

Quarterly Industrial Outlook Survey: July- September 2010 (51st Round) *

This article presents the findings of Industrial Outlook Survey conducted for July-September 2010 quarter, the 51st round in the series. It gives the assessment of business situation of companies in manufacturing sector, for the quarter July-September 2010, and their expectations for the ensuing quarter October-December 2010. The survey results signal that the Indian manufacturing sector took further steps of recovery pointing towards economic growth. Production and new business continued to grow markedly which is also reflected in the increase in work-force. The input price pressure eased noticeably and the manufacturers exhibit more optimism about their profits. The Business Expectation Index, which acts as a barometer of the overall health of the sector, posted 119.0 for the assessment quarter and 126.5 for the ensuing quarter – its highest reading since April-June 2007 quarter.

Highlights

The survey conducted in July-September 2010 shows that the business conditions in India's manufacturing sector continued to strengthen with business conditions recuperating at a robust pace in both the quarters under review.

- The **demand conditions** show signs of escalation during the current quarter. Indian manufacturers sharply raised production, primarily in order to accommodate a considerable increase in new business. Higher new order and production levels led Indian

* Prepared in the Survey Division of Department of Statistics and Information Management. The previous article on the subject based on the 50th Round (April-June 2010) was published in September 2010 Bulletin.

manufacturers to purchase more inputs and enlarge their stocks of raw materials and to increase capacity utilisation. The external market remained the prime impetus to growth, although the import market also played a part as its growth gained pace. A similar scenario is expected for the ensuing quarter as well.

- The **financial conditions** slightly tightened for the current quarter as the optimism level for overall financial situation moderated during the assessment quarter, but the same is expected to improve for the forthcoming quarter. The manufacturers felt improvement in their working capital finance requirement and availability of finance for the current as well as the ensuing quarter. Inflationary pressure on the input prices is assessed to moderate which is getting reflected into the moderation in selling prices assessed for the current quarter. The profit margins are expected to improve in both the quarters. Employment scenario is also expected to improve in tune with the improvement in business conditions. However, the cost of external funds remained a great concern for the manufacturing sector.
- The survey findings exhibit that the Indian manufacturing continued to gain strength at a robust pace as Business Expectation Index, both for the assessment quarter (July- September 2010) as well as expectations quarter (October-December 2010) increased to 119.0 and 126.5 from 115.9 and 118.8, respectively, as compared to the

previous survey round (April-June 2010).

- The **industry-wise** break-up shows that majority of the industry groups have positive overall business sentiments in the present quarter. Specifically a few industry groups, *viz.*, Transport equipment, Electrical machinery, Pharmaceuticals & Medicines and Other Machinery & Apparatus are more optimistic than the others. Food Products, Cement and Wood & Wood Products expect low business performance in Q3 FY10.
- **Size-wise analysis** shows that improvement is seen across all size groups, but the bigger companies are more optimistic and they expect high order book, building up of inventory and return of pricing power. Though the smaller companies (annual production less than ₹ 100 crore) have improved their performance, their growth is at a lower rate as compared to bigger companies.

I. Introduction

The Reserve Bank of India has been conducting the Industrial Outlook Survey (IOS) on a quarterly basis since 1998. The Survey gives insight into the perception of the public and private limited companies engaged in manufacturing activities about their own performance and prospects. The survey covers select non-financial private and public limited companies with a good size/industry representation. The assessment of business sentiments for the current quarter and expectations for the

ensuing quarter are based on qualitative responses on 20 major parameters covering overall business situation, financial situation, demand indicators, price and employment expectations, profit margins, etc. The survey provides useful forward-looking inputs for policymakers, analysts and business alike.

II. Data Coverage and Methodology¹

II.1 Sample Size

The sample covers about 3,000 non-financial public and private limited companies, mostly with paid-up capital above ₹50 lakh, in the manufacturing sector. The fieldwork for the survey was carried out during the two-month period ending August 2010. The panel of respondents is kept uniform to the extent possible except for periodic updation in the case of addition of new companies or deletion of closed/merged companies for having good size and industry-wise representation.

II.2 Response to the Survey

The survey elicited response from 1,425 companies (48 per cent of the sample) within the stipulated time. Companies with incomplete or improperly filled-in schedules were excluded for the analysis. The study is based on responses of 1,403 companies which were included in the analysis.

¹ The methodology used for the analysis has been provided in the article *Quarterly Industrial Outlook Surveys: Trends since 2001* published in October 2009 Bulletin.

II.3 The Survey Schedule

The survey schedule consists of qualitative questions and the target respondents are senior management personnel or finance heads of the companies. The schedule, canvassed on quarterly basis, runs into two pages containing five blocks (Annex).

III. Survey Findings

The survey results are being published in a concise form in the Reserve Bank's quarterly publication 'Macroeconomic and Monetary Developments' since 2005 and Monetary Policy statements. The survey findings of the 51st round conducted for **July-September 2010** quarter are presented in this article.

III.1 Demand Conditions

Survey collects perceptions of the Indian manufacturers about prominent demand related parameters, namely; Production, Order Books, Capacity Utilisation, Inventory, Exports and Imports.

III.1.1 Production

The questions on production seek the company's assessment for July-September 2010 and expectations for October-December 2010 of Production (for all products), whether it will increase, decrease, or there will be no change. On the output front, the net response on production registered a *significant* increase as **assessment and expectation** for the corresponding quarters increased to 40.0 from 35.4 and to 49.1 from 40.2, respectively (Table 1 and Chart 1). The growth number

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Table 1: Assessment & Expectations for Production

(Percentage responses)#									
Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
1	2	3	4	5	6	7	8	9	10
Oct-Dec 08	1,178	36.0	24.9	39.1	11.1	48.8	9.0	42.1	39.8
Jan-Mar 09	1,225	27.1	35.1	37.7	-8.0	41.8	15.8	42.3	26.0
Apr-Jun 09	1,242	33.1	26.2	40.6	6.9	32.5	22.6	44.9	9.9
Jul-Sep 09	1,180	40.9	18.3	40.8	22.6	38.5	16.1	45.5	22.4
Oct-Dec 09	1,256	44.0	15.2	40.8	28.9	46.0	11.0	43.0	35.0
Jan-Mar 10	1,079	49.0	12.5	38.5	36.5	48.8	8.8	42.3	40.0
Apr-Jun 10	1,092	48.4	13.0	38.6	35.4	45.8	9.9	44.3	35.9
Jul-Sep 10	1,403	51.6	11.6	36.8	40.0	49.7	9.4	40.9	40.2
Oct-Dec 10						55.9	6.8	37.3	49.1

The percentage responses may not add up to 100 due to rounding off.

shows that the demand conditions are once again back on track of escalation. Industry-wise analysis shows that while Transport equipment and Diversified companies expected increase in production, Wood and wood product industry showed less optimism.

III.1.2 Order Books

The demand position of the manufacturing companies, as directly

measured by order books, has also shown a parallel trend. The net response, which moderated during the previous survey round, has reversed and has shown a sharp improvement in optimism level in the current survey quarter. The net response has increased to 36.1 from 31.3 per cent for the assessment quarter and to 44.8 from 36.3 for the ensuing quarter with respect to the previous survey round. (Table 2 and Chart 2). Transport equipment and Other

Chart 1: Production

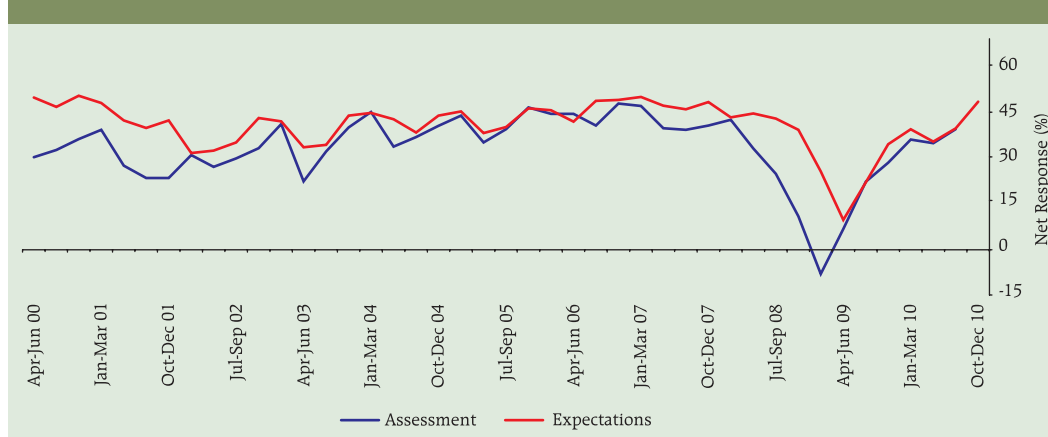


Table 2: Assessment & Expectations for Order Books

(Percentage responses)#									
Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
1	2	3	4	5	6	7	8	9	10
Oct-Dec 08	1,178	32.6	25.1	42.2	7.5	44.8	9.1	46.1	35.7
Jan-Mar 09	1,225	22.9	39.7	37.4	-16.8	37.3	16.7	46.1	20.6
Apr-Jun 09	1,242	28.4	29.3	42.3	-0.9	31.0	24.6	44.4	6.4
Jul-Sep 09	1,180	38.2	17.7	44.1	20.5	35.5	18.7	45.8	16.8
Oct-Dec 09	1,256	39.5	13.6	46.8	25.9	43.5	11.2	45.3	32.3
Jan-Mar 10	1,079	43.5	11.6	44.9	31.9	44.8	9.1	46.1	35.8
Apr-Jun 10	1,092	41.8	10.5	47.7	31.3	42.3	8.9	48.8	33.4
Jul-Sep 10	1,403	45.4	9.3	45.3	36.1	44.4	8.1	47.5	36.3
Oct-Dec 10						49.8	5.1	45.1	44.8

The percentage responses may not add up to 100 due to rounding off.

machinery and apparatus industry are more optimistic about their order book level.

III.1.3. Pending Orders

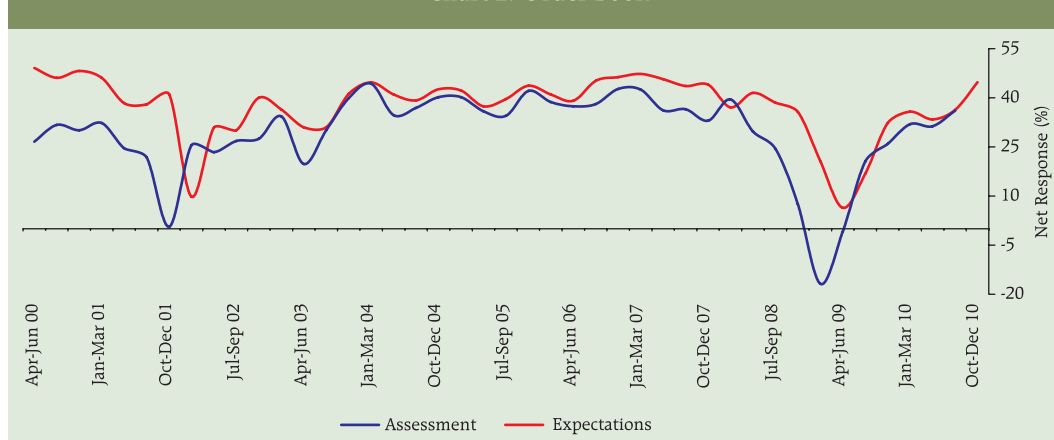
One question was asked to the manufacturing companies to seek information whether pending orders for current and next quarter will be above normal, normal or below normal. It is seen that the optimism level for maintaining pending order (*i.e.*, 'below normal') for assessment quarter has decreased further. The net response for current as well

as for ensuing quarters has also decreased further (Table 3 and Chart 3).

III.1.4 Capacity Utilisation

The survey has three questions on capacity utilisation, which is the extent to which an enterprise actually uses its installed capacity. It collects views of manufacturing companies about Capacity Utilisation of main product (increase/decrease/no change). Level of capacity utilisation compared to the average in the

Chart 2: Order Book



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Table 3: Assessment & Expectations for Pending Orders

(Percentage responses)#									
Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Below Normal	Above Normal	Normal	Net response	Below Normal	Above Normal	Normal	Net response
1	2	3	4	5	6	7	8	9	10
Oct-Dec 08	1,178	19.2	5.6	75.2	13.6	11.3	6.7	82.0	4.6
Jan-Mar 09	1,225	36.3	4.3	59.4	32.0	16.9	5.4	77.8	11.5
Apr-Jun 09	1,242	29.1	4.5	66.5	24.6	28.0	4.8	59.4	23.2
Jul-Sep 09	1,180	21.1	3.7	75.2	17.4	22.9	3.8	73.4	19.1
Oct-Dec 09	1,256	17.1	5.6	77.3	11.6	15.2	4.2	80.6	11.0
Jan-Mar 10	1,079	15.5	6.7	77.8	8.8	12.2	6.5	81.3	5.7
Apr-Jun 10	1,092	14.3	7.4	78.3	6.9	12.9	6.4	80.7	6.5
Jul-Sep 10	1,403	12.0	6.9	81.1	5.1	11.4	7.3	81.3	4.2
Oct-Dec 10						8.8	7.3	83.9	1.5

The percentage responses may not add up to 100 due to rounding off.

last four quarters (above normal/below normal/normal) and Assessment of production capacity with regard to expected demand in next six months (more than adequate/less than adequate/adequate).

More companies reported an increase in capacity utilisation as compared to previous quarter, indicating improvement in Capacity Utilisation, and this level of capacity utilisation is above normal as seen in the context of capacity level attained in the last four quarters. The expectation for the next

quarter also exhibited a similar sentiment. Assessment of Production capacity with regard to expected demand in next six months shows that there will be adequate capacity as proportion of companies that reponed adequate production capacity in meeting the demand for the next 6 months has moved up (Table 4 and Chart 4). While Transport equipment and Diversified companies expected increase in their capacity utilisation, Wood and wood product and Cement industry showed less optimism.

Chart 3: Pending Order

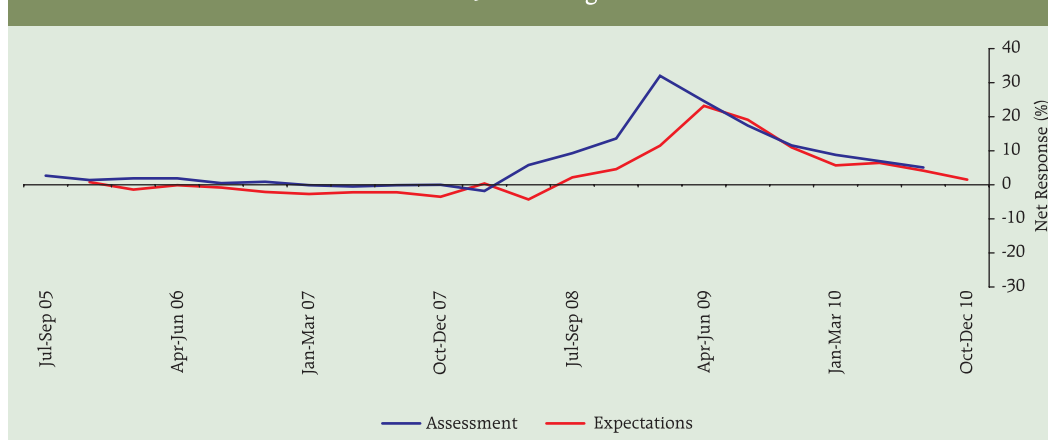


Table 4: Per cent Responses on Sentiments for Capacity Utilisation

(Percentage responses) #					
Parameter	Options	Assessment for quarter		Expectations for quarter	
		Apr-June 2010	Jul-Sep 2010	Jul-Sep 2010	Oct-Dec 2010
1	2	3	4	5	6
Capacity Utilisation (main product)	Increase	33.5	34.7	35.3	38.9
	No Change	54.2	53.9	56.0	54.5
	Decrease	12.3	11.4	8.7	6.6
	Net Response	21.1	23.3	26.5	32.3
Level of Capacity Utilisation (compared to the average in last 4 quarters)	Above normal	15.7	14.8	14.8	15.5
	Normal	71.1	73.6	76.2	76.3
	Below Normal	13.2	11.7	9.0	8.3
	Net Response	2.5	3.1	5.8	7.2
Assessment of Production Capacity (with regard to expected demand in next 6 months)	More than adequate	10.6	11.2	10.6	12.4
	Adequate	81.8	80.8	82.9	80.7
	Less than adequate	7.6	8.0	6.5	6.9
	Net Response	3.1	3.3	4.1	5.6

The percentage responses may not add up to 100 due to rounding off.

III.1.5 Inventory of Raw Materials & Finished Goods

Majority of the respondents (80-85 per cent) reported average level of **Inventory of raw materials** and **Inventory of finished goods** for the current quarter as well as ensuing quarter. While around 10 per cent of the respondents expect to witness an increase

in their inventory levels during October-December 2010 quarter, only 5-7 per cent of the respondents expect their level of stock to decline. The net response for Inventory Levels for raw materials and finished goods is presented in Table 5. It is observed that Indian corporate sector witnesses inventory build-up during high demand conditions.

Chart 4: Capacity Utilisation

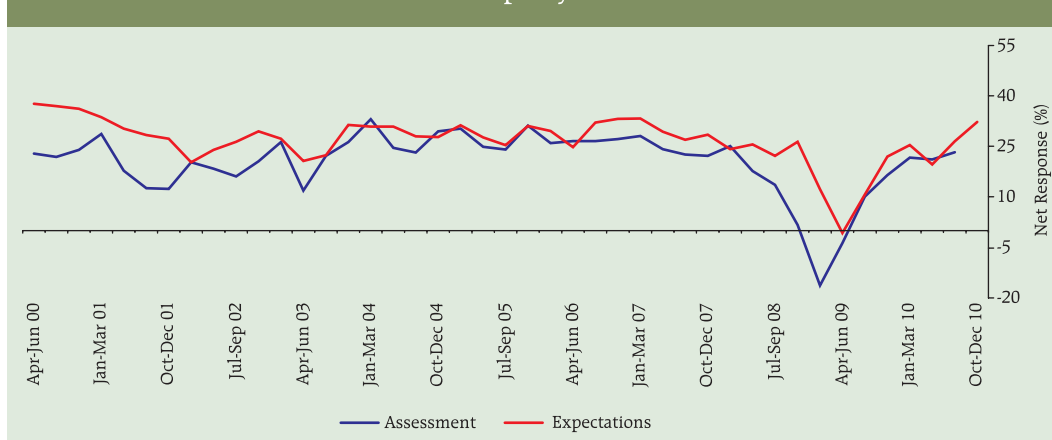


Table 5: Assessment & Expectations for Level of Inventory (Raw Material and Finished Goods)

(Percentage responses)#					
Parameter	Options	Assessment for quarter		Expectations for quarter	
		Apr-Jun 2010	Jul-Sep 2010	Jul-Sep 2010	Oct-Dec 2010
1	2	3	4	5	6
Inventory of raw material	Below average	7.3	6.4	5.3	3.8
	Average	80.4	81.9	84.4	85.8
	Above average	12.3	11.7	10.3	10.4
	Net Response	-5.0	-5.3	-5.1	-6.6
Inventory of Finished goods	Below average	6.5	7.4	5.0	5.8
	Average	82.8	81.0	85.1	85.7
	Above average	10.7	11.7	9.9	8.6
	Net Response	-4.1	-4.3	-5.0	-2.8

Below average is optimistic.
The percentage responses may not add up to 100 due to rounding off.

III.1.6 Exports and Imports

The external and internal demand of manufacturing companies is gauged by the survey through their assessment and expectation on Exports and Imports. The companies report their perceptions on these two parameters in the form: increase, no change and decrease.

The survey results show the exports of the manufacturing sector in India grew

robustly in the current quarter. The net response for the current quarter has increased to 20.0 per cent from 15.3 per cent in previous quarter. The Indian manufactures also expect strong growth in the external demand for the forthcoming quarter as the net response increased to 26.1 per cent from 20.7 per cent in the previous quarter (Table 6). Pharmaceutical & Medicines and Transport equipment are more optimistic about their external demand.

Table 6: Assessment & Expectations for Exports

(Percentage responses)#									
Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
1	2	3	4	5	6	7	8	9	10
Oct-Dec 08	1,178	27.6	20.0	52.4	7.6	36.5	9.2	54.3	27.3
Jan-Mar 09	1,225	17.8	34.8	47.4	-17.0	30.6	14.6	54.8	16.0
Apr-Jun 09	1,242	17.4	30.9	51.7	-13.5	19.5	23.3	57.3	-3.8
Jul-Sep 09	1,180	20.9	23.8	55.3	-2.9	20.6	20.5	59.0	0.1
Oct-Dec 09	1,256	27.3	18.1	54.6	9.2	27.0	14.5	58.5	12.5
Jan-Mar 10	1,079	28.9	16.2	54.9	12.7	31.2	11.0	57.8	20.2
Apr-Jun 10	1,092	29.1	13.7	57.2	15.3	30.0	11.5	58.5	18.5
Jul-Sep 10	1,403	31.8	11.8	56.5	20.0	30.8	10.1	59.1	20.7
Oct-Dec 10						34.4	8.3	57.3	26.1

The percentage responses may not add up to 100 due to rounding off.

Table 7: Assessment & Expectations for Imports

(Percentage responses)#									
Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
1	2	3	4	5	6	7	8	9	10
Oct-Dec 08	1,178	20.2	13.5	66.3	6.7	26.7	5.3	67.9	21.4
Jan-Mar 09	1,225	13.7	22.1	64.2	-8.4	19.7	10.6	69.7	9.1
Apr-Jun 09	1,242	17.1	18.4	64.5	-1.3	14.9	16.3	68.8	-1.4
Jul-Sep 09	1,180	21.8	14.0	64.2	7.8	17	12.4	70.6	4.6
Oct-Dec 09	1,256	23.3	10.3	66.5	13.0	21.3	9.8	68.9	11.5
Jan-Mar 10	1,079	25.5	8.4	66.1	17.1	23.4	6.5	70.1	16.9
Apr-Jun 10	1,092	27.7	6.8	65.6	20.9	22.9	5.9	71.2	17.1
Jul-Sep 10	1,403	28.6	6.6	64.7	22.0	27.0	5.4	67.6	21.7
Oct-Dec 10						27.3	5.1	67.6	22.2

The percentage responses may not add up to 100 due to rounding off.

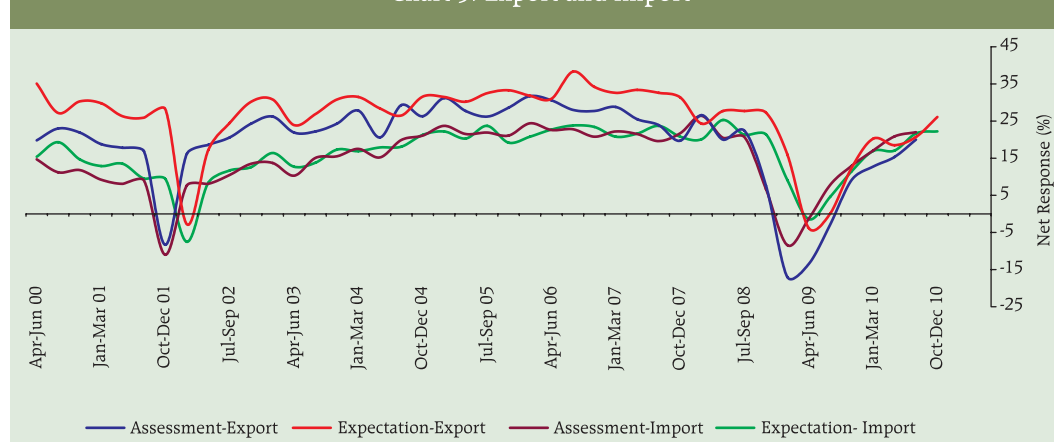
The survey reveals moderate growth in the optimism of the manufacturing sector in terms of demand for import. The net response on **assessment** and **expectation** for **Import** is in the growth terrain though at a low rate. The sentiments have increased moderately from the preceding rounds for both the quarters under review (22.0 per cent for the assessment and 22.2 for expectation quarters respectively, Table 7). Electrical machinery and Pharmaceutical and medicine are the sectors that are more

optimistic on their import demand. The movements in the sentiments for exports and imports are presented in Chart 5.

III.2 Financial Situation

The survey assesses sentiments about financial conditions through five parameters, viz., Overall Financial Situation, Working Capital Finance Requirement (excluding internal sources of funds), Availability of Finance (both internal and external sources), Cost of External Finance and Profit Margin.

Chart 5: Export and Import



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Table 8: Assessment & Expectations for Overall Financial Situation

(Percentage responses)#									
Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Better	Worsen	No change	Net response	Better	Worsen	No change	Net response
1	2	3	4	5	6	7	8	9	10
Oct-Dec 08	1,178	22.0	24.9	53.1	-2.9	37.6	9.9	52.5	27.7
Jan-Mar 09	1,225	20.3	29.9	49.9	-9.6	31.6	15.2	53.2	16.4
Apr-Jun 09	1,242	26.4	19.4	54.2	7.0	27.8	19.4	52.7	8.4
Jul-Sep 09	1,180	34.3	12.5	53.2	21.8	32.8	12.8	54.4	20.0
Oct-Dec 09	1,256	38.8	9.3	51.8	29.5	40.5	7.0	52.5	33.5
Jan-Mar 10	1,079	42.3	6.5	51.3	35.8	44.3	5.0	50.6	39.3
Apr-Jun 10	1,092	39.1	6.9	54.0	32.2	41.6	5.3	53.1	36.3
Jul-Sep 10	1,403	38.7	8.1	53.2	30.6	39.7	5.6	54.8	34.1
Oct-Dec 10						44.9	5.3	49.7	39.6

: The percentage responses may not add up to 100 due to rounding off.

III.2.1 Overall Financial Situation

The **financial conditions**, though moderated slightly, continued to be buoyant, in the current survey quarter as the net response on the assessment quarter under review declined to 30.6 per cent from 32.2 per cent. However, the manufacturers expect a rise in their overall financial situation for the ensuing quarter (October-December 2010) as the net response registered a marginal rise to 39.6 per cent from 34.1 per cent. Chart 6 reveals the trend

that exhibits the optimism level on Overall Financial Situation. Amongst all the industry groups, Cement industry is least optimistic about their Overall Financial Situation.

III.2.2 Working Capital Finance Requirement and Availability of Finance

The **assessment** on the **Working capital finance requirement** (excluding internal source of funds) for the assessment quarter (July-September 2010) continued to be

Chart 6: Overall Financial Situation

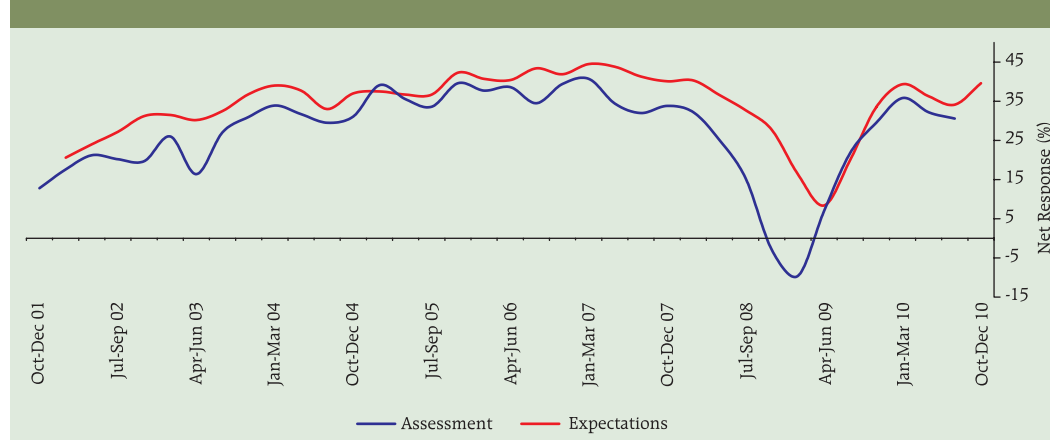


Table 9: Assessment & Expectations for Working Capital Finance Requirement

(Percentage responses)#

Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
1	2	3	4	5	6	7	8	9	10
Oct-Dec 08	1,178	41.1	6.8	52.1	34.3	38.1	4.3	57.7	33.8
Jan-Mar 09	1,225	36.0	11.9	52.1	24.1	37.9	5.0	57.1	32.9
Apr-Jun 09	1,242	57.0	24.6	9.2	24.6	31.1	7.9	61.0	23.2
Jul-Sep 09	1,180	31.2	7.4	61.4	23.8	32.3	6.0	61.7	26.3
Oct-Dec 09	1,256	35.2	6.4	58.4	28.8	34.7	4.3	61.0	30.4
Jan-Mar 10	1,079	35.8	5.3	58.9	30.5	36.8	4.0	59.2	32.7
Apr-Jun 10	1,092	34.7	4.8	60.5	29.9	31.9	4.3	63.8	27.7
Jul-Sep 10	1,403	35.6	6.3	58.1	29.3	35.2	4.1	60.7	31.1
Oct-Dec 10						38.4	3.6	58.0	34.8

The percentage responses may not add up to 100 due to rounding off.

optimistic *albeit* at lower level with net response moving to 29.3 per cent from 29.9 per cent. However, the expectation on the same shows an improvement as the net response registered an increase (34.8 per cent from 31.1 per cent (Table 9)).

The survey shows that the percentage of respondents who viewed improvement in Availability of Finance has improved marginally. This is well-echoed in the net optimism as well, as the net optimism has

been enhanced for both the quarters under review (Table 10). The quarterly movements of Working Capital Finance Requirements (WCFR) and Availability of Finance (both internal and external sources), presented in the Chart 7 below, shows that for the ensuing quarter, the manufacturers expect their WCFR and availability of finance to improve further compared to previous quarter. While Rubber and Plastic product industry show more optimism on Working Capital Finance Requirements, Diversified

Table 10: Assessment & Expectations for Availability of Finance

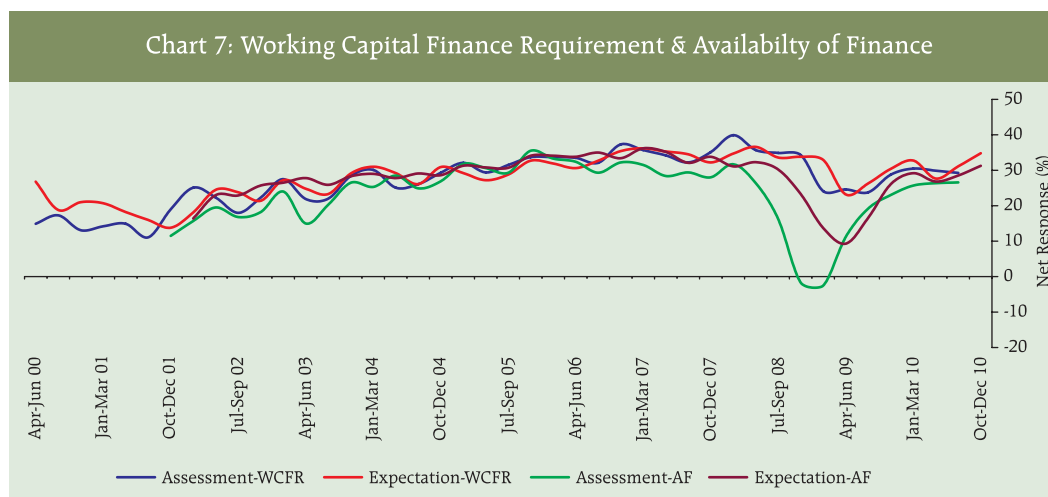
(Percentage responses)#

Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Improve	Worsen	No change	Net response	Improve	Worsen	No change	Net response
1	2	3	4	5	6	7	8	9	10
Oct-Dec 08	1,178	21.4	23.1	55.5	-1.7	32.1	8.8	59.0	23.3
Jan-Mar 09	1,225	19.2	21.7	59.1	-2.5	28.7	15.0	56.3	13.7
Apr-Jun 09	1,242	24.8	13.6	61.6	11.2	23.8	14.5	61.7	9.3
Jul-Sep 09	1,180	28.0	8.8	63.2	19.2	27.0	10.4	62.6	16.6
Oct-Dec 09	1,256	30.3	7.2	62.5	23.0	31.7	5.6	62.7	26.1
Jan-Mar 10	1,079	32.1	6.4	61.5	25.7	33.7	4.5	61.8	29.2
Apr-Jun 10	1,092	32.3	5.9	61.8	26.4	31.2	4.4	64.4	26.8
Jul-Sep 10	1,403	32.6	6.0	61.4	26.6	32.9	4.4	62.7	28.5
Oct-Dec10						35.3	4.0	60.6	31.3

The percentage responses may not add up to 100 due to rounding off.

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companies and Transport equipment exhibited more optimism on the Availability of Finance.

III.2.3 Cost of External Finance

The cost of external finance was included in the survey schedule from Round 48 (October-December 2009) onwards. The respondents are asked to express their opinion on a three point scale *viz.*, Increase/Decrease/No change about their perceptions of cost of funds. The survey result reveals that the respondents are notably concerned about the increase in the cost of external fund. The net response on the cost of

external finance for both the quarters under review is presented in Table 11.

III.2.4 Profit Margin

Survey asks manufacturing companies whether, in their opinion, profit margin (gross profits as percentage to net sales) is expected to increase, decrease or remain the same. The sentiments on **Profit margin** for the current quarter of the survey, though improved, are still in the negative terrain (Table 12). However, the extent of pessimism has declined compared to preceding quarter. The sentiments on expectation for the ensuing quarter have

Table 11: Assessment & Expectations for Cost of External Finance

(Percentage responses)#

Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
1	2	3	4	5	6	7	8	9	10
Oct-Dec 09	1,256	9.0	23.8	67.2	-14.7				
Jan-Mar 10	1,079	7.7	23.6	68.7	-15.9	6.8	25.1	68.1	-18.3
Apr-Jun 10	1,092	7.0	28.9	64.0	-21.9	6.1	26.8	67.1	-20.6
Jul-Sep 10	1,403	5.0	33.2	61.8	-28.3	5.7	29.0	65.3	-23.3
Oct-Dec 10						3.8	32.1	64.2	-28.3

The percentage responses may not add up to 100 due to rounding off.

Table 12: Assessment & Expectations for Profit Margin

(Percentage responses)#									
Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
1	2	3	4	5	6	7	8	9	10
Oct-Dec 08	1,178	14.4	41.0	44.6	-26.6	20.8	24.4	54.7	-3.6
Jan-Mar 09	1,225	11.3	48.8	39.8	-37.5	16.9	29.8	53.3	-12.9
Apr-Jun 09	1,242	13.4	38.5	48.1	-25.1	15.4	34.0	50.6	-18.6
Jul-Sep 09	1,180	16.9	32.0	51.1	-15.1	16.0	29.4	54.5	-13.4
Oct-Dec 09	1,256	18.1	28.0	54.0	-9.9	20.2	23.0	56.8	-2.8
Jan-Mar 10	1,079	21.7	24.6	53.9	-2.9	21.1	20.1	58.8	1.1
Apr-Jun 10	1,092	20.2	25.0	54.9	-4.8	22.1	18.9	59.0	3.2
Jul-Sep 10	1,403	21.3	23.9	54.8	-2.5	22.2	19.1	58.7	3.1
Oct-Dec 10						25.2	16.1	58.7	9.2

The percentage responses may not add up to 100 due to rounding off.

improved sharply to 9.2 per cent from 3.1 per cent (Chart 8). Diversified industry anticipate improvement in their profit margin as compared to the other industry groups.

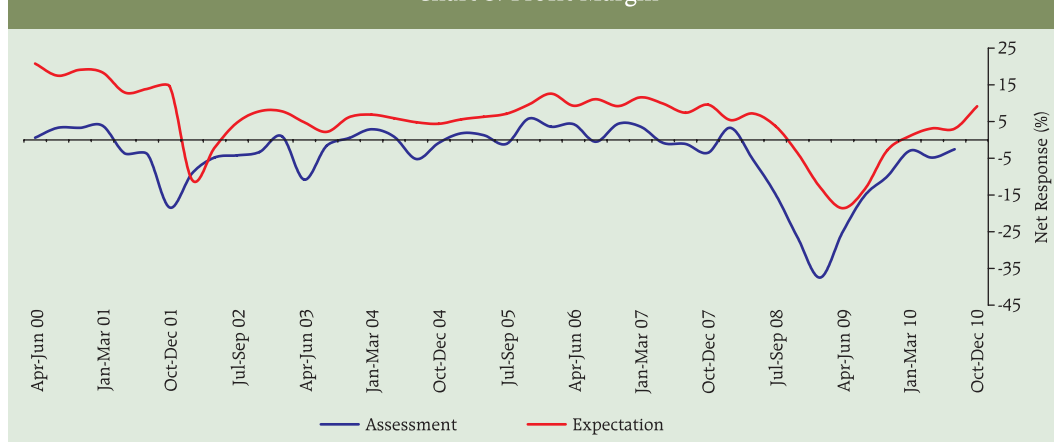
III.3 Price and Employment Expectation

Prices-related three questions were canvassed in the survey. The questions sought increase, decrease or no change in the Cost of Raw Material.

III.3.1. Cost of Raw Material

The survey reveals that the pressure that prevailed in the input cost of raw material has reduced marginally as compared to the preceding quarter (Table 13). The net response on cost of raw material of the reporting companies improved in the current quarter and it remained same for the ensuing quarter. Specifically, Other industry and Wood and wood products industry anticipate more pressure on their input cost.

Chart 8: Profit Margin



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Table 13: Assessment & Expectations for Cost of Raw Material

(Percentage responses)#									
Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Decrease	Increase	No change	Net response	Decrease	Increase	No change	Net response
1	2	3	4	5	6	7	8	9	10
Oct-Dec 08	1,178	14.1	60.1	25.8	-46.0	3.3	64.4	32.3	-61.1
Jan-Mar 09	1,225	29.1	37.2	33.7	-8.1	12.3	48.0	39.7	-35.7
Apr-Jun 09	1,242	14.3	40.6	45.1	-26.3	14.3	30.5	33.7	-16.2
Jul-Sep 09	1,180	8.1	49.8	42.1	-41.7	8.7	35.8	55.5	-27.1
Oct-Dec 09	1,256	6.3	53.4	40.3	-47.1	5.0	43.4	51.6	-38.4
Jan-Mar 10	1,079	2.2	62.3	35.5	-60.2	3.6	47.9	48.5	-44.3
Apr-Jun 10	1,092	2.5	65.2	32.3	-62.7	2.2	50.8	47.0	-48.6
Jul-Sep 10	1,403	3.5	61.8	34.7	-58.3	2.7	52.0	45.2	-49.3
Oct-Dec 10						3.3	52.6	44.1	-49.3

The percentage responses may not add up to 100 due to rounding off.

III.3.2 Selling Price

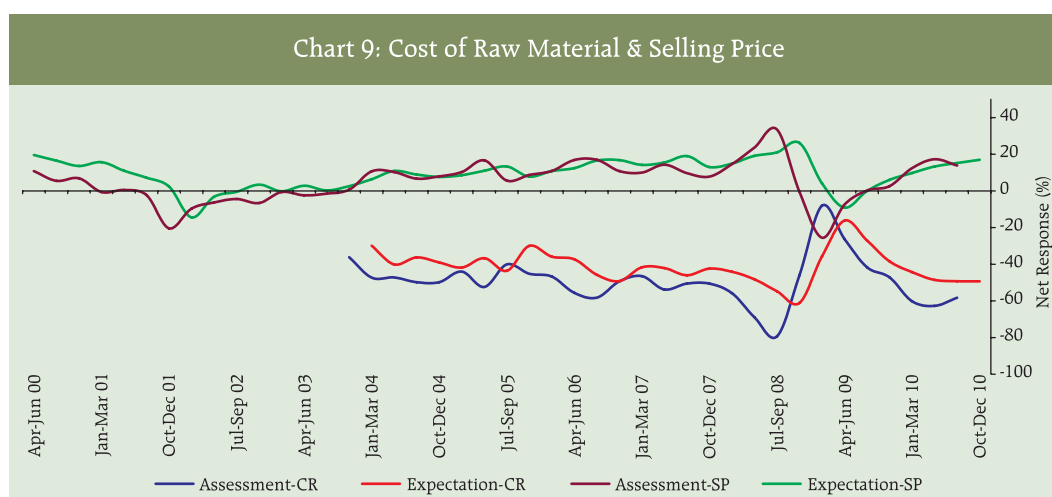
Survey seeks responses on Selling Prices (ex-factory unit prices); and if there was an increase expected in Selling Prices, enquiries are made about the rate of increase in the Selling Prices (at higher/lower/similar rate) from manufacturing corporate. In case of multi-product companies, they are requested to take into account the average of the price changes. Optimism level for **Selling prices** ('increase in selling price') for the current quarter

moderated marginally. While 28.0 per cent corporates indicated an increase in the selling prices in the current quarter, 25.7 per cent expected this increase to continue for the ensuing quarter (Table 14). The net response, though, exhibited a minor turndown in the current quarter; the same has shown increase in the ensuing quarter. The movement of input and output prices is presented in Chart 9. Amongst the sectors, Diversified companies are more optimistic about their output prices.

Table 14: Assessment & Expectations for Selling Price

(Percentage responses)#									
Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
1	2	3	4	5	6	7	8	9	10
Oct-Dec 08	1,178	23.2	23.7	53.1	-0.5	34.3	8.1	57.6	26.2
Jan-Mar 09	1,225	12.5	38.0	49.5	-25.5	21.2	17.1	61.7	4.1
Apr-Jun 09	1,242	17.0	24.4	58.0	-7.4	14.5	23.6	61.9	-9.1
Jul-Sep 09	1,180	19.4	19.2	61.4	0.2	17.2	17.2	65.6	0.0
Oct-Dec 09	1,256	18.6	15.9	65.5	2.6	19.2	13.2	67.6	6.0
Jan-Mar 10	1,079	24.6	12.2	63.2	12.4	20.7	10.9	68.4	9.8
Apr-Jun 10	1,092	29.3	12.0	58.6	17.3	22.4	9.1	68.5	13.3
Jul-Sep 10	1,403	28.0	14.2	57.8	13.8	24.4	9.2	66.3	15.2
Oct-Dec 10						25.7	8.7	65.5	17.0

The percentage responses may not add up to 100 due to rounding off.



III.3.3 Employment

The Survey seeks from the companies their perceptions on change in employment at their company. Employment includes all cadres comprising full-time, part-time and casual labour. The employment scenario of Indian manufacturing exhibits robust recovery in the current quarter (July-September 2010) with sharp increase in net response to 18.7 per cent from 14.7 per cent (Table 15, Chart 10). The expectations on employment outlook for the October-

December 2010 quarter has also shown solid escalation with only 3.6 per cent of the respondents expecting a decline in number of employees. While as many as 24.7 per cent of the respondents anticipate an increase in number of employees during Q3 2010, a majority (71.7 per cent) of the respondents intend to keep the number of employees unchanged. Among the industry groups, Diversified companies and Rubber and plastic products shows a greater inclination towards increasing the number of employees.

Table 15: Assessment & Expectations for Employment Outlook

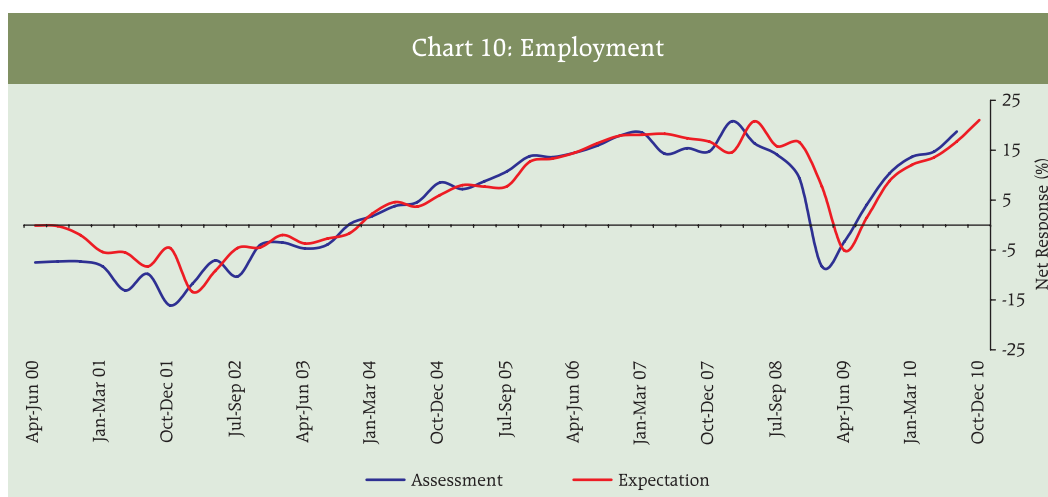
(Percentage responses)#

Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
1	2	3	4	5	6	7	8	9	10
Oct-Dec 08	1,178	18.7	9.3	72.0	9.4	23.1	6.5	70.4	16.6
Jan-Mar 09	1,225	11.2	19.5	69.3	-8.3	16.0	8.3	75.7	7.7
Apr-Jun 09	1,242	11.9	15.2	72.9	-3.3	10.5	15.6	74.0	-5.1
Jul-Sep 09	1,180	14.2	10.1	75.7	4.1	11.5	10.0	78.6	1.5
Oct-Dec 09	1,256	18.2	7.9	73.9	10.3	15.8	7.0	77.2	8.8
Jan-Mar 10	1,079	21.0	7.3	71.7	13.7	18.2	6.1	75.6	12.1
Apr-Jun 10	1,092	21.7	7.0	71.3	14.7	19.5	5.9	74.7	13.6
Jul-Sep 10	1,403	25.1	6.3	68.6	18.7	21.8	5.1	73.1	16.8
Oct-Dec 10						24.7	3.6	71.7	21.0

The percentage responses may not add up to 100 due to rounding off.

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III.4 Overall Business Conditions

III.4.1 Overall Business Situation

The Overall Business Situation is a parameter that provides the overall confidence of manufacturing companies. The companies were asked if their overall business situation would become better/worsen/remain same. The net response for **assessment** about the **Overall business situation** during the current quarter July-

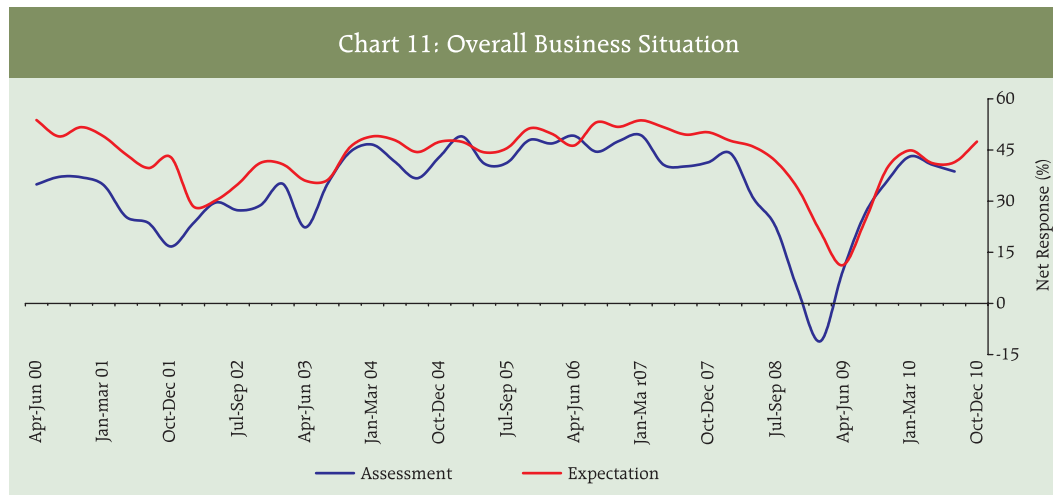
September 2010 though reflects slight moderation (net response falling to 38.7 per cent from the level of 40.7 per cent in the previous quarter), the net response for expectation quarter shows significant improvement (net response going up to 47.5 from 41.5). The net response on the assessment and expectation are presented in Table 16. The movement of the overall business situation is presented in Chart 11.

Table 16: Assessment & Expectations of Overall Business Situation

(Percentage responses)#

Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Better	Worsen	No change	Net response	Better	Worsen	No change	Net response
1	2	3	4	5	6	7	8	9	10
Oct-Dec 08	1,178	30.2	26.2	43.6	4.0	44.8	11.1	44.1	33.7
Jan-Mar 09	1,225	24.1	35.2	40.7	-11.1	38.6	17.5	43.9	21.1
Apr-Jun 09	1,242	30.7	21.4	47.9	9.3	31.8	20.6	47.6	11.2
Jul-Sep 09	1,180	39.3	13.0	47.7	26.3	38.8	14.6	46.7	24.2
Oct-Dec 09	1,256	46.0	10.1	43.9	36.0	47.2	7.4	45.4	39.8
Jan-Mar 10	1,079	50.5	7.4	42.1	43.1	50.4	5.5	44.2	44.9
Apr-Jun 10	1,092	47.8	7.1	45.0	40.7	47.3	6.1	46.6	41.2
Jul-Sep 10	1,403	46.7	8.0	45.3	38.7	47.6	6.2	46.2	41.5
Oct-Dec 10						52.5	5.1	42.4	47.4

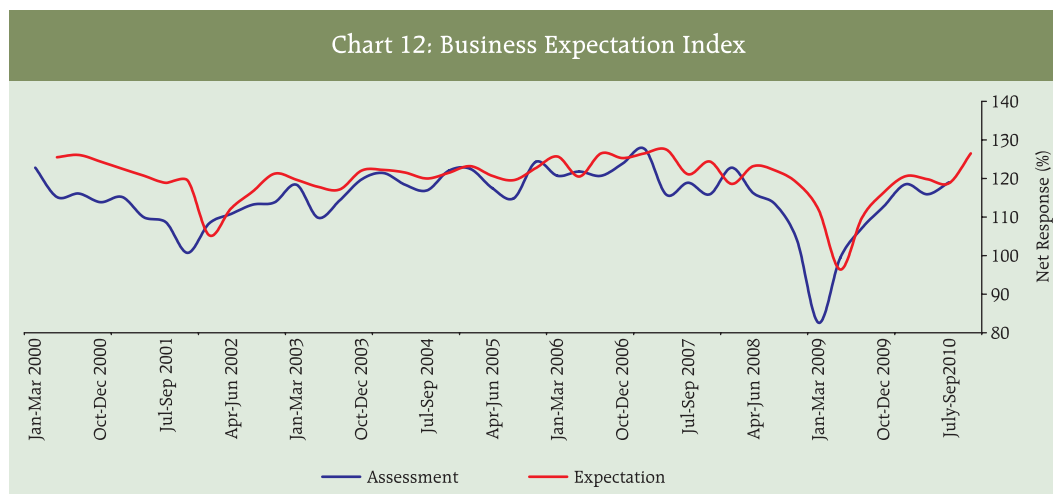
The percentage responses may not add up to 100 due to rounding off.



III.4.2 Business Expectation Index (BEI)

Business Expectation Index gives a single snapshot of the industrial outlook in each study quarter. This index is computed based on weighted average of responses from different industries on selected nine performance parameters. These parameters are Overall Business Situation, Production, Order Books, Inventory of Raw Materials, Inventory of Finished Goods, Profit Margin, Employment, Exports, and Capacity Utilisation.

The present round of the survey showed an improvement in the index, both for the current and ensuing quarters. The BEI in current survey round has augmented robustly for both the quarters under review. The index has increased to 119.0 from 115.9 for the assessment quarter and for the ensuing quarter (October-December 2010) it has sharply increased to 126.5 from 118.8 (Chart 12). This shows the growth is at an accelerated pace for the manufacturing sector.



III.5 Industry-wise Analysis

Transport Equipment, Electrical Machinery, Pharmaceuticals & Medicines and Other Machinery & Apparatus are generally more optimistic about their overall business situation for October-December 2010. They expect demand conditions to improve, and thus higher levels of production and capacity utilisation. Their overall financial condition is also expected to be comfortable as compared to other industries. While Wood and wood products industry expects an increase in their input prices, Diversified companies expect their output prices to increase. At the bottom of the list, the industries having frail, though positive, overall business sentiments are

Cement, Wood and Wood products and Food Products (Table 17).

III.6 Size-wise Analysis

Bigger companies (annual production above ₹1000 crore) are more optimistic about overall business & financial situation and working capital finance requirement. The smaller companies (annual production less than ₹100 crore) are less optimistic about demand conditions as their net response on production, order books and capacity utilisation are at lower level than that of the bigger companies. Bigger companies are more optimistic about domestic as well as external demand. The smaller companies feel more pressure on the input price and availability of finance.

Table 17: Industry-wise Analysis

Net Response (%) for October-December 2010					
Industry	Production	Overall Financial Situation	Profit margin	Employment	Overall Business Situation
1	2	3	4	5	6
Transport Equipment	63.4	56.4	16.7	30.5	69.5
Electrical Machinery	58.3	48.2	13.3	22.4	58.8
Pharmaceutical & Medicines	56.1	44.0	20.7	25.3	58.3
Other Machinery & Apparatus	58.5	54.7	11.5	28.5	57.0
Basic Chemicals	43.9	45.6	6.0	16.7	53.4
Basic Metals & Metal Products	53.1	42.6	16.7	29.0	50.5
Rubber & Plastic Products	52.0	40.8	2.6	17.9	49.4
Diversified Companies	61.9	57.1	52.6	33.3	47.6
Fertilisers	60.7	46.4	26.9	17.9	42.9
Paper & Paper Products	38.1	31.0	0.0	0.0	40.9
Other Industries	37.5	28.7	5.4	12.7	39.4
Textiles	38.8	25.5	3.3	16.2	35.3
Food Products	43.9	26.8	-0.9	22.0	30.4
Wood & wood Products	18.2	16.7	-8.3	-8.3	25.0
Cement	29.0	6.5	-21.9	3.3	15.6
All Industries	49.1	39.6	9.2	21.0	47.5

Table 18: Size-wise Analysis: Annual Production and Paid-up Capital (PUC)

	Production-wise (₹ crore)						PUC-wise (₹ crore)					
	Small firms (Production less than ₹100 Crore)		Medium firms (Production more than ₹100 Crore & less than ₹1000 Cr)		Large firms (Production ₹1000 Crore or more)		Small Firms (PUC < ₹1 Cr)		Medium firms (PUC > ₹1 Cr & < ₹100 Cr)		Large firms (PUC ≥ ₹100 Cr)	
1	2	3	4	5	6	7	8	9	10	11	12	13
Characteristic	Rd 50	Rd 51	Rd 50	Rd 51	Rd 50	Rd 51	Rd 50	Rd 51	Rd 50	Rd 51	Rd 50	Rd 51
Production	35.5	41.6	41.2	52.8	58.1	64.5	18.5	40.7	41.9	49.3	57.1	59.8
Order book	32.3	37.3	37.4	48.8	51.7	59.2	25.3	38.1	37.4	44.5	40.8	59.4
Exports	15.0	18.3	21.1	28.1	40.4	48.4	-3.1	20.0	23.2	26.1	27.5	34.7
Raw material inventory	-3.0	-5.2	-5.8	-8.0	-8.4	-6.9	-8.8	-7.0	-4.4	-6.4	-10.3	-9.5
Finished goods inventory	-3.3	0.3	-6.1	-4.5	-7.5	-8.5	-2.7	2.4	-5.0	-2.8	-9.3	-11.4
Capacity utilisation	22.3	27.2	27.3	34.4	40.7	44.3	3.5	18.9	28.5	33.5	43.1	30.1
Input price	-56.8	-53.8	-43.1	-45.7	-44.4	-46.5	-57.5	-55.8	-48.4	-49.0	-48.3	-43.9
Output price	12.4	16.5	15.9	16.3	21.7	21.8	13.2	18.0	14.9	16.7	22.8	18.8
Employment	9.9	14.9	20.2	24.4	30.6	31.7	0.9	8.5	18.3	22.2	22.4	23.5
Overall financial situation	27.3	32.1	37.8	44.4	43.5	50.0	22.2	27.7	35.7	40.2	36.2	49.4
Working capital finance requirement	27.0	30.9	33.5	36.4	38.0	44.1	19.8	33.3	32.6	34.3	29.8	44.6

Bigger companies are expected to be net hirers; the smaller firms will continue to shed jobs. A similar trend is inferred based on the Paid-up-Capital (PUC) size-wise analysis also (Table 18).

III.7 Constraints for attaining the normal production level

The survey reveals that 46 per cent of the companies reported constraints for attaining the normal production level during the quarter **October-December 2010** which is slightly lower as compared to last survey round (49 per cent). The constraints reported are due to shortage of Power', 'Lack of domestic demand', 'shortage of Raw Materials', 'Lack of export demand', and Shortage of Working Capital Finance', The

major industry groups for which higher proportion of companies reported production constraints are 'Cement' (66 per cent), 'Paper and Paper Products' (55 per cent), Textiles (54 per cent), 'Food Products' (52 per cent), and Rubber and Plastics (50 per cent). On the other end of the spectrum, only 35 per cent of 'Pharmaceutical & Medicines' reported production constraints.

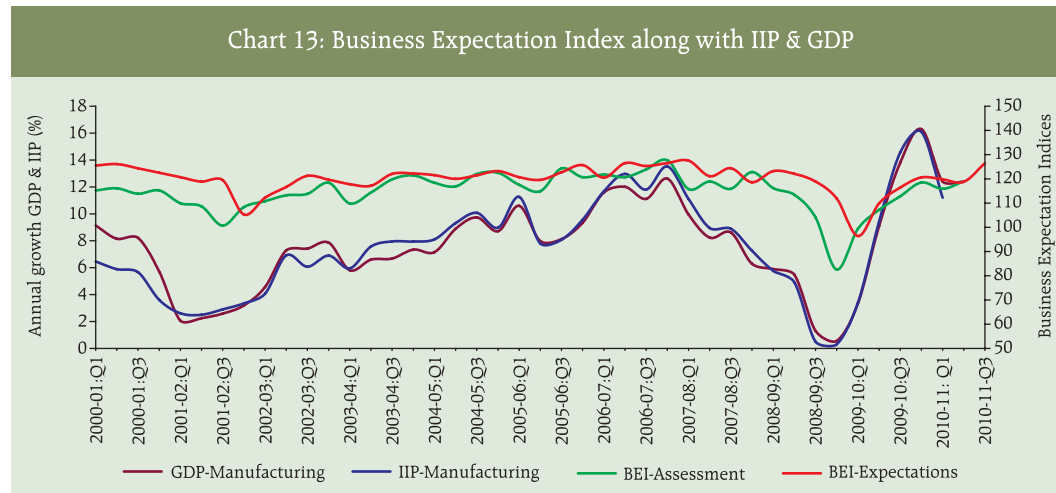
Smaller companies, in terms of annual production or paid-up capital, felt more production constraints than the bigger ones.

III.8 Survey Results and Official Statistics

The Business Expectations Indices (BEI) based on the information gathered on critical parameters in the Industrial

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Outlook Survey provides the private manufacturing sector's aggregate assessment of the current quarter and outlook for the ensuing quarter. Chart 13

shows the co-movements of annual growth rates of quarterly GDP-Manufacturing, IIP-Manufacturing and the BEI based on assessment and expectations.

Statement 1: Assessment of the Industrial performance for the quarter Jul-Sep 2010 & Expectations of the Industrial performance for the quarter Oct-Dec 2010

(Percentage of responding companies)

Parameter	Assessment				Expectations			
	Scenario				Scenario			
	Optimistic (Positive)	Pessimistic (Negative)	No Change	Net response (Col. 2 - Col. 3)	Optimistic (Positive)	Pessimistic (Negative)	No Change	Net response (Col. 6 - Col. 7)
1	2	3	4	5	6	7	8	9
1 Overall business situation	46.7	8.0	45.0	38.7	52.5	5.1	42.4	47.5
2 Overall Financial situation	38.7	8.1	54.0	30.6	44.9	5.3	49.7	39.6
3 Working Capital Finance Requirement	35.6	6.3	60.5	29.3	38.4	3.6	60.7	34.8
4 Availability of Finance	32.6	6.0	61.8	26.6	35.3	4.0	62.7	31.3
5 Cost of external finance *	5.0	33.2	64.0	-28.3	3.8	32.1	65.3	-28.3
6 Production	51.6	11.6	38.6	40.0	55.9	6.8	40.9	49.1
7 Order Books	45.4	9.3	47.7	36.1	49.8	5.1	47.5	44.8
8 Pending Orders, if applicable	12.0	6.9	78.3	5.1	8.8	7.3	81.3	1.5
9 Cost of raw materials	3.5	61.8	32.3	-58.3	3.3	52.6	45.2	-49.3
10 Inventory of raw materials	6.4	11.7	80.4	-5.3	3.8	10.4	84.4	-6.6
11 Inventory of Finished Goods	7.4	11.7	82.8	-4.3	5.8	8.6	85.1	-2.8
12 Capacity utilisation	34.7	11.4	54.2	23.3	38.9	6.6	56.0	32.3
13 Level of capacity utilisation	14.8	11.7	71.1	3.1	15.5	8.3	76.2	7.2
14 Assessment of the production capacity	11.2	8.0	81.8	3.3	12.4	6.9	82.9	5.6
15 Employment in the company	25.1	6.3	71.3	18.7	24.7	3.6	73.1	21.0
16 Exports, if applicable	31.8	11.8	57.2	20.0	34.4	8.3	59.1	26.1
17 Imports, if any	28.6	6.6	65.6	22.0	27.3	5.1	67.6	22.2
18 Selling prices	28.0	14.2	58.6	13.8	25.7	8.7	66.3	17.0
19 If increase expected in selling prices, rate of such increase	25.6	10.4	64.2	15.2	22.6	9.6	65.6	13.0
20 Profit Margin	21.3	23.9	54.9	-2.5	25.2	16.1	58.7	9.2

* Cost of external finance is included from the round Oct-Dec 2009.

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Statement 2: Net Response on Assessment of Industrial Performance Over the Latest Six Quarterly Rounds of the Industrial Outlook Survey

(Per cent)

Parameter	Optimistic Response	Oct-Dec 2007 (1,001)	Apr-Jun 2008 (1,039)	Jul-Sep 2008 (1,032)	Oct-Dec 2008 (1,178)	Jan-Mar 2009 (1,225)	Apr-Jun 2009 (1,242)	July-Sep 2009 (1,180)	Oct-Dec 2009 (1,256)	Jan-Mar 2010 (1,079)	Apr-Jun 2010 (1,092)	Jul-Sep 2010 (1,403)
1	2	3	4	5	6	7	8	9	10	11	12	13
1 Overall business situation	Better	41.4	31.0	22.6	4.0	-11.1	9.3	26.3	36.0	43.1	40.7	38.7
2 Overall Financial situation	Better	33.8	25.1	15.3	-2.9	-9.6	7.0	21.8	29.5	35.8	32.2	30.6
3 Working Capital Finance Requirement	Increase	35.1	35.7	34.9	34.3	24.1	24.6	23.8	28.8	30.5	29.9	29.3
4 Availability of Finance	Improve	28.0	26.4	16.2	-1.7	-2.5	11.2	19.2	23.0	25.7	26.4	26.6
5 Cost of external finance *	Decrease								-14.7	-15.9	-21.9	-28.3
6 Production	Increase	41.2	33.6	25.2	11.1	-8.0	6.9	22.6	28.9	36.5	35.4	40.0
7 Order Books	Increase	33.0	29.7	24.4	7.5	-16.8	-0.9	20.5	25.9	31.9	31.3	36.1
8 Pending Orders, if applicable	Below normal	0.0	5.8	9.3	13.6	32.0	24.6	17.4	11.6	8.8	6.9	5.1
9 Cost of raw materials	Decrease	-50.6	-68.9	-79.4	-46.0	-8.1	-26.3	-41.7	-47.1	-60.2	-62.7	-58.3
10 Inventory of raw materials	Below average	-6.6	-4.3	-7.0	-4.8	-1.8	-2.4	-2.1	-4.2	-5.8	-5.0	-5.3
11 Inventory of Finished Goods	Below average	-7.5	-3.9	-4.0	-8.4	-13.1	-4.2	-4.3	-4.3	-4.3	-4.1	-4.3
12 Capacity utilisation	Increase	22.2	17.7	13.6	1.7	-16.3	-3.7	10.1	16.5	21.7	21.1	23.3
13 Level of capacity utilisation	Above normal	5.1	-1.5	-4.1	-12.0	-29.3	-19.2	-11.2	-3.9	3.0	2.5	3.1
14 Assessment of the production capacity	More than adequate	4.3	4.0	5.0	12.1	8.3	4.6	5.8	5.3	6.4	3.1	3.3
15 Employment in the company	Increase	14.7	16.4	14.1	9.4	-8.3	-3.3	4.1	10.3	13.7	14.7	18.7
16 Exports, if applicable	Increase	19.7	20.0	22.4	7.6	-17.0	-13.5	-2.9	9.2	12.7	15.3	20.0
17 Imports, if any	Increase	21.7	20.5	20.7	6.7	-8.4	-1.3	7.8	13.0	17.1	20.9	22.0
18 Selling prices	Increase	7.8	23.6	33.5	-0.5	-25.5	-7.4	0.2	2.6	12.4	17.3	13.8
19 If increase expected in selling prices, rate of such increase	Increase at lower rate	16.2	-2.4	-0.5	1.2	31.7	11.0	23.2	19.3	21.6	17.4	15.2
20 Profit Margin	Increase	-3.5	-5.3	-14.7	-26.6	-37.5	-25.1	-15.1	-9.9	-2.9	-4.8	-2.5

* Cost of external finance is included from the round Oct-Dec 2009.

Note: Italicised figures in bracket represent number of companies covered in the report.

Statement 3: Net Response on Expectations of Industrial Performance Over the Latest Six Quarterly Rounds of the Industrial Outlook Survey

(Per cent)													
Parameter	Optimistic Response	Oct-Dec 2007 (1,047)	Jan-Mar 2008 (1,001)	July-Sep 2008 (1,039)	Oct-Dec 2008 (1,032)	Jan-Mar 2009 (1,178)	Apr-Jun 2009 (1,225)	July-Sep 2009 (1,242)	Oct-Dec 2009 (1,180)	Jan-Mar 2010 (1,256)	Apr-June 2010 (1,079)	July-Sep 2010 (1,092)	Oct-Dec 2010 (1,403)
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1 Overall business situation	Better	50.2	47.7	41.8	33.7	21.1	11.2	24.2	39.8	44.9	41.2	41.5	47.5
2 Overall Financial situation	Better	40.1	40.3	32.7	27.7	16.4	8.4	20.0	33.5	39.3	36.3	34.1	39.6
3 Working Capital Finance Requirement	Increase	32.2	34.7	33.6	33.8	32.9	23.2	26.3	30.4	32.7	27.7	31.1	34.8
4 Availability of Finance	Improve	33.8	31.1	30.2	23.3	13.7	9.3	16.6	26.1	29.2	26.8	28.5	31.3
5 Cost of external finance *	Decrease									-18.3	-20.6	-23.3	-28.3
6 Production	Increase	49.0	43.9	43.5	39.8	26.0	9.9	22.4	35.0	40.0	35.9	40.2	49.1
7 Order Books	Increase	44.1	37.1	38.5	35.7	20.6	6.4	16.8	32.3	35.8	33.4	36.3	44.8
8 Pending Orders, if applicable	Below normal	-3.5	0.4	2.2	4.6	11.5	23.2	19.1	11.0	5.7	6.4	4.2	1.5
9 Cost of raw materials	Decrease	-42.4	-44.1	-54.7	-61.1	-35.7	-16.2	-27.1	-38.4	-44.3	-48.6	-49.3	-49.3
10 Inventory of raw materials	Below average	-6.3	-7.3	-3.8	-7.6	-3.3	1.1	-0.5	-1.2	-3.6	-2.6	-5.1	-6.6
11 Inventory of Finished Goods	Below average	-3.5	-4.5	-1.5	-4.3	-4.4	-4.4	-1.8	-3.7	-1.9	-2.6	-5.0	-2.8
12 Capacity utilisation	Increase	28.4	24.2	22.2	26.4	12.3	-0.7	10.7	22	25.4	19.7	26.5	32.3
13 Level of capacity utilisation	Above normal	10.7	6.4	3.6	-0.5	-7.4	-20.8	-12.1	-3.8	1.3	1.6	5.8	7.2
14 Assessment of the production capacity	More than adequate	4.2	4.7	4.6	5.7	11.8	8.9	5.5	6.5	5.0	7.1	4.1	5.6
15 Employment in the company	Increase	16.7	14.6	15.8	16.6	7.7	-5.1	1.5	8.8	12.1	13.6	16.8	21.0
16 Exports, if applicable	Increase	31.4	24.3	27.7	27.3	16.0	-3.8	0.1	12.5	20.2	18.5	20.7	26.1
17 Imports, if any	Increase	20.8	20.1	21.3	21.4	9.1	-1.4	4.6	11.5	16.9	17.1	21.7	22.2
18 Selling prices	Increase	13.0	14.9	21.0	26.2	4.1	-9.1	0.0	6.0	9.8	13.3	15.2	17.0
19 If increase expected in selling prices, rate of such increase	Increase at lower rate	3.7	13.3	3.0	0.6	0.9	25.9	-100.0	19.4	16.8	19.7	14.3	13.0
20 Profit Margin	Increase	9.6	5.4	3.8	-3.6	-12.9	-18.6	-13.4	-2.8	1.1	3.2	3.1	9.2

* Cost of external finance is included from the round Oct-Dec 2009.

Note: Italicised figures in bracket represent number of companies covered in the report.

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Statement 4: Comparative scenarios pertaining to Assessment for the Current Quarter and Expectations for the Expectation Quarter based on the Net Responses for all parameters from a year ago, previous and current quarter surveys (i.e., Round 47, 50 and 51, respectively)

Parameter	Optimism Criteria	Assessment					Expectation				
		Net Response (%)			Differences in net		Net Response (%)			Differences in net	
		Current quarter of a year ago survey	Current quarter of previous survey	Current quarter of current survey	A year ago survey	Previous quarter survey	Expectation quarter of a year ago survey	Expectation quarter of previous survey	Expectation quarter of current survey	A year ago survey	Previous quarter survey
		July-Sep 2009	April-June 2010	July-Sep 2010	(5)-(3)	(5)-(4)	Oct-Dec 09	Jul-Sep 10	Oct-Dec 10	(10)-(8)	(10)-(9)
1	2	3	4	5	6	7	8	9	10	11	12
1 Overall business situation	Better	26.3	40.7	38.7	12.4	-2.0	39.8	41.5	47.5	7.7	6.0
2 Overall Financial situation	Better	21.8	32.2	30.6	8.8	-1.6	33.5	34.1	39.6	6.1	5.5
3 Working Capital Finance Requirement	Increase	23.8	29.9	29.3	5.5	-0.6	30.4	31.1	34.8	4.4	3.7
4 Availability of Finance	Improve	19.2	26.4	26.6	7.4	0.2	26.1	28.5	31.3	5.2	2.7
5 Cost of external finance *	Decrease	0.0	-21.9	-28.3		-6.3	0.0	-23.3	-28.3		-5.1
6 Production	Increase	22.6	35.4	40.0	17.4	4.6	35.0	40.2	49.1	14.1	8.9
7 Order Books	Increase	20.5	31.3	36.1	15.6	4.8	32.3	36.3	44.8	12.5	8.4
8 Pending Orders, if applicable	Below normal	17.4	6.9	5.1	-12.3	-1.9	11.0	4.2	1.5	-9.5	-2.6
9 Cost of raw materials	Decrease	-41.7	-62.7	-58.3	-16.6	4.4	-38.4	-49.3	-49.3	-10.9	-0.1
10 Inventory of raw materials	Below average	-2.1	-5.0	-5.3	-3.2	-0.2	-1.2	-5.1	-6.6	-5.4	-1.6
11 Inventory of Finished Goods	Below average	-4.3	-4.1	-4.3	0.0	-0.2	-3.7	-5.0	-2.8	0.9	2.1
12 Capacity utilisation	Increase	10.1	21.1	23.3	13.2	2.1	22.0	26.5	32.3	10.3	5.8
13 Level of capacity utilisation	Above normal	-11.2	2.5	3.1	14.3	0.6	-3.8	5.8	7.2	11.0	1.4
14 Assessment of the production capacity	More than adequate	5.8	3.1	3.3	-2.5	0.2	6.5	4.1	5.6	-0.9	1.4
15 Employment in the company	Increase	4.1	14.7	18.7	14.6	4.0	8.8	16.8	21.0	12.2	4.3
16 Exports, if applicable	Increase	-2.9	15.3	20.0	22.9	4.7	12.5	20.7	26.1	13.6	5.4
17 Imports, if any	Increase	7.8	20.9	22.0	14.2	1.1	11.5	21.7	22.2	10.7	0.6
18 Selling prices	Increase	0.2	17.3	13.8	13.6	-3.4	6.0	15.2	17.0	11.0	1.8
19 If increase expected in selling prices, rate of such increase	Increase at lower rate	23.2	17.4	15.2	-8.0	-2.2	19.4	14.3	13.0	-6.4	-1.3
20 Profit Margin	Increase	-15.1	-4.8	-2.5	12.6	2.3	-2.8	3.1	9.2	12.0	6.1

* Cost of external finance is included from the round Oct-Dec 2009.

Statement 5: Business Expectations Index based on Assessment and Expectations

Quarter	Assessment			Expectations		
	Index	Change Over previous quarter	Change over previous year	Index	Change Over previous quarter	Change over previous year
1	2	3	4	5	6	7
Jan-Mar 2000	122.8	—	—		—	—
Apr-Jun 2000	115.2	-7.6	—	125.5	—	—
Jul-Sep 2000	116.1	0.9	—	126.1	0.6	—
Oct-Dec 2000	113.9	-2.2	—	124.4	-1.7	—
Jan-Mar 2001	115.2	1.3	-7.6	122.5	-1.8	—
Apr-Jun 2001	109.9	-5.3	-5.3	120.7	-1.8	-4.8
Jul-Sep 2001	108.7	-1.3	-7.4	118.9	-1.8	-7.2
Oct-Dec 2001	100.7	-8.0	-13.2	119.5	0.6	-4.9
Jan-Mar 2002	108.4	7.7	-6.8	105.3	-14.2	-17.3
Apr-Jun 2002	110.8	2.4	0.9	112.3	7.0	-8.5
Jul-Sep 2002	113.2	2.4	4.5	116.7	4.4	-2.2
Oct-Dec 2002	113.8	0.6	13.1	121.2	4.6	1.7
Jan-Mar 2003	118.4	4.6	10.0	119.7	-1.6	14.4
Apr-Jun 2003	109.8	-8.6	-1.0	117.8	-1.8	5.6
Jul-Sep 2003	114.3	4.5	1.1	117.2	-0.7	0.5
Oct-Dec 2003	119.8	5.4	5.9	122.1	4.9	0.8
Jan-Mar 2004	121.4	1.7	3.0	122.2	0.2	2.6
Apr-Jun 2004	118.4	-3.0	8.6	121.5	-0.7	3.7
Jul-Sep 2004	116.9	-1.5	2.6	120.0	-1.5	2.9
Oct-Dec 2004	122.0	5.1	2.2	121.5	1.5	-0.6
Jan-Mar 2005	122.5	0.5	1.1	123.2	1.7	1.0
Apr-Jun 2005	117.5	-5.0	-0.9	120.7	-2.5	-0.8
Jul-Sep 2005	114.9	-2.6	-2.0	119.6	-1.1	-0.4
Oct-Dec 2005	124.3	9.4	2.3	122.7	3.1	1.2
Jan-Mar 2006	120.7	-3.6	-1.8	125.7	3.0	2.5
Apr-Jun 2006	121.8	1.1	4.3	120.5	-5.2	-0.2
Jul-Sep 2006	120.7	-1.1	5.8	126.5	6.0	6.9
Oct-Dec 2006	123.9	3.2	-0.4	125.3	-1.2	2.6
Jan-Mar 2007	127.7	3.8	7.0	126.5	1.2	0.8
Apr-Jun 2007	115.8	-11.9	-6.0	127.5	1.0	7.0
Jul-Sep 2007	118.9	3.1	-1.8	121.1	-6.4	-5.4
Oct-Dec 2007	115.9	-3.0	-8.0	124.4	3.3	-0.9
Jan-Mar 2008	122.8	6.9	-4.9	118.6	-5.8	-7.9
Apr-Jun 2008	116.2	-6.6	0.4	123.2	4.6	-4.3
Jul-Sep 2008	113.4	-2.8	-5.5	122.1	-1.1	1.0
Oct-Dec 2008	104.1	-9.3	-11.8	118.9	-3.2	-5.5
Jan-Mar 2009	82.6	-21.5	-40.2	111.9	-7.0	-6.7
Apr-Jun 2009	99.4	16.8	-16.8	96.4	-15.5	-26.8
Jul-Sep 2009	107.2	7.8	-6.2	109.9	13.5	-12.2
Oct-Dec 2009	112.8	5.6	8.7	116.4	6.5	-2.5
Jan-Mar 2010	118.5	5.7	35.9	120.6	4.2	8.7
Apr-Jun 2010	115.9	-2.6	16.5	119.8	-0.8	23.4
July-Sep 2010	119.0	3.1	11.8	118.8	-1.0	8.9
Oct-Dec 2010				126.5	7.7	10.1

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Annex



RESERVE BANK OF INDIA
DEPARTMENT OF STATISTICS AND INFORMATION MANAGEMENT
MUMBAI-400051.

INDUSTRIAL OUTLOOK SURVEY, JULY-SEPTEMBER 2010
(ROUND 51)

Sample company code:
(To be filled by the agency/RBI)

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Block 1. General Information

101 Name of the company: _____

102 Address of the Company (for correspondence) _____

City/District _____ State _____ PIN

--	--	--	--	--	--

103 Name of the Company Official: Shri/Smt./Kum _____

104 Designation: _____

105 Telephone No.: _____ 106 Fax No.: _____

107 Company e-mail: _____

108 Personal e-mail: _____

109 Company web-site address: _____

110 Type of Company: Public Sector A, Private Sector B

111 Whether company?: Industry-Micro A; Small B; Medium C; Large D

112 Date: _____ 2010 **Seal of the Company after filling-in the Schedule**

Block 2: Product Details

(Please write the main and two major products (in the order of sales) manufactured by the company)

Code	Products	Name	Code (To be filled-in by Agency/RBI)		
201	Main Product				
202	Other Major Product 1				
203	Other Major Product 2				
204		Broad Industry Group			

Annex (Contd.)

Block 3: Paid-up Capital, Annual Production and Current level of Capacity Utilisation

Please tick(√)the appropriate size-class in which your company currently falls:

301	Paid-up Capital	Up to ₹1 Crore	₹1 Crore to ₹10 Crore	₹10 Crore to ₹25 Crore	₹25 Crore to ₹50 Crore	₹50 Crore to ₹100 Crore	Above ₹100 Crore
302	Annual Production (All products)	Up to ₹100 Crore	₹100 Crore to ₹250 Crore	₹250 Crore to ₹500 Crore	₹500 Crore to ₹750 Crore	₹750 Crore to ₹1000 Crore	Above ₹1000 Crore
303	Current level of Capacity Utilisation *	Up to 50%	50% - 60%	60% - 70%	70% - 80%	80% - 90%	Above 90%

* Compared to installed capacity

Block 4: Is your company's normal production level expected to face any constraints during the Current Quarter (July-September 2010) (Please tick (√) the relevant column)

400	Yes		No	
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If 'Yes' to item 400 indicate the possible reasons thereof
(please tick (√) the relevant column for each reason)

Code	Reasons	Current Quarter (July-September 2010)			
		Most Important	Moderately Important	Less Important	Not Important
		(1)	(2)	(3)	(4)
401	Technology constraints				
402	Shortage of Raw Materials				
403	Shortage of Power				
404	Equipment/Machinery not working				
405	Industrial Relations/Labour Problems				
406	Inadequate transport facilities				
407	Shortage of Working Capital Finance				
408	Lack of Domestic Demand				
409	Lack of Export Demand				
410	Competitive Imports				
411	Uncertainty of economic environment				
412	Any others (Please specify):				

Micro Industry: Investment in plant and machinery ≤ ₹25 lakh; Small: Investment in plant and machinery > ₹25 lakh but ≤ 5 crore; Medium: Investment in plant and machinery > ₹5 crore but ≤ ₹10 crore.

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Annex (Contd.)

Block 5. Assessment for the current quarter (July-September 2010) and Expectations for the next quarter (October-December 2010)

Code	Parameter	Current Quarter (July-September 2010)			Next Quarter (October-December 2010)		
		<i>Please tick (✓) changes over April-June 2010 quarter</i>			<i>Please tick (✓) changes over July-September 2010 quarter</i>		
		(1)	(2)	(3)	(4)	(5)	(6)
501	Overall business situation	Better	No change	Worsen	Better	No change	Worsen
502	Financial situation (overall)	Better	No change	Worsen	Better	No change	Worsen
503	Working Capital Finance Requirement (excluding internal sources of funds)	Increase	No change	Decrease	Increase	No change	Decrease
504	Availability of Finance (both internal and external sources)	Improve	No change	Worsen	Improve	No change	Worsen
505	Cost of external finance	Increase	No change	Decrease	Increase	No change	Decrease
506	Production (in quantity terms) (All products)	Increase	No change	Decrease	Increase	No change	Decrease
507	Order Books (in quantity terms), if applicable	Increase	No change	Decrease	Increase	No change	Decrease
508	Pending Orders, if applicable	Above normal	Normal	Below Normal	Above normal	Normal	Below Normal
509	Cost of raw materials	Increase	No change	Decrease	Increase	No change	Decrease
510	Inventory of raw materials (in quantity terms) @	Above average	Average	Below Average	Above average	Average	Below Average
511	Inventory of Finished Goods (in quantity terms) @	Above average	Average	Below Average	Above Average	average	Below Average
512	Capacity utilisation (main product)	Increase	No change	Decrease	Increase	No change	Decrease
513	Level of capacity utilisation (compared to the average in preceding four quarters)	Above normal	Normal	Below Normal	Above normal	Normal	Below Normal
514	Assessment of the production capacity with regard to expected demand in next six months	More than adequate	Adequate	Not Adequate	More than adequate	Adequate	Not Adequate
515	Employment in the company (All cadres including part-time/ full-time/casual labour)	Increase	No change	Decrease	Increase	No change	Decrease
516	Exports, if applicable	Increase	No change	Decrease	Increase	No change	Decrease
517	Imports, if any	Increase	No change	Decrease	Increase	No change	Decrease
518	Selling prices (ex-factory unit prices) are expected to @@	Increase	No change	Decrease	Increase	No change	Decrease

Annex (Concl.)

Code	Parameter	Current Quarter (July-September 2010)			Next Quarter (October-December 2010)		
		<i>Please tick (✓) changes over April-June 2010 quarter</i>			<i>Please tick (✓) changes over July-September 2010 quarter</i>		
		(1)	(2)	(3)	(4)	(5)	(6)
519	If increase expected in selling prices, rate of such increase	Increase at higher rate	Increase at about same rate	Increase at lower rate	Increase at higher rate	Increase at about same rate	Increase at lower rate
520	Profit Margin (Gross profits as percentage of net sales) @@@	Increase	No change	Decrease	Increase	No change	Decrease

@ Average level may be obtained as the average of level at the end of four quarters during the corresponding preceding year.

@@ In the case of multi-product companies, the average of the price changes may be taken into account.

@@@ Gross profits are defined as total income minus manufacturing expenses, salaries and wages, other expenses and depreciation and other provisions (except tax provision). In other words, profits are gross of interest and tax provision (PBIT). 'Net Sales' are sales net of 'rebates and discounts' and 'excise duty and cess'.

To be filled in by the Agency

Investigated by		Scrutinised by	
Signature:		Signature:	
Name:		Name:	
Date:		Date:	
Investigator's Remarks:		Scrutiny remarks:	