MNI India Business Report
March 2014

Insight and data for better decisions

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Insight and data for better decisions

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MNI Indicators specialises in business and consumer focused macro-economic reports that give our customers the ability to make timely and relevant decisions. We strive to provide up-to-date information on business and consumer confidence on the economy.

MNI Indicators publishes data on a monthly basis. Our indicators are based on a unique and proprietary methodology and are designed to present an advance picture of the economic landscape as perceived by businesses and consumers every month.

Our monthly reports explore attitudes, perspectives and confidence across different countries and regions. They deliver in-depth analysis, highlight changing patterns and how these can affect potential developments in business and consumer activities.

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Written and researched by
Philip Uglow, Chief Economist
Shaily Mittal, Economist

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MNI Indicators | Deutsche Börse Group
Westferry House
11 Westferry Circus
London
E14 4HE
Tel: +44 (0)20 7862 7444
Email: info@mni-indicators.com

support@mni-indicators.com
www.mni-indicators.com
@MNIIndicators

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A Turning Point?

In less than three weeks' time, the largest election ever to be witnessed in the world begins in India and, among businesses and investors alike, there is huge anticipation that the new government will turn around the ailing Indian economy.

In less than three weeks' time, the largest election ever to be witnessed in the world begins in India, and among businesses and investors alike, there is huge anticipation that the new government will turn around the ailing Indian economy.

India's 16th national elections kick off on April 7 and continue in a series of stages around the country before concluding on May 12. There are about 815 million eligible voters, of which a record 120 million are aged between 18-22 years and will vote for the first time this year.

The Indian Congress Party (center left) and the Bharatiya Janata Party (BJP, center right), are the two main national parties. The BJP is headed by Narendra Modi, who has presided over rapid economic growth for more than 12 years as the chief minister of the state of Gujarat. He has been wooing voters by pointing to his track record as a leader who attracts investment, which is critical for India. The Congress party, which has ruled for a decade has yet to name its prime ministerial candidate, and struggles in opinion polls due to public anger over a string of corruption scandals and the sharp slowdown in economic growth. Rahul Gandhi, frontman for the Congress party has been campaigning on a primarily socialist agenda such as providing cheap food and guaranteed employment in rural areas.

While Gandhi has pledged to rout the opposition BJP with "love", equity markets seem confident that Modi will win. The BSE Sensex has rallied sharply over the past month from 20193 on February 13 to 21934 on March 10, a rise of 8.6%. Having fallen to a low of 17905 in August last year the index is up by over 22% since then.

An influx of foreign investment has buoyed the market too, with global fund managers pouring $937million into Indian equities in March - roughly three times the level of inflows in the previous two months. Some of the mood swing is also due to an improvement in the external environment with better growth prospects for the US and European economies.

If history is a guide to the future then we're set to see equities rally even more during the election. The Sensex has risen during the election period in each of the past three elections and in five out of the previous six elections. Our analysis also shows that GDP growth tends to increase in the year after an election, not least due to post election increases in government spending.

Already our survey suggests that businesses have turned the corner, so there are some reasons to be optimistic on the economy.

Equity markets, though, already appear to be pricing in a significant BJP victory and while Modi seems to be the front-runner now, elections can produce surprises and there are still eight weeks until the polls close.

Philip Uglow
Shaily Mittal
MNI Indicators

Executive Summary

The MNI India Business Indicator increased to 65.5 in March from 58.2 in February led by an improvement in construction and service sector companies, while business sentiment remained stable for manufacturing companies.

Business confidence accelerated in March to a series high with sentiment well above the same month a year earlier, further confirmation that the worst for the Indian economy is now over.

The MNI India Business Indicator increased to 65.5 in March from 58.2 in February, a rise of 12.5% on the month. The improvement was led by construction and service sector companies, while business sentiment remained stable for manufacturing companies.

The latest increase suggests GDP is likely to pick-up slightly from the 4.7% growth rate seen in the final quarter of 2013.

Following February's decline, Production bounced back in March to the highest since November last year, leaving output well above the same level a year earlier.

The New Orders Indicator declined for the second consecutive month to 61.5 in March from 62.3 in February, led by fewer manufacturing sector companies reporting higher New Orders.

Export Orders have trended upwards since April last year and the rise on the month in March more than offset the decline seen in February. The Export Orders Indicator increased to 67.4 in March from 59.8 in the previous month, the highest since the start of the series in February 2013.

The Employment indicator asks companies whether they have an adequate number of employees and although the majority of companies continued to say that the number of employees they had was "just right", there was a rise in those who said their number of employees was "not enough". Between February and March, the Employment Indicator increased from 50.8 to 52.1, the highest since September 2013.

The Prices Received Indicator fell for the second month in a row to 52.2 in March from 56.2 in February, the lowest level since June, suggesting official inflation data may show a further easing.

The Financial Position Indicator declined to 67.2 in March from 69.3 in February, the lowest since December, although well above 55.1 recorded in the same month a year earlier.

The Interest Rates Paid Indicator declined sharply to 57.6 in March from 67.3 in February as fewer companies reported that they paid higher interest rates compared with the previous month. The Indicator fell across all sectors, with services posting the largest decline.

The Effect of the Rupee Exchange Rate Indicator declined to 40.8 in March from 44.2 in February, the lowest since December last year as more companies reported that the current level of the rupee was hurting their business.

The indicator measuring the Availability of Credit accelerated to 59.6 in March from 54.9 in the previous month, the highest since September.

Overview

	Jan-14	Feb-14	Mar-14	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
MNI India Business Indicator								
Current Conditions	63.4	58.2	65.5	series high	-	62.4	7.3	12.5%
Future Expectations	72.0	69.5	70.1	Jan-14	-	70.5	0.6	0.9%
Production								
Current Conditions	64.4	62.0	64.8	Nov-13	-	63.7	2.8	4.5%
Future Expectations	71.6	69.7	67.7	-	Dec-13	69.7	-2.0	-2.9%
New Orders								
Current Conditions	63.6	62.3	61.5	-	Dec-13	62.5	-0.8	-1.3%
Future Expectations	65.5	67.2	70.9	Sep-13	-	67.9	3.7	5.5%
Export Orders								
Current Conditions	61.4	59.8	67.4	series high	-	62.9	7.6	12.7%
Future Expectations	62.9	68.2	70.6	Sep-13	-	67.2	2.4	3.5%
Productive Capacity								
Current Conditions	58.0	56.1	57.4	Jan-14	-	57.2	1.3	2.3%
Future Expectations	64.3	60.0	67.5	Sep-13	-	63.9	7.5	12.5%
Order Backlogs								
Current Conditions	35.6	39.8	50.0	Sep-13	-	41.8	10.2	25.6%
Future Expectations	35.2	40.1	55.4	Sep-13	-	43.6	15.3	38.2%
Employment								
Current Conditions	51.8	50.8	52.1	Sep-13	-	51.6	1.3	2.6%
Future Expectations	53.4	57.5	53.3	-	Dec-13	54.7	-4.2	-7.3%
Inventories								
Current Conditions	62.1	64.9	57.2	-	Dec-13	61.4	-7.7	-11.9%
Future Expectations	59.5	53.5	58.8	Jan-14	-	57.3	5.3	9.9%
Input Prices								
Current Conditions	69.8	73.0	66.0	-	Oct-13	69.6	-7.0	-9.6%
Future Expectations	69.9	72.0	64.0	-	Aug-13	68.6	-8.0	-11.1%
Prices Received								
Current Conditions	60.6	56.2	52.2	-	Jun-13	56.3	-4.0	-7.1%
Future Expectations	60.9	61.2	56.6	-	Dec-13	59.6	-4.6	-7.5%
Financial Position								
Current Conditions	68.2	69.3	67.2	-	Dec-13	68.2	-2.1	-3.0%
Future Expectations	71.5	77.2	76.1	-	Jan-14	74.9	-1.1	-1.4%
Interest Rates Paid								
Current Conditions	60.5	67.3	57.6	-	May-13	61.8	-9.7	-14.4%
Future Expectations	57.9	60.7	52.8	-	May-13	57.1	-7.9	-13.0%
Effect of Rupee Exchange Rate								
Current Conditions	44.3	44.2	40.8	-	Dec-13	43.1	-3.4	-7.7%
Future Expectations	43.6	45.2	45.5	Jul-13	-	44.8	0.3	0.7%
Supplier Delivery Times								
Current Conditions	54.4	55.6	53.2	-	Nov-13	54.4	-2.4	-4.3%
Future Expectations	51.7	56.2	56.3	May-13	-	54.7	0.1	0.2%
Availability of Credit								
Current Conditions	56.8	54.9	59.6	Sep-13	-	57.1	4.7	8.6%
Future Expectations	54.1	54.8	59.5	Sep-13	-	56.1	4.7	8.6%

Industrial production recorded positive growth having contracted for three months...

...albeit a very small increase of 0.1% on the year,
but potentially marking the beginning of a recovery.

Economic Landscape

Latest economic data has painted a mixed picture of the India economy as industrial production posted the first increase in four months and inflation fell to a 25-month low while exports ended their seven month run of increases.

Latest economic data has painted a mixed picture of the India economy. Industrial production posted the first increase in four months and consumer price inflation fell to a 25-month low as the sharp rise in vegetable prices continued to unwind. While the trade deficit narrowed in February, due to lower gold imports, exports ended their seven month run of increases. Car sales posted their first increase in five months.

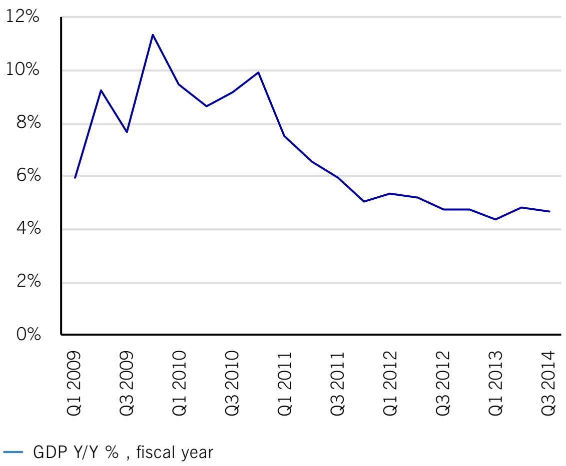
The Reserve Bank of India raised the policy rate by 25 basis points to 8% from 7.75% at its January meeting, citing the elevated level of consumer price inflation which will restrain growth somewhat going forward. Latest GDP data showed growth of 4.7% in the final quarter of 2013 and expectations are that growth will rise slightly in the January to March quarter. This is supported by our survey evidence.

Disappointing economic growth

Economic growth in India slowed to 4.7% on the year in the three months to December, down from 4.8% in the previous quarter. It was, though, marginally above the 4.4% rate seen in the same period a year ago.

Data on an output basis showed that growth was boosted by services that grew 7% on the year, compared with 4.2% in the previous quarter. A bountiful harvest was expected to translate into strong agricultural growth but output here was disappointing as it slowed to 3.6% compared with 4.6% in the previous quarter. Manufacturing fell back into contraction, declining by 1.9% compared with 1% growth in the previous quarter.

Economic Growth



Source: Central Statistical Organisation, India

The Finance Minister P Chidambaram expects the economy to grow by 4.9% this year and to accelerate to 6% in the next fiscal year. The economy must expand by 5.7% in the January-March quarter to achieve the forecast which on current evidence looks highly unlikely. This would be the first time in 26 years that growth will be below 5% for two successive years.

Industrial outlook shows minor recovery

The Reserve Bank's Industrial Outlook Survey, showed that the Business Expectation Index, a gauge of manufacturing business sentiment, improved marginally in the quarter ending December to 98.8 from 97.3 in the quarter ending September. Expectations for the next quarter ending March rose to 112.7 compared with the previous quarter's 109.9.

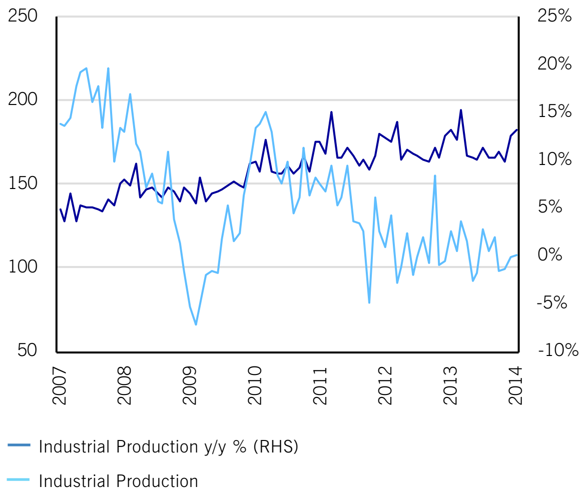
Current assessment and expectations sentiment for production, order books, capacity utilisation, exports and imports improved slightly, showing that companies were more optimistic about the demand outlook.

Industrial output rises

Industrial production recorded positive growth in January, albeit a very small increase of 0.1% on the year, having contracted for the previous three months. Production for the period from April 2013 to January 2014 was flat compared with 1% growth in the same period a year earlier.

While the wider measure of industrial production increased, manufacturing output continued to decline, albeit at a slower rate. Manufacturing was down by 0.7% on the year in January following a 1.2% decline in December. Overall, 11 out of the 22 industry groups within the manufacturing sector expanded in January, led by a 17.6% output rise in 'Medical, precision &

Industrial Production



Source: Central Statistical Organisation, India

optical instruments, watches and clocks', followed by 15.2% in 'Electrical machinery & apparatus' and 14.4% in 'Wearing apparel; dressing and dyeing of fur'.

After increasing 0.4% on the year in December, mining output rose 0.7% in January. Output of consumer durables, a measure of consumer demand, posted the fourteenth consecutive decline, falling 8.3% in January compared with a 16.1% decline in December. Capital goods output, a proxy for investments in the economy, fell 4.2% in January compared with a decline of 2.5% in December.

Inflation slows as vegetable prices decline

Consumer price inflation eased to a 25-month low of 8.1% in January from 8.8% in the previous month. Food price inflation, which makes up almost half of the basket, eased to 8.6% from 9.9% in January. The moderation was driven by cooling vegetable prices which rose by 14% compared with a year earlier, down from 21.9% in January. Core CPI eased slightly to 8% compared with 8.1% in the previous month and has averaged 8% over three months.

Wholesale price inflation decelerated to a nine month low of 4.7% in February, down from 5% in January. The slowdown was largely driven by vegetable prices which fell 9.9%.

Although wholesale price inflation fell below the RBI's comfort zone of 5%, consumer price inflation remains above 8%.

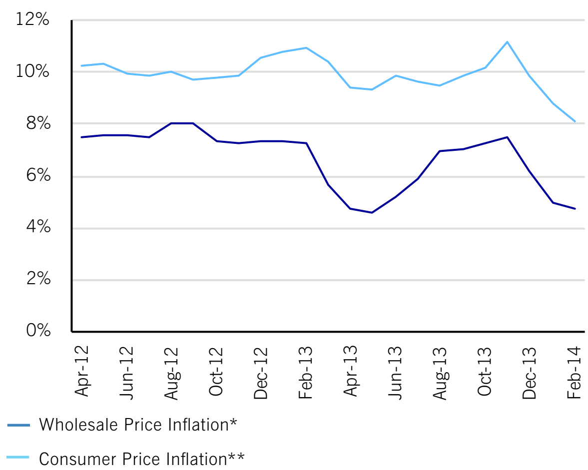
Repo rate increased to 8%

The RBI raised the policy rate by 25 basis points to 8% from 7.75% at its January meeting, citing the elevated level of consumer price inflation.

RBI Governor Raghuram Rajan made clear that inflation needed to be brought down to a low and stable level, so that monetary policy could eventually help to revive consumption and investment in a sustainable way. The RBI, however, said that if retail inflation eases as projected, it does not foresee a need for further monetary policy tightening in the near-term.

A central bank panel proposed to revamp its policymaking structure by setting a long-term consumer price inflation target of 4%, plus or minus 2%. As inflation remains high, it recommended that the goal should be phased in gradually. It appears

Inflation



Source: *Office of the Economic Advisor, India, **MOSPI that the RBI has already shifted its focus to CPI which it aims to reduce to 8% by January 2015 and 6% by January 2016.

Fiscal budget deficit

The government budget deficit stood at Rs.5.3 trillion in the April-January period, or 101.6% of the target for the year ending March 2014, compared with 89.4% at the same point a year ago. Net tax receipts totalled Rs. 5.76 trillion in the first ten months to March 2014, while total expenditure was Rs. 12.7 trillion.

The gap in the public finances has put the nation's debt rating at risk and Finance Minister P Chidambaram is expected to have tightened spending in what is left of the year to try and meet his goal.

The government has proposed to bring down the fiscal deficit to 4.6% of GDP in 2013-14. The government plans to defer some subsidy payments to next year, while focusing on speeding up the sale of stakes in state-run firms and minority stakes in some private companies. The government raised over Rs. 610 billion from selling licences for mobile internet spectrum in February.

The fiscal deficit for 2014-15 is projected at 4.1% of GDP and 3% in 2016-17.

Foreign reserves rise

Foreign exchange reserves rose to $295.5 billion in the week ending March 7, from $294.4 billion a week earlier. According to the RBI's weekly statistical supplement, foreign currency assets, the biggest component of the forex reserves, rose by $1.07 billion to $267.9 billion. These are expressed in dollar terms and include the effect of appreciation or depreciation of the non-US currencies such as the euro, pound and yen, held in its reserves.

Moves by the RBI over recent months have greatly strengthened India's foreign exchange reserve position, leaving it less vulnerable to another run on the currency. The value of India's gold reserves remained steady at $20.9 billion.

Trade deficit shrinks

India's trade deficit narrowed to $8.1 billion in February, down from a $9.9 billion deficit in January, and more than 40% below the deficit of $14.1 billion seen in the same period last year. Lower imports of gold led the improvement between January and February.

While the trade gap narrowed, exports contracted for the first time in eight months, falling to $25.7 billion, 3.7% below the level seen last year and 4% below January's $26.8 billion. Imports fell 17.1% on the year to $33.8 billion in February and 7.8% below January's $36.7 billion. Oil imports climbed from January's $13.2 billion to $13.7 billion in February, although were lower than $13.8 billion seen in December and 3.1% below the level in February 2013. Gold imports fell to $1.6 billion from $1.7 billion in January.

The current account deficit narrowed to $4.2 billion, or 0.9% of GDP in the October to December quarter, from $31.9 billion a year earlier. The government expects to keep the current account deficit at $45 billion in the fiscal year that ends in March.

Car sales increase

Passenger car sales increased for the first time in five months in February, to 160,718 units, 1.4% above the previous year. For the first 11 months of this fiscal year, though, sales declined 4.6% to 1.61 million cars. Most consumers in India have chosen to defer purchases of vehicles given the slowdown in the economy, higher loan rates and rising fuel prices.

The rise in car sales was attributed to price discounting from car manufacturers, following the excise duty reduction on small cars, two wheelers, and commercial vehicles to 8% from 12% in the interim budget.

There have been reports that various new car models have also generated a lot of interest and are expected to boost sales.

Indicators

Business confidence accelerated to a 17-month high in March, with sentiment well above the same month a year earlier, further confirmation that the worst for the Indian economy is now over.

MNI India Business Indicator
Business Confidence Increases

65.5

Business confidence accelerated to a 17-month high in March with sentiment well above the same month a year earlier, further confirmation that the worst for the Indian economy is now over.

The MNI India Business Indicator increased to 65.5 in March from 58.2 in February, a rise of 12.5% on the month. The improvement was led by construction and service sector companies, while business sentiment remained stable for manufacturing companies.

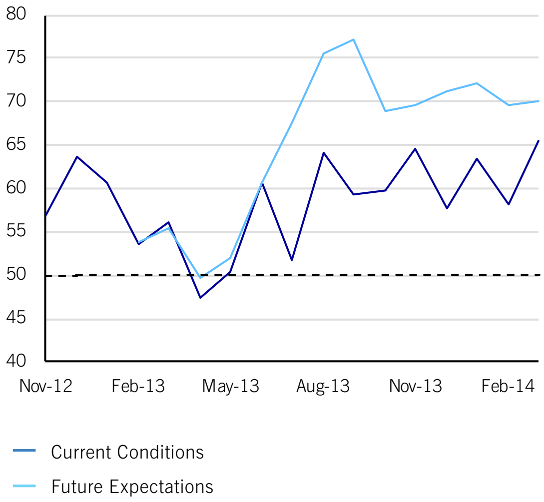
Business confidence was hit hard in the first half of 2013 as India faced a potential financial meltdown following fears the US Federal Reserve would taper its bond purchases, which caused widespread panic in all emerging markets. Sentiment subsequently recovered and has trended higher since the summer of 2013.

The latest increase suggests GDP is likely to pick-up slightly from the 4.7% growth rate seen in the final quarter of 2013.

Future expectations have also increased significantly since April, but the acceleration has eased in recent months. Expectations for business conditions in three months' time remained broadly stable at 70.1 compared with 69.5 in February.

The Future Expectations Indicator for service sector companies increased to the highest since December. In contrast, optimism among manufacturing and construction firms declined. Manufacturing sector companies were the least optimistic while construction

MNI India Business Indicator



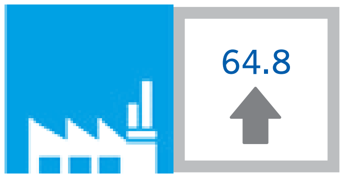
the most. For all three sectors, though, the Future Expectations Indicator remained well above the breakeven level.

In spite of the increase in the headline India Business Indicator, only seven out of the 15 current conditions indicators included in the report increased in March. For business expectations in the next three months, nine indicators increased from the previous month.

MNI India Business Indicator

	Mar-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14
Current Conditions	56.1	59.8	64.6	57.8	63.4	58.2	65.5
Future Expectations	55.4	68.8	69.5	71.1	72.0	69.5	70.1

Production
Picks Up



Following February's decline, Production bounced back in March to the highest since November last year, leaving output well above the same level a year earlier.

The Production Indicator increased to 64.8 in March from 62.0 in the previous month. Production bottomed out last summer and has subsequently been on a rising trend, averaging 58.3 over the past 12 months.

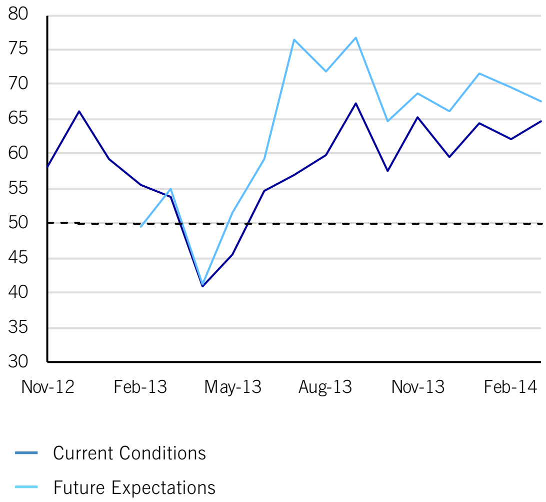
Service sector companies reported a significant rise in the Production Indicator while construction companies saw a decline and it remained broadly stable for manufacturing companies.

Production levels so far this year have been significantly above a year earlier. For the January to March quarter Production rose to 63.7 from 60.8 in the previous quarter and was up from 56.3 in the same quarter a year earlier.

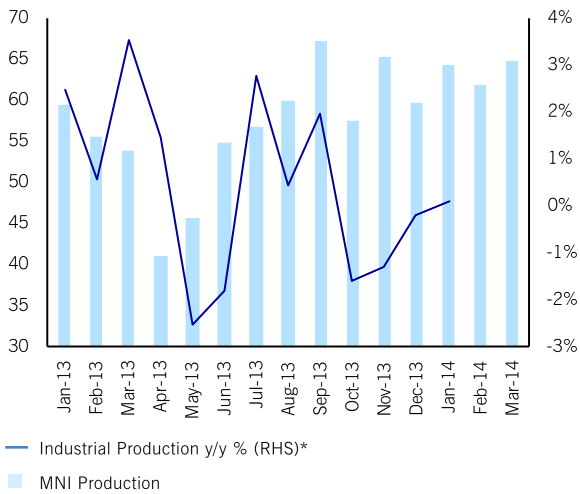
Latest official data on industrial production showed positive growth in January, albeit a small increase of just 0.1% on the year, having contracted in each of the previous three months. The narrower measure of manufacturing output fell 0.7% compared with a year earlier following a decline of 1.2% in December.

Expectations for Production over the next three months continued to fall for the second month in a row, the first time since August that current and future expectations for Production have moved in opposite directions. The Future Expectations Indicator declined to 67.7 in March from 69.7 in February.

Production



Industrial Production to Catch Up



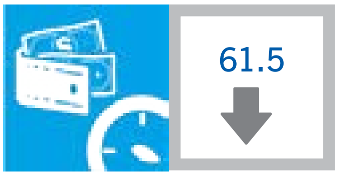
*Source: Central Statistical Organisation, India

Production

	Mar-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14
Current Conditions	53.8	57.5	65.3	59.7	64.4	62.0	64.8
Future Expectations	55.0	64.8	68.8	66.2	71.6	69.7	67.7

New Orders

Second Consecutive Monthly Decline



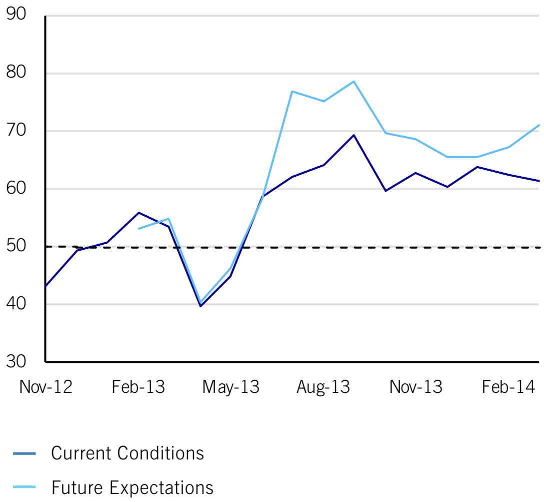
The New Orders Indicator declined for the second consecutive month to 61.5 in March from 62.3 in February, led by fewer manufacturing sector companies reporting higher New Orders.

The quarterly trend has been broadly stable since the second half of 2013, with average orders in January to March up 2.6% from the previous quarter. New Orders have, though, risen 17.1% from the same quarter a year earlier.

In March, the New Orders Indicator for manufacturing sector companies declined to the lowest since December, while it remained broadly stable for construction sector companies. Service sector companies reported an increase as there was a significant decline in the proportion of those that said their New Orders declined on the month.

Expectations for New Orders in three months rose to 70.9 compared with 67.2 compared in February. The rise in the indicator was led by fewer service sector companies that expected demand to fall in three months‘ time, while optimism among manufacturing and construction sector companies for future declined.

New Orders



“There are more enquiries but orders are not materialising.” Textiles manufacturing company

New Orders

	Mar-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14
Current Conditions	53.4	59.5	62.9	60.3	63.6	62.3	61.5
Future Expectations	54.9	69.5	68.5	65.4	65.5	67.2	70.9

Export Orders
Hit Record High

67.4

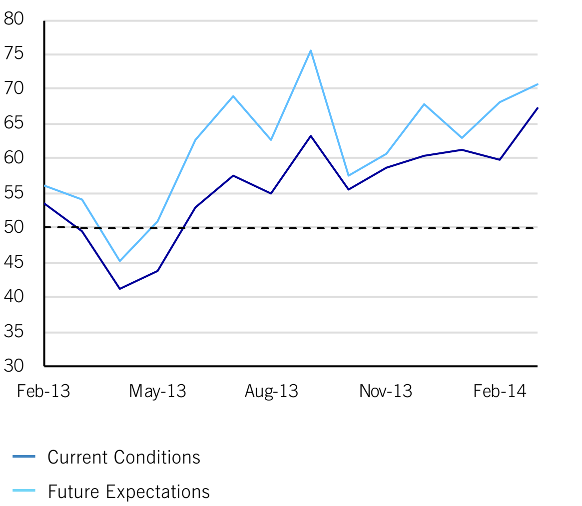
Export Orders have trended upwards since April last year and the rise on the month in March more than offset the decline seen in February. The Export Orders Indicator increased to 67.4 in March from 59.8 in the previous month, the highest since the start of the series in February 2013.

Manufacturing and service sector companies reported higher export orders, the former being the most optimistic among the three sectors.

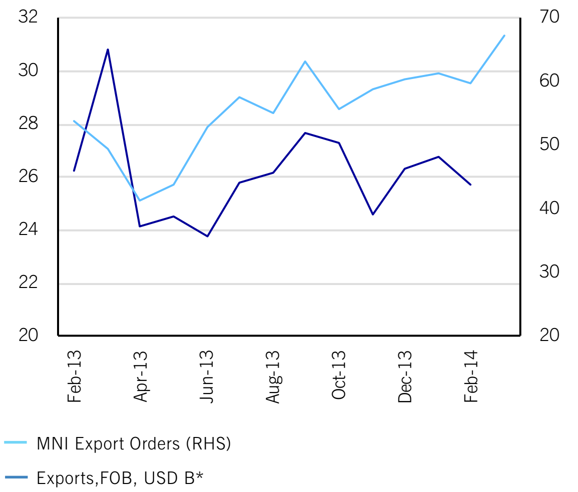
The depreciation of the rupee has increased the competitiveness of Indian exports, although rising input costs have offset much of this gain for a lot of companies.

Expectations for three months' time also rose from 68.2 in February to 70.6 in March. Construction sector companies were the most optimistic about future Export Orders, although the indicator fell from February, while it increased for manufacturing and service sector companies.

Export Orders



Export Orders Movement



*Source: Indian Ministry of Commerce and Industry

Export Orders

	Mar-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14
Current Conditions	49.5	55.6	58.8	60.5	61.4	59.8	67.4
Future Expectations	54.1	57.7	60.8	67.9	62.9	68.2	70.6

Productive Capacity
Future Expectations Rally

57.4

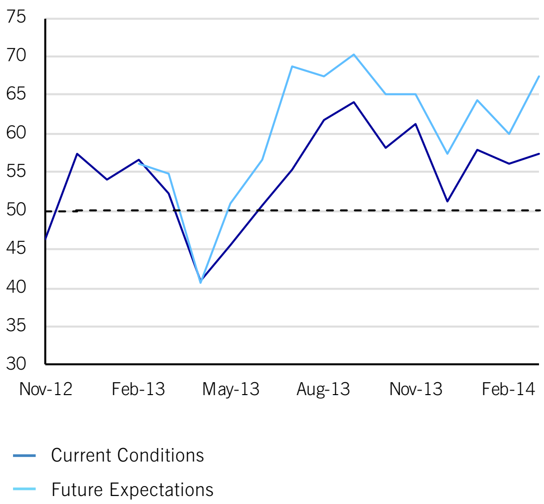
Following a sharp decline at the end of last year, the Productive Capacity Indicator has recovered and rose to 57.4 in March, from 56.1 in the previous month.

The Productive Capacity Indicator has been above the 50 breakeven mark since May 2013, and has averaged 55.0 in the 12 months to March.

Productive Capacity improved among manufacturing and service companies, pushing the indicator into expansion territory for the latter. Construction companies saw a decline in Productive Capacity following two consecutive rises.

Companies' expectations about the next three months also improved, with the Future Expectations Indicator rising by 12.5% on the month to 67.5 in March from 60.0 in February. The indicator for service sector companies increased considerably, while it rose by a smaller degree for both construction and manufacturing sector companies.

Productive Capacity



Productive Capacity

	Mar-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14
Current Conditions	52.3	58.1	61.3	51.3	58.0	56.1	57.4
Future Expectations	54.8	65.1	65.2	57.5	64.3	60.0	67.5

Companies expected a rise in Order Backlogs in anticipation of higher orders.

The Future Expectations for Order Backlogs increased to 55.4 from 40.1 in February.

Order Backlogs
Rise Markedly

50.0

Order Backlogs fell sharply over the past year as the economy slowed considerably, although have picked up since January potentially signalling a bounce-back in demand.

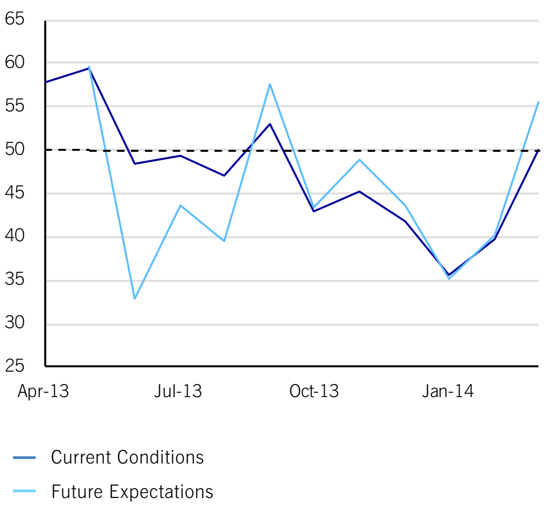
The indicator accelerated sharply on the month to 50.0 from 39.8 in February, the highest since September last year.

Despite the sharp rise, the average level for quarter ending March was 41.8, 3.5% below the level seen in the quarter ending December 2013. The downturn in the economy seen in recent years has increased the output gap, leaving it with a greater amount of spare capacity to quickly turnaround incoming orders.

Companies expected a rise in Order Backlogs over the next three months in anticipation of higher orders. The Future Expectations Indicator increased to 55.4 from 40.1 in February.

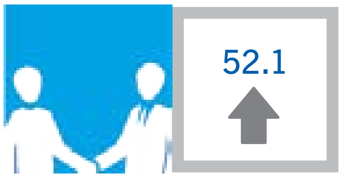
All three sectors expected an increase in their Order Backlogs over the coming three months. The proportion of service companies that expected the same or higher Order Backlogs more than doubled as compared with the previous month.

Order Backlogs



Order Backlogs

	Mar-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14
Current Conditions	-	42.9	45.3	41.7	35.6	39.8	50.0
Future Expectations	-	43.4	48.8	43.7	35.2	40.1	55.4



Employment

Future Expectations Dampen

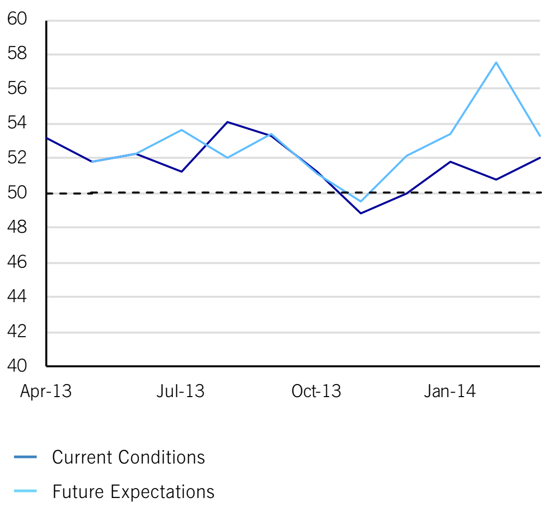
The Employment indicator asks companies whether they have an adequate number of employees and although the majority of companies continued to say that the number of employees they had was “just right”, there was a rise in those who said their number of employees was “not enough”.

Between February and March, the Employment Indicator increased from 50.8 to 52.1, the highest since September 2013. The indicator rose among service sector companies, while it declined for construction companies to the 50 mark that separates whether they have the right number of employees or not. Manufacturing companies’ optimism about employment increased on the month, having slipped into contraction in February.

In contrast, companies’ expectations about future employment declined significantly after hitting a record high in February due to a considerable fall in the number of companies that expected that they will need to take on more employees in the next three months.

The Expectations Indicator decreased to 53.3 in March from 57.5 in the previous month with sentiment declining in all three sectors. Manufacturing and construction companies expected employment levels to be “just right” while the indicator for services companies was well above the 50 mark, indicating future demand for workers.

Employment



“We are recruiting as we have some expansion plans.” Retailer

Employment

	Mar-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14
Current Conditions	-	51.3	48.9	50.0	51.8	50.8	52.1
Future Expectations	-	51.1	49.5	52.2	53.4	57.5	53.3

Inventories
Double Digit Decline

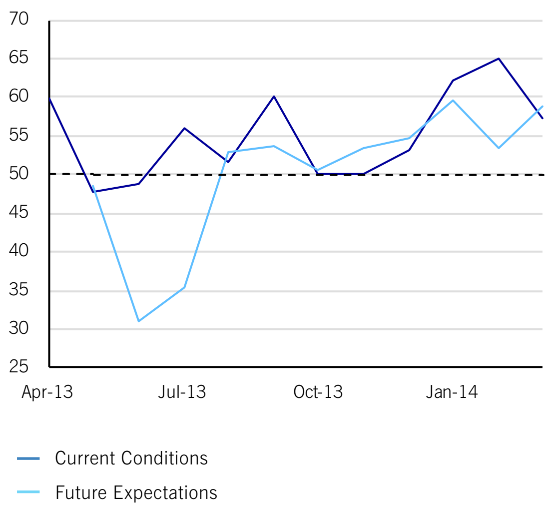
57.2

The Inventory level of Finished Goods Indicator decelerated to the lowest since December, falling almost 12% to 57.2 in March from 64.9 in the previous month, potentially to meet increased demand as seen by higher Export Orders on the month.

After dropping to the 50 mark in October and November, the Inventory Indicator has risen strongly. Both manufacturing and construction companies' inventories declined on the month after rising in February.

Future Expectations for the next three months increased to 58.8 in March, up from 53.5 in February. Between February and March, more construction companies expected their inventories to rise with the indicator climbing into expansion territory. Manufacturing companies also expected inventories to increase, but by a smaller degree.

Inventories



"We are utilising raw materials from the available stock instead of buying." Textiles Manufacturing company

Inventories

	Mar-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14
Current Conditions	-	50.0	50.0	53.1	62.1	64.9	57.2
Future Expectations	-	50.7	53.3	54.6	59.5	53.5	58.8

Input Prices
Decelerate Sharply

66.0

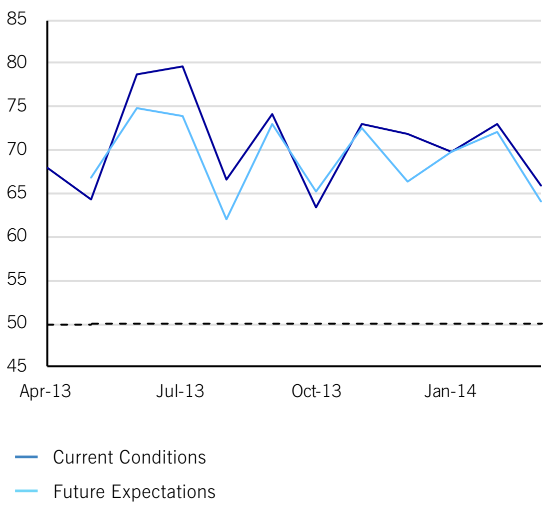
The majority of the companies in our panel still continued to pay higher or the same input prices in March, although the Input Prices Indicator declined to the lowest level since October.

The Input Price Indicator fell to 66.0 in March from 73.0 in February led by a decline in the number of service sector firms reporting higher prices compared with a month ago. In contrast, there were increases in the Input Price Indicator for both manufacturing and construction companies.

The indicator remained broadly stable at 69.6 in the first quarter of 2014 compared with 69.4 in October to December 2013. Input Prices remained uncomfortably high throughout 2013 with the indicator rising as high as 73.5 in the quarter ending September.

Expectations for three months' time decelerated to 64.0 in March, down from 72.0 in February, to the lowest since August 2013, driven by a fall in expectations across the three sectors.

Input Prices



> "Transportation and imported materials' costs have gone up." Basic materials manufacturing company

Input Prices

	Mar-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14
Current Conditions	-	63.3	73.0	71.8	69.8	73.0	66.0
Future Expectations	-	65.3	72.5	66.4	69.9	72.0	64.0

Prices Received
Lowest Since June

52.2

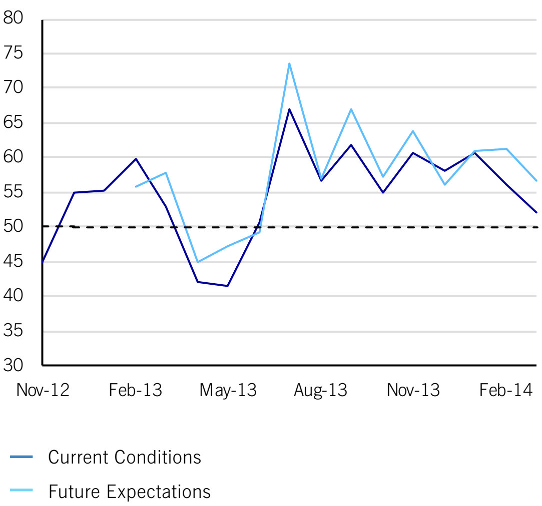
The Prices Received Indicator fell for the second month in a row to 52.2 in March from 56.2 in February, the lowest level since June, suggesting official inflation data may show a further easing.

The increase in the Prices Received Indicator over the past year has been closely matched by the official inflation data. Latest data showed that wholesale price inflation eased to 4.7% in February from 5% in January.

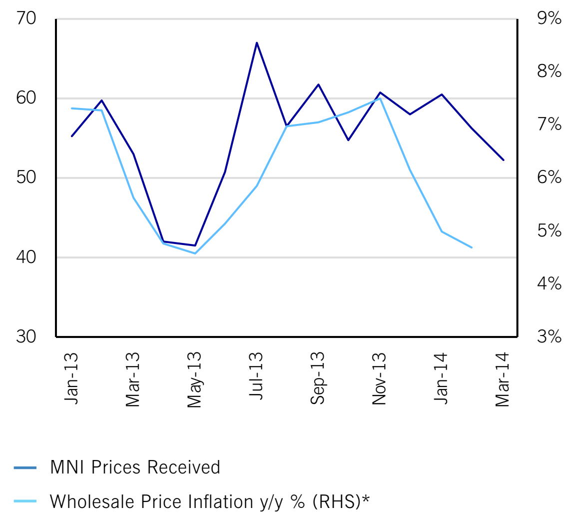
The decline in the Prices Received Indicator was broad based and for construction and service sector companies, the indicator fell to around the 50 mark. More manufacturing companies reported a decline in the prices they charged for their goods as compared with the previous month, although the majority charged the same compared with a month earlier.

Expectations for Prices Received in three months' time also declined to 56.6 from 61.2 in February. Between February and March, considerably more construction sector companies expected the prices they charged for their goods to fall in the coming months. Manufacturing and service sector companies also showed a fall, although to a smaller extent.

Prices Received



Prices Received and Wholesale Price Inflation

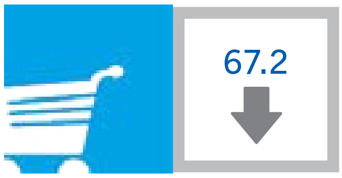


*Source: Office of the Economic Advisor, India

Prices Received

	Mar-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14
Current Conditions	53.1	54.9	60.8	58.0	60.6	56.2	52.2
Future Expectations	57.8	57.3	63.8	56.0	60.9	61.2	56.6

Financial Position
Weakens in March



The Financial Position Indicator declined to 67.2 in March from 69.3 in February, the lowest since December, although well above 55.1 recorded in the same month a year earlier.

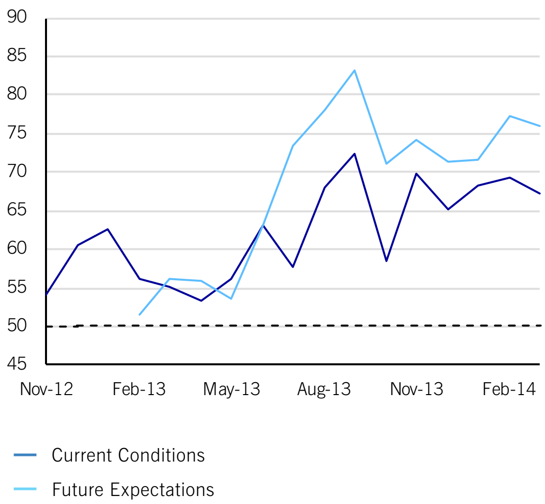
Between February and March, the indicator for service sector companies fell to the lowest level since August as fewer services companies reported an improvement in their financial situation. Software companies such as Infosys and TCS have seen their share price decline owing to their weak growth outlook. More construction sector companies reported their financial position was better, while manufacturing companies were the most optimistic about their financial position.

The BSE benchmark Sensex rose to a record intra-day high of 22,023.98 towards the end of the survey period on March 10 driven by improvements in the current account deficit and easing inflationary pressures.

In addition to the improvement in the macroeconomic data, the rally in the markets was led by strong foreign investment inflows and opinion polls which show that Narendra Modi would form a government following the upcoming election. Modi is known as a pro-business leader. More recently the Sensex, along with other Asian markets, have tumbled following weak Chinese data and tensions in Ukraine.

Companies were less optimistic about their financial position in the coming three months as the Expectations Indicator declined to 76.1 in March, from 77.2 in the previous month.

Financial Position



The Future Expectations Indicator increased for construction and service sector companies while it declined among manufacturing companies, although they were the most optimistic among the three sectors.

Financial Position

	Mar-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14
Current Conditions	55.1	58.6	69.9	65.2	68.2	69.3	67.2
Future Expectations	56.2	71.1	74.2	71.3	71.5	77.2	76.1

Interest Rates Paid
Fall Sharply

57.6

The Interest Rates Paid Indicator declined sharply to 57.6 in March from 67.3 in February as fewer companies reported that they paid higher interest rates compared with the previous month. The Indicator fell across all sectors, with services posting the largest decline.

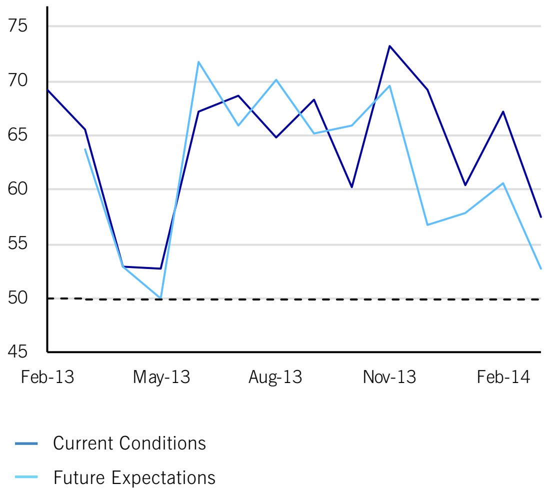
While in February, 41.2% of companies surveyed reported higher credit costs, in March this fell to 25.8%. In contrast, the percentage of companies who reported they faced the same interest rates increased from 52.2% in February to 63.5% in March.

In late January, the RBI raised the policy rate by 25 basis points to 8% from 7.75%, citing the elevated level of consumer price inflation. This was the third rise in policy rates since Raghuram Rajan took over as the Central Bank's Governor in September 2013.

The Expectations Indicator for Interest Rates Paid declined to 52.8 in March from 60.7 in the previous month, the lowest level since May. The Expectations Indicator has remained high throughout most of last year with the indicator hitting a record high in June. It had subsequently remained broadly stable before falling sharply in December.

Between February and March, an increasing number of construction companies expected to see lower credit costs in the next three months, with the Interest Rates Paid Indicator falling into contraction territory. Fewer manufacturing and service sector companies expected Interest Rates Paid to rise in the coming months, although the indicator for both sectors remained above 50.

Interest Rates Paid



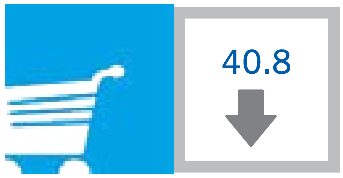
Interest Rates Paid

	Mar-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14
Current Conditions	65.5	60.3	73.2	69.2	60.5	67.3	57.6
Future Expectations	63.7	65.9	69.6	56.8	57.9	60.7	52.8

More companies reported that the current level of the rupee was hurting their business.

The Effect of the Rupee Exchange Rate Indicator declined to 40.8 in March from 44.2 in February, the lowest since December last year.

Effect of Rupee Exchange Rate
Hurts Businesses



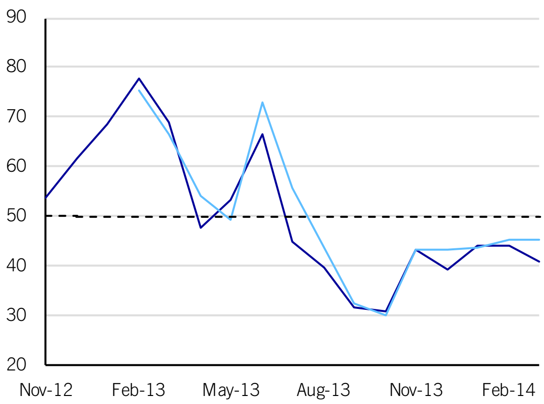
The Effect of the Rupee Exchange Rate Indicator declined to 40.8 in March from 44.2 in February, the lowest since December last year as more companies reported that the current level of the rupee was hurting their business.

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 was hurting.

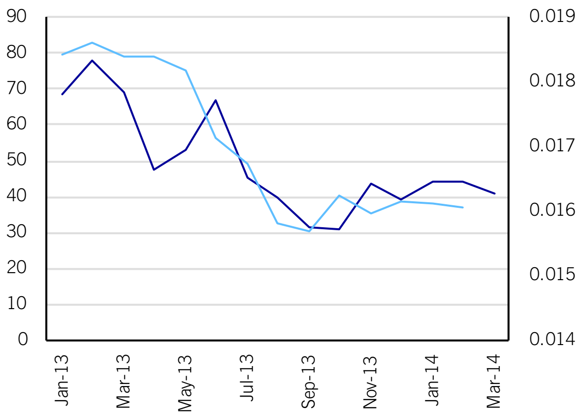
The indicator has moved sharply over the past year in line with the movement in the exchange rate. In March 2013, the indicator stood at 69.1, showing businesses were benefitting from the rupee. The indicator fell into contraction in July, before hitting a record low in October and has since partially recovered in line with the recovery in the rupee, although it has remained below 50.

Expectations for three months' time remained broadly stable in March at 45.5 compared with 45.2 in the previous month. This was the highest since July 2013 when the Future Expectations Indicator was last positive, before the sudden depreciation in the currency.

Effect of Rupee Exchange Rate



Exchange Rate

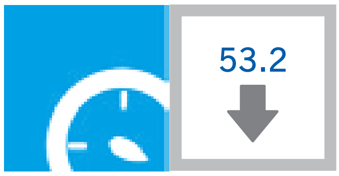


*Source: Reserve Bank of India

Effect of Rupee Exchange Rate

	Mar-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14
Current Conditions	69.1	30.9	43.4	39.4	44.3	44.2	40.8
Future Expectations	66.6	30.1	43.5	43.2	43.6	45.2	45.5

Supplier Delivery Times
Lowest Since November

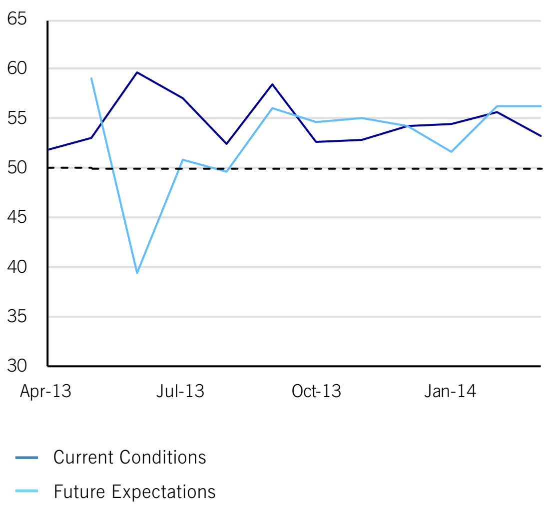


After steadily increasing for four straight months, the Supplier Delivery Times Indicator shortened in March to 53.2 from 55.6 in the previous month.

Both manufacturing and construction sector companies reported shorter supplier delivery times.

Supplier Delivery Times were expected to remain broadly stable over the next three months, with the Future Expectations Indicator remaining broadly stable at 56.3 in March compared with 56.2 in February, although this was the highest since May 2013. The very slight increase was led by construction and service sector companies, with the former rising the most. The Supplier Delivery Times Indicator for manufacturing sector companies declined by almost 10% on the month.

Supplier Delivery Times

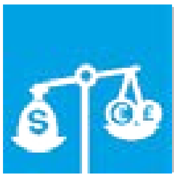


"We project our supplier's delivery times for the coming three months to be stable."
Healthcare company

Supplier Delivery Times

	Mar-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14
Current Conditions	-	52.7	52.9	54.2	54.4	55.6	53.2
Future Expectations	-	54.6	55.0	54.2	51.7	56.2	56.3

Availability of Credit
Rises Markedly



59.6

The indicator measuring the Availability of Credit accelerated to 59.6 in March from 54.9 in the previous month, the highest since September.

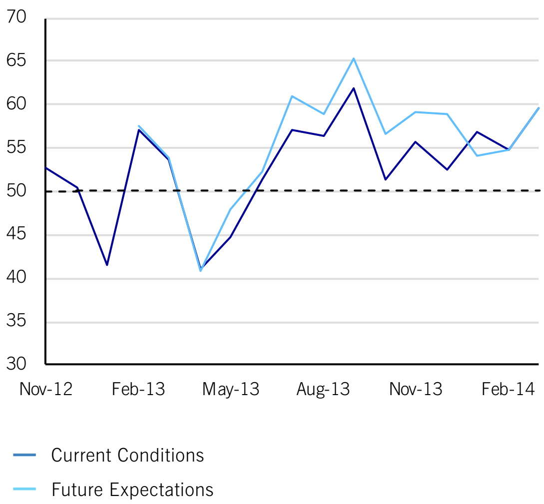
For the January to March quarter, Credit Availability increased to 57.1 from 53.2 in the quarter ending December 2013 and was 12.5% above the 50.7 recorded in the quarter ending March 2013.

Service sector companies registered a considerable increase in credit availability in March after it fell below the breakeven level in the previous month, while manufacturing and construction sector companies also showed smaller improvements.

Businesses also expected credit availability to improve in the next three months as the Future Expectations Indicator increased to 59.5 from 54.8 in February.

Service sector companies, which were neither optimistic nor pessimistic about future credit conditions last month, turned positive in March. Fewer manufacturing companies expected credit conditions to improve, with the indicator declining slightly, while for construction companies, the expectations indicator was unchanged from February.

Availability of Credit



"The availability of credit is better." Auto parts manufacturing company

Availability of Credit

	Mar-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14
Current Conditions	53.6	51.3	55.7	52.6	56.8	54.9	59.6
Future Expectations	53.8	56.6	59.2	58.8	54.1	54.8	59.5

What the Panel Said

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

“The availability of credit is better.” Auto parts manufacturing company

“The overall business condition is good this month because of Holi festival.” Retail company

“Our financial position is better due to new orders and we are expecting higher new orders in the coming months.” Software services company

“There are an adequate number of employees currently and we may hire as per requirement in the next quarter.” Investment services company

“Our financial position is better due to new orders and we are expecting higher new orders in the coming months.” Software services company

“Transportation and imported materials costs have gone high.” Basic Materials manufacturing company

“We are paying more interest on our loans from abroad.” Sugar manufacturing company

“We are recruiting as we have some expansion plans.” Retailer

“If there is no rise in sales, then we will reduce our charges.” Mortgage financing service company

“There are more enquiries but orders are not materialising.” Textiles manufacturing company

“We did an outstanding business owing to higher occupancy and average room rates. However the off season will start soon.” Hotel

“The business environment is improving.” Textiles manufacturing company

“We are utilising raw materials from the available stock instead of buying.” Textiles manufacturing company

“The rupee exchange rates harmed a lot as we import a lot of products for our machineries.” Technology company

“Export orders are good but dealers are making late payment which is hurting us.” Textiles manufacturing company

“There is a lot of competition in the market so we cannot raise prices.” Auto parts manufacturing company

“Our company has increased the final price of product because price of raw material has been increased by suppliers.” Industrial machinery manufacturing company

“As we don‘t have any pipeline for new orders, it will not be hiring in the coming months.” Speciality finance service company

“There is no change in the interest rates payment.” Rubber manufacturing company

“The overall business conditions are better as we have more domestic as well as international orders.” Industrial machinery manufacturing company.

“We project our supplier’s delivery times for the coming three months to be stable.” Healthcare company

Data Tables

Historical Summary

	2013										2014		
	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
MNI India Business Indicator													
Current Conditions	56.1	47.5	50.5	60.6	51.8	64.0	59.4	59.8	64.6	57.8	63.4	58.2	65.5
Future Expectations	55.4	49.7	52.0	60.6	67.6	75.5	77.1	68.8	69.5	71.1	72.0	69.5	70.1
Production													
Current Conditions	53.8	41.0	45.6	54.8	56.9	59.9	67.3	57.5	65.3	59.7	64.4	62.0	64.8
Future Expectations	55.0	41.3	51.6	59.4	76.3	71.8	76.8	64.8	68.8	66.2	71.6	69.7	67.7
New Orders													
Current Conditions	53.4	39.7	44.9	58.7	61.9	64.0	69.1	59.5	62.9	60.3	63.6	62.3	61.5
Future Expectations	54.9	40.4	46.4	58.4	76.8	75.0	78.5	69.5	68.5	65.4	65.5	67.2	70.9
Export Orders													
Current Conditions	49.5	41.3	43.7	52.9	57.7	55.0	63.2	55.6	58.8	60.5	61.4	59.8	67.4
Future Expectations	54.1	45.2	50.9	62.6	68.9	62.6	75.5	57.7	60.8	67.9	62.9	68.2	70.6
Productive Capacity													
Current Conditions	52.3	41.0	45.6	50.6	55.4	61.7	64.0	58.1	61.3	51.3	58.0	56.1	57.4
Future Expectations	54.8	40.7	50.9	56.7	68.8	67.4	70.3	65.1	65.2	57.5	64.3	60.0	67.5
Order Backlogs													
Current Conditions	-	57.8	59.3	48.5	49.4	47.0	52.9	42.9	45.3	41.7	35.6	39.8	50.0
Future Expectations	-	-	59.6	32.8	43.6	39.4	57.5	43.4	48.8	43.7	35.2	40.1	55.4
Employment													
Current Conditions	-	53.2	51.8	52.3	51.3	54.1	53.3	51.3	48.9	50.0	51.8	50.8	52.1
Future Expectations	-	-	51.8	52.3	53.6	52.0	53.4	51.1	49.5	52.2	53.4	57.5	53.3
Inventories													
Current Conditions	-	59.9	47.8	48.9	55.9	51.6	60.1	50.0	50.0	53.1	62.1	64.9	57.2
Future Expectations	-	-	48.6	31.0	35.5	52.9	53.7	50.7	53.3	54.6	59.5	53.5	58.8
Input Prices													
Current Conditions	-	67.9	64.4	78.6	79.6	66.7	74.1	63.3	73.0	71.8	69.8	73.0	66.0
Future Expectations	-	-	66.9	74.9	74.0	62.1	72.9	65.3	72.5	66.4	69.9	72.0	64.0
Prices Received													
Current Conditions	53.1	42.2	41.5	50.8	67.1	56.6	61.8	54.9	60.8	58.0	60.6	56.2	52.2
Future Expectations	57.8	45.1	47.3	49.2	73.7	57.0	67.0	57.3	63.8	56.0	60.9	61.2	56.6
Financial Position													
Current Conditions	55.1	53.4	56.1	63.0	57.6	68.1	72.3	58.6	69.9	65.2	68.2	69.3	67.2
Future Expectations	56.2	56.0	53.5	63.1	73.3	78.0	83.3	71.1	74.2	71.3	71.5	77.2	76.1
Interest Rates Paid													
Current Conditions	65.5	52.9	52.8	67.2	68.6	64.8	68.4	60.3	73.2	69.2	60.5	67.3	57.6
Future Expectations	63.7	52.9	50.0	71.7	65.9	70.2	65.2	65.9	69.6	56.8	57.9	60.7	52.8
Effect of Rupee Exchange Rate													
Current Conditions	69.1	47.8	53.3	66.6	45.1	39.6	31.6	30.9	43.4	39.4	44.3	44.2	40.8
Future Expectations	66.6	54.2	49.4	73.1	55.8	43.8	32.7	30.1	43.5	43.2	43.6	45.2	45.5
Supplier Delivery Time													
Current Conditions	-	51.9	53.1	59.6	57.1	52.5	58.4	52.7	52.9	54.2	54.4	55.6	53.2
Future Expectations	-	-	59.0	39.5	50.9	49.6	56.1	54.6	55.0	54.2	51.7	56.2	56.3
Availability of Credit													
Current Conditions	53.6	41.1	44.8	51.3	57.1	56.3	61.9	51.3	55.7	52.6	56.8	54.9	59.6
Future Expectations	53.8	40.9	47.9	52.2	60.9	59.0	65.3	56.6	59.2	58.8	54.1	54.8	59.5

Historical Records

	2012-Current			
	Minimum	Maximum	Mean	Median
MNI India Business Indicator				
Current Conditions	47.5	65.5	58.5	59.4
Future Expectations	49.7	77.1	65.2	69.2
Production				
Current Conditions	41.0	67.3	58.4	59.4
Future Expectations	41.3	76.8	63.6	67.0
New Orders				
Current Conditions	39.7	69.1	56.5	59.5
Future Expectations	40.4	78.5	63.6	66.4
Export Orders				
Current Conditions	41.3	67.4	55.8	56.7
Future Expectations	45.2	75.5	61.7	62.6
Productive Capacity				
Current Conditions	41.0	64.0	54.5	56.1
Future Expectations	40.7	70.3	60.4	62.2
Order Backlogs				
Current Conditions	35.6	59.3	47.5	47.8
Future Expectations	32.8	59.6	45.4	43.6
Employment				
Current Conditions	48.9	54.1	51.7	51.8
Future Expectations	49.5	57.5	52.7	52.3
Inventories				
Current Conditions	47.8	64.9	55.1	54.5
Future Expectations	31.0	59.5	50.2	53.3
Input Prices				
Current Conditions	63.3	79.6	70.7	70.8
Future Expectations	62.1	74.9	69.2	69.9
Prices Received				
Current Conditions	41.5	67.1	54.8	55.4
Future Expectations	45.1	73.7	57.8	57.2
Financial Position				
Current Conditions	53.4	72.3	62.2	62.6
Future Expectations	51.6	83.3	68.3	71.4
Interest Rates Paid				
Current Conditions	52.8	73.2	64.1	66.4
Future Expectations	50.0	71.7	61.8	63.7
Effect of Rupee Exchange Rate				
Current Conditions	30.9	77.8	50.5	45.1
Future Expectations	30.1	75.5	50.2	45.4
Supplier Delivery Time				
Current Conditions	51.9	59.6	54.6	53.7
Future Expectations	39.5	59.0	53.0	54.6
Availability of Credit				
Current Conditions	41.1	61.9	52.9	53.6
Future Expectations	40.9	65.3	55.8	57.1

Historical Records - Quarterly

	Q3 13	Q4 13	Q1 14	Quarterly Change	Quarterly % Change
MNI India Business Indicator					
Current Conditions	58.4	60.7	62.4	1.7	2.8%
Future Expectations	73.4	69.8	70.5	0.7	1.0%
Production					
Current Conditions	61.4	60.8	63.7	2.9	4.8%
Future Expectations	75.0	66.6	69.7	3.1	4.7%
New Orders					
Current Conditions	65.0	60.9	62.5	1.6	2.6%
Future Expectations	76.8	67.8	67.9	0.1	0.1%
Export Orders					
Current Conditions	58.6	58.3	62.9	4.6	7.9%
Future Expectations	69.0	62.1	67.2	5.1	8.2%
Productive Capacity					
Current Conditions	60.4	56.9	57.2	0.3	0.5%
Future Expectations	68.8	62.6	63.9	1.3	2.1%
Order Backlogs					
Current Conditions	49.8	43.3	41.8	-1.5	-3.5%
Future Expectations	46.8	45.3	43.6	-1.7	-3.8%
Employment					
Current Conditions	52.9	50.1	51.6	1.5	3.0%
Future Expectations	53.0	50.9	54.7	3.8	7.5%
Inventories					
Current Conditions	55.9	51.0	61.4	10.4	20.4%
Future Expectations	47.4	52.9	57.3	4.4	8.3%
Input Prices					
Current Conditions	73.5	69.4	69.6	0.2	0.3%
Future Expectations	69.7	68.1	68.6	0.5	0.7%
Prices Received					
Current Conditions	61.8	57.9	56.3	-1.6	-2.8%
Future Expectations	65.9	59.0	59.6	0.6	1.0%
Financial Position					
Current Conditions	66.0	64.6	68.2	3.6	5.6%
Future Expectations	78.2	72.2	74.9	2.7	3.7%
Interest Rates Paid					
Current Conditions	67.3	67.6	61.8	-5.8	-8.6%
Future Expectations	67.1	64.1	57.1	-7.0	-10.9%
Effect of Rupee Exchange Rate					
Current Conditions	38.8	37.9	43.1	5.2	13.7%
Future Expectations	44.1	38.9	44.8	5.9	15.2%
Supplier Delivery Time					
Current Conditions	56.0	53.3	54.4	1.1	2.1%
Future Expectations	52.2	54.6	54.7	0.1	0.2%
Availability of Credit					
Current Conditions	58.4	53.2	57.1	3.9	7.3%
Future Expectations	61.7	58.2	56.1	-2.1	-3.6%

Methodology

MNI India Business Sentiment is a monthly poll of Indian business executives at companies listed on BSE (formerly known as the Bombay Stock Exchange). Companies are a mix of manufacturing, service, construction and agricultural firms.

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.

Data is collected via telephone interviews. Around 200 companies are surveyed each month.

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Westferry House
11 Westferry Circus
London
E14 4HE
www.mni-indicators.com