



Sentiment moderates

August 2019 | Volume 7

CriSidEx survey for April-June 2019 and July-September 2019



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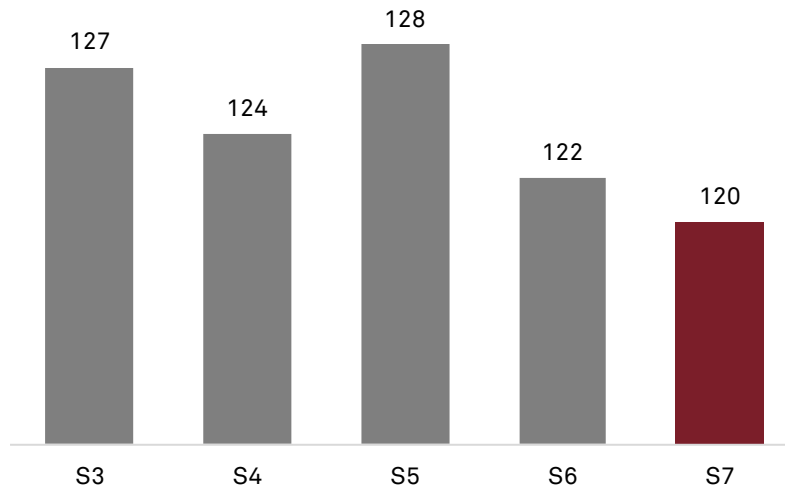
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S7 CriSidEx lower on-year; also drops below S6



At 120, the CriSidEx* score for April-June, 2019 (Survey 7) was below the 122 logged in January-March, 2019 (Survey 6)

Abbreviations

CriSidEx survey	Survey quarter (SQ)	Next quarter (NQ)
Survey 1 (S1)	October- December 2017 (SQ1)	January-March 2018 (NQ1)
Survey 2 (S2)	January-March 2018 (SQ2)	April-June 2018 (NQ2)
Survey 3 (S3)	April-June 2018 (SQ3)	July-September 2018 (NQ3)
Survey 4 (S4)	July-September 2018 (SQ4)	October-December 2018 (NQ4)
Survey 5 (S5)	October-December 2018 (SQ5)	January-March 2019 (NQ5)
Survey 6 (S6)	January-March 2019 (SQ6)	April-June 2019 (NQ6)
Survey 7 (S7)	April-June 2019 (SQ7)	July-September 2019 (NQ7)

* See 'How to read CriSidEx' on page 12

On-year movement in index parameters

Manufacturing

Component parameters	Actual		
	S3	S7	S7-S3
Volume of production	133	122	-11
Order-book size	139	128	-11
PAT Margin	126	122	-4
Capacity utilisation	131	119	-12
Employee base	115	111	-4
Manufacturing Index	129	120	-9

Services

Component parameters	Actual		
	S3	S7	S7-S3
Order-book size	135	124	-11
PAT margin	127	121	-6
Employee base	111	113	2
Services Index	124	119	-5

Between Manufacturing and Services, the index was positive only for services and on one common parameter: employee base

Positive ■ Negative ■

CriSidEx readings | Manufacturing

Index parameters	SQ					NQ					
		Negative	Neutral	Positive	Index		Negative	Neutral	Positive	Index	
Volume of production	S3	10%	47%	43%	133	S3	7%	35%	58%	151	
	S4	9%	48%	43%	134	S4	5%	39%	56%	151	
	S5	8%	49%	43%	135	S5	7%	36%	57%	150	
	S6	12%	44%	44%	132	S6	8%	49%	43%	135	
	S7	11%	56%	33%	122	S7	7%	54%	39%	132	
	Order-book size	S3	8%	45%	47%	139	S3	7%	34%	59%	152
	S4	8%	50%	42%	134	S4	5%	38%	57%	152	
S5	8%	46%	46%	138	S5	6%	37%	57%	151		
S6	13%	41%	46%	133	S6	10%	45%	45%	135		
S7	10%	52%	38%	128	S7	7%	47%	46%	139		
PAT margin	S3	13%	48%	39%	126	S3	9%	46%	45%	136	
	S4	12%	52%	36%	124	S4	6%	44%	50%	144	
	S5	12%	50%	38%	126	S5	10%	42%	48%	138	
	S6	17%	46%	37%	120	S6	11%	47%	42%	131	
	S7	12%	54%	34%	122	S7	8%	49%	43%	135	
Capacity utilisation	S3	6%	57%	37%	131	S3	6%	46%	48%	142	
	S4	7%	57%	36%	129	S4	5%	45%	50%	145	
	S5	6%	56%	38%	132	S5	5%	47%	48%	143	
	S6	10%	54%	36%	126	S6	9%	54%	37%	128	
	S7	9%	63%	28%	119	S7	6%	58%	36%	130	
Employee base	S3	3%	79%	18%	115	S3	2%	71%	27%	125	
	S4	4%	84%	12%	108	S4	2%	77%	21%	119	
	S5	5%	75%	20%	115	S5	5%	70%	25%	120	
	S6	4%	86%	10%	106	S6	5%	80%	15%	110	
	S7	4%	81%	15%	111	S7	3%	86%	11%	108	
Manufacturing Index	S3	SQ3			129	S3	NQ3			141	
	S4	SQ4			126	S4	NQ4			142	
	S5	SQ5			129	S5	NQ5			140	
	S6	SQ6			123	S6	NQ6			128	
	S7	SQ7			120	S7	NQ7			129	

CriSidEx readings | Services

Index parameters		SQ				NQ				
		Negative	Neutral	Positive	Index	Negative	Neutral	Positive	Index	
Order-book size	S3	9%	47%	44%	135	S3	6%	43%	51%	145
	S4	8%	53%	39%	131	S4	5%	41%	54%	149
	S5	6%	53%	41%	135	S5	8%	36%	56%	148
	S6	13%	43%	44%	131	S6	9%	50%	41%	132
	S7	10%	56%	34%	124	S7	10%	45%	45%	135
PAT margin	S3	13%	47%	40%	127	S3	10%	42%	48%	138
	S4	13%	51%	36%	123	S4	7%	43%	50%	143
	S5	9%	50%	41%	132	S5	10%	38%	52%	142
	S6	16%	40%	44%	128	S6	11%	49%	40%	129
	S7	11%	57%	32%	121	S7	10%	43%	47%	137
Employee base	S3	5%	79%	16%	111	S3	4%	70%	26%	122
	S4	4%	81%	15%	111	S4	3%	74%	23%	120
	S5	5%	75%	20%	115	S5	7%	65%	28%	121
	S6	9%	78%	13%	104	S6	9%	70%	21%	112
	S7	4%	79%	17%	113	S7	2%	79%	19%	117
Services Index	S3	SQ3			124	S3	NQ3			135
	S4	SQ4			122	S4	NQ4			137
	S5	SQ5			127	S5	NQ5			137
	S6	SQ6			121	S6	NQ6			124
	S7	SQ7			119	S7	NQ7			130
CriSidEx (Manufacturing+Services)	S3	SQ3			127	S3	NQ3			138
	S4	SQ4			124	S4	NQ4			140
	S5	SQ5			128	S5	NQ5			139
	S6	SQ6			122	S6	NQ6			126
	S7	SQ7			120	S7	NQ7			129

Business sentiment in April-June 2019

Survey 7 found that overall sentiment remained weak in Q1FY20.

Manufacturing sentiment index declined on-year owing to

- Consumption slowdown stemming from higher ownership cost, axle norms and inventory build-up impacting the auto sector, and thereby auto-components
- Election slowdown and low domestic tendering, especially in the capital goods segment
- Cautious outlook on textile export demand owing to moderation in global growth

Services sentiment index, too, dipped on-year, though not as sharply as manufacturing. The dip was mainly on account of

- Cautious outlook on global economic growth, which is expected to impact IT spends
- Slower growth in domestic freight demand, given sluggish consumption

Sectors that saw a positive trend

- Among manufacturers, 27% reported a good SQ7, lower than 45% in the same quarter a year ago (S3) and also lower than 42% in the previous quarter (S6). In fact, positive sentiment in SQ7 was the lowest among the past five quarters
 - In SQ7, chemicals, pharmaceuticals and metal & mining had the highest share of respondents who reported a good quarter. In pharmaceuticals, which is an export-linked sector, an improving product pipeline will benefit the profit spreads of players as currency tailwind abates.

- On-year basis (S3 to S7), no sector reported increase in share of respondents with positive sentiment
- Among service providers, 28% reported a good SQ7, lower than 44% in the same quarter a year ago (SQ3) and also lower than 39% in the previous quarter (S6). However, here too, positive sentiment in SQ7 was the lowest among the past 5 quarters
 - In SQ7, commercial services & supplies, human resources, healthcare providers & services and professional services segments had the highest share of respondents who reported a good quarter
 - On-year basis (S3 to S7), commercial services & supplies, healthcare providers & services and human resources reported increase in share of respondents with positive sentiment

Sectors that saw a subdued trend

- Among manufacturers
 - In SQ7, auto-components, gems & jewellery, and leather & leather goods had a higher share of respondents reporting a subdued quarter. As per CRISIL estimates, auto-components will record a muted 5% revenue growth in fiscal 2020
 - On-year basis (S3 to S7), gems & jewellery, chemicals and auto components witnessed sharper decline in share of respondents with positive sentiment
- Among service providers
 - In SQ7, power & utilities and construction & real estate had a higher share of respondents reporting a subdued quarter. Healthcare providers had a mixed bag. As per CRISIL estimates, in the construction sector, margins are expected to deteriorate because of a change in the revenue mix. Revenue will be driven by less profitable sectors such as roads, power transmission and distribution, water supply, and irrigation

- On-year basis (S3 to S7), IT/ITeS, traders, and power & utilities witnessed greater decline in share of respondents with positive sentiment. As per CRISIL estimates, the IT sector's revenue and profitability growth are expected to moderate in fiscal 2020 as the benefit accruing from currency depreciation abates

Business sentiment for July–September 2019

The uptick in the overall NQ7 score -- at 129 compared with 126 for NQ6 -- possibly indicates the respondents view SQ7 as a blip rather than a trend. The reading is in line with CRISIL's view that the economy will fare better in the second half of fiscal 2020, compared with the first.

- 33% of respondents in manufacturing and 39% in services expect a good next quarter (NQ7)
- Compared with NQ6, the expectation in NQ7 is lower in manufacturing and higher in services

Sectors anticipating a positive trend

- Among manufacturers,
 - For NQ7, respondents from pharmaceuticals, chemicals and metal & mining were the most optimistic
 - On-year basis (NQ3 to NQ7), no sector reported increase in the share of respondents with positive sentiment
- Among service providers
 - For NQ7, respondents from human resources, commercial services & supplies and professional services segments were the most optimistic
 - On-year basis (NQ3 to NQ7), commercial services & supplies segment reported higher increase in optimism

Sectors foreseeing a subdued trend

- Among manufacturers
 - In NQ7, gems & jewellery and auto-components had a higher share of respondents expecting a subdued quarter
 - On-year basis, gems & jewellery and auto-components witnessed sharper decline in optimism
- Among service providers
 - For NQ7, power & utilities, construction & real estate, and healthcare providers had a higher share of respondents expecting a subdued quarter
 - On-year basis, traders and IT/ITeS witnessed sharper decline in optimism

Other trends in business sentiment

Companies more positive than firms

- Companies were more positive, with 31% reporting a good survey quarter, compared with 25% of firms
- The trend of companies having higher positive sentiment was in line with the last five surveys as well

Similar sentiment among MSEs of all sizes; large MSEs more optimistic

- 29% of MSEs in each category (more than 25 employees and less than 10 employees) reported a good SQ7
- For NQ7, 43% of MSEs with more than 25 employees expected a good next quarter, compared with 34% of MSEs with less than 10 employees

For services, employee base only parameter up on-year

Manufacturing

Change in the share of positive respondents

Component parameters	Actual	
	S7 – S6	S7 – S3
Volume of production	-11%	-10%
Order-book size	-8%	-9%
PAT margin	-3%	-5%
Capacity utilisation	-8%	-9%
Employee base	5%	-3%

Services

Change in the share of positive respondents

Component parameters	Actual	
	S7 – S6	S7 – S3
Order-book size	-10%	-10%
PAT margin	-12%	-8%
Employee base	4%	1%

- Between S6 and S7, the share of respondents who reported an increase in their employee base surprisingly increased by 5% in manufacturing and 4% in services
- On-year, no parameter had a higher share of positive respondents in manufacturing, while services was flat but for a marginal increase of 1% in employee base
- Both manufacturing and services MSEs have seen a decline in positive sentiment with respect to order-book size and PAT margin in S7 compared with both S3 and S6

Positive  Negative 

Domestic order book in April-June 2019

More than one-third MSEs reported increase in order book but sentiment lower than S3 and S6

- For SQ7, 35% of MSEs reported an increase in domestic order book, compared with 43% in SQ6 and 44% in SQ3
- In manufacturing, chemicals, metal & mining, and pharmaceuticals reported a higher increase in order-book size
 - Gems & jewellery had a mixed bag
 - Auto components and leather & leather goods had a larger share of respondents reporting a subdued quarter
- In services, human resources, logistics, traders and travel & hotels reported a higher increase in order-book size
 - Healthcare providers and IT/ITeS had a relatively muted quarter
 - Power & utilities had a mixed bag

Domestic order book in July-September 2019

Expectation higher for next quarter

- MSEs were largely optimistic for NQ7 with 44% expecting increased domestic orders, compared with 43% in NQ6 and 53% in NQ3
- In manufacturing, Gems & jewellery, pharmaceuticals and metal & mining were the most optimistic
 - Auto-components had a higher share of respondents expecting a muted quarter
- In services, human resources, logistics segments and construction & real estate anticipated enhanced order book position in NQ7
 - IT/ITeS and travel & hotels had a higher share of respondents expecting a muted quarter
 - Healthcare providers had a mixed bag

Other order book trends

Export-oriented MSEs perform similar to domestic peers

- In SQ7, 35% of export-based MSEs reported an increase in order book, compared with 45% in SQ6 and 39% in SQ3
 - These players matched the performance of their domestic peers
- However in NQ7, only 41% of exporters expected an increase in order book size as against 40% in NQ6 and 53% in NQ3
 - Here, domestic players anticipated a marginally higher (44%) order book compared with their exports-based peers (41%)

Importers subdued

- In SQ7, the share of importers who increased their orders declined to 13% against 17% in SQ6
- For NQ7, 18% of the importers expected to increase their orders as against 14% in SQ6

Miscellaneous trends

Production and capacity utilisation expected to remain stable

- For NQ7, 39% of manufacturing MSEs expected an increase in production, 54% saw it unchanged and 7% expected it to be lower
- In terms of capacity utilisation, 36% expected higher utilisation in NQ7, 58% saw it unchanged and 6% expected it to be lower

Hiring witnessed an increase

- In SQ7, 16% of the MSEs reported additions to their employee base compared with 11% in SQ6; 80% maintained the base, while 4% reported reductions
- In NQ7, 15% intended to add employees, while 2% intended to reduce headcount

- In manufacturing, pharmaceuticals and gems & jewellery were looking to add more employees
- In services, construction & real estate, human resources and professional services were the most optimistic about hiring more

Lenders have moderate outlook on business situation

- In SQ7, 3 out of 10 of lenders surveyed saw improvement in overall business situation of MSEs, 5 out of 10 rated it as satisfactory, and 2 out of 10 reported it as below satisfactory level
- For NQ7, 4 out of 10 of the lenders had a positive outlook on MSEs, 5 out of 10 expected it to be satisfactory, and 1 out of 10 expected it to be below satisfactory levels

Small-ticket segment the hottest for lenders

- In SQ7, 7 out of 10 lenders reported highest credit growth in the sub-Rs 1 crore credit exposure segment versus 1 out of 10 in the Rs 5-10 crore segment
- For NQ7, too, lenders expected a similar trend to SQ7

Lenders see minor improvement in asset quality

- 6 out of 10 lenders reported no change in NPAs, while 3 reported an increase and only 1 reported a decrease
- 5 out of 10 in the medium segment, 3 out of 10 in the small segment and 1 out of 10 each in very small and large segments witnessed the most increase in NPA levels

Going forward, since much of the stress has already been recognised over the past three fiscals (Rs 14 lakh crore slippages), CRISIL expects slippages to moderate over the next two fiscals.



About CriSidEx

CriSidEx is India's first sentiment index for micro and small enterprises (MSEs) that indicates the current state and expected outlook on 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 8 parameters (5 manufacturing and 3 services parameters) with equal weights. It measures MSE business sentiment on a scale of 0 to 200, where 0 indicates extremely negative sentiment, 100 neutral sentiment and 200 extremely positive sentiment. The distance of the score from 100 is indicative of the strength of the expansion or decline.

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

Since CriSidEx represents MSEs only, care should be taken by users 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, or NBFCs). CRISIL and SIDBI acknowledge the support of all the participant banks and financial institutions, with special thanks to Cashpor Micro Credit, Fullerton India Credit Company Limited, IndusInd Bank, Kotak Mahindra Bank, North Eastern Development Finance Corporation Limited 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'. That's 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:

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

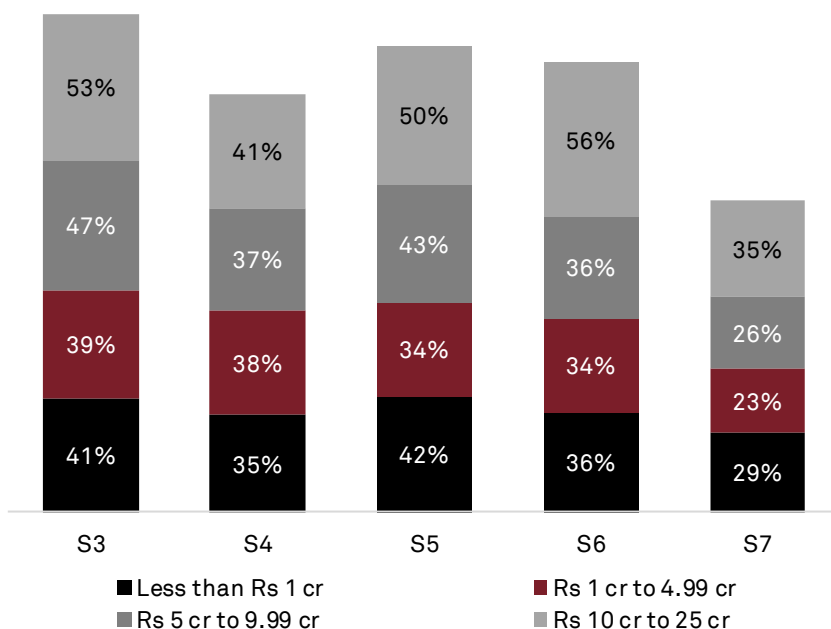
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**Comparison
across
surveys**

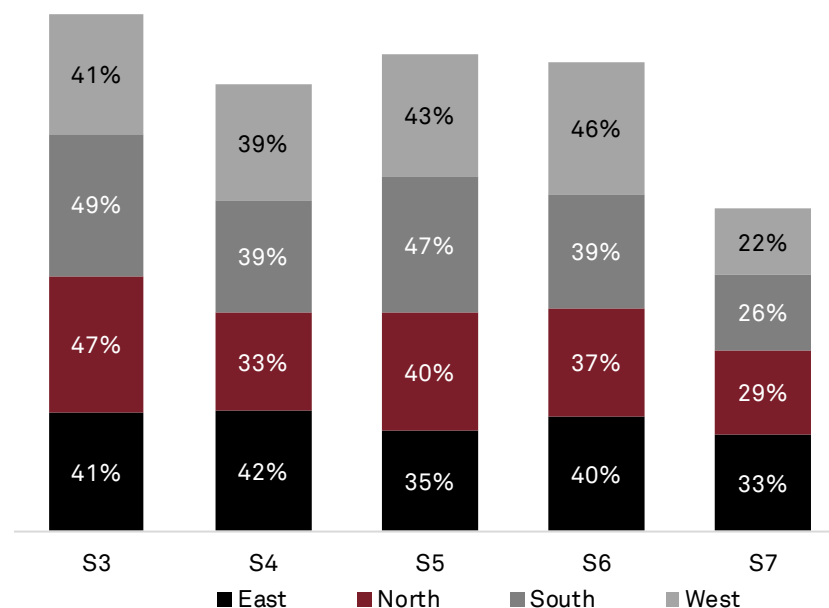
Larger MSEs most positive

Based on size of business



- MSEs with annual turnover of Rs 10-25 crore had 35% positive respondents – the highest among peers
- Positive sentiment in Rs 1-4.99 crore segment was the lowest among peers

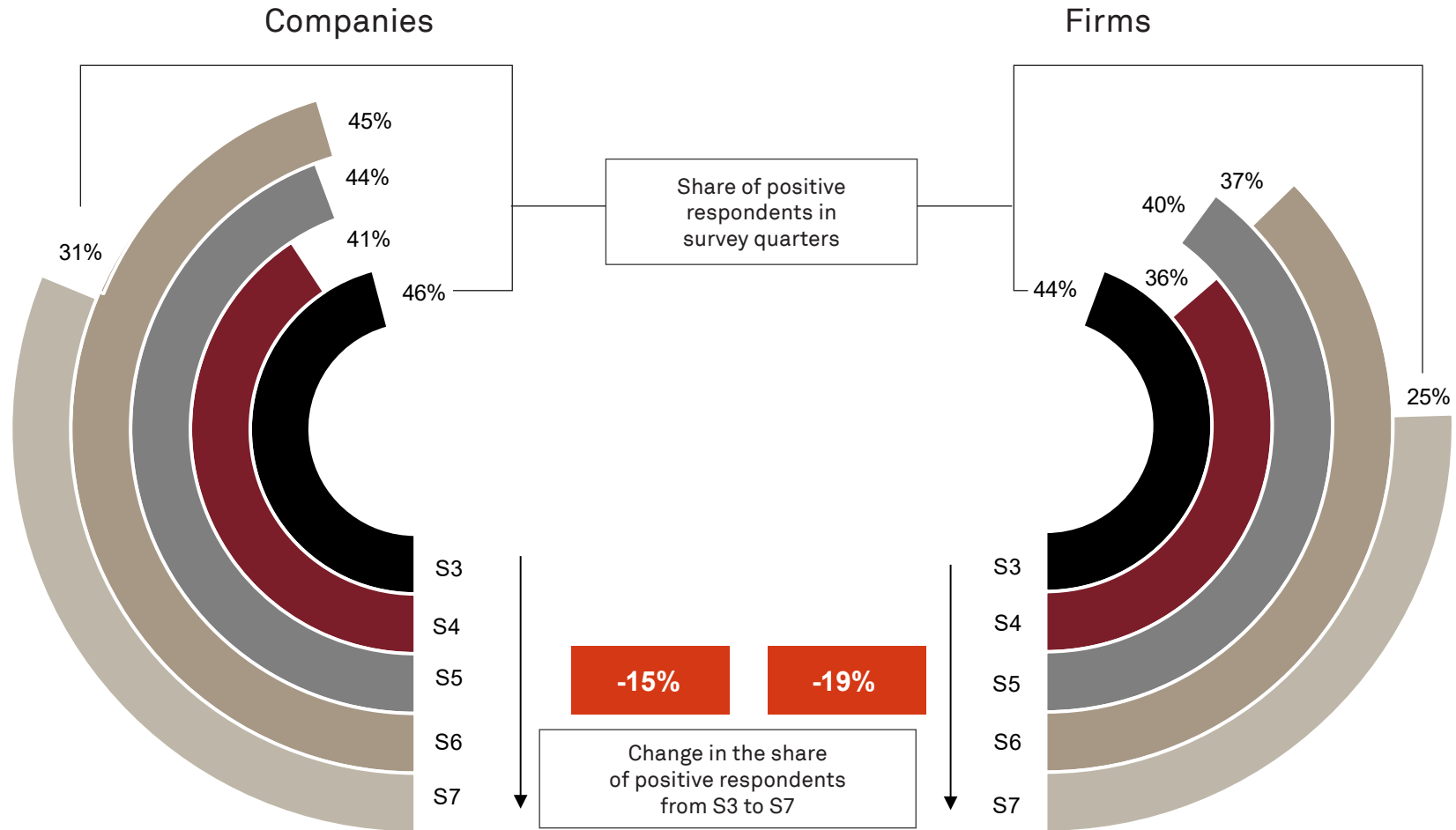
Regional sentiment



Positive sentiment highest in East; muted in West

- In S7, the share of positive respondents in the East, at 33%, was higher than peers in other regions but lower than 40% in S6
- West showed the highest variation in sentiment with the share of positive respondents declining to 22% in S7 compared with 46% in S6

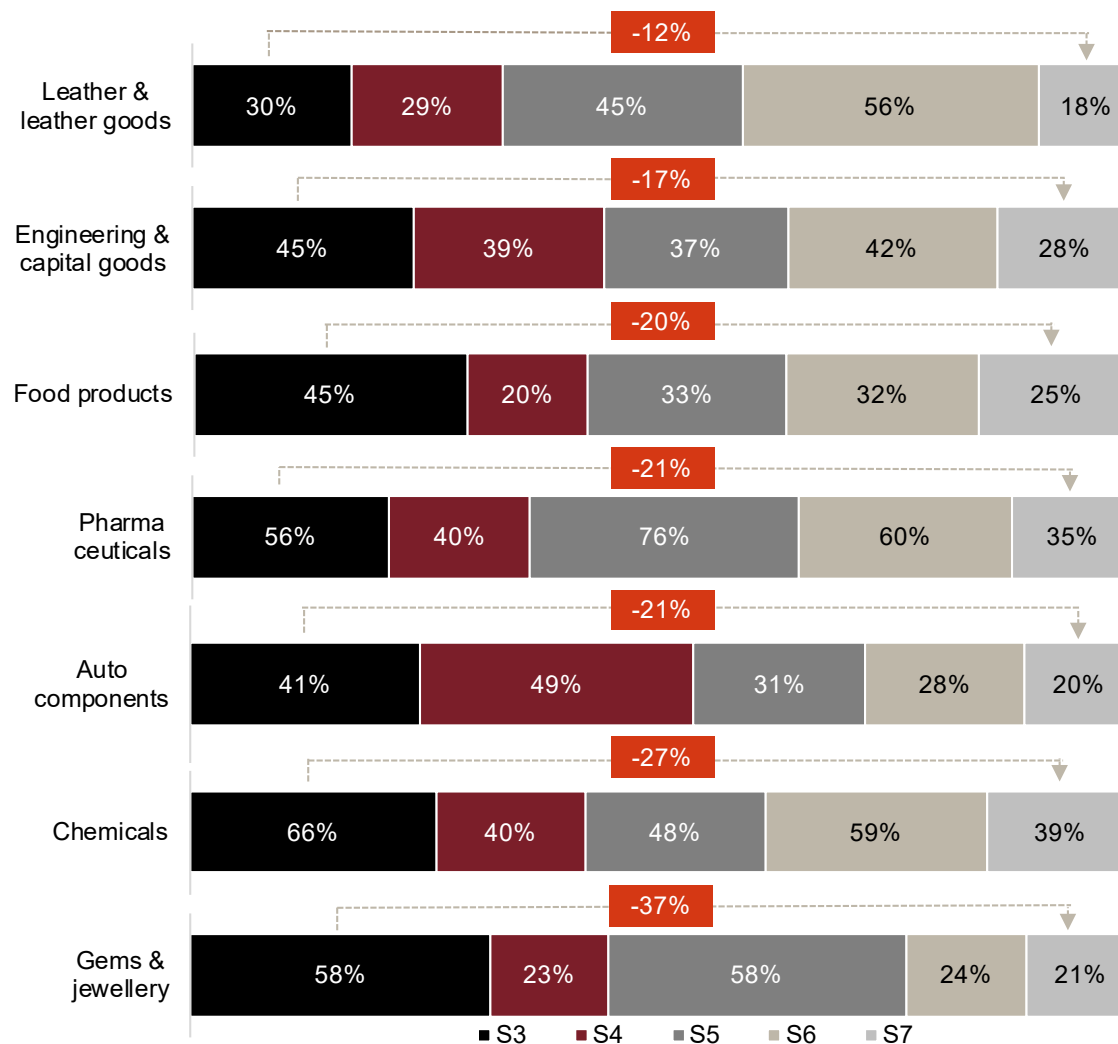
Companies outpacing firms consistently



- Positive sentiment remained higher for companies compared with firms
- Compared with S3, companies showed lesser decrease in share of positive respondents than firms

Manufacturing: Sentiment lower on-year in most sectors

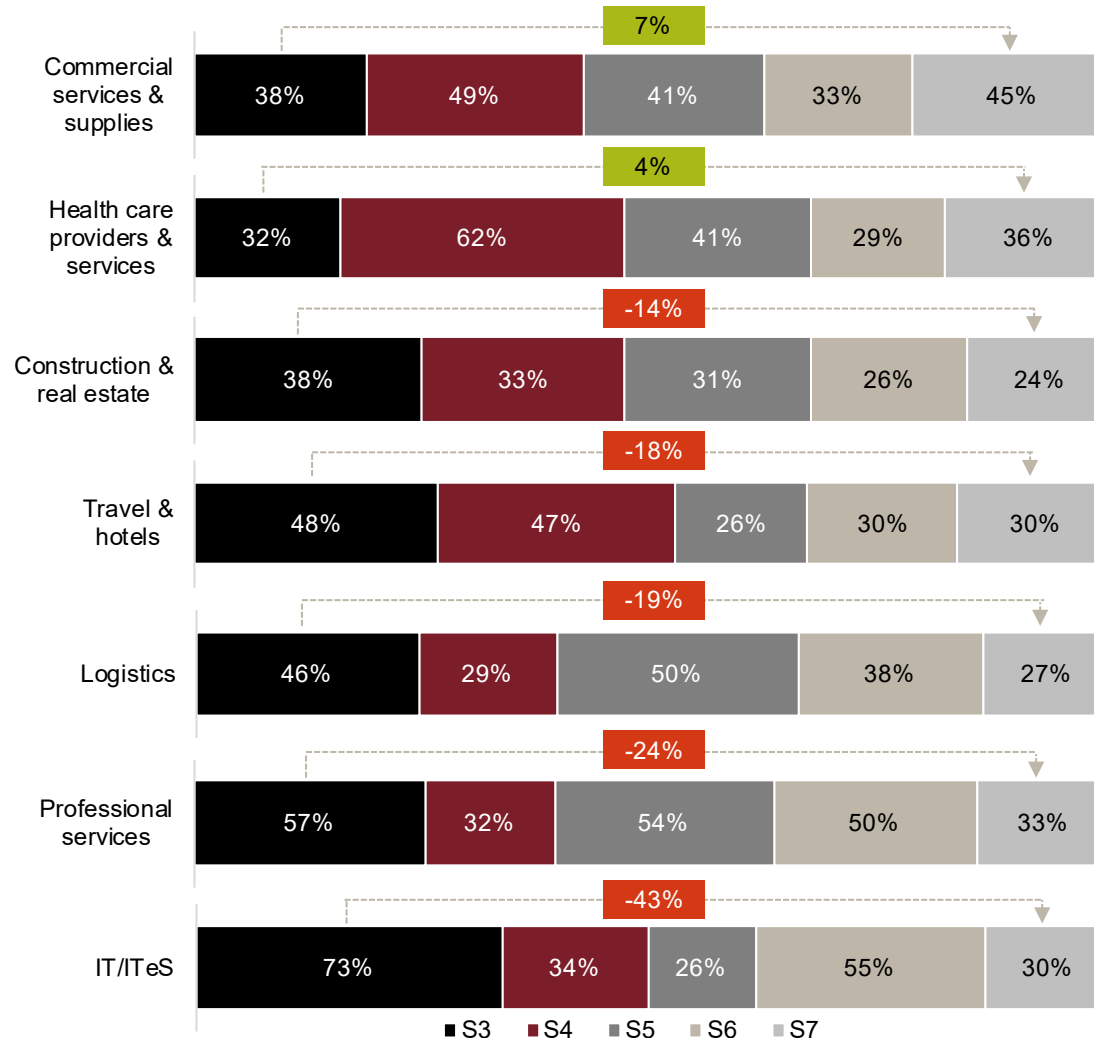
Movement of positive respondents from S3 to S7



- Though the share of positive respondents was lower on-year, MSEs in chemicals and pharmaceuticals reported higher positive sentiment compared with peers in S7
- Leather & leather goods manufacturers reported a lower decline in the share of positive respondents on-year due to lower base in S3
- As in S6, auto-components and gems & jewellery remained subdued in S7



Services: Sentiment improved in commercial services and healthcare, but dropped sharply in IT/ITeS

Movement of positive respondents from S3 to S7



- The share of positive respondents among commercial services & supplies providers increased 700 bps from 38% in S3 to 45% in S7
- Healthcare providers reported 400 bps growth in positive sentiment in S7 compared with S3
- IT/ITeS witnessed the highest on-year decline in the share of positive respondents

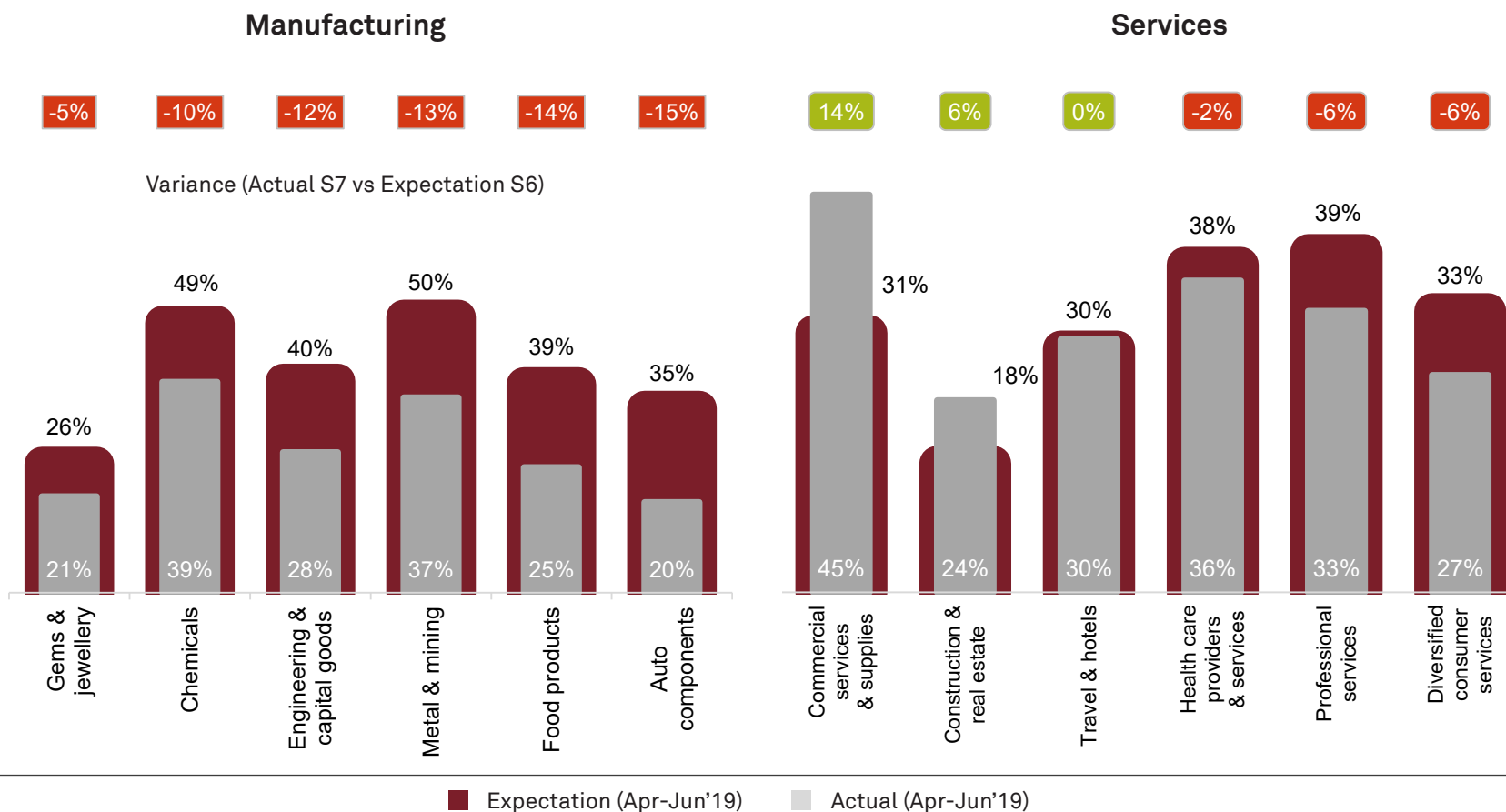
Sector underpinnings

	Auto components	Slowdown in the automobile industry, across passenger vehicles, two-wheelers and commercial vehicles, has resulted in production cuts by major OEMs to reduce inventory levels and has adversely impacted demand for SME auto-component manufacturers. The slowdown in demand is attributed to rising cost of ownership, weak rural sales and liquidity crunch.
	Chemicals	During Q1 FY20, crude oil prices increased 8% on-quarter, pushing up raw material costs. However, given smaller players' inability to pass on the entire price increase, their margins are expected to be impacted negatively.
	Engineering & capital goods	Muted positive sentiment in Q1FY20 due to election quarter, which typically sees a slowdown in awarding and tendering.
	Gems & jewellery	Reduced prices in the first two months of Q1 FY20, compared with Q4 FY19, together with wedding season and the auspicious occasion of Akshay Tritiya, led to improved demand sentiment. However, significant increase in prices in June impacted demand sentiment in the last month of the quarter.
	Leather & leather goods	Decline in leather demand seen as exports to Europe and China fell ~1% (in dollar terms) due to increase in demand for synthetic leather in those countries. Also, tanneries were shut down in Kanpur due to Kumbh Mela from December 2018, and though these resumed operations recently, sentiment remains weak.
	Pharmaceuticals	Slower growth in the domestic market due to lower volumes in May and June led to a slight decline in sentiment for Q1FY20.
	Construction & real estate	Sentiment remained weak due to the liquidity crisis that has squeezed availability of funds for small developers and pushed up their cost of borrowing.
	Healthcare providers & services	With progress and improving awareness on government initiatives for healthcare assurance, the sentiment towards offtake of healthcare services has seen an uptick.
	IT/ITeS	Dip in positive sentiment for IT/ITeS attributed to cautious outlook on growth due to slowdown expectation in developed economies, which can negatively impact clients' outsourcing spends.
	Logistics	Decline in positive sentiment for logistics due to slow growth in freight demand, as observed in the muted growth in diesel consumption in Q1FY20.



**Expectation
in S6
vs actual
performance
in S7**

Commercial services fared better; travel & hotels as expected



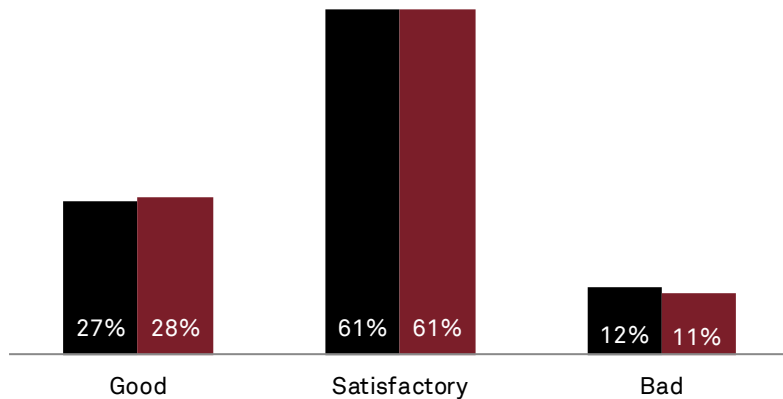
- It has been observed that expectations for the next quarter are generally a few percentage points higher than the actual achievement. However, only a few segments have been able to exceed the expectations for S7.



Sentiment
in S7

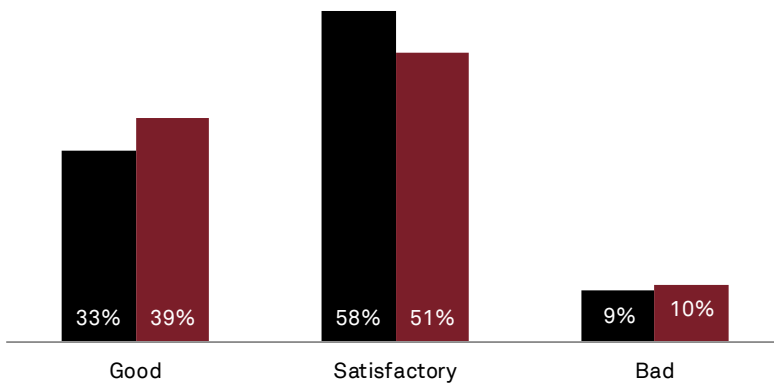
MSEs mostly satisfied about business situation

SQ7 (Apr-Jun'19)



- 27% and 28% of respondents in manufacturing and services sectors, respectively, were positive about the overall business situation in SQ7

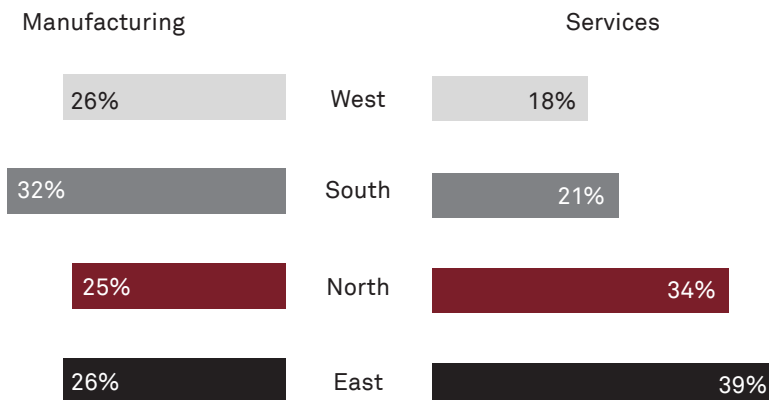
NQ7 (Jul-Sep'19)



- Nearly one-third (33%) and two-fifths (39%) of the respondents in manufacturing and services, respectively, expected a good in next quarter (NQ7)

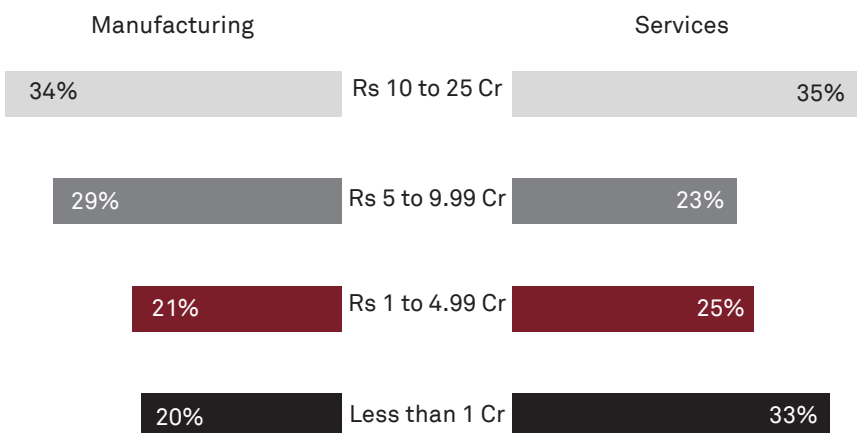
■ Manufacturing ■ Services

Services doing better in East, manufacturing in South



- Manufacturing MSEs based in the South and West had 11% and 8% higher share of positive respondents respectively, compared with their services-based counterparts operating in the same region
- Services MSEs fared better than their manufacturing counterparts in the East and North

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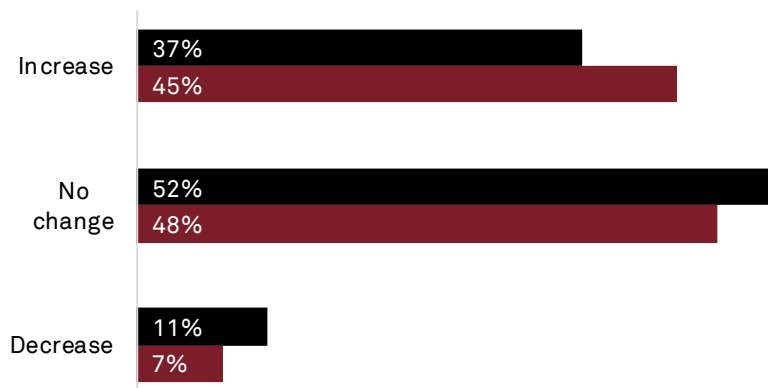


Rs 5-9.99 crore MSEs more positive in manufacturing

- Manufacturing-based MSEs with annual turnover of Rs 5-9.99 crore were more positive (29%) than their services counterparts (23%)
- In services, MSEs with annual turnover less than Rs 1 crore were more positive (33%) than their manufacturing counterparts (20%)

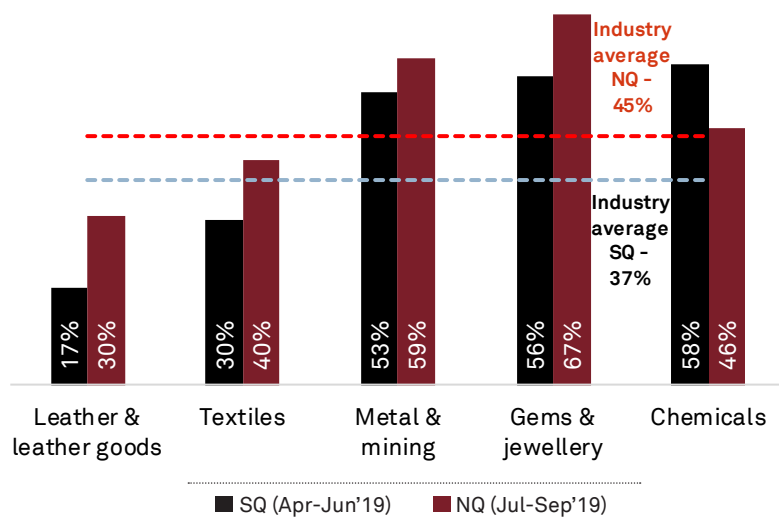
Order book size (domestic): improvement expected in manufacturing

Manufacturing - order book size (domestic)



- 37% of MSEs in manufacturing sector saw growth in domestic order book in SQ7. A higher proportion of respondents (45%) expected growth in domestic order book in NQ7

Manufacturing industries - order book size (domestic)

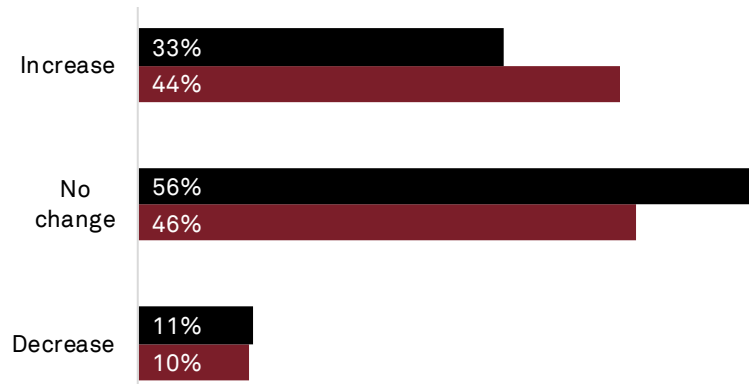


- Share of respondents who reported an increase in order-book size was higher than industry average in chemicals, gems & jewellery, and metal & mining
- In leather & leather goods and textiles, the share of respondents who reported an increase in order book size was below industry average

% represent share of positive respondents

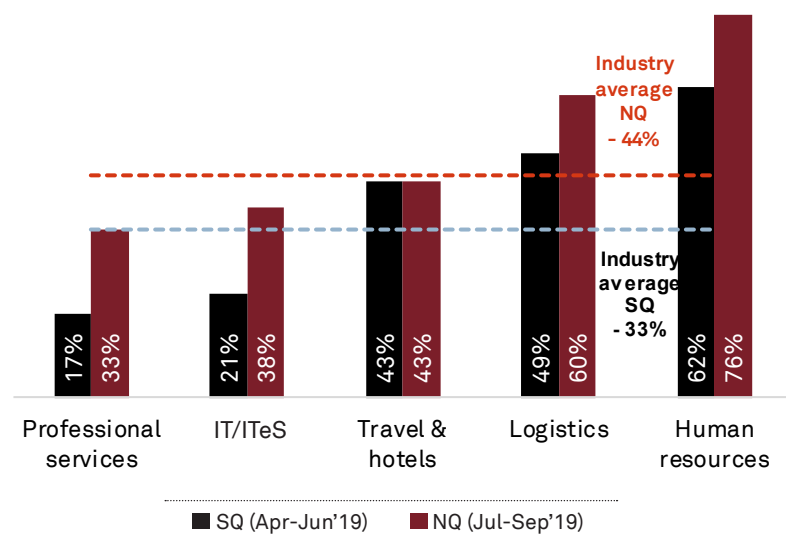
Order book (domestic): Performance of services similar to manufacturing

Services - order book size (domestic)



- 33% of MSEs in services sector reported an increase in domestic order book
- 44% services-based MSEs expect growth in domestic order book in NQ

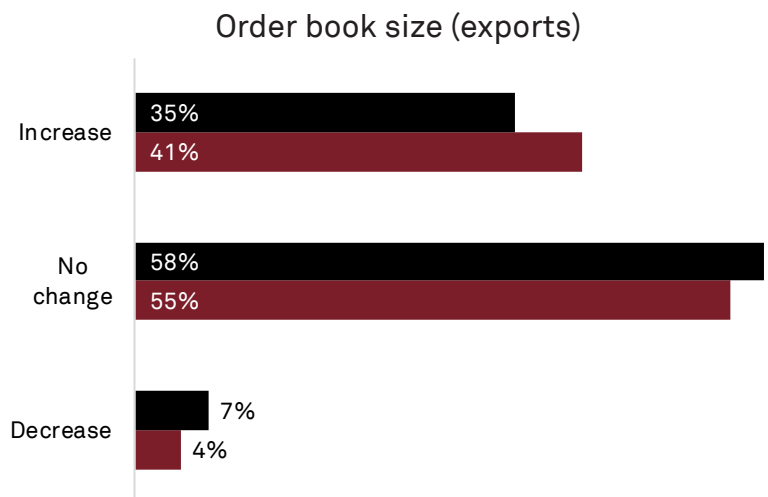
Services industry – order-book size (domestic)



- Share of respondents who reported an increase in order-book size was higher than industry average in human resources, logistics and travel & hotels
- In IT/ITeS and professional services, the share of respondents who reported an increase in order-book size was below industry average

% represent share of positive respondents

Order book (international): Exporters and importers expect better next quarter



- 35% of MSEs with export order book reported an increase in orders in SQ7, while 41% saw a better NQ7

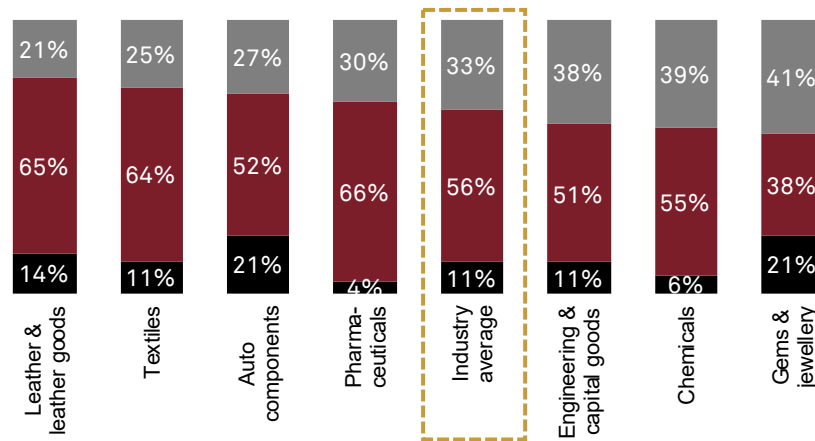


- Importers expected some improvement in NQ7, with the share of respondents reporting increased order-book size higher at 18% compared with 13% in SQ7

■ SQ (Apr-Jun'19) ■ NQ (Jul-Sep'19)

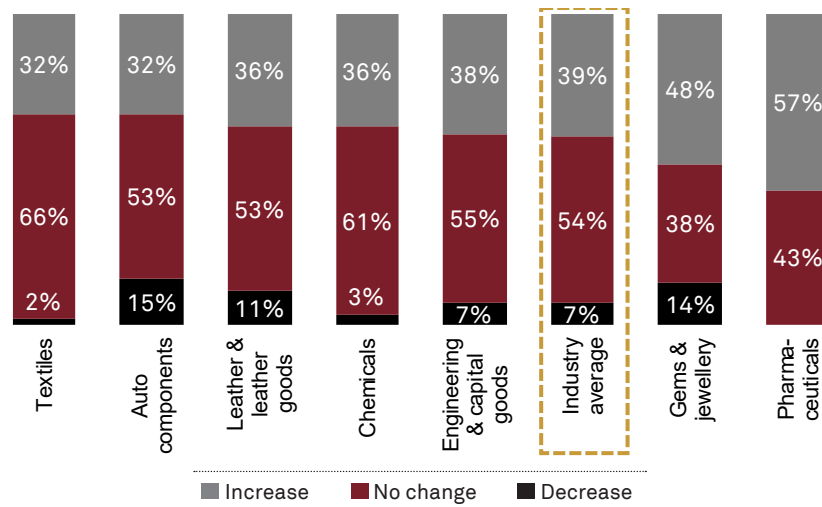
Volume of production: Gems & jewellery and chemicals did well, but leather and textiles subdued

Volume of production (industry-wise) - survey quarter



- In SQ7, MSEs in gems & jewellery, chemicals and engineering & capital goods had a higher share of respondents reporting an increase in volume of production compared with the industry average of 33%
- Leather & leather goods and textiles MSEs had a lower share of respondents reporting an increase in volume of production compared with the industry average

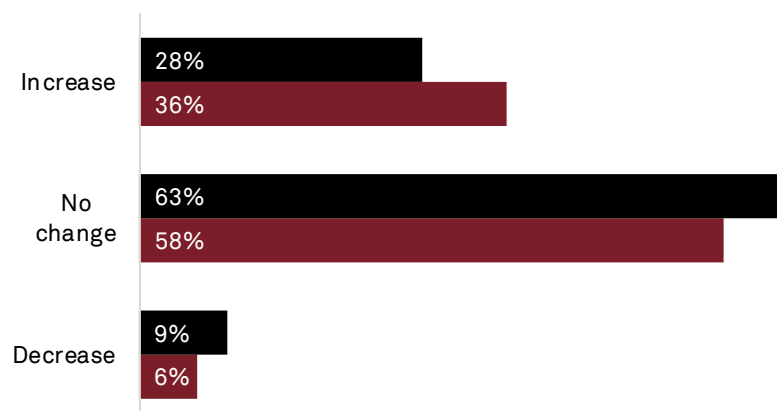
Volume of production (industry-wise) - next quarter



- While pharmaceuticals and gems & jewellery conveyed optimism for NQ7, a lower share of respondents in textiles and auto components expected an increase in volume compared with the industry average

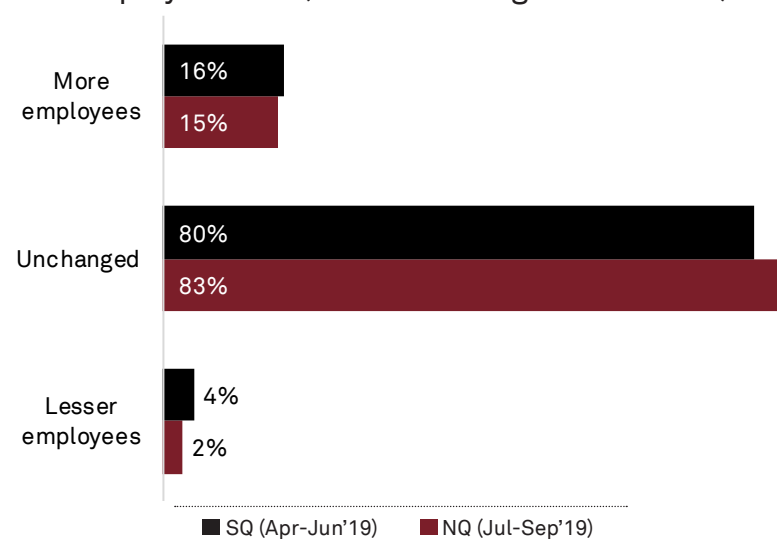
Expectation: Capacity utilisation to increase; hiring to remain stable

Capacity utilisation (manufacturing)



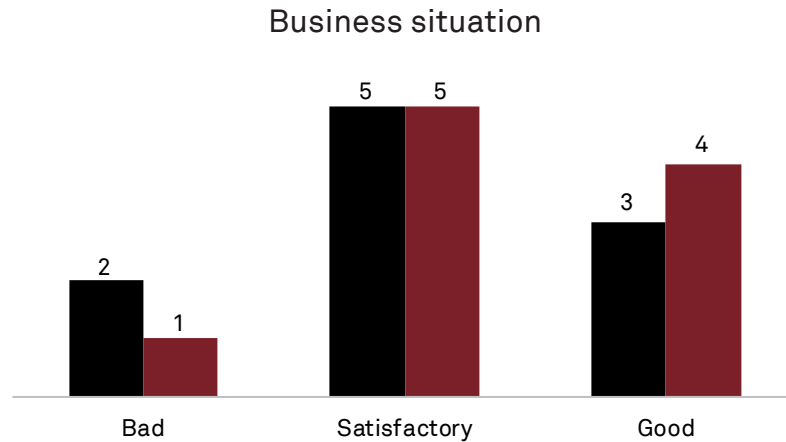
- In SQ7, 28% of manufacturing-based MSEs reported an increase in capacity utilisation, while 63% saw it unchanged
- For NQ7, 36% of the respondents expected enhanced capacity utilisation, while only 6% expected a reduction and the balance 58% saw no change

Employee base (manufacturing and services)



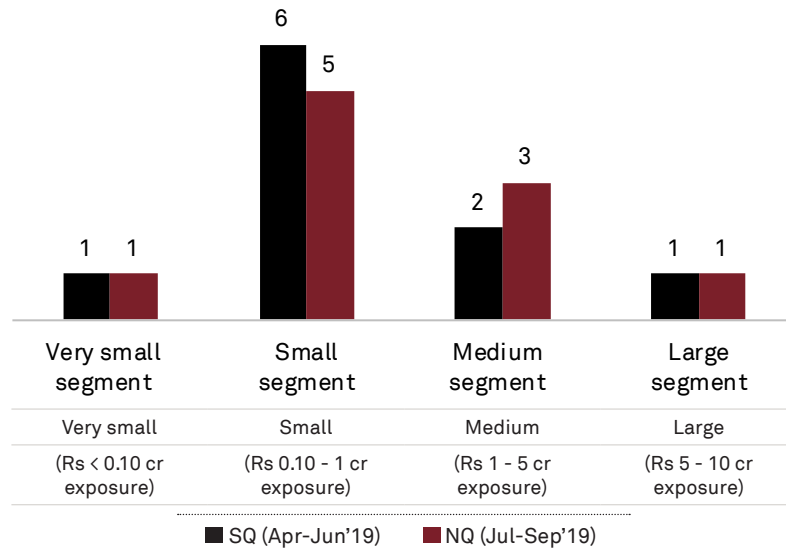
- 16% of respondents reported an enhancement in their employee base in SQ7, while 80% reported no change
- 15% of respondents expected to enhance their employee bases in NQ7, while 83% did not expect any addition in their workforce

Lenders have moderate outlook on business situation



- In SQ7, 3 out of 10 of lenders surveyed saw improvement in overall business situation of MSEs, 5 out of 10 rated it as satisfactory, and 2 out of 10 reported it as below satisfactory level
- For NQ7, 4 out of 10 lenders had a positive outlook on MSEs, 5 out of 10 expected it to be satisfactory and 1 out of 10 expected it to be below satisfactory level

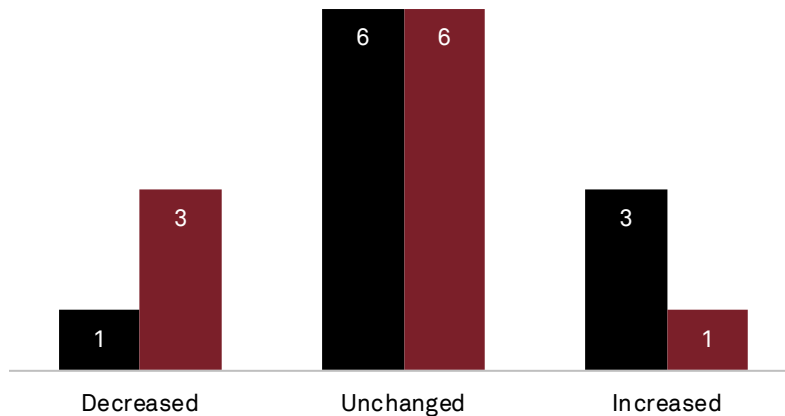
Highest credit growth in segments (based on size of exposure)



- In SQ7, 7 out of 10 lenders reported highest credit growth in the sub-Rs 1 crore credit exposure segment versus 1 out of 10 in the Rs 5-10 crore segment
- For NQ7, too, lenders expected a trend similar to SQ7

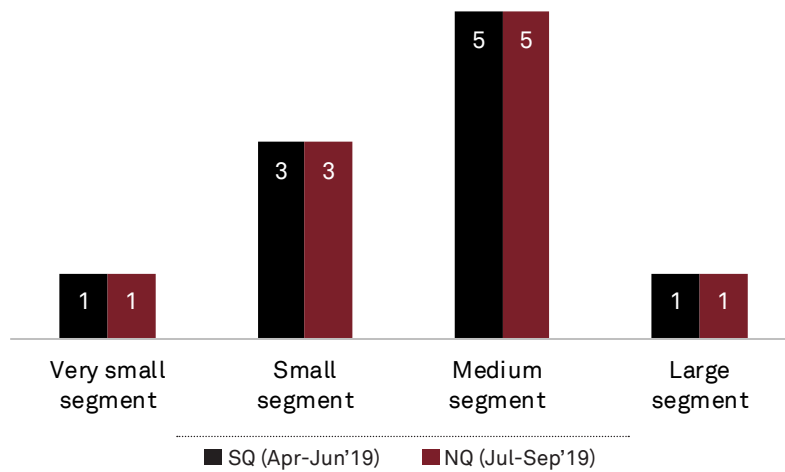
Lenders see minor improvement in asset quality

Asset quality



- 6 out of 10 lenders reported no change in NPAs, while 3 reported an increase and only 1 reported a decrease

Highest NPA rate in segments (based on size of exposure)



- 5 out of 10 in the medium segment, 3 out of 10 in the small segment, and 1 out of 10 each in very small and large segments witnessed the most increase in NPA levels

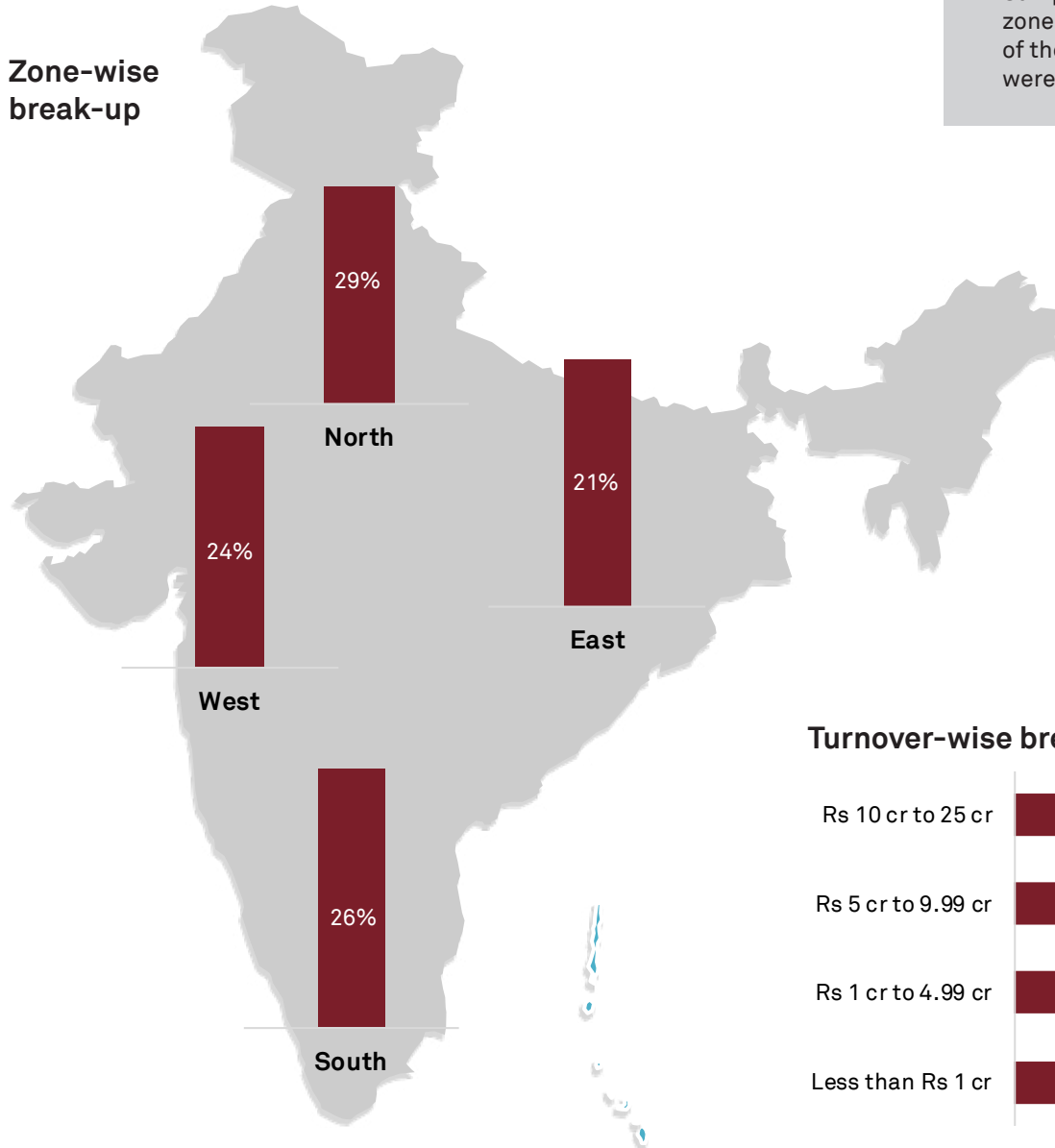




Annexures

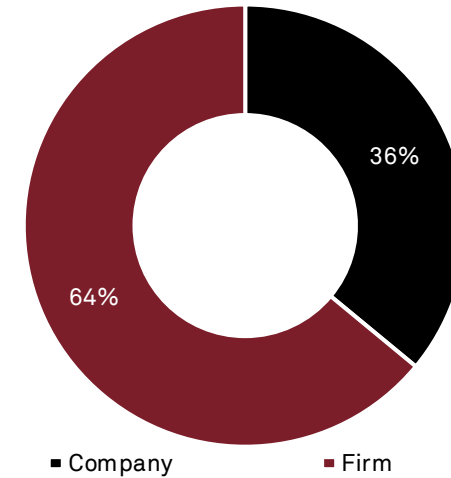
Sample summary

Zone-wise break-up

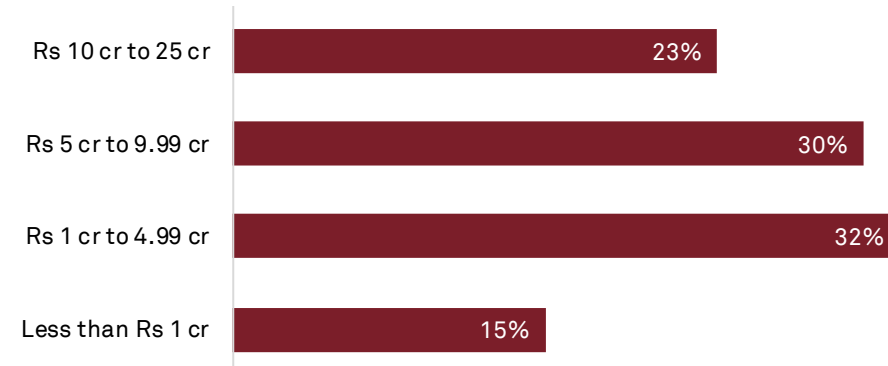


- Sample selected for the survey is well-distributed across zone and turnover categories. In terms of legal status, 36% of the participating MSE were companies, whereas 64% were firms (proprietorships and partnerships).

Legal status break-up



Turnover-wise break-up



Glossary

Broad products/ services included under respective segments

Auto-components comprises manufacturers of spare parts, tractor parts, nut-bolts, screws and alloy fasteners, etc

Chemicals comprises manufacturers of dyes, specialty chemicals, agro-chemicals, petroleum products, etc

Engineering & capital goods comprises machinery, steel equipment, precision machining, machine tools, etc

Food products comprises manufacturers of bakery products, packaged food, ice cream, grain milling, fruit and vegetable processing, beverages, etc

Gems & jewellery comprises manufacturers of gold jewellery, gems and semi-precious stones

Leather & leather goods comprises manufacturers of leather accessories and leather upholstery

Pharmaceuticals comprises manufacturers of bulk drugs, formulations (including ayurvedic formulations)

Commercial services & supplies comprises printing, facility management, print media advertising, etc

Diversified consumer services comprises education, AC installation services, event-organising, cold storage services, home furnishing retail, etc

Healthcare providers & services comprises hospitals, fitness centres, gym services, etc

Human resources comprises industrial manpower providers, consultancy & training services, security services, employment services, etc

IT/ITeS comprises software developers, data processing, repair & maintenance, IT consulting, etc

Logistics comprises air freight, road, cab and transportation service providers, etc

Power & utilities comprises power transmission, oil & gas station, gas utilities, windmill services, etc

Professional services comprises consultancy/ advisory/ research services, interior designing, beauty parlours, photography, etc

Notes

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Small Industries Development Bank of India (SIDBI), is the Principal Financial Institution for the Promotion, Financing and Development of the Micro, Small and Medium Enterprise (MSME) sector and for Co-ordination of the functions of the institutions engaged in similar activities. The business domain of SIDBI consists of Micro, Small and Medium Enterprises (MSMEs), which contribute significantly to the national economy in terms of production, employment and exports. SIDBI meets the financial and developmental needs of the MSME sector with a Credit+ approach to make it strong, vibrant and globally competitive. For more information, visit www.sidbi.in.

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