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Market wrap

July 10, 2018

TCS Q1FY19 result above expectations; global markets end higher..

Benchmark indices ended at over a 5-month high on Tuesday led by index heavyweights such as Reliance Industries (RIL) and Coal India, with investor focus now on corporate earnings, starting with Tata Consultancy Services (TCS) later in the day. The S&P BSE Sensex ended at 36,240, up 305 points while the broader Nifty50 index settled at 10,947, up 94 points.

Among sectoral indices, the Nifty Metal index is also trading 1.6% higher led by Jindal Stainless (Hisar) and Hindalco Industries. Meanwhile, Nifty Realty index gained over 1.8% led by Unitech and DLF.

On BSE, the market heavyweight Reliance Industries (RIL) along with Coal India and Wipro are top gainers among individual stocks.

Equity mutual funds saw inflow of nearly Rs 330 billion in the first quarter of the current fiscal, a surge of 15 per cent year-on-year, underpinned by strong participation from retail investors, especially in small towns. In comparison, equity funds, which also include equity-linked saving schemes (ELSS) and arbitrage funds, saw net inflow of Rs 283.32 billion in the April-June period of last financial year, according to Association of Mutual Funds in India (Amfi)

Sectors and stocks

Tata Consultancy Services (TCS) reported a 23.5 per cent rise year-on-year in its consolidated net profit at Rs 73.62 billion for the first quarter FY18 ending June 2018. Total revenues of the firm increased 15.8 per cent to Rs 342.61 billion in Q1 of FY18 against the same period of previous fiscal. Revenues grew 6.8 per cent sequentially. Operating margin of the IT firm remained healthy at 25.04 per cent during this quarter. The all-round performance of the TCS was supplemented by sound growth reported by the BFSI (banking, financial services and insurance) vertical which rose 4.1 per cent on year-on-year basis. It's digital revenue constituted 25 per cent of the total revenue, which was higher 44.8 per cent over the same period of previous fiscal, and showed three consecutive quarters of growth in upward of 35 per cent. "We are starting the new fiscal year on a strong note, with the growth engine firing on all cylinders. Our banking vertical recovered very nicely this quarter, while other industry verticals maintained their momentum. With a good set of wins during the quarter, a robust deal pipeline and accelerating digital demand, we are positioned well for the future," said Rajesh Gopinathan, CEO and MD of TCS said. "Customers across verticals and markets are embracing our Business 4.0 thought leadership framework and accelerating their digital transformation journeys," he added. The company added two clients in the \$100 million plus revenue category which took the total number of clients in this bracket to 40 as against 38 in the previous quarter.

IndusInd Bank posted a 23.8 per cent rise in its net profit at Rs 10.35 billion for the quarter ended June 2018. Total income during the quarter rose to Rs 63.69 billion, up by 20 per cent as against Rs 53 billion in the same quarter of last year. Net interest income was Rs 21.2 billion in June quarter, up by 20 per cent from Rs 17.74 billion earned in the same period a year ago. Net interest margin fell to 3.92 per cent in June, from 3.97 in previous March quarter. The bank has a NIM outlook of 3.9 – 4 per cent for the year. Other income rose to Rs 13 billion for the quarter under review, from Rs 11.67 billion in the corresponding period a year ago. However, there was a slight deterioration in bank's asset quality with the gross non-performing assets(NPA), as a per cent of the gross advances, standing at 1.15 per cent as on June 2018, as against 1.09 per cent a year earlier.



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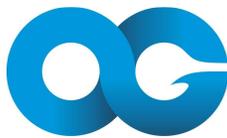
However, it was an improvement over the previous quarter's gross NPA ratio of 1.17. CASA ratio improved to 43.42 per cent against 37.78 per cent in June 30, 2017. Total Advances as on June 2018 grew 29 per cent to Rs. 1.506 trillion while total deposits grew by 19 per cent to Rs 1.588 trillion over year-ago quarter. The bank has no plans to raise capital in the near future and placed a timeline of three months for merger with Bharat Financial.

Global markets

World shares hovered near three-week highs on Tuesday, supported by optimism about US company earnings and expectations that global economic growth can withstand trade tensions, although political bickering kept British markets on the backfoot.

European shares also rose, with a pan-European equity index up 0.2 percent after touching a two-week high on Monday, while MSCI's all-country equity index touched a three-week high before easing back as Chinese shares fell into the red at the close of trading.

Oil prices rose on Tuesday escalating concerns about potential supply shortages, with Brent crude leading the way as oil workers in Norway are set to strike later in the day after failed wage talks. That potentially adds to disruptions in other oil producing regions amid tensions in the Middle East.



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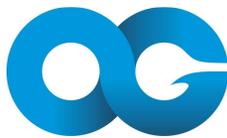
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For research related queries contact:

Mr. Akash Jain – Vice President (Research) at, 022-67160431 (D)

CIN: L74140MH1986PLC041941

SEBI registration Number: INH000001170 as per SEBI (Research Analysts) Regulations, 2014.

Website: www.ajcononline.com

Corporate and Broking Division

408 - (4th Floor), Express Zone, "A" Wing, Cello – Sonal Realty, Near Oberoi Mall and Patel's, Western Express Highway, Goregaon (East), Mumbai – 400063. Tel: 91-22-67160400, Fax: 022-28722062

Registered Office:

101, Samarth, Off. Hinduja Hospital, 151 Lt. P.N. Kotnis Road, Mahim (West), Mumbai – 400016. Tel: 022-24460335/36/40