

## Performance of Private Corporate Business Sector, 2003-04\*

The present article analyses the performance of private corporate business sector during and over the quarters of 2003-04, based on abridged unaudited / audited financial results of non-financial non-Government public limited companies. The performance improved significantly as evidenced by marked increases in sales and profits accompanied by substantial reduction in interest payments. Profitability in terms of profit margin and return on sales recorded increase across all the Paid-up Capital (PUC) size classes. The interest burden during 2003-04, though varied considerably across all the major industry groups, was lighter than that in previous year. The article also briefly assesses the performance of financial non-Government companies.

The financial performance of private corporate business sector during 2003-04, *i.e.*, April 2003 to March 2004 is assessed in this article, based on abridged unaudited / audited financial results of public limited companies published in the financial/news dailies and also collected from the Bombay Stock Exchange<sup>1</sup>. Since the data on only few items are available from the abridged results and are provisional in nature, analysis based on these data can at best be taken as indicative.

The analysis presented in the article covers 1286 non-financial non-Government public limited companies. The article includes, *inter alia*, a brief size-wise and industry-wise analysis. Based on the abridged financial results of 1202 companies for the first quarter (April to June 2003), 1213 companies for the second quarter (July to September 2003), 1263 companies for the third quarter (October to December 2003) and 1386 companies for the fourth quarter of 2003-04 (January to March 2004), a review of the performance of private corporate sector over the quarters of 2003-04 has been presented. It also briefly touches upon the performance of 183 financial non-Government public limited companies during 2003-04.

### PERFORMANCE OF NON-FINANCIAL NON-GOVERNMENT COMPANIES

#### OVERALL PERFORMANCE

The performance of private corporate business sector during 2003-04 improved significantly as evidenced by

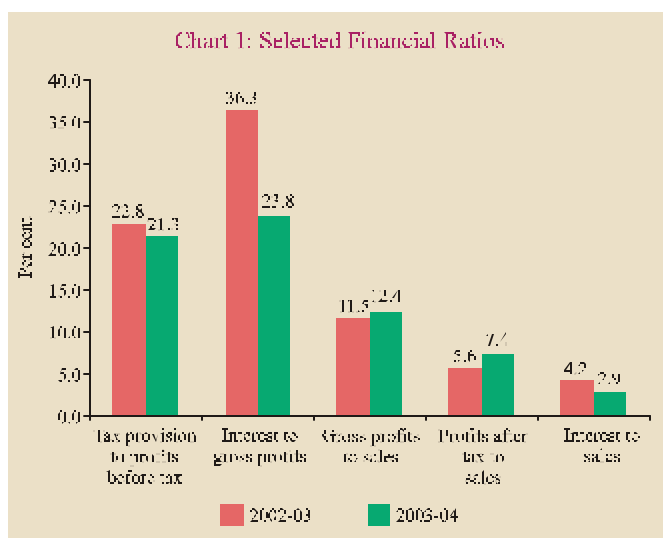
marked increases in sales and profits accompanied by substantial reduction in interest payments. Sales of 1286 companies increased by 18.5 per cent and their profits after tax grew by 55.9 per cent (Table 1). Reflecting fall in interest costs, interest burden (ratio of interest to gross profits) and interest cost to sales (ratio of interest to sales) were lower at 23.8 per cent (36.3 per cent in 2002-03) and 2.9 per cent in 2003-04 (4.2 per cent in 2002-03) (Chart 1). At the same time, the profit margin on sales (gross profits as percentage

Table 1: Performance of 1286 Non-Financial Non-Government Companies, 2003-04

Item	2002-03 (Rs. Crore)	2003-04 (Rs. Crore)	Per cent change
1	2	3	4
Number of companies	1286	1286	
Sales	3,93,492	4,66,102	18.5
Other income	10,018	13,031	30.1
Total expenditure	3,40,049	4,01,335	18.0
Depreciation	18,264	20,027	9.7
Gross profits	45,197	57,772	27.8
Interest	16,394	13,736	-16.2
Profits before tax	28,802	44,036	52.9
Tax provision	6,573	9,370	42.6
Profits after tax	22,229	34,666	55.9
Paid-up capital	33,380	34,661	3.8

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

<sup>1</sup> The previous study on 'Performance of Private Corporate Business Sector, 2002-03' was published in the October 2003 issue of the Reserve Bank of India Bulletin.



of sales) at 12.4 per cent and the return on sales (profits after tax as percentage of sales) at 7.4 per cent in 2003-04 were at a higher level than those in the previous year, indicating enhanced profitability.

Of the 1286 companies covered in the study, 360 companies each with sales of Rs. 200 crore or more contributed around 90 per cent in total sales. The number of companies reporting profits after tax in 2003-04 was higher at 1027 as compared to 960 such companies in the previous year.

### PERFORMANCE OF SELECTED COMPANIES ACCORDING TO SIZE OF PAID-UP CAPITAL

The selected companies in the three PUC size classes of below Rs. 10 crore accounted for a low share of 10.3 per cent of the PUC of all selected companies, although these companies represented 60 per cent of total companies covered (Table 2). On the other hand, companies each with paid-up capital of 'Rs. 25 crore and above' though represented only 16.6 per cent in terms of number (213 companies), had a predominantly high share in terms of the amount of paid-up capital at 76.9 per cent. These companies could keep expenditure in check, which grew by a lower rate at 17.9 per cent as compared with a rise of 18.4 per cent in sales. Besides, companies also experienced decline in their interest payments. As a result these companies recorded 51.4 per cent growth in profits after tax. The highest growth of 114.8 per cent in profits after tax was recorded by the companies in the size class of Rs 10 crore to Rs 15 crore.

Profitability in terms of profit margin on sales and return on sales recorded increase, over the previous year, across all the size classes, and both the ratios moved up with the size of the class (Table 3). In particular, profit margin on sales at 14.2 per cent and return on sales at 8.8 per cent were the highest for the top size class.

Table 2 : Performance of Select companies according to the Size of Paid-up Capital, 2003-04

Size group (Rs. Crore)	No. of com- panies	Paid-up capital		Per cent change							
		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
Less than 1	86	51	0.1	14.4	13.8	-4.8	36.9	-5.6	#	38.8	#
1 – 5	341	1,156	3.3	15.6	15.0	12.0	35.0	-2.1	69.4	35.2	86.9
5 – 10	345	2,387	6.9	21.8	21.7	9.9	34.0	-7.6	79.5	45.7	94.6
10 – 15	182	2,163	6.2	16.8	15.3	13.4	37.3	-11.1	83.8	27.4	114.8
15 – 25	119	2,246	6.5	18.1	18.8	-6.3	25.2	-26.6	53.8	62.4	51.4
25 and above	213	26,659	76.9	18.4	17.9	11.2	26.8	-16.9	49.3	41.6	51.4
<b>All Companies</b>	<b>1286</b>	<b>34,661</b>	<b>100.0</b>	<b>18.5</b>	<b>18.0</b>	<b>9.7</b>	<b>27.8</b>	<b>-16.2</b>	<b>52.9</b>	<b>42.6</b>	<b>55.9</b>

# : Denominator negative.

Table 3 : Profit Allocation and Profitability Ratios according to Size of Paid-up Capital, 2003-04

(Per cent)

Size group (Rs. Crore)	Profit allocation 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	
	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04
1	2	3	4	5	6	7	8	9	10	11	12	13
Less than 1	#	79.4	109.4	75.4	0.9	1.3	7.2	6.0	6.6	7.9	-1.9	0.4
1 – 5	33.9	27.1	48.1	34.9	2.1	2.9	2.9	2.4	6.0	7.0	2.0	3.3
5 – 10	30.9	25.0	52.2	36.0	1.9	2.8	3.5	2.7	6.8	7.5	2.2	3.6
10 – 15	35.4	24.6	49.0	31.7	2.0	3.2	4.0	3.1	8.2	9.7	2.7	5.0
15 – 25	22.0	23.2	35.5	20.8	2.8	4.8	3.1	1.9	8.8	9.3	4.4	5.7
25 and above	21.5	20.4	33.9	22.2	2.9	4.5	4.5	3.2	13.3	14.2	6.9	8.8
All companies	22.8	21.3	36.3	23.8	2.8	4.2	4.2	2.9	11.5	12.4	5.6	7.4

# : Denominator negative.

**PERFORMANCE ACCORDING TO SIZE OF SALES**

The select companies are divided into four size classes according to sales. A company is assigned to one of the four quartiles. The first quartile contains all the companies with sales below the 25<sup>th</sup> percentile (Rs 18 crore), the second quartile contain all the companies between 25<sup>th</sup> and 50<sup>th</sup> percentile, and so on. It is observed that 316 companies in the fourth quartile (large companies having sales of more than Rs. 250 crore accounting for 88 per cent of the sales of all the select companies in 2003-04) performed well in terms of growth in sales as well as profitability (Table 4). These companies reported a growth of 19.9 per cent and 46.9 per cent in sales and profits after tax, respectively, while they registered a decline of 16.3 per cent in interest payments. The growth in all the indicators was in tune with that of the growth recorded for all companies. For the 325 companies falling in the sales range of Rs. 62 crore to Rs. 250 crore, accounting

for 9.0 per cent of the sales of all the select companies in 2003-04, profits after tax grew by 252.1 per cent, mainly due to lower interest outgo along with comparatively lower depreciation provision.

The 323 companies (contributing 2.6 per cent in total sales) in the sales range of Rs. 18 crore to Rs. 62 crore recorded a sales growth of 5.2 per cent only. The sales declined by 9.4 per cent for the 322 companies in the lowest sales size group. The companies in this group were found to be loss making in aggregate in both the years 2002-03 and 2003-04.

The gross profit margin and return on sales for large companies having sales more than Rs. 250 crore were highest at 12.9 per cent and 8.1 per cent as compared to other sales size classes (Table 5). Companies in the preceding size class having sales between Rs. 62 crore to Rs. 250 crore recorded profit margin on sales and return on sales at 9.5 per cent and 3.9 per cent, respectively.

Table 4: Growth Rates of Select Items according to Size of Sales during 2003-04

Sales Size Class (Rs. Crore)	No. of compa- nies	Per cent share in Sales	Per cent Growth							
			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
Less than 18	322	0.5	-9.4	-19.5	-1.7	\$	-6.2	#	20.7	#
18 – 62	323	2.6	5.2	3.1	0.3	40.5	-11.5	\$	11.8	\$
62 – 250	325	9.0	11.2	9.7	7.1	30.4	-18.3	143.8	31.1	252.1
250 and above	316	87.9	19.9	19.9	10.4	26.5	-16.3	46.3	44.1	46.9
All companies	1286	100.0	18.5	18.0	9.7	27.8	-16.2	52.9	42.6	55.9

# : Both denominator and numerator negative.

\$ : Denominator negative.

Table 5: Profit Allocation and Profitability Ratios according to Size of Sales

(Per cent)

Sales Size Class (Rs. Crore)	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		Profits after tax to sales	
	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04
1	2	3	4	5	6	7	8	9	10	11	12	13
Less than 18	-5.1	-28.7	-87.6	#	-1.1	0.5	8.5	8.8	-9.7	4.5	-19.1	-5.5
18 – 62	-53.7	87.8	133.1	83.9	0.8	1.2	7.5	6.3	5.7	7.6	-2.9	0.1
62 – 250	49.0	26.4	69.9	43.8	1.4	2.3	5.7	4.2	8.1	9.5	1.2	3.9
250 and above	21.0	20.7	31.6	20.9	3.2	4.8	3.9	2.7	12.2	12.9	6.6	8.1
<b>All companies</b>	<b>22.8</b>	<b>21.3</b>	<b>36.3</b>	<b>23.8</b>	<b>2.8</b>	<b>4.2</b>	<b>4.2</b>	<b>2.9</b>	<b>11.5</b>	<b>12.4</b>	<b>5.6</b>	<b>7.4</b>

# : Denominator negligible.

**INDUSTRY-WISE PERFORMANCE**

As information on major industrial activity of companies is not available in the abridged financial results for several companies, information available from other sources such as previous annual reports, stock exchange and capital market newsletters, *etc.*, is used in such instances.

The major industries showed considerable variation in growth rates of various key indicators during 2003-04 (Table 6). Engineering companies accounting for 20.0 per cent of total paid-up capital and forming 26.3 per cent of total companies covered, showed an impressive rise in sales at 24.2 per cent, keeping their expenditure well in check at 22.4 per cent. With the decline in interest

Table 6 : Performance by Major Industries, 2003-04

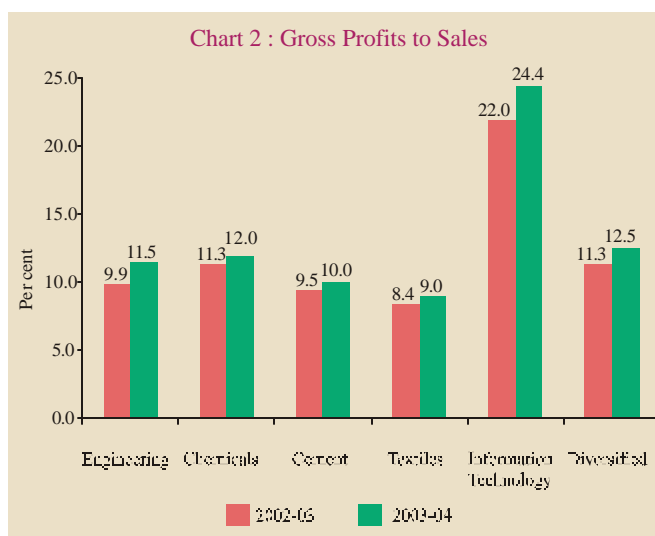
Industry/ Industry group	No. of companies	Paid-up capital		Per cent change							
		Amount outstanding (Rs.crore)	Per cent share	Sales	Total expenditure	Depreciation provision	Gross profits	Interest	Profits before tax	Tax provision	Profits after tax
1	2	3	4	5	6	7	8	9	10	11	12
<b>1. Engineering</b>	<b>338</b>	<b>6,930</b>	<b>20.0</b>	<b>24.2</b>	<b>22.4</b>	<b>12.5</b>	<b>45.5</b>	<b>-20.5</b>	<b>81.2</b>	<b>85.3</b>	<b>79.6</b>
<i>Of which,</i>											
i) Iron and steel and allied products	53	2,281	6.6	27.9	23.1	14.2	55.6	-19.7	109.3	226.9	82.0
ii) Automobiles and ancillaries	53	1,352	3.9	26.7	25.2	17.9	54.5	-28.7	72.7	59.5	77.7
<b>2. Chemicals</b>	<b>236</b>	<b>6,903</b>	<b>19.9</b>	<b>13.9</b>	<b>14.3</b>	<b>7.5</b>	<b>21.3</b>	<b>-22.2</b>	<b>43.0</b>	<b>16.4</b>	<b>52.2</b>
<i>Of which,</i>											
i) Basic industrial chemicals	92	2,827	8.2	5.0	5.1	2.6	11.6	-23.7	49.1	9.8	71.6
ii) Pharmaceuticals and drugs	73	1,137	3.3	13.9	15.3	15.5	14.1	-8.4	16.8	27.0	14.7
3. Cement	22	931	2.7	9.6	7.8	9.7	15.4	-15.9	105.7	87.6	109.8
4. Textiles	132	2,612	7.5	8.2	8.8	8.5	16.7	-5.9	46.4	42.5	47.2
5. Information technology	67	1,238	3.6	25.9	22.5	20.8	39.3	1.6	40.9	27.9	43.3
6. Diversified	7	1,649	4.8	10.0	9.3	5.3	21.6	-15.9	35.3	69.8	31.4
<b>All companies +</b>	<b>1286</b>	<b>34,661</b>	<b>100.0</b>	<b>18.5</b>	<b>18.0</b>	<b>9.7</b>	<b>27.8</b>	<b>-16.2</b>	<b>52.9</b>	<b>42.6</b>	<b>55.9</b>

+ : All 1286 companies under study.

payments, these companies posted 79.6 per cent growth in profit after tax.

The performance of chemical industry was characterised by 13.9 per cent increase in sales with higher increase of 14.3 per cent in their expenditure. Profits after tax of these companies rose by 52.2 per cent. Cement companies with highest growth in profits after tax growth of 109.8 per cent recorded sales growth of 9.6 per cent and lower expenditure growth of 7.8 per cent. Sales of information technology companies grew by 25.9 per cent with expenditure well in check having growth of 22.5 per cent. Despite 1.6 per cent increase in interest payments, these companies recorded 43.3 per cent growth in profits after tax.

There was a nominal decline in the overall effective tax rate (tax provision as a percentage of profits before tax) (Table 7). However, industries in engineering, iron and steel & allied products, pharmaceuticals & drugs and diversified companies had higher effective tax rate as compared to the previous year. The interest burden during 2003-04, though varied considerably across all the major industry groups, was lighter than that in previous year. For engineering companies, interest burden



declined significantly to 19.2 per cent from 35.1 per cent in the previous year.

Profitability, defined in terms of gross profit margin and return on sales, improved in respect of all major industries. The highest return on sales at 20.3 per cent was recorded by companies in information technology, followed by pharmaceutical & drugs industry with 13.2 per cent.

Table 7 : Major Industry-wise Profit Allocation and Profitability Ratios, 2002-03 and 2003-04

(Per cent)

Industry/ Industry group	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		Profits after tax to sales	
	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04
1	2	3	4	5	6	7	8	9	10	11	12	13
<b>1. Engineering</b>	<b>27.1</b>	<b>27.7</b>	<b>35.1</b>	<b>19.2</b>	<b>2.8</b>	<b>5.2</b>	<b>3.5</b>	<b>2.2</b>	<b>9.9</b>	<b>11.5</b>	<b>4.7</b>	<b>6.7</b>
<i>Of which,</i>												
i) Iron and steel and allied products	18.9	29.5	41.6	21.5	2.4	4.7	5.6	3.5	13.3	16.2	6.3	9.0
ii) Automobiles and ancillaries	27.4	25.3	17.9	8.3	5.6	12.0	1.4	0.8	7.7	9.4	4.6	6.4
<b>2. Chemicals</b>	<b>25.7</b>	<b>21.0</b>	<b>33.2</b>	<b>21.3</b>	<b>3.0</b>	<b>4.7</b>	<b>3.7</b>	<b>2.6</b>	<b>11.3</b>	<b>12.0</b>	<b>5.6</b>	<b>7.5</b>
<i>Of which,</i>												
i) Basic industrial chemicals	36.3	26.8	51.6	35.2	1.9	2.8	4.5	3.3	8.7	9.3	2.7	4.4
ii) Pharmaceuticals and drugs	16.9	18.4	10.8	8.7	9.3	11.5	1.9	1.5	17.7	17.8	13.1	13.2
3. Cement	18.7	17.1	74.2	54.1	1.3	1.8	7.0	5.4	9.5	10.0	2.0	3.8
4. Textiles	17.3	16.9	56.7	45.7	1.8	2.2	4.8	4.1	8.4	9.0	3.0	4.1
5. Information technology	15.6	14.2	4.0	2.9	25.0	34.5	0.9	0.7	22.0	24.4	17.8	20.3
6. Diversified	10.1	12.7	26.8	18.5	3.7	5.4	3.0	2.3	11.3	12.5	7.4	8.9
<b>All companies +</b>	<b>22.8</b>	<b>21.3</b>	<b>36.3</b>	<b>23.8</b>	<b>2.8</b>	<b>4.2</b>	<b>4.2</b>	<b>2.9</b>	<b>11.5</b>	<b>12.4</b>	<b>5.6</b>	<b>7.4</b>

+ : All 1286 companies under study.

Chart 3: Sales

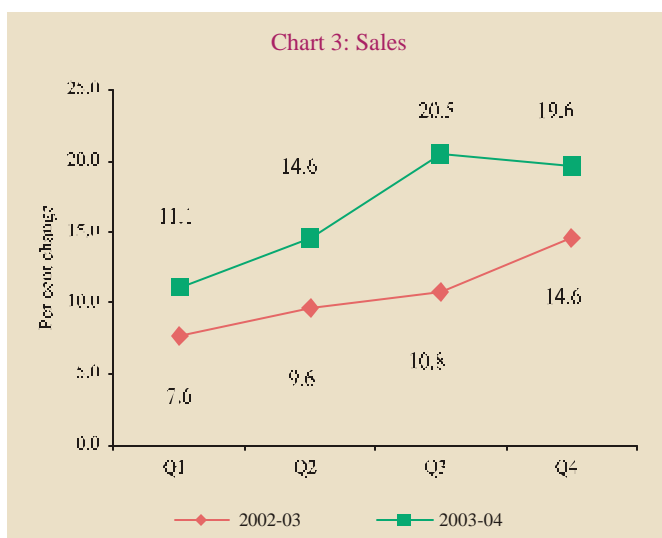
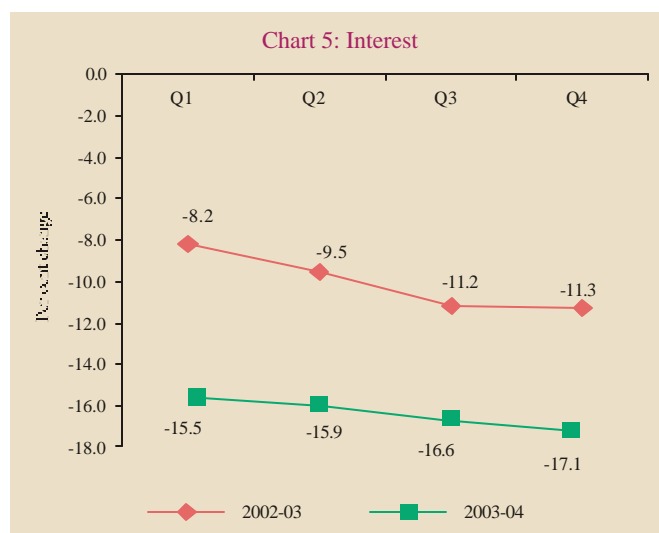


Chart 5: Interest



### PERFORMANCE OVER THE QUARTERS OF 2003-04

The performance of the private corporate sector measured through growth in sales and profits after tax, showed an uptrend over the quarters of 2003-04. Sales growth improved from 11.1 per cent in Q1 to 19.6 per cent in Q4 of 2003-04 (Chart 3). While growth in total expenditure was moderately higher as compared to sales growth in the first three quarters of 2003-04, it was low at 17.5 per cent in the fourth quarter (Chart 4). Interest payments declined by 17.1 per cent in Q4 compared with the decline of 15.5 per cent in Q1 of 2003-04 (Chart 5). Profits after tax growth increased from 40.6 per cent in Q1 to 67.2

per cent in Q4 (Chart 6). Interest burden declined from 29.3 per cent to 19.0 per cent during the same period (Chart 7). Interest cost to sales declined from 3.6 per cent to 2.4 per cent (Chart 8). Profitability ratios continued to grow upward in each of the quarters (Charts 9 and 10).

### INDUSTRY-WISE PERFORMANCE OVER THE QUARTERS OF 2003-04

Growth in sales of companies belonging to engineering, chemicals and textiles recorded uptrend over the quarters of 2003-04 (Table 8). In particular, growth

Chart 4: Total Expenditure

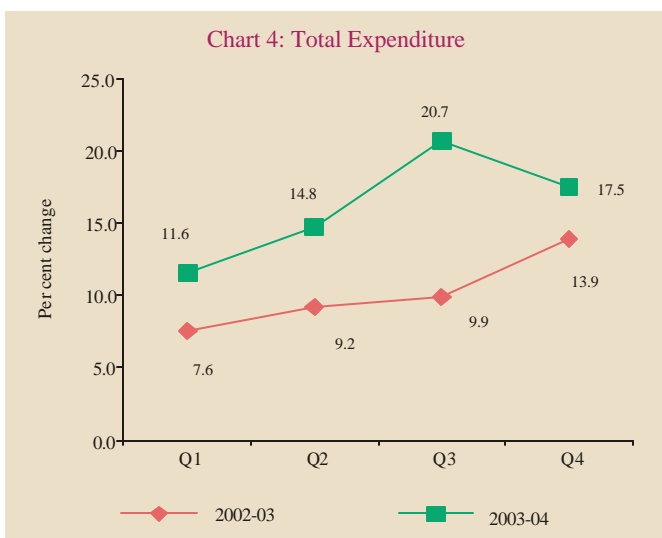
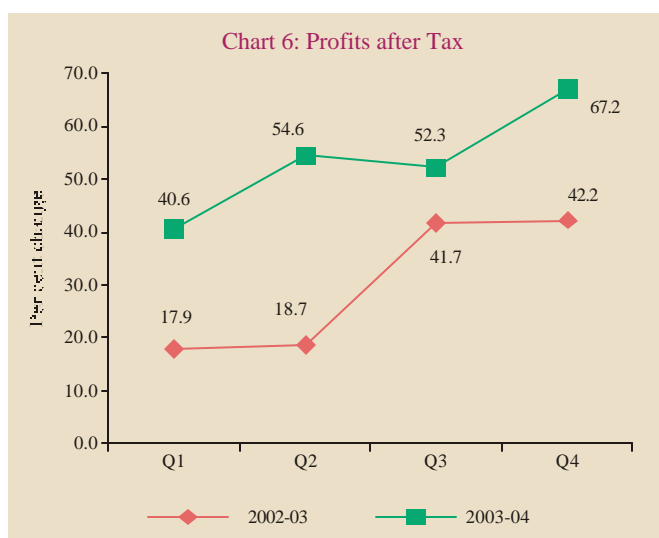
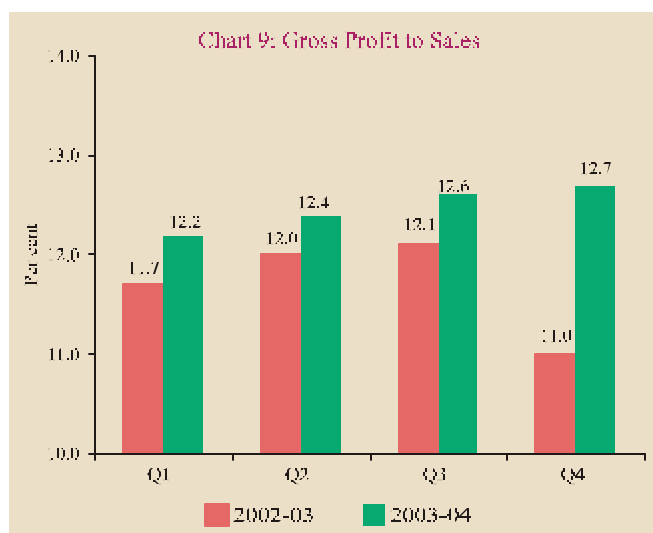
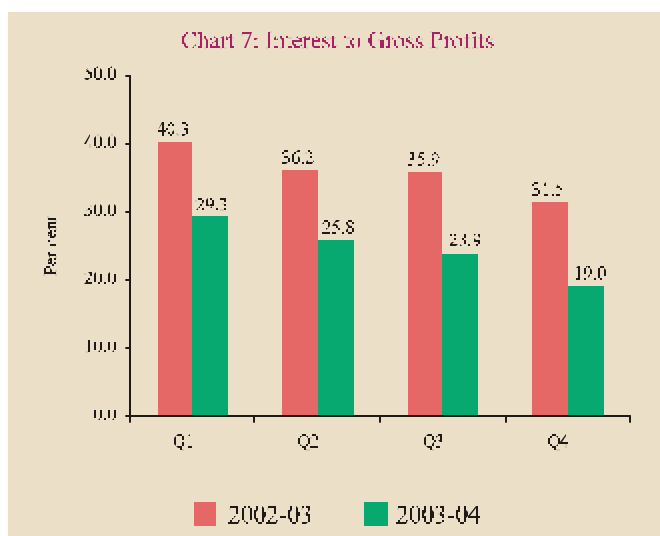


Chart 6: Profits after Tax





in sales of engineering industry rose from 16.1 per cent in the first quarter to 25.4 per cent in the fourth quarter of 2003-04, mainly due to sales growth of automobile and ancillaries companies that increased from 15.3 per cent in Q1 to 33.4 per cent in Q4. In the case of companies engaged in chemicals, growth in sales increased from 2.6 per cent in Q1 to 17.7 per cent in Q4 of 2003-04.

While profits after tax of companies in chemicals and automobile sector grew sharply during Q4, there was a significant slowdown in the rise of profits after tax of iron & steel companies in the fourth quarter. Cement companies also registered a significant growth

of 17.7 per cent and 235.4 per cent in sales and profits after tax, respectively, in Q4.

Interest burden of most of the industries declined from the levels observed in quarters of the previous year. At the same time, the interest burden continued to decline over the quarters of 2003-04 (Table 9).

Profitability is observed to have stepped up for most of the industries over the quarters of 2003-04 (Table 10). Special mention may be made for the iron and steel companies for which profit margin on sales rose from 15.9 per cent in Q1 to 19.3 per cent in Q4 of 2003-04. Likewise, return on sales for these companies improved

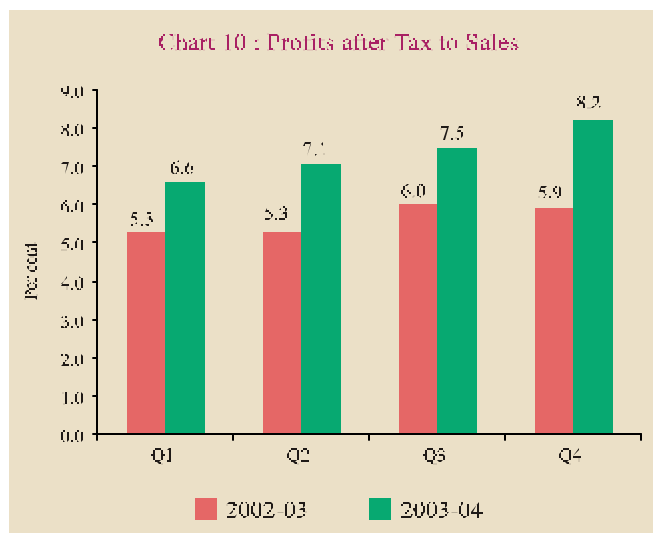
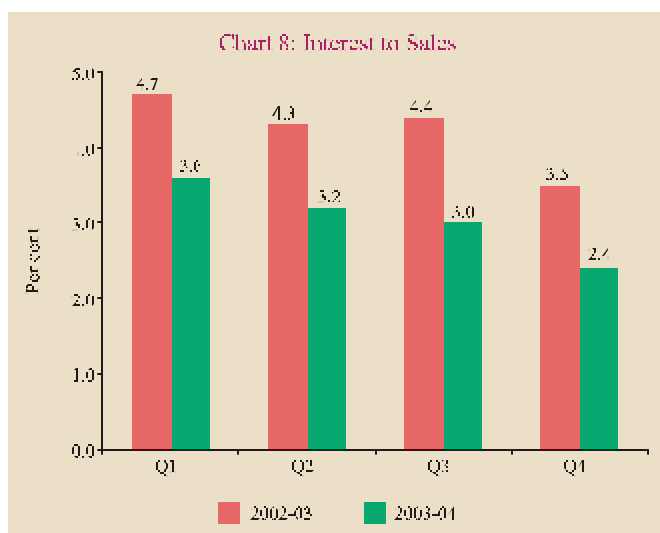


Table 8: Major Industry-wise Percentage Changes in Key Performance Parameters over the Quarters of 2003-04

Industry/ Industry Group	Number of companies				Sales				Total Expenditure				Grossprofits				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
<b>1. Engineering</b>	<b>312</b>	<b>337</b>	<b>331</b>	<b>374</b>	<b>16.1</b>	<b>21.6</b>	<b>23.6</b>	<b>25.4</b>	<b>15.8</b>	<b>19.9</b>	<b>22.1</b>	<b>22.8</b>	<b>34.6</b>	<b>31.1</b>	<b>50.8</b>	<b>31.0</b>	<b>149.7</b>	<b>250.9</b>	<b>162.0</b>	<b>35.1</b>
Of which																				
i) Iron & steel & allied products	38	45	40	50	34.6	29.1	27.2	22.3	27.6	25.7	24.2	14.8	115.7	68.7	70.8	35.1	#	230.3	212.3	28.2
ii) Automobile & ancillaries	55	52	52	61	15.3	23.9	29.3	33.4	16.3	23.7	28.5	32.0	24.6	35.4	44.7	56.3	52.5	56.9	59.0	78.5
<b>2. Chemicals</b>	<b>219</b>	<b>231</b>	<b>226</b>	<b>254</b>	<b>2.6</b>	<b>9.8</b>	<b>12.9</b>	<b>17.7</b>	<b>2.6</b>	<b>11.2</b>	<b>14.6</b>	<b>16.2</b>	<b>6.3</b>	<b>9.6</b>	<b>13.4</b>	<b>49.9</b>	<b>18.1</b>	<b>17.3</b>	<b>23.4</b>	<b>152.3</b>
Of which																				
i) Basic industrial chemicals	89	96	88	100	-10.8	9.0	11.4	7.3	-10.3	10.2	15.7	2.7	-15.2	3.2	-2.1	106.2	-11.9	28.2	7.7	#
ii) Pharmaceuticals & drugs	71	71	75	82	15.4	13.7	13.4	11.3	14.7	15.9	15.1	13.2	22.8	15.8	11.2	2.8	31.5	19.5	9.9	1.1
3. Cement	24	26	23	25	10.7	4.7	6.3	17.7	8.8	5.4	7.8	14.9	59.6	33.9	-39.7	65.7	#	#	-58.2	235.4
4. Textiles	125	129	135	142	3.9	6.1	8.0	17.2	8.1	7.0	8.0	16.8	-13.2	8.8	22.6	43.2	-26.3	39.6	55.6	189.8
5. Information technology	58	59	74	78	27.7	19.9	27.3	27.1	33.9	20.1	30.3	16.2	13.9	24.5	23.5	96.1	12.0	24.7	24.3	130.4
6. Diversified	12	10	17	11	13.7	12.1	13.5	10.4	14.6	12.5	12.4	7.9	13.7	15.8	16.9	40.6	28.4	29.5	24.5	45.3
<b>All companies+</b>	<b>1202</b>	<b>1213</b>	<b>1263</b>	<b>1386</b>	<b>11.1</b>	<b>14.6</b>	<b>20.5</b>	<b>19.6</b>	<b>11.6</b>	<b>14.8</b>	<b>20.7</b>	<b>17.5</b>	<b>16.0</b>	<b>18.2</b>	<b>25.3</b>	<b>37.8</b>	<b>40.6</b>	<b>54.6</b>	<b>52.3</b>	<b>67.2</b>

# : Denominator negative.

+ : All companies under study.

to 11.6 per cent in Q4 from 6.0 per cent in Q1 of 2003-04. Significant improvement in this ratio was also

recorded for companies engaged in chemicals, cement, and diversified companies.

Table 9 : Major Industry-wise Interest-linked Ratios over the Quarters of 2003-04

Industry / Industry Group	Interest to Gross profits								Interest to Sales							
	Q1		Q2		Q3		Q4		Q1		Q2		Q3		Q4	
	2002 -03	2003 -04	2002 -03	2003 -04	2002 -03	2003 -04	2002 -03	2003 -04	2002 -03	2003 -04	2002 -03	2003 -04	2002 -03	2003 -04	2002 -03	2003 -04
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
<b>1. Engineering</b>	<b>57.3</b>	<b>33.4</b>	<b>48.8</b>	<b>29.3</b>	<b>47.9</b>	<b>24.4</b>	<b>25.0</b>	<b>16.1</b>	<b>5.5</b>	<b>3.7</b>	<b>5.2</b>	<b>3.4</b>	<b>5.1</b>	<b>3.2</b>	<b>3.0</b>	<b>2.0</b>
Of which																
i) iron & steel & allied products	97.8	42.0	70.2	34.7	55.9	26.4	23.0	15.2	9.7	6.7	8.7	5.6	8.3	5.3	4.0	2.9
ii) Automobiles & ancillaries	22.3	12.2	16.1	7.3	15.6	7.6	15.4	7.1	2.0	1.2	1.6	0.8	1.6	0.9	1.4	0.8
<b>2. Chemicals</b>	<b>29.8</b>	<b>23.5</b>	<b>21.6</b>	<b>17.3</b>	<b>26.3</b>	<b>19.5</b>	<b>38.7</b>	<b>17.1</b>	<b>4.0</b>	<b>3.2</b>	<b>3.2</b>	<b>2.5</b>	<b>3.5</b>	<b>2.6</b>	<b>3.9</b>	<b>2.2</b>
Of which																
i) Basic industrial chemicals	68.1	65.3	53.3	40.9	49.2	39.8	89.9	33.2	6.1	5.5	5.5	4.0	5.4	3.8	4.4	3.1
ii) Pharmaceuticals & drugs	12.4	8.9	9.9	7.7	13.1	9.3	11.3	7.9	2.2	1.7	1.9	1.5	2.3	1.6	2.0	1.3
3. Cement	92.7	46.2	124.2	84.0	45.5	59.0	62.7	30.4	7.2	5.2	7.8	6.7	6.8	5.0	6.5	4.4
4. Textiles	51.8	55.3	54.9	46.5	49.2	36.0	73.3	52.5	5.3	4.7	4.5	3.9	4.5	3.8	5.3	4.6
5. Information Technology	3.8	4.7	3.7	2.9	4.8	3.4	5.9	2.7	1.0	1.1	0.8	0.7	1.2	0.8	0.8	0.6
6. Diversified	33.6	24.2	29.8	20.9	27.6	21.0	21.9	15.0	3.9	2.8	3.5	2.6	3.4	2.7	2.3	2.0
<b>All companies +</b>	<b>40.3</b>	<b>29.3</b>	<b>36.2</b>	<b>25.8</b>	<b>35.9</b>	<b>23.9</b>	<b>31.5</b>	<b>19.0</b>	<b>4.7</b>	<b>3.6</b>	<b>4.3</b>	<b>3.2</b>	<b>4.4</b>	<b>3.0</b>	<b>3.5</b>	<b>2.4</b>

+ : All companies under study.



Table 10 : Major Industry-wise Profitability Ratios

(Per cent)

Industry / Industry Group	Gross Profit to Sales								Profits after tax to sales							
	Q1		Q2		Q3		Q4		Q1		Q2		Q3		Q4	
	2002 -03	2003 -04	2002 -03	2003 -04	2002 -03	2003 -04	2002 -03	2003 -04	2002 -03	2003 -04	2002 -03	2003 -04	2002 -03	2003 -04	2002 -03	2003 -04
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
<b>1. Engineering</b>	<b>9.5</b>	<b>11.1</b>	<b>10.7</b>	<b>11.5</b>	<b>10.6</b>	<b>13.0</b>	<b>12.0</b>	<b>12.5</b>	<b>2.4</b>	<b>5.2</b>	<b>2.0</b>	<b>5.8</b>	<b>3.3</b>	<b>7.0</b>	<b>7.1</b>	<b>7.7</b>
<i>Of which</i>																
i) iron & steel & allied products	9.9	15.9	12.4	16.2	14.9	20.0	17.4	19.3	-0.4	6.0	2.8	7.1	4.7	11.6	11.1	11.6
ii) Automobiles & ancillaries	9.1	9.8	9.7	10.6	10.1	11.3	9.2	10.8	4.8	6.3	5.7	7.2	5.6	6.9	5.8	7.8
<b>2. Chemicals</b>	<b>13.3</b>	<b>13.8</b>	<b>14.6</b>	<b>14.6</b>	<b>13.3</b>	<b>13.3</b>	<b>10.0</b>	<b>12.7</b>	<b>7.0</b>	<b>8.0</b>	<b>8.6</b>	<b>9.2</b>	<b>7.6</b>	<b>8.3</b>	<b>4.1</b>	<b>8.7</b>
<i>Of which</i>																
i) Basic industrial chemicals	8.9	8.5	10.3	9.7	10.9	9.6	4.9	9.4	1.6	1.6	3.2	3.7	3.9	3.7	-1.6	4.8
ii) Pharmaceuticals & drugs	17.7	18.8	18.6	19.0	17.7	17.3	17.8	16.4	12.0	13.7	13.4	14.1	12.9	12.5	13.2	12.0
3. Cement	7.8	11.2	6.3	8.0	15.0	8.5	10.4	14.6	-0.2	4.8	-2.3	0.4	7.7	3.0	3.2	9.2
4. Textiles	10.2	8.5	8.2	8.4	9.2	10.5	7.2	8.8	4.3	3.1	2.8	3.7	4.1	5.9	1.3	3.2
5. Information technology	26.8	23.9	22.0	22.8	24.6	23.9	14.0	21.7	22.5	19.7	18.2	19.0	20.4	19.9	10.0	18.1
6. Diversified	11.6	11.6	11.8	12.2	12.4	12.7	10.4	13.2	6.9	7.8	7.5	8.7	8.1	8.9	7.2	9.4
<b>All companies +</b>	<b>11.7</b>	<b>11.2</b>	<b>12.0</b>	<b>12.4</b>	<b>12.1</b>	<b>12.6</b>	<b>11.0</b>	<b>12.7</b>	<b>5.3</b>	<b>6.6</b>	<b>5.3</b>	<b>7.1</b>	<b>6.0</b>	<b>7.5</b>	<b>5.9</b>	<b>8.2</b>

+ : All companies under study.

**MAJOR COMPONENTS OF EXPENDITURE**

The number of companies reporting expenditure at disaggregated level in each of the quarters of 2003-04

and for full year 2003-04 varied between 930 to 1030 (Table 11). In particular, sales of 981 companies during 2003-04 accounted for 89 per cent of total sales of 1286 companies. These companies showed an accumulation of

Table : 11 Variation in Major Components of Expenditure over the Quarters of 2003-04

(Amount Rs. crore)

Item	Q1		Q2		Q3		Q4		Annual	
	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04
1	2	3	4	5	6	7	8	9	10	11
No. of companies	<b>930</b>		<b>941</b>		<b>933</b>		<b>1030</b>		<b>981</b>	
Sales	75,623	83,894 (10.9)	88,301	1,01,655 (15.1)	90,369	1,08,180 (19.7)	1,00,600	1,19,711 (19.0)	3,49,239	4,12,777 (18.2)
Change in stock-in-trade	1,516	1,155	-31	-486	-531	161	2,150	167	3,380	1,400
<b>Total expenditure</b>	<b>65,124</b>	<b>72,566</b> (11.4)	<b>76,632</b>	<b>88,259</b> (15.2)	<b>78,151</b>	<b>93,980</b> (20.3)	<b>89,490</b>	<b>1,04,965</b> (17.3)	<b>3,06,343</b>	<b>3,61,012</b> (17.8)
<i>Of which</i>										
i) Consumption of raw materials	38,970	43,672 (12.1)	44,466	52,389 (17.8)	46,262	59,049 (27.6)	52,281	62,160 (18.9)	1,81,407	2,20,595 (21.6)
ii) Staff cost	4,697	5,031 (7.1)	5,343	5,787 (8.3)	5,113	5,484 (7.3)	5,592	5,947 (6.3)	19,159	20,650 (7.8)
Stock-in-trade as a percentage of Sales	2.0	1.4	0.0	-0.5	-0.6	0.1	2.1	0.1	1.0	0.3
Consumption of raw materials as a percentage of total expenditure	59.8	60.2	58.0	59.4	59.2	62.8	58.4	59.2	59.2	61.1
Staff cost as a percentage of total expenditure	7.2	6.9	7.0	6.6	6.5	5.8	6.2	5.7	6.3	5.7

Note : Figures in brackets denote percentage change over the corresponding period of previous year.

Table 12: Performance of Financial Companies over the Quarters of 2003-04

Item	Q1 : 2003-04		Q2 : 2003-04		Q3 : 2003-04		Q4 : 2003-04		2003 - 04	
	Amount (Rs. Crore)	Per cent change*	Amount (Rs. Crore)	Per cent change*	Amount (Rs. Crore)	Per cent change*	Amount (Rs. Crore)	Per cent change*	Amount (Rs. Crore)	Per cent change*
1	2	3	4	5	6	7	8	9	10	11
Number of cos.	127	127	168	168	241	241	168	168	183	183
Income from operations	2,341	-9.2	2,087	4.7	1990	-0.9	2,388	12.4	13,698	16.8
Other income	42	10.5	74	24.3	63	-11.0	117	7.4	330	-12.2
Total expenditure	1,063	-16.4	989	7.4	632	-0.9	976	32.8	7,659	33.5
Interest	837	-10.9	530	-20.4	899	-11.1	891	-9.7	3,748	-10.0
Gross profits	483	19.0	642	37.8	522	21.4	638	24.3	2,621	18.3
Depreciation	85	-33.6	95	-19.2	75	-46.6	78	-23.4	360	-20.2
Profits before tax	400	43.4	547	57.0	447	55.1	560	35.9	2,261	28.2
Tax provision	84	33.3	131	28.0	95	16.7	130	4.7	521	5.3
Profits after tax	316	46.3	416	69.0	352	70.2	430	49.3	1,740	37.0
Paid-up capital	2,101	16.6	2,361	15.0	2469	7.2	2,348	33.7	4,656	23.1

\* : Over the corresponding period of the previous year.

stock of tradable goods (Rs. 1,400 crore) of the order of 0.3 per cent of sales. While accumulation of stock-in-trade formed 1.4 per cent of the sales in Q1:2003-04, the depletion of the stock that was recorded by 941 companies in Q2:2003-04 formed 0.5 per cent of sales. Again in third and fourth quarters, stock of tradable goods was mere 0.1 per cent of sales.

The share of staff cost in total expenditure continuously declined over the quarters of the year and was also lower than those recorded in the corresponding quarters of 2002-03. On the contrary, consumption of raw materials as a percentage of total expenditure increased to 61.1 per cent in 2003-04 from 59.2 per cent in 2002-03. Similarly, the same was higher in various quarters of 2003-04 as compared with corresponding quarters of 2002-03.

### PERFORMANCE OF FINANCIAL NON-GOVERNMENT COMPANIES

The results of the select 183 financial companies during 2003-04 indicated a higher rise of 33.5 per cent in total expenditure relative to 16.8 per cent increase in income from operations (Table 12). Coupled with a fall of 10.0 per cent and 20.2 per cent in interest payments and depreciation provision, respectively, and lower increase in tax provision, profits after tax of these selected companies increased by 37.0 per cent.

Financial companies performed well over the quarters of 2003-04. These companies recorded a significant growth of 69.0 per cent and 70.2 per cent, respectively, in their

profits after tax during second and third quarter of 2003-04 compared with a lower growth in the other two quarters.

### CONCLUSION

The performance of private corporate business sector during 2003-04 improved significantly as evidenced by marked increases in sales and profits accompanied by substantial reduction in interest payments. Profitability in terms of profit margin and return on sales recorded increase across all the paid-up capital size classes. The 316 large companies having sales of Rs 250 crore and above performed well in terms of growth in sales as well as profitability. The sales and profits after tax recorded significant increases in respect of major industries. The interest burden during 2003-04, though varied considerably across all the major industry groups, was lighter than that in previous year. Profit margin on sales was the highest for Information Technology industry. While interest burden continued to decline over the quarters of 2003-04, profitability in each of the quarters of 2003-04 marked up compared to those observed in the corresponding quarters of 2002-03. While the share of staff cost in total expenditure had continuously declined over the quarters of the year and was also lower than those recorded in the corresponding quarters of 2002-03, the share of raw materials consumption in total expenditure increased in 2003-04. The performance of the financial companies during 2003-04 improved mainly on account of lower interest outgo and lower depreciation provisioning.