FEDERATION OF INDIAN CHAMBERS OF COMMERCE & INDUSTRY

FICCI QUARTERLY SURVEY

ON

INDIAN MANUFACTURING SECTOR

July 2020

CONTENTS **Page No.**

Introduction & Quarterly Assessment for Manufacturing Sector	*1*
Automotive	*8*
Capital Goods	*10*
Cement and Ceramics	*12*
Chemicals, Fertilizers & Pharmaceuticals	*14*
Electronics & Electricals	*16*
Leather and Footwear	*18*
Medical Devices	*20*
Metal and Metal Products	*21*
Paper Products	*23*
Textiles	*25*
Textiles Machinery	*28*
Miscellaneous	*30*

Introduction & Quarterly Assessment for the Manufacturing Sector

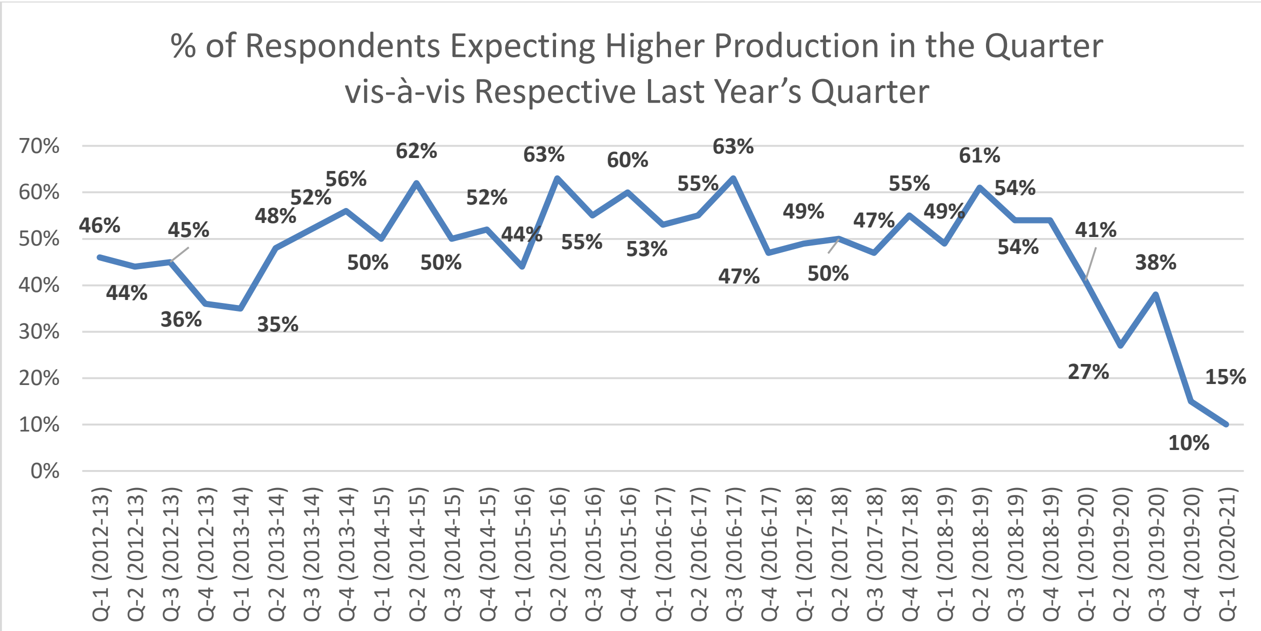
Production and Demand

FICCI's latest quarterly survey assessed the sentiments of manufacturers for Q-1 (April-June 2020-21) for twelve major sectors namely automotive, capital goods, cement and ceramics, chemicals, fertilizers and pharmaceuticals, electronics & electricals, leather and footwear, medical devices, metal & metal products, paper products, textiles, textile machinery, and miscellaneous. Responses have been drawn from over 300 manufacturing units from both large and SME segments with a combined annual turnover of over 2.5 lakh crore.

- FICCI's latest quarterly survey on Manufacturing reveals a bleak status for Q-1 (April-June 2020-21) as compared to previous few quarters of 2019. The percentage of respondents reporting higher production in first quarter of 2020-21 has fallen significantly vis-à-vis the Q-4 of 2019-20. The proportion of respondents reporting higher output during April-June 2020 has fallen to just 10% as compared to Q-4 of 2019-20 (15%). The percentage of respondents expecting low or same production is 90% in Q-1 2020-21 which was 85% in Q-4 of 2019-20.
- This assessment is also reflective in order books as 85% of the respondents in April-June 2020-21 expected lesser number of orders as against 54% in January-March 2019.

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 decline to 61.5% in Q4 2019-20 as compared to 76% in Q-3 2019-20.
- The future investment outlook looks subdued as only 22% respondents reported plans for capacity additions for the next six months as compared to 28% in previous quarter.
- High raw material prices, high cost of finance, uncertainty of demand, shortage of skilled labor and working capital, high logistics cost, low domestic and global demand due to imposition of lockdown across all countries to contain spread of coronavirus, excess capacities due to high volume of cheap imports into India, lack of financial assistance, unstable market, complex procedures for obtaining environmental clearances, high power tariff, are some of the major constraints which are affecting expansion plans of the respondents.

- From the table below, it is evident that the average capacity utilization for Q4 2019-20 has decreased for all the sectors except Medical Devices and Metals & Metal Products where average capacity utilization has remained same in Q-4 of 2019-20 as compared to Q-3 2019-20.

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

Sector	Average Capacity Utilization in Q-4 2019-20	Average Capacity Utilization in Q-3 2019-20	Average Capacity Utilization in Q-2 2019-20	Average Capacity Utilization in Q-1 2019-20	Average Capacity Utilization in Q-4 2018-19	Average Capacity Utilization in Q-3 2018-19
Automotive	50	67	60	80	80	80
Capital Goods	53	67	72	76	74	74
Cement and Ceramics	70	70	73	80	80	60
Chemicals, Fertilizers & Pharmaceuticals	69	76	84	76	77	74
Electronics & Electricals	60	67	74	67	72	68
Leather & Footwear	58	60	50	60	60	60
Medical Devices	70	70	70	70	NA	NA
Metals & Metal Products	73	80	78	76	88	74
Paper Products	55	90	88	95	95	80
Textiles	60	83	81	84	82	80
Textiles Machinery	53	67	60	60	60	60

Inventories

- 76% of the respondents expect either more or same level of inventory in April-June 2019, which is considerably less as compared to the previous quarters, where around 82% respondents expected either more or same level of inventory in Q-4 2019-20 and Q-3 2019-20.

Exports

- The outlook for exports is subdued and seems to be substantially affected due to COVID outbreak and other restrictions in place, as only 8% of the participants are expecting a rise in their exports for Q-1 2020-21 and 10% are expecting exports to continue to be on same path as that of same quarter last year.

Hiring

- Hiring outlook for the sector shows a bleak picture as 85% of the respondents mentioned that they are not likely to hire additional workforce in the next three months. This presents a worrisome situation in the hiring scenario as compared to the previous quarter Q-4 of 2019-20, where 78% of the respondents were not in favor of hiring additional workforce.

Interest Rate

- Average interest rate paid by the manufacturers has reduced slightly to 9.4% p.a. as against 9.9% p.a. during last quarter and the highest rate remains as high as 14.5%. The recent cuts in repo rate by RBI has not led to a consequential reduction in the lending rate as reported by 65% of the respondents.

Sectoral Growth

- Based on expectations in different sectors, all the sectors are likely to register low growth in Q-1 2020-21. The primary reason for such depressed expectations seems to be the imposition of lockdown, restricted exports and other guidelines in place as a response towards COVID outbreak.

Table: Growth expectations for Q-1 2020-21 compared with Q-1 2019-20

Sector	Growth Expectation
Chemicals, Fertilizers & Pharmaceuticals	Low
Cement & Ceramics	Low
Textile Machinery	Low

Textiles	Low
Electronics & Electricals	Low
Medical Devices & Technologies	Low
Capital Goods	Low
Paper Products	Low
Automotive	Low
Metals and Metal Products	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 64% respondents. This is considerably higher than that reported in Q3 2019-20, where 55% respondents recorded increase in their production costs. Industry respondents have attributed the hike in productions costs primarily to high fixed costs, higher overhead costs for ensuring safety protocols, drastic reduction in volumes due to lockdown, lower capacity utilization, high freight charges and other logistic costs, increased cost of raw materials, power cost and high interest rates.

Back to Business Scenario in Manufacturing (Unlockdown period)

- As evident from the table below, Automotive sector is worst hit in terms of ongoing operations in the factories as per the demand and current orders post easing out of lockdown restrictions.
- Other sectors where operations remain abysmally low are leather and footwear, electronics and electricals & textiles machinery.

Table: Operations taking place in facilities post easing of the Lockdown Restrictions

Sector	% of Active Operations
Chemicals, Fertilizers & Pharmaceuticals	51%
Cement & Ceramics	63%
Textile Machinery	34%

Textiles	48%
Electronics & Electricals	35%
Medical Devices & Technologies	63%
Capital Goods	43%
Paper Products	50%
Automotive	28%
Metals and Metal Products	55%
Leather and Footwear	34%

Workforce Availability

- Below table highlights that sectors like textiles and textiles machinery have only one third of the total labor force engaged in the operations and are hence facing labor shortage. Similarly, automotive and leather & footwear have also witnessed around 35% workers attendance at factories.

Table: Workforce Engagement in Factories

Sector	% of workforce engaged in the current operations
Automotive	36%
Capital Goods	41%
Cement and Ceramics	57%
Chemicals, Fertilizers & Pharmaceuticals	50%
Electronics & Electricals	42%
Leather & Footwear	35%
Medical Devices	50%
Metals & Metal Products	50%
Textiles	33%
Textiles Machinery	33%
Miscellaneous	50%

Sourcing Strategies

- While not all sectors indicated a change in their input sourcing strategies but there are plans to shift the sourcing of inputs away from one country in certain areas like automotive, textiles machinery and leather/footwear.

Table: Sector wise plans to shift away input sourcing from outside

Sector	Changes in Input Sourcing Strategies
Automotive	Around half of respondents indicated that they are planning to change their raw material/input sourcing strategies.
Capital Goods	Not planning to change input sourcing strategy
Cement and Ceramics	Not planning to change input sourcing strategy
Chemicals, Fertilizers & Pharmaceuticals	Majority of the respondents are not planning to change their sourcing strategy
Electronics & Electricals	Two-third of the respondents mentioned that they are not planning to change their raw material/input sourcing strategies.
Leather & Footwear	Half of respondents indicated that they are planning to change their raw material/input sourcing strategies
Textiles	Majority are not planning to change input sourcing strategy
Textiles Machinery	One-third of respondents indicated that they are planning to change their raw material/input sourcing strategies.

Automotive

Quarterly Outlook for the Sector at a Glance

Production	Exports	Inventory	Investment for Expansion	Hiring
Negative	Bleak	More than Average level	Bleak	Negative

⇒ All the respondents expect production to be lower in the April- June 2020 quarter vis-à-vis the same quarter a year ago. This trend is reflected in the order books as well.

⇒ On an average, the sector is utilizing only 50% of its capacity which stands at a lower level than that of previous year for all the respondents. Also, 75% of the respondents reported that they are not planning to add capacity in next 6 months.

⇒ On the exports front, 75% of the respondents expect their exports to be lesser in Q1 2020-21 over Q-1 2019-20.

⇒ All the respondents reported a rise in the cost of production. This has been attributed to high fixed costs, higher overhead costs for ensuring safety protocols, drastic reduction in volumes due to lockdown and lower capacity utilization.

⇒ Half of the respondents were maintaining average inventory levels in January-March 2019-20 whereas 89% of the respondents expect same or higher than average inventory levels in the quarter April-June 2020-21.

⇒ Post relaxations in lockdown conditions, only 28% of total operations are taking place in factories/facilities.

⇒ Respondents reported that around 36% of workforce is engaged in their operations.

⇒ Auto sector respondents are not planning to hire additional workforce in near future.

⇒ On an average, the industry reported to be availing credit at an interest rate close to 7% p.a.

⇒ Half of respondents indicated that they are planning to change their raw material/input sourcing strategies. Respondents stated that they are trying to shift their sourcing from one country to India and also trying to manufacture some of the materials in-house.

⇒ 75% of the respondents expects manufacturing growth to revive in next nine or more months. Following is proposed for revival of growth in the sector:

- Increased spending by the government on infrastructure
- Immediate cash stimulus required to support large enterprises, since many of the SMEs are suppliers
- Clearance on pending projects
- Steps such as reduction of GST rates and reduction of personal income tax rates are required to increase the purchasing power of the consumers.

⇒ Low domestic demand and supply chain disruptions are the most significant constraints to the growth of the sector. Other constraints faced by the sector are limited credit and finance availability, export issues and consignments stuck at ports.

Capital Goods

Quarterly Outlook for the Sector at a Glance

Production	Exports	Inventory	Investment for Expansion	Hiring
Bleak	Bleak	Bleak	Bleak	Bleak

⇒ All the respondents expect production to be lower in the April- June 2020 quarter vis-à-vis the same quarter a year ago. This trend is reflected in the order books as well as 90% of the respondents expect orders in Q1 2020-21 to be lesser than those in January - March 2019.

- On an average, the sector is utilizing about 53% of its capacity which stands at a lower level than that of previous year for all the respondents from capital goods sector. Also, none of the participants are not planning to add capacity in next 6 months.
- On the exports front, 90% of the respondents expect their exports to be lesser in Q1 2020-21 over Q-1 2019-20.
- Half of the respondents reported a rise in the cost of production. This has been attributed to high raw material prices, finance cost, manpower and energy cost. Other reasons highlighted for increased cost of production includes increase in overheads due to lockdown, and costs required for ensuring physical distancing in factories.

⇒ 55% of the respondents were maintaining average inventory levels in January-March 2019-20 whereas around 44% of the respondents expect lower inventory levels in the quarter April-June 2020-21.

⇒ According to the respondents in capital goods sector, around 43% of operations is taking place in factories/facilities after the lockdown conditions have been relaxed.

⇒ 67% of the respondents reported that they are not facing any shortage of labor force presently.

⇒ 80% respondents are not planning to hire additional workforce in near future.

⇒ On an average, the industry reported to be availing credit at an interest rate close to 10% p.a. 55% of the industry respondents feel that the reduction in repo rate has led to a consequential reduction in the lending rate.

⇒ Majority of the respondents indicated that they are not planning to change their raw material/input sourcing strategies.

⇒ About 70% of the respondents expects manufacturing growth to revive in next nine or more months. Following is proposed for revival of growth in the sector:

- Support MSMEs for Business environment and development of high critical / precision material which is presently being imported.
- Interest rate needs to be lowered along with higher infrastructure spending. Also, there should be leniency in sanctioning working capital
- Provide additional inventive for exports and lower duty on import of raw materials
- Increase the availability of finance
- There is a need to focus on capital goods sector to counter trade deficit
- Policies promoting domestic manufacturing should be in place.
- Non-Tariff barriers for countries practicing protectionist policies
- Investments in Oil & Gas and Fertilizers sector should proceed as planned.

⇒ Low domestic and export issues are reportedly some of the significant constraints for the sector which are restricting its growth. Other constraints include consignments stuck at ports, supply chain issues and unavailability of skilled labor.

Cement and Ceramics

Quarterly Outlook for the Sector at a Glance

Production	Inventory	Exports	Investments for Expansion	Hiring
Bleak	Less than Average level	Bleak	Positive	Negative

- ⇒ All the respondents expect production to be lower in the April- June 2020 quarter vis-à-vis the same quarter a year ago. This trend is reflected in the order books as well as all of the respondents expect orders in Q1 2020-21 to be lesser than those in January - March 2019.
- ⇒ On an average, the sector is utilizing about 70% of its capacity which stands at a lower level than that of previous year for all the respondents. Also, all respondents reported that they are planning to add capacity in next 6 months.
- ⇒ On the exports front, majority of the respondents expect their exports to be lesser in Q1 2020-21 over Q-1 2019-20.
- ⇒ Half of the respondents reported a rise in the cost of production. This has been attributed to high energy cost, and costs incurred in sanitization of plants and factories.
- ⇒ All of the respondents were maintaining average inventory levels in January-March 2019-20 whereas half of the respondents expect lower inventory levels in the quarter April-June 2020-21.
- ⇒ According to the respondents in cement sector, around 63% of operations is taking place in factories/facilities post relaxations in lockdown conditions.
- ⇒ Cement & Ceramics sector respondents reported that around 57% of workforce is engaged in their operations and they are facing issue of shortage of labor force.
- ⇒ None of the respondents are planning to hire additional workforce in near future.
- ⇒ On an average, the industry reported to be availing credit at an interest rate close to 9% p.a.
- ⇒ Respondents indicated that they are not planning to change their raw material/input sourcing strategies.

⇒ Half of the respondents expects manufacturing growth to revive in next nine or more months. Following is proposed for revival of growth in the sector:

- Increase spending on public infrastructure
- Easing out of lending rates
- Need to provide direct benefits to the Lower Income Group consumers in order to boost demand

⇒ Supply chain issues, export issues and unavailability of skilled labor are reportedly some of the significant constraints for the sector which are restricting its growth. Low domestic demand is another constraint affecting the sector.

Chemicals, Fertilizers & Pharmaceuticals

Quarterly Outlook for the Sector at a Glance

Production	Exports	Inventory	Investments for Expansion	Hiring
Bleak	Bleak	Average level	Bleak	Bleak

⇒ 70% of the respondents expect production to be lower in the April- June 2020 quarter vis-à-vis the same quarter a year ago. This trend is reflected in the order books as well as 60% of the respondents expect orders in Q1 2020-21 to be lesser than those in January - March 2019.

⇒ On an average, the sector is utilizing about 69% of its capacity which stands at a lower level than that of previous year for 60% of the respondents. Also, 70% of the respondents reported that they are not planning to add capacity in next 6 months.

⇒ On the exports front, 83% of the respondents expect their exports to be lesser in Q1 2020-21 over Q-1 2019-20.

⇒ Half of the respondents reported a rise in the cost of production. This has been attributed to high raw material prices, energy cost, wages and lower production due to imposition of lockdown for a substantial period.

⇒ 60% of the respondents were maintaining average inventory levels in January-March 2019-20 whereas 89% of the respondents expect same or higher than average inventory levels in the quarter April-June 2020-21.

⇒ Post relaxations in lockdown conditions, approximately 51% of total operations are taking place in factories/facilities.

⇒ Respondents reported that around half of the total workforce is engaged in their operations.

⇒ 90% of the respondents are not planning to hire additional workforce in near future.

⇒ On an average, the industry reported to be availing credit at an interest rate close to 9% p.a.

⇒ 78% of respondents indicated that they are not planning to change their raw material/input sourcing strategies. The remaining respondents stated that they will try to strengthen the in-house manufacturing and some of the key raw material sourcing will be shifted away from one country.

⇒ 60% of the respondents expects manufacturing growth to revive in next six months. Following is proposed for revival of growth in the sector:

- Need to encourage new investments by announcing new schemes
- By facilitating export benefits to industries.
- Review and reform labour laws
- Provide more cash in the hands of public to boost their purchasing power
- Facilitate infrastructure like the Natural Gas pipeline

⇒ Unavailability of skilled labor and low domestic demand are the most significant constraints to the growth of the sector. Supply chain disruptions and limited credit and finance availability are other constraints reported by the sector.

Electronics & Electricals

Quarterly Outlook for the Sector at a Glance

Production	Exports	Inventory	Investment for Expansion	Hiring
Negative	Negative	More than Average level	Bleak	Bleak

⇒ For Q-1 2020-21, 83% of the respondents expect production to decrease compared to same quarter last year. A similar trend is visible for the level of orders for Q-1 2020-21 vis-à-vis the previous quarter.

⇒ The sector is utilizing about 60% of its installed capacity. 67% the respondents are utilizing lesser installed capacity as compared to that of last year and 83% of respondents in this sector reported no capacity additions in next six months.

⇒ 60% of the respondents expect the exports to decrease in Q4 2020-21 as compared to the same quarter last year.

⇒ Cost of production as a percentage of sales has increased for half of the respondents primarily because of high interest rates, power cost, huge manpower costs and high raw material prices.

⇒ 60% of the respondents were reportedly maintaining more than or same as average level of inventories in January-March quarter and 80% respondents are expecting to maintain more than average level of inventories in quarter April-June.

⇒ Post relaxations in lockdown conditions, only 35% of total operations are taking place in factories/facilities as reported by the respondents.

⇒ Respondents reported that only 42% of the total workforce is engaged in their operations as per the requirements in the current scenario.

⇒ Two-third of the respondents mentioned that they are not planning to change their raw material/input sourcing strategies.

⇒ 84% of the respondents do not have 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. Also, 83% of the sector reported that reduction in repo rate has not been passed on to the borrowers and a similar percentage of the respondents also believe they have sufficient working capital available for investment and expansion.

⇒ Two-Third of the respondents expect the sector to revive in next nine or more months. Following was suggested to boost growth of manufacturing:

  ⇒ Government should spend on building infrastructural capacity.

  ⇒ Stimulate demand via direct cash transfers such as reduction in GST rates, reduction in corporate tax rates, etc.

  ⇒ Import duty reduction on capital projects

  ⇒ Interest subvention of 3% p.a to MSME industries for credit facilities availed for a period of 1 year

- Low domestic demand is the most significant constraint affecting growth of this sector. Other constraints include supply chain disruptions due to COVID outbreak and export related issues.

Leather and Footwear

Quarterly Outlook for the Sector at a Glance

Production	Exports	Inventory	Investments for Expansion	Hiring
Negative	Negative	Average level	Negative	Bleak

⇒ Leather manufacturers are expecting the production level to reduce in the April- June 2020 quarter vis-à-vis the same quarter a year ago. This trend is reflected in the order books as well.

⇒ Current capacity utilization stands at 58% which is less than that of last year for all the respondents. None of the respondents are planning to add capacity in near future.

⇒ On the exports front, all of the respondents expect their exports to be lesser in Q1 2020-21 over Q-1 2019-20.

⇒ 75% of the respondents reported a rise in the cost of production. This has been attributed to adopting new working methods to ensure social distancing in factories, high freight charges and other logistic costs along with lower production due to imposition of lockdown for a substantial period.

⇒ Half of the respondents were maintaining average inventory levels in January-March 2019-20 whereas two-third of the respondents expect higher than average inventory levels in the quarter April-June 2020-21.

⇒ Post relaxations in lockdown conditions, only 34% of total operations are taking place in leather factories/facilities.

⇒ Respondents reported that around 35% workforce is engaged in their operations currently and 75% of respondents reported to face shortage of workforce.

⇒ Two-third of the respondents are not planning to hire additional workforce in near future.

⇒ On an average, the industry reported to be availing credit at an interest rate close to 6.5% p.a.

⇒ Half of respondents indicated that they are planning to change their raw material/input sourcing strategies. According to such respondents, they plan to shift as high as 50% of their sourcing requirements from one country to India.

⇒ All the respondents expect manufacturing growth to revive in next nine or more months. Following is proposed for revival of growth in the sector:

- Provide better Infrastructure for operating units effectively
- Need for cheaper credit for manufacturing units
- Interest free loans should be made available to start ups for one year
- Labour laws should be relaxed according to the current difficult situation

⇒ Firms in leather and footwear sector are significantly constrained by low domestic demand and export issues. Other factors constraining the growth of the sector are supply chain disruptions, restricted credit and finance availability and consignment stuck at ports.

Medical Devices

Quarterly Outlook for the Sector at a Glance

Production	Exports	Inventory	Investments for Expansion	Hiring
Moderate	Moderate	Average	Bleak	Bleak

⇒ All the respondents are expecting lower production levels for April- June 2020-21 quarter as compared to the same quarter last year. On the other hand, all the sector respondents expect their orders to be higher for April- June 2020-21 as compared to the previous quarter.

⇒ Average capacity utilization in the sector stood at 70%.

⇒ None of the respondents in the sector are planning to add capacity in next six months.

⇒ Half of the respondents are expecting exports to be lesser in Q-1 2020-21 vis-à-vis the same quarter last year.

⇒ Cost of production increased during the quarter for respondents mainly attributed to the higher freight charges.

⇒ The respondents in the sector were maintaining average inventory levels in January-March 2019-20 and are expecting same inventory levels in April- June 2020.

⇒ Post relaxations in lockdown conditions, 63% of total operations are taking place in manufacturing units for medical devices.

⇒ Respondents reported that around half of the total workforce is engaged in their operations currently and respondents are not facing shortage of workforce.

⇒ None of the respondents are planning to expand their workforce in next three months.

⇒ The respondents reported that they are availing credit at a rate of 11% p.a.

⇒ Respondents expect growth of manufacturing to revive in next nine or more months.

⇒ Firms producing medical devices are constrained by the unavailability of skilled labor, supply chain disruptions, export issues, and consignments stuck at ports

Metal and Metal Products

Quarterly Outlook for the Sector at a Glance

Production	Exports	Inventory	Investment for Expansion	Hiring
Moderate	Positive	Average level	Negative	Bleak

⇒ Production of metal and metal products is expected to be moderate in Q-1 2020-21 as 45% of the respondents expect production to be higher when compared to the corresponding period of last year. 78% of the respondents reported lesser orders compared to previous quarter.

⇒ The sector is reportedly operating at an average capacity utilization of 73% which is same or less than last year for 67% respondents. Also, 89% of the respondents reported that they have no plans to increase their capacity in next 6 months.

⇒ As for exports, two-third of the respondents expect exports to rise or remain same for the April-June 2020-21 (y-o-y basis), the export outlook looks positive.

⇒ Cost of production increased for 67% respondents, due to Increase in procurement cost of basic raw materials and other alloys, increase in prices of major raw materials, manpower cost, disruption in supply chain, reduced capacity utilization and fall in selling price of Ferro chrome in the international market and higher interest rates.

⇒ As for the inventory level, 44% of the respondents were maintaining less than average inventory levels in January-March whereas in April-June, half of the respondents were maintaining same as their average inventory levels.

⇒ Post relaxations in lockdown conditions, 55% of total operations are taking place in factories/facilities.

⇒ Respondents reported that around half of the total workforce is engaged in their operations currently and most of the respondents are facing shortage of workforce.

⇒ 89% of the metal sector respondents reported that they were 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% p.a. Also, half of the respondents reported that reduction in repo rate also led to a consequential reduction in the lending rate.

⇒ 78% of the respondents felt that growth rate of the manufacturing sector will revive in next nine or more months. Industry suggested the following for acceleration of sector's growth:

- Stimulus should be provided to the automobile industry
- Higher incentivization of exports for value added products like Ferro Chrome
- Reduction in Import Duty of Steel Scrap
- Availability of working capital at lower rate of interest
- Moratorium of advance / loan by bank for interest and principal amount
- Measures to be taken for bringing the labor force back to manufacturing units safely
- Banks should not be allowed to charge more than 1% above MCLR
- Electricity Duty to come under GST
- Railways should announce special discounts (lean season and long-distance discounts) for movement of Raw materials and finished steel to help sector to sustain operations. It may be required to provide a reasonable reduction of consumption tax on high steel consuming sectors like auto and construction
- Fiscal incentives for MSMEs needs to be introduced
- Sufficient funds should be made available to the industry for making new investments
- Higher Duties on imports to promote Make in India

⇒ Most of the respondents felt that low domestic demand, limited credit availability and unavailability of labor are the most significant constraints for the industry's growth. Some of the other constraints include export issues and supply chain disruptions.

Paper Products

Quarterly Outlook for the sector at a glance

Production	Exports	Inventory	Investment for Expansion	Hiring
Negative	Negative	Higher than Average level	Positive	Bleak

⇒ For Q-1 2020-21, all of the participants expect their production to be less than that of same quarter last year. The same response was reported for the number of orders as compared to the previous quarter.

⇒ The average capacity utilization of the sector has gone down to 55% as compared to previous quarters with all respondents operating at lesser capacity than that of last year. On the other hand, respondents are planning to expand capacity in next six months.

⇒ On an annual basis, majority of the surveyed firms are expecting exports to be lesser in Q-1 2020-21. Exports of all the firms in January-March 2019-20 have been less when compared to the same quarter previous year.

⇒ Cost of production as a percentage of sales for their product increased for half of the paper sector respondents due to lower volumes.

⇒ All of the respondents in the sector reported that their current inventory level is same as the average inventory level for January-March 2019-20. Half of the respondents reported that their current inventory level is more than the average inventory level for April- June 2020-21.

⇒ According to the paper industry, post relaxation of lockdown restrictions, around 50% of the operations are taking place in the factories.

⇒ None of the respondents are planning to hire workforce in next 3 months.

⇒ Sector is reportedly getting credit at an average rate of 9%.

⇒ All of the paper sector respondents have reported to have enough funds available for investment and expansion purpose.

⇒ Sector respondents believe that overall manufacturing sector would revive in next six months. The industry has suggested the following steps to revive the growth of manufacturing sector:

   ⇒ Along with the MSME sector, larger industry also needs immediate support to survive through this crisis

   ⇒ Incentives such as direct income transfers have to be offered to bring back labor since shortage of labor is another issue that is affecting operations at various levels.

   ⇒ Larger fiscal stimulus required as a part of overall relief package

   ⇒ The conditions under Emergency Credit Line Guarantee Scheme (ECLGS) needs to be relaxed as they are too restrictive

- Low domestic demand, supply chain disruptions and export issues are significant constraint for the sector which are restricting its growth. Other constraints being faced by the sector are unavailability of skilled labour and limited credit and finance availability.

Textiles

Quarterly Outlook for the sector at a glance

Production	Exports	Inventory	Investment for Expansion	Hiring
Negative	Bleak	More than Average inventory	Bleak	Bleak

⇒ 88% of the respondents in textiles sector are expecting the production level to reduce in the April- June 2020 quarter vis-à-vis the same quarter a year ago. This trend is reflected in the order books as well.

⇒ Current capacity utilization stands at 60% which is less than that of last year for 82% of the respondents. 65% of the respondents are not planning to add capacity in near future.

⇒ On the exports front, 87.5% of the respondents expect their exports to be lesser in Q1 2020-21 over Q-1 2019-20.

⇒ 65% of the respondents reported a rise in the cost of production. This has been attributed to fall in the selling prices of products, depreciation of Indian currency making imports costlier, strong under-utilization of production capacities, subdued sales due to cancellation of orders, increased costs due to lockdown, high man power costs, raw material prices and power costs.

⇒ 53% of the respondents were maintaining more than average inventory levels in January-March 2019-20 and around 63% of the respondents expect higher than average inventory levels in the quarter April-June 2020-21.

⇒ Post relaxations in lockdown conditions, only 48% of total operations are taking place in textiles factories/facilities.

⇒ Respondents reported that around 33% workforce is engaged in their operations currently as per the current requirements.

⇒ 76% of the respondents are not planning to hire additional workforce in near future.

⇒ On an average, the industry reported to be availing credit at an interest rate close to 9.5% p.a.

⇒ Majority of the respondents indicated that they are not planning to change their raw material/input sourcing strategies.

⇒ A small proportion of respondents indicated about areas in which their firms has ventured into or are planning to venture into from the opportunities arising out of COVID19. These include medical cover suits and masks along with institutional sheets (for hospitals), textile chemicals for the end use application in medicinal use, fabrics for healthcare segment, manufacturing yarns for PPE fabrics, etc.

⇒ The growth rate of manufacturing sector is likely to revive after nine or more months as per 59% of the survey respondents. The industry has suggested the following for reviving growth:

- Interest rates need to be lowered
- Efforts to increase the disposable income at consumer end to stimulate demand
- Exports should be made more competitive by entering into FTA's with Europe, UK, USA
- Skill Development to be strengthened to mitigate increasing Labor cost
- Innovation of new products and services with focus on sustainability
- Generation of new employment and focus on creation of new demand for textile products.
- Immediate steps to be taken by government for revival of economic slowdown due to Corona Virus and other factors
- Banks should be asked to pass on the reduction in repo rate to the industry
- Interest subvention should be given for export of cotton yarn
- Reduction in rates and simplification of GST for textile value chain
- Provide impetus to export/import by enabling quick clearance of goods.
- Need of government support in Infrastructural upgradation (Rail / Road network from Manufacturer to port / customer) & Reduction of Transactional Costs including Power, Input, Logistics Costs

⇒ Availability of skilled labor, export related issues, low domestic demand and supply chain disruptions are reportedly some of the significant constraints for the sector which are restricting its growth. Limited credit and finance availability and consignments stuck at ports are other constraints faced by the sector. Some of the other constraints being highlighted by the respondents include cancellation of export orders, lower production due to Covid 19 crisis and lack of demand for near future, local guidelines inconsistent with the MHA guidelines announced to contain the spread of corona virus, etc.

Textiles Machinery

Quarterly Outlook for the Sector at a Glance

Production	Exports	Inventory	Investments for Expansion	Hiring
Negative	Negative	Less than Average levels of inventory	Negative	Bleak

⇒ Textiles machinery manufacturers are expecting the production level to reduce in the April-June 2020 quarter vis-à-vis the same quarter a year ago. This trend is reflected in the order books as well.

⇒ Current capacity utilization stands at 53% which is less than that of last year for all the respondents. None of the respondents are planning to add capacity in near future.

⇒ On the exports front, all of the respondents expect their exports to be lesser in Q1 2020-21 over Q-1 2019-20.

⇒ All the respondents reported a rise in the cost of production. This has been attributed to Strong under-utilization of production capacities, increased costs due to lockdown, high man power costs, raw material prices and power costs.

⇒ Two-third of the respondents were maintaining less than average inventory levels in January-March 2019-20 and a similar proportion of the respondents expect higher than average inventory levels in the quarter April-June 2020-21.

⇒ Post relaxations in lockdown conditions, only 34% of total operations are taking place in factories/facilities.

⇒ Respondents reported that around 33% workforce is engaged in their operations currently as per the current requirements.

⇒ Two-third of the respondents are not planning to hire additional workforce in near future.

⇒ On an average, the industry reported to be availing credit at an interest rate close to 8.5% p.a.

⇒ One-Third of the respondents indicated that they are planning to change their raw material/input sourcing strategies.

⇒ All the respondents expect manufacturing growth to revive in next nine or more months. Following is proposed for revival of growth in the sector:

- Effective Policy measures by the government to the Textile Engineering Industry for relief and rehabilitation effected due to COVID-19.
- Improve domestic demand - release of funds under ATUF Scheme.
- Support to the Textile Industry to invest in new projects.
- Renew interest subsidy on export packing credit (PC-INR), which expired on 31st March 2020 without renewal

⇒ Low domestic, export issues, unavailability of skilled labor and supply chain disruptions caused due to COVID outbreak are significant constraints faced by the sector. Limited credit and finance availability and consignments stuck at ports are other constraints faced by the sector.

Miscellaneous

Quarterly Outlook for the Sector at a Glance

Production	**Exports**	**Inventory**	**Investments for Expansion**	**Hiring**
Negative	Bleak	Higher than Average level	Negative	Negative

⇒ All the respondents are expecting lower production levels for April- June 2020-21 quarter as compared to the same quarter last year. The same trend is visible in the order books of respondents.

⇒ Average capacity utilization in the sector stood at 55%.

⇒ None of the respondents in the sector are planning to add capacity in next six months.

⇒ Half of the respondents are expecting exports to be lesser in Q-1 2020-21 vis-à-vis the same quarter last year.

⇒ Cost of production increased during the quarter for respondents mainly attributed to the higher raw material prices and increase in forex rate.

⇒ The respondents in the sector were maintaining average inventory levels in January-March 2019-20 and half of the respondents are higher than average inventory levels in April- June 2020.

⇒ Post relaxations in lockdown conditions, half of the total operations are taking place in factories/facilities.

⇒ Respondents reported that around half of the total workforce is engaged in their operations currently and they are facing shortage of workforce.

⇒ None of the respondents are planning to expand their workforce in next three months.

⇒ The respondents reported that they are availing credit at a rate of 9.5% p.a.

⇒ Respondents expect growth of manufacturing to revive after six or more months and have suggested the following to boost the growth of manufacturing sector:

- Financial Support to Industries
- Steps to revive customer demand

⇒ Firms in this sector are significantly constrained by limited credit and finance availability and lack of domestic demand. Other constraints hampering the growth of the sector as identified by the respondents include unavailability of skilled labor, supply chain disruptions, export issues and consignments stuck at ports.