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Performance of the private corporate business sector during the first quarter of 2020-21

Today, the Reserve Bank released data on the performance of the private corporate sector during the first quarter of 2020-21 drawn from abridged quarterly financial results of 2,536¹ listed non-government non-financial (NGNF) companies. Data pertaining to Q1:2019-20 and Q4:2019-20 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

- Aggregate sales of 1,619 manufacturing companies recorded a sharp contraction of 41.1 per cent (Y-o-Y) in Q1:2020-21 following 15.6 per cent decline in Q4:2019-20 reflecting the impact of the pandemic induced lockdown; the contraction was broad based and varied across industries - only pharmaceutical companies recorded higher sales on both annual (Y-o-Y) and sequential (Q-o-Q) basis (Table 2A and Table 5A).
- Non-IT services companies also registered sharp contraction of 41.0 per cent (Y-o-Y) in their nominal sales; the contraction was across services except telecommunication companies (Table 2A and Table 5A).
- Sales growth of IT sector companies remained in positive terrain but moderated to 3.2 per cent (Y-o-Y) in Q1:2020-21 (Table 2A).

Expenditure

- Subdued scale of operations resulted in lower raw materials expenditure for the manufacturing sector in Q1:2020-21 (Table 2A).
- Staff cost contracted for manufacturing and non-IT services sectors while its growth decelerated for IT companies in Q1:2020-21 (Table 2A).

Operating profit

- Lower business operations led to decline in the operating profits of manufacturing and non-IT services companies; while operating profits of IT companies, on the other hand, increased by 9.4 per cent (Y-o-Y) in Q1:2020-21 (Table 2A).

¹ Due to Covid-19 pandemic, the Securities and Exchange Board of India (SEBI) extended the deadline for submission of financial results for Q1:2020-21 by listed companies to September 15, 2020.

² 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.

Interest

- With moderation in earnings, interest coverage ratio (ICR)² of the manufacturing companies moderated further to 2.4 in Q1:2020-21 from 3.5 in the previous quarter (Table 2B).

Pricing power

- Operating profit margins remained steady for manufacturing companies and improved for services companies in Q1:2020-21 (Table 2B).

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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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