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

# FICCI QUARTERLY SURVEY

# ON

# INDIAN MANUFACTURING SECTOR

**March 2023**

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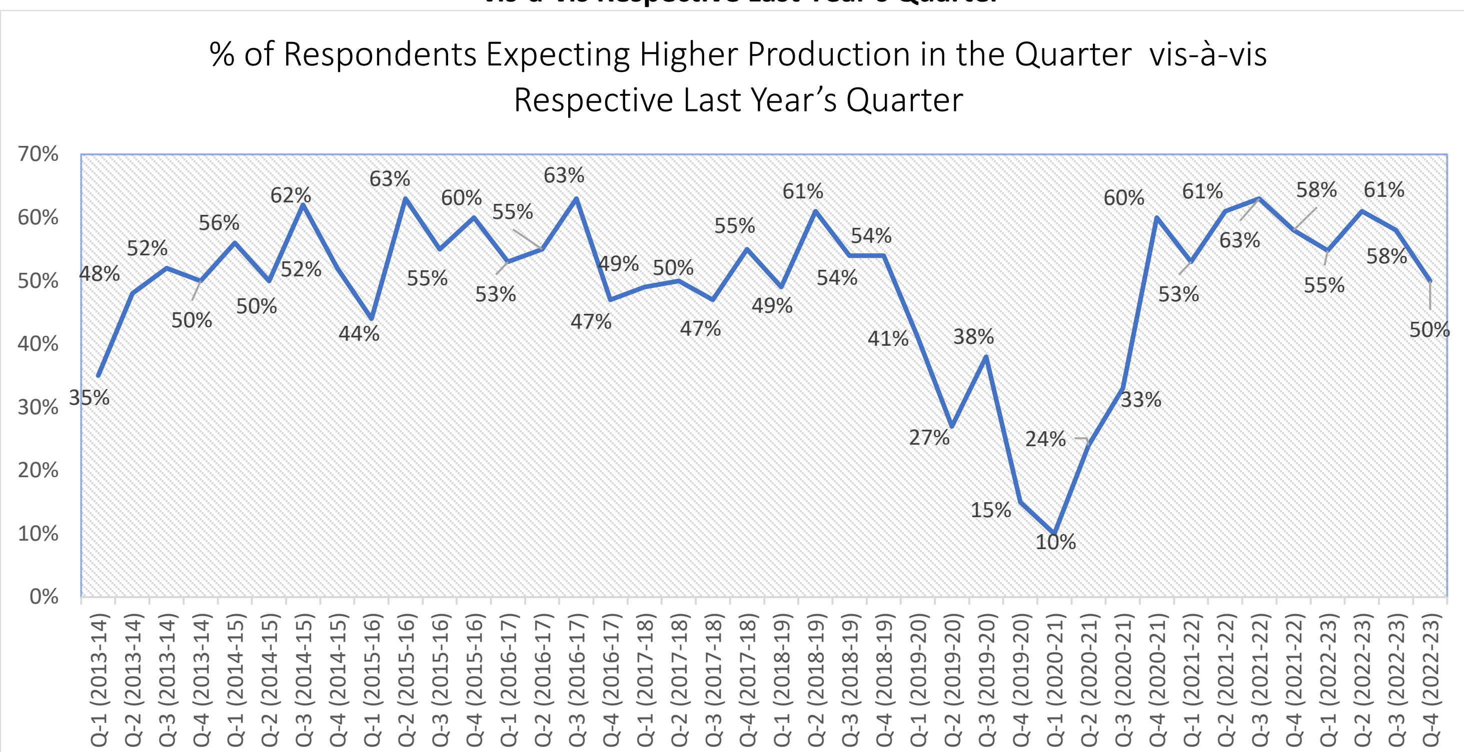
## Introduction & Quarterly Assessment for the Manufacturing Sector

***Production and Demand***

FICCI's latest quarterly survey assessed the sentiments of manufacturers for Q-4 Jan-March (2022-23) for eleven major sectors namely Automotive & Auto Components, Capital Goods, Cement, Chemicals and Pharmaceuticals, Electronics, Machine Tools, Metal & Metal Products, Paper Products, Petrochemicals & Fertilizers, Textiles, Apparels & Technical Textiles, Textile Machinery and Miscellaneous. Responses have been drawn from over 400 manufacturing units from both large and SME segments with a combined annual turnover of over Rs. 10 lakh crores.

**Figure: % of Respondents Expecting Higher Production in the Quarter vis-à-vis Respective Last Year's Quarter**




***Source FICCI Survey***

FICCI's latest quarterly survey on Manufacturing reveals that after experiencing revival of Indian economy in the FY 2021-22, momentum of growth has continued for the subsequent quarters of FY 2022-23 with some temporary effect of global slowdown on Indian manufacturing. In the Q3 Oct-Dec FY 2022-23, 58% of the respondents reported higher production levels. Growth outlook continues, though lower sequentially. Further, around 50% of the respondents expect a higher level of production in Q4 Jan-Mar 2022-23 with an average increase in production in double digits. This assessment is also reflective in order books as 52% of the respondents in Q-3 Oct-Dec 2022-23 have had higher number of orders and demand conditions continue to be optimistic in Q-4 too.

***Capacity Addition & Utilization***

- The existing average capacity utilization in manufacturing is around 75% which reflects a sustained economic activity in the sector. In fact, this is more than 70% capacity utilization reported for previous survey.
- The future investment outlook has also improved as compared to previous quarter as over 47% respondents reported plans for investments and expansions in the coming six months. This is also an improvement over the previous survey where 40% reported plans for investments in next six months.
- The table below, gives average capacity utilization for various sub-sectors of manufacturing.

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

| **Sector** | **Average Capacity Utilization** |
|---|---|
| Automotive & Automotive Components | 80% |
| Capital Goods | 81% |
| Cement | 75% |
| Chemicals & Pharmaceuticals | 67% |
| Electronics | 79% |
| Machine Tools | 65% |
| Metals & Metal Products | 67% |
| Paper Products | 95% |
| Petrochemicals & Fertilizers | 95% |
| Textiles | 73% |
| Textile Machinery | 85% |
| Miscellaneous | 74% |

- However, global economic uncertainty caused by the Russia-Ukraine war and increasing cases of various mutations of COVID virus in other countries added to volatilities in supply chain and demand.

- Increased cost of finance, cumbersome regulations and clearances, high logistics cost due to high fuel prices, low global demand, high volume of cheap imports into India, shortage of skilled labor, highly volatile prices of certain metals etc. and other supply chain disruptions are some of the major constraints which are affecting expansion plans of the respondents.

***Inventories***

- 87% of the respondents had either more or same level of inventory in Q-3 Oct-December 2022-23, which is equivalent to that of the previous quarter. In Q-4 Jan-March 2022-23, about 90% of the respondents are expecting higher or same level of inventory.

***Exports***

- The outlook for exports seems to be waning as about 36% of the respondents reported higher exports in Q-3 Oct-Dec 2022-23 as compared to the Q3 Oct-Dec of FY 2021-22. Furthermore, only about 30% of the respondents expect their exports to be higher in Q4 Jan-Mar 2022-23 as compared to Q4 Jan-Mar 2021-22.

***Hiring***

- Hiring outlook though positive, remains below potential as only 32% of the respondents were looking at hiring additional workforce in the next three months.

***Interest Rate***

- Average interest rate paid by the manufacturers has increased to 9.38% p.a. as against 8.37% p.a. during last quarter and the highest rate at which loan has been raised is 15% p.a. Over 71% of the respondents have reported that increase in repo rates in the last few months has led to a consequential increase in the lending rate by their banks, thereby increasing their cost of borrowing.

## ***Sectoral Growth***

- Based on expectations, *Auto, Capital Goods, Cement, Electronics & Petrochemicals & Fertilizers sectors are poised to see a strong growth*.
- Rest all the sectors are expected to register moderate to low growth in Q-4 2022-23 as given in the table below.

**Table: Growth expectations for Q-4 2022-23 compared with Q-4 2021-22**

| Sector | Growth Expectation |
|---|---|
| Automotive & Automotive Components | Strong |
| Capital Goods | Strong |
| Cement | Strong |
| Chemicals & Pharmaceuticals | Moderate |
| Electronics | Strong |
| Machine Tools | Low |
| Metals & Metal Products | Moderately Low |
| Miscellaneous | Moderate |
| Paper & Paper Products | Moderate |
| Petrochemicals & Fertilizers | Strong |
| Textiles, Apparels &Technical Textiles | Moderate |
| Textile Machinery | Moderate |

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

## ***Production Cost***

- There seems to be some softening of cost pressures on manufacturers in Q-4. The cost of production as a percentage of sales for manufacturers in the survey has risen for 73% respondents, which is lower than 94% as reported in previous survey.
- Nonetheless, high raw material prices especially that of steel, increased transportation, logistics and freight cost, and rise in the prices of crude oil and fuel have been the main contributors to increasing cost of production. Other factors responsible for escalating

production costs include enhanced labor costs, high cost of carrying inventory, and fluctuation in the foreign exchange rate.

***Workforce Availability***

- Most sectors have sufficient labor force engaged in their operations and are not facing shortage of labor at factories. While 74% of our respondents mentioned that they do not have any issues with workforce availability, the remaining 26% feel that there is still lack of skilled workforce available in their sector.

# ***Sectoral Analysis***

***Automotive and Automotive Components***

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

| **Production** | **Exports** | **Inventory** | **Investment for Expansion** | **Hiring** |
|---|---|---|---|---|
| Positive | Lower | Same as Average | Positive | Low |

⇒ All the respondents mentioned that their production for Q3 Oct-Dec 2022-23 was more or at same level as compared to same quarter last year. Over 60% of the respondents are expecting production to slowdown a bit in Q4 Oct-Dec 2022-23 as compared to Q4 FY 2021-22. The respondents are expecting lower order level for Q4 FY 22-23 as compared to Q3 FY 22-23.

⇒ On an average, the sector is utilizing more than 80% of its capacity, which is little higher than last year as reported by the respondents. Over 20% of the respondents reported that they are planning to expand capacity in next 6 months.

⇒ On the exports front, over 60% of the respondents reported lower exports in Q3 FY 22-23. Over 20% of respondents are expecting their exports to be higher in Q4 2022-23 based on expectation of improvement in export demand, whereas the rest of the industry expects the export levels to be same or lower for Q4 2022-23.

⇒ Over two-thirds of the respondents reported a rise in the cost of production. This has been attributed to reduced raw material availability and higher costs, especially of Steel (CRC, ERW tubes, Alloy steel, Stainless steel), Paints, Natural Rubber, increased logistics cost due to increase in fuel prices and increase in operating costs.

⇒ Over 60% of the respondents reported average inventory levels for Q3 FY 22-23. All the respondents are expecting same or less than average inventory levels in Q4 FY 22-23. This is primarily because of inventory adjustments because of certain regulations from 01 Apr,2023

⇒ No workforce availability constraints have been reported. In addition, only about 20% of the auto sector respondents are planning to expand their workforce by *10%* on an average in the near future.

⇒ All the respondents expressed that there is sufficient availability of funds from banks. Industry does not expect the borrowing rates to go up any further from the current prevailing rates.

⇒ The respondents mentioned that manufacturing growth has already revived for the sector. Following is proposed for further growth in the sector:

- Increase the rate of incentive in the RODTEP scheme
- Request to increase allocation in FAME 2 scheme or announce FAME 3 scheme.
- Restriction on import of sub-standard batteries from the neighboring countries to ensure safety of the people.
- Increasing India's FTAs and PTAs with other countries to explore the exports markets for the Indian goods.

⇒ Limited availability and high cost of raw material and components, supply-chain issues, lack of domestic demand and low exports are the most significant constraints to the growth of the sector.

***<u>Capital Goods</u>***

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

| Production | Exports | Inventory | Investment for Expansion | Hiring |
|---|---|---|---|---|
| Moderate | Positive | Average and more than average level | Strong | Positive |

⇒ Over 30% of the respondents mentioned that their production for Q3 Oct-Dec 2022-23 was at same or higher level as compared to same quarter last year. Moreover 45% of the respondents are expecting a higher level of production for Q4 Jan-March 2022-23 as compared to Q4 FY 2021-22. All the respondents are expecting higher order level for Q4 FY 22-23 as compared to Q3 FY 22-23.

⇒ On an average, the sector is utilizing more than 81% of its capacity, which is higher than last year as reported by the respondents. Over 90% of the respondents reported that they are planning to expand capacity in next 6 months. Large investments of over Rs 500 crores are also planned.

⇒ On the exports front, over 95% of the respondents reported higher exports in Q3 FY 22-23. Over 80% of respondents are expecting their export levels to be same in Q4 2022-23.

⇒ All the respondents reported a rise in the cost of production. This has been attributed majorly to high input material costs such as that of steel, zinc, power, fuel, metals and imported items. Increased freight and logistics cost have also added to the cost burdens.

⇒ All the respondents reported either more than average or average inventory levels in Q3 2022-23. All the respondents are expecting same as average inventory levels in Q4 FY 22-23. This is primarily because of Higher Inventory Stock reserve created due to uncertain supply chain.

⇒ Around 67% of respondents are planning on hiring additional workforce within the next three months and expanding their workforce by 2-5%. However, a small proportion is facing the issue of unavailability of skilled labor in the country.

⇒ On an average, the industry reported to be availing credit at an interest rate close to 9.2% p.a. and all the respondents reported sufficient availability of funds. However, 67% of the respondents reported an increase in lending rates by banks in the light of increase in repo rates during the last few months. They reported an increase of about 2-3% p.a. in the lending rates.

⇒ Majority of the respondents expect manufacturing growth to sustain in next six to nine months and following measures have been proposed for further growth in the sector:

- Check imports wherever sufficient domestic capacities are available, encourage foreign investment, promote domestic manufacturing and encourage exports.
- Promote Make in India and upgrade Steel value chain in India including scaling up manufacturing facilities for new products like pipes and tubes, etc. Additionally, increase public sector capital expenditure.
- Ensuring cheaper availability of finance for manufacturers including providing working capital loans to MSMEs.
- Implement Quality cum Cost base Selection Policy in public procurement
- Controlling the inflationary factors such as that of fuel prices and other raw materials.
- Reduction in GST rates, correct inverted duty structure and improving the semiconductor availability.

⇒ Supply chain issues, limited availability and rising costs of raw material and components, lack of domestic and export demand are reportedly the significant constraints for the sector. Other constraints include insufficient skilled labor availability which are restricting the sector's growth.

***Cement***

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

| Production | Exports | Inventory | Investments for Expansion | Hiring |
|---|---|---|---|---|
| Strongly Positive | Moderate | Higher than average level | Strong | Strong |

⇒ All the respondents mentioned that their production for Q3 Oct-Dec 2022-23 was at a higher level as compared to same quarter last year. Moreover, all the respondents are expecting a higher level of production for Q4 Jan-March 2022-23 as compared to Q4 FY 2021-22. All the respondents are expecting higher order level for Q4 FY 22-23 as compared to Q3 FY 22-23.

⇒ On an average, the sector is utilizing over 75% of its capacity. Over 90% of the respondents reported that they are planning to expand capacity in next 6 months. They are planning to make investments of over Rs 1000 crores in some cases in the coming 6 months.

⇒ On the exports front, over 50% of the respondents reported higher exports in Q3 FY 22-23. Over 30% of respondents are expecting their export levels to be higher in Q4 2022-23.

⇒ All the respondents reported an increase in the cost of production. The cost of production has increased mainly due to rising price of pet-coke and crude in international market.

⇒ All the respondents reported either more than average or average inventory levels in Q3 2022-23. Over 80% of the respondents are expecting higher than average inventory levels in Q4 FY 22-23.

⇒ Around 70% of respondents are planning on hiring additional workforce within the next three months and expanding their workforce.

⇒ On an average, the industry reported to be availing credit at an interest rate close to 7.75% p.a. and all the respondents reported sufficient availability of funds. However, all of the respondents reported an increase in lending rates by banks in the light of increase in repo rates during the last few months.

⇒ The respondents mentioned that manufacturing growth has already revived for the sector. Following has been proposed by the industry for further growth in the sector:

- Government should reduce GST to boost consumption level.
- Raising duty on imports.
- Providing Incentive for setting up Solar Power /Wind Power by manufacturing sector, this would reduce dependence on Grid Power and also help for Sustainable Development & Climate Control.

⇒ Insufficient availability of raw material, Supply chain issues and rise in cost of production are the major concerns of the industry.

## ***Chemicals & Pharmaceuticals***

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

| Production | Exports | Inventory | Investments for Expansion | Hiring |
|---|---|---|---|---|
| Moderate | Moderate | Same or higher than Average level | Moderate | Bleak |

⇒ Over 40% of the respondents mentioned that their production for Q3 Oct-Dec 2022-23 was at same or higher level as compared to same quarter last year. Moreover 50% of the respondents are expecting a higher level of production for Q4 Jan-March 2022-23 as compared to Q4 FY 2021-22. Over 70% of the respondents are expecting higher order level for Q4 FY 22-23 as compared to Q3 FY 22-23.

⇒ On an average, the sector is utilizing over 67% of its capacity, which is a little lower than last year as reported by the respondents. Only 40% of the respondents reported that they are planning to expand capacity in next 6 months.

⇒ On the exports front, over 40% of the respondents reported higher exports in Q3 FY 22-23. Over 70% of respondents are expecting their export levels to be same or higher in Q4 2022-23.

⇒ Over 90% of the survey respondents reported a rise in the cost of production. This has been attributed to increase in cost of key raw material including intermediates, increase in overhead expenses and higher utility cost (Power, Coal, Natural gas). The decrease in value of rupee has also increased cost of production.

⇒ All the respondents reported either more than average or average inventory levels in Q3 2022-23. Over 90% of the respondents are expecting higher than average or average inventory levels in Q4 FY 22-23.

⇒ Only 20% of respondents are planning on hiring additional workforce within the next three months and expanding their workforce.

⇒ Over 80% of the respondents responded that they have sufficient funds available to them from their banks for fulfilling their capital requirements. On an average, the industry reported to be availing credit at an interest rate close to 9.0% p.a. However, 50% of the respondents reported an increase in lending rates by banks in the light of increase in repo rates during the last few months.

⇒ Majority of the respondents across the industry expect manufacturing growth to sustain growth in next six to nine months. As per the industry, following should be the top priorities of the government to further the growth in manufacturing:

- Support by development of more SEZs in the country and also increase export benefits to the firms.
- Easy and affordable availability of credit at lower interest rates and providing financial support to the small manufacturers (MSME) is the need of the hour.
- Promotion of Ayurvedic products to tap global markets and promotion of local brands.

⇒ Insufficient availability and high prices of raw materials, low domestic and export demand are the most significant constraints to the growth of the sector. Other constraints are consignments stuck at ports and access to credit at low rate of interest.

***Electronics***

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

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

- ⇒ Over 80% of the respondents mentioned that their production for Q3 Oct-Dec 2022-23 was at a higher level as compared to same quarter last year. Moreover 60% of the respondents are expecting a higher level of production for Q4 Jan-March 2022-23 as compared to Q4 FY 2021-22. Over 60% of the respondents are expecting higher order level for Q4 FY 22-23 as compared to Q3 FY 22-23.
- ⇒ On an average, the sector is utilizing over 79% of its capacity, which is higher than last year as reported by the respondents. Over 60% of the respondents reported that they are planning to expand capacity in next 6 months.
- ⇒ On the exports front, over 60% of the respondents reported higher exports in Q3 FY 22-23. All of respondents are expecting their export levels to be same or higher in Q4 2022-23.
- ⇒ Over 80% of the respondents reported a rise in the cost of production. This has been attributed majorly to the increase in raw material prices, increase in labor cost, freight charges, logistics cost and customer behavior uncertainty.
- ⇒ All the respondents reported either more than average or average inventory levels in Q3 2022-23, also all of the respondents are expecting higher than average or average inventory levels in Q4 FY 22-23. Over 60% of respondents are planning on hiring additional workforce within the next three months and expanding their workforce by 10-30%.
- ⇒ Over 80% of the respondents responded mentioned that they have sufficient funds available to them from their banks for fulfilling their capital requirements. On an average, the industry reported to be availing credit at an interest rate close to 10.8% p.a. However, 80% of the

respondents reported an increase in lending rates by banks in the light of increase in repo rates during the last few months.

⇒ Majority of the respondents mentioned that manufacturing growth has already revived for the sector. Following is proposed for scaling growth in the sector:

- PLI scheme for active, passive & electromechanical components.
- Make credit available to SMEs. Currently banks are hesitant to implement Govt. scheme of CGTSME and no bank is willing to give credit under CGTSME scheme.
- Streamline and simplify custom clearance process, ensure uninterrupted power supply and skilling of labor.

⇒ Firms in this sector are significantly constrained by unavailability and high prices of raw material, limited credit and finance availability and availability of skilled labor.

***Machine Tools***

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

| Production | Exports | Inventory | Investment for Expansion | Hiring |
|---|---|---|---|---|
| Positive | Low | More than Average level | Bleak | Bleak |

⇒ Over 80% of the respondents mentioned that their production for Q3 Oct-Dec 2022-23 was at a higher level as compared to same quarter last year. Moreover 60% of the respondents are expecting a higher level of production for Q4 Jan-March 2022-23 as compared to Q4 FY 2021-22. Only 20% of the respondents are expecting higher order level for Q4 FY 22-23 as compared to Q3 FY 22-23.

⇒ On an average, the sector is utilizing over 65% of its capacity, which is similar to the last year as reported by the respondents. None of the respondents reported that they are planning to expand capacity in next 6 months.

⇒ On the exports front, only 20% of the respondents reported higher exports in Q3 FY 22-23. Over 60% of respondents are expecting their export levels to be same or higher in Q4 2022-23.

⇒ Over 60% of the respondents reported a rise in the cost of production. This has been attributed majorly to the increase in raw material prices and consumables which affects the cost. In addition, there has been increase in labor cost, freight charges, logistics cost and packaging cost.

⇒ All the respondents reported either more than average or average inventory levels in Q3 2022-23, also 80% of the respondents are expecting higher than average or average inventory levels in Q4 FY 22-23. Some of the reasons cited for this trend include low levels of order and longer delivery time of inputs.

⇒ None of the respondents are planning to hire additional workforce within the next three months.

⇒ All of the respondents responded mentioned that they have sufficient funds available to them from their banks for fulfilling their capital requirements. On an average, the industry reported to be availing credit at an interest rate close to 8.05% p.a. However, 60% of the respondents reported an increase in lending rates by banks in the light of increase in repo rates during the last few months.

⇒ Majority of the sector respondents believe that overall manufacturing sector would sustain growth in next six to nine months. Industry suggested the following for acceleration of sector's growth:

- Support from the government to the industry through affordable credit, policies aimed at cost reduction, providing support to MSMEs.
- Import substitution measures such as giving priority to Indian manufacturers, imposition of anti-dumping duties on cheap and unsafe machines & technology development support. Also introducing RoDTEP and Duty Drawback facility to exporters.
- Provision of skilled labour.

⇒ Some major constraints restricting the sector's growth include insufficient availability and high prices of raw materials such as steel and components, supply chain disruptions, lack of domestic demand and export demand.

***Metal and Metal Products***

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

| Production | Exports | Inventory | Investment for Expansion | Hiring |
|---|---|---|---|---|
| Positive | Low | Same as Average level | Low | Bleak |

⇒ Over 73% of the respondents mentioned that their production for Q3 Oct-Dec 2022-23 was at a higher level as compared to same quarter last year. Moreover 55% of the respondents are expecting a higher level of production for Q4 Jan-March 2022-23 as compared to Q4 FY 2021-22. Over 64% of the respondents are expecting higher order level for Q4 FY 22-23 as compared to Q3 FY 22-23.

⇒ On an average, the sector is utilizing over 67% of its capacity, which is higher than last year as reported by the respondents. Only 27% of the respondents reported that they are planning to expand capacity in next 6 months, due to their focus to increase current installed capacity utilization and debottlenecking of resources.

⇒ On the exports front, only 27% of the respondents reported higher exports in Q3 FY 22-23. About 36% of the respondents are expecting their export levels to be same or higher in Q4 2022-23.

⇒ Cost of production increased for over 83% of the respondents due to increase in price of inputs such as power cost especially exorbitantly high prices of coal, lubricants, packaging material, steel, enamels, low phosphorus and low ash met-coke, etc. There has also been increase in labor wages and weakening of the Indian currency, adding to increased cost of production.

⇒ Over 82% of the respondents reported same as average inventory levels in Q3 2022-23, also all of the respondents are expecting higher than average or average inventory levels in Q4 FY 22-23. Some of the reasons cited for this trend include reduced demand and slow sales.

⇒ Only 10% of the respondents are planning on hiring additional workforce within the next three months.

⇒ Over 90% of the respondents responded mentioned that they have sufficient funds available to them from their banks for fulfilling their capital requirements. On an average, the industry reported to be availing credit at an interest rate close to 9.54% p.a. However, 91% of the respondents reported an increase in lending rates by banks in the light of increase in repo rates during the last few months.

⇒ Majority of the respondents indicated that domestic demand would revive in another six to nine months. Industry suggested the following for acceleration of sector's growth:

- More credit availability to the MSME sector through rate of interest caps on MSME loans, extension of moratorium for ECLGS loans of MSME sector, reduction in compliances for MSME sector thereby enhancing Ease & Cost of Doing Business.
- Reduce imports and encourage domestic production through localization program, Make in India initiative, FDI in India, soft loan from Government for indigenous production of goods, policies such as local content requirement etc.
- On the export front, optimization of the duty structure for import and export of steel products and ensuring stability in the exchange rates is also required.

⇒ Some major constraints to the growth of the industry identified by the respondents include high input costs, credit availability, lack of domestic and export demand. Additionally, the vulnerabilities imposed by the war and pandemic have majorly affected the supply chain and access to markets.

***Paper & Paper Products***

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

| Production | Exports | Inventory | Investment for Expansion | Hiring |
|---|---|---|---|---|
| Positive | Positive | More than Average level | Low | Bleak |

⇒ All of the respondents mentioned that their production for Q3 Oct-Dec 2022-23 was at a higher level as compared to same quarter last year. Moreover all of the respondents are expecting a higher level of production for Q4 Jan-March 2022-23 as compared to Q4 FY 2021-22. Over 50% of the respondents are expecting higher order level for Q4 FY 22-23 as compared to Q3 FY 22-23.

⇒ On an average, the sector is utilizing over 95% of its capacity, which is higher than last year as reported by the respondents. Only 25% of the respondents reported that they are planning to expand capacity in next 6 months.

⇒ On the exports front, all the respondents reported lower exports in Q3 FY 22-23. About 80% of the respondents are expecting their export levels to be same or lower in Q4 2022-23.

⇒ 50% of the respondents have reported increase in cost of production as a percentage of sales for the sector due to increase in prices of chemicals and waste paper.

⇒ All of the respondents reported higher or same as average inventory levels in Q3 2022-23, also all of the respondents are expecting similar to average inventory levels in Q4 FY 22-23. The reason cited for this trend is reduced demand and slow sales.

⇒ None of the respondents are planning on hiring additional workforce within the next three months.

⇒ All of the respondents responded mentioned that they have sufficient funds available to them from their banks for fulfilling their capital requirements. On an average, the industry reported to be availing credit at an interest rate close to 7.90% p.a. However, all of the respondents reported an increase in lending rates by banks in the light of increase in repo rates during the last few months.

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

- Levying of safeguard duty and anti-dumping duty on imports, whenever required due to injury to domestic industry.
- Development of adequate infrastructure for the manufacturing sector.
- Structured policy for Social Forestry by use of wasteland.

⇒ Lack of domestic and export demand, Supply chain bottlenecks and availability of skilled labor are significant constraints identified by the respondents for the sector which are restricting its growth.

## ***Petrochemicals & Fertilizers***

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

| Production | Exports | Inventory | Investment for Expansion | Hiring |
|---|---|---|---|---|
| Positive | Low | Less than Average level | Strongly Positive | Positive |

⇒ Over 75% of the respondents mentioned that their production for Q3 Oct-Dec 2022-23 was at a higher level as compared to same quarter last year. Moreover, 90% of the respondents are expecting a higher level of production for Q4 Jan-March 2022-23 as compared to Q4 FY 2021-22. Over 90% of the respondents are expecting higher order level for Q4 FY 22-23 as compared to Q3 FY 22-23.

⇒ On an average, the sector is utilizing over 95% of its capacity, which is higher than last year as reported by the respondents. Over 90% of the respondents reported that they are planning to expand capacity in next 6 months. Huge investments of around Rs. 14,000 crores in the coming 6 months are planned in the sector.

⇒ On the exports front, all of the respondents reported either same or lower exports in Q3 FY 22-23. About 80% of the respondents are expecting their export levels to be same in Q4 2022-23.

⇒ Over 90% of the respondents have reported increase in cost of production as a percentage of sales for the sector due to increase in prices of raw materials i.e. higher crude oil prices. Also, production cost has increased due to increase in natural gas price.

⇒ All of the respondents reported lesser or same as average inventory levels in Q3 2022-23, also all of the respondents are expecting similar to average inventory levels in Q4 FY 22-23. The reason cited for this trend is high demand with good growth rates.

⇒ Over 70% of the respondents are planning on hiring additional workforce within the next three months.

⇒ All of the respondents responded mentioned that they have sufficient funds available to them from their banks for fulfilling their capital requirements. On an average, the industry reported to be availing credit at an interest rate close to 9.25% p.a. However, over 90% of the respondents reported an increase in lending rates by banks in the light of increase in repo rates during the last few months.

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

- Ease of Doing Business climate need to be enhanced in the country, more work is required on the single window clearances portal.
- Development of adequate infrastructure for the manufacturing sector.

⇒ Lack of credit & finance availability, Supply chain bottlenecks and availability of skilled labor are significant constraints identified by the respondents for the sector which are restricting its growth.

***Textiles, Apparels & Technical Textiles***

**_Quarterly Outlook for the sector at a glance_**

| Production | Exports | Inventory | Investment for Expansion | Hiring |
| --- | --- | --- | --- | --- |
| Moderate | Moderate | More than Average to Average level | Moderate | Moderate |

⇒ Over 55% of the respondents mentioned that their production for Q3 Oct-Dec 2022-23 was at a higher level as compared to same quarter last year. Moreover, 44% of the respondents are expecting a higher level of production for Q4 Jan-March 2022-23 as compared to Q4 FY 2021-22. Over 61% of the respondents are expecting higher order level for Q4 FY 22-23 as compared to Q3 FY 22-23.

⇒ On an average, the sector is utilizing over 73% of its capacity, which is higher than last year as reported by the respondents. Over 44% of the respondents reported that they are planning to expand capacity in next 6 months.

⇒ On the exports front, around 33% of the respondents reported higher exports in Q3 FY 22-23. About 39% of the respondents are expecting their export levels to be same in Q4 2022-23. Export demand remains subdued for the sector.

⇒ Around 67% of the respondents reported a rise in the cost of production. This has been attributed majorly to increasing cost of raw materials such as cotton, petrochemical derived products, dyes, chemicals, certain fibres etc. There has been escalation in labour charges coupled with the lack of availability of skilled labour. High capital costs include higher cost of spares and machinery maintenance along with the increase in administrative costs.

⇒ Over 83% of the respondents reported more or same as average inventory levels in Q3 2022-23, also about 89% of the respondents are expecting similar to average inventory levels in Q4 FY 22-23. The reason cited for this trend is slower demand and less utilization of capacity.

⇒ Over 44% of the respondents are planning on hirivng additional workforce within the next three months.

⇒ Over 78% of the respondents mentioned that they have sufficient funds available to them from their banks for fulfilling their capital requirements. On an average, the industry reported to be availing credit at an interest rate close to 8.5% p.a. However, over 61% of the respondents reported an increase in lending rates by banks in the light of increase in repo rates during the last few months.

⇒ The growth rate of manufacturing sector is likely to be sustained in next three to six months as per the survey respondents. The industry has suggested the following for scaling up growth:

- Availability of working capital, including reducing interest rates on loans to sustain the industry and swift implementation of PLI incentive scheme. Making available the imported raw material at lower cost in India and restricting imports of garments from Bangladesh. Furthermore, there needs to be improvement in export competitiveness by entering into FTAs with the countries like USA, Europe, Japan, etc for textiles and apparels.
- Rationalisation of import duty on cotton.
- Infrastructure upgradation in the form of provision of rail and road network should be made through new investment. Adoption of Geosynthetics to be popularized.
- Reduction in the transaction costs (such as power cost, logistics cost, etc.) and release of TUFS subsidy amount.

⇒ Availability of raw materials, low domestic and export demand and unavailability of skilled labor are reportedly some of the significant constraints for the sector which are restricting its growth.

## ***Textiles Machinery***

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

| Production | Exports | Inventory | Investments for Expansion | Hiring |
|---|---|---|---|---|
| Low | Moderate | Same as Average level | Positive | Low |

⇒ In textile machinery, manufacturers reported lower level of production in the Q3 Oct-Dec 2022-23. Moreover, the respondents are expecting a similar level of production for Q4 Jan-March 2022-23.

⇒ On an average, the sector is utilizing over 85% of its capacity, which is higher than last year as reported by the respondents. The respondents reported that they are planning to expand capacity in next 6 months. They are planning to make investments of around Rs. 500 crores in the coming 6 months.

⇒ On the exports front the respondents reported same level of exports in Q3 FY 22-23 as previously and similar expectations are there for Q4 2022-23 as well.

⇒ All the respondents reported a rise in the cost of production. This has been attributed to Russia-Ukraine War, availability of raw materials, energy needs, and logistics & also ambiguity over ATUF scheme's continuation or announcement of new scheme (TTDS) is causing the textile industry to hold their buying decision.

⇒ Respondents were maintaining same as average inventory levels in the quarter Q3 Oct-Dec FY 22-23.

⇒ The respondents are planning to hire additional workforce in near future and expand their workforce by an average of 10%. The respondents are not facing any kind of non-availability of the skilled/unskilled workforce in their industry.

⇒ The respondents expect manufacturing growth to sustain for next three months. Following is proposed for scaling up growth in the sector:

- Availability of funds from banks at lower rates
- The resolution of supply related issues, tax rate revision to boost domestic demand and reduction in raw material prices.

⇒ Unavailability of raw material, supply chain disruptions caused due to COVID-19 and Russia-Ukraine war and Consignments stuck at ports are significant constraints faced by the sector. Other constraint faced by the sector is lack of availability of credit and finance at feasible rates.

***Miscellaneous***

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

| Production | Inventory | Exports | Investments for Expansion | Hiring |
|---|---|---|---|---|
| High | Average level | Moderate | Moderate | Bleak |

⇒ Over 80% of the respondents mentioned that their production for Q3 Oct-Dec 2022-23 was at a higher level as compared to same quarter last year. Moreover, 60% of the respondents are expecting a moderate to higher level of production for Q4 Jan-March 2022-23 as compared to Q4 FY 2021-22. Over 70% of the respondents are expecting similar order level for Q4 FY 22-23 as compared to Q3 FY 22-23.

⇒ On an average, the sector is utilizing over 74% of its capacity, which is lower than last year as reported by the respondents. Over 40% of the respondents reported that they are planning to expand capacity in next 6 months.

⇒ On the exports front, over 60% of the respondents reported same export level in Q3 FY 22-23 as compared to Q3 FY 21-22. All of the respondents are expecting their export levels to be at same or lower level in Q4 2022-23.

⇒ Over 80% of the respondents reported that their cost of production has remained the same. But for those who have witnessed a rise in cost of production has been attributed majorly to the increase in raw material prices, both domestic as well as imported. In addition to it, Energy, LDO, Coal price, freight cost has also increased significantly.

⇒ Over 80% of the respondents reported same as average inventory levels in Q3 2022-23, also about 90% of the respondents are expecting similar to average inventory levels in Q4 FY 22-23.

⇒ Only 20% of the respondents are planning on hiring additional workforce within the next three months.

⇒ Over 80% of the respondents mentioned that they have sufficient funds available to them from their banks for fulfilling their capital requirements. On an average, the industry reported to be availing credit at an interest rate close to 9.0% p.a. However, over 80% of the respondents reported an increase in lending rates by banks in the light of increase in repo rates during the last few months.

⇒ The respondents expect growth of manufacturing to sustain in next six months as economic activity is expected to improve. Following is proposed for scaling up growth in the sector:

- Need to control the increase in prices of raw materials (such as certain chemicals, metals), fuel and freight.
- Introducing demand inducing measures, ensure uninterrupted power supply and skilling of labour.

⇒ Firms in this sector are constrained by unavailability and high prices of raw material, lack of domestic and export demand and limited credit and finance availability.

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