FICCI QUARTERLY SURVEY

ON

INDIAN MANUFACTURING SECTOR

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FEDERATION OF INDIAN CHAMBERS OF COMMERCE & INDUSTRY

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FICCI QUARTERLY SURVEY ON INDIAN MANUFACTURING SECTOR

Introduction & Quarterly Outlook for the Manufacturing Sector

Production and Demand

FICCI's latest quarterly survey assessed the expectations of manufacturers for Q-4 (January-March 2017) for twelve major sectors namely auto, capital goods, cement and ceramics, chemicals, electronics & electricals, food products, leather and footwear, machine tools, metal and metal products, paper products, textiles and technical textiles and textiles machinery. Responses have been drawn from 320 manufacturing units from both large and SME segments with a combined annual turnover of over ₹3.8 lac crore.

- FICCI's latest Quarterly Survey on Manufacturing suggests slight decline for the manufacturing sector outlook in the fourth quarter (January-March 2017) of the fiscal as the percentage of respondents reporting higher production and exports in fourth quarter have declined vis-à-vis previous quarter. *However, it is also notable in the survey that the percentage of respondents reporting lower production has reduced by half over the previous quarter thereby indicating a more stable outlook in months to come*.
- The proportion of respondents reporting higher growth during the January-March 2017 quarter has slightly fallen from 48% (revised) in October-December 2016-17 to 46%. The percentage for the third quarter i.e. October-December 2016-17 has undergone a revision with this survey. Respondents reporting negative growth has come down to 14% in January-March 2017 from 29% as reported in the previous quarter.
- The slight dip in the outlook for manufacturing production in fourth quarter of the current financial year is attributable primarily to rising cost of production to a little extent to uncertain outlook on export front whereas. Though, the percentage of respondents reporting fall in exports has reduced from 30% in the previous quarter to 18% in the January-March quarter.
- In terms of order books, almost 47% respondents in January-March 2017 quarter as compared to 48% respondents in October-December 2017 quarter, reported higher order books which is almost the same.

Quarter	% of Respondents Expecting Higher Production in the Quarter vis-à-vis Respective Last Year's Quarter
Q-4 (2016-17)	46%
Q-3 (2016-17)	48% (Revised)
Q-2 (2016-17)	55%
Q-1 (2016-17)	53%
Q-4 (2015-16)	60%
Q-3 (2015-16)	55%
Q-2 (2015-16)	63%
Q-1 (2015-16)	44%
Q-4 (2014-15)	52%
Q-3 (2014-15)	50%
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

Capacity Addition & Utilization

- In terms of capacity utilisation also, there is a decline. Over 35% respondents in the January-March 2017 quarter as compared to 43% respondents in previous quarter reported to have higher capacity utilization.
- Accordingly, the future investment outlook is also less optimistic. 75% respondent in Q-4 (Jan-March 2017) as against 77% respondents in Q-3 (October-December 2016) reported that they don't have any plans for capacity additions for the next six months. The high percentage implies slack in the private sector investments in manufacturing is here to

continue. Increased competition from imports, lack of demand from industrial sectors and OEMs, shortage of credit are some of the major constraints which are affecting the expansion plans of the respondents.

- On a broader perspective, in some sectors (like Capital goods, cement, food, leather, metals and paper) average capacity utilization has either remained same or increased in Q-3 of 2016-17 as was in previous quarters. The auto, textiles and chemicals sector recorded a dip in the average capacity utilisation over the same period.

Table: Current Average Capacity Utilization Levels As Reported in Survey

Sector	Average Capacity Utilisation (%) in Q-3 2016-17	Average Capacity Utilization (%) in Q-2 2016-17	Average Capacity Utilization (%) in Q-1 2016-17
Auto	75	80	77
Capital Goods	74	70	80
Cement	80	80	87.5
Chemicals	76	83	83
Textiles	79	84	84
Electronics & Electricals	58	70	65
Food	60	60	57
Leather & Footwear	60	60	60
Metals	82	70	70
Textiles Machinery	60	60	50
Paper	87.5	85	80
Machine Tools	NA	80	NA

**NA: Not Available due to lack of data*

- The average capacity utilization as reported in the survey for the total manufacturing sector is around 75% for Q-3 2016-17, marginally down from the 77% for Q-2 2016-17.

<u>Inventories</u>

- Inventory levels have seen a sharp rise 97% respondents in Q-3 (October-December 2016) as compared to 81% respondents in Q-2 (July-September 2016) have maintained either more or same levels of inventory as their average inventory levels. This is much more than the average levels been maintained by the industry in earlier quarters.

Exports

- Export outlook for third quarter's manufacturing also witnessed a fall as the proportion of respondents expecting higher exports in the fourth quarter (2016-17) was 40% as compared to 46% in third quarter 2016-17 and 41% in second quarter of 2016-17.

Hiring

- Hiring outlook remains subdued in manufacturing in coming months as 77% of the participants in Q-4 2016-17 said that they are unlikely to hire additional workforce in next three months. The proportion remains almost similar to that recorded for Q-3 and Q-2 2016-17. Maximum increase in hiring is at 7% in certain cases.

Interest Rate

- Average interest rate paid by the manufacturers still remain high though have shown some sign of moderation with average rate at 11% but highest rates continued at 15%.

Sectoral Growth

- Based on expectations in different sectors, the Survey suggests that nine out of twelve sectors were likely to witness low to moderate growth (less than 10%). Sectors, namely chemicals, electronics and leather are likely to witness strong growth of over 10% in Q-3 2016-17.

Table: Growth expectations for Q-4 2016-17 compared with Q4 2015-16

Sector	Growth Expectation
Capital Goods	Moderate

Cement and Ceramics	Low
Chemicals	Moderate
Paper	Moderate
Auto	Moderate
Textiles and Technical Textiles	Moderate
Textiles Machinery	Low
Electronics & Electricals	Low
Machine Tools	Strong
Food Products	Moderate
Metals & Metal Products	Moderate
Leather and Footwear	Moderate

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

Source: FICCI Survey

Production Cost

- The cost of production as a percentage of sales for product for manufacturers in the survey has risen significantly as 60% respondents in Q-4 2016-17, against 51% respondents reported cost escalation in last quarter. This is primarily due to rise in minimum wages and raw material cost.

Auto

Quarterly Outlook for the Sector at a Glance

Production	Exports	Inventory	Investment for Expansion	Hiring
Improvement Expected	Improvement Expected	Average levels of inventory	Bleak Outlook	Bleak Outlook

- Almost all the respondents remain upbeat about the production levels in the current quarter, i.e. January – March 2016-17.
- However, only half of the respondents are reportedly having higher no. of orders during the current quarter on a quarter-on-quarter (q-o-q) basis.
- On an average, the industry is operating at a capacity of 75% and for almost three quarters of the participants, it is higher than that of last year. However, none of the respondents plan to add capacity in the next six months.
- As for the exports, half of the respondents are expecting higher exports in the present quarter vis-à-vis same quarter last year. On average, the rise is closer to 20% over the same period. Others are expecting same exports vis-à-vis the same quarter last year.
- About half of the respondents reported to be maintaining average levels of inventory.
- Almost all of the survey participants reportedly do not plan to hire additional workforce in the next three months.
- On an average, the industry is getting credit at a rate slightly above 10%.
- Close to 50% of the covered industry representatives expect the growth of manufacturing sector to remain flat while a few expect the growth to revive in the near future. The sector has suggested that following issues need to be addressed to revive growth:
    - ✓ Early implementation of GST
    - ✓ Reduce interest rates for capital
    - ✓ Higher investments in Infrastructure

- For a little over 50% of the respondents, cost of production as a percentage of their sales increased vis-à-vis last year. This was mainly attributed to inflationary pressures on power and increase in minimum wages.
- Some of the significant constraints for the sector are high prices of raw materials, weaker domestic demand and uncertainty of economic environment.

Capital Goods

Quarterly Outlook for the Sector at a Glance

Production	Exports	Inventory	Investment for Expansion	Hiring
Improvement Expected	Improvement expected	Higher levels of inventory	Not expected in next 6 months	Bleak Outlook

- For the present quarter, almost two-third of the participants expect the output level to be higher (y-o-y basis) by an average of 6%.
- The same is matched by the order books for the present quarter wherein about 55% of the sample reported higher orders as compared to the previous quarter of the current fiscal. However, about a third reported the same to be falling.
- Currently, the sector utilises almost 75% of its installed capacity which stands at a higher level than that of the previous year, for two-thirds of the firms surveyed. Around 55% of the covered firms reported that they are not planning to add capacity in next 6 months.
- Exports for the present quarter are expected to rise for more than half (55%) of the respondents while a third of the sample expects the quantum to remain same (y-o-y).
- However, close to 60% of the respondents are maintaining higher inventory levels while a third reportedly are maintaining average levels.
- About three quarters of the participants from this sector indicated that they are not planning to hire new workforce.
- On an average, the industry reported to be availing credit at an interest rate close to 11%.
- Majority of the participants expect the manufacturing sector to remain on the same growth path, only about 10% remain hopeful of a revival in near future. However, following suggestions have been proposed for faster revival of growth in the sector:
  - ✓ Lower interest rates.
  - ✓ Developing skill development training centres at the district level
  - ✓ Early implementation of GST.
  - ✓ A boost in government expenditure

- ✓ Across the board infrastructure development should be given a priority. This include roads, railways, ports, bridges, dams, metros, power and real estates

- A rise in production level has been matched by a rise in production costs as more than 70% of the respondents reported higher input costs. This was largely accounted by increased wages and raw material costs along with hardening of commodity prices in the international market.
- Gradually rising raw material prices, low domestic & export demand and uncertain economic environment are some of the important constraints for the sector which are restricting its growth.

Cement and Ceramics

Quarterly Outlook for the Sector at a Glance

Production	Exports	Inventory	Investments for Expansion	Hiring
Moderate outlook	Not indicated	Average inventory levels	Bleak Outlook	Bleak outlook

- Most of the respondents expect a slightly higher output level in the present quarter vis-à-vis the year ago quarter. However, the order books are reported to be leaner for the same quarter on a sequential basis.
- Capacity utilization in the sector was reported to be in the vicinity of 60%. None of the respondents are planning to add capacity in next few months.
- Almost all of the respondents are reportedly maintaining average inventory levels of finished goods.
- Almost all the reporting firms in the cement and ceramics sector are not planning to hire new work force in the next three months.
- This sector is reportedly availing credit at around 11% rate of interest.
- Almost all of the participants believe that the growth rate of manufacturing is likely to remain the same in the next six months.
- About half of the respondents reported decreased cost of production as a percentage of their sales.
- Issues that are affecting growth of the sector significantly are deficiency and high prices of raw materials and sluggish domestic and export demand. Other issues faced by the sector are inverted duty structure, deficiency of power, shortage of working capital, competition from imports and uncertainty of economic environment.
- Coal Supply: Inadequate domestic coal supplies against coal linkages is badly affecting the industry. Due to competitive price and uncertainty in the quality of linkage coal, about 63% of the fuel requirement is being fulfilled by procuring imported coal and pet coke which also acts as a drag on the country's forex reserves.

- Also, the rise in the Clean Energy Cess on coal, lignite and peat from Rs 200 a tonne to Rs 400 per tonne w.e.f 01.03.2016 has pushed up cost of production of Cement.
- Cement is one of the most highly taxed commodities in India. Despite cement being the most essential infrastructure input & the tax on cement is the highest among the items required for building infrastructure. This needs to be lowered by 20-25% from present level for further growth of the industry.
- Duty Free Import of Cement to be stopped: Government's policy of allowing duty-free import of cement in spite of India having more than 140 million tonnes of surplus cement capacity lying idle due to lack of demand has led to uneven playing field. There is a need to encourage and incentivize the cement and clinker export from India and re-impose duty on import of cement.

Chemicals & Fertilizers

Quarterly Outlook for the Sector at a Glance

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

- For the production levels of the current quarter, an equal proportion of respondents (47%) expect higher and similar production levels vis-à-vis last year.
- As for the quantum of orders, about close to half of the firms surveyed reported higher number of orders for the current quarter in comparison to the previous quarter, while about a quarter reported similar levels.
- Capacity utilization stands at 76% for this sector and for a third of the respondents it is more than that of last year. Further, two-thirds of the manufacturers are not planning to add capacity in the next 6 months.
- 45% of the respondents expect higher levels of exports during the January – March quarter (2016-17) over the same quarter of last year.
- Almost 60% of the respondents are maintaining their average inventory levels with one third of the firms having higher inventory. Almost three quarters of the participants are not planning to hire workforce in next 3 months.
- The chemical and fertilizer manufacturers are reportedly getting credit at an average cost of 11.5% p.a.
- Two-thirds of the respondents believe the growth rate of manufacturing sector to further slowdown in coming months and the rest expect the same to revive. Following measures are suggested by respondents for revival of growth:
  - ✓ Early implementation of GST.
  - ✓ Interest rate needs to be lowered further.

- ✓ Need to improve common R&D and technical Skill levels that would help in innovation and domain expertise.
- ✓ Reduction in crude oil prices.
- ✓ Simplification of regulatory process further

- For about 47% of the respondents, cost of production, as a percentage of their sales, remained the same as that of corresponding quarter a year earlier while the same rose for a third.
- High input costs, sluggish domestic and export demand, uncertain economic environment, inverted duty structure and competition faced from imports 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
Bleak Outlook	Moderate Outlook	Average level of inventory	Bleak Outlook	Bleak Outlook

- For the current quarter, i.e. January – March 2016-17, about 60% of the sample is expecting either higher or similar production levels on a y-o-y basis.
- However, around four-fifths of the respondents reported higher level of orders over the same period.
- Current capacity utilization in the industry stands at 58% which is 10 percentage points lower than that of the previous quarter. This is corroborated by 60% of the firms which reported lower capacity employment as compared to that of last year. Further, about 80% respondents are not planning to add capacity in next six months.
- Half of the survey participants expect flat exports in the January – March 2016-17 quarter as compared to the same quarter of last year. Only one fourth of participants are expecting higher exports.
- About three-fifths of the respondents were reportedly maintaining average inventory levels, while others were having comparatively higher inventory levels.
- Four-fifths of the respondents were reluctant when asked about their plans of hiring additional work force in next 3 months.
- Electronics industry's respondents are availing credit at an average rate of 11%.
- 60% of the sample in the sector expects the manufacturing sector to follow the current path in the next six months. Following suggestions were made to foster recovery of the sector:
  - ✓ Faster implementation of GST
  - ✓ Improving infrastructure
  - ✓ Cheaper working capital and term loans

- The sector has been witnessing a spike in the cost of production as an overwhelming majority (more than 80%) of the participants reported a rise than that of last year. Increase in power tariff and rise in service tax have been cited as the key reasons for the rise.
- Prices of raw materials, duty inversion, competition faced from imports and lower domestic and export demand are significantly affecting the growth of this sector.
    - One of the key areas of concern is LED lights and components. While the industry has been struggling with domestic market forces to keep up with the increasing costs and rising competition, the same has been exacerbated by cheaper imports of the same along with higher cost of availing credit.

Food Products

Quarterly Outlook for the Sector at a Glance

Production	Exports	Inventory	Investments for Expansion	Hiring
Moderate Outlook	Moderate Outlook	Higher levels of inventory	Bleak Outlook	Bleak Outlook

- Majority of the respondents in food sector are expecting their production in the present quarter to be slightly higher vis-a-vis the same quarter last year.
- Similar expectations were observed on the exports front as most of the participants reported moderate improvements for the same period.
- The industry currently utilises 60% of its installed capacity and is not considering any significant expansion plans.
- Regarding inventory levels, majority of the firms are reportedly maintaining relatively higher than average levels of inventories.
- None of the respondents in this sector are planning to hire new workforce in next three months.
- In general, credit is being availed in the range of 9.5-13% interest rate.
- In the food processing sector, respondents are not very hopeful of revival in growth of the manufacturing sector. Following suggestions were made by respondents from the sector on policy front to revive growth :
    - ✓ Simpler credit facility with lower interest rates
    - ✓ Infrastructure improvement, especially that of power supply
    - ✓ Labour laws to be made industry friendly.
- Almost all the respondents reported no change in their production cost as compared to last year.

- Food Processing firms are facing constraints in production due to rising prices of raw materials, deficiency of power, labour related issues and lower domestic and external demand.

Leather and Footwear

Quarterly Outlook for the Sector at a Glance

Production	Exports	Inventory	Investments for Expansion	Hiring
Moderate Outlook	Moderate Outlook	Higher levels of inventory	Bleak Outlook	Bleak Outlook

- For the January – March 2016-17 quarter, half of the respondents are expecting increased production levels vis-à-vis last year. Similar pattern of responses was observed when asked for the quantum of orders during the same quarter.
- The sector is employing about 60% of its installed capacity and majority of firms are not planning to add capacity in near future.
- Participants remained divided when asked about exports for the present quarter as equal number are expecting higher and same level of exports vis-à-vis the same quarter last year.
- Inventory level of most of the respondents is reported to be higher than their average levels.
- More than three-fifths of the survey participants in this sector reported that they are not planning to expand their workforce in next three months.
- On an average, firms in the sector reported to be availing credit at the rate of around 11%.
- Most of the respondents in the sector expect growth to revive in manufacturing sector in coming months.
- All the respondents indicated increased cost of production largely on the back of rise in wages and raw material costs.
- Firms in leather and footwear sector are significantly constrained by deficiency and high prices of raw materials, deficiency of power, labour related issues, lower domestic and external demand and uncertain economic environment.

Machine Tools

Quarterly Outlook for the Sector at a Glance

Production	Exports	Inventory	Investment for Expansion	Hiring
Positive Outlook	Moderate Outlook	Not Available	Not Available	Not Available

- Most of the respondents in this sector reported strong growth during the October – December quarter 2016-17 (y-o-y) and are expecting the same momentum (about 5-8%) for production during the current quarter (y-o-y). However, on a sequential basis, growth in the number of orders for the January – March quarter is expected to remain flat.
- Survey participants are not expecting any improvement in the quantum of exports in the present quarter over the previous year.
- The respondents feel in order to stimulate growth in the sector, the government should push more reforms (esp. in the Ease of Doing Business domain) for land, power and infrastructure.
- Some of the significant constraints for this sector are shortage of working capital, lower domestic demand, competition faced from imports and uncertainty of economic environment.

Metal and Metal Products

Quarterly Outlook for the Sector at a Glance

Production	Exports	Inventory	Investment for Expansion	Hiring
Moderate outlook	Moderate Outlook	Average levels of inventory	Not expected in next 6 months	Bleak Outlook

- For the present quarter, majority of the participants expected the production scenario to remain at similar or increased level as seen in the corresponding period of last year. Only 20% are expecting increased production.
- About 45% of the respondents reported their order books to be flat in January – March 2016-17 quarter while 20% reported higher numbers.
- As for exports, almost all of the respondents reported no change in exports for the January – March quarter (y-o-y basis).
- Currently, the industry is operating at an average capacity of 82% and for over half of the sample, it is the same as that of last year's. Also, about 90% of the respondents reported that they have no plans to increase their capacity in next 6 months.
- Being in line with the production outlook, two-third of the respondents reported that they maintained higher inventory levels as relative to their average inventories.
- Almost all the respondents reported that they do not have any plans to hire new workforce in next 3 months.
- The respondents reported to have availed credit from the banks at an average rate of 12.5%.
- Slightly over two-thirds of the respondents feel that growth rate of the manufacturing sector will remain the same in short term. The industry suggested the following for revival of the sector's growth:
  - ✓ Infrastructure development, especially improving availability of power to the industry
  - ✓ Improving availability of raw materials (especially coal & ore)

- ✓ Interest rates need to be lowered.

- Almost all of the respondents indicated increased cost of production largely on the back of rise in wages and raw material costs.
- Most of the respondents feel high prices of raw materials, cheaper imports of various alloys from FTA countries and lack of domestic and export demand as 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
Positive outlook	Negative outlook	Average level	Not expected in next 6 months	Bleak Outlook

- About half of the respondents are expecting higher production levels for the sector during the current quarter (y-o-y basis). The other half is expecting similar production levels viz-a-viz the same quarter last year.
- Almost three-quarters of the respondents reported same quantum of orders during the same period. When asked about exports, similar proportion of the sample expected lower levels during the January – March quarter of 2016-17 as compared to corresponding period of last year. The fall is likely to be about 5% over the same period.
- Currently, the industry is operating at an average capacity of 88% which stands at higher levels for almost half of the respondents as compared to that of last year. Also, 75% of the respondents reported that they are not planning to increase their capacity in the next 6 months.
- More than 70% of the survey participants reported that they are maintaining inventory levels at par with their average levels.
- Almost all the respondents were not planning any increase in manpower in next 3 months.
- Presently, the average rate of interest for availing credit for the industry is reportedly around 10.5%.
- Most of the industry representatives hold positive expectations regarding growth rate of manufacturing in coming months.
- The survey participants suggested curbing large imports of paper from Indonesia, to extend the coverage of the TUFS programme to paper sector and improving infrastructural and logistical support for the areas having major clusters of the industry.

- The respondents also highlighted scarcity and higher prices of raw materials, existence of duty inversion and lower export demand as other areas of concern for the sector.

Textiles & Technical Textiles

Quarterly Outlook for the Sector at a Glance

Production	Exports	Inventory	Investments for Expansion	Hiring
Positive Outlook	Improvement Expected	Average levels of inventory	Bleak Outlook	Bleak Outlook

- For the current quarter, i.e. January – March 2016-17, two-fifth of participants expect their production level to be higher vis-à-vis the same quarter last year, while a similar proportion expect it to remain the same over the same period.
- For the same quarter, more than half of the sample respondents reported higher number of orders on a sequential basis.
- On an annual basis, half of sample covered is expecting higher exports in January – March quarter whereas about a quarter are expecting exports to be at par with the those of last year.
- The average capacity utilization of the sector is hovering around 80% with about two-third of the respondents operating at the same capacity as that of last year. Given an already high capacity utilisation, little growth is foreseen in the same, more than 85% of the sample reported no plans for capacity addition in the next 6 months.
- 55% of the respondents in textiles sector have reported that their current inventory level is same as their average inventory level while the rest are reportedly having higher inventories.
- Almost two-third of the covered sample indicated that they are not planning to hire new workers in next three months while others responded affirmatively.
- While the average cost of credit for the sector is around 10% but some of the respondents reportedly were availing the same at around 16%.
- 60% of the respondents are expecting manufacturing growth to remain at the same level in coming months while a third are expecting it to nudge a bit higher in the near future. The following suggestions are made to stimulate growth in the sector:

- ✓ Easing export obligation norms for the sector
- ✓ Early Implementation of GST
- ✓ Reduction in logistics costs
- ✓ Reduction of interest rates
- ✓ Labour laws need to be reformed
- ✓ Increase in rate of Interest subvention

- Almost 70% of the sample respondents indicated an increase in cost of production and the prime reasons for the inflated production cost has been mentioned as higher input cost including power and increased labour cost due to hike in minimum wages.
- Units in textiles sector are significantly affected by high prices of raw materials, labour related issues, shortage of working capital, low domestic and export demand, competition from imports (especially from Bangladesh) and uncertain economic environment.

Textile Machinery

Quarterly Outlook for the Sector at a Glance

Production	Exports	Inventory	Investment for Expansion	Hiring
Bleak Outlook	Bleak Outlook	Not Available	Bleak Outlook	Bleak Outlook

- The sector reportedly registered a mild drop (2%) in production levels for the quarter October – December 2016-17 (y-o-y) and the output is expected to further contract by around 10% during the current quarter (January – March 2016-17) on an annual basis.
- Similar sentiment gets reverberated on sequential comparison as almost all of the respondents expect leaner order books for the January – March quarter.
- The industry is reportedly operating at 60% of its installed capacity which is similar to the levels witnessed in corresponding period of last year. Consequently, most of the respondents are not planning any capacity addition and hiring for the next 6 months.
- Being in line with the production trend, the respondents are expecting a fall in their exports (of nearly 12%) for the January – March quarter of 2016-17 (y-o-y).
- Most of the respondents in the sector expect the manufacturing growth to remain the same for the next few months.
- The sector reportedly is experiencing an increased cost of production, vis-à-vis last year, largely owing to rising cost of raw materials, labour costs and power tariffs.
- Respondents from this sector have suggested restricting indiscriminate imports of second-hand machinery which are available domestically as well; ceasing availability of TUFS benefit on second hand textile machinery; imposition of uniform rate of excise duty on all items of textile machinery and components; increasing import tariff on textile machinery and extending TUFS for the Textile Engineering Industry, as some of the measures for the government to boost the sector's performance.
- Apart from the above, non-availability of skilled manpower and duty inversion and daunting competition by cheaper imports are other significant challenges for this sector.