

ShroffConnect Weekly Report

7th April, 2012

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Opinion as on 07/04/2012

- Money flow: Into stocks.
 - **Opinion on money flow:** The markets were volatile during the week, though the preference of investors remains stocks. Precious metals and commodities were weak on strengthening USD. The Fed announced that quantitative easing would be stopped as the economy did not require it anymore. Moreover, Spain has sounded an alarm on its own debt programme.
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- Indian market: The market remained range bound.
 - Sectors: Auto & Auto Ancillaries, Banks, Cement, Consumer Goods & Pharma are outperforming.
 - Positives: The govt. is trying to control its fiscal deficit.
 - Negatives: High fiscal deficit, high interest rate, no political will to take tough steps.
 - **Opinion:** The markets should remain range bound. Tough measures by the government will stoke inflation in the short term, and till inflation is up, the RBI may not move to cut interest rates. Till interest rates do not begin to move down, the economy may not return to the growth path. Having said that, India remains a good investment destination and may attract foreign investors once again. However, the result season is at hand, and investors may wait and watch for a couple of weeks before fresh investments.

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

Current scenario & news

World economy

- U.S. businesses added more than 200,000 jobs in March, giving fresh evidence of continued improvement in the labor market.
- Spanish borrowing costs jumped at bond auctions, spreading fear in European markets of a return of the euro zone debt crisis and overshadowing a successful step back into debt markets by neighbouring Portugal.
- Manufacturing strengthened in the United States and China in March while the euro zone contracted for the eighth straight month, underlining the uneven pace of global economic growth.
- Treasuries rose, with 10-year note yields falling the most since December, as less-than-forecast job growth renewed speculation the Federal Reserve will provide more monetary stimulus to support the economic recovery.

Indian economy

- RBI is scheduled to announce annual monetary policy for 2012-13 on April 17. There is widespread expectation that the central bank may cut policy rate later this month to prop up growth and investment.
- Deposit growth at Indian banks fell short of the Reserve Bank of India's (RBI) projection for fiscal 2011-12 that ended in March amid an acute liquidity crunch as customers withdrew funds to cope with high inflation.
- The Reserve Bank of India has eased its overseas direct investment norms by waiving the need for Indian entities to seek its approval to open foreign currency accounts abroad.
- The government has sent feelers to oil companies that it might cut the excise duty on petrol to lower their under-recoveries.

WORLD MARKETS - A SNAPSHOT

| | Name | Description | Week ended 7th Apr 2012 | % Change |
|-------------|-------------|---------------|----------------------------|----------|
| STOCKS | Australia | ASX | 4402.10 | (0.40) |
| | Brazil | Bovespa | 63691.20 | (1.27) |
| | China | Shanghai | 2306.55 | 1.93 |
| | France | CAC | 3319.81 | (3.04) |
| | Germany | DAX | 6775.26 | (2.47) |
| | Hong Kong | Hang Seng | 20593.00 | 0.18 |
| | India | Sensex | 17486.02 | 0.47 |
| | Japan | Nikkei | 9688.45 | (3.92) |
| | UK | FTSE | 5723.67 | (0.78) |
| | USA | DJIA | 13060.10 | (1.15) |
| COMMODITIES | Copper | \$/Pound | 3.80 | (0.52) |
| | Crude | \$/Barrel | 103.31 | 0.37 |
| | Gold | \$/Troy Ounce | 1630.10 | (2.43) |
| | Natural Gas | \$/MMBtu | 2.09 | (1.42) |
| | Silver | \$/Troy Ounce | 31.73 | (1.61) |
| | Aluminium | \$/Tonne | 2109.00 | (0.80) |
| | Lead | \$/Tonne | 2059.50 | 0.86 |
| | Nickel | \$/Tonne | 18405.00 | 3.25 |
| CURRENCIES | Zinc | \$/Tonne | 2003.00 | 0.15 |
| | USD/GBP | | 1.5869 | (0.85) |
| | USD/EUR | | 1.3095 | (1.82) |
| | USD/AUD | | 1.0307 | (0.34) |
| | JPY/USD | | 81.62 | (1.47) |
| | INR/USD | | 51.12 | 0.49 |
| | HKD/USD | | 7.7650 | (0.01) |
| BONDS | BRL/USD | | 1.8210 | (0.03) |
| | 2 Year | US Treasury | 110.11 | (0.04) |
| | 10 Year | | 131.05 | 1.21 |
| | 30 Year | | 140.25 | 1.81 |

INDIAN MARKETS - A SNAPSHOT

| | Name | Description | Week ended 7th Apr 2012 | % Change |
|----------------------|---------------|-------------|----------------------------|----------|
| STOCKS | Nifty | Large Cap | 5322.90 | 0.52 |
| | Sensex | Large Cap | 17486.02 | 0.47 |
| | BSE Midcap | Mid Cap | 6473.87 | 2.01 |
| | BSE Smallcap | Small Cap | 6844.90 | 3.25 |
| Some Major Shares | ACC | Rs/share | 1344.70 | (1.08) |
| | Bharti Airtel | | 330.10 | (2.31) |
| | HDFC Ltd | | 679.65 | 0.94 |
| | Infosys | | 2851.10 | (0.53) |
| | L&T | | 1345.30 | 2.77 |
| | Reliance Inds | | 747.00 | (0.48) |
| | Tata Motors | | 278.55 | 1.20 |
| | Tata Steel | | 475.55 | 0.81 |
| COMMODITIES | Aluminium | INR/Kg | 107.45 | (0.83) |
| | Copper | INR/Kg | 430.90 | (0.17) |
| | Crude | INR/Barrel | 5290.00 | 0.30 |
| | Gold | INR/10gms | 28197.00 | 0.60 |
| | Lead | INR/Kg | 105.90 | 0.95 |
| | Natural Gas | INR/1mmBtu | 109.00 | (1.09) |
| | Nickel | INR/Kg | 944.10 | 2.91 |
| | Silver | INR/Kg | 56205.00 | (1.03) |
| | Zinc | INR/Kg | 102.85 | 0.00 |
| CURRENCIES | INR/EUR | | 66.98 | (1.35) |
| | INR/GBP | | 81.08 | (0.41) |
| | INR/100 JPY | | 62.58 | 1.97 |
| | INR/USD | | 51.12 | 0.49 |

Detailed macro /
fundamental analysis
of world economies

MACRO ECONOMIC SNAPSHOT AS ON 07/04/2012

| USA | Period | Current | Previous |
|-------------------------|-----------|---------|----------|
| GDP Annual Growth Rate | Quarterly | 1.60 | 1.50 |
| Inflation Rate | Monthly | 2.90 | 3.00 |
| Unemployment Rate | Monthly | 8.20 | 8.30 |
| Benchmark Interest Rate | Weekly | 0.25 | 0.25 |
| Govt. bond 10 year Rate | Weekly | 2.21 | 2.23 |

| Euro Area | Period | Current | Previous |
|-------------------------|-----------|---------|----------|
| GDP Annual Growth Rate | Quarterly | 0.70 | 1.40 |
| Inflation Rate | Monthly | 2.60 | 2.70 |
| Unemployment Rate | Monthly | 10.80 | 10.70 |
| 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 | 3.52 | 3.57 |

| 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 | 0.99 | 1.03 |

| 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 | 2.20 | 2.27 |

| 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 | 5.20 | 5.80 |
| 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 FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 07/04/2012

| Company | Industry | Price | TTM P/E | P/BV |
|--|--------------------------------------|---------|---------|-------|
| Bajaj Auto Ltd | Automobile Two & Three Wheelers | 1632.80 | 13.01 | 6.62 |
| Bharat Heavy Electricals Ltd. | Electric Equipment | 273.55 | 10.37 | 2.81 |
| Bharti Airtel Ltd. | Telecommunication - Service Provider | 330.00 | 27.32 | 2.41 |
| Cipla Ltd. | Pharmaceuticals & Drugs | 305.95 | 23.48 | 3.30 |
| Coal India Ltd. | Mining & Minerals | 341.60 | 14.40 | 4.72 |
| DLF Ltd. | Construction - Real Estate | 204.20 | 28.71 | 1.37 |
| HDFC Bank Ltd. | Bank - Private | 526.60 | 25.59 | 4.25 |
| Hero MotoCorp Ltd. | Automobile Two & Three Wheelers | 2010.60 | 17.64 | 8.49 |
| Hindalco Industries Ltd. | Aluminium & Aluminium Products | 133.10 | 11.05 | 0.81 |
| Hindustan Unilever Ltd. | Household & Personal Products | 399.55 | 32.73 | 18.37 |
| Housing Development Finance Corporation Ltd. | Finance - Housing | 679.75 | 25.49 | 4.99 |
| ICICI Bank Ltd. | Bank - Private | 890.45 | 17.06 | 1.72 |
| Infosys Ltd. | IT - Software | 2850.45 | 20.94 | 5.12 |
| ITC Ltd. | Cigarettes/Tobacco | 227.15 | 30.45 | 8.68 |
| Jaiprakash Associates Ltd. | Engineering - Construction | 86.05 | 24.64 | 1.90 |
| Jindal Steel & Power Ltd. | Steel/Sponge Iron/Pig Iron | 525.90 | 12.79 | 2.90 |
| Larsen & Toubro Ltd. | Engineering - Construction | 1345.35 | 19.51 | 3.43 |
| Mahindra & Mahindra Ltd. | Automobiles-Tractors | 699.50 | 16.45 | 3.50 |
| Maruti Suzuki India Ltd. | Automobiles - Passanger cars | 1318.35 | 23.01 | 2.56 |
| NTPC Ltd. | Power Generation/Distribution | 167.75 | 14.70 | 1.87 |
| Oil & Natural Gas Corpn. Ltd. | Oil Exploration | 273.40 | 10.50 | 2.01 |
| Reliance Industries Ltd. | Refineries | 747.10 | 11.52 | 1.51 |
| State Bank Of India | Bank - Public | 2164.30 | 12.23 | 1.43 |
| Sterlite Industries (India) Ltd. | Metal - Non Ferrous | 110.60 | 4.37 | 0.79 |
| Sun Pharmaceutical Inds. Ltd. | Pharmaceuticals & Drugs | 564.15 | 22.71 | 5.06 |
| Tata Consultancy Services Ltd. | IT - Software | 1178.35 | 22.48 | 7.21 |
| Tata Motors Ltd. | Automobiles-Trucks/Lcv | 278.15 | 7.53 | 2.85 |
| Tata Power Company Ltd. | Power Generation/Distribution | 100.95 | 88.79 | 1.85 |
| Tata Steel Ltd. | Steel/Sponge Iron/Pig Iron | 474.70 | 5.18 | 1.13 |
| Wipro Ltd. | IT - Software | 442.70 | 20.00 | 4.10 |

World macro scenario

- USA – US economic data is good. Employment figures and consumer data are encouraging. The government has fixed the interest to remain as low as 0.25% till 2014. However, they have signaled an end to quantitative easing.
- Europe – Economic slowdown and even recession is on the cards for most countries. Spain may be having debt issues.
- 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 – 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 – Political issues have disrupted the Railway Budget.
- 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 will happen only after inflation is decreasing and the interest rates begin to move down.

Our concerns on the macro front

World economies

- Eurozone debt issue and 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 | | Japan USA | Australia Brazil Germany ↓ | France ↓ Hong Kong India UK | China | |
| COMMODITIES | | | Crude Oil | Aluminium Copper Gold Lead Nickel ↑ Silver Zinc | | Natural Gas |
| CURRENCIES (against USD) | | | | AUD BRL EUR GBP ↓ HKD ↓ | 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

Copper ↑
Crude Oil

Aluminium
Gold
Lead
Nickel
Silver
Zinc

Natural Gas

CURRENCIES (against INR)

USD

EUR
GBP ↓

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

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

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

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