

THE HINDU Business Line

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Broker's Call

RELIANCE SECURITIES

Infosys (Buy)

CMP: ₹1,122.9

Target: ₹1,240

Infosys' dollar revenue rose by 1 per cent q-o-q in 3QFY18; a positive factor was growth in Insurance (+7.3 per cent q-o-q), Retail & CPG (+3.2 per cent), Transport & Logistics (+6 per cent) and Energy & Utilities (+6.5 per cent). The IT major reported a 10 bps q-o-q EBIT margin expansion, led by all-time high utilisation and operational efficiency. Management alluded to an improvement in IT spending environment in CY18, with IT budgets in the key BFSI (banking, financial services and insurance) vertical likely to improve following rise in discretionary spend, while in Retail and CPG vertical, new opportunity conversions have been strong particularly in CPG. A major positive factor was the impressive rise in clients across buckets from \$1-100 million, which suggests steady improvement in revenue visibility. A new CEO at the helm, positive IT budget outlook, potential improvement in the US economy, share buyback and higher amount of cash return to shareholders provide cushion to the stock price, in our view.

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