

INFLATION | 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
- Cement Sector Update
- Metal Sector Update
- Telecom Sector Update
- Insurance and Mutual Fund Report
- Inflation Report
- Exports-Imports Report

Quarterly

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

Others

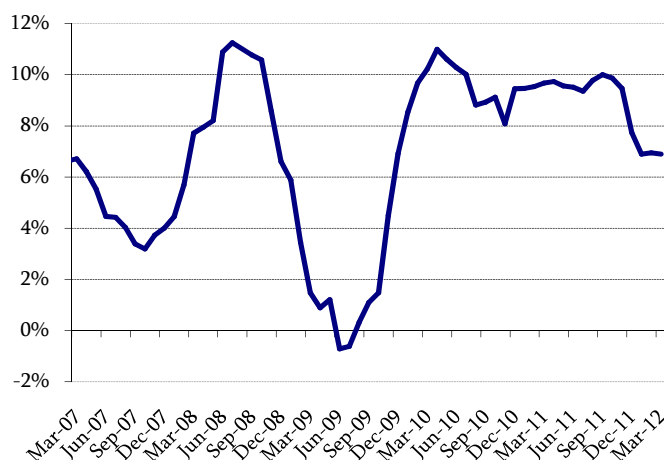
- Event Based Report
- RBI Monetary Review Report
- Annual Budget Expectation Report
- Annual Budget Review Report

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Inflation Trend (YoY %)



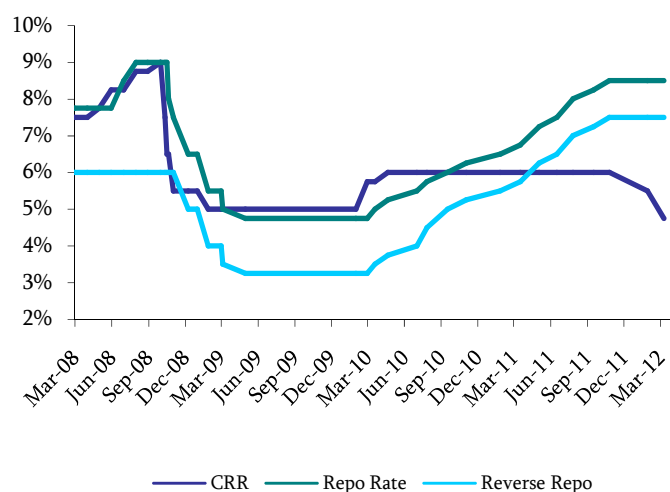
Source: Bloomberg

Provisional and Revised numbers for January 2012

Particulars	Index Level		Inflation Rate	
	Provisional	Revised	Provisional	Revised
All Commodities	157.7	158.2	6.55	6.89
Primary Articles	199.7	200.7	2.25	2.76
Fuel Group	172.8	173.4	14.21	14.61
Manufactured Products	141.2	141.5	6.49	6.71

Source: Bloomberg

CRR, Repo & Reverse Repo Trend



Source: Bloomberg

India's Inflation rate for the month of March 2012 came in at 6.89 percent which is on the dot as expected by Microsec Research. Bloomberg median forecast was 6.65 percent. Inflation was 6.95 percent in February 2012. Although, Inflation fell annually, on sequential basis, the Wholesale Price Index (WPI) actually increased to 159.8 from its previous month level of 158.4, mainly because of costlier food items. However, average Inflation for FY2011-12 came lower at 8.8 percent against 9.6 percent last year.

Among the groups, Food Articles contributed the most (1.71 percent) to the overall Inflation, followed by Mineral Oils (1.53 percent), Basic Metals, Alloys (1.01 percent), Chemicals (0.77 percent), Minerals (0.77 percent) and Food Products (0.57 percent) respectively.

WPI, for the month of January 2012, was revised to 158.2 against the earlier reported number of 157.7. Inflation rate for January 2012 was also revised upward by 34 basis points to 6.89 percent. Among the categories, Inflation rates for Primary Articles, Fuel, Power, Light and Lubricants and Manufactured Products were revised upward to 2.76 percent, 14.61 percent and 6.71 percent respectively from 2.25 percent, 14.21 percent and 6.49 percent reported earlier.

Outlook: While, Core Inflation (Non-food Manufactured) declined both on yearly as well as sequential basis, upside risk to Inflation persist. Any hike in fuel prices will further contribute to the Inflationary pressure. If diesel prices are increased by INR2/litre, Inflation would be directly pushed up by 25-30 basis points followed by an indirect impact of a similar magnitude. Along with that, full impact of freight and excise duty is yet to be seen. So, going forward, Inflation will continue to inch higher.

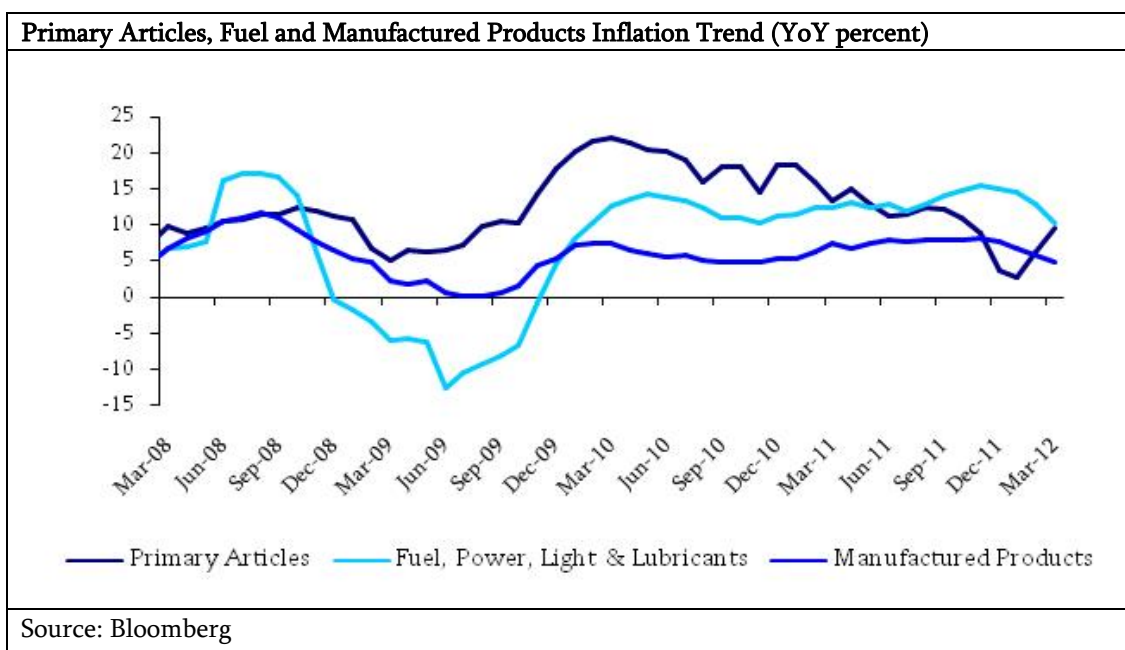
Policy Outlook: Even though the high degree of volatility has reduced the credibility of recent macro numbers (IIP), current sectoral trends and corporate earnings clearly indicate that growth has slowed down and there is need of further policy measures to bring it back on track. A sub-5 percent Core Inflation number further affirms this view. Thus, we maintain our expectation of 25 basis points Repo Rate cut in Reserve Bank of India's next Policy Meeting tomorrow. However, given the upside risk on Inflation, we expect RBI will go for 50-75 basis points Repo Rate cut for the entire 2012.

Major Groups

Primary Articles: On YoY basis, Inflation rate for Primary Articles increased to 9.62 percent in March 2012 against 6.28 percent a month earlier on account of costlier Food and Non-Food Articles. The index of Primary Articles increased to 206.3 from its previous month level of 201.5. Inflation rate for Primary Articles was 13.44 percent a year ago.

Fuel, Power, Light, and Lubricants: On YoY basis, Inflation rate for Fuel, Power, Light, and Lubricants decreased to 10.41 percent in March 2012 vis-a-vis 12.83 percent in February 2012, on account of base effect as the index for Fuel, Power, Light and Lubricants actually increased to 174.0 from its previous month level of 173.2. Inflation rate for Fuel, Power, Light and Lubricants was 12.49 percent a year ago.

Manufactured Products: Although, on YoY basis, Manufactured Products Inflation slowed to 4.87 percent in March 2012 compared with 5.75 percent during February 2012. However, the index of Manufactured Products increased to 142.2 compared to its previous month level of 141.7. Inflation rate for Manufactured Products was 7.45 percent a year ago.



Inflation trend in Primary Articles

Particulars	Weight (%)	%YoY Change		%MoM Change	
		Mar-12	Feb-12	Mar-12	Feb-12
Primary Articles	20.12	9.62	6.28	2.38	0.40
Fuel, Power, Light & Lubricants	14.91	10.41	12.83	0.46	-0.12
Manufactured Products	64.97	4.87	5.75	0.35	0.14

Source: Bloomberg

Components of Primary Articles

On YoY basis, the Food Articles Inflation increased to 9.94 percent against 6.07 percent last month. Non-Food Articles Inflation increased to -1.20 percent during the month against -2.56 percent in February 2012. Inflation for Minerals also increased to 28.56 percent from 25.28 percent in the previous month.

On MoM basis, the index for Food Articles increased by 2.34 percent to 196.8 due to higher prices of fruits & vegetables (9 percent), poultry chicken (7 percent), barley (6 percent), maize (3 percent), beef & buffalo meat, bajra and gram (2 percent each) and wheat, moong, ragi and rice (1 percent each). However, the prices of jowar (5 percent), tea (4 percent), egg, urad, arhar and fish-marine (2 percent each) and fish-inland (1 percent) declined.

On MoM basis, the index for Non-Food Articles increased by 1.29 percent to 189.1 due to higher prices of gaur seed (52 percent), soyabean (7 percent), groundnut seed (6 percent), raw rubber (5 percent), sunflower and niger seed (4 percent each), copra and gingelly seed (3 percent each), fodder and linseed (2 percent each) and safflower and raw jute (1 percent each). However, the prices of flowers (36 percent), castor seed (5 percent), raw cotton (2 percent) and coir fibre (1 percent) declined.

On MoM basis, the index for Minerals increased by 4.07 percent to 343.0 due to higher prices of copper ore (24 percent), magnesite (17 percent), steatite (11 percent), iron ore and zinc concentrate (3 percent each) and crude petroleum (2 percent). However, the prices of sillimanite (13 percent), manganese ore and barytes (3 percent each) declined.

Inflation trend in Primary Articles

Particulars	Weight (%)	%YoY Change		%MoM Change	
		Mar-12	Feb-12	Mar-12	Feb-12
Primary Articles	20.12	9.62	6.28	2.38	0.40
Food Articles	14.34	9.94	6.07	2.34	0.63
Non-Food Articles	4.26	-1.20	-2.56	1.29	1.97
Minerals	1.52	28.56	25.28	4.07	-3.03

Source: Bloomberg

Components of Fuel, Power, Light & Lubricants

On YoY basis, during March 2012, Coal Mining Inflation decreased to 0.38 percent from 9.45 percent last month due to the base effect. Inflation for Mineral Oils also decreased to 14.51 percent from 15.81 percent in the previous month. However, Electricity Inflation remained unchanged at previous month's level of 4.00 percent.

On MoM basis, the index for this major group increased due to higher prices of light diesel oil (8 percent), aviation turbine fuel (5 percent), naphtha (3 percent) and furnace oil (2 percent). However, the prices of bitumen (4 percent) declined.

Inflation trend in Fuel, Power Light & Lubricants Products

Particulars	Weight (%)	%YoY Change		%MoM Change	
		Mar-12	Feb-12	Mar-12	Feb-12
Fuel, Power, Light & Lubricants	14.91	10.41	12.83	0.46	-0.12
Coal Mining	2.09	0.38	9.45	0.00	0.22
Mineral Oils	9.36	14.51	15.81	0.73	-0.26
Electricity	3.45	4.00	4.00	0.00	0.00

Source: Bloomberg

Components of Manufactured Products

On a YoY basis, Manufactured Products Inflation for - Food products increased to 5.93 percent from its previous month level of 5.72 percent, Non-food Manufactured decreased to 4.69 percent from its previous month level of 5.68 percent, Beverage and Tobacco fell to 8.22 percent during March 2012 from 10.10 percent last month, Textiles decreased to -3.32 percent from -0.70 percent in February 2012, Wood & Wood Products slowed to 7.19 percent from 8.21 percent in the previous month, Paper and Paper Products decreased to 2.86 percent against its previous month level of 3.20 percent, Rubber and Plastic products fell to 1.13 percent in March 2012 against 2.13 percent last month, Chemicals and Chemical products fell to 7.42 percent compared with 7.99 percent in the previous month, Non-Metallic Mineral Products slowed to 5.66 percent from 6.71 percent in February 2012, Basic Metal and Alloy's decreased to 9.51 percent against 10.44 percent last month, Machinery and Tools decreased to 2.19 percent from 2.78 percent last month and Transport Equipment and Parts slowed to 3.10 percent against its previous month level of 3.21 percent.

On MoM basis, the index for Food Products increased by 0.20 percent to 153.7 due to higher prices of groundnut oil (5 percent), palm oil, soyabean oil and mustard & rapeseed oil (2 percent each) and cotton seed oil and sugar confectionary (1 percent each). However, the prices of tea leaf (unblended) (4 percent), canned fish (3 percent), ghee (2 percent) and mixed spices, oil cakes and copra oil (1 percent each) declined.

On MoM basis, the index for Beverages, Tobacco & Tobacco increased by 0.24 percent to 167.2 due to higher prices of bidi and soft drinks & carbonated water (1 percent each). However, the prices of dried tobacco (1 percent) declined.

On MoM basis, the index for Textiles increased by 0.71 percent to 128.0 due to higher prices of cotton yarn (2 percent) and jute yarn, gunny and hessian cloth, tyre cord fabric, man made fabric and cotton fabric (1 percent each).

On MoM basis, the index for Wood & Wood Products declined by 0.55 percent to 162.6 due to lower prices of timber / wooden planks (4 percent). However, the prices of plywood & fibre board (1 percent) moved up.

On MoM basis, the index for Paper & Paper Products increased by 0.68 percent to 133.2 due to higher prices of paper pulp and books/ periodicals/ journals (3 percent each), paper for printing / poster (2 percent) and printing and writing paper, maplitho paper and computer stationery (1 percent each).

On MoM basis, the index for Leather & Leather Products increased by 0.46 percent to 131.2 due to higher prices of leather footwear (1 percent).

On MoM basis, the for Rubber & Plastic Products increased by 0.30 percent to 134.5 due to higher prices of rubber transmission belt (2 percent).

On MoM basis, the index for Chemicals & Chemical Products increased by 0.73 percent to 138.9 due to higher prices of di ammonium phosphate and ammonium sulphate (3 percent each), basic organic chemicals, hair / body oils, pigment & pigment intermediates and organic manure (2 percent each) and washing powder, lacquer & varnishes, paints, explosives and rubber chemicals (1 percent each). However, the prices of antacid and digestive preparations and turpentine oil (1 percent each) declined.

On MoM basis, the index for Non-Metallic Mineral Products increased by 0.51 percent to 156.7 due to higher prices of slag cement (3 percent) and bricks & tiles (1 percent).

On MoM basis, the index for Basic Metals, Alloys & Metal Products increased by 0.31 percent to 162.4 due to higher prices of sponge iron and ferro chrome (4 percent each), silver (3 percent), pig iron, rebars, melting scrap and pencil ingots (2 percent each) and rounds, joist & beams, wire rods, angles, pressure cooker, steel pipes & tubes, billets, aluminium, fixtures, nuts/bolts/screw/ washers,

sheets and iron & steel wire (1 percent each). However, the prices of crc (7 percent), metal containers (3 percent) and gold & gold ornaments and slab (1 percent each) declined.

On MoM basis, the index for Machinery & Machine Tools increased by 0.08 percent to 126.0 due to higher prices of thresher (4 percent), boiler & accessories, engines and cranes (2 percent each) and electrical pumps, communication equipments, industrial valves, batteries, t.v.sets, lamps, material handling equipments, pump & assembly, pvc insulated cable and hydraulic equipment (1 percent each). However, the prices of earth moving machinery (7 percent), control equipments (5 percent) and computer power supply system (smps), battery dry cells and insulators (1 percent each) declined.

On MoM basis, the index for Transport, Equipment & Parts increased by 0.56 percent to 126.2 due to higher prices of shafts (all kinds) (2 percent) and bi-cycles, motor vehicles and motor cycle / scooter / moped (1 percent each).

Inflation trend in Manufactured Products

Particulars	Weight (%)	%YoY Change		%MoM Change	
		Mar-12	Feb-12	Mar-12	Feb-12
Manufactured Products	64.97	4.87	5.75	0.35	0.14
Food Products	9.97	5.93	5.72	0.20	0.07
Beverage & Tobacco	1.76	8.22	10.10	0.24	-0.18
Textiles	7.33	-3.32	-0.70	0.71	0.16
Wood	0.59	7.19	8.21	-0.55	-0.18
Paper	2.03	2.86	3.20	0.68	0.23
Leather	0.84	4.54	5.49	0.46	-0.53
Rubber & Plastic	2.99	1.13	2.13	0.30	-0.15
Chemicals	12.02	7.42	7.99	0.73	0.07
Non-Metallic Min. Prdt	2.56	5.66	6.71	0.51	0.00
Basic Metals, Alloys	10.75	9.51	10.44	0.31	0.43
Machinery & Tools	8.93	2.19	2.78	0.08	-0.08
Transport Equip./Parts	5.21	3.10	3.21	0.56	0.00

Source: Bloomberg

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