Infosys (INFTEC)

CMP: ₹1,166 | Target ₹ 1,110 (-5%) | Target Period: 12 months | HOLD

October 26, 2026

Growth concerns deepen as FY27 outlook cut yet again!

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%.

Q2FY27 performance: Revenues stood at US$5,145 mn, up 1.2% QoQ/1.5% YoY in CC terms, including ~0.4% contribution from acquisitions. EBIT margin stood at 21%, down~10 bps QoQ/ flat YoY. PAT rose 0.7% QoQ/6.2% YoY to ₹7,823 crore.

Investment Rationale:

- **Downward revision in guidance reflects weak near-term outlook:** Q2FY27 revenue growth of 1.5% YoY CC remained below expectations, despite ~0.4% acquisition contribution to QoQ growth, taking H1FY27 growth to 1.9% CC. **More importantly, management cut FY27 revenue growth guidance to 1–2% CC (-0.7-0.3% YoY CC on an organic basis considering ~1.7% inorganic contribution) vs 1.5–3.5% earlier, citing softer volumes, lower-than-anticipated pricing and cautious discretionary spending.** Weakness in Retail (-7.7% YoY CC) & Hi-Tech (-17.3% YoY CC), continued pressure in Manufacturing (-0.7% YoY CC) and AI-led productivity pass-throughs further constrain growth visibility. Previously identified offshoring and client-specific headwinds remain relevant (expected to reduce FY27 growth by ~1.8–2%), limiting the near-term prospects of a meaningful organic growth recovery. **Accordingly, we expect US$ revenue to grow at CAGR of 3.2% over FY26-28E.**
- **Margin to remain rangebound amidst subdued growth:** EBIT margin remained resilient at 21% in Q2FY27, down ~10 bps QoQ, enabling **management to retain its FY27 guidance of 20–22%.** Operational efficiencies under Project Maximus, currency benefits and cost discipline continue to support profitability. However, compensation hikes in H2, acquisition-related costs, seasonally weaker revenues and continued sharing of AI-driven productivity benefits are likely to constrain margin expansion. **With revenue growth remaining subdued and competitive pricing pressure persisting, stable margins provide some earnings support but are unlikely, on their own, to drive a meaningful acceleration in earnings growth. We bake in EBIT margins of 20.6%/ 20.7% in FY27E/ FY28E.**
- **Strong deal wins and AI traction improve medium-term visibility:** Large-deal TCV of US$5.2 bn in Q2FY27, with 62% net new, improved from US$3.6 bn in Q1FY27, taking H1FY27 TCV to US$8.8 bn, up 28% YoY. **The net-new US$2 bn+ 7-year mega deal is expected to contribute over 1% to revenue growth in FY28, while AI revenue grew 29% QoQ to 10.5% of revenue.** These developments strengthen medium-term growth visibility. However, softer volumes, pricing pressure and AI-led productivity pass-throughs continue to constrain near-term revenue conversion, leaving the timing and magnitude of a topline recovery uncertain.

Rating and Target Price: Given subdued organic growth visibility and absence of earning growth levers, we **maintain our HOLD rating. We value Infosys at 14x FY28E EPS to arrive at a target price of ₹1,110.**

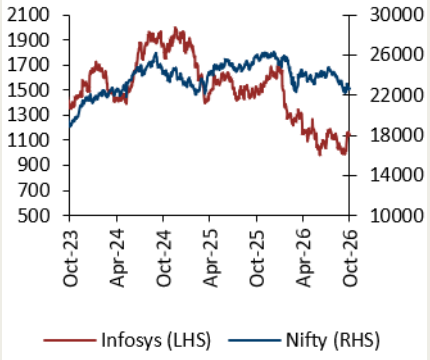
Particulars

(₹ Crore)	Amount
Market cap	4,82,694
Total Debt	-
CC&E	35,151
EV	4,47,543
52-week H/L	1728 / 980
Equity capital	2,024.0
Face value	5.0

Shareholding pattern

	Dec-25	Mar--25	Jun-26	Sep-26
Promoters	13.4	13.4	12.8	12.8
FII	27.2	26.3	25.0	25.0
DIIs	38.5	40.2	39.8	39.3
Public	20.9	20.1	22.5	22.9

Price Chart



Key risks

- Prolonged macroeconomic uncertainty with weakness in discretionary spend;
- Higher than expected volume led revenue growth and pricing recovery

Research Analyst

Bhupendra Tiwary, CFA
bhupendra.tiwary@icicisecurities.com

CA Anjini Sharma
anjini.sharma@icicisecurities.com

Result Update

ICICI Securities – Retail Equity Research

Key Financial Summary

₹ Crore	FY24	FY25	FY26	5 year CAGR (FY21-26)	FY27E	FY28E	2 year CAGR (FY26-28E)
Net Sales	1,53,670	1,62,990	1,78,650	12.2%	1,95,210	2,03,952	6.8%
Adj. EBITDA	36,425	39,235	42,444	8.8%	45,484	47,521	5.8%
EBITDA Margins (%)	23.7	24.1	23.8		23.3	23.3	
Adj. Net Profit	26,233	26,713	30,411	9.5%	30,562	31,953	2.5%
Adj. EPS (₹) - Diluted	63.4	64.5	72.8		75.5	79.0	
P/E	18.0	17.7	16.0		15.4	14.8	
RoNW (%)	29.7	27.8	31.6		31.0	30.6	
RoCE (%)	36.3	35.5	38.6		39.8	39.6	

Source: Company, ICICI Direct Research

Performance highlights and outlook

- **Guidance/ Demand Outlook: Management reduced FY27 revenue growth guidance to 1–2% CC (-0.7-0.3% YoY CC on an organic basis considering ~1.7% inorganic contribution) vs 1.5–3.5% earlier, reflecting weaker-than-expected H1 performance and a more cautious outlook for the rest of the year.** Pricing increases have remained lower than anticipated amid heightened competition, while softer volumes and selective discretionary spending, particularly in Retail and Hi-Tech, have weighed on growth. Previously identified headwinds from offshoring and client-specific manufacturing weakness remain relevant, with assumptions broadly unchanged (expected to reduce full-year growth by ~1.8–2%).
- **Margin Outlook: FY27 EBIT margin guidance was retained at 20–22%.** H2 margins are expected to face headwinds from compensation hikes effective October and January, seasonally weaker revenue growth, continued sharing of AI-driven productivity benefits and large-deal ramp-ups. Acquisition-related costs, including amortisation, remain an additional headwind; management had indicated an overall ~50 bps full-year margin impact from acquisitions. These factors are expected to be partly offset by Project Maximus and continued operational efficiency initiatives.
- **Revenue Performance:** Infosys reported revenues of US$5,145 mn, up 1.2% QoQ/1.5% YoY in CC terms, including ~0.4% contribution from acquisitions to sequential growth. In INR terms, revenue stood at ₹49,244 crore, up 2.1% QoQ/10.7% YoY. Q2 growth was below management expectations, impacted by softer volumes, lower-than-anticipated price increases and heightened competitive intensity. H1FY27 revenue growth stood at 1.9% YoY in CC terms, reflecting a subdued underlying growth.
- **GenAI/AI: AI revenue grew 29% QoQ to account for 10.5% of total revenue, compared with 8.2% in Q1FY27.** Topaz and its broader ecosystem of AI partnerships remain central to Infosys' strategy. While AI is emerging as an incremental revenue stream, productivity benefits passed on to clients and competitive pricing pressures continue to dilute revenue conversion in parts of the legacy services portfolio.
- **Geography performance:**

Exhibit 1: Geography wise growth trend

Geography	% of revenue mix	YoY CC growth %
North America	54.6	-1.5
Europe	32.5	4.6
India	10.1	-3.5
ROW	2.8	10.9

Source: Company, ICICI Direct Research

- **Segment performance:**

Exhibit 2: Vertical wise growth trend

Vertical	% of revenue mix	YoY CC growth %
Financial Services	28.0	2.1
Retail	11.5	-7.7
Communication	12.5	4.1
Energy, Utilities, Resources and Servcies	14.2	7.3
Manufacturing	16.0	-0.7
Hi Tech	6.8	-17.3
Life Sciences	8.4	32.5
Others	2.6	-4.7

Source: Company, ICICI Direct Research

  - **Management expects Financial Services and EURS to grow faster than the company average, while caution persists across Manufacturing, Retail and Hi-Tech.**

  - **Hi-tech:** Hi-Tech was impacted by lower third-party revenues and reduced spending at a few large clients amid cost pressures and budget cuts. AI-led productivity expectations are increasing pricing pressure and reshaping delivery models.
  - **Retail:** The segment continued to face subdued consumer demand and cautious discretionary spending. Sequential performance was impacted by lower third-party revenues and ramp-downs at certain clients, particularly in consumer technology and logistics. Clients remain focused on cost takeouts and vendor consolidation, with AI-led transformation opportunities increasingly funded through existing technology savings.

- **Margin performance**: EBIT margin stood at 21.0%, down ~10 bps QoQ and flat YoY. Sequentially, margins were impacted by -70 bps from post-sales customer support and -20 bps from acquisitions due to additional consolidation. These were offset by +40 bps from rupee appreciation, +20 bps from Project Maximus and +20 bps from higher calendar and working days. The normalisation of the 40 bps impact from the EURS program terminated in Q1 was offset by lower realisation amid heightened competitive intensity. PAT stood at ₹7,823 crore, up 0.7% QoQ/6.2% YoY
- **Deal Wins:** Large-deal TCV stood at US$5.2 bn, with 62% net new. Infosys signed 19 large deals during Q2, including a net-new US$2 bn-plus seven-year financial services mega deal and a US$1 bn renewal. **Transition for the net-new mega deal is expected to begin in the second half of Q4, with management expecting it to contribute over 1% to company revenue growth in FY28.** H1 large-deal TCV reached US$8.8 bn, up 28% YoY, with 62% net new, providing a stronger foundation for medium-term growth
- **Attrition & Employee addition**: Total employee count increased by 4,480 QoQ to 332,542. Infosys hired ~13,000 freshers during H1FY27 and continues to target ~20,000 graduate hires for FY27. Voluntary attrition declined to 12.7% from 13.0% in Q1FY27 and 14.3% in Q2FY26.
- **Dividend:** The company declared an interim dividend of ₹26 per share.

Exhibit 3: Quarter performance

₹ crores	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)	Comments
Revenue	49,244	44,490	10.7	48,211	2.1	Revenue was up 1.2% QoQ/1.5% YoY in CC terms
Employee expenses	32,584	29,618	10.0	31,787	2.5	
Gross Profit	16,660	14,872	12.0	16,424	1.4	
Gross margin (%)	33.8	33.4	40 bps	34.1	-24 bps	
Selling & marketing costs	2,489	2,224	11.9	2,568	-3.1	
G&A expenses	2,482	2,113	17.5	2,447	1.4	
EBITDA	11,689	10,535	11.0	11,409	2.5	
EBITDA Margin (%)	23.7	23.7	6 bps	23.7	7 bps	
Depreciation	1,359	1,182	15.0	1,246	9.1	
EBIT	10,330	9,353	10.4	10,163	1.6	
EBIT Margin (%)	21.0	21.0	-5 bps	21.1	-10 bps	EBIT margin stood at 21%, down ~10 bps QoQ and flat YoY. Sequentially, margins were impacted by -70 bps from post-sales customer support and -20 bps from acquisitions due to additional consolidation. These were offset by +40 bps from rupee appreciation, +20 bps from Project Maximus and +20 bps from higher calendar and working days. The normalisation of the 40 bps impact from the EURS program terminated in Q1 was offset by lower realisation amid heightened competitive intensity.
Other income	733	876	-16.3	865	-15.3	
PBT	11,063	10,229	8.2	11,028	0.3	
Tax paid	3,225	2,854	13.0	3,253	-0.9	
Reported PAT	7,823	7,364	6.2	7,769	0.7	

Source: Company, ICICI Direct Research

Exhibit 4: Change in estimates

	FY27E			FY28E		
(₹ Crore)	Old	New	% Change	Old	New	% Change
Revenue (USD mn)	20,557	20,517	-0.2	21,443	21,469	0.1
Revenue	1,92,899	1,95,210	1.2	2,00,493	2,03,952	1.7
EBIT	39,462	40,288	2.1	41,001	42,116	2.7
EBIT Margin (%)	20.5	20.6	18 bps	20.5	20.7	20 bps
PAT	30,224	30,562	1.1	31,308	31,953	2.1
Diluted EPS (₹)	74.7	75.5	1.1	77.4	79.0	2.1

Source: Company, ICICI Direct Research

Financial summary

Exhibit 5: Profit and loss statement ₹ crore

(Year-end March)	FY26	FY27E	FY28E
Total Income	**1,78,650**	**1,95,210**	**2,03,952**
Growth (%)	9.6	9.3	4.5
COGS (emp exp)	1,19,833	1,29,867	1,36,240
Admin expenses	8,584	9,817	9,790
S&M expenses	9,078	10,043	10,402
Total Opex	1,37,495	1,49,726	1,56,431
EBITDA	**41,155**	**45,484**	**47,521**
Growth (%)	4.9	10.5	4.5
Depreciation	4,901	5,196	5,405
Other Income	3,741	3,064	3,264
PBT	39,995	43,352	45,380
Total Tax	10,521	12,750	13,387
PAT	**29,437**	**30,562**	**31,953**
Growth (%)	10.2	3.8	4.6
EPS (₹) - Diluted	**72.8**	**75.5**	**79.0**
Growth (%)	12.8	3.8	4.6

Source: Company, ICICI Direct Research

Exhibit 6: Cash flow statement ₹ crore

(Year-end March)	FY26	FY27E	FY28E
Profit after Tax	29,437	30,562	31,953
Add: Depreciation	4,902	5,196	5,405
(Inc)/dec in Current Assets	(7,489)	(4,465)	(3,174)
Inc/(dec) in CL and Provisions	5,183	3,805	2,009
Taxes paid	(8,648)	(12,750)	(13,387)
CF from operating activities	**35,824**	**32,034**	**32,928**
(Inc)/dec in Investments	(1,890)	3,064	3,264
(Inc)/dec in Fixed Assets	(2,727)	(2,200)	(2,200)
CF from investing activities	**108**	**864**	**1,064**
Dividend paid & dividend tax	(18,656)	(25,359)	(26,119)
Others	2	-	-
CF from financing activities	**(39,786)**	**(25,359)**	**(26,119)**
Net Cash flow	(3,854)	7,539	7,873
Exchange difference	1,600	-	-
Opening Cash	24,455	22,201	29,740
Closing Cash	**22,201**	**29,740**	**37,613**

Source: Company, ICICI Direct Research

Exhibit 7: Balance sheet ₹ crore

(Year-end March)	FY26	FY27E	FY28E
Equity Capital	2,024	2,024	2,024
Reserve and Surplus	91,273	96,477	1,02,311
Total Shareholders funds	93,297	98,501	1,04,335
Employee benefit obligations	117	117	117
Debt	-	-	-
Deferred Tax Liability	1,679	1,679	1,679
Other non current liabilities	8,552	8,552	8,552
Total Liabilities	**1,03,645**	**1,08,849**	**1,14,683**
Assets			
Property, plant and equipment	19,508	16,512	13,308
Goodwill	12,117	12,117	12,117
Intangibles	2,825	2,825	2,825
Available for sale assets	8,930	8,930	8,930
Other assets	9,098	9,098	9,098
Cash	22,201	29,740	37,613
Current Investments	12,950	12,950	12,950
Trade receivables	35,234	38,500	40,224
Unbilled revenue	15,483	15,226	15,908
Prepayment & fin.assets	15,703	17,159	17,927
Other current assets	1,918	1,918	1,918
Total Current Assets	1,03,489	1,15,493	1,26,541
Trade payables	4,744	5,184	5,416
Unearned revenue	11,838	12,935	13,515
OCL & provisions	35,740	38,008	39,205
Total Current Liabilities	52,322	56,127	58,136
Net Current Assets	51,167	59,366	68,405
Application of Funds	**1,03,645**	**1,08,849**	**1,14,683**

Source: Company, ICICI Direct Research

Exhibit 8: Key ratios

(Year-end March)	FY26	FY27E	FY28E
Per share data (₹)			
EPS (Diluted)	72.7	75.5	78.9
Cash EPS	82.9	86.4	90.2
BV	230	243	258
DPS	16.9	61.1	62.9
Cash Per Share	53.6	71.8	90.9
Operating Ratios (%)			
EBIT Margin	20.3	20.6	20.7
PBT Margin	22.4	22.2	22.3
PAT Margin	16.5	15.7	15.7
Debtor days	72	72	72
Unbilled revenue	29	29	28
Creditor days	10	10	10
Return Ratios (%)			
RoE	31.6	31.0	30.6
RoCE	38.6	39.8	39.6
RoIC	52.9	60.9	65.7
Valuation Ratios (x)			
P/E	16.0	15.4	14.8
EV / EBITDA	10.9	9.7	9.1
EV / Net Sales	2.5	2.3	2.1
Market Cap / Sales	2.7	2.5	2.4
Price to Book Value	5.2	4.9	4.6
Solvency Ratios			
Debt/EBITDA	-	-	-
Debt / Equity	-	-	-
Current Ratio	1.7	1.6	1.6
Quick Ratio	1.7	1.6	1.6

Source: Company, ICICI Direct Research

RATING RATIONALE

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

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

Pankaj Pandey | Head – Research | pankaj.pandey@icicisecurities.com

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

ANALYST CERTIFICATION

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

Terms & conditions and other disclosures:

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

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

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

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

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

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

For any queries or grievances: Mr. Jeetu Jawrani Email address: headservicequality@icicidirect.com Contact Number: 18601231122

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SEBI Guidelines for Research Analyst (RA) requires all RAs to disclose terms and conditions pertaining to Research Services to all clients. Please go through the "Mandatory terms and conditions" and "Most Important Terms and Conditions".