

# *ShroffConnect* Weekly Report

11th February, 2012

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# Opinion as on 11/02/2012

- Money flow: Into stocks and gold/silver. At the same time, there is no major outflow from treasuries.
  - **Opinion on money flow:** There is movement of funds into stocks. There is also some movement into gold/silver. Greece is an issue but we feel that this is more discounted than anything else. There is a lot of posturing amongst the Greek politicians and Euro officials, but eventually the agreements will come through.
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- Indian markets: The markets remained stable during this week.
  - Sectors: Banking, Cement, Housing Finance and selective 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 and lower IIP data in December.
  - **Opinion:** The market remains somewhat overbought. All positives have been factored in and some nervousness is expected as election results and the budget draw nearer. The Greece debt issue has also not been cleared. The market should correct in the coming week. More than the overall index, investors should look at sector movement, and buy India centric shares on dips.

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

# Current scenario & news

## World economy

- The Greek cabinet approved a draft bill spelling out reforms required by the EU and the IMF, taking Athens closer to getting a new 130 billion-euro bailout.
- China's trade in January fell the most since the depths of the financial crisis, raising concerns Lunar New Year factory shutdowns do not fully explain a slump in imports and may instead be evidence of a further faltering in demand.
- Confidence among U.S. consumers declined more than forecast in February as growing optimism about job prospects failed to ease concern wages will stagnate.
- The Bank of England voted to inject more cash into the economy to shore up a fragile recovery and shield the country from fallout from the unresolved euro zone debt crisis.

## Indian economy

- Indian industrial production growth slowed sharply as capital investment remained weak, adding to pressure on the RBI to start cutting interest rates to help stimulate an economy that is headed for its slowest growth in three years.
- The government's public debt in the September-December quarter increased by 3.2 per cent to Rs 33,82,645 crore over the previous three-month period mainly due to higher borrowings.
- The rupee ended at 49.40/41 to the dollar after hitting a low of 49.76, a level not seen since January 30. For the week, the currency lost 1.45 percent, its biggest single-week drop since the week ended December 11.
- The Indian government approved 10.34 billion rupees worth of foreign direct investment proposals.

## WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 11th Feb 2012	% Change
STOCKS	Australia	ASX	4322.60	0.06
	Brazil	Bovespa	63997.90	(1.87)
	China	Shanghai	2351.98	0.93
	France	CAC	3373.14	(1.60)
	Germany	DAX	6692.96	(1.09)
	Hong Kong	Hang Seng	20783.90	0.13
	India	Sensex	17748.69	0.82
	Japan	Nikkei	8947.17	1.30
	UK	FTSE	5852.39	(0.82)
	USA	DJIA	12801.20	(0.47)
COMMODITIES	Copper	\$/Pound	3.86	(1.28)
	Crude	\$/Barrel	99.05	1.31
	Gold	\$/Troy Ounce	1725.00	(0.20)
	Natural Gas	\$/MMBtu	2.48	(1.20)
	Silver	\$/Troy Ounce	33.59	(0.12)
	Aluminium	\$/Tonne	2244.00	(0.13)
	Lead	\$/Tonne	2136.00	(4.00)
	Nickel	\$/Tonne	20705.00	(2.82)
CURRENCIES	Zinc	\$/Tonne	2078.00	(3.57)
	USD/GBP		1.5752	(0.28)
	USD/EUR		1.3195	0.29
	USD/AUD		1.0672	(0.79)
	JPY/USD		77.55	1.25
	INR/USD		49.48	1.81
	HKD/USD		7.7559	0.03
BONDS	BRL/USD		1.7265	0.64
	2 Year	US Treasury	110.27	(0.05)
	10 Year		131.39	0.05
	30 Year		142.78	0.26

## INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 11th Feb 2012	% Change
STOCKS	Nifty	Large Cap	5381.60	1.05
	Sensex	Large Cap	17748.69	0.82
	BSE Midcap	Mid Cap	6246.61	3.32
	BSE Smallcap	Small Cap	6890.85	3.06
Some Major Shares	ACC	Rs/share	1347.00	6.29
	Bharti Airtel		349.95	(9.71)
	HDFC Ltd		693.90	(0.39)
	Infosys		2790.40	0.26
	L&T		1351.00	(0.27)
	Reliance Inds		843.25	0.59
	Tata Motors		257.35	3.92
	Tata Steel		475.05	1.61
COMMODITIES	Aluminium	INR/Kg	110.75	1.61
	Copper	INR/Kg	424.45	1.22
	Crude	INR/Barrel	4926.00	3.34
	Gold	INR/10gms	28259.00	1.11
	Lead	INR/Kg	106.30	(1.62)
	Natural Gas	INR/1mmBtu	123.80	0.98
	Nickel	INR/Kg	1034.70	(0.68)
	Silver	INR/Kg	56875.00	1.28
	Zinc	INR/Kg	103.55	(0.58)
CURRENCIES	INR/EUR		65.29	2.14
	INR/GBP		77.89	1.37
	INR/100 JPY		63.78	0.57
	INR/USD		49.48	1.81

Detailed macro /  
fundamental analysis  
of world economies

## MACRO ECONOMIC SNAPSHOT as on 11/02/2012

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.60	1.50
Inflation Rate	Monthly	3.00	3.40
Unemployment Rate	Monthly	8.30	8.50
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	1.92	1.89

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.40	1.60
Inflation Rate	Monthly	2.70	2.80
Unemployment Rate	Monthly	10.40	10.30
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	4.50	4.10
Unemployment Rate	Monthly	4.10	4.30
Benchmark Interest Rate	Weekly	6.56	6.56
Govt. bond 10 year Rate	Weekly	3.44	3.40

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-0.70	-1.70
Inflation Rate	Monthly	-0.20	-0.50
Unemployment Rate	Monthly	4.60	4.50
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	0.95	0.97

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	2.18	2.07

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	6.90	7.70
Inflation Rate	Monthly	7.47	9.34
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	6.20	6.50
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	4.20	6.10
Unemployment Rate	Monthly	6.30	6.40
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 as on 11/02/2012

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1736.55	13.83	7.04
Bharat Heavy Electricals Ltd.	Electric Equipment	260.10	9.86	2.67
Bharti Airtel Ltd.	Telecommunication - Service Provider	349.90	28.97	2.55
Cipla Ltd.	Pharmaceuticals & Drugs	349.00	27.77	3.91
Coal India Ltd.	Mining & Minerals	331.60	44.60	8.36
DLF Ltd.	Construction - Real Estate	230.70	26.85	1.56
HDFC Bank Ltd.	Bank - Private	516.20	25.04	4.16
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1969.70	17.28	8.31
Hindalco Industries Ltd.	Aluminium & Aluminium Products	153.00	12.71	0.94
Hindustan Unilever Ltd.	Household & Personal Products	387.75	31.75	17.83
Housing Development Finance Corporation Ltd.	Finance - Housing	693.25	25.96	5.08
ICICI Bank Ltd.	Bank - Private	928.20	17.78	1.79
Infosys Ltd.	IT - Software	2782.70	20.44	5.00
ITC Ltd.	Cigarettes/Tobacco	203.20	27.18	7.75
Jaiprakash Associates Ltd.	Engineering - Construction	76.70	21.17	1.73
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	603.30	14.68	3.33
Larsen & Toubro Ltd.	Engineering - Construction	1350.40	19.58	3.45
Mahindra & Mahindra Ltd.	Automobiles-Tractors	691.05	16.25	3.45
Maruti Suzuki India Ltd.	Automobiles - Passenger cars	1245.25	21.74	2.42
NTPC Ltd.	Power Generation/Distribution	179.85	15.76	2.00
Oil & Natural Gas Corpn. Ltd.	Oil Exploration	281.45	10.81	2.07
Reliance Industries Ltd.	Refineries	842.15	13.01	1.70
State Bank Of India	Bank - Public	2172.50	12.25	1.54
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	129.05	5.10	0.92
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	541.30	26.19	5.21
Tata Consultancy Services Ltd.	IT - Software	1230.55	23.47	7.52
Tata Motors Ltd.	Automobiles-Trucks/Lcv	257.10	7.75	3.03
Tata Power Company Ltd.	Power Generation/Distribution	110.85	59.82	2.08
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	475.00	5.12	1.14
Wipro Ltd.	IT - Software	448.10	20.24	4.15

# 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 2014. Some economic data is encouraging.
- Europe – Greek issue is hanging, and Portugal may follow suit. Economic slowdown and even recession is on the cards for most countries.
- China – Lower exports to the US and Europe are leading to lack of demand in the manufacturing sector.
- Japan – Lower exports to the US and Europe are leading to lack of demand. The strength of the yen continues to hamper growth in exports.
- Rest of the World – There is an embargo against Iran by the developed world, and this is not showing any signs of abating.

# Indian macro scenario

- Economy – The economy is slowing and the impact is being felt across the board. Fiscal deficit is much above the desired levels though inflation has decreased.
- 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. The government is under fire for corruption in the 2G and other issues.
- Sectors – Mining, pharma and telecom sectors await restrictive and taxing legislation. Telecom sector is in for a shakeout after the Supreme Court verdict cancelling licenses awarded to telecom companies post 2008.

# 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
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STOCKS	Brazil	France Germany UK USA	Australia China ↑ Hong Kong India Japan		
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COMMODITIES			Aluminium Copper Crude Oil Gold Lead Nickel Silver Zinc		Natural Gas
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CURRENCIES (against USD)	HKD	AUD ↑	BRL GBP INR JPY	EUR	
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BONDS (US Treasury)		2 Year 10 Year 30 Year			
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↑ = moved up from last week, ↓ = moved dn from last week

## INDIAN MARKETS - TECHNICAL SNAPSHOT



### INDICES

Mid Cap  
Nifty  
Sensex  
Small Cap

### SECTORS

Auto ↑  
FMCG  
IT

Bankex  
Cap Goods  
Cons Durable  
Healthcare  
Metal  
Oil & Gas  
Power  
Realty  
Teck

### COMMODITIES

Aluminium ↑  
Copper  
Gold  
Nickel  
Zinc

Crude Oil ↓  
Lead  
Silver

Natural Gas

### CURRENCIES (against INR)

GBP  
JPY  
USD

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	ACC ↑ Ambuja Cem Cairn ↑ Cipla Grasim Ind Havells India MRF ↑ Sun Pharma ↑ Tata Motors Ultratech Wipro ↑	ABB Apollo Tyres Canara Bank ↑ HDFC HDFC Bank ↑ Hind Zinc Kotak Bank ↑ Maruti Suzuki Power Grid ↑ RECL ↑ Reliance Infra SBIN ↑ Tata Global	Andhra Bank Ashok Leyland Axis Bank Bajaj Auto Bank of Baroda Bharti Airtel Bosch Ltd BPCL Chambal Fert Coal India Crompton Gr DLF Dr Reddy ↓ Exide Inds HCL Tech Hero Motoco Hind Unilever ↓ Hindalco ICICI Bank Idea Cellular Infosys Tech ITC Jaiprakash Asso Jindal Steel JSW Steel LT Lupin	Bhel ↑ GAIL M&M  Neutral Nestle India NTPC O N G C Petronet LNG PNB Ranbaxy RCOM Reliance Capital Reliance Ind Sesa Goa Shriram Trans Siemens Sterlite Ind Tata Chemicals Tata Power Tata Steel TCS Tech Mahindra Thermax 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		Cummins India ↑ GSK Con Health I D F C ↑ IndusInd Bank ↑ Marico ↑ Yes Bank	Asian Paints Bata India Bharat Forge Britannia Ind Castrol India Colgate-Palm Dabur ↑ Federal Bank GE Shipping Com Glaxo Pharma ↑ GMDC Godrej Cons HCC Indian Hotel SCI Titan Ind Voltas	Biocon ↑ GSPL Indraprastha Gas	

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

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