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RESERVE BANK OF INDIA

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## Performance of Private Corporate Business Sector during 2019-20

Today, the Reserve Bank released data on the performance of the private corporate sector during 2019-20 drawn from abridged financial results of 3,064<sup>1</sup> listed non-government non-financial (NGNF) companies. Data pertaining to 2018-19 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

- Sales of manufacturing companies declined by 7.4 per cent during 2019-20 as against 14.8 per cent growth in the previous year; this contraction in sales was broad based across industries (Table 2A and Table 5A).
- Service sector companies in the information technology (IT) and non-IT sectors recorded sales growth of 8.4 per cent and 6.9 per cent, respectively, during 2019-20 which was lower than their growth in the previous year (Table 2A); telecommunication and hospital sectors, however, recorded higher sales growth (Table 2A and Table 5A).

#### Expenditure

- Subdued production related activities resulted in lower expenditure on raw materials by manufacturing companies during the year (Table 2A).
- Growth in staff cost remained steady for services (IT and non-IT) sector companies but decelerated for the manufacturing companies (Table 2A).

#### Interest

- Interest expenses of services sector companies (IT and non-IT) surged during 2019-20 as the new accounting norms<sup>2</sup> prescribed inclusion of lease payment obligations under this head (Table 2A).
- The interest coverage ratio (ICR)<sup>3</sup> of manufacturing companies declined to 4.3 in 2019-20 from 5.4 in the previous year; ICR remained very high for IT companies but it slipped below the unity level for non-IT service companies (Table 2B).

<sup>1</sup> Due to Covid-19 pandemic, the Securities and Exchange Board of India (SEBI) extended the deadline for submission of financial results for the year 2019-20 by listed companies to July 31, 2020.

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

<sup>3</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.

## Profit

- Subdued demand conditions resulted in 11.0 per cent decline in net profits of manufacturing sector companies during 2019-20 as against 42.2 per cent growth in the previous year and the net profits of the services (non-IT) sector companies remained in contraction; net profits of IT companies, however, increased (Table 2A).

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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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