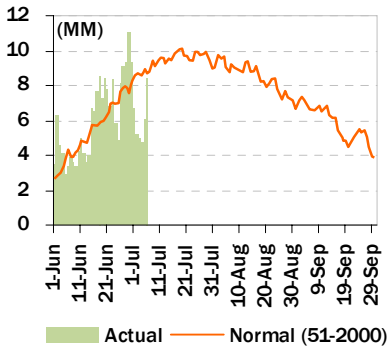




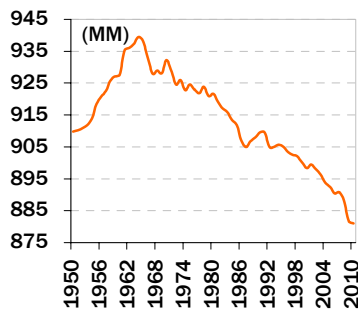
Monsoon-watch

Cumulative rainfall (June 1st to July 6th) has been at 101% of its LPA



Source: IMD

LPA of rainfall during Monsoon (June to Sep)



Source: IMD; Note: 50-yr moving avg. of rainfall

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DISAPPOINTING START TO JULY BUT IT'S STILL EARLY DAYS

The Met department's latest update pegged monsoon rains at 25% below 'normal' in the week beginning July (1st to 7th) – a sharp reversal from the 10% above average rains in the week ending June. The Met had earlier forecast July rains to be sub-par (94% of LPA). However, for the current season (1st June – 7th July) rains were 1% above normal.

July is the key planting month during the June-Sept monsoon and rainfall was the weakest in rice, cotton and oilseeds growing areas of east, west & central India. As per latest information, coverage under cotton is 3.5 mn ha this year as compared to 4.5 mn ha in 2010. On the other hand, sugarcane has been sown in 5.1 mn ha vs. 4.9 mn ha last year. A slow revival in July rains could further hamper sowing.

We believe it's too early to infer from one week's rainfall in July and don't think that it will be a cause for worry just yet:

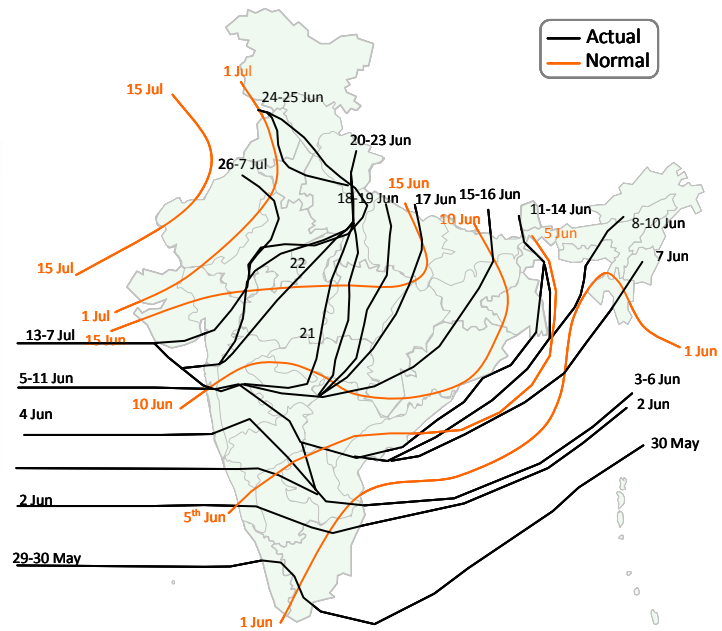
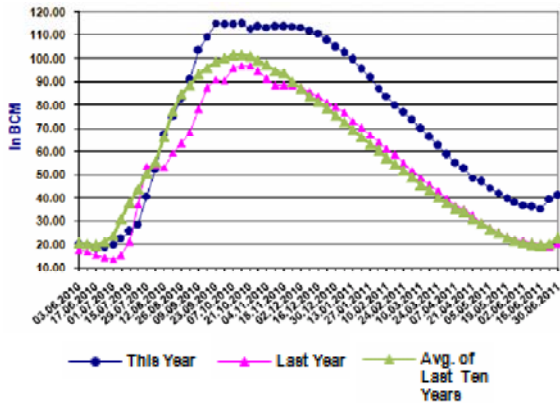
- ❑ Last year rains were sub-par till June but picked up in the latter part of the season resulting in above normal rainfall.
- ❑ The agri ministry has pegged **FY12E agri output at ~245 MT** (vs. 236 MT in FY11) and it has **also raised the minimum support prices** for food grains this year **by an average of 5.7%**, albeit lower than the 14% CAGR in the previous 5 years.
- ❑ 'Above average' rainfall in June (111% of LPA) has further **improved reservoir levels** which has increased from ~38 BCM on June 23rd to ~41 BCM on June 30th (see chart overleaf).
- ❑ **The trough off the coast has re-migrated to its normal position which could spur a monsoon revival.** The IMD has forecasted fairly widespread rainfall over west coast, northwest and the central states during the week ending 13th July '11.

What to watch out for? Watch out for an **undershoot in rains** (projections for July & August are at 94% and 95% of LPA) or a **huge deviation in spatial distribution.**

Water stock in reservoirs above normal

Monsoon progressing as per timeline

Water stock in 2011 vs 2010 & Avg of last 10 years

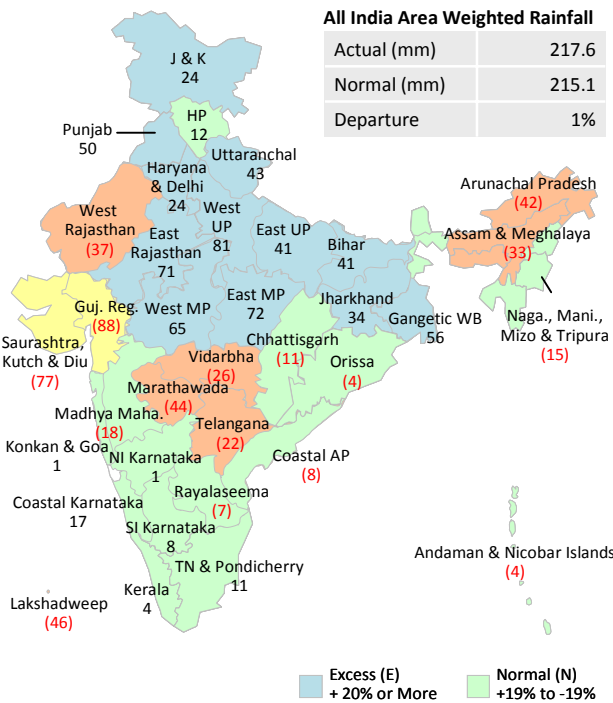


Source: Central Water Commission; IMD, Department of agriculture & cooperation

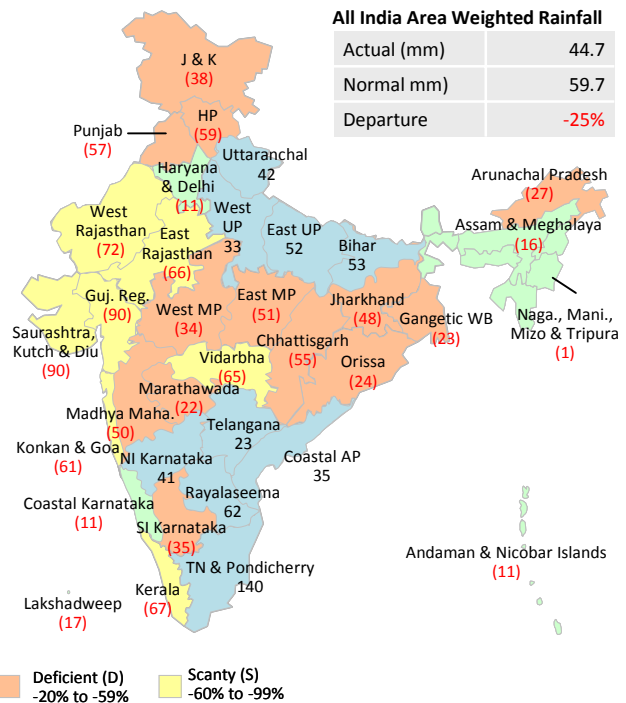
Seasonal rainfall 1% above normal

...though weekly rainfall down 25%

Seasonal rainfall (1st Jun - 6th Jul'11)



Weekly rainfall (30th Jun - 6th Jul'11)



Source: IMD

Cumulative rainfall – region wise (1st June – 29th June)

| | Actual | Normal | Deviation | Category |
|---------------------------|--------------|--------------|-----------|---------------|
| North-West India | 105.8 | 64.3 | 65 | Excess |
| Central India | 181.7 | 155.4 | 17 | Normal |
| South Peninsular India | 155.7 | 151.7 | 3 | Normal |
| East & North-east India | 300.1 | 335.6 | (11) | Normal |
| Country as a Whole | 172.1 | 155.4 | 11 | Normal |

Source: IMD

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