

Press Release

February 22, 2019 | Mumbai

MSE sentiment ticks up: CriSidEx

Both manufacturing and services units witnessed increased momentum in December quarter

Sentiment among micro and small enterprises (MSEs) improved in the quarter ended December 2018, the 5th CriSidEx survey shows.

At 128, the score was higher than 124 for the preceding quarter and also a significant improvement over 107 for the corresponding quarter a year ago which was still smarting from the impact of demonetisation.

The change over the previous quarter was driven by an increase in order book size and employee base for manufacturing MSEs and an increase in profit after tax margin and employee base for services MSEs.

To be sure, the December quarter had its share of favourable macroeconomic factors such as festive season, rupee depreciation, and a decline in oil prices, though it also bore the impact of headwinds such as the NBFC liquidity crunch.

Among service providers, 41% reported a good survey quarter, indicating improvement over all previous surveys. Among manufacturers, 42% reported a good quarter – an improvement over the quarter immediately preceding it.

By and large, the respondents expected the feel good to hold in the next quarter, too.

Says Mohammad Mustafa, Chairman and Managing Director, SIDBI, “For January-March, both manufacturing and services MSEs were optimistic of a good business performance. Over 50% of the respondents each from manufacturing and services expected the positive momentum to continue. In the manufacturing space, pharmaceuticals, gems & jewellery, and chemicals, and in services, professional services, traders, logistics and power & power utilities are the most optimistic.”

Among other trends, smaller MSEs had a better outing in the survey quarter – at 49% of those with less than 10 employees compared with 44% of those with more than 25 employees.

In terms of order book, 41% of the MSEs reported an increase, higher than 27% in October-December 2017.

Export-oriented MSEs fared better than their domestic peers, with 48% reporting an increase in order book as against 41% of domestic peers. For the first time in the five surveys so far, exporters reporting a good quarter surpassed domestic market-focused units.

Among importers, the share of respondents who increased their procurements in October-December spurted to 25%, from 14% the previous quarter – the highest any survey so far.

In term of volume of production, as much as 57% of manufacturing MSEs expected an increase in production in the January-March quarter and only 6% expected it to be lower. Capacity utilisation was expected to broadly mirror the production trends.

Employment improved, with 20% of the MSEs reporting additions to their employee base in October-December compared with 14% in July-September. What's more, 26% expected to add employees in the January-March quarter, while only 6% intended to reduce headcount.

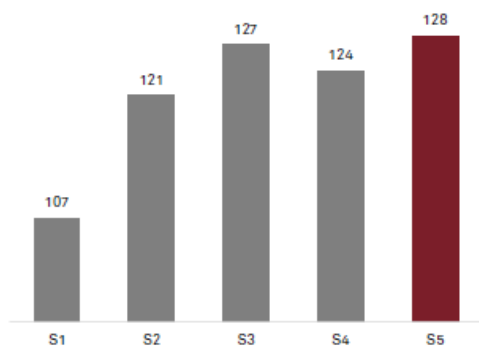
At the other end, lenders expected a minor improvement in asset quality.

Says Amish Mehta, Chief Operating Officer, CRISIL Ltd, "Three out of 10 lenders surveyed saw an improvement in the overall business situation of MSEs and 5 out of 10 rated it as satisfactory. These lenders expected the business situation to remain unchanged in January-March – with 3 out of 10 having a positive outlook on MSEs."

That said, the lenders expected the weakness in MSE asset quality to marginally reduce, with 5 out of 10 believing NPAs in the segment will not change, 4 in 10 believing it will decrease, and only 1 in 10 believing it will increase.

Annexure

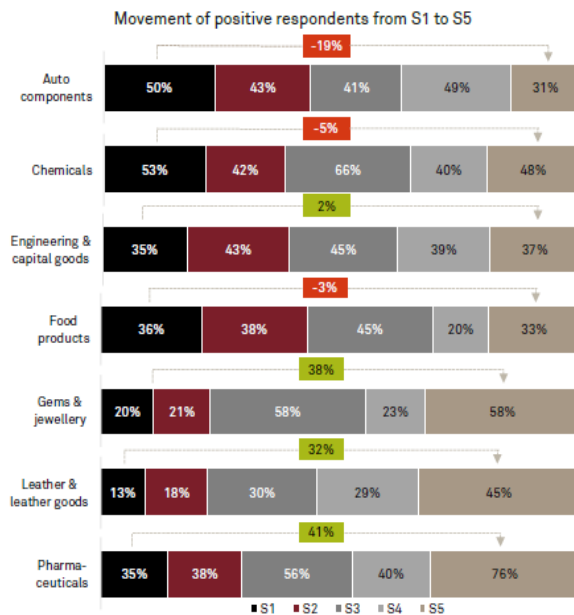
CriSidEx score indicates an upbeat MSE sector



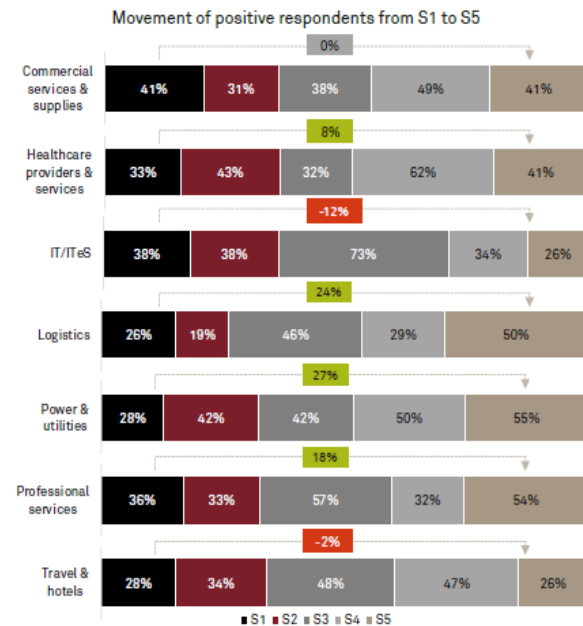
Abbreviations

CriSidEx survey	Survey quarter (SQ)	Next quarter (NQ)
Survey 1 (S1)	October-December 2017 (SQ1)	January-March 2018 (NQ1)
Survey 2 (S2)	January-March 2018 (SQ2)	April-June 2018 (NQ2)
Survey 3 (S3)	April-June 2018 (SQ3)	July-September 2018 (NQ3)
Survey 4 (S4)	July-September 2018 (SQ4)	October-December 2018 (NQ4)
Survey 5 (S5)	October-December 2018 (SQ5)	January-March 2019 (NQ5)

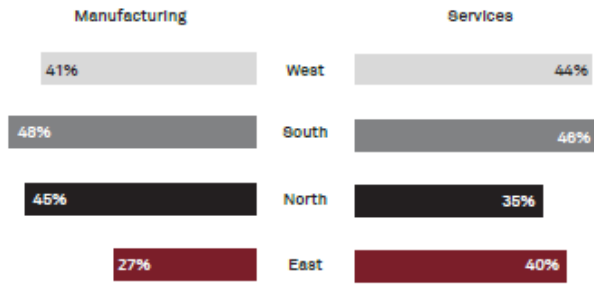
Manufacturing



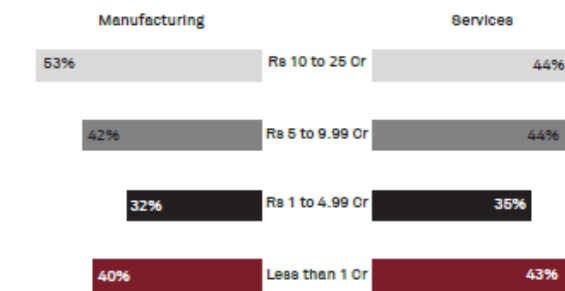
Services



Services doing better in east, manufacturing in north



Larger MSEs more positive in manufacturing, smaller ones in services



% represent share of positive respondents

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Small Industries Development Bank of India (SIDBI), is the Principal Financial Institution for the Promotion, Financing and Development of the Micro, Small and Medium Enterprise (MSME) sector and for Co-ordination of the functions of the institutions engaged in similar activities.

The business domain of SIDBI consists of Micro, Small and Medium Enterprises (MSMEs), which contribute significantly to the national economy in terms of production, employment and exports.

SIDBI meets the financial and developmental needs of the MSME sector with a Credit+ approach to make it strong, vibrant and globally competitive.
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