

ShroffConnect Weekly Report

4th August, 2012



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Opinion as on 04/08/2012

- Money flow: Into stocks and commodities and out of treasuries.
 - **Opinion on money flow:** Investors seem to be getting over their fears on the Eurozone with ECB stating that it is firmly behind Eurozone unity and would do everything to protect it. Payroll data from the US is also favourable.
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- Indian market: The market staged a small rally to about 5200+.
 - Sectors: Private banks, Cement, Household products and Pharma continue to outperform.
 - Positives: FII inflows and positive foreign cues.
 - Negatives: High fiscal deficit, high interest rate, persistent inflation, deficient monsoon and political apathy.
 - **Opinion:** There is nothing really in favour of a rally except foreign buying. The government is not taking any steps for rectification of the fiscal situation and until they do so, we do not expect a marked rally. Nevertheless there are companies which are doing well even in the tough economic conditions, and we suggest that investors should invest in these companies or switch to them on dips.



Current news and world
financial market prices

Current scenario & news

World economy

- U.S. and euro zone manufacturing struggled again in July while factory activity in China hit an eight-month low, as economies worldwide appeared to lose momentum.
- The Bank of England left its monetary policy unchanged on Thursday, judging that its July decision to expand purchases of government bonds is enough stimulus for now despite the danger of a prolonged slump.
- Business activity in the euro zone continued to shrink in July, new orders plunged and German private-sector activity fell at its steepest rate in more than three years, a sign that the euro zone's debt crisis is taking its toll on the region's biggest economy and main source of financial support.
- Brazil's trade surplus widened in July to \$2.879 billion as imports fell sharply from the previous month due to the global economic slowdown and a weaker local currency.

Indian economy

- The Reserve Bank of India (RBI) left interest rates unchanged on Tuesday for the second straight review, showing that bringing down stubbornly high inflation is its top priority even as economic conditions deteriorate.
- Reflecting a slowdown, the growth of eight core sectors slipped to 3.6 percent in June, weighed down by contraction in natural gas, fertiliser and steel output.
- The foreign exchange reserves swelled by USD 1.31 billion to touch USD 288.65 billion on a jump in core currency assets.
- India's exports fell 5.45 percent to \$25.1 billion in June, while imports fell 13.46 percent to \$35.4 billion, leaving a trade deficit of \$10.3 billion, government data showed.
- The drought threatening India due to elusive monsoon rains will make it politically harder for the government to raise prices of subsidised fuel, delaying a reform urgently needed to rein in the country's fiscal deficit.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 4th Aug 2012	% Change
STOCKS	Australia	ASX	4243.00	0.20
	Brazil	Bovespa	57255.22	1.24
	China	Shanghai	2132.80	0.19
	France	CAC	3374.19	2.87
	Germany	DAX	6865.66	2.63
	Hong Kong	Hang Seng	19666.18	2.03
	India	Sensex	17197.93	2.13
	Japan	Nikkei	8555.11	(0.13)
	UK	FTSE	5787.28	2.84
	USA	DJIA	13096.17	0.16
COMMODITIES	Copper	\$/Pound	3.37	(1.75)
	Crude	\$/Barrel	91.40	1.41
	Gold	\$/Troy Ounce	1609.30	(0.54)
	Natural Gas	\$/MMBtu	2.88	(4.64)
	Silver	\$/Troy Ounce	27.80	1.09
	Aluminium	\$/Tonne	1860.00	(1.85)
	Lead	\$/Tonne	1895.00	(1.51)
	Nickel	\$/Tonne	15610.00	(1.70)
CURRENCIES	Zinc	\$/Tonne	1840.00	(1.02)
	USD/GBP		1.5642	(0.64)
	USD/EUR		1.2386	0.53
	USD/AUD		1.0567	1.01
	JPY/USD		78.45	0.00
	INR/USD		55.75	0.76
	HKD/USD		7.7544	(0.03)
BONDS	BRL/USD		2.0260	0.21
	2 Year	US Treasury	110.26	0.01
	10 Year		133.91	(0.16)
	30 Year		149.53	(0.33)

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 4th Aug 2012	% Change
STOCKS	Nifty	Large Cap	5215.70	2.27
	Sensex	Large Cap	17197.93	2.13
	BSE Midcap	Mid Cap	6072.53	3.14
	BSE Smallcap	Small Cap	6545.70	2.96
Some Major Shares	ACC	Rs/share	1308.70	1.16
	Bharti Airtel		296.50	(3.56)
	HDFC Ltd		699.35	3.79
	Infosys		2208.50	2.79
	L&T		1382.35	4.74
	Reliance Inds		742.55	2.99
	Tata Motors		220.95	3.81
	Tata Steel		397.00	(0.54)
COMMODITIES	Aluminium	INR/Kg	103.00	(0.53)
	Copper	INR/Kg	413.65	(1.71)
	Crude	INR/Barrel	5073.00	1.50
	Gold	INR/10gms	29690.00	(0.36)
	Lead	INR/Kg	105.20	(1.03)
	Natural Gas	INR/1mmBtu	161.60	(4.09)
	Nickel	INR/Kg	874.70	(0.85)
	Silver	INR/Kg	53275.00	0.09
	Zinc	INR/Kg	102.45	0.20
CURRENCIES	INR/EUR		69.07	1.48
	INR/GBP		87.17	0.09
	INR/100 JPY		71.02	0.74
	INR/USD		55.75	0.76



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 04/08/2012

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.20	2.40
Inflation Rate	Monthly	1.70	1.70
Unemployment Rate	Monthly	↑8.30	8.20
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↑1.50	1.41

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-0.10	0.70
Inflation Rate	Monthly	2.40	2.40
Unemployment Rate	Monthly	11.20	11.20
Benchmark Interest Rate	Weekly	0.75	0.75
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	↓4.30	4.40
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	↑0.77	0.73

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	↑1.54	1.46

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	↑8.14	8.10

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 04/08/2012

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1613.30	15.50	6.91
Bharat Heavy Electricals Ltd.	Electric Equipment	224.65	7.70	2.09
Bharti Airtel Ltd.	Telecommunication - Service Provider	296.45	26.43	2.20
Cipla Ltd.	Pharmaceuticals & Drugs	349.95	22.10	3.54
Coal India Ltd.	Mining & Minerals	343.95	14.70	6.52
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	1672.05	18.94	5.39
GAIL (India) Ltd.	Gas Transmission/Marketing	356.75	11.90	1.99
HDFC Bank Ltd.	Bank - Private	588.25	25.22	4.39
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1958.90	16.06	7.97
Hindalco Industries Ltd.	Aluminium & Aluminium Products	116.70	6.58	0.77
Hindustan Unilever Ltd.	Household & Personal Products	467.15	29.18	21.01
Housing Development Finance Corporation Ltd.	Finance - Housing	699.00	24.58	5.25
ICICI Bank Ltd.	Bank - Private	939.70	15.59	1.72
Infosys Ltd.	IT - Software	2209.30	14.28	3.77
ITC Ltd.	Cigarettes/Tobacco	259.35	31.59	9.99
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	396.45	10.82	1.98
Larsen & Toubro Ltd.	Engineering - Construction	1382.20	18.55	3.31
Mahindra & Mahindra Ltd.	Automobiles-Tractors	685.40	13.46	2.53
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1120.30	21.44	2.26
NTPC Ltd.	Power Generation/Distribution	166.30	14.21	1.81
Oil & Natural Gas Corpn. Ltd.	Oil Exploration	280.45	8.53	1.77
Reliance Industries Ltd.	Refineries	742.90	12.74	1.43
State Bank Of India	Bank - Public	2005.55	8.77	1.27
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	102.05	7.81	0.72
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	660.05	26.42	5.62
Tata Consultancy Services Ltd.	IT - Software	1237.90	21.41	7.38
Tata Motors Ltd.	Automobiles-Trucks/Lcv	220.90	4.42	1.84
Tata Power Company Ltd.	Power Generation/Distribution	97.25	0.00	1.80
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	396.95	7.15	0.90
Wipro Ltd.	IT - Software	347.00	14.67	2.99

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. A “fiscal cliff” which entails automatic cutting of govt. expenditure is due from 1st Jan, 2013.
- Europe – Economic slowdown in 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. Iran facing pressure from western countries.

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 31st July.
- Inflation – Food prices soar due to deficient monsoon.
- Foreign exchange – The balance of payments situation is negative.
- Politics – P Chidambaram returns as Finance Minister.
- 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.
- Syria and Iran political issues.

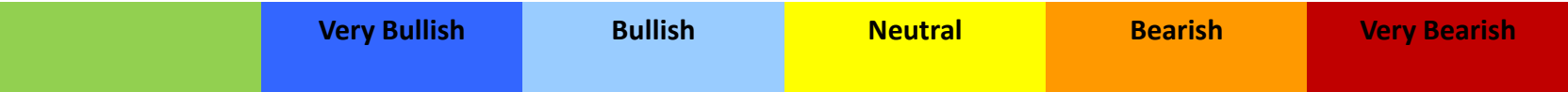
Indian economy

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



Detailed technical analysis

WORLD MARKETS - TECHNICAL SNAPSHOT



STOCKS

Australia
France
Germany
Hong Kong
India
UK
USA ↓

Brazil
China
Japan

COMMODITIES

Natural Gas ↑

Crude Oil
Gold ↑

Copper ↓
Lead
Zinc

Aluminium
Nickel
Silver

CURRENCIES
(against USD)

HKD
JPY

AUD
GBP

BRL
EUR
INR

BONDS
(US Treasury)

30 Year

2 Year
10 Year ↓

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

INDIAN MARKETS - TECHNICAL SNAPSHOT



INDICES

Mid Cap
Nifty
Sensex
Small Cap

SECTORS

Bankex ↑
FMCG
Healthcare

Oil & Gas ↑

Auto ↑
Cap Goods
Cons Durable
Metal
Realty

Power

IT ↓
Teck

COMMODITIES

Natural Gas

Gold

Copper
Crude Oil
Lead

Aluminium
Silver
Zinc ↓

Nickel ↓

CURRENCIES (against INR)

GBP
USD

JPY ↓

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

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

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