



Finnacle Investments

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SECTOR UPDATES

30th November - 6th December

Macro Economic Updates

Chinese Renminbi to be included in IMF's Special Drawing Rights Basket

- SDR is often regarded as a “basket of national currencies” comprising of four major currencies of the world
- Currently it consists of the U.S. Dollar, Euro, Japanese Yen and Pound Sterling
- The composition of this basket of currencies is reviewed every five years wherein the weightage of currencies sometimes get altered
- Current weightage
- The basket determines the currency mix countries like Greece receive when the IMF disburses financial aid
- The IMF said the Renminbi's inclusion will make the SDR more diverse and representative of the International Community

Global Impact

- The SDR has no direct link to financial markets or private business
- The Chinese Renminbi will become a free-float currency
- Global central Banks will increase their exposure in Renminbi
- This will increase the demand for the renminbi, which will further depreciate the currency in the short-run
- However, in the long-run this will give China a competitive advantage to further improve its exports
- As much as \$2 trillion are expected to flow into renminbi assets over the next 10 years as the currency takes on a larger international role
- It will encourage more use of Renminbi for trade and investment
- It will reconfirm the importance of Chinese Economy in context to world trade
- The borrowing costs will reduce for China and its companies

WEIGHTAGE		
	2010	2016
US Dollar	41.9	41.73
Euro	37.4	30.93
Chinese Renminbi	N.A.	10.92
Japanese Yen	9.4	8.33
British Pound	11.3	8.09
Total	100	100

Impact on India

- There will be no immediate effect on the Indian Economy since the entire process will take time to implement
- Even in the short-run, there will be no significant effect since the stability of Renminbi is still speculative
- The Central Banks will not start accumulating reserves in Renminbi immediately, it will take significant time. Hence, it will only be after considerable time has passed that the benefits will be truly visible
- However, in the long-run the Indian Economy will have a greater disadvantage against the Chinese Economy
- However, with increased trade with China, the overall benefit to the Indian Economy is expected to be more positive

Sector: Auto and Auto Components

Analysts: Sriram N, Mounica Reddy

Developments

Cars in Delhi to run on alternate days on an even/odd number basis as Delhi govt. seeks to curb pollution

- To keep a check on the rise in pollution, the Delhi government has brought about a unique proposition which enables vehicles to run on alternate days based on the license plate number.
- Odd numbered vehicles and even numbered vehicles would be allowed on the street alternately in a move widely criticized by many as people feel the primary cause for pollution in the state is due to chemical residue and particulate matter from factories and manufacturing plants.
- Taxis, auto rickshaws, CNG buses and public vehicles are exempted from this rule however the same cannot be said for vehicles from other states entering Delhi.
- This move would provoke people into buying two vehicles or give a boost to public transport and taxi carriers like Uber and Ola.
- Experts feel that scrapping of old and unfit vehicles would prove more effective rather than giving the go-ahead for such a measure.

Chennai, hit hard by torrential rainfall faces losses to the tune of Rs 1,500 crores

- India's second largest auto manufacturing hub was haunted by the wrath of the rain gods as it faced a production loss estimated at Rs 1,500 crores.
- Chennai accounts for one-fourth of the country's passenger vehicle production. The auto industry which manufactures units worth Rs 38 billion is strongly supported by the metropolis as it contributes around Rs 9.5 billion, which amounts to a loss of Rs 172 crore/day.
- The city which is expected to return to normalcy in a span of 3-4 days is currently having vehicle manufacturers like Renault, Nissan, Hyundai, Eicher Motors run hither thither as delivery dates of vehicles have been majorly impacted.
- Most of the manufacturers are positive that the losses would be absorbed to a great extent by insurance companies.

Volkswagen could face a penalty of 32 crores for its emission test fiasco

- Deeply embedded in the global emission diesel scandal, Volkswagen could face a fine of 32 crores imposed by the Indian Govt, if found guilty of installing emission-cheating software in its diesel cars.

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- It had announced a recall of around 3.24 lakh diesel cars of Audi, Skoda and Volkswagen brands in India this Tuesday.
- Renowned testing agency ARAI came up with results that Volkswagen units with a E189 engine variant were indeed fitted with the scandalous software which violated norms 8-9 times greater than the permissible values.
- "If we ascertain that the company was selling cars fitted with faulty or substandard quality devices then under section 182 A of Motor Vehicles Act, it could face a penalty of Rs 1,000 per car. The law mandates provision of penalty in such cases," said a senior government official.

Ashok Leyland cracks orders worth \$200 million from Cote d'Ivoire

- In what is speculated to be the biggest deal for Hinduja group's flagship company, Ashok Leyland has brought about an order for 3600 vehicles worth around Rs 1,335 crores from Cote d'Ivoire.
- The contract involves the manufacture and supply of trucks and buses to the West African nation over a period of 12 months.
- The company stated that the contract was being funded by the EXIM bank of India and is awaiting the final clearance from the respective governments.

Market Performance



After a healthy November where automobile sales saw a great high with companies like Eicher Motors registering a 48% increase in demand for its flagship motorcycle, Royal Enfield and car manufacturers like Maruti, Renault and Nissan having registered a healthy rise in production and supply of individual units,



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calamity struck in the form of heavy rainfall as Chennai, home to numerous auto companies was submerged under a deluge of water thereby halting work in all the factories and production houses.

It is speculated that it would take about a week for the effects of the disaster to completely ebb out.

Top Performers

Stock: Majestic Auto

Price on 5th December, 2015: Rs 78.60

Price on 27th November, 2015: Rs 66.90

Change %: 17.5%

Rationale: The auto ancillaries company witnessed a sudden growth after a sluggish performance in the previous months. The increase could possibly be due to the supply crunch in auto components for manufacturers in Chennai.

Under Performers

Stock: Ashok Leyland

Price on 5th December, 2015: Rs 90.35

Price on 27th November, 2015: Rs 97.50

Change %: -7.3%

Rationale: After manufacturing plants were shut down for a second time in a month owing to heavy rainfall, the shares of companies like Ashok Leyland, TVS Motors and Sundaram-Clayton witnessed a major fall.

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Sector: Banking, Financial Services and Insurance

Analysts: Samarth Salem and Tanisha Parul

Developments

RBI maintains rates on accelerated GDP and inflation concerns

The RBI kept the interest rates unchanged in its fifth bi-monthly monetary policy review on 1st of December. CRR – 4% and Repo rate – 6.75%

Reasons:

- Accelerated second quarter GDP growth rate of 7.4%
- Wholesale price index is on a negative zone
- However, the consumer price index has started moving up
- Concerns of a rate hike by US Federal Reserve in mid-December

Dena Bank gets Board approval to dilute Govt. stake

The Bank has got board approval to government holding up to 52% from 65%. Also, to raise additional Tier – I capital up to Rs. 1,500 crores and Tier – II capital of Rs. 1,000 crores through various bonds.

Yes Bank signs \$265-mn pacts with US firms for SME lending

The Bank has signed loan agreements with Overseas Private Investment Corporation (OPIC), the US Government Development Finance Institution for debt financing micro, small and medium enterprises in India. US based Wells Fargo Bank will act as sponsor and co-lender to the project.

RBI to release base-rate calculation guidelines for Banks

RBI Governor Raghuram Rajan has been asking banks to pass on the rate-cut benefits, since the rate reduction cycle 125 basis points have been transmitted to banks, however the median base lending rate has only declined by 60 basis points. Base rate is the minimum benchmark below which bank cannot lend. Thus, the RBI will shortly finalize the methodology for determining the base rate based on the marginal cost of funds.

Market Performance



The sector showed a consistent decline over the week in all the stocks. There are several reasons for this:

- Profits for 2nd Quarter for the BFSI Sector dropped by 3% in the current fiscal year
- The NPAs stood at 5.3% for Public sector lenders and 2.1% for Private sector banks
- In the latest review by the RBI, the Policy Rate has been unchanged
- Rising concerns of a rate-hike by the US Federal Reserve in mid-December

Top Performers

Stock: Dena Bank

Rationale: The stock grew by 4.86% this week. It is the only stock to perform well this week, due to its Board's approval to dilute and raise capital up to Rs. 2500 crores from various bonds.

Under Performers

Stock: Canara Bank

Rationale: The stock fell by almost 7.68% over the week.

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Sector: Retail and textile

Analysts: Aurosikha

Developments

Online grocery market has huge potential

According to the latest study conducted by 6Wresearch, India's online grocery market is estimated to grow at a CAGR of 62% between 2016-2022. According to the study online grocery market has huge potential as it is in its nascent stage and is concentrated in tier I cities. The players in this market are offering attractive offers to woo their customers. According to the research change in lifestyle and long working hours is making online grocery shopping more relevant. The youth population is driving the major sales in this market. The major market for this platform is Bangalore, followed by Mumbai and Delhi. This model is growing faster as it saves cost and time of delivery with the help from local merchant.

Nestle India declares second interim dividend

After successful relaunch of Maggi in India after the lifting of ban, Nestle India has declared a second interim dividend for 2015 at Rs.16 per share, amounting to Rs.154 crore. The dividend is on the entire issued, subscribed and paid-up share capital of the company. Currently the company has 96,415,716 equity shares of nominal value of Rs.10 each. The dividend will be paid on and from December 23, 2015. Earlier in May, Nestle India had declared an interim dividend of Rs.14 per equity share for the year.

'India Handloom' brand will be available on eBay and Amazon

The Textile ministry is reaching out to eBay and Amazon to provide the online platform to registered producers under the 'India Handloom' brand in order to increase their reach. People will be able to shop online handloom products certified by the ministry. Textile ministry has a written agreement with eBay and the products will be rolled out in January. Discussion is on with Amazon India to run a pilot for some of the brand's products. The contention point is the commission charged by the e-commerce firms and government's cap on commission.

Government examines new scheme for cotton farmers

In order to help cotton farmers get better price for their products when market price goes below minimum support price (MSP), government has devised a plan. It is planning to introduce Direct Payment Deficiency System (DPDS) as a pilot project at Hinganghat in Maharashtra. Under this system farmers will get the difference between MSP and market price, if the market price goes below MSP. If the pilot project is successful, it will be rolled out in all cotton-growing regions of India. The Agricultural Produce Marketing Corporation (APMC) price will be taken as the market price under this system. Until now the government paid Rs.3750 per quintal which created artificial short supply in market. It also incurred huge cost on interest and storage of the procured stock. Farmers have to submit certain documents to avail this relief.

Market Performance

The market fell sharply following a global sell-off by the investors. Due to the change in European Central bank (ECB) policy and also the fear of Fed rate hike, the investors started selling off.

Top Performers

Stock: V-Mart Retail

Rationale: According to their expansion plans, they have opened two new stores and the company has been performing well consistently.

Under Performers

Stock: Welspun India

Rationale: Incessant rains in Chennai have hampered the production of textiles. Transportation of products have also become standstill to the south city.

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Sector: Cement and Construction Industry

Analyst: Shramit

Developments

Bidding war for Reliance Cement

Since the announcement of Reliance Cements exits, many companies have lined up with their bids to buy the corporation. The initial bid value for the company was evaluated to be around 5000 crores. News came in that apart from Asian players like JK Lakshmi cement, JSW cement, China Resources cement some of the global private equity funds like Blackstone, Carlyle and Barings Asia are also competing for the same. The shortlist is expected to be announced by 24th December.

Shares up for grab for Udaipur Cement Works

JK Lakshmi Cement, Florence Investech and JK Paper, part of the promotor group of Udaipur Cement Works, are ready to sell their 13.64 per cent combined stake at Rs 10 per share.

IL&FS Engineering grabs road project

IL&FS Engineering and Construction Company Ltd today announced that it has bagged Rs. 675-crore project from the Ministry of Road Transport and Highways for strengthening Birpur-Bihpur road section in the state of Bihar under phase-I of NHDP.

Market Performance

Not much activity has been seen in the last week in both cement sector and construction sector. Most of the cement sector industries stocks have fallen down in the week due to less demand for cement. Most of the companies' shares have fallen down as compared to last week's performance.

Top Performers

Stock: Dalmia Bharat

Price on 30th November, 2015: Rs 750

Price on 04th December, 2015: Rs 780.70

Change : 4.09%

Under Performers

Stock: J.K. Lakshmi Cement

Price on 30th November, 2015: Rs 358.75

Price on 04th December, 2015: Rs 326.70

Change : -8.93%

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Sector: Healthcare and Pharmaceuticals

Analysts: Ankita, Anuj

Developments

Sun Pharma gets US FDA approval for Gleevec after a long wait

Sun pharma India's largest drug maker got USFDA approval for the launch of generic version of Gleevec in American market.

Gleevec is used in the treatment of myeloid leukemia a rare form of blood cancer. Gleevec whose API is patented by Novartis has an annual sales of \$2.5 Billion. Sun has shifted its filling from Halol plant in India which is under scrutiny from USFDA to one of its subsidiary in US. Sun has got approval for 100 and 400 mg tablet production and this could earn company a \$250 million for this fiscal.

Aurobindo Pharma gets USFDA nod for multi disease treatment injection

Aurobindo Pharma has received final approval from US FDA for Dexamethasone Sodium Phosphate injection manufacturing and marketing. The injection is used for treatment of various allergic diseases arthritis and blood disease. Company is planning to launch the product by end of fourth quarter this fiscal. The product has an estimated market of \$31 million for the company

Drug price cut yielded Rs 2,772 crore benefit to public

Government while addressing the speaker has informed that the drug price cut has yielded a benefit of 2,772 crore to the public. The benefits come from fixing of ceiling prices for various essential medicine under the schemes like National List of essential medicine (NLEM).

Market Performance

Pharma index performed well on the back of Sun Pharma and Dr. Reddy Labs. Sun Pharma provided gain to the index after getting approval for Gleevec generic version in the US market. Dr. Reddy recovered this week after falling from record high previous week.



Top Performers

Stock: Sun Pharma up 7 %

Rationale: Sun Pharma moved up after the approval of Gleevec by USFDA.

Under Performers

Stock: Natco Pharma down 7%

Rationale: Natco pharma sheds all the gain made after the surges happened due to division of equity shares

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Sector: Oil and Gas

Analysts: Akshay, Vaibhav

Developments

Decrease in FDI during 1HFY16

Foreign Direct Investment has reduced to Rs 300 crore in the first half of financial year 2015-16 from Rs 6500 for the last year. The decrease in FDI is due to the decrease in price of oil and because of this oil companies are cutting expenditure on new projects as there is reduction in return on Investment.

Decrease in Petrol and Diesel prices

Due to the current level of international price of oil and fluctuations in INR-USD exchange rate, there is a further decrease in petrol and diesel prices. The petrol and diesel price is decreased by 0.58 and 0.25 respectively per litre in Delhi.

Excise duty on Petrol and Diesel has more than doubled

Excise duty on petrol and diesel has more than doubled under BJP rule. On petrol excise duty was Rs 9.48 per litre in April 2014 which has increased to Rs 19.06 per litre. Also on diesel, it was Rs 3.65 per litre which has increased to Rs 10.66 per litre.

TAPI pipeline will encourage energy accord between India and Pakistan

India will soon be benefitting from the Turkmenistan-Afghanistan-Pakistan-Iran gas pipeline whose construction will begin from December 13. The pipeline will emerge as the major confidence builder between India and Pakistan after the Iran-Pakistan-India gas pipeline failed. The pipeline will export up to 33 billion cubic meters of natural gas a year from Turkmenistan to Afghanistan, Pakistan and India over 30 years.

Market Performance



Stocks like Cairn India, IOC, OIL and Petronet performed better when compared with the last week. However, stocks like Reliance, ONGC, GAIL underperformed this week.

Top Performers

Stock: Petronet

Rationale: Petronet is negotiating with RasGas to revise the formula for LNG price. This formula will be based on three-month average price of oil rather than taking five-year average. This may immediately cut the price of LNG by 50%. Also the deal would potentially relieve Petronet as otherwise it would had to pay Rs 9400 crore for buying less than the contracted quantity.

Under Performers

Stock: ONGC

Rationale: Gas worth over Rs 11000 crore has flowed from ONGC's block to RIL's block. ONGC wants RIL to pay for the gas that has flowed from its block. But according to RIL, it has drilled wells according to the terms of the contract with Government.

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Sector: FMCG-FMCD

Analysts: Shubham Aggarwal, Abhi Kothari, Prateek

Developments

Future Group is going to invest Rs.300crore in FMCG business.

Kishore Biyani, the founder of Future groups is in talks with the family offices to raise Rs.300crore for FMCG business. The family offices include the Verlinvest and Arisaig, each of which owns about 10% stake in Future Consumer Holdings. In FMCG the company has launched the brands like Sunkist (beverages and jams), Tasty Treat (snacks, ketchups and savouries), Nilgiris (dairy and bakery products) and Golden Harvest (staples and spices). In coming months, the Nilgiris dairy brand would be launched in northern states and a new range of dips, sauces and chutneys would be launched under the brand name of Sangi's Kitchen. The company is also planning to launch a wide range of personal care products in joint venture with Switzerland firm –Mibell.

Godrej is planning to expand its Lock business in South Africa and Russia

Godrej Locks is planning to change its strategy for global business. They are planning to strengthen its foothold in Bangladesh, where it is already present and to foray into new markets of South Africa and Russia. The target is to become Rs1000crore Company in coming two years.

Electronics companies expecting good revenues from Indian market in future.

As per the India Electronics and Semiconductor Association, the Japanese firms are expecting very good growth in Indian market and hence looking for further investment in same. Over dozen Japanese companies have shown interest in investing in Indian electronics manufacturing space and hence will visit India to seek the partnership opportunities at IESA vision summit in February.

Toshiba is planning to double its share in Indian multifunctional printer (MFP) market to 15%. For this they have launched two new MFPs that allow both A3 and A4 printing. Similarly, Fujifilm is also looking for the revenue of Rs.60crore from its new range of instant cameras- 'Instax'. The firm has partnered Flipkart to sell these products. Apart from Japanese firms, a Copenhagen-headquartered technology startup 'BlueTown' has also signed MOU with The Electronic Sector Skill Council of India (ESSCI) in order to develop connectivity solution for rural areas.

On the other hand, the Japanese firm Sharp corp is planning to sell its holding in Sharp India where they hold 75% stakes. Samsung has also shown the slowest growth rate in India in a decade. Major reasons were poor presence in sub-Rs.10000 smartphone segment and tough competition from Chinese and Indian firms. Now they have started restructuring, headcount reduction, product portfolio beefing to reverse the trend.

India can become the major producer of Electronics by 2020

Under its vision 2020, India is aiming to become the major producer of electronic goods. The credit goes to the large number of startups being setup but still there would be great challenges to meet demand-supply gap. Apart from that, the government has also received proposals in Electronics manufacturing segment from major brands like Samsung, Bosch, Phillips, LG and Flextronics under Modified special incentive package scheme (M-SIPS). The total number of proposal is 156 and they are worth Rs.1.13LakhCrore. M-SIPS is the leading scheme under Make in India which aims to reduce the imports of electronics to zero by 2020.

Market Performance



FMCG sector witnessed a fall this week with majority of top players showing fall in their prices owing to one or another reason

Top Performers

Stock: Nestle India Limited

Rationale: Nestle showed uptick in price after company declared second interim dividend of Rs 16 per share. Nestle also resumed production at all plants in India by resuming production at its last remaining plant Tahliwal in Himachal Pradesh.

Under Performers

Stock: Dabur India Limited

Rationale: Dabur witnessed a fall of 2.05% this week. FMCG major on Thursday informed BSE that its juice sales are likely to dip 10-15 per cent in October-November due to disruption of supplies from its plant in Nepal.

Stock: United Breweries

Rationale: United breweries share price fell 1.59% this week. Yes Bank has invoked 3.02 percent stake of United Breweries by selling shares worth Rs 778 crore. The move comes after State Bank of India (SBI) declared Mallya, Kingfisher Airlines and its holding company United Breweries Holdings, as willful defaulters for defaults on nearly Rs 7,000-crore loans to the long-grounded carrier.

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Sector: Information Technology

Analysts: Nikhil Sharma, Saket Sohan

Developments

Wipro buys IT consulting company Cellent for Rs 520cr to fuel European growth

After Wipro's buyout of Denmark based strategic design firm Designit, it has made yet another buyout of a German IT consulting and software services company Cellent AG for 73.5 million euros (Rs 520 crore). The move will not only significantly strengthen its presence in Germany, Austria and Switzerland, but will also boost its manufacturing and automotive verticals. Cellent is a 14 years old company having more than 800 consultants - all will now become part of Wipro. It had 87 million euros (Rs 613 crore) in revenue in 2014.

Microsoft CEO Satya Nadella to unveil 4 new IT policies for Hyderabad

Microsoft CEO Satya Nadella would be visiting the cyber city of India on 28th December. The government has requested Nadella to unveil policies for IT, innovation/startups, Innovation in Multimedia, Animation, Gaming and Entertainment (IMAGE) and Electronic System Design Manufacturing (ESDM).

Telangana government will launch these four new policies with the initiatives taken by the government during last 16 to 18 months to re-assert as one of the premier destinations of IT in the country. Recently the city is losing its competitive edge with cities like Chennai, Pune and Bangalore and with new initiatives and policies the government hopes that Hyderabad will again be the top destination in the country in couple of years.

Chennai rains may impact IT firms in December quarter

While some of the companies had already reported earlier that due to less working days in this quarter there would be less business revenue generation. And now Heavy downpour have hit operations of IT companies in Chennai. Chennai is the second largest base for IT companies in the country. It houses almost all the top-tier IT service companies. There has been a division of opinions as to whether these would hurt the sales of the IT companies in Q3. While some companies like Cognizant and Infosys were closed for as long as 3-4 days, other companies claimed that they had alternate business solutions. Shares of IT services companies fell due to speculations as rains in Tamil Nadu hit normal business activities. Infosys fell 0.40 per cent, while TCS declined 0.61 per cent.

Market Performance

A difficult week for IT sector. Top four companies by market capitalization (TCS, Infosys, HCL, and Wipro) couldn't even get to green. Only Tech Mahindra saw a surge in its share prices and that to by only 0.5%. Some of the Mid cap and Small cap companies 3i Infotech, Dynacons Tech however did well.

Top Performers

Stock: None

Rationale: - While companies like Tata Elxsi had a good run for a few days of the week where it went up by as high as 4%, but eventually the company went only but 1% over the week and none of the companies could perform really good to be called as top performers.

Under Performers

Stock: TCS – At 52 week low.

Rationale: TCS was down 1% at Rs 2,328 after hitting a 52-week low of Rs 2,322 on the BSE. Shares of India's largest information technology services company fell by 8% in past one month as compared to 3% decline in the benchmark index.

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