



# Sentiment improves after three quarters

March 2020 | Volume 9

CriSidEx survey for October-December 2019 and January-March 2020

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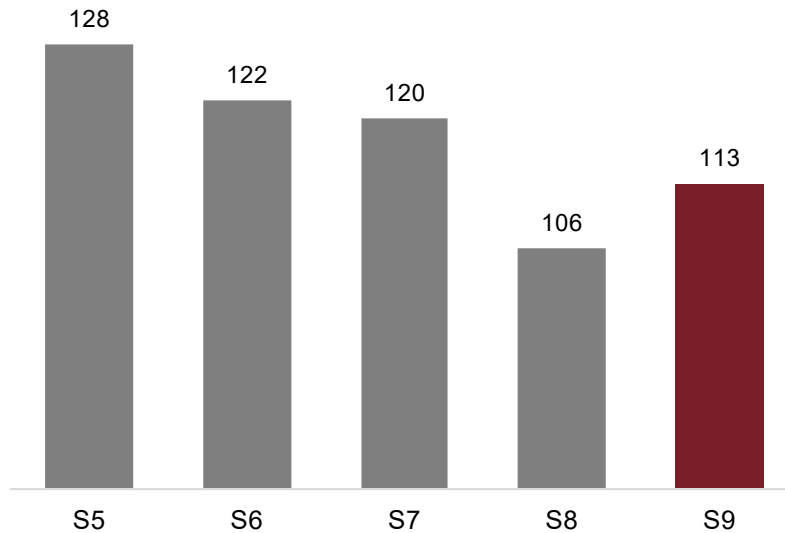
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## Contents

Comparison across surveys.....	13
Expectation in S8 vs actual performance in S9 .....	19
Sentiment in S9 .....	21
Annexures .....	31

## But despite uptick, CriSidEx score remains weak



At 113, the CriSidEx\* score for October-December 2019 (Survey 9) was above the 106 logged in July-September 2019 (Survey 8)

### Abbreviations

CriSidEx survey	Survey quarter (SQ)	Next quarter (NQ)
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)
Survey 9 (S9)	October-December 2019 (SQ9)	January-March 2020 (NQ9)

\* See 'How to read CriSidEx' on page 12

### On-year movement in index parameters

#### Manufacturing

Component parameters	Actual		
	S5	S9	S9-S5
Volume of production	135	115	-20
Order-book size	138	115	-23
PAT margin	126	108	-18
Capacity utilisation	132	112	-20
Employee base	115	103	-12
Manufacturing index	129	110	-19

#### Services

Component parameters	Actual		
	S5	S9	S9-S5
Order-book size	135	123	-12
PAT margin	132	115	-17
Employee base	115	109	-6
Services index	127	116	-11

The index was lower on-year for all parameters in S9, for manufacturing and services alike

Positive ■ Negative ■

## CriSidEx readings | Manufacturing

Index parameters	SQ				Index	NQ				Index
		Negative	Neutral	Positive			Negative	Neutral	Positive	
Volume of production	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
	S9	14%	57%	29%	115	S9	8%	55%	37%	129
Order-book size	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
	S9	14%	58%	28%	115	S9	7%	57%	36%	129
PAT margin	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
	S9	13%	66%	21%	108	S9	9%	63%	28%	119
Capacity utilisation	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
	S9	13%	62%	25%	112	S9	7%	61%	32%	125
Employee base	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
	S9	9%	79%	12%	103	S9	6%	80%	14%	108
Manufacturing Index	S5	SQ5			129	S5	NQ5			140
	S6	SQ6			123	S6	NQ6			128
	S7	SQ7			120	S7	NQ7			129
	S8	SQ8			106	S8	NQ8			121
	S9	SQ9			110	S9	NQ9			122

In manufacturing, on-quarter growth was high for topline-related parameters (volume and order book) because of a low base, but sentiment on margins continued to shrink. That said, there is still optimism as the difference between SQ (110) and NQ (122) estimates in the manufacturing index is higher compared with some of the earlier surveys.

## CriSidEx readings | Services

Index parameters	SQ				NQ					
		Negative	Neutral	Positive	Index	Negative	Neutral	Positive	Index	
Order-book size	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
	S9	7%	63%	30%	123	S9	6%	57%	37%	131
PAT margin	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
	S9	10%	65%	25%	115	S9	9%	59%	32%	123
Employee base	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
	S9	7%	77%	16%	109	S9	5%	77%	18%	113
Services Index	S5	SQ5			127	S5	NQ5			137
	S6	SQ6			121	S6	NQ6			124
	S7	SQ7			119	S7	NQ7			130
	S8	SQ8			105	S8	NQ8			123
	S9	SQ9			116	S9	NQ9			122
CriSidEx (Manufacturing+Services)	S5	SQ5			128	S5	NQ5			139
	S6	SQ6			122	S6	NQ6			126
	S7	SQ7			120	S7	NQ7			129
	S8	SQ8			106	S8	NQ8			122
	S9	SQ9			113	S9	NQ9			122

In case of services, too, on-quarter growth is sharper for topline-related parameters (order book) compared with PAT margin. The difference between SQ (113) and NQ (122) reflects less optimism relative to manufacturing.

## Business sentiment in October-December 2019

Survey 9 shows a positive sentiment for sectors with seasonally good quarter like travel, food products, and capital goods.

Besides, with automobile OEMs having corrected inventory levels in Q2 & Q3 with dealers and now migrating to BS VI vehicle production, the auto-component production in value terms is seeing a sequential increase. However, commodity-related sectors such as steel, and a slowdown in consumption remain pain points.

### Sectors that saw a positive trend

- Among manufacturers, 27% reported a good SQ9, the same as in SQ7 and SQ8. This was lower than 42% in the same quarter a year ago (SQ5) and the lowest in five quarters
  - In SQ9, chemicals, pharmaceuticals and food products had the highest share of respondents reporting a good quarter
  - On-year basis (SQ5 to SQ9), only food products reported an increase in the share of respondents with positive sentiment
- Among service providers, 25% reported a good SQ9, lower than 41% in the same quarter a year ago (SQ5), but higher than 19% in SQ8
  - In SQ9, healthcare providers, professional services and travel & hotels had the highest share of respondents reporting a good quarter
  - On-year basis (SQ5 to SQ9), healthcare providers, travel & hotels, and IT/ITeS segments reported an increase in the share of respondents with positive sentiment

### Sectors that saw a subdued trend

- Among manufacturers
  - In SQ9, gems & jewellery, and leather & leather goods had a higher share of respondents reporting a subdued quarter
  - On-year basis (SQ5 to SQ9), gems & jewellery, pharmaceuticals and leather & leather goods witnessed a sharper decline in the share of respondents with positive sentiment
- Among service providers
  - In SQ9, construction & real estate, diversified consumer services and logistics segments had a higher share of respondents reporting a subdued quarter
  - On-year basis (SQ5 to SQ9), logistics, traders and construction & real estate witnessed greater decline in the share of respondents with positive sentiment

## Business sentiment for January-March 2020

- 32% of respondents in manufacturing and 33% in services expect a good NQ9
- Compared with NQ8, the expectation in NQ9 is marginally lower in manufacturing and unchanged in services

### Sectors anticipating a positive trend

- Among manufacturers
  - For NQ9, respondents from chemicals, leather & leather goods and food products segments were the most optimistic
  - On-year basis (NQ5 to NQ9), only leather reported a marginal increase in the share of respondents with positive sentiment
- Among service providers
  - For NQ9, respondents from travel & hotels, healthcare providers and power & utilities segments were the most optimistic
  - On-year basis (NQ5 to NQ9), only travel & hotels reported higher optimism

### Sectors foreseeing a subdued trend

- Among manufacturers
  - In NQ9, a higher share of respondents from auto component, leather & leather goods, and gems & jewellery segments is expecting a subdued quarter
  - On-year basis, pharmaceuticals and gems & jewellery witnessed a sharper decline in optimism
- Among service providers
  - For NQ9, construction & real estate and logistics had a higher share of respondents expecting a subdued quarter
  - On-year basis, logistics, traders and power & utilities witnessed a sharper decline in optimism

### Other trends in business sentiment

#### Companies more positive than firms

- Companies were marginally more positive, with 27% reporting a good SQ as against 26% of firms
- The trend of companies having higher positive sentiment was in line with the last five surveys as well

#### MSEs with less than 10 employees most positive; smaller peers more optimistic

- 33% of micro and small enterprises (MSEs) with less than 10 employees reported a good SQ9
- For NQ9, 43% of MSEs with less than 10 employees expected a good NQ, compared with 34% of MSEs with more than 25 employees



# On-quarter basis, improvement in topline-related and employee base parameters

## Manufacturing

Change in share of positive respondents

Component parameters	Actual	
	S9 - S8	S9 - S5
Volume of production	10%	-14%
Order-book size	10%	-18%
PAT margin	-11%	-17%
Capacity utilisation	2%	-13%
Employee base	5%	-8%

## Services

Change in the share of positive respondents

Component parameters	Actual	
	S9 - S8	S9 - S5
Order-book size	16%	-11%
PAT margin	-1%	-16%
Employee base	9%	-4%

- On-quarter basis, the share of positive respondents declined on the PAT margin parameter both in manufacturing and services
- On-year basis, the share of positive respondents declined the most on the order book size parameter in manufacturing and on PAT margin in services



## Domestic order book in October-December 2019

**Nearly a quarter of MSEs reported an increase in order book; sentiment better than S8, though below S5**

- For SQ9, 28% of MSEs reported an increase in domestic order book, compared with 15% in SQ8 and 41% in SQ5
- In manufacturing, chemicals, pharmaceuticals and food products reported a higher increase in order book size
  - Leather & leather goods, metal & mining and auto-components had a larger share of respondents reporting a subdued quarter
- In services, healthcare providers & services, human resources, commercial services & supplies and power & utilities reported a higher increase in order book size
  - Diversified consumer services had a relatively muted quarter

## Domestic order book in January-March 2020

**Expectation higher for NQ**

- MSEs were relatively optimistic for NQ9 with 36% expecting increased domestic orders, compared with 29% in NQ8 and 56% in NQ5
- In manufacturing, engineering & capital goods, food products and chemicals were the most optimistic
  - Leather & leather goods, auto-components and metal & mining were expecting a muted quarter
- In services, healthcare providers & services, commercial services & supplies, power & utilities, and travel & hotels segments anticipated enhanced order book position in NQ9
  - Diversified consumer services and traders had a higher share of respondents expecting a muted quarter

## Other order-book trends

**Export-oriented MSEs performed better than domestic peers**

- In SQ9, 34% of export-based MSEs reported an increase in order book, compared with 21% in SQ8 and 48% in SQ5
  - These players performed better than their domestic peers (28% reporting a good quarter)
- In NQ9, 39% of exporters expected an increase in order book size, as against 40% in NQ8 but lower than 54% in NQ5
  - Going ahead also, a higher share of export-based MSEs anticipated a higher order book compared with their domestic peers (36%)

**Importers showing positive sentiments**

- In SQ9, the share of importers who increased their orders increased to 13% compared with 9% in SQ8
- For NQ9, 15% of the importers expected to increase their orders as against 11% in NQ8

## Miscellaneous trends

**Manufacturing MSEs more upbeat on production and capacity utilisation**

- For NQ9, 37% of manufacturing MSEs expect an increase in production, 55% expect it to remain unchanged, and 8% expect a decrease
- 32% expect higher capacity utilisation in NQ9, 61% expect it to be unchanged, and 7% expect it to be lower

**On-quarter hiring improved**

- In SQ9, 14% of the MSEs reported an increase in their employee base compared with 7% in SQ8; 78% had the base unchanged, while 8% reported reductions

- In NQ9, 16% intend to add employees, while 5% intend to reduce headcount
  - In manufacturing, the food products segment is looking to add more employees
  - In services, the healthcare providers and human resources segments are the most optimistic about hiring

#### **Lenders optimistic on business situation**

- In SQ9, 3 out of 10 of lenders surveyed saw an improvement in the overall business situation of MSEs, 6 out of 10 rated it as satisfactory, and 1 out of 10 reported it as below satisfactory level
- For NQ9, 5 out of 10 lenders had a positive outlook on MSEs, 4 out of 10 expect it to be satisfactory, and 1 out of 10 expect it to be below satisfactory

#### **Small-ticket segment the hottest for lenders from last 2 quarters**

- In SQ9, 7 out of 10 lenders reported the highest credit growth in the sub-Rs 1 crore credit exposure segment compared with 3 out of 10 in the above-Rs 1 crore segment
- For NQ9, 5 out of 10 lenders reported highest credit growth in the sub-Rs 1 crore and above-Rs 1 crore credit exposure segments each

#### **Lenders see minor improvement in asset quality**

- 6 out of 10 lenders reported no change in non-performing assets (NPAs), while 3 reported an increase, and only 1 reported a decrease
- 3 out of 10 in the very small segment, 2 out of 10 in the small segment, 2 out of 10 in the medium segment, and 3 out of 10 in large segments saw NPA levels increase



## About CriSidEx

CriSidEx is India's first sentiment index for MSEs that indicates the current state and 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 indicates the strength of the expansion or decline.

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

As 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 the Small Industries Development Bank of India (SIDBI). It also includes micro enterprises funded by microfinance institutions that are, in turn, funded by SIDBI. Additionally, there are responses from lenders (banks and non-banking financial companies). 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 Ltd, IndusInd Bank, Kotak Mahindra Bank, and North Eastern Development Finance Corporation Ltd, for eliciting sizeable response from their MSE borrowers for the 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:

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

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

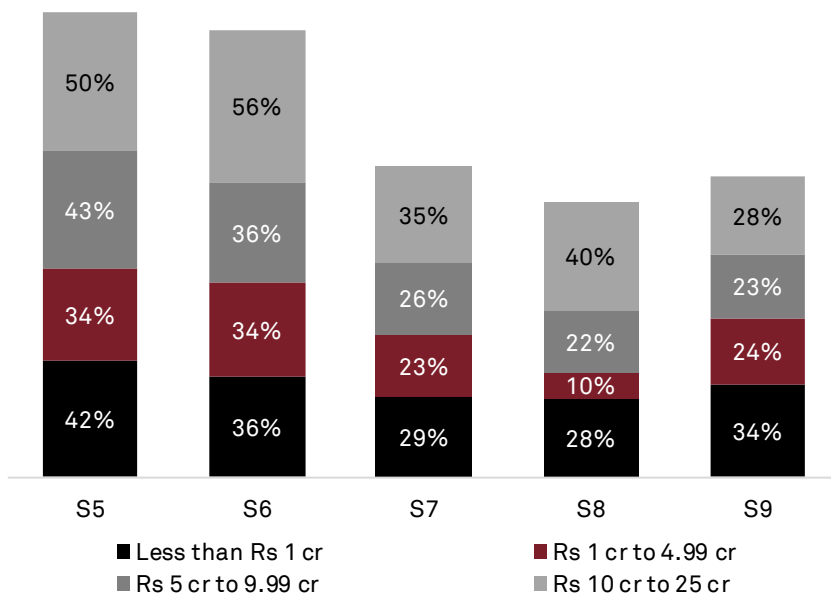




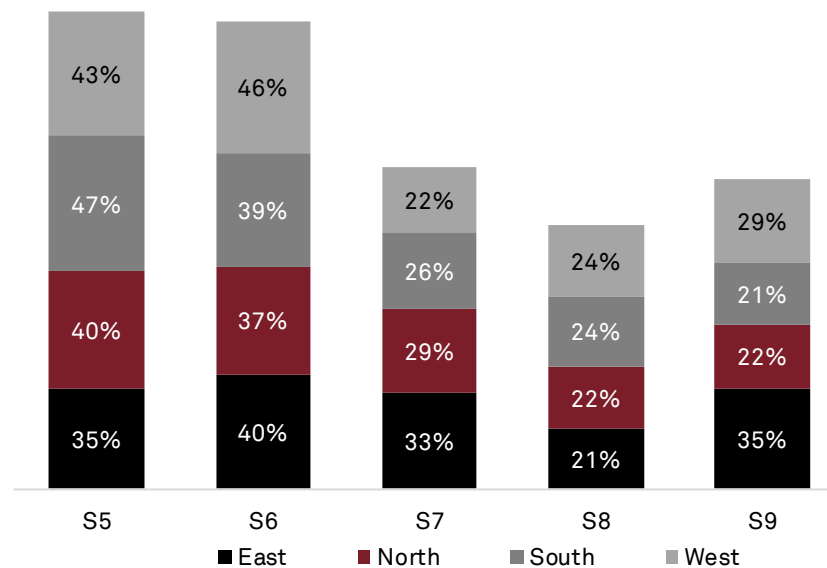
# Comparison across surveys

# Smaller MSEs most upbeat – first time in a year

Based on size of business



Regional sentiment



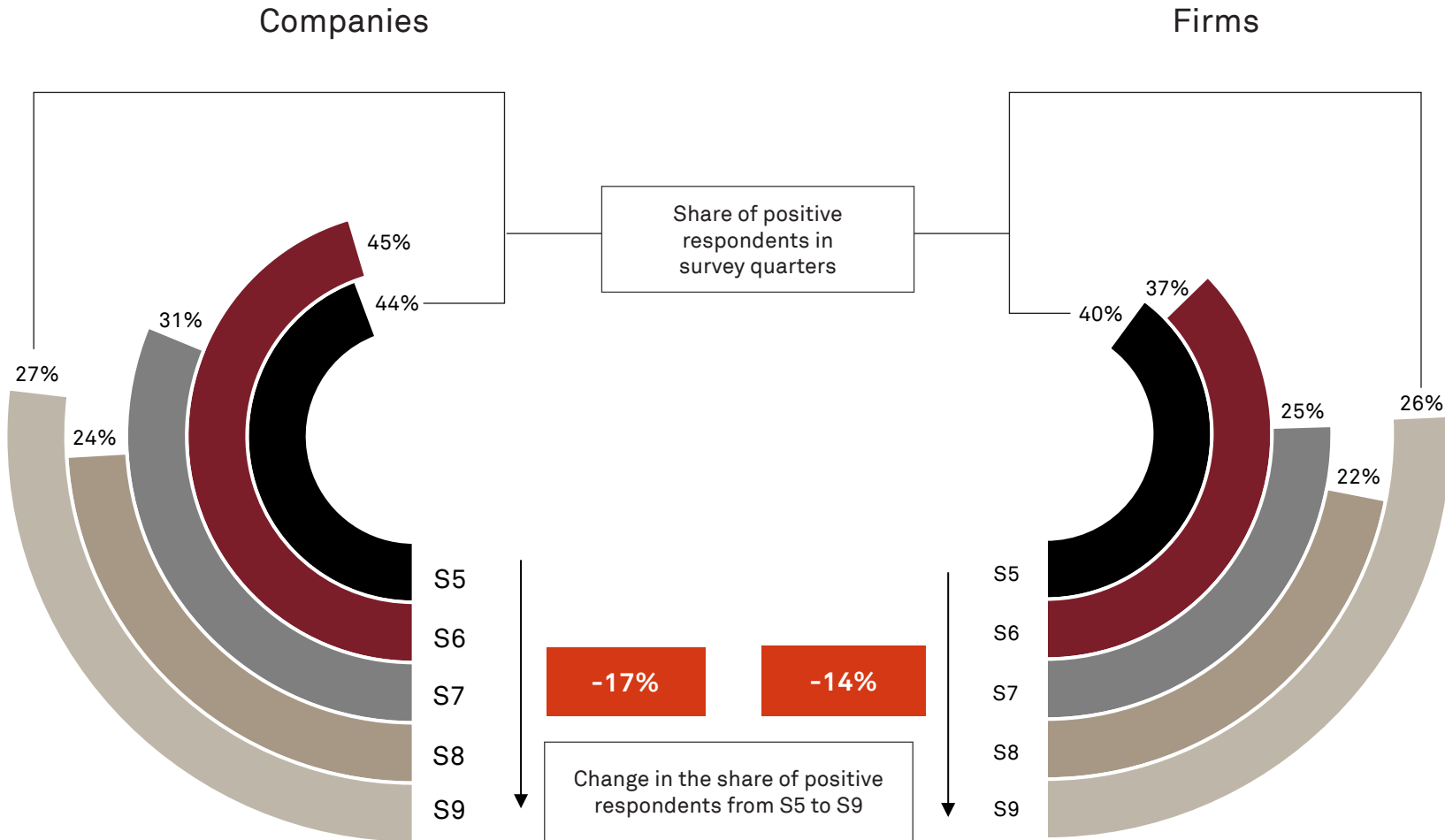
- 34% of MSEs with annual turnover of less than Rs 1 crore expressed positive sentiment – the highest among peers in S9
- Positive sentiment in Rs 5-9.99 crore segment was the lowest among peers; marginally lower than that in Rs.1-4.99 crore segment

### Positive sentiment highest in east, muted in south

- In S9, the share of positive respondents in the east was highest compared with peers in other regions
- East also showed the highest variation from the previous survey, with the share of positive respondents jumping to 35% in S9 from 21% in S8

% represent share of positive respondents

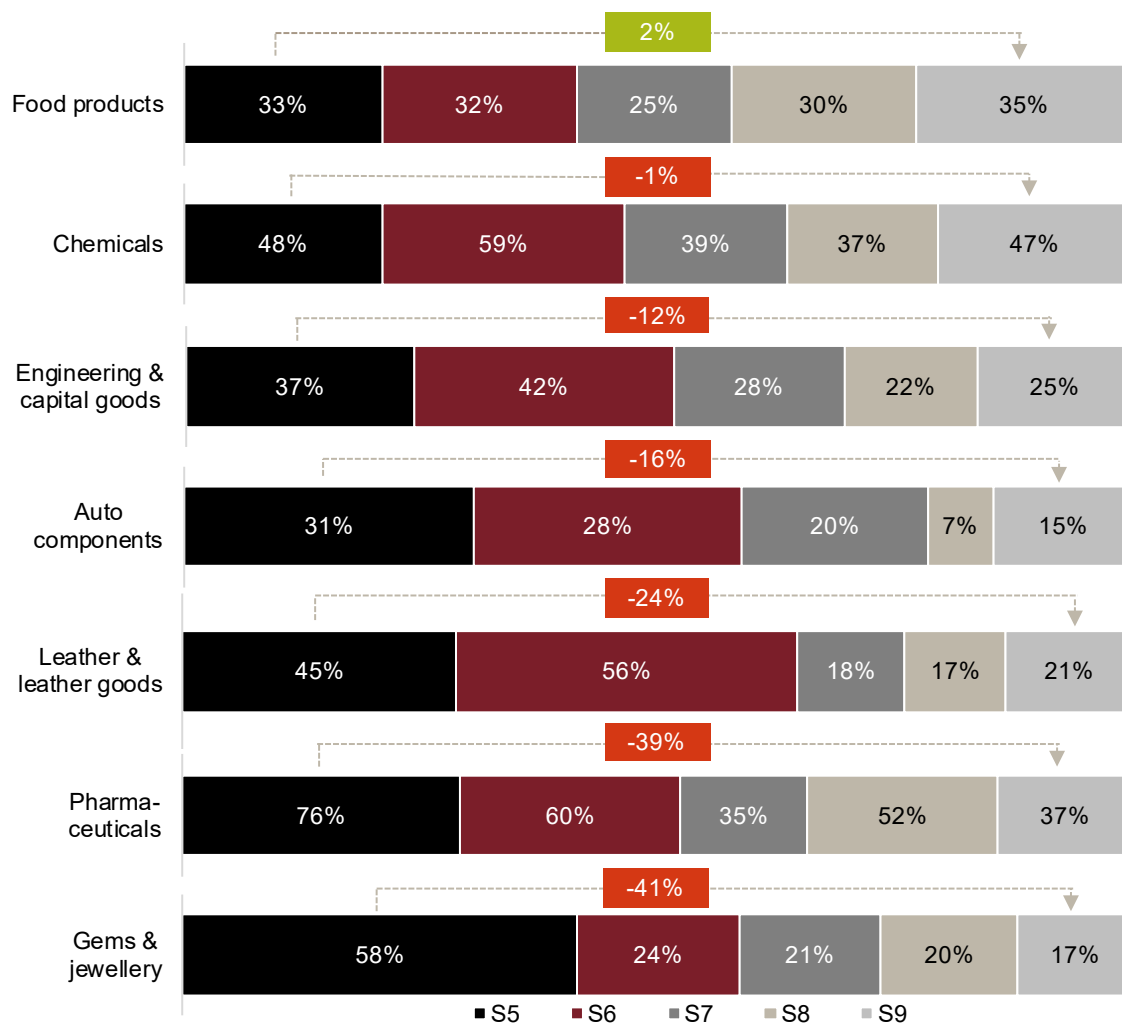
## Companies continue to be more optimistic than firms



- Positive sentiment remained marginally higher for companies compared with firms
- But compared with S5, companies showed steeper fall (-17%) in share of positive respondents vs firms (-14%)

# Manufacturing: Only food products saw sentiment improve a tad

Movement of positive respondents from S5 to S9

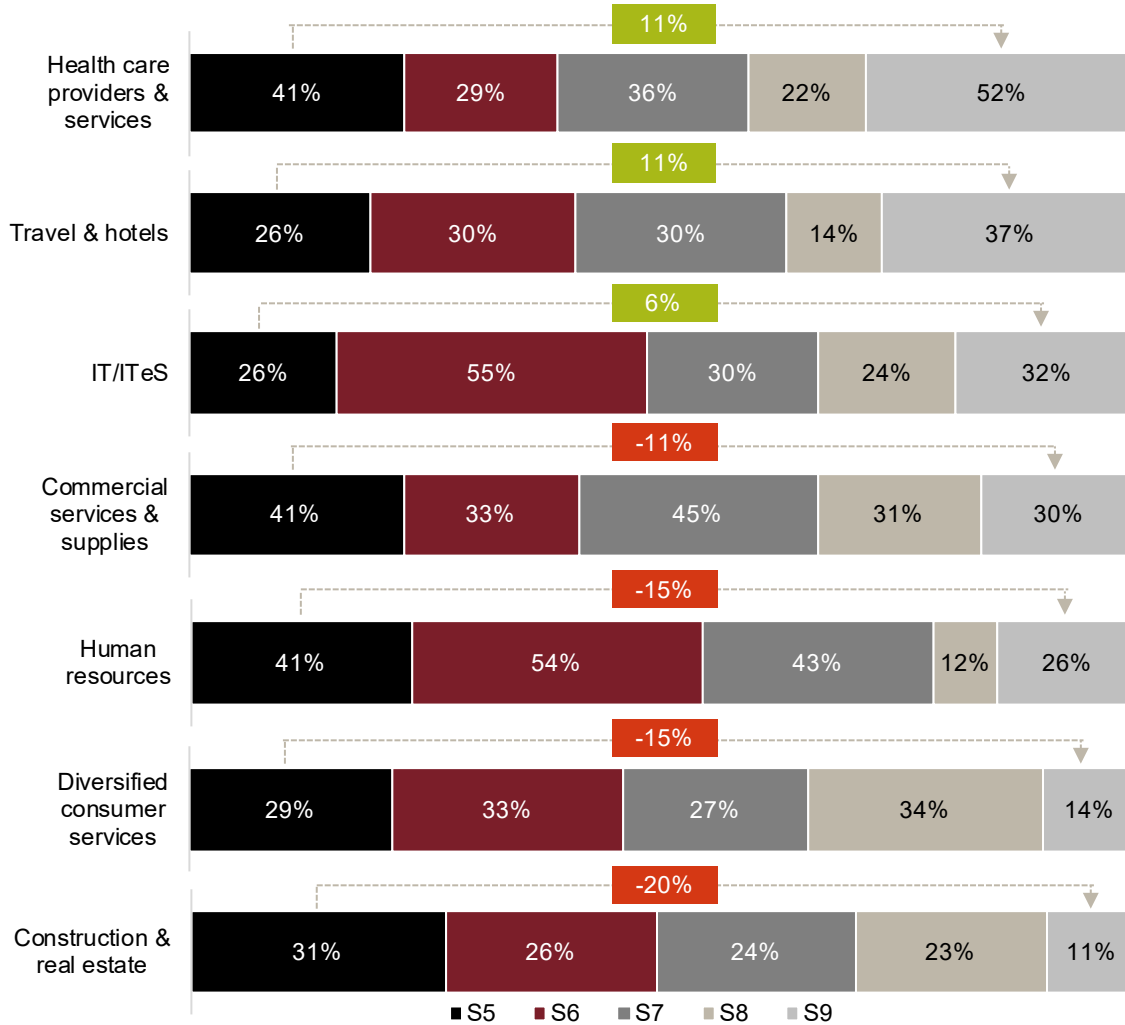


- MSEs in pharmaceuticals and gems & jewellery reported the most subdued sentiment over S5
- MSEs in chemicals reported higher positive sentiment compared with peers in S9
- Chemicals and food products has been stable with marginal variation in share of positive respondents over S5













# Services: Healthcare, travel & hotels, and IT/ITeS saw some cheer

Movement of positive respondents from S5 to S9



- The share of positive respondents among healthcare providers and travel & hotels increased by 1,100 bps in S9. These sectors also reflected higher share of positive respondents among peers in S9
- Diversified consumer services and construction & real estate remained subdued in S9 vs S5 and S8

## Sector underpinnings

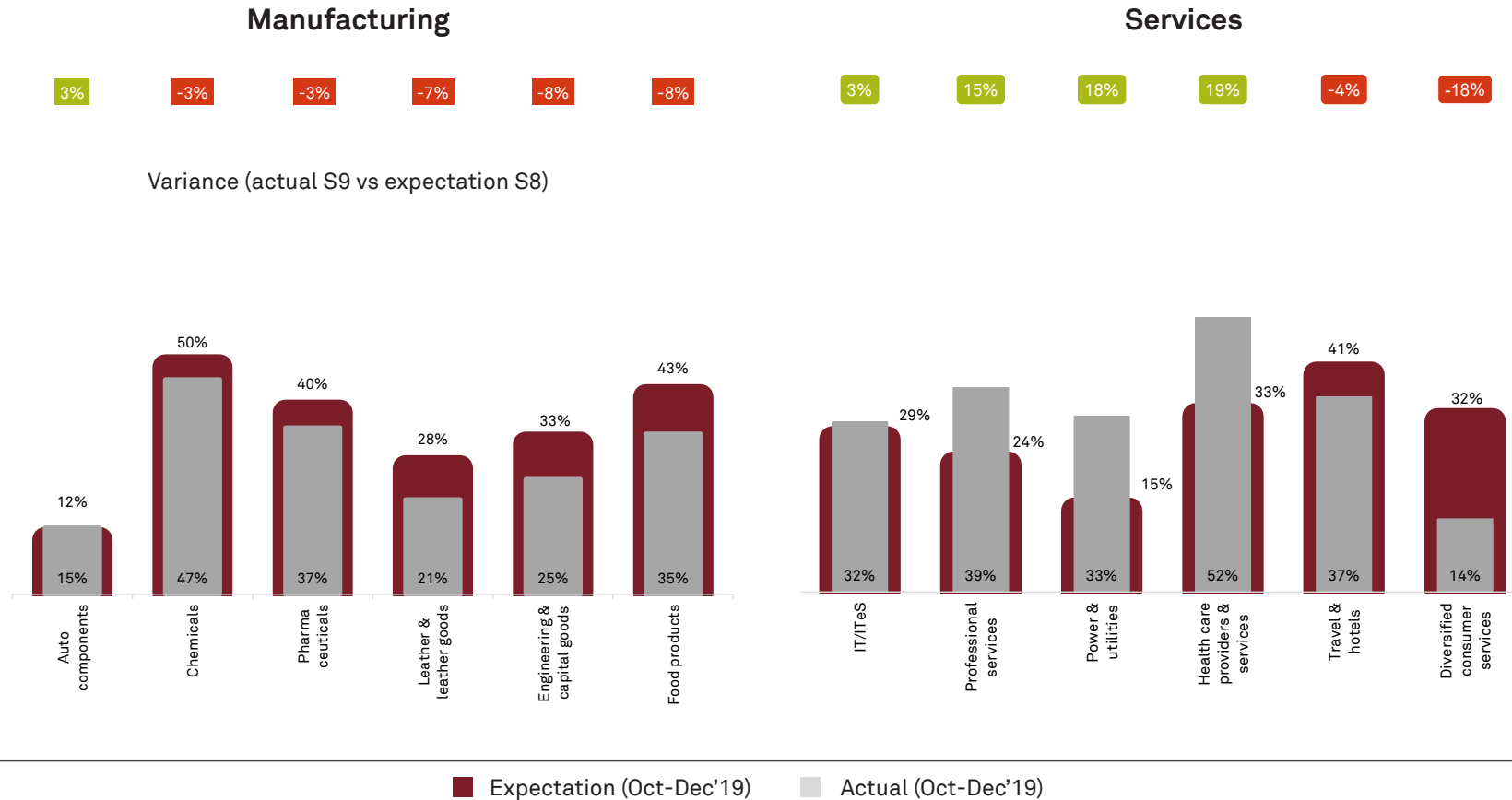
	<b>Auto components</b>	<p>Impact of production cuts by OEMs has a direct bearing on auto component players production. OEMs took production cuts in Q3 FY20 and this was reflected in Q2 production decline by auto component manufacturers. In Q3, sentiments of auto component players improved over Q2 due to lower inventory liquidation by passenger vehicle players and increase in demand by two-wheeler and commercial vehicle players as they transit to BS-VI norms.</p>
	<b>Chemicals</b>	<p>During Q3, prices of key inputs declined, reducing raw material costs for downstream chemicals manufacturers. This is likely to have a positive impact on profitability of players.</p>
	<b>Engineering &amp; capital goods</b>	<p>Q3 and Q4 are typically good quarters in terms of execution of order books, a possible cause for improvement in sentiments on an on-quarter basis.</p>
	<b>Gems &amp; jewellery</b>	<p>Jewellery consumption (volumes) declined 17% on year in Q3 due to economic slowdown as gold prices remained elevated, impacting consumer sentiments.</p>
	<b>Leather &amp; leather goods</b>	<p>Sentiments improved due to major tanneries in Uttar Pradesh re-opening after being shut down for a long period. Tanneries were shut down at the time of Kumbh Mela in December 2018 and most did not receive no objection certificate (NOC) even after it ended.</p>
	<b>Pharmaceuticals</b>	<p>Slower volume growth in domestic market and continued pricing controls on drugs have led to decline in sentiment for Q3 compared with Q2</p>
	<b>Construction &amp; real estate</b>	<p>The developers remain wary of macro-economic trends influencing the sector. New launches as well as demand has remained muted in Q3. This is also evident from the longer time required to convert a query to a sale. This has resulted in negative sentiment in the quarter both on-year and on-quarter.</p>
	<b>Healthcare providers &amp; services</b>	<p>Previous quarter was the one preceding the festive season, when people usually refrain from undergoing major treatments/surgeries. Hence current quarter would be favourable because of low base effect. Onset of winters and associated ailments is also observed in the current quarter along with good traction observed under Ayushman Bharat and focus on preventive healthcare.</p>
	<b>IT/ITeS</b>	<p>IT/ITeS industry witnessed some improvement in sentiment in anticipation of closure of trade deal between US and China. Also, anticipation of successful Brexit deal post victory of Boris Johnson in 2019 United Kingdom general election boosted morale.</p>
	<b>Logistics</b>	<p>Fleet utilisation of transporters has fallen due to low freight demand (caused by moderation in economic growth) and higher freight carrying capacity due to revised axle norms. Growing demand for value added services in the warehousing sector continues to benefit organised players.</p>





**Expectation in S8 vs  
actual performance in S9**

# Healthcare providers and power and utilities fared better; IT/ITeS and auto component players performed as expected



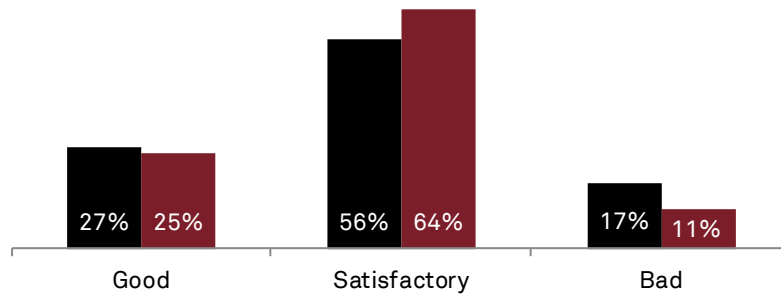
- It has been observed that expectations for the next quarter are generally a few percentage points higher than the actual achievement. However, in the services sector, actuals in the healthcare providers, power & utilities, and professional services segments exceeded the expectations for October-December 2019.



**Sentiment in S9**

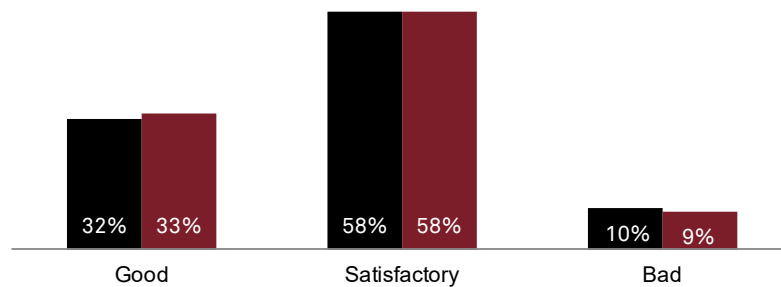
## MSEs mostly satisfied about business situation

SQ9 (Oct-Dec'19)



- 27% and 25% of respondents in manufacturing and services sectors, respectively, were positive about the overall business situation in SQ9

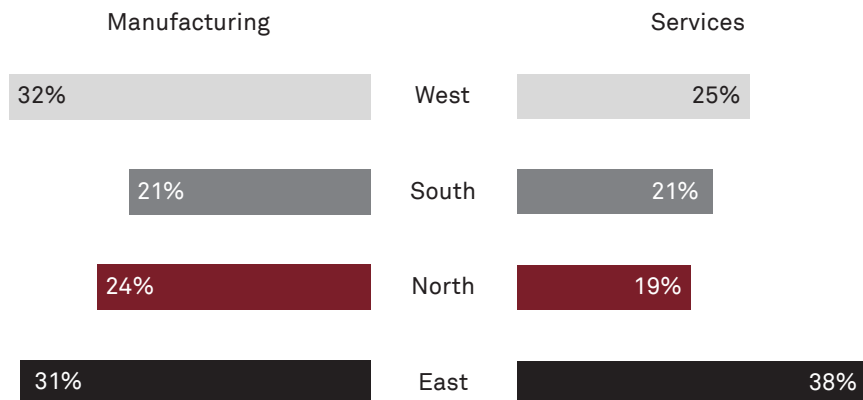
NQ9 (Jan-Mar'20)



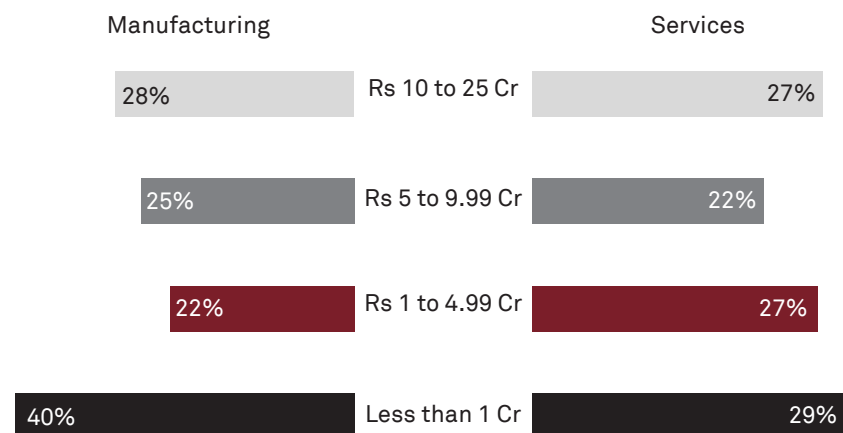
- Nearly 32% and 33% of the respondents in manufacturing and services, respectively, expected a good next quarter (NQ9)

■ Manufacturing ■ Services

## Services more positive in east, manufacturing in west



- Manufacturing MSEs based in the west had 7% higher share of positive respondents compared with their services-based counterparts operating in the same region
- Services MSEs fared better than their manufacturing counterparts in the east region



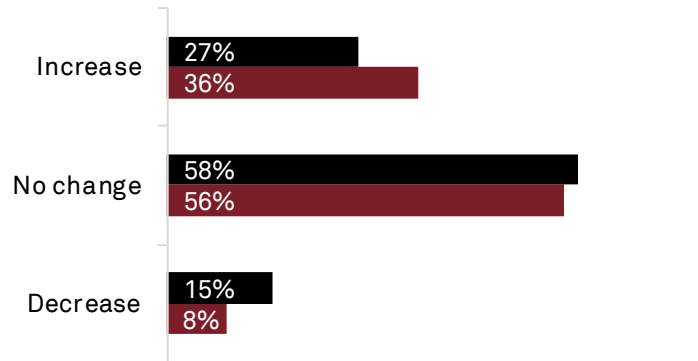
### Smallest MSEs more positive

- In manufacturing and services, MSEs with annual turnover of less than Rs 1 crore were more positive (40% and 29%, respectively) than their peers from other turnover categories

% represent share of positive respondents

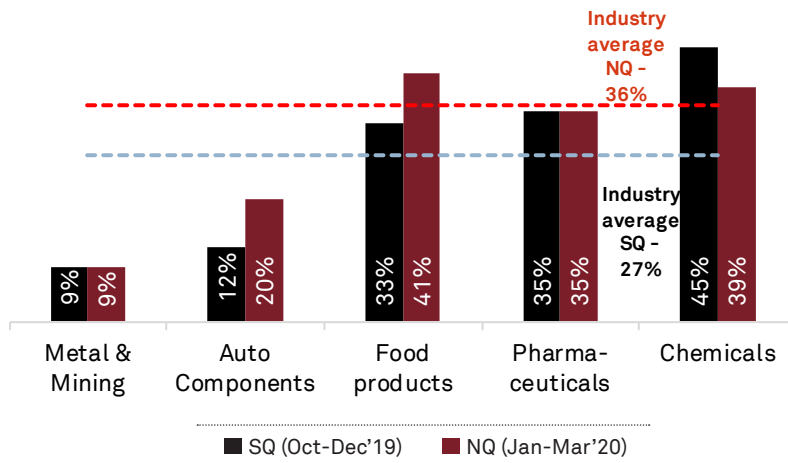
# Order book size (domestic): Improvement expected in manufacturing

Manufacturing - order book size (domestic)



- 27% of MSEs in manufacturing sector saw growth in domestic order book in SQ9. A higher proportion of respondents (36%) expected growth in domestic order book in NQ9

Manufacturing industries -orderbook size (domestic)



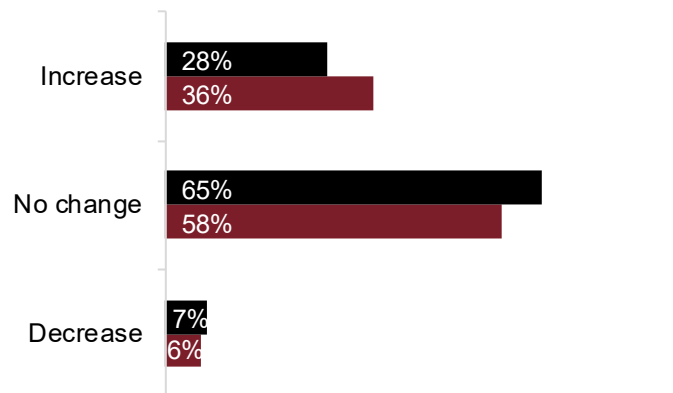
- Share of respondents who reported an increase in order book size higher than industry average were chemicals, pharmaceuticals and food products.
- In the metal & mining and auto components, the share of respondents who reported an increase in order book size was lower compared with industry average

% represent share of positive respondents



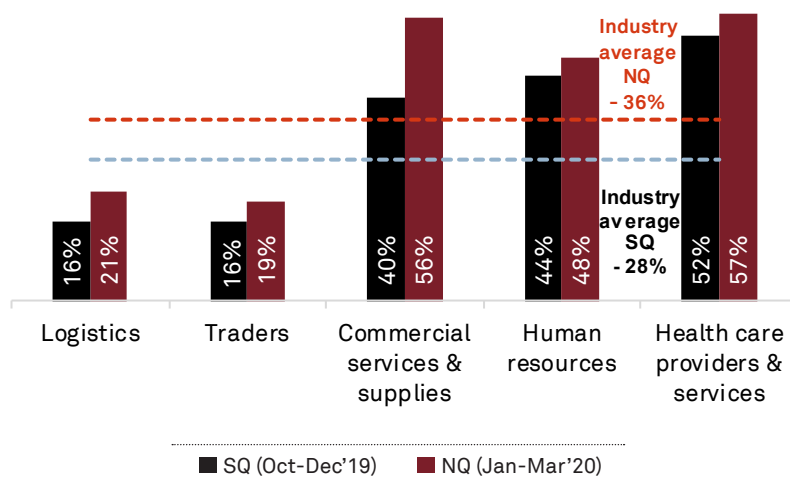
# Order book (domestic): Performance of services similar to manufacturing

Services - order book size (domestic)



- 28% of MSEs in services sector reported an increase in domestic order books in SQ9
- 36% service-based MSEs expect growth in domestic order books in NQ9

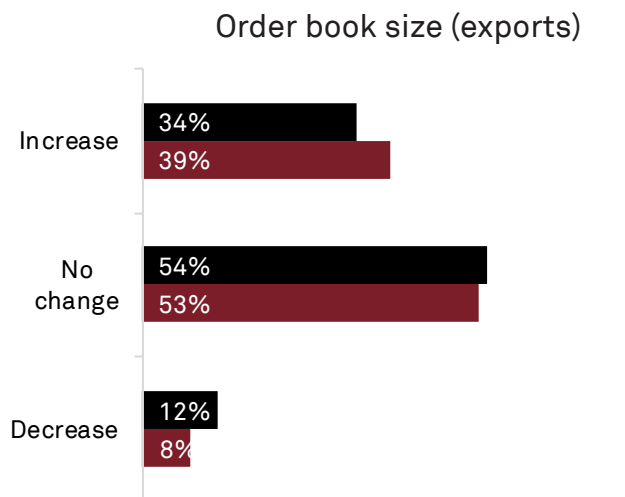
Services industry – order-book size (domestic)



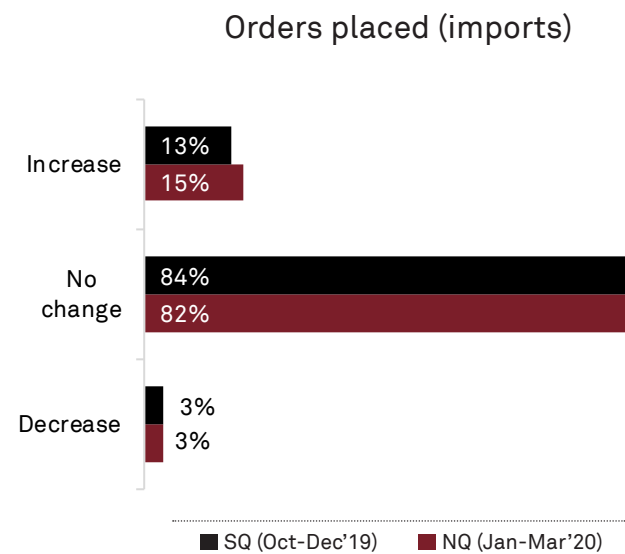
- Share of respondents who reported an increase in order book size was highest compared with industry average in healthcare providers, human resources and commercial services segments
- In logistics and traders, the share of respondents who reported an increase in order-book size was the lower compared with the industry average

% represent share of positive respondents

## Order book (international): exporters and importers expect marginal improvement in next quarter



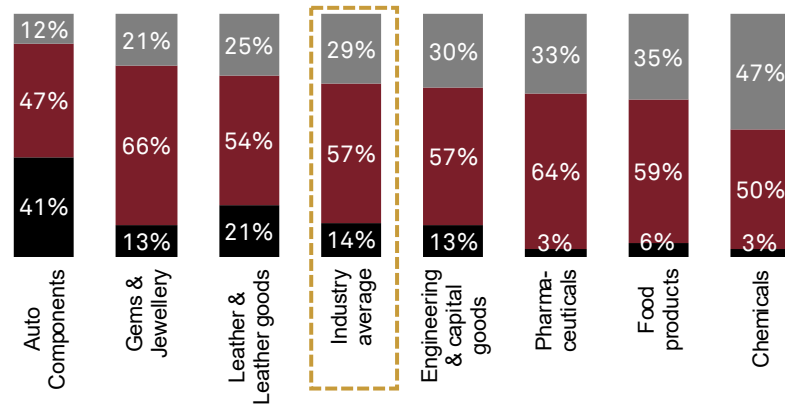
- 34% of MSEs with export order books reported an increase in orders in SQ9, while 39% expected a better NQ9



- Importers expected similar improved performance in NQ9, with the share of respondents expecting increased order book size in NQ9(15%) compared to SQ9 (13%)

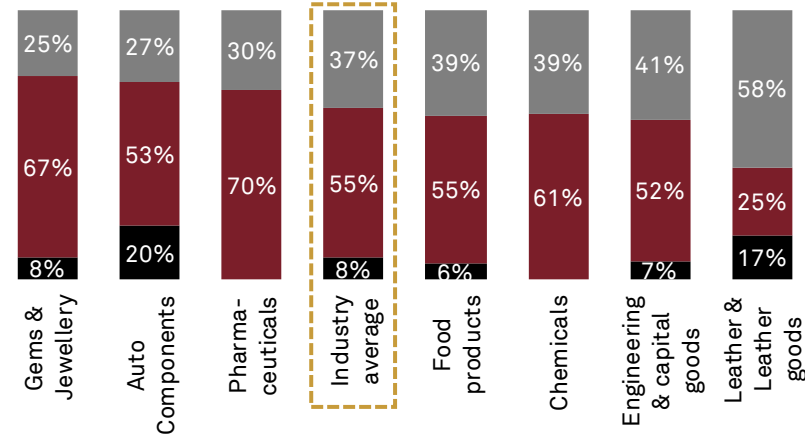
# Volume of production: chemicals, food products and pharma did well, but gems & jewellery and auto components subdued

Volume of production (industry-wise) - survey quarter



- In SQ9, MSEs in chemicals, food products and pharmaceuticals had the highest share of respondents reporting an increase in volume of production compared with the industry average of 29%
- MSEs in gems & jewellery and auto components 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

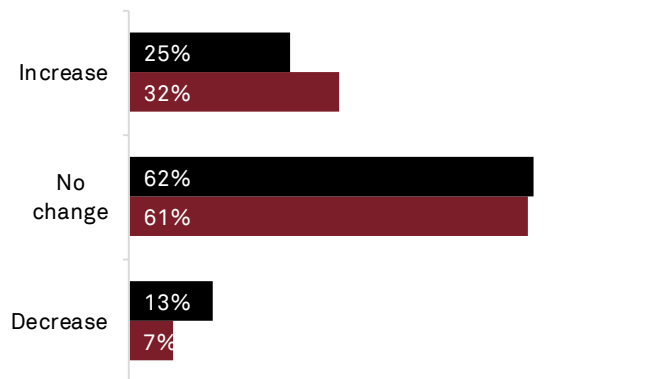


- While leather & leather goods and engineering & capital goods conveyed higher optimism for NQ9, a lower share of respondents in auto components and gems & jewellery expected an increase in volume compared with industry average of 37%

■ Increase ■ No change ■ Decrease

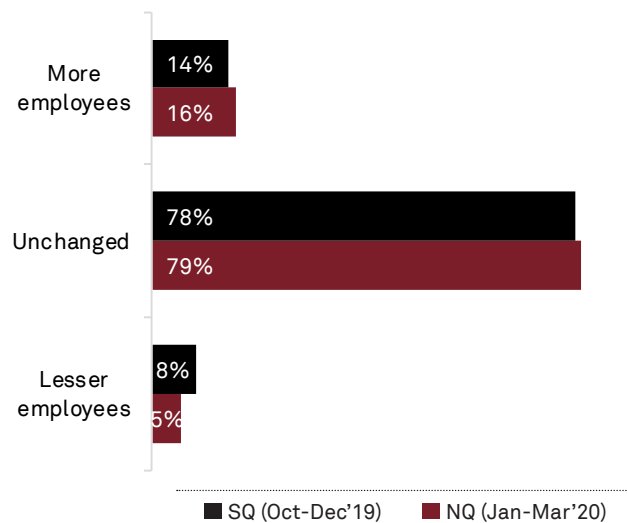
## Expectation: capacity utilisation to improve, hiring to remain stable

Capacity utilisation (manufacturing)



- In SQ9, 25% of manufacturing-based MSEs reported an increase in capacity utilisation, while 62% reported no change
- For NQ9, 32% of the respondents expected enhanced capacity utilisation, while only 7% expected a reduction and the balance 61% saw no change

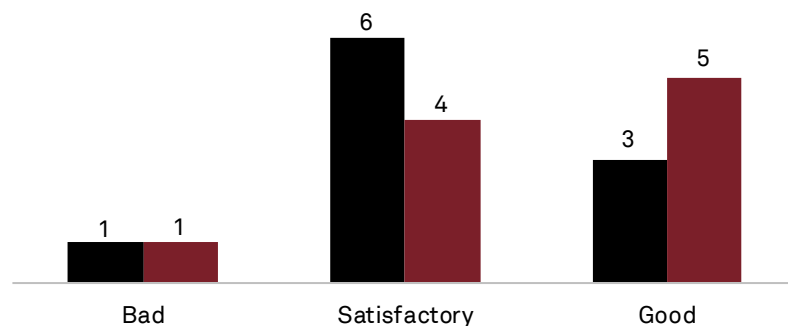
Employee base (manufacturing and services)



- 14% of respondents reported an enhancement in their employee base in SQ9, while 78% reported no change
- 16% of respondents expected to enhance their employee bases in NQ9, while 79% did not expect any addition in their workforce

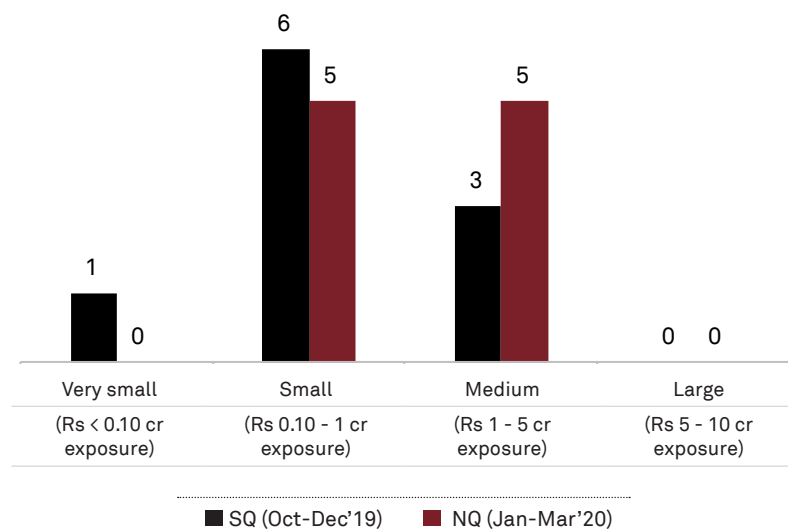
## Lenders optimistic on business situation

Business situation



- In SQ9, 3 out of 10 of lenders surveyed saw an improvement in the overall business situation of MSEs, 6 out of 10 rated it as satisfactory, and 1 out of 10 reported it as below satisfactory
- For NQ9, 5 out of 10 lenders had a positive outlook on MSEs, 4 out of 10 expected it to be satisfactory, and 1 out of 10 expected it to be below satisfactory

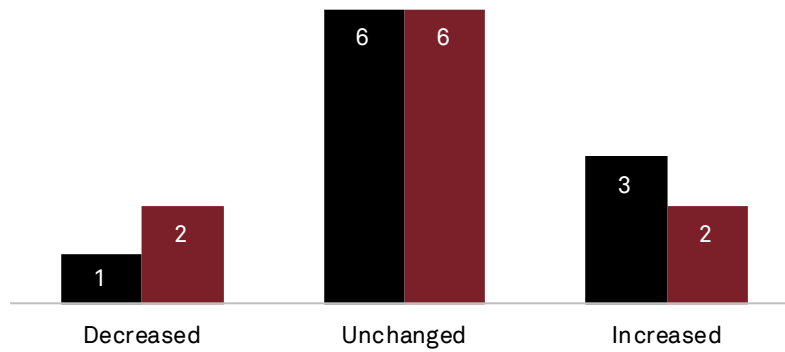
Highest credit growth in segments  
(based on size of exposure)



- In SQ9, 7 out of 10 lenders reported highest credit growth in the sub-Rs 1 crore credit exposure segment versus 3 out of 10 in the above-Rs 1 crore segment
- For NQ9, 5 out of 10 lenders reported highest credit growth in the sub-Rs 1 crore and above-Rs 1 crore credit exposure segments each

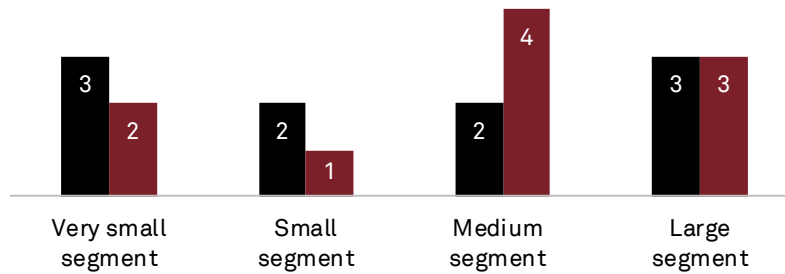
## Lenders see moderation in asset quality

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)



- 3 out of 10 in the very small segment, 2 out of 10 in the small segment, 2 out of 10 in the medium segment, and 3 out of 10 in large segments witnessed increase in NPA levels

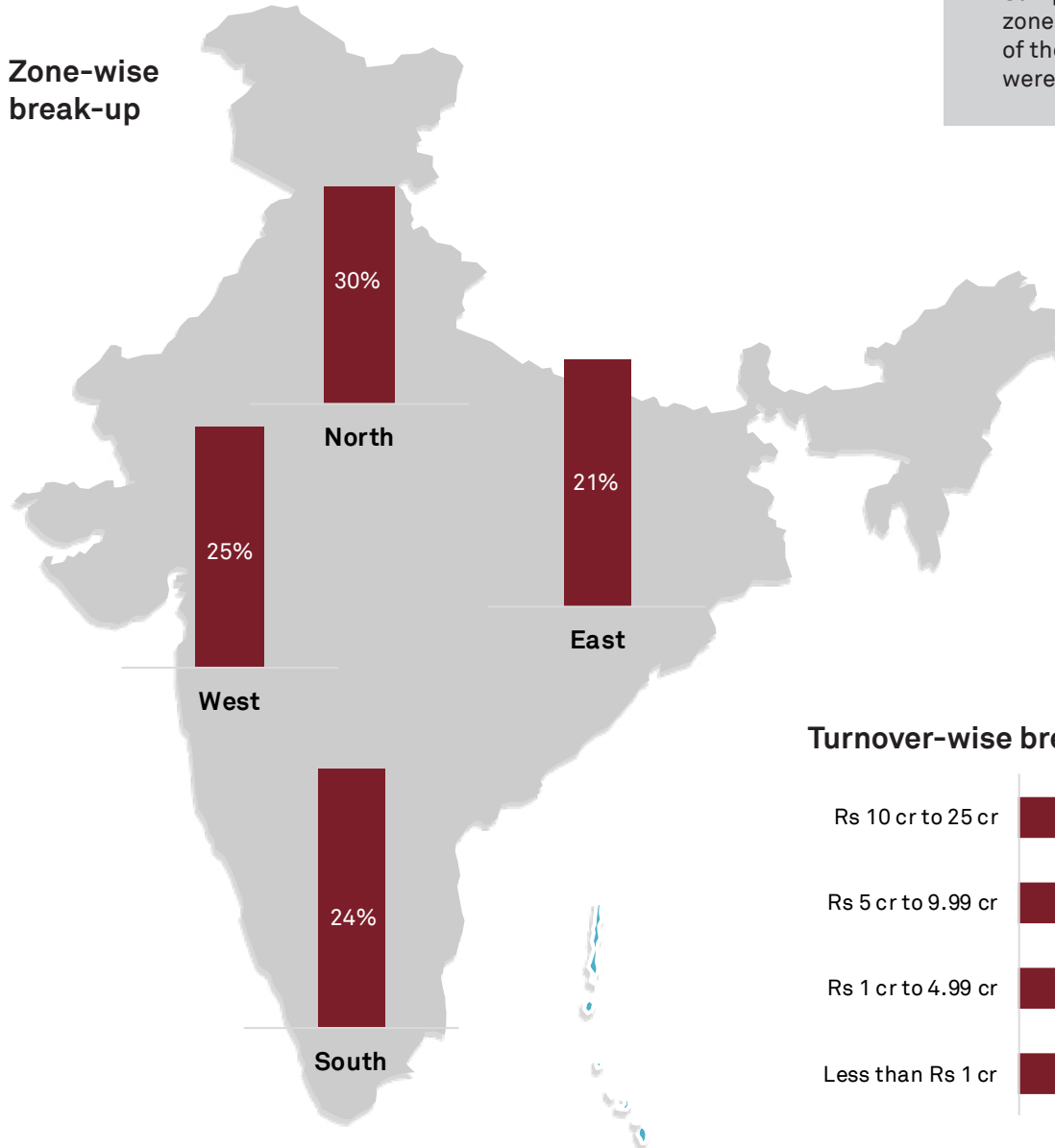
■ SQ (Oct-Dec'19) ■ NQ (Jan-Mar'20)



# Annexures

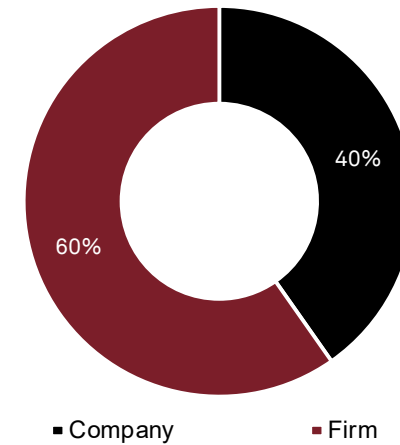
# Sample summary

Zone-wise break-up

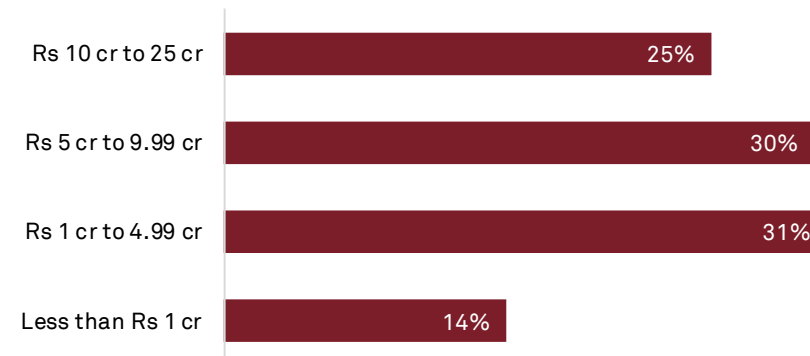


- Sample selected for the survey is well-distributed across zone and turnover categories. In terms of legal status, 40% of the participating MSEs were companies, whereas 60% were firms (proprietorships and partnerships).

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 mould, etc

Chemicals comprise 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, ice cream, Processing of agro-based products, etc

Gems & jewellery comprises manufacturers of gold jewellery and retailing, diamond cutting and polishing, gems & semi-precious stones

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

Pharmaceuticals comprises manufacturers of bulk drugs, formulations as per manufacturing and marketing model

Commercial services & supplies comprises printing, facility management, security services, etc

Diversified consumer services comprises education, cold storage services, cyber cafe, printing and scanning services, etc

Healthcare providers & services comprises hospitals, fitness centres, pathological 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



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