

ShroffConnect Weekly Report

20th April, 2013



Aditya Shroff

Stock Broking Services

Shroff Securities Pvt. Ltd.

Portfolio Management Services

Kolkata: 033 32933592/3658

Bangalore: 080 32996004/6005

Email: contact@shroffsecurities.com

Web: www.shroffsecurities.com

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Opinion as on 20/04/2013

World Markets –

- **Money flow:** Money seems to be flowing out of stocks, out of commodities and into treasuries.
 - **Opinion:** Investors were spooked out of gold and silver assets on the possible sale of gold by Cyprus and other economically ailing European governments. The age of full aid is over and pain will be inevitable - that is the clear message of the ECB. Commodity prices like copper and oil also crashed raising fears of an economic slowdown. US companies' earnings were mixed.
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Indian Stock Market –

- **Stock Market:** The market rallied smartly to end just below 5800.
- **Commodity market:** Gold and silver crashed to multi-year lows triggering a wave of consumer buying.
- **Sectors:** Individual companies rather than sectors are outperforming.
- **Positives:** A few long pending economic policies may be passed by Parliament; possibility of a rate cut by RBI.
- **Negatives:** High interest rates, high fiscal and current account deficits, political corruption scandals.
- **Opinion:** The 2G JPC report was leaked and while exonerating the PM, it has tried to shift blame to the previous NDA government. The former PM, Late Rajiv Gandhi has been named as a middle man in an old Boeing deal. Corruption is at the forefront once again, and this may derail attempts to pass important legislation in this budget session of Parliament. Lower gold and lower crude prices may mitigate India's current account deficit issue, but the fact that crude and copper prices are down indicates that industrial growth is just not happening, and all the good corporate profits are coming from the FMCG, IT, Pharma and Financial sectors. Crashing commodity prices may be a relief to producers, however, the fact that they are crashing is ominous. We would urge caution and adoption of a wait and watch attitude till the market stabilizes.



Current news and world
financial market prices

Current scenario & news

World economy

- The number of Americans filing new claims for unemployment benefits rose and factory activity in the nation's Mid-Atlantic region cooled in April, further signs of a moderation in economic growth.
- Japan's exports exceeded estimates in March and the trade deficit narrowed from the previous month after declines in the yen made the nation's products more competitive in overseas markets.
- China's economic recovery unexpectedly stumbled in the first three months of 2013 with slowing factory output and investment spending forcing analysts to start slashing full-year forecasts despite official insistence that the outlook was favourable.
- The International Monetary Fund trimmed projections for global economic growth for this year and next to take into account sharp government spending cuts in the United States and the latest struggles of recession-stricken Europe.

Indian economy

- India's headline inflation slowed to the lowest rate in more than three years in March, hardening expectations the Reserve Bank of India (RBI) will cut interest rates next month to help the economy recover from its slowest growth in a decade.
- India's current account deficit could ease to around 3 percent in the current fiscal year from prior estimates of about 4 percent due to sharp drop in global commodity prices.
- Indian buyers' rush to buy gold after the sharp fall in prices, but for investors, the metal has lost lustre as the dramatic end of the 12-year bull run has made land and real estate more attractive.
- India is considering freeing prices of locally produced oil and natural gas from state controls in a bid to lure more foreign investment.
- India's foreign exchange reserves rose to \$295.25 billion as of April 12, from \$293.84 billion in the previous week.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 20th Apr 2013	% Change
STOCKS	Australia	ASX	4922.96	(1.86)
	Brazil	Bovespa	53928.92	(1.88)
	China	Shanghai	2244.64	1.72
	France	CAC	3651.96	(2.07)
	Germany	DAX	7459.96	(3.68)
	Hong Kong	Hang Seng	22013.57	(0.34)
	India	Sensex	19016.46	4.24
	Japan	Nikkei	13316.48	(1.25)
	UK	FTSE	6286.59	(1.53)
	USA	DJIA	14547.51	(2.14)
COMMODITIES	Copper	\$/Pound	3.15	(5.97)
	Crude	\$/Barrel	88.01	(3.59)
	Gold	\$/Troy Ounce	1395.60	(7.05)
	Natural Gas	\$/MMBtu	4.41	4.50
	Silver	\$/Troy Ounce	22.96	(12.80)
	Aluminium	\$/Tonne	1887.00	1.81
	Lead	\$/Tonne	2020.00	(1.42)
	Nickel	\$/Tonne	15170.00	(4.29)
	Zinc	\$/Tonne	1886.50	0.61
CURRENCIES	USD/GBP		1.5229	(0.74)
	USD/EUR		1.3053	(0.41)
	USD/AUD		1.0257	(2.38)
	JPY/USD		99.51	1.22
	INR/USD		53.93	(1.25)
	HKD/USD		7.7637	0.02
	BRL/USD		2.0055	2.01
BONDS	2 Year	US Treasury	110.26	0.00
	10 Year		133.00	0.02
	30 Year		148.13	0.41

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 20th Apr 2013	% Change
STOCKS	Nifty	Large Cap	5783.10	4.60
	Sensex	Large Cap	19016.46	4.24
	BSE Midcap	Mid Cap	6218.15	1.94
	BSE Smallcap	Small Cap	5975.59	1.76
Some Major Shares	ACC	Rs/share	1211.70	5.54
	Bharti Airtel		299.65	9.56
	HDFC Ltd		818.25	6.99
	Infosys		2295.70	(0.04)
	L&T		1475.45	8.51
	Reliance Inds		781.60	0.81
	Tata Motors		282.45	2.65
	Tata Steel		299.80	0.10
COMMODITIES	Aluminium	INR/Kg	101.05	0.70
	Copper	INR/Kg	376.25	(6.98)
	Crude	INR/Barrel	4776.00	(4.00)
	Gold	INR/10gms	26047.00	(6.73)
	Lead	INR/Kg	109.05	(1.80)
	Natural Gas	INR/1mmBtu	236.00	2.12
	Nickel	INR/Kg	821.10	(4.94)
	Silver	INR/Kg	43423.00	(11.20)
	Zinc	INR/Kg	100.35	(0.45)
CURRENCIES	INR/EUR		70.43	(1.66)
	INR/GBP		82.01	(2.08)
	INR/100 JPY		54.17	(2.41)
	INR/USD		53.93	(1.25)



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 20/04/2013

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.70	2.60
Inflation Rate	Monthly	↓1.50	2.00
Unemployment Rate	Monthly	7.60	7.70
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↓1.70	1.79

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-0.90	-0.60
Inflation Rate	Monthly	1.70	1.80
Unemployment Rate	Monthly	12.00	12.00
Benchmark Interest Rate	Weekly	0.75	0.75
Govt. bond 10 year Rate	Weekly	↓1.07	1.14

China	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↓7.70	7.90
Inflation Rate	Monthly	2.10	3.20
Unemployment Rate	Monthly	4.10	4.10
Benchmark Interest Rate	Weekly	6.00	6.00
Govt. bond 10 year Rate	Weekly	↑3.45	3.44

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	↑0.60	0.55

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.20	0.30
Inflation Rate	Monthly	2.80	2.80
Unemployment Rate	Monthly	↑7.90	7.80
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	↓1.69	1.77

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	4.50	5.30
Inflation Rate	Monthly	↓5.96	6.84
Unemployment Rate	Monthly	no data	
Benchmark Interest Rate	Weekly	7.50	7.75
Govt. bond 10 year Rate	Weekly	↓7.80	7.90

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.40	0.90
Inflation Rate	Monthly	6.59	6.31
Unemployment Rate	Monthly	5.60	5.40
Benchmark Interest Rate	Weekly	↑7.50	7.25
Govt. bond 10 year Rate	Weekly	↓9.62	9.65

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.10	2.90
Inflation Rate	Monthly	7.00	7.30
Unemployment Rate	Monthly	↓5.70	5.80
Benchmark Interest Rate	Weekly	8.25	8.25
Govt. bond 10 year Rate	Weekly	↑6.96	6.79

IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 20/04/2013

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1791.80	17.00	6.13
Bharat Heavy Electricals Ltd.	Electric Equipment	185.70	6.73	1.58
Bharti Airtel Ltd.	Telecommunication - Service Provider	299.45	41.01	2.29
Cipla Ltd.	Pharmaceuticals & Drugs	401.05	21.03	3.67
Coal India Ltd.	Mining & Minerals	299.25	11.86	3.62
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	1904.65	22.32	4.83
GAIL (India) Ltd.	Gas Transmission/Marketing	332.20	10.84	1.68
HDFC Bank Ltd.	Bank - Private	673.35	25.48	4.52
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1502.70	13.97	5.14
Hindalco Industries Ltd.	Aluminium & Aluminium Products	93.65	9.65	0.55
Hindustan Unilever Ltd.	Household & Personal Products	482.95	28.26	16.00
Housing Development Finance Corporation Ltd.	Finance - Housing	818.65	19.99	4.00
ICICI Bank Ltd.	Bank - Private	1122.70	16.35	1.93
Infosys Ltd.	IT - Software	2295.40	13.98	3.47
ITC Ltd.	Cigarettes/Tobacco	315.30	35.07	10.11
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	336.65	9.49	1.53
Larsen & Toubro Ltd.	Engineering - Construction	1472.80	18.18	3.18
Mahindra & Mahindra Ltd.	Automobiles-Tractors	902.50	16.60	3.78
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1526.30	24.60	2.68
NTPC Ltd.	Power Generation/Distribution	145.90	11.11	1.50
Oil & Natural Gas Corpn. Ltd.	Oil Exploration	334.55	12.35	2.21
Reliance Industries Ltd.	Refineries	781.80	12.09	1.40
State Bank Of India	Bank - Public	2294.00	8.06	1.25
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	89.00	5.53	0.59
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	916.05	33.68	6.64
Tata Consultancy Services Ltd.	IT - Software	1450.70	20.44	7.37
Tata Motors Ltd.	Automobiles-Trucks/Lcv	282.30	6.28	1.85
Tata Power Company Ltd.	Power Generation/Distribution	95.00	0.00	1.78
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	299.95	0.00	0.71
Wipro Ltd.	IT - Software	368.65	14.80	2.77

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. Portuguese bailout in trouble.
- 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 rhetoric between North Korea and South Korea/USA.
- Markets – Commodity prices have crashed including Copper, Crude Oil, Gold and Silver.

Indian macro scenario

- Economy – Fiscal deficit is much above the desired levels with subsidies becoming bigger. Current account deficit is highest ever.
- Government policies – GDP growth down but no clear growth-encouraging policies. Land Acquisition Bill may possibly be cleared. Export sops announced.
- RBI – Next review on 3/5/13.
- Politics – Possible early elections.
- Inflation – Headline inflation under 6%.

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.
- 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.
- Populist politics.
- Possibility of early elections.



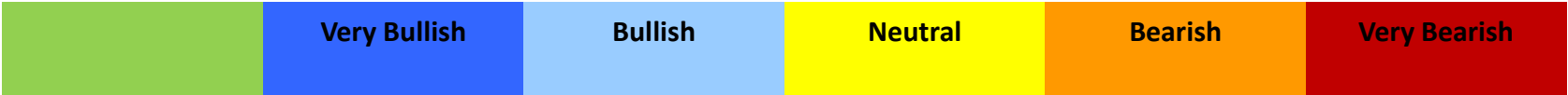
Detailed technical analysis

WORLD MARKETS - TECHNICAL SNAPSHOT

		Very Bullish	Bullish	Neutral	Bearish	Very Bearish
STOCKS		Japan USA	Australia UK ↓	China France ↓ Germany Hong Kong India		Brazil ↓
COMMODITIES		Natural Gas		Crude Oil	Aluminium ↑ Nickel	Copper ↓ Gold Lead ↓ Silver Zinc ↓
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
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SECTORS	FMCG ↑ Healthcare	Bankex ↑ Cons Durable ↑ IT Oil & Gas Realty	Cap Goods ↑ Teck ↓	Auto Metal Power
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COMMODITIES	Natural Gas	Crude Oil	Aluminium Nickel Zinc	Copper Gold Lead Silver
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CURRENCIES (against INR)	USD	EUR ↓ GBP	JPY
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↑ = 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 ↑	Apollo Tyres	ACC ↑	Bajaj Auto	
	Dabur India	Britannia Ind	Bharti Airtel ↑	Ambuja Cem	Bank Of Baroda	
	HCL Tech	Dr Reddys	BPCL	Exide Ind ↑	BHEL	
	Lupin ↑	ITC ↑	Cipla	Infosys ↓	Cairn India	
	Sun Pharma	Maruti Suzuki ↑	DLF	JP Associates	Hero Moto Co	
		ONGC	HDFC	JSW Steel ↑	Hindalco Ind	
		TCS ↓	HDFC Bank	L & T	Jindal Steel	
			Hind Unilever	LIC Housing ↑	Pantaloon Ret	
			ICICI Bank ↑	Nestle India	Sesa Goa	
			Idea Cellular ↓	Oriental Bank ↑	Sterlite Ind	
			M & M ↑	Titan Ind	Tata Steel	
			MRF	Ultratech Cem		
			Reliance Ind			
			SBIN ↑			
			Tata Motors			
			Yes Bank			

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

MAJOR MEDIUM & SMALL COMPANIES - TECHNICAL SNAPSHOT

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

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

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