

ShroffConnect Weekly Report

31st March, 2012

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Opinion as on 31/03/2012

- Money flow: Into stocks.
 - **Opinion on money flow:** US data seems encouraging, and the Eurozone is also trying to push growth, hence, investors seem more ready to put money into riskier assets.
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- Indian market: Volatile and range bound between 5100 and 5300.
 - Sectors: Auto and Auto Ancillaries, Cement, Consumer Goods, IT and Pharma are outperforming.
 - Positives: Good foreign cues, govt. trying to get its finances in order.
 - Negatives: High interest rates, high fiscal deficit.
 - **Opinion:** The market should move out of its range upward only when the RBI begins to cut interest rates. The market may move downward on political problems. The results season is near, and investors should buy profit making companies on dips.

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

Current scenario & news

World economy

- China has bumped up the annual long-term foreign debt quota allocated to foreign banks to \$24 billion, allowing them to bring more money into the country as growth slows in the world's No.2 economy.
- Japan's factory production fell in February in its first decline in three months, the government said Friday, as demand for exports weakened, despite signs of modest improvements in employment and consumer confidence.
- Germany's jobless rate dropped to a new post-reunification low of 6.7% in March, bucking the trend in other euro zone countries and bolstering hopes that private consumption will underpin Europe's largest economy this year.
- South Africa's trade deficit narrowed in February from a three-year high in the previous month as vehicle and machinery exports climbed.

Indian economy

- Rebounding sharply from the 0.7% growth clocked in January, the eight core infrastructure industries recorded a robust 6.8% growth in output during February, led mainly by increased production in coal, electricity generation and refinery products.
- The rupee suffered the worst fall in four months, shedding 3.68% in March, hammered by investor jitters over the impact of high global oil prices on an economy still licking the wounds of a fierce inflation battle that has crimped growth and widened deficits.
- India's iron ore shipments may plunge by as much as 57% in 2012/13 as a ban on mining and higher export taxes bite, knocking the country off its position as the world's third largest supplier and boosting global prices.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 31st Mar 2012	% Change
STOCKS	Australia	ASX	4419.97	1.36
	Brazil	Bovespa	64511.00	(1.98)
	China	Shanghai	2262.79	(3.69)
	France	CAC	3423.81	(1.51)
	Germany	DAX	6946.83	(0.70)
	Hong Kong	Hang Seng	20555.60	(0.55)
	India	Sensex	17404.20	0.24
	Japan	Nikkei	10083.60	0.72
	UK	FTSE	5768.45	(1.48)
	USA	DJIA	13212.00	1.00
COMMODITIES	Copper	\$/Pound	3.82	0.26
	Crude	\$/Barrel	102.93	(3.58)
	Gold	\$/Troy Ounce	1670.70	0.58
	Natural Gas	\$/MMBtu	2.12	(6.61)
	Silver	\$/Troy Ounce	32.25	0.16
	Aluminium	\$/Tonne	2126.00	(2.21)
	Lead	\$/Tonne	2042.00	2.36
	Nickel	\$/Tonne	17825.00	(1.93)
	Zinc	\$/Tonne	2000.00	(0.25)
CURRENCIES	USD/GBP		1.6005	0.86
	USD/EUR		1.3338	0.53
	USD/AUD		1.0342	(1.22)
	JPY/USD		82.84	0.62
	INR/USD		50.87	(0.66)
	HKD/USD		7.7655	(0.03)
	BRL/USD		1.8215	0.62
BONDS	2 Year	US Treasury	110.15	0.02
	10 Year		129.48	0.33
	30 Year		137.75	(0.04)

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 31st Mar 2012	% Change
STOCKS	Nifty	Large Cap	5295.55	0.33
	Sensex	Large Cap	17404.20	0.24
	BSE Midcap	Mid Cap	6346.38	(0.07)
	BSE Smallcap	Small Cap	6629.38	0.05
Some Major Shares	ACC	Rs/share	1359.45	(0.92)
	Bharti Airtel		337.90	0.57
	HDFC Ltd		673.30	1.93
	Infosys		2866.30	(0.22)
	L&T		1309.00	0.64
	Reliance Inds		750.60	0.88
	Tata Motors		275.25	0.94
	Tata Steel		471.75	5.18
COMMODITIES	Aluminium	INR/Kg	108.35	(1.46)
	Copper	INR/Kg	431.65	(0.12)
	Crude	INR/Barrel	5274.00	(4.09)
	Gold	INR/10gms	28030.00	(0.25)
	Lead	INR/Kg	104.90	2.19
	Natural Gas	INR/1mmBtu	110.20	(6.13)
	Nickel	INR/Kg	917.40	(1.89)
	Silver	INR/Kg	56790.00	(0.51)
	Zinc	INR/Kg	102.85	0.49
CURRENCIES	INR/EUR		67.90	0.77
	INR/GBP		81.41	0.22
	INR/100 JPY		61.37	(1.29)
	INR/USD		50.87	(0.66)

Detailed macro /
fundamental analysis
of world economies

MACRO ECONOMIC SNAPSHOT AS ON 31/03/2012

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	2.23	2.29

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.70	1.40
Inflation Rate	Monthly	2.60	2.70
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	3.57	3.55

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-0.60	-1.00
Inflation Rate	Monthly	0.30	0.10
Unemployment Rate	Monthly	4.50	4.60
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	1.03	1.05

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.50	0.80
Inflation Rate	Monthly	3.40	3.60
Unemployment Rate	Monthly	8.40	8.30
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	2.27	2.45

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	8.50	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	5.70	5.50
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 31/03/2012

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1677.90	13.37	6.80
Bharat Heavy Electricals Ltd.	Electric Equipment	256.95	9.74	2.64
Bharti Airtel Ltd.	Telecommunication - Service Provider	336.75	27.88	2.46
Cipla Ltd.	Pharmaceuticals & Drugs	304.55	23.37	3.29
Coal India Ltd.	Mining & Minerals	343.10	14.46	4.74
DLF Ltd.	Construction - Real Estate	201.50	28.33	1.35
HDFC Bank Ltd.	Bank - Private	520.05	25.27	4.19
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	2054.85	18.03	8.67
Hindalco Industries Ltd.	Aluminium & Aluminium Products	129.45	10.75	0.79
Hindustan Unilever Ltd.	Household & Personal Products	409.90	33.57	18.85
Housing Development Finance Corporation Ltd.	Finance - Housing	673.60	25.26	4.95
ICICI Bank Ltd.	Bank - Private	887.25	17.00	1.71
Infosys Ltd.	IT - Software	2864.95	21.04	5.14
ITC Ltd.	Cigarettes/Tobacco	226.85	30.41	8.67
Jaiprakash Associates Ltd.	Engineering - Construction	81.60	23.37	1.80
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	545.00	13.26	3.01
Larsen & Toubro Ltd.	Engineering - Construction	1306.85	18.95	3.34
Mahindra & Mahindra Ltd.	Automobiles-Tractors	696.90	16.39	3.48
Maruti Suzuki India Ltd.	Automobiles - Passenger cars	1349.10	23.55	2.62
NTPC Ltd.	Power Generation/Distribution	162.70	14.25	1.81
Oil & Natural Gas Corp. Ltd.	Oil Exploration	267.30	10.27	1.97
Reliance Industries Ltd.	Refineries	748.25	11.54	1.51
State Bank Of India	Bank - Public	2095.00	11.20	1.42
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	111.10	4.39	0.79
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	569.50	22.93	5.11
Tata Consultancy Services Ltd.	IT - Software	1167.85	22.28	7.14
Tata Motors Ltd.	Automobiles-Trucks/Lcv	275.70	7.46	2.83
Tata Power Company Ltd.	Power Generation/Distribution	100.85	88.70	1.85
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	470.40	5.14	1.12
Wipro Ltd.	IT - Software	439.00	19.83	4.07

World macro scenario

- USA – The government has fixed the interest to remain as low as 0.25% till 2014. However, some economic data is quite encouraging.
- Europe – 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 but strong Yen.
- Rest of the World – Iran is now a nuclear power. Major powers are agreeing to hold a dialogue with Iran to assuage fears.

Indian macro scenario

- Economy – Fiscal deficit is much above the desired levels and inflation pressures remain due to high crude prices.
- Government policies – 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%. GAAR announced.
- 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 and rolls back passenger fare hike.
- 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.
- GAAR may impact foreign investments.

Detailed technical analysis of world financial markets

WORLD MARKETS - TECHNICAL SNAPSHOT

		Very Bullish	Bullish	Neutral	Bearish	Very Bearish
STOCKS	Germany Japan USA		Australia ↑ Brazil ↓ France	Hong Kong ↓ India UK ↓	China ↓	
COMMODITIES			Crude Oil ↓	Aluminium Copper Gold Lead Silver Zinc	Nickel ↓	Natural Gas
CURRENCIES (against USD)			GBP HKD	AUD BRL EUR	INR	JPY
BONDS (US Treasury)				2 Year 10 Year 30 Year		

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

INDIAN MARKETS - TECHNICAL SNAPSHOT



INDICES

Mid Cap

Nifty
Sensex
Small Cap

SECTORS

Auto
FMCG

Cons Durable
Healthcare
IT ↓

Bankex ↓
Cap Goods
Metal
Oil & Gas
Power ↓
Realty
Teck ↓

COMMODITIES

Crude Oil

Copper

Aluminium
Gold
Lead
Nickel
Silver
Zinc

Natural Gas

CURRENCIES (against INR)

GBP
USD

EUR

JPY

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

MAJOR LARGE COMPANIES - TECHNICAL SNAPSHOT

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

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

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