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MNI India Business Report
October 2015

Insight and data for better decisions

MNI India Business Report
Methodology

MNI India Business Sentiment is a monthly poll of Indian business executives at companies listed on the BSE (formerly known as the Bombay Stock Exchange) which has been available since November 2012. More than 400 companies are surveyed each month and are a mix of manufacturing, service, construction and agricultural firms.

The survey provides the first monthly snapshot of economic and business conditions, ahead of official data and other business confidence data in India.

Respondents are asked their opinion on whether a particular business activity has increased, decreased or remained the same compared with the previous month as well as their expectations for three months ahead, e.g. Is Production Higher/Same/Lower compared with a month ago?

A diffusion indicator is then calculated by adding the percentage share of positive responses to half the percentage of those respondents reporting no change. An indicator reading above 50 shows expansion, below 50 indicates contraction and a result of 50 means no change.

The survey looks at key business metrics including orders, production, pricing, inventories, credit availability and exchange rate impact. Sentiment on both current and future expectations allows users to comprehensively monitor business and economic trends.

Whether you are forecasting the Indian economy, analysing where to invest in India or want to know how other companies in your sector are performing, our monthly intelligence offers an unrivalled insight into exactly what India's largest companies are thinking.

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Executive Summary

The latest rate cut by the Reserve Bank of India helped to push business sentiment slightly higher in October, although most activity indicators in the survey eased on the back of weaker demand.

Sentiment towards the Indian business environment improved slightly in October, although most activity indicators eased on the back of weaker demand. The MNI India Business Sentiment Indicator, a gauge of current sentiment among BSE-listed companies, rose to 62.3 in October offsetting last month's fall to 61.4.

Confidence has increased four times this year, each time following a rate cut by the RBI. Although monetary easing has provided a boost to business confidence, it has failed to provide a sustained increase. And while sentiment rose in October it was less than one might expect given the greater than expected 50 basis point cut in rates, with respondents more concerned about the general malaise in the economy and subdued demand globally. This is even more disappointing given that this is a festival period when usually there is more business and purchase activity.

Looking deeper into the survey, it is evident that lacklustre demand is behind the continued lack of optimism. The sluggish increase in output mirrored softer demand conditions, while growth of global demand for Indian goods also moderated. Export Orders were 8.4% below the series average while New Orders were 13.1% down on the year.

With growth in New Orders easing further, companies reduced their payroll numbers. The Employment Indicator eased to 50.4 in October from 50.9 in September.

The decline in global commodity prices led to an easing in raw material costs for the fourth consecutive month in October. The Input Prices Indicator fell to 53.2, the lowest since February when it hit a record low. Some companies, in turn, raised their prices to increase their margins and also make up for previous cuts in selling prices.

One silver lining in this month's survey was the improvement in companies' financial health. While the Financial Position Indicator has gradually trended down since July 2014, with companies reeling under pressure of high debt and low sales, this month's improvement puts it roughly around the series average.

More positively, there was a clear sign that the four rate cuts since the start of the year were flowing through to business. The Availability of Credit Indicator increased further to 62.4, the highest since September last year.

Companies were more optimistic about the next three months with the Expectations Indicator rising to 75.1 in October from 71.1 in September. Firms were also more bullish about production, employment and the availability of credit over the next three months.

Overview

	Aug-15	Sep-15	Oct-15	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
MNI India Business Indicator								
Current Conditions	62.3	61.4	62.3	Aug-15	-	62.0	0.9	1.5%
Future Expectations	73.7	71.1	75.1	Feb-15	-	73.3	4.0	5.6%
Production								
Current Conditions	59.1	59.7	59.4	-	Aug-15	59.4	-0.3	-0.5%
Future Expectations	68.7	66.8	67.7	Aug-15	-	67.7	0.9	1.3%
New Orders								
Current Conditions	60.8	59.7	57.5	-	May-15	59.3	-2.2	-3.7%
Future Expectations	67.6	68.9	67.6	-	Jul-15	68.0	-1.3	-1.9%
Export Orders								
Current Conditions	59.7	57.1	53.0	-	Jun-13	56.6	-4.1	-7.2%
Future Expectations	65.5	62.2	61.5	-	Apr-15	63.1	-0.7	-1.1%
Productive Capacity								
Current Conditions	56.5	58.1	56.8	-	Aug-15	57.1	-1.3	-2.2%
Future Expectations	63.6	67.0	65.6	-	Aug-15	65.4	-1.4	-2.1%
Order Backlogs								
Current Conditions	49.0	46.9	46.2	-	Apr-15	47.4	-0.7	-1.5%
Future Expectations	46.3	46.6	46.9	Jul-15	-	46.6	0.3	0.6%
Employment								
Current Conditions	51.1	50.9	50.4	-	Feb-15	50.8	-0.5	-1.0%
Future Expectations	53.4	51.5	53.4	Aug-15	-	52.8	1.9	3.7%
Inventories								
Current Conditions	53.1	51.9	51.5	-	May-15	52.2	-0.4	-0.8%
Future Expectations	50.0	51.7	50.2	-	Aug-15	50.6	-1.5	-2.9%
Input Prices								
Current Conditions	55.6	54.9	53.2	-	Feb-15	54.6	-1.7	-3.1%
Future Expectations	53.2	56.1	52.1	-	Dec-14	53.8	-4.0	-7.1%
Prices Received								
Current Conditions	49.3	48.3	49.7	Jul-15	-	49.1	1.4	2.9%
Future Expectations	50.5	51.1	52.8	Jun-15	-	51.5	1.7	3.3%
Financial Position								
Current Conditions	65.2	61.7	64.8	Aug-15	-	63.9	3.1	5.0%
Future Expectations	70.1	71.3	71.8	May-15	-	71.1	0.5	0.7%
Interest Rates Paid								
Current Conditions	44.4	44.7	39.2	-	series low	42.8	-5.5	-12.3%
Future Expectations	43.8	40.5	38.1	-	Mar-15	40.8	-2.4	-5.9%
Effect of Rupee Exchange Rate								
Current Conditions	51.1	49.0	49.3	Aug-15	-	49.8	0.3	0.6%
Future Expectations	51.3	50.5	52.2	Jul-15	-	51.3	1.7	3.4%
Supplier Delivery Times								
Current Conditions	48.8	50.7	49.8	-	Aug-15	49.8	-0.9	-1.8%
Future Expectations	49.4	53.6	50.0	-	Aug-15	51.0	-3.6	-6.7%
Availability of Credit								
Current Conditions	58.4	60.3	62.4	Sep-14	-	60.4	2.1	3.5%
Future Expectations	57.8	59.4	61.2	Jan-15	-	59.5	1.8	3.0%

Given the continued softness in economic data, the RBI cut the policy rate by 50 basis points.

The central bank noted that inflation was under control and global commodity prices were falling. It also pointed to a sustained decline in exports, tepid domestic demand, deficient monsoon and weaker growth in industrial production and investment activity than expected.

Economic Landscape

Latest economic data has been mixed. The pace of industrial production growth expanded to a three-year high in August, signalling that the long-term recovery remains intact and providing a stronger platform for Q2 growth.

Latest economic data has been mixed. The pace of industrial production growth expanded to a three-year high in August, signalling that the long-term recovery remains intact, especially with robust growth in the capital goods sector and green shoots in the consumer sector. The August data provides a stronger platform for Q2 growth and with the higher government spending on large capital intensive projects, industrial production is expected to pick-up further. With the festive season around the corner, car sales picked up in September, buoyed by new model launches and discounts.

Consumer price inflation rose to a three-month high of 3.74% in September, as base effects faded. Trade data continue to ring alarm bells with the deficit up 27.6% on the year in September, as the value of exports faced the sharpest decline since 2009.

Given the continued softness in economic data, the RBI cut the policy rate by 50 basis points at its late September meeting. The central bank noted that inflation was under control and global commodity prices were falling. It also pointed to a sustained decline in exports, tepid domestic demand, deficient monsoon and weaker growth in industrial production and investment activity than expected. The RBI has hinted that it will leave rates unchanged in the near term with a shift in onus towards the government to implement structural reforms. The government push towards reviving the investment cycle is critical to boost growth while the private sector continues to be burdened by heavy debt and low profitability as evidenced by the weak interest coverage ratio and net profit in the financial results of private companies. However, it is important the government sticks to its fiscal deficit target to keep its credibility intact.

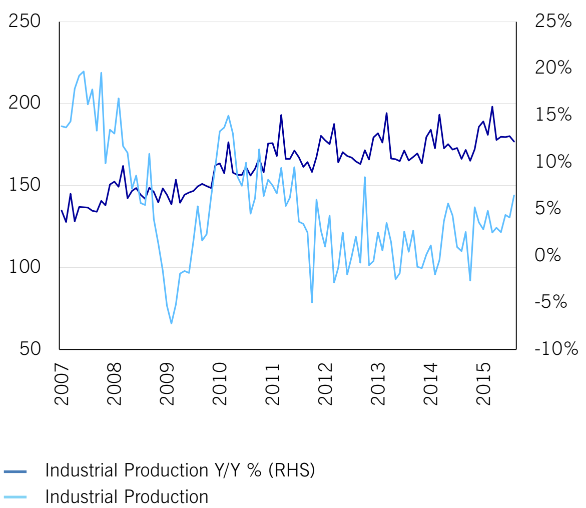
Industrial output growth highest in three years

Industrial production growth accelerated to 6.4% on the year in August following an increase of 4.1% in July (revised down from 4.2% previously). Monthly data has been volatile, although the first eight months of the year has seen industrial production expand by 3.8% over the previous year, double the rate of growth seen in the same period last year.

Growth in August was broad-based across all sub-sectors. The manufacturing sector, which forms three quarters of industrial production expanded at 6.9% on the year compared with 4.6% in the previous month (revised down from 4.7% previously). Output was up 3.3% in the eight months to August over the past year, the highest growth rate in four years. This provides some impetus to Modi's "Make in India" program which aims to make India a global manufacturing hub. Continued weakness in the rupee should also support growth in export oriented manufacturing sectors in the coming months. Electricity production grew by 5.6% on the year while mining increased by 3.8% after barely rising in the previous month.

According to use-based classification, basic goods production grew by 3.4% on the year in August following 5% growth (revised down from 5.2% previously) in July, while production of consumer goods grew by 6.8% following growth of 0.9% in July (revised down from 1.3% previously), owing mostly to base effects. Output of consumer durables grew by 17% on the year in August, up from 10.3% in July (revised down from 11.4% previously). While this was the third consecutive month of double digit year-on-year growth, mostly due to base effects, it was encouraging to see the first positive month-on-month outturn, a possible turning point for the consumer sector. Against this, our own consumer survey data has pointed to continued weakness, which cautions us against reading too much

Industrial Production

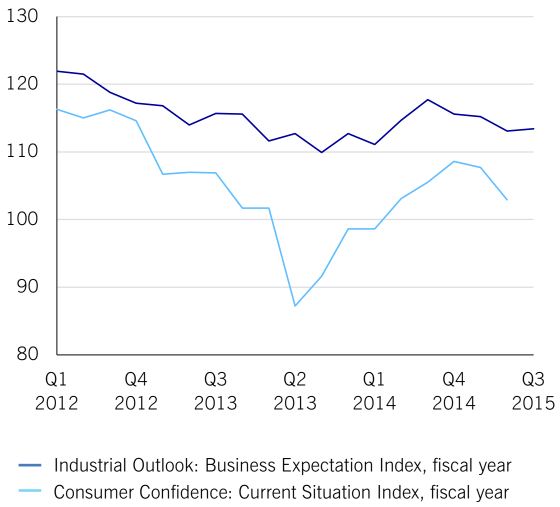


Source: Central Statistics Office

into one month's data. On the investment side, growth in capital goods doubled in August from the previous month, although this was mainly due to favourable base effects, as capital goods production contracted in August 2014. Base effects aside, we welcome the overall turnaround in capital goods production which has grown by an impressive 8.4% in the first eight months of the year compared with the last year, the highest since 2010.

Overall, the latest data paint a relatively positive picture for the industrial sector, signalling that the long-term recovery remains intact, especially with robust growth in the capital goods sector and emerging green shoots in the consumer sector. The August data provides a stronger platform for Q2 growth, and with the continuing higher government spending on large capital intensive projects, industrial production is expected to pick-up further.

RBI Business and Consumer Sentiment



Source: Reserve Bank of India

The more frequently updated data for the core sector, which is comprised of eight industries and forms 38% of industrial production, grew by 2.7% in August from 1.1% in July and significantly below growth of 5.9% in August 2014. This month, production of fertiliser was the front-runner, growing by 12.6%, the highest since May 2014, while steel production contracted by 5.9% on the year. During the April-August period of the current fiscal, infrastructure output slowed to just 2.2% on the year, down from 5.6% growth in the corresponding period last year.

RBI Consumer Confidence fell in September

The RBI's Consumer Confidence survey showed that the Current Situation Index (CSI), an assessment of consumer sentiment, fell in the quarter ending September to 102.9 from 107.7 in the quarter ending June. This was the second consecutive decline in confidence pushing the index to the lowest level since June last year.

Current economic conditions compared to one year ago plummeted, wiping out the gains of the previous two quarters. Positive perceptions of future economic conditions also fell to the lowest since March 2014.

Respondents were increasingly worried about employment conditions with the proportion of respondents whose employment conditions worsened compared with a year ago outnumbering those who showed an improved situation. Fewer respondents expected an improvement in the employment situation one year ahead as well. Sentiment towards current income fell to the lowest level in the survey's history and fewer respondents expected it to improve one year ahead.

Respondents' expectations about future economic conditions also declined as the Future Expectations Index, which measures the year-ahead outlook, fell to 119.2 in September from 124.2 in June.

More up-to-date monthly data from the MNI India Consumer Sentiment Survey has shown confidence falling to a record low level among households. The MNI India Consumer Sentiment Indicator fell to 115.3 in September from 119.1 in August. Consumers reported that they were less confident about their household finances than ever before and had lower expectations for business conditions in the short and long-term.

RBI Industrial Outlook remains stable in December

The RBI's Industrial Outlook Survey showed that the Business Expectation Index (BEI), a gauge of manufacturing business sentiment, remained broadly stable at 113.4 in the quarter ending December compared with 113.1 in the quarter ending September and was below the outturn of 117.7 recorded in the December quarter a year earlier. Companies expected fewer export and import orders, with nearly stable order books and production. There was also reduced pessimism towards the cost of finance and the cost of raw material.

Manufacturing companies witnessed a decline in demand during the July-Sep quarter, with sentiment easing to 102.4 from 104.8 in the previous quarter. The decline in sentiment for the assessment quarter was mainly due to lower optimism in production, order books, exports, capacity utilisation, employment, financial situation, availability of finance coupled with increased pessimism in selling prices and profit margin.

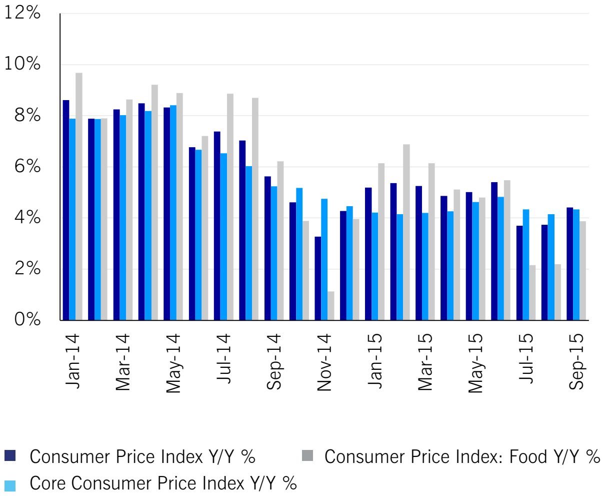
More up-to-date monthly data from the MNI India Business Sentiment Survey has shown that business confidence has eased in recent months. In the quarter ending September, the MNI India Business Sentiment Indicator fell to the lowest since March 2014, averaging 64.4. In October, business sentiment rose slightly for the first time in four months mainly led by disinflationary pressures and lower cost of debt service. In contrast, key activity parameters such as production, new orders and inventories pulled back. Companies were more optimistic about the next three months with the Expectations Indicator rising to 75.1 in October from 71.1 in September as companies were also more optimistic about production, employment and availability of credit over the next three months.

Consumer Price Inflation picks-up to three-month high

Consumer price inflation rose to a three-month high of 4.41% in September from 3.74% in August (revised up from 3.64% previously). The increase was expected, with the favourable base effects that have kept inflation at a very low rate now fading.

Food price inflation, which makes up 47.25% of the CPI basket, rose to 3.88% on the year in September after remaining broadly unchanged at 2.2% on the year in August. While prices of fruits and vegetables barely grew on a year-on-year measure, prices of pulses accelerated at a bumper rate of 29.8%, due to shortfalls in production. Acute rainfall deficiency and prolonged dry spells in pulse growing states like Maharashtra, Uttar

Consumer Inflation



Source: Central Statistics Office

Pradesh and Karnataka have affected pulse production. While the government seems to have been relatively successful at managing food supply, because pulses are a dietary staple, future movements warrant close attention. Fuel inflation eased to 5.4% on the year from 5.8% in the previous month, in line with the recent plunge in oil prices. On a three month on three month basis, it fell to 0.2%, the lowest since October 2014. With global commodity prices expected to remain low for some time, we expect fuel price inflation to remain muted. After stripping out the more volatile components (food and beverages; and fuel and light), core inflation rose to 4.3% in September from 4.1% in August, just below the headline inflation rate for the first time in three months.

Rural CPI inflation rose to 5% in September from 4.5% in August, led by a pick-up in food inflation to 4.1% from 3% in August. Urban CPI inflation also rose to 3.6% in September from 2.8% in August (revised up from 2.7% previously), with food inflation accelerating to 3.5% from a series-low of 0.8% in August.

Most importantly, inflation for Q2 came in at 3.95%, in line with the RBI's September forecast. The RBI sees inflation remaining capped on the assumption of moderate increases in minimum support prices and subdued international food and crude prices. However, without favourable base effects it is set to pick-up. Although the RBI sees it coming in below the 6% target in January 2016, it expects inflation to climb to 6% in Q2 2016-17. This suggests the central bank will act cautiously on monetary policy from now on and probably maintain rates at their current level into the new year.

The previously targeted measure of inflation, based on the Wholesale Price Index, contracted for the 11th consecutive month in September, falling an annual 4.5% from a record low of 5% decline in August. The small rise came on the back of an increase in prices for food and manufactured goods. Fuel and power continued to see disinflationary pressure, prices declined 17.7% on the year September, although were down only 1.7% on the month versus a decline of 5.8% on the month in August.

Repo rate cut to 6.75% in September

The Reserve Bank of India cut the key policy rate by 50 basis points to 6.75% from 7.25% on September 29, exceeding our expectations of a cut of 25 basis points.

The RBI said the bulk of the conditions required for further accommodation had been met. Inflation was under control, global oil and commodity prices have continued to decline and the Fed has postponed the first rate hike. The RBI said it wanted to “front-load” a 50 basis point rate cut now given the softness in the economic data.

The RBI pointed to the sustained decline in exports, deficient monsoon and weaker than expected industrial production and investment activity. External demand conditions have worsened while domestic demand also remains tepid.

Continued weak data led the RBI to revise down its growth projections for 2015-16 to 7.4% from 7.6% earlier. Our own monthly business and consumer surveys have highlighted that economic momentum remains weak and the economy is much weaker than the new GDP series shows.

The RBI appears more confident that food disinflation is likely to continue on the back of global food disinflation and government actions on food supply management, including the restraint shown on minimum support prices, thereby lowering its January 2016 inflation forecast by 20 basis points to 5.8%.

The RBI signalled a pause in rate easing for now, instead putting the ball in the government’s court and saying that it should work to encourage banks to pass on all of this year’s rate cuts in full. It looks like the RBI’s policy will most likely remain accommodative but it will maintain caution in terms of demand-side pressures on inflation that could arise from the Seventh Pay Commission payout.

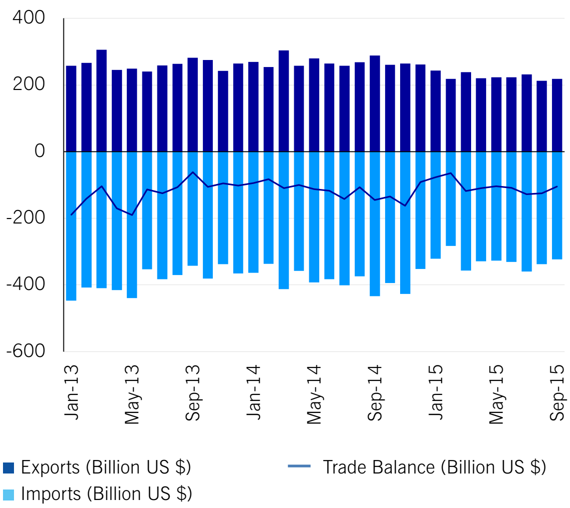
Exports decline for the tenth month in a row

India’s trade deficit eased to a four-month low of $10.5 billion in September from $12.5 billion in August, but was 27.6% below the $14.5 billion shortfall recorded in September last year.

Exports contracted 24.3% on the year, the 10th monthly fall, to $21.8 billion in September. This followed a 20.7% decline on the year in August, making it the sharpest decline since July 2009. Looking at the three-month year-on-year measure for exports, the decline in exports accelerated in September.

Imports declined by 25.4% on the year to $32.3 billion in September owing mostly to a decline in oil imports which dropped 54.5% on the year to $6.6 billion. Gold imports also sharply narrowed to $2.5 in September

Trade Balance



Source: Ministry of Commerce and Industry from $5.3bn in August. Disappointingly, non-oil, non-gold imports were also down 5.3%, the biggest fall in 18 months, thereby questioning the pace of recovery in domestic demand.

Overall, the trade data suggests weakness in both external and domestic demand. While export weakness has been ongoing for some time, softness in non-oil imports is disappointing.

Government raises planned expenditure

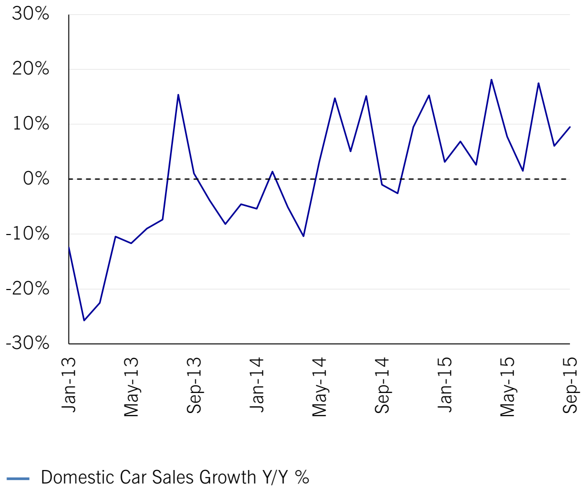
The fiscal deficit in the first five months of 2015-16, was Rs. 3.69 trillion or 66.5% of the estimated budget of Rs. 5.6 trillion for the whole financial year. This is lower than the deficit of 74.9% during the same period a year ago. The total expenditure of the government in the first five months was Rs. 7.32 trillion or 41.2% of the entire year estimate, higher than last year's expenditure of 37.5%. Of the total outflows in the first five months, planned expenditure was 40.1% of the budget estimate given the government's emphasis on infrastructure development. Planned spending was around 30.9% of the budget estimate during the last fiscal year. Total spending, which is set at Rs 17.7 trillion for the entire year, may go up after the government received Parliament's approval in July to spend more on recapitalisation of public sector banks. Total receipts were Rs. 3.6 trillion, 30.3% of the estimate. For 2015-16, the government aims to contain the fiscal deficit at 3.9% of GDP and is targeting 3% a year later, unlocking funds for investment into infrastructure development and social welfare programmes. A fall in crude prices will create more fiscal space to spend more on the capital side and yet still achieve the fiscal target.

Growth in car sales rise in September

Car sales in India rose by 9.5% on the year in September, up from 6.1% in August, buoyed by new model launches and discounts with festive season round the corner.

While base effects exaggerate the strength of sales, they remain firm given that on a month-on-month basis, sales grew by 4%, the highest in eight months. In spite of uneven growth, car sales have grown by 7.7% on the year in the first nine months of 2015, an improvement from growth of 1.3% and contraction of 11.3% in the same period of 2014 and 2013.

Car Sales



Source: Society of Indian Automobile Manufacturers

Car exports from India declined by 11.9% on the year in September due to a general slowdown in some export markets, and following the withdrawal of incentives for shipping vehicles to Sri Lanka and Bangladesh.

Sales of commercial vehicles grew by 12.1% on the year in September, well above the growth of 7.6% on the year in August and were up 20.4% since the previous month. Growth has picked up rapidly following patchy first half. Looking at the three month trend, sales accelerated to 7.3% in September from 2.2% in August.

Sales of two-wheelers contracted for the second consecutive month in September, showing the general malaise in rural areas and smaller towns this year given that Aug-Sep period usually registers high growth in two-wheeler sales ahead of the festival season. Sales of scooters grew by 6.5% on the year, the slowest growth in four months, although they were up 8.2% on the month. Sales of motorcycles, which form the majority of two-wheelers sales, fell by 2.9% on the year, making it the third consecutive month of contraction. India is the world's largest market for motorcycles and much of the slowdown comes from smaller cities.

The four cuts in interest rates by the RBI this year have not been able to help the automobile industry significantly, especially the market for two-wheelers, although it has recovered from last year. Since financing rates are still high, we expect automobile demand to rise gradually. Car manufacturers however are leaving no stone unturned this festival season. Unlike 2014, when all festivals were bunched in October, the main Hindu festivals starting with Navratra on October 13, followed by Dussehra and Diwali on November 11 are spread over two months this year and hence car manufacturers are optimistic about better sales. They are offering steep discounts to attract customers including gold coins, cash-back offers, free accessories, gift cheques and free insurance.

Railway freight traffic on a gradual decline

In the three months to September, growth in freight traffic (millions of tonnes) eased slightly to 1.5% compared with the same period a year ago, the slowest in four months. Growth in traffic has trended down this year after peaking at 6.7% in the three months to December last year, raising concerns about weak demand and business activity. The construction sector was the worst hit, with the three month trend in commodities such as cement contracting since September last year. Our MNI Business Sentiment Indicator also shows that business activity is weak, with little sign of a quick turnaround. Consequently, we expect freight traffic to remain subdued in the short to medium-term.

In general, about 65% of trains in India are dedicated to passenger movement, which yield less than a third in terms of revenue for the railways, while 35% of freight trains provide the network 70% of its revenues. The high cost of freight transportation has also led to lower freight traffic in Indian railways over time. In order to tackle the issue of declining freight traffic, Indian Railways has started offering incentives to customers to carry load in the empty flow direction. This scheme is intended to help customers carry freight at cheaper rates and target new markets, and in turn bring down the cost of commodities like cement, steel, jute and food grains etc.

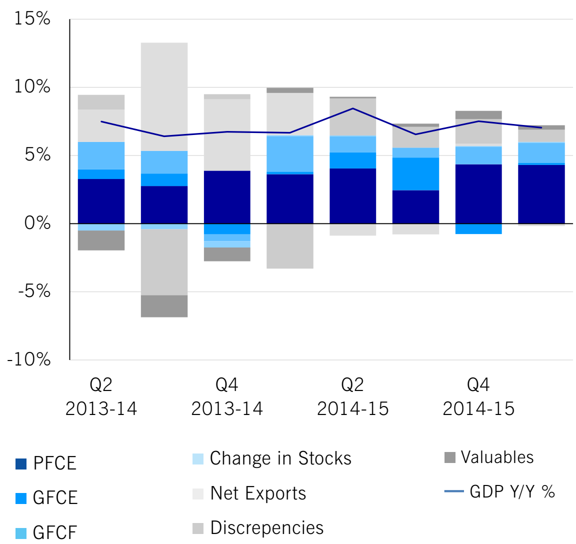
Growth in GDP weakens but accelerates in GVA in Q1

Latest GDP data showed that India's economic growth slowed to 7% on the year in the Apr-June quarter, down from 7.5% in the previous quarter, although improved from 6.7% growth in the Apr-June quarter last year.

Not every aspect of the national accounts is disappointing, with one positive lining in the data coming from GVA which accelerated from 6.1% on the year in Q4 to 7.1% in Q1. Since GDP at market prices is calculated by adding indirect taxes net of subsidies to GVA (at basic prices), this suggests that there was very little growth in indirect taxes net of subsidies in the quarter ending June; a complete reversal on the previous quarter.

Given the large volatility in net indirect taxes, GVA provides a better representation of underlying growth dynamics. Much of the growth in GVA came from an improvement in the agriculture sector which grew by 1.9% on the year in Q1 having contracted in the previous two quarters. While manufacturing growth was on the slower side, it was offset by mining and construction. Manufacturing growth eased to 7.2% on the year in Q1 from 8.4% in the previous quarter. Mining growth almost doubled to 4% in Q1 from 2.3% in the previous quarter while construction grew by a hefty 6.9% compared with 1.4% growth in the previous quarter. Services continued to be the frontrunner with growth of 8.9% on the year, although down from the previous quarter's growth of 9.2%. On the services side, while growth dipped slightly within the trade, transport and financial services sectors, both public administration and defence registered higher growth.

Contribution to GDP Growth



Source: Central Statistics Office

On an expenditure basis, GDP growth in the Apr-June quarter was led by 7.4% year-on-year growth of private final consumption expenditure, likely due to improved urban demand on the back of the moderation in retail inflation and decline in fuel prices. Strength in these areas offset the weakness in rural demand, which is reflected in poor demand for two-wheelers. Personal consumption added 4.3 percentage points to growth, having contributed 4.4 percentage points in the previous quarter and 3.6 percentage points in the same quarter a year ago. Gross fixed capital formation rose by a modest 4.9%, highlighting that the pace of implementation of projects still remains sluggish. It added 1.5 percentage points, slightly above its contribution of 1.2 percentage points in the previous quarter but below its contribution of 2.6 percentage points in the same quarter a year ago. Government final consumption expenditure growth was at 1.2%, an improvement from last quarter's contraction, although still reflecting lower subsidy pay-outs on account of the fall in the price of crude oil. In contrast, exports contracted by 6.5%, acting as a drag on the pace of GDP expansion. Net exports subtracted 0.2 percentage point, having added 3.1 percentage points in the same quarter the previous year.

The slowdown in the first quarter of the 2015-16 fiscal year was in line with the MNI India Business Sentiment Survey which pointed to an easing in economic growth given that the headline indicator as well as other key parameters such as Production and New Orders remained almost flat for the second consecutive quarter in the three months to June and were below their respective outturns for the Apr-June quarter in 2014. Furthermore, our sister Consumer Sentiment Survey has painted a weak picture of Indian households with confidence among them falling in Q1 in contrast to the improvement seen in the same quarter of 2014.

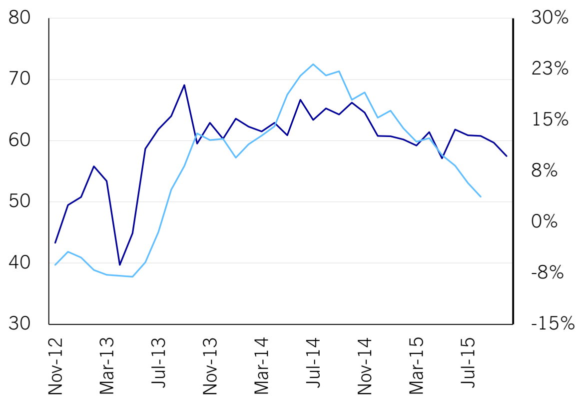
Going forward, GVA growth is expected to be driven by consumption, led by both government and private households. Meanwhile the moderation in inflation and commodity prices and the raising of the national daily minimum wage is expected to support domestic consumption demand. Higher government spending on infrastructure, easing of rules for foreign direct investment and monetary easing are expected to support investment in the 2015-16 fiscal year.

Key Monthly Economic Data

	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15
Consumer Price Index (Y/Y %)	4.9	5.0	5.4	3.7	3.7	4.4	-
Wholesale Price Index (Y/Y %)	-2.4	-2.2	-2.1	-4.0	-4.9	-4.5	-
Industrial Production (Y/Y %)	3.0	2.5	4.4	4.1	6.4	-	-
Car Sales (Y/Y %)	18.1	7.7	1.5	17.5	6.1	9.5	-
Trade Balance (Billion US $)	-11.0	-10.4	-10.8	-12.8	-12.5	-10.5	-
Exports (Billion US $)	22.0	22.3	22.3	23.1	21.3	21.8	-
Imports (Billion US $)	32.9	32.8	33.1	35.9	33.7	32.3	-
MNI India Business Sentiment Indicator	63.9	62.3	67.1	65.3	62.3	61.4	62.3
MNI India Consumer Sentiment Indicator	122.1	119.6	119.5	118.6	119.1	115.3	-

Correlation Charts
Our Indicators Closely Track Official Data

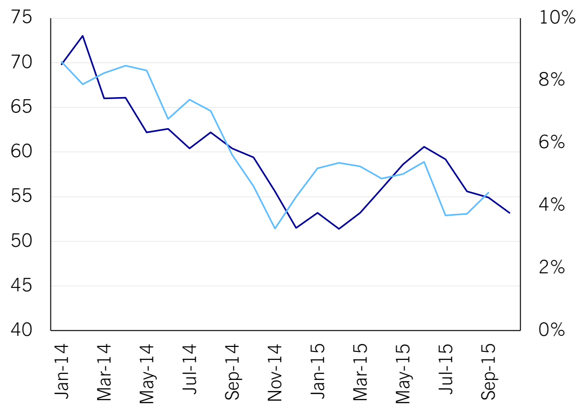
New Orders



MNI India New Orders
Domestic Cargo Handled Y/Y% (RHS)*

Source: *Airports Authority of India

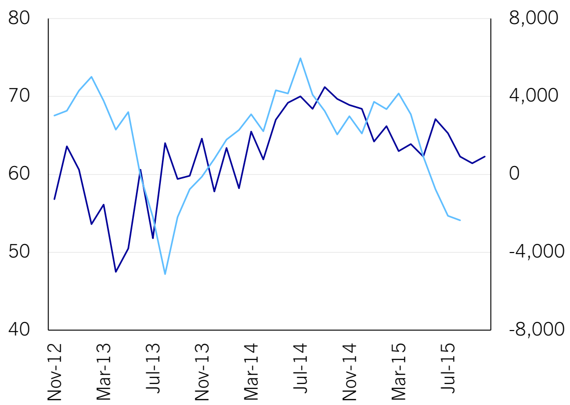
Input Prices



MNI India Input Prices: Future Expectations
Consumer Price Inflation Y/Y% (RHS)*

Source: *Central Statistics Office

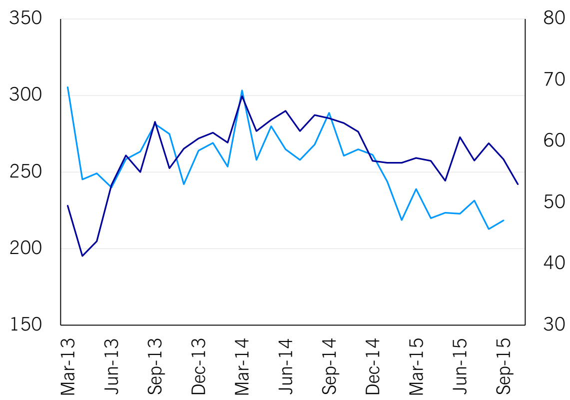
Business Sentiment and Foreign Inflows



MNI India Business Sentiment
Foreign Portfolio Investment Inflows 3MA (Million US $) (RHS)*

Source: *Reserve Bank of India

Export Orders

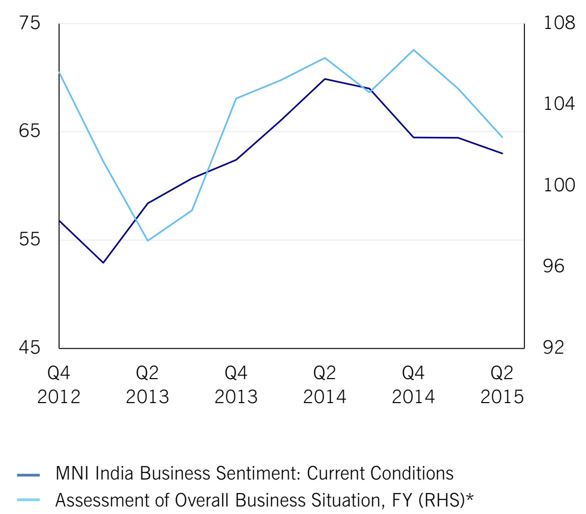


MNI India Export Orders (RHS)
Exports (FOB, Billion US $)*

Source: *Ministry of Commerce and Industry

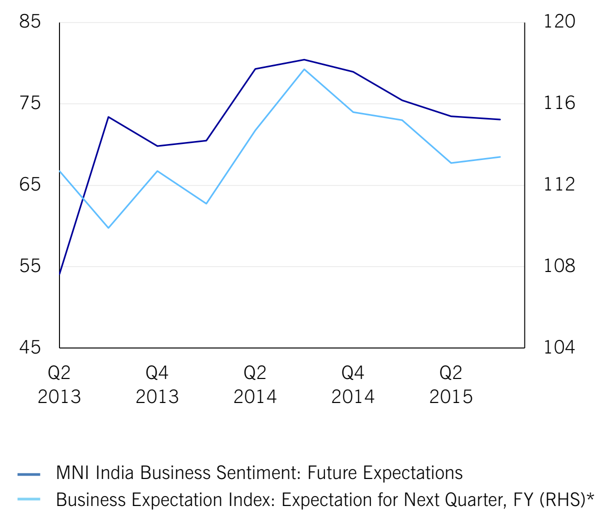
Our Indicators Closely Track the RBI's Industrial Outlook Survey

Business Sentiment (Current Conditions)



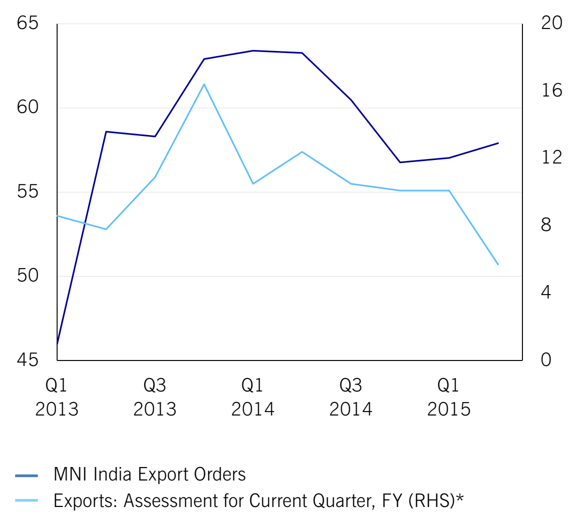
Source: *Reserve Bank of India Industrial Outlook Survey

Business Sentiment (Future Expectations)



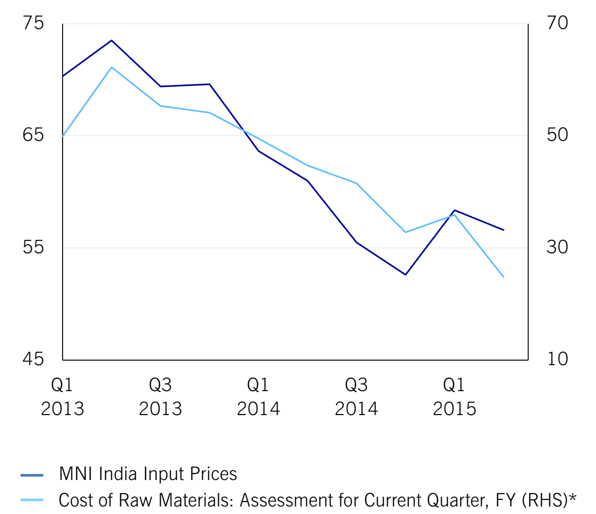
Source: *Reserve Bank of India Industrial Outlook Survey

Export Orders



Source: *Reserve Bank of India Industrial Outlook Survey

Input Prices



Source: *Reserve Bank of India Industrial Outlook Survey

The rise in sentiment was observed across both manufacturing and construction companies...

...while sentiment among service sector companies fell for the fourth consecutive month.

Indicators

Sentiment towards the Indian business environment improved slightly in October, although most activity indicators eased on the back of weaker demand.

MNI India Business Indicator
Rate Cut Fuels Positive Expectations

Sentiment towards the Indian business environment improved slightly in October, although most activity indicators eased on the back of weaker demand.

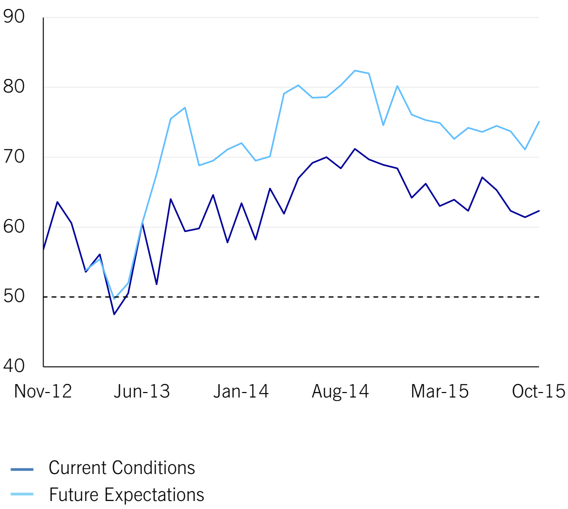
The MNI India Business Sentiment Indicator, a gauge of current sentiment among BSE-listed companies, rose to 62.3 in October offsetting last month's fall to 61.4. The rise in sentiment was observed across both manufacturing and construction companies, while sentiment among service sector companies fell for the fourth consecutive month.

Confidence has increased four times this year, each time following a rate cut by the RBI. Although monetary easing has provided a boost to business confidence, it has failed to provide a sustained increase. And while sentiment rose in October it was less than one might expect given the greater than expected 50 basis point cut in rates, as respondents were more concerned about the general malaise in the economy and subdued demand globally. This is even more disappointing given that this is a festival period when usually there is more business and purchase activity.

Looking deeper into the survey, it is evident that lacklustre demand is behind the continued lack of optimism. The sluggish increase in output mirrored softer demand conditions, while growth of global demand for Indian goods also moderated. Export Orders were 8.4% below the series average while New Orders were 13.1% down on the year.

One silver lining in this month's survey was the improvement in companies' financial health. While the Financial Position Indicator has gradually trended down since July 2014, with companies reeling under pressure of high debt and low sales, this month's improvement puts it roughly around the series average.

MNI India Business Sentiment Indicator



"We received orders from big corporate houses." **Furnishings manufacturing company**

"Automobile market is improving." **Auto parts manufacturing company**

"We are expecting more clients in the upcoming festive season." R**ecreational services company**

"We have launched various services." **Commercial vehicles and trucks services company**

"Business is booming." **Pharmaceuticals manufacturing company**

"Car purchase usually improves in festival season." **Auto parts manufacturing company**

MNI India Business Indicator

	Oct-14	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15
Current Conditions	69.7	62.3	67.1	65.3	62.3	61.4	62.3

More positively, there was a clear sign that the four rate cuts since the start of the year were flowing through to businesses. The Availability of Credit Indicator increased further to 62.4, the highest since September last year.

Companies were more optimistic about the next three months with the Expectations Indicator rising to 75.1 in October from 71.1 in September. Firms were also more bullish about production, employment and the availability of credit over the next three months.

In October, only five out of the 15 current conditions indicators included in the survey rose and five were below the 50 level that separates expansion from contraction. Eight future expectations indicators rose and two were in contraction.

Sectors - Overall Business Conditions

	Manufacturing	Services	Construction
Current Conditions	↑ > 50	↓ > 50	↑ > 50
Future Expectations	↑ > 50	↑ > 50	↓ > 50

"We have good projects in hand." **Heavy construction company**

"Diwali is the main season for our business." **Speciality chemicals manufacturing company**

"We have good orders and have also introduced new solar pumps that are helping our business." **Industrial machinery manufacturing company**

"Overall business condition is not good due to power shortage." **Paper manufacturing company**

"We will be opening an online portal for business." **Software services company**

"Government policies are not supportive to the real estate industry." **Real estate holding and development company**

"Demand will be higher in the winter season." **Clothing and accessories manufacturing company**

"We have started running mobile apps which are proving beneficial to us." **Software services company**

MNI India Business Indicator

	Oct-14	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15
Future Expectations	82.0	74.2	73.6	74.5	73.7	71.1	75.1

Orders
Foreign Demand Wanes

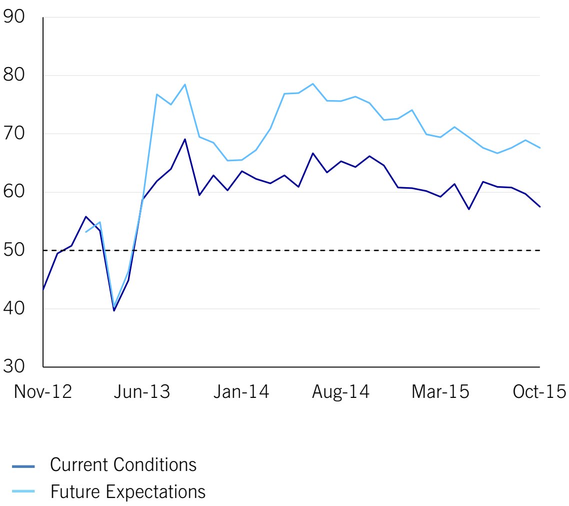
The New Orders Indicator fell to a five-month low of 57.5 in October from 59.7 in September, driven mainly by fewer overseas orders. The indicator has remained above the 50 mark since June 2013, however, it has been gradually trending down since last year suggesting demand remains relatively lacklustre.

The New Orders Indicator, which was down by 13.1% on the year in October, has a good correlation with the official data on domestic cargo handled at Indian airports which serves as a proxy for demand for goods. Latest data showed that cargo handled rose 3.8% in the three months to August compared with a year earlier, the slowest pace of growth since July 2013. Since domestic cargo handled at airports has consistently grown at an average of 15% over the past year, our data suggests the decline is more than a temporary lull.

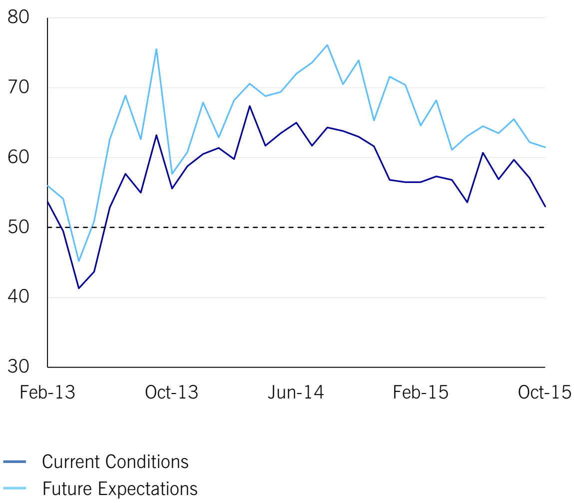
In spite of the festival period, our panel was less optimistic about orders in the coming three months with the Expectations Indicator for New Orders falling to 67.6 in October from 68.9 in September. The rate of decline in expectations has been faster than in current conditions as companies are uncertain about the demand outlook.

Foreign demand for Indian goods and services, continued to ease in October. The Export Orders Indicator fell by 7.2% to 53.0 in October from 57.1 in September. Companies reported decreased inflows of new business from key export clients, in particular from those in China. Official data also suggests that external demand for Indian goods remains dismal. Exports contracted 24.3% on the year; the 10th monthly fall, to $21.8 billion in September, making it the sharpest decline since July 2009. Fewer companies anticipated that export demand would rise over the coming months, with the Expectations

New Orders



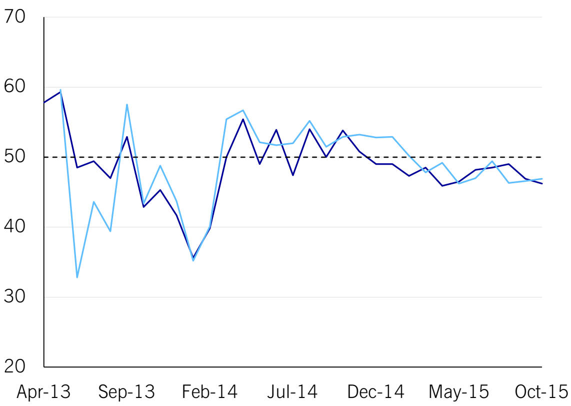
Export Orders



Orders - Current Conditions

	Oct-14	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15
New Orders	66.2	57.1	61.8	60.9	60.8	59.7	57.5
Export Orders	63.0	53.6	60.7	56.9	59.7	57.1	53.0
Order Backlogs	53.8	46.5	48.2	48.5	49.0	46.9	46.2

Order Backlogs



Current Conditions
Future Expectations

Sectors - Current Conditions

	New Orders	Export Orders	Order Backlogs
Manufacturing	↓ > 50	↓ > 50	↓ < 50
Services	↓ > 50	↓ < 50	↑ < 50
Construction	↑ > 50	↓ < 50	↑ > 50

Sectors - Future Expectations

	New Orders	Export Orders	Order Backlogs
Manufacturing	↓ > 50	↑ > 50	↓ < 50
Services	↑ > 50	↓ > 50	↑ < 50
Construction	↓ > 50	↓ < 50	↔ = 50

"Real estate business is going down." **Real estate holding and development company**

"Demand is good only during the first half of the year." **Speciality chemicals manufacturing company**

"There is less demand for steel items." **Iron and steel manufacturing company**

"There are no new enquiries for exports." **Exploration and production company**

"There is less demand coming from China and European countries." **Clothing and accessories manufacturing company**

Indicator falling to 61.5 in October from 62.2 in September.

Weak orders meant that there was less pressure on companies' order books. The Order Backlogs Indicator fell to 46.2 in October from 46.9 in the previous month. The last time companies reported expansion in order backlogs, represented by an indicator value above 50, was in November last year. The ability to fulfil orders quickly reflects both subdued demand and excess capacity among firms. Companies also anticipated that they would have fewer backlogs in the future, with the Expectations Indicator remaining below 50 at 46.9 in October compared with 46.6 in September.

Orders - Future Expectations

	Oct-14	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15
New Orders	75.3	69.4	67.6	66.7	67.6	68.9	67.6
Export Orders	73.9	63.1	64.5	63.5	65.5	62.2	61.5
Order Backlogs	52.9	46.2	47.0	49.4	46.3	46.6	46.9

Output and Employment
Expectations for Employment Higher

Amid slower new order growth, production expanded at a weaker rate and the need for more employees also softened.

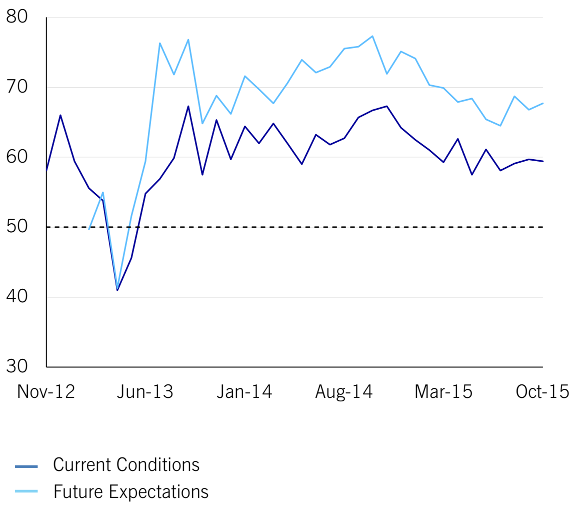
The Production Indicator remained broadly stable at 59.4 in October compared with 59.7 in September. With a gradual decline in production since last year, the indicator was 6.7% below last year's average. The last two successive rises may have been driven by preparations for the busy festival season that started this month although the expansion in output is slower than would typically be expected for this time of year. Sector data indicated that the rate of growth of production eased significantly in the construction sector while it maintained its course among manufacturing and service sector companies.

Companies were slightly more optimistic about production for the next three months, with the Expectations Indicator rising to 67.7 from 66.8 in September.

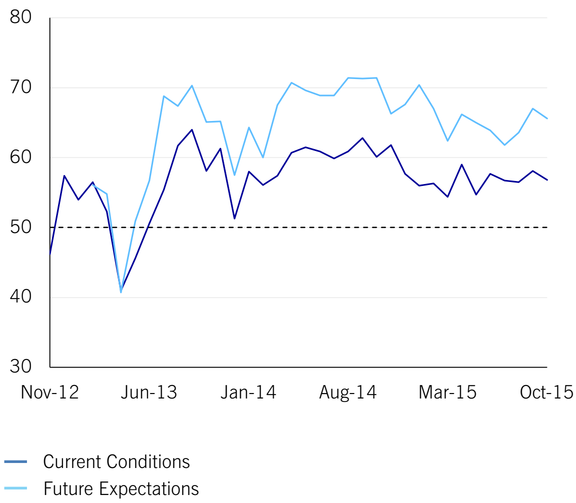
Since the end of last year, an increasing number of companies have been scaling back their capacity in a likely effort to cut costs amid the cooling in demand. Indeed, the Reserve Bank of India has acknowledged the weakness in capacity utilisation among companies, which is indicative of slack in the economy. The Productive Capacity Indicator fell to 56.8 in October offsetting last month's rise to 58.1. Companies were also less optimistic about their productive capacity in the next three months, with the Expectations Indicator falling to 65.6 from 67.0 in September.

With growth in New Orders easing further, companies reduced their payroll numbers. Nevertheless, the vast majority of companies indicated no change in

Production



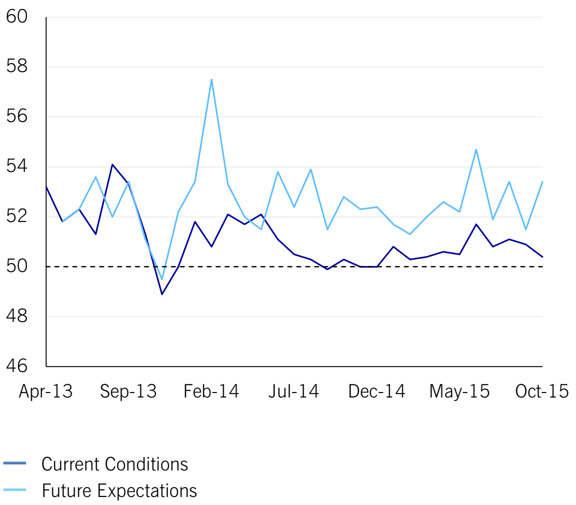
Productive Capacity



Output and Employment - Current Conditions

	Oct-14	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15
Production	66.7	57.5	61.1	58.1	59.1	59.7	59.4
Productive Capacity	60.1	54.7	57.7	56.7	56.5	58.1	56.8
Employment	50.3	50.5	51.7	50.8	51.1	50.9	50.4

Employment



Sectors - Current Conditions

	Production	Productive Capacity	Employment
Manufacturing	↓ > 50	↓ > 50	↓ > 50
Services	↑ > 50	↑ > 50	↑ > 50
Construction	↓ > 50	↓ > 50	↔ = 50

Sectors - Future Expectations

	Production	Productive Capacity	Employment
Manufacturing	↑ > 50	↓ > 50	↑ > 50
Services	↑ > 50	↑ > 50	↑ > 50
Construction	↓ > 50	↓ > 50	↓ < 50

"As there is no work in the plant, there were fewer employees." **Exploration and production company**

"We are reducing the number of employees." **Iron and steel manufacturing company**

"Production is lower because of less demand." **Paper manufacturing company**

"Market condition is poor and so we have fewer sales. Our machinery is old and we don't expect it to be changed." **Clothing and accessories manufacturing company**

employment levels. The Employment Indicator eased to 50.4 in October from 50.9 in September. Construction companies reported that employment remained at an optimum level while manufacturing and service sector companies felt that more employees were required to handle their current workload.

In general, companies have been more optimistic towards future hiring than current conditions. The indicator, although lumpy, rose to 53.4 in October offsetting last month's fall. Manufacturing and service sector companies expected to hire more while construction companies in contrast were pessimistic and expected job losses.

Output and Employment - Future Expectations

	Oct-14	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15
Production	77.3	68.4	65.4	64.5	68.7	66.8	67.7
Productive Capacity	71.4	65.0	63.9	61.8	63.6	67.0	65.6
Employment	52.8	52.2	54.7	51.9	53.4	51.5	53.4

Prices

Disinflationary Pressures Increase

Faced with lower input prices, more firms sought to raise their selling prices to boost profit margins.

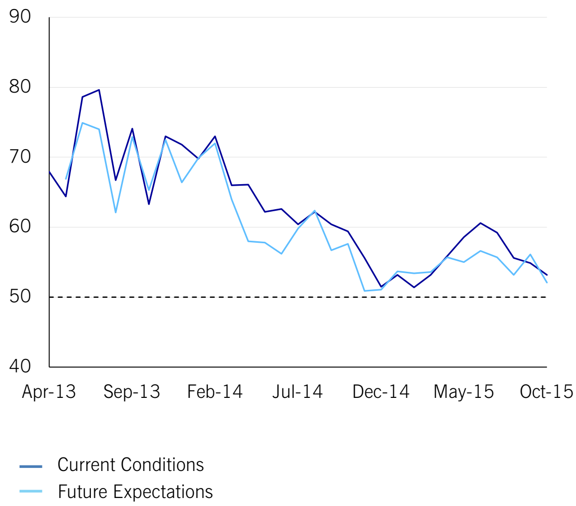
The Input Prices Indicator eased for the fourth consecutive month to 53.2 in October from 54.9 in September, the lowest since February when it hit a record low. The decline in global commodity prices once again has resulted in lower input prices for firms, wiping away the pressure seen in the first half of the year. The indicator has fallen 10.4% below the level of last year and 15.2% below the series average. Fewer companies anticipated that input prices would rise in the coming three months, evidenced by the fall in the Future Expectations Indicator to 52.1 in October from 56.1 in September. The decline in inflation expectations bodes well for the RBI's inflation target of 5% in 2017.

Consumer price inflation rose to a three-month high of 4.41% on the year in September from 3.74% in August. However, fuel inflation eased to 5.4% on the year from 5.8% in the previous month, in line with the recent plunge in oil prices. After stripping out the volatile food and fuel measures, core inflation rose to 4.3% in September from 4.1% in August, just below the headline inflation rate for the first time in three months.

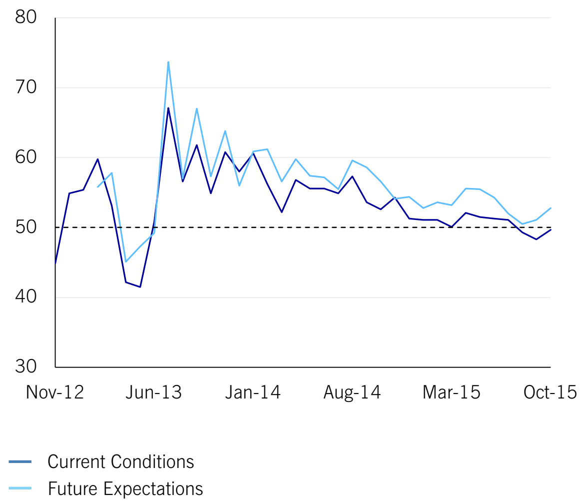
Some companies raised their prices to increase their margins and cover for previous cuts in selling prices. Despite the rise to 49.7 from 48.3 in September, the Prices Received Indicator remained in contraction for the third consecutive month. Construction and service sector companies were the most active in increasing their prices while manufacturing companies kept them suppressed.

Companies also expected to raise prices in the next three months with the Expectations Indicator increasing

Input Prices



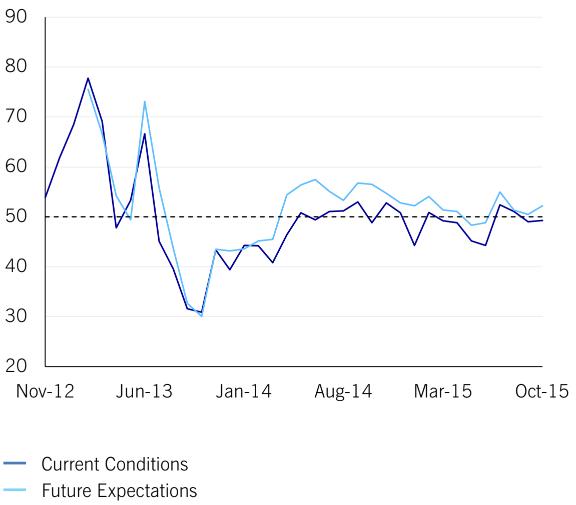
Prices Received



Prices - Current Conditions

	Oct-14	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15
Input Prices	59.4	58.6	60.6	59.2	55.6	54.9	53.2
Prices Received	52.6	51.5	51.3	51.1	49.3	48.3	49.7
Exchange Rate	48.8	45.2	44.3	52.4	51.1	49.0	49.3

Effect of Rupee Exchange Rate



> "Nickel prices have gone down in the international market." **Iron and steel manufacturing company**
>
> "As manufacturing cost has gone up, we have increased our prices." **Building materials and fixtures company**
>
> "Internationally price of LNG has gone down." **Gas distribution company**

to 52.8 in October from 51.1 in September, the highest level since June.

According to our panel, the volatility of the rupee had an unfavourable impact on business operations in October.

Sectors - Current Conditions

	Input Prices	Prices Received	Effect of Rupee Exchange Rate
Manufacturing	↓ > 50	↑ < 50	↑ < 50
Services	↑ > 50	↑ > 50	↑ > 50
Construction	↑ > 50	↑ > 50	↓ < 50

Sectors - Future Expectations

	Input Prices	Prices Received	Effect of Rupee Exchange Rate
Manufacturing	↓ > 50	↔ > 50	↑ > 50
Services	↓ > 50	↑ > 50	↑ > 50
Construction	↓ > 50	↓ > 50	↓ = 50

The rupee was 0.9% up against the US dollar in September following a sharp 3.6% decline in the previous month, bringing it down 6.5% since the start of the year. The indicator which measures the Effect of the Rupee Exchange Rate remained below the 50 level at 49.3 in October compared with 49.0 in September. Businesses are asked whether the exchange rate is helping or hurting their company and a value above 50 shows more firms reported that it was helping, while a reading below 50 shows the exchange rate is hurting business.

Our panel anticipated that the exchange rate would be more favourable to their operations in the coming three months with manufacturing and service companies especially upbeat. The Expectations Indicator rose for the first time in three months in October to 52.2 from 50.5 in September.

Prices - Future Expectations

	Oct-14	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15
Input Prices	57.6	55.0	56.6	55.7	53.2	56.1	52.1
Prices Received	56.6	55.5	54.3	52.0	50.5	51.1	52.8
Exchange Rate	56.5	48.3	48.8	55.0	51.3	50.5	52.2

Money and Credit
Lowest Interest Rates Paid

The cost of debt service has fallen dramatically since the start of the year following the interest rate cuts by the Reserve Bank of India and subsequently the availability of credit has started improving.

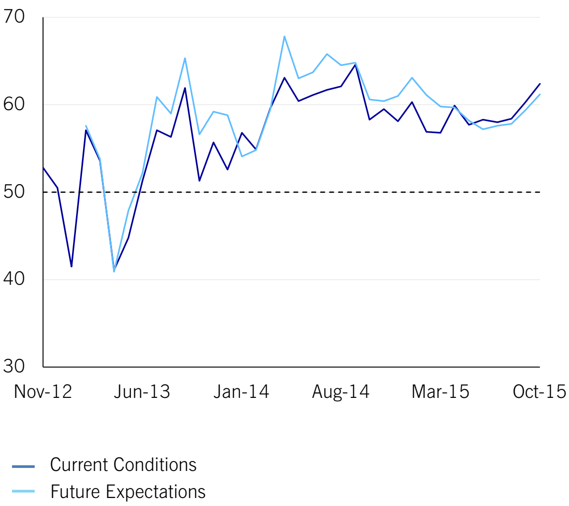
The Interest Rates Paid Indicator declined to a series low of 39.2 in October from 44.7 in September. On September 29, the RBI cut the repo rate by 50 basis points to 6.75% citing the slower growth recovery and weaker inflation, making it the fourth interest rate cut this year. Since the start of the year, the key policy rate has been cut by a total of 125 basis points and over that period, an increasing number of firms on our panel have reported lower interest rate costs. Although barring this month's move, the rate of decline in interest rates paid had eased since April. The Governor of the RBI had been urging banks to pass on more of the previous rate cuts and this month's decline, the sharpest in the survey's history, provides a testament to better transmission of rate cuts by commercial banks.

More respondents anticipated interest rates to fall in the coming three months. The Expectations Indicator fell by 5.9% to 38.1 in October from 40.5 in September, the lowest in seven months.

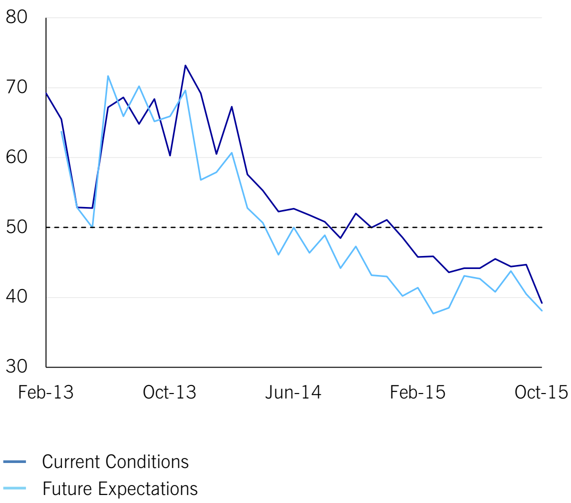
The Availability of Credit Indicator rose to 62.4 in October from 60.3 in the previous month, the highest level since September last year. Companies are finding it easier to avail credit as evidenced by the rise in the indicator to 10.3% above the series average. Companies remained optimistic in their outlook for credit availability over the coming three months as well, with the Expectations Indicator rising to 61.2 from 59.4 in September.

With lower cost of debt and input prices, a rising proportion of companies reported a stronger financial

Availability of Credit



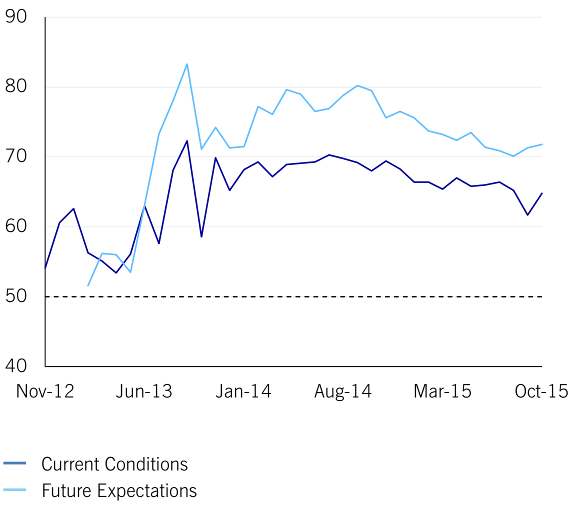
Interest Rates Paid



Money and Credit - Current Conditions

	Oct-14	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15
Availability of Credit	58.3	57.7	58.3	58.0	58.4	60.3	62.4
Interest Rates Paid	52.0	44.2	44.2	45.5	44.4	44.7	39.2
Financial Position	68.0	65.8	66.0	66.4	65.2	61.7	64.8

Financial Position



Sectors - Current Conditions

	Availability of Credit	Interest Rates Paid	Financial Position
Manufacturing	↑ > 50	↓ < 50	↑ > 50
Services	↑ > 50	⇔ < 50	↑ > 50
Construction	↑ > 50	↓ < 50	↑ > 50

Sectors - Future Expectations

	Availability of Credit	Interest Rates Paid	Financial Position
Manufacturing	↑ > 50	↓ < 50	↑ > 50
Services	↑ > 50	↓ < 50	↓ > 50
Construction	↑ > 50	↓ < 50	↓ > 50

"There is higher liquidity in the market." **Consumer finance services company**

"Sales are going up, so financial position is better." **Food products manufacturing company**

"Lenders are showing more interest in lending funds to our company." **Pipes manufacturing company**

"We have entered into e-commerce, so our financial position is better." **Software services company**

position. The Financial Position Indicator rose to 64.8 in October from 61.7 in the previous month, enjoyed across all sectors. There were hopes that companies would see a turnaround in their balance sheets following the election of the pro-business BJP party, however instead their financial positions have weakened owing to weak domestic and global demand combined with high debt. The indicator is running 6% below last year's average.

Companies' expectations for their future finances have followed a trend similar to that of their current financial position but have remained higher in level terms. In October, the Expectations Indicator rose for the second consecutive month, albeit slightly to 71.8 from 71.3 in the previous month, the highest level since May.

Money and Credit - Future Expectations

	Oct-14	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15
Availability of Credit	60.6	58.2	57.2	57.6	57.8	59.4	61.2
Interest Rates Paid	47.3	43.1	42.7	40.8	43.8	40.5	38.1
Financial Position	79.5	73.5	71.4	70.9	70.1	71.3	71.8

Logistics
Supplier Delivery Times Contract

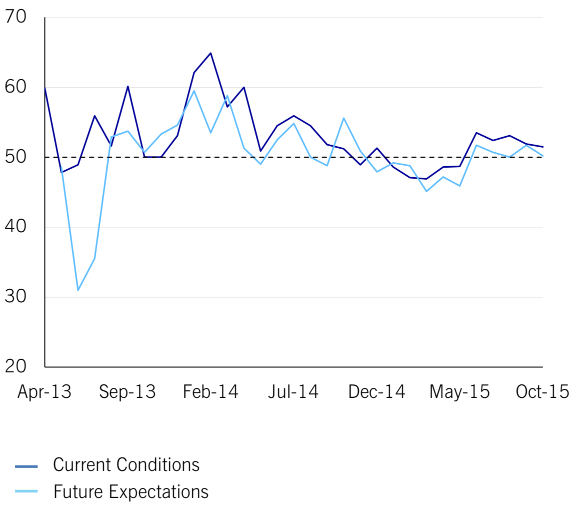
With less demand pressure, the time taken for suppliers to deliver key inputs contracted, and firms were left with unsold stocks of goods.

The Inventories Indicator remained above the 50 level at 51.5 in October compared with 51.9 in September. This signals that the festival period hasn't started with a big-bang which is expected at this time of the year and has meant that companies have not had to draw down on stocks amid moderate demand. Inventory holdings have increased 6% since the start of the year and were roughly around the same level a year earlier. During last year's festival period, companies' inventory holdings averaged 51.5 and 50 in the corresponding period of 2013. This indicates that there hasn't been much pick-up in purchase activity or economic activity in general this year.

Expectations for Inventories in three months' time fell to 50.2 in October from 51.7 in September. The decline was mainly led by construction sector companies who expected to ease production and draw down from inventories to meet demand.

Suppliers of key inputs took less time to deliver orders as there was less pressure amid weak demand. The Supplier Delivery Times Indicator fell to 49.8 in October from 50.7 in September. Our panel of companies also anticipated that delivery times will remain at the optimum level in the coming three months. The Expectations Indicator fell to the exact 50 breakeven level from a 10-month high of 53.6 in September.

Inventories



"Inventory level is low because of more booked orders." **Household products manufacturing company**

"We expect higher sales in the coming three months so inventory will be lower." **Building materials and fixtures company**

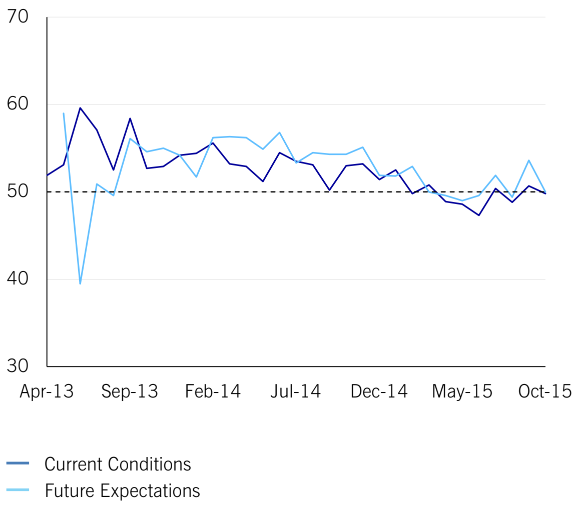
"This is the peak season so inventory is less." **Beverages manufacturing company**

"We expect that new orders will rise and stock levels will be optimum." **Industrial machinery manufacturing company**

Logistics - Current Conditions

	Oct-14	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15
Inventories	51.2	48.7	53.5	52.4	53.1	51.9	51.5
Supplier Deliveries	53.0	48.6	47.3	50.4	48.8	50.7	49.8

Supplier Delivery Times



> "Due to good sales, there are lower inventories." **Food products manufacturing company**
>
> "We are planning to stop manufacturing some products whose costs of handling inventory is high." **Industrial machinery manufacturing company**
>
> "We will try to sell out our products from previous production." **Clothing and accessories manufacturing company**
>
> "There are better sales prospects so inventories will go down." **Speciality chemicals manufacturing company**

Sectors - Current Conditions

	Inventories of Finished Goods	Supplier Delivery Times
Manufacturing	↑ > 50	↓ < 50
Construction	↔ = 50	↓ < 50

Sectors - Future Expectations

	Inventories of Finished Goods	Supplier Delivery Times
Manufacturing	↓ > 50	↓ < 50
Construction	↓ < 50	↓ = 50

Logistics - Future Expectations

	Oct-14	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15
Inventories	55.6	45.9	51.7	50.7	50.0	51.7	50.2
Supplier Deliveries	54.3	49.0	49.6	51.9	49.4	53.6	50.0

What the Panel Said

A selection of comments from the panel of businesses surveyed over the past month.

"There is higher liquidity in the market." **Consumer finance services company**

"Sales are going up, so financial position is better." **Food products manufacturing company**

"Lenders are showing more interest in lending funds to our company." **Pipes manufacturing company**

"We have entered into e-commerce, so our financial position is better." **Software services company**

"Banks are ready to lend us money due to our good reputation." **Food products manufacturing company**

"Financial position is better because of subsidy by government to all the sugar companies." **Food products manufacturing company**

"Financial position is stronger as demand is high, capacity has enhanced and market has improved." **Clothing and accessories manufacturing company**

"Our borrowing cost has decreased and we have repaid our loan." **Auto parts manufacturing company**

"Nickel prices have gone down in the international market." **Iron and steel manufacturing company**

"As manufacturing cost has gone up, we have increased our prices." **Building materials and fixtures company**

"Internationally price of LNG has gone down." **Gas distribution company**

"We have raised prices to increase our margins." **Iron and steel manufacturing company**

"There is abundant raw material so we are getting it at lower price." **Paper manufacturing company**

"The cost of imports is very high." **Pharmaceuticals manufacturing company**

"There is less demand from China." **Clothing and accessories manufacturing company**

"There was some cancellation of orders." **Industrial machinery manufacturing company**

"Our company mainly supplies to Europe and China, and we have received fewer orders from them." **Paper manufacturing company**

"Demand for our product in foreign market is low." **Building materials and fixtures company**

"There is less domestic demand." **Clothing and accessories manufacturing company**

"We are charging higher in festival season." **Tyre manufacturing company**

"Steel prices have gone down both in domestic and international market." **Auto parts manufacturing company**

"Crude oil price has gone down." **Speciality chemicals manufacturing company**

"The Rupee devaluation is helping us as we are export the majority of our services." **Software services company**

"We have changed our lender; it is offering us reduced interest rates." **Auto parts manufacturing company**

"Banks have reduced interest rates." **Speciality finance services company**

"We expect higher sales in the coming three months so inventory will be lower." **Building materials and fixtures company**

"Two of our manufacturing units are closed, so production is down." **Automobiles manufacturing company**

"As there is no work in the plant, there were fewer employees." **Exploration and production company**

"Market condition is poor and so we have fewer sales. Our machinery is old and we don't expect it to be changed." **Clothing and accessories manufacturing company**

Data tables

Historical Summary

	2014			2015									
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
MNI India Business Indicator													
Current Conditions	69.7	68.9	68.4	64.2	66.2	63.0	63.9	62.3	67.1	65.3	62.3	61.4	62.3
Future Expectations	82.0	74.6	80.2	76.1	75.3	74.9	72.6	74.2	73.6	74.5	73.7	71.1	75.1
Production													
Current Conditions	66.7	67.3	64.2	62.5	61.0	59.3	62.6	57.5	61.1	58.1	59.1	59.7	59.4
Future Expectations	77.3	71.9	75.1	74.1	70.3	69.9	67.9	68.4	65.4	64.5	68.7	66.8	67.7
New Orders													
Current Conditions	66.2	64.6	60.8	60.7	60.2	59.2	61.4	57.1	61.8	60.9	60.8	59.7	57.5
Future Expectations	75.3	72.4	72.6	74.1	69.9	69.4	71.2	69.4	67.6	66.7	67.6	68.9	67.6
Export Orders													
Current Conditions	63.0	61.6	56.8	56.5	56.5	57.3	56.8	53.6	60.7	56.9	59.7	57.1	53.0
Future Expectations	73.9	65.3	71.6	70.4	64.6	68.2	61.1	63.1	64.5	63.5	65.5	62.2	61.5
Productive Capacity													
Current Conditions	60.1	61.8	57.7	56.0	56.3	54.4	59.0	54.7	57.7	56.7	56.5	58.1	56.8
Future Expectations	71.4	66.3	67.6	70.4	67.0	62.4	66.2	65.0	63.9	61.8	63.6	67.0	65.6
Order Backlogs													
Current Conditions	53.8	50.8	49.0	49.0	47.3	48.5	45.9	46.5	48.2	48.5	49.0	46.9	46.2
Future Expectations	52.9	53.2	52.8	52.9	50.2	47.8	49.2	46.2	47.0	49.4	46.3	46.6	46.9
Employment													
Current Conditions	50.3	50.0	50.0	50.8	50.3	50.4	50.6	50.5	51.7	50.8	51.1	50.9	50.4
Future Expectations	52.8	52.3	52.4	51.7	51.3	52.0	52.6	52.2	54.7	51.9	53.4	51.5	53.4
Inventories													
Current Conditions	51.2	48.9	51.3	48.6	47.1	46.9	48.6	48.7	53.5	52.4	53.1	51.9	51.5
Future Expectations	55.6	50.9	47.9	49.2	48.8	45.1	47.2	45.9	51.7	50.7	50.0	51.7	50.2
Input Prices													
Current Conditions	59.4	55.6	51.5	53.2	51.4	53.2	55.9	58.6	60.6	59.2	55.6	54.9	53.2
Future Expectations	57.6	50.9	51.1	53.7	53.4	53.6	55.7	55.0	56.6	55.7	53.2	56.1	52.1
Prices Received													
Current Conditions	52.6	54.3	51.3	51.1	51.1	50.1	52.1	51.5	51.3	51.1	49.3	48.3	49.7
Future Expectations	56.6	54.1	54.4	52.8	53.6	53.2	55.6	55.5	54.3	52.0	50.5	51.1	52.8
Financial Position													
Current Conditions	68.0	69.4	68.3	66.4	66.4	65.4	67.0	65.8	66.0	66.4	65.2	61.7	64.8
Future Expectations	79.5	75.6	76.5	75.6	73.7	73.2	72.4	73.5	71.4	70.9	70.1	71.3	71.8
Interest Rates Paid													
Current Conditions	52.0	50.0	51.1	48.6	45.8	45.9	43.6	44.2	44.2	45.5	44.4	44.7	39.2
Future Expectations	47.3	43.2	43.0	40.2	41.4	37.7	38.5	43.1	42.7	40.8	43.8	40.5	38.1
Effect of Rupee Exchange Rate													
Current Conditions	48.8	52.8	50.8	44.3	50.9	49.2	48.8	45.2	44.3	52.4	51.1	49.0	49.3
Future Expectations	56.5	54.7	52.8	52.2	54.1	51.4	51.1	48.3	48.8	55.0	51.3	50.5	52.2
Supplier Delivery Times													
Current Conditions	53.0	53.2	51.4	52.5	49.8	50.8	48.9	48.6	47.3	50.4	48.8	50.7	49.8
Future Expectations	54.3	55.1	51.9	51.8	52.9	50.0	49.6	49.0	49.6	51.9	49.4	53.6	50.0
Availability of Credit													
Current Conditions	58.3	59.5	58.1	60.3	56.9	56.8	59.9	57.7	58.3	58.0	58.4	60.3	62.4
Future Expectations	60.6	60.4	61.0	63.1	61.1	59.8	59.7	58.2	57.2	57.6	57.8	59.4	61.2

Historical Records

	2012 - Current			
	Minimum	Maximum	Mean	Median
MNI India Business Indicator				
Current Conditions	47.5	71.2	62.4	63.2
Future Expectations	49.7	82.4	71.8	74.2
Production				
Current Conditions	41.0	67.3	60.1	60.5
Future Expectations	41.3	77.3	67.9	69.7
New Orders				
Current Conditions	39.7	69.1	59.3	60.9
Future Expectations	40.4	78.6	68.6	69.5
Export Orders				
Current Conditions	41.3	67.4	57.9	57.7
Future Expectations	45.2	76.1	65.1	65.3
Productive Capacity				
Current Conditions	41.0	64.0	56.7	57.4
Future Expectations	40.7	71.4	64.4	66.2
Order Backlogs				
Current Conditions	35.6	59.3	48.7	48.5
Future Expectations	32.8	59.6	48.7	49.3
Employment				
Current Conditions	48.9	54.1	51.1	50.8
Future Expectations	49.5	57.5	52.6	52.3
Inventories				
Current Conditions	46.9	64.9	53.0	51.8
Future Expectations	31.0	59.5	50.1	50.7
Input Prices				
Current Conditions	51.4	79.6	62.7	62.2
Future Expectations	50.9	74.9	60.6	57.7
Prices Received				
Current Conditions	41.5	67.1	53.6	53.4
Future Expectations	45.1	73.7	56.2	55.8
Financial Position				
Current Conditions	53.4	72.3	64.9	66.4
Future Expectations	51.6	83.3	72.2	73.5
Interest Rates Paid				
Current Conditions	39.2	73.2	54.8	52.3
Future Expectations	37.7	71.7	50.9	48.1
Effect of Rupee Exchange Rate				
Current Conditions	30.9	77.8	49.9	49.3
Future Expectations	30.1	75.5	52.0	52.2
Supplier Delivery Times				
Current Conditions	47.3	59.6	52.5	52.7
Future Expectations	39.5	59.0	52.7	53.5
Availability of Credit				
Current Conditions	41.1	64.6	56.6	57.9
Future Expectations	40.9	67.8	59.0	59.5

Historical Records - Quarterly

	Q3 14	Q4 14	Q1 15	Q2 15	Q3 15	Quarterly Change	Quarterly % Change
MNI India Business Indicator							
Current Conditions	69.9	69.0	64.5	64.4	63.0	-1.4	-2.2%
Future Expectations	80.4	78.9	75.4	73.5	73.1	-0.4	-0.5%
Production							
Current Conditions	63.4	66.1	60.9	60.4	59.0	-1.4	-2.3%
Future Expectations	74.7	74.8	71.4	67.2	66.7	-0.5	-0.7%
New Orders							
Current Conditions	64.3	63.9	60.0	60.1	60.5	0.4	0.7%
Future Expectations	75.9	73.4	71.1	69.4	67.7	-1.7	-2.4%
Export Orders							
Current Conditions	63.3	60.5	56.8	57.0	57.9	0.9	1.6%
Future Expectations	73.4	70.3	67.7	62.9	63.7	0.8	1.3%
Productive Capacity							
Current Conditions	61.2	59.9	55.6	57.1	57.1	0.0	0.0%
Future Expectations	70.5	68.4	66.6	65.0	64.1	-0.9	-1.4%
Order Backlogs							
Current Conditions	50.5	51.2	48.3	46.9	48.1	1.2	2.6%
Future Expectations	52.9	53.0	50.3	47.5	47.4	-0.1	-0.2%
Employment							
Current Conditions	50.2	50.1	50.5	50.9	50.9	0.0	0.0%
Future Expectations	52.6	52.5	51.7	53.2	52.3	-0.9	-1.7%
Inventories							
Current Conditions	54.1	50.5	47.5	50.3	52.5	2.2	4.4%
Future Expectations	51.2	51.5	47.7	48.3	50.8	2.5	5.2%
Input Prices							
Current Conditions	61.0	55.5	52.6	58.4	56.6	-1.8	-3.1%
Future Expectations	59.6	53.2	53.6	55.8	55.0	-0.8	-1.4%
Prices Received							
Current Conditions	55.3	52.7	50.8	51.6	49.6	-2.0	-3.9%
Future Expectations	57.9	55.0	53.2	55.1	51.2	-3.9	-7.1%
Financial Position							
Current Conditions	69.8	68.6	66.1	66.3	64.4	-1.9	-2.9%
Future Expectations	78.6	77.2	74.2	72.4	70.8	-1.6	-2.2%
Interest Rates Paid							
Current Conditions	50.4	51.0	46.8	44.0	44.9	0.9	2.0%
Future Expectations	46.5	44.5	39.8	41.4	41.7	0.3	0.7%
Effect of Rupee Exchange Rate							
Current Conditions	51.8	50.8	48.1	46.1	50.8	4.7	10.2%
Future Expectations	55.1	54.7	52.6	49.4	52.3	2.9	5.9%
Supplier Delivery Times							
Current Conditions	52.3	52.5	51.0	48.3	50.0	1.7	3.5%
Future Expectations	54.0	53.8	51.6	49.4	51.6	2.2	4.5%
Availability of Credit							
Current Conditions	62.8	58.6	58.0	58.6	58.9	0.3	0.5%
Future Expectations	65.0	60.7	61.3	58.4	58.3	-0.1	-0.2%

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