

ShroffConnect Weekly Report

8th September, 2012



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Opinion as on 08/09/2012

- Money flow: Into stocks and commodities.
 - **Opinion on money flow:** Investor sentiment is fired up on the ECB decision to buy short term bonds. This has resulted in the reduction of the cost of borrowing for Spain and Italy, and should bring some stability to the Eurozone. There is a distinct possibility of QE3 by the USA before their elections in November 2012.
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- Indian markets: The markets received a boost from the ECB decision and closed near a resistance area of 5350.
 - Sectors: Cement, Consumer Goods, IT & Pharma are outperforming.
 - Positives: Foreign cues and FII buying.
 - Negatives: High fiscal deficit, high interest rate, political inertia, “Coalgate”.
 - **Opinion:** The market should remain buoyant for some time. However the stock prices of companies doing well are extremely high and may not present good buying opportunities. Coalgate is a scam which is unraveling really fast, and unlike the 2G scam, this involves ministers belonging to the Congress party. The silver linings for the market may be taxation law amendments by the government and a reduction of interest rates by the RBI. Investors should be cautious in their purchases and exit sectors likely to be affected by Coalgate. They may buy stocks of sectors doing well on dips.



Current news and world
financial market prices

Current scenario & news

World economy

- US jobs growth slowed more than expected in August, setting the stage for the Federal Reserve to pump additional money into the sluggish economy.
- Japan's government approved Friday the suspension of 5 trillion yen (\$63.4 billion) in spending as political wrangling starves it of cash, a development that could deprive the country's economy of some budgetary support when it urgently needs help to withstand a global slowdown.
- A contraction in manufacturing business spread further around the world in August as the euro zone's troubles inflicted more damage on the global economy.
- Copper traders are the most bullish in almost 11 months on mounting speculation central banks will do more to bolster growth, strengthening demand for metals.

Indian economy

- The RBI will buy bonds through its open market operation (OMO) if liquidity deficit persistently stays above the Reserve Bank of India's comfort level, HR Khan, a deputy governor at the RBI said on Wednesday.
- The country's foreign exchange reserves rose by USD 282.3 million to USD 290.46 billion on the back of a healthy increase in the gold reserves.
- Overseas direct investment by Indian companies rose to USD 1.95 billion in August, up from USD 1.24 billion in the previous month.
- Ratings agency Fitch, which in June cut its outlook of the country's sovereign rating to negative, Friday said the macroeconomic situation continues to remain weak with slower growth and inflationary pressures.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 8th Sep 2012	% Change
STOCKS	Australia	ASX	4348.75	0.22
	Brazil	Bovespa	58321.24	2.21
	China	Shanghai	2127.76	3.92
	France	CAC	3519.05	3.11
	Germany	DAX	7214.50	3.50
	Hong Kong	Hang Seng	19802.16	1.64
	India	Sensex	17683.73	1.46
	Japan	Nikkei	8871.65	0.36
	UK	FTSE	5794.80	1.46
	USA	DJIA	13306.64	1.65
COMMODITIES	Copper	\$/Pound	3.64	5.20
	Crude	\$/Barrel	96.42	(0.05)
	Gold	\$/Troy Ounce	1740.50	3.13
	Natural Gas	\$/MMBtu	2.68	(4.29)
	Silver	\$/Troy Ounce	33.69	7.16
	Aluminium	\$/Tonne	2023.00	6.36
	Lead	\$/Tonne	2095.00	6.62
	Nickel	\$/Tonne	16500.00	3.45
	Zinc	\$/Tonne	1970.00	7.01
CURRENCIES	USD/GBP		1.6024	1.01
	USD/EUR		1.2815	1.90
	USD/AUD		1.0383	0.60
	JPY/USD		78.18	(0.24)
	INR/USD		55.39	(0.23)
	HKD/USD		7.7554	0.00
	BRL/USD		2.0286	0.00
BONDS	2 Year	US Treasury	110.21	(0.05)
	10 Year		134.13	(0.46)
	30 Year		148.53	(1.31)

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 8th Sep 2012	% Change
STOCKS	Nifty	Large Cap	5342.10	1.59
	Sensex	Large Cap	17683.73	1.46
	BSE Midcap	Mid Cap	6111.43	1.77
	BSE Smallcap	Small Cap	6455.70	0.95
Some Major Shares	ACC	Rs/share	1341.15	2.50
	Bharti Airtel		256.00	3.31
	HDFC Ltd		729.40	(0.80)
	Infosys		2487.25	5.32
	L&T		1368.20	1.88
	Reliance Inds		791.75	3.31
	Tata Motors		243.30	3.84
	Tata Steel		370.90	2.63
COMMODITIES	Aluminium	INR/Kg	115.15	9.77
	Copper	INR/Kg	447.60	4.78
	Crude	INR/Barrel	5313.00	(1.23)
	Gold	INR/10gms	31896.00	1.77
	Lead	INR/Kg	116.20	6.70
	Natural Gas	INR/1mmBtu	147.90	(5.37)
	Nickel	INR/Kg	910.00	1.53
	Silver	INR/Kg	63890.00	8.27
	Zinc	INR/Kg	108.10	5.82
CURRENCIES	INR/EUR		71.02	1.68
	INR/GBP		88.73	0.78
	INR/100 JPY		70.78	(0.04)
	INR/USD		55.39	(0.23)



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 08/09/2012

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.30	2.40
Inflation Rate	Monthly	1.40	1.70
Unemployment Rate	Monthly	↓8.10	8.30
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↓1.58	1.63

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-0.50	-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	6.00
Govt. bond 10 year Rate	Weekly	↑3.40	3.37

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	↓0.78	0.81

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	↑1.63	1.49

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	↑8.21	8.18

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.50	0.80
Inflation Rate	Monthly	↑5.24	5.20
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	5.90	4.30
Unemployment Rate	Monthly	5.40	5.40
Benchmark Interest Rate	Weekly	8.00	8.00
Govt. bond 10 year Rate	Weekly	↑7.78	6.00

IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 08/09/2012

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1687.20	16.21	7.22
Bharat Heavy Electricals Ltd.	Electric Equipment	204.85	7.02	1.91
Bharti Airtel Ltd.	Telecommunication - Service Provider	255.55	25.50	1.89
Cipla Ltd.	Pharmaceuticals & Drugs	380.65	24.04	3.85
Coal India Ltd.	Mining & Minerals	361.15	15.11	5.08
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	1696.65	19.22	5.47
GAIL (India) Ltd.	Gas Transmission/Marketing	364.15	12.15	2.03
HDFC Bank Ltd.	Bank - Private	590.10	25.32	4.41
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1800.05	14.76	7.33
Hindalco Industries Ltd.	Aluminium & Aluminium Products	105.15	9.98	0.63
Hindustan Unilever Ltd.	Household & Personal Products	537.90	33.60	24.19
Housing Development Finance Corporation Ltd.	Finance - Housing	729.40	26.21	5.60
ICICI Bank Ltd.	Bank - Private	937.85	15.56	1.72
Infosys Ltd.	IT - Software	2483.00	16.05	4.24
ITC Ltd.	Cigarettes/Tobacco	262.75	32.06	10.13
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	347.50	9.49	1.76
Larsen & Toubro Ltd.	Engineering - Construction	1367.90	18.36	3.28
Mahindra & Mahindra Ltd.	Automobiles-Tractors	763.40	15.63	3.67
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1204.60	23.05	2.23
NTPC Ltd.	Power Generation/Distribution	172.00	14.70	1.91
Oil & Natural Gas Corpn. Ltd.	Oil Exploration	275.20	8.69	1.99
Reliance Industries Ltd.	Refineries	791.00	13.56	1.53
State Bank Of India	Bank - Public	1887.65	7.02	1.14
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	96.45	7.39	0.68
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	664.35	23.87	5.26
Tata Consultancy Services Ltd.	IT - Software	1385.90	23.97	8.26
Tata Motors Ltd.	Automobiles-Trucks/Lcv	243.30	4.79	1.89
Tata Power Company Ltd.	Power Generation/Distribution	96.00	0.00	1.75
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	370.70	56.16	0.83
Wipro Ltd.	IT - Software	377.75	15.98	3.26

World macro scenario

- USA – US economic data is mixed and unemployment remains above 8%. However it has decreased a bit. 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. Possibility of QE3.
- 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 Philippines 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 – GAAR panel presents investor positive draft recommendations. Govt. rethinks income tax amendments.
- RBI – The RBI leaves rates unchanged on 31st July. Next meeting is on 17/9/12.
- Inflation – Inflation has moderated to below 7%.
- Foreign exchange – The balance of payments situation is negative.
- Politics – The Parliament monsoon session ended with no positive business.
- 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			Australia ↑ France Germany India ↑ UK ↑ USA	Brazil Hong Kong Japan		China
COMMODITIES			Gold ↑ Silver ↑	Aluminium ↑ Copper Crude Oil Lead Natural Gas Zinc	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

		Very Bullish	Bullish	Neutral	Bearish	Very Bearish
INDICES			Nifty ↑ Sensex ↑	Mid Cap Small Cap		
SECTORS	FMCG Healthcare		Oil & Gas	Auto Bankex Cap Goods Cons Durable IT Teck	Power Realty	Metal ↓
COMMODITIES	Gold		Silver	Aluminium ↑ Copper Crude Oil Lead Natural Gas 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 Techno HDFC Bank Hind Unilever ITC Lupin Power Grid Ranbaxy Sun Pharma Tata Global TCS Ultratech	ACC Apollo Tyres Bajaj Auto Coal India HDFC M&M NTPC ↑ Petronet LNG ↑ Reliance Ind ↑ Shriram Trans Tech Mahindra ↓	Bosch Ltd BPCL Cairn DLF Dr Reddy Exide Ind GAIL Havells India Hind Zinc ICICI Bank ↓ Infosys Tech JP Associates JSW Steel Kotak Bank LT Maruti Suzuki MRF Nestle India O N G C RECL Reliance Cap Reliance Infra Tata Chemicals ↑ Tata Motors Tata Power Thermax Wipro ↑	ABB ↓ Axis Bank ↓ Bhel Idea Cellular ↑ SBIN Sesa Goa Siemens Sterlite Ind ↓ UCO Bank	Andhra Bank Ashok Leyland Bank of Baroda Bharti Airtel Canara Bank Chambal Fert Crompton Gr ↓ Hero Motoco ↓ Hindalco Jindal Steel PNB RCOM Tata Steel ↓

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

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

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