

*Quarterly Industrial Outlook Survey: April-June 2010 (50th Round)**

This article presents the survey findings of Industrial Outlook Survey conducted for April -June 2010 quarter, the 50th round in the series. It gives the assessment of business situation of companies in manufacturing sector, for the quarter April-June 2010, and their expectations for the ensuing quarter July-September 2010. The growth at lower pace which was expected by the manufacturing sector in the previous survey round (January-March 2010) is well-reflected in the assessment in the current round of the survey. This marginal decline in growth is partly reflected in the assessment for the April-June 2010 quarter as well as expectations for the July-September 2010 quarter. However, Business Expectation Index (BEI) remained in the growth terrain (i.e., above 100, which is the threshold that separates contraction from expansion). An additional data block (Block 6) on investment intentions is canvassed annually in the April-June quarter for the purpose of getting perceptions on investment intentions during the years 2009-10 and 2010-11. Among the responding companies, 64 per cent companies reported that they have made investment in fixed capital during the year 2009-10, out of which 87 per cent are also having investment intentions for FY 2010-11.

Highlights

The survey conducted in April -June 2010 signals slight moderation in the sentiments of the manufacturing sector for

* Prepared in the Survey Division of Department of Statistics and Information Management. The previous article on the subject based on 49th Round (January- March 2010) was published in May 2010 Bulletin.

the assessment quarter which corroborates with the previous survey results. It is optimistic in its expectations for the following quarter. This indicates that India's manufacturing economy will continue to expand and, therefore, a strong growth in the overall performance is expected.

- The demand conditions show signs of slight moderation during the quarter. This is reflected in the fall in net responses for assessment in production and order books. Export and import demand has improved. However, the demand conditions are expected to witness significant improvement for the ensuing quarter. This is echoed from the improved anticipation in production, order book, and capacity utilisation. The inventory level (both raw material and finished goods) is also expected to improve which is another sign towards strong industrial growth.
- The financial conditions are slightly tightened as the number of respondents who assessed 'betterment' of overall financial situation during the assessment quarter has declined. Though the working capital finance requirement and availability of finance remained moderate for the current quarter, manufacturers expect the same to improve for the following quarter. Input price inflation remained sharp during the latest survey period, with respondents reporting greater raw material costs. The pressure on profit margins is expected to tighten in the coming months due to high input cost and cost of fund. The selling prices are expected to increase. According to the survey findings, the employment scenario is also expected to improve.
- The survey findings exhibit a industrial growth at lower pace as Business Expectation Index, both for the assessment quarter (April-June 2010) as well as expectations quarter (July-September 2010) decelerated from 118.5 to 115.9 (decline of 2.6 per cent) and from 119.8 to 118.8 (decline of 1.0 per cent), respectively.
- The industry-wise break-up shows that almost all the industry groups have positive overall business sentiments in the present quarter. Specifically, a few industry groups, *viz.*, Fertilisers, Transport Equipment, Pharmaceutical & Medicines, Basic Chemicals and Electrical Machinery are more optimistic than the others. Diversified companies, Cement, Food Products, Textiles and Wood & Wood Products expect low business performance in Q2 FY10. Cement industry shows low order book and capacity utilisation, and profits and sales prices are expected to decline.
- Size wise analysis shows that improvement is seen across all size groups, but the bigger companies are most optimistic and they expect increase in order book, building up of inventory and return of pricing power. The smaller companies (annual production less than ₹ 100 crore) though have improved in their performance; their growth is at a lower rate as compared to bigger companies.

I. Introduction

The Reserve Bank of India has been conducting the Industrial Outlook Survey (IOS) on a quarterly basis since 1998. The Survey gives insight into the perception of the public and private limited companies engaged in manufacturing activities about their own performance and prospects. The survey covers selected non-financial private and public limited companies with adequate size/industry representation. The assessment of business sentiments for the current quarter and expectations for the ensuing quarter are based on qualitative responses on 20 major parameters covering overall business situation, financial situation, demand indicators, price and employment expectations, profit margins, *etc.* The survey provides useful forward-looking inputs for policymakers, analysts and business alike.

II. Data Coverage and Methodology¹

II.1. Sample Size

The sample covers about 2,563 non-financial public and private limited companies in the manufacturing sector mostly with paid up capital above ₹50 lakh. The fieldwork for the survey was carried out during the two-month period ending May 2010. The panel of respondents is kept uniform to the extent possible except for periodic updation in the case of addition of new companies or deletion of closed/

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

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 1,108 companies (43 per cent of the sample) within the stipulated time. Companies with incomplete or improperly filled-in schedules were excluded for the analysis. The study is based on responses of 1,092 companies which were included in the analysis.

II.3 The Survey Schedule

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

III. Survey Findings

The survey results are being published in a concise form in the Reserve Bank's quarterly publication 'Macroeconomic and Monetary Developments' since 2005 and Monetary Policy statements. The survey findings of the 50th round conducted for April - June 2010 quarter are presented in this article.

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.

Table 1: Assessment & Expectations for Production

(Percentage responses)

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

* Expectations for next quarter are reported by total respondents who gave assessment in current quarter.

.. Not available.

III.1.1 Production

The questions seek the company's assessment on production for April-June 2010 and expectations for July - September 2010 (for all products), whether it will increase, decrease, or there will be no change. On the output front, the net responses on the assessment declined marginally to 35.4 per cent from 36.5 per cent whereas expectation for the ensuing quarter registered a significant increase to 40.2 per cent from 35.9 per cent over the preceding round (Table 1 and Chart 1). This

shows that although the demand conditions are declining for the assessment quarter, the manufacturers anticipate a recovery of the same in the near future.

III.1.2 Order Books

The demand position of the manufacturing companies, as directly measured by order books, has shown a similar trend. The net responses, which showed a sharp improvement in optimism level in the previous quarter, has reversed from its increasing trend

Chart 1: Production

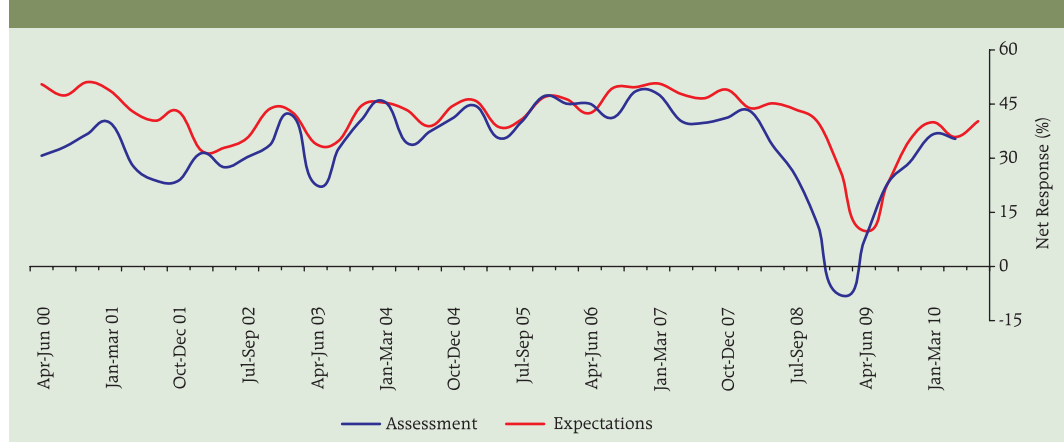


Table 2: Assessment & Expectations for Order books

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

* Expectations for next quarter are reported by total respondents who gave assessment in current quarter.

.. Not available.

in the current quarter. The net response has moderated marginally to 31.3 per cent from 31.9 per cent for the assessment quarter. On the other hand, the same has increased to 36.3 per cent from 33.4 per cent for the ensuing quarter with respect to the previous survey round (Table 2 and Chart 2).

III.1.3 Pending orders

The question was asked to the manufacturing companies to seek

information whether pending orders for current and next quarter will be above normal, normal or below normal. The optimism level for maintaining pending order (*i.e.* 'below normal') for assessment quarter has declined. The net responses for current as well as for following quarters have also declined which is in tune with the sentiments exhibited in Production and Order books. (Table 3 and Chart 3).

Chart 2: Order Book

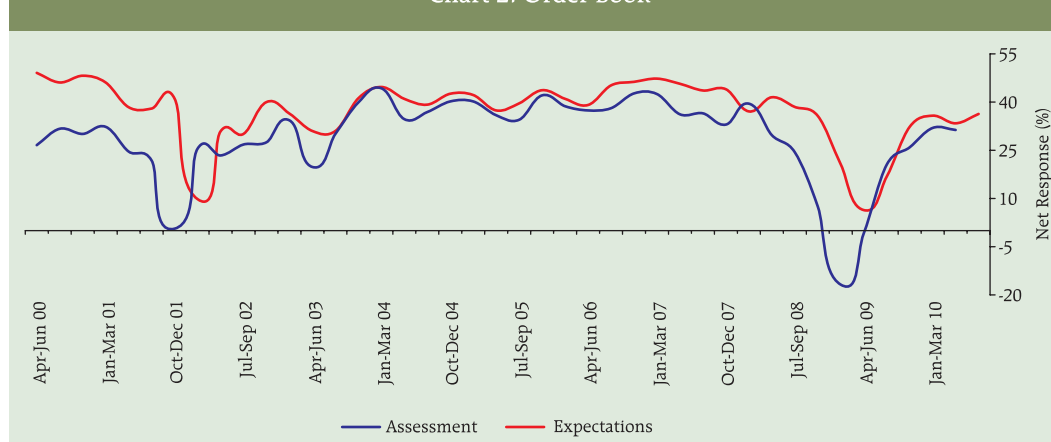


Table 3: Assessment & Expectations for Pending Orders

(Percentage responses)

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

* Expectations for next quarter are reported by total respondents who gave assessment in current quarter.
.. Not available.

III.1.4 Capacity Utilisation

The survey has three questions on capacity utilisation, capturing the information relating to the extent an enterprise actually uses its installed capacity. It collects views of manufacturing companies about Capacity Utilisation of main product (increase/decrease/no change), Level of capacity utilisation compared to the average in the last four quarters (above normal/below normal/normal) and Assessment of production

capacity with regard to expected demand in next six months (more than adequate/less than adequate/adequate) is also obtained.

More companies reported an increase in capacity utilisation as compared to the previous quarter, indicating further improvement in Capacity Utilisation, and this level of capacity utilisation is above normal as seen in the context of capacity level attained in the last four quarters. The expectation for the next quarter also exhibited a similar sentiment. Assessment of Production capacity with regard to expected

Chart 3: Pending Order

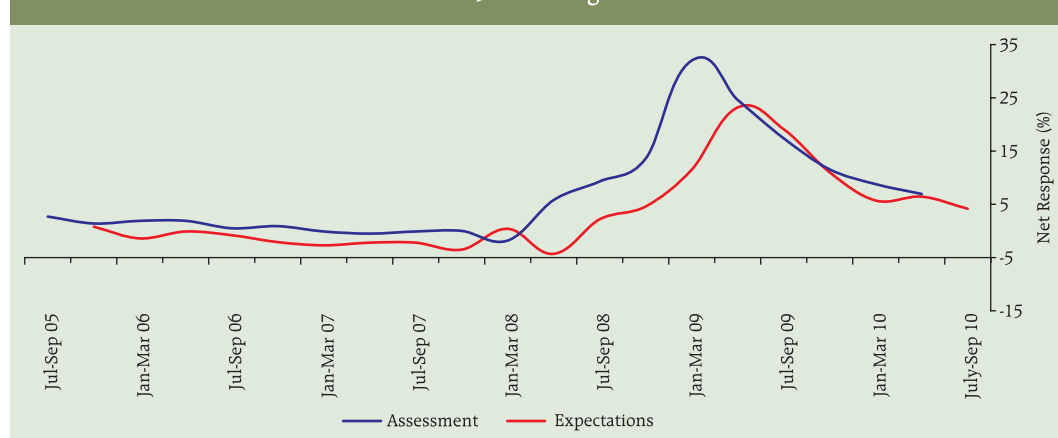


Table 4: Per cent responses on sentiments for Capacity Utilisation

(Percentage responses)					
Parameter	Options	Assessment for quarter		Expectations for quarter	
		Jan-Mar 2010	Apr-June 2010	Apr-June 2010	Jul-Sep 2010
1	2	3	4	5	6
Capacity Utilisation (main product)	Increase	33.1	33.5	29.7	35.3
	No Change	55.4	54.2	60.3	56.0
	Decrease	11.5	12.3	10.0	8.7
	Net Response	21.7	21.1	19.7	26.5
Level of Capacity Utilisation (compared to the average in last 4 quarters)	Above normal	16.7	15.7	12.5	14.8
	Normal	69.5	71.1	76.6	76.2
	Below Normal	13.7	13.2	10.9	9.0
	Net Response	3.0	2.5	1.6	5.8
Assessment of Production Capacity (with regard to expected demand in next 6 months)	More than adequate	13.4	10.6	13.4	10.6
	Adequate	79.7	81.8	80.4	82.9
	Less than adequate	7.0	7.6	6.3	6.5
	Net Response	6.4	3.1	7.1	4.1

demand in next six months shows that there will be adequate capacity as the proportion of companies that stated that there was adequate production capacity in meeting the demand for the next 6 months has moved up (Table 4 and Chart 4). While Fertilizers and Paper industry are more optimistic, Cement industry revealed the least optimism in terms of capacity utilisation.

III.1.5 Inventory of Raw Materials & Finished Goods

Majority of the respondents (81-85 per cent) reported average level of Inventory of raw materials and Inventory of finished goods for the current quarter as well as ensuing quarter. While around 10 per cent of the respondents expect to witness an increase in their inventory levels during

Chart 4: Capacity Utilisation

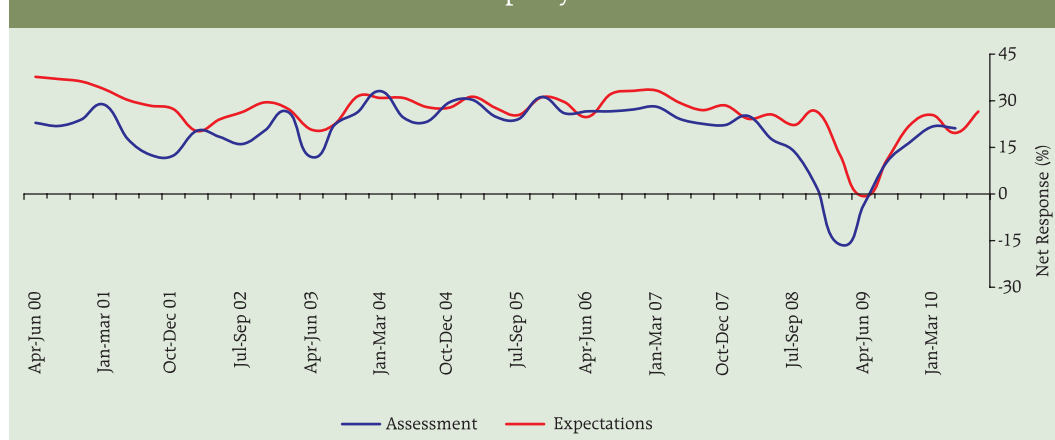


Table 5: Assessment & Expectations for Level of Inventory (Raw Material and Finished Goods)

(Percentage responses)

Parameter	Options	Assessment for quarter		Expectations for quarter	
		Jan-Mar 2010	Apr-Jun 2010	Apr-Jun 2010	Jul-Sep 2010
1	2	3	4	5	6
Inventory of raw material	Below average*	6.8	7.3	7.0	5.3
	Average	80.6	80.4	83.4	84.4
	Above average	12.6	12.3	9.6	10.3
	Net Response	-5.8	-5.0	-2.6	-5.1
Inventory of Finished goods	Below average*	6.7	6.5	5.3	5.0
	Average	82.3	82.8	86.8	85.1
	Above average	11.0	10.7	7.9	9.9
	Net Response	-4.3	-4.1	-2.6	-5.0

* Below average is optimistic.

July-September 2010 quarter, only 5 per cent of the respondents expect their level of stock to decline. The net response for Inventory Levels for raw materials and finished goods is placed negative at 5 per cent.

III.1.6 Exports and Imports

The external demand of manufacturing companies is gauged by the survey through their assessment and expectation regarding Exports and Imports. The companies report their perceptions in the form; increase, no

change and decrease in Exports and Imports.

The survey results show that the assessment about Export growth shows further improvements in the current quarter. The net response for the current quarter has increased to 15.3 per cent from 12.7 per cent in previous quarter. External demand is also expected to grow in the following quarter as the net response increased to 20.7 per cent from 18.5 per cent in the previous quarter (Table 6). Pharmaceutical & Medicines and

Table 6: Assessment & Expectations for Exports

(Percentage responses)

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

* Expectations for next quarter are reported by total respondents who gave assessment in current quarter.
.. Not available.

Table 7: Assessment & Expectations for Imports

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

* Expectations for next quarter are reported by total respondents who gave assessment in current quarter.
.. Not available.

Transport Equipment industry groups are more optimistic about their external demand.

The manufacturing sector is seen to be more optimistic in terms of demand for import. The net response on assessment and expectation for Import is in the growth terrain. The sentiments have increased further from the preceding rounds for both the quarters under review (20.9 per cent for the assessment and 21.7 for expectation quarters, respectively, Table 7). Diversified companies and Fertilisers are the sectors

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

III.2 Financial Situation

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

Chart 5: Export and Import

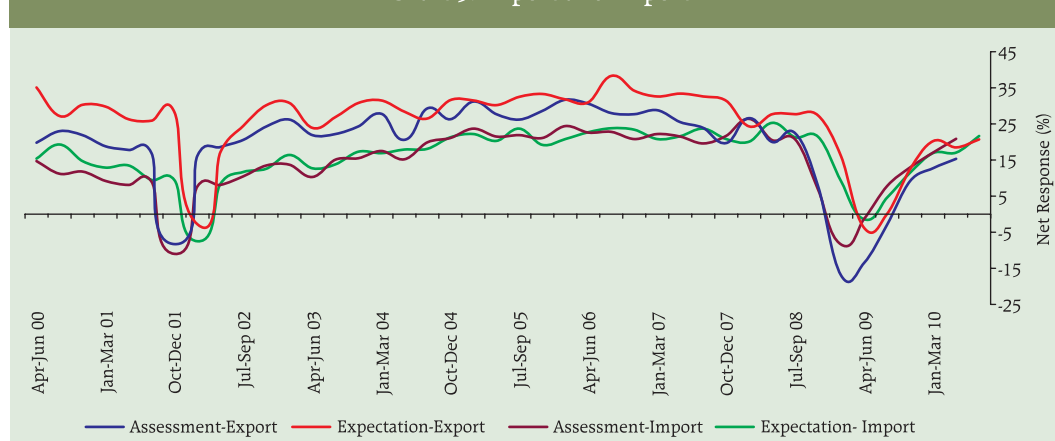


Table 8: Assessment & Expectations for Overall Financial Situation

(Percentage responses)

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

* Expectations for next quarter are reported by total respondents who gave assessment in current quarter.

.. Not available.

III.2.1. Overall Financial Situation

The financial conditions are assessed to be tightening a bit as the number of respondents who assessed 'betterment' of overall financial situation during the assessment quarter under review has declined to 32.2 per cent from 35.8 per cent. The expectations for the following quarter (July-September 2010) also registered a minor fall in the level of optimism (34.1 per cent from 36.3 per cent). Chart 6 reveals the trend that exhibits the optimism level on overall financial situation. Amongst all the

industry groups, Cement industry is least optimistic about their overall financial situation.

III.2.2 Working Capital Finance Requirement and Availability of Finance

The assessment of the Working capital finance requirement (excluding internal source of funds) for the assessment quarter (April-June 2010) moderated marginally with net response moving to 29.9 per cent from 30.5 per cent. However, the expectation on the same shows an improvement as the

Chart 6: Overall Financial Situation

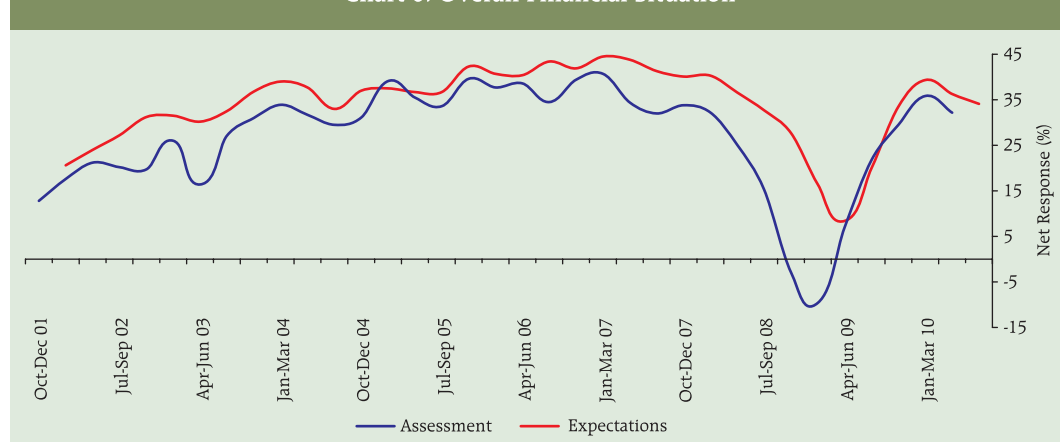


Table 9: Assessment & Expectations for Working capital finance requirement

(Percentage responses)

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

* Expectations for next quarter are reported by total respondents who gave assessment in current quarter.

.. Not available.

net response registered a significant increase to 31.1 per cent from 27.7 per cent (Table 9).

It is observed that the percentage of respondents who viewed improvement in Availability of Finance has improved marginally. This optimism is well-echoed in the net optimism as well, as the net optimism has been enhanced for both the quarters under review (Table 10). The quarterly movements of Working Capital

Finance Requirements (WCFR) and Availability of Finance (both internal and external sources), presented in the Chart 7, shows that for the ensuing quarter, the manufacturers' expect their WCFR and availability of finance to improve compared to the previous quarter. While Fertilisers and Wood industry shows more optimism on Working Capital Finance Requirements and Diversified companies and Transport equipment exhibited more optimism on the Availability of Finance.

Table 10: Assessment & Expectations for Availability of Finance

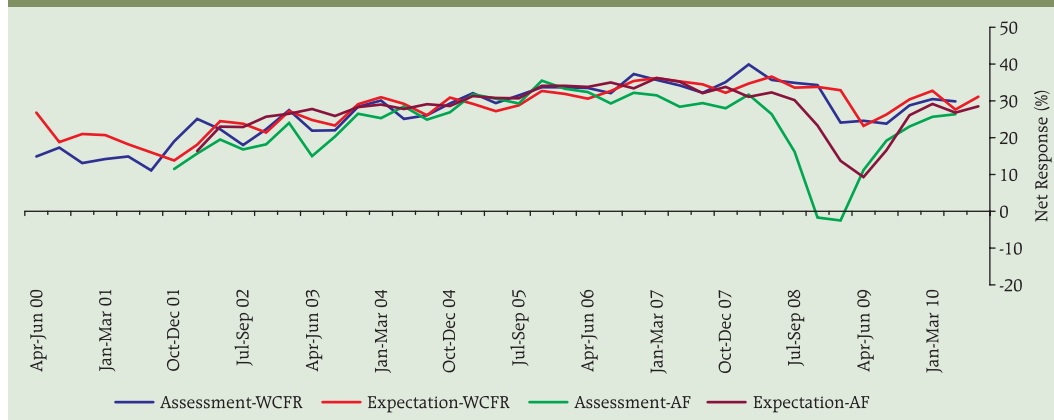
(Percentage responses)

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

* Expectations for next quarter are reported by total respondents who gave assessment in current quarter.

.. Not available.

Chart 7: Working Capital Finance Requirement & Availability of Finance



III.2.3 Cost of External Finance

The cost of external finance was included in the survey schedule from Round 48 (October-December 2009) onwards. The respondents are asked to express their opinion on a three point scale, *viz*: Increase/Decrease/No change about their perceptions about cost of funds. The survey reveals that the respondents with perception about an increase in cost of external fund have increased sharply for both the quarters under review (Table 11).

III.2.4. Profit Margin

Survey asks manufacturing companies about in their perception on profit margin

(gross profits as percentage at net sales) that is expected to increase, decrease or remain the same. The net response on Profit margin for the current quarter of the survey had declined sharply. (Table 12). The sentiments on expectation for the following quarter have also moderated marginally (3.1 per cent from 3.2 per cent) (Chart 8). Fertilisers and Diversified industry anticipate an improvement in their profit margin as compared to the other industry groups.

III.3 Price and Employment Expectation

Three questions related to prices were canvassed in the survey. The questions sought

Table 11: Assessment & Expectations for Cost of external Finance

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

* Expectations for next quarter are reported by total respondents who gave assessment in current quarter.

.. Not available.

Table 12: Assessment & Expectations for Profit Margin

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

* Expectations for next quarter are reported by total respondents who gave assessment in current quarter.
.. Not available.

increase, decrease or no change in the Cost of Raw Material, Selling price and Employment.

III.3.1 Cost of raw material

The survey reveals that the manufacturers are more concerned about cost of raw material as more respondents expect 'increase' in raw material prices as compared to preceding quarter (Table 13). The net response on cost of raw material of the reporting companies declined further in both the quarters under review. This signals that the manufacturing corporates fear that

their input prices are likely to increase further. Specifically, Wood and Paper industry anticipate more pressure on their input cost.

III.3.2 Selling price

Survey seeks responses on Selling Prices (ex-factory unit prices) and enquiries are made about the rate of increase in the Selling Prices (at higher/lower/similar rate) from manufacturing corporate. In case of multi-product companies, they are requested to take into account the average

Chart 8: Profit Margin

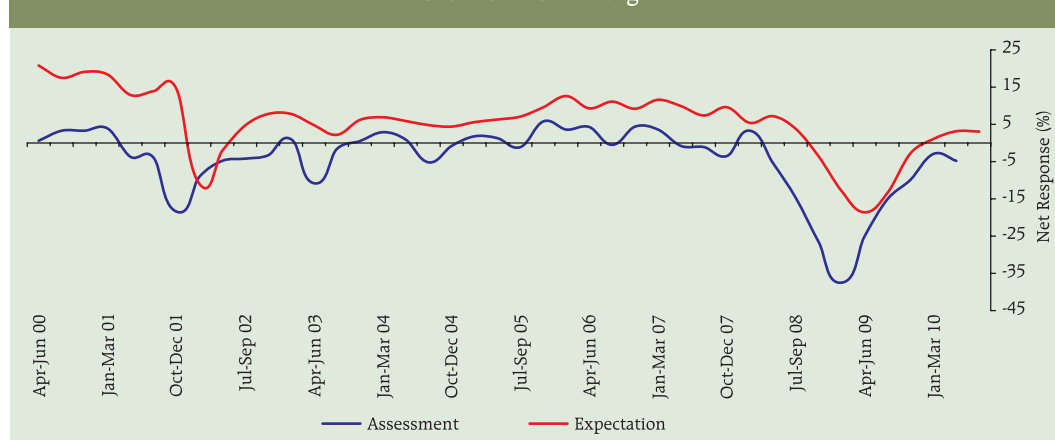


Table 13: Assessment & Expectations for Cost of raw material

(Percentage responses)

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

* Expectations for next quarter are reported by total respondents who gave assessment in current quarter.

.. Not available.

of the price changes. Optimism level for Selling prices ('increase in selling price') for the current quarter registered a boost. While 29.3 per cent corporates opined about an increase in the selling prices in the current quarter, 24.4 per cent expected this increase to continue for the following quarter (Table: 14). Out of the respondents that viewed an increase in selling prices, 25-27 per cent of respondents viewed the increase to be 'at lower rate'. The movement of input and output prices is presented in Chart 9. Amongst the sectors, Diversified companies and Paper industry

are more optimistic about their output prices.

III.3.3 Employment

The Survey seeks from the companies their perceptions on change in employment. Employment includes all cadres comprising full-time, part-time and casual labour. The employment scenario of Indian manufacturing has continued its recovery path in the current quarter (April- June 2010) as evident from an increase in net response of 14.7 per cent from 13.7 per cent (Table 15, Chart 10). The employment outlook is

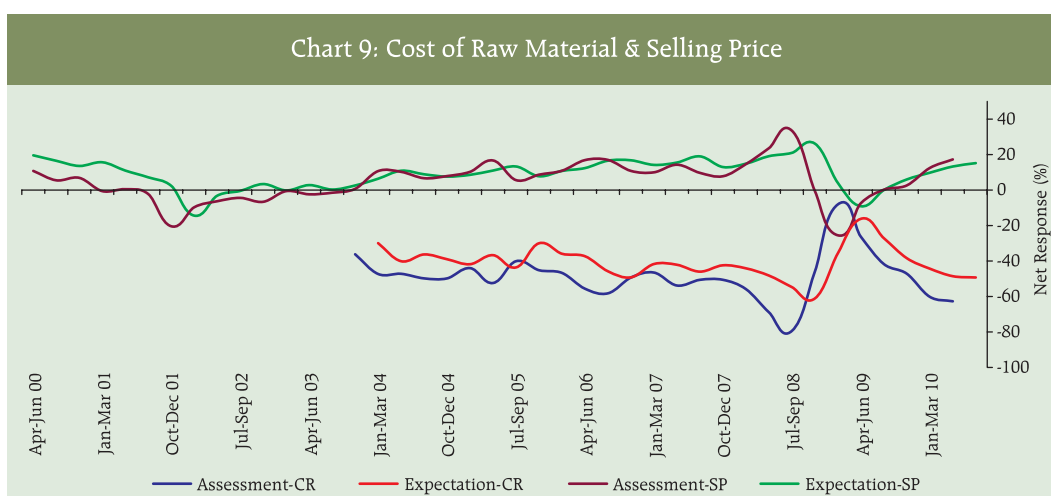
Table 14: Assessment & Expectations for Selling Price

(Percentage responses)

Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter*			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
1	2	3	4	5	6	7	8	9	10
Oct-Dec 08	1178	23.2	23.7	53.1	-0.5	34.3	8.1	57.6	26.2
Jan-Mar 09	1225	12.5	38.0	49.5	-25.5	21.2	17.1	61.7	4.1
Apr-Jun 09	1242	17.0	24.4	58.0	-7.4	14.5	23.6	61.9	-9.1
Jul-Sep 09	1180	19.4	19.2	61.4	0.2	17.2	17.2	65.6	0.0
Oct-Dec 09	1256	18.6	15.9	65.5	2.6	19.2	13.2	67.6	6.0
Jan-Mar 10	1079	24.6	12.2	63.2	12.4	20.7	10.9	68.4	9.8
Apr-Jun 10	1092	29.3	12.0	58.6	17.3	22.4	9.1	68.5	13.3
Jul-Sep 10		..	..	..	..	24.4	9.2	66.3	15.2

* Expectations for next quarter are reported by total respondents who gave assessment in current quarter.

.. Not available.



expected to improve for the forthcoming quarter (July- September 2010) as well with only 5 per cent of the respondents expecting a decline in number of employees. While as many as 22 per cent of the respondents anticipate an increase in number of employees during Q2 2010, a majority (73 per cent) of the respondents intend to keep the number of employees unchanged. Among the industry groups, Fertilisers and Transport equipment shows a greater inclination towards increasing the number of employees.

III.4 Overall business conditions

III.4.1 Overall Business Situation

The Overall Business Situation summarises the overall confidence of manufacturing companies. The companies are asked if their overall business situation would become better/worsen/remain the same. The net response for assessment about the overall business situation during the current quarter April- June 2010 shows slight moderation as net response declined to 40.7 per cent from the level of 43.1 per

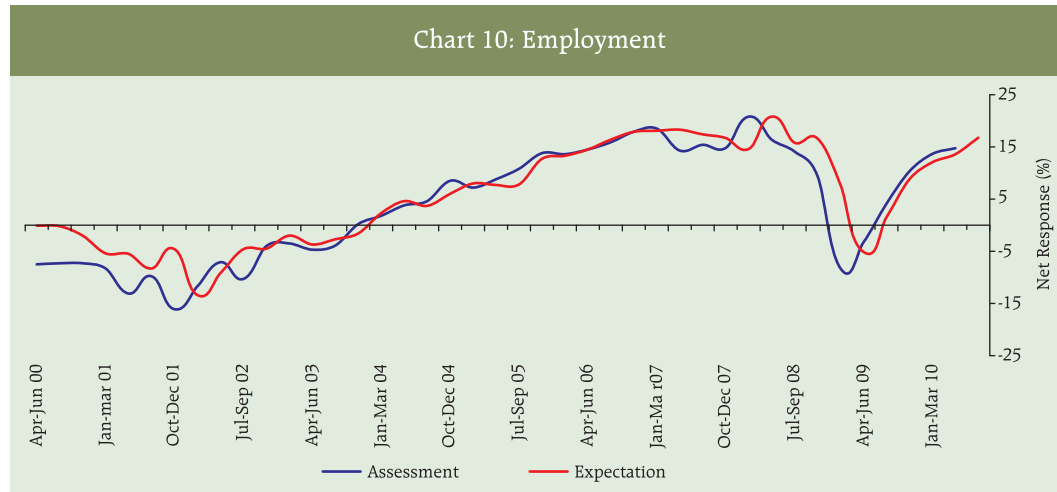
Table 15: Assessment & Expectations for Employment outlook

(Percentage responses)

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

* Expectations for next quarter are reported by total respondents who gave assessment in current quarter.

.. Not available.



cent in the previous quarter. The net response for expectation has improved marginally from 41.2 per cent to 41.5 per cent. The net response for the assessment and expectation has been presented in Table 16. The movement of the overall business situation can be seen in Chart 11.

III.4.2 Business Expectation Index (BEI)

Business Expectation Index gives a single snapshot of the industrial outlook in each study quarter. This index is computed

based on weighted average of responses from different industries on selected nine performance parameters. These parameters are Overall Business Situation, Production, Order Books, Inventory of Raw Materials, Inventory of Finished Goods, Profit Margin, Employment, Exports, and Capacity Utilisation.

The present round of the survey showed a decline in the index, both for the current and following quarters. The BEI in current quarter declined to 115.9 from 118.5 and for

Table 16: Assessment & Expectations of Overall Business Situation

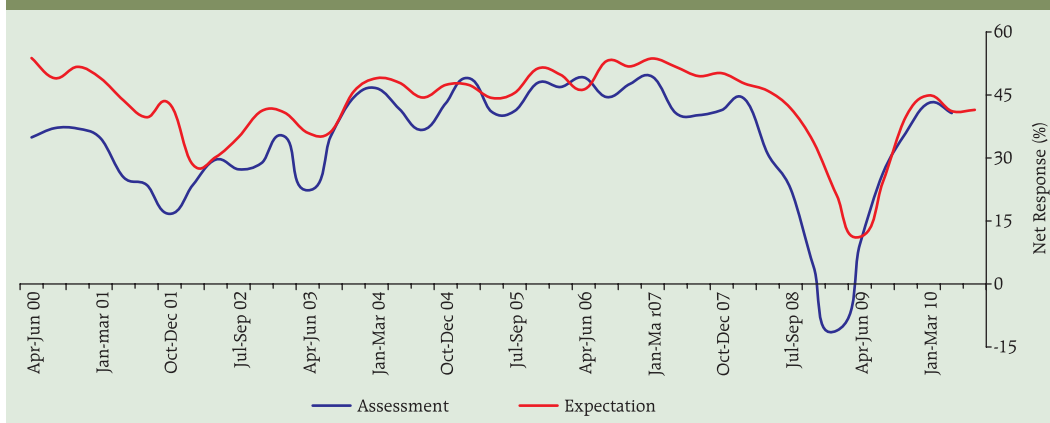
(Percentage responses)

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

* Expectations for next quarter are reported by total respondents who gave assessment in current quarter.

.. Not available.

Chart 11: Overall Business Situation



ensuing quarter it has dropped marginally to 118.8 as compared to 119.8 seen in the previous quarter (Chart 12). This shows the industrial growth is anticipated at a lower pace.

III.5 Industry-wise analysis

Fertilisers, Transport Equipment, Pharmaceuticals & Medicines, Basic Chemicals and Electrical machinery are generally more optimistic about their overall business situation for July-September 2010. They expect demand conditions to improve,

and, thus, higher levels of production and capacity utilisation. Their overall financial condition is also expected to be comfortable as compared to other industries. While Wood and wood products industry expects an increase in their input prices, Diversified companies expect their output prices to increase. At the bottom of the list, the industries having frail, though positive, overall business sentiments are Diversified companies, Cement, Food Products and Textiles (Table 17).

Chart 12: Business Expectation Index

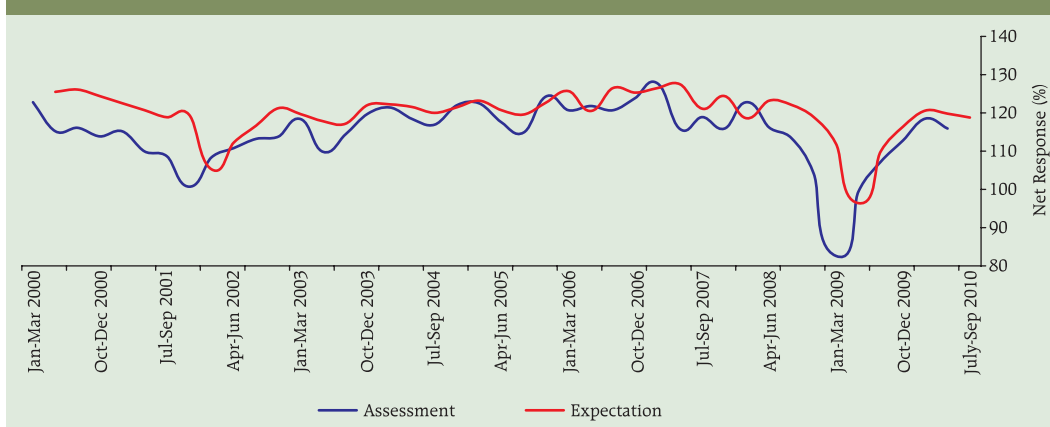


Table 17: Industry-wise Analysis – Net Response for July-September 2010

(in per cent)						
	Industry	Production	Overall Financial Situation	Profit margin	Employment	Overall Business Situation
1	2	3	4	5	6	7
1.	Fertilisers	63.6	47.8	27.3	31.8	56.5
2.	Transport Equipment	44.6	53.0	1.7	30.8	56.1
3.	Pharmaceutical & Medicines	62.1	36.1	11.4	29.2	55.6
4.	Basic Chemicals	47.8	46.9	8.3	14.4	49.5
5.	Electrical Machinery	49.3	42.9	3.1	28.4	47.8
6.	Other Machinery & Apparatus	42.5	38.2	3.8	18.0	46.0
7.	Basic Metals & Metal Products	40.4	43.2	11.3	15.5	45.3
8.	Paper & Paper Products	44.4	24.1	0.0	0.0	44.8
9.	Rubber & Plastic Products	44.4	26.8	8.9	24.1	42.1
10.	Other Industries	26.8	28.4	-10.0	10.1	35.3
11.	Wood & Wood Products	38.5	33.3	-6.7	-6.7	33.3
12.	Textiles	33.6	21.3	-2.1	11.3	29.6
13.	Food Products	21.9	18.4	0.0	6.8	25.0
14.	Cement	16.7	0.0	-29.2	16.7	15.4
15.	Diversified Companies	42.9	21.4	15.4	14.3	14.3
	All Industries	40.2	34.1	3.1	16.8	41.5

III.6 Size-wise analysis

Bigger companies (annual production above ₹1,000 crore) are more optimistic about overall business & financial situation and working capital finance requirement. The smaller companies (annual production less than ₹100 crore) are less optimistic about demand conditions as their net responses on production, order books and capacity utilisation are at a lower level than that of the bigger companies. Bigger companies are more optimistic about domestic as well as external demand. The smaller companies feel more pressure on the input price and availability of finance. Bigger companies are expected to be net hirers; the smaller firms will continue to shed jobs. Though all firms expect a net decline in their profit margins, the small and medium firms are the worst hit. A similar trend is inferred based on the paid-up capital (PUC)-based size-wise analysis also (Table 18).

III.7 Constraints for attaining the normal production level

The net responses for attaining the normal production level without having any major constraints during the quarter October-December 2009 has remained at 49 per cent which is slightly lower as compared to last survey round (50 per cent). The constraints reported are due to 'Shortage of Power', 'Shortage of Raw Materials', 'Lack of domestic demand', 'Lack of export demand', and Shortage of Working Capital Finance. The major industry groups for which higher proportion of companies reported production constraints are 'Paper and paper products' (70 per cent), 'Food Products' (61 per cent), 'Textiles' (58 per cent), 'Electrical Machinery' (52 per cent), and 'Rubber and Plastics' (52 per cent). On the other end of the spectrum, only 30 per cent of 'Pharmaceutical & Medicines' and 36 per cent of 'Diversified' companies reported production constraints.

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

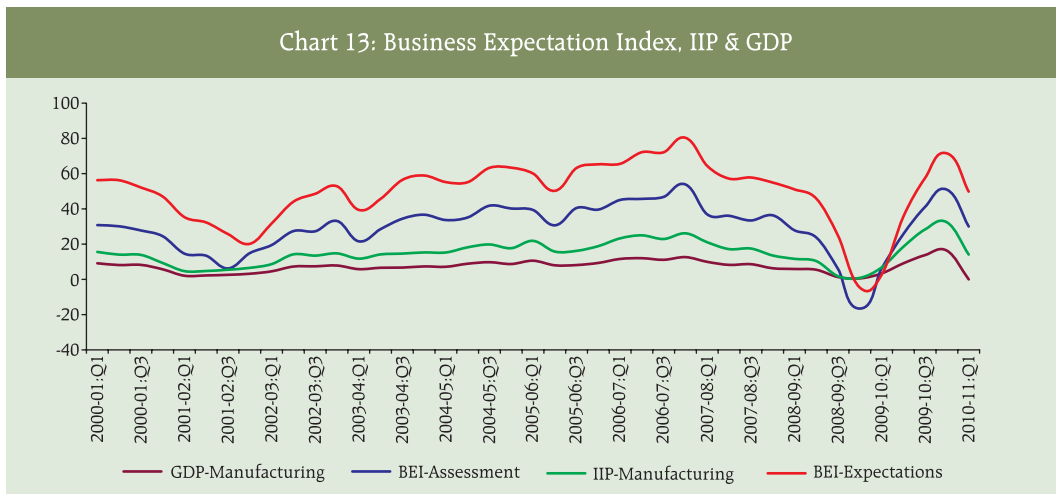
	Production-wise						PUC-wise					
	Small firms (Production less than ₹ 100 Crore)		Medium firms (Production more than ₹ 100 Crore & less than ₹ 1000 Cr)		Large firms (Production ₹ 1000 Crore or more)		Small Firms (PUC < ₹ 1 Cr)		Medium firms (PUC > 1 Cr & < 100 Cr)		Large firms (PUC ≥ ₹ 100 Cr)	
1	2	3	4	5	6	7	8	9	10	11	12	13
Characteristic	Rd 49	Rd 50	Rd 49	Rd 50	Rd 49	Rd 50	Rd 49	Rd 50	Rd 49	Rd 50	Rd 49	Rd 50
Production	32.2	35.5	38.2	41.2	42.4	58.1	29.4	18.5	36.7	41.9	36.4	57.1
Order book	28.4	32.3	37.2	37.4	40.4	51.7	27.5	25.3	34.2	37.4	32.7	40.8
Exports	13.9	15.0	20.4	21.1	30.3	40.4	8.5	-3.1	19.1	23.2	28.3	27.5
Raw material inventory	-2.3	-3.0	-2.1	-5.8	-5.9	-8.4	-8.9	-8.8	-1.9	-4.4	-1.8	-10.3
Finished goods inventory	-1.9	-3.3	-2.6	-6.1	-6.1	-7.5	-0.9	-2.7	-2.9	-5.0	-1.9	-9.3
Capacity utilisation	15.6	22.3	23.5	27.3	21.2	40.7	11.8	3.5	21.1	28.5	12.3	43.1
Input price	-56.1	-56.8	-44.2	-43.1	-32.3	-44.4	-56.3	-57.5	-48.2	-48.4	-39.3	-48.3
Output price	12.3	12.4	14.2	15.9	14.0	21.7	12.6	13.2	13.7	14.9	8.9	22.8
Employment	9.9	9.9	15.8	20.2	21.2	30.6	7.1	0.9	14.4	18.3	14.0	22.4
Overall financial situation	30.0	27.3	42.1	37.8	40.6	43.5	32.2	22.2	36.9	35.7	33.9	36.2
Working capital finance requirement	23.7	27.0	30.0	33.5	35.0	38.0	21.9	19.8	27.8	32.6	37.5	29.8

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

III.8 Perceptions on Investment Intentions during the years 2009-10 and 2010-11

An additional data block (Block 6) on investment intentions is canvassed annually in the April-June quarter for the purpose of getting an assessment of the investment intention of the manufacturing companies. Salient features about the perceptions regarding the investment climate of the manufacturing sector (their investment intention in Fixed Capital, *i.e.*, buildings, plant & machinery, *etc.*) based on the qualitative responses are briefly presented below.

Among the responding 1,071 companies, 700 companies (66 per cent) reported having made investment during the year 2009-10 and the same number of companies have expressed their investment intention for the year 2010-11. Out of these companies, 614 companies (57 per cent) are intending to make investment in both the years. While industry groups Basic Metals & Metal products, Other Machinery & Apparatus, Textiles and Basic Chemicals expressed high investment intention for FY 2010-11, Basic Metals & Metal products, Wood & Wood products, Diversified, Cement and Paper have lesser investment plans. It is also observed that more medium companies are expecting to make fixed capital investment than their counterparts. On the factors likely to influence the investment climate during



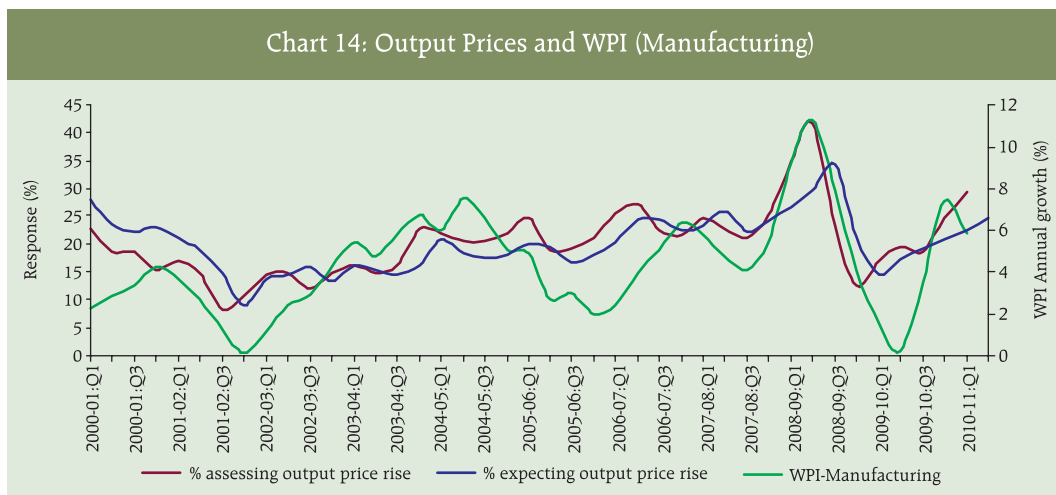
the years 2010-11, corporates indicated the 'Existing Demand' to be the most encouraging factor for both the current year (2010-11). Other influential factors for the current year were 'Availability of internal finance', 'Net Return on Investment' and 'Ability to raise external finance'.

III.9 Survey Results and Official Statistics

The Business Expectations Indices (BEI) based on the information gathered for

critical parameters in the Industrial Outlook Survey provide the private manufacturing sector's aggregate assessment of the current quarter and outlook for the ensuing quarter. Chart 13 shows the co-movements of annual growth rates of quarterly GDP-Manufacturing, IIP-Manufacturing and the BEI based on assessment and expectations.

Chart 14 shows the movement of output prices in assessment and expectation quarter along with WPI (Manufacturing).



IV. Conclusion

The survey depicts moderation in the manufacturing sector both for the current quarter (April-June 2010) as well as the expectation quarter (July-September 2010). However, it remained in the growth terrain. Demand conditions are somewhat subdued and backlog in pending order has been substantially cleared. Capacity utilisation did not show any improvement and therefore the manufacturers do not envisage any need for installing additional capacity. The pressure on profit margins is expected to increase in the coming months even though selling prices are

expected to increase. The survey indicates that an improvement is taking place in the employment scenario. As in the last few rounds of the survey, Fertilisers, Transport Equipment, Pharmaceuticals & Medicines, Basic Chemicals and Electrical machinery are finding more optimism about their overall business situation. High investment intentions for FY 2010-11 is expressed in the industry groups like Basic Metals & Metal products, Other Machinery & Apparatus, Textiles and Basic Chemicals. The manufacturing PMI survey of HSBC-Markit for June 2010 has also pointed out a similar scenario in these sectors.

ARTICLE

Quarterly Industrial
Outlook Survey:
April-June 2010
(50th Round)

**Statement 1: Assessment of the Industrial performance for the Apr-Jun 2010 &
Expectations of the Industrial performance for the quarter Jul-Sep 2010.**

(Percentage of responding companies)

Parameter	Assessment (Apr-June 2010)				Expectations (July-Sep 2010)			
	Scenario				Scenario			
	Optimistic (Positive)	Pessimistic (Negative)	No Change	Net response (Col. 2 - Col. 3)	Optimistic (Positive)	Pessimistic (Negative)	No Change	Net response (Col. 6 - Col. 7)
1	2	3	4	5	6	7	8	9
1 Overall business situation	47.8	7.1	45.0	40.7	47.6	6.2	46.2	41.5
2 Overall Financial situation	39.1	6.9	54.0	32.2	39.7	5.6	54.8	34.1
3 Working Capital Finance Requirement	34.7	4.8	60.5	29.9	35.2	4.1	60.7	31.1
4 Availability of Finance	32.3	5.9	61.8	26.4	32.9	4.4	62.7	28.5
5 Cost of external finance *	7.0	28.9	64.0	-21.9	5.7	29.0	65.3	-23.3
6 Production	48.4	13.0	38.6	35.4	49.7	9.4	40.9	40.2
7 Order Books	41.8	10.5	47.7	31.3	44.4	8.1	47.5	36.3
8 Pending Orders, if applicable	14.3	7.4	78.3	6.9	11.4	7.3	81.3	4.2
9 Cost of raw materials	2.5	65.2	32.3	-62.7	2.7	52.0	45.2	-49.3
10 Inventory of raw materials	7.3	12.3	80.4	-5.0	5.3	10.3	84.4	-5.1
11 Inventory of Finished Goods	6.5	10.7	82.8	-4.1	5.0	9.9	85.1	-5.0
12 Capacity utilisation	33.5	12.3	54.2	21.1	35.3	8.7	56.0	26.5
13 Level of capacity utilisation	15.7	13.2	71.1	2.5	14.8	9.0	76.2	5.8
14 Assessment of the production capacity	10.6	7.6	81.8	3.1	10.6	6.5	82.9	4.1
15 Employment in the company	21.7	7.0	71.3	14.7	21.8	5.1	73.1	16.8
16 Exports, if applicable	29.1	13.7	57.2	15.3	30.8	10.1	59.1	20.7
17 Imports, if any	27.7	6.8	65.6	20.9	27.0	5.4	67.6	21.7
18 Selling prices	29.3	12.0	58.6	17.3	24.4	9.2	66.3	15.2
19 If increase expected in selling prices, rate of such increase	26.6	9.2	64.2	17.4	24.4	10.0	65.6	14.3
20 Profit Margin	20.2	25.0	54.9	-4.8	22.2	19.1	58.7	3.1

* Cost of external finance was included from survey round 48.

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

(Per cent)

Parameter	Optimistic Response	Oct-Dec 2007 (1001)	Apr-Jun 2008 (1039)	Jul-Sep 2008 (1032)	Oct-Dec 2008 (1178)	Jan-Mar 2009 (1225)	Apr-Jun 2009 (1242)	July-Sep 2009 (1180)	Oct-Dec 2009 (1256)	Jan-Mar 2010 (1079)	Apr-Jun 2010 (1092)
1	2	3	4	5	6	7	8	9	10	11	12
1 Overall business situation	Better	41.4	31.0	22.6	4.0	-11.1	9.3	26.3	36.0	43.1	40.7
2 Overall Financial situation	Better	33.8	25.1	15.3	-2.9	-9.6	7.0	21.8	29.5	35.8	32.2
3 Working Capital Finance Requirement	Increase	35.1	35.7	34.9	34.3	24.1	24.6	23.8	28.8	30.5	29.9
4 Availability of Finance	Improve	28	26.4	16.2	-1.7	-2.5	11.2	19.2	23.0	25.7	26.4
5 Cost of external finance *	Decrease								-14.7	-15.9	-21.9
6 Production	Increase	41.2	33.6	25.2	11.1	-8.0	6.9	22.6	28.9	36.5	35.4
7 Order Books	Increase	33	29.7	24.4	7.5	-16.8	-0.9	20.5	25.9	31.9	31.3
8 Pending Orders, if applicable	Below normal	0	5.8	9.3	13.6	32.0	24.6	17.4	11.6	8.8	6.9
9 Cost of raw materials	Decrease	-50.6	-68.9	-79.4	-46.0	-8.1	-26.3	-41.7	-47.1	-60.2	-62.7
10 Inventory of raw materials	Below average	-6.6	-4.3	-7.0	-4.8	-1.8	-2.4	-2.1	-4.2	-5.8	-5.0
11 Inventory of Finished Goods	Below average	-7.5	-3.9	-4.0	-8.4	-13.1	-4.2	-4.3	-4.3	-4.3	-4.1
12 Capacity utilisation	Increase	22.2	17.7	13.6	1.7	-16.3	-3.7	10.1	16.5	21.7	21.1
13 Level of capacity utilisation	Above normal	5.1	-1.5	-4.1	-12.0	-29.3	-19.2	-11.2	-3.9	3.0	2.5
14 Assessment of the production capacity	More than adequate	4.3	4.0	5.0	12.1	8.3	4.6	5.8	5.3	6.4	3.1
15 Employment in the company	Increase	14.7	16.4	14.1	9.4	-8.3	-3.3	4.1	10.3	13.7	14.7
16 Exports, if applicable	Increase	19.7	20.0	22.4	7.6	-17.0	-13.5	-2.9	9.2	12.7	15.3
17 Imports, if any	Increase	21.7	20.5	20.7	6.7	-8.4	-1.3	7.8	13.0	17.1	20.9
18 Selling prices	Increase	7.8	23.6	33.5	-0.5	-25.5	-7.4	0.2	2.6	12.4	17.3
19 If increase expected in selling prices, rate of such increase	Increase at lower rate	16.2	-2.4	-0.5	1.2	31.7	11	23.2	19.3	21.6	17.4
20 Profit Margin	Increase	-3.5	-5.3	-14.7	-26.6	-37.5	-25.1	-15.1	-9.9	-2.9	-4.8

* Cost of external finance was included from survey round 48

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

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

(Per cent)

Parameter	Optimistic Response	Oct-Dec 2007 (1047)	Jan-Mar 2008 (1001)	July-Sep 2008 (1039)	Oct-Dec 2008 (1032)	Jan-Mar 2009 (1178)	Apr-Jun 2009 (1225)	July-Sep 2009 (1242)	Oct-Dec 2009 (1180)	Jan-Mar 2010 (1256)	Apr-Jun 2010 (1079)	July-Sep 2010 (1092)
1	2	3	4	5	6	7	8	9	10	11	12	13
1 Overall business situation	Better	50.2	47.7	41.8	33.7	21.1	11.2	24.2	39.8	44.9	41.2	41.5
2 Overall Financial situation	Better	40.1	40.3	32.7	27.7	16.4	8.4	20.0	33.5	39.3	36.3	34.1
3 Working Capital Finance Requirement	Increase	32.2	34.7	33.6	33.8	32.9	23.2	26.3	30.4	32.7	27.7	31.1
4 Availability of Finance	Improve	33.8	31.1	30.2	23.3	13.7	9.3	16.6	26.1	29.2	26.8	28.5
5 Cost of external finance *	Decrease									-18.3	-20.6	-23.3
5 Production	Increase	49	43.9	43.5	39.8	26.0	9.9	22.4	35	40.0	35.9	40.2
6 Order Books	Increase	44.1	37.1	38.5	35.7	20.6	6.4	16.8	32.3	35.8	33.4	36.3
7 Pending Orders, if applicable	Below normal	-3.5	0.4	2.2	4.6	11.5	23.2	19.1	11	5.7	6.4	4.2
8 Cost of raw materials	Decrease	-42.4	-44.1	-54.7	-61.1	-35.7	-16.2	-27.1	-38.4	-44.3	-48.6	-49.3
9 Inventory of raw materials	Below average	-6.3	-7.3	-3.8	-7.6	-3.3	1.1	-0.5	-1.2	-3.6	-2.6	-5.1
10 Inventory of Finished Goods	Below average	-3.5	-4.5	-1.5	-4.3	-4.4	-4.4	-1.8	-3.7	-1.9	-2.6	-5.0
11 Capacity utilisation	Increase	28.4	24.2	22.2	26.4	12.3	-0.7	10.7	22	25.4	19.7	26.5
12 Level of capacity utilisation	Above normal	10.7	6.4	3.6	-0.5	-7.4	-20.8	-12.1	-3.8	1.3	1.6	5.8
13 Assessment of the production capacity	More than adequate	4.2	4.7	4.6	5.7	11.8	8.9	5.5	6.5	5.0	7.1	4.1
14 Employment in the company	Increase	16.7	14.6	15.8	16.6	7.7	-5.1	1.5	8.8	12.1	13.6	16.8
15 Exports, if applicable	Increase	31.4	24.3	27.7	27.3	16.0	-3.8	0.1	12.5	20.2	18.5	20.7
16 Imports, if any	Increase	20.8	20.1	21.3	21.4	9.1	-1.4	4.6	11.5	16.9	17.1	21.7
17 Selling prices	Increase	13	14.9	21.0	26.2	4.1	-9.1	0.0	6	9.8	13.3	15.2
18 If increase expected in selling prices, rate of such increase	Increase at lower rate	3.7	13.3	3.0	0.6	0.9	25.9	-100.0	19.4	16.8	19.7	14.3
19 Profit Margin	Increase	9.6	5.4	3.8	-3.6	-12.9	-18.6	-13.4	-2.8	1.1	3.2	3.1

* Cost of external finance was included from survey round 48.

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

Statement 4: Comparative scenarios pertaining to Assessment for the Current Quarter and Expectations for the Expectation Quarter based on the Net Responses for all parameters from a year ago, previous and current quarter surveys (i.e. Round 46, 49 and 50 respectively)

Parameter	Optimism Criteria	Assessment					Expectation				
		Net Response (%)			Differences in net		Net Response (%)			Differences in net	
		Current quarter of a year ago survey	Current quarter of previous survey	Current quarter of current survey	A year ago survey	Pervious quarter survey	Expectation quarter of a year ago survey	Expectation quarter of previous survey	Expectation quarter of current survey	A year ago survey	Pervious quarter survey
		April-June 2009	Jan-Mar 2010	April-June 2010	(5)-(3)	(5)-(4)	July-Sep 09	April-June 10	July-Sep 10	(10)-(8)	(10)-(9)
1	2	3	4	5	6	7	8	9	10	11	12
1 Overall business situation	Better	9.3	43.1	40.7	31.4	-2.4	24.2	41.2	41.5	17.3	0.3
2 Overall Financial situation	Better	7.0	35.8	32.2	25.2	-3.7	20.0	36.3	34.1	14.1	-2.2
3 Working Capital Finance Requirement	Increase	24.6	30.5	29.9	5.3	-0.6	26.3	27.7	31.1	4.8	3.5
4 Availability of Finance	Improve	11.2	25.7	26.4	15.2	0.7	16.6	26.8	28.5	11.9	1.7
5 Cost of external finance *	Decrease		-15.9	-21.9		-6.0	0.0	-20.6	-23.3		-2.6
6 Production	Increase	6.9	36.5	35.4	28.5	-1.2	22.4	35.9	40.2	17.8	4.4
7 Order Books	Increase	-0.9	31.9	31.3	32.2	-0.6	16.8	33.4	36.3	19.5	2.9
8 Pending Orders, if applicable	Below normal	24.6	8.8	6.9	-17.7	-1.8	19.1	6.4	4.2	-14.9	-2.3
9 Cost of raw materials	Decrease	-26.3	-60.2	-62.7	-36.4	-2.5	-27.1	-48.6	-49.3	-22.2	-0.7
10 Inventory of raw materials	Below average	-2.4	-5.8	-5.0	-2.6	0.8	-0.5	-2.6	-5.1	-4.6	-2.4
11 Inventory of Finished Goods	Below average	-4.2	-4.3	-4.1	0.1	0.2	-1.8	-2.6	-5.0	-3.2	-2.3
12 Capacity utilisation	Increase	-3.7	21.7	21.1	24.8	-0.5	10.7	19.7	26.5	15.8	6.9
13 Level of capacity utilisation	Above normal	-19.2	3.0	2.5	21.7	-0.5	-12.1	1.6	5.8	17.9	4.2
14 Assessment of the production capacity	More than adequate	4.6	6.4	3.1	-1.5	-3.3	5.5	7.1	4.1	-1.4	-3.0
15 Employment in the company	Increase	-3.3	13.7	14.7	18.0	1.1	1.5	13.6	16.8	15.3	3.2
16 Exports, if applicable	Increase	-13.5	12.7	15.3	28.8	2.6	0.1	18.5	20.7	20.6	2.2
17 Imports, if any	Increase	-1.3	17.1	20.9	22.2	3.8	4.6	17.1	21.7	17.1	4.6
18 Selling prices	Increase	-7.4	12.4	17.3	24.7	4.8	0.0	13.3	15.2	15.2	1.9
19 If increase expected in selling prices, rate of such increase	Increase at lower rate	11.0	21.6	17.4	6.4	-4.2	-100.0	19.7	14.3	114.3	-5.4
20 Profit Margin	Increase	-25.1	-2.9	-4.8	20.3	-1.9	-13.4	3.2	3.1	16.5	-0.1

* Cost of external finance was included from survey round 48.

Note: Figures in red color font indicates differences are statistically significant.

ARTICLE

Quarterly Industrial
Outlook Survey:
April-June 2010
(50th Round)

Annex



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

INDUSTRIAL OUTLOOK SURVEY, April-June 2010
(ROUND 50)

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

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Block 1. General Information

101 Name of the company: _____

102 Address of the Company (for correspondence) _____

City/District _____ State _____ PIN

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

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

104 Designation: _____

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

107 Company e-mail: _____

108 Personal e-mail: _____

109 Company web-site address: _____

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

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

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

Block 2: Product Details

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

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

Annex (Contd.)

Block 3: Paid-up capital, Annual Production and Current level of Capacity Utilisation
Please tick(✓)the appropriate size-class in which your company currently falls:

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

* Compared to installed capacity

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

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

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

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

Annex (Contd.)

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

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

Annex (Concl'd.)

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

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

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

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

Block 6. Investment Intentions

Perceptions on state of Investment in Fixed Capital *i.e.*, buildings, plant & machinery, *etc.*, in your company for the financial (April-March) years 2009-10 and 2010-11 (please tick () in relevant box):

610	Did you make any investment in fixed capital during 2009-10	Yes	No	
620	Do you plan any investment in fixed capital during 2010-11	Yes	No	
630	If the investment is planned for 2010-11, will it be, compared to the previous year.	Higher	Lower	About same
640	Factors which influenced/are likely to influence investment climate for the years 2009-10 and 2010-11 (please tick in relevant box):			

Year	2009-10			2010-11		
	Encouraging	Discouraging	No Influence	Encouraging	Discouraging	No Influence
641	Existing demand					
642	Cost of capital					
643	Availability of internal finance					
644	Ability to raise external finance					
645	Net return on investment					
646	Technical factors					
647	Availability of manpower					
648	Others(Please specify):					

To be filled in by the Agency

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