

A decorative graphic featuring three blue circles of varying sizes, each composed of concentric rings of different shades of blue. Two thin blue lines intersect diagonally across the page, one from the top-left and another from the top-right, meeting near the center.

Sector Updates

25th October 2015 - 1st November 2015

FINNACLE INVESTMENTS

Sector: FMCG-FMCD

Analysts: Shubham Aggarwal, Abhi Kothari, Prateek Singh Chaudhari

Developments

ITC still good for long term investors

Despite strain on cigarettes, ITC can be good in the long term. Though the growth in the sector looks slim due to slip in growth from 10-12% to 7% and cigarettes suffering due to regulatory and tax policies but the prospects still appeared attractive. High profitability being the saving grace for the company. Though stocks haven't moved much in the past two years which may be frustrating for short term investors but the prospects do seem good for long term investors.

NIELSON the only one suggesting growth in FMCG

The main topic of discussion being the revival of the FMCG sector and all the CEOs showing and expressing their apprehensions about it. The Nielson data suggests that the industry is experiencing a strong revival with an 11.8% growth compared to last year's 6.8%.

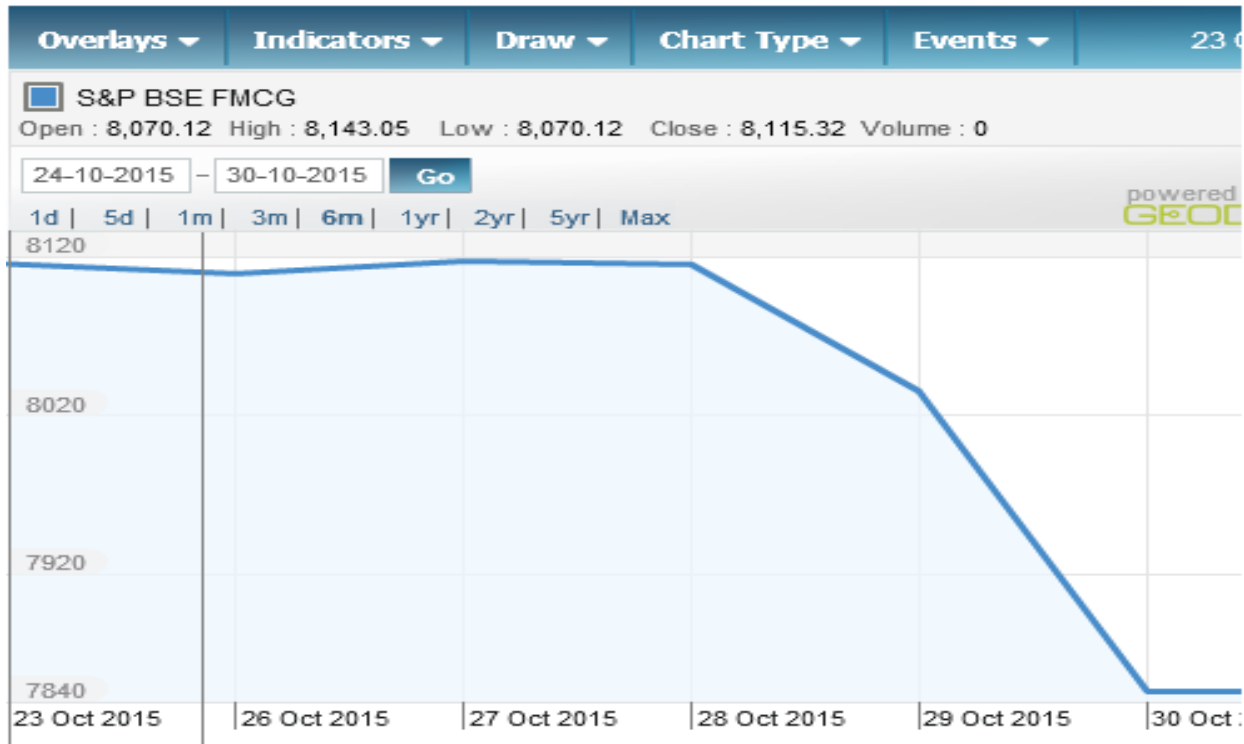
Shrinking Stockists force FMCG companies to pamper gen-next Stockists

Indian FMCG companies are rolling out B-school programmer and succession planning workshops to stem loss of talent to other industries. With growing opportunities for entrepreneurs, stockists have started moving to other businesses, forcing FMCG companies to focus on ways to nurture their shrinking pool of stockists.

Home-grown markets out-do MNCs

Many home-grown markets have outgrown MNC in terms of market cap and growth in the consumer goods sector owing to better consumer connect, inorganic growth and entry into global markets. They have logged an average CAGR of 21% compared to a sluggish 11% of their MNC counterparts and the reason is the 4'I's' (Innovation, Initial conditions, investment, institutional environment)

Market Performance



FMCG sector this week performed badly due to some bad quarterly results, dampening demand and poor growth. FMCG sector stability is now a question as there are quite a few highs and lows without any significant pattern.

Top Performers

Stock: G M Breweries

Rationale: M Breweries stock price increased by 24.71% after company reported four-fold increase in net profit and 25% increase in revenues of last quarter. GM Breweries markets its products -- brandy, rum and whisky -- under brand names Pioneer Doctor Brandy, Pioneer Special Doctor Brandy, Hot Shot Rum and Reporter Choice Whisky.

Stock: Dabur

Rationale: Dabur share price rose by 5.48% after company reported increase in its net profit by 18.8% and revenue increase by 8.6% last quarter reason being decrease in its material price by 2% to benefit bottom line

Under Performers

Stock: ITC

Rationale: ITC stock price fell by 6.59% after it registered marginal rise in profits below the expectation.

ITC is facing difficulties from pressure on cigarette industries sluggish demand environment, costs associated with new launches and also due to prolonged disruption in the instant noodles leading to poor consumer confidence.

Stock: Emami

Rationale: Emami's share price fell by 2.13% after Emami reported 32.97% decline in consolidated net profit of last quarter mainly due to sluggish demand and lower wage growth

Stock: Britannia

Rationale: The stock dipped by 1.31%. Major reasons seem to be the rising fears of rural downturn. Also Britannia lost its case to the pension holders which could be a contributing factor for the dip in its share prices making it one of the under performers.

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Sector: Auto and Auto Components

Analysts: Sriram N, Mounica Reddy

Developments

Vehicles across India to adhere to Bharat Stage-V emission norms from 2019

- Following the recent controversy of Volkswagen's failure to adhere to emission norms, the Indian government passed a resolution to progress from the current Bharat-IV norms to its next level, Bharat V.
- This move came as a relief to car manufacturers as the government had initially proposed **to skip Stage V and move on to Stage VI directly**, which would have meant heavy investments in upgrading the current systems.
- However, it was not a welcome move for oil refineries as Stage VI for them is very similar to Stage V and upgrading twice in a short span of time would mean additional costs.
- The expected cost of up gradation for refineries is estimated at **Rs 80,000 crore**. Bharat Stage VI is being targeted for April 2024 at the moment.

Soaring Chinese imports impact domestic tyre revenues in India

- The sudden increase in tyre imports, especially from bus and truck radials from China, which has grown to the tune of **138%** in the first quarter has an adverse impact on the revenues for domestic manufacturers.
- The imported goods are priced at a much lower level, up to 25% for some products, thus eating into the local market share. As a result, the domestic production reduced to 11.5 million tyres accounting for a **5.5% YoY** in FY2015.

MSIL launches the much awaited hatchback Maruti Suzuki Baleno at 4.99 lakhs

- In a move to recapture the hatchback segment, MSIL has come up with its recent hatchback Suzuki Baleno in response to VW Polo, Honda Jazz and Hyundai Elite i20.
- Another landmark for Maruti is that Baleno provides **Apple CarPlay**, an inbuilt car entertainment system, built by the smartphone giant, the first of its kind in India.
- Other fascinating features include UV reduction glasses and a multi information speedometer.
- MSIL is also slated to import Baleno on a global scale with a target of 100 global markets. It aims to target 2 million sales every year till 2020.

Mahindra First Choice seeks entry in the aftermarket sector

- Mahindra First Class, a subsidiary of the auto giant M&M plans to enter the car servicing sector after its successful venture into OEM maintenance.
- Majority of the stake-holders in this sector are local garage owners, who account for around 50% of the after-market domain, which is valued at 20,000 crore.
- The industry is slated to grow to **Rs 33,000 crore** by 2020.
- Not to let this opportunity go by, First Choice has set up **20 company-owned-company-operated (COCO)** workshops besides **200 franchises** in the country. 300 more units are speculated to be installed over the next fiscal year.
- These units would provide services to other cars as well besides Mahindra.

Market Performance



With Diwali just around the corner, the overall performance in the Auto sector has seen a positive growth. Auto manufacturers are expecting a double digit growth in sales post Navratras and pre-Diwali. The markets are recovering slowly from the dip it witnessed in the last month owing to the Chinese devaluation. Even companies like Tata motors, which had seen a major slump over the last month is slowly getting back on track.

Top Performers

Stock: Maruti Suzuki India Limited

Price on 30th October, 2015: Rs 4448.65

Price on 23rd October, 2015: Rs 4381.45

Change %: 1.5%

Rationale: The rise in stock prices can be attributed to its rise in sales by 10% and rise in enquiries by 25%. Also, its launch of S Cross and Baleno created excitement in the markets.

Under Performers

Stock: Atlas Cycles

Price on 30th October, 2015: Rs 213.30

Price on 23rd October, 2015: Rs 239.90

Change %: -11.1%

Rationale: Normal fluctuations in the market.

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Sector: Banking, Financial Services and Insurance

Analysts: Samarth Salem and Tanisha Parul

Developments

Indian rupee slumps by 38 paise

India national rupee showed a depreciation of 38 paise to reach 65.31 against dollar on demand from importers. Global equity traded weak after the indication of US Interest rate hike in the coming months.

\$1.98 billion decline in Forex reserves

RBI's foreign exchange reserves dropped \$1.98 billion. The main constituent of foreign exchange reserves, foreign currency assets fell \$1.93 billion to reach \$328.04 billion. The value of country's gold reserve remained unchanged at \$18.15 billion. Meanwhile the amount under SDRs was \$4.04 billion showing a dip of \$36.2 million.

Central Bank allows NRIs to subscribe for National Pension Scheme

RBI has allowed Non-Residential Indians to get subscriptions for the National Pension System as an investment alternative under Foreign Exchange Management Act (FEMA), 1999. NRIs can subscribe to the NPS under governance of the Pension Fund Regulatory and Development Authority (PFRDA), given that subscriptions are made through normal banking channels and as per norms of PFRDA Act.

FII/RFPs can invest up to 74% in DEN networks.

The Central Bank has allowed Foreign Institutional Investors (FIIs)/Registered Foreign Portfolio Investors (RFPs) to escalate their stake up to 74% of the paid up capital in DEN Networks Limited under the Portfolio Investment Scheme (PIS). Through PIS, the investment can be made in primary as well as secondary capital markets in India.

HDFC Bank ranked 27th safest bank globally

According to latest Bank Safety Ranking by 'The Banker', Indian private sector lender HDFC Bank has been ranked 27th safest lender in the world among 250 banks and secured 6th position in Asia Pacific region. Following HDFC in Asia Pacific Region are Axis Bank at 71st position, ICICI bank at 85th, State Bank of India at 201st, Punjab National Bank at 206th, Bank of Baroda at 214th, Canara Bank at 222nd and IDBI at 235th position.

Market Performance



The market saw a consistent decline of around 4% in the past week. Owing to the significant decline in the Forex Reserves by the RBI, the sector has been bearish the entire week. There is no immediate correction expected in the stocks.

Top Performers

Stock: Kotak Bank

Rationale: The Stock saw a 4.04% increase in the previous week. Due to a significant fall in the sector, Private Sector are being preferred than Public Sector Banks. Hence, the fall in the Private Sector Banks has been controlled.

Under Performers

Stock: IDBI Bank

Rationale: The stock fell by 3.48% in the past week. The Public Sector Banks were the worst hit.

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Sector: Healthcare and Pharmaceuticals

Analysts: Ankita, Anuj, Ayush

Developments

“Van Dhan Jan Dhan” – Maharashtra government enters Ayurvedic & herbal Product Market

The government of Maharashtra has opened first of its kind shop at Nagpur for selling Ayurvedic and herbal products. The government plans to utilize the forest resources and expand on the similar lines of Patanjali Products. The shop has 45 items on sale and it has sold products over 2 lakhs in just 25 days. The government plans to open more such shops at Airport and Railways stations.

Sequoia invests \$900 millions in Indian Pharma & Healthcare firms

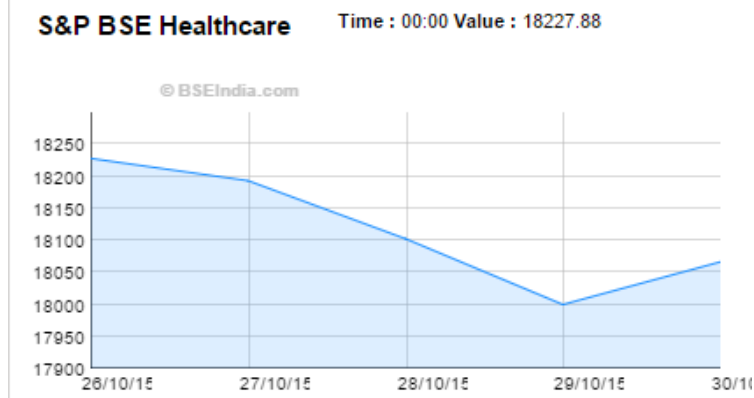
The VC has recently invested Rs.125 Crore in Akumentis Healthcare Ltd & an Rs.72 Crore in Celon Laboratories Ltd. They have been investing since 2011 and see India as a profitable and growing market. They were early investors in Vasan Eye care Hospitals.

Hilleman Lab to develop low-cost vaccines for Cholera & meningitis

The lab plans to invest Rs.300 Crore in next 4-5 years. The company is developing a synthetic vaccine to fight meningitis in Asian, African and Latin American countries. The company is a 50:50 Joint Venture between MSD Pharmaceuticals and UK-based Wellcome Trust.

Market Performance

Market performance for the week was a mixed response. Many companies like Glenmark gained while Cipla had the negative impact of the quarterly results. The Companies like GlaxoSmithKline showed decrease in profits. The markets were reacting to these results.



Top Performers

Stock: Glenmark Pharma

Rationale: The Company received temporary approval from USFDA for Lacosamide tablets (anti-epileptic drug) by its US subsidiary. Also reported 19.81% increase in net profit for consolidated Q2 net profit.

Under Performers

Stock: Cipla

Rationale: The Company decided to sell its entire stake of 25% in Biomab Holding Ltd, Hong Kong.

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Sector: Oil and Gas

Analysts: Akshay, Vaibhav

Developments

Petrol price cut by 50 paisa, no change in diesel prices

Price of petrol was cut by 50 paisa by the state fuel retailers. Diesel prices have not been changed. The decision was made after the fortnightly review to align local prices with the international prices.

Government to do away with fixed cess, replace it with ad-valorem cess

The Ministry of Petroleum and Natural Gas has agreed to remove the fixed cess of Rs.4500 on every tonne of crude oil extracted. They have also agreed to replace it with an ad-valorem cess i.e. a variable cess. The cess will be levied as percentage of the crude oil prices. ONGC, OIL will benefit a lot from this move as the oil prices have shed more than half its value since last year and upstream companies are finding it difficult to extract oil at low prices.

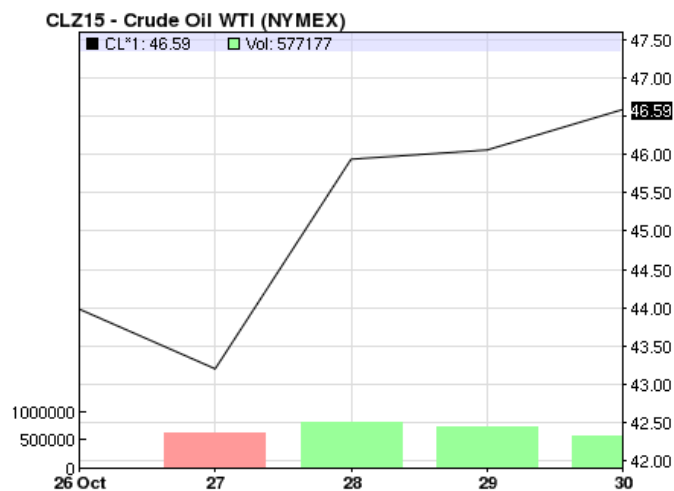
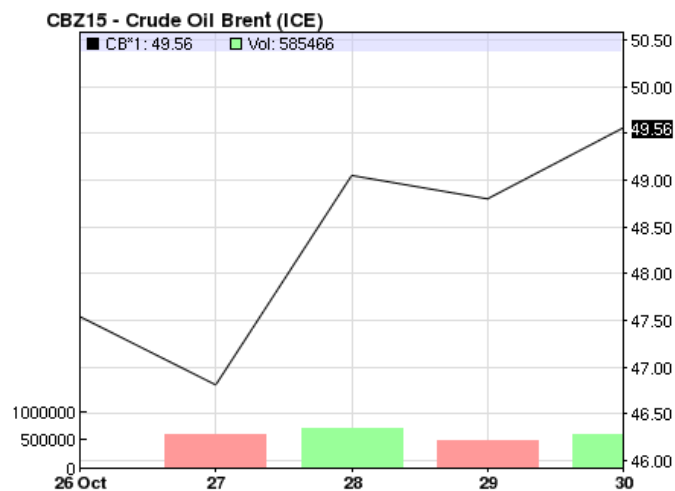
IOC-Delonex gets hold of the oil block in Mozambique

Indian Oil Corporation (IOC) has partnered with Cairn India's Delonex Energy to win the oil block in Mozambique. It is an on-shore block named P5-A stretching 9988 square kilometres in southern Mozambique.

ONGC moves to austerity, to start cutting costs

A sharp drop in crude oil prices since last year, where the crude oil has shed more than half its value, has made it difficult for the crude oil extracting companies like ONGC to extract oil with the same profits they enjoyed a year ago. As crude oil prices dropped so did the profits. Now ONGC has embarked on the journey to cut its operating costs and increase operational efficiency. A specific cost target has not been set but managers are being encouraged to do as much as they can to reduce costs.

2nd November 2015



Market Performance



The market had fall by 2.91% this week. Majority of the companies like ONGC, GAIL, BPCL, Cairn, OIL etc. under performed this week. Only IOC and Reliance were able to generate positive returns.

Top Performers

Stock: Indian Oil Corporation

Rationale: IOC will expand supply of Petroleum products to Nepal. Moreover, it is expected to start commercial operation at its new 3, 00,000 barrels per day Paradip refinery by next year.

Under Performers

Stock: ONGC

Rationale: The fall in prices of crude oil has started hurting profits of ONGC. The company has asked people to prioritize activities and to defer costs which could be deferred in order to save operating cost.

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Sector: Information Technology

Analysts: Nikhil Sharma, Saket Sohan

Developments

HCL acquires CRM service provider PowerObjects for Rs. 300 crore

HCL technologies has acquired Minneapolis-based PowerObjects, a customer relationship management (CRM) services provider for Rs. 300 crore. PowerObjects provides service, support, training and adds-on for Microsoft Dynamics CRM. This acquisition enables HCL to leverage the large number of opportunities of the rapidly growing CRM industry globally. The worldwide CRM market is likely to be valued at \$36 billion by 2017, growing at 13.3%, according to researcher Gartner Inc. Together, HCL and PowerObjects will now offer one of the largest Microsoft Dynamics practices in North America as stated by executive vice president of HCL.

IBM to buy the Weather Co.'s Digital Assets

IBM announced that it is acquiring the Weather Co.'s digital assets including its Weather.com website, a large number of weather data collection points, consumer and business applications and a staff of more than 900 people. IBM did not specify the amount it has paid but people close to negotiations said the deal was valued at about \$2.5 billion. This acquisition highlights how companies are hastening to reposition themselves for the digital era and use big data- analytics culled from mobile devices, Web searches and online viewing choices so as to learn more about consumer behaviour. The huge data-gathering system that IBM is buying from the Weather Co. will lead to more accurate climate modelling, weather forecasts and predictive analysis such as weather forecasting price moves in Wall Street.

Infosys to redesign its organizational structure, to go for matrix

Infosys is planning to restructure its organization to more of a matrix structure from a linear one as it looks to make itself more attractive to young digitally savvy employees as said by its chairman. It wants to target the younger and millennial workforce as it believes that millennials are focused on self-development and they respect talent and success and not hierarchies and age. The shift towards digital technologies services is also a reason for initiating this change as a more creative and innovative workforce is required for it whom are unlikely to work in organizations with rigid structures.

Market Performance

This was not a good week for the market overall. And so was with IT sector as well. There was an overall dip of around 1%. The downfall was driven by all the large cap players like Infosys, TCS and Oracle.

Top Performers

Stock: HCL

Rationale: The Company has acquired Minneapolis-based Power Objects- a leading North American provider of Microsoft Dynamics customer- relationship management (CRM). It is expected that CRM will be a \$ 36 billion worldwide market by 2017 and this investment of HCL brought confidence of investors which showed surge in the stock.

Under Performers

Stock: Oracle Financial Services

Rationale: The Company has constantly underperformed in last few weeks. It will hold a meeting of the Board of Directors of the Company on 5 November 2015.

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Sector: Telecommunications

Analysts: Akshi, Megha, Pranay

Developments

Facebook, BSNL come together to set up 100 Wi-Fi hotspots in rural India

- Facebook, US social networking giant has partnered with BSNL to drive digital penetration in India.
- Facebook will be investing 5 crore in this joint initiative that also includes Quad Zen and Trimax for equipment and fiber deployment

TDSAT sets aside CAF fine on Rcom, ask DoT to examine form

- Vigilance arm of Department of Telecommunication imposed 1 crore penalty on Rcom for non-submission of the consumer application form..
- TDSAT set aside the penalty but asked Telecom Enforcement, Resource and Monitoring cell to examine the form required for subscriber verification.

Nokia signs deals worth over EUR 910 Million with China Mobile

- Nokia has signed deal worth Rs. 6,531 crore with China mobile to sell equipment and services
- Nokia network infrastructure capabilities and technical expertise would help China mobile drive the evolution of China's Internet of Things

Aircel to launch 3G services in 61 Towns in Bihar by Year-End

- Aircel, India's leading service provider announced an expansion of its network in Bihar by adding 61 new towns to its network
- By expanding, Aircel will set up 600 towers across Bihar to provide seamless connectivity to its growing customer base.

Nokia reports Stronger-Than-Expected Profits for Q3

- Nokia, the world's No. 3 network equipment maker reported stronger than expected profits
- Nokia will return EUR 4 to shareholders through dividend payments and share buybacks in coming year

Market Performance



The telecom sector has continued to perform low this week also owing to rising competition and future prediction of price wars. The market dropped by 0.63% on Oct 30 2014.

Top Performers

Tata Communications (2.1% ↑)

Top Underperformers

Reliance communications (-5.2 ↓)

Bharti Airtel (-2.8% ↓)

Idea Cellular (-0.5% ↓)

Because of the telecom sector performing low, stock price of the top telecom players have been dropping.

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Sector: Cement and Construction

Analysts: Shramit, Rajshekhar

Developments

Kerala gears up to become a cement hub

In the Kochi region a new terminal is set to begin operations in November 2015 and two others are already in the pipeline. The new Zuari cement terminal will be In addition to the existing terminals of Ultra Tech cement and Ambuja cement.

Need of the hour is to adopt latest technologies for the Cement industry

Chairman of Tiruchi Zone of CII emphasized the need for the cement industry to save energy and reduce the cost of production. The reduction in cost will primarily come from reducing the cost of energy by using latest technologies and using innovation as the key.

Market Performance

The construction sector seems to remain subdued even after the different plans and schemes announced by the government. One of the major indicators is the FDI inflow. According to the data released by the Department of Industrial Policy and Promotion shows a sharp decline in the construction sector. Against an FDI of Rs 7,508 crore in 2013-14, FDI in 2014-15 dipped to Rs 4,582 crore. It declined sharply in the first quarter ended June 2015 and it amounted to only Rs 216 crore.

It seems that unless the companies are willing to reduce the debts and get the stalled projects moving, investors won't be investing much. Though the road sector and port sector offers big potential but we will have to wait and watch how things pan out.

Top Performers

Cement Stock: The Ramco Cements

Opening stock: 340.5

Closing stock: 361.75

Change %: 6.24%

Under Performers

Cement Stock: India Cements

Opening stock: 81.15

Closing stock: 78.3

Change %: -3.51%

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