HOLD
TP: Rs 1,157 | ▲ 0%

INFOSYS

| IT Services | 24 October 2026

Lowering organic growth guide tempers sector optimism

- **Flat organic revenue growth guide for FY27, lowered from 2.25% at FY27 start, weakest in its history. Drops market share for margins.**
- **AI deflation has more room to run (~49-60% of legacy book remains, we think). AI revenue likely grew ~80% YoY while core deflated by 4%**
- **Broadly retain EPS estimates and Target PE multiple of 14.1x on Sept 2028E EPS. Retain HOLD rating. CEO designate not exposed.**

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Revenue fell short of management's own plan: Revenue growth of 1.2% QoQ (our estimate of 0.8%) and 1.5% YoY in CC terms fell short of management's expectations, due to softer volume, lower than anticipated price increases amid higher competitive intensity and slower discretionary spend in Retail and Hi-Tech verticals. Part of it is also because it let go of business which did not make economic sense. So it was open to shed market share to hold on to margins. Get it that competitive intensity is unlikely to ease in 2HFY27.

Flat organic revenue growth guidance weakest in its history: FY27 revenue growth guidance is now 1% to 2% (1.5%-3% 3 months back and 1.5%-3.5% 6 months back), reflecting softer 1H and an updated view on 2H. Organic growth lowered a second time to flat growth compared to 0.55% 3 months back and 2.25% at FY27 start. It is the weakest growth in its history and caused by share shift towards Accenture, CTSH and HCLT, all of which work on lower margins than TCS and Infosys. TCS itself seems open to dropping its industry high margins for growth.

Infosys 2Q performance will temper recent sector optimism: Nifty IT has outperformed Nifty by ~16ppt over the last one month. We believe part of it was due to (1) the very low starting PE multiple that sector was trading at (2) lack of incremental negatives in results of Accenture and most of Tier-1 Indian players (3) supposed Anti-AI trade (whatever that means). (4) increasing caution on domestic sectors due to rising domestic inflation, yields, super El-Nino, etc. We think Infosys' lackluster 2Q performance even vis-à-vis low expectations may temper optimism.

Believe historical PE analysis does not capture AI disruption risks adequately. If we go by historical 5- year and 10-year PE measures stock looks cheap. Our DCF analysis indicates current price for Infosys factors not only a mid-single digit FCF growth for the next 10 years but also ~7.5% of terminal growth rate. It does not factor in low single digit/flat/declining in FCF over next 10 years and/or terminal growth, both of which have a non-zero probability. Lack of clarity on structural pressure points will keep valuations subdued. Our Target PE multiple of 14.1x (same as sector benchmark, see valuation section of sector view inside) and retain our HOLD rating on the stock

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	INFO IN/Rs 1,154
Market cap	US$ 49.2bn
Free float	87%
3M ADV	US$ 139.4mn
52wk high/low	Rs 1,728/Rs 980
Promoter/FPI/DII	14%/27%/43%

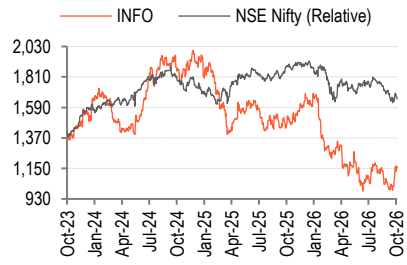
Source: NSE | Price as of 23 Oct 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	1,786,500	1,960,270	2,034,926
EBITDA (Rs mn)	424,440	456,248	469,928
Adj. net profit (Rs mn)	294,400	309,464	323,208
Adj. EPS (Rs)	71.5	76.3	79.7
Consensus EPS (Rs)	71.5	76.8	80.1
Adj. ROAE (%)	31.1	31.3	29.7
Adj. P/E (x)	16.1	15.1	14.5
EV/EBITDA (x)	11.5	10.8	10.6
Adj. EPS growth (%)	11.1	6.7	4.4

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Key Points from the quarter and the earnings call

- Revenue stood at US$5,143mn, up 1.2% QoQ (above our estimate of 0.8%) and 1.5% YoY in CC terms. Acquisition contributed approximately 0.4% to sequential growth
  - According to the management, revenue growth was below expectations, with softer volume and lower than anticipated price increases amidst high competitive intensity
  - Infosys said that client spending remains cautious, reflecting geopolitical tensions, inflationary pressures, and shifting technology priorities. Selective discretionary spend also tempered the usual 2Q seasonal growth.
  - **Pricing pressure has increased over the last couple of quarters due to higher competitive intensity, preventing the pricing expansion expected at the beginning of the year from materialising. Softer-than-expected revenue and volume growth during the quarter, along with slower discretionary spending in Retail and High-Tech, contributed to lower-than-expected revenue**
- AI revenue stood at 10.5% of overall revenue. AI revenue grew over 29% QoQ. While we do not have the 2QFY26 numbers for AI, but if we apply the 17% CQGR that one has seen since 3QFY26 till now, we see that AI revenue has grown at ~80% YoY and the core revenue has declined by ~4%.
- Revenue growth by segment (YoY CC terms):
  - Financial Services grew 2.1%; Manufacturing declined 0.7%; Energy, Utilities, Resources & Services grew 7.3%; Retail declined 7.7%; Communication grew 4.1%; Hi-Tech declined 17.3%; Life Sciences grew 32.5%; Others declined 4.7%
- Revenue growth by Geography (YoY CC terms):
  - North America declined 1.5%; Europe grew 4.6%; Rest of the World grew 10.9%; India declined 3.5%
- EBIT margin stood at 21.0% (against our estimate of 21.5%), declining 10 bps QoQ and flat YoY
  - Headwinds: 70 bps from sequential change in post-sales customer support; 20 bps from acquisitions due to one-month additional consolidation
  - Tailwinds: 40 bps from rupee depreciation; 20 bps from Project Maximus; 20 bps from higher calendar and working days
  - Normalization of the 40-bps impact from the EURS program terminated in 1Q was offset by lower realization due to high competitive intensity
  - 1HFY27 operating margin stood at 21%, at the midpoint of the guided range
- Large deal (>50mn) TCV stood at US$5.2bn (growing 42% QoQ and 69% YoY), of which 62% was net new. Infosys won 19 large deals in 2Q, which is the second highest quarterly TCV in last 5 years. Vertical-wise, Infosys won 7 deals in financial services (US$3.5bn in value), 5 in manufacturing, 2 each in communications,

EURES, life sciences, and 1 in high-tech. Region-wise, it signed 9 deals, each in North America and Europe, and 1 in rest of the world. H1 saw US$8.8bn large deal wins, which is YoY growth of 28% with 62% net new

- 2Q TCV includes an entirely net new US$2bn+, seven-year mega deal with a financial services client, with transition expected to begin in the second half of 4Q. This deal is expected to contribute over 100bps to growth in FY28
- 2Q TCV also has a billion-dollar mega deal with an existing financial services client which is a renewal contract.
- Infosys says that large deal pipeline is healthy and includes some more mega deals.

- Offshore effort mix stood at 77.4%, up 20 bps QoQ
- Utilization (incl. trainees) stood at 81.9%, down 20 bps QoQ due to fresher entry; Voluntary Attrition % (LTM - IT Services) reduced to 12.7% versus 13.0% QoQ
- Total employees stood at 332,542, increase in headcount of 4,480 QoQ.
  - S/W professionals stood at 314,508, increase of 4,469

Guidance revised down for the second time in the last 6 months

- FY27 revenue growth guidance revised to 1% to 2%, (was 1.5% to 3% post 1Q and 1.5%-3.5% at the beginning of FY27) reflecting softer than expected 1H performance and updated assessment for the rest of the year.
  - Lower end of guidance assumes further deterioration in macro, while upper end assumes improvement
  - FS and EURS expected to grow higher than the company average
  - Assumptions regarding acquisitions, large deal with a European manufacturing client and shift towards offshore delivery remain broadly unchanged. The latter two indicated to have an impact of 180-200bps of impact.
- **Organic growth for FY27 has been indicated to be flat at the mid point of the range (~150bps inorganic element). This number was 0.55% 3 months back and 2.25% 6 months back.**
- Operating margin guidance stands at 20% to 22%
- 2H margins to be impacted by compensation hikes, softer revenue seasonality, continued sharing of AI-driven productivity benefits and ramp-up of large deals. Headwinds to be partly offset by initiatives under Project Maximus

Commentary on verticals:

- Financial Services: Growth momentum across global and regional banks, cards and payments, capital markets and Europe; clients are prioritizing modernization and AI initiatives focused on cost efficiency and enhanced customer experience, and are increasingly moving from AI experimentation to enterprise-wide adoption; geopolitical and interest rate uncertainty continues to drive cautious spending, but strong deal wins and a healthy pipeline position the company for sustained growth

- Manufacturing: continues to face near-term pressures, including lower revenue from a large client, with Middle East conflicts, inflation and tariffs constraining discretionary spend and extending decision cycles; competitive intensity remains high, particularly around AI-led productivity commitments; Clients are re-looking at partners across the value chain, leading to vendor consolidation opportunities
- EURS: continues to see stable demand, with client spending concentrated on targeted, high-impact programs rather than broad-based discretionary initiatives; cost optimization, vendor consolidation, core modernization and AI-led transformation remain key priorities; competitive intensity remains high; large deal pipeline has grown significantly in the last one year, providing future growth visibility
- Retail: sequential growth impacted primarily by lower third-party revenues, with subdued environment and macro uncertainty resulting in soft consumer demand and ramp-downs at some clients; consumer tech and logistics most impacted on account of supply chain disruptions; opportunities exist around large cost takeouts and transformation programs towards AI, while expectations of AI-led productivity commitments are increasing competitive intensity and reshaping commercial models
- Communications: challenging demand environment, with clients maintaining tight control over discretionary expense and prioritizing cost efficiency; AI-driven productivity expectations are putting pressure on pricing and delivery models; cost takeouts and vendor consolidations remain the primary drivers, with some opportunities emerging in transformation, legacy modernization and AI-led programs
- High-Tech: impacted by lower third-party revenues and reduced spend at a few large clients due to cost pressures from budget cuts, with clients remaining focused on cost control and hardware spending is constrained by macro uncertainty

Other points made

- **Management is positive on organic growth in FY28, supported by two movements in the quarter: strong AI growth of 29% QoQ and the mega deal win**
- Endeavor is to bring subcontractor cost down over a period of time. Bringing subcontractors down by one percent gives around 15 bps to 20 bps of margin. Opportunity exists on margin, but subcontractor cost will never come down to zero, and even in the best years has been in the range of 5% to 6%
- **FY27 revenue guidance was impacted by lower expected offshoring revenue relative to peers and the decision not to pursue a large deal that did not meet return expectations, together contributing a 1.8%-2.0% impact on annual revenue**
- High-Tech weakness is largely concentrated in one US client, while Retail is experiencing changes in the segment relative to the existing client footprint
- A large portion of the approximately 1% full-year revenue impact associated with the manufacturing client is expected in 4Q
- The next two quarters represent the seasonally weaker period, with furloughs and fewer working days expected to affect 2H revenue

- The net-new mega-deal: No material margin impact is expected from the deal transition during the current financial year
- Acquisitions are expected to have a 50 bps impact on FY27 margins for the full year; additional 2H headwinds include October and January compensation hikes and seasonally lower business activity. Project Maximus is expected to partially offset margin headwinds; management remains confident in the full-year margin guidance
- **Pricing pressure is broad-based across clients and industries, driven by demands to pass on AI-led productivity benefits**
- For smaller contracts (below US$50mn), typically spanning one to two years, AI productivity benefits are generally already incorporated into recently signed contracts; for larger multi-year contracts, the extent of benefits incorporated depends on whether renewal or client discussions have taken place. AI productivity-related revenue pressure is finite as contracts progress through renewal cycles, whereas AI revenue growth is expected to be secular
- Some parts of the existing portfolio have already absorbed AI productivity impacts and are not expected to experience the same impact again to a similar extent.
- **FY27 guidance assumes similar to slightly deteriorating pricing at the lower end, unchanged pricing at the midpoint and improving pricing at the upper end**
- Large deals signed and under pursuit, including mega-deals, carry margin profiles similar to previously signed contracts; disciplined adherence to economic return thresholds remains a priority
- Management indicated good pricing on AI deals. AI-driven productivity expectations remain broadly similar to the beginning of the year. AI is becoming a component of almost every large transaction, with some deals representing significant-value business transformations driven by AI
- AI go-to-market strategy includes partnerships with leading frontier AI companies, open-weight model providers and players in AI infrastructure and coding. Dedicated teams within each business segment work with client teams to integrate AI into client discussions and decide what can be done with the AI impact for the client. Delivery capabilities include AI specialists across major service lines, dedicated AI teams spanning service lines, and employees trained and certified in partner model technologies and capabilities. An architecture group assesses how AI is being used in a client situation for transformation
- Management has not observed increased client insourcing attributable to AI
- Clients are expanding enterprise-wide AI adoption
- ~13,000 freshers hired in 1H, in line with target of ~20,000 for FY27
- Compensation hikes being rolled out to most employees effective October 2026, with the next phase effective January 2027
- Generated strong free cash flow of US$928mn, representing 113% of net profit.

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 our view with updates on 12th March 2025 (**FY26 unlikely to be better than FY25**), 10th July 2025 (**Uncertainty stays and 'eating the tariff' may impact even FY27**) and 12 January 2026 (**A fourth slow year?**).

While both earnings and PE multiples have corrected since 1 Jan 2025, the industry's structural organic revenue growth from here on will be much lower vs ~7% CAGR seen during FY15-FY20; possibly ~2-3% CAGR over FY25-FY30 in constant currency (CC) terms.

We believe the release of advanced AI models will cause significant disruption to the industry rendering the sector to be a 'value trap'. We wrote about this in our 17 February 2026 report (**Existential threat, value trap or Temporary blip**) and through our 6 April 2026 report (**Narrative of FY27 being modestly better, set for its first test**) and the 9 July 2026 one (**'Show me the growth' phase will keep valuations compressed**)

Lately we have been worried about global macro which we believe will impact growth. See our 16 September 2026 note (**Macro will weigh down as much as AI near term**)

Multiple speed breakers drive our Underweight stance

Gen AI and GCCs are going to disrupt growth: We believe that AI/Gen AI will lead to compression of revenue for the industry in the next 12-24 months, as companies self-cannibalize to hold on to their existing clients. Rapid growth of the GCCs is a threat to outsourcing. While there seems to be collaboration between 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 ones with lower bargaining power – global IT Services players.

Higher competition: Indian Tier-1 companies now face higher competition from Accenture, Tier-2 players and Cognizant, likely slowing their growth vs FY15-FY20. This is besides the fact that by FY26, Tier-1 revenue has reached US$ 85bn, double that in FY15 (6.5% CAGR). Due to the higher base now, growth may not be as rapid. In AI reinvention services we see a new set of competitors come in the forms of AI deployment companies from Anthropic, Open AI, Microsoft, Google etc. While professional services companies of software players did not make much of an impact in the past, we believe the situation could be different this time. With the requirement of a large army of offshore bodies being taken away by AI models, we believe players with high technical skills and deep domain and workflow expertise will become competitors. We will have several players from other industries as well senior management personnel from current incumbents to step out and startup companies and compete with the incumbents.

How we are valuing companies: We are using PE methodology. However, we are moving away from the earlier stance that we had taken of using TCS as our industry benchmark.

Considering the underperformance of TCS in terms of growth in FY26 and the likelihood of that repeating in the foreseeable future we have decided to shift from using TCS as the benchmark and move to Tier-1 PE multiple based valuation. That too using the valuation seen in the FY15-FY20 timeframe when the Tier-1 USD revenue CAGR was ~7% in organic terms. Our analysis indicates that Tier-1 (consisting of TCS, Infosys, HCLT, Wipro and Tech Mahindra) were collectively trading at mean multiple of 17.6x forward EPS with an SD of 1.7. We are using 14.1x as the benchmark multiple for the basis of valuation which is mean multiple of Tier-1 companies during this period less 2SD. We have been giving subjective premium/discount to this benchmark target PE to arrive at target PE multiples for the rest of our coverage

Our target PE multiples are lower than those used by consensus/competitors**.** Through our choice of the benchmark target PE multiple, we seek to capture the mortality and relevance risk that players face in this era of advanced AI models.

Tier- 2 valuation reflects growth gap with Tier-1

Tier-2 set has been taking away market share from the Tier-1 set, due to better execution as well as their smaller size. And, unlike previous cycles, they have performed better than the Tier-1 set, largely on better management teams.

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

We believe the recent large acquisitions done by the prominent Tier-2 companies liker Persistent Systems and Coforge are return dilutive and may pose execution challenges. They also seem to be funded partly or fully through stock dilution.

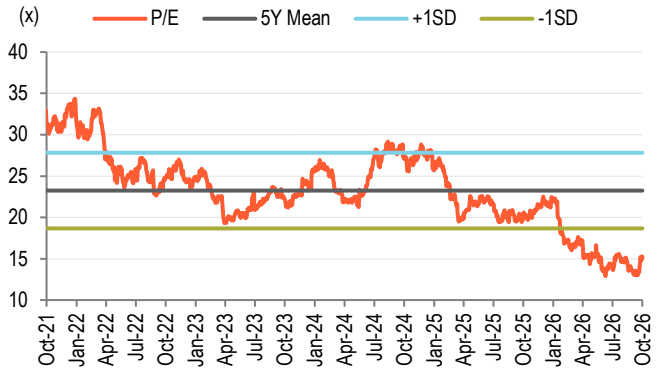
Also, some of the Tier-2s have been underperforming on the growth front, being discretionary project-oriented businesses struggling to pivot to a cost-take-out-driven demand environment.

Fig 1 – Quarterly results: Comparison of actuals with estimates

Y/E Mar (Rsmn)	2QFY26	1QFY27	2QFY27	YoY (%)	QoQ (%)	2QFY27E	Dev (%)
Net Sales (USD mn)	**5,076**	**5,082**	**5,145**	**1.4**	**1.2**	**5,106**	**0.8**
Net Sales	**444,900**	**482,110**	**492,440**	**10.7**	**2.1**	**485,749**	**1.4**
Software Development Expenses	308,000	330,330	339,430	10.2	2.8	330,900	2.6
% of Sales	69.2	68.5	68.9			68.1	
Gross Margin	136900	151780	153010	11.8	0.8	154849	(1.2)
% of Sales	30.8	31.5	31.1			31.9	
SG&A	43,370	50,150	49,710	14.6	(0.9)	50,518	(1.6)
% of Sales	9.7	10.4	10.1			10.4	
EBIT	**93,530**	**101,630**	**103,300**	**10.4**	**1.6**	**104,331**	**(1.0)**
EBIT Margin (%)	**21.0**	**21.1**	**21.0**		**(5)**	**21.5**	
Other Income	9,820	9,840	8,480	(13.6)	(13.8)	9,840	(13.8)
PBT	102,290	110,280	110,630	8.2	0.3	112,981	(2.1)
Provision for Tax	28,540	32,530	32,250	13.0	(0.9)	33,327	(3.2)
Effective Tax Rate	27.9	29.5	29.2			29.5	
PAT (reported)	73,750	77,750	78,380	6.3	0.8	79,655	(1.6)
Margin%	16.6	16.1	15.9			16.4	
Exceptional items	0	0	0			0	
Minority Interest	110	60	150			0	
PAT (adjusted)	**73,640**	**77,690**	**78,230**	**6.2**	**0.7**	**79,655**	**(1.8)**
Margin%	**16.6**	**16.1**	**15.9**			**16.4**	

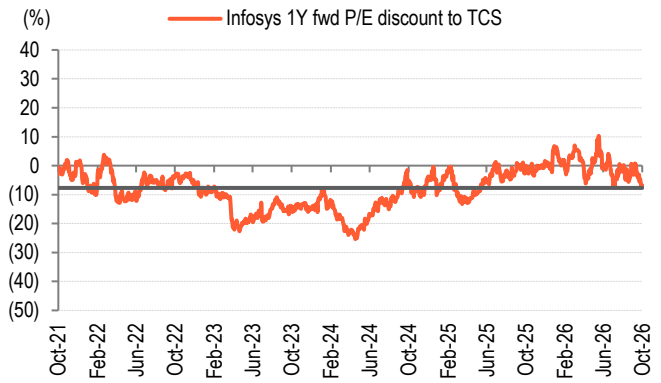
Source: Company, BOBCAPS Research

Fig 2 – 5 Year PE trend



Source: Bloomberg, BOBCAPS Research

Fig 3 – Premium/ Discount to TCS



Source: Bloomberg, BOBCAPS Research

Fig 4 – Revised Estimates

	New			Old			% Change		
Change in estimates	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
INR/USD	96.0	97.4	98.4	95.3	96.3	97.3	0.7	1.2	1.1
USD Revenue (USD mn)	20,429	20,897	21,666	20,460	20,932	21,685	(0.2)	(0.2)	(0.1)
USD Revenue Growth (%)	1.4	2.3	3.7	1.5	2.3	3.6			
Revenue (Rsbn)	1960	2035	2131	1949	2015	2109	0.6	1.0	1.1
EBIT (Rsbn)	404	415	434	401	410	431	0.7	1.1	0.7
EBIT Margin (%)	20.6	20.4	20.4	20.6	20.4	20.4			
PAT (Rsbn)	309	323	342	307	319	342	0.8	1.3	0.2
FDEPS-Adjusted (Rs)	76.3	79.7	84.4	75.8	78.8	84.3	0.8	1.2	0.2

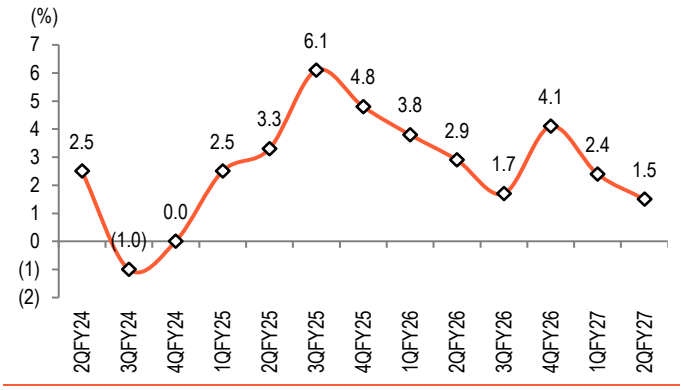
Source: BOBCAPS Research

Fig 5 – P&L at a glance

(YE March) Rs bn	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Average INR/USD	67.1	64.5	70.0	71.0	74.1	74.5	80.9	82.7	84.6	88.6	96.0	97.4	98.4
Net Sales (USD mn)	**10,206**	**10,940**	**11,799**	**12,781**	**13,562**	**16,310**	**18,212**	**18,562**	**19,277**	**20,156**	**20,429**	**20,897**	**21,666**
-Growth (%)	**7.4**	**7.2**	**7.9**	**8.3**	**6.1**	**20.3**	**11.7**	**1.9**	**3.9**	**4.6**	**1.4**	**2.3**	**3.7**
Net Sales	685	705	827	908	1,005	1,216	1,468	1,537	1,630	1,787	1,960	2,035	2,131
-Growth (%)	9.7	3.0	17.2	9.8	10.7	21.1	20.7	4.7	6.1	9.6	9.7	3.8	4.7
Direct Costs	433	451	539	607	654	820	1,024	1,074	1,133	1,234	1,357	1,415	1,482
Gross Margin	252	254	288	301	351	396	444	463	496	552	603	620	649
% of sales	36.8	36.0	34.8	33.1	34.9	32.6	30.3	30.1	30.5	30.9	30.8	30.5	30.5
SG& A	83	82	99	107	104	116	135	145	152	177	199	205	215
% of sales	12.2	11.7	12.0	11.8	10.4	9.6	9.2	9.4	9.3	9.9	10.2	10.1	10.1
EBIT	**169**	**171**	**189**	**194**	**246**	**280**	**309**	**317**	**344**	**375**	**404**	**415**	**434**
% of sales	**24.7**	**24.3**	**22.8**	**21.3**	**24.5**	**23.0**	**21.1**	**20.7**	**21.1**	**21.0**	**20.6**	**20.4**	**20.4**
Other income (net)	31	32	33	28	22	23	27	47	36	29	38	45	53
PBT	200	204	213	220	266	301	333	360	376	400	437	455	482
-PBT margin (%)	29.1	28.9	25.8	24.2	26.5	24.8	22.7	23.4	23.1	22.4	22.3	22.4	22.6
Provision for tax	56	57	56	54	72	80	92	97	109	105	128	132	140
Effective tax rate (%)	28.1	28.0	26.4	24.4	27.1	26.4	27.7	27.1	28.9	26.3	29.2	29.0	29.0
Net profit (post minority interest)	**144**	**147**	**157**	**166**	**194**	**221**	**241**	**262**	**267**	**294**	**309**	**323**	**342**
-Growth (%)	**6.4**	**2.3**	**6.8**	**5.8**	**16.6**	**14.3**	**9.0**	**8.9**	**1.8**	**10.2**	**5.1**	**4.4**	**5.9**
-Net profit margin (%)	**21.0**	**20.8**	**19.0**	**18.3**	**19.3**	**18.2**	**16.4**	**17.1**	**16.4**	**16.5**	**15.8**	**15.9**	**16.1**

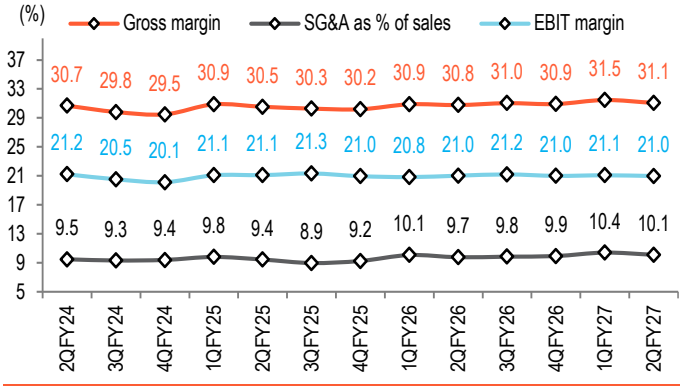
Source: Company, BOBCAPS Research

Fig 6 – Revenue Growth YoY (CC terms)



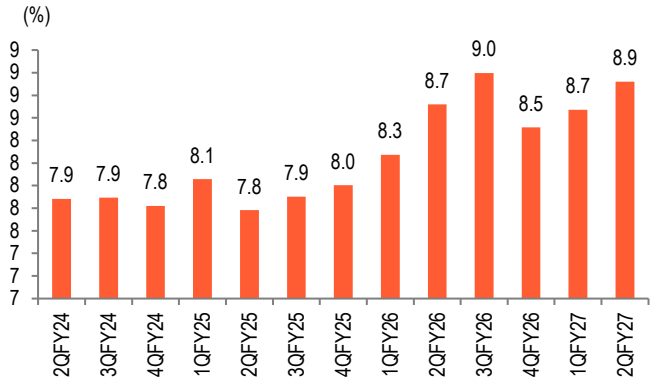
Source: Company, BOBCAPS Research

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



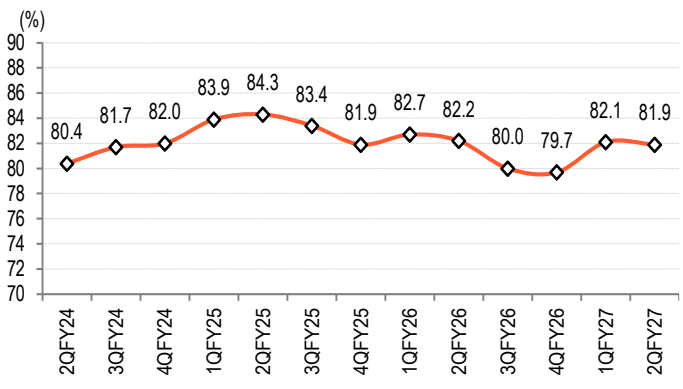
Source: Company, BOBCAPS Research

Fig 8 – Cost of technical sub-contractors as % of sales



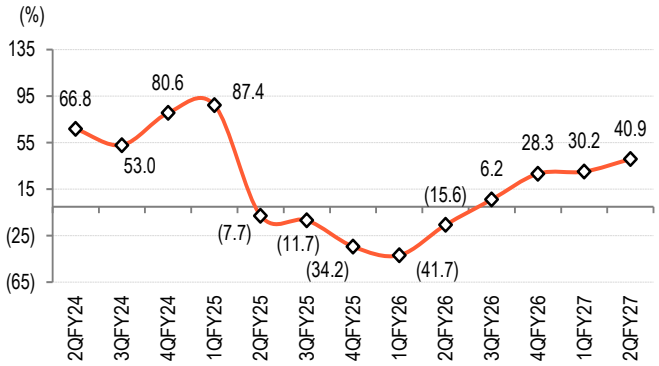
Source: Company, BOBCAPS Research

Fig 9 – Utilisation (%) (including trainees)



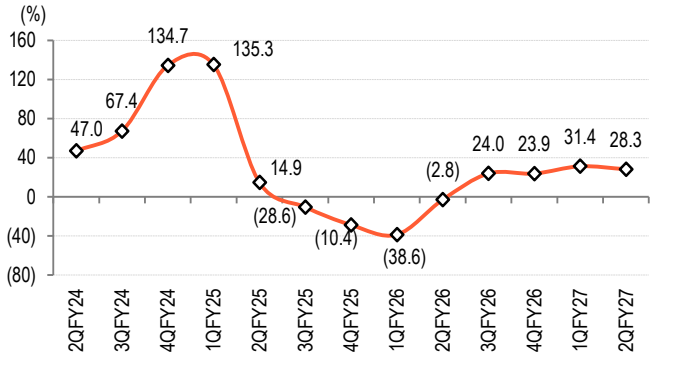
Source: Company, BOBCAPS Research

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



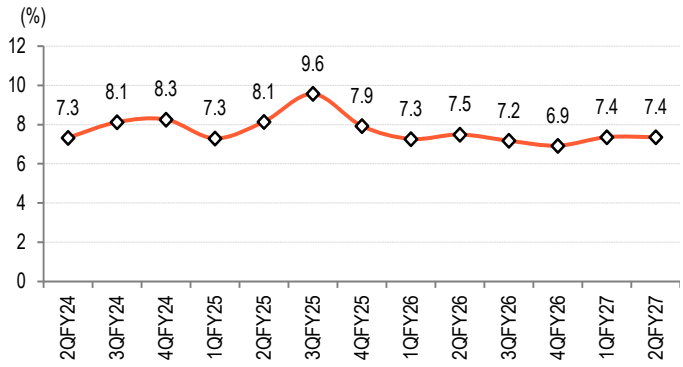
Source: Company, BOBCAPS Research

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



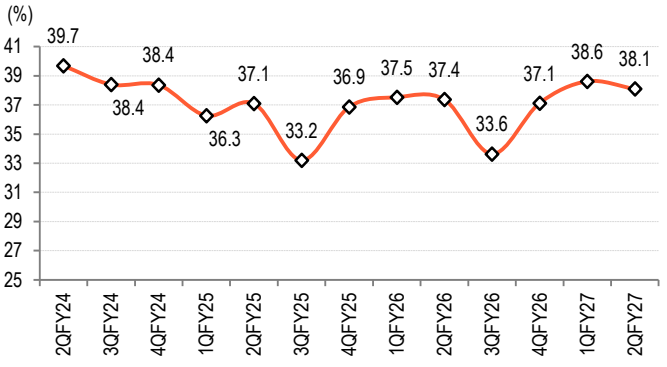
Source: Company, BOBCAPS Research

Fig 12 – Third-party items for service delivery (% of sales)



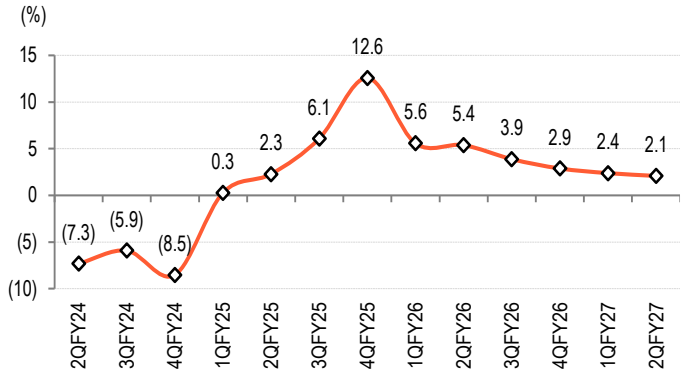
Source: Company, BOBCAPS Research

Fig 13 – Unbilled Revenue (% of sales)



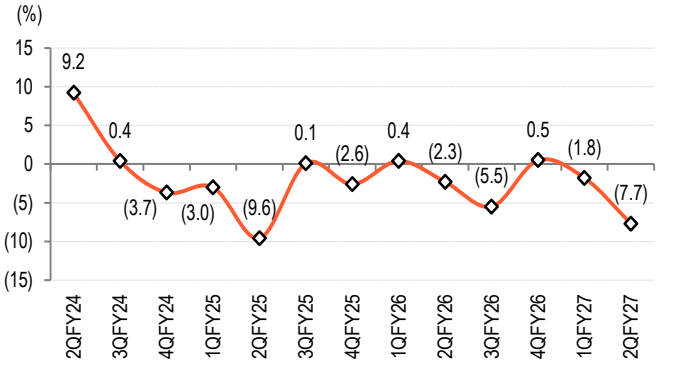
Source: Company, BOBCAPS Research

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



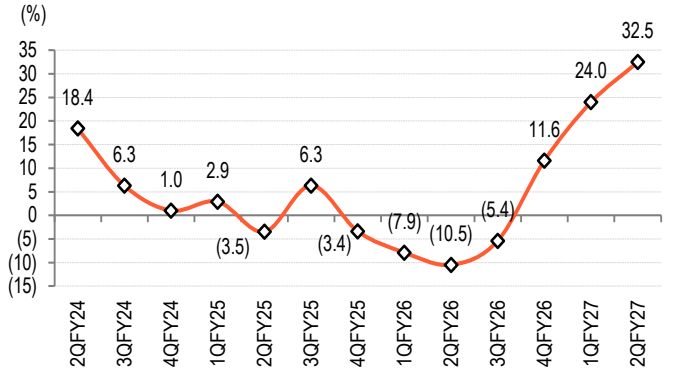
Source: Company, BOBCAPS Research

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



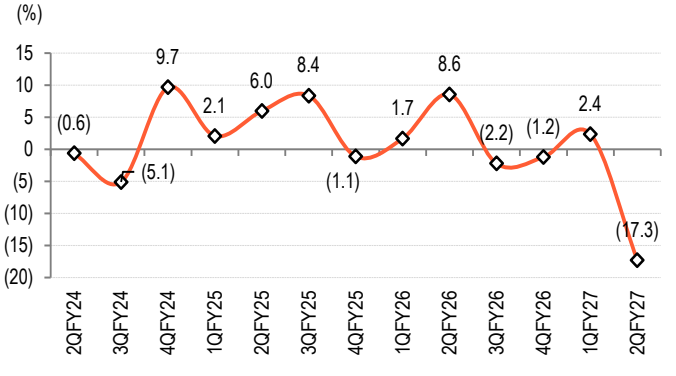
Source: Company, BOBCAPS Research

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



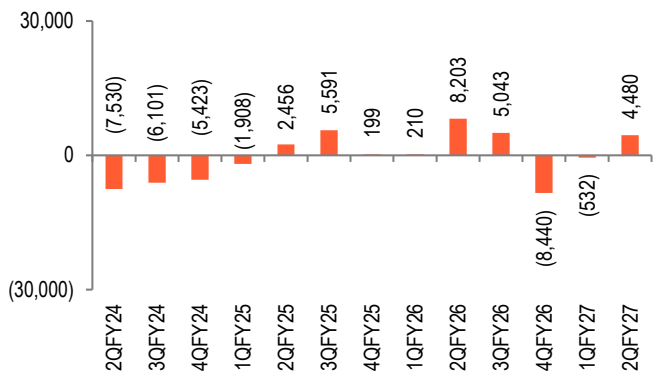
Source: Company, BOBCAPS Research

Fig 17 – YoY Revenue growth: Hi-tech vertical (CC terms)



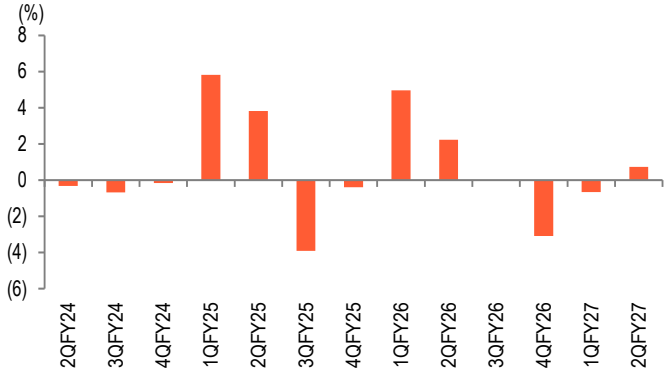
Source: Company, BOBCAPS Research

Fig 18 – Net Employee Addition (QoQ)



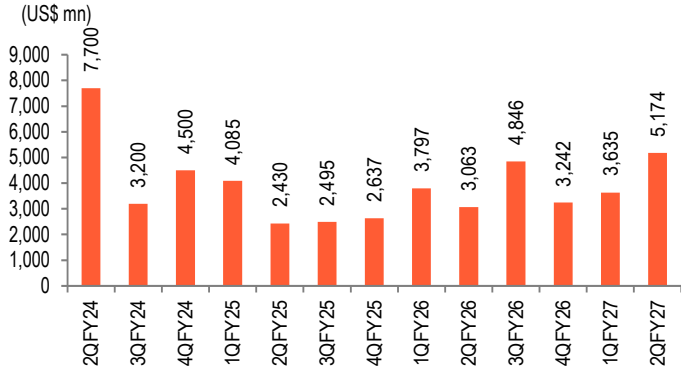
Source: Company, BOBCAPS Research

Fig 19 – Revenue trend from Top 10 clients (QoQ Growth)



Source: Company, BOBCAPS Research

Fig 20 – Large Deal TCV trend (US$ mn)



Source: Company, BOBCAPS Research

Fig 21 – Quarterly Snapshot

Year to 31 March	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27	2QFY27
(Rsmn)													
INR/USD	82.5	83.0	83.4	83.4	83.8	84.5	86.6	85.6	87.6	89.2	92.0	94.9	95.7
USD Revenue (USD mn)	**4,718**	**4,663**	**4,564**	**4,714**	**4,894**	**4,939**	**4,730**	**4,941**	**5,076**	**5,099**	**5,040**	**5,082**	**5,145**
INR Revenue	389,940	388,210	379,230	393,150	409,860	417,640	409,250	422,790	444,900	454,790	464,020	482,110	492,440
Gross margin	119,630	115,680	111,750	121,380	125,120	126,440	123,500	130,550	136,900	141,160	143,440	151,780	153,010
SGA	36,890	36,070	35,540	38,500	38,630	37,320	37,750	42,520	43,370	44,720	46,010	50,150	49,710
EBIT	82,740	79,610	76,210	82,880	86,490	89,120	85,750	88,030	93,530	96,440	97,430	101,630	103,300
Other income	6,320	7,890	27,290	8,380	7,120	8,590	11,900	10,420	9,820	(3,150)	11,590	9,840	8,480
PBT	87,680	86,190	102,400	90,210	92,530	96,700	96,630	97,400	102,290	92,290	107,970	110,280	110,630
Tax	25,530	25,060	22,650	26,470	27,370	28,480	26,250	28,160	28,540	25,630	22,880	32,530	32,250
PAT-Adjusted	62,120	61,060	79,690	63,680	65,060	68,060	70,330	69,210	73,640	66,540	85,010	77,690	78,230
Shares Outstanding (basic)	4,139	4,139	4,139	4,140	4,142	4,142	4,142	4,144	4,145	4,115	4,046	4,048	4,050
EPS Adjusted (Rs)	15.0	14.8	19.3	15.4	15.7	16.4	17.0	16.7	17.8	16.2	21.0	19.2	19.3
YoY Growth (%)													
USD Revenue	3.6	0.1	0.2	2.1	3.7	5.9	3.6	4.8	3.7	3.2	6.6	2.9	1.4
INR Revenue	6.7	1.3	1.3	3.6	5.1	7.6	7.9	7.5	8.5	8.9	13.4	14.0	10.7
Gross profit	7.5	(1.6)	(2.2)	5.1	4.6	9.3	10.5	7.6	9.4	11.6	16.1	16.3	11.8
EBIT	5.1	(3.4)	(3.2)	5.0	4.5	11.9	12.5	6.2	8.1	8.2	13.6	15.4	10.4
Net profit	3.2	(7.3)	30.0	7.1	4.7	11.5	(11.7)	8.7	13.2	(2.2)	20.9	12.3	6.2
QoQ Growth (%)													
USD Revenue	2.2	(1.2)	(2.1)	3.3	3.8	0.9	(4.2)	4.5	2.7	0.5	(1.2)	0.8	1.2
INR Revenue	2.8	(0.4)	(2.3)	3.7	4.3	1.9	(2.0)	3.3	5.2	2.2	2.0	3.9	2.1
EBIT	4.9	(3.8)	(4.3)	8.8	4.4	3.0	(3.8)	2.7	6.2	3.1	1.0	4.3	1.6
Net profit	4.5	(1.7)	30.5	(20.1)	2.2	4.6	3.3	(1.6)	6.4	(9.6)	27.8	(8.6)	0.7
Margins (%)													
Gross margin	30.7	29.8	29.5	30.9	30.5	30.3	30.2	30.9	30.8	31.0	30.9	31.5	31.1
SGA	9.5	9.3	9.4	9.8	9.4	8.9	9.2	10.1	9.7	9.8	9.9	10.4	10.1
EBIT	21.2	20.5	20.1	21.1	21.1	21.3	21.0	20.8	21.0	21.2	21.0	21.1	21.0
PAT	15.9	15.7	21.0	16.2	15.9	16.3	17.2	16.4	16.6	14.6	18.3	16.1	15.9

Source: Company, BOBCAPS Research

Fig 22 – Segmental Information

Rs mn	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27	2QFY27
Revenues													
Financial Services	107,050	107,830	100,100	108,160	111,560	115,890	116,140	117,960	123,200	128,170	129,760	134,630	137,740
Retail	59,130	56,490	54,290	54,280	54,460	57,460	54,400	56,510	56,390	58,290	59,580	61,720	56,640
Communication	44,630	44,210	46,660	47,440	48,790	46,880	47,980	50,970	53,970	55,180	57,520	57,910	61,500
E and U	49,570	51,210	50,680	52,200	55,460	56,350	53,080	57,420	59,450	60,160	61,140	64,520	69,750
Manufacturing	55,740	57,860	55,890	57,780	64,240	64,790	65,270	68,040	73,470	75,700	73,580	76,680	79,130
Hi-Tech	30,530	29,850	33,160	31,470	32,660	32,790	33,970	32,960	37,030	33,710	35,580	37,100	33,320
Life Sciences	30,500	29,540	27,620	28,660	30,040	31,950	27,650	27,450	28,630	32,670	33,930	38,420	41,450
All other Segments	12,790	11,220	10,830	13,160	12,650	11,530	10,760	11,480	12,760	10,910	12,930	11,130	12,910
Total	389,940	388,210	379,230	393,150	409,860	417,640	409,250	422,790	444,900	454,790	464,020	482,110	492,440
QoQ Revenue Growth %													
Financial Services	0.4	0.7	-7.2	8.1	3.1	3.9	0.2	1.6	4.4	4.0	1.2	3.8	2.3
Retail	7.3	-4.5	-3.9	0.0	0.3	5.5	-5.3	3.9	-0.2	3.4	2.2	3.6	-8.2
Communication	0.5	-0.9	5.5	1.7	2.8	-3.9	2.3	6.2	5.9	2.2	4.2	0.7	6.2
E and U	1.4	3.3	-1.0	3.0	6.2	1.6	-5.8	8.2	3.5	1.2	1.6	5.5	8.1
Manufacturing	4.2	3.8	-3.4	3.4	11.2	0.9	0.7	4.2	8.0	3.0	-2.8	4.2	3.2
Hi-Tech	-0.1	-2.2	11.1	-5.1	3.8	0.4	3.6	-3.0	12.3	-9.0	5.5	4.3	-10.2
Life Sciences	10.9	-3.1	-6.5	3.8	4.8	6.4	-13.5	-0.7	4.3	14.1	3.9	13.2	7.9
All other Segments	0.4	-12.3	-3.5	21.5	-3.9	-8.9	-6.7	6.7	11.1	-14.5	18.5	-13.9	16.0
Total	2.8	-0.4	-2.3	3.7	4.3	1.9	-2.0	3.3	5.2	2.2	2.0	3.9	2.1
YoY Revenue Growth %													
Financial Services	-4.0	-4.0	-7.5	1.5	4.2	7.5	16.0	9.1	10.4	10.6	11.7	14.1	11.8
Retail	14.1	3.1	-2.0	-1.5	-7.9	1.7	0.2	4.1	3.5	1.4	9.5	9.2	0.4
Communication	-0.8	-6.1	5.8	6.8	9.3	6.0	2.8	7.4	10.6	17.7	19.9	13.6	14.0
E and U	10.2	3.3	5.0	6.8	11.9	10.0	4.7	10.0	7.2	6.8	15.2	12.4	17.3
Manufacturing	19.0	13.5	10.1	8.0	15.2	12.0	16.8	17.8	14.4	16.8	12.7	12.7	7.7
Hi-Tech	2.8	-3.6	10.9	3.0	7.0	9.8	2.4	4.7	13.4	2.8	4.7	12.6	-10.0
Life Sciences	24.4	9.6	3.0	4.3	-1.5	8.2	0.1	-4.2	-4.7	2.3	22.7	40.0	44.8
All other Segments	16.4	7.2	-1.7	3.3	-1.1	2.8	-0.6	-12.8	0.9	-5.4	20.2	-3.0	1.2
Total	6.7	1.3	1.3	3.6	5.1	7.6	7.9	7.5	8.5	8.9	13.4	14.0	10.7
Segment Profit													
Financial Services	25,790	22,600	19,410	26,120	28,600	26,790	29,480	29,730	30,590	32,360	34,100	36,620	36,440
Retail	16,740	17,150	18,640	17,510	17,680	19,750	16,400	16,910	17,200	18,670	18,110	17,010	17,070
Communication	10,350	8,600	8,100	7,960	8,920	8,180	8,360	8,800	10,170	9,360	10,270	11,800	11,460
E and U	13,520	14,500	14,310	15,570	14,350	15,280	15,770	14,370	15,060	14,930	15,480	15,760	19,860
Manufacturing	10,330	11,100	10,810	10,060	12,970	13,570	11,960	14,160	17,520	17,350	15,410	16,850	16,940
Hi-Tech	7,880	7,580	8,030	8,140	7,940	8,160	7,950	7,680	7,630	7,670	9,300	9,110	7,950
Life Sciences	7,990	7,660	6,320	6,110	6,140	8,190	6,170	5,540	5,340	6,980	6,590	6,190	6,310
All other Segments	1,800	2,180	2,220	2,900	1,490	1,230	2,650	2,240	1,840	670	2,410	750	860
Total	94,400	91,370	87,840	94,370	98,090	101,150	98,740	99,430	105,350	107,990	111,670	114,090	116,890
Segment Profit Margin													
Financial Services	24.1%	21.0%	19.4%	24.1%	25.6%	23.1%	25.4%	25.2%	24.8%	25.2%	26.3%	27.2%	26.5%
Retail	28.3%	30.4%	34.3%	32.3%	32.5%	34.4%	30.1%	29.9%	30.5%	32.0%	30.4%	27.6%	30.1%
Communication	23.2%	19.5%	17.4%	16.8%	18.3%	17.4%	17.4%	17.3%	18.8%	17.0%	17.9%	20.4%	18.6%
E and U	27.3%	28.3%	28.2%	29.8%	25.9%	27.1%	29.7%	25.0%	25.3%	24.8%	25.3%	24.4%	28.5%
Manufacturing	18.5%	19.2%	19.3%	17.4%	20.2%	20.9%	18.3%	20.8%	23.8%	22.9%	20.9%	22.0%	21.4%
Hi-Tech	25.8%	25.4%	24.2%	25.9%	24.3%	24.9%	23.4%	23.3%	20.6%	22.8%	26.1%	24.6%	23.9%
Life Sciences	26.2%	25.9%	22.9%	21.3%	20.4%	25.6%	22.3%	20.2%	18.7%	21.4%	19.4%	16.1%	15.2%
All other Segments	14.1%	19.4%	20.5%	22.0%	11.8%	10.7%	24.6%	19.5%	14.4%	6.1%	18.6%	6.7%	6.7%
Total	24.2%	23.5%	23.2%	24.0%	23.9%	24.2%	24.1%	23.5%	23.7%	23.7%	24.1%	23.7%	23.7%

Source: Company, BOBCAPS Research

Fig 23 – Key Metrics

	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27	2QFY27
P and L (Rs mn)													
Revenue	389,940	388,210	379,230	393,150	409,860	417,640	409,250	422,790	444,900	454,790	464,020	482,110	492,440
EBITDA	82,740	79,610	76,210	82,880	86,490	89,120	85,750	88,030	93,530	96,440	97,430	101,630	103,300
PAT	62,120	61,060	79,690	63,680	65,060	68,060	70,330	69,210	73,640	66,540	85,010	77,690	78,230
Vertical Mix (%)													
Manufacturing	22.1	22.6	23.4	22.7	23.7	23.4	24.2	23.9	24.8	24.1	23.6	23.6	22.8
Insurance Finance and Banking	27.5	27.8	26.4	27.5	27.2	27.8	28.4	27.9	27.7	28.2	28.0	27.9	28.0
Telecom	11.4	11.4	12.3	12.1	11.9	11.2	11.7	12.0	12.1	12.1	12.4	12.0	12.5
Retailing & CPG	15.2	14.6	14.3	13.8	13.3	13.8	13.3	13.4	12.7	12.8	12.8	12.8	11.5
Others (utilities, logistic, transportation,etc)	16.0	16.1	16.3	16.6	16.6	16.2	15.6	16.3	16.3	15.6	15.9	15.7	16.8
Life Sciences	7.8	7.6	7.3	7.3	7.3	7.6	6.8	6.5	6.4	7.2	7.3	8.0	8.4
Geographic Mix (%)													
North America	61.1	59.0	59.6	58.9	57.4	58.4	57.1	56.5	56.3	55.9	55.7	56.4	54.6
Europe	26.5	28.2	28.6	28.4	29.8	29.8	31.2	31.5	31.7	32.7	32.6	32.1	32.5
India	2.8	2.4	2.2	3.1	3.1	3.1	2.9	2.9	3.1	2.8	2.6	2.5	2.8
Rest of the world	9.6	10.4	9.6	9.6	9.7	8.7	8.8	9.1	8.9	8.6	9.1	9.0	10.1
Utilization (%) (including Trainees)	80.4	81.7	82.0	83.9	84.3	83.4	81.9	82.7	82.2	80.0	79.7	82.1	81.9
Utilization (%) (Excluding Trainees)	81.8	82.7	83.5	85.3	85.9	86.0	84.9	85.2	85.1	84.1	83.0	84.9	85.4
Effort Mix (%)													
Onsite	24.6	24.4	24.2	23.9	24.1	24	23.6	23.6	23.2	23.1	22.8	22.8	22.6
Offshore	75.4	75.6	75.8	76.1	75.9	76	76.4	76.4	76.8	76.9	77.2	77.2	77.4
Clients Concentration (%)													
Top 5 clients	13.3	13.4	13.6	13.5	13.7	12.7	13.1	13.2	13.0	12.8	12.6	12.1	12.2
Top 10 clients	19.9	20.0	20.4	20.9	20.9	19.9	20.7	20.8	20.7	20.6	20.2	19.9	19.8
Number of Client													
$1m+	951	944	959	987	985	997	992	1,011	1,012	1,012	1,018	1,026	1,048
$10m+	312	308	315	309	307	301	309	317	322	326	328	333	322
$50m+	80	82	83	84	86	89	85	85	85	84	88	85	87
$100m+	39	40	40	40	41	41	39	41	41	41	41	41	42
Employees	328,764	322,663	317,240	315,332	317,788	323,379	323,578	323,788	331,991	337,034	328,594	328,062	332,542
Net addition	-7,530	-6,101	-5,423	-1,908	2,456	5,591	199	210	8,203	5,043	-8,440	-532	4,480
Attrition (consolidated)(%)	14.6	12.9	12.6	12.7	12.9	13.7	14.1	14.4	14.3	12.3	12.6	13.0	12.7

Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	**1,629,900**	**1,786,500**	**1,960,270**	**2,034,926**	**2,131,458**
EBITDA	392,350	424,440	456,248	469,928	491,672
Depreciation	48,110	49,010	52,664	54,943	57,549
EBIT	344,240	375,430	403,584	414,985	434,123
Net interest inc./(exp.)	(4,160)	(4,160)	(4,640)	(4,600)	(4,600)
Other inc./(exp.)	35,990	28,680	38,453	44,837	52,656
Exceptional items	0	0	0	0	0
EBT	376,070	399,950	437,397	455,222	482,178
Income taxes	108,570	105,210	127,723	132,014	139,832
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	370	340	210	0	0
Reported net profit	**267,130**	**294,400**	**309,464**	**323,208**	**342,347**
Adjustments	0	0	0	0	0
Adjusted net profit	**267,130**	**294,400**	**309,464**	**323,208**	**342,347**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	41,640	47,440	44,980	44,980	44,980
Other current liabilities	372,110	460,660	470,108	492,462	517,047
Provisions	14,750	15,120	19,581	20,590	21,700
Debt funds	0	0	0	0	0
Other liabilities	98,500	103,480	103,560	103,560	103,560
Equity capital	20,730	20,240	20,260	20,260	20,260
Reserves & surplus	941,300	912,730	1,021,233	1,118,195	1,220,899
Shareholders' fund	962,030	932,970	1,041,493	1,138,455	1,241,159
Total liab. and equities	**1,489,030**	**1,559,670**	**1,679,721**	**1,800,047**	**1,928,447**
Cash and cash eq.	244,550	222,010	256,655	330,160	407,396
Accounts receivables	311,580	352,340	376,813	396,238	417,602
Inventories	0	0	0	0	0
Other current assets	375,470	410,190	410,537	428,398	448,042
Investments	235,410	218,800	221,510	221,510	221,510
Net fixed assets	128,000	133,310	140,520	149,143	158,295
CWIP	0	0	0	0	0
Intangible assets	128,720	149,420	192,890	192,890	192,890
Deferred tax assets, net	11,080	22,640	23,070	23,070	23,070
Other assets	54,220	50,960	57,725	58,638	59,642
Total assets	**1,489,030**	**1,559,670**	**1,679,721**	**1,800,047**	**1,928,447**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	**373,630**	**360,050**	**357,221**	**367,915**	**388,180**
Capital expenditures	(89,650)	(75,020)	(103,345)	(63,566)	(66,701)
Change in investments	13,230	17,950	(2,700)	0	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	**(76,420)**	**(57,070)**	**(106,045)**	**(63,566)**	**(66,701)**
Equities issued/Others	0	(180,000)	0	0	0
Debt raised/repaid	0	0	0	0	0
Interest expenses	(4,160)	(4,160)	(4,640)	(4,600)	(4,600)
Dividends paid	(178,111)	(196,490)	(212,780)	(226,245)	(239,643)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	**(182,271)**	**(380,650)**	**(217,420)**	**(230,845)**	**(244,243)**
Chg in cash & cash eq.	**96,690**	**(22,670)**	**34,756**	**73,504**	**77,236**
Closing cash & cash eq.	**244,550**	**221,880**	**256,766**	**330,160**	**407,396**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	64.5	71.6	76.4	79.8	84.5
Adjusted EPS	64.4	71.5	76.3	79.7	84.4
Dividend per share	43.0	48.0	52.5	55.9	59.2
Book value per share	232.2	230.6	257.2	281.1	306.5

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	3.0	2.7	2.5	2.4	2.4
EV/EBITDA	12.4	11.5	10.8	10.6	10.2
Adjusted P/E	17.9	16.1	15.1	14.5	13.7
P/BV	5.0	5.0	4.5	4.1	3.8

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	71.1	73.7	70.8	71.0	0.0
Interest burden (PBT/EBIT)	109.2	106.5	108.4	109.7	0.0
EBIT margin (EBIT/Revenue)	21.1	21.0	20.6	20.4	0.0
Asset turnover (Rev./Avg TA)	113.7	117.2	121.0	117.0	0.0
Leverage (Avg TA/Avg Equity)	1.6	1.6	1.6	1.6	0.0
Adjusted ROAE	29.0	31.1	31.4	29.7	0.0

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	6.1	9.6	9.7	3.8	4.7
EBITDA	7.7	8.2	7.5	3.0	4.6
Adjusted EPS	1.7	11.1	6.7	4.4	5.9
Profitability & Return ratios (%)					
EBITDA margin	24.1	23.8	23.3	23.1	23.1
EBIT margin	21.1	21.0	20.6	20.4	20.4
Adjusted profit margin	16.4	16.5	15.8	15.9	16.1
Adjusted ROAE	28.9	31.1	31.3	29.7	28.8
ROCE	26.5	29.2	28.9	27.0	25.9
Working capital days (days)					
Receivables	102	106	104	105	106
Inventory	NA	NA	NA	NA	NA
Payables	9	10	8	8	8
Ratios (x)					
Gross asset turnover	12.7	13.4	14.0	13.6	13.5
Current ratio	2.2	1.9	2.0	2.1	2.2
Net interest coverage ratio	NA	NA	NA	NA	NA
Adjusted debt/equity	(0.3)	(0.2)	(0.2)	(0.3)	(0.3)

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

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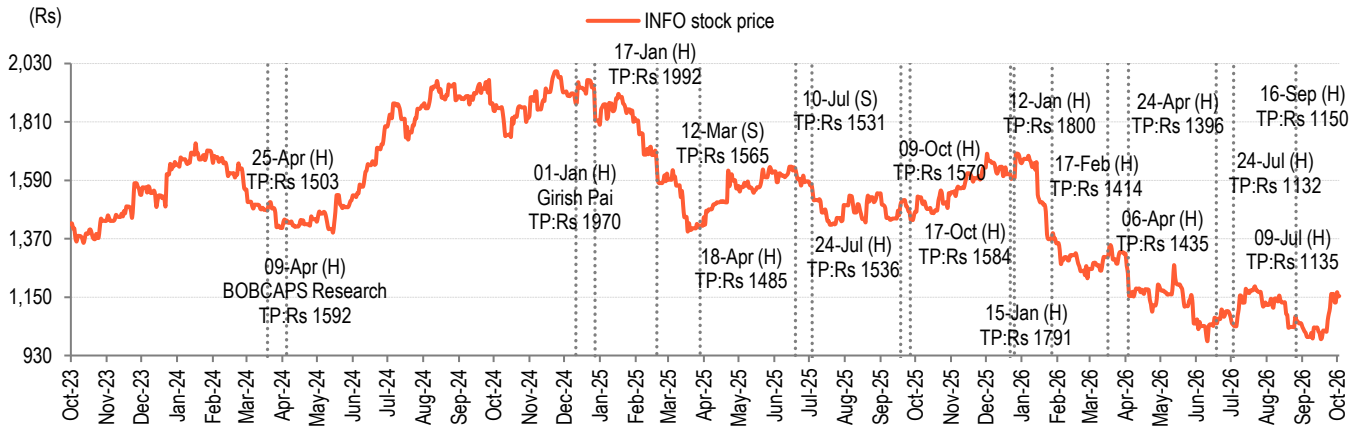
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