*Quarterly Industrial Outlook Survey: January-March 2012 (Round 57)**

This article presents the survey findings of Industrial Outlook Survey conducted for ***January-March 2012*** *quarter, the 57th round in the series. It gives an* ***assessment*** *of business situation of companies in manufacturing sector, for the quarter* ***January-March 2012,*** *and their* ***expectations*** *for the ensuing quarter* ***April-June 2012.*** *The survey results showed an improvement in demand conditions in Indian manufacturing sector for January-March 2012; however, a slight moderation is expected for April-June 2012. In case of financial conditions, marginal improvement was observed for both the quarters under review.The Business Expectation Index, a measure that gives a single snapshot of the industrial outlook in each study quarter, increased to 114.9 from 110.1 for the assessment quarter but declined to 116.8 from 117.2 for the expectation quarter; however, it remains well above 100, the threshold that separates contraction from expansion.*

Highlights

- The **demand conditions** based on production, order books, capacity utilisation (CU), imports and exports showed some improvement in the assessment quarter as compared with the previous quarter, based on the Net Responses[1]. However, the net responses declined marginally for the expectation quarter. The survey indicated slight improvement in employment outlook. Majority of respondents reported maintaining an average level of inventories (raw material and finished goods) in both the assessment and expectation quarters.
- Assessment of overall financial situation improved in the current quarter after a steady decline in the last four quarters. Net response on availability of finance followed a similar trend. The survey showed that the pressure from the cost of external finance and cost of raw material was persistent. However, the percentage of respondents reporting further increase in costs declined to some extent. Similarly, net response on profit margin continued to be negative, even with some improvement in the percentage of respondents reporting increased profit margin during the assessment quarter.
- **Industry-wise** breakup shows that majority of industry groups have positive sentiments in demand conditions and financial conditions in the assessment quarter. However, in 'Cement' and 'Fertilisers' industries' optimism level for demand conditions declined.
- **Size-wise breakup shows** higher optimism in demand conditions and financial conditions across all size groups.

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.

II. Data Coverage and Methodology

II.1 Sample Size

The sample covers a panel of about 2,000 public and private limited companies, mostly with paid-up capital above ` 5 million in the manufacturing sector. The fieldwork for the survey was carried out by an

* Prepared in the Division of Enterprise Surveys of Department of Statistics and Information Management. The previous article on the subject based on the 56th survey round (October-December 2011) was published in February 2012 Bulletin.

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

agency during mid-January to mid-March 2012. 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 1,234 (response rate around 61%) manufacturing companies.

II.3 Survey Schedule[2]

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

III. Survey Findings

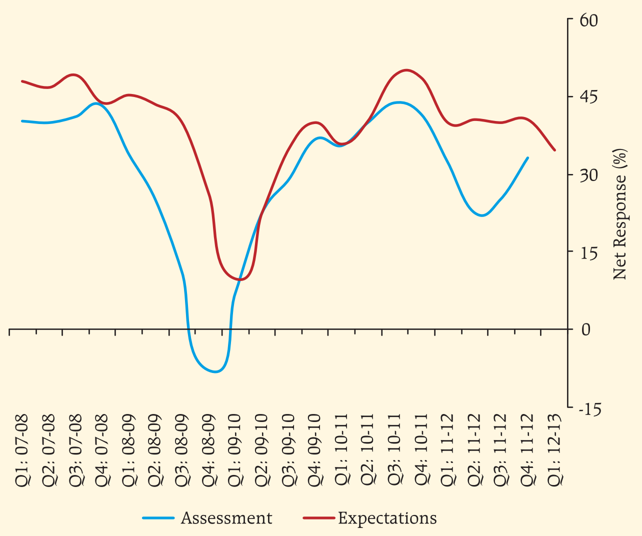
III.1 Demand Condition

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 in assessment quarter improved for the second consecutive quarter after declining in the previous three quarters.

Chart 1: Production



However, it remained well below the peak observed in Q3:2010-11.The net response declined for the expectation quarter (Table 1, Chart 1).

III.1.2 Order Books

The net response on order books also showed a similar trend (Table 2, Chart 2).

III.1.3 Pending Order

The pending order position was at normal or below normal for most of the companies in assessment

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
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 11	1,528	40.8	18.3	40.9	22.6	49.6	9.0	41.5	40.6
Oct-Dec 11	1,450	42.2	16.9	41.0	25.3	49.5	9.5	41.0	39.9
Jan-Mar 12	1,234	45.6	12.5	41.9	33.1	49.8	9.5	40.7	40.4
Apr-June 12						45.4	10.6	44.0	34.7

Due to rounding off percentage may not add up to 100. This is applicable throughout the article.
'Increase' in production is optimistic.

[2] The survey schedule has been provided in the article Quarterly Industrial Outlook Survey: October-December 2011 (Round 56) in February 2012 Bulletin.

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
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	1,450	36.9	18.5	44.6	18.4	43.5	10.1	46.4	33.4
Jan-Mar 12	1,234	38.9	14.1	47.0	24.8	42.3	11.0	46.7	31.3
Apr-Jun 12						39.3	9.8	50.9	29.5

'Increase' in order books is optimistic.

quarter and is expected to remain there in the expectation quarter (Table 3, Chart 3).

III.1.4 Capacity Utilisation (CU)

The survey collects views of manufacturing companies on changes in CU level (increase/decrease / no change) for the main product, level of CU compared with 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 (more than adequate/less than adequate/ adequate).

The net response for higher CU increased from 10.8 per cent to 16.7 per cent in assessment quarter but declined for expectation quarter consistent with

Chart 2: Order Books

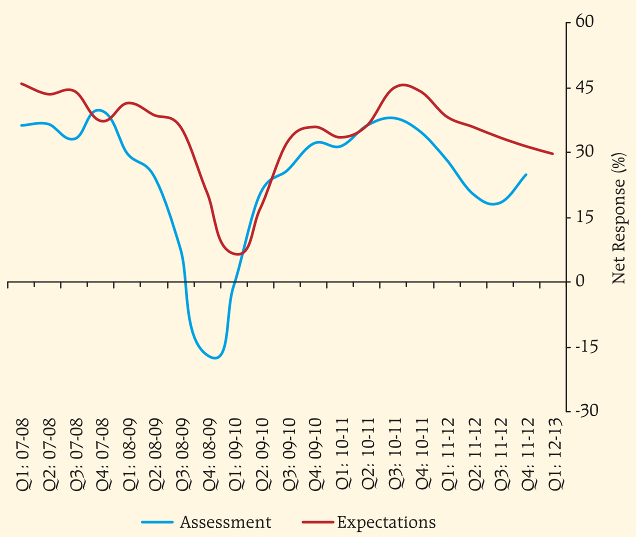


Table 3: Assessment & Expectations for Pending Orders

(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
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	1,450	17.5	5.0	77.5	12.6	13.6	6.0	80.4	7.6
Jan-Mar 12	1,234	15.9	5.4	78.7	10.5	13.7	6.5	79.8	7.3
Apr-June 12						13.3	4.6	82.1	8.8

Pending Orders 'Below Normal' is optimistic.

Chart 3: Pending Orders

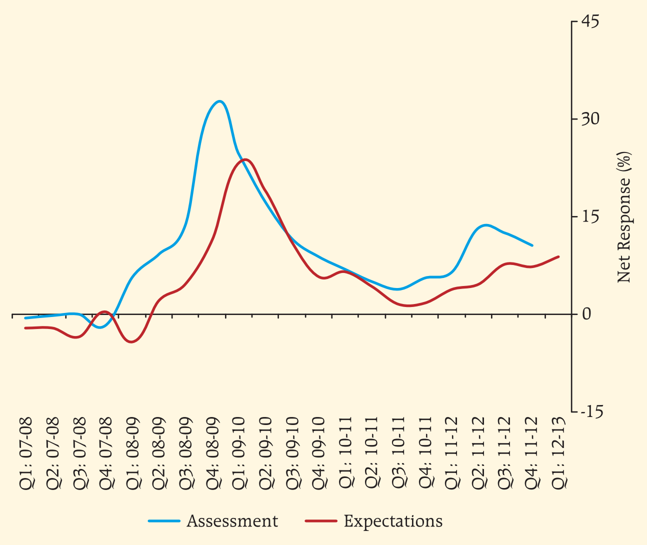
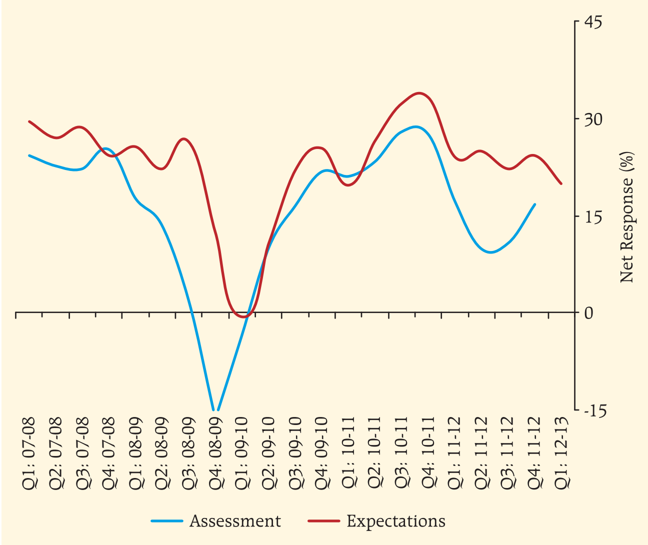


Chart 4: Capacity Utilisation



sentiments on production and order books (Table 4 , Chart 4).

III.1.5 Inventory of Raw Materials & Finished Goods

Majority of the respondents (79 to 85 per cent) have reported to have maintained the average level of inventory of raw materials and inventory of finished goods in the assessment quarter as well as expectation quarter (Table 5).The inventory position is expected to remain broadly the same in the expectation quarter.

III.1.6 Exports and Imports

The survey signals a marginal improvement in the sentiments for higher exports and imports for both the assessment and expectation quarters (Tables 6 & 7 and Charts 5 & 6).

Table 4: Assessment & Expectations for Capacity Utilisation

(Percentage responses) #

Parameter	Options	Assessment for Quarter		Expectations for Quarter	
		Oct-Dec 11	Jan-Mar 12	Jan-Mar 12	April-June 12
Capacity Utilisation (main product)	Increase	26.9	30.0	34.5	30.8
	No Change	56.9	56.7	55.3	58.4
	Decrease	16.1	13.3	10.2	10.9
	Net Response	10.8	16.7	24.3	19.9
Level of Capacity Utilisation (compared to the average in last 4 quarters)	Above normal	12.7	13.0	13.6	12.3
	Normal	69.0	71.3	73.8	76.6
	Below Normal	18.3	15.7	12.7	11.1
	Net Response	-5.6	-2.6	0.9	1.2
Assessment of Prod. Capacity (with regard to expected demand in next 6 months)	More than adequate	11.3	11.4	12.1	11.3
	Adequate	80.2	81.4	80.5	82.0
	Less than adequate	8.5	7.2	7.4	6.7
	Net Response	2.8	4.3	4.7	4.6

'Increase' in Capacity utilisation is optimistic.

Table 5: Assessment & Expectations for level of Inventory (Raw material and Finished goods)

(Percentage responses) #

Parameter	Options	Assessment for Quarter		Expectations for Quarter	
		Oct-Dec 11	Jan-Mar 12	Jan-Mar 12	Apr-Jun 12
Inventory of raw material	Below average	7.1	7.1	5.0	5.4
	Average	78.5	78.9	82.7	84.5
	Above average	14.4	14.0	12.3	10.1
	Net Response	-7.3	-6.9	-7.3	-4.7
Inventory of Finished goods	Below average	6.3	5.9	5.2	5.3
	Average	78.6	79.7	82.8	85.8
	Above average	15.1	14.5	12.0	8.9
	Net Response	-8.9	-8.6	-6.8	-3.7

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

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
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	1,450	26.8	15.3	57.9	11.5	32.7	10.6	56.8	22.1
Jan-Mar 12	1,234	27.8	13.6	58.6	14.2	29.0	10.4	60.6	18.6
Apr-Jun 12						30.1	9.4	60.5	20.7

'Increase' in exports is optimistic.

III.1.7 Employment Situation

Nearly three-fourth of the respondents reported 'no change' in their labour force in the assessment quarter and the expectation quarter. However, the net response favouring higher employment increased marginally in both the quarters (Table 8, Chart 7).

III.2 Financial Conditions

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.

Chart 5: Exports

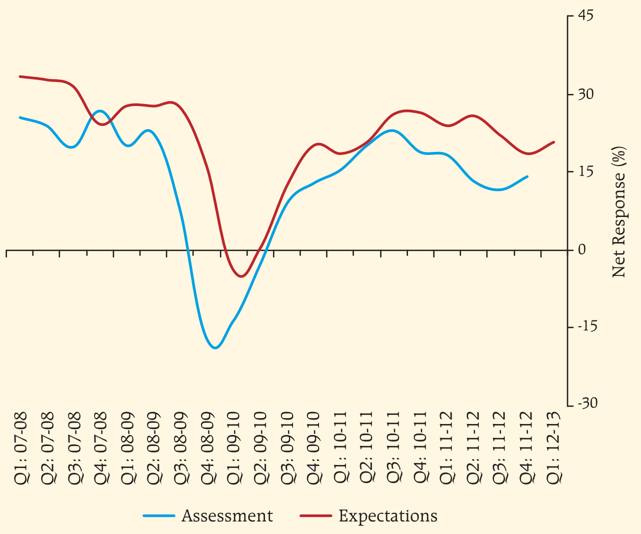


Table 7: Assessment & Expectations for Imports

(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
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	1,450	20.8	9.3	69.9	11.6	23.1	6.2	70.7	16.9
Jan-Mar 12	1,234	22.5	8.0	69.5	14.4	23.0	7.5	69.4	15.5
Apr-Jun 12						22.4	6.7	70.8	15.7

'Increase' in imports is optimistic.

Chart 6: Imports

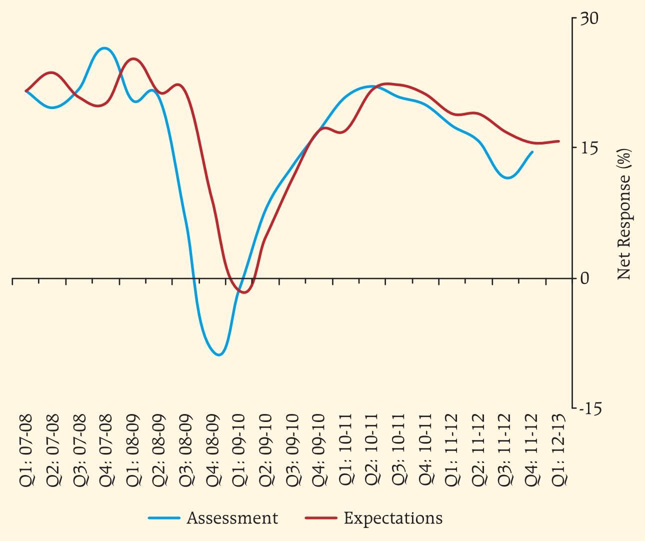
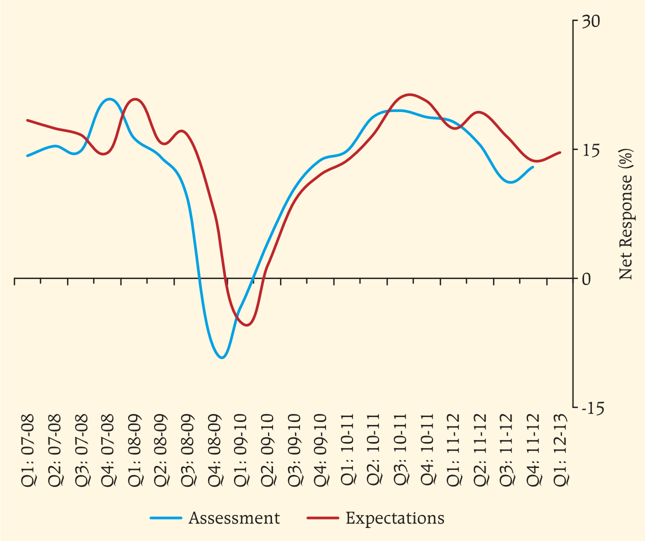


Chart 7: Employment



III.2.1 Overall Financial Situation

Overall financial situation showed an improvement in assessment and expectation quarters after successive declines in the last four quarters. The net response for better financial situation in the assessment quarter increased from 11.2 per cent to 18.5 per cent. The respondents also expected an improvement in overall financial situation in the ensuing quarter as the net response increased from 25.2 per cent to 27.7 per cent (Table 9, Chart 8).

III.2.2 Working Capital Finance Requirement and Availability of Finance

The sentiment for working capital finance requirement in the assessment quarter improved with net response increasing from 33.3 per cent to 34.9 per cent; however, a moderation in net response is indicated for the expectation quarter (Table10).

The survey showed that the level of optimism on 'availability of finance' improved in both the assessment

Table 8: 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
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	1,450	18.9	7.6	73.5	11.3	21.7	5.2	73.1	16.5
Jan-Mar 12	1,234	19.8	6.9	73.3	12.9	19.3	5.7	75.0	13.6
Apr-Jun 12						19.9	5.2	74.9	14.6

'Increase' in employment is optimistic.

Table 9: 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
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	1,450	28.1	16.9	55.0	11.2	35.5	9.2	55.3	26.3
Jan-Mar 12	1,234	30.4	11.9	57.8	18.5	35.3	10.2	54.5	25.2
Apr-Jun 12						35.7	8.1	56.2	27.7

'Better' Overall financial situation is optimistic.

and expectation quarters after declines in the last four quarters (Table 11, Chart 9).

III.2.3 Cost of Finance

The perception about cost of finance remained negative for both the quarters under review. However, the percentage of respondents who experienced higher cost of finance over the previous quarter declined from 53.4 per cent to 41.1 per cent in assessment quarter. Correspondingly, share of respondents indicating 'No change' increased (Table 12). A similar sentiment is expressed for the expectation quarter.

III.2.4 Cost of Raw Material

Negative sentiment on cost of raw materials persisted for both the assessment and expectation

Chart 8: Overall Financial Situation

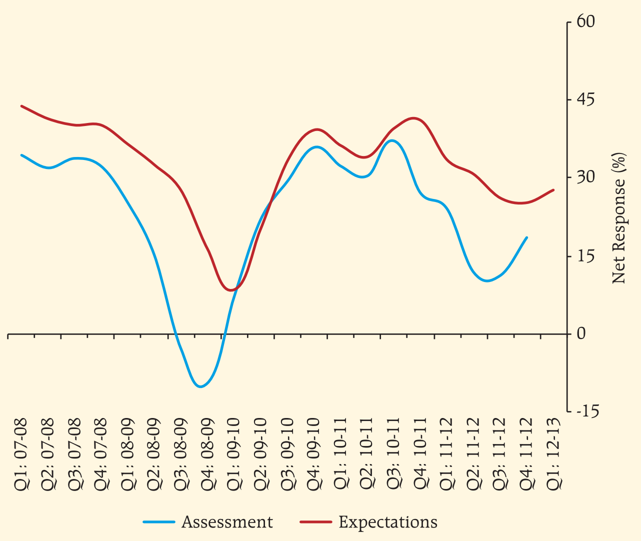


Table 10: Assessment & Expectations for Working Capital Finance Requirement

(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
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	1,450	38.9	5.7	55.4	33.3	38.4	4.2	57.5	34.2
Jan-Mar 12	1,234	40.0	5.1	54.8	34.9	38.0	4.2	57.8	33.8
Apr-Jun 12						36.2	4.3	59.6	31.9

'Increase' in working capital finance is optimistic.

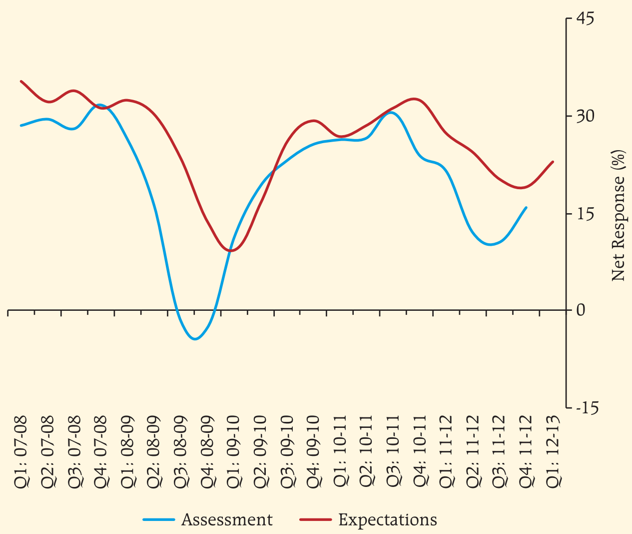
Table 11: Assessment & Expectations for Availability of Finance

(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
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	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-Sep11	1,528	24.0	12.0	64.0	12.1	30.0	5.8	64.2	24.2
Oct-Dec 11	1,450	24.1	13.7	62.2	10.4	28.7	8.5	62.7	20.2
Jan-Mar 12	1,234	26.1	10.3	63.5	15.8	28.2	9.1	62.7	19.0
Apr-Jun 12						29.9	7.0	63.1	22.9

'Improvement' in Availability of finance is optimism.

Chart 9: Availability of Finance



quarters (Table 13, Chart 10). However, the percentage of respondents who experienced higher cost of raw material declined marginally in the assessment quarter and it is also expected to decline in the ensuing quarter.

III.2.5 Selling Price

Majority of the respondents (63-66 per cent) did not report any change in selling prices during both the quarters under review. Still, marginally higher percentage of respondents assessed/anticipated an increase in selling prices in the assessment/expectation quarter (Table 14, Chart 11).

III.2.6 Profit Margin

The net response on profit margin continued to be negative but with some improvement in the

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
Jan-Mar 10	1079	7.7	23.6	68.7	-15.9	6.8	25.1	68.1	-18.3
Apr-Jun 10	1092	7.0	28.9	64.0	-21.9	6.1	26.8	67.1	-20.6
Jul-Sep 10	1403	5.0	33.2	61.8	-28.3	5.7	29.0	65.3	-23.3
Oct-Dec10	1561	4.0	37.9	58.1	-33.9	3.8	32.1	64.2	-28.3
Jan-Mar 11	1524	3.5	46.0	50.6	-42.5	3.7	35.0	61.3	-31.3
Apr-Jun 11	1504	3.5	52.5	44.1	-49.0	3.9	38.9	57.1	-35.0
July-Sep 11	1528	3.5	53.7	42.9	-50.2	4.0	43.7	52.4	-39.7
Oct-Dec 11	1450	2.9	53.4	43.7	-50.6	3.4	44.4	52.2	-41.0
Jan-Mar 12	1234	3.8	41.1	55.1	-37.4	4.1	42.8	53.1	-38.8
Apr-Jun 12						9.9	32.6	57.6	-22.7

'Decrease' in cost of external finance is optimistic.

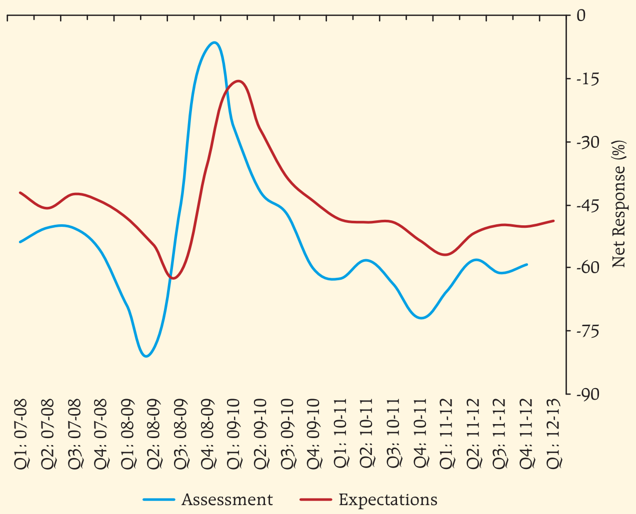
Table 13: Assessment & Expectations for Cost of Raw Material

(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
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	1,450	5.1	66.3	28.7	-61.2	3.7	53.4	42.9	-49.7
Jan-Mar 12	1,234	3.4	62.7	33.9	-59.4	4.0	54.1	41.9	-50.1
Apr-Jun 12						2.2	51.2	46.5	-49.0

'Decrease' in cost of raw material is optimistic.

Chart 10: Cost of Raw Material



percentage of respondents reporting increased profit margin during the assessment quarter (Table 15, Chart 12).

III.3 Overall Business Situation

III.3.1 Overall Business Situation

The net response on overall business situation as perceived by the respondent companies, increased for assessment and expectation quarters after a continued decline in the last four quarters (Table 16, Chart 13).

III.3.2 Business Expectation Index (BEI)

The Business Expectation Index gives a single snapshot of the industrial outlook in each quarter. This

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
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	1,450	24.6	15.7	59.7	8.9	26.8	10.8	62.4	16.0
Jan-Mar 12	1,234	25.1	11.6	63.3	13.5	25.0	10.3	64.7	14.7
Apr-Jun 12						26.3	7.3	66.4	19.0

'Increase' in selling price is optimistic.

Chart 11: Selling Prices

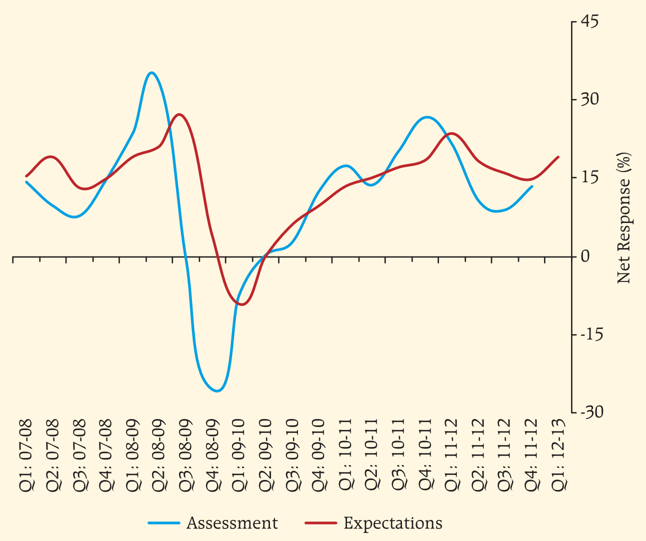
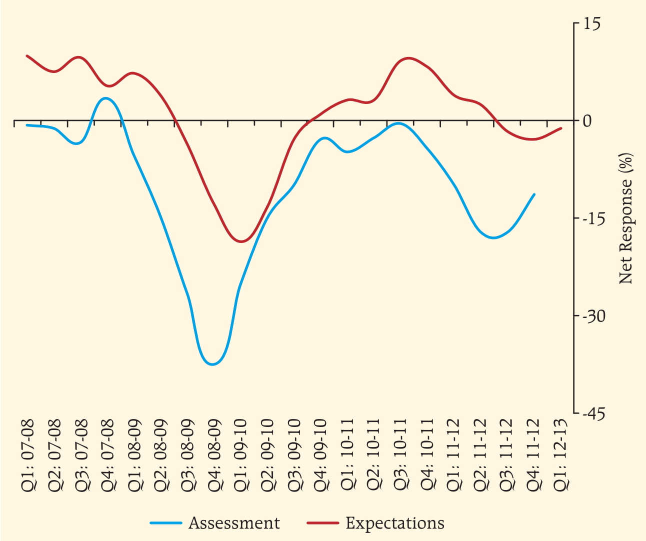


Chart 12: Profit Margin



index is computed as a weighted average of net 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 increased from 110.1 to 114.9 for the assessment quarter even though it declined marginally from 117.2 to 116.8 for expectation quarter (Table17 Chart 14). A value of BEI above 100 can be considered as positive assessment/outlook on the business sentiment.

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
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	1,450	15.2	32.5	52.4	-17.3	20.3	21.9	57.8	-1.6
Jan-Mar 12	1,234	17.5	28.7	53.8	-11.3	20.1	23.1	56.8	-2.9
Apr-Jun 12						20.4	21.6	58.0	-1.2

'Increase' in Profit margin is optimistic.

Table 16: Assessment & Expectations for 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
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-Jun11	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	1,450	35.2	17.5	47.3	17.7	43.1	8.0	48.9	35.2
Jan-Mar 12	1,234	37.8	11.3	50.9	26.5	43.6	10.0	46.5	33.6
Apr-Jun 12						43.0	8.1	49.0	34.9

'Better' Overall Business Situation is optimistic.

III.3.3 Industry-wise and Size-wise Analysis

Most of the industry groups reported improved demand conditions and financial conditions. However, in 'Cement' & 'Fertilisers' industries, optimism level for demand declined as compared with the previous quarter (Table18).

Size-wise analysis shows that there was higher optimism level for demand conditions and financial conditions across all the size groups (Table19).

Chart 13: Overall Business Situation

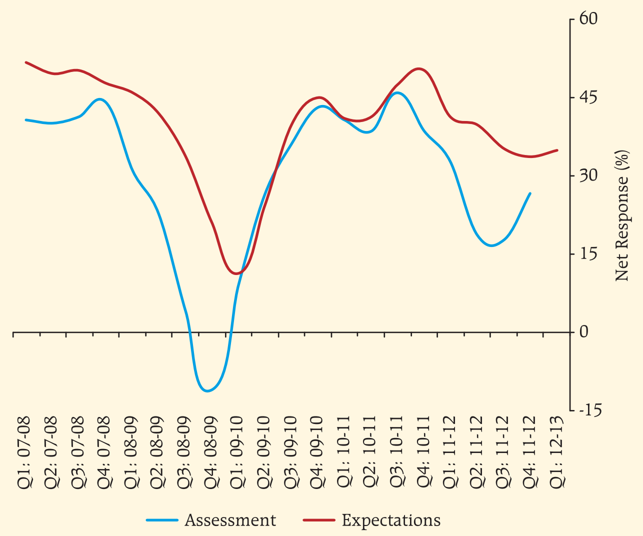
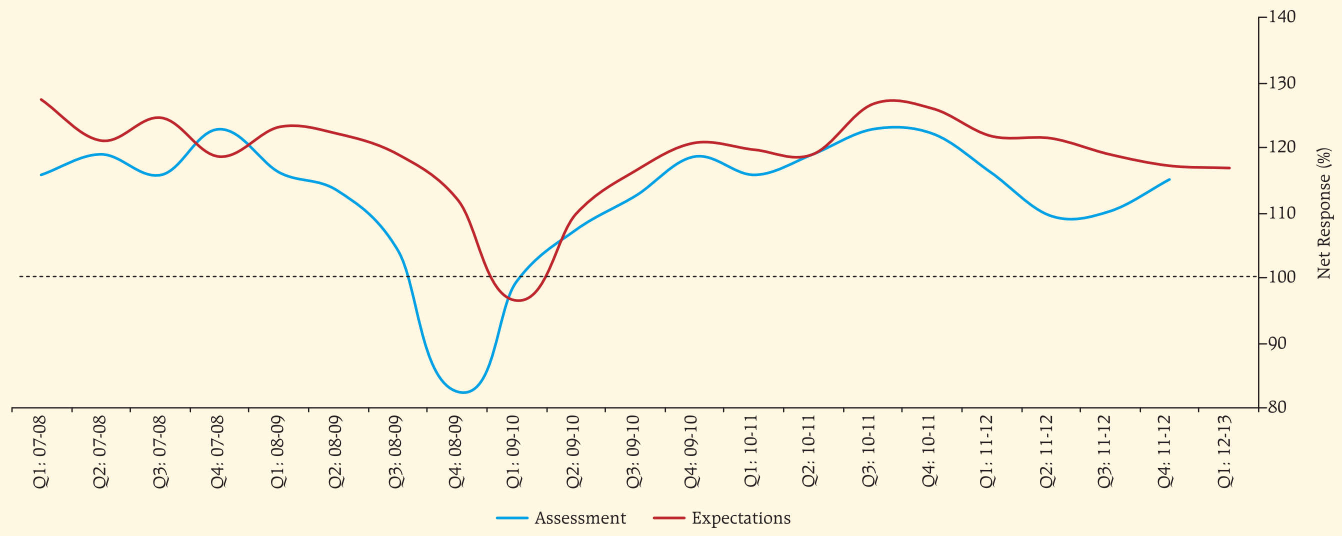


Table 17: Business Expectation Index

Quarter	Assessment			Expectations		
	Index	Change over previous quarter	Change over previous year	Index	Change over previous quarter	Change over previ-ous year
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	-4.0	2.1
Jul-Sep 11	109.4	-6.9	-9.7	121.5	-0.4	2.7
Oct-Dec 11	110.1	0.8	-12.7	118.8	-2.7	-7.7
Jan-Mar 12	114.9	4.8	-7.1	117.2	-1.6	-8.7
Apr-Jun 12				116.8	-0.4	-5.1

Chart 14: Business Expectation Index



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 **January-March 2012.** Major constraints reported are *lack of domestic demand, shortage of power, shortage of working capital finance and shortage of raw material.* Industry-wise break-up reveals that companies in four industry

Table 18: Assessment for Important Business Parameters according to Industries

(Net response in per cent)

Industry Name	Production		Order Books		Availability of Finance		Cost of Raw Materials		Cost of Finance		Profit Margin	
	Oct-Dec 11	Jan-Mar 12	Oct-Dec 11	Jan-Mar 12	Oct-Dec 11	Jan-Mar 12	Oct-Dec 11	Jan-Mar 12	Oct-Dec 11	Jan-Mar 12	Oct-Dec 11	Jan-Mar 12
Food products	42.6	41.2	33.0	31.2	13.1	22.4	-56.9	-50.5	-46.2	-25.0	-10.1	-3.0
Textiles	-1.6	7.5	-17.1	0.0	-6.4	-3.1	-35.8	-44.7	-53.8	-42.1	-40.1	-26.7
Basic Metals & Metal products	18.1	29.4	13.5	21.7	9.3	17.1	-65.0	-61.1	-51.7	-39.0	-17.1	-5.6
Electrical machinery	40.6	43.2	38.2	37.5	15.6	22.5	-66.7	-62.5	-46.3	-34.1	-11.6	-17.8
Other Machinery (Non-electrical machinery) & Apparatus	22.0	36.2	19.5	22.6	10.2	17.7	-67.8	-66.0	-44.2	-39.1	-13.0	-18.9
Transport Equipment	30.9	49.4	23.3	37.5	15.8	16.5	-63.2	-60.8	-53.8	-43.8	-15.8	-6.3
Fertilisers	43.8	24.0	28.0	16.7	37.5	19.2	-71.9	-32.0	-50.0	-8.0	6.3	0.0
Pharmaceuticals & Medicines	38.4	43.4	28.4	33.3	9.2	10.8	-68.7	-64.6	-59.8	-39.7	-10.1	-10.8
Basic Chemicals	25.0	35.8	25.0	30.9	20.0	15.5	-60.0	-62.9	-47.5	-37.2	-15.3	-11.6
Rubber & Plastic products	25.3	31.4	19.2	22.1	14.1	17.1	-50.0	-69.6	-56.8	-41.2	-24.1	-12.7
Paper & Paper products	22.0	44.4	5.6	40.6	4.9	25.0	-78.0	-52.8	-50.0	-55.6	-34.1	0.0
Cement	45.5	37.5	41.4	35.0	2.9	29.2	-88.6	-62.5	-57.1	-25.0	-8.6	12.5
Wood & wood products	12.5	46.7	18.8	21.4	10.5	25.0	-72.2	-68.8	-52.9	-37.5	-10.5	-12.5
Diversified companies	45.0	57.9	50.0	47.1	45.0	15.0	-65.0	-75.0	-44.4	-47.4	10.5	0.0
Other industries	26.2	27.5	21.2	26.8	9.2	23.5	-66.7	-64.4	-49.2	-31.7	-13.8	-5.8
All Industries	25.3	33.1	18.4	24.8	10.4	15.8	-61.2	-59.4	-50.6	-37.4	-17.3	-11.3

Table 19: Assessment for Important Business Parameters according to Size

(Net response in per cent)

Size		Production		Order Books		Availability of Finance		Cost of raw Materials		Cost of Finance		Profit Margin	
		Oct-Dec 11	Jan-Mar 12	Oct-Dec 11	Jan-Mar 12	Oct-Dec 11	Jan-Mar 12	Oct-Dec 11	Jan-Mar 12	Oct-Dec 11	Jan-Mar 12	Oct-Dec 11	Jan-Mar 12
PUC-Wise	Small	19.1	23.9	14.2	15.0	10.9	5.8	-65.9	-68.6	-36.9	-29.8	-18.2	-21.1
	Medium	24.9	33.8	17.6	25.5	10.6	18.9	-60.8	-57.3	-51.8	-39.0	-18.4	-10.0
	Big	41.9	47.9	38.3	43.9	7.0	1.4	-57.6	-63.0	-57.0	-35.3	0.0	-2.7
Annual Prod.-Wise	Small	19.4	24.3	14.9	16.8	8.7	13.0	-63.3	-65.2	-40.7	-30.8	-21.8	-18.3
	Medium	27.8	44.1	20.5	32.9	14.5	13.6	-59.1	-51.4	-55.0	-39.1	14.8	0.0
	Big	35.6	44.1	22.6	32.9	2.1	13.6	-61.6	-51.4	-66.0	-39.1	-11.2	0.0

Smaller companies (annual production less than `1 billion /PUC less than `10 million).
Medium companies (annual production between `1 billion to `10 billion /PUC between `10 million `1 billion)
Big companies (annual production above `10 billion / PUC above `1 billion)

groups, *viz*, 'Textiles', 'Transport equipments', 'Basic metals and metal products' and 'Food products' felt more production constraints when compared with other industries. (Table20).

Table 20: Constraints for Attaining the Normal Production Level – Industry-wise

	Production Constraint			
	No		Yes	
	Count	per cent	Count	per cent
Food products	46	46.5	53	53.5
Textiles	54	33.3	108	66.7
Basic Metals & Metal products	83	45.6	99	54.4
Electrical machinery	44	48.4	47	51.6
Other Machinery & Apparatus	73	51.0	70	49.0
Transport Equipment	35	43.8	45	56.3
Fertilisers	15	57.7	11	42.3
Pharmaceutical & Medicines	56	67.5	27	32.5
Basic Chemicals	58	59.8	39	40.2
Rubber & Plastic products	35	49.3	36	50.7
Paper & Paper products	18	50.0	18	50.0
Cement	14	58.3	10	41.7
Wood & wood products	11	68.8	5	31.3
Diversified companies	16	80.0	4	20.0
Other industries	60	57.7	53	53.5
All Industries	**618**	**50.1**	**616**	**49.9**

Statement: Net Responses on assessment and expectations – year-on-year and quarter-on-quarter changes

(Per cent)

Sr. No.	Parameter	Optimism Criteria	ASSESSMENTS					EXPECTATIONS				
			Net Response (%)			Differences in net response of current quarter of current survey over current quarter of		Net Response (%)			Differences in net response of next quarter of current survey over next quarter of	
			Current quarter of a year ago survey(53)	Current quarter of previous survey(56)	Current quarter of current survey(57)	A year ago survey	Pervious quarter survey	Next quarter of a year ago survey(53)	Next quarter of previous survey(56)	Next quarter of current survey(57)	A year ago survey	Pervious quarter survey
			Jan-Mar. 11	Oct-Dec. 11	Jan-Mar. 12	(5)-(3)	(5)-(4)	Apr.-Jun.-11	Jan.-Mar. 12	Apr.-Jun.12	(10)-(8)	(10)-(9)
(1)		(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1	Overall business situation	Better	38.6	17.7	26.5	-12.1	8.8	41.4	33.6	34.9	-6.5	1.3
2	Financial situation	Better	27.1	11.2	18.5	-8.6	7.3	33.4	25.2	27.7	-5.7	2.5
3	Working capital finance requirement	Increase	36.9	33.3	34.9	-2.0	1.6	32.9	33.8	31.9	-1.0	-1.9
4	Availability of finance	Improve	23.8	10.4	15.8	-8.0	5.4	27.3	19.0	22.9	-4.4	3.9
5	Cost of finance	Decrease	-42.5	-50.6	-37.4	5.1	13.2	-35.0	-38.8	-22.7	12.3	16.1
6	Production	Increase	41.4	25.3	33.1	-8.3	7.8	40.0	40.4	34.7	-5.3	-5.7
7	Order books	Increase	34.7	18.4	24.8	-9.9	6.4	38.4	31.3	29.5	-8.9	-1.8
8	Pending Orders, if applicable	Below normal	5.5	12.6	10.5	5.0	-2.1	3.9	7.3	8.8	4.9	1.5
9	Cost of raw material	Decrease	-71.9	-61.2	-59.4	12.5	1.8	-57.0	-50.1	-49.0	8.0	1.1
10	Inventory of raw material	Below average	-7.8	-7.3	-6.9	0.9	0.4	-3.3	-7.3	-4.7	-1.4	2.6
11	Inventory of finished goods	Below average	-6.5	-8.9	-8.6	-2.1	0.3	-2.9	-6.8	-3.7	-0.8	3.1
12	Capacity utilisation (Main Product)	Increase	27.4	10.8	16.7	-10.7	5.9	24.0	24.3	19.9	-4.1	-4.4
13	Level of capacity utilisation (Compared to the average in preceding four quarters)	Above normal	4.9	-5.6	-2.6	-7.5	3.0	4.4	0.9	1.2	-3.2	0.3
14	Assessment of the production capacity (With regard to expected demand in next six months)	More than adequate	4.4	2.8	4.3	-0.1	1.5	5.0	4.7	4.6	-0.4	-0.1
15	Employment in the company	Increase	18.7	11.3	12.9	-5.8	1.6	17.4	13.6	14.6	-2.8	1.0
16	Exports, if applicable	Increase	18.9	11.5	14.2	-4.7	2.7	24.0	18.6	20.7	-3.3	2.1
17	Imports, if any	Increase	19.9	11.6	14.4	-5.5	2.8	18.9	15.5	15.7	-3.2	0.2
18	Selling prices are expected to	Increase	26.5	8.9	13.5	-13.0	4.6	23.7	14.7	19.0	-4.7	4.3
19	If increase expected in selling prices	Increase at lower rate	12.1	19.9	20.7	8.6	0.8	9.6	15.8	15.2	5.6	-0.6
20	Profit margin	Increase	-4.3	-17.3	-11.3	-7.0	6.0	3.8	-2.9	-1.2	-5.0	1.7