

ShroffConnect Weekly Report

1st September, 2012



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Opinion as on 01/09/2012

- Money flow: Into stocks and commodities.
 - **Opinion on money flow:** Investors probably feel that the economic problems in Europe will recede on ECB intervention. The ECB officials and finance ministers will meet during the next couple of weeks to decide on the future course of action. A further monetary stimulus by the USA is a distinct possibility.
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- Indian market – The Indian market remained under pressure and closed near a support area of 5250.
 - Sectors – Cement, Consumer Goods, IT & Pharma are outperforming.
 - Positives – FII buying, excise collections up.
 - Negatives – High interest rate, high fiscal deficit, political apathy, adjourned parliament.
 - **Opinion:** Finally we have some sensible news from a government / quasi government body a.k.a. the Shome panel. They have given great recommendations in their draft report on GAAR and capital gains tax addressing the needs of investors, both foreign and Indian. The market should see an uptrend in the coming weeks. Segments of the economy continue to do well and they are holding the GDP growth rate to approx. 5.5%. Meanwhile the Parliament continues to remain out of action. The government is unable to get out of its own mess and the allied parties and opposition are taking full advantage of the situation. Investors should hold onto their investments. Fresh money may be deployed in stocks of companies which are growing in the tough economic environment.



Current news and world
financial market prices

Current scenario & news

World economy

- An early gauge of economic activity across Europe pointed down in August. The number of unemployed in the 17 nations that share the euro rose to a record 18 million in July. Retail sales in Germany, Spain and Greece fell, illustrating that strong and weak economies alike are being touched by the debt crisis.
- China's central bank is experimenting with more delicate tools to support bank liquidity and lending, showing an apparent reluctance to resort to blunter monetary policy instruments such as cutting the amount of cash banks must hold as reserves despite abundant signs of weakening growth.
- Brazil's economy is showing the first signs that it's turning the corner after a year of stagnation as government stimulus measures help offset the impact of the global crisis.

Indian economy

- India's quarterly GDP grew 5.5 percent, driven by a rebound in construction and financial services, just above the 5.3 percent posted in the three months ended in March.
- Growth in India's property market is expected to fall to less than 5 percent over the next 12 months compared with an annual rate of 17 percent since 2007.
- Diesel and cooking gas (LPG) prices are unlikely to be hiked even after the end of the Monsoon Session of Parliament as the government is wary of taking such a decision at a time when it already has political battles on hand.
- India's GDP growth languished around its lowest in three years in the quarter ended June, offering no respite for Prime Minister Manmohan Singh as he struggles to escape a series of political scandals that have paralysed his economic agenda.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 1st Sep 2012	% Change
STOCKS	Australia	ASX	4339.02	(0.86)
	Brazil	Bovespa	57061.45	(2.34)
	China	Shanghai	2047.52	(2.13)
	France	CAC	3413.07	(0.59)
	Germany	DAX	6970.79	(0.00)
	Hong Kong	Hang Seng	19482.57	(2.00)
	India	Sensex	17429.56	(1.99)
	Japan	Nikkei	8839.91	(2.54)
	UK	FTSE	5711.48	(1.13)
	USA	DJIA	13090.84	(0.51)
COMMODITIES	Copper	\$/Pound	3.46	(0.57)
	Crude	\$/Barrel	96.47	0.33
	Gold	\$/Troy Ounce	1687.60	0.88
	Natural Gas	\$/MMBtu	2.80	3.70
	Silver	\$/Troy Ounce	31.44	2.68
	Aluminium	\$/Tonne	1902.00	(0.83)
	Lead	\$/Tonne	1965.00	(0.30)
	Nickel	\$/Tonne	15950.00	(3.19)
	Zinc	\$/Tonne	1841.00	(2.02)
CURRENCIES	USD/GBP		1.5863	0.40
	USD/EUR		1.2576	0.51
	USD/AUD		1.0321	(0.72)
	JPY/USD		78.37	(0.36)
	INR/USD		55.52	0.05
	HKD/USD		7.7552	(0.02)
	BRL/USD		2.0286	0.11
BONDS	2 Year	US Treasury	110.27	0.06
	10 Year		134.75	0.88
	30 Year		150.50	1.43

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 1st Sep 2012	% Change
STOCKS	Nifty	Large Cap	5258.50	(2.38)
	Sensex	Large Cap	17429.56	(1.99)
	BSE Midcap	Mid Cap	6005.02	(1.87)
	BSE Smallcap	Small Cap	6395.09	(2.73)
Some Major Shares	ACC	Rs/share	1308.50	(2.23)
	Bharti Airtel		247.80	(0.06)
	HDFC Ltd		735.30	1.77
	Infosys		2361.65	(3.40)
	L&T		1342.90	(5.48)
	Reliance Inds		766.40	(2.01)
	Tata Motors		234.30	(4.78)
	Tata Steel		361.40	(6.81)
COMMODITIES	Aluminium	INR/Kg	104.90	0.14
	Copper	INR/Kg	427.20	0.11
	Crude	INR/Barrel	5379.00	0.47
	Gold	INR/10gms	31342.00	1.28
	Lead	INR/Kg	108.90	0.05
	Natural Gas	INR/1mmBtu	156.30	3.99
	Nickel	INR/Kg	896.30	(1.70)
	Silver	INR/Kg	59009.00	2.61
	Zinc	INR/Kg	102.15	(0.78)
CURRENCIES	INR/EUR		69.85	0.58
	INR/GBP		88.04	0.43
	INR/100 JPY		70.81	0.41
	INR/USD		55.52	0.05



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 01/09/2012

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.30	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	↓1.63	1.82

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-0.40	-0.10
Inflation Rate	Monthly	2.40	2.40
Unemployment Rate	Monthly	11.30	11.30
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	↑3.37	3.34

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	3.50	2.90
Inflation Rate	Monthly	↑-0.40	-0.20
Unemployment Rate	Monthly	4.30	4.30
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	↓0.81	0.85

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-0.50	-0.20
Inflation Rate	Monthly	2.60	2.40
Unemployment Rate	Monthly	8.00	8.10
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	↓1.49	1.67

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↑5.50	5.30
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	↓8.18	8.24

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↓0.50	0.80
Inflation Rate	Monthly	5.20	4.92
Unemployment Rate	Monthly	6.50	6.30
Benchmark Interest Rate	Weekly	↓7.50	8.00
Govt. bond 10 year Rate	Weekly	12.55	12.53

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↓4.00	4.90
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 01/09/2012

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1615.40	15.52	6.92
Bharat Heavy Electricals Ltd.	Electric Equipment	214.35	7.34	2.00
Bharti Airtel Ltd.	Telecommunication - Service Provider	245.70	24.51	1.81
Cipla Ltd.	Pharmaceuticals & Drugs	378.15	23.88	3.82
Coal India Ltd.	Mining & Minerals	352.75	14.75	4.96
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	1685.20	19.08	5.43
GAIL (India) Ltd.	Gas Transmission/Marketing	351.60	11.73	1.96
HDFC Bank Ltd.	Bank - Private	595.05	25.53	4.44
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1788.10	14.66	7.28
Hindalco Industries Ltd.	Aluminium & Aluminium Products	103.75	9.84	0.62
Hindustan Unilever Ltd.	Household & Personal Products	518.25	32.38	23.30
Housing Development Finance Corporation Ltd.	Finance - Housing	733.35	26.30	5.00
ICICI Bank Ltd.	Bank - Private	909.30	15.09	1.66
Infosys Ltd.	IT - Software	2373.25	15.34	4.05
ITC Ltd.	Cigarettes/Tobacco	267.55	32.63	10.32
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	352.30	9.62	1.76
Larsen & Toubro Ltd.	Engineering - Construction	1341.40	18.00	3.21
Mahindra & Mahindra Ltd.	Automobiles-Tractors	765.15	15.66	3.67
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1138.55	21.79	2.11
NTPC Ltd.	Power Generation/Distribution	168.10	14.37	1.86
Oil & Natural Gas Corpn. Ltd.	Oil Exploration	276.15	8.72	2.00
Reliance Industries Ltd.	Refineries	771.95	13.23	1.50
State Bank Of India	Bank - Public	1845.00	6.87	1.11
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	96.20	7.37	0.68
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	668.55	24.02	5.29
Tata Consultancy Services Ltd.	IT - Software	1347.30	23.30	8.03
Tata Motors Ltd.	Automobiles-Trucks/Lcv	233.75	4.60	1.81
Tata Power Company Ltd.	Power Generation/Distribution	99.60	0.00	1.82
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	362.50	54.92	0.82
Wipro Ltd.	IT - Software	367.60	15.55	3.17

World macro scenario

- USA – US economic data is mixed and unemployment remains above 8%. The government has fixed the interest to remain as low as 0.25% till 2014. There may be a QE3 as early as next month. 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 on help to Greece and other countries in trouble. Dutch elections are to be held shortly.
- China – Lowest GDP growth in several years. Govt. cuts key interest rate to boost growth.
- Japan – Improvement in GDP growth.
- Rest of the World – Positive political development and growth in South East Asia. Indonesia and Phillipines overtakes India in GDP growth. Syrian violence and the Iranian nuclear programme are key pressure points.

Indian macro scenario

- Economy – Fiscal deficit is much above the desired levels with subsidies becoming bigger. The monsoon is officially deficient but catching up in a late burst.
- Government policies – New panel for GAAR formed. Govt. rethinks income tax amendments.
- 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 – The Parliament monsoon session has not seen any business due to the CAG report on allotment of captive coal mines and BJP agitation thereon.
- National – Assam is tense and sporadic violence continues.
- 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.
- Deficient monsoon.



Detailed technical analysis

WORLD MARKETS - TECHNICAL SNAPSHOT

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

Oil & Gas

Auto
Bankex ↓
Cap Goods
Cons Durable
IT
Teck

Metal ↓
Power ↓
Realty

COMMODITIES

Gold

Silver ↑

Copper
Crude Oil
Lead
Natural Gas

Aluminium
Nickel
Zinc ↓

CURRENCIES (against INR)

GBP

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

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

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