

# *ShroffConnect* Weekly Report

## 5<sup>th</sup> October, 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](mailto:contact@shroffsecurities.com)

Web: [www.shroffsecurities.com](http://www.shroffsecurities.com)

(for private circulation only)

# Opinion as on 05/10/2013

## World Markets –

- **Money flow:** Into stocks in developed markets and treasuries.
  - **Opinion on money flow:** Investors are nervous about the implications of an extended temporary curtailment of US government expenditure. A compromise is expected soon. However, till this does not happen markets will remain on the edge.
- 

## Indian Market –

- **Stock Market:** The Indian market rallied late in the week to close at 5907.
- **Sectors:** IT, Pharma, selective Telecom and selective Auto sectors are outperforming.
- **Positives:** Virtually nothing.
- **Negatives:** High fiscal deficit, downgrading of India by rating agencies.
- **Opinion:** The Indian government has incurred, in 5 months, about 75% of its budgeted deficit with no sign of any steps to contain this. This is the reason for the increased inflation and higher interest rates. In an election period with 5 states going to polls in Nov-Dec and with the general election around the corner, no important reforms can really be announced. The sword of QE tapering hangs on the market. The markets should drift sideways if the rating downgrade does not happen. If this does happen, then things can get much worse. Investors should be careful of their stock choices and buy only select ones on dips.



Current news and world  
financial market prices

# Current scenario & news

## World economy

- The US government shutdown is beginning to hit the factory floor as concerns grow about the economic consequences of a prolonged stalemate in Congress.
- China's manufacturing growth edged up only slightly in September, with small firms struggling in the face of overcapacity and weak demand, adding to concerns a nascent economic recovery may be foundering.
- The Bank of Japan maintained its massive monetary stimulus on Friday and upgraded its view on capital expenditure, encouraged by growing signs that the benefits of its aggressive policy action to escape deflation are broadening.
- Britain's service sector posted solid growth in September, rounding off its strongest quarter in more than 16 years, helped by a recovery in the country's housing market.
- The dollar fell for a fifth week, the longest stretch since April 2011, as Congress failed to agree on a way to raise the \$16.7 trillion U.S. debt limit, spurring investors to seek other assets.

## Indian economy

- India's Current Account Deficit is likely to narrow during 9 months (July-March) of the current fiscal to touch a low of 1.5 percent of GDP because of lower gold imports, higher overall exports and a drop in imports due to tapering domestic demand.
- Eight infrastructure industries posted a 7-month high growth rate of 3.7 per cent in August on the back of good performance by power, cement, steel and fertiliser sectors. The growth of the core sectors was, however, lower as compared to 6.1 per cent recored in the same month last year.
- Private Equity firms invested about USD 1.3 billion across 75 deals during the quarter ended September 2013, registering a decline of 67 percent over the corresponding period last year.
- Assets under management (AUM) of the mutual fund industry fell by 4.5 per cent to Rs 8.08 lakh crore in July-September quarter amid continued volatility in the rupee and stock markets.

## WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 5th Oct 2013	% Change
STOCKS	Australia	ASX	5205.88	(1.82)
	Brazil	Bovespa	52848.97	(1.66)
	China	Shanghai	2174.67	0.68
	France	CAC	4164.25	(0.54)
	Germany	DAX	8622.97	(0.44)
	Hong Kong	Hang Seng	23138.54	(0.30)
	India	Sensex	19915.95	0.96
	Japan	Nikkei	14024.31	(4.98)
	UK	FTSE	6453.88	(0.90)
	USA	DJIA	15072.58	(1.22)
COMMODITIES	Copper	\$/Pound	3.30	(0.90)
	Crude	\$/Barrel	103.84	0.94
	Gold	\$/Troy Ounce	1309.90	(2.19)
	Natural Gas	\$/MMBtu	3.51	(2.23)
	Silver	\$/Troy Ounce	21.75	(0.37)
	Aluminium	\$/Tonne	1844.00	0.22
	Lead	\$/Tonne	2045.00	(2.62)
	Nickel	\$/Tonne	14050.00	0.46
	Zinc	\$/Tonne	1872.00	(1.84)
CURRENCIES	USD/GBP		1.6012	(0.85)
	USD/EUR		1.3556	0.25
	USD/AUD		0.9427	1.18
	JPY/USD		97.43	(0.82)
	INR/USD		61.38	(1.79)
	HKD/USD		7.7541	0.01
	BRL/USD		2.2066	(2.19)
BONDS	2 Year	US Treasury	110.13	(0.06)
	10 Year		126.19	(0.12)
	30 Year		132.97	(0.35)

## INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 5th Oct 2013	% Change
STOCKS	Nifty	Large Cap	5907.30	1.27
	Sensex	Large Cap	19915.95	0.96
	BSE Midcap	Mid Cap	5731.03	1.94
	BSE Smallcap	Small Cap	5565.54	1.25
Some Major Shares	ACC	Rs/share	1132.45	2.99
	Bharti Airtel		328.35	0.94
	HDFC Ltd		798.70	1.85
	Infosys		3016.40	0.33
	L&T		819.90	0.50
	Reliance Inds		854.40	1.73
	Tata Motors		350.05	2.93
	Tata Steel		288.45	0.37
COMMODITIES	Aluminium	INR/Kg	111.85	(1.24)
	Copper	INR/Kg	454.20	(3.37)
	Crude	INR/Barrel	6386.00	(2.25)
	Gold	INR/10gms	29704.00	(3.33)
	Lead	INR/Kg	126.00	(4.04)
	Natural Gas	INR/1mmBtu	216.10	(5.01)
	Nickel	INR/Kg	859.50	(2.11)
	Silver	INR/Kg	48197.00	(2.99)
	Zinc	INR/Kg	114.30	(3.67)
CURRENCIES	INR/EUR		83.22	(1.54)
	INR/GBP		98.25	(2.67)
	INR/100 JPY		62.96	(0.98)
	INR/USD		61.38	(1.79)



Detailed macro analysis

## MACRO ECONOMIC SNAPSHOT AS ON 05/10/2013

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.60	1.30
Inflation Rate	Monthly	1.50	2.00
Unemployment Rate	Monthly	7.30	7.40
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↑2.65	2.62

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-0.50	-1.00
Inflation Rate	Monthly	↓1.10	1.30
Unemployment Rate	Monthly	12.00	12.00
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	↑1.49	1.45

China	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	7.50	7.70
Inflation Rate	Monthly	2.60	2.70
Unemployment Rate	Monthly	4.10	4.10
Benchmark Interest Rate	Weekly	6.00	6.00
Govt. bond 10 year Rate	Weekly	↓4.05	4.06

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.90	0.30
Inflation Rate	Monthly	0.91	0.70
Unemployment Rate	Monthly	↑4.10	3.80
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	0.65	0.69

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.30	0.20
Inflation Rate	Monthly	2.70	2.80
Unemployment Rate	Monthly	7.70	7.80
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	↑2.73	2.72

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	4.40	4.80
Inflation Rate	Monthly	6.10	5.79
Unemployment Rate	Monthly	no data	
Benchmark Interest Rate	Weekly	7.50	7.25
Govt. bond 10 year Rate	Weekly	↓8.62	8.71

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	3.30	1.90
Inflation Rate	Monthly	6.09	6.27
Unemployment Rate	Monthly	5.30	5.60
Benchmark Interest Rate	Weekly	9.00	9.00
Govt. bond 10 year Rate	Weekly	↑11.73	11.71

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.20	1.60
Inflation Rate	Monthly	↓6.10	6.50
Unemployment Rate	Monthly	5.20	5.30
Benchmark Interest Rate	Weekly	5.50	5.50
Govt. bond 10 year Rate	Weekly	↓7.26	7.27

## IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 05/10/2013

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	2119.10	20.02	7.10
Bharat Heavy Electricals Ltd.	Electric Equipment	143.95	5.72	1.14
Bharti Airtel Ltd.	Telecommunication - Service Provider	328.15	59.56	2.56
Cipla Ltd.	Pharmaceuticals & Drugs	438.10	22.25	3.77
Coal India Ltd.	Mining & Minerals	310.00	11.79	3.75
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	2368.55	23.66	6.05
GAIL (India) Ltd.	Gas Transmission/Marketing	332.45	11.41	1.68
HDFC Bank Ltd.	Bank - Private	640.35	21.41	3.99
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	2032.85	19.79	7.31
Hindalco Industries Ltd.	Aluminium & Aluminium Products	117.85	13.92	0.72
Hindustan Unilever Ltd.	Household & Personal Products	608.05	37.73	35.98
Housing Development Finance Corporation Ltd.	Finance - Housing	798.65	17.60	3.72
ICICI Bank Ltd.	Bank - Private	930.45	12.23	1.53
Infosys Ltd.	IT - Software	3015.45	18.22	4.29
ITC Ltd.	Cigarettes/Tobacco	340.10	34.91	11.15
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	236.45	7.32	1.02
Larsen & Toubro Ltd.	Engineering - Construction	820.05	16.04	2.57
Mahindra & Mahindra Ltd.	Automobiles-Tractors	859.15	14.84	3.42
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1427.65	16.59	2.24
NTPC Ltd.	Power Generation/Distribution	142.60	9.30	1.44
Oil & Natural Gas Corp. Ltd.	Oil Exploration	264.85	12.01	1.78
Reliance Industries Ltd.	Refineries	853.40	12.64	1.50
State Bank Of India	Bank - Public	1652.40	6.52	0.86
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	90.20	5.23	0.58
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	600.60	132.84	8.93
Tata Consultancy Services Ltd.	IT - Software	2032.80	27.57	9.38
Tata Motors Ltd.	Automobiles-Trucks/Lcv	349.75	10.21	2.44
Tata Power Company Ltd.	Power Generation/Distribution	80.95	0.00	1.56
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	288.45	0.00	0.81
Wipro Ltd.	IT - Software	482.90	18.24	4.23

# World macro scenario

- USA – US economic data is improving. QE3 tapering deferred. Govt. spending curtailed as budget was not passed by Congress.
- Europe – Recession seems to be over based on German and French data.
- China – Govt. wants stability and not unbridled growth. Economy seems to have stabilized with the highest August PMI in several months.
- Japan – Japanese PM's economic policies are popular.
- Emerging markets – EM currencies gain some ground on the Fed deferring QE3.

# 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 – RBI announces an increase in repo rate by 0.25% while easing short term interest rates by 0.75%.
- Politics – Possible early elections. Narendra Modi is the BJP's prime ministerial candidate.
- Inflation – Headline inflation over 5% once again.
- Currency – The rupee closes at approx. Rs.61/50 per USD.

# Our concerns on the macro front

## World economies

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

## Indian economy

- Lowest GDP growth in years.
- High interest rate.
- High fiscal deficit.
- High current account deficit.
- Populist politics. Food Security Bill.
- Lack of investor confidence.
- Possibility of early elections.



Detailed technical analysis

## WORLD MARKETS - TECHNICAL SNAPSHOT

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

		Very Bullish	Bullish	Neutral	Bearish	Very Bearish
INDICES				Nifty Sensex Small Cap	Mid Cap ↑	
SECTORS	IT Teck		FMCG Healthcare Metal	Auto Oil & Gas Power ↑	Bankex ↑ Cap Goods ↑	Cons Durable Realty
COMMODITIES			Aluminium Copper ↓ Crude Oil Gold Silver	Lead ↓ Natural Gas ↓ Nickel Zinc ↓		
CURRENCIES (against INR)	EUR GBP		JPY USD ↓			

↑ = 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 Cipla Dabur India Dr Reddys Lab HCL Tech Hero Moto Co Hind Zinc Idea Cellular Infosys Lupin Sun Pharma TCS Tech Mahindra ↑ Wipro	Cairn India Eicher Motors ↑ Hindalco Ind Hind Unilever ↓ JSW Steel ↑ Sesa Goa Tata Global ↑ Tata Motors United Spirits	ABB ACC ↑ Ambuja Cem Asian Paints Bajaj Auto ↓ Bharti Airtel ↓ Crompton Gr Exide Ind Godrej Ind Havells India ↑ HDFC ↑ ICICI Bank ITC ↓ Jindal Steel JSW Energy ↑ Kotak Bank M & M ↑ MRF Nestle India Ranbaxy Lab Reliance Ind Siemens ↑ Tata Steel Ultratech Cem United Phos	Axis Bank ↑ Bank Of Baroda ↑ BHEL HDFC Bank HCC ↑ IndusInd Bank L & T Maruti Suzuki Petronet LNG Shriram Trans Tata Power Titan Ind Yes Bank ↑	Canara Bank PNB SBIN Tata Chem

↑ = 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 Jubilant Food ↑ M & M Fin	Adani Ports ↑ Arvind Aurobindo Ph Bata India Berger Paints Century Text DiviS Lab Emami Godrej Con HDIL IFCI ↑ Indian Hotels IGL Jain Irrigation JP Power L&T Finance Raymond ↑ Reliance Power Sun TV Zee Ent	Apollo Hospitals Castrol India Colgate-Pal ↑ Cummins India Dish T V India GSK Consumer GVK Power India Cem ↑ Ind Bulls R Est ↑ IRB Infra	Adani Power Mcleod Russel Sintex Ind Unitech

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

# Disclaimer

- This report or newsletter (collectively called 'Report') is for private circulation only. The content, information, statements, opinion, statistics, newsletters, reports and material (collectively called 'Content') contained in this Report does not constitute a recommendation, advice, an offer or solicitation for the purchase or sale of any stocks, commodities, foreign exchange, bonds, mutual funds, debt instruments, financial instruments or any investment products (collectively called 'Securities').
- All Content contained herein are provided "as is" for informational purposes only, and is not intended for trading purposes or advice. The Content provided is based on historical data. The past is not necessarily a guide to the future values and prices. No guarantee, representation or warranty whatsoever is made by M/s Aditya Shroff or M/s Shroff Securities Private Limited, their subsidiaries, group entities, owners, directors, partners, officers or employees (collectively called 'the Companies & Others') regarding the timeliness, quality, completeness, accuracy, adequacy, fullness, functionality or reliability of the Content contained in this Report or of the results obtained from the use of such Content and no warranties whether express or implied, responsibility or liability, contingent or otherwise of any kind and nature whatsoever regarding the accuracy, quality, performance, merchantability and/or fitness for a particular purpose of the Content contained herein or of the results obtained from the use of such Content, the security suitability for the investor, accounting and tax consequences of investing in Securities or the future value developments of such Securities.
- The Content provided in this report thus provides non-binding Content for which the Companies & Others disclaim liability. Transacting in Securities carries a great deal of risk. Readers and recipients should take independent professional advice before doing any transaction(s). The Companies & Others shall not be liable for any informational errors, incompleteness, or delays, or for any actions taken in reliance on Content contained herein.