



**Mr. Ashok Ajmera, CMD & CEO**

**Mr. Ajmera's column as on 16th April, 2016**

**Infosys to give major fillip to the markets – Sikka has put his stamp..**

**Auto, agro and fertilizer stocks surge during the week owing to expectations of above normal monsoons forecast and positive economic data..**

#### **Spotlight – Infosys Q4FY16 result**

Infosys, the bell wether IT Company has surprised the street with fantastic results and positive future guidance. Change in leadership has worked wonderfully for Infosys, which has yet again posted a good quarterly performance. The company appears to have returned to its earlier trend of 'promising less and delivering more'. This is the first time in at least two years that Infosys has beaten the upper end of its full-year revenue growth guidance. After raising its FY16 constant currency revenue growth guidance to 12.8-13.2 per cent in January this year (industry body Nasscom's was 12-14 per cent), Infosys has delivered a higher growth of 13.3 per cent in FY16. The outlook for FY17, too, is robust with Infosys guiding for an 11.5-13.5 per cent growth in constant currency revenue, above Nasscom's growth forecast of 10-11 per cent. The guidance, along with positive management commentary, indicates that Infosys is back to posting industry leading growth. Improved momentum in large deal wins and higher total contract value are the key reasons behind the strong revenue traction.

For the March 2016 quarter, Infosys registered 1.9 per cent constant currency revenue growth driven by a healthy 2.4 per cent sequential increase in volume. Lower realisations (down 0.9 per cent sequentially) pulled down revenue growth a bit, but it indicates Infosys is not losing out on incremental growth to protect its margins.

Infosys' operating margin expanded 60 basis points sequentially to 25.5 per cent aided by a weaker rupee, higher employee utilisation and lower sub-contracting costs. Going forward as well, the company maintained its margin guidance of 24-26 per cent in the medium



term. While the firm is progressing well on its automation plans, automation has to scale up meaningfully and is vital in achieving the operating margin guidance of 30 per cent by FY20.

In rupee terms, Infosys' revenues grew 4.1 per cent sequentially to Rs 16,550 crore, a tad ahead of Bloomberg consensus estimate of Rs 16,482 crore. Net profit grew 3.8 per cent to Rs 3,597 crore, ahead of Bloomberg estimate of Rs 3,521 crore. The bottom line performance would have been better but for the lower other income and higher tax rate.

### **Domestic bourses performance**

Benchmark indices posted stupendous gains in a holiday-shortened week with a rise of around 4 per cent (in three trading sessions) supported by above normal monsoon forecast and favourable macroeconomic data.

Strength among the global peers amid rally in commodity and crude oil prices on reports of an Russia-Saudi Arabia agreement to freeze output further cheered investors' sentiment.

In the truncated trading week to April 13, the 30-share Sensex ended up 953 points or 3.86 per cent at 25,627 and the 50-share Nifty50 ended up 295 points or 3.9 per cent at 7,850.

Among broader market, the BSE Mid-cap Index gained 3 per cent, while the Small-cap Index surged 2.6 per cent, underperforming the benchmark indices.

Meanwhile, foreign investors were net buyers in equities to the tune of Rs 1,059 crore during the week, as per provisional stock exchange data.

### **Key stocks**

Auto stocks accelerated during the week with the Nifty Auto index touching over four month high after "above average" monsoon forecast by the Indian Metrological Department (IMD) raised expectations of higher demand going forward.

Tata Motors was the top gainer of the week ending around 10 per cent higher on robust JLR sales. JLR's volumes grew 29 per cent year-on-year, with China sales up 43 per cent (about half came from the China joint venture).

Maruti Suzuki surged around 9 per cent on renewed buying interest after the sharp correction last week on concerns that the rising yen would hurt margins.

Hero MotoCorp was up almost 8 per cent. The two-wheeler major has submitted plans to begin production at its proposed plant in Chittoor district in the state of Andhra Pradesh.

BSE Bankex surged almost 5 per cent during the week after IIP growth of 2 per cent in February 2016 raised expectations of pick-up in credit growth going forward.

ICICI Bank, Axis Bank, SBI, Bank of Baroda and PNB spurted between 4 per cent-9 per cent.

Axis Bank reduced the base rate by 5 basis points to 9.45 per cent from 9.50 per cent effective April 18. Axis Bank gained over 4.5 per cent.



From the IT space, Infosys rose marginally ahead of Q4 March 2016 result on Friday. Wipro gained around 7 per cent after India's third largest software exporter announced that it will consider a proposal to buy back shares of the company on April 20.

Tata Steel inched up 3 per cent. Liberty House Group expects Tata Steel to set an end of May bid deadline for the sale of its UK steel assets and said his firm wouldn't need financial backers to make an offer.

Bharti Airtel increased over 5 per cent after the company announced that it would pay Rs 3500 crore to acquire rights to use 4G spectrum of Aircel in eight telecom circles.

Coal India slipped by over 1 per cent after its board of directors accorded its approval for giving up performance incentive for supply of higher grades of coal in the model fuel supply agreement for power and non-power sector with immediate effect with a view to improve lifting of coal.

### **Week ahead and Ajcon's view**

Markets are slated to open on a positive note. Investments by FIIs, trend in global markets will be the key driver of the market in the truncated week ahead. The markets will remain closed on Tuesday on account of Mahavir Jayanti.

IT major Infosys will be in spotlight on Monday as the company delivered Q4 March 2016 results above street expectations on Friday, April 15.

TCS is scheduled to announce its fourth quarter earnings results on Monday. Among the major companies, Wipro, HDFC Bank and IndusInd Bank will unveil their Q4 numbers next week.

Among macro economic data, the wholesale price index (WPI) for the month of March is scheduled to be released by the government on Monday.

On the global front, the European Central Bank's (ECB) monetary policy statement is scheduled to release on Thursday.

RBI Governor Rajan's assurance of further rate cut if monsoons are good has also sent positive waves in the market.

We expect the market to perform reasonably well in the coming weeks and take cue from Q4FY16 and FY16 numbers and especially management commentary after the results.

### **CA Ashok Ajmera**



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