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Boost in Profits and Profitability despite Contraction in Sales Performance of the Private Corporate Business Sector during 2015-16: RBI Data Release

Sales of the private corporate business sector (based on the listed non-government non-financial companies) contracted in 2015-16 both at the aggregate level and for the manufacturing sector. Performance of the manufacturing sector in 2015-16 was affected by the fall in global commodity prices. However, operating profit growth was boosted mainly on account of fall in raw material expenses, which recorded higher contraction than that in the value of production. In 2015-16, cost of raw materials (CRM) to sales and staff cost to sales reached their minimum and maximum levels over the last fifteen years, respectively. These were the findings of the analysis of the [data on the performance of non-financial private corporate business sector during 2015-16](#). The data were released today by the Reserve Bank of India on its website.

Highlights

Sales

- Sales contracted by 1.6 per cent and 3.7 per cent at the aggregate level and for the manufacturing sector, respectively, in 2015-16. This contraction was observed for the first time in the last fifteen years. Sales growth improved for services (non-IT) and IT sector in 2015-16 compared with the previous year (Table 1A & 2A).

Expenditure

- At the aggregate level and for the manufacturing sector, contraction in expenses on raw material was significantly higher than the previous year (Table 1A & 2A). Y-o-Y growth rate of staff cost increased significantly for the IT sector (Table 2A).
- Cost of raw materials to sales ratio declined significantly at the aggregate level and for the manufacturing sector (Table 1B & 2B). Staff cost to sales ratio increased considerably for the IT sector (Table 2B).

Operating Profit

- At the aggregate level, operating profit grew by 10.2 per cent in 2015-16 compared with 5.3 per cent in the previous year (Table 1A). Operating profit was boosted mainly on account of sharp contraction in raw material expenses.

Interest

- Y-o-Y interest expenses moderated for the manufacturing sector, while it increased significantly for the services (non-IT) sector on the back of contraction in the previous year (Table 2A). Within the services (non-IT) sector, 'Telecommunications' industry showed a significant increase in interest expenses on account of large borrowings (Table 5A).

Net Profit

- Net profit grew by 9.3 per cent in 2015-16 as against Y-o-Y contraction of 0.7 per cent in the previous year mainly on account of higher operating profits and lower tax provisions growth (Table 1A).
- Y-o-Y growth in net profits improved across all sectors (Table 2A).

Pricing power

- Pricing power measured by operating profit margin improved significantly for the manufacturing sector and services (non-IT) sector. Net profit margin improved across all sectors (Table 2B).

The Reserve Bank compiles and releases data based on abridged financial results of listed non-government non-financial listed companies quarterly and annually. The data released today is based on abridged financial results of 2,932 such companies. Data pertaining to 2014-15 are also presented to enable comparison. It may be noted that coverage of companies in different years varies to some extent, depending on the date of declaration of yearly results. This, however, is not expected to significantly alter the aggregate position. The industry classification system has been updated broadly following the National Industrial Classification (NIC 2008) from Q1:2015-16. 'Explanatory Notes' containing the brief methodology followed for compilation of data and the glossary of terms (including revised definitions and calculations that differ from previous releases) are given at the end. The list of tables is given below:

List of Tables			
Table No.		Title	
1	A	Performance of Listed Non – Government Non-Financial Companies	Growth Rates
	B		Select Ratios
2	A	Performance of Listed Non-Government Non-Financial Companies - Sector - wise	Growth Rates
	B		Select Ratios
3	A	Performance of Listed Non-Government Non-Financial Companies according to Size of Paid-up-Capital	Growth Rates
	B		Select Ratios
4	A	Performance of Listed Non-Government Non-Financial Companies according to Size of Sales	Growth Rates
	B		Select Ratios
5	A	Performance of Listed Non-Government Non-Financial Companies according to Industry	Growth Rates
	B		Select Ratios
Explanatory Notes			
Glossary			

An article analysing the performance of the non-financial private Corporate Business Sector during 2015-16, along with the recent trend in sales, expenditure and profit margins of the corporate sector over a longer horizon, is scheduled to be published in October 2016 issue of the RBI Bulletin.