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## SECTOR UPDATES

*10th November-22nd November*

**Sector : Banking, Financial Services and Insurance**

**Analysts : Samarth Salem and Tanisha Parul**

## **Developments**

### **Standard Chartered appoints Zarin Daruwala as new India CEO**

Standard Chartered Zarin Daruwala, a senior banker from ICICI Bank as its new Chief Executive Officer in place of Sunil Kaushal who will now lead operations for Africa and West Asia. During her 25 years in the banking sector, she has led teams in corporate banking, project finance, structured finance, financial institutions, government and public sector banking, as well as building out the lender's rural and agri-finance offering.

### **ICICI Bank to sell stake in Life insurance for Rs 1,950 crore**

ICICI Bank will sell a 6% stake in its life insurance joint venture. In two separate deals with Premji Invest and its affiliates, and Compassvale Investments Pte, a unit of Singapore-based Temasek, the bank dealt a combined worth of Rs 1,950 (\$296 mn).

### **IMF to include China in world's top currency basket**

The International Monetary Fund(IMF) has supported China's decision to join the Special Drawing Rights(SDR) Basket by adding the yuan or the renminb, to the basket of foremost currencies comprising the IMF's lending instrument—the dollar, yen, euro and pound.

### **SBI to launch 'Batua' for feature phones**

After the successful launch of mobile wallet app 'SBI Buddy' for smartphone users, the State Bank of India is all set to launch its 'Batua' app for feature phones. The customers can make utility payments, transfer funds and buy air tickets, among others things by making use of the app which will be available in 13 different languages.

### **Jan Dhan Yojna deposits grow**

The deposits in 5.37 crore bank accounts under the Jan Dhan Yojna have increased from 4.27 lakh since its inception to 27,000 crores in a year. The survey found faster growth in active accounts across all geographies.

## Market Performance



The sector performed consistently over the period. The dip on the 19<sup>th</sup> of November was caused by 17,000 employees of RBI protesting against reform measures of the Central Govt. and seeking better retirement benefits. However, the market corrected itself quickly. No significant movement in individual stocks was observed during the period other than the dip on the 19<sup>th</sup> of November.

## Top Performers

**Stock:** Mysore Bank

**Rationale:** The stock grew by 2.61%.

## Under Performers

**Stock:** Axis Bank

**Rationale:** The stock fell by 0.78%.

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**Sector: FMCG-FMCD**

**Analysts: Shubham Aggarwal, Abhi Kothari, Prateek**

## Developments

### **Bajaj Electricals is considering to acquire the Hind Lamps manufacturing business**

The board of directors of Bajaj Electricals has planned to meet on Monday to decide the proposal for the acquisition of the manufacturing business of HLL which consists of manufacturing of glass bulbs, HID bulbs and aluminum caps. Board of Industrial and Financial Reconstruction has declared HLL, the sick industrial company.

### **Mass purchase of LEDs by India reduce its costs**

India has recently made an order of few hundred million over three years from USA. The aim is to reduce the cost and distribute it to rural population as LED consumes one sixth the power and hence reduces the cost of electricity consumed.

### **Cerebra and Echostreams has risen on signing MOU to manufacture storage servers and other storage products**

Cerebra Integrated Technologies and Echostreams Innovative solutions are planning to manufacture branded storage systems in India. These products would serve the market of India, UAE, Middle East and North Africa. This collaboration is in line with the Indian government initiative 'Make in India'

### **Due to slowdown in goods market, Reckitt Benckiser may sell its non-core brands**

RB India is planning to sell some of its brands like fabric whitener Robin Blue, health drinks Robinson Barley and Purity and Colman. These brands are constantly showing falling sales over the past few years. It is also restructuring its operations and reducing costs as the sales have slowed in the markets.

### **Vanessa care is planning to expand its sales overseas**

The Vanessa care, which sells deodorants under the Envy 1000 and Denver brands has come up with very aggressive plan to expand its operations overseas. The plan is to make presences in atleast 18 countries by 2017 and get atleast 25% of the revenue from global business. For this the company is looking for the strategic partners that can help them grow overseas. They also have plans for local manufacturing once they reach certain volume.

### **Bosch and Siemens are planning to invest 100 million Euros in India to increase footstep. Also some companies have launched innovative products for the online consumers.**

BSH is planning to invest 100 million euros in next five years in setting up branding activity, launching wider range of products and innovation. It is also planning to set up facilities in India. Their strategy is to enter all the five household product categories and to double the sales volume in next five years.

23<sup>st</sup> November 2015

On the other hand, several durable manufacturers have launched some highly innovative products exclusively on E-commerce platform. This aims to reduce the channel conflict and also to boost up the sales.

Examples are Godrej has built music-player integrated refrigerators or washing machines and Haier recently launched a pocket washing machine for removing food and oil stains, dirt or wine stains instantly

## Market Performance



FMCG stocks gained marginally owing to gain by some top players during the time. Overall the sector is still volatile and is not showing any pattern to gauge the future prediction.

## Top Performers

**Stock:** Godfrey Phillips India Limited

**Rationale:** Godfrey Phillips share price showed a growing trend after it rose close to 6%. Whole cigarette sector companies showed a surge in share price on account of statement by finance minister Arun Jaitley to news channel about proposed GST rollout can come into effect anytime in a year

23<sup>st</sup> November 2015

**Stock:** Britannia industries limited

**Rationale:** Britannia showed an increase in share price on account of news about inclusion of Britannia stocks inclusion in BSE 100 floated around, also company is planning to scale up its dairy products business into full fledged unit.

### Under Performers

**Stock:** Nestle India limited

**Rationale:** Nestle showed decrease in stock price by close to 1%. The reason for poor performance of stock is FSSAI decision to move to Supreme Court to contest the decision of Bombay high court lifting ban on Maggi Nestle is also feeling heat from Patangali Atta noodles expansion

**Stock:** Eveready industries

**Rationale:** Eveready showed a fall in its stock price due to its poor Q2 performance. Company's profit declined by 22% due to lower sales and higher expenses.

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**Sector: Healthcare and Pharmaceuticals**

**Analysts: Ankita, Anuj**

## Developments

### **Aurobindo Pharma gets USFDA nod for generic of Pfizer's Revatio**

Aurobindo Pharma has received final approval for manufacturing and marketing the Sildenafil tablets. The tablets are generic version of Pfizer Revatio used in the treatment of high blood pressure in lung. The product is expected to be launched in the 4<sup>th</sup> quarter of current fiscal year. The product has an estimated market size of 80 million USD. Aurobindo pharma now holds a total of 219 ANDA approved from USFDA and is 51st from its facility in Hyderabad.

### **Cadila crashes the gliptin market with most affordable anti diabetic drug**

Zydus Cadila has launched the most economic version of the anti-diabetic drug. This move is said to potentially disrupt the whole market cadila is launching its drug tenglyn priced at Rs 7 a tablet, the similar product from competitors are available at thrice the price. Tenglyn is product belonging to a group of product called gliptins which have seen very aggressive growth. India's anti diabetic drug is one of the fastest growing market with growth rate of 25% and market size of around 7000 crore.

### **Dr Reddy's countersues AstraZeneca over purple pill**

Dr. Reddy has filed a petition against AstraZeneca after the drug maker was temporarily restrained by the US court for using purple colour in its generic version of Esomeparazole. Company has taken objection on the following points:

1. The fact that how can object use of any color in medicine
2. AstraZeneca were aware of use of purple color in the generic version of medicine.

## Market Performance

Market took a roller coaster ride for the week with index moving down for the first three days of week and then recovering from the lows. The response to the earning session the Bihar assembly election and the recent litigation of Indian drug firm has caused weakness in the sector.



### Top Performers

**Stock:** Cipla

**Rationale:** Cipla moved up due to recommendation of buy by many brokerage firms

### Under Performers

**Stock:** Dishman Pharma

**Rationale:** Stocks fall 13% this week mainly due to clarification sought on the USFDA license.

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## Sector : Auto and Auto Components

**Analysts : Sriram N, Mounica Reddy**

### Developments

#### Tractor market to decline 7-8% FY-16 as per the expectations of ICRA

As per the forecasts of the rating agency ICRA Limited volumes of domestic tractor are going to decline by 7-8% FY 2016. This is attributed to the weak monsoon. The market is already sluggish with a decline of 13% FY-15. As per ICRA the late rainfall weakened the short term demand drivers of the tractor industry.

#### Germany's Reifencom acquired by Apollo tyres for 45.6 million Euros

German tyre distribution firm Reifencom was acquired by Apollo tyres for 45.6 million Euros (324 crores). This is a part of the move to bring its brand closer to the customers of Europe. It will improve the mix of distribution channels of Apollo in Germany and Europe and also increase the visibility of Apollo and Vredestein tyres.

#### Huracan LP 580-2 priced at 2.99 crore launched by Lamborghini

Lamborghini the Italian luxury sports car maker, launched Huracan LP 580-2 in India at 2.99 crore. It is powered by 5204cc engine and can reach a top speed of 320km/hour. The car can accelerate from 0 to 100 km/hr in 3.4 seconds.

### Market Performance

The market was mostly stable for the week. The rise from 9th to 10th November can be attributed to the increase in festive season sales (Diwali)



### Top Performers

Maruti Suzuki is the top performer for the week

### Under Performers

Hind Motors

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**Sector: Information Technology**

**Analysts: Nikhil Sharma, Saket Sohan**

## Developments

### **HCL bags contract from Deutsche Bank**

HCL Technologies has signed an application development and maintenance contract with Deutsche Bank. HCL will provide digital solutions, systems integration, product implementation and design, build and test new applications while maintaining ongoing applications in areas such as corporate banking and securities, global transaction banking, asset and wealth management, and risk, finance and back-office operations across Deutsche Bank group.

### **Infosys acquires Noah Consulting for Rs. 435.5 crore**

Infosys acquired Noah Consulting, a provider of advanced information management consulting services for the oil and gas industry, for Rs. 435.5 crore. Noah's deep industry knowledge, information strategy planning, data governance and architecture capabilities combined with the company's ability to provide technology and outsourcing services, will help Infosys offer clients in the oil and gas industry next-generation data analytics solutions. Infosys rose 2.76% to Rs 1,048.65 on BSE after this news.

### **Wipro signs deal with Apttus**

Wipro signed a deal with Apttus, the category-defining Quote-to-Cash cloud solution provider, to deliver Contract Lifecycle Management (CLM), Configure-Price-Quote (CPQ) & Revenue Management solutions to clients across industries. The deal will bring together Apttus's unique Quote-to-Cash functionalities with Wipro's CPQ/CLM solutions suite, strong salesforce foundation and expertise in solution implementations across industries.

### **Narendra Modi sealed 1,000 IT internships deal with UK**

To address the digital skills gap, 1,000 IT internships was launched in India for UK graduates. TCS and British Council signed a partnership under which 1,000 graduates from UK will train and work for TCS at its Innovation Labs and software development centers across India for a year. This move will cater to the shortage of around 40,000 graduates faced by UK talent pool and provide UK employers access to the digital expertise that are required by them to compete and succeed in their hyper-connected Digital Economy.

## India start-ups quarterly report, \$3.8 Billion invested in Q3

Q1 and Q2 was notable for Indian start-ups but Q3 resulted in even better. In the past nine months, angel investors and venture capitalists have been pouring more money into early stage Indian startups and late stage companies more than ever before.

- Q1 and Q2 produced \$1.7 billion and \$1.8 billion respectively.
- Q3 saw investments of \$3.8 billion.
- Between Jan-Sept, \$7.3 billion has been invested across 639 deals
- There is around 200 percent increase in investments this year as compared to 2014
- The increase in the pace of funding was primarily due to new and larger funds raised by several VC's which led to faster deployment and sudden explosion of hyperlocal and mobile-led start-ups.

## Market Performance



The sector dropped to a two month low due to weak earning guidance by Infosys. The company warned of weaker revenue growth in the second half of FY16. The downfall was also due to concerns over weaker-than-usual revenue growth for the firms on account of lower working days in the December quarter.

## Top Performers

**Stock: HCL**

**Rationale:** The stock grew by around 3.35 % overall as the IT services provider has signed an application development and maintenance contract with Deutsche Bank.

## Under Performers

**Stock:** None

**Rationale:** While some of the stocks like Mindtree and NIIT technologies declined but that was very minor and gained ground after the major fall.

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**Sector: Oil and Gas**

**Analysts: Akshay, Vaibhav**

## Developments

### Global Oil and Metal markets tank to new lows

Oil prices have fallen more than 20 percent since October. There has been a fresh frenzy of sell offs in the second week of November. The demand for oil is slowing down more significantly than earlier envisaged and the global oil companies are intensifying their fight for market share, hence creating a glut in the market. Simple microeconomics explains that a lower demand and an excessive supply of crude oil has led to a sharp decline.

The WTI crude oil is barely able to maintain \$40 per barrel level after crossing \$48 per barrel on 2<sup>nd</sup> November. Brent crude oil is also feeling the brunt of the fresh selloff. It is below \$45 per barrel mark at \$44.66 per barrel after reaching \$51 per barrel on 2<sup>nd</sup> of November.

The global inventory levels of crude oil have reached record new levels. The International Energy Agency said that the inventories in the developed nations have increased to almost 3 billion barrels which is equal to a month's supply of global oil consumption. An increase in the inventory suggests a reduction in demand for crude oil which has led to the slide in the crude oil prices.

Hints of the impending US Fed Rate hike in December has also led to a selloff in the Oil markets. If the Federal Reserve increases its Fed's Fund Rate, then the dollar would appreciate, which will reduce the dollar value of the crude oil. Dollar is the primary currency used in the trade of crude oil.

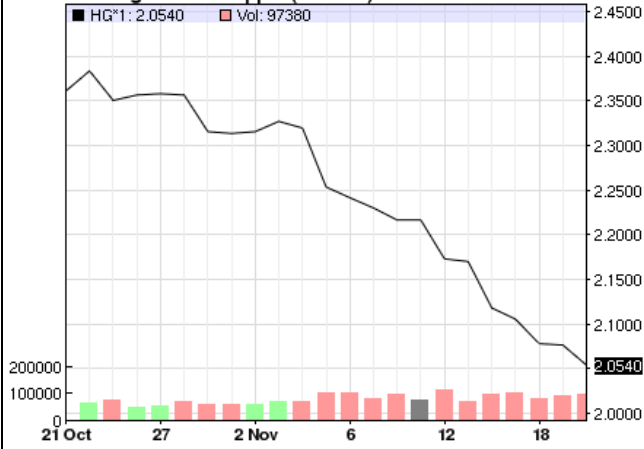
Copper, which is considered by many experts as the barometer of the global industrial growth, reached a six-year low signaling a sharper economic slowdown in China. This is because copper is closely tied to manufacturing, electrical engineering, industrial production, information technology, consulting and the medical sector.

Copper and Oil prices are highly correlated. Figure 5 shows the long term correlations between copper prices and various other factors. Oil (Brent) price has the highest correlation amongst all the factors with a correlation of 92 percent with copper prices in the long term. This is because copper and oil are basically affected by the same set of economic factors. Reduction in the demand for copper suggests a slowdown in the industrial production which in turn indicates a slowdown in the global economy and a slowdown in the global economy leads to slowdown in the demand for crude oil.

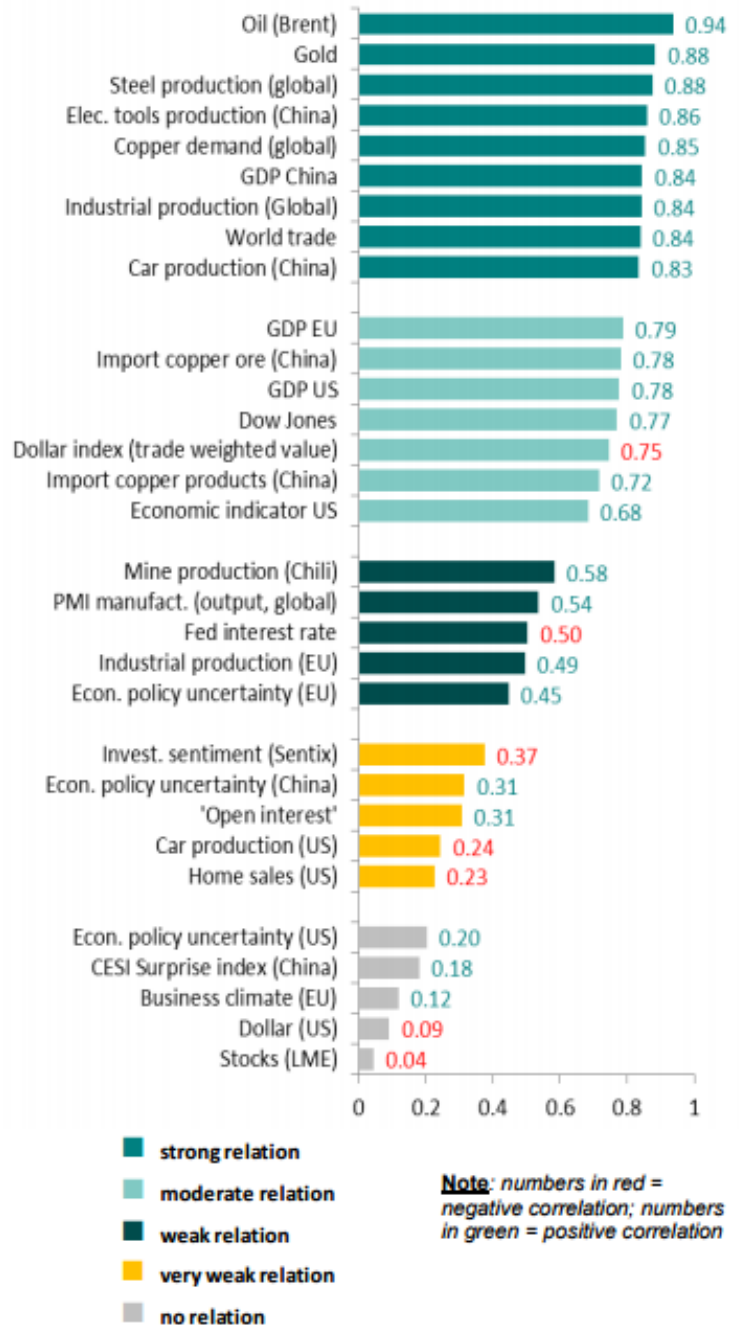


23<sup>st</sup> November 2015

**HGX15 - High Grade Copper (COMEX)**

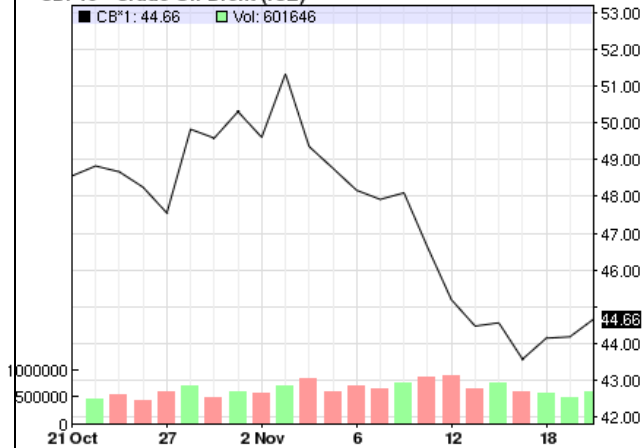


**Figure 5: Long term correlations and copper price**

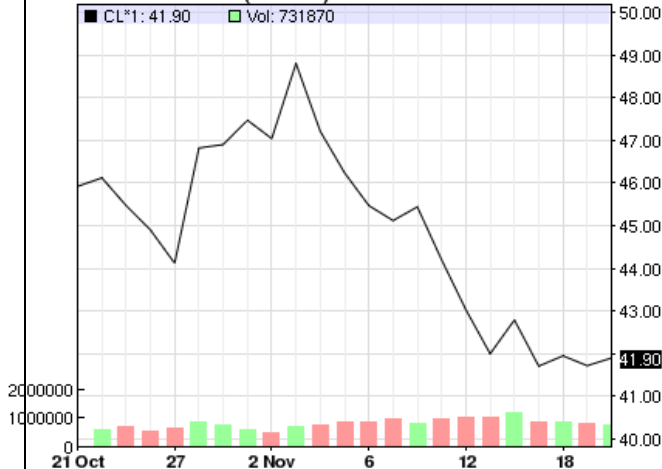


Source: ABN AMRO Group Economics

**CBF16 - Crude Oil Brent (ICE)**



**CLF16 - Crude Oil WTI (NYMEX)**



## Tax on Aviation Turbine Fuel increased by Delhi Government

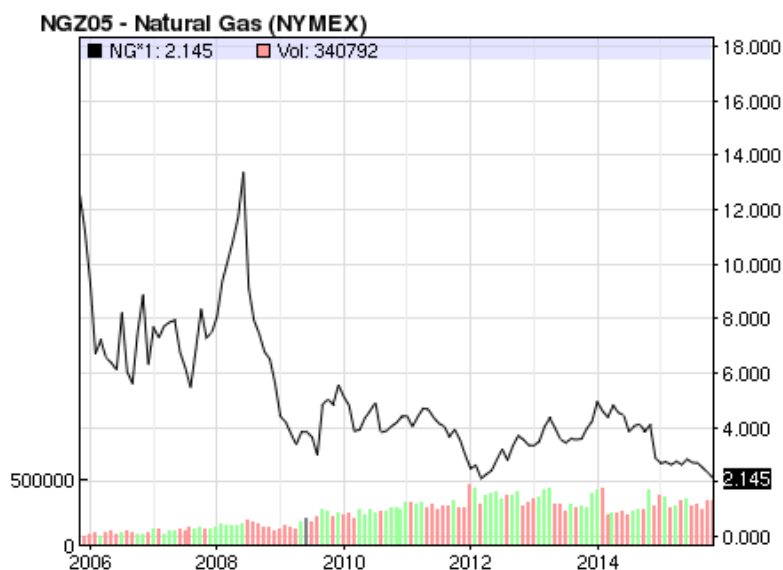
Delhi government has increased the Value Added Tax (VAT) on Aviation Turbine Fuel (ATF) from 20 percent to 25 percent. This will have a direct impact on the ticket prices of the flights going in and out of Delhi. ATF contributes to a substantial part of the operating cost of any airline, who are already running on thin margins. Hence the tax hike is likely to be passed on to the end consumers. Current ATF prices at Delhi airport is Rs.44846 per kiloliter after a hike of Rs.1795 per kiloliter.

## Crude Oil cess to be scrapped or reduced: Oil Ministry

Three weeks ago, Oil ministry had given the recommendation to change the existing cess policy of charging a fixed amount of Rs.4500 per tonne of crude oil extracted to Ad-Valorem rates, i.e. the cess will become dynamic and will be levied based on the current market prices of crude oil instead of a fixed amount. Now the Oil ministry wants to scarp the cess completely. Last year the government collected Rs.15394 crores in cess on crude oil. The original idea of implementing the cess was to use those funds collected by the government to improve the hydrocarbon sector. But for many years now, the funds directly go into the consolidated funds of India instead. If government decides to scrap the cess it will be very beneficial for the crude oil producing companies like ONGC, OIL, Cairn India etc. who are currently running on thin margins since the collapse of the crude oil prices last year. But the question still remains as to how the government will manage to fill the void of approximately Rs.16000 crores in revenue when it is trying to reduce its deficit to 3.9 percent by the end of this fiscal year and 3.5 percent by FY17.

## Petronet LNG in talks with RasGas to renegotiate 25-year gas contract

Falling Oil and gas prices has been a big blow to state owned LNG importer and distributor, Petronet LNG. In 2004, Petronet LNG signed a 25-year contract with the Qatar based company, RasGas, to buy 7.5 million tonnes of liquefied natural gas (LNG) annually at \$12.5 MMBtu. Due to the sharp fall in gas prices since last year, it has become difficult for Petronet LNG to buy gas from Qatar at such usurious rates. Petronet LNG reduced its annual import from RasGas by almost 30 percent which was more than the stipulated amount in the contract of 10 percent. This almost led to a violation of the contract and attracted a fine of \$1.5 billion on Petronet LNG. Hence, renegotiations opened when Sheikh Tamim bin Hamad Al-Thani, the Emir of the State of Qatar, visited Delhi in March. If Petronet is able to negotiate a deal, then the price of LNG will come down to \$7 MMBtu which will give a huge boost to the country's gas sector including companies like GAIL, Indraprastha Gas and Gujrat Gas.



23<sup>st</sup> November 2015

## State owned fuel retailers increase Petrol price by 36 paisa, diesel by 87 paisa

During the fortnightly review of state owned fuel retailers for aligning the local fuel prices with the global fuel prices, the State owned retailers of fuels have decided to increase the price of petrol by 36 paisa and diesel by 87 paisa. The major factors taken into consideration during these fortnightly reviews are the present market value of products like petrol and diesel in the international markets and the Rupee-Dollar conversion rate.

## Mahanagar Gas files for IPO, files draft IPO papers with SEBI

Mahanagar gas, one of the largest city natural gas distribution company, has filed draft IPO papers with capital market regulator SEBI. The company will offer 12,347,250 shares for sale out of 24,694,500 shares as declared in the Draft Red Herring Prospectus (DRHP) (Kindly find the link of DRHP <Reference 12> in the References section of the report). GAIL and British Gas Asia have a 49.75% stake in the company and Maharashtra Government has a minor stake of 0.49 percent. Kotak Mahindra Capital and Citigroup are helping the company through the process. Mahanagar gas distributes natural gas to 8.2 lakh households, over 2600 small commercial establishments and 55 industrial establishments. The company's major presence is in the Maharashtra region. Company reported a profit of Rs.301 crore in FY14-15

## Market Performance



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

## Top Performers

**Stock:** GAIL, Petronet

**Rationale:** Petronet is negotiating with RasGas to change the mechanism of pricing natural gas. The current price at which it imports is \$ 12.5 mBtu which will drop below \$ 7 mBtu after change in pricing process. Petronet will benefit from this as its volume will increase. And it will be helpful for gas distribution companies like GAIL as there would be higher pipeline utilization.

## Under Performers

**Stock:** OIL

**Rationale:** The share price of OIL tumbled after it was removed from the prestigious MSCI India Index. The change was announced as a part of its semi-annual index review.

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**Sector: Cement and Construction Industry**

**Analyst: Shramit**

## Developments

### Allcargo plans to build logistics parks

Allcargo wants to setup logistics parks at most of the Narendra Modi's smart cities. According to Modi, there will be around 100 smart cities, thus these cities will require proper distribution of resources. So for proper distribution, you need a logistics company which will take the cities to next level.

### Binani Cement to convert debt to equity

A 3000 crore of debt is being planned to be converted to equity, according to a senior member of Binani group. The conversion of debt to equity is being supervised by the central bank of India and they have planned to give majority stake to the lenders. The lenders can even get 100% stake of the company, thus providing them the managerial control of the company.

## Market Performance

Not much activity has been seen in the last two 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.

## Top Performers

**Stock:** JK Cement

**Price on 9<sup>th</sup> November, 2015:** Rs 625.95

**Price on 21<sup>st</sup> November, 2015:** Rs 661.85

**Change %:** 5.73%

## Under Performers

**Stock:** Shree Cement



23<sup>st</sup> November 2015

**Price on 9<sup>th</sup> November, 2015:** Rs 11727.40

**Price on 21<sup>st</sup> November, 2015:** Rs 10906.25

**Change %:** -7%

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**Sector: Retail and textile**

**Analysts: Aurosikha**

## **Developments**

### **Maggi Online**

Maggi is staging a comeback nearly five months after it was banned by the food regulator for excessive lead and mislabeling over MSG (Monsodium Glutamate). Online players like Snapdeal and Grofers have bolstered their comeback. Snapdeal arranged 'flash sale' to create buzz for Maggi. Grofers gave away free packets of Maggi. Snapdeal sold 60,000 Maggi Welcome Kits within five minutes of the flash sale going live. Grofers had to limit the sale to 3 packets per order from 6 earlier as the demand spiraled. Maggi has relaunched in 100 towns, but it is still banned in 8 states. Maggi is awaiting approval in these states to increase their production in order to meet the high demand of customers.

### **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 major 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.

### **Revised FDI regulations eases norms for online selling**

Single brand retail companies entering India have to apply for license to open stores. With this license they can sell products online through automatic route. Till now they were not allowed to do retailing by ecommerce platform. Last week, the Department of Industrial Policy and Promotion (DIPP) revised FDI norms across 15 sectors. Currently 49% FDI is allowed in single-brand retail under automatic route. This can go up to 100% with government approval.

### **Assisted Ecommerce to play major role**

Only 12-15% of 300 million internet users shop online. The focus is now to reach people who do not have internet or don't shop online. Players like iPay in this space bring together offline buyers, local retailers and sellers to an integrated platform where ecommerce can't reach. This space offers millions of small merchants to go high-tech and make profits. They make the purchases on behalf of their customers. This will help both customers and sellers. Customers will be assured of the quality and sellers will save on logistics and shipping expenses. The new space wants to capture the huge offline market in India. Still Indian customers prefer local kirana stores whom they can trust and go back to if there is any problem.

### **Production of Man Made Fabric decreases**

The production of man-made fabric has decreased drastically as workers have not returned after their Diwali holiday. Almost 60% of workers in the powerloom units have not returned from their hometowns in Bihar, UP and



23<sup>st</sup> November 2015

Odisha. The festival season is still continuing in many parts of India and the demand for fabrics is increasing. The unceasing rain in Andhra Pradesh and Tamil Nadu has created a shadow of doubt over the supplies of fabrics. But traders are confident the condition will improve in coming days. Because of shortage of workers powerloom units are working in single shift.

## Market Performance

The retail sector and the readymade apparel sector performed better in comparison to textile sector. This was majorly because of new retail stores opening up in India.

### Top Performers

**Stock:** Indian Terrain Fashions

**Rationale:** The readymade apparels had high demand because of the festival season, mainly Diwali.

### Under Performers

**Stock:** Cantabil retail India

**Rationale:** Their poor performance in Q2 along with negative sentiment of market again decreased their stock prices.



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