

ShroffConnect Weekly Report

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Shroff Securities Pvt. Ltd.

Portfolio Investment Management Services

Kolkata: 033 32933592/3658

Bangalore: 080 32996004/6005

Email: contact@shroffsecurities.com

Web: www.shroffsecurities.com

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Opinion as on 28/01/2012

- Money flow: Into stocks and gold/silver. At the same time, there is no major outflow from treasuries.
 - **Opinion on money flow:** There is some movement of funds into stocks. There is also some movement into gold/silver possibly on fears of the Euro zone issues for which the first hurdle will come in March when Greece needs to pay off some loans and for which it needs aid. We feel that there will be no trend till the situation is not clear.
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- Indian markets: The markets continued to rally this week on global cues.
 - Sectors: Auto, Cement and Pharma are outperforming.
 - Positives: Some good Q3 results and RBI cutting CRR rates by 50 basis points to release some liquidity into the system.
 - Negatives: High interest rates.
 - **Opinion:** The market has rallied far beyond our expectations. An uptrend is not confirmed, but it does seem that either the bottom has already been established at around 4550, or it will soon be established in the next few weeks. The only worry is that the Indian economic conditions have not yet shown any signs of improvement. Either way, we have to wait and watch the events unfold. Investors should wait for some stability prior to investing fresh money.

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

Current scenario & news

World economy

- The European Union and IMF want Greece to push through more budget cuts and implement a series of long-agreed austerity reforms before they agree on a new bailout the country needs to avert bankruptcy.
- The U.S. economy grew at its fastest pace in 1-1/2 years in the fourth quarter, but a rebuilding of stocks by businesses and slower business spending warned of weaker growth in early 2012.
- Japan's core consumer prices fell for the third consecutive month in the year to December, and mild deflation is expected to persist this year as energy prices stabilize and worries about Europe's debt crisis suppress wage growth and economic activity.
- Britain's economy may have entered a mild recession in the last three months of 2011, hampering the government's core policy aim of spurring growth and raising the chances that the Bank of England will inject more cash soon.

Indian economy

- After the sixth straight weekly decline, India's foreign exchange reserves rose by \$731.8 million to \$293.25 billion for the week ended Jan 20.
- India cut cash reserve requirements for banks by 50 basis points on Tuesday to ease tight liquidity conditions, signalling a shift in policy towards reviving growth after two years of fighting inflation.
- Food inflation remained in the negative zone for the fourth week in a row, at (-)1.03 per cent for the week ended January 14.
- The rupee touched a two-and-a-half month high, aided by firm local shares, as demand for riskier assets was spurred by hopes Greece will soon reach an agreement on restructuring its debt.
- India sold Rs 130 bn of bonds and the RBI set cut off price of Rs 98.96, yielding 8.3705 per cent on 8.19 per cent bonds maturing in 2020.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 28th Jan 2012	% Change
STOCKS	Australia	ASX	4348.48	1.06
	Brazil	Bovespa	62904.20	0.95
	China	Shanghai	2319.12	0.00
	France	CAC	3318.76	(0.08)
	Germany	DAX	6511.98	1.68
	Hong Kong	Hang Seng	20501.70	1.95
	India	Sensex	17233.98	2.96
	Japan	Nikkei	8841.22	0.85
	UK	FTSE	5733.45	0.09
	USA	DJIA	12660.50	(0.47)
COMMODITIES	Copper	\$/Pound	3.89	3.73
	Crude	\$/Barrel	99.76	1.39
	Gold	\$/Troy Ounce	1737.60	4.24
	Natural Gas	\$/MMBtu	2.77	18.88
	Silver	\$/Troy Ounce	33.96	5.56
	Aluminium	\$/Tonne	2266.00	2.21
	Lead	\$/Tonne	2295.00	5.44
	Nickel	\$/Tonne	21700.00	6.11
	Zinc	\$/Tonne	2150.00	6.81
CURRENCIES	USD/GBP		1.5731	1.01
	USD/EUR		1.3218	2.23
	USD/AUD		1.0657	1.68
	JPY/USD		76.67	(0.43)
	INR/USD		49.38	(1.67)
	HKD/USD		7.7556	(0.06)
	BRL/USD		1.7435	(1.08)
BONDS	2 Year	US Treasury	110.40	0.08
	10 Year		131.72	1.11
	30 Year		143.44	1.10

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 28th Jan 2012	% Change
STOCKS	Nifty	Large Cap	5204.70	3.09
	Sensex	Large Cap	17233.98	2.96
	BSE Midcap	Mid Cap	5872.36	3.39
	BSE Smallcap	Small Cap	6491.69	3.42
Some Major Shares	ACC	Rs/share	1191.70	3.62
	Bharti Airtel		374.60	9.42
	HDFC Ltd		699.80	1.11
	Infosys		2725.00	5.26
	L&T		1381.50	8.40
	Reliance Inds		820.40	3.50
	Tata Motors		239.85	9.47
	Tata Steel		458.75	5.09
COMMODITIES	Aluminium	INR/Kg	110.25	0.09
	Copper	INR/Kg	425.65	1.81
	Crude	INR/Barrel	4942.00	(0.74)
	Gold	INR/10gms	27990.00	1.82
	Lead	INR/Kg	111.45	2.77
	Natural Gas	INR/1mmBtu	137.00	16.50
	Nickel	INR/Kg	1066.30	3.73
	Silver	INR/Kg	57229.00	3.03
	Zinc	INR/Kg	105.10	3.85
CURRENCIES	INR/EUR		65.31	0.49
	INR/GBP		77.65	(0.72)
	INR/100 JPY		64.44	(1.15)
	INR/USD		49.38	(1.67)

Detailed macro /
fundamental analysis
of world economies

MACRO ECONOMIC SNAPSHOT

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.60	1.50
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	2.02	1.86

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	3.40	3.42

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-0.70	-1.70
Inflation Rate	Monthly	-0.20	-0.50
Unemployment Rate	Monthly	4.50	4.50
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	0.99	0.95

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.80	0.50
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	2.11	1.97

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	4.70	5.20
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	1538.20	12.25	6.45
Bharat Heavy Electricals Ltd.	Electric Equipment	273.65	10.37	2.99
Bharti Airtel Ltd.	Telecommunication - Service Provider	374.85	28.78	2.94
Cipla Ltd.	Pharmaceuticals & Drugs	344.75	27.43	3.86
Coal India Ltd.	Mining & Minerals	340.50	45.80	9.18
DLF Ltd.	Construction - Real Estate	211.55	24.73	1.43
HDFC Bank Ltd.	Bank - Private	483.60	23.45	3.84
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1821.85	15.98	7.69
Hindalco Industries Ltd.	Aluminium & Aluminium Products	144.45	11.95	0.90
Hindustan Unilever Ltd.	Household & Personal Products	390.00	33.41	21.20
Housing Development Finance Corporation Ltd.	Finance - Housing	699.15	26.18	5.24
ICICI Bank Ltd.	Bank - Private	888.10	17.88	1.75
Infosys Ltd.	IT - Software	2720.60	19.98	4.88
ITC Ltd.	Cigarettes/Tobacco	202.05	27.03	7.58
Jaiprakash Associates Ltd.	Engineering - Construction	70.80	19.54	1.60
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	529.25	13.05	2.88
Larsen & Toubro Ltd.	Engineering - Construction	1381.60	20.02	3.47
Mahindra & Mahindra Ltd.	Automobiles-Tractors	698.10	15.97	3.70
Maruti Suzuki India Ltd.	Automobiles - Passenger cars	1208.15	21.09	2.36
NTPC Ltd.	Power Generation/Distribution	173.75	15.22	1.99
Oil & Natural Gas Corp.. Ltd.	Oil Exploration	278.55	10.54	2.18
Reliance Industries Ltd.	Refineries	817.60	12.63	1.66
State Bank Of India	Bank - Public	2042.60	12.23	1.43
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	120.15	7.38	0.89
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	528.90	28.95	4.98
Tata Consultancy Services Ltd.	IT - Software	1108.85	21.40	7.14
Tata Motors Ltd.	Automobiles-Trucks/Lcv	239.90	7.22	2.92
Tata Power Company Ltd.	Power Generation/Distribution	104.95	78.19	1.97
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	458.75	4.15	1.06
Wipro Ltd.	IT - Software	417.85	18.78	3.77

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 and also cut CRR rates 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, Uttarakhand, Uttar Pradesh, Manipur and Goa. Due to these coming elections, policies are geared towards populism more than anything else.
- Sectors – 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			Crude Oil ↑	Aluminium Copper Gold ↑ Lead Nickel Silver ↑ Zinc		Natural Gas
CURRENCIES (against USD)	HKD			AUD BRL GBP ↑ JPY	EUR ↑ INR	
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	Mid Cap ↑ Small Cap	
SECTORS			Auto Bankex Cap Goods ↑ Cons Durable ↑ FMCG Healthcare IT Metal Power Realty Teck	Oil & Gas	
COMMODITIES		Copper Crude Oil Gold ↑ Lead ↑ Nickel Zinc ↑	Aluminium Silver ↑		Natural Gas
CURRENCIES (against INR)		JPY USD	EUR ↑ GBP		

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

MAJOR LARGE CAP COMPANIES - TECHNICAL SNAPSHOT

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

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

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

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