

July 24, 2025

Q1FY26 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	1,750		1,680	
Sales (Rs bn)	1,734	1,889	1,705	1,857
% Chng.	1.7	1.8		
EBITDA (Rs bn)	418	467	415	459
% Chng.	0.8	1.7		
EPS (Rs.)	68.7	76.0	67.7	74.8
% Chng.	1.5	1.7		

Key Financials - Consolidated

Y/e Mar	FY24	FY25	FY26E	FY27E
Sales (Rs. bn)	1,537	1,630	1,734	1,889
EBITDA (Rs. bn)	364	392	418	467
Margin (%)	23.7	24.1	24.1	24.7
PAT (Rs. bn)	243	267	285	315
EPS (Rs.)	58.6	64.5	68.7	76.0
Gr. (%)	1.7	10.0	6.5	10.7
DPS (Rs.)	46.0	43.0	58.3	64.5
Yield (%)	2.9	2.7	3.7	4.1
RoE (%)	29.7	29.0	29.7	32.8
RoCE (%)	27.7	26.6	27.2	30.3
EV/Sales (x)	4.1	3.8	3.5	3.3
EV/EBITDA (x)	17.1	15.7	14.7	13.2
PE (x)	26.9	24.4	22.9	20.7
P/BV (x)	7.4	6.8	6.8	6.8

Key Data

INFY.BO | INFO IN

52-W High / Low	Rs.2,007 / Rs.1,307
Sensex / Nifty	82,727 / 25,220
Market Cap	Rs.6,541bn / \$ 75,690m
Shares Outstanding	4,154m
3M Avg. Daily Value	Rs.11471.21m

Shareholding Pattern (%)

Promoter's	14.86
Foreign	31.92
Domestic Institution	39.60
Public & Others	13.62
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(0.6)	(15.6)	(14.3)
Relative	(1.6)	(21.9)	(16.7)

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Strong performance, but macro uncertainty still prevails...

Quick Pointers:

- Revenue Guidance narrowed to 1-3% YoY CC while maintaining margin guidance
- Strong large deal wins of USD 3.8 bn compared to USD 2.6 bn in Q4

The revenue growth performance (+2.6% CC QoQ) was above our estimates (+2.2% QoQ CC), attributed to broad-based growth in verticals and geographies. The BFS strength continued through this quarter as well, the mega deal within the segment further validates the healthy momentum in the vertical. The pockets outside BFS also reported positive growth, however the outlook remains weak on account of tariff uncertainties and geo-political tension. Despite the quarterly outperformance, the management is building caution around client sentiment and limited discretionary spends. The revised FY26 revenue growth guidance (1-3% CC YoY) translates to a revenue CQGR of ~-0.3%-1.0% CC. We believe, the revenue cannibalization through Enterprise AI and Agentic AI has been instrumental and supporting the client-centricity to drive efficiency and productivity. Additionally, the company's wider spectrum of offering supports active participation in vendor consolidation opportunities. On margins, the company executed well at the gross level (+70bpq QoQ) despite the compensation revision in Q1. However, the continued investments in fueling S&M engine created pressure at the EBIT level (-20bps QoQ). We expect the lower proportion of passthrough will be margin supportive, however H2 weakness and deal ramp up would provide lesser room for improvement. We are baking revenue growth of 2.4%/6.0% CC YoY along with margin improvement of 10bps/50bps YoY in FY26E/FY27E, respectively. We retain our "ACCUMULATE" rating with TP of Rs. 1,750 (earlier Rs. 1,680).

Revenue: INFO in Q1 reported strong growth of 2.6% QoQ CC (organic growth of 2.2% QoQ CC) higher than our estimate of 2.2% QoQ CC & consensus estimates of 1.5% QoQ CC growth. In reported terms, revenue came at USD 4.9 bn, up 4.5% QoQ. Growth was driven by the segments of EURS, Comms, Manufacturing & Retail. In rupee terms, revenue came at INR 423 bn, up 3.3% QoQ & 7.5% YoY.

Operating Margin: EBIT margin for the quarter stood at 20.8%, down 20 bps QoQ, and came in below both our and consensus estimates of 21.1%. The margin declined despite a 70 bps expansion in gross margin, primarily due to higher S&M and G&A expenses. The 20 bps QoQ decline in EBIT margin was largely due to the headwinds from wage hikes and variable pay rollout (-100 bps), currency headwinds (-30 bps), and increased investments in S&M (-20 bps), partially offset by tailwinds from improved realizations (+70 bps), lower amortization expenses (+40 bps), and reduced third-party costs (+20 bps).

Guidance: INFO increased its revenue growth guidance to 1–3% YoY in CC, up from the earlier range of 0–3%, driven by strong Q1 performance. While raising the lower end of the guidance on back of strong Q1, it maintained the upper end, citing no significant improvement in the macro environment so far. Infosys also retained its operating margin guidance in the range of 20–22%.

Valuations and outlook: We estimate USD revenues/earnings CAGR of 4.9%/8.6% over FY25-FY27E. The stock is currently trading at 21x FY27E, we are assigning P/E of 23x to FY27E with a target price of Rs. 1,750 while maintaining our Accumulate rating on the stock.

Beat on topline, strong deal TCV

- USD rev of USD 4.94bn, up 2.6% QoQ in CC (2.2% QoQ CC organic), above our & consensus estimate of 2.2% QoQ CC growth (1.8% organic) and 1.5% QoQ CC. Reported USD growth was +4.5% QoQ
- Sequential growth aided by segments of EURS, Comms, Manufacturing & Retail, reporting a growth of 9.3%, 7.1%, 5.8% & 5.2% respectively while financial services reported growth of 2.6% QoQ.
- Geography wise North America & Europe grew by 3.4% & 5.5% QoQ respectively
- **FY26 revenue guidance increased from 0-3% YoY CC to 1-3% YoY CC and EBIT margin maintained at the band of 20-22%**
- EBIT margin came at 20.8%, down 30 bps QoQ, slightly below our and consensus estimates of 21.1% each
- Net headcount improved by 210 QoQ in 1Q, Utilization up 30 bp QoQ (ex-trainees), Attrition (LTM) up 30 bps QoQ to 14.4%
- **Large deal TCV stayed elevated at USD 3.8 bn (55 % NN wins), up 44% QoQ with book to bill of 0.8x**
- Reported Net profit of INR 69.2b, down 1.6% QoQ, slightly above our estimates of INR 68.4 bn

Conference Call Highlights

- Management mentioned that the macro environment remains uncertain, and they have not seen any material improvement in the demand environment, with discretionary spending continuing to remain weak. They further reiterated that demand is still being driven primarily by cost takeout and vendor consolidation initiatives.
- Strong growth in Q1 came despite lower passthrough revenue, as third-party expenses declined by 4.3% QoQ (down 60 bps QoQ as a percentage of revenue). Management attributed this to seasonality and expressed confidence that third-party expenses for FY26 will be lower than in FY25, indicating an improvement in revenue quality.
- Management expressed confidence that, despite the uncertain macro environment, normal seasonality will prevail, with higher growth expected in H1 compared to H2.
- Segment-wise, management mentioned that they are seeing traction in the FS segment in the U.S., particularly within the capital markets and commercial banking sub-segments. There is also growing demand in areas such as agentic AI for KYC and portfolio management within FS segment. In the Manufacturing segment, automotive sub-segment in the Europe region continues to remain weak. However, the overall pipeline in the segment remains healthy, driven by cost takeout projects. In the Retail segment, tariff-related uncertainty is causing reduced spending and delayed decision-making among clients. In the Comms segment, clients remain focused on cost takeout and vendor consolidation programs, with growth supported by previously won deals.
- Management mentioned that demand for enterprise AI and agentic AI remains strong. They further stated that while they are sharing productivity gains and AI-related benefits with clients, they have been a net beneficiary of AI adoption overall.
- Deal wins were strong for the company during the quarter. Infosys secured 28 large deals in Q1 with a TCV of USD 3.8 bn. Of these, 20 deals were from the U.S., 6 from Europe, and 2 from RoW regions. The wins were largely driven by cost takeout and vendor consolidation opportunities, with over USD 1 bn in TCV coming from these areas, including one mega deal.
- Management expressed confidence that the cost take out & vendor consolidation deals won't be margin dilutive.
- Management mentioned that they will continue adding employees, as utilization levels have peaked, and supporting revenue growth will require either net headcount addition or the deployment of subcontractors.
- Management mentioned that during the quarter, it implemented the second phase of its wage rollout and has not yet decided on the timing of the wage hike implementation for FY26.
- During the quarter Top 5/10/25 clients grew by 5.3%, 5% & 5.7% QoQ respectively.

Exhibit 1: 1QFY26 Results: Revenues grew by 2.6% QoQ in CC & EBIT margin declined by 10bps QoQ

Consolidated (INR b)	1QFY26	1QFY26E	% Var.	4QFY25	QoQ (%)	1QFY25	YoY (%)	FY26E	FY25	YoY (%)
IT Services Revenue (USD m)	4,941	4,903	0.8	4,730	4.5	4,714	4.8	20,015	19,277	3.8
Overall Revenue (INR b)	423	420	0.7	409	3.3	393	7.5	1,734	1,630	6.4
Gross Profit	131	128	2.3	124	5.7	121	7.6	532	496	7.1
Gross Margin (%)	30.9	30.4	50bps	30.2	70bps	30.9	0bps	30.7	30.5	20bps
SG&A and Other Costs	31.1	26.4	17.7	24.8	25.7	27.0	15.2	113.3	104.1	8.9
% of Rev	7.4	6.3	110bps	6.1	130bps	6.9	50bps	6.5	6.4	10bps
EBITDA	99	101	-1.7	99	0.7	94	5.4	418	392	6.6
EBITDA Margin (%)	23.5	24.1	-60bps	24.1	-60bps	24.0	-50bps	24.1	24.1	10bps
Depreciation	11	13	-9.5	13	-12	11	-0.8	51	48	5.4
% of Rev	2.7	3.0	-30bps	3.2	-50bps	2.9	-20bps	2.9	3.0	0bps
EBIT	88	89	-0.6	86	2.7	83	6.2	368	344	6.8
EBIT Margin (%)	20.8	21.1	-30bps	21.0	-10bps	21.1	-30bps	21.2	21.1	10bps
Other Income (net)	9	8	20.7	11	-13.9	7	27.8	34	32	5.7
PBT	97	96	1.1	97	0.8	90	8.0	401	376	6.7
Tax	28	28	0.8	26	7.3	26	6.4	116	109	7.1
Effective tax rate (%)	28.9	29.0	-10bps	27.2	170bps	29.3	-40bps	29.0	28.9	10bps
Adjusted PAT	69	68	1.2	70	-1.6	64	8.6	285	268	6.5
Exceptional items	0	0	NA	0	NA	0.0	NA	0.0	0.0	NA
Reported PAT	69	68	1.2	70	-1.6	64	8.6	285	268	6.5
Reported EPS (INR)	17	17	1.2	17	-1.7	15	8.5	69	65	6.5

Source: Company, PL

Exhibit 2: Regional growth (%)

Geographies	Contribution to revenue (%)	QoQ gr. (%)
North America	56.5	3.4
Europe	31.5	5.5
India	2.9	4.5
ROW	9.1	8.0

Source: Company, PL

Exhibit 3: Vertical Growth (%)

Verticals	Contribution to revenue (%)	QoQ gr. (%)
Financial Services	27.9	2.6
Retail	13.4	5.2
Communications	12.0	7.1
Energy, Utilities, Resources	13.6	9.3
Manufacturing	16.1	5.8
Hi Tech	7.8	-1.8
Life Sciences	6.5	-0.1

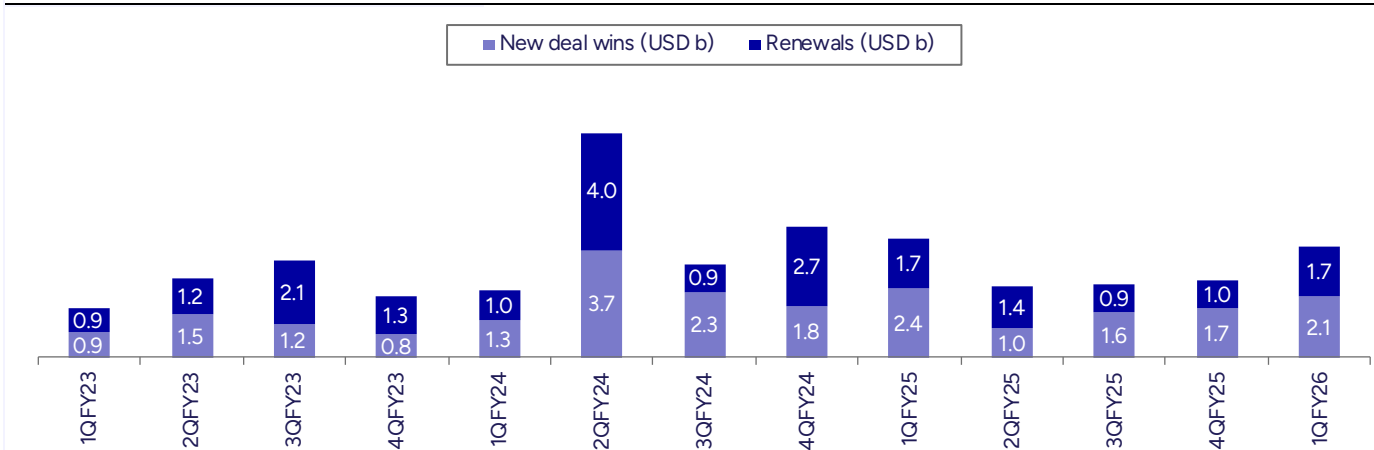
Source: Company, PL

Exhibit 4: Key Performance Indicator

	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	FY25*	FY26*
Revenue (QoQ CC %)	2.3	-1.0	-2.2	3.6	3.1	1.7	-3.5	2.6	4.2	2.4
Margins										
Gross Margin	30.7	29.8	29.5	30.9	30.5	30.3	30.2	30.9	30.5	30.7
EBIT Margin	21.2	20.5	20.1	21.1	21.1	21.3	21.0	20.8	21.1	21.2
Net Margin	15.9	15.7	15.8	16.2	15.9	16.3	17.2	16.4	16.4	16.4
Operating metrics										
Headcount	329	323	317	315	318	323	324	324	324	-
Voluntary Attrition (%)	14.6	12.9	12.6	12.7	12.9	13.7	14.1	14.4	14.1	-
Deal Win TCV (USD b)	7.7	3.2	4.5	4.1	2.4	2.5	2.6	3.8	11.6	-

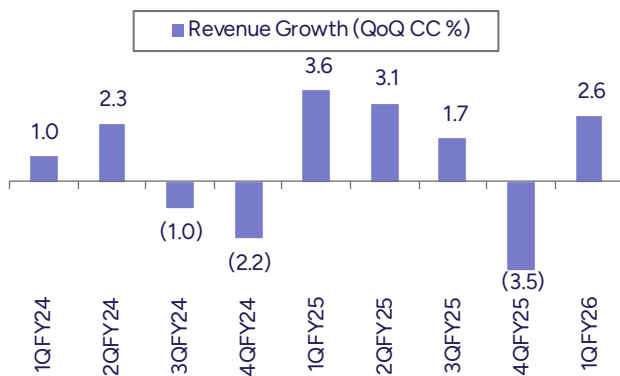
Source: Company, PL, * YoY CC

Exhibit 5: Net new wins of 55% in Q1FY26



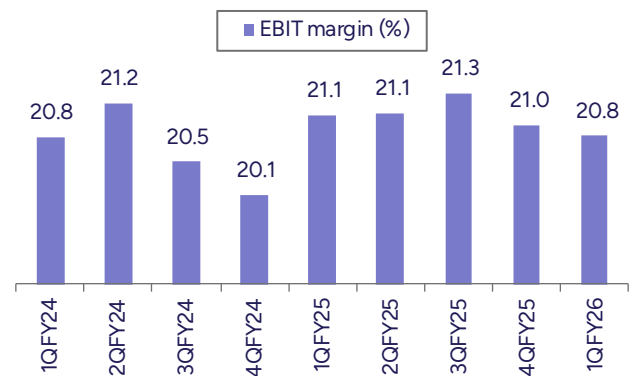
Source: Company, PL

Exhibit 6: Revenue growth trend



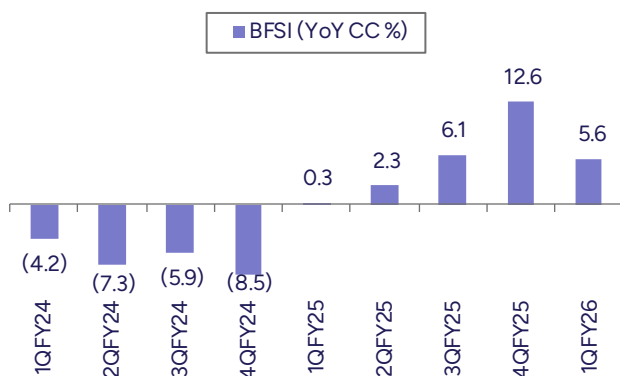
Source: Company, PL

Exhibit 7: EBIT margin trend



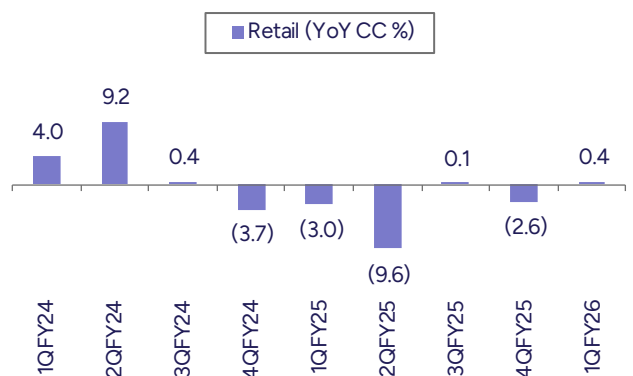
Source: Company, PL

Exhibit 8: BFSI growth trend



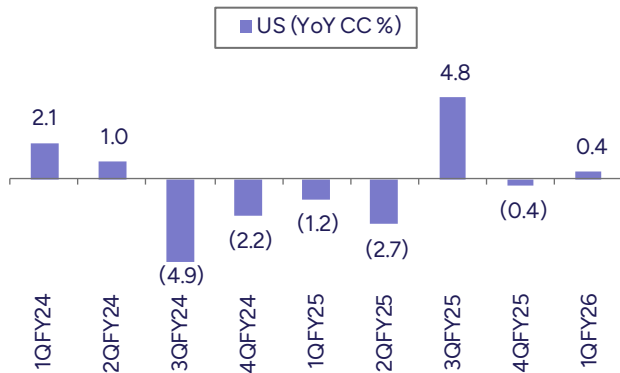
Source: Company, PL

Exhibit 9: Retail growth trend



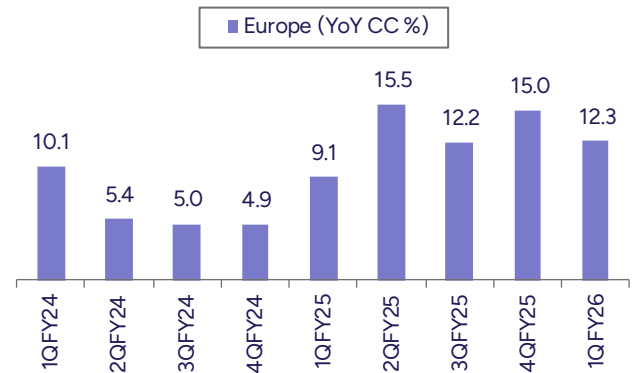
Source: Company, PL

Exhibit 10: US growth trend



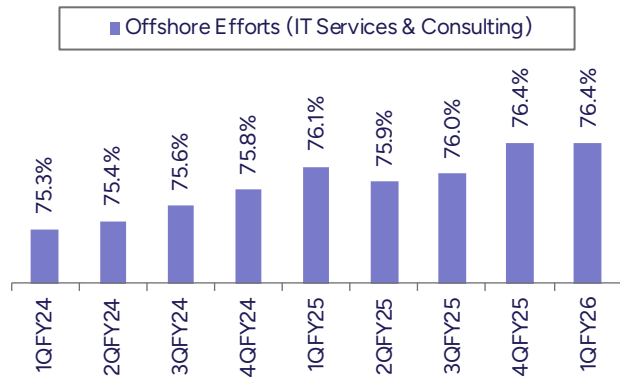
Source: Company, PL

Exhibit 11: Europe growth trend



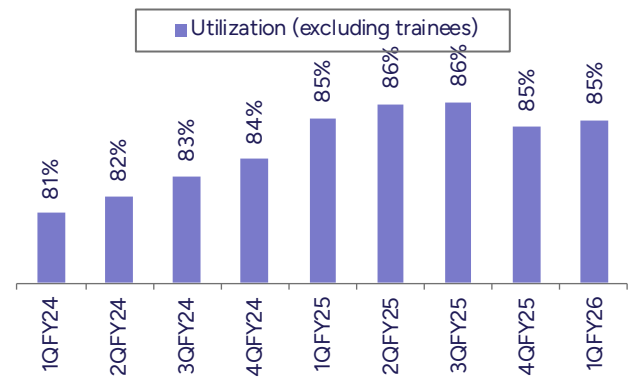
Source: Company, PL

Exhibit 12: Offshore efforts growth trend



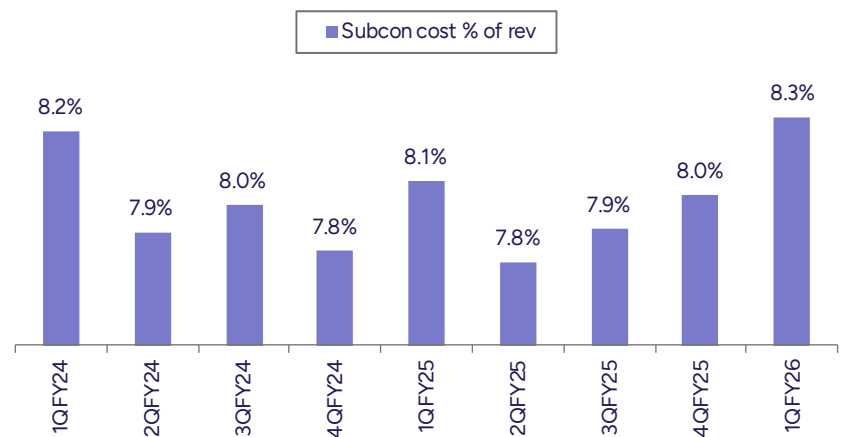
Source: PL, Company

Exhibit 13: Utilization growth trend



Source: PL, Company

Exhibit 14: Subcon % of Rev



Source: Company, PL

Financials

Income Statement (Rs bn)

Y/e Mar	FY24	FY25	FY26E	FY27E
Net Revenues	1,537	1,630	1,734	1,889
YoY gr. (%)	4.7	6.1	6.4	8.9
Employee Cost	1,074	1,133	1,203	1,313
Gross Profit	463	496	532	576
Margin (%)	30.1	30.5	30.7	30.5
Employee Cost	-	-	-	-
Other Expenses	-	-	-	-
EBITDA	364	392	418	467
YoY gr. (%)	3.7	7.7	6.6	11.6
Margin (%)	23.7	24.1	24.1	24.7
Depreciation and Amortization	47	48	51	57
EBIT	317	344	368	410
Margin (%)	20.7	21.1	21.2	21.7
Net Interest	-	-	-	-
Other Income	23	32	34	34
Profit Before Tax	340	376	401	444
Margin (%)	22.1	23.1	23.1	23.5
Total Tax	97	109	116	129
Effective tax rate (%)	28.6	28.9	29.0	29.0
Profit after tax	243	268	285	315
Minority interest	0	0	0	0
Share Profit from Associate	-	-	-	-
Adjusted PAT	243	267	285	315
YoY gr. (%)	0.7	10.1	6.6	10.7
Margin (%)	15.8	16.4	16.4	16.7
Extra Ord. Income / (Exp)	20	-	-	-
Reported PAT	262	267	285	315
YoY gr. (%)	8.9	1.8	6.6	10.7
Margin (%)	17.1	16.4	16.4	16.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	262	267	285	315
Equity Shares O/s (bn)	4	4	4	4
EPS (Rs)	58.6	64.5	68.7	76.0

Source: Company Data, PL Research

Balance Sheet Abstract (Rs bn)

Y/e Mar	FY24	FY25	FY26E	FY27E
Non-Current Assets				
Gross Block	419	454	478	504
Tangibles	371	384	408	434
Intangibles	48	70	70	70
Acc: Dep / Amortization	(216)	(237)	(288)	(345)
Tangibles	(182)	(195)	(246)	(303)
Intangibles	(34)	(42)	(42)	(42)
Net fixed assets	320	327	300	270
Tangibles	306	300	273	242
Intangibles	14	28	28	28
Capital Work In Progress	-	-	-	-
Goodwill	73	101	101	101
Non-Current Investments	-	-	-	-
Net Deferred tax assets	(13)	(6)	(7)	(9)
Other Non-Current Assets	86	79	84	91
Current Assets				
Investments	129	125	125	125
Inventories	-	-	-	-
Trade receivables	302	312	332	361
Cash & Bank Balance	148	245	251	257
Other Current Assets	315	290	312	340
Total Assets	1,378	1,489	1,515	1,556
Equity				
Equity Share Capital	21	21	21	21
Other Equity	860	937	939	942
Total Network	881	958	960	962
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	88	81	86	94
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	40	42	44	48
Other current liabilities	348	387	402	428
Total Equity & Liabilities	1,378	1,489	1,515	1,556

Source: Company Data, PL Research

Cash Flow (Rs bn)

Y/e Mar	FY24	FY25	FY26E	FY27E
PBT	262	268	285	315
Add. Depreciation	47	48	51	57
Add. Interest	-	-	-	-
Less Financial Other Income	23	32	34	34
Add. Other	95	44	-	-
Op. profit before WC changes	405	360	335	372
Net Changes-WC	(144)	(3)	(23)	(26)
Direct tax	-	-	-	-
Net cash from Op. activities	261	357	313	345
Capital expenditures	(22)	(22)	(24)	(26)
Interest / Dividend Income	-	-	-	-
Others	(37)	3	-	-
Net Cash from Invt. activities	(59)	(19)	(24)	(26)
Issue of share cap. / premium	-	-	-	-
Debt changes	(20)	(24)	-	-
Dividend paid	(147)	(203)	(283)	(313)
Interest paid	-	-	-	-
Others	(7)	(15)	-	-
Net cash from Fin. activities	(175)	(242)	(283)	(313)
Net change in cash	27	96	6	7
Free Cash Flow	239	335	289	320

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25	FY26E	FY27E
Per Share(Rs)				
EPS	58.6	64.5	68.7	76.0
CEPS	69.9	76.1	80.9	89.7
BVPS	212.9	231.4	231.7	232.2
FCF	57.7	80.8	69.7	77.1
DPS	46.0	43.0	58.3	64.5
Return Ratio(%)				
RoCE	27.7	26.6	27.2	30.3
ROIC	19.6	19.4	20.4	22.1
RoE	29.7	29.0	29.7	32.8
Balance Sheet				
Net Debt : Equity (x)	(0.3)	(0.4)	(0.4)	(0.4)
Net Working Capital (Days)	62	60	60	60
Valuation(x)				
PER	26.9	24.4	22.9	20.7
P/B	7.4	6.8	6.8	6.8
P/CEPS	22.5	20.7	19.5	17.6
EV/EBITDA	17.1	15.7	14.7	13.2
EV/Sales	4.1	3.8	3.5	3.3
Dividend Yield (%)	2.9	2.7	3.7	4.1

Source: Company Data, PL Research

Quarterly Financials (Rs bn)

Y/e Mar	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Net Revenue	410	418	409	423
YoY gr. (%)	5.1	7.6	7.9	7.5
Raw Material Expenses	285	291	286	292
Gross Profit	125	126	124	131
Margin (%)	30.5	30.3	30.2	30.9
EBITDA	98	101	99	99
YoY gr. (%)	3.9	10.7	12.4	5.4
Margin (%)	23.9	24.2	24.1	23.5
Depreciation / Depletion	12	12	13	11
EBIT	86	89	86	88
Margin (%)	21.1	21.3	21.0	20.8
Net Interest	-	-	-	-
Other Income	6	8	11	9
Profit before Tax	93	97	97	97
Margin (%)	22.6	23.2	23.6	23.0
Total Tax	27	28	26	28
Effective tax rate (%)	29.6	29.5	27.2	28.9
Profit after Tax	65	68	70	69
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	65	68	70	69
YoY gr. (%)	5.0	11.7	17.2	8.6
Margin (%)	15.9	16.4	17.2	16.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	65	68	70	69
YoY gr. (%)	5.0	11.7	(11.8)	8.6
Margin (%)	15.9	16.4	17.2	16.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	65	68	70	69
Avg. Shares O/s (bn)	4	4	4	4
EPS (Rs)	15.8	16.5	17.0	16.7

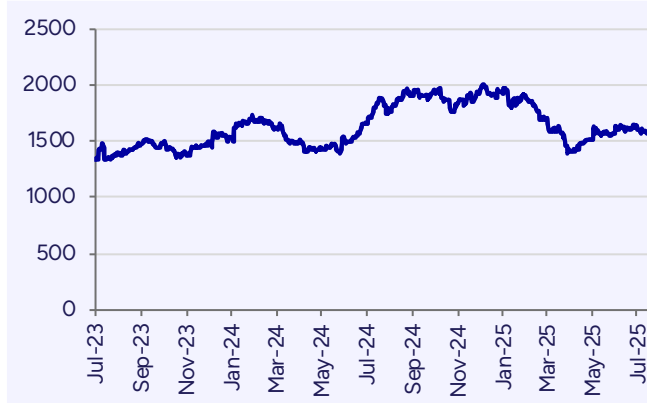
Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY24	FY25	FY26E	FY27E
Revenue (USD mn)	18,562	19,277	20,015	21,227

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	01-Jul-25	Accumulate	1,680	1,602
2	21-Apr-25	BUY	1,630	1,420
3	03-Apr-25	BUY	2,020	1,550
4	27-Mar-25	BUY	2,020	1,599
5	17-Jan-25	BUY	2,250	1,928
6	07-Jan-25	BUY	2,270	1,939
7	18-Oct-24	BUY	2,260	1,968
8	03-Oct-24	BUY	2,180	1,904

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Cyient	Reduce	1,150	1,289
2	HCL Technologies	Hold	1,550	1,620
3	Infosys	Accumulate	1,680	1,602
4	KPIT Technologies	Accumulate	1,390	1,259
5	L&T Technology Services	Hold	4,250	4,347
6	LTIMindtree	Hold	5,340	5,195
7	Mphasis	Hold	2,900	2,845
8	Persistent Systems	Hold	5,890	6,042
9	Tata Consultancy Services	BUY	3,920	3,382
10	Tata Elxsi	Sell	4,750	6,138
11	Tata Technologies	Sell	570	717
12	Tech Mahindra	Reduce	1,470	1,608
13	Wipro	Hold	260	261

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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