

ShroffConnect Weekly Report

11th August, 2012



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Opinion as on 11/08/2012

- Money flow: money flow is into stocks and somewhat into commodities, and out of treasuries.
 - **Opinion on money flow:** Investors seem to be satisfied that the Euro issues will be solved because of ECB's assurances. However, we are skeptical about this till we see some bond purchases by the ECB. As of now words are driving up the markets.
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- Indian market: The markets rallied to the upper end of the range at 5300-5350.
 - Sectors – Banks (private), Cement, Consumer Goods, IT and Pharma are outperforming.
 - Positives – Encouraging words from the Finance Minister and efforts to address investor fears.
 - Negatives – High interest rate, high fiscal deficit, high inflation and political apathy.
 - **Opinion:** The markets have rallied on foreign cues and FII buying. The Prime Minister and Finance Minister are saying the right things although there has been no follow through action. However some relief for investors is definitely on the cards. We do not believe that any major policy action will take place with the support of the allied parties. The monsoon session of parliament is under way but stuck with the issue of Assamese violence, and no business is taking place. Investors would do well to buy stocks whose sales and profits are growing on dips.



Current news and world
financial market prices

Current scenario & news

World economy

- China's factory output growth slowed unexpectedly in July to its weakest in more than three years, underlining stiff global headwinds that may prompt policymakers to take more action to keep growth on track to meet a 7.5 percent annual target.
- The euro declined versus the dollar for the first time in three weeks as signs of slowing global economic growth added to concern Europe's sovereign-debt crisis is worsening, damping appetite for riskier assets.
- U.S. import prices unexpectedly fell in July for the fourth straight month as costs declined for imported oil, industrial supplies and even many consumer goods, further icing inflation pressures.
- Russia's economic expansion eased in the second quarter to the slowest pace in a year as weaker growth in China and Europe's debt crisis curbed demand for its commodities exports.

Indian economy

- India's industrial output fell for the third time in four months in June, adding to pressure on new Finance Minister to move quickly and pull Asia's third-largest economy from its worst slowdown in almost a decade.
- With losses widening to Rs 3.56 per litre, public sector oil firms have sought an immediate hike in petrol price fanning speculations that the fuel prices might be hiked by close to Rs 3.
- Foreign Direct Investment (FDI) in the country declined by over 65 percent to USD 4.64 billion during April-June 2012-13 year-on-year amid global economic slowdown.
- The committee set up by the government to examine all issues related to the controversial General Anti Avoidance Rules (GAAR) is expected to submit its draft recommendations by August 31 and its report by September 30.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 11th Aug 2012	% Change
STOCKS	Australia	ASX	4302.82	1.41
	Brazil	Bovespa	59280.93	3.54
	China	Shanghai	2168.81	1.69
	France	CAC	3435.62	1.82
	Germany	DAX	6944.56	1.15
	Hong Kong	Hang Seng	20136.12	2.39
	India	Sensex	17557.74	2.09
	Japan	Nikkei	8891.44	3.93
	UK	FTSE	5847.11	1.03
	USA	DJIA	13207.95	0.85
COMMODITIES	Copper	\$/Pound	3.39	0.59
	Crude	\$/Barrel	92.87	1.61
	Gold	\$/Troy Ounce	1622.80	0.84
	Natural Gas	\$/MMBtu	2.77	(3.82)
	Silver	\$/Troy Ounce	28.06	0.94
	Aluminium	\$/Tonne	1881.00	1.13
	Lead	\$/Tonne	1892.00	(0.16)
	Nickel	\$/Tonne	15400.00	(1.35)
	Zinc	\$/Tonne	1835.00	(0.27)
CURRENCIES	USD/GBP		1.5683	0.26
	USD/EUR		1.2288	(0.79)
	USD/AUD		1.0575	0.08
	JPY/USD		78.27	(0.23)
	INR/USD		55.28	(0.84)
	HKD/USD		7.7570	0.03
	BRL/USD		2.0160	(0.49)
BONDS	2 Year	US Treasury	110.21	(0.05)
	10 Year		133.73	(0.13)
	30 Year		148.84	(0.46)

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 11th Aug 2012	% Change
STOCKS	Nifty	Large Cap	5320.40	2.01
	Sensex	Large Cap	17557.74	2.09
	BSE Midcap	Mid Cap	6099.61	0.45
	BSE Smallcap	Small Cap	6549.77	0.06
Some Major Shares	ACC	Rs/share	1342.05	2.55
	Bharti Airtel		255.60	(13.79)
	HDFC Ltd		690.15	(1.32)
	Infosys		2313.05	4.73
	L&T		1423.95	3.01
	Reliance Inds		782.10	5.33
	Tata Motors		231.95	4.98
	Tata Steel		400.10	0.78
COMMODITIES	Aluminium	INR/Kg	103.50	0.49
	Copper	INR/Kg	415.05	0.34
	Crude	INR/Barrel	5139.00	1.30
	Gold	INR/10gms	30032.00	1.15
	Lead	INR/Kg	104.85	(0.33)
	Natural Gas	INR/1mmBtu	153.10	(5.26)
	Nickel	INR/Kg	853.90	(2.38)
	Silver	INR/Kg	53490.00	0.40
	Zinc	INR/Kg	101.90	(0.54)
CURRENCIES	INR/EUR		67.94	(1.64)
	INR/GBP		86.68	(0.56)
	INR/100 JPY		70.60	(0.59)
	INR/USD		55.28	(0.84)



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 11/08/2012

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	↑1.58	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	11.20	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	↓1.80	2.20
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	↓0.74	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	↑1.56	1.54

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	↑8.25	8.14

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.80	1.40
Inflation Rate	Monthly	↑5.20	4.92
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 11/08/2012

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1679.85	16.14	7.19
Bharat Heavy Electricals Ltd.	Electric Equipment	228.80	7.84	2.13
Bharti Airtel Ltd.	Telecommunication - Service Provider	255.75	25.52	1.89
Cipla Ltd.	Pharmaceuticals & Drugs	349.85	22.09	3.54
Coal India Ltd.	Mining & Minerals	348.60	14.90	6.61
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	1645.90	18.64	5.31
GAIL (India) Ltd.	Gas Transmission/Marketing	367.60	12.26	2.05
HDFC Bank Ltd.	Bank - Private	602.05	25.81	4.49
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1914.20	15.69	7.79
Hindalco Industries Ltd.	Aluminium & Aluminium Products	122.80	6.92	0.81
Hindustan Unilever Ltd.	Household & Personal Products	497.70	31.09	22.38
Housing Development Finance Corporation Ltd.	Finance - Housing	689.75	24.35	5.20
ICICI Bank Ltd.	Bank - Private	954.65	15.84	1.75
Infosys Ltd.	IT - Software	2313.15	14.95	3.95
ITC Ltd.	Cigarettes/Tobacco	267.75	32.61	10.31
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	410.30	11.20	2.04
Larsen & Toubro Ltd.	Engineering - Construction	1423.75	19.11	3.41
Mahindra & Mahindra Ltd.	Automobiles-Tractors	738.65	15.12	3.55
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1163.50	22.27	2.15
NTPC Ltd.	Power Generation/Distribution	171.85	14.69	1.87
Oil & Natural Gas Corpn. Ltd.	Oil Exploration	279.30	8.49	1.77
Reliance Industries Ltd.	Refineries	782.05	13.41	1.51
State Bank Of India	Bank - Public	1887.95	8.26	1.19
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	111.00	8.50	0.78
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	675.60	27.04	5.75
Tata Consultancy Services Ltd.	IT - Software	1277.80	22.10	7.62
Tata Motors Ltd.	Automobiles-Trucks/Lcv	232.00	4.56	1.80
Tata Power Company Ltd.	Power Generation/Distribution	99.95	0.00	1.82
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	400.40	7.22	0.91
Wipro Ltd.	IT - Software	349.35	14.77	3.01

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 but Germany holds the key.
- 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. Syria and Iran are the pressure points for the developed world.

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. rethinks income tax amendments. 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 is Finance Minister, Sushil Shinde is Home Minister. Assam has erupted in violence.
- 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 Brazil ↑ France Germany Hong Kong India Japan ↑ UK USA	China	
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COMMODITIES		Natural Gas ↓	Copper ↑ Crude Oil Gold Zinc ↑	Lead Silver ↑	Aluminium Nickel
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CURRENCIES (against USD)		HKD JPY	AUD GBP	BRL ↑	EUR INR
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BONDS (US Treasury)		30 Year ↓	2 Year 10 Year		
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↑ = 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 ↓
Oil & Gas

Auto
Cap Goods
Cons Durable
Metal
Power ↑
Realty

IT ↑

Teck

COMMODITIES

Gold
Natural Gas ↓

Copper
Crude Oil
Lead
Silver ↑

Zinc

Aluminium ↓
Nickel

CURRENCIES (against INR)

JPY ↑
USD

GBP ↓

EUR

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

MAJOR LARGE COMPANIES - TECHNICAL SNAPSHOT

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

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

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

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