

FICCI QUARTERLY SURVEY ON INDIAN MANUFACTURING SECTOR



FEDERATION OF INDIAN CHAMBERS OF COMMERCE & INDUSTRY

**FICCI QUARTERLY SURVEY
ON
INDIAN MANUFACTURING SECTOR**

August 2021

Manufacturing Division

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Introduction & Quarterly Assessment for the Manufacturing Sector

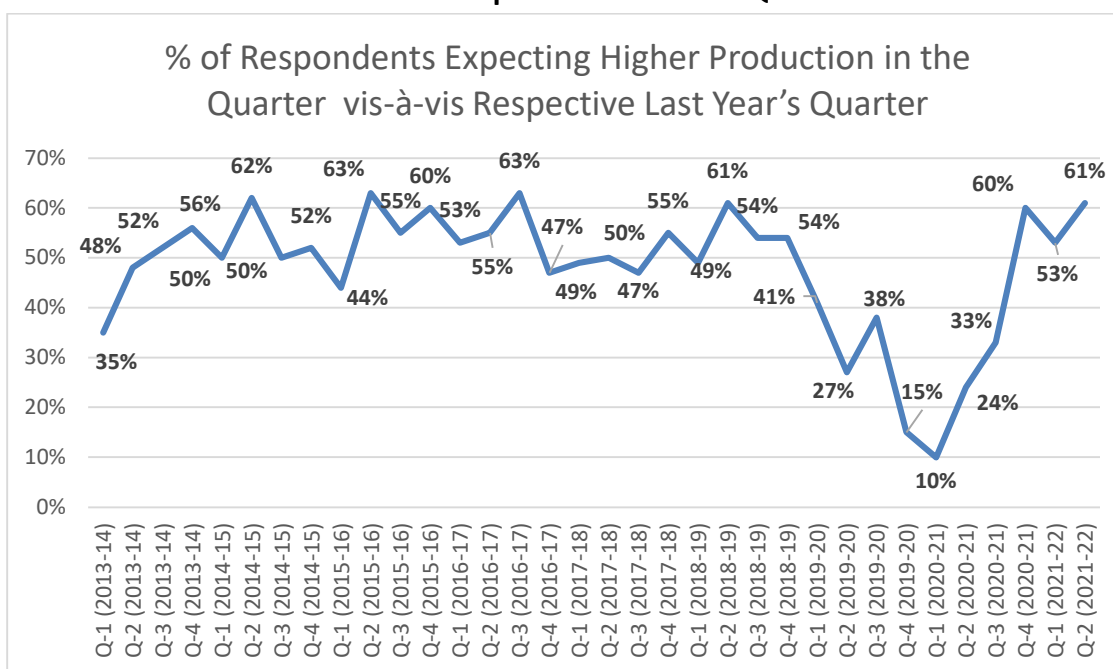
Production and Demand

FICCI's latest quarterly survey assessed the sentiments of manufacturers for Q-2 (July-September 2021-22) for eleven major sectors namely automotive, capital goods, cement and ceramics, chemicals, fertilizers and pharmaceuticals, electronics & electricals, metal & metal products, paper products, textiles, textiles machinery, toys and miscellaneous. Responses have been drawn from over 300 manufacturing units from both large and SME segments with a combined annual turnover of over 2.7 lakh crore.

- FICCI's latest quarterly survey on Manufacturing reveals that after experiencing subdued Q-1 (April-June 2021-22), outlook seems to have improved significantly in Q-2 (July-September 2021-22). The percentage of respondents reporting higher production in second quarter of 2021-22 (July-September 2021-22) was much above the fifty percent mark- around 61%. This was significantly higher than the similar percentage of last year's Q-2 quarter (around 24%). The percentage of respondents expecting low or same production is 39% in Q-2 2021-22.
- This assessment is also reflective in order books as 72% of the respondents in July-September 2021-22 expected higher number of orders vis-à-vis April-June 2021-22.

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 was 72% in Q2 2021-22, which again reflects signs of recovery in manufacturing.
- The future investment outlook however remains that of cautious optimism, as 32% respondents reported plans for capacity additions for the next six months.
- Cost of doing business remains a cause for concern for the sector. 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, unstable market, high power tariff, are some of the major constraints which are affecting expansion plans of the respondents.

- The table below, gives average capacity utilization for Q1 2021-22 for various sub-sectors of manufacturing.

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

Sector	Average Capacity Utilization in Q-1 2021-22	Average Capacity Utilization in Q-3 2020-21	Average Capacity Utilization in Q-2 2020-21	Average Capacity Utilization in Q-1 2020-21	Average Capacity Utilization in Q-4 2019-20	Average Capacity Utilization in Q-3 2019-20
Automotive	73	67	73	60	50	67
Capital Goods	75	72	72	64	53	67
Cement and Ceramics	80	70	73	60	70	70
Chemicals, Fertilizers & Pharmaceuticals	67	71	78	68	69	76
Electronics & Electricals	60	85	72	66	60	67
Metals & Metal Products	78	84	82	75	73	80
Paper Products	70	87	80	60	55	90
Textiles	74	81	76	67	60	83

Inventories

- 85% of the respondents expect either more or same level of inventory in July-September 2021-22, which is higher as compared to the previous quarter, where around 79% respondents expected either more or same level of inventory in Q-1 2021-22

Exports

- The outlook for exports seems improving as around 58% of the participants are expecting a rise in their exports for Q-2 2021-22 and 30% are expecting exports to continue to be on same path as that of same quarter last year.

Hiring

- Hiring outlook for the sector remains subdued as 68% of the respondents mentioned that they are not likely to hire additional workforce in the next three months. This presents a near stable situation in the hiring scenario as compared to the previous quarter Q-1 of 2021-22, where 69% of the respondents maintained similar sentiments.

Interest Rate

- Average interest rate paid by the manufacturers has reduced slightly to 8.7% p.a. as against 9% p.a. during last quarter and the highest rate remains as high as 14%. The recent cuts in repo rate by RBI has not led to a consequential reduction in the lending rate as reported by 66% of the respondents.

Sectoral Growth

- Based on expectations in different sectors, some sectors are likely to register strong growth in Q-2 2021-22 except few as given in the table below.

Table: Growth expectations for Q-2 2021-22 compared with Q-2 2020-21

Sector	Growth Expectation
Capital Goods	Strong
Cement & Ceramics	Strong
Electronics & Electricals	Strong
Metals and Metal Products	Strong
Textiles	Strong
Textiles Machinery	Moderate
Toys	Low
Paper Products	Moderate
Miscellaneous	Moderate
Automotive	Moderate
Chemicals, Fertilizers & Pharmaceuticals	Moderate

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 80% respondents in Q-1 2021-22. This is considerably higher than that reported in Q4 2020-21, where 72% 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, sectors like toys, textiles machinery are more affected in terms of ongoing operations in the factories as per the demand and current orders post easing out of lockdown restrictions.

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

Sector	% of Active Operations
Chemicals, Fertilizers & Pharmaceuticals	75%
Cement & Ceramics	88%
Textiles	76%
Electronics & Electricals	88%
Capital Goods	72%
Paper Products	75%
Automotive	69%
Metals and Metal Products	82%
Textiles Machinery	63%
Miscellaneous	79%
Toys	50%

Workforce Availability

- Most sectors have sufficient labor force engaged in their operations and are not facing shortage of labor at factories.

Table: Workforce Engagement in Factories

Sector	% of workforce engaged in the current operations
Automotive	88%
Capital Goods	88%
Cement and Ceramics	100%
Chemicals, Fertilizers & Pharmaceuticals	78%
Electronics & Electricals	100%
Metals & Metal Products	85%
Miscellaneous	90%
Paper Products	100%
Textiles	88%
Textiles Machinery	55%
Toys	82%

Automotive

Quarterly Outlook for the Sector at a Glance

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

- ⇒ Two-thirds of the respondents expect production to be lower in the July-September 2021-22 quarter vis-à-vis the same quarter a year ago. For order books, all the respondents expect them to be more than the previous quarter.
- ⇒ On an average, the sector is utilizing only 73% of its capacity which stands at a higher level than that of previous year for all respondents. Also, half of the respondents reported that they are planning to add capacity in next 6 months.
- ⇒ On the exports front, all the respondents expect their exports to be higher in Q2 2021-22 over Q-1 2021-22.
- ⇒ All the respondents reported a rise in the cost of production. This has been attributed to high fixed costs, rise in labor cost, hike in prices of raw materials like steel, Aluminum & Rhodium, fuel price surge, drastic reduction in volumes due to lockdown.
- ⇒ 67% of the respondents were maintaining more than average inventory levels in April-June 2021-22 and half of the respondents expect average inventory levels in the quarter July-September 2021-22.
- ⇒ Post relaxations in lockdown conditions, only 69% of total operations are taking place in factories/facilities.
- ⇒ Respondents reported that around 88% of workforce is engaged in their operations.
- ⇒ Two-third of the auto sector 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 7.5% p.a.

- ⇒ To check the spread of third wave, automotive sector respondents are maintaining safety protocols, ensuring maximum vaccination coverage to employees and channel partners, frequent RT-PCR testing for all employees, strict monitoring of wearing masks at workplace and continuing to provide hybrid work (work from home or office) option available to employees.
- ⇒ Half of the respondents expects manufacturing growth to revive in next six months. Following is proposed for revival of growth in the sector:
- Increased spending by the government on infrastructure so as to increase demand generation.
 - Control on commodity price movement
 - Reduction in fuel prices
- ⇒ Limited availability of Raw Material & components and Low domestic demand are the most significant constraints to the growth of the sector. Other constraints faced by the sector are supply chain disruptions and export issues.

Capital Goods

Quarterly Outlook for the Sector at a Glance

Production	Exports	Inventory	Investment for Expansion	Hiring
Positive	Bleak	More than average	Bleak	Bleak

⇒ 60% of the respondents expect production to be higher in the July-September 2021-22 quarter vis-à-vis the same quarter a year ago. This trend is reflected in the order books as well as 46% of the respondents expect orders in Q2 2021-22 to be higher than those in April-June 2021-22.

- On an average, the sector is utilizing about 75% of its capacity which stands at a lower level than that of previous year for all the respondents from capital goods sector. Also, 73% of the participants are not planning to add capacity in next 6 months.
- On the exports front, 71% of the respondents expect their exports to be lesser in Q2 2021-22 over Q-2 2021-22.
- 80% of the respondents reported a rise in the cost of production. This has been attributed to high raw material prices and manpower cost. Other reasons highlighted for increased cost of production includes high freight and logistics cost.

⇒ 43% of the respondents were maintaining more than average inventory levels in October-December 2020-21 whereas around half of the respondents expect more than average inventory levels in the quarter January-March 2020-21.

⇒ According to the respondents in capital goods sector, around 71% of operations is taking place in factories/facilities after the lockdown conditions have been relaxed.

⇒ 75% of the respondents reported that they are not facing any shortage of labor force presently.

⇒ 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% p.a. 55% of the industry respondents feel that the reduction in repo rate has not led to a consequential reduction in the lending rate.
- ⇒ To check the spread of third wave, capital goods sector respondents are carrying out vaccination drives, adopting all the health and safety hygiene activities (social distancing, frequent washing of hands, always wearing masks), work from home for the support staff and strictly checking the temperatures of employees at the gate.
- ⇒ 40% of the respondents expects manufacturing growth to revive in next six months. Following is proposed for revival of growth in the sector:
- Support MSMEs for Business environment
 - Need for immediate release of MEIS & SEIS pending dues for Exporters
 - Improving & Rigorously Implementing Make in India Policies
 - Immediate steps to boost domestic demand
 - Need to create stimulus package for Manufacturing sector
 - Non-Tariff barriers for countries practicing protectionist policies
 - Investments in Oil & Gas and Fertilizers sector should proceed as planned.
 - Fast-tracking of Nuclear Fleet reactors program
 - Need to improve Ease of Doing Business
- ⇒ Low domestic, supply chain issues, limited availability of raw material and components 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, and limited Credit and Finance Availability.

Cement and Ceramics

Quarterly Outlook for the Sector at a Glance

Production	Inventory	Investments for Expansion	Hiring
Positive	Average level	Positive	Bleak

- ⇒ Respondents expect production to be higher in the July-September 2021-22 quarter vis-à-vis the same quarter a year ago. This trend is reflected in the order books as well as respondents expect orders in Q2 2021-22 to be higher than those in April- June 2021-22.
- ⇒ On an average, the sector is utilizing about 80% of its capacity which stands at a higher level than that of previous year. Also, respondents reported that they are planning to add capacity in next 6 months.
- ⇒ Half of the respondents reported a reduction in the cost of production.
- ⇒ Respondents were maintaining average inventory levels in July-September 2021-22 and expect same as average inventory levels in the quarter April-June 2021-22 as well.
- ⇒ According to the respondents in cement sector, around 88% of operations is taking place in factories/facilities post relaxations in lockdown conditions.
- ⇒ 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 6% p.a.
- ⇒ Respondents in the cement and ceramics sector mentioned that they are encouraging all employees for vaccination and keeping their track record and are also organizing awareness drive through various online initiatives to contain the spread of third wave.
- ⇒ All the respondents expect manufacturing growth to revive in next three months. Following is proposed for revival of growth in the sector:
- Increased government spending on roads, railways and other infrastructure projects
 - Easing out of lending rates
 - Need to provide direct benefits to the Lower Income Group consumers to boost demand

Chemicals, Fertilizers & Pharmaceuticals

Quarterly Outlook for the Sector at a Glance

Production	Exports	Inventory	Investments for Expansion	Hiring
Moderate	Positive	More than Average level	Positive	Moderate

- ⇒ 45% of the respondents expect production to be higher in the July-September 2021-22 quarter vis-à-vis the same quarter a year ago. This trend is reflected in the order books as well as similar percentage of the respondents expect orders in Q2 2021-22 to be higher than those in April-June 2021.
- ⇒ On an average, the sector is utilizing about 67% of its capacity which stands at a higher level than that of previous year for more than half of the respondents. Also, 55% of the respondents reported that they are planning to add capacity in next 6 months.
- ⇒ On the exports front, 55% of the respondents expect their exports to be higher in Q2 2021-22 over Q-2 2020-21.
- ⇒ 90% of the respondents reported a rise in the cost of production. This has been attributed to high raw material prices, intermediates, logistic costs increase in manpower costs and overhead costs.
- ⇒ 90% of the respondents were expecting to maintain more or same as average inventory levels in July-September 2021.
- ⇒ Post relaxations in lockdown conditions, approximately 73% of total operations are taking place in factories/facilities.
- ⇒ Respondents reported that around 80% of the total workforce is engaged in their operations.
- ⇒ 45% 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 of 8.2% p.a.
- ⇒ Respondents in this sector reported vaccination for all the employees including contract labors, regular washing of hands and keeping safe distance at work to avoid the spread of

third wave. They also mentioned avoiding crowding of people, allowing limited number of workers in plant, proper sanitization facilities throughout the plant/factories and house-keeping staffs regularly disinfecting the entire work area to contain further spread of virus.

⇒ 45% of the respondents expects manufacturing growth to revive in next six months.

Following is proposed for revival of growth in the sector:

- Need to extend the benefits accruing from PLI scheme to dyes, Intermediates and pigments.
- Infusion of more and more economic stimulus packages
- Introduction of new Duty/Tariff-Tax cuts meant for the growth of Manufacturing sector
- Increase awareness of Ayush products, easing government regulatory formalities, improving related infrastructure.
- To reverse the DGFT Notification No.26/ 2015-2020 (S.O.4053(E)) Dt. 21.08.2018), by which Export of Beach Sand Minerals (except Monazite – the prescribed substance) shall be Free.
- Reduction of fuel and energy charges to reduce the manufacturing cost

⇒ Export issues, low domestic demand and supply chain disruptions and consignments stuck at ports are the most significant constraints to the growth of the sector. Limited availability of credit and finance and labor are other constraints reported by the sector.

Electronics & Electricals

Quarterly Outlook for the Sector at a Glance

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

- ⇒ For Q-2 2021-22, all the respondents expect production to be higher or same as compared to same quarter last year. A similar trend is visible for the level of orders for Q-2 2021-22 vis-à-vis the previous quarter.
- ⇒ The sector is utilizing about 60% of its installed capacity. Respondents in this sector are not planning to add capacity in next six months.
- ⇒ Respondents expect the exports to increase in Q2 2021-22 as compared to the same quarter last year.
- ⇒ Cost of production as a percentage of sales has increased for all the respondents primarily because of high raw material prices.
- ⇒ All the respondents were reportedly maintaining same as average level of inventories in July-September 2021 and April-June 2021 quarter.
- ⇒ Post relaxations in lockdown conditions, only 88% of total operations are taking place in factories/facilities as reported by the respondents.
- ⇒ Respondents do not have any plans of hiring additional work force in next 3 months.
- ⇒ Respondents in the electronics sector mentioned to encourage covid appropriate behavior and vaccination drives to contain the spread of third of wave.
- ⇒ Following measures were suggested to boost growth of manufacturing:
 - ⇒ Need to control steel prices and inflation.
- Supply chain disruptions due to COVID outbreak, low domestic demand and unavailability of raw material & components is the most significant constraint affecting growth of this sector. Other constraints include exports issues.

Metal and Metal Products

Quarterly Outlook for the Sector at a Glance

Production	Inventory	Investment for Expansion	Hiring
Positive	More or Average level	Negative	Bleak

- ⇒ Production of metal and metal products is expected to be positive in Q-2 2021-22 as 78% of the respondents expect production to be higher or same when compared to the corresponding period of last year. Similar percentage of respondents reported higher orders compared to previous quarter.
- ⇒ The sector is reportedly operating at an average capacity utilization of 78% which is more than last year for 75% respondents. Also, 89% of the respondents reported that they have no plans to increase their capacity in next 6 months.
- ⇒ Cost of production increased for 60% respondents, due to Increase in procurement cost of basic raw materials and other alloys, increase in prices of major raw materials, power cost, manpower cost, disruption in supply chain, freight charges and packaging costs.
- ⇒ For quarter July-September 2021, 80% of the respondents were expecting to maintain more or same as their average inventory levels.
- ⇒ Post relaxations in lockdown conditions, 82% of total operations are taking place in factories/facilities.
- ⇒ Respondents reported that around 85% of the total workforce is engaged in their operations currently and none of the respondents are facing shortage of workforce.
- ⇒ 64% 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 9.3% p.a. Also, 80% of the respondents reported that reduction in repo rate has not led to a consequential reduction in the lending rate.

- ⇒ Respondents in metal sector mentioned that they are organizing vaccination drives for workers, thermal scanning at entry gates, usage of electronic media for communication with reduced personal meetings & travelling and training programs for increased awareness.
- ⇒ Around 45% of the respondents felt that growth rate of the manufacturing sector will revive in next six months. Industry suggested the following for acceleration of sector's growth:
- Need to ensure adequate liquidity in the market
 - Put a cap on maximum interest rate that can be charged by banks to MSME
 - Increased pace of reforms & speedy implementation of various government projects
 - More credit and incentives to manufacturing sector
 - Electricity Duty to come under GST
 - Increased government spending on Infrastructural projects.
 - Higher Duties on imports and swift implementation of Production Linked Incentive Scheme (PLI) to promote Make in India
 - Targeted Stimulus package for stressed sectors post assessment in the coming months
- ⇒ Most of the respondents felt that low domestic demand and limited availability of labor is the most significant constraints for the industry's growth. Some of the other constraints include limited credit availability and supply chain disruptions.

Paper Products

Quarterly Outlook for the sector at a glance

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

- ⇒ For Q-2 2021-22, half of the participants expect their production to be more than that of same quarter last year. The All of the respondents reported higher number of orders as compared to the previous quarter.
- ⇒ The average capacity utilization of the sector is reported at 70% as compared to previous quarters with all respondents operating at higher capacity than that of last year. On the other hand, half of respondents are planning to expand capacity in next six months.
- ⇒ On an annual basis, half of the surveyed firms are expecting exports to be higher in Q-2 2021-22. Exports of all the firms in April-June 2021 have been higher 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 increase in prices of raw materials.
- ⇒ Respondents in the sector reported that their current inventory level is more than the average inventory level for April-June 2021-22. The same was also reported for the quarter July-September 2021-22.
- ⇒ According to the paper industry, post relaxation of lockdown restrictions, around 75% 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 7%.
- ⇒ In order to contain spread of third wave, respondents in the paper sector are enforcing COVID appropriate behavior, organizing vaccination drives, regular antigen tests of suspected cases for early detection, isolation & medication, ensuring availability of adequate number of oxygen concentrator, beds and medicine.

- ⇒ All 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:
 - ⇒ Development of adequate infrastructure to facilitate growth of manufacturing sector
 - ⇒ Structured policy for social forestry by use of waste land
 - ⇒ Levy of Safeguard duty and antidumping duty on Import, wherever required
- Low domestic demand and export issues are significant constraint for the sector which are restricting its growth. Other constraints being faced by the sector is disruption in supply chains and limited availability of raw material & components.

Textiles

Quarterly Outlook for the sector at a glance

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

- ⇒ 74% of the respondents in textiles sector are expecting the production level to increase in the July-September 2021-22 quarter vis-à-vis the same quarter a year ago. This trend is reflected in the order books as well as 58% of the respondents reported higher orders for Q2 2021-22 as compared to Q1 2021-22.
- ⇒ Current capacity utilization stands at 74% which is more than that of last year for 79% of the respondents. 78% of the respondents are not planning to add capacity in near future.
- ⇒ On the exports front, 59% of the respondents expect their exports to be higher in Q2 2021-22 over Q-2 2020-21.
- ⇒ 84% of the respondents reported a rise in the cost of production. This has been attributed to strong under-utilization of production capacities, subdued sales due to cancellation of orders, increased packaging costs, high manpower costs, raw material prices, rise in overhead costs, freight costs and power costs.
- ⇒ 67% of the respondents were maintaining average inventory levels in April-June 2021-22 and around 63% of the respondents expect more than average inventory levels in the quarter July-September 2021-22.
- ⇒ Post relaxations in lockdown conditions, 76% of total operations are taking place in textiles factories/facilities.
- ⇒ Respondents reported that around 88% workforce is engaged in their operations currently as per the current requirements.
- ⇒ 72% 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.

- ⇒ Respondents of textiles sector mentioned that their companies have undertaken a mass level vaccination plan for its staff and workers including their families, random health check-up of employees and workers in factories and carrying out rapid/ RT-PCR tests, allowing work from home wherever possible and adopting safe practices at plant and construction sites.
- ⇒ The growth rate of manufacturing sector is likely to revive in six months as per 74% of the survey respondents. The industry has suggested the following for reviving growth:
- Need to ensure affordable working capital to textiles industries
 - 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, Japan, UK and USA
 - Generation of new employment and focus on creation of new demand for textile products.
 - Need for migrant workers to return to factories at the earliest.
 - Stabilization of GST Refunds for textile value chain
 - Need for uninterrupted power supply and enough raw materials availability at reasonable and stable prices
 - 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 land bank for expansion and for growth of manufacturing of textiles products.
- ⇒ Export related issues, limited availability of labor and low domestic demand are reportedly some of the significant constraints for the sector which are restricting its growth. Consignments stuck at ports, supply chain disruptions, credit and finance unavailability are other constraints faced by the sector.

Textiles Machinery

Quarterly Outlook for the Sector at a Glance

Production	Exports	Inventory	Investments for Expansion	Hiring
Moderate	Positive	More than Average levels of inventory	Bleak	Bleak

- ⇒ Textiles machinery manufacturers are expecting the production level to increase in the July-September 2021-22 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 50% which is more 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 the respondents expect their exports to be higher in Q2 2021-22 over Q2 2020-21.
- ⇒ All the respondents reported a rise in the cost of production. This has been attributed to, loss of selling volumes due to lockdown, raw material prices and uncertainty over Covid-19 pandemic.
- ⇒ Respondents were maintaining higher than average inventory levels in April- June 2021-22 and expect higher than average inventory levels in the quarter July-September 2021-22.
- ⇒ Post relaxations in lockdown conditions, only 34% of total operations are taking place in factories/facilities.
- ⇒ Respondents reported that around 63% workforce is engaged in their operations currently as per the current requirements.
- ⇒ Respondents are not planning to hire additional workforce in near future.
- ⇒ To check spread of third wave, respondents in the textiles machinery are allowing work from home for non-manufacturing staff, organizing vaccination drives, innovating & producing oxygen plants, ventilators etc.
- ⇒ All the respondents expect manufacturing growth to revive in next three months. Following is proposed for revival of growth in the sector:

- Availability of funds from banks at nominal rates
- Rationalization of taxes by the government

⇒ Unavailability of skilled labor, limited availability of Raw Material & components, Limited credit and finance availability, consignments stuck at ports and supply chain disruptions caused due to COVID outbreak are significant constraints faced by the sector. Other constraint faced by the sector is low domestic demand.

Toys

Quarterly Outlook for the Sector at a Glance

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

- ⇒ Outlook for the sector remains bleak due to lack of demand.
- ⇒ Few respondents are expecting higher production levels for July-September 2021-22 quarter as compared to the same quarter last year.
- ⇒ Average capacity utilization in the sector stood at 53%.
- ⇒ Some respondents are expecting exports to be more in Q-2 2021-22 vis-à-vis the same quarter last year.
- ⇒ Cost of production increased during the quarter for respondents of the toy sector. The driving factors behind surge in production costs include hike in prices of raw materials, following safety protocols due to Covid 19 and rise in labor costs.
- ⇒ Even after relaxations in lockdown conditions, half of the total operations are taking place in factories/facilities.
- ⇒ Two-third of the sector respondents are not planning to hire workforce in next 3 months.
- ⇒ Sector respondents have reported that their organizations have achieved 100% vaccination for all workers, ensuring strict usage of sanitizer and masks.
- ⇒ Majority of respondents expect growth of manufacturing to revive only after nine or more months and seek finance at lower rates for MSMEs players
- ⇒ Firms in this sector are significantly constrained by lack of domestic demand, unavailability of skilled labor and consignments stuck at ports. Other constraints hampering the growth of the sector as identified by the respondents include supply chain disruptions, export issues and limited credit and finance availability.

Miscellaneous

Quarterly Outlook for the Sector at a Glance

Production	Inventory	Investments for Expansion	Hiring
Positive	Higher than Average level	Bleak	Moderate

- ⇒ One-third of the respondents are expecting higher production levels for July-September 2021-22 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 73%.
- ⇒ Two-third of the respondents in the sector are not planning to add capacity in next six months.
- ⇒ Cost of production increased during the quarter for respondents mainly attributed to the increase in prices of raw materials.
- ⇒ 67% of the respondents in the sector were maintaining average inventory levels in April-June 2021-22 and a similar proportion are expecting higher than average inventory levels in July-September 2021-22.
- ⇒ Post relaxations in lockdown conditions, 79% of the total operations are taking place in factories/facilities.
- ⇒ Respondents reported that around 90% of the total workforce is engaged in their operations currently and they are not facing any shortage of workforce.
- ⇒ Half 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 9.8% p.a.
- ⇒ To check the spread of third wave, respondents in this sector are encouraging vaccination, maintaining social distancing norms/sanitization at work places, protecting the workforce by formalizing and standardizing operating procedures and process, effectively managing work at the manufacturing plant with physical distancing, anticipating the potential changes

and model to be adopted by the manufacturing plant ahead of any occurrence of unprecedented situation (s) and managing risks to ensure business continuity.

- ⇒ Two-third of respondents expect growth of manufacturing to revive in next six months
- ⇒ Firms in this sector are significantly constrained by unavailability of raw material & components and consignment stuck at ports. Other constraints hampering the growth of the sector as identified by the respondents include supply chain disruptions, limited credit and finance availability and export issues.