

ShroffConnect Weekly Report

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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 23/11/2013

World Markets –

- **Money flow:** Into stocks of developed countries and into treasuries but out of precious metals.
 - **Opinion on money flow:** Investors are getting mixed messages about the tapering of QE3 and this is again leading to outflows from emerging markets. China unveiled a long term policy document which would radically change their ways of functioning over the long term. Investors should remain cautious about risky assets as the tapering seems inevitable in a few months time.
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Indian Market –

- **Stock market:** The market eased somewhat during the last couple of days of the week to close at approx. 6000 Nifty.
- **Sectors:** IT, Metals, Pharma, selective Auto and Telecom are outperforming.
- **Positives:** FII inflows.
- **Negatives:** High interest rates and inflation, lack of governance.
- **Opinion:** The markets are probably going to move sideways or easier in the run up to the state elections. Talks of tapering spooked markets last week and it moved into correction mode stopping at the support of 6000. Interest sensitive stocks would continue to underperform as interest rates may be bumped up to tackle inflation. Tapering would also lead to higher interest rates and weaker INR. Investors should be cautious and buy only blue chips on a dip.



Current news and world
financial market prices

Current scenario & news

World economy

- U.S. factory output rebounded this month but hiring remained sluggish, while business activity across the euro zone and at China's manufacturers slowed.
- Activity in China's vast factory sector grew at a milder pace in November as new export orders shrank, a preliminary survey showed on Thursday, bolstering expectations the economy could lose some of its vigour in the fourth quarter as Beijing shifts its focus to structural reform.
- German business confidence surged to the highest level in more than 1 1/2 years, signaling that the recovery in Europe's largest economy remains on track even after growth slowed in the third quarter.
- Japan's trade deficit nearly doubled on-year to a bigger-than-expected USD 10.9 billion in October as the country's energy bill soared, government data showed.

Indian economy

- The era of easy money for Indian banks may be coming to an end. Unlimited access to cheap overnight funding from the Reserve Bank of India (RBI) was tightened mid-year as part of measures to support a plunging rupee, and now the central bank is keen to use the restrictions to help it deepen money markets.
- In a bid to bolster the beleaguered sugar industry, the government may go for interest-free loans and increase excise duty drawback rates for exports. It is also considering lowering the period for imported raw sugar re-shipment.
- Collection of indirect taxes, excise, customs and service tax stood at about Rs 2,69,100 crore during the first seven months of 2013-14 fiscal, up 5.3 percent from the same period last fiscal year.
- Diesel prices will be deregulated in six months with gradual price increases, Oil Minister M Veerappa Moily said.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 23rd Nov 2013	% Change
STOCKS	Australia	ASX	5330.32	(1.22)
	Brazil	Bovespa	52800.74	(1.22)
	China	Shanghai	2196.38	2.83
	France	CAC	4278.53	(0.32)
	Germany	DAX	9219.04	0.55
	Hong Kong	Hang Seng	23696.28	2.88
	India	Sensex	20217.39	(0.89)
	Japan	Nikkei	15381.72	1.42
	UK	FTSE	6674.30	(0.29)
	USA	DJIA	16064.77	0.65
COMMODITIES	Copper	\$/Pound	3.21	1.26
	Crude	\$/Barrel	94.84	1.07
	Gold	\$/Troy Ounce	1244.10	(3.36)
	Natural Gas	\$/MMBtu	3.77	3.01
	Silver	\$/Troy Ounce	19.86	(4.20)
	Aluminium	\$/Tonne	1782.00	(0.61)
	Lead	\$/Tonne	2107.00	0.52
	Nickel	\$/Tonne	13560.00	(1.95)
	Zinc	\$/Tonne	1909.00	0.53
CURRENCIES	USD/GBP		1.6221	0.63
	USD/EUR		1.3554	0.43
	USD/AUD		0.9164	(2.20)
	JPY/USD		101.25	1.03
	INR/USD		62.83	(0.21)
	HKD/USD		7.7524	(0.01)
	BRL/USD		2.2780	(1.76)
BONDS	2 Year	US Treasury	110.27	0.03
	10 Year		126.58	(0.15)
	30 Year		131.91	(0.47)

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 23rd Nov 2013	% Change
STOCKS	Nifty	Large Cap	5995.45	(1.00)
	Sensex	Large Cap	20217.39	(0.89)
	BSE Midcap	Mid Cap	6154.28	0.22
	BSE Smallcap	Small Cap	5994.11	0.64
Some Major Shares	ACC	Rs/share	1050.70	0.65
	Bharti Airtel		335.90	(1.18)
	HDFC Ltd		793.35	0.01
	Infosys		3347.60	(0.20)
	L&T		964.15	2.62
	Reliance Inds		843.75	(0.93)
	Tata Motors		374.15	(3.33)
	Tata Steel		392.45	4.56
COMMODITIES	Aluminium	INR/Kg	109.20	(1.22)
	Copper	INR/Kg	444.05	0.68
	Crude	INR/Barrel	5992.00	1.51
	Gold	INR/10gms	29848.00	(1.60)
	Lead	INR/Kg	130.95	(0.04)
	Natural Gas	INR/1mmBtu	235.90	2.79
	Nickel	INR/Kg	844.70	(2.72)
	Silver	INR/Kg	44547.00	(4.69)
	Zinc	INR/Kg	117.95	0.17
CURRENCIES	INR/EUR		85.19	0.21
	INR/GBP		101.91	0.43
	INR/100 JPY		62.05	(1.21)
	INR/USD		62.83	(0.21)



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 23/11/2013

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.60	1.60
Inflation Rate	Monthly	↓1.00	1.20
Unemployment Rate	Monthly	7.30	7.20
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↑2.76	2.71

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-0.40	-0.60
Inflation Rate	Monthly	0.70	1.10
Unemployment Rate	Monthly	12.20	12.00
Benchmark Interest Rate	Weekly	0.25	0.50
Govt. bond 10 year Rate	Weekly	↓1.22	1.23

China	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	7.80	7.50
Inflation Rate	Monthly	3.20	3.10
Unemployment Rate	Monthly	4.00	4.10
Benchmark Interest Rate	Weekly	6.00	6.00
Govt. bond 10 year Rate	Weekly	↑4.79	4.49

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.70	1.10
Inflation Rate	Monthly	1.00	0.91
Unemployment Rate	Monthly	4.00	4.10
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	0.64	0.64

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.50	1.30
Inflation Rate	Monthly	2.20	2.70
Unemployment Rate	Monthly	7.60	7.70
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	↑2.79	2.75

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	4.40	4.80
Inflation Rate	Monthly	7.00	6.46
Unemployment Rate	Monthly	no data	
Benchmark Interest Rate	Weekly	7.75	7.50
Govt. bond 10 year Rate	Weekly	↑9.10	9.02

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	3.30	1.90
Inflation Rate	Monthly	5.84	5.86
Unemployment Rate	Monthly	↓5.20	5.40
Benchmark Interest Rate	Weekly	9.50	9.00
Govt. bond 10 year Rate	Weekly	↑12.49	12.18

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.20	1.20
Inflation Rate	Monthly	6.30	6.10
Unemployment Rate	Monthly	↑5.50	5.30
Benchmark Interest Rate	Weekly	5.50	5.50
Govt. bond 10 year Rate	Weekly	↑7.63	7.54

IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 23/11/2013

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1893.45	17.34	5.84
Bharat Heavy Electricals Ltd.	Electric Equipment	137.00	6.28	1.08
Bharti Airtel Ltd.	Telecommunication - Service Provider	336.35	67.46	2.29
Cipla Ltd.	Pharmaceuticals & Drugs	384.80	21.20	3.18
Coal India Ltd.	Mining & Minerals	267.75	10.19	3.07
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	2435.75	20.87	5.31
GAIL (India) Ltd.	Gas Transmission/Marketing	328.40	11.49	1.60
HDFC Bank Ltd.	Bank - Private	642.35	20.29	3.80
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1977.10	18.87	6.54
Hindalco Industries Ltd.	Aluminium & Aluminium Products	118.20	13.97	0.68
Hindustan Unilever Ltd.	Household & Personal Products	571.95	34.44	26.76
Housing Development Finance Corporation Ltd.	Finance - Housing	794.25	16.76	3.44
ICICI Bank Ltd.	Bank - Private	1021.50	12.84	1.61
Infosys Ltd.	IT - Software	3349.30	20.15	4.45
ITC Ltd.	Cigarettes/Tobacco	308.30	30.18	9.19
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	248.55	8.96	1.03
Larsen & Toubro Ltd.	Engineering - Construction	964.00	19.30	2.90
Mahindra & Mahindra Ltd.	Automobiles-Tractors	935.30	15.77	3.53
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1639.85	16.28	2.49
NTPC Ltd.	Power Generation/Distribution	150.60	10.35	1.47
Oil & Natural Gas Corpn. Ltd.	Oil Exploration	278.15	12.50	1.79
Reliance Industries Ltd.	Refineries	843.90	12.43	1.44
State Bank Of India	Bank - Public	1740.30	7.52	0.87
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	90.20	5.23	0.58
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	575.25	60.20	7.34
Tata Consultancy Services Ltd.	IT - Software	2000.70	25.07	8.91
Tata Motors Ltd.	Automobiles-Trucks/Lcv	373.25	9.42	1.85
Tata Power Company Ltd.	Power Generation/Distribution	77.00	0.00	1.40
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	392.00	0.00	0.96
Wipro Ltd.	IT - Software	477.95	17.20	3.84

World macro scenario

- USA – US economic data is improving. QE3 tapering uncertain.
- Europe – Recession seems to be over based on German and French data. Easy money policy to continue.
- China – Govt. has unveiled an aggressive reforms document. Economy seems to have stabilized.
- Japan – Japanese PM's economic policies are popular. Easy money policy to continue with some higher tax rates.
- Emerging markets – EM are again facing reduced inflows / outflows on uncertain tapering talks.

Indian macro scenario

- Economy – Fiscal deficit is much above the desired levels with subsidies becoming bigger. Current account deficit has moderated on lower imports.
- Government policies – GDP growth down but no clear growth-encouraging policies.
- RBI – RBI announces an increase in repo rate by 0.25% while easing short term interest rates by 0.25%.
- Politics – 5 states going into elections in Nov-Dec. Possibility of early general elections.
- Inflation – Headline inflation at 7%.

Our concerns on the macro front

World economies

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

Indian economy

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



Detailed technical analysis

WORLD MARKETS - TECHNICAL SNAPSHOT

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

Mid Cap
Nifty
Small Cap
Sensex

SECTORS

Auto
IT
Metal
Teck

Bankex ↑
Cap Goods ↑
Healthcare

FMCG
Oil & Gas
Power ↓
Realty

Cons Durable

COMMODITIES

Gold

Aluminium
Copper
Lead ↓
Natural Gas
Nickel
Silver
Zinc ↓

Crude Oil

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

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