

## Press Release

November 20, 2018 | Mumbai

### **CriSidEx shows MSE sentiment intact despite headwinds**

Half of both manufacturing and services units see momentum sustaining this quarter

Sentiment among micro and small enterprises (MSEs) was largely intact in the quarter ended September despite a plethora of headwinds, including seasonality, rising crude oil prices, rupee depreciation, and the fact that it follows the usually buoyant fiscal first quarter, readings from the 4<sup>th</sup> CriSidEx survey show.

At 124, the latest CriSidEx score was a notch below 127 in the quarter ended June, but well above 121 in the March quarter and 107 in the one through December 2017. The change in index was driven by an increase in the share of respondents reporting a satisfactory quarter, even as the share of those reporting negative sentiment was largely unchanged.

Among service providers, 38% reported a good survey quarter, indicating significant improvement over the four surveys. Among manufacturers, 37% reported a good quarter, similar to the first two surveys, though lower than the one immediately preceding it.

Interestingly, both manufacturing and services companies appear to be hoping October-December will be a better quarter.

A good 50% of the respondents each from manufacturing and services expect the positive momentum to continue in the next quarter. Auto components, engineering & capital goods, and metals & mining in manufacturing, healthcare, power & utilities and travel & hotel segments in services are the most optimistic.

Among other trends, larger MSEs had a better outing in the survey quarter – at 40% of those with more than 25 employees compared with 37% of those with less than 10 employees – and were also more optimistic on the next one.

Classifying by legal constitution, companies were more optimistic, with 41% reporting a good survey quarter, compared with 36% of firms.

In terms of order book, 40% of MSEs reported an increase, higher than in the first two surveys.

Export-oriented MSEs continued to lag domestic peers, with 37% reporting an increase in order book as against 40% for domestic peers.

However, the share of importers who increased their orders in July-September reduced to 14%, from 17% the previous quarter – the lowest in all four surveys – indicating the rupee depreciation had a role.

As much as 57% of manufacturing MSEs expecting an increase in production next quarter and only 5% expect it to be lower. Capacity utilisation is expected to broadly mirror the production trends.

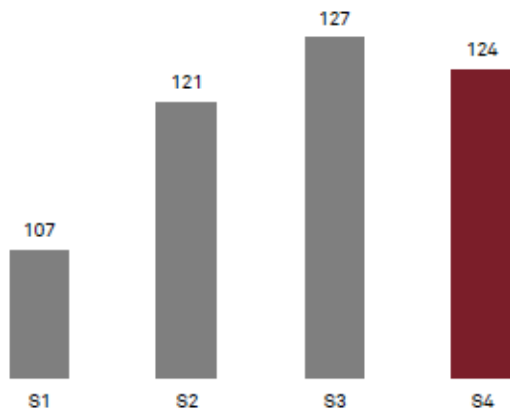
Hiring was slower on-quarter, with 14% of the MSEs reporting additions to their employee base in July-September compared with 17% in April-June. In the next quarter, 22% intend to add employees while only 2% intend to reduce headcount.

Meanwhile, lenders' sentiment on the MSE segment appears to have improved since the last survey.

This time, 6 out of 10 lenders surveyed saw an improvement in the overall business situation of MSEs and 3 out of 10 rated it as satisfactory, compared with 4 out of 10 each for positive and satisfactory last quarter. For the next quarter, 9 of the 10 lenders surveyed have a positive outlook on MSEs. That said, the lenders expect the weakness in MSE asset quality to persist, with 6 out of 10 believing NPAs in the segment will not change, 1 out of 10 believing it will increase, and only 3 in 10 believing it will decrease.

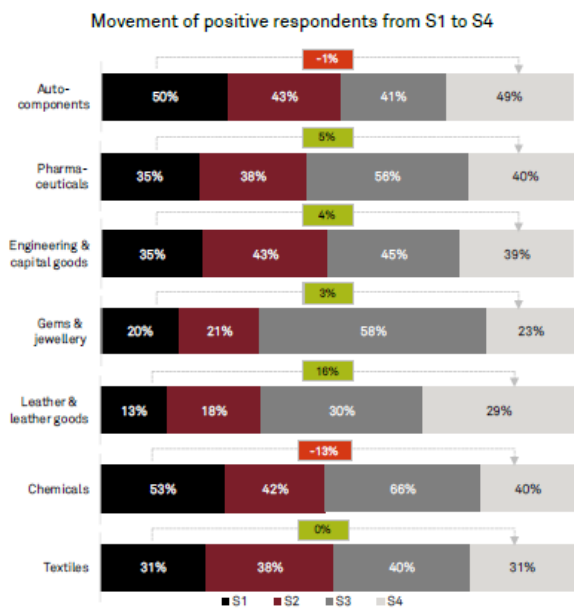
## Annexure

### CriSidEx score resilient despite adverse climes

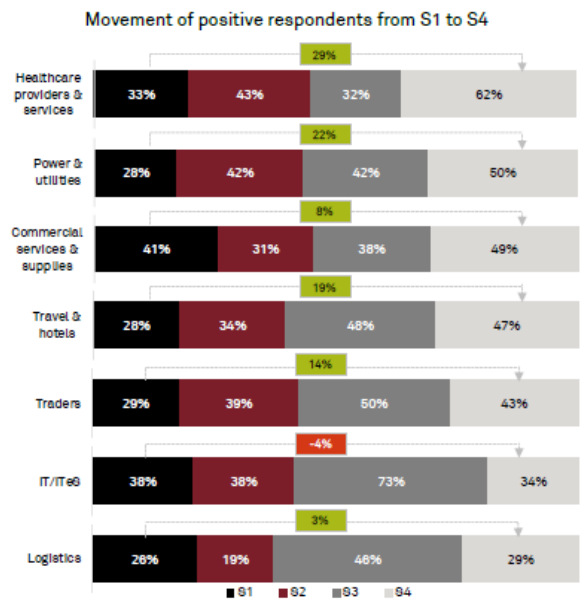


CriSidEx survey	Survey quarter (SQ)	Next quarter (NQ)
Survey 1 (S1)	Oct-Dec 2017 (SQ1)	Jan-March 2018 (NQ1)
Survey 2 (S2)	Jan-Mar 2018 (SQ2)	Apr-Jun 2018 (NQ2)
Survey 3 (S3)	Apr-Jun 2018 (SQ3)	Jul-Oct 2018 (NQ3)
Survey 4 (S4)	Jul-Sept 2018 (SQ1)	Oct-Dec 2018 (NQ4)

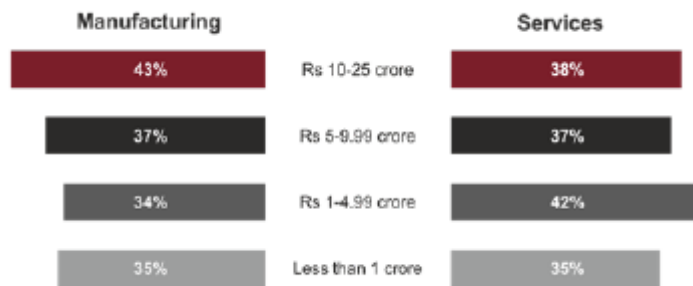
### Manufacturing



### Services



## Services doing better in the east, manufacturing in the south



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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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