

## On firmer footing

INFO reported 2.6% cc QoQ revenue growth (organic: 2.2% cc), ahead of JMFe: 1.8%. Quality of revenue improved too, reflected in 60bps QoQ decline in third-party cost. Ramp-up of deals previously won and seasonality (higher working days) helped. Impressively, INFO improved realisations further, on top of 3.5% increase in FY25. Project Maximus and improved adoption of its enterprise AI platform explain that. Productivity improvement from enterprise AI platform is not only helping INFO drive non-linear revenue, but also improve win ratio in vendor consolidation scenarios. 44% QoQ increase in deal wins (USD 3.8bn), including a mega deal, offers evidence. Despite these, INFO narrowed its organic growth guidance from 0-3% to 0.6-2.6%. Prima-facie, this (cut at the upper-end) appears negative. We view it otherwise though. Strong 1Q and a normal seasonality (1H>2H) means INFO's guidance is not based on 2H recovery hope. Symbolically too, a narrow range indicates higher confidence. Moreover, ours (and Street's) estimates were anyways not at the upper-end. In fact, we now move our FY26E organic cc growth to 2.4%, closer to the (revised) upper-end. Marginal cut to margin estimates keep EPS largely unchanged. But improved confidence on numbers should drive re-rating. We retain BUY with INR 1,840 TP.

- **1QFY26 growth - higher and better:** INFO reported 2.6% cc QoQ rev growth versus JMFe/Cons. est. of 1.8%/1.5%. Acquisitions contributed 40bps. Among verticals, EURS (+9% QoQ USD), Communications (+7.1%) and Manufacturing (+5.8%) led the growth. This was driven likely by lower base and mega deal ramps. Third-party items declined 60bps QoQ, implying c.3.2% Services growth, a positive. EBIT margins contracted 20bps to 20.8%, missing estimates (JMFe: 21.4%). Wage hike (-100bps), FX (-30bps) and Sales investments (-20bps) were headwinds. These were offset by Project Maximus benefits (+70bps), lower amortisation (+40 bps) and lower third-party costs (+20bps). PAT came in at INR 69.2bn beating Cons. est. of INR 67.8bn (JMFe : INR 70.2bn).
- **FY26 guidance - narrowed:** INFO revised its FY26 cc revenue growth guidance from 0-3% earlier to 1-3% now. Recent acquisitions – MRE and The Missing Link – will contribute c.40bps to this, implying organic guidance of 0.6-2.6%. 1-3% guidance translates into (0.4%)-1% CQGR through 2Q-4QFY26. Though weak, INFO's pronounced seasonality makes CQGR maths irrelevant, in our view. We take comfort in the fact that INFO has not built any macro improvement even at the upper end. Further, a still front-loaded growth cadence (whose visibility should be higher) makes even the upper end achievable. Improved deal wins – INFO won USD 3.8 bn of TCV, +44% QoQ, healthy pipeline and its improved win ratio in vendor consolidation scenarios offer further comfort. Margin guidance was retained at 20-22%. With wage hike behind and lower third-party item ahead, we see gradual improvement in margins from hereon.
- **EPS largely unchanged; Retain BUY:** We now build 2.4% organic cc growth for FY26E (vs. c.1.5% earlier). We maintain our FY26E margin assumptions despite 1Q miss as we now assume next wage hike in 1QFY27 (vs 4QFY26 earlier). Though an EPS neutral results, improved confidence on estimates should drive better multiples. BUY.

Financial Summary					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	15,36,710	16,29,900	17,29,184	18,25,371	19,70,449
Sales Growth	4.7%	6.1%	6.1%	5.6%	7.9%
EBITDA	3,64,250	3,92,520	4,16,877	4,45,910	5,02,808
EBITDA Margin	23.7%	24.1%	24.1%	24.4%	25.5%
Adjusted Net Profit	2,42,680	2,67,130	2,88,464	3,07,331	3,44,673
Diluted EPS (INR)	58.6	64.4	69.5	74.0	83.0
Diluted EPS Growth	1.8%	9.9%	8.0%	6.5%	12.2%
ROIC	48.6%	50.4%	53.6%	55.7%	61.7%
ROE	29.7%	29.0%	30.2%	31.3%	33.5%
P/E (x)	26.9	24.5	22.7	21.3	19.0
P/B (x)	7.4	6.8	6.9	6.5	6.3
EV/EBITDA (x)	17.4	15.9	15.0	13.9	12.3
Dividend Yield	2.4%	2.7%	3.3%	3.8%	4.8%

Source: Company data, JM Financial. Note: Valuations as of 23/Jul/2025

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## Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,840
Upside/(Downside)	16.9%
Previous Price Target	1,830
Change	0.5%

## Key Data – INFO IN

Current Market Price	INR1,575
Market cap (bn)	INR6,540.9/US\$75.7
Free Float	74%
Shares in issue (mn)	4,194.6
Diluted share (mn)	4,150.5
3-mon avg daily val (mn)	INR11,471.2/US\$132.7
52-week range	2,007/1,307
Sensex/Nifty	82,727/25,220
INR/US\$	86.4

## Price Performance

%	1M	6M	12M
Absolute	-0.6	-15.6	-14.3
Relative*	-1.4	-22.3	-17.0

\* To the BSE Sensex

JM Financial Research is also available on:  
Bloomberg - JMFR <GO>,  
Thomson Publisher & Reuters,  
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

## Key Highlights from the call

- **Demand:** Revenue grew 2.6% QoQ in cc terms, with growth being broad-based across verticals and geographies, and 0.4% out of this grew due to acquisitions. Financial Services and Manufacturing posted strong YoY trends, though discretionary spending across Retail, High-tech, and Communication remained under pressure. Clients continued to engage in vendor consolidation, GCC setups, AI-transformation, and cost takeout initiatives, even as decision cycles stayed elongated. Despite cautious spending, leadership noted that the pipeline remains healthy, supported by traction in Enterprise AI and large deal activity.
- **Outlook:** Infosys revised its FY26 revenue growth guidance to 1-3% in cc terms (earlier: 0-3%), citing improved visibility for H1 but continued macro uncertainties including tariff overhangs and geopolitical tensions. Management noted that the guidance incorporates headwinds from lower third-party revenues and excludes recently announced acquisitions. Commentary suggests that H1 is likely to be stronger than H2 due to seasonality. Management indicated its readiness to re-assess guidance as the external environment evolves.
- **Margin:** Operating margin for Q1 stood at 20.8%, reflecting a sequential decline of 20bps. The drop was primarily driven by 100bps of headwinds from compensation increases and higher variable payouts, along with 30bps impact from currency movement and 20bps from incremental sales investments. These were partially offset by 70bps of benefits from improved realization (Project Maximus and seasonality), 40bps from lower amortization of intangibles, and 20bps from reduced third-party costs. Management reiterated margin guidance of 20–22% for FY26 and highlighted multiple levers – pricing, third-party cost optimization, and Maximus offset by transition costs from large deals and ramp-up related pressures.
- **Bookings:** Infosys reported 28 large deals in Q1 FY26, aggregating to a TCV of USD 3.8bn, with 55% classified as net new. The quarter included multiple vendor consolidation wins totaling USD 1bn+, including a mega deal. They highlighted that wins were broad-based across verticals, with 9 deals in communications, 6 in EURS, 5 in manufacturing, and 4 in financial Services, and 2 each in high-tech and retail. Regionally, 20 deals came from the Americas, 6 from Europe, and 2 from the rest of the world. Management emphasized the robustness of the pipeline and cited strong client interest in cost optimization and AI-led transformation, despite prolonged decision cycles and cautious discretionary spend.
- **Segments:** Leadership reported that **Financial Services** witnessed strong traction in Q1, driven by transformation programs across capital markets, commercial banking, and wealth management, with Infosys positioned as a preferred AI partner for 10 of its top 20 FS clients. **Manufacturing** delivered strong YoY growth in cc terms, aided by large deal ramp-ups and client focus on cost takeout, supply chain redesign, and footprint rationalization. While **EURS** posted mixed trends amid economic uncertainty, deal pipelines remained robust across energy transition and cloud transformation themes. **Retail and Communication** continued to face headwinds from elongated decision cycles and muted discretionary spend, whereas **High-tech** remained subdued due to cost pressures and GenAI-related budget reallocations.
- **Gen AI:** Infosys noted continued momentum in Enterprise AI programs, underpinned by 300+ deployed AI agents across business and IT functions. Client engagements spanned areas such as supply chain optimization, contract automation, dynamic pricing, customer service, and developer productivity, delivering tangible efficiency gains. The company reiterated its leadership positioning and emphasized AI as a key driver for consolidation-led wins, revenue generation, and long-term differentiation.
- **Wage hike:** Leadership noted that wage hikes were fully rolled out in Q1 FY26, with the first phase implemented in January for junior and mid-level employees and the second phase effective April for the senior workforce. They highlighted that the impact of wage hikes along with higher variable payouts was absorbed during the quarter, contributing to a 100bps headwind on margins.

2.6% QoQ cc increase with 0.4% from acquisitions, and the remaining attributed to vendor consolidation and enterprise AI deals.

FY26 growth guidance – 1-3% in cc terms, operating margin guidance – 20-22%

Margin walk:

Headwinds – compensation increase and variable payouts (-100 bps), currency movement (-30bps), incremental sales investments (-20bps).

Tailwinds – Improved realisation/project maximus (+70bps), lower amortization of intangibles (+40bps), lower third party costs (+20bps)

28 large deals won, 20 in US, 6 in Europe, and 2 in RoW, client's interested in consolidation and cost takeout deals

- **Supply:** Infosys closed Q1 FY26 with a headcount of 323,788, reflecting a flattish trend QoQ as the company prioritized utilization and productivity levers. They highlighted that attrition inched up marginally to 14.4%, while utilization (excluding trainees) improved by 30bps QoQ to 85.2% and including trainees rose 80bps to 82.7%, indicating improved deployment efficiency.

**Exhibit 1. 1QFY26 result summary**

	1Q26 A	4Q25 A	Change (QoQ)	Estimate (JMFe)	Variance (vs. JMFe)	Estimate (Consensus)	Variance (vs. consensus)	QoQ estimate	
								JMFe	Consensus
USD-INR	85.57	86.52	-1.1%	85.71	-0.2%	85.60	0.0%	-0.9%	-1.1%
CC Revenue Growth (QoQ)	2.6%	-3.5%		1.8%	-175bp	1.5%	-150bp	1.8%	1.5%
Revenue (USD mn)	4,941	4,730	4.5%	4,895	0.9%	4,888	1.1%	3.5%	3.3%
Revenue (INR mn)	422,790	409,250	3.3%	419,494	0.8%	418,406	1.0%	2.5%	2.2%
EBIT (INR mn)	88,030	85,750	2.7%	89,952	-2.1%	87,447	0.7%	4.9%	2.0%
EBIT margin	20.8%	21.0%	-13bp	21.4%	-62bp	20.9%	-8bp	49bp	-5bp
PAT (INR mn)	69,210	70,330	-1.6%	70,226	-1.4%	67,782	2.1%	-0.1%	-3.6%
EPS (INR)	16.70	16.98	-1.6%	16.95	-1.5%	16.4	2.1%	-0.1%	-3.6%

Source: Company, JM Financial estimates

**Exhibit 2. Guidance Analysis: FY26 guidance of 1-3% implies (0.4%)-1.0% CQGR through 2Q-4QFY26**

	FY26 revenue - implied			FY26 growth guidance	
	FY25A	Lower	Upper	Lower	Upper
<b>Revenue (CC) USD Mn</b>	19,277	19,470	19,855	1.0%	3.0%
<b>Implied QoQ growth - Lower end</b>	<b>1Q26</b>	<b>2Q26E</b>	<b>3Q26E</b>	<b>4Q26E</b>	<b>FY26E</b>
Revenue (CC) USD mn	4,893	4,876	4,859	4,842	19,470
Growth (q/q)	3.4%	-0.4%	-0.4%	-0.4%	1.0%
<b>Implied QoQ growth - Upper end</b>	<b>1Q26</b>	<b>2Q26E</b>	<b>3Q26E</b>	<b>4Q26E</b>	<b>FY26E</b>
Revenue (CC) USD mn	4,893	4,940	4,987	5,035	19,855
Growth (q/q)	3.4%	1.0%	1.0%	1.0%	3.0%

Note: YoY cc growth rate used to calculate 1Q26 cc revenue. Source: Company, JM Financial estimates

## 1QFY26 result review

## Exhibit 3. Key financials

(INR mn)	FY24	1Q25	2Q25	3Q25	4Q25	FY25	1Q26
<b>Consolidated revenues (USDmn)</b>	<b>18,562</b>	<b>4,714</b>	<b>4,894</b>	<b>4,939</b>	<b>4,730</b>	<b>19,277</b>	<b>4,941</b>
Change (YoY/QoQ)	1.9%	3.3%	3.8%	0.9%	-4.2%	3.9%	4.5%
<b>Consolidated revenues (INR mn)</b>	<b>15,36,710</b>	<b>3,93,150</b>	<b>4,09,860</b>	<b>417,640</b>	<b>409,250</b>	<b>1,629,900</b>	<b>422,790</b>
Change (YoY)	4.7%	3.6%	5.1%	7.6%	7.9%	6.1%	7.5%
Cost of revenue	10,27,360	2,60,280	2,73,080	279,170	272,760	1,085,180	280,840
<b>Gross profit</b>	<b>5,09,350</b>	<b>1,32,870</b>	<b>1,36,780</b>	<b>138,470</b>	<b>136,490</b>	<b>544,720</b>	<b>141,950</b>
<b>Gross margin</b>	<b>33.1%</b>	<b>33.8%</b>	<b>33.4%</b>	<b>33.2%</b>	<b>33.4%</b>	<b>33.4%</b>	<b>33.6%</b>
Total operating expenses	1,45,100	38,500	38,630	37,320	37,750	152,200	42,520
<b>Operating profit (EBITDA)</b>	<b>3,64,250</b>	<b>94,370</b>	<b>98,150</b>	<b>101,150</b>	<b>98,740</b>	<b>392,520</b>	<b>99,430</b>
<b>Operating margin</b>	<b>23.7%</b>	<b>24.0%</b>	<b>23.9%</b>	<b>24.2%</b>	<b>24.1%</b>	<b>24.1%</b>	<b>23.5%</b>
Depreciation & amortization	46,780	11,490	11,660	12,030	12,990	48,280	11,400
<b>EBIT</b>	<b>3,17,470</b>	<b>82,880</b>	<b>86,490</b>	<b>89,120</b>	<b>85,750</b>	<b>344,240</b>	<b>88,030</b>
<b>EBIT margin</b>	<b>20.7%</b>	<b>21.1%</b>	<b>21.1%</b>	<b>21.3%</b>	<b>21.0%</b>	<b>21.1%</b>	<b>20.8%</b>
Other income	27,780	8,380	7,120	8,590	11,900	35,990	10,420
Profit Before Tax	3,40,560	90,210	92,530	96,700	96,630	376,070	97,400
Income tax expense	97,790	26,470	27,370	28,480	26,250	108,570	28,160
<b>Net income from operations</b>	<b>2,42,770</b>	<b>63,740</b>	<b>65,160</b>	<b>68,220</b>	<b>70,380</b>	<b>267,500</b>	<b>69,240</b>
Share of minority interest	90	60	100	160	50	370	30
<b>PAT (reported)</b>	<b>2,62,390</b>	<b>63,680</b>	<b>65,060</b>	<b>68,060</b>	<b>70,330</b>	<b>267,130</b>	<b>69,210</b>
Change (YoY)	8.9%	7.1%	4.7%	11.3%	-11.7%	1.8%	8.7%
Adjusted Diluted EPS	63.3	15.3	15.7	16.4	16.8	64.1	16.6
Change (YoY/QoQ)	10.0%	6.3%	2.6%	4.6%	2.2%	9.7%	-1.3%

Source: Company, JM Financial

INFO reported 4.5% QoQ in USD terms, with a cross-currency benefit of 190bps QoQ

## Exhibit 4. Comparison vs. other Tier 1 peers

YoY cc revenue growth	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
TCS	4.4%	5.5%	4.5%	4.2%	-3.1%
Infosys	2.5%	3.3%	6.1%	4.8%	3.8%
Wipro	-4.9%	-2.3%	-1.1%	1.2%	-2.3%
LTIM	3.7%	4.4%	5.6%	6.3%	4.4%
HCLtech	5.6%	6.2%	4.1%	2.9%	3.7%
<b>TechM</b>	<b>-1.2%</b>	<b>2.2%</b>	<b>1.3%</b>	<b>0.3%</b>	<b>-1.0%</b>
QoQ cc revenue growth	4QFY24	1QFY25	2QFY25	4QFY25	1QFY26
TCS	2.2%	1.1%	0.0%	-0.8%	-3.3%
Infosys	3.6%	3.1%	1.7%	-3.5%	2.6%
Wipro	-1.0%	0.6%	0.1%	-0.8%	-2.0%
LTIM	2.6%	2.3%	1.8%	-0.6%	0.8%
HCLtech	-1.6%	1.6%	3.8%	-0.8%	-0.8%
<b>TechM</b>	<b>0.7%</b>	<b>0.7%</b>	<b>1.2%</b>	<b>-1.5%</b>	<b>-1.4%</b>
EBIT margin	4QFY24	1QFY25	2QFY25	4QFY25	1QFY26
TCS	24.7%	24.1%	24.5%	24.2%	24.5%
Infosys	21.1%	21.1%	21.3%	21.0%	20.8%
Wipro	16.5%	16.8%	19.5%	17.5%	17.3%
LTIM	15.0%	15.5%	13.8%	13.8%	14.3%
HCLtech	17.1%	18.6%	19.5%	18.0%	16.8%
<b>TechM</b>	<b>8.5%</b>	<b>9.6%</b>	<b>10.2%</b>	<b>10.5%</b>	<b>11.1%</b>

Note: \*JM Financial estimates for Infosys in 1QFY26. Source: Company, JM Financial estimates

## Exhibit 5. Vertical portfolio

	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
<b>Distribution</b>					
Financial Services	27.5%	27.2%	27.8%	28.4%	27.9%
Retail and CPG	13.8%	13.3%	13.8%	13.3%	13.4%
Communications	12.1%	11.9%	11.2%	11.7%	12.0%
Energy, Utilities, Resources and Services	13.3%	13.5%	13.5%	13.0%	13.6%
Manufacturing	14.7%	15.7%	15.5%	15.9%	16.1%
Hi Tech	8.0%	8.0%	7.9%	8.3%	7.8%
Life Sciences	7.3%	7.3%	7.6%	6.8%	6.5%
Others	3.3%	3.1%	2.7%	2.6%	2.7%
<b>Revenue (USDmn and QoQ growth)</b>					
Financial Services	1,296	1,331	1,373	1,343	1,379
change YoY	-0.1%	2.6%	5.9%	11.5%	6.3%
Retail and CPG	651	651	682	629	662
change YoY	-2.8%	-9.2%	0.1%	-3.6%	1.8%
Communications	570	582	553	553	593
change YoY	5.6%	8.3%	4.1%	-1.4%	3.9%
Energy, Utilities, Resources and Services	627	661	667	615	672
change YoY	5.3%	10.3%	9.2%	0.5%	7.2%
Manufacturing	693	768	766	752	796
change YoY	6.4%	13.9%	10.2%	12.1%	14.8%
Hi Tech	377	392	390	393	385
change YoY	0.8%	6.4%	8.7%	-1.1%	2.2%
Life Sciences	344	357	375	322	321
change YoY	3.5%	-2.9%	5.9%	-3.5%	-6.7%
Others	156	152	133	123	133
change YoY	-0.9%	-2.6%	-1.4%	-7.1%	-14.2%

Source: Company, JM Financial

Sequential growth was highest in communications (+7.1% QoQ), EURS (+9.3%) and Manufacturing (+5.8%). This was counter-intuitive as these are the tariffs impacted sectors

## Exhibit 6. Geographic distribution

	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
<b>Distribution</b>					
North America	58.9%	57.4%	58.4%	57.1%	56.5%
Europe	28.4%	29.8%	29.8%	31.2%	31.5%
India	3.1%	3.1%	3.1%	2.9%	2.9%
RoW	9.6%	9.7%	8.7%	8.8%	9.1%
<b>Revenue (USDmn and QoQ growth)</b>					
North America	2,777	2,809	2,884	2,701	2,792
Change YoY	-1.1%	-2.6%	4.8%	-0.7%	0.5%
Europe	1,339	1,458	1,472	1,476	1,556
Change YoY	8.2%	16.6%	11.9%	13.1%	16.3%
India	146	152	153	137	143
Change YoY	17.2%	14.8%	36.8%	36.6%	-1.9%
RoW	453	475	430	416	450
Change YoY	1.0%	4.8%	-11.4%	-5.0%	-0.6%

Source: Company, JM Financial

## Exhibit 7. Large deal wins

Period	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Total large deals value (USDmn)	4,085	2,430	2,495	2,637	3,797
Net new	57.6%	41.0%	63.0%	63.4%	55.0%
Large deal TCV (USDmn) - Net new	2,353	996	1,572	1,672	2,088

Source: Company, JM Financial

INFO won 28 large deals in 1Q; Net new TCV saw a healthy 24% QoQ growth

**Exhibit 8. Key client metrics**

	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
<b>Client base</b>					
Active clients	1,867	1,870	1,876	1,869	1,861
Clients attrition	102	83	95	98	101
Revenue per active client (USD mn)	2.52	2.62	2.63	2.53	2.66
<b>Revenue concentration</b>					
Top 5 clients	13.5%	13.7%	12.7%	13.1%	13.2%
Top 10 clients	20.9%	20.9%	19.9%	20.7%	20.8%
Non-Top10 clients	79.1%	79.1%	80.1%	79.3%	79.2%
<b>Revenue growth</b>					
Top-5 clients	2.5%	5.4%	-6.4%	-1.2%	5.3%
Top-6 to 10 clients	12.4%	1.0%	0.9%	1.1%	4.5%
Top-10 clients	5.8%	3.8%	-3.9%	-0.4%	5.0%
Non-top-10 clients	2.6%	3.8%	2.2%	-5.2%	4.3%
<b>Relationship distribution</b>					
USD 1mn+ Clients	987	985	997	998	1011
Change	47	34	53	39	24
USD 10mn+ Clients	309	307	301	309	317
Change	-3	-5	-7	-6	8
USD 50mn+ Clients	84	86	89	85	85
Change	5	6	7	2	1
USD 100mn+ Clients	40	41	41	39	41
Change	2	2	1	-1	1

Source: Company, JM Financial

**Exhibit 9. Key manpower metrics**

	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
<b>Manpower base</b>					
Total (Infosys cons)	3,15,332	3,17,788	323,379	323,578	323,788
Cons IT services	2,78,432	2,80,388	285,979	286,178	286,388
BPO services	36,900	37,400	37,400	37,400	37,400
Net addition	-1,908	2,456	5,591	199	210
As % of opening base	-0.6%	0.8%	1.8%	0.1%	0.1%
<b>Operating metrics</b>					
Utilization - Including trainees	83.9%	84.3%	83.4%	81.9%	82.7%
Utilization - Excluding trainees	85.3%	85.9%	86.0%	84.9%	85.2%
Attrition (TTM) - Infosys cons	12.7%	12.9%	13.7%	14.1%	14.4%

Source: Company, JM Financial

**Exhibit 10. Expense Analysis**

	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
<b>Cost of sales</b>					
Employee benefit costs	47.9%	47.3%	46.3%	48.5%	48.4%
Depreciation and amortization	2.9%	2.8%	2.9%	3.2%	2.7%
Travelling costs	0.8%	0.7%	0.7%	0.9%	0.8%
Cost of software packages	1.4%	1.4%	1.4%	1.5%	1.5%
Third party items bought for service delivery	7.3%	8.1%	9.6%	7.9%	7.3%
Cost of technical sub-contractors	8.1%	7.8%	7.9%	8.0%	8.3%
Communication costs	0.2%	0.2%	0.2%	0.1%	0.2%
Repairs and maintenance	0.3%	0.3%	0.3%	0.3%	0.3%
Provision for post-sales client support	-0.3%	0.3%	0.2%	-0.6%	-0.4%
Other expenses	0.2%	0.3%	0.2%	0.3%	0.2%
<b>Total</b>	<b>69.1%</b>	<b>69.5%</b>	<b>69.7%</b>	<b>69.8%</b>	<b>69.1%</b>

Source: Company, JM Financial

Third-party items decreased by 60bps QoQ

Wage hikes were fully rolled out in 1QFY26. The quarter also saw variable pay-outs.

## TP revised to INR 1,840; Maintain BUY

We now estimate 2.4% organic cc growth for INFO for FY26 vs. c.1.5% earlier, towards the upper end of guide. Acquisitions (MRE Consulting and The Missing Link) add c.50bps to our estimates. We have maintained our margin estimate despite slight miss in 1Q as we have pushed wage hike to 1QFY27 now. We estimate 21.3% margin in FY26E, within the guided band of 20-22%, and estimate 30bps/110 bps margin expansion over FY27/28E. These changes to our growth and margin assumptions drive 0.3%-2% increases to our EPS estimates for FY26-28E. We continue to value INFO at 24x (vs. 25x for TCS). The target price is revised higher from INR 1,830 to INR 1,840. Maintain BUY.

### Exhibit 11. What has changed

	Old			New			Change		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Exchange rate (INR/USD)	85.93	85.50	85.50	85.89	86.00	86.00	0.0%	0.6%	0.6%
Consolidated revenue (USD mn)	19,967	21,029	22,689	20,132	21,225	22,912	0.8%	0.9%	1.0%
YoY CC growth	2.0%	5.3%	7.9%	2.9%	5.4%	7.9%	94bp	12bp	5bp
Growth in USD revenues (YoY)	3.6%	5.3%	7.9%	4.4%	5.4%	7.9%	85bp	12bp	5bp
Consolidated revenue (INR mn)	1,715,719	1,797,952	1,939,913	1,729,184	1,825,371	1,970,449	0.8%	1.5%	1.6%
EBITDA margin	24.2%	24.7%	25.1%	24.1%	24.4%	25.5%	-9bp	-25bp	38bp
EBIT margin	21.3%	21.8%	22.3%	21.3%	21.6%	22.7%	8bp	-20bp	42bp
PAT (INR mn)	287,570	308,761	337,970	288,464	307,331	344,673	0.3%	-0.5%	2.0%
EPS (INR)	69.2	74.4	81.4	69.5	74.0	83.0	0.3%	-0.5%	2.0%

Source: JM Financial estimates

### Exhibit 12. JMFe vs street estimates

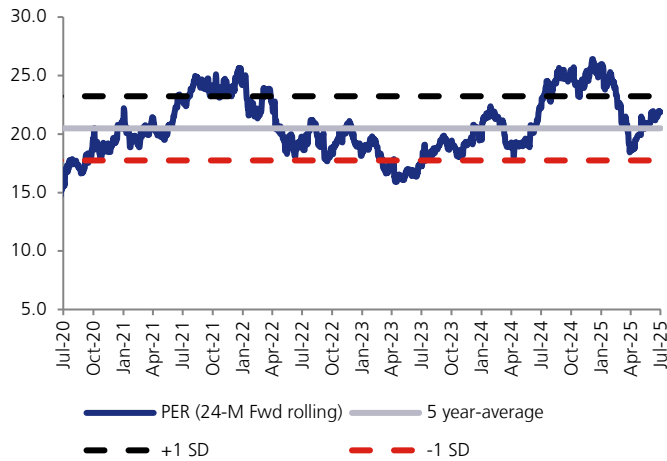
	Consensus estimates			JMFe			Difference		
	FY26F	FY27F	FY28F	FY26F	FY27F	FY28F	FY26F	FY27F	FY28F
Sales (USD mn)	19,842	21,205	22,795	20,132	21,225	22,912	1.5%	0.1%	0.5%
Sales (INR mn)	1,700,514	1,817,388	1,953,663	1,729,184	1,825,371	1,970,449	1.7%	0.4%	0.9%
EBITDA (INR mn)	410,975	442,215	473,140	416,877	445,910	502,808	1.4%	0.8%	6.3%
EBITDA margin	24.2%	24.3%	24.2%	24.1%	24.4%	25.5%	-6bp	10bp	130bp
EBIT (INR mn)	361,220	389,213	417,266	368,903	393,966	446,665	2.1%	1.2%	7.0%
EBIT margin	21.2%	21.4%	21.4%	21.3%	21.6%	22.7%	9bp	17bp	131bp
EPS (INR)	67.8	73.2	78.6	69.5	74.0	83.0	2.4%	1.1%	5.7%

Note: Consensus estimates as of 10<sup>th</sup> Jul and may not reflect changes in estimates post result. Source: Visible Alpha, JM Financial estimates



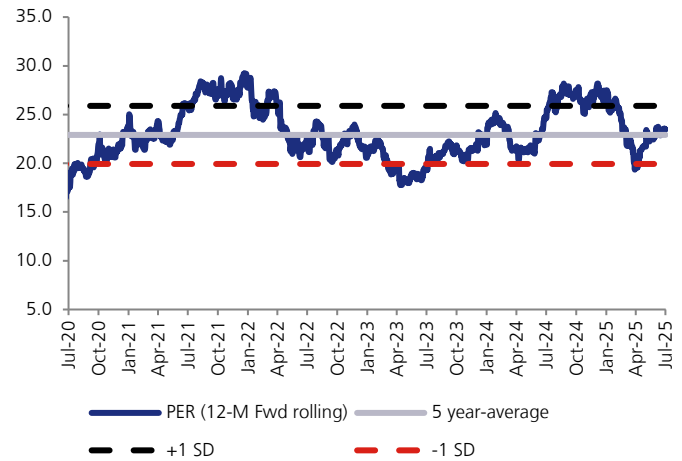
## Valuation charts

Exhibit 13. Infosys: PER 24M Fwd



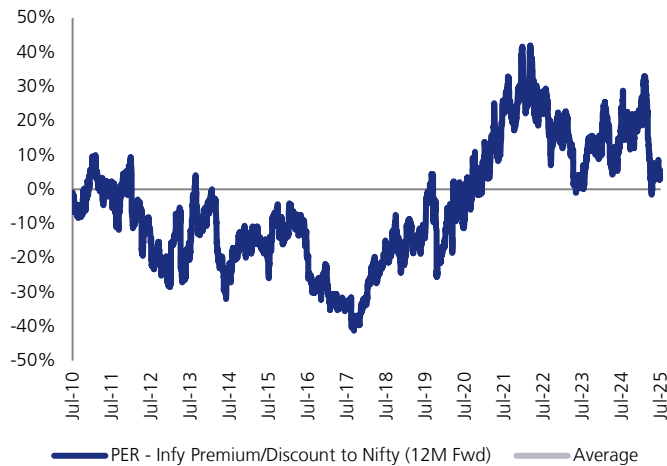
Source: Bloomberg, JM Financial

Exhibit 14. Infosys: PER 12M Fwd



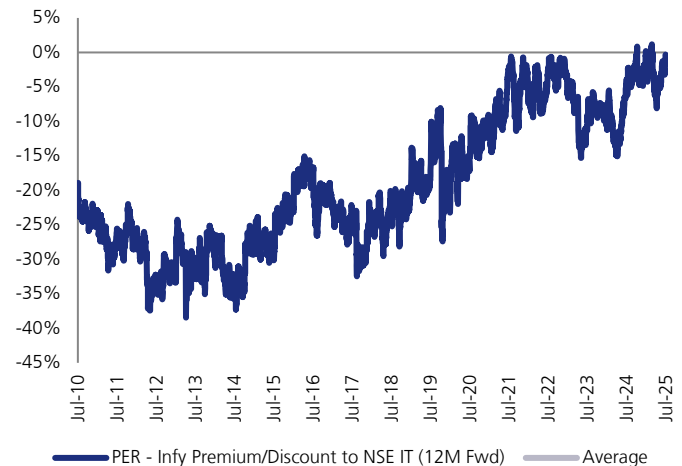
Source: Bloomberg, JM Financial

Exhibit 15. Infosys PER – Premium discount to Nifty



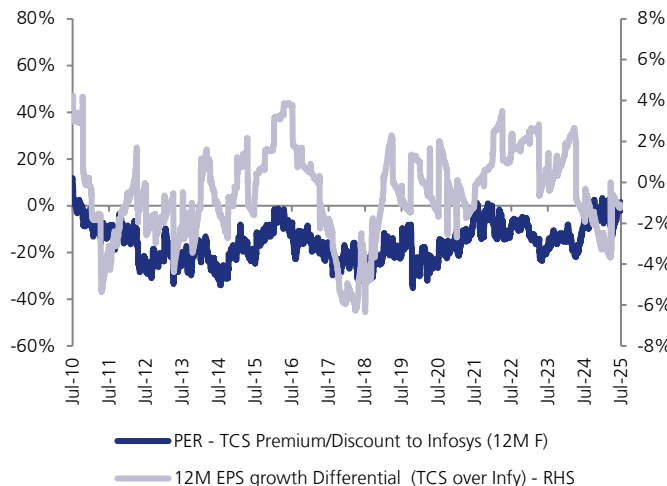
Source: Bloomberg, JM Financial

Exhibit 16. Infosys PER – Premium discount to NSE IT



Source: Bloomberg, JM Financial

Exhibit 17. PER Differential – Infosys over TCS



Source: Bloomberg, JM Financial

Exhibit 18. Infosys LTM FCF yield – FCF yield is above 10 yr +1SD



Source: Bloomberg, JM Financial



## Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	15,36,710	16,29,900	17,29,184	18,25,371	19,70,449
Sales Growth	4.7%	6.1%	6.1%	5.6%	7.9%
Other Operating Income	0	0	0	0	0
<b>Total Revenue</b>	<b>15,36,710</b>	<b>16,29,900</b>	<b>17,29,184</b>	<b>18,25,371</b>	<b>19,70,449</b>
Cost of Goods Sold/Op. Exp	10,27,360	10,85,180	11,44,638	12,08,731	12,94,923
Personnel Cost	0	0	0	0	0
Other Expenses	1,45,100	1,52,200	1,67,669	1,70,730	1,72,718
<b>EBITDA</b>	<b>3,64,250</b>	<b>3,92,520</b>	<b>4,16,877</b>	<b>4,45,910</b>	<b>5,02,808</b>
EBITDA Margin	23.7%	24.1%	24.1%	24.4%	25.5%
EBITDA Growth	3.7%	7.8%	6.2%	7.0%	12.8%
Depn. & Amort.	46,780	48,280	47,974	51,944	56,143
EBIT	3,17,470	3,44,240	3,68,903	3,93,966	4,46,665
Other Income	23,090	31,830	37,431	36,035	35,562
Finance Cost	0	0	0	0	0
PBT before Excep. & Forex	3,40,560	3,76,070	4,06,335	4,30,002	4,82,227
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	3,40,560	3,76,070	4,06,335	4,30,002	4,82,227
Taxes	97,790	1,08,570	1,17,751	1,22,550	1,37,435
Extraordinary Inc./Loss(-)	19,710	0	0	0	0
Assoc. Profit/Min. Int.(-)	90	370	120	120	120
Reported Net Profit	2,62,390	2,67,130	2,88,464	3,07,331	3,44,673
<b>Adjusted Net Profit</b>	<b>2,42,680</b>	<b>2,67,130</b>	<b>2,88,464</b>	<b>3,07,331</b>	<b>3,44,673</b>
Net Margin	15.8%	16.4%	16.7%	16.8%	17.5%
Diluted Share Cap. (mn)	4,143.1	4,150.4	4,150.5	4,150.5	4,150.5
<b>Diluted EPS (INR)</b>	<b>58.6</b>	<b>64.4</b>	<b>69.5</b>	<b>74.0</b>	<b>83.0</b>
Diluted EPS Growth	1.8%	9.9%	8.0%	6.5%	12.2%
Total Dividend + Tax	1,89,487	2,14,800	2,59,764	2,99,727	3,74,659
Dividend Per Share (INR)	37.8	42.9	52.0	60.0	75.0

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	2,62,480	2,67,500	2,88,584	3,07,451	3,44,793
Depn. & Amort.	46,780	48,120	47,974	51,944	56,143
Net Interest Exp. / Inc. (-)	-11,380	-11,680	-39,571	-38,435	-38,762
Inc (-) / Dec in WCap.	-70,960	-6,050	-2,798	-13,771	-24,052
Others	1,26,050	1,25,990	1,21,951	1,26,750	1,41,635
Taxes Paid	-92,310	-56,020	-1,17,751	-1,22,550	-1,37,435
<b>Operating Cash Flow</b>	<b>2,60,660</b>	<b>3,67,860</b>	<b>2,98,388</b>	<b>3,11,388</b>	<b>3,42,322</b>
Capex	-22,010	-22,370	-57,242	-58,692	-35,343
Free Cash Flow	2,38,650	3,45,490	2,41,146	2,52,696	3,06,979
Inc (-) / Dec in Investments	-43,380	18,550	1,260	0	0
Others	6,740	-26,560	39,571	38,435	38,762
<b>Investing Cash Flow</b>	<b>-58,650</b>	<b>-30,380</b>	<b>-16,410</b>	<b>-20,257</b>	<b>3,419</b>
Inc / Dec (-) in Capital	50	60	0	0	0
Dividend + Tax thereon	-1,54,850	-2,02,870	-2,15,487	0	0
Inc / Dec (-) in Loans	-20,240	-23,570	-2,610	-4,320	-4,320
Others	0	0	0	0	0
<b>Financing Cash Flow</b>	<b>-1,75,040</b>	<b>-2,26,380</b>	<b>-2,18,097</b>	<b>-4,320</b>	<b>-4,320</b>
<b>Inc / Dec (-) in Cash</b>	<b>26,970</b>	<b>1,11,100</b>	<b>63,881</b>	<b>2,86,812</b>	<b>3,41,421</b>
Opening Cash Balance	1,20,890	1,48,680	2,44,550	3,08,431	5,95,243
Closing Cash Balance	1,47,860	2,59,780	3,08,431	5,95,243	9,36,664

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	8,81,160	9,58,180	9,53,307	10,12,000	10,45,875
Share Capital	20,710	20,730	20,740	20,740	20,740
Reserves & Surplus	8,60,450	9,37,450	9,32,567	9,91,260	10,25,135
Preference Share Capital	0	0	0	0	0
Minority Interest	3,450	3,850	4,000	4,000	4,000
Total Loans	0	0	0	0	0
Def. Tax Liab. / Assets (-)	13,400	6,140	4,810	4,810	4,810
<b>Total - Equity &amp; Liab.</b>	<b>8,98,010</b>	<b>9,68,170</b>	<b>9,62,117</b>	<b>10,20,810</b>	<b>10,54,685</b>
Net Fixed Assets	2,15,180	2,56,720	2,65,988	2,72,736	2,51,936
Gross Fixed Assets	3,24,320	3,50,780	3,89,412	4,48,104	4,78,999
Intangible Assets	73,030	1,01,060	1,11,190	1,11,190	1,11,190
Less: Depn. & Amort.	1,82,170	1,95,120	2,34,614	2,86,557	3,38,252
Capital WIP	0	0	0	0	0
Investments	1,17,080	1,10,590	1,06,430	1,06,430	1,06,430
Current Assets	10,41,340	11,10,640	11,27,992	11,98,200	12,83,194
Inventories	0	0	0	0	0
Sundry Debtors	4,47,410	4,62,410	4,97,321	5,24,552	5,66,243
Cash & Bank Balances	2,77,010	3,69,370	3,55,551	3,93,724	4,24,347
Loans & Advances	0	0	0	0	0
Other Current Assets	3,16,920	2,78,860	2,75,120	2,79,923	2,92,603
Current Liab. & Prov.	4,75,590	5,09,780	5,38,293	5,56,556	5,86,876
Current Liabilities	1,27,210	1,22,920	1,19,270	1,19,270	1,17,837
Provisions & Others	3,48,380	3,86,860	4,19,023	4,37,286	4,69,039
Net Current Assets	5,65,750	6,00,860	5,89,699	6,41,643	6,96,318
<b>Total - Assets</b>	<b>8,98,010</b>	<b>9,68,170</b>	<b>9,62,117</b>	<b>10,20,810</b>	<b>10,54,685</b>

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	15.8%	16.4%	16.7%	16.8%	17.5%
Asset Turnover (x)	1.7	1.6	1.6	1.7	1.7
Leverage Factor (x)	1.1	1.1	1.1	1.1	1.1
RoE	29.7%	29.0%	30.2%	31.3%	33.5%

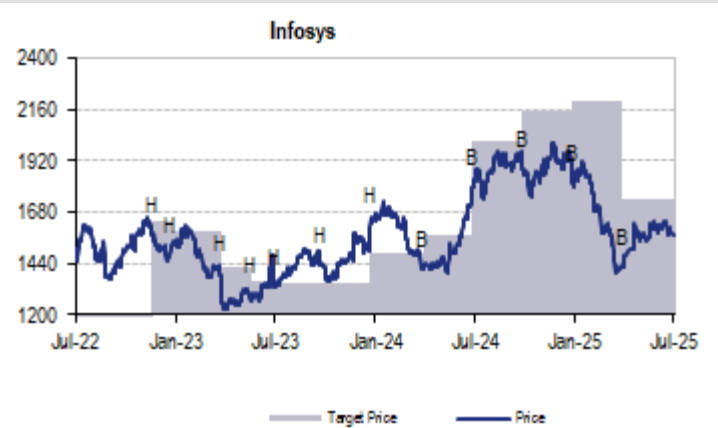
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	211.6	230.5	229.6	243.8	252.0
ROIC	48.6%	50.4%	53.6%	55.7%	61.7%
ROE	29.7%	29.0%	30.2%	31.3%	33.5%
Net Debt/Equity (x)	-0.3	-0.4	-0.4	-0.4	-0.4
P/E (x)	26.9	24.5	22.7	21.3	19.0
P/B (x)	7.4	6.8	6.9	6.5	6.3
EV/EBITDA (x)	17.4	15.9	15.0	13.9	12.3
EV/Sales (x)	4.1	3.8	3.6	3.4	3.1
Debtor days	106	104	105	105	105
Inventory days	0	0	0	0	0
Creditor days	12	12	10	10	9

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
9-Dec-22	Hold	1,640	
12-Jan-23	Hold	1,590	-3.0
14-Apr-23	Hold	1,420	-10.7
7-Jun-23	Hold	1,360	-4.2
21-Jul-23	Hold	1,350	-0.7
13-Oct-23	Hold	1,350	0.0
12-Jan-24	Hold	1,490	10.4
19-Apr-24	Buy	1,570	5.4
19-Jul-24	Buy	2,010	28.0
18-Oct-24	Buy	2,150	7.0
17-Jan-25	Buy	2,200	2.3
18-Apr-25	Buy	1,740	-20.9

Recommendation History



## APPENDIX I

## JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

Registered Office: 7th Floor, Chenergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.

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Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

\* REITs refers to Real Estate Investment Trusts.

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