HOLD

TP: Rs 1,536 | ∀ 2%

INFOSYS | IT Services | 24 July 2025

Strong quarter but underwhelming revenue guidance for FY26

- **The 2.2% CC QoQ organic growth in 1QFY26 ahead of our flat estimate. But guidance upgrade to 1-3% (0-3% earlier) suggests weak 2H**

  Strong large deal TCV (up 44% QoQ) seems largely driven by vendor consolidation with 'AI led efficiency' being a key theme

- **Maintain estimates and Target PE multiple -20.2x- at 5% discount to that of TCS. Price correction since last report leads to upgrade to HOLD**

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Much better-than-expected revenue performance: The 2.2% organic growth in CC QoQ terms was much better than the flat number we were estimating. Especially as third-party items came off 60bps QoQ (not expected by us). The EBIT margin came in lower at 20.8% versus our estimate of 21.5% largely due to higher-than-expected compensation cost impact and currency headwinds.

The underwhelming revenue guidance upgrade: Likely headwind in 2H seasonality, lower third-party items and revenue leakage: The upgrade from 0-3% to 1-3% seemed tame as it incorporates the strong 1Q performance, 40bps from inorganic growth. Implicitly there seems to be a downgrade for the rest of the 9 months. We think FY26<FY25 in CC revenue growth. The company says that it has visibility on the strongest half of the year – 1H and the guidance is based on what it currently sees in its business. This seems driven by weak TTM net new (down ~40%), seasonality, lower third-party items (which will hit more in the next 9 months YoY). We also suspect revenue leakage from loss due to vendor consolidation. With all large cap companies seem to see vendor consolidation as a positive, we suspect these same companies are also losing some customers due to same reason.

Vendor consolidation is a big theme with efficiency pass back a key factor: Every single example of large deal win including that of vendor consolidation, has efficiency weaved in. While some of the vendor consolidation is initiated by the customer, we think some of it is a case of vendors proactively taking cost take out solutions to their customers as existing incumbents dither. We may therefore be well and truly into a hyper phase of self-cannibalization in the quarters ahead.

Uncertainty remains especially in certain sectors. Decision making delayed: We suspect that the hyper focus on cost take out will continue even after a firming up of Tariffs as we believe that most customers will feel both first and second order impact of 'eating of tariffs' (see our latest sector note - **Uncertainty stays and 'eating the tariff' may impact even FY27**) that could pressure their elevated margins or lead to higher inflation (and higher interest rates) if passed on to end consumers.

Key changes

Target	Rating
▲	▲

Ticker/Price	INFO IN/Rs 1,575
Market cap	US$ 75.5bn
Free float	86%
3M ADV	US$ 124.5mn
52wk high/low	Rs 2,006/Rs 1,307
Promoter/FPI/DII	15%/32%/39%

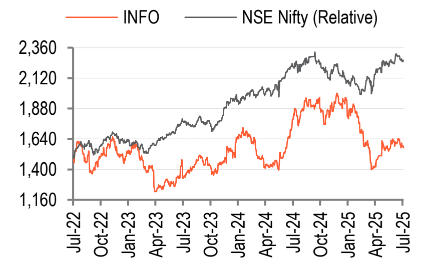
Source: NSE | Price as of 23 Jul 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	1,629,900	1,699,415	1,877,268
EBITDA (Rs mn)	392,350	406,111	449,735
Adj. net profit (Rs mn)	267,130	277,298	307,372
Adj. EPS (Rs)	64.4	66.8	74.1
Consensus EPS (Rs)	64.4	67.8	73.7
Adj. ROAE (%)	28.9	28.7	30.3
Adj. P/E (x)	24.5	23.6	21.3
EV/EBITDA (x)	16.3	15.6	13.9
Adj. EPS growth (%)	1.7	3.8	10.8

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Key Points from the quarter and the earnings call

- Revenue stood at US$4,941mn, reflecting CC QoQ growth of 2.6% (against our estimate of flat growth) including 0.4% from acquisitions and CC YoY growth of 3.8%
- Revenue growth was driven by increased realization from Project Maximus and positive volume growth.
- Vertical Growth (YoY CC) - Manufacturing: 12.2%; Financial Services: 5.6%; Energy, Utilities, Resources & Services: 6.4%; Retail: 0.4%; Communication: 4%; Hi-Tech: 1.7%; Life Sciences: -7.9; Others: -15.3%
- Geography Growth (YoY CC) - North America: 0.4%; Europe: 12.3%; India: -1%; RoW: 0.4%
- Third-party costs reduced by 60 bps to 7.3% of revenue sequentially but was flat YoY
- EBIT margin at 20.8% (against our estimate of 21.5%), down 20 bps QoQ and 30 bps YoY
    - Margin headwinds: 100 bps from compensation increases and higher variable pay, 30 bps from currency movement, 20 bps from sales investments.
    - Margin tailwinds: 70 bps from realization gains (Maximus, seasonality – one extra day), 40 bps from lower intangible amortization, 20 bps from reduced third-party costs
- 70 bps benefit in 1Q from project Maximus came from a combination of pricing and productivity improvements.
    - Pricing benefit driven by Project Maximus and its value-based selling tracks. Additional benefit in 1Q from seasonality due to higher working calendar days. The furlough recovery also contributed to seasonal gains in 1Q. Full-year pricing benefit in FY25 was 3.5%, partly from low-hanging opportunities
- Utilization excluding trainees increased 30 bps QoQ to 85.2%; Utilization including trainees increased 80 bps to 82.7%
- 28 large deals won with TCV of US$3.8 bn, including 55% net new.. Deals signed- 9 in communications, 6 in EURS, 5 in manufacturing, 4 in FS, 2 in high tech, 2 in retail. Deals by region: 20 in Americas, 6 in Europe, 2 in RoW.
- The headcount at quarter-end was 323, 788 was up 210 QoQ.
- Attrition stood at 14.4%, which is the highest one has seen in 7 quarters.

Demand Environment

- The business environment remains uncertain due to unresolved tariffs and geopolitical issues. Client discretionary spending remains cautious, decision-making is delayed.
- Near-term visibility remains good; stronger H1 expected compared to H2 due to seasonality.

- Financial services momentum in the US is driven by transformation in capital markets, commercial banking, and wealth management. Agentic AI is playing a pivotal role with focus on areas like KYC, onboarding and portfolio management. Strong pipeline in FS with opportunities in vendor consolidation, cost optimization, simplification. Cautious client decision-making due to volatile environment.

- Manufacturing faces challenges in auto, industrial, and Europe due to delayed decision-making and soft discretionary demand. Clients are re-evaluating supply chains due to tariff uncertainty, leveraging technology across lifecycles. Healthy pipeline in manufacturing focused on cost takeout opportunities. In auto, helping clients rationalize footprints; in industrial, focus on cost optimization.

- The EURS vertical outlook mixed due to economic uncertainty. Strong pipeline for large and mega deals. In energy, oil price volatility driving vendor consolidation. In utilities, markets are reshaped by renewables, smart grids, and sustainability regulation. Cautious CapEx and OpEx spending on services.

- In retail, tariff uncertainty is leading to muted spending, supply chain impact, and procurement disruption. Tight budgets and elongated decision cycles in retail. Slowdown in discretionary spending; strong pipeline remains. AI driving budget reallocation: discretionary spending expected to be self-funded through AI-led productivity.

- Communications vertical facing growth challenges and increased OpEx measures due to volatile macroeconomic and political landscape. Focus on cost takeout and vendor consolidation. Emphasis on AI and 5G customization; ROI concerns delaying investments.

- High-tech clients cautious due to macro headwinds and geopolitical tensions. Cost pressures and budget cuts in high-tech; Discretionary programs are paused because of significant investments in Gen AI, GPU and AI

- Overall, demand is a mix of strong AI-related growth areas and some sector-specific challenges

  - There's strong client demand driven by AI, especially enterprise AI agents and large AI platforms. Clients are engaging in actual project work involving small language models and broader AI integration

  - There's also significant interest in consolidation, cost efficiency, cloud, data and analytics, and next-gen SaaS platforms

  - Certain sectors like logistics, consumer products, few areas within manufacturing, and auto face some economic constraints

Guidance

- FY26 revenue growth guidance revised from 0%–3% to 1%–3% in CC; Guidance assumes reduction in third-party revenues vs FY25. The lower end of the guidance was primarily driven by better performance in 1Q.

- Operating margin guidance for FY26 at 20%–22% retained.

- Upper end of guidance now assumes a steady macro environment; Lower end of guidance reflects expectations of continued or heightened uncertainty

Other Points

- The company still aspires to improve EBIT margins in FY26 versus FY25, despite Q1 being lower than last year's average. Key margin levers include Benefits from Project Maximus**,** Reduction in third-party costs, Stabilization after absorbing the Q1 wage hikes; Offsetting pressures include Ramp-up costs for large/mega deals
- Clients are showing strong interest in Enterprise AI, cloud, and data infrastructure, which are key to driving productivity and future growth. However, uncertainty around tariffs, economic activity, and GDP growth is making clients cautious, especially with discretionary spending. While there's potential for client spending to improve if trade situations are resolved, Infosys views the current environment as influenced by a mix of short-term and structural factors
- Clients are seeing productivity benefits from enterprise AI deployments. Productivity benefits are generally shared between clients and Infosys
- FY26 third-party costs expected to be lower than FY25, based on signed and pipeline deals
- The 40-bps change in D&A is mainly due to the absence of a one-off intangible amortization expense from a past acquisition that impacted the previous quarter. Currency effects also contributed slightly.
- Growth in Europe is driven by early strategic focus and positioning in the region. Investments based on early recognition of Europe as a growth opportunity have yielded large and mega deal wins. Winning consolidation deals has also contributed to strong growth in Europe. The European market is increasingly opening up to outsourcing, further supporting growth
- Vendor consolidation continues, and Infosys is benefiting due to strong Enterprise AI, automation, and consistent delivery. Competition includes both large and smaller vendors. Pricing approach remains focused on productivity
- The wage hike was implemented in two phases: Majority of employees up to mid-level received it in January 2025 (4QFY25); Remaining employees received it from April 2025 (1QFY26). The 100 bps impact this quarter includes both wage hikes and higher variable pay
- The management said that they see strong client interest in Enterprise AI and believe Infosys is well-prepared, but the AI adoption won't exactly mirror past cycles like cloud. The current tech landscape is bigger and more complex, making the AI cycle different from before
- The headcount remained flat QoQ, including software professionals. The company improved utilization by 30 bps this quarter, which supported growth alongside pricing increases and seasonality. Going forward, any volume growth will likely require additional headcount, either through subcontractors or hiring employees.
- The delivery model won't change significantly in the short term, but over a longer period, AI may drive the emergence of new pricing models like outcome-based, POD-based, or studio-based pricing

We have an underweight stance on Indian IT services.

We reinitiated coverage on the Indian IT Services with an Underweight stance through a report on 1 January 2025 (**Slow is the (new/old) normal**).and reiterated that view with an update on 12th March 2025 (**FY26 unlikely to be better than FY25**). We also put out a recent update (**Uncertainty stays and 'eating the tariff' may impact even FY27**) where we indicate we believe the tariff decisions of 7 July 2025 on 14 countries, post the 90-day pause, prolongs the current phase of uncertainty.

Consequently, we see Tier-1 growth to remain at low single digit level for FY26 and 'eating the tariff' may lead to adverse impact on FY27

While both earnings and PE multiples have corrected since 1 Jan 2025, we believe the industry's structural organic revenue growth from here on will be lower than the ~7% CAGR seen during FY15-FY20, possibly ~5% CAGR over FY25-FY30 in constant currency (CC) terms.

Multiple speed breakers post FY25 drive our Underweight stance

Trump policies raise uncertainty: The tariffs, the higher fiscal deficit from the 'one big, beautiful bill' (OBBB), the crackdown on illegal immigration, DOGE, etc all point to uncertainty in the coming days which may delay decision making

Higher for longer interest rate environment: One of the reasons for optimism around the Indian IT Services sector in late 2024 had been the view that the US would achieve a soft landing in 2025 and that Fed Funds rate would be gradually lowered from the peak of 5.25-5.5%, driven by lower inflation. This, the market felt, was the apt environment for a broader pick up in discretionary spending beyond that of North American BFSI sector, especially after two muted years when the constant refrain from vendors for the weak growth was of 'macro uncertainty'.

Lately, based on inflation prints and fears of a higher fiscal deficit, US 10-year yields have remained firm. There are fears that sustained high interest rates could reduce IT outsourcing demand, particularly in sectors like BFSI and Telecom, and dampen US demand in areas like housing, autos and retail.

Covid-induced pull forward of demand requires a multi-year unwind. We think there were excesses during the compressed transformation phase which are yet to be fully unwound.

Gen AI and GCCs are going to disrupt growth: We also believe that AI/Gen AI will lead to compression of revenue for the industry in the next 24-36 months as companies self-cannibalize to hold on to their existing clients. We also believe that the rapid growth of the GCCs is a threat to outsourcing. While there seems to be collaboration between the outsourcers and their clients in setting up these GCCs, there will be growth discontinuity when the business is insourced at some point.

Massive hyper scaler AI capex should accentuate re-alignment in IT spend: Software players, including hyper scalers, are increasing capex on AI-related data centres. This will drive higher pricing, forcing enterprises to allocate more IT spend to cloud/SaaS and move it away from the those who have lower bargaining power – the global IT services players.

Higher competition: Indian Tier-1 companies now face higher competition from Accenture (especially as it loses business due to DOGE), Tier-2 players, and Cognizant, likely slowing their growth compared to FY15-FY20. This is besides the fact that by FY25, Tier-1 revenue will reach US$ 85bn, double that in FY15. Due to the higher base now, growth may not be as rapid.

Weak TCV: The weaker TCV for most players in FY25 (YoY) and lack of any mega deal announcements in recent quarters points to a brewing growth problem for FY26. Many of the large companies like TCS, INFO and HCLT will also grapple with large contributions to incremental revenue by a set of large clients in FY25 or the need to set off large pass-through items.

How we are valuing companies: We are using PE methodology and using TCS as our industry benchmark. The target PE used for TCS now is 21.3x, which is the average PE multiple of TCS over the last 10 years less 0.5SD. Through our choice of the benchmark Target PE multiple, we seek to capture the probability of downside risks to consensus growth expectations for FY26/FY27, especially due to Trump 2.0 proposals.

Tier- 2 valuation reflects growth gap with Tier-1

The Tier-2 set have been taking away market share from the Tier-1 set due to better execution and due to their smaller size. And unlike in the past cycles, they have performed better than the Tier-1 largely due to better management teams.

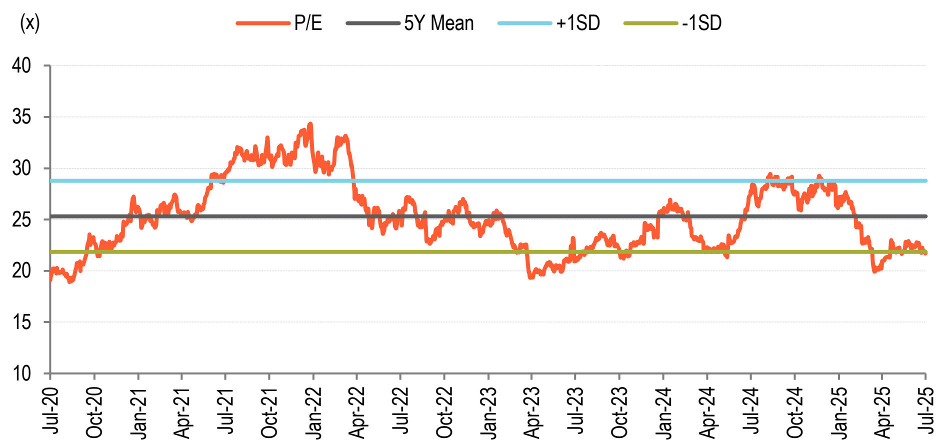
However, the current PE premium to Tier-1s is excessive as we believe that to deliver on the high consensus revenue growth expectations, they may be taking on more cost take-out projects which are likely to impact their margins adversely.

Fig 1 – Quarterly results: Comparison of actuals with estimates

Y/E Mar (Rs mn)	1QFY25	4QFY25	1QFY26	YoY (%)	QoQ (%)	1QFY26E	Dev (%)
Net Sales (USD mn)	**4,714**	**4,730**	**4,941**	**4.8**	**4.5**	**4,833**	**2.2**
Net Sales	**393,150**	**409,250**	**422,790**	**7.5**	**3.3**	**418,042**	**1.1**
Software Development Expenses	271,770	285,750	292,240	7.5	2.3	290,457	0.6
% of Sales	69.1	69.8	69.1			69.5	
Gross Margin	121380	123500	130550	7.6	5.7	127585	2.3
% of Sales	30.9	30.2	30.9			30.5	
SG&A	38,500	37,750	42,520	10.4	12.6	37,624	13.0
% of Sales	9.8	9.2	10.1			9.0	
EBIT	**82,880**	**85,750**	**88,030**	**6.2**	**2.7**	**89,961**	**(2.1)**
EBIT Margin (%)	**21.1**	**21.0**	**20.8**			**21.5**	
Other Income	8,380	11,900	10,420	24.3	(12.4)	9,234	12.8
PBT	90,210	96,630	97,400	8.0	0.8	98,176	(0.8)
Provision for Tax	26,470	26,250	28,160	6.4	7.3	28,962	(2.8)
Effective Tax Rate	29.3	27.2	28.9			29.5	
PAT (adjusted)	63,740	70,380	69,240	8.6	(1.6)	69,214	0.0
Exceptional items	0	0	0			0	
Minority Interest	60	50	30			0	
PAT (reported)	**63,680**	**70,330**	**69,210**	**8.7**	**(1.6)**	**69,214**	**(0.0)**
NPM (%)	**16.2**	**17.2**	**16.4**			**16.6**	

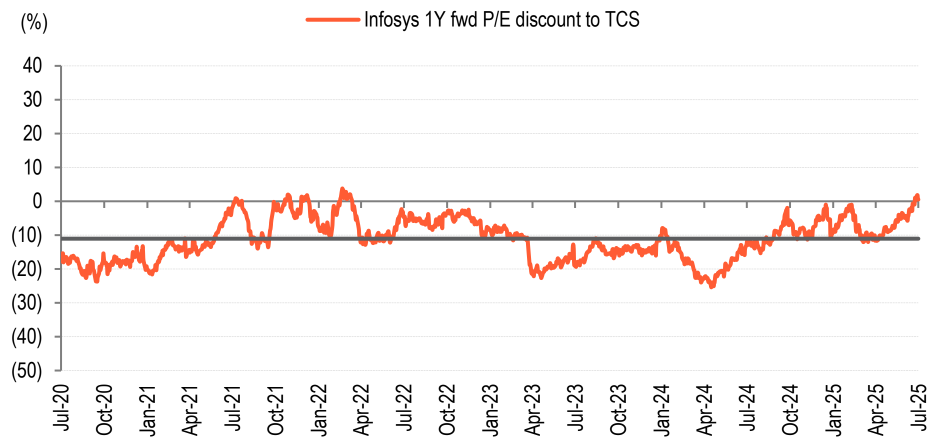
Source: Company, BOBCAPS Research

Fig 2 – 5 Year PE trend



Source: Company, BOBCAPS Research

Fig 3 – Premium/ Discount to TCS



Source: Company, BOBCAPS Research

Fig 4 – Revised Estimates

	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
INR/USD	86.6	89.3	91.1	87.3	89.3	91.1	(0.7)	0.0	0.0
USD Revenue (USD mn)	19,616	21,029	22,502	19,563	21,024	22,486	0.3	0.0	0.1
USD Revenue Growth (%)	1.8	7.2	7.0	1.5	7.5	7.0			
Revenue (Rsbn)	1699	1877	2049	1707	1877	2048	(0.4)	0.0	0.1
EBIT (Rsbn)	356	393	430	361	393	430	(1.3)	(0.0)	0.1
EBIT Margin (%)	21.0	21.0	21.0	21.2	21.0	21.0			
PAT Adjusted (Rsbn)	277	307	338	281	307	336	(1.3)	0.2	0.7
FDEPS-Adjusted (Rs)	66.8	74.1	81.5	67.6	73.9	80.9	(1.2)	0.2	0.7

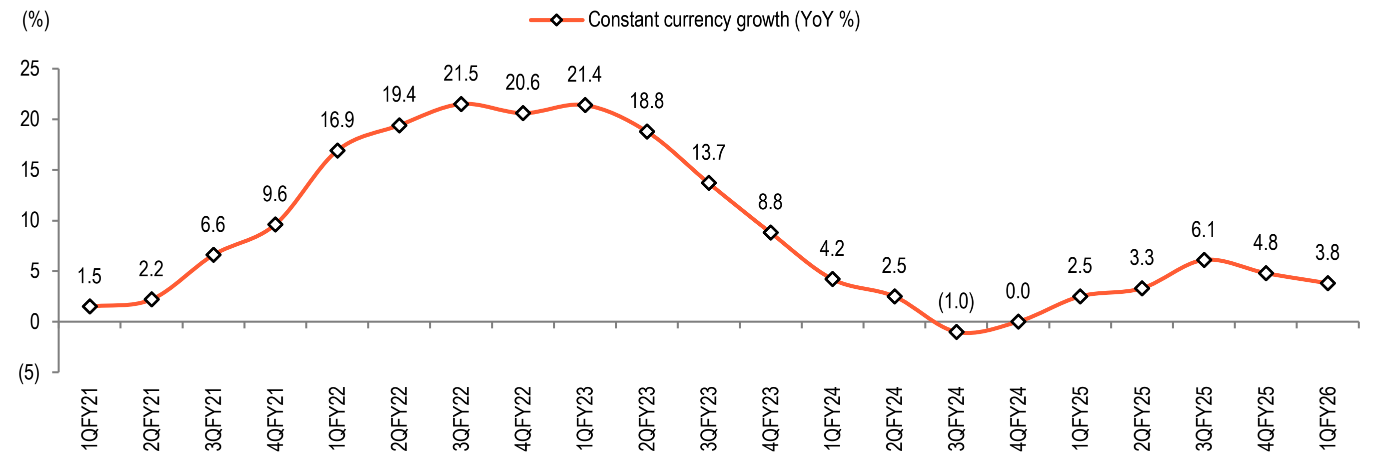
Source: Company, BOBCAPS Research

Fig 5 – P&L at a glance

(YE March)	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Average INR/USD	54.6	60.7	61.2	65.7	67.1	64.5	70.0	71.0	74.1	74.5	80.9	82.7	84.6	86.6	89.3	91.1
Net Sales (USD mn)	**7,387**	**8,247**	**8,714**	**9,499**	**10,206**	**10,940**	**11,799**	**12,781**	**13,562**	**16,310**	**18,212**	**18,562**	**19,277**	**19,616**	**21,029**	**22,502**
-Growth (%)	**5.5**	**11.6**	**5.7**	**9.0**	**7.4**	**7.2**	**7.9**	**8.3**	**6.1**	**20.3**	**11.7**	**1.9**	**3.9**	**1.8**	**7.2**	**7.0**
Net Sales	404	501	533	624	685	705	827	908	1,005	1,216	1,468	1,537	1,630	1,699	1,877	2,049
-Growth (%)	19.6	24.2	6.4	17.1	9.7	3.0	17.2	9.8	10.7	21.1	20.7	4.7	6.1	4.3	10.5	9.1
Direct Costs	253	321	329	391	433	451	539	607	654	820	1,024	1,074	1,133	1,171	1,283	1,395
Gross Margin	151	180	204	233	252	254	288	301	351	396	444	463	496	528	594	654
% of sales	37.4	35.9	38.3	37.4	36.8	36.0	34.8	33.1	34.9	32.6	30.3	30.1	30.5	31.1	31.6	31.9
SG& A	46	60	66	77	83	82	99	107	104	116	135	145	152	172	201	223
% of sales	11.5	11.9	12.4	12.4	12.2	11.7	12.0	11.8	10.4	9.6	9.2	9.4	9.3	10.1	10.7	10.9
EBIT	**104**	**120**	**138**	**156**	**169**	**171**	**189**	**194**	**246**	**280**	**309**	**317**	**344**	**356**	**393**	**430**
% of sales	**25.8**	**24.0**	**25.9**	**25.0**	**24.7**	**24.3**	**22.8**	**21.3**	**24.5**	**23.0**	**21.1**	**20.7**	**21.1**	**21.0**	**21.0**	**21.0**
Other income (net)	24	27	34	31	31	32	33	28	22	23	27	47	36	38	43	50
PBT	128	147	173	187	200	204	213	220	266	301	333	360	376	390	432	476
-PBT margin (%)	31.7	29.3	32.4	30.0	29.1	28.9	25.8	24.2	26.5	24.8	22.7	23.4	23.1	23.0	23.0	23.2
Provision for tax	34	41	49	53	56	57	56	54	72	80	92	97	109	113	125	138
Effective tax rate (%)	26.3	27.6	28.6	28.0	28.1	28.0	26.4	24.4	27.1	26.4	27.7	27.1	28.9	28.9	28.9	28.9
Net profit (adjusted)	**94**	**106**	**123**	**135**	**144**	**147**	**157**	**166**	**194**	**221**	**241**	**262**	**267**	**277**	**307**	**338**
-Growth (%)	**13.3**	**13.0**	**15.8**	**9.4**	**6.4**	**2.3**	**6.8**	**5.8**	**16.6**	**14.3**	**9.0**	**8.9**	**1.8**	**3.8**	**10.8**	**10.0**
-Net profit margin (%)	**23.3**	**21.2**	**23.1**	**21.6**	**21.0**	**20.8**	**19.0**	**18.3**	**19.3**	**18.2**	**16.4**	**17.1**	**16.4**	**16.3**	**16.4**	**16.5**

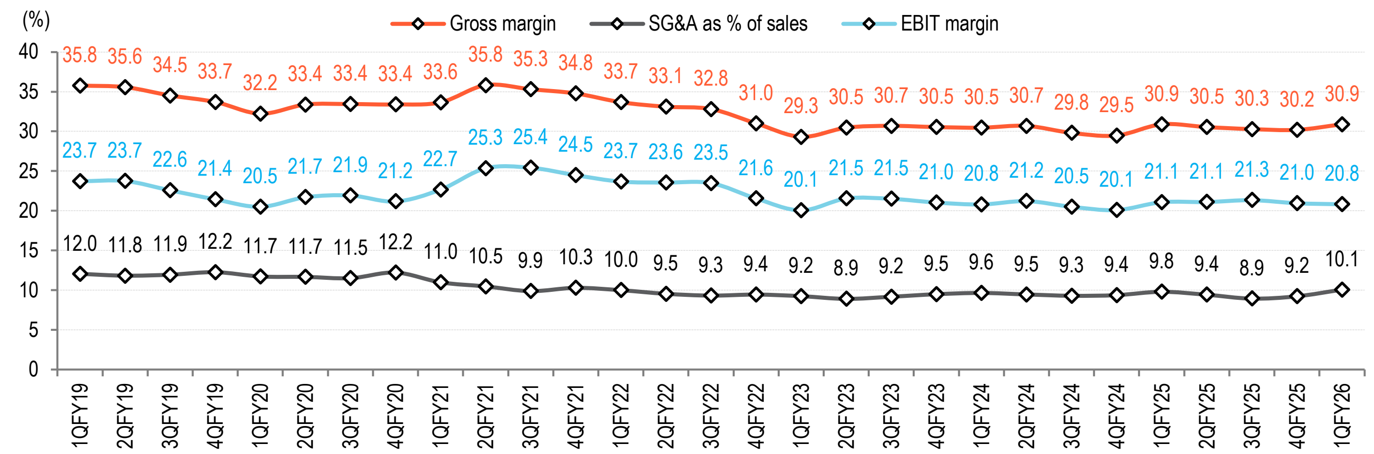
Source: Company, BOBCAPS Research

Fig 6 – Revenue Growth YoY (CC terms)



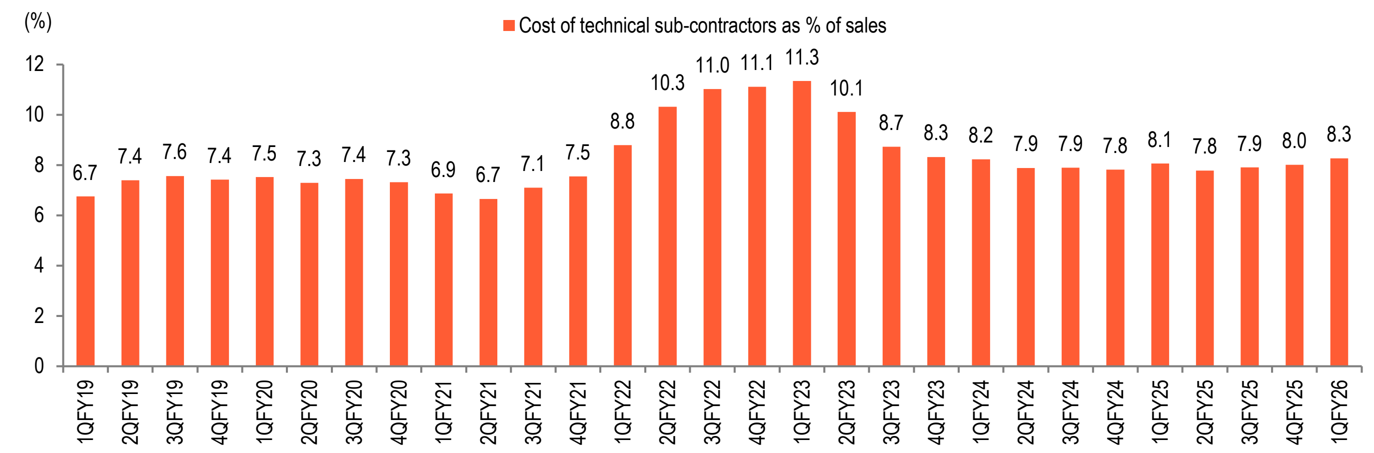
Source: Company, BOBCAPS Research

Fig 7 – Gross Margin, SG&A and EBIT margin (as % of sales)



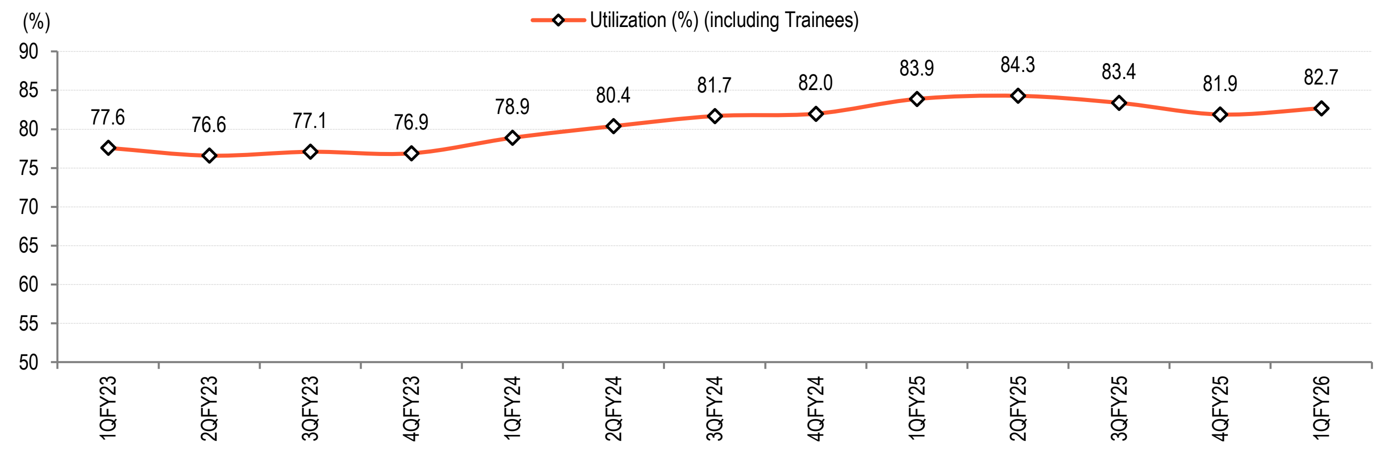
Source: Company, BOBCAPS Research

Fig 8 – Sub-contractor charges trend



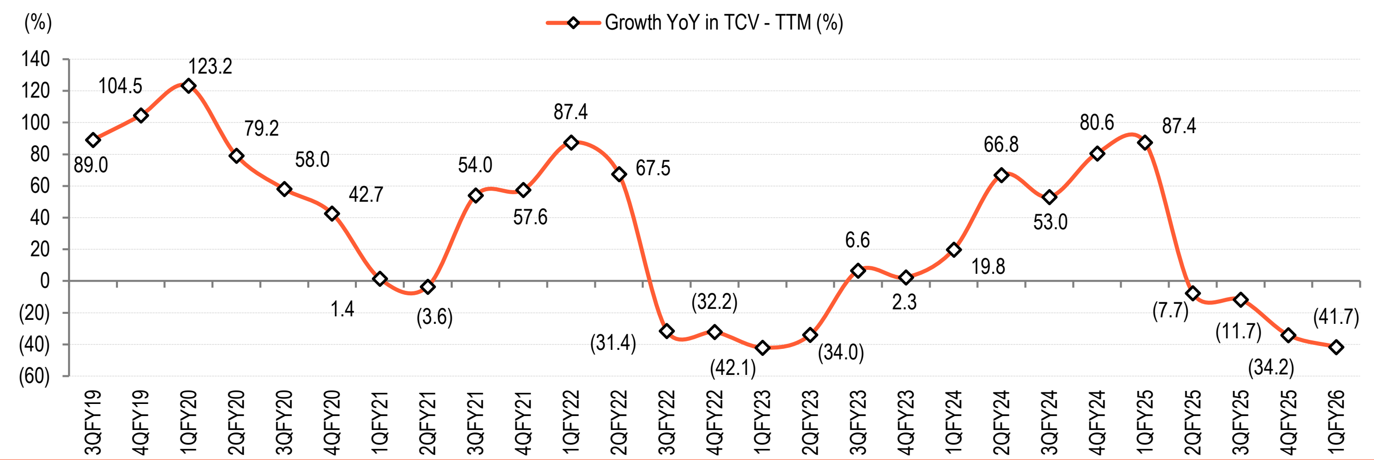
Source: Company, BOBCAPS Research

Fig 9 – Utilisation on a QoQ basis



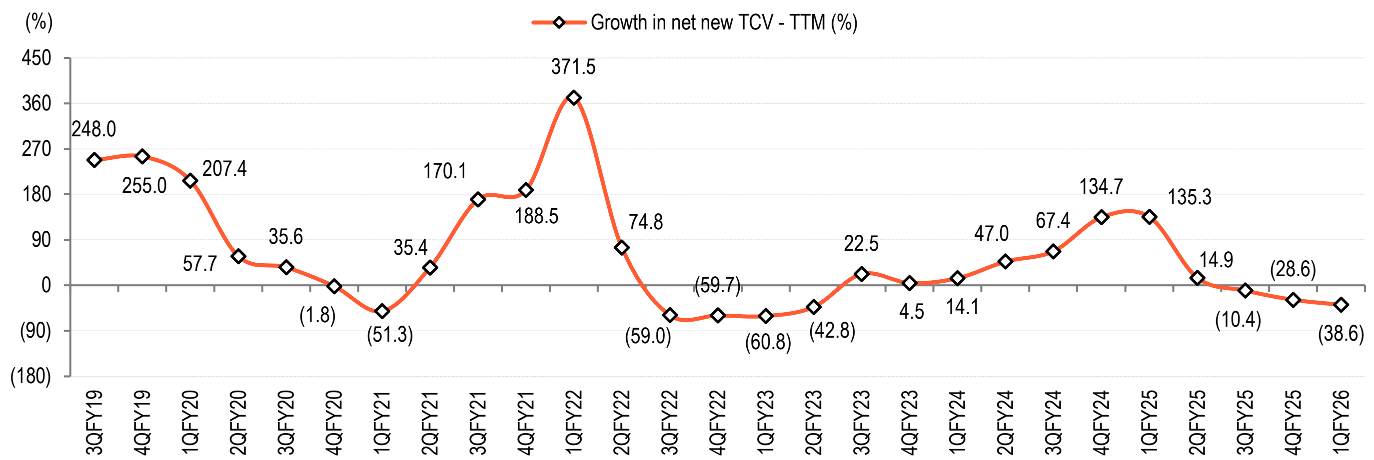
Source: Company, BOBCAPS Research

Fig 10 – Large deal TCV growth – TTM (%)



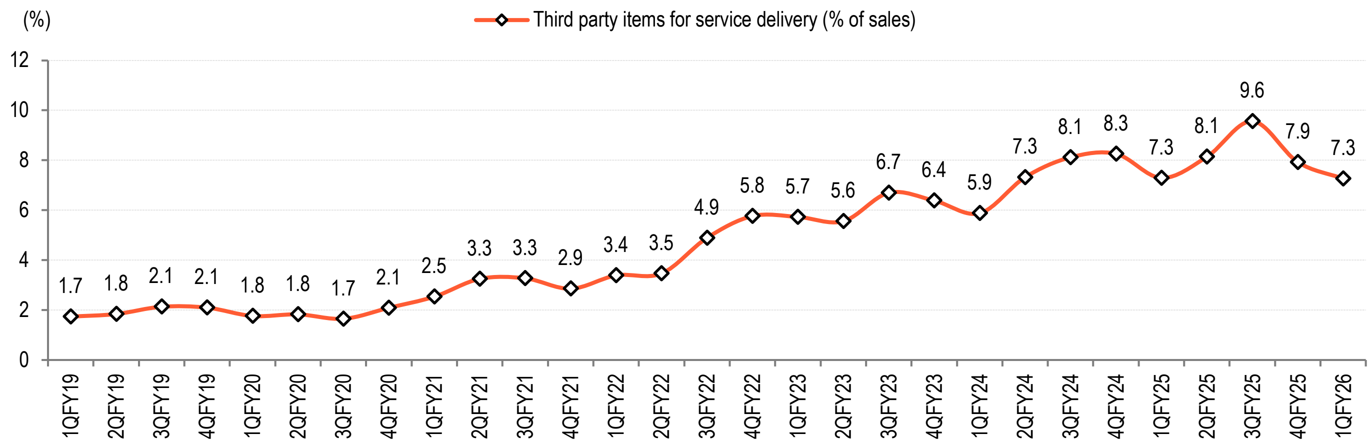
Source: Company, BOBCAPS Research

Fig 11 – Growth in Net New large deal TCV – TTM (%)



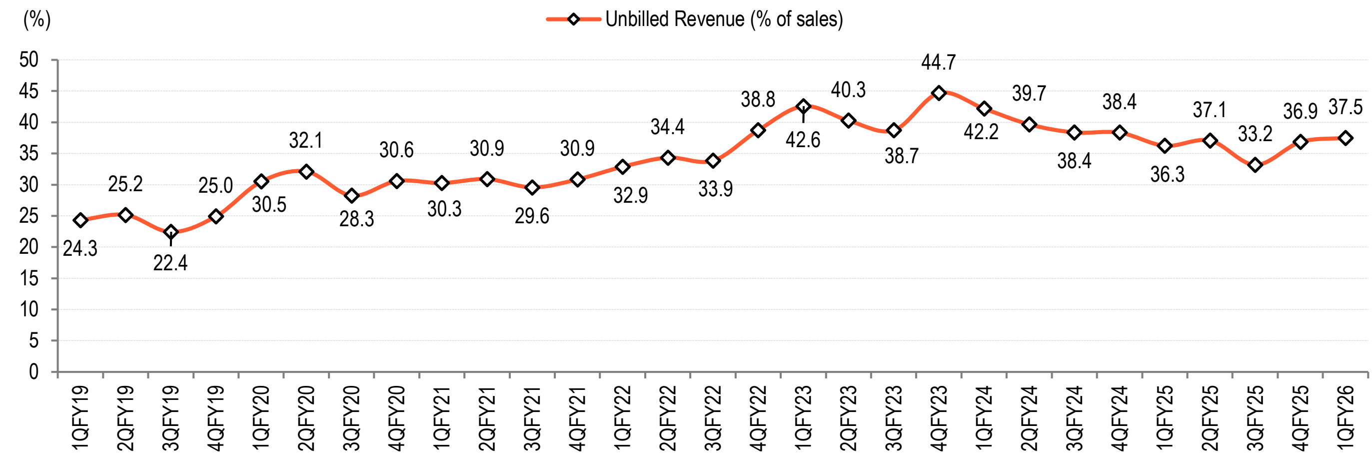
Source: Company, BOBCAPS Research

Fig 12 – Trends in third party items for service delivery (as % of quarterly revenue)



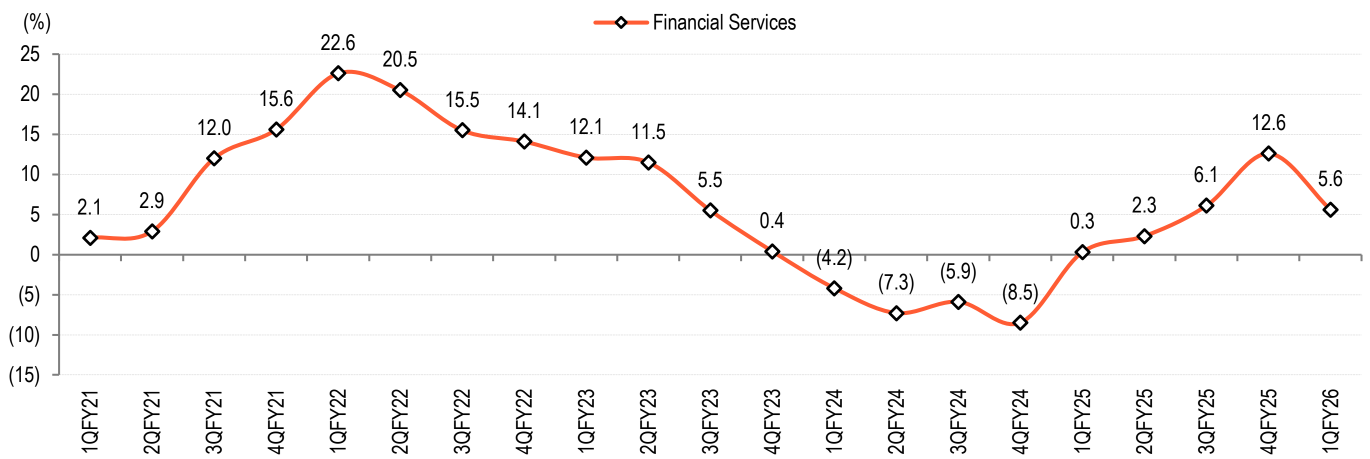
Source: Company, BOBCAPS Research

Fig 13 – Trends in unbilled revenue (as % of quarterly revenue)



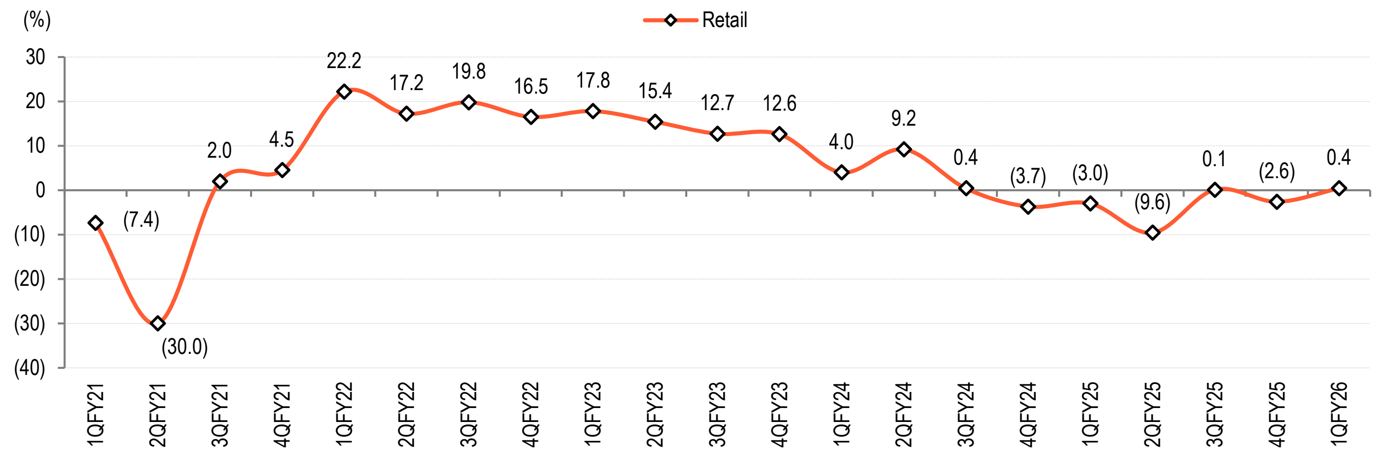
Source: Company, BOBCAPS Research

Fig 14 – YoY Revenue growth for the BFSI vertical (CC terms)



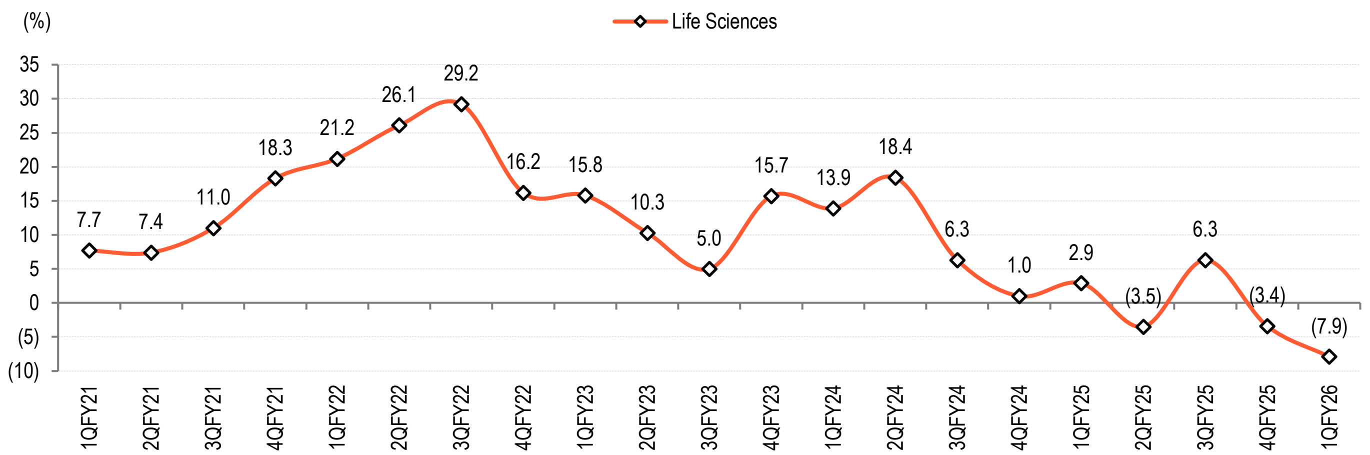
Source: Company, BOBCAPS Research

Fig 15 – YoY Revenue growth for the Retail vertical (CC terms)



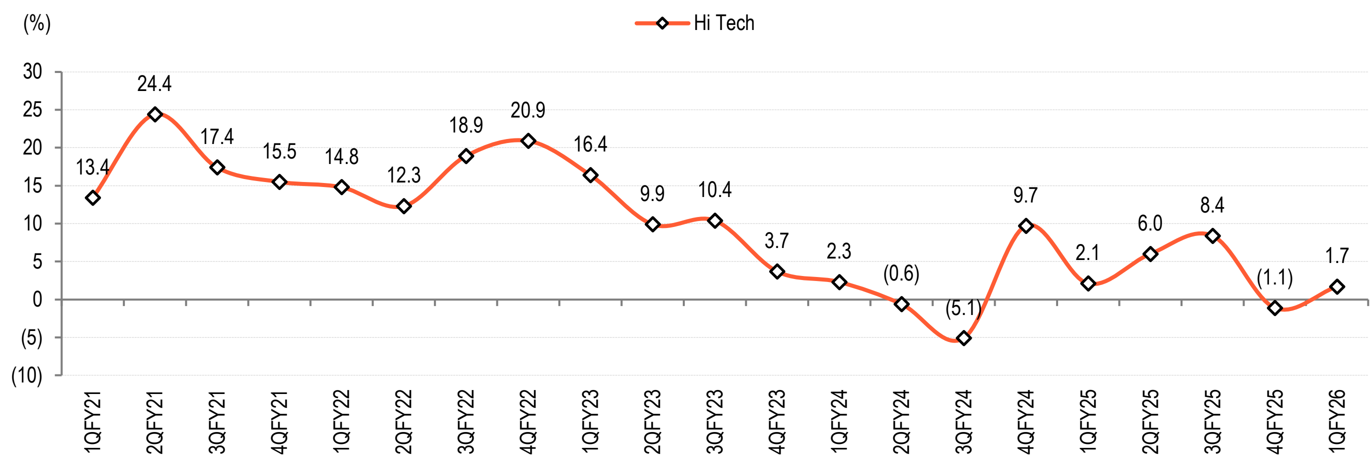
Source: Company, BOBCAPS Research

Fig 16 – YoY Revenue growth for the Life Sciences vertical (CC terms)



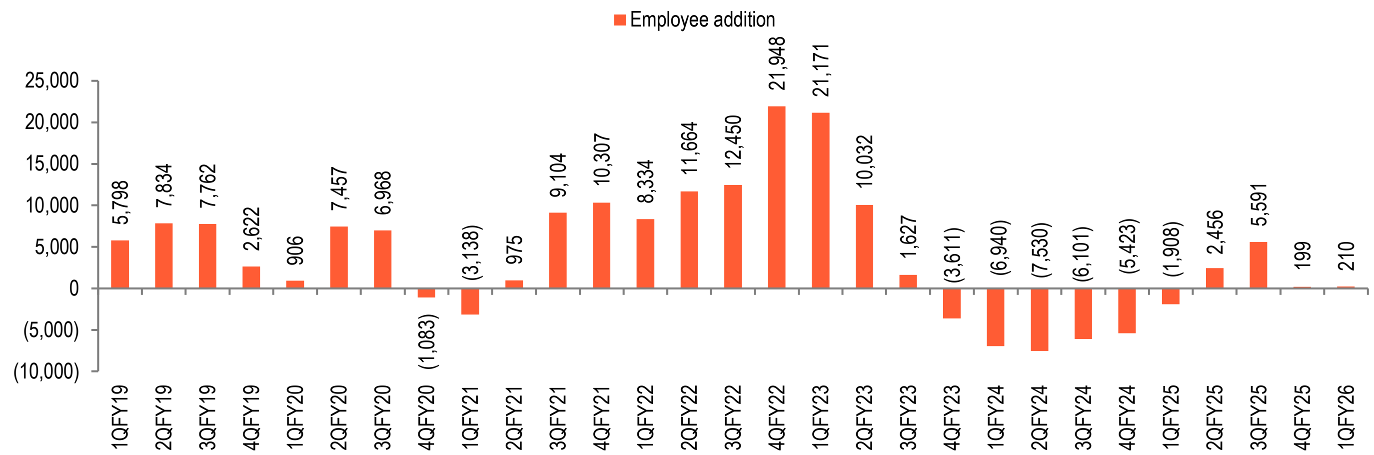
Source: Company, BOBCAPS Research

Fig 17 – YoY revenue growth for the Hi-tech vertical (CC terms)



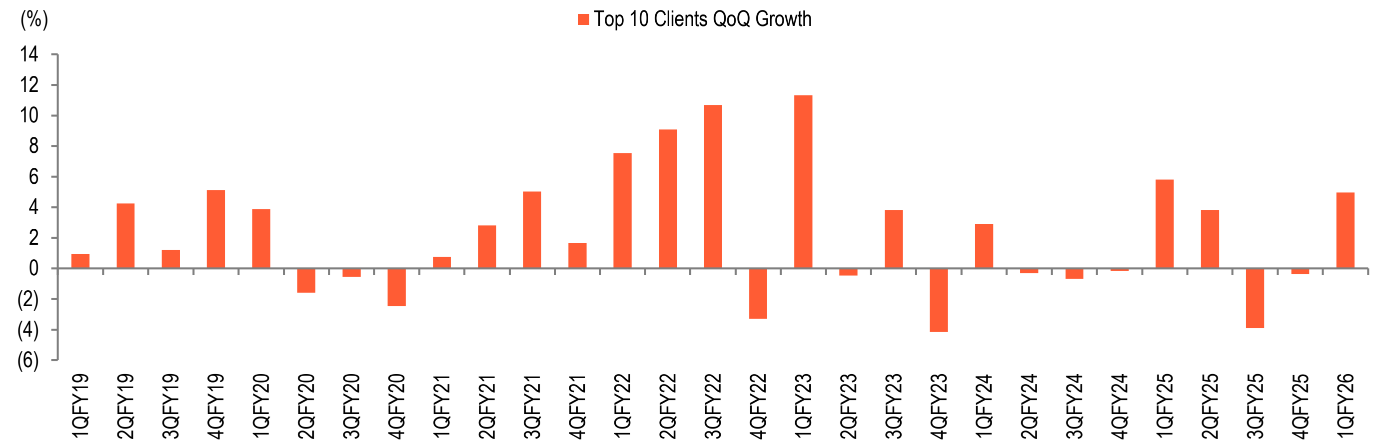
Source: Company, BOBCAPS Research

Fig 18 – Net Employee Addition (QoQ)



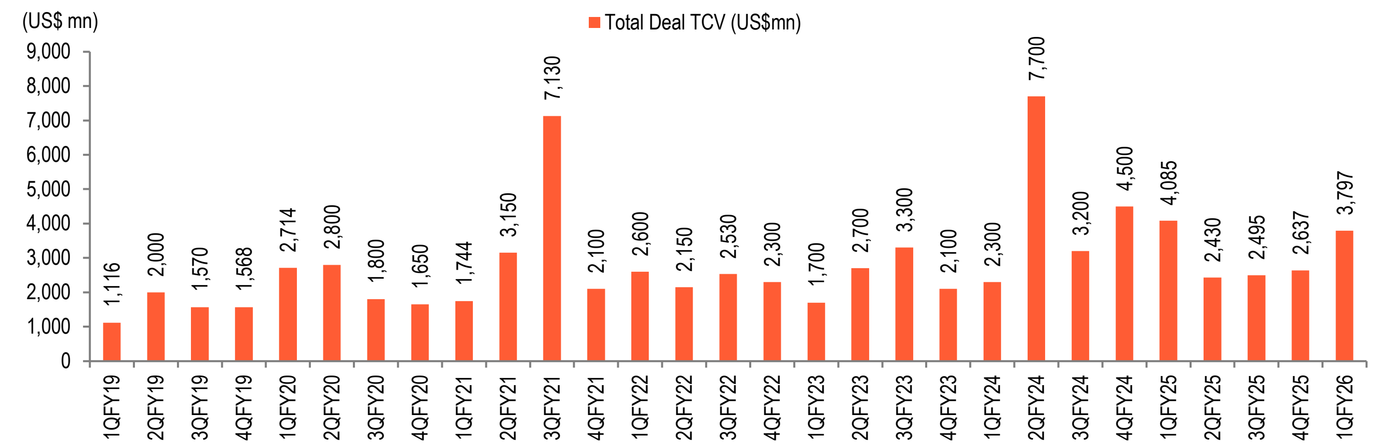
Source: Company, BOBCAPS Research

Fig 19 – Revenue trend from Top 10 clients



Source: Company, BOBCAPS Research

Fig 20 – TCV trend



Source: Company, BOBCAPS Research

Fig 21 – Quarterly Snapshot

Year to 31 March	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
(Rs mn)													
INR/USD	77.5	82.0	82.0	82.0	82.0	82.5	83.0	83.4	83.4	83.8	84.5	86.6	85.6
USD Revenue (USD mn)	4,444	4,555	4,659	4,554	4,617	4,718	4,663	4,564	4,714	4,894	4,939	4,730	4,941
INR Revenue	344,700	365,380	383,180	374,410	379,330	389,940	388,210	379,230	393,150	409,860	417,640	409,250	422,790
Gross margin	101,010	111,260	117,570	114,300	115,510	119,630	115,680	111,750	121,380	125,120	126,440	123,500	130,550
SGA	31,870	32,530	35,150	35,530	36,600	36,890	36,070	35,540	38,500	38,630	37,320	37,750	42,520
EBIT	69,140	78,730	82,420	78,770	78,910	82,740	79,610	76,210	82,880	86,490	89,120	85,750	88,030
Other income	6,760	5,840	7,690	6,710	5,610	6,320	7,890	27,290	8,380	7,120	8,590	11,900	10,420
PBT	75,340	83,910	89,310	84,660	83,620	87,680	86,190	102,400	90,210	92,530	96,700	96,630	97,400
Tax	21,720	23,650	23,450	23,320	24,170	25,530	25,060	22,650	26,470	27,370	28,480	26,250	28,160
PAT-Adjusted	53,600	60,210	65,860	61,280	59,450	62,120	61,060	79,690	63,680	65,060	68,060	70,330	69,210
Shares Outstanding (basic)	4,194	4,195	4,191	4,144	4,137	4,139	4,139	4,139	4,140	4,142	4,142	4,142	4,144
EPS Adjusted (Rs)	12.8	14.4	15.7	14.8	14.4	15.0	14.8	19.3	15.4	15.7	16.4	17.0	16.7
YoY Growth (%)													
USD Revenue	17.5	13.9	9.6	6.4	3.9	3.6	0.1	0.2	2.1	3.7	5.9	3.6	4.8
INR Revenue	23.6	23.4	20.2	16.0	10.0	6.7	1.3	1.3	3.6	5.1	7.6	7.9	7.5
Gross profit	7.6	13.6	12.5	14.3	14.4	7.5	(1.6)	(2.2)	5.1	4.6	9.3	10.5	7.6
EBIT	4.7	12.9	10.1	13.2	14.1	5.1	(3.4)	(3.2)	5.0	4.5	11.9	12.5	6.2
Net profit	3.2	11.1	13.4	7.8	10.9	3.2	(7.3)	30.0	7.1	4.7	11.5	(11.7)	8.7
QoQ Growth (%)													
USD Revenue	3.8	2.5	2.3	(2.3)	1.4	2.2	(1.2)	(2.1)	3.3	3.8	0.9	(4.2)	4.5
INR Revenue	6.8	6.0	4.9	(2.3)	1.3	2.8	(0.4)	(2.3)	3.7	4.3	1.9	(2.0)	3.3
EBIT	(0.6)	13.9	4.7	(4.4)	0.2	4.9	(3.8)	(4.3)	8.8	4.4	3.0	(3.8)	2.7
Net profit	(5.7)	12.3	9.4	(7.0)	(3.0)	4.5	(1.7)	30.5	(20.1)	2.2	4.6	3.3	(1.6)
Margins (%)													
Gross margin	29.3	30.5	30.7	30.5	30.5	30.7	29.8	29.5	30.9	30.5	30.3	30.2	30.9
SGA	9.2	8.9	9.2	9.5	9.6	9.5	9.3	9.4	9.8	9.4	8.9	9.2	10.1
EBIT	20.1	21.5	21.5	21.0	20.8	21.2	20.5	20.1	21.1	21.1	21.3	21.0	20.8
PAT	15.5	16.5	17.2	16.4	15.7	15.9	15.7	21.0	16.2	15.9	16.3	17.2	16.4

Source: Company, BOBCAPS Research

Fig 22 – Key Metrics

Key Metrics	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
P and L (Rs mn)													
Revenue	344,700	365,380	383,180	374,410	379,330	389,940	388,210	379,230	393,150	409,860	417,640	409,250	422,790
EBITDA	69,140	78,730	82,420	78,770	78,910	82,740	79,610	76,210	82,880	86,490	89,120	85,750	88,030
PAT	53,600	60,210	65,860	61,280	59,450	62,120	61,060	79,690	63,680	65,060	68,060	70,330	69,210
Vertical Mix (%)													
Manufacturing	20.3	21.0	21.4	21.5	22.2	22.1	22.6	23.4	22.7	23.7	23.4	24.2	23.9
Insurance Finance and Banking	30.6	30.5	29.3	28.9	28.1	27.5	27.8	26.4	27.5	27.2	27.8	28.4	27.9
Telecom	13.0	12.3	12.3	11.8	11.7	11.4	11.4	12.3	12.1	11.9	11.2	11.7	12.0
Retailing & CPG	14.5	14.2	14.3	14.8	14.5	15.2	14.6	14.3	13.8	13.3	13.8	13.3	13.4
Others (utilities, logistic, transportation,etc)	15.1	15.3	15.7	15.8	16.3	16.0	16.1	16.3	16.6	16.6	16.2	15.6	16.3
Life Sciences	6.5	6.7	7.0	7.2	7.2	7.8	7.6	7.3	7.3	7.3	7.6	6.8	6.5
Geographic Mix (%)													
North America	61.8	62.5	62.0	61.0	60.8	61.1	59.0	59.6	58.9	57.4	58.4	57.1	56.5
Europe	25.0	24.7	25.8	27.0	26.8	26.5	28.2	28.6	28.4	29.8	29.8	31.2	31.5
India	2.6	2.9	2.4	2.6	2.7	2.8	2.4	2.2	3.1	3.1	3.1	2.9	2.9
Rest of the world	10.6	9.9	9.8	9.4	9.7	9.6	10.4	9.6	9.6	9.7	8.7	8.8	9.1
Utilization (%) (including Trainees)	77.6	76.6	77.1	76.9	78.9	80.4	81.7	82.0	83.9	84.3	83.4	81.9	82.7
Utilization (%) (Excluding Trainees)	84.7	83.6	81.7	80.0	81.1	81.8	82.7	83.5	85.3	85.9	86.0	84.9	85.2
Effort Mix (%)													
Onsite	24.3	24.4	24.5	24.6	24.7	24.6	24.4	24.2	23.9	24.1	24	23.6	23.6
Offshore	75.7	75.6	75.5	75.4	75.3	75.4	75.6	75.8	76.1	75.9	76	76.4	76.4
Clients Concentration (%)													
Top client	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Top 5 clients	13.0	12.6	13.1	13.0	13.4	13.3	13.4	13.6	13.5	13.7	12.7	13.1	13.2
Top 10 clients	20.8	20.2	20.5	20.1	20.4	19.9	20.0	20.4	20.9	20.9	19.9	20.7	20.8
Number of Client													
$1m+	877	895	912	922	940	951	944	959	987	985	997	992	1,011
$10m+	278	281	294	298	312	312	308	315	309	307	301	309	317
$50m+	69	77	79	75	79	80	82	83	84	86	89	85	85
$100m+	38	39	38	40	38	39	40	40	40	41	41	39	41
Employees	335,186	345,218	346,845	343,234	336,294	328,764	322,663	317,240	315,332	317,788	323,379	323,578	323,788
Net addition	21,171	10,032	1,627	-3,611	-6,940	-7,530	-6,101	-5,423	-1,908	2,456	5,591	199	210
Attrition (consolidated)(%)	28.4	27.1	24.3	20.9	17.3	14.6	12.9	12.6	12.7	12.9	13.7	14.1	14.4
Attrition (annualized standalone)(%)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Profit and Loss Statement (in mn USD)													
Revenue	4,444	4,555	4,659	4,554	4,617	4,718	4,663	4,564	4,714	4,894	4,939	4,730	4,941
EBIT	888	979	1,001	957	961	1,000	956	917	994	1,033	1,053	992	1,028
PAT	689	749	800	745	724	751	734	959	764	778	806	814	809
Productivity Metrics													
Per Capita (Annualised)													
Revenue	53,033	52,778	53,730	53,072	54,916	57,403	57,806	57,546	59,797	61,601	61,092	58,471	61,040
EBIT	10,597	11,344	11,544	11,153	11,430	12,167	11,851	11,562	12,609	13,002	13,025	12,263	12,700
PAT	8,222	8,679	9,226	8,682	8,612	9,137	9,099	12,092	9,691	9,793	9,970	10,062	9,994
Direct and Opex cost per capita	42,436	41,435	42,186	41,919	43,486	45,236	45,955	45,984	47,188	48,598	48,067	46,208	48,340

Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	**1,536,710**	**1,629,900**	**1,699,415**	**1,877,268**	**2,048,918**
EBITDA	364,250	392,350	406,111	449,735	491,891
Depreciation	46,780	48,110	49,699	56,318	61,468
EBIT	317,470	344,240	356,413	393,417	430,423
Net interest inc./(exp.)	(4,690)	(4,160)	(4,200)	(4,200)	(4,200)
Other inc./(exp.)	47,110	35,990	37,904	43,163	49,549
Exceptional items	0	0	0	0	0
EBT	359,890	376,070	390,117	432,380	475,772
Income taxes	97,410	108,570	112,789	125,008	137,554
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	160	370	30	0	0
Reported net profit	**262,320**	**267,130**	**277,298**	**307,372**	**338,219**
Adjustments	0	0	0	0	0
Adjusted net profit	**262,320**	**267,130**	**277,298**	**307,372**	**338,219**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	39,560	41,640	36,160	36,160	36,160
Other current liabilities	330,420	372,110	394,431	455,392	477,944
Provisions	17,960	14,750	14,454	16,861	17,751
Debt funds	0	0	0	0	0
Other liabilities	105,590	98,500	100,610	100,610	100,610
Equity capital	20,710	20,730	20,740	20,740	20,740
Reserves & surplus	863,900	941,300	946,779	1,038,991	1,140,456
Shareholders' fund	884,610	962,030	967,519	1,059,731	1,161,196
Total liab. and equities	**1,378,140**	**1,489,030**	**1,513,174**	**1,668,754**	**1,793,662**
Cash and cash eq.	147,860	244,550	281,517	324,624	402,270
Accounts receivables	301,930	311,580	325,825	380,081	400,152
Inventories	0	0	0	0	0
Other current assets	398,700	375,470	377,500	424,735	442,209
Investments	246,230	235,410	182,490	182,490	182,490
Net fixed assets	128,180	128,000	133,250	141,426	150,105
CWIP	0	0	0	0	0
Intangible assets	87,000	128,720	142,940	142,940	142,940
Deferred tax assets, net	4,540	11,080	12,690	12,690	12,690
Other assets	63,700	54,220	56,963	59,768	60,805
Total assets	**1,378,140**	**1,489,030**	**1,513,174**	**1,668,754**	**1,793,662**

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	**255,420**	**373,630**	**327,843**	**326,962**	**388,746**
Capital expenditures	(34,060)	(89,650)	(69,168)	(64,495)	(70,146)
Change in investments	(48,150)	13,230	52,620	0	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	**(82,210)**	**(76,420)**	**(16,548)**	**(64,495)**	**(70,146)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	0	0	0	0	0
Interest expenses	(4,690)	(4,160)	(4,200)	(4,200)	(4,200)
Dividends paid	(190,400)	(178,111)	(194,108)	(215,160)	(236,753)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	**(195,090)**	**(182,271)**	**(198,308)**	**(219,360)**	**(240,953)**
Chg in cash & cash eq.	**26,120**	**96,690**	**36,967**	**43,107**	**77,647**
Closing cash & cash eq.	**147,850**	**244,550**	**281,517**	**324,624**	**402,270**

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	63.4	64.5	66.9	74.2	81.6
Adjusted EPS	63.3	64.4	66.8	74.1	81.5
Dividend per share	46.0	43.0	46.8	51.9	57.1
Book value per share	213.7	232.2	233.5	255.7	280.2

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	4.1	3.9	3.7	3.3	3.0
EV/EBITDA	17.5	16.3	15.6	13.9	12.6
Adjusted P/E	24.9	24.5	23.6	21.3	19.3
P/BV	7.4	6.8	6.7	6.2	5.6

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	72.9	71.1	71.1	71.1	71.1
Interest burden (PBT/EBIT)	113.4	109.2	109.5	109.9	110.5
EBIT margin (EBIT/Revenue)	20.7	21.1	21.0	21.0	21.0
Asset turnover (Rev./Avg TA)	116.6	113.7	113.2	118.0	118.4
Leverage (Avg TA/Avg Equity)	1.6	1.6	1.6	1.6	1.6
Adjusted ROAE	32.0	29.0	28.7	30.3	30.5

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	4.7	6.1	4.3	10.5	9.1
EBITDA	3.7	7.7	3.5	10.7	9.4
Adjusted EPS	10.0	1.7	3.8	10.8	10.0
Profitability & Return ratios (%)					
EBITDA margin	23.7	24.1	23.9	24.0	24.0
EBIT margin	20.7	21.1	21.0	21.0	21.0
Adjusted profit margin	17.1	16.4	16.3	16.4	16.5
Adjusted ROAE	31.9	28.9	28.7	30.3	30.5
ROCE	28.2	26.5	26.3	27.6	27.6
Working capital days (days)					
Receivables	105	102	103	109	105
Inventory	NA	NA	NA	NA	NA
Payables	9	9	8	7	6
Ratios (x)					
Gross asset turnover	12.0	12.7	12.8	13.3	13.6
Current ratio	2.2	2.2	2.2	2.2	2.3
Net interest coverage ratio	NA	NA	NA	NA	NA
Adjusted debt/equity	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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CIN: **U65999MH1996GOI098009**

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BUY – Expected return >+15%

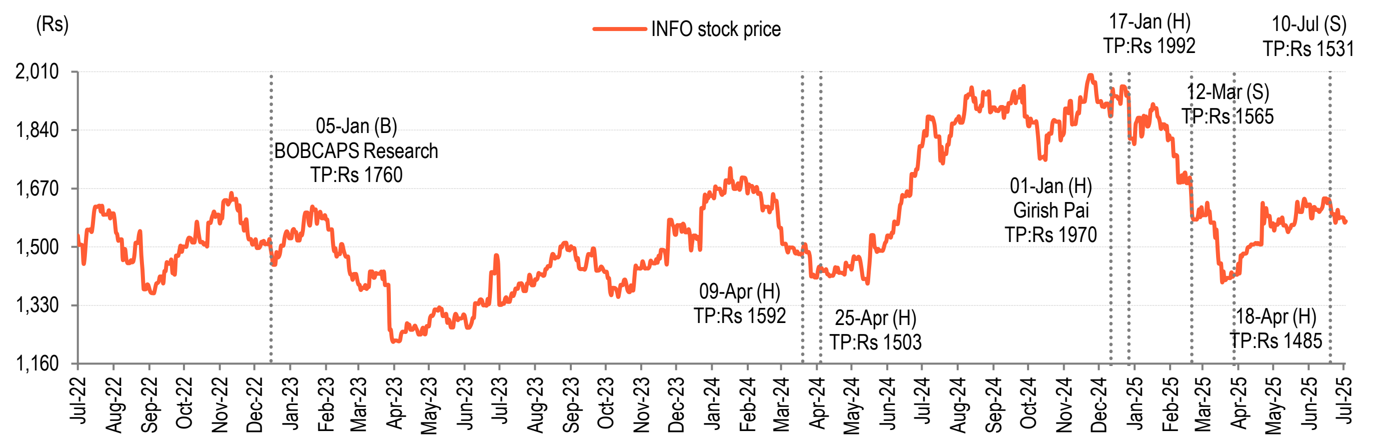
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): INFOSYS (INFO IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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