



Finnacle Investments

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SECTOR UPDATES

2nd November-8th November

8th November, 2015

Finnacle Investments wishes everyone...



MACROECONOMIC VIEW

Domestic View

- The rise in collection of indirect taxes by 36.5 % till 31st October is a positive sign for the Indian economy. The increase was a result of various government measures like increase in excise duty on diesel & petrol etc. This is robust sign of growth in the manufacturing sector of economy.
- The government is currently working on a proposal for procurement and creation of a buffer stock of Lentils, this move has been done in order to curb the rising prices of pulses in India. The deficit is expected to be 5 million tones as compared to 4 million last fiscal, owing to reduction in domestic production.

International View

- The PBOC is likely to increase its Gold Reserves by 14 tonnes, making its reserves to about \$63.261 Billion by October end. The gold makes less than 2% of China's foreign exchange reserves , and it will needs to be about 5% to diversify its currency risk .The increased transparency is on account of a campaign to include Yuan in IMF's special drawing rights basket
- India improves its ranking from 32 to 45 among 95 countries with Poor financial transparency since 2013, in a global report by Financial Secrecy Index (FSI).The improved measures by government to curb Black Money, stringent laws blunt the illegal wealth stashed overseas. The signed agreements with various countries for exchange of information have helped India improve its position. The concerns were raised in the same report regarding USA's ranking moving up to 3rd from 6th in 2013.
- The WTO expects increase global merchandise exchange by \$1 trillion per annum by implementation of Trade Facilitation Agreement (TFA).This move might increase the global GDP by 0.5% pa. About 50 of 161 WTO members have ratified to the agreements, while India is yet to ratify the agreement.

Sector : Auto and Auto Components

Analysts : Sriram N, Mounica Reddy

Developments

Parking fee hike by NDMC propels car and SUV rates in the national capital

- To keep a check on the rise in amount of vehicles clogging up the street and to tackle the ongoing pollution crisis, the NDMC has plans to bring about a steep hike in the parking charges of the vehicle.
- For vehicles costing below Rs 4 lakhs, the one-time parking fee has been raised to Rs 8,000 from its previous slab of Rs 2,000 and vehicles above the range of Rs 4 lakhs would be charged to the tune of 4% to a maximum of 15% of the vehicle cost. Auto-rickshaws have been exempted from this recent hike and are liable to pay their earlier fee of Rs 2,000.
- Two wheelers costing below Rs 60,000 have to shell out an additional extra Rs 1,000 while those with market prices of above Rs 60,000 would be liable to pay 2% of the vehicle cost. The rates for commercial vehicles have been hiked from Rs 4,000 to Rs 32,000.
- This move is primarily to counter the growing number of vehicles on the streets of Delhi, as there are many families owing 5-6 cars, ultimately leading to road congestions.
- The proposal is yet to be agreed upon unanimously by all the corporations (Acceptance from South and East Delhi pending) before it is sent to the Delhi Government for notification.

Four Motoplex stores to be opened by Piaggio Motors in India

- Italian two wheeler giant Piaggio aims to setup around 3-4 Motoplex stores in India with a deadline of March 2016. It has already setup a store in Pune selling its prestigious brands like Aprilia, Vespa and Moto Guzzi.
- Motoplex store is a concept which enables a dealer to showcase multiple products and brands within the same retail space.

Production capacity of Royal Enfield to be doubled by 2018

- Prompted by the tremendous demand of its premium motorcycle Royal Enfield, Eicher Motor plans to setup a third production unit in Tamil Nadu in order to raise its motorcycle production capacity to 9 lakhs, which is double the amount of what it's currently producing.
- It has set a deadline of 2018 to achieve this target.
- Also, it's planning to release two newer models; one in early 2016 and the other one in 2017 based on improvised engine technology.
- Eicher Motors also plans on penetrating the US markets after its successful entry in Indonesia.

8th November, 2015

Former Nissan top boss brought in as an Independent Additional Director aboard Ashok Leyland

- Chennai based truck and bus giant, Ashok Leyland has managed to rope in Andrew C Palmer in the capacity of an Independent director. Palmer, a former employee at Nissan would be elected to the board based on the outcome of a shareholder's meet.
- Palmer is currently the CEO of the British luxury car chain, Aston Martin.
- His role was pivotal in constructing the foundations of the JV between Nissan and Ashok Leyland and also in the 4000 crore MoU between the TN government and the companies,

Market Performance



It was an Oktoberfest for the automotive sector as it posted a fabulous growth of 22% in the month of October. Both the two-wheeler segment and seven out of the top ten car firms have registered a double-digit growth. Low fuel prices and drop in the interest rates have fueled this growth in sales. Overall, it also clocked the third highest sales dispatch in a single month in the history of the automobile industry.

Top Performers

Stock: M&M

Price on 6th November 2015: Rs 1248.15

Price on 30th October 2015: Rs 1182.50

Change %: 5.6%

Rationale: The company witnessed a good growth in the passenger vehicles section owing to the slashing of fuel rates. Also, the increased sales before Diwali helped bolster the stock rates of the firm.

Under Performers

Stock: Bajaj Auto

Price on 6th November 2015: Rs 2422.90

Price on 30th October 2015: Rs 2549.60

Change %: -5.0%

Rationale: Currently, the stock is displaying a bullish trend. And a reversal candlestick pattern can be seen on the charts.

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Sector : Banking, Financial Services and Insurance

Analysts : Samarth Salem and Tanisha Parul

Developments

Central Bank allows Internet banking for co-operatives

The Reserve Bank of India (RBI) has approved co-operative banks to provide internet banking to their customers. All co-operative that have implemented core-banking systems 'in full' will be permitted to offer 'non-transactional services'. Any co-operative bank must have a minimum capital adequacy ratio of 10% along with a minimum net worth of Rs. 500 million.

State Bank of India's profit grows 25%

SBI reported 25% growth in its net profit with Rs 3,879 crore in second quarter net profit, as it made a smaller provision for bad loan losses and posted higher treasury income. Deposits have grown approximately 11% from the previous year to 16.34 lakh crore.

Moody's upgrades Indian banking system to stable

With the gradual improvement in Indian banks' operating environment, International ratings agency Moody's Investors Service has changed its outlook for Indian banking system from negative to stable. The assessment was based of five drivers: Improving operating environment, stable asset and risk capital, stable funding and liquidity, stable profitability and stable government support. Moody's expects India to record GDP growth of around 7.5% in 2015-2016.

RBI imposes Rs. 1 crore penalty on Dhanlaxmi Bank

The RBI for non-adherence to KYC and anti-money laundering guidelines has imposed Rs. 1 crore penalty on Dhanlaxmi Bank. After considering the documents and personal submission by the bank, the RBI came to the conclusion that Dhanlaxmi Bank had violated KYC & AML guidelines from time to time.

Fitch downgrades Standard Chartered ratings to A+ after poor results

Fitch rating has downgraded Standard Chartered and its subsidiary Standard Chartered Bank's Long-term issuer default ratings (IDRs) to 'A+' from 'AA-'.

Market Performance



Following last week's consistent decline in the sector, it has been a bearish week for the sector. With increased concerns over the persistent NPAs in the sector, there is decreased customer confidence for the sector.

Top Performers

Stock: Bank of Baroda

Rationale: The stock grew by 4.95%.

Under Performers

Stock: Standard Chartered

Rationale: The drop in the ratings by Fitch has largely affected the stock. It has seen a sharp and consistent decline over the week. It has seen an overall decrease of around 11.4%.



8th November, 2015

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8th November, 2015

Sector: Cement and Construction Industry

Analysts: Shramit Bhargava

Developments

Reliance to exit cement market

Reliance infrastructure has decided to sell its cement business in order to concentrate more on other new projects. Cement business of 5.6 million tonnes per annum and its related assets were made available through a formal bidding process. They have already shortlisted seven out of fifteen bids submitted.

L&T Constructions bags 2048 crore orders

L&T Constructions, the construction subsidiary of L&T, has acquired orders of 2048 crore across various verticals. The order comprises of victories on both national and international turfs.

Market Performance

Not much activity has been seen in this week in both cement sector and construction sector. Most of the cement sector industries stocks have rose and fallen down in the week, not much significant change was observed in this week. Market to remain volatile as per Ajay Jain, CEO of astromoneyguru.com.

Top Performers

Stock: Ramco Cement

Price on 2nd November 2015: Rs 366.0

Price on 6th November 2015: Rs 373.0

Change %: 1.91%

Under Performers

Stock: Orient Cement

Price on 2nd November 2015: Rs 168.10

Price on 6th November 2015: Rs 163.40

Change %: -2.79%



8th November, 2015

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Sector: FMCG-FMCD

Analysts: Shubham Aggarwal, Abhi Kothari, Prateek

Developments

The consumer market is back on growth path due to falling interest rates.

- Since March 2011, the durables sector showed double digit growth for the first time.
- The main reason is that banks personal loan segment is growing at the rate of 17.3% since August as compared to 12.8% in previous year. The interest rate cut, especially in personal loan segment and better macro-economic factors have raised the consumer confidence.
- Due to less rainfall this year, the rural sector might not show equivalent growth as the growth of farm sector is quite low.
- Also, as per the experts the full blown investment recovery in durable sector might take 12 to 18 months.

Government initiatives led LED prices to fall by 75%.

- EESL (Energy Efficiency Services Ltd.) has launched a program called DELP (Domestic Efficient lighting program) with the collaboration with other PSUs of Power Ministry.
- The target is to replace all 77 crore bulbs sold in India by LED.
- DMRC has come up as the major partner in this program where the distribution centers have been set up at all DMRC colonies and depots. They are planning to set LED at all of their stations, colonies, offices and depots.

Electronic market has been bombarded with new launches this year.

- Havells India has launched a range of home-made switchgear products which are designed and manufactured in India only. Earlier the design and technology was outsourced from foreign countries. As per the VP of Havells India, the products are made for India as well as for export.
- Samsung India has also announced four new product lines which would be started by December this year. It includes 360 Cassette air conditioning unit, a DVM (digital variable multi) chiller, a next generation DVM S 30HP, and a new side discharge VRF unit. Samsung is also looking to export the products to countries in Europe, Middle East, and South East Asia apart from domestic sales.
- Cube26, an Indian startup has also launched smart bulb which can be controlled using mobile phone application. The bulb is names as 'IOTA Lite'. The company is planning to sell these bulbs on Flipkart from November 6.

Anchor Electricals is manufacturing new facility at Haridwar

- The company is planning to double its production capacity by 2020 through this facility, which will produce complete range of wiring devices.
- The investment in setting up the facility is about Rs 150 crore. Currently, company produces around 20 million pieces per month in existing facility. However in new premises, the production would increase by 30% in current year itself.

Little's has been acquired by Piramal Enterprises

- The baby care brand 'Little's' has been acquired by Piramal Consumer Product division for an undisclosed amount.
- The non-food baby care sector in India is worth 1000 crore and growing at the 13% as per KEN research.
- 'Little's' have currently 25000 outlets all over India and growing at CAGR of 30% in recent years.
- Piramal caters to the age group of 5-10 years with the brand named 'Jungle Magic' and now is equipped to include age group of 0-4 years with this acquisition.

Market Performance



FMCG sector this week closed higher than previous week due to expected Q2 earnings of some of FMCG majors, while whole sector is still plagued by poor demand, but positive thing is fall of input cost on account of slump in oil prices which the sector is passing on to the consumer while consumer market seems to be picking up because of low interest rate.

Top Performers

Stock: Marico



8th November, 2015

Rationale: Marico's share price rose by 3.6% after company declared issue of bonus share in ratio of 1:1 while declaring its Q2 results. The company reported mixed set of earnings today as profit matched analysts' expectations and operating profit margin was ahead of estimates but revenue missed forecast.

Stock: KRBL

Rationale: KRBL share price jumped 7.36% after news came about Iran lifting ban on imports of rice. Exposure to Iran of KRBL was 5-7 percent while effect on turnover after exposure to Iran would be 7 percent. Also because of slowdown in Iran's export, other countries export too slowed down and this lifting of ban would help in other countries.

Under Performers

Stock: Kaveri Seed Company limited

Rationale: Kaveri seed company Limited's stock price fell by 13.37%, after Government decided to screen GM cotton hybrids on sale in the country to identify the hybrids that are resistant to whitefly (a pest). This was first major infestation after India adopted GM seeds. Kaveri seeds is one of the two companies that produces GM seeds. Post screening government would educate farmer to use only those seeds that are resistant to Firefly.

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Sector: Healthcare and Pharmaceuticals

Analysts: Ayush Srivastava, Anuj Kumar Rai, Ankita Thakur

Developments

Andhra Pradesh plans to set up a manufacturing base in the state for medical equipments

Andhra Pradesh Chief Minister, N Chandrababu Naidu said that his government plans to set up a manufacturing base for medical equipments near Vishakhapatnam, which has the advantages of a long coastline and deep water ports. As per the Medical equipment Manufacturers' forum, India currently has a market size of Rs.16000 crores. Still it imports around 78% of its medical equipments, which is mainly due to lack of infrastructure and talent. The CM has invited a delegation along with the Government of India representative to visit Andhra Pradesh and zero in on the suitable locations.

India set to emerge as one of the top medical tourist destination by 2020

In a recent study by Grant Thornton, Indian medical tourism market will grow to USD 8 billion dollars by 2020 from the current USD 3 billion dollar industry. Low cost and a high number of accredited facilities are the key drivers of growth in this industry. India has the second highest number of accredited facilities after Thailand. Some of the other global medical tourism hotspots include countries like Singapore, Thailand, Malaysia, Taiwan, Mexico and Costa Rica.

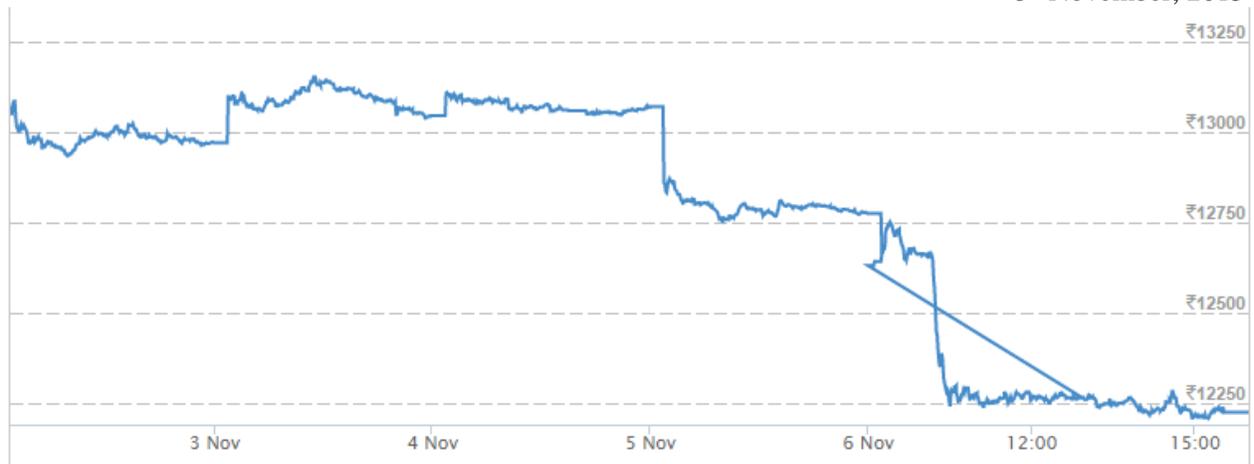
A new HIV drug with fewer side effects gets FDA approval

The US Food and Drug Administration(USFDA) has approved a fixed dose combination tablet-Genvoya which serves as a complete regimen for the treatment of HIV-1 infection in adults and for children aged 12 years and above and weighing at least 35kgs.The drug has fewer side effects with lower rates of kidney toxicity and bone density. The approval by FDA may lead to trials of this drug in India which has the third highest number of HIV infected people in the world.

Market Performance

The index comprise of the stocks from pharma companies like Sun Pharma, Aurobindo Pharma, Cadilla health, Cipla, Divis lab. The market performance for the week shows a downward trend due to poor earning season by all major companies.

8th November, 2015



Top Performers

Stock: Dishman Pharma(1 Week return of 7.2%)

Rationale: The Company continues to be favorite among trader with its robust growth. Company posted a net income of 36 crore compared to 33 crore same quarter last year.

Under Performers

Stock: Dr. Reddys Lab (1 week return of -16%)

Rationale: Company stock plunged 15% in the Friday trading session owing to the warning by USFDA on two of its plant in Srikakulam and Miryalaguda and the oncology facility at Visakhapatnam.

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Sector: Information Technology

Analysts: Nikhil Sharma, Saket Sohan

Developments

Cognizant reported strong Q3 with profit of \$397.2 million

IT services provider Cognizant reported a strong Q3 result for the third consecutive quarter with a net profit of \$397.2 million as compared to \$355.6 million for last year up by 12 percent. **The** revenue for September quarter rose by 23.5% from a year earlier, and 3.3% from the June quarter, to \$3.19 billion, higher than its earlier forecast of \$3.14 billion. Based on these positive results Cognizant has raised its full-year revenue forecast of 20.1 % to 21 % for the third time this year. Cognizant expects its revenues to rise to \$12.41 billion in 2015, up from August forecast of \$12.33 billion. Cognizant raised its guidance at a time when its India-based rivals such as Infosys are predicting muted growth in the December and March quarters. The company has even overtaken TCS in terms of growth rate over the past 3-4 months.

iQor to invest Rs. 1,300 crore to expand pan India services, Will create 20,000 jobs

The world's largest provider of customer contact solutions and product support services iQor has signed a Memorandum of Understanding with Electronic Sector Skill Council of India (ESSCI) to provide skill development training to Indian youth. iQor announced injection of Rs. 1,300 crore investment over next 3-5 years to expand market in India which will create around 20,000 jobs in all of India's 29 states. It will open two new repair depot hubs in Chennai and Hyderabad as well as new walk-in service centers along with on-site services for major manufacturers of smartphones, notebooks, tablets and other consumer products. The partnership with the ESSCI will help provide a standardized curriculum and training methods with the help of its strong 79 training partners.

Wipro revamps media and telecom unit, Ayan Mukerji to quit

Wipro Ltd has restructured its media and telecommunication business units and has split the nearly \$1 billion unit into three different businesses. The telecom division has been separated from media and telecom which will now be headed by senior vice president Anil Jain. The M&T business was earlier looked after by veteran Ayan Mukerji for nearly three decades, who now have put in his papers. The company also stated that the media vertical will roll into its retail and consumer goods business. The decision to reshuffle the business units along with realignment of leadership has been taken to bolster Wipro's position in the market.

Market Performance

With dismal performance of the market this week, the IT sector was also dragged down. Few of the companies like Tech Mahindra and Cognizant had their Q2 results out and they have performed well. While Cognizant is



8th November, 2015

not listed in India but the good Q2 results send positive waves to the market. Also, Tech Mahindra performed well and its Q2 profit was up by 16.2% to Rs 785.6 Cr, which was driven by other income and operational performance.

Top Performers

Stock: Hexaware Technologies (Up by 7%)

Rationale: The Company has performed exceptionally well and its net profit rose by 29.8% to 111.6 Cr in Q3 (The Company follows January-December financial year.). The revenue was up by 22%. Company has also declared dividend and has said that the expected growth will be higher than industry average in Y16.

Under Performers

Stock: MindTree (Down by 4.3%)

Rationale: There has been good news for MindTree all along. MindTree has been named in Top 10 Outsourcing Service Provider by ISG in the Americas and EMEA. The company was also among the leading providers in the Breakthrough category for both the regions based on annual contract value won over the last 12 months, according to the ISG Global Outsourcing Index but that has not reflected in its stock. The market is hoping that shares will perform well and therefore there is an atmosphere of 'buy' and every market specialist is suggesting the same.

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Sector: Oil and Gas
Analysts: Akshay Sharma, Vaibhav Varshney

Developments

Excise duty on petrol hiked by Rs.1.6 and on diesel by Rs.0.40

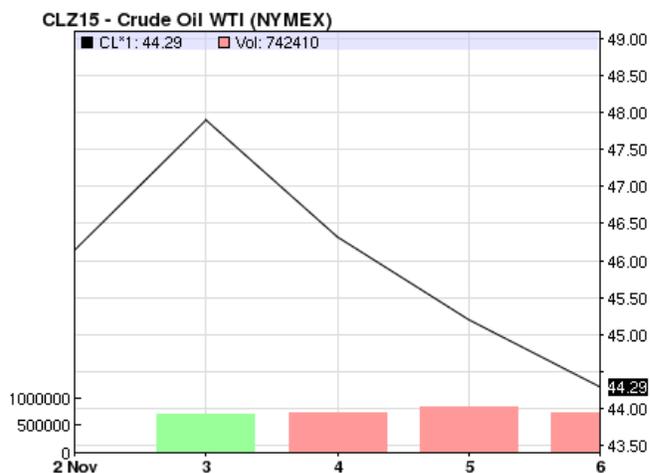
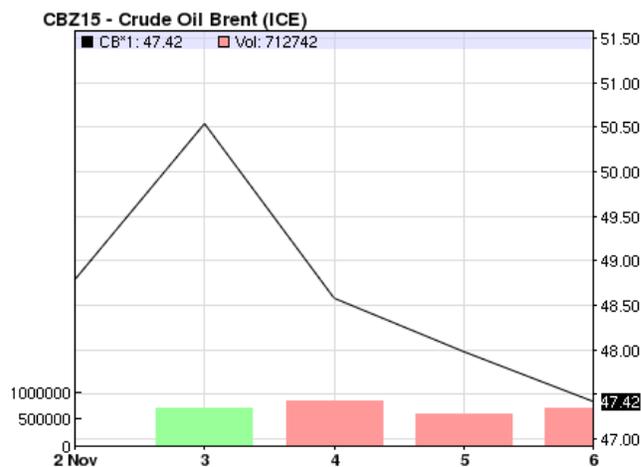
In order to meet the budget requirements, the Government of India has hiked their excise duty on petrol and diesel by Rs.1.6 and Rs.0.40 respectively. Hence now the excise duty of unbranded petrol stands at Rs.7.06.

IOCL gets Gujarat Government’s nod for acquiring land, Invest Rs.1800 crore to comply with fuel norms

An expansion plan of the existing IOC Gujarat Refinery, located at Koyali Gujarat, has been given a great push after the Gujarat Government agreed to allow IOCL to acquire around 75 acres of land. The expansion will help the IOCL’s Gujarat refinery to produce 18 MMTPA (Million Metric Tonnes per Annum) from the current 13.7 MMTPA. Also, the company will invest Rs.1800 crore to upgrade the refinery to produce a Euro –IV compliant fuel. This basically means that they are planning to produce fuel with lower Sulphur content (50 ppm) as compared to the current (350 ppm).

Price cut for ATF, Price hike for LPG

The price of ATF (Aviation Turbine fuel) has been cut by 0.3 percent i.e. Rs.142.56 per kiloliter to Rs.43041.61 per kiloliter. There was a 5.5 percent increase in the prices in October followed by this marginal cut. As jet fuel contributed approximately 40 percent to the operating costs of an airline, this marginal cut will bring marginal relief to the ailing aviation industry. Also, price of non-subsidized LPG has increased by Rs.27.50.



Market Performance



The market slightly improved this week. Stocks like ONGC, BPCL, IOC performed well when compared with the last week. However, stocks like GAIL, Cairn India and Reliance underperformed this week.

Top Performers

Stock: Indian Oil Corporation

Rationale: IOC will invest Rs 1800 crore in upgrading Koyali refinery, Gujarat. It is looking to buy stake in Russia's Vankor field. IOC also aims to spend up to Rs 1.75 trillion in the next five to seven years to build up its refining, pipeline and petrochemical business.

Under Performers

Stock: GAIL

Rationale: GAIL's net profit reduced to Rs 440.51 crore in the second quarter of this year from Rs 1320 crore in the same period last year. The decrease in price was due to lower price realization of LPG. This would have led to decrease in price of GAIL.



8th November, 2015

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Sector: Retail and textile

Analysts: Aurosikha

Developments

‘Gen Next’ Big Bazaar

Kishore Biyani’s Future Group has launched “Gen next” Big Bazaar to attract affluent mobile young customers. Till now Big Bazaar had deliberately maintained an inferior look to resemble as a market place. The Gen Next model will stock premium merchandise across all categories to attract young customers. They compromise one-third of customer walk-ins. Biyani denied his plan as a reaction to young customers’ acceptance of online grocers. Instead he predicted the death of online grocery model in next few years. Their current model where margin is low and cost of business is high will not help online grocers. They need to add value and reinvent their model to survive.

Aeropostale & Arvind

Aeropostale, American clothing brand opened its first store in Delhi today. They have tied with Arvind Brands for their operations in India. They have worked with Arvind to give incredible price points for Indian market. Their focus is on great quality, great product and incredible value. Aeropostale has partnered with Arvind to tap into their amazing production facilities while operating in India.

GM cotton under attack

Indian Government will screen genetically modified (GM) cotton hybrids on sale in the country. Cotton in Punjab and Haryana came under a devastating whitefly pest attack. The government will now identify the varieties which are resistant to whitefly. India has adopted GM cotton since 2002. After this attack questions have been raised about the vulnerability of GM seeds that yield nearly all of the cotton in world’s top producers. Indian Council Of Agricultural Research (ICAR) is spearheading in this battle. The government has plans to educate farmers to use only those hybrid varieties which are resistant to whitefly.

NGT approval for Rajasthan Textile units

The Southern India Mills’ Association (SIMA) has welcomed the National Green Tribunal’s decision to lift the ban on operation of textile units in Rajasthan. The NGT had closed 739 textile units in May for not following Pollution Control Board (PCB) norms. NGT changed its order on certain conditions. The units have to install treatment plants and dispose sledge in specified areas. SIMA chairman said it will be a Diwali gift for the ailing spinning sector and will help to improve capacity utilization. The weaving units in Tamil Nadu and Maharashtra, 70% of power looms in country use dyeing units of Rajasthan. These all will benefit after their reopening.

Market Performance

The overall performance has not been good. The stock markets did not perform well in the past week.

Top Performers

Stock: Trent

Rationale: Westside has made profits in the Q2 ended in September. Also the news of TATA aiming for ecommerce in retail sector has helped Trent.

Under Performers

Stock: Cantabil retail India

Rationale: Their performance in Q2 was not as good as expected. Also the overall declining market performance did not help them.

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Sector :Telecommunications

Analysts :Akshi Sharma, Megha Bhalotia, Pranay Venkatesh

Developments

Telcos seek minister's intervention to resolve call drop row

- The telecom industry has cited a potential loss of Rs 54,000 crore a year as it sought urgent intervention from the telecom minister, after the sector regulator rejected their plea to review the order on compensating subscribers for call drops.
- Telcos then wrote to Trai as well as met its chairman, RS Sharma, seeking a review of the order, pointing out the financial impact and practical difficulties in implementing the order.

RCom falls short of expectations with 2% rise in Q2 net

- This is due to the continued pressure on voice business and cuts in interconnect and roaming charges in a seasonally weak quarter for the industry.
- Rcom reported second quarter net profit at Rs 156 crore, up 2% from 153 crore a year ago, but down 12% from Rs 177 crore in the first quarter ended June

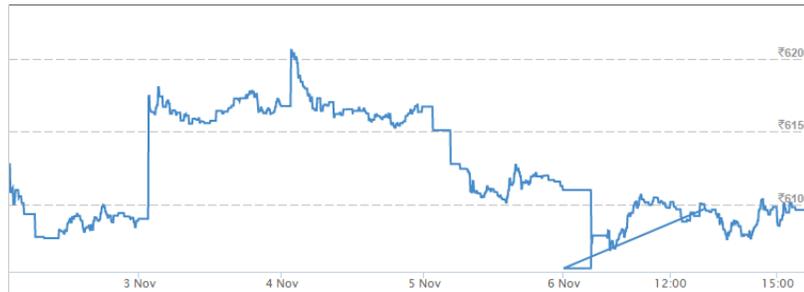
Andhra Pradesh to provide Internet, cable to all villages by April 2016

- CM N Chandrababu Naidu said his government is working on a project to provide Internet connection to all houses in the villages by April 2016.
- The project, which will cost Rs 320 crore will entail every village, every home a 20 Mbps internet connectivity, Cable TV and a telephone connection.

RCOM, Sistema to merge in all-stock deal worth Rs 5,000 crore

- Reliance Communications is merging the telecom business of Sistema Shyam Teleservices (SSTL) with itself in a cashless deal worth around Rs 4,500-5,000
- The deal will give India's fourth largest carrier access to airwaves in the 850 Mhz band which can be used for 4G services that it plans to start by year-end

Market Performance



The market improved at the starting of the week, however, showed a downward trend towards the end. The market has been down over the past few weeks.

Top Performers

Reliance Communications (3.3 %↑)

Tata communications (0.9% ↑)

Top Underperformers

Bharti Airtel (-2.8 ↓)

Bharti Infratel (-2.6% ↓)

Idea Cellular (-0.4% ↓)

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