

ShroffConnect Weekly Report

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Opinion as on 22/09/2012

- Money flow: Into stocks and commodities.
 - **Opinion on money flow:** With all round quantitative easing investors are flocking to riskier assets.
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- Indian market - At a six month high with the Nifty closing near 5700 levels.
 - Sectors - Selective private banks, cement, consumer goods, IT and selective pharma are outperforming.
 - Positives - Government's pro-economy policy announcements.
 - Negatives - High interest rates; high inflation; political uncertainty.
 - **Opinion:** - Although the market has shot up to six month high levels, we should understand that the key policy announcements recently made by the government are not going to positively affect the economy for some quarters at least, and further announcements which may require parliamentary approval are going to be sketchy given the political ground realities. Therefore, investors should be careful and sectors whose growth depends upon policy announcements concerning Land Acquisition, Labour, Power etc. We suggest that investors should wait for dips and buy into sectors which are already doing well and which may do well if interest rates come down by a bit.



Current news and world
financial market prices

Current scenario & news

World economy

- U.S. manufacturing suffered its weakest quarter in three years and conditions at European businesses worsened, while China's economy continued to lose momentum.
- Aggressive new policy from the European Central Bank has so far failed to boost ailing euro zone business, survey showed a widening chasm between sickly France and a more resilient Germany.
- The Bank of Japan eased monetary policy by boosting asset purchases by double the usual amount, as slowing global demand and mounting tensions with China have hurt chances of a near-term recovery in the export-reliant economy.
- The euro dropped the most in two months against the dollar as services and manufacturing in the region shrank to a three-year low, adding to evidence the central bank will need to do more to spur growth.

Indian economy

- India will slash tax on overseas borrowing by local companies to 5 percent from 20 percent. The reduced tax will apply to funds borrowed between July 2012 and June 2015, he said.
- India's economic confidence has got a major boost due to recent big-bang economic reforms like the hike in diesel prices and cap on number of subsidized LPG cylinder; FDI in retail, aviation and broadcasting; disinvestment in 4 PSUs; and cut in CRR by RBI.
- The finance ministry invited bids from advisors for setting up an exchanges traded fund (ETF) for selling stakes in state run companies, marking a rush to raise Rs 30,000 crore budgeted from disinvestment in the current year.
- Betting high on India's reform initiatives, foreign investors have pumped in more than Rs 9,000 crore (about USD 1.67 billion) in the country's equity market so far this month.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 22nd Sep 2012	% Change
STOCKS	Australia	ASX	4430.75	0.47
	Brazil	Bovespa	61320.07	(1.26)
	China	Shanghai	2026.69	(4.57)
	France	CAC	3530.72	(1.42)
	Germany	DAX	7451.62	0.53
	Hong Kong	Hang Seng	20734.94	0.51
	India	Sensex	18752.83	1.56
	Japan	Nikkei	9110.00	(0.54)
	UK	FTSE	5852.62	(1.06)
	USA	DJIA	13579.47	(0.10)
COMMODITIES	Copper	\$/Pound	3.79	(1.04)
	Crude	\$/Barrel	92.89	(6.17)
	Gold	\$/Troy Ounce	1778.00	0.30
	Natural Gas	\$/MMBtu	2.88	(2.04)
	Silver	\$/Troy Ounce	34.64	(0.06)
	Aluminium	\$/Tonne	2116.00	(3.82)
	Lead	\$/Tonne	2288.00	1.02
	Nickel	\$/Tonne	18175.00	2.25
CURRENCIES	Zinc	\$/Tonne	2115.00	(0.05)
	USD/GBP		1.6219	0.05
	USD/EUR		1.2971	(1.21)
	USD/AUD		1.0457	(1.06)
	JPY/USD		78.11	(0.15)
	INR/USD		53.35	(1.75)
	HKD/USD		7.7522	0.02
BONDS	BRL/USD		2.0240	0.55
	2 Year	US Treasury	110.20	(0.02)
	10 Year		132.67	(0.35)
	30 Year		146.88	1.60

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 22nd Sep 2012	% Change
STOCKS	Nifty	Large Cap	5691.15	2.03
	Sensex	Large Cap	18752.83	1.56
	BSE Midcap	Mid Cap	6432.43	3.00
	BSE Smallcap	Small Cap	6809.21	2.81
Some Major Shares	ACC	Rs/share	1381.05	(0.34)
	Bharti Airtel		279.10	9.41
	HDFC Ltd		779.15	1.13
	Infosys		2594.65	(1.42)
	L&T		1584.20	6.32
	Reliance Inds		850.30	1.02
	Tata Motors		275.35	1.87
	Tata Steel		409.00	0.99
COMMODITIES	Aluminium	INR/Kg	111.45	(4.70)
	Copper	INR/Kg	445.40	(2.47)
	Crude	INR/Barrel	4968.00	(6.86)
	Gold	INR/10gms	31506.00	(1.17)
	Lead	INR/Kg	120.95	0.04
	Natural Gas	INR/1mmBtu	153.60	(3.76)
	Nickel	INR/Kg	960.10	0.23
	Silver	INR/Kg	63277.00	(1.57)
	Zinc	INR/Kg	111.35	(0.85)
CURRENCIES	INR/EUR		69.25	(2.89)
	INR/GBP		86.53	(1.66)
	INR/100 JPY		68.26	(1.42)
	INR/USD		53.35	(1.75)



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 22/09/2012

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	↑1.78	1.70

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	↓3.50	3.54

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	0.81

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-0.50	-0.20
Inflation Rate	Monthly	↓2.50	2.60
Unemployment Rate	Monthly	8.10	8.00
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	↓1.80	1.82

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	↓8.16	8.18

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.50	0.80
Inflation Rate	Monthly	5.24	5.20
Unemployment Rate	Monthly	↓5.30	6.50
Benchmark Interest Rate	Weekly	7.50	8.00
Govt. bond 10 year Rate	Weekly	↑9.92	9.74

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	4.00	4.90
Inflation Rate	Monthly	5.90	5.90
Unemployment Rate	Monthly	5.40	5.40
Benchmark Interest Rate	Weekly	8.25	8.00
Govt. bond 10 year Rate	Weekly	↑7.79	7.76

IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 22/09/2012

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1800.35	17.30	7.71
Bharat Heavy Electricals Ltd.	Electric Equipment	232.30	7.96	2.16
Bharti Airtel Ltd.	Telecommunication - Service Provider	279.10	27.84	2.06
Cipla Ltd.	Pharmaceuticals & Drugs	361.35	22.82	3.65
Coal India Ltd.	Mining & Minerals	371.90	15.56	5.23
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	1643.55	18.62	5.30
GAIL (India) Ltd.	Gas Transmission/Marketing	386.05	12.88	2.15
HDFC Bank Ltd.	Bank - Private	625.25	26.83	4.67
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1921.05	15.75	7.82
Hindalco Industries Ltd.	Aluminium & Aluminium Products	117.70	11.17	0.71
Hindustan Unilever Ltd.	Household & Personal Products	529.55	33.08	23.81
Housing Development Finance Corporation Ltd.	Finance - Housing	779.15	28.01	5.32
ICICI Bank Ltd.	Bank - Private	1065.25	17.68	1.95
Infosys Ltd.	IT - Software	2594.65	16.77	4.43
ITC Ltd.	Cigarettes/Tobacco	261.65	31.93	10.09
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	426.60	11.65	2.16
Larsen & Toubro Ltd.	Engineering - Construction	1584.20	21.26	3.80
Mahindra & Mahindra Ltd.	Automobiles-Tractors	808.15	16.54	3.88
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1312.75	25.12	2.43
NTPC Ltd.	Power Generation/Distribution	168.65	14.42	1.87
Oil & Natural Gas Corpn. Ltd.	Oil Exploration	293.35	9.26	2.12
Reliance Industries Ltd.	Refineries	849.90	14.57	1.65
State Bank Of India	Bank - Public	2212.60	8.23	1.33
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	104.20	7.98	0.73
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	669.30	24.05	5.30
Tata Consultancy Services Ltd.	IT - Software	1303.30	22.54	7.77
Tata Motors Ltd.	Automobiles-Trucks/Lcv	275.35	5.42	2.14
Tata Power Company Ltd.	Power Generation/Distribution	102.70	0.00	1.87
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	409.00	61.96	0.92
Wipro Ltd.	IT - Software	377.50	15.97	3.26

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. Fed announces unlimited QE3. A “fiscal cliff” which entails automatic cutting of govt. expenditure is due from 1st Jan, 2013.
- Europe – Economic slowdown in most countries. ECB announces bond purchases.
- China – Lowest GDP growth in several years. Govt. cuts key interest rate to boost growth.
- Japan – Improvement in GDP growth rate.
- Rest of the World – Positive economic growth in South East Asia. Indonesia and Philippines overtake India in GDP growth. Syrian violence, Iranian nuclear programme and Islamic attacks on US and French embassies 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 – CRR cut in mid quarter review on 17/9/12.
- Inflation – Inflation has increase to 7.55%.
- Foreign exchange – The balance of payments situation is alarmingly 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 India ↑	Australia Brazil UK USA	Hong Kong Japan		China ↓
COMMODITIES			Gold Lead ↑ Silver	Aluminium Copper Crude Oil ↓ Natural Gas Nickel Zinc		
CURRENCIES (against USD)			HKD JPY	AUD ↓ 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	Sensex ↑		Nifty	Mid Cap Small Cap		
SECTORS	FMCG Healthcare Oil & Gas ↑		Bankex ↑ IT	Auto Cap Goods Cons Durable Metal ↑ Power ↑ Realty ↑ Teck		
COMMODITIES	Gold Silver ↑		Lead Zinc	Aluminium Copper Crude Oil ↓ Natural Gas Nickel		
CURRENCIES (against INR)	GBP		EUR ↓	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	Ambuja Cem Apollo Tyres Cipla Coal India ↑ Grasim Ind HCL Tech HDFC HDFC Bank Hind Unilever ICICI Bank ITC LT ↑ M&M ↑ Reliance Ind ↑ Shriram Trans ↑ Sun Pharma TCS Tech Mahindra Ultratech	ACC Bajaj Auto Cairn ↑ DLF Exide Inds GAIL Hind Zinc JSW Steel ↑ Kotak Bank Lupin NTPC O N G C ↑ Petronet LNG ↓ Power Grid ↓ Ranbaxy ↓ Tata Global Thermax ↑	ABB Andhra Bank ↑ Axis Bank ↑ Bank of Baroda ↑ BPCL Canara Bank ↑ Chambal Fert ↑ Dr Reddy Havells India Hindalco ↑ Idea Cellular Infosys Tech JP Associates Maruti Suzuki MRF Nestle India RECL Reliance Capital Reliance Infra SBIN ↑ Siemens ↑ Sterlite Ind ↑	Ashok Leyland ↑ Bhel Bosch Ltd ↓ Crompton Gr ↑ Hero Motoco ↑ Jindal Steel ↑ PNB ↑ RCOM ↑ Sesa Goa <div>Neutral</div> Tata Chem Tata Motors Tata Power Tata Steel ↑ UCO Bank ↑ Wipro	Bharti Airtel

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

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

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