

# *ShroffConnect* Weekly Report

21st January, 2012

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# Opinion as on 21/01/2012

- Money flow: Into stocks and commodities.
  - **Opinion on money flow:** There seems to be a wave of optimism on all fronts. In a perverse manner, lower growth in China (which means there is a possibility of greater stimulus) and greater help from IMF to Eurozone are driving the markets. The Eurozone debt issues show no signs of lessening and the impending issues may precipitate in February. The chances of a range bound market seem to be greater than a long term uptrend.
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- Indian market: The Indian market rallied well into the 5000+ Nifty area.
  - Sectors: Cement and Pharma are outperforming.
  - Positives: Good foreign cues and good Q3 results.
  - Negatives: High interest rates, lack of governance, high and growing deficit.
  - **Opinion on the Indian market:** The Indian stock markets rallied well on the back of beaten down sectors and encouraging Q3 results. It seems to be a bear rally within a downtrend, but it is not clear whether this may become a full fledged uptrend. Macro factors in India and abroad have shown no major signs of improvement though US data is better than before. Investors could either exit in this rally or wait for clarity. Fresh investments should be made only when the uptrend is clear.

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

# Current scenario & news

## World economy

- China's fiscal revenues jumped by a quarter in 2011 to a record 10.37 trillion yuan, leaving Beijing with plenty of financial firepower to help manage an economic soft-landing.
- The number of Americans filing for new jobless benefits dropped to an almost four-year low and factory activity in the mid-Atlantic expanded moderately, suggesting the economy carried some momentum into the new year.
- The euro rose for the first time in seven weeks after bets the 17-nation currency would weaken reached a record and as member nations' borrowing costs fell at bond auctions, mitigating debt-crisis pessimism.
- China's economy expanded at its weakest pace in 2-1/2 years in the latest quarter, with the sagging real estate and export sectors heralding a sharper slowdown in coming months.

## Indian economy

- India's foreign exchange reserve slumped by \$3.14 billion to \$293.54 billion in the first week of 2012, the lowest level in almost 15 months, largely due to revaluation of non-dollar assets and sale of dollars by the central bank to curb the rupee's slide.
- The foreign institutional investments in debt shot up to \$4.65 billion in the third quarter from \$0.87 billion, led by compelling yields on the long term bonds and reduced entry restrictions.
- India's exports rose for the first time in five months, encouraging the government to reaffirm that it would achieve its \$300-billion target for the year.
- The cash-strapped government on Tuesday, raised import and excise duties on gold and silver, hoping to mop up about 600 crore in additional revenue and contain its burgeoning current account deficit as the financial year draws to a close. Platinum and diamonds, too, will now attract an import duty of 2%.

## WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 21st Jan 2012	% Change
STOCKS	Australia	ASX	4303.02	1.12
	Brazil	Bovespa	62312.10	5.35
	China	Shanghai	2319.12	3.32
	France	CAC	3321.50	3.91
	Germany	DAX	6404.39	4.25
	Hong Kong	Hang Seng	20110.40	4.72
	India	Sensex	16739.01	3.62
	Japan	Nikkei	8766.36	3.13
	UK	FTSE	5728.55	1.63
	USA	DJIA	12720.50	2.40
COMMODITIES	Copper	\$/Pound	3.75	2.74
	Crude	\$/Barrel	98.39	(0.65)
	Gold	\$/Troy Ounce	1667.00	1.63
	Natural Gas	\$/MMBtu	2.33	(11.74)
	Silver	\$/Troy Ounce	32.17	8.17
	Aluminium	\$/Tonne	2217.00	3.36
	Lead	\$/Tonne	2176.50	8.20
	Nickel	\$/Tonne	20450.00	4.34
	Zinc	\$/Tonne	2013.00	2.70
CURRENCIES	GBP/USD		1.5573	1.68
	EUR/USD		1.2930	2.00
	AUD/USD		1.0481	1.55
	JPY/USD		77.00	0.13
	INR/USD		50.22	(2.52)
	HKD/USD		7.7599	(0.09)
	BRL/USD		1.7625	(1.76)
BONDS	2 Year	US Treasury	110.31	(0.03)
	10 Year		130.27	(0.97)
	30 Year		141.88	(2.15)

## INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 21st Jan 2012	% Change
STOCKS	Nifty	Large Cap	5048.60	3.75
	Sensex	Large Cap	16739.01	3.62
	BSE Midcap	Mid Cap	5680.07	1.75
	BSE Smallcap	Small Cap	6277.27	1.71
Some Major Shares	ACC	Rs/share	1150.05	2.28
	Bharti Airtel		342.35	2.32
	HDFC Ltd		692.10	1.55
	Infosys		2588.80	0.18
	L&T		1274.40	8.69
	Reliance Inds		792.65	8.32
	Tata Motors		219.10	4.93
	Tata Steel		436.55	5.02
COMMODITIES	Aluminium	INR/Kg	110.15	0.14
	Copper	INR/Kg	418.10	0.52
	Crude	INR/Barrel	4979.00	(2.47)
	Gold	INR/10gms	27490.00	(0.06)
	Lead	INR/Kg	108.45	4.23
	Natural Gas	INR/1mmBtu	117.60	(13.85)
	Nickel	INR/Kg	1028.00	1.97
	Silver	INR/Kg	55548.00	6.57
	Zinc	INR/Kg	101.20	0.25
CURRENCIES	INR/EUR		64.99	(0.54)
	INR/GBP		78.21	(0.85)
	INR/100 JPY		65.19	(2.61)
	INR/USD		50.22	(2.52)

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	3.00	3.40
Unemployment Rate	Monthly	8.50	8.60
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	1.86	1.96

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.40	1.60
Inflation Rate	Monthly	2.70	2.80
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	8.90	9.10
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	3.42	3.44

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	0.95	0.98

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.50	0.60
Inflation Rate	Monthly	4.20	4.80
Unemployment Rate	Monthly	8.40	8.30
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	1.97	2.02

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	6.90	7.70
Inflation Rate	Monthly	7.47	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	10.50	11.00
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	1557.80	12.41	6.53
Bharat Heavy Electricals Ltd.	Electric Equipment	273.70	10.42	2.99
Bharti Airtel Ltd.	Telecommunication - Service Provider	341.95	26.25	2.68
Cipla Ltd.	Pharmaceuticals & Drugs	335.35	26.69	3.76
Coal India Ltd.	Mining & Minerals	343.80	46.24	9.27
DLF Ltd.	Construction - Real Estate	213.95	25.01	1.44
HDFC Bank Ltd.	Bank - Private	488.70	23.70	3.88
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1950.70	17.11	8.23
Hindalco Industries Ltd.	Aluminium & Aluminium Products	143.50	11.87	0.90
Hindustan Unilever Ltd.	Household & Personal Products	390.80	33.48	21.24
Housing Development Finance Corporation Ltd.	Finance - Housing	690.55	25.85	5.18
ICICI Bank Ltd.	Bank - Private	842.65	16.97	1.66
Infosys Ltd.	IT - Software	2583.55	18.98	4.63
ITC Ltd.	Cigarettes/Tobacco	201.35	26.93	8.23
Jaiprakash Associates Ltd.	Engineering - Construction	66.95	18.48	1.51
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	534.85	13.18	2.91
Larsen & Toubro Ltd.	Engineering - Construction	1273.85	19.14	3.34
Mahindra & Mahindra Ltd.	Automobiles-Tractors	656.40	15.02	3.48
Maruti Suzuki India Ltd.	Automobiles - Passenger cars	1099.10	15.76	2.17
NTPC Ltd.	Power Generation/Distribution	174.35	14.89	2.00
Oil & Natural Gas Corpn. Ltd.	Oil Exploration	275.00	10.41	2.15
Reliance Industries Ltd.	Refineries	793.35	12.26	1.66
State Bank Of India	Bank - Public	1931.80	11.56	1.35
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	113.90	6.76	0.87
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	527.75	28.89	4.97
Tata Consultancy Services Ltd.	IT - Software	1078.90	20.82	6.95
Tata Motors Ltd.	Automobiles-Trucks/Lcv	218.90	6.59	2.66
Tata Power Company Ltd.	Power Generation/Distribution	104.95	78.19	1.97
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	436.60	3.95	1.01
Wipro Ltd.	IT - Software	413.70	18.60	3.95

# 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. Some economic data is encouraging.
- Europe – 26 EU states agree to fiscal integration without UK. Economic slowdown and even recession is on the cards for most countries. Germany is in charge.
- 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. The govt. is readying a stimulus package.
- 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.

# Indian macro scenario

- Economy – The economy is slowing and the impact is being felt across the board. Inflation has decreased as desired.
- Government policies – There has been a lack of growth oriented policies for the past one year and above. Landmark legislations 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.
- Chinese slowdown and real estate bubble.

## Indian economy

- High interest rate though interest rate hike cycle has stopped.
- High and growing fiscal deficit through subsidies and less collection of taxes
- 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				Aluminium ↑ Copper Crude Oil Lead ↑ Nickel Zinc ↑	Gold Silver ↑	Natural Gas
CURRENCIES (against USD)	HKD			AUD BRL ↑ JPY	GBP INR ↑	EUR
BONDS (US Treasury)			2 Year 10 Year ↓ 30 Year ↓			

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

## INDIAN MARKETS - TECHNICAL SNAPSHOT

		Very Bullish	Bullish	Neutral	Bearish	Very Bearish
INDICES				Nifty ↑ Sensex ↑	Small Cap ↑	Mid Cap
SECTORS				Auto ↑ Bankex ↑ FMCG Healthcare IT Metal ↑ Power ↑ Realty ↑ Teck	Cap Goods ↑ Cons Durable ↑ Oil & Gas ↑	
COMMODITIES			Copper Crude Oil Nickel ↑	Aluminium Gold Lead 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	Cipla ↑ Hind Unilever	Ambuja Cem Cairn Dr Reddy Grasim Ind Sun Pharma ↑ Tata Motors Ultratech ↑ Wipro	ABB ↑ ACC Apollo Tyres ↓ Ashok Leyland Bajaj Auto Bank of Baroda ↑ Bosch Ltd Coal India DLF Exide Inds ↑ Havells India HCL Tech HDFC HDFC Bank Hind Zinc Hindalco ↑ ICICI Bank ↑ Infosys Tech ITC Jindal Steel ↑ JSW Steel ↑ Kotak Bank Maruti Suzuki ↑ MRF ↓ NTPC ↑ O N G C	Axis Bank ↑ Bharti Airtel ↑ B P C L ↑ Canara Bank ↑ Chambal Fert Crompton Gr Hero Motoco Idea Cellular Jaiprakash Asso ↑ Lupin M&M ↑ Nestle India Reliance Capital ↑ Reliance Ind Sesa Goa ↑ Siemens ↑ Sterlite Ind ↑ Tata Chemicals ↓	Andhra Bank Bhel GAIL L T UCO Bank
		Neutral			
		Petronet LNG PNB ↑ Power Grid Ranbaxy ↑ RCOM RECL ↑ Reliance Infra ↑ SBIN ↑ Shriram Trans ↑ Tata Global Tata Power ↑ Tata Steel ↑ TCS Tech Mahindra Thermax ↑			

↑ = 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	Bharat Forge	Asian Paints	Biocon	
			Britannia Ind ↑	Bata India	GSPL	
			Colgate-Palm	Castrol India	IGL ↓	
			Cummins India ↑	Dabur	Indian Hotel	
			Federal Bank ↑	Glaxo Pharma	SCI	
			GE Shipping ↑	Godrej Cons		
			GMDC	HCC ↑		
			GSK Con Health	Titan Ind		
			I D F C ↑	Voltas ↑		
			IndusInd Bank			
			Marico			
			Yes Bank			

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

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