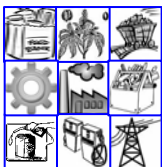


A horizontal bar chart showing the distribution of scores. The x-axis ranges from 4.0 to 13.0. The bar is divided into four segments: green (4.0 to 6.5), yellow (6.5 to 8.0), orange (8.0 to 11.0), and red (11.0 to 13.0). A blue arrow points to the red segment, labeled '12.44%'.

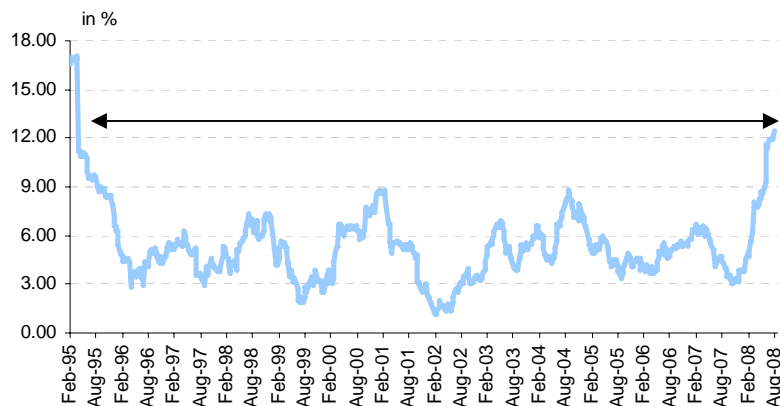
INDIA CAPITAL MARKETS PVT. LTD.

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WPI - An Overview

India's Whole Sale Price Index...



WPI remains above 12.0% mark...

- The Headline Wholesale Price Index - WPI increased to 12.44% for the week ended August 02, 2008 from 12.01% in the previous week. The market consensus was the same at 12.21%.
- The WPI has remained above the 12.0% mark for the second week. Looking at the current spurt in prices coupled with soft base effect of last year it is expected that WPI would remain above 12.0% going forward.

Source:-CSO, CMIE, India Capital Markets Research

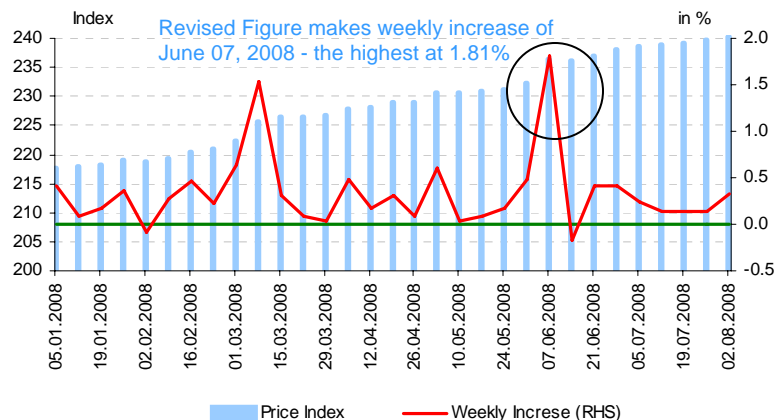
WPI - Components - Yearly and Weekly Change

	This Week	Last Week	Last Year	FY 2008-09
Group	Aug 02 2008	July 26 2008	Aug 04 2007	Till Date
Yearly Change				
WPI - All Commodities	12.44	12.01	4.39	10.18
Primary Articles (22.03)	11.43	10.32	10.13	9.87
Fuel (14.22)	17.99	17.12	(1.98)	12.11
Manufacturing (63.75)	10.75	10.75	4.67	9.57
Weekly Change				
WPI - All Commodities	0.33	0.13	(0.05)	-
Primary Articles (22.03)	0.65	0.08	(0.36)	-
Fuel (14.23)	0.90	0.19	0.16	-
Manufacturing (63.75)	(0.05)	0.10	(0.05)	-
Index Numbers				
WPI - All Commodities	240.4	239.6	213.8	234.12
Primary Articles (22.03)	249.5	247.9	223.9	243.26
Fuel (14.23)	380.4	377.0	322.4	360.57
Manufacturing (63.75)	206.0	206.1	186.0	202.76
(Figures - for Last two weeks are provisional)				
(Figures in the brackets represents the weight in WPI)				

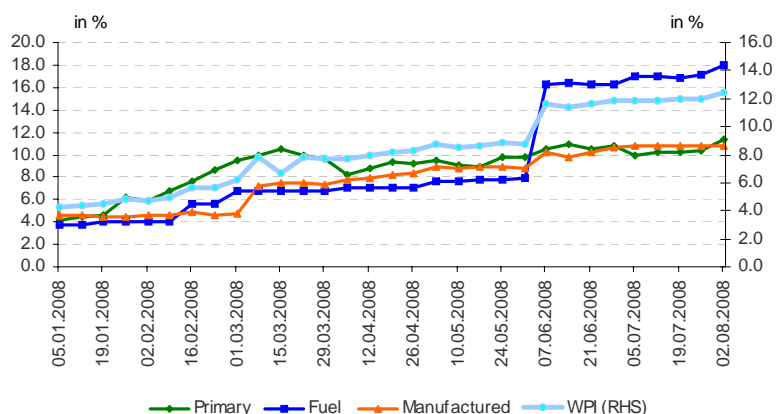


WPI - An Overview

WPI - weekly increase has surprised ...



Groupwise Price Indices....



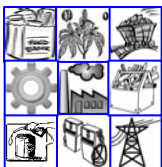
Source:-CSO, CMIE, India Capital Markets Research

Reading between the lines...

- It seems that the WPI - weekly increase has stabilised as WPI rose just by 13 bps for previous three weeks. However, the current week's inflation has broken that pattern as the weekly increase in WPI has come at 0.33%.
- The current spurt largely owes to increase in prices of some of the fuel items (owing to higher prices of light diesel oil, furnace oil and bitumen). In Primary Articles group - the price index of Food Articles has positively contributed to total WPI. The prices of food grains, fruits and condiments & spices rose whereas the prices of vegetables were down by 3.7% on weekly basis.
- Surprisingly, the price index of manufactured group was down by 0.05% on weekly basis owing to reduced prices of food products, however, price index of machinery & machine tools was up

Core Items - Inflation for week

Cereals - up by 0.49 %	Milk - unchanged
Pulses - up by 1.37 %	Eggs, fish and meat - up by 0.39 %
Vegetables - down by 3.7 %	Condiments & spices - up by 2.62 %
Fruits - up by 8.88%	Other food articles - up by 0.65%

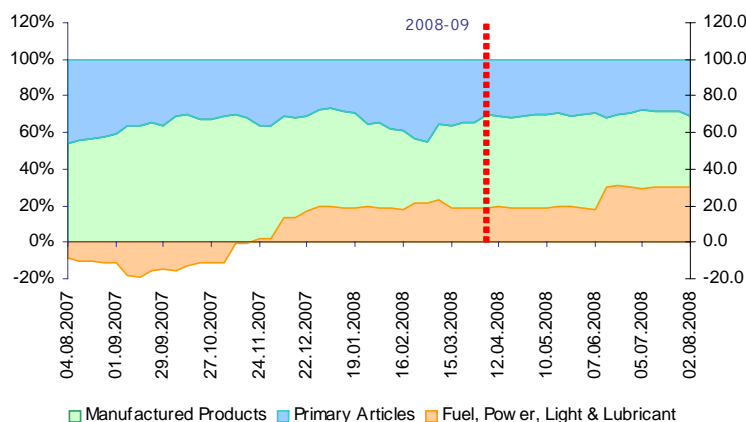


WPI - The Contribution

Contribution to WPI - An Analysis

Price Indices	WPI	Primary Group	Fuel Group	Mfg. Group
Current Week	100.0	45.6	62.6	(8.2)
Last Week	100.0	16.2	36.8	47.0
Current Year (this week)	100.0	21.2	31.0	47.8
Current Year (last week)	100.0	19.9	30.5	49.6
YTD 2008-09	100.0	22.2	25.6	52.2
YTD 2007-08	100.0	42.9	(1.7)	58.8

Contribution to WPI - An Analysis



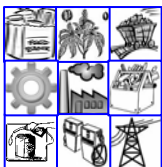
Source:-CSO, CMIE, India Capital Markets Research

Contribution to WPI - Item wise

Price Indices	Weekly		Y-o-Y	
	Change	Contribution	Change	Contribution
Positive contributors to Inflation – Weekly				
Fruits (1.46)	8.88	40.8	22.76	2.7
Furnace oil (0.49)	8.11	36.1	83.50	6.3
Light diesel oil (0.16)	16.02	24.4	77.70	2.2
Bitumen (0.15)	8.41	10.9	67.37	1.7
Cereals (4.41)	0.49	6.3	5.82	2.0
Condiments & spices (0.66)	2.62	6.0	15.2	0.9
Other non-food articles (1.95)	0.83	5.1	6.15	1.0
Negative contributors to Inflation – Weekly				
Vegetables (1.46)	(3.70)	(18.1)	(7.10)	(1.1)
Naphtha (0.42)	(1.75)	(10.7)	74.22	7.5
Edible oils (2.76)	(1.20)	(8.6)	15.35	2.7
Oil cakes (1.42)	(1.16)	(7.7)	49.75	6.3

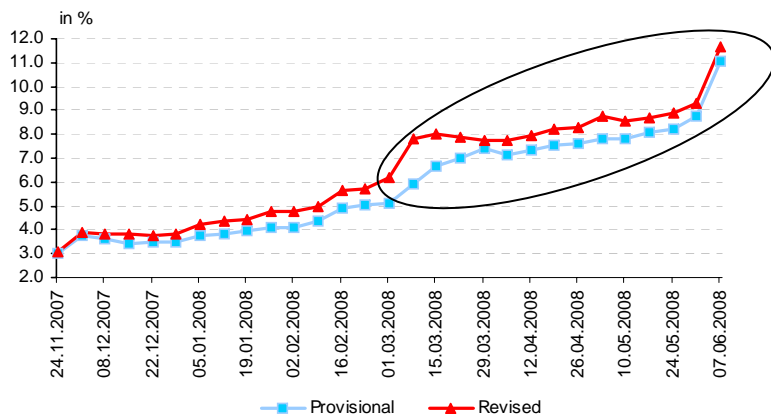
(Figures in the brackets represents the weight in WPI)

As observable, fuel items have contributed largely to the week's inflation. However, prices of vegetables, edible oils provided little comfort to overall price indices.



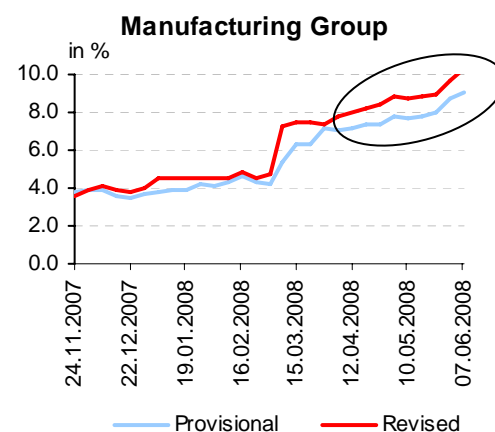
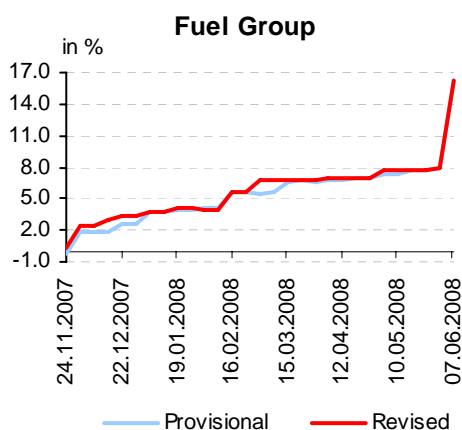
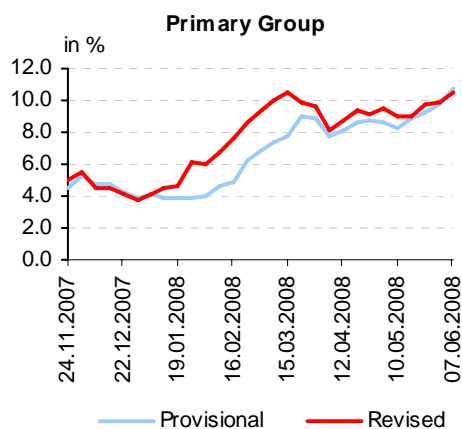
WPI - The Revised Game

Revised Figures for WPI continues to be higher...

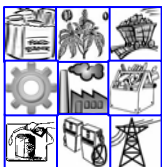


- The WPI for the week ended June 07, 2008 was revised upwards to 11.66% from 11.05% (provisional).
- The revised figures of WPI - Primary articles was down at 10.55% (10.78%)-this is the first downward revision since December 2007. The revised price index for Fuel Group was unchanged at 16.25% and Manufacturing group was up at 10.28% (9.09%). This is the highest upward revision in last 12 weeks.

Provisional and Revised WPI Figures for Group Indices... Manufacturing shows the higher provisional figures



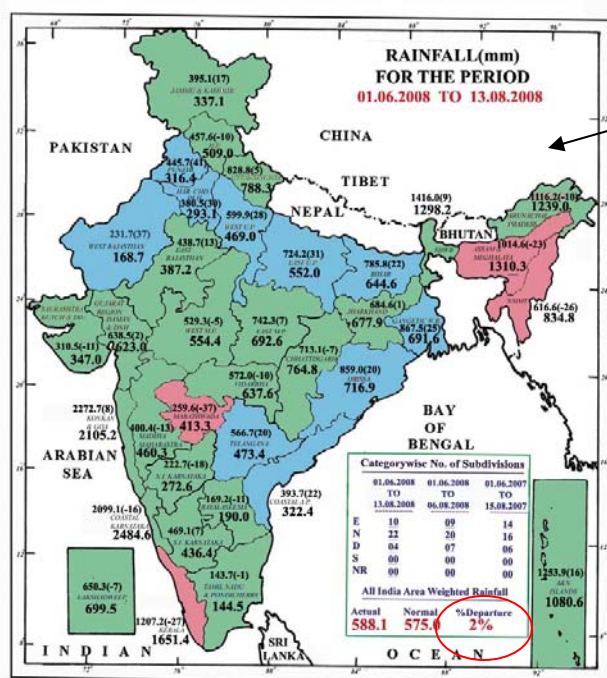
Source:-CSO, CMIE, India Capital Markets Research



Monsoon Mantra....

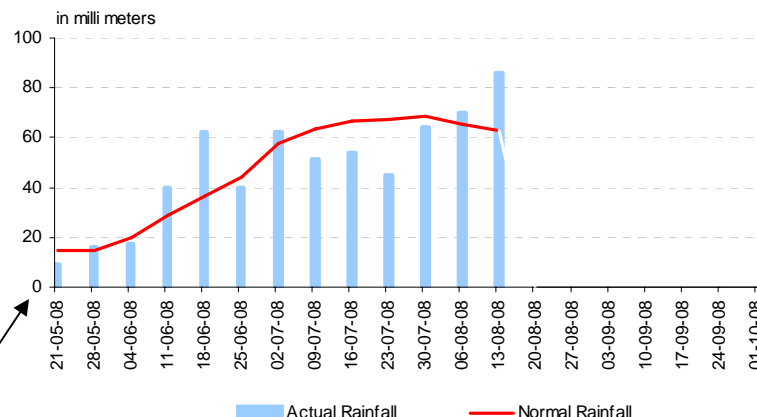
Monsoon started strongly... weakened thereafter...has become strong again...will continue to be strong...

भारत मौसम विज्ञान विभाग INDIA METEOROLOGICAL DEPARTMENT



Only 4 out of 36 meteorological divisions reporting deficient rainfall

All India - Weekly Rainfall has continued to be above normal in recent weeks.



- The monsoon which has continued its revival in the second week of August 2008, was 36% above the long period averages (LPA) at 85.8mm. This has taken India's weighted average rainfall at 2% above the LPA.
- IMD has forecasted June-Sep rainfall to 100% of Long Period average. This should surely help prices of agricultural commodities to come down.

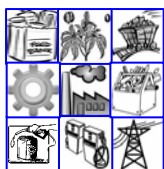
Source:-India Meteorological Department - IMD



WPI - The Outlook

The outlook... By Big Mouths...

- **Government Reaction on 12.44% Inflation:-** "After being nearly stable for four weeks, this rise has come as a major disappointment."
- **PM on inflation on independence Day:-** Mr. Manmohan Singh while addressing the nation on August 15, told that the government are taking determined measures to bring prices under reasonable control. He attributed the current rise to external factors - the price of food and other commodities which have been rising all over the world. He referred to RBI by stating that RBI is moderating money supply growth to control inflation. He was also cautious of the moderating growth - he added - while making these efforts (anti-inflationary measures), we should avoid doing anything which hurts our growth. He emphasised the fact that the government has worked hard to ensure that the inflation rate is not as high as in many other countries.
- **Prime Minister's Economic Advisory Council's view:-** Though RBI has aimed to bring down the inflation rate to close to 7% by March-end, the Prime Minister's Economic Advisory Council has a different view. As per its estimates the March-end inflation was likely to be 8-9%. The view was clear and straight forward – "In view of the pressure of domestic aggregate demand interacting with exceptionally high international commodity prices, a tight monetary stance has to be maintained for the balance part of 2008-09 (Apr-Mar) in order to contain and reduce inflation rate."
- **Cricket in Economics:-** Giving example of Sachin Tendulkar, Mr. P. Chidambaram meant that as that the current failure of Sachin can not wipe out all the achievements that he has done in the past, similarly one should look at government's performance of all five years. He continued to compare the country's 9% growth to Sir Don Bradman's batting average but regretted four years of gains have been brought to nought by less than one year of high crude prices. However he was sure of containing inflation going forward.
- **Our Outlook:-** We hold our view that inflation will breach the 13.0% mark going forward, however decreasing crude oil prices coupled with good monsoon would stabilise the inflation in near future. However, the single digit inflation is only possible in the last quarter of current fiscal.

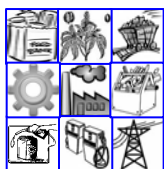


Annexure

WPI - For all the groups - Y-o-Y Change

WPI Groups		% change	Sub Groups		% change
WPI All commodities	▲	12.44	-		-
Primary Article	▲	11.43	Food articles	◀▶	7.20
			Non-Food articles	▼	16.20
			Minerals	▲	50.86
Fuel, power, light & lubricant	▲	17.99	Coal mining	◀▶	9.84
			Minerals oils	▲	28.51
			Electricity	◀▶	1.39
Manufacturing Group	◀▶	10.75	Food products	▼	13.26
			Beverages tobacco & tobacco products	◀▶	7.77
			Textiles	▲	6.63
			Wood & wood products	◀▶	9.77
			Paper & paper products	◀▶	2.93
			Leather & leather products	◀▶	0.72
			Rubber & plastic products	▲	6.41
			Chemicals & chemical products	▼	9.52
			Non-metallic mineral products	▼	4.16
			Basic metals alloys & metals products	▲	22.59
			Machinery & machine tools	▲	5.84
			Transport equipment & parts	▼	5.58

Source:-CSO, CMIE, India Capital Markets Research



Annexure

WPI - For all the groups - Weekly Change

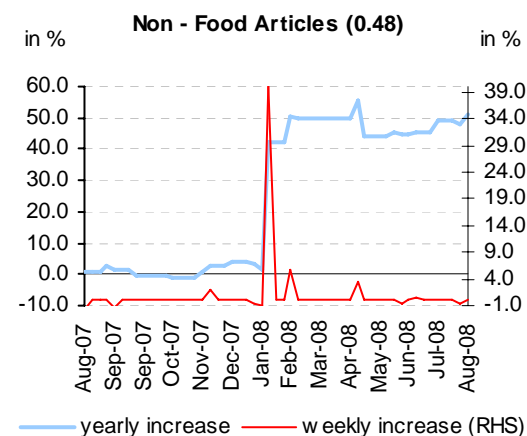
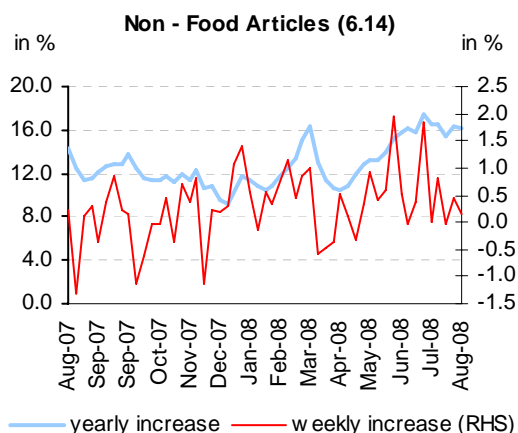
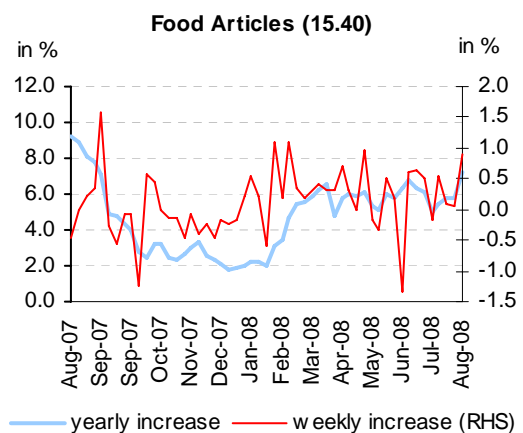
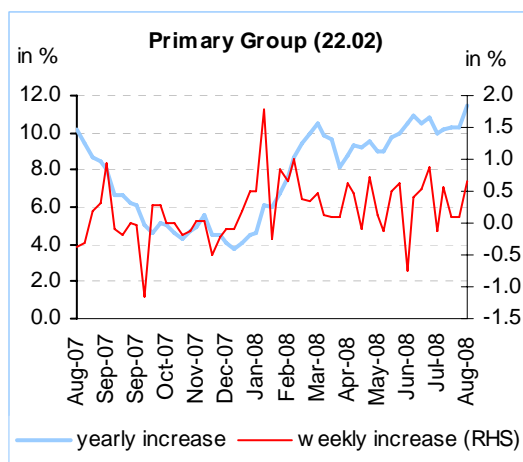
WPI Groups		% change	Sub Groups		% change	Articles/Items - weekly change in %
WPI All commodities	▲	0.33	-		-	-
Primary Article	▲	0.65	Food articles	▲	0.89	Fruits (8.88), Condiments & spices (2.62), Pulses (1.37), Vegetables (-3.7)
			Non-Food articles	▲	0.16	Oil seeds (-0.16), Other non-food articles (0.83)
			Minerals	◀▶	0.00	-
Fuel, power, light & lubricant	▲	0.90	Coal mining	◀▶	0.00	-
			Minerals oils	▲	1.46	Light diesel oil (16.02), Bitumen (8.41), Furnace oil (8.11), Aviation turbine fuel (3.06)
			Electricity	◀▶	0.00	-
Manufacturing Group	▼	(0.05)	Food products	▼	(0.47)	Edible oils (-1.20), Oil cakes (0.44), Sugar, khandsari & gur (0.19)
			Beverages tobacco & tobacco products	◀▶	0.00	-
			Textiles	▲	0.07	Jute hemp & mesta textiles (2.27), Woollen textiles (-0.55)
			Wood & wood products	◀▶	0.00	-
			Paper & paper products	◀▶	0.00	-
			Leather & leather products	◀▶	0.00	-
			Rubber & plastic products	▲	0.31	Plastic products (0.76)
			Chemicals & chemical products	▲	0.05	Turpentine, synthetic resins, plastic materials, etc. (1.02)
			Non-metallic mineral products	◀▶	0.00	-
			Basic metals alloys & metals products	◀▶	0.00	-
			Machinery & machine tools	▲	0.23	Electrical machinery (0.46)
			Transport equipment & parts	◀▶	0.00	-

Source:-CSO, CMIE, India Capital Markets Research

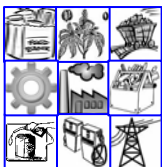


Annexure

WPI - Primary Group and Components - Price Index - Movements (Yearly and Weekly)

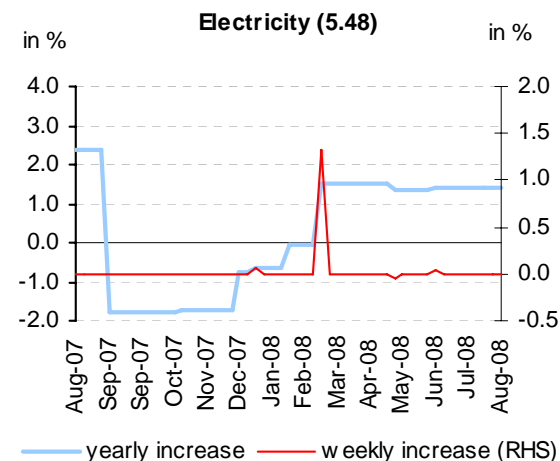
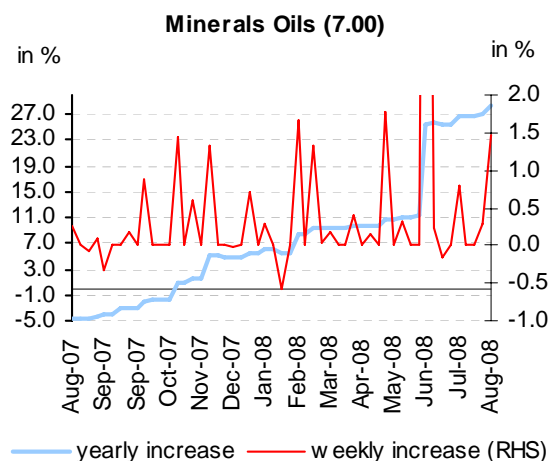
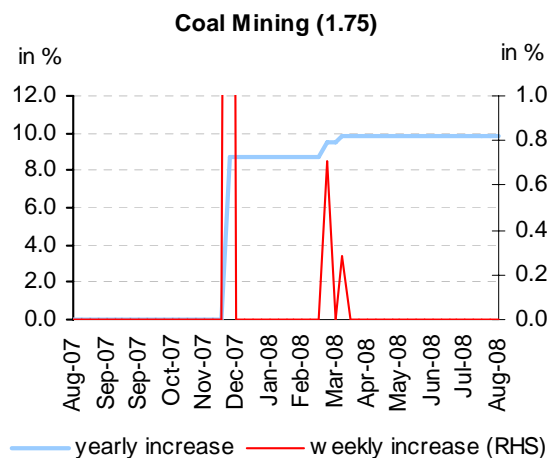
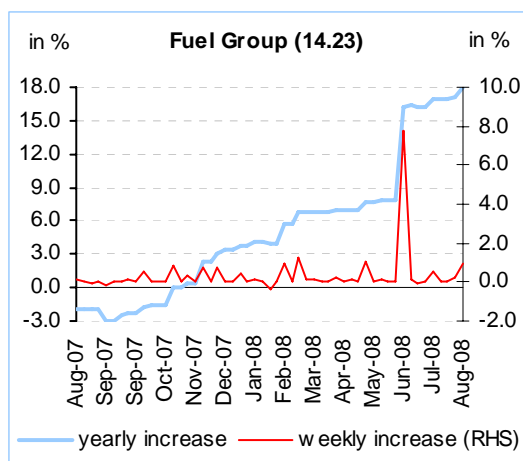


Source:-CSO, CMIE, India Capital Markets Research (Note - in the brackets represents the weight in WPI)



Annexure

WPI - Fuel Group and Components - Price Index - Movements (Yearly and Weekly)

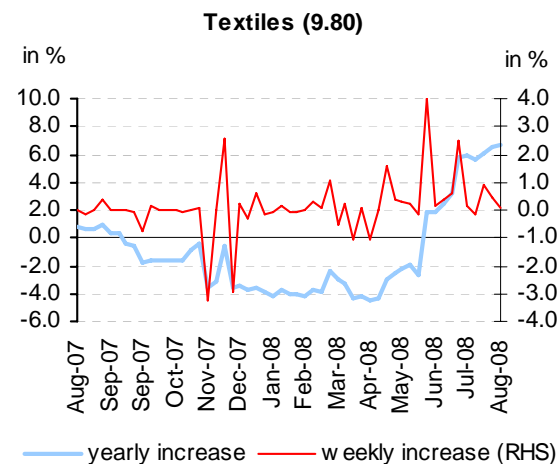
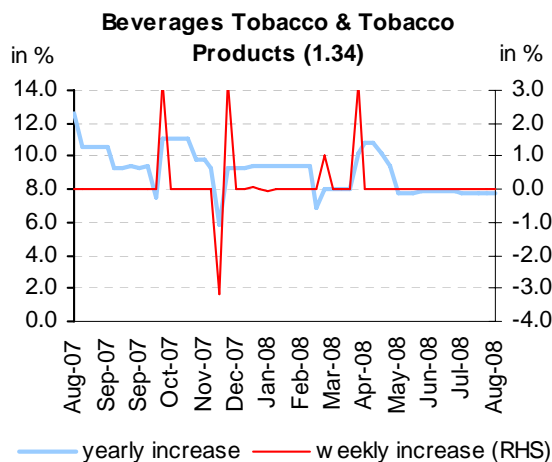
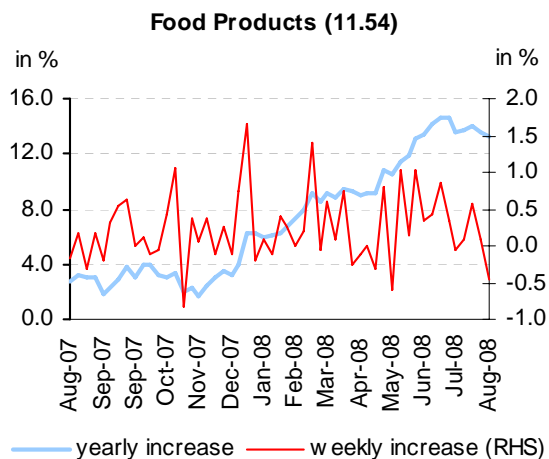
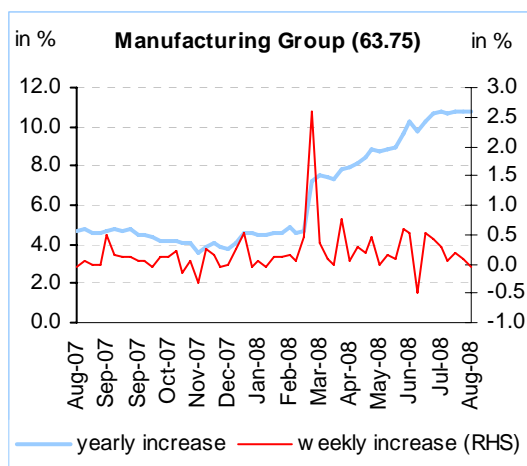


Source:-CSO, CMIE, India Capital Markets Research (Note - in the brackets represents the weight in WPI)

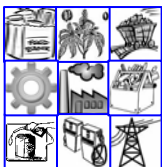


Annexure

WPI - Manufacturing Group and Components - Price Index - Movements (Yearly and Weekly)

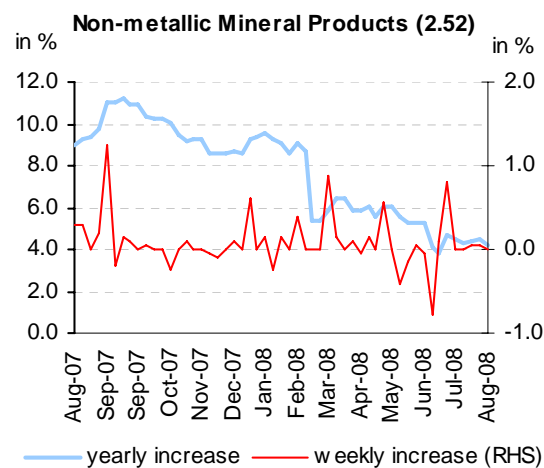
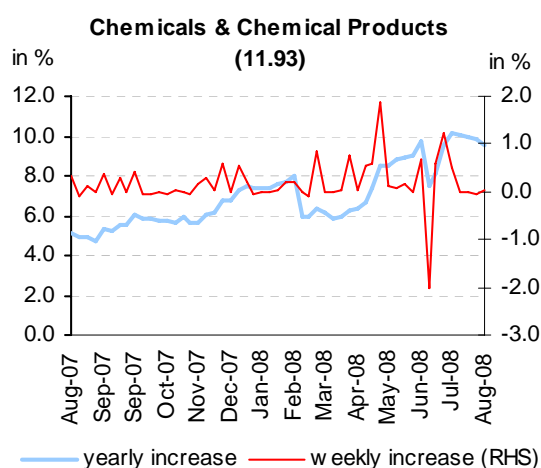
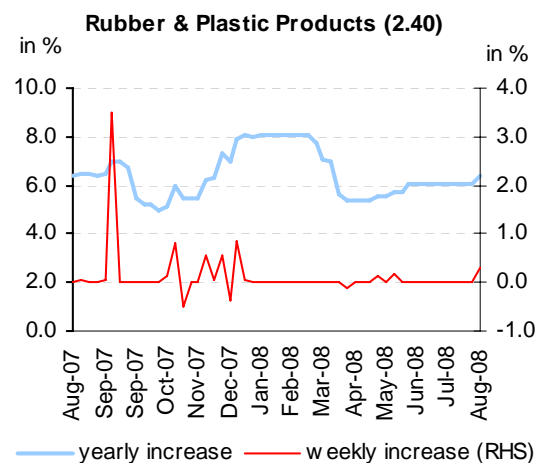
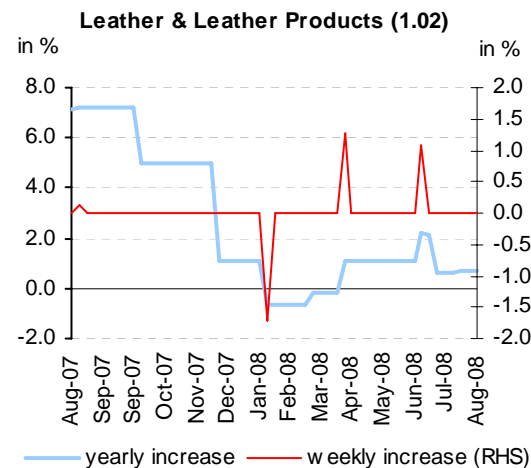
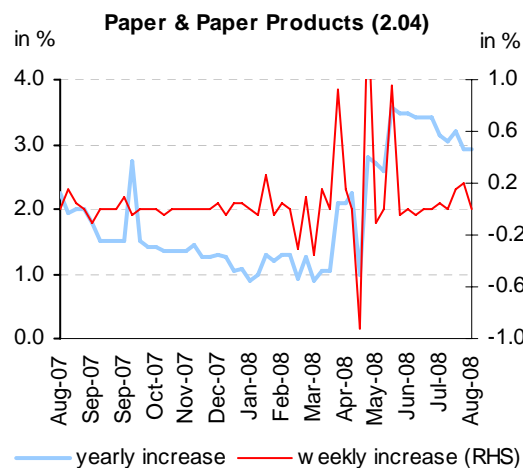
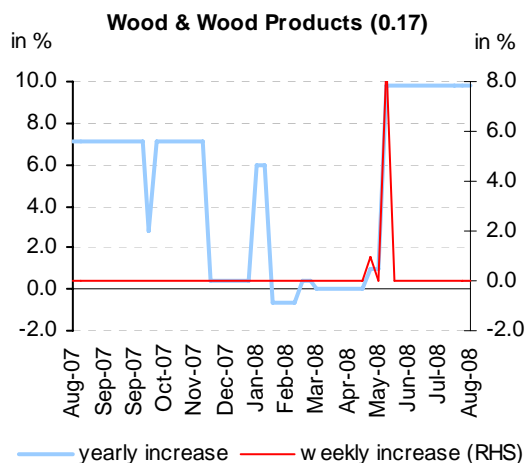


Source:-CSO, CMIE, India Capital Markets Research (Note - in the brackets represents the weight in WPI)

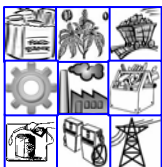


Annexure

WPI - Manufacturing Group and Components - Price Index - Movements (Yearly and Weekly)

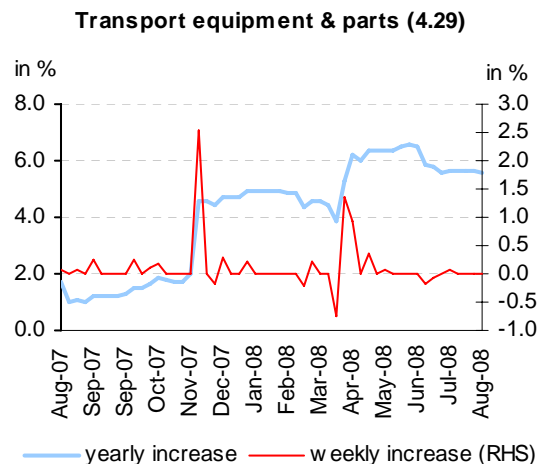
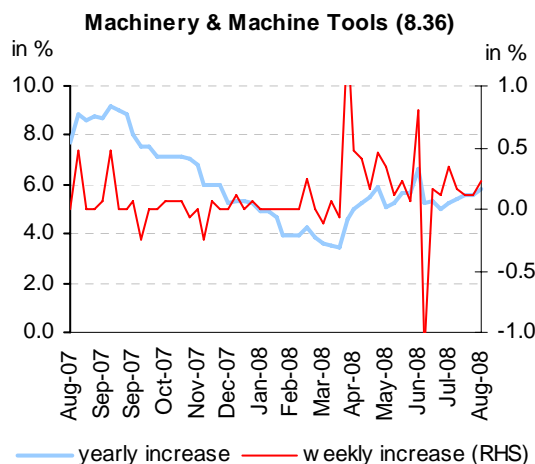
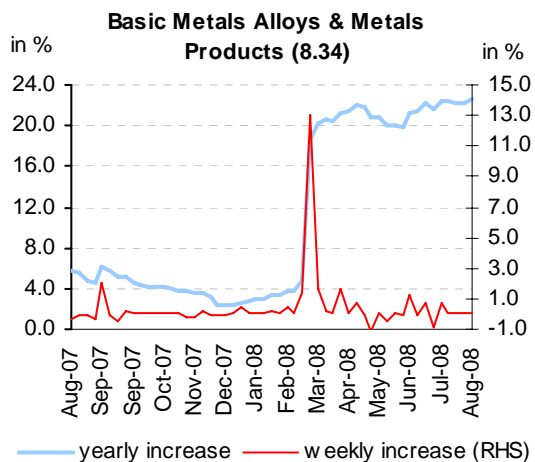


Source:-CSO, CMIE, India Capital Markets Research (Note - in the brackets represents the weight in WPI)

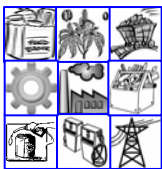


Annexure

WPI - Manufacturing Group and Components - Price Index - Movements (Yearly and Weekly)



Source:-CSO, CMIE, India Capital Markets Research (Note - in the brackets represents the weight in WPI)



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