

Brokerages see better quarter for Infy

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Infosys is set to announce its fourth-quarter (Q4) numbers on April 13. On a year-to-date (YTD) basis, the stock rallied about 10 per cent and outperformed the Nifty IT index which gained 9 per cent during this period. By comparison, the Nifty50 index slipped about 2 per cent YTD.

Analysts expect IT firms to report an improved earnings before interest and taxes (Ebit) margins, aided by currency, operational efficiency and automation. Key monitorables for the Street include FY19E revenue guidance and outlook, along with sustainable margin trends. For Infosys, analysts are also keeping a tab on the strategy road map by the new CEO Salil Parekh.

"Deal flows and progress on rising deal sizes of new digital deals are also critical data points to watch. Vertically, the key BFSI (banking, financial services and insurance) and retail verticals will be watched. The increasing role of automation and other margin levers are other critical factors," said Harit Shah, senior analyst (IT), Reliance Securities.

Here is what the leading brokerages and research houses expect from Infosys:

Nomura

Expect constant currency (CC) growth in revenue of 1 per cent quarter-on-quarter (q-o-q).

Q4 PROFIT MAY BE AFFECTED: WIPRO

IT major Wipro on Monday said its profitability might be affected by 65-75 basis points in the March quarter as one of its telecom clients is undergoing insolvency proceedings.

Without naming the client, Wipro said it had signed a multi-year outsourcing services agreement with a telecom services provider in India in 2008, which was subsequently renewed in the year 2013.

Telecom operator Aircel on February 28 had said it has filed for bankruptcy as it had been facing "troubled times" in "highly financially stressed" industry.

Infosys is slated to announce its results on April 25. **PTI**

Likely FY19E guidance of 5.5-7.5 per cent year-on-year (y-o-y) in CC terms, and retention of Ebit margin guidance of 23-25 per cent. Outlining of strategy under the new CEO. Outlook on BFSI where it is positive and trends in retail/manufacturing/telecom segments along with the wage hike cycle.

Edelweiss Research

Revenues expected to grow 1.4 per cent q-o-q in CC terms, aided 100 basis points (bps) by currency movement (dollar growth 2.4 per cent q-o-q). Earnings before interest, tax, depreciation and amortisation

(Ebitda) margin expected to rise 30 bps q-o-q due to absence of wage hikes and operational efficiencies negating marginal impacts of ramping the US workforce and rupee appreciation. Guidance for FY19, CEO's strategy and deal wins will be key.

Motilal Oswal Research

We expect Ebitda margin to expand by 20 bps q-o-q to 24.5 per cent. Execution on profitability has been above expectations over the past few quarters, driven by higher utilisation. But the improvement is expected to slow down.

Full year Ebit margin is expected to be at 24.3 per cent, above the midpoint of the profitability guidance range of 23-25 per cent. Our profit after tax estimate is ₹38.1 billion (up 3 per cent q-o-q), adjusted for the \$225 million exceptional reversal of income-tax expense provision in the previous quarter.

Kotak Institutional Equities

We expect Infosys to guide for CC revenue growth of 6-8 per cent and maintain Ebit margin guidance band of 23-25 per cent for FY19. Expect investor's focus on strategy of the new CEO, especially on the following fronts (1) Focus on development/promotion of proprietary software versus adoption of third-party products/platforms, (2) M&A strategy and (3) Focus and strategy for revival of consulting practice.