

Strong deal wins; Guidance reflects caution...

About the stock: Infosys is one of the leading IT players catering to BFSI, Retail, Communications, Manufacturing & Hi-tech verticals. Company consistently has delivered operating margins > 20%.

Q1FY26 Performance: The revenues at US\$ 4,941 mn, up 2.6% QoQ/ 3.8% YoY in CC terms. EBIT margin at 20.8%, contracted ~20 bps QoQ. PAT stood at ₹6,921 crore, down 1.6% QoQ/ up 8.7% YoY.

Investment Rationale

- Strong start to FY26, but guidance reflects caution:** Infosys kicked off FY26 on a strong note, delivering industry-leading QoQ CC revenue growth (among top tier) of 2.6% (2.2% organic), aided by traction in enterprise AI, pricing support, and volume growth. Notably, growth was broad-based across most verticals, with Manufacturing (+12.2% YoY CC), EURS (+6.4% YoY CC), & BFSI (+5.6% YoY CC) outperforming, though Retail, Lifesciences, and Communications remained sluggish. Backed by healthy deal execution and pipeline visibility, the company revised its FY26 revenue guidance to 1–3% YoY CC (vs. 0–3% earlier), factoring in ~40 bps contribution from acquisitions. However, the upper end remains unchanged, reflecting caution amid persistent macro uncertainties from geopolitical tensions, tariffs, and discretionary spending cuts which continue to delay client decision-making. Management expects a stronger H1 versus H2 due to normal seasonality. Thus, we expect US\$ revenue to grow at CAGR of 4.3% over FY25-27E.
- Medium term margin outlook intact:** EBIT margin guidance was maintained at 20–22%, despite Q1 margins softening 20bps QoQ to 20.8% due to headwinds from wage hike & higher variable pay (-100bps), currency movement (-30bps) & sales investment (-20bps), which were partially offset by Project Maximus productivity gains & seasonality (+70bps), lower amortization of intangibles (+40bps), & lower third-party costs (+20bps). We bake in EBIT margins of 20.8%/21.3% in FY26E/FY27E.
- Robust deal wins and AI-led differentiation:** Large deal TCV surged 46% QoQ to US\$3.8bn, with 55% net new, including 28 large deals & 1 mega deal (9-Communication; 6-EURS; 5-Manufacturing; 4-BFSI; 2-Hi-tech and 2-Retail). Region wise America won 20 deals, Europe 6 & RoW 2. TCV continues to be driven by AI, vendor consolidation deals, & cost take-out deals. The company is investing in enterprise AI, with 300+ GenAI agents deployed across functions, improving client productivity & creating new monetization opportunities.

Rating and Target Price

- The growth visibility is tempered by macro risks & cautious tech spending. We would wait for any improvement in the same to turn constructive.
- We maintain our HOLD rating, valuing it at 21x P/E on FY27E EPS, with an unchanged target price of ₹1,520.

Key Financial Summary

₹ Crore	FY23	FY24	FY25	5 year CAGR (FY20-25)	FY26E	FY27E	2 year CAGR (FY25-27E)
Net Sales	1,46,767	1,53,670	1,62,990	12.4%	1,71,440	1,82,489	5.8%
EBITDA	35,131	36,425	39,235	12.0%	40,653	44,208	6.1%
EBITDA Margins (%)	23.9	23.7	24.1		23.7	24.2	
Net Profit	24,095	26,233	26,713	10.0%	27,821	30,030	6.0%
EPS (₹)	57.6	63.4	64.5		67.2	72.5	
P/E	26.7	24.5	24.0		23.1	21.4	
RoNW (%)	31.8	29.7	27.8		27.0	27.2	
RoCE (%)	38.5	36.3	35.5		34.9	35.4	

Source: Company, ICICI Direct Research



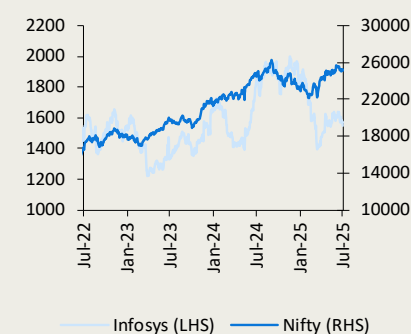
Particulars

(₹ Crore)	Amount
Market cap	6,41,660
Total Debt	-
CC&E	36,937
EV	6,04,723
52 week H/L	2006 / 1307
Equity capital	2,073.0
Face value	5.0

Shareholding pattern

	Sep-24	Dec-24	Mar-25	Jun-25
Promoters	13.1	13.1	13.1	13.0
FII	30.1	30.1	29.4	28.4
DII	34.5	34.7	34.5	35.4
Public	22.4	22.1	23.1	23.1

Price Chart



Key risks

- Prolonged macroeconomic uncertainty;
- Higher than expected TCV to deal conversion

Research Analyst

Bhupendra Tiwary, CFA
bhupendra.tiwary@icicisecurities.com

CA Anjini Sharma
anjini.sharma@icicisecurities.com

Performance highlights and outlook

- Revenue Performance:** Infosys reported revenues of US\$ 4,941 mn, up 4.5% QoQ /4.8% YoY (up 2.6% QoQ/ 3.8% YoY in CC terms - 2.2% QoQ in organic CC terms). In rupee terms the revenue stood at ₹42,279 crore, up 3.3% QoQ/ 7.5% YoY. Infosys delivered **industry-leading CC revenue growth on a QoQ basis**, aided by recent acquisitions (40 bps), pricing, and volume increases. This was achieved despite a 60-bps reduction in third party cost.
- Geography performance:** Geography wise, in CC terms on YoY basis, growth was led by Europe (31.5% of the mix), North America (56.5% of the mix) and RoW (9.1% of the mix) which grew by 12.3%, 0.4% and 0.4% while India (2.9% of the mix) declined by 1%.
 - Europe** grew 12.3% YoY CC i.e., 3 times the company average, a result of ramp of large/mega deals in the geo and strategic investments & successful consolidation deals, per the management. The management indicated that the opportunities in Europe are increasing as it opens up for outsourcing and is primarily driven by consolidation deals.
- Segment performance:** Segment wise, in CC terms on a YoY basis growth was led by Manufacturing (16% of mix), ER&U (13.6% of mix), Financial Services (27.9% of the mix) Communication (12% of mix), Hi-tech (7.8% of mix) and Retail (13.4% of mix) which grew by 12.2%, 6.4%, 5.6%, 4%, 1.7% and 0.4% respectively, while Lifesciences (6.5% of mix) and Others (2.7% of mix) de-grew by 7.9% and 15.3%.
 - BFSI** saw good growth in US capital markets, commercial banking and wealth management transformation opportunities with Agentic AI playing a pivotal role in areas like KYC, onboarding, and portfolio management.
 - Energy, Utilities, Resources & Services (EURS)** outlook remains mixed due to macro uncertainty. Pipeline for both large & mega deals remain strong. The company indicate that in Energy, clients are focusing on client consolidation while in Services, clients remain cautious about spending across CapEx and OpEx.
 - Communication:** Communication is facing growth challenges as clients are focusing on cost takeout and vendor consolidation. Growth in this quarter was driven by pickup in previously won deal.
 - Retail, Manufacturing & Logistics:** Major impact was seen in Retail, Manufacturing, logistic space from the economic changes and tariff uncertainty. The management also added that manufacturing segment continues to face challenges in automotive, industrial and Europe with decision making delayed and soft discretionary signs. Despite this, pipeline remains strong, per the management.
- Margin performance:** EBIT margins for the quarter came at 20.8%, down ~20 bps QoQ due to headwinds of 100 bps from compensation-related costs (wage hike + variable pay), 20 bps from currency & 20 bps from investment in sales which were partly offset by tailwinds of 70 bps from seasonality and productivity gains from Project Maximus, 40 bps from recent acquisitions & 20 bps from lower third-party costs. PAT stood at ₹6921 crore, down 1.6% QoQ/ up 8.7% YoY.
- Guidance for FY26:** Management **retained its EBIT margin guidance of 20–22% and revised the lower end of its FY26 revenue guidance upward to 1–3% YoY CC (vs. 0–3% earlier), incorporating ~40 bps from acquisitions which was not included in the earlier guidance of 0–3%, implying a cut at the top end of the guidance – attributed to continued macro uncertainty by the management. Thus, the revised organic guidance stands at 1.0%–2.6% in CC terms.** The guidance continues to assume reduction in third party revenue and steady macro environment. Nonetheless, discretionary spending remains under scrutiny and macro uncertainty persists, which restricted any guidance raise on the upper band.

- **Deal Wins:** The company maintained a **robust and broad-based deal TCV of US\$3.8bn (+46% QoQ/ -7% YoY)**, with **55% net new TCV including 28 large deals and 1 mega deal from a North American bank** (9-Communication; 6-EURS; 5-Manufacturing; 4-Financial services; 2-Hi-tech and 2-Retail). Region wise America won 20 deals, Europe 6 and RoW 2. The TCV continues to be driven by AI, vendor consolidation deals, and cost take-out deals.
- **Demand Outlook:** Discretionary spending remains muted, with clients still in a wait and watch mode. Decision-making cycles are elongated. Notably, pipeline remains strong and enterprise AI is leading the growth well.
- **Margin levers:** Management believe savings in third-party costs, further realizations and improvement through Project Maximus and efficiency led gains from AI-led projects would be levers for margins. As utilization level have peaked out, it plans to add headcount as and when growth visibility increases. **These could be partly offset by mega deal transition costs, lower growth (1-3%) and full year compensation cost impact.**
- **GenAI/AI:** Infosys has **developed 300 AI** agents across business, operations and IT areas which are helping in improving customer experience and operation efficiency. **Clients are focused on enterprise AI.** Infosys is strategically leveraging **GenAI not only to drive productivity for clients with benefits ranging from 5% to 15% but also creating new revenue streams.** Infosys remained as a preferred AI partner for 10 of its Top 20 clients.
- **Attrition & Employee addition:** The company's net employee count for the quarter reported a growth of 210 employees totalling to 3,23,788 employees, while attrition inched up ~30 bps sequentially to 14.4%. **Despite external uncertainties, hiring plans for FY26 are on track.**

Quarter Performance

₹ crores	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	Comments
Revenue	42,279	39,315	7.5	40,925	3.3	Revenue was up 2.6% QoQ/ 3.8% YoY in CC terms
Employee expenses	28,084	26,028	7.9	27,276	3.0	
Gross Profit	14,195	13,287	6.8	13,649	4.0	
Gross margin (%)	33.6	33.8	-22 bps	33.4	22 bps	
Selling & marketing costs	2,208	1,937	14.0	1,957	12.8	
G&A expenses	2,044	1,913	6.8	1,818	12.4	
EBITDA	9,943	9,437	5.4	9,874	0.7	
EBITDA Margin (%)	23.5	24.0	-49 bps	24.1	-61 bps	
Depreciation	1,140	1,149	-0.8	1,299	-12.2	
EBIT	8,803	8,288	6.2	8,575	2.7	
EBIT Margin (%)	20.8	21.1	-26 bps	21.0	-13 bps	EBIT margins for the quarter came at 20.8%, down ~20 bps QoQ due to headwinds of 100 bps from compensation-related costs (wage hike + variable pay), 20 bps from currency & 20 bps from investment in sales which were partly offset by tailwinds of 70 bps from seasonality and productivity gains from Project Maximus, 40 bps from recent acquisitions & 20 bps from lower third-party costs.
Other income	937	733	27.8	1,088	-13.9	
PBT	9,740	9,021	8.0	9,663	0.8	
Tax paid	2,816	2,647	6.4	2,625	7.3	
Reported PAT	6,921	6,368	8.7	7,033	-1.6	

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 1: Profit and loss statement ₹ crore				
(Year-end March)	FY24	FY25	FY26E	FY27E
Total Income	1,53,670	1,62,990	1,71,440	1,82,489
Growth (%)	4.7	6.1	5.2	6.4
COGS (emp exp)	1,02,735	1,08,535	1,14,479	1,21,426
Admin expenses	7,537	7,632	8,027	8,288
S&M expenses	6,973	7,588	8,280	8,567
Total Opex	1,17,245	1,23,755	1,30,787	1,38,281
EBITDA	36,425	39,235	40,653	44,208
Growth (%)	3.7	7.7	3.6	8.7
Depreciation	4,678	4,811	4,967	5,308
Other Income	4,242	3,183	3,748	3,748
PBT	35,989	37,607	39,434	42,648
Total Tax	9,741	10,857	11,576	12,581
PAT	26,233	26,713	27,821	30,030
Growth (%)	8.9	1.8	4.1	7.9
EPS (₹)	63.4	64.5	67.2	72.5
Growth (%)	10.0	1.8	4.1	7.9

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement ₹ crore				
(Year-end March)	FY24	FY25	FY26E	FY27E
Profit after Tax	26,233	26,713	27,821	30,030
Add: Depreciation	4,678	4,812	4,967	5,308
(Inc)/dec in Current Assets	(3,919)	(1,958)	(2,810)	(3,854)
Inc/(dec) in CL and Provisions	(1,243)	2,498	1,739	2,274
Taxes paid	(9,231)	(5,602)	(11,576)	(12,581)
CF from operating activities	26,066	36,786	27,970	30,010
(Inc)/dec in Investments	(3,962)	(675)	3,748	3,748
(Inc)/dec in Fixed Assets	(2,201)	(2,237)	(2,200)	(2,200)
CF from investing activities	(5,865)	(3,038)	1,548	1,548
Dividend paid & dividend tax	(14,692)	(20,287)	(20,966)	(22,626)
Others	(52)	4	-	-
CF from financing activities	(17,504)	(24,161)	(20,966)	(22,626)
Net Cash flow	2,697	9,587	8,551	8,932
Exchange difference	(84)	82	-	-
Opening Cash	12,173	14,786	24,455	33,006
Closing Cash	14,786	24,455	33,006	41,938

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet ₹ crore				
(Year-end March)	FY24	FY25	FY26E	FY27E
Equity Capital	2,071	2,073	2,073	2,073
Reserve and Surplus	86,390	94,130	1,00,985	1,08,389
Total Shareholders funds	88,461	96,203	1,03,058	1,10,462
Employee benefit obligations	89	99	99	99
Debt	-	-	-	-
Deferred Tax Liability	1,794	1,722	1,722	1,722
Other non current liabilities	8,676	8,029	8,029	8,029
Total Liabilities	99,020	1,06,053	1,12,908	1,20,312
Assets				
Property, plant and equipment	19,370	19,111	16,344	13,236
Goodwill	7,303	10,106	10,106	10,106
Intangibles	1,397	2,766	2,766	2,766
Available for sale assets	11,708	11,059	11,059	11,059
Other assets	8,604	8,762	8,762	8,762
Cash	14,786	24,455	33,006	41,938
Current Investments	12,915	12,482	12,482	12,482
Trade receivables	30,193	31,158	32,773	34,885
Unbilled revenue	12,768	12,851	13,372	14,234
Prepayment & O.fin.assets	12,289	12,986	13,659	14,540
Other current assets	6,481	3,167	3,167	3,167
Total Current Assets	89,432	97,099	1,08,460	1,21,246
Trade payables	3,956	4,164	4,380	4,662
Unearned revenue	7,341	8,492	8,932	9,508
OCL & provisions	27,497	30,194	31,277	32,694
Total Current Liabilities	38,794	42,850	44,589	46,864
Net Current Assets	50,638	54,249	63,871	74,383
Application of Funds	99,020	1,06,053	1,12,908	1,20,312

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios				
(Year-end March)	FY24	FY25	FY26E	FY27E
Per share data (₹)				
EPS	63.4	64.5	67.2	72.5
Cash EPS	74.7	76.1	79.2	85.4
BV	214	232	249	267
DPS	46.0	43.0	50.5	54.5
Cash Per Share	35.7	59.1	79.7	101.3
Operating Ratios (%)				
EBIT Margin	20.7	21.1	20.8	21.3
PBT Margin	23.4	23.1	23.0	23.4
PAT Margin	17.1	16.4	16.2	16.5
Debtor days	72	70	70	70
Unbilled revenue	33	29	28	28
Creditor days	9	9	9	9
Return Ratios (%)				
RoE	29.7	27.8	27.0	27.2
RoCE	36.3	35.5	34.9	35.4
RoIC	44.5	49.8	52.9	59.0
Valuation Ratios (x)				
P/E	24.5	24.0	23.1	21.4
EV / EBITDA	16.9	15.4	14.7	13.3
EV / Net Sales	4.0	3.7	3.5	3.2
Market Cap / Sales	4.2	3.9	3.7	3.5
Price to Book Value	7.3	6.7	6.2	5.8
Solvency Ratios				
Debt/EBITDA	-	-	-	-
Debt / Equity	-	-	-	-
Current Ratio	2.1	1.9	1.9	1.8
Quick Ratio	2.1	1.9	1.9	1.8

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

ANALYST CERTIFICATION

I/We, Bhupendra Tiwary, CFA, MBA (Finance), Anjini Sharma, CA, Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by Sebi and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors.

Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal

Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Bhavesh Soni Email address: headsservicequality@icicidirect.com Contact Number: 18601231122

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

ICICI Securities Limited has not used any Artificial Intelligence tools for preparation of this Research Report.