

October 17, 2025

Decent quarter; Guidance points to muted H2...

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%.

Q2FY26 Performance: The revenues at US\$ 5,076 mn, up 2.2% QoQ/ 2.9% YoY in CC terms. EBIT margins at 21%, was up ~20 bps QoQ. PAT stood at ₹7,364 crore, up 6.4% QoQ/ up 13.2% YoY.

Investment Rationale

- Stable performance amid challenging demand environment:** Infosys delivered a steady Q2FY26 performance with 2.2% QoQ CC revenue growth (2% organic, excluding 1 month incremental from MRE and The Missing Link), driven by strong traction in Hi-tech (+8.6% YoY), Manufacturing (+6.6% YoY), Financial Services (+5.4% YoY) and Communication (+2.1% YoY) though Lifesciences and Retail remained sluggish. Growth was largely realisation-led (function of higher working days), rather than volume uptick, underscoring a still-muted demand backdrop. **Management revised the lower end of its FY26 revenue guidance upward to 2–3% YoY CC (vs. 1–3% earlier), implying a muted H2 with CQGR of -1.5% to -0.2%.** The lower end bakes in higher H2 seasonality from furloughs, suggesting a gradual recovery trajectory, while the upper top end assumes a stable demand environment. **We expect US\$ revenue to grow at CAGR of 4.7% over FY25-27E.**
- Healthy deal pipeline Margins to remain stable:** Deal momentum remained robust with Q2 TCV of US\$3.1 bn (67% net new) including US\$1.6 bn, 15-year mega deal (worth over ₹14k crore) signed with NHSBSA, providing improved visibility into future revenues. Despite macro uncertainty, EBIT margins remained resilient at 21% within the guided range, supported by operational efficiencies, currency tailwinds, and value-based initiatives under Project Maximus. **While the expanding deal pipeline provides a foundation for gradual recovery and sustained growth, management commentary remains cautious amid elongated decision cycles. We bake in EBIT margins of 21%/21.1% in FY26E/FY27E.**
- Strategic AI and cloud focus positions for future upside:** Infosys continues to advance its AI-led transformation with 2,500+ AI projects, 250 agentic AI initiatives, and deep partnerships across the AI value chain. Proprietary platforms such as Topaz and Services.AI are helping embed AI into enterprise modernization programs.

Rating and Target Price

- While the company's strong deal wins and strategic focus on AI and digital transformation provide medium-term visibility, valuations being near historical averages and with limited catalysts for re-rating, we maintain our HOLD rating, valuing it at 21x P/E on FY27E EPS, at a target price of ₹1,550.

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%	1,75,436	1,85,984	6.8%
EBITDA	35,131	36,425	39,235	12.0%	41,581	44,264	6.2%
EBITDA Margins (%)	23.9	23.7	24.1		23.7	23.8	
Net Profit	24,095	26,233	26,713	10.0%	28,615	29,822	5.7%
EPS (₹) - Diluted	57.6	63.4	64.5		70.7	73.7	
P/E	24.2	22.3	21.9		20.4	19.6	
RoNW (%)	31.8	29.7	27.8		28.7	28.2	
RoCE (%)	38.5	36.3	35.5		36.8	36.6	

Source: Company, ICICI Direct Research



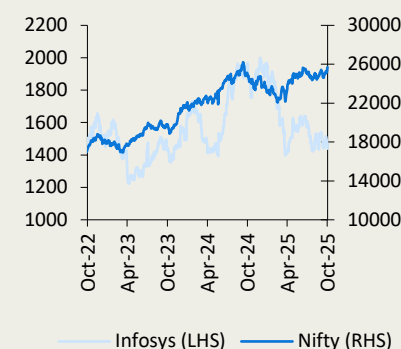
Particulars

(₹ Crore)	Amount
Market cap	5,96,951
Total Debt	-
CC&E	36,937
EV	5,60,014
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 volume led revenue growth

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Performance highlights and outlook

- **Revenue Performance:** Infosys reported revenues of US\$ 5,076 mn, up 2.7% QoQ/ 3.7% YoY (up 2.2% QoQ/ 2.9% YoY in CC terms - 2% QoQ in organic CC terms). In rupee terms the revenue stood at ₹44,490 crore, up 5.2% QoQ/ 8.5% YoY. **The company indicated that growth was driven by higher realisations (also a function of higher number of working days) rather than volume uptick, indicating a still-muted demand backdrop.**
- **Geography performance:** Geography wise on a YoY CC basis, growth was led by India (3.1% of the mix), Europe (31.7% of the mix) and North America (56.3% of the mix) which grew by 6.8%, 6.3% and 2% while RoW (8.9% of the mix) declined by 3.9%.
- **Segment performance:** Segment wise, in CC terms on a YoY basis growth was led by Hi-tech (8.3% of mix), Manufacturing (16.5% of mix), Financial Services (27.7% of the mix) Communication (12% of mix) and ER&U (13.4% of mix) which grew by 8.6%, 6.6%, 5.4%, 4.7% and 2.1% while Lifesciences (6.4% of mix), Others (2.9% of mix) and Retail (12.7% of mix) de-grew by 10.5%, 2.4% and 2.3%.
 - **BFSI:** Financial services clients are actively planning modernisation and AI-driven modernisation with clear focus on cost optimisation, enhanced customer experience and strategic business transformation. Infosys witnesses healthy demand in capital markets, mortgages, commercial banking and wealth management areas as there is some acceleration in mortgage segment with recent reduction in interest rates. Moreover, banks have significantly invested in AI.
 - **Manufacturing:** Manufacturing sector continues to see tariff-led uncertainty, specifically in automotive sector. Demand is healthy in aero sub-segment.
 - **Energy, Utilities, Resources & Services (EURS):** YoY growth was impacted significantly due to higher third-party revenue in Q2FY25.
 - **Communication:** Communication continues to face growth headwinds, subdued discretionary spends and high capex pressure.
 - **Retail:** Retail clients remain cautious on account of ongoing tariff-led uncertainties.
- **Margin performance:** EBIT margins for the quarter came at 21% (within the guided range), was up ~20 bps QoQ, due to tailwinds from currency (+60 bps), Project Maximus (+30 bps) which were partly offset by headwinds from higher post-sale customer support & other expenses (-70 bps). PAT stood at ₹7,364 crore, up 6.4% QoQ/ up 13.2% YoY.
- **Guidance for FY26:** Management remains cautious owing to elongated deal cycles amid macro uncertainty & subdued discretionary spends and **retained its EBIT margin guidance of 20–22% and revised the lower end of its FY26 revenue guidance once again, upward to 2–3% YoY CC (vs. 1–3% earlier).** The guidance continues to maintain a cautious revenue guidance as it bakes in higher seasonality in H2 from furloughs and suggests a gradual recovery trajectory while top end assumes a stable demand environment.
- **Deal Wins:** The company maintained a **robust and broad-based deal TCV of large deals at US\$3.1 bn (67% being net new) vs. US\$3.7 bn in the last quarter and includes 23 large deals** (Financial Services - 6; 4 each in manufacturing, communication and retail; 3 - EURS; Hi-tech - 1; Others - 1). Region wise US saw 14 deal wins; Europe 7 and 1 each in RoW and India.
- **Versent JV:** The company's planned Versent JV (75% stake) with Telstra enhances its presence in AI-driven cloud transformation in Australia, positioning Infosys to benefit as enterprise AI adoption scales up over the medium term. Infosys is investing approximately AUD 233.3mn (~US\$ 153mn/ ~ ₹1,334 crore) for its majority stake. venture strengthens Infosys' Australian presence, grants it majority shareholder rights, and targets AI-

enabled digital solutions for enterprises and government. The deal, subject to Australian regulatory approvals, is expected to close in H2FY26.

- **GenAI/AI:** Infosys continues to advance its AI-led transformation with **2,500+ AI projects, 250 agentic AI initiatives, and deep partnerships across the AI value chain.** Platforms like Topaz and Services.AI are helping embed AI into enterprise modernization.
- **Attrition & Employee addition:** The company's net employee count for the quarter reported a robust growth of 8,203 employees totalling to 3,31,991 employees, while attrition inched down ~10 bps sequentially to 14.3%. **Hired 12,000 freshers in H1 and on track to hire 20,000 freshers for the full year.**
- **Dividend:** It declared an interim dividend of ₹23 per share.

Quarter Performance

₹ crores	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	Comments
Revenue	44,490	40,986	8.5	42,279	5.2	Revenue was up 2.2% QoQ/ 2.9% YoY in CC terms (2% QoQ in organic CC terms).
Employee expenses	29,618	27,314	8.4	28,084	5.5	
Gross Profit	14,872	13,672	8.8	14,195	4.8	
Gross margin (%)	33.4	33.4	7 bps	33.6	-15 bps	
Selling & marketing costs	2,224	1,855	19.9	2,208	0.7	
G&A expenses	2,113	2,008	5.2	2,044	3.4	
EBITDA	10,535	9,809	7.4	9,943	6.0	
EBITDA Margin (%)	23.7	23.9	-25 bps	23.5	16 bps	
Depreciation	1,182	1,160	1.9	1,140	3.7	
EBIT	9,353	8,649	8.1	8,803	6.2	
EBIT Margin (%)	21.0	21.1	-8 bps	20.8	20 bps	EBIT margins for the quarter came at 21%, up ~20 bps QoQ due to tailwinds from currency (+60 bps), Project Maximus (+30 bps) which were partly offset by headwinds from higher post-sale customer support & other expenses (-70 bps).
Other income	876	604	45.0	937	-6.5	
PBT	10,229	9,253	10.5	9,740	5.0	
Tax paid	2,854	2,737	4.3	2,816	1.3	
Reported PAT	7,364	6,506	13.2	6,921	6.4	

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	1,75,436	1,85,984
Growth (%)	4.7	6.1	7.6	6.0
COGS (emp exp)	1,02,735	1,08,535	1,16,666	1,23,679
Admin expenses	7,537	7,632	8,324	8,741
S&M expenses	6,973	7,588	8,865	9,299
Total Opex	1,17,245	1,23,755	1,33,855	1,41,720
EBITDA	36,425	39,235	41,581	44,264
Growth (%)	3.7	7.7	6.0	6.5
Depreciation	4,678	4,811	4,716	5,022
Other Income	4,242	3,183	3,463	3,111
PBT	35,989	37,607	40,328	42,353
Total Tax	9,741	10,857	11,676	12,494
PAT	26,233	26,713	28,615	29,822
Growth (%)	8.9	1.8	7.1	4.2
EPS (₹) - Diluted	63.4	64.5	70.7	73.7
Growth (%)	10.0	1.8	9.6	4.2

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	28,615	29,822
Add: Depreciation	4,678	4,812	4,716	5,022
(Inc)/dec in Current Assets	(3,919)	(1,958)	(4,204)	(3,679)
Inc/(dec) in CL and Provisions	(1,243)	2,498	2,562	2,171
Taxes paid	(9,231)	(5,602)	(11,676)	(12,494)
CF from operating activities	26,066	36,786	28,226	30,225
(Inc)/dec in Investments	(3,962)	(675)	3,463	3,111
(Inc)/dec in Fixed Assets	(2,201)	(2,237)	(2,200)	(2,200)
CF from investing activities	(5,865)	(3,038)	1,263	911
Dividend paid & dividend tax	(14,692)	(20,287)	(7,000)	(23,821)
Others	(52)	4	-	-
CF from financing activities	(17,504)	(24,161)	(25,000)	(23,821)
Net Cash flow	2,697	9,587	4,489	7,314
Exchange difference	(84)	82	-	-
Opening Cash	12,173	14,786	24,455	28,944
Closing Cash	14,786	24,455	28,944	36,258

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Equity Capital	2,071	2,073	2,023	2,023
Reserve and Surplus	86,390	94,130	97,795	1,03,796
Total Shareholders funds	88,461	96,203	99,818	1,05,819
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	1,09,668	1,15,669
Assets				
Property, plant and equipment	19,370	19,111	16,595	13,773
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	28,944	36,258
Current Investments	12,915	12,482	12,482	12,482
Trade receivables	30,193	31,158	33,537	35,554
Unbilled revenue	12,768	12,851	13,684	14,507
Prepayment & O.fin.assets	12,289	12,986	13,978	14,818
Other current assets	6,481	3,167	3,167	3,167
Total Current Assets	89,432	97,099	1,05,792	1,16,786
Trade payables	3,956	4,164	4,482	4,751
Unearned revenue	7,341	8,492	9,140	9,690
OCL & provisions	27,497	30,194	31,790	33,142
Total Current Liabilities	38,794	42,850	45,412	47,583
Net Current Assets	50,638	54,249	60,380	69,203
Application of Funds	99,020	1,06,053	1,09,668	1,15,669

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
Per share data (₹)				
EPS (Diluted)	64.8	66.0	70.7	73.7
Cash EPS	74.7	76.1	80.5	84.2
BV	219	238	247	262
DPS	46.0	43.0	16.9	57.4
Cash Per Share	35.7	59.1	69.9	87.6
Operating Ratios (%)				
EBIT Margin	20.7	21.1	21.0	21.1
PBT Margin	23.4	23.1	23.0	22.8
PAT Margin	17.1	16.4	16.3	16.0
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	28.7	28.2
RoCE	36.3	35.5	36.8	36.6
RoIC	44.5	49.8	54.0	58.6
Valuation Ratios (x)				
P/E	22.3	21.9	20.4	19.6
EV / EBITDA	15.6	14.3	13.4	12.4
EV / Net Sales	3.7	3.4	3.2	2.9
Market Cap / Sales	3.9	3.7	3.4	3.2
Price to Book Value	6.8	6.2	6.0	5.6
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

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Hold: -5% to 15%;

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Sell: <-15%



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