

Quarterly Order Books, Inventories and Capacity Utilisation Survey(OBICUS)

January-March 2012 (17th Round)*

This article, fourth in the series, presents the findings of Order Books, Inventories and Capacity Utilisation Survey (OBICUS) conducted for Q4:2011-12. The Survey results indicate an improvement in growth of new orders in Q4:2011-12 over the previous quarter; however, the y-o-y growth was lower than that observed in the same quarter of previous year. Capacity utilization level improved in Q4:2011-12 over the previous quarter (partly reflecting seasonality) and was close to the peak level observed in the corresponding quarter of previous year. Finished goods inventory to sales ratio moderated in Q4:2011-12 over the previous quarter; similarly this ratio is lower than that observed in Q4:2010-11

I. Introduction

The Reserve Bank of India has been conducting OBICUS on a quarterly basis. The survey captures the movements in order books, inventories and capacity utilisation which are important indicators of economic activity, inflationary pressures and overall business cycle and as such, are useful for assessing the consumption and investment demand outlook. The survey captures quantitative data on new orders received during the reference quarter, backlog orders at the beginning of the quarter, pending orders at the end of the quarter, total inventories with breakup of work-in-progress and finished goods inventories at the end of the quarter and item-wise production in terms of quantity and values during the quarter *vis-à-vis* the installed capacity from a targeted group of manufacturing companies. The level of capacity utilisation is derived from the data provided by companies as per the selected methodology.¹

The survey is canvassed among 2,500 public and private limited companies in the manufacturing sector with a good size/industry representation. Trend analysis is done to study the movements in inventories, order books and capacity utilisation based on a *common set of companies* in each round to facilitate better comparability of data over the reference quarters. The *common set of companies* may vary to some extent across the survey rounds depending upon the response pattern in each survey round.

¹ The survey schedule and methodology used for the analysis has been provided in the article Quarterly Order Books, Inventories and Capacity Utilisation Survey: April-June 2011 (Round 14) in December 2011 Bulletin.

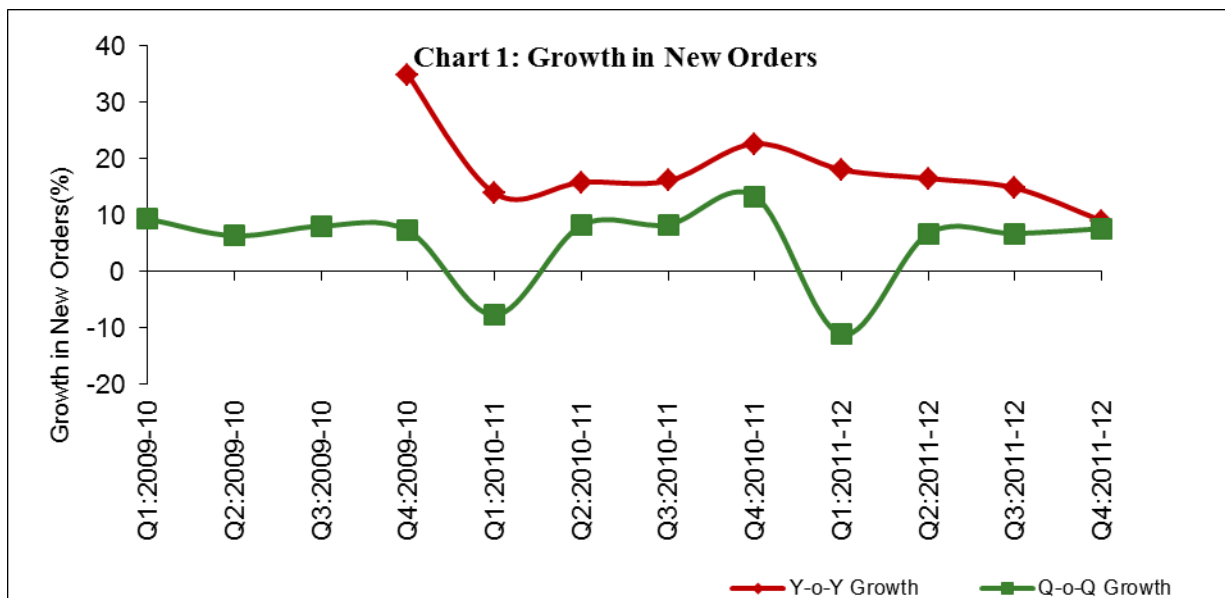
* Prepared in the Division of Enterprise Survey of Department of Statistics and Information Management. The previous article on the subject based on the 16th survey round (October-December 2011) was published in May 2012 Bulletin.

II. Sample composition and response to the present survey

In all 1,167 companies participated in the survey for the quarter January-March 2012². Of this, 41 are government companies, 302 are non-government private limited and 824 are non-government public limited companies. The analysis is based on the data provided by these companies for last 13 quarters i.e., Q4:2008-09 to Q4:2011-12. The tables are given in Annex.

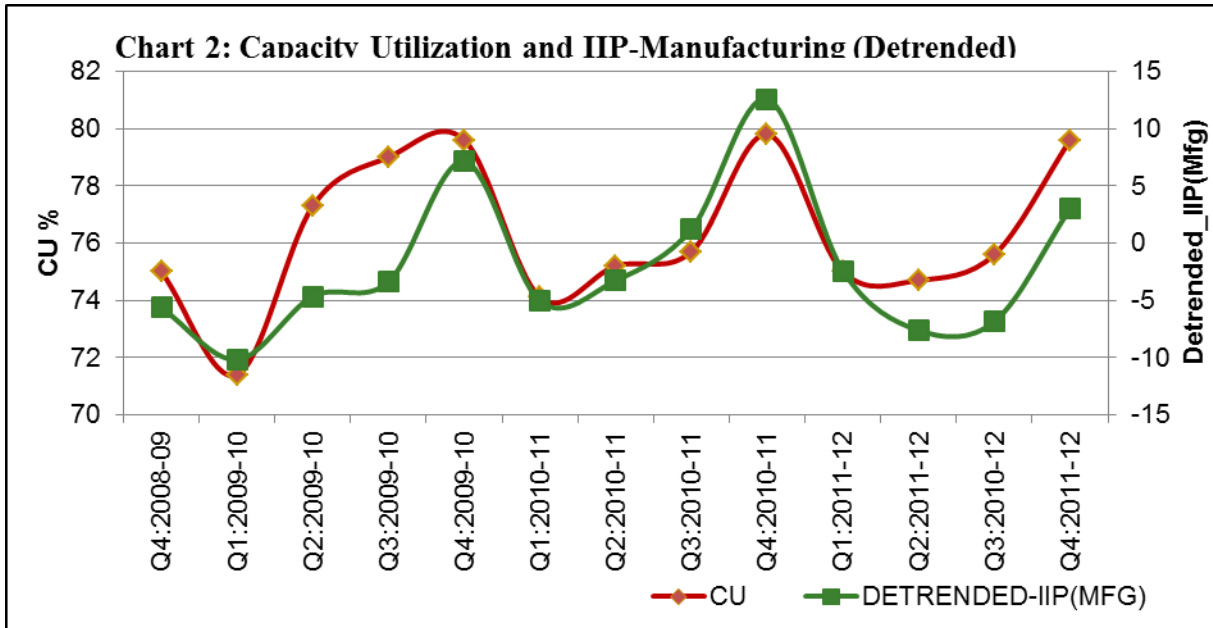
III. Findings of the Survey

III.1 Order Books – 468 companies reported data in respect of order books. Average new orders of respondent companies increased by 7.5 per cent in Q4: 2011-12 over the previous quarter, but the year-on-year growth (i.e., over Q4: 2010-11) at 9.0 per cent was much lower than that of 22.2 per cent in the same quarter of the previous year (Chart 1, Table 1).

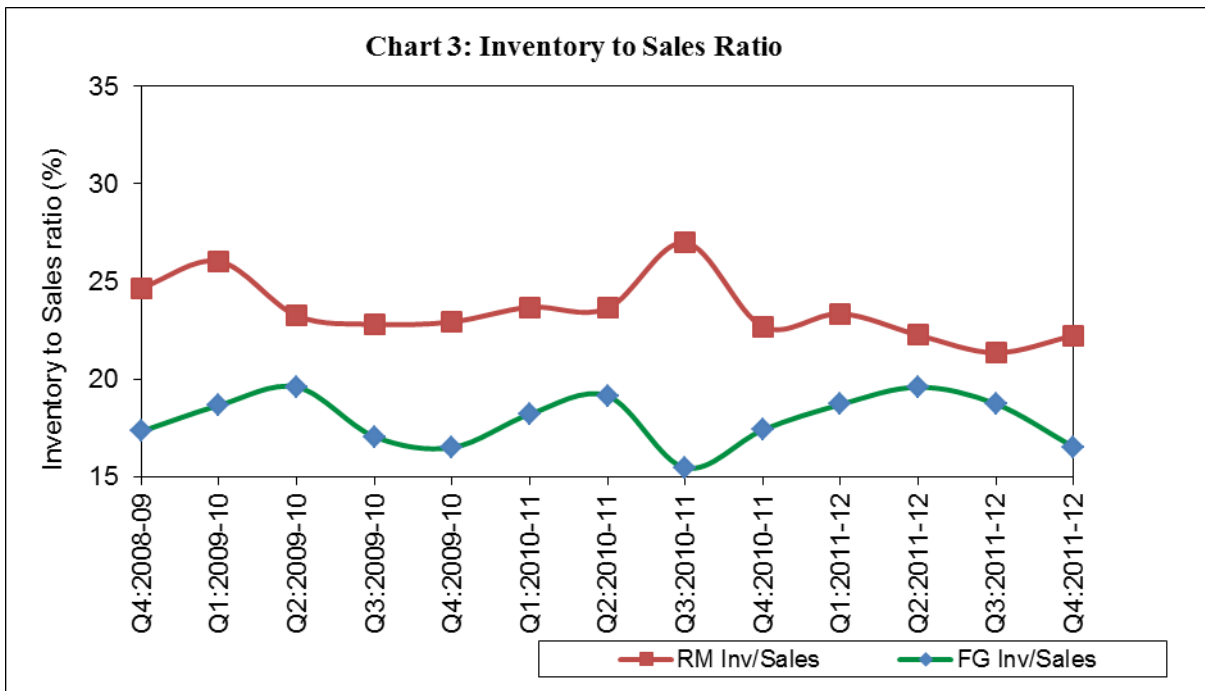


III.2 Capacity Utilisation (CU) –In line with higher new orders, CU of respondent companies at overall level increased to 79.6 per cent in Q4:2011-12 from 75.6 per cent in the previous quarter. On a year-on-year basis, the level of CU remained at the same level as in Q4: 2010-11. The movement of CU broadly matches the movements in the detrended Index of Industrial Production (IIP) for manufacturing sector, except in a few quarters in 2009-10 (Chart 2, Table 2).

² The number of respondents for different segments varies as indicated the section III.



III.3 Inventories - Total 894 companies reported data in respect of inventories. Average total inventory of respondent companies grew by 6.4 per cent over the previous quarter, whereas the average finished goods (FG) inventory decreased by 2.9 per cent. Total inventory to sales ratio declined to 45.2 in Q4: 2011-12 from 46.8 in Q3: 2011-12. Raw material (RM) inventory to sales ratio marginally increased to 22.2 per cent in Q4: 2011-12 over the previous quarter. Finished goods (FG) inventory to sales ratio declined in Q4: 2011-12 over the previous quarter and the same quarter of the previous year (Chart 3, Table 3).



IV. Conclusion

Based on various parameters of demand condition *viz.*, new orders growth, level of capacity utilization and finished goods inventory to sales ratio, the survey results indicate that Q4:2011-12 was better than the previous quarter. However, the new order position points to slackening of demand when compared with the position a year ago.

Annex – Tables

Table 1: Order Books (Q4: 2008-09 to Q4: 2011-12)									
Quarter ended	Amount in ₹ billion			Q-o-Q growth (%)			Y-o-Y growth (%)		
	Avg Backlog order (468)	Avg New Order book (468)	Avg Pending order (468)	Avg Backlog order	Avg New Order book	Avg Pending order	Avg Backlog order	Avg New Order book	Avg Pending order
Q4:2008-09	1.41	0.87	1.37	-	-	-			
Q1:2009-10	1.36	0.95	1.38	-3.7	10.0	1.1			
Q2:2009-10	1.37	1.02	1.39	1.0	6.6	0.4			
Q3:2009-10	1.39	1.10	1.43	1.5	8.1	3.1			
Q4:2009-10	1.44	1.18	1.42	3.4	7.2	-0.8	2.0	35.9	3.8
Q1:2010-11	1.45	1.08	1.47	0.9	-8.1	3.2	6.8	13.5	5.9
Q2:2010-11	1.46	1.18	1.52	0.8	8.5	3.6	6.6	15.5	9.3
Q3:2010-11	1.52	1.27	1.56	3.8	8.2	3.0	9.1	15.6	9.2
Q4:2010-11	1.58	1.44	1.59	3.8	13.3	1.8	9.5	22.2	12.1
Q1:2011-12	1.58	1.28	1.58	0.3	-11.5	-0.9	8.9	17.8	7.7
Q2:2011-12	1.58	1.36	1.57	-0.1	6.8	-0.4	7.9	16.0	3.5
Q3:2011-12	1.57	1.46	1.64	-0.6	7.3	4.0	3.4	15.0	4.6
Q4:2011-12	1.63	1.57	1.63	4.1	7.5	-0.4	3.7	9.0	2.2

Table 2: Capacity Utilisation & Index of Industrial Production (Manufacturing) (Base:2004-05)													
Quarter	Q4: 2008-09	Q1: 2009-10	Q2: 2009-10	Q3: 2009-10	Q4: 2009-10	Q1: 2010-11	Q2: 2010-11	Q3: 2010-11	Q4: 2010-11	Q1: 2011-12	Q2: 2011-12	Q3: 2011-12	Q4: 2011-12
CU	75.0	71.4	77.3	79.0	79.6	74.1	75.2	75.7	79.8	75.0	74.7	75.6	79.6
IIP MFG	151.7	149.9	158.1	162.0	175.1	165.4	169.8	176.8	190.7	178.2	175.5	178.8	191.0

Table 3: Average Sales and Inventories and their ratios (Q4: 2008-09 to Q4: 2011-12)								
	Amount in ₹ Billion					Ratio (%)		
Quarter ended	Avg Sales (894)	Avg Total Inv (894)	Avg FG Inv (894)	Avg WiP Inv (894)	Avg RM Inv (894)	Total Inv/Sales	FG Inv/Sales	RM Inv/Sales
Q4:2008-09	2.63	1.29	0.46	0.18	0.65	49.0	17.3	24.7
Q1:2009-10	2.71	1.41	0.51	0.20	0.70	52.1	18.7	26.0
Q2:2009-10	3.05	1.52	0.60	0.21	0.71	49.9	19.6	23.3
Q3:2009-10	3.33	1.55	0.57	0.22	0.76	46.6	17.1	22.8
Q4:2009-10	3.61	1.64	0.60	0.22	0.83	45.6	16.5	22.9
Q1:2010-11	3.48	1.70	0.63	0.24	0.83	48.8	18.2	23.7
Q2:2010-11	3.62	1.82	0.69	0.26	0.86	50.1	19.1	23.6
Q3:2010-11	3.90	1.93	0.60	0.28	1.05	49.6	15.5	27.0
Q4:2010-11	4.42	2.08	0.77	0.31	1.00	47.2	17.4	22.7
Q1:2011-12	4.45	2.18	0.83	0.31	1.04	49.0	18.7	23.4
Q2:2011-12	4.43	2.19	0.87	0.33	0.99	49.3	19.6	22.3
Q3:2011-12	4.89	2.29	0.92	0.33	1.05	46.8	18.7	21.4
Q4:2011-12	5.39	2.44	0.89	0.35	1.20	45.2	16.5	22.2