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Performance of the private corporate business sector during the second quarter of 2017-18

Today, the Reserve Bank released data on performance of the private corporate sector during the second quarter of 2017-18. This release relates to abridged financial results of 2,701 listed non-government non-financial (NGNF) companies for Q2:2017-18. Data pertaining to Q2:2016-17 and Q1:2017-18 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.

Highlights

As compared with the position in Q1:2017-18,

Sales

- The manufacturing sector witnessed an improvement in sales growth (y-o-y) in Q2:2017-18, led primarily by industries like chemical and chemical products; pharmaceuticals and medicines; iron and steel; and motor vehicles and other transport equipment.
- The information technology (IT) sector also recorded improvement in sales growth.
- Sales of the services (non-IT) sector slipped back into the contraction zone after temporary revival in the previous quarter mainly due to the poor performance of real estate; hotels and restaurants; and telecommunication companies.

Expenditure

- The manufacturing companies got some respite from input cost pressures as evidenced from the moderation in cost of raw material growth; however, the staff cost increased at a higher rate.

Operating profit

- Operating profits of the manufacturing sector recorded a healthy growth after contraction in the previous quarter.
- Position of the IT sector also improved but the services (other than IT) sector continued to make lower operating profit.

Interest

- Interest expenses increased significantly in Q2:2017-18 at the aggregate level and for the manufacturing sector.
- Within the manufacturing sector, the cement and cement products and textile companies reported significant rise in interest expenses growth in line with the increase in overall debt levels of these companies.
- Higher profit led to increase in the interest coverage ratio of the manufacturing sector. The interest coverage ratio for the services (other than IT) sector worsened due to continued poor performance of the telecommunication sector.

Net profit

- Higher interest expenses and tax provision together with lack of support from other/non-operating income resulted in lower net profits for the manufacturing sector (y-o-y).

Pricing power

- Profit margin improved for the manufacturing sector.
- Net profit margin turned negative for the services (non-IT) sector due to overall losses reported by the telecommunication sector.

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Notes:

- 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.
- Listed companies having net worth more than ₹ 5 billion were to adopt the new accounting standards 'Ind-AS' by Q1:2016-17 and rest of the listed companies were also to adopt the same by Q1:2017-18 as mandated by the Ministry of Corporate Affairs. The impact of transition appears muted at the aggregate level in terms of the growth rates, although the same may not hold for the ratios.
- '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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