

Trump Fire Singes Funds, IT Holdings Lose ₹1k cr in a Day

IT cos face big hit, but some fund managers believe their excellent balance sheets could limit the downside

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Mumbai: The sharp sell-off in technology shares on Tuesday eroded a little over Rs 1,000 crore of mutual fund holdings in these companies. The Nifty information technology (IT) index, which comprises top-10 stocks in the sector, declined 3.2% on Tuesday after the US moved to tighten work-visa rules in the country.

Mutual funds' portfolio value in top-five technology companies is Rs 36,000 crore. TCS fell 4.3%, HCL Technologies dropped 4.2%, Tech Mahindra declined 3.7%, Infosys fell 2.1% and Wipro weakened 1.1%.

Infosys is among the top holdings of large equity mutual funds, such as HDFC Equity, Birla Sun Life Frontline Equity, ICICI Prudential Focused Bluechip Fund and HDFC Top 200.

The H-1B reform bill introduced in the US House of Representatives called for doubling the minimum



salary of H-1B visa holders from \$60,000 to \$130,000. If implemented, the rule will add to the woes of technology companies, already reeling from the impact of global uncertainty.

“Along with already-slowing business growth and pricing pressures that Indian companies have been facing, this is an added negative,” says Harsha Upadhyaya, Chief Investment Officer (Equity), Kotak Mutual Fund.

These stocks have been underperformers over the past year with the Nifty IT index losing 12.16% as against the 13% rise in the Nifty during the same period. Analysts believe the earnings of IT stocks could be impacted negatively by as

much as 5-15%.

“If the bill becomes a law, most IT companies could see a 200-400 basis points drop in their margins. For example, Wipro would see its wage bill increase by as much as 80%, the highest among all IT companies,” says Ashish Maurya, analyst at Cholamandalam Investment and Finance Company.

However, some fund managers say the downside from current levels is limited given the strong balance sheets of IT companies. “Downside is capped for frontline IT companies, as they are cash rich. They have high return on equity and could even go for a buyback,” said Akash Singhania, Deputy CIO, DHFL Pramerica Mutual Fund.