What do the Institutions Say: Compilation of recent market research reports as on 26th July 2018

Dear All,

Please find below some of the recent informative research reports / articles on the market / economy as on 26th July 2018. Hope you find the same useful.

1. **India Strategy GST rates cut: Positive for consumption and domestic manufacturing - IDFC Securities**
2. **India Banking Sector : FY 18 Update - BCG**
3. **Beautiful India : Renewables Sector Outlook - CLSA**
4. **Moats in the Age of Disruptions - Baijnath Ramraika, CFA, Prashant K. Trivedi, CFA and Siddhi Gujar**

India Strategy GST rates cut: Positive for consumption and domestic manufacturing - IDFC Securities

Recently announced GST rate rationalizations (tax rate cuts across categories) bode well for domestic manufacturing (especially consumer goods), SMEs and rural/social sectors. We also expect a boost to consumption demand in the economy, propelled by a fall in prices across products. Key changes announced were a) a cut in consumption goods tax rate across products, b) cut in rurally/socially-focused services tax rate and c) ease in compliance procedure for small players. Consequently, we see further support for growth in consumer goods IIP series, which has been holding strong for last few months on receding consumption imports with domestic manufacturing fulfilling the demand (Exhibit 4, 5). Also on the expected lines, the GST Council has announced service tax exemption mostly in rural and social sectors, as this is a pre-election year.

This move further supports the two themes we have been highlighting: a) strength in domestic manufacturing and b) rural consumption (details in our note on "What's moving on the ground"). Consequently, we expect paint companies (Outperformer (OP) on Asian Paints and Kansai), P&G hygiene (Unrated), footwear manufacturers (OP on Khadim), Whirlpool (Unrated), Dixon (OP), Havells (OP), Voltas (OP) and select hotels to be key beneficiaries.

India Banking Sector : FY 18 Update - BCG

- Profitability takes a hit with increased provisioning for bad loans
- Inflation and capex have fallen, resulting in sub-par credit growth in recent years
- Sharp fall in deposits growth, credit growth reviving slowly
- NPA rise after recent tight prudential norms released by RBI
- Asset resolution under IBC – one successful resolution out of 12 from NCLT list- 1
- Valuation gap between private and PSU banks gets wider
- Outlook – market rates to head higher, slippages to decline, bond yields to remain sticky

Beautiful India : Renewables Sector Outlook - CLSA

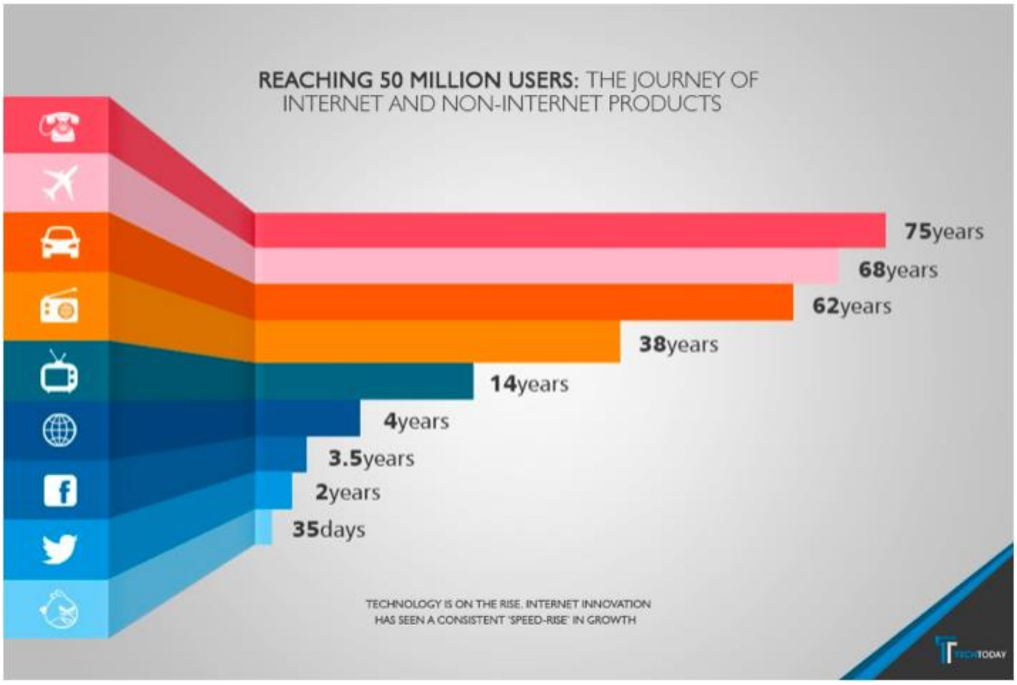
Wind tariff matches solar… Both competitive… Are wind bids profitable? As India de-carbonises its energy mix, the renewables market shall multiply and this will offer long-term annuities to investors. We are launching our renewables research with this first issue focused on the disruption in the wind power market and profitability of the new model. The disruption is led by a shift to tariff-based competitive bidding (TBCB) from feed-in-tariffs (FIT), which would not only make wind competitive vs solar, but also make its market sustainable at 4-5GW pa. Our deep-dive in profitability suggests select developers can earn 15-17% equity IRR on windy sites, lower capex, new model and technology but others may face low equity IRRs, with 33-56% fall in tariffs at the first auction.

Moats in the Age of Disruptions - Baijnath Ramraika, CFA, Prashant K. Trivedi, CFA and Siddhi Gujar

"When people say that an entrant is disruptive in an industry, what they really mean is that customers are adopting that new way. At Amazon, we've had a lot of inventions that we were very excited about, and customers didn't care at all. And believe me, those inventions were not disruptive in any way. The only thing that's disruptive is customer adoption. If you can invent a better way, and if customers agree that it's a better way, then they will use that."– Jeff Bezos, emphasis ours

We live in interesting times. There have been significant advances in automation, artificial intelligence and robotics. Experts are of the view that these advances have the potential to dramatically increase the velocity of change and that the rate of innovation has already increased substantially. As investors in high-quality businesses, we seek to invest in those that possess durable competitive advantages. Clearly, as these advances achieve their expected outcomes and the pace of innovation quickens, they will result in disruptions to many existing business models and give rise to a few new durable ones. However, as Bezos' quote highlights above, technologies and innovations are not disruptive on their own. Disruptions occur because of customer adoption. In that respect, potential disruptors are no different from any other business. They have to identify customer's pain points and offer a way of satisfying the customer's needs in a manner that appeals to the customer.

Smartphones, social media and the road to consumers - Proliferation of smartphones globally and the increasing use of social media platforms have resulted in new means of reaching consumers by bypassing traditional channels. The effect of these technologies has been to dramatically increase the rate of adoption. This in turn allows businesses to scale up relatively quickly, especially those that don't need large physical infrastructures to scale up. As is seen in Figure 1 , whereas it took nearly 75 years for the telephone to reach 50 million users and it took 14 years for the television to reach that milestone, it took all of 35 days for Angry Birds to reach 50 million users



REACHING 50 MILLION USERS: THE JOURNEY OF INTERNET AND NON-INTERNET PRODUCTS
75years
68years
62years
38years
14years
4years
3.5years
2years
35days
TECHNOLOGY IS ON THE RISE. INTERNET INNOVATION HAS SEEN A CONSISTENT 'SPEED-RISE' IN GROWTH