



CriSidEx

survey for
January-March 2022 and
April-June 2022

Sentiment on the mend

October 22 | Volume 18



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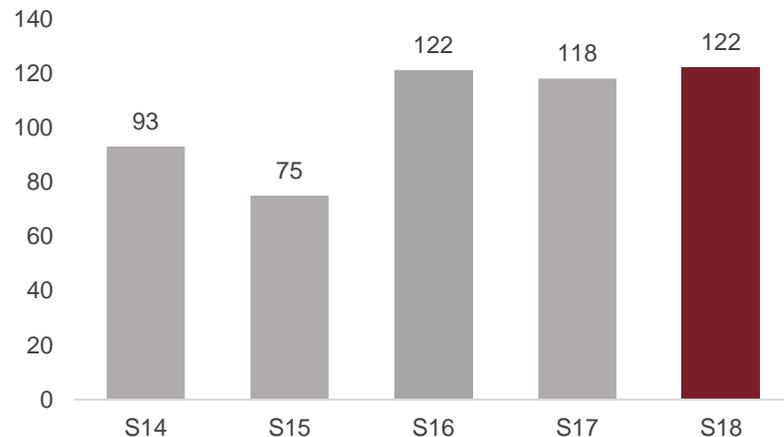
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Contents

Comparison across surveys	13
Sentiment in S18	19
Annexures	24

High on-year index growth; signs of recovery



The CriSidEx* score of 122 for January-March 2022 (Survey 18 or S18) was higher than the corresponding period of last year (S14) and the previous quarter (S17).

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 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)
Survey 18 (S18)	January-March 2022 (SQ18)	April-June 2022 (NQ18)

On-year movement in index parameters

Manufacturing

Component Parameters	Actual		
	S14	S18	S18 - S14
Volume of production	108	137	29
Order-book size	105	142	37
PAT Margin	94	106	12
Capacity utilisation	102	137	35
Employee base	89	108	19
Manufacturing Index	100	126	26

Services

Component Parameters	Actual		
	S14	S18	S18 - S14
Order-book size	97	136	39
PAT margin	81	102	21
Employee base	85	114	29
Services Index	87	117	30

Positive

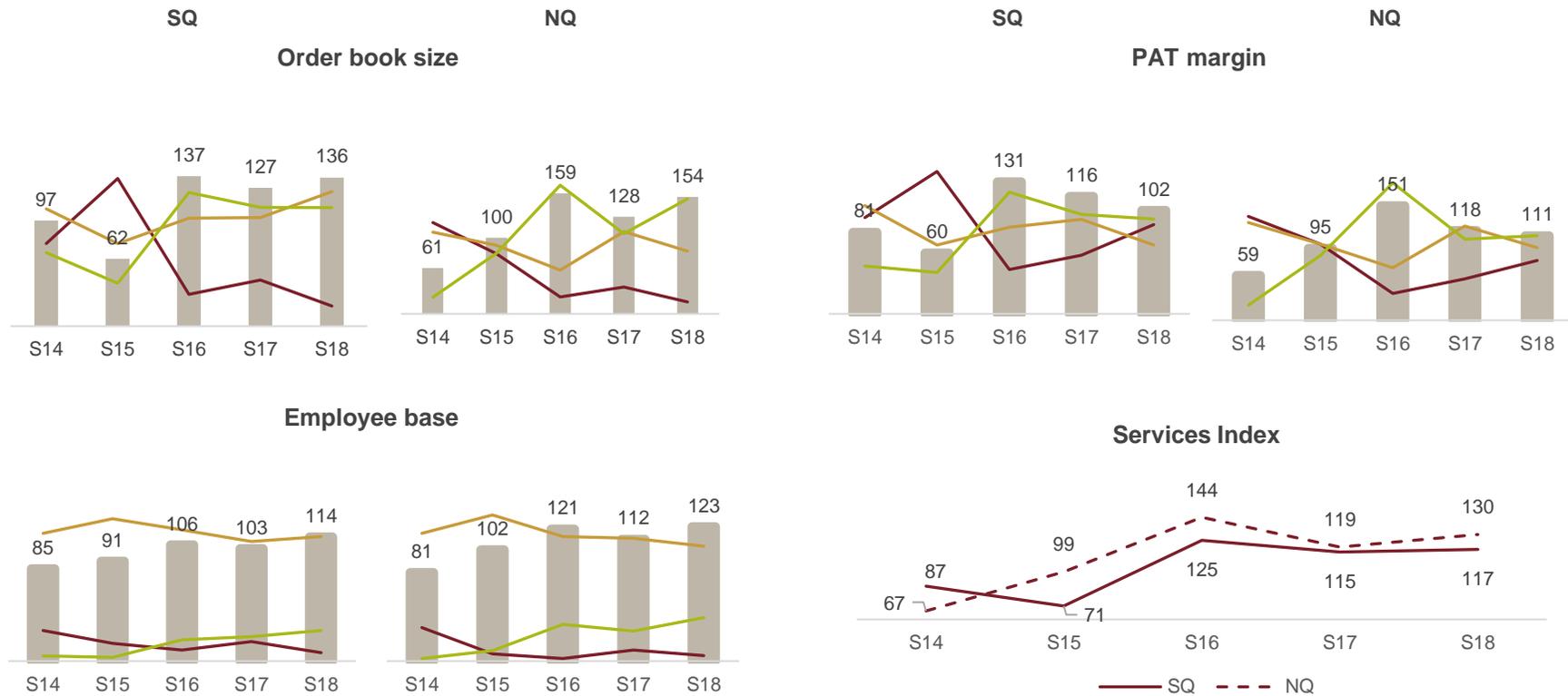
Negative

On-year increase in index is steeper in the services sector than in manufacturing. The Manufacturing and Services Index improved highest on order book size, and lowest on PAT margin

Order book size index was the highest for manufacturing sector for SQ as well as NQ



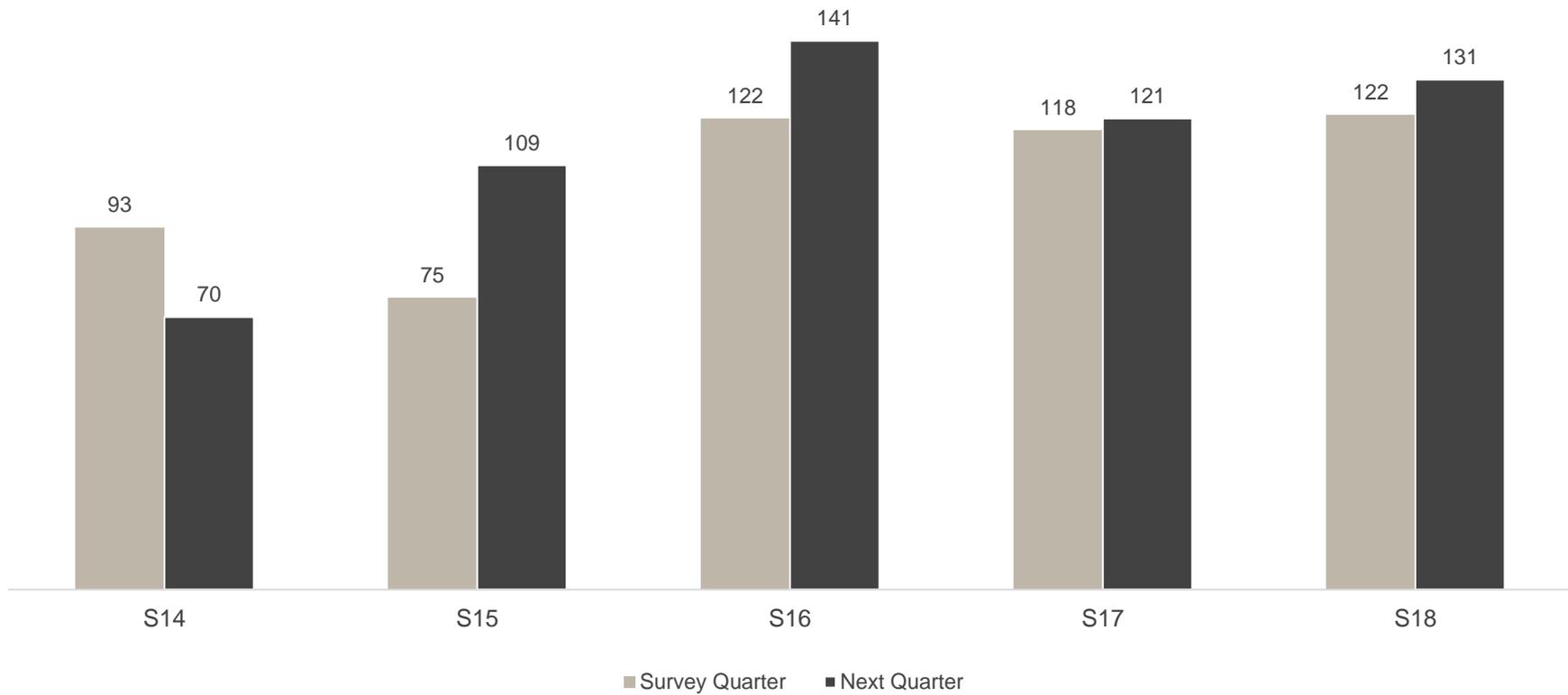
Order book size index was the highest for services sector for SQ as well as NQ



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

Overall CriSidEx score

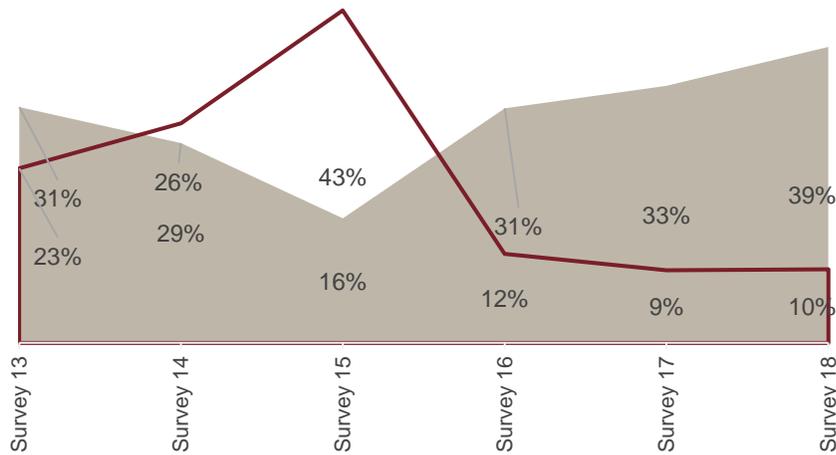
The overall CriSidEx index (manufacturing + services) at **122** in SQ18 reflected over **31%** on-year improvement. In NQ18, it improved a further **7%** to **131**



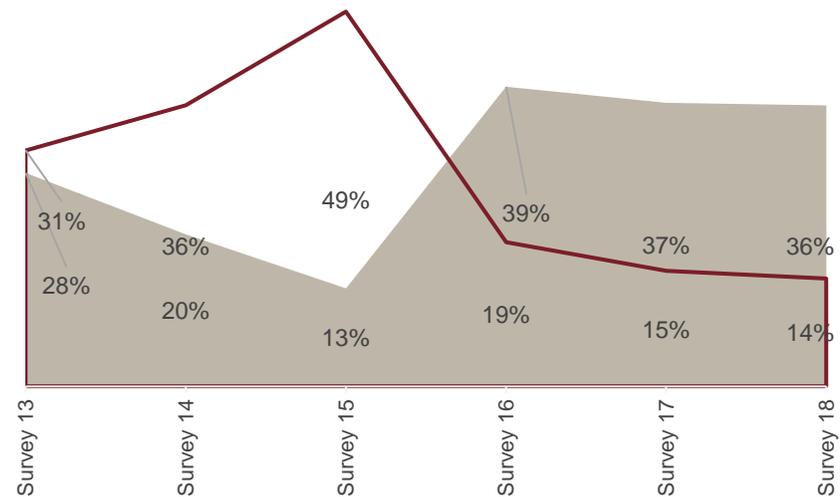
Business sentiment

In SQ18, the share of positive respondents jumped to **39%** for manufacturing and **36%** for services

Manufacturing



Services

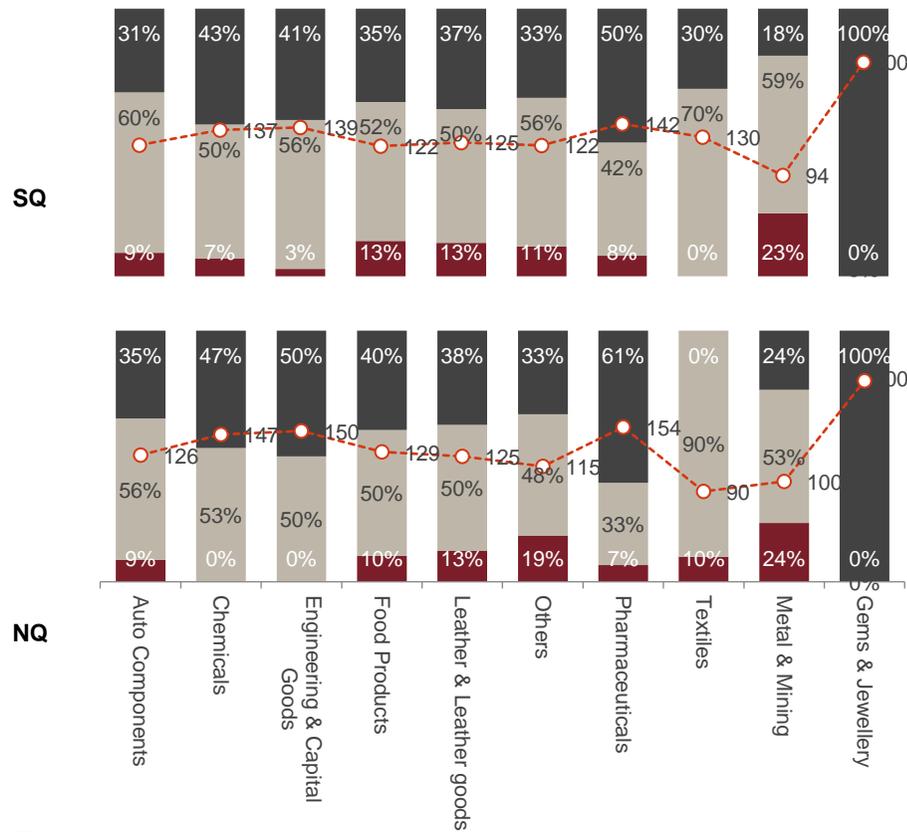


■ % of respondents who reported a good quarter ■ % of respondents who reported a bad quarter

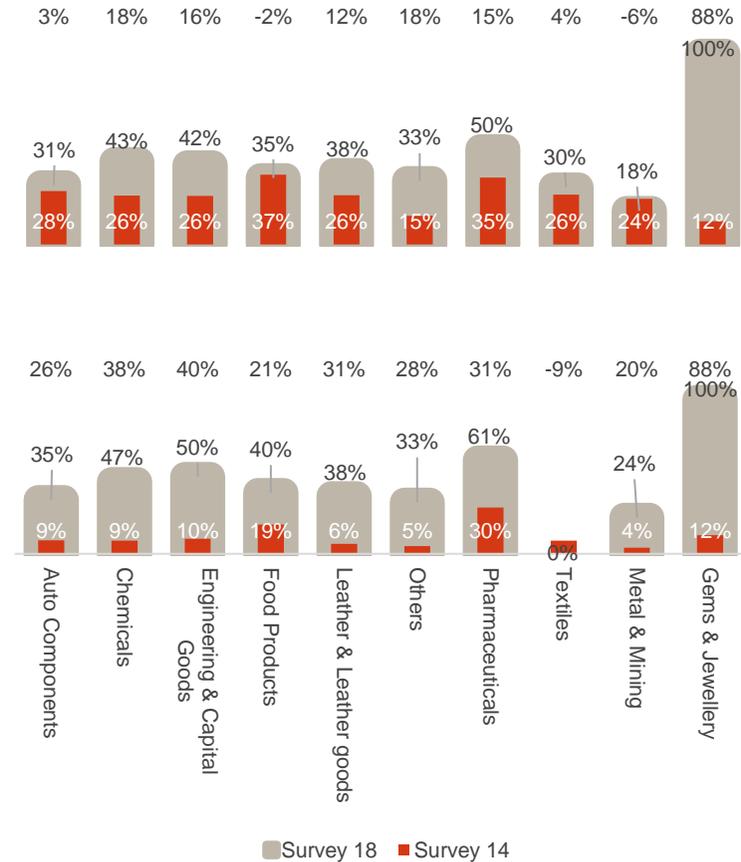
Sentiment improved in Q4 fiscal 2022 as impact of the omicron wave was limited to January. Growth was seen across sectors as economic activity picked up. Price hikes and firm commodity prices supported growth. Most macro indicators are pointing towards a healthy economic performance in the April-June quarter of the current fiscal. However, inflation remains a key monitorable.

Business sentiment: sector-wise break-up – manufacturing

Sector-wise sentiment mapping



On-year positive sentiment growth

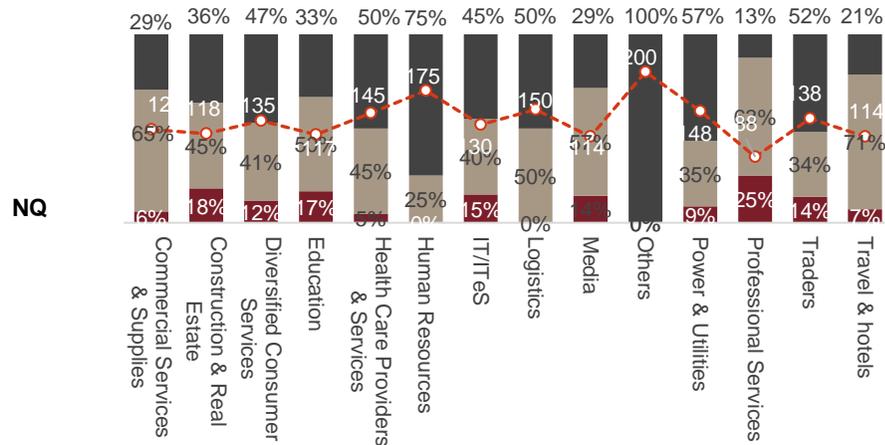
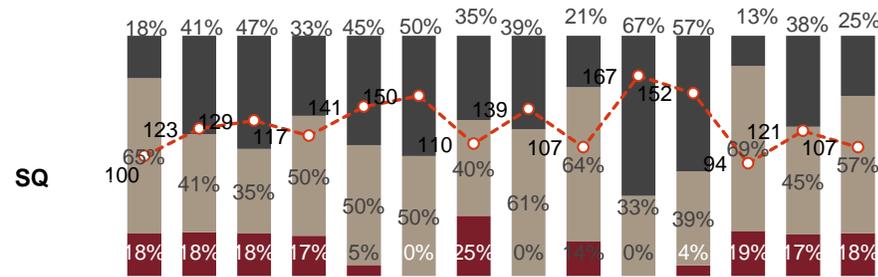


■ % of respondents who reported a good quarter
■ % of respondents who reported a bad quarter
■ % of respondents who reported a satisfactory quarter
-○- Index

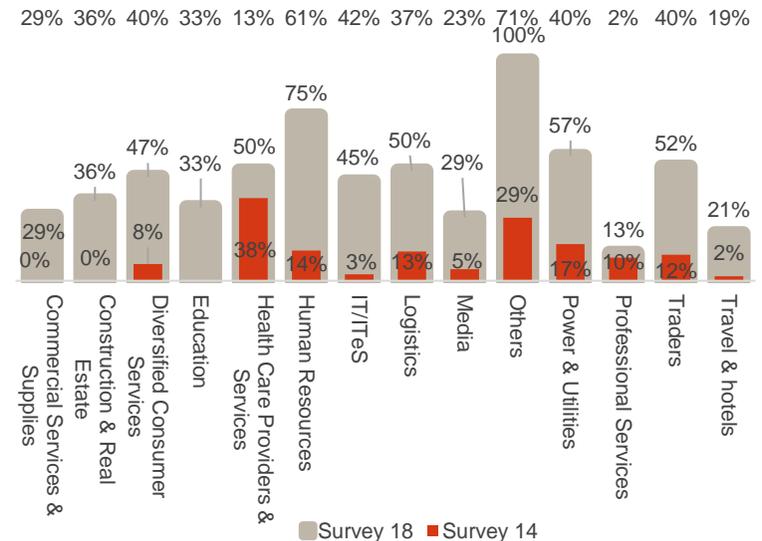
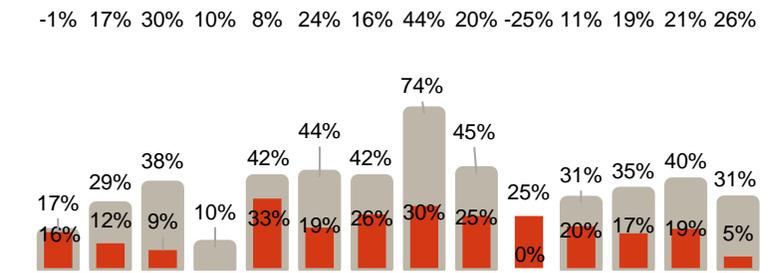
■ Survey 18 ■ Survey 14

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

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 the 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, 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 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 geographic representation

Covers exporters and importers, besides domestic firms

How to read CriSidEx

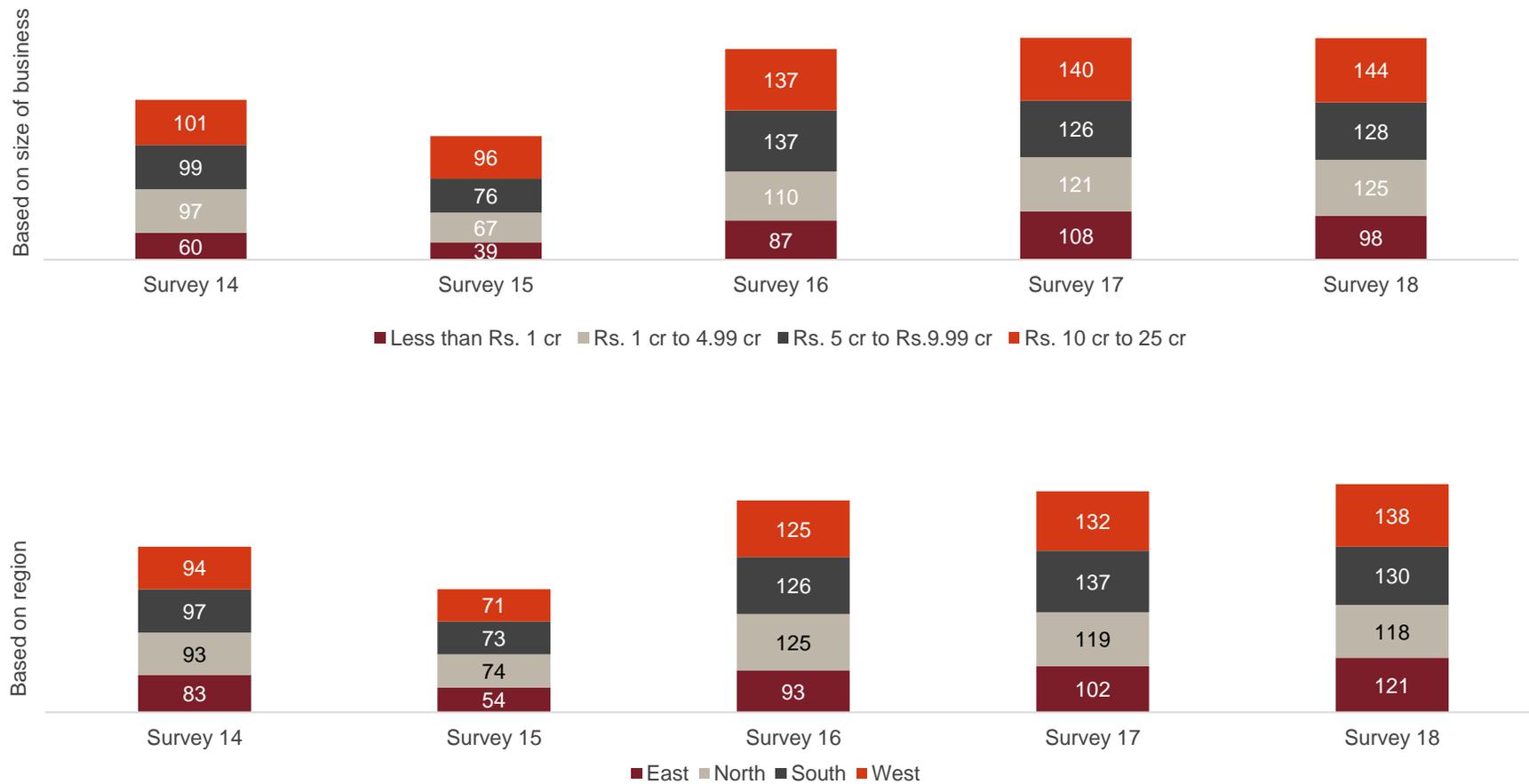
CriSidEx is a sentiment index, and hence a qualitative measure of the mood. Respondents are asked to assign qualitative, rather than quantitative, inputs to variables of their interest. Thus, they may not necessarily refer to actual data related to their enterprises when responding to the survey. For 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>



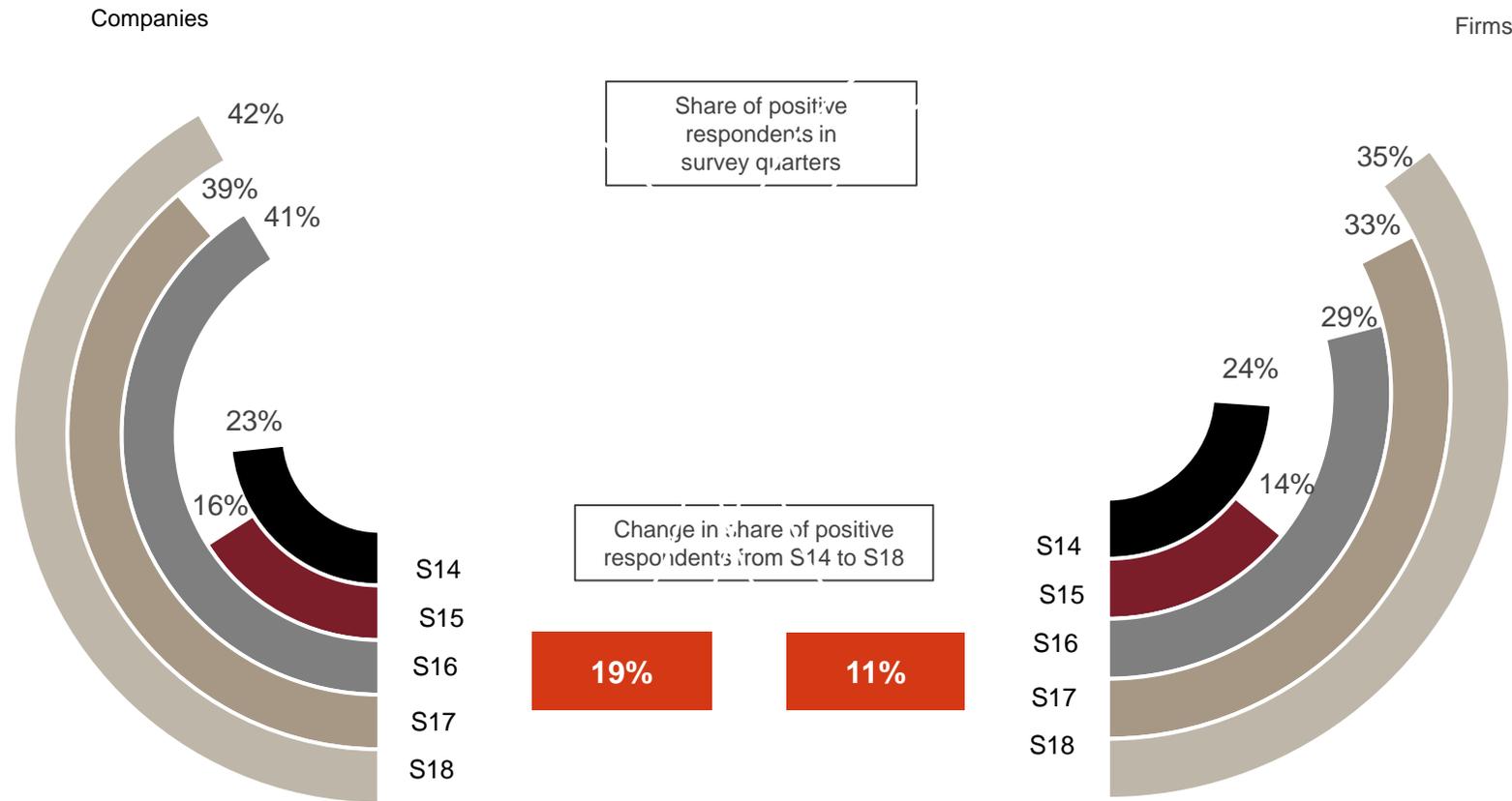
Comparison across surveys

Sentiment improved across all businesses barring the < Rs 1 crore segment; higher optimism witnessed in the west and east



% represents the share of positive respondents

Companies more resilient than firms



- Positive sentiment much higher for companies than for firms
- Compared with S14, companies showed better improvement (19%) in the share of positive respondents than firms (11%)

Sector underpinnings

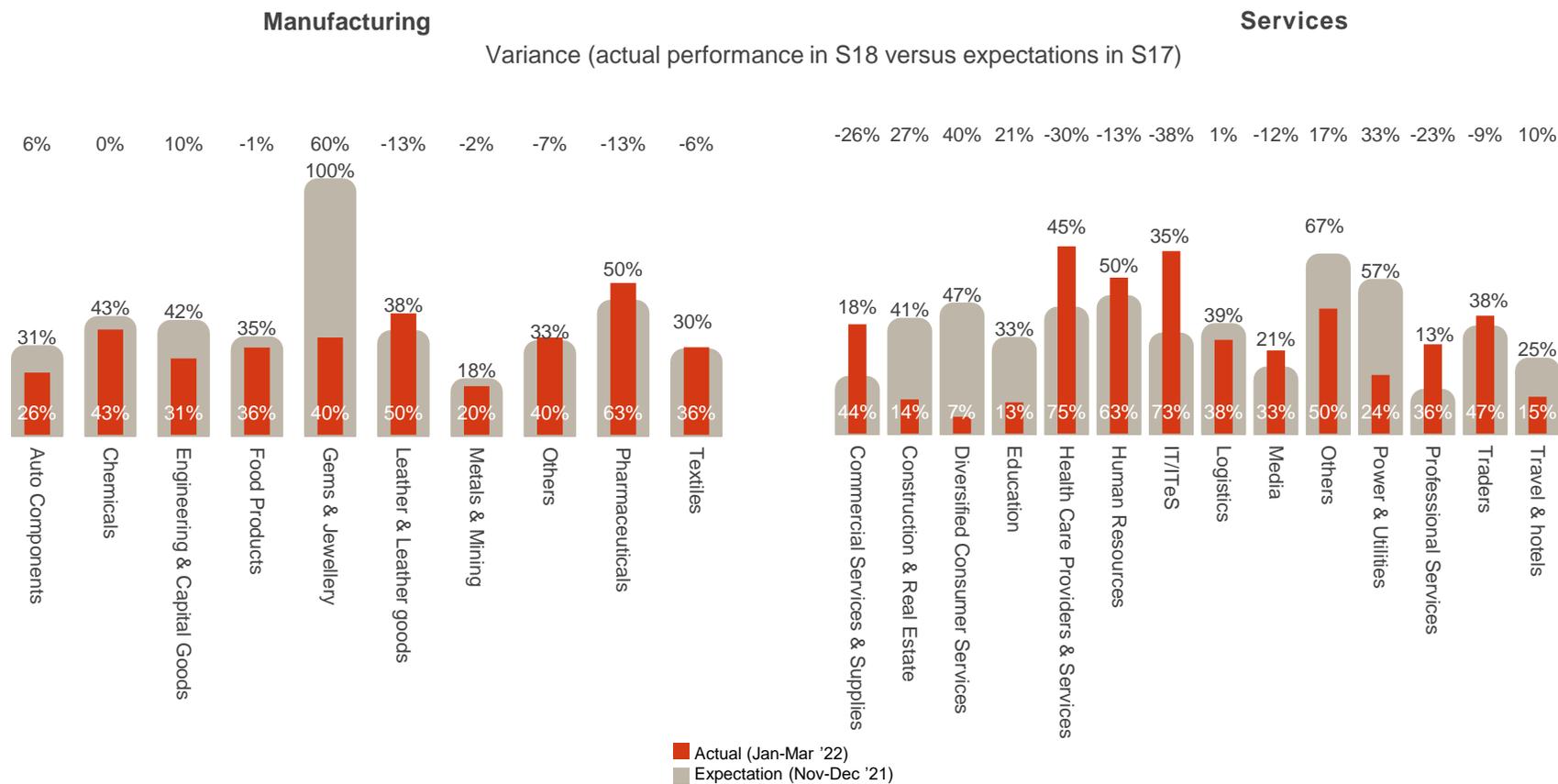
	Auto components	<p>In Q4FY22, demand for automotive components improved on-year and sequentially owing to pick-up in demand from domestic original equipment manufacturers (OEMs) due to higher demand for passenger and commercial vehicles. The aftermarket witnessed an uptick as well due to increase in economic activities and pent-up demand. Export offtake increased owing to improved demand from Europe and North America. In Q1FY23, sentiment is estimated to have improved sequentially and on-year as overall demand recovery was better paced with higher offtake from the OEMs led by passenger and commercial vehicles, with production across all vehicle segments better due to relaxation of mobility restrictions and easing semiconductor shortage. Export demand is expected to be robust due to healthy demand from international OEMs. Easing semiconductor shortage might bolster exports demand further.</p>
	IT/ ITeS	<p>The IT/ITes sector witnessed strong growth momentum in Q4FY22, largely due to the increased share of digital revenue across the sectors. All the ticket sizes recorded a strong bounce-back. The shift towards analytics and data management, driven by exponential growth in data and the need to assimilate the same across a range of applications, is estimated to have supported growth momentum in Q1FY23.</p>
	Engineering & capital goods	<p>Performance of the sector improved on-year as well as sequentially in Q4FY22, owing to revival in economic activities, rising demand from the end-user industries, pick up in capex spends, and increased exports. Healthy support was witnessed from the auto sector as easing semiconductor shortage backed by pent-up demand helped players increase their production. In Q1FY23, demand is estimated to have improved both sequentially and on-year as higher capex spends, increased production of automobiles owing to easing semiconductor shortage, better rural sentiments backed by normal monsoon, and improving infrastructure and industrial activities boosted demand for engineering and capital goods.</p>
	Gems & jewellery	<p>Check on discretionary spending by consumers on account of the Omicron wave impacted gold demand in Q4FY22. Volatile gold prices also led to purchase deferment by the consumers. A low base coupled with wedding and festive demand is estimated to have led to good on-year growth in gold demand in Q1FY23.</p>
	Travel & hotels	<p>Sentiment improved on-year and on-quarter in Q4FY22, as impact of the Omicron wave was limited to January, and both leisure and corporate travel demand rebounded strongly once the impact of the wave abated, leading to strong demand recovery in the rest of the quarter. Travel demand is estimated to have improved in Q1FY23, as the intensity of the pandemic waned, while the year-ago quarter was heavily impacted due by the second wave, coupled with resumption of scheduled international passenger flights. Also, occupancy levels at hotels reached near pre-pandemic levels. However, high ticket prices are an air-pocket for the travel industry.</p>
	Logistics	<p>Sentiment improved on-year and on-quarter in Q4FY22, boosted by near normalcy in the economy, leading to healthy freight movement, and increased load availability leading to rising fleet utilisation levels and uptick in freight rates boosting transporter profitability. In Q1FY23, sentiment is estimated to have improved sequentially and on-year as load availability was higher both on-year and on-quarter, while freight rates are estimated to have increased 30% on-year compared with only 12% increase in diesel process on-year, leading to improving profitability.</p>
	Food products	<p>In Q4FY22, growth was led by discretionary/out-of-home categories such as snacks, chocolates, cakes, while the staples and convenience category posted resilient performance. Due to price hikes, price-led growth was higher than volume growth. Grammage cut has weakened demand for smaller packets. Price hike by players to counter the rising cost of raw materials is estimated to have impacted demand in Q1FY23. Higher prices of wheat, maida, sugar and gram will impact prices of biscuit and RTE/RTC manufacturers, while anticipated decline in prices of palm oil will benefit snacks manufacturers.</p>



Expectations in
S17 versus actual performance in **S18**

Services continue to fall short of expectations

Highest variance for ITeS, healthcare providers, and commercial services and supplies



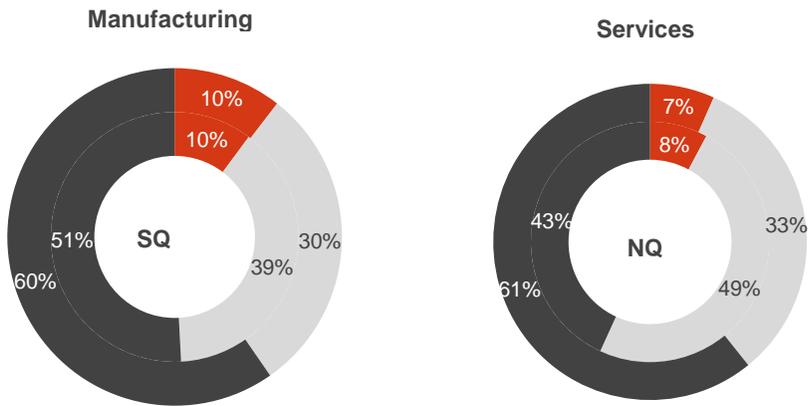
% represent share of positive respondents



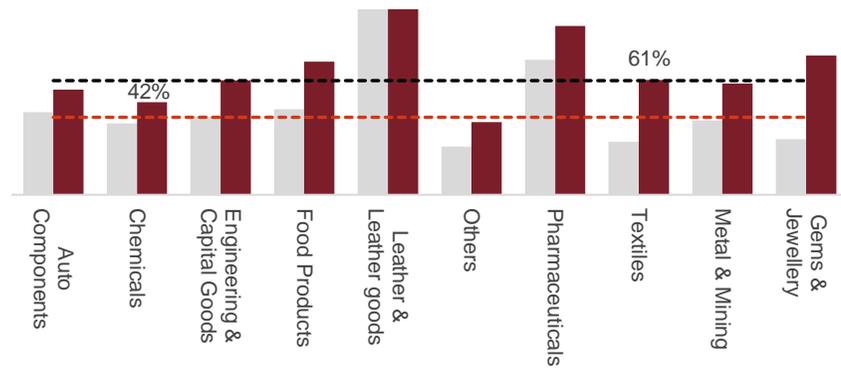
Sentiment in **S18**

Leather and pharma outperformed in terms of order book size in the manufacturing sector; logistics and IT/ ITeS posted a strong pipeline of orders in the services sector

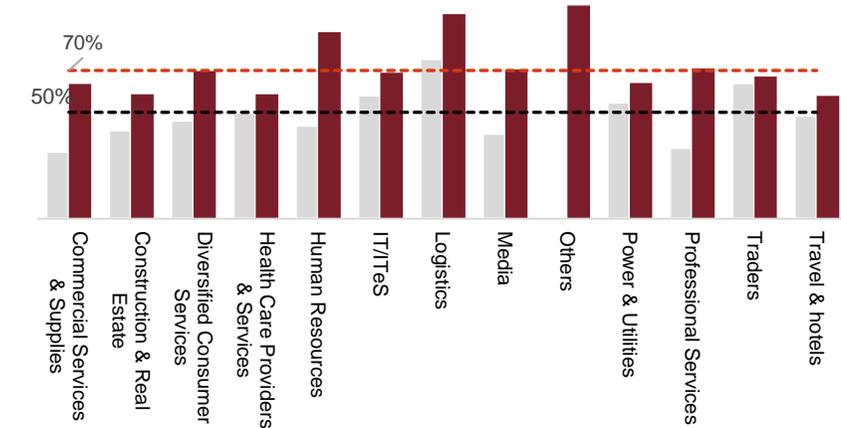
Order book size – domestic



Manufacturing



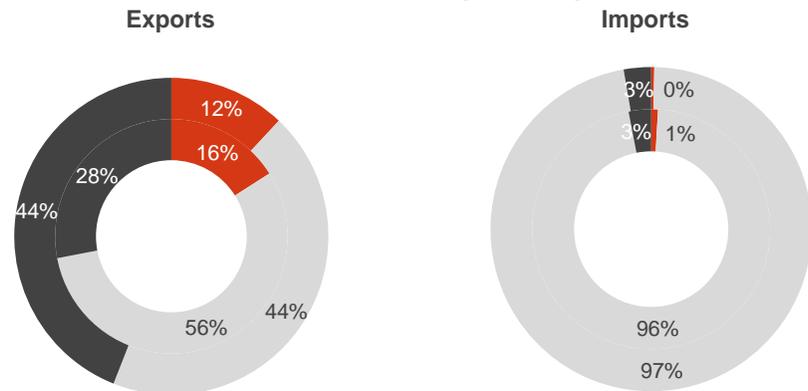
Services



Industry average NQ

Industry average SQ

Order book size – exports/ imports

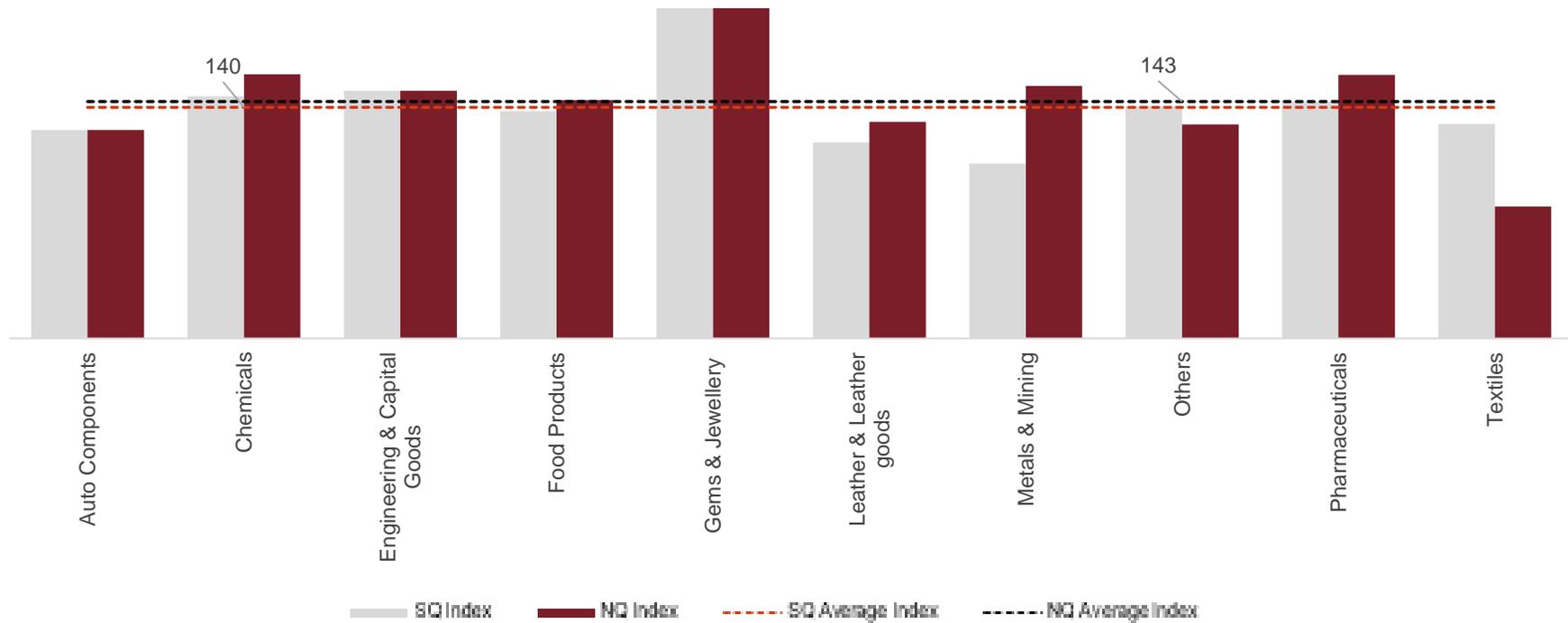


Decrease No change Increase

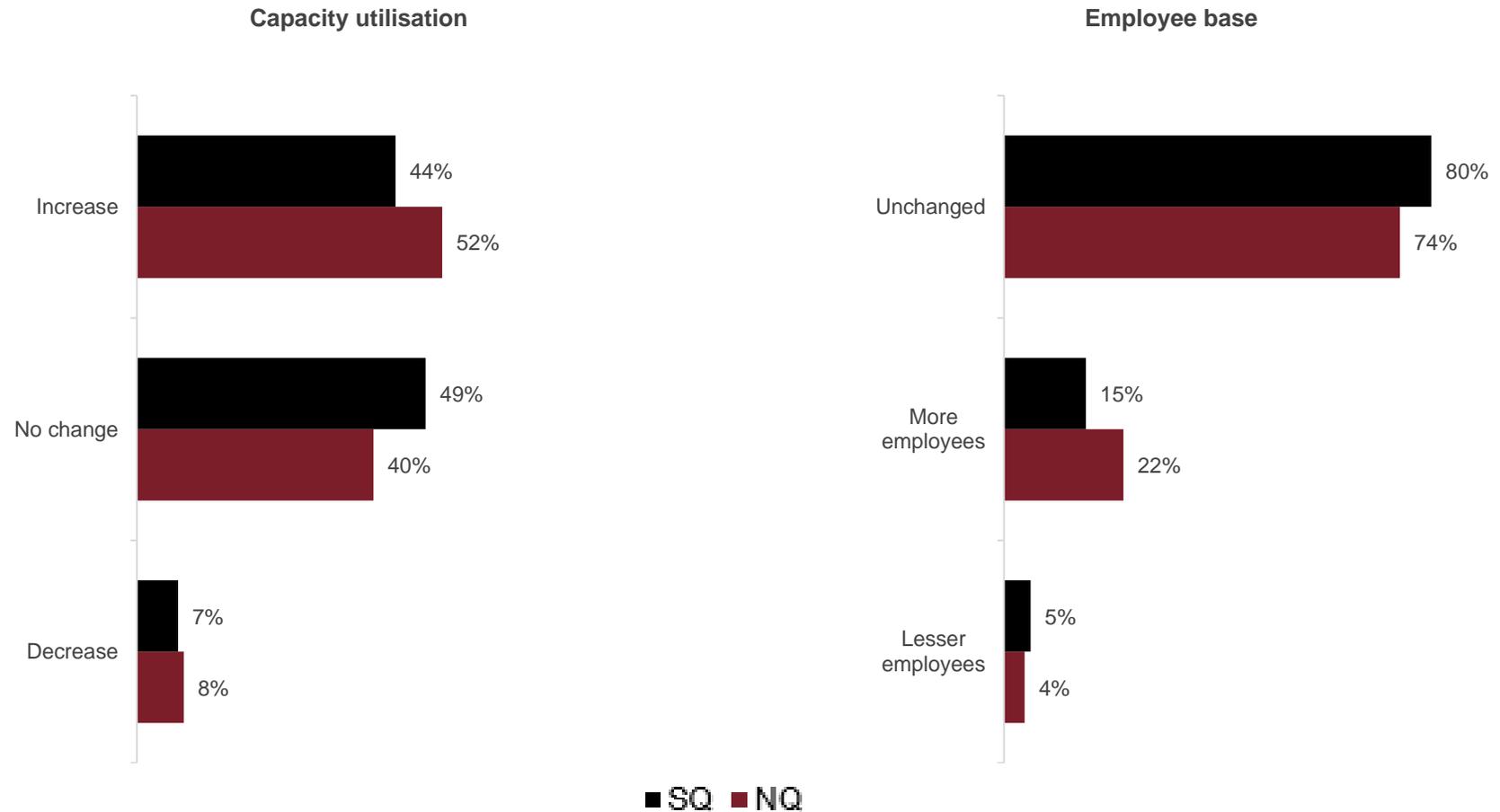
Inner donut represent SQ and outer donut represents NQ

Gems and jewellery, chemicals and pharma outperformed in the manufacturing sector

Production volume by industry – manufacturing

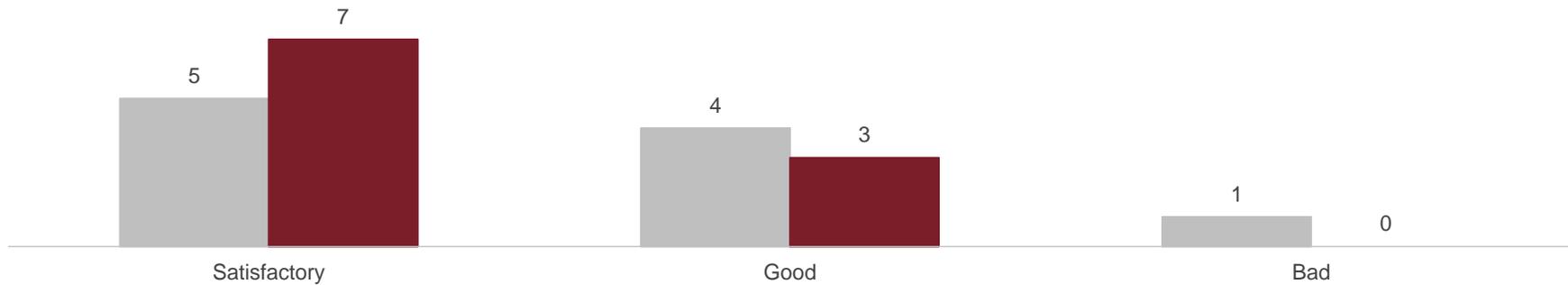


A headway in capacity utilisation, net additions envisaged in employee base for NQ

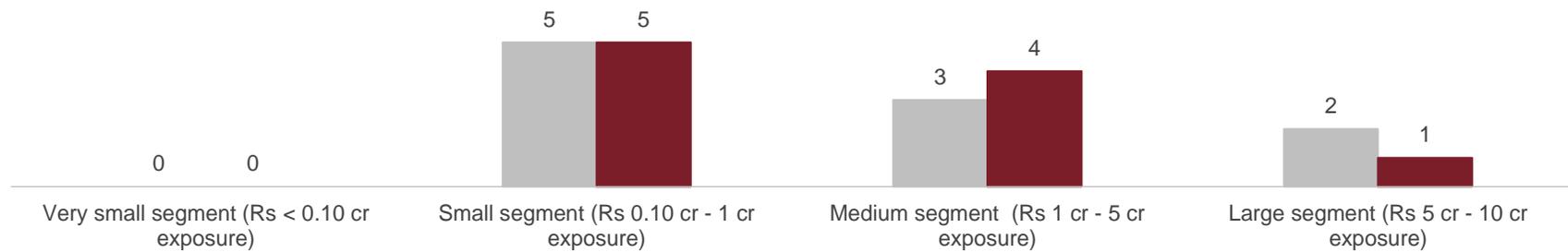


Recovery in business sentiment of lenders

Business situation



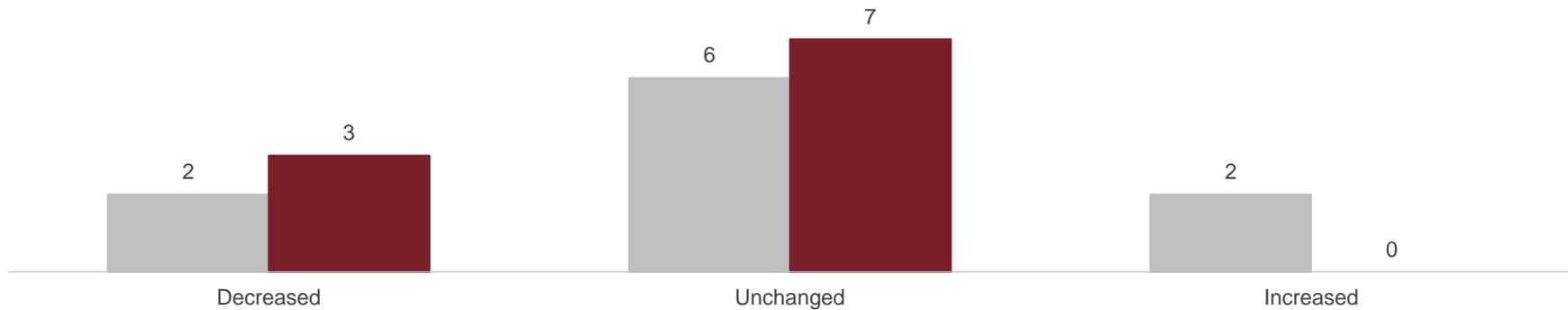
Highest credit growth in segments (based on size of exposure)



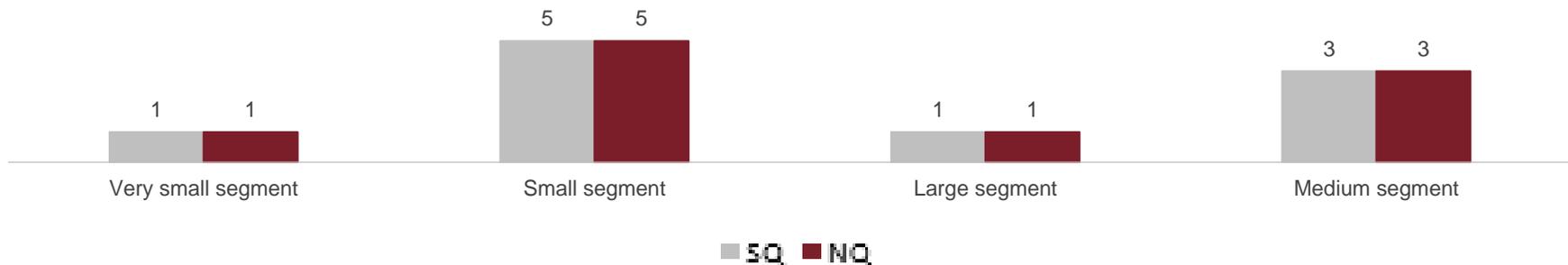
■ SQ ■ NQ

Lenders expect small and medium segment to post highest NPAs

Asset quality-non-performing asset (NPA)



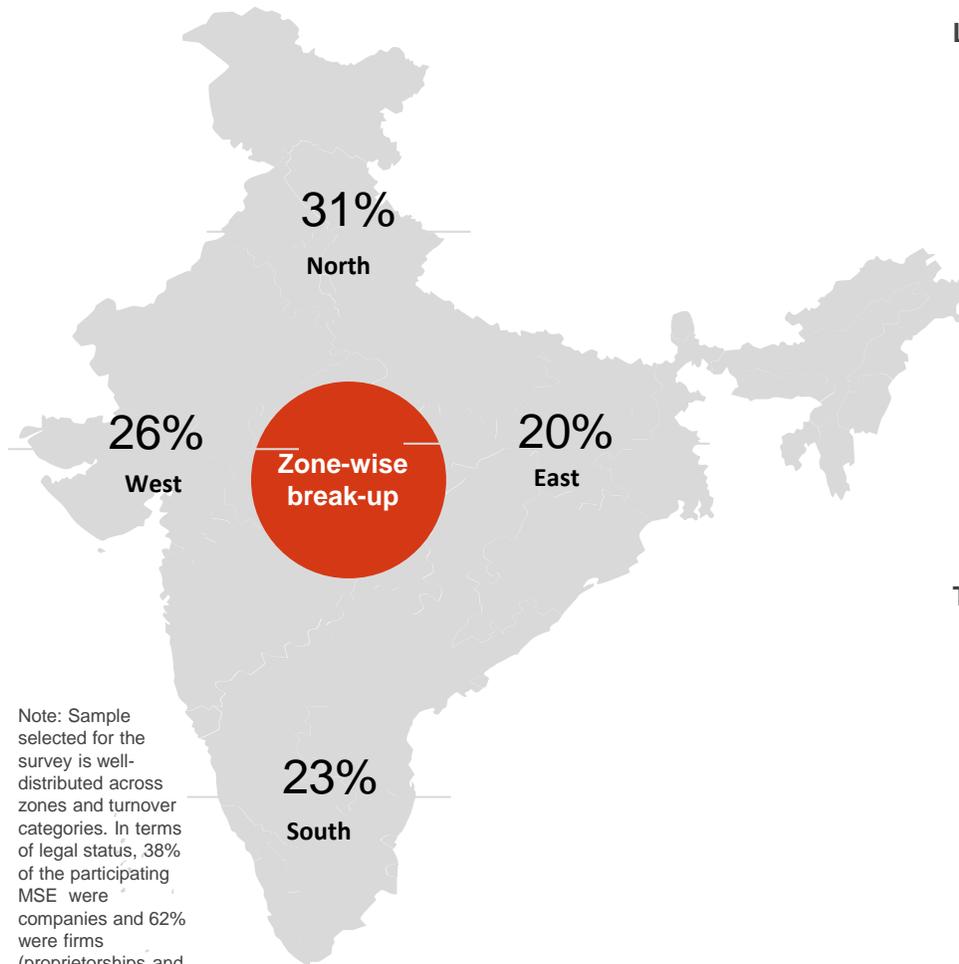
Highest NPA rate in segments (based on size of exposure)





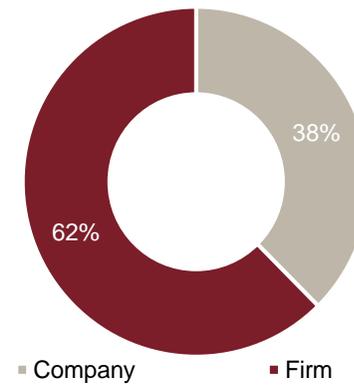
Annexures

Sample summary

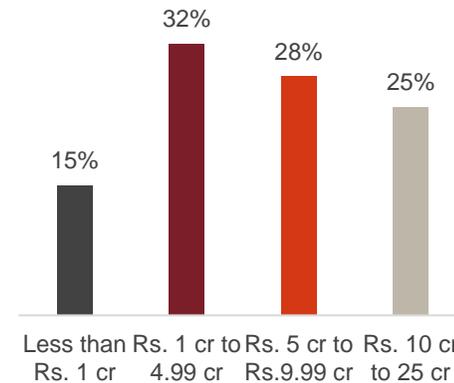


Note: Sample selected for the survey is well-distributed across zones and turnover categories. In terms of legal status, 38% of the participating MSE were companies and 62% were firms (proprietorships and partnerships)

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 & capital goods comprise elevator parts, crane manufacturing, machinery parts, cutting tools, etc

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

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

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

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

Commercial services & supplies comprise all types of printing, Car rental services, security system installation, etc

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

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

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

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

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

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

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

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

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

Metal & 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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