

Infosys (INFO) - BUY

Result Update

Current Market Price (CMP)

Rs.1241

Fair Value (FV)

Rs.1440

Rationale:

- Infosys' Q4 results, though within the guidance band, missed our estimates.
- Guidance of 1.5-3.5% embeds client-specific headwinds; H1 stronger than H2FY27.
- The stock trades at ~6% FCF yield and a 5.3% payout yield.
- It is inexpensive, which is the primary reason for our BUY rating.
- We cut multiple by one notch, leading to a revised Fair Value of Rs1,440, based on 17x FY28E EPS. BUY

👍 Positives:

- Adjusted net profit grew 1.3% qoq and 9.9% yoy, was 3.6% ahead of our estimate.
- The large-deal TCV of US\$320 cr was better than expected, up 23% yoy.
- BFSI: Growth was led by the ramp-up of large deals and continued AI-led initiatives. The industry outlook remains positive.
- Revenue performance was led by others, hi-tech and telecom verticals.
- Number of \$10 cr increased by 2 yoy to 41 while number of \$5 cr clients increased by 3 yoy to 88.

👎 Negatives:

- Infosys reported a 1.3% sequential revenue decline (Kotak: -1.0%).
- EBIT margin of 20.9% missed our estimate by 40 bps.
- Loss of part of a large European auto client contract is a FY27/28 headwind.

(EBIT: Earnings Before Interest and Tax, EPS: Earnings Per Share, FCF: Free Cash Flow, TCV: Total Contract Value, BFSI: Banking, Financial Services, and Insurance)



The content of this document has been derived from KIE research report. Kotak's PCG Research has summarized the report (Research Team: shrikant.chouhan@kotak.com). Readers who wish to access the complete report are kindly requested to contact their respective Relationship Manager. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months

RATING SCALE (PRIVATE CLIENT GROUP)

Definitions of ratings

- BUY** – We expect the stock to deliver more than 15% returns over the next 12 months
- ADD** – We expect the stock to deliver 5% - 15% returns over the next 12 months
- REDUCE** – We expect the stock to deliver -5% - +5% returns over the next 12 months
- SELL** – We expect the stock to deliver < -5% returns over the next 12 months
- NR** – **Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
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- NA** – **Not Available or Not Applicable.** The information is not available for display or is not applicable
- NM** – **Not Meaningful.** The information is not meaningful and is therefore excluded.
- NOTE** – Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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