

# INFLATION | MONTHLY



## OUR REPORTS

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Theme Based Report

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Fundamental Market Update  
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Derivative Market Update  
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### Quarterly

India and Global Strategy Report  
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### Others

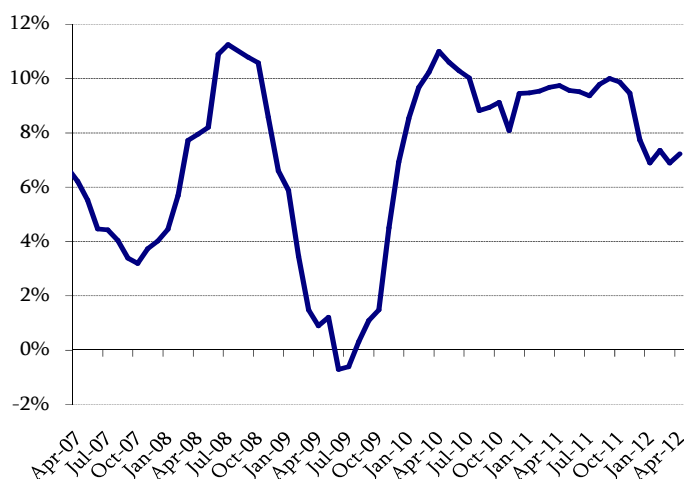
Event Based Report  
RBI Monetary Review Report  
Annual Budget Expectation Report  
Annual Budget Review Report

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Sutapa Roy

E-mail: [s-roy@microsec.in](mailto:s-roy@microsec.in)

## Inflation Trend (YoY %)



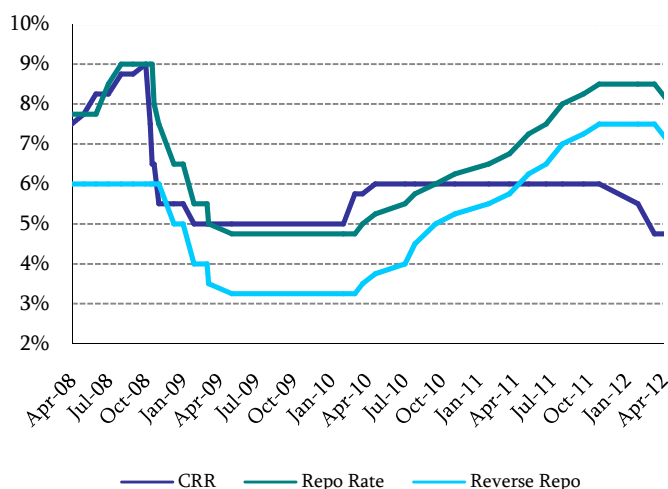
Source: Bloomberg

## Provisional and Revised numbers for February 2012

Particulars	Index Level		Inflation Rate	
	Provisional	Revised	Provisional	Revised
All Commodities	158.4	159.0	6.95	7.36
Primary Articles	201.5	203.0	6.28	7.07
Fuel Group	173.2	174.3	12.83	13.55
Manufactured Products	141.7	141.8	5.75	5.82

Source: Bloomberg

## CRR, Repo & Reverse Repo Trend



Source: Bloomberg

India's Inflation rate for the month of April 2012 came in at a shocking 7.23 percent YoY on top of last year's high base. Inflation was 9.74 percent YoY in April 2011. Inflation accelerated mainly on costlier food prices. Jump in Fuel and Manufactured Inflation also has been pretty sharp. Impact of freight and excise duty cannot be denied. Inflation was 6.89 percent YoY in March 2012. During April 2012, the Wholesale Price Index (WPI) increased to 163.1 from its previous month level of 159.8, registering a sequential 2.07 percent uptick.

Among the groups, Food Articles contributed the most (1.85 percent) to the overall Inflation, followed by Mineral Oils (1.45 percent), Basic Metals, Alloys (1.13 percent), Chemicals (0.77 percent), Food Products (0.62 percent) and Minerals (0.58 percent) respectively.

WPI, for the month of February 2012, was revised to 159.0 against the earlier reported number of 158.4. Thus the Inflation rate for February 2012 was revised upward by 41 basis points to 7.36 percent. Among the categories, Inflation rates for Primary Articles, Fuel, Power, Light and Lubricants and Manufactured Products were revised upward to 7.07 percent, 13.55 percent and 5.82 percent respectively from 6.28 percent, 12.83 percent and 5.75 percent reported earlier.

**Outlook:** Going forward, 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. Rupee weakness and rising raw material prices will continue to pose pressure on Manufacturing Inflation. Along with that, full impact of freight and excise duty is yet to be seen.

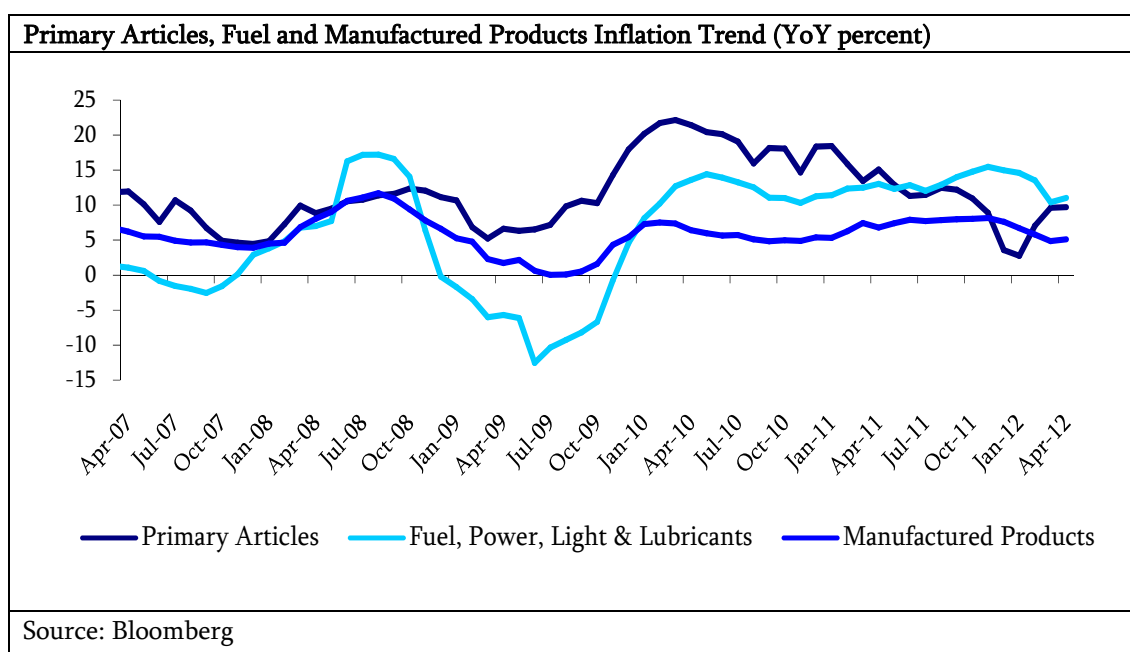
**Policy Outlook:** Although, the IIP number for March 2012 has increased the odds of another round of interest rate cut by Reserve Bank of India (RBI) in its next policy meeting in June but RBI's actions are likely to remain focused more on CRR and OMOs route in the near term as interest rate cut will still be driven by the inflation trajectory. 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 9.71 percent in April 2012 against 9.62 percent a month earlier on account of costlier Food items. The index of Primary Articles increased to 215.9 from its previous month level of 206.3. Inflation rate for Primary Articles was 15.09 percent a year ago.

**Fuel, Power, Light, and Lubricants:** On YoY basis, Inflation rate for Fuel, Power, Light, and Lubricants increased to 11.03 percent in April 2012 vis-a-vis 10.41 percent in March 2012. The index for Fuel, Power, Light and Lubricants increased to 177.1 from its previous month level of 174.0. Inflation rate for Fuel, Power, Light and Lubricants was 13.04 percent a year ago.

**Manufactured Products:** On YoY basis, Manufactured Products Inflation increased to 5.12 percent in April 2012 compared with 4.87 percent during March 2012. The index of Manufactured Products increased to 143.6 compared to its previous month level of 142.2. Inflation rate for Manufactured Products was 6.80 percent a year ago. Rupee weakness and rising raw material prices will continue to pose pressure on Manufacturing Inflation.



### Inflation trend in Primary Articles

Particulars	Weight (%)	%YoY Change		%MoM Change	
		Apr-12	Mar-12	Apr-12	Mar-12
Primary Articles	20.12	9.71	9.62	4.65	1.63
Fuel, Power, Light & Lubricants	14.91	11.03	10.41	1.78	-0.17
Manufactured Products	64.97	5.12	4.87	0.98	0.28

Source: Bloomberg

## Components of Primary Articles

On YoY basis, the Food Articles Inflation increased to 10.49 percent against 9.94 percent last month. Non-Food Articles Inflation increased to 1.61 percent during the month against -1.20 percent in March 2012. However, Inflation for Minerals decreased to 19.27 percent from 28.56 percent in the previous month.

On MoM basis, the index for Food Articles increased by 4.88 percent to 206.4 due to higher prices of fruits & vegetables (19 percent), barley (5 percent), tea (4 percent), masur, maize and bajra (3 percent each) and ragi and wheat (2 percent each) and fish-marine, gram, rice and milk (1 percent each). However, the prices of coffee (8 percent), egg (4 percent), condiments & spices and poultry chicken (3 percent each), urad (2 percent) and pork (1 percent), arhar and jowar (1 percent each) declined.

On MoM basis, the index for Non-Food Articles increased by 3.28 percent to 195.3 due to higher prices of gaur seed (24 percent), soyabean (13 percent), gingelly seed (8 percent), raw silk and rape & mustard seed (6 percent each), niger seed (5 percent), mesta, fodder and cotton seed (3 percent each), linseed, raw rubber, safflower and groundnut seed (2 percent each) and raw cotton and sunflower (1 percent each). However, the prices of flowers (12 percent), copra (5 percent), castor seed (4 percent) and raw jute (2 percent) declined.

On MoM basis, the index for Minerals increased by 5.57 percent to 362.1 due to higher prices of gypsum (18 percent), copper ore (12 percent), crude petroleum (9 percent), steatite (6 percent) and chromite, sillimanite and magnesite (1 percent each). However, the prices of zinc concentrate (5 percent), barytes (4 percent) and manganese ore and iron ore (2 percent each) declined.

### Inflation trend in Primary Articles

Particulars	Weight (%)	%YoY Change		%MoM Change	
		Apr-12	Mar-12	Apr-12	Mar-12
<b>Primary Articles</b>	<b>20.12</b>	<b>9.71</b>	<b>9.62</b>	<b>4.65</b>	<b>1.63</b>
Food Articles	14.34	10.49	9.94	4.88	2.29
Non-Food Articles	4.26	1.61	-1.20	3.28	1.23
Minerals	1.52	19.27	28.56	5.57	-1.47

Source: Bloomberg

## Components of Fuel, Power, Light & Lubricants

On YoY basis, during April 2012, Coal Mining Inflation increased to 13.92 percent from 0.38 percent last month. Inflation for Mineral Oils decreased to 13.73 percent from 14.51 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 rose by 1.78 percent to 177.1 due to higher prices of non-coking coal (33 percent), furnace oil and aviation turbine fuel (4 percent each), naphtha (3 percent), light diesel oil (2 percent) and lpg (1 percent). However, the prices of coking coal (4 percent) and bitumen (1 percent) declined.

### Inflation trend in Fuel, Power Light & Lubricants Products

Particulars	Weight (%)	%YoY Change		%MoM Change	
		Apr-12	Mar-12	Apr-12	Mar-12
<b>Fuel, Power, Light &amp; Lubricants</b>	<b>14.91</b>	<b>11.03</b>	<b>10.41</b>	<b>1.78</b>	<b>-0.17</b>
Coal Mining	2.09	13.92	0.38	13.49	-11.89
Mineral Oils	9.36	13.73	14.51	1.04	0.73
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 6.50 percent from its previous month level of 5.93 percent, Non-food Manufactured increased to 4.77 percent from its previous month level of 4.69 percent, Beverage and Tobacco rose to 9.48 percent during April 2012 from 8.22 percent last month, Textiles decreased to -4.19 percent from -3.32 percent in March 2012, Wood & Wood Products accelerated to 7.90 percent from 7.19 percent in the previous month, Paper and Paper Products decreased to 1.38 percent against its previous month level of 2.86 percent, Rubber and Plastic products increased to 1.35 percent in April 2012 against 1.13 percent last month, Chemicals and Chemical products fell to 6.56 percent compared with 7.42 percent in the previous month, Non-Metallic Mineral Products increased to 7.66 percent from 5.66 percent in March 2012, Basic Metal and Alloy's increased to 10.72 percent against 9.51 percent last month, Machinery and Tools decreased to 2.02 percent from 2.19 percent last month and Transport Equipment and Parts increased to 3.43 percent against its previous month level of 3.10 percent.

On MoM basis, the index for Food Products increased by 1.30 percent to 155.7 due to higher prices of tea leaf (blended) (9 percent), rice bran oil, oil cakes and groundnut oil (4 percent each), gingelly oil, gur and mustard & rapeseed oil (3 percent each), soyabean oil, palm oil, sooji, gola and tea leaf (unblended) (2 percent each) and sugar confectionary, cotton seed oil, khandsari, sunflower oil, maida, mixed spices and ghee (1 percent each). However, the prices of processed prawn (5 percent), copra oil (4 percent), coffee powder and tea dust (blended) (2 percent each) and tea dust (unblended) and canned fish (1 percent each) declined.

On MoM basis, the index for Beverages, Tobacco & Tobacco Products rose by 1.56 percent to 169.8 due to higher prices of cigarette (5 percent), zarda (2 percent) and bidi and dried tobacco (1 percent each).

On MoM basis, the index for Textiles increased by 0.16 percent to 128.2 due to higher prices of gunny and hessian cloth, jute sacking bag and cotton yarn (1 percent each). However, the prices of tyre cord fabric (2 percent) declined.

On MoM basis, the index for Wood & Wood Products increased by 1.60 percent to 165.2 due to higher prices of timber / wooden planks (5 percent).

On MoM basis, the index for Paper & Paper Products declined by 0.45 percent to 132.6 due to lower prices of newspaper (9 percent) and books/ periodicals/ journals (2 percent). However, the prices of paper rolls (2 percent) and corrugated sheet boxes, maplitho paper, printing and writing paper and laminated paper (1 percent each) moved up.

On MoM basis, the index for Leather & Leather Products rose by 0.61 percent to 132.0 due to higher prices of leathers and leather footwear (1 percent each).

On MoM basis, the index for Rubber & Plastic Products increased by 0.59 percent to 135.3 due to higher prices of plastic products (1 percent).

On MoM basis, the index for Chemicals & Chemical Products rose by 0.50 percent to 139.6 due to higher prices of paints (4 percent), antacid and digestive preparations and synthetic resin (3 percent each), washing soap and polymers (2 percent each) and photographic goods, organic manure, glycol, washing powder, toilet soap, hair / body oils, antibiotics, di ammonium phosphate, ayurvedic medicines, explosives and pigment & pigment intermediates (1 percent each). However, the prices of adhesive & gum and basic organic chemicals (1 percent each) declined.

On MoM basis, the index for Non-Metallic Mineral Products rose by 2.30 percent to 160.3 due to higher prices of grey cement and asbestos corrugated sheet (4 percent each) and railway sleeper, white cement, lime and marbles (1 percent each).

On MoM basis, the index for Basic Metals, Alloys & Metal Products increased by 1.79 percent to 165.3 due to higher prices of crc (9 percent), angles and wire rods (5 percent each), rounds and billets (4 percent each), joist & beams and rebars (3 percent each), plates,

melting scrap, pencil ingots, gp/gc sheets, sponge iron, copper products (other than wire), ferro manganese and hrc (2 percent each) and iron & steel wire, slab, nuts/bolts/screw/ washers, ferro chrome, pressure cooker, metal containers, steel: pipes & tubes, gold & gold ornaments, sheets, copper wire (all types), pig iron, steel rods and aluminium (1 percent each). However, the prices of copper / copper ingots, silver and iron castings (1 percent each) declined.

On MoM basis, the index for Machinery & Machine Tools increased by 0.32 percent to 126.4 due to higher prices of control equipments (6 percent), loader and ball/roller bearing (3 percent each), fibre optic cable (2 percent) and machine tools, compressors, fans, transformer, magnets, electric switches and pump & assembly (1 percent each). However, the prices of microwave oven (3 percent), earth moving machinery (2 percent) and lamps, electrical pumps, industrial valves and battery dry cells (1 percent each) declined.

On MoM basis, the index for Transport, Equipment & Parts increased by 0.48 percent to 126.8 due to higher prices of tractors and motor cycle / scooter / moped (2 percent each) and motor vehicles and auto parts (1 percent each). However, the prices of bus / mini bus / truck (1 percent) declined.

#### Inflation trend in Manufactured Products

Particulars	Weight (%)	%YoY Change		%MoM Change	
		Apr-12	Mar-12	Apr-12	Mar-12
Manufactured Products	64.97	5.12	4.87	0.98	0.28
Food Products	9.97	6.50	5.93	1.30	0.33
Beverage & Tobacco	1.76	9.48	8.22	1.56	-0.36
Textiles	7.33	-4.19	-3.32	0.16	0.47
Wood	0.59	7.90	7.19	1.60	-0.79
Paper	2.03	1.38	2.86	-0.45	0.68
Leather	0.84	4.18	4.54	0.61	0.61
Rubber & Plastic	2.99	1.35	1.13	0.59	0.22
Chemicals	12.02	6.56	7.42	0.50	0.73
Non-Metallic Min. Prdt	2.56	7.66	5.66	2.30	0.32
Basic Metals, Alloys	10.75	10.72	9.51	1.79	0.25
Machinery & Tools	8.93	2.02	2.19	0.32	-0.24
Transport Equip./Parts	5.21	3.43	3.10	0.48	0.32

Source: Bloomberg



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## Kolkata

Investment Banking  
Azimganj House, 2nd Floor,  
7, Camac Street, Kolkata- 700 017, India  
Tel.: 91 33 2282 9330, Fax: 91 33 2282 933

Brokerage and Wealth Management  
Shivam Chambers, 1st Floor,  
53, Syed Amir Ali Avenue, Kolkata- 700 019, India  
Tel.: 91 33 3051 2100, Fax: 91 33 3051 20205

## Mumbai

42A & 74A, Mittal Tower,  
4th & 7th floor 210, Nariman Point,  
Mumbai- 400 021, India  
Tel.: 91 22 2285 5544, Fax: 91 22 2285 5548

## New Delhi

417, World Trade Centre, 4th Floor, Babar Road,  
Connaught Place, New Delhi- 110 001, India  
Tel.: 91 11 4152 8152



E-mail: [info@microsec.in](mailto:info@microsec.in) Website: [www.microsec.in](http://www.microsec.in)

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