

ShroffConnect Weekly Report

30th June, 2012



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Opinion as on 30/06/2012

- Money Flow: Into stocks, but not convincingly.
 - **Opinion on money flow:** The money flow into stocks is probably due to the ECB pledge to help Eurozone countries in trouble, on easier terms. This gives a relief to countries like Spain and Italy for whom the cost of raising funds is increasing to unsustainable levels. However, negative growth in the Eurozone area is a concern. There is a possibility of a coordinated stimulus from governments worldwide.
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- Indian market: The Indian market rallied above the immediate resistance level of 5150 to reach 5250+.
 - Sectors: Consumer goods and Pharma are outperforming.
 - Positives: The government seems to be paying attention to investor grievances.
 - Negatives: High interest rates, high fiscal deficit and negative balance of payments.
 - **Opinion:** The market rallied on foreign cues and on the interest of the PMO to address investor issues which have arisen due to GAAR and retrospective tax amendments. However, fundamentally, the ground realities have not changed, and one should not expect too much from this government given its track record to deceive than to achieve. The monsoon has been erratic and this does not bode well for the consumption economy. Optimistically speaking though, the worst seems to be over for now for the market, and investors may invest in growing companies on dips.



Current news and world
financial market prices

Current scenario & news

World economy

- Annual inflation in Europe's largest economy decelerated in June to its lowest rate in 18 months and stood below a 2.0 percent benchmark for price stability for a second month running, leaving the European Central Bank room to cut interest rates.
- Commodities jumped the most in three weeks after European leaders agreed to ease repayment rules for emergency loans to Spanish banks and relax conditions on possible help for Italy, increasing optimism that the region's debt crisis may be contained.
- The euro surged the most this year against the dollar after European leaders eased terms on loans to Spanish banks, taking a step to resolve the region's debt crisis and boosting demand for the shared currency.

Indian economy

- India proposed that a clampdown on tax avoidance due in 2013 won't apply retrospectively or to cases below a certain monetary threshold, seeking to assuage concern that the plan will deter foreign investment.
- Reflecting slowdown in the economy, the growth rate of eight infrastructure sectors slowed to 4.6 per cent in May due to poor performance of crude oil, natural gas and fertiliser.
- The Reserve Bank of India notified changes in the FDI policy to allow FIIs to invest up to 23 percent in commodity exchanges without seeking its prior approval.
- The worst start to the monsoon season in India in three years is threatening crops from rice to sugar cane, stoking concern that the nation may limit exports to preserve supplies.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 30th June 2012	% Change
STOCKS	Australia	ASX	4135.46	1.02
	Brazil	Bovespa	54354.63	(1.96)
	China	Shanghai	2225.43	(1.57)
	France	CAC	3196.65	3.42
	Germany	DAX	6416.28	2.44
	Hong Kong	Hang Seng	19441.46	2.35
	India	Sensex	17429.98	2.70
	Japan	Nikkei	9006.78	2.37
	UK	FTSE	5571.15	1.04
	USA	DJIA	12880.09	1.89
COMMODITIES	Copper	\$/Pound	3.50	5.74
	Crude	\$/Barrel	84.87	5.89
	Gold	\$/Troy Ounce	1598.60	1.62
	Natural Gas	\$/MMBtu	2.82	6.82
	Silver	\$/Troy Ounce	27.45	2.35
	Aluminium	\$/Tonne	1911.00	2.63
	Lead	\$/Tonne	1861.00	2.48
	Nickel	\$/Tonne	16730.00	0.94
CURRENCIES	Zinc	\$/Tonne	1877.00	4.28
	USD/GBP		1.5706	0.83
	USD/EUR		1.2666	0.76
	USD/AUD		1.0236	(0.04)
	JPY/USD		79.78	(0.78)
	INR/USD		55.62	(2.68)
	HKD/USD		7.7575	(0.03)
BONDS	BRL/USD		2.0095	(2.71)
	2 Year	US Treasury	110.14	(0.01)
	10 Year		133.38	0.29
	30 Year		147.97	(0.08)

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 30th June 2012	% Change
STOCKS	Nifty	Large Cap	5278.90	2.58
	Sensex	Large Cap	17429.98	2.70
	BSE Midcap	Mid Cap	6153.72	2.39
	BSE Smallcap	Small Cap	6543.75	2.13
Some Major Shares	ACC	Rs/share	1268.05	4.36
	Bharti Airtel		305.05	(1.88)
	HDFC Ltd		653.20	2.05
	Infosys		2509.20	1.40
	L&T		1397.80	2.63
	Reliance Inds		737.85	3.78
	Tata Motors		242.45	(1.88)
	Tata Steel		441.45	5.46
COMMODITIES	Aluminium	INR/Kg	105.65	0.14
	Copper	INR/Kg	429.40	2.80
	Crude	INR/Barrel	4695.00	2.00
	Gold	INR/10gms	29665.00	(1.03)
	Lead	INR/Kg	104.10	0.14
	Natural Gas	INR/1mmBtu	155.90	3.38
	Nickel	INR/Kg	935.40	(0.88)
	Silver	INR/Kg	51987.00	(1.82)
	Zinc	INR/Kg	103.95	0.39
CURRENCIES	INR/EUR		70.45	(1.88)
	INR/GBP		87.35	(1.89)
	INR/100 JPY		69.68	(1.91)
	INR/USD		55.62	(2.68)



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 30/06/2012

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	↓1.58	1.62

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	↓3.34	3.41

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.70	-0.50
Inflation Rate	Monthly	↓0.20	0.40
Unemployment Rate	Monthly	↓4.40	4.60
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	↓0.81	0.83

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	↓1.64	1.70

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	↑8.12	8.06

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 30/06/2012

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1572.00	14.92	7.48
Bharat Heavy Electricals Ltd.	Electric Equipment	232.10	8.02	2.24
Bharti Airtel Ltd.	Telecommunication - Service Provider	305.00	27.19	2.26
Cipla Ltd.	Pharmaceuticals & Drugs	316.40	22.20	3.33
Coal India Ltd.	Mining & Minerals	347.40	14.85	6.59
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	1649.25	21.53	5.68
GAIL (India) Ltd.	Gas Transmission/Marketing	351.65	10.04	1.79
HDFC Bank Ltd.	Bank - Private	563.50	25.30	4.39
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	2142.10	17.99	9.97
Hindalco Industries Ltd.	Aluminium & Aluminium Products	119.90	10.26	0.72
Hindustan Unilever Ltd.	Household & Personal Products	454.35	35.20	26.69
Housing Development Finance Corporation Ltd.	Finance - Housing	654.45	17.83	4.01
ICICI Bank Ltd.	Bank - Private	899.60	13.57	1.69
Infosys Ltd.	IT - Software	2502.55	17.25	4.59
ITC Ltd.	Cigarettes/Tobacco	258.95	32.35	10.46
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	469.50	11.07	2.39
Larsen & Toubro Ltd.	Engineering - Construction	1397.35	18.24	2.92
Mahindra & Mahindra Ltd.	Automobiles-Tractors	706.90	13.88	2.59
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1169.75	20.10	2.36
NTPC Ltd.	Power Generation/Distribution	159.75	13.42	1.77
Oil & Natural Gas Corpn. Ltd.	Oil Exploration	284.70	8.65	1.80
Reliance Industries Ltd.	Refineries	737.45	12.11	1.44
State Bank Of India	Bank - Public	2159.15	9.44	1.36
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	102.65	7.15	0.75
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	635.55	25.44	5.41
Tata Consultancy Services Ltd.	IT - Software	1277.55	24.01	8.48
Tata Motors Ltd.	Automobiles-Trucks/Lcv	242.05	4.85	1.99
Tata Power Company Ltd.	Power Generation/Distribution	104.70	0.00	2.21
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	441.30	7.95	1.00
Wipro Ltd.	IT - Software	399.30	17.62	3.44

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 1st 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. ECB officials decide to help countries in trouble on easier terms.
- 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 draft rules announced with the PMO determined to look into genuine investor grievances.
- RBI – The RBI leaves rates unchanged on 18th 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. Mr. Pranab Mukherjee, the former FM, may become the President of India. Meanwhile, the PM has taken over the finance portfolio.
- 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
STOCKS				France Germany ↑ India UK USA ↑	Australia China ↓ Hong Kong Japan	Brazil
COMMODITIES				Natural Gas	Copper Gold ↑ Zinc	Aluminium Crude Oil Lead Nickel Silver
CURRENCIES (against USD)				AUD ↑ HKD JPY	GBP ↓	BRL EUR INR
BONDS (US Treasury)	30 Year		10 Year	2 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

Bankex
Cap Goods
IT
Metal
Oil & Gas
Power ↑
Realty ↑
Teck

Auto
Cons Durable ↓

COMMODITIES

Gold
Natural Gas

Copper ↑
Lead
Nickel
Zinc

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

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

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