

## Economic Parameters are finally finding a base

### Key Highlights

- **The Industrial Output for the month of June 2019 advanced to 4.3 in July'19 from 2.0 in June'19. This is a 9 month high growth rate**
- The improvement of the IIP data has been predominantly on the back of improvement in the manufacturing segment which showed better growth rate at 4.20. The growth in mining activity has been better at 4.9%, a 9 month high growth. Electricity generation for the month of July has stayed moderate at 4.8
- As per the use based classification the capital goods saw a degrowth of 7.1% on the back of sustained production cuts by many of the automobile manufacturers in the country.
- Intermediate Goods and Consumer Non-Durables growth improved massively at 13.9 and 8.3 per cent respectively, whereas consumer durables witnessed negative growth at -2.7 Primary goods along with infrastructure goods saw a mild growth at 3.5 and 2.1 percent respectively.
- 13 out of the 23 manufacturing industries witnessed growth in the current month compared to 8 in the previous month.
- Manufacturing of basic metals and food products has witnessed highest growth at 17.3% and 23.4% respectively. Manufacture of paper, furniture and motor vehicles saw substantial degrowth at 15.4, 10 and 13.3 % respectively.
- **Consumer Price Index for the month of August 2019 inched up to 3.21 as opposed to 3.15 in July'19.**
- The marginal uptick in the inflation can be attributed to higher food prices. Food and beverages saw a 3% growth which is a 14 month high.
- The food inflation rose with positive uptick movements from Meat&Fish, Vegetables and pulses at 8.51%, 6.90% and 6.94% respectively.
- **Urban inflation rose to 4.49 percent against rural inflation of mere 2.18%.** The food inflation has shown vast difference between the urban and rural parts of the country at 6.42 and 0.91 percent respectively.
- The rise in IIP has partially come on the back of a favourable base impact for the month of July. High frequency indicators such as capital goods and consumer durables are still struggling to witness positive growth
- The Consumer Price Index is poised to stay below the RBI's 4% level till the year end with Fuel and power supporting the cause
- With the dismal GDP numbers we believe the RBI has room for a 40bps rate cut. We still factor in a 40bps rate cut by the monetary policy committee before the rate cut cycle phases out as the growth been partially on the back of a smaller base effect.

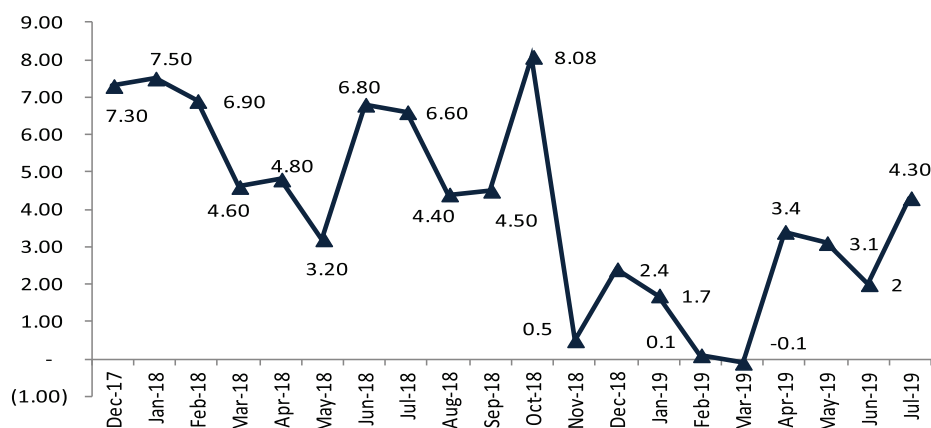
### Research Analyst

**Deepak Kumar**  
deepak.kumar@narnolia.com

**Dhwanik Shah**  
Dhwanik.Shah@narnolia.com

Index of Industrial Production saw a substantial rise in July'19

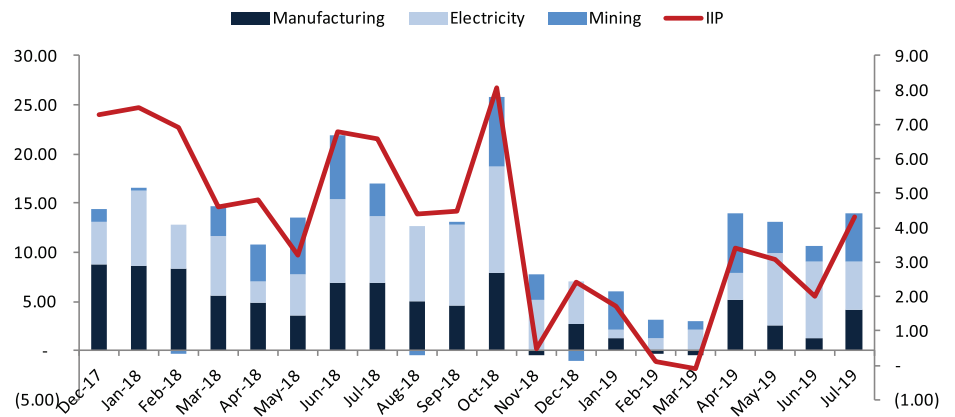
### Exhibit: Index of Industrial Production



The views expressed above accurately reflect the personal views of the authors about the subject companies and its(their) securities. The authors have not and will not receive any compensation for providing a specific recommendation or view. Narnolia Financial Advisors Ltd. does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

### Exhibit: Sectoral IIP

When we compare the sectoral IIP the growth was primarily led by manufacturing activity



### Contribution to IIP

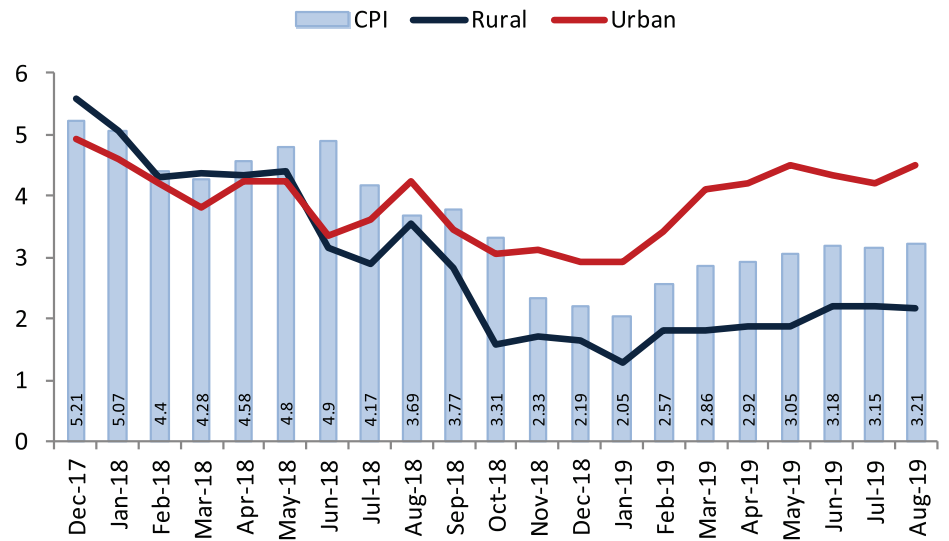
High Positive Contributors	Weights(%)	Contribution to IIP
MS Slabs	0.84	1.7306
Sunflower oil	0.07	0.6103
Mining	14.37	0.5374
Electricity	7.99	0.4897
Digestive Enzymes	0.22	0.4728

High Negative Contributors	Weights(%)	Contribution to IIP
Bars & Rods of Alloy	0.57	-0.5481
Vaccine for Veterinary medicine	0.45	-0.324
Commercial Vehicles	0.94	-0.2375
Auto Components	2.59	-0.2062
Steel Structural	0.79	-0.1997

Use Based (YoY % growth)	Jun-18	Apr-19	May-19	Jun-19
Primary goods	6.8	2.5	0.5	3.5
Capital goods	2.3	0.8	-6.5	-7.1
Intermediary goods	1.3	0.6	12.4	13.9
Infrastructure goods	9.2	5.5	-1.8	2.1
Consumer durables goods	14.1	-0.1	-5.5	-2.7
Consumer non-durables goods	5.3	7.7	7.8	8.3

### Exhibit: Consumer Price Index

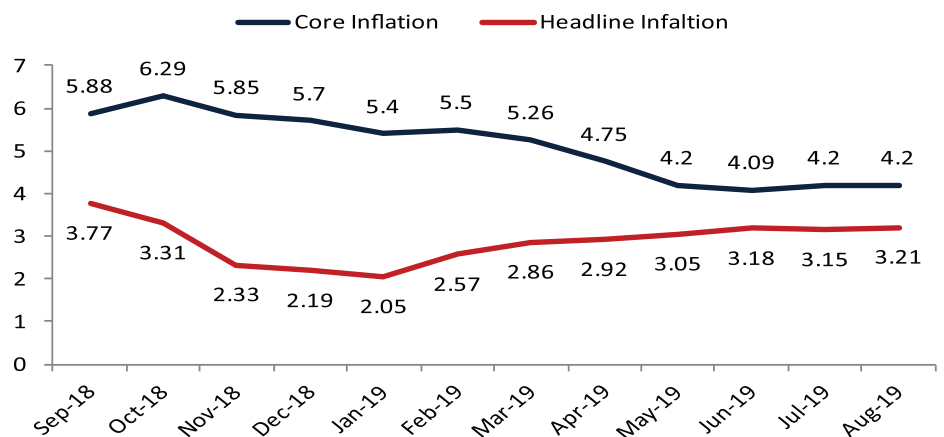
CPI for the month of August rose to 3.21%.



### Impactful contributors

Description	Jul-18	Jun-19	Aug-19	Inflation rate
Vegetables	157	160	167	6.9%
Pulses & Products	122	130	131	6.9%
Sugar & Confectionery	115	111	112	-2.4%
Pan,tobacco & intoxicants	158	165	166	5.0%
Clothing & footwear	146	148	148	1.2%
Housing	145	151	152	4.8%
Fuel & Light	141	139	139	-1.7%
Health	138	148	149	7.8%
Education	146	154	155	6.1%

### Exhibit: Core & Headline Inflation



Narnolia Financial Advisors Ltd. is a SEBI registered Research Analyst having SEBI Registration No. INH300006500. The Company/Analyst (s) does/do not have any holding in the stocks discussed but these stocks may have been recommended to clients in the past. Clients of Narnolia Financial Advisors Ltd. may be holding aforesaid stocks.

The stocks recommended are based on our analysis which is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed.

Disclosures: Narnolia Financial Advisors Ltd. (NFAL) (Formerly Microsec Capital Ltd.) is a SEBI Registered Research Analyst having registration no. INH300006500. NFAL is engaged in the business of providing Stock Broking, Depository Participant, Merchant Banking, Portfolio Management & distribution of various financial products. Details of associate entities of NFAL is available on the website at [www.narnolia.com](http://www.narnolia.com)

No penalties have been levied on NFAL by any Regulatory/Statutory authority. NFAL, its associates, Research Analyst or their relative may have financial interest in the subject company. NFAL and/or its associates and/or Research Analyst may have beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report. NFAL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of NFAL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report. Research Analyst may have served as director/officer, etc. in the subject company in the last 12 month period. NFAL and/or its associates may have received compensation from the subject company in the past 12 months. In the last 12 months period ending on the last day of the month immediately preceding the date of publication of this research report, NFAL or any of its associates may have: a) managed or co-managed public offering of securities from subject company of this research report, b) received compensation for investment banking or merchant banking or brokerage services from subject company of this research report, c) received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company of this research report. d) Subject Company may have been a client of NFAL or its associates during 12 months preceding the date of distribution of the research report. NFAL and its associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. NFAL and / or its affiliates may do and seek to do business including Investment Banking with companies covered in the research reports. As a result, the recipients of this report should be aware that NFAL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific Merchant Banking, Investment Banking or Brokerage service transactions. Research Analyst's views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of NFAL or its associates maintains arm's length distance with Research Team as all the activities are segregated from NFAL research activity and therefore it can have an independent view with regards to subject company for which Research Team have expressed their views.

Analyst Certification The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Disclosure of Interest Statement-

Analyst's ownership of the stocks mentioned in the Report	NIL
---	-----

A graph of daily closing prices of securities is available at [www.nseindia.com](http://www.nseindia.com), [www.bseindia.com](http://www.bseindia.com).

Correspondence Office Address: Arch Waterfront, 5th Floor, Block GP, Saltlake, Sector 5, Kolkata 700 091; Tel No.: 033-40541700; [www.narnolia.com](http://www.narnolia.com).

Registered Office Address: Marble Arch, Office 201, 2nd Floor, 236B, AJC Bose Road, Kolkata 700 020; Tel No.: 033-4050 1500; [www.narnolia.com](http://www.narnolia.com)

Compliance Officer: Manish Kr Agarwal, Email Id: [mkagarwal@narnolia.com](mailto:mkagarwal@narnolia.com), Contact No.:033-40541700.

Registration details of Company: Narnolia Financial Advisors Ltd. (NFAL): SEBI Stock Broker Registration: INZ000166737 (NSE/BSE/MSEI); NSDL/CDSL: IN-DP-380-2018; Research Analyst: INH300006500, Merchant Banking: (Registration No.: INM000010791), PMS: (Registration No.: INP000002304), AMFI Registered Mutual Fund distributor: ARN 3087

Registration Details of Group entities: G. Raj & Company Consultants Ltd (G RAJ)-BSE Broker INZ260010731; NSDL DP: IN-DP-NSDL-371-2014 || Narnolia Commerze Limited (Formerly Microsec Commerze Ltd.)-MCX/NCDEX Commodities Broker: INZ000051636 || NarnoliaVelox Advisory Ltd.- SEBI Registered PMS: INP000005109 || Eastwind Capital Advisors Pvt Ltd. (EASTWIND)-SEBI Registered Investment Adviser: INA300005439 || Narnolia Insurance Brokers Limited (Formerly Microsec Insurance Brokers Ltd.)-IRDA Licensed Direct Insurance Broker (Life & Non-Life) Certificate No. 134, License No. DB046/02 || Narnolia Securities Ltd. (NSL)-AMFI Registered Mutual Fund distributor: ARN 20558, PFRDA NPS POP: 27092018 || Narnolia Capital Advisors Pvt. Ltd. - RBI Registered NBFC:B.05.02568.

Disclaimer:

This report has been prepared by Narnolia Financial Advisors Ltd. (NFAL) and is meant for sole use by the recipient and not for public circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of NFAL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. Certain transactions - including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his/her/its own advisors to determine the merits and risks of such an investment. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. NFAL will not treat recipients as customers by virtue of their receiving this report. Neither the Company, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits or lost opportunities that may arise from or in connection with the use of the information/report. The person accessing this information specifically agrees to exempt NFAL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold NFAL or any of its affiliates or employees responsible for any such misuse and further agrees to hold NFAL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject NFAL & its group companies to registration or licensing requirements within such jurisdictions.