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Higher Growth in Sales and Net Profits marked Private Corporate Performance in Q2:2016-17 – RBI Data Release

Aggregate sales growth (Y-o-Y) of the listed non-government non-financial (NGNF) companies grew by 1.9 per cent in Q2:2016-17, after near stagnation in Q1:2016-17. However, raw material expenses increased in the current quarter in line with the general pause in falling global commodity prices. This resulted in a deceleration of operating profit growth at the aggregate level. Interest expenses remained unchanged in Q2:2016-17 which helped in a robust growth of 16.0 per cent in net profits at the aggregate level. This was evident from the data compiled and released today by the Reserve Bank of India on its website. The data is based on abridged financial results of 2,702 listed non-government non-financial companies for Q2:2016-17.

The Reserve Bank compiles and releases data based on abridged financial results of listed non-government non-financial companies quarterly and annually. Data pertaining to Q2:2015-16 and Q1:2016-17 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#!2_42.

Other Highlights

Sales

Sales growth (Y-o-Y) improved significantly (3.7 per cent) for the manufacturing sector after contraction in sales in the previous quarter. However, sales of the services (Non-IT) sector continued to contract and IT sector witnessed deceleration of sales growth (Table 2A).

Sales growth of the 'Iron & Steel' companies improved in Q2:2016-17 after contraction in the previous six quarters. Sales of the 'Petroleum Products' companies continued to contract in the current quarter but at a much lower rate than what was recorded in the previous quarter (Table 5A).

Expenditure

At the aggregate level and in the manufacturing sector, raw material expenses increased in Q2:2016-17 after contraction in the previous seven quarters (Table 1A, 2A). Y-o-Y growth rate of staff cost increased in the manufacturing and services (Non-IT) sector and slightly moderated for the IT sector (Table 2A).

Operating profit

At the aggregate level, operating profit decelerated to 5.5 per cent in Q2:2016-17 from 9.6 per cent in the previous quarter (Table 1A).

Growth in operating profits in Q2:2016-17 moderated across all sectors with significant deceleration for the IT sector. (Table 2A).

Interest

Interest expenses at the aggregate level in Q2:2016-17 remained at similar level as observed in the previous quarter (Table 1A), while interest expenses for the manufacturing sector decreased (Table 2A).

Net profit

Net profit at the aggregate level improved and recorded a robust growth of 16.0 per cent in Q2:2016-17 compared with 11.2 per cent in the previous quarter (Table 1A).

Among the sectors, manufacturing continued to record high net profit growth, whereas services (Non-IT) sector continued to witness contraction in net profits but at a much lower rate (Table 2A).

Pricing power

Pricing power measured by net profit margin increased significantly in Q2:2016-17 as compared with the previous quarter at the aggregate level (Table 1B). It improved across all sectors, but for the IT sector, the net profit margin of which was lower than what was recorded in Q2:2015-16 (Table 2B).

List of Tables

Table No.		Title	
1	A	Performance of Listed Non – Government Non-Financial Companies	Growth Rates
	B		Select Ratios
2	A	Performance of Listed Non-Government Non-Financial Companies - Sector – wise	Growth Rates
	B		Select Ratios
3	A	Performance of Listed Non-Government Non-Financial Companies according to Size of Paid-up-Capital	Growth Rates
	B		Select Ratios
4	A	Performance of Listed Non-Government Non-Financial Companies according to Size of Sales	Growth Rates
	B		Select Ratios
5	A	Performance of Listed Non-Government Non-Financial Companies according to Industry	Growth Rates
	B		Select Ratios
Explanatory Notes			
Glossary			

Note:

Coverage of companies in different quarters varies at times, depending on the date of declaration of results. This, however, is not expected to significantly alter the aggregate position.

Since Q1:2016-17, major listed companies, as mandated by the Ministry of Corporate Affairs (MCA), have moved into the Indian Accounting Standards from Indian GAAP. The impact of transition, although noticeable for some companies, is inferred to be muted at the aggregate level for the growth rates. The same may not hold for the ratios, particularly at the disaggregated levels and may require to be interpreted accordingly.

‘Explanatory Notes’ containing the brief 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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