BANKING, FINANCIAL SERVICES AND INSURANCE

RBI’s Financial Stability Report 2017

- Imminent transition to India AS will be challenging for Indian banks in terms of skills as well as the requirement of higher amount of provisioning.
- RBI tightened its disclosure and standard assets provisioning requirements, while adopting a more pro-active approach in resolution of stressed assets.
- The Reserve Bank also tightened its supervisory and enforcement frameworks by revising the prompt corrective action (PCA) framework and establishing an Enforcement Department.
- SEBI, along with the RBI, allowed derivative transactions in the International Financial Services Centres (IFSCs), while making the disclosure requirements for top listed entities more comprehensive. Investor protection measures were further enhanced by SEBI.
- One-time settlement of dues by defaulters may rise in the next few months as banks’ aggressive move to recover loans and the Reserve Bank of India’s push to make bankruptcy courts the central mechanism for recoveries could lead to some promoters losing their businesses. This would also ensure that banks don’t clog the bankruptcy courts with cases where the default amount is not high..
- The Reserve Bank of India has allowed non-banking finance companies to sell and market the new pension scheme (NPS). NBFCs with asset size of Rs 500 crore and above that have made a net profit in the previous financial year be permitted to sell NPS to their clients after registration with the pension regulator.
- Everstone Capital-backed Hinduja Leyland Finance is looking to raise Rs 150-200 crore of capital from existing shareholders in next three quarters.
• 6. Private sector Axis Bank has started offering loans to purchase super bikes of 500cc & above, making purchase of bikes such as Harley Davidson and Triumph easier. This reflects that leisure biking segment is gaining popularity in India leaps and bounds. It will offer 95% of bike cost including accessories.

• Private sector Yes Bank has received $ 150 million funding from the US government and Wells Fargo to increase lending to support women entrepreneurs and small and medium-sized enterprises in India. This is the third round of funding to the bank as part of arrangement with the Overseas Private Investment Corporation (OPIC) -the US government development finance institution and Wells Fargo. RBL Bank, Standard Chartered Bank, Yes BankBSE, Citibank and HSBC have emerged as the top five in terms of overall score.

• Banks for the first time have been made accountable for mis-selling third-party products like insurance policies or mutual fund schemes. Customers can also file complaints against banks for problems with mobile and digital banking services. The RBI on Friday said that it has widened the scope of its Banking Ombudsman Scheme 2006 to include deficiencies arising out of sale of third-party investment products by lenders.

CHEMICAL AND PAINT SECTOR

• The new GST tax rate on Paints is a no loss and no profit scenario for the paints industry as the existing rate is just above 28%. Though the GST rate is as 28%, the product has not been classified as a luxury good and thus no cess will be applied on the tax rate. The GST rate of Power coatings has been prescribed as 18%. Most of the paint companies have destocked their stock during the pre-GST implementation days to benefit from the upcoming change.

• GST council has decided 18% tax on pesticides

• Taxes on fertilizers are decided to put into 12% from pre- GST 5%. Though after discussion with farmers govt. to reverted the decision and to put in into 5% slab

• Berger paints is exploring opportunities to venture into areas relating home décor, construction, adhesive industry

• Berger paints has started marketing of Rock Paint’s automotive refinish paints

• The Sajjan Jindal family is investing Rs 1,000 crore to build two factories to foray into the paints segment and is targeting an April 2018 launch

• AkzoNobel has got CCI India approval to acquire industrial coating business of BASF SE
• Recently Tata chemicals has provided glimpse to future production of food supplements. Basically, Tata Chemicals is trying to develop food business around the theme of health. Tata Chemicals may exit fertilizers business with sale of Haldia unit to India born Indonesian billionaire Sri Prakash Lohia of Indorama Corporation. Tata Chemicals resumed operations at fertilizer plant (Haldia plant) in India, which was earlier ordered to be closed for a suspected failure regarding the prescribed norms for liquid affluent discharge.

• Aarti Industries ltd has entered a Rs 4,000 crore multi-year contract with a global agriculture company for supply of high value agro-chemical intermediary. The project will entail an investment of about Rs 400 crore. This news broke into the market on 15th June and immediately it has been factored in the next four trading session.

• Gujarat State Fertilizers and Chemicals (GSFC) has shut down its operations of its ammonia IV plant and urea II plant due to leakage of gas. The stock price has dropped by 1%.

• Board of Directors of the Kaveri Seeds Ltd has approved the buyback of equity shares through stock exchange window mechanism for an aggregate maximum amount of Rs. 200 Crores. The maximum number of equity Shares that is planned to be purchased back represents 4.29% of the total number of equity Shares of the total of the paid-up equity share capital of the Company, as at March 31, 2016.

• The revenue department has imposed antidumping duty on import of organic compound ‘Toluene di-isocyanate’ (TDI) -- used in furniture cushion and automobile seats -- from China, Japan and Korea. The duty is in the range of USD 0.14-0.40 per kg has been imposed for six months

• Reliance Industries Limited (RIL) has successfully commissioned the first phase of Para-xylene (PX) plant at Jamnagar, Gujarat. The plant with capacity of 2.2 MMTPA will double the output from current 2.0 MMTPA to 4.2 MMTPA. With this Reliance will be the world’s second largest PX producer with 9% of global PX capacity and 11% share of global production. PX is the building block for the entire polyester value chain, leading to improved margins and also strengthen its position in polyester industry globally.

CONSUMER DURABLE SECTOR

• Salora International will set up a manufacturing line at its existing factory for production of mobile phones. It has appointed Ashok K Kucheria as its new Chief Financial Officer. Salora International is a delhi based electronics firms whose products portfolio includes TV, smartphone, tablets, multimedia speakers, 3G data cards and melamine and glassware products.

• PG Electroplast, a plastic manufacturer expecting to grow at 25% in FY 2018. It will be focusing on two broad categories i.e. consumer durables and automotive segment. In consumer durables segment their client list includes LG electronics, Voltas, Midea,
• Shekhar Bajaj (CMD of Bajaj Electricals) expects higher growth in the July-September quarter due to rise in demand from rural areas. Consumer products segment hasn’t produced any significant numbers due to their unique distribution model based on theory of constraints concept, they are going increase their advertisement expense by 33% in accordance with their new distribution model. Mr. Bajaj expects his company to grow by 10% for the FY 2017-2018.

• V-Guard: Building wiring business is around 7,000 crores in India and 40% is unorganized. Unorganized manufacturers sell their products at a discount of 15-20% due to evasion of tax. With GST coming into place, V-Guard is in a better position to capture 40% market share.

• Hitachi will be focusing and technology and innovation to bring down their costs as they are facing severe competition from LG and Samsung. They will be focusing on building on value branding and will focus more on quality. Net profit margins increased by 60 basis points to 8.8%, now we need to see if their 1st quarter of FY 17-18 is still able to produce such numbers.

• Whirlpool plans to invest 200 crores in the next 3 years on technological innovations and to increase production capacity by introducing energy manufacturing processes. It has set a target to achieve 25% market share in water purifier, air purifier, dishwasher, washing machines, air conditioners and refrigerators with a revenue target of USD 1 billion.

TRANSPORT AND LOGISTICS

• Allcargo will be entering the last mile delivery space and as set a target of Rs 500 crores for FY2018 and Rs 1,500 revenues by FY 2020 for its domestic business. It is a global leader in the LCL (less than container load) and FCL (full container load) segment through its European arm ECU Worldwide. It will invest around Rs 1,000 crore to double its EXIM (export Import) warehousing/ CFS stations and logistics park capacity to 10 million sqft by FY 2020. 75% of Allcargo’s revenue come from internal operations.

• Allcargo has also acquired land for EXIM warehouses/ CFSes in Bengaluru (100 acre), Hyderabad (a 40-acre CFS will be ready soon), Chennai (54 acre) and Nagpur (60 acre) into which it will pump in around Rs 1,000 crore.

• TCI Express expects to grow by 18-20% in FY 2018 with surface express transport being their main driver. It provides express logistic solutions for B2B and B2C clients like Hero Motocorp, Maruti Suzuki, Dr Reddy’s, Cipla, BHEL, Cummins India, ITC, Pantaloon Ind., Bata, Flipkart and Snapdeal. B2B contributes 95% to their total business revenue.
BlueDart is upbeat after introduction of GST as 50% of its logistic sector was unorganized. It expects to pick up momentum after September, 2018.

Snowman Logistics expects to turn profitable in FY 2018. It will spend Rs 60cr on capacity expansion.

Aegis Logistics expects a jump in volumes due to the measures undertaken by building in a lot of debottlenecking and pipeline evacuation activities.

Tata Motors CEO Butschek wrote in a mail to employees directed them to step up the performance, as the company lost its market share to rivals Mahindra and Ashok Leyland in CV segment. Recent restructuring at Tata Motors focused on improving bottom line by rigorous cost reduction and sales enhancement. Currently Tata Motors plans to leverage on its superior range of new product.

Mahindra launched the Jeeto Minivan, a new passenger carrier developed on the mini truck platform. This minivan would be posed as a competitor to Ashok Leyland, Tata Motors and Eicher Polaris minivan truck segment.

Maruti Suzuki emerged as biggest player in the Sports Utility Vehicles segment by overthrowing Mahindra & Mahindra in the last quarter. Maruti’s market share increased to 30.5% from 22.26% year ago. At the same time Mahindra’s market share decreased to 27.92% from 31.62% last year.

Ford Motors, while it’s India operation is still under the radar, has posted a good number in terms of export number. In a commitment to building a sustainable, profitable business in India; Ford expects to export world class products. Ford exports rose to 54% to 48,971 units in from a year-ago period. Also to note, Ford India has now outpaced Hyundai in shipping out vehicles during the last quarter.

On account of ambiguity in GST, dealers across the nation stayed away from the buying stock. Which resulted in an sharp decline in the sales of automobiles. Though this is seen as one time instance and SIAM expects the growth to kick in on account of favorable macro conditions. New product launch and reduced taxes on vehicles would act as catalyst.

Maruti Suzuki, in a move to attract young buyers, it plans to revamp its sales outlets. This initiative came on backdrop of experience shared by Nexa a premium retail chain of Maruti customers.

Maruti plans to set up 300 of these outlets by...
• One billion tons of iron ore are headed towards China this year- This year China has surpassed its last year limit of imports. It may exceed 1 billion limit in 2017. Shipments in June were 94.7 million tons (MT), up from 91.5mt in May, according to customs data on Thursday. In the first six months, imports rose to 539mt, 9.3% higher than the same period in 2016. Last year, China only just beat the one billion ton-mark, importing 1.024 billion tons.

• JSW Steel to revise offer for Monnet Ispat- Billionaire Sajjan Jindal-led JSW Steel is keen on revising its bid for his brother-in-law Sandeep Jajodia-led Monnet Ispat and Energy, after the lead banker SBI opposed Mr. Jindal’s bid to buy the firm. In his statement, Mr. Jindal said that now all the stressed assets will have to go through NCLT according to RBI new process and he will follow the same procedure. He feels that all the Power assets are highly overpriced and he expects that banks should take haircuts to make these assets lucrative for buyers like him.

• Ensure power supply to utilize full potentials of steel industry- Experts believe that Bangladesh has huge growth potential in steel industry provided Chittagong Port’s handling capacity is enhanced as well as ample gas and electricity supply is ensured. Presently, Bangladesh has consumption capacity of around 7 million tonnes which can be expected to increase to 18 million tonnes per year by 2030.

• Tata Steel sells two mills to Liberty House Group- Tata Steel UK has signed a definitive sale agreement to sell two of its pipe mills in Hartlepool to Liberty House Group. The sale agreement covers the 42-inch and 84-inch pipe mills, also known as the Submerged Arc Weld (SAW) mills. These mills manufacture steel used in oil and gas pipelines and employ around 140 employees.

• Still Tata Steel will be the leading producer in this segment employing around 8500 employees which manufactures advanced products for sectors like manufacturing and construction.

• Tata Steel has invested more than £1.6 billion in its UK business since acquiring Corus in 2007, including £100m over the last year to enable advanced steel manufacturing in a number of UK sites.
• Essar Steel India’s Q1 flat steel output at 1.57 MT - It has recorded 29% increase in steel production in the first quarter of this fiscal. The steel output is 1.57 MT whereas it was 1.21 MT last year. Pellet production also grew by 36 per cent to 2.75 million ton as compared to 2.02 million ton in the same quarter of last year, it said.

• 6Net steel exports tumble to the lowest level in 12 months - The net steel exports has declined to 83 kilo ton, lowest levels in the last 12 months. Overall steel production grew by 5.3% YoY in June whereas carbon steel by 7.3% YoY in June but the growth in consumption in the quarter ending June 30 to 4.6%. With the appreciation of rupee, the main consumption can be expected in domestic market in the future

**INFORMATION TECHNOLOGY SECTOR**

**INFOSYS**

• Infosys Q1 results has been little higher than market expectations with Q1 revenues growing at 2.7% on a constant currency basis while TCS grew by 2%. Infosys net profit rose 1.4% to 3483 crores for the first quarter year on year, while revenues grew 1.8% to 17078 crores. Infosys claims the revenues of around 1 billion is from the latest technologies such as automation cloud computing and which was reflected in the market with the shares of the company raising by 2% in the morning trade. Profitability for the company was affected by the rupee’s 3.5% appreciation against dollar in the recent quarters. The impact of the wage hikes given to the employees during July and visa expenses has pulled down the profitability. Infosys had taken a write down of its startup investment (dream works animation) of around 71 crores. Revenue growth in each sectors :-

• Infosys showcases its indigenously developed driverless cart made by the engineering services division of the company in Mysore which concentrates on emerging technologies like artificial intelligence.

**TCS**

• TCS reported a 5.9 per cent decline in first-quarter profit at Rs 5,950 crore, from Rs 6,318 crore in the year-ago period, due to a stronger rupee and wage hikes. Revenue improved marginally to Rs 29,584 crore (Rs 29,305 crore in the year-ago quarter). The currency impact pulled down our rupee earnings, creating an impact of Rs 650 crores. Operating margin this quarter decreased by 23.4%.

• group named Regional Markets and others. This group contributes to 18% of the revenues. During the first quarter, TCS also reorganized its service lines, adding new ones such as Cognitive Business Operations and Digital Transformation Services.
• Cognitive Business Operations saw over 5 per cent quarter-on-quarter (Q-o-Q) growth. IoT-based services saw over 20 initial engagements, while Cybersecurity services saw double-digit Q-o-Q growth. Digital Interactive services saw multi-million dollar wins with two insurance clients and an energy client, it said.

• Revenue from the company’s largest line of business -- Banking, Financial Services and Insurance (BFSI) segment -- grew 2.3 % while revenue from the second largest segment, retail, showed a growth of 2 %. Europe was the most lucrative market for the company showing a 5.9% sequential growth, whereas the North America market, which contributes more than 50% revenue grew only at 1.7%.

• The current IT sector does not seem to be very conducive for investors and it would take some years for this industry to stabilize and thrive in new practices such as automation, cloud computing and IoT. The big players are not an attractive investment option while small or medium IT firms which have their core business in product development or artificial intelligence or any other niche area would be a conducive environment for investors.

PHARMACEUTICAL SECTOR

• Mylan N.V. and Biocon Ltd. announced that the U.S. Food and Drug Administration (FDA) Oncologic Drugs Advisory Committee (ODAC) recommended approval of the companies’ proposed biosimilar trastuzumab. The committee voted 16-0 in support of eligible indications of the reference product, Herceptin®, which includes HER2-positive for breast cancer in the metastatic and adjuvant settings.

• Two Manufacturing plans of Biocon received GMP compliance from French authority.

• Sanofi announced it will acquire Protein Sciences, a privately held vaccines biotechnology company based in Meriden, Connecticut in the United States.

• PCI Biotech, a cancer focused biopharmaceutical company, announced that they are extending the preclinical research collaboration with an undisclosed top-10 pharma company, which was initiated in September 2015.

• The government’s recent decision to ask doctors to prescribe a generic drug name could lead to a 5-10 percent drop in the value of the Indian pharmaceutical market (IPM) and corporate profitability, per ICRA.
- The US drug regulator Food and Drug Administration (FDA) has banned all drug imports from the Mumbai based mid-cap drug company Ipca Laboratories due to non-compliance in manufacturing standards.

- Drug major Sun Pharmaceutical Industries' wholly owned subsidiary has received nod from the US health regulator for its generic version of ezetimibe tablets used to reduce high cholesterol levels.

- The Ministry of Health has notified the Medical Devices Provisions, 2017, which will come into effect from January 2018. The government has also notified 15 devices, as the drugs automatically bring them under strict price control. In addition to catheters, stents and orthopedic implants, the list also includes heart valves, intraocular lenses, syringes, and needles.

### POWER AND OIL SECTOR

- Oil prices under pressure, as US oil output increases ($48.9). The United Arab Emirates plans to list part of its national oil company on public markets in order to create new revenue streams and gain access to new markets amid low oil prices.

- Cabinet approval regarding ONGC-HPCL merger is expected to come in within the next few weeks. ONGC will be holding HPCL. The holding company mechanism would mean HPCL will become a subsidiary of ONGC while retaining its identity.

- Venezuela has offered ONGC Videsh, subsidiary of ONGC increased stake in its oil field. Currently having 40% oil stake, it has been offered 9% stake. ONGC Videsh Ltd, the overseas arm of Oil and Natural Gas Corp (ONGC), has got a two-year extension to explore a Vietnamese oil block in South China Sea.

- Wind power solutions company Inox Wind is headed for insolvency after the National Company Law Tribunal's (NCLT) Chandigarh bench ordered the commencement of the process. This is because of wind power companies have to compete with lower tariff of solar companies.

- HPCL will invest Rs 61,000 crore over the next four years in expanding and upgrading its existing refining capacity, it is upgrading both its Mumbai and Visakh refineries to produce fuel meeting Euro-VI emission norms.

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- The Competition Commission is investigating GAIL for alleged abuse of dominant position regarding supply of natural gas.

- Half of 1,396-MW rooftop solar capacity added in FY17, estimation of total rooftop solar capacity of 13,200 MW by 2021.

- Government is working on a plan to build a natural gas trading hub that could aid better price discovery for domestic as well as imported gas, and could eventually become Asia's pricing hub competing with Singapore, Shanghai or Tokyo.
• State-owned Indian Oil Corporation (IOC) has inked a Rs 350 crore pact with the US-based LanzaTech to construct a bioethanol facility at Panipat Refinery. LanzaTech owns patented technology, which converts carbon-rich wastes and residues produced by industries such as steel manufacturing, oil refining and chemical production, as well as gases generated by gasification of forestry and agricultural residues, municipal waste into valuable fuel and chemical products through a process of gas fermentation.

• Hindustan Petroleum Corporation Limited (HPCL), through a maiden 10-year US dollar bonds issue, raised USD 500 million. As stated by the company, the purpose of the fund is to manage capital expenses for current and upcoming domestic projects. The 10-year benchmark has a semi-annual coupon of 4% per annum and a maturity date of 12 July 2027.

• Board of Approvals has deferred a decision on Adani power’s proposal to transfer its Mundra power plant to a new subsidiary till lenders give a

**CONSTRUCTION SECTOR**

• Unsold inventory in the real estate sector is piling up, slump is aided by scepticism over RERA and GST. This slump is despite the 20% price correction in the past 18 months. About 17,188 units were sold in the first half of 2017 compared with 23,092 units in the same period last year.

• Under the GST structure, buying under-construction properties will attract a net effective rate of 12% as against the earlier rate of around 4.5-9%, including value added tax-VAT and service tax that varies across states. However, due to the input credit benefits that most builders will get on the key raw materials they buy, the buyer could actually benefit in terms of lower prices.

• UltraTech Cement has completed the Rs. 16,189 crore acquisition of Jaiprakash Associates' six integrated cement plants and five grinding units, having a capacity of 21.2 million tonnes.

• The Blackstone Group Lp, the US-based global private equity firm, is in talks to acquire ILFS India Realty Fund I, a $525 million real estate fund owned by IL&FS Investment Managers Ltd (IIML), two persons aware of the development said. IIML is a unit of Infrastructure Leasing & Financial Services Ltd (IL&FS).

• GVK Power and Infrastructure Ltd has completed the sale of its residual stake of 10 per cent in Bangalore International Airport Ltd (BIAL) to Fairfax India Holdings Corporation for a consideration of Rs. 1,290 crore (about $200 million). The diversified GVK held these shares through its subsidiary, Bangalore Airport Infrastructure Developers Private Ltd.

• Edelweiss has come out with its first quarter (April-June) earnings estimates for the Cement sector. The brokerage house expects Ultratech to report net profit at 829.7 crore up 20.5% quarter-on-quarter. Net Sales are expected to increase by 1.6 percent Q-o-Q (up 7.5 percent Y-o-Y) to Rs. 6699.4 crore, according to Edelweiss. Earnings before interest, tax, depreciation and amortisation (EBITDA) are likely to rise by 21.3 percent Q-o-Q (up 9 percent Y-o-Y) to Rs 1550.4 crore.

• Shiva Cement breached upper circuit on BSE at Rs. 33.5 in intraday basis on Tuesday as JSW Cement has increased its stake in the company. The stock has traded on new 52-week high value at Rs. 33.50, with a spurt in volume of more than 4.02 times.

• NHAI's payment mobilization advances to developers will provide a fillip to the construction pace of hybrid annuity model (HAM) projects, rating agency India Rating (Ind-Ra) said nearly 60 per cent of the projects bid out till December 2016 have achieved financial closure.