

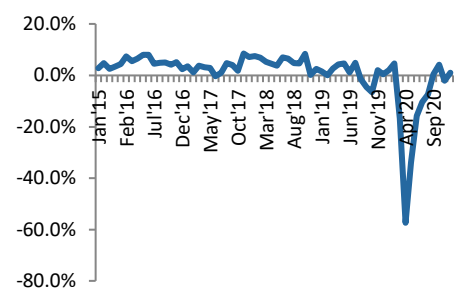
- IIP grew by 1% in Dec v/s -2.1% in Nov
- Recovery in factory output was led by manufacturing sector which grew by 1.6% in Dec.
- 9 out of 23 industry group showed positive growth during month
- Contraction in natural gas & crude oil production impacted mining sector output (-4.8% in Dec)
- Demand revived in Dec as reflected by expansion in consumer goods.
- Investment scenario continued to remain sluggish.
- CPI inflation eased to 16-month low of 4.1% in Jan.
- Food inflation declined to 1.9% in Jan due to sharp decline in vegetables' prices.
- Fuel prices and core inflation remained elevated.

In spite of easing food inflation, the RBI may continue with accommodative stance and keep policy rate at hold in the view of elevated core inflation and rising fuel prices.

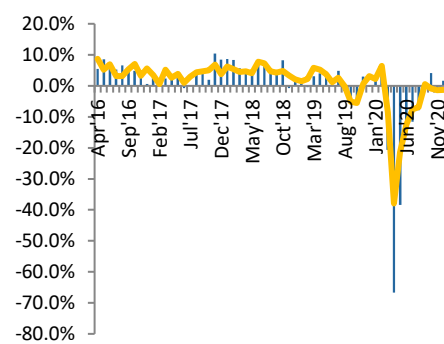
IIP returns to growth with 1% expansion in Dec

Industrial production grew by 1.0% in Dec after posting -2.1% contraction in the previous month. Factory output returned into expansion after a gap of month led by manufacturing and electricity sector. Manufacturing sector, which constitutes 77.6% of IIP index, grew by 1.6% in Dec (-2.0% in Nov) partly supported by favourable base effect of -0.3% in Dec'19. In terms of industries, 9 industries out of 23 industry group posted positive growth during the month. Electricity sector grew by 5.1% while mining contracted by -4.8% during the month due to -3.6% contraction in crude oil production and -7.2% decline in natural gas output. On use-based category, consumer durables sector grew by 4.9% in Dec (-3.4% in Nov) and non-durables at 2.0% (-1.3% in Nov) majorly supported by favourable base effect. Capital goods and infrastructure sector grew at 0.6% and 0.9% during the month under review.

IIP Trend



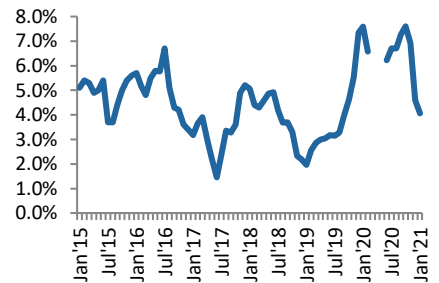
Manufacturing Core Sector



CPI inflation eases to 16-month low of 4.1% in Jan

CPI inflation eased to 16-month low of 4.1% in Jan from 4.6% in Dec as vegetables' prices crashed with increased winter supply. CFPI, which constitutes 47.3% weight in IIP, further declined to 1.9% in Jan (3.4% in Dec) mainly driven by -15.7% fall in the vegetables' prices. Potato prices declined by -9.6%, onion prices by -36.1% and tomato prices by -3.65% in the month of Jan. Inflation in cereals also reduced to 0.1% in Jan from 1.0% in Dec as bumper Kharif harvest arrivals weighed on prices. Meanwhile, inflation in some food items include pulses (13.4% in Jan v/s 16% in Dec), protein items (12.5% in Jan v/s 15.2% in Dec) and fruits (5% in Jan v/s 2.7% in Dec) remained sticky. Fuel inflation rose to 3.9% in Jan v/s 2.9% in Dec due to increase in crude oil prices. Core inflation remained elevated at 5.8% in Jan from 5.7% in Dec due to hardening of core items prices.

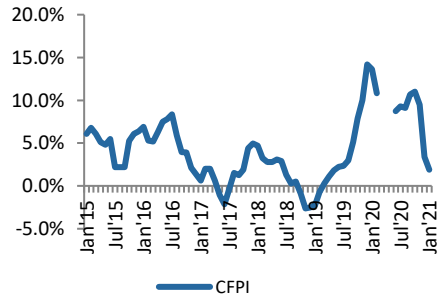
CPI Inflation Trend



Outlook

IIP at 1% during Dec came higher than market estimation of 0.1% supported by revival in manufacturing sector as indicated by PMI data & strong auto sales number in Dec. Though continued weak performance of mining sector is impacting IIP revival. Output growth in consumer durables & non-durables sectors showed recovery in demand, also supported by favourable base effect. Though expansion in consumer goods sector is required for next two months to check sustainability of demand in economy. However sluggish growth in capital goods & infrastructure sectors despite favourable base is reflecting weak investments scenario in the economy. Key indicators such as manufacturing PMI which rose to 57.7 in Jan (56.4 in Dec) and strong auto sales numbers indicate further revival in manufacturing conditions during Jan.

Food inflation



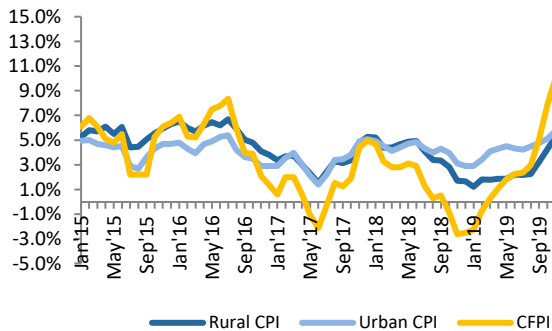
Owing to sharp decline of vegetables and cereals prices, inflation declined to 4.1% in Jan, coming within RBI's target band for the second consecutive month. Bumper kharif crop, rising prospects of a good rabi harvest, larger winter arrivals of key vegetables and softer egg and poultry demand on avian flu are putting downward pressure on food inflation. Core inflation is expected to remain sticky as increase in raw materials is putting broad based escalation in cost-push pressures in services & manufacturing prices. The RBI revised CPI inflation forecast to 5.2% in Q4FY21 (from earlier estimate of 5.8%) and 5.2-5.0% in H1FY22 (earlier estimate of 5.2-4.6%).

YoY	Sectoral Performance			Use-Based Classification						
	IIP	Mining	Manufacturing	Electricity	Basic	Capital	Intermediate	Infrastructure	Durables	Non-Durables
Index Weight	100%	14.4%	77.6%	8.0%	34.0%	8.2%	17.2%	12.3%	12.8%	15.3%
Dec'20	1.0%	-4.8%	1.6%	5.1%	-0.3%	0.6%	0.4%	0.9%	4.9%	2.0%
Nov'20	-2.1%	-6.7%	-2.0%	3.5%	-2.3%	-7.4%	-2.6%	1.7%	-3.4%	-1.3%
Dec'19	0.4%	5.7%	-0.3%	-0.1%	2.4%	-18.3%	13.1%	0.2%	-5.6%	-3.2%
Cumulative Growth										
Apr-Dec' FY21	-13.5%	-11.3%	-15.1%	-3.6%	-10.1%	-27.5%	-15.0%	-15.2%	-24.7%	-4.5%
Apr-Dec' FY20	0.3%	0.6%	0.3%	0.8%	0.3%	-12.5%	10.7%	-2.1%	-6.4%	2.6%

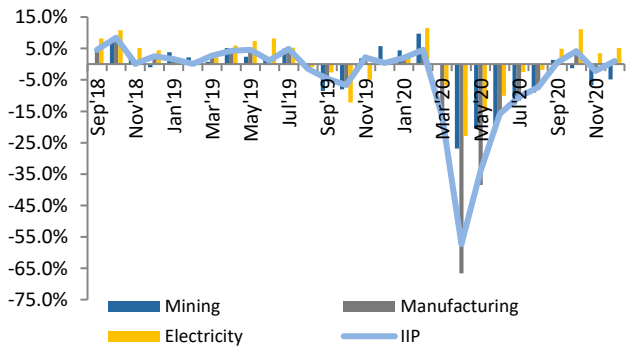
Snapshot of CPI Inflation

% (YoY)	Jan'21	Dec'20	Nov'20	Oct'20	Sep'20	Comments
Food, beverages	2.7%	3.9%	8.9%	10.5%	9.7%	Vegetables prices witnessed sharp contraction in Jan
Cereals and products	0.1%	1.0%	2.5%	3.4%	4.7%	
Pulses and products	13.4%	16.0%	17.9%	18.3%	14.7%	Pulses prices eased but continue to remain in double digit
Meat and Fish	12.5%	15.2%	17.0%	18.0%	17.6%	
Milk and milk products	2.7%	4.0%	5.0%	5.2%	5.6%	
Fruits	5.0%	2.7%	0.2%	0.3%	3.1%	
Vegetables	-15.8%	-10.5%	15.5%	22.1%	20.8%	Vegetables prices crashed in Jan due to arrival of winter supply
Non-alcoholic beverages	13.2%	11.8%	10.1%	8.4%	6.7%	
Sugar and Confectionary	-0.3%	0.5%	0.9%	1.4%	2.7%	Sugar prices contracted in Jan
Clothing and footwear	3.8%	3.5%	3.4%	3.2%	3.0%	
Housing	3.3%	3.2%	3.2%	3.3%	2.8%	
Fuel and light	3.9%	2.9%	1.6%	2.1%	2.8%	Fuel inflation rose in Jan due to increase in crude oil prices
Pan, tobac. and intoxicants	10.9%	10.7%	10.4%	10.6%	10.8%	
CPI	4.1%	4.6%	6.9%	7.6%	7.3%	CPI inflation fell within the RBI's target range for second consecutive month
CFPI	1.9%	3.4%	9.4%	11.0%	10.7%	

Urban, rural and CFPI inflation



Indian Industrial Production



Source: Choice Broking Research

Equity Research Team

Name	Designation	Email id
Sundar Sanmukhanis	Head of Research - Fundamental	sanmukhanis@choiceindia.com
Satish Kumar	Research Analyst	satish.kumar@choiceindia.com
Rajnath Yadav	Research Analyst	rajnath.yadav@choiceindia.com
Ankit Pareek	Research Associate	ankit.pareek@choiceindia.com
Yug Tibrewal	Research Intern	

Disclaimer

This is solely for information of clients of Choice Broking and does not construe to be an investment advice. It is also not intended as an offer or solicitation for the purchase and sale of any financial instruments. Any action taken by you on the basis of the information contained herein is your responsibility alone and Choice Broking its subsidiaries or its employees or associates will not be liable in any manner for the consequences of such action taken by you. We have exercised due diligence in checking the correctness and authenticity of the information contained in this recommendation, but Choice Broking or any of its subsidiaries or associates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this recommendation or any action taken on basis of this information. This report is based on the fundamental analysis with a view to forecast future price. The Research analysts for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report. Choice Broking has based this document on information obtained from sources it believes to be reliable but which it has not independently verified; Choice Broking makes no guarantee, representation or warranty and accepts no responsibility or liability as to its accuracy or completeness. The opinions contained within the report are based upon publicly available information at the time of publication and are subject to change without notice. The information and any disclosures provided herein are in summary form and have been prepared for informational purposes. The recommendations and suggested price levels are intended purely for stock market investment purposes. The recommendations are valid for the day of the report and will remain valid till the target period. The information and any disclosures provided herein may be considered confidential. Any use, distribution, modification, copying, forwarding or disclosure by any person is strictly prohibited. The information and any disclosures provided herein do not constitute a solicitation or offer to purchase or sell any security or other financial product or instrument. The current performance may be unaudited. Past performance does not guarantee future returns. There can be no assurance that investments will achieve any targeted rates of return, and there is no guarantee against the loss of your entire investment. **POTENTIAL CONFLICT OF INTEREST DISCLOSURE** (as on date of report) Disclosure of interest statement – • Analyst interest of the stock /Instrument(s): - No. • Firm interest of the stock / Instrument (s): - No.

CONNECT US

Any kind of queries on RESEARCH,

You can contact us on: 022 - 6707 9999



Choice Equity Broking Pvt. Ltd.

Choice House, Shree Shakambhari Corporate Park, Plt No: -156-158,
J.B. Nagar, Andheri (East), Mumbai - 400 099.

+91-022-6707 9999

+91-022-6707 9959

www.choiceindia.com

Consolidated Scrip Overview

trade with
JIFFY

GET IT ON
Google play

Download on the
App Store