

# *ShroffConnect* Weekly Report

## 23<sup>rd</sup> February, 2013



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# Opinion as on 23/02/2013

- Money flow: There is no particular trend, although commodities have witnessed weakening.
  - **Opinion on money flow:** Investors are keen on some profit booking as there are rumours of the Fed reducing or stopping the QE3 liquidity inflow. They have already announced that they would stop it sometime this year although the exact date is not known.
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- Indian market: The Indian market held onto the psychological 5850 level.
  - Sectors: Private Banks, IT, Oil, Paints and selective Pharma are outperforming.
  - Positives: The government sticking to its reforms.
  - Negatives: High fiscal and current account deficit, high interest rates.
  - **Opinion:** The financial budget is to be presented in the coming week, and probably, this is the last chance of this government to make a difference to the economy. If the finance minister is as good as his word, then the budget will right the past wrongs on retrospective taxation, introduce GST (in a limited way) and encourage infrastructure spending while keeping down subsidies and grants. This is a tall order, although he just might deliver. We believe that he will. Investors should hold onto their investments and invest in good companies on dips.



Current news and world  
financial market prices

# Current scenario & news

## World economy

- U.S. companies' capital spending plans are holding up, and mostly exceeding Wall Street forecasts, in the face of policy concerns created by arguments in Washington over the fiscal cliff, the debt ceiling and now automatic spending cuts.
- Britain's finance minister insisted he would not change course after the loss of the country's 'AAA' credit rating but is facing pressure to do just that as his bet on austerity falters ahead of the 2015 election.
- German business confidence rose more than economists forecast to a 10-month high in February, adding to signs that Europe's largest economy is gathering strength.
- Currency volumes spiked in January and have stayed robust so far, thanks to unexpectedly strong and persistent rallies in the euro and weakness in the yen, demand from institutional clients, and increased flows in world equity markets.

## Indian economy

- India's austerity push in a budget to be unveiled on Thursday threatens to have the unintended impact of adding to inflationary pressure, hampering chances for rapid interest rate cuts that the government wants, say RBI officials.
- India plans to raise about \$880 million next month cutting its stakes in two state companies, a move that will help the government tackle the budget deficit.
- India's benchmark bond rose to its highest level in two-and-a-half years after the government cancelled the last scheduled debt sale for the current fiscal year, with traders awaiting the next year's borrowing target due later this month for cues.
- Falling for the second straight month, India's foreign direct investment (FDI) inflows declined nearly 19 percent to USD 1.10 billion in December 2012 due to global economic uncertainties.

## WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 23rd Feb 2013	% Change
STOCKS	Australia	ASX	5036.71	(0.35)
	Brazil	Bovespa	56697.06	(2.08)
	China	Shanghai	2314.16	(4.86)
	France	CAC	3706.28	1.25
	Germany	DAX	7661.91	0.90
	Hong Kong	Hang Seng	22782.44	(2.82)
	India	Sensex	19317.01	(0.78)
	Japan	Nikkei	11385.94	1.90
	UK	FTSE	6335.70	0.12
	USA	DJIA	14000.57	0.13
COMMODITIES	Copper	\$/Pound	3.53	(5.61)
	Crude	\$/Barrel	93.13	(2.85)
	Gold	\$/Troy Ounce	1572.80	(2.28)
	Natural Gas	\$/MMBtu	3.29	4.44
	Silver	\$/Troy Ounce	28.46	(4.66)
	Aluminium	\$/Tonne	2048.00	(5.54)
	Lead	\$/Tonne	2304.00	(5.38)
	Nickel	\$/Tonne	16975.00	(7.64)
	Zinc	\$/Tonne	2088.00	(4.00)
CURRENCIES	USD/GBP		1.5176	(2.18)
	USD/EUR		1.3187	(1.31)
	USD/AUD		1.0322	0.16
	JPY/USD		93.40	(0.13)
	INR/USD		54.27	(0.09)
	HKD/USD		7.7558	0.02
	BRL/USD		1.9722	0.57
BONDS	2 Year	US Treasury	110.23	0.03
	10 Year		131.91	0.29
	30 Year		144.00	0.37

## INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 23rd Feb 2013	% Change
STOCKS	Nifty	Large Cap	5850.30	(0.63)
	Sensex	Large Cap	19317.01	(0.78)
	BSE Midcap	Mid Cap	6609.03	(0.27)
	BSE Smallcap	Small Cap	6564.76	0.36
Some Major Shares	ACC	Rs/share	1300.95	3.34
	Bharti Airtel		309.65	(2.21)
	HDFC Ltd		799.85	(1.51)
	Infosys		2840.55	1.86
	L&T		1435.30	(0.60)
	Reliance Inds		862.60	1.99
	Tata Motors		292.90	(3.79)
	Tata Steel		364.50	(3.08)
COMMODITIES	Aluminium	INR/Kg	109.30	(5.65)
	Copper	INR/Kg	423.75	(5.51)
	Crude	INR/Barrel	5074.00	(2.63)
	Gold	INR/10gms	29605.00	(1.95)
	Lead	INR/Kg	125.10	(5.55)
	Natural Gas	INR/1mmBtu	177.50	3.20
	Nickel	INR/Kg	918.60	(7.63)
	Silver	INR/Kg	53702.00	(4.21)
	Zinc	INR/Kg	112.60	(4.37)
CURRENCIES	INR/EUR		71.58	(1.39)
	INR/GBP		82.34	(2.28)
	INR/100 JPY		58.08	0.03
	INR/USD		54.27	(0.09)



Detailed macro analysis

## MACRO ECONOMIC SNAPSHOT AS ON 23/02/2013

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.50	2.60
Inflation Rate	Monthly	↓1.60	1.70
Unemployment Rate	Monthly	7.90	7.80
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	1.95	1.95

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-0.90	-0.60
Inflation Rate	Monthly	2.00	2.20
Unemployment Rate	Monthly	11.70	11.70
Benchmark Interest Rate	Weekly	0.75	0.75
Govt. bond 10 year Rate	Weekly	varied	

China	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	7.90	7.40
Inflation Rate	Monthly	2.00	2.50
Unemployment Rate	Monthly	4.10	4.10
Benchmark Interest Rate	Weekly	6.00	6.00
Govt. bond 10 year Rate	Weekly	↑3.62	3.61

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.30	0.50
Inflation Rate	Monthly	-0.10	-0.20
Unemployment Rate	Monthly	4.20	4.10
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	↓0.74	0.76

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.00	0.00
Inflation Rate	Monthly	2.70	2.70
Unemployment Rate	Monthly	↑7.80	7.70
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	2.11	2.11

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	5.30	5.50
Inflation Rate	Monthly	6.62	7.18
Unemployment Rate	Monthly	no data	
Benchmark Interest Rate	Weekly	7.75	8.00
Govt. bond 10 year Rate	Weekly	↓7.81	7.84

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.90	0.50
Inflation Rate	Monthly	6.15	5.84
Unemployment Rate	Monthly	4.60	4.90
Benchmark Interest Rate	Weekly	7.25	7.25
Govt. bond 10 year Rate	Weekly	↓9.54	9.71

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.90	4.00
Inflation Rate	Monthly	7.10	6.60
Unemployment Rate	Monthly	↑6.00	5.30
Benchmark Interest Rate	Weekly	8.25	8.25
Govt. bond 10 year Rate	Weekly	↑6.68	6.59



## IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 23/02/2013

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1992.85	18.91	6.82
Bharat Heavy Electricals Ltd.	Electric Equipment	204.90	7.42	1.74
Bharti Airtel Ltd.	Telecommunication - Service Provider	309.80	42.43	2.37
Cipla Ltd.	Pharmaceuticals & Drugs	380.25	19.94	3.48
Coal India Ltd.	Mining & Minerals	332.35	13.17	4.02
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	1814.05	21.26	4.60
GAIL (India) Ltd.	Gas Transmission/Marketing	341.05	11.13	1.73
HDFC Bank Ltd.	Bank - Private	659.75	24.88	4.42
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1679.45	15.62	5.75
Hindalco Industries Ltd.	Aluminium & Aluminium Products	107.20	11.05	0.63
Hindustan Unilever Ltd.	Household & Personal Products	455.40	26.64	15.08
Housing Development Finance Corporation Ltd.	Finance - Housing	799.90	26.72	4.83
ICICI Bank Ltd.	Bank - Private	1091.65	15.89	1.88
Infosys Ltd.	IT - Software	2836.55	17.43	4.24
ITC Ltd.	Cigarettes/Tobacco	292.05	32.42	9.35
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	357.45	10.07	1.62
Larsen & Toubro Ltd.	Engineering - Construction	1434.50	17.69	3.10
Mahindra & Mahindra Ltd.	Automobiles-Tractors	892.95	16.42	3.74
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1439.75	23.21	2.53
NTPC Ltd.	Power Generation/Distribution	151.35	11.52	1.56
Oil & Natural Gas Corp. Ltd.	Oil Exploration	324.05	11.96	2.14
Reliance Industries Ltd.	Refineries	862.65	14.22	1.59
State Bank Of India	Bank - Public	2196.50	7.57	1.21
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	97.35	6.05	0.65
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	811.30	29.83	5.88
Tata Consultancy Services Ltd.	IT - Software	1454.45	21.57	7.36
Tata Motors Ltd.	Automobiles-Trucks/Lcv	293.00	6.51	1.92
Tata Power Company Ltd.	Power Generation/Distribution	97.25	0.00	1.82
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	364.45	0.00	0.86
Wipro Ltd.	IT - Software	415.55	16.02	3.12

# Indian macro scenario

- Economy – Fiscal deficit is much above the desired levels with subsidies becoming bigger. Diesel prices partially deregulated. Lowest manufacturing PMI in three months although services PMI remains high.
- Government policies – GDP growth down to 5.3%.
- RBI – Cuts repo and CRR by 0.25% and leaves scope for further cuts.
- Politics – Rahul Gandhi appointed as Congress no. 2 just behind his mother Sonia Gandhi.
- Inflation – Inflation has decreased 6.62%. Import duty on gold hiked to 6% from 4% to curb imports.

# World macro scenario

- USA – US economic data unexpectedly contracts. The government has fixed the interest to remain low till 2015. Fed has announced that QE3 will end sometime in 2013. Debt ceiling issues postponed for 3 months.
- Europe – Economic slowdown in most countries.
- China – Has reported a higher GDP figure in many quarters leading to a prima facie conclusion that the economy has bottomed out.
- Japan – An unlimited stimulus package has been announced. Weak Yen. Political tension with China.
- Rest of the World – Positive economic growth in South East Asia.

# Our concerns on the macro front

## World economies

- Mixed data from USA. QE3 may end this year.
- Eurozone's low to negative GDP growth.
- Middle Eastern political issues.

## Indian economy

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



Detailed technical analysis

## WORLD MARKETS - TECHNICAL SNAPSHOT

		Very Bullish	Bullish	Neutral	Bearish	Very Bearish
<b>STOCKS</b>	Australia		France	Brazil		
	China		Hong Kong ↓			
	Germany ↑		India			
	Japan					
	UK					
	USA					
<b>COMMODITIES</b>	Lead		Aluminium	Copper ↓	Gold	
	Zinc		Crude Oil	Natural Gas	Silver	
				Nickel ↓		
<b>CURRENCIES</b> (against USD)	BRL ↑			AUD	HKD ↓	GBP ↓
	EUR			INR		JPY
<b>BONDS</b> (US Treasury)				2 Year	10 Year	
					30 Year	

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

## INDIAN MARKETS - TECHNICAL SNAPSHOT



### INDICES

Nifty  
Sensex

Mid Cap

Small Cap

### SECTORS

IT  
Teck

Bankex  
Oil & Gas ↓  
Realty

Auto  
Cons Durable  
FMCG  
Healthcare  
Metal  
Power

Cap Goods

### COMMODITIES

Lead  
Zinc

Aluminium ↓  
Copper  
Crude Oil ↓  
Natural Gas  
Nickel ↓

Gold  
Silver

### CURRENCIES (against INR)

EUR

USD

GBP ↓  
JPY

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

## MAJOR LARGE COMPANIES - TECHNICAL SNAPSHOT

	Very Bullish	Bullish	Neutral	Bearish	Very Bearish
COMPANIES	Asian Paints Axis Bank DLF HCL Tech Idea Cellular IndusInd Bank Infosys KOTAKBANK NHPC Oil India ONGC Sun Pharma TCS ↑ Tech Mahindra Yes Bank	Bajaj Auto Eicher Motors Havells India ↓ ITC ↓ MRF PNB Redington ↑ Reliance Ind Shree Cement ↓ Shriram Trans ↓ Tata Motors United Spirits ↓ Wipro	Ambuja Cem ↑ Apollo Tyres Ashok Leyland Bank Of Baroda Bharti Airtel ↓ Bosch Britannia Ind Cadila Health Canara Bank Cipla Dabur India Dena Bank Dr Reddys Lab ↓ Godrej Ind ↓ HDFC HDFC Bank HINDALCO ICICI Bank ↓ IDFC Jindal Steel JSW Energy JSW Steel ↓ LIC Housing Lupin M&M Maruti Suzuki ↓ Nestle India	ACC ↑ BHEL ↓ Cairn India Coal India ↓ Exide Ind Grasim Ind Hind Unilever Hindustan Zinc ↓ JP Associates L & T Petronet LNG ↓ <div style="background-color: yellow; text-align: center; padding: 5px;">Neutral</div> Pantaloon Ret RCOM RECL SBIN Sesa Goa Sterlite Ind Tata Chemicals Tata Global Tata Steel Thermax Titan Ind Ultratech Cem United Phos	ABB Bharat Forge Coromandel Int Crompton Gr EID-Parry Guj State Fert Hero Moto Co ↓ NMDC NTPC Siemens

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



## MAJOR MEDIUM & SMALL COMPANIES - TECHNICAL SNAPSHOT

	Very Bullish	Bullish	Neutral	Bearish	Very Bearish
COMPANIES	Adani Ports AMARAJABAT Berger Paints CMC Emami Godrej Con ↑ GSK Consumer ↑ Madras Cem Pidilite Ind Supreme Ind Wockhardt	Bajaj Corp City Union Bank ↓ Glenmark Ph J&K Bank Karur V Bank L&T Finance Mcleod Russel ↑ Oberoi Realty Sobha Dev ↓ Sun TV ↓ Zee Ent	Apollo Hos ↓ Arvind ↓ Bajaj Finance Biocon Castrol India Colgate-Palm Cummins India Financial Tech Glaxo Pharma Indiabulls Fin ↓ Indian Hotels IGL Jain Irrigation Marico Rallis India ↑ Shoppers Stop Sintex Ind South Indian Bank TTK Prestige	Bajaj Finserv ↓ Divis Lab GMDCLTD Jubilant Food KPIT Cummins VIP Industries ↓ Whirlpool	Bata India ↓ Gujarat Fluoro MCX ↓ Raymond ↓

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

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