



CriSidEx

Survey for
April-June 2022 and
July-September 2022

Business optimism improves

January 23 | Volume 19



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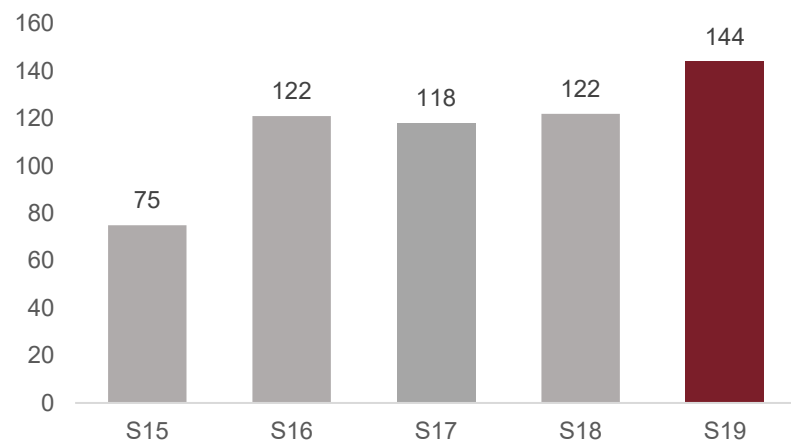
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Contents

Comparison across surveys	12
Sentiment in S19	18
Annexures	24

Lower base results in high on-year growth in index



The CriSidEx* score of 144 for April-June 2022 (Survey 19 or S19) was higher than the corresponding period of the previous year (S15) and the previous quarter (S18).

Note: S14 was based on 1,100 respondents. S15 onwards is based on 700 respondents, given the pandemic's second wave.

Abbreviations

CriSidEx survey	Survey quarter (SQ)	Next quarter (NQ)
Survey 15 (S15)	April-June 2021 (SQ15)	July-September 2021 (NQ15)
Survey 16 (S16)	July-September 2021 (SQ16)	October-December 2021 (NQ16)
Survey 17 (S17)	October-December 2021 (SQ17)	January-March 2022 (NQ17)
Survey 18 (S18)	January-March 2022 (SQ18)	April-June 2022 (NQ18)
Survey 19 (S19)	April-June 2022 (SQ19)	July-September 2022 (NQ19)

PAT: Profit after tax

On-year movement in index parameters

Manufacturing

Component Parameters	Actual		
	S15	S19	S19 - S15
Volume of production	76	155	79
Order book size	75	163	88
PAT margin	67	157	90
Capacity utilisation	85	157	72
Employee base	91	117	26
Manufacturing Index	79	150	71

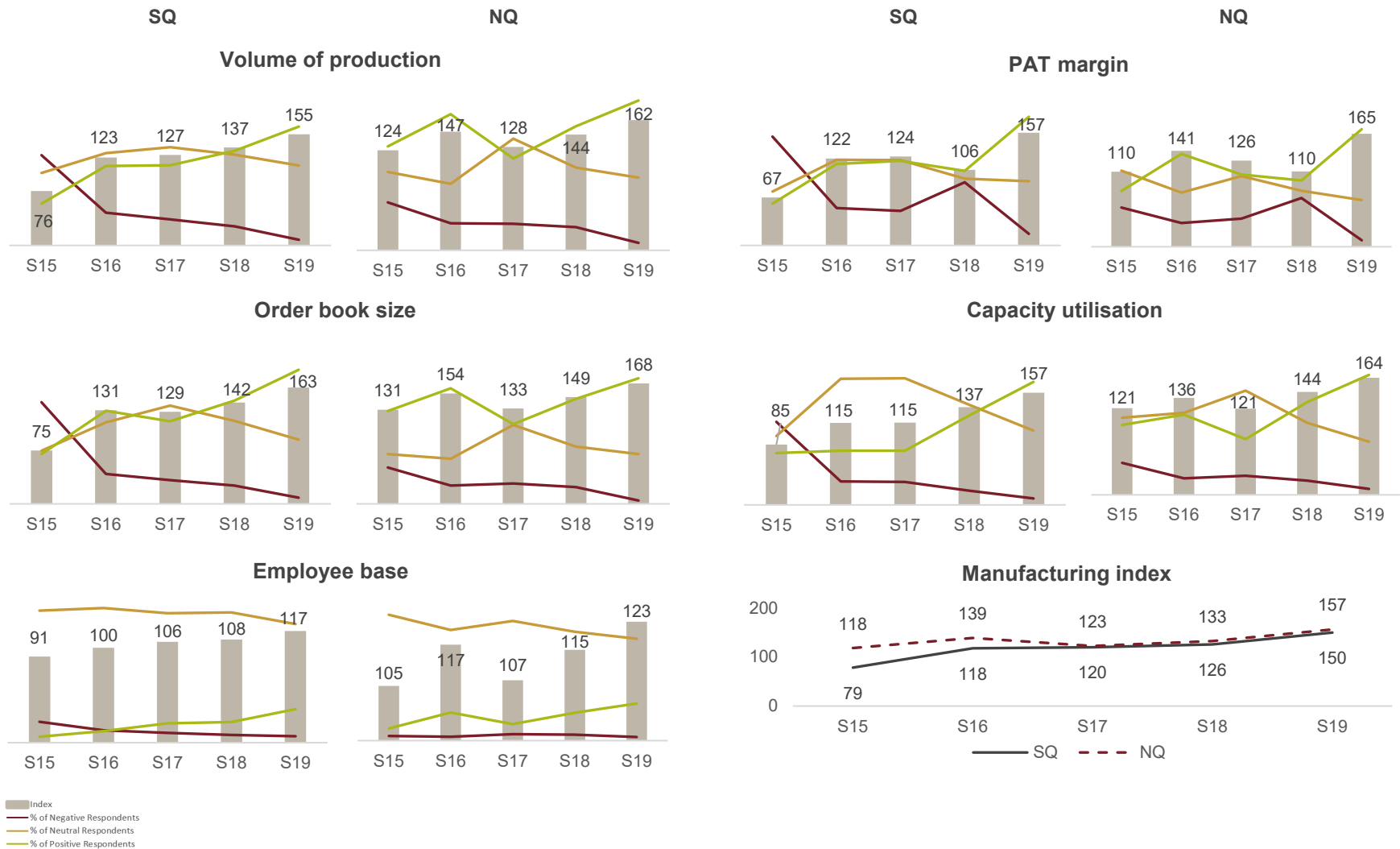
Services

Component Parameters	Actual		
	S15	S19	S19 - S15
Order book size	62	153	91
PAT margin	60	141	81
Employee base	91	123	32
Services Index	71	139	68

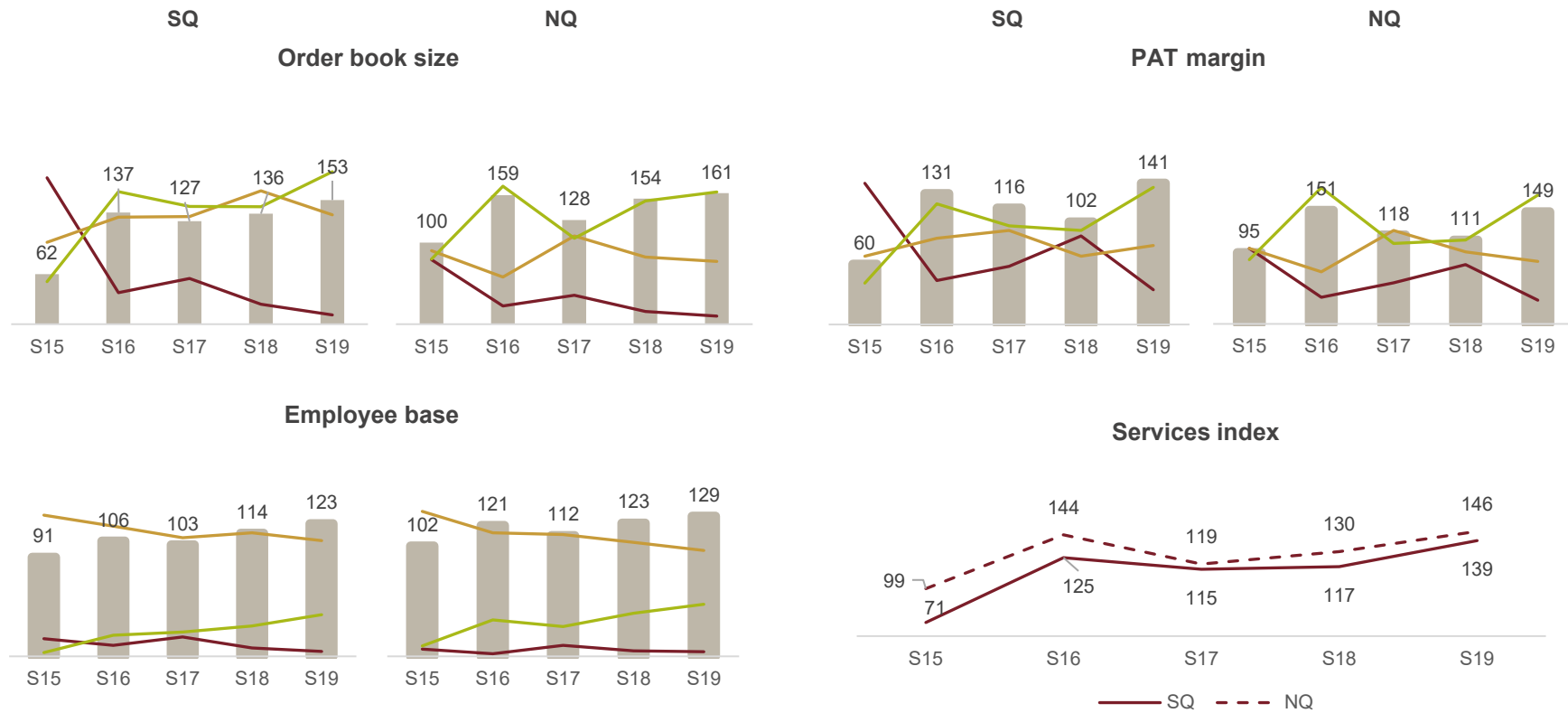
Positive		Negative	
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On-year increase in the index is steeper in the manufacturing sector than in services. The Manufacturing Index improved highest on PAT margin while Service Index showed highest improvement on order book size. Employee base had the lowest improvement for both manufacturing and services.

Jump in PAT margin for manufacturing on-year for SQ and NQ

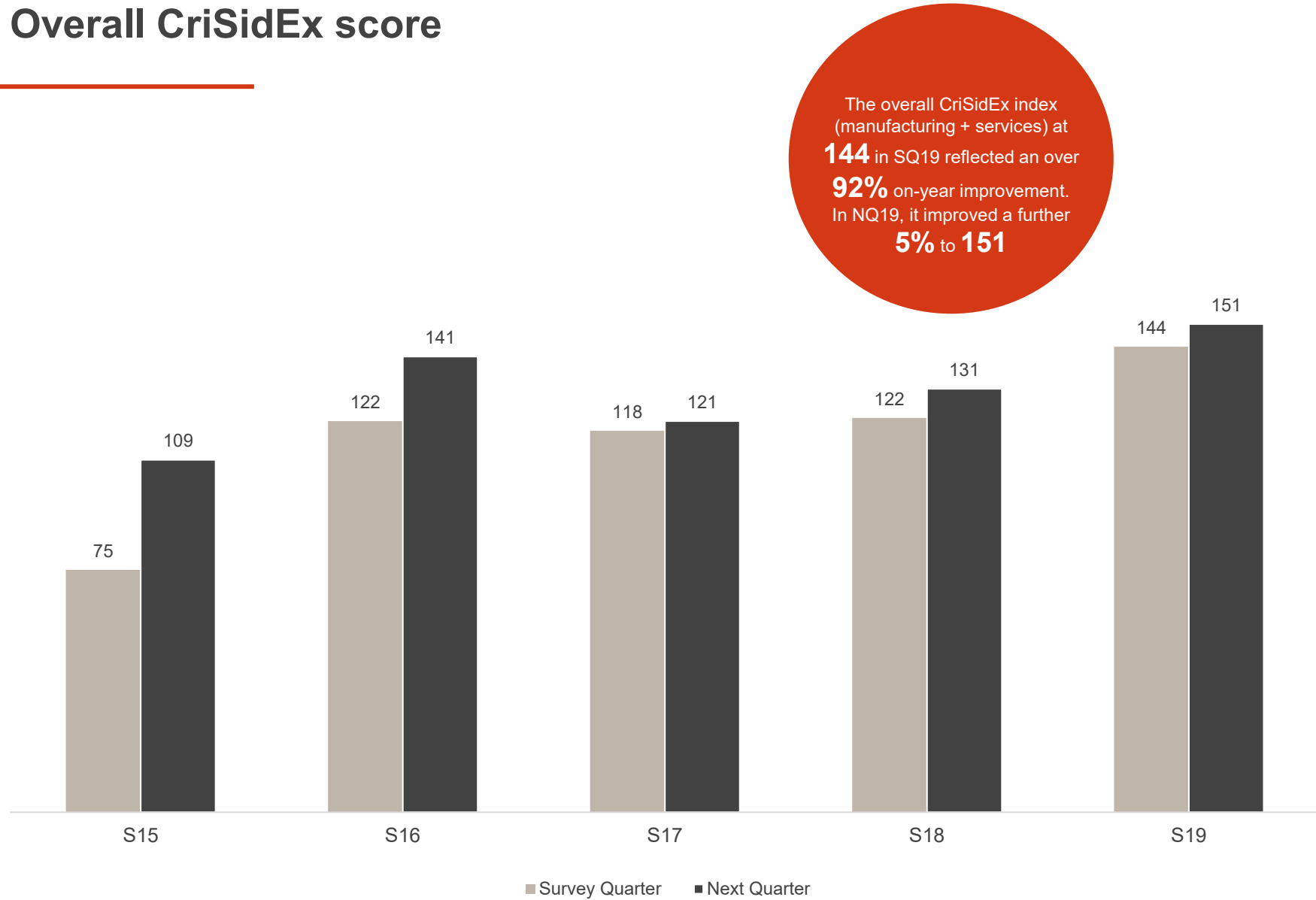


Services record highest on-quarter improvement in PAT margin



Index
 % of Negative Respondents
 % of Neutral Respondents
 % of Positive Respondents

Overall CriSidEx score

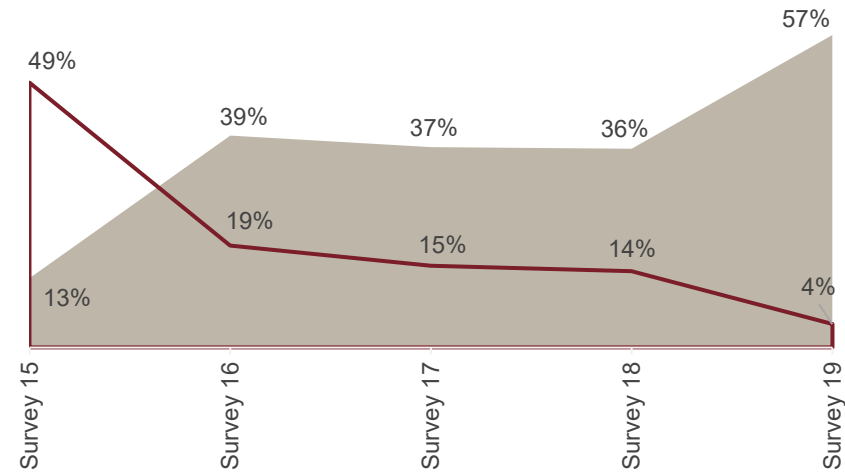
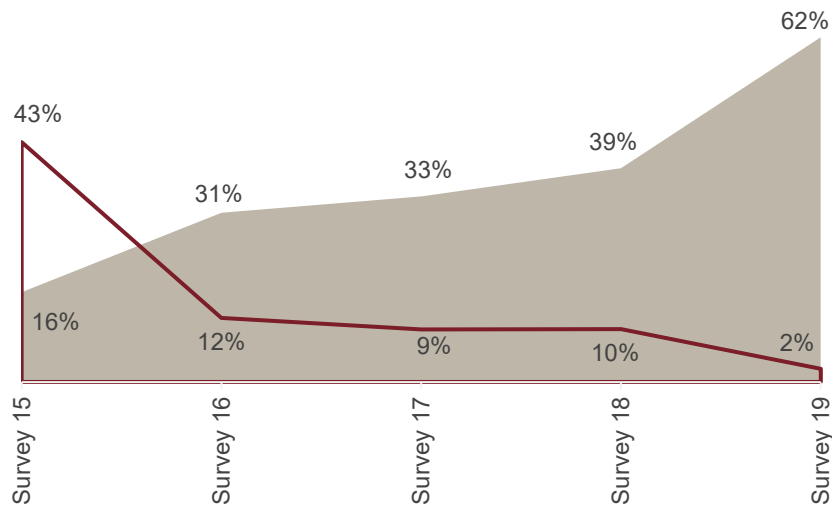


Business sentiment

In SQ19, the share of positive respondents jumped to **62%** for manufacturing and **57%** for services

Manufacturing

Services

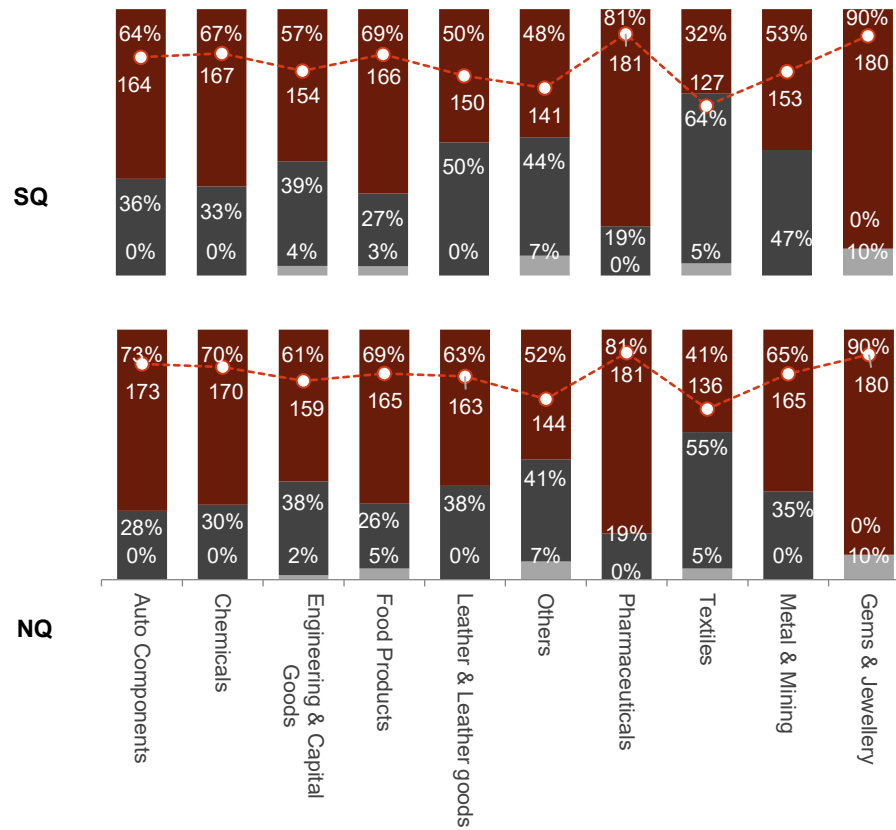


■ % of respondents who reported a good quarter ■ % of respondents who reported a bad quarter

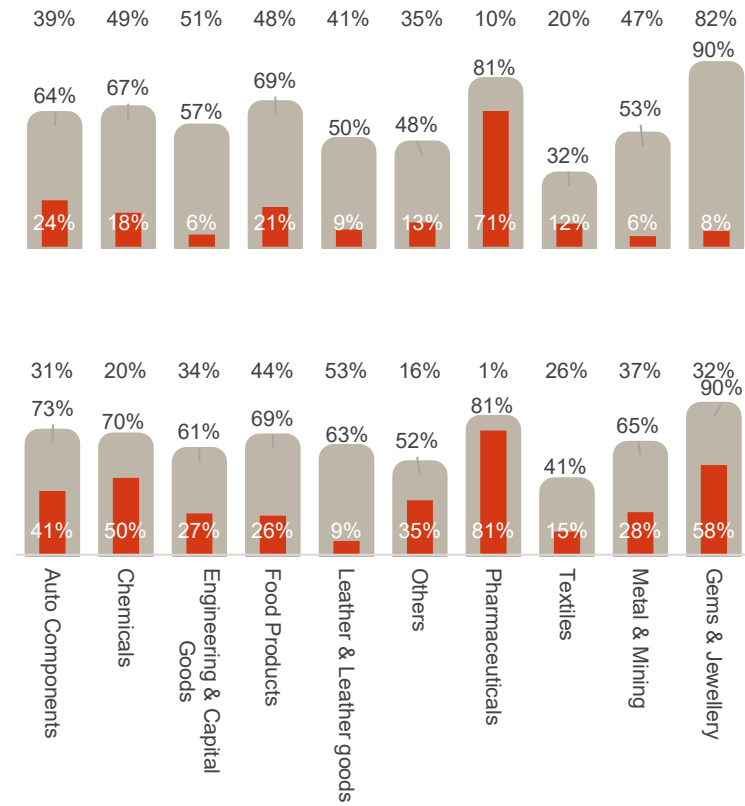
Despite headwinds due to the Russia-Ukraine conflict, growth momentum improved during Q1 of fiscal 2023. On the demand side, private final consumption expenditure (PFCE) registered strong growth. Investments also continued to recover; however, the government’s final expenditure remained weak. While economic recovery continues, underlying trends suggest some pain points in the second quarter. Inflation too remains a key monitorable.

Business sentiment: Sector-wise break-up in manufacturing

Sector-wise sentiment mapping



On-year positive sentiment growth

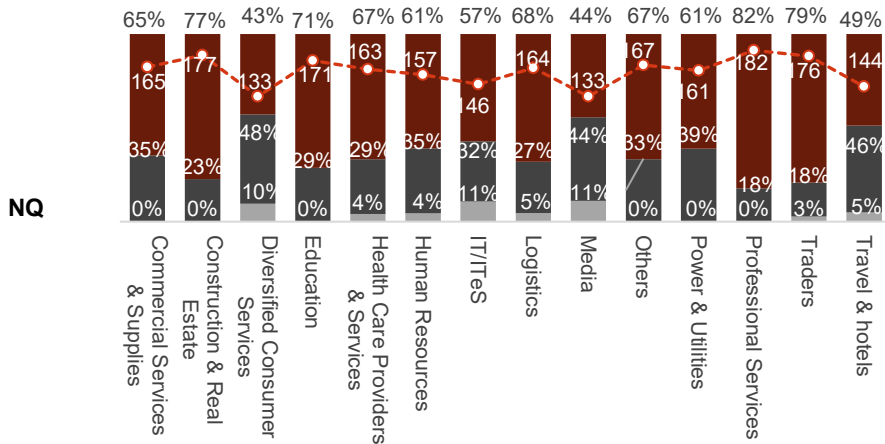
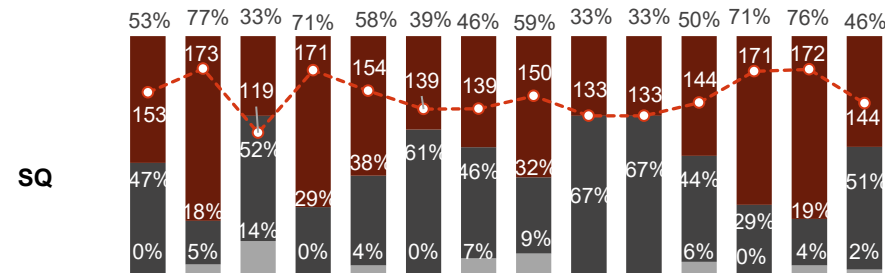


■ % of respondents who reported a good quarter
■ % of respondents who reported a bad quarter
■ % of respondents who reported a satisfactory quarter
-○- Index

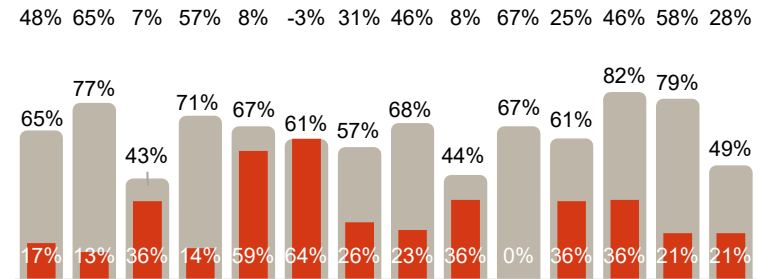
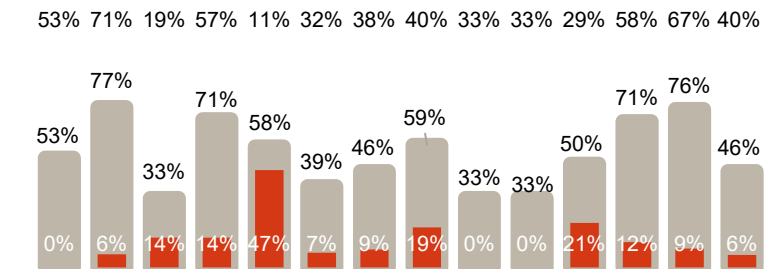
■ Survey 19 ■ Survey 15

Business sentiment: Sector-wise break-up in services

Sector-wise sentiment mapping



On-year positive sentiment growth



■ % of respondents who reported a good quarter
■ % of respondents who reported a bad quarter
■ % of respondents who reported a satisfactory quarter
- - - Index

CriSidEx defined

CriSidEx is India's first sentiment index for micro and small enterprises (MSEs), which indicates the current state of and expected outlook for the sectors every quarter, based on a survey. Survey 1 was conducted during September-December 2017.

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

The index is calculated for: (i) the respondent's assessment of the survey quarter or SQ; and (ii) the respondent's expectation for the next quarter, or NQ. No economic indicators, trade statistics or financials of MSEs have been used to compute it.

Since CriSidEx represents only MSEs, 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. It also includes micro-enterprises funded by microfinance institutions (MFIs), which, in turn, are funded by SIDBI. Responses have been drawn from CRISIL-rated enterprises, and current and past borrowers of 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 Fullerton India Credit Company Ltd, IndusInd Bank, Kotak Mahindra Bank, and 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 the representation of enterprises based on size, geography and the nature of business. It covers MSEs with at least three years of business operations. The broad characteristics of the sample are as follows:

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 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'. This 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:

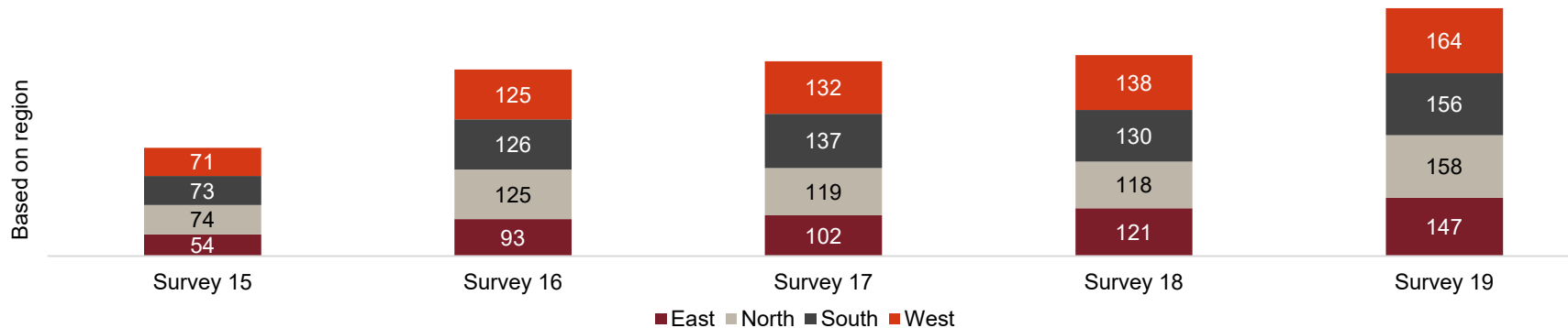
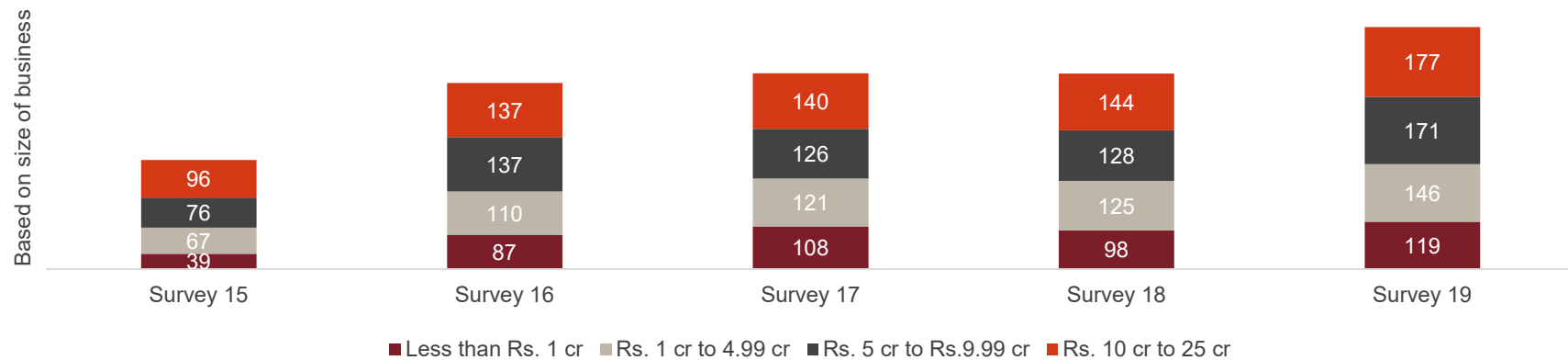
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<https://sidbi.in/Crisidex.php>



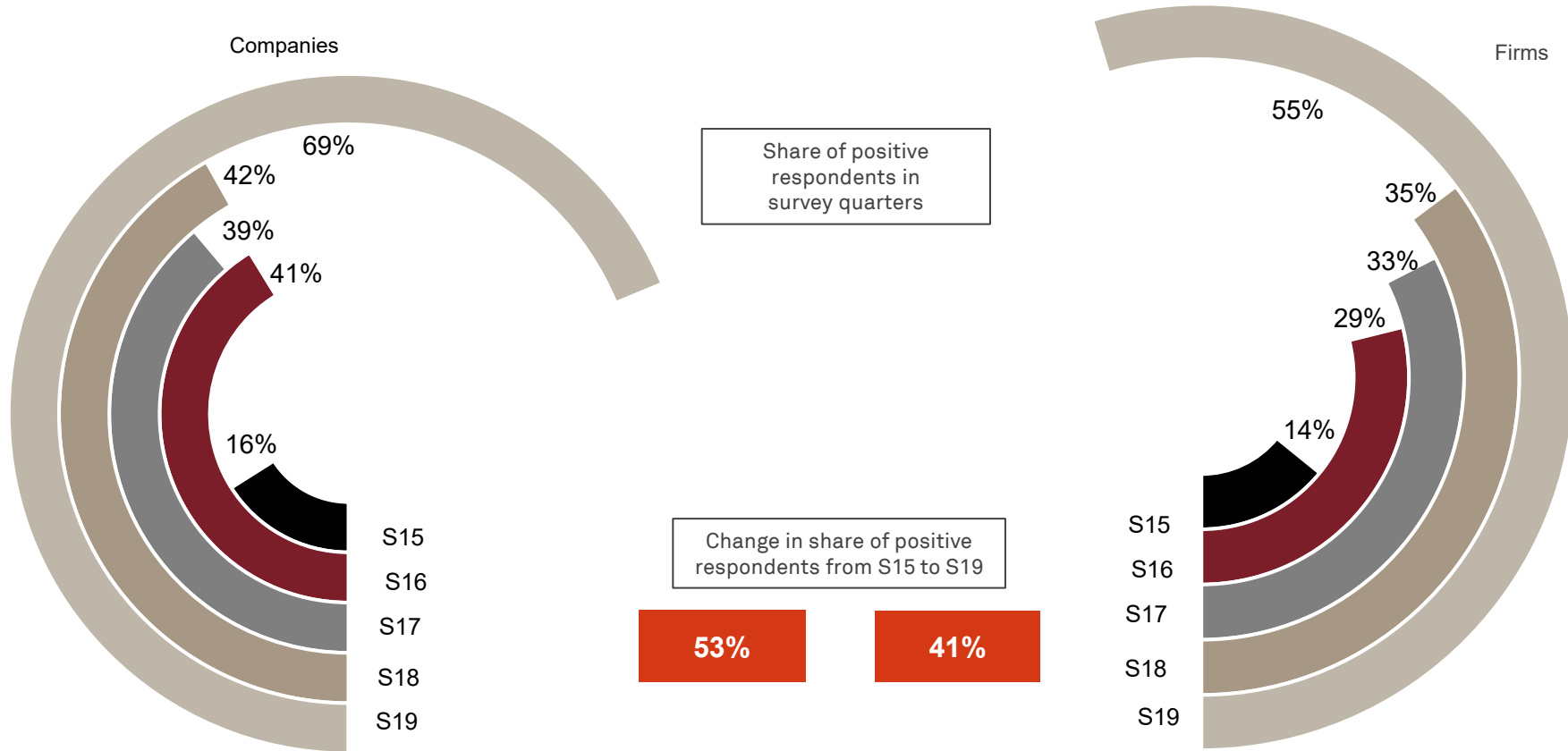
Comparison across surveys

Highest on-quarter improvement for Rs 5-9.99 crore businesses; North outperforms other regions on-quarter










% represents the share of positive respondents

Companies more buoyant than firms



- Positive sentiment much higher for companies than for firms
- Compared with S15, companies showed better improvement (53%) in the share of positive respondents than firms (41%)

Sector underpinnings

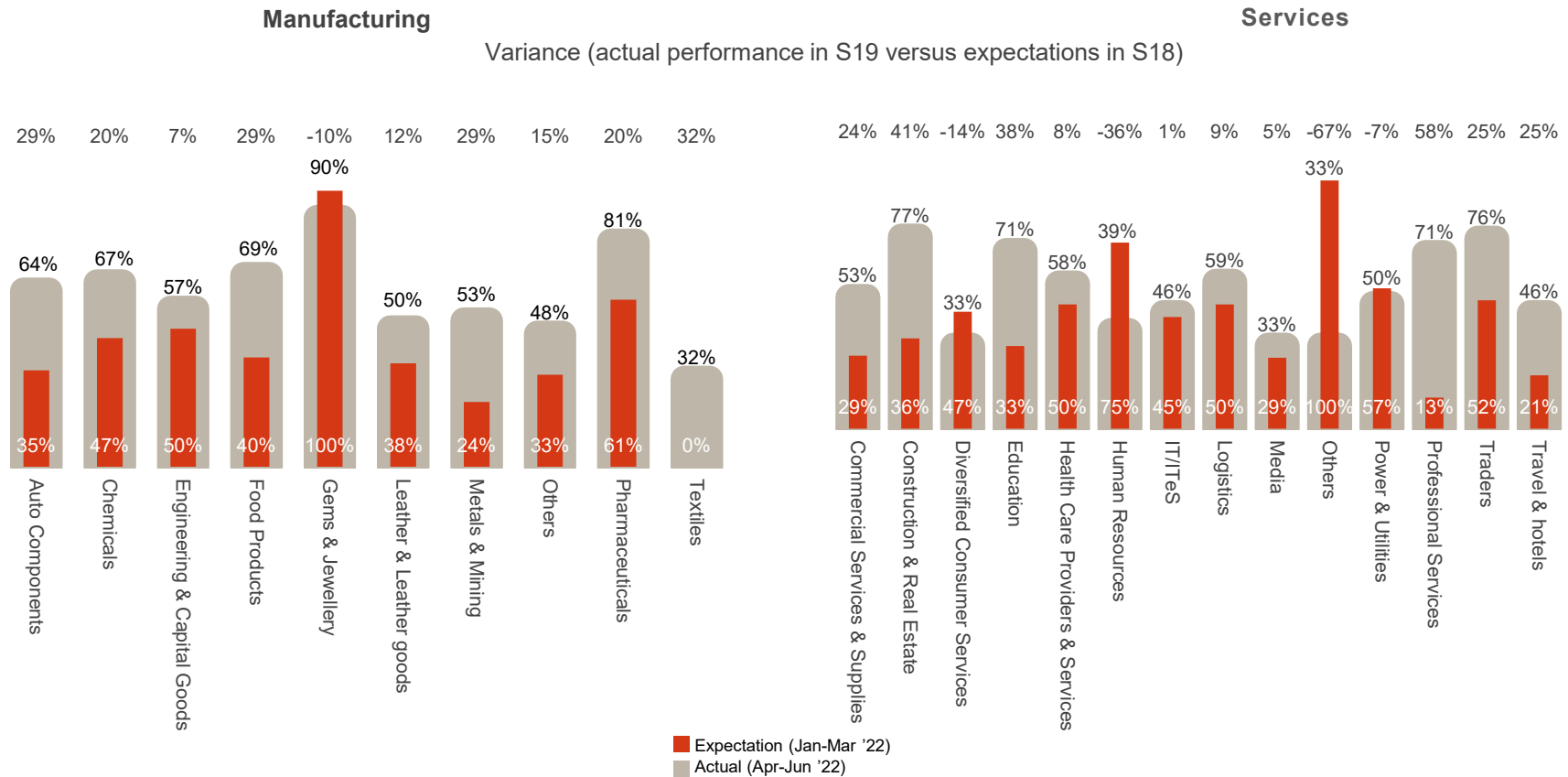
	Auto components	<p>Demand for automotive components in the first quarter of this fiscal improved significantly on-year and on-quarter owing to a pick-up in domestic original equipment manufacturing (OEM) demand. The latter improved on-year due to demand recovery in the passenger vehicles and commercial vehicle segment. Increase in overall economic activity and pent-up demand led to an uptick in the aftermarket area. Export offtake improved owing to better demand from key export destinations such as Europe and North America. Sentiment is expected to improve sequentially and on-year in the second quarter, since OEMs will start stocking inventory for the upcoming festive season demand. Production across all vehicle segments is expected to be better due to increased mobility and easing semiconductor shortage. Export demand is expected to increase due to healthy demand from international OEMs. However, the global inflationary trends and tightening interest rate and sentiments will likely impact exports.</p>
	IT/ ITeS	<p>Growth momentum in the IT/ITes sector was moderate in first quarter of fiscal 2023. This can be largely attributed to the shift towards analytics and automation projects. This shift towards premium services such as data management, automation and non-voice-based customer relationship management systems will help growth for the second quarter.</p>
	Healthcare providers and services	<p>Sentiment improved both on-year and sequentially for first quarter of fiscal 2023 since the share of low realisation Covid-19 patients in the overall treatment mix was negligible in the quarter. This led to overall higher average revenue per hospital bed (ARPOB) and stabilisation in demand from regular demand channels such as surgeries, out-patient departments and other treatments. The sentiment of healthcare providers is estimated to have improved both on-year and on-quarter in second quarter as demand from regular channels stabilises and the operating parameters of healthcare providers improve, especially with expansion in ARPOB.</p>
	Construction and real estate	<p>Growth was healthy in the construction sector on-year in first quarter of fiscal 2023 on a low base, backed by increased spending of the central government which was up 57% on-year in the quarter. Despite the first quarter being the weakest for construction activities, front-loading of capex kept construction activity at high levels. However, input cost inflation was a concern dragging the operating margins of players. The sector is expected to rise on-year in the second quarter despite the increase in the prices of commodities as the government continues spending on capex with rising tax collections coupled with the low base effect in the quarter.</p>
	Travel and hotels	<p>Sentiment improved both on-year and on-quarter in first quarter of fiscal 2023 on a low base of the previous fiscal and the preceding quarter since they were impacted by the second and third waves of the pandemic, respectively. Demand recovered sharply, driven by revival in MICE (meetings, incentives, conferences, exhibitions), corporate travel and healthy pent-up demand from VFR (visiting friends and relatives) and leisure, coupled with restarting of scheduled international passenger flights. Travel demand and sentiment is estimated to have further improved in the second quarter since recovery in travel demand is strong, driven by sustained revival across the MICE, corporate, leisure, VFR, and international travel segments. This has led to occupancy levels in hotels breaching pre-pandemic levels.</p>
	Logistics	<p>Sentiment improved both on-year and on-quarter in the first quarter of fiscal 2023 on a low base of the previous fiscal, boosted by economic recovery. This led to healthy freight movement, increased load availability, rising fleet utilisation, and uptick in freight rates, which boosted transporter profitability. Sentiment in the second quarter are estimated to improve both sequentially and on-year since load availability is strong. Moreover, while freight rates are estimated to have increased by an average 19% YTD (April-September) compared with only an average 5% increase in diesel prices (YTD), leading to improving profitability.</p>
	Food products	<p>Growth in the first quarter of fiscal 2023 , was led by discretionary/out-of-home categories such as snacks, chocolates and cakes, while the staples and convenience category such as biscuit posted a resilient performance. Rising demand from quick service restaurants, higher affordability and changing consumption habits is driving growth. Due to price hikes, price-led growth was higher than volume growth. A grammage cut led to a decline in demand for smaller packets. Price hikes taken by players to counter the rising cost of raw materials is expected to impact demand in the second quarter.</p>



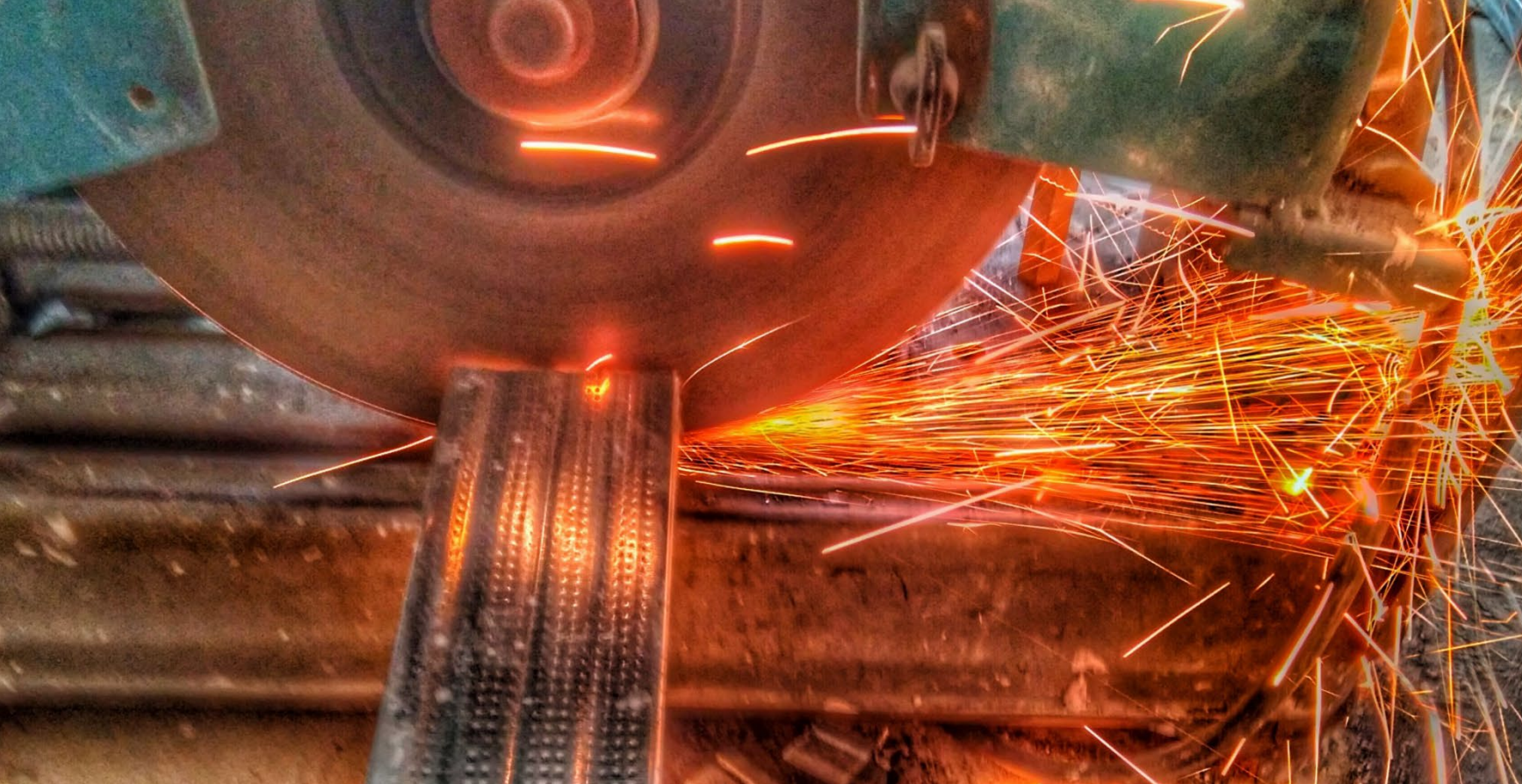
Expectations in
S18 versus actual performance in **S19**

Most sectors surpass expectations, excluding a few

Highest variance seen in gems and jewellery, human resources and diversified consumer services



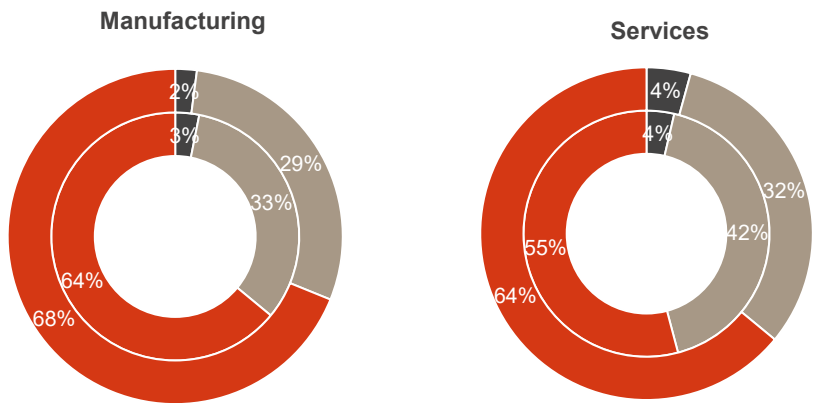
% represent share of positive respondents



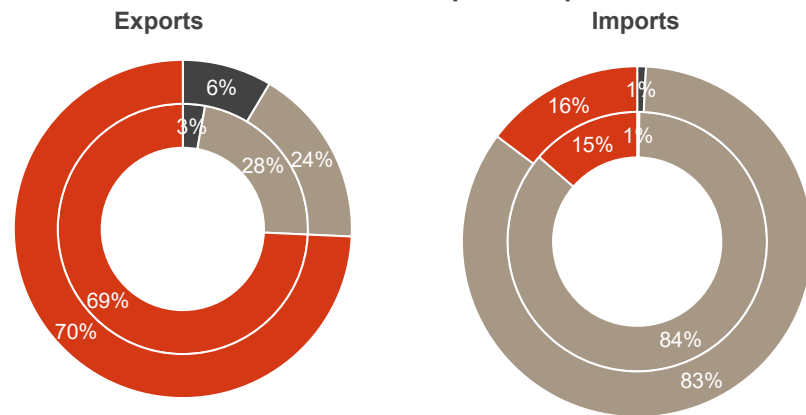
Sentiment in **S19**

Manufacturing sector's order-book swells faster; gems and jewellery, leather and auto component sectors precede

Order book size – domestic



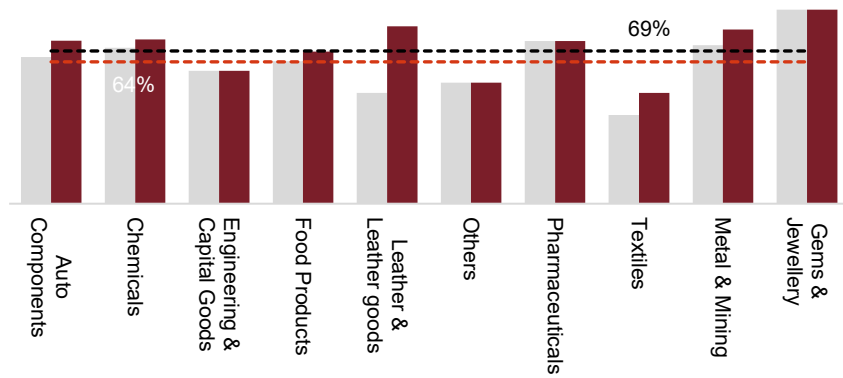
Order book size – exports/ imports



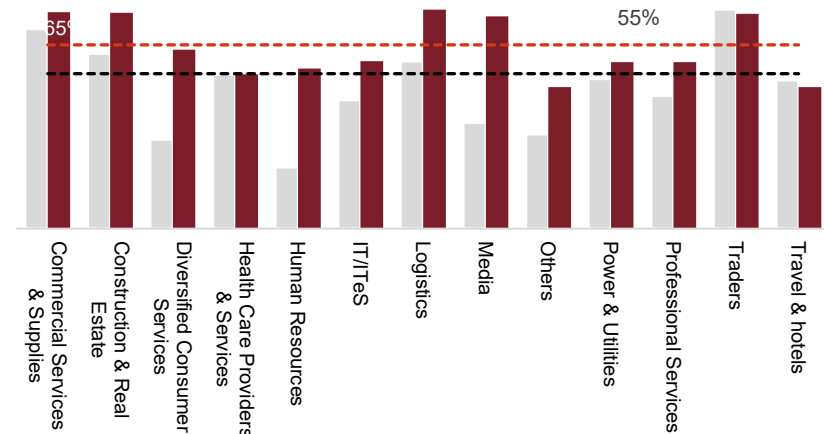
Decrease No change Increase

Inner doughnut represents SQ and outer doughnut represents NQ

Manufacturing



Services

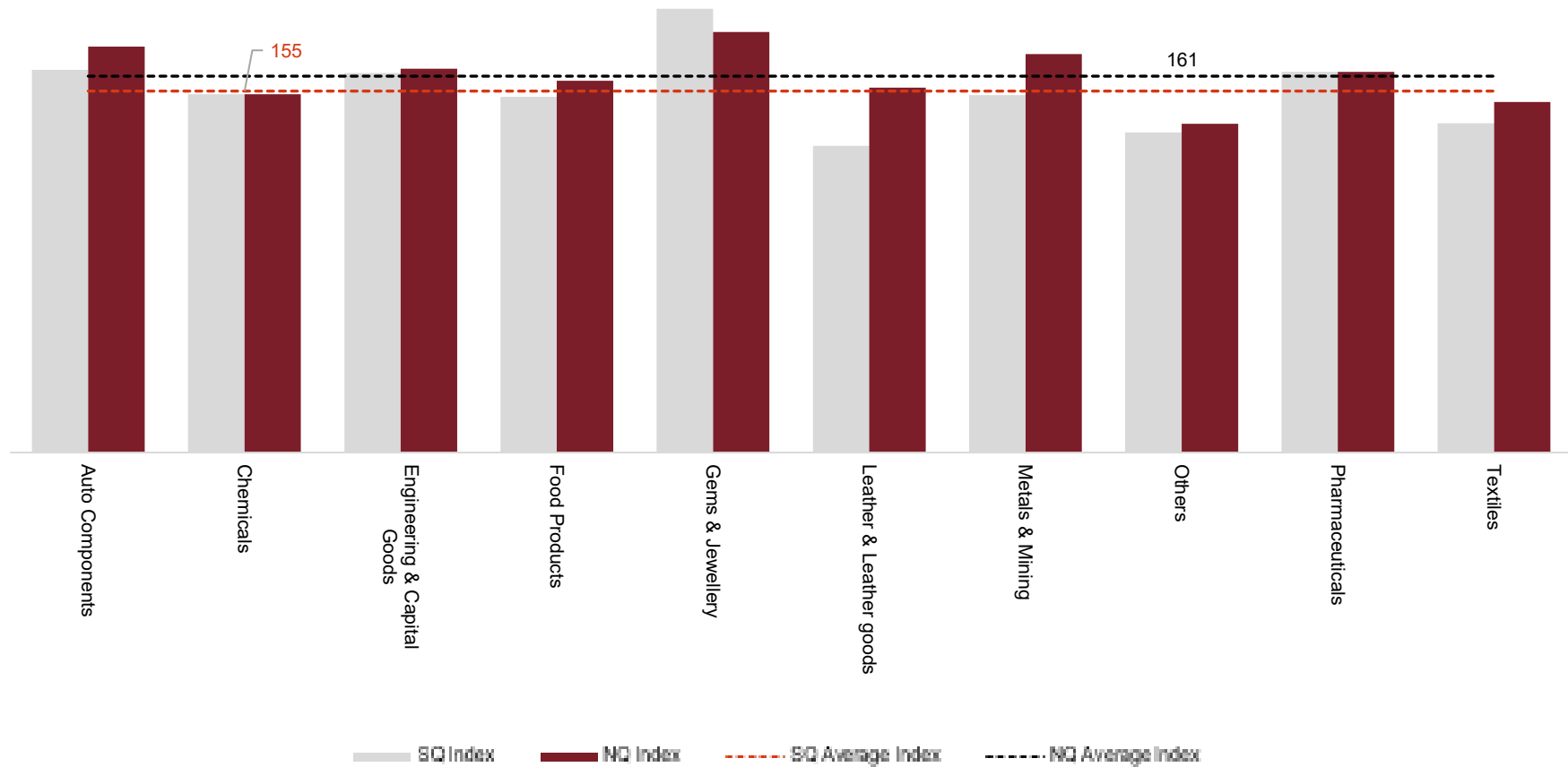


SQ Index NQ Index

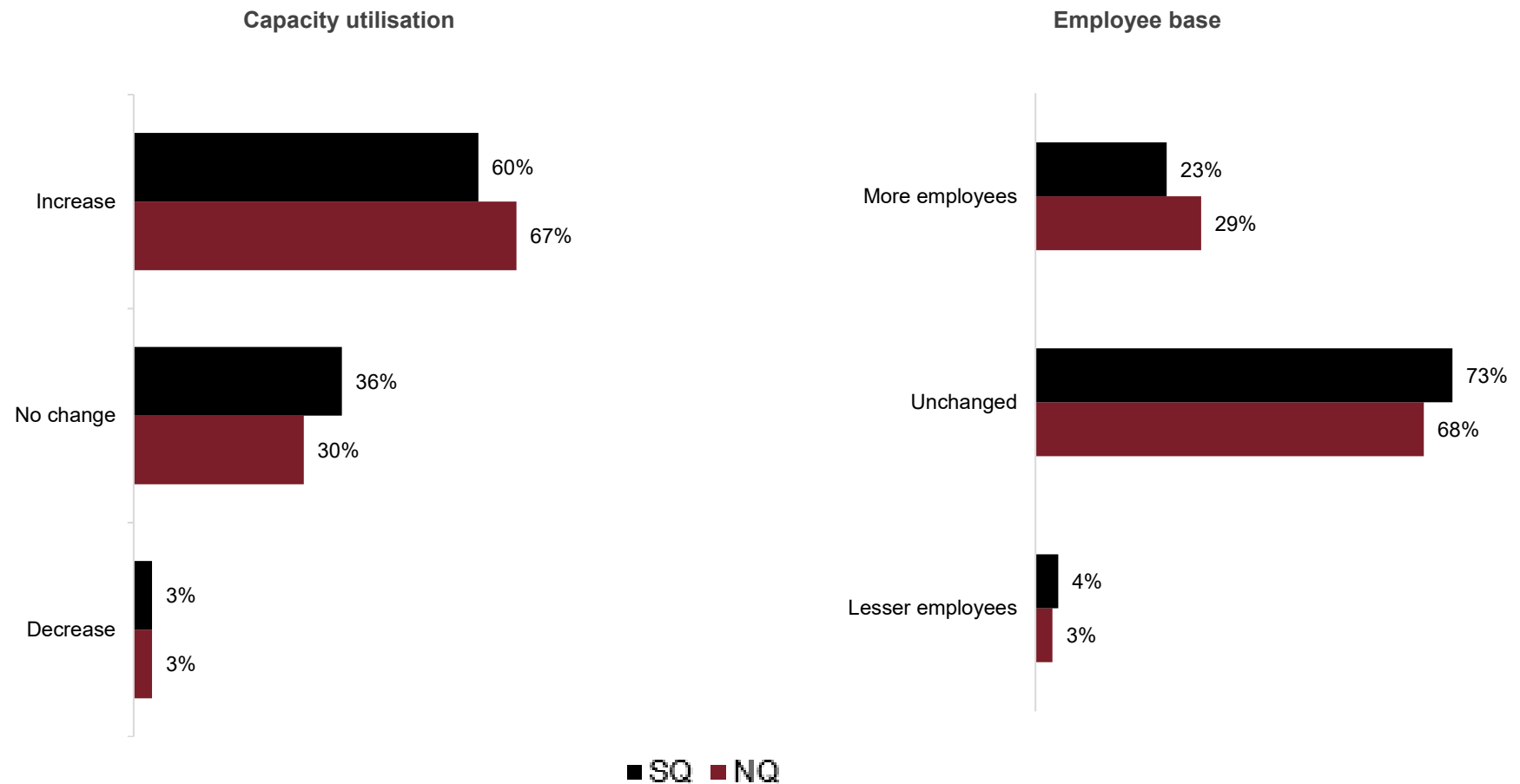
--- NQ average industry --- SQ average industry

Growth momentum in production volume to continue for all sectors in SQ as well as NQ

Production volume by industry – manufacturing

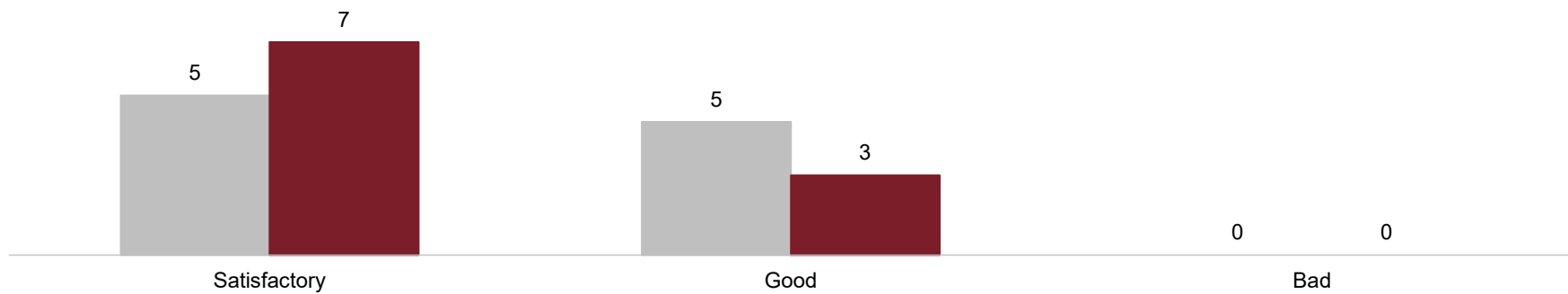


Capacity utilisation to further gain ground while employee base to remain constant in NQ

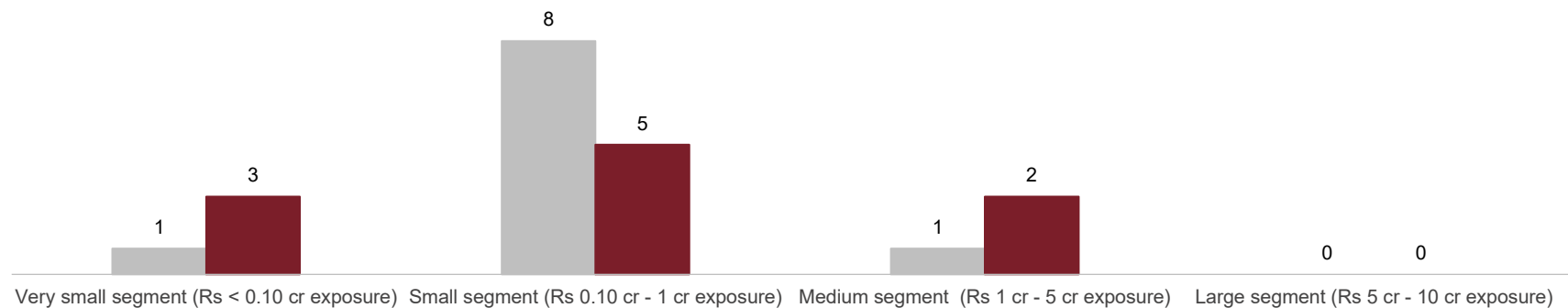


Highest credit growth in small segment; lenders show better sentiment for NQ

Business situation

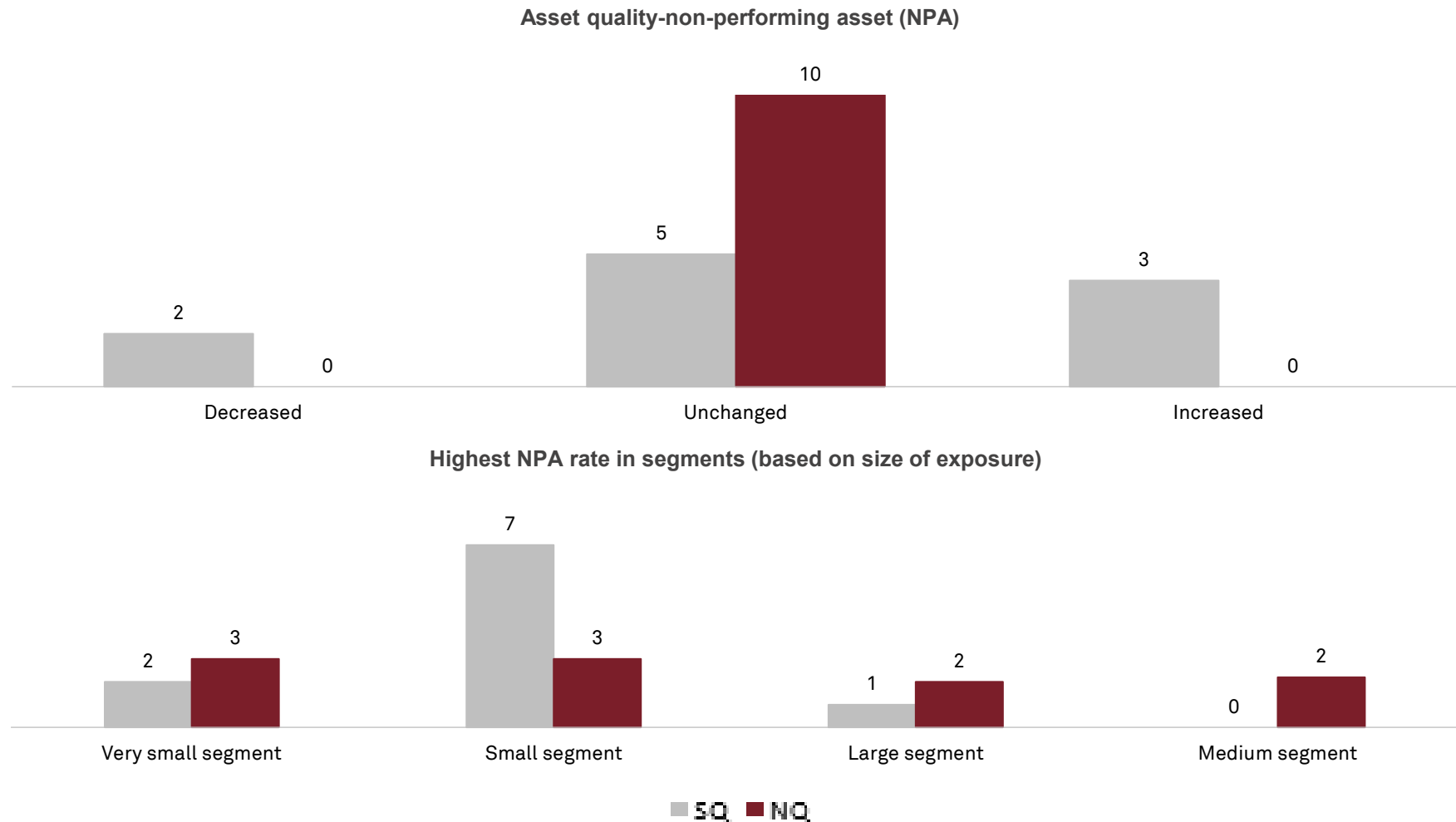


Highest credit growth in segments (based on size of exposure)



■ SQ ■ NQ

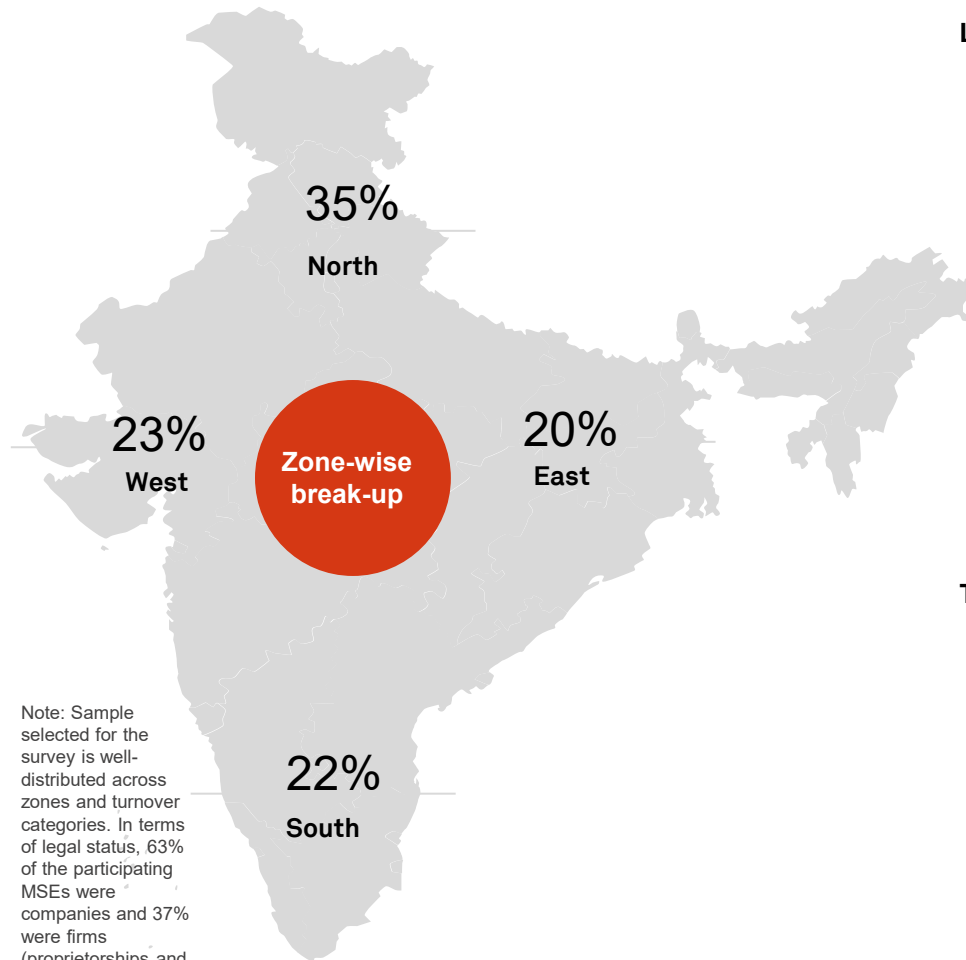
Lenders expect NPAs to remain unchanged for NQ





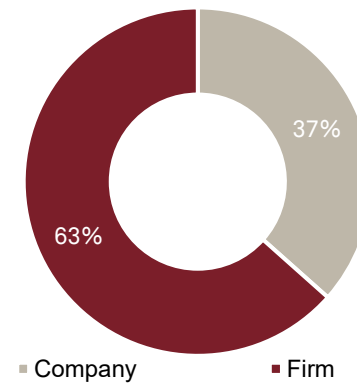
Annexures

Sample summary

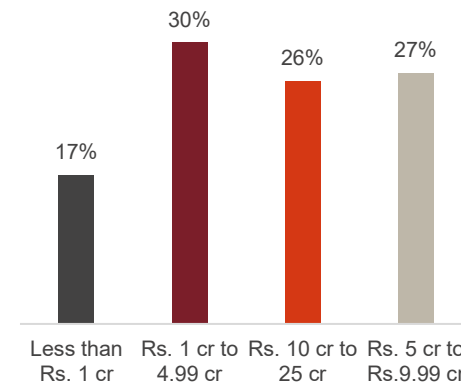


Note: Sample selected for the survey is well-distributed across zones and turnover categories. In terms of legal status, 63% of the participating MSEs were companies and 37% were firms (proprietorships and partnerships)

Legal status break-up



Turnover-wise break-up



Glossary

Broad products/ services included under respective segments

Auto components comprise manufacturers of auto parts, die-casting products, motor / tractor parts, diesel and fuel engine parts, etc.

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

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

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

Gems and jewellery comprises manufacturers of gold jewellery and retailing, diamond cutting, and polishing

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

Pharmaceuticals comprise manufacturers of bulk drugs, tablets, capsules, injections, sanitisers, syrup, handwash, etc.

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

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

Healthcare providers and services comprise hospitals, fitness and medical equipment, pathological services, etc.

Human resources comprise manpower management, security services, employment services, housekeeping services, etc.

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

Logistics comprise air freight, transportation services, warehousing service, etc.

Power and utilities comprise power transmission, solar products, electronic equipment, etc.

Professional services comprise consultancy, courier services, tailoring, beauty parlours, videography, etc.

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

Media services provide advertising, hoarding, outdoor advertising, shootings, etc.

Metal and mining comprise manufacturers of alloy, steel, aluminum extrusion products, foundry, etc.

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.

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About SIDBI

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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