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Performance of the private corporate business sector during the second quarter of 2018-19

Today, the Reserve Bank released data on performance of the private corporate sector during the second quarter of 2018-19 drawn from abridged financial results of 2,700 listed non-government non-financial (NGNF) companies. Data pertaining to Q2:2017-18 and Q1:2018-19 are also presented in the tables to enable comparison. The data can be accessed at https://dbie.rbi.org.in/DBIE/dbie.rbi?site=statistics#12_42.

Highlights

Sales

- Demand conditions in the manufacturing sector maintained its pace in Q2:2018-19 as reflected in strong sales growth (y-o-y).
- The manufacturing sector sales growth was mainly supported by robust demand conditions in chemical and chemical products; iron and steel; and petroleum products industries coupled with significant improvement recorded by textile industry. On the other hand, heavy moderation was seen in the sales growth of motor vehicles and other transport equipments, driven in part by a large adverse base effect, and pharmaceuticals and medicines industries.
- The information technology (IT) sector recorded further improvement in sales growth over the preceding quarter. Despite continuous contraction in the telecommunication, the services (non-IT) sector posted a turnaround riding on the support from wholesale and retail trade.

Expenditure

- Manufacturing companies continued to face rising input cost (cost of raw materials; staff cost) pressures.
- Staff costs accelerated in the IT sector in tandem with the improvement in sales growth.

Operating profit

- Operating profit in the manufacturing sector remained healthy in spite of the increase in input costs.
- Operating profits of the services (non-IT) sector plummeted further in Q2:2018-19.

Interest

- Interest expenses incurred by the manufacturing sector witnessed a dip from its level a year ago, reflecting ongoing deleveraging in the corporate sector.
- The interest coverage ratio (ICR) of the manufacturing sector hovered around five, as in the preceding quarter. The ICR for the services (non-IT) sector remained below one, primarily on account of telecommunication; and transport and storage services companies.

Net profit

- The manufacturing sector continued to record strong growth in net profits, which received support from other income.

Pricing power

- Pricing power in terms of operating profit and net profit margin declined slightly for the manufacturing sector. For the services (non-IT) sector, operating profit margin dipped further, but net profit margin witnessed improvement primarily due to higher non-operating income.

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Notes:

- The coverage of companies in different quarters varies, depending on the date of declaration of results; however, this is not expected to significantly alter the aggregate position.
- The listed companies with net worth of more than ₹ 5 billion were required to adopt the new accounting standards - Ind-AS - by Q1:2016-17 and rest of the listed companies by Q1:2017-18, as mandated by the Ministry of

Corporate Affairs. The Ind-AS is a move towards convergence of the financial accounting and reporting standards in India towards the globally accepted International Financial Reporting Standards (IFRS).

- Explanatory notes containing the methodology followed for compilation of data, and the glossary (including revised definitions and calculations that differ from previous releases) are given at the end.

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