

ShroffConnect Weekly Report

2nd June, 2012



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Opinion as on 02/06/2012

- Money flow: Out of stocks, into treasuries. There is panic amongst investors with German 2 year bonds selling at negative yields. There are reports of flight of capital from Greece and Spain.
 - **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 markets closed weak in line with foreign markets.
- Sectors: Consumer goods are outperforming.
- Positives: Petrol price hike. Crude oil prices are down on fear of economic slowdown. Possible rate cut by RBI in June.
- Negatives: High interest rate, high fiscal deficit, weak INR, slowing GDP.
- **Opinion:** The markets were weak on global cues. The biggest international issue is the election in Greece which is also like a referendum on whether the Greeks wish to remain within the Eurozone. Although the Greek economy is a small economy, the panic amongst investors is that no one knows the financial outcome of such an event. The biggest domestic issues are the weakening economy with the GDP touching 5.3% (in Q4) and 6.5% (fiscal 2011-12), and the weak INR.

Our opinion is that whatever may be the outcome of the Greece issue, if the Indian government and RBI swing into action, India could become a favoured investment destination once again. Indian companies have performed decently under the circumstances, and there is no need to panic. Therefore, investors should not sell their holdings but should postpone buying afresh till there is some clarity in Europe.



Current news and world
financial market prices

Current scenario & news

World economy

- The euro zone's manufacturing sector contracted at its steepest pace in nearly three years in May as the debt crisis batters confidence and new orders continued to dry up.
- The euro fell against the yen to the weakest level in more than 11 years as investors sought the relative safety of the Japanese currency and pushed German bond yields to record lows amid a deepening of Europe's debt crisis.
- China's slowdown worsened as its factories saw a further deterioration in demand at home and abroad, dealing a new blow to a global economy struggling with a sharp downturn in Europe and a faltering recovery in the United States.
- Brazil's central bank cut interest rates on Wednesday for the seventh straight time to a record low 8.50 percent, moving into uncharted territory in a bid to shield a fragile recovery from a gloomy global outlook.

Indian economy

- Moving up for the second straight day, the rupee on Friday gained a whopping 54 paise to end at 55.54 against the dollar but it still suffered a ninth consecutive weekly drop, its worst losing streak since the Lehman crisis.
- Showing clear signs of slowdown in the Indian economy, the growth rate of eight core sectors halved to 2.2 per cent in April on account of sharp dip in output of natural gas and fertilisers.
- Amid controversies shrouding coal blocks allocation, the Coal Ministry has said it is not in favour of framing any policy for allotment of alternate mines at present as it may result in huge demand by firms at a time when there is paucity of blocks.
- India will allow foreign retail investors to buy local corporate bonds for the first time in its latest move to bolster capital inflows and support the shaky rupee, though the action was seen as too limited to boost the local currency.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 2nd June, 2012	% Change
STOCKS	Australia	ASX	4116.92	0.88
	Brazil	Bovespa	53402.90	(1.95)
	China	Shanghai	2373.44	1.71
	France	CAC	2950.47	(3.20)
	Germany	DAX	6050.29	(4.57)
	Hong Kong	Hang Seng	18558.34	(0.83)
	India	Sensex	15965.16	(1.56)
	Japan	Nikkei	8440.25	(1.63)
	UK	FTSE	5260.19	(1.71)
	USA	DJIA	12118.60	(2.70)
COMMODITIES	Copper	\$/Pound	3.32	(3.77)
	Crude	\$/Barrel	83.26	(8.22)
	Gold	\$/Troy Ounce	1627.60	3.46
	Natural Gas	\$/MMBtu	2.33	(8.63)
	Silver	\$/Troy Ounce	28.66	0.67
	Aluminium	\$/Tonne	1972.50	(2.04)
	Lead	\$/Tonne	1900.00	(2.56)
	Nickel	\$/Tonne	16100.00	(5.57)
	Zinc	\$/Tonne	1890.00	(0.97)
CURRENCIES	USD/GBP		1.5361	(1.89)
	USD/EUR		1.2432	(0.64)
	USD/AUD		0.9695	(0.52)
	JPY/USD		77.95	(2.16)
	INR/USD		55.40	0.05
	HKD/USD		7.7600	(0.03)
	BRL/USD		2.0338	2.39
BONDS	2 Year	US Treasury	110.28	0.05
	10 Year		135.66	1.41
	30 Year		152.63	3.32

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 2nd June 2012	% Change
STOCKS	Nifty	Large Cap	4841.60	(1.60)
	Sensex	Large Cap	15965.16	(1.56)
	BSE Midcap	Mid Cap	5821.63	(1.34)
	BSE Smallcap	Small Cap	6194.44	(1.96)
Some Major Shares	ACC	Rs/share	1126.85	(1.52)
	Bharti Airtel		300.85	0.60
	HDFC Ltd		643.25	(2.03)
	Infosys		2389.20	0.69
	L&T		1134.90	(4.47)
	Reliance Inds		685.25	(0.86)
	Tata Motors		224.55	(16.54)
	Tata Steel		397.90	(2.62)
COMMODITIES	Aluminium	INR/Kg	108.25	(1.41)
	Copper	INR/Kg	407.60	(3.85)
	Crude	INR/Barrel	4624.00	(8.51)
	Gold	INR/10gms	29866.00	3.25
	Lead	INR/Kg	105.50	(2.09)
	Natural Gas	INR/1mmBtu	127.90	(11.98)
	Nickel	INR/Kg	896.90	(4.68)
	Silver	INR/Kg	54487.00	0.01
	Zinc	INR/Kg	104.40	(0.52)
CURRENCIES	INR/EUR		69.05	(0.36)
	INR/GBP		85.29	(1.59)
	INR/100 JPY		71.21	2.50
	INR/USD		55.40	0.05



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 02/06/2012

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.00	1.60
Inflation Rate	Monthly	2.30	2.70
Unemployment Rate	Monthly	↑8.20	8.10
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↓1.58	1.76

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.00	0.70
Inflation Rate	Monthly	2.60	2.70
Unemployment Rate	Monthly	↑11.00	10.90
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	↓3.38	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	↑4.60	4.50
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	↓0.82	0.86

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	↓1.57	1.78

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↓5.30	6.10
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	8.50

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↓0.80	1.40
Inflation Rate	Monthly	5.10	5.20
Unemployment Rate	Monthly	6.00	6.20
Benchmark Interest Rate	Weekly	↓8.50	9.00
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 02/06/2012

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1499.50	14.25	7.13
Bharat Heavy Electricals Ltd.	Electric Equipment	206.70	7.14	1.99
Bharti Airtel Ltd.	Telecommunication - Service Provider	300.95	26.83	2.23
Cipla Ltd.	Pharmaceuticals & Drugs	308.55	22.04	3.21
Coal India Ltd.	Mining & Minerals	321.30	13.73	6.09
DLF Ltd.	Construction - Real Estate	182.40	25.60	1.22
GAIL (India) Ltd.	Gas Transmission/Marketing	331.00	9.45	1.69
HDFC Bank Ltd.	Bank - Private	491.45	22.02	3.82
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1821.90	15.30	8.48
Hindalco Industries Ltd.	Aluminium & Aluminium Products	116.40	9.96	0.70
Hindustan Unilever Ltd.	Household & Personal Products	419.00	32.45	24.61
Housing Development Finance Corporation Ltd.	Finance - Housing	643.85	17.42	3.90
ICICI Bank Ltd.	Bank - Private	781.70	11.79	1.47
Infosys Ltd.	IT - Software	2387.80	16.46	4.38
ITC Ltd.	Cigarettes/Tobacco	233.80	29.21	9.44
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	429.05	10.12	2.18
Larsen & Toubro Ltd.	Engineering - Construction	1134.50	14.81	2.37
Mahindra & Mahindra Ltd.	Automobiles-Tractors	644.85	12.66	2.36
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1073.90	18.46	2.17
NTPC Ltd.	Power Generation/Distribution	144.95	12.18	1.61
Oil & Natural Gas Corpn. Ltd.	Oil Exploration	246.30	7.49	1.56
Reliance Industries Ltd.	Refineries	683.70	11.26	1.34
State Bank Of India	Bank - Public	2026.20	8.86	1.28
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	91.20	6.35	0.67
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	568.85	22.77	4.84
Tata Consultancy Services Ltd.	IT - Software	1224.75	23.02	8.13
Tata Motors Ltd.	Automobiles-Trucks/Lcv	224.50	4.50	1.84
Tata Power Company Ltd.	Power Generation/Distribution	92.45	0.00	1.95
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	398.00	7.17	0.90
Wipro Ltd.	IT - Software	401.10	17.70	3.45

World macro scenario

- USA – US economic data is mixed. 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. Greece votes again on 17th June. Chances are that Greece may exit the Euro. Euro down against all currencies.
- China – Lower GDP growth.
- Japan – Lower exports and improvement in GDP growth.
- 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.
- 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 Europe 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	France	Brazil
China	Japan	
Germany	UK	
Hong Kong		
India		
USA		

COMMODITIES

Copper	Aluminium	Gold
Lead	Crude Oil	Nickel ↓
Natural Gas	Silver	
Zinc		

CURRENCIES
(against USD)

GBP	AUD	BRL
HKD	EUR	INR
JPY		

BONDS
(US Treasury)

10 Year ↑	30 Year ↑	2 Year
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↑ = 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

Cap Goods ↓
IT
Metal ↓
Power
Realty
Teck

Oil & Gas

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

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

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