



RESEARCH REPORT

IIP | MONTHLY



OUR REPORTS

Fundamental

Company Report
Sector Report
Theme Based Report

Daily & Weekly

Fundamental Market Update
Technical Market Update
Derivative Market Update
Currency Report
Debt Mutual Fund Report

Monthly

India Strategy Report
IIP Report
Auto Sector Update
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Exports-Imports Report

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India and Global Strategy Report
India Economy Report
Company Result Expectation
Company Result Analysis

Others

Event Based Report
RBI Monetary Review Report
Annual Budget Expectation Report
Annual Budget Review Report

March 12, 2012

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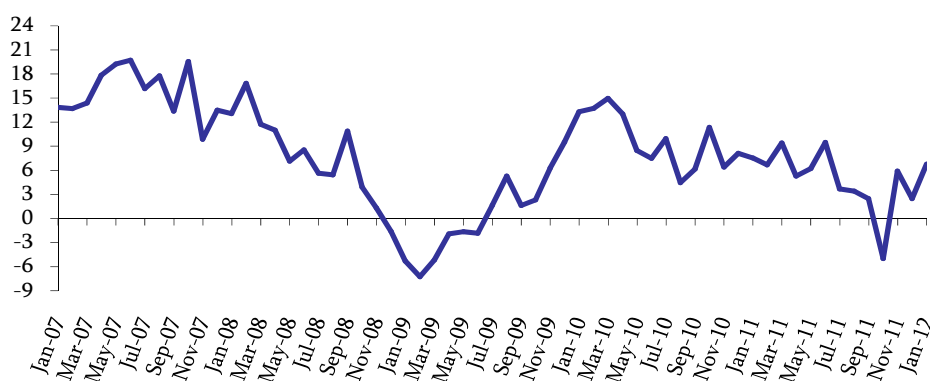
The Index of Industrial Production increased by 6.8 percent in January 2012 from a year earlier, after increasing by a revised 2.5 percent in the previous month.

India's Industrial Output in January, 2012 grew at its fastest pace in 7 months. As per the new index, with 2004-05 as the base, Industrial Production increased by 6.8 percent in January from a year earlier, after growing by a revised 2.5 percent last month. Industrial activity has surprised largely on account of strong rebound in Manufacturing and Consumer Goods, Non-durables in particular, even as production of key Intermediate and Capital Goods stayed weak. Role of low base of last year also cannot be denied. In value terms, the Index of Industrial Production (IIP) increased to 187.9 from a revised 180.0 in December 2011, registering a sequential rise of 4.4 percent. On cumulative basis, during the first ten months (April-January) of FY2011-12, IIP growth stood at 4.0 percent against 8.3 percent in the corresponding period of last year.

Outlook: Economic activity in general is showing some sign of improvements. December and January Purchasing Manager's Index data also indicated the same, but not to the extent that could justify IIP growth of 6.8 percent. Also, it was not broad-based. IIP data has actually become too volatile after the introduction of new series, which has reduced the credibility of IIP as a leading indicator. Going forward, sustainability of this trend in IIP is doubtful particularly in the month of March because of the high base effect, along with sluggish reform progress. Other factors like, credit growth and investment sentiment also remain low.

Policy Outlook: After the injection of high powered money through the cut in cash reserve ratio by 75 basis points, Reserve Bank of India (RBI) may go for a pause in its next policy meeting on March 15, 2012. As far as the rate cut is concerned, we expect the RBI may wait and see the outcome of Union Budget 2012 on March 16, 2012 before taking any decision.

Exhibit 1: IIP Trend (YoY %)



Source: Bloomberg

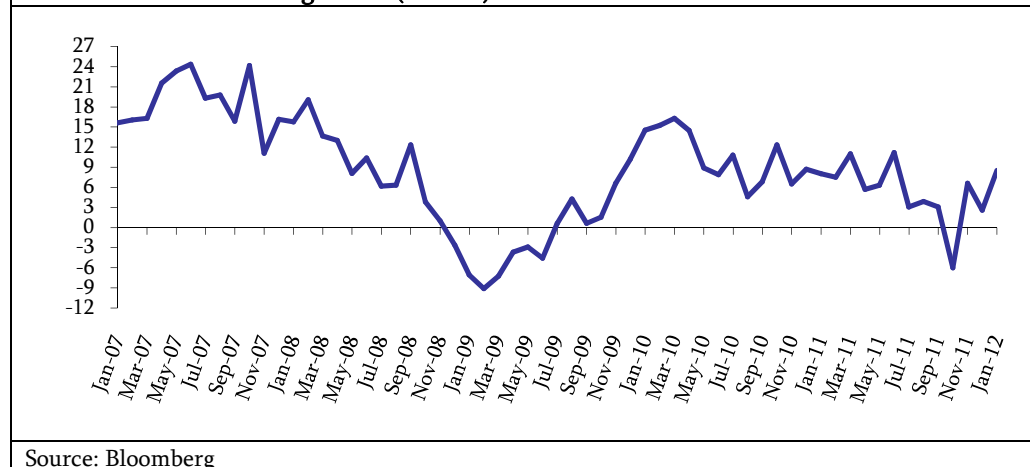
Manufacturing Sector

Production of Manufacturing Sector, increased by 8.5 percent in January, 2012 from a year earlier, after growing by 2.6 percent in December 2011.

Manufacturing Sector which accounts 75.5 percent in the new IIP index, grew at a rate of 8.5 percent in January, 2012 from a year earlier, after increasing by 2.6 percent last month. The Index of Manufacturing Sector increased to 202.4 from 192.2 in the previous month, registering a sequential growth of 5.3 percent. Industry-Wise, 13 out of the 22 industry groups in the Manufacturing sector have shown positive growth during the month of January, 2012 as compared to the corresponding month of the previous year. Food Products

and Beverages has shown the highest growth of 92.6 percent YoY, followed by 56.1 percent YoY in Publishing, Printing and Reproduction of Recorded Media and 29.9 percent YoY in Medical, precision & optical instruments, watches and clocks. On the other hand, Electrical machinery & apparatus n.e.c. has shown a negative growth of 30.5 percent YoY, followed by 14.1 percent YoY in Office Accounting and Computing Machinery and 13.8 percent YoY in Radio, TV and Communication Equipment and Apparatus. The overall growth of Manufacturing Sector for the period of April – January of FY2011-12, was 4.4 percent against 8.9 percent in the corresponding period of FY2010-11.

Exhibit 2: Manufacturing Trend (YoY %)



Mining Sector

Production of Mining Sector fell for the sixth consecutive month. Mining Sector registered a decline of 2.7 percent in January, 2012 from a year earlier, against a fall of 3.4 percent registered in the previous month. However, sequentially, the index has shown some improvement on account of strong coal output. During January, 2012, the index increased to 137.2 from 136.7 in December 2011, registering MoM growth of 0.4 percent. The overall growth of Mining Sector for the period of April – January of FY2011-12 was -2.6 percent against 6.3 percent in the corresponding period of FY2010-11.

Consumer Goods Sector

In the month of January, 2012, the production of Consumer Goods Sector witnessed a strong rebound fuelled by a 42.1 percent YoY surge in production of Consumer Non-durable goods. However, a negative growth of 6.8 percent YoY in Consumer Durables sector has hurt the sentiments. Production of Consumer Goods Sector increased by 20.2 percent from a year earlier, against a growth of 10.2 percent in the previous month. The index for Consumer Goods Sector increased to 237.2 from 208.1 in the previous month, registering MoM growth of 14.0 percent. Some of the important items of Consumer Goods has shown were showing high positive growth during the month including Zarda /Chewing Tobacco (127.3 percent YoY), Marble Tiles/Slabs (69.4 percent YoY), Newspapers (57.1 percent YoY) and Pens of all kind (31.8 percent YoY). However, some important items of the Consumer Goods have shown negative growth like, Vitamins (-54.2 percent YoY), Air Conditioner (Room) (-47.5

On YoY basis, the production of Consumer Non-durables Sector increased by 42.1 percent in January, 2012 against 14.0 percent registered in the previous month.

percent YoY), Fruit Pulp (-33.2 percent YoY), Antibiotics and its Preparations (-16.4 percent YoY and Gems and Jewellery (- 15.5 percent YoY).

Capital Goods Sector

On YoY basis, the production of Capital Goods sector declined by 1.5 percent in January, 2012, after registering a decline of 16.3 percent in December 2011.

Production of Capital Goods Sector registered a decline of 1.5 percent in January, 2012 from a year earlier, after falling by 16.3 percent in the previous month. This fifth consecutive decline in the Capital Goods sector is a cause of concern and calls for some concrete measures by the Government to improve the investment activity in the economy. The index for Capital Goods Sector decreased further to 259.8 from 262.4 in the previous month, registering a decline of 1.0 percent on MoM basis. The overall growth of Capital Goods Sector for the period of April – January of FY2011-12 was -2.8 percent against 17.0 percent in the corresponding period of FY2010-11.

Exhibit 3: Capital Goods Trend (YoY%)

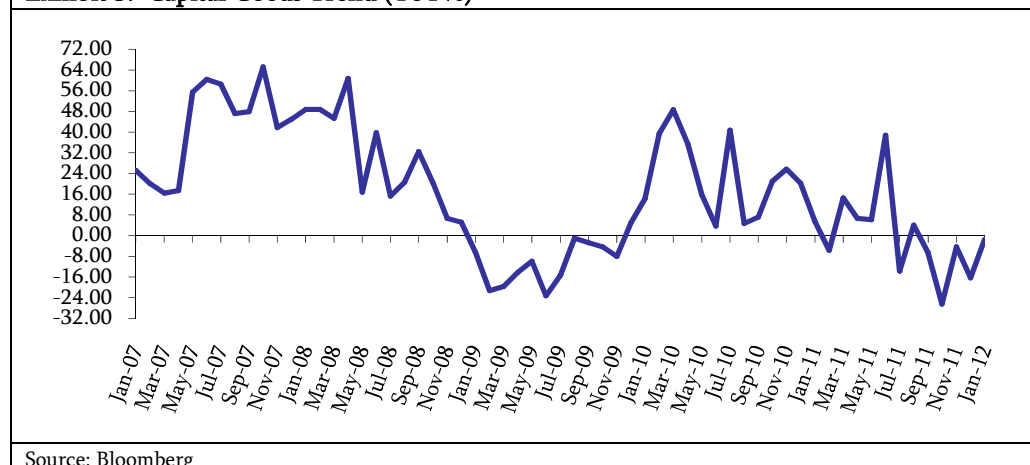


Exhibit4: IIP INDEX

Particulars	Jan-12		Dec-11		FYTD 2011-12	FYTD 2010-11
	Index	YoY(%)	Index	YoY(%)	YoY (%)	YoY (%)
Industrial Production	187.9	6.8	180.0	2.5	4.0	8.3
Manufacturing	202.4	8.5	192.2	2.6	4.4	8.9
Mining	137.2	-2.7	136.7	-3.4	-2.6	6.3
Basic Goods	156.4	1.6	156.3	5.3	5.7	6.0
Intermediate Goods	145.4	-3.2	149.0	-2.0	-1.0	8.0
Consumer Durables	289.6	-6.8	297.5	4.9	3.9	13.7
Consumer Non Durables	216.4	42.1	172.6	14.0	10.2	2.8
Capital Goods	259.8	-1.5	262.4	-16.3	-2.8	17.0

Source: Bloomberg

- Investment Banking
- Equity, Commodity & Currency Broking
- Wealth Management
- Insurance Broking
- Club Kautilya
- prpsolutions.com



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