

# *ShroffConnect* Weekly Report

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# Opinion as on 15/12/2012

- Money flow: Into European and Asian stocks.
  - **Opinion on money flow:** Investors are less enthusiastic about the US economy with the threat of the Fiscal Cliff and the uncompromising attitude of the politicians.
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- Indian market - The Indian market is consolidating in a small range of 5800-5950.
  - Sectors - Selective Auto, Private Banks, Cigarettes, Financial Services and Jewellery are outperforming.
  - Positives - Governmental desire for reforms.
  - Negatives - High fiscal deficit, high interest rate, political issues.
  - **Opinion:** This government is clearly a minority government and its future economic performance can be, at best, limited. The compromises which the government is making with regional parties to push through key reforms are a double edged sword because these compromises may be against the national interest. Nevertheless, corporate India needs these reforms to steam ahead; else, the economy will stagnate at 5-5.5% GDP growth. Clarity is also awaited on the GAAR and Retrospective taxation issues, and these shall be probably be announced only after the current session of Parliament which ends on 20/12. The RBI mid quarter review is on 18/12. We feel that the RBI may reduce interest rates. The current bull run should continue for some more time. Investors should buy good stocks on dips.



Current news and world  
financial market prices

# Current scenario & news

## World economy

- European leaders agreed to press on with further steps to shore up their finances and sustain momentum in tackling the debt crisis after clinching a deal on banking supervision and approving long-delayed aid to Greece.
- China scrapped a ceiling on investments by overseas sovereign wealth funds and central banks in its capital markets, part of government efforts to encourage long-term foreign ownership and shore up slumping equities.
- Japan's machinery orders rose for the first time in three months, a sign that companies may expect the world's third largest economy to return to growth in 2013.
- Treasuries fell for a second week, the first back-to-back losses in three months, as the Federal Reserve's expansion of a bond-buying program spurred speculation inflation will increase.

## Indian economy

- November inflation falls to 7.24% versus 7.45% in October.
- India's industrial-production recovered to grow at the fastest pace in more than a year in October after the government overhauled policies to boost growth in Asia's third-largest economy.
- Net direct tax collection grew by 15.04 percent to Rs 2,70,731 crore during April-November period of the current fiscal, with nearly three-fifth coming from the corporate sector.
- The government swung into action with steps to accelerate approvals for mega projects, and approved a new law for land acquisition, acting decisively to spur investment and growth that have been marred by inter-ministerial tussles.
- Overseas investors have made net investments of \$1.2 billion in the Indian equity market during the first week of the month, taking the total for 2012 so far to a whopping \$21 billion.

## WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 15th Dec 2012	% Change
STOCKS	Australia	ASX	4595.06	0.86
	Brazil	Bovespa	59604.92	1.91
	China	Shanghai	2150.63	4.31
	France	CAC	3643.28	1.04
	Germany	DAX	7596.47	1.05
	Hong Kong	Hang Seng	22605.98	1.87
	India	Sensex	19317.25	(0.55)
	Japan	Nikkei	9737.56	2.21
	UK	FTSE	5921.76	0.12
	USA	DJIA	13135.01	(0.15)
COMMODITIES	Copper	\$/Pound	3.68	0.55
	Crude	\$/Barrel	86.73	0.93
	Gold	\$/Troy Ounce	1697.00	(0.50)
	Natural Gas	\$/MMBtu	3.31	(6.76)
	Silver	\$/Troy Ounce	32.30	(2.51)
	Aluminium	\$/Tonne	2122.00	1.34
	Lead	\$/Tonne	2294.00	3.57
	Nickel	\$/Tonne	17875.00	3.77
	Zinc	\$/Tonne	2090.00	3.06
CURRENCIES	USD/GBP		1.6166	0.82
	USD/EUR		1.3163	1.84
	USD/AUD		1.0569	0.77
	JPY/USD		83.47	1.24
	INR/USD		54.48	0.02
	HKD/USD		7.7497	(0.00)
	BRL/USD		2.0855	0.51
BONDS	2 Year	US Treasury	110.28	0.02
	10 Year		133.39	(0.50)
	30 Year		149.72	(0.77)

## INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 15th Dec 2012	% Change
STOCKS	Nifty	Large Cap	5879.60	(0.47)
	Sensex	Large Cap	19317.25	(0.55)
	BSE Midcap	Mid Cap	6999.05	(1.01)
	BSE Smallcap	Small Cap	7353.72	(1.24)
Some Major Shares	ACC	Rs/share	1404.35	(0.74)
	Bharti Airtel		312.45	(3.10)
	HDFC Ltd		852.30	1.74
	Infosys		2278.80	(1.82)
	L&T		1639.15	(2.17)
	Reliance Inds		839.25	0.56
	Tata Motors		292.10	3.62
	Tata Steel		397.00	0.70
COMMODITIES	Aluminium	INR/Kg	114.75	1.32
	Copper	INR/Kg	445.30	0.23
	Crude	INR/Barrel	4728.00	0.70
	Gold	INR/10gms	31208.00	(0.38)
	Lead	INR/Kg	124.30	2.73
	Natural Gas	INR/1mmBtu	181.90	(6.09)
	Nickel	INR/Kg	970.40	3.40
	Silver	INR/Kg	61347.00	(1.97)
	Zinc	INR/Kg	112.50	2.37
CURRENCIES	INR/EUR		71.73	1.87
	INR/GBP		88.04	0.84
	INR/100 JPY		65.24	(1.18)
	INR/USD		54.48	0.02



Detailed macro analysis

## MACRO ECONOMIC SNAPSHOT AS ON 15/12/2012

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.50	2.10
Inflation Rate	Monthly	2.20	2.00
Unemployment Rate	Monthly	7.70	7.90
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↑1.73	1.58

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-0.60	-0.40
Inflation Rate	Monthly	2.20	2.50
Unemployment Rate	Monthly	11.70	11.60
Benchmark Interest Rate	Weekly	0.75	0.75
Govt. bond 10 year Rate	Weekly	varied	

China	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	7.40	7.60
Inflation Rate	Monthly	↑2.00	1.70
Unemployment Rate	Monthly	4.10	4.10
Benchmark Interest Rate	Weekly	6.00	6.00
Govt. bond 10 year Rate	Weekly	↑3.60	3.55

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↓-3.50	3.30
Inflation Rate	Monthly	-0.40	-0.30
Unemployment Rate	Monthly	4.20	4.20
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	↑0.72	0.69

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-0.10	-0.50
Inflation Rate	Monthly	2.70	2.20
Unemployment Rate	Monthly	7.80	7.80
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	↑1.87	1.77

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	5.30	5.50
Inflation Rate	Monthly	↓7.24	7.45
Unemployment Rate	Monthly	no data	
Benchmark Interest Rate	Weekly	8.00	8.00
Govt. bond 10 year Rate	Weekly	↓8.16	8.17

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.90	0.50
Inflation Rate	Monthly	5.53	5.45
Unemployment Rate	Monthly	5.30	5.40
Benchmark Interest Rate	Weekly	7.25	7.25
Govt. bond 10 year Rate	Weekly	↑9.24	9.19

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.90	4.00
Inflation Rate	Monthly	6.50	6.50
Unemployment Rate	Monthly	5.30	5.20
Benchmark Interest Rate	Weekly	8.25	8.25
Govt. bond 10 year Rate	Weekly	↓6.71	6.87



## IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 15/12/2012

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	2080.25	19.89	7.88
Bharat Heavy Electricals Ltd.	Electric Equipment	224.90	7.86	2.00
Bharti Airtel Ltd.	Telecommunication - Service Provider	311.95	33.84	2.40
Cipla Ltd.	Pharmaceuticals & Drugs	404.05	22.18	3.84
Coal India Ltd.	Mining & Minerals	353.95	14.35	4.67
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	1833.70	19.48	4.92
GAIL (India) Ltd.	Gas Transmission/Marketing	347.00	11.92	1.85
HDFC Bank Ltd.	Bank - Private	688.70	27.80	4.89
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1868.30	16.42	6.98
Hindalco Industries Ltd.	Aluminium & Aluminium Products	120.00	12.26	0.71
Hindustan Unilever Ltd.	Household & Personal Products	518.15	31.30	19.80
HDFC Ltd.	Finance - Housing	852.35	29.44	5.38
ICICI Bank Ltd.	Bank - Private	1136.30	17.70	2.03
Infosys Ltd.	IT - Software	2277.25	13.99	3.63
ITC Ltd.	Cigarettes/Tobacco	295.75	34.45	10.30
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	430.50	11.68	2.04
Larsen & Toubro Ltd.	Engineering - Construction	1638.20	20.73	3.68
Mahindra & Mahindra Ltd.	Automobiles-Tractors	949.90	18.43	4.22
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1474.40	28.46	2.67
NTPC Ltd.	Power Generation/Distribution	152.70	12.15	1.62
Oil & Natural Gas Corpn. Ltd.	Oil Exploration	259.50	9.11	1.79
Reliance Industries Ltd.	Refineries	839.20	14.63	1.60
State Bank Of India	Bank - Public	2320.15	8.13	1.34
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	113.20	7.41	0.78
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	716.60	28.50	5.60
Tata Consultancy Services Ltd.	IT - Software	1240.95	19.51	6.92
Tata Motors Ltd.	Automobiles-Trucks/Lcv	291.90	5.66	2.00
Tata Power Company Ltd.	Power Generation/Distribution	104.75	0.00	1.92
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	397.25	595.95	0.92
Wipro Ltd.	IT - Software	375.95	15.10	2.98

# World macro scenario

- USA – US economic data is decent. The government has fixed the interest to remain low till 2015. Fed has announced unlimited QE3. A “fiscal cliff” which entails automatic cutting of govt. expenditure is due from 1<sup>st</sup> Jan, 2013.
- Europe – Economic slowdown in most countries. Spain is in trouble and may ask for aid.
- China – Lowest GDP growth in several years although the economy may be bottoming out. PMI higher after several months. Change in leadership of the ruling Communist Party.
- Japan – Exports lower especially to China. 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. 2G auctions do not get required funds to curb fiscal deficit.
- Government policies – Govt. announces FDI in multi-brand retail, aviation, insurance and pension funds. Most plans will have to be passed by Parliament. Winter session begins on a stormy note. GDP growth down to 5.3%.
- RBI – CRR cut by 0.25% on 30/10/12. Repo rate cut unlikely till Jan 2013.
- Inflation – Inflation has decreased marginally to 7.24%.
- Politics – Elections in Himachal Pradesh and Gujarat.
- Sectors – In terms of growth, private banks, cement, consumer goods and financial services sectors are doing better.

# Our concerns on the macro front

## World economies

- Mixed data from USA. Need for QE3. Fiscal cliff.
- Eurozone's low to negative GDP growth. Spain debt issues.
- Chinese GDP growth slowdown.
- Middle Eastern issues.

## Indian economy

- Lowest GDP growth in years.
- High interest rate.
- High and growing fiscal deficit through subsidies.
- Populist politics.
- Possibility of early elections.



Detailed technical analysis

## WORLD MARKETS - TECHNICAL SNAPSHOT

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

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

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

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

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