

August 2019

India | Q3 2019

The Composite CFO Optimism Index remained almost unchanged, increasing slightly by 0.6% (y-o-y)

Optimism level amongst CFOs

Industrial sector
increased by

11.3%
(y-o-y)



Service sector
declined by

3.8%

(y-o-y) in Q3 2019



Optimism level for
financial performance
of the company



Highest
in six quarters

37% of CFOs
expect a **decrease**
in the level of
financial risks
on their company's
balance sheet



Highest
since Q2 2012

15%
expect an
increase in
availability of funds
in the market



Lowest
since Q2 2012

44% of CFOs
have indicated
domestic
macro-economic
scenario to be
favourable



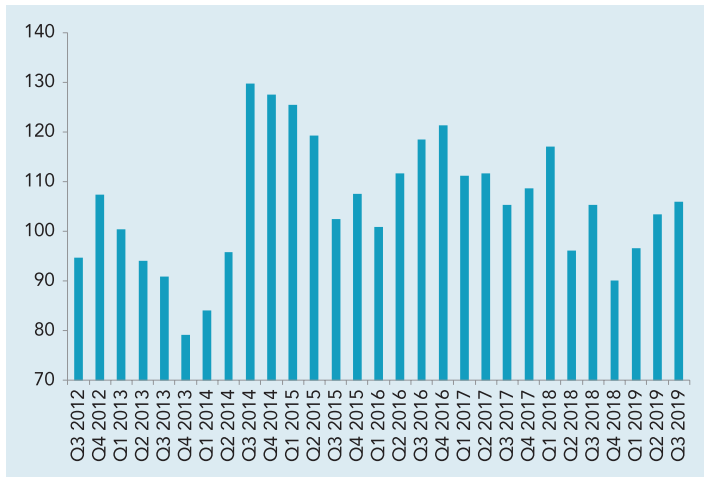
Lowest in 23 quarters

29% have stated **hedging**
to be their risk management tool
in the next six months



Highest
in three quarters

CFO Optimism Index

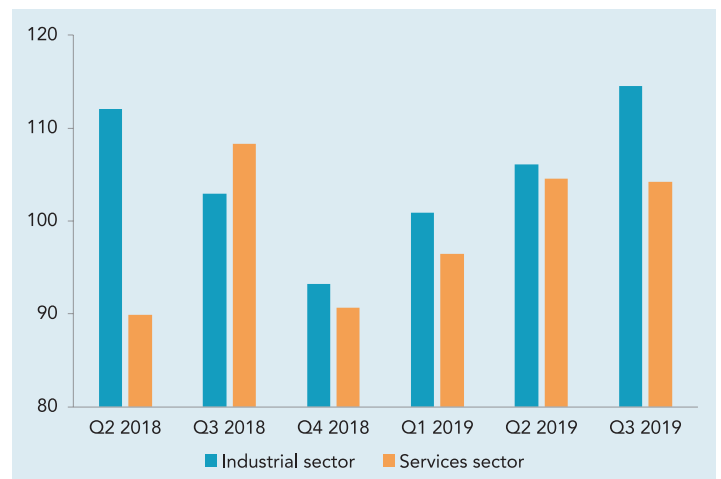


Note: Values represent index level

- The Composite CFO Optimism Index increased by 0.6%, on a y-o-y basis, to 106.0 during Q3 2019
- Optimism levels increased for financial performance of the company by 10.5% (y-o-y), while optimism for macroeconomic scenario declined by 12.1% (y-o-y)
- Optimism level for financial performance of the company is the highest in six quarters

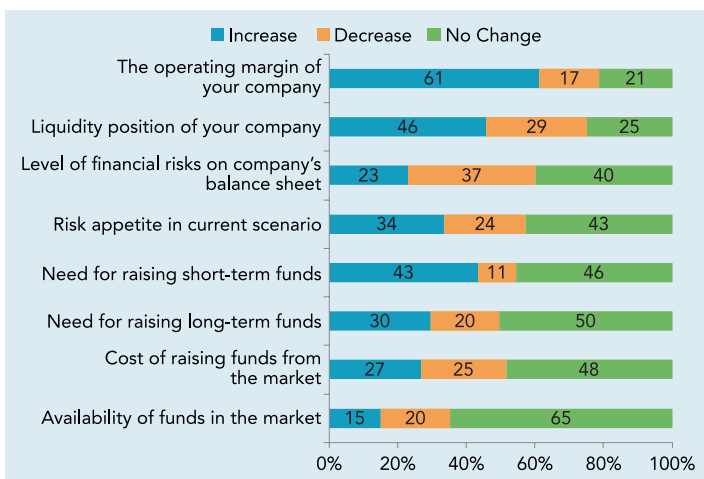
CFO optimism on a sectoral basis

- Optimism level amongst CFOs in the industrial sector increased by 11.3% (y-o-y), while it declined amongst CFOs in the services sector by 3.8% (y-o-y) in Q3 2019
- Optimism level for financial performance of the company is the highest in six quarters in both the sectors
- Optimism level amongst CFOs in the services sector for macroeconomic scenario is the lowest in three quarters



Note: Values represent index level

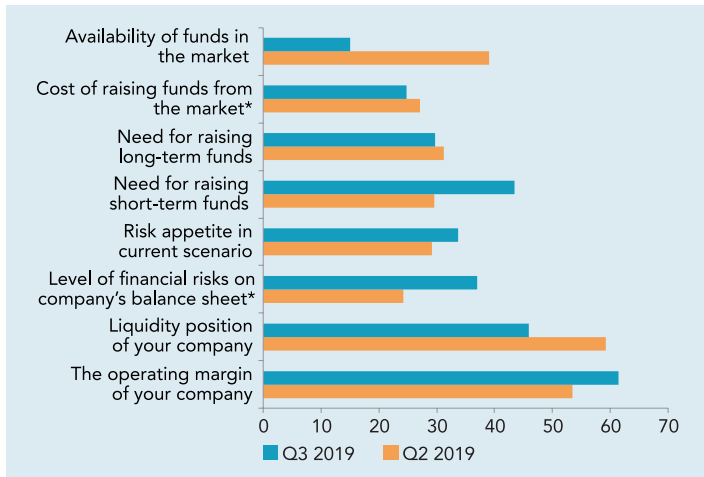
Optimism at the company level



Note: Values represent % of total responses

- 37% of CFOs expect a decrease in the level of financial risks on their company's balance sheet - highest since Q2 2012
- 43% of CFOs indicated a need for raising short-term funds - highest in 25 quarters. 31% of CFOs indicated a need for raising long-term funds - lowest in seven quarters
- 15% of CFOs expect an increase in availability of funds in the market - lowest since Q2 2012

Optimism at the company level

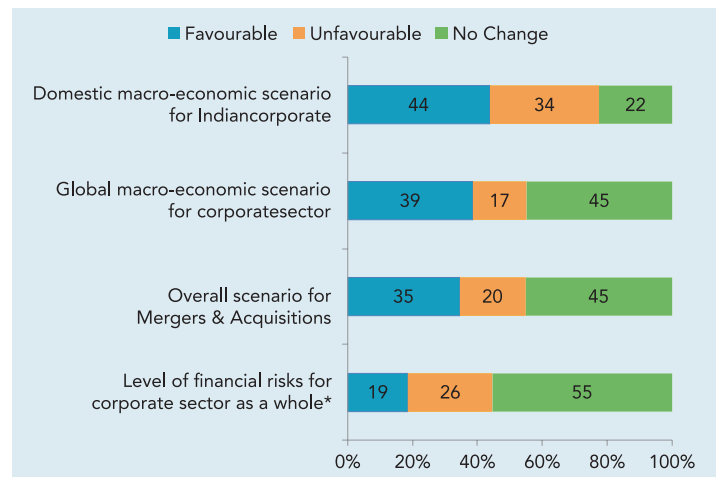


Note: % of CFOs indicating increase for the parameters
 *Values for the parameter represent % of CFOs indicating decrease for the respective quarters

- 39% of CFOs in the industrial sector expect an increase in the risk appetite in current scenario - highest in 20 quarters
- 31% of CFOs in the services sector as compared to 12% of CFOs in the industrial sector expect cost of raising funds from the market to decrease in Q3 2019
- 44% of CFOs in the services sector expect an increase in the liquidity position of their companies – lowest in eight quarters

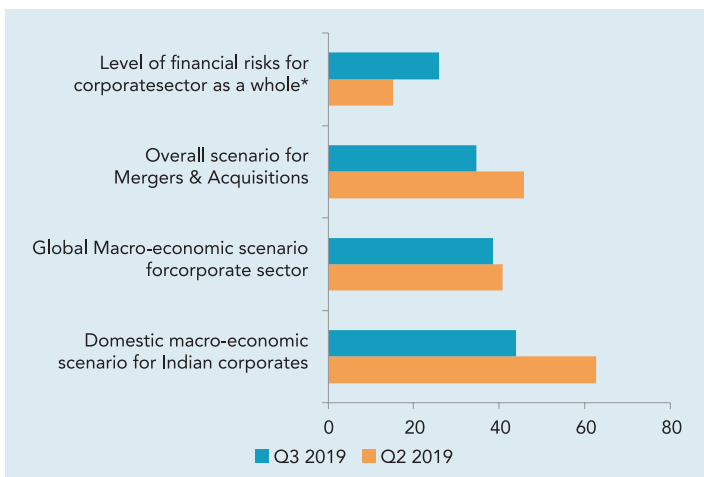
Optimism at the macro level

- 35% of CFOs have indicated overall scenario for mergers & acquisitions to be favourable during Q3 2019 – lowest in 22 quarters
- 44% of CFOs have indicated domestic macro-economic scenario to be favourable, lowest in 23 quarters
- 26% of CFOs expect the level of financial risk for corporate sector as a whole to be favourable in Q3 2019 – highest in 19 quarters



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

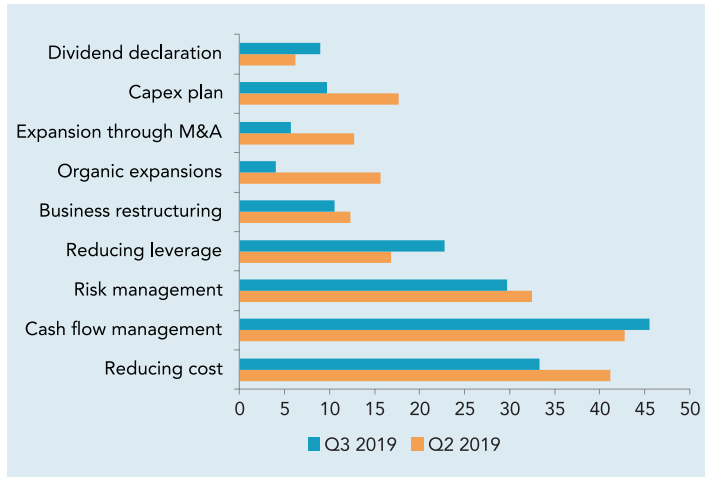
Optimism at the macro level



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

- 54% of CFOs in the industrial sector as compared to 39% of CFOs in the services sector expect domestic macro-economic situation to be favourable in Q3 2019
- 37% of CFOs in the services sector have indicated global macroeconomic scenario to be favourable in Q3 2019 – lowest in 12 quarters
- 42% of CFOs in the industrial sector have indicated overall scenario for mergers & acquisitions to be favourable in Q3 2019 - lowest in eight quarters

CFO Priority during the next six months

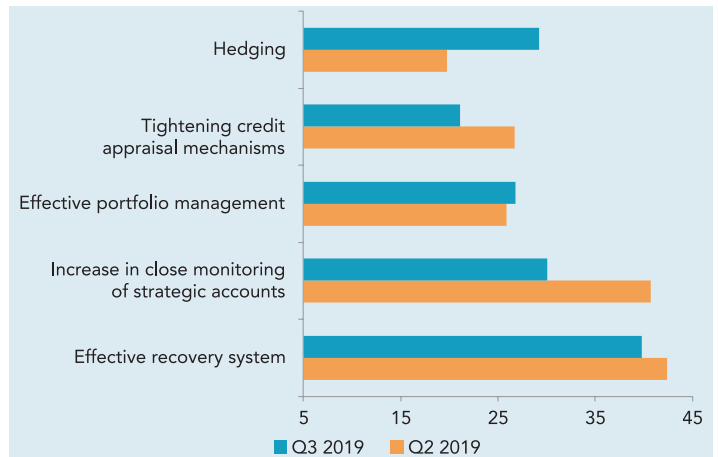


Note: % of CFOs who rated each of the parameters as their strong priority

- Percentage of CFOs stating reducing cost (33%) and organic expansion (4%) to be their priority in the next six months is the lowest since Q2 2012
- 23% of CFOs have stated reducing leverage to be their priority in the next six months, highest in nine quarters
- 11% of CFOs in the industrial sector have stated dividend declaration to be their priority in the next six months, highest in five quarters

Risk management tool to be adopted during the next six months

- 29% of CFOs have stated hedging to be their risk management tool in the next six months, highest in three quarters
- 30% of CFOs have stated Increase in close monitoring of strategic accounts to be their risk management tool in the next six months, lowest in 22 quarters
- 13% of CFOs in the industrial sector have stated tightening credit appraisal mechanisms 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

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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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