

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 17/03/2012

- Money flow: Into stocks.
 - **Opinion on money flow:** International stock markets are being spurred on by good economic news from the USA. Otherwise, there is no bad news from anywhere else. Investors are looking to buy stocks as the returns would be much better than bonds.
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- Indian market: The Indian market remained volatile as expected but did not gain or lose any ground.
 - Sectors: Auto ancillaries, Auto, Banks and Cement are outperforming.
 - Positives: All major economic events are over and none have been negative.
 - Negatives: Not one of the five major economic events – Inflation, RBI policy, Economic Survey, Railway budget and Annual Budget inspire the markets; high interest; high fiscal deficit; precarious politics.
 - **Opinion:** The market was really looking for some support from the Government and the RBI but none was forthcoming. Ultimately it lost its gains from the early part of the week and remained flat for the week. The politicians will not make it easy to pass any reforms or good steps announced in the two budgets. The markets should remain sideways or range bound for some time unless the FIIs begin to buy again. The foreign cues are strong. Investors should hold onto their investments, and buy profit making stocks on dips. They should stay away from “bargains”.

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

Current scenario & news

World economy

- U.S. economic growth showed signs of becoming more self-sustaining as the number of Americans claiming new jobless benefits fell back to a four-year low and manufacturing activity picked up.
- China, the largest foreign U.S. creditor, increased its holdings of U.S. government securities in January for the first time in six months as European leaders struggled to contain the region's sovereign-debt crisis.
- The yen fell for a sixth week against the dollar, its longest losing streak in three years, as faster U.S. economic growth boosted Treasury yields and the Bank of Japan indicated plans for further stimulus.

Indian economy

- The government played it safe in unveiling its federal budget on Friday, pledging reforms but setting only modest targets for trimming a ballooning fiscal deficit, disappointing investors and sending bond yields surging.
- The Reserve Bank of India (RBI) left interest rates unchanged and warned of resurgent inflation risks, a hawkish stance that disappointed investors clamoring for the first rate cut since the aftermath of the global financial crisis.
- Lower tax revenues and poor disinvestment receipts have pushed up the government's fiscal deficit for 2011-12 to 5.9 per cent of the GDP, as against the target of 4.6 per cent.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 17th Mar 2012	% Change
STOCKS	Australia	ASX	4364.71	1.49
	Brazil	Bovespa	67684.10	1.47
	China	Shanghai	2404.74	(1.42)
	France	CAC	3594.83	3.08
	Germany	DAX	7157.82	4.03
	Hong Kong	Hang Seng	21317.80	1.10
	India	Sensex	17466.20	(0.21)
	Japan	Nikkei	10129.80	2.01
	UK	FTSE	5965.58	1.33
	USA	DJIA	13232.60	2.40
COMMODITIES	Copper	\$/Pound	3.88	0.78
	Crude	\$/Barrel	107.15	(0.25)
	Gold	\$/Troy Ounce	1660.50	(3.09)
	Natural Gas	\$/MMBtu	2.32	0.43
	Silver	\$/Troy Ounce	32.59	(5.07)
	Aluminium	\$/Tonne	2258.00	0.80
	Lead	\$/Tonne	2108.00	(0.57)
	Nickel	\$/Tonne	18900.00	(2.07)
	Zinc	\$/Tonne	2078.00	0.39
CURRENCIES	USD/GBP		1.5831	0.96
	USD/EUR		1.3173	0.40
	USD/AUD		1.0592	0.15
	JPY/USD		83.43	1.23
	INR/USD		50.00	0.30
	HKD/USD		7.7624	0.07
	BRL/USD		1.8003	1.00
BONDS	2 Year	US Treasury	110.09	(0.06)
	10 Year		129.05	(1.53)
	30 Year		137.88	(2.73)

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 17th Mar 2012	% Change
STOCKS	Nifty	Large Cap	5317.90	(0.29)
	Sensex	Large Cap	17466.20	(0.21)
	BSE Midcap	Mid Cap	6361.59	0.50
	BSE Smallcap	Small Cap	6704.46	(0.66)
Some Major Shares	ACC	Rs/share	1339.90	1.60
	Bharti Airtel		327.55	(3.33)
	HDFC Ltd		666.45	(2.06)
	Infosys		2864.95	0.34
	L&T		1320.00	1.36
	Reliance Inds		772.35	(0.19)
	Tata Motors		286.70	2.16
	Tata Steel		454.60	(0.13)
COMMODITIES	Aluminium	INR/Kg	112.10	1.26
	Copper	INR/Kg	432.15	1.32
	Crude	INR/Barrel	5333.00	(0.28)
	Gold	INR/10gms	27851.00	(0.47)
	Lead	INR/Kg	105.55	(0.52)
	Natural Gas	INR/1mmBtu	116.90	0.78
	Nickel	INR/Kg	954.90	(0.68)
	Silver	INR/Kg	57254.00	(3.04)
	Zinc	INR/Kg	103.75	0.73
CURRENCIES	INR/EUR		66.04	1.13
	INR/GBP		79.15	1.50
	INR/100 JPY		60.06	(0.43)
	INR/USD		50.00	0.30

Detailed macro /
fundamental analysis
of world economies

MACRO ECONOMIC SNAPSHOT AS ON 17/03/2012

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	2.03	1.97

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.70	1.40
Inflation Rate	Monthly	2.70	2.60
Unemployment Rate	Monthly	10.70	10.40
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	3.20	4.50
Unemployment Rate	Monthly	4.10	4.30
Benchmark Interest Rate	Weekly	6.56	6.56
Govt. bond 10 year Rate	Weekly	3.55	3.58

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-0.60	-1.00
Inflation Rate	Monthly	0.10	-0.20
Unemployment Rate	Monthly	4.60	4.50
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	0.99	0.97

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	2.15	2.14

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	6.10	6.90
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	1.40	2.10
Inflation Rate	Monthly	5.80	6.20
Unemployment Rate	Monthly	5.50	4.70
Benchmark Interest Rate	Weekly	9.75	10.50
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	3.70	4.20
Unemployment Rate	Monthly	6.60	6.10
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 17/03/2012

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1721.85	13.72	6.98
Bharat Heavy Electricals Ltd.	Electric Equipment	273.55	10.37	2.81
Bharti Airtel Ltd.	Telecommunication - Service Provider	327.00	27.08	2.39
Cipla Ltd.	Pharmaceuticals & Drugs	302.30	23.20	3.26
Coal India Ltd.	Mining & Minerals	342.25	14.42	4.73
DLF Ltd.	Construction - Real Estate	196.25	27.59	1.32
HDFC Bank Ltd.	Bank - Private	507.70	24.66	4.09
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1955.05	17.15	8.25
Hindalco Industries Ltd.	Aluminium & Aluminium Products	140.35	11.65	0.86
Hindustan Unilever Ltd.	Household & Personal Products	390.45	31.98	17.95
Housing Development Finance Corporation Ltd.	Finance - Housing	665.15	24.92	4.88
ICICI Bank Ltd.	Bank - Private	917.00	17.57	1.77
Infosys Ltd.	IT - Software	2866.05	21.05	5.15
ITC Ltd.	Cigarettes/Tobacco	216.10	28.94	8.25
Jaiprakash Associates Ltd.	Engineering - Construction	78.50	22.48	1.73
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	575.25	14.00	3.18
Larsen & Toubro Ltd.	Engineering - Construction	1319.80	19.14	3.37
Mahindra & Mahindra Ltd.	Automobiles-Tractors	676.95	15.92	3.38
Maruti Suzuki India Ltd.	Automobiles - Passenger cars	1373.65	23.98	2.67
NTPC Ltd.	Power Generation/Distribution	172.70	15.13	1.92
Oil & Natural Gas Corpn. Ltd.	Oil Exploration	273.30	10.50	2.01
Reliance Industries Ltd.	Refineries	771.95	11.92	1.56
State Bank Of India	Bank - Public	2227.95	11.91	1.51
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	114.20	4.51	0.81
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	545.05	21.94	4.89
Tata Consultancy Services Ltd.	IT - Software	1167.50	22.27	7.14
Tata Motors Ltd.	Automobiles-Trucks/Lcv	286.70	7.76	2.94
Tata Power Company Ltd.	Power Generation/Distribution	105.65	92.92	1.94
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	454.35	4.96	1.08
Wipro Ltd.	IT - Software	428.05	19.33	3.97

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, although some economic data is quite encouraging.
- Europe – Greece has obtained its debt package from bondholders. 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 and lower GDP growth estimates.
- Japan – Lower exports to the US and Europe but strong Yen.
- Rest of the World – Iran is now a nuclear power. Israel may declare hostilities against Iran.

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 and inflation pressures remain due to high crude prices.
- Government policies – There has been a lack of growth oriented policies for the past couple of years. Landmark legislations have been postponed due to the compulsions of coalition politics. No major policies announced in the yearly budget. Excise & Service Tax hiked by 2% to 12%.
- RBI – The RBI has left all major rates unchanged despite the corporate sector crying for an interest rate decrease.
- Politics – Assembly elections results have been dismal for the ruling party. The TMC disrupts the Railway Budget by trying to sack its own minister.
- Sectors – The sectors which generally do well at the bottom of a business cycle are showing good results. This is hinting at a revival of the cycle but that should happen only after the interest rates begin to move down.

Our concerns on the macro front

World economies

- US need for continuous stimulus through low interest rates and tax cuts.
- Eurozone contraction.
- Chinese slowdown.

Indian economy

- High interest rate.
- High and growing fiscal deficit through subsidies and less collection of taxes
- Lack of governance and populist politics.
- Possibility of a mid term poll.
- High price of crude oil.

Detailed technical analysis of world financial markets

WORLD MARKETS - TECHNICAL SNAPSHOT

		Very Bullish	Bullish	Neutral	Bearish	Very Bearish
STOCKS	Brazil Germany ↑ Hong Kong Japan USA	Australia ↑ France India UK	China			
COMMODITIES	Crude Oil	Copper	Aluminium ↓ Gold ↓ Lead Nickel Silver ↓ Zinc			Natural Gas
CURRENCIES (against USD)		GBP ↑ HKD	AUD BRL INR		EUR ↓	JPY ↓
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			Mid Cap Nifty Sensex	Small Cap		
SECTORS	Auto IT		Bankex Cons Durable ↑ FMCG Healthcare Power Teck	Cap Goods Metal Oil & Gas Realty ↓		
COMMODITIES	Crude Oil		Aluminium ↑ Copper Gold Silver	Lead Nickel Zinc		Natural Gas
CURRENCIES (against INR)				EUR GBP USD		JPY ↓

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

MAJOR LARGE COMPANIES - TECHNICAL SNAPSHOT

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

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

MAJOR MEDIUM & SMALL COMPANIES - TECHNICAL SNAPSHOT

	Very Bullish	Bullish	Neutral	Bearish	Very Bearish
COMPANIES	Astrazeneca Ph	Asian Paints	ABG Shipyard	Hawkins Cookers	Biocon
	Britannia	Bata India	CRISIL Ltd ↓	IGL	GSPL ↓
	Colgate-Palm ↑	Bharat Forge	GE Shipping ↓		
	Godrej Cons	Castrol India	Indian Hotel		
	I D F C	Cummins India	Marico ↓		
	IndusInd Bank	Dabur ↓	Pidilite Ind		
	Jubilant Food	Federal Bank	Shipping Corpn		
	Titan Ind	Glaxo Pharma ↓	SKF India ↓		
	Yes Bank	GMDC	Tata Sponge		
		GSK Con Health	TTK Prestige		
		HCC			
		LIC Housing			
		Opto Circuits			
		Voltas			

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

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