

ShroffConnect Weekly Report

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Opinion as on 19/05/2012

- Money flow: Out of stocks, into treasuries.
 - **Opinion on money flow:** Investors are looking for safety with the Greece exit from the Eurozone becoming a distinct possibility. There seems to be fear of the unknown everywhere. We do not think that the Greek people would like to leave the Eurozone because their currency would take a severe beating with possible hyper inflation in that country if they do so. However, we shall know this only after 17th June, the day of the elections in that country.
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- Indian markets: The market weakened in line with markets abroad.
 - Sectors: Consumer goods are outperforming.
 - Positives: The finance minister is speaking of austerity measures.
 - Negatives: High interest rate, high fiscal deficit, weak INR.
 - **Opinion:** The Indian market is showing signs of resilience and valuations are looking attractive. We think that if the finance minister can set things right in our economy, like controlling fiscal deficit, then the Indian market may become attractive for foreigners especially due to issues in other areas of the world which are experiencing a flight of capital. However, this may not be easy because the steps to curb the deficit will be unpopular. Therefore, investors should wait and watch before committing fresh money. They may hold onto their current positions.



Current news and world
financial market prices

Current scenario & news

World economy

- The euro fell for a third week against the dollar, reaching a four-month low, after the failure of Greek leaders to form a government increased concern the debt crisis may spread to other nations in the monetary union.
- China's home prices fell in a record number of cities last month and car dealers posted inventory levels that foreshadowed deeper price cuts, adding to signs of slowing growth in the world's second-largest economy.
- U.K. government bonds advanced for a fourth week, driving five- and 10-year yields to record lows, as deepening turmoil in the euro region spurred demand for the relative safety of gilts.
- Italy's economy slid further into recession in the first three months of this year, the third consecutive quarterly decline in activity and the steepest economic contraction for three years.

Indian economy

- India's economic growth story is intact and the current account deficit under control, senior Finance Ministry officials told a team from global ratings agency Fitch on Thursday, weeks after S&P cut its outlook for Asia's third largest economy.
- Global buyers have started putting pressure on Indian exporters to offer discounts on shipments as they are witnessing gains due to rupee depreciation against the US dollar.
- The Petroleum Ministry has sought cash subsidy of Rs 49,872 crore from the Finance Ministry to compensate state-owned oil firms for selling fuel at government controlled rates in the January-March quarter.
- Collection of indirect taxes jumped by 10.4 per cent to Rs 33,045 crore in the first month of the current fiscal on the back of increase in excise duty and service tax rates.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 19th May 2012	% Change
STOCKS	Australia	ASX	4098.84	(5.62)
	Brazil	Bovespa	54513.16	(8.30)
	China	Shanghai	2344.52	(2.11)
	France	CAC	3008.00	(3.89)
	Germany	DAX	6271.22	(4.69)
	Hong Kong	Hang Seng	18951.85	(5.07)
	India	Sensex	16152.75	(0.86)
	Japan	Nikkei	8611.31	(3.82)
	UK	FTSE	5267.62	(5.52)
	USA	DJIA	12369.38	(3.52)
COMMODITIES	Copper	\$/Pound	3.45	(4.96)
	Crude	\$/Barrel	91.33	(4.44)
	Gold	\$/Troy Ounce	1591.80	0.75
	Natural Gas	\$/MMBtu	2.72	9.24
	Silver	\$/Troy Ounce	28.66	(0.76)
	Aluminium	\$/Tonne	2068.00	1.12
	Lead	\$/Tonne	1966.00	(5.12)
	Nickel	\$/Tonne	16825.00	(2.15)
	Zinc	\$/Tonne	1894.00	(2.77)
CURRENCIES	USD/GBP		1.5816	(1.56)
	USD/EUR		1.2778	(1.09)
	USD/AUD		0.9840	(1.81)
	JPY/USD		79.01	(1.13)
	INR/USD		54.42	1.47
	HKD/USD		7.7662	0.01
	BRL/USD		2.0234	2.91
BONDS	2 Year	US Treasury	110.20	(0.06)
	10 Year		133.81	0.55
	30 Year		148.31	2.19

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 19th May 2012	% Change
STOCKS	Nifty	Large Cap	4891.45	(0.76)
	Sensex	Large Cap	16152.75	(0.86)
	BSE Midcap	Mid Cap	5864.72	(1.41)
	BSE Smallcap	Small Cap	6255.42	(2.19)
Some Major Shares	ACC	Rs/share	1159.90	(0.52)
	Bharti Airtel		296.55	(3.47)
	HDFC Ltd		635.30	(1.63)
	Infosys		2382.85	3.10
	L&T		1161.15	2.03
	Reliance Inds		688.55	(1.24)
	Tata Motors		259.90	(12.64)
	Tata Steel		399.95	(2.92)
COMMODITIES	Aluminium	INR/Kg	111.00	2.30
	Copper	INR/Kg	420.20	(2.73)
	Crude	INR/Barrel	5005.00	(2.74)
	Gold	INR/10gms	28973.00	2.14
	Lead	INR/Kg	107.00	(3.12)
	Natural Gas	INR/1mmBtu	150.70	12.30
	Nickel	INR/Kg	922.40	0.25
	Silver	INR/Kg	54576.00	0.82
	Zinc	INR/Kg	103.60	(0.34)
CURRENCIES	INR/EUR		69.55	0.39
	INR/GBP		86.04	(0.10)
	INR/100 JPY		68.85	2.64
	INR/USD		54.42	1.47



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 19/05/2012

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.10	1.60
Inflation Rate	Monthly	↓2.30	2.70
Unemployment Rate	Monthly	8.10	8.20
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↓1.70	1.90

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↓0.00	0.70
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	↓3.39	3.56

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↑2.70	-0.50
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	↓0.85	0.87

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.00	0.50
Inflation Rate	Monthly	3.50	3.40
Unemployment Rate	Monthly	↓8.20	8.30
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	↓1.84	2.01

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	6.10	6.90
Inflation Rate	Monthly	↑7.23	6.89
Unemployment Rate	Monthly	no data	
Benchmark Interest Rate	Weekly	8.00	8.50
Govt. bond 10 year Rate	Weekly	↓8.51	8.58

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	↑4.90	4.80
Inflation Rate	Monthly	↓3.60	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 19/05/2012

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1532.95	14.57	7.29
Bharat Heavy Electricals Ltd.	Electric Equipment	201.40	7.63	2.07
Bharti Airtel Ltd.	Telecommunication - Service Provider	297.30	26.51	2.20
Cipla Ltd.	Pharmaceuticals & Drugs	315.95	22.57	3.28
Coal India Ltd.	Mining & Minerals	303.15	12.77	4.36
DLF Ltd.	Construction - Real Estate	186.20	25.52	1.24
GAIL (India) Ltd.	Gas Transmission/Marketing	317.45	10.19	1.80
HDFC Bank Ltd.	Bank - Private	500.45	22.40	3.89
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1870.60	15.71	8.71
Hindalco Industries Ltd.	Aluminium & Aluminium Products	108.00	9.24	0.65
Hindustan Unilever Ltd.	Household & Personal Products	430.90	33.38	25.31
Housing Development Finance Corporation Ltd.	Finance - Housing	634.70	17.16	3.84
ICICI Bank Ltd.	Bank - Private	805.05	12.14	1.51
Infosys Ltd.	IT - Software	2385.40	16.44	4.37
ITC Ltd.	Cigarettes/Tobacco	239.20	32.08	9.00
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	470.30	11.09	2.39
Larsen & Toubro Ltd.	Engineering - Construction	1161.65	15.17	2.42
Mahindra & Mahindra Ltd.	Automobiles-Tractors	643.95	15.14	3.23
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1165.10	20.02	2.35
NTPC Ltd.	Power Generation/Distribution	145.25	12.21	1.61
Oil & Natural Gas Corp. Ltd.	Oil Exploration	248.75	9.56	1.83
Reliance Industries Ltd.	Refineries	688.65	11.37	1.35
State Bank Of India	Bank - Public	1942.00	11.62	1.37
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	100.95	7.03	0.74
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	581.80	27.27	5.11
Tata Consultancy Services Ltd.	IT - Software	1211.45	22.77	8.04
Tata Motors Ltd.	Automobiles-Trucks/Lcv	260.10	7.10	2.76
Tata Power Company Ltd.	Power Generation/Distribution	91.40	124.59	1.68
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	399.85	4.25	0.94
Wipro Ltd.	IT - Software	390.80	17.24	3.36

World macro scenario

- USA – US economic data is positive. 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.
- 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 at all time low.
- 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's low to negative GDP growth. Greece's possible 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 ↓ China Germany Hong Kong India USA	France ↓ Japan ↓ UK ↓	Brazil ↓
COMMODITIES			Copper Crude Oil Lead Natural Gas Zinc	Aluminium Nickel Silver	Gold
CURRENCIES (against USD)		GBP	HKD JPY	AUD EUR ↓	BRL ↓ INR ↓
BONDS (US Treasury)		10 Year ↑	2 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

Healthcare

Auto
Bankex
Cons Durable ↓
IT
Metal

Cap Goods
Oil & Gas
Power
Realty
Teck ↓

COMMODITIES

Gold ↑
Zinc

Aluminium
Copper ↓
Crude Oil
Lead
Natural Gas
Nickel ↑
Silver

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

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

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

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