Sentiment up on-year, but down a notch on-quarter

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CriSidEx survey for October-December 2021 and January-March 2022

sidbi

CRISIL
An S&P Global Company

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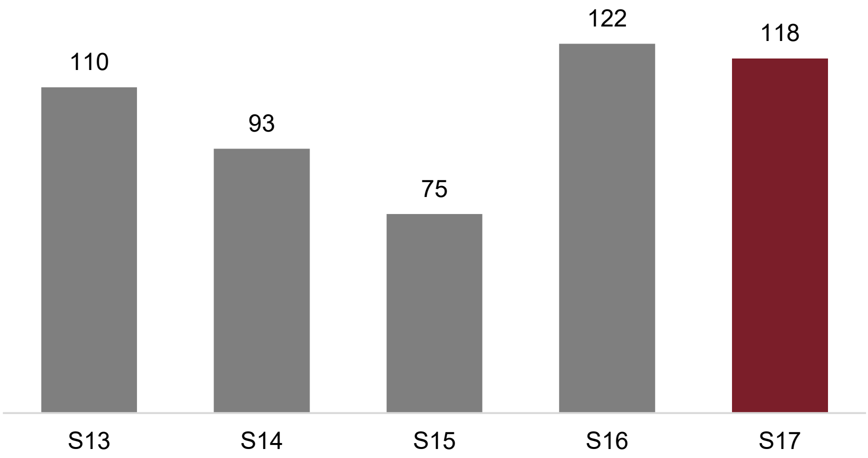
Omicron dampened sentiment on-quarter



The CriSidEx* score of 118 for October-December 2021 (Survey 17 or S17) was higher than that for the corresponding period last year (S13) but lower than the previous quarter (S16).

S13 and S14 are based on 1,100 surveys. All other quarters are based on 700 respondents

Abbreviations

CriSidEx survey	Survey quarter (SQ)	Next quarter (NQ)
Survey 13 (S13)	October-December 2020 (SQ13)	January-March 2021 (NQ13)
Survey 14 (S14)	January-March 2021 (SQ14)	April-June 2021 (NQ14)
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)

* See ‘How to read CriSidEx’ on page 12

On-year trend across index parameters

Manufacturing

Component parameters	Actual		
	S13	S17	S17-S13
Volume of production	119	127	8
Order book size	130	129	-1
PAT margin	111	124	13
Capacity utilisation	122	115	-7
Employee base	89	106	17
Manufacturing index	114	120	6

Services

Component parameters	Actual		
	S13	S17	S17-S13
Order book size	121	127	6
PAT margin	110	116	6
Employee base	86	103	17
Services index	106	115	9

Services indices saw greater improvement than manufacturing indices on-year. Among the index parameters, employee base showed highest improvement in both the indices, whereas capacity utilisation in manufacturing declined.

Positive		Negative	

CriSidEx readings | Manufacturing

Index parameters		SQ					NQ			
		Negative	Neutral	Positive	Index		Negative	Neutral	Positive	Index
Volume of production	S13	22%	37%	41%	119	S13	13%	37%	50%	136
	S14	23%	46%	31%	108	S14	39%	50%	11%	72
	S15	44%	35%	21%	76	S15	21%	34%	45%	124
	S16	15%	45%	40%	123	S16	12%	29%	59%	147
	S17	**13%**	**48%**	**39%**	**127**	**S17**	**12%**	**48%**	**40%**	**128**
Order book size	S13	16%	38%	46%	130	S13	9%	42%	49%	141
	S14	30%	36%	34%	105	S14	45%	43%	12%	68
	S15	50%	26%	24%	75	S15	20%	28%	52%	131
	S16	15%	40%	45%	131	S16	10%	25%	65%	154
	S17	**12%**	**48%**	**40%**	**129**	**S17**	**11%**	**44%**	**45%**	**133**
PAT margin	S13	25%	40%	35%	111	S13	12%	51%	37%	125
	S14	33%	41%	26%	94	S14	42%	51%	7%	65
	S15	53%	26%	21%	67	S15	23%	44%	33%	110
	S16	18%	42%	40%	122	S16	14%	32%	54%	141
	S17	**17%**	**42%**	**41%**	**124**	**S17**	**17%**	**41%**	**42%**	**126**
Capacity utilisation	S13	15%	48%	37%	122	S13	9%	60%	31%	121
	S14	26%	46%	28%	102	S14	35%	58%	7%	72
	S15	41%	34%	25%	85	S15	18%	43%	39%	121
	S16	12%	62%	26%	115	S16	9%	46%	45%	136
	S17	**11%**	**62%**	**27%**	**115**	**S17**	**11%**	**58%**	**31%**	**121**
Employee base	S13	17%	77%	6%	89	S13	9%	83%	8%	99
	S14	15%	80%	5%	89	S14	16%	82%	2%	86
	S15	13%	83%	4%	91	S15	3%	88%	9%	105
	S16	8%	85%	7%	100	S16	2%	78%	20%	117
	S17	**6%**	**82%**	**12%**	**106**	**S17**	**5%**	**84%**	**11%**	**107**
Manufacturing index	S13	SQ13			114	S13	NQ13			124
	S14	SQ14			100	S14	NQ14			72
	S15	SQ15			79	S15	NQ15			118
	S16	SQ16			118	S16	NQ16			139
	S17	**SQ17**			**120**	**S17**	**NQ17**			**123**

For the manufacturing index, employee base saw the highest on-year growth in S17, whereas capacity utilisation declined the most. In NQ17, all parameters improved, and the index improved just 3% to 123 vis-à-vis S17.

CriSidEx readings | Services

Index parameters		SQ					NQ			
		Negative	Neutral	Positive	Index		Negative	Neutral	Positive	Index
Order book size	S13	23%	34%	43%	121	S13	15%	39%	46%	131
	S14	30%	43%	27%	97	S14	48%	43%	9%	61
	S15	54%	30%	16%	62	S15	32%	36%	32%	100
	S16	12%	40%	48%	137	S16	9%	23%	68%	159
	S17	**17%**	**40%**	**43%**	**127**	**S17**	**14%**	**44%**	**42%**	**128**
PAT margin	S13	27%	36%	37%	110	S13	17%	44%	39%	122
	S14	38%	43%	19%	81	S14	48%	45%	7%	59
	S15	56%	27%	17%	60	S15	35%	35%	30%	95
	S16	18%	34%	48%	131	S16	12%	24%	64%	151
	S17	**23%**	**38%**	**39%**	**116**	**S17**	**19%**	**43%**	**38%**	**118**
Employee base	S13	18%	77%	5%	86	S13	8%	87%	5%	96
	S14	19%	78%	3%	85	S14	20%	78%	2%	81
	S15	11%	87%	2%	91	S15	4%	89%	7%	102
	S16	7%	80%	13%	106	S16	2%	76%	22%	121
	S17	**12%**	**73%**	**15%**	**103**	**S17**	**7%**	**75%**	**18%**	**112**

Services index	S13	SQ13	106	S13	NQ13	116
	S14	SQ14	87	S14	NQ14	67
	S15	SQ15	71	S15	SQ15	99
	S16	SQ16	125	S16	NQ16	144
	S17	**SQ17**	**115**	**S17**	**NQ17**	**119**

CriSidEx (manufacturing+services)	S13	SQ13	110	S13	NQ13	120
	S14	SQ14	93	S14	NQ14	70
	S15	SQ15	75	S15	NQ15	109
	S16	SQ16	122	S16	NQ16	141
	S17	**SQ17**	**118**	**S17**	**NQ17**	**121**

For the services index, on year, employee base logged the highest improvement (20%) in S17, followed by marginal improvement of 5% each in order book size and PAT margin. Consequently, the services index improved 9% on-year.

At 118, the overall CriSidEx index (manufacturing + services) in SQ17 reflected 7% on-year improvement. In NQ17, it improved marginally by 3% to 121.

Business sentiment for October -December 2021

Share of respondents seeing a good SQ17 jumps to 33% for manufacturing, 37% for services

S17 findings need to be viewed in the context of falling omicron cases. Economic activity and manufacturing activity did not see much of a downside in SQ17 due to the spike in omicron cases. However, it remains a key monitorable and contingencies such as escalation of the Russia-Ukraine conflict and the ever-present threat of any new Covid-19 variants can dampen progress in coming quarters.

Sectors with a positive trend

- Among manufacturers, 33% reported a good SQ17, marginally higher than 31% in SQ16 and in the same quarter a year ago (SQ13)
  - In SQ17, the share of respondents reporting a good quarter was the highest in pharmaceuticals and chemicals
  - On-year (SQ13 vis-à-vis SQ17), chemicals and engineering & capital goods sectors reported the sharpest rise in share of respondents with positive sentiment
- Among service providers, 37% reported a good SQ17, lower than 39% in SQ16, and higher than 28% in SQ13
  - In SQ17, the share of respondents who reported a good quarter was the highest in healthcare providers & services and traders
  - On-year (SQ13 vis-à-vis SQ17), human resources and healthcare providers & services reported the sharpest rise in the share of respondents with positive sentiment

Sectors with subdued trend

- Among manufacturers, 9% reported a weak SQ17, lower than 12% in SQ16 and 23% in SQ13
  - In SQ17, a high share of respondents in auto-components and pharmaceuticals had a subdued quarter
  - On-year (SQ13 vis-à-vis SQ17), leather & leather goods and metal & mining saw the sharpest decline in the share of respondents with positive sentiment
- Among service providers, 15% reported a weak SQ17, lower than 19% in SQ16 and 31% in SQ13
  - In SQ17, a high share of respondents in commercial services & supplies and travel & hotel sectors had a subdued quarter
  - On-year (SQ13 vis-à-vis SQ17), the share of respondents with positive sentiment in media and construction & real estate sectors decreased

Business sentiment for January-March 2022

35% of respondents in manufacturing and 37% in services expected good NQ17

Sectors anticipating positive trajectory

- Among manufacturers:
  - For NQ17, the share of respondents who anticipated a good quarter was the highest in pharmaceuticals and leather & leather goods sectors
  - On-year (NQ13 vis-à-vis NQ17), the share of respondents with positive sentiment increased for none of the sectors
- Among services:
  - For NQ17, the share of respondents that anticipated a good quarter was the highest in healthcare providers & services and IT/ITeS
  - On-year (NQ13 vis-à-vis NQ17), the share of respondents with positive sentiment increased highest in IT/ITeS and human resources

Sectors foreseeing subdued trend

- Among manufacturers:
  - For NQ17, share of respondents that expected a subdued quarter was higher in auto components and pharmaceutical sectors
  - On-year, leather & leather goods and metal & mining saw the sharpest decline in optimism
- Among service providers:
  - For NQ17, share of respondents that expected a subdued quarter was higher in travel & hotels and commercial services & supplies
  - On-year, optimism in construction & real estate and diversified consumer services plunged

Other trends in business sentiment

Companies more upbeat vis-à-vis firms for SQ17 and NQ17

- Companies had 39% respondents reporting a good SQ17, whereas firms had only 33% such respondents
- The trend continues for NQ17, with better optimism among companies and 42% respondents expecting a better quarter, as against 33% for firms

Negative sentiment higher among MSEs with less than 10 employees

- 14% of micro and small enterprises (MSEs) with less than 10 employees reported a good SQ17, as against 39% and 40% for MSEs with 10-25 employees and over 25 employees, respectively
- 24% of MSEs with less than 10 employees expected a good NQ17, compared with 36% with 10-25 employees and 40% with more than 25 employees

All on-year, on-quarter parameters for manufacturing declined in S17, except PAT margin and employee base

Manufacturing

Change in share of positive respondents

Component parameters	Actual	
	S17 - S16	S17 - S13
Volume of production	-1%	-2%
Order book size	-5%	-6%
PAT margin	1%	6%
Capacity utilisation	1%	-10%
Employee base	5%	6%

Services

Change in share of positive respondents

Component parameters	Actual	
	S17 - S16	S17 - S13
Order book size	-5%	0%
PAT margin	-9%	2%
Employee base	2%	10%

- In the case of manufacturing, the share of positive respondents declined on-year for all the parameters, except PAT margin and employee base, which increased 6% each. The share of positive respondents for capacity utilisation reflected the highest on-year decrease
- In the case of manufacturing, on-quarter share of positive respondents improved only for PAT margin and employee base
- For services, the share of positive respondents improved on-year for all the parameters. Employee base showed the highest improvement on-year, whereas only employee base showed improvement on-quarter

Positive		Negative	

Domestic order book in October-December 2021

Order book of nearly 39% of MSEs increased; lower than share of respondents expressing increase in order book in SQ16 and SQ13

- Domestic order book of 39% MSEs increased in SQ17, compared with 44% in SQ13
- In manufacturing, order book of a larger share of respondents in pharmaceuticals and gems & jewellery increased
  — Order book of a larger share of respondents in leather & leather goods and metal & mining sectors was subdued
- In services, order book of a larger share of respondents in healthcare providers and traders increased
  — Power & utilities had a relatively muted quarter

Domestic order book in January-March 2022

Nearly 43% of MSEs were optimistic about order book expansion

- 14% MSEs expected a decline in domestic orders in NQ17, compared with 13% in NQ13
- In manufacturing, pharmaceuticals and gems & jewellery sectors were relatively more optimistic
  — Auto components and metals & mining sector expected a muted quarter
- In services, IT/ITeS and healthcare providers & services sector anticipated a stronger order book position in NQ17
  — Power & utilities and travel & hotels though, had a larger share of respondents expecting a muted quarter

Other order book trends

Domestic MSEs performed at par with export-oriented peers

- Orders of 39% of export-focused MSEs increased in SQ17, compared with 38% in SQ13
  — These players performed at par with domestic peers
- 32% of exporters expected their order book size to increase in NQ17 vis-à-vis 37% in NQ13
  — 43% domestic MSEs expected their order book to expand

Importers' sentiment improved

- The share of importers who saw an increase in orders increased substantially to 15% in SQ17 against 4% in SQ13
- 15% of importers expected their orders to go up in NQ17, as against 5% in NQ13

Miscellaneous trends

MSEs showed weak sentiment on production and capacity utilisation

- Production of 39% MSEs increased in SQ17. For NQ17, 40% manufacturing MSEs expected an increase in production, 48% saw it unchanged, and 12% projected a decline
- In terms of capacity utilisation, 27% manufacturing MSEs saw improvement in SQ17. For NQ17, this share improved to 31%

Hiring picked up

- 8% MSEs reported a decline in employee base in SQ17 (versus 18% in SQ13), 78% maintained the base, and 13% added to it
  — In manufacturing, the highest improvement was in the auto

components sector

  — In services, the logistics sector reported a considerable improvement in employee count

- 5% intended to reduce employee headcount in NQ17, whereas 14% planned to increase it

Lenders' sentiment muted on business situation of MSEs for NQ17

- In SQ17, three out of 10 lenders surveyed saw improvement in the business situation of MSEs, seven rated it as satisfactory, and no one felt it was less than satisfactory
- For NQ17, five out of 10 expected the business situation to be satisfactory, three forecast it to be below satisfactory, and two foresaw improvement

Lenders were optimistic about the very small and small segment

- In SQ17, two out of 10 lenders reported credit growth in the <Rs 10 lakh credit exposure segment, whereas five out of 10 lenders reported credit growth in the Rs 10 lakh to Rs 1 crore credit exposure segment, two in the Rs 1-5 crore segment and one in the Rs 5-10 crore segment. Lenders shared a similar expectation for NQ17

Lenders saw no improvement in asset quality

- Four out of 10 lenders reported no change in non-performing assets (NPAs) in SQ17, whereas five reported an increase, and one reported a decrease. Four lenders expected no change in NPAs in NQ17, four anticipated an increase and two expected a decrease

  — In SQ17, NPAs of two out of 10 lenders in the very small segment, four in the small segment, none in the medium segment, and four in the large segment increased. Lenders shared a similar expectation for NQ17

About CriSidEx

CriSidEx is India's first sentiment index for MSEs, which indicates the current state of and expected outlook for sectors 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 services parameters) with equal weights. It measures MSE business sentiment on a scale of 0-200, where 0 indicates extremely negative sentiment, 100 indicates neutral sentiment, and 200 indicates an extremely positive sentiment. The distance of the score from 100 indicates the strength of the expansion or decline.

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

As 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 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 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 geographical representation
Covers exporters and importers, besides domestic firms

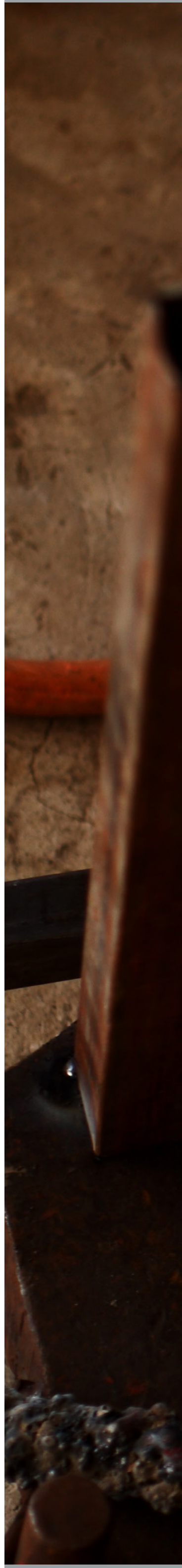
How to read CriSidEx

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'. 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:

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

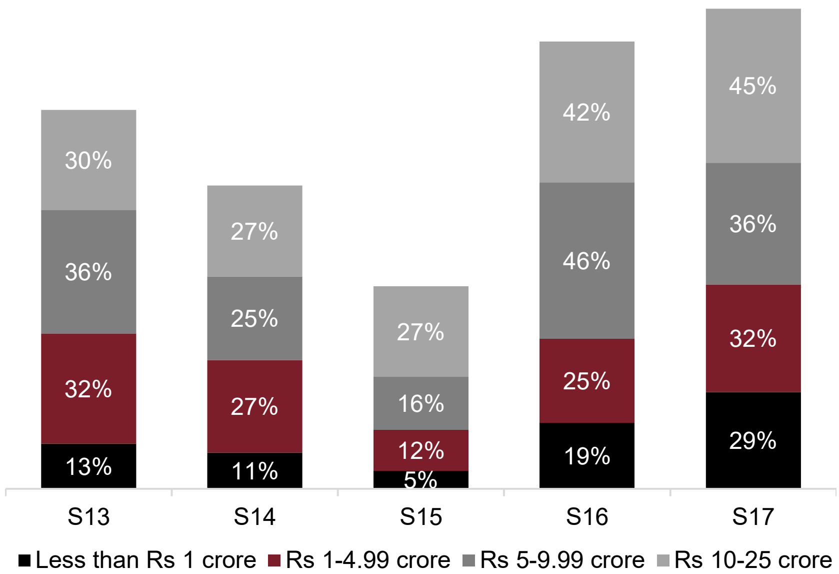
https://sidbi.in/Crisidex.php



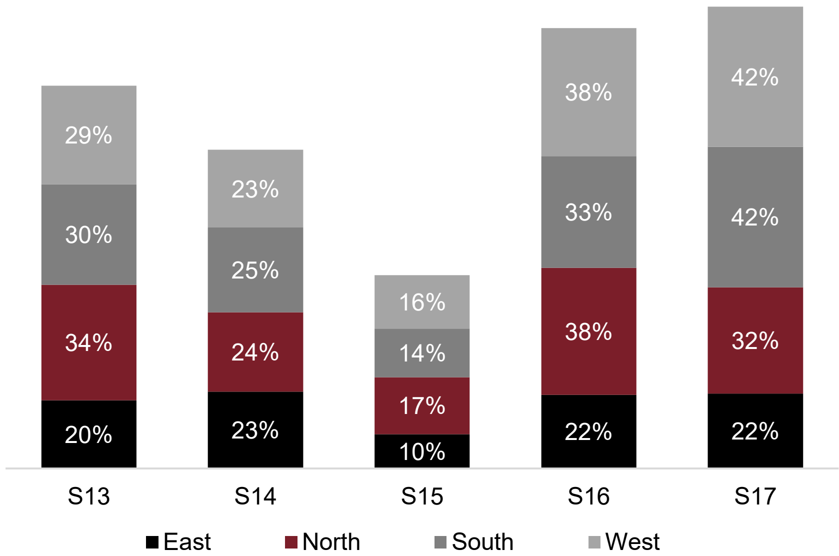
Comparison across surveys

Larger MSEs and ones from the south and west are more optimistic

Based on size of business



Regional sentiment



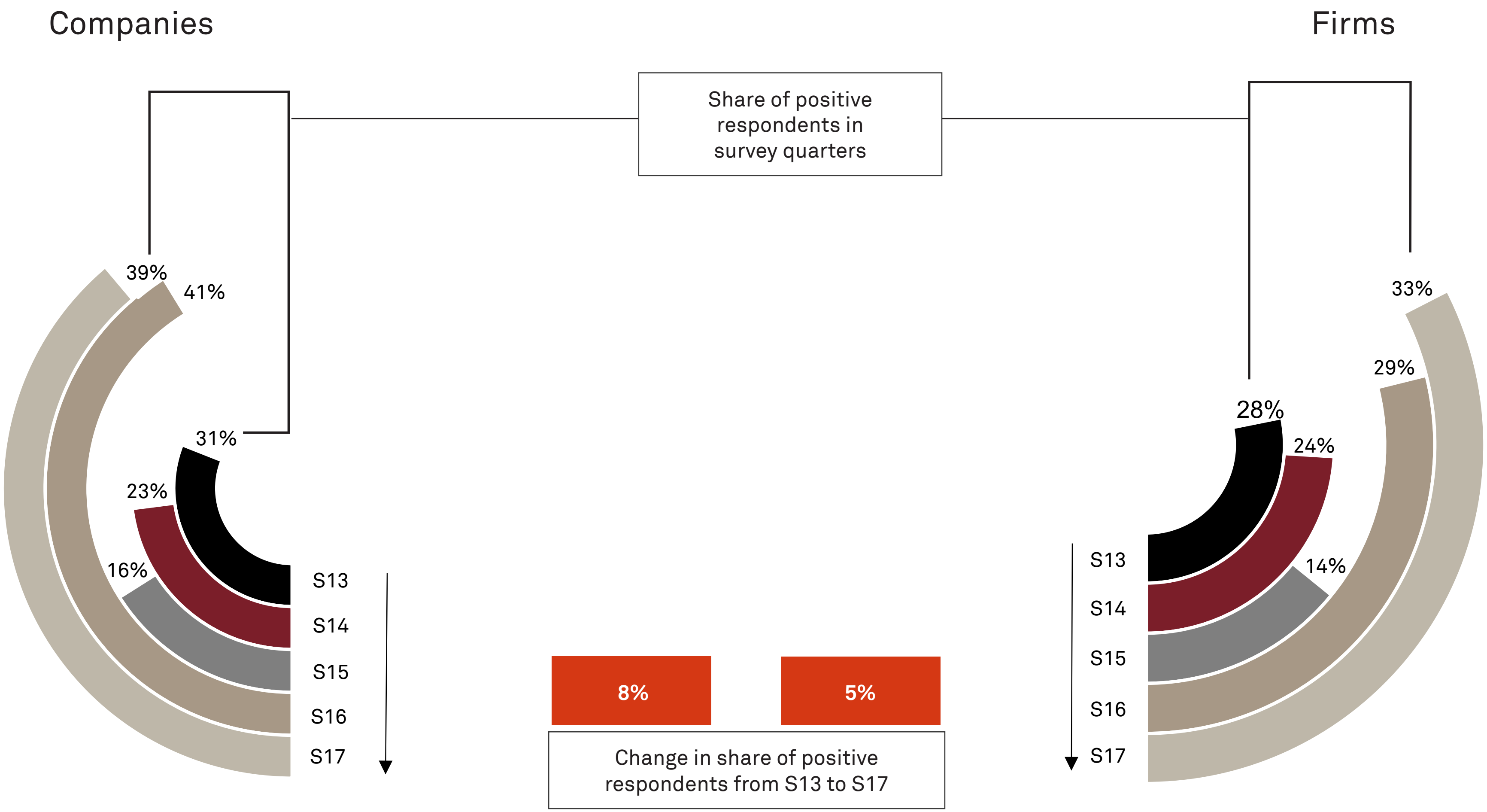
- 45% of MSEs with annual turnover of Rs 10 crore to Rs 25 crore expressed positive sentiment – the highest among peers in S17
- However, MSEs from the less than Rs 1 crore turnover category reflected highest on-year and on-quarter growth in positive sentiment in S17

Positive sentiment improved the most for South and West on-quarter and on-year; North hit the hardest

- In S17, the share of positive respondents in the South and West were the highest
- All regions except the North showed sentiment improved over S13 and S16

% represents share of positive respondents

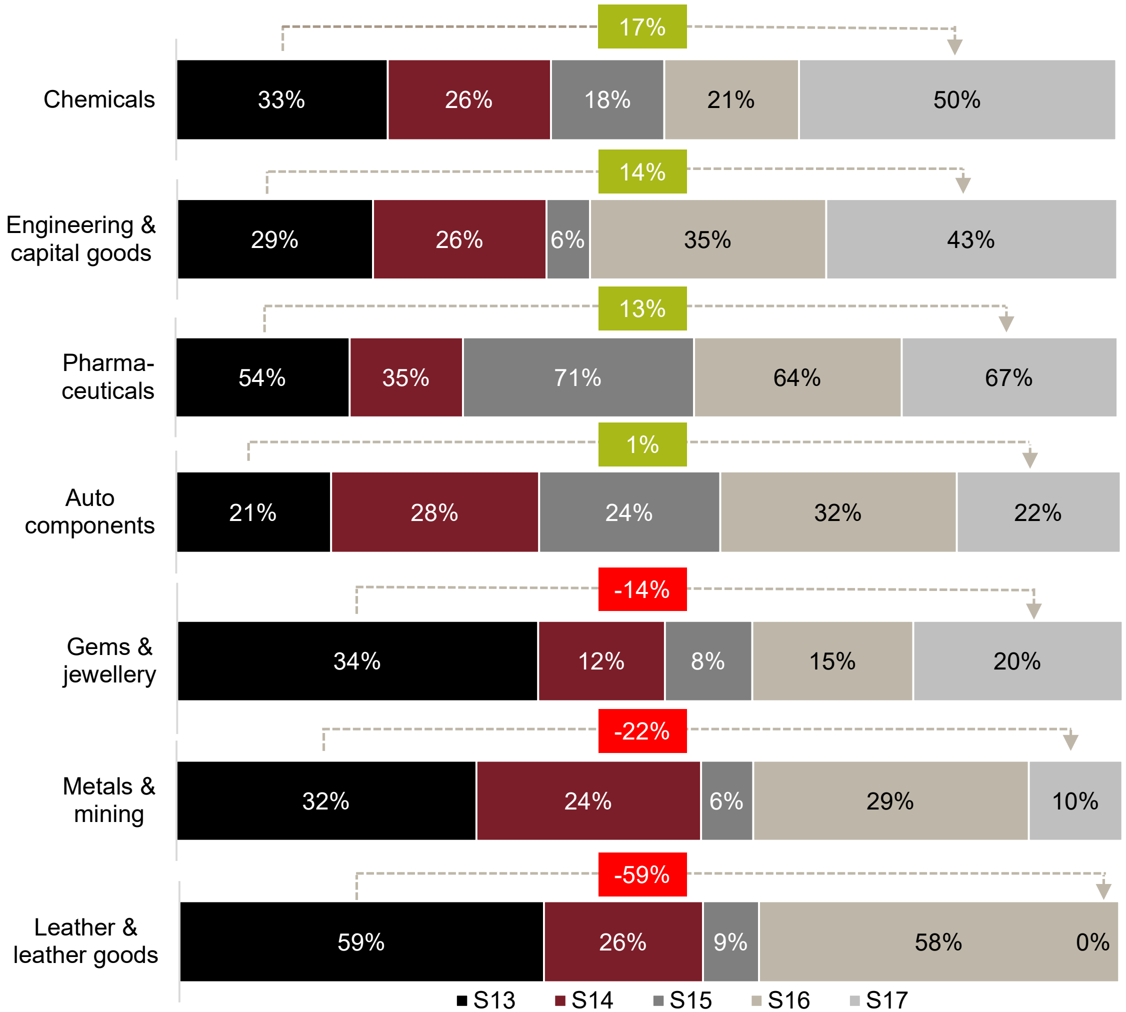
Companies more optimistic than firms



- Positive sentiment much higher for companies than firms
- Compared with S13, companies showed better improvement (8%) in the share of positive respondents than firms (5%)

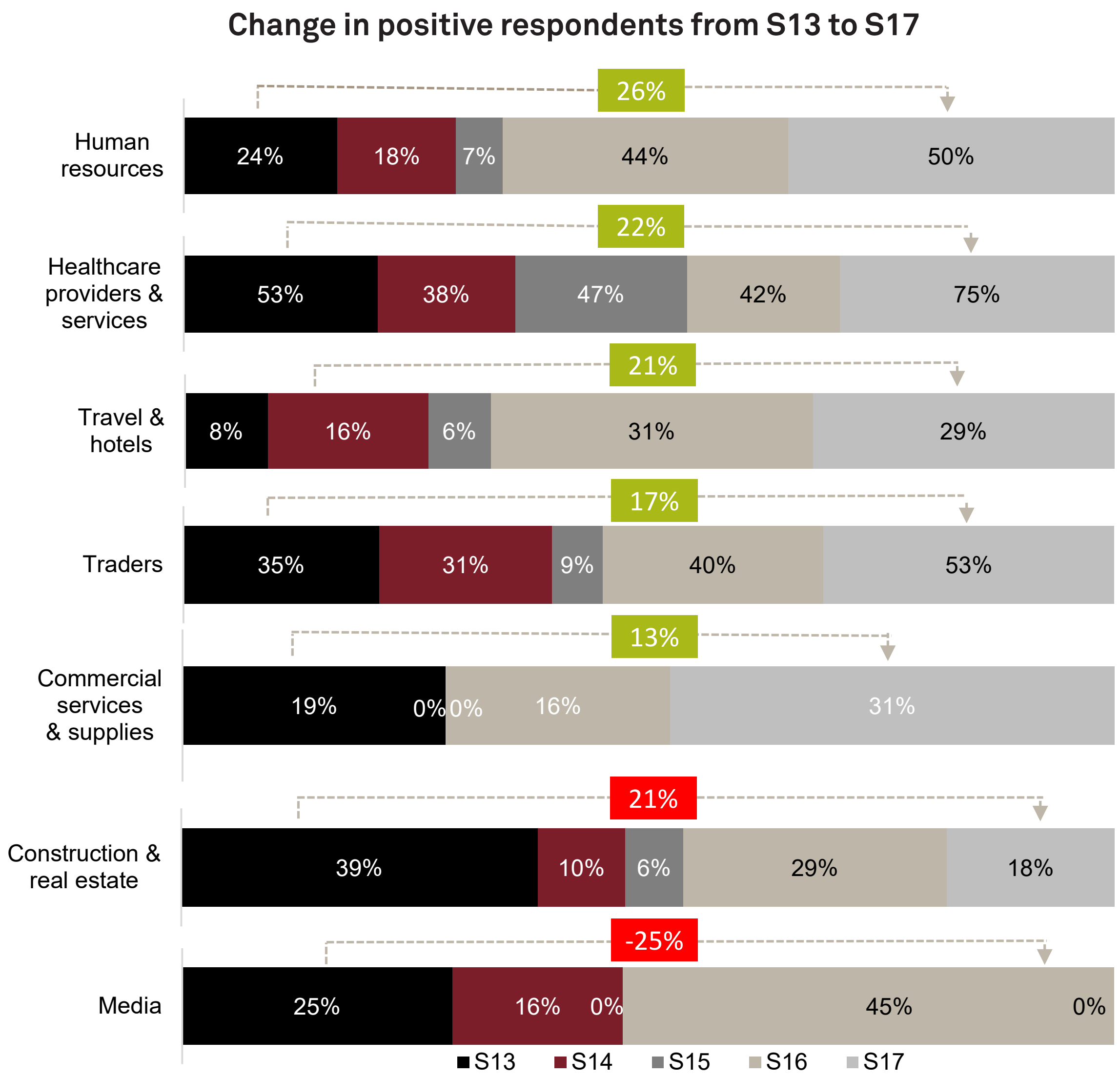
Manufacturing: Sharpest fall in leather & leather goods; highest uptick in chemicals

Movement of positive respondents from S13 to S17



- Chemicals, engineering & capital goods, and pharmaceuticals MSEs reported the highest improvement in sentiment over S13
- Leather & leather goods, metal & mining and gems & jewellery MSEs reflected a decline in positive sentiment over S13

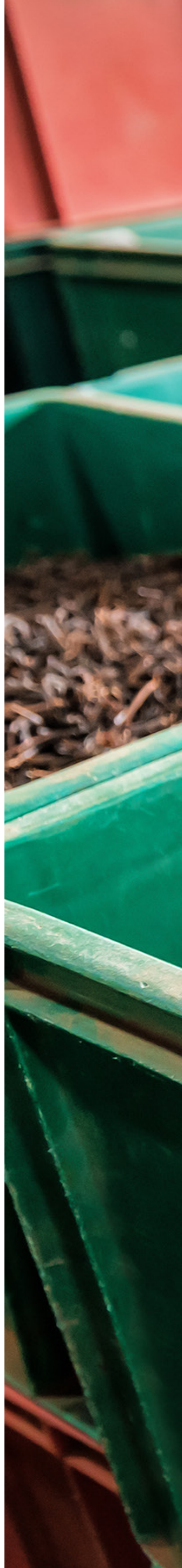
Services: Most sectors saw improvement in on-year sentiment, except commercial services & supplies



- Human resources, healthcare providers & services and travel & hotels MSEs reported the sharpest increase in sentiment over S13
- Media and construction & real estate MSEs reported decline in sentiment over S13

Sector underpinnings

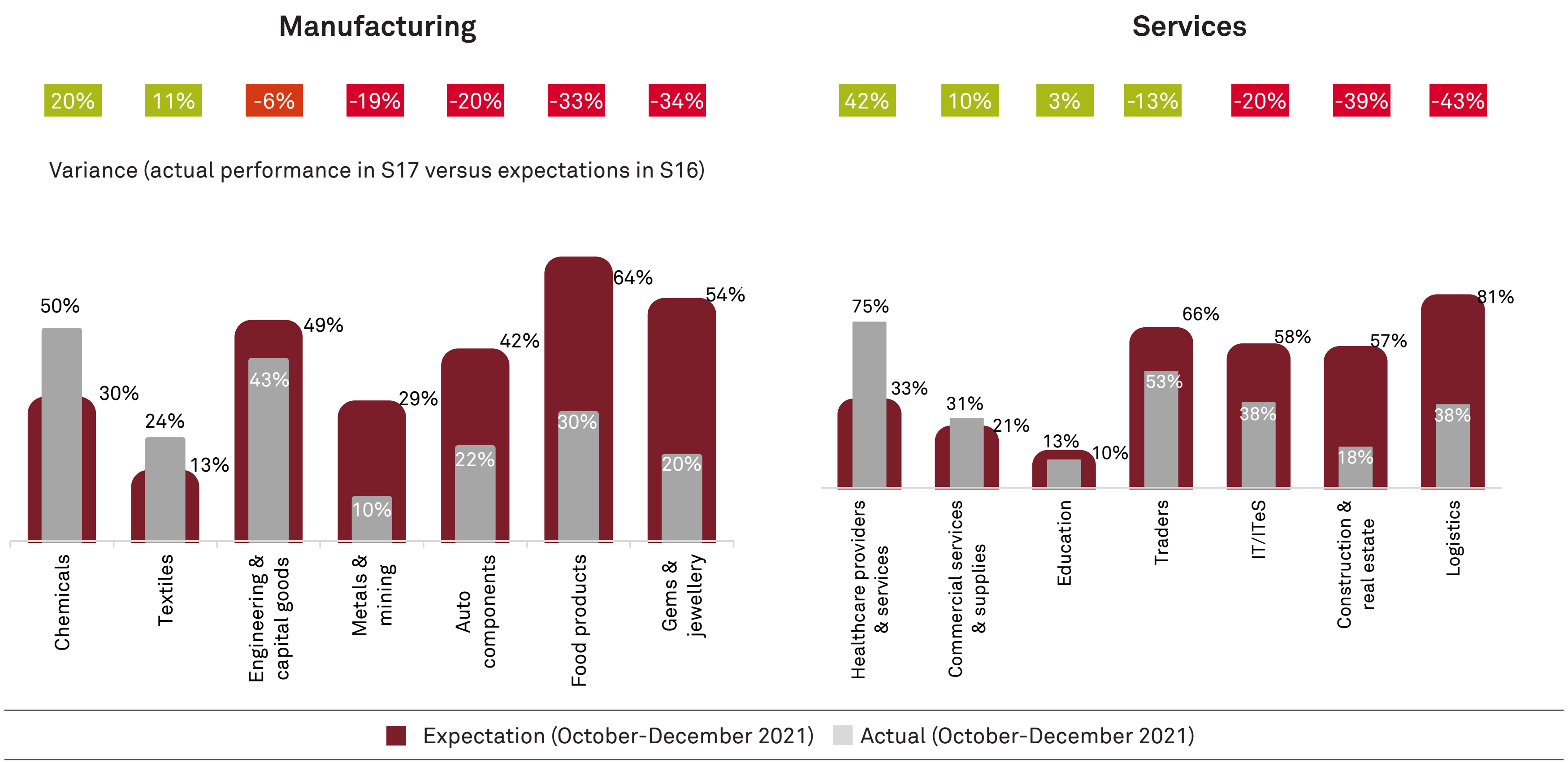
Auto components	Demand for automotive components in Q3FY22 suffered on-year owing to weak domestic OEM demand, in turn, due to weak festive season demand. However, aftermarket demand saw an uptick, bolstered by healthy OEM industry performance over fiscals 2017-19 and given a 2-3 years replacement cycle. Export offtake improved despite the impact of semiconductor shortage, owing to global demand recovery and healthy demand from key destinations such as North America and Europe. In Q4FY22, OEM segment's revenue is estimated to recover as demand sentiment improves. Export demand is expected to be robust, driven by healthy demand from international OEMs. Easing semiconductor shortages could further bolster this.
Textile	Despite reopening of markets, consumer sentiment remained weak in Q2FY22; however demand accelerated at the end of quarter, which coincided with the festive season. Exports continued to grow on the low base of the previous year due to increased demand for Indian cotton and derived products supported by the US ban on cotton and derived products produced from Xinjiang (China) region. The industry revenue increased in Q2FY22 on both on-year and on-quarter basis. Export demand increased substantially in Q3FY22, with 102% and 105% growth in October and December, respectively, on-year. Overall, the full year growth in FY22 is expected to be high, though on a low base of FY21. Cotton prices, which shot up in Q3FY22, are also expected to soften marginally in Q4FY22 with new arrivals of cotton
Engineering & capital goods	Festive and wedding season demand led to improvement in gold demand in Q3FY22. However, a check on discretionary spending by consumers on account of omicron is expected to impact gold demand in Q4FY22
Gems & jewellery	Sentiment improved on-year in Q3FY22 owing to easing of travel restrictions due to low Covid caseload and increasing vaccine rollout, coupled with onset of the festive season. Hotels saw demand improve across both leisure and corporate segments, with even MICE segment gaining some traction. Airline passenger segment reached 80% of pre-Covid levels, driven by leisure and VFR travellers. However the advent of the third wave at the fag end of the quarter and imposition of restrictions led to dampening of travel demand and sentiment, and a sequential decline, albeit marginal. We expect to see a subdued fourth quarter due to surging Covid cases, as travel numbers are inversely proportional to the caseload and states imposing restrictions on travel and gatherings. However, the rebound is also expected to be quicker than that experienced post the first and second Covid waves attributable to pent up demand, high vaccination coverage and travellers having learnt to live with the virus.
Travel & hotels	In Q3FY22, domestic formulations growth moderated along with a decrease in number of Covid cases through the quarter. Also, exports growth was flat to negative due to weak exports to US, while other geographies helped offset some of this decline. The third wave is expected to drive domestic demand to some extent in Q4FY22. However, the upside could be limited, as the severity of infection is less that that during the second wave. Formulation exports are expected to witness flat to negative growth due to ongoing pricing pressure in the US.
Pharma-ceuticals	In Q2FY22, domestic formulations growth moderated due to waning of the second Covid-19 wave, which had peaked in Q1FY22. Also, exports growth was flat due to weak exports to the US, while other geographies helped offset the US decline. In Q3FY22, domestic growth is expected to moderate across therapies, while pricing pressure in the US is expected to moderate exports growth. The country's Covid-19 vaccination programme, however, is expected to add to industry growth significantly in Q3FY22.



Expectations in S16 vs actual performance in S17

Most sectors fell short of expectations

Steepest drop for gems & jewellery, and logistics



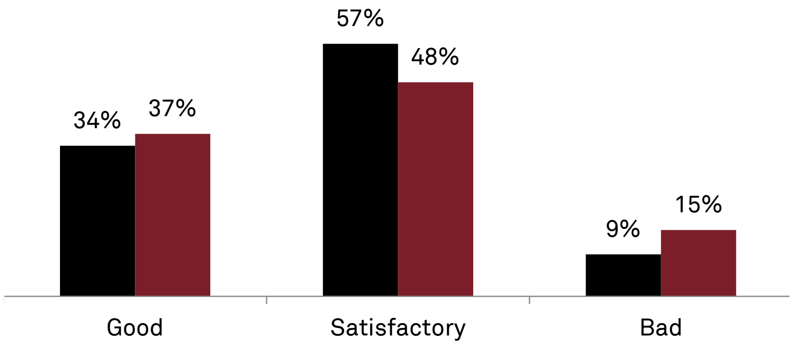
- Traders, IT/ITeS, construction & real estate, and logistics (among service sectors), and engineering and capital goods, metal & mining, auto components, food products, and gems & jewellery (among manufacturing sectors) fell short of expectations the most

% represent share of positive respondents

Sentiment in S17

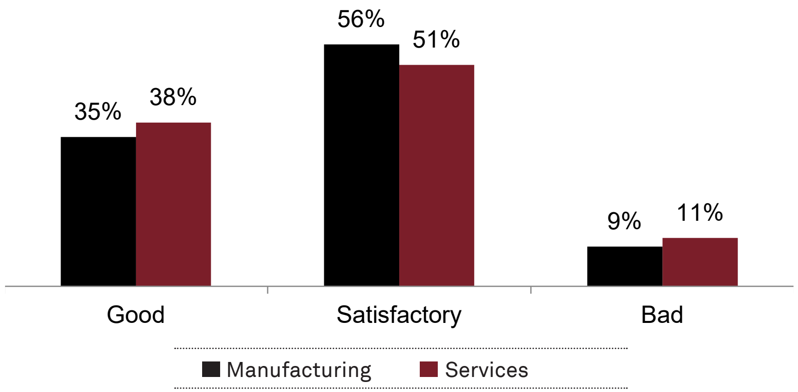
Sentiment of services MSEs more positive than manufacturing peers; further improvement seen next quarter

SQ17 (October-December'21)



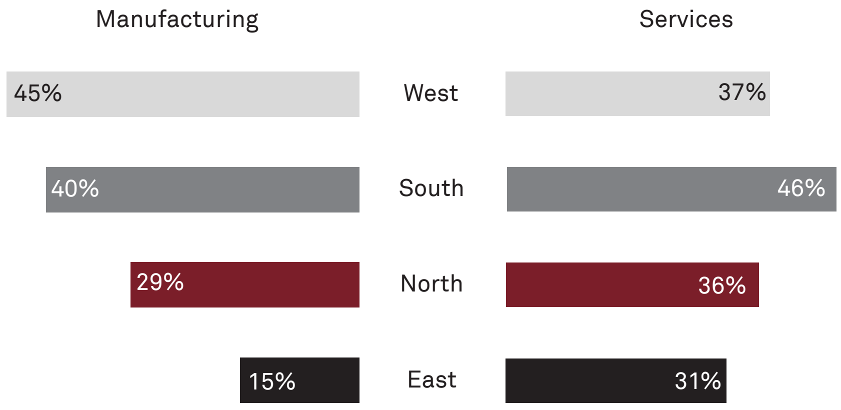
- 9% of respondents in manufacturing and 15% in services sectors rated the overall business situation in SQ17 as bad
- 34% of respondents in manufacturing and 37% in services sectors rated the overall business situation in SQ17 as good

NQ17 (January-March21)

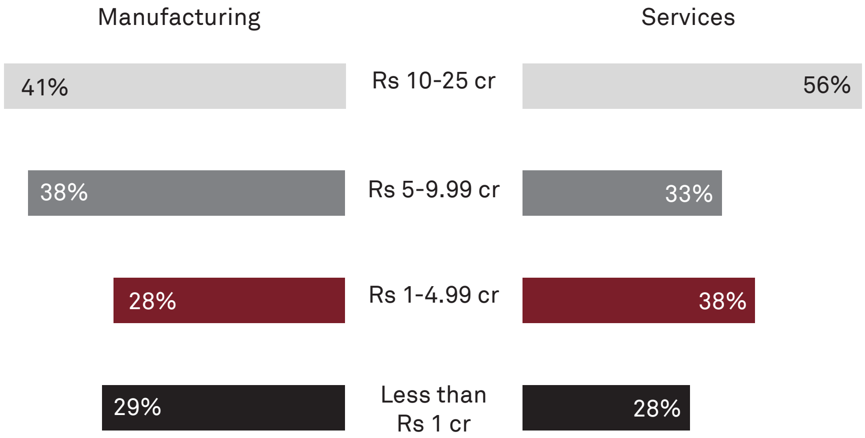


- Sentiment improved slightly as 9% and 11% of respondents in manufacturing and services sectors, respectively, projected a bad NQ17, while 35% and 38%, projected a good NQ17

Services expect to fare better in all regions except west; larger MSEs more hopeful



- In all regions except west, the share of positive respondents in service MSEs was higher compared with manufacturing MSEs
- Across regions in manufacturing and services, service MSEs based in the south had the highest share of positive respondents. Manufacturing MSEs from the east had the lowest share of positive respondents

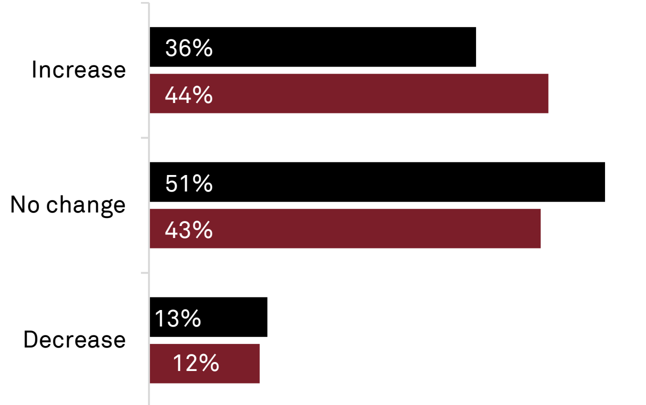


- Services MSEs with annual turnover of Rs 10-25 crore were more optimistic at 56%, compared with peers from other turnover buckets

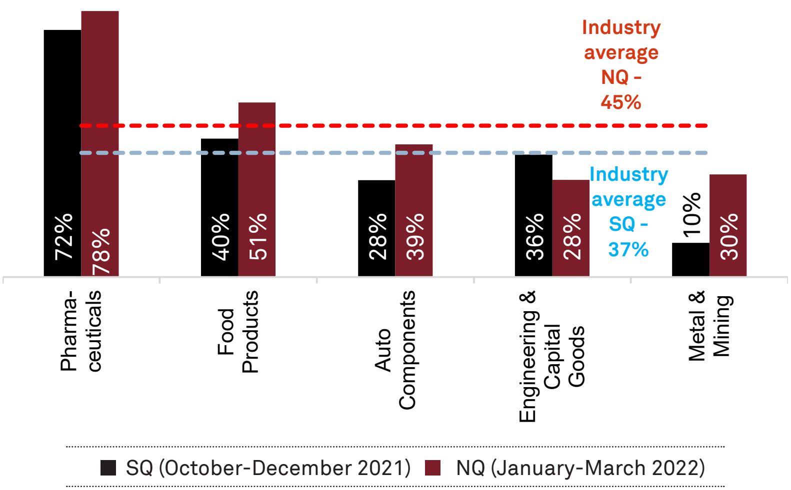
% represents share of positive respondents

Manufacturing MSEs optimistic about domestic order book

Manufacturing - order book size (domestic)



Manufacturing industries -order book size (domestic)



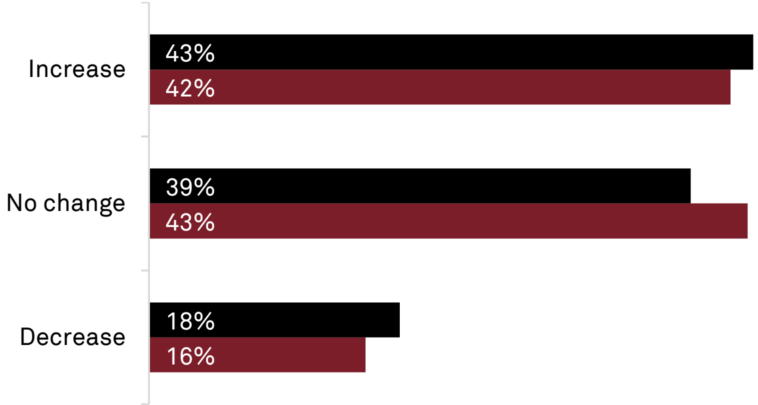
% represents share of positive respondents

- 36% of manufacturing MSEs saw growth in their domestic order books in SQ17. The share is estimated to improve to 44% in NQ17

- The share of respondents in the health care providers & services, logistics and traders segment that saw an increase in their order book size exceeded the industry average in SQ17
- The share of respondents in the auto components and metal & mining that saw an increase in their order book size were lower than the industry average in SQ17

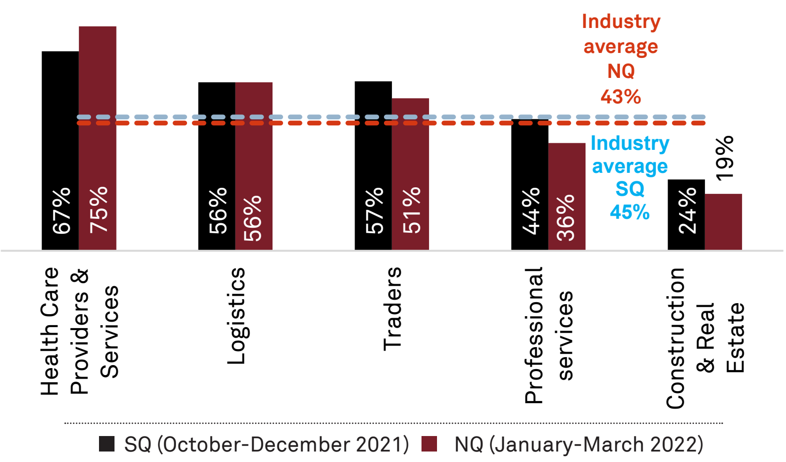
Services MSEs see improvement in domestic order book

Services - order book size (domestic)



- 43% of services MSEs saw improvement in their domestic order books in SQ17. The share is estimated to decline slightly to 42% in NQ17

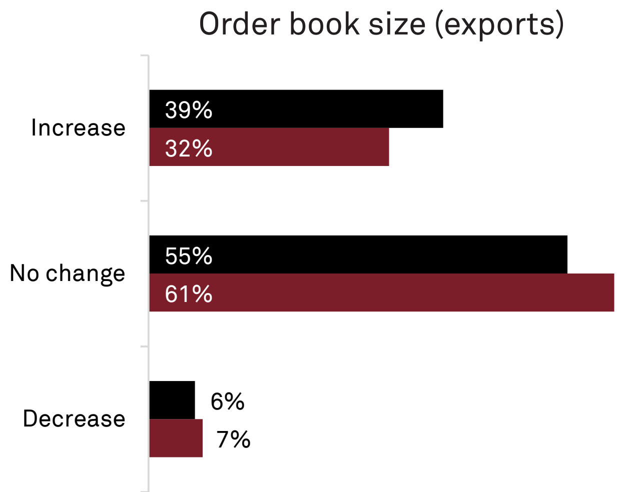
Services industry wise- order book size (domestic)



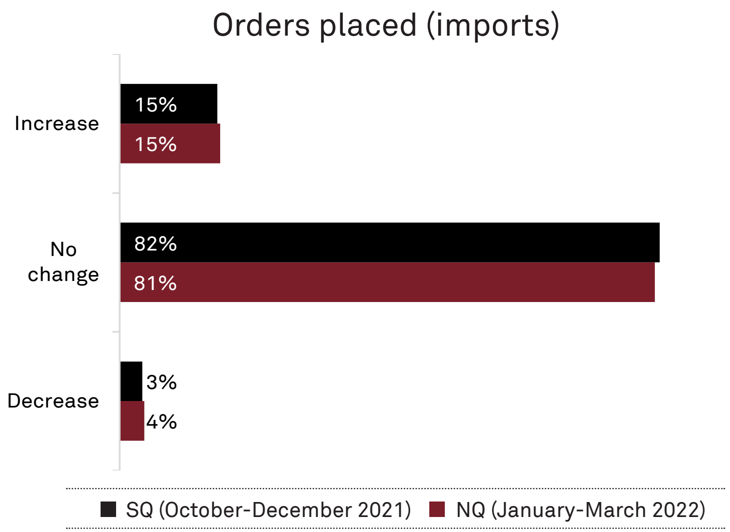
% represents share of positive respondents

- The share of respondents in the health care providers & servicec, logistics and traders segment that saw an increase in their order book size exceeded the industry average in SQ17
- The share of respondents in the construction & real estate and professional services sectors reported a lower increase in their order books compared with the industry average in SQ17

Share of MSEs anticipating pick up in export order books for next quarter is declining



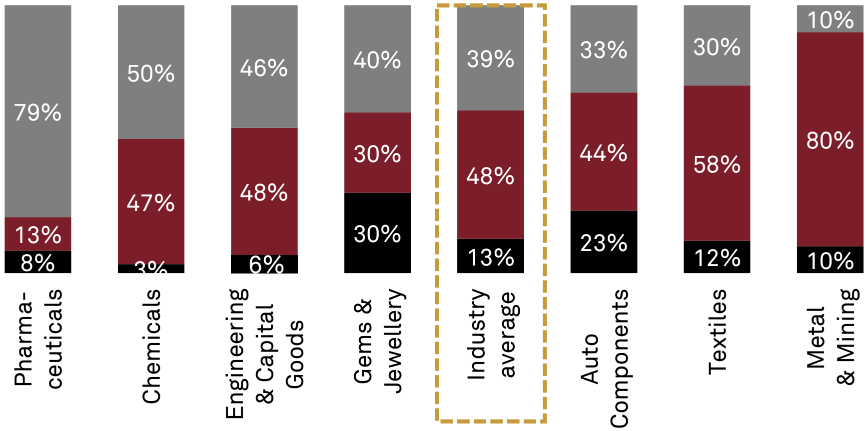
- 39% of MSEs with export order books saw an improvement in SQ17. But that declined to 32% in NQ17



- Only 15% of importers expect the order book size to increase in SQ17 as against 82% that expect it to remain unchanged. NQ17 reflects a similar trend

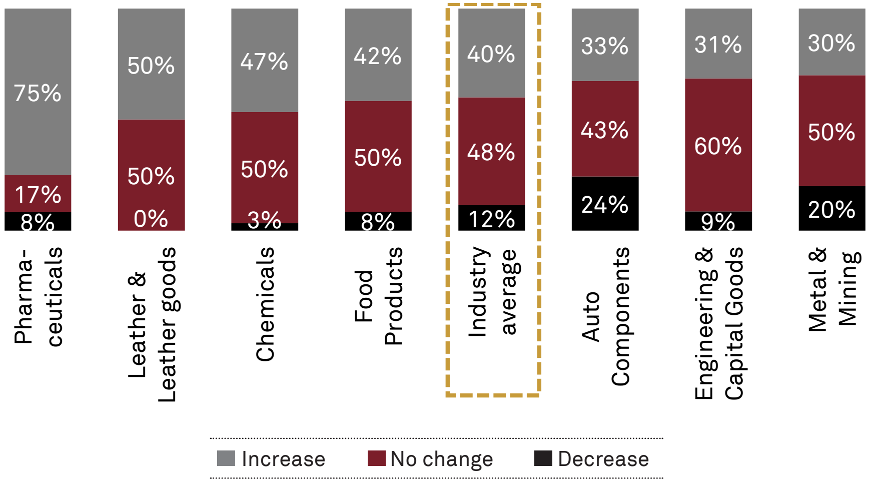
Pharmaceuticals and chemicals fare well; metal & mining and textiles see subdued production volume

Production volume by industry - survey quarter



- In SQ17, MSEs in pharmaceuticals and chemicals had the highest share of respondents that saw an increase in production volume (industry average of 39%)
- On the other hand, metal & mining and textiles MSEs had the lowest share

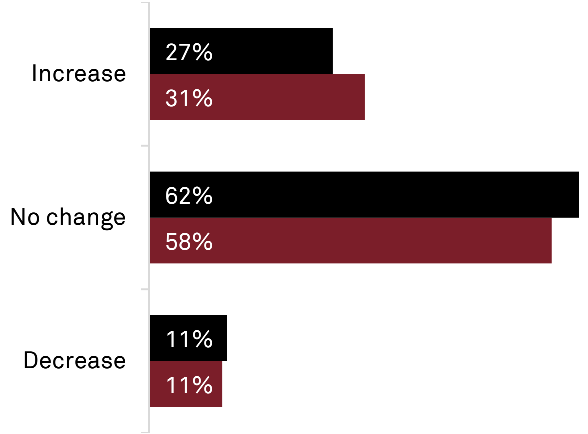
Production volume by industry - next quarter



- Pharmaceuticals, leather & leather goods and chemicals MSEs accounted for the highest share of respondents optimistic about production volume growth exceeding the industry average of 40% in NQ17. Metal & mining and engineering & capital goods had the lowest share of such respondents

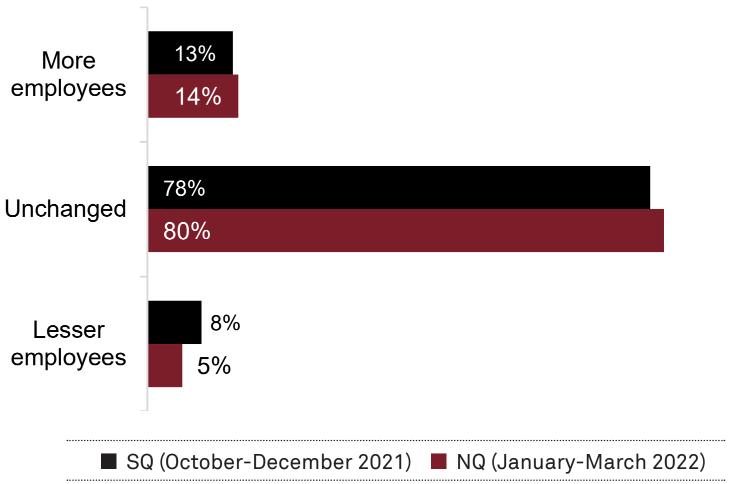
Slight improvement seen in capacity utilisation and employee base for next quarter

Capacity utilisation (manufacturing)



- In SQ17, 27% of manufacturing-based MSEs reported an increase in capacity utilisation, 11% reported a decline, and 62% said no change
- In NQ17, 31% respondents expect an increase in capacity utilisation, and 11% anticipate a decline

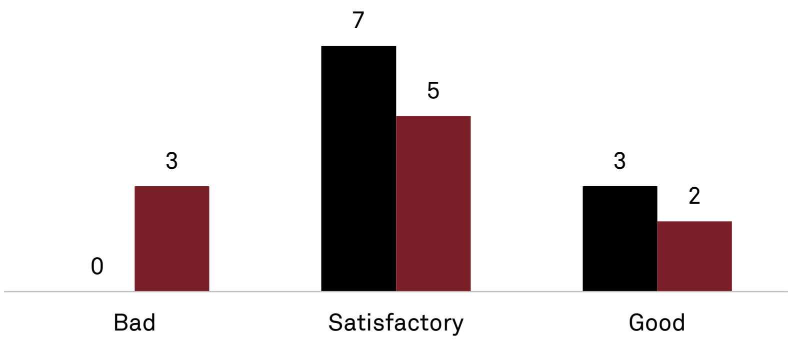
Employee base (manufacturing and services)



- In SQ17, 8% respondents saw a decline in employee base, 13% respondents saw increase in employee base whereas 78% reported no change
- In NQ17, only 5% foresee a decline in their employee base, 80% do not expect any change to employee base, and 14% expect an increase

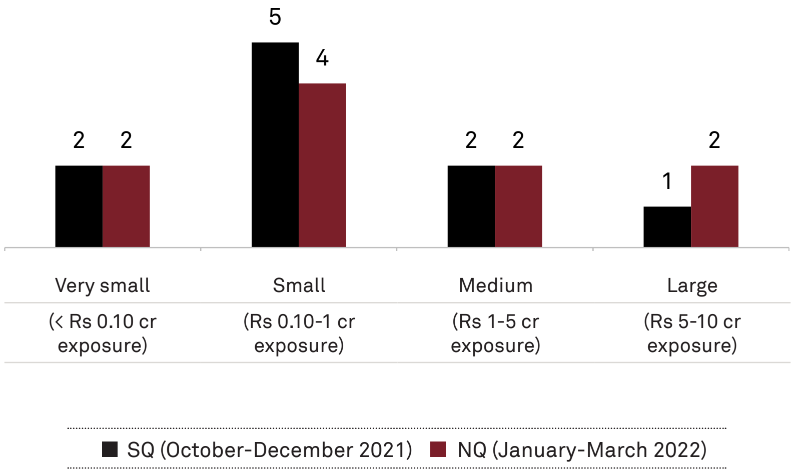
Lenders' sentiment on business situation muted

Business situation



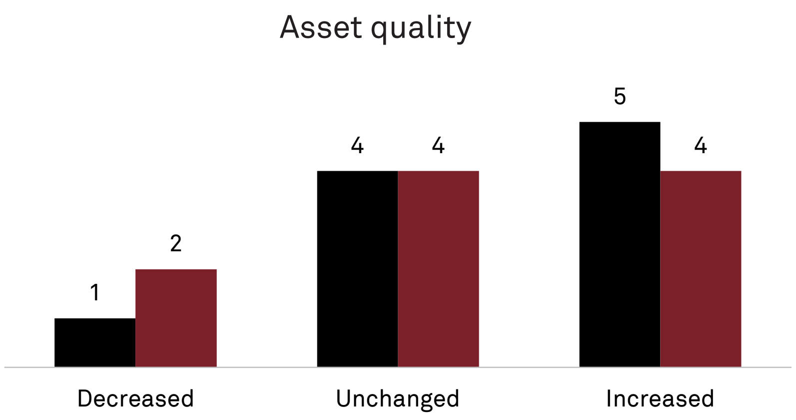
- In SQ17, three out of 10 lenders surveyed rated the overall business situation of MSEs as good, seven as satisfactory, and none as bad
- In NQ17, only two out of 10 foresee an improvement, five expect it to be satisfactory, and three bad

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

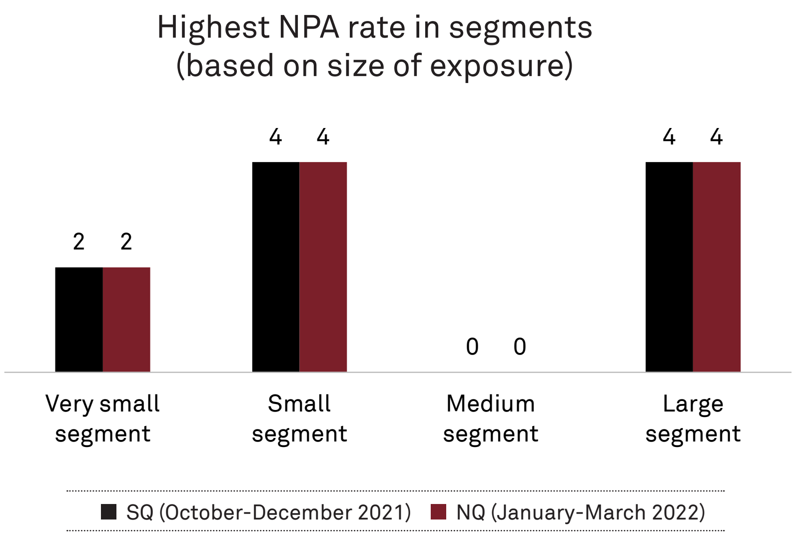


- In SQ17, five out of 10 lenders reported the highest credit growth in the Rs 0.10-1 crore range, two in the Rs 1-5 crore range, two in the below Rs 1 crore range, and one in the above Rs 5 crore range. Lenders shared similar view for NQ17

Lenders see deterioration in asset quality



- Of the 10 surveyed lenders, four reported no change in NPAs, whereas five reported an increase in SQ17
- In NQ17, four out of 10 lenders expect no change in NPAs, four foresee an increase, and two expect a decrease



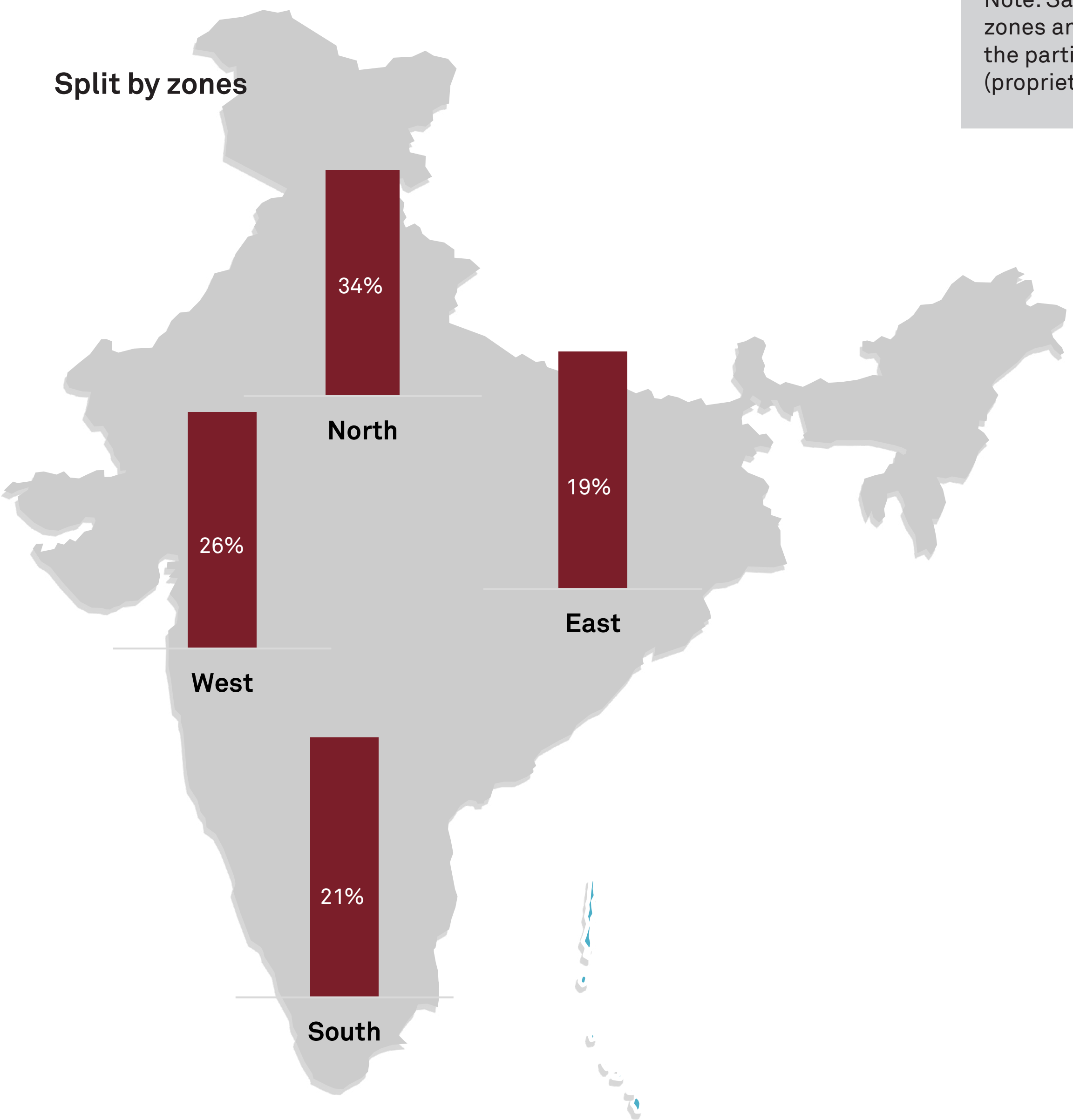
- Two out of 10 in the very small segment, four out of 10 in the small segment, 0 out of 10 in the medium segment, and four out of 10 in the large segment saw an increase in NPA levels in SQ17. They expect a similar trend in NQ17

Annexures

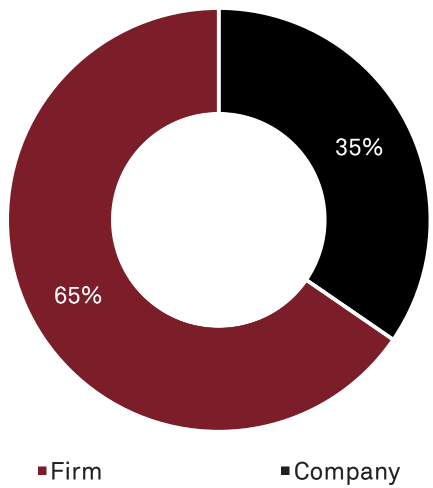
Sample summary

Note: Sample selected for the survey is well-distributed across zones and turnover categories. In terms of legal status, 35% of the participating MSEs were companies and 65% were firms (proprietorships and partnerships)

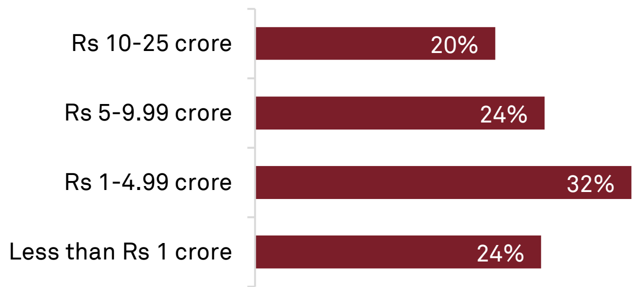
Split by zones



Split by legal status



Split by turnover



Glossary

Broad products/services included under each segment covered in the survey

Auto components include auto parts, die casting products, motor/tractor parts, diesel and fuel engine parts

Chemicals comprise fabric chemicals, dyes, specialty chemicals, paint products and water treatment chemicals

Engineering & capital goods include elevator parts, crane manufacturing, machinery parts and cutting tools

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

Gems & jewellery includes gold jewellery and retailing, diamond cutting, and polishing

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

Pharmaceuticals comprise bulk drugs, tablets, capsules, injections, sanitisers, syrup and handwash

Commercial services and supplies include all types of printing, car rental services and security system installation

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

Healthcare providers and services consist of hospitals, fitness and medical equipment and pathological services

Human resources include workforce management, security services, employment services and housekeeping services

IT/ITeS comprise software developers, computer hardware services, internet services, business process outsourcing and IT consulting

Logistics include air freight, transportation services and warehousing service

Power & utilities comprise power transmission, solar products and electronic equipment

Professional services consist of consultancy, courier services, tailoring, beauty parlours and videography

Travel & hotels include hotels and restaurants, travel and tour operators

Media services provide advertising, hoarding, outdoor advertising and shootings

Metals & mining comprises alloy, steel, aluminium extrusion products and foundry

Notes

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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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