

CMP: INR 1,559

Rating: Accumulate

Target Price: INR 1,773

Stock Info

BSE	500209
NSE	INFY
Bloomberg	INFO IN
Reuters	INFO.BO
Sector	Computers- Software
Face Value (INR)	5
Equity Capital (INR Cr)	2,073
Mkt Cap (INR Bn)	6,562.3
52w H/L (INR)	2,007 / 1,307
Avg Yearly Vol (in 000')	6,596

Shareholding Pattern %

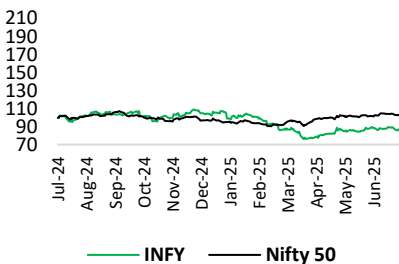
(As on July, 2025)

Promoters	14.6
FII	31.9
DII	39.3
Public & Others	13.8

Stock Performance (%)

	1m	3m	12m
INFY	-0.41	6.92	-14.1
Nifty	0.63	3.18	2.65

INFY Vs Nifty



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Infosys (INFY) reported Overall Good top and bottom-line performance; margin slightly down due to higher expenses. FY26 revenue guidance revised to 1%–3% (from 0%–3% for FY25); margin guidance retained at 20%–22%. 2.6% QoQ/3.8% YoY CC Growth. Dollar-term Revenue growth 4.5% QoQ/+4.8% YoY to \$4,941mn above our estimate of \$4,712 mn. Reported Revenue of INR 42,279 Cr (up 3.0% QoQ/+7.5% YoY) above our estimate of INR 39,314 Cr. Vertical and geo performance: Financial (+9.1% YoY/+1.6% QoQ), Retail (+4.1% YoY/+3.9% QoQ), communication (+7.4% YoY/+6.2% QoQ) & Manufacturing (+17.8% YoY/+4.2% QoQ) respectively. North America (0.4% YoY), Europe (+12.3% YoY) & India (-1% YoY) and ROW +0.4% YoY In cc term. EBIT margin was down 13bps QoQ/ down 26bps YoY at 20.8% slightly below with our estimates of 21.08% due to increase in expense by 12.6% QoQ/10.4% YoY. PAT of INR 6,921Cr (down 1.6% QoQ/+8.7% YoY) above our estimate of INR 6,368 Cr. Attrition improved by 30bps QoQ to 14.4%. Headcount added 210; Utilization ex-trainee improved by 30bps QoQ to 85.2%. \$3.8 Bn Large Deal TCV (55% Net New). ROE improved by 140 bps to 30.4%. Offshore revenue mix was at 76.4% (No change). Active number of clients decreased by 8 QoQ to 1861. DSO increased by 1 days to 70.

Leadership in AI and Strategic Investments: The company continues to invest aggressively in GenAI, having trained 250,000 employees and built 80+ AI-first client projects. Strategic partnerships and internal platforms like Topaz are strengthening its differentiation in the AI-driven services landscape. These forward-looking initiatives position Infosys well for long-term growth as enterprises scale AI adoption. Leadership highlighted a strong pipeline of AI-led transformation deals.

Strong Client Metrics and Balanced Portfolio: Retained a decent client base with 101 clients in the \$100M+ bucket and strong growth in the \$50M+ segment. The company's diversified industry exposure balanced across BFSI, manufacturing, energy, and life sciences offers stability amid sector-specific challenges. Repeat business and long-tenure engagements provide revenue visibility, while a shift towards value-led digital and cloud deals supports long-term earnings resilience.

Healthy Deal wins led by gen AI: TCV of \$2.5 bn in Q1FY25, including \$1.1 bn in net new wins. Despite persistent weakness in discretionary tech spending and macro uncertainties, the company's large-deal pipeline remains healthy. This underlines its positioning as a key digital transformation partner for global enterprises. The management emphasized continued traction in cost take-out and consolidation deals, a reflection of client trust in Infosys' delivery capabilities.

Valuations

FY26 revenue guidance has been strong to 1%–3%, (0%–3.0% in FY25), while margin guidance is maintained at 20%–22%. The margin was impacted by -100 bps due to wage hikes and variable pay, -30 bps from currency headwinds, and -20 bps from sales investments. These were partially offset by +70 bps from pricing benefits, +40 bps due to the absence of one-offs, +20 bps from lower third-party costs, and additional savings from Project Maximus. EBIT margin guidance is maintained at 20–22%. Some seasonality is expected in Q2FY26, primarily due to furloughs in the BFSI and hi-tech segments. Automation-led efficiencies and pyramid optimization are expected to partially offset margin pressures. Management remains confident about a recovery in long-term structural demand. However, margin resilience is expected through employee pyramid optimization, productivity and automation-led gains, and strategic portfolio alignment. As a result, projected margin of 21.3%/21.5%/22.0% for FY26E/FY27E/FY28E. **We value Infosys at a PE of 22x its FY28E EPS of INR 80.6 with the target price of INR 1,773 per share. We maintain our Accumulate rating on the stock.**

Exhibit 1: Financial (Consolidated)

Y/E March (INR. In Cr)	FY24	FY25	FY26E	FY27E	FY28E
Revenues (US\$ mn)	18,562	19,277	19,918	20,641	21,540
Net Revenue	153,670	162,990	170,733	180,969	193,084
EBIT	31,747	34,424	36,366	38,908	42,479
EBIT Margin (%)	20.7%	21.1%	21.3%	21.5%	22.0%
Net Profit	26,233	26,713	28,643	30,634	33,395
EPS (INR)	63.3	64.4	69.2	74.0	80.6
P/E (x)	22.5	24.2	22.5	21.1	19.3
ROCE	23.0%	23.1%	23.2%	23.1%	23.1%

Source: Arihant Research, Company Filings

Exhibit 2: Q1FY26 - Quarterly Performance (Consolidated)

INR Cr (Consolidated)	Q1FY26	Q4FY25	Q1FY25	Q-o-Q	Y-o-Y
Revenue (Mn USD)	4,941	4,730	4,714	4.5%	4.8%
Net Revenue	42,279	40,925	39,315	3.3%	7.5%
Cost of Sales	29,224	28,575	27,177	2.3%	7.5%
Gross Profit	13,055	12,350	12,138	5.7%	7.6%
S&M and Admin. Expenses	4,252	3,775	3,850	12.6%	10.4%
EBIT	8,803	8,575	8,288	2.7%	6.2%
EBIT margin %	20.8%	21.0%	21.1%	-13bps	-26bps
Other Income	937	1,088	733	-13.9%	27.8%
PBT	9,740	9,663	9,021	0.8%	8.0%
Tax Expense	2,816	2,625	2,647	7.3%	6.4%
Effective tax rate %	28.9%	27.2%	29.3%	-229bps	505bps
Reported PAT	6,924	7,038	6,374	-1.6%	8.6%
MI & Associates	-3	-5	-6		
Consolidated PAT	6,921	7,033	6,368	-1.6%	8.7%
Adj PAT Margin %	16.4%	17.2%	16.2%	-4.7%	1.1%
EPS (INR)	16.7	16.9	15.4	-1.4%	8.4%
Dividend	-	22	-		
Revenue by business segment	Q1FY26	Q4FY25	Q1FY25	Q-o-Q	Y-o-Y
Financial Services	11,796	11,614	10,816	1.6%	9.1%
Retail	5,651	5,440	5,428	3.9%	4.1%
Communication	5,097	4,798	4,744	6.2%	7.4%
Energy, Utilities, Resources and Services	5,742	5,308	5,220	8.2%	10.0%
Manufacturing	6,804	6,527	5,778	4.2%	17.8%
Hi-Tech	3,296	3,397	3,147	-3.0%	4.7%
Life Sciences	2,745	2,765	2,866	-0.7%	-4.2%

Source: Arianth Research, Company Filings

Q1FY26 Concall Highlights

- EBIT margin came in at 20.8%, reflecting seasonality and compensation-related impacts.
- Macroeconomic pressures are weighing on logistics, manufacturing, and consumer goods segments.
- FY25 revenue growth guidance lowered to 1.0%–3.0% (in CC terms). FY26 H1 expected to be stronger than H2 due to seasonal trends and deal ramp-ups. EBIT margin guidance retained at 20%–22%.
- Large deal TCV at \$2.5 bn, down sequentially but stable YoY.
- Pipeline remains healthy and more new deals than renewals. Deals are largely in cost takeout, consolidation, and efficiency programs.
- Segments: Financial Services, Weakness persists in mortgages, asset management, and capital markets. Some growth in regional banks. Retail & CPG, Flat growth, discretionary spends still cautious. Manufacturing strong performance driven by Europe and engineering services. Hi-Tech continued decline budget tightening seen in some areas. Communications, and Media & Tech recovery patchy, led by telcos tech still muted.
- Geography: North America revenue decline QoQ tech, telecom, and BFSI weak. Europe growth led by manufacturing and energy sectors. India & Others declined some volatility in domestic business.
- Client Metrics 100 clients added sequentially. \$100M+ client bucket grew to 42 clients (from 41). \$50M+ and \$10M+ clients also grew QoQ. Clients remain focused on enterprise AI, prioritizing cost control and operational efficiency.
- Hiring remains calibrated and lateral hiring continues based on project needs.
- Cash and investments at \$4.1 bn. Capital allocation continues with dividends and share buybacks.
- Focus on generative AI: 200+ projects in pipeline, across 60+ clients. Efficiency, automation, and cost-optimization remain key themes. Strong positioning for AI + Cloud + Digital transformation.
- FS vertical gained traction in US across capital markets and wealth management; now preferred AI partner for 10 of top 20 clients
- Project Maximus and AI-driven value-based pricing contributed to realization gains; expected to continue delivering in future
- Effective tax rate for FY26 expected in 29%–30% range
- No major impact from new GCC or vendor consolidation deals on balance sheet or cash flows
- Infosys not deferring lateral hiring; hybrid interviews and flexible work models continue
- EURS vertical has mixed outlook; opportunities driven by energy transition, cloud and AI investments.
- North America continues to show robust performance across verticals, particularly in financial services globally.
- No significant project ramp-downs observed yet and decision-making remains slow but deal pipeline is healthy

Exhibit 3: FY26 revenue guidance muted to 1%-3%

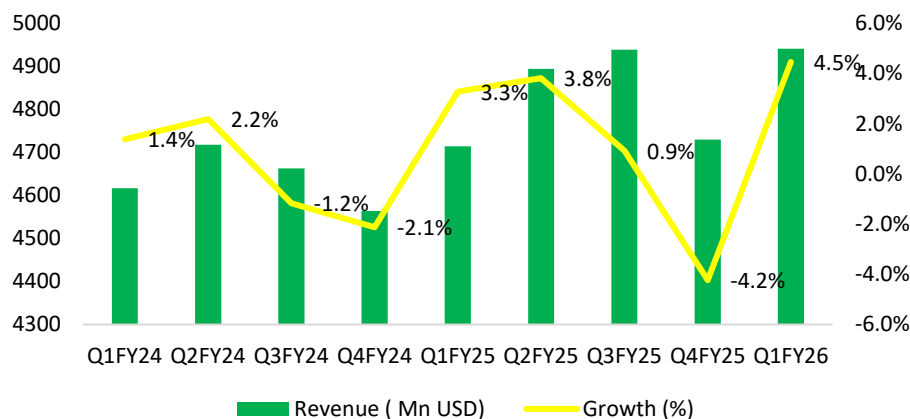


Exhibit 4: Strong number due to seasonally strong quarter

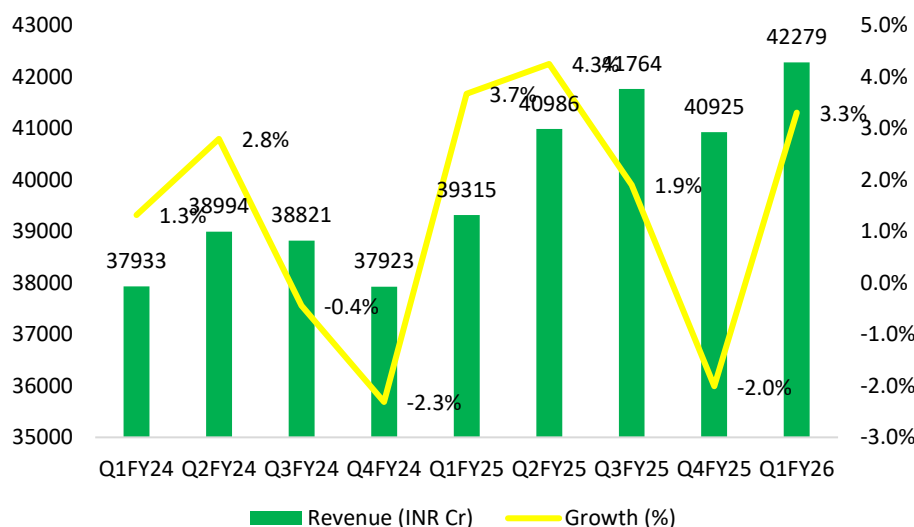
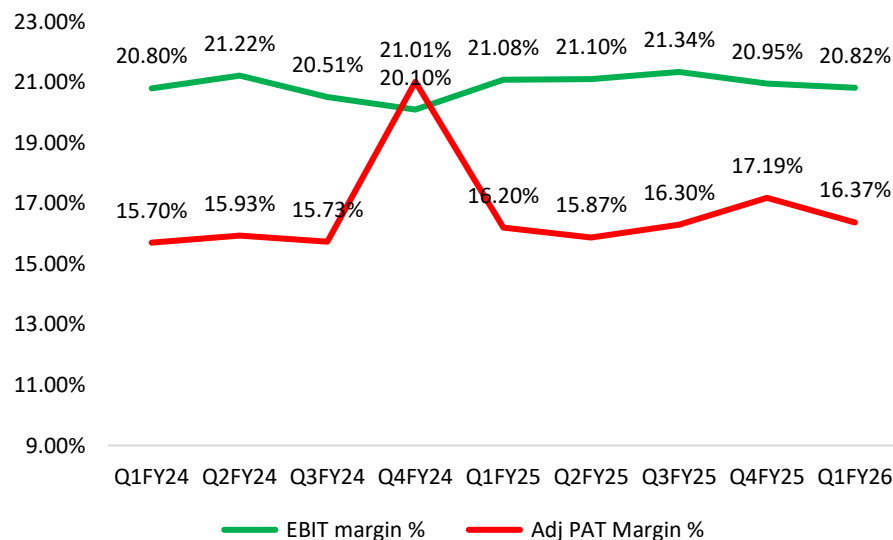


Exhibit :5 Maintained Operating margin of 20%-22% led by cost optimization



Source: Arihant Research, Company Filings

Exhibit 6: Operating Metrics

Metrics	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Employees, period end					
Total Employees (Consolidated)	315,332	317,788	323,379	323,578	323,788
S/W professionals	298,123	300,774	306,528	306,599	306,706
Sales & Support	17,209	17,014	16,851	16,979	17,082
Women employees (%)	39.20%	39.00%	39.00%	39.00%	39.10%
Voluntary Attrition % (Annualized - IT Services)	12.70%	12.90%	13.70%	14.10%	14.40%
Effort (IT Services and Consulting)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Onsite-Offshore Effort Split					
Onsite	23.9%	24.1%	24.0%	23.6%	23.60%
Offshore	76.1%	75.9%	76.0%	76.4%	76.40%
Utilization measures					
Including trainees	83.9%	84.3%	83.4%	81.9%	82.7%
Excluding trainees	85.3%	85.9%	86.0%	84.9%	85.2%
Revenues by client geography	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
North America	58.9%	57.4%	58.4%	57.1%	56.5%
Europe	28.4%	29.8%	29.8%	31.2%	31.5%
ROW	9.6%	9.7%	8.7%	8.8%	9.1%
India	3.1%	3.1%	3.1%	2.9%	2.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Revenues by Business segments	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Financial Services	27.50%	27.20%	27.80%	28.40%	27.9%
Retail	13.80%	13.30%	13.80%	13.30%	13.4%
Communication	12.10%	11.90%	11.20%	11.70%	12.0%
Energy, Utilities, Resources and Services	13.30%	13.50%	13.50%	13.00%	13.6%
Manufacturing	14.70%	15.70%	15.50%	15.90%	16.1%
Hi Tech	8.00%	8.00%	7.90%	8.30%	7.8%
Life Sciences	7.30%	7.30%	7.60%	6.80%	6.5%
Others	3.30%	3.10%	2.70%	2.60%	2.7%
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Client Data	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Number of Clients					
Active	1867	1870	1876	1869	1861
Added during the period (gross)	87	86	101	91	93
Number of mn dollar clients*					
\$1 mn	987	985	997	992	1011
\$10 mn	309	307	301	309	317
\$50 mn	84	86	89	85	85
\$100 mn	40	41	41	39	41
Client contribution to revenues					
Top 5 clients	13.50%	13.70%	12.70%	13.10%	13.20%
Top 10 clients	20.90%	20.90%	19.90%	20.70%	20.80%
Top 25 clients	34.90%	34.70%	34.20%	34.80%	35.20%
Days Sales Outstanding	72	73	74	69	70

Source: Arianth Research, Company Filings

Key Financials

Profit & Loss Statement (Consolidated)					
Particulars (INR Cr)	FY24	FY25	FY26E	FY27E	FY28E
Revenues (US\$ mn)	18,562	19,277	19,918	20,641	21,540
Growth (%)	2.1%	3.9%	3.3%	3.6%	4.4%
Income	153,670	162,990	170,733	180,969	193,084
Growth (%)	4.7%	6.1%	4.8%	6.0%	6.7%
Software development expenses	107,413	113,347	115,244	121,430	129,559
Gross Profit	46,257	49,643	55,488	59,539	63,525
Sales and development expenses	6,973	7,588	9,902	10,677	11,199
General and administrative expenses	7,537	7,631	9,220	9,953	9,847
EBIT	31,747	34,424	36,366	38,908	42,479
EBIT Margin (%)	20.66%	21.12%	21.30%	21.50%	22.00%
Finance Cost (Lease expense)	470	416	430	450	480
Other Income	4,711	3,600	3,415	3,619	3,862
Provision for investment/ Shares profit / (Loss)					
PBT	35,988	37,608	39,351	42,078	45,860
Tax	9,740	10,858	10,625	11,361	12,382
PAT	26,248	26,750	28,726	30,717	33,478
Adjusted PAT	26,233	26,713	28,643	30,634	33,395
Growth (%)	8.9%	1.8%	7.2%	7.0%	9.0%
Adjusted EPS	63.3	64.4	69.2	74.0	80.6

Balance Sheet (Consolidated)					
Particulars (INR Cr)	FY24	FY25	FY26E	FY27E	FY28E
Shareholder's Funds					
Share Capital	2,071	2,073	2,070	2,071	2,072
Reserves & Surplus	86,390	94,130	102,888	113,381	126,381
Net Worth	88,461	96,203	104,958	115,452	128,453
Total Non Current Liabilities	10,559	9,850	7,801	7,923	8,067
Total Current Liabilities	38,794	42,850	44,266	45,078	47,022
Total Liabilities	137,814	148,903	157,025	168,452	183,542
Net Block	21,070	24,650	30,865	37,452	44,480
Capital Work-in-Progress	293	814	814	814	814
Total Non Current Assets	48,382	51,804	58,026	63,890	70,190
Cash and bank balance	14,786	24,455	26,523	29,729	30,912
Total Current Assets	89,432	97,099	98,999	104,563	113,352
Total Assets	137,814	148,903	157,025	168,452	183,542

Source: Arihant Research, Company Filings

Key Financials

Cash Flow Statement (Consolidated)						
Particulars (INR Cr)	FY23	FY24	FY25	FY26E	FY27E	FY28E
PAT	24,108	26,248	26,750	28,726	30,717	33,478
Add:- Depreciation & Others	4,225	4,678	4,812	3,415	3,619	3,862
Change in Working Capital	-6,344	-5,082	-295	6,182	1,077	6,848
Cash generated from operations	31,261	34,441	41,296	40,025	37,063	45,793
Taxes paid	-8,794	-9,231	-5,602	-10,625	-11,361	-12,382
Cash flow from operating activities	22,467	25,210	35,694	29,400	25,702	33,410
Purchase of FA and Capex	-2,579	-2,201	-2,237	-6,215	-6,587	-7,028
Others	1,370.00	- 2,808.00	291.00	- 34.12	- 33.12	- 32.12
Cash flow from investing activities	-1,209	-5,009	-1,946	-6,249	-6,620	-7,060
Other fin. Activities	-	-	-	-	-	-
Dividend paid, including div. tax	-13,631	-14,692	-20,287	-20,119	-20,377	-20,635
Cash flow from financing activities	-26,695	-17,504	-24,161	-21,165	-15,957	-25,250
Exchange Fluctuations	138	-84	82	82	82	82
Net Cash Flow	-5,437	2,697	9,587	1,986	3,124	1,100
Opening Cash balance	17,472	12,173	14,786	24,455	26,523	29,729
Closing Cash balance	12,173	14,786	24,455	26,523	29,729	30,912

Key Ratios (Consolidated)						
Particulars	FY23	FY24	FY25	FY26E	FY27E	FY28E
EPS (INR)	58.2	63.3	64.4	69.2	74.0	80.6
Book Value	183.2	213.6	232.0	253.5	278.7	310.0
DPS	17.5	38.0	43.0	43.0	43.0	43.0
Payout %	57%	56%	76%	70%	66%	62%
Dividend Yield %	1.2	2.7	2.8	2.8	2.8	2.8
P/E	24.4	22.5	24.2	22.5	21.1	19.3
EBIT Margin (%)	21.1%	20.7%	21.1%	21.3%	21.5%	22.0%
EBIT Margin	18.2%	17.6%	18.2%	19.3%	19.5%	20.0%
PBT Margin	22.7%	23.4%	23.1%	23.0%	23.3%	23.8%
Adjusted PAT Margin	16.4%	17.1%	16.4%	16.8%	16.9%	17.3%
Debt/Equity	0.1	0.1	0.1	0.1	0.1	0.1
Current Ratio	1.8	2.3	2.3	2.2	2.3	2.4
ROE	31.8%	29.7%	27.8%	27.3%	26.5%	26.0%
ROCE	24.6%	23.0%	23.1%	23.2%	23.1%	23.1%

Source: Arianth Research, Company Filings

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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