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Performance of Private Corporate Business Sector during 2018-19

Today, the Reserve Bank released data on the performance of the private corporate sector during 2018-19 drawn from abridged financial results of 3,151 listed non-government non-financial (NGNF) companies. Data pertaining to 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

Sales

- Demand conditions in the manufacturing sector strengthened in H1:2018-19 as reflected in sales growth in respect of petroleum products; chemical and chemical products; textiles and pharmaceuticals and medicines; however, sales growth decelerated in H2:2018-19 across major industries (Table 2A and Table 5A).
- The information technology (IT) sector posted strong improvement with sales growth rising from 5.0 per cent in 2017-18 to 16.2 per cent in 2018-19 (Table 2A).
- The services (non-IT) sector also recorded a rise in sales growth, riding on the support from transport and storage services and wholesale and retail trade; on the other hand, the telecommunication sector continued to experience contraction in sales (Table 2A and Table 5A).

Expenditure

- Manufacturing companies continued to face input cost pressures in the form of cost of raw materials, which increased from 12.5 per cent to 18.0 per cent (Table 2A).
- Staff costs accelerated in the IT sector in tandem with the improvement in sales growth (Table 2A).

Operating Profit

- Supported by an increase in the value of production, operating profit in the manufacturing sector picked up year-on-year from 10.4 per cent to 16.3 per cent, in spite of the increase in input costs (Table 2A).
- Operating profits of the services (non-IT) sector companies remained in contraction (Table 2A).

Interest

- Interest expenses in the manufacturing sector rose by 2.8 per cent in 2018-19, marginally slower than in the previous year (Table 2A).
- Interest expenses incurred by companies manufacturing iron and steel and motor vehicles and other transport equipment contracted in line with the overall reduction in debt levels (Table 5A).
- The interest coverage ratio (ICR) of the manufacturing sector hovered around five¹, while the ICR for the services (non-IT) sector at 1.4 showed no sign of improvement, primarily on account of telecommunication companies (Table 2B).

Pricing Power

- Operating profit and net profit margin remained stable around 14.6 per cent and 6.8 per cent respectively, for the manufacturing sector (Table 2B).
- The net profit margin for the services (non-IT) sector improved, supported by non-operating income (Table 2B).

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Notes:

- Explanatory notes containing the 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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¹ 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.