

# FY24 margins of 15% MSMEs to lag pre-Covid level: Report

FE BUREAU  
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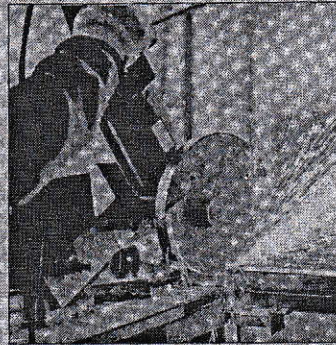
**HIGH PRICES OF** commodities like crude oil and steel coupled with the inability to pass on these costs will keep the Ebitda margins of 10-15% of micro, small and medium enterprises (MSMEs) below the pre-pandemic level even in FY24, Crisil said on Tuesday.

This is in sharp contrast to Corporate India, which logged a decadal-high Ebitda margin in fiscal 2021.

About 46% of the MSMEs lagged the pre-pandemic level in the previous fiscal, said a report by Crisil Market Intelligence and Analytics.

The twice-a-year report covers 69 sectors and 147 clusters that logged aggregate revenue of ₹56 trillion, representing 20-25% of India's gross domestic product (implying coverage of two-thirds of the MSME universe) in fiscal 2022.

"The commodity cycle is turning, with crude oil and steel prices estimated to correct 13-15% and 3-5%, respectively, this fiscal. This, coupled with rising revenue, will help the MSME industry Ebitda margin cross the pre-pandemic level and reach 5.7-5.9% this fiscal. However, 10-15% MSMEs by value will still be below pre-pandemic level owing to limited pass-



## LOW MARGINS

■ Ebitda margins of 10-15% MSMEs to remain below the pre-pandemic level even in FY24 due to high prices of commodities

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through of high commodity prices," said Pushan Sharma, director - research, Crisil Market Intelligence & Analytics.

In terms of revenue, however, the entire MSME universe has already crossed the pre-pandemic

level, the agency said.

Prices of crude oil are likely to moderate due to a slowdown in major economies and realignment of global supply chains, but will still be high at 1.3 times the pre-pandemic average. Similarly, prices of steel, which are likely to be under pressure from weak global demand and correction in coking coal prices, will also remain high at 1.5 times the pre-pandemic level.

High crude oil prices will contract Ebitda margin of dyes and pigments sector by 350-400 basis points (bps) and road construction sector by 100-150 bps compared with their pre-pandemic levels. And, high steel prices will keep the Ebitda margins of sectors such as farm equipment and light engineering 100-150 bps lower than their pre-Covid levels, said the agency.

"In fiscal 2022, the MSME industry had crossed the pre-pandemic level of revenue with growth driven by uptick in value. Indeed, value accounted for 75% of the incremental revenue, with commodity upcycle pushing up prices. In contrast, this fiscal, the MSME industry is expected to reach 1.36 times the pre-Covid level in terms of revenue, driven by volume, which will account for 88% of the incremental revenue," said Elizabeth Master, associate director - research, Crisil MI&A.