****

**FEDERATION OF INDIAN CHAMBERS OF COMMERCE & INDUSTRY**

**FICCI QUARTERLY SURVEY**

**ON**

**INDIAN MANUFACTURING SECTOR**

**May 2019**

|  |  |
| --- | --- |
|  | |
| **CONTENTS** | **Page No.** |
| *Introduction & Quarterly Assessment for Manufacturing Sector* | *1* |
| *Automotive* | *6* |
| *Capital Goods* | *8* |
| *Cement* | *10* |
| *Chemicals, Fertilizers & Pharmaceuticals* | *11* |
| *Electronics & Electricals* | *13* |
| *Leather and Footwear* | *15* |
| *Metal and Metal Products*  *Paper Products* | *16*  18 |
| *Textiles*  *Textiles Machinery*  *Tyre*  *Miscellaneous* | *20*  *22*  *24*  *25* |
|  |  |
|  |  |

**Introduction & Quarterly Assessment for the Manufacturing Sector**

***Production and Demand***

FICCI’s latest quarterly survey assessed the sentiments of manufacturers for Q-4 (January-March 2018-19) for twelve major sectors namely automotive, capital goods, cement and ceramics, chemicals, fertilizers and pharmaceuticals, electronics & electricals, leather and footwear, metal & metal products, paper products, textiles, textile machinery, tyre and miscellaneous. Responses have been drawn from over 300 manufacturing units from both large and SME segments with a combined annual turnover of over 3.56 lakh crore.

* FICCI’s latest quarterly survey on Manufacturing portrays a status-quo in sentiments for the manufacturing sector in Q-4 (January-March 2018-19) as the percentage of respondents reporting higher production in fourth quarter has remained same vis-à-vis the previous quarter 2018-19. Overall sentiments in manufacturing remains positive as the proportion of respondents reporting higher output growth (around 54%) during the January-March 2018 have remained same as compared to Q-3 of 2018-19. The percentage of respondents expecting low or same production was 46% in Q-4 2018-19 which is the same as in Q-3 of 2018-19.
* In terms of order books, 44% of the respondents in January-March 2019 are expecting higher number of orders against 43% in October-December 2018-19.

**Figure: % of Respondents Expecting Higher Production in the Quarter**

**vis-à-vis Respective Last Year’s Quarter**

***Source FICCI Survey***

***Capacity Addition & Utilization***

* The overall capacity utilization in manufacturing has witnessed a slight increase to 80% in Q-4 2018-19. The average capacity utilization for the manufacturing sector in the last few quarters has been around 75% only as per the survey.
* The future investment outlook, though moderate, is slightly better than that was perceived in Q-4 of 2017-18. 40% respondents reported plans for capacity additions for the next six months as compared to 47% in Q-3 of 2018-19.
* High raw material prices, high cost of finance, uncertainty of demand, shortage of skilled labor, high imports, requirement of technology upgradation, low of domestic and global demand, excess capacities, delay in disbursements of state and central subsidies and competing countries such as Bangladesh and Vietnam enjoying lower wage cost and export benefits resulting in erosion of competitiveness of Indian exporters are some of the major constraints which are affecting expansion plans of the respondents.
* In all the sectors covered in the survey namely Automotive, Capital Goods, Cement and Ceramics, Chemicals, Fertilizers and Pharmaceuticals, Electronics & Electricals, Leather and Footwear, Metals & Metal Products, Paper Products, Textiles and Textiles Machinery average capacity utilization has either increased or remained almost same in Q-4 of 2018-19 as compared to Q-3 2018-19.

**Table: Current Average Capacity Utilization Levels as Reported in Survey (%)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Sector** | **Average Capacity Utilization in Q-4 2018-19** | **Average Capacity Utilization in Q-3 2018-19** | **Average Capacity Utilization in Q-2 2018-19** | **Average Capacity Utilization in Q-4**  **2017-18 & Q-1 2018-19** | **Average Capacity Utilization in Q-3**  **2017-18** |
| Automotive | 80 | 80 | 73 | 73 | 78 |
| Capital Goods | 74 | 74 | 73 | 74 | 70 |
| Cement and Ceramics | 80 | 60 | 70 | 70 | 73 |
| Chemicals, Fertilizers & Pharmaceuticals | 77 | 74 | 82 | 84 | 78 |
| Electronics & Electricals | 72 | 68 | 69 | 65 | 76 |
| Leather & Footwear | 60 | 60 | 60 | 70 | 75 |
| Metals & Metal Products | 88 | 74 | 86 | 75 | 81 |
| Paper Products | 95 | 80 | 88 | 95 | NA |
| Textiles | 82 | 80 | 83 | 80 | 80 |
| Textiles Machinery | 60 | 60 | 60 | 60 | 60 |

*\*NA: Not available due to lack of data*

***Inventories***

* 89% of the respondents maintained either more or same level of inventory, which is more as compared to 86% in the previous quarter and slightly less than 89.5% as was the case in Q-4 of 2017-18. This has been largely due to subdued domestic and export demand.

***Exports***

* The outlook for exports is somewhat positive as 42% of the participants are expecting a rise in exports for Q-4 2018-19 and 33% are expecting exports to continue to be on same path as that of same quarter last year.
* However, rupee depreciation has not led to any significant increase in exports as 76% of the respondents reported that the exports were not affected much by rupee depreciation. Thereby, emphasizing that there were other global factors that are restrictingthe growth of our exports.

***Hiring***

* Hiring outlook for the sector seems to have slightly improved for near future. While in Q-4 of 2017-18, 70% respondents mentioned that they were not likely to hire additional workforce, this percentage has come down to 62.5% for Q-4 of 2018-19. Going forward it is expected that hiring scenario will improve further. 37.5% in Q-4 of 2018-19 as compared to 30% in Q-4 of 2017-18 are looking at hiring more people now.

***Interest Rate***

* Average interest rate paid by the manufacturers has slightly decreased to 10.3% against 10.6% p.a. during last quarter but the highest rate remain as high as 15%. The recent cut in repo rate by RBI shall come as a relief for the industry and it expects more reduction in the rates in coming months to drive investments.

***Sectoral Growth***

* Based on expectations in different sectors, it is noted that sectors like textiles and cement are likely to have strong growth in Q-4, whereas most other sectors are likely to have either moderate or low growth.

**Table: Growth expectations for Q-4 2018-19 compared with Q-4 2017-18**

|  |  |
| --- | --- |
| **Sector** | **Growth Expectation** |
| Cement & Ceramics | Strong |
| Textiles | Strong |
| Chemicals, Fertilizers & Pharmaceuticals | Moderate |
| Capital Goods | Moderate |
| Metals and Metal Products | Moderate |
| Paper Products | Moderate |
| Textile Machinery | Moderate |
| Miscellaneous | Moderate |
| Tyre | Moderate |
| Automotive | Low |
| Electronics & Electricals | Low |
| Leather and Footwear | Low |

*Note: Strong > 10%; 5% < Moderate < 10%; Low < 5%*

*Source: FICCI Survey*

***Production Cost***

* The cost of production as a percentage of sales for manufacturers in the survey has risen for 72% respondents. This, of course, is significantly higher than the percentage of 62% for Q-3 of 2017-18. This is primarily due to increased cost of raw materials, wages, power cost, rising crude oil prices, increase in finance cost and rupee depreciation.

***Automotive***

***Quarterly Outlook for the Sector at a Glance***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Production** | **Exports** | **Inventory** | **Investment for Expansion** | **Hiring** |
| Moderate | Positive | Less than Average | Positive | Moderate |

* For Q-4 2018-19, 66% of the respondents expected a fall in the production level as compared to same quarter last year. This is reflected in order books as well, since all the respondents stated lesser number of orders as compared to previous quarter.
* Currently, the sector utilizes 80% of its installed capacity which is more than that of last year for 66% of the respondents. Also, it is important to note that two third of the respondents are planning for expansion in next 6 months.
* 67% of the respondents expect higher or same exports in January-March quarter vis-à-vis the same quarter last year.
* One third of the respondents reported that their exports increased by 6% due to rupee depreciation and raw material imports got expensive by 5-10%.
* 33% of the participants mentioned that the cost of production as a percentage of sales has risen in the last few months. Some of the reasons for this included increase in the price of raw material such as steel, aluminum, rubber, etc.
* On an average, the industry reported to be availing credit at an interest rate close to 10% p.a.
* Half of the respondents are planning to hire new workforce in the next 3 months.
* 50% of the respondents reported to have maintained more than average inventory levels for the quarter October-December 2018-19. On the other hand, all the respondents were expecting less than average inventories for the quarter Jan-March 2018-19.
* About 50% of the respondents expect growth of manufacturing to remain at same level in near future. The sector has suggested following to accelerate growth:
* Interest rates need to be lowered especially for MSMEs
* Funding process from banks need to be simplified
* Increased spending on infrastructure
* High prices of raw materials, low domestic demand, inverted duty structure and competition faced from imports are some of the significant constraints faced by the sector. Other constraints faced by the sector are shortage of working capital finance, non-availability of skilled labor and low export demand.

***Capital Goods***

***Quarterly Outlook for the Sector at a Glance***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Production** | **Exports** | **Inventory** | **Investment for Expansion** | **Hiring** |
| Moderate | Moderate | Average level | Moderate | Moderate |

* 58% of the respondents expect higher production in January-March 2018-19 quarter vis-à-vis the same quarter last year. This also gets reflected in order books as 42% of the respondents reported higher number of orders as compared to previous quarter.
* On an average, the sector is utilizing about 74% of its capacity which stands at a higher level than that of previous year for 66% of the respondents. Also, 42% of the participants are planning to add capacity in next 6 months.
* On the exports front, 64% of the respondents expect their exports to be higher or same in Q-4 2018-19 over Q-4 2017-18.
* All the respondents reported that their exports did not increase despite rupee depreciation. On the other hand, 45% firms reported that the imports of raw materials got expensive by more than 10% due to rupee depreciation.
* 83% of the respondents reported a rise in the cost of production due to high raw material prices, high finance cost, high manpower and energy cost, depreciation of rupee and other factors.
* 50% of the respondents were maintaining average inventory levels in October-December and around 45% of the respondents were maintaining average inventory levels in January-March quarter.
* 58% respondents are not planning to hire additional workforce in near future. Whereas, rest of the respondents are planning to hire new workforce in the range of 3-25%.
* On an average, the industry reported to be availing credit at an interest rate close to 11% p.a.
* About 58% of the respondents expect subdued manufacturing growth in near future. Following have been proposed for revival of growth in the sector:
* Infrastructure development in Railways, Ports, Bridges, Dams, Metros, Power and Real Estates needs to be given priority to revive demand for capital goods
* Emphasis on various schemes towards enhancing industry competitiveness. Enhancement in capital expenditure of government-agencies and PSUs.
* Reduction in interest rates
* More training centers with modern equipment need to be established for training workforce for the sector
* High prices of raw materials, labor related issues, unavailability of skilled labor along with shortage of working capital finance are reportedly some of the significant constraints for the sector which are restricting its growth. Other constraints include competition faced from imports, low domestic demand and export demand.

***Cement***

***Quarterly Outlook for the Sector at a Glance***

|  |  |  |  |
| --- | --- | --- | --- |
| **Production** | **Inventory** | **Investments for Expansion** | **Hiring** |
| Strong | Average level | Positive | Bleak |

* More than half the respondents expected higher production in Q-4 2018-19 vis-à-vis the same quarter last year which is reflected in order books as well.
* Average capacity utilization in the sector stood at 80% which is higher than that of last year for 67% of the respondents. Similar percentage of respondents are planning to add capacity in next few months.
* Respondents reported their cost of production as a percentage of their sales increased vis-à-vis last year due to increased prices of raw material, power cost, wage inflation and freight charges.
* Two third of the sector is reportedly maintaining same average inventory levels during October-December 2018-19. Also, all the respondents were maintaining same average inventory level for January-March quarter too.
* One third of the respondents are planning to hire new work force in the next three months.
* Respondents reported that they are availing credit at an average rate of around 9% p.a.
* One third of the respondents are of the view that growth of manufacturing sector is likely to revive in next six months. Major recommendations for the sector was to increase spending on public infrastructure, reducing lending rates and further boost to Government aided housing projects.
* Some of the constraints hampering growth of the sector significantly include high prices of raw materials and low domestic and export demand. Other constraints include existing inverted duty structure, labor related issues and competition faced from imports.

***Chemicals, Fertilizers & Pharmaceuticals***

***Quarterly Outlook for the Sector at a Glance***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Production** | **Exports** | **Inventory** | **Investments for Expansion** | **Hiring** |
| Moderate | Positive | Average level | Positive | Positive |

* Over 50% of the respondents expect either high or same production in Q-4 2018-19 vis-à-vis the same quarter last year. A similar percentage of the respondents reported same or more orders in Q-4 2018-19 as that of previous quarter.
* Average capacity utilization stood at approximately 77% for this sector and is at higher level for three fourth respondents as compared to last year. Also, 56% of the respondents are planning to add capacity in next 6 months.
* More than 60% of the respondents are expecting higher exports in Q-4 2018-19 as compared to the same quarter last year. However, rupee depreciation has little impact on exports for 80% of the respondents. On the other hand, 71% of the surveyed firms reported that imports of raw materials got expensive due to currency depreciation.
* Half of the respondents reported increase in the cost of production vis-à-vis last year. The cost of production increased due to lack of raw materials, high power cost, high transportation cost and higher wages.
* Half of the respondents maintained their average inventory levels in October-December 2018-19. On the other hand, half of the respondents were maintaining average inventory level for Jan-March quarter.
* 56% of the surveyed firms are planning to add workforce in near future by over 3%.
* Manufacturers are reportedly availing credit at an average rate of around 11% p.a.
* Most of the respondents (67%) expect manufacturing growth to remain at same level in coming months. Following measures are suggested by respondents for early revival of growth:
* Cost of power and natural gas need to be reduced
* Bank rates needs to be lowered further
* Facilitate infrastructure like natural gas pipeline to scale up production
* Unavailability and high prices of raw materials and the existing inverted duty structure are the most significant constraints to the growth of the sector. Other constraint being deficiency of power, low export demand and unavailability of skilled labor.

***Electronics & Electricals***

***Quarterly Outlook for the Sector at a Glance***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Production** | **Exports** | **Inventory** | **Investment for Expansion** | **Hiring** |
| Positive | Positive | Average level | Bleak | Bleak |

* For Q-4 2018-19, 80% of the respondents expect production to increase or remain same as compared to same quarter last year. 60% respondents reported same or higher level of orders for Q-4 2018-19 vis-à-vis the previous quarter.
* The sector is utilizing about 72% of its installed capacity. 80% of the reported firms are maintaining higher installed capacity as compared to that of last year. None of the respondents in this sector reported to add capacity in next six months.
* 80% of the respondents expect a rise in exports while the rest of the respondents reported exports to remain same in Q-4 2018-19 as that of the last year.
* Half of the exporters experienced an increase in exports due to rupee depreciation. For all the respondents imported inputs got dearer due to rupee depreciation, for 75% of the respondents imports of raw materials got expensive by 5-10%.
* Cost of production increased for 60% of the respondents, reasons being increased import expenses due to rupee depreciation, high raw material prices, increased wage bill and increased costs of fuels.
* 80% of the respondents were reportedly maintaining average level of inventories in Oct-Dec and an equal percentage of respondents were maintaining same level of inventories in Jan-March quarter.
* None of the respondents were having any plans of hiring additional work force in next 3 months.
* Industry’s respondents reportedly are availing credit at an average rate of around 10% p.a.
* 60% of the respondents expect the sector to remain at same level in next six months. Following was suggested to boost growth of manufacturing:
* Improve availability of credit from banks
* Need to clear stalled projects
* High prices of raw materials, low domestic demand and Inverted Duty structure are significantly affecting growth of this sector. Other constraints include deficiency of raw materials and competition faced from imported goods.

***Leather and Footwear***

***Quarterly Outlook for the Sector at a Glance***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Production** | **Exports** | **Inventory** | **Investments for Expansion** | **Hiring** |
| Subdued | Moderate | More than average | Bleak | Bleak |

* Leather manufacturers expected stagnation in production for January-March 2018 quarter as compared to the same quarter last year. This is reflected in order books as well.
* Current capacity utilization stands at 60% which is same as that of last year for all the respondents. None of the respondents are planning to add capacity in near future.
* The sector expects exports to be same during Q-4 2018-19 vis-à-vis the same quarter last year.
* In terms of impact of rupee depreciation, imported inputs got expensive between 5-10%, while exports remain unaffected.
* Cost of production increased during the quarter owing to increased input cost, higher interest cost and higher wages.
* The respondents in leather and footwear sector were maintaining more than average inventory levels in October-December and higher inventory in January-March 2018-19 due to low sales.
* None of the participants are planning to expand their workforce in next six months.
* The sector is availing credit at a rate of around 11.25% p.a.
* Respondents expect growth of manufacturing to remain at the same level in next six months.
* Firms in leather and footwear sector are significantly constrained by inverted duty structure, shortage of working capital finance and low domestic and export demand.

***Metal and Metal Products***

***Quarterly Outlook for the Sector at a Glance***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Production** | **Exports** | **Inventory** | **Investment for Expansion** | **Hiring** |
| Positive | Fall | Average level | Negative | Moderate |

* Production of metal and metal products is expected to be positive in Q-4 2018-19 as 80% of the respondents expect production to be higher or same when compared to the corresponding period of last year. Same trend is reflected in order books as well, compared to previous quarter.
* The sector is reportedly operating at an average capacity utilization of 88% which is same or more than last year for 80% respondents. Also, all the respondents reported that they have no plans to increase their capacity in next 6 months.
* As for exports, 66% of the respondents expect a fall in exports for the January-March quarter (y-o-y basis). Another 33% expect exports to remain same.
* All the exporters reported that exports did not rise despite rupee depreciation. For 66% importers, the imports got expensive due to rupee depreciation in the range of 5-10%.
* Cost of production increased for 80% respondents, due to increase in prices of major raw materials like iron ore and coking coal, electricity tariff, manpower cost.
* As for the inventory level, 60% of the respondents were maintaining average inventory levels in October-December whereas in January-March, 80% of the respondents were maintaining same as their average inventory levels.
* 60% of the metal sector respondents have reported that they are not planning to hire new workforce in next 3 months.
* The respondents reported to have availed credit from banks at an average rate of around 11.75%
* 60% of the respondents felt that growth rate of the manufacturing sector will revive in coming months. Industry suggested the following for acceleration of sector’s growth:
* Interest rates need to be lowered
* Easy availability of raw material especially coal and iron ore
* Increase the pace of infrastructure development
* Increase spending on new government projects
* Most of the respondents felt that high price and deficiency of raw materials, low domestic demand along with shortage of working capital finance are the most significant constraints for the industry’s growth.

***Paper Products***

***Quarterly Outlook for the sector at a glance***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Production** | **Exports** | **Inventory** | **Investment for Expansion** | **Hiring** |
| Moderate | Moderate | Less than average level | Positive | Moderate |

* For Q-4 2018-19, while all the participants expect their production to be more than that of same quarter last year but growth is expected to be muted only.
* The average capacity utilization of the sector is hovering around 95% with 50% of the respondents operating at higher capacity than that of last year. All the respondents plan to expand capacity in next six months.
* On an annual basis, 50% the surveyed firms are expecting exports to increase in Q-4 2018-19. Exports of half of the firms increased due to rupee depreciation by 3-4%.
* However, due to rupee depreciation, the imported inputs for half of the paper sector got expensive between 5-10%.
* Cost of production as a percentage of sales for their product increased for paper sector respondents due to increase in cost of coal purchased through linkage auction & increase in railway freight on incoming wood and bamboo which is the principal raw material for paper industry.
* Half the respondents in the sector reported that their current inventory level is less than the average inventory level for previous quarter.
* Half of the respondents are planning to hire workforce in next 3 months.
* Sector is reportedly getting credit at an average rate of 8.85%.
* The respondents believe that overall manufacturing sector would continue to grow at the same level. The industry has suggested faster implementation of projects, increased incentives on exports of paper and restricting imports from Indonesia for revival of growth.
* Competition faced from imports is a significant constraint for the sector which is restricting its growth. While deficiency and high prices of raw materials along with low domestic and export demand are other constraints faced by the sector.

***Textiles***

***Quarterly Outlook for the sector at a glance***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Production** | **Exports** | **Inventory** | **Investment for Expansion** | **Hiring** |
| Positive | Moderate | Average inventory | Moderate | Moderate |

* For January-March 2019, 62% of the participants expect their production level to be higher than that of the same quarter last year. 55% of the respondents reported same or higher number of orders as compared to the previous quarter.
* The average capacity utilization of the sector is hovering around 82% with 43% of the respondents operating at same capacity as that of last year. There are plans for capacity expansion by 41% of the respondents.
* On y-o-y basis, 85% of respondents expect exports to rise or remain same in Q-4 of 2018-19.However, 63% of the respondents reported that their exports did not rise despite the recent rupee depreciation. On the other hand, 58% reported that the imports of raw materials got expensive in the range of 0-10% due to currency depreciation.
* 71% of the respondents reported an increase in the cost of production due to high prices of raw material, wage cost, rupee depreciation, additional payments through GST when compared to sales tax, increase in cost of power, packing and transportation.
* Industry’s respondents are availing credit at an average rate of 10.16%.
* 45% of the respondents in the sector have reported that their inventory level was same as their average inventory level in October-December quarter. During January-March, half of the respondents were maintaining same inventory as their average inventory level.
* 64% of the surveyed firms are planning not to hire new workforce in near future.
* The sectoral growth rate is likely to remain same in next six months as per 59% of the survey respondents. The industry has suggested the following for reviving growth:
* Interest rates need to be lowered
* Need to expedite refund of GST input tax credit
* Need to reduce electricity rates with open access
* Need for duty free access to main importing countries like USA & Europe to provide a boost to the apparel exports of the country
* Revival of banking system to reduce NPA thereby ensuring easy flow of funds for the industry
* Reduction in rates and simplification of GST for textile value chain
* Pending interest subsidy under ATUFS Scheme need to be resolved at the earliest
* Need of government support in technological upgradation
* Standardization of products along with revamping of government procurement policy
* Encourage innovation of new products and services with focus on sustainability
* Subsidy for promoting usage of women hygiene products to be considered
* High prices of raw materials, labor related issues, low domestic demand, competition faced from imports and availability of skilled labor are reportedly some of the significant constraints for the sector which are restricting its growth. High power cost due to electricity duty, deficiency of raw material and components, absence of quality testing laboratories, shortage of working capital finance, lack of proper transport facilities in rural areas and low export demand are other constraints faced by the sector.

***Textiles Machinery***

***Quarterly Outlook for the Sector at a Glance***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Production** | **Exports** | **Inventory** | **Investments for Expansion** | **Hiring** |
| Positive | Subdued | Average levels of inventory | Bleak | Bleak |

* All the participants expect their output to be higher in January-March 2018 vis-à-vis the year ago quarter by 7.5%.
* The average capacity utilization of the sector is hovering around 60% with respondents operating at same capacity as that of last year. There are no plans for capacity expansion in near future.
* On an annual basis, respondents are expecting exports to fall in Q-4 significantly (around 6%) as compared to last year. The exports did not increase despite recent rupee depreciation whereas imports have become expensive by 5-10%.
* Cost of production increased for the sector overall.
* The respondents in the sector have reported that their current inventory level was same as their average inventory level in previous quarter. There are no plans to hire new workforce.
* The sectoral growth rate is likely to remain same in next six months. The industry has suggested the following for revival of sector’s growth:
* To increase the income tax exemption limit on in-house R&D to 200%. It should also be allowed to the textile machinery manufacturers where the ownership structure is sole proprietorship and partnership.
* Second hand machinery should not be allowed to be imported duty free.
* To remove bottlenecks in EPCG (Export Promotion Capital Goods) under Foreign Trade Policy 2015-2020 to facilitate import of capital goods by Specified Importers at ‘zero duty’ for producing quality goods and services to enhance India’s manufacturing competitiveness
* Since the domestic supplies of EPCG license holders are recognized as “deemed exports” under the EPCG scheme, imports under EPCG scheme should be treated at par with EOU’s by eliminating mandatory ‘Bank Guarantee’ (BG) which will encourage import substitution and provide a level playing field to the industry.
* Establishment of a cluster in Western/ Southern India to provide land and ready infrastructure to prospective textile machinery and accessory manufacturers.
* To encourage exports particularly to Africa through EXIM bank facilities
* Special assistance should be provided for participation in international textile machinery exhibitions.
* Inverted duty structure, low domestic and export demand and competition faced from imports are significant constraints faced by the sector.

***Tyre***

* Tyre sector respondents expect production to be higher during Q-4 2018-19 compared to the same quarter last year by 6-8%.
* The sector expects exports to be higher in January-March 2018 quarter compared to thesame quarter last year by 3-5%.
* Tyre sector expects growth of the Manufacturing sector to revive in the coming months. Some of the suggestions for reviving growth include:
* Need to check imports of tyres in the country
* Restrict dumping of goods (especially from China) into India
* Inverted duty structure needs to be addressed
* Sector is apprehensive about deficiency of raw materials, inverted duty structure and competition faced from imports.

***Miscellaneous***

***Quarterly Outlook for the Sector at a Glance***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Production** | **Exports** | **Inventory** | **Investments for Expansion** | **Hiring** |
| Moderate | Moderate | Higher than Average level | Moderate | Positive |

* Half of the miscellaneous sector respondents expect production to be higher during Q-4 2018-19 compared to the same quarter last year by 5-10%.
* The sector is utilizing 80% of its installed capacity. Half of the respondents are planning to add capacity in next few months.
* Half of the sector expects exports to be lower in January-March 2018 quarter compared to the same quarter last year by 5-10%.
* Due to rupee depreciation, while exports did not see much change for half of the respondents, raw material imports were affected for all the respondents by 0-10%.
* For all respondents, cost of production has increased as a percentage of their sales due to high raw material prices, additional GST implementation cost and increase in manpower cost and freight cost.
* While, half of the respondents were maintaining higher than their average inventory levels during October-December, all of them were maintaining more than average inventory levels for the quarter January-March.
* All the surveyed firms are planning to hire new workforce.
* On an average, firms in the sector reported to be availing credit at the rate of around 11.5% p.a.
* Miscellaneous sector expects slowdown in the growth of the manufacturing sector in coming months. Some of the suggestions for reviving growth include:
* Need to bridge the technology gap
* Building appropriate and sound infrastructure for industry
* Protect industry from dumping of Chinese products
* Sector is apprehensive about increased prices of raw materials, lack of domestic demand and competition faced from imports. Other constraints faced by the sector are labor related issues and shortage of working capital finance.