

ShroffConnect Weekly Report

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Opinion as on 02/03/2013

- Money flow: Uncertain, but not moving out of stocks. Some signs of treasury buying.
 - **Opinion on money flow:** Investors may become a bit jittery on two counts – the indecisive Italian election result and the spending cuts in the USA. The issues are not aggravated and as such are not reflecting in the markets as of now. However, the uptrend has stopped.
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- Indian market: The Indian market corrected and has reached a support level of 5650-5700.
 - Sectors: Private Banks, IT, Paints and Television Broadcasting sectors are outperforming.
 - Positives: Policies which are aiming to control the deficit.
 - Negatives: Absence of any major policies to induce growth.
 - **Opinion:** India is facing a current account deficit and a fiscal deficit. The union budget for this year was politically and fiscally correct but lacked any major initiatives which will lead to growth or promote savings. The Finance Minister has really not delivered what he promised, and the budget has been disappointing to say the least. It was not harmful but not encouraging either. Investors should retain their investments and watch the policy changes and announcement during the next couple of weeks.



Current news and world
financial market prices

Current scenario & news

World economy

- American factories expanded in February at the fastest pace in almost two years, spurred by a jump in orders that is helping propel an economy about to be tested by federal government cutbacks.
- The euro-area inflation rate fell below the European Central Bank's 2 percent ceiling for the first time in more than two years and unemployment climbed to a record as the currency bloc remained mired in recession.
- China's factory growth cooled to multi-month lows in February as domestic demand dipped, weighing on firms already hit by slack foreign sales and underlining the patchiness of the country's economic recovery.
- The Bank of Japan may add monetary stimulus as early as April as prospective governor Haruhiko Kuroda looks to demonstrate a more aggressive approach to tackling 15 years of falling prices.

Indian economy

- India unveiled a surge in government spending on Thursday, despite expectations of an austerity budget to shore up its finances, imposing new taxes on the rich and large companies to fund a dash for growth ahead of an election due by next year.
- Indian factories stepped up production as domestic orders poured in at a faster pace than January, but weak global demand dented export growth.
- India's fiscal deficit during the April-January period was 4.66 trillion rupees, or 90.7 percent of the budgeted full fiscal year 2012/13 target.
- Government bonds had their worst day in seven months after the finance ministry on Thursday announced a gross market borrowing target that was well above expectations, dashing hopes of reduced debt supply.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 2nd Mar 2013	% Change
STOCKS	Australia	ASX	5100.88	1.27
	Brazil	Bovespa	56883.99	0.33
	China	Shanghai	2359.51	1.96
	France	CAC	3699.91	(0.17)
	Germany	DAX	7708.16	0.60
	Hong Kong	Hang Seng	22880.22	0.43
	India	Sensex	18918.52	(2.06)
	Japan	Nikkei	11606.38	1.94
	UK	FTSE	6378.60	0.68
	USA	DJIA	14089.66	0.64
COMMODITIES	Copper	\$/Pound	3.50	(0.85)
	Crude	\$/Barrel	90.68	(2.63)
	Gold	\$/Troy Ounce	1572.30	(0.03)
	Natural Gas	\$/MMBtu	3.46	5.17
	Silver	\$/Troy Ounce	28.49	0.11
	Aluminium	\$/Tonne	1975.00	(3.56)
	Lead	\$/Tonne	2244.00	(2.60)
	Nickel	\$/Tonne	16605.00	(2.18)
	Zinc	\$/Tonne	2020.00	(3.26)
CURRENCIES	USD/GBP		1.5033	(0.94)
	USD/EUR		1.3016	(1.30)
	USD/AUD		1.0202	(1.16)
	JPY/USD		93.54	0.15
	INR/USD		54.90	1.16
	HKD/USD		7.7542	(0.02)
	BRL/USD		1.9818	0.49
BONDS	2 Year	US Treasury	110.27	0.04
	10 Year		132.92	0.77
	30 Year		145.84	1.28

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 2nd Mar 2013	% Change
STOCKS	Nifty	Large Cap	5719.70	(2.23)
	Sensex	Large Cap	18918.52	(2.06)
	BSE Midcap	Mid Cap	6320.95	(4.36)
	BSE Smallcap	Small Cap	6195.32	(5.63)
Some Major Shares	ACC	Rs/share	1267.40	(2.58)
	Bharti Airtel		311.10	0.47
	HDFC Ltd		777.50	(2.79)
	Infosys		2913.80	2.58
	L&T		1400.45	(2.43)
	Reliance Inds		810.40	(6.05)
	Tata Motors		288.40	(1.54)
	Tata Steel		341.10	(6.42)
COMMODITIES	Aluminium	INR/Kg	107.75	(1.42)
	Copper	INR/Kg	431.10	1.73
	Crude	INR/Barrel	5017.00	(1.12)
	Gold	INR/10gms	29740.00	0.46
	Lead	INR/Kg	124.25	(0.68)
	Natural Gas	INR/1mmBtu	191.90	8.11
	Nickel	INR/Kg	921.70	0.34
	Silver	INR/Kg	53867.00	0.31
	Zinc	INR/Kg	111.45	(1.02)
CURRENCIES	INR/EUR		71.48	(0.14)
	INR/GBP		82.51	0.21
	INR/100 JPY		58.66	1.00
	INR/USD		54.90	1.16



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 02/03/2013

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.60	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	↓1.89	1.95

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-0.90	-0.60
Inflation Rate	Monthly	↓1.80	2.00
Unemployment Rate	Monthly	↑11.90	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	↓3.61	3.62

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.30	0.50
Inflation Rate	Monthly	↑-0.30	-0.10
Unemployment Rate	Monthly	4.20	4.10
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	↓0.66	0.74

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↑0.30	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	↓1.97	2.11

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↓4.50	5.30
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	↑7.87	7.81

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↑1.40	0.90
Inflation Rate	Monthly	6.15	5.84
Unemployment Rate	Monthly	↑5.40	4.60
Benchmark Interest Rate	Weekly	7.25	7.25
Govt. bond 10 year Rate	Weekly	↓9.46	9.54

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	↑6.69	6.68

IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 02/03/2013

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	2023.45	19.20	6.92
Bharat Heavy Electricals Ltd.	Electric Equipment	200.90	7.28	1.71
Bharti Airtel Ltd.	Telecommunication - Service Provider	310.95	42.58	2.38
Cipla Ltd.	Pharmaceuticals & Drugs	369.40	19.37	3.38
Coal India Ltd.	Mining & Minerals	314.20	12.45	3.80
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	1737.60	20.36	4.41
GAIL (India) Ltd.	Gas Transmission/Marketing	332.10	10.84	1.68
HDFC Bank Ltd.	Bank - Private	621.55	23.47	4.17
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1646.05	15.31	5.63
Hindalco Industries Ltd.	Aluminium & Aluminium Products	99.00	10.21	0.58
Hindustan Unilever Ltd.	Household & Personal Products	452.95	26.50	15.00
Housing Development Finance Corporation Ltd.	Finance - Housing	777.85	18.95	3.79
ICICI Bank Ltd.	Bank - Private	1056.35	15.38	1.82
Infosys Ltd.	IT - Software	2908.45	17.88	4.35
ITC Ltd.	Cigarettes/Tobacco	290.90	32.30	9.32
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	358.85	10.11	1.63
Larsen & Toubro Ltd.	Engineering - Construction	1400.10	17.27	3.03
Mahindra & Mahindra Ltd.	Automobiles-Tractors	886.65	16.31	3.72
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1424.20	22.96	2.50
NTPC Ltd.	Power Generation/Distribution	149.70	11.40	1.54
Oil & Natural Gas Corp. Ltd.	Oil Exploration	314.85	11.62	2.08
Reliance Industries Ltd.	Refineries	809.50	13.34	1.50
State Bank Of India	Bank - Public	2089.30	7.20	1.15
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	93.15	5.79	0.62
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	799.75	29.40	5.79
Tata Consultancy Services Ltd.	IT - Software	1499.55	22.24	7.59
Tata Motors Ltd.	Automobiles-Trucks/Lcv	288.65	6.42	1.89
Tata Power Company Ltd.	Power Generation/Distribution	97.15	0.00	1.82
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	341.60	0.00	0.81
Wipro Ltd.	IT - Software	421.20	16.23	3.17

Indian macro scenario

- Economy – Fiscal deficit is much above the desired levels with subsidies becoming bigger. Diesel prices partially deregulated. Current account deficit is also very big.
- Government policies – GDP growth down to 4.5%.
- 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. Narendra Modi is the BJP's likely PM candidate for 2014 elections.
- 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. Automatic cuts in govt. spending kicks in.
- Europe – Economic slowdown in most countries. Italy elections undecided.
- 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
STOCKS		Australia China Germany Japan UK USA	France Hong Kong	Brazil India ↓		
COMMODITIES			Lead ↓	Aluminium ↓ Copper Crude Oil ↓ Natural Gas Nickel Zinc ↓	Silver	Gold ↓
CURRENCIES (against USD)	BRL			AUD EUR ↓ HKD ↑ INR		GBP JPY
BONDS (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

Auto

Bankex ↓

Cons Durable

FMCG

Healthcare

Oil & Gas ↓

Realty ↓

Cap Goods

Metal ↓

Power ↓

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 Infosys Sun Pharma TCS	Bajaj Auto BPCL ITC ONGC ↓ Yes Bank ↓	Apollo Tyres Bank Of Baroda Bharti Airtel Britannia Ind Cipla Dabur India Dr Reddys Lab HDFC Bank HDFC ICICI Bank Jindal Steel JSW Steel LIC Housing Lupin M & M Maruti Suzuki MRF ↓ Oriental Bank Pantaloon Ret Reliance Ind ↓ SBIN Sesa Goa Sterlite Ind Tata Motors ↓ Titan Ind	ACC Ambuja Cem ↓ BHEL Hindalco Ind ↓ L & T Nestle India ↓ Tata Steel ↓ Ultratech Cem ↓	Cairn India ↓ Exide Ind ↓ Hero MotoCo Hind Unilever ↓ JP Associates ↓ Voltas

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

MAJOR MEDIUM & SMALL COMPANIES - TECHNICAL SNAPSHOT

	Very Bullish	Bullish	Neutral	Bearish	Very Bearish
COMPANIES	Amara Raja Batt	Adani Ports ↓	Arvind	Bajaj Finserv	Bajaj Hind
	Berger Paints	Apollo Hos ↑	Bajaj Finance	Balrampur Chini	Bata India
	CMC	Emami ↓	Biocon	DiviS Lab	Gujarat Fluoro
	Finolex Ind	Glenmark Ph	Castrol India	GMDC	Rallis India ↓
	GSK Consumer	Godrej Cons ↓	Colgate-Pal	GSPL ↓	
	Mindtree	ING Vy Bank ↓	Cummins India	Indian Hotels ↓	
	Pidilite Ind	L&T Finance	Glaxo Pharma	Jain Irrigation ↓	
	Sun TV ↑	Tata Coffee ↓	IFCI	Jubilant Food	
	Supreme Ind	Zee Ent	IGL	KPIT Cummins	
	Wockhardt		Karur Vysya	Sintex Ind ↓	
			M & M Fin ↓	Whirlpool	
			Marico		
			OFSS		
			Shoppers Stop		
			Sobha Dev ↓		
			TTK Prestige		

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