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**Market wrap**

**April 13, 2018**

**Longest winning streak witnessed in domestic bourses since Nov. 2017; Infosys cc and dollar guidance in line with our expectations..**

Benchmark indices rose for a seventh straight session on Friday, their longest winning streak since November 2017, on the back of gains in index heavyweights such as Reliance Industries and ICICI Bank.

Sentiment was also upbeat after retail inflation eased to a five-month low in March, but remained above the central bank's medium-term target, supporting views that monetary policy is likely to remain unchanged at the next review in early June.

Investors now await Q4FY18 results for future direction.

**Sectors and stocks**

*Infosys Q4FY18 result highlights:*

FY18 revenues registered a growth of 7.2 percent in USD terms, 5.8 percent in constant currency terms, with operating margins at 24.3 percent, which was in line with our expectations.

However, to our disappointment, the Company witnessed a QoQ fall in Net Profit of 28 percent to Rs 3,690 crore in the Q4FY18 which was below our expectations. The Company's management expects full year constant currency revenue guidance at 6-8 percent and dollar revenue at 7-9 percent, which is in line with estimates. However, it revised the EBIT margin guidance downwards to 22-24 percent from 23-25 percent. This will include the impact from revised compensation for FY19. The sequential drop in fourth quarter profit was also because Q3 FY18 included positive impact of USD 225 million on account of conclusion of an APA with the US IRS.

The company specified its capital allocation policy. The Board has identified an amount of upto Rs 13,000 crores (USD 2 billion) to be paid to shareholders in the following manner;

- a) A special dividend of Rs 10 per share (USD 0.15 per ADR) resulting in a payout of approximately Rs 2,600 crore (approximately USD 400 million) in June 2018. b) Identified an amount of upto approximately Rs 10,400 crore (approximately USD 1,600 million) to be paid out to shareholders for FY19.

The company has put up its subsidiaries Skava and Panaya for sale after the strategic review of its portfolio of businesses. "In the quarter ended March 2018, the company initiated identification and evaluation of potential buyers for its subsidiaries, Kallidus and Skava (together referred to as Skava) and Panaya. The company anticipates completion of the sale by March 2019 and accordingly, assets amounting to Rs 2,060 crore (USD 316 million) and liabilities amounting to Rs 324 crore (USD 50 million) in respect of the disposal group have been reclassified and presented as "held for sale"," Infosys said. On reclassification, the company has recognised an impairment loss of Rs 118 crore (USD 18 million) in respect of Panaya in the consolidated profit and loss for the quarter and year ended March 2018. The corresponding write down in the investment value of Panaya in the standalone financial statements is Rs 589 crore (USD 90 million), it added. The company also entered into a definitive agreement to acquire WongDoody Holding Company, Inc., a US-based digital creative and consumer insights agency "I am pleased with our healthy revenue growth, profitability, and cash generation in Q4. Our robust performance is a reflection of the strong impact we have with our clients and the dedication of our employees," said Salil Parekh, CEO. Please note, Company's ex CEO Sikka stepped down in August last year amidst Company's founders started questioning corporate governance practices under its first non-co-founder CEO Vishal Sikka. As a result, Salil Parekh veteran of French IT company Capgemini was appointed as its new CEO.

*Ultratech – Binani tussle*

In a setback for Ultratech, the Supreme Court on Friday refused to allow out-of-court settlement for Binani Cement bankruptcy case. UltraTech Cement had informed the stock exchanges that it had obtained the Competition Commission of



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India's (CCI) approval for its bid for the under-debt company and the company claimed the CCI clearance validates its contention that "they were wrongly and unjustifiably rated H2 instead of H1". Rejecting this, Dalmia Cement (Bharat) Limited's Group CEO Mahendra Singhi had claimed: "The reasons cited by the unsuccessful bidder for its failed bid, in stock exchange filings and press interviews, are misleading. We have made the highest financial bid and had also obtained the highest score in the evaluation." Binani Industries, the parent company of insolvent Binani Cement, had earlier informed the National Company Law Tribunal's Kolkata bench that it has moved the Supreme Court for termination of insolvency proceedings against its cement manufacturing subsidiary. The company said it had filed the application in the apex court for setting aside the April 5 order of the National Company Law Appellate Tribunal (NCLAT), which observed that "pendency of the appeal will not come in the way of the Adjudicating Authority to proceed with the Corporate Insolvency Resolution Process in accordance with provision of I&B (Insolvency and Bankruptcy) Code, 2016". "We have pleaded before the Supreme Court for setting aside the NCLAT order. The apex court will hear the case on April 13," counsel representing Binani Industries said. He said: "Binani Industries will also urge the Supreme Court for the termination of the insolvency proceedings against its subsidiary." The company had submitted an application to the tribunal to seek termination of insolvency proceedings against its cement manufacturing subsidiary and its counsel had said it could pay all its creditors. The move came after it concluded a commercial understanding with UltraTech Cement to sell its entire 98.43 per cent stake in the subsidiary at a consideration of Rs 72.66 billion. Later, the offer was reportedly revised upwards. "We are offering Rs 11 billion more to the creditors than that of Dalmia Bharat in the out-of-tribunal settlement. The company is willing to settle with everyone with 120 per cent payment," the company's counsel said in his submission before the tribunal.

### *Mishra Dhatu Nigam*

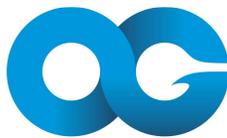
Mishra Dhatu Nigam (MIDHANI) has surged 15% to Rs 107 on the BSE, on back of heavy volumes. The stock was trading at its highest level since listing on April 4, 2018. The state-owned iron & steel products company had made a weak debut by listing at Rs 87, a 3.3% lower against issue price of Rs 90 on the NSE and the BSE. A discount of Rs 3- on the offer price was offered to retail individual bidders and to eligible employees bidding in the employee reservation portion. MIDHANI had raised Rs 4,384 million through initial public offer (IPO). The issue managed to subscribe 1.21 times, mainly on account of the decent response from the qualified institutional buyers (QIBs). The QIB category of the IPO was subscribed 1.95 times, while retail individual investors (RIIs) category was subscribed 0.72 times and of non institutional investor's category by merely 0.12 times. MIDHANI, a Mini Ratna, Category-I status company - is one of the leading manufacturers of special steels, superalloys and only manufacturer of titanium alloys in India. These are high value products which cater to niche end user segments such as defence, space and power. The Company enjoys monopoly position in some of its products, is virtually debt free and witnessed healthy financial performance. MIDHANI has not reported a decline in the revenue in the last 14 years. However, due to the shutdown of one of its hot press (to carry out repair & modernization works), this year (i.e. FY18) it is likely to report a drop in the business. According to Frost & Sullivan analysis, the domestic demand of high value specialty steel, superalloys and titanium alloy has grown at a steady rate of around 5.8% over 2011-16. Aerospace and defence sector were the key demand driver and contributed around 70% of the overall demand in 2016. Going forward, with initiative like Make in India and investment in the defence, space and aviation sector, the demand of these products would increase by 6.5% during 2016-21.

### **Agriculture related stocks**

Shares of agriculture-related stocks were in focus with Chambal Fertilisers & Chemicals, Escorts and Shakti Pumps (India) hitting their respective 52-week highs on expectations of a government thrust to drive sector. Madras Fertilizers, Fertilizers & Chemicals Travancore (FACT), Rashtriya Chemicals & Fertilisers (RCF), Chambal Fertilisers & Chemicals and Deepak Fertilisers & Petrochemicals from fertilizers, Shakti Pumps (India) and Roto Pumps from pumps manufacturer and Escorts from the tractors were up in the range of 3% to 8% on the BSE. Meanwhile, early predictions by various weather forecasting agencies indicate normal Southwest monsoon this year. Skymet expects monsoon this year to be 100% of the long period average (LPA) with a model error of +/- 5%. The agency also expects that there is no possibility of a nationwide drought or deficient rainfall. Q4FY18 is generally a seasonally weak quarter for the domestic Agrochemicals players. The inventories are on the lower side, as the companies stayed away from channel filling in March'18. This is expected to result in better volume growth in FY19 due to lower channel inventories and prediction of normal monsoon this year.

### **Global Markets**

Meanwhile, Global stocks recovered to three-week highs on Friday as anticipated strong earnings season took centre stage after US President Donald Trump backtracked on his suggestion of an imminent missile attack on Syria.



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Trump said in a tweet on Thursday that a possible attack on Syria could occur "very soon or not so soon at all," easing fears of confrontation with Russia.

MSCI's broadest index of Asia-Pacific shares outside Japan ticked up 0.1 per cent while Japan's Nikkei gained 0.8 per cent.



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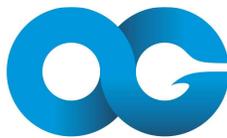
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