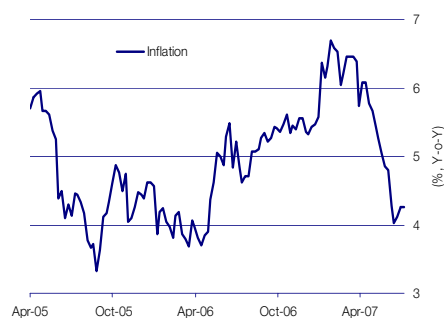


INFLATION

Inflation unchanged

WPI Inflation-at same level



Source: Bloomberg, Edelweiss estimates

Inflation	(% Y-o-Y)		
	7-Jul-07	30-Jun-07	8-Jul-06
Headline inflation	4.27	4.27	4.83
Primary articles	9.51	8.95	4.61
Fuel group	(1.44)	(1.35)	7.40
Mfd products	4.51	4.76	3.93

Source: Bloomberg

July 24, 2007

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- ♦ **Inflation stayed at 4.27% Y-o-Y** for the week ended July 7 for the second consecutive week. It was largely in line with our estimates of 4.30% Y-o-Y and consensus estimates of 4.32% Y-o-Y.
- ♦ **Primary articles inflation continues to be the wild card – rising by 56bps over the previous week.** Fuel group continued to show deflation, while manufactured products inflation remained largely steady.
- ♦ **While we forecast softening inflation over the remaining part of the financial year, supply side pressures would continue to be a source of concern.** In its Q1 policy review, the RBI is likely to highlight inflationary pressures emanating from (i) volatile primary articles prices and (ii) rising crude prices.
- ♦ **We expect inflation to be at 4.35% Y-o-Y** next week (week ended July 14).

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Sunil Jain - 2286 4308	Alternative & Quantitative	Harsh Biyani - 2286 4419
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RATING INTERPRETATION

Buy	Expected to appreciate more than 20% over a 12-month period	Reduce	Expected to depreciate up to 10% over a 12-month period
Accumulate	Expected to appreciate up to 20% over a 12-month period	Sell	Expected to depreciate more than 10% over a 12-month period
Trading Buy	Expected to appreciate more than 10% over a 45-day period	Trading Sell	Expected to depreciate more than 10% over a 45-day period

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