



2 Stocks to Watch During Modi's Visit to Canada

Description

Indian Prime Minister Narendra Modi is in Canada this week and investors are watching carefully for signs of new deals to boost trade between the two nations. Some companies are already benefiting from his business-friendly mandate, while others are hoping for a chance to get into the Indian market.

Two stocks of interest are **Sun Life Financial Inc.** ([TSX:SLF](#))([NYSE:SLF](#)) and **Cameco Corporation** ([TSX:CCO](#))([NYSE:CCJ](#)).

Here's what investors need to know.

Sun Life Financial Inc.

In 1999 Sun Life formed a joint venture with Aditya V. Birla Group to create **Birla Sun Life**. Over the past 16 years the company has become the sixth-largest private insurance company in India and is well positioned to tap into the rapidly expanding market in the world's second-most populous country.

Development of the \$60 billion Indian insurance industry has been hindered by tight restrictions on foreign investment. International companies have had their stakes in local insurers capped at 26%, but the passing of an insurance bill on March 12 by the Indian parliament paves the way for companies to now own 49% of the partnerships.

The bill had been bouncing around parliament for seven years and its passing shows that Modi has the ability to work with the opposition-controlled upper house to push forward much-needed reform.

By increasing the foreign investment cap, the government expects that as much as \$2 billion in new investments could go into the insurance sector in the next 12 months.

How big is the opportunity?

India's life insurance penetration rate is about 3%. This compares to 10% for Japan and the global average of about 6.5%. India's current population is close to 1.25 billion.

Cameco Corporation

Canada's largest uranium producer is hoping to secure a long-term supply agreement with India. Considering the size of India's nuclear energy program, a deal could be a huge catalyst for Cameco's beleaguered stock.

Modi has publicly said that he would like to resume nuclear trade with Canada. The subject has been an ongoing sore spot between the two countries since the 1970s, when Canada banned uranium exports to India after the country developed a nuclear bomb using Canadian technology.

These days India is considered to be a responsible player in the global nuclear sphere and the opportunity to supply the country with uranium for its 20+ nuclear reactors is certainly appealing.

Cameco already has long-term deals in place with Chinese state-owned nuclear firms and a new agreement with India would give the company and investors another reliable income stream.

While one branch of the Canadian government might be helping Cameco get a deal with India, another part is threatening to nuke the company's balance sheet.

Cameco is sparring with the Canadian Revenue Agency (CRA) over some unfavourable tax assessments. The legal battle has been a big overhang on the stock and if Cameco loses the case, the company is looking at penalties of more than \$800 million. That could put the business in financial trouble. I suspect Cameco falls into the "too important to fail" category, but investors should keep the situation in mind when considering the stock. A settlement in the CRA battle isn't expected before 2017.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CCJ (Cameco Corporation)
2. TSX:CCO (Cameco Corporation)
3. TSX:SLF (Sun Life Financial Inc.)

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