

# *ShroffConnect* Weekly Report

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# Opinion as on 23/06/2012

- Money Flow: There are signs of money flow into stocks and out of treasuries.
  - **Opinion on money flow:** Now that the Greeks have voted in a coalition which supports the Eurozone, investors have less to worry about. The Greeks, French and Spanish people have completed their general elections within the last 1 year. The Italian general election is in April 2013. Till then any chance of upheaval in governance is not expected. Another collective stimulus from governments/central banks across the world is awaited. Hence, the flow of money into stocks.
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- Indian market: The market remained range bound to firm.
  - Sectors: Defensive sectors like FMCG and Healthcare are outperforming.
  - Positives: None really except that foreign cues are better.
  - Negatives: Political paralysis, high interest rates, weak INR.
  - **Opinion:** We feel that the worst is over and things can only get better. In the best case scenario, the govt. will rise above politics and usher in reforms. In the worst case scenario, the policy paralysis will continue and the economy will continue at its own pace on domestic consumption. We do not expect the GDP growth rate of 5.3% to go down further by too much, if at all. Investors may hold onto their investments, and even invest in growing sectors on dips.



Current news and world  
financial market prices

# Current scenario & news

## World economy

- U.S. manufacturing grew in June at its slowest pace in 11 months and hiring in the sector slowed as overseas demand for U.S. products waned, an industry survey showed.
- China's factory sector shrank for an eighth straight month in June as export orders sentiment hit its weakest level since early 2009.
- German business confidence fell to the lowest in more than two years in June as the worsening sovereign debt crisis clouded the economic outlook.
- U.K. 30-year government bonds rose for the first time in three weeks on speculation the Bank of England will expand its bond-buying program and focus purchases on longer-maturity debt.
- The euro strengthened against the dollar after the European Central Bank eased terms for collateral, boosting speculation the central bank will announce a third set of long-term loans.

## Indian economy

- India has been ranked the fifth most attractive destination for retail investment among 30 emerging markets because of rising disposable incomes and rapid urbanisation.
- India's biggest lenders that use gold jewelry as collateral say earnings may stall this year as central bank regulation aimed at reducing risk in the banking system chokes off growth.
- Rupee depreciating to an all-time low of Rs 57.33 to a US dollar has wiped away most of gains arising from oil dropping below \$90 a barrel for the first time since December 2010.
- Advance tax payments by India Inc grew by a meagre 4.9% in the three months to June, reflecting crimping growth and suggesting muted corporate profits in the days ahead.
- The finance ministry is considering removal of customs duty on iron ore, a move that would give some relief to steel companies facing raw material crunch.

## WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 23rd June 2012	% Change
STOCKS	Australia	ASX	4093.80	(0.32)
	Brazil	Bovespa	55439.50	(1.19)
	China	Shanghai	2260.88	(1.99)
	France	CAC	3090.90	0.11
	Germany	DAX	6263.25	0.54
	Hong Kong	Hang Seng	18995.13	(1.24)
	India	Sensex	16972.51	0.13
	Japan	Nikkei	8798.35	2.67
	UK	FTSE	5513.69	0.64
	USA	DJIA	12640.78	(0.99)
COMMODITIES	Copper	\$/Pound	3.31	(2.93)
	Crude	\$/Barrel	80.15	(4.79)
	Gold	\$/Troy Ounce	1573.10	(3.39)
	Natural Gas	\$/MMBtu	2.64	7.32
	Silver	\$/Troy Ounce	26.82	(6.52)
	Aluminium	\$/Tonne	1862.00	(3.67)
	Lead	\$/Tonne	1816.00	(5.56)
	Nickel	\$/Tonne	16575.00	(1.63)
	Zinc	\$/Tonne	1800.00	(5.46)
CURRENCIES	USD/GBP		1.5576	(0.81)
	USD/EUR		1.2570	(0.52)
	USD/AUD		1.0240	1.63
	JPY/USD		80.41	2.19
	INR/USD		57.15	3.20
	HKD/USD		7.7599	0.02
	BRL/USD		2.0655	0.77
BONDS	2 Year	US Treasury	110.15	(0.05)
	10 Year		133.00	(1.20)
	30 Year		148.09	(1.42)

## INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 23rd June 2012	% Change
STOCKS	Nifty	Large Cap	5146.05	0.14
	Sensex	Large Cap	16972.51	0.13
	BSE Midcap	Mid Cap	6010.21	0.87
	BSE Smallcap	Small Cap	6407.50	0.88
Some Major Shares	ACC	Rs/share	1215.05	(0.67)
	Bharti Airtel		310.90	(0.26)
	HDFC Ltd		640.05	(0.96)
	Infosys		2474.45	(1.91)
	L&T		1361.95	2.89
	Reliance Inds		711.00	(2.17)
	Tata Motors		247.10	2.83
	Tata Steel		418.60	0.98
COMMODITIES	Aluminium	INR/Kg	105.50	(0.47)
	Copper	INR/Kg	417.70	(0.12)
	Crude	INR/Barrel	4603.00	(1.35)
	Gold	INR/10gms	29974.00	(0.60)
	Lead	INR/Kg	103.95	(2.26)
	Natural Gas	INR/1mmBtu	150.80	9.67
	Nickel	INR/Kg	943.70	0.72
	Silver	INR/Kg	52953.00	(2.91)
	Zinc	INR/Kg	103.55	(1.66)
CURRENCIES	INR/EUR		71.80	2.50
	INR/GBP		89.03	2.37
	INR/100 JPY		71.04	1.00
	INR/USD		57.15	3.20



# Detailed macro analysis

## MACRO ECONOMIC SNAPSHOT AS ON 23/06/2012

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	↑1.62	1.61

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	↑3.41	3.40

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	↓0.83	0.87

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.00	0.50
Inflation Rate	Monthly	↓2.80	3.00
Unemployment Rate	Monthly	8.20	8.20
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	↓1.70	1.73

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	8.00
Govt. bond 10 year Rate	Weekly	↓8.06	8.33

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.80	1.40
Inflation Rate	Monthly	4.99	5.10
Unemployment Rate	Monthly	↓5.80	6.00
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	↓5.40	5.80
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 23/06/2012

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1545.30	14.68	7.35
Bharat Heavy Electricals Ltd.	Electric Equipment	221.10	7.64	2.13
Bharti Airtel Ltd.	Telecommunication - Service Provider	310.75	27.71	2.30
Cipla Ltd.	Pharmaceuticals & Drugs	313.70	22.01	3.30
Coal India Ltd.	Mining & Minerals	337.60	14.43	6.40
Dr.Reddy's Lab	Pharmaceuticals & Drugs	1581.80	29.43	4.05
GAIL (India) Ltd.	Gas Transmission/Marketing	340.85	9.73	1.74
HDFC Bank Ltd.	Bank - Private	544.15	24.41	4.24
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	2084.50	17.50	9.70
Hindalco Industries Ltd.	Aluminium & Aluminium Products	117.25	10.03	0.71
Hindustan Unilever Ltd.	Household & Personal Products	460.35	35.66	27.04
Housing Development Finance Corporation Ltd.	Finance - Housing	639.65	17.43	3.88
ICICI Bank Ltd.	Bank - Private	852.05	12.85	1.60
Infosys Ltd.	IT - Software	2475.10	17.06	4.54
ITC Ltd.	Cigarettes/Tobacco	250.55	31.30	10.12
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	433.50	10.22	2.21
Larsen & Toubro Ltd.	Engineering - Construction	1361.65	17.78	2.84
Mahindra & Mahindra Ltd.	Automobiles-Tractors	697.40	13.69	2.55
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1101.40	18.93	2.22
NTPC Ltd.	Power Generation/Distribution	152.15	12.78	1.69
Oil & Natural Gas Corpn. Ltd.	Oil Exploration	279.40	8.49	1.77
Reliance Industries Ltd.	Refineries	711.05	11.69	1.40
State Bank Of India	Bank - Public	2156.75	9.43	1.36
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	99.65	6.94	0.73
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	608.70	24.36	5.18
Tata Consultancy Services Ltd.	IT - Software	1233.70	23.19	8.19
Tata Motors Ltd.	Automobiles-Trucks/Lcv	247.00	4.95	2.02
Tata Power Company Ltd.	Power Generation/Distribution	94.40	0.00	1.99
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	418.65	7.54	0.95
Wipro Ltd.	IT - Software	400.60	17.68	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 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 voted to remain in the Eurozone. 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.
- RBI – The RBI leaves rates unchanged on 18<sup>th</sup> June.
- Foreign exchange – The balance of payments situation is bad. The INR is at its all time low level.
- 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

- Mixed data from USA.
- Eurozone's low to negative GDP growth.
- 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
<b>STOCKS</b>				China France ↑ India UK ↑	Australia ↓ Germany Hong Kong Japan USA ↓	Brazil
<b>COMMODITIES</b>				Natural Gas	Copper Zinc	Aluminium ↓ Crude Oil Gold ↓ Lead ↓ Nickel Silver
<b>CURRENCIES</b> (against USD)				GBP HKD JPY	AUD ↑	BRL EUR INR
<b>BONDS</b> (US Treasury)	30 Year		10 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		Healthcare ↑	Bankex Cap Goods Cons Durable IT Metal ↑ Oil & Gas ↑ Teck ↑	Auto ↓ Power Realty	
COMMODITIES			Gold ↓ Natural Gas ↑	Aluminium Lead Nickel Zinc ↓	Copper ↓ Crude Oil Silver ↓	
CURRENCIES (against INR)	EUR ↑ GBP JPY USD					

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

↑ = 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 Bharat Forge Britannia Ind Castrol 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 Yes Bank ↑	Astrazeneca Ph ↓ Cummins India ↓ Glaxo Pharma HCC Indian Hotel ↑ IGL ↑ Shipping Corpn	Biocon GSPL Opto Circuits ↓

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

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