FICCI's Business Confidence Survey indicates marginal improvement in confidence level;
However an undercurrent of cautiousness still weighs heavy

New Delhi, 27 March, 2014: The results of FICCI's latest Business Confidence Survey indicate not much change in the sentiment of the participants even though the Overall Business Confidence Index clocked a marginal improvement (please find the survey copy attached).

There was a decline in the proportion of respondents citing an improvement in current performance vis-à-vis last six months at the economy and industry level. A majority of the participating companies indicated no change in the overall economic situation vis-à-vis last six months. It was only at the firm level that a higher percentage of respondents cited an improvement relative to last six months.

In addition, not much change was noted in the percentage of respondents (vis-à-vis last survey) expecting an improved performance at the economy, industry and firm level over the next six months.

The Overall Business Confidence Index (OBCI) value inched up to 60.8 in the current survey from 59.8 in the last survey round.

The current survey was conducted during January 2014 and February 2014 and brings out expectations of industry for the period January 2014 to June 2014.

The survey drew responses from about 173 companies with a wide sectoral and geographical spread and a turnover ranging from Rs 1 crore to Rs 3.7 lakh crore. The participating companies belonged to a wide array of sectors such as textiles, cement, financial services, chemicals, construction, metal and metal products, automobiles, FMCG, electrical equipment and machinery, paper and paper products.

Furthermore, results pertaining to operational parameters like investments, exports and employment lacked buoyancy in the current round. Only a marginal improvement was noted in the prospects for sales and profits.

Only 24% of the respondents felt that investments are going to be higher in the next six months. Employment outlook of the companies also remained bleak. 67% of the respondents expected no change in employment levels over the coming six months.

Results pertaining to profits indicated some improvement, yet around 45% of the respondents cited profit levels to remain same over the next two quarters.

Among key constraining factors, weak demand continued to top the list. About 70% of the respondents indicated weak demand to be a problem area, remaining at the same level as in the last two surveys.

Given the slowdown in economy, we also asked the participants to indicate the extent of loss in demand witnessed for their products. About 56% of respondents indicated that the decline in demand has been more than 10%. These respondents were from sectors such as yarn, capital equipment, electronics, plastic processing machinery, chemical products, real estate, and logistics.

There was a rise in the proportion of respondents indicating availability of credit to be a problem area. The number increased to 40% in the present survey from 31% in the previous survey round.

Further, though there was a decline in the percentage of respondents indicating high cost of credit to be a concern, high interest rates continue to remain a stumbling block for new investments. 53% of the respondents in the present survey round felt that high cost of credit is creating a problem for India Inc.

The average interest rate for companies with a turnover up to 500 crore was reported at 13.0% (vis-à-vis 12.4% a year back) for working capital loan and 13.9% (vis-à-vis 13.2% a year back) for term loan. For companies with a turnover more than 500 crore, the average interest rate was 11.8% (vis-à-vis 10.9% a year back) for working capital loan and 12.2% (vis-à-vis 12.0% a year back) for term loan.

Link : http://ficci.com/Sedocument/20284/FICCI-BCS-March-2014.pdf