ArihantCapital
Generating Wealth

Q4FY26 - Result Update
27th April, 2026

Infosys Ltd

AI-Led Growth Offset by Structural Deflation, Keeping Near-Term Momentum Subdued

CMP: INR 1,155

Rating: Buy

Target Price: INR 1,438

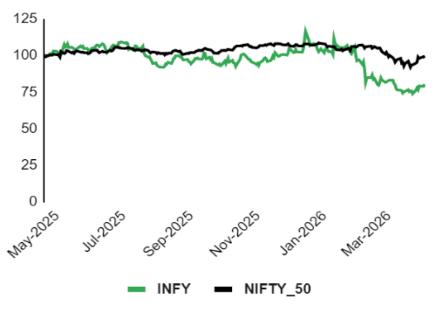
Stock Info	
BSE	500209
NSE	INFY
Bloomberg	INFO IN
Reuters	INFO.BO
Sector	Computers-Software
Face Value (INR)	5
Equity Capital (INR Cr)	2024
Mkt Cap (INR Bn)	4682
52w H/L (INR)	1,728/1,152

Shareholding Pattern %
(As on March 2026)

Promoters	14.38
FII	28.45
DII	43.13
Public & Others	14.03

Stock Performance (%)	1m	3m	12m
INFY	-9.68	-30.9	-21.5
Nifty	-1.8	2.07	10.7

INFY Vs Nifty



Abhishek Jain
abhishek.jain@arihantcapital.com
022 67114851

Jyoti Singh
jyoti.singh@arihantcapital.com
022 67114834

Ananya Mukne
ananya.mukne@arihantcapital.com
02267114873

Infosys (INFY) reported In-line performance; Q4FY26 revenue stood at USD 5,040 Mn (-1.2% QoQ / +6.6% YoY), below estimates of USD 5,085 Mn. In constant currency terms, growth came in at +4.1% YoY and -1.3% QoQ, with the sequential decline attributed to seasonality and slower decision-making in March. Revenue in INR terms was INR 464,020 Mn (+2.0% QoQ / +13.4% YoY), broadly in line with estimates. For the full year, Infosys reported 3.1% YoY growth in constant currency, with growth supported by Financial Services, Communications, Manufacturing, and Europe. EBIT margin for Q4FY26 came in at 20.9%, flat YoY and up ~250 bps QoQ (vs reported 18.4% in Q3 and 21.2% adjusted). Sequential improvement was driven by the absence of prior one-offs, currency tailwinds, and operational efficiencies under Project Maximus, while headwinds included acquisition-related amortization, normalization of earlier gains, and compensation costs. For FY26, operating margin stood at 21%. PAT for the quarter was INR 85,010 Mn (+27.8% QoQ / +20.9% YoY), above estimates due to a INR 7,740 Mn tax provision reversal. EPS grew 23.8% YoY in Q4 and 11% for FY26. Free cash flow stood at INR 3,500 Mn for FY26 and INR 882 Mn for Q4, with conversion above 100% of net profit. ROE stood at 31.6%.

AI is Both Growth Driver and Structural Deflation Risk

AI deals are scaling with proven outcomes (e.g., 60% faster delivery, 50% efficiency gains) and premium pricing . However, productivity gains are being passed to clients due to high competition, leading to deflation in legacy contracts. The shift toward agentic AI further reduces effort intensity. While AI expands the addressable market, it compresses existing revenue pools. Net impact positive structurally, but near-term growth-neutral.

Deal Quality Improving Despite Moderate Growth Outlook

Infosys reported $15bn TCV in FY26 (+24% YoY) with 55% net-new mix, indicating incremental revenue visibility rather than renewals . The company walked away from low-return deals (Europe manufacturing), highlighting pricing discipline. Large deal ramp-ups across BFSI and Europe support near-term visibility, though conversion remains back-ended. Growth is increasingly driven by fewer but higher-quality deals. Overall, revenue visibility is strong but not translating into near-term acceleration.

Growth Algorithm Shifting from Volume to Realization-Led

FY26 growth (3.1% CC) was driven by realization rather than volume, with volumes largely flat . AI-led efficiency reduces headcount dependency, limiting traditional scaling. Project Maximus is improving pricing quality but not volume expansion. This creates a non-linear growth model with lower scalability. Strong deal wins are not fully translating into revenue due to productivity offsets.

Margin Stability Masking Reinvestment Intensity

Operating margin remained stable at ~21%, but tailwinds (currency, automation) are being reinvested into AI and sales . Wage hikes, acquisition amortization, and competitive pricing act as offsets. Productivity gains are partially passed to clients, limiting margin expansion. Offshore mix improvement provides support but is incremental. Margins are likely to remain range-bound (20–22%).

Revenue Headwinds More Structural Than Cyclical

FY27 guidance of 1.5%–3.5% CC growth factors in structural drags: client ramp-down (~1%), onsite mix reduction (~0.5–1%), and AI-led deflation . These are linked to delivery model changes rather than just macro. Decision-making delays and cautious budgets persist. Deflation in existing deals continues over multi-year cycles. Growth remains capped despite strong pipeline.

Valuations

Infosys enters FY27 with limited growth visibility despite a strong order book, as AI-led productivity benefits continue to dilute revenue conversion from large deals . The guided 1.5%–3.5% CC growth already factors in structural drags ~1% impact from a European client ramp-down and onsite mix reduction (~50–100 bps) which are unlikely to reverse quickly. Client behavior remains conservative, with spending skewed toward cost takeout and vendor consolidation rather than fresh transformation budgets. AI deal momentum is strong, but the net growth contribution is partially offset by deflation in existing contracts, keeping overall growth muted. Margins are expected to hold at 20–22%, but only due to continued reinvestment of efficiency gains rather than operating leverage. H1 strength is largely execution-driven (deal ramp-ups), while H2 carries higher uncertainty tied to macro and pricing pressure. Any upside will require either faster AI monetization or a pickup in discretionary spend both of which remain uncertain in the near term. As a result, projected margin of 20.4%/20.5%/20.6% for FY27e/FY28e/FY29e. **We value Infosys at a PE of 17x its FY29E EPS of INR 84.6 with the target price of INR 1,438 per share. We maintain our rating to Buy on the stock.**

Exhibit 2: Q4FY26 - Quarterly Performance (Consolidated)

INR Cr (Consolidated)	Q4FY26	Q3FY26	Q4FY25	Q-o-Q	Y-o-Y
Revenue (Mn USD)	5,040	5,099	4,730	*-1.2%*	*6.6%*
Net Revenue	46,402	45,479	40,925	*2.0%*	*13.4%*
Cost of Sales	32,058	32,652	28,575	*-1.8%*	*12.2%*
Gross Profit	14,344	12,827	12,350	*11.8%*	*16.1%*
S&M and Admin. Expenses	4,601	4,472	3,775	*2.9%*	*21.9%*
EBIT	9,743	8,355	8,575	*16.6%*	*13.6%*
EBIT margin %	*21.0%*	*18.4%*	*21.0%*	*263bps*	*4bps*
Other Income	1,054	874	1,088	*20.6%*	*-3.1%*
PBT	10,797	9,229	9,663	*17.0%*	*11.7%*
Impact of Labour code	-	1,289	-		
Adjusted PBT	10,797	7,940	9,663	*36.0%*	*11.7%*
Tax Expense	2,288	2,563	2,625	*-10.7%*	*-12.8%*
Effective tax rate %	21.2%	27.8%	27.2%	*-658bps*	*-597bps*
MI & Associates	8	12	5		
Reported PAT	8,509	6,666	7,038	*27.6%*	*20.9%*
Tax benefit on Labour Code		318	-	-	-
Adj PAT	8,509	7,637	7,038	*11.4%*	*20.9%*
Adj PAT Margin %	*18.3%*	*16.8%*	*17.2%*	*9.2%*	*6.6%*
EPS (INR)	21.0	16.1	16.9	*30.0%*	*24.1%*

Revenue by business segment	Q4FY26	Q3FY26	Q4FY25	Q-o-Q	Y-o-Y
Financial Services	12,976	12,817	11,614	*1.2%*	*10.4%*
Retail	5,958	5,829	5,440	*2.2%*	*7.2%*
Communication	5,752	5,518	4,798	*4.2%*	*15.0%*
Energy, Utilities, Resources and Services	6,114	6,016	5,308	*1.6%*	*13.3%*
Manufacturing	7,368	7,570	6,527	*-2.7%*	*16.0%*
Hi-Tech	3,558	3,371	3,397	*5.5%*	*-0.8%*
Life Sciences	3,393	3,267	2,765	*3.9%*	*18.2%*
Revenue by business segment	**Q4FY26**	**Q3FY26**	**Q4FY25**	**Q-o-Q**	**Y-o-Y**
Total Employees (Consolidated)	328,594	337,034	323,578	-8,440	5,016
Voluntary Attrition % (Annualized - IT Services)	12.6%	12.3%	14.10%	*30bps*	*-150bps*
Onsite-Offshore Effort Split					
Onsite	22.8%	23.1%	23.6%	*-30bps*	*-80bps*
Offshore	77.2%	76.9%	76.4%	*30bps*	*80bps*
Utilization measures					
Including trainees	79.7%	80.0%	81.9%	*-30bps*	*-220bps*
Excluding trainees	83.0%	84.1%	84.9%	*-110bps*	*-190bps*
North America	2,808	2,851	2,698	*-1.5%*	*4.1%*
Europe	1,645	1,665	1,476	*-1.2%*	*11.4%*
ROW	455	440	417	*3.4%*	*9.1%*
India	132	143	139	*-7.7%*	*-5.0%*

Source: Arihant Research, Company Filings

Q4FY26 Concall Highlights

The company guided for revenue growth of 1.5%–3.5% in constant currency and operating margins of 20%–22% for FY27. Management expects H1 to be stronger than H2 in line with seasonality. Guidance factors in headwinds of ~75–100 bps from a large European manufacturing client ramp-down and ~70 bps impact from continued onsite mix reduction, along with contributions from recent acquisitions such as Stratus.

Infosys articulates a 6-pillar AI framework: AI strategy & engineering, data process, legacy modernization, physical AI, and trust. Topaz (AI fabric) and COBOL modernization platform are the differentiated delivery vehicles.

Structural shift toward offshore delivery is ongoing. Onsite mix at 22.8% and still declining driven by visa environment, client discretionary mix, and internal initiative. This is a margin tailwind but a revenue headwind (~75–100 bps in FY27). The trade-off is deliberate.

Headcount at 328,000; voluntary attrition at 12.6% (down 1.5% YoY). 20,000 freshers onboarded in FY26; similar target for FY27 with built-in flexibility. Management does not expect net headcount reduction in FY27.

FY27 margin guidance of 20–22% absorbs wage hike headwinds, productivity pass-throughs, and AI investment offset by Maximus levers. Timing of wage hike not yet decided; management will calibrate on attrition (now 12.6%, down 150 bps YoY).

FY26 adjusted operating margin held steady at 21% impressive given macro headwinds. All rupee depreciation and Maximus gains were reinvested: +40 bps in sales & marketing, plus AI talent and partnerships. Margin is a floor not a ceiling at this stage.

Europe was a standout geography in FY26 grew more than double the company average. The manufacturing client drag in FY27 complicates Europe's outlook, but FS and communication deal ramp-ups should partially offset.

Retail and communications are cautious but structurally shifting to AI-led models. Discretionary spending is down; clients want AI productivity savings to fund flat budgets. This is a near-term drag but sets up Infosys' legacy modernization pitch.

Manufacturing faces the most headwinds tariff uncertainty, muted automotive demand, and the large client ramp-down. Near-term FY27 growth will be negatively impacted here.

Financial services (+4.4% FY26) and EURS are growth engines. FS has Infosys as strategic AI partner for 18 of its top 20 clients. EURS is benefiting from energy outsourcing, grid modernization, and data center electricity demand. Both expected to accelerate in FY27.

AI projects command premium pricing and better gross margins, though this is offset by higher talent costs. 30,000 developers deployed on GitHub Copilot; strategic alliances with Anthropic, OpenAI, Google, NVIDIA, Microsoft, AWS. The ecosystem depth is a moat.

Competitive intensity from AI-native/aggressive peers is noted but not systemic. Management sees isolated instances of irrational pricing deals priced below what foundation models can economically support but says this is infrequent and did not impact overall win rates meaningfully.

AI productivity compression is real but not quantified. Management explicitly declined to break out gross AI services growth vs. compression on existing contracts. Volume remained flat in FY26, and guidance assumes volumes remain flat to marginally positive in FY27 confirming deflation is offsetting growth services.

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Days Sales Outstanding stood at 67 days, improving by 2 days YoY and 7 days QoQ. The company maintains a strong balance sheet with cash and investments at INR 4,500 Mn.

AI is influencing the business in two ways, with new AI-led services driving better pricing and margin potential, while productivity gains in existing contracts are being passed on to clients, leading to revenue compression. As a result, overall growth is being offset, with volumes remaining largely flat to marginally positive.

The company saw improvement in large client metrics, with $50M+ clients increasing by 3, $100M+ clients increasing by 3, and $400M+ clients increasing by 2 during FY26. The large deal pipeline remains robust, supporting future revenue visibility.

Geography Europe outperformed with +11.4% YoY growth, supported by large deal ramp-ups, while North America grew +4.1% YoY. Growth remained broad-based, although overall demand continues to be influenced by macro uncertainty and cautious client spending.

Exhibit 3: Management expects H1 to be stronger than H2 in line with seasonality. company guided for revenue growth of 1.5%–3.5% in constant currency

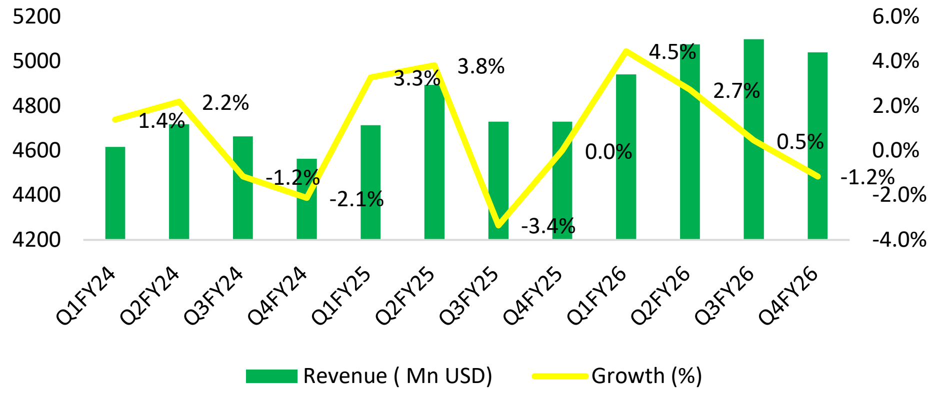


Exhibit 4: Revenue trend…

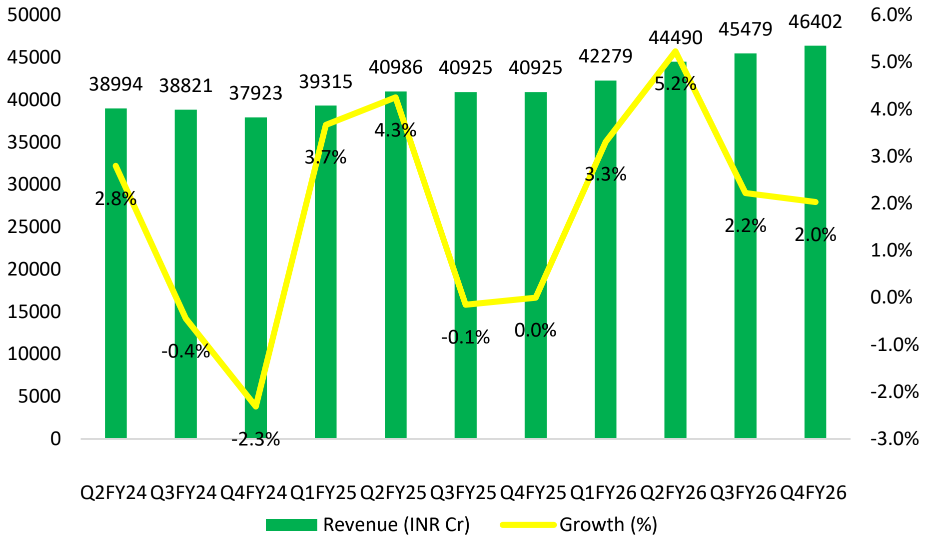
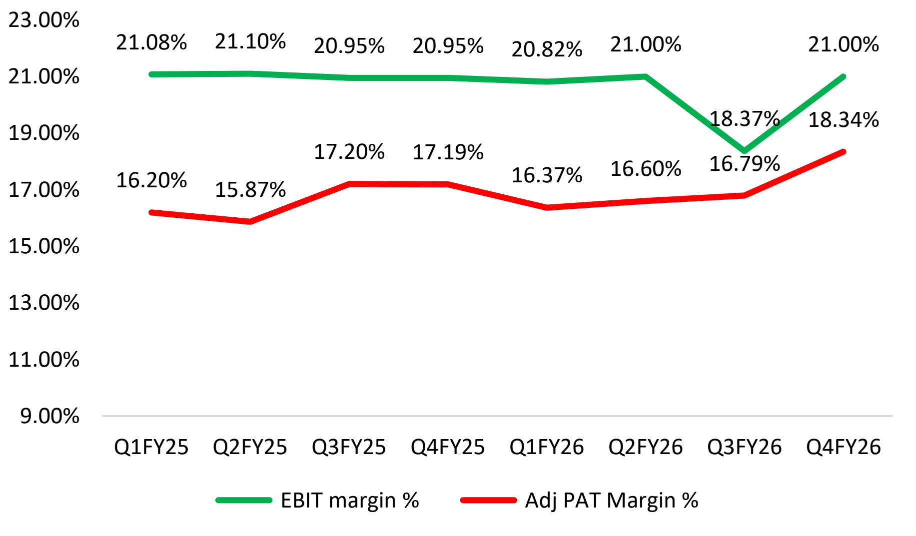


Exhibit :5 FY27 margin guidance of 20–22% absorbs wage hike headwinds



Source: Arihant Research, Company Filings

Exhibit 6: Operating Matrices

Metrics	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26
Employees, period end								
Total Employees (Consolidated)	**315,332**	**317,788**	**323,379**	**323,578**	**323,788**	**331,991**	**337,034**	**328,594**
S/W professionals	298,123	300,774	306,528	306,599	306,706	314,500	319,364	310,887
Sales & Support	17,209	17,014	16,851	16,979	17,082	17,491	17,670	17,707
Women employees (%)	39.20%	39.00%	39.00%	39.00%	39.10%	39.50%	39.50%	39.50%
Voluntary Attrition % (Annualized - IT Services)	12.70%	12.90%	13.70%	14.10%	14.40%	14.30%	12.30%	12.60%
Effort (IT Services and Consulting)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26
Onsite-Offshore Effort Split								
Onsite	23.9%	24.1%	24.0%	23.6%	23.60%	23.20%	23.10%	22.80%
Offshore	76.1%	75.9%	76.0%	76.4%	76.40%	76.80%	76.90%	77.20%
Utilization measures								
Including trainees	83.9%	84.3%	83.4%	81.9%	82.7%	82.2%	80.0%	79.7%
Excluding trainees	85.3%	85.9%	86.0%	84.9%	85.2%	85.1%	84.1%	83.0%
Revenues by client geography	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26
North America	58.9%	57.4%	58.4%	57.1%	56.5%	56.3%	55.9%	55.7%
Europe	28.4%	29.8%	29.8%	31.2%	31.5%	31.7%	32.7%	32.6%
ROW	9.6%	9.7%	8.7%	8.8%	9.1%	8.9%	8.6%	9.1%
India	3.1%	3.1%	3.1%	2.9%	2.9%	3.1%	2.8%	2.6%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Revenues by Business segments	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26
Financial Services	27.50%	27.20%	27.80%	28.40%	*27.9%*	*27.7%*	*28.2%*	*28.0%*
Retail	13.80%	13.30%	13.80%	13.30%	*13.4%*	*12.7%*	*16.7%*	*15.9%*
Communication	12.10%	11.90%	11.20%	11.70%	*12.0%*	*12.1%*	*13.2%*	*13.2%*
Energy, Utilities, Resources and Servcies	13.30%	13.50%	13.50%	13.00%	*13.6%*	*13.4%*	*12.8%*	*12.8%*
Manufacturing	14.70%	15.70%	15.50%	15.90%	*16.1%*	*16.5%*	*12.1%*	*12.4%*
Hi Tech	8.00%	8.00%	7.90%	8.30%	*7.8%*	*8.3%*	*7.4%*	*7.7%*
Life Sciences	7.30%	7.30%	7.60%	6.80%	*6.5%*	*6.4%*	*7.2%*	*7.3%*
Others	3.30%	3.10%	2.70%	2.60%	*2.7%*	*2.9%*	*2.4%*	*2.7%*
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Client Data	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26
Number of Clients								
Active	1867	1870	1876	1869	1861	1896	1949	1965
Added during the period (gross)	87	86	101	91	93	118	121	111
Number of mn dollar clients*								
$1 mn	987	985	997	992	1011	1012	1012	1018
$10 mn	309	307	301	309	317	322	326	328
$50 mn	84	86	89	85	85	85	84	88
$100 mn	40	41	41	39	41	41	41	41
Client contribution to revenues								
Top 5 clients	13.50%	13.70%	12.70%	13.10%	13.20%	13.00%	12.80%	12.60%
Top 10 clients	20.90%	20.90%	19.90%	20.70%	20.80%	20.70%	20.60%	20.20%
Top 25 clients	34.90%	34.70%	34.20%	34.80%	35.20%	35.20%	35.00%	34.50%
Days Sales Outstanding	72	73	74	69	70	71	74	67

Source: Arihant Research, Company Filings

Key Financials

Profit & Loss Statement (Consolidated)				
Particulars (INR Cr)	FY26	FY27E	FY28E	FY29E
Revenues (US$ mn)	20,158	21,132	21,905	22,789
Growth (%)	5.7%	4.8%	3.7%	4.0%
Income	178,650	191,504	199,502	210,675
Growth (%)	9.6%	7.2%	4.2%	5.6%
Software development expenses	124,735	128,499	133,866	141,363
Gross Profit	53,915	63,005	65,636	69,312
Sales and development expenses	9,077	11,299	11,571	12,219
General and administrative expenses	8,584	12,639	13,167	13,694
EBIT	36,254	39,067	40,898	43,399
EBIT Margin (%)	20.29%	20.40%	20.50%	20.60%
Finance Cost (Lease expense)	416	416	420	425
Other Income	4,157	2,987	3,754	4,026
Provision for investment/ Shares profit / (Loss)				
PBT	39,995	41,638	44,232	47,000
Tax	10,521	11,242	11,943	12,690
PAT	29,474	30,395	32,290	34,310
Adjusted PAT	28,151	30,312	32,207	34,226
Growth (%)	7.3%	7.7%	6.2%	6.3%
Adjusted EPS	69.5	74.9	79.6	84.6

Balance Sheet (Consolidated)				
Particulars (INR Cr)	FY26	FY27E	FY28E	FY29E
Shareholder's Funds				
Share Capital	2,024	2,024.0	2,024	2,024
Reserves & Surplus	94,179	91,273	101,445	113,256
Net Worth	96,203	93,297	103,469	115,280
Total Non Current Liabilities	9,850	10,348	10,160	10,246
Total Current Liabilities	42,850	52,322	54,740	55,102
Total Liabilities	148,903	155,967	168,370	180,628
Net Block	24,650	27,593	34,564	41,826
Capital Work-in-Progress	814	526	526	526
Total Non Current Assets	51,804	52,478	58,037	64,834
Cash and bank balance	24,455	22,201	29,341	36,058
Total Current Assets	97,099	103,489	110,333	115,794
Total Assets	148,903	155,967	168,370	180,628

Cash Flow Statement (Consolidated)				
Particulars (INR Cr)	FY26	FY27E	FY28E	FY29E
PAT	29,474	30,395	32,290	34,310
Add:- Depreciation & Others	4,812	4,902	5,420	5,586
Change in Working Capital	-295	-2,639	4,905	2,453
Cash generated from operations	41,296	41,345	42,140	41,712
Taxes paid	-5,602	8,648	11,242	11,943
Cash flow from operating activities	35,694	49,993	53,382	53,655
Purchase of FA and Capex	-2,237	-2,727	-6,971	-7,262
Others	291.00	4,673.00 -	153.00 -	153.00
Cash flow from investing activities	-1,946	1,946	-7,124	-7,415
Other fin. Activities	- -	18,058.00 -	18,058.00 -	18,058.00
Dividend paid, including div. tax	-20,287	-18,653	-22,747	-23,035
Cash flow from financing activities	-24,161	-39,786	-40,719	-41,123
Exchange Fluctuations	82	1,600	1,600	1,600
Net Cash Flow	9,587	12,153	5,540	5,117
Opening Cash balance	14,786	24,455	38,208	45,348
Closing Cash balance	24,455	38,208	45,348	52,065

Key Ratios (Consolidated)				
Particulars	**FY26**	**FY27E**	**FY28E**	**FY29E**
EPS (INR)	69.5	74.9	79.6	84.6
Book Value	232.0	230.5	255.6	284.8
DPS	43.0	48.0	48.0	48.0
Payout %	69%	61%	70%	67%
Dividend Yield %	3.1	4.2	4.2	4.2
P/E	20.0	16.6	15.4	17.0
EBIT Margin (%)	20.3%	20.4%	20.5%	20.6%
EBIT Margin	18.2%	17.5%	17.6%	17.7%
PBT Margin	22.4%	21.7%	22.2%	22.3%
Adjusted PAT Margin	15.8%	15.8%	16.1%	16.2%
Debt/Equity	0.1	0.1	0.1	0.1
Current Ratio	2.3	2.0	2.0	2.1
ROE	29.3%	32.5%	31.1%	29.7%
ROCE	24.3%	25.0%	24.3%	24.0%

Source: Arihant Research, Company Filings

Arihant Research Desk

Email: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office	**Registered Office**
#1011, Solitaire Corporate Park	
Building No. 10, 1st Floor	6 Lad Colony,
Andheri Ghatkopar Link Road	Y.N. Road,
Chakala, Andheri (E)	Indore - 452003, (M.P.)
Mumbai – 400093	Tel: (91-731) 4217100/101
Tel: (91-22) 42254800	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	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

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