



A severe dent in sentiment

November 2021 | Volume 15

CriSidEx survey for April-June and July-September 2021



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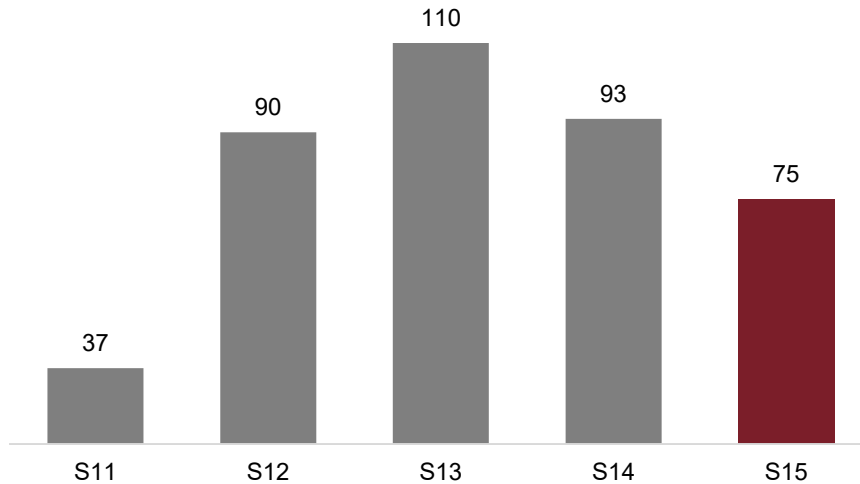
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Lower base results in on-year growth; sharp decline in on-quarter sentiment



The CriSidEx* score of 75 for April-June 2021 (Survey 15 or S15) was higher than that in the corresponding period in the previous year (S11), but lower than in the previous quarter (S14).

Note: S11 was based on 767 respondents versus 1,100 for all other quarters, given the nationwide lockdown to contain the pandemic. S15 was based on 700 respondents, given the second pandemic wave.

Abbreviations

CriSidEx survey	Survey quarter (SQ)	Next quarter (NQ)
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)
Survey 14 (S14)	January-March 2021 (SQ14)	April-June 2021 (NQ14)
Survey 15 (S15)	April-June 2021 (SQ15)	July-September 2021 (NQ15)

* See 'How to read CriSidEx' on page 12

On-year trend across index parameters

Manufacturing

Component parameters	Actual		
	S11	S15	S15-S11
Volume of production	31	76	45
Order book size	35	75	40
PAT margin	31	67	36
Capacity utilisation	31	85	54
Employee base	40	91	51
Manufacturing index	34	79	45

Services

Component parameters	Actual		
	S11	S15	S15-S11
Order book size	37	62	25
PAT margin	34	60	26
Employee base	48	91	43
Services index	40	71	31

Manufacturing and services indices improved on-year in S15, mainly due to the lower base of S11. In manufacturing, capacity utilisation showed the highest improvement, while employee base reflected the highest improvement in services.

Positive ■ Negative ■

CriSidEx readings | Manufacturing

Index parameters	SQ				NQ					
		Negative	Neutral	Positive	Index	Negative	Neutral	Positive	Index	
Volume of production	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
	S14	23%	46%	31%	108	S14	39%	50%	11%	72
	S15	44%	35%	21%	76	S15	21%	34%	45%	124
Order book size	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
	S14	30%	36%	34%	105	S14	45%	43%	12%	68
	S15	50%	26%	24%	75	S15	20%	28%	52%	131
PAT margin	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
	S14	33%	41%	26%	94	S14	42%	51%	7%	65
	S15	53%	26%	21%	67	S15	23%	44%	33%	110
Capacity utilisation	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
	S14	26%	46%	28%	102	S14	35%	58%	7%	72
	S15	41%	34%	25%	85	S15	18%	43%	39%	121
Employee base	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
	S14	15%	80%	4%	89	S14	16%	82%	2%	86
	S15	13%	83%	4%	91	S15	3%	88%	9%	105
Manufacturing index	S11	SQ11			34	S11	NQ11			78
	S12	SQ12			99	S12	NQ12			118
	S13	SQ13			114	S13	NQ13			124
	S14	SQ14			100	S14	NQ14			72
	S15	SQ15			79	S15	NQ15			118

For the manufacturing index, for SQ15, on-year growth for all the parameters was more than double – highest for capacity utilisation and lowest for order-book size. In the case of NQ15 too, all parameters improved for the manufacturing index. The NQ15 index jumped 50% to 118 vis-à-vis SQ15.

CriSidEx readings | Services

Index parameters	SQ				NQ					
		Negative	Neutral	Positive	Index	Negative	Neutral	Positive	Index	
Order book size	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
	S14	30%	43%	27%	97	S14	48%	43%	9%	61
	S15	54%	30%	16%	62	S15	32%	36%	32%	100
PAT margin	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
	S14	38%	43%	19%	81	S14	48%	45%	7%	59
	S15	56%	27%	17%	60	S15	35%	35%	30%	95
Employee base	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
	S14	19%	78%	3%	85	S14	20%	78%	2%	81
	S15	11%	87%	2%	91	S15	4%	89%	7%	102
Services index	S11	SQ11			40	S11	NQ11			72
	S12	SQ12			81	S12	NQ12			91
	S13	SQ13			106	S13	NQ13			116
	S14	SQ14			87	S14	NQ14			67
	S15	SQ15			71	S15	NQ15			99
CriSidEx (manufacturing+services)	S11	SQ11			37	S11	NQ11			75
	S12	SQ12			90	S12	NQ12			105
	S13	SQ13			110	S13	NQ13			120
	S14	SQ14			93	S14	NQ14			70
	S15	SQ15			75	S15	NQ15			109

For services, employee base posted the highest improvement (90%) in SQ15, followed by PAT margin (76%) and order-book size (68%). Consequently, the services index improved 79% on-year.

Hence, the overall CriSidEx index (manufacturing + services) at 75 in SQ15 reflected over 100% on-year improvement. In NQ15, it improved a further 45% to 109 vis a vis SQ15

Business sentiment for April-June 2021

Share of respondents that saw a subdued SQ15 jumped to 43% for manufacturing, 49% for services

S15 findings need to be viewed in the context of a rising number of Covid-19 cases amid the second wave during the first quarter of this fiscal. Pickup in economic activity was dampened, as a sharp rise in cases stunted growth. Effects of the second wave of the pandemic are factored into the calls for the second quarter of this fiscal, which foresee moderate recovery across major sectors on a receding caseload.

Sectors with positive trend

- Among manufacturers, 16% reported a good SQ15, lower than 26% in SQ14, but higher than 4% in the same quarter a year ago (SQ11)
 - In SQ15, the highest share of respondents in pharmaceuticals and auto component sectors reported a good quarter
 - On-year (SQ15 vis-à-vis SQ11), pharmaceuticals and auto component sectors reported the sharpest rise in share of respondents with positive sentiment

- Among service providers, 13% reported a good SQ15, lower than 20% in SQ14, but higher than 7% in SQ11
 - In SQ15, the highest share of respondents in healthcare providers & services, and power & utilities sectors reported a good quarter
 - On-year, the share of respondents with positive sentiment was highest in the healthcare providers & services, and power & utilities sectors

Sectors with subdued trend

- Among manufacturers, 43% reported a weak SQ15, higher than 29% in SQ14 and lower than 72% in SQ11
 - In SQ15, a high share of respondents in leather & leather goods, engineering and capital goods and textile had a subdued quarter
 - On-year, engineering & capital goods had the lowest increase in share of respondents with positive sentiment
- Among service providers, 49% reported a weak SQ15, higher than 36% in SQ14, but lower than 71% in SQ11
 - In SQ15, a high share of respondents in human resources and travel & hotels sectors had a subdued quarter
 - On-year, the share of respondents with positive sentiment among traders and diversified consumer services sectors decreased sharply

Business sentiment for July-September 2021

18% of respondents in manufacturing and 31% in services expected a subdued NQ15

Sectors anticipating positive trajectory

- Among manufacturers:
 - For NQ15, share of respondents that anticipated a good quarter was the highest in pharmaceuticals and gems & jewellery sectors
 - On-year (NQ15 vis-à-vis NQ11), share of respondents with positive sentiment increased in chemicals and auto component sectors
- Among service providers:
 - For NQ15, share of respondents that anticipated a good quarter was the highest in human resources and healthcare providers & services
 - On-year, share of respondents with positive sentiment increased in human resources and healthcare providers & services

Sectors foreseeing subdued trend

- Among manufacturers:
 - For NQ15, share of respondents that expected a subdued quarter was higher in leather & leather goods and textiles sectors
 - On-year, the leather & leather goods sector saw the sharpest decline in optimism

- Among service providers:
 - For NQ15, share of respondents that expected a subdued quarter was higher in travel & hotels and commercial services & supplies
 - On-year, optimism in traders and logistics increased marginally

Other trends in business sentiment

Companies more upbeat vis-à-vis firms about NQ15

- Companies had 16% respondents reporting a good SQ15, whereas firms had only 14% such respondents
- For NQ15, optimism among companies was better, with 37% respondents expecting a better quarter, as against 30% for firms

Negative sentiment higher among MSEs with less than 10 employees

- 7% of micro and small enterprises (MSEs) with less than 10 employees reported a good SQ15, as against 16% and 17% for MSEs with 10-25 employees and over 25 employees, respectively
- 24% of MSEs with less than 10 employees expected a good NQ15, compared with 32% with 10-25 employees and 36% with more than 25 employees

All parameters in S15 improved on-year for services, except employee base; capacity utilisation was highest for manufacturing

Manufacturing

Change in share of positive respondents

Component parameters	Actual	
	S15 - S14	S15 - S11
Volume of production	-10%	16%
Order book size	-10%	17%
PAT margin	-5%	15%
Capacity utilisation	-3%	22%
Employee base	-0%	3%

Services

Change in share of positive respondents

Component parameters	Actual	
	S15 - S14	S15 - S11
Order book size	-12%	6%
PAT margin	-2%	9%
Employee base	-1%	-3%

- In the case of manufacturing, on-year share of positive respondents improved for all parameters, whereas it declined on-quarter
- In the case of manufacturing, share of positive respondents for volume of production and order book size reflected the steepest on-quarter decline, whereas that for capacity utilisation reflected the highest on-year growth
- On-year, share of positive respondents improved for order-book size and PAT margin for services. However, that for employee base declined. On-quarter, the share for all parameters saw a decline



Domestic order book in April-June 2021

Order book of nearly 54% of MSEs shrank; sentiment was well below SQ14's

- Domestic order book of ~20% MSEs increased in SQ15, compared with 6% in SQ11
- In manufacturing, order book of a larger share of respondents in pharmaceuticals and food products grew
 - Order book of a larger share of respondents in leather & leather goods, gems & jewellery, and textiles sectors was subdued
- In services, order book of a larger share of respondents in healthcare providers & services and power & utilities sectors increased
 - Human resources, and commercial services & supplies had a relatively muted quarter

Domestic order book in July-September 2021

Nearly 45% of MSEs were optimistic about order-book expansion

- 27% MSEs expected a decline in domestic orders in NQ15, compared with 44% in NQ11
- MSEs in manufacturing, pharmaceuticals and gems & jewellery sectors were relatively more optimistic
 - Respondents in leather & leather goods expected a muted quarter
- In services, IT/ITeS and human resources anticipated an enhanced order-book position in NQ15
 - Logistics and traders, though, had a higher share of respondents expecting a muted quarter

Other order book trends

Domestic MSEs fared worse than export-oriented peers

- Orders of 26% of export-focused MSEs increased in SQ15, compared with 17% in SQ11
 - These players performed better than domestic peers (20% reported a good quarter)
- 44% of exporters expected order-book size to increase in NQ15 vis-à-vis 14% in NQ11
 - The same share of domestic MSEs (44%) anticipated an increase in order book

Importers' sentiment weak

- Share of importers that saw an increase in orders reduced to 1% in SQ15 from 4% in SQ11
- Mere 5% of importers expected an increase in orders in NQ15, as against 2% in NQ11

Miscellaneous trends

MSEs optimistic about production and capacity utilisation

- In SQ15, production of 20% MSEs increased. For NQ15, 45% manufacturing MSEs expected an increase in production, 34% saw it unchanged, and 21% projected a decline
- In terms of capacity utilisation, 25% manufacturing MSEs saw improvement in SQ15. For NQ15, this share improved to 39%

Improvement in hiring

- 12% MSEs reported a decline in employee base in SQ15 (versus 59% in SQ11), 85% maintained the base, and only 3% added to it

- In manufacturing, the highest improvement was in the auto component sector
- In services, healthcare providers & services reported a considerable improvement in employee count
- In NQ15, 4% intended to reduce employee headcount and 8% to increase it

Lender sentiment muted on business situation of MSEs, but optimistic for NQ15

- In SQ15, only three out of 10 lenders surveyed saw improvement in the business situation of MSEs, four rated it as satisfactory, and three as below satisfactory
- For NQ15, three out of 10 expected it to be satisfactory, none forecast it to be below satisfactory, and seven foresaw improvement

Lenders were less optimistic about the very small segment

- In SQ15, none out of 10 lenders reported credit growth in the <Rs 10 lakh credit exposure segment. Lenders shared a similar expectation for NQ15
 - In SQ15, five out of 10 lenders reported highest credit growth in the Rs 10 lakh-1 crore credit exposure segment versus four in the Rs 1-5 crore segment and one in the Rs 5-10 crore segment

Lenders saw deterioration in asset quality

- Six out of 10 lenders reported no change in non-performing assets (NPAs) in SQ15, while four reported an increase, and none reported a decrease. In NQ15, four lenders reported no change in NPAs, while two reported an increase and four a decrease
 - In SQ15, NPAs of two out of 10 in the very small segment, five in the small segment, three in the medium segment, and none in the large segment increased



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 neutral and 200 extremely positive sentiment. The distance of the score from 100 indicates the strength of the expansion or decline.

The index is calculated for (i) the respondent's assessment of the survey quarter or SQ, and (ii) the respondent's expectation for the next quarter or NQ. No economic indicators, trade statistics or financials of MSEs have been used 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 Fullerton India Credit Company Ltd, Kotak Mahindra Bank, and North Eastern Development Finance Corporation Ltd for eliciting sizeable responses from their MSE borrowers for the current survey. The sample has been drawn up to ensure 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>

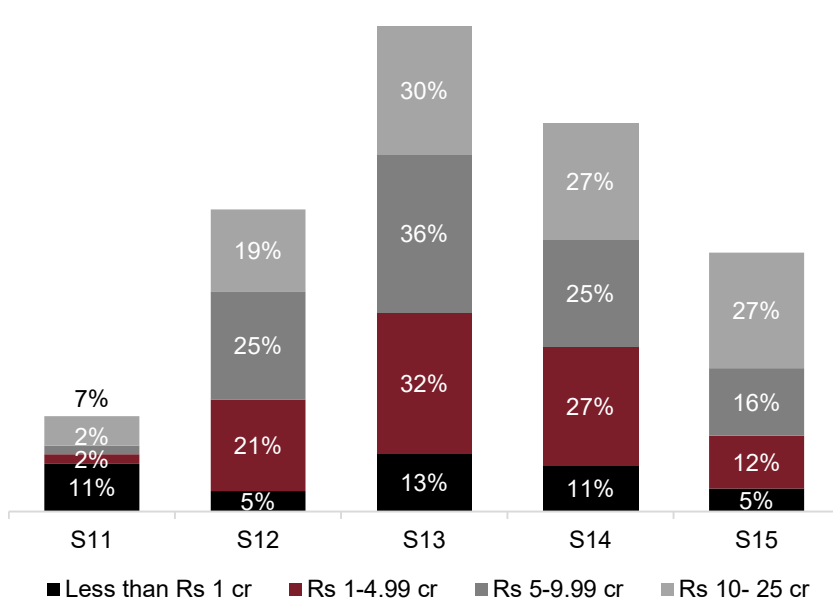
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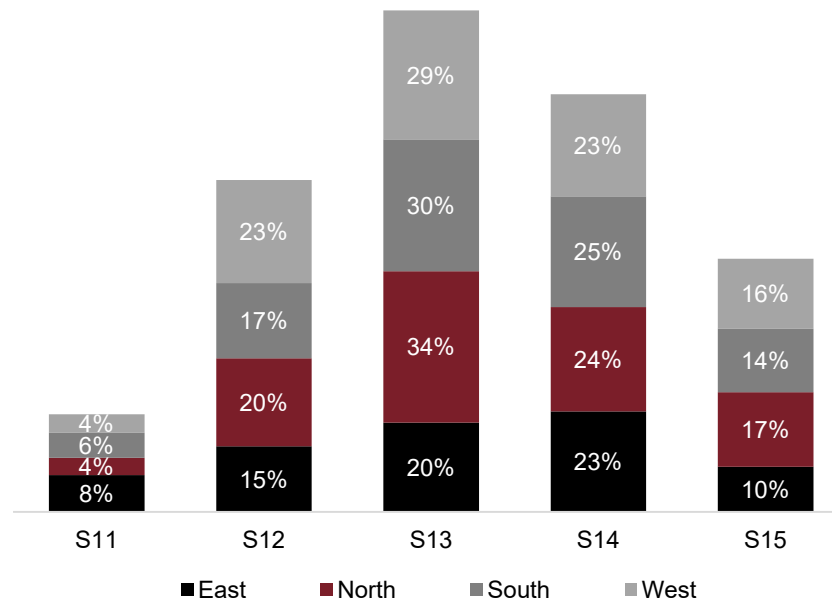
**Comparison across
surveys**

On-quarter decline in sentiment across sizes and locations; weakest for small players

Based on size of business



Regional sentiment



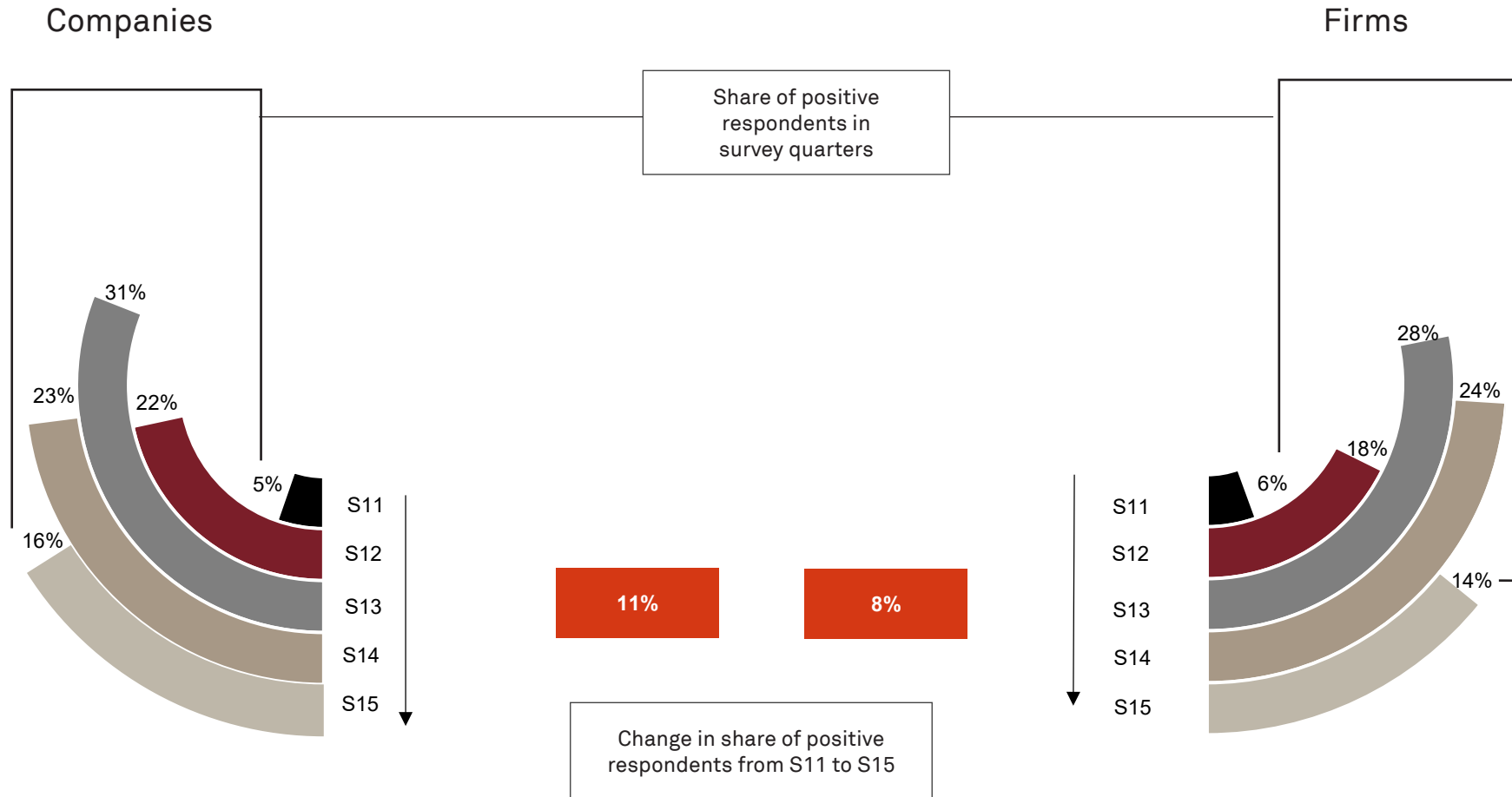
- 5% of MSEs with annual turnover of less than Rs 1 crore expressed positive sentiment – the lowest among peers in S15
- MSEs from the same turnover category reflected a decline in positive sentiment in S15 compared with S11, unlike other categories that showed improvement

Positive sentiment declined across regions on-quarter; east showed maximum variation

- In S15, the share of positive respondents in the north was the highest
- All regions showed increase in sentiment over S11

% represents share of positive respondents

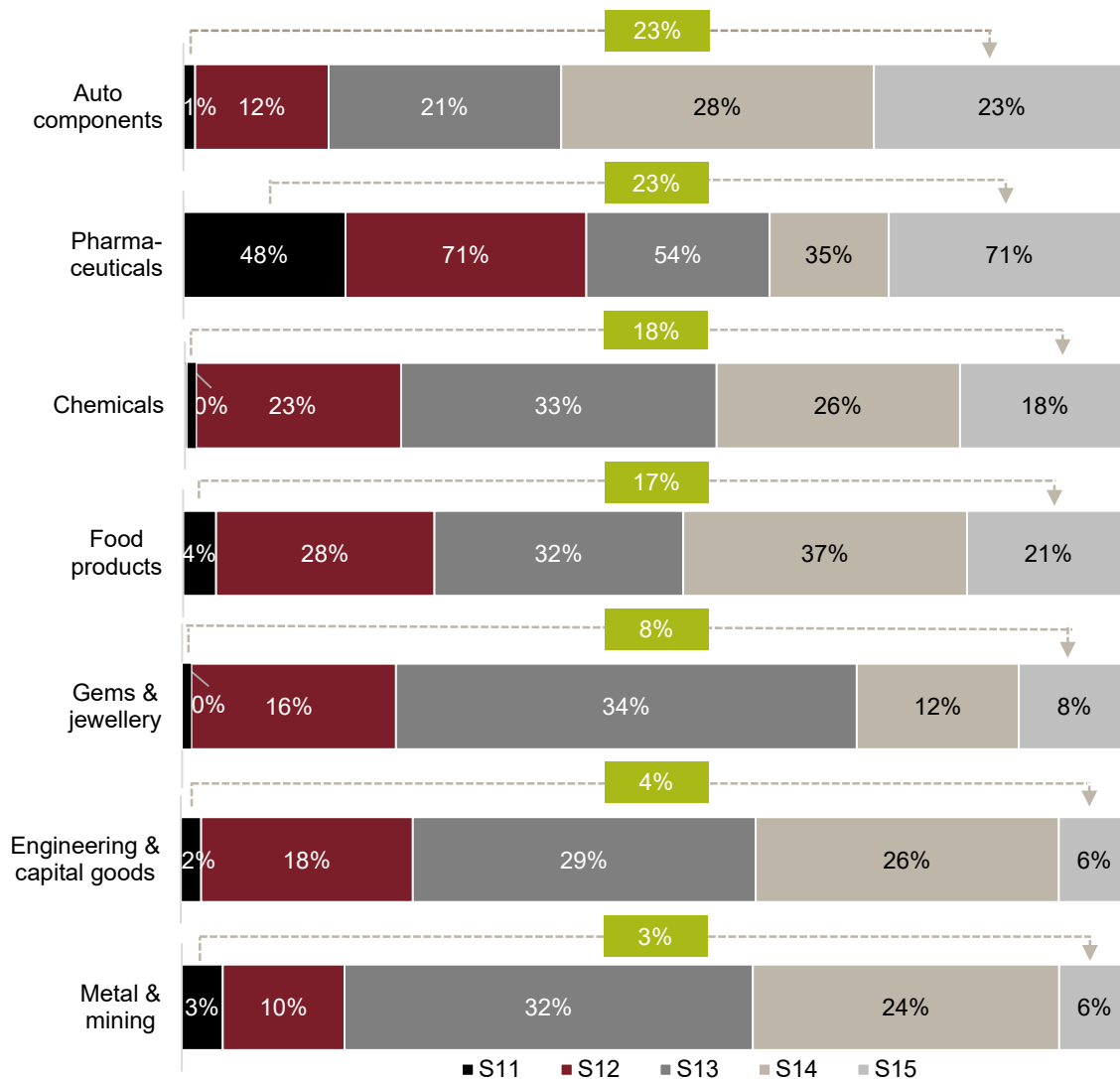
Companies more optimistic than firms



- Positive sentiment marginally higher for companies than for firms
- Compared with S11, companies showed better improvement (11%) in the share of positive respondents than firms (8%)

Manufacturing: uptick in all sectors; highest in auto components, pharmaceuticals

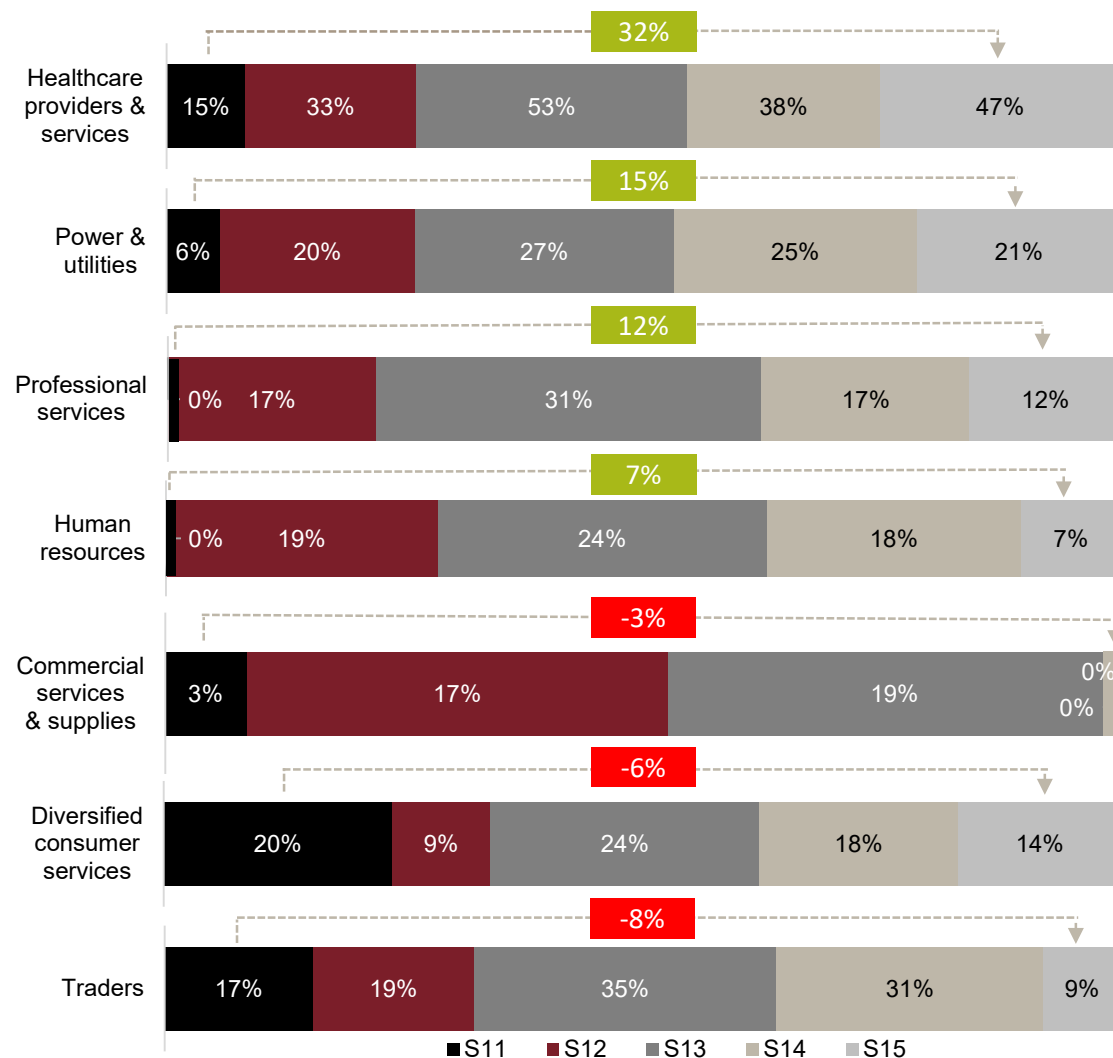
Movement of positive respondents from S11 to S15



- Auto components, pharmaceuticals, chemicals and food products MSEs reported the highest improvement in sentiment over S11
- Metal and mining; engineering and capital goods; and gems and jewellery MSEs reflected the lowest improvement in sentiment over S11








Services: muted on-year sentiment in traders and diversified consumer services

Change in positive respondents from S11 to S15



- Healthcare providers and services, and power and utilities MSEs reported the sharpest increase in sentiment over S11, whereas traders and diversified consumer services MSEs reported the sharpest decline
- Healthcare providers and services, and power and utilities MSEs had the higher share of positive respondents among peers in S15

Sector underpinnings

	Auto components	<p>Demand for auto components improved on-year in the first quarter this fiscal over a low base, owing to recovery in demand from domestic OEMs. Moreover, aftermarket witnessed an uptick in demand, bolstered by healthy OEM industry performance and a cycle of 2-3 years for replacement products. Export offtake improved substantially owing to improved economic conditions across Europe and strong freight demand from North America. In the second quarter this fiscal, the OEM segment's revenue is estimated to rise as production value of all vehicle segments is expected to increase, aided by higher capacity utilisations and realisations. Production was hampered during the same period last year due to pandemic-induced lockdown. Export demand is expected to increase due to healthy demand from international OEMs</p>
	Chemicals	<p>In the first quarter this fiscal, revenue increased on-year owing to a low base, but declined on-quarter due to slowdown in demand caused by the second wave of Covid-19. In the second quarter, demand from downstream automobiles and consumer durables is expected to improve, along with higher realisations</p>
	Engineering & capital goods	<p>Performance of the sector declined sequentially in the first quarter this fiscal on account of resurgence of Covid-19 impacting demand and local restrictions leading to production delays and manpower shortages. Additionally, players were unable to pass on the significant on-quarter increase in prices of inputs such as steel, pig iron and aluminium to end-users wholly, impacting profitability. In the second quarter, demand is expected to improve sequentially and on an on-year basis as local restrictions end, economy grows, and demand increases from industrials as deferred capex plans of private players resume. Meanwhile, pick-up in demand from the infrastructure segment is seen as the Centre and state governments press ahead with their capex plans. Profitability of players is expected to continue to be impacted, though, as raw material prices are likely to remain elevated</p>
	Gems & jewellery	<p>With lockdown imposed in various states owing to the pandemic, consumer confidence took a beating in the first quarter this fiscal. With gems and jewellery being a discretionary purchase, its demand took a backseat with people focusing on health and non-discretionary expenditure. Lower gold prices, a low base, and pent-up demand are expected to improve demand for gems & jewellery in the second quarter</p>
	Travel & hotels	<p>Sentiment improved in the first quarter this fiscal from the year-ago quarter, but declined sequentially as rising Covid-19 cases led to reimposition of local lockdowns, which severely affected demand. While airlines were allowed to operate, unlike in the year-ago period, air travellers declined sequentially due to the second wave. Leisure travel took a backseat and was minimal, with essential and migratory travel being the dominant mode.</p> <p>As the second wave abated and more people got vaccinated, travel demand picked up with the lifting of restrictions, with staycations and leisure travel being the primary demand drivers for hotels in the second quarter. Travel sentiment is expected to be positive and improve sequentially and on an on-year basis led by leisure and VFR (visiting friends and relatives) travel as local lockdowns end and states relax entry and testing regulations</p>
	Pharmaceuticals	<p>In the first quarter this fiscal, domestic formulations witnessed robust growth on-year due to the second wave, which peaked in the April-May period. However, export growth moderated over a high base due to weak exports to the US. Demand across therapies is expected to drive growth in the domestic market in the second quarter, while pricing pressure in the US is expected to moderate export growth. The Covid-19 vaccination programme in the country is expected to significantly add to industry growth in the quarter</p>
	Leather & leather goods	<p>Last fiscal, domestic demand was considerably impacted as major exporting destinations (the US, Germany, Italy, France and Spain – accounting for over 50% share) either cancelled orders or put those on hold. Exports declined 28.3% on-year as the US and the UK significantly reduced their exports by 26% and 21% on-year. In the first half this fiscal, domestic demand improved due to higher demand in the retail segment over last year's low base</p>



**Expectation in S14 versus
actual performance in S15**

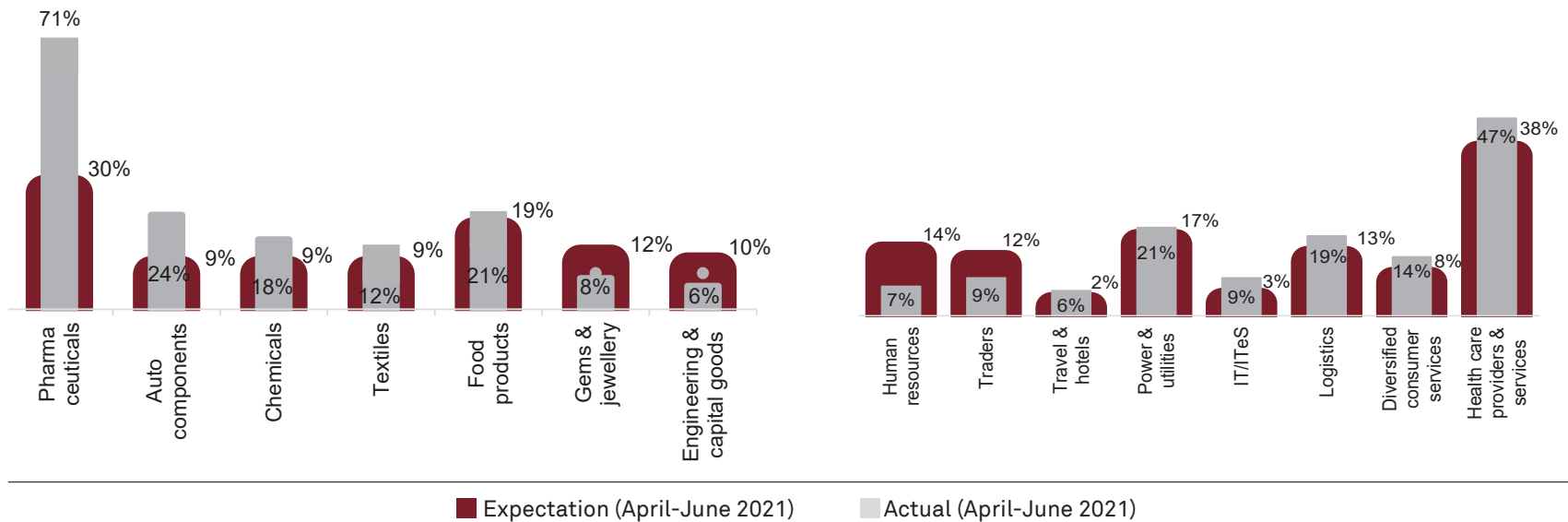
Most sectors surpassed expectations, barring gems & jewellery, engineering & capital goods, human resources, and traders

Manufacturing

Services



Variance (actual performance in S15 versus expectations in S14)



- Human resources and traders among service sectors; and gems & jewellery, and engineering and capital goods among manufacturing sectors fell short of expectations the most

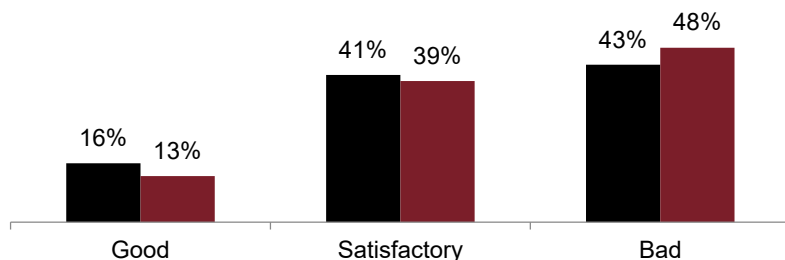
% represent share of positive respondents

A glowing orange-red metal ring is being processed in a machine. The ring is the central focus, emitting a bright, intense light that illuminates the surrounding area. It is positioned on a dark, textured surface, possibly a workbench or a part of the machinery. The background is dark and out of focus, with some blurred orange and red tones, suggesting a high-temperature industrial environment. The overall scene conveys a sense of intense heat and industrial activity.

Sentiment in S15

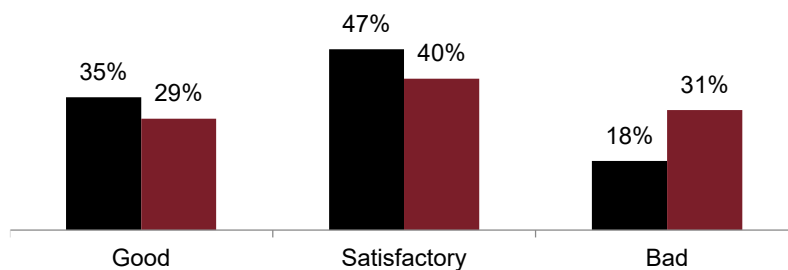
Negative sentiment surrounding business in services vis-à-vis manufacturing; improvement seen in next quarter

SQ15 (April-June 2021)



- 43% of respondents in manufacturing and 48% in services sectors rated the overall business situation in SQ15 as bad
- 16% of respondents in manufacturing and 13% in services sectors rated the overall business situation in SQ15 as good

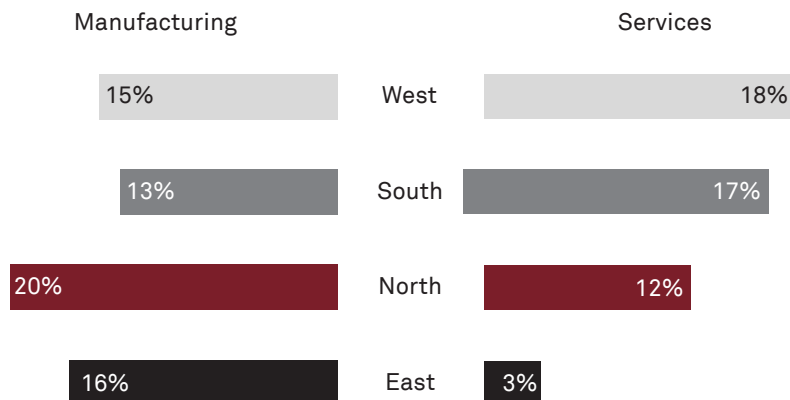
NQ15 (July-September 2021)



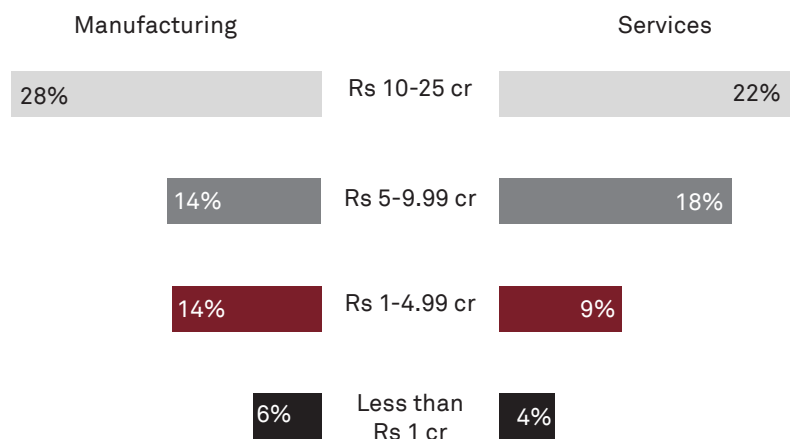
- Sentiment improved, with 18% and 31% of respondents in manufacturing and services sectors, respectively, projecting a bad NQ15, and 35% and 29%, respectively, projecting a good NQ15

■ Manufacturing ■ Services

Manufacturing fares better in north and east; services marginally better in select turnover categories



- In the north and east, the share of positive respondents in manufacturing MSEs was higher compared with services MSEs
- Across regions in manufacturing and services, manufacturing MSEs based in the north had the highest share of positive respondents. Services MSEs from the east had the lowest share of positive respondents

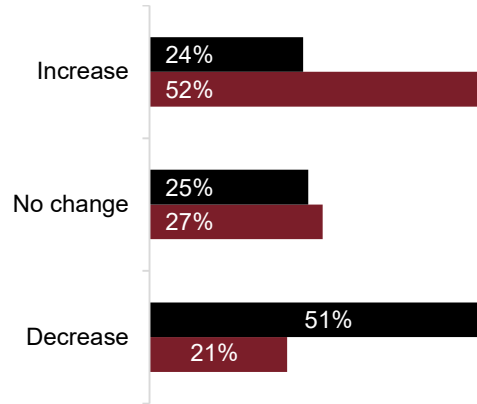


Larger MSEs better placed

- Manufacturing and services MSEs with annual turnover of Rs 10-25 crore were more optimistic at 28% and 22%, respectively, compared with peers from other turnover buckets

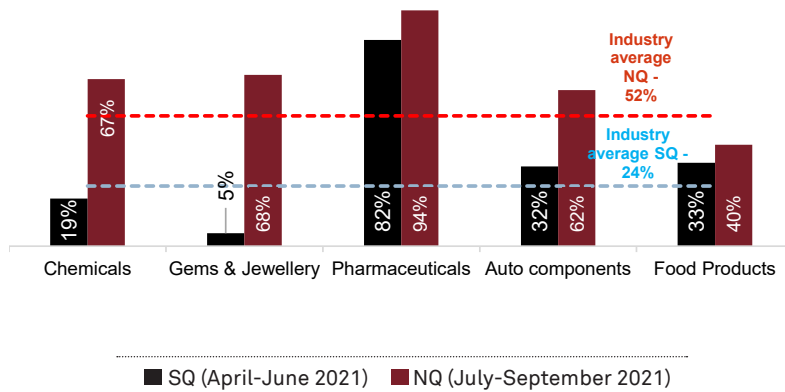
Manufacturing MSEs' domestic order books shrink

Manufacturing - order book size (domestic)



- 51% of manufacturing MSEs saw de-growth in their domestic order books in SQ15. The share is estimated to have improved to 21% in NQ15

Manufacturing industry wise – order book size (domestic)

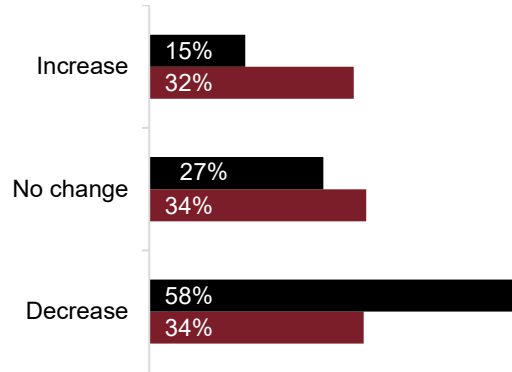


- The share of respondents in the food products, auto-components, and pharmaceutical segments that saw increases in their order book sizes exceeded the industry average in SQ15
- The share of respondents in chemicals and gems & jewellery that saw increases in their order book sizes were lower than the industry average in SQ15

% represents share of positive respondents

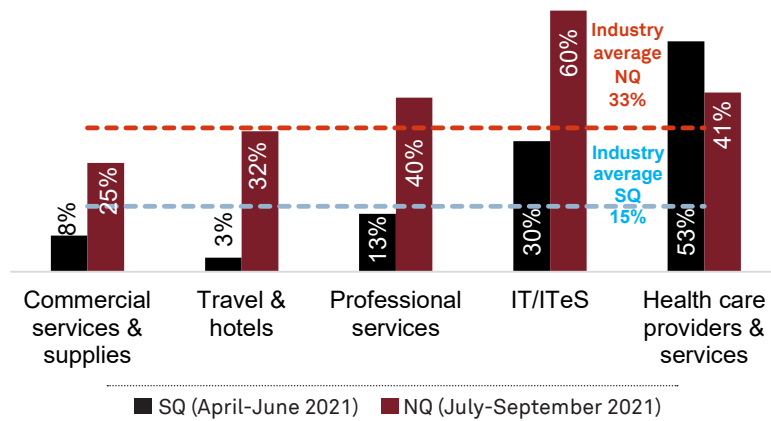
Services MSEs see sharper decline in domestic order books

Services - order book size (domestic)



- 58% of services MSEs saw their domestic order books decline sharply in SQ15. They are likely to improve to 34% in NQ15

Services industry wise- order book size (domestic)

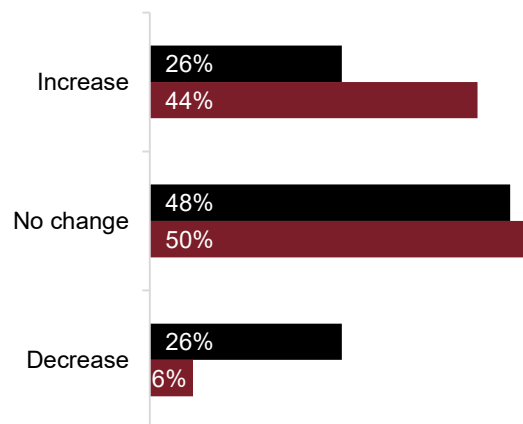


- Respondents from IT/ITeS and healthcare providers & services reported that the increase in their order book size exceeded the industry average in SQ15
- Respondents from commercial services & supplies, Travel & Hotels and professional services reported the lowest increase in order book size compared with the industry average in SQ15

% represents share of positive respondents

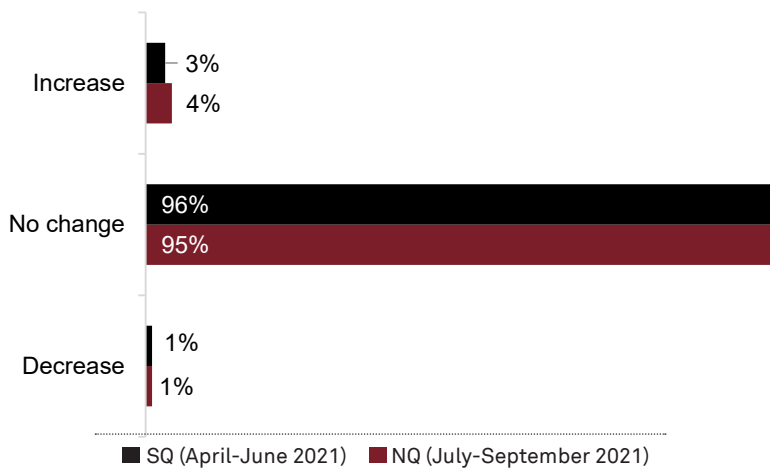
Share of MSEs expecting larger order books higher for exporters than importers

Order book size (exports)



- 26% of MSEs with export order books saw an improvement in SQ15. However, this increase is expected to slow to 6% in NQ15

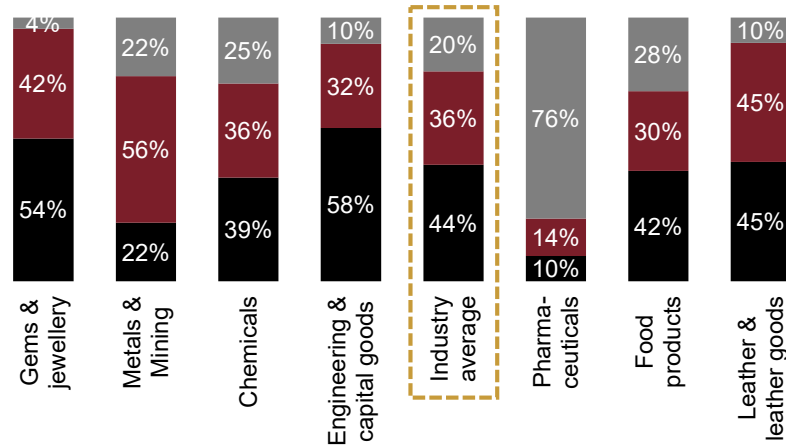
Orders placed (imports)



- Only 3% of importers expect the order book size to increase in SQ15 as against 96% who expect it to be unchanged. NQ15 reflects similar trend

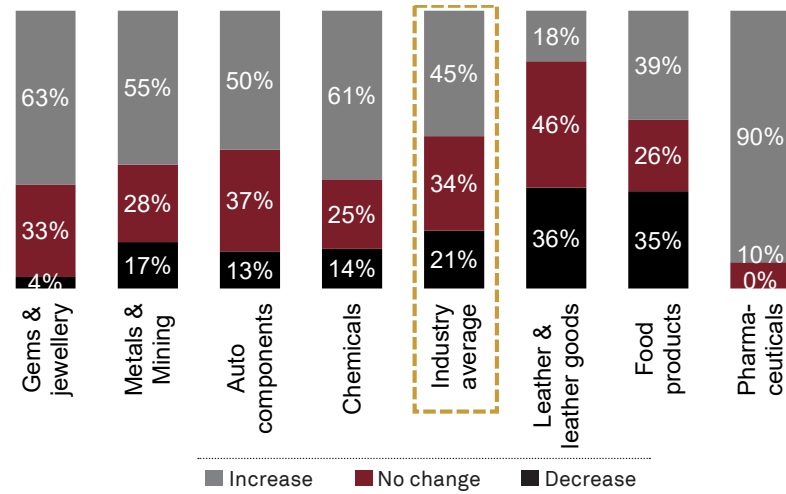
Pharmaceuticals and food products fare well; gems & jewellery and leather & leather goods see subdued production volume

Production volume by industry - survey quarter



- In SQ15, MSEs in pharmaceuticals, food products, and chemicals had the highest share of respondents that saw an increase in production volume (industry average of 20%)
- Gems & jewellery and leather & leather goods MSEs had the lowest share of respondents that saw an increase in production volume

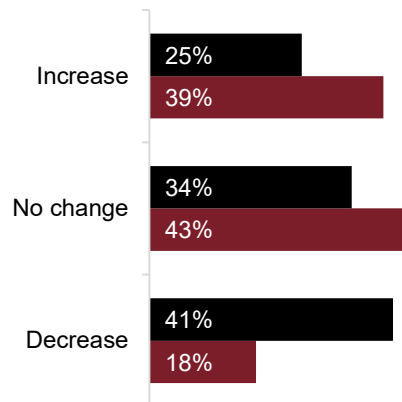
Production volume by industry - next quarter



- Pharmaceuticals and gems & jewellery MSEs account for the highest share of respondents optimistic about production volume growth, exceeding the industry average of 45% in NQ15. Leather & leather goods and gems & jewellery witnessed the lowest share of respondents reporting increase in production volume

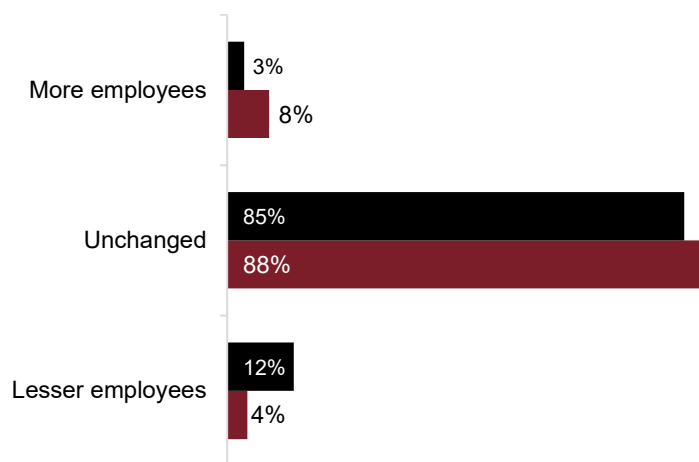
Capacity utilisation, employee base to improve next quarter

Capacity utilisation (manufacturing)



- In SQ15, 25% of manufacturing-based MSEs reported an increase in capacity utilisation, 41% reported a decline, and 34% said no change
- In NQ15, 39% respondents expect an increase in capacity utilisation, and only 18% anticipate a decline

Employee base (manufacturing and services)

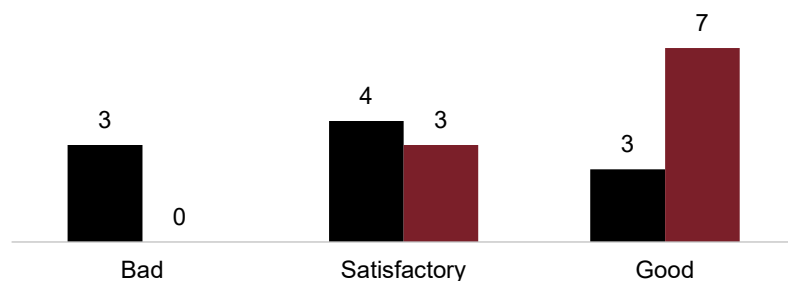


- In SQ15, 12% respondents saw a decline in employee base, whereas 85% reported no change
- In NQ15, only 4% foresee a decline in their employee base, 88% do not expect any change to employee base, and 8% expect an increase

■ SQ (April-June 2021) ■ NQ (July-September 2021)

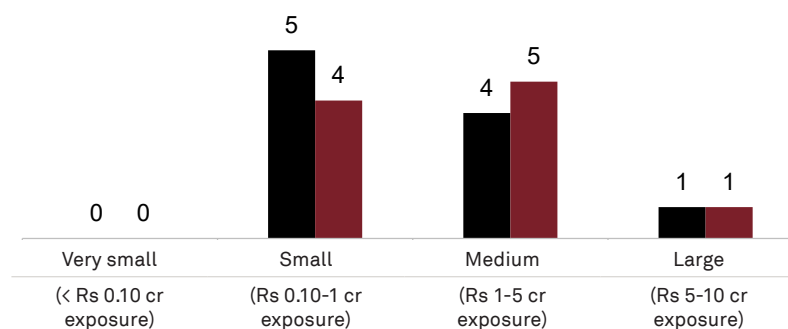
Small segment of MSEs sees muted credit growth; overall, lenders show better sentiment for the next quarter

Business situation



- In SQ15, out of 10 lenders surveyed, three rated the overall business situation of MSEs as good, four as satisfactory, and three as bad
- In NQ15, three out of 10 expect it to be satisfactory, and seven foresee an improvement

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

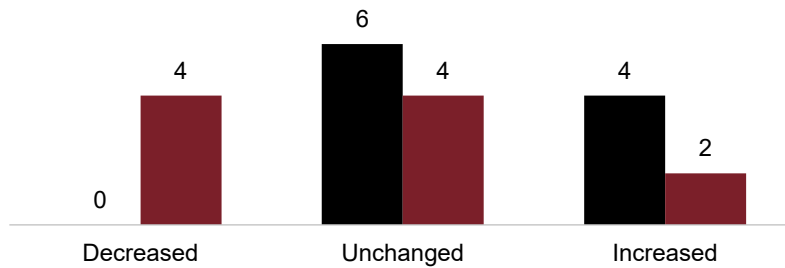


- In SQ15, five out of 10 lenders reported the highest credit growth in the Rs 0.10-1.00 crore range, four reported in the Rs 1-5 crore range, none reported in the below Rs 0.10 crore range, and one reported in the above Rs 5 crore range. Lenders shared an almost similar view for NQ15

■ SQ (April-June 2021) ■ NQ (July-September 2021)

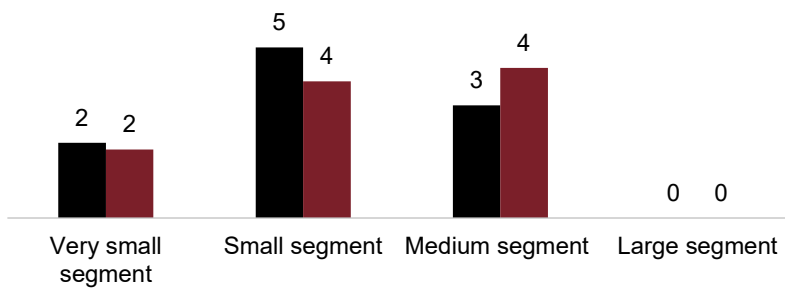
Lenders see deterioration in asset quality

Asset quality



- Of the 10 surveyed lenders, six reported no change in NPAs and four reported increase in SQ15
- In NQ15, four out of 10 lenders expect no change in NPAs, two foresee an increase, and four expect a decrease

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



- Two 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 0 out of 10 in the large segment saw increase in NPA levels in SQ15. They expect similar trend in NQ15

■ SQ (April-June 2021) ■ NQ (July-September 2021)



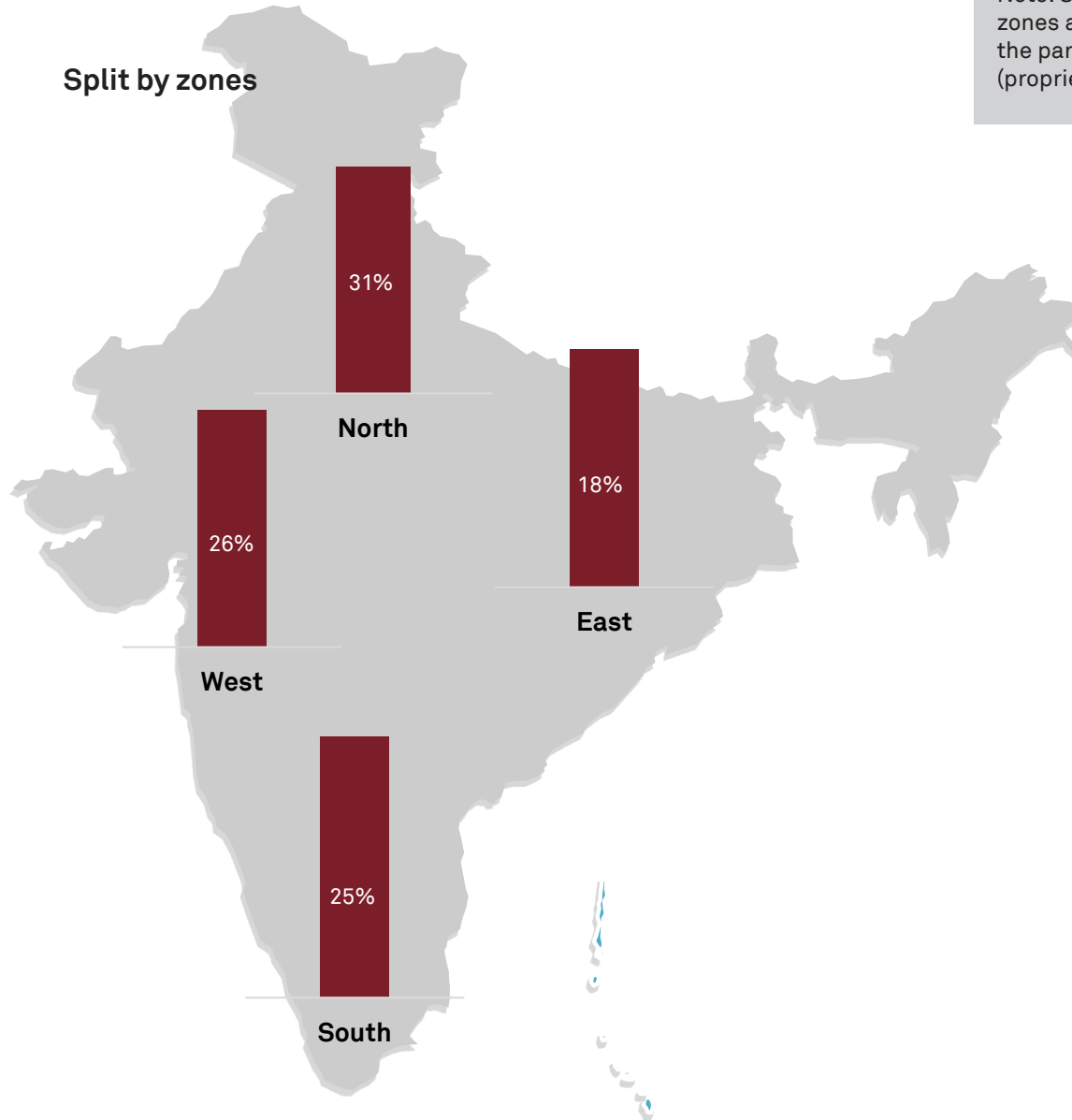


Annexures

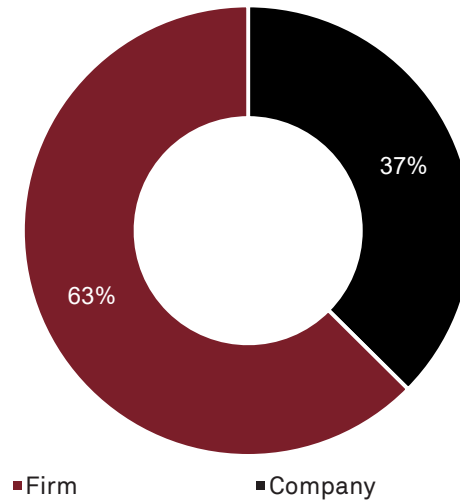
Sample summary

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

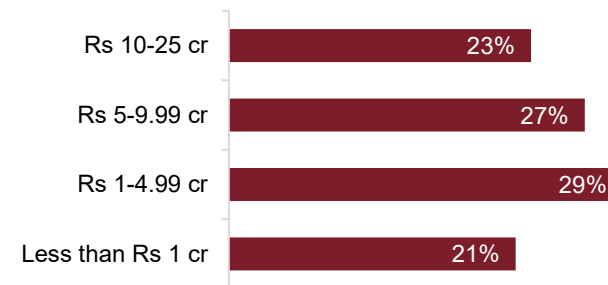
Split by zones



Split by legal status



Split by turnover



Glossary

Broad products/services included under respective segments

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

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

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

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

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

Commercial services & 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 & 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 & restaurants and travel & tour operators

Media services provide advertising, hoarding, outdoor advertising and shootings

Metal & mining comprises manufacturers of alloy, steel, aluminium extrusion products and foundry

Notes

About CRISIL Limited

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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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