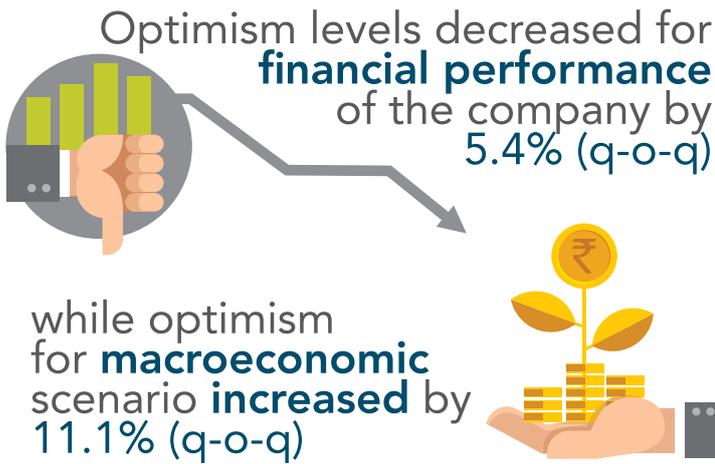


December 2019

India | Q4 2019

The Composite CFO Optimism Index remains almost unchanged



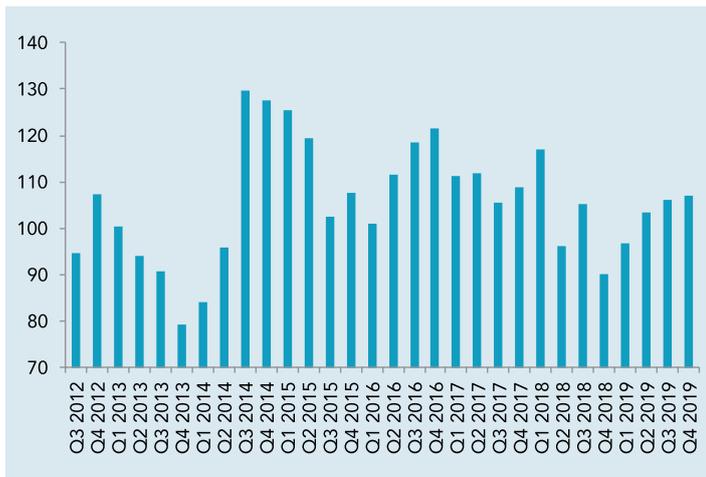
51% of CFOs expect **global macro-economic scenario** to be favourable during **Q4 2019**



48% of CFOs have indicated overall scenario for **mergers & acquisitions** to be favourable during Q4 2019 –



CFO Optimism Index

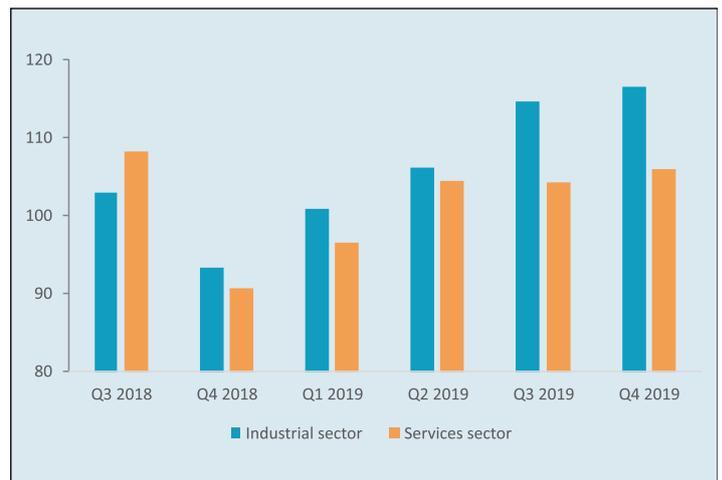


Note: Values represent index level

- The Composite CFO Optimism Index remains almost unchanged - increasing marginally by 0.9%, on a q-o-q basis, to 107.0 - during Q4 2019
- Optimism levels decreased for financial performance of the company by 5.4% (q-o-q), while optimism for macroeconomic scenario increased by 11.1% (q-o-q)
- Optimism level for financial performance of the company is the lowest in three quarters

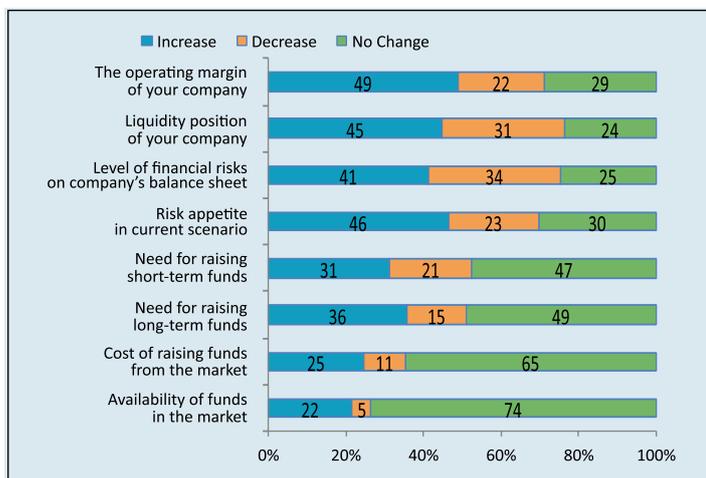
CFO optimism on a sectoral basis

- Optimism level amongst CFOs in the industrial sector increased by 1.8% (q-o-q), while it increased amongst CFOs in the services sector by 1.6% (q-o-q) in Q4 2019
- Optimism level amongst CFOs in the industrial sector for financial performance of the company remained almost unchanged
- Optimism level amongst CFOs in the industrial sector and services sector for macroeconomic scenario is the highest in six and five quarters, respectively



Note: Values represent index level

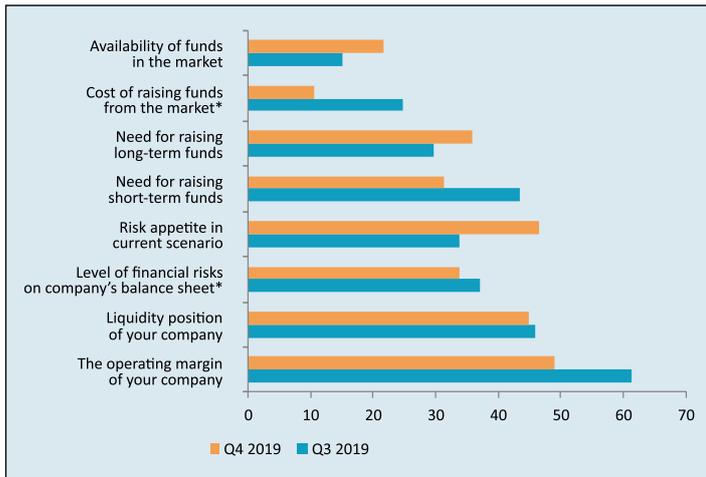
Optimism at the company level



Note: Values represent % of total responses

- 46% of CFOs indicated an increase in their risk appetite in the current scenario - highest since Q2 2012
- 49% of CFOs expect an increase in the operating margin of their companies – lowest in 11 quarters
- 36% of CFOs indicated a need for raising long-term funds – highest in 18 quarters

Optimism at the company level

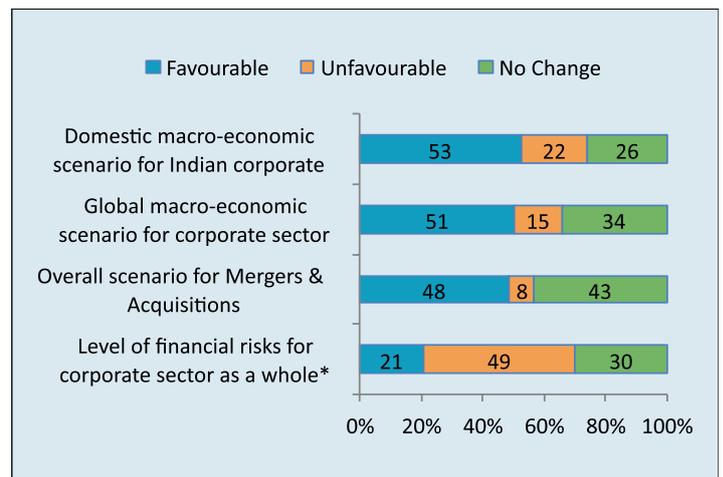


Note: % of CFOs indicating increase for the parameters
 *Values for the parameter represent % of CFOs indicating decrease for the respective quarters

- 41% of CFOs in the industrial sector expect the level of financial risk on their companies' balance sheet to decrease during Q4 2019 - highest since Q2 2012
- 30% of CFOs in the services sector indicated a need to raise short term funds – lowest in six quarters
- 41% of CFOs in the services sector expect an increase in the liquidity position of their companies – lowest in 24 quarters

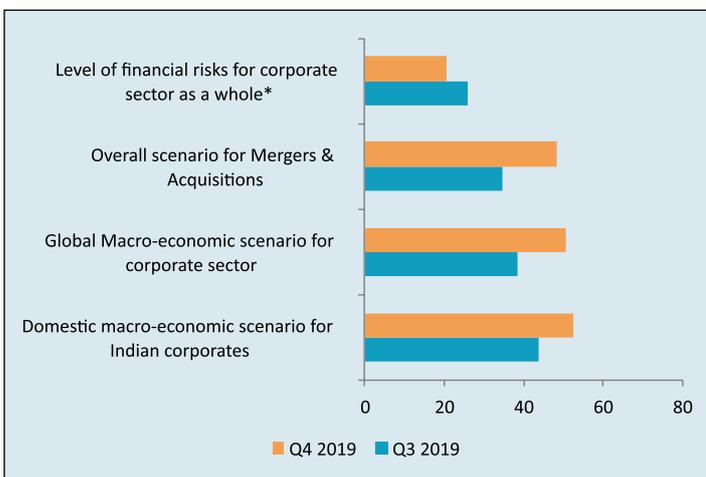
Optimism at the macro level

- 51% of CFOs expect global macro-economic scenario to be favourable during Q4 2019 - highest in 7 quarters
- 48% of CFOs have indicated overall scenario for mergers & acquisitions to be favourable during Q4 2019 – highest in 5 quarters
- 53% of CFOs expect domestic macro-economic scenario to be favourable during Q4 2019 compared to 44% during Q3 2019



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

- 24% of CFOs in the services sector as compared to 14% of CFOs in the industrial sector have indicated a decrease in the level of financial risks for corporate sector as a whole
- 64% of CFOs in the industrial sector have indicated global macroeconomic scenario to be favourable during Q4 2019 – highest since Q2 2012
- 50% of CFOs in the services sector have indicated overall scenario for mergers & acquisitions to be favourable during Q4 2019 - highest in five quarters

CFO Priority during the next six months

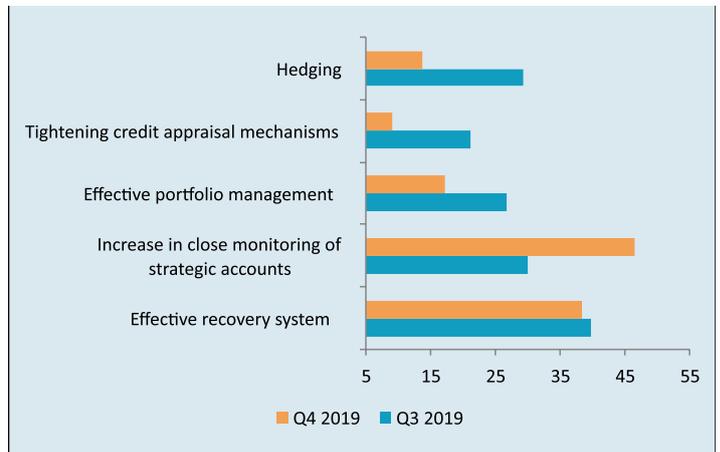


Note: % of CFOs who rated each of the parameters as their strong priority

- Percentage of CFOs stating reducing cost (16%), dividend declaration (1%) and cash flow management (33%) to be their priority in the next six months is the lowest since Q2 2012
- 44% of CFOs have stated risk management to be their priority in the next six months, highest in 11 quarters
- None of the CFOs in the industrial sector have stated dividend declaration to be their priority in the next six months

Risk management tool to be adopted during the next six months

- 46% of CFOs have stated increase in close monitoring of strategic accounts to be their risk management tool in the next six months, highest in 6 quarters
- 9% of CFOs have stated tightening credit appraisal mechanisms to be their risk management tool in the next six months, lowest since Q2 2012
- 14% of CFOs have stated hedging to be their risk management tool in the next six months, lowest since Q2 2012



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

Research Team: Dr. Arun Singh | Dipshikha Biswas | Raj Kiran

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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