

Quarterly Order Books, Inventories and Capacity Utilisation Survey: July-September 2011 (Round 15)*

The Reserve Bank of India has been conducting Order Books, Inventories and Capacity Utilisation Survey (OBICUS) on a quarterly basis. The survey captures the movements in order books, inventories and capacity utilisation which are important indicators of economic activities, inflationary pressures and overall business cycle and as such, are useful for assessing the consumption and investment demand outlook. This article, second in the series, presents the findings of OBICUS conducted for Q2:2011-12, the 15th round in the series. During Q2:2011-12, the new orders of respondent companies increased by 7.8 per cent as compared to previous quarter, but the level of capacity utilisation (CU) remained flat. Finished goods inventory to sales ratio remained at an elevated level, whereas raw material inventory to sales ratio declined.

I. Introduction

The Reserve Bank of India has been conducting Order Books, Inventories and Capacity Utilisation Survey (OBICUS) on a quarterly basis. The survey captures the movements in order books, inventories and capacity utilisation which are important indicators of economic activities, inflationary pressures and overall business cycle and as such, are useful for assessing the consumption and investment demand outlook. The survey¹ captures quantitative data on new orders received during the reference quarter, backlog orders at the beginning of the quarter, pending orders at the end of the quarter, total inventories with breakup of work-in-progress and finished goods inventories at

* Prepared in the Division of Enterprise Survey of Department of Statistics and Information Management. The previous article on the subject based on the 14th survey round (April-June 2011) was published in December 2011 Bulletin.

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

the end of the quarter and item-wise production in terms of quantity and values during the quarter *vis-à-vis* the installed capacity from a targeted group of manufacturing companies. The capacity utilisation is being derived from the data provided by companies as per the methodology². The survey is canvassed among 2,500 public and private limited companies in the manufacturing sector with a good size/industry representation. Trend analysis is done to study the movements in inventories, order books and capacity utilisation based on a *common set of companies* in each round to facilitate better comparability of data over the reference quarters. The *common set of companies* may vary to some extent across the survey rounds depending upon the response pattern in each survey round.

II. Sample Composition and Response to the Present Survey

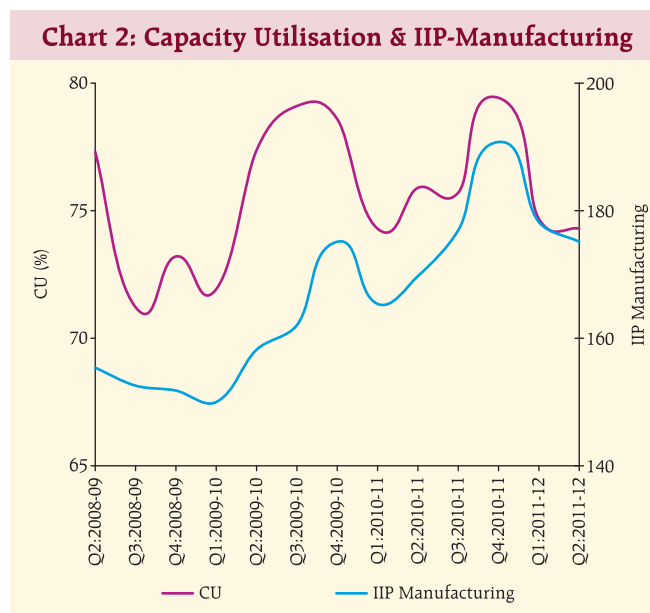
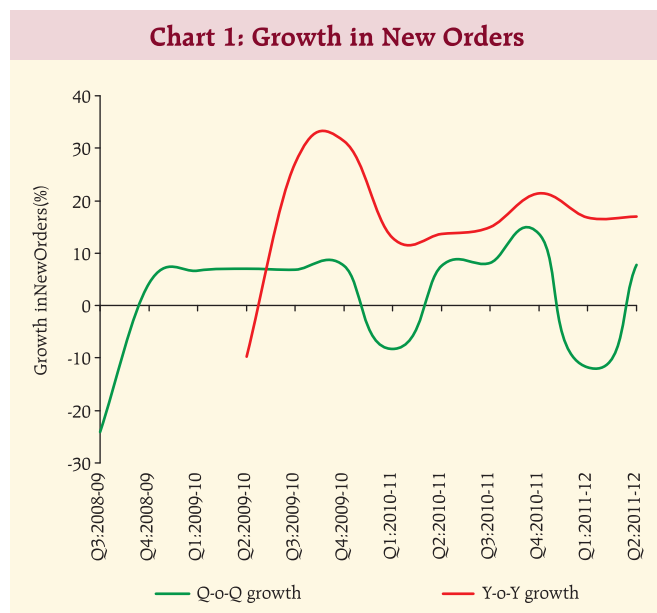
In all 1386 companies responded to the survey for the quarter July-September 2011. Of this, 51 are government companies, 362 are non-government private limited and 973 are non-government public limited companies. The analysis is based on the data provided by these companies for last 13 quarters, *i.e.*, Q2:2008-09 to Q2:2011-12. The data tables are given in **Annex**.

III. Findings of Survey

III.1 Order Books

Average new orders of respondent companies, increased by 7.8 per cent in the current quarter as compared to the previous quarter, whereas the y-o-y growth remained almost at the same level (Chart 1, Table 1).

² The methodology used for the analysis has been provided in the article *Quarterly Order Books, Inventories and Capacity Utilisation Survey: April-June 2011 (Round 14)* in December 2011 Bulletin.



III.2 Capacity Utilisation (CU)

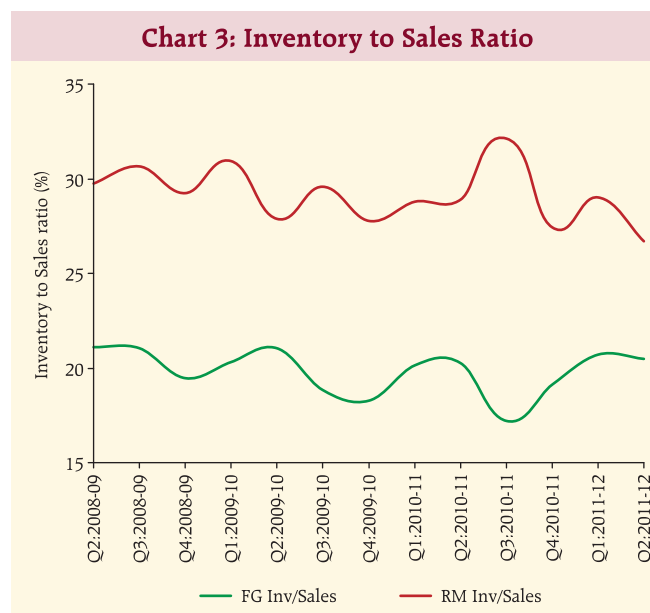
CU of respondent companies at overall level, however; marginally declined to 74.3 per cent in Q2:2011-12 from 74.7 per cent in the previous quarter. The current level of CU is well below the peak observed during Q4:2010-11. Index of Industrial Production (IIP) for manufacturing sector also declined during Q2:2011-12 (Chart2, Table 2).

III.3 Inventories

During Q2: 2011-12, the average total inventory of respondent companies grew by 1.1 per cent over the previous quarter, whereas the average finished goods (FG) inventory and average work-in-progress (WiP) inventory increased by 4.9 per cent and 6.2 per cent respectively. On the other hand, the average raw material (RM) inventory declined by 2.6 per cent. Total inventory to sales ratio declined to 55.5 per cent at the end of Q2:2011-12 mainly due to fall in RM inventory to sales ratio. FG inventory to sales ratio remained at an elevated level, albeit a marginal decline in Q2:2011-12 (Chart 3, Table 3).

IV. Conclusion

OBICUS survey for the Q2: 2011-12 indicates continued growth (y-o-y) in new orders with steady level of capacity utilisation. The finished goods inventories to sales ratio remained at an elevated level, whereas raw material inventory to sales ratio declined.



Annex – Data Tables

Table 1: Order Books (Q2: 2008-09 to Q2: 2011-12)

Quarter	Amount in ₹ billion					Quarterly growth (%)				
	Avg Backlog order (580)	Avg New Order book (627)	Avg Sale (1386)	Avg Pending order (584)	Avg Execution of Order	Avg Backlog order	Avg New Order book	Avg Sales	Avg Pending order	Avg execution of order
Q2:2008-09	1.24	1.05	2.67	1.27	1.02	-	-	-	-	-
Q3:2008-09	1.34	0.80	2.19	1.23	0.91	8.12	-24.11	-17.79	-3.00	-11.22
Q4:2008-09	1.30	0.83	2.13	1.21	0.91	-3.12	4.22	-2.94	-1.15	0.65
Q1:2009-10	1.28	0.89	2.17	1.24	0.92	-1.56	6.63	2.09	2.36	0.69
Q2:2009-10	1.30	0.95	2.44	1.26	1.00	2.05	6.94	12.53	1.11	8.02
Q3:2009-10	1.33	1.01	2.64	1.29	1.05	1.85	6.91	7.90	2.71	5.60
Q4:2009-10	1.37	1.09	2.87	1.29	1.17	2.85	7.66	8.64	-0.01	11.01
Q1:2010-11	1.36	1.00	2.77	1.31	1.05	-0.29	-8.20	-3.41	1.62	-9.81
Q2:2010-11	1.38	1.08	2.95	1.35	1.10	0.96	7.62	6.48	2.97	4.81
Q3:2010-11	1.42	1.17	3.12	1.40	1.18	3.04	8.14	5.92	3.80	7.09
Q4:2010-11	1.47	1.33	3.54	1.44	1.36	3.79	13.65	13.28	2.34	15.26
Q1:2011-12	1.42	1.17	3.49	1.37	1.22	-3.49	-11.68	-1.26	-4.61	-10.30
Q2:2011-12	1.43	1.26	3.70	1.36	1.33	0.49	7.79	5.83	-0.69	8.81

Note: Number in brackets indicate number of common companies who reported the data for last 13 quarters.

Table 2: Capacity Utilisation & Index of Industrial Production (Manufacturing) (Base:2004-05)

Quarter	Q2: 2008-09	Q3: 2008-09	Q4: 2008-09	Q1: 2009-10	Q2: 2009-10	Q3: 2009-10	Q4: 2009-10	Q1: 2010-11	Q2: 2010-11	Q3: 2010-11	Q4: 2010-11	Q1: 2011-12	Q2: 2011-12
CU	77.3	71.2	73.2	71.9	77.4	79.1	78.6	74.3	75.9	75.7	79.4	74.7	74.3
IIP MF	155.3	152.6	151.7	149.9	158.1	162.0	175.1	165.4	169.8	176.8	190.7	178.2	175.2

Table 3: Average Sales and Inventories and their ratios (Q2: 2008-09 to Q2: 2011-12)

Quarter	Amount in ₹ billion					Ratio in per cent		
	Avg Sales (1386)	Avg Total Inv (1105)	Avg FG Inv (1231)	Avg WiP Inv (1224)	Avg RM Inv	Total Inv/ Sales	FG Inv/ Sales	RM Inv/ Sales
Q2:2008-09	2.67	1.56	0.56	0.21	0.79	58.62	21.12	29.73
Q3:2008-09	2.19	1.31	0.46	0.18	0.67	59.76	21.07	30.65
Q4:2008-09	2.13	1.22	0.41	0.18	0.62	57.16	19.44	29.25
Q1:2009-10	2.17	1.31	0.44	0.20	0.67	60.31	20.32	30.96
Q2:2009-10	2.44	1.41	0.51	0.21	0.68	57.75	21.06	27.91
Q3:2009-10	2.64	1.50	0.50	0.22	0.78	56.83	18.85	29.59
Q4:2009-10	2.87	1.53	0.52	0.21	0.80	53.55	18.27	27.78
Q1:2010-11	2.77	1.59	0.56	0.23	0.80	57.42	20.14	28.81
Q2:2010-11	2.95	1.70	0.60	0.25	0.85	57.62	20.23	28.91
Q3:2010-11	3.12	1.81	0.54	0.27	1.00	57.84	17.20	32.15
Q4:2010-11	3.54	1.94	0.68	0.29	0.97	54.89	19.12	27.46
Q1:2011-12	3.49	2.03	0.72	0.29	1.01	58.03	20.68	29.01
Q2:2011-12	3.70	2.05	0.76	0.31	0.99	55.55	20.49	26.69

Note: Number in brackets indicate number of common companies who reported the data for last 13 quarters.