Building National Competitiveness

Confederation of Indian Industry

ASCON Industry Survey

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EXECUTIVE SUMMARY

The CII ASCON survey, which tracks the growth of the industrial sector through responses collected from sectoral industry associations, reveals improvements in the growth trends in the January – March FY16 quarter over the corresponding period a year ago. A detailed analysis reveals that more and more sectors are participating in the uptick. This is reflective in the bottoming out of growth trends in the majority of sectors. Going forward, given the government's focus on reviving demand, the current uptick in growth momentum is likely to be supportive of a meaningful recovery in the coming quarters.

The Survey classifies the growth trends across four broad categories, namely 'Excellent' (>20%), 'High' (10-20%), Moderate (0-10%) and 'Low' (<0%).

According to the Survey, while a majority of the sectors are still continuing to witness 'moderate' growth trends with 'excellent' and 'high' growth limited only to some sectors there has been a sharp decline in the share of sectors registering 'low' growth. Of the 102 sectors surveyed, the share of sectors registering 'Excellent growth' of >20% has remained constant at 9.8 percent (10 out of 102) as witnessed in the same quarter a year ago period. On the other hand, the share of sectors witnessing 'high' growth of 10 to 20 percent has surged substantially registering a share of 20.6 percent (21 out of 102) as against 10.8 percent (11 out of 102) recorded in the same quarter in the previous year.

At the same time, while the share of sectors witnessing 'moderate' growth of 10 to 20 percent has witnessed a marginal decline to 45.1 percent (46 out of 102) in the January - March FY16 from 49.0 percent (50 out of 102) during the corresponding period a year ago, the number of sectors recording 'Low' growth has declined significantly to 24.5 percent (25 out of 102) in Q4 FY16 from 30.4 percent (31 out of 102) in the same quarter previous year.

A further analysis of the sectors at the aggregate level (with industry being classified into broad segments in terms of performance of production viz excellent and high (above 10 percent) on one hand and moderate or negative (below 10 percent) on the other), reaffirms CII's viewpoint that there are discernible improvements on the ground. This is evident from the fact that the number of sectors showing 'excellent' and 'high' growth have shown some improvement in the Q4 FY16 with around 75.3 percent of sectors recording positive growth in Q4 FY16 as compared to 69.8 percent in Q4 FY15.

Comparing growth trends on a sequential quarter-on-quarter basis also indicates improvements in the growth trends in Q4FY16 as compared to the Q3FY16. According to the Survey, while there has been a marginal increase in the percentage of sectors reporting 'excellent' growth, the share of sectors reporting 'high' growth has improved substantially. The share of sectors reporting high growth has increased to 20.6 percent (21 out of 102) share in Q4 FY16 from 6 percent (6 out of 100) in the previous quarter.

On the other hand, while the share of sectors recording 'Moderate' growth has dropped to 45.1 percent (46 out of 102 sectors) as compared to 53.0 percent (53 out of 100 sectors) in Q3 FY16, there has been a significant decline in the number of sectors recording 'Low' growth witnessing a share of 24.5 percent (25 out of 102 sectors) in Q4 FY16 as against 33 percent (33 out of 100 sectors) in Q3 FY16. The movement of sectors from lower to higher growth rates clearly points towards an improvement in the sentiment.

On capacity utilization, an indicator of demand acceleration in the economy the survey reveals improvements in capacity utilization in the economy in the January–March quarter. According to the Survey, around 53.3 percent of the respondents have reported capacity utilizations in the range of 50 to 75 percent for January–March FY16 quarter registering slight improvement from the last quarter. Whereas 30.8 percent of the respondents have reported it to be in the range of 75-100% which is significantly higher when compared to 21.4 percent recorded in the last quarter. The trend is expected to continue in the coming quarters as well.

With respect to issues and concerns impacting growth, lack of domestic demand (58.8%), high tax burden (50.0%), cost and availability of finance (41.7%), competition from imports (40.0%) have been cited as the most important constraints by more than 40 percent of the respondents.

The Survey respondents have emphasized the need for intensive action on reforms related to trade and the business environment and have stressed on improving the 'Ease of Doing Business' indicators with a focus on removing the massive transaction costs by enabling efficient processes and a conducive taxation system to help integrate India into global supply chains. These measures, coupled with sustaining the reforms agenda, particularly ensuring quicker progress on reforms such as the GST Bill and LARR (Amendment) Bill, 2015, will impart greater certainty to investors on the policy front.

ECONOMIC SITUATION

Since our last Survey in February 2016, the global economic activity has been quiescent. The last few weeks have witnessed a semblance of stability in financial markets after turbulence that jolted risks assets globally in early 2016. The accommodative stance adopted by monetary authorities across US and Euro zone, relative firming up of oil prices and lower capital outflows from China have improved sentiment. Despite the calmness currently prevailing in the global financial markets, leading indicators suggest persistence of weak economic outlook. IMF which recently released its World Economic Outlook April 2016 has revealed that the world economy will grow at 3.2% in 2016 and 3.5% in 2017 lower by 0.2 and 0.1 percentage points respectively than its earlier projection. It also acknowledges that although global recovery continues, it does so at a slow and increasingly fragile pace.

On the domestic front, there is little doubt that India's economy continues to remain relatively resilient versus its peers. The IMF's, World Economic outlook April 2016 projects that at a time when global growth is facing increasing downside risks, India will be the fastest growing major economy in 2016-17 growing at 7.5%, ahead of China.

Meanwhile, on the domestic front, lead indicators suggest a moderate recovery, capped by sluggish external and subdued domestic investment demand. On the sectoral side, while, value added in industry accelerated in H2 FY16 led by manufacturing benefited from the sustained softness in input costs. Index of industrial production, by contrast, remained flat with manufacturing output shrinking since November. Robust expansion in coal output has buoyed both mining activity and electricity generation stemmed the weakening of industrial output. India's core sector also accelerated to a sixteen month high in March 2016 led by cement, fertilizers, refinery and electricity production. Core output is likely to get a further fillip amidst traction in road projects and spending by state governments ahead of elections.

On the agriculture front, second advance estimates of the Ministry of Agriculture indicate that despite acutely low reservoir levels and a deficient north-east monsoon, rabi foodgrains production increased over its level a year ago, mainly in wheat and pulses and compensated partly for the shortfall in kharif output. On the other hand, fertilizer production has picked up and horticulture as well as allied activities have remained resilient, suggesting that the implicit estimate of GVA for agricultural and allied activities in Q4 in the CSO's advance estimates is likely to be achieved.

Economic conditions in India's service sector also continued to improve. In March 2016 PMI services accelerated to highest level since June 2014, accompanied by improvement in other lead indicators of the service's sector such as auto sales, air cargo volumes and foreign tourist arrivals.

With respect to bank credit growth recent trends suggests a gradual broadening of recovery in credit off-take. Notwithstanding the sluggish growth in credit off take registered in FY16, early signs of improvement in credit off-take are evident as H2FY16 recorded an uptick in credit growth at 9.1% YoY (vs. 8.5% in H1FY16) with a more broad based off-take to industry and services sectors. A number of factors such as recovery in core sector, efforts of policy makers to improve the health of bank's balance sheets, strengthening of monetary policy transmission mechanism on the back of introduction of MCLR system, liquidity measures and lowering of small savings rate are beginning to evolve favorably for credit growth in FY17.

Inflation had remained quiescent and within RBI's target range during 2015-16. This has encourage RBI to reduce rates. Retail inflation measured by the consumer price index (CPI) dropped sharply in February after rising for six consecutive months. This favorable development was due to a larger than anticipated decline in vegetable prices, helped by prices of pulses starting to come off the surge that began in August, and effective supply management that helped limit cereal price increases. Accordingly, food inflation eased for the first time in the second half of 2015-16. Notably, this occurred on a decline in prices rather than favorable base effects, which were at work in the first half of the year. CPI inflation hardened to a higher-than-expected 5.4% in year-on-year (y-o-y) terms in April 2016 from a six-month low 4.8% in March 2016, led by a considerable spike in food inflation as well as a rise in core inflation. A favourable temporal and spatial spread of the monsoon would be critical to dampen food inflation and create space for further monetary easing.

On the external front, while exports declined in March in US dollar terms by 5.47%, for the sixteenth successive month, the rate of contraction narrowed to a single digit for two months in row. The merchandise imports shrank 21.56%, leading to a narrowing of trade deficit to a seven year low of US$ 5.07 billion in March 2016 from US$ 11.40 billion in March 2015. In turn, this has likely lowered the current account deficit (CAD) in Q4 below 1.3 per cent of GDP recorded in Q3, despite a moderation in net receipts from services exports and remittances. Net inflows in the form of foreign direct investment (FDI) were robust in Q4, more than sufficient to fund the external financing requirement.

On the reforms front, the Union Budget 2016-17 has set the right tone for economic growth over the next year. Transform India has been the clear agenda of the Union Budget 2016. Structural reforms around the nine distinct pillars will hold the key to India's growth and are expected to boost growth and investment. Government approves much-awaited reforms in upstream oil and gas sector; positive for long-term prospects of exploration and production (E&P) companies.

As vulnerabilities have receded, the sentiments have revived. With improved perceptions on overall economic conditions and income, the Reserve Bank's Consumer Confidence Survey of March 2016 shows marginal improvement in consumer sentiments. The Reserve Bank's industrial outlook survey suggests that business expectations for Q1 of 2016-17 continue to be positive.

Overall, for the full year till March, India's economy is forecast to expand at a faster pace. Data released by the Central Statistics Office has projected a growth of 7.6% in 2015-16 against the government's more modest expectation of 7-7.5% growth. This is despite growth decelerating to 7.3% in the quarter ended December from 7.7% in the previous quarter.

CII ASCON INDUSTRY SURVEY RESULTS

2.1 Methodology

Confederation of Indian Industry (CII) conducted the CII ASCON Industry Survey to ascertain the performance of industry during January- March (estimated) (Q4) FY16 against the year ago period and against the previous quarter, January - March (Q4) FY15. The Survey was conducted over mid-March 2016 till 30th April 2016.

The Survey is based on the feedback collected from industry associations and various manufacturing related companies, numbering more than 35,000. The companies covered in the Survey represent a wide spectrum of sectors including basic goods, intermediate goods, capital goods, consumer durables and non-durables and services. The analysis for the surveyed quarter is based on the responses received for 102 sectors.

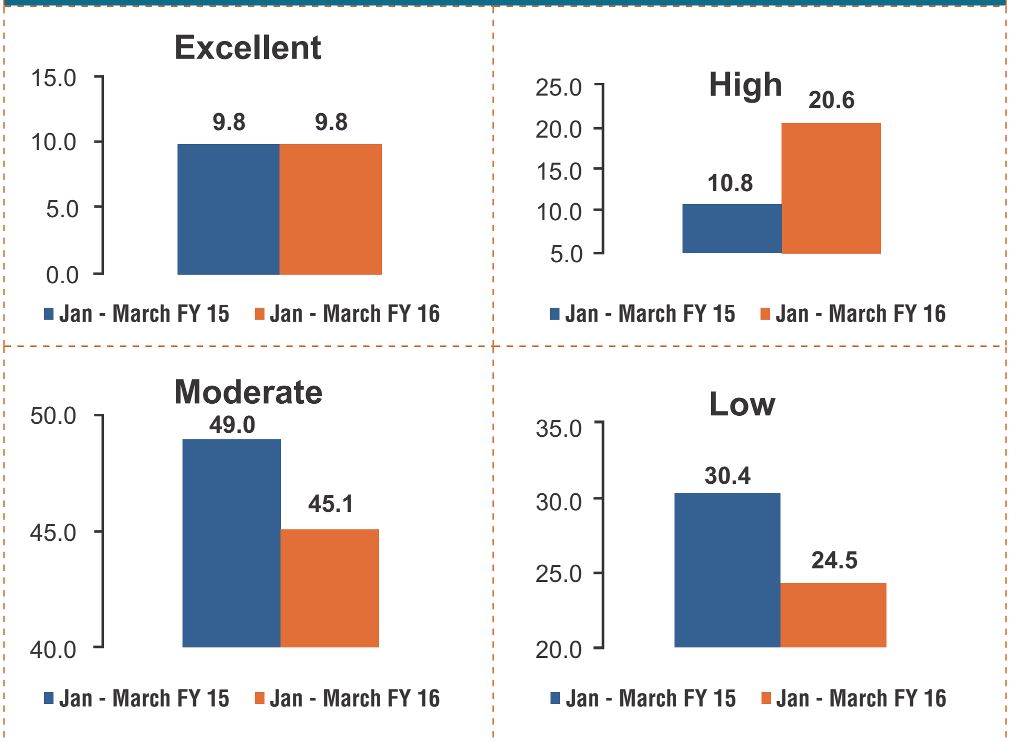
Based on varying rates of growth of industrial production at the sectoral level, the responses have been segregated in the following four broad categories: (i) 'Excellent' (growth in excess of 20%), (ii) 'High' (growth in the range of 10-20%), (iii) 'Moderate' (growth in the range of 0-10%) and (iv) 'Low' (growth less than 0%).

2.2 Industry growth performance during January - March FY16 over January - March FY15

The results of the latest CII ASCON Industry Survey for January - March FY16 reveals a slight improvement in the growth trends in terms of production in Q4 FY16 quarter over the corresponding quarter a year ago. This is borne out of the fact that out of the 102 sectors surveyed, while the share of sectors registering 'Excellent growth' of >20% has remained constant, the share of sectors across 'High' (10 -20%) has increased sharply. At the same time, while share of sectors witnessing 'Moderate' (0-10%) growth has come down marginally, the sectors witnessing 'Low' growth has declined significantly in the Q4 FY16 as compared to the year ago period. This is a clear indication of improvement over last year.

According to the Survey, the share of sectors witnessing 'Excellent' growth in Q4 FY16 remained at the same levels of 9.8 percent (10 out of 102) as in the same quarter a year ago period. The share of sectors witnessing 'high' growth of 10 to 20 percent has surged substantially to 20.6 percent (21 out of 102) as against 10.8 percent (11 out of 102) recorded in the same quarter previous year.

Figure 2.3 Industry performance Q4 FY16 over Q4 FY15 (in %)



At the same time, while the share of sector witnessing 'moderate' growth of 10 to 20 percent has marginally come down to 45.1 percent (46 out of 102) in the January - March FY16 from 49.0 percent (50 out of 102) during the corresponding period a year ago. The number of sectors recording 'Low' growth has significantly come down to 24.5 percent (25 out of 102) in Q4 FY16 from 30.4 percent (31 out of 102) in the same quarter previous year.

Sectors which have shown a positive movement in % growth during Q4 FY16 viz-a -viz Q4 FY15			
No change	**(Up by 0-10%)**	**(Up by 10-20%)**	**(Up by >20%)**
Alcoholic Beverage	Bauxite	Air Cargo Transportation	Bitumen
Audio Home theater	Cement	Air Conditioners	Groundnut Oil
Beer	Circuit Breakers (HT)	ATF	Iron Ore
Microwave Ovens	Crude Oil	Capacitors (LT & HT)	MG Variety / Poster
Nylon Tyre Yarn	DAP	Diesel	Power Transformer
Polyutherene	Express Industry	Domestic Cargo	Tea
	Fertilizer	LDO	Tractors
	Foreign Tourist Arrivals	LPG	Vans
	Forgings	Naphtha	
	Foundry	Passenger Carriers (LCVs)	
	Glass Products	Petrol	
	Goods Carrier (3W)	Plastics Machinery	
	Goods Carriers (LCVs)	Sponge Iron	
	Goods Carriers (M&HCVs)	Total Commercial Vehicles	
	Industrial Gases	Transmission Line Towers	
	LCD/LED	Urea	
	Limestone	Utility Vehicles(UVs)	
	Lubes		
	Mopeds		
	Motor cycles/Step- Throughs		
	Motors (HT)		
	Motors (LT)		
	Natural Gas		
	Petroleum Refinery		
	Polyester Filament Yarn		
	Relay/ Control Panel		
	Refrigerators Specialty Paper		
	Single super phosphateSteel		
	Steel re rollers		
	Sunflower		
	Thermal		
	Total Edible Oils		
	Total LCVs		
	Total M&HCVs		
	Writing & Printing Paper		
	Washing Machines		

Sectors which have shown a downward movement in % growth during Q4 FY16 viz –a viz Q4 FY15		
(Down by 0-10%)	(Down by 10-20%)	(Down by >20%)
Circuit Breakers (LT) Coal Distribution Transformer Drugs & Pharma Hydro Electric Imported Oils International Cargo Kerosene Machine Tools Packaging Paper / Board Passenger Cars Railways Scooter/Scooterettee Soya Textile Machinery Total Passenger Vehicles (PVs) Total Two wheelers Total Vehicle Industry	Lignite Motor Starters Other Oil Passenger Carriers (3W) Passenger Carriers (M&HCVs) Polyester Staple Fibre Rape/Mustard Sugar Total Three Wheelers	Energy Meters Newsprint NP/NPK Nuclear Nylon Filament Yarn Power Cables - PVC & XLPE

A further analysis of the sectors at the aggregated level with industry being classified into broad segments in terms of performance of production viz excellent and high (above 10 percent) on one hand and moderate or negative (below 10 percent) on the other, reaffirms our perception that there are some improvements on the ground. This is evident from the fact that the number of sectors showing excellent and high growth have shown some improvement in the Q4 FY16 with around 75.3 percent of sectors recording positive growth in Q4 FY16 as compared to 69.8 percent in Q4 FY15.

A detailed sectoral analysis, of use-based classification of sectors reveals that while the growth trends are still concentrated in the 'Moderate' category of (0-10%), the pace of de-growth has clearly ebbed.

In the basic and intermediate goods categories, a large number of sectors have reported growth numbers falling in the 'Moderate' category. On the back of government's policy thrust on infrastructure sector and traction in the road and construction sector, there has been some uptick in activity in these segments. This is reflected in the expansion in the output in the sectors like cement. Fertilizer sector has been supported by the recent government policies. More importantly, however, is the moderate growth seen against the backdrop of muted growth registered in most of these segments for the past two years. In balance, therefore, there is an overall positive growth signal and testimony to some uptick in the new orders on the investment front backed by increased government spending.

Going forward, an increase in the budgetary outlay for power and road sector along with emphasis on creating infrastructure with green energy solutions, affordable housing supported by government spending is expected to pave way for a sustained growth in the basic and intermediate categoreis. Further, the Discom reforms to help them recover from financial distress and Government and Public sector investment in critical core sector projects should allow a faster recovery in these sectors.

The Capital Goods sector, which is the bellwether for actual implementation of the announcements on the ground, has also shown mixed trends. The subsectors in the capital and engineering goods sectors (like machine tools, textile machinery, earth moving and construction equipment, distribution and power equipment, etc.) have reported flattish to low growth in the current quarter. Situation on the order inflows has remained unfavorable as a result of continued weakness both in domestic and global demand and overcapacity in some sectors. Ordering activities have continued to be on positive track only in select spaces like transmission line tower, capacitors, cables mainly on the back of orders from roads, railways, solar and defence. This points to the fact that the investment cycle is yet to show its effects in a broader way.

The performance of the consumer durables and non-durables sectors, an indicator of consumer spending, also reveals mixed signals of recovery in consumption demand. While the data on high frequency indicators such as sale of passenger car sales has shown a decline as compared to a year ago period, the data on two-wheeler sales, a good barometer of rural and semi urban demand, has shown good acceleration in the fourth quarter. Similarly the tractor segment, normally considered as the measure of customer sentiments in the rural markets has also shown improvement. At the same time, improvement in the sales of consumer durable items such as air-conditioners and LED/LCD TVs signals towards improvements in the consumer spending.

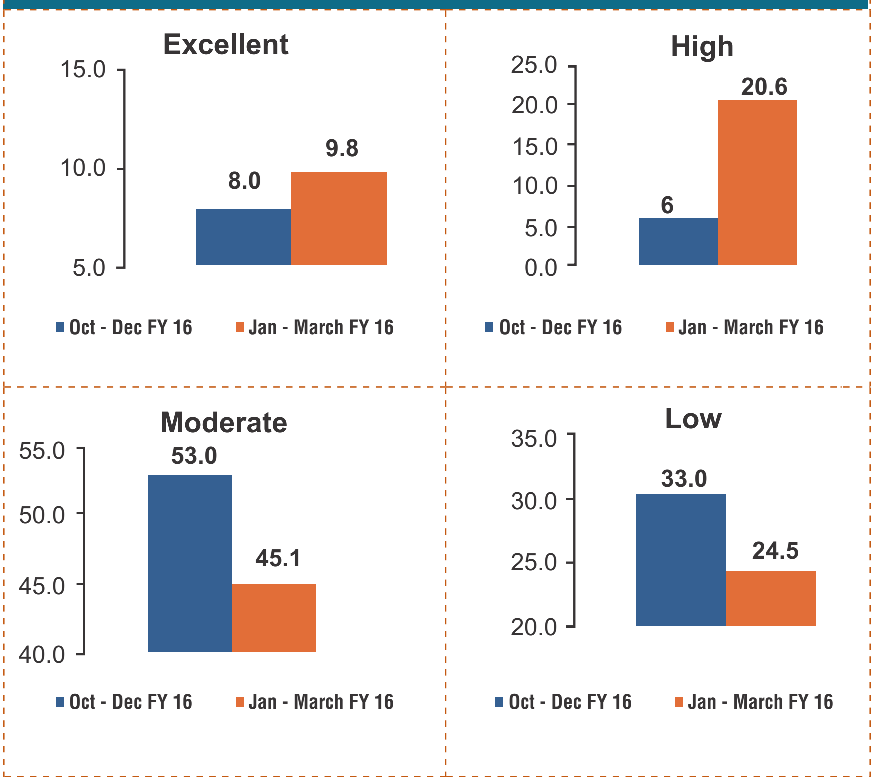
Improvements in the outlook in consumer durable and non-durable segment is pinned on the recovery in rural demand on the back of a normal monsoon and higher budgetary allocation for the rural sector and implementation of the Seventh Pay Commission and OROP (One Rank One Pension).

On the services front, most of the sectors have reported moderate growth, further indicating a calibrated recovery on the back of subdued external and domestic demand. Indicators such as rail freight and traffic at ports and foreign tourist arrivals point to a gradual pickup in economic activity, which is likely to gain momentum with the revival in both domestic and global demand.

2.3 Industry growth performance during Q4 FY16 over Q3 FY16

A further analysis of growth trends on a sequential quarter-on-quarter basis also presents improvements in the growth trends in Q4FY16 as compared to the Q3FY16. According to the Survey, while there has been a marginal increase in the percentage of sectors reporting 'excellent' growth, there has been a substantial surge in the share of sectors reporting 'high' growth. The share of sectors reporting high growth has increased to 20.6 percent (21 out of 102) in Q4 FY16 from 6 percent (6 out of 100) witnessed in Q3 FY16.

Figure 2.3 Industry performance Q4 FY16 over Q3 FY16 (in %)



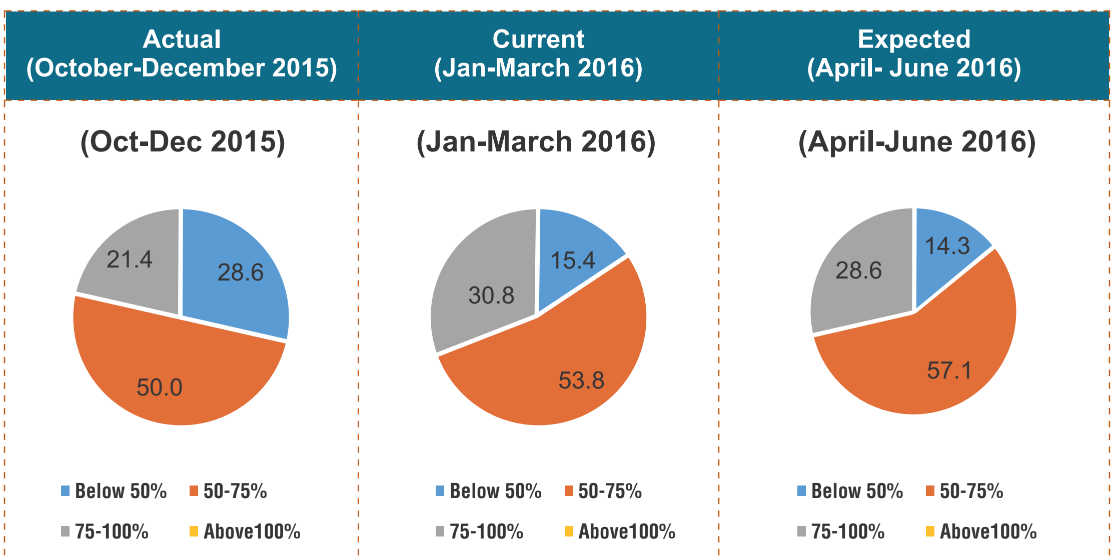
On the other hand, the share of sectors recording 'Moderate' growth has come down to 45.1 percent (46 out of 102 sectors) as compared to 53.0 percent (53 out of 100 sectors) in Q3 FY16. The number of sectors recording 'Low' growth has shrunk significantly with 24.5 percent (25 out of 102 sectors) in Q4 FY16 as against 33 percent (33 out of 100 sectors) in Q3 FY16. The movement of sectors from lower to higher growth rates clearly points towards an improvement in the growth trends.

2.4 Capacity Utilization

On the capacity utilization, an indicator of demand acceleration in the economy the Survey reveals improvements in capacity utilization in the economy in the January –March quarter. According to the Survey, around 53.3 percent of the respondents have reported capacity utilizations in the range of 50 to 75 percent for January – March FY16 quarter registering slight improvement from the last quarter (figure 2.4) whereas 30.8 percent of the respondents have reported it to be in the range of 75-100% starkly higher as compared to 21.4 percent recorded in the last quarter. The trend is expected to continue in the coming quarters as well.

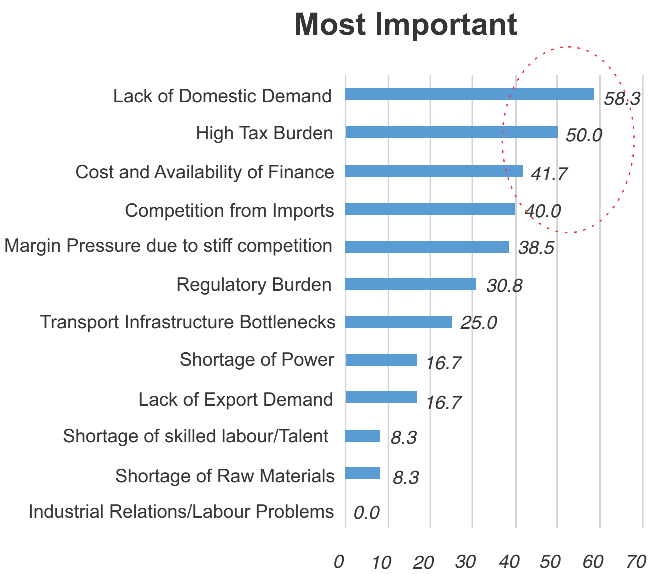
A host of factors like the slow pickup in demand, competition from zero duty imports under FTAs, dumping of cheap and sub–standard products from China, have impacted the utilization levels, revealed the Survey. Along with this, weak corporate balance sheets and concentration on commissioning of ongoing projects are also keeping promoters from announcing new capacity additions.

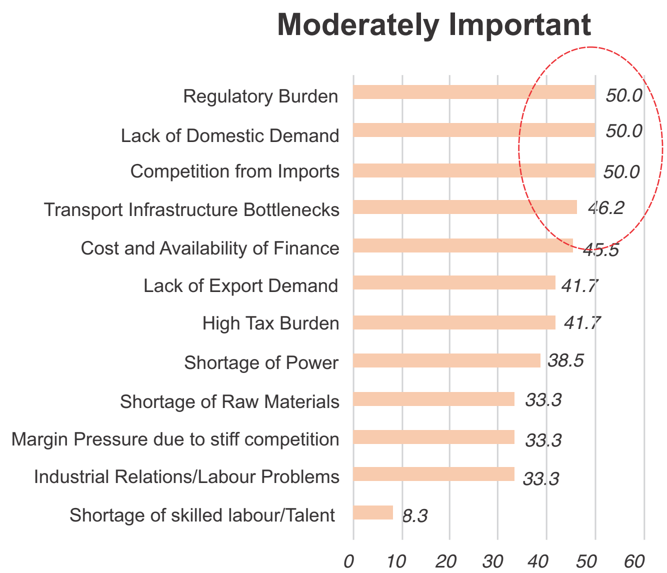
Figure 2.4: Capacity Utilization trends



With respect to issues and concerns impacting growth, lack of domestic demand (58.8%), high regulatory burden (53.3%), high tax burden (50.0%), cost and availability of finance (41.7%), competition from imports (40.0%) and have been cited as the most important constraints by more than 40 percent of the respondents. Transport and Infrastructure bottlenecks, lack of export demand and high tax burden were reported as other pressing constraints before companies.

Figure 2.5: Issues and constraints

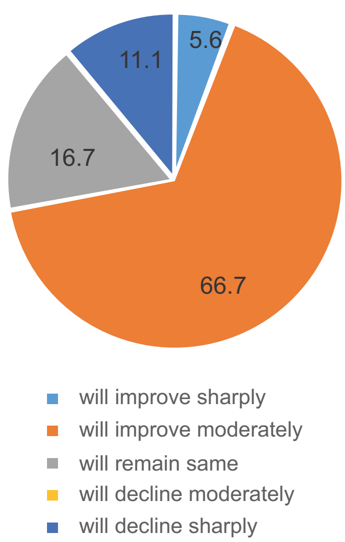




3. Outlook for next six months

On the industry outlook for the next six months, the Survey responses reveal expectation of an improvement in the overall business situation in the next six months.

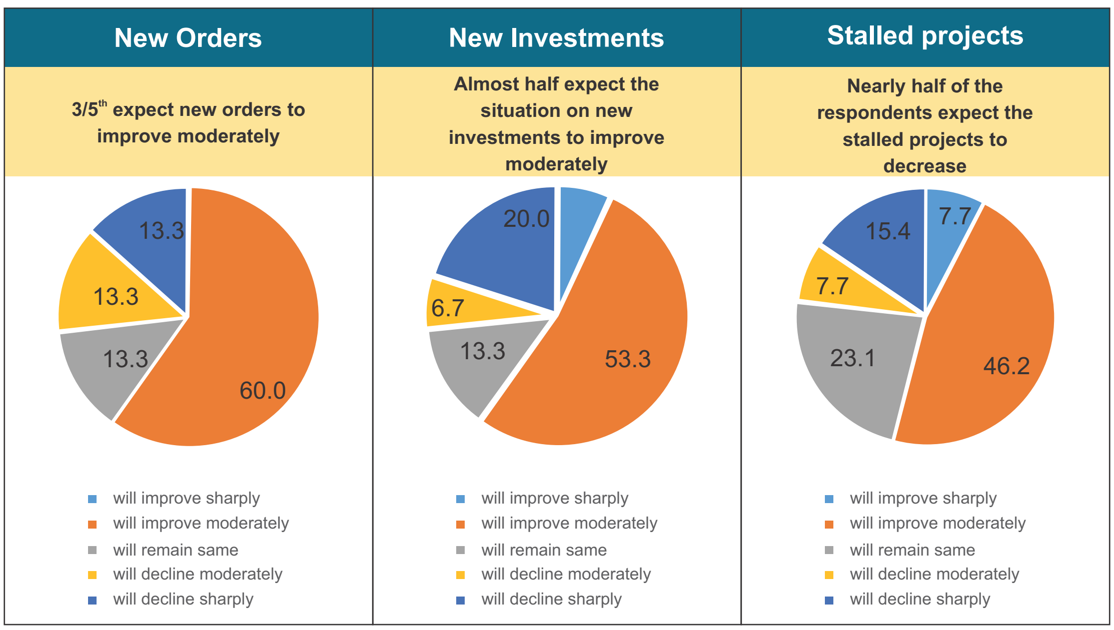
Overall business situation



66 percent of respondents expect improvement in the overall business situation in the next two quarters. 53.3 percent of respondents expect moderate improvement in new investments in the H1 2016. On the stalled projects front 46.2 percent of the respondents expect the situation to improve moderately in the coming two quarters

One positive change, as noted with respect to the previous surveys, is that firms are optimistic about demand. 60 percent of the respondents expect moderate improvement in the pick-up of new orders in the coming quarters a sign that the prolonged downturn in domestic demand, may be coming to an end. The Survey responses suggest that initiatives taken by the government in the last two years in terms of expeditious project clearances, simplification of procedures and ease of doing business are expected to lift the investment and business scenario going forward.

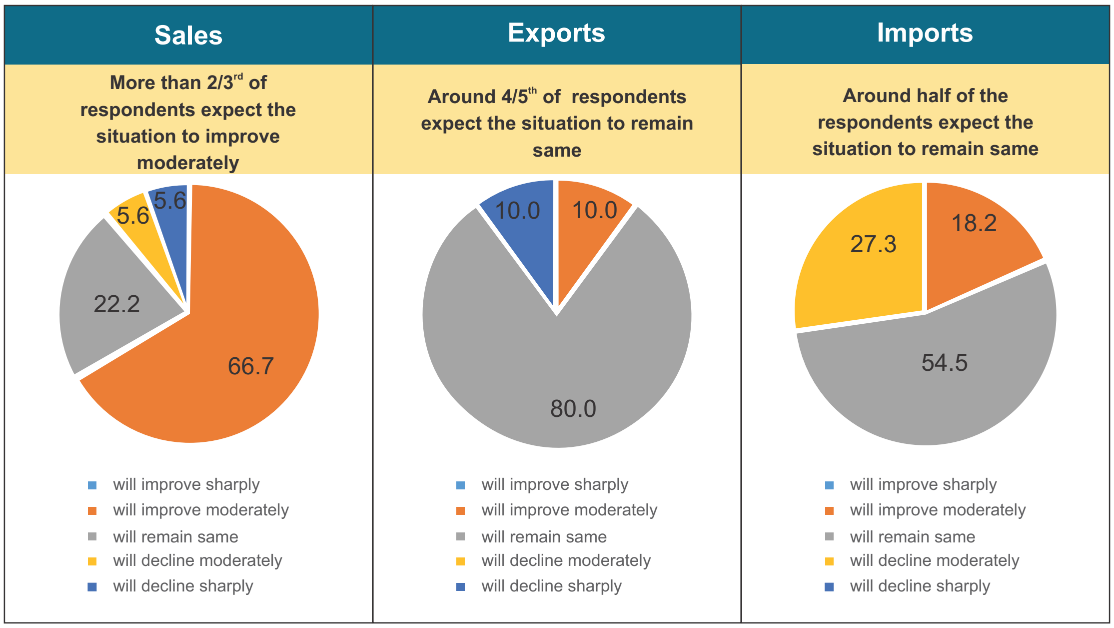
Figure 3.1: Investment outlook for the next six months



On the sales front, 66.7 percent of the respondents expect the situation to remain the same in the next two quarters. On the imports front, 54.5 percent of respondents expect the situation to remain the same. Recently several domestic sectors such as newsprint, rubber industries, steel, tyre etc. have been hit by a surge of cheap imports.

On the exports front, a staggering 80 percent of the respondents are of the view that the situation will remain the same in the next two quarters. The current responses reveal modest support from the global environment in supporting demand in the coming quarters.

Figure 3.2: Business outlook for the next six months



Conclusion

Overall, the current trends reveal that majority of the sectors are still continuing to witness 'moderate' growth trends with 'excellent' and 'high' growth limited to some sectors. At the same time, a decline in the share of sectors registering 'low' growth is clearly indication of towards the bottoming out of growth trends in the majority of sectors. Going forward, on the back of the various measures and structural reforms taken by the government, it is expected that the current momentum would be supportive of the revival becoming broad based in the coming quarters.

INDUSTRY SUGGESTIONS

To further push the pace of recovery in economic growth, the respondents to CII ASCON Industry Survey have suggested the following broad measures:

➢ Need to speed-up reforms

Progress on reforms is important for a sustained 8-10% GDP growth. With regards to reforms visibility, the industry expects Government to remain focused on ease of doing business and other important economic reforms especially of Goods and Services Tax (GST) and power sector reforms. Further key economic reforms like land acquisition, labor laws, Public Procurement Policy will add to improving the business environment of the country and also play a big role in investment decisions.

For boosting the growth of MSMEs, reforms such as the implementation of a dedicated MSME Policy and an Exit Policy for MSMEs will be crucial. Further, business regulations governing MSMEs must be rationalized and simplified for reducing their regulatory burden.

➢ Focus on Implementation

The respondents in the Survey have also stressed on the quick implementation of the announcements in the budget especially in the infrastructure space, as a quick translation of these into concrete investments remains crucial for creation of demand.

The respondents in the survey have also suggested on fast tracking of infrastructure projects, mining, power and modernization of railways.

➢ Address the issue of cheap imports

At a time when the industry is already reeling under the pressure of unutilized capacities due to subdued demand, continued surge of cheaper imports has further compounded the impact on industry's health. There is a need to review the existing FTAs and take steps to ensure that cheap imports do not kill the existing domestic industry.

➢ Improving investment climate

The respondents in the survey have emphasized the need for intensive action on reforms related to trade and business environment.

The Make in India initiative to push manufacturing sector growth can only become successful if local firms are a part of global value chain. In this regard, reforms in the area of trade facilitation will make Indian industry more efficiently connected to global value chains and facilitate rapid expansion of exports, FDI and employment. The Survey respondents have stressed on improving Doing Business indicators with a focus on removing the massive transaction costs by enabling efficient processes and a more conducive taxation system to help integrate India into global supply chains.

To reduce time taken for customs clearances, the Survey has suggested to immediately fully implement a National Single Window Scheme involving all clearing agencies in all ports, airports and land borders.

➢ Boost export competitiveness

Improving long-term export competitiveness which will help exporters gain market share is imperative. Otherwise, with economic recovery leading to higher imports, the trade deficit could widen. For this, there is a need to have a strategic approach to identify products which show good potential in exports of the country and in which world imports are also increasing and provide requisite support. Further, reducing procedural complexities and paper work to reduce transaction costs will also help. Moreover, for boosting exports from the MSME sector, measures such as an effective implementation of the various market development schemes such as the Market Development Assistance (MDA), subsidies for participation in international trade fairs, etc. are urgently needed for creating market linkages for these enterprises.

Drastic improvement in road and railways connectivity to ports by expediting the work on the dedicated freight corridors should be a top priority for improving India's export competitiveness.

➢ Addressing the issue of Delayed Payments

The issue of delayed payments continues to plague the fortunes of several businesses in India. The problem is compounded for MSMEs which are already facing a severe lack of access to finance. To remedy this, measures such as a mechanism for strict enforcement of contracts between parties, provisioning of factoring services for facilitating the discounting of bills, launch of an online receivables financing platform, incentives to large enterprises for timely payments to their suppliers as well as strict penalties for default, etc. are some of the measures suggested by the industry.

➢ Supporting Make in India

- **Prevention of Sub-standard Imports -** Strengthening anti-dumping laws to protect local manufacturing

- **Upgrade Product standards to match Global Benchmarks -** Bring Improvement in performance and testing standards.

- **Improve Level of Mechanization in line with Global Norms -** Focus on Skill Development. Actively encourage the spending on institutes for Technology & Product development. Provide fiscal benefit for innovation. Improve Industry-Institute interactions to promote creation of commercially viable technologies.

- **Supporting Local production of Raw Materials:** Providing Subsidies on production of major raw materials of key export products to make them cost competitive. It could reduce the current dependence of the key raw materials to a considerable levels

- **Supporting local manufacturing: addressing issues related to inverted duty structure** Identifying high potential items across various manufacturing sectors which can be manufactured domestically and incentivizing them suitably.

- **Tax Credit for R&D -** Increasing tax credit and providing tax deduction for R&D would provide a competitive edge to several sectors involving R&D. Tax incentives would significantly help these firms (especially small companies, which face a difficult task of acquiring credit from banks).

APPENDIX-A

Sample coverage and methodology

The CII ASCON Industry Survey, which tracks the growth of different industrial and services sectors of the economy, is based on the feedback collected from industry associations affiliated to CII. The industry associations encompass wide range of sectors from the domain of small, medium and large enterprises spread over the length and breadth of the country. Further, the Survey has enumerated responses from both public and private sectors. The companies covered in the Survey represent a wide spectrum of sectors including basic goods, intermediate goods, capital goods, consumer durables and non-durables and services sector. In most of the cases, these account for approximately 70% of the total industry output in the respective sectors.

The analysis is based on two quarters: January – March FY 16 (estimated) and October-December FY16 (Actual) . The results of each quarter are compared with their corresponding values of previous year. While the analysis for January – March FY 16is based on 102 sectoral responses that of October-December is based on 100 responses. The sample covers all sectors of the use-based classification and their summary is described in Table A.1

Table A1: Sample Coverage: Use-based classification of sectors

Sectors	January – March FY 16	October – December FY 16
Basic Goods	26	25
Intermediate Goods	15	15
Capital Goods	9	8
Consumer durables	26	26
Consumer non - durables	20	20
Other including services	6	6
Total	102	100

Based on varying rates of growth of industrial production, the responses have been collected in the following four broad categories: (i) 'Excellent' (growth in excess of 20%), (ii) 'High' (growth in the range of 10-20%), (iii) 'Moderate' (growth in the range of 0-10%, and (iv) 'Low' (growth less than 0%).

APPENDIX-B

Distribution of total sample sectors over different growth ranges

Table B1: Production (Jan-March FY16 over FY15)

Excellent	High	Moderate	Low
Bitumen	Air Cargo	Alcoholic Beverages	Circuit Breakers (LT)
Groundnut Oil	Air Conditioners	Audio Home Theater	Coal
Iron Ore	Transportation	Bauxite	Distribution Transformer
MG Variety / Poster	ATF	Beer	Drugs & Pharma
Power Transformer	Capacitors (LT & HT)	Cement	Energy Meters
Tea	Diesel	Circuit Breakers (HT)	Hydro Electric
Vans	Domestic Cargo	Crude Oil	Imported Oils
	LDO	DAP	International Cargo
	LPG	Express Industry	Kerosene
	Naphtha	Fertilizer	Lignite
	Passenger Carriers (LCVs)	Foreign Tourist Arrivals	Machine Tools
	Petrol	Forgings	Motor Starters
	Plastics Machinery	Foundry	Newsprint
	Sponge Iron	Glass Products	NP/NPK
	Total Commercial Vehicles	Goods Carrier (3W)	Nuclear
	Tractors	Goods Carriers (M&HCVs)	Nylon Filament Yarn
	Transmission Line Towers	Goods Carriers (LCVs)	Other Oil
	Urea	Industrial Gases	Packaging Paper / Board
	Utility Vehicles(UVs)	LCD/LED	Passenger Carrier (3W)
		Limestone	Passenger Carriers (M&HCVs)
		Lubes	Passenger Cars
		Microwave Ovens	Polyester Staple Fibre
		Mopeds	Power Cables - PVC & XLPE
		Motor cycles/Step- Throughs	Railways
		Motors (HT)	Rape/Mustard
		Motors (LT)	Scooter/Scooterettee
		Natural Gas	Soya
		Nylon Tyre Yarn	Sugar
		Petroleum Refinery	Textile Machinery
		Polyester Filament Yarn	Total Passenger Vehicles (PVs)
		Polyutherene	Total Three Wheelers
		Refrigerators	Total Two wheelers
		Relay/ Control Panel	Total Vehicle Industry
		Specialty Paper	
		SSP	
		Steel	
		Steel re rollers	
		Sunflower	
		Thermal	
		Total Edible Oils	
		Total LCVs	
		Total M&HCVs	
		Washing Machines	
		Writing & Printing Paper	

Table B2: Sales (Jan-March FY16 over FY15)

Excellent	High	Moderate	Low
Construction Equipment Machinery DAP Goods Carriers (M&HCVs) Passenger Carrier (3W) Total M&HCVs Total Three Wheelers	Counterbalance forklift truck Goods Carriers (LCVs) Lignite Limestone NKP/NP Passenger Carriers (LCVs) Passenger Carriers (M&HCVs) Pumps Scooter/Scooterettee SSP Total Commercial Vehicles Total LCVs Tourism (Earnings) Utility Vehicles(UVs) Vans	Beer Cellular Services Glass Products Goods Carrier (3W) Grand Total of All Categories Industrial Gases Machine Tools Mopeds Motor cycles/Step- Throughs Newsprint Nylon Filament Yarn Total Passenger Vehicles (PVs) Total Two wheelers Tractors Warehouse equipment	Freight Earnings Iron Ore MOP Passenger Cars Polyester Filament Yarn Polyester Staple Fibre Textile Machinery Urea

Table B3: Exports (Jan-March FY16 over FY15)

Excellent	High	Moderate	Low
Goods Carriers (M&HCVs) Passenger Carriers (LCVs) Ricebran Exracts Scooter/Scooterettee Total M&HCVs Utility Vehicles(UVs)	Passenger Carriers (M&HCVs) Total Commercial Vehicles Total LCVs Total Passenger Vehicles (PVs)	Foundry Glass Products Goods Carrier (3W) Goods Carriers (LCVs) Grand Total of All Categories Industrial Gas Plant Machine Tools Passenger Cars Total Two wheelers	Castor Seed Meal Ground Nut Meal Mopeds Motor cycles/Step- Throughs Newsprint Passenger Carrier (3W) Rapeseed Meal Soybean Meal Textile Machinery Total Three Wheelers Tractor Vans

CII

Confederation of Indian Industry

The Confederation of Indian Industry (CII) works to create and sustain an environment conducive to the development of India, partnering industry, Government, and civil society, through advisory and consultative processes.

CII is a non-government, not-for-profit, industry-led and industry-managed organization, playing a proactive role in India's development process. Founded in 1895, India's premier business association has over 8000 members, from the private as well as public sectors, including SMEs and MNCs, and an indirect membership of over 200,000 enterprises from around 240 national and regional sectoral industry bodies.

CII charts change by working closely with Government on policy issues, interfacing with thought leaders, and enhancing efficiency, competitiveness and business opportunities for industry through a range of specialized services and strategic global linkages. It also provides a platform for consensus-building and networking on key issues.

Extending its agenda beyond business, CII assists industry to identify and execute corporate citizenship programmes. Partnerships with civil society organizations carry forward corporate initiatives for integrated and inclusive development across diverse domains including affirmative action, healthcare, education, livelihood, diversity management, skill development, empowerment of women, and water, to name a few.

The CII theme for 2016-17, **Building National Competitiveness**, emphasizes Industry's role in partnering Government to accelerate competitiveness across sectors, with sustained global competitiveness as the goal. The focus is on six key enablers: Human Development; Corporate Integrity and Good Citizenship; Ease of Doing Business; Innovation and Technical Capability; Sustainability; and Integration with the World.

With 66 offices, including 9 Centres of Excellence, in India, and 9 overseas offices in Australia, Bahrain, China, Egypt, France, Germany, Singapore, UK, and USA, as well as institutional partnerships with 320 counterpart organizations in 106 countries, CII serves as a reference point for Indian industry and the international business community.

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