FICCI QUARTERLY SURVEY

ON

INDIAN MANUFACTURING SECTOR

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FEDERATION OF INDIAN CHAMBERS OF COMMERCE & INDUSTRY

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Introduction & Quarterly Outlook for the Manufacturing Sector

Production and Demand

- FICCI's latest quarterly survey gauges the expectations of manufacturers for Q-4 (January-March 2013-14) for fourteen major sectors namely textiles, capital goods, metals, chemicals, petrochemicals, cement, electronics, automotive, leather & footwear, machine tools, Food processing, Paper and tyre. Responses have been drawn from 330 manufacturing units from both large and SME segments with a combined annual turnover of over Rs 5 lac crore.
- FICCI's latest Quarterly Survey on Manufacturing for fourth quarter of 2013-14, indicates that manufacturing growth may end up slightly better than the quarter 3 of 2013-14. Slight improvement in production outlook for Q-4, though growth remains marginal and subdued, as a result of further improvement being perceived on the export front, could provide some push to otherwise sluggish industrial growth. Domestic factors continue to be a major cause of concern for manufacturing. The proportion of respondents reporting higher levels of production in fourth quarter of 2013-14 has further increased to 56% as compared to 52% in quarter 3 of 2013-14 and 48% in Q-2 of 2013-14. This is the highest proportion since the last eight quarters. Upturn in industrial sector is particularly evident in sectors like leather, textiles and chemicals. At the same time, sectors like automotive, capital goods and electronics are expected to witness sluggish growth in the current quarter. There seems to be some improvement in labour intensive sectors like textiles, footwear and leather in Q-4.

Quarter	% of Respondents Expecting Higher Production in the Fourth Quarter vis-à-vis respective last year's Quarter
Q-4 (2013-14)	**56%**
Q-3 (2013-14)	**52%**
Q-2 (2013-14)	**48%**
Q-1 (2013-14)	**35%**
Q-4 (2012-13)	36%

Q-3 (2012-13)	45%
Q-2 (2012-13)	44%
Q-1 (2012-13)	46%
Q-4 (2011-12)	36%

Source : FICCI Survey

- The demand condition seems to be unchanged with 44% respondents reporting higher order books for January-March 2013-14 quarter (which was the percentage in previous quarter also). Prior to third quarter of 2013-14, as per the surveys conducted at that time (for Q-1, Q-2 2013-14 and Q-4 2012-13 and Q-3 2012-13) between 31 to 39% respondents reported higher order books.

Capacity Addition & Utilization

- In terms of investment, it remains subdued in manufacturing sector as was the case for previous quarter also with 71% respondents in Q-4 as against 72% respondents in Q-3 not having any plans for capacity additions for the next six months. Though, the proportion of respondents reporting plans for capacity additions in next six month has marginally increased from 28% in previous survey to 29% in the current survey but it could hardly be construed as any upturn in investment activity as of now.
- In many sectors, average capacity utilization has remained same in Q-3 of 2013-14 as it was in Q-2. These are sectors like Capital Goods, Chemicals, Electronics and Electricals, Metals, Textiles Machinery and Tyres.
- On the other hand capacity utilization has improved in Q-3 like in Textiles, Leather and Footwear which are also employment intensive sectors. Sectors like cement and Food Processing have in fact seen a fall in their capacity utilization in Q-3.

Table: Current Average Capacity Utilization Levels As Reported in Survey

Sector	Average Capacity Utilisation (%) in Q-4 2012-13	Average Capacity Utilisation (%) in Q-1 2013-14	Average Capacity Utilisation (%) in Q-2 2013-14	Average Capacity Utilisation (%) in Q-3 2013-14
Auto	**73**	**72**	**60**	**70**
Capital Goods	**68**	**70**	**70**	**70**
Cement	**77**	**75**	**73**	**65**

Chemicals	**74.5**	**77**	**78**	**79**
Textiles	**81**	**80**	**78**	**83**
Electronics & Electricals	**58**	**56**	**60**	**60**
Food Products	**80**	**75**	**86**	**80**
Leather & Footwear	**73**	**82**	**71**	**80**
Metals	**66**	**63**	**70**	**70**
Textiles Machinery	**NA**	**NA**	**60**	**60**
Tyre	**NA**	**NA**	**60**	**60**
Petrochemicals	**NA**	**NA**	**NA**	**95**
Paper	**NA**	**NA**	**NA**	**80**

- The current average capacity utilization as reported in the survey is around 74% in Q-3 of 2013-14 which is marginally up from 70% in Q-2 of 2013-14.

Inventories

- Looking at the inventory levels, currently around 32% respondents reported that they are carrying more than their average levels of inventories (as compared to 24% in Q-3 and 26% in Q-2 of 2013-14) and another 52% are maintaining their average levels of inventories (as compared to 53% in previous quarter).

Exports

- Export outlook for manufacturing remains positive and seems to have improved somewhat in Q-4, as the proportion of respondents expecting higher exports in quarter-4 (Jan-Mar 2013-14) has improved to 58% as compared to 48% in previous quarter (q-3) and 52% in quarter-2 i.e. July-Sep 2013-14. Overall, export scenario is showing some improvement in current quarter as compared to previous quarters.

Hiring

- Over 70% of the respondents are not likely to hire additional workforce in next three months. Though this proportion is less than that of the previous quarter (75%) but overall the manufacturing units are not expected to add significantly to their existing workforce in coming months.

Interest Rate

- Interest rate paid by the manufacturers ranges from 8 to 16% as per the survey with average interest rate at around 11% per annum. 72% respondents are availing credit at over 11%.

Sectoral Growth

- Based on expectations in different sectors, the Survey pointed out that seven out of thirteen sectors were likely to witness low growth (less than 5%). Only two sectors namely, leather and textiles are expected to have a strong growth of over 10% in January - March 2013-14 and rest all the sectors likely to witness moderate growth.

Table : Growth expectations for Q-4 2013-14 compared with Q-4 2012-13

Sector	Growth Expectation
Electronics & Electricals	**Low**
Capital Goods	**Low**
Automotive	**Low**
Machine Tools	**Low**
Cement	**Low**
Tyre	**Low**
Paper	**Low**
Steel & Metals	**Moderate**
Chemicals	**Moderate**
FMCG/Food Products	**Moderate**
Textiles Machinery	**Moderate**
Petrochemicals	**Moderate**
Textiles	**Strong**
Leather & footwear	**Strong**

Note: Strong > 10%; 5% < Moderate < 10%; Low < 5% (Source: FICCI Survey)

Automotive

- Indian automotive sector has been one of the most affected sectors due to slowdown in the economy and most respondents in the sector reported lower level of production in October - December 2013 vis-à-vis same quarter of 2012.
- For the current quarter i.e. January – March 2014 also most of the respondents expect their production level to either fall or remain at the same level as compared to the same quarter of previous year.
- On an average, the industry is operating between a capacity of 70-90% and majority do not have plans to add further capacity over next six months.
- Scenario seems to be somewhat same on exports front also with most of the respondents reporting same or lower exports in October - December 2013 as compared to October - December 2012. In the current quarter, almost all respondents expect same or lower level of exports as compared to January – March 2014.
- Majority of the respondents expect to maintain their average inventory levels in January - March 2014 quarter.
- 60% respondents do not have any plans to hire additional workforce.
- The units in the sector reported that they get the credit at a rate between 9-13%.
- The industry doesn’t expect the manufacturing sector to revive in near future as most of them expect the sector to either slowdown further or continue to grow at the same level. The sector has suggested that following issues need to be addressed to revive industrial growth:
    - ✓ Stability of exchange rate.
    - ✓ Improve liquidity in the market
    - ✓ Reduce interest rates & bring down inflation
- Some of the significant constraints for the sector are prices of raw material, shortage of working capital and uncertainty of economic environment.

Capital Goods

- The sector has reported slight revival in its production for October - December quarter 2013 vis-à-vis October - December 2012. 85% respondents reported increase in their production levels though marginal.
- Similar situation seems to be prevailing in the current quarter i.e. January – March 2014 as well. On an average the industry expects an increase of around 2% in its production vis-a vis last year.
- 57% respondents have reported that their order books are likely to improve during January – March 2014 as compared to October - December 2013 quarter.
- Currently, the capacity utilization in the sector as reported is hovering at 70% and for around 60% respondents the capacity utilization is more than that of previous year. Around 72% respondents reported that they do not have any plans to add capacity in next 6 months.
- For 50% of the respondents, exports were less in October - December 2013 vis-à-vis the same quarter last year. Another 33% reported higher level of exports in this period. For January – March 2014 quarter also, similar situation seems to be prevailing.
- Inventory levels are neither too high nor low and most seem to be maintaining their average inventory levels.
- Around 71% respondents in this sector indicated that they are not planning to hire new workforce. Rest, reported planning to hire workforce in the range of 5-10%.
- On an average, the industry reported to be availing credit at an interest rate of around 13%.
- Capital Goods sector is not very hopeful of recovery in manufacturing growth rate with only 15% respondents expecting a revival in the sector. 60% respondents expect that the growth would remain at the same level in the coming months. However, following suggestions have been made to revive growth:
  - ✓ Raw material availability at reasonable cost
  - ✓ Infrastructure development
  - ✓ GST implementation

- ✓ Measures to improve quality education so that employable labour and technical skill is available.

- Increased competition faced from imports, uncertainty of economic environment, lack of domestic & export demand and volatility in prices of raw material are some of the important constraints for the sector which are affecting its growth.

Cement

- 50% of the respondents in the cement sector reported an increase in their production levels during October- December 2013 vis-à-vis last year. The scenario is likely to improve in the current quarter as all the respondents are expecting either same or higher level of production compared to January- March 2013.
- Around two third respondents have reported that their order books are likely to see an increase in January- March 2014 compared to the previous quarter.
- Capacity utilization is hovering around 65% in cement sector, which is less than that of last year for 50% respondents. However, 50% respondents are planning to add capacity in next six months to the extent of 7.5-10%. Cement firms are facing problems in expansion as some of their projects are stuck up for the want of various clearances related to industry.
- Exports of Cement have remained same in October- December 2013 compared to last year. Exports are likely to remain same as last year in January- March 2014.
- For all the respondents, inventory of raw material and finished goods for the current quarter January- March 2014 is same as their average inventory levels.
- Most of the firms in the cement sector are not planning to hire new work force in next three months.
- Some of the cement producers are getting loans from banks at 11% whereas for others rate of interest are as high as 14.75%.
- 75% respondents in cement sector expect the growth rate of manufacturing to remain at same level or further slow down in coming months of 2013-14. Respondents feel that following steps need to be taken by the Government to enhance growth of the sector:

  - ✓ More investments in infrastructure sector are required to boost the demand for cement products and speed up the planned projects
  - ✓ Interest rates need to be reduced
  - ✓ Faster clearances of projects which are stuck for want of clearances
  - ✓ Exchange rate needs to be stabilised
- High prices of raw materials is acting as a significant constraint for the sector. Other issues which are significantly affecting growth of cement sector are uncertainty of economic environment and low domestic demand. Deficiency of raw materials, inadequate power supply, labor related issues, low export demand and availability of skilled labor are also moderately affecting the growth of the sector.

Chemicals & Allied Sectors

- Almost 80% respondents have reported same or higher level of production in October-December 2013 in comparison to last year (October- December 2012). The situation seems to be improving in the current quarter as 90% of the respondents expect the production to increase or remain same in January- March 2014 in comparison to last year.
- 60% respondents expect either higher or same level of order books in January- March 2014 in comparison to October- December 2013.
- Capacity utilization stands at around 79% for this sector. Currently, the capacity utilization is same as last year for 40% of the respondents, for another one third, its more than last year. 80% respondents are not planning to add capacity in next 6 months.
- 50% respondents reported a fall in exports during October- December 2013. Scenario is likely to improve on the export front in January- March 2014 as 83% respondents are expecting either higher or same exports compared to January- March 2013.
- Most of the firms in Chemicals and allied sectors are having the same inventory as their average inventory level, only 10% are having inventory higher than their average level, indicating a fall in sales.
- Almost all the respondents are not planning to hire additional workforce in next 3 months.

- Some manufacturers in chemicals and fertilizer sector are getting credit at 10% rate of interest for others the rate of interest is as high as 14%.
- 80% of the respondent's feel that the growth rate will remain at the same level or will further slowdown in coming months. Following measures are required to revive growth:
  - ✓ Stability in exchange rate
  - ✓ Fast track clearances from various Government authorities especially environment clearances.
  - ✓ Interest rate needs to be lowered & liquidity needs to be improved
  - ✓ Improvement in basic infrastructure facility
- High prices of raw materials and uncertain economic environment are amongst the significant constraints affecting growth in this sector. Apart from these, shortage of raw materials, labor related issues, competition faced from imports, low domestic and export demand, shortage of working capital and unavailability of skilled labor are other issues faced by the sector.

Electronics & Electricals

- Most of the respondents reported same production levels in October - December 2013 in comparison to the same quarter of last year. Outlook for current quarter has not changed much with majority expecting same production levels in January – March 2014 quarter also vis-à-vis last year.
- Most of the respondents expect either lower or same number of orders in January - March 2014 in comparison to October - December 2013.
- Current capacity utilization is in the range of 50-70% for electronics industry which is reported to be same as that of last year. Respondents do not have any plans to add any fresh capacity in next few months.
- Most of the respondents reported flat growth in exports in October - December 2013 and January – March 2014 quarters as compared to the respective quarters of last year. However, some expect fall in exports in the range of 5-10%.

- 50% respondents are maintaining lower inventory levels as compared to their average inventory level.
- Majority of respondents are not planning to hire additional work force in next 3 months.
- On an average the electronics industry respondents are getting credit in the range of 11-14%.
- 83% Respondents in electronics sector don't foresee any immediate revival in manufacturing sector's growth. FTA remains an area of concern for this sector and industry respondents have sought review of FTAs in some cases and also pressed for stricter enforcement of rules of origin to prevent circumstances.
- Hardening of raw material prices, lack of domestic demand and uncertain economic environment are significantly affecting the growth of this sector.

Food Processing

- Almost all the respondents in the Food Processing sector reported that their production was lower in October- December 2013 vis-à-vis the year ago quarter. Production is not likely to grow in the current quarter i.e. January- March 2014 either.
- Almost all the respondents are expecting higher, though not very high, number of orders in the current quarter (January- March 2014) compared to October- December 2013.
- Capacity utilization is hovering around 80% in the food sector which is either more or same as last year for all the firms. Food processing firms are not planning to add capacity in next six months as reported in the survey.
- Exports of food producers were same in October- December 2013 compared to the year ago quarter. Exports are likely to be higher in January- March 2014 quarter vis-à-vis the last year.
- Half of the respondents are having higher inventory than their average inventory levels, indicating lower sales in recent months.

- Most of the respondents in the sector are not planning to hire workforce in next three months.
- Firms in the sector reported to be availing credit at the rate of interest ranging between 10.5-14%.
- According to most of the respondents, growth in manufacturing sector is likely to remain at the same level or further slowdown in 2013-14. Food Processing firms feel the following needs to be done by the Government to revive growth:
    - ✓ Linkage of sugarcane price with sugar prices as per recommendations of Rangarajan committee report.
    - ✓ Interest rates should be reduced to stimulate demand
- Firms in the food products sector are having problems in production since raw materials are not adequately available and due to increased competition faced from imports. Though moderately, food producers are affected by the following factors also:
    - ✓ Deficiency of Power
    - ✓ Labour related issues
    - ✓ Shortage of working capital finance
    - ✓ Uncertainty in economic environment
    - ✓ Availability of skilled labour

Leather and Footwear

- 60% respondents in the leather and footwear sector reported that their production was higher in October- December 2013 compared to the same quarter last year. Leather sector is likely to see further growth in the current quarter (January- March) 2014 as 80% of the respondents are expecting either higher or same production vis-à-vis January- March 2013.
- Order books of 80% respondents are likely to remain same or increase in January- March 2014 compared to previous quarter.
- The average capacity utilization in this sector is reported to be around 80% in October-December 2013. For 60% respondents capacity utilization was higher than last year. 80% of the respondents are planning to add capacity in next six months and addition is likely to be

in the range of 10-30%. Leather and Footwear producers are facing following constraints in capacity addition:

- ✓ Inadequate power supply
- ✓ Shortage of working capital finance
- ✓ High interest rates
- ✓ Shortage of skilled manpower
- ✓ Low export orders

- During October- December 2013, exports of 60% of the respondents registered a fall. For others exports grew by around 10%. Scenario is likely to improve in January- March quarter as 80% respondents are expecting either higher or same exports vis-à-vis the same quarter last year.
- 60% of the respondents reported inventory levels higher than their average inventory levels, for others inventory levels are same as their average inventory level.
- Majority (80%) of the firms in the leather sector reported that they are planning to expand their workforce in next three months by 15-20%.
- Leather sector manufacturers are getting credit from banks in the range of 8-15% rate of interest.
- 80% of the respondents in this sector do not have positive outlook for growth in manufacturing sector in 2013-14. However, following steps could be considered:
  - ✓ Easier credit facility with lower interest rates.
  - ✓ Adequate power supply
  - ✓ Stabilization of exchange rate
  - ✓ Duty drawback and VAT refund to be expedited
  - ✓ Make adequate skilled labor available for the sector
- Firms in leather and footwear sector are significantly constrained by high prices of raw materials, deficiency of power, shortage of finance and availability of skilled manpower for their operations. Other factors acting as impediments for leather sector are deficiency of raw materials, labour issues, low export demand, competition faced from imports and uncertainty of economic environment.

Machine Tool Industry

- Most of the respondents reported lower levels of production in October - December 2013 quarter as compared to previous year. The fall is reported to be in the range of 5-10 % as compared to October - December 2012. But, in the current quarter i.e. January - March 2014, respondents are expecting same level of production as compared to the same quarter of previous year.
- Respondents have also reported that their order books are expected to improve for the quarter January - March 2014 compared to October - December 2013.
- Scenario is likely to be better on exports front. Majority of the respondents reported that exports for October - December 2013 and January - March 2014 are likely to be higher as compared to the corresponding quarters of the previous year. The increase is expected in the range of 5-8%.
- Majority of the respondents have a positive outlook for the growth rate of manufacturing sector in the coming months.
- Some of the significant constraints for this sector are shortage of working capital finance, deficiency of power, lack of domestic demand and uncertainty of economic environment. The machine tool industry feels that Government should device policy to help industry in acquiring latest technology through JVs and acquisition of companies.

Metal and Metal Products

- 55% respondents reported higher levels of production in October - December 2013 quarter as compared to same quarter of previous year and around 27% reported same production levels. For the current quarter i.e. January – March 2014, 65% respondents are expecting to witness higher growth vis-à-vis January – March 2013. Though the growth seems to b subdued only.
- Approximately, 55% respondents are expecting same number of orders in the quarter January - March 2014 compared to the last quarter (i.e. October - December 2013).

- Currently, the industry is operating at an average capacity utilization of 70% and for 63% respondents it is more or same as compared to last year. Around half of the respondents reported that they are not planning to increase their capacity in next 6 months. The rest are planning to increase the capacity by around 15%. Some of the problem areas mentioned by the industry were:
  - ✓ Shortage of power
  - ✓ Slowdown in demand
- In October - December 2013 quarter, 67% respondents have reported higher levels of exports vis-à-vis October - December 2012. In the current quarter also, 78% respondents expect higher exports as compared to the same quarter last year.
- 72% respondents reported that they expect to maintain average or lower inventory levels for January - March 2014. However, around 28% respondents expect inventory pile up in the current quarter.
- Most of respondents reported that they do not have any plans to hire new workforce in next 3 months.
- On an average, the respondents reported to be availing credit from the banks at over 13% p.a. rate of interest.
- Close to 75% respondents feel that growth rate will remain at the current levels in coming months. However, the industry suggested the following to revive growth of the sector:
  - ✓ Stable exchange rate
  - ✓ Reduce the interest rate, power rates and address issues of cenvat accumulation.
  - ✓ Providing tax incentives to promote environment friendly packaging like metal packaging
  - ✓ Infrastructure development
  - ✓ Labour law reforms, infrastructure improvement and interest rate reduction
  - ✓ Improve power availability to the industry.
  - ✓ Faster clearances at State and Central government level

- Most of the respondents feel high prices of raw materials, deficiency of power and uncertainty of economic environment as the most important constraints for the industry.

Paper

- In October- December 2013, production for paper sector was higher than that of last year. Production is likely to be higher in the current quarter, January- March 2014 and register a growth vis-à-vis January- March 2013.
- Order books of paper manufacturers are likely to show an improvement in January- March 2014 as compared to October- December 2013 quarter.
- Capacity utilization stands at 80% in paper sector which is lower than that of last year for half of producers. Also, most of the producers are not planning to expand their capacity in next few months.
- Paper exports were higher in October- December 2013 as compared to the same quarter last year. In January- March 2014 quarter respondents in this sector are expecting significantly higher exports than last year.
- The inventory level of half of the respondents is same as their average inventory level. For the other half inventories are higher than their average inventory level.
- Most respondents in the paper industry are not planning to hire workforce in near future.
- Paper manufacturers reported to be availing credit in the range of 10.5-12% rate of interest.
- Paper manufacturers expect the same level of manufacturing growth in coming months of 2013-14. It has also suggested that stability in exchange rate and lower interest rates can revive manufacturing sector’s growth rate.
- Deficiency of raw materials, high prices of raw materials, labour related issues, competition faced from imports, shortage of finance, availability of skilled manpower and uncertainty of economic environment are significantly constraining paper manufacturers. Deficiency of power is also affecting the paper industry.

Petrochemicals

- Almost all the respondents have reported higher level of production in October- December 2013 in comparison to the last year (October- December 2012). The trend is likely to continue in the current quarter as all the respondents expect the production to increase in January- March 2014 in comparison to last year.
- Capacity utilization stands at around 95% for this sector. Currently, the capacity utilization is same as last year for almost all the respondents.
- Most of the firms in petrochemical sector are having the same inventory as their average inventory level.
- Petrochemicals producers are planning to hire additional workforce in next 3 months.
- Majority of the respondents feel that the growth rate will revive in coming months. However, to revive growth the industry has sought fast track clearances from various Government authorities for their projects.

Textiles

- In the quarter October- December 2013, 61% respondents reported growth in their production vis-à-vis the same quarter last year. 70% respondents are expecting higher production in January- March 2014 implying that the situation will improve vis-à-vis the last quarter.
- In January- March 2014, 91% of textile firms are expecting to have either same or higher number of orders as in October- December 2013.
- Average capacity utilization is hovering around 83% in the textiles sector with 39% of the respondents operating at a capacity more than that of last year. But, majority of respondents (74%) are not planning to increase their capacity in next 6 months. Only a few are planning to increase their capacity reported to be in the range of 2-70%. Firms in textiles sector particularly apparel producers are facing shortage of skilled and unskilled manpower while adding capacity.

- 86% respondents have reported that their exports in October- December 2013 were either higher or same as the same quarter last year. Trend is likely to remain same in January-March 2014 since 86% respondents are expecting either higher or same exports vis-à-vis the year ago quarter.
- For 52% respondents, inventory level is same as their average inventory level. For another 30% of the respondents, current inventory levels are higher than their average inventory levels, indicating lower demand of their products.
- 57% of the respondents in the textiles sector are not planning to hire new workers in the next three months. Rest of the respondents who are planning to hire new workforce are planning to increase their manpower by 2-30%.
- Some textile companies are getting credit at a rate of 10% whereas for others the rate of interest is as high as 15.7%.
- Only 35% respondents are expecting the manufacturing growth rate to revive in coming months, rest feel that either the growth rate will further moderate or remain at same level. The following steps need to be taken urgently by the Government to enhance growth:
  - ✓ Adequate finance and interest rates need to be lowered
  - ✓ Continuous power availability at reasonable rates
  - ✓ Stable exchange rates
  - ✓ Amend labour laws to make them industry friendly
  - ✓ Need to make skilled manpower available especially in rural areas
  - ✓ Excise duty on manmade fibres to be brought down to 4%
- Units in textiles sector are significantly affected by high prices of raw materials/intermediates, deficiency of power, labour related issues, low export demand, uncertainty of economic environment and availability of skilled manpower. Other constraints faced by textile sector are deficiency of raw materials, shortage of finance, low domestic demand and competition from imports.

Textile Machinery

- Almost all the respondents in textile machinery sector have reported an increase in production for October – December 2013 quarter vis-à-vis same quarter in 2012. The rise is reported to be around 5%. The situation seems to be continuing in the current quarter i.e. January - March 2014 also. The increase in production is expected to be around 5-10 %.
- On the contrary a fall of around 5% in exports is reported by most of the respondents for October - December 2013 quarter as compared to same quarter in 2012. In January - March 2014 quarter, the sector expects same level of exports as compared to same quarter in 2013.
- No change is expected in the order books of most of the respondents in January - March 2014 as compared to October - December 2013 quarter.
- The current capacity utilization in the sector is in the range of 50-70% which is same as that of last year for most of the respondents. Also, respondents from textile machinery industry do not have plans to add capacity in next six months.
- Most of the respondents reported that they have maintained higher inventory levels than the average level during October – December 2013.
- Respondents in this sector have reported that they have no plans to hire new workforce in next 3 months.
- Majority of the respondents in the sector believe that growth rate of manufacturing sector is going to remain at the same level for next few months.
- Some of the major challenges for this sector are increased competition faced from imports and lack of skilled labour.

Tyre Industry

- For October - December 2013 quarter, most of the respondents reported lower production levels as compared to October - December 2012. However, some producers expect an increase of 4-5% in production. The situation doesn't seem to be improving much in January

– March 2014 quarter as well. Industry expects same production levels as of January – March 2013.

- On an average, the capacity utilization in tyre industry is in the range of 50-70%. It is less than that of last year for most of the respondents. Also, majority of respondents are not planning to add capacity in next 6 months. The industry has attributed it to the slowdown in the economy and the auto sector in particular which has resulted in under utilization of existing tyre capacities in the country.
- The situation seems to better on exports front with majority of the respondents reporting an average increase of 12% for October - December 2013 quarter as compared to same quarter in 2012. In January – March 2014 quarter also, tyre manufacturers expect higher level of exports as compared to same quarter of 2012.
- The inventory levels of tyre manufacturers are more than their average inventory levels in October – December 2013.
- The tyre industry is not planning to hire additional workforce in next 3 months as per the respondents.
- Most of the respondents in the sector believe that manufacturing growth rate is expected to remain at same level in the coming months and to revive growth, the industry has suggested revival of mining sector, labour law reforms, reduce interest rate with easing inflation, introducing stimulus package to rejuvenate the industry particularly the OEM segment. Polices such as excise duty benefits or replacement of decade old vehicles with new ones (which also increases fuel efficiency and safety) will help in uplifting the sentiments and industry.
- Tyre sector is significantly constrained by competition faced from imports, deficiency and prices of raw material, low domestic demand and uncertainty in economic environment.