

**CMP: INR 1,391**

**Rating: Buy**

**Target Price: INR 1,738**

**Stock Info**

BSE	500209
NSE	INFY
Bloomberg	INFO IN
Reuters	INFO.BO
Sector	Computers-Software
Face Value (INR)	5
Equity Capital (INR Cr)	2073
Mkt Cap (INR Bn)	5640
52w H/L (INR)	1,861/1,282

**Shareholding Pattern %**

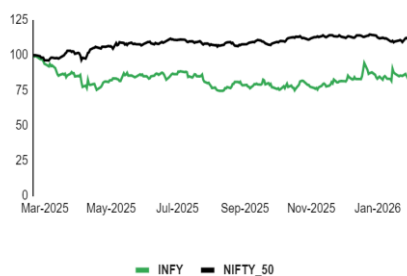
(As on Dec, 2025)

Promoters	14.6
FII	31.9
DII	39.3
Public & Others	14.1

**Stock Performance (%)**

	1m	3m	12m
INFY	-17.6	-7.7	-24.4
Nifty	0.12	-1.11	12.05

**INFY Vs Nifty**



Abhishek Jain  
[abhishek.jain@arihantcapital.com](mailto:abhishek.jain@arihantcapital.com)  
022 67114851

Jyoti Singh  
[jyoti.singh@arihantcapital.com](mailto:jyoti.singh@arihantcapital.com)  
022 67114834

Infosys expects AI-led expansion to outweigh compression, with BFSI and EURS driving FY27 growth amid improving macro conditions. AI revenue stands at 5.5% of Q3 revenue, with 90% of the top 200 clients engaged in active programs. The addressable AI-first services market is estimated at USD 300–400 bn by 2030. Margins remain stable after 50 bps expansion in FY25, despite AI, sales, and training investments. Net headcount addition is ~13,000 YTD, with 20,000 freshers hired this year and 20,000 planned next year. Sees no acceleration in traditional services compression and believes long-term software demand could expand 100x, even with 10x productivity gains. As a result, projected margin of 21.0%/21.3%/21.5% for FY26E/FY27E/FY28E. We value Infosys at a PE of 21x its FY28E EPS of INR 82.7 with the revised target price of INR 1,738 per share due to recent correction of 20% from the [result update date](#). We maintain our Buy rating on the stock.

**AI as Core Business Re-Architecture:** Positioned AI as a root-and-branch transformation rather than a technology overlay. AI now accounts for 5.5% of Q3 revenue and is scaling rapidly, with 90% of the top 200 clients engaged in live AI programs beyond pilot phases. The company sees no measurable compression in traditional services so far and expects expansion opportunities to remain incremental. The addressable AI-first services market is estimated at USD 300–400 bn by 2030, with management framing the challenge as execution-led rather than opportunity-driven.

**Margin Stability Amid Investments:** Despite aggressive investments in AI capabilities, margins remain resilient. FY25 delivered 50bps of expansion, and current-year margins are stable even after absorbing incremental spending on technology, sales expansion, and workforce training. 90% of developers have been trained on AI tools. Net headcount additions stand at ~13,000 in the first three quarters, alongside 20,000 graduates hired this year and another 20,000 planned next year. Pricing models are gradually evolving toward a mix of outcome-based, agent-based, and conventional structures depending on enterprise maturity.

**Six-Pillar AI Framework:** Structured AI-first framework spanning AI Strategy & Engineering, Data for AI, Process Reimagination, Legacy Modernization, Physical AI, and AI Trust & Governance. The company has built 30 offerings and 100 sub-offerings under its proprietary Topaz Fabric platform. Its differentiation lies in integrating internally developed agents with multiple foundation models while acting as the orchestration layer for complex enterprise stacks rather than competing as a base-model provider.

**Demonstrated Client Impact:** Enterprise Case studies highlighted measurable outcomes across industries. A CPG client achieved 50 mn in revenue visibility and 25 mn in cost savings through agentic deployments. An industrial manufacturer leveraged 10 petabytes of data to drive 20–30% supply chain optimization. A large banking client operates 20 live AI use cases, with 16,000+ users on its internal chatbot and 2 mn lines of AI-generated code validated by engineers. In partnership engagements, developer velocity improved 2x, time-to-market accelerated by 35%, and cloud support diagnostics improved 10x. Legacy modernization timelines have compressed significantly, including reductions from 4 years to 18 months in select cases.

**Macro Trends and Demand Outlook:** Indicated no acceleration in services compression and expects Financial Services and EURS to be key growth verticals in FY27. While ERP migrations are not collapsing into ultra-short cycles, enterprise-wide modernization programs are experiencing meaningful reductions in timelines and cost structures. 60–80% of IT budgets are allocated to maintenance, a mix enterprises seek to rebalance through AI-led modernization. 50% of firms now have dedicated AI budgets, with AI comprising 23% of total IT spend. Believes long-term software demand could expand 100x, suggesting ample opportunity even with 10x productivity improvements.

**Vertical:** In BFSI, AI adoption is progressing faster than prior technology cycles, with Infosys serving as a strategic AI partner for 15 of its Top 25 clients in the segment, enabling risk management and regulatory optimization. Within EURS, demand visibility remains strong, AI is central to ERP-led transformations, and AI data centers are projected to consume 10–12% of global electricity by 2030.

Strategic AI partner for 15 of its Top 25 EURS clients. In CMT, 60% of revenue is derived from the Top 15 clients, with sovereign cloud and AI infrastructure partnerships emerging as growth levers. Manufacturing, CPG, retail, and logistics are witnessing AI adoption across value chains, supporting both operational efficiencies and growth-led use cases.

**Workforce:** 90% of the organization is AI-enabled, reflecting a large-scale reskilling initiative. Industry projections indicate 92 mn traditional roles may be displaced while 170 mn new roles emerge, underscoring the need for workforce reinvention. Infosys is combining fresher hiring with specialized AI deployment while emphasizing first-principles engineering to ensure teams understand model logic rather than relying blindly on automated outputs.

**Strategic Direction:** Emphasized stable execution timelines for large deal wins and reiterated balance sheet strength to support acquisitions. Modernization programs are seeing compressed timelines and improved ROI economics. The company continues to invest in AI capabilities, go-to-market expansion, and partnership ecosystems while aiming to sustain margin discipline. Overall, leadership remains confident that AI-driven expansion will structurally outweigh any potential compression, positioning Infosys as a long-term enterprise AI orchestration partner.

## Key Financials

Profit & Loss Statement (Consolidated)				
Particulars (INR Cr)	FY25	FY26E	FY27E	FY28E
Revenues (US\$ mn)	19,277	20,192	21,283	22,555
Growth (%)	3.9%	4.7%	5.4%	6.0%
Income	1,62,990	1,77,468	1,91,408	2,05,725
Growth (%)	6.1%	8.9%	7.9%	7.5%
Software development expenses	1,13,347	1,19,791	1,28,435	1,38,042
Gross Profit	49,643	57,677	62,973	67,684
Sales and development expenses	7,588	10,293	11,293	11,932
General and administrative expenses	7,631	10,116	10,910	11,521
EBIT	34,424	37,268	40,770	44,231
EBIT Margin (%)	21.12%	21.00%	21.30%	21.50%
Finance Cost (Lease expense)	416	430	450	480
Other Income	3,600	3,549	3,056	3,103
Provision for investment/ Shares profit / (Loss)				
PBT	37,608	40,388	43,376	46,854
Tax	10,858	10,905	11,538	12,463
PAT	26,750	29,483	31,838	34,391
Adjusted PAT	26,713	29,400	31,755	34,308
Growth (%)	1.8%	10.1%	8.0%	8.0%
Adjusted EPS	64.4	70.9	76.6	82.7

Balance Sheet (Consolidated)				
Particulars (INR Cr)	FY25	FY26E	FY27E	FY28E
Shareholder's Funds				
Share Capital	2,073	2,073.0	2,073	2,073
Reserves & Surplus	94,130	103,645	115,261	129,177
Net Worth	96,203	105,718	117,334	131,250
Total Non Current Liabilities	9,850	7,881	8,047	8,217
Total Current Liabilities	42,850	45,255	46,265	48,707
Total Liabilities	148,903	158,854	171,645	188,174
Net Block	24,650	31,110	38,077	45,565
Capital Work-in-Progress	814	814	814	814
Total Non Current Assets	51,804	57,783	63,880	70,638
Cash and bank balance	24,455	25,037	30,037	29,858
Total Current Assets	97,099	101,071	107,765	117,536
Total Assets	148,903	158,854	171,645	188,174

Source: Aриhant Research, Company Filings

## Key Financials

Cash Flow Statement (Consolidated)					
Particulars (INR Cr)	FY24	FY25	FY26E	FY27E	FY28E
<b>PAT</b>	<b>26,248</b>	<b>26,750</b>	<b>29,483</b>	<b>31,839</b>	<b>34,395</b>
Add:- Depreciation & Others	4,678	4,812	3,549	3,828	4,115
Change in Working Capital	-5,082	-295	9,103	-335	9,084
Cash generated from operations	34,441	41,296	43,790	36,917	49,129
Taxes paid	-9,231	-5,602	-10,905	-11,538	-12,465
<b>Cash flow from operating activities</b>	<b>25,210</b>	<b>35,694</b>	<b>32,885</b>	<b>25,379</b>	<b>36,665</b>
Purchase of FA and Capex	-2,201	-2,237	-6,460	-6,967	-7,488
Others	- 2,808.00	291.00	- 34.12	- 546.57	- 651.45
<b>Cash flow from investing activities</b>	<b>-5,009</b>	<b>-1,946</b>	<b>-6,494</b>	<b>-7,514</b>	<b>-8,140</b>
Other fin. Activities	-	-	-	-	-
Dividend paid, including div. tax	-14,692	-20,287	-20,119	-20,377	-20,635
<b>Cash flow from financing activities</b>	<b>-17,504</b>	<b>-24,161</b>	<b>-25,891</b>	<b>-12,947</b>	<b>-28,786</b>
Exchange Fluctuations	-84	82	82	82	82
<b>Net Cash Flow</b>	<b>2,697</b>	<b>9,587</b>	<b>500</b>	<b>4,918</b>	<b>-261</b>
Opening Cash balance	12,173	14,786	24,455	25,037	30,037
<b>Closing Cash balance</b>	<b>14,786</b>	<b>24,455</b>	<b>25,037</b>	<b>30,037</b>	<b>29,858</b>

Key Ratios (Consolidated)					
Particulars	FY24	FY25	FY26E	FY27E	FY28E
EPS (INR)	63.3	64.4	70.9	76.6	82.8
Book Value	213.6	232.0	255.0	283.0	316.6
DPS	38.0	43.0	43.0	43.0	43.0
Payout %	56%	76%	68%	64%	60%
Dividend Yield %	2.7	3.1	3.1	3.1	3.1
P/E	22.0	21.6	19.6	18.2	16.8
EBIT Margin (%)	20.7%	21.1%	21.0%	21.3%	21.5%
EBIT Margin	17.6%	18.2%	19.0%	19.3%	19.5%
PBT Margin	23.4%	23.1%	22.8%	22.7%	22.8%
Adjusted PAT Margin	17.1%	16.4%	16.6%	16.6%	16.7%
Debt/Equity	0.1	0.1	0.1	0.1	0.1
Current Ratio	2.3	2.3	2.2	2.3	2.4
ROE	29.7%	27.8%	27.8%	27.1%	26.1%
ROCE	23.0%	23.1%	23.5%	23.8%	23.5%

Source: Arihant Research, Company Filings

**Arihant Research Desk**Email: [instresearch@arihantcapital.com](mailto:instresearch@arihantcapital.com)

Tel. : 022-42254800

**Head Office**

#1011, Solitaire Corporate Park  
 Building No. 10, 1<sup>st</sup> Floor  
 Andheri Ghatkopar Link Road  
 Chakala, Andheri (E)  
 Mumbai – 400093  
 Tel: (91-22) 42254800

**Registered Office**

6 Lad Colony,  
 Y.N. Road,  
 Indore - 452003, (M.P.)  
 Tel: (91-731) 4217100/101  
 CIN: L66120MP1992PLC007182

**Stock Rating Scale****Absolute Return**

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

**Research Analyst  
Registration No.****Contact****Website****Email Id**

INH000002764

SMS: 'Arihant' to 56677

[www.arihantcapital.com](http://www.arihantcapital.com)[instresearch@arihantcapital.com](mailto:instresearch@arihantcapital.com)**Arihant Capital Markets Ltd.**

1011, Solitaire Corporate park, Building No. 10, 1st Floor,  
 Andheri Ghatkopar Link Road, Chakala, Andheri (E)  
 Tel. 022-42254800

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**Arihant Capital Markets Ltd.**

1011, Solitaire Corporate park, Building No. 10, 1st Floor,  
Andheri Ghatkopar Link Road, Chakala, Andheri (E)  
Tel. 022-42254800

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Abhishek Jain  
Head of Research  
[Abhishek.jain@arihantcapital.com](mailto:Abhishek.jain@arihantcapital.com)

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