

# *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](mailto:contact@shroffsecurities.com)  
Web: [www.shroffsecurities.com](http://www.shroffsecurities.com)

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# Opinion as on 12/05/2012

- Money flow: Out of stocks and commodities, towards treasuries.
  - **Opinion on money flow:** The flow is towards safety with the exit of Greece from the Euro becoming a distinct possibility. The election of a new president in France could also mean that a different course be charted out for the Eurozone, and Germany would probably become isolated. The long run result of the exit of Greece and other weaker countries from the Euro remains to be seen.
- 
- Indian stock market: The market remained weak and is at support levels.
  - Sectors: Only consumer goods are outperforming.
  - Positives: Good corporate results by major companies.
  - Negatives: Political apathy, high fiscal deficit and adverse balance of payment are the major issues.
  - **Opinion:** The market seems to be going towards lower levels on the major negative issues mentioned above though it is at a support level. It may improve if the government can take steps to improve the fiscal position of the country, as then India could become an attractive investment destination in comparison with other emerging markets. Foreign cues are poor and uncertain with the Eurozone problems. Investors should wait and watch before committing fresh money.



Current news and world  
financial market prices

# Current scenario & news

## World economy

- Greece's politicians failed to agree a new government, sending the country hurtling towards a new vote, with radical leftists leading in the polls and poised to scrap the 130 billion euro bailout that staved off bankruptcy.
- Asian stocks fell, with a regional index posting its worst week in five months, amid concern Greece will be forced out of the euro and that austerity plans needed to contain the Europe's debt crisis will be derailed.
- The Bank of England voted on Thursday not to give Britain's struggling economy another injection of cash as concerns over stubbornly high inflation outweighed the risk of a prolonged recession and renewed dangers from the euro zone debt crisis.
- Industrial output in China rose by 9.3 per cent in April, the slowest since May 2009.

## Indian economy

- India's industrial output unexpectedly contracted 3.5% in March in comparison to February's annual increase of 4.1%.
- Bowing to pressure, Finance Minister announced a slew of measures to provide relief to the jewellery sector and postponed implementation of the general anti-avoidance rules (GAAR) by one year, but offered no concessions to Vodafone involved in tax dispute.
- With losses on sale of petrol climbing to over Rs 7 a litre, state-owned oil firms have asked the government to either provide subsidy on the fuel or reduce excise duty.
- The Reserve Bank of India (RBI) took further measures to prop up the rupee, requiring exporters to sell half the foreign currency in their accounts and making it easier for the market to absorb large foreign exchange transactions.

## WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 12th May 2012	% Change
STOCKS	Australia	ASX	4342.69	(2.62)
	Brazil	Bovespa	59445.00	(2.26)
	China	Shanghai	2394.98	(2.33)
	France	CAC	3129.77	(1.02)
	Germany	DAX	6579.93	0.28
	Hong Kong	Hang Seng	19964.60	(5.32)
	India	Sensex	16292.98	(3.20)
	Japan	Nikkei	8953.31	(4.55)
	UK	FTSE	5575.52	(1.41)
	USA	DJIA	12820.60	(1.67)
COMMODITIES	Copper	\$/Pound	3.63	(2.42)
	Crude	\$/Barrel	95.57	(3.06)
	Gold	\$/Troy Ounce	1579.90	(3.85)
	Natural Gas	\$/MMBtu	2.49	9.21
	Silver	\$/Troy Ounce	28.88	(4.75)
	Aluminium	\$/Tonne	2045.00	(1.45)
	Lead	\$/Tonne	2072.00	(1.57)
	Nickel	\$/Tonne	17195.00	(2.16)
	Zinc	\$/Tonne	1948.00	(2.36)
CURRENCIES	USD/GBP		1.6066	(0.51)
	USD/EUR		1.2919	(1.30)
	USD/AUD		1.0021	(1.65)
	JPY/USD		79.91	0.10
	INR/USD		53.63	0.30
	HKD/USD		7.7658	0.07
	BRL/USD		1.9662	2.22
BONDS	2 Year	US Treasury	110.27	(0.01)
	10 Year		133.08	0.33
	30 Year		145.13	1.00

## INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 12th May 2012	% Change
STOCKS	Nifty	Large Cap	4928.90	(3.11)
	Sensex	Large Cap	16292.98	(3.20)
	BSE Midcap	Mid Cap	5948.71	(2.49)
	BSE Smallcap	Small Cap	6395.38	(2.93)
Some Major Shares	ACC	Rs/share	1165.95	(3.52)
	Bharti Airtel		307.20	(1.46)
	HDFC Ltd		645.80	(2.14)
	Infosys		2311.30	(5.35)
	L&T		1138.00	(0.80)
	Reliance Inds		697.20	(4.03)
	Tata Motors		297.50	(1.42)
	Tata Steel		412.00	(4.74)
COMMODITIES	Aluminium	INR/Kg	108.50	(1.23)
	Copper	INR/Kg	432.00	(1.89)
	Crude	INR/Barrel	5146.00	(2.22)
	Gold	INR/10gms	28365.00	(2.81)
	Lead	INR/Kg	110.45	(1.69)
	Natural Gas	INR/1mmBtu	134.20	9.37
	Nickel	INR/Kg	920.10	(2.45)
	Silver	INR/Kg	54130.00	(1.98)
	Zinc	INR/Kg	103.95	(2.62)
CURRENCIES	INR/EUR		69.28	(0.99)
	INR/GBP		86.13	(0.22)
	INR/100 JPY		67.08	0.22
	INR/USD		53.63	0.30



# Detailed macro analysis

## MACRO ECONOMIC SNAPSHOT AS ON 12/05/2012

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.10	1.60
Inflation Rate	Monthly	2.70	2.90
Unemployment Rate	Monthly	8.10	8.20
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↓1.90	1.92

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.70	1.30
Inflation Rate	Monthly	2.60	2.70
Unemployment Rate	Monthly	10.90	10.80
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	↓3.40	3.60
Unemployment Rate	Monthly	4.10	4.10
Benchmark Interest Rate	Weekly	6.56	6.56
Govt. bond 10 year Rate	Weekly	3.56	3.56

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-0.60	-0.40
Inflation Rate	Monthly	0.50	0.30
Unemployment Rate	Monthly	4.50	4.50
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	↓0.87	0.89

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.00	0.50
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	↓2.01	2.04

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	↓8.58	8.62

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.40	2.10
Inflation Rate	Monthly	↓5.10	5.20
Unemployment Rate	Monthly	6.20	5.70
Benchmark Interest Rate	Weekly	9.00	9.75
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	6.50	6.50
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 12/05/2012

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1555.20	12.39	6.52
Bharat Heavy Electricals Ltd.	Electric Equipment	221.15	8.38	2.27
Bharti Airtel Ltd.	Telecommunication - Service Provider	307.10	27.38	2.28
Cipla Ltd.	Pharmaceuticals & Drugs	318.90	22.78	3.31
Coal India Ltd.	Mining & Minerals	314.45	13.25	4.52
DLF Ltd.	Construction - Real Estate	187.30	25.67	1.25
HDFC Bank Ltd.	Bank - Private	510.80	22.86	3.97
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1843.30	15.48	8.58
Hindalco Industries Ltd.	Aluminium & Aluminium Products	113.50	9.71	0.68
Hindustan Unilever Ltd.	Household & Personal Products	430.95	33.38	25.31
Housing Development Finance Corporation Ltd.	Finance - Housing	645.90	17.46	3.91
ICICI Bank Ltd.	Bank - Private	812.95	12.26	1.53
Infosys Ltd.	IT - Software	2311.85	15.93	4.24
ITC Ltd.	Cigarettes/Tobacco	233.80	31.36	8.80
Jaiprakash Associates Ltd.	Engineering - Construction	62.85	18.00	1.39
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	457.50	10.79	2.33
Larsen & Toubro Ltd.	Engineering - Construction	1138.85	16.52	2.87
Mahindra & Mahindra Ltd.	Automobiles-Tractors	655.15	15.41	3.29
Maruti Suzuki India Ltd.	Automobiles - Passenger cars	1234.00	21.21	2.49
NTPC Ltd.	Power Generation/Distribution	148.35	12.47	1.65
Oil & Natural Gas Corp. Ltd.	Oil Exploration	254.65	9.78	1.87
Reliance Industries Ltd.	Refineries	697.30	11.52	1.37
State Bank Of India	Bank - Public	1852.20	11.08	1.20
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	95.10	6.62	0.69
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	569.70	26.70	5.00
Tata Consultancy Services Ltd.	IT - Software	1231.50	23.15	8.18
Tata Motors Ltd.	Automobiles-Trucks/Lcv	297.40	8.07	3.13
Tata Power Company Ltd.	Power Generation/Distribution	92.45	126.02	1.70
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	411.75	4.38	0.95
Wipro Ltd.	IT - Software	400.80	17.68	3.45

# 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.
- Europe – Economic slowdown is on the cards for most countries. Greek and French voters have given a verdict against austerity measures. Chances are that Greece may exit the Euro.
- China – Lower GDP growth. CRR for banks cut to boost liquidity.
- Japan – Lower exports and negative GDP growth. Bank of Japan extends stimulus.
- Rest of the World – Positive political development and steady growth has made South East Asia attractive to investors.

# Indian macro scenario

- Economy – Fiscal deficit is much above the desired levels with subsidies becoming bigger. IIP data, though not very accurate, shows a contraction of 3.5%.
- Government policies – GAAR announced but deferred to Apr 2013.
- RBI – The RBI last cut the interest rate by 50 basis points in Apr 2012.
- Foreign exchange – The balance of payments situation is bad. The INR is near all time lows.
- Politics – There is an absolute lack of political will to do anything. The Presidential selection is top most on the agenda and forcing the govt. to go slow on fiscal measures.
- Sectors – Defensive sectors are doing better.

# Our concerns on the macro front

## World economies

- Eurozone low to negative GDP growth. Greece exit from Euro.
- Political unrest in France and Greece on cost cutting and unemployment.
- Chinese GDP growth slowdown.

## Indian economy

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



# Detailed technical analysis

## WORLD MARKETS - TECHNICAL SNAPSHOT



### STOCKS

Australia

Brazil  
China  
France  
Germany ↓  
Hong Kong ↓  
India  
Japan  
UK  
USA ↓

### COMMODITIES

Copper  
Crude Oil  
Lead  
Natural Gas ↑  
Zinc

Aluminium  
Nickel  
Silver ↓

Gold ↓

### CURRENCIES (against USD)

GBP

EUR  
HKD ↓  
JPY

AUD ↓  
BRL  
INR

### 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

FMCG

Cons Durable  
Healthcare ↓

Auto ↓  
Bankex  
IT  
Metal  
Teck

Cap Goods  
Oil & Gas  
Power ↓  
Realty ↓

### COMMODITIES

Copper ↓  
Zinc ↓

Aluminium  
Crude Oil ↓  
Gold ↓  
Lead  
Natural Gas ↑  
Silver

Nickel ↓

### CURRENCIES (against INR)

GBP

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

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



## MAJOR MEDIUM & SMALL COMPANIES - TECHNICAL SNAPSHOT

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

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

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