Slight uptick in manufacturing; services still struggling

June 2021 | Volume 13

CriSidEx survey for October-December 2020 and January-March 2021

sidbi

CRISIL
An S&P Global Company

Analytical contacts

CRISIL

Prasad Koparkar
Senior Director and Head, GIX Hub
prasad.koparkar@crisil.com

Bhushan Parekh
Director, SME Solutions
bhushan.parekh@crisil.com

Manasi Kulkarni
Associate Director, SME Solutions
manasi.kulkarni@crisil.com

Namrata Singh
Manager, SME Solutions
namrata.singh1@crisil.com

Sushil Padale
Senior Executive, SME Solutions
sushil.padale1@crisil.com

SIDBI

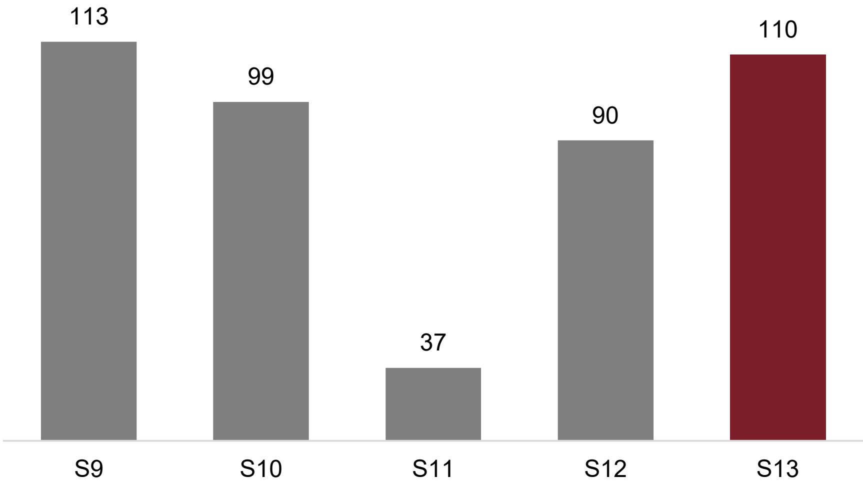
Kailash Chander Bhanoo
Chief General Manager
Economic Research and Data Analysis Vertical
bhanoo@sidbi.in

Rangadass Prabhavathi
Deputy General Manager
Economic Research and Data Analysis Vertical
rprabha@sidbi.in

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

Contents

Festive season boosts CriSidEx score



At 110, the CriSidEx* score for October-December 2020 (Survey 13 or S13) is closer to that logged for the same period last year (Survey 9 or S9). It also reflects a gradual recovery from the earlier quarter that reeled under the pandemic's impact. The index for S11 is based on 767 surveys compared with 1,100 surveys in all other quarters, with the lower response attributed to the pandemic-related lockdown in India

Abbreviations

CriSidEx survey	Survey quarter (SQ)	Next quarter (NQ)
Survey 9 (S9)	October-December 2019 (SQ9)	January-March 2020 (NQ9)
Survey 10 (S10)	January-March 2020 (SQ10)	April-June 2020 (NQ10)
Survey 11 (S11)	April-June 2020 (SQ11)	July-September 2020 (NQ11)
Survey 12 (S12)	July-September 2020 (SQ12)	October-December 2020 (NQ12)
Survey 13 (S13)	October-December 2020 (SQ13)	January-March 2021 (NQ13)

* See 'How to read CriSidEx' on page 12

On-year movement in index parameters

Manufacturing

Component parameters	Actual		
	S9	S13	S13-S9
Volume of production	115	119	4
Order book size	115	130	15
PAT Margin	108	111	3
Capacity utilisation	112	122	10
Employee base	103	89	-14
Manufacturing index	110	114	4

Services

Component parameters	Actual		
	S9	S13	S13-S9
Order book size	123	121	-2
PAT margin	115	110	-5
Employee base	109	86	-23
Services index	116	106	-10

The Services Index reflects an on-year drop, while the Manufacturing Index shows a slight improvement, mainly led by two parameters: order book size and capacity utilisation. Employee base recorded a significant decline for both sectors

Positive		Negative	

CriSidEx readings | Manufacturing

Index parameters		SQ				NQ			
		Negative	Neutral	Positive	Index		Negative	Neutral	Positive	Index
Volume of production	S9	14%	57%	29%	115	S9	8%	55%	37%	129
	S10	22%	57%	21%	99	S10	49%	37%	14%	65
	S11	75%	20%	5%	31	S11	42%	35%	23%	81
	S12	31%	34%	35%	104	S12	16%	40%	44%	128
	S13	**22%**	**37%**	**41%**	**119**	**S13**	**13%**	**37%**	**50%**	**136**
Order-book size	S9	14%	58%	28%	115	S9	7%	57%	36%	129
	S10	21%	55%	24%	102	S10	48%	35%	17%	69
	S11	72%	21%	7%	35	S11	42%	33%	25%	83
	S12	28%	36%	36%	108	S12	15%	44%	41%	126
	S13	**16%**	**38%**	**46%**	**130**	**S13**	**9%**	**42%**	**49%**	**141**
PAT margin	S9	13%	66%	21%	108	S9	9%	63%	28%	119
	S10	26%	53%	21%	95	S10	49%	36%	15%	65
	S11	75%	19%	6%	31	S11	46%	35%	19%	73
	S12	37%	34%	29%	92	S12	18%	46%	36%	118
	S13	**25%**	**40%**	**35%**	**111**	**S13**	**12%**	**51%**	**37%**	**125**
Capacity utilisation	S9	13%	62%	25%	112	S9	7%	61%	32%	125
	S10	22%	57%	21%	99	S10	46%	40%	14%	68
	S11	73%	24%	3%	31	S11	41%	39%	20%	79
	S12	24%	40%	36%	111	S12	14%	52%	34%	120
	S13	**15%**	**48%**	**37%**	**122**	**S13**	**9%**	**60%**	**31%**	**121**
Employee base	S9	9%	79%	12%	103	S9	6%	80%	14%	108
	S10	10%	80%	10%	100	S10	24%	67%	9%	84
	S11	61%	38%	1%	40	S11	35%	56%	9%	74
	S12	25%	68%	7%	82	S12	9%	83%	8%	99
	S13	**17%**	**77%**	**6%**	**89**	**S13**	**9%**	**83%**	**8%**	**99**

Manufacturing Index	S9	SQ9	110	S9	NQ9	122
	S10	SQ10	99	S10	NQ10	70
	S11	SQ11	34	S11	NQ11	78
	S12	SQ12	99	S12	NQ12	118
	S13	**SQ13**	**114**	**S13**	**NQ13**	**124**

In the Manufacturing Index, the employee base dropped 13% on-year. Order book expanded 13%, whereas capacity utilisation rose 9%. The volume of production and PAT margin increased 3%. The next quarter (NQ) index for all the parameters is expected to increase except capacity utilisation which is marginally declining. Overall, the Manufacturing Index has improved 3% on-year to 114 and is expected to improve 9% in the next quarter to 124.

CriSidEx readings | Services

Index parameters		SQ					NQ			
		Negative	Neutral	Positive	Index		Negative	Neutral	Positive	Index
Order-book size	S9	7%	63%	30%	123	S9	6%	57%	37%	131
	S10	22%	62%	16%	94	S10	33%	52%	15%	82
	S11	72%	19%	9%	37	S11	40%	46%	14%	74
	S12	42%	29%	29%	87	S12	32%	40%	28%	96
	S13	**23%**	**34%**	**43%**	**121**	**S13**	**15%**	**39%**	**46%**	**131**
PAT margin	S9	10%	65%	25%	115	S9	9%	59%	32%	123
	S10	23%	59%	18%	95	S10	32%	53%	15%	83
	S11	74%	18%	8%	34	S11	40%	52%	8%	69
	S12	48%	29%	23%	76	S12	38%	37%	25%	87
	S13	**27%**	**36%**	**37%**	**110**	**S13**	**17%**	**44%**	**39%**	**122**
Employee base	S9	7%	77%	16%	109	S9	5%	77%	18%	113
	S10	14%	64%	22%	108	S10	17%	73%	10%	93
	S11	57%	38%	5%	48	S11	28%	70%	2%	75
	S12	23%	75%	2%	79	S12	12%	86%	2%	90
	S13	**18%**	**77%**	**5%**	**86**	**S13**	**8%**	**87%**	**5%**	**96**

Services Index	S9	SQ9	116	S9	NQ9	122
	S10	SQ10	99	S10	NQ10	86
	S11	SQ11	40	S11	NQ11	72
	S12	SQ12	81	S12	NQ12	91
	S13	**SQ13**	**106**	**S13**	**NQ13**	**116**

CriSidEx (Manufacturing+Services)	S9	SQ9	113	S9	NQ9	122
	S10	SQ10	99	S10	NQ10	78
	S11	SQ11	37	S11	NQ11	75
	S12	SQ12	90	S12	NQ12	105
	S13	**SQ13**	**110**	**S13**	**NQ13**	**120**

In the case of services, all the parameters fell with the employee base witnessing the sharpest decline of more than 20%. The Services Index recorded a 9% drop on-year to 106. Overall, the index has posted a 3% fall on-year to 110 and is expected to improve 9% in the next quarter to 120.

Business sentiment for October-December

S13 findings need to be viewed in the context of the Covid-19 caseload abating in the third quarter of fiscal 2021, with a partial pick-up in economic activity. This, along with the timing of the festive season, led to an uptick in the manufacturing and services sectors.

Sectors that saw a positive trend

- Among manufacturers, 31% reported a good SQ13, compared with 20% in SQ12 and 27% in the same quarter a year ago (SQ9).
  - In SQ13, leather & leather goods, pharmaceuticals, and gems & jewellery sectors had the highest share of respondents who reported a good quarter
  - On-year (SQ9 to SQ13), leather & leather goods, gems & jewellery, and pharmaceuticals reported growth in the share of respondents with positive sentiment
- Among service providers, 28% reported a good SQ13, compared with 18% in SQ12 and 25% in the same quarter a year ago (SQ9)
  - In SQ13, healthcare providers & services, and the construction & real estate sectors had the highest share of respondents who reported a good quarter
  - On-year (SQ9 to SQ13), construction & real estate, and traders saw a higher share of respondents with positive sentiment

Sectors that saw a subdued trend

- Among manufacturers, 23% reported a bad SQ13, lower than 31% in SQ12, but higher than 17% in the same quarter a year ago (SQ9)
  - In SQ13, textiles, and engineering & capital goods had a high share of respondents with a subdued quarter
  - On-year (SQ9 to SQ13), the chemicals and food products sectors saw a sharp drop in the share of respondents with positive sentiment
- Among service providers, 31% reported a bad SQ13, albeit lower than 49% in SQ12, but higher than 11% in the same quarter a year ago (SQ9)
  - In SQ13, travel & hotels, commercial services & supplies, and diversified consumer services sectors had a high share of respondents with a muted quarter
  - On-year, (SQ9 to SQ13), travel & hotels, media, and commercial services & supplies sectors witnessed a sharp decline in the share of respondents with positive sentiment

Business sentiment for January-March

- 13% of respondents in manufacturing and 23% in services expect a subdued next quarter (NQ13)

Sectors anticipating a positive trend

- Among manufacturers:
  — For NQ13, pharmaceuticals, leather & leather goods, and chemicals sectors are expected to have the highest share of respondents anticipating a good quarter
  — On-year (NQ9 to NQ13), pharmaceuticals, and gems & jewellery sectors are likely to report an increase in the share of respondents with positive sentiment
- Among service providers:
  — For NQ13, respondents from the healthcare, traders and construction & real estate sectors are expected to have the highest share of respondents who anticipate a good quarter
  — On-year (NQ9 to NQ13), the share of respondents with positive sentiment will increase among traders and construction & real estate sectors

Sectors foreseeing a subdued trend

- Among manufacturers:
  — In NQ13, textiles, and leather & leather goods sectors are likely to see a higher share of respondents expecting a subdued quarter
  — On-year, only the chemicals sector will witness a sharp decline in optimism
- Among service providers
  — For NQ13, the travel & hotels, commercial services & supplies, and media sectors are expected to have a higher share of respondents foreseeing a subdued quarter
  — On-year, travel & hotels, commercial services & supplies, and IT/ITeS sectors will report a sharp drop in optimism

Other trends in business sentiment

Companies more positive than firms

- Companies were more positive; 31% reported good SQ13 as against 28% of firms

MSEs with more than 25 employees positive

- 33% of micro and small enterprises (MSEs) with more than 25 employees reported a good SQ13, as against 28% for MSEs with 10-25 employees and 22% for MSEs with less than 10 employees
- For NQ13, 45% of MSEs with more than 25 employees expect a good next quarter compared with 43% of MSEs with 10-25 employees and 36% of MSEs with less than 10 employees

All parameters, except employee base, show improvement on-year

Manufacturing

Change in share of positive respondents

Component parameters	Actual	
	S13 - S12	S13 - S9
Volume of production	6%	12%
Order book size	10%	18%
PAT margin	6%	14%
Capacity utilisation	1%	12%
Employee base	-1%	-6%

Services

Change in the share of positive respondents

Component parameters	Actual	
	S13 - S12	S13 - S9
Order book size	14%	13%
PAT margin	14%	12%
Employee base	3%	-11%

Positive		Negative	

- In the manufacturing sector, the share of positive respondents improved on-year for parameters such as volume of production, order book size, PAT margin and capacity utilisation. However, the share of positive respondents for the employee base fell for the same period. A similar trend was observed in on-quarter numbers.
- For the services segment, the share of positive respondents regarding order book size and PAT margin improved on-year. However, the share of positive respondents for employee base declined. On-quarter, all the three parameters – order book size, PAT margin and employee base - improved

Domestic order book in October-December 2020

Nearly 45% of MSEs reported an increase in order book; sentiment well above SQ9

- In SQ13, 44% of MSEs reported an increase in the domestic order book compared with 28% in SQ9
- Manufacturing, chemical, gems & jewellery, and food products had a larger share of respondents with an increase in order book
  - — Textiles, engineering & capital goods, and gems & jewellery had a larger share of respondents with a subdued quarter
- Services, media, construction & real estate and professional services sectors had a larger share of respondents with an increase in order book
  - — Travel & hotels and diversified consumer services had a relatively muted quarter

Domestic order book in January-March 2021

Nearly 50% of MSEs are optimistic about their order book for the next quarter

- 47% MSEs expect an increase in domestic orders compared with 36% in NQ9
- Manufacturing, gems & jewellery, food products, and leather & leather goods sectors are relatively more optimistic
  - — Textiles and gems & jewellery sectors expect a muted quarter
- Respondents in services, construction & real estate and power & utilities anticipate an enhanced order book position in NQ13
  - — Travel & hotels and media had a higher share of respondents expecting a muted quarter

Other order book trends

Domestic MSEs performed marginally better than export-oriented peers

- In SQ13, 38% of export-based MSEs reported an increase in orders compared with 34% in SQ9
  - — These players performed marginally poorer than their domestic peers (44% reported a good quarter)
- In NQ13, 37% of exporters expect an increase in order book size as against 39% in NQ9
  - — Going forward, a higher share of domestic MSEs anticipate a marginally higher order book compared with their export-based peers (37%)

Importers show negative sentiment

- In SQ13, the share of importers who increased their orders declined to 4% from 13% in SQ9
- For NQ13, only 5% importers expect an increase in orders as against 15% in NQ9

Miscellaneous trends

Production expected to improve; however, MSEs not very optimistic about capacity utilisation

- For SQ13, 41% of MSEs expected an increase in production. For NQ13, 50% manufacturing MSEs expect an increase in production, 37% see it unchanged and 13% expect a decline
- In terms of capacity utilisation, 37% of manufacturing MSEs expect utilisation to improve in SQ13 as against 28% of service MSEs. For NQ13, the share declined to 31% for manufacturing and 21% for service MSEs.

Decline in hiring

- In SQ13, 18% of MSEs reported a decline in their employee base compared with 8% in SQ9; 77% maintained the base, while only 5% reported additions
  - — In manufacturing, metal & mining sectors witnessed the

highest reduction in employee base

  — In services, travel & hotels reported a significant reduction in employee base

- In NQ13, 9% intend to reduce employee base, while 6% intend to increase their headcount

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

- In SQ13, only one out of 10 lenders surveyed saw an improvement in the business situation of MSEs; six rated it as satisfactory and three reported it as below satisfactory
- For NQ13, five out of 10 expect it to be satisfactory, one expects it to be less than satisfactory and four foresee an improvement in the business situation

Lenders expect credit growth in the medium-ticket segment

- In SQ13, six out of 10 lenders reported the highest credit growth in the Rs 1-5 crore credit exposure segment versus four in the below-Rs 1 crore segment. None of the lenders expected credit growth in the above-Rs 5 crore credit exposure segment. Lenders shared a similar preference for NQ13

Lenders see deterioration in asset quality

- Five out of 10 lenders reported no change in non-performing assets (NPA), while four reported an increase and only one reported a decrease in SQ13. In NQ13, four lenders reported no change, while five reported an increase and one a decrease in NPAs
- Two out of 10 in the very small segment, six in the small segment and two in the medium segment reported an increase in NPAs in SQ13

About CriSidEx

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

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

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

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

Survey process

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

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

How to read CriSidEx

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

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

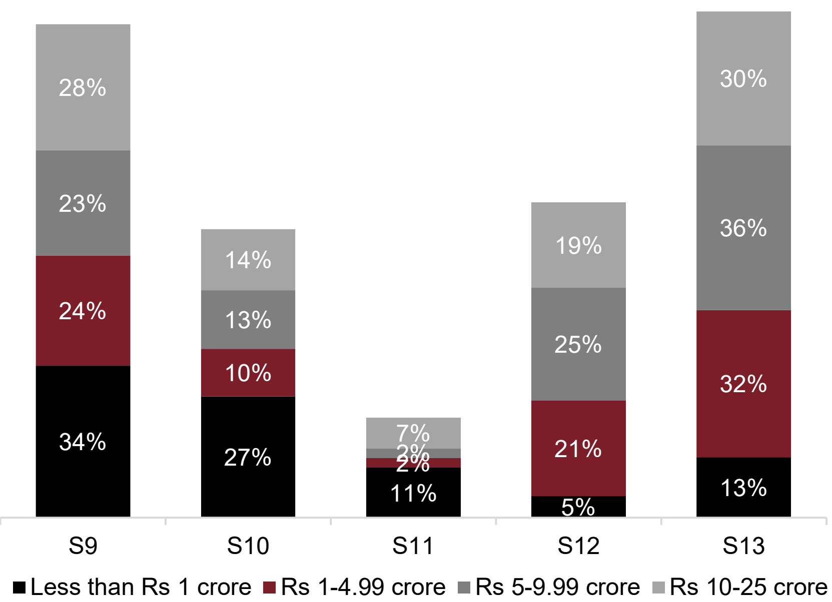
https://www.crisil.com/en/home/our-analysis/reports/2018/01/crisidex-the-mse-sentiment-index.html

https://sidbi.in/Crisidex.php

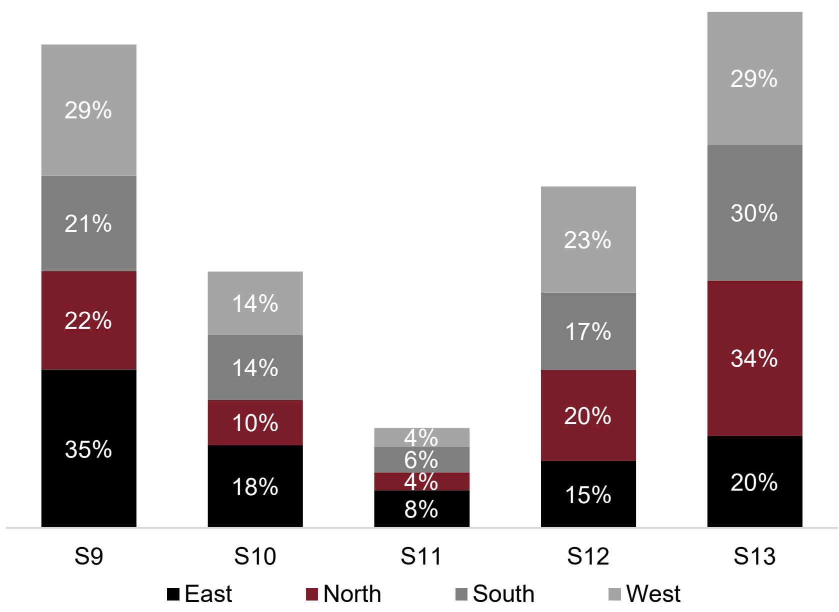
Comparison across surveys

Sentiment improves across size and location; weakest for small players, Eastern region

Based on size of business



Regional sentiment



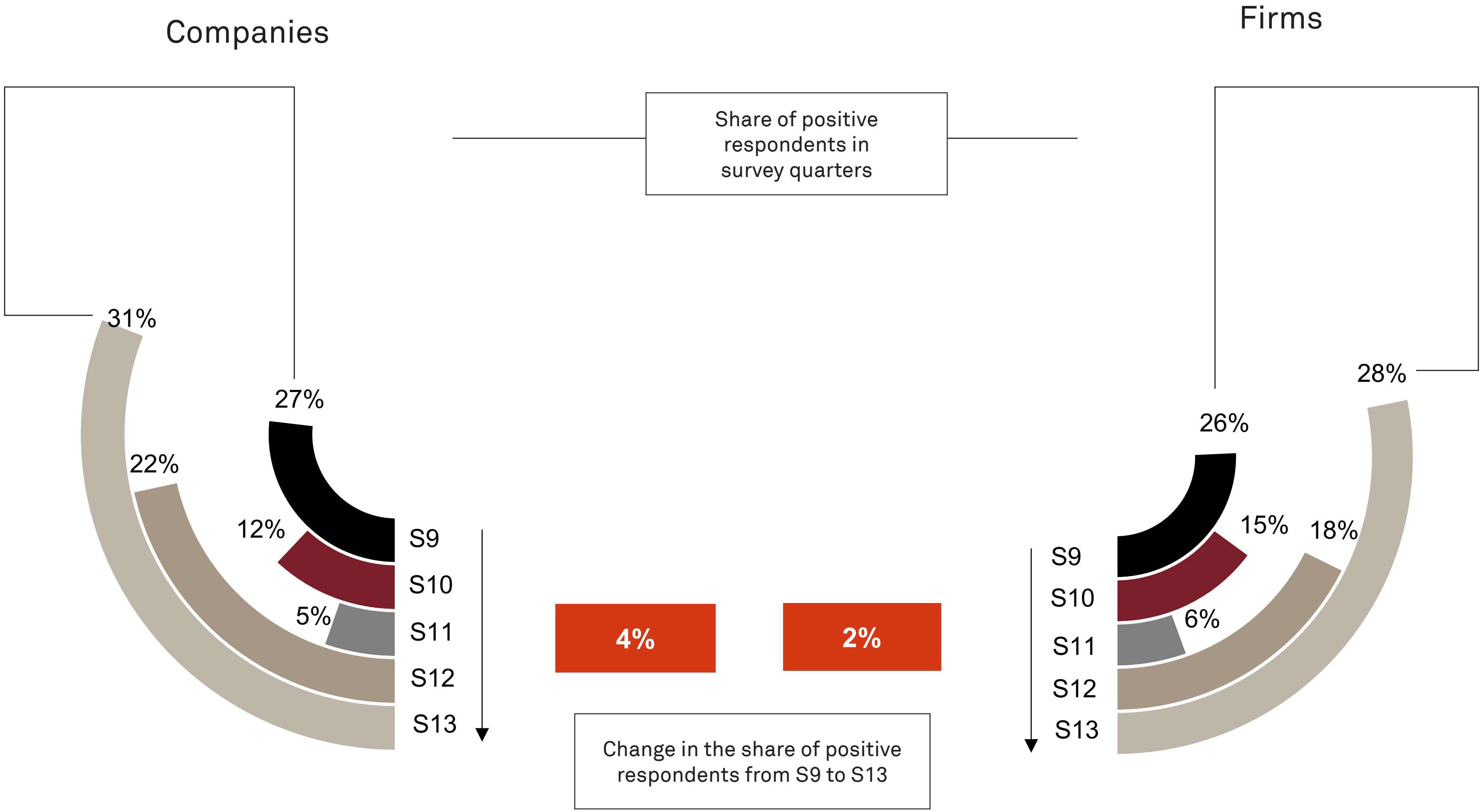
- 13% of MSEs with an annual turnover of less than Rs 1 crore expressed positive sentiment – the lowest among peers in S13
- MSEs from the same turnover category also reflected a decline in positive sentiment in S13 compared with S9, unlike an improvement shown in other categories.

Positive sentiment improved across regions on-quarter; North shows highest share

- In S13, the share of positive respondents in the north was the highest compared with other regions
- In S13, East showed a dip in sentiment and West reflected same sentiments, whereas sentiments in the North and South improved over S9

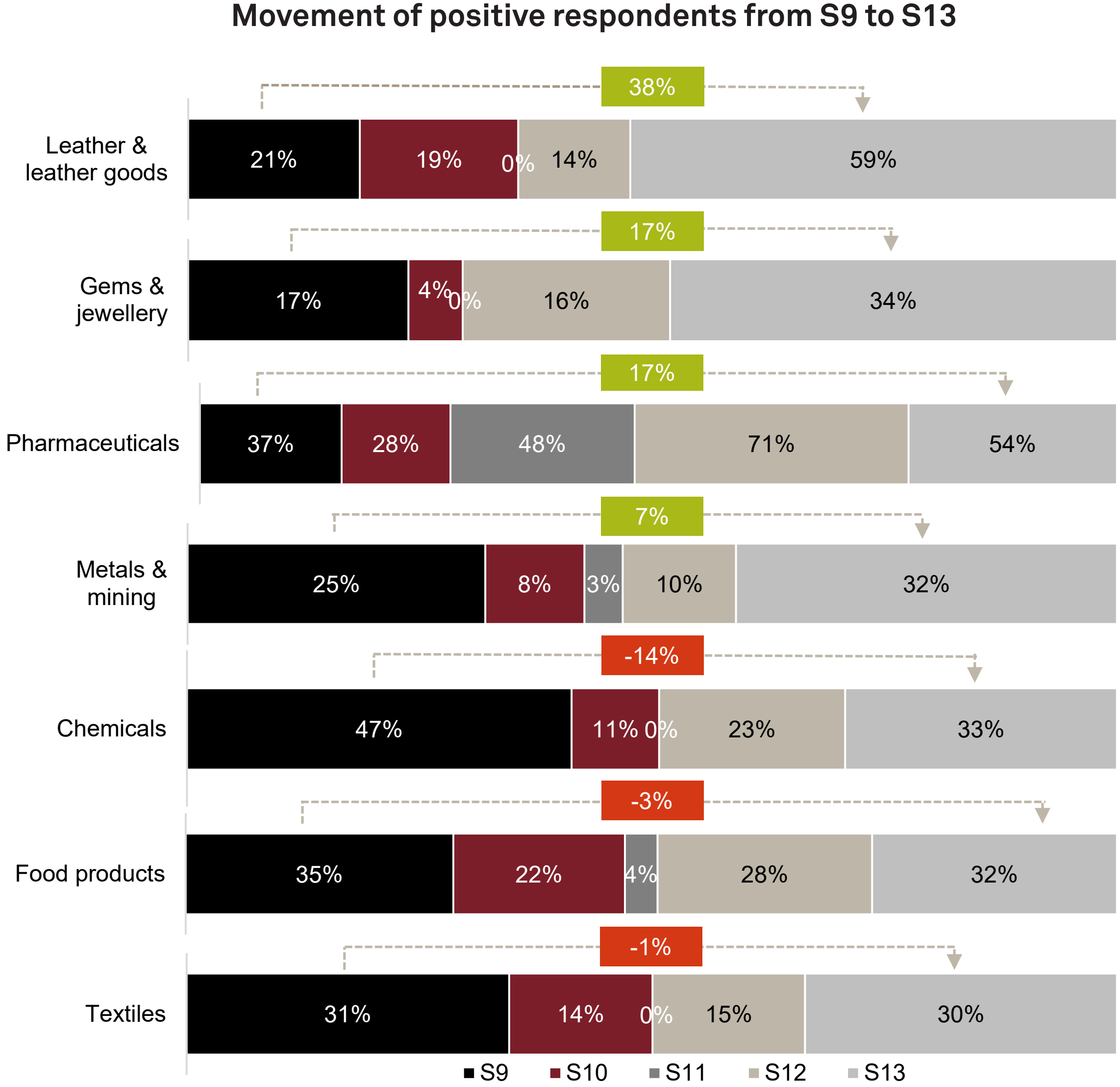
% represent share of positive respondents

Companies more optimistic than firms



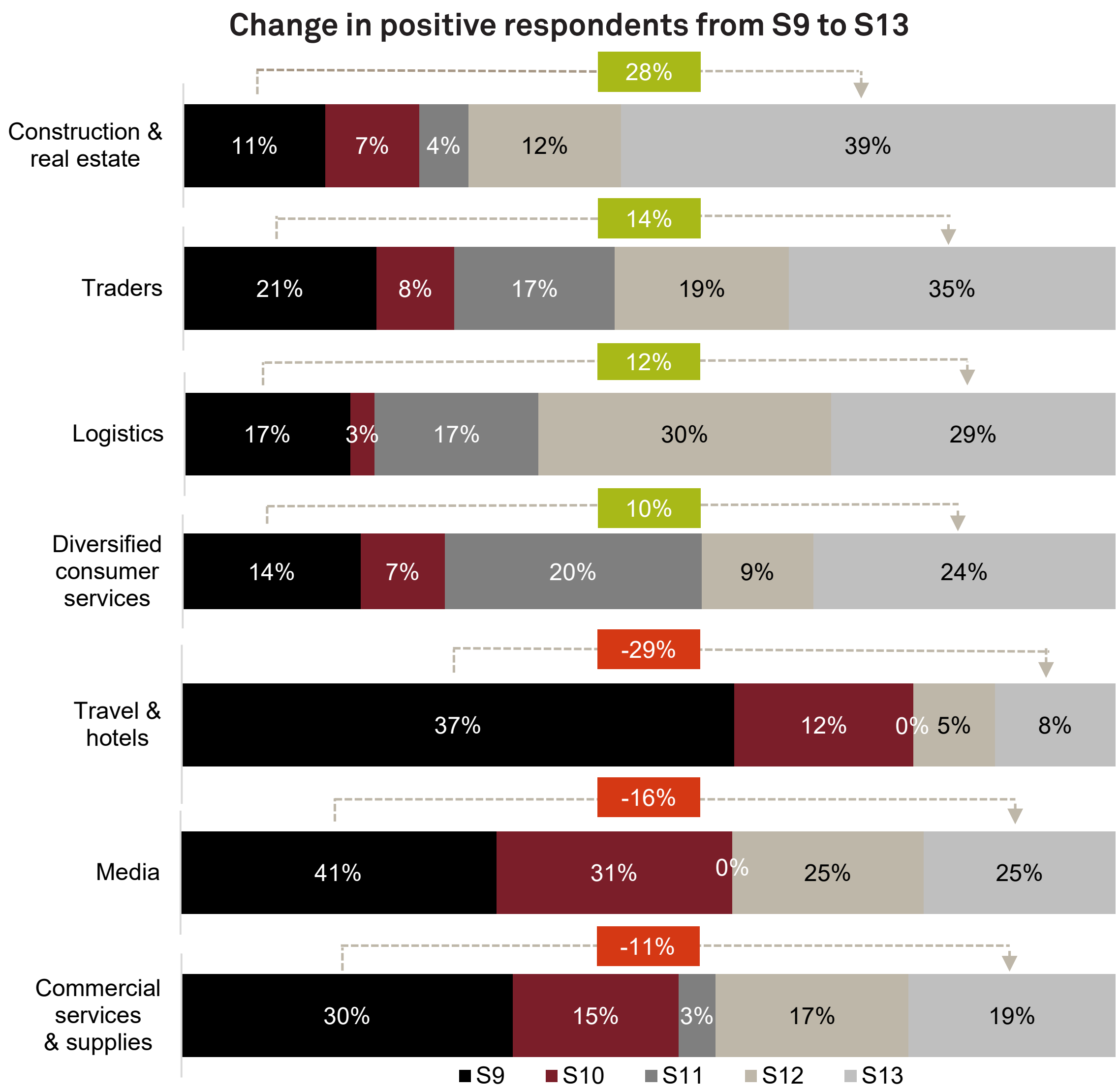
- Positive sentiment remained marginally higher for companies than firms
- Compared with S9, the share of positive respondents improved more for companies (4%) than firms (2%)

Manufacturing: Highest uptick in leather & leather goods, lowest in chemicals



- Leather & leather goods, gems & jewellery and pharmaceutical MSEs saw the highest improvement in sentiment over S9
- Chemical MSEs reported the highest decline in positive sentiment than peers in S13, followed by food products

Services: Sentiment in travel & hotels, media muted on-year



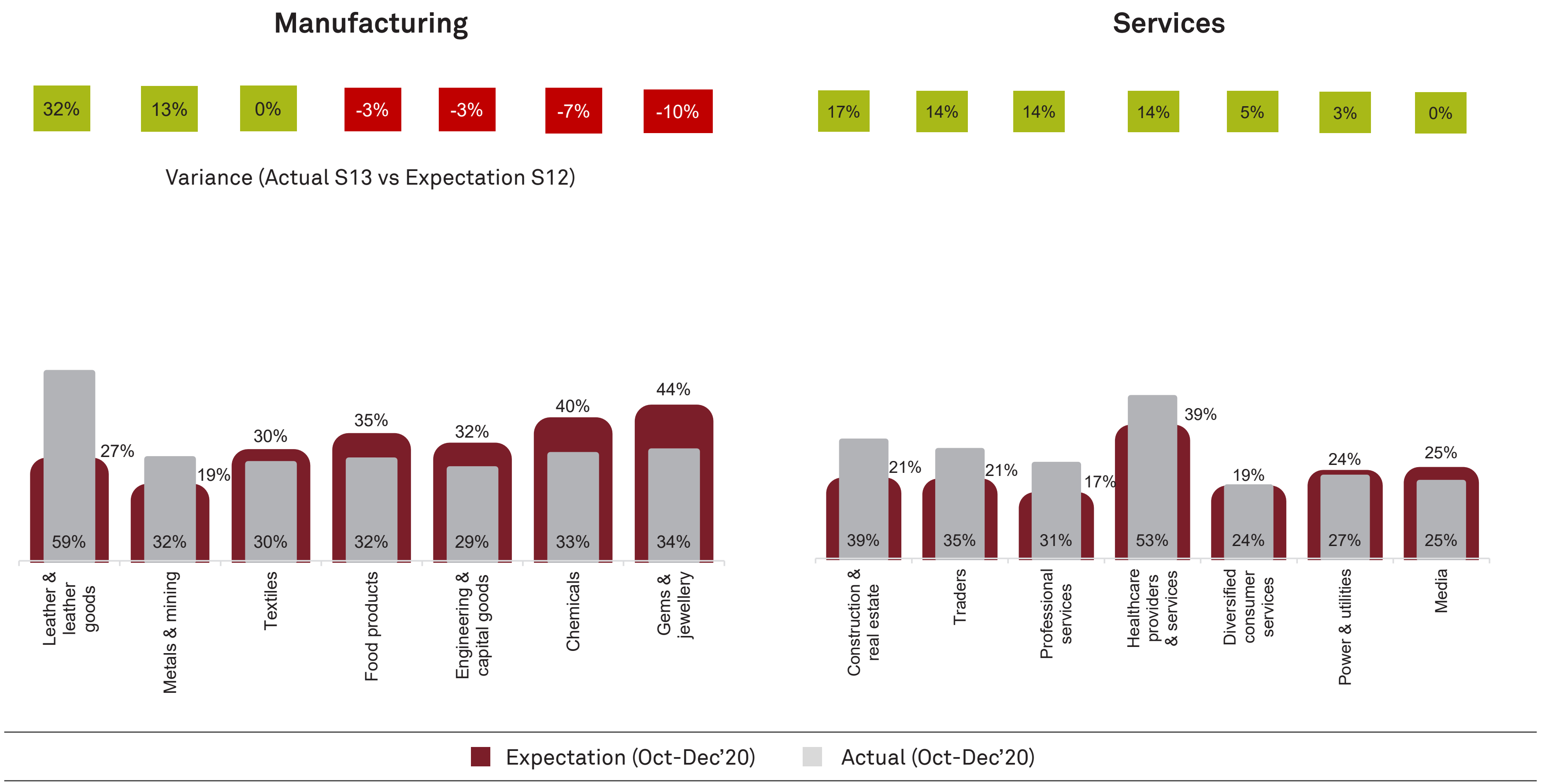
- MSEs in travel & hotels and media reported the sharpest decline in sentiment over S9
- Construction & real estate and traders had a higher share of positive respondents among peers in S13

Sector underpinnings

Auto components	Demand for automotive components in the third quarter of fiscal 2021 improved on-year owing to increased demand from passenger vehicles and two-wheeler OEMs. Economic revival bodes well for the aftermarket, too. Export offtake also surged as consumers adapted to the ongoing pandemic environment. In the fourth quarter, improved capacity utilisation of players and higher realisations will further bolster demand for auto components.
Chemicals	Demand sentiment from downstream automobiles, consumer durables continued to improve with lifting of lockdowns, having a positive impact on the sector in the third quarter. In the fourth quarter, revenue is expected to increase with demand rising further and improving realisations.
Engineering & capital goods	The performance of engineering and capital goods improved in third quarter, both sequentially and on-year from the lows of the first half of fiscal 2021 (where demand was hit by the pandemic), due to a revival in demand sentiment from sectors such as automobiles, textiles, pumps, steel, increased spending by the central and state governments and PSUs on infrastructure and higher manufacturing capex, coupled with deferred execution of orders from the first half. The positive momentum is expected to continue over the fourth quarter, led by higher back-loaded spending of capex by the Centre and state and further easing of lockdown restrictions.
Gems & jewellery	Gems & jewellery demand sentiment improved in third quarter on account of the festive season. Easing of lockdown restrictions and a fall in gold prices in September compared with August 2020 also supported demand. Thus, demand almost doubled compared with the second quarter. Demand sentiment is expected to be good in the fourth quarter, too, on account of a decline in gold prices due to import duty cut, wedding purchases and pick-up in economic activities.
Leather & leather goods	In third quarter, domestic demand was significantly impacted as major exporting destinations (the US, Germany, Italy, France and Spain account for over 55% share) are either cancelling their orders or putting them on hold, As of the first nine months of fiscal 2021, exports declined 34.1% on-year, whereas growth of major exports destinations such as the US and the UK, fell 35% and 43% on-year, respectively. In the fourth quarter, domestic demand is expected to shrink further due to demand disruption in the retail segment.
Pharmaceuticals	For October-December 2020, export demand remained robust as players launched new products by ramping up existing products. Domestic demand also stabilised with easing of lockdown restrictions and an increase in hospital footfalls. For January-March 2021 as well, export demand is likely to remain robust. Domestic growth would be largely driven by the rollout of vaccines and related drugs to overcome the pandemic.
Construction & real estate	Gradual unlocking, increased labour availability coupled with closure of extended construction timeline window by RERA improved real estate construction activities across key states and cities. Unlocking and increased labour availability, coupled with higher spends from public funds led to improvement in construction activities. Furthermore, key state government incentives (especially by Maharashtra & Karnataka) in the form of stamp duty reduction and waiver of developer premium charges (for MMR) boosted market as well as developer sentiments during the third quarter
Healthcare providers & services	The improvement in third-quarter sentiment was owing to ease in availing healthcare services for non-Covid-19 casework – pent-up demand coming onstream as the trade-off between Covid-19 and non-Covid-19 demand minimised in the third quarter. A sequential improvement in regular demand (with relatively lower Covid-19 cases) is expected to revive favourable sentiment of industry stakeholders in the fourth quarter.
Travel & hotels	With the easing of travel restrictions, there was a marginal demand uptick for hotels in the third quarter, with leisure travel expected to have played a major role in the relatively improved sentiment. A sequential improvement in demand, especially domestic leisure is expected to brighten the prospects of hoteliers, with business travel by SMEs also expected to witness some green shoots in the fourth quarter. However, on an on-year basis, demand recovery is expected to significantly lag pre-pandemic levels.

Expectation in S12 versus actual performance in S13

Gems & jewellery lose shine; leather & leather goods surpasses hopes

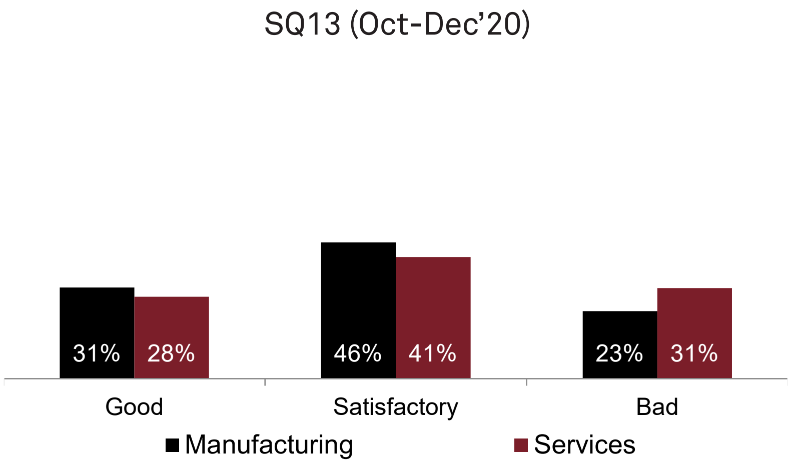


- Gems & jewellery, chemicals missed expectations the most, whereas leather & leather goods, construction & real estate, traders, metals & mining outperformed

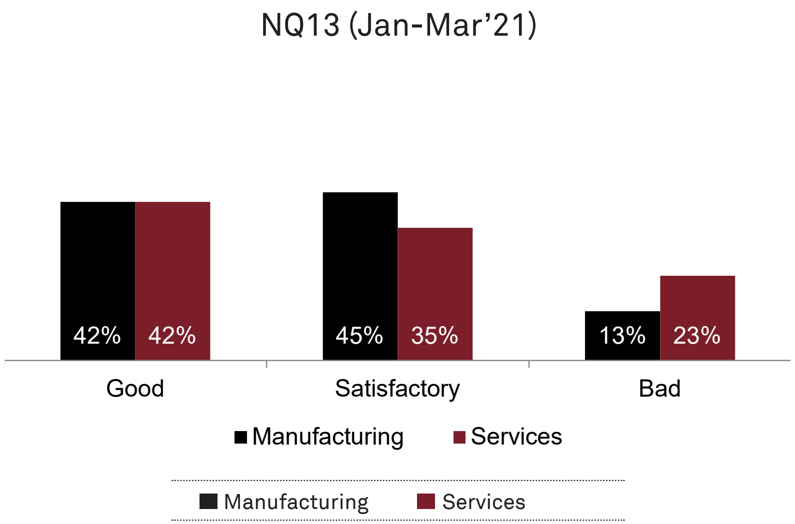
% represent share of positive respondents

Sentiment in S13

Negative sentiment about business situation greater in services sector vis-à-vis manufacturing

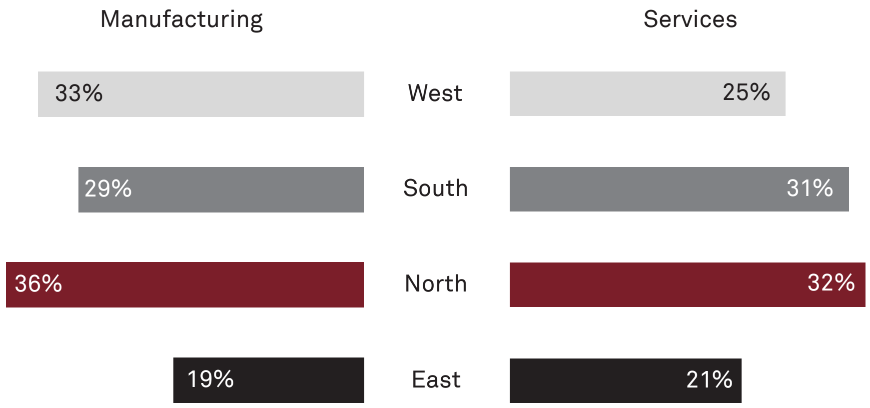


- 23% of the respondents in manufacturing and 31% in services sectors were negative about the overall business situation in survey quarter (SQ13)

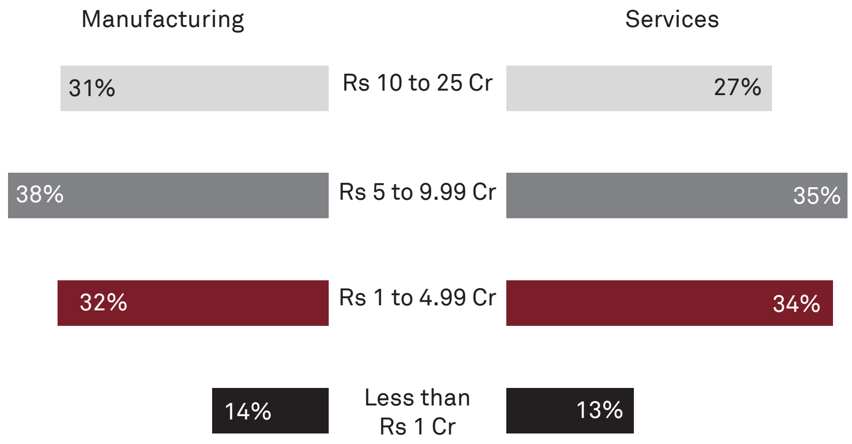


- Sentiments have improved, with a lower share of the respondents in manufacturing (13%) and services (23%), respectively, projecting a bad next quarter (NQ13)

Services fare better in South and East, manufacturing in West and North



- Manufacturing MSEs based in the West and North had a higher share of positive respondents compared with service MSEs, whereas services MSEs based in South and East had a higher share of positive respondents.
- Manufacturing and services MSEs based in the East had the lowest share of positive respondents than other regions



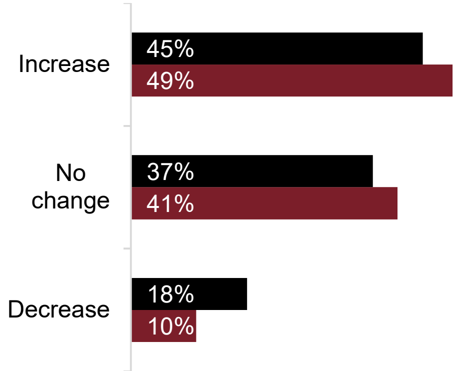
Medium-sized MSEs more positive on business situation

- In manufacturing and services, MSEs with an annual turnover of Rs 5.00-9.99 crore were more optimistic, at 38% and 35%, respectively, vis-à-vis peers from other turnover buckets

% represent share of positive respondents

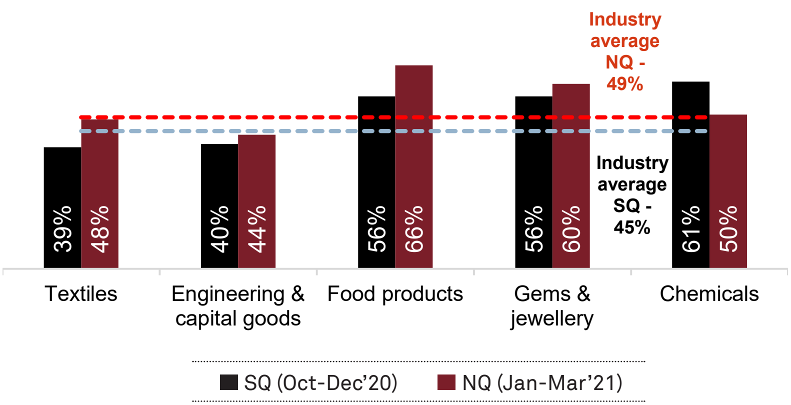
Order book size: Manufacturing MSEs optimistic

Manufacturing - order book size (domestic)



- The domestic order book of 45% of MSEs in the manufacturing sector grew in SQ13. Also, 49% of the respondents anticipate growth in the domestic order book in NQ13

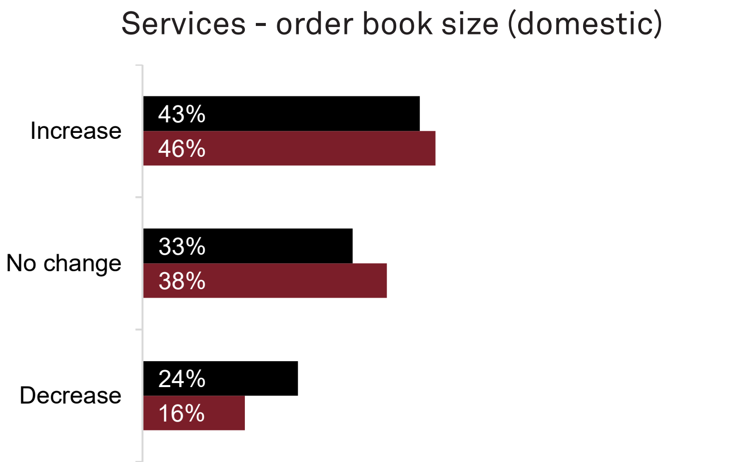
Manufacturing industries - order book size (Domestic)



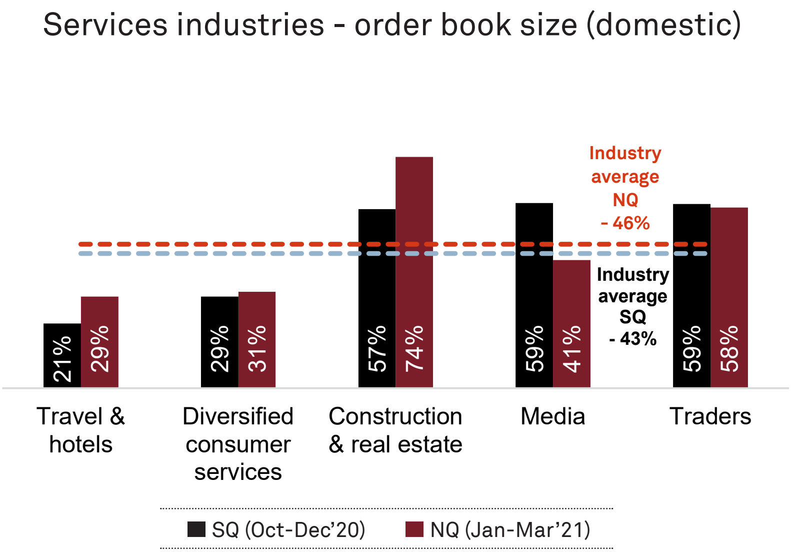
% represent share of positive respondents

- The share of respondents that reported an increase in order book size was higher than the industry average in SQ13 in the chemicals, gems & jewellery, and food products segments
- In textiles and engineering & capital goods, the share of respondents that reported an increase in order book size in SQ13 was lower than the industry average

Order book size (domestic): Services MSEs also optimistic



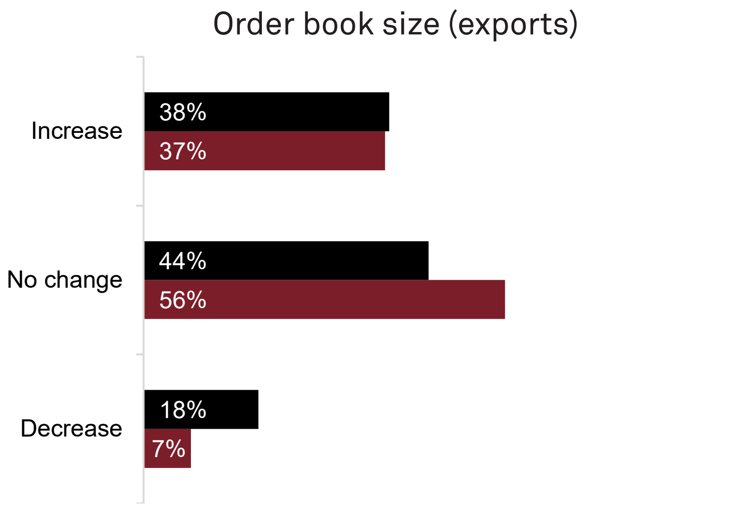
- 43% of MSEs in the services sector reported an increase in the domestic order book in SQ13; the figure is expected to improve to 46% for NQ13

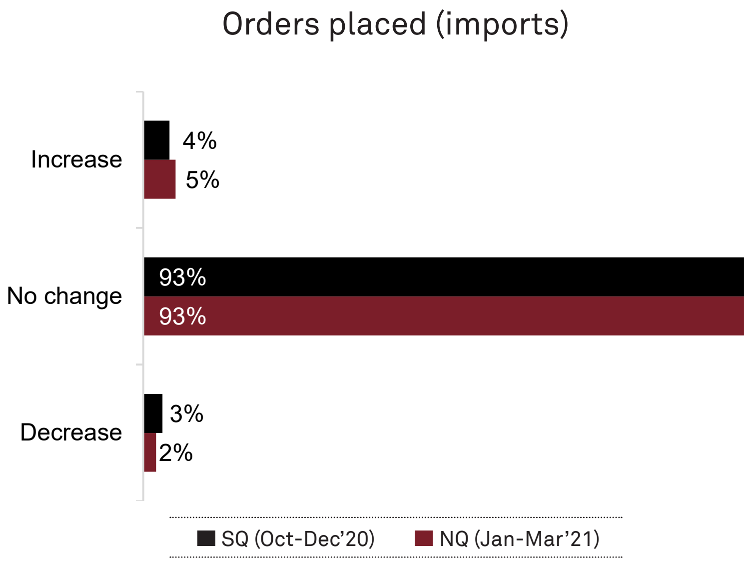


% represent share of positive respondents

- In the traders, media and construction & real estate segments a greater share of respondents reported a higher order book size in SQ13 than the industry average
- Respondents in travel & hotels and diversified consumer services segments reported a lower increase in order book size in SQ13 than the industry average

Order book (international): Share of exporters expecting growth much larger than importers



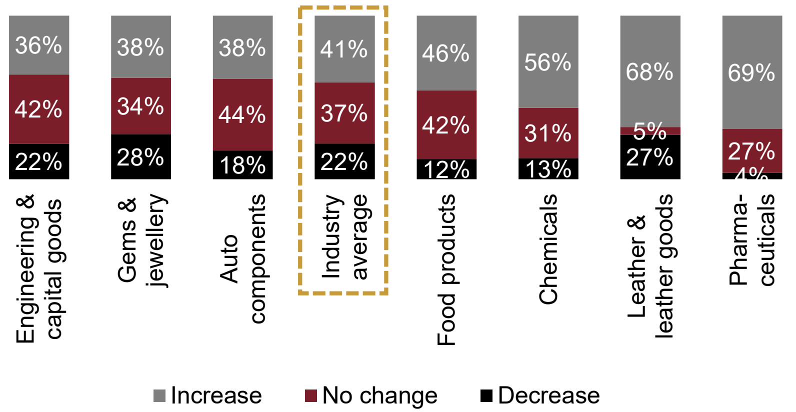


- 38% of MSEs with export order book saw an improvement in orders in SQ13. This number is expected to sustain in NQ13

- Only 5% of importers expect the order book size to increase in NQ13 compared with gains of 4% in SQ13

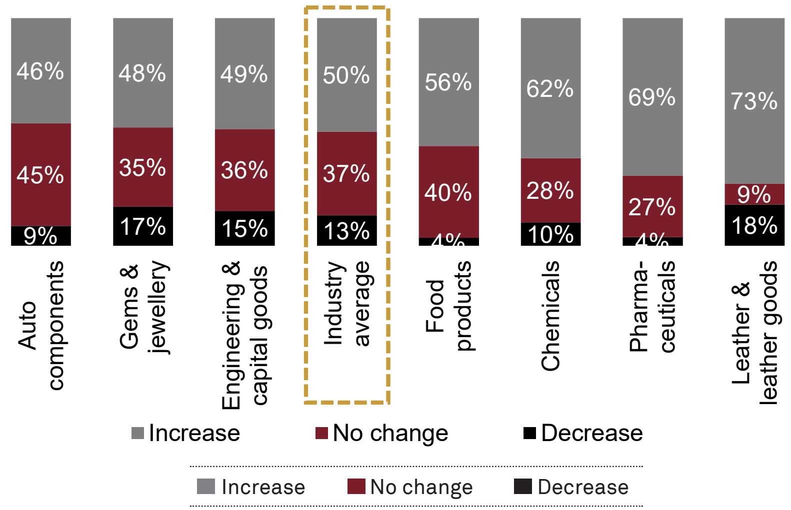
Production volume: Pharma, leather & leather goods perform well; engineering & capital goods subdued

Volume of production (industry-wise) - survey quarter



- In SQ13, MSEs in pharmaceuticals, leather & leather goods and chemicals had the highest share of respondents reporting an increase in production volume compared with the industry average of 41%
- Engineering & capital goods and gems & jewellery MSEs had the lowest share of respondents reporting an increase in production volume compared with the industry average

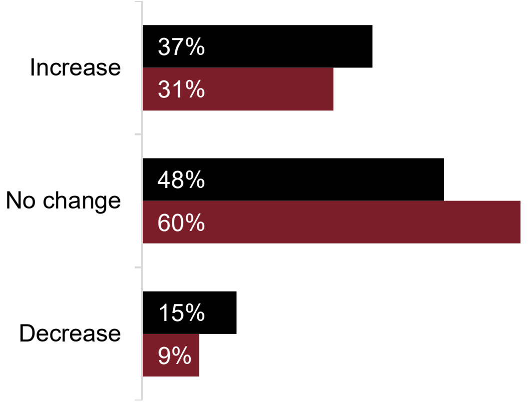
Volume of production (industry-wise) - next quarter



- Leather & leather goods, pharma and chemicals conveyed higher optimism for NQ13 compared with the industry average of 50%, whereas auto components and gems & jewellery had the lowest share of respondents reporting an increase in production volume

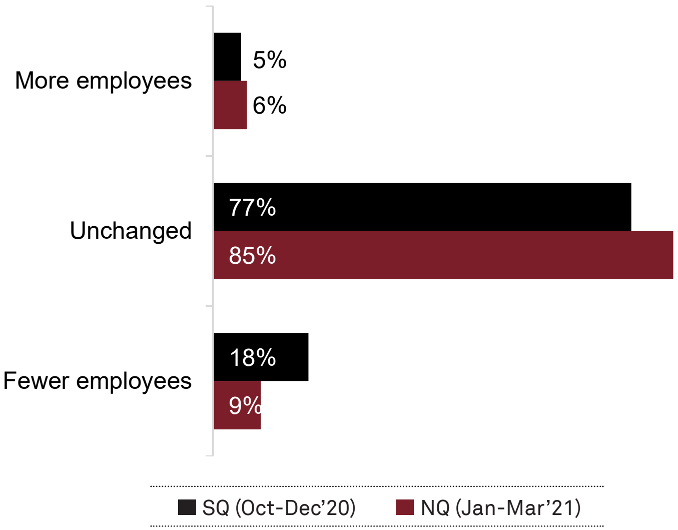
Capacity utilisation improves marginally, hiring remains muted

Capacity utilisation (Manufacturing)



- In SQ13, 37% of manufacturing-based MSEs reported an increase in capacity utilisation, whereas for 48%, it was unchanged
- For NQ13, 31% of the respondents expect an increase in capacity utilisation, and 60% anticipate no change

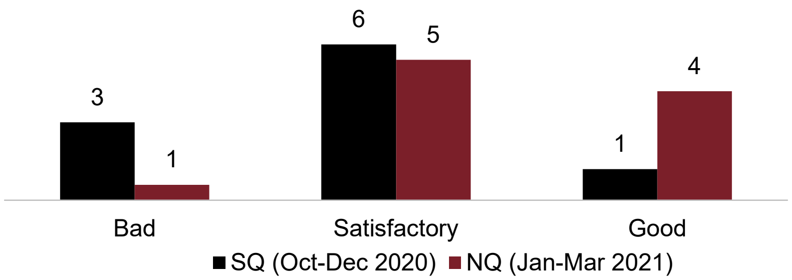
Employee base (manufacturing and services)



- 18% of the respondents reported their employee base shrank in SQ13, whereas 77% reported no change
- Only 6% of the respondents foresee an increase in their employee base in NQ13. 85% do not expect additions to their workforce, and 9% expect a reduction

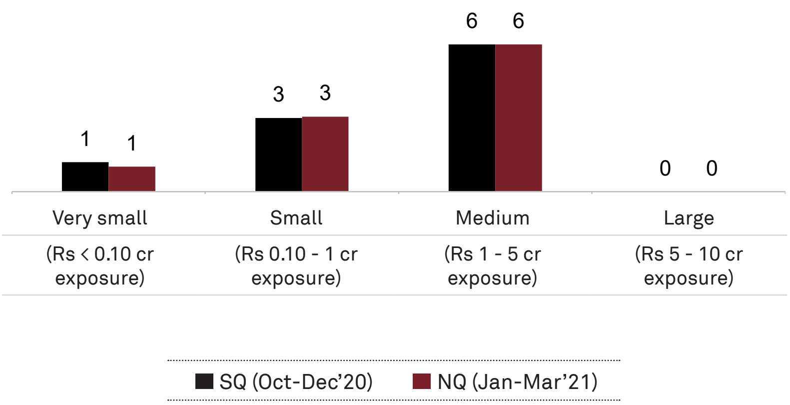
Lenders' sentiment muted on business situation of MSEs; mid-size players to see credit growth

Business situation



- In SQ13, one out of 10 lenders surveyed saw an improvement in the overall business situation of MSEs, six out of 10 rated it as satisfactory, and three out of 10 rated it as bad
- For NQ13, five out of 10 expect the situation to be satisfactory, one out of 10 rate it as bad and four out of 10 foresee an improvement in the overall business situation of MSEs

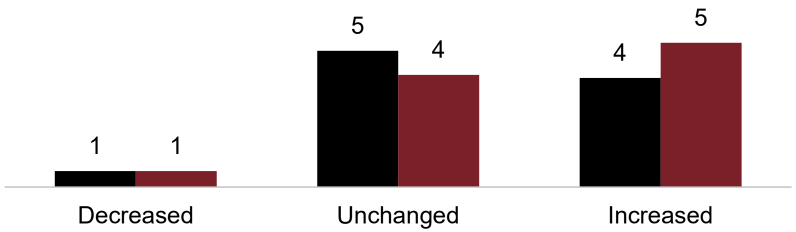
Highest credit growth in segments
(based on size of exposure)



- In SQ13, six out of 10 lenders reported the highest credit growth in the Rs 1-5 crore credit exposure segment compared with one out of 10 in the below Rs 1 crore segment. None of the 10 lenders reported credit growth in the Rs 5-10 crore credit exposure segment. Lenders shared a similar view for NQ13

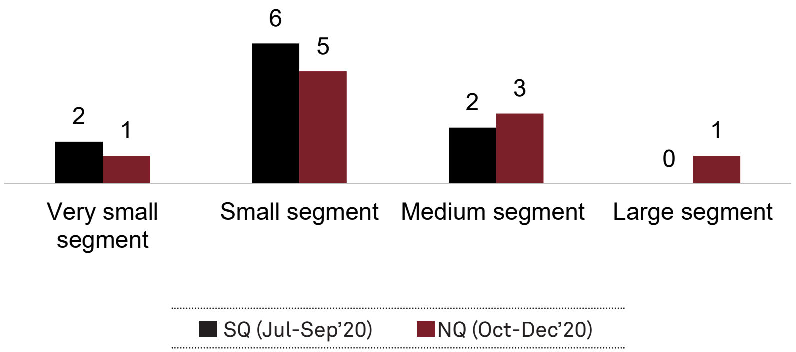
Lenders foresee deterioration in asset quality

Asset quality

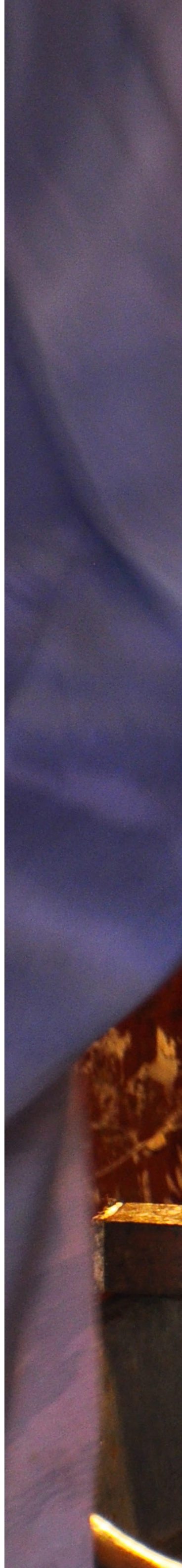


- Five out of 10 lenders reported no change in NPAs in SQ13, while four reported an increase, and one a decrease
- In NQ13, four out of 10 lenders expect no change in NPAs, while five foresee an increase, and one a decrease

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



- Two out of 10 in the very small segment, six out of 10 in the small segment, two out of 10 in the medium segment, and none in the large segment expected an increase in NPA levels in SQ13
- In NQ13, one out of 10 in the very small segment, five out of 10 in the small segment, three out of 10 in the medium segment, and one out of 10 in the large segment saw an increase in NPA levels

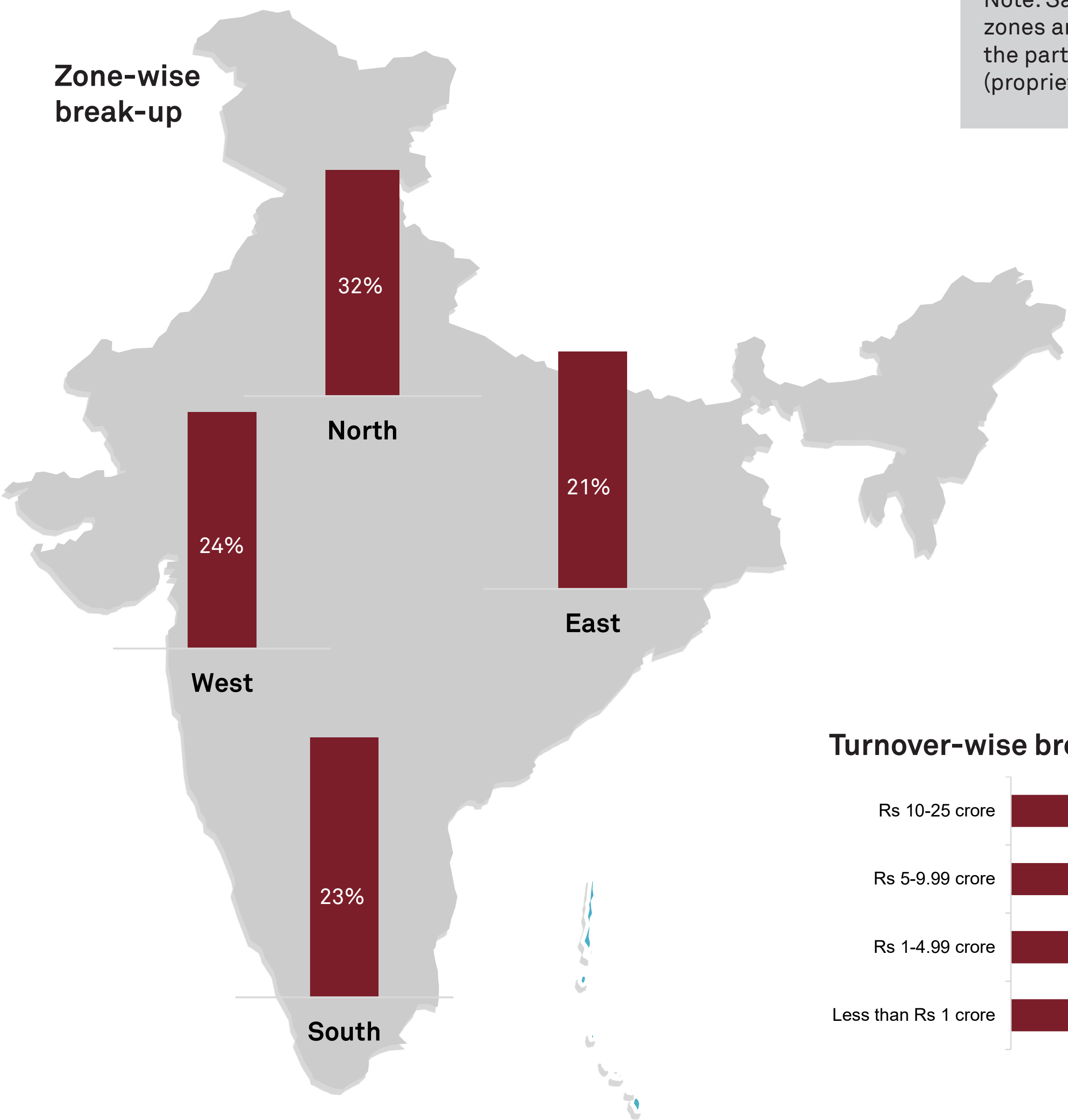


Annexures

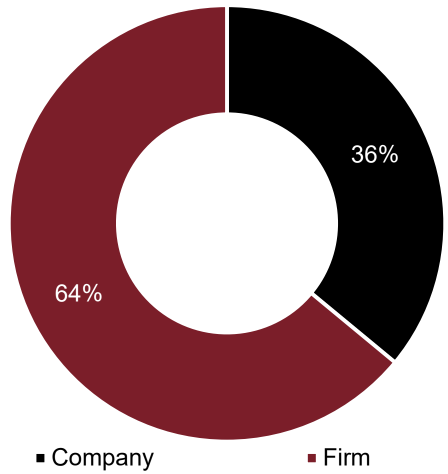
Sample summary

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

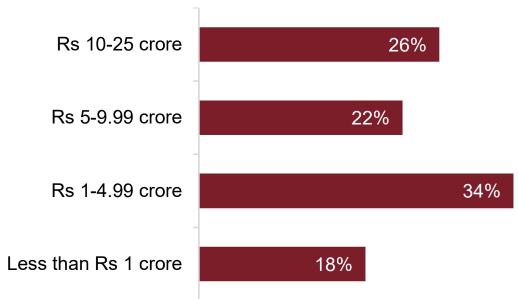
Zone-wise break-up



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

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

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

Commercial services & 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 & 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 & 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 comprise advertising, hoardings, outdoor advertising, shootings, etc

Metal & mining comprise manufacturers of alloy, steel, aluminum extrusion products, foundry, 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

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.

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
/company/crisil @CRISILLimited /CRISILLimited /user/CRISILLimited /lifeatcrisil

CRISIL
An S&P Global Company