

FICCI – Dhruva

Business Confidence Survey

April 2020

Key Highlights

General

- 60% of the respondents expect the economy to be back to normalcy within 9 months.
- 72% of the respondents believe COVID-19 would have a high-level or very high-level of impact on their business.
- Key measures undertaken by the companies on account of COVID-19 include work from home, safety measures, awareness creation.

Business outlook

- In respect of mergers and acquisitions, 35% of the respondents expect there would be no impact on account of COVID-19, while 35% of the respondents expect mergers and acquisitions to be deferred for a period upto 6 or 12 months.
- In respect of FDI, ODI, 51% of the respondents expect no impact on account of COVID-19, while 39% expect to defer FDI, ODI investments for a period upto 6 or 12 months.
- In respect of approved expansion plans, 61% expect to defer such expansions for a period upto 6 or 12 months, while 33% percent expect to defer approved expansion plans for more than 12 months.
- 15% of the respondents expect to shelve their fundraising plans in light of COVID-19, while 25% of the respondents expect there would be no impact on such fundraising plans.
- 43% of the respondents expect there would be no impact on their exports on account of COVID-19, while 34% of the respondents expect a reduction of more than 10%.
- 48% of the respondents are not considering salary reductions on account of COVID-19 impact, while 35% of the respondents are considering salary reduction of more than 10%. Also, in terms of the company's inventory and supply chain, 38% and 26% of the respondents expect no impact on account of COVID-19.
- A substantial majority of the respondents do not foresee a very positive demand outlook for their business in this fiscal, with over 29% expecting a degrowth of more than 20%. A vast majority also foresee a reduction in their business cashflows and company's order book.
- Cost optimization measures being considered includes manpower rationalization, salary rationalization (especially at senior and middle management-level), appraisals/ increments/ bonuses deferral, reduction in discretionary expenses, freezing recruitments, etc.
- In respect of capacity utilization, 70% of the respondents expect to operate at a capacity of more than 50% during financial year 2020-21, while 30% of the respondents expect to operate below 50% capacity.
- In respect of job creation, 25% of the respondents expect there would be no impact on account of COVID-19, while 39% of the respondents foresee a more than 10% reduction in manpower.
- Managing costs, weak demand alongwith availability of finance and supply chain related issues have emerged as the key challenges for the businesses. While funding additional working capital, fixed costs, capital for expansion have emerged as the key financial constraints for businesses.

Government

- 69% of the respondents believe additional measures/ packages should be announced by the government on account of COVID-19 impact.
- Key expectations from the government is for tax reliefs/ incentives, ease of compliances, and demand creation. Specific support sought from the government include the following:
 - Increase in MEIS/ SEIS rates.
 - Releasing pending payments - tax refunds, arbitration awards.
 - Additional working capital from banks without collateral to enable business continuity.
 - Further cuts in lending rates.
- 72% of the respondents believe that their tax outgo to the government would reduce.