

ShroffConnect Weekly Report

18th February, 2012

Shroff Securities Pvt. Ltd.

Portfolio Investment Management Services

Kolkata: 033 32933592/3658

Bangalore: 080 32996004/6005

Email: contact@shroffsecurities.com

Web: www.shroffsecurities.com

(for private circulation only)

Opinion as on 18/02/2012

- Money flow: Into stocks.
 - **Opinion on money flow:** There is movement of funds into stocks on renewed confidence in the world economy. It must be remembered that the market moves ahead of the economic cycle by a few months. The Greece sovereign debt is the major issue confronting the financial markets but we feel that this is more discounted than anything else. The agreements should come through.
-
- Indian markets: The markets rallied further during this week on strong FII buying.
 - Sectors: Auto, Banking, Cement, Housing Finance, Pharma, Power are outperforming.
 - Positives: Reasonably good Q3 results, lower inflation number and the possibility of RBI cutting CRR rates for the second time.
 - Negatives: High interest rates and lower IIP data in December.
 - **Opinion:** The market has rallied to unexpected levels but we are now in a bull market, although the fundamental macro picture has not changed much. As the markets have moved up without a break, we may expect volatility in the coming week. More than the overall market index, investors should look at sectors, and buy India centric shares on dips.

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

Current scenario & news

World economy

- U.S. manufacturing output rose solidly in January and a gauge of factory activity in New York state hit a 1-1/2-year high in February, showing a solid underpinning for the economic recovery.
- China will continue to invest in euro zone government debt and it remains confident in the euro, the country's central bank governor said, while calling on Europeans to produce more attractive investment products for China.
- U.K. retail sales unexpectedly rose for a second month in January, adding to signs the economy may strengthen in the current quarter and avoid a recession.
- Greece's cabinet on Saturday approved a final set of austerity measures sought by the EU and IMF as a condition for a 130-billion euro rescue package, raising the chances of a deal to avert a chaotic default on its debt.

Indian economy

- India's headline inflation slowed to its lowest level in more than two years in January as food prices fell, sparking hopes that the RBI will start cutting interest rates sooner rather than later to battle the country's economic slowdown.
- Iran's escalating tensions would make an increase in the prices of motor and kitchen fuels inevitable after the polls as international crude hit a six-month high of near \$120 a barrel.
- India's capital market regulator said it will allocate on Feb. 29 the unutilized foreign investors' investment limits in long-term infrastructure corporate debt.
- Wild price swings caused by a volatile rupee sapped Indian buying interest in gold in the fourth quarter of 2011, with imports well short of expectations and no pick up expected this year, dropping it behind China for the first time.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 18th Feb 2012	% Change
STOCKS	Australia	ASX	4273.26	(1.14)
	Brazil	Bovespa	66204.00	3.45
	China	Shanghai	2357.18	0.22
	France	CAC	3439.62	1.97
	Germany	DAX	6848.03	2.32
	Hong Kong	Hang Seng	21491.60	3.41
	India	Sensex	18289.35	3.05
	Japan	Nikkei	9384.17	4.88
	UK	FTSE	5905.07	0.90
	USA	DJIA	12949.90	1.16
COMMODITIES	Copper	\$/Pound	3.72	(3.63)
	Crude	\$/Barrel	104.06	5.06
	Gold	\$/Troy Ounce	1725.20	0.01
	Natural Gas	\$/MMBtu	2.68	8.06
	Silver	\$/Troy Ounce	33.26	(0.98)
	Aluminium	\$/Tonne	2164.00	(3.57)
	Lead	\$/Tonne	2045.00	(4.26)
	Nickel	\$/Tonne	19625.00	(5.22)
CURRENCIES	Zinc	\$/Tonne	1945.00	(6.40)
	USD/GBP		1.5825	0.46
	USD/EUR		1.3145	(0.38)
	USD/AUD		1.0709	0.35
	JPY/USD		79.54	2.57
	INR/USD		49.27	(0.42)
	HKD/USD		7.7545	(0.02)
BONDS	BRL/USD		1.7140	(0.72)
	2 Year	US Treasury	110.22	(0.05)
	10 Year		130.92	(0.36)
	30 Year		142.09	(0.48)

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 18th Feb 2012	% Change
STOCKS	Nifty	Large Cap	5564.30	3.39
	Sensex	Large Cap	18289.35	3.05
	BSE Midcap	Mid Cap	6544.56	4.77
	BSE Smallcap	Small Cap	7116.49	3.27
Some Major Shares	ACC	Rs/share	1366.45	1.44
	Bharti Airtel		349.60	(0.10)
	HDFC Ltd		716.80	3.30
	Infosys		2947.80	5.64
	L&T		1447.15	7.12
	Reliance Inds		818.20	(2.97)
	Tata Motors		273.95	6.45
	Tata Steel		478.00	0.62
COMMODITIES	Aluminium	INR/Kg	105.30	(4.92)
	Copper	INR/Kg	406.05	(4.34)
	Crude	INR/Barrel	5187.00	5.30
	Gold	INR/10gms	28100.00	(0.56)
	Lead	INR/Kg	99.95	(5.97)
	Natural Gas	INR/1mmBtu	133.90	8.16
	Nickel	INR/Kg	969.40	(6.31)
	Silver	INR/Kg	56108.00	(1.35)
	Zinc	INR/Kg	96.80	(6.52)
CURRENCIES	INR/EUR		64.79	(0.77)
	INR/GBP		77.94	0.06
	INR/100 JPY		61.90	(2.95)
	INR/USD		49.27	(0.42)

Detailed macro /
fundamental analysis
of world economies

MACRO ECONOMIC SNAPSHOT as on 18/02/2012

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.60	1.50
Inflation Rate	Monthly	2.90	3.00
Unemployment Rate	Monthly	8.30	8.50
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	1.99	1.92

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.70	1.40
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	3.55	3.44

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-1.00	-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	0.98	0.95

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.80	0.50
Inflation Rate	Monthly	3.60	4.20
Unemployment Rate	Monthly	8.40	8.30
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	2.11	2.18

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	6.90	7.70
Inflation Rate	Monthly	6.55	7.47
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	5.50	4.70
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	6.10	6.30
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 18/02/2012

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1800.70	14.34	7.30
Bharat Heavy Electricals Ltd.	Electric Equipment	303.45	11.50	3.12
Bharti Airtel Ltd.	Telecommunication - Service Provider	349.55	28.94	2.68
Cipla Ltd.	Pharmaceuticals & Drugs	321.55	24.68	3.47
Coal India Ltd.	Mining & Minerals	324.85	13.69	4.67
DLF Ltd.	Construction - Real Estate	253.85	35.69	1.69
HDFC Bank Ltd.	Bank - Private	527.55	25.59	4.25
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	2109.70	18.51	8.91
Hindalco Industries Ltd.	Aluminium & Aluminium Products	151.10	12.55	0.92
Hindustan Unilever Ltd.	Household & Personal Products	385.25	31.55	17.71
Housing Development Finance Corporation Ltd.	Finance - Housing	716.50	26.83	5.25
ICICI Bank Ltd.	Bank - Private	981.55	18.81	1.90
Infosys Ltd.	IT - Software	2950.60	21.67	5.29
ITC Ltd.	Cigarettes/Tobacco	205.30	27.47	7.83
Jaiprakash Associates Ltd.	Engineering - Construction	84.55	24.21	1.87
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	639.25	15.55	3.48
Larsen & Toubro Ltd.	Engineering - Construction	1448.65	21.00	3.70
Mahindra & Mahindra Ltd.	Automobiles-Tractors	749.30	17.62	3.74
Maruti Suzuki India Ltd.	Automobiles - Passenger cars	1320.00	23.04	2.57
NTPC Ltd.	Power Generation/Distribution	187.65	16.44	2.09
Oil & Natural Gas Corpn. Ltd.	Oil Exploration	281.30	10.81	2.07
Reliance Industries Ltd.	Refineries	817.90	12.64	1.65
State Bank Of India	Bank - Public	2416.75	12.92	1.61
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	133.00	5.26	0.98
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	541.90	21.82	4.76
Tata Consultancy Services Ltd.	IT - Software	1228.70	23.44	7.92
Tata Motors Ltd.	Automobiles-Trucks/Lcv	273.90	7.41	2.89
Tata Power Company Ltd.	Power Generation/Distribution	118.65	104.35	2.18
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	478.00	5.22	1.12
Wipro Ltd.	IT - Software	449.20	20.29	4.06

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. Additional stimulus announced.
- Rest of the World –There is an embargo against Iran by the developed world, and this confrontation 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
STOCKS	Brazil USA ↑		France Germany Hong Kong ↑ UK	Australia China India Japan		
COMMODITIES			Copper ↑ Crude Oil ↑ Nickel ↑	Aluminium Gold Lead Silver Zinc		Natural Gas
CURRENCIES (against USD)	HKD		AUD	BRL EUR ↑ GBP INR JPY		
BONDS (US Treasury)			10 Year 30 Year	2 Year ↓		

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

INDIAN MARKETS - TECHNICAL SNAPSHOT



INDICES

Mid Cap ↑

Nifty
Sensex
Small Cap

SECTORS

Auto
Bankex ↑
FMCG
Healthcare ↑
IT
Power ↑
Realty ↑

Cap Goods
Cons Durable
Metal
Oil & Gas
Teck

COMMODITIES

Crude Oil ↑
Gold

Aluminium ↓
Copper ↓
Lead
Nickel ↓
Silver
Zinc ↓

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

[illegible]

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

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

Disclaimer

- This report or newsletter (collectively called 'Report') is for private circulation only. The content, information, statements, opinion, statistics, newsletters, reports and material (collectively called 'Content') contained in this Report does not constitute a recommendation, advice, an offer or solicitation for the purchase or sale of any stocks, commodities, foreign exchange, bonds, mutual funds, debt instruments, financial instruments or any investment products (collectively called 'Securities').
- All Content contained herein are provided "as is" for informational purposes only, and is not intended for trading purposes or advice. The Content provided is based on historical data. The past is not necessarily a guide to the future values and prices. No guarantee, representation or warranty whatsoever is made by M/s Shroff Securities Private Limited, its subsidiary (ies), group entities, their owners, directors, partners, officers or employees (collectively called 'Company & Others') regarding the timeliness, quality, completeness, accuracy, adequacy, fullness, functionality or reliability of the Content contained in this Report or of the results obtained from the use of such Content and no warranties whether express or implied, responsibility or liability, contingent or otherwise of any kind and nature whatsoever regarding the accuracy, quality, performance, merchantability and/or fitness for a particular purpose of the Content contained herein or of the results obtained from the use of such Content, the security suitability for the investor, accounting and tax consequences of investing in Securities or the future value developments of such Securities.
- The Content provided in this report thus provides non-binding Content for which the Company & Others disclaim liability. Transacting in Securities carries a great deal of risk. Readers and recipients should take independent professional advice before doing any transaction(s). The Company & Others shall not be liable for any informational errors, incompleteness, or delays, or for any actions taken in reliance on Content contained herein.