



Industrial Production - Jan'10

Current Scenario:

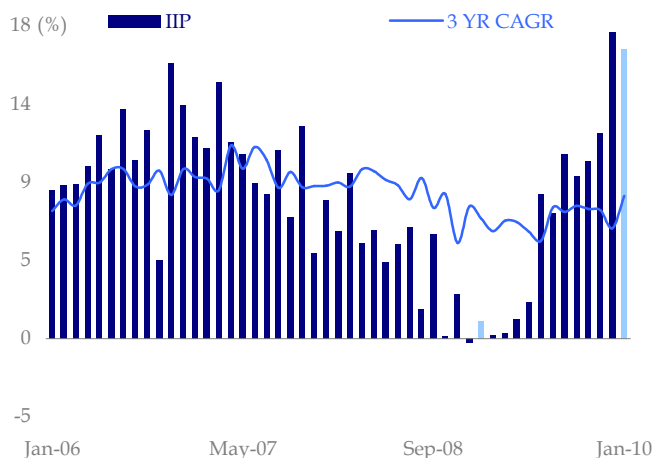
- ✓ Jan'10 IIP grew at 16.7% YoY, as anticipated, compared to mere 1.0% growth in Jan'09
- ✓ Cumulative IIP growth for Apr-Jan'10 jumped to 9.6% as compared to 3.3% Apr-Jan'09
- ✓ Consumer durables and Capital goods again emerged as star performers by registering 31.6% and 56.2% growth compared to 2.1% and 15.9% in Jan'09 respectively
- ✓ Transport and machinery equipments which together constitute 13.6% weightage in IIP grew by 57.6% and 45.9% respectively
- ✓ All the core sectors Index outperformed MoM, especially steel sector with 13.7% MoM growth thereby boosting the Infrastructure Index to 9.4% growth YoY
- ✓ Dec'09 IIP is revised upwards by 80 bps to 17.6% while Oct'09 is (final) revised downward to 10.2% by 10 bps

Outlook:

- ✓ Manufacturing growth is likely to remain buoyant for Feb'10 due to rise in PMI to 20 month high of 58.5, improved growth in non oil imports, super normal growth in auto numbers and record high winter crop output
- ✓ Tax concessions offered to middle class in FY11 budget likely to boost private consumption and offset the impact of rise in excise duties, inflation and interest rates
- ✗ Higher disposable income, economy gaining momentum, higher FII inflows and hike in fuel prices are likely to inflate the prices across all asset classes
- ✗ Despite 13.4% reduction in net government borrowing it still remains bloated at Rs 3.45 tln in FY11 compared to Rs 3.98 tln RE in FY10, managing this huge borrowing still remains challenging as it might crowd out the private sector funding as RBI tightens policy rates

IIP: "V-shape" recovery

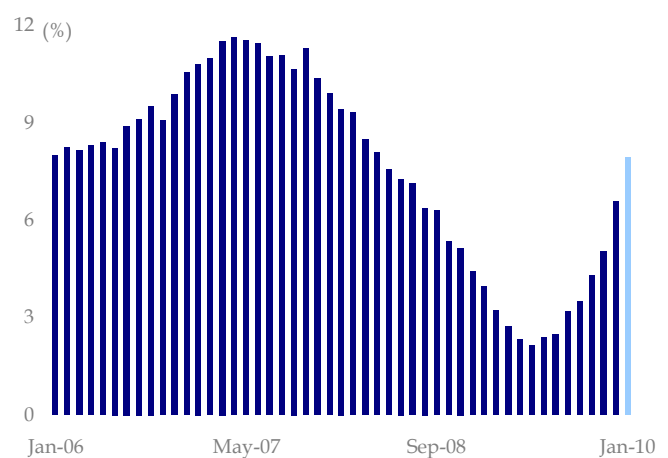
IIP for Jan'10 accelerated to 16.7% YoY growth, however MoM it declined by merely 51 bps as compared to 11.6% MoM growth in Dec'09.



Source: Khandwala Research, Bloomberg, CSO

12-mths Rolling IIP

12-mths rolling IIP increased by 130 bps to 7.9% as compared to 4.0% in Jan'09. Manufacturing sector has picked up momentum and providing sufficient evidence of normalcy.



Source: Khandwala Research, Bloomberg, CSO

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Infrastructure Index

Industry (% Change)	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Jan-09	Apr-Jan	
												FY10	FY09
Crude Oil	-3.1	-4.3	4.0	-0.4	-2.6	-0.5	-2.2	-1.5	1.1	9.7	-8.1	0.0	-1.3
Refinery	-4.5	-4.3	-3.8	-14.4	3.1	3.4	7.2	4.9	0.8	3.8	-1.3	-0.4	3.3
Coal	13.2	10.2	14.7	9.7	12.9	6.5	5.0	4.6	2.5	6.0	6.7	8.5	8.6
Cement	11.8	11.8	12.8	14.0	17.6	6.5	5.2	9.0	11.0	12.4	8.3	11.2	6.8
Steel	-1.3	2.8	3.6	4.0	0.3	0.8	2.5	11.7	9.6	16.2	3.2	5.0	2.1
Electricity	7.1	3.3	8.0	4.2	10.6	7.9	4.7	3.3	6.7	5.6	1.8	6.1	2.7
Infrastructure	3.7	3.2	6.3	3.3	6.5	4.5	3.8	6.0	6.4	9.4	2.2	5.3	3.1

Sector Analysis

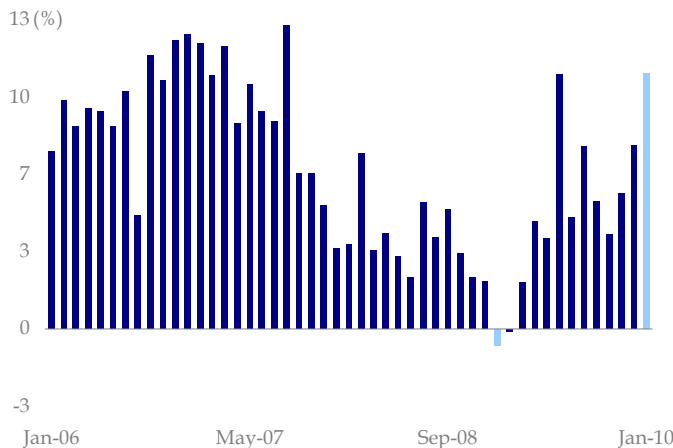
Industry (% Growth)	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Jan-09
	CV Sales	-13.0	-18.9	-15.1	5.2	10.8	3.2	46.0	95.5	162.7	131.2
Two-wheeler Sales	9.4	11.5	14.9	18.2	21.6	7.8	10.7	38.4	59.9	41.8	-2.1
Car Sales	8.7	4.5	16.2	27.5	25.3	20.6	29.7	53.4	47.8	42.3	-5.0
Cement Dispatches	14.8	12.9	15.2	11.3	18.6	7.7	9.0	10.8	14.3	14.7	12.9
Infrastructure	3.7	3.2	6.3	3.3	6.5	4.5	3.8	6.0	6.4	9.4	2.2



Use-based Classification

Basic Goods

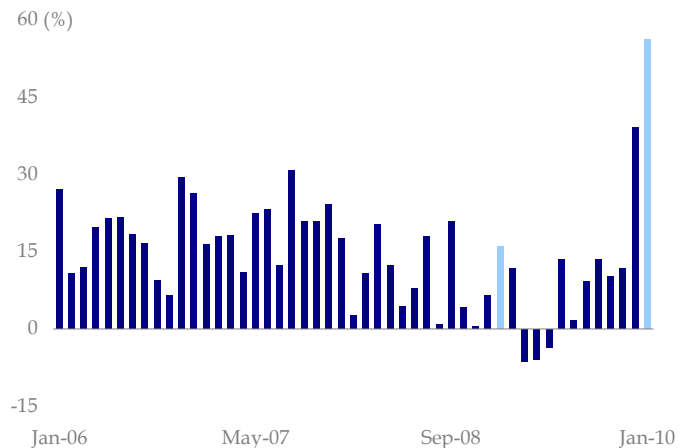
Basic goods accelerated to 10.7% YoY as compared to (0.7)% in Jan'09. Higher growth in steel sector of 13.7% MoM and 16.2% YoY aided in pushing the growth in the basic goods. The growth rate for first ten months ascended to 6.5% as compared to 2.9% in the previous year.



Source: Khandwala Research, Bloomberg, CSO

Capital Goods

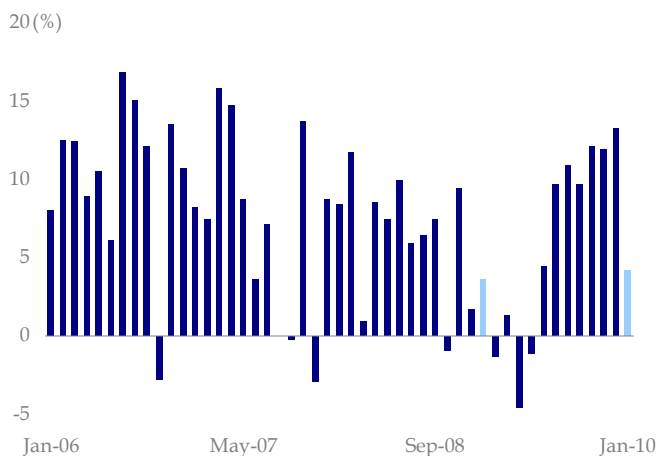
Capital goods sector growth amplified to 56.2% YoY, fastest in last 15 years, as compared to 15.9% YoY in Jan'09. The picked up momentum in this sector is indicating capacity expansion; manufacturing growth in the upcoming months is likely to be on similar lines as compared to growth rates in Dec-Jan'10.



Source: Khandwala Research, Bloomberg, CSO

Consumer Goods

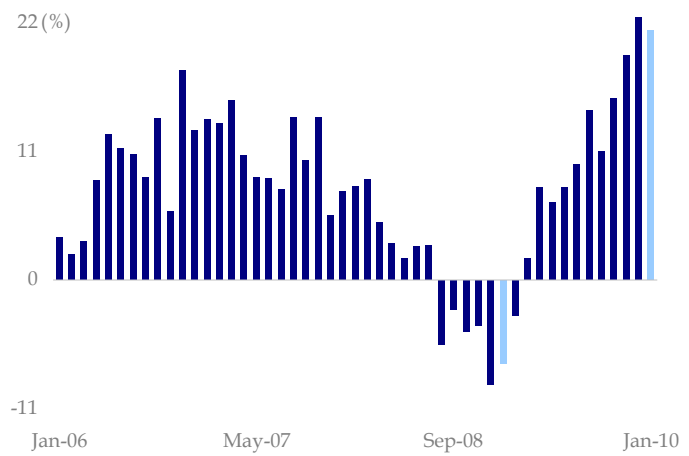
Consumer goods sector grew by 4.2% YoY as compared to 3.3% in Jan'09. Consumer durable sector surged to 31.6% as compared to 2.1%. Consumer non-durable sector declined to 3.1% YoY as compared to 4.0% growth in Jan'09. Higher disposable income for middle class is likely to push consumer durables thereby offsetting the impact of hike in excise duty.



Source: Khandwala Research, Bloomberg, CSO

Intermediate Goods

Intermediate goods sector jumped to 21.3% growth YoY as compared to (7.2)% in Jan'09. Improvement in petroleum and refinery products by registering growth of nearly 25% boosted the growth in this sector. The growth rate for first ten months rose to 13.5% as compared to (2.2)% in the previous year.



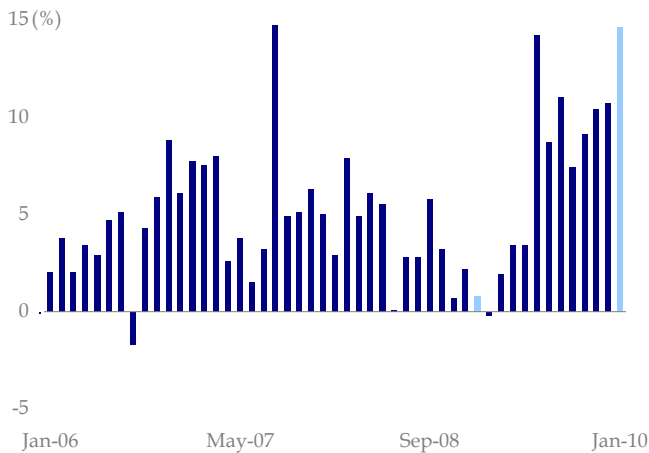
Source: Khandwala Research, Bloomberg, CSO



Broad-based Classification

Mining

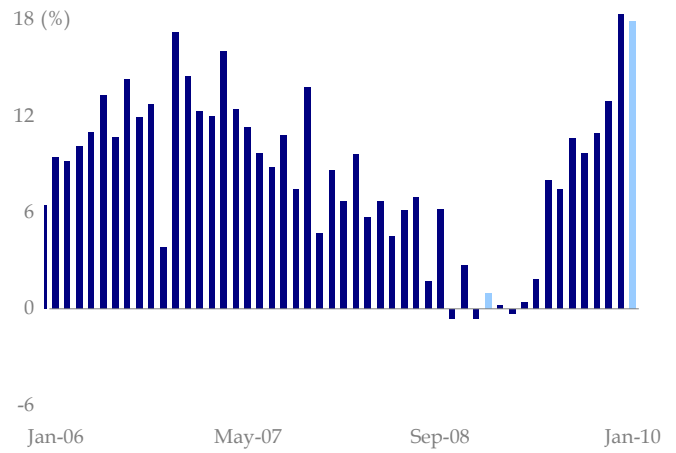
Mining sector increased to 14.6% growth YoY as compared to a growth of 0.7% in Jan'09. The growth rate for the first ten months rose to 9.3% compared to 2.9% in the previous year.



Source: Khandwala Research, Bloomberg, CSO

Manufacturing

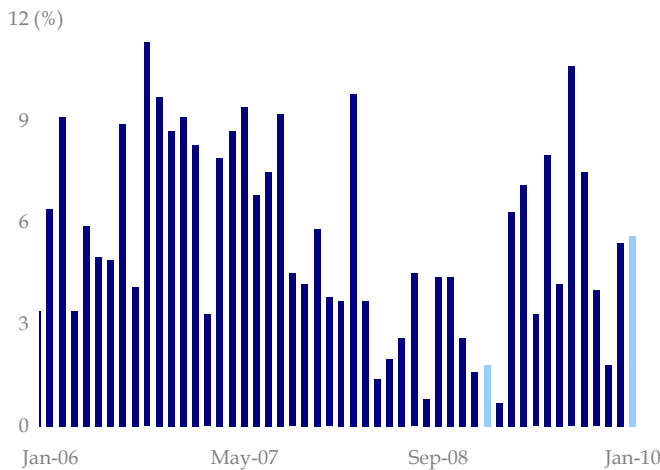
Manufacturing sector continued a remarkable momentum with 17.9% YoY compared to 1.0% in Jan'09. Capital intensive goods aided in pushing the growth in the sector. The growth rate for first ten months rose to 9.9% as compared to 3.4% in the previous year.



Source: Khandwala Research, Bloomberg, CSO

Electricity

Electricity recorded a growth of 5.6% as compared to 5.4% in Dec'09 and 1.8% YoY in Jan'09. The growth rate in first ten months rose to 5.7% as compared to 2.6% in the corresponding period in the previous year.



Source: Khandwala Research, Bloomberg, CSO



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