



CriSidEx

survey for
July-September 2022 and
October-December 2022

Boost for business sentiment

March 23 | Volume 20



Analytical contacts

CRISIL

Suresh Krishnamurthy
Senior Director, Market Intelligence and Analytics
suresh.krishnamurthy@crisil.com

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

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

Roosha Sengupta
Analyst, SME Solutions
roosha.sengupta@crisil.com

SIDBI

Sanjay Jain
Chief General Manager
Economic Research and Data Analysis
erdav@sidbi.in

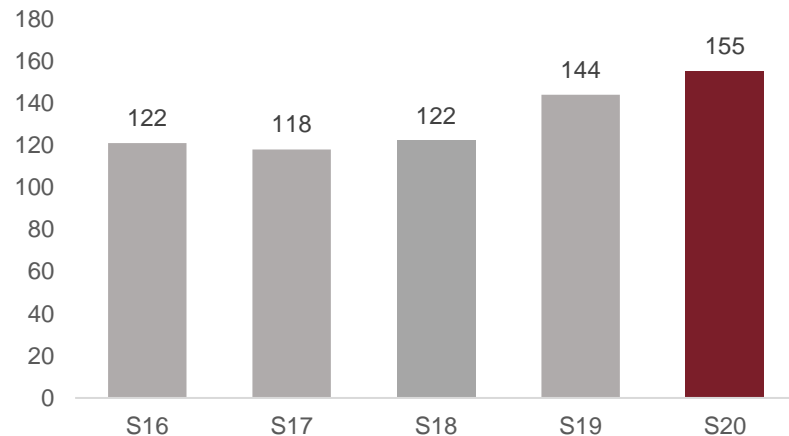
Hangzo Ginsuanmung
Asst. General Manager
Economic Research and Data Analysis
erdav@sidbi.in

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

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Modest on-year uptick in index growth



The CriSidEx* score of 155 for July-September 2022 (Survey 20 or S20) was higher than the corresponding period in both the previous year (S16) and previous quarter (S19).

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

Abbreviations

CriSidEx survey	Survey quarter (SQ)	Next quarter (NQ)
Survey 16 (S16)	July-September 2021 (SQ16)	October-December 2021 (NQ16)
Survey 17 (S17)	October-December 2021 (SQ17)	January-March 2022 (NQ17)
Survey 18 (S18)	January-March 2022 (SQ18)	April-June 2022 (NQ18)
Survey 19 (S19)	April-June 2022 (SQ19)	July-September 2022 (NQ19)
Survey 20 (S20)	July-September 2022 (SQ20)	October-December 2022 (NQ20)

On-year movement in index parameters

Manufacturing

Component Parameters	Actual		
	S16	S20	S20 - S16
Volume of production	123	161	38
Order book size	131	166	35
PAT margin	122	163	41
Capacity utilisation	115	163	48
Employee base	100	135	35
Manufacturing Index	118	158	40

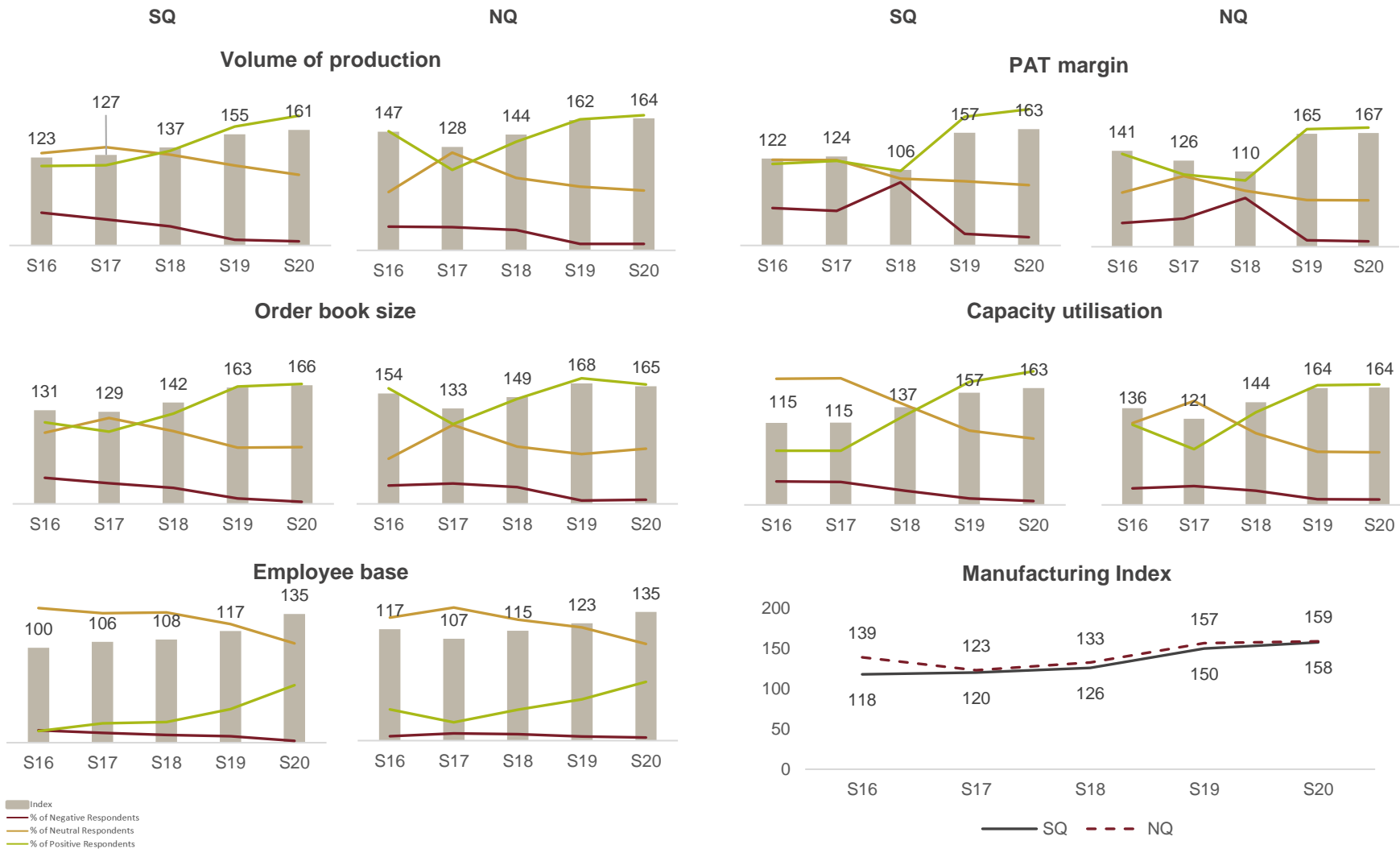
Services

Component Parameters	Actual		
	S16	S20	S20 - S16
Order book size	137	156	19
PAT margin	131	166	35
Employee base	106	134	28
Services Index	125	152	27

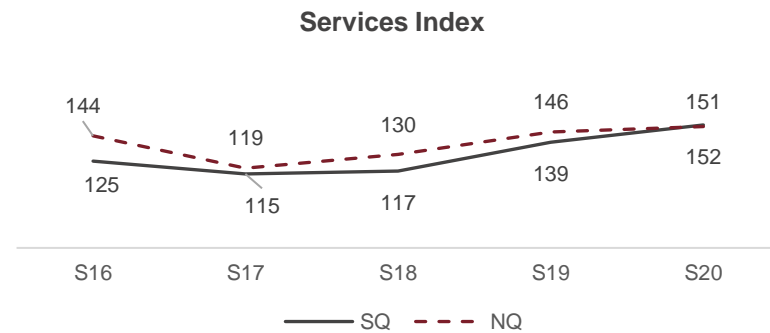
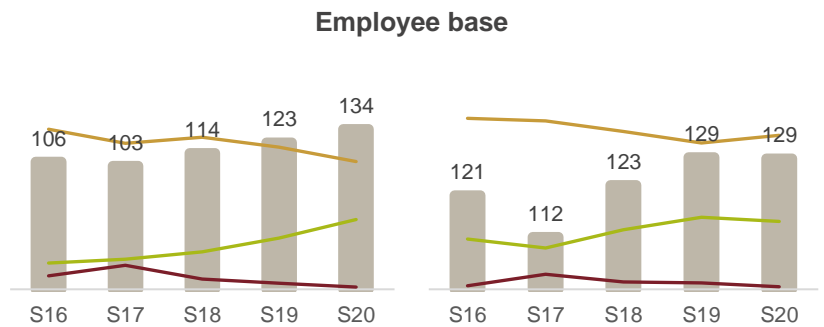
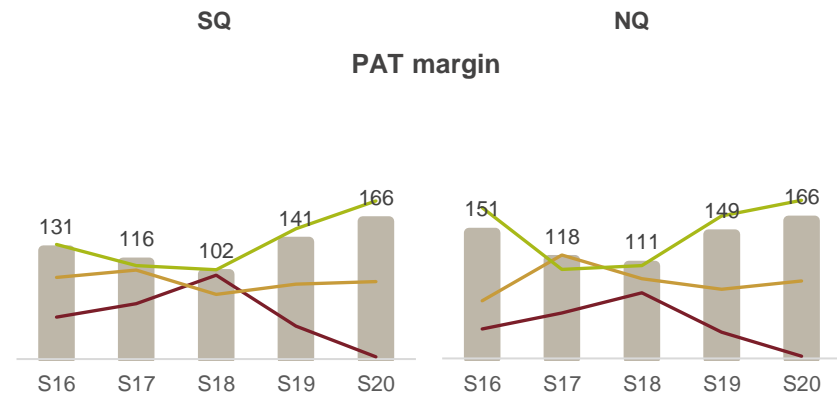
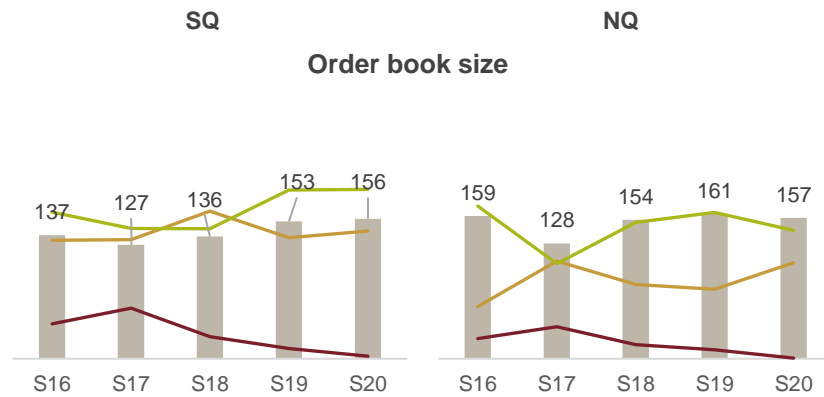
Positive		Negative	
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On-year positive sentiment was higher for manufacturing sectors compared with services. While the Manufacturing Index improved the maximum on the capacity utilisation parameter, the highest improvement for the Services Index was in the profit-after-tax (PAT) margin. Order book and employee base for the manufacturing sectors improved the lowest; for the services sectors,, it was the order book size.

On-year surge in manufacturing capacity utilisation in SQ and NQ



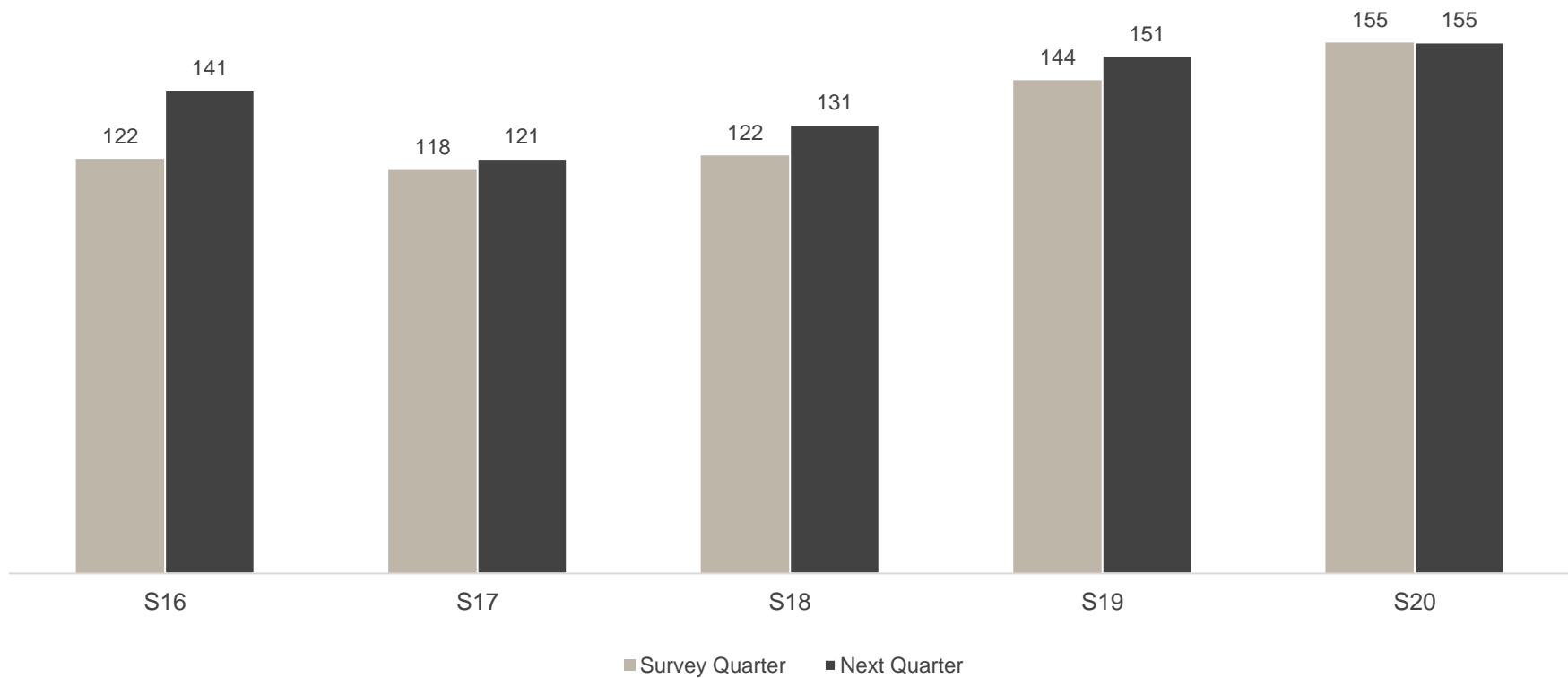
Highest on-year improvement continues in PAT margin for SQ and NQ for services sector; order-book size expected to slump in NQ



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

Overall CriSidEx score

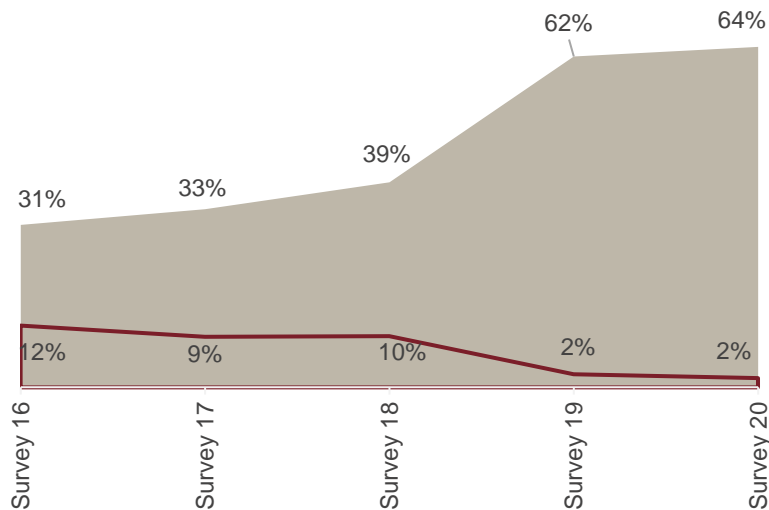
The overall CriSidEx index (manufacturing + services), at **155** in SQ20, reflected over **93%** on-year improvement. In NQ20, it is expected to remain **unchanged**



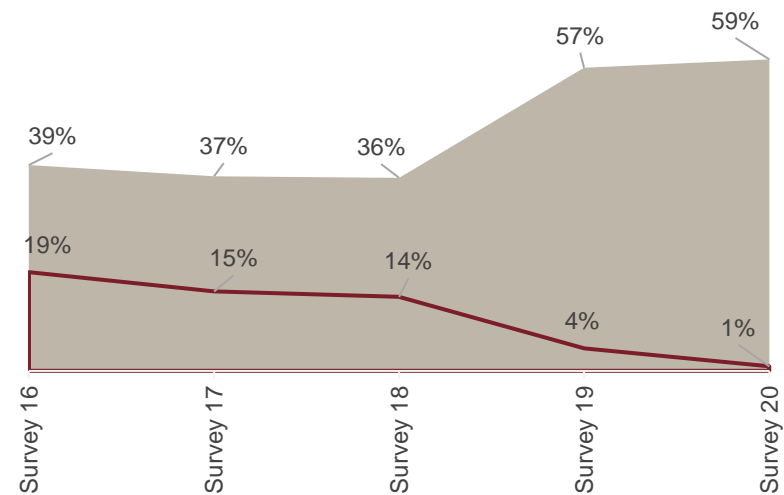
Business sentiment

In SQ20, the share of positive respondents jumped to **64%** for manufacturing and **59%** for services

Manufacturing



Services

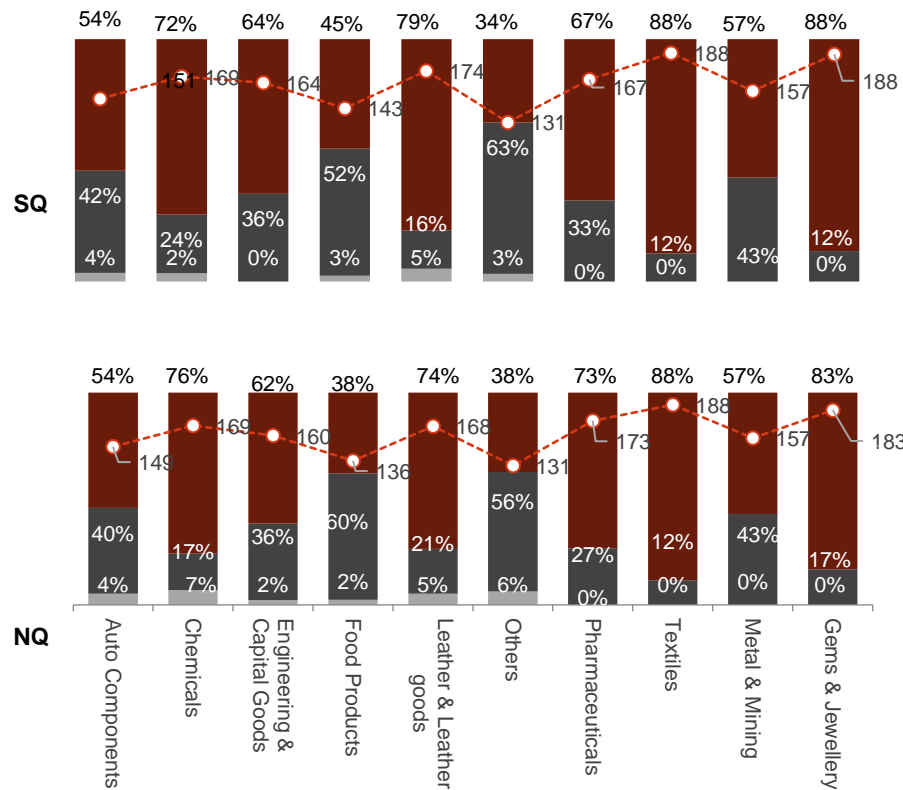


■ % of respondents who reported a good quarter ■ % of respondents who reported a bad quarter

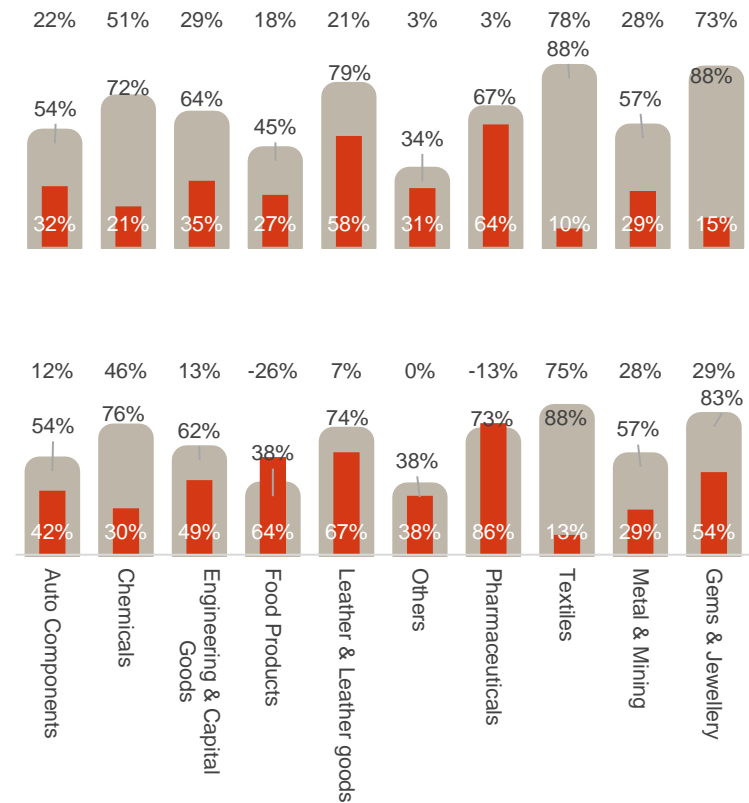
Weakening industrial growth, particularly in the manufacturing sector, dragged demand sentiment in the second quarter of fiscal 2023. The sector was hit by slowing global growth and compressed margins. However, private final consumption expenditure helped demand, with contact-based services contributing positively. High inflation and rising interest rates, coupled with moderation in global growth, need to be monitored in the third quarter of fiscal 2023.

Business sentiment: Sector-wise break-up for manufacturing

Sector-wise sentiment mapping



On-year positive sentiment growth

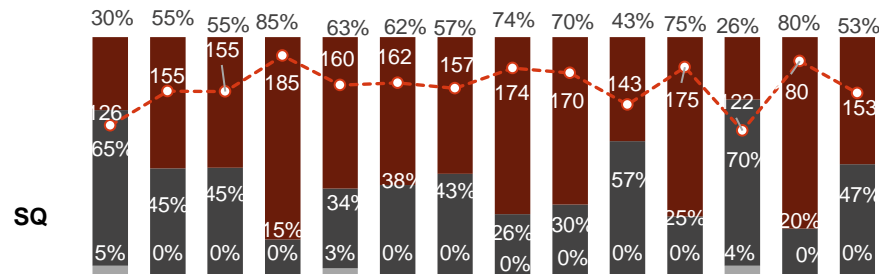


■ % of respondents who reported a good quarter
■ % of respondents who reported a bad quarter
■ % of respondents who reported a satisfactory quarter
- - - ○ - - - Index

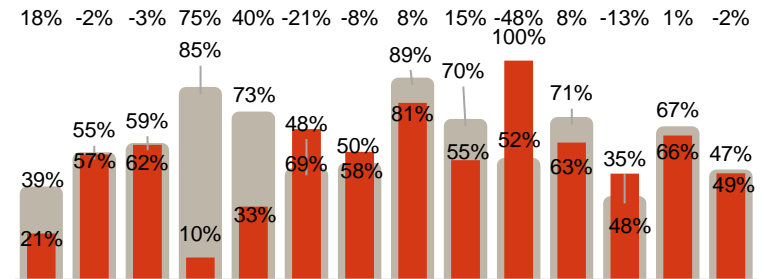
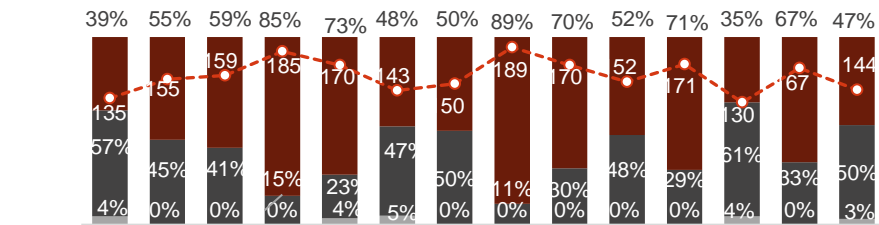
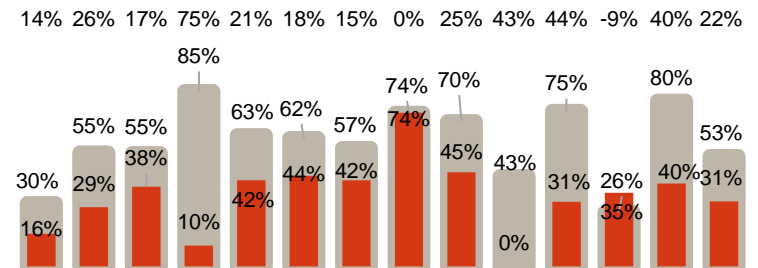
■ Survey 20 ■ Survey 16

Business sentiment: sector-wise break-up – services

Sector-wise sentiment mapping



On-year positive sentiment growth



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

■ Survey 20 ■ Survey 16

CriSidEx defined

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

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

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

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

Survey process

The survey tracks MSE business sentiment in manufacturing and services (including trading) across India. It also includes micro-enterprises funded by microfinance institutions (MFIs), which, in turn, are funded by SIDBI.

Responses have been drawn from CRISIL-rated enterprises, and current and past borrowers of SIDBI. Additionally, there are responses from lenders (banks and non-banking finance companies or NBFCs).

CRISIL and SIDBI acknowledge the support of all the participant banks and financial institutions, with special thanks to Fullerton India Credit Company Ltd, IndusInd Bank, Kotak Mahindra Bank, and North Eastern Development Finance Corporation Ltd for eliciting sizeable responses from their MSE borrowers for the current survey.

The sample has been drawn up to ensure the representation of enterprises based on size, geography and the nature of business. It covers MSEs with at least three years of business operations. The broad characteristics of the sample are given in the following table.

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'. 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>



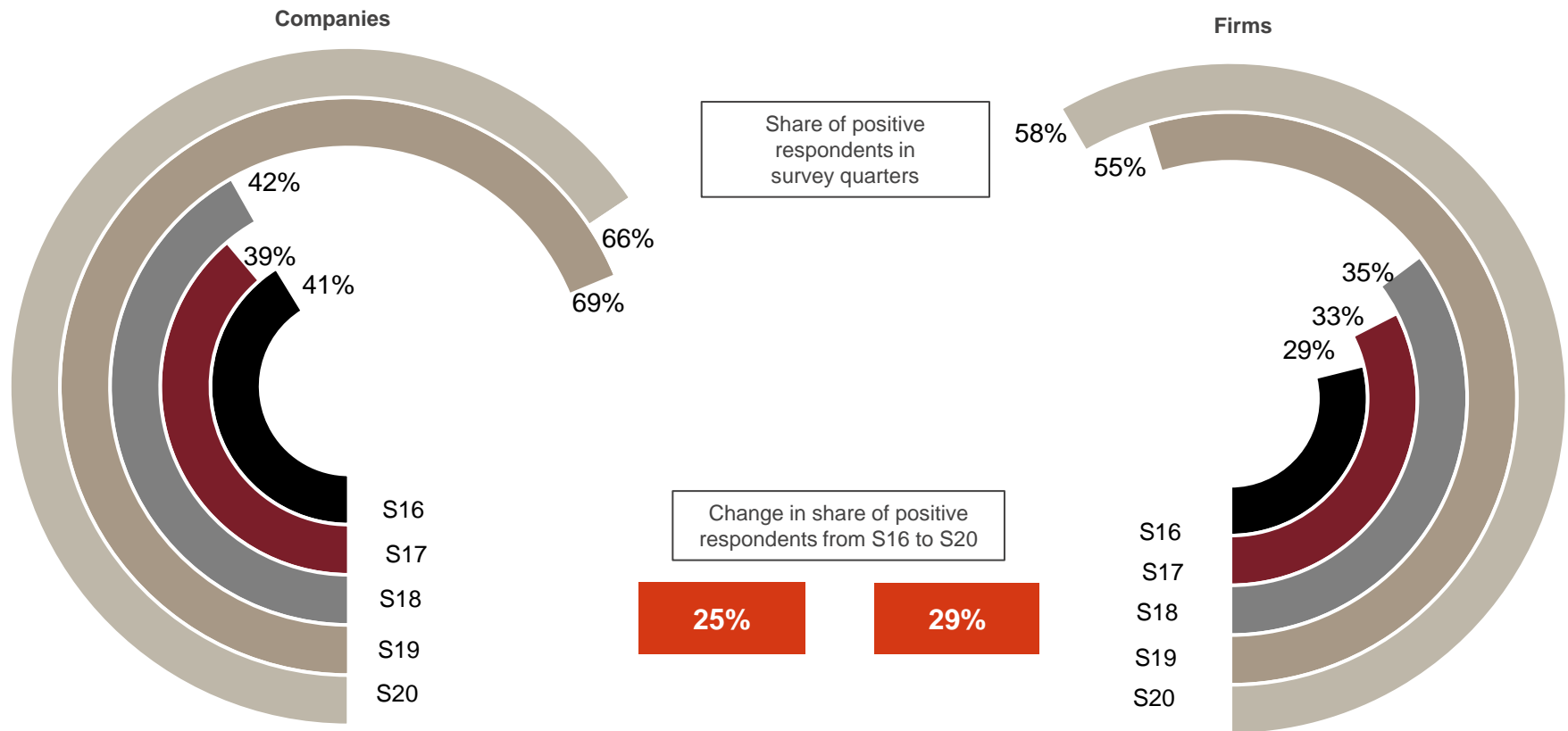
Comparison across surveys

On-quarter decline in sentiment for Rs 5-25 crore business; business optimism slow-footed on-quarter in east India









% represents the share of positive respondents

On-year business sentiment higher for firms



- Positive sentiment is much higher for companies than for firms
- Compared with S16, firms showed better improvement (29%) in the share of positive respondents as compared with companies (25%)

Sector underpinnings

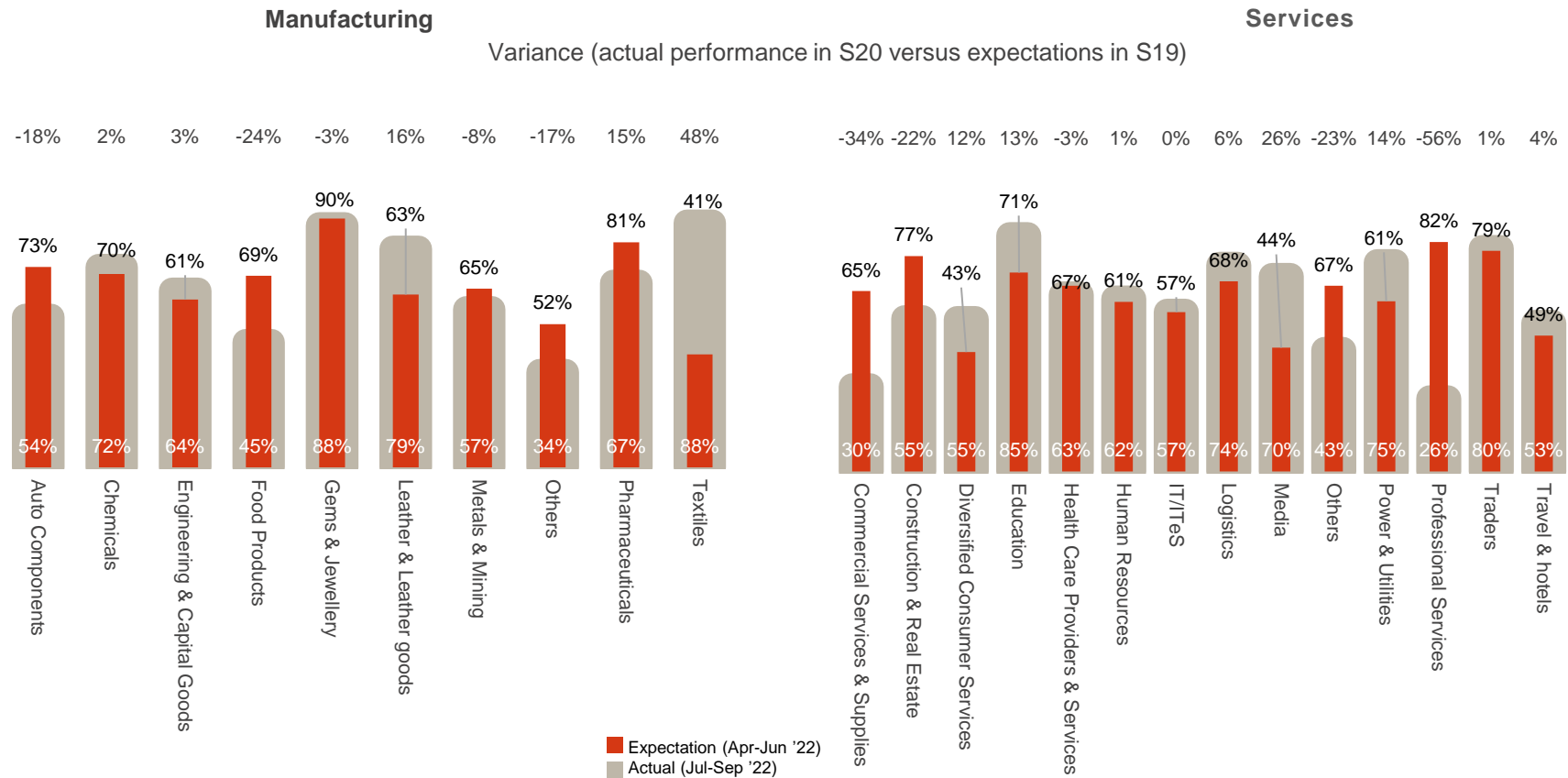
	Auto components	<p>Demand for automotive components in Q2FY23 improved significantly on-year and on-quarter owing to pick-up in domestic original equipment manufacturer (OEM) demand. OEM demand improved on-year due to demand recovery in the passenger vehicle and commercial vehicle segment. Export offtake improved on-year owing to continued demand from North America and Asia, whereas offtake from European markets was slower due to challenging economic conditions.</p> <p>Sentiment is expected to improve sequentially and on-year In Q3FY23, with OEM demand expected to remain robust post good festive season demand. Production across all vehicle segments is likely to be better due to healthy demand, high orderbooks and easing semiconductor shortage. Export demand is expected to be under pressure due to the global slowdown and recessionary pressures in the United States and the United Kingdom.</p>
	IT/ITeS	<p>Growth momentum for the IT/ITeS sector was moderate in Q2FY23. This can be largely attributed to the shift towards premium services such as data management, automation, and non-voice-based customer relationship management services. In Q3FY23, it is expected that transaction-based services coupled with advanced analytics in the banking, financial services and insurance vertical will drive the growth.</p>
	Healthcare providers and services	<p>Sentiment for Q2FY23 improved both on-year and sequentially. The share of low realisation Covid-19 patients in the overall treatment mix was negligible in the quarter, leading to higher average revenue per bed occupied (ARPOB) and stabilisation in demand from regular demand channels such as surgeries, outpatient departments and other treatments.</p> <p>The sentiment of healthcare providers is estimated to be flat both on-year and on-quarter in Q3FY23, with demand from regular channels stabilising, occupancy estimated to decline and ARPOB to rise a tad.</p>
	Construction and real estate	<p>The construction sector recorded healthy growth on-year in Q2FY23 on a low base, backed by increased central government spending, which was up 42% on-year. Front-loading of capex kept construction activity at high levels; however, input cost inflation was a concern, dragging the operating margins of players. The sector is expected to rise on-year in Q3FY23 despite the higher commodity prices since the government will continue spending on capex with rising tax collections coupled with a low base effect in Q3FY22.</p> <p>Real estate new launches of key organised developers are estimated to have grown ~9% during Q2FY23, with visible traction in the real estate market. Furthermore, the sales of primary real estate for key large developers remained strong, with ~28% on-year growth during the same quarter. The growth momentum is likely to continue in Q3FY23 as well, with organised developers anticipated to see even higher growth in the primary sale of real estate.</p>
	Engineering and capital goods	<p>Performance of engineering and capital goods sector continued to improve in Q2FY23, majorly driven by higher sales in passenger vehicles owing festive demand in the quarter. This was backed by the improved condition of the supply chain, supported by easing semiconductor shortages. Commercial vehicle segments also grew in Q2FY23 since transporter profitability and fleet utilisation improved. Demand in infrastructure-linked industries was healthy due to front-loaded capex spends by the central government. The capex support has also boded well for infrastructure and industrial activity, giving an additional boost.</p> <p>Industry is estimated to record moderate sequential growth in Q3FY23 owing to the year-end slowdown in passenger vehicle sales. However, on-year performance is expected to improve over a low base. Infrastructure-linked industries are expected to grow both sequentially and on-year, driven by a healthy order book coupled with increased spends by the central government.</p>
	Logistics	<p>Freight movement was healthy in Q2FY23 ahead of the festive season, aiding improvement in freight rates. The industry is expected to witness strong load availability and higher utilisation levels in Q3FY23. Higher utilisation coupled with elevated freight rates is expected improve the profitability of the transport operators.</p>
	Food products	<p>Growth in Q2FY23 was led by discretionary/out-of-home categories such as snacks, chocolates and cakes, while the staples and convenience category such as biscuit posted a resilient performance. Demand for ready-to-eat (RTE) and ready-to-cook (RTC) has also spiked after the pandemic due to a change in consumption habits. Rising demand from quick-service restaurants, rise in home delivery options and higher affordability is driving growth. Due to price hikes, price-led growth was higher than volume growth. In Q3FY23, demand is expected to remain healthy amid festivities and wedding season.</p>



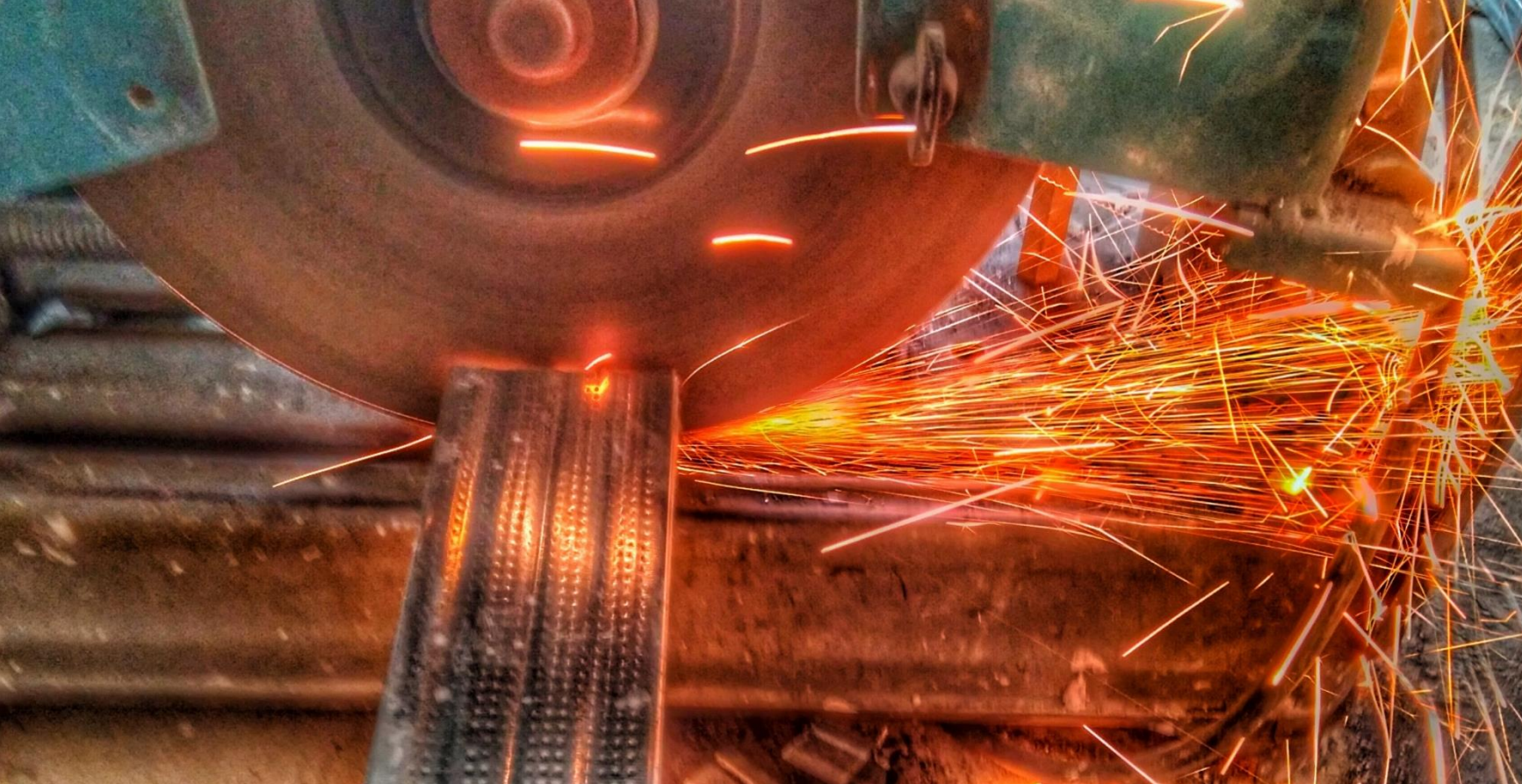
Expectations in
S19 versus actual performance in **S20**

More than 50% of the sectors surpass expectation

Textiles and media sectors outweigh expectations more than 1.5 times; highest variance for professional and commercial services as they grapple to meet expectations

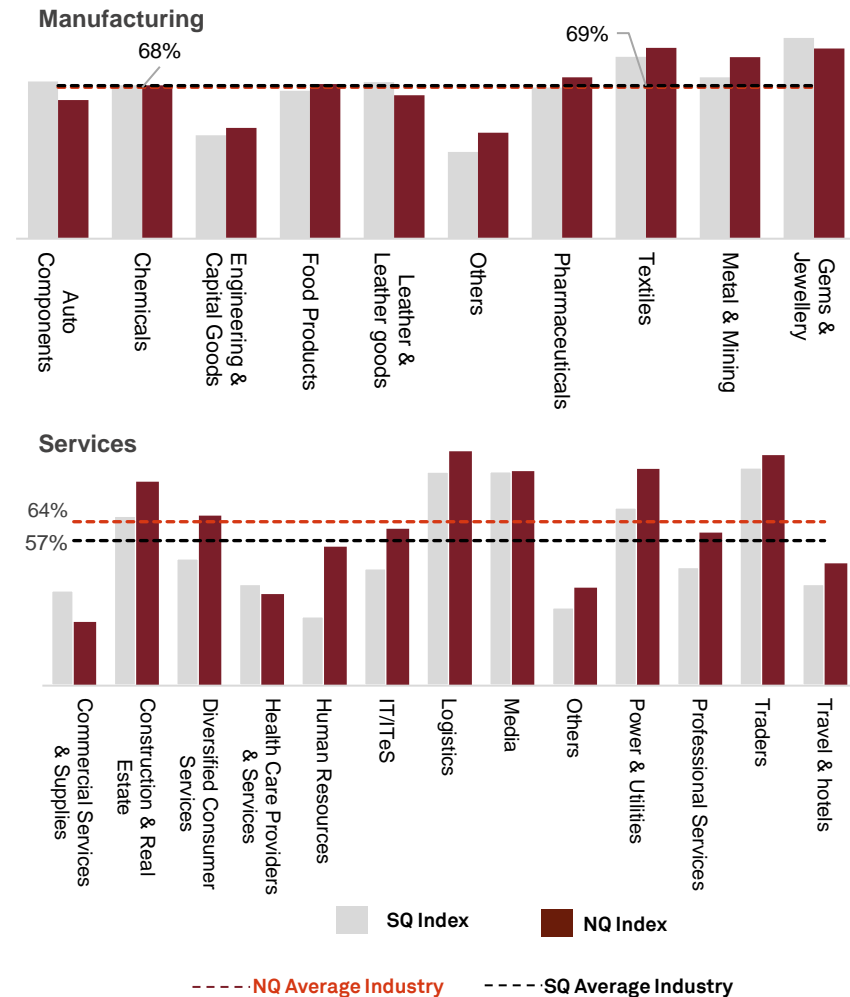
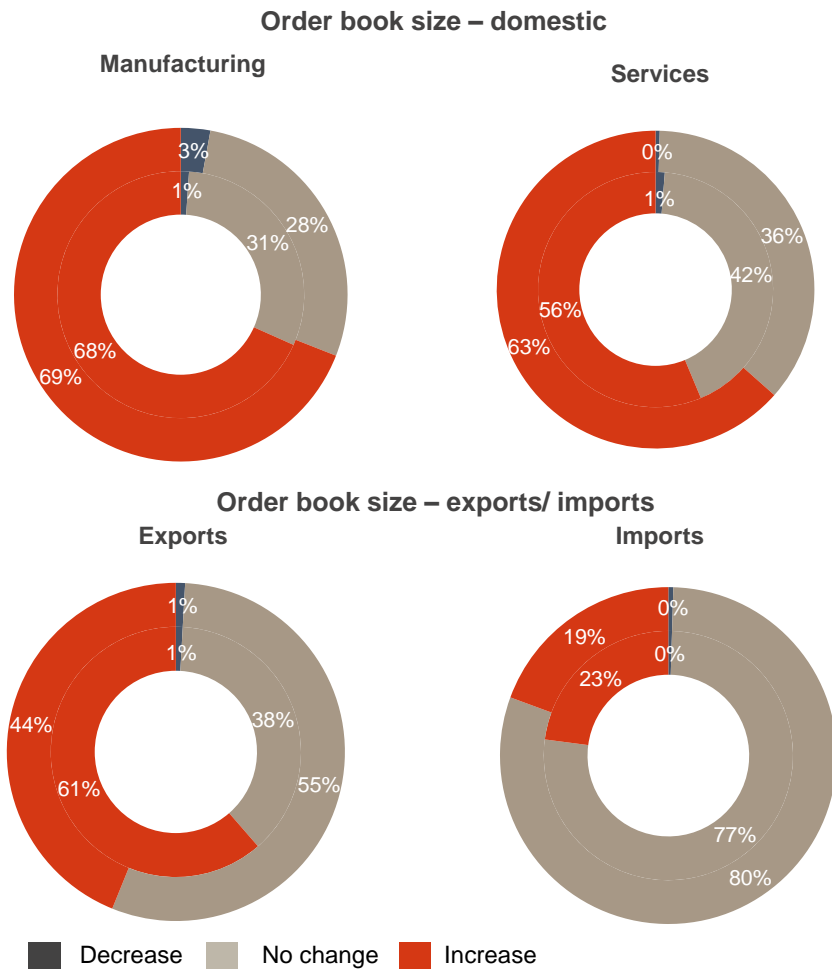


% represent share of positive respondents



Sentiment in **S20**

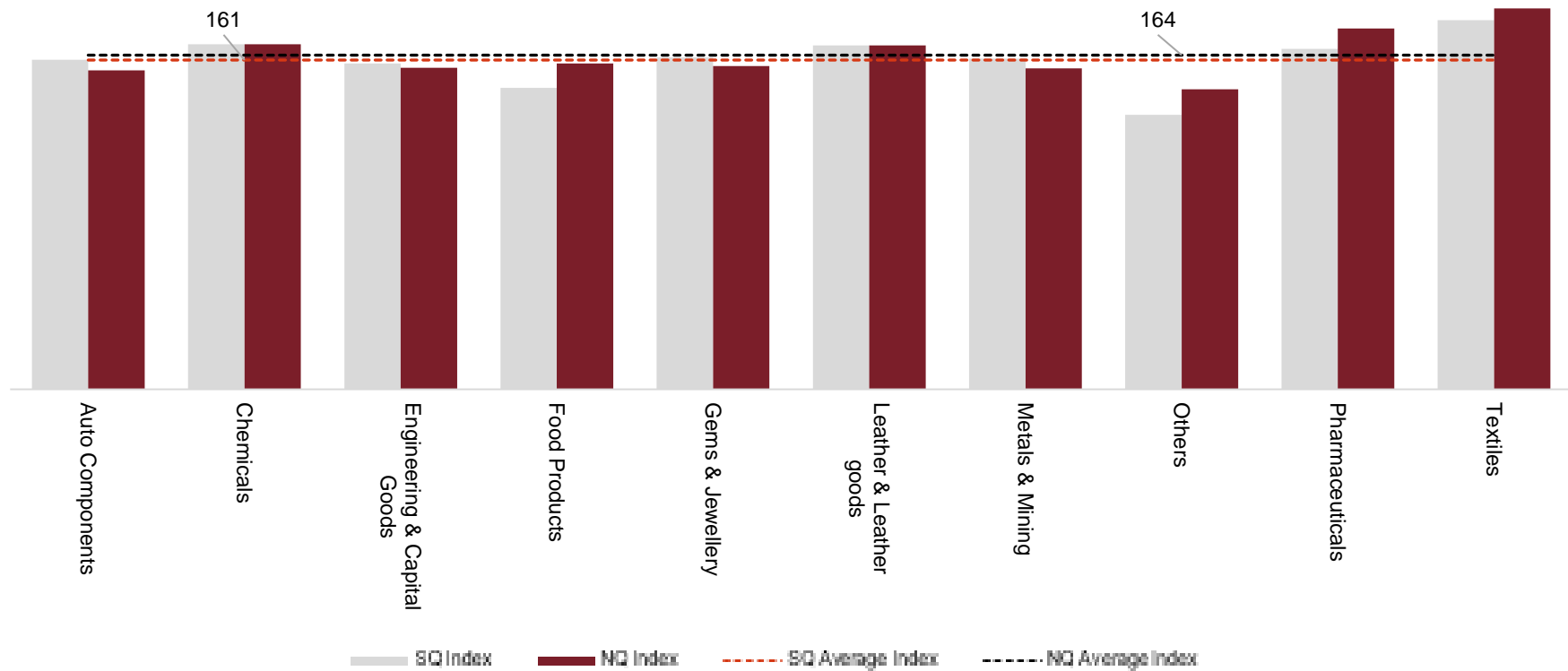
Order book sentiment positive for domestic units; global inflation and recession dampen sentiment of exporters



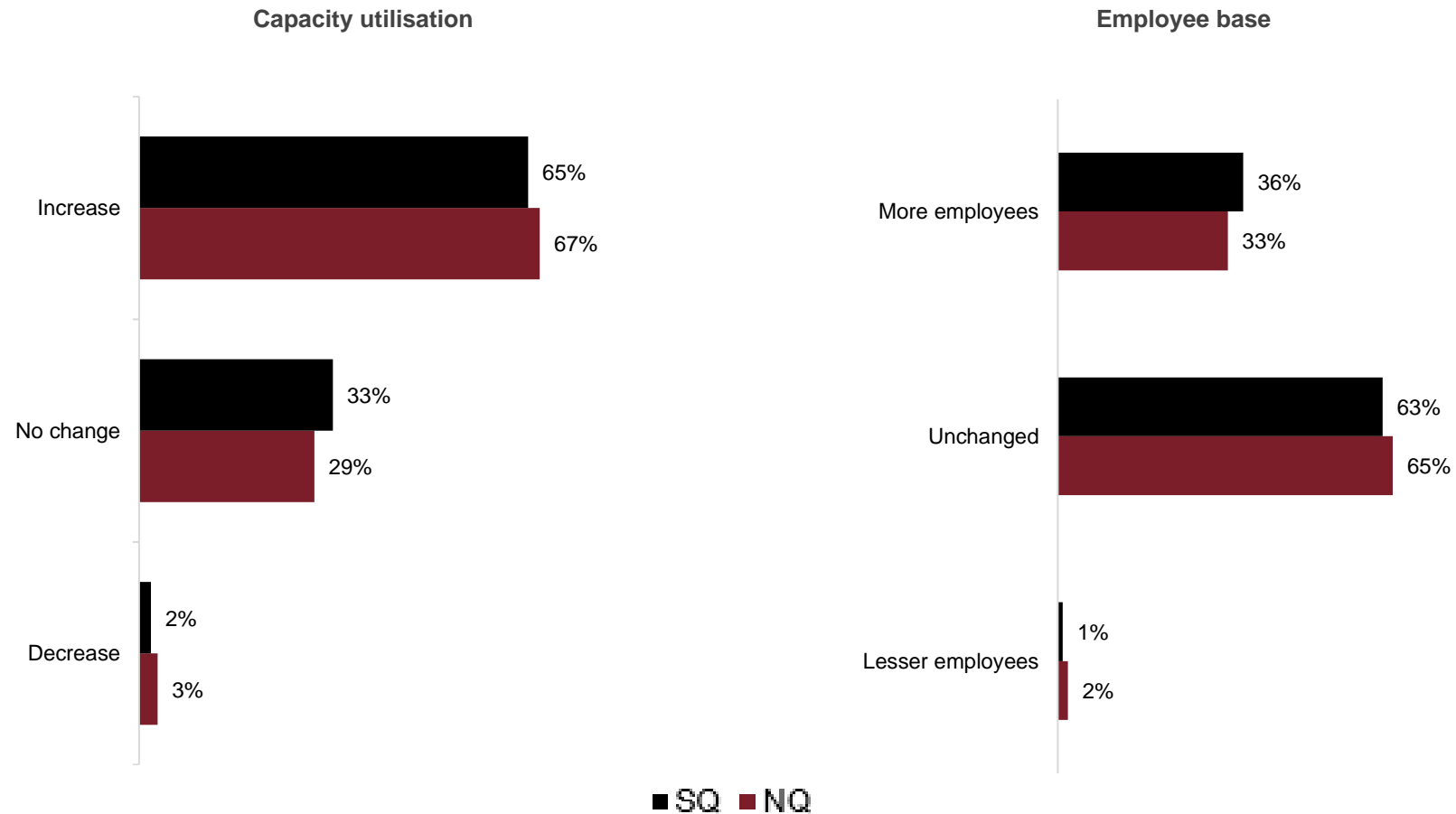
Inner doughnut represents SQ and outer doughnut represents NQ

Growth spur to continue, with more than 60% respondents stating production volume increase seen in SQ and NQ

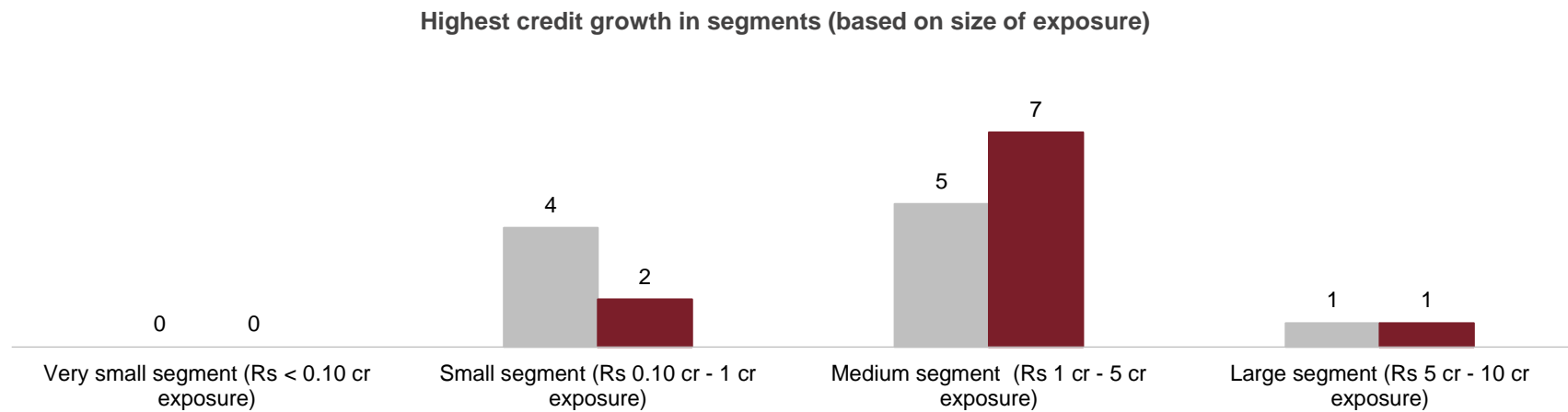
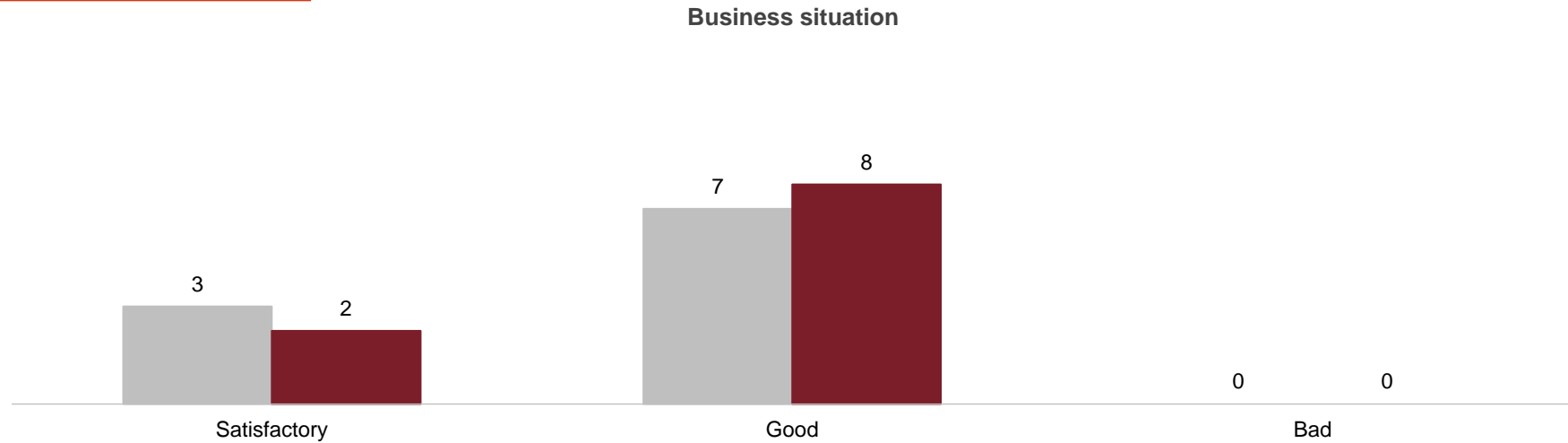
Production volume by industry – manufacturing



Higher production to aid capacity utilisation; hiring largely unchanged

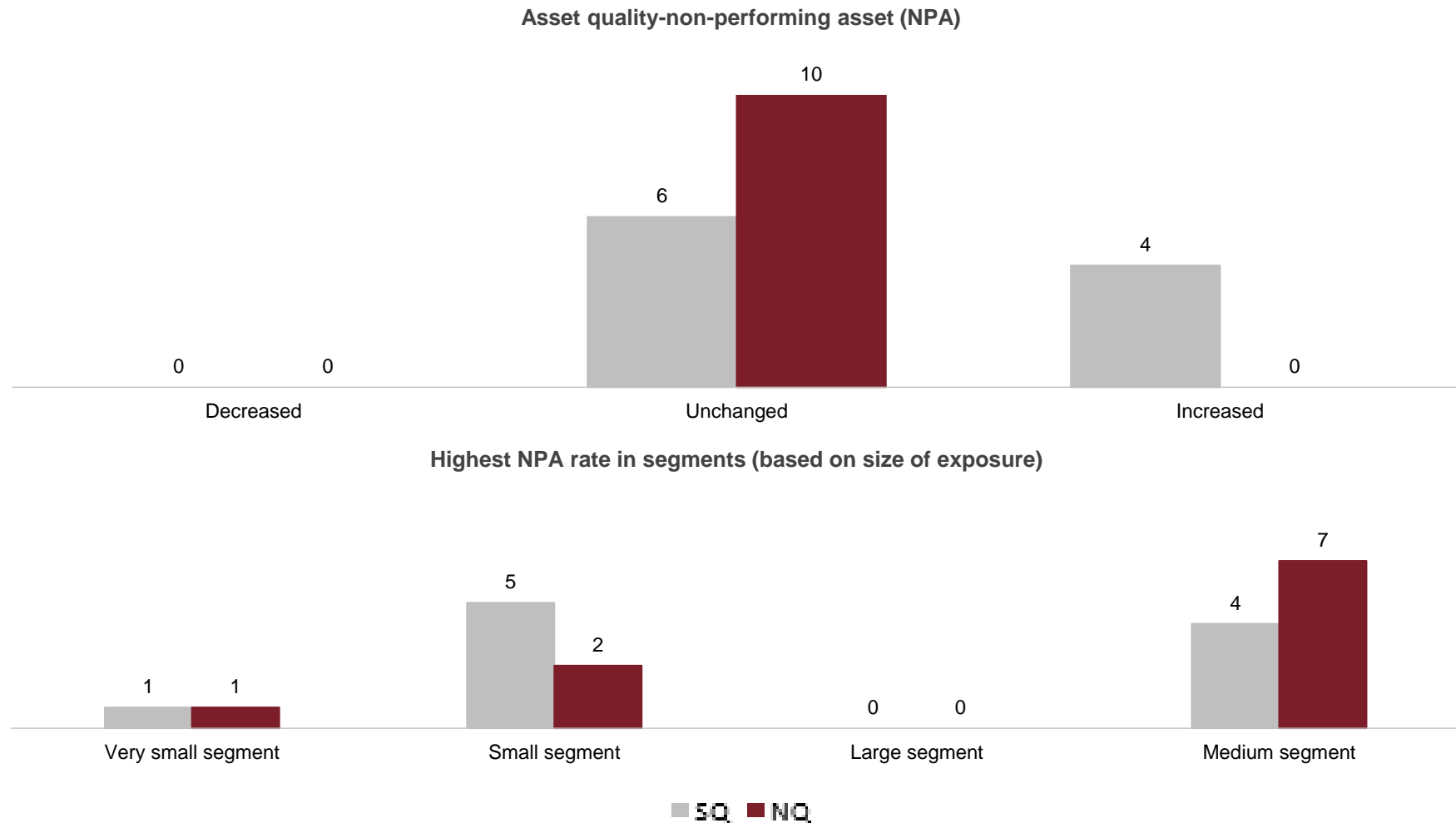


Lender are upbeat on business situation; highest credit growth in medium segment



■ SQ ■ NQ

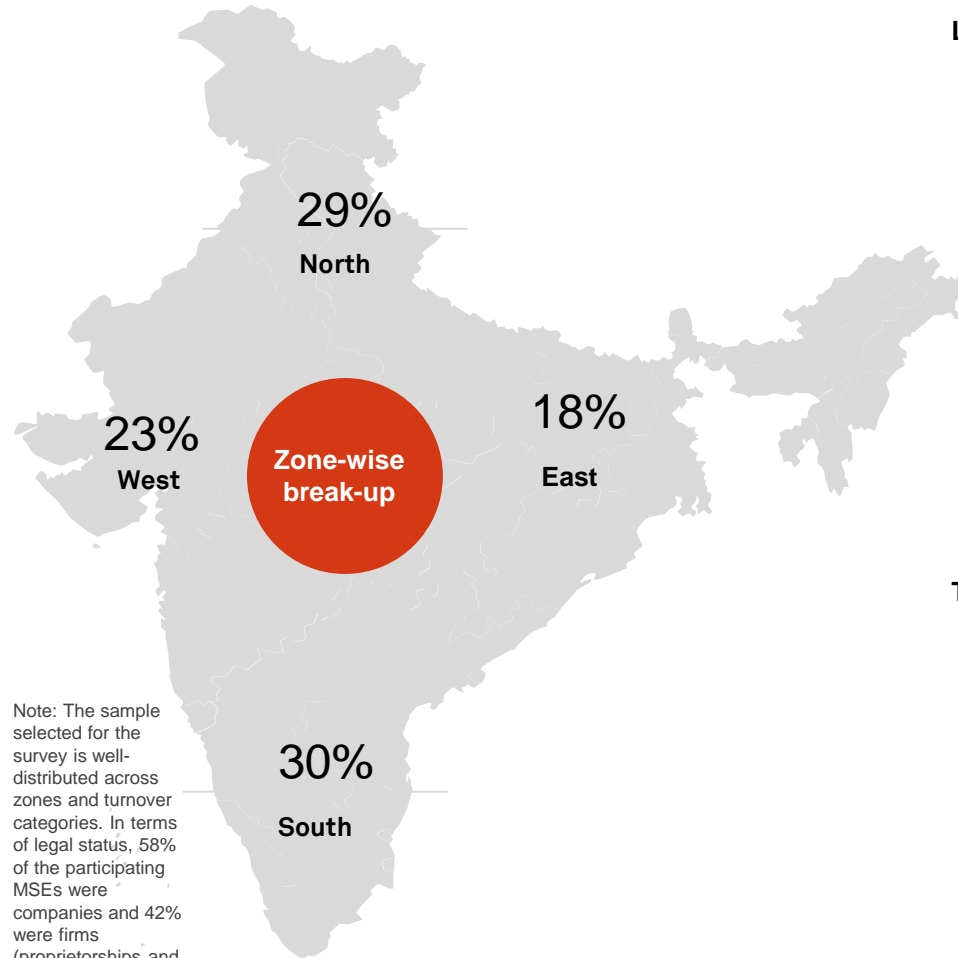
However, lenders see no improvement in asset quality





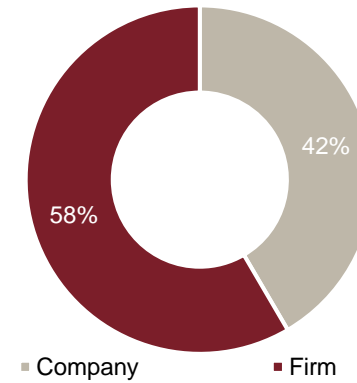
Annexures

Sample summary

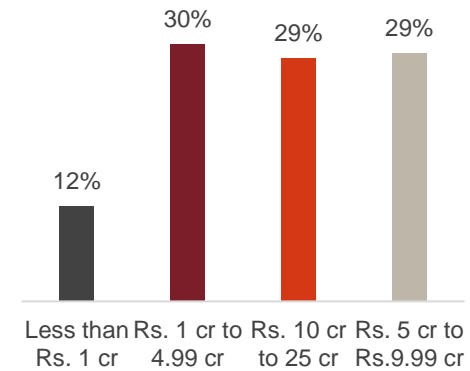


Note: The sample selected for the survey is well-distributed across zones and turnover categories. In terms of legal status, 58% of the participating MSEs were companies and 42% were firms (proprietorships and partnerships)

Legal status break-up



Turnover-wise break-up



Glossary

Broad products/ services included under respective segments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

About CRISIL Limited

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better.

It is India's foremost provider of ratings, data, research, analytics and solutions with a strong track record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights, and efficient solutions to over 100,000 customers through businesses that operate from India, the US, the UK, Argentina, Poland, China, Hong Kong and Singapore.

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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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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

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