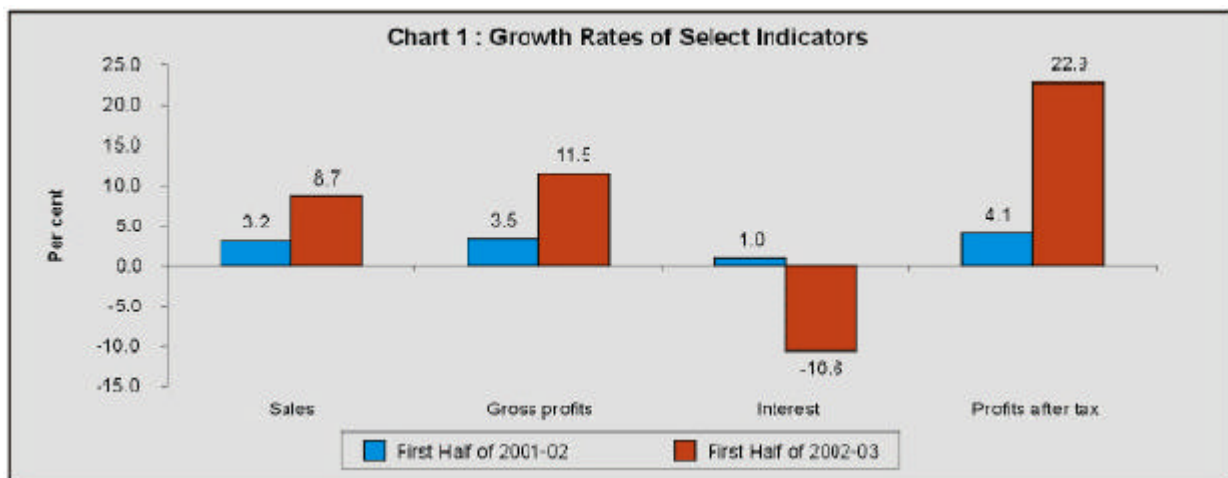
Table 1 : Financial Performance of 1034 Non-Financial Companies, First Half of 2002-03

Item	2002-03 (April-Sept.) (Rs. crore)	Growth rate (Per cent)		
		2001-02 (April-Sept.) *	2002-03 (April-Sept.)	Annual 2001-02 **
1	2	3	4	5
Number of companies	1034	1209	1034	1242
Sales	1,82,057	3.2	8.7	2.4

Other income	3,975	9.2	-8.2	16.8
Total expenditure	1,56,215	2.9	8.0	2.8
Depreciation	8,207	12.2	4.6	12.7
Gross profits	21,610	3.5	11.5	-1.1
Interest	7,099	1.0	-10.6	-5.3
Profits before tax	14,512	5.3	26.9	2.4
Tax provision	3,517	10.1	41.0	12.3
Profits after tax	10,994	4.1	22.9	0.0
<i>Paid-up capital</i>	24,379	5.1	2.7	9.2

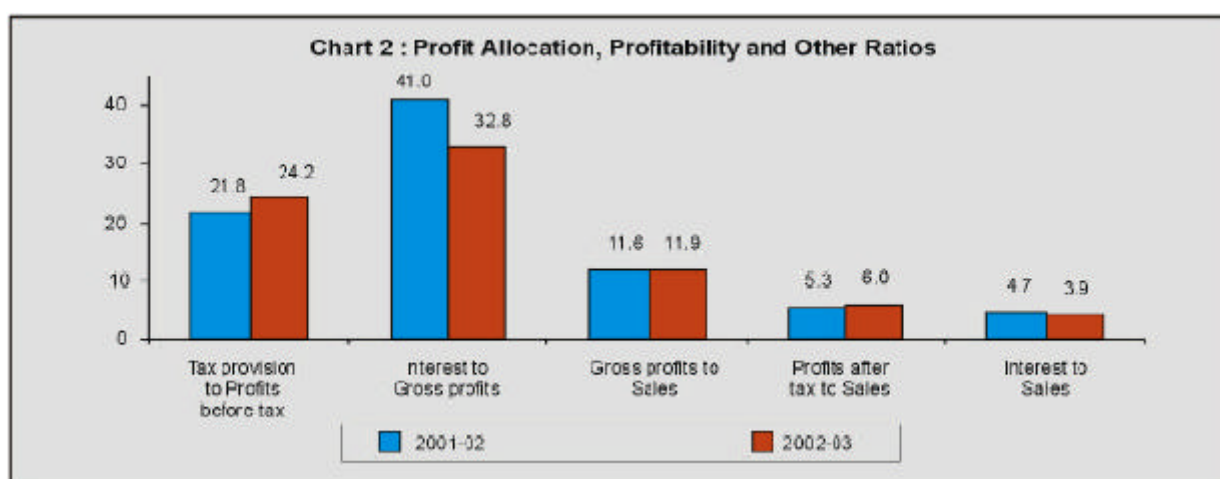
* : Performance of Private Corporate Business Sector during the first half of 2001-02, RBI Bulletin, March 2002, pp 135-150.

** : Performance of Private Corporate Business Sector 2001-02', RBI Bulletin, October 2002, pp 651-666.



The performance of the private corporate sector during the first half of 2002-03 showed an uptrend as evidenced by increase in the growth of sales and profits accompanied by substantial reduction in interest payments (Chart 1). Sales registered a higher growth of 8.7 per cent in the first half of 2002-03 as against the rise of 3.2 per cent in the corresponding period of the previous year. Gross profits increased by 11.5 per cent in the half-year ended September 2002, as compared with an increase of only 3.5 per cent witnessed in the corresponding period of the previous year. Interest payments declined considerably by 10.6 per cent during the period under review as against an increase of 1.0 per cent observed in the same period of the previous year. Profits before tax rose by 26.9 per cent in the first half of 2002-03 as against 5.3 per cent in the first half of 2001-02. As most of the companies started reporting tax provision inclusive of deferred tax provision, tax provision of select companies posted a steep rise of 41.0 per cent (10.1 per cent in the first half of 2001-02). Despite such high growth in tax provision, post-tax profits registered a high growth of 22.9 per cent as compared with an increase of 4.1 per cent in the corresponding period of the preceding year.

Profit Allocation, Profitability and Other Ratios



Interest cost of sales ratio of interest to sales was lower at 3.9 per cent in the first half of 2002-03 as compared with 4.7 per cent in the first half of 2001-02 (Table 2). The interest burden, represented by the share of interest payments in gross profits, was at 32.8 per cent - lower by 8.2 percentage points during the period under review. Profit margin on sales (gross profits as percentage of sales) at 11.9 per cent and return on sales (post-tax profits as percentage of sales) at 6.0 per cent in the first half of 2002-03 were marginally at higher levels than the corresponding period of the previous year.

Table 2 : Profit Allocation and Profitability Ratios, First Half of 2001-02 and 2002-03

Ratio	(Per cent)		
	2001-02 (April -Sept.)	2002-03 (April -Sept.)	Annual 2001-02
1	2	3	4
Number of companies	1034	1034	1242
Profit Allocation Ratios			
Tax provision to Profits before tax	21.8	24.2	21.9
Interest to Gross profits	41.0	32.8	43.5
Profitability Ratios			
Gross profits to Sales	11.6	11.9	10.9
Profits after tax to Sales	5.3	6.0	4.8
Other Ratios			
Interest to Sales	4.7	3.9	4.7
Interest to Expenditure #	4.9	4.1	4.9
Interest coverage (number)	2.4	3.0	2.3

Expenditure includes interest and depreciation provision.

Rates of Growth and Profitability according to Size of Paid-up Capital

The distribution of the number of companies covered in the study according to the size of paid-up capital (PUC) showed a greater concentration in the lower PUC size class of 'Rs.1 crore to Rs.5 crore' and 'Rs.5 crore to Rs.10 crore'. These two size classes together account for 52.3 per cent of the PUCs of all the companies. The selected companies in two size classes have a share of only 11.5 per cent of the PUC of all the selected companies (Table 3). The top 190 companies,

each with paid-up capital of 'Rs.25 crore and above' (18.3 per cent in terms of number) accounted for as much as 72.7 per cent of the PUC of all the companies covered in the study.

During the period under review, the growth rates of key performance indicators of very large companies (each with PUC of Rs.25 crore and above) and companies belonging to the size class of 'Rs.10 crore to Rs.15 crore' were observed to be generally lower than those of other size groups. Sales of the top 190 companies rose by 7.3 per cent, while their total expenditure rose at a lower rate of 6.4 per cent. For companies in the immediately preceding size class of 'Rs.15 crore to Rs.25 crore', growth in sales and expenditure were the highest at 14.8 and 14.3 per cent respectively. Sales in respect of companies in the size class of 'Rs.10 crore to Rs.15 crore' increased by 7.9 per cent, with growth in their total expenditure slightly lower at 7.7 per cent. Overall, the growth in sales (8.7 per cent) was higher than growth in expenditure (8.0 per cent).

The companies belonging to the top PUC size class of 'Rs.25 crore and above' recorded an increase of post-tax profits by 21.7 per cent during the first half of 2002-03. Companies in the PUC size class of 'Rs.1 crore to Rs.25 crore' recorded a higher rise in post-tax profits ranging between 29.1 per cent and 36.1 per cent, except for the companies in the size class of 'Rs.10 crore to Rs.15 crore' which witnessed a growth of 13.9 per cent in the after-tax profits.

Table 3 : Growth Rates of Select Items According to Size of Paid-up Capital during the First Half of 2002-03

Size group (Rs. crore)	No of Comp- anies	Paid-up capital		Growth rates (Per cent)							
		Amount out- standing (Rs.crore)	Per cent share	Sales	Total expendi- -ture	Depre- ciation provision	Gross profits	Interest	Profits before tax	Tax provision	Profits after tax
1	2	3	4	5	6	7	8	9	10	11	12
Less than 1	46	28	0.1	4.0	1.0	5.9	50.1	1.7	94.5	145.2	80.1
1 – 5	278	943	3.9	10.5	10.1	12.0	17.9	-4.3	38.0	64.0	29.1
5 – 10	263	1,847	7.6	13.4	13.5	9.1	14.2	-8.5	42.0	61.3	36.1
10 – 15	148	1,777	7.3	7.9	7.7	3.1	10.0	-2.1	20.7	41.9	13.9
15 – 25	109	2,048	8.4	14.8	14.3	8.2	19.2	-2.4	34.9	41.0	32.8
25 and above	190	17,735	72.7	7.3	6.4	3.8	10.3	-12.8	25.3	38.8	21.7
All Companies	1034	24,379	100.0	8.7	8.0	4.6	11.5	-10.6	26.9	41.0	22.9

Fall in interest payments accompanied by higher growth in the sales resulted in decline of interest cost of sales for all the size classes. The ratio of interest to sales varied between 2.5 per cent and 4.2 per cent during first half under review (Table 4). In particular, interest cost of sales for companies in the size class of 'Rs.25 crore and above' was lower at 4.1 per cent in the first half of 2002-03 (5.0 per cent in the corresponding half of the previous year). Likewise, interest burden for companies in this size class eased to 31.0 per cent in the first half of 2002-03 (39.2 per cent in H1: 2001-02).

Profit margin (gross profits to sales) and return on sales (profits after tax to sales) were higher for companies in all the size classes, as compared to the corresponding period of the previous year. These ratios of profit margin and return on sales in respect of companies in the top size class of 'Rs.25 crore and above' continued to remain highest at 13.1 and 6.9 per cent, respectively in the half-year ended September, 2002 (12.8 per cent and 6.1 per cent respectively in H1: 2001-02).

i) Basic industrial chemicals	89	2958	12.1	-0.8	0.0	1.2	-12.1	-13.6	-8.2	76.3	-56.9
ii) Pharmaceuticals and drugs	59	950	3.9	15.4	13.2	13.5	28.2	-19.4	38.4	70.7	32.0
3. Cement	24	1030	4.2	5.6	8.9	11.6	-24.6	-2.1	-51.3	1.8	-60.3
4. Electricity generation and supply	6	421	1.7	12.8	8.3	11.9	1.7	1.7	1.6	30.3	-7.7
5. Construction	19	150	0.6	17.3	20.0	6.9	-4.1	2.1	-15.0	-15.0	-15.0
6. Textiles	103	1876	7.7	2.2	-0.4	0.6	46.7	-29.9	#	99.4	#
7. Tea	11	139	0.6	3.4	5.6	11.0	-8.7	33.2	-19.4	-39.0	-13.1
8. Sugar	9	130	0.5	30.7	41.6	11.8	-66.9	-7.4	\$	-38.5	\$
9. Food processing	30	413	1.7	13.5	14.6	19.7	4.3	-16.5	8.1	14.6	5.4
10. Rubber and rubber products	12	207	0.8	11.8	7.9	4.3	101.5	-17.0	#	410.1	#
11. Paper and paper products	28	543	2.2	3.2	4.2	4.3	4.9	-5.4	19.2	68.3	7.4
12. Plastic products	26	339	1.4	13.0	8.8	11.6	46.5	-8.5	118.8	119.7	118.6
13. Information technology	48	774	3.2	18.6	23.4	16.2	2.9	-3.3	3.1	36.4	-0.5
14. Trading	27	165	0.7	10.0	9.8	10.3	-6.7	-10.1	-2.8	41.1	-11.4
15. Hotels	15	280	1.1	-5.2	2.0	11.7	-80.5	20.7	\$	-44.7	\$
16. Diversified	12	1706	7.0	3.6	3.7	-4.1	6.9	-20.3	26.6	57.7	23.9
All companies (Including others)	1034	24,379	100.0	8.7	8.0	4.6	11.5	-10.6	26.9	41.0	22.9

'\$' Numerator negative.

'#' Denominator negative.

'&' Both numerator and denominator negative.

Within the engineering industry, iron and steel and allied product companies registered a rise in sales of 19.0 per cent, while automobile and ancillary companies reported a growth in sales of 21.8 per cent. Companies manufacturing electrical machinery posted sales growth of 6.4 per cent. Amongst chemical companies, pharmaceuticals and drugs companies performed better with their sales rising by 15.4 per cent in sharp contrast to the fall of 0.8 per cent in the sales of basic industrial chemical industry. Cement companies reported a rise in sales of 5.6 per cent, whereas sales of construction companies grew by 17.3 per cent during the first half of 2002-03. Information technology companies reported a growth of 18.6 per cent in sales while sales of diversified companies went up by 3.6 per cent during the first half of 2002-03. Industries like sugar (30.7 per cent), food processing (13.5 per cent) and rubber and rubber products (11.8 per cent) performed better in terms of sales; hotel industry witnessed a fall in sales of 5.2 per cent respectively.

Companies in chemicals, diversified, textiles, rubber and rubber products and food processing industries witnessed considerable fall in interest payments to the extent of 15.4 per cent, 20.3 per cent, 29.9 per cent, 17.0 per cent and 16.5 per cent respectively.

Post-tax profits of engineering companies posted a substantial increase of 188.1 per cent mostly due to the growth of 168.6 and 61.9 per cent of automobiles and ancillaries companies and electrical machinery companies respectively. Profits after tax of chemical industry moved up by 11.1 per cent despite a steep fall of 56.9 per cent in the post-tax profits of basic industrial chemical companies. On the other hand, pharmaceutical companies registered a rise of 32.0 per

cent. Post-tax profits of information technology companies during the period under review remained practically unchanged (fall of 0.5 per cent). Industries during first half of 2002-03 registering a fall in post-tax profits included cement (60.3 per cent), tea (13.1 per cent), construction (15.0 per cent), trading (11.4 per cent) and electricity generation and supply (7.7 per cent).

The interest burden, represented by the share of interest payments in gross profits during the period under review varied considerably across the industries (Table 6). Interest burden continued to be above 50 per cent for industries like iron and steel and allied products (62.0 per cent), textiles (57.8 per cent), electrical machinery (52.9 per cent), basic industrial chemicals (70.8 per cent), cement (70.5 per cent), construction (67.5), textiles (57.8 per cent), sugar (179.0 per cent), paper and paper products (52.3 per cent) and trading (51.1 per cent). In respect of industries like food processing, tea, pharmaceuticals and drugs, it was moderate being in the range of 10 per cent to 30 per cent; for information technology companies, it was as low as 3.2 per cent.

Interest cost of sales for chemical industry was relatively low at 3.3 per cent in the first half of 2002-03 (4.0 per cent in the H1: 2001-02) but for the engineering industry it was at 4.5 per cent. Industries, which reported relatively higher level of interest cost of sales, were iron and steel and allied products (7.5 per cent), cement (6.2 per cent), paper and paper products (5.9 per cent), electricity generation and supply (8.5 per cent), tea (5.5 per cent) and hotels (10.5 per cent). On the other hand, industries like pharmaceuticals and drugs (2.0 per cent), automobiles and ancillaries (1.7 per cent), food processing (0.9 per cent) and information technology (0.7 per cent) showed lower interest cost of sales in the half-year ended September 2002.

Effective tax rate increased considerably for chemicals, cement, electricity generation and supply and paper and paper products, but declined substantially in the case of engineering industry during the first half of the 2002-03, as compared with that in the first half of the previous year.

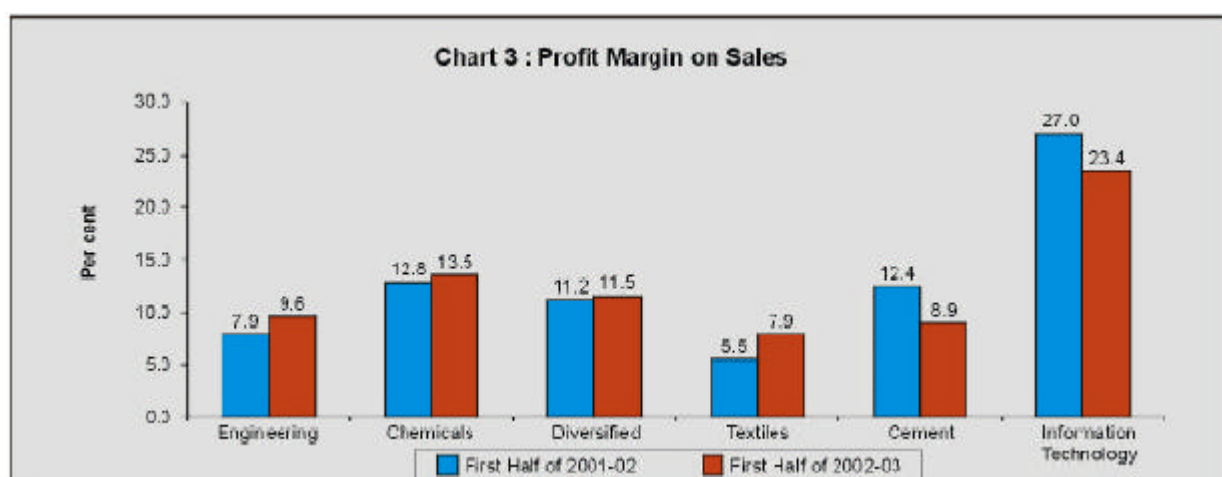
Table 6: Industry-wise Profit Allocation and Profitability Ratios, First Half of 2001-02 and 2002-03

Industry/ Industry group	(Per cent)											
	Profit allocation and other ratios								Profitability ratios			
	Tax provision to Profits before tax		Interest to Gross profits		Interest coverage ratio (number)		Interest to Sales		Gross profits to Sales		Profit after tax to Sales	
	2001-02	2002-03	2001-02	2002-03	2001-02	2002-03	2001-02	2002-03	2001-02	2002-03	2001-02	2002-03
1	2	3	4	5	6	7	8	9	10	11	12	13
1. Engineering	50.2	34.2	65.8	46.4	1.5	2.2	5.2	4.5	7.9	9.6	1.4	3.4
<i>Of which:</i>												
i) Iron and steel and allied products	#	22.1	110.6	62.0	0.9	1.6	8.8	7.5	7.9	12.2	-1.2	3.6
ii) Automobiles and ancillaries	39.0	31.4	40.2	17.8	2.5	5.6	2.7	1.7	6.7	9.6	2.4	5.4
iii) Electrical machinery	32.5	30.4	61.4	52.9	1.6	1.9	4.5	4.7	7.4	8.9	1.9	2.9
iv) Other machinery	#	#	223.7	189.4	0.4	0.5	10.4	10.3	4.7	5.4	-7.1	-6.4

2. Chemicals	20.8	26.6	31.4	24.4	3.2	4.1	4.0	3.3	12.8	13.5	7.0	7.5
<i>Of which:</i>												
i) Basic industrial chemicals	36.5	70.2	72.0	70.8	1.4	1.4	6.5	5.7	9.1	8.0	1.6	0.7
ii) Pharmaceuticals and drugs	16.5	20.3	17.7	11.1	5.6	9.0	2.9	2.0	16.4	18.2	11.3	12.9
3. Cement	14.5	30.3	54.3	70.5	1.8	1.4	6.7	6.2	12.4	8.9	4.9	1.8
4. Electricity generation and supply	24.5	31.4	45.8	45.8	2.2	2.2	9.5	8.5	20.7	18.6	8.5	6.9
5. Construction	23.9	23.9	63.3	67.5	1.6	1.5	5.9	5.2	9.4	7.7	2.6	1.9
6. Textiles	#	19.8	121.0	57.8	0.8	1.7	6.7	4.6	5.5	7.9	-1.5	2.7
7. Tea	24.3	18.4	20.4	29.7	4.9	3.4	4.3	5.5	20.9	18.5	12.6	10.6
8. Sugar	16.4	#	63.9	179.0	1.6	0.6	5.6	4.0	8.8	2.2	2.7	-2.0
9. Food processing	28.9	30.6	15.4	12.4	6.5	8.1	1.3	0.9	8.3	7.6	5.0	4.6
10. Rubber and rubber products	#	28.5	119.5	49.2	0.8	2.0	5.1	3.8	4.3	7.7	-1.1	2.8
11. Paper and paper products	19.5	27.5	58.0	52.3	1.7	1.9	6.5	5.9	11.2	11.4	3.8	3.9
12. Plastic products	23.5	23.6	56.8	35.5	1.8	2.8	6.4	5.2	11.2	14.5	3.7	7.2
13. Information technology	9.6	12.8	3.4	3.2	29.4	31.3	0.9	0.7	27.0	23.4	23.6	19.8
14. Trading	16.4	23.8	53.0	51.1	1.9	2.0	3.3	2.7	6.2	5.3	2.4	2.0
15. Hotels	3.8	#	30.5	188.3	3.3	0.5	8.3	10.5	27.1	5.6	18.1	7.1
16. Diversified	8.1	10.1	42.1	31.4	2.4	3.2	4.7	3.6	11.2	11.5	6.0	6.0
All companies (including others)	21.8	24.2	41.0	32.8	2.4	3.0	4.7	3.9	11.6	11.9	5.3	6.0

'#' Denominator negative.

Profit margin on sales (ratio of gross profits to sales) of engineering companies rose by 1.7 percentage points to 9.6 per cent during the first half of 2002-03 whereas for chemical companies, this ratio was marginally higher at 13.5 per cent (12.8 per cent in H1: 2001-02). Companies in pharmaceuticals and drugs (18.2 per cent), electricity generation and supply (18.6 per cent), tea (18.5 per cent) and information technology (23.4 per cent) industries reported profit margin more than 15 per cent of sales. Industries for which margin on sales declined by over 2.0 percentage points during the half-year ended September 2002 were sugar (2.2 per cent), tea (18.5 per cent), hotels (5.6 per cent) and cement (8.9 per cent) and electricity generation and supply (18.6 per cent).



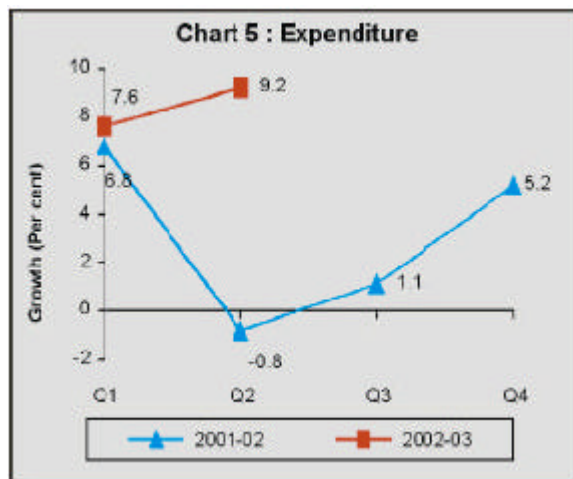
Return on sales of engineering companies stood higher at 3.4 per cent during the period under review as compared with 1.4 per cent in the corresponding period of the previous year. For chemical companies, return on sales improved to 7.5 per cent in H1: 2002-03 from 7.0 per cent in the same period of the preceding year.

Overall Performance during the First Two Quarters of 2002-03

The performance of the private corporate sector in terms of growth in sales showed an uptrend over the first two quarters of 2002-03. Sales of selected 1,214 companies in Q2: 2002-03 rose by 9.6 per cent as compared with the rise of 7.6 per cent recorded by 1,236 companies in Q1: 2002-03 (Table 7). Total expenditure rose at lower rate of 9.2 per cent than sales (9.6 per cent) in the second quarter of 2002-03 whereas in the first quarter growth in total expenditure of 7.6 per cent was same as that of sales growth. Overall, the expenditure growth seemed to be under control in the first two quarters of 2002-03.

Table 7 : Growth Rates of Sales and Expenditure Over the Quarters

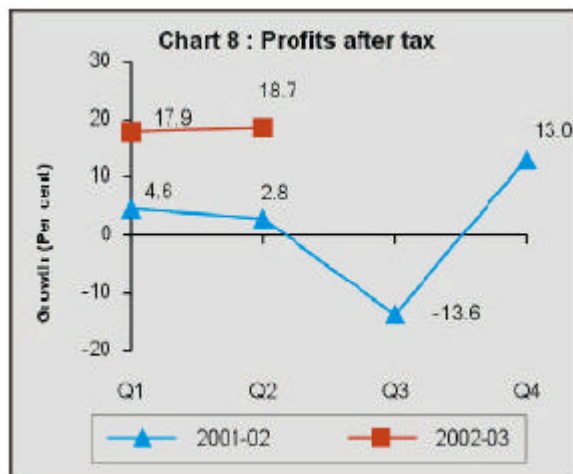
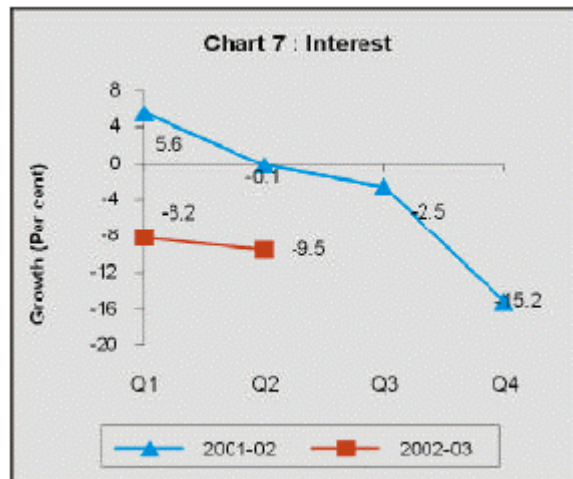
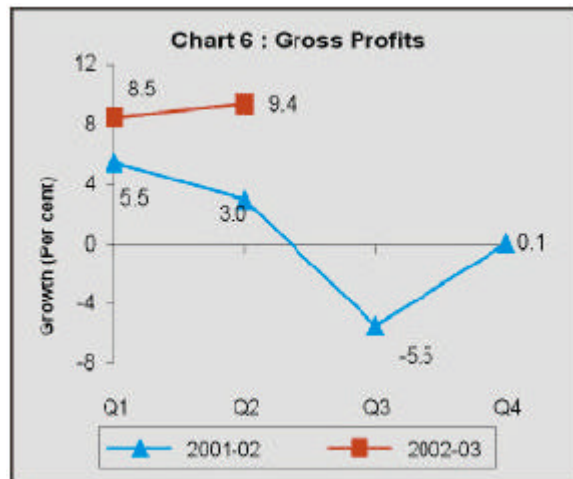
Item	(Per cent)					
	Q1 (Apr.-Jun.)		Q2 (Jul.-Sept.)		H1 (Apr.-Sept.)	
	2001-02	2002-03	2001-02	2002-03	2001-02	2002-03
Number of Companies	1372	1236	1257	1214	1209	1034
Sales	7.4	7.6	-0.8	9.6	3.2	8.7
Total expenditure	6.8	7.6	-0.8	9.2	2.9	8.0



Gross profits registered a higher rise of 9.4 per cent in Q2: 2002-03 as compared with an increase of 8.5 per cent in Q1: 2002-03 (Table 8). Interest payments continued to decline by 9.5 per cent in the second quarter of 2002-03 after registering a fall of 8.2 per cent in the first quarter of 2002-03. Post-tax profits registered a higher rise of 18.7 per cent in the second quarter as against the growth of 17.9 per cent in the first quarter of 2002-03.

Table 8 : Growth Rates of Profits and Interest Payments Over the Quarters

Item	(Per cent)					
	Q1 (Apr.-Jun.)		Q2 (Jul.-Sept.)		H1 (Apr.-Sept.)	
	2001-02	2002-03	2001-02	2002-03	2001-02	2002-03
Number of companies	1372	1236	1257	1214	1209	1034
Gross Profits	5.5	8.5	3.0	9.4	3.5	11.5
Interest	5.6	-8.2	-0.1	-9.5	1.0	-10.6
Profits after tax	4.6	17.9	2.8	18.7	4.1	22.9



Interest cost of sales in Q2: 2002-03 was lower at 4.0 per cent as compared to 4.3 per cent in the first quarter of 2002-03 (Table 9). The interest burden eased from 38.6 per cent in the first quarter to 34.5 per cent in the second quarter. Correspondingly, interest coverage ratio improved to 2.9 in Q2: 2002-03 from 2.6 in Q1: 2002-03.

Table 9 : Select Interest Linked Ratios Over the Quarters

Ratio	Year	(Per cent)		
		Q1 (Apr.-Jun.)	Q2 (Jul.-Sept.)	H1 (Apr.-Sept.)
Interest to Gross profits	2002-03	38.6	34.5	32.8
	2001-02	45.5	41.7	41.0
Interest to sales	2002-03	4.3	4.0	3.9
	2001-02	5.1	4.9	4.7
Interest to expenditure	2002-03	4.6	4.2	4.1
	2001-02	5.3	5.0	4.9
Interest coverage ratio (number)	2002-03	2.6	2.9	3.0
	2001-02	2.2	2.4	2.4

Margin on sales moved up from 11.2 per cent in the first quarter to 11.6 per cent in the second quarter of 2002-03 (Table 10). Likewise return on sales which was 5.2 per cent in Q1: 2002-03 improved to 5.7 per cent in Q2: 2002-03.

Table 10 : Profitability Ratios Over the Quarters

Ratio	Year	(Per cent)		
		Q1 (Apr.-Jun.)	Q2 (Jul.-Sept.)	H1 (Apr.-Sept.)
Gross profits to Sales	2002-03	11.2	11.6	11.9
	2001-02	11.1	11.7	11.6
Post-tax profits to Sales	2002-03	5.2	5.7	6.0
	2001-02	4.8	5.3	5.3

Industry-wise Performance during the First Two Quarters of 2002-03

Sales of companies belonging to engineering, cement, textiles, information technology and diversified industries recorded higher growth in sales in Q2: 2002-03 as compared to Q1: 2002-03 (Table 11).

Table 11 : Industry-wise Growth Rates During 2002-03

Industry /Industry group	(Per cent)														
	Number of companies			Sales			Total Expenditure			Gross profits			Profits after tax		
	Q1	Q2	H1	Q1	Q2	H1	Q1	Q2	H1	Q1	Q2	H1	Q1	Q2	H1
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1. Engineering	323	320	282	11.4	15.3	14.7	10.4	12.8	12.5	21.2	43.0	38.9	116.3	163.0	188.1
2. Chemicals	228	236	207	4.5	0.8	3.5	2.3	1.0	2.4	16.8	-0.4	8.9	28.2	-0.6	11.1
3. Cement	25	28	24	-3.6	7.0	5.6	2.6	11.1	8.9	-40.2	-36.8	-24.6	-92.9	+	-60.3
4. Electricity generation and supply	8	6	6	11.7	11.8	12.8	11.3	5.3	8.3	6.4	-0.5	1.7	17.9	-22.0	-7.7
5. Construction	17	26	19	11.5	10.5	17.3	12.3	14.3	20.0	-10.2	-28.1	-4.1	-31.3	-70.1	-15.0

6. Textiles	136	120	103	0.5	8.7	2.2	-3.0	7.8	-0.4	59.4	23.0	46.7	#	#	#
7. Information technology	62	56	48	14.8	19.6	18.6	18.6	24.0	23.4	1.7	3.6	2.9	-2.1	-0.2	-0.5
8. Diversified	11	11	12	2.8	8.0	3.6	3.4	7.6	3.7	0.2	13.4	6.9	7.0	34.8	23.9
All companies (including others)	1236	1214	1034	7.6	9.6	8.7	7.6	9.2	8.0	8.5	9.4	11.5	17.9	18.7	22.9

'#' Denominator negative.

'+' Numerator negative.

In particular, sales of engineering industry rose by 15.3 per cent in the second quarter of 2002-03 as compared with rise of 11.4 per cent in the first quarter. Cement companies registered 7.0 per cent growth in sales in contrast to a fall of 3.6 per cent in the first quarter of 2002-03. Chemical industries witnessed lower growth in sales with growth rate falling from 4.5 per cent in Q1: 2002-03 to 0.8 per cent in Q2: 2002-03.

Engineering industry registered a steep rise in their post-tax profits in the first two quarters; after-tax profits rose by as much as 116.3 per cent in Q1: 2002-03 and 163.0 per cent in Q2: 2002-03. On the contrary, chemical companies which posted a growth of 28.2 per cent in Q1: 2002-03 registered a decline of 0.6 per cent in the post-tax profits in Q2: 2002-03. Post-tax profits of information technology companies declined by 2.1 per cent and 0.2 per cent in first two quarters of 2002-03.

Interest cost of sales for engineering companies declined to 4.3 per cent in Q2: 2002-03 from 5.2 per cent in Q1: 2002-03 (Table 12). Likewise, for chemical companies interest cost of sales dropped to 3.4 per cent in Q2: 2002-03 (3.8 per cent in Q1: 2002-03).

Table 12: Industry-wise Interest Linked Ratios

(Per cent)

Industry / Industry group	Year	Interest to Gross profits			Interest to Sales		
		Q1	Q2	H1	Q1	Q2	H1
1	2	3	4	5	6	7	8
1. Engineering	2002-03	58.9	41.8	46.4	5.2	4.3	4.5
	2001-02	71.2	61.2	65.8	5.8	5.1	5.2
2. Chemicals	2002-03	27.6	25.7	24.4	3.8	3.4	3.3
	2001-02	37.8	30.8	31.4	4.7	4.1	4.0
3. Cement	2002-03	87.0	128.0	70.5	8.6	7.7	6.2
	2001-02	51.0	82.7	54.3	8.1	8.4	6.7
4. Electricity generation and supply	2002-03	54.3	41.8	45.8	10.3	7.9	8.5
	2001-02	56.3	42.2	45.8	11.2	9.0	9.5
5. Construction	2002-03	54.6	80.2	67.5	3.3	7.0	5.2
	2001-02	42.1	53.3	63.3	3.2	7.1	5.9
6. Textiles	2002-03	59.5	60.9	57.8	5.0	4.4	4.6
	2001-02	124.3	97.0	121.0	6.6	6.2	6.7
7. Information Technology	2002-03	3.6	3.3	3.2	0.8	0.7	0.7

	2001-02	4.3	3.1	3.4	1.1	0.8	0.9
8. Diversified	2002-03	29.6	30.2	31.4	3.7	3.6	3.6
	2001-02	36.0	42.9	42.1	4.6	4.8	4.7
All companies	2002-03	38.6	34.5	32.8	4.3	4.0	3.9
	2001-02	45.5	41.7	41.0	5.1	4.9	4.7

Share of interest payments in gross profits - interest burden - for engineering industry decreased from 58.9 per cent in Q1: 2002-03 to 41.8 per cent in Q2: 2002-03. In respect of chemical industry, interest burden eased by about 2 percentage points from 27.6 per cent in Q1: 2002-03 to 25.7 per cent in Q2: 2002-03.

Profit margin on sales of engineering companies increased to 10.3 per cent in the second quarter of 2002-03 (Table 13) as compared to 8.8 per cent recorded in the first quarter of 2002-03. Profit margin of chemical companies dropped to 13.2 per cent in Q2: 2002-03 from 13.9 per cent in Q1: 2002-03. Cement companies recorded a fall in the profit margin from 9.9 per cent in Q1: 2002-03 to 6.0 per cent in Q2: 2002-03.

Return on sales of chemical companies decreased from 7.4 per cent in Q1: 2002-03 to 7.1 per cent in Q2: 2002-03. Engineering companies witnessed return on sales from 2.0 per cent in the first quarter to 4.2 per cent in the second quarter of 2002-03. Return on sales of information technology companies came down from 19.2 per cent in Q1: 2002-03 to 18.7 per cent in Q2: 2002-03.

Table 13: Industry-wise Profitability Ratios

Industry / Industry group	Year	(Per cent)					
		Gross profits to Sales			Post-tax profits to Sales		
		Q1	Q2	H1	Q1	Q2	H1
1	2	3	4	5	6	7	8
1. Engineering	2002-03	8.8	10.3	9.6	2.0	4.2	3.4
	2001-02	8.1	8.3	7.9	1.1	1.8	1.4
2. Chemicals	2002-03	13.9	13.2	13.5	7.4	7.1	7.5
	2001-02	12.5	13.3	12.8	6.1	7.2	7.0
3. Cement	2002-03	9.9	6.0	8.9	0.5	-2.4	1.8
	2001-02	15.9	10.2	12.4	7.1	1.2	4.9
4. Electricity generation and supply	2002-03	19.0	18.9	18.6	6.7	6.7	6.9
	2001-02	19.9	21.3	20.7	6.3	9.6	8.5
5. Construction	2002-03	6.1	8.7	7.7	2.1	1.3	1.9
	2001-02	7.5	13.4	9.4	3.5	4.7	2.6
6. Textiles	2002-03	8.5	7.2	7.9	3.0	2.1	2.7
	2001-02	5.3	6.3	5.5	-1.5	-0.3	-1.5
7. Information Technology	2002-03	22.9	22.4	23.4	19.2	18.7	19.8
	2001-02	25.8	25.8	27.0	22.5	22.4	23.6

8. Diversified	2002-03	12.4	11.8	11.5	7.8	7.5	7.0
	2001-02	12.7	11.3	11.2	7.5	6.0	6.0
All companies	2002-03	11.2	11.6	11.9	5.2	5.7	6.0
	2001-02	11.1	11.7	11.6	4.8	5.3	5.3

Major Components of Expenditure

An attempt is made here to review the trends in the major components of expenditure *viz.*, consumption of raw materials, staff cost and also change in the stock-in-trade. It may be mentioned that the data presented here relate to the companies reporting these items.

Consumption of Raw Materials

Consumption of raw materials of 898 reporting companies during the first half of 2002-03 rose by 11.3 per cent but their total expenditure were up at a lower rate of 8.1 per cent (Table 14). The share of consumption of raw materials in total expenditure increased by 1.7 percentage points to 58.3 per cent during the first half of 2002-03.

Consumption of raw materials during Q2: 2002-03 showed an increase of 14.2 per cent as against a rise of 10.4 per cent in Q1: 2002-03. The proportion of consumption of raw materials in total expenditure decreased from 61.5 per cent in Q1: 2002-03 to 58.3 per cent in Q2: 2002-03.

Staff Cost

During the half-year ended September 2002, 975 reporting companies showed a rise of 7.3 per cent in the staff cost while their total expenditure increased at a higher rate of 7.7 per cent (Table 15). The share of staff cost in total expenditure remained stable at 8.1 per cent during the first half of 2002-03. The personnel cost recorded a fall of 2.9 per cent in Q2: 2002-03 in contrast with a growth of 6.0 per cent observed in Q1: 2002-03. The share of staff cost in the total expenditure went up from 7.5 per cent in Q1: 2002-03 to 7.9 per cent in Q2: 2002-03.

Change in Stock-in-Trade

Change in stock-in-trade reported by 875 companies showed an accumulation of stocks of tradable goods (Rs.1,775 crore) of the order of 1.1 per cent of sales in the first half of 2002-03 (Table 16).

Table 14: Consumption of Raw Materials Over the Quarters

Item	(Amount in Rs. crore)					
	Q1		Q2		H1	
	2001-02	2002-03	2001-02	2002-03	2001-02	2002-03
1	2	3	4	5	6	7
No. of companies reporting	1,034		1,015		898	
Consumption of raw material (CRM)	45,025	49,733	40,292	45,987	77,331	86,105
(Per cent change)		(10.4)		(14.2)		(11.3)

Total expenditure (Per cent change)	75,109	80,896 (7.7)	72,050	78,909 (9.5)	1,36,521	1,47,602 (8.1)
CRM as percentage of total expenditure	60.0	61.5	55.9	58.3	56.6	58.3

Table 15: Staff Cost Over the Quarters

Item	(Amount in Rs. crore)					
	Q1		Q2		H1	
	2001-02	2002-03	2001-02	2002-03	2001-02	2002-03
1	2	3	4	5	6	7
Number of companies reporting	1,159		1,139		975	
Staff cost (Per cent change)	5,927	6,283 (6.0)	6,763	6,568 (-2.9)	11,438	12,269 (7.3)
Total expenditure (Per cent change)	78,226	83,911 (7.3)	75,966	82,775 (9.0)	1,41,335	1,52,238 (7.7)
Staff cost as percentage of total expenditure	7.6	7.5	8.9	7.9	8.1	8.1

In Q2: 2002-03, accumulation of stock-in-trade was negligible for the companies reporting this item, in contrast with the increase in stock-in-trade of the order of 2.0 per cent of the sales observed in the first quarter.

Table 16: Increase in Stock-in-Trade Over the Quarters

Item	(Amount in Rs. crore)					
	Q1		Q2		H1	
	2001-02	2002-03	2001-02	2002-03	2001-02	2002-03
1	2	3	4	5	6	7
Number of companies reporting	1,037		1,006		875	
Change in stock-in-trade	1,124	1,778	-354	43	379	1,775
Sales	84,526	90,840	80,937	88,731	1,52,116	1,64,943
Change in stock-in-trade as percentage of sales	1.3	2.0	-0.4	0.0	0.2	1.1

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

1 The previous study on 'Performance of Private Corporate Business Sector during First Half of 2001-02' was published in the March 2002 issue of the Reserve Bank of India Bulletin.