

Broker's Call

RELIANCE SECURITIES

Infosys (Buy)

CMP: ₹922.40

Target: ₹1,040

Infosys has delivered a below-par sequential performance in 4QFY17, with both revenue and margins missing our estimates by 1 per cent and 46 bps, respectively. Dollar revenue rose by 0.7 per cent q-o-q with flat revenue in CC terms, which reflects pressure in Retail (-2.7 per cent q-o-q) and Healthcare (-12.4 per cent q-o-q) verticals. Rather disappointingly, CC revenue growth guidance of 6.5-8.5 per cent for FY18E also missed our expectations of 7-9 per cent. Infosys has guided for 6.1-8.1 per cent growth in dollar revenue, which would mark the fourth successive year of single digit growth.

At current levels, valuations appear to be reasonably inexpensive (14.7x/13.3x FY18E/FY19E EPS). Though the near-term outlook seems to be subdued on the back of a challenging macroeconomic environment and industry-specific headwinds, we believe that decent deal wins (\$806 million versus \$664 million in 3QFY17), potential improvement in the US economy, a stronger 2HFY18E and return of cash to shareholders are factors that would deter any major stock price correction.

Business Line is not responsible for the recommendations sourced from third party brokerages. Reports may be sent to: blmarketwatch@gmail.com

Calendar

APRIL 19

IndusInd Bank Limited: Results/Dividend
Jay Bharat Maruti Limited: Results/Dividend
Mold-Tek Technologies Limited: Dividend
Network18 Media & Investments Limited: Results
R. S. Software (India) Limited: Results/Dividend
Sasken Technologies Limited: Results/Dividend
TV18 Broadcast Limited: Results