

CMP: INR 1,420

Rating: Accumulate

Target Price: INR 1,650

Stock Info	
BSE	500209
NSE	INFY
Bloomberg	INFO IN
Reuters	INFO.BO
Sector	Computers-Software
Face Value (INR)	5
Equity Capital (INR Cr)	2,076
Mkt Cap (INR Bn)	5810
52w H/L (INR)	2,007 / 1,307
Avg Yearly Vol (in 000')	141

Shareholding Pattern %

(As on Dec, 2024)

Promoters	14.4
FII	33.3
DII	38.0
Public & Others	14.2

Stock Performance (%)	1m	3m	12m
INFY	-10.7	-21.8	0.3
Nifty	5.9	2.7	7.6

INFY Vs Nifty



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Infosys (INFY) reported Overall Weak Nos and lower guidance; FY26 revenue guidance muted to 0%-3% (4.5-5.0% for FY25); Margin guidance retained at 20%-22%. Growth in cc of -3.5% QoQ/+4.8% YoY. Dollar-term Revenue de-growth 4.2% QoQ/3.6% YoY to \$4,730mn below our estimate of \$4,870 mn. Reported revenue of INR 40,925 Cr (down 2.0% QoQ/+7.9% YoY) below our estimate of INR 42,112 Cr. Vertical and geo performance: Financial (+16% YoY/+0.2% QoQ), Retail (+0.2% YoY/down 5.3% QoQ), communication (+2.8% YoY/+2.3% QoQ) & Manufacturing (+16.8% YoY/+0.7% QoQ) respectively. North America (-0.8% YoY) while Europe (+12.9% YoY) & India (+39% YoY) and ROW de grew by -4.4% YoY. EBIT margin was down 39bps QoQ/ +86bps YoY at 21.0% in line with our estimates of 20.6%. PAT of INR 7,033 Cr (+3.3% QoQ/down 11.7% YoY) slightly above our estimate of INR 6,723 Cr. Final dividend of INR 22. Attrition improved by 40bps QoQ to 14.1%. Headcount added 199; Utilization ex-trainee improved by 110 bps QoQ to 84.9%. TCV of large deal wins was \$11.6 bn, with 56% net new. Offshore revenue mix was up 40 bps QoQ to 76.4%. Active number of clients decreased by 7 QoQ to 1869. DSO decreased by 5 days to 69.

Steady deal wins led by BFSI: Closed 24 deals in Q4 with a TCV of \$2.6 bn, 63% of which is net new. Vertical distribution includes seven deals in financial services, five in EURS, four in manufacturing, three in communication, two each in high-tech and life sciences, and one in retail. Regionally, 12 large deals were signed in both America and Europe. In financial services, budgets remain steady to slightly higher, especially in areas like AI, regulatory compliance, and cost management. Steady growth is anticipated in capital markets and cards and payments across large global banks and U.S. regional banks.

Vertical outlook remains flat amid overall macro uncertainty: The mortgage sector is poised for growth if interest rates ease, supported by investments in AI, regulatory compliance, risk mitigation, and cost management. Manufacturing has seen double-digit growth in recent years, but CY25 budgets are lower for auto and industrials, and flat for aerospace. Trade barriers, tariffs, and market uncertainties are expected to delay decision-making and impact spending. Auto sector weakness continues, especially in Europe, while aerospace sees focus on resolving supply chain bottlenecks. Pipelines remain healthy with traction in infrastructure transformation, cost takeouts, and ERP modernization. Retail is under pressure due to economic uncertainty and tariffs, leading to tighter budgets and prolonged decision cycles.

Valuations

FY26 revenue guidance has been muted to 0%-3%, (4.5%-5.0% in FY25), while margin guidance is maintained at 20%-22%. The lower end reflects macro uncertainty, whereas the upper end assumes a stable outlook. The acquisition impact of 40-50 bps in Q1 is not factored into current guidance. The company targets hiring 20,000 freshers in FY26. Volume trends remained stable this quarter, with positive growth in March. Wage hikes for senior staff in January and junior employees in April are incorporated into the guidance. While IT budgets may remain constrained for another quarter due to limited macro visibility and tariff-related uncertainty, higher-value offerings could face near-term challenges. 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 20x its FY28E EPS of INR 82.5 with the target price of INR 1650 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	19,783	20,634	21,737
Net Revenue	153,670	162,990	172,137	183,400	197,604
EBIT	31,747	34,424	36,665	39,431	43,473
EBIT Margin (%)	20.7%	21.1%	21.3%	21.5%	22.0%
Net Profit	26,233	26,713	28,882	31,051	34,187
EPS (INR)	63.3	64.4	69.8	75.0	82.5
P/E (x)	22.5	22.0	20.4	18.9	17.2
ROCE	23.0%	23.1%	23.3%	23.3%	23.4%

Source: Arihant Research, Company Filings

Exhibit 2: Q4FY25 - Quarterly Performance (Consolidated)

INR Cr (Consolidated)	Q4FY25	Q3FY25	Q4FY24	Q-o-Q	Y-o-Y
Revenue (Mn USD)	4,730	4,939	4,564	-4.2%	3.6%
Net Revenue	40,925	41,764	37,923	-2.0%	7.9%
Cost of Sales	28,575	29,120	26,748	-1.9%	6.8%
Gross Profit	12,350	12,644	11,175	-2.3%	10.5%
S&M and Admin. Expenses	3,775	3,732	3,554	1.2%	6.2%
EBIT	8,575	8,912	7,621	-3.8%	12.5%
EBIT margin %	21.0%	21.3%	20.1%	-39bps	86bps
Other Income	1,088	758	2,619	43.5%	-58.5%
PBT	9,663	9,670	10,240	-0.1%	-5.6%
Tax Expense	2,625	2,848	2,265	-7.8%	15.9%
Effective tax rate %	27.2%	29.5%	22.1%	-229bps	505bps
Reported PAT	7,038	6,822	7,975	3.2%	-11.7%
MI & Associates	-5	-16	-6		
Consolidated PAT	7,033	6,806	7,969	3.3%	-11.7%
Adj PAT Margin %	17.2%	16.3%	21.0%	5.5%	-18.2%
EPS (INR)	16.9	16.4	19.3	3.1%	-12.0%
Dividend	22	-	20		10.0%
Revenue by business segment	Q4FY25	Q3FY25	Q4FY24	Q-o-Q	Y-o-Y
Financial Services	11,614	11,589	10,010	0.2%	16.0%
Retail	5,440	5,746	5,429	-5.3%	0.2%
Communication	4,798	4,688	4,666	2.3%	2.8%
Energy, Utilities, Resources and Services	5,308	5,635	5,068	-5.8%	4.7%
Manufacturing	6,527	6,479	5,589	0.7%	16.8%
Hi-Tech	3,397	3,279	3,316	3.6%	2.4%
Life Sciences	2,765	3,195	2,762	-13.5%	0.1%

Source: Arianth Research, Company Filings

Q4FY25 Concall Highlights

- Margins were down 30 bps QoQ, mainly due to wage hikes (-140 bps) and acquisition-related amortization (-40 bps). This was partially offset by lower customer support costs (+80 bps), currency benefit (+20 bps), Project Maximus impact (+30 bps), and reduced third-party costs (+20 bps).
- The lower end of the guidance reflects a deteriorating environment, while the upper end assumes a stable and steady outlook. FY26 revenue guidance is muted at 0%-3%.
- Europe performed well overall despite continued automotive sector weakness, which is reflected in the outlook. Europe now contributes 30% of revenue.
- Infosys signed 96 large deals in FY25 with TCV of \$11.6B (56% net new). Q4 had 24 large deals worth \$2.6B, with 63% net new.
- Discretionary spend remains tight across sectors; short-cycle recovery delayed.
- Project Maximus drove margin gains via value-based selling, lean ops, and higher utilization. Several initiatives under Maximus still focus on transformation and cost takeout.
- FY26 FCF expected to stay >100% of net profit.
- Third-party revenue likely to dip in FY26 based on current pipeline.
- Financial services budgets are flat to slightly up; AI, regulatory, and cost management to drive growth.
- Clients seeing early pressure, but no major shifts yet; clearer outlook expected soon.
- The operating structure is optimized for the US and Canada. Subcontractor costs are decreasing due to lower revenues and are expected to decline further. Lower revenues are also partially seasonal.
- Infosys has deployed over 200 agents across global and European clients, supporting enterprise-wide AI transformation.
- Generative AI adoption stands at 17% in relevant segments and is gaining traction. AI and Gen AI are treated as separate domains in client budgets.
- Infosys continues to lead in agent-based AI implementations, with transformations moving toward unified, company-wide strategies.
- Significant opportunities exist in customer service use cases, where Gen AI adoption potential ranges between 20–40%.
- Strong project retention from existing clients. Ongoing discussions focus on impact, value creation, and aligning with client expectations.
- A 10-day in-office work policy has been implemented; departments have flexibility, which is appreciated on weekly/monthly/quarterly levels.
- Rupee depreciation contributed positively to margins in the short term.
- Acquisition impact of 40–50 bps in Q1 is not included in the current guidance. Infosys is acquiring Houston-based MRE Consulting for \$36M to strengthen its energy consulting capabilities.
- Targeting 20K fresher hires in FY26.
- Volume trends remained stable this quarter, with positive growth in March.
- Despite tighter budgets due to tariff announcements, the deal pipeline remains strong.
- Manufacturing saw a slowdown due to the auto sector and delayed decision-making, though supply chain services provided support.
- Energy is performing well.
- Communication remains soft, and hi-tech clients remain cautious.
- Wage hikes were implemented in January for senior staff and in April for junior employees; these are factored into the guidance.
- Margins are not solely reliant on pricing improvements. Efficiency gains, long-tenure employee cost models, and long-term planning are key focus areas.
- Infosys is aiming to support clients across multiple scenarios through a balanced portfolio and flexible, assumption-based guidance.

Exhibit 3: FY26 revenue guidance muted to 0%-3%

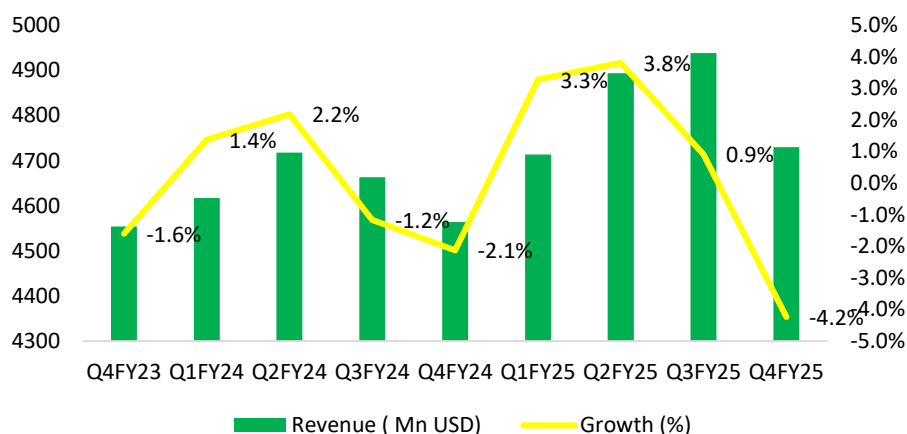


Exhibit 4: Revenue below with our estimate in Q4FY25 due to Macro uncertainty

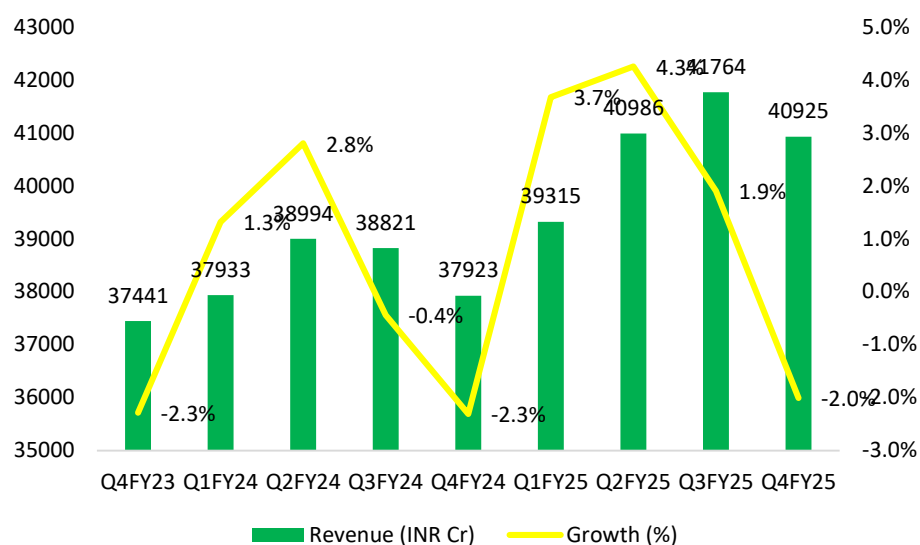
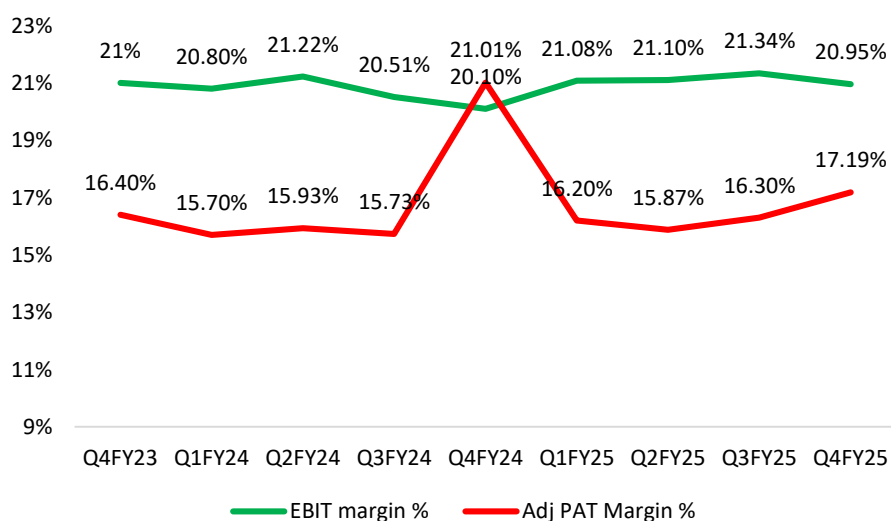


Exhibit :5 Maintained Operating margin of 20%-22% led by cost optimization



Source: Arihant Research, Company Filings

Exhibit 6: Operating Metrics

Metrics	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Employees, period end						
Total Employees (Consolidated)	322,663	317,240	315,332	317,788	323,379	323,578
S/W professionals	304,590	299,814	298,123	300,774	306,528	306,599
Sales & Support	18,073	17,426	17,209	17,014	16,851	16,979
Women employees (%)	39.30%	39.30%	39.20%	39.00%	39.00%	39.00%
Voluntary Attrition % (Annualized - IT Services)	12.90%	12.60%	12.70%	12.90%	13.70%	14.10%
Effort (IT Services and Consulting)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Onsite-Offshore Effort Split						
Onsite	24.4%	24.2%	23.9%	24.1%	24.0%	23.6%
Offshore	75.6%	75.8%	76.1%	75.9%	76.0%	76.4%
Utilization measures						
Including trainees	81.7%	82.0%	83.9%	84.3%	83.4%	81.9%
Excluding trainees	82.7%	83.5%	85.3%	85.9%	86.0%	84.9%
Revenues by client geography	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
North America	59.0%	59.6%	58.9%	57.4%	58.4%	57.1%
Europe	28.2%	28.6%	28.4%	29.8%	29.8%	31.2%
ROW	10.4%	9.6%	9.6%	9.7%	8.7%	8.8%
India	2.4%	2.2%	3.1%	3.1%	3.1%	2.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Revenues by Business segments	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Financial Services	27.80%	26.40%	27.50%	27.20%	27.80%	28.40%
Retail	14.60%	14.30%	13.80%	13.30%	13.80%	13.30%
Communication	11.40%	12.30%	12.10%	11.90%	11.20%	11.70%
Energy, Utilities, Resources and Services	13.20%	13.40%	13.30%	13.50%	13.50%	13.00%
Manufacturing	14.90%	14.70%	14.70%	15.70%	15.50%	15.90%
Hi Tech	7.70%	8.70%	8.00%	8.00%	7.90%	8.30%
Life Sciences	7.60%	7.30%	7.30%	7.30%	7.60%	6.80%
Others	2.80%	2.90%	3.30%	3.10%	2.70%	2.60%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Client Data	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Number of Clients						
Active	1872	1882	1867	1870	1876	1869
Added during the period (gross)	88	98	87	86	101	91
Number of mn dollar clients*						
\$1 mn	944	959	987	985	997	992
\$10 mn	308	315	309	307	301	309
\$50 mn	82	83	84	86	89	85
\$100 mn	40	40	40	41	41	39
Client contribution to revenues						
Top 5 clients	13.40%	13.60%	13.50%	13.70%	12.70%	13.10%
Top 10 clients	20.00%	20.40%	20.90%	20.90%	19.90%	20.70%
Top 25 clients	33.70%	34.30%	34.90%	34.70%	34.20%	34.80%
Days Sales Outstanding	72	71	72	73	74	69

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	19,783	20,634	21,737
Growth (%)	2.1%	3.9%	2.6%	4.3%	5.3%
Income	153,670	162,990	172,137	183,400	197,604
Growth (%)	4.7%	6.1%	5.6%	6.5%	7.7%
Software development expenses	107,413	113,347	116,193	123,061	132,593
Gross Profit	46,257	49,643	55,945	60,339	65,012
Sales and development expenses	6,973	7,588	9,984	10,821	11,461
General and administrative expenses	7,537	7,631	9,295	10,087	10,078
EBIT	31,747	34,424	36,665	39,431	43,473
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	3,443	3,668	3,952
Provision for investment/ Shares profit / (Loss)					
PBT	35,988	37,608	39,678	42,649	46,945
Tax	9,740	10,858	10,713	11,515	12,675
PAT	26,248	26,750	28,965	31,134	34,270
Adjusted PAT	26,233	26,713	28,882	31,051	34,187
Growth (%)	8.9%	1.8%	8.1%	7.5%	10.1%
Adjusted EPS	63.3	64.4	69.8	75.0	82.5

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	103,127	114,037	127,829
Net Worth	88,461	96,203	105,197	116,108	129,901
Total Non Current Liabilities	10,559	9,850	7,818	7,952	8,120
Total Current Liabilities	38,794	42,850	44,472	45,362	47,639
Total Liabilities	137,814	148,903	157,486	169,422	185,660
Net Block	21,070	24,650	30,916	37,592	44,784
Capital Work-in-Progress	293	814	814	814	814
Total Non Current Assets	48,382	51,804	57,971	63,873	70,253
Cash and bank balance	14,786	24,455	26,297	29,978	30,978
Total Current Assets	89,432	97,099	99,515	105,549	115,407
Total Assets	137,814	148,903	157,486	169,422	185,660

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	28,965	31,134	34,270
Add:- Depreciation & Others	4,225	4,678	4,812	3,443	3,668	3,952
Change in Working Capital	-6,344	-5,082	-295	6,791	892	7,910
Cash generated from operations	31,261	34,441	41,296	40,890	37,328	47,712
Taxes paid	-8,794	-9,231	-5,602	-10,713	-11,515	-12,675
Cash flow from operating activities	22,467	25,210	35,694	30,177	25,813	35,036
Purchase of FA and Capex	-2,579	-2,201	-2,237	-6,266	-6,676	-7,193
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	-6,300	-6,709	-7,225
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	-22,117	-15,505	-26,893
Exchange Fluctuations	138	-84	82	82	82	82
Net Cash Flow	-5,437	2,697	9,587	1,760	3,599	918
Opening Cash balance	17,472	12,173	14,786	24,455	26,297	29,978
Closing Cash balance	12,173	14,786	24,455	26,297	29,978	30,978

Key Ratios (Consolidated)						
Particulars	FY23	FY24	FY25	FY26E	FY27E	FY28E
EPS (INR)	58.2	63.3	64.4	69.8	75.0	82.5
Book Value	183.2	213.6	232.0	254.1	280.3	313.5
DPS	17.5	38.0	43.0	43.0	43.0	43.0
Payout %	57%	56%	76%	69%	65%	60%
Dividend Yield %	1.2	2.7	3.0	3.0	3.0	3.0
P/E	24.4	22.5	22.0	20.4	18.9	17.2
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%	23.1%	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%	27.5%	26.7%	26.3%
ROCE	24.6%	23.0%	23.1%	23.3%	23.3%	23.4%

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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