

ShroffConnect Weekly Report

18th August, 2012



Shroff Securities Pvt. Ltd.
Portfolio Investment Management Services

Kolkata: 033 32933592/3658
Bangalore: 080 32996004/6005
Email: contact@shroffsecurities.com
Web: www.shroffsecurities.com

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Opinion as on 18/08/2012

- Money flow: Into stocks and commodities and out of treasuries.
 - **Opinion on money flow:** It seems that liquidity, more than anything else, is driving up the stock markets because there is no positive news on the economic front which is responsible for it.
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- Indian market: The market remained upbeat within the 5300-5400 range.
 - Sectors: Auto (selective), Banks (private), Cement, Consumer Goods and Pharma are outperforming.
 - Positives: Foreign cues and FII buying; good growth in indirect tax collections.
 - Negatives: High fiscal deficit; high interest rate; political apathy; high food inflation.
 - **Opinion:** The markets are hoping that the Indian government will come out with positive steps which will address the issues arising out of the recent tax amendments. However, these steps seem peripheral and tough measures are needed to reign in fiscal deficit and address reforms. We are doubtful that the government will be able to achieve any of this. Nevertheless, investors should invest in companies which are growing in sales and net profit in these tough economic conditions.



Current news and world
financial market prices

Current scenario & news

World economy

- U.S. consumer sentiment improved in early August to the highest in three months as sales at retailers and low mortgage rates spurred Americans to boost their buying plans.
- German producer prices, a pointer to overall inflation, rose 0.9% in July. That's a fourth straight slowdown and the least rate of change since May 2010. The ECB's mandate is to maintain price stability in the 17-nation euro zone, with a target of just below 2% over the medium term.
- Spain's 10-year bonds advanced for the first week this month on speculation the government will request a sovereign bailout that would trigger European Central Bank purchases of its debt.
- The euro rose to a six-week high versus the yen as Germany signaled its support for a European Central Bank approach to resolve the debt crisis.

Indian economy

- The CAG accused the government of allocating coal blocks, power projects and land for Delhi's flagship airport at a fraction of market prices, potentially costing the exchequer tens of billions of dollars in lost revenues.
- India's aluminum exports could rise 5 percent in the current fiscal year to 325,000 tonnes, despite a slowdown in global demand, as falling prices have led rival global producers to cut production.
- Gold demand in India is likely to drop by around 33 percent at about 700 tonne this year due to weak consumer sentiments following record high local prices and rising inflation following concerns over weak monsoon.
- India's annual exports fell 14.8 percent to \$22.4 billion in July, while imports fell 7.79 percent to \$37.9 billion, leaving a trade deficit of \$15.5 billion.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 18th Aug 2012	% Change
STOCKS	Australia	ASX	4393.81	2.11
	Brazil	Bovespa	59082.37	(0.33)
	China	Shanghai	2114.89	(2.49)
	France	CAC	3488.38	1.54
	Germany	DAX	7040.88	1.39
	Hong Kong	Hang Seng	20116.07	(0.10)
	India	Sensex	17691.08	0.76
	Japan	Nikkei	9162.50	3.05
	UK	FTSE	5852.42	0.09
	USA	DJIA	13275.20	0.51
COMMODITIES	Copper	\$/Pound	3.42	0.88
	Crude	\$/Barrel	96.01	3.38
	Gold	\$/Troy Ounce	1619.40	(0.21)
	Natural Gas	\$/MMBtu	2.72	(1.81)
	Silver	\$/Troy Ounce	28.00	(0.21)
	Aluminium	\$/Tonne	1858.00	(1.22)
	Lead	\$/Tonne	1895.00	0.16
	Nickel	\$/Tonne	15630.00	1.49
	Zinc	\$/Tonne	1797.00	(2.07)
CURRENCIES	USD/GBP		1.5697	0.09
	USD/EUR		1.2321	0.27
	USD/AUD		1.0436	(1.31)
	JPY/USD		79.50	1.57
	INR/USD		55.73	0.81
	HKD/USD		7.7560	(0.01)
	BRL/USD		2.0150	(0.05)
BONDS	2 Year	US Treasury	110.16	(0.05)
	10 Year		132.50	(0.92)
	30 Year		145.88	(1.99)

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 18th Aug 2012	% Change
STOCKS	Nifty	Large Cap	5366.30	0.86
	Sensex	Large Cap	17691.08	0.76
	BSE Midcap	Mid Cap	6157.96	0.96
	BSE Smallcap	Small Cap	6615.25	1.00
Some Major Shares	ACC	Rs/share	1326.35	(1.17)
	Bharti Airtel		262.30	2.62
	HDFC Ltd		713.30	3.35
	Infosys		2351.05	1.64
	L&T		1451.85	1.96
	Reliance Inds		816.10	4.35
	Tata Motors		240.20	3.56
	Tata Steel		394.80	(1.32)
COMMODITIES	Aluminium	INR/Kg	102.25	(1.21)
	Copper	INR/Kg	420.40	1.29
	Crude	INR/Barrel	5377.00	4.63
	Gold	INR/10gms	30166.00	0.45
	Lead	INR/Kg	105.15	0.29
	Natural Gas	INR/1mmBtu	152.80	(0.20)
	Nickel	INR/Kg	871.30	2.04
	Silver	INR/Kg	53621.00	0.24
	Zinc	INR/Kg	100.20	(1.67)
CURRENCIES	INR/EUR		68.63	1.02
	INR/GBP		87.34	0.76
	INR/100 JPY		70.05	(0.78)
	INR/USD		55.73	0.81



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 18/08/2012

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.20	2.40
Inflation Rate	Monthly	↓1.40	1.70
Unemployment Rate	Monthly	8.30	8.20
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↑1.65	1.58

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↑-0.40	-0.10
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	↑3.31	3.29

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↑3.50	2.90
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	↑0.79	0.74

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-0.80	-0.20
Inflation Rate	Monthly	↑2.60	2.40
Unemployment Rate	Monthly	8.10	8.20
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	1.56	1.56

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	5.30	6.10
Inflation Rate	Monthly	↓6.87	7.25
Unemployment Rate	Monthly	no data	
Benchmark Interest Rate	Weekly	8.00	8.00
Govt. bond 10 year Rate	Weekly	↓8.20	8.25

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	↑5.60	4.30
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 18/08/2012

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1696.50	16.30	7.26
Bharat Heavy Electricals Ltd.	Electric Equipment	229.05	7.85	2.13
Bharti Airtel Ltd.	Telecommunication - Service Provider	262.10	26.15	1.94
Cipla Ltd.	Pharmaceuticals & Drugs	354.85	22.41	3.59
Coal India Ltd.	Mining & Minerals	350.45	14.66	5.86
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	1670.05	18.91	5.38
GAIL (India) Ltd.	Gas Transmission/Marketing	360.55	12.03	2.01
HDFC Bank Ltd.	Bank - Private	595.20	25.52	4.44
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1930.15	15.82	7.86
Hindalco Industries Ltd.	Aluminium & Aluminium Products	113.95	10.81	0.68
Hindustan Unilever Ltd.	Household & Personal Products	502.10	31.37	22.58
Housing Development Finance Corporation Ltd.	Finance - Housing	712.10	25.24	5.39
ICICI Bank Ltd.	Bank - Private	961.70	15.96	1.76
Infosys Ltd.	IT - Software	2351.40	15.20	4.02
ITC Ltd.	Cigarettes/Tobacco	261.85	31.89	10.08
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	402.10	10.98	2.00
Larsen & Toubro Ltd.	Engineering - Construction	1452.65	19.49	3.48
Mahindra & Mahindra Ltd.	Automobiles-Tractors	767.10	15.70	3.68
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1177.05	22.53	2.18
NTPC Ltd.	Power Generation/Distribution	168.25	14.38	1.83
Oil & Natural Gas Corpn. Ltd.	Oil Exploration	281.90	8.90	2.05
Reliance Industries Ltd.	Refineries	815.10	13.97	1.57
State Bank Of India	Bank - Public	1896.30	7.06	1.14
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	108.85	8.34	0.76
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	660.65	23.74	5.23
Tata Consultancy Services Ltd.	IT - Software	1277.45	22.09	7.61
Tata Motors Ltd.	Automobiles-Trucks/Lcv	240.45	4.73	1.87
Tata Power Company Ltd.	Power Generation/Distribution	97.35	0.00	1.78
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	394.80	59.81	0.89
Wipro Ltd.	IT - Software	353.65	14.96	3.05

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 – Inflation has moderated to below 7%.
- Foreign exchange – The balance of payments situation is negative.
- Politics – P Chidambaram is Finance Minister, Sushil Shinde is Home Minister.
- National – Assam is tense and a large number of Indians from the North East are returning to the state in fear of 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.
- Sporadic violence in different parts of the country
- Deficient monsoon



Detailed technical analysis

WORLD MARKETS - TECHNICAL SNAPSHOT

		Very Bullish	Bullish	Neutral	Bearish	Very Bearish
STOCKS			Germany ↑	Australia Brazil France Hong Kong India Japan UK USA	China	
COMMODITIES			Natural Gas	Copper Crude Oil Gold	Lead Silver Zinc ↓	Aluminium Nickel
CURRENCIES (against USD)				AUD GBP HKD ↓ JPY ↓	BRL EUR ↑	INR
BONDS (US Treasury)				2 Year 10 Year 30 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
Oil & Gas

Auto
Cap Goods
Cons Durable
IT ↑
Power
Realty

Metal ↓

Teck

COMMODITIES

Gold ↑

Natural Gas

Copper
Crude Oil
Lead
Silver

Zinc

Aluminium
Nickel

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

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

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

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