

# CARE Ratings' Industry Survey & Expectations

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## Introduction

It has been almost 8-9 months since the announcement of lockdown measures by the government. CARE Ratings has conducted 4 surveys during this period to understand the state of business and future expectations and gauge the overall business sentiments at the time of conducting each of these surveys.

The Indian economy is quite critically posed right now where there are scattered signs of recovery in some segments even as there is uncertainty of the future course of government action. Localized lockdowns have affected business sentiment in different parts of the country. The third quarter has showed some promise in terms of corporate results, industrial growth and other leading indicators such as PMI, tax collections etc. In this backdrop, “CARE Ratings' Industry Survey and Expectations” was conducted to understand the current state of business and also the future expectations for Q4FY21.

The survey was conducted during the period 22<sup>rd</sup> December 2019 to 15<sup>th</sup> January 2021. A total of 222 participants from various industries responded to the survey.

## Key takeaways

- The gradual unlocking of the economy has led to a pick-up in overall business activity and demand.
- 53% of the respondents felt that business has recovered to pre-covid levels and 74% of respondents are positive about revival/growth of business in Q4FY21
- The industry is also largely optimistic about pick up in investment activities and further improvement in demand in Q4FY21.
- While the various measures announced by the government under the Atmanirbhar Bharat package and the PLI scheme has not proved to be beneficial yet but the industry is optimistic about their benefits in future.
- There has also been pick up in hiring activities and restoration in salary if at all they were cut during the lockdown period.
- For majority of micro and small enterprises challenges in terms of low demand, low-capacity utilisation levels and difficulty in availing bank credit still persist.

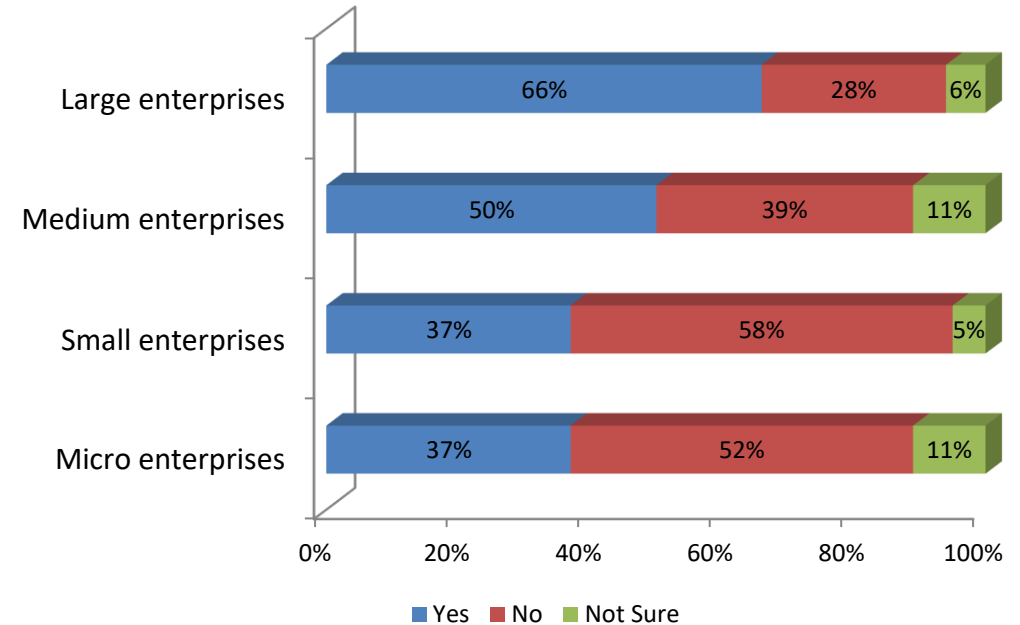
The detailed response to each of the question are explained from next slide onwards. The survey is in two parts where the first is on aspects of impact of lockdown while the second is crystal-ball gazing for Q4.

# I. Present Scenario

## 1. Do you think business has recovered to pre-covid/normal levels?

Out of the total 213 responses, 53% of respondents (112 out of 213) felt that business had recovered to pre-covid/normal levels of business whereas 40% respondents (85 out of 213) expressed that business had not recovered to earlier levels. Overall, 8% of respondents (16 out of 213) were not sure.

Upon further analysis turnover wise, 66% respondents (67 out of 101) from the large enterprises category and exactly 50% of respondents (14 out of 28) in medium enterprises category felt that business had returned to normalcy/pre-covid scenario. On the other hand, more than 50% of the respondents from the micro (24 out of 46) and small (22 out of 38) enterprises category felt that business had not returned to pre-covid/normal levels of business.



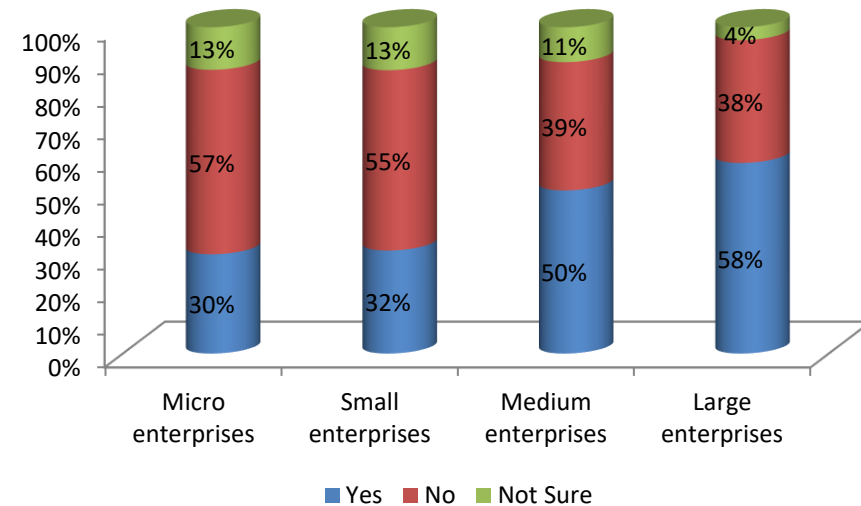
**Note:** Micro enterprises - turnover of less than Rs 5 crore,  
 Small enterprises – turnover between Rs 5 crore to Rs 50 Crore,  
 Medium enterprises – turnover between Rs 50 to Rs 100 crore and  
 Large enterprises – turnover more than Rs 100 Crore .

## 2. Do you think capacity utilisation rate has reached pre-covid/normal levels?

Overall, we got a mixed response for this question as 46% respondents (99 out of 213) stated that capacity utilisation had reached pre-covid levels whereas 45% respondents (96 out of 213) stated that it had not reached pre-covid levels and 8% (18 out of 213) stated that they were not sure.

Upon further examination, 50% respondents (14 out of 28) and 58% respondents (59 out of 101) in medium and large enterprises category respectively opined that capacity utilisation rate had reached pre-covid/normal levels.

On the other hand, 57% respondents (26 out of 46) in micro enterprises category and 55% respondents (21 out of 38) in small enterprises category stated that capacity utilisation had not recovered to normal/pre-covid levels of business.

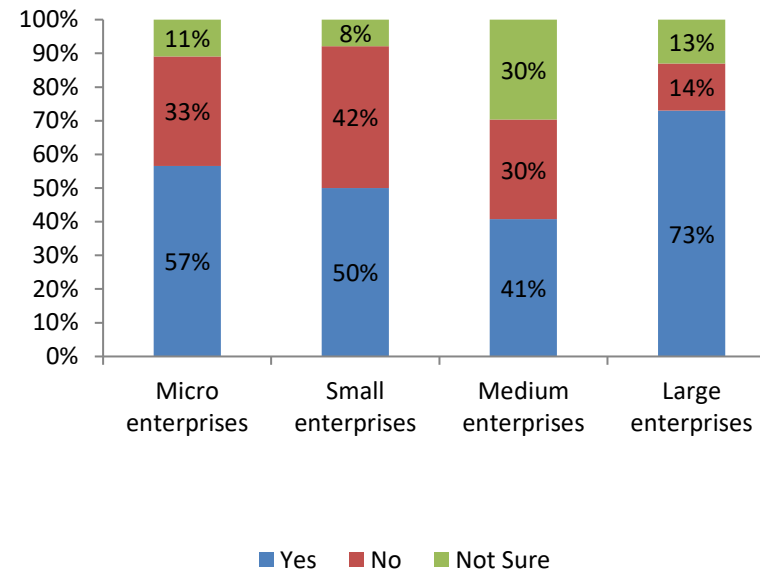


### 3. Has the level of unsold goods or excess inventory on account of Covid-19 come down?

For 73% (73 out of 100) of the respondents belonging to large enterprises category, the level of unsold goods or excess inventory on account of Covid-19 came down.

Similarly, for 57% (26 out of 46) and 50% (19 out of 38) of the respondents from small and micro enterprises category respectively, the level of unsold goods or excess inventory had come down.

Also, only 41% respondents (11 out of 27) in the medium enterprises category stated that inventory had come down.

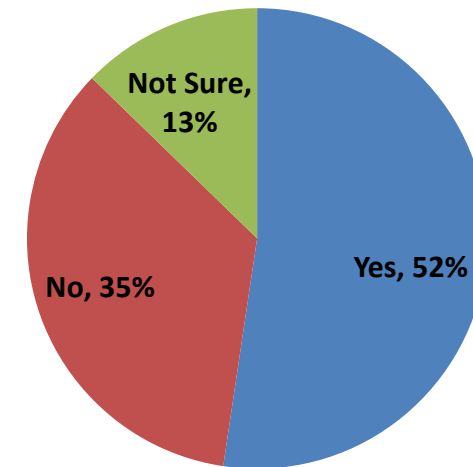


## 4. Have receivables in your industry come down?

52% of the respondents (111 out of 212) felt that receivables in their industry had come down.

Meanwhile, only 35% of respondents (74 out of 212) stated that receivables in their industry had not come down.

In addition to the above, 13% of respondents (27 out of 212) were not sure whether receivables in their industry had come down or not.



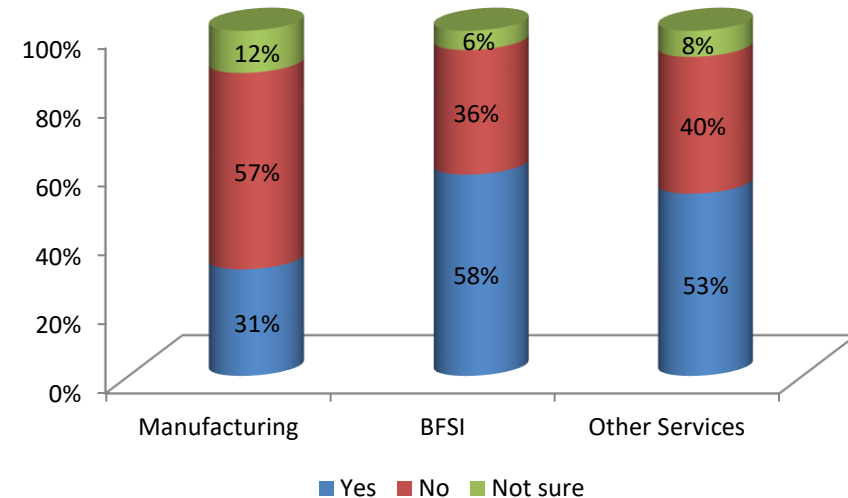


## 5. Has there been a pick-up in hiring activity?

As per our industry wise analysis, hiring activity seems to have picked up for services industry but not manufacturing industry.

58% respondents (21 out of 36) and 53% respondents (28 out of 53) in 'BFSI' and 'Other Services' category respectively stated that hiring activity had picked up whereas 57% respondents (70 out of 123) in manufacturing industry felt that hiring activity had not picked up.

Overall, 10% of respondents (21 out of 212) were not sure whether hiring activity had gained momentum or not.



**Note:** Industries are broadly divided into 3 categories – BFSI, other services and manufacturing.

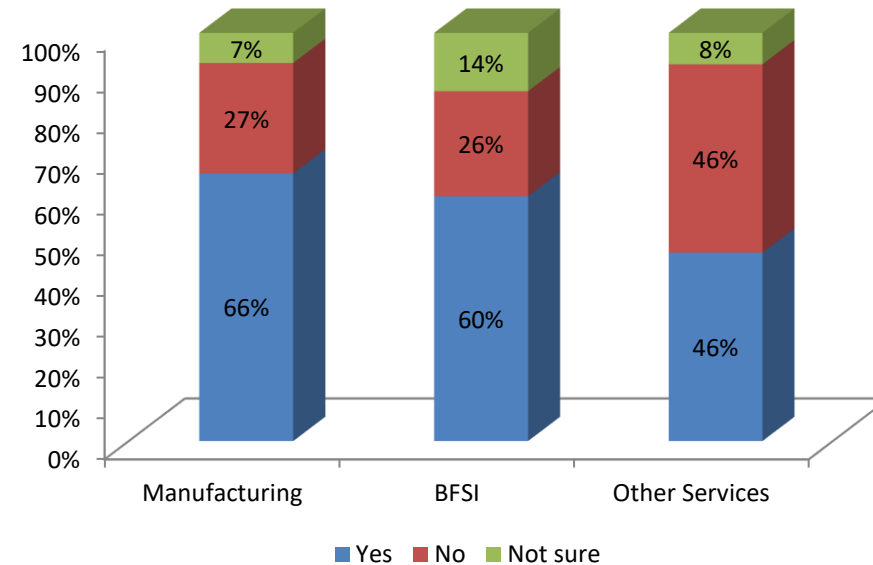
BFSI includes banking and financial services and NBFCs. Other services includes all service sector companies except BFSI

Manufacturing includes all manufacturing companies.

## 6. If salaries of employees were cut, has your company restored it to earlier levels?

66% respondents (80 out of 122) in manufacturing industry and 60% respondents (21 out of 35) from BFSI industry stated that if salaries of employees were cut, their company had restored it to earlier levels.

However, the responses of participants from Other Services category was equally divided between yes and no, 46% each (24 out of 52) and 8% participants (4 out of 52) were not sure.

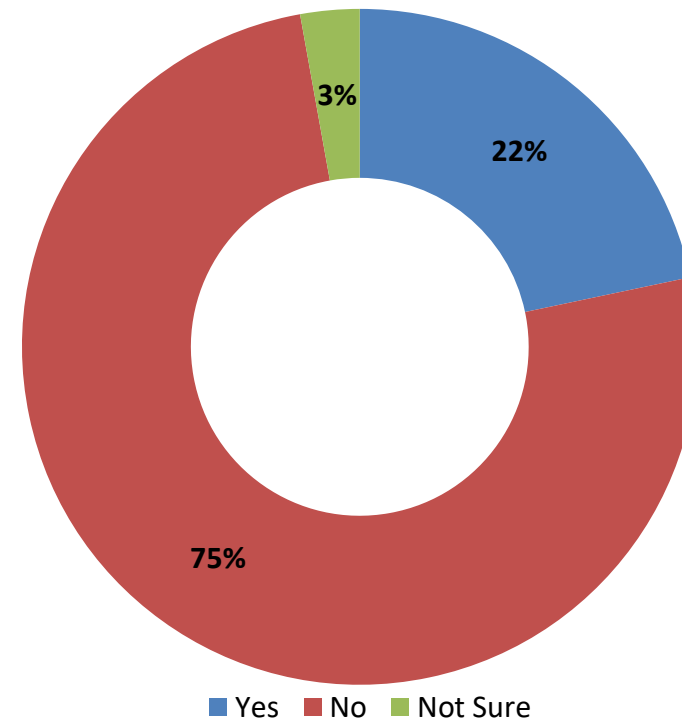


## 7. Has your company given up office space or cancelled lease agreements?

75% of the respondents (160 out of 212) opined that their company had not given up office space and not cancelled lease agreements.

Meanwhile, only 22% of the responses (46 out of 212) indicated that their company had either given up office space or cancelled lease agreements.

3% respondents (6 out of 212) were not sure.

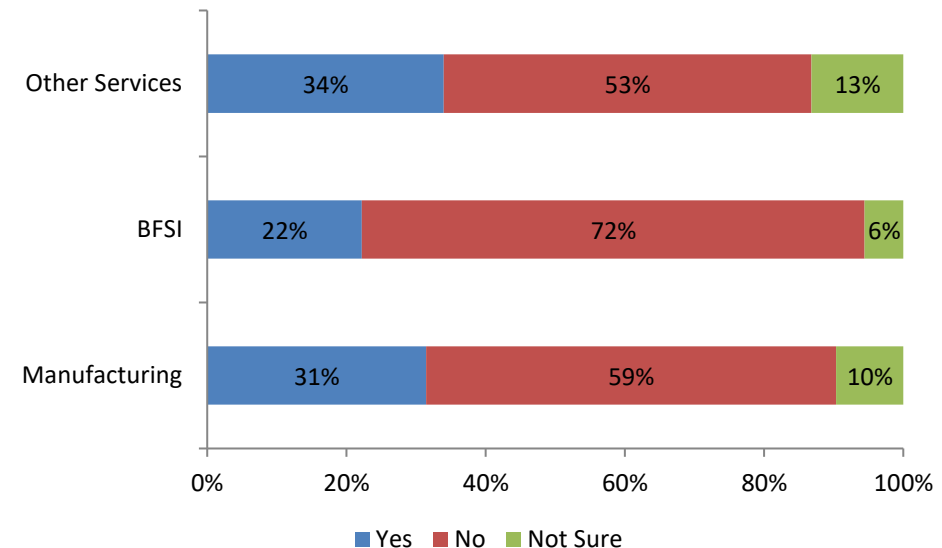


## 8. Have business units in your industry closed down due to Covid-19 challenges?

Overall as per our analysis majority of the respondents (127 out of 213) felt that business units in their industry had not closed down due to Covid-19 challenges.

59% respondents (73 out of 124) in manufacturing category stated that business units in their industry had not closed down due to Covid-19 challenges.

Similarly, 72% respondents (26 out of 36) in BFSI category and 53% respondents (28 out of 53) in other services category expressed that on account of Covid-19 challenges business units had not closed down.



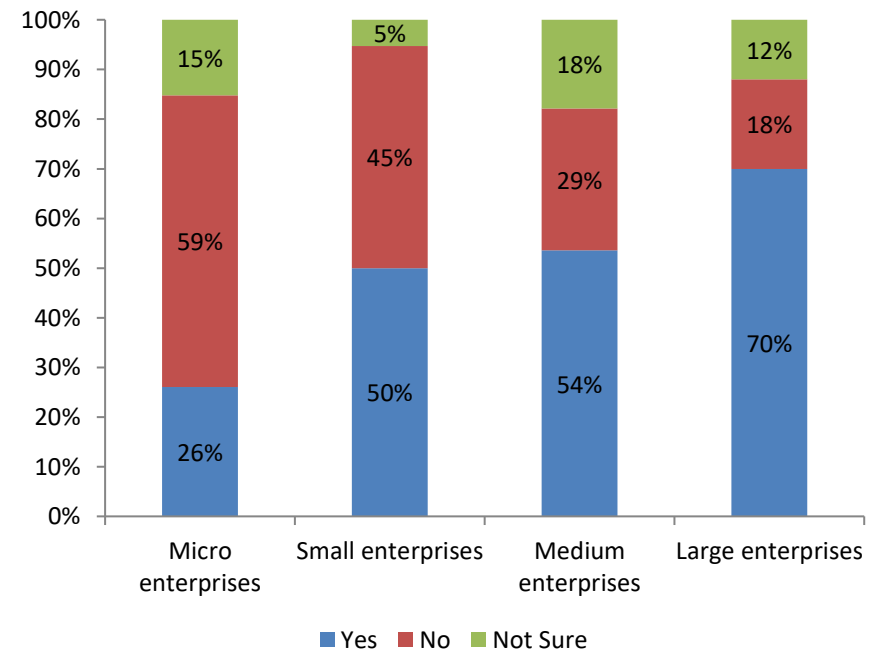
## 9. Has bank credit availability improved for your industry?

As per our analysis bank credit availability seems to have improved the most for companies with more than Rs 100 crore turnover as 70% respondents (70 out of 100) in large enterprises category opined that bank credit availability had improved for their industry.

For small enterprises category 50% respondents (19 out of 38) felt that bank credit availability had improved whereas 45% respondents (17 out of 38) opined it had not improved.

Micro enterprises category seems to be the most affected as 59% respondents (27 out of 46) stated that bank credit availability for their industry had not improved and only 26% (12 out of 46) felt that it had.

Overall, 12% respondents (26 out of 212) were not sure of improvement in bank credit availability.

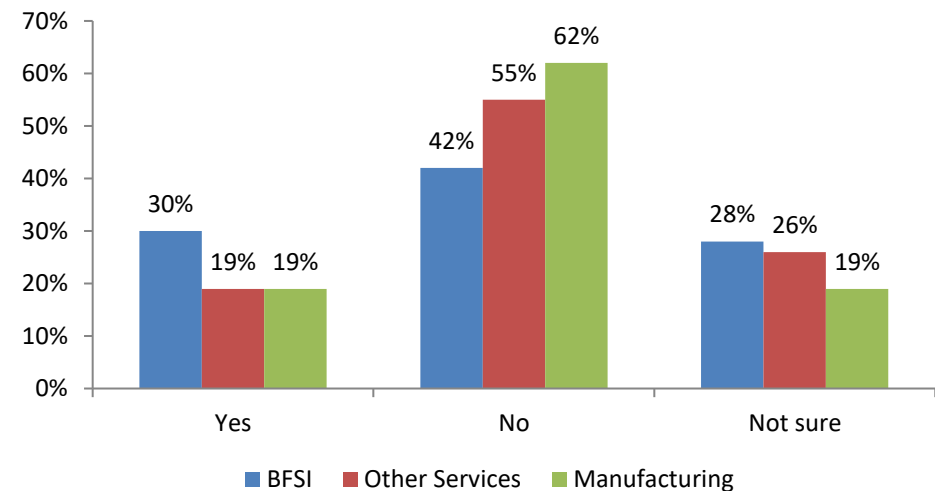
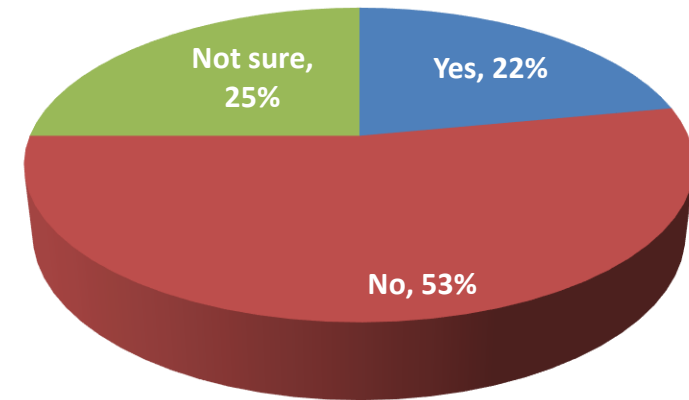


## II. Future Expectations

## Q14: Has your industry benefitted from the Atmanirbhar Bharat package announced by the government?

212 respondents answered this question. Out of which, majority 53% of respondents (113 people) said that their industry has not benefitted from the Atmanirbhar Bharat package, 25% of the respondents were not sure and only 22% of the respondents said that the package announced has benefitted their industry.

Majority of respondents from all three broad segments said that the package has not benefitted their sector. However 30% of respondents from the BFSI segment responded positively to the question against 42% responding not in favour of the package.

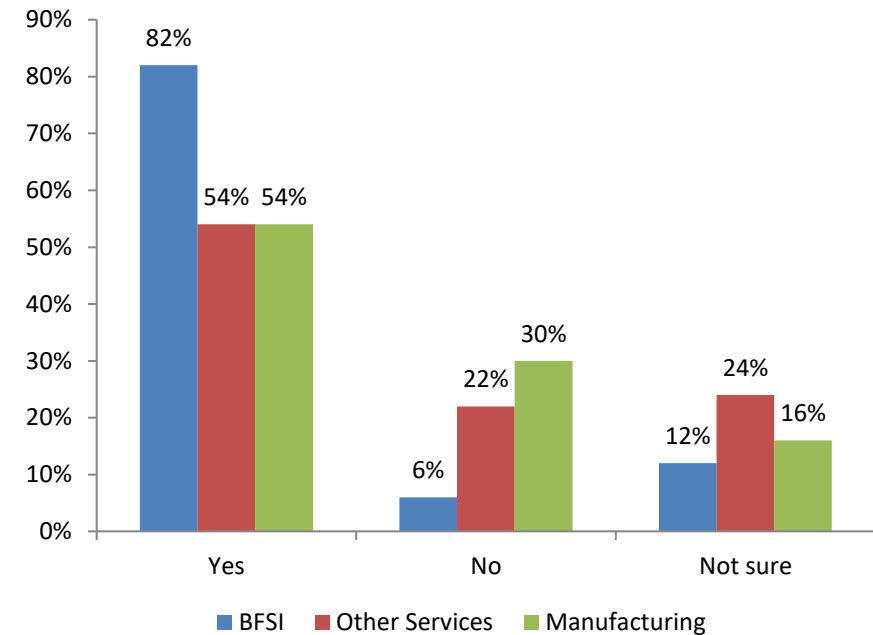


## Q16: Do you think investment activity will pick up in Q4FY21?

82% respondents from the BFSI sector (27 out of 33) said that they expect investment activity to pick up in Q4FY21. 54% of respondents – 27 out of 50 respondents from other services and 63 out of 117 respondents from manufacturing sector expects investment activity to pick up in Q4FY21.

In other services sector, almost 2/3<sup>rd</sup> respondents from IT/ITES and Telecom sector replied in positive whereas response from the retail, logistics and hospitals segment gave a mixed picture where 50% said they expect investment to pick up while the other half were either not sure or do not expect a pick-up in investments in Q4FY21.

In manufacturing sector – More than 2/3<sup>rd</sup> respondents answered in positive from the chemicals, cement, drugs & pharma, consumer durables, refineries, machinery and construction segment. On the other hand, majority from auto, power, mining and personal care sector do not expect investment to pick up.

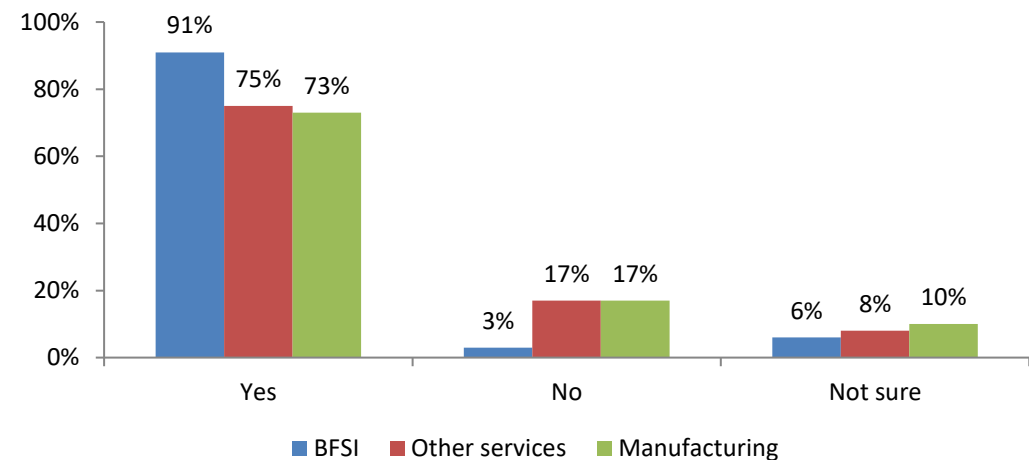
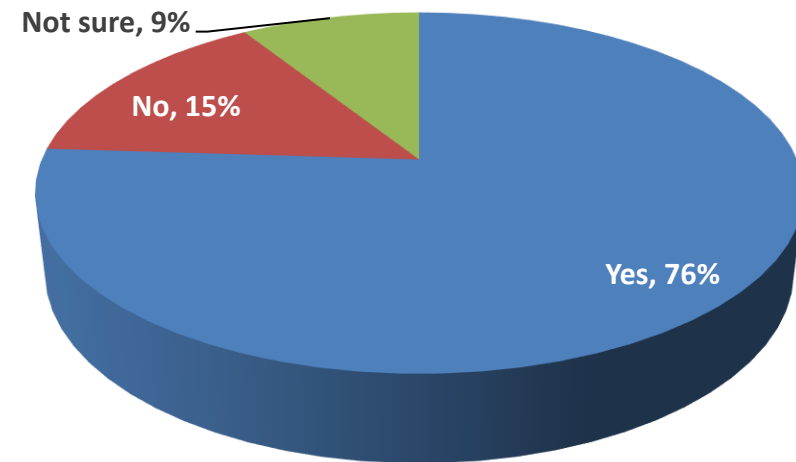




## Q15: Do you see your industry growing/recovering in Q4FY21?

Majority of respondents (153 out of 201) or 76% are positive that their industry would grow/recover in Q4FY21. Only 15% responded in negative and the rest 9% were not sure.

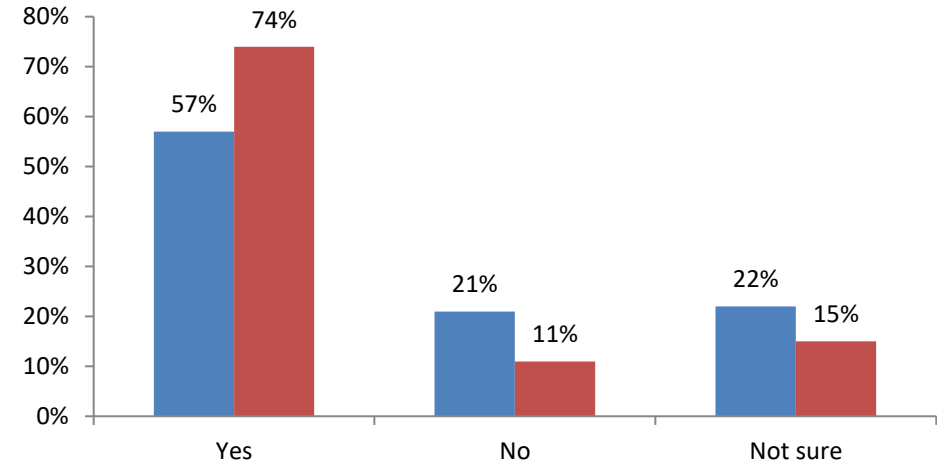
A vast majority of respondents from the BFSI segment (91%) expect their industry to grow in Q4FY21. 75% of manufacturing and 73% of service sector respondents were also optimistic about the growth of their sector in the rest of the year.



### Q17: Do you expect prices for raw materials to rise in your industry in Q4FY21?

74% respondents from the manufacturing sector (86 out of 117) expect raw materials prices to rise for their industry in Q4FY21. 57% of respondents from services sector (48 out of 84) also expect input cost to rise in Q4FY21.

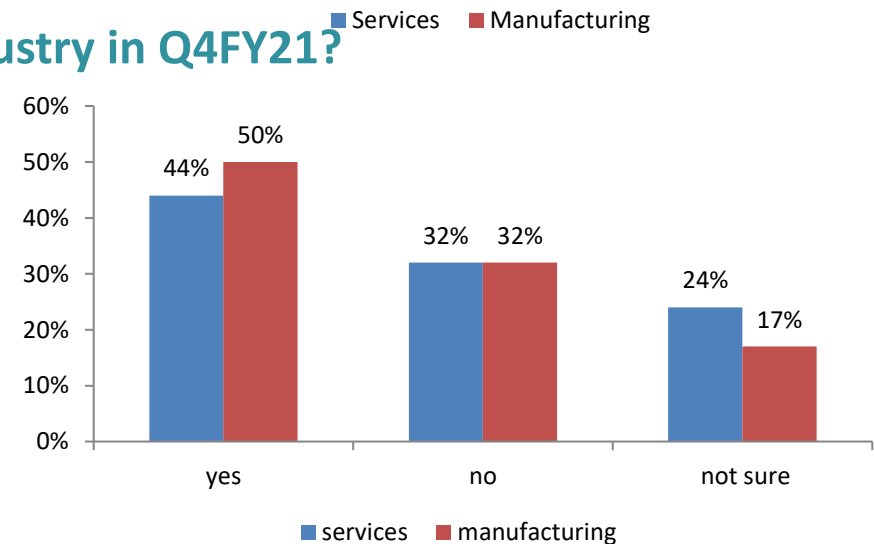
Retail and hospitals and healthcare were the only sector to give mixed picture whereas all other sectors are mainly expecting input cost to go up in Q4FY21.



### Q18: Do you expect output prices to rise in your industry in Q4FY21?

50% of respondents from manufacturing sector (50 out of 117) and 44% of respondents from services sector (37 out of 84) expects output prices to rise in Q4FY21.

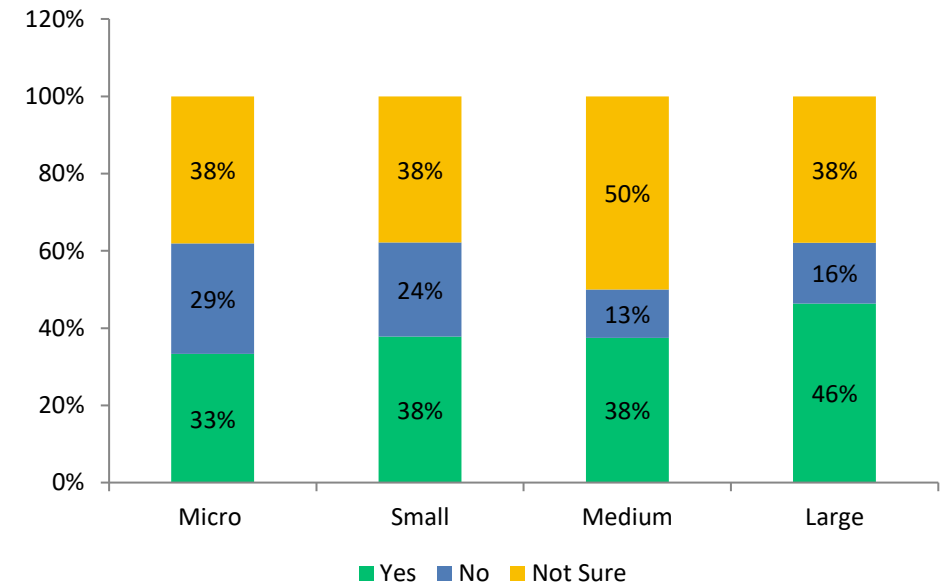
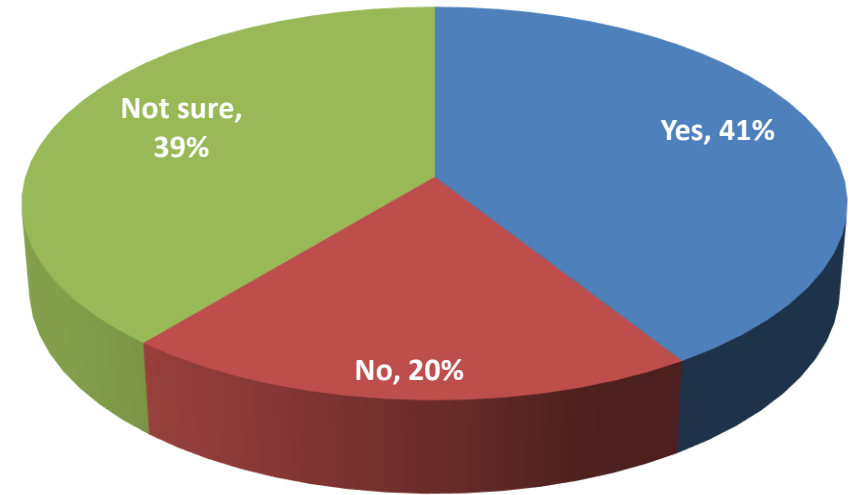
Majority of respondents from power, real estate and machinery, mining, refineries and paper do not expect output cost to rise in Q4FY21



### Q19: Do you expect exports to pick up in Q4FY21?

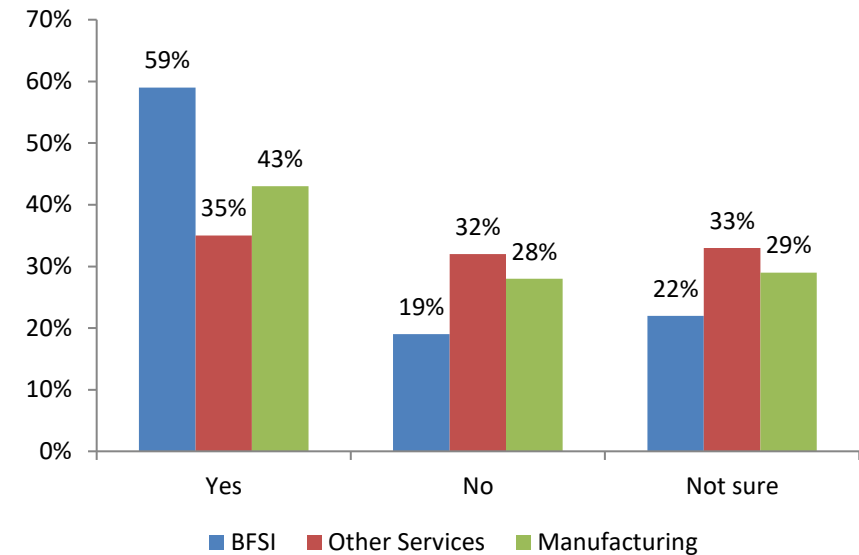
While 41% respondents (81 out of 198) expect exports to pick up in Q4FY21, 39% (78 out of 198) are not sure and 20% do not expect a pickup in exports.

Majority of respondents from the micro, small and medium enterprises said that they are not sure whether exports will pick up in Q4FY21. Among the respondents from the large enterprises as well while 46% expect exports to pick up 16% responded in negative and 38% are not sure about the export scenario.



## Q19: Do you think that the Atmanirbhar Bharat schemes like PLI, Procurement from MSME by government agencies etc will benefit your industry in the next couple of years?

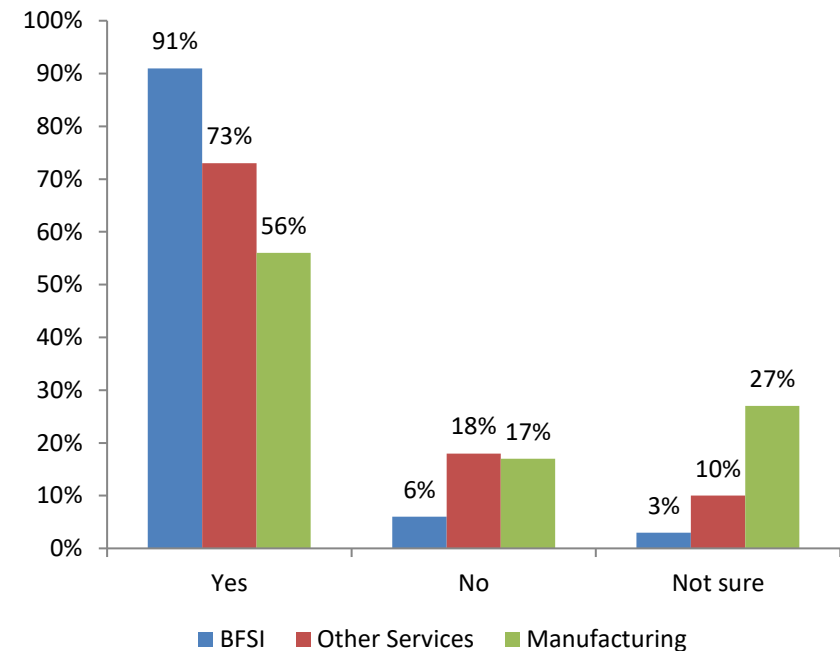
Majority of respondents from the BFSI and manufacturing sector (59% and 43%, respectively) expect to benefit from the various schemes announced by the government in the next couple of years. However, response from the other services sector was mixed as 35% responded in affirmative while 32% responded in negative and the rest are not sure.



## Q19: Do you see greater use of technology (AI, ML) in your industry in the next couple of years?

All sectors expect greater use of technologies such as Artificial Intelligence (AI) and Machine Learning (ML) over the next couple of years. Almost 91% of respondents from the BFSI segment (30 out of 33) responded in positive.

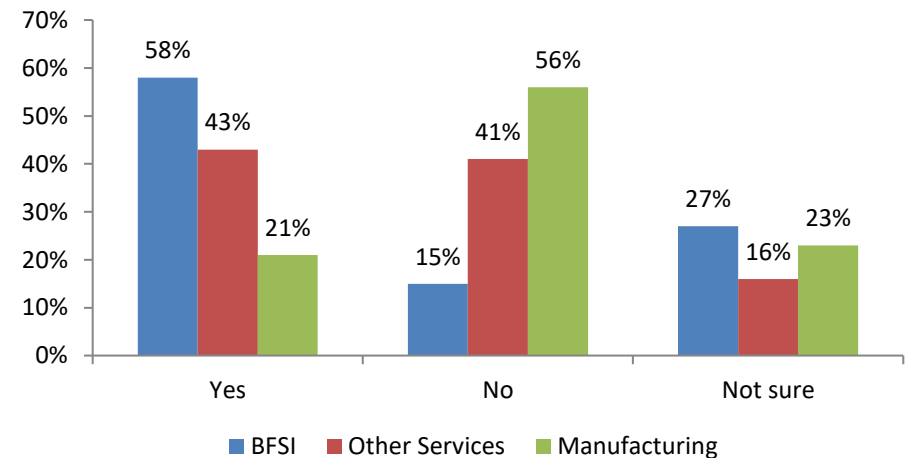
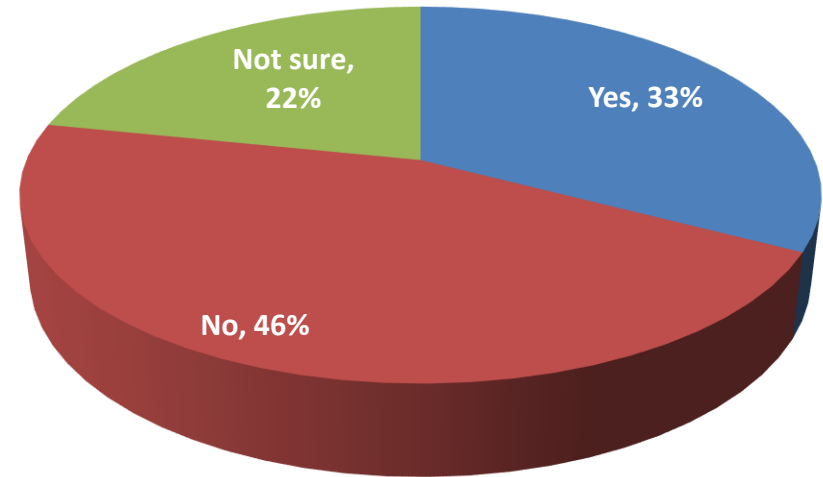
Among the other services sectors- retail industry gave a mixed picture on use of advanced technology in the sector. Majority from the real estate sector do not expect their industry to faster adopt advanced technologies. However, IT, Hospitals, Hotels and telecom do expect greater use of AI and ML in their sector.



## Q19: Will remote working/work from home be a part of your company's policy in the future?

46% of respondents (91 out of 200) said that they do not expect work from home (WFH) to be a part of their company's policy in the near future. 22% (44 out of 200) said that they were not sure and 33% (65 out of 200) expect WFH to become a part of their company's policy in the future.

While majority of respondents from the BFSI segment (58%) expect their company to adopt WFH policy in contrast majority (56%) of respondents from the manufacturing segment do not expect WFH to be their company's policy in future. Other services sector gave a mixed picture as 43% responded in positive while 41% responded in negative to the question.



## Summary

### **I. Present Scenario:**

It was found that -

- For industries having a turnover of more than Rs 50 crore, business and capacity utilisation rate has recovered to pre-covid/normal levels.
- More than 50% respondents stated that the level of unsold goods or excess inventory on account of Covid-19 and receivables had come down
- Hiring activity seems to have picked up for services industry but not manufacturing industry.
- Majority of the respondents stated that their company had not given up office space or cancelled lease agreements.
- Also, most of the participants expressed that on account of Covid-19 challenges business units in their industry had not closed down.
- Barring the respondents in small enterprises category, people from micro, small and medium enterprises opined that bank credit availability for their industry has improved.

## Summary

### II. Future scenario:

- Majority of respondents from all three broad sectors BFSI, other services and manufacturing said that their industry has not yet benefitted from the Atmanirbhar Bharat package as yet, however the industry is largely optimistic that these policies would be beneficial over the next couple of years.
- Majority of respondents expect their industry to grow/recover and investment activity to pick up in Q4FY21. However, in terms of pick up in export demand in Q4FY21 the response was mixed.
- 2/3<sup>rd</sup> of the participants expect raw material prices to rise in Q4FY21. However, 48% of respondents do not expect the output prices to go up in their sector in Q4FY21.
- BFSI and other services sector are hugely optimistic about the use of advance technologies like artificial intelligence and machine learning in their industry in the next couple of years. Construction, machinery, food products, drugs & pharma and textiles industry revealed mixed picture but auto ancillaries, chemicals and petrochemicals, power, consumer durables and engineering are the sectors that responded positively.
- While majority of the respondents from the manufacturing sector do not expect WFH policy to continue in their sector however response from the BFSI sector was largely in favour of greater adoption of the WFH policy. Response from other services sector was mixed.



**Thank You**