

ShroffConnect Weekly Report

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Opinion as on 21/04/2012

- Money flow: There is some flow into US treasuries, but there is no outflow from stocks or commodities.
 - **Opinion on money flow:** Growth concerns persist but there is an air of optimism that the worst is over. Investors seem to have adopted a wait and watch attitude.
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- Indian stocks: The market remained volatile especially with the onset of the result season.
 - Sectors: Auto, Auto ancillaries, private Banks, Consumer goods and Pharma are outperforming.
 - Positives: RBI rate cut.
 - Negatives: Political paralysis on governance and reforms.
 - **Opinion:** The RBI has taken the first step towards growth by cutting interest rates. The government needs to follow with its own measures to make the economy healthy once again. The real danger is from the lack of political will to do so. If these steps do not come at all, issues like fiscal deficit and balance of payments issues will only aggravate. Investors would do well to wait and watch before investing fresh money.



Current news and world
financial market prices

Current scenario & news

World economy

- Continued crisis in the euro zone hurts the modest recovery under way in emerging European and Central Asian nations, the World Bank said on Friday, warning of the risk of a credit crunch in the region due to exposure to Western banks.
- Leading world economies on Friday pledged \$430 billion in new funding for the International Monetary Fund, more than doubling its lending power in a bid to protect the global economy from the euro-zone debt crisis.
- Japan's trade deficit in the past fiscal year ending in March 2012 stood at 4.41 trillion yen (about 54 billion), marking the worst ever reading for the country.
- Foreign direct investment (FDI) inflows to China fell for the fifth straight month in March to USD 11.76 billion as companies curbed investment amid global economic slowdown.

Indian economy

- After crude oil and gold, coal imports have now emerged as another cause of worry for rising imports. Coal imports touched the highest ever figure of USD 17.5 billion in last fiscal, recording a whopping growth of 80.3 per cent.
- The Reserve Bank of India cut repo rates by 0.50 per cent to 8.0 per cent.
- India's foreign exchange reserves rose by USD 213.8 million to USD 293.14 billion for the week ended April 13, after declining by USD 1.47 billion in the previous week.
- State-run oil companies have served an ultimatum to the government that they will raise petrol prices by Rs 9.6 a litre if excise duty is not cut or they are not provided compensation for Rs 49-crore per day loss on fuel sale.
- Government will allow power companies to raise overseas debt to finance up to 40 per cent of rupee debt on existing power projects.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 21st Apr 2012	% Change
STOCKS	Australia	ASX	4444.42	0.91
	Brazil	Bovespa	62494.10	0.63
	China	Shanghai	2406.86	2.02
	France	CAC	3188.58	(0.02)
	Germany	DAX	6750.12	2.52
	Hong Kong	Hang Seng	21010.60	1.50
	India	Sensex	17373.84	0.24
	Japan	Nikkei	9561.36	(0.80)
	UK	FTSE	5772.15	2.13
	USA	DJIA	13029.30	1.40
COMMODITIES	Copper	\$/Pound	3.69	1.93
	Crude	\$/Barrel	104.04	1.17
	Gold	\$/Troy Ounce	1643.30	(0.99)
	Natural Gas	\$/MMBtu	1.93	(3.02)
	Silver	\$/Troy Ounce	31.65	0.54
	Aluminium	\$/Tonne	2082.00	0.58
	Lead	\$/Tonne	2125.50	2.93
	Nickel	\$/Tonne	17805.00	(2.76)
	Zinc	\$/Tonne	2026.00	2.12
CURRENCIES	USD/GBP		1.6119	1.67
	USD/EUR		1.3220	1.11
	USD/AUD		1.0368	(0.08)
	JPY/USD		81.49	0.72
	INR/USD		52.07	1.50
	HKD/USD		7.7603	0.00
	BRL/USD		1.8680	1.64
BONDS	2 Year	US Treasury	110.23	0.01
	10 Year		131.67	0.11
	30 Year		141.97	0.37

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 21st Apr 2012	% Change
STOCKS	Nifty	Large Cap	5290.85	1.60
	Sensex	Large Cap	17373.84	1.63
	BSE Midcap	Mid Cap	6417.72	1.26
	BSE Smallcap	Small Cap	6900.58	1.49
Some Major Shares	ACC	Rs/share	1226.90	(2.53)
	Bharti Airtel		324.35	0.26
	HDFC Ltd		684.70	0.59
	Infosys		2407.40	0.20
	L&T		1291.35	0.71
	Reliance Inds		730.85	(2.75)
	Tata Motors		316.65	9.45
	Tata Steel		470.30	4.56
COMMODITIES	Aluminium	INR/Kg	106.80	0.95
	Copper	INR/Kg	425.35	2.82
	Crude	INR/Barrel	5444.00	2.45
	Gold	INR/10gms	28701.00	0.40
	Lead	INR/Kg	110.00	3.14
	Natural Gas	INR/1mmBtu	100.70	(2.33)
	Nickel	INR/Kg	930.50	(1.56)
	Silver	INR/Kg	56518.00	1.27
	Zinc	INR/Kg	104.95	1.89
CURRENCIES	INR/EUR		68.84	1.92
	INR/GBP		83.93	3.25
	INR/100 JPY		63.85	0.76
	INR/USD		52.07	1.50



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 21/04/2012

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.60	1.50
Inflation Rate	Monthly	2.70	2.90
Unemployment Rate	Monthly	8.20	8.30
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	1.95	1.98

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.70	1.30
Inflation Rate	Monthly	2.70	2.60
Unemployment Rate	Monthly	10.80	10.70
Benchmark Interest Rate	Weekly	1.00	1.00
Govt. bond 10 year Rate	Weekly	varied	

China	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	8.10	8.90
Inflation Rate	Monthly	3.60	3.20
Unemployment Rate	Monthly	4.10	4.10
Benchmark Interest Rate	Weekly	6.56	6.56
Govt. bond 10 year Rate	Weekly	3.55	3.55

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-0.60	-0.40
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	0.95	0.94

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.50	0.30
Inflation Rate	Monthly	3.50	3.40
Unemployment Rate	Monthly	8.30	8.40
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	2.15	2.13

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	6.10	6.90
Inflation Rate	Monthly	9.47	8.83
Unemployment Rate	Monthly	no data	
Benchmark Interest Rate	Weekly	8.00	8.50
Govt. bond 10 year Rate	Weekly	8.39	8.37

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	5.00
Inflation Rate	Monthly	3.70	3.70
Unemployment Rate	Monthly	6.60	6.10
Benchmark Interest Rate	Weekly	8.00	8.00
Govt. bond 10 year Rate	Weekly	6.00	6.00

IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 21/04/2012

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1708.85	13.61	6.92
Bharat Heavy Electricals Ltd.	Electric Equipment	246.05	9.33	2.53
Bharti Airtel Ltd.	Telecommunication - Service Provider	324.15	26.84	2.37
Cipla Ltd.	Pharmaceuticals & Drugs	321.10	24.64	3.47
Coal India Ltd.	Mining & Minerals	362.55	15.28	5.01
DLF Ltd.	Construction - Real Estate	197.30	27.74	1.32
HDFC Bank Ltd.	Bank - Private	551.10	24.52	4.28
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	2187.90	19.19	9.24
Hindalco Industries Ltd.	Aluminium & Aluminium Products	125.00	10.38	0.76
Hindustan Unilever Ltd.	Household & Personal Products	422.50	34.60	19.43
Housing Development Finance Corporation Ltd.	Finance - Housing	684.50	25.67	5.03
ICICI Bank Ltd.	Bank - Private	860.50	16.49	1.66
Infosys Ltd.	IT - Software	2406.25	16.58	4.41
ITC Ltd.	Cigarettes/Tobacco	245.30	32.89	9.37
Jaiprakash Associates Ltd.	Engineering - Construction	77.90	22.31	1.72
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	505.75	12.30	2.79
Larsen & Toubro Ltd.	Engineering - Construction	1292.05	18.74	3.30
Mahindra & Mahindra Ltd.	Automobiles-Tractors	726.65	17.09	3.63
Maruti Suzuki India Ltd.	Automobiles - Passenger cars	1390.85	24.28	2.70
NTPC Ltd.	Power Generation/Distribution	165.50	14.50	1.84
Oil & Natural Gas Corpn. Ltd.	Oil Exploration	266.15	10.22	1.96
Reliance Industries Ltd.	Refineries	731.45	11.28	1.47
State Bank Of India	Bank - Public	2260.45	12.77	1.49
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	109.05	4.31	0.78
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	588.85	23.71	5.28
Tata Consultancy Services Ltd.	IT - Software	1089.40	20.78	6.66
Tata Motors Ltd.	Automobiles-Trucks/Lcv	316.70	8.57	3.25
Tata Power Company Ltd.	Power Generation/Distribution	105.00	92.35	1.93
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	470.40	5.14	1.12
Wipro Ltd.	IT - Software	424.40	19.17	3.93

World macro scenario

- USA – US economic data is somewhat better. 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 is on the cards for most countries.
- China – Lower exports to the US and Europe are leading to lower GDP growth.
- 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.
- Government policies – Excise & Service Tax hiked by 2% to 12%. GAAR announced.
- RBI – The RBI has cut the interest rate by 50 basis points beginning the interest rate cut cycle.
- Foreign exchange – The balance of payments situation is not good especially with the rupee weakening.
- Politics – There is an absolute lack of political will to do anything.
- Sectors – Defensive sectors are doing better.

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.
- Weak rupee.



Detailed technical analysis

WORLD MARKETS - TECHNICAL SNAPSHOT

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

		Very Bullish	Bullish	Neutral	Bearish	Very Bearish
INDICES			Mid Cap Small Cap ↑	Nifty Sensex		
SECTORS	Auto ↑ FMCG Healthcare ↑		Cons Durable	Bankex Cap Goods IT ↓ Metal Oil & Gas Power Realty Teck		
COMMODITIES			Crude Oil ↓ Zinc ↑	Aluminium Copper ↓ Gold Lead Silver	Nickel	Natural Gas
CURRENCIES (against INR)			GBP ↑ USD	EUR JPY		

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

MAJOR LARGE COMPANIES - TECHNICAL SNAPSHOT

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

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

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

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