

September 2020

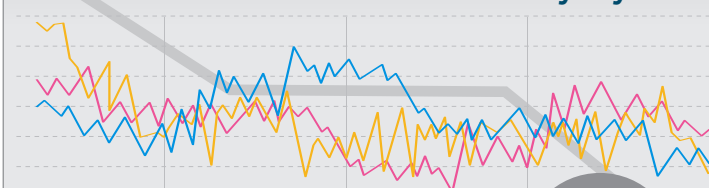
India | Q3 2020

The Composite CFO Optimism Index declined by 15.0% (q-o-q) to 74.2

The index is at a **record low**



The **macroeconomic scenario** sub index is the **lowest in nearly 7 years**

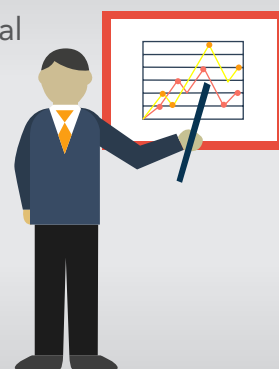


and the **financial performance** sub index is at a **record low**



23% of CFOs expect global **macro-economic scenario** to be favourable during Q3 2020

lowest in 8 years



The percentage of CFOs expecting an increase in the **operating margin** (21%) and **liquidity position** (20%) of their companies is the

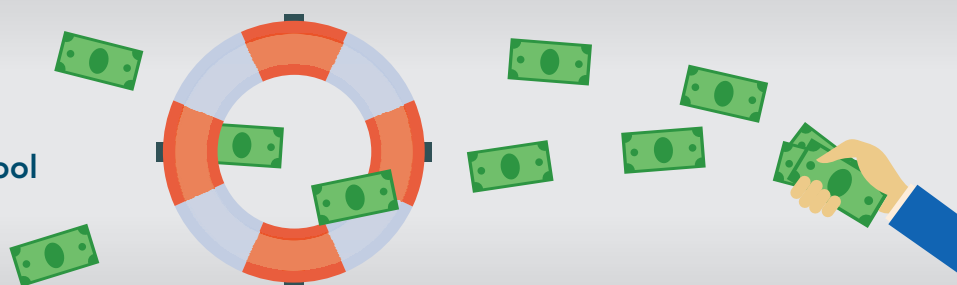
lowest ever



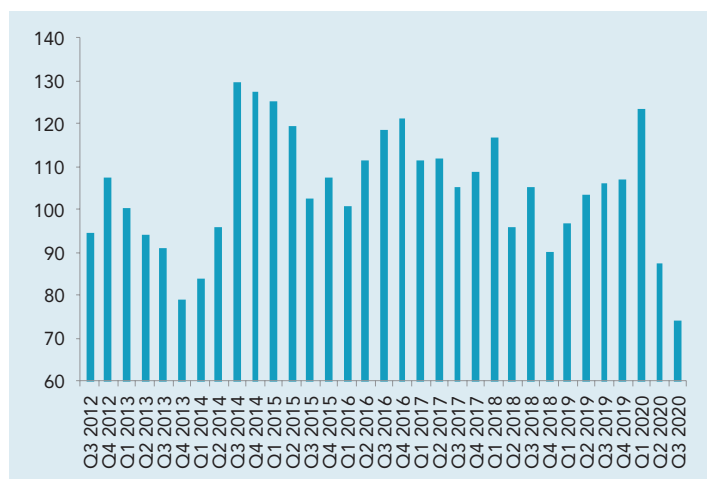
68% of CFOs have stated **cash flow management** to be their **priority** in the next six months



62% of CFOs have stated **effective recovery system** to be their **risk management tool** in the next six months



CFO Optimism Index

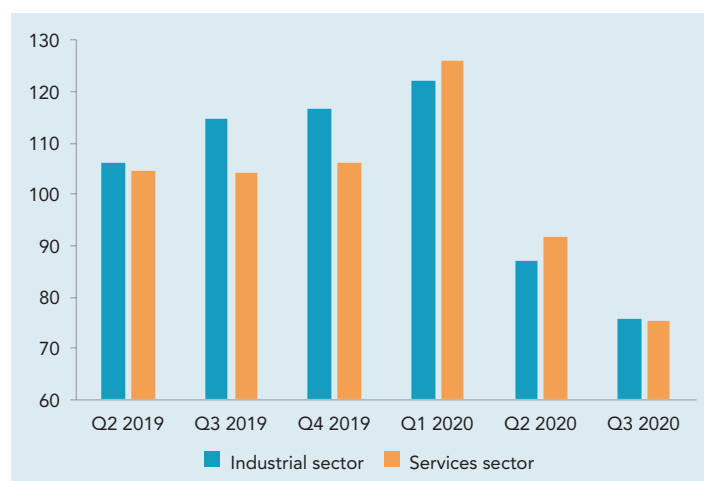


Note: Values represent index level

- The Composite CFO Optimism Index declined by 15.0%, on a q-o-q basis, to 74.2 during Q3 2020. The index is at a record low. However, the pace of decline has reduced from -29.3% during Q2 2020
- Optimism levels for financial performance of the company declined by 21.0% (q-o-q) and optimism level for macroeconomic scenario declined by 4.6% (q-o-q)
- The macroeconomic scenario sub index value is the lowest in nearly seven years and the financial performance sub index value is at a record low

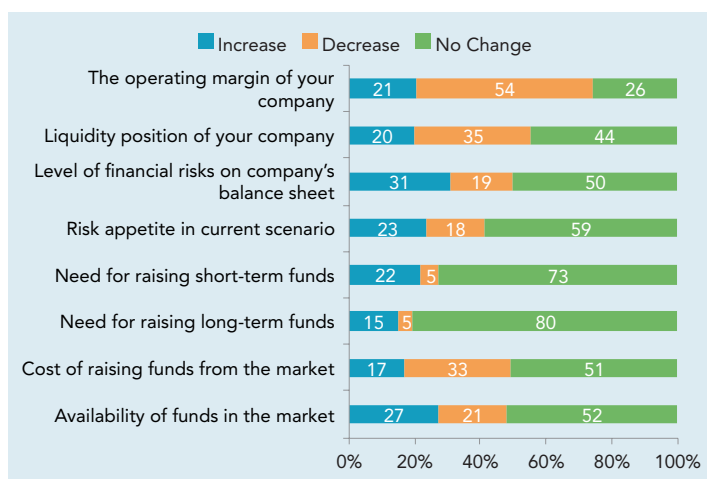
CFO optimism on a sectoral basis

- Optimism level declined by 13.0% (q-o-q) in the industrial sector and by 17.6% (q-o-q) in the services sector
- Optimism level for financial performance declined by 13.9% (q-o-q) in the industrial sector as compared to a decline of 28.2% (q-o-q) in the services sector
- While optimism level for macroeconomic scenario declined by 11.6% (q-o-q) in the industrial sector, it increased by 3.0% (q-o-q) in the services sector



Note: Values represent index level

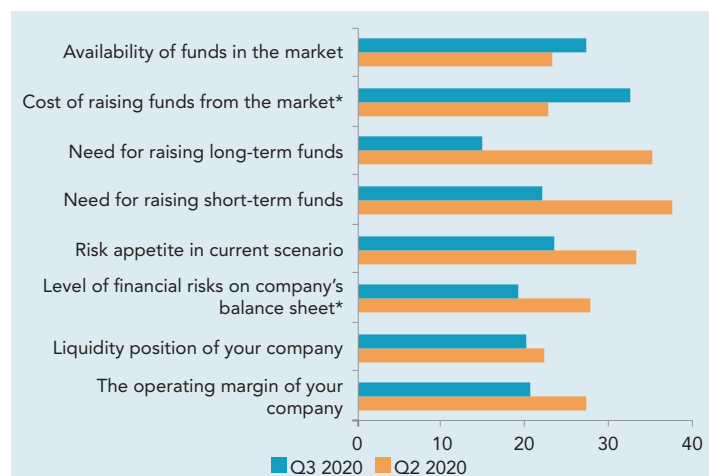
Optimism at the company level



Note: Values represent % of total responses

- The percentage of CFOs expecting an increase in the operating margin (21%) and liquidity position (20%) of their companies is the lowest ever
- The percentage of CFOs indicating a need for raising short-term funds (22%) and long-term funds (15%) is the lowest ever
- 23% of CFOs expect an increase in the risk appetite in the current scenario – a record low

Optimism at the company level



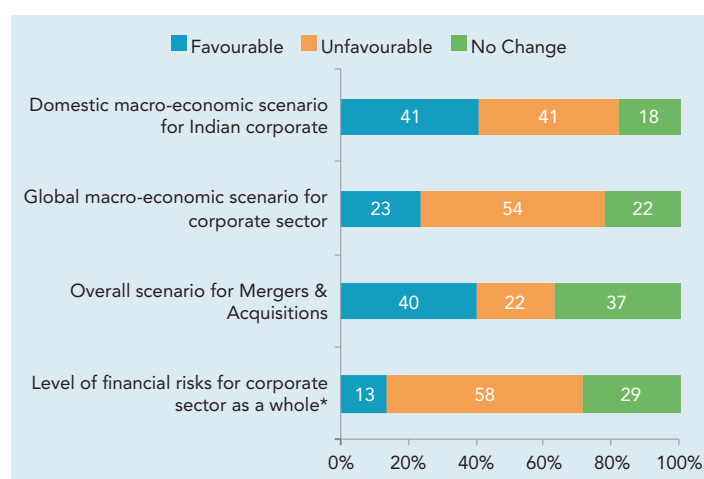
Note: % of CFOs indicating increase for the parameters

*Values for the parameter represent % of CFOs indicating decrease for the respective quarters

- 19% of CFOs in the services sector expect the level of financial risk on their company's balance sheet to decrease in Q3 2020, lowest in nine quarters
- 21% of CFOs in the services sector expect the liquidity position of their companies to increase in Q3 2020, up from 15% in Q2 2020
- 28% of CFOs in the industrial sector expect the availability of funds in the market to increase in Q3 2020, highest in five quarters

Optimism at the macro level

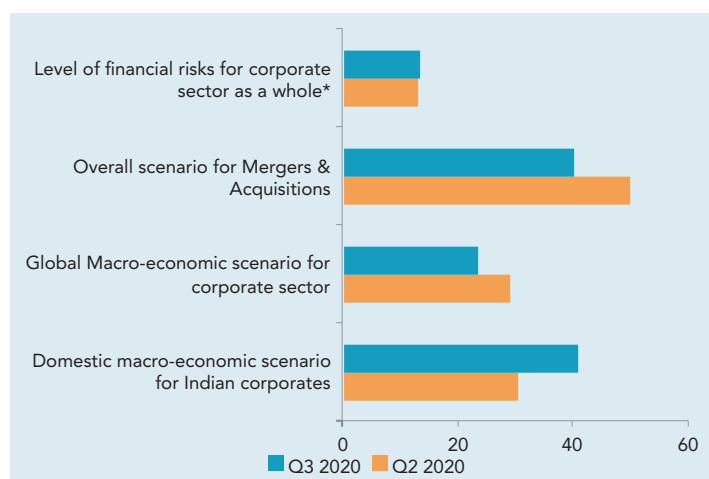
- 41% of CFOs expect domestic macro-economic scenario to be favourable during Q3 2020, up from 31% in Q2 2020
- 23% of CFOs expect global macro-economic scenario to be favourable during Q3 2020 – lowest in eight years
- 40% of CFOs expect the overall scenario for mergers & acquisitions to be favourable during Q3 2020, lowest in a year



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

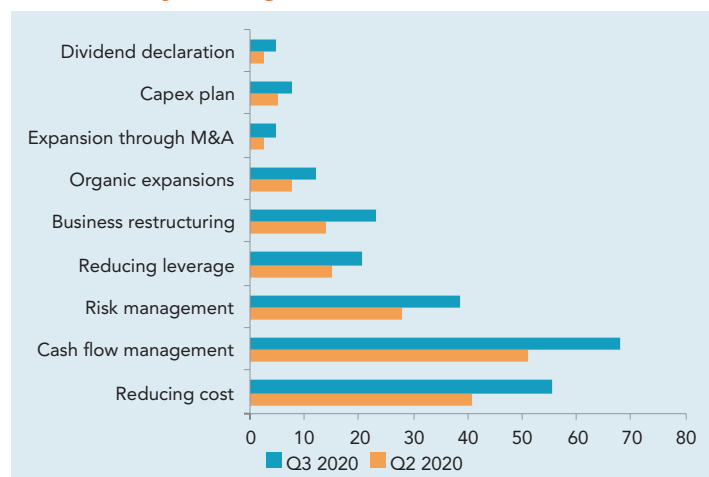


Note: % of CFOs indicating favourable for the parameters

*Values for the parameter represent % of CFOs indicating decrease for the respective quarters

- 16% of CFOs in the services sector as compared to 10% of CFOs in the industrial sector expect the level of financial risk for corporate sector as a whole to decrease during Q3 2020
- 41% of CFOs in the services sector expect domestic macro-economic scenario to be favourable during Q3 2020, up from 25% in Q2 2020
- 23% of CFOs in the industrial sector expect global macro-economic scenario to be favourable during Q3 2020 – lowest in eight years

CFO Priority during the next six months

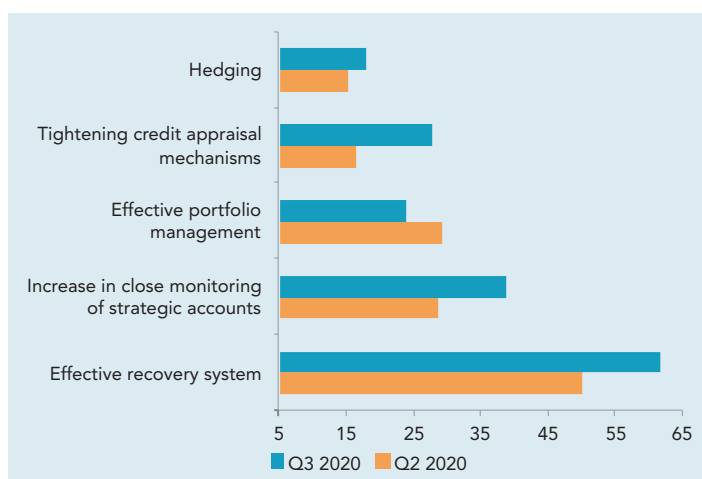


Note: % of CFOs who rated each of the parameters as their strong priority

- 68% of CFOs have stated cash flow management to be their priority in the next six months
- 56% of CFOs have stated reducing cost be their priority in the next six months
- 38% of CFOs have stated risk management to be their priority in the next six months

Risk management tool to be adopted during the next six months

- 62% of CFOs have stated effective recovery system to be their risk management tool in the next six months
- 39% of CFOs have stated increase in close monitoring of strategic accounts to be their risk management tool in the next six months
- 25% of CFOs in the industrial sector as compared to 13% of CFOs in the services sector have stated hedging to be their risk management tool in the next six months



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 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 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, Global Chief Economist, Dun & Bradstreet
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