

The page features a decorative graphic consisting of three overlapping blue circles of varying sizes, arranged in a diagonal line from the top right towards the bottom right. The circles are composed of concentric layers of different shades of blue. Additionally, there are thin, light blue lines that intersect the circles and extend across the page, creating a geometric pattern.

Sector Updates

4th October 2015 - 10th October 2015

FINNACLE INVESTMENTS

Macroeconomic View

Domestic News

- The central government is likely to introduce some changes in IT Act. According to the revenue secretary, Mr. Hasmukh Adhia, the country's Income Tax Act has become complex due to many changes and amendments over the time period and hence needs to be simplified.
- The smart city project has begun in Puducherry with Nagpur and Chandigarh next in line. The French Government has provided 2 Billion Euro for the same and AFD, the French development agency has already joined hands with the state governments for execution and support.
- India is looking forward to trade more with Latin American countries to widen the scope of its preferential trade agreement with MERCOSUR bloc of countries (Brazil, Argentina, Uruguay and Paraguay). India is in talks with Peru for free trade agreement in order to achieve the same.

Global News

- The Finance ministers of India and of other G20 countries met on Saturday to endorse the action plan for the implementation of the global tax regime. The move is aimed at preventing tax evasion and illegal flow of funds across borders. The comprehensive, coherent and coordinated reform for international tax rules was approved.
- India and Ecuador have signed an agreement to strengthen the trade relation between the two countries. They are planning to set up a joint Economic and Trade Committee (JETCO). This year the bilateral trade between the two countries stood USD 1.29 Billion and is expected to furnish more with the formation of JETCO.
- Twelve countries including USA have agreed to form a trans-pacific partnership that aims to become the world's largest free trade zone. It will link almost 40% of global economy. The member countries are Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the US and Vietnam. There are chances that the India will lose its trade in US to Vietnam and to become the part of this partnership, India needs to be integrated to global trade pacts as per Mukesh Aghi, the president of US India Business council.
- China will step up its actions against cross-border money transfer conducted by underground dealers and offshore companies. The police, People's Bank of China, State Administration of Foreign Exchange will come together and intensify the measures.



12th October 2015

Sector: FMCG-FMCD

Analysts: Shubham Aggarwal, Abhi Kothari, Prateek Singh Chaudhari

Developments

In this festival season, about 30% sales growth is expected in FMCD

- Top firms like LG, Panasonic and Samsung are expecting very good sales growth this festive season.
- The reason is reduction in interest rates by banks.
- To push the sales, companies are also offering various discounts and freebies.
- Samsung is planning to launch two new TV models this season in 40 inch and 50 inch segment where LG has already launch its new range of products in almost all segments including TV, refrigerator and washing machines.
- Many other firms have increased their promotion budget and are planning to attract customers by aggressive promotional activities.

Cool pad and Videocon have entered into a partnership to manufacture smartphones in India

- The Chinese telecom equipment company, Coolpad is planning to launch its smartphone in India
- It has signed a deal with Videocon to manufacture the same in its Maharashtra facility and is planning to invest \$300 million in manufacturing, research and development (R&D), and design.
- Coolpad is known for its technological innovativeness and cutting edge smartphone technology.
- This year many foreign smartphone firms including Xiaomi Corp, ASUSTeK Computer Inc etc. have partnered with Indian firms to launch their smartphones in India and this one is the latest.

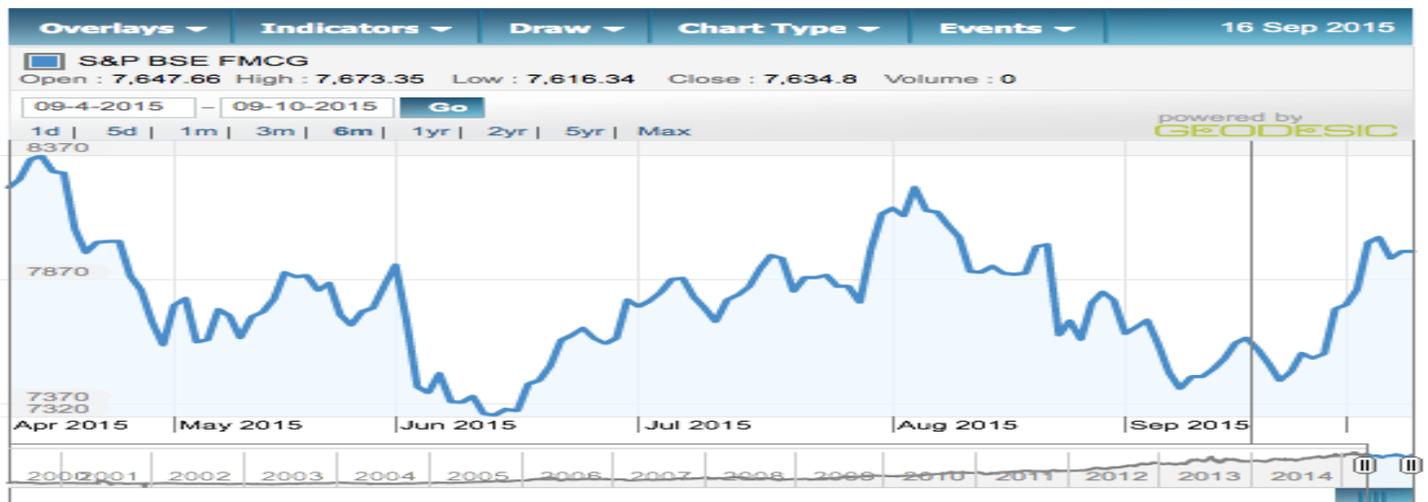
Future group has entered into a partnership with Patanjali group and Easyday in two separate deals

- Future group will promote all the products of Patanjali and will distribute them through its all stores – Big Bazar, Easyday supermarkets and hypermarkets etc.
- Through this Patanjali is also approaching towards multichannel distribution. It also signed a deal with Reliance Fresh earlier this year.
- Patanjali is the fastest growing FMCG company in India and is expecting to cross sales volume of Rs.1,000 crore in next 20 months. It is also launching new atta noodles on 15 October and is planning to launch products such as pasta, oats, muesli, organic rice and organic vegetables in next few months.
- In its second deal, Future group will realign the business of Easyday and rebrand it.
- They will come together and combine their retail operations to create Rs.15,000 crore company.
- Further, the operations would be divided into Future Retail - front-end company and Future Enterprises Ltd- back-end investments and infrastructure and these two will be listed separately.

Lenskart is planning to expand its offline network

- The firm is expecting revenue of Rs.3,000 crore in next five years and is planning to open about 2,000 franchise stores across India.
- They are already present in around 66 cities with more than 100 brands
- This year, they started a free home eye checkup campaign where a specialist visits a customer's home for free eye-checkup and tries selling spectacles or sunglasses.
- The company has raised around Rs.335 crore this year from various venture capital investments and is planning to expand its business. They manufacture lenses in Delhi facility and import frames from China, Korea and other countries.

Market Performance



FMCG industry witnessed a down turn this week after gaining in the past week. Weak consumer demand and less income to spend because of rainfall deficit is taking toll on this sector. Moreover unfavourable government policies like banning of sale of loose cigarettes by UP government is also contributing to its decline.

Top Performers

Stock: ITC

Rationale: The stock grew by 1.21%. The increase in VAT in the state of Maharashtra to tackle the drought issue seem to be the more plausible reasons for the factors that propelled growth this week. The government of Maharashtra has hiked priced of Liquor, cigarettes, and fuel to deal with the drought issue that has been in place in state for some time now.

Under Performers

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

Mahindra & Mahindra gets Investment grade rating from Moody's

Mahindra & Mahindra was given an investment grade rating by the global rating agency Moody's. Anand Mahindra called this as 'Rise' moment. Baa3 credit rating was given to M&M which is the lowest among all investment grade ratings.

389 polo cars were recalled by Volkswagen over faulty handbrake

Volkswagon has recalled 389 polo hatchbacks for inspection and if required preventive repair of a probable faulty handbrake mechanism. The dealers were also told to stop deliveries of Polo hatchbacks on Wednesday.

Two-wheeler tyre segment to be targeted by Bridgestone in India

Japanese tyre major Bridgestone aims to become a leading player in India by entering two wheeler segment. On 7th October the company launched a fuel efficient range of tyres under the brand name Ecopia.

Peugeot in talks to form partnership with Tata Motors to plan India return

PSA Peugeot Citroen is in talks with Tata Motors to form a partnership which might result in the production of the French giant's cars in the Indian market by Tata Motors. Both the firms may also share the engine technology.

Market Performance





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The market rose steadily for the first 2 days of the week and remained almost stable for the rest of the week.

Top Performers

Stock: TATA MOTORS

5th October: Rs 315.20

9th October: Rs 355.90

Under Performers

Stock: EICHER MOTOR

5th October: Rs 18,763.60

9th October: Rs 18,319.75

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12th October 2015

Sector: Banking, Financial Services and Insurance

Analysts: Samarth Salem and Tanisha Parul

Developments

Indian Rupee appreciates to 64.74 vs dollar

The Indian rupee hits back 32 paise to 64.74 a dollar, breaking the 65 mark. This is the fourth sharpest one day rupee rise as compared to dollar in the year 2015. RBI has secured dollar exchange rate at 64.78 while Euro at 73.08.

Housing finance stocks climb up

Encouraged by RBI's step of cutting down the risk weight of individual housing loans of up to Rs 75 lakhs and lowering loan-to-value ratios, stocks of housing finance companies went up. The major step taken by RBI evoked all major banks to cut down their lending rates on home loans. Major housing finance companies like GIC Housing Finance (↑5.70%), Dewan Housing Finance Corp. (↑3.02%), Can Fin homes (↑ 2.88%), LIC Housing Finance (↑2.15%), GRUH Finance (↑0.95%) and HDFC (↑0.45%) edged higher.

Insurers and MFs lift up investing duration

The investing duration has risen by a year in mutual funds and up to by 3 years in insurance. This rise is in expectation of bond yields dropping further after the unexpected rate cuts by RBI. Duration measures the price sensitivity of fixed income instruments with respect to a change in interest rates. This duration is expected to continue long.

ICICI BANK launches mVisa

India's largest private bank, ICICI launched mobile-payment solution that will enable customers to make electronic payments by the help of their smart devices. The process involves scanning a Quick Response (QR) code at the physical store without actually swiping the card. Currently the service is introduced in Bengaluru only with 1,500 merchants but soon it will be rolled out in other major cities as well.

Market Performance

Despite the recent decrease in the Repo rate by the RBI the sector has not seen a significant jump in the stocks. There are concerns in the market about the NPA' that the Banks have not been able to off-load in the market. However, the concern has not affected the sector significantly either but we expect to see the affect in the long run.



Top Performers

Stock: ICICI Bank

Rationale: ICICI Bank grew by 2.75%. With the launch of mVisa and a decrease in the lending rate, the stock performed well in the week.

Under Performers

Stock: Bank of Baroda

Rationale: The stock of Bank of Baroda fell by 1.91%

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12th October 2015

Sector: Retail and textile

Analysts: Ishu Agrawal, Aurosikha

Developments

Enhanced security features on PepperTap app

PepperTap (hyperlocal grocery delivery startup) introduces two new features on their mobile app- Number Disguising & Order Modification. Along with Exotel, a leading cloud telephony company PepperTap has launched this feature. In this, customer's calls will be routed through company's server. Customer's mobile numbers will remain undisclosed to delivery boys. This increases the security feature for the customers.

In Order Modification feature customers have the choice to change their order while it is still in Order Receipt stage. These new features will provide a better consumer experience operating through mobile app. The investors have a positive outlook towards PepperTap. The company has raised significant amount and is in talks for second round of investments.

Distribution deal of Future Group with Patanjali

This distribution deal is expected to bring business of 1,000 crore in next 20 months. Patanjali's FMCG products will be available in all Future retail outlets in 240 cities. The joint office will be set up in Rishikesh. Soon Patanjali will also launch noodles. Both of them are also considering to have production partnership. According to recent reports Patanjali is projected to be bigger than Emami and Jyothy Labs. It is the fastest growing FMCG company in India and its revenue for 2014-15 is in excess of Rs 2,500 crore.

Unique digital textile printers

Colorjet Group will launch two new innovative digital textile printing solutions at ITMA. The printer is compatible to work with all types of inks on a variety of fabrics. It has used synchronized technology to ensure faster and smoother productions. The printers have been designed keeping industry needs in mind and for high energy efficiency.

Government may rationalize interest subsidy to textile mills

As lot of government subsidies are given as interest subsidies, this causes distortion in interest market. Currently government provides 2% for standalone spinning, 5% for composite spinning, handlooms, silk and garments; 6% for new shuttle-less looms under TUFS (Technology Upgradation Fund Scheme). These were introduced to help domestic textile industry by making funds available for technology upgradation and setting up of new plants. But RBI governor has warned regarding these investments. It is to be seen what the government will replace the interest subsidy with.

Market Performance

The market has continued to show positive reaction to the cut in repo rate which has been the major reason for stocks performing well.

Top Performers

Stock: Future retail

Rationale: The Company has recently tied up with Baba Ramdev's Patanjali Ayurveda that has positively affected the stock.

Stock: Bombay Rayon

Rationale: The stock went up after the company disclosed the outcome of its AGM, held on Sept 29, 2015 where it has decided to increase the authorized share capital of the company.

Under Performers

Stock: Pantaloons Fashion

Rationale: The stock price went down after selling of 5.85 Lk shares of the company by Future Corporate Resources Limited.

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12th October 2015

Sector: Healthcare and Pharmaceuticals

Analysts: Ankita, Anuj, Ayush

Developments

India setting up chain of high-tech viral diagnostic labs

The department of health research is planning to setup 150 research labs in India for diagnosis of Virus prone disease. The labs shall provide means to monitor entire country to check real burden of dengue and similar related viral disease. 120 of these labs shall be setup in medical colleges, 30 at state level labs and 10 regional labs where there shall be facilities for diagnosis and outbreak investigation.

Drug stores plan protest next week against e-pharmacies

As the market for E-pharmacies is growing with entry of major players like Apollo Healthcare there is a growing concern among the Drug Stores. The government till now doesn't regulate E-pharmacies but is planning to regulate the sector. The strike is a response to that, Around 8,50,000 stores shall be closes coming Wednesday to protest the initiative. Strike is called by All India Organization for Chemists and Drugs (AIOCD). Drug pharmacies complains that online retailer would allow medicine that could be abused to be sold without verification. Also it will allow user to use one prescription to buy medicine several times.

HC restrains Glenmark from business of anti-diabetes drugs

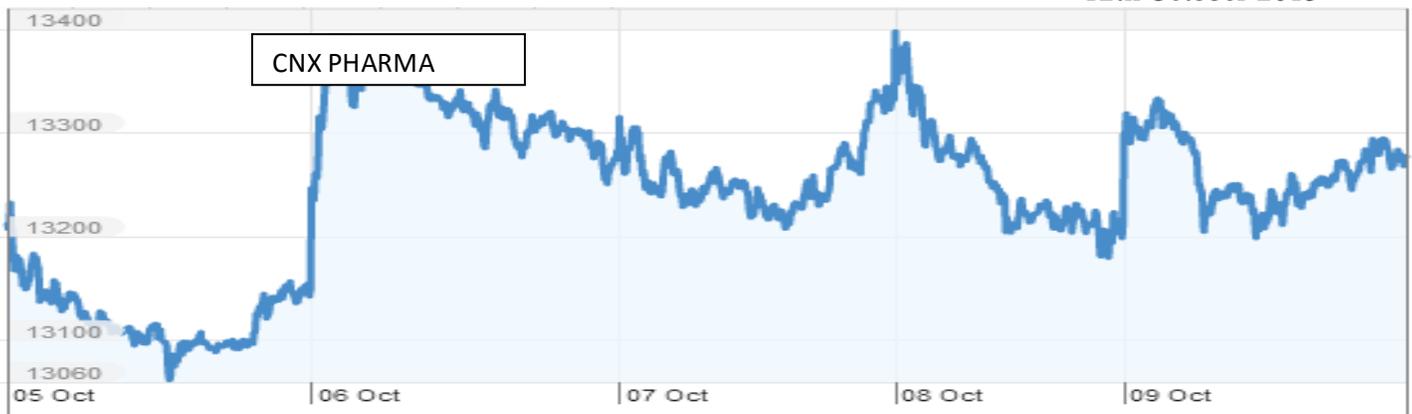
High court of Delhi has provided relief to the US Drug major MSD by providing restrain to glenmark for manufacturing of anti-diabetes drug Zita and Zita Met. MSD in its plea has sought injunction against glenmark over its anti-diabetic medicine IPR infringement.

Unichem gets USFDA nod for generic asthma treatment tablets

Unichem Laboratories received approval for its Montelukast Sodium tablets used in prevention and chronic treatment of asthma prevention of bronchoconstriction and allergic rhinitis.

Market Performance

Market performance for the week was positive for all the pharma sector following the recent rate cut and the strength in the economy after better IIP numbers.



Top Performers

Stock: Cipla

Rationale: Cipla signed a pact for supply of vaccine to the South African market.

Under Performers

Stock: Dishman Pharma

Rationale: Stocks fall 8% after touching all time high of 383.

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Sector: Oil and Gas

Analysts: Akshay, Vaibhav

Developments

Cairn India's oil and gas output increased by 3% in Quarter 2

There was a 3% rise in crude oil and gas production in Q2. The increase in production was mainly because of Ravva and Cambay through effective reservoir management practices and better than expected results from Ravva in drilling campaign. There was a 27% increase in production of oil and gas from Ravva field.

Government should change its gas pricing formula

Currently India sets its gas prices by taking a volume weighted average of the rate prevailing in the U.S., Britain, Canada and Russia. The rating agency, Moody says that Indian should benchmark its prices to similar gas-deficient nations. The current sharp cut of 18% in natural gas prices will discourage new exploration investments and fuel imports. This method is also creating a negative impact on upstream producers like ONGC and Oil India because it will reduce their cash flows.

ONGC Tripura to export power to Myanmar

ONGC Tripura power plant will export power to Myanmar from next month. It will export to Tamu town in Myanmar via Manipur. They will export 3 MW of power which would be enough to light up the town. This move will also help security agencies in tracking the terrorist movement.

Market Performance





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The market performed better this week as compared to last week. It increased by 2.34%. Companies like Cairn India, ONGC and Oil India over performed as compared to the market.

Top Performers

Stock: Cairn India, ONGC and Oil India

Rationale: Global benchmark rallied and closed above \$ 50 a barrel. Higher crude prices would mean high realization for companies which explore oil. This would increase profitability for these companies. This must have raised share prices of OIL, ONGC and Cairn India.

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Sector: Information Technology

Analysts: Nikhil Sharma, Saket Sohan

Developments

Paytm gets \$680 million from Alibaba, 'Virtual Chinese Bazaar' to toughen competition

Chinese e-commerce giant Alibaba has become the biggest stakeholder in Paytm with 40 per cent stake in the company by investing \$680 million in One97 Communications. This investment will further expand Alibaba's footprint in India's thriving mobile commerce market. Paytm is planning to sell hotel bookings through its website and app and has also initiated a step to integrate Chinese sellers from Alibaba who will offer products at affordable price. The paytm app will get access to around 10 crore products from Chinese companies like Tao Bao, Ali Express costing as low as Rs. 3.

Paytm is all set to trigger a price war with e-commerce giants like Flipkart, Amazon and Snapdeal with bringing of 'Virtual Chinese Bazaar' to Indian e-commerce marketplace.

Maharashtra aims to become India's top software exporter

After Karnataka, the country's leading software exporter, the Maharashtra government wants to ramp up its operations in IT services. For this the Maharashtra government has come up with a policy that will enable IT companies to easily set up shops in the state. Presently, the state's share in software exports is half of that of Karnataka's. The tentative points to be covered under the policy are:

- An additional 100-200% Floor Space Index (FSI) and space utilization to ITITES and AVGC (animation, visual effects, gaming and comics) parks, with a premium recovery of only 10-30%
- The policy also offers 20-40% built-up area for support services in IT parks
- Permission to set up integrated IT townships, adjustment in property tax of cost put in to develop roads and civic infrastructure, exemption in stamp duty of up to 100%, electricity duty exemption for the first 10-15 years, and relief in entertainment tax for animation film production.

Dell seeks to buyout EMC to boost corporate presence

Dell is edging closer to pulling off the largest deal in tech industry history, with a novel cash and stock offer valuing data storage company EMC at more than \$50bn as world's No. 3 PC maker looks to beef up its cloud based offerings for corporate customers. The deal, if materialized, would be one of the very unconventional business alliances as Dell-which has about \$12 billion in debt, has a market capitalization of around \$25 billion which is less than half of EMC's current market capitalization of \$52 billion. An acquisition of EMC would strengthen Dell's presence among corporate customers at a time when founder Michael Dell is trying to transform his three-decade old PC Company into a



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provider of complete enterprise computing services to compete with companies such as Hewlett-Packard Co and IBM Corp.

Market Performance

Quarter Update: Mixed quarter; rupee tailwind to aid performance. The whole IT sector is going through a transition phase, in terms of building and adding capabilities for newer technologies (the SMAC space) and, this transition phase is going to take some time (may be two to three years) and will result in growth being tapered off and earnings volatility. Companies like Accenture in digital space, TCS and Infosys with new deals have continued to deliver. Also, mid-cap companies are expected to perform well in coming quarters. Overall, it is expected that sector's demand environment will improve going into FY2017, led by increasing digital adoptability, digital India push and number of big companies who are ready to invest in the country.

Verdict: We remain positive on the IT sector, driven by an improvement in demand environment in FY2017 with loads of new things coming and the next 12 months is a good time to invest in IT companies.

Preferred picks: TCS, Infosys, Tech Mahindra

Top Performers

Stock: None

Rationale: Companies like Infosys, TCS, and Tech Mahindra have seen an upward trend in their stock prices but none have performed so well to be called as a top performer for this week.

Under Performers

Stock: Mindtree Ltd.

Rationale: This week has been a mixed bag for Mindtree, with other IT stocks doing well investors shied away from Mindtree. While it has performed well in most of the week in this quarter, it is expected to surge in coming week as well. Also Mindtree has fixed 23rd October 2015 as the Record Date for the purpose of Payment of Interim Dividend.



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Sector: Telecommunications

Analysts: Akshi, Megha, Pranay

Developments

GTL Infrastructure to consider FCCBs conversion to shares

- GTL Infrastructure will consider bondholders request to convert FCCB's (foreign currency convertible bonds) worth \$48000 into equity shares
- The FCCB's are priced at Rs 10 per share.
- The company is not doing well reporting a net loss of Rs 196.69 crore for the quarter ended June 30, 2015

Court to pass an order on October 15 regarding the 2002 additional spectrum allocation case

- Pass order on framing of charges in the 2002 additional spectrum allocation case in which former Telecom Secretary Shyamal Ghosh and three telecom firms are accused.
- Ghosh and three telecom companies -- Hutchison Max (P) Ltd, Sterling Cellular Ltd and Bharti Cellular Ltd -- were charge sheeted by CBI in the case relating to Department of Telecommunications (DoT) allocating additional spectrum that had allegedly led to a loss of Rs 846.44 Crore to the exchequer

Airtel may buy Aircel's 4G spectrum in a bid to close the gap with Reliance Jio

- Bharti Airtel has held initial talks to buy Aircel's 4G airwaves in the 2300 Mhz band as the country's leading telco looks to expand its high-speed broadband footprint, and close the gap with Reliance Jio Infocomm.
- The thought process within Airtel is to "beef up as much spectrum as it can through spectrum trading and auctions". It is to be noted that after buying Qualcomm's 4G airwaves in four circles, Airtel recently bought Augere Wireless, which owned 4G airwaves in Chhattisgarh-Madhya Pradesh circle.

Market Performance

The telecom sector grew by (1.29 %) this week.

Top Performers

Shyam Telecom (17.8% ↑)

Reliance Communications (4.6 % ↑): Partnership with Reliance Jio has led to an increase in stock price of RComm

Tata Teleservices (7.0%) : It is applying to liberalise its CDMA airwaves in at least four circles, a possible first step towards a spectrum trading pact with Telenor's Indian arm which needs to offer fourth-generation (4G) services to stay relevant in the country's competitive high speed data market.

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12th October 2015

Sector: Cement and Construction

Analysts: Shramit, Rajshekhar

Developments

Reliance Infrastructure plans to sell its cement business

Reliance Infra's debt stood around US\$3.86 billion on 31st March 2015 and believes that by selling the cement business, the debt can be reduced by 20-25%. Morgan Stanley has been appointed as the bank to scout for buyers and complete the sale.

CREDAI files complaint with the Competition Commission of India (CCI) against cement manufacturers

The cost of raw materials used in manufacturing cement has come down from January 2015 to September 2016, but the cement companies never passed on this benefit to the customers. On the contrary the price has risen by almost 40%. For eg, in the Delhi NCR region the price has increased from Rs 210 on August 1, 2015 to approx. Rs 300. The recent cartel comes against the prior instruction of CCI to 'cease and desist'. It is to be seen how it turns out this time.

JSW Group plans to expand its cement production capacity to 30 MTPA from 5 MTPA

Under the make in India initiative, the Govt. of India aims to boost the share of manufacturing sector in GDP to 25% from the current 15%. Responding to such initiatives comes the welcoming announcement of JSW.

India cement to distribute shares of Chennai Super Kings Cricket Limited to its shareholders

India cement had fixed the date 09th October, 2015 to distribute the shares in the ration of 1:1 i.e., for every India cement share, the shareholder shall get one Chennai Super Kings Cricket Limited share.

Jammu & Kashmir Cement incurred a loss of INR 15 crore in the first six months of 2015

The heavy losses are allegedly due to the swindle of its former managing director and some minister's involvement. The matter has been handed over to the State Vigilance Committee but the outcome of the repost is still unknown.

France initiates Smart City project in India

Smart City project for sustainable development, with two billion Euro assistance from the French government, has begun in Pondicherry with Nagpur and Chandigarh being next in the line.

Construction sector looks healthy

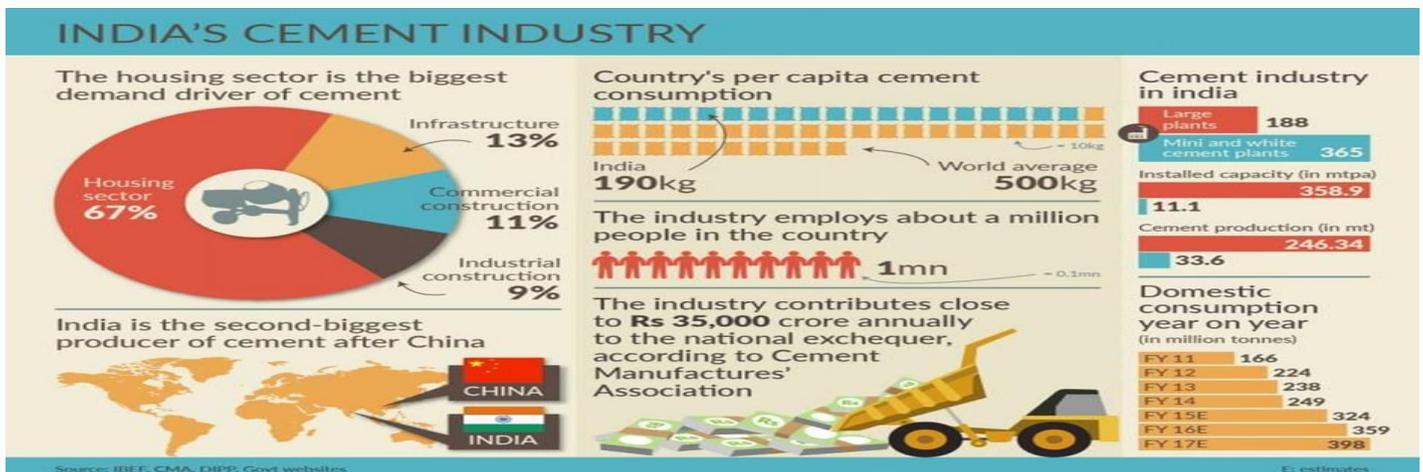
As per CMIE's CapEx database, projects worth Rs 579.7 billion are to come on stream this year and in 2016-2017 projects worth 1.1 trillion are likely to get commissioned.

Andhra Pradesh Govt. proposes a plan of 31 cities and towns at an estimated cost of Rs 28,756 crore under Atal Mission for Rejuvenation and Urban Transformation (AMRUT)

The scheme if approved will help in developing the basic infrastructure in the next 5 years. We need to look forward to center's decision.

Market Performance

Here is info graphic on Indian cement industry for quick understanding.



Infographics by Sandeep Bhatnagar, Proptiger

Performance of Real Estate sector remains under pressure due to weak demand and sluggish market conditions. However RBI's recent rate cut is expected to have a positive impact on the sector. Following the rate cuts, the banks have lowered the base rate but it hasn't resulted in equal cut in home loans because the banks have increased their spread.

Top Performers

Cement Stock: Orient Cement

Change: 8.22%

Under Performers

Cement Stock: India Cements

Change : -10.79%

Real estate stock: Prestige Estate Projects Ltd.

Change : -3.15%

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