

ShroffConnect Weekly Report

28th July, 2012



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Opinion as on 28/07/2012

- Money flow: There is no discernible trend.
 - **Opinion on money flow:** Investors seem confused as to where to deploy money given the conflicting economic signals from all over the world.
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- Indian markets: The Indian market weakened to approx. 5100 levels.
 - Sectors: Private Banks, Cement and Consumer Goods are outperforming.
 - Positives: Decent results by a few blue chip companies; FII buying interest.
 - Negatives: Political turmoil; deficient monsoon; high interest; high fiscal deficit.
 - **Opinion:** There is no improvement in the economic climate in the country, and with a deficient monsoon, the sentiment has become worse. In some statements by the PM, it seems that the UPA government is keen to bring the Food Security Bill in the monsoon session of Parliament. This will result in a huge subsidy bill which will make other subsidies look paltry. Whether this bill becomes law or not, the message is clear that votes will prevail over common sense and good economics. Investors should wait and watch before investing fresh money, although they may hold onto current investments.



Current news and world
financial market prices

Current scenario & news

World economy

- Spain has at last conceded it may need a state bailout and policymakers are considering writing down Greek debt to their central banks, as markets anticipated radical new action to pull the continent out of its debt maelstrom.
- A slump in June orders for equipment such as computers and machinery signals U.S. business investment will probably cool in the second half of the year and contribute less to the economic expansion.
- Chinese industrial companies' profits fell for a third month in June, as decelerating growth in the world's second- biggest economy hurt corporate earnings.
- Japan's consumer prices unexpectedly fell and retail sales missed analysts' forecasts, adding to evidence that the economy's expansion is faltering as gains in the yen and austerity measures in Europe hit exports.

Indian economy

- The Reserve Bank of India (RBI) is expected to hold its policy interest rate steady at its quarterly review next week, keeping pressure on the government to reduce a ballooning fiscal deficit and take steps to remove bottlenecks that are driving up food prices.
- Steel prices are expected to rise by 7.2 percent this year and the rates will start firming up from October due to rise in demand in spite of weakness in international markets.
- The government's public debt in the first three months of this financial year increased by 4.9 per cent to Rs 37,52,576 crore over the previous quarter, the Finance Ministry said today.
- Gems and jewellery exports registered a growth of 7.5 percent in June year-on-year to USD 4.2 billion on rising demand from new markets.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 28th July 2012	% Change
STOCKS	Australia	ASX	4234.39	0.09
	Brazil	Bovespa	56553.12	4.35
	China	Shanghai	2128.76	(1.84)
	France	CAC	3280.19	2.70
	Germany	DAX	6689.40	0.90
	Hong Kong	Hang Seng	19274.96	(1.86)
	India	Sensex	16839.19	(1.86)
	Japan	Nikkei	8566.64	(1.19)
	UK	FTSE	5627.21	(0.43)
	USA	DJIA	13075.66	1.97
COMMODITIES	Copper	\$/Pound	3.43	(0.29)
	Crude	\$/Barrel	90.13	(1.71)
	Gold	\$/Troy Ounce	1618.00	2.23
	Natural Gas	\$/MMBtu	3.02	(2.27)
	Silver	\$/Troy Ounce	27.50	0.81
	Aluminium	\$/Tonne	1895.00	0.16
	Lead	\$/Tonne	1924.00	1.21
	Nickel	\$/Tonne	15880.00	(0.44)
	Zinc	\$/Tonne	1859.00	1.06
CURRENCIES	USD/GBP		1.5743	0.79
	USD/EUR		1.2321	1.37
	USD/AUD		1.0461	0.63
	JPY/USD		78.45	(0.04)
	INR/USD		55.33	0.02
	HKD/USD		7.7566	0.01
	BRL/USD		2.0218	(0.07)
BONDS	2 Year	US Treasury	110.25	(0.07)
	10 Year		134.13	(0.58)
	30 Year		150.03	(1.15)

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 28th July 2012	% Change
STOCKS	Nifty	Large Cap	5099.85	(2.02)
	Sensex	Large Cap	16839.19	(1.86)
	BSE Midcap	Mid Cap	5887.50	(4.80)
	BSE Smallcap	Small Cap	6357.60	(4.76)
Some Major Shares	ACC	Rs/share	1293.75	2.74
	Bharti Airtel		307.45	(2.29)
	HDFC Ltd		673.80	(1.60)
	Infosys		2148.65	(3.16)
	L&T		1319.80	(5.08)
	Reliance Inds		721.00	(0.23)
	Tata Motors		212.85	(4.72)
	Tata Steel		399.15	(4.04)
COMMODITIES	Aluminium	INR/Kg	103.55	(0.81)
	Copper	INR/Kg	420.85	(0.34)
	Crude	INR/Barrel	4998.00	(1.87)
	Gold	INR/10gms	29796.00	1.77
	Lead	INR/Kg	106.30	1.48
	Natural Gas	INR/1mmBtu	168.50	(1.23)
	Nickel	INR/Kg	882.20	(0.36)
	Silver	INR/Kg	53228.00	0.73
	Zinc	INR/Kg	102.25	0.00
CURRENCIES	INR/EUR		66.19	(1.58)
	INR/GBP		87.09	0.83
	INR/100 JPY		70.50	0.06
	INR/USD		55.33	0.02



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 28/07/2012

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↓2.20	2.40
Inflation Rate	Monthly	1.70	1.70
Unemployment Rate	Monthly	8.20	8.20
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↓1.41	1.50

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-0.10	0.70
Inflation Rate	Monthly	2.40	2.40
Unemployment Rate	Monthly	11.10	11.00
Benchmark Interest Rate	Weekly	0.75	1.00
Govt. bond 10 year Rate	Weekly	varied	

China	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	7.60	8.10
Inflation Rate	Monthly	2.20	3.00
Unemployment Rate	Monthly	4.10	4.10
Benchmark Interest Rate	Weekly	6.00	6.31
Govt. bond 10 year Rate	Weekly	3.29	3.29

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.70	-0.50
Inflation Rate	Monthly	↓-0.20	0.20
Unemployment Rate	Monthly	4.40	4.60
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	↓0.73	0.77

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↓-0.80	-0.20
Inflation Rate	Monthly	2.40	2.80
Unemployment Rate	Monthly	8.10	8.20
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	↓1.46	1.48

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	5.30	6.10
Inflation Rate	Monthly	↓7.25	7.55
Unemployment Rate	Monthly	no data	
Benchmark Interest Rate	Weekly	8.00	8.00
Govt. bond 10 year Rate	Weekly	↑8.10	8.07

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.80	1.40
Inflation Rate	Monthly	4.92	4.99
Unemployment Rate	Monthly	5.80	5.80
Benchmark Interest Rate	Weekly	8.00	8.50
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	4.30	3.60
Unemployment Rate	Monthly	5.40	5.40
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 28/07/2012

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1582.05	15.20	6.77
Bharat Heavy Electricals Ltd.	Electric Equipment	208.25	7.13	1.94
Bharti Airtel Ltd.	Telecommunication - Service Provider	307.00	27.37	2.28
Cipla Ltd.	Pharmaceuticals & Drugs	326.55	22.91	3.44
Coal India Ltd.	Mining & Minerals	353.70	15.12	6.71
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	1621.10	18.36	5.23
GAIL (India) Ltd.	Gas Transmission/Marketing	344.70	9.84	1.76
HDFC Bank Ltd.	Bank - Private	584.25	25.03	4.36
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	2006.85	16.45	8.17
Hindalco Industries Ltd.	Aluminium & Aluminium Products	117.45	6.62	0.77
Hindustan Unilever Ltd.	Household & Personal Products	464.70	29.03	20.90
Housing Development Finance Corporation Ltd.	Finance - Housing	673.60	23.64	4.97
ICICI Bank Ltd.	Bank - Private	928.20	15.40	1.70
Infosys Ltd.	IT - Software	2148.85	13.89	3.67
ITC Ltd.	Cigarettes/Tobacco	254.40	30.98	9.80
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	394.60	10.77	1.97
Larsen & Toubro Ltd.	Engineering - Construction	1319.95	17.71	3.16
Mahindra & Mahindra Ltd.	Automobiles-Tractors	687.65	13.50	2.53
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1110.65	19.09	2.24
NTPC Ltd.	Power Generation/Distribution	153.05	13.08	1.67
Oil & Natural Gas Corp'n. Ltd.	Oil Exploration	277.40	8.43	1.75
Reliance Industries Ltd.	Refineries	720.40	12.35	1.40
State Bank Of India	Bank - Public	1941.20	8.49	1.23
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	100.90	7.73	0.71
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	630.35	25.23	5.37
Tata Consultancy Services Ltd.	IT - Software	1225.75	21.20	7.31
Tata Motors Ltd.	Automobiles-Trucks/Lcv	212.80	4.26	1.76
Tata Power Company Ltd.	Power Generation/Distribution	94.60	0.00	2.00
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	399.30	7.20	0.91
Wipro Ltd.	IT - Software	334.25	14.13	2.88

World macro scenario

- USA – US economic data is mixed. The GDP growth rate has decreased. The government has fixed the interest to remain as low as 0.25% till 2014. US farmers are experiencing severe drought conditions. A “fiscal cliff” which entails automatic cutting of govt. expenditure is due from 1st Jan, 2013.
- Europe – Economic slowdown is on the cards for most countries. ECB officials decide to help countries in trouble on easier terms and cuts interest rates to their lowest level.
- China – Lowest GDP growth in several years. Govt. cuts key interest rate to boost growth.
- Japan – Improvement in GDP growth. Unexpected trade surplus.
- Rest of the World – Positive political development and growth in South East Asia. Violence escalates in Syria. Russia and China veto UN resolution for action.

Indian macro scenario

- Economy – Fiscal deficit is much above the desired levels with subsidies becoming bigger. The monsoon is officially deficient.
- Government policies – New panel for GAAR formed. Govt. may bring in the Food Security Bill.
- RBI – The RBI leaves rates unchanged on 18th June. The next RBI review is on 31st July, 2012.
- Inflation – Food prices soar due to deficient monsoon.
- Foreign exchange – The balance of payments situation is negative.
- Politics – There is an absolute lack of political will to do anything. Pranab Mukherjee, becomes President of India. PM takes over the finance portfolio.
- Sectors – Defensive sectors are doing better – consumer products and pharma.

Our concerns on the macro front

World economies

- Mixed data from USA.
- Eurozone's low to negative GDP growth.
- Chinese GDP growth slowdown.

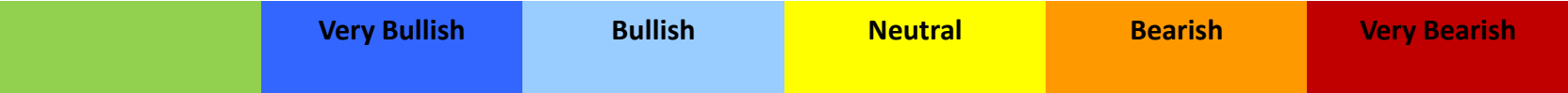
Indian economy

- High interest rate.
- High and growing fiscal deficit through subsidies.
- Lack of governance and populist politics.



Detailed technical analysis

WORLD MARKETS - TECHNICAL SNAPSHOT



STOCKS		USA ↑	Australia France Germany Hong Kong India UK	Brazil China Japan	
COMMODITIES		Natural Gas	Copper Crude Oil	Gold Lead Zinc	Aluminium Nickel Silver
CURRENCIES (against USD)		HKD JPY	AUD 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
Cons Durable
Metal
Oil & Gas
Realty

Auto ↓
IT
Power ↓

Teck ↓

COMMODITIES

Natural Gas ↑

Gold

Copper
Crude Oil
Lead ↑
Zinc

Aluminium
Nickel
Silver

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	BPCL Bosch Ltd HDFC Bank Hind Unilever ITC Lupin Sun Pharma Ultratech	Ambuja Cem Coal India Havells India ICICI Bank LT O N G C Power Grid Tech Mahindra	ABB ACC Andhra Bank Apollo Tyres Axis Bank Bajaj Auto Bharti Airtel Cipla Crompton Gr DLF Dr Reddy Exide Inds ↓ GAIL Grasim Ind HCL Tech HDFC Hero Motoco ↓ Hind Zinc Hindalco Idea Cellular JP Associates JSW Steel Kotak Bank ↓ M&M ↓ Maruti Suzuki MRF Nestle India NTPC Petronet LNG	Ashok Leyland Bank of Baroda ↓ Bhel ↓ Cairn ↓ Chambal Fert ↓ PNB ↓ Siemens ↓ Tata Motors Tata Steel ↓ <div style="background-color: yellow; text-align: center; padding: 5px;">Neutral</div> Ranbaxy RECL Reliance Cap Reliance Ind Reliance Infra SBIN Sesa Goa Shriram Trans Sterlite Ind Tata Chemicals Tata Global Tata Power TCS Thermax UCO Bank	Canara Bank ↓ Infosys Tech Jindal Steel RCOM ↓ Wipro ↓

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

MAJOR MEDIUM & SMALL COMPANIES - TECHNICAL SNAPSHOT

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

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

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