

# Infosys likely to report 2.7% QoQ fall in net profit; here's how to trade the stock

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NEW DELHI: Infosys is scheduled to reports its results for the quarter ended March 31 on Friday. Analysts think that this could be yet another year for Infosys to guide below the industry body Nasscom's estimate of 12-14% growth.

According to the average of estimates of five brokerages and the quarterly forecast of the ET Intelligence Group, the topline growth will remain sequentially flat while the bottomline growth will decline for the March 2015 quarter, ET reported.

Net sales of Infosys will increase by 0.3% to Rs 13,838 crore and net profit will fall by 2.7% QoQ to Rs 3,161.5 crore, added the report.

A recent poll conducted by ET Now shows a similar trend. The IT major is expected to report a 2.34 per cent QoQ fall in net profit to Rs 3174 crore for the quarter ended March 31, as compared to Rs 3250 crore reported in the year-ago period.

However, it may report 16.5 per cent YoY increase in net profit to Rs 12406 crore for the fourth quarter of the financial year 2015, as compared to Rs 10648 crore reported in the year-ago period.

Despite muted performance, analysts at top brokerage firms remain confident on the prospects of the IT major in long term, and advises investors to accumulate the stock on declines.

Infosys made an all-time high of Rs 2336 in February 2015, and from there it has entered into a correction mode. The multi-month correction is unfolding in a channelised manner.

The daily and weekly momentum indicators are in a bearish mode, and from short-term perspective there is some more downside potential in the counter, say experts.

A sharp cut on result day for IT counters has become some sort of norm. A couple of days back we have seen same phenomenon repeating, post results, in biggies like TCS, Wipro and [HCL Technologies](#).

"Infosys can't be an exception, on a disappointing result, to this norm. However, as the negative sentiment in this sector already resulted in price damage, further aggressive sharp downward bets can't be expected unless Infosys delivers very poor of results or results below expectations," says Mazhar Mohammad, Chief Strategist - Technical Research & Trading Advisory, [Chartviewindia.in](#).

"Considering the overbought nature of markets and 10 per cent correction already witnessed in this counter, any stability post results or any sharp correction should be utilised to go long for the initial targets of 2188-2215 with a stop below 1980 on closing basis," he adds.

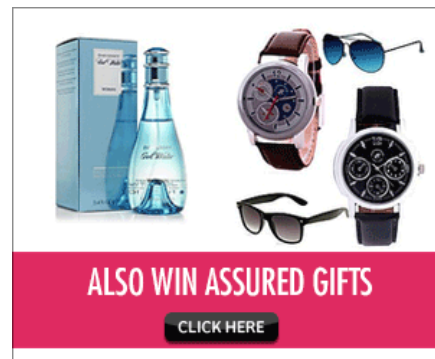
Infosys is currently available at valuations that look attractive (i.e. not yet capturing the true intrinsic worth of the company), coupled with the potential gains from a growing US [economy](#), the company's strong quality and top-notch management should ensure that it continues to perform well.

Further, the 'Make In India' policy actually finds a lot of relevance since all countries focused on export-oriented growth through manufactured products attempt to keep their currency undervalued, say experts.

"Since India is also embarking on that path, it is likely that the rupee will be kept undervalued over the long term to help manufacturing exporters. Hence, an additional tailwind from a struggling rupee materializes," says Vikas Gupta, EVP & [Fund Manager](#), Arthveda Fund Management Pvt. Ltd.

**We have collated recommendations from various analysts as to how investors should trade the stock ahead of results:**

**Sunil Kawariya- Business Analyst, Right Horizons-Wealth Management Company**



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We can expect volatility in the stock price considering past results and muted performance by all other IT companies. We can take the benefit in case of any downside towards 2000 for long term buy with the next 12-month target for 2350.

Overall the Infosys stock is technically strong, making higher top and bottom in the long-term chart, which suggests a good upmove in the long run.

**Mazhar Mohammad, Chief Strategist - Technical Research & Trading Advisory, Chartviewindia.in**

Logical supports for this scrip are placed at 2065 and below that at 1980 and demand line for the descending channel is at 2090. Hence, this range of 2090 - 1980 can be treated as support zone from where demand for the scrip may emerge.

Hence, considering the overbought nature of markets and 10% correction already witnessed in this counter, any stability post results or any sharp correction should be utilised to go long for the initial targets of 2188-2215, with a stop below 1980 on closing basis.

**Gaurav S. Ratnaparkhi, Technical Analyst at Sharekhan**

From short-term perspective, there is some more downside potential in the counter. However, the overlapping structure in the fall suggests that the correction is unlikely to develop into a larger structure on the downside.

The stock has good support around 2085-2050. The stock can consolidate near those levels, which can turn out to be an accumulation prior to the next leg on the upside.

One can accumulate the stock near 2085-2050 with an expectation to surpass the all-time high of 2336 and test the weekly upper Bollinger Band, i.e. 2375. Reversal for the bullish view can be pegged at 1910 on closing basis. (The levels mentioned are cash levels).

**Vikas Gupta, EVP & Fund Manager, Arthveda Fund Management Pvt. Ltd**

In the short term, fluctuations in price levels may arise. We remain confident about the long term (3-5 years) as the stock's fundamentals remain intact.

The company boasts of strong profitability and ample cash (no debt) which can be put to use in the form of future high NPV low risk projects such as accretive inorganic growth and/or even returned to shareholders. This potentially translates to above normal robust returns on capital.

*(Views and recommendations expressed in this section are the analysts' own and do not represent those of EconomicTimes.com. Please consult your financial advisor before taking any position in the [stocks](#) mentioned.)*

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