

A decorative graphic consisting of three blue circles of varying sizes, each with a white border and a subtle drop shadow. They are connected by a light gray line that starts at the top left, goes down to the first circle, then up to the second, and finally down to the third. The circles are arranged in a descending staircase pattern from top-left to bottom-right.

# Sector Updates

7<sup>th</sup> September – 13<sup>th</sup> September

**Finnacle Investments**

16<sup>th</sup> September 2015

**Sector : Auto and Auto Components**

**Analysts : Sriram N, Mounica Reddy**

## Developments

### **Amtek Auto share price jumps by 70% after news of capital infusion in the wake of high debt and CARE suspending its earlier rating**

Shares of Amtek Auto saw an upside of about 70% after reports of Rs 75 crore capital infusion by its promoters through preferential allotment poured in. Institutions are on the brink of a loss of about Rs 800 crore as their plan to back Amtek Auto has been backfiring. Amtek Auto has been in the news for the past month for facing a dire cash crunch. It was reported that the company is highly likely to fail in the rescheduling its payments. The issues with Amtek Auto have been gradually on the rise when its credit rating started downgrading since September last year. The way they have sought to come out of this mess is by considering to sell some of its non-core business along with its assets in the real estate sector.

### **Audi launches its executive sedan A6 35 TFSI priced at Rs 45.90 lakh**

After its venture into the premium sedan range with the launch of Audi A3, the German automobile manufacturer launches yet another sedan priced competitively at Rs 45.90 lakhs in its New Delhi and Mumbai show rooms. The novelty of this new launch is its new 1.8 litre TFSI engine. "It combines high output of 190 hp with high efficiency of 15.26kmpl and boasts superb responsiveness. With the seven-speed S-tronic transmission customers can change gears almost instantly while experiencing smooth uninterrupted power", Head Joe King added.

### **Sales of domestic cars up by 6 % and bikes down by 9.59% in August**

Car sales have been on the rise for the past 10 months as it reaches a new high of a 6% growth indicating a gradual shift in preference towards cars from bikes. To supplement the fact, the overall bike sales have slumped by 9.59% in the last month owing to poor sales in the rural market. New model launches which have been really beneficial in reviving the sector are Hyundai Creta, Maruti Suzuki's S-Cross, Ford Aspire and Honda Jazz.

## Market Performance

The performance of this sector is a mixed result. Few companies like Kirloskar, M&M ,Tata, Ford, Toyota performed well while others like Honda Siel,GM, Maruti Suzuki, Hyundai saw the bitter side.

### Top Performers

**Stock:** Tata Motors

**Price on September 04, 2015:** Rs 322

**Price on September 11, 2015:** Rs 345

**Rationale:** With the increase in fuel prices, the demand for efficient engines have significantly gone up, which enabled Tata Motors rise to the forefront over the past few weeks.

## Under Performers

**Stock:** Bharat Forge

**Price on September 04, 2015:** Rs 1077

**Price on September 11, 2015:** Rs 1027

**Rationale:** The demand in the quarter was slightly muted due to lower than anticipated recovery in the Indian medium and heavy commercial vehicles (MHCV) market.

## References

1. [http://www.business-standard.com/article/markets/bharat-forge-declines-post-q4-results-115052000504\\_1.html](http://www.business-standard.com/article/markets/bharat-forge-declines-post-q4-results-115052000504_1.html)
2. [http://articles.economictimes.indiatimes.com/2015-09-07/news/66297172\\_1\\_800-crore-200-crore-corporation-bank](http://articles.economictimes.indiatimes.com/2015-09-07/news/66297172_1_800-crore-200-crore-corporation-bank)
3. [http://www.moneycontrol.com/news/buzzing-stocks/amtek-auto-jumps-70preferential-allotment-to-promoters\\_3029861.html](http://www.moneycontrol.com/news/buzzing-stocks/amtek-auto-jumps-70preferential-allotment-to-promoters_3029861.html)
4. <http://www.equitymaster.com>
5. <http://www.moneycontrol.com>

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

**Analysts : Samarth Salem, Tanisha Parul, Vasuraj**

## Developments

### **Cabinet allows 100% FDI for white label ATMs**

The Govt. has permitted 100% FDI under the automatic route for white label ATM's (non-Banking entities operating ATM's). This would help in Govt's objective of enhancing ATM networks in rural and semi-urban areas. This decision will ease and expedite foreign investment inflows and promote financial inclusion in the country. Major white label ATM operators in the country are Srei Infrastructure Finance Ltd., Muthoot Finance and Vakrangee Software.

### **LIC Housing Finance to raise Rs. 47,000 crores**

LIC housing Finance Ltd will raise Rs. 47,000 crore via non-convertible debentures on private placement basis during a period of next 1 year to 'to take property on lease/rent, avail/render any services or any other transaction which construe to be related party transactions'.

### **Baring Private Equity Asia acquires CMS info Systems for Rs. 2,000 crore**

Baring Private Equity Asia has acquired India's largest Cash-management company, CMS info Systems, from Blackstone and the Grover Family for Rs. 2,000 crores. CMS info Systems is the sixth largest ATM cash management firm in the world, managing almost 55% of all cash circulation in the country.

### **Global banks like ABN Amro apply to set up subsidiaries**

ABN Amro along with State Bank of Mauritius and DBS have applied for a wholly-owned subsidiary in India. Pending RBI approval this would give them almost national bank treatment in India.

## Market Performance

The sector has been underperforming over the week with a drop of almost 3.17% over the week. Even though the markets plunged due to the concerns over the Chinese economy, the markets have been correcting itself with Yes Bank, LIC Housing, SBI and Axis Bank leading the sector.

## Top Performers

**Stock:** Yes Bank

**Rationale:** It had gained 10.07% in the past week. Yes Bank was one of banks along with Axis Bank and ICICI Bank to have taken the most of the beating due to global crisis of China. Revival of the investment cycle was seen this week which is the reason for the growth in Yes Bank.

## Under Performers

**Stock:** Repco Home Finance Ltd.

**Rationale:** It had a fall of -6.70% over the week. The global crisis has its effect on the sector. It was down due to the global crisis in the early part of the week (US market too had its effect) and has recovered in the later part but overall the week's performance has been negative.

**Stock:** Paul Merchants Ltd.

**Rationale:** It had a loss of -5.48% over the week. The global crisis has its effect on the sector. It was down due to the global crisis in the early part of the week and has recovered in the later part but overall the week's performance has been negative.

## References

1. [http://www.business-standard.com/article/pti-stories/cabinet-allows-automatic-fdi-route-for-white-label-atms-115090900659\\_1.html](http://www.business-standard.com/article/pti-stories/cabinet-allows-automatic-fdi-route-for-white-label-atms-115090900659_1.html)
2. [http://articles.economictimes.indiatimes.com/2015-09-07/news/66297134\\_1\\_lic-housing-finance-ltd-private-placement-basis-redeemable-non-convertible-debentures](http://articles.economictimes.indiatimes.com/2015-09-07/news/66297134_1_lic-housing-finance-ltd-private-placement-basis-redeemable-non-convertible-debentures)
3. <http://economictimes.indiatimes.com/industry/banking/finance/finance/baring-private-equity-asia-acquires-cms-info-systems-for-rs-2000-crore/articleshow/48877334.cms>

**Sector: FMCG-FMCD**

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

## Developments

### **Hindustan Unilever has announced to sell MODERN**

- Hindustan Unilever announced to sell its heritage brand MODERN. Deal has been finalized with Singapore based Everstone group.
- The deal size is not disclosed from either sides.
- It is part of HUL's new strategy to exit non-core business and to narrow the focus of its business.
- Modern was started by the Government of India in 1965 as Modern bakers. It was later renamed in 1982 and acquired by HUL in 2000. It has become one of the leading brand in its segment with HUL.
- Everstone is planning to keep Modern food business as independent unit.

### **ITC may share dealer networks with startups**

- ITC has planned to offer its distribution channel to the small FMCG companies or startups which want to go national
- The nationwide ITC network consists of more than 4.3 million shops.
- It would create a new revenue model for ITC in terms of fee charged.
- ITC can also consider to buy stakes in those small FMCG companies.
- It is already indulged in packaging business where rival FMCG Company's product also get packed.

### **Microsoft is planning to launch 4g smart phones in India**

- Microsoft which entered the mobile market of India by Nokia handset division last year for \$7.2 billion
- It is planning to launch latest windows 10 phone compatible with existing 4G bands — TDD using 2300 Mhz and FDD. These bands will be used by Airtel and Reliance Jio. Vodafone and Idea Cellular are also expected to launch 4 G services in same technology.
- The launch is planned in the end of year 2015, near Diwali. This may help Microsoft to come back into the highly competitive mobile market where it is rapidly losing ground.

### **Godrej completed 40 percent stake acquisition in Chile firm**

- GCPL has completed 40 percent acquisition of hair color and cosmetics company Cosmetica Nacional. In January 2012, it had acquired 60 Percent stakes.
- It is part of the strategy of GCPL to buy in the space in emerging markets.

### **Misfit to launch products with Snapdeal.**

- The premium wearable devices brand is looking forward to launch its products in India

- It has signed an exclusive partnership deal with Snapdeal for the same.
- In current scenario, fitness trackers and devices are available on ecommerce websites and slowly growing their market with the growing health awareness among Indians

## Market Performance



FMCG sector witnessed a fall this week with majority of companies like Hindustan Unilever, ITC, Emami, Dabur, Colgate-Palmolive, Britannia Industries and Nestle witnessing decrease in share price and reason being attributed to uncertain market conditions and rainfall deficit.

## Stock Performance

**Stock:** Hindustan Unilever

**Rationale:** Hindustan Unilever's stock witnessed fall of 4.32% after it's announcements of exiting bakery business and selling off Modern Foods as part of its strategy to move out of non-core business.

**Stock:** ITC

**Rationale:** Share price of ITC fell 1.19% this week after its a nouncement of sharing distribution network with other companies

## References

1. <http://economictimes.indiatimes.com/industry/services/retail/misfit-to-launch-products-in-tie-up-with-snapdeal/articleshow/48892261.cms>
2. <http://www.financialexpress.com/article/industry/companies/hindustan-unilever-limited-signs-agreement-with-everstone-for-sale-of-modern-bakery-business/132372/>
3. [http://www.business-standard.com/article/news-cm/hul-gains-after-selling-modern-bakery-biz-to-nimman-foods-115090900145\\_1.html](http://www.business-standard.com/article/news-cm/hul-gains-after-selling-modern-bakery-biz-to-nimman-foods-115090900145_1.html)
4. [http://articles.economictimes.indiatimes.com/2015-09-07/news/66297087\\_1\\_yc-deveshwar-sanjiv-puri-cigarette-business](http://articles.economictimes.indiatimes.com/2015-09-07/news/66297087_1_yc-deveshwar-sanjiv-puri-cigarette-business)
5. [http://articles.economictimes.indiatimes.com/2015-09-07/news/66297314\\_1\\_smartphone-market-share-4g-phones-lumia](http://articles.economictimes.indiatimes.com/2015-09-07/news/66297314_1_smartphone-market-share-4g-phones-lumia)
6. <http://www.digit.in/mobile-phones/microsoft-plans-to-roll-out-4g-windows-10-phones-by-the-years-end-27123.html>
7. [http://www.moneycontrol.com/news/stockviews/alembic-marico-qualify-as-today%E2%80%99s-a-list-stocks\\_3003721.html](http://www.moneycontrol.com/news/stockviews/alembic-marico-qualify-as-today%E2%80%99s-a-list-stocks_3003721.html)

**Sector: Information Technology**

**Analysts: Nikhil Sharma, Saket Sohan**

## Developments

### **Patent Law sets off alarm bells across the IT industry**

Indian Patent Office (IPO) clarified the Patents (Amendment) Act 2002 and has issued guidelines, which makes software and business methods patentable in India. It has stated that “if a software has novelty, is inventive or tangible, and has proper technical effect or industrial application, it can be patented”. Software industry experts are against the modification of the law for making computer programs easily patentable, with an argument that innovation in the area is often incremental and programs are built on top of other programs. New programmers will be scared of developing something new using any old software.

### **No visa violation by Infosys, TCS: US Labor Department**

The US labor department has cleared Infosys and Tata Consultancy Services of the charges of visa violation rules after following a probe into an outsourcing contract involving utility firm Southern California Edison. The US labor department had launched the probe earlier this year to find out whether the two Indian firms violated any labor laws after Southern California Edison laid off about 500 workers in August last year and replaced them with H-1B visa holders from Infosys and TCS.

### **IT sector to invest Rs. 10,950 crore in Tamil Nadu**

IT majors including Wipro, Cognizant, Sutherland, HCL, Zoho and others have said they will invest Rs 10,950 crore in Tamil Nadu in Information Technology space and more than two lakh people will be inducted into this sector in the next three years. The state government has also said it will launch various policies to help IT/ITeS industry.

Cognizant which already have an extensive network in Tamil Nadu said that it will be setting up development center at Chennai, Kancheepuram and Coimbatore with an investment infusion of Rs. 1000 crore over next five years to expand their delivery infrastructure. Zoho Group has said it will invest around Rs 3,000 crore and employ around 10,000 people in the state. Other investors include W S Electronics (Rs 1,062 crore), W S Industries (Rs 1,517 crore), DLF Infocity Developers (Rs 1,500 crore) and HCL Corporation (Rs 500 crore).

If India's IT & ITes industry has experienced an enviable export-led CAGR of 13 per cent in the last five years, Tamil Nadu has been a key driver of this growth. The State is home to more than 2,000 registered software units. The state accounts for more than 10% of the total IT exports carried out from India and is the fourth largest software exporter in India. Software services are the highest contributor to the exports, accounting more than 40%.

## Market Performance

While the overall Sensex rose by 1.62%, the IT sector saw a rise of only 0.51% from the last week. Most of the big companies saw a dip in its share prices from last week with HCL, Mphasis, Infosys, TCS, Tech Mahindra, and Oracle Financial Services not performing well and saw a dip in its share prices ranging from 2% to 4%.

TCS and Infosys surged during intraday on the news that US labor department has cleared Infosys and Tata Consultancy Services of the charges of visa violation rules but over the period it could not leverage more.

The market could only be driven because of good performance from smaller companies like Financial Technologies (India) Ltd, Infinite Computer Solutions (India) Ltd. and Tata Elxsi Ltd. being an exception.

## Top Performers

**Stock:** Tata Elxsi Ltd

**Rationale:** An article that came last week in Livemint.com which read 'Tata Elxsi: defying gravity' said that since last two years Tata Elxsi has risen by as much as 10 times in value and reaching gravity-defying valuations of nearly 50 times trailing earnings. The dream run for Tata Elxsi Ltd continues and where most of the top companies by volume could not even get into green, Tata Elxsi Ltd saw a rise of 5.91% last week.

## Under Performers

**Stock:** HCL Technologies Ltd.

**Rationale:** HCL technology saw a dip of 4.06% from last week, market pressure can be cited as one of the reasons. As the deal with Manchester United has boosted its digital marketing we can expect a surge in its share prices in coming weeks.

## References

1. <http://www.livemint.com/Money/h7aUq4P1j9eoZDSdUj5YyM/Tata-Elxsi-defying-gravity.html>
2. <http://www.moneycontrol.com/stocks/marketstats/sector-scan/bse/today.html#>
3. <http://www.moneycontrol.com/india/stockmarket/pricechartquote/C>
4. <https://newtrade.sharekhan.com/>

**Sector: Oil and Gas**

**Analysts: Akshay, Atulya, Vaibhav**

## Developments

### Crude Oil Prices Decline, Could Hit \$20 a Barrel

According to a new Goldman Sachs report the current decline in crude oil prices may force prices to as low as \$20 per barrel due to excess supply in the market combined with lackluster demand due to a weak global economy.

### HPCL plans to raise \$250 MN

Hindustan Petroleum Corporation (HPCL) is reportedly planning to raise \$250 MN (about Rs 1,663 crores) through external commercial borrowing (ECB)

According to HPCL executive director for corporate finance, J Ramaswamy "We have already raised \$300 MN some time back through the ECB route for our capex plan which is pegged at Rs. 5,300 crore for the current year and Rs 45,000 crore through 2020".

### Bharat Petroleum to bag Maharatna Status in FY16

Falling of oil prices has significantly helped Bharat Petroleum in increasing its profitability, which led to Bharat Petroleum being recognized as a maharatna company by the end of this fiscal year. With good profits Bharat petroleum draws a five-year plan known as project "Sankalp" to double their investments to Rs 1 lakh crore.

## Market Performance



The sector performance improved this week with the S&P BSE OIL index closing 4% higher at 8628 as compared to the opening price of 8560. The increase was led by HPCL which ended the week with a 2.29% gain over its opening price.

## Top Performers

**Stock:** HPCL

**Rationale:** Hindustan Petroleum Corporation (HPCL) is reportedly planning to raise \$250 MN (about Rs 1,663 crores) through external commercial borrowing (ECB) to fund its long term capex requirements which are expected to reach Rs 45,000 crore till 2020.

## Under Performers

**All the other stocks that are part of the S&P BSE OIL index underperformed to a certain extent due to weak global sentiments.**

### References

1. <http://economictimes.indiatimes.com/industry/energy/oil-gas/bpcl-to-bag-maharatna-status-in-fy16/articleshow/48910074.cms>
2. <http://www.moneycontrol.com/indian-indices/s&p-bse-oil-and-gas-22.html>
3. <http://www.thenewamerican.com/tech/energy/item/21563-crude-oil-prices-resume-decline-could-hit-20-a-barrel>
4. [http://www.bseindia.com/sensexview/indexview\\_new.aspx?index\\_Code=37&iname=BSE30#](http://www.bseindia.com/sensexview/indexview_new.aspx?index_Code=37&iname=BSE30#)
5. [http://www.moneycontrol.com/news/business/hpcl-plans-to-raise-36250-millionforex-debt-soon\\_3036341.html](http://www.moneycontrol.com/news/business/hpcl-plans-to-raise-36250-millionforex-debt-soon_3036341.html)

**Sector : Retail and textile**

**Analysts: Ishu Agrawal, Aurosikha**

## Developments

### **Paytm to test its online wallet at offline stores**

Paytm is all set to test payment models to make its online wallets usable at offline stores. The company has started a pilot project with 'Pizza Hut'. According to this system the customer has to scan the QR code of the store, upload it and pay through Paytm wallet. Paytm wants to hail it as 'queue buster approach'. Company looks forward to positive results, after which it might extend this model to other brick and mortar stores, petrol pumps or even auto rickshaws. The model seems to provide solutions similar to that of Alibaba backed Alipay in China.

Paytm is a Noida based company backed by Alibaba which provides online wallets for easy transactions.

### **Diwali war- Online retail vs offline retail**

With Diwali nearing by, online and offline stores have begun to strategize their budget and offerings. Flipkart, Snapdeal and Amazon and other small startups are expected to burn 2000 crore compared to 1300 crores last year, during four months around Diwali. The approach is going to be more aggressive since the e-commerce faced slow down during April-June quarter. As the offline stores cannot compete with discounting strategies, they will be offering higher number of brands and will be improving upon the delivery experiences.

### **Patanjali Noodles**

Patanjali Ayurveda, founded by yoga guru, Baba Ramdev, is set to offer Patanjali Atta noodles. The advent of Patanjali Ayurveda all the way becomes more interesting after the recent disaster with Maggi noodles. The product is yet to hit shelves till it gets approval from FSSAI. But this might take time as FSSAI will be coming up with new regulations within 6 months.

Patanjali Ayurveda is an unlisted company, founded by Baba Ramdev and cofounded by Sri Balkrishna. The company has reportedly crossed 2500 crores as gross revenues. Patanjali Ayurveda spends nothing on advertisements compared to other FMCGs who spend almost 12-15% of their sales. The brand is promoted by its founder, Baba Ramdev. It will be interesting to see if company gets listed in the near future.

### **Arvind ties up with Sephora**

Arvind, integrated textiles and apparel firm has tied up with Sephora, a French brand owned by luxury conglomerate LVMH Moet Hennessey Louis Vuitton. The company will be managing its three offline stores at Delhi and one at Pune. The beauty care segment is worth 15000 crores in India, out of which premium segment is around 2500 crores expected to grow at compound rate of 25%.

## **Karnataka government to restructure its handlooms and textile department**

The state government will restructure its handlooms and textile department. It will also upgrade 145 skill development centers with hi-tech textile center and offer high quality skill development. For effective management new textile policy is being implemented. New posts are also being created and district offices are being opened. This will help the weavers to communicate with the government more easily. The government is hoping to create jobs for five lakh people over five years.

## **Market Performance**

The net profit of textile weaving companies has increased. 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 last week.

## **Stock Performance**

**Stock:** Cantabil retail

**Rationale:** It provides high end design and highest quality fabrics. It indulged into aggressive promotion in high end fashion shows recently with Lakme Fashion Week that took place recently.

## **References**

1. [http://www.business-standard.com/article/companies/patanjali-noodles-riding-on-ramdev-s-marketing-11509050022\\_1.html](http://www.business-standard.com/article/companies/patanjali-noodles-riding-on-ramdev-s-marketing-11509050022_1.html)
2. <http://www.thehindu.com/news/national/karnataka/handlooms-and-textile-dept-to-be-restructured/article7644059.ece>
3. [http://www.business-standard.com/article/pti-stories/arvind-enters-beauty-personal-care-biz-ties-up-with-sephora-115091100546\\_1.html](http://www.business-standard.com/article/pti-stories/arvind-enters-beauty-personal-care-biz-ties-up-with-sephora-115091100546_1.html)
4. [http://articles.economictimes.indiatimes.com/2015-09-05/news/66241320\\_1\\_pizza-hut-offline-alipay](http://articles.economictimes.indiatimes.com/2015-09-05/news/66241320_1_pizza-hut-offline-alipay)
4. [www.moneycontrol.com](http://www.moneycontrol.com)