

# *ShroffConnect* Weekly Report

14th January, 2012

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# Opinion as on 14/01/2012

- Money flow: The flow of money is into stocks but no clear trend has been established.
  - **Opinion on money flow:** There seems to be a worldwide move into stocks led by the USA, Germany and Brazil. These are the stronger economies and investors are preferring to invest here though there is no clear trend as yet. The US dollar is the strongest currency at the moment with the Euro weakening due to its debt issues. US treasuries are also doing well. Our opinion is that investors will continue to chase inherently strong assets as such assets are too few to ignore, but the worldwide economy remains fragile.
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- Indian stock markets: As expected the market has rallied into the resistance area between 4850-4925.
  - Sectors: Selective FMCG, selective Pharma and Tyres are outperforming.
  - Positives: Good foreign cues, possibility of positive RBI action.
  - Negatives: Lack of governance, high interest rates.
  - **Opinion on the Indian market:** The rally which we have seen in the last ten days has been in the banking, capital goods, real estate and metal sectors. These sectors were the beaten down sectors of the market. The sectors which had been outperforming so far like two wheelers, food, consumer goods and software saw some profit taking. There is nothing new which would really support the market and lead the market into an uptrend. Hence, our opinion remains that investors should exit at rallies, and wait for some stability in the market prior to investing fresh money.

**Current news and  
current world financial  
market prices**

# Current scenario & news

## World economy

- U.S. retail sales rose at the weakest pace in seven months in December and first-time claims for jobless benefits moved higher last week, signs the economic recovery is shaky despite a recent pick-up in growth.
- China's official reserves slipped to \$3.18 trillion in the final quarter of 2011, signaling that the days of rampant export-led accumulation of foreign currency are numbered and that new monetary policy steps may be needed to counter capital outflows.
- Standard & Poor's downgraded the credit ratings of nine euro zone countries, stripping France and Austria of their coveted triple-A status but not EU paymaster Germany, in a Black Friday 13th for the troubled single currency area.

## Indian economy

- India's industrial output recovered in November, providing a glimmer of optimism for a battered economy and giving the RBI room to hold off on easing monetary policy after two years of tightening.
- Belying concerns over slowdown, indirect tax collections increased 16.1 per cent to Rs 2,85,787 crore during April-December mainly driven by an uptick in service tax mop-up.
- Short term debt funds - mainly liquid and money market schemes - logged outflows worth Rs 48,800 crore in December on the back of advance tax payments by corporates and redemption by banks to meet the Reserve Bank's mandate to lower treasury investments in debt funds.

## WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 14th Jan 2012	% Change
STOCKS	Australia	ASX	4255.40	2.94
	Brazil	Bovespa	59146.60	0.93
	China	Shanghai	2244.58	3.75
	France	CAC	3196.49	1.88
	Germany	DAX	6143.08	1.41
	Hong Kong	Hang Seng	19204.40	3.29
	India	Sensex	16154.62	1.93
	Japan	Nikkei	8500.02	1.31
	UK	FTSE	5636.64	(0.23)
	USA	DJIA	12422.10	0.50
COMMODITIES	Copper	\$/Pound	3.65	6.41
	Crude	\$/Barrel	99.03	(2.85)
	Gold	\$/Troy Ounce	1640.30	1.42
	Natural Gas	\$/MMBtu	2.64	(14.29)
	Silver	\$/Troy Ounce	29.74	3.62
	Aluminium	\$/Tonne	2145.00	3.67
	Lead	\$/Tonne	2011.50	2.68
	Nickel	\$/Tonne	19600.00	4.53
	Zinc	\$/Tonne	1960.00	5.77
CURRENCIES	GBP/USD		1.5316	(0.77)
	EUR/USD		1.2677	(0.35)
	AUD/USD		1.0321	0.93
	JPY/USD		76.90	(0.08)
	INR/USD		51.52	(2.28)
	HKD/USD		7.7670	0.03
	BRL/USD		1.7940	(2.97)
BONDS	2 Year	US Treasury	110.34	0.07
	10 Year		131.55	0.61
	30 Year		145.00	1.38

## INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 14th Jan 2012	% Change
STOCKS	Nifty	Large Cap	4866.00	2.35
	Sensex	Large Cap	16154.62	1.81
	BSE Midcap	Mid Cap	5582.34	6.14
	BSE Smallcap	Small Cap	6171.75	8.19
Some Major Shares	ACC	Rs/share	1124.45	1.94
	Bharti Airtel		334.60	1.23
	HDFC Ltd		681.55	1.66
	Infosys		2584.20	(8.75)
	L&T		1172.50	8.41
	Reliance Inds		731.80	1.99
	Tata Motors		208.80	2.55
	Tata Steel		415.70	14.31
COMMODITIES	Aluminium	INR/Kg	110.00	1.62
	Copper	INR/Kg	415.95	3.50
	Crude	INR/Barrel	5105.00	(4.86)
	Gold	INR/10gms	27507.00	(0.92)
	Lead	INR/Kg	104.05	0.19
	Natural Gas	INR/1mmBtu	136.50	(16.15)
	Nickel	INR/Kg	1008.10	1.95
	Silver	INR/Kg	52124.00	0.54
	Zinc	INR/Kg	100.95	3.06
CURRENCIES	INR/EUR		65.34	(3.03)
	INR/GBP		78.88	(3.02)
	INR/100 JPY		66.94	(2.23)
	INR/USD		51.52	(2.28)

Detailed macro /  
fundamental analysis  
of world economies

## MACRO ECONOMIC SNAPSHOT

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.50	1.60
Inflation Rate	Monthly	3.40	3.50
Unemployment Rate	Monthly	8.50	8.60
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	1.96	1.88

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.40	1.60
Inflation Rate	Monthly	2.80	3.00
Unemployment Rate	Monthly	10.30	10.20
Benchmark Interest Rate	Weekly	1.00	1.25
Govt. bond 10 year Rate	Weekly	varied	

China	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	9.10	9.50
Inflation Rate	Monthly	4.10	4.20
Unemployment Rate	Monthly	4.10	4.30
Benchmark Interest Rate	Weekly	6.56	6.56
Govt. bond 10 year Rate	Weekly	3.44	3.49

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-0.70	-1.70
Inflation Rate	Monthly	-0.50	-0.02
Unemployment Rate	Monthly	4.50	4.50
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	0.98	0.99

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.50	0.60
Inflation Rate	Monthly	4.80	5.00
Unemployment Rate	Monthly	8.30	8.30
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	2.02	1.98

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	6.90	7.70
Inflation Rate	Monthly	9.34	9.39
Unemployment Rate	Monthly	no data	
Benchmark Interest Rate	Weekly	7.50	7.50
Govt. bond 10 year Rate	Weekly	8.89	8.93

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.10	3.30
Inflation Rate	Monthly	6.50	6.64
Unemployment Rate	Monthly	5.20	5.80
Benchmark Interest Rate	Weekly	11.00	11.50
Govt. bond 10 year Rate	Weekly	12.55	12.53

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	4.80	3.40
Inflation Rate	Monthly	7.00	7.20
Unemployment Rate	Monthly	6.40	6.00
Benchmark Interest Rate	Weekly	8.00	8.25
Govt. bond 10 year Rate	Weekly	6.00	6.00



## IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1429.55	11.80	6.78
Bharat Heavy Electricals Ltd.	Electric Equipment	266.80	10.16	2.92
Bharti Airtel Ltd.	Telecommunication - Service Provider	334.55	25.69	2.62
Cipla Ltd.	Pharmaceuticals & Drugs	337.70	26.87	3.78
Coal India Ltd.	Mining & Minerals	343.60	46.21	9.26
DLF Ltd.	Construction - Real Estate	196.60	22.98	1.33
HDFC Bank Ltd.	Bank - Private	469.30	24.49	3.93
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1790.25	17.09	8.68
Hindalco Industries Ltd.	Aluminium & Aluminium Products	133.20	11.01	0.83
Hindustan Unilever Ltd.	Household & Personal Products	392.25	33.60	21.32
Housing Development Finance Corporation Ltd.	Finance - Housing	682.15	25.54	5.11
ICICI Bank Ltd.	Bank - Private	789.65	15.90	1.55
Infosys Ltd.	IT - Software	2585.55	18.99	4.63
ITC Ltd.	Cigarettes/Tobacco	206.75	29.21	8.45
Jaiprakash Associates Ltd.	Engineering - Construction	60.40	16.67	1.37
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	502.90	12.55	2.91
Larsen & Toubro Ltd.	Engineering - Construction	1172.60	17.62	3.07
Mahindra & Mahindra Ltd.	Automobiles-Tractors	691.95	15.83	3.67
Maruti Suzuki India Ltd.	Automobiles - Passenger cars	976.40	14.00	1.93
NTPC Ltd.	Power Generation/Distribution	165.95	14.17	1.90
Oil & Natural Gas Corpn. Ltd.	Oil Exploration	259.75	9.83	2.03
Reliance Industries Ltd.	Refineries	732.05	10.95	1.53
State Bank Of India	Bank - Public	1777.15	10.64	1.24
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	103.40	6.14	0.79
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	512.95	28.08	4.83
Tata Consultancy Services Ltd.	IT - Software	1086.60	21.91	7.72
Tata Motors Ltd.	Automobiles-Trucks/Lcv	208.80	6.29	2.54
Tata Power Company Ltd.	Power Generation/Distribution	96.20	71.67	1.81
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	415.70	3.71	0.95
Wipro Ltd.	IT - Software	401.00	18.49	3.83

# World macro scenario

- USA – The government continues its stimulus policies by extending tax rate cuts and forcing interest to remain as low as 0.25% till 2013.
- Europe – 26 EU states agree to fiscal integration without UK. Distressed countries are looking to the IMF to bail them out. Economic slowdown and even recession is on the cards for most countries.
- China – Exports to the US and Europe are leading to lack of demand in the manufacturing sector. There is evidence of a housing and real estate bubble collapse.
- Japan – Exports to the US and Europe are leading to lack of demand and a strong yen. There is no sign of a continuing recovery post the nuclear disaster in the country.
- Rest of the World –There is an embargo against Iran by the developed world which may lead to an oil crisis. This war or words seems to be escalating.

# Indian macro scenario

- Economy – The economy is slowing and the impact is being felt across the board.
- Government policies – There has been a lack of growth oriented policies for the past one year and above. Landmark legislations like introduction of GST, DTC, Land Acquisition have been postponed due to the compulsions of coalition politics.
- RBI – The RBI has signaled a pause in interest rate hikes but the interest rates are too high to stimulate growth.
- Politics – Elections are being held in 5 states in Feb and Mar 2012. These are in Punjab, Uttarkhand, Uttar Pradesh, Manipur and Goa. Due to these coming elections, policies are geared towards populism more than anything else.
- Sectors – There is no sector which is doing well in totality. Mining, pharma and telecom sectors await restrictive and taxing legislation.

# Our concerns on the macro front

## World economies

- US rising deficit and debt; need for continuous stimulus through low interest rates and tax cuts.
- Euro zone slowdown and sovereign debt crisis; countries outside the euro area not wanting to fund IMF to bail out European countries.
- Chinese slowdown and real estate bubble.

## Indian economy

- High inflation and interest rate though interest rate hike cycle has stopped.
- High and growing fiscal deficit through subsidies and less collection of taxes
- Weak currency; central bank not in position to check
- Lack of governance and populist politics.

# Detailed technical analysis of world financial markets

## WORLD MARKETS - TECHNICAL SNAPSHOT

		Very Bullish	Bullish	Neutral	Bearish	Very Bearish
STOCKS			Brazil ↑ Germany ↑ UK USA	Australia ↑ France	Hong Kong India ↑ Japan ↑	China
COMMODITIES				Copper Crude Oil ↓ Nickel ↑	Gold ↓ Lead	Aluminium Natural Gas Silver ↓ Zinc
CURRENCIES (against USD)	HKD			AUD JPY	GBP	BRL EUR INR
BONDS (US Treasury)	10 Year ↑ 30 Year ↑		2 Year ↑			

↑ = moved up from last week, ↓ = moved dn from last week

## INDIAN MARKETS - TECHNICAL SNAPSHOT



### INDICES

Nifty ↑  
Sensex ↑

Mid Cap  
Small Cap

### SECTORS

FMCG  
Healthcare  
IT ↓  
Teck

Auto

Bankex  
Cap Goods  
Cons Durable  
Metal  
Oil & Gas  
Power  
Realty

### COMMODITIES

Copper  
Crude Oil ↓

Aluminium  
Gold ↓  
Lead  
Nickel  
Zinc

Silver

Natural Gas

### CURRENCIES (against INR)

JPY  
USD

GBP ↓

EUR

↑ = moved up from last week, ↓ = moved dn from last week

## MAJOR LARGE CAP COMPANIES - TECHNICAL SNAPSHOT

	Very Bullish	Bullish	Neutral	Bearish	Very Bearish
COMPANIES	Hind Unilever	Ambuja Cem Apollo Tyres ↑ Cairn Cipla ↓ Dr Reddy ↑ Grasim Ind MRF ↑ Tata Motors Wipro	ACC Ashok Leyland ↑ Bajaj Auto Bosch Ltd Coal India ↑ DLF Havells India HCL Tech HDFC HDFC Bank ↑ Hind Zinc Infosys Tech ↓ ITC Kotak Bank O N G C ↑ Petronet LNG Power Grid RCOM ↑ Sun Pharma Tata Chemicals ↑ Tata Global TCS ↓ Tech Mahindra ↑ Ultratech ↓	ABB ↑ Bank of Baroda ↑ Chambal Fert Crompton Gr Hero Motoco Hindalco ↑ Idea Cellular ↓ Jindal Steel JSW Steel ↑ Lupin Maruti Suzuki ↑ Nestle India NTPC ↑ Ranbaxy ↑ RECL Reliance Ind Reliance Infra ↑ Thermax ↑	Andhra Bank Axis Bank Bharti Airtel ↓ Bhel BPCL Canara Bank Exide Inds GAIL ICICI Bank J P Associates LT M&M PNB Reliance Capital SBI Sesa Goa Shriram Trans Siemens Sterlite Ind Tata Power Tata Steel UCO Bank

↑ = moved up from last week, ↓ = moved dn from last week



## MAJOR MEDIUM & SMALL CAP COMPANIES - TECHNICAL SNAPSHOT

		Very Bullish	Bullish	Neutral	Bearish	Very Bearish
COMPANIES			LIC Housing Fin ↑	Bharat Forge ↑	Asian Paints	Biocon
				Colgate-Palm	Bata India	GE Shipping
				GMDC	Britannia Ind ↓	GSPL
				GSK Con Health	Castrol India	HCC
				Marico	Cummins India ↑	Indian Hotel
				Yes Bank ↑	Dabur	Shipping Corpn
					Federal Bank	Voltas
					Glaxo Pharma ↑	
					Godrej Cons	
					I D F C ↑	
					IGL	
					Titan Ind	

↑ = moved up from last week, ↓ = moved dn from last week

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