

## *Position of Order Books, Inventories and Capacity Utilisation for the Quarters April 2015 to March 2016\**

*This annual article, fourth in the series<sup>1</sup>, presents the findings of quarterly Order Books, Inventories and Capacity Utilisation Survey (OBICUS) of manufacturing sector companies, conducted during April 2015 to March 2016 (covering 30<sup>th</sup> to 33<sup>rd</sup> rounds). The year-on-year growth in average new orders of sample companies was marginally positive till Q3:2015-16 but it contracted in Q4:2015-16. No significant accumulation to the inventory levels of the sample companies was observed during FY:2015-16. Level of capacity utilisation (CU) in the Indian manufacturing industry continued to be in the lower trajectory in FY:2015-16. CU recorded a seasonal pick-up in Q4:2015-16 and stood at 74.1 per cent, similar to the level recorded in Q4:2014-15.*

### **I. Introduction:**

The Reserve Bank of India has been conducting Order Books, Inventories and Capacity Utilisation Survey (OBICUS) of Indian manufacturing companies on a quarterly basis since 2008. Results of the survey rounds are regularly disseminated on the RBI website. The sampling method used for OBICUS is purposive (non-random). The survey schedule is canvassed among a fixed panel of 2,500 manufacturing companies with a good mix of size and nature of activity. However, responding to the survey is voluntary and it has not been possible to obtain responses from all the companies in all the quarters.

\* Prepared in the Division of Enterprise Surveys of Department of Statistics and Information Management, Reserve Bank of India, which is based on the findings of 30<sup>th</sup> to 33<sup>rd</sup> round of OBICUS survey. The summary tables are provided in the Annex. The survey findings (data release) of individual survey rounds are available on the website of the Bank..

<sup>1</sup> The previous article "Position of Order Books, Inventories and Capacity Utilisation for the Quarters October 2013 to March 2015" was published in September 2015 issue of the RBI Monthly Bulletin. The survey results are based on the replies of the respondents and are not necessarily shared by the Reserve Bank of India.

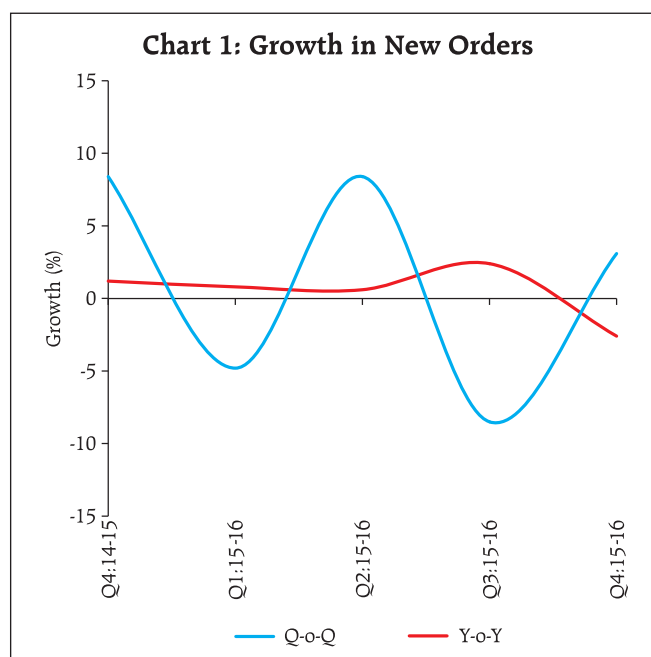
The information collected in the survey includes quantitative data on new orders received during the reference quarter, backlog orders at the beginning of the quarter, pending orders at the end of the quarter, total inventories with breakup of work-in-progress (WiP) and finished goods (FG) inventories at the end of the quarter and item-wise production in terms of quantity and value during the quarter *vis-à-vis* the installed capacity from the targeted group. The level of capacity utilisation (CU) is estimated from the above data.

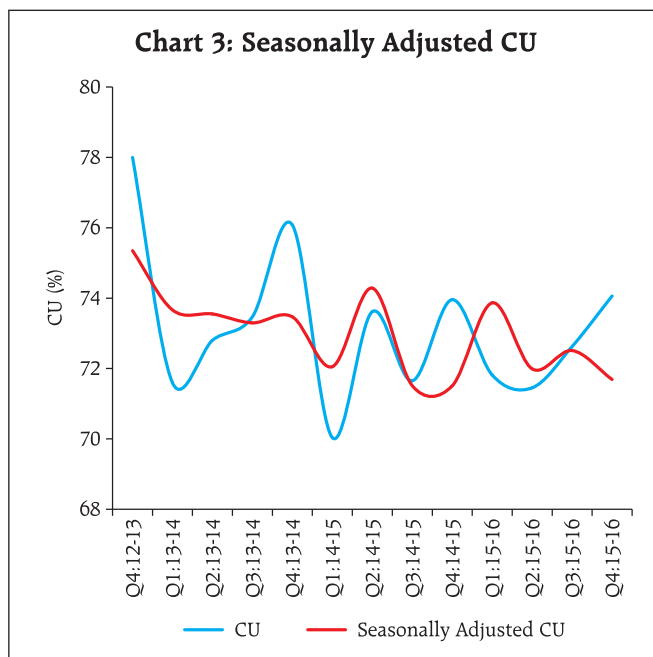
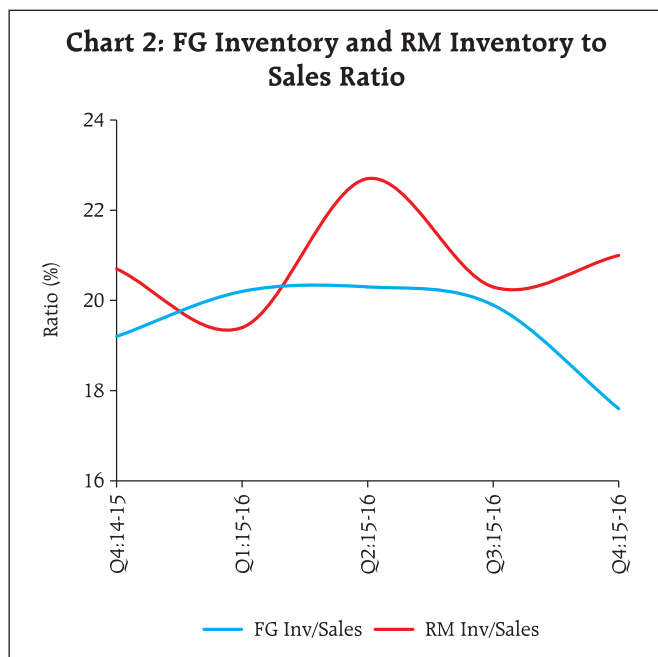
In this article, position of order books, inventories and capacity utilisation of Indian manufacturing sector during the financial year 2015-16 is discussed. The latest estimates available for the respective quarters through different rounds are presented in **Annex**.

### **II. Findings of Survey:**

#### **II.1 Order Books Growth**

The year-on-year (y-o-y) growth in average new orders of sample companies picked up in Q4:2014-15 and remained marginally positive till Q3:2015-16. However, it contracted again in Q4:2015-16. On a quarter-on-quarter (q-o-q) basis, new orders growth fluctuated between contraction and expansion in FY:2015-16. The q-o-q growth moved into the positive territory in Q4:2015-16 (Chart 1).





**II.2 Inventory to Sales Ratio**

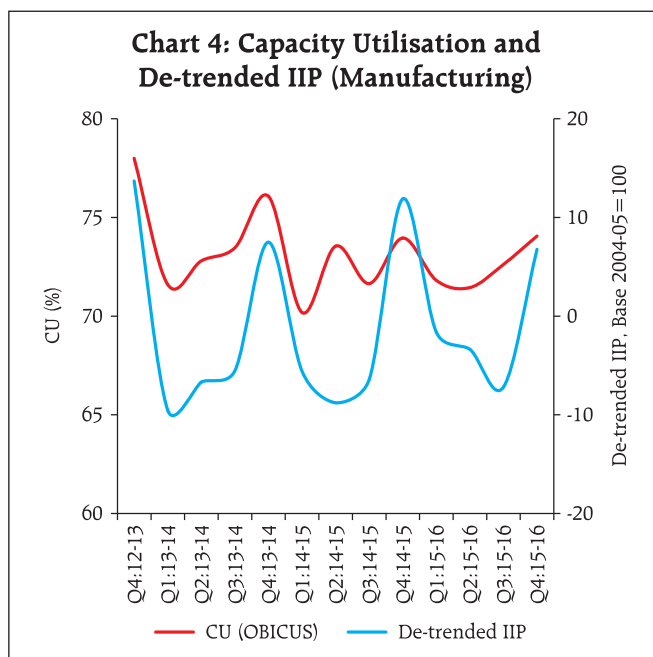
There was no significant accumulation in the inventory levels during the year 2015-16. During the period under reference, the average raw material (RM) inventory to sales ratio fluctuated in the range of 19-23 per cent. Moreover, it remained lower in most of the quarters as compared to the position a year ago. The average finished goods inventory to sales ratio hovered around 20 per cent till Q3:2015-16 and then dropped in the last quarter. The ratio stood at a lower level in Q4:2015-16, as compared to the position a year ago (Chart 2).

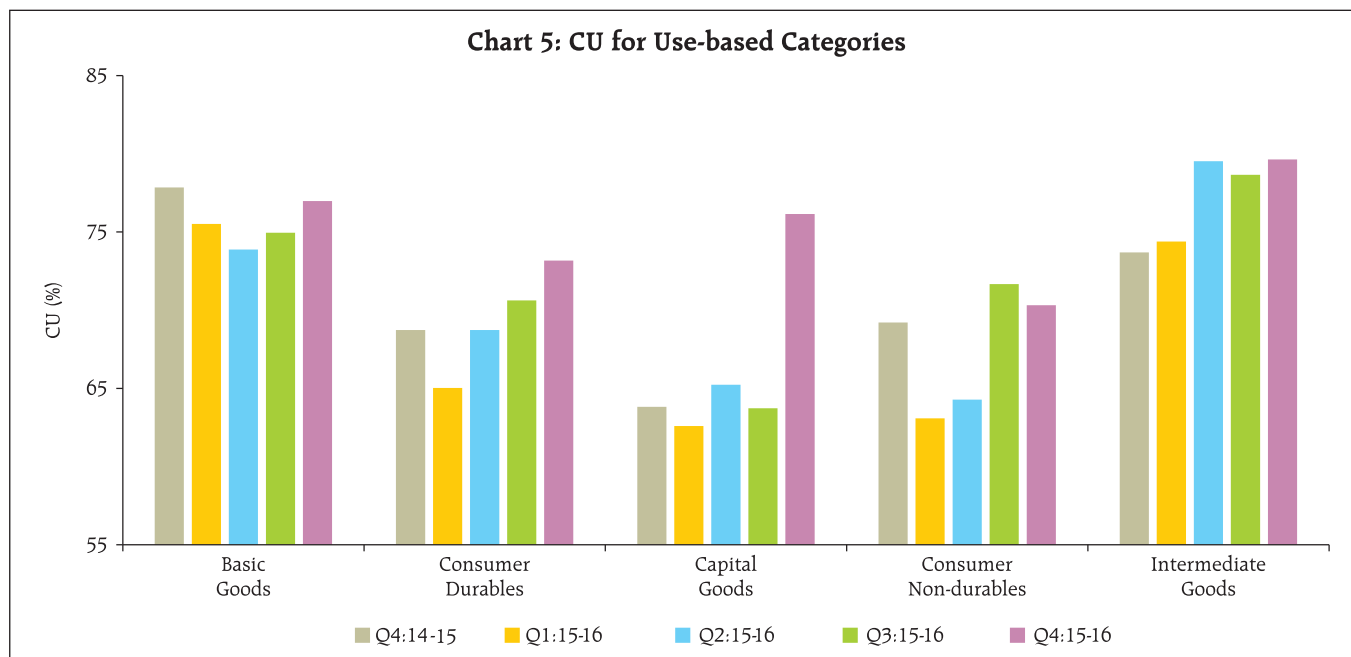
**II.3 Capacity Utilisation**

Capacity utilisation in the Indian manufacturing industry continued to be in the lower trajectory in 2015-16. However, on a quarterly basis, the CU levels in FY:2015-16 were marginally higher to the levels in FY:2014-15, except in Q2:2015-16. The CU recorded seasonal pick-up in Q4:2015-16 and stood at 74.1 per cent, similar to the level recorded in Q4:2014-15. However, after adjusting for seasonality, the CU was marginally lower in Q4:2015-16 from Q3:2015-16 (Chart 3).

The movements in CU remained broadly in line with the movements in the de-trended IIP for manufacturing sector (Chart 4).

A further disaggregated analysis of CU in terms of use-based categories indicates that the basic goods and intermediate goods categories continued to witness higher levels of CU throughout the year 2015-16.





Q4:2015-16 witnessed sharp rise in CU level in the capital goods category (63.7 per cent to 76.1 per cent). This is followed by the consumer durables (70.6 per cent to 73.2 per cent) and the basic goods (75.0 per cent to 77.0 per cent) segments. In contrast, the CU level in the consumer non-durables declined in Q4:2015-16 (Chart 5).

### III. Validation of results of different rounds of Surveys (Round 30 to Round 33):

The survey indicators undergo some changes from one round to another due to changes in the constituent sample of companies<sup>2</sup> (ranges are indicated in respective tables). However, the above changes may not pose much problem as long as the trend observed in earlier rounds is retained. Overall, it is observed that there were some variations in the key indicators due to change in the

constituent set of companies but the broad trend remained similar.

### IV. Concluding Observations:

The demand conditions in the Indian manufacturing sector continued to remain subdued, as can be reflected from the trajectory of capacity utilisation. The latest round of the survey indicates a seasonal pick-up in the capacity utilisation in Q4:2015-16, which is largely driven by the surge in the capital goods followed by basic goods and consumer durables. The year-on-year growth in average new orders of sample companies was marginally positive till Q3:2015-16 but it contracted in Q4:2015-16.

Overall, Indian manufacturing sector did not appear to witness any turnaround, as indicated by the survey results.

<sup>2</sup> For the purpose of analysis, a common sample of companies for 5 quarters (including the reference quarter) is considered so that q-o-q and y-o-y growths can be compared. In this process, estimates of each business indicator (*viz.*, new orders growth, inventory ratios and CU) can be obtained from 5 successive rounds of survey.

## Annex - Data Tables

**Table 1: Final Estimates for Order Books Y-o-Y growth**

Quarter	Based on	No. of companies	Order Books Y-o-Y growth (%)	Range <sup>#</sup>
Q1:2014-15	Round 30	508	10.2	NA
Q2:2014-15	Round 31	373	12.6	(10.3,12.6)
Q3:2014-15	Round 32	366	-8.9	(-8.9,-3.9)
Q4:2014-15	Round 33	305	1.2	(-1.8,1.2)
Q1:2015-16	Round 33	305	0.8*	(0.8,4.7)
Q2:2015-16	Round 33	305	0.6*	(0.1,0.6)
Q3:2015-16	Round 33	305	2.4*	(2.4,4.6)
Q4:2015-16	Round 33	305	-2.6*	NA

\*These growth figures are provisional estimates from Round 33.

#Range indicates the high and the low of the indicator in various rounds.

**Table 2: Final Estimates for Finished Goods (FG) Inventories to Sales Ratio (%)**

Quarter	Based on	No. of companies	FG Inv/Sales (%)	Range <sup>#</sup>
Q1:2014-15	Round 30	1070	17.3	NA
Q2:2014-15	Round 31	723	19.6	(19.2,19.6)
Q3:2014-15	Round 32	743	17.9	(17.8,17.9)
Q4:2014-15	Round 33	615	19.2	(18.9,19.3)
Q1:2015-16	Round 33	615	20.2*	(20.2,20.4)
Q2:2015-16	Round 33	615	20.3*	(20.3,20.5)
Q3:2015-16	Round 33	615	19.9*	(19.9,20.2)
Q4:2015-16	Round 33	615	17.6*	NA

\*These ratios are provisional estimates from Round 33.

# Range indicates the high and the low of the indicator in various rounds.

**Table 3: Final Estimates for Capacity Utilisation (CU)**

Quarter	Based on	No. of companies	CU level (%)	Range <sup>#</sup>
Q1:2014-15	Round 30	1233	70.2	NA
Q2:2014-15	Round 31	949	73.6	(73.6,73.6)
Q3:2014-15	Round 32	941	71.7	(70.7,71.7)
Q4:2014-15	Round 33	901	74.0	(73.5,74.1)
Q1:2015-16	Round 33	901	71.8*	(71.3,71.8)
Q2:2015-16	Round 33	901	71.4*	(70.6,71.4)
Q3:2015-16	Round 33	901	72.6*	(72.5,72.6)
Q4:2015-16	Round 33	901	74.1*	NA

\*These CU levels are provisional estimates from Round 33.

# Range indicates the high and the low of the indicator in various rounds.