Second wave weakens sentiment

September 2021 | Volume 14

CriSidEx survey for January-March 2021 and April-June 2021

sidbi

CRISIL
An S&P Global Company

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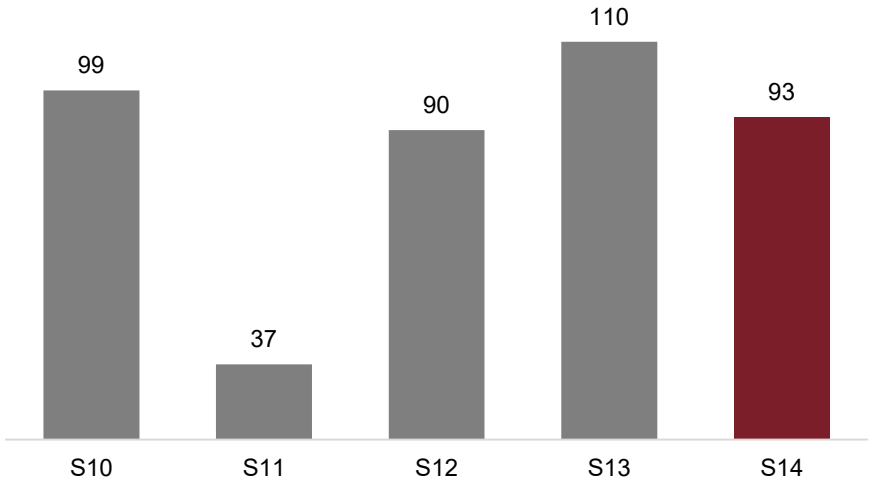
Services parameters weaker vis-à-vis manufacturing in January-March 2021



The CriSidEx* score of 93 for January-March 2021 (Survey 14, or S14) was lower compared with the corresponding period last year (S10), as well as the previous quarter (S13).

Note: S11 was based on 767 respondents compared with 1,100 for all other quarters, given the nationwide lockdown to stem the pandemic.

Abbreviations

CriSidEx survey	Survey quarter (SQ)	Next quarter (NQ)
Survey 10 (S10)	January-March 2020 (SQ10)	April-June 2020 (NQ10)
Survey 11 (S11)	April-June 2020 (SQ11)	July-September 2020 (NQ11)
Survey 12 (S12)	July-September 2020 (SQ12)	October-December 2020 (NQ12)
Survey 13 (S13)	October-December 2020 (SQ13)	January-March 2021 (NQ13)
Survey 14 (S14)	January-March 2021 (SQ14)	April-June 2021 (NQ14)

* See 'How to read CriSidEx' on page 12

On-year trend across index parameters

Manufacturing

Component parameters	Actual		
	S10	S14	S14-S10
Volume of production	99	108	9
Order book size	102	105	3
PAT Margin	95	94	-1
Capacity utilisation	99	102	3
Employee base	100	89	-11
Manufacturing Index	99	100	1

Services

Component parameters	Actual		
	S10	S14	S14-S10
Order book size	94	97	3
PAT margin	95	81	-14
Employee base	108	86	-22
Services Index	99	87	-12

Manufacturing Index improved marginally on-year in S14, whereas the Services Index declined sharply. The drop in the Services Index was on account of two parameters: PAT margin and employee base. In the case of manufacturing, production volume, order book and capacity utilisation improved.

Positive | Negative

CriSidEx readings | Manufacturing

Index parameters		SQ					NQ			
		Negative	Neutral	Positive	Index		Negative	Neutral	Positive	Index
Volume of production	S10	22%	57%	21%	99	S10	49%	37%	14%	65
	S11	75%	20%	5%	31	S11	42%	35%	23%	81
	S12	31%	34%	35%	104	S12	16%	40%	44%	128
	S13	22%	37%	41%	119	S13	13%	37%	50%	136
	S14	**23%**	**46%**	**31%**	**108**	**S14**	**39%**	**50%**	**11%**	**72**
Order book size	S10	21%	55%	24%	102	S10	48%	35%	17%	69
	S11	72%	21%	7%	35	S11	42%	33%	25%	83
	S12	28%	36%	36%	108	S12	15%	44%	41%	126
	S13	16%	38%	46%	130	S13	9%	42%	49%	141
	S14	**30%**	**36%**	**34%**	**105**	**S14**	**45%**	**43%**	**12%**	**68**
PAT margin	S10	26%	53%	21%	95	S10	49%	36%	15%	65
	S11	75%	19%	6%	31	S11	46%	35%	19%	73
	S12	37%	34%	29%	92	S12	18%	46%	36%	118
	S13	25%	40%	35%	111	S13	12%	51%	37%	125
	S14	**33%**	**41%**	**26%**	**94**	**S14**	**42%**	**51%**	**7%**	**65**
Capacity utilisation	S10	22%	57%	21%	99	S10	46%	40%	14%	68
	S11	73%	24%	3%	31	S11	41%	39%	20%	79
	S12	24%	40%	36%	111	S12	14%	52%	34%	120
	S13	15%	48%	37%	122	S13	9%	60%	31%	121
	S14	**26%**	**46%**	**28%**	**102**	**S14**	**35%**	**58%**	**7%**	**72**
Employee base	S10	10%	80%	10%	100	S10	24%	67%	9%	84
	S11	61%	38%	1%	40	S11	35%	56%	9%	74
	S12	25%	68%	7%	82	S12	9%	83%	8%	99
	S13	17%	77%	6%	89	S13	9%	83%	8%	99
	S14	**15%**	**80%**	**4%**	**89**	**S14**	**16%**	**82%**	**2%**	**86**

Manufacturing Index	S10	SQ10	99	S10	NQ10	70
	S11	SQ11	34	S11	NQ11	78
	S12	SQ12	99	S12	NQ12	118
	S13	SQ13	114	S13	NQ13	124
	S14	SQ14	100	S14	NQ14	72

In the Manufacturing Index, on-year employee base and PAT margin declined 11% and 1%, respectively, in S14. Production volume increased 9%, and order book and capacity utilisation edged up 3% each. Hence, overall, there was minimal on-year change in the S14 index, at 100. In the case of NQ14, all parameters declined sharply owing to the second wave of Covid-19 infections buffeting the economy. Consequently, the overall NQ14 index plunged over 25%, to 72 vis-à-vis SQ14.

CriSidEx readings | Services

Index parameters		SQ					NQ			
		Negative	Neutral	Positive	Index		Negative	Neutral	Positive	Index
Order book size	S10	22%	62%	16%	94	S10	33%	52%	15%	82
	S11	72%	19%	9%	37	S11	40%	46%	14%	74
	S12	42%	29%	29%	87	S12	32%	40%	28%	96
	S13	23%	34%	43%	121	S13	15%	39%	46%	131
	S14	**30%**	**43%**	**27%**	**97**	**S14**	**48%**	**43%**	**9%**	**61**
PAT margin	S10	23%	59%	18%	95	S10	32%	53%	15%	83
	S11	74%	18%	8%	34	S11	40%	52%	8%	69
	S12	48%	29%	23%	76	S12	38%	37%	25%	87
	S13	27%	36%	37%	110	S13	17%	44%	39%	122
	S14	**38%**	**43%**	**19%**	**81**	**S14**	**48%**	**45%**	**7%**	**59**
Employee base	S10	14%	64%	22%	108	S10	17%	73%	10%	93
	S11	57%	38%	5%	48	S11	28%	70%	2%	75
	S12	23%	75%	2%	79	S12	12%	86%	2%	90
	S13	18%	77%	5%	86	S13	8%	87%	5%	96
	S14	**19%**	**78%**	**3%**	**85**	**S14**	**20%**	**78%**	**2%**	**81**

Services Index	S10	SQ10	99	S10	NQ10	86
	S11	SQ11	40	S11	NQ11	72
	S12	SQ12	81	S12	NQ12	91
	S13	SQ13	106	S13	NQ13	116
	S14	**SQ14**	**87**	**S14**	**NQ14**	**67**

CriSidEx (Manufacturing+Services)	S10	SQ10	99	S10	NQ10	78
	S11	SQ11	37	S11	NQ11	75
	S12	SQ12	90	S12	NQ12	105
	S13	SQ13	110	S13	NQ13	120
	S14	**SQ14**	**93**	**S14**	**NQ14**	**70**

In the case of services, PAT margin and employee base posted declines in S14, whereas the order book posted minimal improvement. Consequently, the Services Index declined 12% on-year.

Hence, overall CriSidEx (manufacturing as well as services) at 93 in SQ14 was a 6% on-year drop. In NQ14, it deteriorated a further 25%, to 70.

Business sentiment for January-March 2021

Share of respondents seeing a subdued SQ14 jumps to 29% in manufacturing, 36% in services

S14 findings need to be viewed in the context of a gradual increase in the number of infections as the second wave of Covid-19 took hold, amid a slight pick-up in economic activity, in the fourth quarter last fiscal. In the first quarter this fiscal, the second wave affected recovery of major sectors, and this has been factored into the calls.

Sectors with positive trend

- Among manufacturers, 26% reported a good SQ14, lower than 31% in SQ13, but higher than 16% in the same quarter a year ago (SQ10)
  - In SQ14, highest share of respondents in food products, pharmaceuticals and auto components sectors reported a good quarter
  - On-year (SQ10 vis-à-vis SQ14), metals & mining, and auto components reported the sharpest rise in share of respondents with positive sentiment
- Among service providers, 20% reported a good SQ14, lower than 28% in SQ13, but higher than 11% in SQ10
  - In SQ14, highest share of respondents from healthcare providers & services, and logistics sectors reported a good quarter
  - On-year (SQ10 vis-à-vis SQ14), share of respondents with positive sentiment was highest in the logistics sector and among traders

Sectors with subdued trend

- Among manufacturers, 29% reported a weak SQ14, higher than 23% in SQ13 and 22% in SQ10
  - In SQ14, high share of respondents in textiles, gems & jewellery, and leather & leather goods had a subdued quarter
  - On-year (SQ10 vis-à-vis SQ14), engineering & capital goods and pharma had the lowest increase in share of respondents with positive sentiment
- Among service providers, 36% reported a weak SQ14, lower than 31% in SQ13, but higher than 22% in SQ10
  - In SQ14, high share of respondents from diversified consumer services, commercial services & supplies, and human resources sectors had a subdued quarter
  - On-year (SQ10 vis-à-vis SQ14), share of respondents with positive sentiment in media and commercial services & supplies sectors, decreased sharply

Business sentiment for April-June 2021

48% of respondents in manufacturing and 61% in services expected subdued NQ14

Sectors anticipating positive trajectory

- Among manufacturers:
  - For NQ14, share of respondents that anticipated a good quarter was highest in pharmaceuticals and food products sectors
  - On-year (NQ10 vis-à-vis NQ14), share of respondents with positive sentiment increased in gems & jewellery and chemicals sectors
- Among service:
  - For NQ14, share of respondents anticipating a good quarter was highest in healthcare providers & services, power & utilities and human resources
  - On-year, share of respondents with positive sentiment increased in power & utilities and logistics

Sectors foreseeing subdued trend

- Among manufacturers:
  - For NQ14, share of respondents expecting a subdued quarter was higher in gems & jewellery and chemicals sectors
  - On-year, sharpest decline in optimism was in the textiles sector
- Among service providers:
  - For NQ14, share of respondents expecting a subdued quarter was higher in travel & hotels and diversified consumer services
  - On-year, optimism in commercial services & supplies and IT/ ITeS sectors declined sharply

Other trends in business sentiment

Companies more upbeat vis-à-vis firms about NQ14

- Companies and firms had 23% and 24% respondents, respectively, reporting a good SQ14
- However, for NQ14, optimism among companies was marginally better, with 13% respondents expecting a better quarter as against 9% for firms

Negative sentiment higher among MSEs with less than 10 employees

- 21% of micro and small enterprises (MSEs) with less than 10 employees reported a good SQ14, as against 26% and 24% for MSEs with 10-25 and over 25 employees, respectively
- 8% of MSEs with less than 10 employees expected a good NQ14, compared with 11% of MSEs with 10-25 and more than 25 employees

All on-year parameters in S14 improved, except employee base; production volume and order book size were highest

Manufacturing

Change in share of positive respondents

Component parameters	Actual	
	S14 - S13	S14 - S10
Volume of production	-10%	10%
Order book size	-12%	10%
PAT margin	-9%	5%
Capacity utilisation	-9%	7%
Employee base	-2%	-6%

Services

Change in share of positive respondents

Component parameters	Actual	
	S14 - S13	S14 - S10
Order book size	-16%	11%
PAT margin	-18%	1%
Employee base	-2%	-19%

- In the case of manufacturing, on-year share of positive respondents improved for volume of production, order book size, PAT margin and capacity utilisation parameters. Share of positive respondents for employee base declined. However, all parameters declined on-quarter
- On-year, share of positive respondents improved for order book size and PAT margin for services. However, share of positive respondents for employee base declined. On-quarter, order book size and PAT margin declined sharply, whereas employee base declined marginally

Positive | Negative

Domestic order book in January-March 2021

Order book of nearly 31% of MSEs increased; sentiment was well above SQ10

- Domestic order book of ~31% MSEs increased in SQ14 compared with 19% in SQ10
- In manufacturing, order book of larger share of respondents in food products, auto components and pharmaceuticals expanded
  - Order book of larger share of respondents in leather & leather goods, and textiles sectors, was subdued
- In services, order book of larger share of respondents in healthcare providers & services, traders and logistics sectors, increased
  - Commercial services & supplies, and human resources had a relatively muted quarter

Domestic order book in April-June 2021

Nearly 50% of MSEs were not optimistic about order book expansion

- 47% MSEs expected a decline in domestic orders in NQ14 compared with 40% in NQ10
- In manufacturing, pharmaceuticals and food products were relatively more optimistic
  - Leather & leather goods and gems & jewellery, though, expected a muted quarter
- In services, healthcare providers & services, IT/ITeS and power & utilities anticipated enhanced order book position in NQ14
  - Travel & hotels, and commercial services & supplies, though, had higher share of respondents expecting a muted quarter

Other order book trends

Domestic MSEs performed marginally lower than export-oriented peers

- Orders of 34% of export-focussed MSEs increased in SQ14 compared with 21% in SQ10
  - These players performed marginally better than domestic peers (31% reported a good quarter)
- Only 16% of exporters expected order book size to increase in NQ14 vis-à-vis 17% in NQ10
  - Lower share of domestic MSEs (11%) anticipated marginally higher order book compared with export-focussed peers

Importers' sentiment weak

- Share of importers that saw increase in orders reduced to 3% in SQ14 from 10% in SQ10
- Mere 1% of importers expected increase in orders in NQ14 as against 8% in NQ10

Miscellaneous trends

MSEs not optimistic about production and capacity utilisation

- In SQ14, production of 31% MSEs increased. For NQ14, 11% manufacturing MSEs expected increase in production, 50% saw it unchanged, and 39% projected a decline
- In terms of capacity utilisation, 28% manufacturing MSEs saw improvement in SQ14. For NQ14, this share declined to 7%

Declining hiring

- 17% MSEs reported decline in employee base in SQ14 compared with 12% in SQ10, 79% maintained the base, and only 4% added to it
  - In manufacturing, highest reduction was in leather & leather goods
  - In services, commercial services & supplies reported considerable reduction in employee count

- In NQ14, 18% intended to reduce employee headcount and 2% to increase it

Lenders' sentiment muted on business situation of MSEs, but optimistic for NQ14

- In SQ14, only one out of 10 lenders surveyed saw improvement in the business situation of MSEs, five rated it as satisfactory, and four reported it as below satisfactory
- For NQ14, three out of 10 expected it to be satisfactory, five forecast it to be below satisfactory, and two foresaw improvement

Lenders were less optimistic for very small segment

- In SQ14, only one out of 10 lenders reported credit growth in the less than Rs 10 lakh credit exposure segment. Lenders shared similar expectation for NQ14
  - In SQ14, four out of 10 lenders reported the highest credit growth in the Rs 10 lakh-1 crore credit exposure segment vs three in the Rs 1-5 crore segment, and two in the Rs 5-10 crore segment

Lenders saw deterioration in asset quality

- Four out of 10 lenders reported no change in non-performing assets (NPAs) in SQ14, while four reported an increase, and only two reported a decrease. In NQ14, three lenders reported no change in NPAs, while six reported an increase, and one a decrease
  - In SQ14, NPAs of two out of 10 in the very small segment, five in the small segment, two in the medium segment, and one in the large segment, increased

About CriSidEx

CriSidEx is India's first sentiment index for MSEs that indicates the current state and expected outlook for the sector every quarter based on a survey. Survey 1 was conducted for September-December 2017.

The index is based on a diffusion index of eight parameters (five manufacturing and three service parameters) with equal weights. It measures MSE business sentiment on a scale of 0 to 200, where 0 indicates extremely negative sentiment, 100 neutral and 200 extremely positive sentiment. The distance of the score from 100 indicates strength of the expansion or decline.

The index is calculated for: (a) the respondent's assessment of the survey quarter or SQ; and (b) the respondent's expectation for the next quarter or NQ. Responses were received from 1,100 MSEs. No economic indicators, trade statistics or financials of MSEs have been used for computing it.

Since CriSidEx represents MSEs only, users should be careful when comparing it with other economic data/ indices.

Survey process

The survey tracks the business sentiment of MSEs in manufacturing and services (including trading) across India. Responses have been drawn from CRISIL-rated enterprises and current and past borrowers of SIDBI. It also includes micro enterprises funded by microfinance institutions (MFIs) that are, in turn, funded by SIDBI. Additionally, there are responses from lenders: banks and non-banking finance companies (NBFCs). CRISIL and SIDBI acknowledge the support of all the participant banks and financial institutions, with special thanks to Fullerton India Credit Company Ltd, IndusInd Bank, Kotak Mahindra Bank, North Eastern Development Finance Corporation Ltd for eliciting sizeable responses from their MSE borrowers for the current survey. The sample has been drawn up to ensure representation of enterprises based on size, geography and nature of business. It covers MSEs with at least three years of business operations. The broad characteristics of the sample are:

Established business
Turnover <Rs 25 crore
Representation of various legal forms – companies, partnerships and proprietorships
Appropriate sectoral representation; to have equal coverage of manufacturing and services sectors (including trading)
Appropriate geographic representation
Covers exporters and importers, besides domestic firms

How to read CriSidEx

CriSidEx is a sentiment index and hence a qualitative measure of the mood. Respondents are asked to assign qualitative rather than quantitative inputs, to variables of their interest. Thus, they may not necessarily refer to actual data related to their enterprises when responding to the survey. For example, respondents are asked to assign qualitative inputs to the value of their order books such as 'above normal', 'unchanged' or 'below normal'. It is different from a conventional industry survey where respondents may be asked to give quantitative information about their order books such as the actual value of outstanding orders. For more details, please refer to the first CriSidEx report available at:

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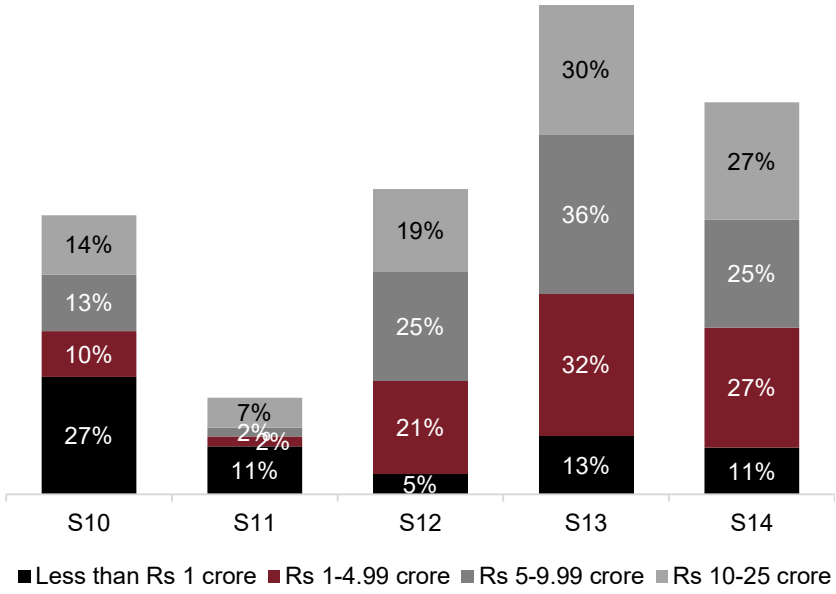
https://www.crisil.com/en/home/our-analysis/reports/2018/01/crisidex-the-mse-sentiment-index.html

https://sidbi.in/Crisidex.php

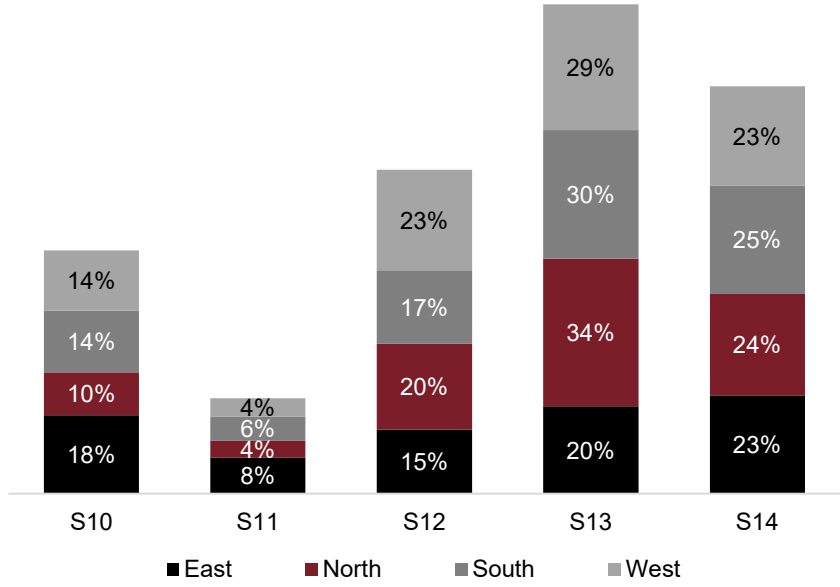
Comparison across surveys

On-quarter decline in sentiment across sizes; weakest for small players

Based on size of business



Regional sentiment



- 11% of MSEs with annual turnover of less than Rs 1 crore expressed positive sentiment – the lowest among peers in S14
- MSEs from the same turnover category reflected decline in positive sentiment in S14 compared with S10, unlike other categories that showed an improvement

Positive sentiment declined across regions on-quarter, except east; north showed maximum variation

- In S14, share of positive respondents in the south was highest
- North showed the highest increase in sentiment and east showed the lowest over S10

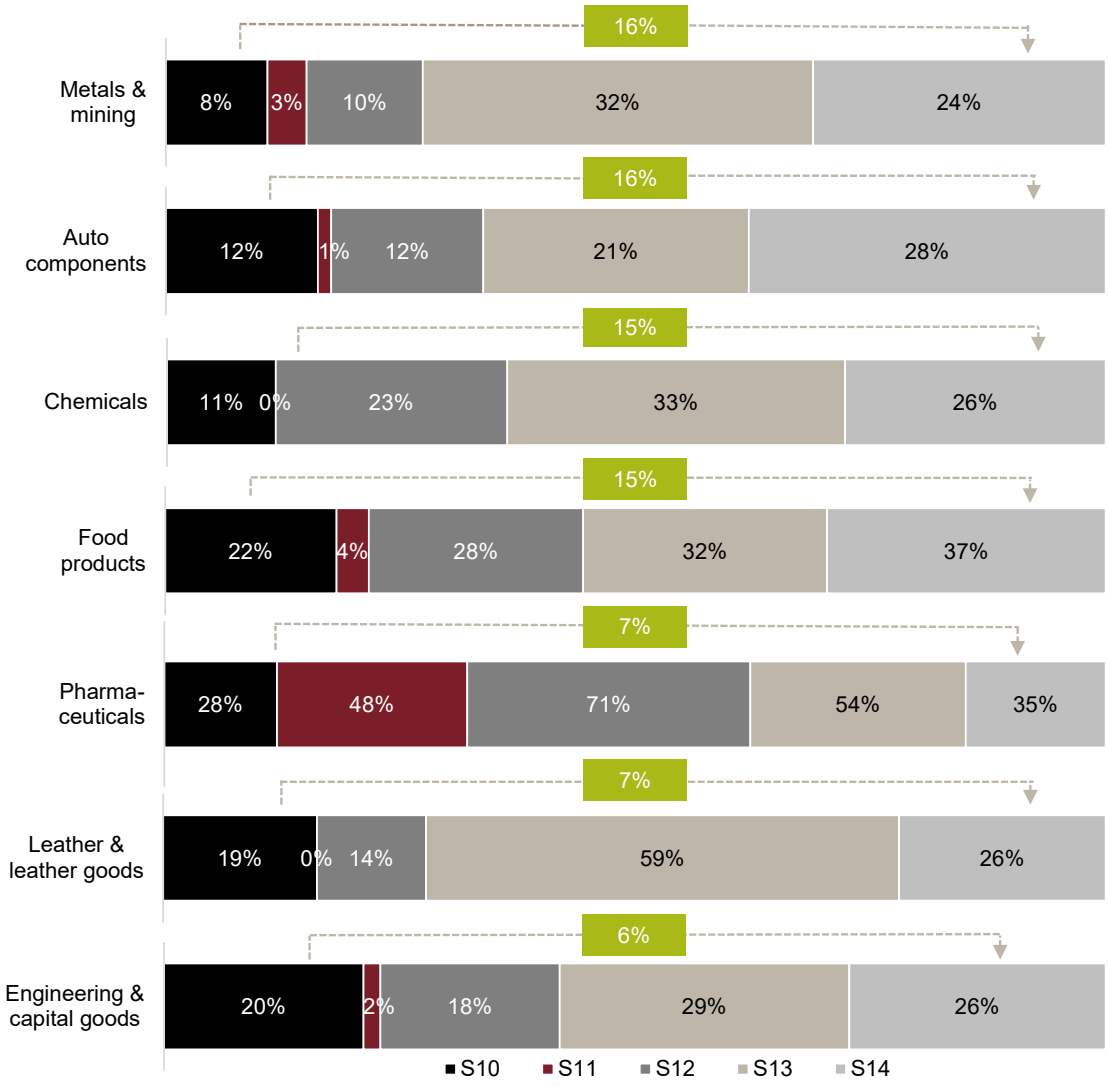
% represents share of positive respondents

Firms more optimistic than companies

- Positive sentiment marginally higher for firms than for companies
- Compared with S10, companies showed better improvement (11%) in the share of positive respondents than firms (9%)

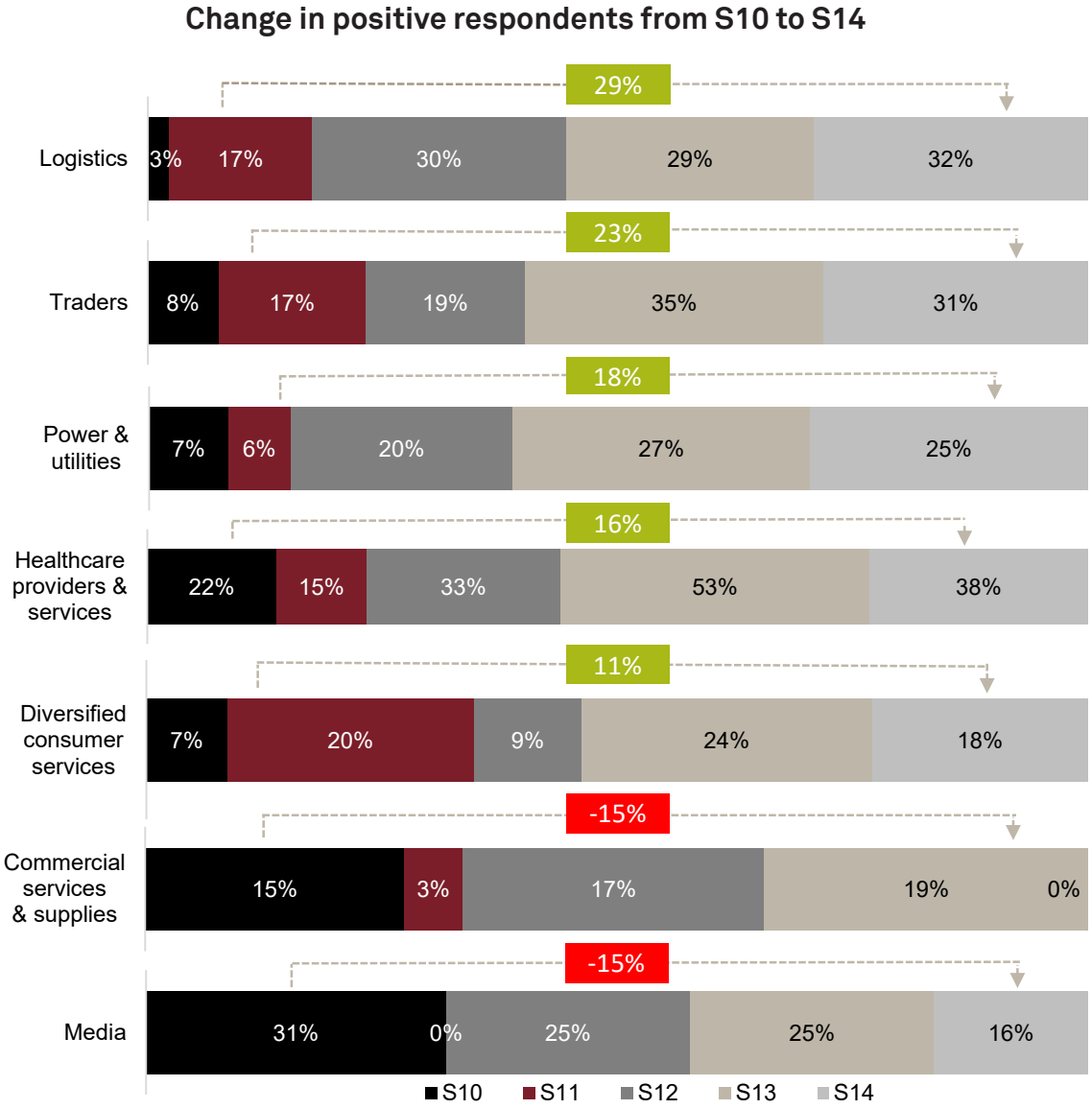
Manufacturing: uptick in all sectors, highest in metals & mining and auto components

Movement of positive respondents from S10 to S14



- MSEs belonging to the metals & mining, auto components, chemicals and food products sectors reported the highest improvement in sentiment over S10
- Leather & leather goods, pharmaceuticals and engineering & capital goods reflected the lowest improvement in sentiment over S10

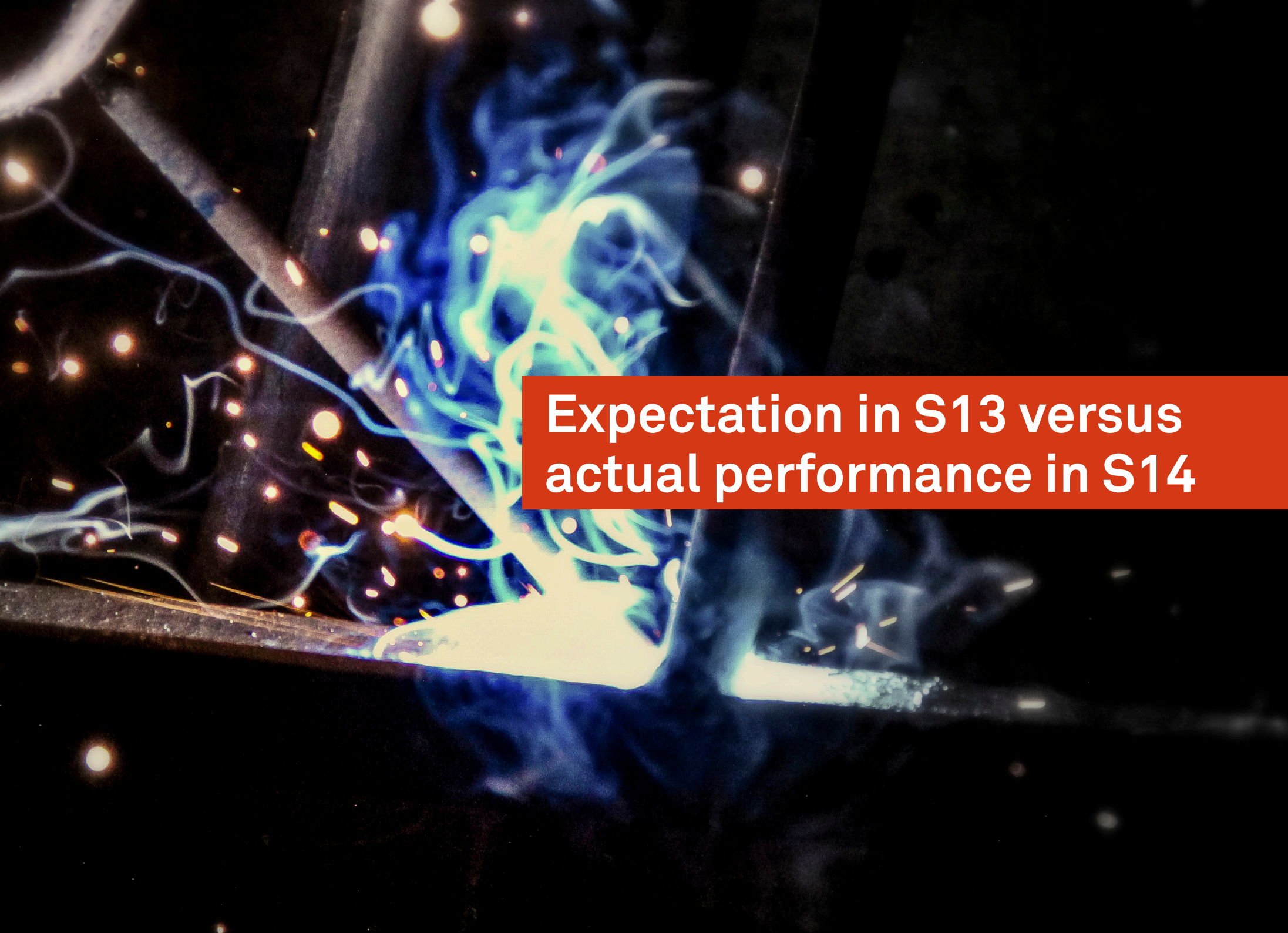
Services: muted on-year sentiment in commercial services & supplies and media



- Logistics and trade MSEs reported the sharpest increase in sentiment over S10, whereas media and commercial services & supplies reported the sharpest decline
- Healthcare providers and services, and logistics had a higher share of positive respondents among peers in S14

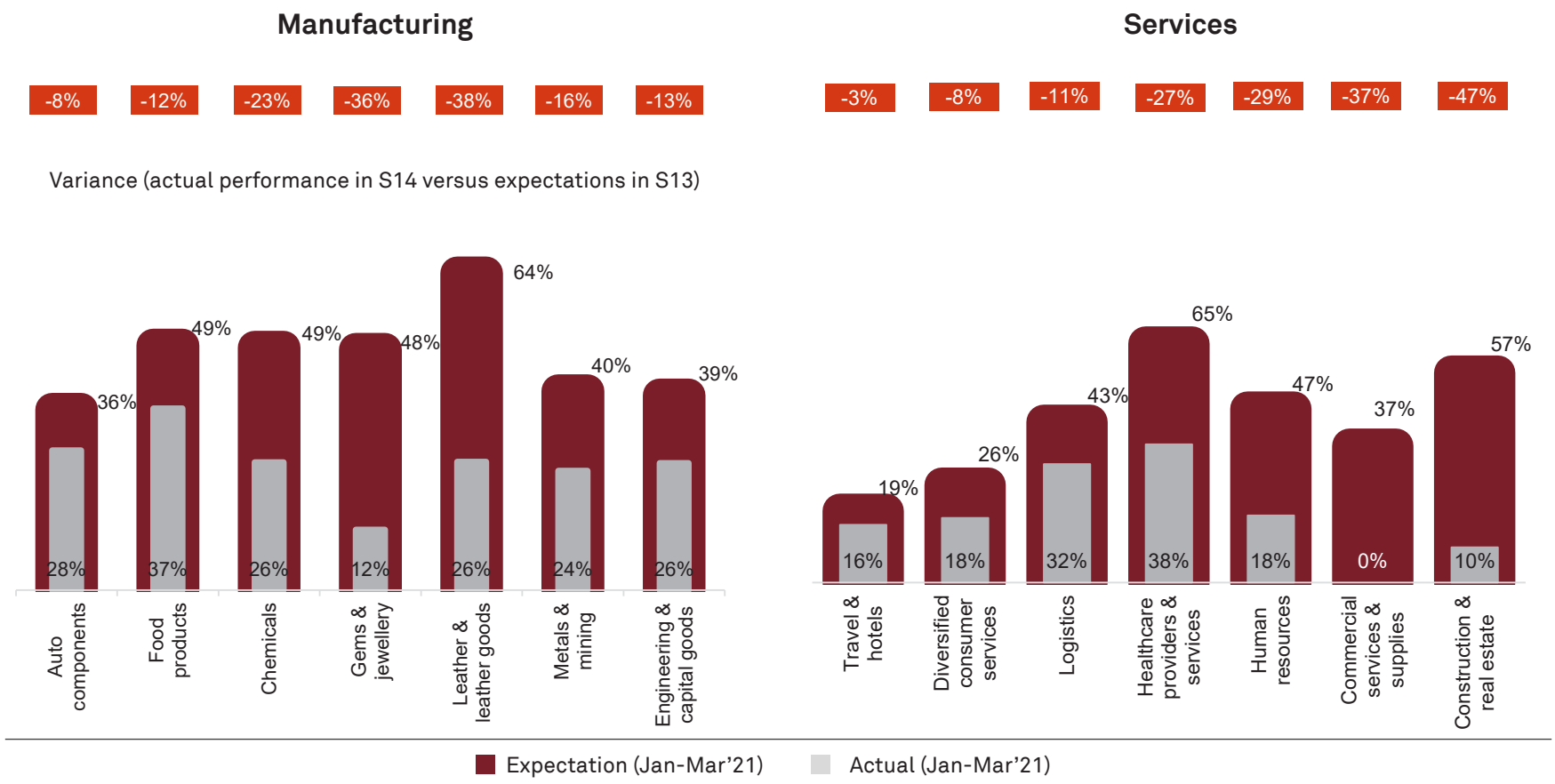
Sector underpinnings

Auto components	Demand for automotive (auto) components improved on-year in the last quarter of fiscal 2021 over a low base, owing to increased demand from domestic OEMs. Aftermarket demand also picked up bolstered by a healthy performance by OEMs during fiscals 2017-2019 and two-three years' replacement cycle. Exports recovered on improved economic conditions and buoyant freight demand in key markets. In the first quarter of fiscal 2022, the pandemic's second wave and the resultant temporary suspension of operations are likely to restrict OEM and replacement demand for auto components in the domestic market. Nonetheless, healthy sentiment in the international market is expected to boost exports
Chemicals	Demand from automobile and consumer durables sectors increased with an improvement in realisations, positively impacting the chemicals sector in the last quarter of fiscal 2021. In the first quarter of fiscal 2022, revenue is estimated to have increased on-year owing to a low base, but declined on-quarter due to a slowdown in demand because of the second pandemic wave
Engineering & capital goods	Performance of the sector, which primarily consists of many small players, was muted sequentially and on-year in the last quarter of fiscal 2021 because of an on-year jump in input prices, such as steel (up 34%), pig iron (25%) and aluminium (22%). Despite adequate demand from automobiles, textiles and pumps sectors, many players were unable to pass on the increase in raw material prices to customers. In the first quarter of fiscal 2022, demand is estimated to have been muted due to the pandemic's raging new wave. Hence, profitability of players is expected to be affected as raw material prices are likely to remain high
Gems & jewellery	Festive and pent-up demand, and easing restrictions increased the demand for gold during the third quarter of fiscal 2021, but demand dropped in the last quarter. The pandemic-induced lockdown in various states could have dented consumer confidence in the first quarter of fiscal 2022. Further, demand for gems & jewellery is likely to take a backseat (being a discretionary purchase) with people focusing on health and non-discretionary expenditure
Travel & hotels	Sentiment improved in the fourth quarter of fiscal 2021 on the back of a sequential improvement in demand, largely aided by an uptick in leisure travel and a marginal improvement in corporate travel attributable to falling pandemic cases and easing travel restrictions. With the onset of the second pandemic wave in March 2021, localised travel restrictions were announced, severely affecting travel demand. Pandemic infections and restrictions were more pronounced in the first quarter of fiscal 2022. Hence, sentiment is expected to be negative for the first quarter
Pharma-ceuticals	In the last quarter of fiscal 2021, exports of formulations and bulk drugs remained robust. Domestic demand was also high due to an increase in the number of Covid-19 cases. Demand for Covid-19 drugs and vaccines is estimated to have been high in the first quarter of fiscal 2022, due to the pandemic's second wave
Construc-tion & real estate	Continued unlocking, higher availability of labour, closure of the extended construction timeline window by the Real Estate Regulatory Authority improved real estate construction activities, while key state government incentives (especially in Maharashtra and Karnataka) in the form of stamp duty reduction and waiver of developer premium charges (for Mumbai Metropolitan Region) boosted market as well as developer sentiment in the fourth quarter of fiscal 2021. Furthermore, back-loaded government spending across infrastructure projects, coupled with imposition of lockdown in 2020, led to higher construction activities and boosted sentiment in the last quarter of fiscal 2021. In the first quarter of fiscal 2022, the second wave affected the recovery trajectory (sales and construction) in the sector. An uncertain business environment and the pandemic's second wave-induced lockdown/restrictions have curtailed business activities and investments. In fact, monsoon has also impacted construction activities, leading to a subdued performance sequentially


Expectation in S13 versus
actual performance in S14

All sectors fell short of expectation

- Highest variance for construction & real estate, leather & leather goods, gems & jewellery



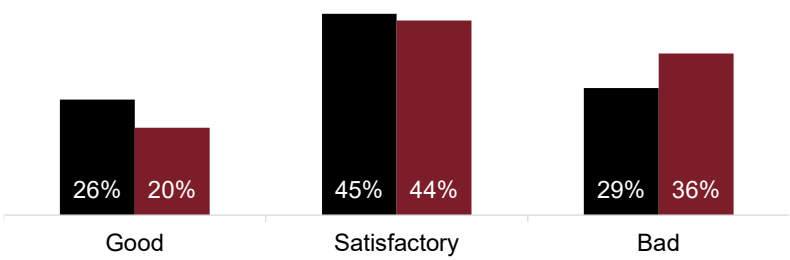
- Construction & real estate, leather & leather goods and gems & jewellery sectors fell short of expectations the most, whereas auto components and travel & hotel the least

% represents share of positive respondents

Sentiment in S14

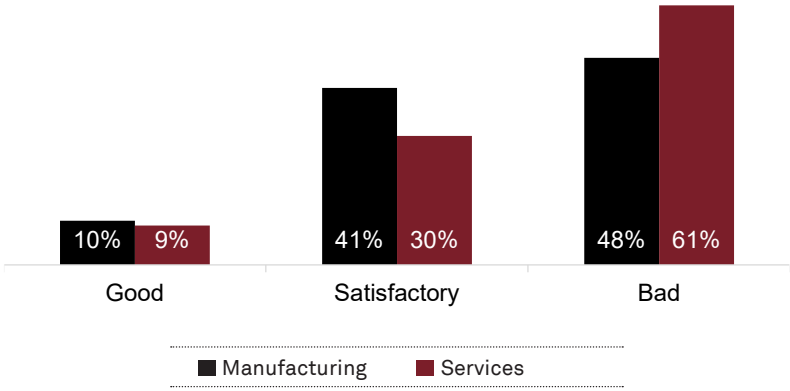
Higher negative sentiment surrounding business in services vis-à-vis manufacturing

SQ14 (January-March 2021)



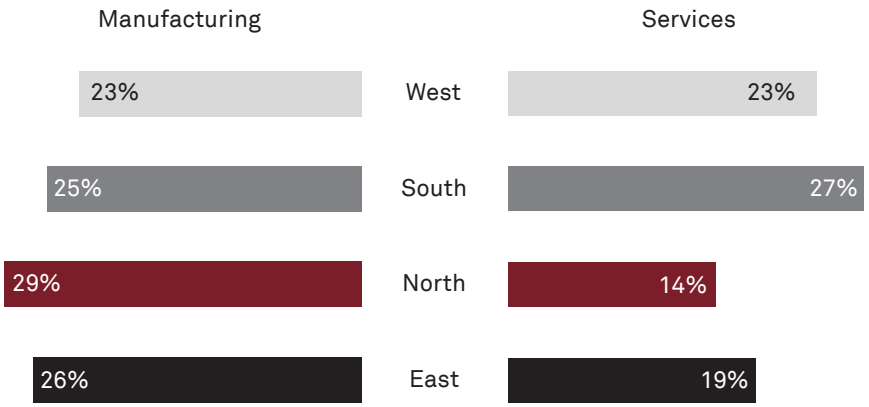
- 29% respondents in manufacturing and 36% in services rated the overall business situation in the survey quarter (SQ14) as bad
- 26% respondents in manufacturing and 20% in services sectors rated the overall business situation in the survey quarter (SQ14) as good

NQ14 (April-June 2021)

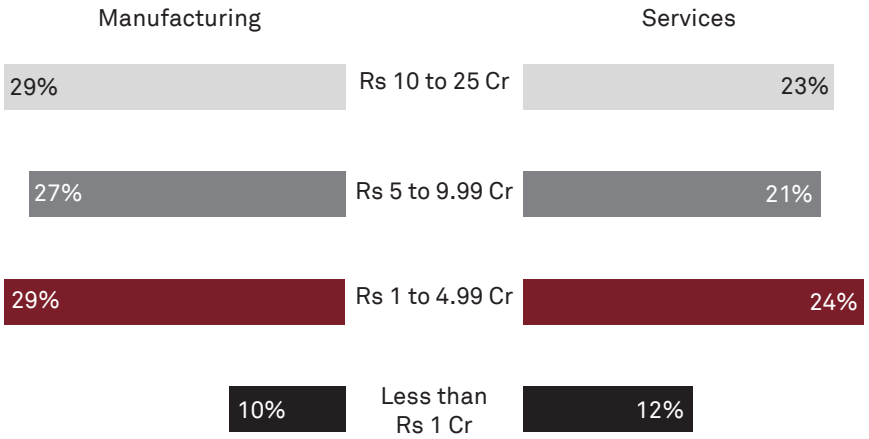


- Sentiment was eroded further as 48% and 61% respondents in manufacturing and services, respectively, projected a bad next quarter (NQ14). Only 10% and 9% projected a good next quarter (NQ14)

Manufacturing fares better in north and east, smaller MSEs hit harder



- The share of positive respondents in manufacturing MSEs was higher compared with services MSEs in the East and North
- Manufacturing MSEs based in the North had the highest share of positive respondents. Services MSEs from the North had the lowest share of positive respondents compared with other regions in manufacturing and services

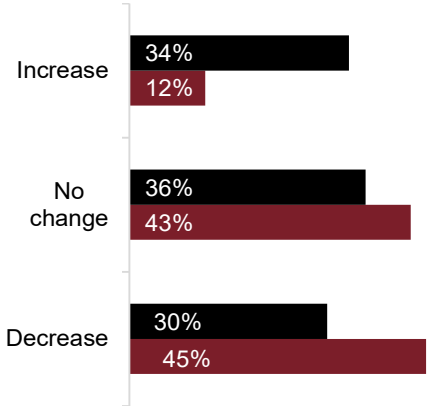


- Manufacturing and services MSEs with an annual turnover of less than Rs 1 crore had the lowest share of positive respondents at 10% and 12%, respectively, compared with peers from other turnover buckets

% represents share of positive respondents

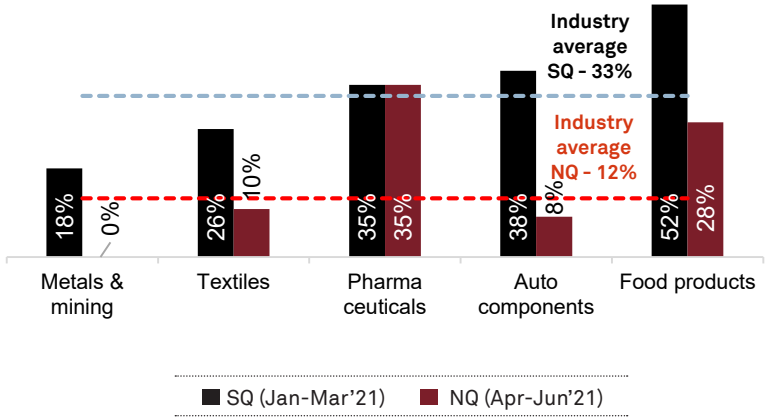
Manufacturing MSEs see domestic order books shrink

Manufacturing - order book size (domestic)



- 30% of MSEs in manufacturing saw de-growth in their domestic order books in SQ14. The share of MSEs in manufacturing expecting de-growth in their domestic order book increased to 45% in NQ14

Manufacturing industries – order book size (domestic)

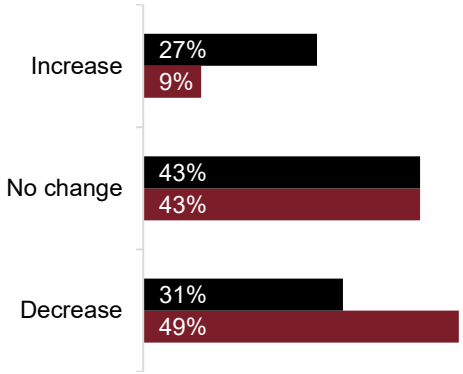


% represents share of positive respondents

- The share of respondents in the food products, auto components and pharmaceuticals segments that saw an increase in their order book size exceeded the industry average in SQ14
- In textile as well as metal and mining, the share of respondents that reported an increase in order book size in SQ14 was lower than the industry average

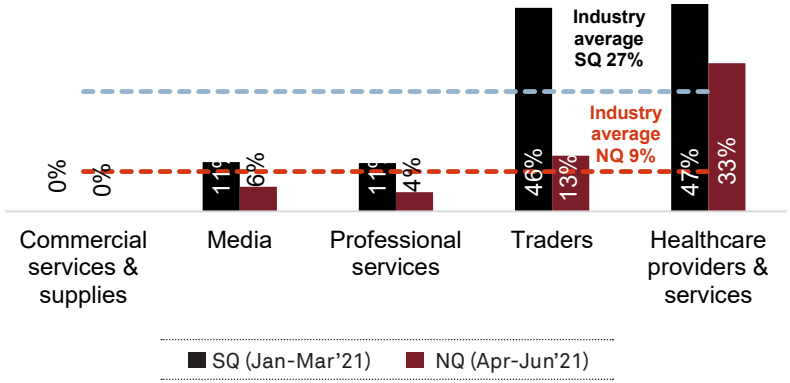
Services MSEs see a sharper decline in domestic order book

Services - order book size (domestic)



- 31% of services MSEs saw their domestic order books decline sharply in SQ14. They are likely to further decline to 49% in NQ14

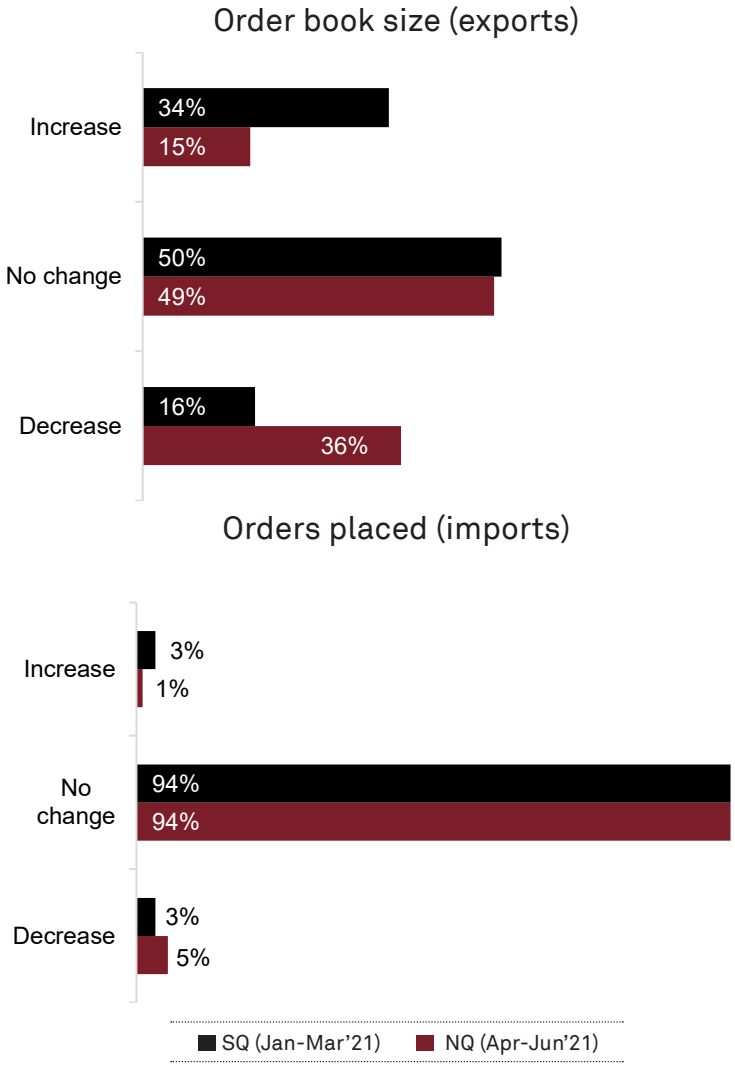
Services industries - order book size (domestic)



% represents share of positive respondents

- Respondents from traders and healthcare providers & services reported that the increase in their order book size exceeded the industry average in SQ14
- Respondents from commercial services & supplies, media and professional services reported the lowest increase in order book size compared with the industry average in SQ14

Share of MSEs anticipating a decline considerably higher for importers compared with exporters

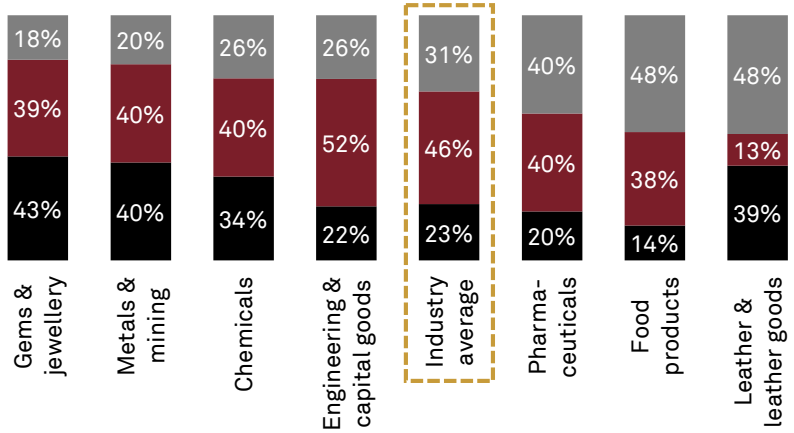


- 34% of MSEs with export order books saw an improvement in orders in SQ14. However, this increase is expected to slow to 15% in NQ14

- Only 1% of importers expect the order book size to increase in NQ14 against 3% in SQ14

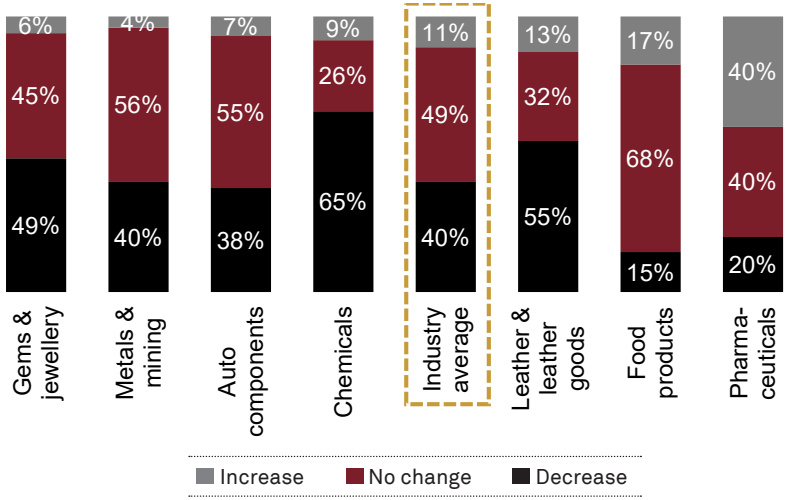
Food products pharmaceuticals fare well; gems & jewellery and metal & mining see subdued production volume

Production volume by industry - survey quarter



- In SQ14, MSEs in leather & leather goods and food products had the highest share of respondents that saw an increase in production volume (industry average of 31%)
- Gems & jewellery and metal & mining MSEs had the lowest share of respondents that saw an increase in production volume compared with the industry average

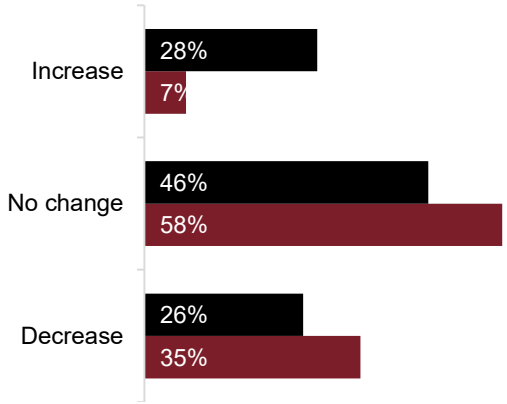
Production volume by industry - next quarter



- Pharmaceuticals and food products MSEs account for the highest share of respondents optimistic about production volume growth, exceeding the industry average of 11% in NQ14. Metal & mining and gems & jewellery have the lowest share of respondents reporting an increase in production volume

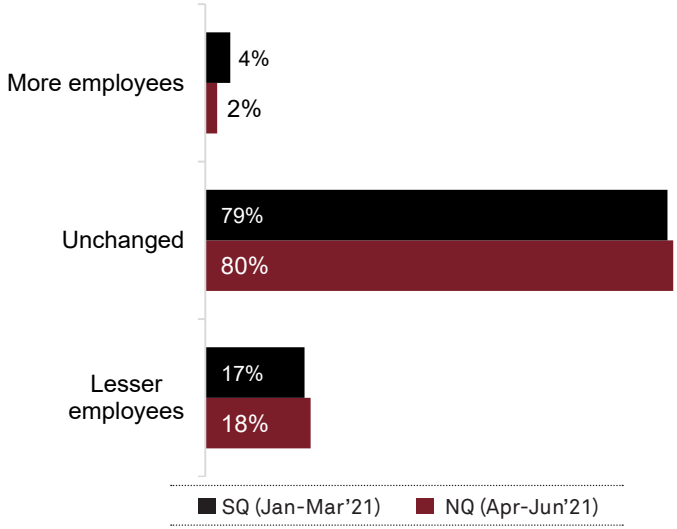
Employee base severely affected; capacity utilisation muted

Capacity utilisation (manufacturing)



- In SQ14, 28% of manufacturing-based MSEs reported an increase in capacity utilisation, while 26% reported a decline. However, 46% said they saw no change.
- In NQ14, only 7% respondents expect an increase in capacity utilisation, and 35% anticipate a decline

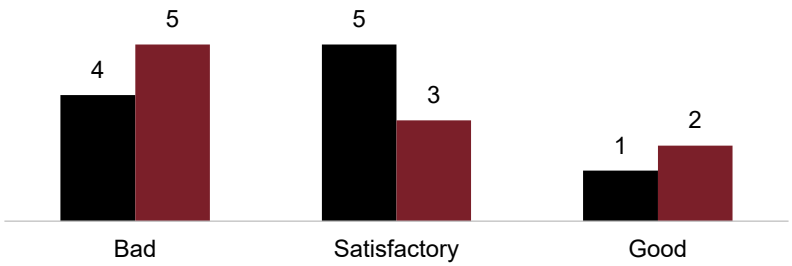
Employee base (manufacturing and services)



- In SQ14, 17% respondents saw a decline in their employee base, whereas 79% reported no change
- In NQ14, only 2% foresee an expansion in their employee base, 80% do not expect any change, while 18% expect a reduction

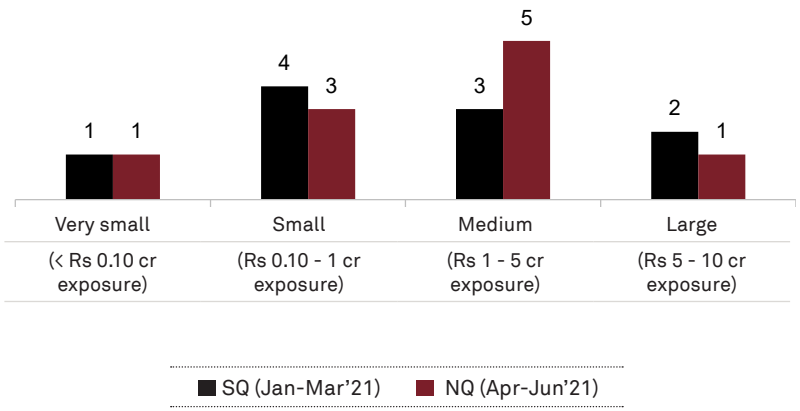
Lenders' sentiment muted on business situation; small and medium players to see relatively better credit growth

Business situation



- In SQ14, one out of 10 lenders surveyed rated the overall business situation of MSEs as good, five out of 10 rated it as satisfactory, and four out of 10 as bad
- In NQ14, three out of 10 expect the situation to be satisfactory, five out of 10 rated it as bad and two out of 10 foresee an improvement

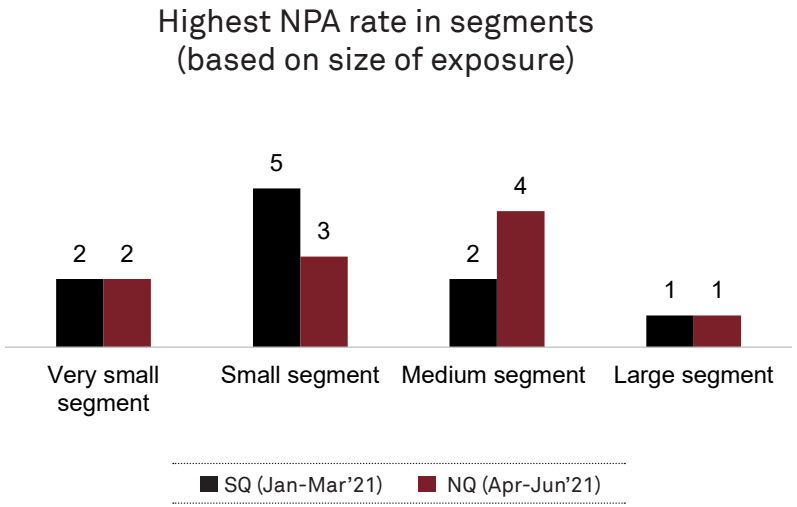
Highest credit growth in segments (based on size of exposure)



- In SQ14, four out of 10 lenders reported the highest credit growth in the Rs 0.10-1 crore segment and three out of 10 lenders reported the highest growth in the Rs 1-5 crore credit exposure segment vs one out of 10 in the below Rs 1 crore and two out of 10 in the above Rs 5 crore credit exposure segment. Lenders shared a similar view for NQ14

Lenders see a deterioration in asset quality

- Four out of 10 lenders reported no change in NPAs in SQ14. Four reported an increase in NPAs, while two reported a decrease
- In NQ14, three out of 10 lenders expect no change in NPAs. Six foresee an increase, while one expects a decrease



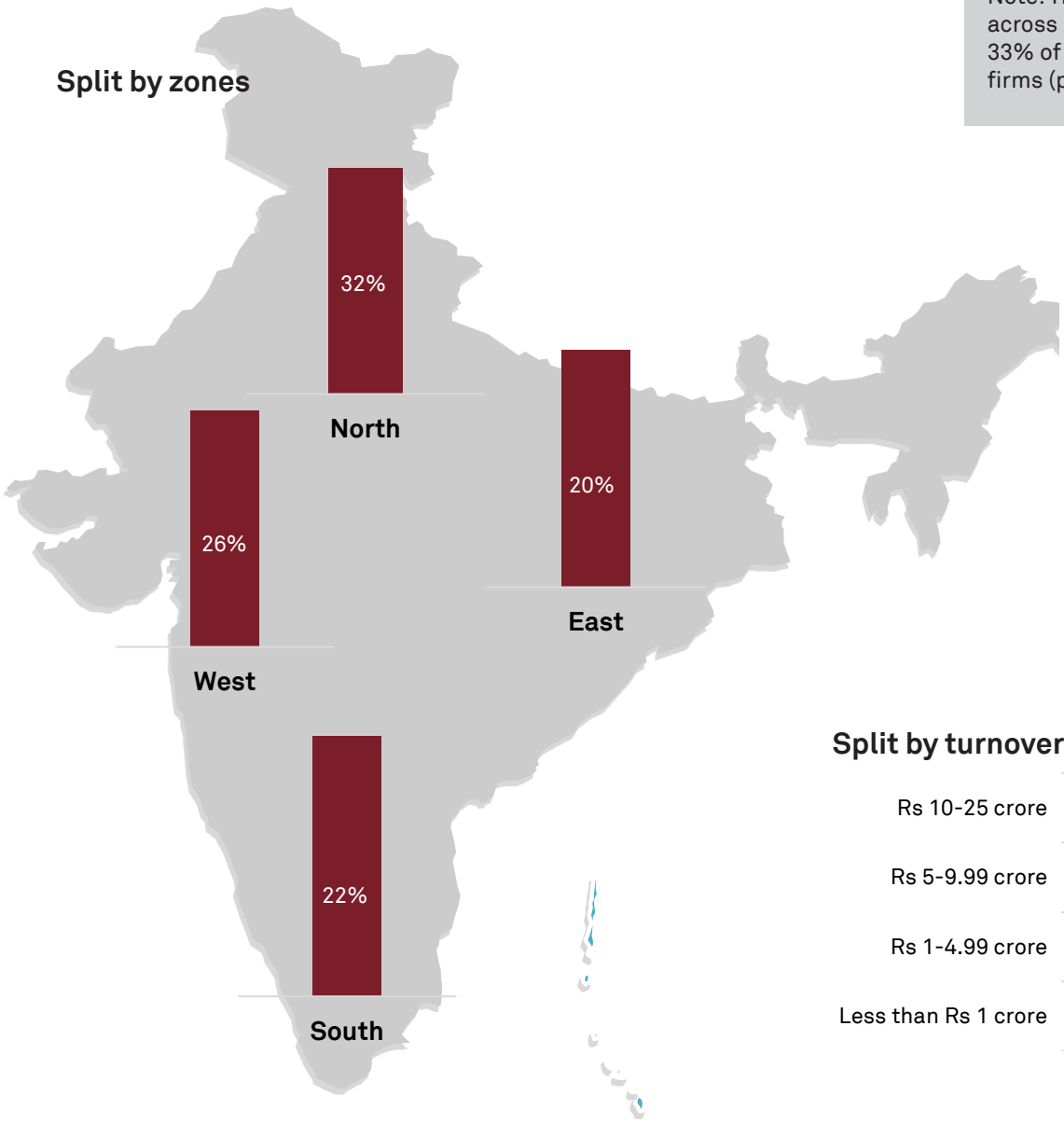
- Two out of 10 in the very small segment, five out of 10 in the small segment, two out of 10 in the medium segment, and one out of 10 in the large segment saw an increase in NPA levels in SQ14
- A similar trend was expected in NQ14, except for the medium segment, where respondents indicating an increase in NPA levels doubled from two to four. For the small segment, respondents expecting an increase in NPA levels declined from five to three

Annexures

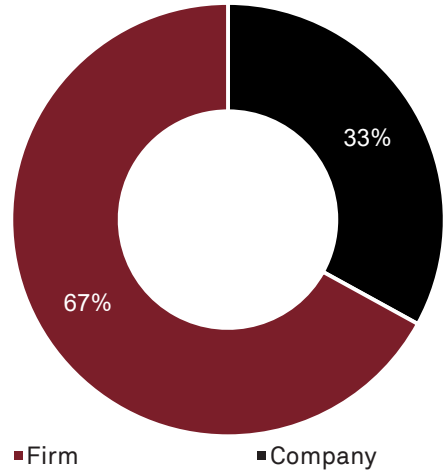
Sample summary

Note: The sample selected for the survey is well-distributed across zones and turnover categories. In terms of legal status, 33% of the participating MSEs were companies and 67% were firms (proprietorships and partnerships)

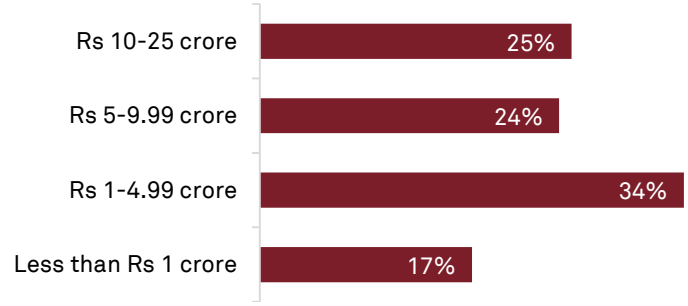
Split by zones



Split by legal status



Split by turnover



Glossary

Broad products/services included under respective segments

Auto components include manufacturers of auto parts, die casting products, motor/tractor parts, diesel and fuel engine parts

Chemicals comprise manufacturers of fabric chemicals, dyes, specialty chemicals, paint products and water treatment chemicals

Engineering & capital goods comprise elevator parts, crane manufacturing, machinery parts and cutting tools

Food products comprise manufacturers of bakery products, ice cream, poultry and cattle feed and processing of agro-based products

Gems & jewellery include manufacturers of gold jewellery and retailing, diamond cutting, and polishing

Leather & leather goods comprise manufacturers of leather footwear and all types of leather accessories

Pharmaceuticals comprise manufacturers of bulk drugs, tablets, capsules, injections, sanitisers, syrups and handwash

Commercial services & supplies comprise all types of printing, car rental services and security system installation

Diversified consumer services comprise education, cold storage services, cab/catering services and maintenance services

Healthcare providers & services comprise hospitals, fitness and medical equipment and pathological services

Human resources comprise manpower management, security services, employment services and housekeeping services

IT/ITeS comprises software developers, computer hardware services, internet services, business process outsourcing and IT consulting

Logistics comprise air freight, transportation services and warehousing services

Power & utilities comprise power transmission, solar products and electronic equipment

Professional services comprise consultancy, courier services, tailoring, beauty parlours and videography services

Travel and hotels comprise hotels and restaurants, travel and tour operators

Media services comprise advertising, hoarding, outdoor advertising and shootings

Metals & mining comprises manufacturers of alloy, steel, aluminium extrusion products and foundry services

Notes

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Small Industries Development Bank of India has been established under an Act of the Parliament in 1990. SIDBI is mandated to serve as the Principal Financial Institution for executing the triple agenda of promotion, financing and development of the Micro, Small and Medium Enterprises (MSME sector) and co-ordination of the functions of the various Institutions engaged in similar activities. Over the years, through its various financial and developmental measures, the Bank has touched the lives of people across various strata of the society, impacted enterprises over the entire MSME spectrum and engaged with many credible institutions in the MSME ecosystem. Under Vision 2.0, SIDBI has spearheaded various Initiatives to address the Information Asymmetry in MSME sector like '**CriSidEx**', for gauging the MSE sentiments & aspirations, '**MSME Pulse**', the health tracker of MSME, '**Fintech Pulse**', for credit data insights on Fintech lending segment, '**Microfinance Pulse**', insight report on Microfinance sector and '**Industry Spotlight**', a comprehensive report on major industry sectors.

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