



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

वेबसाइट : www.rbi.org.in/hindi

Website : www.rbi.org.in

इ-मेल email: helpdoc@rbi.org.in

संचार विभाग, केंद्रीय कार्यालय, एस.बी.एस.मार्ग, मुंबई-400001

DEPARTMENT OF COMMUNICATION, Central Office, S.B.S.Marg, Mumbai-400001

फोन/Phone: 022 2261 0835 फैक्स/Fax: 91 22 22660358

August 23, 2017

Performance of Private Corporate Business Sector during 2016-17

The Reserve Bank compiles and releases data based on abridged financial results of listed non-government non-financial (NGNF) companies. This release relates to abridged financial results of 3,007 listed NGNF companies for 2016-17. Data pertaining to 2015-16 is 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

Aggregate sales growth (Y-o-Y) improved in 2016-17, primarily for the manufacturing sector, led by some of the major industries like iron and steel, petroleum products and cement and cement products.

Sales of services sector companies (other than IT), however, contracted due to poor performance of real estate and wholesale and retail trade companies.

The information technology (IT) sector witnessed moderation in sales growth.

Expenditure

At the aggregate level and for the manufacturing sector, raw material expenses increased as against a significant contraction in the previous year, while a sharp growth in staff costs in 2015-16 was not sustained for the IT sector.

The cost of raw materials to sales ratio increased for the manufacturing sector, while the staff cost to sales ratio rose uniformly across all sectors.

Operating Profit

Despite higher expenditure on raw materials and staff cost, operating profit of the manufacturing sector grew at a higher rate.

The services (other than IT) sector recorded contraction in operating profit due to shrinking sales.

Interest

Interest expenses decelerated in 2016-17 for the manufacturing sector.

Within the manufacturing sector, the iron and steel industry experienced lower growth of interest expenses than in the previous year, while the motor vehicles industry witnessed a significant increase in interest expenses.

Services (other than IT) witnessed significant increase in interest expenses and a decline in the interest coverage ratio primarily for the telecommunication industry.

Net Profit

Net profit growth improved at the aggregate level despite losses incurred by the services (other than IT) sector.

Pricing Power

The operating profit margin improved for the manufacturing sector and declined for the services sector.

The net profit margin turned negative for the services (other than IT) sector due to the telecommunication industry; excluding the telecommunication companies, the net profit margin of the services (other than IT) companies stood at 5.7 per cent.

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Note:

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.

Listed companies having net worth more than ₹500 crores and their associated companies (subsidiaries, joint ventures etc.), have moved into the Indian Accounting Standards from Indian Generally Accepted Accounting Principles (**GAAP**), as mandated by the Ministry of Corporate Affairs (MCA), since Q1:2016-17. The impact of transition, appears muted at the aggregate level in terms of the growth rates, although the same may not hold for the ratios.

'Explanatory Notes' containing the brief methodology followed for compilation of data and the glossary (including revised definitions and calculations that differ from previous releases) are given at the end.

Press Release: 2017-2018/520

Jose J. Kattoor
Chief General Manager