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Performance of Private Corporate Business Sector during Q3:2022-23

Today, the Reserve Bank released data on the performance of the private corporate sector during the third quarter of 2022-23 drawn from abridged quarterly financial results of 2,779 listed non-government non-financial companies. These include estimates for Q3:2021-22 and Q2:2022-23 to enable comparison (web-link https://dbie.rbi.org.in/DBIE/dbie.rbi?site=statistics#12_42).

Highlights**Sales**

- Sales growth (y-o-y) of listed private non-financial companies moderated to 12.7 per cent in Q3:2022-23 from 22.6 per cent in the previous quarter (Table 1A).
- Manufacturing companies recorded lower sales growth (y-o-y) of 10.6 per cent in Q3:2022-23 as compared with 20.9 per cent in the previous quarter; the moderation was broad-based across the industries, except for cement (Tables 2A and 5A).
- Information technology (IT) companies remained on high growth trajectory and recorded 19.4 per cent rise (y-o-y) in sales during the latest quarter (Table 2A).
- Revenue growth for non-IT services companies was supported by steady performance in trade, transport and telecommunication sectors (Tables 2A and 5A).

Expenditure

- Manufacturing companies' expenses on raw materials moderated marginally in line with lower sales growth and tempered prices for some inputs (Table 2A).
- Staff cost rose by 8.8 per cent, 21.8 per cent and 18.2 per cent on y-o-y basis for manufacturing, IT and non-IT services companies, respectively (Tables 2A and 2B).
- The ratio of staff cost to sales stood at 5.3 per cent, 49.6 per cent and 8.1 per cent for manufacturing, IT and non-IT services companies, respectively (Table 2B).

Profit

- Operating profit of manufacturing companies contracted on an annual (y-o-y) basis for the second consecutive quarter in Q3:2022-23; it, however, expanded for both IT and non-IT services companies (Table 2A).

Interest

- Lower profits led to a decline in interest coverage ratio (ICR)¹ of manufacturing companies to 6.3 during Q3:2022-23 (8.6 a year ago) whereas the ratio stood at 48.9 for IT companies (61.3 a year ago); ICR of non-IT services companies crossed unity, led by improvement in transport and hospitality companies (Tables 2B and 5B).

Pricing power

- Operating profit margin remained steady for IT companies and inched up for manufacturing companies; non-IT services companies continued to record net losses, mainly due to the losses recorded by telecom companies (Tables 2B and 5B).

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Notes:

- The coverage of companies in different quarters varies, depending on the date of declaration of results; this is, however, not expected to significantly alter the aggregate position.
- Explanatory notes detailing the compilation methodology, and the glossary (including revised definitions and calculations that differ from previous releases) are appended.

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Director (Communications)

¹ ICR (*i.e.*, ratio of earnings before interest and tax to interest expenses) is a measure of debt servicing capacity of a company. The minimum value for a viable ICR is 1.