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Performance of the private corporate business sector during the third quarter of 2019-20

Today, the Reserve Bank released data on the performance of the private corporate sector during the third quarter of 2019-20 drawn from abridged quarterly financial results of 2,702 listed non-government non-financial (NGNF) companies. Data pertaining to Q3:2018-19 and Q2:2019-20 are also presented in the tables to enable comparison. The data can be accessed at the web-link https://dbie.rbi.org.in/DBIE/dbie.rbi?site=statistics#!2_42.

Highlights

Sales

- Demand conditions in the manufacturing sector weakened as reflected in the contraction in nominal sales in Q3:2019-20, led by petroleum, automobiles and iron and steel companies (Table 2A and Table 5A).
- The mining and power sectors witnessed subdued demand as reflected by a continued decline in their nominal sales (Table 5A).
- While nominal sales growth (y-on-y) rose in the IT sector, they moderated for the non-IT services sector. Nominal sales contracted sharply for real estate companies, but recorded steady growth for transport and storage services companies (Table 2A and Table 5A).

Expenditure

- Softening of commodity prices and lower volume of production resulted in contraction in input costs (*i.e.*, cost of raw materials) across industries (Table 2A).
- Growth in staff cost declined across the sectors, especially for the manufacturing sector, continuing the decline of four quarters (Table 2A).

Operating profit

- Operating profit of the manufacturing sector contracted by 6.2 per cent mainly due to production slowdown (Table 2A).

- Operating profit of services companies (IT and non-IT) rose in Q3:2019-20 (Table 2A).

Interest

- While interest expenses of manufacturing companies recorded stable growth, those of non-IT services companies increased sharply partly due to inclusion of lease payment obligations under this head as per the new accounting norms¹ (Table 2A).
- The interest coverage ratio (ICR) of the manufacturing sector moderated to 4.3² from 4.6 in the previous quarter on account of lower profits; the ICR of non-IT services companies remained below one (Table 2B).

Pricing power

- Profit margins dipped for manufacturing companies, but remained steady for IT companies. Non-IT services companies recorded negative net profit margins driven down by heavy losses in telecommunication companies (Table 2B).

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¹ As per Indian Accounting Standard (Ind AS) 116

² The interest coverage ratio (ICR) is the ratio of earnings before interest and tax to interest expenses. It is a measure of a company's debt servicing capacity. The minimum value for a viable ICR is 1.

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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