

Performance of Private Corporate Business Sector, 2002-03*

The financial performance of the private corporate business sector during 2002-03 is reviewed in this article, based on the abridged audited/unaudited financial results of non-financial non-Government public limited companies collected from financial/news dailies and also collected from major Indian stock exchanges¹. Since the data on only few items are available from the abridged results of the companies and these are provisional in nature, analysis based on these data can at best be taken as indicative. The reference period of the study is the year ended March 2003.

The article covers 1267 non-financial non-Government public limited companies and presents a brief size-wise and industry-wise analysis of the performance of the selected companies. Based on abridged financial results of 1236 companies for the first quarter Q1: 2002-03 (April-June 2002), 1214 companies for the second quarter Q2: 2002-03 (July-September 2002), 1264 companies for the third quarter Q3: 2002-03 (October-December 2002) and 1263 companies for the fourth quarter Q4: 2002-03 (January-March 2003), a review of the performance of the private corporate business sector over the four quarters of 2002-03 is also presented. The article also presents a brief analysis on major components of expenditure and the change in stock-in-trade. The study, however, excludes data for a few companies, as their results for 2002-03 are not comparable with those of previous year, due to merger/demerger, acquisitions/hive off of divisions/sub-divisions, *etc.* Throughout this note, growth rates indicate the change in the level in the period of the year under reference over the corresponding period of the previous year.

Overall Performance

Overall, the performance of the private corporate sector improved considerably during 2002-03 as evidenced by the accelerated sales and profits of the selected 1267 non-financial, non-Government public limited companies.

During 2002-03, sales of the selected 1267 companies recorded a rise of 10.8 per cent to Rs. 3,58,446 crore (Table 1). Total expenditure incurred by these companies amounting to Rs.3,09,777 crore went up by 10.0 per cent, at a lower rate than that of sales.

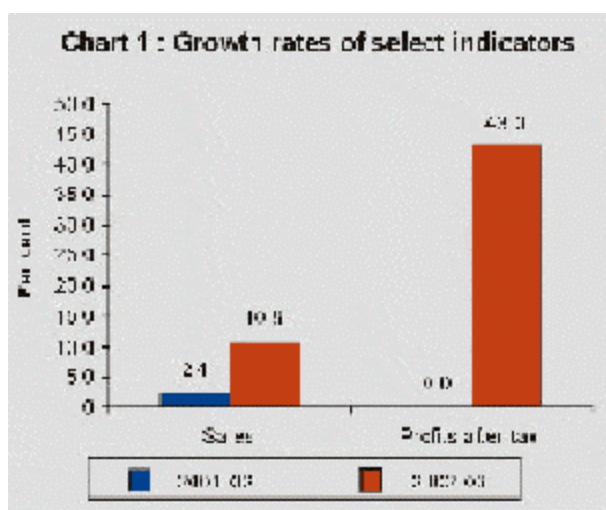
Depreciation provision amounting to Rs.16,763 crore was up by 5.0 per cent in 2002-03. Gross profits at Rs.40,439 crore recorded an increase of 16.8 per cent during the period under review. Interest payments declined by 11.7 per cent at Rs. 14,765 crore and pre-tax profits increased by 43.5 per cent to Rs.25,675 crore. Tax provision amounting to Rs.5,518 crore was higher by 45.2 per cent. Post-tax profits were up by 43.0 per cent at Rs.20,157 crore in 2002-03. Aggregate paid-up capital of the 1267 companies showed a rise of 3.7 per cent to Rs.25,069 crore by end March 2003.

Of the 1267 companies covered for the study, 324 companies each with sales of Rs. 200 crore or more contributed a share of 86.4 per cent in total sales. The number of companies reporting post-tax profits in 2002-03 was higher at 929 as compared with 878 such companies in the previous year.

With a view to obtaining a comparative picture of the direction and dimension of changes, the performance of 1267 companies, in terms of growth rates of select indicators in 2002-03, was compared with that of 1242 non-financial non-Government companies covered in the previous study. The comparison is broad due to the fact that the selected companies in the two studies were not all same.

Table 1: Performance of Selected Non-Financial Companies, 2002-03
(Rs. crore)

Item	2001-02	2002-03	Growth rate (Per cent)
1	2	3	4
No. of selected companies	1267	1267	
Sales	3,23,399	3,58,446	10.8
Other income	8,843	9,116	3.1
Total expenditure	2,81,631	3,09,777	10.0
Depreciation provision	15,961	16,763	5.0
Gross profits	34,617	40,439	16.8
Interest	16,726	14,765	-11.7
Profits before tax	17,891	25,675	43.5
Tax provision	3,799	5,518	45.2
Profits after tax	14,092	20,157	43.0
Paid-up capital	24,166	25,069	3.7



Sales of the selected 1267 companies rose at a higher rate of 10.8 per cent in 2002-03 as compared with the increase of 2.4 per cent recorded by 1242 companies in the previous year². Profits after tax were up by 43.0 per cent in 2002-03 as compared with stagnant growth observed in the preceding year.

Profit Allocation, Profitability and Interest Linked Ratios

Share of interest payments in gross profits -interest burden – at 36.5 per cent in 2002-03 eased by about 11.8 percentage points from 48.3 per cent in the preceding year (Table 2). Interest cost to sales was lower at 4.1 per cent as against 5.2 per cent in the previous year. Interest coverage ratio (reciprocal of interest burden), was marginally higher at 2.7 in 2002-03 (2.1 in 2001-02).

The effective tax rate (tax provision as a percentage of profits before tax) was higher at 21.5 per cent in 2002-03. It may be mentioned that out of the 1267 companies covered in the study, 412 companies did not make any provision for tax payments during the period under review as against 423 such companies in the previous year. In the case of companies reporting provision for tax, the effective tax rate worked out to 19.1 per cent in 2002-03.

Table 2: Profit Allocation, Profitability and Interest Linked Ratios, 2002-03

Ratio	(Per cent)	
	2001-02	2002-03
1	2	3
Profit allocation ratios		
Tax provision to Profits before tax	21.2	21.5
Interest to Gross profits	48.3	36.5
Profitability ratios		
Gross profits to Sales	10.7	11.3
Profits before tax to Sales	5.5	7.2
Profits after tax to Sales	4.4	5.6
Interest linked ratios		
Interest to Sales	5.2	4.1
Interest to Expenditure #	5.3	4.3
Interest coverage ratio (number)	2.1	2.7

Note: '#' Including interest and depreciation.

Profit margin on sales (gross profits as percentage of sales) improved to 11.3 per cent in 2002-03 from 10.7 per cent in 2001-02. Return on sales (profits after tax as percentage of sales) was up to 5.6 per cent in 2002-03 (4.4 per cent in 2001-02).

Rates of Growth and Profitability according to Size

The distribution of paid-up capital of companies covered in the study showed a lower concentration in the lower size groups of 'Rs. 1 crore to Rs. 5 crore' and 'Rs. 5 crore to Rs. 10 crore'. These two classes accounted for 14.3 per cent of paid-up capital of all the selected companies (Table 3). The companies in the top paid-up capital size class of 'Rs 25 crore and above' though represented only 15 per cent of companies in terms of number (190 companies), had a predominantly high share in terms of the amount of paid-up capital at 68.4 per cent.

Sales of the top 190 companies rose by 10.4 per cent, while their total expenditure rose at a lower rate of 9.4 per cent. Companies in the immediately preceding size class (Rs.15 crore to Rs.25 crore) recorded a higher growth of 11.8 per cent in sales and 11.6 per cent increase in expenditure. The growth in sales exceeded that of the expenditure across all the size classes during 2002-03. Over the size classes, growth rates in sales fluctuated in the range of 6.6 per cent to 14.7 per cent during 2002-03.

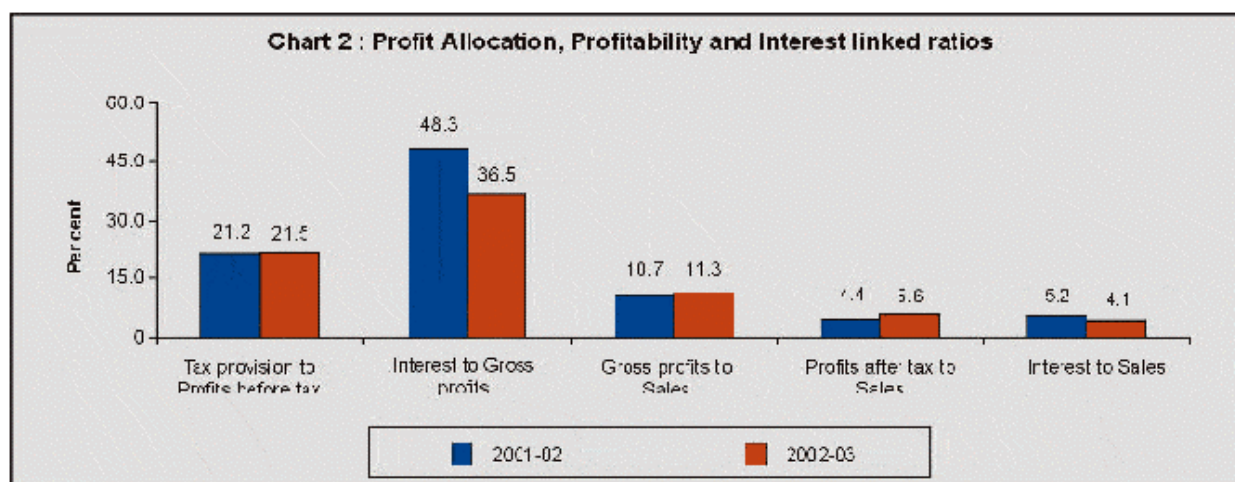


Table 3 : Growth Rates of Select Items according to Size of Paid-up Capital during 2002-03

Size group (Rs. crore)	Paid-up capital			Growth rates (Per cent)							
	No. of companies	Amount outstanding (Rs.crore)	Per cent share	Per Sales	Total Expenditure	Depreciation 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	76	46	0.2	6.6	4.7	0.2	23.3	1.3	\$	90.3	\$
1 – 5	376	1,276	5.1	6.6	6.4	10.2	2.1	-6.8	13.0	29.8	5.8
5 – 10	334	2,309	9.2	14.7	13.6	7.7	12.0	-9.4	38.5	44.0	36.8
10 – 15	169	2,010	8.0	11.4	10.6	3.8	18.8	-4.5	50.0	44.2	52.4
15 – 25	122	2,271	9.1	11.8	11.6	8.3	15.9	-11.8	39.4	30.0	42.4
25 and above	190	17,157	68.4	10.4	9.4	4.3	17.8	-13.1	44.9	48.6	44.0
All companies	1267	25,069	100.0	10.8	10.0	5.0	16.8	-11.7	43.5	45.2	43.0

Note: '\$' Both numerator and denominator negative.

Profits after tax of the top companies registered a growth of 44.0 per cent. Profits after tax of the companies in the size class 'Rs.10 crore to Rs.15 crore' recorded the highest growth at 52.4 per cent.

Interest cost of sales for companies in each size group was lower in 2002-03 as compared to the previous year (Table 4). As regards the higher size groups of 'Rs. 25 crore and above' and 'Rs.15 crore to 25 crore', this ratio was 4.5 per cent and 3.1 per cent respectively, during the year under reference.

Table 4 : Profit Allocation, Profitability and Interest Linked Ratios according to Size of Paid-up Capital (Per cent)

Size group (Rs. crore)	Profit allocation and Interest linked ratios						Profitability ratios					
	Tax provision to Profits before tax		Interest to Gross profits		Interest coverage ratio (number)		Interest to Sales		Gross profits to Sales		Profits 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

Less than 1	#	#	157.5	129.4	0.6	0.8	6.0	5.7	3.8	4.4	-2.8	-2.4
1 – 5	29.8	34.3	54.8	50.0	1.8	2.0	3.7	3.2	6.7	6.4	2.1	2.1
5 – 10	23.9	24.8	55.3	44.8	1.8	2.2	4.2	3.3	7.5	7.3	2.6	3.0
10 – 15	29.2	28.0	57.2	46.0	1.7	2.2	5.1	4.4	8.9	9.5	2.7	3.7
15 – 25	24.1	22.4	45.9	34.9	2.2	2.9	3.9	3.1	8.5	8.9	3.5	4.5
25 and above	19.7	20.2	46.6	34.4	2.1	2.9	5.7	4.5	12.2	13.0	5.2	6.8
All companies	21.2	21.5	48.3	36.5	2.1	2.7	5.2	4.1	10.7	11.3	4.4	5.6

Note : '#' Denominator negative.

Interest burden for the top size class of 'Rs.25 crore and above' eased by 12.2 percentage points to 34.4 per cent during the period under review. Overall, interest burden tended to decline with the increase in the size.

Profit margin on sales depicted a mixed performance during 2002-03 when compared with that in the previous year. Large companies recorded highest profit margin on sales of 13.0 per cent in 2002-03 (12.2 per cent in 2001-02). In respect of companies in the size class 'Rs. 10 crore to Rs.15 crore', profit margin on sales was higher at 9.5 per cent in 2002-03 as compared with 8.9 per cent recorded in the previous year.

Return on sales improved in general during 2002-03, as compared to the previous year. While for top companies, return on sales improved to 6.8 per cent in 2002-03 (5.2 per cent in the previous year), return on sales for companies in other size classes was in the range of 2.1 per cent to 4.5 per cent during 2002-03, except for companies in the size class 'Below Rs.1 crore'. Overall, profitability tended to rise with increase in the size of the companies.

While the companies with paid-up capital of Rs. 5 crore to 10 crore and having sales above Rs.500 crore showed the sales growth of 37.8 per cent, sales of the large companies with paid-up capital of more than Rs.25 crore and sales exceeding Rs.500 crore rose by 11.8 per cent (Table 5). This group recorded the lowest growth of sales among the various size groups of paid-up capital.

The profits after tax of companies with paid-up capital of Rs.25 crore and above and having sales above Rs.500 crore increased by 41.4 per cent (Table 6). The highest growth in profits after tax of 153.7 per cent was recorded by companies in the paid-up capital size group 'Rs.10 crore to Rs.15 crore' and sales group 'Rs.100 crore to Rs.250 crore'.

Table 5 : Sales Growth of Companies according to Paid-up Capital and Sales during 2002-03

Paid-up capital Size Group (Rs. Crore)	Sales Size Group (Rs. Crore)					(Per cent)
	Less than 50	50 - 100	100 - 250	250 - 500	500 and above	
1	2	3	4	5	6	
Less than 1	3.8	23.2	1.7	—	—	
1 – 5	2.8	4.3	8.6	12.6	—	
5 – 10	4.7	8.3	12.0	13.6	37.8	
10 – 15	-7.7	-5.3	9.4	16.7	15.1	
15 – 25	-14.9	2.4	9.5	9.7	14.3	
25 and above	-2.2	-6.2	-18.8	8.9	11.8	

Note : '—' Null set.

Table 6 : Growth of Profits after tax of Companies according to Paid-up Capital and Sales during 2002-03

Paid-up capital Size Group (Rs. Crore)	Sales Size Group (Rs. Crore)					(Per cent)
	Less than 50	50 - 100	100 - 250	250 - 500	500 and above	
1	2	3	4	5	6	
Less than 1	\$	-25.9	-26.3	—	—	
1 - 5	125.4	0.6	16.3	-18.4	—	
5 - 10	\$	10.3	26.1	26.7	64.4	
10 - 15	\$	-66.6	153.7	23.9	10.4	
15 - 25	\$	49.4	73.6	28.7	40.8	
25 and above	\$	\$	-105.6	13.6	41.4	

Note: '\$' Numerator negative.

'—' Null set.

Industry-wise Performance

Information on major industrial activities of companies is not directly available in the abridged financial results for many companies. In such instances, information available from other sources such as previous annual reports, stock exchange and capital market newsletters, *etc.*, are used. Table 7 presents the growth rates of the select indicators for the major industry/ industry groups.

Growth rates of important indicators across the industry groups showed considerable variation in 2002-03. While engineering industry group registered a sales growth of 14.7 per cent, sales of chemical industry group rose by 8.0 per cent. Among engineering industry group, sales of iron and steel & allied products, and automobile and ancillary industries grew by 32.5 per cent and 17.1 per cent respectively. Among chemical industry group, sales of pharmaceutical industry improved by 17.0 per cent. The sales growth of information technology companies was at 17.3 per cent.

Profits after tax of engineering companies increased by 272.5 per cent followed by chemical industry, which recorded a rise of 53.8 per cent. Among engineering industry group, profits after tax of automobiles and ancillary industries grew by 87.0 per cent. Among chemical industry group, profits after tax of pharmaceutical industry improved by 35.3 per cent. Cement industry recorded a fall in profits after tax of 28.6 per cent. Profits after tax of information technology industry declined by 1.5 per cent. Diversified companies showed 28.7 per cent growth in their profits after tax.

During the period under review, interest burden varied considerably across the industries (Table 8). Interest burden continued to be higher for industries like engineering (44.9 per cent), chemical (30.4 per cent), cement (68.7 per cent) and textiles (54.6 per cent). In respect of information technology companies, interest burden was relatively lower at 3.9 per cent. Among engineering industry group, interest burden of iron and steel & allied products, and automobile and ancillary industries was at 37.1 per cent and 19.9 per cent, respectively. Among chemical industry group, interest burden of pharmaceutical industry was at 12.5 per cent.

Table 7 : Major Industry-wise Growth Rates of Select Items during 2002-03

Industry/ Industry group	No. of Paid-up capital			Growth rates (Per cent)							
	comp- anies	Amount out- standing (Rs. crore)	Per cent share	Sales	Total Expen- diture	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
1. Engineering	335	6,472	25.8	14.7	12.4	6.9	46.4	-7.3	177.8	72.4	272.5
<i>Of which,</i>											
i) Iron & steel & allied products	42	2,070	8.3	32.5	22.9	5.1	165.9	-10.5	#	377.7	#
ii) Automobiles and ancillaries	55	1,302	5.2	17.1	15.3	8.6	42.5	-22.1	79.5	63.7	87.0
2. Chemicals	227	4,354	17.4	8.0	7.2	3.4	15.4	-24.1	49.2	35.1	53.8
<i>Of which,</i>											
Pharmaceuticals and drugs	64	936	3.7	17.0	15.3	18.9	25.1	-11.4	33.0	21.1	35.3
3. Cement	27	1,177	4.7	4.8	8.1	7.3	-8.7	-1.6	-21.3	22.6	-28.6
4. Textiles	154	2,097	8.4	8.3	6.0	2.5	42.5	-21.2	#	76.1	#
5. Information Technology	58	994	4.0	17.3	21.7	12.1	2.9	10.3	2.6	39.4	-1.5
6. Diversified	10	1,987	7.9	9.8	9.5	0.5	13.2	-19.3	33.2	94.5	28.7
All companies⁺	1267	25,069	100.0	10.8	10.0	5.0	16.8	-11.7	43.5	45.2	43.0

Note: '#' Denominator negative.

'+' All 1267 companies under study.

Interest cost of sales of chemical industry was relatively low at 3.8 per cent in 2002-03 (5.4 per cent in 2001-02), whereas for the engineering industry it was 4.2 per cent in 2002-03 (5.2 per cent in 2001-02). Among engineering industry group, interest cost of sales of iron and steel & allied products, and automobile and ancillary industries were at 5.4 per cent, and 1.7 per cent, respectively. Among chemical industry group, interest cost of sales of pharmaceutical industry was at 2.3 per cent. For cement industries, interest cost of sales was nominally lower at 7.2 per cent in 2002-03 (7.6 per cent in 2001-02); information technology continued to report lower interest cost of sales (0.9 per cent) in 2002-03 also.

Profit margin on sales (ratio of gross profits to sales) of engineering companies improved to 9.4 per cent in 2002-03 (7.4 per cent in 2001-02), whereas for chemical companies profit margin was at 12.4 per cent (11.6 per cent in 2001-02). Among engineering industry group, profit margin on sales of iron and steel and allied products, and automobile and ancillary industries were at 14.5 per cent (7.2 per cent in 2001-02) and 8.5 per cent (7.0 per cent in 2001-02), respectively. Among chemical industry group, profit margin on sales of pharmaceutical industry was at 18.2 per cent (17.1 per cent in 2001-02). For information technology industry, profit margin declined by over 3 percentage points to 24.0 per cent (27.3 per cent in 2001-02). On the other hand, diversified industry showed marginal increase in profit margin.

Table 8: Major Industry-wise Profit Allocation, Profitability and Interest Linked Ratios

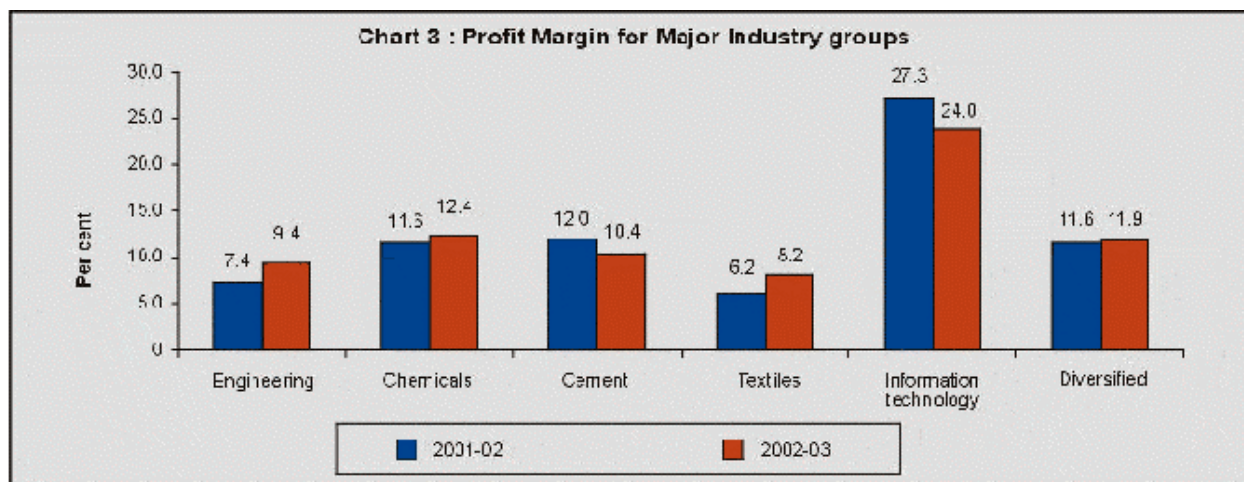
(Per cent)

Profit allocation and Interest linked ratios		Profitability ratios
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Industry/ Industry group	Tax provision to Profits before tax		Interest to Gross profits		Interest coverage ratio (number)		Interest to Sales		Gross profits to Sales		Profits 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
	2	3	4	5	6	7	8	9	10	11	12	13
1. Engineering	47.3	29.4	71.0	44.9	1.4	2.2	5.2	4.2	7.4	9.4	1.1	3.7
<i>Of which,</i>												
i) Iron & steel & allied products	#	18.7	110.3	37.1	0.9	2.7	7.9	5.4	7.2	14.5	-1.2	7.4
ii) Automobiles and ancillaries	32.3	29.4	36.4	19.9	2.7	5.0	2.5	1.7	7.0	8.5	3.0	4.8
2. Chemicals	24.5	22.2	46.1	30.4	2.2	3.3	5.4	3.8	11.6	12.4	4.7	6.7
<i>Of which,</i>												
Pharmaceuticals and drugs	16.4	14.9	17.6	12.5	5.7	8.0	3.0	2.3	17.1	18.2	11.8	13.6
3. Cement	14.1	22.0	63.7	68.7	1.6	1.5	7.6	7.2	12.0	10.4	3.7	2.5
4. Textiles	#	15.7	98.8	54.6	1.0	1.8	6.2	4.5	6.2	8.2	-0.3	3.1
5. Information technology	10.1	13.8	3.6	3.9	27.6	25.9	1.0	0.9	27.3	24.0	23.6	19.9
6. Diversified	6.8	10.0	38.1	27.2	2.6	3.7	4.4	3.2	11.6	11.9	6.7	7.8
All companies +	21.2	21.5	48.3	36.5	2.1	2.7	5.2	4.1	10.7	11.3	4.4	5.6

Note: '#' Denominator negative or nil.

'+' All 1267 companies under study.



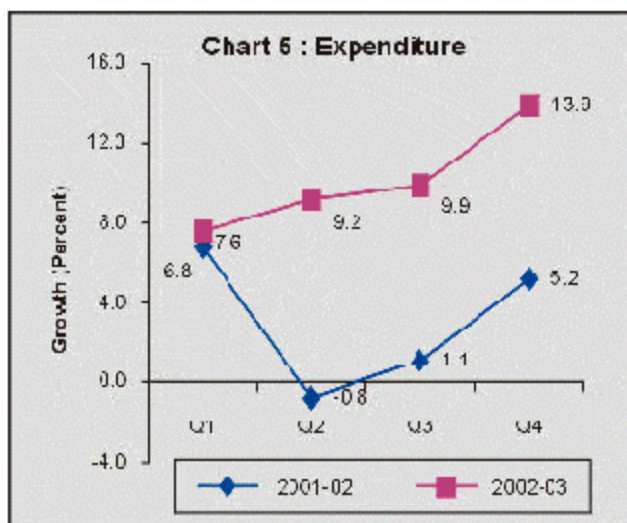
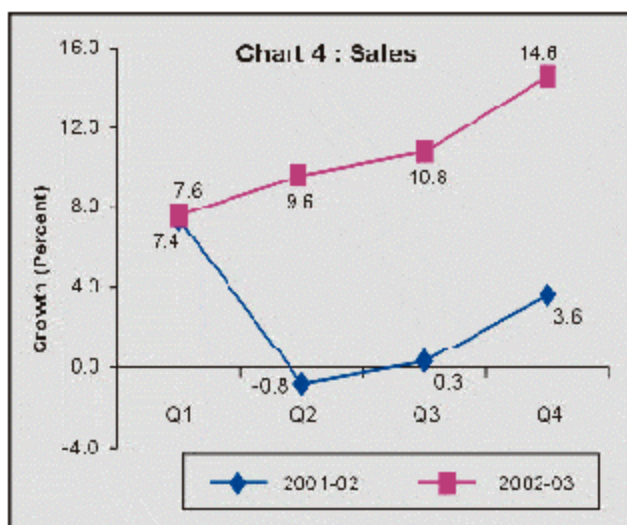
Return on sales of chemical industry group was higher at 6.7 per cent during 2002-03 (4.7 per cent in the previous year) while that of engineering industry group improved to 3.7 per cent from 1.1 per cent in 2001-02. Among engineering industry group, return on sales of iron and steel and allied products, and automobiles and ancillary industries were at 7.4 per cent (-1.2 per cent in 2001-02) and 4.8 per cent (3.0 per cent in 2001-02), respectively. Among chemical industry group, return on sales of pharmaceutical industry was at 13.6 (11.8 per cent in 2001-02). Diversified industry recorded return on sales at 7.8 per cent (6.7 per cent in 2001-02). In respect of other industries like cement and information technology, return on sales during 2002-03 was lower as compared to the respective returns in the previous year.

Overall Performance during the Four Quarters of 2002-03

The performance of private corporate sector over the four quarters of 2002-03 was characterised by acceleration both in sales and total expenditure when compared with the performance observed in the corresponding quarters of 2001-02. Sales recorded a rise of 7.6 per cent in the first quarter (Q1), 9.6 per cent in the second quarter (Q2), 10.8 per cent in the third quarter (Q3), and were further up by 14.6 per cent in the fourth quarter (Q4) of 2002-03 (Table 9).

Table 9 : Growth Rates of Sales and Expenditure over the Quarters

Item	(Per cent)									
	Q1 (April-June)		Q2 (July-Sept.)		Q3 (Oct.-Dec.)		Q4 (Jan.-March)		Annual (April-March)	
	2001-02	2002-03	2001-02	2002-03	2001-02	2002-03	2001-02	2002-03	2001-02	2002-03
Number of companies	1372	1236	1257	1214	1335	1264	1185	1263	1242	1267
Sales	7.4	7.6	-0.8	9.6	0.3	10.8	3.6	14.6	2.4	10.8
Total expenditure	6.8	7.6	-0.8	9.2	1.1	9.9	5.2	13.9	2.8	10.0



The buoyant performance of the private corporate sector is reflected in the growth of profits over the quarters of 2002-03. Gross profits posted a rise of 8.5 per cent in Q1, 9.4 per cent in Q2, 17.6 per cent in Q3 and 19.6 per cent in Q4 of 2002-03 (Table 10). Profits after tax registered a rise of 17.9 per cent, 18.7 per cent, 41.7 per cent and 42.2 per cent in Q1, Q2, Q3 and Q4, respectively.

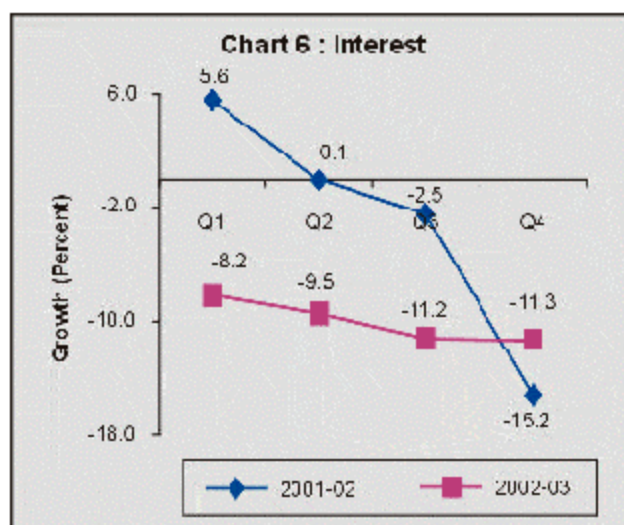
Interest payments declined by 11.3 per cent during the fourth quarter of 2002-03. This is in line with the steady fall of 8.2 per cent, 9.5 per cent and 11.2 per cent witnessed in the first three quarters of 2002-03.

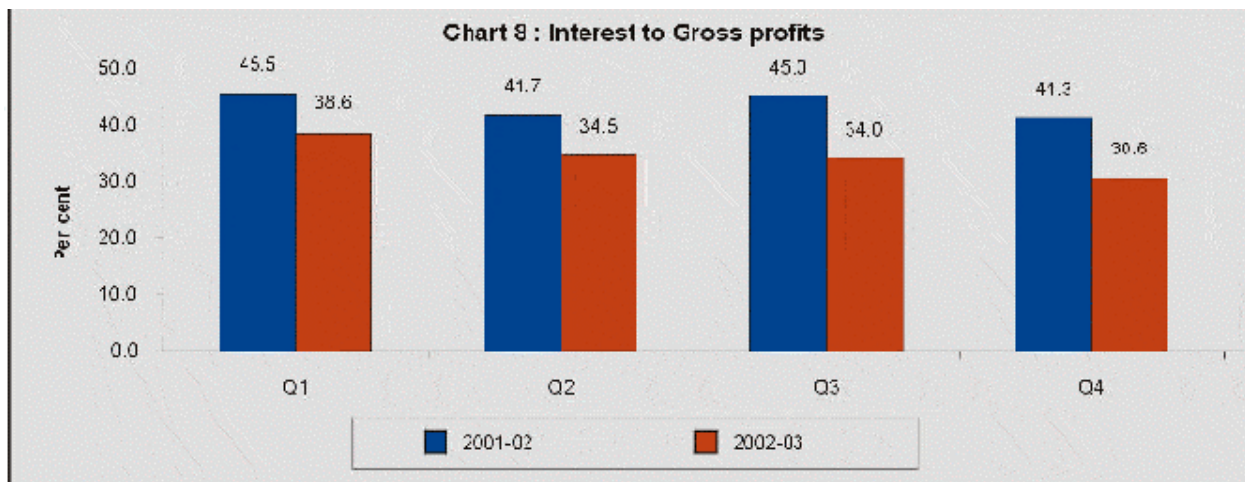
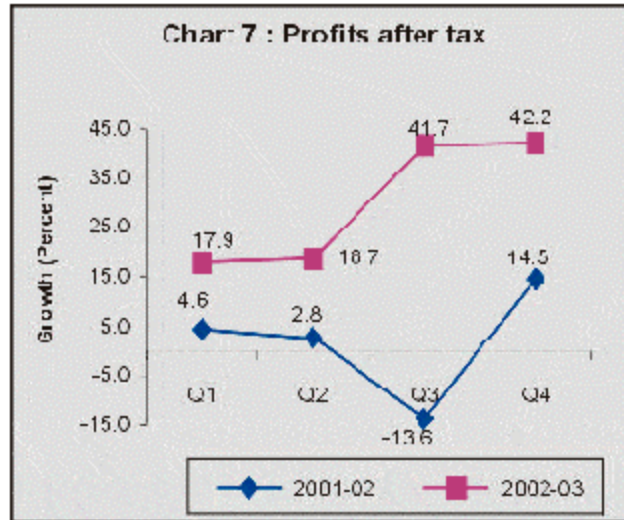
Interest burden showed a decreasing trend over the four quarters of 2002-03. Interest burden eased from 38.6 per cent in Q1 to 34.5 per cent in Q2, 34.0 per cent in Q3 and further down to 30.6 per cent in Q4 of 2002-03. Interest burden in each of the quarters of 2002-03 was lower than that in the corresponding quarters of the previous year.

While interest cost of sales remained at around 4.0 per cent in the first three quarters, it came down to 3.3 per cent in the fourth quarter of 2002-03 (Table 11). Interest cost of sales during each of the four quarters of 2002-03 was lower than that in the corresponding quarter of the previous year.

Table 10 : Growth Rates of Profits and Interest Payments over the Quarters

Item	(Per cent)									
	Q1		Q2		Q3		Q4		Annual	
	2001-02	2002-03	2001-02	2002-03	2001-02	2002-03	2001-02	2002-03	2001-02	2002-03
Number of companies	1372	1236	1257	1214	1335	1264	1185	1263	1242	1267
Gross Profits	5.5	8.5	3.0	9.4	-5.5	17.6	0.1	19.6	-1.1	16.8
Interest	5.6	-8.2	-0.1	-9.5	-2.5	-11.2	-15.2	-11.3	-5.3	-11.7
Profits after tax	4.6	17.9	2.8	18.7	-13.6	41.7	14.5	42.2	0.0	43.0





Interest coverage ratio, viz., ratio of gross profits to interest, which was 2.6 in Q1, improved to 2.9 in Q2 and Q3 and further to 3.3 in Q4.

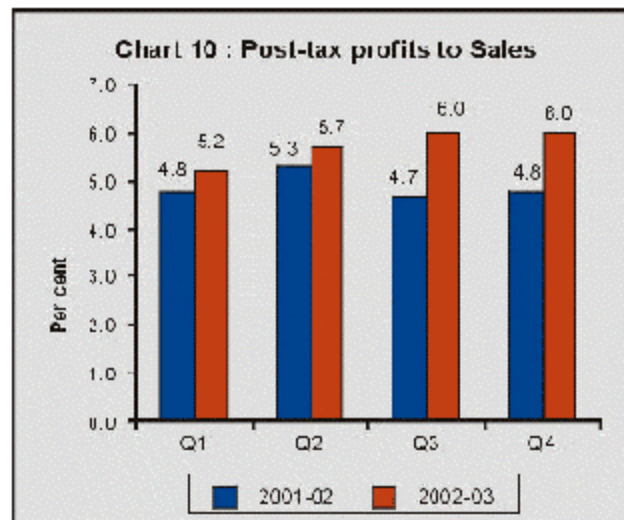
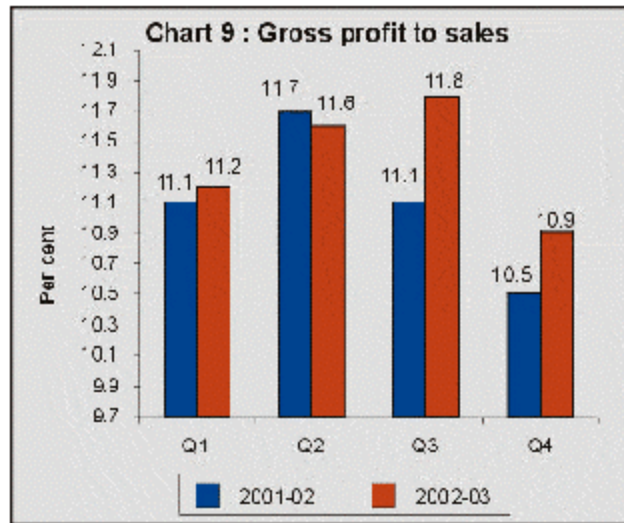
Profit margin on sales moved closely in the band of 10.9 per cent to 11.8 per cent over the four quarters of 2002-03 (Table 12). Profit margin on sales was higher in all the four quarters in 2002-03 than those in the previous year, except in the second quarter. Like-wise, return on sales varied in the narrow range of 5.2 per cent to 6.0 per cent during the four quarters of 2002-03.

Table 11: Select Interest Linked Ratios over the Quarters

Ratio	Year	(Per cent)				
		Q1	Q2	Q3	Q4	Annual
Interest to Gross profits	2002-03	38.6	34.5	34.0	30.6	36.5
	2001-02	45.5	41.7	45.0	41.3	48.3
Interest to sales	2002-03	4.3	4.0	4.0	3.3	4.1
	2001-02	5.1	4.9	5.0	4.3	5.2
Interest to expenditure	2002-03	4.6	4.2	4.2	3.5	4.3
	2001-02	5.3	5.0	5.2	4.4	5.3
Interest coverage ratio (number)	2002-03	2.6	2.9	2.9	3.3	2.1
	2001-02	2.2	2.4	2.2	2.4	2.7

Table 12 : Profitability Ratios over the Quarters

Ratio	Year	(Per cent)				
		Q1	Q2	Q3	Q4	Annual
Gross profits to Sales	2002-03	11.2	11.6	11.8	10.9	11.3
	2001-02	11.1	11.7	11.1	10.5	10.7
Post-tax profits to Sales	2002-03	5.2	5.7	6.0	6.0	5.6
	2001-02	4.8	5.3	4.7	4.8	4.4



Industry-wise Performance during the Four Quarters of 2002-03

Sales of engineering industry improved by 11.4 per cent and 15.3 per cent in the first and second quarters, respectively. However, the growth declined in the third and fourth quarters to 12.9 per cent and 14.9 per cent, respectively (Table 13).

Sales growth of chemical industry varied in the range of 0.8 per cent to 11.4 per cent during the four quarters of 2002-03. Sales of cement companies recorded a fall of 3.6 per cent in the first

quarter; it accelerated to 7.0 per cent in the second quarter; the third quarter witnessed a decline of sales to 1.7 per cent and again witnessed a higher growth in the fourth quarter to 7.6 per cent. Information technology companies showed continuous rise in sales over the four quarters of 2002-03; sales growth of 14.8 per cent, 15.3 per cent, 19.3 per cent and 32.5 per cent were recorded in four quarters of 2002-03. Textile companies despite a negligible rise in sales in the first quarter, recorded impressive sales growth in the next three quarters at 8.7 per cent, 10.0 per cent and 8.5 per cent.

Table 13 : Major Industry-wise Growth Rates over the Quarters

(Per cent)

Industry/ Industry Group	Number of companies				Sales				Total Expenditure				Gross profits				Profits after tax			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
1. Engineering	323	320	334	342	11.4	15.3	12.9	14.9	10.4	12.8	10.6	12.8	21.2	43.0	43.3	46.0	116.3	163.0	215.6	118.1
2. Chemicals	228	236	234	233	4.5	0.8	11.4	9.6	2.3	1.0	12.9	9.7	16.8	-0.4	4.7	5.8	28.2	-0.6	15.1	31.2
3. Cement	25	28	28	27	-3.6	7.0	1.7	7.6	2.6	11.1	5.7	7.6	-40.2	-36.8	-17.2	-15.2	-92.9	\$	-2.6	-43.7
4. Textiles	136	120	137	146	0.5	8.7	10.0	8.5	-3.0	7.8	7.1	7.9	59.4	23.0	93.6	10.0	#	#	#	273.1
5. Information technology	62	56	61	68	14.8	15.3	19.3	32.5	18.6	24.0	22.1	43.4	1.7	3.6	14.0	-3.1	-2.1	-0.2	7.0	-7.2
6. Diversified	11	11	11	11	2.8	8.0	10.1	23.2	3.4	7.6	-8.0	25.2	0.2	13.4	14.4	15.7	7.0	34.8	30.6	22.8
All companies +	1236	1214	1264	1263	7.6	9.6	10.8	14.6	7.6	9.2	9.9	13.9	8.5	9.4	17.6	19.6	17.9	18.7	41.7	42.2

Note: '\$' Numerator negative.

'#' Denominator negative.

'+' All companies covered in the study.

Engineering industry registered a high growth in profits after tax over the quarters; profits after tax improved by 116.3 per cent, 163.0 per cent and 215.6 per cent respectively, in the first three quarters. However, the fourth quarter witnessed a lower growth of 118.1 per cent. Chemical companies which recorded a growth in profits after tax of 28.2 per cent in the first quarter, posted a fall of 0.6 per cent in the second quarter and again witnessed a steep growth of 15.1 per cent and 31.2 per cent in the third and fourth quarters of 2002-03, respectively. Information technology companies after recording a fall of 2.1 per cent and 0.2 per cent in profits after tax during first two quarters witnessed a growth of 7.0 per cent in the third quarter. However, this could not be sustained in fourth quarter when the growth again recorded a fall of 7.2 per cent.

Interest burden for engineering industry continuously declined from 58.9 per cent in Q1 to 41.8 per cent in Q2, 40.5 per cent in Q3 and 28.9 per cent in Q4 of 2002-03 (Table 14). In respect of chemical industry, interest burden eased by about 2 percentage points from 27.6 per cent in Q1 to 25.7 per cent in Q2; it moved up to 30.2 per cent in the third quarter and 36.6 per cent in the fourth quarter of 2002-03.

Interest cost of sales for engineering companies showed a decreasing trend; it was 5.2 per cent, 4.3 per cent, 4.2 per cent and 3.1 per cent in the four quarters of 2002-03, respectively. In respect of chemical companies, interest cost of sales fluctuated in the narrow range of 3.4 per cent to 3.8 per cent in the four quarters of 2002-03; it was higher at 3.8 per cent in the first quarter and third quarter. Interest cost of sales declined in all the quarters of 2002-03 compared with the ratio in corresponding quarters of the previous year for all the industry groups.

Table 14 : Major Industry-wise Profit allocation and Interest Linked Ratio

(Per cent)

Industry / Industry group	Year	Interest to Gross profits				Interest to Sales			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4

1	2	3	4	5	6	7	8	9	10
1. Engineering	2002-03	58.9	41.8	40.5	28.9	5.2	4.3	4.2	3.1
	2001-02	71.2	61.2	63.2	49.3	5.8	5.1	5.1	4.2
2. Chemicals	2002-03	27.6	25.7	30.2	36.6	3.8	3.4	3.8	3.7
	2001-02	37.8	30.8	37.0	44.6	4.1	4.1	4.9	4.6
3. Cement	2002-03	87.0	128.0	103.1	62.1	8.6	7.7	7.5	6.8
	2001-02	51.0	82.7	87.1	49.9	8.1	8.4	7.8	6.9
4. Textiles	2002-03	59.5	60.9	56.4	65.7	5.0	4.4	4.4	4.7
	2001-02	124.3	97.0	143.7	85.3	6.6	6.2	6.3	6.0
5. Information Technology	2002-03	3.6	3.3	4.6	4.4	0.8	0.7	1.1	0.8
	2001-02	4.3	3.1	3.8	4.2	1.1	0.8	1.0	1.0
6. Diversified	2002-03	29.6	30.2	27.6	21.9	3.7	3.6	3.4	2.4
	2001-02	36.0	42.9	39.5	30.0	4.6	3.8	4.7	3.5
All companies⁺	2002-03	38.6	34.5	34.0	30.6	4.3	4.0	4.0	3.3
	2001-02	45.5	41.7	45.0	41.3	5.1	4.9	5.0	4.3

Note: '+' All companies covered in the study.

Profit margin on sales of engineering companies was 8.8 per cent in the first quarter, 10.3 per cent in the second and the third quarter of 2002-03; in the fourth quarter, it improved to 10.8 per cent (Table 15). For chemical companies, profit margin on sales declined from 13.9 per cent in Q1 to 13.2 per cent in Q2 and further to 12.6 per cent in Q3 and 10.0 per cent in Q4 of 2002-03. For cement companies, profit margin on sales dropped from 9.9 per cent in Q1 to 6.0 per cent in Q2 but improved to 7.3 per cent and 10.9 per cent in Q3 and Q4, respectively.

Return on sales of chemical companies declined over the quarters from 7.4 per cent in Q1 to 7.1 per cent in Q2, 6.7 per cent in Q3 and 4.5 per cent in Q4 of 2002-03. Engineering companies recorded return on sales of 2.0 per cent in the first quarter which increased to 4.2 per cent in the second quarter but declined to 4.1 per cent in Q3; it was again increased to 5.9 per cent in Q4.

Major Components of Expenditure

An attempt is made here to analyse the trends in the major components of expenditure *viz.*, consumption of raw materials, staff cost and 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 1081 reporting companies during 2002-03 increased by 14.2 per cent, but their total expenditure moved up by 10.0 per cent (Table 16). The share of consumption of raw materials in total expenditure was higher by over two percentage points to 59.8 per cent during 2002-03.

Table 15 : Major Industry-wise Profitability Ratios

1	Industry / Industry group	Year	Gross profits to Sales				Post-tax profits to Sales			
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
			3	4	5	6	7	8	9	10
1. Engineering	2002-03	8.8	10.3	10.3	10.8	2.0	4.2	4.1	5.9	
	2001-02	8.1	8.3	8.1	8.5	1.1	1.8	1.5	3.1	

2. Chemicals	2002-03	13.9	13.2	12.6	10.0	7.4	7.1	6.7	4.5
	2001-02	12.5	13.3	13.4	10.4	6.1	7.2	6.4	3.7
3. Cement	2002-03	9.9	6.0	7.3	10.9	0.5	-2.4	-0.6	3.3
	2001-02	15.9	10.2	8.9	13.9	7.1	1.2	0.8	6.3
4. Textiles	2002-03	8.5	7.2	7.7	7.1	3.0	2.1	2.7	1.8
	2001-02	5.3	6.3	4.4	7.0	-1.5	-0.3	-2.1	0.5
5. Information Technology	2002-03	22.9	22.4	24.7	18.4	19.2	18.7	20.3	14.8
	2001-02	25.8	25.8	25.8	25.2	22.5	22.4	22.6	21.1
6. Diversified	2002-03	12.4	11.8	12.5	10.9	7.8	7.5	8.2	7.6
	2001-02	12.7	11.3	12.0	11.6	7.5	6.0	6.9	7.6
All companies⁺	2002-03	11.2	11.6	11.8	10.9	5.2	5.7	6.0	6.0
	2001-02	11.1	11.7	11.1	10.5	4.8	5.3	4.7	4.8

Note: '+' All companies covered in the study.

While the proportion of consumption of raw materials in total expenditure showed a declining trend in the first three quarters from 61.5 per cent to 58.0 per cent, the proportion improved to 60.3 per cent in the fourth quarter of 2002-03.

Staff cost

The staff cost of the 1180 reporting companies showed a rise of 7.4 per cent during 2002-03 (Table 17). The proportion of staff cost in the total expenditure varied in the range of 7.5 per cent to 7.9 per cent in the four quarters of 2002-03.

Change in stock-in-trade

Change in stock-in-trade reported by 1076 companies showed an accumulation of Rs. 2,984 crore during 2002-03 (0.9 per cent in terms of sales) as compared with the depletion of Rs. 2,131 crore (-0.7 per cent of sales) in the previous year (Table 18).

Table 16 : Consumption of Raw Materials over the Quarters

(Amount in Rs. crore)

Item	Q1 (April-June)		Q2 (July-Sept.)		Q3 (Oct.-Dec.)		Q4 (Jan.-March)		Annual	
	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
Number of Companies Reporting	1034		1015		1054		1099		1081	
Consumption of raw materials (CRM)	45,025	49,733 (10.4)	40,292	45,987 (14.2)	41,089	45,983 (11.9)	41,874	51,816 (23.7)	1,51,540	1,73,072 (14.2)
Total expenditure	75,109	80,896 (7.7)	72,050	78,909 (9.5)	72,238	79,305 (9.8)	75,428	85,855 (13.8)	2,63,182	2,89,596 (10.0)
CRM as percentage of total expenditure	60.0	61.5	55.9	58.3	56.9	58.0	55.5	60.3	57.5	59.8

Note: Figures in brackets indicate per cent growth over the previous year.

Table 17 : Staff Cost over the Quarters

(Amount in Rs. crore)

Item	Q1 (April-June)		Q2 (July-Sept.)		Q3 (Oct.-Dec.)		Q4 (Jan.-March)		Annual	
	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
Number of companies reporting	1159		1139		1168		1174		1180	

Staff cost	5,927	6,283	6,763	6,568	5,791	6,227	6,000	6,432	20,734	22,259
		(6.0)		(-2.9)		(7.5)		(7.2)		(7.4)
Total expenditure	78,226	8,39,111	75,966	82,775	75,212	82,315	75,802	85,945	2,72,776	2,98,853
		(7.3)		(9.0)		(9.4)		(13.4)		(9.6)
Staff cost as percentage of total expenditure	7.6	7.5	8.9	7.9	7.7	7.6	7.9	7.5	7.6	7.4

Note : Figures in brackets indicate per cent growth over the previous year.

While the first quarter (April-June) of 2002-03 showed an accumulation of stock-in-trade, which was of the order of 2.0 per cent of the sales, the second quarter witnessed a negligible rise. The third quarter showed depletion of the order of 0.6 per cent and again an accumulation of 2.1 per cent of sales was witnessed during the fourth quarter of 2002-03.

Table 18 : Change in Stock-in-trade over the Quarters

(Amount in Rs. crore)

Item	Q1 (April-June)		Q2 (July-Sept.)		Q3 (Oct.-Dec.)		Q4 (Jan.-March)		Annual	
	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
Number of companies reporting	1037		1006		1036		1070		1076	
Change in stock-in-trade	1,124	1,778	-354	43	-1,180	-584	-1395	1,896	-2,131	2,984
Sales	84,526	90,840	80,937	88,731	81,431	90,019	80,115	91,469	2,91,807	3,22,132
Change in stock-in-trade as percentage of sales	1.3	2.0	-0.4	0.0	-1.4	-0.6	-1.7	2.1	-0.7	0.9

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

1 The previous annual study on 'Performance of Private Corporate Business Sector, 2001-02' was published in the October 2002 issue of the Reserve Bank of India Bulletin.

2 The previous annual study on 'Performance of Private Corporate Sector, 2001-02' covering 1,242 companies was published in the October 2002 issue of the RBI Bulletin.