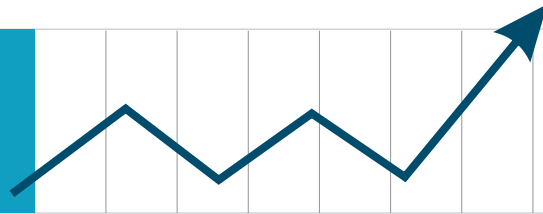


November 2016

India | Q4 2016

Dun & Bradstreet Composite CFO Optimism Index



7 Quarter
High

CFOs in the **services** sector remained more optimistic than the CFOs in the **industrial** sector for two consecutive quarters



Around **54%** of CFOs expect **cost of raising funds** from the market to decrease for Q4 2016 highest since Q2 2012

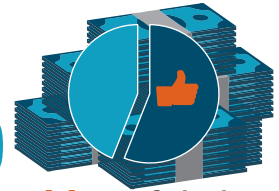


Around **87%**

of CFOs in the services sector and



Around **60%** of CFOs expect **liquidity position** of their company to improve – highest in 8 quarters



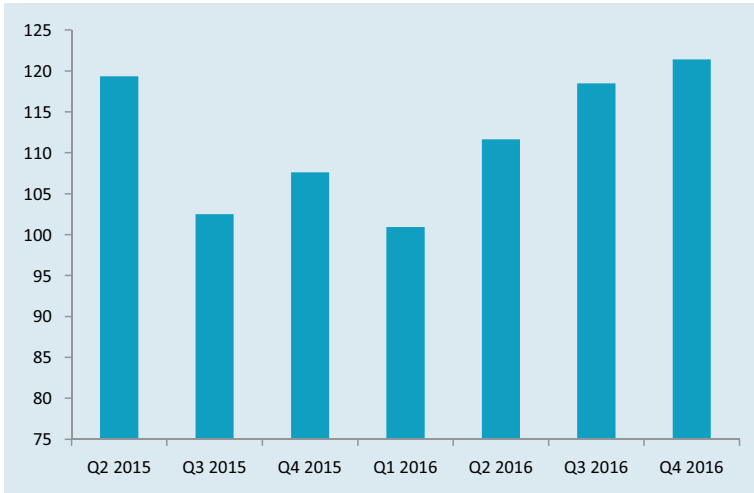
71% of CFOs in the industrial sector consider **risk management** to be their priority during the next six months



Around **90%** of the CFOs in the services sector and

81% of the CFOs in the industrial sector stated increase in **close monitoring of strategic accounts** during the next six months

CFO Optimism Index

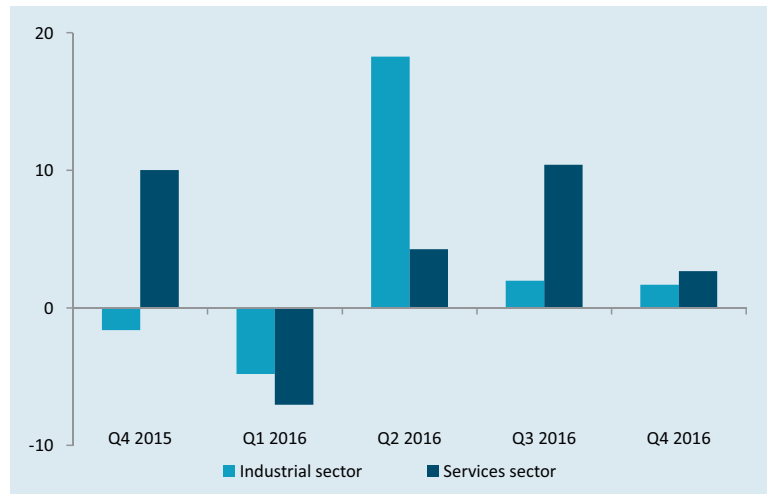


Note: Values represent index level

- Dun & Bradstreet Composite CFO Optimism Index continues to remain positive for three consecutive quarters on a q-o-q basis. The index stands at a 7 quarter high
- The Composite CFO Optimism Index for Q4 2016 increased by around 2.5% on a q-o-q basis and by around 13% on a y-o-y basis
- CFOs in the services sector continued to remain more optimistic than the industrial sector for Q4 2016 - the second quarter in a row

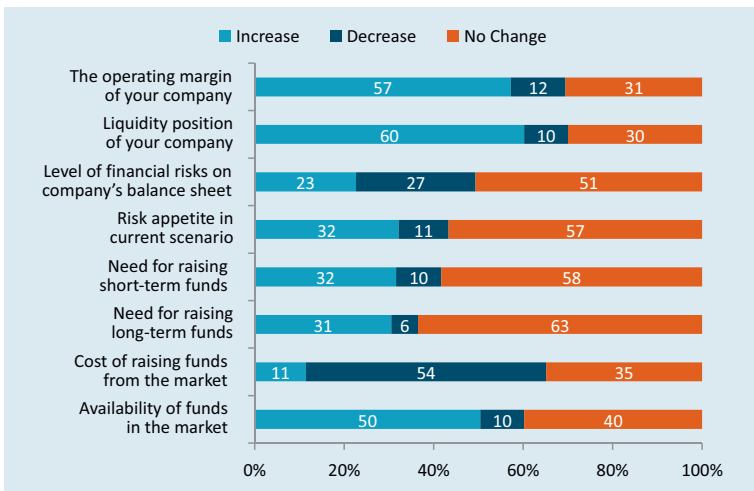
Optimism at the sectoral level

- During Q4 2016, the optimism level of the services sector increased by around 3.0% on a q-o-q basis
- The optimism level of the industrial sector grew by around 2.0% on a q-o-q basis
- The optimism for the services sector for Q4 2016 remains lower compared to previous quarter as well as same quarter last year. While optimism level of CFOs in the services sector declined for the macroeconomic condition, CFOs in the industrial sector remained optimistic for both financial condition and the macroeconomic scenario



Note: Values represent % y-o-y change

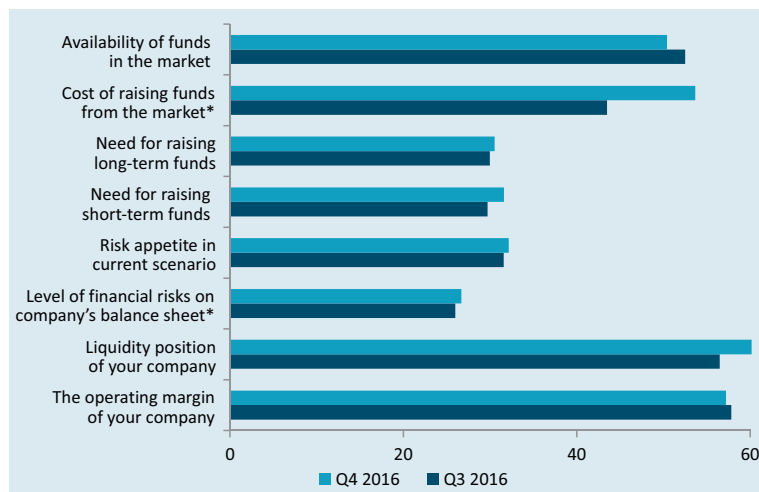
Optimism at the company level



Note: 1) Values represent % of total responses
2) Numbers are rounded off to their nearest decimal points

- Around 90% of CFOs expect liquidity position of the company to increase or remain unchanged as compared to last year
- More than 3/4th of the CFOs expect level of financial risks on company's balance sheet to decrease or remain unchanged in Q4 2016 as compared to last year
- Around 54% of CFOs expect cost of raising funds to decrease in Q4 2016 compared to 44% in Q3 2016

Optimism at the company level

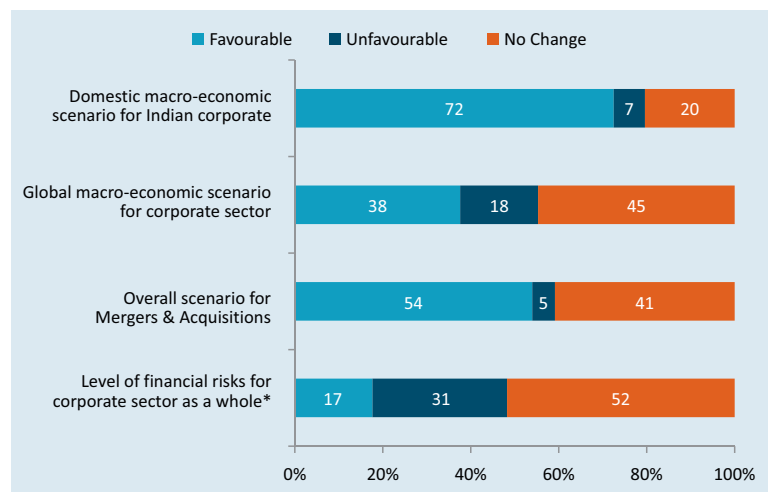


Note: 1% of CFOs indicating increase for the parameters
 *Values for the parameter represent % of CFOs indicating decrease for the respective quarters

- Optimism level on the financial performance of the company which had fallen in Q3 2016 for the CFOs in the industrial sector, turned positive in Q4 2016, while it continued to remain positive for the CFOs in the services sector
- Around 60% of CFOs expect liquidity position of their company to improve – highest in 8 quarters
- Around 54% of CFOs expect cost of raising funds from the market to decrease for Q4 2016 - highest since Q2 2012

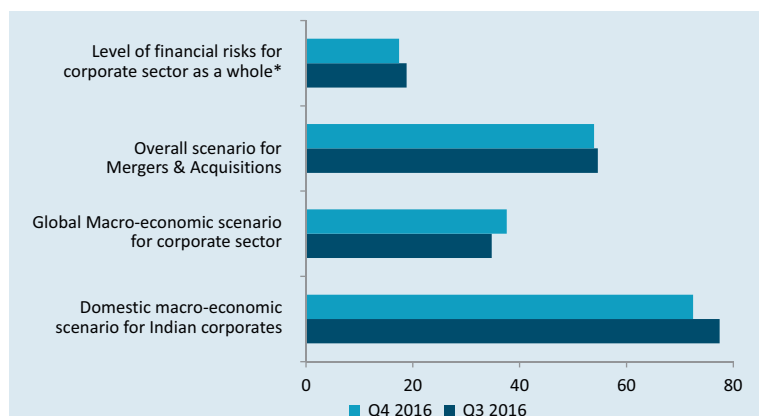
Optimism at the macro level

- Overall optimism level for the macroeconomic condition declined for Q4 2016, owing to the decline in optimism level amongst the CFOs in the services sector (-6.2%) while it remained positive, although marginally amongst the industrial sector (0.6%)
- Optimism for domestic macroeconomic scenario fell amongst the services sector for Q4 2016 while optimism for global macroeconomic condition improved on a q-o-q basis
- 59% of CFOs in the services sector are optimistic about the overall scenario for mergers & acquisitions for Q4 2016, compared to 48% of CFOs in the industrial sector



Note: 1) Values represent % of total responses
 2) Numbers are rounded off to their nearest decimal points
 *For level of financial risk for the corporate sector as a whole, unfavourable means increase

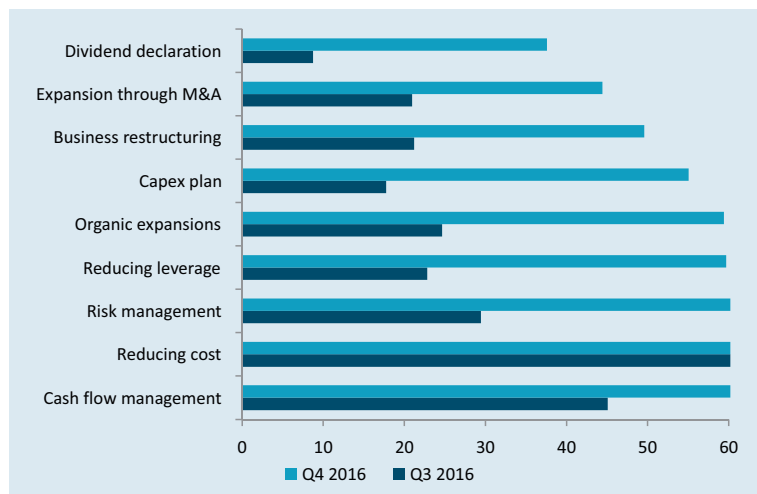
Optimism at the macro level



Note: % of CFOs indicating favourable for the parameters
 *Values for the parameter represent % of CFOs indicating decrease for the respective quarters

- Around 31% of CFOs in Q4 2016, same percentage as during Q3 2016, expect level of financial risks for corporate sector as a whole to increase - lower since Q1 2015
- More than 50% expect overall scenario for mergers & acquisitions to remain favourable, same as the last two quarters

CFO Priority during the next six months

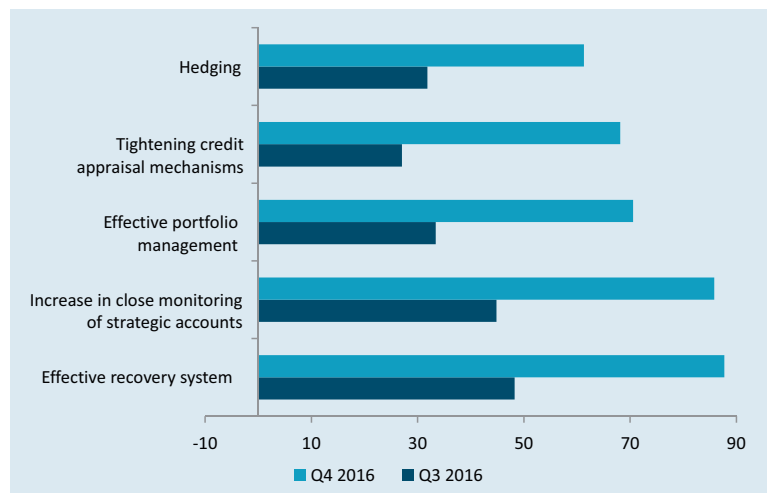


Note: % of CFO who rated each of the parameters as their strong priority

- The survey reveals that cash flow management (89%) followed by reducing cost (88%) and risk management (79%) have been considered by the respondents to be their strong priorities for the next six months
- Around 87% of CFOs in the services sector consider risk management to be their priority for the next six months as compared to 71% of CFOs in the industrial sector
- The survey also reveals that 52% of CFOs in the services sector plan to expand through M&As, as compared to 36% in the industrial sector

Risk management tool to be adopted during the next six months

- Effective recovery system (88%) followed by increase in close monitoring of strategic accounts (86%) emerged as the most preferred risk management tools during the next six months
- Around 90% of the CFOs in the services sector stated increase in close monitoring of strategic accounts during the next six months as against 81% of the CFOs in the industrial sector



Note: % of CFOs who stated each of the risk management tools to be adopted

The D&B CFO Optimism Index is arrived at on the basis of a quarterly survey of CFO expectations regarding the financial state of their company as well as overall macroeconomic scenario.

Methodology

For the purpose of conducting the survey, a sample of companies belonging to basic goods, capital goods, intermediate goods, consumer durables, consumer non-durables and the services sector is selected randomly from Dun & Bradstreet's commercial credit information file. The sample selected is a microcosmic representation of India's business community. All the respondents in the survey are asked a set of questions regarding the financial performance of their companies and the overall macroeconomic scenario for the corporate sector in the forthcoming period. The CFOs are asked to state their expectations as to whether the specified parameters pertaining to their respective companies and the overall macroeconomic scenario will register an increase, decrease or show no change in the ensuing quarter as compared to the same quarter in the previous year. Two broad indices, optimism at the company level and optimism at the macroeconomic level, each consisting of 8 and 4 sub-parameters respectively, are then designed.

CFO Optimism Index

Dun & Bradstreet introduces the Composite CFO Optimism Index from Q3 2013. The purpose of the Composite Business Optimism Index is to capture the aggregate behaviour of the two broad indices. Each of the 12 parameters under the two broad indices has a weight assigned to it. For calculating the Composite CFO Optimism Index, the positive responses for each of these parameters for the period under review are expressed as a proportion of positive responses in the base period (Q2 2012). The parameter weights are then applied to these ratios and the results aggregated to arrive at the Composite CFO Optimism Index. For the purpose of the survey, Q1 is the period between January and March, Q2 is the period between April and June, Q3 is the period between July and September and Q4 is the period between October and December each year. We trust that you will find the D&B CFO Optimism Index as a useful tool in your day-to-day decision making.

For a copy of the CFO Optimism Index, write to: **Dr. Arun Singh**, Lead Economist.

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