

ShroffConnect Weekly Report

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Opinion as on 30/03/2013

World Markets –

- **Money flow:** Into US stocks mainly. There is some movement into crude and natural gas as well.
 - **Opinion:** The Cyprus government saved the insured deposit holders the pain, but let the uninsured deposit holders to bear the brunt of the losses which arose due to investment in Greek bonds in the first place. The second largest bank was closed and insured accounts moved into the largest bank. This type of penalty is unprecedented. The Cyprus economy is based on its financial tax haven practices and this will seriously collapse. Investors are happy with US numbers but may exit European stocks.
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Indian Stock Market –

- **Money flow:** The market rallied a bit on the last day of the March series to close marginally below the 5700 level.
- **Sectors:** IT, Paints and selective Pharma are outperforming.
- **Positives:** None really.
- **Negatives:** High fiscal and current account deficits, high interest rates, political turmoil.
- **Opinion:** Any country needs a stable government for economic growth. The UPA coalition at the centre is far from it. The chances of an early election are high. Foreign news flows especially from Europe are negative. We need to see something concrete happen before we can put money into the stock market. Investors will do well to book profits and take money off the table.



Current news and world
financial market prices

Current scenario & news

World economy

- Consumer spending climbed in February by the most in five months and confidence unexpectedly improved in March, showing job-market gains are helping Americans overcome tax increases and concern about federal budget cuts.
- Japan's manufacturers predict a rebound in production this month after the deepest slide since the aftermath of the March 2011 earthquake, with the central bank poised to step up monetary stimulus next week.
- Big depositors in Cyprus's largest bank stand to lose far more than initially feared under a European Union rescue package to save the island from bankruptcy.
- China's yuan rose to a 19-year high after the central bank raised its daily reference rate to the strongest level in more than 10 months.

Indian economy

- The current financial year has proved to be the best ever for Indian markets in terms of foreign inflows. The year has seen foreign institutional investors (FIIs) putting in \$26 billion in Indian shares, which is the highest ever since overseas entities started investing in India.
- India's reserve money grew an annual 5.2 percent in the week to March 22, slower than 9.1 percent in the same period a year earlier.
- India's current account deficit plumbed new depths as gold and oil imports soared, putting pressure on the government to come up with new measures to attract foreign investments and increase exports to cut the deficit.
- Higher portfolio investments and larger deposits by non-residents has helped in improving the country's foreign exchange reserve by USD 1.1 billion during April-December to over USD 290 billion.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 30th Mar 2013	% Change
STOCKS	Australia	ASX	4979.87	(0.02)
	Brazil	Bovespa	56352.09	2.01
	China	Shanghai	2236.62	(3.94)
	France	CAC	3731.42	(1.03)
	Germany	DAX	7795.31	(1.47)
	Hong Kong	Hang Seng	22299.63	0.83
	India	Sensex	18835.77	0.53
	Japan	Nikkei	12397.91	0.48
	UK	FTSE	6411.74	0.30
	USA	DJIA	14578.54	0.46
COMMODITIES	Copper	\$/Pound	3.40	(2.02)
	Crude	\$/Barrel	97.23	3.76
	Gold	\$/Troy Ounce	1595.70	(0.65)
	Natural Gas	\$/MMBtu	4.02	2.29
	Silver	\$/Troy Ounce	28.32	(1.32)
	Aluminium	\$/Tonne	1904.00	(2.21)
	Lead	\$/Tonne	2112.00	(3.54)
	Nickel	\$/Tonne	16660.00	(2.86)
	Zinc	\$/Tonne	1897.00	(2.82)
CURRENCIES	USD/GBP		1.5211	(0.12)
	USD/EUR		1.2819	(1.30)
	USD/AUD		1.0417	(0.25)
	JPY/USD		94.20	(0.26)
	INR/USD		54.28	(0.11)
	HKD/USD		7.7633	0.01
	BRL/USD		2.0230	0.67
BONDS	2 Year	US Treasury	110.25	0.02
	10 Year		131.98	0.35
	30 Year		144.47	0.58

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 30th Mar 2013	% Change
STOCKS	Nifty	Large Cap	5682.55	0.55
	Sensex	Large Cap	18835.77	0.53
	BSE Midcap	Mid Cap	6142.06	1.02
	BSE Smallcap	Small Cap	5804.65	0.55
Some Major Shares	ACC	Rs/share	1159.20	1.01
	Bharti Airtel		291.75	(0.78)
	HDFC Ltd		826.25	3.75
	Infosys		2889.35	0.91
	L&T		1366.20	(2.36)
	Reliance Inds		772.90	(4.65)
	Tata Motors		269.15	(0.44)
	Tata Steel		312.85	(2.80)
COMMODITIES	Aluminium	INR/Kg	103.65	(1.24)
	Copper	INR/Kg	410.20	(2.28)
	Crude	INR/Barrel	5400.00	5.51
	Gold	INR/10gms	29394.00	(1.01)
	Lead	INR/Kg	114.85	(3.49)
	Natural Gas	INR/1mmBtu	221.90	3.40
	Nickel	INR/Kg	911.50	(2.04)
	Silver	INR/Kg	53072.00	(2.01)
	Zinc	INR/Kg	102.90	(2.65)
CURRENCIES	INR/EUR		69.60	(1.40)
	INR/GBP		82.84	0.13
	INR/100 JPY		57.59	0.14
	INR/USD		54.28	(0.11)



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 30/03/2013

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.70	2.60
Inflation Rate	Monthly	2.00	1.60
Unemployment Rate	Monthly	7.70	7.90
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↓1.85	1.93

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	11.80
Benchmark Interest Rate	Weekly	0.75	0.75
Govt. bond 10 year Rate	Weekly	↓1.26	1.30

China	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	7.90	7.40
Inflation Rate	Monthly	3.20	2.00
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	0.50	0.40
Inflation Rate	Monthly	↑-0.70	-0.30
Unemployment Rate	Monthly	↑4.30	4.20
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	↓0.51	0.58

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↓0.20	0.30
Inflation Rate	Monthly	2.80	2.70
Unemployment Rate	Monthly	7.80	7.80
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	↓1.76	1.87

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	4.50	5.30
Inflation Rate	Monthly	6.84	6.62
Unemployment Rate	Monthly	no data	
Benchmark Interest Rate	Weekly	7.50	7.75
Govt. bond 10 year Rate	Weekly	↑7.96	7.94

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.40	0.90
Inflation Rate	Monthly	6.31	6.15
Unemployment Rate	Monthly	↑5.60	5.40
Benchmark Interest Rate	Weekly	7.25	7.25
Govt. bond 10 year Rate	Weekly	↑10.10	9.84

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.90	4.00
Inflation Rate	Monthly	7.30	7.10
Unemployment Rate	Monthly	↓5.80	6.00
Benchmark Interest Rate	Weekly	8.25	8.25
Govt. bond 10 year Rate	Weekly	↓6.88	6.92

IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 30/03/2013

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1794.90	17.03	6.14
Bharat Heavy Electricals Ltd.	Electric Equipment	176.95	6.41	1.51
Bharti Airtel Ltd.	Telecommunication - Service Provider	291.80	39.96	2.23
Cipla Ltd.	Pharmaceuticals & Drugs	379.75	19.91	3.47
Coal India Ltd.	Mining & Minerals	309.15	12.25	3.74
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	1766.30	20.70	4.48
GAIL (India) Ltd.	Gas Transmission/Marketing	319.15	10.41	1.62
HDFC Bank Ltd.	Bank - Private	624.10	23.61	4.19
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1541.90	14.34	5.28
Hindalco Industries Ltd.	Aluminium & Aluminium Products	91.50	9.43	0.53
Hindustan Unilever Ltd.	Household & Personal Products	466.10	27.27	15.44
Housing Development Finance Corporation Ltd.	Finance - Housing	825.75	20.16	4.03
ICICI Bank Ltd.	Bank - Private	1045.35	15.22	1.80
Infosys Ltd.	IT - Software	2889.90	17.76	4.32
ITC Ltd.	Cigarettes/Tobacco	309.10	34.38	9.92
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	348.15	9.81	1.58
Larsen & Toubro Ltd.	Engineering - Construction	1364.90	16.83	2.95
Mahindra & Mahindra Ltd.	Automobiles-Tractors	861.15	15.84	3.61
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1279.70	20.63	2.25
NTPC Ltd.	Power Generation/Distribution	142.00	10.81	1.46
Oil & Natural Gas Corp. Ltd.	Oil Exploration	311.55	11.50	2.06
Reliance Industries Ltd.	Refineries	773.70	12.75	1.43
State Bank Of India	Bank - Public	2072.75	7.28	1.16
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	93.80	5.83	0.62
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	818.35	30.09	5.93
Tata Consultancy Services Ltd.	IT - Software	1571.80	23.31	7.96
Tata Motors Ltd.	Automobiles-Trucks/Lcv	269.30	5.99	1.77
Tata Power Company Ltd.	Power Generation/Distribution	96.40	0.00	1.81
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	312.30	0.00	0.74
Wipro Ltd.	IT - Software	437.15	16.85	3.29

World macro scenario

- USA – US economic data is mixed. The government has fixed the interest to remain low till 2015. Fed has announced that QE3 will end sometime in 2013.
- Europe – Economic slowdown in most countries. Italy elections undecided. Second largest Cyprus bank is closed by legislation, with the uninsured deposit holders taking the losses.
- 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. War type rhetoric between North Korea and USA.

Indian macro scenario

- Economy – Fiscal deficit is much above the desired levels with subsidies becoming bigger. Diesel prices partially deregulated. Current account deficit is highest ever.
- Government policies – GDP growth down but no clear growth-encouraging policies.
- RBI – Cuts repo rate by 0.25% but stand remains hawkish.
- Politics – Possible early elections.
- Inflation – WPI has increased to 6.84% but CPI remains stubbornly over 10%.

Our concerns on the macro front

World economies

- Mixed data from USA. QE3 may end this year.
- Eurozone's low to negative GDP growth. Cyprus loan default issue.
- Middle Eastern political issues.
- North Korea-US tensions.

Indian economy

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



Detailed technical analysis

WORLD MARKETS - TECHNICAL SNAPSHOT

		Very Bullish	Bullish	Neutral	Bearish	Very Bearish
STOCKS		Australia Japan UK USA	China France ↓ Germany ↓	Hong Kong India	Brazil	
COMMODITIES			Crude Oil ↑ Natural Gas	Lead Nickel Zinc	Aluminium Copper ↓ Gold Silver	
CURRENCIES (against USD)				AUD BRL ↓ EUR INR	HKD	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

FMCG ↑

Bankex
Healthcare ↓
Realty

Auto
Cons Durable
Oil & Gas ↓

Cap Goods
Metal
Power

COMMODITIES

Crude Oil ↑
Natural Gas

Lead
Nickel
Zinc

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

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

MAJOR MEDIUM & SMALL COMPANIES - TECHNICAL SNAPSHOT

	Very Bullish	Bullish	Neutral	Bearish	Very Bearish
COMPANIES	Berger Paints	Apollo Hospitals	Adani Ports	Bajaj Finance	Arvind ↓
	Finolex Ind	CMC	Amara Raja Batt	Bajaj Finserv	Balrampur Chini
	Godrej Con ↑	IGL ↑	Biocon	Colgate-Pal	Bata India
	GSK Consumer	Supreme Ind	Castrol India	DiviS Lab	KPIT Cummins ↓
	Mindtree	Tata Coffee	Cummins India	GSPL	OFSS
	Pidilite Ind		Emami ↓	IFCI	Rallis India
	Wockhardt		Glenmark Ph	Indian Hotels	Sintex Ind
			Jubilant Food ↑	Jain Irrigation	
			L&T Finance		
			M & M Financial		
			Marico		
			Sobha Dev		
			Sun TV Network		
			Zee Ent		

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