

Daily Economic News Summary: 21 September 2016

1. Will tyre stocks continue to enjoy the joy ride?

Source: **Live Mint** ([Link](#))

Tyre stocks are on a roll, clocking new highs almost every day. From three months ago, Apollo Tyres Ltd has gone up by 48.3%, MRF Ltd by 36.9%, Ceat Ltd by 35% and JK Tyre Industries Ltd topped the list, surging 70.5%. Investors were quick to take cognizance of the change in two key variables—sales volumes and rubber prices—that determine the fortunes of tyre firms. But will it stay this way?

Until a few weeks ago, the outlook for tyre firms for fiscal year 2017 was grim as analysts were cautious on auto sales on the one hand, and rubber prices had surged ahead on the other. Suddenly, the scenario reversed. With the June quarter came hope that auto sales could be better than expected from the festive season of FY17. A good monsoon would bump up rural demand and the increase in disposable income as a result of higher salaries from the Seventh Pay Commission will propel urban demand too. Better auto sales implies a better chance for tyre companies to pass on production cost increases, if any, to consumers, particularly in the replacement market. In any case, sales volumes and realisation had improved in the June quarter, though marginally. Fuelling this was the sharp 20% drop in rubber price (RSS-Grade 4) in the last six weeks putting the earlier five-month rally in reverse gear. The lower price of rubber, which accounts for two-thirds of the raw material cost in making a tyre, is a key variable that impacts profitability. The rubber price is now back to where it was about a year ago and with the tapping season ahead, the hope is that it will stay this way for some quarters. Also, low off take in China is likely to keep international rubber prices depressed for the medium term.

2. Pepperfry raises Rs210 crore in Series E funding

Source: **Live Mint** ([Link](#))

Online furniture marketplace Pepperfry (Trendsutra Platform Services Pvt. Ltd) has raised Rs.210 crore in a Series E funding round from existing investors Goldman Sachs, Bertelsmann India Investments, Norwest Venture Partners and Zodius Technology Fund, the company said in a statement on Wednesday. The company had raised \$100 million from these investors in June last year. So far, Pepperfry has raised about \$160 million, almost double of \$77 million that its nearest competitor Urban Ladder Home Décor Solutions Pvt. Ltd has raised so far from Sequoia Capital, SAIF Partners and Steadview Capital, among others. The fresh funds will be deployed to scale up Pepperfry's logistics network from the present 500 to more than 1,000 cities and open more experience centres, called Pepperfry Studios, in smaller towns and cities. The company claims to have 17 delivery centres and a fleet of over 400 vehicles.

3. Tata Sons, Singapore Airlines to invest Rs 250 cr more in Vistara

Source: **Live Mint** ([Link](#))

Tata Sons and Singapore Airlines have proposed to invest Rs 250 crore in Vistara, signalling a major expansion plan for the joint venture airline. The decision to invest this amount, by way of a rights issue, was approved by the airline's board earlier this month, according to Vistara's filing to the corporate affairs ministry. The investment commitment comes close on the heels of a Rs 150-crore equity infusion into the airline. The airline is preparing for international operations and is evaluating fleet growth and network options.

4. Engineers India extends gain on Rs 150 crore order win

Source: **Live Mint** ([Link](#))

Shares of Engineers India were trading higher by 6% to Rs 223, extending its 7% gain in past one week on the BSE, after the company bagged orders worth Rs 150 crore from clients in Middle East. The company's Abu Dhabi office has bagged orders worth Rs 150 crore in this fiscal so far from clients in the Middle East, Engineers India said in a BSE filing. These orders are from the oil and gas companies as well as EPC (engineering, procurement and construction) contractors for providing engineering services, it added. The stock opened at Rs 211 and hit a high of Rs 226 on the BSE. The trading volumes on the counter jumped by more than three-fold with a combined 2.06 million shares changed hands on the BSE and NSE till 1504 hours.

5. Airbus to increase India sourcing to \$2 billion by 2020

Source: **Business Standard** ([Link](#))

Bullish on India as a market place as well as a manufacturing hub, leading aircraft maker Airbus today said it has begun sourcing components for almost all its jets from the country and aims to take its cumulative sourcing from there to USD 2 billion in the next five years. Showering fulsome praise for the Modi government's Make in India campaign, Airbus said it's making large number of products in the country, either directly or through its supply partners, where collectively more than 5,000 people are employed.

"It's a great initiative and we are already pushing for it in a big way. We have done a lot of 'Make in India' of our own and we would do much more, going forward," the European giant's Managing Director for India Srinivasan Dwarkanath told PTI in an interview here at the Paris International Air Show.

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