

DANGER SIGN

Losing Steam: India Inc revenue growth declines

ENS ECONOMIC BUREAU @ New Delhi

INDIA Inc is losing steam at a fast pace. The cumulative revenue growth of some 642 companies in the corporate sector, slowed to an 11-quarter low at 5.7 per cent in the April-June 2019 quarter on the back of weak consumer demand and the sluggish government spending.

A study by ICRA ratings showed a sharp deceleration in revenue growth for these firms which are from varied sectors from a high of 19.5 per cent in Q2 of the previous financial year. "The fall in revenue growth is extremely sharp but not much of a surprise given the fact that manufacturing as a whole grew by just 0.6 per cent in the same period," said Prof N R Bhanumurthy of the National Institute of Public Finance and Policy.

India's GDP grew by just 5 per cent in that quarter, underlying the slowdown in the India economy. Economists feel that despite the announcement of corrective measures by the government, overall growth for the year

would remain subdued.

"The weakness in consumer-linked sectors has been visible in multiple sectors. Automobiles sales reported sharp double-digit decline, which has continued into the current quarter as well, while FMCG companies reported a sequential slowdown in volume growth in both rural and urban markets," said Shamsher Dewan, VP, ICRA.

ICRA further said the financial results of its sample companies were reflected in sequential contraction of 7.7 per cent in revenues of consumer-oriented sectors.

Part of the slowdown was also because of the government spending coming down in the run up to the general elections in May 2019.

"The corporate slowdown is not a one size fits all story.

As we see it the slowdown is sector specific. If you look at the IT and telecom hardware sectors, they are doing well. With the recent relaxation of single brand retail sourcing norms, we could potentially see a further upside," said Arindam Guha, partner with consulting firm Deloitte.



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Deloitte