

Quarterly Industrial Outlook Survey: July-September 2011 (Round 55)*

This article presents the survey findings of Industrial Outlook Survey conducted for July-September 2011 quarter, the 55th round in the series. It gives an assessment of business situation of companies in manufacturing sector, for the quarter July-September 2011, and their expectations for the ensuing quarter October-December 2011. The survey results signal further weakened business conditions in the Indian manufacturing sector for assessment quarter as well as expectation quarter. The Business Expectation Index, a measure that gives a single snapshot of the industrial outlook in each study quarter, dropped to 109.4 from 116.3 for assessment quarter and to 118.8 from 121.5 for expectation quarter; however, it still remains well above 100, the threshold that separates contraction from expansion.

Highlights

- The **demand conditions** based on Production, Order books, Capacity Utilisation, Imports and Exports showed signs of further **moderation** during the *assessment quarter* as well as *expectation quarter* as compared to the previous round of the survey as well as the corresponding quarter of previous year. This is reflected in decline in net response¹ in favour of higher Production, Order books, Capacity Utilisation, Imports and Exports.
- Moderation in **demand conditions** anticipated by manufacturing sector during expectation quarter of the previous survey round is well-reflected in assessment quarter of the current survey round.
- **Financial condition** showed lower optimism in both the assessment and expectation quarters. Net responses for availability of finance further

declined. The cost of external finance is perceived to rise further. The pressure from cost of raw materials which mounted in the last few quarters continued, as majority of respondents expected cost of raw material to rise. Net responses on selling price and profit margin further declined in both the quarters under review which indicates decline in pricing power of the manufacturing sector.

- **Industry-wise** analysis shows that majority of the industry groups especially Cement and Textiles reported lower optimism on demand conditions. Cement and Textiles industries also expressed lowest optimism in Overall Financial situation.
- **Size-wise analysis** shows that demand conditions turned less optimistic across all size classes which was more pronounced in case of smaller size companies' (Production < ₹100cr). Similar trend was observed for financial conditions.
- About half of the respondents expressed production constraints for attaining normal production level during July-September 2011.

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 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, profit margins and employment situation. The survey provides useful forward-looking inputs for policymakers, analysts and business alike.

* Prepared in the Division of Enterprise Surveys of Department of Statistics and Information Management. The previous article on the subject based on the 54th survey round (April-June 2011) was published in August 2011 Bulletin.

¹ Net Response is the difference of percentage of the respondents reporting an increase and that of reporting decrease.

II. Data Coverage and Methodology²

II.1 Sample Size

The sample covers a panel of about 2,000 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 by an agency during the three-month period ending September 2011. The panel of respondents is kept uniform to the extent possible with periodic updating in the case of addition of new companies or exclusion of closed/merged companies. The sample is chosen so as to get a good representation of size and industry.

II.2 Response to the Survey

The survey elicited response from 1,528 (response rate 76 per cent) manufacturing companies.

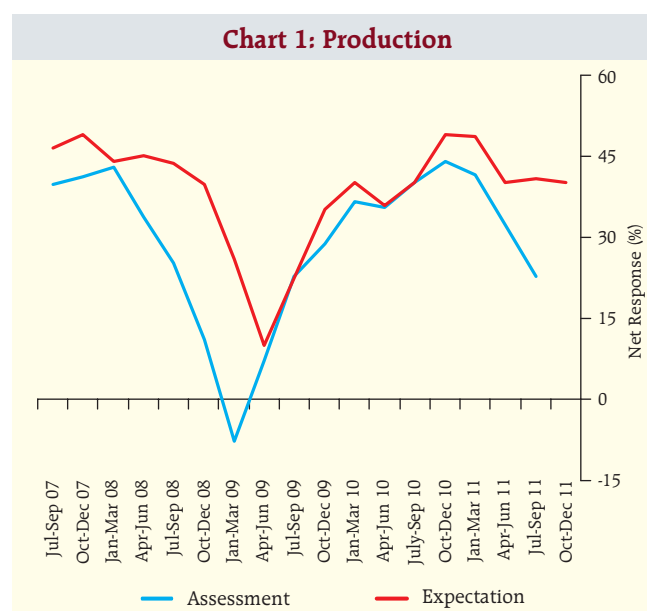
II.3 Survey Schedule

The survey schedule consists of qualitative questions containing five blocks (Annex) and the target respondents are senior management personnel or finance heads of the companies.

III. Survey Findings

III.1 Demand Conditions

The 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 net response favouring higher production registered a decline from 32.1 per cent to 22.6 per cent for the assessment quarter and from 40.6 per cent to 39.9 per cent for the expectation quarter (Table 1 and Chart 1).

III.1.2 Order Books

The order books position of the manufacturing companies has also shown similar trend with

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 |
| 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 | 1,561 | 53.9 | 10.0 | 36.0 | 43.9 | 55.9 | 6.8 | 37.3 | 49.1 |
| Jan-Mar 11 | 1,524 | 52.1 | 10.7 | 37.1 | 41.4 | 55.4 | 6.8 | 37.7 | 48.6 |
| Apr-Jun 11 | 1,504 | 47.8 | 15.7 | 36.5 | 32.1 | 49.1 | 9.1 | 41.8 | 40.0 |
| July-Sep 1 | 1,528 | 40.8 | 18.3 | 40.9 | 22.6 | 49.6 | 9.0 | 41.5 | 40.6 |
| Oct-Sep 11 | | | | | | 49.5 | 9.5 | 41.0 | 39.9 |

Increase in production is 'optimistic'

[#] Due to rounding off, percentages may not add up to 100. This is applicable throughout this article.

² The methodology used for the analysis has been provided in the article Quarterly Industrial Outlook Surveys: Trends since 2001 in October 2009 Bulletin.

Table 2: Assessment & Expectations for Order books

| Survey Quarter | Total response | (Percentage responses)# | | | | | | | |
|----------------|----------------|--------------------------------|----------|-----------|--------------|------------------------------|----------|-----------|--------------|
| | | 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 | |
| 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 | 1,561 | 46.9 | 9.1 | 44.0 | 37.9 | 49.8 | 5.1 | 45.1 | 44.8 |
| Jan-Mar 11 | 1,524 | 44.8 | 10.1 | 45.2 | 34.7 | 49.6 | 5.6 | 44.8 | 44.0 |
| Apr-Jun 11 | 1,504 | 42.5 | 14.4 | 43.0 | 28.1 | 45.9 | 7.5 | 46.6 | 38.4 |
| July-Sep 11 | 1,528 | 37.9 | 17.6 | 44.5 | 20.3 | 45.4 | 9.4 | 45.2 | 35.9 |
| Oct-Dec 11 | | | | | | 43.5 | 10.1 | 46.4 | 33.4 |

Increase in order books is 'optimistic'

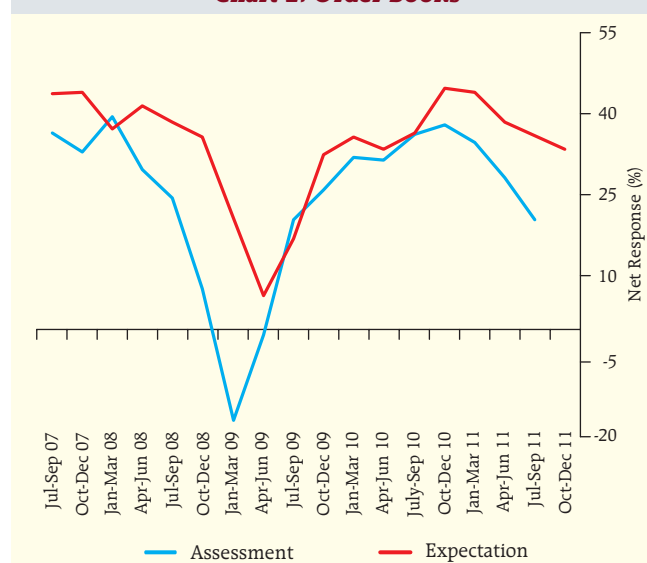
moderation of the net responses for the assessment and expectation quarter. (Table 2 and Chart 2).

III.1.3 Pending Order

The pending order position has improved for both the quarters under review, as some companies shifted their responses from 'above normal'/'normal' to 'below normal' category. (Table 3 and Chart 3).

III.1.4 Capacity Utilisation

The survey collects views of manufacturing companies on change in capacity utilisation level (increase/decrease/no change) for the main product, level of capacity utilisation compared to the average in the last four quarters (above normal/below normal/normal); and assessment of production capacity with regard to expected demand in the next six months

Chart 2: Order Books**Table 3: Assessment & Expectations for Pending Orders**

| Survey Quarter | Total response | (Percentage responses)# | | | | | | | |
|----------------|----------------|--------------------------------|--------------|--------|--------------|------------------------------|--------------|--------|--------------|
| | | 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 | |
| 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 | 1,561 | 11.6 | 7.6 | 80.8 | 3.9 | 8.8 | 7.3 | 83.9 | 1.5 |
| Jan-Mar 11 | 1,524 | 12.5 | 6.9 | 80.6 | 5.5 | 9.8 | 8.1 | 82.1 | 1.7 |
| Apr-Jun 11 | 1,504 | 13.3 | 6.7 | 80.0 | 6.5 | 10.4 | 6.6 | 83.0 | 3.9 |
| Jul-Sep 11 | 1,528 | 18.0 | 4.7 | 77.3 | 13.3 | 11.8 | 7.2 | 81.0 | 4.5 |
| Oct-Dec 11 | | | | | | 13.6 | 6.0 | 80.4 | 7.6 |

Pending Orders 'Below Normal' is optimistic

Table 4: Assessment & Expectations for Capacity Utilisation

| Parameter | Options | (Percentage responses) # | | | |
|--|--------------------|--------------------------|---------------|--------------------------|--------------|
| | | Assessment for Quarter | | Expectations for Quarter | |
| | | Apr-June 2011 | July-Sep 2011 | July-Sep 2011 | Oct-Dec 2011 |
| | 1 | 2 | 3 | 4 | 5 |
| Capacity Utilisation (main product) | Increase | 30.5 | 26.4 | 33.9 | 32.1 |
| | No Change | 56.2 | 57.0 | 57.2 | 57.9 |
| | Decrease | 13.3 | 16.5 | 8.9 | 10.0 |
| | Net Response | 17.2 | 9.9 | 25.0 | 22.2 |
| Level of Capacity Utilisation (compared to the average in last 4 quarters) | Above normal | 13.8 | 10.8 | 14.3 | 12.7 |
| | Normal | 71.7 | 72.0 | 75.7 | 75.0 |
| | Below Normal | 14.5 | 17.2 | 10.0 | 12.3 |
| | Net Response | -0.7 | -6.4 | 4.3 | 0.3 |
| Assessment of Production Capacity (with regard to expected demand in next 6 months) | More than adequate | 11.8 | 13.2 | 11.2 | 14.2 |
| | Adequate | 80.8 | 78.8 | 82.8 | 79.1 |
| | Less than adequate | 7.4 | 8.0 | 5.9 | 6.7 |
| | Net Response | 4.3 | 5.2 | 5.3 | 7.4 |

Increase in capacity utilisation is 'optimistic'.

(more than adequate/less than adequate/adequate). While 57 per cent of the respondents reported no change in the capacity utilisation of their main product, there is a moderation in capacity utilisation level over previous quarter on net response basis during both the quarters under review (Table 4 and Chart 4).

III.1.5 Inventory of Raw Materials & Finished Goods

Majority of the respondents (80-84 per cent) reported to have maintained the average level of inventory of raw materials for the assessment as well as expectation quarters. Similar trend is observed for the inventory of finished goods (Table 5). Around 14

per cent of the respondents assessed their raw material inventory levels to be above average during the assessment quarter. This proportion is marginally lower in the expectation quarter.

III.1.6 Exports and Imports

The survey reveals lower optimism of the manufacturing sector in terms of growth in exports and imports. The net response for exports declined from 18.2 per cent to 13.1 per cent whereas, for imports it declined from 17.6 per cent to 15.7 per cent in the assessment quarter. Similar decline in net response for exports and imports was observed for the expectation quarter (Table 6, Table 7 and Chart 5).

Chart 3: Pending order

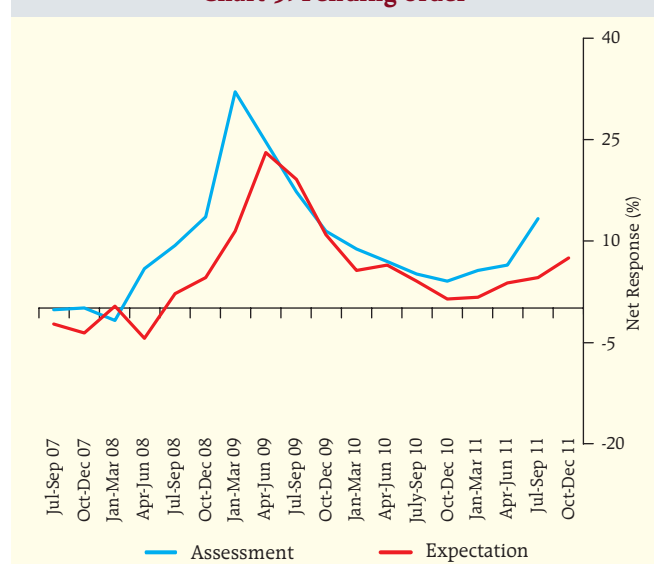


Chart 4: Capacity Utilisation

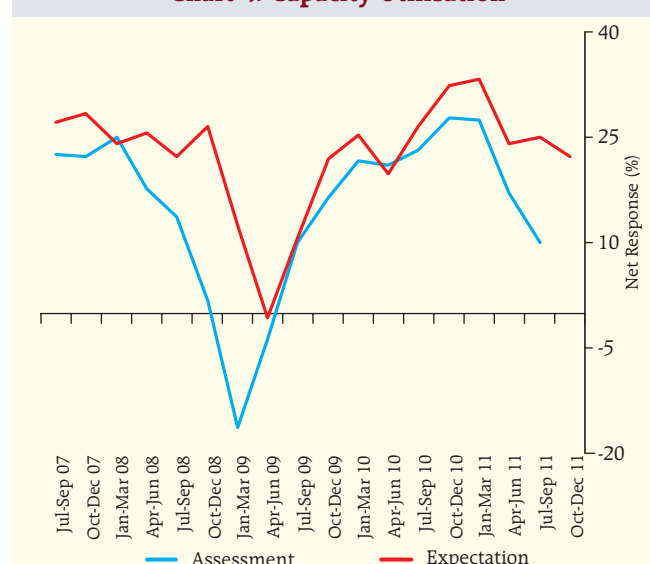
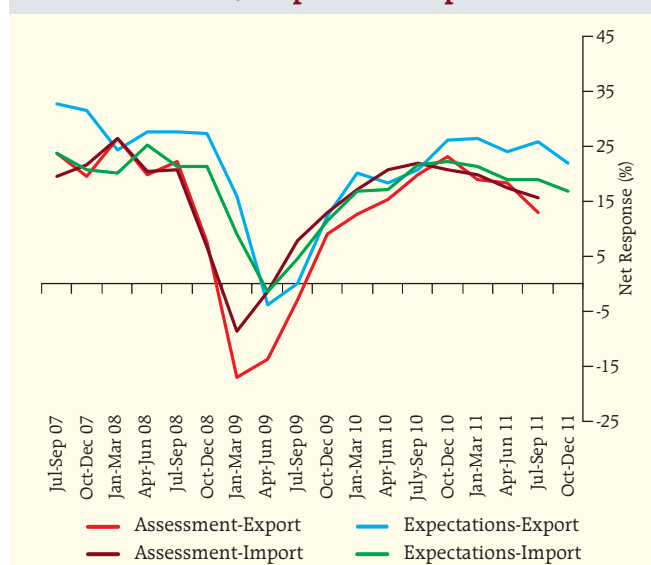


Table 5: Assessment & Expectations for Level of Inventory (Raw Material and Finished Goods)

| Parameter | Options | (Percentage responses) # | | | |
|-----------------------------|---------------|--------------------------|---------------|--------------------------|--------------|
| | | Assessment for Quarter | | Expectations for Quarter | |
| | | Apr-June 2011 | July-Sep 2011 | July-Sep 2011 | Oct-Dec 2011 |
| | 1 | 2 | 3 | 4 | 5 |
| Inventory of raw material | Below average | 6.6 | 6.9 | 5.7 | 5.4 |
| | Average | 81.1 | 79.6 | 85.8 | 84.0 |
| | Above average | 12.3 | 13.5 | 8.5 | 10.6 |
| | Net Response | -5.7 | -6.6 | -2.9 | -5.2 |
| Inventory of Finished goods | Below average | 6.7 | 6.3 | 6.2 | 5.1 |
| | Average | 79.5 | 77.9 | 84.5 | 83.4 |
| | Above average | 13.8 | 15.8 | 9.3 | 11.5 |
| | Net Response | -7.0 | -9.5 | -3.1 | -6.5 |

Inventory of raw material and finished goods 'Below average' is optimistic.

Chart 5: Exports and Imports

III.1.7 Employment Situation

About 70 per cent of the respondents reported 'no change' in their labour force. Net response for expectation quarter declined to 16.5 per cent from 19.4 per cent (Table 8 and Chart 6).

III.2 Financial Parameters

The survey assesses sentiments about financial conditions based on the 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, cost of raw material, selling price and profit margin.

Table 6: Assessment & Expectations for Exports

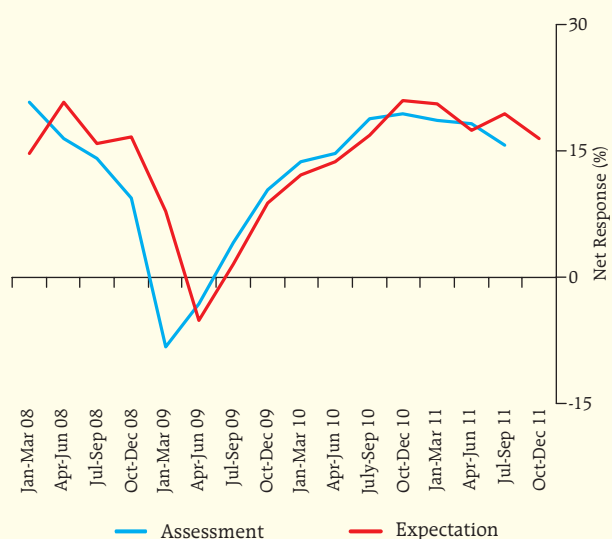
| Survey Quarter | Total response | Assessment for Current Quarter | | | | Expectation for Next Quarter | | | |
|----------------|----------------|--------------------------------|----------|-----------|--------------|------------------------------|----------|-----------|--------------|
| | | Increase | Decrease | No Change | Net Response | Increase | Decrease | No Change | Net Response |
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| 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 | 1,561 | 34.4 | 11.4 | 54.2 | 23.1 | 34.4 | 8.3 | 57.3 | 26.1 |
| Jan-Mar 11 | 1,524 | 32.1 | 13.2 | 54.7 | 18.9 | 34.4 | 8.1 | 57.5 | 26.3 |
| Apr-Jun 11 | 1,504 | 31.8 | 13.6 | 54.6 | 18.2 | 33.4 | 9.4 | 57.1 | 24.0 |
| July-Sep 11 | 1,528 | 28.7 | 15.7 | 55.6 | 13.1 | 35.1 | 9.2 | 55.7 | 25.8 |
| Oct-Dec 11 | | | | | | 32.7 | 10.6 | 56.8 | 22.1 |

Increase of 'exports' is optimistic.

Table 7: Assessment & Expectations for Imports

| Survey Quarter | Total Response | (Percentage responses) # | | | | | | | |
|----------------|----------------|--------------------------------|----------|-----------|--------------|------------------------------|----------|-----------|--------------|
| | | 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 | |
| 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 | 17.0 | 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 | 1,561 | 27.3 | 6.4 | 66.3 | 20.9 | 27.3 | 5.1 | 67.6 | 22.2 |
| Jan-Mar 11 | 1,524 | 27.0 | 7.1 | 65.8 | 19.9 | 26.7 | 5.4 | 67.9 | 21.3 |
| Apr-Jun 11 | 1,504 | 25.0 | 7.4 | 67.6 | 17.6 | 25.1 | 6.2 | 68.6 | 18.9 |
| July-Sep 11 | 1,528 | 23.3 | 7.6 | 69.2 | 15.7 | 25.1 | 6.1 | 68.9 | 19.0 |
| Oct-Dec 11 | | | | | | 23.1 | 6.2 | 70.7 | 16.9 |

Increase in imports is 'optimistic'.

Chart 6: Employment Outlook

III.2.1 Overall Financial Situation

Overall financial situation has shown a further decline in optimism in the assessment quarter. The net response for better financial situation in assessment quarter decreased to 11.7 per cent from 24.1 per cent. The manufacturers also foresee decline in overall financial situation for the expectation quarter as the net response declined to 26.3 per cent from 30.6 per cent a quarter ago (Table 9, Chart 7).

III.2.2 Working Capital Finance Requirement and Availability of Finance

The sentiment for **working capital finance requirement** (excluding internal source of funds) in

Table 8: Assessment & Expectations for Employment Outlook

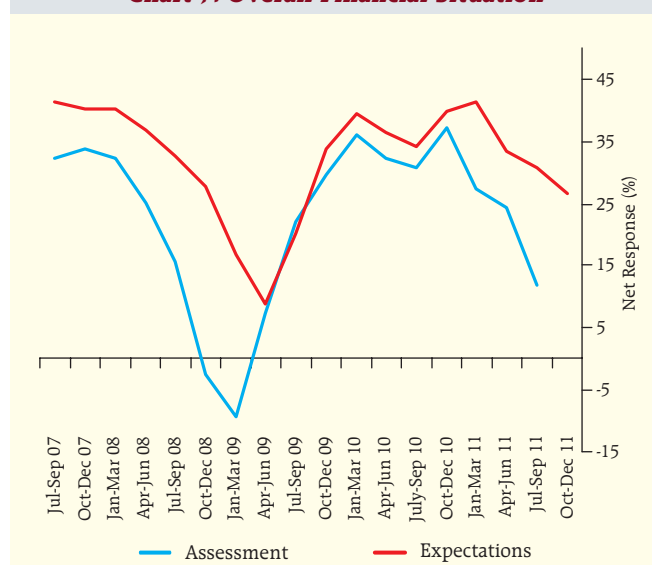
| Survey Quarter | Total Response | (Percentage responses) # | | | | | | | |
|----------------|----------------|--------------------------------|----------|-----------|--------------|------------------------------|----------|-----------|--------------|
| | | Assessment for Current Quarter | | | | Expectation for Next Quarter | | | |
| | | Increase | Decrease | No Change | Net Response | Increase | Decrease | No Change | Net Response |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | |
| 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 | 1,561 | 24.8 | 5.4 | 69.9 | 19.4 | 24.7 | 3.6 | 71.7 | 21.0 |
| Jan-Mar 11 | 1,524 | 24.3 | 5.6 | 70.1 | 18.7 | 25.0 | 4.3 | 70.7 | 20.6 |
| Apr-Jun 11 | 1,504 | 24.3 | 6.1 | 69.6 | 18.2 | 23.0 | 5.6 | 71.4 | 17.4 |
| July-Sep 11 | 1,528 | 22.7 | 7.1 | 70.2 | 15.6 | 24.0 | 4.6 | 71.5 | 19.4 |
| Oct-Dec 11 | | | | | | 21.7 | 5.2 | 73.1 | 16.5 |

Increase in employment is 'optimistic'

Table 9: Assessment & Expectations for Overall Financial Situation

| Survey Quarter | Total Response | (Percentage responses) # | | | | | | | |
|----------------|----------------|--------------------------------|--------|-----------|--------------|------------------------------|--------|-----------|--------------|
| | | 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 | |
| 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 | 1,561 | 42.8 | 5.7 | 51.5 | 37.1 | 44.9 | 5.3 | 49.7 | 39.6 |
| Jan-Mar 11 | 1,524 | 35.7 | 8.6 | 55.8 | 27.1 | 45.5 | 4.4 | 50.1 | 41.1 |
| Apr-Jun 11 | 1,504 | 34.5 | 10.4 | 55.0 | 24.1 | 38.6 | 5.2 | 56.1 | 33.4 |
| July-Sep 11 | 1,528 | 27.8 | 16.0 | 56.2 | 11.7 | 37.4 | 6.8 | 55.7 | 30.6 |
| Oct-Dec 11 | | | | | | 35.5 | 9.2 | 55.3 | 26.3 |

Overall financial situation 'Better' is optimistic.

Chart 7: Overall Financial Situation

the assessment quarter has moderated with net response declining from 35.7 per cent to 31.1 per cent. However, marginal improvement is anticipated for the expectation quarter (Table 10).

The survey shows that lower percentage of respondents assesses/expects availability of finance to improve in the current/ensuing quarter. This is reflected in the lower net response for both the quarters under review (Table 11, Chart 8).

III.2.3 Cost of External Finance

Increasingly a larger proportion of respondents perceived rise in the cost of funds in recent rounds of the survey. 53.7 per cent of the respondents felt that

Table 10: Assessment & Expectations for Working Capital Finance Requirement

| Survey Quarter | Total Response | (Percentage responses) # | | | | | | | |
|----------------|----------------|--------------------------------|----------|-----------|--------------|------------------------------|----------|-----------|--------------|
| | | 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 | |
| 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 | 1,561 | 41.3 | 4.1 | 54.6 | 37.1 | 38.4 | 3.6 | 58.0 | 34.8 |
| Jan-Mar 11 | 1,524 | 41.0 | 4.1 | 54.9 | 36.9 | 40.7 | 3.0 | 56.3 | 37.8 |
| Apr-Jun 11 | 1,504 | 41.1 | 5.4 | 53.5 | 35.7 | 37.4 | 4.4 | 58.2 | 32.9 |
| July-Sep 11 | 1,528 | 36.8 | 5.7 | 57.4 | 31.1 | 38.7 | 5.1 | 56.3 | 33.6 |
| Oct-Dec 11 | | | | | | 38.4 | 4.2 | 57.5 | 34.2 |

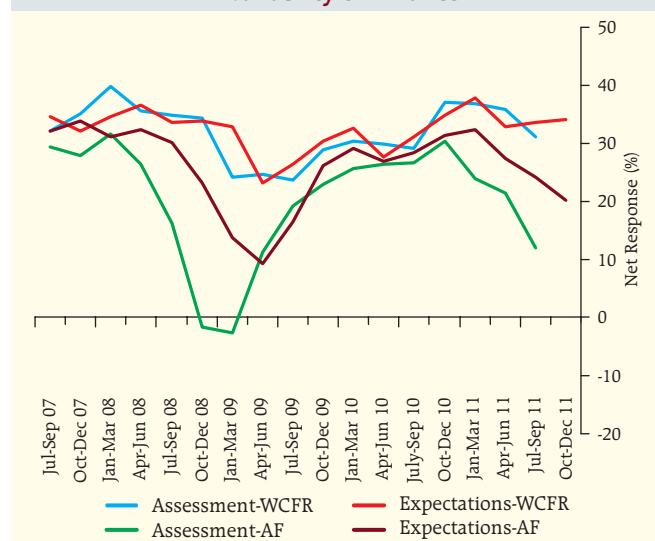
Increase in working capital finance is 'optimistic'.

Table 11: 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 |
| 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-Dec 10 | 1,561 | 35.9 | 5.6 | 58.4 | 30.3 | 35.3 | 4.0 | 60.6 | 31.3 |
| Jan-Mar 11 | 1,524 | 32.1 | 8.3 | 59.6 | 23.8 | 36.4 | 4.0 | 59.6 | 32.3 |
| Apr-Jun 11 | 1,504 | 30.2 | 8.7 | 61.1 | 21.5 | 32.6 | 5.3 | 62.2 | 27.3 |
| July-Sep 11 | 1,528 | 24.0 | 12.0 | 64.0 | 12.1 | 30.0 | 5.8 | 64.2 | 24.2 |
| Oct-Dec 11 | | | | | | 28.7 | 8.5 | 62.7 | 20.2 |

Improvement in Availability of finance is 'optimistic'.

Chart 8: Working Capital Finance Requirement & Availability of Finance

the cost of external funds has risen further during July-September 2011 (Table 12). One quarter ahead outlook also signals similar sentiment.

III.2.4 Cost of Raw Material

63.3 per cent of respondents have reported a further increase in cost of raw material in the assessment quarter, though the pessimism (*increase in cost of raw material*) has marginally declined from the previous round. A similar scenario is reported in the expectation quarter (Table 13, Chart 9).

III.2.5 Selling price

The survey seeks responses on change in selling prices (ex-factory unit prices) of the manufactured

Table 12: Assessment & Expectations for Cost of External Finance

(Percentage responses) #

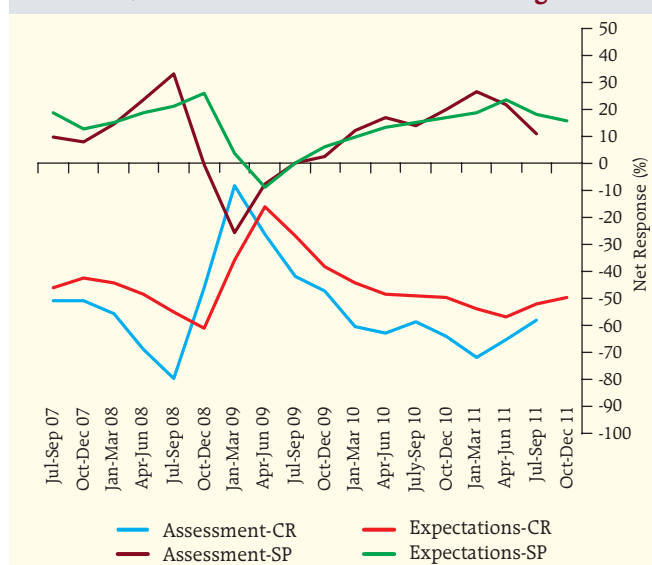
| Survey Quarter | Total Response | Assessment for Current Quarter | | | | Expectation for Next Quarter | | | |
|----------------|----------------|--------------------------------|----------|-----------|--------------|------------------------------|----------|-----------|--------------|
| | | Decrease | Increase | No Change | Net Response | Decrease | Increase | No Change | Net Response |
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| 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 | 1,561 | 4.0 | 37.9 | 58.1 | -33.9 | 3.8 | 32.1 | 64.2 | -28.3 |
| Jan-Mar 11 | 1,524 | 3.5 | 46.0 | 50.6 | -42.5 | 3.7 | 35.0 | 61.3 | -31.3 |
| Apr-Jun 11 | 1,504 | 3.5 | 52.5 | 44.1 | -49.0 | 3.9 | 38.9 | 57.1 | -35.0 |
| July-Sep 11 | 1,528 | 3.5 | 53.7 | 42.9 | -50.2 | 4.0 | 43.7 | 52.4 | -39.7 |
| Oct-Dec 11 | | | | | | 3.4 | 44.4 | 52.2 | -41.0 |

Cost of external finance 'Decrease' is optimistic.

Table 13: Assessment & Expectations for Cost of raw material

| Survey Quarter | Total Response | (Percentage responses) # | | | | | | | |
|----------------|----------------|--------------------------------|----------|-----------|--------------|------------------------------|----------|-----------|--------------|
| | | 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 | |
| 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 | 1,561 | 2.4 | 66.3 | 31.3 | -63.9 | 3.3 | 52.6 | 44.1 | -49.3 |
| Jan-Mar 11 | 1,524 | 1.7 | 73.7 | 24.6 | -71.9 | 2.3 | 55.9 | 41.8 | -53.6 |
| Apr-Jun 11 | 1,504 | 4.5 | 70.0 | 25.6 | -65.5 | 2.5 | 59.5 | 38.0 | -57.0 |
| July-Sep 11 | 1,528 | 5.3 | 63.3 | 31.4 | -58.1 | 4.8 | 56.6 | 38.6 | -51.7 |
| Oct-Dec 11 | | | | | | 3.7 | 53.4 | 42.9 | -49.7 |

Cost of raw material 'Decrease' is optimistic.

Chart 9: Cost of Raw Material and Selling Price

products on aggregate basis. Net response for selling price has dropped in both the quarters under review, indicating marginal softening of output prices (Table 14, Chart 9).

III.2.6 Profit Margin

The survey seeks opinion of manufacturing companies on change in profit margin (gross profits as percentage to net sales). While more than half of the respondents perceive no change in the profit margin, more companies indicated declined in profit margin in both the quarters under review (Table 15 and Chart 10), which would be likely to impact their pricing power adversely.

Table 14: Assessment & Expectations for Selling Price

| Survey Quarter | Total Response | (Percentage responses) # | | | | | | | |
|----------------|----------------|--------------------------------|----------|-----------|--------------|------------------------------|----------|-----------|--------------|
| | | 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 | |
| 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 | 1,561 | 30.2 | 10.0 | 59.8 | 20.2 | 25.7 | 8.7 | 65.5 | 17.0 |
| Jan-Mar 11 | 1,524 | 35.7 | 9.2 | 55.1 | 26.5 | 26.7 | 8.1 | 65.2 | 18.6 |
| Apr-Jun 11 | 1,504 | 35.0 | 13.4 | 51.6 | 21.5 | 30.6 | 7.0 | 62.4 | 23.7 |
| July-Sep 11 | 1,528 | 27.3 | 16.6 | 56.1 | 10.7 | 29.1 | 10.7 | 60.2 | 18.3 |
| Oct-Dec 11 | | | | | | 26.8 | 10.8 | 62.4 | 16.0 |

Selling price 'Increase' is optimistic.

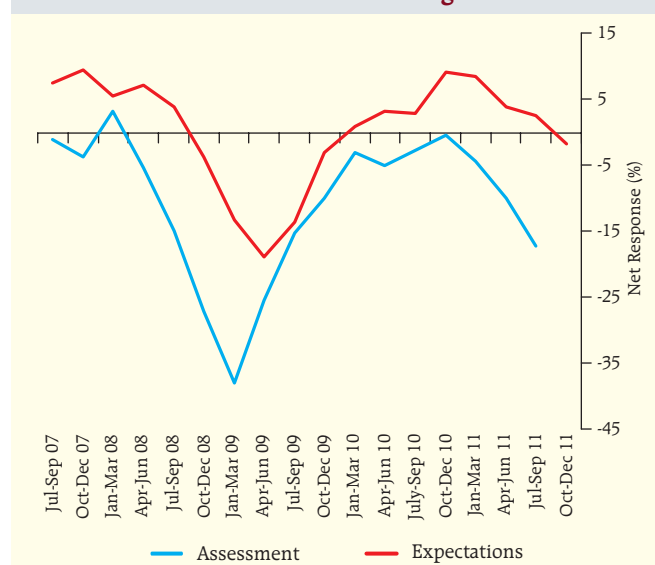
Table 15: Assessment & Expectations for Profit Margin

(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 |
| 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 | 1,561 | 22.7 | 23.1 | 54.2 | -0.4 | 25.2 | 16.1 | 58.7 | 9.2 |
| Jan-Mar 11 | 1,524 | 20.8 | 25.1 | 54.1 | -4.3 | 25.6 | 17.2 | 57.2 | 8.3 |
| Apr-Jun 11 | 1,504 | 18.2 | 28.1 | 53.6 | -9.9 | 22.2 | 18.4 | 59.4 | 3.8 |
| Jul-Sep 11 | 1,528 | 15.2 | 32.3 | 52.5 | -17.1 | 22.0 | 19.5 | 58.5 | 2.5 |
| Oct-Dec 11 | | | | | | 20.3 | 21.9 | 57.8 | -1.6 |

Increase in Profit margin is optimism.

Chart 10: Profit Margin



III.3 Overall Business Situation

III.3.1 Overall Business Situation

The **overall business situation** is a parameter that captures the overall confidence of manufacturing companies. The net response of the overall business situation for assessment quarter shows marked decline to 18.7 per cent from 32.6 per cent in the previous quarter. The net response for expectation quarter has also shown similar trend (Table 16, Chart 11).

III.3.2 Business Expectation Index (BEI)

The Business Expectation Index gives a single snapshot of the industrial outlook in each quarter. This index is computed as the weighted average of net

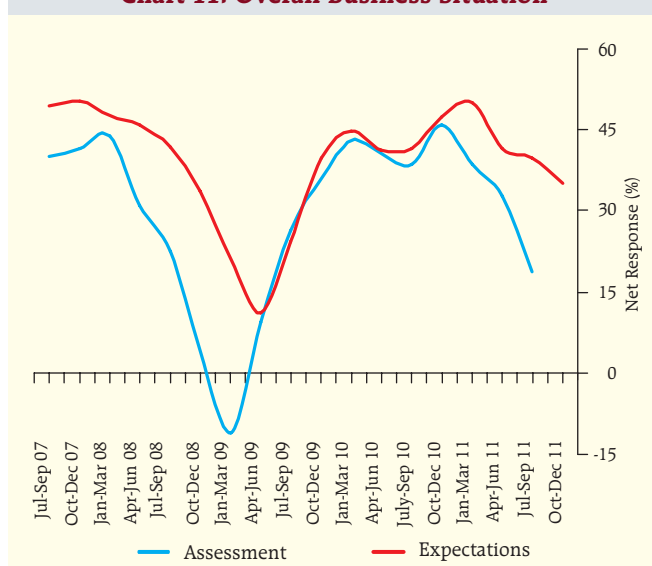
Table 16: Assessment & Expectations of Overall Business Situation

(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 |
| 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 | 1,561 | 51.4 | 5.5 | 43.1 | 45.9 | 52.5 | 5.1 | 42.4 | 47.4 |
| Jan-Mar 11 | 1,524 | 46.0 | 7.4 | 46.6 | 38.6 | 54.2 | 4.1 | 41.8 | 50.1 |
| Apr-Jun 11 | 1,504 | 42.8 | 10.1 | 47.1 | 32.6 | 47.0 | 5.6 | 47.4 | 41.4 |
| Jul-Sep 11 | 1,528 | 34.1 | 15.4 | 50.5 | 18.7 | 46.6 | 6.8 | 46.6 | 39.8 |
| Oct-Dec 11 | | | | | | 43.1 | 8.0 | 48.9 | 35.2 |

Overall Business Situation 'Better' is optimistic.

Chart 11: Overall Business Situation



responses from all the industries on nine select performance parameters where the weights are the industry's share in Gross Value Added (GVA). The selected parameters are Overall Business Situation, Production, Order Books, Inventory of Raw Materials, Inventory of Finished Goods, Profit Margin, Employment, Exports and Capacity Utilisation. The methodology for compilation of the BEI is given in the article *Quarterly Industrial Outlook Surveys: Trends since 2001* published in October 2009 Bulletin.

BEI has declined considerably to 109.3 from 116.3 for assessment quarter and to 118.8 from 121.5 for the expectation quarter which indicates continued slowdown of the economy (Table 17 Chart 12).

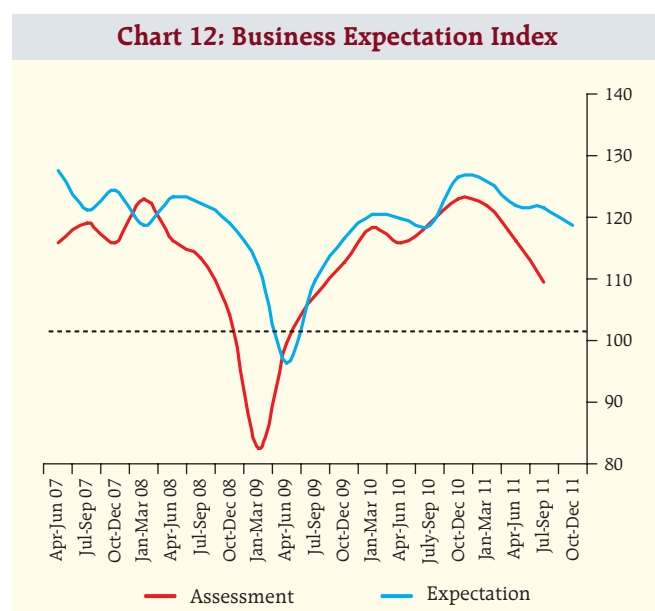
III.3.3 Industry-wise and Size-wise Analysis

The **industry-wise** analysis shows that majority of the industry groups, more visibly 'Cement' and 'Textiles' are less optimistic on demand conditions. These industries also expressed lowest optimism in overall financial situation. On cost of finance, pessimism was observed in all the industries and more visibly in 'Cement' and 'Basic metals' industries.

Table 17: Business Expectation 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 |
| Jan-Mar 00 | 122.8 | - | - | - | - | - |
| Apr-Jun 00 | 115.2 | -7.6 | - | 125.5 | - | - |
| Jul-Sep 00 | 116.1 | 0.9 | - | 126.1 | 0.6 | - |
| Oct-Dec 00 | 113.9 | -2.2 | - | 124.4 | -1.7 | - |
| Jan-Mar 01 | 115.2 | 1.3 | -7.6 | 122.5 | -1.8 | - |
| Apr-Jun 01 | 109.9 | -5.3 | -5.3 | 120.7 | -1.8 | -4.8 |
| Jul-Sep 01 | 108.7 | -1.3 | -7.4 | 118.9 | -1.8 | -7.2 |
| Oct-Dec 01 | 100.7 | -8.0 | -13.2 | 119.5 | 0.6 | -4.9 |
| Jan-Mar 02 | 108.4 | 7.7 | -6.8 | 105.3 | -14.2 | -17.3 |
| Apr-Jun 02 | 110.8 | 2.4 | 0.9 | 112.3 | 7.0 | -8.5 |
| Jul-Sep 02 | 113.2 | 2.4 | 4.5 | 116.7 | 4.4 | -2.2 |
| Oct-Dec 02 | 113.8 | 0.6 | 13.1 | 121.2 | 4.6 | 1.7 |
| Jan-Mar 03 | 118.4 | 4.6 | 10.0 | 119.7 | -1.6 | 14.4 |
| Apr-Jun 03 | 109.8 | -8.6 | -1.0 | 117.8 | -1.8 | 5.6 |
| Jul-Sep 03 | 114.3 | 4.5 | 1.1 | 117.2 | -0.7 | 0.5 |
| Oct-Dec 03 | 119.8 | 5.4 | 5.9 | 122.1 | 4.9 | 0.8 |
| Jan-Mar 04 | 121.4 | 1.7 | 3.0 | 122.2 | 0.2 | 2.6 |
| Apr-Jun 04 | 118.4 | -3.0 | 8.6 | 121.5 | -0.7 | 3.7 |
| Jul-Sep 04 | 116.9 | -1.5 | 2.6 | 120.0 | -1.5 | 2.9 |
| Oct-Dec 04 | 122.0 | 5.1 | 2.2 | 121.5 | 1.5 | -0.6 |
| Jan-Mar 05 | 122.5 | 0.5 | 1.1 | 123.2 | 1.7 | 1.0 |
| Apr-Jun 05 | 117.5 | -5.0 | -0.9 | 120.7 | -2.5 | -0.8 |
| Jul-Sep 05 | 114.9 | -2.6 | -2.0 | 119.6 | -1.1 | -0.4 |
| Oct-Dec 05 | 124.3 | 9.4 | 2.3 | 122.7 | 3.1 | 1.2 |
| Jan-Mar 06 | 120.7 | -3.6 | -1.8 | 125.7 | 3.0 | 2.5 |
| Apr-Jun 06 | 121.8 | 1.1 | 4.3 | 120.5 | -5.2 | -0.2 |
| Jul-Sep 06 | 120.7 | -1.1 | 5.8 | 126.5 | 6.0 | 6.9 |
| Oct-Dec 06 | 123.9 | 3.2 | -0.4 | 125.3 | -1.2 | 2.6 |
| Jan-Mar 07 | 127.7 | 3.8 | 7.0 | 126.5 | 1.2 | 0.8 |
| Apr-Jun 07 | 115.8 | -11.9 | -6.0 | 127.5 | 1.0 | 7.0 |
| Jul-Sep 07 | 118.9 | 3.1 | -1.8 | 121.1 | -6.4 | -5.4 |
| Oct-Dec 07 | 115.9 | -3.0 | -8.0 | 124.4 | 3.3 | -0.9 |
| Jan-Mar 08 | 122.8 | 6.9 | -4.9 | 118.6 | -5.8 | -7.9 |
| Apr-Jun 08 | 116.2 | -6.6 | 0.4 | 123.2 | 4.6 | -4.3 |
| Jul-Sep 08 | 113.4 | -2.8 | -5.5 | 122.1 | -1.1 | 1.0 |
| Oct-Dec 08 | 104.1 | -9.3 | -11.8 | 118.9 | -3.2 | -5.5 |
| Jan-Mar 09 | 82.6 | -21.5 | -40.2 | 111.9 | -7.0 | -6.7 |
| Apr-Jun 09 | 99.4 | 16.8 | -16.8 | 96.4 | -15.5 | -26.8 |
| Jul-Sep 09 | 107.2 | 7.8 | -6.2 | 109.9 | 13.5 | -12.2 |
| Oct-Dec 09 | 112.8 | 5.6 | 8.7 | 116.4 | 6.5 | -2.5 |
| Jan-Mar 10 | 118.5 | 5.7 | 35.9 | 120.6 | 4.2 | 8.7 |
| Apr-Jun 10 | 115.9 | -2.6 | 16.5 | 119.8 | -0.8 | 23.4 |
| Jul-Sep 10 | 119.0 | 3.1 | 11.8 | 118.8 | -1.0 | 8.9 |
| Oct-Dec 10 | 122.8 | 3.8 | 10.0 | 126.5 | 7.7 | 10.1 |
| Jan-Mar 11 | 122.0 | -0.8 | 3.5 | 125.9 | -0.6 | 5.3 |
| Apr-Jun 11 | 116.3 | -5.7 | 0.4 | 121.9 | -0.6 | 5.3 |
| Jul-Sep 11 | 109.4 | -6.93 | -9.67 | 121.5 | -0.4 | 2.7 |
| Oct-Dec 11 | - | - | - | 118.8 | -2.69 | -7.66 |

- Smaller companies (annual production less than ₹100 crore/PUC less than ₹1 crore).
- Medium companies (annual production between ₹100 crore to ₹1000 crore/PUC between ₹1 crore to ₹100 crore).
- Big companies (annual production above ₹1000 crore/PUC above ₹100 crore).



On **size-wise analysis**, demand and financial conditions were less optimistic across all size classes (Table 18), which was more pronounced for smaller

companies (Annual Production < ₹100 cr). However, some optimism was expressed by bigger companies (Annual Production of ₹100 crore and above) in availability of finance.

III.3.4 Constraints for Attaining the Normal Production Level

About 50 per cent of companies reported **production constraints** for attaining the normal production level during the quarter **July-September 2011**. Major constraints reported were *lack of domestic demand, shortage of power, shortage of raw material, shortage of working capital finance and lack of export demand*. Industry-wise break-up reveals that companies in the industry groups, viz, Textiles, Basic metals, Cement, Fertilisers and Transport equipment reported more production constraints (Table 19).

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

Net Response (%) for October-December 2011

| Parameter | PUC-wise | | | | | | Production-wise | | | | | |
|---|----------|----------|----------|----------|----------|----------|-----------------|----------|----------|----------|----------|----------|
| | Small | | Medium | | Big | | Small | | Medium | | Big | |
| | Round 54 | Round 55 | Round 54 | Round 55 | Round 54 | Round 55 | Round 54 | Round 55 | Round 54 | Round 55 | Round 54 | Round 55 |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| Overall Business Situation | 32.1 | 20.7 | 40.7 | 36.9 | 36.3 | 36.3 | 35.7 | 33.6 | 43.2 | 36.4 | 42.4 | 42.4 |
| Overall Financial Situation | 22.2 | 16.4 | 31.3 | 27.6 | 31.1 | 31.1 | 26.6 | 23.7 | 34.6 | 28.6 | 30.2 | 27.1 |
| Working Capital Finance Requirement | 24.6 | 22.0 | 34.4 | 34.9 | 33.0 | 33.0 | 29.1 | 28.9 | 36.0 | 37.4 | 42.1 | 32.2 |
| Availability of Finance | 14.7 | 7.9 | 25.9 | 21.9 | 14.3 | 14.3 | 21.0 | 16.9 | 28.0 | 23.4 | 21.7 | 33.3 |
| Cost of External Finance | -29.5 | -30.1 | -40.4 | -41.7 | -42.2 | -42.2 | -31.5 | -34.5 | -44.7 | -45.5 | -52.3 | -43.1 |
| Production | 34.3 | 26.9 | 41.6 | 41.2 | 40.4 | 40.4 | 35.4 | 37.2 | 45.1 | 41.5 | 43.3 | 37.9 |
| Order Books | 24.6 | 27.0 | 37.4 | 33.9 | 37.3 | 37.3 | 32.1 | 32.5 | 39.1 | 33.9 | 38.0 | 27.8 |
| Pending Orders, if Applicable | 9.5 | 14.7 | 4.4 | 7.1 | 7.2 | 7.2 | 7.4 | 10.5 | 2.5 | 5.6 | 0.7 | -2.0 |
| Cost of Raw Materials | -54.5 | -56.7 | -51.9 | -48.8 | 37.4 | 37.4 | -53.2 | -54.7 | -50.8 | -45.6 | -49.4 | -47.5 |
| Inventory of Raw Materials | -5.5 | -4.9 | -2.8 | -5.1 | 0.0 | 0.0 | -1.8 | -1.8 | -3.5 | -8.0 | -4.4 | -1.8 |
| Inventory of Finished Goods | -3.1 | -3.7 | -2.9 | -6.4 | 2.2 | 2.2 | -1.6 | -4.1 | -4.4 | -7.8 | -3.8 | -10.3 |
| Capacity Utilisation | 14.7 | 6.7 | 26.0 | 23.3 | 26.4 | 26.4 | 22.9 | 18.0 | 27.3 | 24.3 | 23.7 | 23.7 |
| Level of Capacity Utilisation | 6.6 | -1.8 | 3.6 | 0.0 | -7.7 | -7.7 | 1.7 | -4.9 | 5.8 | 3.9 | 8.8 | 0.0 |
| Assessment of the Production Capacity | 4.9 | 6.2 | 4.8 | 7.6 | 11.0 | 11.0 | 4.2 | 4.3 | 6.2 | 9.9 | 6.4 | 10.3 |
| Employment in the company | 14.0 | 6.7 | 20.6 | 16.7 | 7.7 | 7.7 | 14.2 | 7.4 | 23.1 | 19.6 | 25.2 | 1.7 |
| Exports, if Applicable | 11.0 | 9.8 | 27.6 | 23.3 | 26.0 | 26.0 | 18.1 | 14.0 | 29.8 | 27.9 | 38.7 | 30.8 |
| Imports, if Any | 4.7 | 6.9 | 20.6 | 18.2 | 20.2 | 20.2 | 11.9 | 13.6 | 22.5 | 19.7 | 29.9 | 18.5 |
| Selling Prices | 11.0 | 14.2 | 19.4 | 16.0 | 21.8 | 21.8 | 16.3 | 13.5 | 19.5 | 17.7 | 21.9 | 25.9 |
| If increase Expected in Selling Prices, Rate of Such Increase | 18.0 | 13.6 | 13.1 | 17.4 | 5.5 | 5.5 | 11.9 | 17.5 | 13.4 | 16.5 | 16.7 | 20.5 |
| Profit Margin | -11.1 | -16.1 | 3.6 | -0.7 | 5.6 | 5.6 | -1.5 | -7.4 | 5.5 | 2.0 | 7.2 | -5.2 |

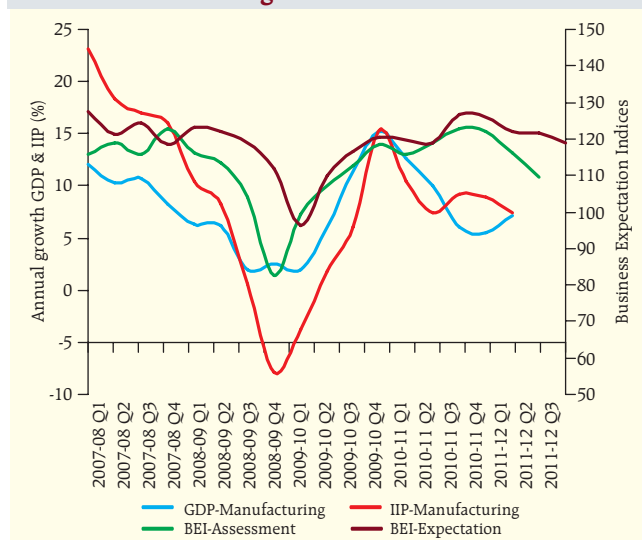
- Smaller companies (annual production less than ₹100 crore/PUC less than ₹1 crore).
- Medium companies (annual production between ₹100 crore to ₹1000 crore/PUC between ₹1 crore to ₹100 crore).
- Big companies (annual production above ₹1000 crore/PUC above ₹100 crore).

Table 19: Constraints for Attaining the Normal Production Level Industry-wise

| | Production Constraint | | | |
|---------------------------------|-----------------------|-------------|------------|-------------|
| | NO | | YES | |
| | Count | % | Count | % |
| | 1 | 2 | 3 | 4 |
| Food Products | 64 | 50.0 | 64 | 50.0 |
| Textiles | 66 | 34.0 | 128 | 66.0 |
| Basic Metals and Metal products | 81 | 37.0 | 138 | 63.0 |
| Electrical Machinery | 50 | 50.0 | 50 | 50.0 |
| Other Machinery and Apparatus | 114 | 59.1 | 79 | 40.9 |
| Transport Equipment | 50 | 48.5 | 53 | 51.5 |
| Fertilisers | 15 | 48.4 | 16 | 51.6 |
| Pharmaceutical and Medicines | 55 | 65.5 | 29 | 34.5 |
| Basic Chemicals | 61 | 56.5 | 47 | 43.5 |
| Rubber and Plastic Products | 52 | 53.1 | 46 | 46.9 |
| Paper and Paper Products | 23 | 48.9 | 24 | 51.1 |
| Cement | 17 | 45.9 | 20 | 54.1 |
| Wood and Wood Products | 12 | 75.0 | 4 | 25.0 |
| Diversified | 16 | 72.7 | 6 | 27.3 |
| Other Industries | 84 | 56.8 | 64 | 43.2 |
| All Companies | 760 | 49.7 | 768 | 50.3 |

III.3.5 Survey Results and Official Statistics

Chart 13 show the movements of annual growth rates of quarterly GDP-Manufacturing, IIP-

Chart 13: Business Expectation Index Along with IIP & GDP

Manufacturing (Base 2004-05) and the BEI based on assessment and expectations. It is observed that BEI has captured most of the turning points of the official statistics.

**Statement 1: Assessment and Expectation of the Industrial Performance for
July-September 2011 and October-December 2011**

(Percentage of responding companies)#

| Parameter | Assessment | | | | Expectations | | | |
|---|--------------------------|---------------------------|-----------|---------------------------------|--------------------------|---------------------------|-----------|---------------------------------|
| | Scenario | | | | Scenario | | | |
| | Optimistic (Positive) | Pessimistic (Negative) | No Change | Net response (Col. 1 - 2) | Optimistic (Positive) | Pessimistic (Negative) | No Change | Net Response (Col. 5 - 6) |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| 1 Overall Business Situation | 34.1 | 15.4 | 50.5 | 18.7 | 43.1 | 8.0 | 48.9 | 35.2 |
| 2 Overall Financial Situation | 27.8 | 16.0 | 56.2 | 11.7 | 35.5 | 9.2 | 55.3 | 26.3 |
| 3 Working Capital Finance Requirement | 36.8 | 5.7 | 57.4 | 31.1 | 38.4 | 4.2 | 57.5 | 34.2 |
| 4 Availability of Finance | 24.0 | 12.0 | 64.0 | 12.1 | 28.7 | 8.5 | 62.7 | 20.2 |
| 5 Cost of External Finance * | 3.5 | 53.7 | 42.9 | -50.2 | 3.4 | 44.4 | 52.2 | -41.0 |
| 6 Production | 40.8 | 18.3 | 40.9 | 22.6 | 49.5 | 9.5 | 41.0 | 39.9 |
| 7 Order Books | 37.9 | 17.6 | 44.5 | 20.3 | 43.5 | 10.1 | 46.4 | 33.4 |
| 8 Pending Orders, if Applicable | 18.0 | 4.7 | 77.3 | 13.3 | 13.6 | 6.0 | 80.4 | 7.6 |
| 9 Cost of Raw Materials | 5.3 | 63.3 | 31.4 | -58.1 | 3.7 | 53.4 | 42.9 | -49.7 |
| 10 Inventory of Raw Materials | 6.9 | 13.5 | 79.6 | -6.6 | 5.4 | 10.6 | 84.0 | -5.2 |
| 11 Inventory of Finished Goods | 6.3 | 15.8 | 77.9 | -9.5 | 5.1 | 11.5 | 83.4 | -6.5 |
| 12 Capacity Utilisation | 26.4 | 16.5 | 57.0 | 9.9 | 32.1 | 10.0 | 57.9 | 22.2 |
| 13 Level of Capacity Utilisation | 10.8 | 17.2 | 72.0 | -6.4 | 12.7 | 12.3 | 75.0 | 0.3 |
| 14 Assessment of the Production Capacity | 13.2 | 8.0 | 78.8 | 5.2 | 14.2 | 6.7 | 79.1 | 7.4 |
| 15 Employment in the Company | 22.7 | 7.1 | 70.2 | 15.6 | 21.7 | 5.2 | 73.1 | 16.5 |
| 16 Exports, if Applicable | 28.7 | 15.7 | 55.6 | 13.1 | 32.7 | 10.6 | 56.8 | 22.1 |
| 17 Imports, if Any | 23.3 | 7.6 | 69.2 | 15.7 | 23.1 | 6.2 | 70.7 | 16.9 |
| 18 Selling Prices | 27.3 | 16.6 | 56.1 | 10.7 | 26.8 | 10.8 | 62.4 | 16.0 |
| 19 If Increase Expected in Selling Prices, Rate of Such Increase | 28.4 | 7.5 | 64.1 | 21.0 | 24.8 | 8.6 | 66.6 | 16.2 |
| 20 Profit Margin | 15.2 | 32.3 | 52.5 | -17.1 | 20.3 | 21.9 | 57.8 | -1.6 |

Due to rounding off, percentages may not add up to 100.

* Cost of External Finance is included from the round Oct-Dec 2009.

Statement 2: Net responses on Assessment of Industrial Performance over last 9 Quarterly Rounds of Industrial Outlook Survey

(Per cent)

| Parameter | Optimistic Response | July-Sep 2009 | Oct-Dec 2009 | Jan-Mar 2010 | Apr-Jun 2010 | Jul-Sep 2010 | Oct-Dec 2010 | Jan-Mar 2011 | Apr-Jun 2011 | Jul-Sep 2011 |
|--|------------------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | | (1,180) | (1,256) | (1,079) | (1,092) | (1,403) | (1,561) | (1,524) | (1,504) | (1,528) |
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 1 Overall Business Situation | Better | 26.3 | 36.0 | 43.1 | 40.7 | 38.7 | 45.9 | 38.6 | 32.6 | 18.7 |
| 2 Overall Financial Situation | Better | 21.8 | 29.5 | 35.8 | 32.2 | 30.6 | 37.1 | 27.1 | 24.1 | 11.7 |
| 3 Working Capital Finance Requirement | Increase | 23.8 | 28.8 | 30.5 | 29.9 | 29.3 | 37.1 | 36.9 | 35.7 | 31.1 |
| 4 Availability of Finance | Improve | 19.2 | 23.0 | 25.7 | 26.4 | 26.6 | 30.3 | 23.8 | 21.5 | 12.1 |
| 5 Cost of External Finance * | Decrease | | -14.7 | -15.9 | -21.9 | -28.3 | -33.9 | -42.5 | -49.0 | -50.2 |
| 6 Production | Increase | 22.6 | 28.9 | 36.5 | 35.4 | 40.0 | 43.9 | 41.4 | 32.1 | 22.6 |
| 7 Order Books | Increase | 20.5 | 25.9 | 31.9 | 31.3 | 36.1 | 37.9 | 34.7 | 28.1 | 20.3 |
| 8 Pending Orders, if Applicable | Below normal | 17.4 | 11.6 | 8.8 | 6.9 | 5.1 | 3.9 | 5.5 | 6.5 | 13.3 |
| 9 Cost of Raw Materials | Decrease | -41.7 | -47.1 | -60.2 | -62.7 | -58.3 | -63.9 | -71.9 | -65.5 | -58.1 |
| 10 Inventory of Raw Materials | Below average | -2.1 | -4.2 | -5.8 | -5.0 | -5.3 | -6.2 | -7.8 | -5.7 | -6.6 |
| 11 Inventory of Finished Goods | Below average | -4.3 | -4.3 | -4.3 | -4.1 | -4.3 | -3.9 | -6.5 | -7.0 | -9.5 |
| 12 Capacity Utilisation | Increase | 10.1 | 16.5 | 21.7 | 21.1 | 23.3 | 27.9 | 27.4 | 17.2 | 9.9 |
| 13 Level of Capacity Utilisation | Above normal | -11.2 | -3.9 | 3.0 | 2.5 | 3.1 | 5.6 | 4.9 | -0.7 | -6.4 |
| 14 Assessment of the Production Capacity | More than adequate | 5.8 | 5.3 | 6.4 | 3.1 | 3.3 | 2.9 | 4.4 | 4.3 | 5.2 |
| 15 Employment in the Company | Increase | 4.1 | 10.3 | 13.7 | 14.7 | 18.7 | 19.4 | 18.7 | 18.2 | 15.6 |
| 16 Exports, if Applicable | Increase | -2.9 | 9.2 | 12.7 | 15.3 | 20.0 | 23.1 | 18.9 | 18.2 | 13.1 |
| 17 Imports, if Any | Increase | 7.8 | 13.0 | 17.1 | 20.9 | 22.0 | 20.9 | 19.9 | 17.6 | 15.7 |
| 18 Selling Prices | Increase | 0.2 | 2.6 | 12.4 | 17.3 | 13.8 | 20.2 | 26.5 | 21.5 | 10.7 |
| 19 If Increase Expected in Selling Prices, Rate of Such Increase | Increase at lower rate | 23.2 | 19.3 | 21.6 | 17.4 | 15.2 | 15.2 | 12.1 | 14.8 | 21.0 |
| 20 Profit Margin | Increase | -15.1 | -9.9 | -2.9 | -4.8 | -2.5 | -0.4 | -4.3 | -9.9 | -17.1 |

* Cost of External Finance is included from the round Oct- Dec 2009.

Note: Figures in bracket represent number of companies covered in the survey.

Statement 3: Net responses on Expectations of Industrial Performance over last 9 Quarterly Rounds of Industrial Outlook Survey

(Per cent)

| Parameter | Optimistic Response | Oct-Dec 2009 | Jan-Mar 2010 | Apr-June 2010 | July-Sep 2010 | Oct-Dec 2010 | Jan-Mar 2011 | Apr-June 2011 | July-Sep 2011 | Oct-Dec 2011 |
|--|------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | | <i>(1,180)</i> | <i>(1,256)</i> | <i>(1,079)</i> | <i>(1,092)</i> | <i>(1,403)</i> | <i>(1,561)</i> | <i>(1,524)</i> | <i>(1,504)</i> | <i>(1,528)</i> |
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 1 Overall Business Situation | Better | 39.8 | 44.9 | 41.2 | 41.5 | 47.5 | 50.1 | 41.4 | 39.8 | 35.2 |
| 2 Overall Financial Situation | Better | 33.5 | 39.3 | 36.3 | 34.1 | 39.6 | 41.1 | 33.4 | 30.6 | 26.3 |
| 3 Working Capital Finance Requirement | Increase | 30.4 | 32.7 | 27.7 | 31.1 | 34.8 | 37.8 | 32.9 | 33.6 | 34.2 |
| 4 Availability of Finance | Improve | 26.1 | 29.2 | 26.8 | 28.5 | 31.3 | 32.3 | 27.3 | 24.2 | 20.2 |
| 5 Cost of External Finance * | Decrease | | -18.3 | -20.6 | -23.3 | -28.3 | -31.3 | -35.0 | -39.7 | -41.0 |
| 6 Production | Increase | 35.0 | 40.0 | 35.9 | 40.2 | 49.1 | 48.6 | 40.0 | 40.6 | 39.9 |
| 7 Order Books | Increase | 32.3 | 35.8 | 33.4 | 36.3 | 44.8 | 44.0 | 38.4 | 35.9 | 33.4 |
| 8 Pending Orders, if Applicable | Below normal | 11.0 | 5.7 | 6.4 | 4.2 | 1.5 | 1.7 | 3.9 | 4.5 | 7.6 |
| 9 Cost of Raw Materials | Decrease | -38.4 | -44.3 | -48.6 | -49.3 | -49.3 | -53.6 | -57 | -51.7 | -49.7 |
| 10 Inventory of Raw Materials | Below average | -1.2 | -3.6 | -2.6 | -5.1 | -6.6 | -5.6 | -3.3 | -2.9 | -5.2 |
| 11 Inventory of Finished Goods | Below average | -3.7 | -1.9 | -2.6 | -5.0 | -2.8 | -3.0 | -2.9 | -3.1 | -6.5 |
| 12 Capacity Utilisation | Increase | 22.0 | 25.4 | 19.7 | 26.5 | 32.3 | 33.1 | 24.0 | 25.0 | 22.2 |
| 13 Level of Capacity Utilisation | Above normal | -3.8 | 1.3 | 1.6 | 5.8 | 7.2 | 9.5 | 4.4 | 4.3 | 0.3 |
| 14 Assessment of the Production Capacity | More than adequate | 6.5 | 5.0 | 7.1 | 4.1 | 5.6 | 3.4 | 5.0 | 5.3 | 7.4 |
| 15 Employment in the Company | Increase | 8.8 | 12.1 | 13.6 | 16.8 | 21.0 | 20.6 | 17.4 | 19.4 | 16.5 |
| 16 Exports, if Applicable | Increase | 12.5 | 20.2 | 18.5 | 20.7 | 26.1 | 26.3 | 24.0 | 25.8 | 22.1 |
| 17 Imports, if Any | Increase | 11.5 | 16.9 | 17.1 | 21.7 | 22.2 | 21.3 | 18.9 | 19.0 | 16.9 |
| 18 Selling Prices | Increase | 6.0 | 9.8 | 13.3 | 15.2 | 17.0 | 18.6 | 23.7 | 18.3 | 16.0 |
| 19 If increase Expected in Selling Prices, Rate of Such Increase | Increase at lower rate | 19.4 | 16.8 | 19.7 | 14.3 | 13.0 | 13.1 | 9.6 | 13.1 | 16.2 |
| 20 Profit Margin | Increase | -2.8 | 1.1 | 3.2 | 3.1 | 9.2 | 8.3 | 3.8 | 2.5 | -1.6 |

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

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

Annex



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

INDUSTRIAL OUTLOOK SURVEY, JULY-SEPTEMBER 2011
(ROUND 55)

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

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 L ; Large D
- 112** Company web-site address: _____
- 113** Date: _____ 2011

Seal of the Company after filling-in the Schedule

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

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 | | | | |

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

Annex (Contd.)

Block 4: Is your company's normal production level expected to face any constraints during the Current Quarter (July-September 2011) (Please tick (√) the relevant column)

| | | | | |
|-----|-----|--|----|--|
| 400 | Yes | | No | |
|-----|-----|--|----|--|

If 'Yes' to item 400 indicate the possible reasons thereof (please tick (√) the relevant column for each reason)

| Code | Reasons | Current Quarter (July-September 2011) | | | |
|------|--------------------------------------|---------------------------------------|----------------------|----------------|---------------|
| | | 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): | | | | |

Block 5. Assessment for the current quarter (July-September 2011) and Expectations for the next quarter (October-December 2011)

| Code | Parameter | Current Quarter (July-September 2011) | | | Next Quarter (October-December 2011) | | |
|------|---|--|-----------|---------------|--|-----------|---------------|
| | | Please tick (√) changes over April-June 2011 quarter | | | Please tick (√) changes over July-September 2011 quarter | | |
| | | (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 |

Annex (Concl.)

| Code | Parameter | Current Quarter (July-September 2011) | | | Next Quarter (October-December 2011) | | |
|------|---|---|-----------------------------------|---------------------------|---|-----------------------------------|---------------------------|
| | | <i>Please tick (√) changes over April-June 2011 quarter</i> | | | <i>Please tick (√) changes over July-September 2011 quarter</i> | | |
| 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 | Less than Adequate | More than Adequate | Adequate | Less than 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 (<i>ex-factory</i> unit prices) are expected to @@ | Increase | No change | Decrease | Increase | No change | Decrease |
| 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 |

Notes to Block 5

@ 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: | |