

ShroffConnect Weekly Report

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Opinion as on 10/08/2013

World Markets –

- **Money flow:** Money is flowing into stocks and into commodities like copper and crude.
 - **Opinion:** Investors are putting money back into the stock markets of developed economies as the economic data is good. The QE issue will haunt markets now and then. However, we should expect that the markets will continue to be better for the next few months.
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Indian Stock Market –

- **Stock Market:** The market closed at 5565, just at a long term support.
- **Sectors:** Consumer Goods, IT, selective Pharma and Telecom are outperforming.
- **Positives:** The passage of the Companies Bill; appointment of Mr R Rajan as the incoming RBI governor.
- **Negatives:** High fiscal and current account deficits; rising interest rates.
- **Opinion:** The appointment of Mr Raghuram Rajan as the incoming governor of the RBI seems to be a good decision by the government. However, this needs to be backed by stable policies to attract FDI. Can the government achieve this? This is the key question which investors will have to answer before taking a call on fresh investments. As the market is poised on a long term support, we think that investors should wait and watch before taking a call.



Current news and world
financial market prices

Current scenario & news

World economy

- British businesses boomed and activity at euro zone companies expanded, albeit modestly, in July for the first time in 18 months, while growth in the U.S. services sector rebounded from a three-year low.
- China's factory output grew in July at its fastest pace since the start of the year, adding to a run of data suggesting the world's second-largest economy may be stabilising after more than two years of slumping growth.
- The dollar fell the most in four weeks amid signs that recoveries from Germany to the U.K. are strengthening, narrowing the gap between growth in the world's largest economy and those of other developed countries.
- Japan's outstanding public debt including borrowings reached a record 1,008.6 trillion yen (\$10.46 trillion) as of June 30, up 1.7 percent from three months earlier, the finance ministry said.

Indian economy

- RBI announced new measures to drain cash from the financial system in a bid to address volatility in currency markets, after a slew of steps announced last month failed to prop up the battered rupee.
- The Rajya Sabha passed the Companies Bill, which seeks to improve transparency and accountability in the companies, encourages self-regulation and makes contribution of 2% of profits toward corporate social responsibility (CSR) mandatory, among other changes.
- The recent monetary tightening measures by the Central Bank is increasing the downside risk to the country's growth outlook, which could fall to sub 5 percent in the current financial year if these measures are prolonged, experts say.
- Gross direct tax collections rose 13.27 per cent to Rs 1.57 lakh crore in the April-July period. The collections had totalled Rs 1.38 lakh crore in the corresponding period of the previous fiscal year.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 10th Aug 2013	% Change
STOCKS	Australia	ASX	5038.77	(1.17)
	Brazil	Bovespa	49874.90	2.89
	China	Shanghai	2052.24	1.12
	France	CAC	4076.55	0.76
	Germany	DAX	8338.31	(0.82)
	Hong Kong	Hang Seng	21807.56	(1.73)
	India	Sensex	18789.34	(1.96)
	Japan	Nikkei	13615.19	(5.88)
	UK	FTSE	6583.39	(0.97)
	USA	DJIA	15425.51	(1.49)
COMMODITIES	Copper	\$/Pound	3.31	4.42
	Crude	\$/Barrel	105.97	(0.91)
	Gold	\$/Troy Ounce	1312.20	0.13
	Natural Gas	\$/MMBtu	3.23	(3.58)
	Silver	\$/Troy Ounce	20.41	2.51
	Aluminium	\$/Tonne	1871.00	3.43
	Lead	\$/Tonne	2180.00	2.78
	Nickel	\$/Tonne	14680.00	4.86
	Zinc	\$/Tonne	1944.00	4.24
CURRENCIES	USD/GBP		1.5490	1.33
	USD/EUR		1.3335	0.44
	USD/AUD		0.9198	3.29
	JPY/USD		96.18	(2.75)
	INR/USD		60.86	(0.39)
	HKD/USD		7.7552	(0.01)
	BRL/USD		2.2682	(0.55)
BONDS	2 Year	US Treasury	110.17	0.00
	10 Year		126.81	0.18
	30 Year		134.44	0.54

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 10th Aug 2013	% Change
STOCKS	Nifty	Large Cap	5565.65	(1.98)
	Sensex	Large Cap	18789.34	(1.96)
	BSE Midcap	Mid Cap	5409.14	(0.37)
	BSE Smallcap	Small Cap	5234.25	1.09
Some Major Shares	ACC	Rs/share	1161.40	(1.15)
	Bharti Airtel		337.30	(2.30)
	HDFC Ltd		746.95	(7.60)
	Infosys		2964.55	(1.47)
	L&T		780.00	(6.04)
	Reliance Inds		865.65	0.97
	Tata Motors		278.80	(4.01)
	Tata Steel		218.80	8.13
COMMODITIES	Aluminium	INR/Kg	111.55	2.11
	Copper	INR/Kg	442.25	3.28
	Crude	INR/Barrel	6415.00	(1.66)
	Gold	INR/10gms	27906.00	(2.01)
	Lead	INR/Kg	131.60	2.06
	Natural Gas	INR/1mmBtu	195.40	(4.50)
	Nickel	INR/Kg	894.10	5.08
	Silver	INR/Kg	42698.00	1.74
	Zinc	INR/Kg	116.00	2.52
CURRENCIES	INR/EUR		81.18	0.06
	INR/GBP		94.29	0.99
	INR/100 JPY		63.22	2.41
	INR/USD		60.86	(0.39)



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 10/08/2013

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.40	1.30
Inflation Rate	Monthly	1.80	1.40
Unemployment Rate	Monthly	7.40	7.60
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↓2.58	2.72

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-1.10	-0.90
Inflation Rate	Monthly	1.60	1.60
Unemployment Rate	Monthly	12.10	12.10
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	↓1.42	1.45

China	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	7.50	7.70
Inflation Rate	Monthly	2.70	2.70
Unemployment Rate	Monthly	4.10	4.10
Benchmark Interest Rate	Weekly	6.00	6.00
Govt. bond 10 year Rate	Weekly	↓3.85	3.89

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.40	0.40
Inflation Rate	Monthly	0.20	-0.30
Unemployment Rate	Monthly	3.90	4.10
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	↓0.75	0.79

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.40	0.30
Inflation Rate	Monthly	2.90	2.70
Unemployment Rate	Monthly	7.80	7.80
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	↑2.67	2.57

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	4.80	4.70
Inflation Rate	Monthly	4.86	4.70
Unemployment Rate	Monthly	no data	
Benchmark Interest Rate	Weekly	7.25	7.25
Govt. bond 10 year Rate	Weekly	↑8.13	8.08

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.90	1.40
Inflation Rate	Monthly	↓6.27	6.70
Unemployment Rate	Monthly	6.00	5.80
Benchmark Interest Rate	Weekly	8.50	8.00
Govt. bond 10 year Rate	Weekly	↑11.18	11.11

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↓1.20	1.60
Inflation Rate	Monthly	↓6.50	6.90
Unemployment Rate	Monthly	5.40	5.20
Benchmark Interest Rate	Weekly	8.25	8.25
Govt. bond 10 year Rate	Weekly	↓7.33	7.41

IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 10/08/2013

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1783.85	16.85	5.97
Bharat Heavy Electricals Ltd.	Electric Equipment	117.55	4.67	0.93
Bharti Airtel Ltd.	Telecommunication - Service Provider	337.40	61.24	2.47
Cipla Ltd.	Pharmaceuticals & Drugs	410.70	21.35	3.66
Coal India Ltd.	Mining & Minerals	268.20	10.20	3.25
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	2218.25	22.16	5.67
GAIL (India) Ltd.	Gas Transmission/Marketing	303.00	10.40	1.54
HDFC Bank Ltd.	Bank - Private	611.10	20.41	3.80
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1850.55	18.01	6.65
Hindalco Industries Ltd.	Aluminium & Aluminium Products	91.35	5.78	0.56
Hindustan Unilever Ltd.	Household & Personal Products	599.55	37.21	35.48
Housing Development Finance Corporation Ltd.	Finance - Housing	745.30	16.39	3.47
ICICI Bank Ltd.	Bank - Private	875.15	11.50	1.44
Infosys Ltd.	IT - Software	2961.10	17.89	4.21
ITC Ltd.	Cigarettes/Tobacco	325.45	33.37	10.66
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	207.40	6.42	0.89
Larsen & Toubro Ltd.	Engineering - Construction	780.15	15.26	2.45
Mahindra & Mahindra Ltd.	Automobiles-Tractors	863.75	12.98	2.68
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1386.10	16.10	2.18
NTPC Ltd.	Power Generation/Distribution	137.40	8.96	1.37
Oil & Natural Gas Corpn. Ltd.	Oil Exploration	273.10	9.65	1.55
Reliance Industries Ltd.	Refineries	865.45	12.81	1.52
State Bank Of India	Bank - Public	1661.45	6.34	0.91
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	76.30	4.43	0.49
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	507.10	34.92	7.37
Tata Consultancy Services Ltd.	IT - Software	1846.05	25.04	8.52
Tata Motors Ltd.	Automobiles-Trucks/Lcv	278.70	8.14	1.94
Tata Power Company Ltd.	Power Generation/Distribution	77.70	0.00	1.50
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	218.45	0.00	0.63
Wipro Ltd.	IT - Software	446.50	16.86	3.91

World macro scenario

- USA – US economic data is improving. QE3 will be curtailed as required. Stock market is at all time high.
- Europe – Slowdown in most countries. Youth unemployment over 40%. Portuguese coalition government may fall.
- China – Govt. wants stability and not unbridled growth. Economy in cooling mode. Liquidity issues remain.
- Japan – Japanese PM's party wins a resounding victory in the country's Upper House. Economic policy to continue as before.
- Emerging markets interest rates increasing to avoid outflow of money.

Indian macro scenario

- Economy – Fiscal deficit is much above the desired levels with subsidies becoming bigger. Current account deficit is extremely high.
- Government policies – GDP growth down but no clear growth-encouraging policies. Companies bill passed by both houses.
- RBI – Dries out liquidity with short term measures. Yields jumps 100 basis points. Rates unchanged in July review. Next review in September.
- Politics – Possible early elections.
- Inflation – Headline inflation under 5%.
- Bonds – RBI introduces Inflation Indexed bonds for the first time. These are linked to WPI.
- Currency – The rupee closes just below Rs.61/- per USD.

Our concerns on the macro front

World economies

- QE3 may be curtailed by the end of the year.
- Eurozone's low to negative GDP growth. Unemployment.

Indian economy

- Lowest GDP growth in years.
- High interest rate.
- High fiscal deficit.
- High current account deficit.
- Weak INR.
- Populist politics. Food Security Bill.
- RBI policy shocks.
- Possibility of early elections.



Detailed technical analysis

WORLD MARKETS - TECHNICAL SNAPSHOT

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

FMCG ↓
Healthcare ↓
IT
Teck

Oil & Gas

Auto ↓

Bankex
Cap Goods
Cons Durable
Metal
Power
Realty

COMMODITIES

Crude Oil

Aluminium ↑
Copper ↑
Lead
Zinc

Gold
Natural Gas
Nickel ↑

Silver

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	Britannia Ind Dabur India Dr Reddys Lab HCL Tech Hind Unilever Idea Cellular Infosys ↑ Lupin Sun Pharma TCS ↑ Tech Mahindra	Bharti Airtel ↑ Cipla ↑ Hero Moto Co Nestle India ↓ Reliance Ind Wipro	ACC Ambuja Cem Asian Paints Bajaj Auto ↓ Cairn India Eicher Motors ↓ Exide Ind Havells India ITC ↓ Kotak Mahindra M & M MRF Tata Global Tata Motors Titan Ind United Phos United Spirits ↓	ABB ↑ HDFC ↓ Hindalco Ind HDFC Bank Siemens Ultratech Cem ↓	Axis Bank Bank Of Baroda BHEL Canara Bank Crompton Gr Godrej Ind ↓ HCC Hindustan Zinc ICICI Bank IndusInd Bank ↓ Jindal Steel JSW Energy JSW Steel L & T ↓ Maruti Suzuki Petronet LNG PNB Ranbaxy Lab Sesa Goa Shriram Trans SBIN Sterlite Ind Tata Chem Tata Power Tata Steel 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	Biocon ↑ Godrej Cons ↑		Bata India ↓ Zee Ent	Apollo Hos ↓ Berger Paints Castrol India Emami ↓ Jubilant Food M & M Fin ↓ Reliance Power Sun TV Network	Adani Ports Aurobindo Ph ↓ Colgate-Pal ↓ DiviS Lab ↑ GSK Consumer ↓ Indiabulls Real Est IGL ↓	Adani Power Arvind Century Textiles Cummins India Dish T V India GVK Power HDIL IFCI India Cements Indian Hotels IRB Infrastructure Jain Irrigation Jaiprakash Power L&T Finance Mcleod Russel Raymond Sintex Industries Unitech

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

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