



February 2020

India | Q1 2020

The Composite CFO Optimism Index increased by 15.5% (q-o-q) to 123.5

The index is at a **5** year high

Optimism level for financial performance of the company is the **highest** in over three years.

An icon showing a hand with the thumb pointing up, positioned above a simple bar chart with three vertical bars of increasing height.

Optimism level for macroeconomic scenario is the **HIGHEST** in 2 years

An icon of a green mountain range with a white peak and a green flag flying from the top.

45% of CFOs indicated a decrease in the level of **financial risk** on their companies' balance sheet

Highest since Q2 2012

An orange circle with a white crack running through it, and a white rupee symbol (₹) in the center.

40% of CFOs indicated a need for raising **long-term funds** **highest** in almost five years

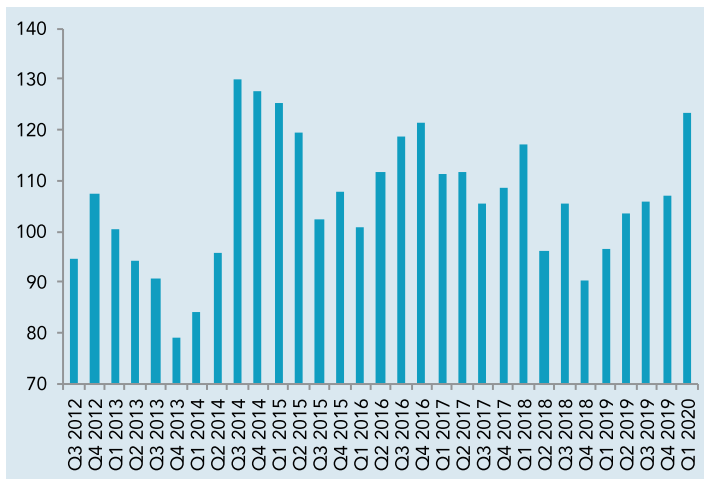
An icon featuring a green stopwatch and a blue rupee symbol (₹) inside a circle.

50% of CFOs have indicated overall scenario for **mergers & acquisitions** to be favourable during Q1 2020

HIGHEST in one and half years

An icon of two hands shaking, one orange and one grey, enclosed within a dotted circular border.

CFO Optimism Index

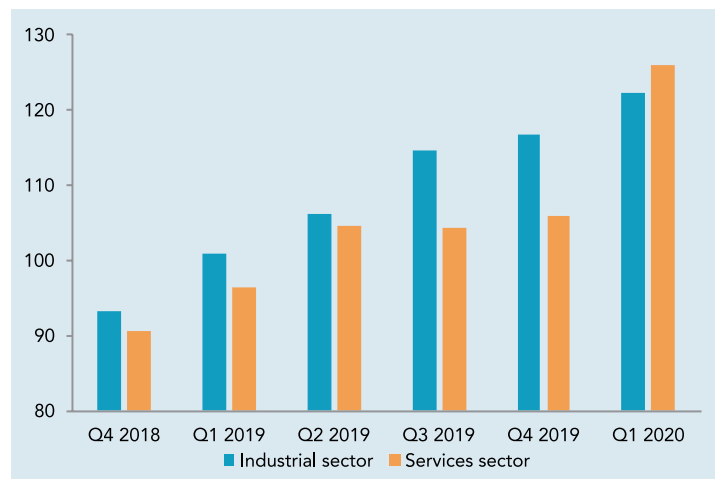


Note: Values represent index level

- The Composite CFO Optimism Index increased by 15.5%, on a q-o-q basis, to 123.5 during Q1 2020. The index is at a five-year high.
- Optimism levels for financial performance of the company increased by 20.8% (q-o-q) and optimism level for macroeconomic scenario increased by 8.1% (q-o-q)
- Optimism level for financial performance of the company is the highest in over three years. Optimism level for macroeconomic scenario is the highest in two years.

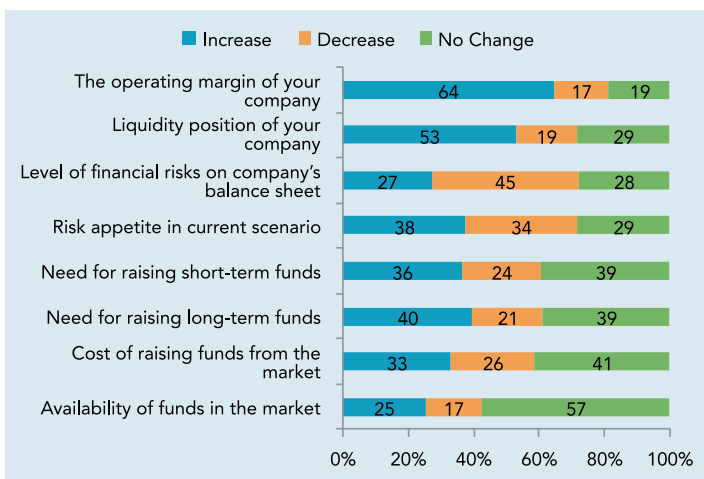
CFO optimism on a sectoral basis

- Optimism level increased by 4.7% (q-o-q) amongst CFOs in the industrial sector, and it increased by 18.8% (q-o-q) amongst CFOs in the services sector
- Optimism level amongst CFOs in the services sector for financial performance of the company is the highest since Q2 2012. Optimism level amongst CFOs in the industrial sector for financial performance of the company is the highest in three years.
- Optimism level amongst CFOs in the services sector for macroeconomic scenario is the highest in five years



Note: Values represent index level

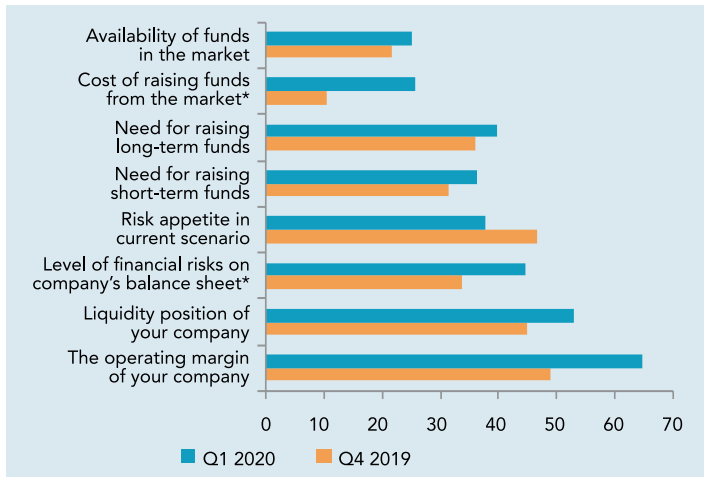
Optimism at the company level



Note: Values represent % of total responses

- 45% of CFOs indicated a decrease in the level of financial risk on their companies' balance sheet - highest since Q2 2012
- 64% of CFOs expect an increase in the operating margin of their companies – highest in one year
- 40% of CFOs indicated a need for raising long-term funds – highest in almost five years

Optimism at the company level

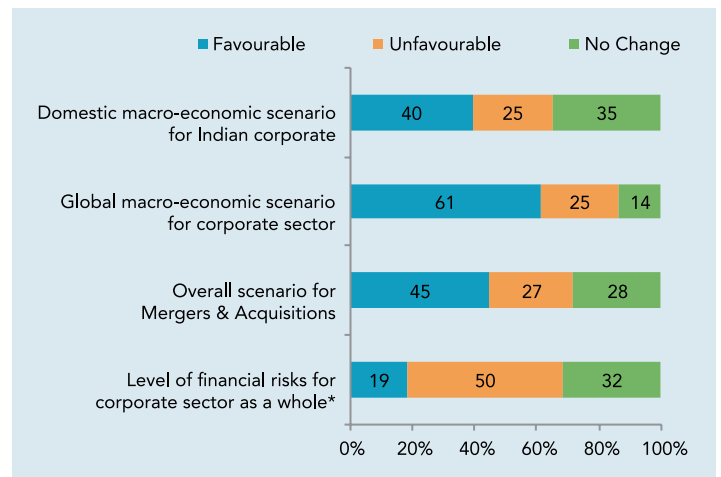


Note: % of CFOs indicating increase for the parameters
 *Values for the parameter represent % of CFOs indicating decrease for the respective quarters

- The percentage of CFOs expecting a decrease in the level of financial risk on their companies' balance sheet is the highest since Q2 2012 in both the sectors
- 28% of CFOs in the industrial sector expect the cost of raising funds from the market to decrease in Q1 2020 – highest in two years
- 40% of CFOs in the services sector as compared to 29% of CFOs in the industrial sector indicated the need for raising short-term funds

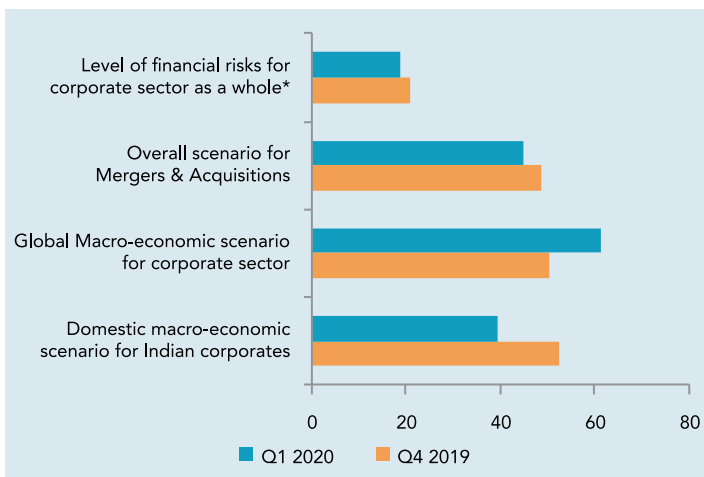
Optimism at the macro level

- 50% of CFOs have indicated overall scenario for mergers & acquisitions to be favourable during Q1 2020 – highest in one-and-half years
- 61% of CFOs expect domestic macro-economic scenario to be favourable during Q1 2020 – highest in three quarters
- 26% of CFOs expect the level of financial risks for corporate sector as a whole to decrease in Q1 2020 – barring Q3 2019, it is the highest in five years



Note: Values represent % of total responses.
 *For level of financial risks for the corporate sector as a whole, unfavourable means increase

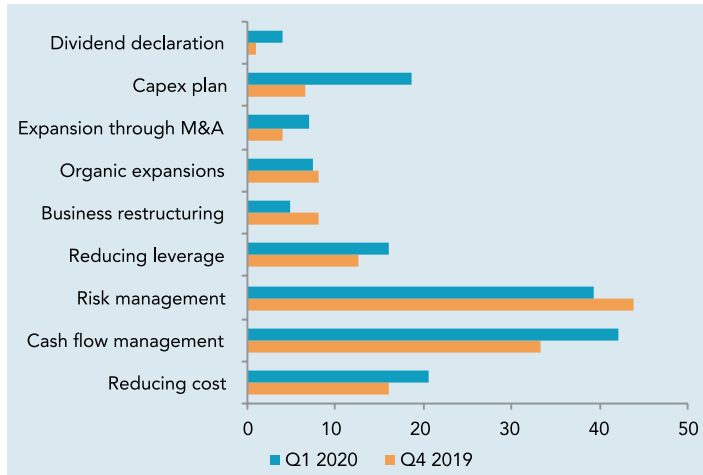
Optimism at the macro level



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

- 34% of CFOs in the industrial sector expect the level of financial risks for corporate sector as a whole to decrease in Q1 2020 – highest in seven-and-half years
- The percentage of CFOs who have indicated global macroeconomic scenario to be favourable during Q1 2020 is the highest is one-and-half years in the services sector while it is the lowest in one-and-half years in the industrial sector
- 38% of CFOs in the industrial sector have indicated overall scenario for mergers & acquisitions to be favourable during Q1 2020 – lowest in three years

CFO Priority during the next six months

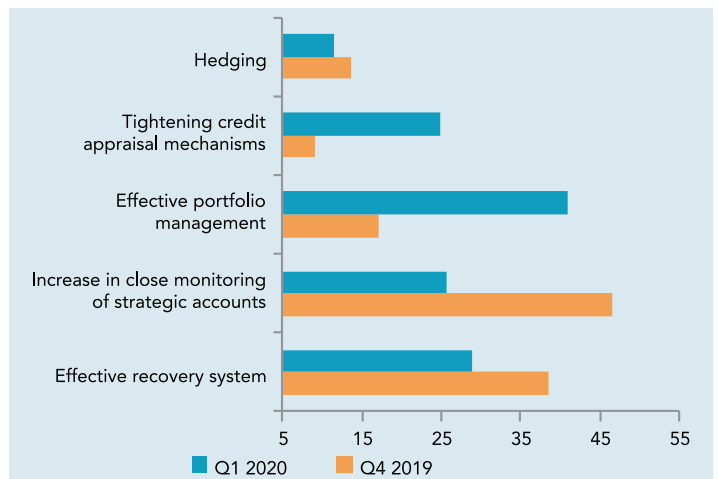


Note: % of CFOs who rated each of the parameters as their strong priority

- 5% of CFOs have stated business restructuring to be their priority in the next six months – lowest in one year
- 22% of CFOs in the services sector have stated capex plan to be their priority in the next six months - highest in three years
- 48% of CFOs in the industrial sector as compared to 35% of CFOs in the services sector have stated risk management to be their priority in the next six months

Risk management tool to be adopted during the next six months

- 26% of CFOs have stated close monitoring of strategic accounts to be their risk management tool in the next six months, lowest in six years
- 41% of CFOs have stated effective portfolio management to be their risk management tool in the next six months, highest in almost three years
- The percentage of CFOs who have stated hedging (12%) and effective recovery system (29%) to be their risk management tool in the next six months is the lowest since Q2 2012



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

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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 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 introduced the Composite CFO Optimism Index from Q3 2013. The purpose of the Composite CFO 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.

Please send your feedback to Dr. Arun Singh, Chief Economist.

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