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Performance of the private corporate business sector during the fourth quarter of 2019-20

Today, the Reserve Bank released data on the performance of the private corporate sector during the fourth quarter of 2019-20 drawn from abridged quarterly financial results of 2,620¹ listed non-government non-financial (NGNF) companies. Data pertaining to Q4:2018-19 and Q3:2019-20 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

- Sales of manufacturing sector companies declined by 15.6 per cent (Y-o-Y) in Q4:2019-20 as compared with 5.9 per cent growth in Q4:2018-19; this contraction was broad based across industries (Table 2A and Table 5A).
- Services sector companies recorded deceleration in activities; sales growth (Y-o-Y) for information technology (IT) and non-IT services sector companies increased by 8.0 per cent and 0.8 per cent, respectively, in Q4:2019-20 (Table 2A).

Expenditure

- Subdued production related activities resulted in lower expenditure on raw materials for the manufacturing sector in Q4:2019-20 (Table 2A).
- Staff cost growth (Y-o-Y) moderated for the manufacturing and IT services sectors and declined for the non-IT services sector in Q4:2019-20 (Table 2A).

Operating profit

- Lower sales led to decline in operating profits of manufacturing companies in Q4:2019-20; operating profits of services companies (IT and non-IT) also decelerated due to moderation in sales growth (Table 2A).

Interest

- Interest expenses of services sector companies (IT and non-IT) have surged, as the new accounting norms² prescribed inclusion of lease payment obligations under this head (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 Q4:2019-20 by listed companies to July 31, 2020.

² As per Indian Accounting Standard (Ind AS) 116 which came into effect on April 1, 2019.

³ 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 coverage ratio (ICR)³ of the manufacturing companies moderated to 3.5 in Q4:2019-20 from 4.3 in the previous quarter because of lower earnings; the ICR of non-IT services companies remained below one (Table 2B).

Pricing power

- Profit margins dipped for manufacturing companies, though they remained steady for IT companies; Non-IT services companies recorded negative net profit margins driven down by heavy losses (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.