Choice Institutional Equities

**BUY**

Q2FY26 Result Update

# Infosys: Strong Q2; AI-led Growth Momentum

**October 17, 2025 CMP: INR 1,473 | Target Price: INR 1,810**

**Expected Share Price Return: 22.8% I Dividend Yield: 2.9% I Potential Upside: 25.7%**

**Sector View: Neutral**

| | |
|---|---|
| Change in Estimates | ✓ |
| Target Price Change | ✗ |
| Recommendation | ✗ |

| **Company Info** | |
|---|---|
| BB Code | INFO IN EQUITY |
| Face Value (INR) | 5.0 |
| 52 W High/Low (INR) | 2,007/1,307 |
| Mkt Cap (Bn) | INR 6,118.3/ $69.5 |
| Shares o/s (Mn) | 4,152.2 |
| 3M Avg. Daily Volume | 76,03,502 |

**Change in Estimates**

| | FY26E | | | FY27E | | |
|---|---|---|---|---|---|---|
| **INR Bn** | **New** | **Old** | **Dev. (%)** | **New** | **Old** | **Dev. (%)** |
| Revenues | 1,746.0 | 1,714.1 | 1.9 | 1,888.0 | 1,873.1 | 0.8 |
| EBIT | 370.2 | 368.3 | 0.5 | 411.1 | 414.4 | (0.8) |
| EBITM % | 21.2 | 21.5 | (30) bps | 21.8 | 22.1 | (32) bps |
| EPS | 70.4 | 69.8 | 0.9 | 78.0 | 77.3 | 0.9 |

**Actual vs CIE Estimates**

| **INR Bn** | **Q2FY26A** | **CIE Est.** | **Dev.%** |
|---|---|---|---|
| Revenue | 444.9 | 439.6 | 1.2 |
| EBIT | 93.5 | 95.3 | (1.9) |
| EBITM % | 21.0 | 21.7 | (70) bps |
| PAT | 73.6 | 70.7 | 4.1 |

**Key Financials**

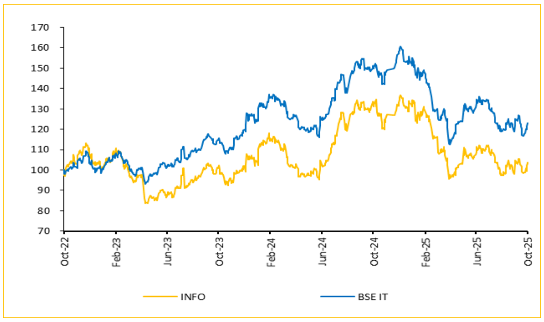
| **INR Bn** | **FY24** | **FY25** | **FY26E** | **FY27E** | **FY28E** |
|---|---|---|---|---|---|
| Revenue | 1,536.7 | 1,629.9 | 1,746.0 | 1,888.0 | 2,056.7 |
| YoY (%) | 1.9 | 3.9 | 3.7 | 7.3 | 8.9 |
| EBIT | 317.5 | 344.2 | 370.2 | 411.1 | 456.2 |
| EBITM % | 20.7 | 21.1 | 21.2 | 21.8 | 22.2 |
| Adj PAT | 262.3 | 267.1 | 292.4 | 323.9 | 360.1 |
| EPS | 63.3 | 64.3 | 70.4 | 78.0 | 86.7 |
| ROE % | 29.7 | 27.8 | 30.6 | 33.9 | 36.3 |
| ROCE % | 24.3 | 24.8 | 26.3 | 28.6 | 30.2 |
| PE(x) | 22.9 | 27.2 | 20.9 | 18.9 | 17.0 |

**Shareholding Pattern (%)**

| | *Jun-25* | *Mar-25* | *Dec-24* |
|---|---|---|---|
| Promoters | 14.61 | 14.60 | 14.43 |
| FIIs | 31.92 | 32.89 | 33.30 |
| DIIs | 39.39 | 38.32 | 38.19 |
| Public | 14.08 | 14.19 | 14.08 |

**Relative Performance (%)**

| **YTD** | **3Y** | **2Y** | **1Y** |
|---|---|---|---|
| BSE IT | 22.6 | 7.9 | (18.6) |
| INFO | (0.1) | 2.7 | (23.3) |

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Q2FY26 Technology Result Preview

## INFO Growth Propelled by AI and Strategic Initiatives

INFO is well-positioned to sustain mid-single-digit revenue growth and margin stability, powered by strong demand across verticals, aggressive AI adoption and scaling of forward-deployed engineers. Large deal wins, operational excellence and vendor-agnostic AI capabilities are expected to enhance client engagement, revenue visibility and profitability. Strategic initiatives in localisation, productivity and talent investment underpin delivery resilience and growth capture. **We maintain our PE multiple of 22x, applied to the average FY27–FY28E EPS of INR 82.2, arriving at a Target Price of INR 1,810, reflecting INFO's ability to drive medium-term value-creation.**

## Revenue and PAT Beat Estimate, EBITM Marginally Misses

- Reported Revenue for Q2FY26 stood at USD 5,076Mn up 2.7% QoQ (vs CIE est. at USD 5,038Mn). The CC growth was 2.2% QoQ. In INR terms, revenue stood at INR 444.9Bn, up 5.2% QoQ.
- EBIT for Q2FY26 came in at INR 93.5Bn, up 6.2% QoQ (vs CIE est. at INR 95.3Bn). EBIT margin was up 20bps QoQ to 21.0% (vs CIE est. at 21.7%).
- PAT for Q2FY26 came in at INR 73.6Bn, up 6.4% QoQ (vs CIE est. at INR 70.7Bn).

**Strong Q2 Growth Propels 2–3% Revenue Growth Outlook for H2:** In Q2FY26, INFO reported USD 5,076Mn in revenue, up 2.2% QoQ and 2.9% YoY in CC, driven by broad-based growth across 4 verticals and 3 geographies. Financial Services, Manufacturing and Europe saw strong performance, each exceeding 5% YoY growth, while strategic acquisitions contributed 20bps sequentially. Growth was supported by higher realisation, pricing improvements under Project Maximus and AI-led enterprise initiatives, offsetting soft volumes. **Q2FY26 Order Book TCV stood at USD 3.1Bn (67% being net new)..** Management targets 2–3% revenue growth for H2, factoring in seasonal headwinds, such as fewer working days, year-end furloughs and calendar effects, following a strong H1 performance versus peers. **We expect mid-single-digit growth, driven by a strong demand, AI adoption and scaling up of forward-deployed engineers. Large deal wins and operational excellence should enhance client engagement, revenue visibility and margin resilience.**

**EBIT Margin Guidance Intact at 20–22%:** EBIT margin expanded 30bps QoQ to 21% in Q2, driven by operational efficiency, Project Maximus initiatives and better pricing, partly offset by higher post-sales support and lower onsite utilisation. Currency tailwinds added 60bps, while moderated subcontractor cost supported expansion. Management maintains FY26 margin guidance of 20–22%, underpinned by the continued focus on productivity, automation and pricing optimisation, alongside strategic investments in talent, sales and marketing. Voluntary LTM attrition rate came to 14.3% as compared to 14.4% in previous quarter. **We expect sustained large deal wins and AI-led operational efficiencies to drive margin stability and reinforce profitability, positioning Infosys to capture medium-term growth while maintaining disciplined cost management.**

| INFO Ltd. | Q2 FY26 | Q1 FY26 | QoQ (%) | Q2 FY25 | YoY (%) |
|---|---|---|---|---|---|
| **Revenues (USD Mn)** | 5,076 | 4,941 | *2.7* | 4,894 | *3.7* |
| **Revenues (INR Mn)** | 4,44,900 | 4,22,790 | *5.2* | 4,09,860 | *8.5* |
| **EBIT (INR Mn)** | 93,530 | 88,030 | *6.2* | 86,490 | *8.1* |
| ***EBIT Margin (%)*** | *21.0* | *20.8* | *20 bps* | *21.1* | *(8) bps* |
| **Other income** | 8,630 | 9,710 | *(11.1)* | 7,250 | *19.0* |
| **Interest** | 1,060 | 1,050 | *1.0* | 1,080 | *(1.9)* |
| **PBT** | 1,02,290 | 97,400 | *5.0* | 92,530 | *10.5* |
| **Tax** | 28,540 | 28,160 | *1.3* | 27,370 | *4.3* |
| **Adj. PAT (INR Mn)** | 73,640 | 69,210 | *6.4* | 65,060 | *13.2* |
| **Basic EPS (INR)** | 17.7 | 16.7 | *6.4* | 15.7 | *13.1* |

*Source: INFO, Choice Institutional Equities*

## Management Call – Highlights

- *EBIT margin rose to 21% and FCF hit USD 1.1Bn, prompting an upgrade in revenue growth guidance.*
- *Company announced strong capital returns with a higher interim dividend and INR 18,000 Cr share buyback.*
- *Achieved record deal momentum with USD 3.1Bn in large deals and strengthened AI leadership through thousands of GenAI projects.*
- *Focused on operational resilience through localization, stable utilization, and disciplined execution amid cautious H2 outlook.*

- **Operating Margin:** EBITM expanded by 20 basis points sequentially, reaching 21%. Management noted that margin remained resilient despite absorbing compensation headwinds, reflecting the progress of Project Maximus.

- **Guidance:** Owing to the strong performance in Q2, management increased its revenue guidance for the full financial year to 2% to 3% growth in CC terms. EBITM guidance for FY26 remains unchanged at 20% to 22%.

- **Exceptional Cash Flow:** Cash generation was excellent, with Free Cash Flow (FCF) reaching USD 1.1Bn, which is 131% of net profit, marking the 6$^{th}$ consecutive quarter FCF conversion was well above 100%.

- **Capital Returns:** The board approved an interim dividend of INR 23, which is 9.5% higher than the FY25 interim dividend and announced an INR 18,000Crs share buyback through a tender route.

- **Record Deal Momentum:** Large deal TCV was USD 3.1Bn during Q2, with 67% classified as net new. Additionally, a megadeal worth USD 1.6Bn was announced after the close of the quarter. The megadeal is 100% net new and is expected to start ramping up during the current fiscal year.

- **Client Caution:** While the pipeline is strong, decision cycles remain elongated. Management noted that several clients are in a mode of strict cost control due to macroeconomic uncertainty, driving interest in cost reduction through AI, consolidation and automation.

- **H2 Outlook:** Management anticipates that seasonal factors, such as lower working days, furloughs and the onset of the new calendar year, will impact growth in H2.

- **Talent and Attrition:** Utilisation excluding trainees remained stable at 85%. Attrition remains low at 14.3%.

- **Mitigating Visa Dependence:** Management is reducing its reliance on US H1B visas through localisation, local hiring, nearshoring and lower onsite mix. This strategic shift ensures consistent client delivery while collaboratively evolving delivery models to minimise visa-related constraints.

- **Disciplined Deal Approach:** Management maintained a disciplined approach to large deals, ensuring they understand potential issues upfront to maintain the expected margin profile throughout the program. They are comfortable that large deal wins are not creating an unusual margin impact.

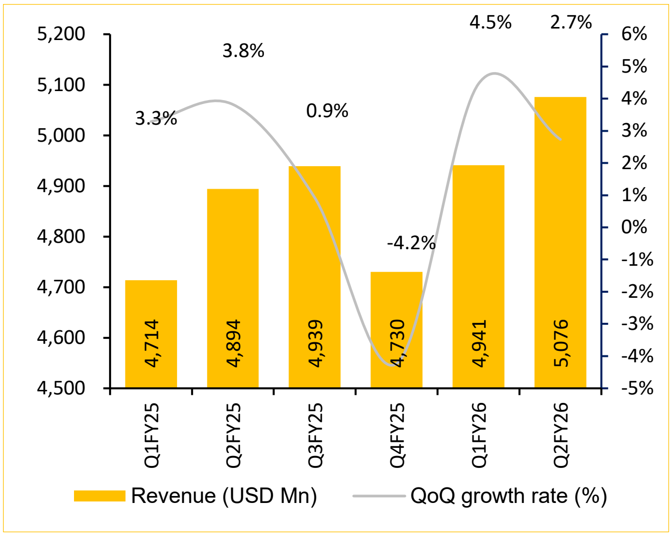
- **Industry Leadership:** Management stated that the company has emerged as the leading enterprise AI services and solutions provider. This position is supported by delivering more than 2,500 GenAI projects and over 200 Agentic AI projects for clients.

## Sequential Operating Performance

| | 3QFY24 | 4QFY24 | 1QFY25 | 2QFY25 | 3QFY25 | 4QFY25 | 1QFY26 | 2QFY26 |
|---|---|---|---|---|---|---|---|---|
| **Income Statement** | | | | | | | | |
| Revenues (USD Mn) | 4,663 | 4,564 | 4,714 | 4,894 | 4,939 | 4,730 | 4,941 | 5,076 |
| Revenues (INR Mn) | 3,88,210 | 3,79,230 | 3,93,150 | 4,09,860 | 4,17,640 | 4,09,250 | 4,22,790 | 4,44,900 |
| Gross Profit (INR Mn) | 1,13,820 | 1,08,760 | 1,17,570 | 1,22,830 | 1,24,190 | 1,17,350 | 1,41,950 | 1,48,720 |
| Gross Margin (%) | *29.3* | *28.7* | *29.9* | *30.0* | *29.7* | *28.7* | *33.6* | *33.4* |
| EBIT (INR Mn) | 79,610 | 76,210 | 82,880 | 86,490 | 89,120 | 85,750 | 88,030 | 93,530 |
| EBIT Margin (%) | *20.5* | *20.1* | *21.1* | *21.1* | *21.3* | *21.0* | *20.8* | *21.0* |
| PAT (INR Mn) | 61,060 | 79,690 | 63,680 | 65,060 | 68,060 | 70,330 | 69,210 | 73,640 |
| Basic EPS (INR) | 14.7 | 19.3 | 15.4 | 15.7 | 16.4 | 17.0 | 16.7 | 17.7 |
| **Operating Metrics** | | | | | | | | |
| **Revenues - Geography (%)** | | | | | | | | |
| North America | 59.0 | 59.6 | 58.9 | 57.4 | 58.4 | 57.1 | 56.5 | 56.3 |
| Europe | 28.2 | 28.6 | 28.4 | 29.8 | 29.8 | 31.2 | 31.5 | 31.7 |
| India | 2.4 | 2.2 | 3.1 | 3.1 | 3.1 | 2.9 | 2.9 | 3.1 |
| ROW | 10.4 | 9.6 | 9.6 | 9.7 | 8.7 | 8.8 | 9.1 | 8.9 |
| **Total** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** |
| **Revenues - Industry (%)** | | | | | | | | |
| Financial Services | 27.8 | 26.4 | 27.5 | 27.2 | 27.8 | 28.4 | 27.9 | 27.7 |
| Retail | 14.6 | 14.3 | 13.8 | 13.3 | 13.8 | 13.3 | 13.4 | 12.7 |
| Communication | 11.4 | 12.3 | 12.1 | 11.9 | 11.2 | 11.7 | 12.0 | 12.1 |
| Energy, Utilities, Resources and Services | 13.2 | 13.4 | 13.3 | 13.5 | 13.5 | 13.0 | 13.6 | 13.4 |
| Manufacturing | 14.9 | 14.7 | 14.7 | 15.7 | 15.5 | 15.9 | 16.1 | 16.5 |
| Hi Tech | 7.7 | 8.7 | 8.0 | 8.0 | 7.9 | 8.3 | 7.8 | 8.3 |
| Life Sciences | 7.6 | 7.3 | 7.3 | 7.3 | 7.6 | 6.8 | 6.5 | 6.4 |
| Others | 2.9 | 2.9 | 3.3 | 3.1 | 2.7 | 2.6 | 2.7 | 2.9 |
| **Total** | **100.1** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** |
| **Employee Metrics** | | | | | | | | |
| Total Headcount | 3,22,663 | 3,17,240 | 3,15,332 | 3,17,788 | 3,23,379 | 3,23,578 | 3,23,788 | 3,31,991 |
| Attrition Rate LTM (%) | 12.9 | 12.6 | 12.7 | 12.9 | 13.7 | 14.1 | 14.4 | 14.3 |
| Utilization - incl trainees (%) | 81.7 | 82 | 83.9 | 84.3 | 83.4 | 81.9 | 82.7 | 82.2 |
| **Effort Split (%)** | | | | | | | | |
| Onsite | 24.4 | 24.2 | 23.9 | 24.1 | 24.0 | 23.6 | 23.6 | 23.2 |
| Offshore | 75.6 | 75.8 | 76.1 | 75.9 | 76 | 76.4 | 76.4 | 76.8 |
| **Total** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** |

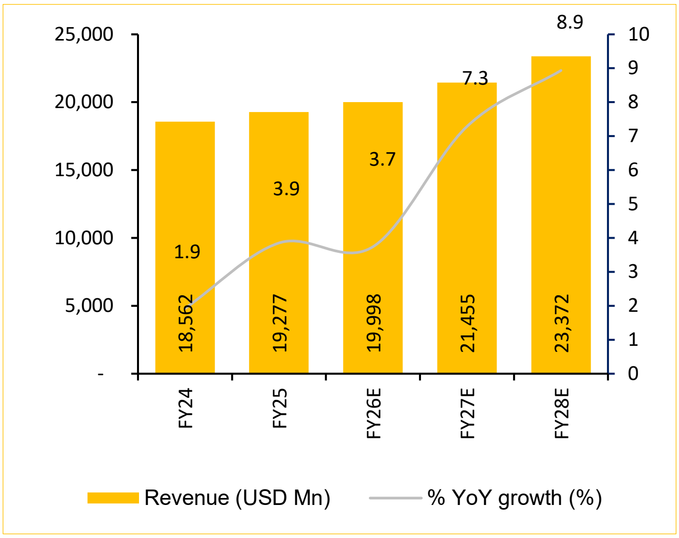
*Source: INFO, Choice Institutional Equities*

Revenue growth of 2.7% QoQ



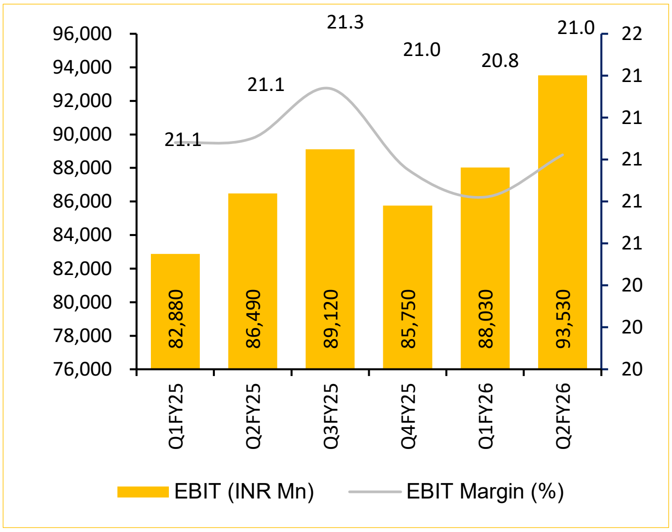

Source: INFO, Choice Institutional Equities

Rev. expected to expand at 6.6% CAGR over FY25–28E



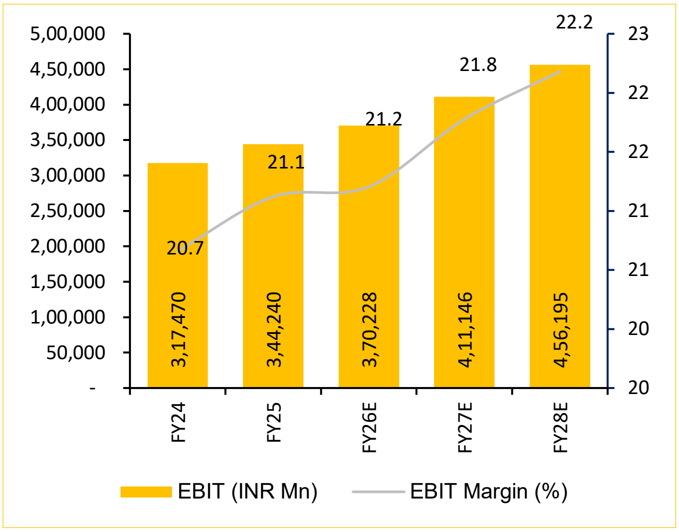

Source: INFO, Choice Institutional Equities

EBITM improved by 20bps due to operational efficiencies



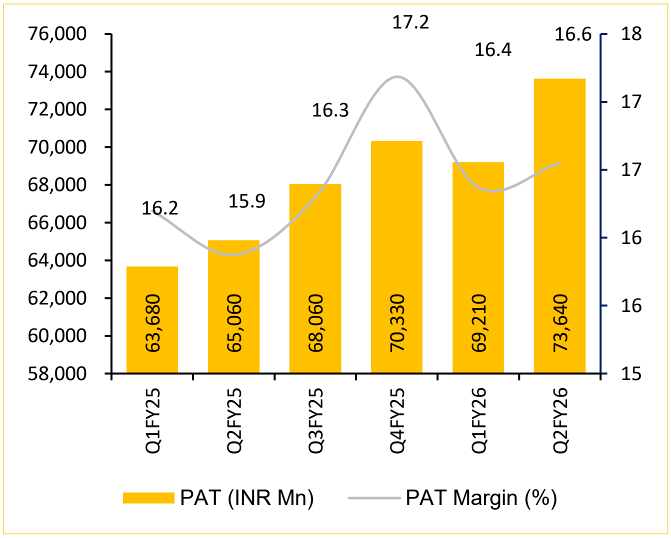

Source: INFO, Choice Institutional Equities

EBIT anticipated to expand at 9.8% CAGR over FY25–28E



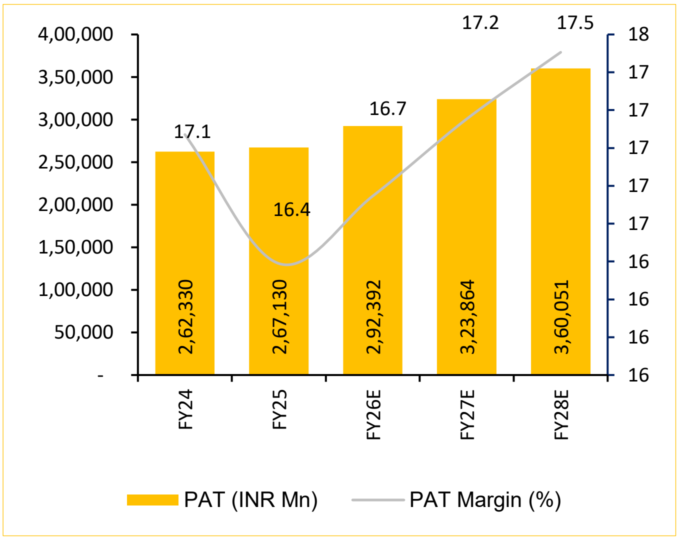

Source: INFO, Choice Institutional Equities

PATM marginally improved to 16.6%



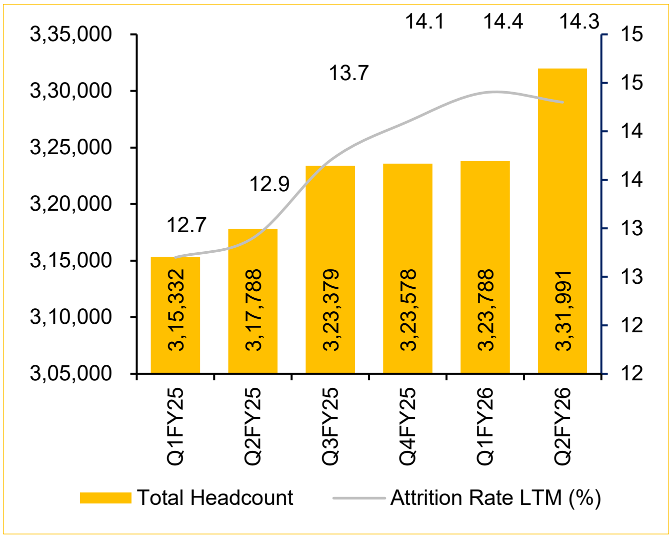

Source: INFO, Choice Institutional Equities

PAT to expand at 10.5% CAGR over FY25–28E



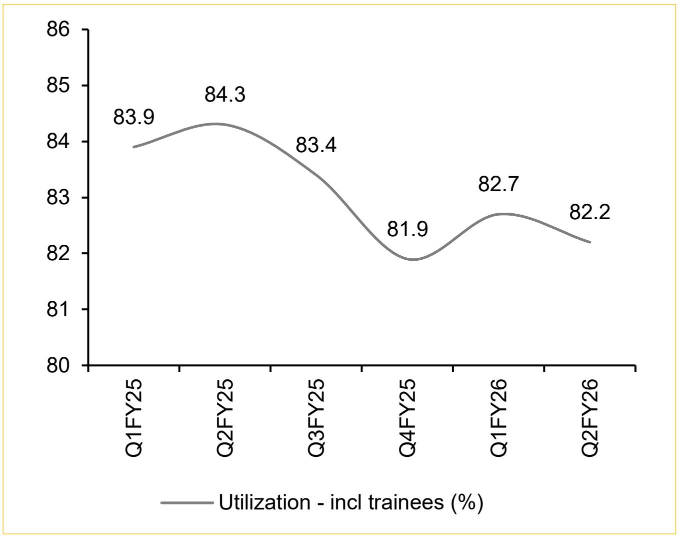

Source: INFO, Choice Institutional Equities

## Attrition rate remained elevated at 14.3%



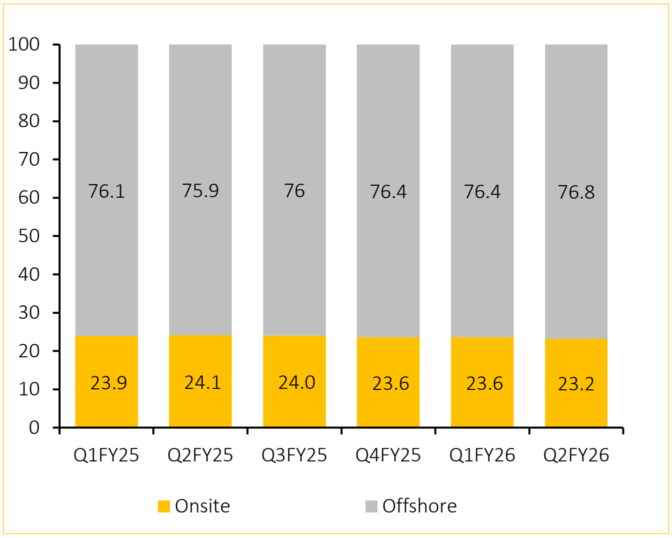

Source: INFO, Choice Institutional Equities

## Utilisation rate remained within comfortable band



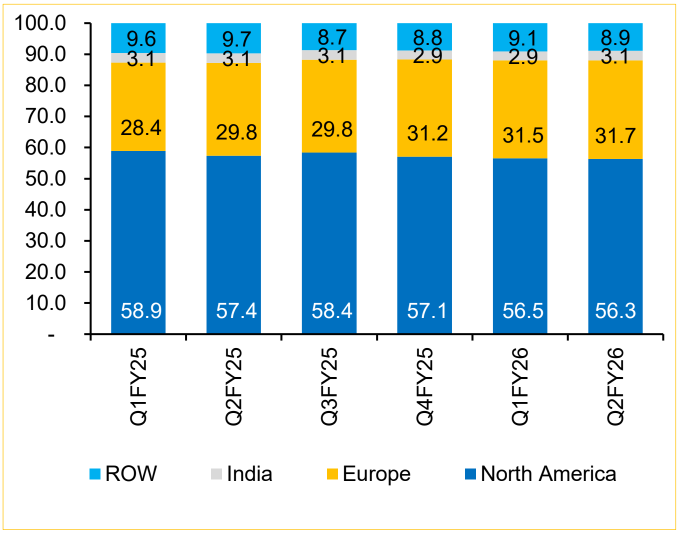

Source: INFO, Choice Institutional Equities

## Onsite and Offshore mix



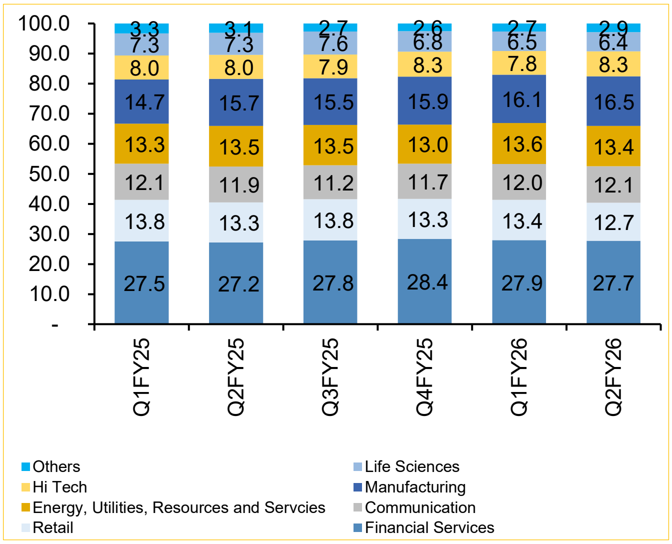

Source: INFO, Choice Institutional Equities

## North America & Europe remain key markets



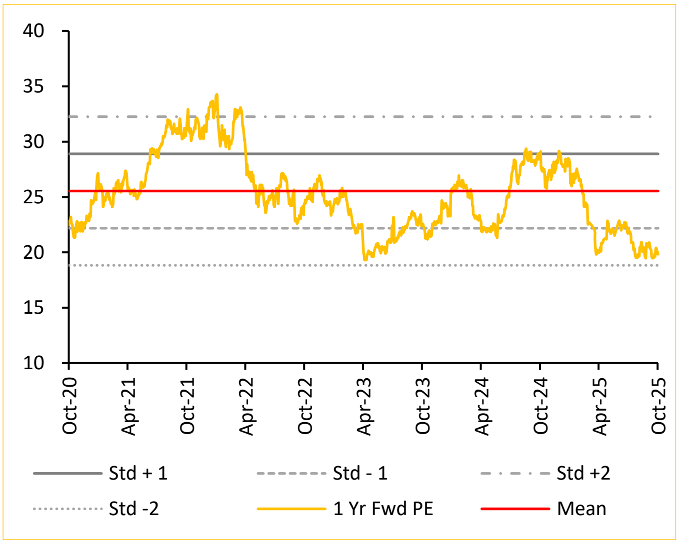

Source: INFO, Choice Institutional Equities

## Headwinds for Manufacturing, Retail & Communications




Source: INFO, Choice Institutional Equities

## 1-year Forward PE Band




Source: INFO, Choice Institutional Equities

## Income Statement (Consolidated in INR Mn)

| Particular | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Revenue (USD Mn) | 18,562 | 19,277 | 19,998 | 21,455 | 23,372 |
| Revenue | 15,36,700 | 16,29,900 | 17,46,038 | 18,88,047 | 20,56,745 |
| Gross Profit | 4,53,030 | 5,44,550 | 5,88,166 | 6,40,272 | 7,01,979 |
| EBITDA | 3,64,250 | 3,92,360 | 4,17,076 | 4,58,563 | 5,02,979 |
| Depreciation | 46,780 | 48,120 | 46,848 | 47,416 | 46,783 |
| EBIT | 3,17,470 | 3,44,240 | 3,70,228 | 4,11,146 | 4,56,195 |
| Other Income | 47,110 | 36,000 | 42,668 | 49,637 | 51,508 |
| Interest Expense | 4,700 | 4,160 | 4,210 | 4,200 | 3,800 |
| PAT | 2,62,330 | 2,67,130 | 2,92,392 | 3,23,864 | 3,60,051 |
| EPS | 63.3 | 64.3 | 70.4 | 78.0 | 86.7 |

| Ratio Analysis | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| **Growth Ratios (%)** | | | | | |
| Revenues | 1.9 | 3.9 | 3.7 | 7.3 | 8.9 |
| EBITDA | 3.7 | 7.7 | 6.3 | 9.9 | 9.7 |
| EBIT | 2.7 | 8.4 | 7.5 | 11.1 | 11.0 |
| **Margin Ratios (%)** | | | | | |
| Gross Profit Margin | 29.5 | 33.4 | 33.7 | 33.9 | 34.1 |
| EBITDA Margin | 23.7 | 24.1 | 23.9 | 24.3 | 24.5 |
| EBIT Margin | 20.7 | 21.1 | 21.2 | 21.8 | 22.2 |
| **Profitability (%)** | | | | | |
| ROE | 29.7 | 27.8 | 30.6 | 33.9 | 36.3 |
| ROIC | 30.1 | 34.2 | 38.5 | 43.5 | 49.6 |
| ROCE | 24.3 | 24.8 | 26.3 | 28.6 | 30.2 |
| **Valuation** | | | | | |
| OCF / Net Profit (%) | 96.1 | 133.6 | 115.7 | 112.9 | 111.4 |
| EV / EBITDA (x) | 15.7 | 17.5 | 13.8 | 12.6 | 11.4 |
| BVPS (x) | 213.57 | 232.04 | 230.17 | 230.28 | 238.88 |
| Free Cash Flow Yield(%) | 3.6 | 3.9 | 4.7 | 5.1 | 5.7 |

*Source: INFO, Choice Institutional Equities*

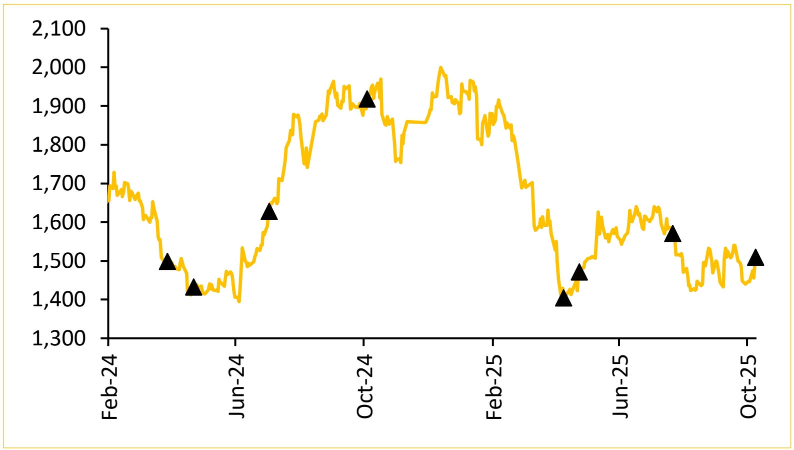
## Balance Sheet (Consolidated in INR Mn)

| Particular | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Tangible Fixed Assets | 1,26,630 | 1,25,920 | 1,19,970 | 1,22,520 | 1,27,070 |
| Goodwill & Intangible Assets | 73,030 | 1,01,060 | 1,11,060 | 1,13,060 | 1,15,060 |
| Investments | 2,77,010 | 3,69,370 | 3,53,815 | 3,50,616 | 3,80,414 |
| Other Non-current Assets | 2,79,620 | 2,79,980 | 2,83,980 | 2,76,980 | 2,69,980 |
| Other Current Assets | 6,17,310 | 6,01,620 | 6,34,547 | 6,72,160 | 7,14,963 |
| **Total Assets** | **13,73,600** | **14,77,950** | **15,03,372** | **15,35,336** | **16,07,487** |
| Shareholder's Funds | 8,81,160 | 9,58,180 | 9,50,402 | 9,50,366 | 9,85,517 |
| Borrowings | 3,450 | 3,850 | 4,350 | 4,850 | 5,350 |
| Lease Liabilities | - | - | - | - | - |
| Other Non-current Liabilities | 1,01,050 | 87,420 | 88,120 | 87,620 | 87,120 |
| Other Current Liabilities | 3,87,940 | 4,28,500 | 4,60,500 | 4,92,500 | 5,29,500 |
| **Total Equity & Liabilities** | **13,73,600** | **14,77,950** | **15,03,372** | **15,35,336** | **16,07,487** |

| Cash Flows (INR Mn) | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Cash Flows from Operations | 2,52,100 | 3,56,940 | 3,38,312 | 3,65,668 | 4,01,032 |
| Cash Flows from Investing | (50,090) | (19,460) | (24,198) | (25,466) | (29,833) |
| Cash Flows from Financing | (1,75,880) | (2,40,790) | (2,99,670) | (3,23,400) | (3,24,400) |

| DuPont Analysis | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| ROE | 29.7% | 27.8% | 30.6% | 33.9% | 36.3% |
| Net Profit Margin | 17.1% | 16.4% | 16.7% | 17.2% | 17.5% |
| Asset Turnover | 1.1 | 1.1 | 1.2 | 1.2 | 1.3 |
| Financial Leverage | 1.6 | 1.5 | 1.6 | 1.6 | 1.6 |

## Historical share price chart: Infosys Limited




| Date | Rating | Target Price |
|---|---|---|
| March 18, 2024 | BUY | 1,625 |
| April 18, 2024 | BUY | 1,545 |
| July 19, 2024 | BUY | 1,885 |
| October 18, 2024 | BUY | 2,142 |
| April 09, 2025 | BUY | 1,850 |
| April 21,2025 | ADD | 1,580 |
| July 24, 2025 | BUY | 1,810 |
| October 17, 2025 | BUY | 1,810 |

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|---|---|
| **Large Cap*** | |
| BUY | The security is expected to generate upside of 15% or more over the next 12 months |
| ADD | The security is expected to show upside returns from 5% to less than 15% over the next 12 months |
| REDUCE | The security is expected to show upside or downside returns by 5% to -5% over the next 12 months |
| SELL | The security is expected to show downside of 5% or more over the next 12 months |
| **Mid & Small Cap*** | |
| BUY | The security is expected to generate upside of 20% or more over the next 12 months |
| ADD | The security is expected to show upside returns from 5% to less than 20% over the next 12 months |
| REDUCE | The security is expected to show upside or downside returns by 5% to -10% over the next 12 months |
| SELL | The security is expected to show downside of 10% or more over the next 12 months |
| **Other Ratings** | |
| NOT RATED (NR) | The stock has no recommendation from the Analyst |
| UNDER REVIEW (UR) | The stock is under review by the Analyst and rating may change |
| **Sector View** | |
| POSITIVE (P) | Fundamentals of the sector look attractive over the next 12 months |
| NEUTRAL (N) | Fundamentals of the sector are expected to be in statis over the next 12 months |
| CAUTIOUS (C) | Fundamentals of the sector are expected to be challenging over the next 12 months |

***Large Cap: More Than INR 20,000Cr Market Cap**
***Mid & Small Cap: Less Than INR 20,000Cr Market Cap**

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