

Stock Idea Note – Infosys Ltd.

Company Overview

Infosys Limited, a leading Indian IT services and consulting company, offers a broad portfolio of services encompassing consulting, digital transformation, technology, outsourcing, and next-generation digital solutions aimed at accelerating enterprise innovation and operational efficiency. As of FY25, the majority of its revenue was derived from North America (57.9%), followed by Europe (29.8%), RoW (9.2%), and India (3.1%). From a vertical perspective, as of Q1FY26, BFSI remained the largest contributor at 27.9%, followed by Manufacturing (16.1%), Energy, Utilities, Resources & Services (13.6%), Retail (13.4%), Communication (12.0%), Hi-Tech (7.8%), Life Sciences (6.5%), and Others (2.7%). The company operated with a total workforce of 323,788 as of Q1FY26, with an utilization rate (excluding trainees) of 85.2%. The large deal order book for Q1FY26 stood at USD 3.8 billion (up from USD 2.6 billion in March 2025), with 55% of the mix being net new. As of Q1FY26, Infosys derived 13.2% of its revenue from its top 5 clients, 20.8% from the top 10 clients, and 35.2% from the top 25 clients, indicating a moderately diversified client base with limited concentration risk.

Investment Rationale

Robust deal momentum and strong execution to keep revenue visibility intact

Infosys demonstrates strong business development capabilities, evidenced by its significant large deal order book which reached USD 3.8 billion in Q1FY26, a substantial increase from USD 2.6 billion in March 2025. A significant 55% of this pipeline comprises net new deals, indicating a healthy acquisition of fresh client mandates and a strong outlook for future revenue growth. The top-line outlook is further enhanced by the strong execution the company has highlighted during the quarter, marked by healthy growth despite the headwinds from the lack third party revenue. Furthermore, the company's focus on digital transformation, next-generation solutions, and innovations like generative AI is driving "newer work," which, combined with cost efficiency, is supporting overall growth. This confidence in future performance is underscored by the company's decision to increase the lower end of its revenue growth guidance, signalling an improved environment compared to the heightened uncertainty anticipated previously.

Geographic breadth and operational focus strengthen business fundamentals

Infosys benefits from a well-diversified revenue base across both geographies and industry verticals, which collectively reduces overall business risk. Geographically, North America and Europe constitute the bulk of its revenue as of FY25, providing access to mature and high-value markets. Vertically, no single sector overwhelmingly dominates, with BFSI (27.9%), Manufacturing (16.1%), and Energy, Utilities, Resources & Services (13.6%) being the largest contributors in Q1FY26. This broad exposure minimizes dependence on any one market or industry. Moreover, the company's focus on operational efficiency positions it to deliver stable margins, with its Project Maximus initiative specifically aiding in this, in addition to its prudent resource management highlighted by the strong utilization rate. This disciplined approach to costs and operations, alongside its diversified revenue streams, underpins the company's ability to maintain healthy profitability.

Stock Rating

BUY	HOLD	SELL
> 15%	-5% to	< -5%

Sector Outlook

Neutral

Stock

CMP (INR)	1,519
Target Price (INR)	1,762
NSE Symbol	INFY
BSE Code	500209
Bloomberg	INFO IN
Reuters	INFY.BO

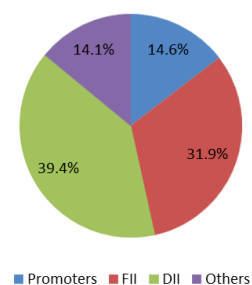
Key Data

Nifty	24,837
52WeekH/L(INR)	2,006/1,307
O/s Shares (Mn)	4150
Market Cap (INR bn)	6,308
Face Value (INR)	5

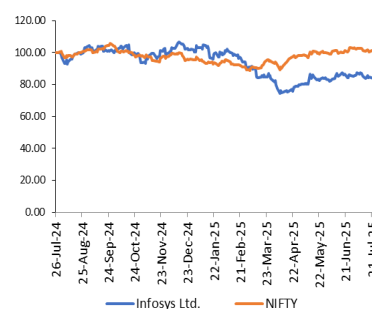
Average volume

3 months	74,67,440
6 months	76,89,450
1 year	69,68,710

Share Holding Pattern (%)



Relative Price Chart



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Valuation and Outlook

In the current macroeconomic climate, the broader IT services sector has faced considerable headwinds, characterized by heightened uncertainty and caution in client spending. However, there are growing indications that this challenging backdrop is beginning to cool down, with steady signings of trade deals by the US and expectations of a rate cut by the Fed, keeping the sentiments buoyant. As the environment cools and discretionary spending picks up, we expect Infosys to be one of the key gainers, given its strong position and higher inclination towards its consulting arm (which tends to perform well as spending increases). With its strong execution capabilities, Infosys is well positioned to highlight a prudent performance in a tough or an easing landscape. The company has also revised its revenue growth guidance for FY26 to 1.0-3.0% (from 0.0-3.0% previously) in CC terms, reflecting a slight improvement in the lower band of the guidance. This upward revision, while modest, signals cautious optimism regarding the near-term growth outlook, potentially due to the strong deal wins and expected ramp-up of projects. The maintenance of the EBIT margin guidance at 20-22% indicates management's confidence in improving operational efficiencies and cost management through initiatives like Project Maximus to counter ongoing pressures, which provides further comfort. Currently, Infosys trades at a P/E of 23.6x, which we find comfortable given the company's strong fundamentals and higher dividend yield, positioning it as a secure pick in times of uncertainty. **We, therefore, issue a 'Buy' recommendation on Infosys, valuing the company based on 24 times FY26e earnings to arrive at a target price of Rs. 1,762, implying a 16% upside from the current market price over a 12-month investment horizon."**

Key Financials						
YE March (INR. Cr)	FY22	FY23	FY24	FY25	FY26E	FY27E
Revenue	1,21,641	1,46,767	1,53,670	1,62,990	1,75,214	1,90,458
Revenue Growth (Y-o-Y)	-	20.7%	4.7%	6.1%	7.5%	8.7%
EBIT	28,015	30,905	31,747	34,424	38,547	42,853
EBIT Growth (Y-o-Y)	-	10.3%	2.7%	8.4%	12.0%	11.2%
Net Profit	22,146	24,108	26,248	26,750	30,312	33,521
Net Profit Growth (Y-o-Y)	-	8.9%	8.9%	1.9%	13.3%	10.6%
Diluted EPS	52.4	57.5	63.3	64.3	73.0	80.7
Diluted EPS Growth (Y-o-Y)	-	9.8%	10.0%	1.7%	13.5%	10.6%
Key Ratios						
EBIT margin (%)	23.0%	21.1%	20.7%	21.1%	22.0%	22.5%
NPM (%)	18.2%	16.4%	17.1%	16.4%	17.3%	17.6%
RoE (%)	29.2%	31.8%	29.7%	27.8%	28.7%	28.8%
RoCE (%)	34.5%	36.8%	32.8%	33.0%	34.1%	34.5%
Valuation Ratios						
P/E (x)	28.9x	26.3x	23.9x	23.5x	20.7x	18.8x
EV/EBITDA	22.0x	20.2x	19.6x	17.8x	15.8x	14.2x
P/BV (x)	8.3x	8.3x	7.1x	6.5x	5.9x	5.4x
Market Cap. / Sales (x)	5.2x	4.3x	4.1x	3.9x	3.6x	3.3x

Source: Bloomberg, BP Equities Research

Disclaimer Appendix

Analyst (s) holding in the Stock : Nil**Analyst (s) Certification:**

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