

# *ShroffConnect Weekly Report*

## 26<sup>th</sup> May, 2012



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# Opinion as on 26/05/2012

- 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.
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- Indian markets: The market consolidated in the 4800-4950 range.
  - Sectors: Consumer goods are outperforming.
  - Positives: Petrol prices are raised by approx. 10%.
  - Negatives: High interest rate, high fiscal deficit, weak INR.
  - **Opinion:** The Indian market is showing signs of resilience. The government has taken the first unpopular step of raising petrol prices, though they should raise diesel, kerosene and LPG prices as well. These steps will bring some sanity in the fiscal deficit position. However, allies want a roll back, and considering the past performance of the government, they may just capitulate. That would be disastrous. 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 shadows over the global economy darkened as the euro zone's private sector contracted, U.S. manufacturing growth slowed and China's once-booming factories faltered.
- Greece accounts for little more than 2 percent of the euro zone economy but could pose a profound contagion threat if it quit the currency area, throwing the spotlight on Portugal, Spain and even Italy.
- The euro rose from a 22-month low against the dollar after Italian Prime Minister said Greece will probably stay in the euro, and Germany can be persuaded to support Europe's "common good."
- The World Bank cut its economic growth forecast for China this year to 8.2 percent on Wednesday and urged the country to rely on easier fiscal policy that boosts consumption rather than state investment to lift activity.

## Indian economy

- The rupee's loosing streak is set to deepen the woes of Indian consumers. Already reeling under the stress of this week's petrol price hike, the steepest ever, consumers would now have to brace for a hefty rise in prices of essential commodities.
- Domestic uncertainties like policy flip-flops, combined with global risk aversion, is prompting foreign companies to increasingly repatriate their investments, categorized as foreign direct investment (FDI), out of India during the last three years ended December 2011.
- The White Paper on black money virtually ruled out the possibility of a voluntary disclosure or gold deposit tax immunity schemes to unearth black money.

## WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 26th May 2012	% Change
STOCKS	Australia	ASX	4081.18	(0.43)
	Brazil	Bovespa	54463.16	(0.09)
	China	Shanghai	2333.55	(0.47)
	France	CAC	3047.94	1.33
	Germany	DAX	6339.94	1.10
	Hong Kong	Hang Seng	18713.41	(1.26)
	India	Sensex	16217.82	0.40
	Japan	Nikkei	8580.39	(0.36)
	UK	FTSE	5351.53	1.59
	USA	DJIA	12454.83	0.69
COMMODITIES	Copper	\$/Pound	3.45	0.00
	Crude	\$/Barrel	90.72	(0.67)
	Gold	\$/Troy Ounce	1573.10	(1.17)
	Natural Gas	\$/MMBtu	2.55	(6.25)
	Silver	\$/Troy Ounce	28.47	(0.66)
	Aluminium	\$/Tonne	2013.50	(2.64)
	Lead	\$/Tonne	1950.00	(0.81)
	Nickel	\$/Tonne	17050.00	1.34
CURRENCIES	Zinc	\$/Tonne	1908.50	0.77
	USD/GBP		1.5657	(1.01)
	USD/EUR		1.2512	(2.08)
	USD/AUD		0.9746	(0.96)
	JPY/USD		79.67	0.84
	INR/USD		55.37	1.75
	HKD/USD		7.7625	(0.05)
BONDS	BRL/USD		1.9864	(1.83)
	2 Year	US Treasury	110.22	0.02
	10 Year		133.77	(0.03)
	30 Year		147.72	(0.40)

## INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 26th May 2012	% Change
STOCKS	Nifty	Large Cap	4920.40	0.59
	Sensex	Large Cap	16217.82	0.40
	BSE Midcap	Mid Cap	5900.51	0.61
	BSE Smallcap	Small Cap	6318.33	1.01
Some Major Shares	ACC	Rs/share	1144.20	(1.35)
	Bharti Airtel		299.05	0.84
	HDFC Ltd		656.55	3.34
	Infosys		2372.85	(0.42)
	L&T		1188.00	2.31
	Reliance Inds		691.20	0.38
	Tata Motors		269.05	3.52
	Tata Steel		408.60	2.16
COMMODITIES	Aluminium	INR/Kg	109.80	(1.08)
	Copper	INR/Kg	423.90	0.88
	Crude	INR/Barrel	5054.00	0.98
	Gold	INR/10gms	28925.00	(0.17)
	Lead	INR/Kg	107.75	0.70
	Natural Gas	INR/1mmBtu	145.30	(3.58)
	Nickel	INR/Kg	940.90	2.01
	Silver	INR/Kg	54479.00	(0.18)
	Zinc	INR/Kg	104.95	1.30
CURRENCIES	INR/EUR		69.30	(0.36)
	INR/GBP		86.67	0.73
	INR/100 JPY		69.47	0.90
	INR/USD		55.37	1.75



# Detailed macro analysis

## MACRO ECONOMIC SNAPSHOT AS ON 26/05/2012

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	↑1.76	1.70

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	3.39

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.70	-0.50
Inflation Rate	Monthly	↓0.40	0.50
Unemployment Rate	Monthly	4.50	4.50
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	↑0.86	0.85

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.00	0.50
Inflation Rate	Monthly	↓3.00	3.50
Unemployment Rate	Monthly	8.20	8.30
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	↓1.78	1.84

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	↓8.50	8.51

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.40	2.10
Inflation Rate	Monthly	5.10	5.20
Unemployment Rate	Monthly	↓6.00	6.20
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	↓5.80	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 26/05/2012

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1496.35	14.22	7.12
Bharat Heavy Electricals Ltd.	Electric Equipment	208.40	7.20	2.01
Bharti Airtel Ltd.	Telecommunication - Service Provider	298.65	26.63	2.21
Cipla Ltd.	Pharmaceuticals & Drugs	309.15	22.08	3.21
Coal India Ltd.	Mining & Minerals	313.25	24.53	10.11
DLF Ltd.	Construction - Real Estate	188.45	25.83	1.26
GAIL (India) Ltd.	Gas Transmission/Marketing	336.30	10.79	1.90
HDFC Bank Ltd.	Bank - Private	500.35	22.42	3.89
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1842.00	15.47	8.57
Hindalco Industries Ltd.	Aluminium & Aluminium Products	111.80	9.57	0.67
Hindustan Unilever Ltd.	Household & Personal Products	420.95	32.60	24.72
Housing Development Finance Corporation Ltd.	Finance - Housing	656.85	17.76	3.97
ICICI Bank Ltd.	Bank - Private	815.90	12.31	1.54
Infosys Ltd.	IT - Software	2372.00	16.35	4.35
ITC Ltd.	Cigarettes/Tobacco	231.75	28.95	9.36
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	456.45	10.76	2.32
Larsen & Toubro Ltd.	Engineering - Construction	1186.40	15.49	2.48
Mahindra & Mahindra Ltd.	Automobiles-Tractors	638.15	15.01	3.20
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1117.05	19.20	2.26
NTPC Ltd.	Power Generation/Distribution	141.80	11.92	1.57
Oil & Natural Gas Corpn. Ltd.	Oil Exploration	257.10	9.88	1.89
Reliance Industries Ltd.	Refineries	692.00	11.41	1.36
State Bank Of India	Bank - Public	2005.00	8.77	1.27
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	96.80	6.74	0.71
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	571.05	26.76	5.01
Tata Consultancy Services Ltd.	IT - Software	1221.55	22.96	8.11
Tata Motors Ltd.	Automobiles-Trucks/Lcv	269.35	7.35	2.83
Tata Power Company Ltd.	Power Generation/Distribution	89.15	0.00	1.88
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	408.25	7.36	0.92
Wipro Ltd.	IT - Software	393.55	17.36	3.39

# World macro scenario

- USA – US economic data is somewhat positive. The government has fixed the interest to remain as low as 0.25% till 2014. USD stronger against currencies.
- 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. Euro down against all currencies.
- 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 in South East Asia.

# 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. Petrol prices hiked by 10% approx.
- 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

		Very Bullish	Bullish	Neutral	Bearish	Very Bearish
STOCKS				Australia China Germany Hong Kong India USA	France Japan UK	Brazil
COMMODITIES				Copper Lead Natural Gas Zinc	Aluminium Crude Oil ↓ 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  
Cap Goods ↑  
Cons Durable  
Metal

IT ↓  
Power  
Realty  
Teck

Oil & Gas ↓

### COMMODITIES

Gold ↑

Copper ↑  
Zinc

Aluminium  
Crude Oil  
Lead  
Natural Gas  
Nickel  
Silver

### CURRENCIES (against INR)

EUR ↑  
GBP  
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	Havells India ↑ HCL Tech Kotak Bank Lupin Nestle India Ranbaxy Sun Pharma TCS ↑	ABB ACC Andhra Bank Axis Bank Bank of Baroda Canara Bank Cipla Coal India Dr Reddy Exide Inds Grasim Ind HDFC HDFC Bank ICICI Bank JP Associates JSW Steel LT Maruti Suzuki Power Grid Reliance Infra Shriram Trans Siemens SBIN Tata Chemicals Tata Global Tata Motors ↓	Ashok Leyland ↓ Bajaj Auto ↓ Cairn ↓ Crompton Gr Hero Motoco Hind Zinc Hindalco Infosys Tech Jindal Steel M&M RCOM RECL Reliance Cap ↓ Sesa Goa ↓ Sterlite Ind Thermax  <div>Neutral</div> Tata Power Tata Steel Tech Mahindra UCO Bank Ultratech Wipro	Ambuja Cem ↓ Bharti Airtel Bhel Chambal Fert DLF GAIL Idea Cellular ↓ NTPC O N G C ↓ 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 Bata India Colgate-Palm CRISIL Godrej Cons Jubilant Food ↑ Marico ↑	Pidilite Ind TTK Prestige	ABG Shipyard ↑ Bharat Forge Britannia Ind Castrol India Cummins India Dabur ↓ Federal Bank GE Shipping Glaxo Pharma GMDC GSK Con Health ↓ HCC I D F C IndusInd Bank ↓ LIC Housing SKF India Tata Sponge Titan Ind ↓ Voltas Yes Bank	Astrazeneca Ph ↓ Indian Hotel Opto Circuits Shipping Corpn	Biocon GSPL IGL

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

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