

A decorative graphic consisting of three blue circles of varying sizes, each with a thin white border. A light gray line passes through the circles, starting from the top left, passing through the top circle, then the middle circle, and ending at the bottom right. The bottom circle is partially cut off by the right edge of the page.

Sector Updates

30th August – 6th September

Finnacle Investments

7th September 2015

Sector: Healthcare and Pharmaceuticals

Analysts: Ankita, Anuj, Ayush

Developments

Cipla set to buy Hetero Drugs

Cipla is all set to buy the US business of Hyderabad based firm Hetero Drugs to expand its presence and manufacturing ability in the US market. Cipla the third largest player in the Indian market is having very low presence in US market compared to its rivals and doesn't want to lose on the opportunity US market provides. Cipla plans to buy Invagen and Camber for a total of \$550 million. The acquisition will help cipla to get access to manufacturing and treatment of variety of illness like HIV, Hypertension and Heart disease.

Government launches telemedicine initiative 'Sehat'

Government in order to provide healthcare facilities in rural area has come up with a new initiative 'Sehat'. Under this program people can consult a doctor and order generic drugs online. The service shall be provided by government in collaboration with Apollo Hospitals.

The Common Service Centres (CSCs) have been delivering tele-consultation services with support from Apollo and Medanta in some areas and now with this initiative the tele-consultation services are being extended to 60,000 CSCs across the country. The CSCs will also provide diagnostic services and promote sale of generic drugs through collaboration with Ministry of Health, by setting up Jan Aasudhi Stores. Under the service, people can visit CSCs and fix an appointment for seeking expert consultancy with a doctor.

Glenmark Pharmaceuticals gets USFDA nod for Voriconazole

Voriconazole is therapeutic equivalent of Vfend, drug used for the treatment of fungal infections. The market of the drug in last year is estimated around \$91.7 million, Glenmark Pharmaceuticals got approval for manufacturing of tablets in 50mg and 200mg strengths. The company currently have 102 products authorized for sales in the US markets and 63 Abbreviated New Drug Applications (ANDA) pending approval from FDA.

Market Performance

The market is under pressure caused by massive outflow of funds due to global worries on china currency devaluation. There is also a caution in the market on the possible rise in the interest rate by US federal bank.



Out Performers

Stock: Dilshan Pharma

Rationale: The Company reported a 54.8% rise in profits for the quarter 1. Company reported a profit of 37.7 crore compared to 23.8 crore in the same period a year ago. This is attributed to strong operational performance which led to increase in operating profit margin by 530 bps.

Under Performers

Stock: Dr. Reddy Labs

Rationale: Company is recalling over 55,000 bottles of Amlodipine besylate and Atorvastatin calcium tablets, used to treat high blood pressure and cholesterol related diseases, in the US market for being "sub-potent".

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Sector: Banking, Financial Services and Insurance

Analysts: Tanisha Parul, Samarth Salem, Vasuraj

Developments

Sri Lanka receives USD1.1bn from RBI

Central Bank of Sri Lanka has been given 1.1 billion dollars from the Reserve Bank of India under the currency swap agreement to uplift its foreign reserves. This is in addition to the USD 400 million received in April 2015. This arrangement aims to provide a fence of funding for the SAARC nations to meet any BOPs and liquidity crises till longer term arrangements are made.

Banking sector faces challenges

Indian banking sector reported low credit growth, impairment of asset quality and lower profitability. While on one side return on equity is rising, on other hand bad loans are growing up. The situation is likely to become more competitive with the addition of small finance banks later next month.

Rajan calls for cut rates

The RBI Governor called for rate cuts since the inflation has come down to a safe zone at a favorable pace. He was successful in bringing down retail inflation from 9.8 % (September 2013) to 3.8 % (July 2015).

Home loans easier for self employed

The self-employed segment is considered to be higher risk customers. The firms are discovering more and more ways to amplify their supplies to this segment at a rate higher than the average interest rates charged by the home loan companies.

Non-life insurance sector witnesses 14.9% growth

In past five years, non-life insurance sector has grown at a CAGR of 14.9% and this is expected to grow by 20.2% in the next five years. This rise can be accounted on factors like increasing public awareness of insurance, higher consumer income levels that boosted premiums and strong growth in the automobile, property and construction industries, which boosted property and motor insurance.

Market Performance

The sector has been on the lower side over the week. There has been a drop of 2% in the sector over the week. The major reason is the pressure of the FIIs selling of the shares, which has lead to the drop.

Out Performers

Stock: Reliance Capital Ltd.

Rationale: It gained 4.57% over the week. The dividend is to be announced at Rs 9 per share (90%) and its effective date being 16th September, thereby leading to increase in demand of the share.

Under Performers

Stock: Mahindra & Mahindra Financial Services Ltd.

Rationale: It suffered a loss of -9.68% over the week. The global crisis has its effect on the sector.

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Sector: Oil and Gas

Analysts: Akshay, Atulya, Vaibhav

Developments

ONGC Videsh Ltd. to buy 15% stake in CSJC Vankorneft

ONGC Videsh Ltd. subsidiary of ONGC Ltd. signed an agreement to buy 15% stake in CSJC Vankorneft which is a subsidiary of Rosneft. This deal is costing \$1.27 billion to ONGC Videsh Ltd. This transaction will help in increasing the total production of ONGC to 60000 barrels per day. And will also enhance its presence in Russia. This deal is expected to close by mid-2016.

Revenue share approved for oil & gas fields, Government to auction 69 oil & gas fields

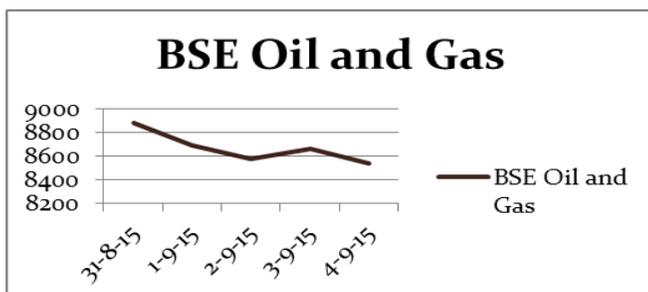
The Union government will auction marginal oil & gas fields where discoveries could not be monetized by state-owned explorers ONGC and Oil India. With this, the government has introduced a revenue-sharing mechanism in oil & gas production for the first time. Under the new policy, 69 fields, with 89 million tonnes of reserves, worth Rs 70,000 crore at current prices, will be bid out in three months.

ONGC, Oil India under pressure to raise output, make profit despite crude price slide

Indian state firms are pushing ahead with exploration efforts, bucking the global trend of lower capital expenditure in the wake of the crash in crude oil prices, as they face intense pressure from the government to raise domestic output and production remains profitable for them even at the current price levels. The marginal decline in India's oil and gas production in 2014-15 has continued in the four months of the current fiscal year.

Market Performance

The sector didn't perform well in this week. Each and every company in the sector gave negative returns. It may be due to recent market crash in China because of which investors are pulling out their funds from all the emerging markets. Also due to economic slowdown of China, the demand for oil has reduced significantly resulting to oil price crashing to \$39 (WTI) per barrel. Because the prices have hit a new low, the profitability of these companies is in question.



Out Performers

As all the companies in this sector have declined this week, there was no top performer in this sector.

Under Performers

Stock: ONGC

Rationale: ONGC has surrendered marginal oil and gas fields where discoveries could not be monetized. These fields are now open to auction. This would have given negative perception in the market.

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Sector: FMCG-FMCD

Analysts: Shubham Aggarwal, Abhi Kothari, Prateek

Developments

ITC is planning to extend Savlon in Health and Home-Care segments. Also to enter into Dairy Market

- ITC is aggressively boarding its non-tobacco portfolio.
- It is planning to extend Savlon, its recently acquired and one of the most acknowledged brand, in home care segment. Target categories are Hand wash, Hand Sanitizer, Shower gel and floor, glass and toilet cleaners and consumer surveys are already in process.
- It would possess a great challenge for other companies mainly Reckitt Benckiser, the key competitor in this particular segment.
- ITC is also planning to launch its range of Dairy products starting with Ghee. It would be available in market by the end of this quarter.
- It would be followed by packaged milk, butter, cheese and chocolates.
- President of ITC FMCG business, Mr. Sanjiv Puri indicated that in next two years, the company is planning to invest in foods.
- He also stated the vision to achieve revenue up to Rs 100000 crore by 2030 from new FMCG business.

Henkel plans to re-enter India with purchase of 26% stake in Jyothy Laboratories

- Henkel is planning to buy 26% stake in Jyothy Laboratories, the same firm which acquired its India business in 2011.
- It can be in form of fresh shares or the preferential shares. The negotiations are already in process and deal would be finalized before the deadline of March 2016.
- This deal will provide Jyothy Labs with expertise of Hankel and would open the gates of Hankel to enter Indian market.

Xperia to be made in India by SONY

- Sony is planning to assemble Xperia smart phones in India.
- The talks are already in process with Foxconn, top Taiwan contract manufacturer for the same.
- This would help Sony in terms of makers' duty benefit of 6% to 6.5%.
- This will also put SONY in the list of companies which has significantly contributed to Make in India campaign

Market Tumbles on Low GDP growth

- Less than expected growth, recorded in first quarter of this financial year led to the high volatility of Indian market. The recorded growth is 7%, which was expected to be 7.5%.
- The key reason was the decline in growth of sectors like Agriculture and Manufacturing. The agriculture growth was 1.9% and it was 7.2% for manufacturing sector.
- The 22% deficit from the rains can be considered as major reason.
- It would lead to increase in cost of raw material for FMCG industries and hence companies would be forced to either increase the prices or to bear the costs. This loss of revenue would affect the stock market directly.
- Already, BSE listed stocks has lost Rs6 Lakh crores in month of August.

Market Performance

FMCG sector had fallen 2.12% this week. Stocks of Jubilant food works, ITC, Hindustan Unilever, Godrej consumer products, Colgate, Nestle, Marico and many more witnessed a fall in their price from their previous week. Stocks of Emami, Tata global beverage, Britannia and Dabur were saving grace for this sector. Because of low agricultural growth in last quarter as compared to same quarter last year and 22% rainfall deficit in month august prospect of growth for FMCG industries looked bleak as there would be pressure to increase price because of increase in food prices. Revenues of FMCG companies are going to take toll as agricultural prices increase would drive the prices of raw materials.

Out Performers

Stock: Emami

Rationale: Stocks of Emami gained 6.05% on BSE this week as Emami informed BSE that Smt. Rama Bijapurkar has been appointed as an Independent Director on the Board of the Company. Rama Bijapurkar is one of India's most respected thought leaders on market strategy and consumer related issues in India and is serving as independent director on various other top companies' board. Also FTSE upgrades Emami to the midcap segment of the FTSE global equity index series coupled with HSBC on Monday initiated coverage of Emami Stocks with a "buy" rating as it believes Emami's core brands Navratna, Zandu, Fair & Handsome and Boroplus dominate their market segments.

Stock: Dabur

Rationale: Dabur stock gained 1.49% on BSE this week as company is reinventing itself from a general FMCG company rooted in old world to a consumer healthcare company

Under Performers

Stock: HUL

Rationale: HUL share price fell 3.10% on BSE this week as compared to last week as company had to cut its shampoo price to maintain its market share in response to P&G shampoo price cut.

Stock: Colgate Palmolive India

Rationale: Colgate Palmolive share price fell 3.1% on BSE this week as compared to last week as foreign brokerage firm CLSA had initiated a sell rating on company as it believed that company would face margin pressure. Also Colgate had faced decline in growth rate and profit in last quarter compared to same quarter last year.

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Sector: Information Technology

Analysts: Nikhil Sharma, Saket Sohan

Developments

Chelsea FC signs Wipro as its Digital Partner, Manchester United goes to HCL

HCL technologies has been chosen to handle tech operations for 3 years for football club Manchester United. The value of the deal was not disclosed. HCL will be setting an innovation lab at Old Trafford with investment from both the parties. HCL and Manchester United have joined hands to provide innovative digital solutions to enhance the experience for club's huge fan base of around 659 million.

A day after Manchester United announced its collaboration with HCL, Wipro wore Chelsea jersey as its digital partner. Wipro will assist Chelsea to increase the quality of fan experience in the stadium and also enhance engagement with their fans when they are not in the field. Communication with fans via digital media and sharing news on players will be the essential area of focus.

Both the Football Club's understand the importance of digital channels in this era and utilizing them to reach out to their fans. A survey conducted by *The Economist* substantiate the decisions taken by the two clubs.

- 46% of social media activity related to TV is on sports
- 67% of sports fans use second screen devices while watching sports on TV
- 76% of sports fans use mobile devices at the stadiums

Value of India's top 30 software product start-ups crosses \$10 billion

The top 30 software product start-ups in India are now valued at \$10.25 billion which is a 20 percent increase from October 2014 as stated in the updated version of India Software Products Industry Index-B2B, compiled by software products think tank iSPIRT. The six new entrants are Accelya Kale, BrowserStack, CRMnext, Indix, InMobi and Knowlarity. The list also features public companies such as Accelya Kale and Ramco. The report shows that there is a software product industry witnessing parallel growth with the consumer internet side. The report also listed the fact that venture capital funding for start-ups has grown at a significant rate, so has the merger and acquisition activities. Some large recent funding deals in enterprise start-ups include \$45 mn raised by Capillary Technologies; \$60 mn raised by Manthan Software; and \$15 mn raised by Vserv. Top 30 start-ups employ about 21,200 people, as per the iSPIRT report. Change in the mindset of people about software product companies over the past five years, and more people were expressing an interest in joining such firms.

Google gets a new logo – The fun quotient

On 1st September 2015 Google got its new logo after a span of 2 years. Google is so much omnipresent in our lives that even a small change is noticeable and sometimes scary as the company knows more about us than we know about ourselves. At first instant I thought of it as a one-day google doodle but later came to know that it's a permanent



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change. The logo is one in the series of changes that the company is making. Not long ago, in fact last month co-founders Sergey Brin and Larry Page announced the creation of a new holding company, Alphabet, which will house Google. Also Sundar Pichai was named as the new CEO of Google. And now with the new fresh logo, the company has tried to keep up with their changes to its shift to material design while keeping the identity intact.

The major changes



Moved to a more flat design with lighter shades that mirrors the logo of the parent company – Alphabet Inc. The letter ‘e’ at the end is still tilted but is more distinctive this time to mark company’s eccentricity.



A swirl of dots in Google’s colors will also appear when a spoken command for information is being processed or one of the company’s other services is performing a task.



The compact version of the Google logo that works on small devices and contexts. The “g” will now be capitalized and displayed in color instead of being kept lowercase and white.

Market Performance

Overall the sector has shown a dip of 3.5% in the last week which was led by Oracle Financial Services. Also, the plunge of Asian stocks in the last few weeks can be cited as one of the major reasons as to why the sector underperformed. While the overall dip of Sensex saw 4.11% we can be hopeful of seeing a surge in IT stocks in coming weeks as there has been so major shift in company and government policies in recent past.

Out Performers

Stock: Tech Mahindra Ltd.

Rationale: Even in the volatile market Tech Mahindra saw a steady rise of over 2% last week. Shares of Tech Mahindra performed well after the company bagged licenses for payment banks. Tech Mahindra are among the 11 companies selected by the Reserve Bank of India (RBI) to help set up "payments banks", aimed at granting millions of citizens access to basic banking. Payment banks can take deposits but cannot lend. Also Tech Mahindra announced a total of 24666 equity shares Rs. 5/- each last week.

Under Performers

Stock: Oracle Financial Services Software Ltd.

Rationale: Oracle Financial Services saw a dip of around 4% last week and has not been able to recover after its Q1 net profit fell by 16.5 % to Rs 329.33 crores in early August. Also the volatile market added to its misery. There is an Annual General Meeting on 11st September 2015 which is being looked forward by the shareholders as they are expecting some major changes in company policies.

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Sector: Telecommunications

Analysts: Akshi, Megha, Pranay

Developments

Ericsson signs contract of 4G deployment and 3G expansion for four years with Bharti Airtel

- Ericsson's first 4G network using LTE-FDD technology to be deployed in Delhi and other 4 circles across India.
- Signed contract of 4 years for expansion of 3G network across 8 circles in India. The rollout will include both 2100 MHz and 900 MHz band. Ericsson will supply, install and manage services
- 40% of world's LTE smart phone traffic is served by Ericsson's network making it a market leader in LTE technology.
- Ericsson will also invest around \$15-20 million to set up a new manufacturing facility in Pune which will be the export hub for company

Spectrum Trading: Telecom companies to continue paying license fee

- COAI and AUSPI, telecom industry lobbies, had proposed to Telecom ministry to exclude amount received from spectrum trading from adjusted gross revenue (AGR) for the purpose of license fee and spectrum usage charge as it would mean imposing double tax on telecom companies (as they are already paying additional taxes)
- However, Department of Telecom has rejected this proposal

UK- based New Call Telecom to invest \$100 million in India

- Company planning to expand its presence in Indian broadband and value added services market by investing around \$100 million and acquiring around 12 mid- sized Indian companies over the next year.
- Plans to set up Wi-Fi infrastructure in north-eastern region particularly in Assam and Manipur to address connectivity issues
- New Call Telecom will also launch an India centric fund worth \$50 million which will be managed by its parent New Sparta for promotion of startups and entrepreneurs

Bharti Airtel launches Wi-Fi app to discongest data traffic

- Wi-Fi app known as Airtel Hangout has been launched by leading service provider Airtel in India to improve services by discongesting data traffic
- This app currently works in Delhi-NCR and can be used in zones where Wi-Fi is freely available

Market Performance

- Net profit of telecom industry increased in the first quarter of 2015 ending in June due to increase in the profit of India's biggest telecom company Airtel by 40%.
- Telephone subscribers is increasing and stood at 1,002 million in May 2015.

Out Performers

Stock: XL Energy: 19.3% Increase in the past week.

Under Performers

Stock: Surana Tele. & Power 25.5 % Decrease this past week

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Sector: Cement Industry

Analysts: Shramit, Rajshekhar

Developments

UK-based Genesis Asset sells 2% stake in Ambuja Cement

Genesis Asset which is an UK based investment management firm has sold its 2% stake in Ambuja Cement in open market for Rs 646 crores. The firm had 5.39% stake in Ambuja Cement. Contrary to the expectations of the cement companies which had added huge capacities expecting strong growth in the sector, the housing and infrastructure sectors have remained sluggish. To an extent, this is being attributed the high interest rates for housing and project finance.

Reliance Cement ventures into online selling

Reliance Cement announced its arrival in the e-commerce segment becoming one of the first companies in India to do so calling it a 'latest next-gen customer friendly initiative'. The company will sell binding material with the facility available for a minimum order of 25 bags with delivery within 48 hours. The e-tailing facility will be available initially in Uttar Pradesh, Madhya Pradesh and Maharashtra.

Birla Corp to acquire Lafarge India's two cement units in a deal valued at Rs 5,000 crore

In what could be a biggest M&A deal in the history of the company, the Kolkata-based Birla Corporation will be acquiring Lafarge's Jojobera plant in Jharkhand and Sonadih plant Chattisgarh. The french MNC was required to divest certain assets in order to conclude its global merger with Swiss giant Holcim. Several bulge-bracket private equity firms and strategic players were eyeing the deal. However, the legal dispute between the Lodha and Birla families regarding the ownership of Birla Corporation could prove to be an obstacle for the deal as it would require shareholder and court approvals.

UltraTech seeks clarification from govt. on cement assets deal with Jaypee

UltraTech cement had announced a Rs 5,400 crore deal in December 2014 to acquire two of Jaypee's grinding plants in Madhya Pradesh. A part of the deal included access to the limestone reserves in Madhya Pradesh. A clause in the new Mines and Minerals (Development and Regulation) Act 2015 stops the transfer of mines that were not allotted through auctions. However, there is uncertainty on whether the clause will be applied retrospectively or not. UltraTech and Jaypee have sought clarification from the government over the same. The new clause could also impact the Rs 5,000 crore Lafarge deal with Birla Corp which involves selling off its eastern India assets as access to a limestone reservoir is a significant factor in deciding the viability of a cement plant and at times also reflects in the value of the asset for sale.

Market Performance

The Market performance for the Cement industry has not been very good as of lately. There has been fluctuations in the prices of all the companies in the sector. The net sales of all the companies combined has fallen by 0.4% in the

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previous quarter and there was nothing fruitful in the quarter before that. Though there has been expected a growth in the market in this quarter as the monsoon has ended.

Out Performer

Stock: Ambuja Cement

Rationale: Cement prices in North and West, which are key markets for Ambuja, recovered in August by Rs 20-25 per bag and Rs 10-15 per bag in July), while input costs, eg, international coal/retail diesel/polypropylene prices, have declined sequentially from end-June which propelled earnings.

Under Performer

Stock: Dalmia Bharat

Rationale: Dalmia Bharat has had the biggest margin of dip in the stock prices. Dalmia had reached the 52 week peak in the previous quarter due to Goldman Sachs investments, the stock prices has been falling ever since.

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Sector: Retail & Textile

Analysts: Aurosikha, Ishu Agrawal

Developments

US-based advertising firm Reduce Data acquired by Snapdeal

This deal is strategic as advertising is predicted to be key business for online retailers. Reduce Data will help brands to provide advertising strategies across all platforms and devices. It will use artificial intelligence, real-time data and other sophisticated tools for advertising campaigns. Ad-revenues will increase the profit margins for e-retailers.

Hector Beverages to expand its Mysore plant capacity

[Hector Beverages Pvt. Ltd. Is planning to launch new milk-based beverages like Thandai, Badam milk and Chhaas under its flagship brand Paper Boat by March next year. It will spend \$10 million to expand its Mysore plant capacity for this purpose. It was successful in raising fresh funds from Sequoia Capital, Sofina Capital and Hillhouse Capital Management.

BPL ties up with Flipkart

This was done by BPL to recreate its past success in TV sales. It has tied up with Flipkart to sell TV, refrigerators and washing machines. To keep its cost low BPL is focusing on low investment and outsourcing a part of its manufacturing. By adopting e-commerce their fixed costs are very low today. So far the products have been received well by the consumers.

Separate ministry for retail sector

Traders body CAIT (Confederation of All India Traders) have written to PM Narendra Modi to formulate a national trade policy for retail sector and to set up a separate ministry for internal trade. This will be a great boost for the small businesses and will expedite their growth.

FICCI suggest measures to boost textiles

The FICCI textiles committee met Finance Minister Arun Jaitley and requested to increase allocation of funds under Technology Upgradation Fund Scheme. They also suggested to reduce duties on man-made fibers and to keep appropriate interest rates for exporters. This will help India to achieve 20% growth in exports over the next decade.

Exports of cotton and made-ups increase

Exports of cotton fabrics and made-up fabrics grew at 11% and 5% respectively in 2014-15 fiscal year. Higher exports of value added products is good news for the textile industry as it will lead to greater employment and higher level of investments. But the industry must also look out for the trade agreements promoted by US and EU as it will pose challenge to Indian exports.

Market Performance

The net profit of textile weaving companies have increased in the last quarter ending in June. Even though there has been a slight decrease in sales they have managed to gain profits.

The retail sector has shown mixed response. Some retail companies have shown profits while some have run into losses in the quarter which ended in June.

Out Performers

Stock: BSL Ltd.

Rationale: The textile industry has seen growth in this sector due to the increase in its exports. The weaving machine of BSL give an edge on manufacturing wide range of fabrics with multiple variations.

Stock: Cantabil retail

Rationale: It provides high end design and highest quality fabrics. Due to aggressive promotion in high end fashion shows recently being Lakme Fashion Week.

Under Performers

Stock: Raghuvir Synth

Rationale: The demand for synthetic products has seen a decrease. The operating costs has also increased due to inefficient use of resources.

Stock: Arunjyoti Enter

Rationale: Maximum of its sales depends on groceries which has declined due to decrease in rainfall. Also online grocery shops which provide delivery services have also encroached upon its business.

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