

## HIGHLIGHTS

- The global and the domestic economic situation continue to be difficult. The recently released macro data point towards signs of moderation in growth. Nonetheless, the big bang reforms seem to have somewhat helped in reversing the somber mood of India Inc.
- The current situation can best be described as that of cautious optimism. Despite signs of moderation, the Overall Business Confidence Index for the third quarter of 2012 remained at 61.2 slightly down from the 62.4 in the previous survey and is much higher than 51.8 registered in the first quarter of 2012. Also, the good news is that there is an expectation of higher selling prices, sales and profits (for Jan'Jun'2013)
- Weak external demand, lower investments and rising cost of raw materials and finance, however, continue to bother India Inc. However, the recent step by the RBI to reduce the repo rate and CRR may help revive the investor sentiment and accelerate investment in the near future.

## Survey Profile

The current survey round conducted during December 2012 and January 2013 drew responses from companies with a wide sectoral and geographical spread. The participating companies belonged to varied array of sectors such as textiles, cement, financial services, chemicals, metal and metal products, automobiles, FMCG, electrical equipment and machinery, paper and paper products. The survey brings out expectations of the India Inc for the period January 2013 to June 2013.

## Detailed Survey Findings

The survey indicates some signs of improvement over the next two quarters. The respondents were optimistic regarding the economic and industry situation with the outlook for higher sales, selling price and profits.

**Table 1: Prospects for the next six Months**

Prospects for the next six months	Net Response	Q'3 12	Q2' 12	Q1' 12
Expected Economic Situation	Better	42	32	-12
Expected Industry Situation	Better	55	44	19
Investments	Worse	-12	21	8
Sales	Better	41	21	38
Selling price	Better	4	-22	12
Profit	Better	4	0	0
Exports	Worse	-13	6	19
Employment	Better	4	-5	-4

Source: FICCI's Business Confidence Survey

Note: Net responses are measured as the differential between the companies reporting positive and negative responses. Responses indicating status quo are not reckoned.

The proportion of respondents citing an

increase in operational parameters like selling price, sales and profits have witnessed an increase compared to the corresponding figure in the previous survey. The participating companies were also optimistic regarding the employment prospects in the coming quarters.

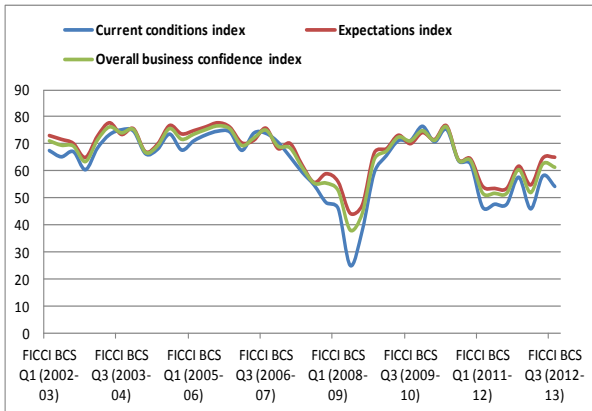
However, the respondents indicated a pessimistic outlook as far as investments were concerned because of the high interest rate regime. Nonetheless, a cut of 25 bps points in the repo rate and the CRR announced in the recently released Third Quarter Monetary Policy Review may give some respite.

Also, the outlook with regard to exports continued to be bleak owing to weak external demand.

The Overall Business Confidence Index for the Q3 of 2012-13 stood at 61.2, though marginally down from 62.4 in the Q2 survey round but much higher than 51.8 reported in the Q1 results of FY13.

Although corporate India feels that the current economic condition has deteriorated, they seem optimistic about the prospects in the coming months. The Current Condition Index (CCI) eased to 54.0 from 58.0 in the previous survey. The Expectation Index rose to 65.0 in the present survey from 64.6..

**Exposition 1: Overall Business Confidence Index**



Source: FICCI's Business Confidence Survey

**Weak demand persists and continues to bother members of the India Inc....**

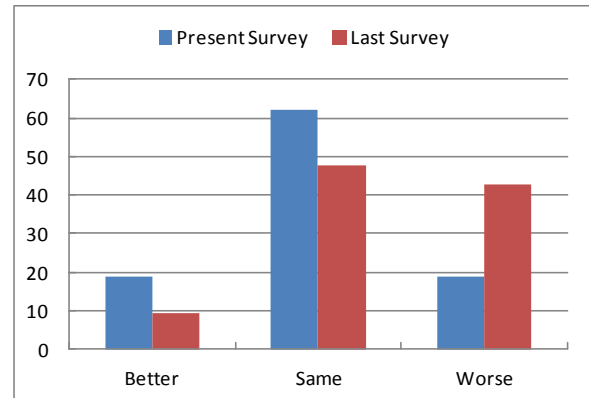
The global economic outlook still remains challenging and uncertain, posing a downside risk to aggregate demand. 75% of the participants felt that weak demand is a problematic factor that is adversely affecting their sector.

**Order Book Position**

The participating companies were asked to indicate the current status of their order book position vis-à-vis the order book position six months ago. Companies were also asked to indicate their expectations about the order book position six months from now.

Around 62% of the respondents felt that there has been no change in the current order book position vis-a-vis last six months back. Only 19% said it to be better when compared with the last six months. The corresponding figure in the last survey round was 10%.

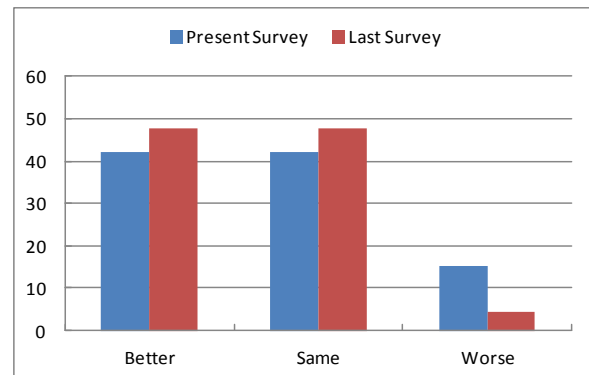
**Exposition 2: Current order book position over the next six months**



Source: FICCI's Business Confidence Index

Further, the expectations with regard to the order book position over the next six months were not very encouraging with a decrease in the proportion of respondents anticipating an improvement. Around 42% of the respondents said that they foresee the order book position to be better over the next two quarters, compared to 47.8% in the last survey.

**Exposition 3: Expectations of order book position over the next six months**



Source: FICCI's Business Confidence Index

Further as per survey results, high cost of credit acts as constraining factor for 52% of the participating companies, marginally lower than 58% participants stating likewise in the previous survey.

Around 59% of the companies belonging to the small and medium segment indicated that high cost of credit was a concern for them. While, only 33% of the big companies (turnover of Rs. 500 crores and above) revealed high credit cost is a factor which is worrying them.

**Table 2: High Cost of Credit**

Company Turnover (Rs core)	High cost of credit	
	YES	NO
0-500	59%	41%
500 and above	33%	67%

Source: FICCI's Business Confidence

**Other constraining factors that are bothering the members of India Inc. include –**

- **Rising cost of raw materials:** A major hurdle in improving the bottomlines of the companies is rising raw material costs, with 66% of the respondents mentioning this as a constraining factor.
- **Rising manpower cost:** 62% of the respondents said it to be a problem which is bothering them.
- **Inadequate infrastructure:** The respondents felt that better infrastructure in terms of roads, railways and ports are a necessity. Inadequate infrastructure is acting as a constraining factor for 52% of them.

## Annexure - Survey at a Glance

		FICCI BCS Q4 2010- 11	FICCI BCS Q1 2011- 12	FICCI BCS Q2 2011- 12	FICCI BCS Q3 2011- 12*	FICCI BCS Q4 2011- 12	FICCI BCS Q1 2012- 13	FICCI BCS Q2 2012- 13	FICCI BCS Q3 2012- 13
1a	<b>Current overall economic conditions vis-à-vis the last six months</b>								
	Moderately to Substantially better	47	16	16	34	38	7	44	45
	Same / No change	36	28	31	28	43	19	32	34
	Moderately to Substantially worse	17	56	53	38	19	74	24	20
1b	<b>Expectations for overall economic conditions for the next six months</b>								
	Moderately to Substantially better	49	30	27	39	49	22	48	52
	Same / No change	38	37	33	36	38	44	36	38
	Moderately to Substantially worse	13	33	40	25	13	34	16	10
2a	<b>Current industry performance vis-à-vis the last six months</b>								
	Moderately to Substantially better	46	23	18	36	47	26	32	34
	Same / No change	35	35	48	35	34	33	44	38
	Moderately to Substantially worse	20	41	33	29	19	41	24	28
2b	<b>Expectations for industry performance in the next six months</b>								
	Moderately to Substantially better	62	35	33	46	55	41	52	58
		24	37	35	32	30	37	40	38



FICCI's Business Confidence Survey: Q3 FY13

	Yes	20	24	20	20	23	24	33	29
	No	80	76	80	80	77	76	67	71
	<b>High cost of credit</b>								
	Yes	55	68	58	59	47	60	58	52
	No	45	32	42	41	53	40	42	48
	<b>Rising raw material prices</b>								
	Yes	85	70	78	81	79	62	50	66
	No	15	30	22	19	21	38	50	34
6	<b>Present capacity utilization</b>								
	Less than 25%	2	1	5	2	7	0	8	4
	Between 25% and 50%	8	7	9	8	13	21	4	11
	Between 50% and 75%	26	29	46	31	38	46	50	48
	More than 75%	64	63	40	59	42	33	38	37
7	<b>Prospects for the next six months</b>								
	<b>Investments</b>								
	Much higher	7	3	4	6	7	4	9	0
	Higher	40	39	33	39	34	29	36	21
	Same / No change	38	42	44	39	48	42	32	46
	Lower	16	16	19	16	11	25	23	33
	<b>Sales</b>								
	Much higher	9	6	2	6	13	0	13	7
	Higher	55	52	42	53	53	50	30	41
	Same / No change	28	26	42	31	21	38	35	44
	Lower	9	16	11	10	13	12	22	7
	<b>Selling price</b>								
	Much higher	1	0	0	0	0	4	0	0
	Higher	33	18	13	29	26	16	17	20
	Same / No change	54	60	69	57	52	72	43	64
	Lower	12	22	19	14	22	8	39	16
	<b>Profit</b>								
	Much higher	0	2	0	1	2	0	0	0
	Higher	30	24	19	27	36	32	35	35
	Same / No change	46	43	41	43	29	36	30	35
	Lower	24	31	41	30	33	32	35	31
	<b>Exports</b>								
	Much higher	1	6	0	2	8	5	6	4
	Higher	39	38	35	40	30	33	22	13
	Same / No change	40	38	52	42	46	43	50	52
	Lower	20	19	13	17	16	19	22	30
	<b>Employment</b>								
	Much higher	1	3	0	1	0	0	0	0

FICCI's Business Confidence Survey: Q3 FY13

	<b>Higher</b>	<b>25</b>	<b>29</b>	<b>19</b>	<b>29</b>	<b>30</b>	<b>16</b>	<b>18</b>	<b>16</b>
	<b>Same / No change</b>	<b>66</b>	<b>61</b>	<b>68</b>	<b>62</b>	<b>61</b>	<b>64</b>	<b>59</b>	<b>72</b>
	<b>Lower</b>	<b>7</b>	<b>6</b>	<b>12</b>	<b>8</b>	<b>9</b>	<b>20</b>	<b>23</b>	<b>12</b>

**\*Q3 results based on average of past four quarters**