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

Today, the Reserve Bank released data on the performance of the private corporate sector during the second quarter of 2020-21 drawn from abridged quarterly financial results of 2,637 listed non-government non-financial (NGNF) companies. Data pertaining to Q2:2019-20 and Q1:2020-21 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](https://dbie.rbi.org.in/DBIE/dbie.rbi?site=statistics#!2_42).

### Highlights

#### Sales

- Demand conditions in the manufacturing sector moved to the path of recovery with a softer contraction of 4.3 per cent (Y-o-Y) in nominal sales after a contraction of 41.1 per cent in the previous quarter, which witnessed major country-wide lockdown due to the COVID-19 pandemic; the recovery was led by iron and steel, food products, cement, automobile and pharmaceuticals companies (Table 2A and Table 5A).
- Nominal sales of non-IT services sector also registered lower contraction of 14.5 per cent (Y-o-Y) led by expansion in sales of telecommunication and real estate companies (Table 2A and Table 5A).
- Sales growth of IT sector companies remained steady at 3.6 per cent (Y-o-Y) in Q2:2020-21 (Table 2A).

#### Expenditure

- Input cost pressure from raw materials remained subdued for manufacturing sector in Q2:2020-21 (Table 2A).
- Staff cost growth (Y-o-Y) decelerated for IT companies in Q2:2020-21, whereas it remained in contraction zone for the manufacturing and non-IT services sectors (Table 2A).

#### Operating profit

- Operating profits of manufacturing companies increased on the back of savings in expenditure; operating profits of services (both IT and Non-IT) companies also increased in Q2:2020-21 (Table 2A).

#### Interest

- With rise in profits, interest coverage ratio (ICR)<sup>1</sup> of manufacturing companies improved to 4.6 in Q2:2020-21 from 2.4 in the previous quarter; the ICR of non-IT services companies remained below one (Table 2B).

<sup>1</sup> 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.

**Pricing power**

- Profit margins improved across manufacturing and services companies on account of rise in profit from cost saving (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.