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**Performance of the private corporate business sector during
the first quarter of 2018-19**

Today, the Reserve Bank released data on performance of the private corporate sector during the first quarter of 2018-19 drawn from abridged financial results of 2,724 listed non-government non-financial (NGNF) companies. Data pertaining to Q1:2017-18 and Q4:2017-18 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 improved in Q1:2018-19 as reflected in strong sales growth (y-o-y) *albeit* boosted by favourable base effects.
- The improvement in demand conditions was mainly led by chemical and chemical products; iron and steel; motor vehicles and other transport equipments; and pharmaceuticals and medicines.
- The information technology (IT) sector recorded a steady pick-up in sales growth relative to the preceding quarter; on the other hand, contraction in sales in respect of telecommunication and real estate companies impacted the services (non-IT) sector.

Expenditure

- Manufacturing companies continued to face rising input cost (cost of raw materials; staff cost) pressures.
- Staff costs accelerated in the IT sector in tandem with the improvement in sales growth.

Operating profit

- Operating profit in the manufacturing sector picked up in spite of the increase in input costs, riding on resilient performance of value of production.
- Operating profits of the services (non-IT) sector plummeted further in Q1:2018-19.

Interest

- Interest expenses growth of the manufacturing sector showed signs of moderation, reflecting ongoing deleveraging in the corporate sector.
- The interest coverage ratio (ICR) of the manufacturing sector remained above five, as in the preceding quarter, which is well above the threshold of one at which debt servicing can occur smoothly, while the ICR for the services (non-IT) sector fell below one, primarily on account of telecommunication companies.

Net profit

- Net profit growth for the manufacturing sector rebounded strongly from a pronounced contraction in the previous year.

Pricing power

- Pricing power in terms of operating profit and net profit margin improved for the manufacturing sector; for the services (non-IT) sector, however, net profit margin contracted due to continuous losses incurred by the telecommunication and transport and storage companies.

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Notes:

- The 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.
- The listed companies with net worth of more than ₹5 billion were required to adopt the new accounting standards - Ind-AS - by Q1:2016-17 and rest of the listed companies by Q1:2017-18, as mandated by the Ministry of Corporate Affairs. The Ind-AS is a move towards convergence of the financial accounting and reporting standards in India towards the globally accepted International Financial Reporting Standards (IFRS).
- 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.