

# *ShroffConnect* Weekly Report

## 16<sup>th</sup> June, 2012



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# **FLASH NEWS**



- 18/06/12: THE GREEKS HAVE VOTED IN A COALITION OF PRO-EUROZONE PARTIES, ALTHOUGH THE MARGIN OF VICTORY IS SMALL.

# Opinion as on 16/06/2012

- Money Flow: Out of stocks, into treasuries.
  - **Opinion on money flow:** Investors are flocking to safety. Greece votes on Sunday, and investors will be looking for victory for the pro-Eurozone parties. Should the pro-Eurozone parties win in Greece, there will be short lived relief as the Greek aid package will need to be re-visited.
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- Indian markets: The market was range bound between 5050-5150.
  - Sectors: Consumer sectors are outperforming.
  - Positives: Possibility of interest rate cut.
  - Negatives: High interest rate, weak INR.
  - **Opinion:** The market was range bound at the upper end of last week's rally as it expects relief in the form an interest rate and CRR cut by the RBI on Monday. In case the Greek vote is pro-Euro and the RBI cuts the interest rate and CRR rates by 50 basis points each, we may expect the rally to resume. The current Indian Finance Minister is also expected to resign on 24<sup>th</sup>, and therefore, investors will be hoping that a pro-business Finance Minister shall be appointed. Investors may wait for the two events as discussed, and based on their result, may buy on dips.



Current news and world  
financial market prices

# Current scenario & news

## World economy

- Greeks pulled their cash out of the banks and stocked up with food ahead of a cliffhanger election that many fear will result in the country being forced out of the euro.
- U.S. government securities rallied as drops in industrial production and consumer prices boosted bets the Federal Reserve will add more stimulus to sustain economic growth.
- Central banks from Tokyo to London checked their ammunition on Friday in preparation for any turmoil from Greece's election, with the European Central Bank hinting at an interest rate cut and Britain set to open its coffers.
- Fitch Ratings downgraded 18 Spanish banks less than a week after the agency cut the country's sovereign debt rating, underscoring the potential for lenders' assets to deteriorate further.

## Indian economy

- Led by rising prices of vegetables and petrol, inflation moved up to 7.55 percent in May making it tougher for the Reserve Bank to cut interest rates to boost sagging growth.
- Industrial production growth rate slowed down sharply to 0.1 per cent in April due to contraction in capital goods and dip in manufacturing output, reflecting the sluggish state of the economy that may prompt RBI to cut lending rates.
- Amid demand slowdown in the Western markets, India's May exports declined by 4.16 per cent to \$25.68 billion. The exports had totalled \$26.7 billion in the same month last year.
- Government, along with major financial regulators like Reserve Bank and SEBI, is working on a contingency plan to insulate Indian economy from the worsening eurozone crisis.

## WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 16th June 2012	% Change
STOCKS	Australia	ASX	4107.01	(0.10)
	Brazil	Bovespa	56104.69	3.08
	China	Shanghai	2306.85	1.11
	France	CAC	3087.62	1.18
	Germany	DAX	6229.41	1.61
	Hong Kong	Hang Seng	19233.94	3.95
	India	Sensex	16949.83	1.38
	Japan	Nikkei	8569.32	1.30
	UK	FTSE	5478.81	0.80
	USA	DJIA	12767.17	1.70
COMMODITIES	Copper	\$/Pound	3.41	3.02
	Crude	\$/Barrel	84.18	(0.19)
	Gold	\$/Troy Ounce	1628.30	2.08
	Natural Gas	\$/MMBtu	2.46	6.96
	Silver	\$/Troy Ounce	28.69	0.84
	Aluminium	\$/Tonne	1933.00	(2.62)
	Lead	\$/Tonne	1923.00	1.10
	Nickel	\$/Tonne	16850.00	(0.44)
CURRENCIES	Zinc	\$/Tonne	1904.00	1.87
	USD/GBP		1.5703	1.61
	USD/EUR		1.2636	1.06
	USD/AUD		1.0076	1.63
	JPY/USD		78.69	(0.98)
	INR/USD		55.38	(0.05)
	HKD/USD		7.7584	0.01
BONDS	BRL/USD		2.0497	1.46
	2 Year	US Treasury	110.20	(0.03)
	10 Year		134.61	0.20
	30 Year		150.22	0.67

## INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 16th June 2012	% Change
STOCKS	Nifty	Large Cap	5139.05	1.39
	Sensex	Large Cap	16949.83	1.38
	BSE Midcap	Mid Cap	5958.50	(0.50)
	BSE Smallcap	Small Cap	6351.44	0.40
Some Major Shares	ACC	Rs/share	1223.25	6.59
	Bharti Airtel		311.70	2.45
	HDFC Ltd		646.25	(1.48)
	Infosys		2522.55	4.27
	L&T		1323.75	1.09
	Reliance Inds		726.75	(0.40)
	Tata Motors		240.30	0.46
	Tata Steel		414.55	1.01
COMMODITIES	Aluminium	INR/Kg	106.00	(2.66)
	Copper	INR/Kg	418.20	3.26
	Crude	INR/Barrel	4666.00	(0.19)
	Gold	INR/10gms	30154.00	2.06
	Lead	INR/Kg	106.35	1.14
	Natural Gas	INR/1mmBtu	137.50	7.17
	Nickel	INR/Kg	937.00	0.57
	Silver	INR/Kg	54541.00	0.61
	Zinc	INR/Kg	105.30	1.40
CURRENCIES	INR/EUR		70.05	1.01
	INR/GBP		86.97	1.56
	INR/100 JPY		70.34	0.93
	INR/USD		55.38	(0.05)



# Detailed macro analysis



## MACRO ECONOMIC SNAPSHOT AS ON 16/06/2012

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.00	1.60
Inflation Rate	Monthly	↓1.70	2.30
Unemployment Rate	Monthly	8.20	8.10
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↓1.61	1.65

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-0.10	0.70
Inflation Rate	Monthly	↓2.40	2.60
Unemployment Rate	Monthly	11.00	11.00
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	↓3.00	3.40
Unemployment Rate	Monthly	4.10	4.10
Benchmark Interest Rate	Weekly	6.31	6.56
Govt. bond 10 year Rate	Weekly	↑3.40	3.38

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	↓0.87	0.88

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	↑1.73	1.72

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	5.30	6.10
Inflation Rate	Monthly	↑7.55	7.23
Unemployment Rate	Monthly	no data	
Benchmark Interest Rate	Weekly	8.00	8.50
Govt. bond 10 year Rate	Weekly	↓8.33	8.35

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.80	1.40
Inflation Rate	Monthly	4.99	5.10
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	3.60
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 16/06/2012

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1527.55	14.51	7.27
Bharat Heavy Electricals Ltd.	Electric Equipment	218.60	7.55	2.11
Bharti Airtel Ltd.	Telecommunication - Service Provider	311.90	27.81	2.31
Cipla Ltd.	Pharmaceuticals & Drugs	308.65	21.66	3.25
Coal India Ltd.	Mining & Minerals	339.95	14.53	6.45
DLF Ltd.	Construction - Real Estate	196.80	27.62	1.32
GAIL (India) Ltd.	Gas Transmission/Marketing	334.15	9.54	1.70
HDFC Bank Ltd.	Bank - Private	547.85	24.56	4.27
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	2000.05	16.79	9.31
Hindalco Industries Ltd.	Aluminium & Aluminium Products	123.40	10.56	0.74
Hindustan Unilever Ltd.	Household & Personal Products	450.10	34.87	26.44
Housing Development Finance Corporation Ltd.	Finance - Housing	646.45	17.54	3.94
ICICI Bank Ltd.	Bank - Private	844.90	12.74	1.59
Infosys Ltd.	IT - Software	2520.05	17.37	4.62
ITC Ltd.	Cigarettes/Tobacco	248.10	31.00	10.02
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	437.25	10.31	2.22
Larsen & Toubro Ltd.	Engineering - Construction	1326.30	17.32	2.77
Mahindra & Mahindra Ltd.	Automobiles-Tractors	697.40	13.69	2.55
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1108.00	19.04	2.24
NTPC Ltd.	Power Generation/Distribution	150.10	12.61	1.67
Oil & Natural Gas Corpn. Ltd.	Oil Exploration	265.75	8.08	1.68
Reliance Industries Ltd.	Refineries	726.60	11.94	1.42
State Bank Of India	Bank - Public	2182.80	9.55	1.38
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	100.25	6.98	0.73
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	594.20	23.78	5.06
Tata Consultancy Services Ltd.	IT - Software	1271.45	23.90	8.44
Tata Motors Ltd.	Automobiles-Trucks/Lcv	240.05	4.81	1.97
Tata Power Company Ltd.	Power Generation/Distribution	93.55	0.00	1.97
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	413.40	7.45	0.93
Wipro Ltd.	IT - Software	397.85	17.56	3.42

# World macro scenario

- USA – US economic data is mixed. The government has fixed the interest to remain as low as 0.25% till 2014 but no fresh stimulus announced. A “fiscal cliff” which entails automatic cutting of govt. expenditure is due from 1<sup>st</sup> Jan, 2013. The USD is strong against other currencies.
- Europe – Economic slowdown is on the cards for most countries. Greece votes again on 17<sup>th</sup> June. Spain is looking for a bailout for its banks. Euro down against all currencies.
- China – Lower GDP growth. Govt. cuts key interest rate to boost growth.
- Japan – Improvement in GDP growth. Strong currency.
- 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. It is expected to cut rates further.
- Foreign exchange – The balance of payments situation is bad. The INR is weak.
- Politics – There is an absolute lack of political will to do anything. The current Finance Minister, Pranab Mukherjee, may become President of India.
- Sectors – Defensive sectors are doing better – consumer products and pharma. Excise duty on diesel cars may be hiked.

# Our concerns on the macro front

## World economies

- Eurozone's low to negative GDP growth. Greece's possible exit from Euro. Spain's bank issues. German reluctance to save other countries.
- 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 India ↑ USA	France Germany ↓ Hong Kong ↓ Japan UK	Brazil
COMMODITIES				Natural Gas	Aluminium Copper ↓ Gold ↑ Lead ↓ Zinc ↓	Crude Oil ↓ Nickel Silver
CURRENCIES (against USD)				GBP HKD JPY		AUD BRL EUR ↓ INR
BONDS (US Treasury)	10 Year 30 Year ↑			2 Year		

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

## INDIAN MARKETS - TECHNICAL SNAPSHOT

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

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

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

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

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