FICCI QUARTERLY SURVEY
ON
INDIAN MANUFACTURING SECTOR

November 2014

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-3 (October – December 2014-15) for thirteen major sectors namely textiles, capital goods, metals, chemicals, cement and ceramics, electronics, auto components, leather & footwear, machine tools, Food & FMCG, tyre, paper and textiles machinery. Responses have been drawn from 392 manufacturing units from both large and SME segments with a combined annual turnover of over Rs 4 lac crore.
- FICCI's latest Quarterly Survey on Manufacturing while remains optimistic about the Q-3 of 2014-15 but expects moderation in the manufacturing sector growth in Q-3 of 2014-15 as compared to Q-2 of 2014-15.The outlook on the basis of FICCI Manufacturing Survey for Q-3 of 2014-15 is less optimistic than in Q-2 2014-15 for the manufacturing sector as proportion of respondents expecting higher production vis-à-vis last year has fallen to 52% in Q-3 from 62% in Q-2. As, only 11% respondents expect negative growth in Q3 2014-15 vis-à-vis last year, growth is expected in Q-3 2014-15 for manufacturing, though low. More importantly, the growth is likely to be more broad based as twelve out of thirteen sectors are expected to show improvement in production.

Quarter	% of Respondents Expecting Higher Production in the Quarter vis-à-vis Respective Last Year's Quarter
Q-3 (2014-15)	**52%**
Q-2 (2014-15)	**62%**
Q-1 (2014-15)	**50%**
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

- In terms of order books, 43% respondents have reported higher order books for October – December 2014-15 (Q-3) which remains same as in the previous quarter (Q-2) indicating no significant change in the demand conditions.

Capacity Addition & Utilization

- In terms of investment, it remains subdued in manufacturing sector as was the case for previous quarters also. For Q-3 2014-15, 74% respondents as against 71% respondents in Q2 and 69% respondents in Q-1 2014-15 reported that they don't have any plans for capacity additions for the next six months. Large unutilized capacity is the major reason for not many fresh investments proposals.
- In many sectors, average capacity utilization has almost remained same in Q-2 of 2014-15 as was in Q-1 of 2014-15. These are sectors like metals, tyre, textile machinery, capital goods. On the other hand capacity utilization has slightly improved in Q-2 in sectors like cement and ceramics, chemicals, textiles and food.

Table: Current Average Capacity Utilization Levels As Reported in Survey

Sector	Average Capacity Utilisation (%) in Q-2 2013-14	Average Capacity Utilisation (%) in Q-3 2013-14	Average Capacity Utilisation (%) in Q-4 2013-14	Average Capacity Utilisation (%) in Q-1 2014-15	Average Capacity Utilisation (%) in Q-2 2014-15
Auto	60	70	73	74	70
Capital Goods	70	70	70	70	70
Cement	73	65	72	71	80
Chemicals & Fertilizers	78	79	80	72	76
Textiles	78	83	79	81	82
Electronics & Electricals	60	60	75	75	70
Food & FMCG	86	80	78	78	82
Leather & Footwear	71	80	80	70	65
Metals	70	70	70	75	75
Textiles Machinery	60	60	60	60	60
Tyre	60	60	80	80	80
Miscellaneous	NA	NA	NA	70	NA

- The current average capacity utilization as reported in the survey is around 76% for Q-2 which is same as the capacity utilizations of previous two quarters i.e. Q-1 2014-15 and Q-4 2013-14.

Inventories

- Inventory levels continue to indicate subdued demand scenario as currently around 37% respondents reported that they are carrying more than their average inventory levels (as compared to 20% respondents in Q2, 29% in Q-1 2014-15, 32% in Q-4 of 2013-14, 24% in Q-3 of 2013-14). Another 49% are maintaining their average inventory levels as reported.

Exports

- Export outlook for manufacturing in Q-3 2014-15 has improved slightly from previous two quarters but it remains weak. The proportion of respondents expecting higher exports in Q-3 2014-15 (October – December) is 42% as compared to 40% in Q-2 2014-15 (July – September) and 36% in Q-1 2014-15 (April-June 2014-15).

Hiring

- As over 73% respondents are reportedly not likely to hire additional workforce in next three months, hiring outlook remains bleak indicating that manufacturing units are not expected to make any significant additions to their existing workforce in coming months.

Interest Rate

- Interest rate paid by the manufacturers ranges from 8 to 14.7% as per the survey with average interest rate at around 12.1% per annum. 52% respondents reported availing credit at over 12% average interest rates.

Sectoral Growth

- Based on expectations in different sectors, the Survey pointed out that four out of thirteen sectors were likely to witness low growth (less than 5%). Four sectors namely, paper, ceramics, machine tools and leather and footwear are expected to have a strong growth of over 10% in October – December 2014-15 and rest all the sectors likely to witness moderate growth.

Table : Growth expectations for Q-3 2014-15 compared with Q-3 2013-14

Sector	Growth Expectation
Capital Goods	Low
Textiles Machinery	Low
Textiles	Low
Electronics & Electricals	Low
Auto Components	Moderate
Metals & Metal Products	Moderate
Tyre	Moderate
Chemicals	Moderate
Food Products	Moderate
Cement and Ceramics	Strong
Machine Tools	Strong
Paper	Strong
Leather & footwear	Strong

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

Auto Components

Quarterly Outlook for the Sector at a Glance

Production	**Exports**	**Inventory**	**Investment for Expansion**	**Hiring**
Improvement Expected	Improvement Expected	Average levels of inventory	Expansion expected in next 6 months	Bleak Outlook

- Auto components sector reported an upturn in production for July - September 2014 vis-à-vis same quarter of 2013.
- For the current quarter i.e. October - December 2014 also 75% respondents expect their production level to increase as compared to the same quarter of previous year. On an average the industry is expected to grow in the range of 6 to 8%. This has also been reflected in the order books of the respondents as more than 50% expect their order books to improve in October – December 2014 as compared to July – September 2014.
- On an average, the industry is operating at a capacity of 70% and 60% respondents plan to add capacity in the range of 10 – 25% over next six months.
- Scenario seems to be somewhat same on exports front also with most of the respondents expecting higher or same exports level in both July – September 2014 and October – December 2014 compared to the corresponding quarters of the previous year.
- 60% of the respondents reported to be maintaining their average inventory levels in July - September 2014 quarter.
- Majority of respondents do not have any plans to hire additional workforce. A few plan to increase their workforce by approximately 10%.
- On an average the industry is getting credit at 13% interest rate but for some respondents cost of credit is over 15%.
- The industry doesn't expect the manufacturing sector to worsen further in near future as most of them expect the sector to either revive or continue to grow at the same level. The sector has suggested that following issues need to be addressed to revive industrial growth:

- ✓ Improved liquidity in the market
- ✓ Reduced interest rates
- ✓ Improvement of infrastructure
- ✓ Reforms in Labour laws
- ✓ Faster Implementation of GST

- Some of the significant constraints for the sector are high prices of raw materials, lack of skilled labour, and lack of domestic demand.

Capital Goods

Quarterly Outlook for the Sector at a Glance

Production	**Exports**	**Inventory**	**Investment for Expansion**	**Hiring**
No change in Outlook	Bleak outlook	Average levels of inventory	Expansion not expected in next 6 months	Bleak Outlook

- Half of the respondents reported same or lower level of production for July – September 2014 quarter vis-à-vis July – September 2013. The other half reported increase in their production.
- For the current quarter i.e. October - December 2014, 75% respondents expect their production levels to remain unchanged vis-à-vis October - December 2013.
- Half of the respondents have reported that their order books are not likely to see any improvement during October - December 2014 as compared to July - September 2014 quarter.
- Currently, the capacity utilization in the sector as reported is hovering at 70% and for around 63% respondents the capacity utilization is either same or less than that of previous year. Around 75% respondents reported that they do not have any plans to add capacity in next 6 months.

- For 75% of the respondents, exports were either lower or same in July - September 2014 vis-à-vis the same quarter last year. For October - December 2014 quarter also only 25% respondents expect exports to improve as compared to October - December 2013.
- Inventory levels are neither too high nor low and 62% respondents seem to be maintaining their average inventory levels.
- Around 90% respondents in this sector indicated that they are not planning to hire new workforce. Rest, reported plans of increasing their workforce by around 5%.
- On an average, the industry reported to be availing credit at an interest rate of around 12.5%.
- Capital Goods sector is hopeful of recovery in manufacturing growth rate in near future as 63% respondents expect a revival in the sector. However, following suggestions have been proposed for faster revival of growth in the sector:
    - ✓ Correction of Inverted Duty Structure
    - ✓ Level playing field for local suppliers vis-à-vis imports particularly from China and Korea
    - ✓ Investment friendly atmosphere and speedy clearances for infrastructure projects including power generation plants
    - ✓ Lower interest rates
    - ✓ Implementation of GST
    - ✓ Reform in labour laws
    - ✓ Faster land allotment for projects
- Increased competition faced from imports, 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 and Ceramics Sector

Quarterly Outlook for the Sector at a Glance

Production	Exports	Inventory	Investments for Expansion	Hiring
Improvement expected	Bleak Outlook	Average inventory levels	Expansion not expected in next 6 months	Bleak outlook

- Most of the respondents expect their production levels to increase in October – December 2014 quarter as compared to the similar quarter of 2013. The increase is expected to be in the range of 5-12%.
- Improved outlook is also suggested by respondents' order books which are likely to improve or remain same in October – December 2014 compared to the previous quarter.
- Capacity utilization in this sector stands at 80%, which is same as that of last year for most of the respondents. And majority of the firms are not planning to add capacity in next six months.
- Scenario is not very encouraging on exports front with most of the respondents expecting same or lower exports in October – December 2014 quarter vis-à-vis last year.
- For most of the respondents, inventory of finished goods for July - September 2014 was same as their average inventory levels.
- Majority of the reporting firms in the cement and ceramics sector are not planning to hire new work force in the next three months.
- The sector reported availing credit in the range of 12-14%.
- Majority of the respondents in the cement and ceramics sector believe that the growth rate of manufacturing is likely to revive in next six months. Following are the suggestions for the Government for faster revival of the sector:
  - ✓ Investment in the infrastructure sector
  - ✓ Faster approvals for projects
  - ✓ Lower interest rates
  - ✓ Ensure continuous power supply and fuel supply

- Inadequate power is acting as the most significant constraint for the sector. Other issues which are affecting growth of cement and ceramics sector are high prices of raw materials, sluggish domestic demand, competition faced from imports, uncertain economic environment and lack of skilled labor.

Chemicals and Fertilizers

Quarterly Outlook for the Sector at a Glance

Production	Exports	Inventory	Investments for Expansion	Hiring
Improvement expected	Bleak Outlook	Average levels of inventory	Expansion not expected in next 6 months	Bleak outlook

- In October – December 2014 quarter, 60% respondents expect production levels to increase as compared to October – December 2013. On an average the production is expected to increase by 7% for the third quarter of 2014-15.
- More than 75% respondents are expecting either same or higher number of orders in October - December 2014 in comparison to the last quarter (July - September 2014).
- Capacity utilization stands at 76% for this sector and for 55% respondents it is lower or same than last year. More than 70% manufacturers are not planning to add capacity in next 6 months.
- 67% of the respondents expect same or lower exports in October – December 2014 in comparison to October – December 2013.
- Half of the respondents are maintaining their average inventory levels. Only 25% respondents reported more than usual movement in inventories.
- 83% respondents are not planning to hire additional workforce in next 3 months.
- On an average the respondents in this sector are getting credit at approximately 11% however, for some manufacturers cost of availing credit is as high as 14%.
- 60% respondents believe that the growth rate of manufacturing sector will revive in coming months. Following measures are suggested by respondents for faster revival of growth:

- ✓ Exchange rate stability
- ✓ Interest rate needs to be lowered & liquidity needs to be improved
- ✓ Simplified taxation system
- ✓ Refoms in labour laws
- ✓ Fast track clearances from various Government authorities especially environment clearances
- ✓ Improvement in infrastructure and availability of power

- High prices of raw materials, sluggish domestic demand, competition faced from imports and uncertain economic environment are significant constraints to the growth of the sector.

Electronics & Electricals

Quarterly Outlook for the Sector at a Glance

Production	**Exports**	**Inventory**	**Investment for Expansion**	**Hiring**
Slight Improvement Expected	Bleak outlook	Average levels of inventory	Some capacity addition expected in next 6 months	Bleak outlook

- Outlook for Electronics & electrical sector for current quarter i.e. October - December 2014 is expected to be better vis-à-vis same quarter of last year with 75% respondents expecting higher or same levels of production.
- Almost all the respondents expect higher or same number of orders in October - December 2014 in comparison to July - September 2014.
- Current capacity utilization in the industry is around 70% which is higher than last year’s capacity utilization for 75% respondents. 50% respondents do not have any plans to add any fresh capacity in next few months. The rest plan to increase their capacity by 20%.
- 75% of the respondents reported lower negative growth in exports in July - September 2014 and October - December 2014 quarters as compared to the respective quarters of last year.

- 75% respondents have maintained average or higher inventory levels during July - September 2014.
- More than 70% respondents reported no plans of hiring additional work force in next 3 months. The rest are planning to increase their workforce by 15%.
- Industry respondents are availing credit in the range of 11 - 14%.
- Respondents in electronics sector expect the manufacturing sector to either revive or remain at the same level in the next six months. Following suggestions were made to aid faster recovery of the sector:
  - ✓ Implementation of GST
  - ✓ Speedy disbursement of funds under policies like MSIPS
  - ✓ Provide better infrastructure and uninterrupted power
  - ✓ Cost of finance should be reduced
- Hardening of raw material prices, lack of domestic and export demand, deficiency of power and competition faced from imports are significantly affecting the growth of this sector.

Food Sector

Quarterly Outlook for the Sector at a Glance

Production	Exports	Inventory	Investments for Expansion	Hiring
Improvement expected	Improvement expected	Average levels	Capacity addition expected in next 6 months	Bleak Outlook

- 75% respondents in food sector reported growth in production during July - September 2014 compared to the same quarter last year. Production is likely to grow in October - December 2014 quarter also as again all the respondents are expecting same or higher production vis-à-vis last year. On an average the increase is expected to be around 9%.
- Order books of all the food processing firms are likely to remain same or show an improvement in October - December 2014 as compared to July - September 2014 quarter.

- Capacity utilization stands at 82% in food sector and is higher than last year for 75% of the firms. Also, three fourth respondents indicated that they have plans to add further capacity in next six months but high cost of land is acting as a hindrance in their expansion plans.
- For most of the respondents, exports in July - September 2014 and October – December 2014 were higher vis-à-vis July - September 2013 and October – December 2013 respectively.
- For half of the respondents their current inventory level is same as their average inventory level and the other half indicated inventory pile up.
- 75% of the respondents in this sector are not planning to hire new workforce in next three months.
- In general, credit is being availed at an interest rate ranging between 10.5-11.5%. However, some respondents indicated that they are getting credit at an interest rate of as high as 14%.
- According to most of the respondents, growth in manufacturing sector is either likely to revive or remain at same level in the coming months. Following suggestions were made by respondents from the sector on Policy front to revive growth :
  - ✓ Need for uninterrupted and adequate power supply
  - ✓ Lower electricity tariffs
  - ✓ Easier credit facility with lower interest rates
  - ✓ Reform in Labor laws and faster land allotment
  - ✓ Availability of skilled labour
- Food Processing firms are facing constraints in production due to rising prices of raw materials, shortage of skilled labor and other labour related issues.

Leather and Footwear

Quarterly Outlook for the Sector at a Glance

Production	Exports	Inventory	Investments for Expansion	Hiring
Improvement expected	Improvement expected	High levels of inventory still continuing	No Capacity addition expected in next 6 months	Bleak Outlook

- 60% respondents in leather and footwear sector reported higher output in the July - September 2014 vis-à-vis the same quarter last year with some of the respondents reporting double digit growth during the quarter. Leather and Footwear sector is likely to see further growth in the current quarter October - December 2014 as 80% respondents are expecting higher production vis-à-vis October - December 2013.
- Order books of almost 80% respondents are likely to improve during October - December 2014 compared to previous quarter i.e. July – September 2014.
- The sector is operating at 65% of its installed capacity and 75% of the respondents are not planning to add any additional capacity in next six months.
- 80% respondents are likely to experience a healthy growth in export during October – December 2014 quarter vis-à-vis October – December 2013. On an average the growth is expected to be around 8%.
- Despite improvement in outlook, inventory level of 80% of the respondents is higher than their average inventory level.
- 60% respondents in leather sector reported that they are not planning to expand their workforce in next three months. Some have reported that they are looking at increasing workforce by around 20%.
- Firms in the sector reported to be availing credit at the rate of interest in the range of 9% to as high as 14%.
- 60% respondents in the sector expect same level of growth in manufacturing sector in coming months of 2014. However, following issues need to be addressed by Government to revive growth:

- ✓ Easier credit facility with lower interest rates for exports
- ✓ Stable power supply
- ✓ More policies for impetus to exports
- ✓ Improved infrastructure
- ✓ Stable exchange rate and inflation
- ✓ Speedy clearance to projects

- Firms in leather and footwear sector are significantly constrained by high prices of raw materials, labour related issues, shortage of working capital, lack of skilled manpower and uncertainty of economic environment.

Machine Tool Industry

Quarterly Outlook for the Sector at a Glance

Production	**Exports**	**Inventory**	**Investment for Expansion**	**Hiring**
Improvement Expected	Improvement Expected	Not reported	Not reported	Not reported

- Most of the respondents in this sector reported improvement in production during July - September 2014 quarter as compared to previous year. The increase has been reported in the range of 10-15%.
- Similar situation seems to be prevailing in the current quarter i.e. October - December 2014 also as respondents are expecting improved production levels as compared to the same quarter of previous year. This has also been reflected in the order books of the respondents with most of them expecting their order books to improve for the quarter October - December 2014 compared to July - September 2014.
- On exports front also, majority of the respondents reported that Machine Tools exports for July - September 2014 were higher by 5% than exports of July - September 2013. For October - December 2014 also, exports are likely to be higher as compared to the

corresponding quarter of the previous year. The average increase is expected to be around 5%.

- Majority of the respondents have a positive outlook for growth rate of the 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, competition faced from imports and lack of skilled labour.

Metal and Metal Products

Quarterly Outlook for the Sector at a Glance

Production	**Exports**	**Inventory**	**Investment for Expansion**	**Hiring**
Improvement Expected	No change in Outlook	Average levels of inventory	Expansion not expected in next 6 months	Bleak Outlook

- 55% respondents from this sector reported higher production levels for July - September 2014 quarter as compared to same quarter of previous year. For the current quarter i.e. October - December 2014 also, around 55% respondents are expected to witness higher growth levels as compared to October - December 2013. On an average, the growth is expected to be around 5%.
- Close to 60% respondents are expected to receive same number of orders in the quarter October - December 2014 compared to the last quarter (i.e. July - September 2014).
- Currently, the industry is operating at an average capacity utilization of 75% and for 80% respondents it is either higher or same as that of last year’s capacity utilization. Around 82% respondents reported that they are not planning to increase their capacity in next 6 months. Key problem areas mentioned by respondents were:
  - ✓ Shortage of power
  - ✓ low demand

- In October - December 2014 quarter, more than 60% respondents have reported same levels of exports vis-à-vis October - December 2013.
- Around 73% respondents reported that they maintained average inventory levels during July - September 2014.
- 80% 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 around 13% p.a. rate of interest.
- Close to 63% respondents feel that growth rate will revive in coming months. The industry suggested the following for quicker revival of sector's growth:
    - ✓ Lower interest rates and power rates.
    - ✓ Infrastructure development
    - ✓ Improved power and raw material availability to the industry.
    - ✓ Faster implementation of GST
- Most of the respondents feel high prices of raw materials, deficiency of power, lack of domestic and export demand and shortage of skilled labour as the most important constraints for the industry.

Paper

Quarterly Outlook for the Sector at a Glance

Production	**Exports**	**Inventory**	**Investments for Expansion**	**Hiring**
Improvement expected	Improvement expected	High levels of inventory	Expansion not expected in next 6 months	Bleak outlook

- In July – September 2014, production for paper sector was higher than that of last year. Production is likely to be higher in the current quarter, October - December 2014 vis-à-vis October - December 2013.
- Order books of paper manufacturers are likely to improve in October - December 2014 as compared to July – September 2014 quarter.

- Capacity utilization stands at 80% in paper sector which is more than that of last year for most of the producers. Also, most of the producers are not planning to expand their capacity in next few months.
- Paper exports are reported to be higher for both July – September 2014 and October – December 2014 as compared to the corresponding quarters of 2013.
- The inventory levels reported are higher than the 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 12 -13% rate of interest.
- Paper manufacturers expect the manufacturing growth to pick up in coming months. It has suggested that implementation of GST and fast track clearance to projects, particularly in infrastructure can revive manufacturing sector's growth rate.
- Deficiency of raw materials, high prices of raw materials, lower domestic demand, competition faced from imports and uncertainty of economic environment are significantly constraining paper manufacturers.

Textiles & Technical Textiles

Quarterly Outlook for the Sector at a Glance

Production	**Exports**	**Inventory**	**Investments for Expansion**	**Hiring**
Improvement Expected	Improvement Expected	Average levels of inventory	Expansion not expected in next 6 months	Slight improvement expected

- In July - September 2014, 77% respondents in textiles sector reported increased or same production levels. The situation is expected to improve further as more than 80% respondents are expecting same or higher production in October - December 2014 vis-à-vis the same quarter of last year. On an average, the increase is expected to be around 3%.
- In October - December 2014, 77% of textile respondents are expecting either same or higher number of orders as compared to July - September 2014 indicating a recovery in demand conditions.

- Average capacity utilization is hovering around 82% in textiles sector with almost half of the respondents operating at same capacity utilization as that of last year.85% respondents are not planning to increase their capacity in next 6 months. However, some are planning to increase their capacities by as high as 20%. Firms in textiles sector are facing following problems in adding capacity:
  - ✓ Shortage of skilled manpower
  - ✓ Power shortage
  - ✓ High cost of finance
  - ✓ Uncertainty in market conditions
- On exports front also 75% respondents expect same or higher exports in October - December 2014 as compared to the same quarter of previous year.
- Around 40% of the respondents in textiles sector have reported that their current inventory level is same as their average inventory level. Another 40% respondents have reported higher inventory.
- 63% respondents indicated that they are not planning to hire new workers in next three months. Others plan to increase their work force in the range of 5-15%.
- Though the average cost of credit for the sector is around 12.5% but for some manufacturers credit is available at a cost as high as 14.75%.
- 84% of the respondents are expecting manufacturing growth to either revive or remain at same level in coming months. But following suggestions are made to enhance growth:
  - ✓ Easy availability of finance at lower interest rates
  - ✓ Improved power supply at reasonable rates
  - ✓ Stability in raw material prices
  - ✓ Availability of skilled labour
  - ✓ Amend labour laws to make them industry friendly especially for seasonal industry like garments
  - ✓ Need to have a strong focus on improving infrastructure & utilities like Ports
  - ✓ Exchange rate stability
  - ✓ Incentives for export promotion

- ✓ Simplified tax structure

- Units in textiles sector are significantly affected by high prices of raw materials, labour related issues, deficiency of power, lack of skilled manpower and low export demand. Other issues faced by textile sector are low domestic demand, competition from imports and poor transportation facilities leading to high logistic cost.

Textile Machinery

Quarterly Outlook for the Sector at a Glance

Production	**Exports**	**Inventory**	**Investment for Expansion**	**Hiring**
Slight Improvement in Outlook	Bleak Outlook	Inventory pile up	Expansion not expected in next 6 months	Bleak Outlook

- Almost all the respondents in textile machinery sector have reported a marginal increase in production for July – September 2014 quarter vis-à-vis same quarter in 2013. The average increase has been reported to be 2%. The situation seems to be continuing in the current quarter i.e. October - December 2014 also with similar increase expected in production.
- Respondents expect a fall of 5% in their exports for October - December 2014 quarter as compared to the corresponding quarter of 2013.
- Order books of most of the respondents are expected to remain unchanged in October - December 2014 as compared to July - September 2014 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 witnessed above average inventory pile up during July - September 2014.
- 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. Respondents from this sector have suggested correction in Inverted Duty Structure to revive manufacturing sector's growth. The sector has also suggested that providing fiscal support for research and development of textile engineering industry, creation of common facility centres for training, testing, product development, design (CAD CAM) etc can go a long way in reviving the textile machinery industry.
- Some of the major challenges for this sector are increased competition faced from imports and lack of skilled labour.

Tyre Industry

Quarterly Outlook for the Sector at a Glance

Production	**Exports**	**Inventory**	**Investment for Expansion**	**Hiring**
Improvement expected	Improvement in Outlook	Average inventory levels	Expansion not expected in next 6 months	Bleak Outlook

- For October – December 2014 quarter, most of the respondents expect higher production as compared to October – December 2013.
- The average capacity utilization for respondents in tyre industry is around 80%. It is more or less same as that of last year for most of the respondents. Also, majority of respondents are not planning to add capacity in next 6 months. Some of the respondents have indicated that slowdown in the economy and the auto sector in particular has resulted in under utilization of their existing capacities.
- On exports front, most of the respondents reported an expected increase for October - December 2014 as compared to the same quarter of 2013.
- Respondents in this sector maintained average inventory levels for July - September 2014 quarter.

- Also, tyre industry is not planning to hire additional workforce in next 3 months as per the respondents.
- Respondents in this sector reported getting credit in the range of 9-10%.
- Most of the respondents in the sector believe that manufacturing growth rate is expected to revive in coming months. Respondents suggested the following for faster revival of the industry:
    - ✓ Labour law reforms
    - ✓ Lower interest rate
    - ✓ More policy initiatives to encourage exports
- Tyre sector is significantly constrained by low domestic demand, lack of skilled labour and uncertainty in economic environment.