



Sentiment down for the third quarter in a row

December 2019 | Volume 8

CriSidEx survey for July-September and October-December, 2019

Analytical contacts

Prasad Koparkar

Senior Director & Head-CRISIL Growth,
Innovation & Excellence hub
prasad.koparkar@crisil.com

Bhushan Parekh

Director-SME Gradings
bhushan.parekh@crisil.com

Saurabh Minocha

Associate Director-SME Gradings
saurabh.minocha@crisil.com

Shivkumar Dhavane

Manager-SME Gradings
shivkumar.dhavane@crisil.com

Sushil Padale

Senior Executive - SME Gradings
sushil.padale1@crisil.com

SIDBI contacts

Kailash Chander Bhanoo

Chief General Manager, Economic Research and
Data Analysis Vertical
bhanoo@sidbi.in

Y M Kumari

General Manager, Economic Research and Data Analysis Vertical
kumari@sidbi.in

Ved Prokash

Deputy General Manager, Economic Research and
Data Analysis Vertical
vprakash@sidbi.in

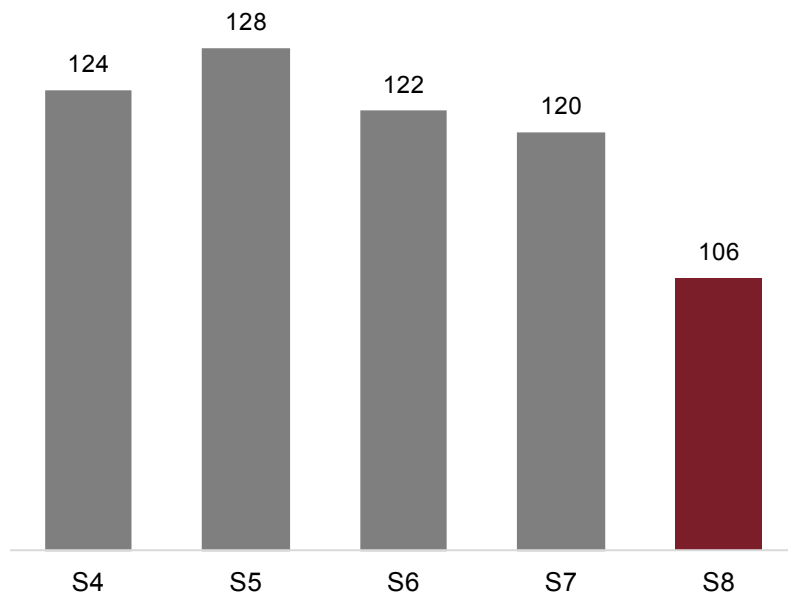
Soham Nag

Manager, Economic Research and Data Analysis Vertical
sohamnag@sidbi.in

Contents

Comparison across surveys.....	13
Expectation in S7 vs actual performance in S8	19
Sentiment in S8	21
Annexures	31

Latest CriSidEx reading is the lowest in over a year



At 106, the CriSidEx* score for July-September, 2019 (Survey 8) was below the 120 logged in April-June, 2019 (Survey 7)

Abbreviations

CriSidEx survey	Survey quarter (SQ)	Next quarter (NQ)
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)
Survey 8 (S8)	July-September 2019 (SQ8)	October-December 2019 (NQ8)

* See 'How to read CriSidEx' on page 12

On-year movement in index parameters

Manufacturing

Component parameters	Actual		
	S4	S8	S8-S4
Volume of production	134	105	-29
Order-book size	134	103	-31
PAT margin	124	113	-11
Capacity utilisation	129	107	-22
Employee base	108	101	-7
Manufacturing index	126	106	-20

Services

Component parameters	Actual		
	S4	S8	S8-S4
Order-book size	131	102	-29
PAT margin	123	112	-11
Employee base	111	101	-10
Services index	122	105	-17

On-year basis, the index was lower on all parameters in S8, for manufacturing and services alike.



CriSidEx readings | Manufacturing

Index parameters	SQ				NQ					
		Negative	Neutral	Positive	Index	Negative	Neutral	Positive	Index	
Volume of production	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
	S8	14%	68%	18%	105	S8	7%	65%	28%	121
Order-book size	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
	S8	15%	67%	18%	103	S8	7%	63%	30%	123
PAT margin	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
	S8	18%	51%	31%	113	S8	10%	47%	43%	133
Capacity utilisation	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
	S8	15%	63%	22%	107	S8	9%	58%	33%	124
Employee base	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
	S8	5%	89%	6%	101	S8	4%	86%	10%	105
Manufacturing Index	S4	SQ4			126	S4	NQ4			142
	S5	SQ5			129	S5	NQ5			140
	S6	SQ6			123	S6	NQ6			128
	S7	SQ7			120	S7	NQ7			129
	S8	SQ8			106	S8	NQ8			121

For manufacturing, the QoQ drop was sharper for topline-related parameters (volume and order book) than for margins. Going forward, there is still optimism as the gap between survey quarter (106) and next quarter estimate (121) is relatively higher in manufacturing index, compared with the surveys in the past one year.

CriSidEx readings | Services

Index parameters	SQ				NQ					
		Negative	Neutral	Positive	Index	Negative	Neutral	Positive	Index	
Order-book size	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
	S8	12%	74%	14%	102	S8	6%	63%	31%	125
PAT margin	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
	S8	14%	60%	26%	112	S8	8%	50%	42%	134
Employee base	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
	S8	6%	87%	7%	101	S8	3%	84%	13%	109
Services Index	S4	SQ4			122	S4	NQ4			137
	S5	SQ5			127	S5	NQ5			137
	S6	SQ6			121	S6	NQ6			124
	S7	SQ7			119	S7	NQ7			130
	S8	SQ8			105	S8	NQ8			123
CriSidEx (Manufacturing+Services)	S4	SQ4			124	S4	NQ4			140
	S5	SQ5			128	S5	NQ5			139
	S6	SQ6			122	S6	NQ6			126
	S7	SQ7			120	S7	NQ7			129
	S8	SQ8			106	S8	NQ8			122

As with manufacturing, in services too, the QoQ drop is sharper for topline-related parameters (order book) than for margins.

While next quarter expectation is typically higher than actual sentiment for a quarter, the difference between NQ7 (129) and SQ8 (106) was the sharpest in S8.

Business sentiment in July–September 2019

The Survey 8 findings need to be viewed in the context of macroeconomic factors such as production cuts by automobile original equipment manufacturers (OEMs) impacting auto component utilisation, decline in both volume and realisation in commodity-linked sectors such as steel, and a slowdown in consumption impacting gems & jewellery, hotels, etc.

Sectors that saw a positive trend

- Among manufacturers, 27% reported a good SQ8, lower than 37% in the same quarter a year ago (S4) but the same as 27% in the previous quarter (S7). However, positive sentiment in SQ8 was the lowest in five quarters
 - In SQ8, pharmaceuticals, textiles and chemicals had the highest share of respondents who reported a good quarter
 - On-year basis (S4 to S8), pharmaceuticals, textiles and food products reported an increase in the share of respondents with positive sentiment
- Among service providers, 19% reported a good SQ8, lower than 38% in the same quarter a year ago (SQ4) and also lower than 28% in the previous quarter (S7). However, here too, positive sentiment in SQ8 was the lowest in five quarters
 - In SQ8, diversified consumer services, commercial services & supplies and IT/ITeS segments had the highest share of respondents who reported a good quarter
 - On-year basis (S4 to S8), only the diversified consumer services segment reported a marginally higher increase in the share of respondents with positive sentiment

Sectors that saw a subdued trend

- Among manufacturers
 - In SQ8, metal & mining, auto-components, and engineering & capital goods had a higher share of respondents reporting a subdued quarter
 - On-year basis (S4 to S8), auto-components, metal & mining, and engineering & capital goods witnessed a sharper decline in the share of respondents with positive sentiment
- Among service providers
 - In SQ8, power & utilities, travel & hotels, and human resources segments had a higher share of respondents reporting a subdued quarter
 - On-year basis (S4 to S8), healthcare providers & services, power & utilities, and travel & hotels witnessed a sharper decline in the share of respondents with positive sentiment

Business sentiment for October–December 2019

- 35% of respondents in manufacturing and 33% in services expect a good next quarter (NQ8)
- Compared with NQ7, optimism in NQ8 is higher in manufacturing and lower in services

Sectors anticipating a positive trend

- Among manufacturers,
 - For NQ8, respondents from textiles, chemicals, food products, and gems & jewellery were the most optimistic
 - On-year basis (NQ4 to NQ8), textiles and food products segments reported a higher increase in the share of respondents with positive sentiment
- Among service providers
 - For NQ8, respondents from commercial services, construction & real estate, travel & hotels, and logistics segments were the most optimistic
 - On-year basis (NQ4 to NQ8), only logistics segment reported an increase in optimism

Sectors foreseeing a subdued trend

- Among manufacturers
 - In NQ8, metal & mining and auto-components had a higher share of respondents expecting a subdued quarter
 - On-year basis, too, metal & mining and auto-components witnessed a sharper decline in optimism
- Among service providers
 - For NQ8, human resources and power & utilities had a higher share of respondents expecting a subdued quarter
 - On-year basis, healthcare providers & services, power & utilities, and traders witnessed a sharper decline in optimism

Other trends in business sentiment

Companies more positive than firms

- Companies were marginally more positive, with 24% reporting a good survey quarter, compared with 22% of firms
- The trend of companies having higher positive sentiment was in line with the last five surveys as well

MSEs with 10-25 employees most positive; larger peers more optimistic

- 29% of MSEs with 10-25 employees reported a good SQ8
- For NQ8, 38% of MSEs with more than 25 employees expected a good next quarter, compared with 24% of MSEs with less than 10 employees

On-year basis, optimism lower across parameters

Manufacturing

Change in the share of positive respondents

Component parameters	Actual	
	S8 – S7	S8 – S4
Volume of production	-15%	-25%
Order-book size	-20%	-24%
PAT margin	-3%	-5%
Capacity utilisation	-6%	-14%
Employee base	-9%	-6%

Services

Change in the share of positive respondents

Component parameters	Actual	
	S8 – S7	S8 – S4
Order-book size	-20%	-25%
PAT margin	-6%	-10%
Employee base	-10%	-8%

- Between S4 and S8, the share of positive respondents declined the most on the 'Volume of production' parameter in manufacturing and the 'Order-book size' parameter in services
- On-quarter basis, too, no parameter had a higher share of positive respondents in both manufacturing and services
- On-quarter basis, the share of positive respondents declined the most in terms of order-book size, in both manufacturing and services

Positive  Negative 

Domestic order book in July-September 2019

Nearly one-seventh of MSEs reported an increase in order book; sentiment lower than S4 and S7

- For SQ8, 15% of MSEs reported an increase in domestic order book, compared with 35% in SQ7 and 40% in SQ4
- In manufacturing, pharmaceuticals, food products, and chemicals reported a higher increase in order-book size compared with others
 - Metal & mining had a mixed bag
 - Auto components and engineering & capital goods had a larger share of respondents reporting a subdued quarter
- In services, healthcare providers & services, diversified consumer services, and commercial services & supplies reported a higher increase in order-book size compared with others
 - Power & utilities and IT/ITeS had a relatively muted quarter
 - Travel & hotels had a mixed bag

Domestic order book in October-December 2019

Expectation higher for next quarter

- MSEs were relatively optimistic for NQ8 with 29% expecting increased domestic orders, compared with 44% in NQ7 and 53% in NQ4
- In manufacturing, pharmaceuticals, gems & jewellery, and chemicals were the most optimistic
 - Auto-components and metal & mining had a higher share of respondents expecting a muted quarter
- In services, commercial services & suppliers, healthcare providers & services, travel & hotels, and construction & real estate segments anticipated enhanced order book position in NQ8

- IT/ITeS and human resources had a higher share of respondents expecting a muted quarter

Other order-book trends

Export-oriented MSEs performed better than domestic peers

- In SQ8, 21% of export-based MSEs reported an increase in order book, compared with 35% in SQ7 and 37% in SQ4
 - These players outperformed their domestic peers (15% reporting a good quarter)
- In NQ8, 40% of exporters expected an increase in order-book size as against a similar 41% in NQ7 but lower than 46% in NQ4
 - Going ahead also, a higher share of export-based MSEs anticipated a higher order book compared with their domestic peers (29%)

Importers subdued

- In SQ8, the share of importers who increased their orders declined to 9% against 13% in SQ7
- For NQ8, 11% of the importers expected to increase their orders as against 18% in NQ7

Miscellaneous trends

Production and capacity utilisation expected to remain stable

- For NQ8, 28% of manufacturing MSEs expected an increase in production, 65% saw it unchanged, and 7% expected it to be lower
- In terms of capacity utilisation, 33% expected higher utilisation in NQ8, 58% saw it unchanged, and 9% expected it to be lower

Hiring was muted

- In SQ8, only 7% of the MSEs reported additions to their employee base compared with 16% in SQ7; 87% maintained the base, while 6% reported reductions
- In NQ8, 11% intended to add employees, while 4% intended to reduce headcount
 - In manufacturing, food products segment was looking to add more employees
 - In services, commercial services & supplies and construction & real estate segments were the most optimistic about hiring more. Human resources expected a mixed bag

Lenders have below-par outlook on business situation

- In SQ8, 1 out of 10 lenders surveyed saw an improvement in the overall business situation of MSEs, 4 out of 10 rated it as satisfactory, and 5 out of 10 reported it as below satisfactory level
- For NQ8, 1 out of 10 lenders had a positive outlook on MSEs, 5 out of 10 expected it to be satisfactory, and 4 out of 10 expected it to be below satisfactory level

Small-ticket segment the hottest for lenders

- In SQ8, 7 out of 10 lenders reported the highest credit growth in the sub-Rs 1 crore credit exposure segment compared with 1 out of 10 in the Rs 5-10 crore segment
- For NQ8, too, lenders expected a trend similar to SQ8

Lenders see moderation in asset quality

- 5 out of 10 lenders reported no change in NPAs, while 4 reported an increase and only 1 reported a decrease
- 4 out of 10 in the small segment, 5 out of 10 in the medium segment, and 1 out of 10 in large segments witnessed increase in NPA levels



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, Vistaar Financial Services, 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:

For more details, please refer to the first CriSidEx report available at:

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

<https://sidbi.in/Crisidex.php>

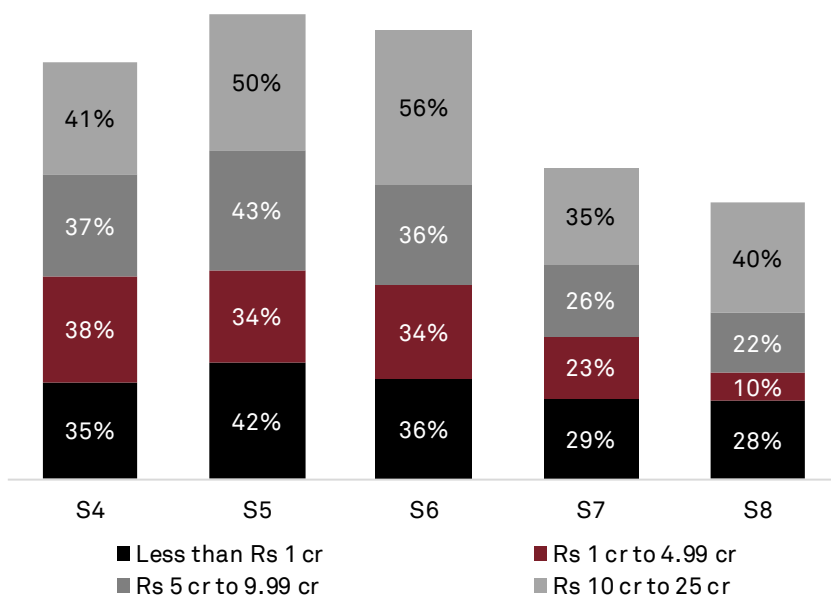


A photograph of an industrial manufacturing environment. In the center, a yellow robotic arm is welding a metal component, with bright sparks and smoke visible at the point of contact. The background is filled with complex machinery, including red structural beams and various pipes. In the foreground, there are large, flat metal sheets and rolls of material. The lighting is a mix of cool blues and warm oranges from the welding process.

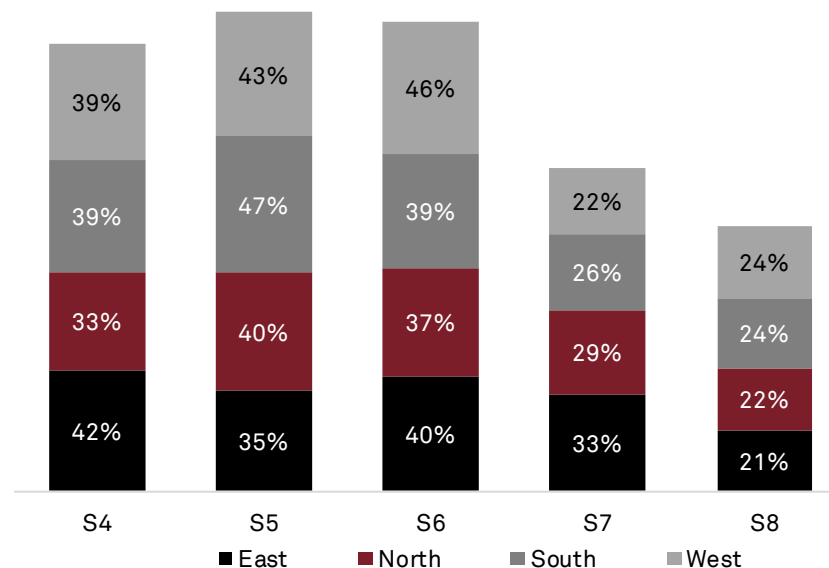
Comparison across surveys

Larger MSEs most positive

Based on size of business



Regional sentiment



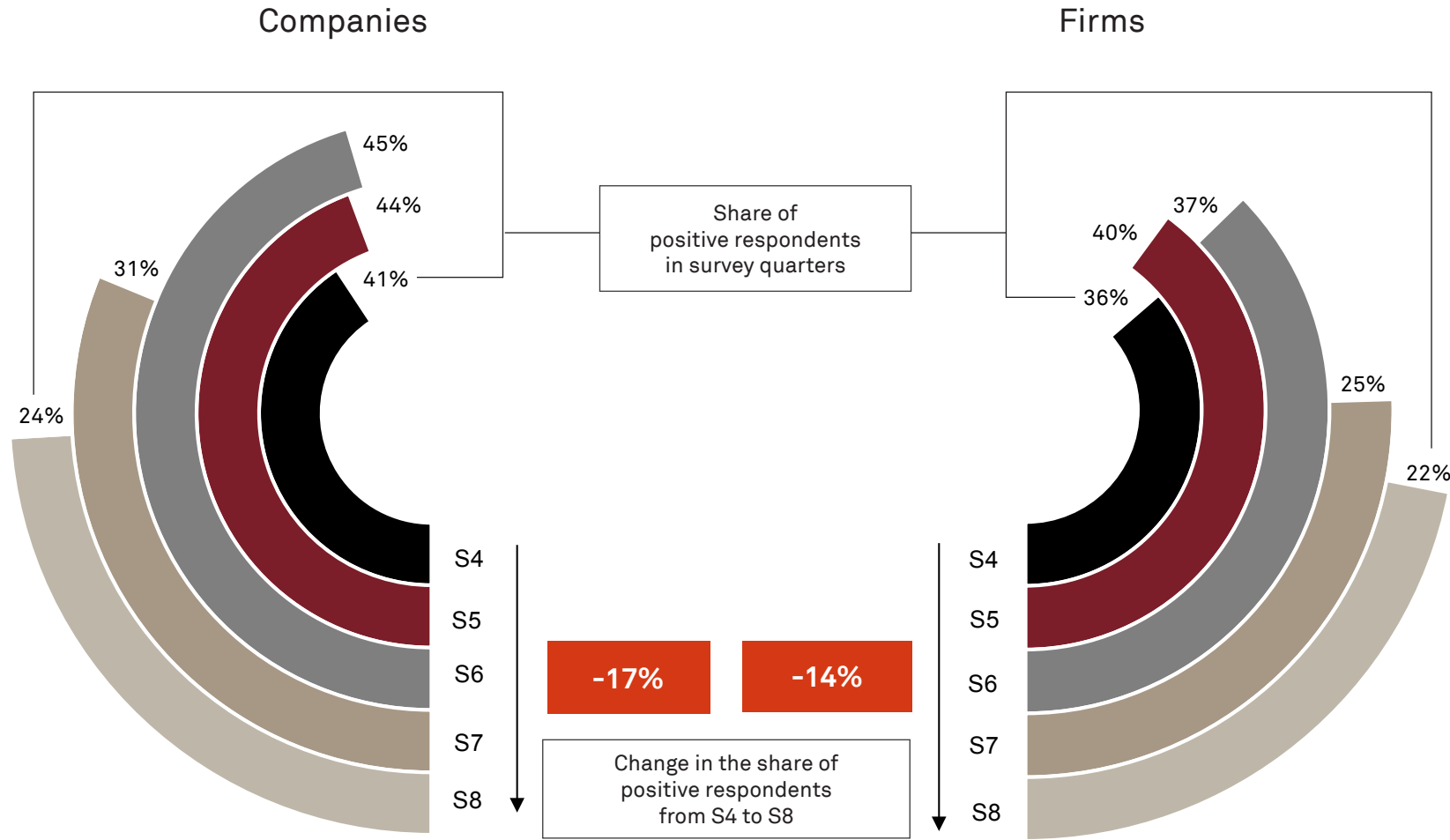
- MSEs with annual turnover of Rs 10-25 crore had 40% positive respondents – the highest among peers in S8
- Positive sentiment in the Rs 1-4.99 crore segment was the lowest among peers

Positive sentiment similar across regions; East with most variation

- In S8, the share of positive respondents in the West and South, at 24% each, was marginally higher than peers in other regions
- East showed the highest variation in sentiment with the share of positive respondents declining to 21% in S8 compared with 33% in S7

% represent share of positive respondents

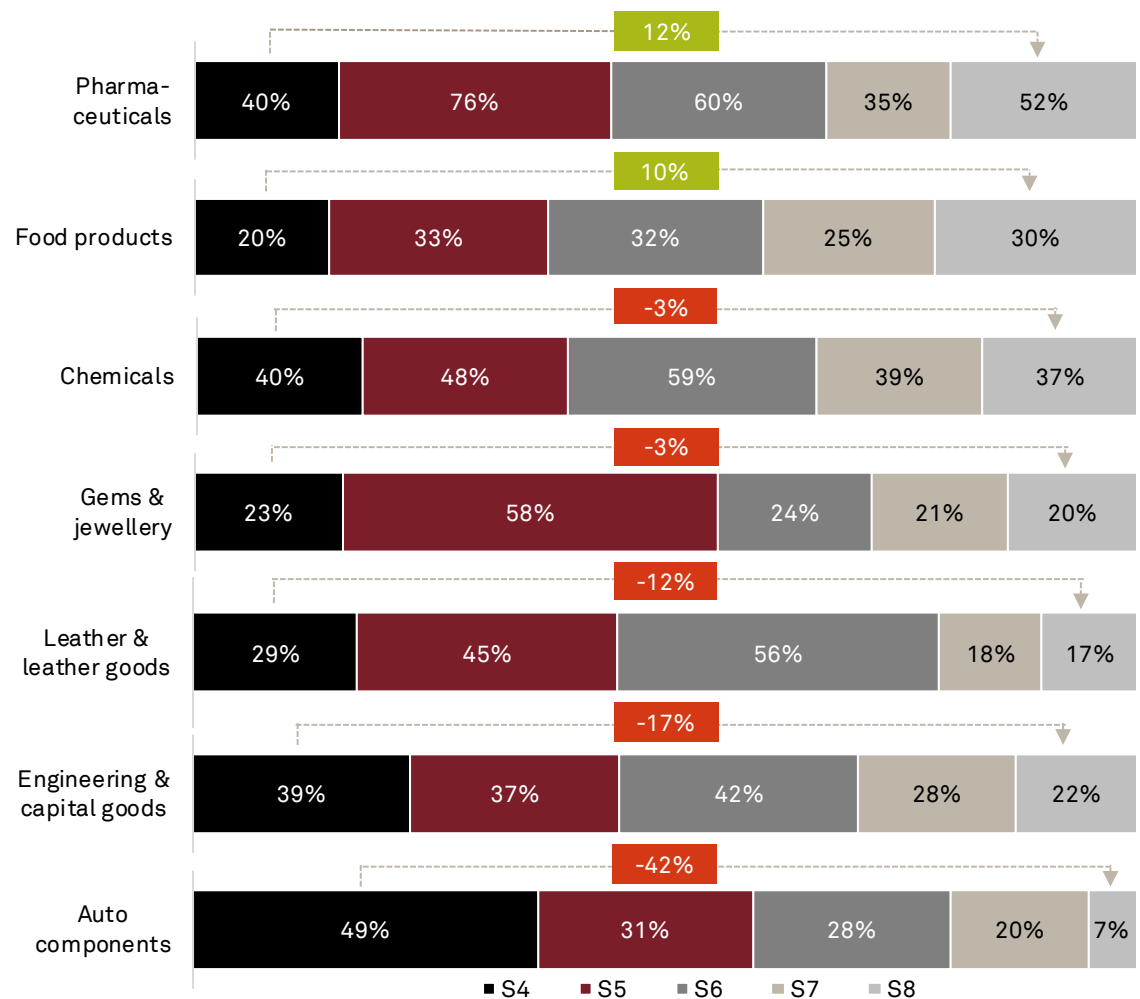
Companies outpacing firms consistently



- Positive sentiment remained marginally higher for companies compared with firms
- Compared with S4, companies showed higher decrease (-17%) in share of positive respondents than firms (-14%)

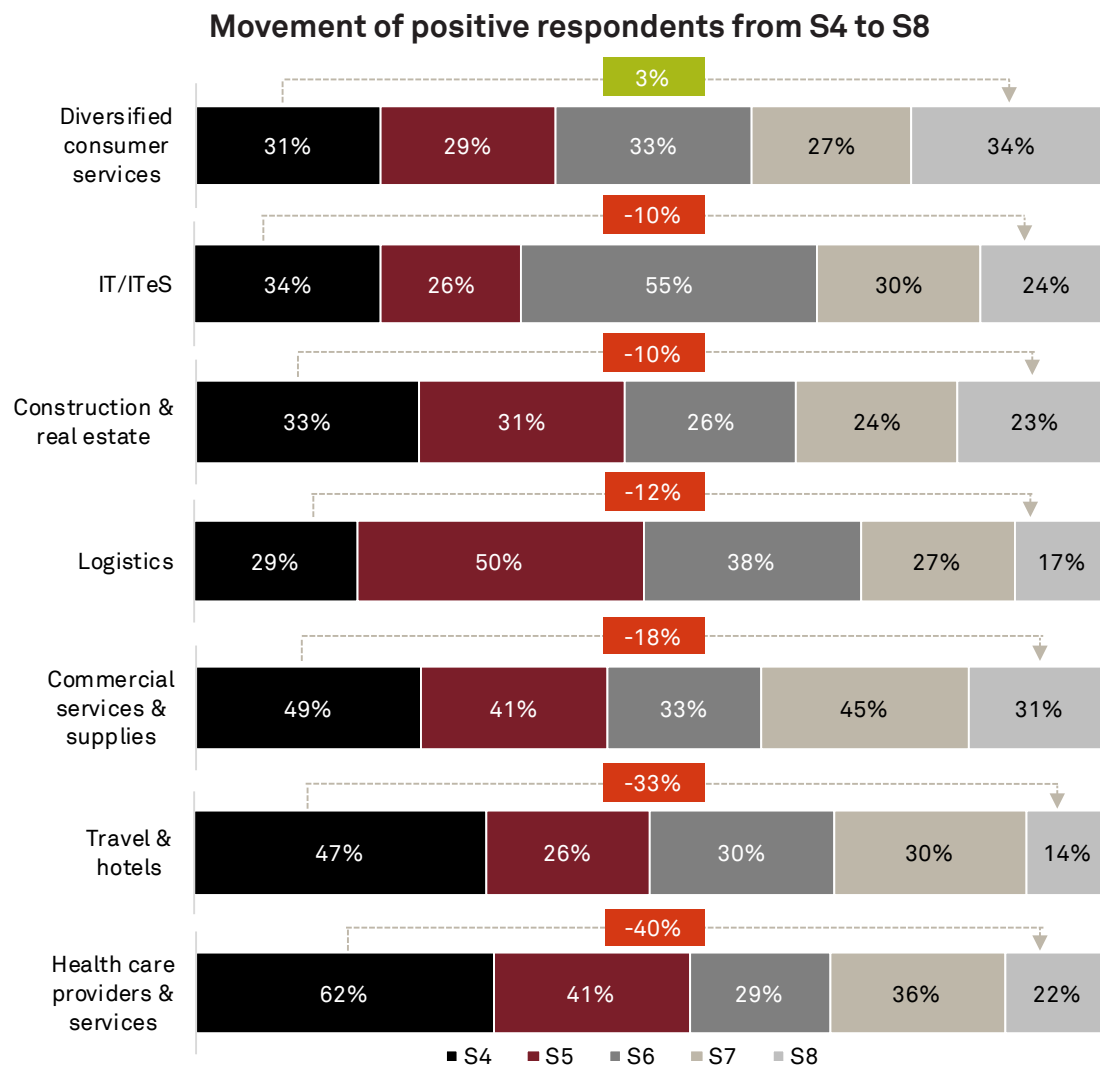
Manufacturing: Pharma and food products doing well; auto-components subdued

Movement of positive respondents from S4 to S8













- MSEs in pharmaceuticals and food products reported higher positive sentiment compared with peers in both S4 and S7
- Chemicals has been stable with marginal variation in the share of positive respondents compared with S4 and S7
- Auto-components remained subdued in S8 compared with both S4 and S7

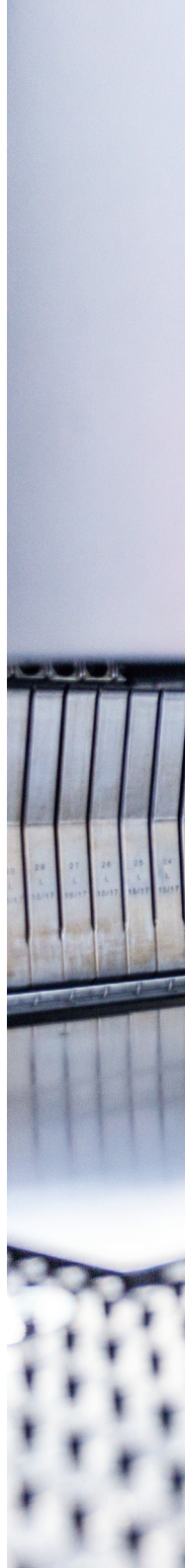
Services: Sentiment lower on-year in most sectors



- Between S4 and S8, the share of positive respondents showed the least variation in the diversified consumer services segment
- Though lower than S4, commercial services & supplies is also among segments with higher share of positive respondents in S8 among peers
- Healthcare providers & services and travel & hotels remained subdued compared with S7

Sector underpinnings

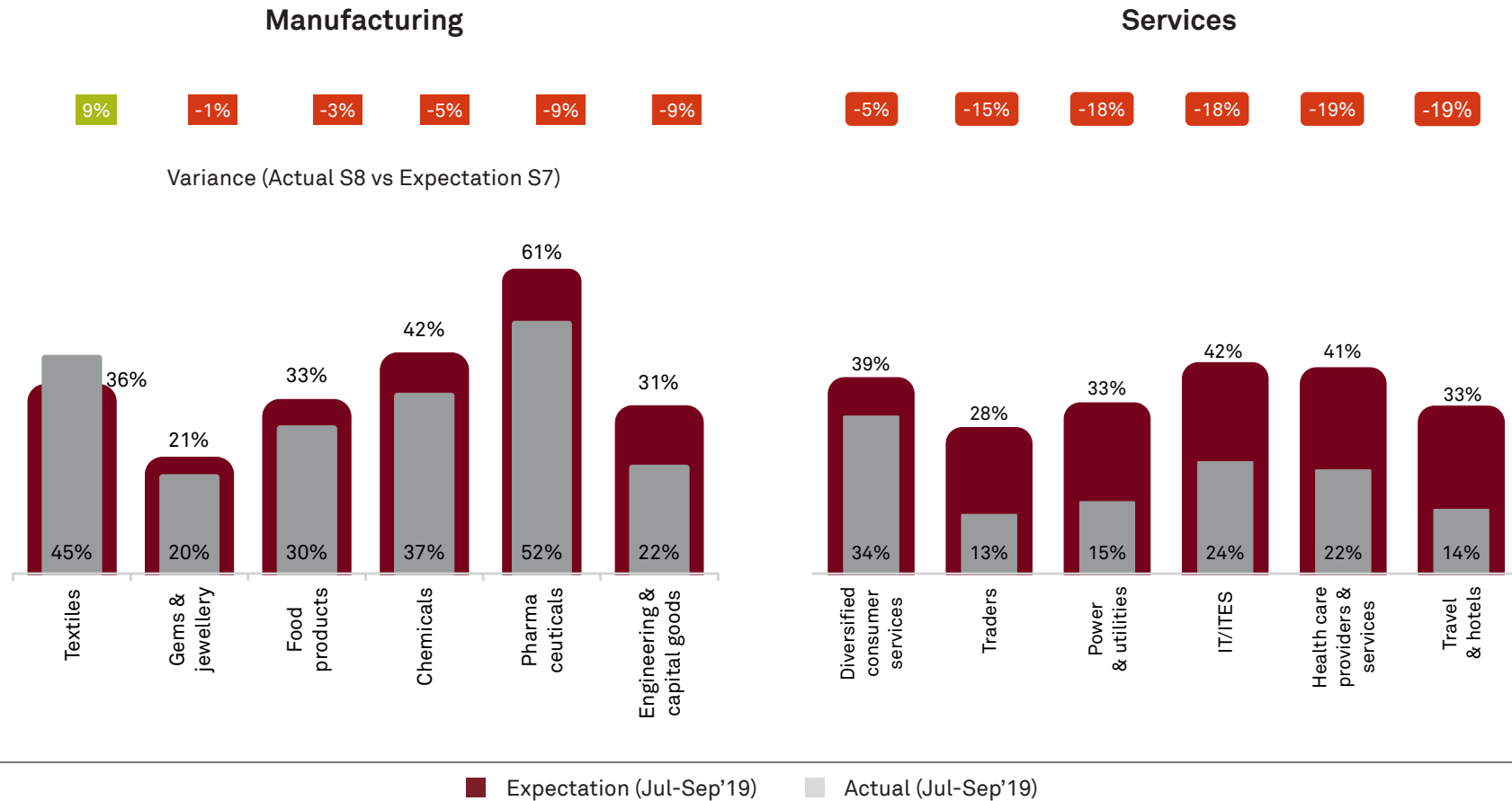
	Auto components	Weak automobile production led to a sharp decline in Q2FY20 revenue on-year for automobile component manufacturers. Most of the key customer segments, such as commercial vehicles, passenger vehicles, and two-wheelers, have seen a decline of more than 20% in volumes. Auto-component players are operating at 65-70% utilisation compared with earlier levels of 70-75%, thereby hampering profitability.
	Chemicals	In Q2FY20, crude oil prices dropped 9% on-quarter. Given the competition among SME players, any drop in input prices is typically passed on to end-users. At the same time, slowdown in the domestic market is impacting realisations negatively.
	Engineering & capital goods	During Q2FY20, project executions were lower owing to shrinkage in order books of players. This was owing to Q1 being an election quarter and weak order intake by players, and is expected to have impacted players' revenue, exacerbating the pressure on margins.
	Gems & jewellery	High prices (on-year rise of 22% in Q2FY20), increase in import duty on gold from 10% to 12.5%, and consumption slowdown impacted demand sentiment during in Q2FY20.
	Leather & leather goods	<p>Demand growth for leather is estimated to have slowed down on-year in Q2FY20 on account of:</p> <ul style="list-style-type: none"> • Fall in exports (~5% on-year in dollar terms between April and August, FY20) on account of declining demand from European countries such as Germany and the United Kingdom due to economic slowdown and uncertainties related to Brexit, respectively • Tanneries in Kanpur were shut down due to the Kumbh Mela and again for sewer cleaning, lowering production.
	Pharmaceuticals	Extended monsoons gave a boost to domestic sales, whereas good launches aided export growth.
	Construction & real estate	Developers remain wary of macroeconomic trends influencing the sector. Both demand and new launches declined on-quarter as well as on-year in Q2FY20, as also evident from the longer time required to convert a query into a sale. This has heightened negative sentiment both on-quarter and on-year.
	Healthcare providers & services	People typically refrain from undergoing treatments that can be delayed in the lead-up to the festive season. And the festive season this year came earlier compared with last year, impacting offtake of treatments during the Q2FY20.
	IT/ITeS	The dip in the positive sentiment for IT/ITeS can be explained by cautious outlook on growth due to slowdown expectation in developed economies, which can negatively impact clients outsourcing spends.
	Logistics	Weak freight demand and higher freight-carrying capacity due to revised axle norms have reduced fleet utilisation, thereby lowering spot freight rates and transporter margins.



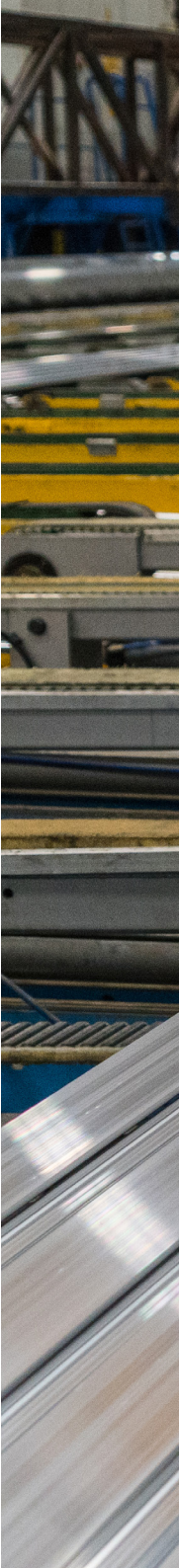


**Expectation in S7 vs
actual performance in S8**

Textiles fared better; diversified consumer services as expected



- It has been observed that expectations for the next quarter are generally a few percentage points higher than the actual print. However, one segment – textiles – was able to exceed the expectations in S8.

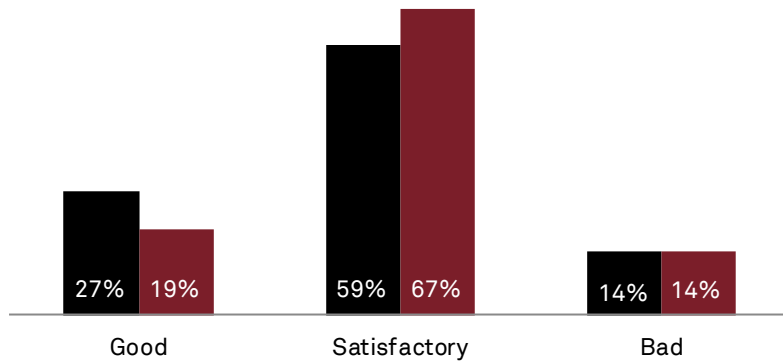




Sentiment in S8

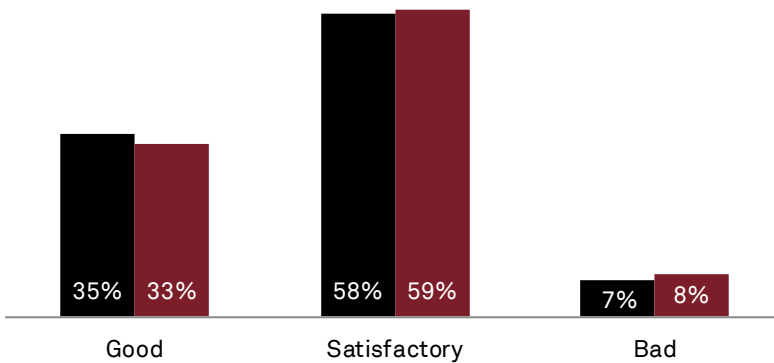
MSEs mostly satisfied about business situation

SQ8 (Jul-Sep'19)



- 27% of respondents in manufacturing and 19% in services were positive about the overall business situation in SQ8

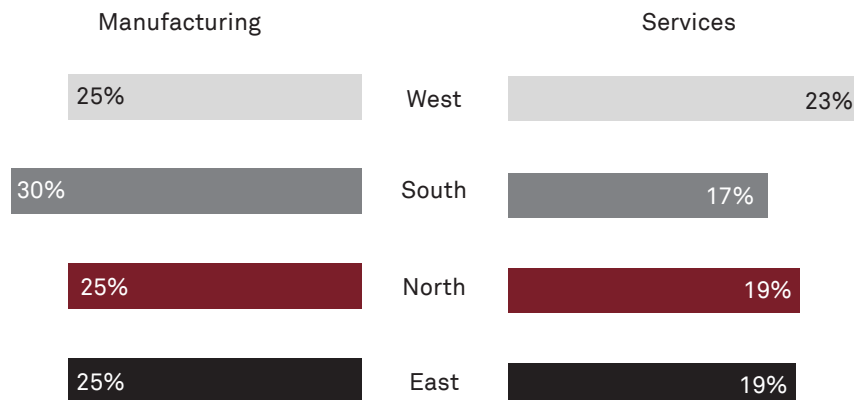
NQ8 (Oct-Dec'19)



- Nearly 35% and 33% of the respondents in manufacturing and services, respectively, expected a good next quarter (NQ8)

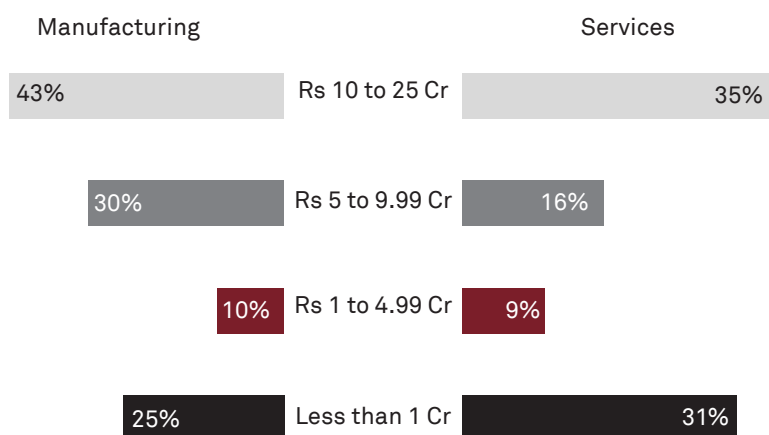
■ Manufacturing ■ Services

Manufacturing doing better across all regions



- Manufacturing-based MSEs in all four regions had a higher share of positive respondents compared with their services-based peers
- Manufacturing MSEs in the South had the highest difference in share of positive respondents (13%) compared with their services counterparts

23



Manufacturing MSEs with revenue > Rs 5 crore more positive

- Manufacturing-based MSEs with annual turnover of Rs 5-9.99 crore and Rs 10-25 crore were more positive (30% and 43%, respectively) than their services counterparts (16% and 35%, respectively)
- In services, MSEs with annual turnover less than Rs 1 crore were more positive (31%) than their manufacturing counterparts (25%)

Order book size (domestic): improvement expected in manufacturing

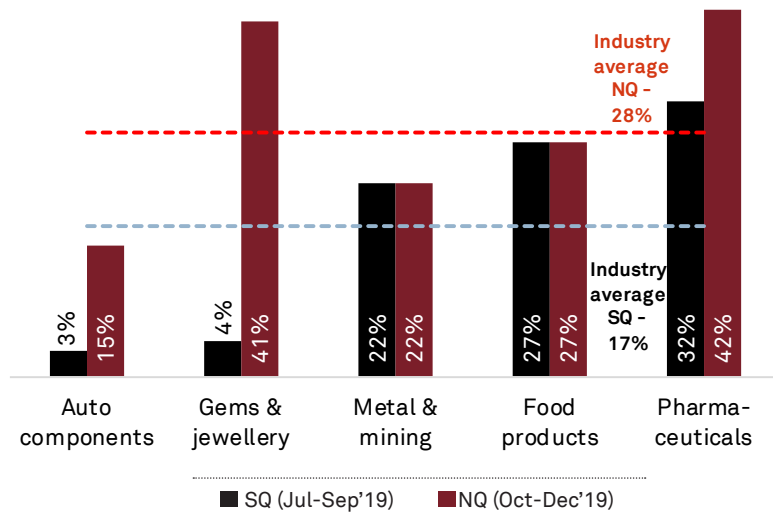
Manufacturing - order book size (domestic)



- 17% of MSEs in manufacturing sector saw growth in domestic order book in SQ8. A higher proportion of respondents (28%) expected growth in domestic order book in NQ8

24

Manufacturing industries - order book size (domestic)

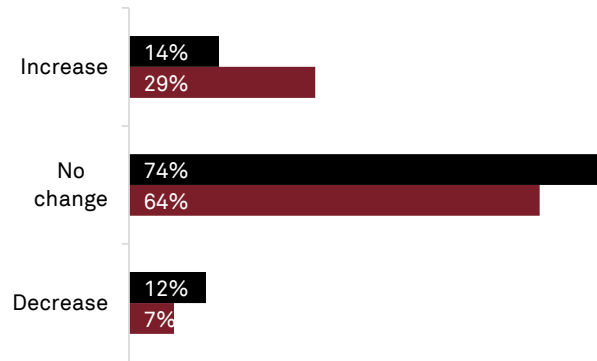


- The share of respondents who reported an increase in order-book size was higher than industry average in metal & mining, food products, and pharmaceuticals
- The share of respondents who reported an increase in order-book size compared with the industry average was the lowest in auto-components and gems & jewellery

% represent share of positive respondents

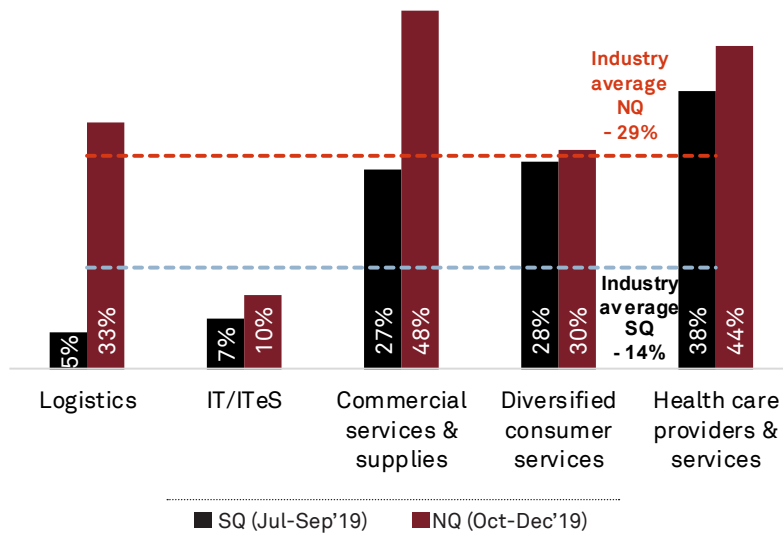
Order book (domestic): Performance of services similar to manufacturing

Services - order book size (domestic)



- 14% of MSEs in services sector reported an increase in domestic order book in SQ8
- 29% of services-based MSEs expected growth in domestic order book in NQ8

Services industry – order-book size (domestic)

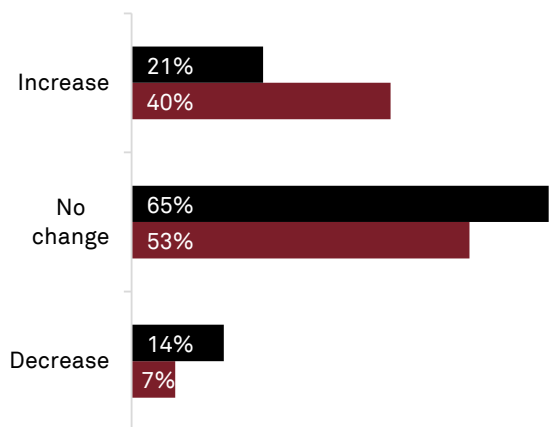


- The share of respondents who reported an increase in order-book size compared with the industry average was the highest in healthcare providers, diversified consumer and commercial services segments, and the lowest in logistics and IT/ITeS services

% represent share of positive respondents

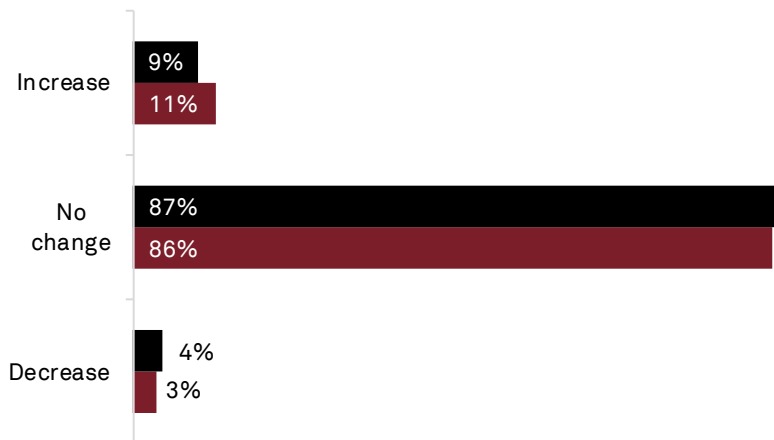
Order book (international): Exporters and importers expect better next quarter

Order book size (exports)



- 21% of MSEs with export order book reported an increase in orders in SQ8, while 40% expected a better NQ8

Orders placed (imports)

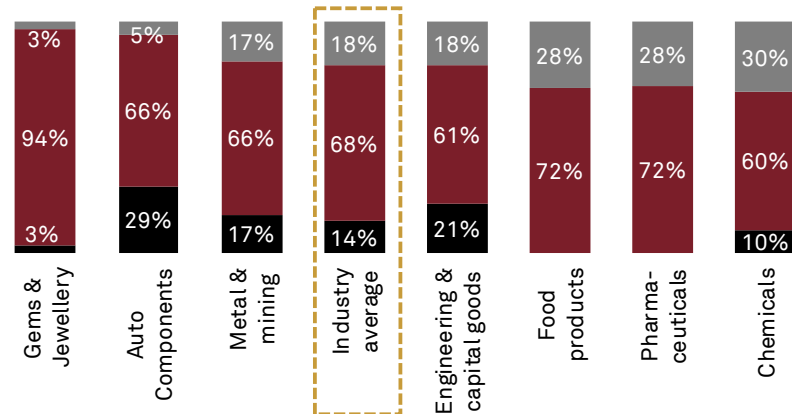


- Importers expected similar performance in NQ8, with the share of respondents expecting increased order-book size higher at 11% compared with 9% in SQ8

■ SQ (Jul-Sep'19) ■ NQ (Oct-Dec'19)

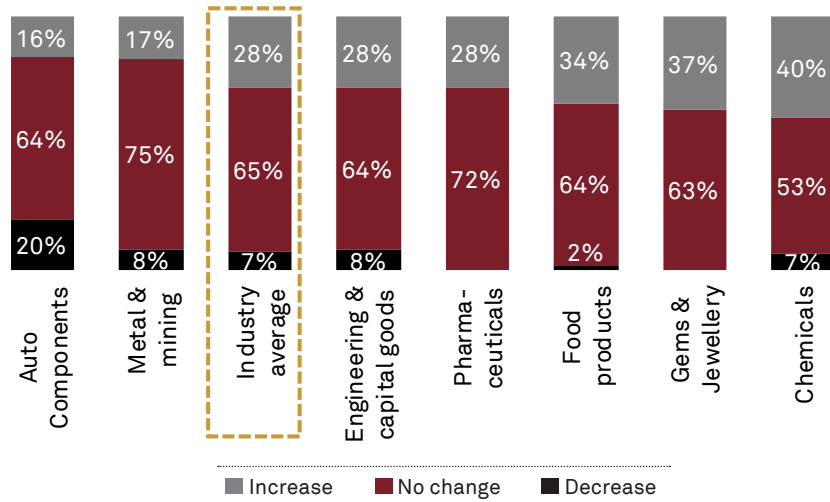
Volume of production: Chemicals and pharma did well, but gems & jewellery and auto components subdued

Volume of production (industry-wise) - survey quarter



- In SQ8, MSEs in chemicals and pharmaceuticals had the highest share of respondents reporting an increase in volume of production compared with the industry average of 18%
- Gems & jewellery and auto-components MSEs had the lowest share of respondents reporting an increase in volume of production compared with the industry average

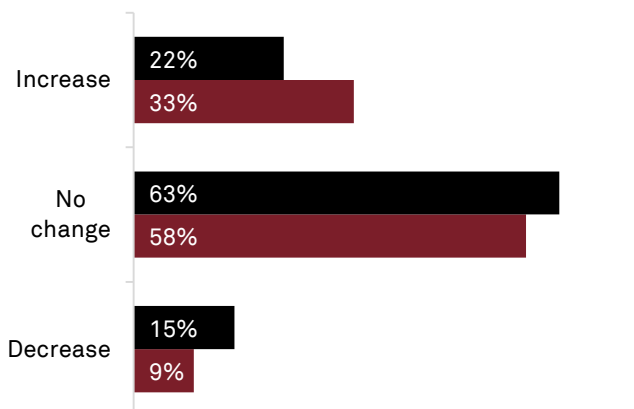
Volume of production (industry-wise) - next quarter



- While chemicals and gems & jewellery conveyed higher optimism for NQ8, a lower share of respondents in auto-components and metal and mining expected an increase in volume compared with the industry average of 28%

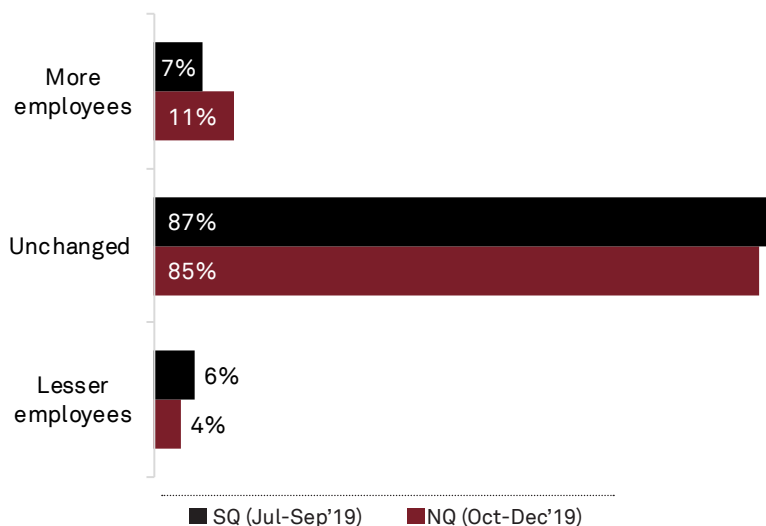
Expectation: Capacity utilisation to increase; hiring to remain muted

Capacity utilisation (manufacturing)



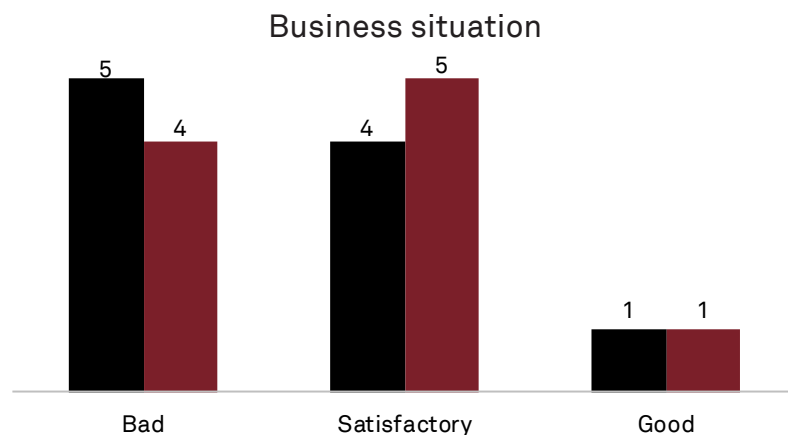
- In SQ8, 22% of manufacturing-based MSEs reported an increase in capacity utilisation, while 63% saw it unchanged
- For NQ8, 33% of the respondents expected enhanced capacity utilisation, while only 9% expected a reduction and the balance 58% saw no change

Employee base (manufacturing and services)

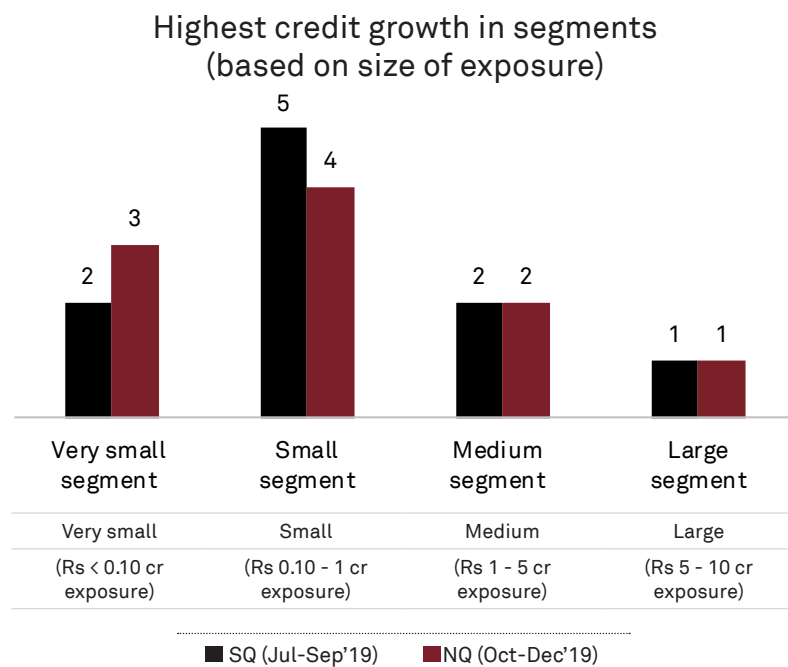


- 7% of respondents reported an enhancement in their employee base in SQ8, while 87% reported no change
- 11% of respondents expected to enhance their employee bases in NQ8, while 85% did not expect any addition in their workforce

Lenders have below par outlook on business situation

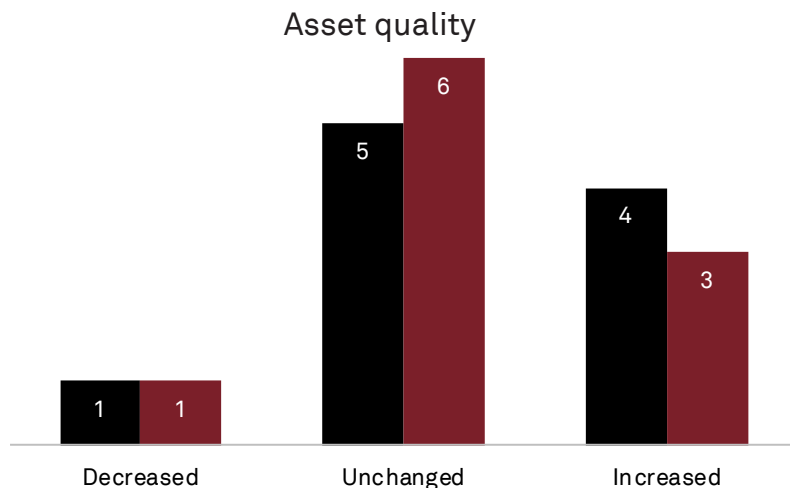


- In SQ8, 1 out of 10 of lenders surveyed saw an improvement in the overall business situation of MSEs, 4 out of 10 rated it as satisfactory, and 5 out of 10 reported it as below satisfactory level
- For NQ8, 1 out of 10 lenders had a positive outlook on MSEs, 5 out of 10 expected it to be satisfactory, and 4 out of 10 expected it to be below satisfactory level



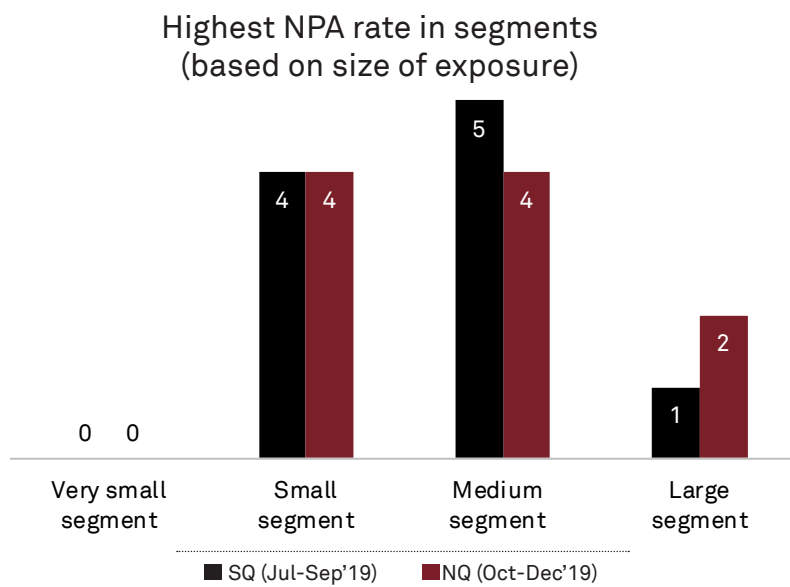
- In SQ8, 7 out of 10 lenders reported the highest credit growth in the sub-Rs 1 crore credit exposure segment compared with 1 out of 10 in the Rs 5-10 crore segment
- For NQ8, too, lenders expected a trend similar to SQ8

Lenders see moderation in asset quality



- 5 out of 10 lenders reported no change in NPAs, while 4 reported an increase, and only 1 reported a decrease

30



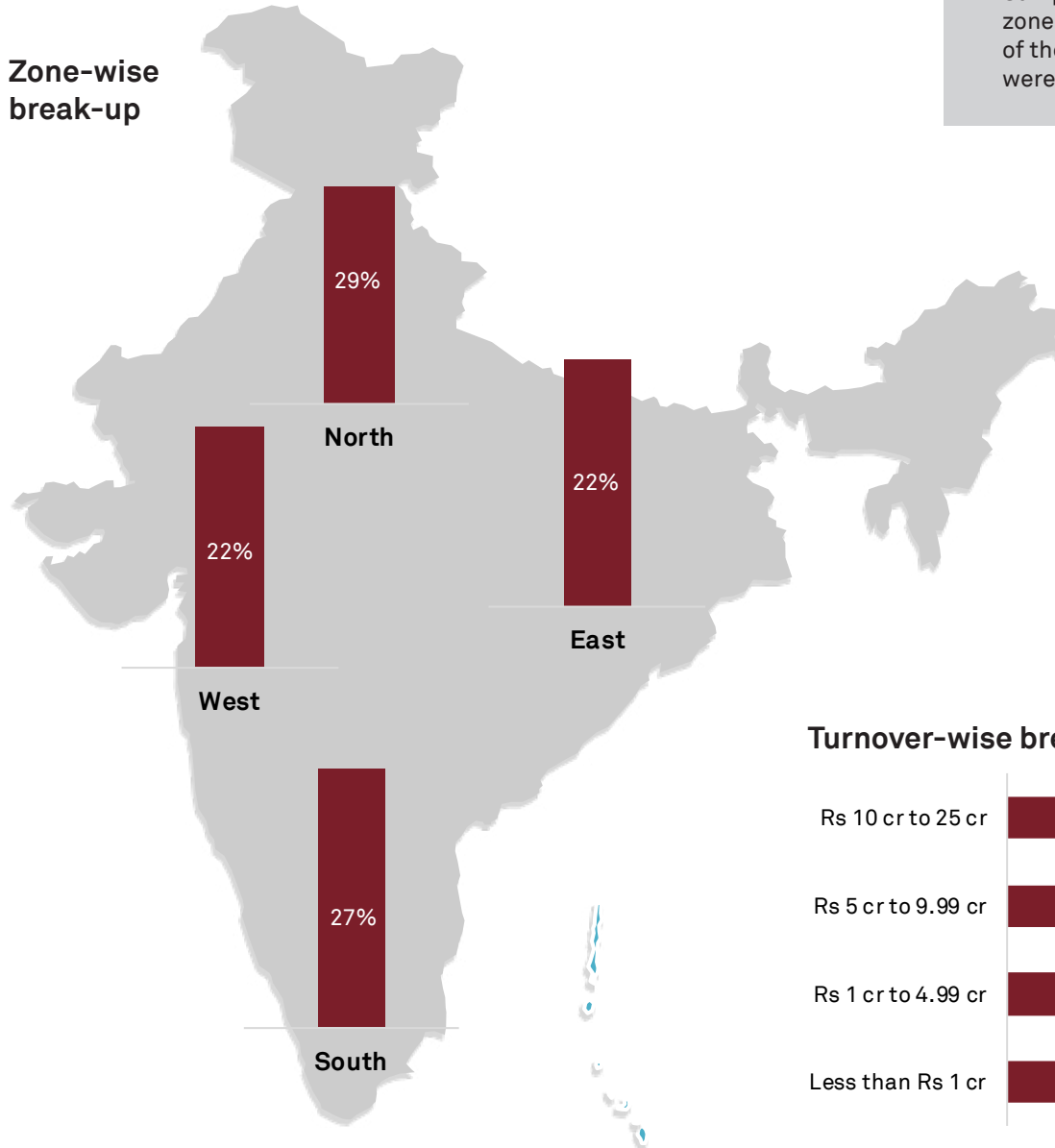
- 4 out of 10 in the small segment, 5 out of 10 in the medium segment, and 1 out of 10 in large segments witnessed an increase in NPA levels



Annexures

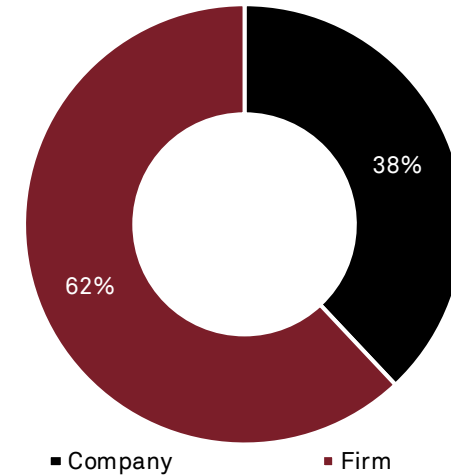
Sample summary

Zone-wise break-up

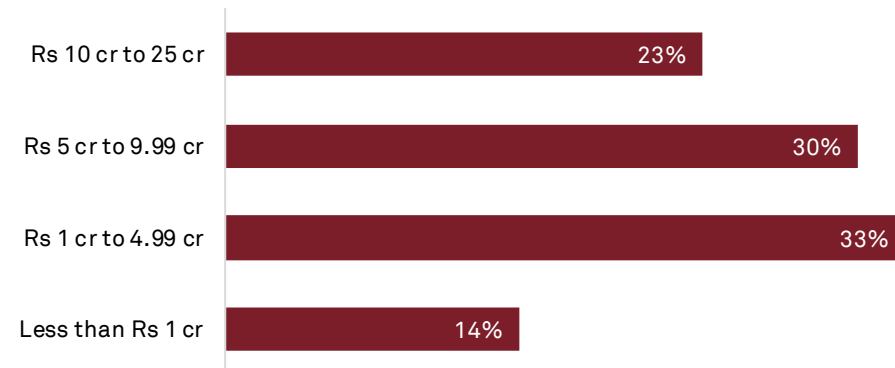


- Sample selected for the survey is well-distributed across zone and turnover categories. In terms of legal status, 38% of the participating MSEs were companies, whereas 62% were firms (proprietorships and partnerships)

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, plastic molds 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, fruit and vegetable processing, rice milling, beverages, etc

Gems & jewellery comprises manufacturers of gold jewellery and retailing, 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, event management, etc

Diversified consumer services comprises education, packaging, cold storage services, service centres, etc

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

Human resources comprises manpower management, security services, employment services, etc

IT/ITeS comprises software developers, data processing, business process outsourcing, IT consulting, etc

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

Power & utilities comprises power transmission, solar products, water utilities, etc

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

Notes

About CRISIL Limited

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better.

It is India's foremost provider of ratings, data, research, analytics and solutions with a strong track record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights, and efficient solutions to over 100,000 customers through businesses that operate from India, the US, the UK, Argentina, Poland, China, Hong Kong and Singapore.

It is majority owned by S&P Global Inc, a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

CRISIL Privacy

CRISIL respects your privacy. We may use your contact information, such as your name, address, and email id to fulfil your request and service your account and to provide you with additional information from CRISIL. For further information on CRISIL's privacy policy please visit www.crisil.com/privacy.

About SIDBI

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.

Argentina | China | Hong Kong | **India** | Poland | Singapore | UK | USA | UAE

CRISIL Limited: CRISIL House, Central Avenue, Hiranandani Business Park, Powai, Mumbai – 400076. India

Phone: + 91 22 3342 3000 | Fax: + 91 22 3342 3001 | www.crisil.com

in/company/crisil [t/CRISILLimited](https://twitter.com/CRISILLimited) [f/CRISILLimited](https://facebook.com/CRISILLimited) [y/user/CRISILLimited](https://youtube.com/user/CRISILLimited) [i/rifeatorcrisil](https://instagram.com/rifeatorcrisil)

CRISIL
An S&P Global Company