

ShroffConnect Weekly Report

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Opinion as on 14/12/2013

World Markets –

- **Money flow:** Into short term treasuries and US stocks.
 - **Opinion on money flow:** The threat of tapering is around the corner and investors feel that long term interest rates will move up adversely affecting long term bonds, hence, the move to short term treasuries. Except for the US markets, almost all stock markets are receding. The US markets are steady because the strengthening economy will attract investment interest.
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Indian Market –

- **Stock market:** The market closed somewhat flat at 6168.
- **Sectors:** Computer software, Steel and Auto sectors are outperforming.
- **Positives:** None really.
- **Negatives:** High inflation, high interest rates, lack of governance.
- **Opinion:** The market began on a solid note when results of the assembly elections in 4 major states were announced. BJP won 3 out of 4 states and the ruling party was trounced in all. The euphoria was short lived as fears of tapering and high CPI / negative IIP numbers were announced mid week. The market lost all gains to end where it began just before the election exit polls. FII's were net sellers on Friday. The market seems to have lost steam and is in a correction mode as investors fear an interest rate hike by the RBI in the coming week. The US Fed may also announce a tapering programme. Investors should wait and watch for now, and look to invest only on a substantial dip.



Current news and world
financial market prices

Current scenario & news

World economy

- Eurozone industrial output fell sharply in October, stoking concerns a fragile recovery from a record recession could be stalling, official data showed on Thursday.
- Growth in China's factory output and investment eased slightly in November while retail sales grew at their strongest rate this year, suggesting the economy is on track to achieve the government's growth target this year.
- Japan has expanded currency swap agreements with Indonesia and the Philippines, officials said Friday, as Tokyo looks to bolster regional relations to counter the growing influence of China.
- The dollar touched the highest in more than six months versus the yen, as traders bet on diverging monetary policy between the U.S. and Japanese central banks.

Indian economy

- Costlier fruits and vegetables such as onions and tomatoes pushed retail inflation to a nine-month high of 11.24 percent in November, making it harder for the Reserve Bank to lower interest rates.
- Industrial production entered the negative territory after three months, contracting by 1.8 percent in October this year mainly due to poor performance of the manufacturing sector.
- Export growth eased to a five-month low of 5.86 percent in November due to a fall in shipments of petroleum goods and rough diamonds, although the trade deficit narrowed as gold imports declined.
- With couple of days to go for the next monetary policy review, the Reserve Bank said it will focus on controlling inflation and roll back measures taken to check rupee volatility to improve liquidity.

WORLD MARKETS - A SNAPSHOT

| | Name | Description | Week ended 14th Dec 2013 | % Change |
|-------------|-------------|---------------|-----------------------------|----------|
| STOCKS | Australia | ASX | 5101.48 | (1.63) |
| | Brazil | Bovespa | 50051.18 | (1.75) |
| | China | Shanghai | 2196.07 | (1.83) |
| | France | CAC | 4059.71 | (1.69) |
| | Germany | DAX | 9006.46 | (1.81) |
| | Hong Kong | Hang Seng | 23245.96 | (2.09) |
| | India | Sensex | 20715.58 | (1.34) |
| | Japan | Nikkei | 15403.11 | 0.67 |
| | UK | FTSE | 6439.96 | (1.71) |
| | USA | DJIA | 15755.36 | (1.65) |
| COMMODITIES | Copper | \$/Pound | 3.31 | 1.85 |
| | Crude | \$/Barrel | 96.60 | (1.08) |
| | Gold | \$/Troy Ounce | 1234.60 | 0.46 |
| | Natural Gas | \$/MMBtu | 4.35 | 5.84 |
| | Silver | \$/Troy Ounce | 19.60 | 0.41 |
| | Aluminium | \$/Tonne | 1799.00 | 1.12 |
| | Lead | \$/Tonne | 2150.00 | 2.72 |
| | Nickel | \$/Tonne | 14100.00 | 2.47 |
| | Zinc | \$/Tonne | 1978.00 | 3.83 |
| CURRENCIES | USD/GBP | | 1.6294 | (0.31) |
| | USD/EUR | | 1.3741 | 0.29 |
| | USD/AUD | | 0.8965 | (1.48) |
| | JPY/USD | | 103.14 | 0.20 |
| | INR/USD | | 62.15 | 1.17 |
| | HKD/USD | | 7.7532 | (0.01) |
| | BRL/USD | | 2.3354 | 0.21 |
| BONDS | 2 Year | US Treasury | 110.20 | (0.04) |
| | 10 Year | | 125.56 | (0.02) |
| | 30 Year | | 131.13 | 0.58 |

INDIAN MARKETS - A SNAPSHOT

| | Name | Description | Week ended 14th Dec 2013 | % Change |
|----------------------|---------------|-------------|-----------------------------|----------|
| STOCKS | Nifty | Large Cap | 6168.40 | (1.46) |
| | Sensex | Large Cap | 20715.58 | (1.34) |
| | BSE Midcap | Mid Cap | 6302.50 | (1.35) |
| | BSE Smallcap | Small Cap | 6131.12 | (1.52) |
| Some Major Shares | ACC | Rs/share | 1091.85 | (2.16) |
| | Bharti Airtel | | 320.85 | (3.47) |
| | HDFC Ltd | | 806.80 | (0.85) |
| | Infosys | | 3373.85 | 1.44 |
| | L&T | | 1049.95 | (4.24) |
| | Reliance Inds | | 864.70 | (0.23) |
| | Tata Motors | | 370.35 | (5.26) |
| | Tata Steel | | 415.15 | (1.79) |
| COMMODITIES | Aluminium | INR/Kg | 110.40 | 2.89 |
| | Copper | INR/Kg | 461.75 | 3.46 |
| | Crude | INR/Barrel | 6034.00 | 0.89 |
| | Gold | INR/10gms | 29432.00 | 1.65 |
| | Lead | INR/Kg | 133.55 | 4.83 |
| | Natural Gas | INR/1mmBtu | 272.50 | 7.54 |
| | Nickel | INR/Kg | 877.20 | 3.85 |
| | Silver | INR/Kg | 44776.00 | 1.64 |
| | Zinc | INR/Kg | 122.95 | 6.22 |
| CURRENCIES | INR/EUR | | 85.45 | 1.48 |
| | INR/GBP | | 101.28 | 0.88 |
| | INR/100 JPY | | 60.25 | 0.97 |
| | INR/USD | | 62.15 | 1.17 |



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 14/12/2013

| USA | Period | Current | Previous |
|-------------------------|-----------|---------|----------|
| GDP Annual Growth Rate | Quarterly | 1.80 | 1.60 |
| Inflation Rate | Monthly | 1.00 | 1.20 |
| Unemployment Rate | Monthly | 7.00 | 7.30 |
| Benchmark Interest Rate | Weekly | 0.25 | 0.25 |
| Govt. bond 10 year Rate | Weekly | 2.88 | 2.88 |

| Euro Area | Period | Current | Previous |
|-------------------------|-----------|---------|----------|
| GDP Annual Growth Rate | Quarterly | -0.40 | -0.60 |
| Inflation Rate | Monthly | 0.90 | 0.70 |
| Unemployment Rate | Monthly | 12.10 | 12.20 |
| Benchmark Interest Rate | Weekly | 0.25 | 0.25 |
| Govt. bond 10 year Rate | Weekly | ↓1.28 | 1.30 |

| China | Period | Current | Previous |
|-------------------------|-----------|---------|----------|
| GDP Annual Growth Rate | Quarterly | 7.80 | 7.50 |
| Inflation Rate | Monthly | ↓3.00 | 3.20 |
| Unemployment Rate | Monthly | 4.00 | 4.10 |
| Benchmark Interest Rate | Weekly | 6.00 | 6.00 |
| Govt. bond 10 year Rate | Weekly | ↑4.65 | 4.51 |

| Japan | Period | Current | Previous |
|-------------------------|-----------|---------|----------|
| GDP Annual Growth Rate | Quarterly | 2.40 | 1.20 |
| Inflation Rate | Monthly | 1.10 | 1.10 |
| Unemployment Rate | Monthly | 4.00 | 4.00 |
| Benchmark Interest Rate | Weekly | 0.00 | 0.00 |
| Govt. bond 10 year Rate | Weekly | ↑0.67 | 0.66 |

| 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 | 2.90 | 2.90 |

| India | Period | Current | Previous |
|-------------------------|-----------|---------|----------|
| GDP Annual Growth Rate | Quarterly | 4.80 | 4.40 |
| 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 | ↓8.91 | 9.17 |

| Brazil | Period | Current | Previous |
|-------------------------|-----------|---------|----------|
| GDP Annual Growth Rate | Quarterly | 2.20 | 3.30 |
| Inflation Rate | Monthly | 5.77 | 5.84 |
| Unemployment Rate | Monthly | 5.20 | 5.40 |
| Benchmark Interest Rate | Weekly | 10.00 | 9.50 |
| Govt. bond 10 year Rate | Weekly | ↓12.79 | 12.99 |

| Russia | Period | Current | Previous |
|-------------------------|-----------|---------|----------|
| GDP Annual Growth Rate | Quarterly | 1.20 | 1.20 |
| Inflation Rate | Monthly | 6.50 | 6.30 |
| Unemployment Rate | Monthly | 5.50 | 5.30 |
| Benchmark Interest Rate | Weekly | 5.50 | 5.50 |
| Govt. bond 10 year Rate | Weekly | ↓7.72 | 7.76 |

IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 14/12/2013

| Company | Industry | Price | TTM P/E | P/BV |
|--|--------------------------------------|---------|---------|-------|
| Bajaj Auto Ltd | Automobile Two & Three Wheelers | 1907.50 | 17.47 | 5.89 |
| Bharat Heavy Electricals Ltd. | Electric Equipment | 154.85 | 7.10 | 1.22 |
| Bharti Airtel Ltd. | Telecommunication - Service Provider | 321.05 | 64.39 | 2.18 |
| Cipla Ltd. | Pharmaceuticals & Drugs | 377.80 | 20.82 | 3.12 |
| Coal India Ltd. | Mining & Minerals | 283.55 | 10.79 | 3.25 |
| Dr Reddys Laboratories Ltd. | Pharmaceuticals & Drugs | 2402.85 | 20.59 | 5.23 |
| GAIL (India) Ltd. | Gas Transmission/Marketing | 337.25 | 11.80 | 1.65 |
| HDFC Bank Ltd. | Bank - Private | 690.35 | 21.81 | 4.08 |
| Hero MotoCorp Ltd. | Automobile Two & Three Wheelers | 2064.95 | 19.71 | 6.83 |
| Hindalco Industries Ltd. | Aluminium & Aluminium Products | 118.75 | 14.04 | 0.69 |
| Hindustan Unilever Ltd. | Household & Personal Products | 561.00 | 33.78 | 26.25 |
| Housing Development Finance Corporation Ltd. | Finance - Housing | 807.00 | 17.03 | 3.50 |
| ICICI Bank Ltd. | Bank - Private | 1085.45 | 13.65 | 1.71 |
| Infosys Ltd. | IT - Software | 3373.85 | 20.30 | 4.48 |
| ITC Ltd. | Cigarettes/Tobacco | 315.05 | 30.84 | 9.39 |
| Jindal Steel & Power Ltd. | Steel/Sponge Iron/Pig Iron | 259.75 | 9.35 | 1.07 |
| Larsen & Toubro Ltd. | Engineering - Construction | 1049.50 | 21.02 | 3.16 |
| Mahindra & Mahindra Ltd. | Automobiles-Tractors | 948.10 | 15.99 | 3.58 |
| Maruti Suzuki India Ltd. | Automobiles - Passenger Cars | 1691.60 | 16.79 | 2.57 |
| NTPC Ltd. | Power Generation/Distribution | 137.65 | 9.46 | 1.35 |
| Oil & Natural Gas Corpn. Ltd. | Oil Exploration | 280.50 | 12.61 | 1.80 |
| Reliance Industries Ltd. | Refineries | 863.35 | 12.72 | 1.48 |
| State Bank Of India | Bank - Public | 1743.55 | 7.53 | 0.87 |
| Sterlite Industries (India) Ltd. | Metal - Non Ferrous | 90.20 | 5.23 | 0.58 |
| Sun Pharmaceutical Inds. Ltd. | Pharmaceuticals & Drugs | 571.10 | 59.77 | 7.29 |
| Tata Consultancy Services Ltd. | IT - Software | 2002.90 | 25.10 | 8.92 |
| Tata Motors Ltd. | Automobiles-Trucks/Lcv | 370.25 | 9.35 | 1.84 |
| Tata Power Company Ltd. | Power Generation/Distribution | 86.95 | 0.00 | 1.58 |
| Tata Steel Ltd. | Steel/Sponge Iron/Pig Iron | 415.40 | 0.00 | 1.02 |
| Wipro Ltd. | IT - Software | 518.95 | 18.68 | 4.17 |

World macro scenario

- USA – US economic data is improving. QE3 tapering likely soon.
- 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 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 upto 4.8% but no clear growth-encouraging policies.
- RBI – RBI mid quarterly review on 18th Dec, 2013.
- Politics – BJP is a clear favourite to win a large number of seats in the forthcoming elections.
- Inflation – CPI at >11%. Headline inflation numbers to be revealed next week.

Our concerns on the macro front

World economies

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

Indian economy

- Low GDP growth.
- 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 | Germany USA | | China Hong Kong ↓ India ↓ Japan | Australia Brazil France ↓ UK | | |
| COMMODITIES | | | Natural Gas ↑ | Copper Lead Nickel Silver ↑ Zinc | Aluminium ↓ Crude Oil Gold | |
| CURRENCIES (against USD) | EUR ↑ GBP | | HKD | INR ↑ | AUD JPY ↓ | BRL ↓ |
| BONDS (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 | | Mid Cap ↑ Small Cap ↑ | Nifty ↓ Sensex ↓ | | | |
| SECTORS | | Auto Cap Goods IT Metal Teck | Bankex Power | Healthcare Oil & Gas Realty | FMCG | Cons Durable |
| COMMODITIES | | Natural Gas ↑ | Zinc ↑ | Copper Gold Lead Nickel | Aluminium ↓ Crude Oil 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 | ABB Britannia Ind Crompton Gr Dr Reddys Eicher Motors HCL Tech Hero Moto Co Infosys JSW Steel L & T Maruti Suzuki MRF Tata Steel Tech Mahindra United Phos Wipro ↑ | Asian Paints Axis Bank ↑ Bank Of Baroda Cairn India Havells India HDFC Bank Hindalco Ind Hindustan Zinc ↑ ICICI Bank Idea Cellular Jindal Steel JSW Energy Kotak Bank M & M Ranbaxy Lab Siemens Tata Chem Tata Motors ↓ TCS | ACC Ambuja Cem Bajaj Auto Bharti Airtel ↓ BHEL ↓ Canara Bank Dabur India Godrej Ind HCC ↓ HDFC IndusInd Bank ↓ Lupin Nestle India Petronet LNG PNB Reliance Ind SBIN Sesa Goa Shriram Tr Fin Sun Pharma Tata Global Tata Power Ultratech Cem United Spirits Yes Bank ↓ | Cipla ↓ Hin Unilever ITC Titan Ind | Exide Ind |

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

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

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