

Weekly Inflation

Inflation leaps to 8.75% vs. 8.24% week earlier; domestic fuel price hike yet to get effective next week

MF GlobalSM

Anjali Verma
Economist

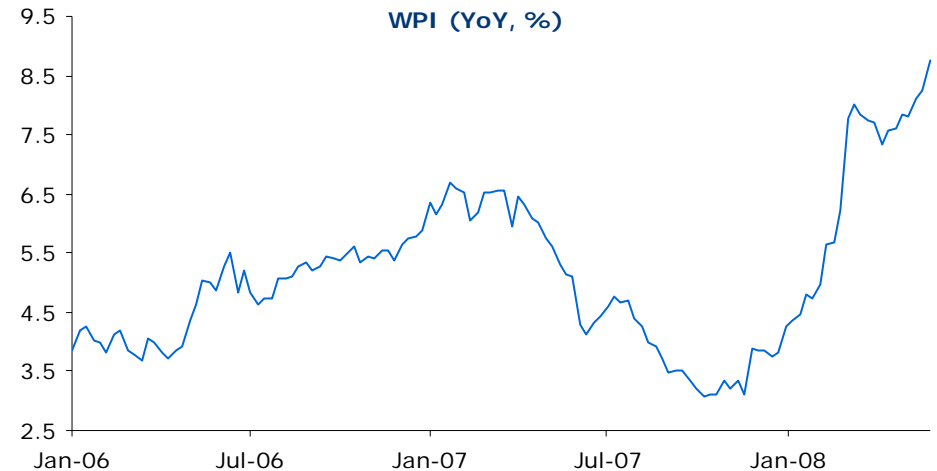
June 13, 2008



Y-o-Y WPI for the week ended 31-May-2008

- Inflation for the week ended 31 May 2008 jumped significantly higher to 8.75% vs. 8.2% last week and 5.1% last year. Inflation was expected at 8.28-8.35%. Inflation was higher mainly due to the food prices (both manufactured products as well as primary articles), Non-food articles, Textiles, Chemicals and Machinery and machine tools. Inflation rise is more broad based for this week, more segments under manufactured products registered higher prices.
- On a weekly basis, Inflation was up for primary articles and manufactured commodities and unchanged for FPL. WPI was up by 1.3points (pts) (vs. 0.2pts a week prior) at 231.1 as compared to the last week.
- Average inflation for FYTD in FY09 is at 7.9% vs. 5.75% same time last year.
- **Revisions:** The inflation for the week ended 5th Apr 2008 has been revised upwards to 7.7% from 7.1% reported earlier. Other revisions: Primary articles- from 7.7% to 8.2%, FPL- from 6.8% to 7% and manufactured goods- from 7.04% to 7.8%.

	31-May-2008 (Latest)	2-Jun-2007 (Last year)	24-May-2008 (Week before latest)
WPI (YoY growth)	8.75%	5.09%	8.24%

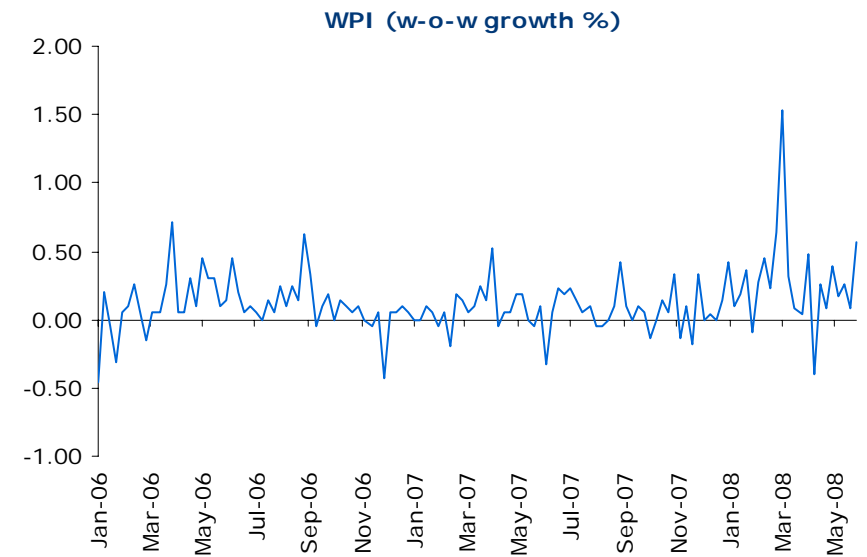
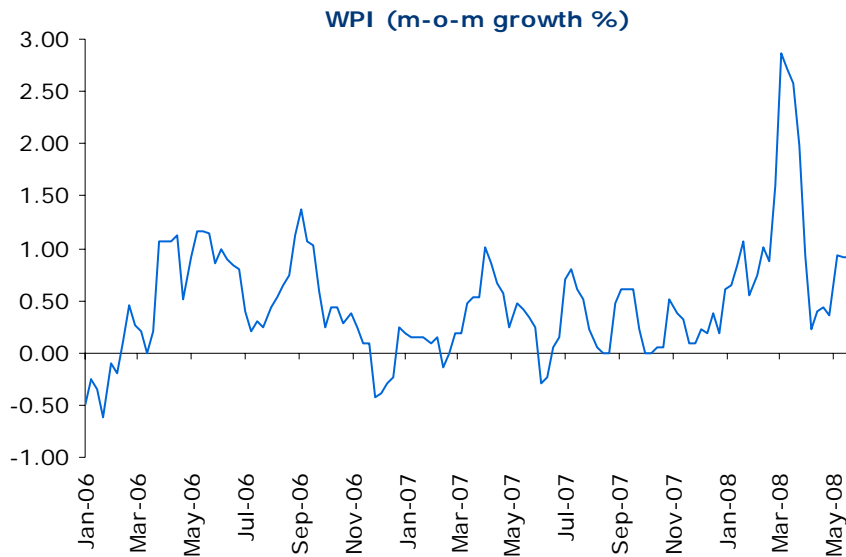


RBI as always, as a pre-emptive move hiked the Repo rate by 25bps. Inflation at 8.75% without including the fuel price hike is surprisingly high and worrisome. Next week, inflation could touch 9.9% or double-digits due to the fuel price hike announced earlier. In this scenario more monetary tightening cannot be ruled out in the credit policy scheduled on 29th July 2008.

Month-on-month (m-o-m) and week-on-week (w-o-w) WPI

Inflation growth	31-May-2008	2-Jun-2007	24-May-2008
m-o-m	1.09%	0.24%	0.92%
w-o-w	0.57%	0.09%	0.09%

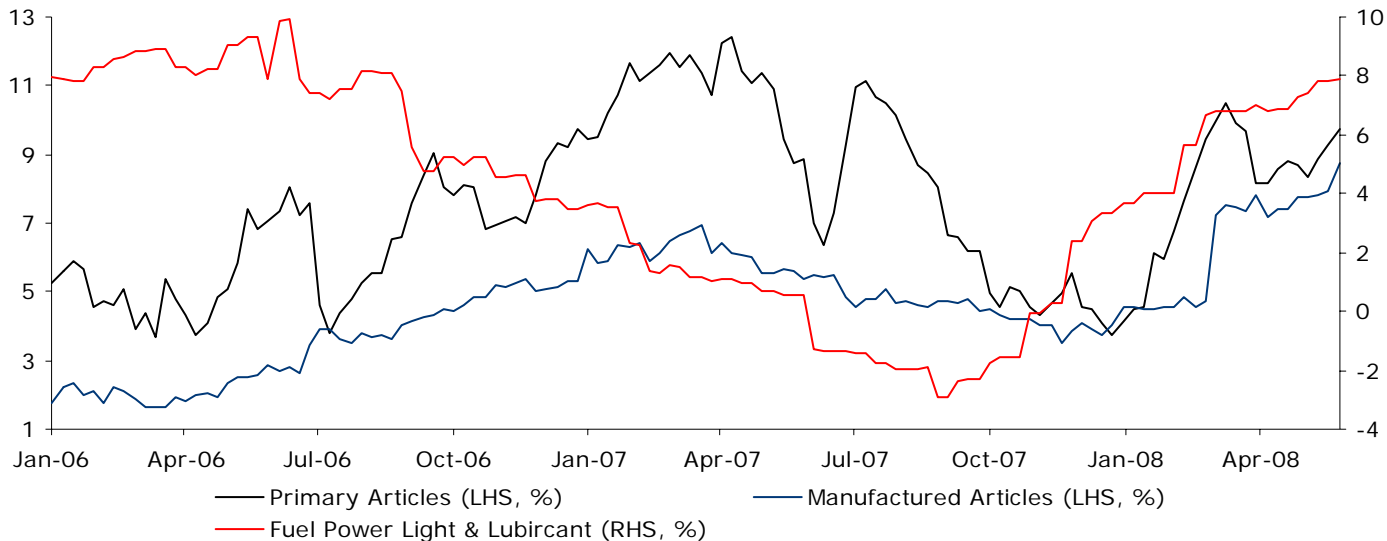
Weekly Inflation



Inflation in primary, FPL and manufactured commodities

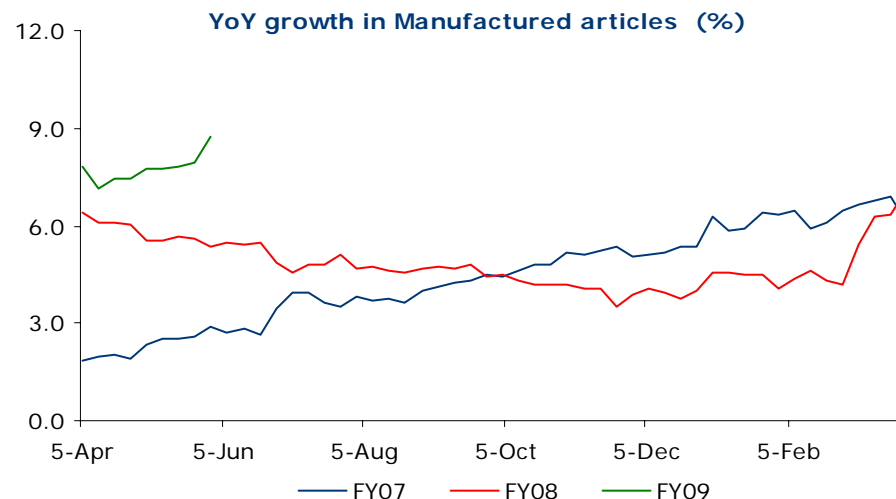
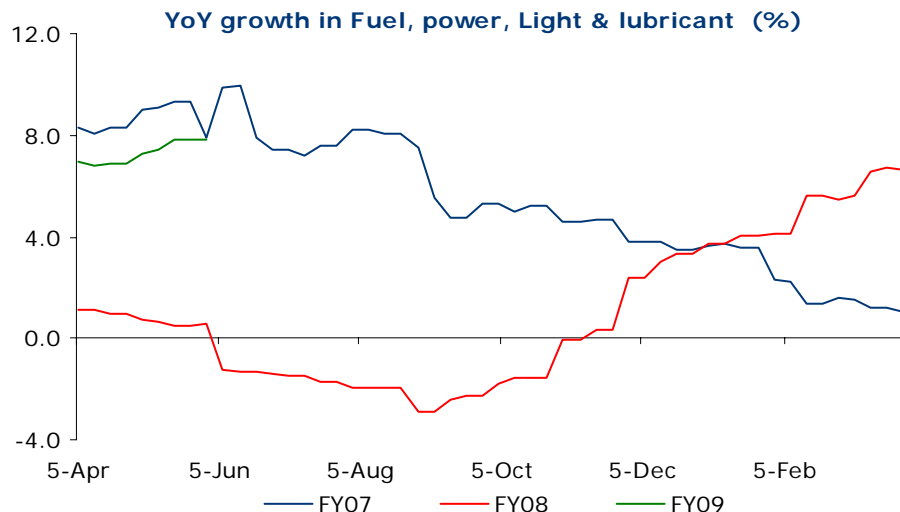
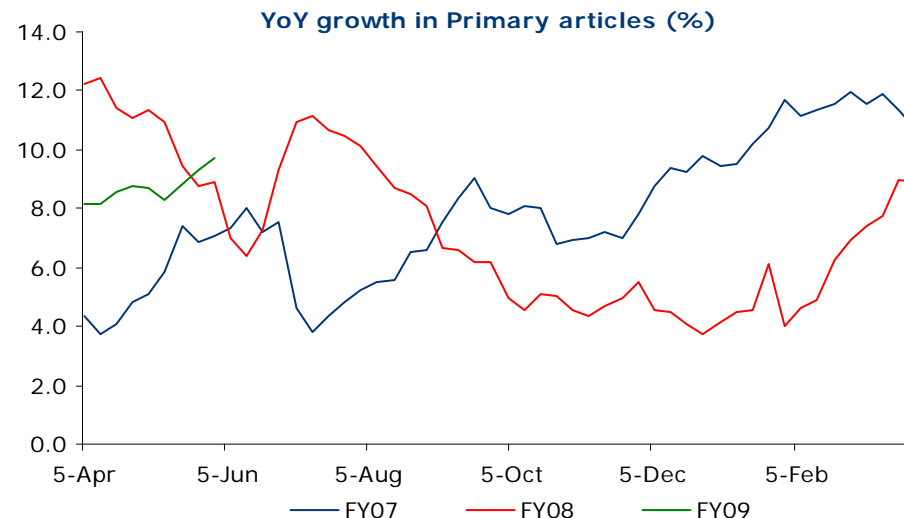
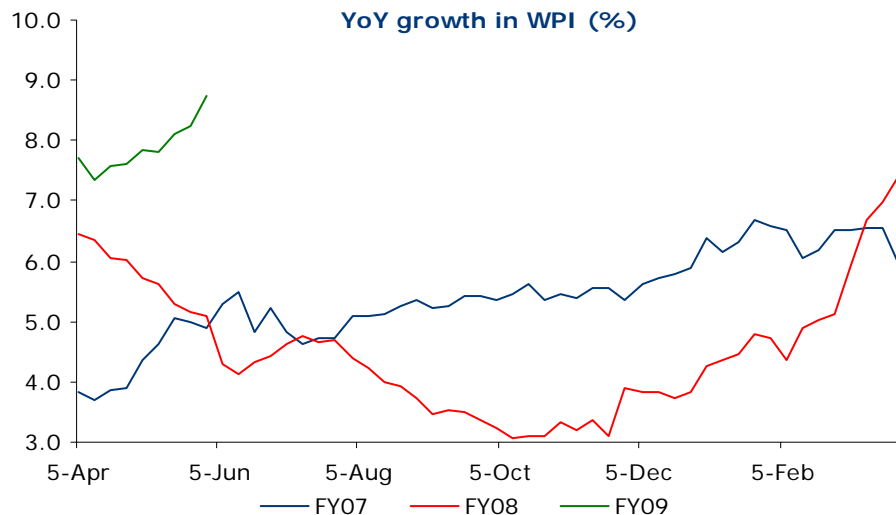
- **Primary articles:** Inflation rose higher to 9.7% due to both food and non-food articles (Inflation in primary articles higher by 90bps vs. last year and 50bps vs. last week). Index rose by 2.1pts vs. last week to 243.4.
- **FPL:** Inflation stable at 7.8% (growth rate higher by 730bps vs. last year and 0.1bps vs. last week); Index was unchanged at 347.2.
- **Manufactured commodities:** Inflation shot up to 8.8% (higher by 340bps vs. last year and 80bps vs. last week); Index rose by 1.4pts to 201.

Components of WPI	31-May-2008	2-Jun-2007	24-May-2008
Primary articles (wt 22.02)	9.74%	8.89%	9.28%
Fuel, power, light & lubricants (wt 14.22)	7.86%	0.56%	7.79%
Manufactured products (wt 63.74)	8.77%	5.40%	7.95%



YoY inflation growth in WPI , primary, FPL and manufactured commodities

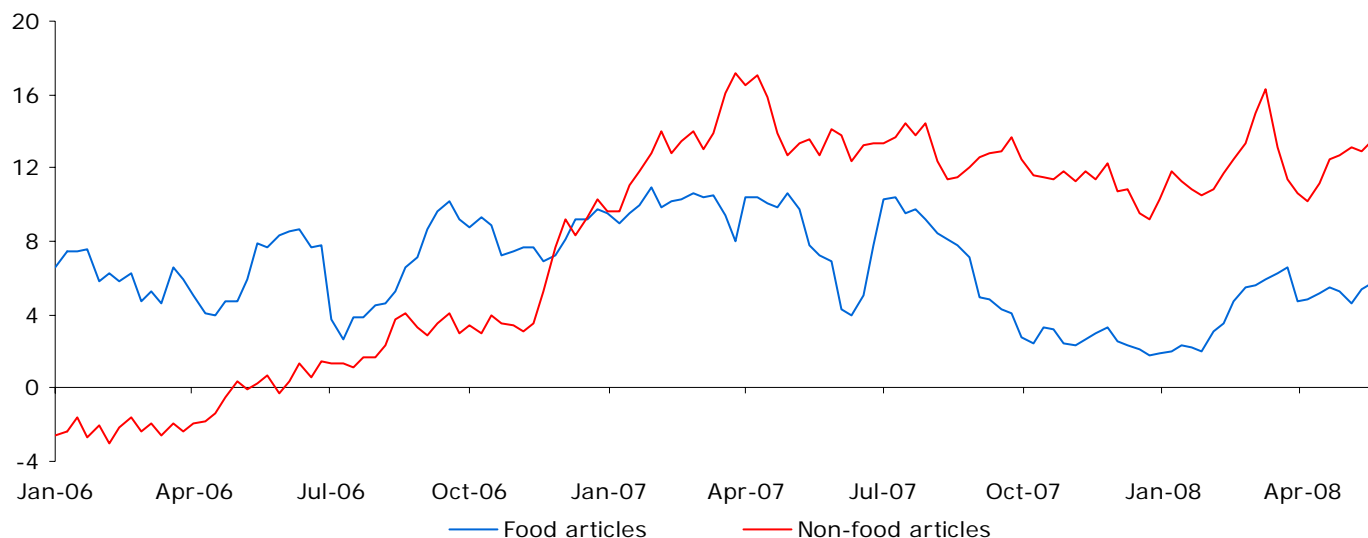
Weekly Inflation



Primary articles (PA) - Food and non-food articles

- **Food articles:** Inflation rose to 5.9%. *Higher prices* were seen in eggs, condiments & spices, urad, barley, mutton, milk, wheat, fruits and vegetables. The prices of fish-marine declined.
- **Non-food articles:** Inflation on a rising trend; higher prices were seen in hides (raw), linseed, raw rubber, raw cotton, rape & mustard seed, groundnut seed and copra. However, the prices of skins (raw), raw silk and castor seed declined.
- **Minerals:** Index remained unchanged.

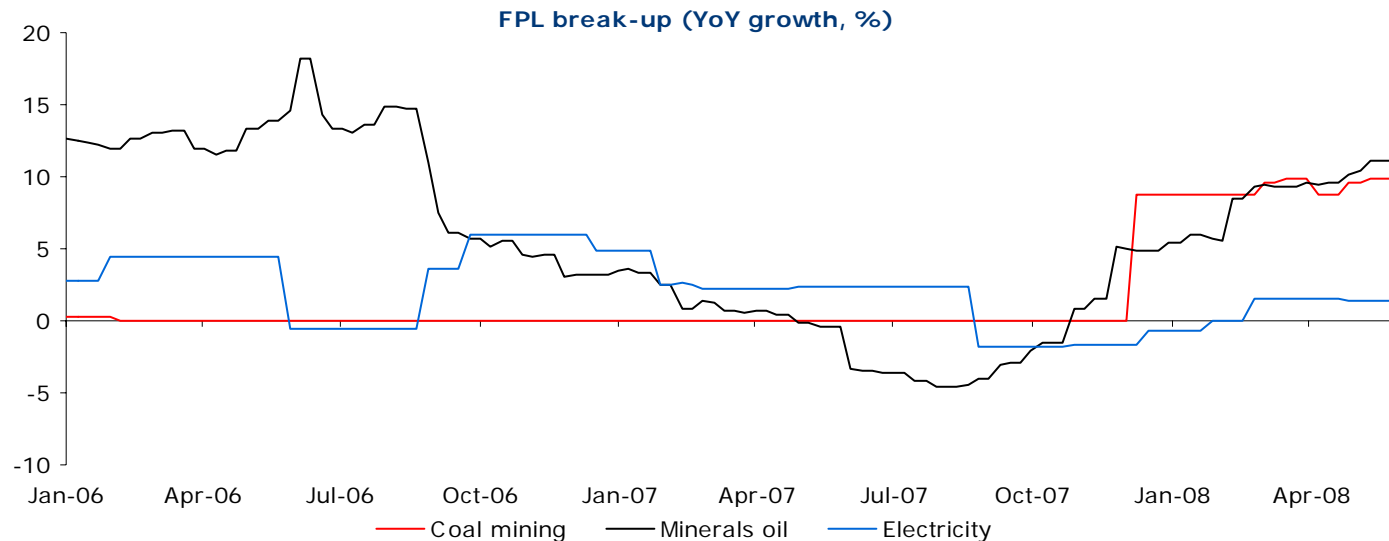
Components of PA	31-May-2008	2-Jun-2007	24-May-2008
Food articles (wt 15.4)	5.92%	6.91%	5.72%
Non-food articles (wt 6.14)	14.63%	14.15%	13.48%
Minerals (wt 0.48)	40.55%	11.30%	40.43%



Fuel, power, light and lubricants (FPL)

- Index in this segment remained unchanged; inflation is marginally up due to lower base. Next week inflation is expected to rise by at least 50bps as the domestic fuel price hike gets effective.

Components of FPL	31-May-2008	2-Jun-2007	24-May-2008
Coal mining (wt 1.75)	9.84%	0.00%	9.84%
Minerals oils (wt 6.99)	11.17%	-0.36%	11.08%
Electricity (wt 5.48)	1.36%	2.40%	1.36%



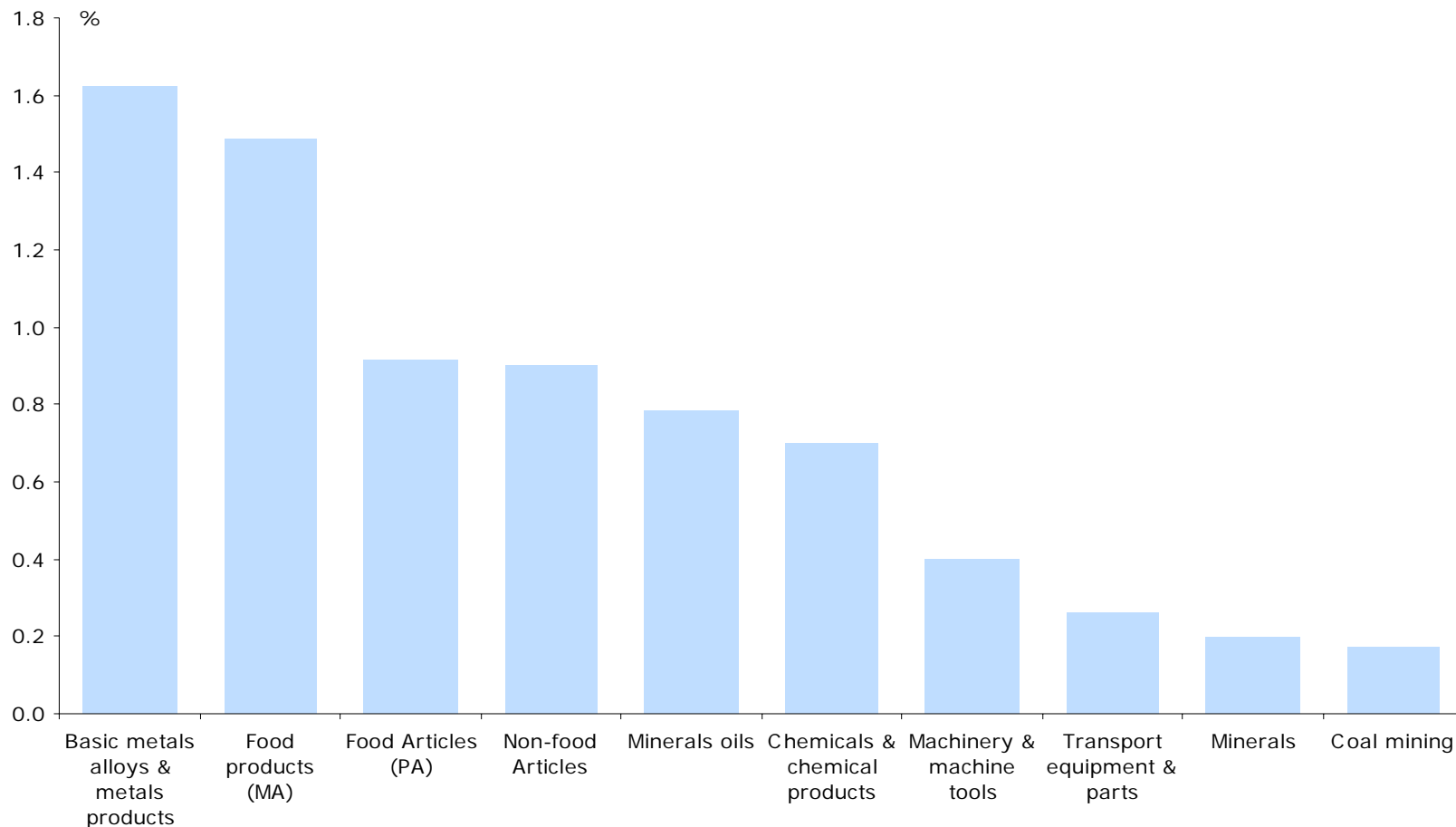
Manufactured products (MA)

- When compared to last week the **prices have fallen** for Rubber & plastic products (due to lower prices of decorative laminates); and Basic metals, alloys & metal products (due to lower prices of zinc, lead ingots and zinc ingots).
- Price rise** was seen in Food products (due to higher prices of rape & mustard oil, oilcakes, cotton seed oil, groundnut oil, rice bran oil and coconut oil); Beverages, tobacco & tobacco products (due to higher prices of beer & alcohol); Textiles (due to higher prices of cotton yarn-hanks and cotton yarn-cones); Paper & paper products (due to higher prices of printing paper white, all kinds of boards and cream laid woven paper); Leather & leather products (due to higher prices of footwear western type); Chemicals & chemical products (due to higher prices of epoxy resins, fireworks, synthetic resins and methanol); Non-metallic mineral products (due to marginal rise in cement prices); and Machinery & machine tools (due to higher prices of excavators, acsr conductors and electric motors).

Break up of MA (YoY growth rate)	31-May-08	2-Jun-07	24-May-08
Food products (wt 11.54)	12.9%	2.4%	11.7%
Beverages & tobacco products (wt 1.34)	7.9%	12.5%	7.6%
Textiles (wt 9.8)	1.7%	0.8%	-2.9%
Wood & wood products (wt 0.17)	9.8%	7.1%	9.8%
Paper & paper products (wt 2.04)	3.4%	2.3%	2.2%
Leather & leather products (wt 1.02)	1.1%	5.6%	-0.2%
Rubber & plastic products (wt 2.39)	6.0%	8.7%	5.9%
Chemicals & chemical products (wt 11.93)	5.9%	4.3%	5.5%
Non-metallic mineral products (wt 2.52)	4.5%	8.7%	4.4%
Basic metals alloys & metal products (wt 8.34)	19.4%	10.0%	19.6%
Machinery & machine tools (wt 8.36)	4.8%	8.5%	4.7%
Transport equipment & parts (wt 4.29)	6.1%	1.6%	6.0%

Top-10 contributors (weighted) to WPI for the week ended 31-May-08

Weekly Inflation



Weighted contribution to WPI

	31-May-08	2-Jun-07	24-May-08
Wholesale Price Index	8.75%	5.09%	8.24%
Primary articles	2.14	1.96	2.04
Food articles	0.91	1.06	0.88
Non-food articles	0.90	0.87	0.83
Minerals	0.19	0.05	0.19
Fuel, power, light & lubricants	1.12	0.08	1.11
Coal mining	0.17	0.00	0.17
Minerals oils	0.78	-0.02	0.77
Electricity	0.07	0.13	0.07
Manufactured commodities	5.59	3.42	5.07
Food products	1.49	0.28	1.35
Beverages & tobacco products	0.10	0.17	0.10
Textiles	0.16	0.08	-0.28
Wood & wood products	0.02	0.01	0.02
Paper & paper products	0.07	0.05	0.05
Leather & leather products	0.01	0.06	-0.00
Rubber & plastic products	0.14	0.21	0.14
Chemicals & chemical products	0.70	0.52	0.66
Non-metallic mineral products	0.11	0.22	0.11
Basic metals alloys & metal products	1.62	0.83	1.64
Machinery & machine tools	0.40	0.71	0.39
Transport equipment & parts	0.26	0.07	0.26



THANK YOU

Disclosures and Disclaimers

MF Global Sify Securities India Pvt. Ltd. has three independent equity research groups: Institutional Equities, Institutional Equities Derivatives and Private Client Group. This report has been prepared by Institutional Equities. The views and opinions expressed in this document may or may not match or may be contrary at times with the views, estimates, rating, target price of the other equity research groups of MF Global Sify Securities India Pvt. Ltd.

This report is issued by MF Global Sify Securities India Pvt. Limited regulated by SEBI. MF Global Sify Securities India Pvt. Ltd. is a subsidiary of MF Global Overseas Ltd. References to "MFGSSIPL" or "Firm" in this report shall mean MF Global Sify Securities India Pvt. Limited unless otherwise stated. The report was prepared and distributed by MFGSSIPL for information purposes only. The report should not be construed as solicitation nor as offering advice for the purposes of the purchase or sale of any security, investment or derivative. The information and opinions contained in the Report were considered by MFGSSIPL to be valid when published. The report also contains information provided to MFGSSIPL by third parties. The source of such information will usually be disclosed in the report. Whilst MFGSSIPL has taken all reasonable steps to ensure that this information is correct, MFGSSIPL does not offer any warranty as to the accuracy or completeness of such information. Any person placing reliance on the report to undertake trading does so entirely at his or her own risk and MFGSSIPL does not accept any liability as a result. Securities and Derivatives markets may be subject to rapid and unexpected price movements and past performance is not necessarily a guide to future performance.

This Document is for private circulation and for information purposes only. It does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies discussed or recommended in this report and should understand that statements regarding future prospects may not be realized. In no circumstances it be used or considered as an offer to sell or a solicitation of any offer to buy or sell the Securities mentioned in it. We and our affiliates, officers, directors, and employees world wide, including persons involved in the preparation or issuance of this material may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company (ies) discussed herein or act as advisor or lender / borrower to such company(ies) or have other potential conflict of interest with respect to any recommendation and related information and opinions. The same persons may have acted upon the information contained here. The information contained in the research reports may have been taken from trade and statistical services and other sources, which we believe are reliable. MF Global Sify Securities India Pvt. Ltd. or any of its group companies do not guarantee that such information is accurate or complete and it should not be relied upon as such. Any opinions expressed reflect judgments at this date and are subject to change without notice

Important. These disclosures and disclaimers must be read in conjunction with the research report of which it forms part. Receipt and use of the research report is subject to all aspects of these disclosures and disclaimers. Additional information about the issuers and securities discussed in this research report is available on request.

Certifications: The research analyst(s) who prepared this research report hereby certifies that the views expressed in this research report accurately reflect the research analyst's personal views about all of the subject issuers and/or securities, that the analyst have no known conflict of interest and no part of the research analyst's compensation was, is or will be, directly or indirectly, related to the specific views or recommendations contained in this research report.

Independence: MF Global Sify Securities India P. Ltd. has not had an investment banking relationship with, and has not received any compensation for investment banking services from, the subject issuers in the past twelve (12) months, and the Firm does not anticipate receiving or intend to seek compensation for investment banking services from the subject issuers in the next three (3) months. The Firm is not a market maker in the securities mentioned in this research report, although it or its affiliates may hold either long or short positions in such securities.

Suitability and Risks: This research report is for informational purposes only and is not tailored to the specific investment objectives, financial situation or particular requirements of any individual recipient hereof. Certain securities may give rise to substantial risks and may not be suitable for certain investors. Each investor must make its own determination as to the appropriateness of any securities referred to in this research report based upon the legal, tax and accounting considerations applicable to such investor and its own investment objectives or strategy, its financial situation and its investing experience. The value of any security may be positively or adversely affected by changes in foreign exchange or interest rates, as well as by other financial, economic or political factors. Past performance is not necessarily indicative of future performance or results.

Sources, Completeness and Accuracy: The material herein is based upon information obtained from sources that the Firm and the research analyst believe to be reliable, but neither the Firm nor the research analyst represents or guarantees that the information contained herein is accurate or complete and it should not be relied upon as such. Opinions expressed herein are current opinions as of the date appearing on this material and are subject to change without notice.

Furthermore, the Firm is under no obligation to update or keep the information current.

Copyright: The copyright in this research report belongs exclusively to the Firm. All rights are reserved. Any unauthorized use or disclosure is prohibited. No reprinting or reproduction, in whole or in part, is permitted without the Firm's prior consent, except that a recipient may reprint it for internal circulation only and only if it is reprinted in its entirety.

Caution: Risk of loss in trading in can be substantial. You should carefully consider whether trading is appropriate for you in light of your experience, objectives, financial resources and other relevant circumstances.

MF GLOBAL INDIA INSTITUTIONAL EQUITIES TEAM

Sajid Khalid	Head – Institutional Cash Equities	91-22-6667 9972	sajid.khalid@mfglobal.in
Jignesh Shah	Head – Equity Derivatives	91-22-6667 9735	jignesh.shah@mfglobal.in
Equity Research			
Ambrish Mishra	Automobiles & Auto Component	91-22-6667 9758	ambrish.mishra@mfglobal.in
Anjali Verma	Economist	91-22-6667 9969	anjali.verma@mfglobal.in
Dipesh Sohani	Real Estate & Auto Ancillaries	91-22-6667 9965	dipesh.sohani@mfglobal.in
Kapil Bagaria	Midcap	91-22-6667 9987	kapil.bagaria@mfglobal.in
Kartik Mehta	Pharmaceuticals	91-22-6667 9973	kartik.mehta@mfglobal.in
Manish Agarwalla	Banking	91-22-6667 9962	manish.agarwalla@mfglobal.in
Mansingh Deshmukh	Power	91-22-6667 9759	mansingh.deshmukh@mfglobal.in
Naveen Kulkarni	Telecom	91-22-6655 1477	naveen.kulkarni@mfglobal.in
Nimesh Mistry	IT Services	91-22-6667 9768	nimesh.mistry@mfglobal.in
Pallav Agarwal	Metals	91-22-2302 1819	pallav.agarwal@mfglobal.in
Ritwik Rai	Media	91-22-6667 9766	ritwik.rai@mfglobal.in
Vaibhav Agarwal	Cement	91-22-6667 9967	vaibhav.agarwal@mfglobal.in
Aravind Manickam	Research Associate	91-22-6667 9992	aravind.manickam@mfglobal.in
Avishek Agarwal	Research Associate	91-22-6667 9986	avishek.agarwal@mfglobal.in
Chaturya Tipnis	Research Associate	91-22-6667 9764	chaturya.tipnis@mfglobal.in
Deepali Gautam	Research Associate	91-22-6667 9974	deepali.gautam@mfglobal.in
Kunal Motishaw	Research Associate	91-22-6667 9996	kunal.motishaw@mfglobal.in
Prachi Kulkarni	Research Associate	91-22-6667 9966	prachi.kulkarni@mfglobal.in
Shubhangi Agrawal	Research Associate	91-22-6667 9964	shubhangi.agrawal@mfglobal.in
Rupesh Sonawale	Asst. Database Analyst	91-22-6667 9769	rupesh.sonawale@mfglobal.in
Ganesh Deorukhkar	Production	91-22-6667 9756	ganesh.deorukhkar@mfglobal.in
Roshni Kallor	Editor	91-22-6667 9762	roshni.kallor@mfglobal.in
Institutional Cash Equity Sales			
Kinshuk Tiwari	Equity Sales	91-22-6655 1476	kinshuk.tiwari@mfglobal.in
Pankaj Chandak	Equity Sales	91-22-6667 9990	pankaj.chandak@mfglobal.in
Subramanyam Ravisankar	Equity Sales	91-22-6667 9991	s.ravisankar@mfglobal.in
Sunil Kamath	Equity Sales	91-22-6667 9934	sunil.kamath@mfglobal.in
Institutional Cash Equity Sales Trading			
Chetan Savla	Sales Trader	91-22-6667 9749	chetan.savla@mfglobal.in
Kartik Broker	Sales Trader	91-22-6667 9747	kartik.broker@mfglobal.in
Rajesh Ashar	Sales Trader	91-22-6667 9746	rajesh.ashar@mfglobal.in
Institutional Cash Equity Dealing			
Chetan Babaria	Dealer	91-22-6667 9748	chetan.babaria@mfglobal.in
Mayur Shah	Dealer	91-22-6667 9748	mayur.shah@mfglobal.in
Sagar Shah	Dealer	91-22-6677 9748	sagar.shah@mfglobal.in

www.mfglobal.in