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

Today, the Reserve Bank released data on performance of the private corporate sector during the third quarter of 2017-18. This release relates to abridged financial results of 2,705 listed non-government non-financial (NGNF) companies for Q3:2017-18. Data pertaining to Q3:2016-17 and Q2:2017-18 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 Q2:2017-18,

Sales

- The manufacturing sector witnessed an improvement in sales growth (y-o-y) in Q3:2017-18.
- Among major manufacturing industries, demand conditions improved for chemical and chemical products; cement and cement products; machinery and machine tools; and motor vehicles and other transport equipment.
- The information technology (IT) sector recorded a modest improvement in sales growth, although lower than a year ago.
- The services (non-IT) sector showed signs of revival as reflected by positive sales growth.
- This was mainly due to the improved performance of wholesale and retail trade; and transport and storage services companies, even as the telecommunication sector acted as a drag on performance of this sector.

Expenditure

- Manufacturing companies suffered input cost pressures in the form of increased cost of raw materials, which was in line with the reversal of the international commodity price cycle.

Operating profit

- Operating profits of the manufacturing sector were supported by improved demand conditions and continued to record a healthy growth, despite significant increase in input costs.

- The services (non-IT) sector remained in contraction zone in terms of operating profits.

Interest

- Interest expenses incurred by the listed NGNF companies contracted from their level a year ago.
- Among the major manufacturing industries with high debt levels, iron and steel, textiles; and telecommunication companies in the services sector reported significant drop in interest expenses.
- Higher gross profits led to increase in the interest coverage ratio of the manufacturing sector.
- The interest coverage ratio for the services (non-IT) sector improved due to contraction in interest expenses incurred by the telecommunication sector.

Net profit

- Lack of support from other/non-operating income resulted in lower net profits for the manufacturing sector.

Pricing power

- Pricing power in terms of the net profit margin declined for the manufacturing sector while it improved for the services (non-IT) 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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