

ShroffConnect Weekly Report

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Opinion as on 29/09/2012

- Money flow: The money flow was into stocks and commodities. There has been some flow into short term treasuries as well.
 - **Opinion on money flow:** European stock markets have taken a breather on Spain debt issues. Spain does not want to take aid from the ECB due to its restrictive conditions. Their budget deficit is 7.4% and it hopes to raise loans of over 250 billion Euros from the markets. This reluctance to conform to austerity measures prescribed by the ECB is not a good sign.
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- Indian market - The Indian market continued to be bullish and closed at 5700.
 - Sectors - Selective private banks, cement, cigarettes, selective IT and selective pharma are outperforming.
 - Positives: Government sticking to its reforms.
 - Negatives: High interest rates, high inflation.
 - **Opinion:** - The markets seemed to have rallied on expectations that reforms will continue and negative policies announced earlier shall be reversed. The Shome panel final report is due on 1/10/12 and should be positive for the market. However, the market may be getting ahead of fundamentals and it is a time to be cautious. Investors should hold onto investments, and buy stocks of companies showing growth on dips.



Current news and world
financial market prices

Current scenario & news

World economy

- Germany is the last country in the 17-member euro zone to complete ratification of the European Stability Mechanism (ESM), an important tool to stem the three-year debt crisis that has forced bailouts of Greece, Ireland and Portugal and now threatens big countries like Spain and Italy.
- Treasuries rose for the second straight quarter, bolstered by their longest rally since 2008, as concern global growth is slowing and Europe's debt crisis is worsening stoked demand for the haven of U.S. government debt.
- Profits for major Chinese industrial companies, or those with annual revenues of more than 20 million yuan (USD 3.15 million), fell 6.2 percent year on year to 381.2 billion yuan in August, marking the fifth straight month of declines.

Indian economy

- India is on the edge of a "fiscal precipice" and should urgently slash fuel, food and fertilizer subsidies to curb a budget deficit that could hit 6.1 percent of gross domestic product this fiscal year, the Kelkar panel said on Friday,
- Eight core industries grew at a slower pace of 2.1 percent in August, as against 3.8 percent in the same month last year due to negative growth in crude oil, natural gas, fertiliser and cement.
- The Central Board of Direct Taxes (CBDT) had recently announced guidelines for advance pricing agreements (APA), which would help reduce disputes about transfer pricing between tax authorities and multi-national corporations.
- Fiscal deficit in the first five months of 2012-13 stood at 65.7 per cent of the budget estimates, slightly better compared to 66.3 per cent in the same period a year ago.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 29th Sep 2012	% Change
STOCKS	Australia	ASX	4406.34	(0.55)
	Brazil	Bovespa	59175.86	(3.50)
	China	Shanghai	2086.17	2.93
	France	CAC	3354.82	(4.98)
	Germany	DAX	7216.15	(3.16)
	Hong Kong	Hang Seng	20840.38	0.51
	India	Sensex	18762.74	0.05
	Japan	Nikkei	8870.16	(2.63)
	UK	FTSE	5742.07	(1.89)
	USA	DJIA	13437.13	(1.05)
COMMODITIES	Copper	\$/Pound	3.76	(0.79)
	Crude	\$/Barrel	92.19	(0.75)
	Gold	\$/Troy Ounce	1773.90	(0.23)
	Natural Gas	\$/MMBtu	3.32	15.28
	Silver	\$/Troy Ounce	34.58	(0.17)
	Aluminium	\$/Tonne	2112.00	(0.19)
	Lead	\$/Tonne	2280.00	(0.35)
	Nickel	\$/Tonne	18475.00	1.65
	Zinc	\$/Tonne	2096.00	(0.92)
CURRENCIES	USD/GBP		1.6160	(0.36)
	USD/EUR		1.2857	(0.88)
	USD/AUD		1.0375	(0.78)
	JPY/USD		77.96	(0.19)
	INR/USD		52.85	(0.94)
	HKD/USD		7.7540	0.02
	BRL/USD		2.0254	0.07
BONDS	2 Year	US Treasury	110.24	0.04
	10 Year		133.48	0.61
	30 Year		149.38	1.70

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 29th Sep 2012	% Change
STOCKS	Nifty	Large Cap	5703.30	0.21
	Sensex	Large Cap	18762.74	0.05
	BSE Midcap	Mid Cap	6607.29	2.72
	BSE Smallcap	Small Cap	7017.89	3.06
Some Major Shares	ACC	Rs/share	1470.05	6.44
	Bharti Airtel		265.45	(4.89)
	HDFC Ltd		774.40	(0.61)
	Infosys		2534.95	(2.30)
	L&T		1596.80	0.80
	Reliance Inds		837.20	(1.54)
	Tata Motors		267.55	(2.83)
	Tata Steel		400.90	(1.98)
COMMODITIES	Aluminium	INR/Kg	110.95	(0.45)
	Copper	INR/Kg	441.05	(0.98)
	Crude	INR/Barrel	4887.00	(1.63)
	Gold	INR/10gms	31201.00	(0.97)
	Lead	INR/Kg	119.90	(0.87)
	Natural Gas	INR/1mmBtu	176.10	14.65
	Nickel	INR/Kg	978.50	1.92
	Silver	INR/Kg	62780.00	(0.79)
	Zinc	INR/Kg	110.45	(0.81)
CURRENCIES	INR/EUR		67.98	(1.83)
	INR/GBP		85.39	(1.32)
	INR/100 JPY		67.75	(0.75)
	INR/USD		52.85	(0.94)



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 29/09/2012

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.10	2.40
Inflation Rate	Monthly	1.70	1.40
Unemployment Rate	Monthly	8.10	8.30
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	1.78	1.78

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-0.50	-0.10
Inflation Rate	Monthly	↑2.70	2.60
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	2.00	1.80
Unemployment Rate	Monthly	4.10	4.10
Benchmark Interest Rate	Weekly	6.00	6.00
Govt. bond 10 year Rate	Weekly	3.50	3.50

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	3.20	2.90
Inflation Rate	Monthly	-0.40	-0.40
Unemployment Rate	Monthly	↓4.20	4.30
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	0.81	0.81

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-0.50	-0.20
Inflation Rate	Monthly	2.50	2.60
Unemployment Rate	Monthly	8.10	8.00
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	1.80	1.80

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	5.50	5.30
Inflation Rate	Monthly	7.55	6.87
Unemployment Rate	Monthly	no data	
Benchmark Interest Rate	Weekly	8.00	8.00
Govt. bond 10 year Rate	Weekly	8.16	8.16

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.50	0.80
Inflation Rate	Monthly	5.24	5.20
Unemployment Rate	Monthly	5.30	6.50
Benchmark Interest Rate	Weekly	7.50	8.00
Govt. bond 10 year Rate	Weekly	9.92	9.92

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	4.00	4.90
Inflation Rate	Monthly	5.90	5.90
Unemployment Rate	Monthly	5.40	5.40
Benchmark Interest Rate	Weekly	8.25	8.00
Govt. bond 10 year Rate	Weekly	7.79	7.79

IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 29/09/2012

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1832.50	17.61	7.84
Bharat Heavy Electricals Ltd.	Electric Equipment	246.85	8.46	2.30
Bharti Airtel Ltd.	Telecommunication - Service Provider	264.85	26.42	1.96
Cipla Ltd.	Pharmaceuticals & Drugs	380.60	24.04	3.85
Coal India Ltd.	Mining & Minerals	359.45	15.03	5.05
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	1647.40	18.66	5.31
GAIL (India) Ltd.	Gas Transmission/Marketing	383.05	12.78	2.14
HDFC Bank Ltd.	Bank - Private	628.70	27.00	4.70
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1879.30	15.41	7.65
Hindalco Industries Ltd.	Aluminium & Aluminium Products	120.50	11.43	0.72
Hindustan Unilever Ltd.	Household & Personal Products	544.55	34.02	24.49
Housing Development Finance Corporation Ltd.	Finance - Housing	772.90	27.79	5.94
ICICI Bank Ltd.	Bank - Private	1057.25	17.54	1.93
Infosys Ltd.	IT - Software	2534.00	16.38	4.33
ITC Ltd.	Cigarettes/Tobacco	271.90	33.21	10.50
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	427.50	11.67	2.16
Larsen & Toubro Ltd.	Engineering - Construction	1596.75	21.43	3.83
Mahindra & Mahindra Ltd.	Automobiles-Tractors	864.50	17.69	4.15
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1349.90	25.83	2.50
NTPC Ltd.	Power Generation/Distribution	167.85	14.35	1.86
Oil & Natural Gas Corpn. Ltd.	Oil Exploration	280.40	8.85	2.03
Reliance Industries Ltd.	Refineries	836.70	14.34	1.62
State Bank Of India	Bank - Public	2237.90	8.33	1.35
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	99.35	7.61	0.70
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	693.30	24.91	5.49
Tata Consultancy Services Ltd.	IT - Software	1294.00	22.38	7.71
Tata Motors Ltd.	Automobiles-Trucks/Lcv	267.45	5.26	2.08
Tata Power Company Ltd.	Power Generation/Distribution	106.95	0.00	1.95
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	400.75	60.71	0.90
Wipro Ltd.	IT - Software	381.30	16.13	3.29

World macro scenario

- USA – US economic data is mixed, unemployment remains above 8%. The government has fixed the interest to remain low till 2015. Fed announces unlimited QE3. A “fiscal cliff” which entails automatic cutting of govt. expenditure is due from 1st Jan, 2013.
- Europe – Economic slowdown in most countries. ECB announces bond purchases. Spain is in trouble and may ask for aid.
- China – Lowest GDP growth in several years. Govt. cuts key interest rate to boost growth.
- Japan – Improvement in GDP growth rate. Political tension with China.
- Rest of the World – Positive economic growth in South East Asia. Indonesia and Philippines overtake India in GDP growth. Iranian nuclear programme and Islamic attacks on US and French embassies are key pressure points.

Indian macro scenario

- Economy – Fiscal deficit is much above the desired levels with subsidies becoming bigger. Fuel prices have been hiked to control this. The monsoon is officially deficient but catching up in a late burst.
- Government policies – GAAR panel presents investor positive draft recommendations. Final report to be announced on 1/10/12. Govt. announced FDI in retail and aviation.
- RBI – CRR cut in mid quarter review on 17/9/12.
- Inflation – Inflation has increase to 7.55%.
- Foreign exchange – The balance of payments situation is alarming.
- Politics – The Parliament monsoon session ended with no positive business.
- Sectors – In terms of growth, defensive sectors are doing better – consumer products and pharma.

Our concerns on the macro front

World economies

- Mixed data from USA. Need for QE3.
- Eurozone's low to negative GDP growth. Spain debt issues.
- Chinese GDP growth slowdown.
- Syria and Iran political issues.

Indian economy

- High interest rate.
- High and growing fiscal deficit through subsidies.
- Populist politics.



Detailed technical analysis

WORLD MARKETS - TECHNICAL SNAPSHOT

		Very Bullish	Bullish	Neutral	Bearish	Very Bearish
STOCKS	Germany India		Australia Brazil France ↓ USA	Hong Kong Japan UK ↓		China
COMMODITIES			Gold Lead Natural Gas ↑ Silver	Aluminium Copper Crude Oil Nickel Zinc		
CURRENCIES (against USD)			GBP ↑ HKD JPY	AUD EUR INR	BRL ↓	
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	Bankex IT Teck ↑		Auto Cap Goods Cons Durable Metal Power Realty		
COMMODITIES	Gold Lead ↑ Silver	Copper ↑ Natural Gas ↑ Zinc		Aluminium Crude Oil Nickel		
CURRENCIES (against INR)				EUR ↓ GBP ↓ USD JPY		

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

MAJOR LARGE COMPANIES - TECHNICAL SNAPSHOT

[illegible]

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

MAJOR MEDIUM & SMALL COMPANIES - TECHNICAL SNAPSHOT

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

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

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