

ShroffConnect Weekly Report

15th September, 2012



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Opinion as on 15/09/2012

- Money flow – The money seems to be flowing into stocks and commodities.
 - **Opinion on money flow:** Investors are enthused by stimulus and other measures by central banks of Eurozone and USA. Hence, the flow of money is towards risky assets.
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- Indian market – The Indian market rallied in a big manner to close the week at 5577, the highest in over six months.
 - Sectors – Cement, Consumer goods, IT & Pharma are outperforming.
 - Positives – Economically positive baby steps by the Government
 - Negatives – High interest rate, high fiscal deficit, adverse balance of payments.
 - **Opinion:** The market is in a positive trend as expected, and this should continue for some time. The diesel price hike and FDI in retail and aviation are tough steps and the government has decided to go ahead with them finally, possibly to avoid a further downgrade of India to junk status by rating agencies. The major event of the week is the RBI meet on Monday. A rate cut may be a huge positive surprise. Investors should avoid getting carried away by the euphoria because the steps taken by the government will take time to result in positives for the economy. They should wait for a dip before buying afresh.



Current news and world
financial market prices

Current scenario & news

World economy

- The Federal Reserve launched another aggressive stimulus program on Thursday, saying it would pump \$40 billion into the U.S. economy each month until it saw a sustained upturn in the weak jobs market.
- Greece may get more time to cut its budget, its creditors indicated Friday in another sign of increasing flexibility and optimism across the 17 countries that use the euro, while Spain appeared to be inching closer to making a formal request for financial assistance.
- The indirect impact of European Union's woes on Asian companies is rising as weak exports to the region are contributing to a slowdown in Asia.
- China's economic slowdown is expected to reach its nadir this quarter, with a recovery of momentum delayed until the final quarter, leaving growth for 2012 likely to fall below 8 percent.

Indian economy

- The government raised the price of heavily subsidised diesel on Thursday, in a politically risky move to rein in the fiscal deficit and fight the threat of being the first in the BRICS group of emerging economies to be downgraded to junk.
- India's annual exports fell 9.7 percent to \$22.3 billion in August, while imports fell about 5.1 percent to \$38 billion, leaving a trade deficit of \$15.7 billion.
- Decline in manufacturing sector growth pulled down the overall industrial expansion to just 0.1% in July, prompting India Inc to press for atleast 0.50% cut in interest rate by the Reserve Bank in its upcoming policy review.
- The Government of India, the major stake holder in public sector banks (PSBs), is ready to provide an equity capital support of upto Rs 20,000 crore per year to meet their Basel III norms to maintain good health for banks.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 15th Sep 2012	% Change
STOCKS	Australia	ASX	4410.22	1.41
	Brazil	Bovespa	62105.00	6.49
	China	Shanghai	2123.85	(0.18)
	France	CAC	3581.58	1.78
	Germany	DAX	7412.13	2.74
	Hong Kong	Hang Seng	20629.78	4.18
	India	Sensex	18464.27	4.41
	Japan	Nikkei	9159.39	3.24
	UK	FTSE	5915.50	2.08
	USA	DJIA	13593.40	2.16
COMMODITIES	Copper	\$/Pound	3.83	5.22
	Crude	\$/Barrel	99.00	2.68
	Gold	\$/Troy Ounce	1772.70	1.85
	Natural Gas	\$/MMBtu	2.94	9.70
	Silver	\$/Troy Ounce	34.66	2.88
	Aluminium	\$/Tonne	2200.00	8.75
	Lead	\$/Tonne	2265.00	8.11
	Nickel	\$/Tonne	17775.00	7.73
	Zinc	\$/Tonne	2116.00	7.41
CURRENCIES	USD/GBP		1.6211	1.17
	USD/EUR		1.3130	2.46
	USD/AUD		1.0569	1.79
	JPY/USD		78.23	0.06
	INR/USD		54.30	(1.97)
	HKD/USD		7.7506	(0.06)
	BRL/USD		2.0130	(0.77)
BONDS	2 Year	US Treasury	110.22	0.01
	10 Year		133.14	(0.74)
	30 Year		144.56	(2.67)

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 15th Sep 2012	% Change
STOCKS	Nifty	Large Cap	5577.65	4.41
	Sensex	Large Cap	18464.27	4.41
	BSE Midcap	Mid Cap	6244.90	2.18
	BSE Smallcap	Small Cap	6623.12	2.59
Some Major Shares	ACC	Rs/share	1385.75	3.33
	Bharti Airtel		255.10	(0.35)
	HDFC Ltd		770.45	5.63
	Infosys		2632.10	5.82
	L&T		1490.00	8.90
	Reliance Inds		841.75	6.32
	Tata Motors		270.30	11.10
	Tata Steel		405.00	9.19
COMMODITIES	Aluminium	INR/Kg	116.95	1.56
	Copper	INR/Kg	456.70	2.03
	Crude	INR/Barrel	5334.00	0.40
	Gold	INR/10gms	31880.00	(0.05)
	Lead	INR/Kg	120.90	4.04
	Natural Gas	INR/1mmBtu	159.60	7.91
	Nickel	INR/Kg	957.90	5.26
	Silver	INR/Kg	64284.00	0.62
	Zinc	INR/Kg	112.30	3.89
CURRENCIES	INR/EUR		71.31	0.41
	INR/GBP		87.99	(0.83)
	INR/100 JPY		69.24	(2.18)
	INR/USD		54.30	(1.97)



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 15/09/2012

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.30	2.40
Inflation Rate	Monthly	↑1.70	1.40
Unemployment Rate	Monthly	8.10	8.30
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↑1.70	1.58

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-0.50	-0.10
Inflation Rate	Monthly	↑2.60	2.40
Unemployment Rate	Monthly	11.30	11.30
Benchmark Interest Rate	Weekly	0.75	0.75
Govt. bond 10 year Rate	Weekly	varied	

China	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	7.60	8.10
Inflation Rate	Monthly	↑2.00	1.80
Unemployment Rate	Monthly	4.10	4.10
Benchmark Interest Rate	Weekly	6.00	6.00
Govt. bond 10 year Rate	Weekly	↑3.54	3.40

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	3.20	2.90
Inflation Rate	Monthly	-0.40	-0.20
Unemployment Rate	Monthly	4.30	4.30
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	↑0.81	0.78

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-0.50	-0.20
Inflation Rate	Monthly	2.60	2.40
Unemployment Rate	Monthly	↑8.10	8.00
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	↑1.82	1.63

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	5.50	5.30
Inflation Rate	Monthly	↑7.55	6.87
Unemployment Rate	Monthly	no data	
Benchmark Interest Rate	Weekly	8.00	8.00
Govt. bond 10 year Rate	Weekly	↓8.18	8.21

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.50	0.80
Inflation Rate	Monthly	5.24	5.20
Unemployment Rate	Monthly	6.50	6.30
Benchmark Interest Rate	Weekly	7.50	8.00
Govt. bond 10 year Rate	Weekly	↓9.74	9.77

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	4.00	4.90
Inflation Rate	Monthly	5.90	4.30
Unemployment Rate	Monthly	5.40	5.40
Benchmark Interest Rate	Weekly	↑8.25	8.00
Govt. bond 10 year Rate	Weekly	↓7.76	7.78

IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 15/09/2012

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1743.70	16.76	7.46
Bharat Heavy Electricals Ltd.	Electric Equipment	204.60	7.01	1.90
Bharti Airtel Ltd.	Telecommunication - Service Provider	255.10	25.45	1.88
Cipla Ltd.	Pharmaceuticals & Drugs	369.10	23.31	3.73
Coal India Ltd.	Mining & Minerals	382.35	15.99	5.38
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	1745.95	19.78	5.63
GAIL (India) Ltd.	Gas Transmission/Marketing	374.20	12.48	2.09
HDFC Bank Ltd.	Bank - Private	612.10	26.26	4.57
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1858.65	15.24	7.57
Hindalco Industries Ltd.	Aluminium & Aluminium Products	118.10	11.20	0.71
Hindustan Unilever Ltd.	Household & Personal Products	547.40	34.20	24.61
Housing Development Finance Corporation Ltd.	Finance - Housing	769.55	27.66	5.91
ICICI Bank Ltd.	Bank - Private	1006.35	16.70	1.84
Infosys Ltd.	IT - Software	2632.80	17.02	4.50
ITC Ltd.	Cigarettes/Tobacco	268.10	32.71	10.34
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	372.25	10.16	1.88
Larsen & Toubro Ltd.	Engineering - Construction	1486.95	19.95	3.56
Mahindra & Mahindra Ltd.	Automobiles-Tractors	777.05	15.90	3.73
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1261.15	24.14	2.33
NTPC Ltd.	Power Generation/Distribution	168.10	14.37	1.86
Oil & Natural Gas Corp. Ltd.	Oil Exploration	282.00	8.90	2.04
Reliance Industries Ltd.	Refineries	840.95	14.42	1.62
State Bank Of India	Bank - Public	1970.55	7.33	1.19
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	98.65	7.55	0.69
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	677.85	24.36	5.36
Tata Consultancy Services Ltd.	IT - Software	1411.95	24.42	8.42
Tata Motors Ltd.	Automobiles-Trucks/Lcv	270.30	5.32	2.10
Tata Power Company Ltd.	Power Generation/Distribution	97.85	0.00	1.79
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	403.75	61.16	0.91
Wipro Ltd.	IT - Software	390.05	16.50	3.37

World macro scenario

- USA – US economic data is mixed and unemployment remains above 8%. The government has fixed the interest to remain as low till 2015. QE3 has been announced. A “fiscal cliff” which entails automatic cutting of govt. expenditure is due from 1st Jan, 2013. Possibility of QE3.
- Europe – Economic slowdown in most countries. ECB announced bond purchases.
- China – Lowest GDP growth in several years. Govt. cuts key interest rate to boost growth.
- Japan – Improvement in GDP growth.
- Rest of the World – Positive political development and growth in South East Asia. Indonesia and Philippines overtakes India in GDP growth. Syrian violence and the Iranian nuclear programme are key pressure points.

Indian macro scenario

- Economy – Fiscal deficit is much above the desired levels with subsidies becoming bigger. Fuel prices have been hiked to control this. The monsoon is officially deficient but catching up in a late burst.
- Government policies – GAAR panel presents investor positive draft recommendations. Govt. rethinks income tax amendments. Govt. announced FDI in retail and aviation.
- RBI – Mid quarter review is on 17/9/12.
- Inflation – Inflation has increase to 7.55%.
- Foreign exchange – The balance of payments situation is negative.
- Politics – The Parliament monsoon session ended with no positive business.
- Sectors – Defensive sectors are doing better – consumer products and pharma.

Our concerns on the macro front

World economies

- Mixed data from USA. Need for QE3.
- Eurozone's low to negative GDP growth.
- Chinese GDP growth slowdown.
- Syria and Iran political issues.

Indian economy

- High interest rate.
- High and growing fiscal deficit through subsidies.
- Lack of governance and populist politics.
- Deficient monsoon.



Detailed technical analysis

WORLD MARKETS - TECHNICAL SNAPSHOT

		Very Bullish	Bullish	Neutral	Bearish	Very Bearish
STOCKS		France ↑ Germany ↑	Australia Brazil ↑ India UK USA	Hong Kong Japan	China ↑	
COMMODITIES			Crude Oil ↑ Gold Silver	Aluminium Copper Lead Natural Gas Nickel ↑ Zinc		
CURRENCIES (against USD)			AUD ↑ HKD ↑ JPY	BRL ↑ EUR GBP INR ↑		
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			Nifty Sensex	Mid Cap Small Cap		
SECTORS	FMCG Healthcare		IT ↑ Oil & Gas	Auto Bankex Cap Goods Cons Durable Teck	Metal ↑ Power Realty	
COMMODITIES	Gold		Crude Oil ↑ Lead ↑ Silver Zinc ↑	Aluminium Copper Natural Gas Nickel		
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	Ambuja Cem Apollo Tyres ↑ Cipla Grasim Ind HCL Tech HDFC ↑ HDFC Bank Hind Unilever ICICI Bank ↑ ITC Power Grid Ranbaxy Sun Pharma Tata Global TCS Tech Mahindra ↑ Ultratech	ACC Bajaj Auto Coal India DLF ↑ Exide Inds ↑ GAIL ↑ Hind Zinc ↑ Kotak Bank ↑ LT ↑ Lupin ↓ M&M NTPC Petronet LNG Reliance Ind Shriram Trans	ABB ↑ Bosch Ltd BPCL Cairn Dr Reddy Havells India Idea Cellular ↑ Infosys Tech JP Associates JSW Steel Maruti Suzuki MRF Nestle India O N G C RECL Reliance Cap Reliance Infra Tata Chem Tata Motors Tata Power Thermax Wipro	Axis Bank Bank of Baroda ↑ Bhel Chambal Fert ↑ Hindalco ↑ Sesa Goa Siemens SBIN Sterlite Ind Tata Steel ↑ UCO Bank	Andhra Bank Ashok Leyland Bharti Airtel Canara Bank Crompton Gr Hero Motoco Jindal Steel PNB RCOM

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

MAJOR MEDIUM & SMALL COMPANIES - TECHNICAL SNAPSHOT

	Very Bullish	Bullish	Neutral	Bearish	Very Bearish
COMPANIES	Asian Paints ↑ Bata India ↑ Castrol India Colgate-Palm Dabur Godrej Cons Marico Pidilite Ind	Biocon GSK Con Health GSPL Jubilant Food TTK Prestige	Astrazeneca Ph ↑ Cummins India ↓ Federal Bank GE Shipping Glaxo Pharma GMDC I D F C IGL Indian Hotel IndusInd Bank LIC Housing SKF India ↑ Tata Sponge Titan Ind Voltas Yes Bank	Bharat Forge Britannia Ind CRISIL Ltd	ABG Shipyard HCC Opto Circuits Shipping Corpn

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

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