



Bombay Chamber
of Commerce & Industry

**Bombay Chamber
of Commerce & Industry**

ECONOMIC OUTLOOK SURVEY

(July, 2021)

**(Based on Inputs Received from
Members of Bombay Chamber)**

Economic, Policy Research
& Development Committee

TATA POWER

EZ CHARGE

TATA POWER

SOLAROOOF

Tata Power is India's largest integrated power company and, together with its subsidiaries & jointly controlled entities, has an installed/ managed capacity of 12,808 MW. A pioneer in the field, it has a presence across the entire power value chain - generation of renewable as well as conventional power including hydro and thermal energy, transmission & distribution, coal & freight, logistics and trading. With nearly 3.9 GW of clean energy generation from solar, wind, hydro and waste heat recovery accounting for 31% of the company's portfolio, Tata Power is a leader in clean energy generation. In line with the company's view on sustainable and clean energy development, Tata Power is steering the transformation of utilities to integrated solutions by looking at new business growth in distributed generation through rooftop solar and micro grids, storage solutions, EV charging infrastructure, ESCO, home automation & smart meters. It has successful public-private partnerships in generation, transmission & distribution in India namely 'Tata Power Delhi Distribution Ltd.' with Delhi Vidyut Board for distribution in North Delhi; 'Tata Power Ajmer Distribution Ltd.' with Ajmer Vidyut Vitran Nigam Ltd. for distribution in Ajmer; 'Powerlinks Transmission Ltd.' with Power Grid Corporation of India Ltd. for evacuation of Power from Tala hydro plant in Bhutan to Delhi; 'Maithon Power Ltd.' with Damodar Valley Corporation for a 1050 MW Mega Power Project at Jharkhand and recently entered into public-private partnership for Northern, Central, Western and Southern part of Odisha namely, "TP Northern Odisha Distribution Limited (TPNODL)", "TP Central Odisha Distribution Limited", "TP Western Odisha Distribution Limited" and "TP Southern Odisha Distribution Limited". Tata Power is serving around 12 million distribution consumers in India and has developed the country's first 4000 MW Ultra Mega Power Project at Mundra (Gujarat) based on super-critical technology.

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FOREWORD

Regulatory measures and healthy business environment not only critical for industrial growth but are equally important for economic growth. To highlight some challenges of doing business in India involving economic development in general and industrial development in particular, Bombay Chamber launched an annual Economic Outlook Survey in 2018 under the auspices of Economic Policy Research & Development Committee of Bombay Chamber. This survey analyzes primary data and draws conclusion to understand the scenario from the viewpoint of the respondents who are member of Bombay Chamber and belongs to the business community.

The recent survey, we conducted between June ,2021 and July 2021 in partnership with TATA Power and ICICI Bank asserts the fact that the impact of the second wave on economic activity has not been as severe as was seen during the first wave. The findings suggest to convert unorganized players into organized ones to facilitate doing business in India and create an enabling ecosystem.

This document would not have been possible without the critical inputs provided by the highly experienced and nationally and internationally reputed experts comprising Dr. Sachchidanand Shukla, Chair, Economic Policy Research & Development Committee, Bombay Chamber and Chief Economist Mahindra & Mahindra, Indranil Pan, Co-chair, Economic Policy Research & Development Committee, Bombay Chamber and Chief Economist ,YES BANK and Dr. Sugeeta Upadhyay, Joint Director and Secretariat, Economic Policy Research & Development Committee, Bombay Chamber.

I would like to thank TATA Power and ICICI Bank for being our valuable member and supporting this survey work.

The Chamber expects, the survey findings will initiate discussions on policy making and prompt related action between both policy makers and member enterprises.



Ms. Anjali Bansal

President, Bombay Chamber,
Founder, Avaana Capital and Former Chairperson Dena Bank

PREFACE

An invisible enemy has caused enormous grief in terms of lives, hit us all with an economic catastrophe impacting livelihoods and at the same time has forced 'change' and 'transformation' in many ways. Indeed, the COVID-19 pandemic and its economic and social impacts have disrupted nearly all aspects of life for everyone in the society and businesses of all shapes and sizes.

The Covid-19 crisis has affected data collection activities of national statistical systems around the world including in India. Beyond that, given the uncertainties and a large number of moving pieces, deciphering key trends on growth, inflation, employment or inequality and using them for policy inputs has become difficult after Covid. To avoid exacerbating the impact of the crisis and in building societal resilience, governments need to gain meaningful cues from data so as to design inclusive and fair recovery measures that leave no one behind. Sometimes, headline data can also mask economic weaknesses in specific areas. With this as the backdrop, the role of surveys has assumed more importance now than before.

The Bombay Chamber of Commerce and Industry (BCCI) conducts Economic Outlook Survey periodically to solicit inputs from member companies on business challenges faced, access to funding and macroeconomic policies. This edition of the Outlook Survey has an additional focus on COVID-19 and also tends to highlight some comparatives with previous surveys to gauge the damage. The previous survey was conducted and submitted to the RBI in July 2020.

Based on survey findings from Bombay Chamber's membership 121 organisations from 11 sectors, this policy brief outlines some interesting facets such as resilience of businesses on one side and some common business concerns on the other. This survey highlights some challenges of doing business as also highlights the disadvantages from high costs of doing business in India. The same provides inputs for regulatory review and can also form critical inputs for the State and Central Government and also the RBI for corrective actions.

To begin with, the impact of the 2nd wave on economic activity has not been as severe as was seen during the 1st wave. While confidence level has dropped after the 2nd wave, a majority of the respondents do believe that top line growth will be positive in FY 22. In addition, some rationalisation in the behaviour of economic agents is expected with respondents asserting that they will again resort to cost cutting in FY22 to manage the P&L pressure but they expect this pressure to be limited.

Furthermore, last mile credit availability is an area that needs to be looked into as over half of the respondents said that they are not sure whether the recent measures announced by the RBI for credit flows to SMEs/MSMEs/MFIs are adequate.

In conclusion, this survey highlights the way in which Covid-19 is changing business behaviours and while exposing vulnerabilities is also probably helping businesses to adapt to sudden and unforeseen shocks and thus build resilience.



Dr. Sachchidanand Shukla

Chair, Economic Policy Research & Development Committee,
Bombay Chamber of Commerce and Industry and Chief Economist,
Mahindra Group



Mr. Indranil Pan

Co-Chair, Economic Policy Research & Development Committee,
Bombay Chamber of Commerce and Industry and Chief Economist,
YES Bank

SAMPLE FOR THE SURVEY

SURVEY COMPOSITION

Around 67% of the respondents in the latest July Survey belonged to senior management and represented industries, banking and service sector as against 76% in July 2020.

However, almost an identical 33% of the respondents are organizational heads or belong to the senior management cadre in this survey as against 34% in the July 2020 survey.

As for size and composition of companies that participated in the survey:

- Larger companies consisted of 42% in July 2021 vs 40% in the July 2020 survey
- Midsized companies comprised 43% in July 2021 as against 30% in July 2020
- Small companies consisted of a lower 15% in July 21 vs 30% in July, 2020

KEY HIGHLIGHTS

The survey comprises findings related to three key aspects namely Business Challenges, Access to Funding & Macroeconomic policies.

With respect to BUSINESS CHALLENGES, it reveals:

- **Input prices & refund from government bodies:** The challenges for conducting business over the next 6-12 months could be for energy prices, demand conditions, changes in government policies and problems faced on refunds from government bodies.
- **Export Competitiveness:** The issue of 'Competitiveness' with respect to the export market is one of the more important business challenges at present and cheaper imports are acting as a hindrance to business and are considered to be somewhat important.
- **Capacity Utilisation:** The major capacity utilization is between 60 -70% vs < 60% in the previous year.

With regards to ACCESS to FUNDING and MACROECONOMIC POLICIES the Survey reveals that:

- **Availability & Cost of credit a challenge:** The respondents find challenges with respect to availability and cost of credit to the industry as important.
- **Banks remain the key intermediary:** Majority of the trade credit is accessed through banks – public / private. However, "willingness to lend" has either remained same or become more difficult compared to a year ago, implying risk assessment of borrowers have tightened.
- **No rate surprises expected from RBI:** A large proportion of participant believe that there will be no change in the monetary policy interest rate by the RBI. An extremely small share of participants (just ~10%) get loans at <7.5%. 26.7% participants get loans at >10%, even when the policy repo rate is 4%.

PART 1 - CURRENT YEAR ECONOMIC OUTLOOK SURVEY – JULY, 2021

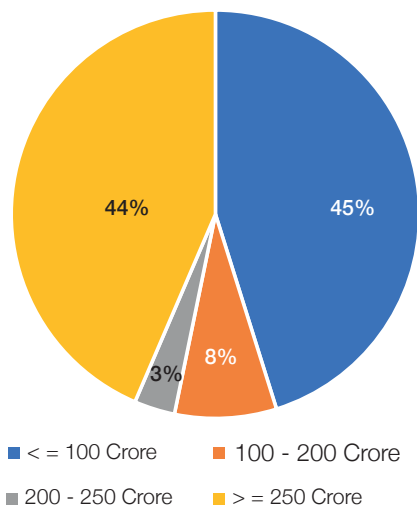
A. SAMPLE SPECIFICATION

Number of Respondents – 121 industry players ranging from micro, small, medium to large enterprises took the survey. A significant proportion of respondents had an annual turnover of less than INR100 crore or at greater than INR250 crore. The survey consisted of multiple-choice questions and was answered by founders and senior management / executives of respective companies.

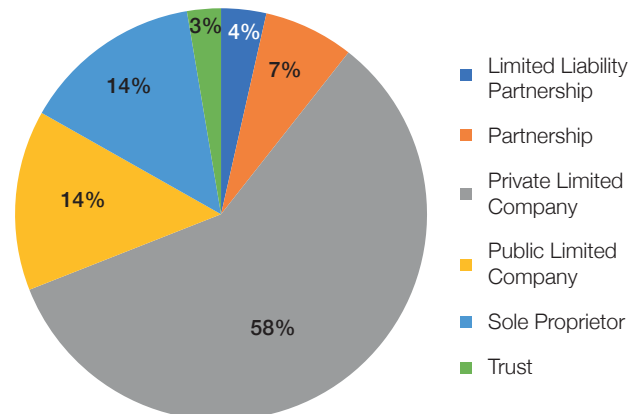
Industry Sectors – Finance had the biggest representation in the survey. Chemical, Fertilizer & Paints, Construction and Manufacturing also had a >10% representation.

SURVEY COMPANY PROFILE

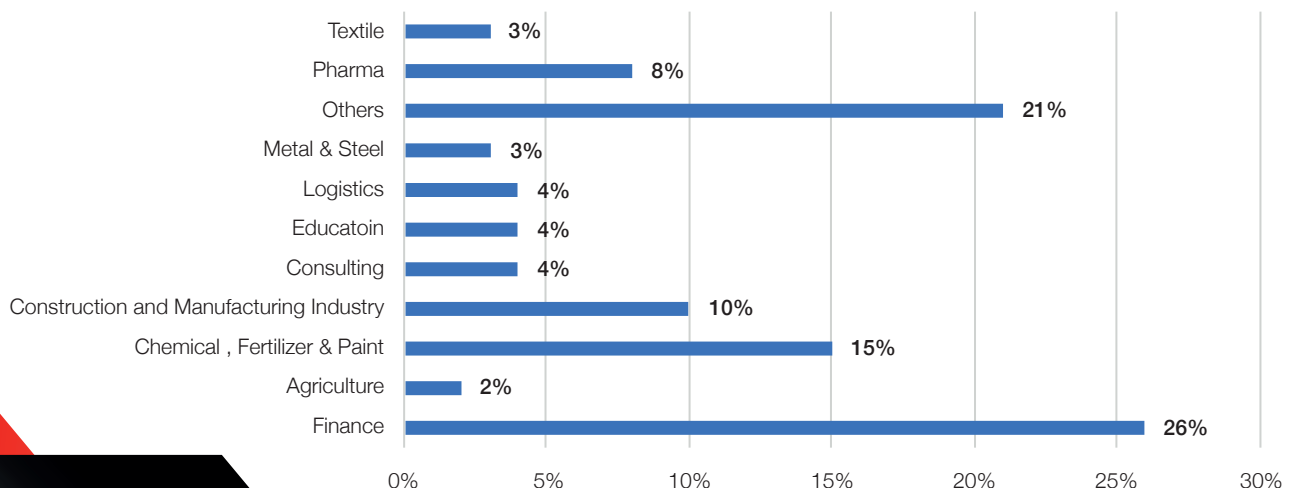
ANNUAL TURNOVER (in INR CRORE)



TYPE OF ORGANISATION

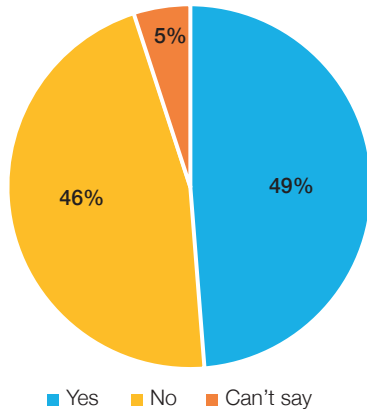


INDUSTRY

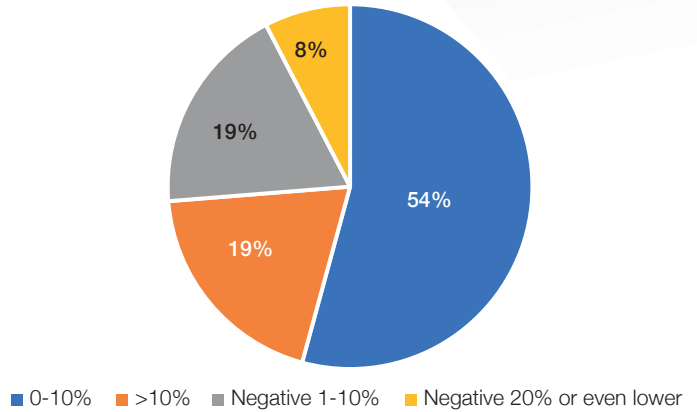


B. COVID-SECOND WAVE OF THE VIRUS

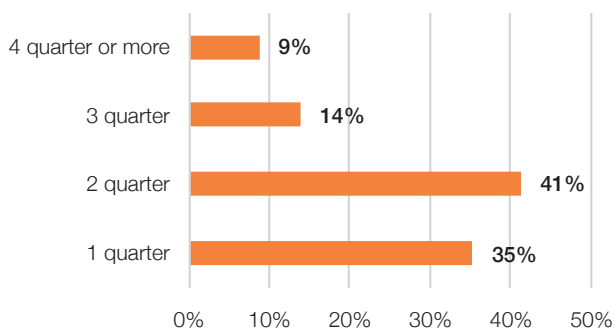
1. Has your confidence level dropped after the 2nd wave of the virus?



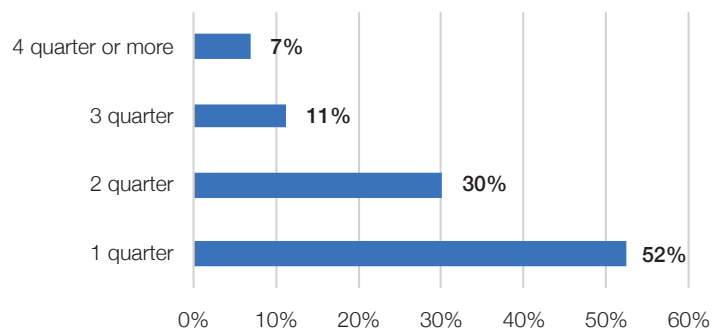
2. Extent of top line growth likely in FY22?



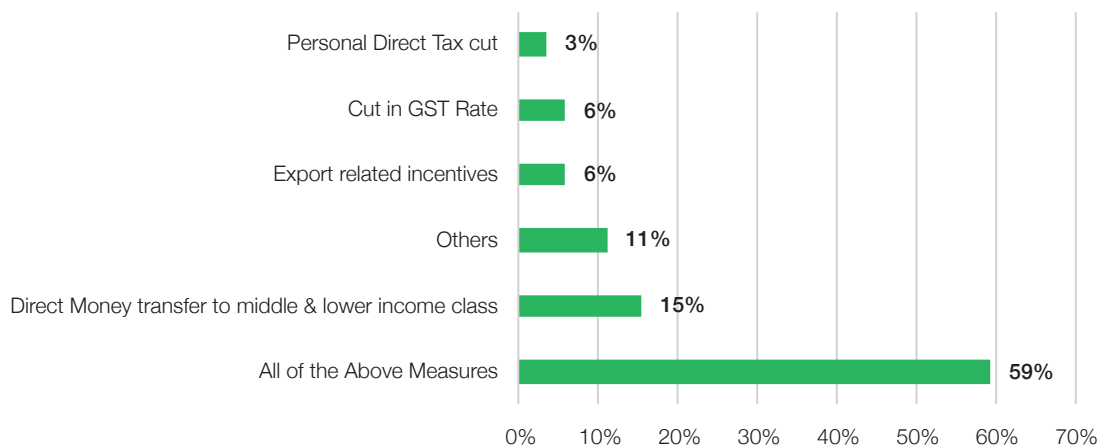
3. Your expectation on time taken for consumption to revive after 2nd wave?



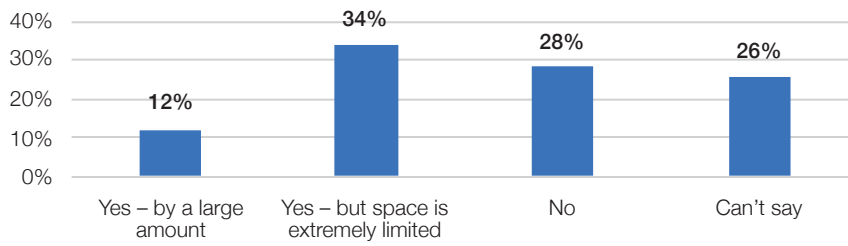
4. How many quarters you think your business will be impacted as a result of the 2nd wave?



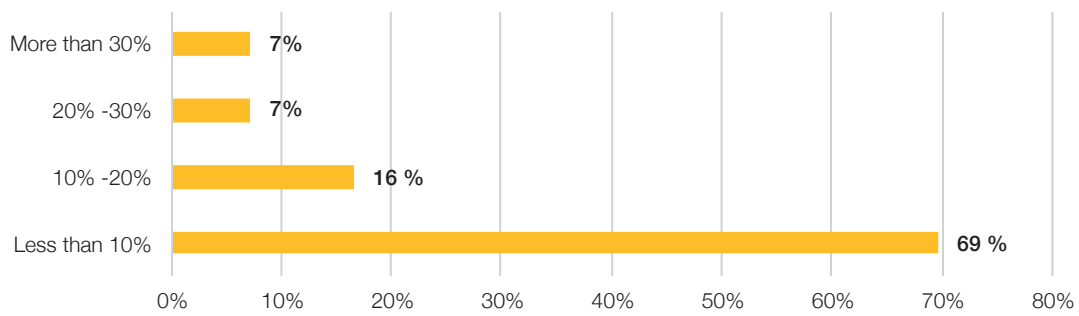
5. What could be the measures from government to revive demand in the economy?



6. Will you be again cutting costs in FY22 to manage the P&L pressures?

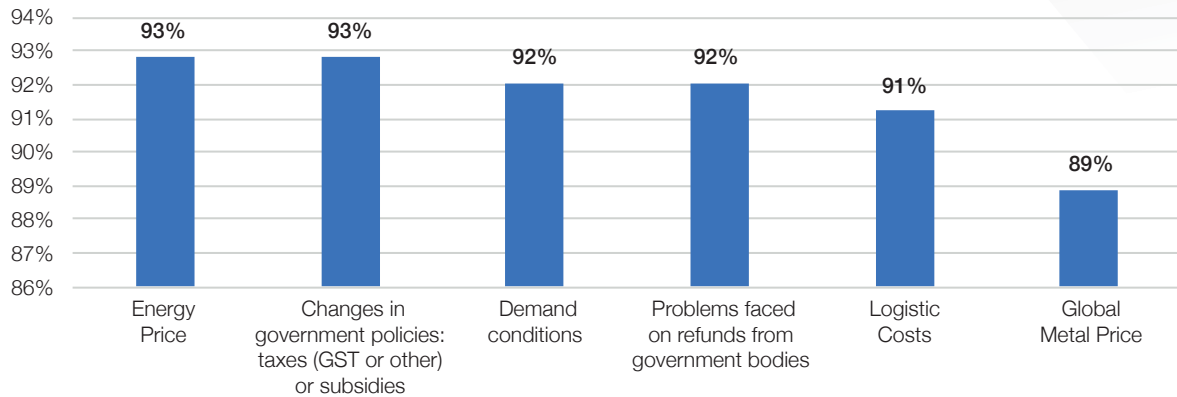


7. Will cost cutting come through reduction in HR costs, if yes how much?

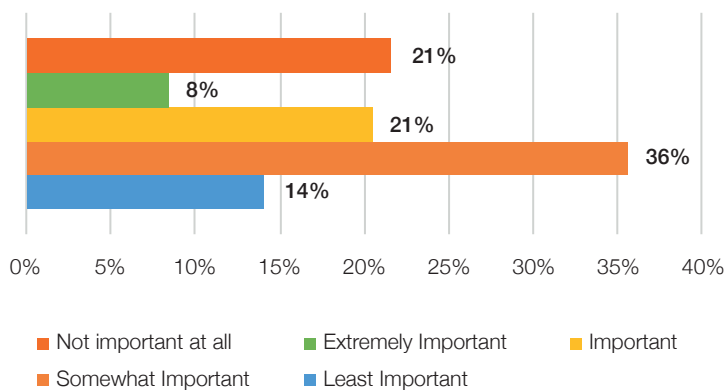


C. BUSINESS CHALLENGES

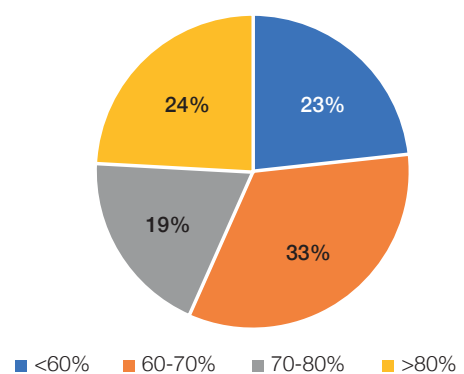
1. What could be the challenges for conducting business over the next 6-12 months?



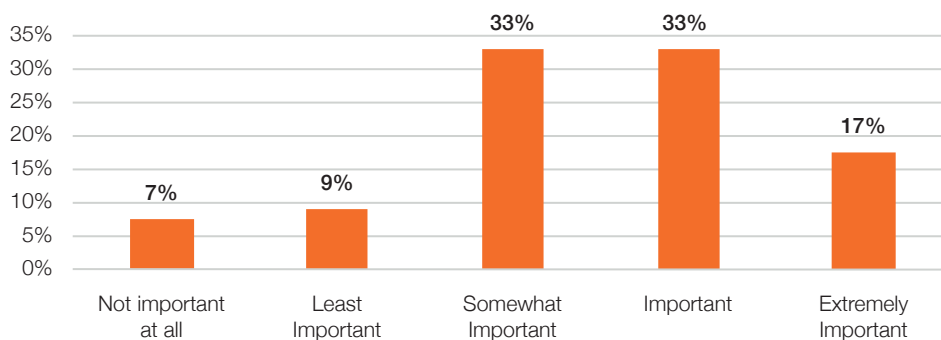
2. Are cheaper imports acting as a hindrance to your business?



3. What is the overall level of Capacity Utilization in your business at this moment?

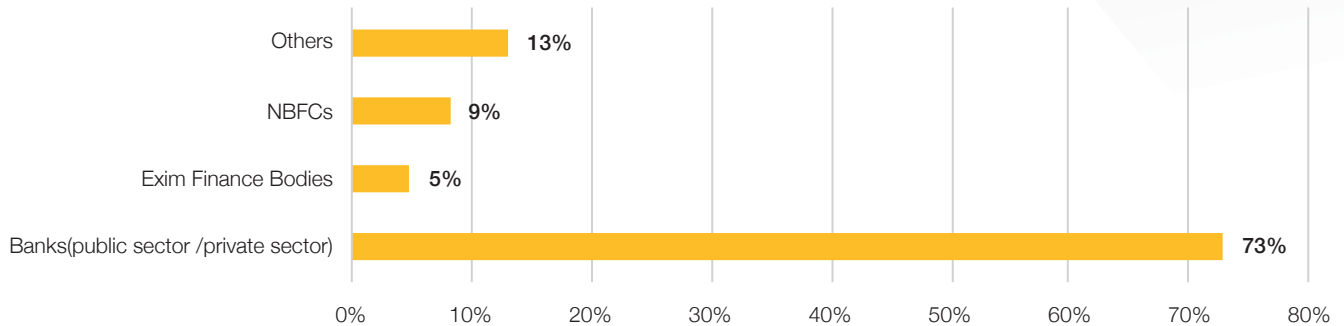


4. Is the issue of 'Competitiveness' with respect to the export market one of the important business challenges at present?

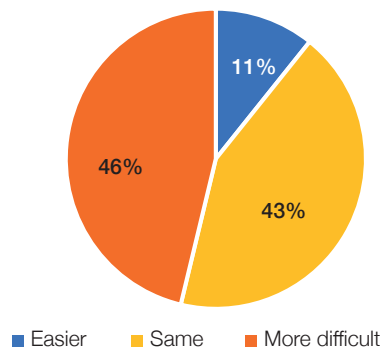


D. ACCESS TO FUNDING

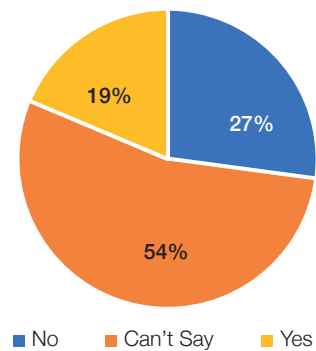
1. From who do you access Trade Credit (including for exports & imports) for your business?



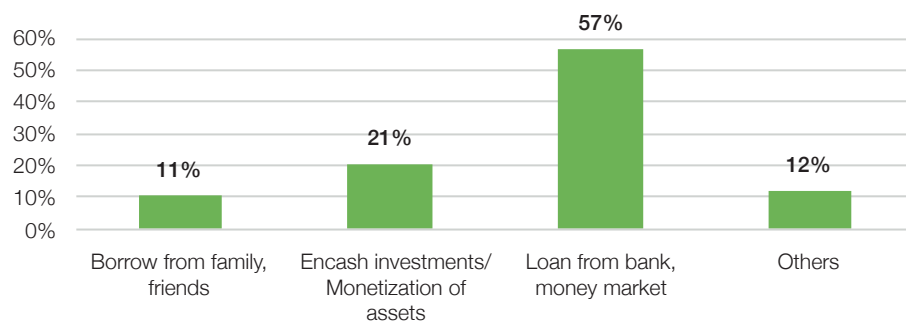
2. Has your lender's willingness (based on risk rating) to lend to you changed in 2021 than a year ago?



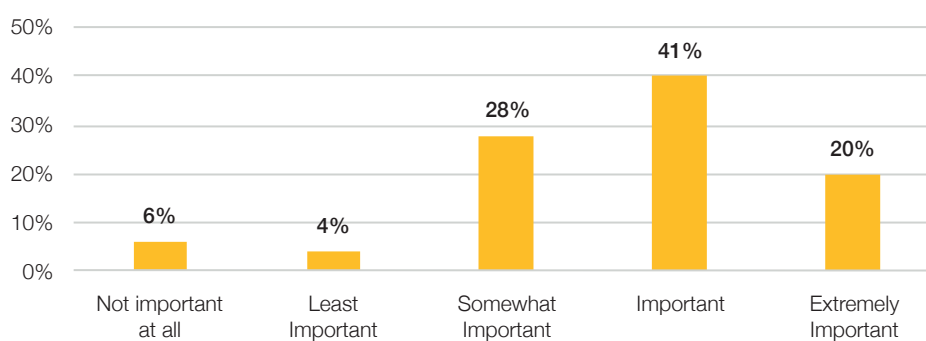
3. Do you think measures by RBI for credit flows to SMEs/MSMES/MFIs are adequate?



4. Your preferred mode for funding working capital to restart business?

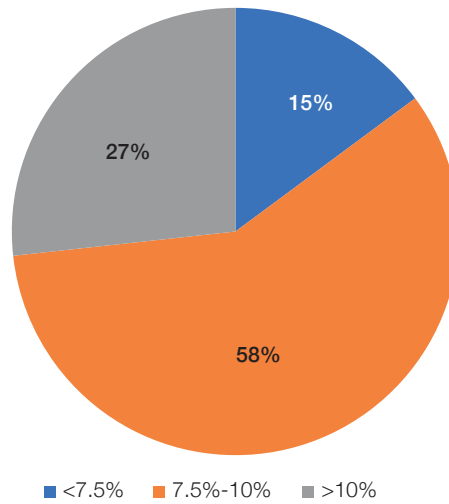


5. Rate your challenges with respect to availability and cost of credit to industry

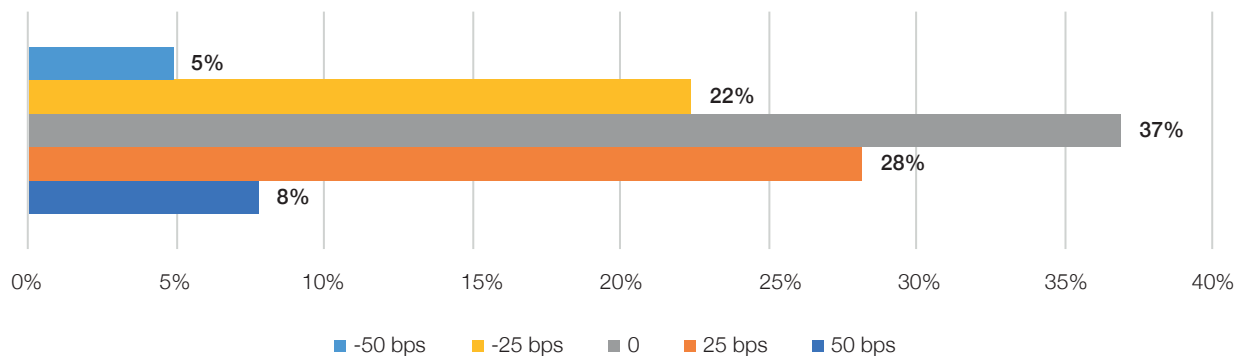


E. MACROECONOMIC POLICIES

1. The average cost of bank borrowing



2. What are your expectations on the changes in RBI's Repo Rate in the next 6 months?



PART II – APPENDIX

A. ILLUSTRATIVE COMMENTS RELATED TO RESPONSES

I. COVID-SECOND WAVE OF THE VIRUS

Elucidate what more can be done for MSMEs

FUNDING FACILITATION	TAX RELATED FACILITATION	CREATING MARKET PLACE FOR MSME	OTHERS
<p>Easy Loan Facility and financing is required: many do not have enough working capital. The payment cycle with clients is around 60 days which is very high. But to stay in market, one has to agree to the payment terms. Many times, it crosses the 60-day mark too</p> <p>WC Capital loans should be granted without requirement of any other security; interest should be very minimal for MSME companies</p> <p>An MSME Fund Should be set up by Government with banks and corporate participation; each bank should set up its own fund with corporate customer participation</p> <p>Guarantee loans & remove taxes for 2 years</p> <p>Loan restructuring and ECLGS funds for MSMEs are adequate</p> <p>However, moratorium period needs extension</p> <p>Promote funding of start-ups</p>	<p>The government can consider GST deferment for three months</p> <p>Government must give additional credit based on GST and Income Tax paid during 2017-18-19-20; funding should be based on previous performance</p> <p>Provide Tax incentives especially to MSME's in non-metro cities - tax holidays or tax waivers etc.</p> <p>Rationalisation of GST Provisions for Input Tax Credit, Seamless Credit flow, Interest Subvention Scheme</p> <p>Remission of Duties or Taxes on Export Products (RoDTEP); GOI to expedite announcing the rates and conditions for the new scheme, so as to boost the confidence of the exporters</p>	<p>Build a government supported Bridge (a Web Portal for example) that can bring MSME closer to the large OEM which are looking for additional/alternate suppliers for components and devices</p> <p>Create Global market for MSME's product</p> <p>Some easy market place can be created for MSMEs where buyers and sellers can find each other and engage in business activity for mutual benefit</p> <p>Extending Trade Infrastructure for Export Sector Scheme for a further 3 year period</p> <p>Giving a push to District Export Hub, prioritising the setting up of district export promotion panels and putting in place the action plan</p> <p>Importer Exporter Code (IEC) to have an online mechanism for export-import businesses for updating their contact details</p> <p>Raise borrowing limits with the Export Import Bank of India (EXIM).</p> <p>PLI scheme implementation must have provision for sourcing from MSMEs</p> <p>Support MSME's in their Digital Transformation</p>	<p>Create nodal centres for Consulting and Advisory to enable turnaround in their businesses</p> <p>Infrastructure toning up should be prioritised by GOI by upgrading existing ports, warehouses, quality testing and certification centres, to make our exporters more competitive.</p> <p>Easy compliance and clarity of policy for existing MSMEs need to be announced</p>

II. BUSINESS CHALLENGES

What could be the challenges for conducting business over the next 6-12 months? Comment on if any - Energy prices, Global metal price, Logistics costs, Changes in government policies: taxes (GST or other) or subsidies, Demand conditions, Problems faced on refunds from government bodies.

GLOBAL METAL & OIL PRICES

- The fluctuating metal (copper) prices and that of some of the Plastics (PVC) is a constrain for negotiation of long-term contracts; this is debilitating
- Oil prices will increase inflation & costs

SUGGESTIONS

- Hedging currency through banks should be made more friendly with greater limits as per the need of business
- Easy process of refunds can ease working capital requirement and the firms can run without increasing the borrowings and the financial costs
- GST refunds are very important for exporters
- Export Incentives are also very important
- Government must think of lateral development, current focus is only on metro cities - industrial development in rural areas will reduce the pressure on metro cities.
- Special sops to be provided for Export Houses that are becoming non-competitive due to sky rocketing logistics prices. India has already lost its competitiveness of being a low-cost country and with the logistics costs, the damage is more permanent in nature esp with respect to markets such as US, South America & EU which are remunerative geographies.
- These geographies are preferring to purchase locally or from near-by countries because of increased costs and supply chain risk perceptions

III. ACCESS TO FUNDING

Is finance available to you and your channel partners? Elucidate briefly if any problem encountered and suggestions to ease up.

FINANCING NOT AVAILABLE EASILY – PROBLEMS FACED

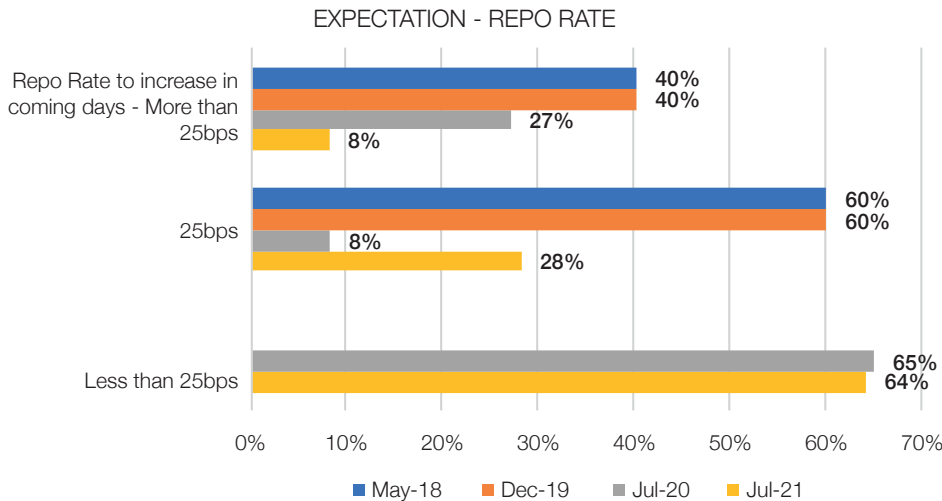
- All SME & MSME are facing liquidity issues and the Government should think of providing working capital to SME / MSMEs who are most affected
- Getting finance is difficult in spite of RBI directive
- Tedious proceedings for loan are a hindrance. The pre-decided thought that the borrower will be defaulting is very wrong perspective of the lenders.
- The interest rates are also high while the paper work sometimes are cumbersome and uncalled for. Private finances are always too costly as compared to the bank loans etc.
- Very slow decision making and irrational collateral security requirements

SUGGESTIONS

- Banks and NBFCs should set up supply chain financing and invoice factoring services. This has started but needs to be accelerated.
- Banks are asking collaterals despite the book debts and stocks. The loans should be available easily.
- Banks especially PSUs are sceptical in distribution of loans even to worthy customers and taking longer than normal to process the applications - Banks need to be more open to funding
- Banks need to consider funding beyond credit rating parameters
- Channel partners (distributors) don't have many options to borrow; the cost is high and limits are based on historical achievement. The challenge is bigger in Construction industry due to NPA in the sector. A centralized body could adopt a larger view and extend working capital to such small and mid-size proprietary companies; based on some minimum collaterals. Channel Partners need to be financially supported.
- Finance should be made more readily available to NBFCs for on lending to MSME customers from banks, larger NBFCs.
- GST Refunds should be automatic and faster for all Export consignments.
- In Organized space there is no challenge due to high liquidity. Government should create a scheme for unorganized players to convert them into organized players by lower tax rates so that they can also avail available finance.

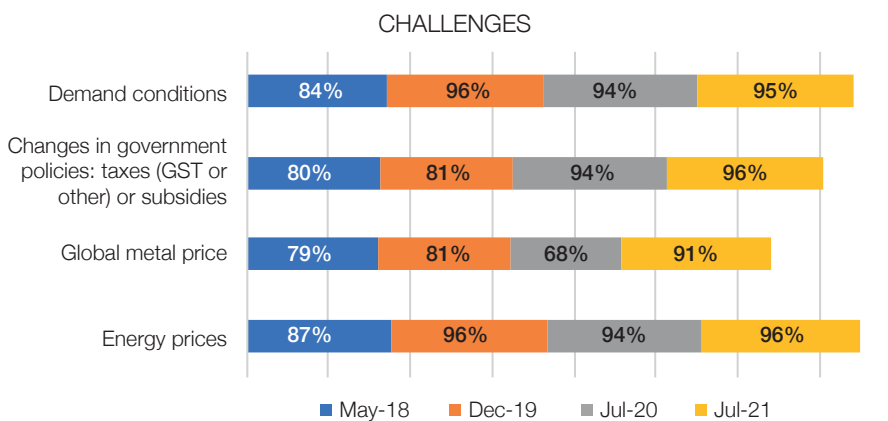
B. THE COMPARATIVE PICTURE: 2018 – 2021

1. Expectations for RBI's Repo Rate changes



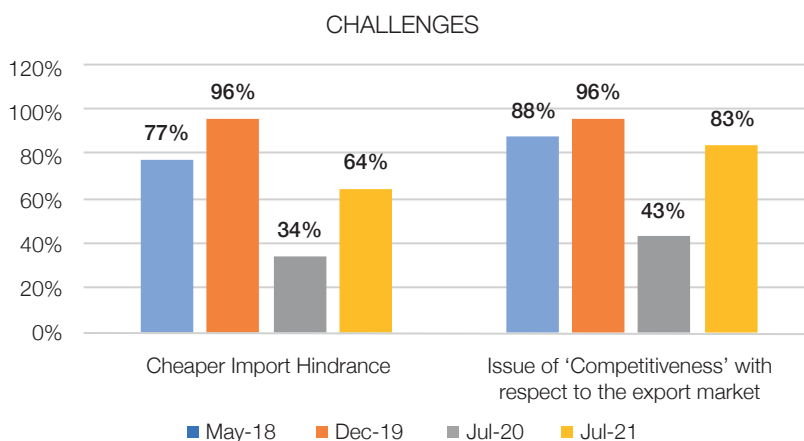
Interestingly, most respondents expect a <25 bps rate hike (an unconventional benchmark vs the usual denomination of 25 bps).

2. Challenges for conducting business over the next 6-12 months



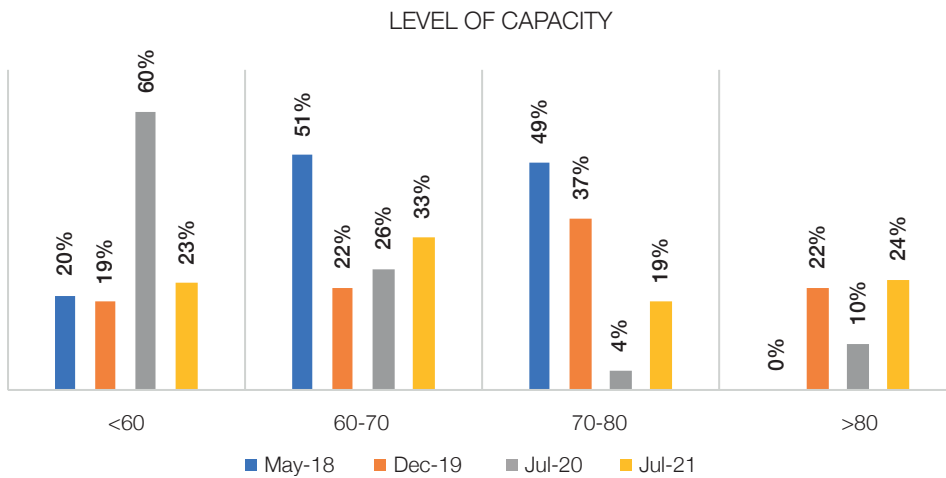
Demand conditions are clearly a big worry now but government policies (taxes/subsidies) seem an even bigger concern.

3. Issue of 'Competitiveness' with respect to the export market as a business challenge



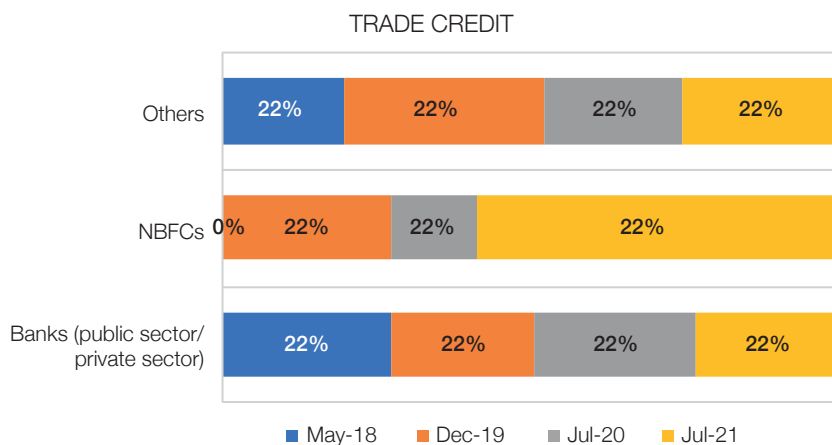
Participants see competitiveness pressures as also higher cost of imports as having emerged as a greater business challenge in the July 2021 survey compared to the previous one.

4. Overall levels of capacity utilization



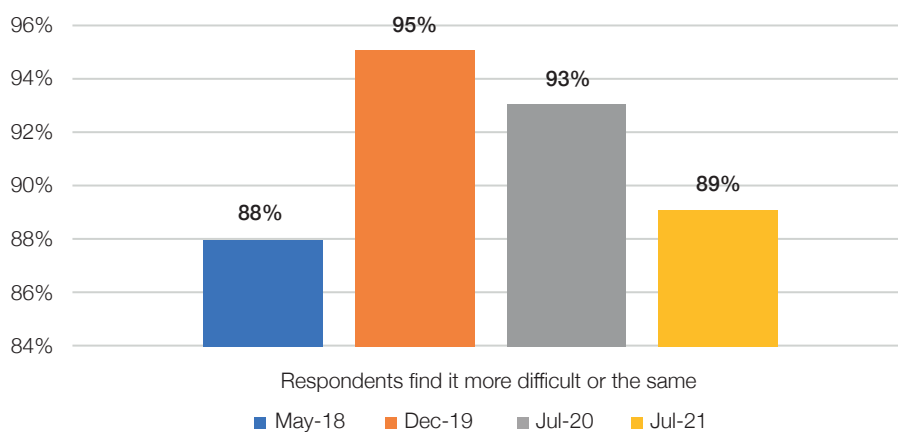
Overall levels of capacity utilization have improved compared to June 2020, low-capacity utilization of <60% is almost at pre-pandemic levels.

5. Source for Trade Credit (both exports & imports)



Banks - both private and public sector - has remained the predominant source for trade funding over the various survey periods.

6. Lower willingness of lenders (based on the risk rating of the borrower) to lend



Willingness to provide credit has tightened progressively from December 2019; importantly after the 2nd wave the risk aversion of lenders has only increased.

CONCLUDING REMARKS

Several studies seem to suggest that monetary policy measures in India typically begin to affect the real sector with a lag of about six months, a lag that is generally in tune with cross-country findings. Moreover, India being a large country, shocks to prices in a particular area could be local. Consumer Price Index data (for industrial workers) that is available for separate cities in India help us to assess the importance of this problem.

Currently, whichever data series one looks at- an increase in the ratio of trade deficit to Gross Domestic Product (GDP), decelerating ratio of fixed investment to GDP and also export to GDP - there is no dispute that the need of the hour is an industrial revival. The quality of these estimates would improve if more data on the unorganised sector, employment and capacity utilisation were available.

To address the issue, the Bombay Chamber conducts surveys periodically to solicit inputs from member companies broadly on business challenges, financial markets and macroeconomic policies. The objective has been to highlight important challenges of doing business in India involving economic development generally and industrial development in particular.

The Bombay Chamber of Commerce and Industry is India's premier Chamber of Commerce and Industry situated in Mumbai, the industrial, financial and commercial capital of India. Established in 1836, it is one of the oldest Chambers in the country and has a long and illustrious history of 185 years of continuous service to trade and industry. Based in Mumbai the commercial capital of India, the Chamber has over several thousand members and Associates (of which 2/3rds are MSMEs) and includes most reputed large and medium, professionally managed companies across sectors. While the name 'Bombay Chamber' conjures images of an organization representing exclusively a city-based membership, in reality it represents a wide spectrum of highly reputed and professionally run companies which are based in the city of Mumbai, but whose manufacturing facilities and commercial influence spread not only all over India but also internationally.

While presenting the fourth round of the Economic Outlook Survey, Bombay Chamber would like to place on record its sincere appreciation of the contribution, time and effort of the respondents of the survey, who belong to the business community. This fourth round of the Survey opined that several conventional and unconventional measures are required to ensure successful execution of policies to achieve the target of easing financial conditions to avoid demand collapse and to prevent financial markets from freezing up due to illiquidity.

The Chamber expects that this survey findings and its recommendations will facilitate the increase in efficiency and competitiveness in the overall economy by sharply focusing its attention on efficiency and competitiveness in the financial sector.



Dr. Sugeeta Upadhyay

Joint Director,
Bombay Chamber of Commerce and Industry

CORE TEAM

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**Mr. Nilesh Shah**

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Bombay Chamber and Group President & Managing Director, Kotak Mahindra Asset
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ABOUT BCCI 'CORPORATES FOR CHANGE'

The Chamber was founded in 1836 by seven Britishers and three Parsees; the Bombay Chamber of Commerce and Industry is one of the oldest Chambers in the Country. Bombay Chamber has an illustrious history of 184 years. It is registered under Section 8 of the Companies Act, 2013 (Section 25 of The Companies Act, 1956) a non-profit organisation.

The Chamber has played a significant role in supporting the development of the city. It was largely responsible for the first railway built in India-The Bombay-Thana railway completed in 1853, has representation on the Port Trust, relentless advocacy postal system led to the passing of the India Postage Act of 1854 and standardization of weights and measures, until in 1932, set up machinery for arbitration of commercial disputes in 1880, established customs of trade.

The Chamber currently has few thousand members, including a large number of SME's, most reputed large and medium, professionally managed, corporate manufacturing and commercial companies, financial institutions, multinationals, public sector companies, auditors, architects and chartered accountants who together contribute a significant portion of India's trillion dollar economy.



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