

ShroffConnect Weekly Report

13th October, 2012



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Opinion as on 13/10/2012

- Money flow: There is no clear trend. Money seems to be flowing out of Eurozone stocks and into Australia and Asian stocks. Commodities are stagnant.
 - **Opinion on money flow:** The market seems to have taken a breather due to the IMF's bleak picture of the world economy. It is the result season as well and this nervousness may continue for some weeks.
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- Indian market: The Indian market is correcting and closed at 5676 after bouncing from a support level of 5630-5640.
 - Sectors: Cement and consumer goods are outperforming.
 - Positives: The govt. is finally getting its act together and making the right policy announcements.
 - Negatives: Huge deficit, precarious balance of payments position, high interest rates.
 - **Opinion:** If the government implements the policies they have announced so far, and continues to put the economy before election considerations, the Indian economy will surely turn the corner. The sentiment amongst business houses has received a big boost and there are signs that capital expenditure may pick up. No political party wants elections and therefore an early election does not seem a possibility. Investors should stick to their investments and buy on dips.



Current news and world
financial market prices

Current scenario & news

World economy

- The US reported a budget surplus for the final month of the 2012 fiscal year, but the tiny bump in revenues did not prevent the country's deficit from exceeding \$1 trillion for the fourth year in a row.
- Spain faced renewed pressure to take the politically humiliating step of seeking sovereign aid after a credit agency cut its rating to near junk, triggering a spike in its borrowing costs.
- Chinese exports rose 9.9 per cent in September year-on-year to a record high for a single month, indicating resilience in the country's trade despite an economic slowdown.
- Japan's government downgraded its view of the economy for the third straight month in October as worries about Europe's debt crisis and China's slowdown intensified, adding pressure on the central bank to offer further stimulus to support growth.

Indian economy

- India's industrial output rose modestly in August but not enough to end a long slump in Asia's third largest economy, while inflation slowed, improving the case for a cut in interest rates that both businessmen and politicians have been pleading for.
- Poor corporate tax realisation on account of slow economic activity kept growth in gross direct tax collection low at 5.87 per cent during April-September, as against an annual target of 15 per cent.
- The government-appointed panel, in its draft report unveiled on Tuesday favoured prospective application of tax law and waiver of interest and penalty in case of retrospective application.
- India's annual exports fell for the fifth consecutive month and imports rose in September, pushing the trade deficit to its widest in 11 months as it struggles to balance its finances.

WORLD MARKETS - A SNAPSHOT

| | Name | Description | Week ended 13th Oct 2012 | % Change |
|-------------|-------------|---------------|-----------------------------|----------|
| STOCKS | Australia | ASX | 4510.10 | (0.08) |
| | Brazil | Bovespa | 59161.72 | 1.01 |
| | China | Shanghai | 2104.93 | 0.90 |
| | France | CAC | 3389.08 | (1.97) |
| | Germany | DAX | 7232.49 | (2.24) |
| | Hong Kong | Hang Seng | 21136.43 | 0.59 |
| | India | Sensex | 18675.18 | (1.39) |
| | Japan | Nikkei | 8534.12 | (3.71) |
| | UK | FTSE | 5793.32 | (1.32) |
| | USA | DJIA | 13328.85 | (2.07) |
| COMMODITIES | Copper | \$/Pound | 3.70 | (2.12) |
| | Crude | \$/Barrel | 91.86 | 2.20 |
| | Gold | \$/Troy Ounce | 1759.70 | (1.18) |
| | Natural Gas | \$/MMBtu | 3.61 | 6.18 |
| | Silver | \$/Troy Ounce | 33.67 | (2.60) |
| | Aluminium | \$/Tonne | 1994.00 | (5.50) |
| | Lead | \$/Tonne | 2131.00 | (6.86) |
| | Nickel | \$/Tonne | 17075.00 | (6.69) |
| CURRENCIES | Zinc | \$/Tonne | 1935.00 | (6.75) |
| | USD/GBP | | 1.6070 | (0.37) |
| | USD/EUR | | 1.2953 | (0.58) |
| | USD/AUD | | 1.0234 | 0.48 |
| | JPY/USD | | 78.39 | (0.33) |
| | INR/USD | | 52.81 | 1.85 |
| | HKD/USD | | 7.7513 | (0.00) |
| BONDS | BRL/USD | | 2.0416 | 0.54 |
| | 2 Year | US Treasury | 110.22 | 0.00 |
| | 10 Year | | 133.31 | 0.29 |
| | 30 Year | | 149.56 | 1.40 |

INDIAN MARKETS - A SNAPSHOT

| | Name | Description | Week ended 13th Oct 2012 | % Change |
|----------------------|---------------|-------------|-----------------------------|----------|
| STOCKS | Nifty | Large Cap | 5676.05 | (1.23) |
| | Sensex | Large Cap | 18675.18 | (1.39) |
| | BSE Midcap | Mid Cap | 6676.85 | (0.03) |
| | BSE Smallcap | Small Cap | 7109.73 | (0.50) |
| Some Major Shares | ACC | Rs/share | 1498.05 | 2.77 |
| | Bharti Airtel | | 260.35 | (2.03) |
| | HDFC Ltd | | 740.25 | (1.29) |
| | Infosys | | 2395.35 | (5.20) |
| | L&T | | 1650.00 | 0.01 |
| | Reliance Inds | | 818.90 | (4.53) |
| | Tata Motors | | 271.25 | (3.31) |
| | Tata Steel | | 420.95 | 2.53 |
| COMMODITIES | Aluminium | INR/Kg | 104.80 | (3.85) |
| | Copper | INR/Kg | 434.90 | 0.25 |
| | Crude | INR/Barrel | 4862.00 | 3.93 |
| | Gold | INR/10gms | 31284.00 | 0.38 |
| | Lead | INR/Kg | 113.45 | (4.22) |
| | Natural Gas | INR/1mmBtu | 190.90 | 8.04 |
| | Nickel | INR/Kg | 909.40 | (4.74) |
| | Silver | INR/Kg | 61198.00 | (0.97) |
| | Zinc | INR/Kg | 101.40 | (5.50) |
| CURRENCIES | INR/EUR | | 68.43 | 1.15 |
| | INR/GBP | | 84.84 | 1.47 |
| | INR/100 JPY | | 67.32 | 2.17 |
| | INR/USD | | 52.81 | 1.85 |



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 13/10/2012

| USA | Period | Current | Previous |
|-------------------------|-----------|---------|----------|
| GDP Annual Growth Rate | Quarterly | 2.10 | 2.40 |
| Inflation Rate | Monthly | 1.70 | 1.40 |
| Unemployment Rate | Monthly | 7.80 | 8.10 |
| Benchmark Interest Rate | Weekly | 0.25 | 0.25 |
| Govt. bond 10 year Rate | Weekly | ↑1.68 | 1.63 |

| Euro Area | Period | Current | Previous |
|-------------------------|-----------|---------|----------|
| GDP Annual Growth Rate | Quarterly | -0.40 | -0.10 |
| Inflation Rate | Monthly | 2.70 | 2.60 |
| Unemployment Rate | Monthly | 11.40 | 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 | 3.47 |

| 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 | 0.77 | 0.77 |

| 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 | 1.69 |

| 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 | 8.14 |

| Brazil | Period | Current | Previous |
|-------------------------|-----------|---------|----------|
| GDP Annual Growth Rate | Quarterly | 0.50 | 0.80 |
| Inflation Rate | Monthly | 5.28 | 5.24 |
| Unemployment Rate | Monthly | 5.30 | 6.50 |
| Benchmark Interest Rate | Weekly | ↓7.25 | 7.50 |
| Govt. bond 10 year Rate | Weekly | ↓9.65 | 9.80 |

| Russia | Period | Current | Previous |
|-------------------------|-----------|---------|----------|
| GDP Annual Growth Rate | Quarterly | 4.00 | 4.90 |
| Inflation Rate | Monthly | 6.60 | 5.90 |
| Unemployment Rate | Monthly | 5.40 | 5.40 |
| Benchmark Interest Rate | Weekly | 8.25 | 8.00 |
| Govt. bond 10 year Rate | Weekly | ↓7.71 | 7.74 |

IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 13/10/2012

| Company | Industry | Price | TTM P/E | P/BV |
|--|--------------------------------------|---------|---------|-------|
| Bajaj Auto Ltd | Automobile Two & Three Wheelers | 1743.60 | 16.75 | 7.46 |
| Bharat Heavy Electricals Ltd. | Electric Equipment | 245.35 | 8.40 | 2.28 |
| Bharti Airtel Ltd. | Telecommunication - Service Provider | 260.30 | 25.97 | 1.92 |
| Cipla Ltd. | Pharmaceuticals & Drugs | 363.85 | 22.98 | 3.68 |
| Coal India Ltd. | Mining & Minerals | 359.40 | 15.03 | 5.05 |
| Dr Reddys Laboratories Ltd. | Pharmaceuticals & Drugs | 1687.55 | 19.11 | 5.44 |
| GAIL (India) Ltd. | Gas Transmission/Marketing | 379.35 | 12.65 | 2.11 |
| HDFC Bank Ltd. | Bank - Private | 630.40 | 27.07 | 4.71 |
| Hero MotoCorp Ltd. | Automobile Two & Three Wheelers | 1779.45 | 14.59 | 7.24 |
| Hindalco Industries Ltd. | Aluminium & Aluminium Products | 117.80 | 11.18 | 0.71 |
| Hindustan Unilever Ltd. | Household & Personal Products | 573.75 | 35.84 | 25.80 |
| Housing Development Finance Corporation Ltd. | Finance - Housing | 740.20 | 26.61 | 5.69 |
| ICICI Bank Ltd. | Bank - Private | 1045.35 | 17.35 | 1.91 |
| Infosys Ltd. | IT - Software | 2395.65 | 14.72 | 4.09 |
| ITC Ltd. | Cigarettes/Tobacco | 283.00 | 34.57 | 10.93 |
| Jindal Steel & Power Ltd. | Steel/Sponge Iron/Pig Iron | 417.45 | 11.40 | 2.11 |
| Larsen & Toubro Ltd. | Engineering - Construction | 1650.40 | 22.15 | 3.95 |
| Mahindra & Mahindra Ltd. | Automobiles-Tractors | 854.40 | 17.49 | 4.10 |
| Maruti Suzuki India Ltd. | Automobiles - Passenger Cars | 1371.90 | 26.25 | 2.54 |
| NTPC Ltd. | Power Generation/Distribution | 168.70 | 14.42 | 1.87 |
| Oil & Natural Gas Corp. Ltd. | Oil Exploration | 277.30 | 8.75 | 2.01 |
| Reliance Industries Ltd. | Refineries | 818.90 | 14.06 | 1.58 |
| State Bank Of India | Bank - Public | 2250.60 | 8.37 | 1.36 |
| Sterlite Industries (India) Ltd. | Metal - Non Ferrous | 102.85 | 7.88 | 0.72 |
| Sun Pharmaceutical Inds. Ltd. | Pharmaceuticals & Drugs | 714.80 | 25.69 | 5.66 |
| Tata Consultancy Services Ltd. | IT - Software | 1298.15 | 22.45 | 7.74 |
| Tata Motors Ltd. | Automobiles-Trucks/Lcv | 270.55 | 5.32 | 2.10 |
| Tata Power Company Ltd. | Power Generation/Distribution | 102.30 | 0.00 | 1.87 |
| Tata Steel Ltd. | Steel/Sponge Iron/Pig Iron | 420.55 | 63.71 | 0.95 |
| Wipro Ltd. | IT - Software | 351.65 | 14.88 | 3.03 |

World macro scenario

- USA – US economic data is mixed, unemployment dips below 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.
- 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.

Indian macro scenario

- Economy – Fiscal deficit is much above the desired levels with subsidies becoming bigger. Fuel prices have been hiked to control this.
- Government policies – Govt. announced FDI in retail and aviation. It also announces FDI in insurance and pension funds.
- RBI – CRR cut in mid quarter review on 17/9/12. Next review is on 30/10/12.
- Inflation – Inflation has increased to 7.55%.
- Foreign exchange – The INR has appreciated to approx. Rs.53/- per USD.
- Politics – The Parliament monsoon session ended with no positive business. Election dates announced for Himachal Pradesh and Gujarat.
- Sectors – In terms of growth, defensive sectors are doing better.

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 | | Australia ↑ Germany India | Hong Kong ↑ USA ↓ | Brazil France ↓ UK ↓ | China ↑ Japan | |
| COMMODITIES | | Lead Natural Gas Silver | Aluminium ↑ Copper ↑ Gold Zinc | Crude Oil Nickel | | |
| CURRENCIES (against USD) | | | EUR ↑ GBP HKD INR JPY | AUD | 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 | | Mid Cap ↑ Nifty ↑ Sensex | Small Cap | | | |
| SECTORS | | Bankex Cap Goods ↑ FMCG Healthcare ↑ Oil & Gas | Auto ↑ Cons Durable | IT ↓ Metal Power Realty Teck ↓ | | |
| COMMODITIES | | Gold Natural Gas Silver | Copper Lead ↓ | Aluminium ↓ Nickel Zinc ↓ | Crude Oil ↓ | |
| CURRENCIES (against INR) | | | | EUR GBP 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 | ACC | Bank of Baroda ↑ | ABB | Sesa Goa ↑ | Bharti Airtel |
| | Ambuja Cem | Coal India ↑ | Andhra Bank | | Hero Motoco |
| | Bajaj Auto | DLF | Apollo Tyres ↓ | | |
| | Cipla | GAIL | Ashok Leyland | | |
| | Exide Inds | Havells India ↑ | Axis Bank | | |
| | Grasim Ind | HCL Tech ↓ | Bhel | | |
| | HDFC ↑ | Hind Zinc | Bosch Ltd | | |
| | HDFC Bank | JSW Steel | BPCL | | |
| | Hind Unilever | Kotak Bank | Cairn | Neutral | |
| | ICICI Bank | Maruti Suzuki ↑ | Canara Bank | | |
| | ITC | Nestle India ↑ | Chambal Fert | PNB | |
| | LT | Petronet LNG | Crompton Gr | RCOM | |
| | M&M | Power Grid ↑ | Dr Reddy | Reliance Infra | |
| | Reliance Cap ↑ | Ranbaxy | Hindalco | Siemens | |
| | Shriram Trans | RECL | Idea Cellular | SBIN | |
| | Sun Pharma | Reliance Ind | Infosys Tech | Sterlite Ind | |
| | Tata Global | TCS ↑ | JP Associates | Tata Chem | |
| | Tech Mahindra | | Jindal Steel ↑ | Tata Motors | |
| | Thermax | | Lupin | Tata Power | |
| | Ultratech | | MRF | Tata Steel | |
| | | | NTPC | UCO Bank | |
| | | | O N G C | Wipro | |

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

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

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