

## Flash Notes 16/04/2019

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### Indian shares hit record highs. What's next?

- Indian shares extended gains to record highs on Tuesday, with Sensex up more than 1% to 39.329, and posting a +11.25% gain in two months.
- The rally has been led by index heavyweights such as ICICI Bank and Reliance Industries Ltd, while small and mid-caps still showing a more moderate performance, which is an indication that foreign institutional investors are driving the market higher.
- Investors are optimistic as the earnings season got off to a good start. What follows is a brief summary of the published results of Q1 (EPS growth of companies in the Sensex index)
  - Delta Corp: +12.8% yoy, (surprise +2.2%)
  - Infosys Ltd: +10.3% yoy, (surprise +2.4%)
  - Tata Consultancy: +20% yoy, (surprise +1.8%)
- Talks are that average monsoon rains this year would help to reduce bad loan levels at banks, and improve GDP.
- Outlook:
  - We maintain a constructive outlook for this market, especially for small and medium companies (which is why we prefer instruments exposed to the MSCI India, before the Sensex blue chip Index)
  - We keep unchanged our Central target price, within our fundamental range, for the Sensex Index at 40.850 (+4% from current levels), based on sales per share growth at 10.1%, margins at 10.9%, EPS growth at 16.6%, and our Dec PE ltm multiple projected at 20x
  - We keep unchanged our 2019 Exit point for the Sensex Index at 42.885 (+9% from current levels)