MNI India Business Report
June 2015

Insight and data for better decisions

MNI India Business Report
Methodology

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

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

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

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

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

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

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Up in the Air

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While the latest cut was in line with expectations, the central bank strongly hinted that there would be a pause in rate cuts, contingent on monsoon and its impact on inflation. The June-September monsoons, which are crucial for watering almost half of India's farmland, are forecast to be just 88% of the average. A shortfall in the monsoon could lead to lower crop yields and higher food prices. With food accounting for almost 50% of India's consumer price inflation basket, weather becomes an important factor in deciding the path of monetary policy as much as economic fundamentals. Subsequent to the policy announcement, India's benchmark bonds suffered their biggest weekly loss in more than a year on speculation the central bank won't cut interest rates further. Increasing stress on farmers–after last year's poor rainfall followed by damage to crops from an unseasonal downpour in March this year–could prompt the government to announce a large increase in the price at which it buys farmers' produce. Already the government has hiked support prices for rice and pulses, albeit only modestly versus fears of double digit increases.

The delay in the normalisation of US monetary policy also gave the RBI space to cut rates. As the US Federal Reserve moves closer to raising rates, the room for emerging markets such as India to bring theirs down will shrink. India will likely face market volatility, although the situation is unlikely to be as bad as the summer of 2013 when the rupee plunged 9% in just one month. India's external vulnerabilities have reduced as the current account deficit has been brought under control from a high of 4.8% of GDP in 2012-13 to 1.3% of GDP in 2014-15. During this period, foreign exchange reserves have also gone up considerably, giving the RBI more ammunition to deal with any exchange rate volatility. Higher US interest rates will burden loan repayment of companies. It could also lead to withdrawal by some investors from emerging markets to chase higher returns on investments which would pressure the rupee.

No doubt neither government nor businesses will like the temporary halt to rate cuts, but it seems there is genuinely little room for manoeuvre given the vagaries of the monsoons. So far the monsoon has defied the Met's predictions and is tracking 12% above normal. But June constitutes only 20% of total rainfall in the season, and July will be a crucial month. With astute food management, inflation and its expectations can be tamed. Infrastructure investment and measures such as the use of buffer stocks, anti-hoarding practices, lowering transportation losses and resorting to imports, can help cap food prices.

If the government is able to promptly manage food shortage or if the weather God is generous, we may get another rate cut this year but since weather has such a pronounced effect on monetary policy in India, the timing of the next rate cut is really up in the air.

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Executive Summary

The MNI India Business Sentiment Indicator, a gauge of current sentiment among BSE-listed companies, rose by 7.7% to 67.1 in June from 62.3 in May.

The MNI India Business Sentiment Indicator, a gauge of current sentiment among BSE-listed companies, rose by 7.7% to 67.1 in June from 62.3 in May. Results of the June business survey provide a tentative sign that the downturn in overall sentiment may have bottomed.

The rise in sentiment was observed across the three sectors surveyed, with construction companies the most confident. The early June interest rate cut seems to have gone some way in lifting current business confidence. Previous rate cuts have provided short-term boosts but this month's magnitude shows that the aggregate easing to date is starting to have a positive impact.

Firms reported increased access to credit and the recent rate cuts kept the Interest Rates Paid indicator below 50 as companies benefited from the easier monetary policy since the start of the year.

Key activity metrics including Production, New Orders and Export Orders all showed healthy improvements. Having acted as a dampener on sentiment for months, there was finally an up-tick in demand from abroad with the Export Orders Indicator rising by 13.2% on the month. Companies also anticipated that the weaker rupee would continue to support overseas demand over the coming months, with the Expectations Indicator rising to a three-month high of 64.5 in June from 63.1 in May. This helped to underpin New Orders, which jumped 8.2% to 61.8, the highest since November 2014. Production rose by 6.3% to 61.1 in June. In spite of the latest increases, they all remain below levels seen in June 2014, suggesting that economic conditions are still relatively soft.

The improvement in both output and demand measures bubbled through to the labour market. More companies thought the size of their workforce was insufficient for their requirements and were more optimistic about their hiring plans in the coming three months.

Having benefitted from the slowdown in inflation over the past year and the corresponding decline in global commodity prices, companies' input costs have risen sharply since the start of the year. Input Prices increased to the highest since August 2014. Companies, though, were still reluctant to pass on rising costs to customers with Prices Received having remained broadly stable since the start of the year.

Companies expanded their inventory holdings following an up-tick in orders amid expectations of an improvement in demand. The Inventories Indicator rose by almost 10% to 53.5 in June following five consecutive months of contraction.

Overview

	Apr-15	May-15	Jun-15	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
MNI India Business Indicator								
Current Conditions	63.9	62.3	67.1	Dec-14	-	64.4	4.8	7.7%
Future Expectations	72.6	74.2	73.6	-	Apr-15	73.5	-0.6	-0.8%
Production								
Current Conditions	62.6	57.5	61.1	Apr-15	-	60.4	3.6	6.3%
Future Expectations	67.9	68.4	65.4	-	Oct-13	67.2	-3.0	-4.4%
New Orders								
Current Conditions	61.4	57.1	61.8	Nov-14	-	60.1	4.7	8.2%
Future Expectations	71.2	69.4	67.6	-	Feb-14	69.4	-1.8	-2.6%
Export Orders								
Current Conditions	56.8	53.6	60.7	Nov-14	-	57.0	7.1	13.2%
Future Expectations	61.1	63.1	64.5	Mar-15	-	62.9	1.4	2.2%
Productive Capacity								
Current Conditions	59.0	54.7	57.7	Apr-15	-	57.1	3.0	5.5%
Future Expectations	66.2	65.0	63.9	-	Mar-15	65.0	-1.1	-1.7%
Order Backlogs								
Current Conditions	45.9	46.5	48.2	Mar-15	-	46.9	1.7	3.7%
Future Expectations	49.2	46.2	47.0	Apr-15	-	47.5	0.8	1.7%
Employment								
Current Conditions	50.6	50.5	51.7	May-14	-	50.9	1.2	2.4%
Future Expectations	52.6	52.2	54.7	Feb-14	-	53.2	2.5	4.8%
Inventories								
Current Conditions	48.6	48.7	53.5	Aug-14	-	50.3	4.8	9.9%
Future Expectations	47.2	45.9	51.7	Oct-14	-	48.3	5.8	12.6%
Input Prices								
Current Conditions	55.9	58.6	60.6	Aug-14	-	58.4	2.0	3.4%
Future Expectations	55.7	55.0	56.6	Oct-14	-	55.8	1.6	2.9%
Prices Received								
Current Conditions	52.1	51.5	51.3	-	Mar-15	51.6	-0.2	-0.4%
Future Expectations	55.6	55.5	54.3	-	Mar-15	55.1	-1.2	-2.2%
Financial Position								
Current Conditions	67.0	65.8	66.0	Apr-15	-	66.3	0.2	0.3%
Future Expectations	72.4	73.5	71.4	-	Dec-13	72.4	-2.1	-2.9%
Interest Rates Paid								
Current Conditions	43.6	44.2	44.2	May-15	-	44.0	0.0	0.0%
Future Expectations	38.5	43.1	42.7	-	Apr-15	41.4	-0.4	-0.9%
Effect of Rupee Exchange Rate								
Current Conditions	48.8	45.2	44.3	-	Mar-14	46.1	-0.9	-2.0%
Future Expectations	51.1	48.3	48.8	Apr-15	-	49.4	0.5	1.0%
Supplier Delivery Times								
Current Conditions	48.9	48.6	47.3	-	series low	48.3	-1.3	-2.7%
Future Expectations	49.6	49.0	49.6	Apr-15	-	49.4	0.6	1.2%
Availability of Credit								
Current Conditions	59.9	57.7	58.3	Apr-15	-	58.6	0.6	1.0%
Future Expectations	59.7	58.2	57.2	-	Feb-14	58.4	-1.0	-1.7%

The RBI cut the repo rate by 25 basis points to 7% on June 2.

However, this may be the last cut in interest rates for some time. The timing of further interest rate cuts will be determined by the impact that global oil prices and a possible increase in food costs due to deficient rains has on inflation.

Economic Landscape

While headline GDP data showed an acceleration in activity in the Jan-Mar quarter, it was skewed by special factors. Underlying growth looks to have weakened and there is still a worrying schism between the quarterly GDP data and the monthly economic data flow.

While headline GDP data showed an acceleration in activity in the Jan-Mar quarter, it was skewed by special factors. Underlying growth, as measured by GVA at basic prices, looks to have weakened and there is still a worrying schism between the quarterly GDP data and the monthly economic data flow with the latter proving much weaker. We expect the RBI to place more weight on the GVA data at basic prices which appears to be more consistent with other economic indicators and also our survey evidence.

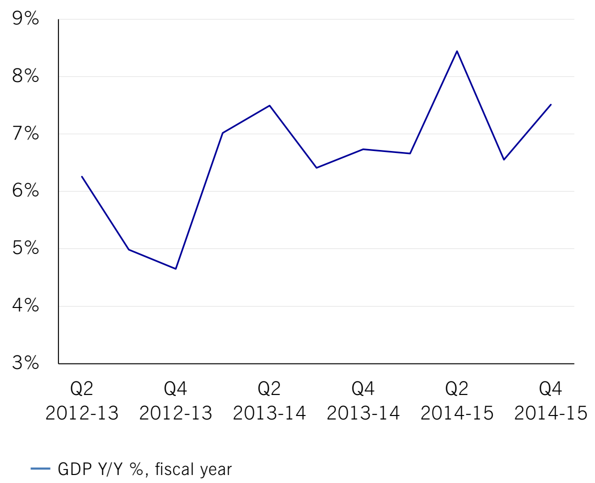
In line with expectations, the RBI cut the repo rate by 25 basis points to 7% on June 2 given the continued mixed signals on the economy with investment and credit growth still subdued. However, this may be the last cut in interest rates for some time. The timing of further interest rate cuts will be determined by the impact that global oil prices and a possible increase in food costs due to deficient rains has on inflation.

Latest data from India showed a rise in inflationary pressures while industrial production showed a gradual recovery. Consumer price inflation rose slightly to a two month high of 5% in May, mostly due to a rise in fuel prices but core inflation also increased to a seven-month high of 4.8%. Industrial output expanded at the fastest pace in two months in April led by both consumer and investment oriented sectors. An uptick in steel production in April for the first time in three months is encouraging for the construction sector, which was also the most confident economic sector in our June business survey. In contrast, exports continued to contract for the sixth consecutive month in May due to lower demand from key trade partners, declining crude oil prices and volatility in the rupee. Even domestic demand remained fragile as imports declined by 16.5% on the year.

Economic growth at a four-year high

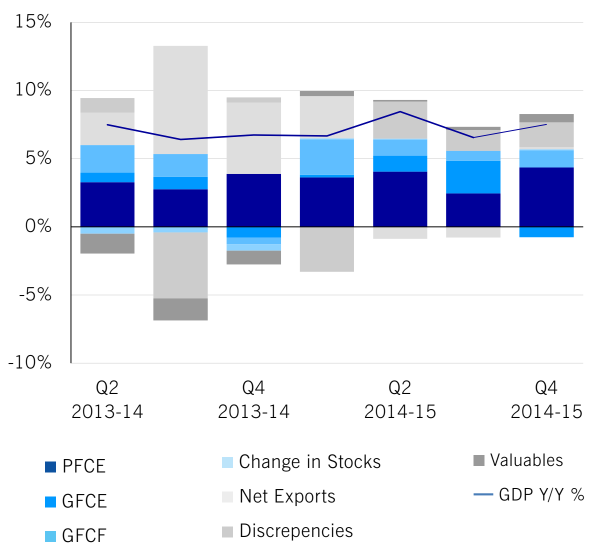
Latest GDP data showed growth increased to 7.5% on the year in Jan-March, the fourth quarter of India's fiscal year, up 6.6% in the previous quarter – revised from 7.5% previously. Note, though, that GVA at basic prices showed a deceleration with the headline measure skewed by subsidy and tax payments – see below. Much of the growth came from the manufacturing and services sectors with agricultural output contracting by 1.4%, compared with growth of 5.3% in the same period a year earlier because of crop damage due to unseasonal rains. Manufacturing growth strengthened to 8.4% in the three months to March from 3.6% in the previous quarter and also above 4.4% growth in the Jan-Mar quarter for the previous year. Services continued to be the frontrunner with growth of 9.2%, although down from the previous quarter's growth of 12.5%.

Economic Growth



Source: Central Statistics Office

Contribution to GDP Growth



Source: Central Statistics Office

Contribution to GDP Growth

	2014-15	2013-14
Private Final Consumption Expenditure	3.8%	2.8%
Government Final Consumption Expenditure	0.8%	0.7%
Gross Fixed Capital Formation	1.5%	0.7%
Net Exports	0.4%	3.5%
Discrepencies	0.8%	-0.8%

On an expenditure basis, growth in the March quarter was led by 7.9% year-on-year growth of private final consumption expenditure, despite the weakness in rural demand following the unfavourable trend in agricultural output. Gross fixed capital formation rose by a modest 4.1%, highlighting that the pace of implementation of projects remains moderate despite the clearances and reform measures initiated by the Government. In contrast, government final consumption expenditure contracted by 7.9%, reflecting lower subsidy pay-outs in that quarter as well as an attempt to meet the fiscal deficit target.

While headline GDP showed an acceleration, albeit from a revised Oct-Dec quarter, Gross Value Added (at basic prices) growth slowed from 6.8% in the quarter ending Dec to 6.1% in the quarter ending Mar and was significantly lower than the 7.8% advance estimate put out by the government. Growth on this measure has now been slowing since Sep quarter when it stood at 8.4% from a revised 7.8%. Since GDP at market prices is computed by adding indirect taxes net of subsidies to Gross Value Add (at basic prices), this suggests that there was very strong growth in indirect taxes net of subsidies in the quarter ending March. Collapsing oil prices have significantly reduced the oil and fertiliser subsidy burden while the government has increased excise duties on gasoline and diesel prices. So the strong growth in the Jan-Mar quarter is at least partly due to these temporary factors.

For the full year, India's economy expanded by 7.3% in the year ending March, falling just short of the Advance Estimate of 7.4% released by the Central Statistics Office, but an improvement from the previous year's 6.9% growth.

Agriculture growth was paltry at just 0.2% in the year in 2014-15 slowing significantly from 3.7% growth in the previous year. Manufacturing grew by 7.1% from 5.3% in the previous year with the sector accounting for 18.1% of the economy. Mining, however, slowed to a growth of 2.4% from 5.4% in the previous year. Growth in 2014-15 was still primarily due to the service sector, which grew by 10.6% compared with 9% in the year 2013-14.

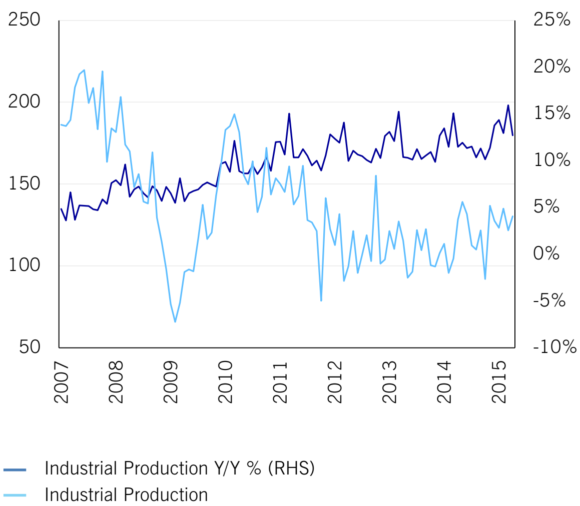
In 2014-15, on an expenditure basis, personal consumption added 3.8 percentage points to growth, having contributed 2.8 percentage points in the previous year, while net exports contributed just 0.4 percentage points to GDP growth, having added 3.5 percentage points previously. Investment, which was a drag on GDP growth last year, adding just 0.7 percentage point, more than doubled its contribution to the 1.5 percentage point in 2014-15.

Higher government spending on infrastructure, easing of rules for foreign direct investment, continued reform momentum and monetary easing are expected to support an investment revival in 2015-16 while moderate inflation should boost urban consumer demand.

Output expands at the fastest pace in two months

Industrial production expanded by 4.1% on the year in April following an increase of 2.5% (revised up from

Industrial Production



Source: Central Statistics Office

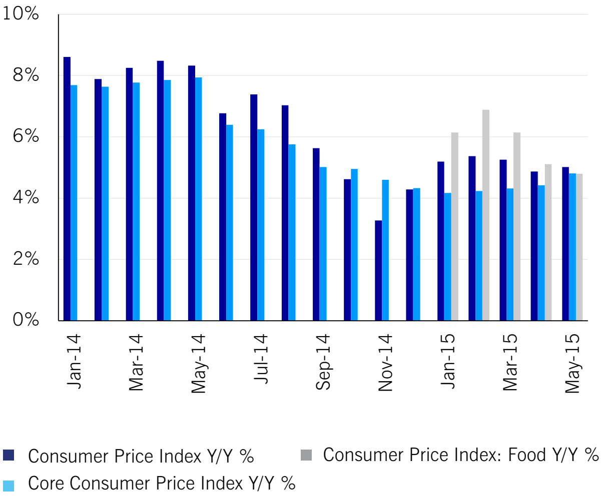
2.1% previously) in March, partly owing to base effects. It fell 9.3% month-on-month in April – not as bad as it seems as output typically shows a sizeable seasonal fall every April and this year the drop was the smallest in six years. Moreover, the trend in both consumer and investment oriented sectors is steadily climbing while the uptick in steel production in April for the first time in three months is encouraging for the construction sector.

The pick-up in industrial production in April was led by manufacturing, which comprises around 75% of overall output. Manufacturing output grew by 5.1% on the year after increasing by 2.8% (revised up from 2.3% previously) in the previous month. In April, 16 of the 22 industry groups within the manufacturing sector expanded with 'Machinery and equipment n.e.c.' showing the highest positive growth of 20.6%, followed by 16.2% in 'Wood and products of wood & cork except furniture; articles of straw & plating materials' and 13.4% in 'Electrical machinery and apparatus n.e.c.'. Mining output growth eased to 0.6% on the year in April after growing by 1.1% (revised up from 0.9%) in March.

According to use based classification, basic goods saw growth of 2.8%, while consumer goods grew by 3.1%. Output of consumer durables, a measure of consumer demand, which had been a drag on industrial production for the last 10 months, grew by 1.3% on the year, indicating that the consumer sector is finally picking up. The core sector, which accounts for 40% of industrial production, contracted by 0.4% compared with a 0.1% decline in March. Coal production was the front runner growing by 7.9% while cement production contracted for the second consecutive month by 2.4%. Capital goods output, a proxy for investment, rose by 11.6% on the year compared with 8.7% (revised up from 7.6% previously) in March. This was the sixth consecutive rise reflecting factors such as a revival in some stalled projects.

We expect to see firmer growth in the coming months with a favourable base effect in play, while weakness in the rupee and the recovery in both the US and EU should also support export oriented manufacturing sectors.

Consumer Inflation



Source: Central Statistics Office

Inflation picks-up in May

Consumer price inflation picked-up slightly to a two-month high of 5% in May from 4.9% in April. This was despite food inflation easing to 4.8% in May from 5.1% in the previous month. A rise in fuel prices led by a pick-up in global crude prices and depreciation in the rupee was mainly responsible for the rise in overall inflation in May. Fuel inflation rose to 6% in May from 5.5% in April. Even after stripping out more volatile food and fuel, core inflation picked up to a seven-month high of 4.8% in May from 4.4% previously.

Poor monsoon rains are expected which could potentially hit agricultural output and put upward pressure on food prices. Already unseasonal rains, strong winds and hailstorms in March have damaged the winter crop but its impact on inflation has yet to be seen. Given the uncertain outlook, the RBI revised up its forecast for consumer inflation to 6% in January 2016 from 5.8% previously.

With rural stress rising and the Met department forecasting a sub-normal monsoon, there were concerns that the government would come under pressure to announce larger increases in agricultural support prices as a means to support the rural economy but the government raised support prices for paddy only by 3.7%, in line with last year's increase and less than half the 10% average seen in the previous three years and that for pulses by 5.8%, thereby creating less inflationary pressures.

The previously targeted measure of inflation, based on the Wholesale Price Index, contracted for the seventh consecutive month to 2.4% in May from 2.7% in April. The slight increase came on the back of a rise in prices for fuel, primary articles and manufactured goods. .

Repo rate cut to 7%

In line with expectations, the RBI cut the repo rate by 25 basis points to 7% on June 2 following an unchanged status in the previous bi-monthly meeting in April to spur investment and credit.

The RBI recognised that inflation has evolved as anticipated and that the consequences of unseasonal rains have been limited so far. In addition, the central bank noted that the timing of the normalisation of US monetary policy appeared to have been put back and that administered price increases have been subdued. Although banks have started passing some of the previous rate cuts, the RBI continued to urge faster transmission of monetary action into lending rate cuts. Yet, the RBI considers there are still risks to the inflation outlook, particularly related to an unseasonal monsoon, rise in oil prices and volatile external environment. Therefore a prudent food policy is important for keeping inflationary pressures contained in the near term.

The RBI also revised down its growth forecast to 7.6% this fiscal year, from the previous 7.8% projection following the downward revision to GVA estimates for 2014-15.

The likelihood of subsequent rate action is crucially dependant on the impact of food prices on CPI inflation. Given a forecast of a 12% deficit in monsoon rainfall, the risk of increases in minimum support prices for various crops and the pass through of the recent rise in crude oil prices, the RBI has less scope for further monetary easing. However, with proactive measures to supply side constraints to cap food prices, such as the use of buffer stocks, anti-hoarding measures, lowering transportation losses and resorting to imports, we do not rule out another rate cut towards the end of 2015.

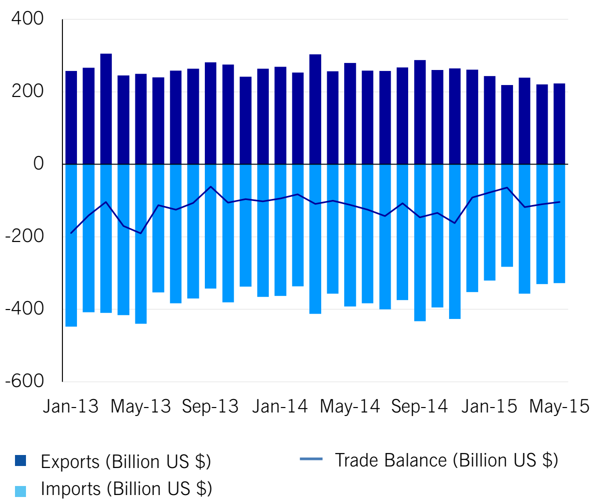
Exports contract for the sixth consecutive month

India's trade deficit eased to $10.4 billion in May from $11 billion in April, 7.4% below the $11.2 billion shortfall recorded in May a year earlier.

Overall, the trade data suggests weakness in both external and domestic demand. While export weakness has been ongoing for some time, weaker non-oil imports were disappointing. Exports contracted for the sixth consecutive month by 20.2% on the year to $22.3 billion in May, slightly above $22 billion in April, owing mostly to the global slowdown, crude oil price decline and volatility in the rupee.

The 36-country real effective exchange rate (REER) index showed that the rupee is somewhat overvalued. Given that historically the REER has remained close to 104-105 levels, in May the REER index was at 109.6, compared with 112.1 in April suggesting a 5% overvaluation. The recent depreciation of the rupee against the dollar, however, is expected to reverse some of this decline by making Indian exports more competitive. Imports declined by 16.5% on the year to $32.8 billion in May as oil imports dropped 41% to $8.5 billion. More worrying was a decline in non-oil imports which fell by 2.2% to $24.2 billion. Gold imports narrowed as expected as festival related demand ebbed.

Trade Balance



Source: Ministry of Commerce and Industry

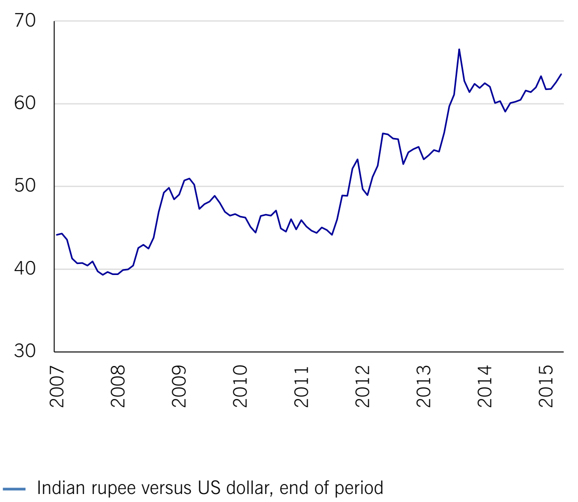
The current account deficit averaged to $1.3 billion in Q4FY15. For the year through March 31, the shortfall was $27.5 billion, or 1.3% of GDP, compared with 1.7% in the previous year.

Government contains fiscal deficit at 4% in 2014-15

The government managed to contain its fiscal deficit to 4% of GDP in 2014-15, even lower than the target of 4.1%. In the FY15, the government budget deficit stood at Rs. 5.02 trillion, which was 98% of the projected figure and lower than last year's deficit of Rs. 5.03 trillion. Government receipts totalled Rs. 11.43 trillion, higher than Rs. 10.57 trillion a year earlier. Out of this, net tax receipts were Rs. 9.02 trillion, above last year's Rs. 8.16 trillion. Total expenditure was Rs. 16.45 trillion compared with Rs. 15.59 trillion a year earlier. Revenue deficit was 2.8% of GDP against the revised estimate of 2.9% of GDP, marking a sharp improvement from 3.2% for 2013-14.

The fiscal deficit in April, the first month of 2015-16, was Rs. 1.27 trillion or 23% of estimated budget for the whole financial year. The total expenditure of the government during April was Rs 1.54 trillion or 8.7% of the entire year estimate while total receipts were Rs. 270.9 billion. For 2015-16, the government aims to contain the fiscal deficit at 3.9% of GDP, above the 3.6% target inherited from the last government and target 3% a year later than planned earlier, unlocking funds for investment into infrastructure development and social welfare programmes.

Rupee Exchange Rate



Source: Reserve Bank of India

Foreign exchange reserves rise to a record high

India's foreign exchange reserves rose by $1.6 billion to $354.3 billion in the week to June 12. According to the RBI's weekly statistical supplement, foreign currency assets, the biggest component of foreign exchange reserves, rose by $1.6 billion to $329.6 billion while the value of India's gold reserves remained stable at $19.3 billion in the week ending June 12. The RBI has been building reserves and has bought roughly $100 billion in forex reserves in the last 18 months to absorb any future global financial shock when the US eventually raises interest rates.

Foreign investors have invested nearly $782 billion in Indian capital markets so far in 2015 amid hopes of a turnaround in activity. However in June, investors pulled out nearly $33 billion due to better returns from Asian peers, concerns over a slow revival in corporate earnings and continued worries over taxation issues.

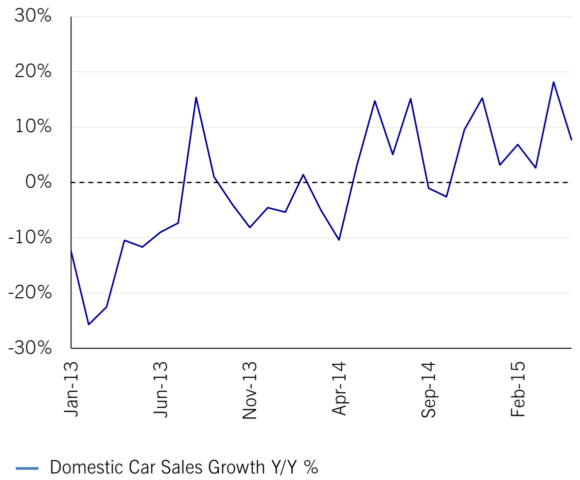
The Indian rupee has lost 3.2% against the dollar since the start of the year and about 8% since May 2014. The reasons for sell-off include rising crude oil prices and slow pace of economic reforms by Prime Minister Narendra Modi. Though a weak rupee may benefit India, making its exports competitive, a falling rupee is likely to erode the returns on investments made by overseas investors.

Car sales continue to grow in May

Car sales in India rose by 7.7% on the year in May following growth of 18.1% in April.

Sales of commercial vehicles grew by 3.9% on the year in May from 6.5% on the year in April. On a three month average, sales were down by 2.4% in May after contracting by 3.9% in April. The industry, though, remained cautious due to a weakening in rural sales which saw a contraction of 1.2% in two wheeler sales on the year in May, the fourth consecutive month of contraction. Within two-wheelers, sales of scooters grew by 2.6% on the year, the slowest growth in more than two years, while sales of motorcycles contracted for the

Car Sales



Source: Society of Indian Automobile Manufacturers

eighth consecutive month by 3%. India is the world's largest market for motorcycles and much of the slowdown comes from smaller cities. Unprecedented rains in India ahead of harvest season hit the rural economy hard and now, the forecast of a drought could make things worse.

The three cuts in interest rates by the RBI this year might help the car industry recover but since financing rates are still high, we expect automobile demand to remain sluggish.

The Budget announced the rationalisation of duties, which saw the basic excise rate on smaller vehicles go up from 12.36% to 12.5%. The additional burden brought on by this is likely to be marginal and many car manufacturers indicated that they may absorb this and not pass it on to consumers immediately. In addition, there is an effective excise reduction on larger vehicles which will lead to a small price benefit which may be passed on to customers.

RBI Industrial Outlook remains broadly unchanged

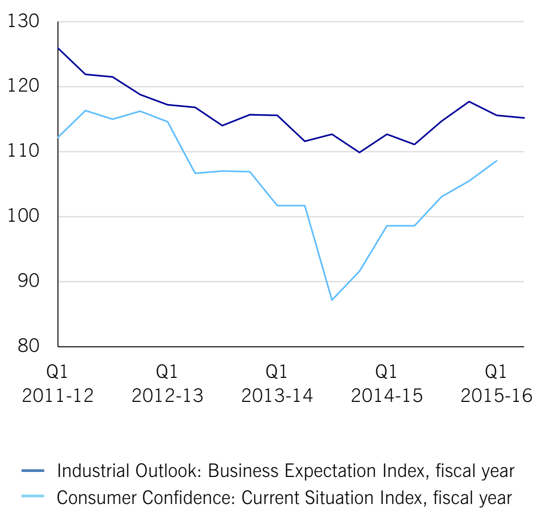
The RBI's Industrial Outlook Survey showed that the Business Expectation Index (BEI), a gauge of manufacturing business sentiment, remained broadly stable at 115.2 in the quarter ending June 2015 compared with 115.6 in the quarter ending March and was above the outturn of 111.1 recorded a year earlier.

Companies expected to receive fewer domestic and overseas orders and hence revised down their outlook for production and employment. This was largely offset by lower expectations about the cost of raw materials and finance.

Manufacturing companies witnessed an improvement in demand during the January-March quarter to 106.7 from 104.6 in the previous quarter, the highest since June 2012. The improvement for the assessment quarter was mainly due to improved optimism in production, order books, capacity utilisation, employment, financial situation, availability of finance coupled with reduced pessimism in cost of finance, cost of raw materials and profit margin.

More up-to-date monthly data from the MNI India Business Sentiment Survey has shown the pace of growth in business confidence has eased in recent months. In the quarter ending June, the MNI India Business Sentiment Indicator fell to the lowest in more than a year, averaging 64.4 while other key parameters like production, new orders and availability of credit also eased slightly. The monetary easing by the RBI eased interest rates paid by companies to the lowest in the survey's history. Inflationary pressures re-emerged and more companies paid higher input prices in June.

RBI Business and Consumer Sentiment



Source: Reserve Bank of India

RBI Consumer Confidence improves in March

The RBI's Consumer Confidence survey showed that the Current Situation Index (CSI), an assessment of consumer sentiment, remained buoyant in the quarter ending March at 108.6, up from 105.5 in the quarter ending December. This was markedly above the 98.6 recorded in the quarter ending March a year earlier.

Respondents had positive expectations about future economic conditions and spending as the Future Expectations Index, which measures the year-ahead outlook, accelerated to 126.7 in March from 118.3 in the quarter ending December.

Current economic conditions compared to one year ago have shown an improvement in the last four rounds of the survey with the net response rising from 1.6 to 15.8 in the quarter ending March. Also, positive perceptions on future economic conditions, which were declining in the last three rounds, have shown a turnaround in this quarter with the net response rising to 40.4 from 34.1 in the previous quarter.

The employment outlook worsened in the March quarter compared with the previous quarter but still more than 50% of respondents expected an improvement in the employment situation one year ahead. Regarding price levels and inflation, current sentiment showed improvement while perceptions on future price levels and inflation deteriorated.

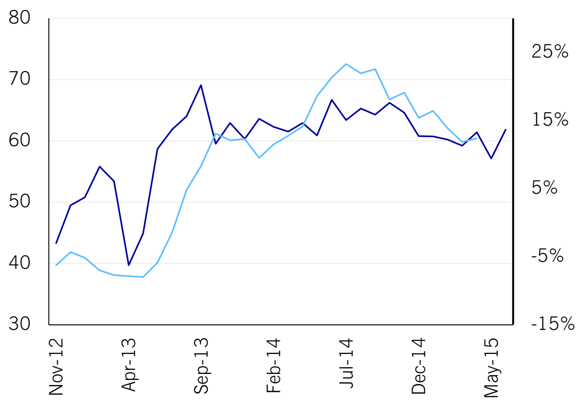
More up-to-date monthly data from the MNI India Consumer Sentiment Survey has shown confidence falling below that of the last year's in May. The MNI India Consumer Sentiment Indicator fell to a two-month low, as all five components of the indicator eased, led by the Durable Buying Conditions Indicator.

Key Monthly Economic Data

	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15
Consumer Price Index (Y/Y %)	4.3	5.2	5.4	5.3	4.9	5.0	-
Wholesale Price Index (Y/Y %)	-0.5	-0.9	-2.2	-2.3	-2.7	-2.4	-
Industrial Production (Y/Y %)	3.6	2.8	4.9	2.5	4.1	-	-
Car Sales (Y/Y %)	15.3	3.1	6.9	2.6	18.1	7.7	-
Trade Balance (Billion US $)	-9.1	-7.7	-6.4	-11.8	-11.0	-10.4	-
Exports (Billion US $)	26.1	24.4	21.9	23.9	22.1	22.3	-
Imports (Billion US $)	35.3	32.1	28.3	35.7	33.0	32.8	-
MNI India Business Sentiment Indicator	68.4	64.2	66.2	63.0	63.9	62.3	67.1
MNI India Consumer Sentiment Indicator	119.6	120.4	121.2	118.5	122.1	119.6	-

Correlation Charts
Our Indicators Closely Track Official Data

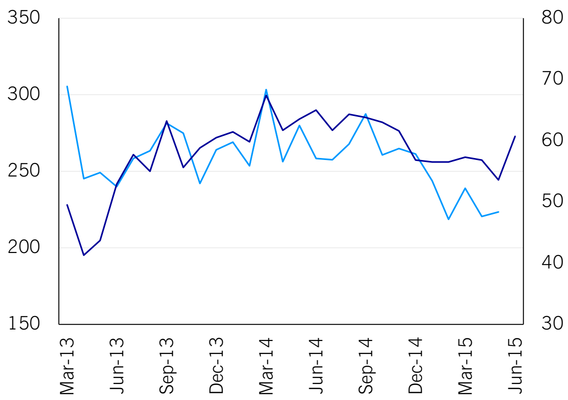
New Orders



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

Source: *Airports Authority of India

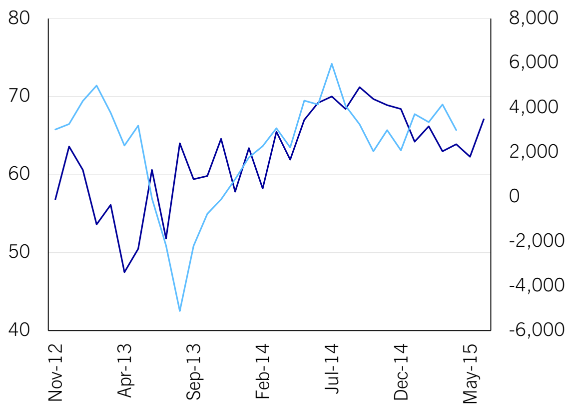
Export Orders



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

Source: *Ministry of Commerce and Industry

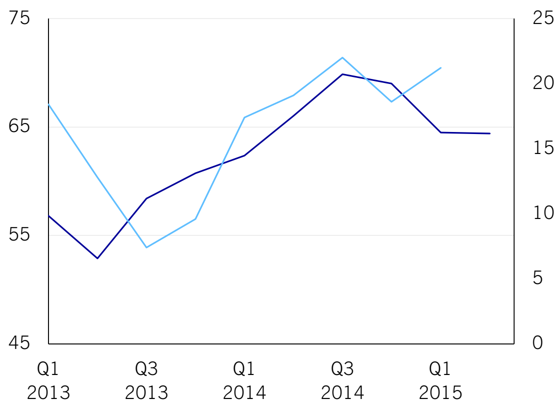
Business Sentiment and Foreign Inflows



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

Source: *Reserve Bank of India

Business Sentiment



MNI India Business Sentiment
Assessment of Overall Business Situation (RHS)*

Source: *Reserve Bank of India

Indicators

Results of the June business survey provide a tentative sign that the downturn in overall sentiment may have bottomed.

MNI India Business Indicator
Highest in 2015

Results of the June business survey provide a tentative sign that the downturn in overall sentiment may have bottomed. The MNI India Business Sentiment Indicator, a gauge of current sentiment among BSE-listed companies, rose by 7.7% to 67.1 in June from 62.3 in May.

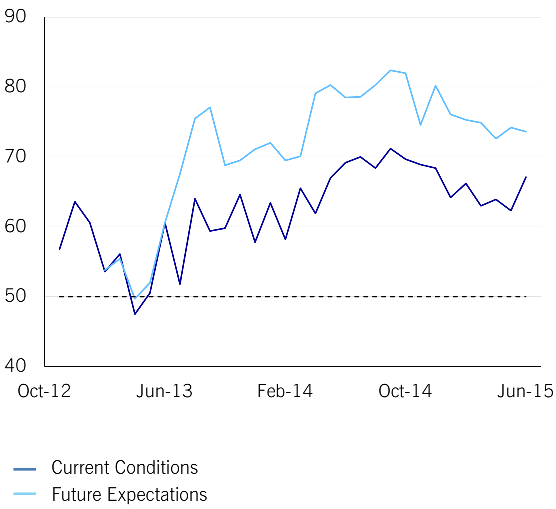
The rise in sentiment was observed across the three sectors surveyed, with construction companies the most confident. Positively, the improvement in overall sentiment was driven by a spike in the proportion of companies who reported that conditions were better, rather than those reporting that the current environment was unchanged. In June, 42% of our panel reported that conditions were better than the previous month compared with 34% in May.

The early June interest rate cut seems to have gone some way in lifting current business confidence. Previous rate cuts have provided short-term boosts but this month's magnitude shows that the aggregate easing to date is starting to have a positive impact.

Firms reported increased access to credit and the recent rate cuts kept the Interest Rates Paid indicator below 50 as companies benefited from the easier monetary policy since the start of the year.

Key activity metrics including Production, New Orders and Export Orders all showed healthy improvements. Having acted as a dampener on sentiment for months, there was finally an up-tick in demand from abroad with the Export Orders Indicator rising by 13.2% on the month. This helped to underpin the total number of New Orders, which jumped 8.2% to 61.8 to the highest since November 2014. Production rose 6.3% to 61.1 in June. In spite of the latest increases, they all remain below levels seen in June 2014, suggesting that economic conditions are still relatively soft.

MNI India Business Sentiment Indicator



"We have launched new products as market conditions are better." **Household products manufacturing company**

"The first quarter is always good for us" **Investment services company**

MNI India Business Indicator

	Jun-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15
Current Conditions	69.2	64.2	66.2	63.0	63.9	62.3	67.1

The improvement in both output and demand measures bubbled through to the labour market. The Employment Indicator made significant headway as both the current and expectations measures rose above the outturn of last year. More companies thought the size of their workforce was insufficient for their requirements and were also more optimistic about their hiring plans in the coming three months.

Having benefitted from the slowdown in inflation over the past year and the corresponding decline in global commodity prices, companies' input costs have risen sharply since the start of the year. Input Prices increased to the highest since August 2014 but companies were still reluctant to pass on rising costs to customers with Prices Received having remained broadly stable since the start of the year.

Companies remained optimistic about the next three months, but less so compared with the previous month. The Expectations Indicator fell slightly to 73.6 in June from 74.2 in May. Expectations climbed with the ensuing "Modi magic" until September last year, after which it began to normalise as businesses came to the realisation that the government would take longer to enact the big-bang reforms it had promised. Although companies raised their current production amid higher orders, they were less bullish about both production and orders in the next three months which cautions about the pace of recovery in demand and business conditions.

Sectors - Overall Business Conditions

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

"We got lot of projects from our clients." **Building materials and fixtures construction company**

"The government is taking good steps for the infrastructure sector." **Heavy construction company**

"It's a holiday season so business conditions are better." **A hotels group**

"Overall business conditions are better as sales are picking up." **Diversified industrials manufacturing company**

MNI India Business Indicator

	Jun-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15
Future Expectations	78.5	76.1	75.3	74.9	72.6	74.2	73.6

Orders
Foreign Demand Rises

Our panel's order books expanded in June as the rupee's depreciation brought to a halt the decline in overseas demand for Indian goods and services.

The rise in the New Orders Indicator to 61.8 in June offset last month's fall to 57.1. Companies across all three sectors received a higher number of new orders than they did in the previous month led by manufacturing firms.

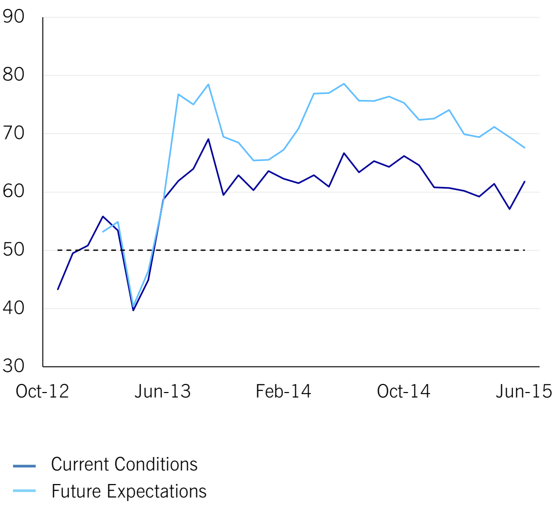
The New Orders Indicator, which was down by 7.3% on the year in June, has a good correlation with the official data on domestic cargo handled at Indian airports. The rise in the New Orders Indicator, if sustained, would signal a pick-up in domestic cargo traffic in the coming months and hence a rise in economic activity. Latest data showed that cargo handled rose by 13.8% on the year in April, the fastest in two months.

Our panel, though, was slightly less optimistic about orders in the coming three months, with the Expectations Indicator for New Orders declining to 67.6 in June from 69.4 in May, the lowest since February 2014.

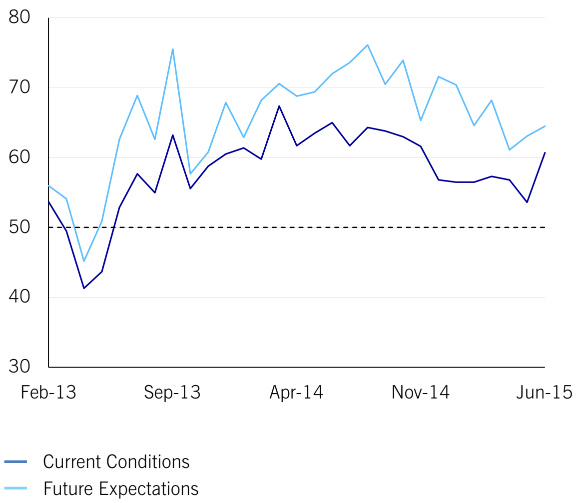
Overseas demand for Indian goods and services rose significantly in June owing to the rupee's depreciation over the past two months. This was reflected by the double-digit rise in the Export Orders Indicator to 60.7 from 53.6 in May, the highest level since November 2014. Companies also anticipated that the weaker rupee would continue to support overseas demand over the coming months, with the Expectations Indicator rising to a three-month high of 64.5 in June from 63.1 in May.

Following a slowdown in the number of orders placed, the pressure on companies' order books had eased considerably. With higher incoming orders in June, the

New Orders



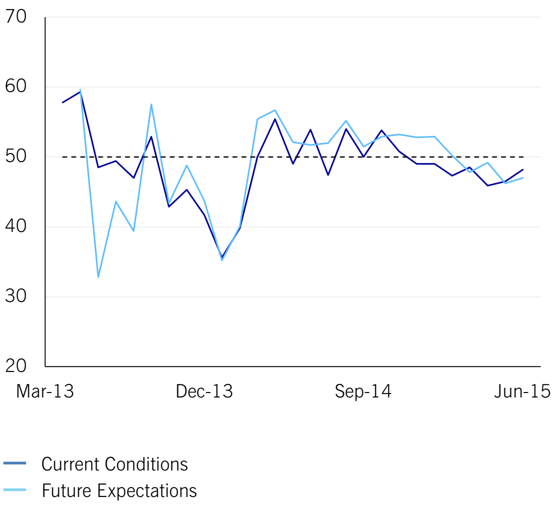
Export Orders



Orders - Current Conditions

	Jun-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15
New Orders	66.7	60.7	60.2	59.2	61.4	57.1	61.8
Export Orders	65.0	56.5	56.5	57.3	56.8	53.6	60.7
Order Backlogs	53.9	49.0	47.3	48.5	45.9	46.5	48.2

Order Backlogs



Sectors - Current Conditions

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

Sectors - Future Expectations

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

"Our clients remain same but number of orders from them has increased." **Auto parts manufacturing company**

"We are getting new orders from foreign clients." **Industrial machinery manufacturing company**

"Bookings are higher due to summer vacations." **Computer services company**

"Order backlogs increased due to more orders this month." **Pharmaceuticals manufacturing company**

"Demand in foreign market is increasing." **Commodity chemicals manufacturing company**

Order Backlogs Indicator rose to 48.2 in June from 46.5 in May but remained in contraction for the seventh consecutive month. Nevertheless, given that companies were more confident about demand, companies anticipated that they would have lower unfulfilled orders in the future. The Expectations Indicator rose slightly to 47.0 in June from 46.2 in May, the highest since April.

Orders - Future Expectations

	Jun-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15
New Orders	78.6	74.1	69.9	69.4	71.2	69.4	67.6
Export Orders	72.0	70.4	64.6	68.2	61.1	63.1	64.5
Order Backlogs	51.7	52.9	50.2	47.8	49.2	46.2	47.0

Output and Employment
Employment Highest Since May 2014

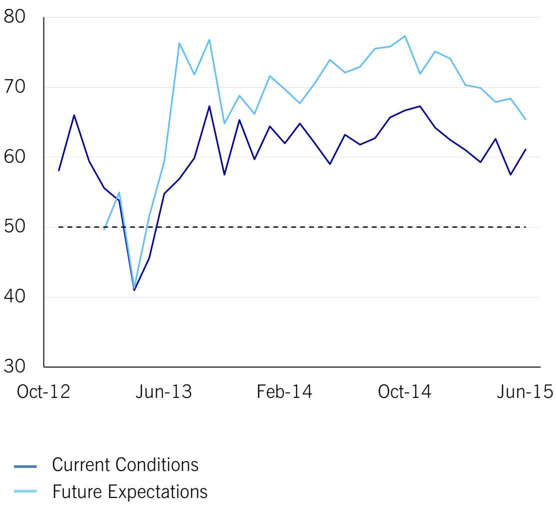
With companies more content with the current business environment and receiving a greater number of orders, many of them raised their production and were keen to add employees to their workforce.

The Production Indicator rose by 6.3% to 61.1 in June from 57.5 in May, putting the indicator just above the series average of 60.3. While the rise in the Production Indicator is good news, it was still below the outturn of 63.2 seen in June 2014 and also below the average of 63.7 for last year as a whole. The rise was driven by manufacturing and service companies, with sentiment among construction firms falling to a three-month low.

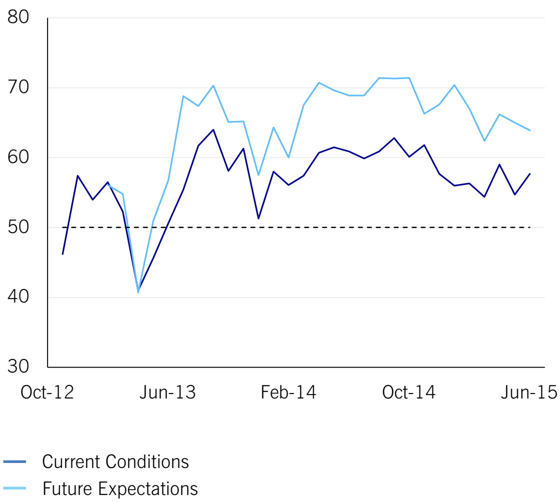
Even though companies were more satisfied with the present, their outlook for the future has generally trended down since the conclusion of the festival season in 2014. The Expectations Indicator fell to 65.4 in June from 68.4 in May and was down 9.3% on the year. For the first time in the survey's history, service sector companies were less optimistic about future business activity than they were about current conditions.

Since the end of last year, an increasing number of companies had started to scale back their productive capacity in a likely effort to cut costs amid the cooling in demand. Indeed, the Reserve Bank of India acknowledged the weakness in productive capacity among companies at its last monetary policy review meeting in early June, which is indicative of slack in the economy. After hitting a trough in March, the Productive Capacity Indicator has gradually risen to 57.7 in June which was slightly above the series average of 56.6 but 5.3% below the outturn of 60.9 in June 2014. Companies were less optimistic about their productive capacity in the next three months with the Expectations

Production



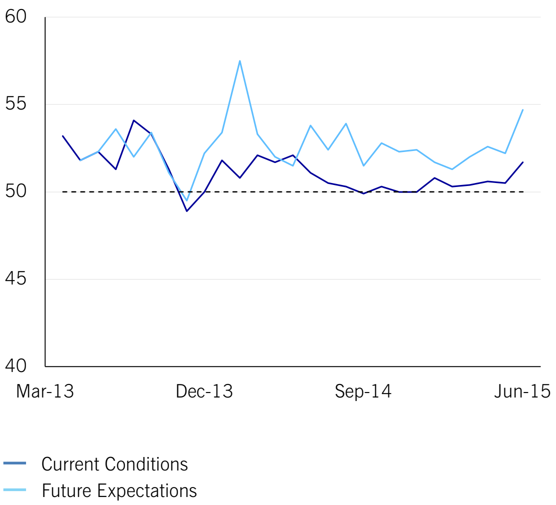
Productive Capacity



Output and Employment - Current Conditions

	Jun-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15
Production	63.2	62.5	61.0	59.3	62.6	57.5	61.1
Productive Capacity	60.9	56.0	56.3	54.4	59.0	54.7	57.7
Employment	51.1	50.8	50.3	50.4	50.6	50.5	51.7

Employment



Sectors - Current Conditions

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

Sectors - Future Expectations

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

"There is optimum utlilization of resources." **Speciality chemicals manufacturing company**

"Our productivity has gone up after an imported machine is put to use." **Containers and packaging manufacturing company**

"To meet the new orders we have to produce more." **Containers and packaging manufacturing company**

"We are expanding our business, so recruiting new employees." **Food and drug retailer**

"We are lacking in skilled manpower." **Auto parts manufacturing company**

Indicator easing to a three-month low of 63.9 from 65.0 in May.

Another bright spot from this month's survey was the Employment Indicator, which rose by 2.4% to 51.7 in June from 50.5 in May, the highest level in more than a year. More companies thought the size of their workforce was not sufficient for their requirements in a sign that demand is picking up. The improvement in employment sentiment put the indicator 1.6% above last year's average. Companies were also more optimistic about their hiring plans in the coming three months with the Expectations Indicator rising by 4.8% to 54.7 in June, the highest level since February 2014.

Output and Employment - Future Expectations

	Jun-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15
Production	72.1	74.1	70.3	69.9	67.9	68.4	65.4
Productive Capacity	68.9	70.4	67.0	62.4	66.2	65.0	63.9
Employment	53.8	51.7	51.3	52.0	52.6	52.2	54.7

Prices
Cost Burden Rises

Inflationary pressures continued to ascend in June as a growing number of companies paid higher prices for their inputs, with the depreciation of the rupee also contributing to rising costs.

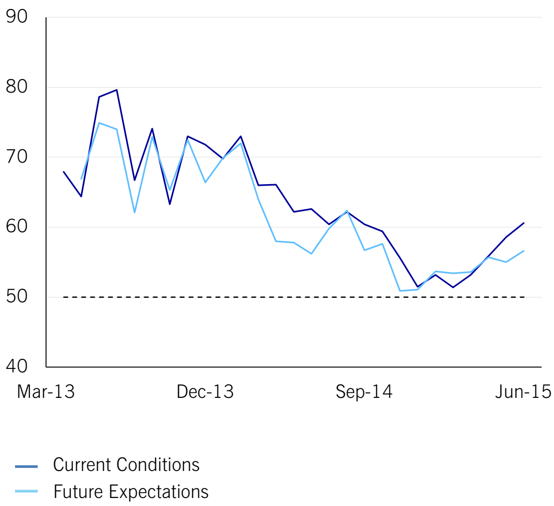
After peaking in July 2013, the Input Prices Indicator had trended down in line with the decline in inflation and coinciding fall in oil prices. In 2015, however, this trend has reversed with many of our panel reporting that their input prices had risen in June due to a combination of rising commodity prices and higher employee remuneration.

The Input Prices Indicator rose to 60.6 in June from 58.6 in May, the highest since August 2014. Companies across the three sectors surveyed paid higher input prices but the rise on the month was led primarily by construction and service sector companies. Input Prices have been rising quickly following their slowdown last year, with the indicator just 3.2% below the outturn of June 2014. More companies anticipated that input prices would rise in the coming three months, evidenced by the Future Expectations Indicator which climbed to an eight-month high of 56.6 in June.

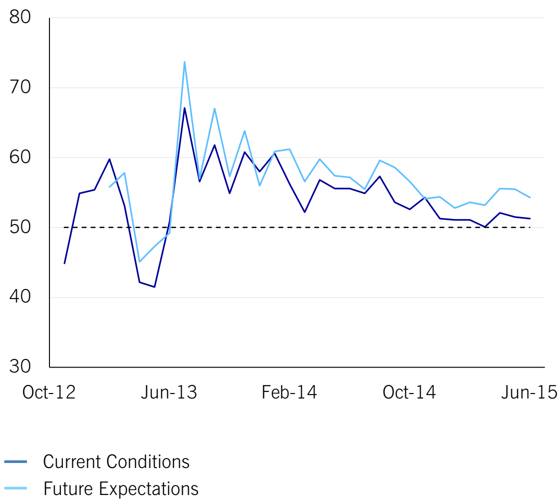
The fourth consecutive rise in the Input Prices Indicator signals a pick-up in inflation. Even though consumer price inflation remains low by historical standards, it rose to a two-month high of 5% in May from 4.9% in April. After stripping out more volatile food and fuel components, core inflation rose to a seven-month high of 4.8% in May from 4.4% in April.

The RBI also recently raised its inflation forecast for January 2016 to 6% from 5.8% previously, following a less favourable monsoon forecast, rise in global crude oil prices and external volatility. After three rate cuts this

Input Prices



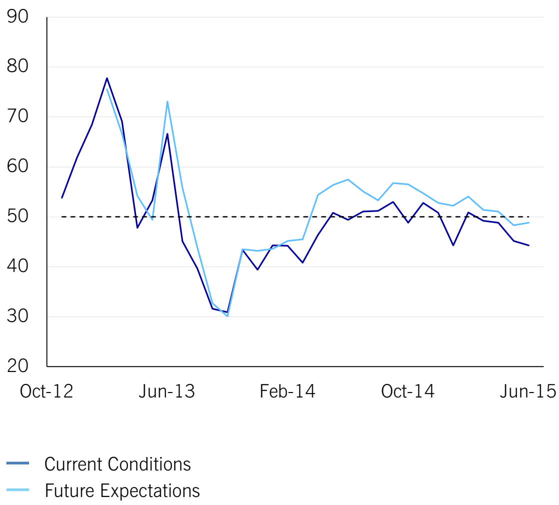
Prices Received



Prices - Current Conditions

	Jun-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15
Input Prices	62.6	53.2	51.4	53.2	55.9	58.6	60.6
Prices Received	55.6	51.1	51.1	50.1	52.1	51.5	51.3
Exchange Rate	49.4	44.3	50.9	49.2	48.8	45.2	44.3

Effect of Rupee Exchange Rate



Sectors - Current Conditions

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

Sectors - Future Expectations

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

> "Inputs cost have risen due to depreciation of the rupee." **Diversified Industrials manufacturing company**

year, the RBI has hinted that it will put its monetary easing on pause in the short-term contingent on the outturn of monsoons and its impact on inflation.

However, intense competition and subdued consumer sentiment have prevented many companies from raising the prices of their goods and services for a considerable time. The Prices Received Indicator remained broadly stable at 51.3 in June compared with 51.5 in the previous month. Manufacturing companies charged lower prices for the first time in four months while some construction companies passed on their higher costs to customers.

According to our panel, the volatility of the rupee and its recent depreciation against the US dollar had an adverse impact on business operations in June. The indicator which measures the Effect of the Rupee Exchange Rate fell to 44.3 in June from 45.2 in May, the lowest since March 2014. Since oil is a major component of Indian imports, a 3.2% depreciation of the rupee since the start of the year would have added to costs.

Moreover, our panel anticipated that the exchange rate would remain unfavourable to their operations in the coming three months. The Expectations Indicator remained below the 50 level at 48.8 in June compared with 48.3 in May. Service sector companies became pessimistic about the impact of the exchange rate on their business activity in three months for the first time since March 2014.

Prices - Future Expectations

	Jun-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15
Input Prices	56.2	53.7	53.4	53.6	55.7	55.0	56.6
Prices Received	57.2	52.8	53.6	53.2	55.6	55.5	54.3
Exchange Rate	57.5	52.2	54.1	51.4	51.1	48.3	48.8

Money and Credit
Low Interest Rate Regime Expected

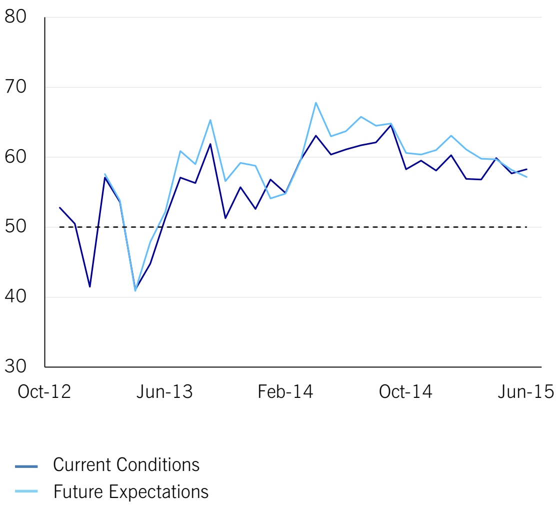
The Interest Rates Paid Indicator has fallen dramatically since the start of the year following the interest rate cuts by the Reserve Bank of India. Even so, the availability of credit to firms has remained more-or-less stable as commercial banks have been reluctant to lower their lending rates.

In line with expectations, the RBI cut the repo rate by 25 basis points to 7% on June 2. This marked the third time since the start of the year that the key rate has been cut given the low level of inflation and spare capacity in an effort to underpin economic growth. The rate cut came towards the beginning of the survey period and thus is likely to have been partly responsible for this month's rise in business confidence particularly as that has been the case for the previous rate cuts this year. The January rate cut helped boost overall business sentiment in February, while the March cut similarly bolstered sentiment in April.

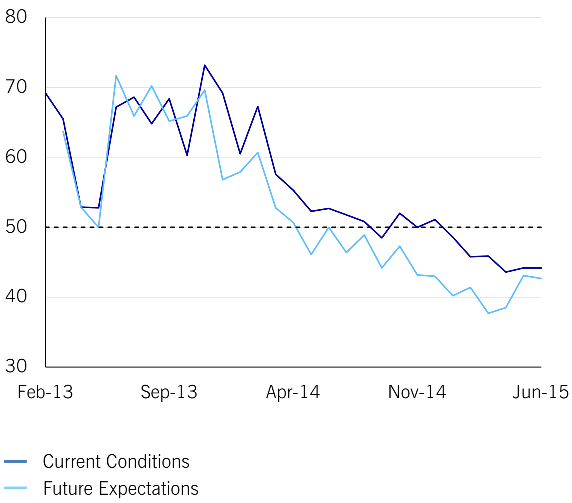
The Interest Rates Paid Indicator remained below the 50 mark at 44.2 in June, 16.1% below the outturn of 52.7 in June 2014. Even though the RBI has cut the repo rate by 75 basis points since January, Indian banks have only trimmed their lending rates marginally in order to increase profitability. HDFC, India's largest housing finance company, has cut their lending rates by another 15 basis points after the latest repo rate cut by the RBI, lowering their base rate by a total of 30 basis points while ICICI, the second largest bank in India has reduced theirs by a total of 25 basis points.

Meanwhile, companies anticipated that interest rates would fall in the coming three months, with more banks lowering their lending rates. The Expectations Indicator stood at 42.7 in June compared with 43.1 in May. Although more than three-quarters of respondents

Availability of Credit



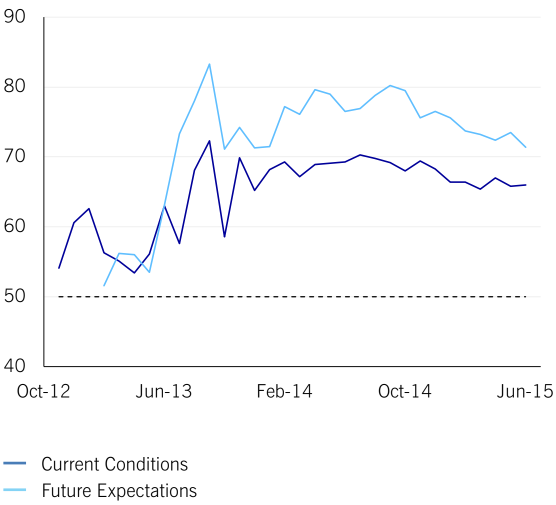
Interest Rates Paid



Money and Credit - Current Conditions

	Jun-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15
Availability of Credit	61.1	60.3	56.9	56.8	59.9	57.7	58.3
Interest Rates Paid	52.7	48.6	45.8	45.9	43.6	44.2	44.2
Financial Position	69.3	66.4	66.4	65.4	67.0	65.8	66.0

Financial Position



Sectors - Current Conditions

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

Sectors - Future Expectations

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

"Liquidity is improving." **Auto parts manufacturing company**

expected interest rates to remain at the same level in the coming three months, the slight decline on the month put the indicator at a two-month low.

The Availability of Credit Indicator rose to 58.3 in June from 57.7 in May, 4.6% below the outturn of 61.1 in June 2014 as a rise in bad loans has made banks more reluctant to lend to businesses. However, June's improvement placed the indicator 3.8% above the series average of 56.2. Companies remained optimistic in their outlook for credit availability over the coming three months but were less so in June. The Expectations Indicator fell for the fifth consecutive month to 57.2 from 58.2 in May, substantially below the outturn of 63.7 seen in June 2014.

Whilst there were hopes that companies would see an improvement in their balance sheets following the election of the pro-business BJP party, instead their financial positions have gradually deteriorated to a level lower than last year's average due to high interest costs and rising inflation over the past two years. In June, the Financial Position indicator stood at 66.0 compared with 65.8 in the previous month.

Companies' expectations for their future finances have followed a trend similar to their current financial position but have remained higher in level terms. In June, the Expectations Indicator fell to 71.4 from 73.5 in the previous month.

Money and Credit - Future Expectations

	Jun-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15
Availability of Credit	63.7	63.1	61.1	59.8	59.7	58.2	57.2
Interest Rates Paid	50.0	40.2	41.4	37.7	38.5	43.1	42.7
Financial Position	76.5	75.6	73.7	73.2	72.4	73.5	71.4

Logistics
Inventories Expand

Companies expanded their inventory holdings following an up-tick in orders and amid expectations of an improvement in demand, but in contrast the time taken for their suppliers to deliver key inputs eased to a new low in the survey's history.

The Inventories Indicator rose by almost 10% to 53.5 in June following five consecutive months of contraction.

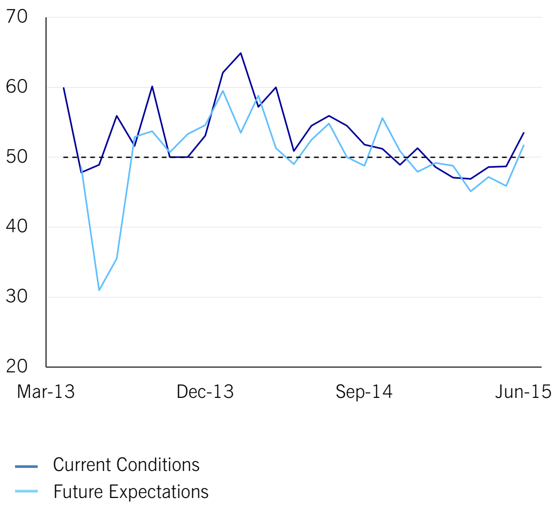
After destocking for five months, manufacturing companies' expanded their inventories in June. Some companies attributed higher inventories to a lack of demand and cancellation of orders while others have spoken of a pick-up in orders and were building stock levels in anticipation of a busier period ahead. In contrast, construction firms reported that they had destocked for the first time since February.

Since companies were optimistic about future demand, they planned to accumulate stocks of goods at a fast pace over the coming months. Expectations for Inventories in three months' time rose to 51.7 in June after being in contraction for six consecutive months.

Suppliers of key inputs took less time than ever before to deliver orders, with the Supplier Delivery Times Indicator shortening to a series low of 47.3 from 48.6 in May. Some companies attributed the quicker delivery times to a lack of orders in general compared with historical standards, making it easier for them to meet customers' needs while others have spoken of an abundance of raw materials in the market, easing pressure on delivery times.

With sufficient capacity on board, our panel of companies expected delivery times to shorten further in the coming

Inventories



"There was cancellation of orders from Russia." **Food products manufacturing company**

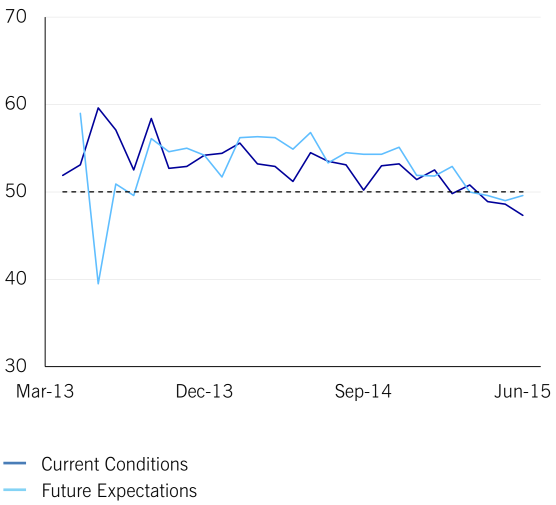
"Demand is increasing so we are stocking up for the season." **Containers and packaging manufacturing company**

"Sales were low in last two months so we are left with inventories." **Diversified Industrials manufacturing company**

Logistics - Current Conditions

	Jun-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15
Inventories	54.5	48.6	47.1	46.9	48.6	48.7	53.5
Supplier Deliveries	54.5	52.5	49.8	50.8	48.9	48.6	47.3

Supplier Delivery Times



Sectors - Current Conditions

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

Sectors - Future Expectations

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

"We are stocking products to meet market demand." **Containers and packaging manufacturing company**

"As orders are on higher side we expect supplier delivery time to be longer." **Industrial machinery manufacturing company**

"There is no demand so we are left with unsold stock." **Personal products manufacturing company**

three months as well, albeit at a slower pace. The Expectations Indicator was at 49.6 in June compared with 49.0 in May. Even though expectations were 10.2% below the level seen a year ago, we expect them to grow and cross the 50 breakeven mark possibly due to higher incoming orders.

Logistics - Future Expectations

	Jun-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15
Inventories	52.5	49.2	48.8	45.1	47.2	45.9	51.7
Supplier Deliveries	56.8	51.8	52.9	50.0	49.6	49.0	49.6

What the Panel Said

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

“Banks are ready to lend money but we are not utilizing our full limits.” **Software services company**

“Our company's credit rating is good so credit availability for us is easier.” **Clothing and accessories manufacturing company**

“We are repaying our loans on time so there is no problem with the lender.” **A media agency**

“Liquidity is improving.” **Auto parts manufacturing company**

“Raw material costs have increased.” **Pharmaceuticals manufacturing company**

“Inputs cost more due to depreciation of the rupee.” **Diversified industrials manufacturing company**

“All inputs including employee salary have increased.” **Software services company**

“Crude prices have increased and it has affected raw material prices.” **Iron and steel manufacturing company**

“Service tax has increased.” **Heavy construction company**

“There is optimum utlilization of resources.” **Speciality chemicals manufacturing company**

“Our clients remain same but number of orders from them has increased.” **Auto parts manufacturing company**

“We are getting new orders from foreign clients.” **Industrial machinery manufacturing company**

“Bookings are higher due to summer vacations.” **Computer services company**

“Order backlogs increased due to more orders this month.” **Pharmaceuticals manufacturing company**

“We are expanding our customer base.” **Speciality chemicals manufacturing company**

“Demand in foreign market is increasing.” **Commodity chemicals manufacturing company**

“Our productivity has gone up after an imported machine is put to use.” **Containers and packaging manufacturing company**

“To meet the new orders we have to produce more.” **Containers and packaging manufacturing company**

“We are expanding our business, so recruiting new employees.” **Food and drug retailer**

“We are lacking in skilled manpower.” **Auto parts manufacturing company**

“We have launched new products as market conditions are better.” **Household products manufacturing company**

“The first quarter is always good for us” **Investment services company**

“We got lot of projects from our clients.” **Building materials and fixtures construction company**

“The government is taking good steps for the infrastructure sector.” **Heavy construction company**

“It’s a holiday season so business conditions are better.” **A hotels group**

“Overall business conditions are better as sales are picking up.” **Diversified industrials manufacturing company**

“Few employees have resigned from the company.” **Tyre manufacturing company**

“Commodity prices for Nickel have gone up.” **Industrial machinery manufacturing company**

“There was an increase in electricity charges.” **Support services company**

“Employee cost is increasing.” **Software services company**

Data tables

Historical Summary

	2014							2015					
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
MNI India Business Indicator													
Current Conditions	69.2	70.0	68.4	71.2	69.7	68.9	68.4	64.2	66.2	63.0	63.9	62.3	67.1
Future Expectations	78.5	78.6	80.3	82.4	82.0	74.6	80.2	76.1	75.3	74.9	72.6	74.2	73.6
Production													
Current Conditions	63.2	61.8	62.7	65.7	66.7	67.3	64.2	62.5	61.0	59.3	62.6	57.5	61.1
Future Expectations	72.1	72.9	75.5	75.8	77.3	71.9	75.1	74.1	70.3	69.9	67.9	68.4	65.4
New Orders													
Current Conditions	66.7	63.4	65.3	64.3	66.2	64.6	60.8	60.7	60.2	59.2	61.4	57.1	61.8
Future Expectations	78.6	75.7	75.6	76.4	75.3	72.4	72.6	74.1	69.9	69.4	71.2	69.4	67.6
Export Orders													
Current Conditions	65.0	61.7	64.3	63.8	63.0	61.6	56.8	56.5	56.5	57.3	56.8	53.6	60.7
Future Expectations	72.0	73.6	76.1	70.5	73.9	65.3	71.6	70.4	64.6	68.2	61.1	63.1	64.5
Productive Capacity													
Current Conditions	60.9	59.9	60.9	62.8	60.1	61.8	57.7	56.0	56.3	54.4	59.0	54.7	57.7
Future Expectations	68.9	68.9	71.4	71.3	71.4	66.3	67.6	70.4	67.0	62.4	66.2	65.0	63.9
Order Backlogs													
Current Conditions	53.9	47.4	54.0	50.0	53.8	50.8	49.0	49.0	47.3	48.5	45.9	46.5	48.2
Future Expectations	51.7	52.0	55.2	51.5	52.9	53.2	52.8	52.9	50.2	47.8	49.2	46.2	47.0
Employment													
Current Conditions	51.1	50.5	50.3	49.9	50.3	50.0	50.0	50.8	50.3	50.4	50.6	50.5	51.7
Future Expectations	53.8	52.4	53.9	51.5	52.8	52.3	52.4	51.7	51.3	52.0	52.6	52.2	54.7
Inventories													
Current Conditions	54.5	55.9	54.5	51.8	51.2	48.9	51.3	48.6	47.1	46.9	48.6	48.7	53.5
Future Expectations	52.5	54.8	50.0	48.8	55.6	50.9	47.9	49.2	48.8	45.1	47.2	45.9	51.7
Input Prices													
Current Conditions	62.6	60.4	62.2	60.4	59.4	55.6	51.5	53.2	51.4	53.2	55.9	58.6	60.6
Future Expectations	56.2	59.8	62.4	56.7	57.6	50.9	51.1	53.7	53.4	53.6	55.7	55.0	56.6
Prices Received													
Current Conditions	55.6	54.9	57.3	53.6	52.6	54.3	51.3	51.1	51.1	50.1	52.1	51.5	51.3
Future Expectations	57.2	55.5	59.6	58.6	56.6	54.1	54.4	52.8	53.6	53.2	55.6	55.5	54.3
Financial Position													
Current Conditions	69.3	70.3	69.8	69.2	68.0	69.4	68.3	66.4	66.4	65.4	67.0	65.8	66.0
Future Expectations	76.5	76.9	78.8	80.2	79.5	75.6	76.5	75.6	73.7	73.2	72.4	73.5	71.4
Interest Rates Paid													
Current Conditions	52.7	51.8	50.8	48.5	52.0	50.0	51.1	48.6	45.8	45.9	43.6	44.2	44.2
Future Expectations	50.0	46.4	48.9	44.2	47.3	43.2	43.0	40.2	41.4	37.7	38.5	43.1	42.7
Effect of Rupee Exchange Rate													
Current Conditions	49.4	51.1	51.2	53.0	48.8	52.8	50.8	44.3	50.9	49.2	48.8	45.2	44.3
Future Expectations	57.5	55.1	53.3	56.8	56.5	54.7	52.8	52.2	54.1	51.4	51.1	48.3	48.8
Supplier Delivery Times													
Current Conditions	54.5	53.5	53.1	50.2	53.0	53.2	51.4	52.5	49.8	50.8	48.9	48.6	47.3
Future Expectations	56.8	53.3	54.5	54.3	54.3	55.1	51.9	51.8	52.9	50.0	49.6	49.0	49.6
Availability of Credit													
Current Conditions	61.1	61.7	62.1	64.6	58.3	59.5	58.1	60.3	56.9	56.8	59.9	57.7	58.3
Future Expectations	63.7	65.8	64.5	64.8	60.6	60.4	61.0	63.1	61.1	59.8	59.7	58.2	57.2

Historical Records

	2012 - Current			
	Minimum	Maximum	Mean	Median
MNI India Business Indicator				
Current Conditions	47.5	71.2	62.4	63.5
Future Expectations	49.7	82.4	71.6	74.2
Production				
Current Conditions	41.0	67.3	60.3	61.5
Future Expectations	41.3	77.3	68.0	70.3
New Orders				
Current Conditions	39.7	69.1	59.3	61.2
Future Expectations	40.4	78.6	68.7	70.9
Export Orders				
Current Conditions	41.3	67.4	58.0	58.8
Future Expectations	45.2	76.1	65.4	67.9
Productive Capacity				
Current Conditions	41.0	64.0	56.6	57.6
Future Expectations	40.7	71.4	64.4	66.3
Order Backlogs				
Current Conditions	35.6	59.3	48.8	49.0
Future Expectations	32.8	59.6	48.9	50.9
Employment				
Current Conditions	48.9	54.1	51.2	50.8
Future Expectations	49.5	57.5	52.6	52.3
Inventories				
Current Conditions	46.9	64.9	53.1	51.6
Future Expectations	31.0	59.5	50.0	50.8
Input Prices				
Current Conditions	51.4	79.6	63.8	62.6
Future Expectations	50.9	74.9	61.5	58.9
Prices Received				
Current Conditions	41.5	67.1	54.1	54.6
Future Expectations	45.1	73.7	56.8	56.6
Financial Position				
Current Conditions	53.4	72.3	64.9	66.7
Future Expectations	51.6	83.3	72.4	74.2
Interest Rates Paid				
Current Conditions	43.6	73.2	56.4	52.8
Future Expectations	37.7	71.7	52.4	50.0
Effect of Rupee Exchange Rate				
Current Conditions	30.9	77.8	49.8	49.0
Future Expectations	30.1	75.5	51.9	52.8
Supplier Delivery Times				
Current Conditions	47.3	59.6	52.8	52.9
Future Expectations	39.5	59.0	53.0	54.3
Availability of Credit				
Current Conditions	41.1	64.6	56.2	57.1
Future Expectations	40.9	67.8	59.0	59.7

Historical Records - Quarterly

	Q2 14	Q3 14	Q4 14	Q1 15	Q2 15	Quarterly Change	Quarterly % Change
MNI India Business Indicator							
Current Conditions	66.0	69.9	69.0	64.5	64.4	-0.1	-0.2%
Future Expectations	79.3	80.4	78.9	75.4	73.5	-1.9	-2.5%
Production							
Current Conditions	61.4	63.4	66.1	60.9	60.4	-0.5	-0.8%
Future Expectations	72.2	74.7	74.8	71.4	67.2	-4.2	-5.9%
New Orders							
Current Conditions	63.5	64.3	63.9	60.0	60.1	0.1	0.2%
Future Expectations	77.5	75.9	73.4	71.1	69.4	-1.7	-2.4%
Export Orders							
Current Conditions	63.4	63.3	60.5	56.8	57.0	0.2	0.4%
Future Expectations	70.1	73.4	70.3	67.7	62.9	-4.8	-7.1%
Productive Capacity							
Current Conditions	61.0	61.2	59.9	55.6	57.1	1.5	2.7%
Future Expectations	69.7	70.5	68.4	66.6	65.0	-1.6	-2.4%
Order Backlogs							
Current Conditions	52.8	50.5	51.2	48.3	46.9	-1.4	-2.9%
Future Expectations	53.5	52.9	53.0	50.3	47.5	-2.8	-5.6%
Employment							
Current Conditions	51.6	50.2	50.1	50.5	50.9	0.4	0.8%
Future Expectations	52.4	52.6	52.5	51.7	53.2	1.5	2.9%
Inventories							
Current Conditions	55.1	54.1	50.5	47.5	50.3	2.8	5.9%
Future Expectations	50.9	51.2	51.5	47.7	48.3	0.6	1.3%
Input Prices							
Current Conditions	63.6	61.0	55.5	52.6	58.4	5.8	11.0%
Future Expectations	57.3	59.6	53.2	53.6	55.8	2.2	4.1%
Prices Received							
Current Conditions	56.0	55.3	52.7	50.8	51.6	0.8	1.6%
Future Expectations	58.1	57.9	55.0	53.2	55.1	1.9	3.6%
Financial Position							
Current Conditions	69.1	69.8	68.6	66.1	66.3	0.2	0.3%
Future Expectations	78.4	78.6	77.2	74.2	72.4	-1.8	-2.4%
Interest Rates Paid							
Current Conditions	53.4	50.4	51.0	46.8	44.0	-2.8	-6.0%
Future Expectations	48.9	46.5	44.5	39.8	41.4	1.6	4.0%
Effect of Rupee Exchange Rate							
Current Conditions	48.9	51.8	50.8	48.1	46.1	-2.0	-4.2%
Future Expectations	56.1	55.1	54.7	52.6	49.4	-3.2	-6.1%
Supplier Delivery Times							
Current Conditions	52.9	52.3	52.5	51.0	48.3	-2.7	-5.3%
Future Expectations	56.0	54.0	53.8	51.6	49.4	-2.2	-4.3%
Availability of Credit							
Current Conditions	61.5	62.8	58.6	58.0	58.6	0.6	1.0%
Future Expectations	64.8	65.0	60.7	61.3	58.4	-2.9	-4.7%

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