

India

ADD (no change)

Consensus ratings*: Buy 33 Hold 9 Sell 5

Current price: Rs1,413
 Target price: ▼ Rs1,575
 Previous target: Rs2,166
 Up/downside: 11.5%
 InCred Research / Consensus: -17.0%

Reuters: INFY.NS
 Bloomberg: INFO IN
 Market cap: US\$68,495m
 Rs5,868,977m
 Average daily turnover: US\$138.4m
 Rs11855.7m
 Current shares o/s: 4,143.4m
 Free float: 85.3%

*Source: Bloomberg

Key changes in this note

- Expect 4% US\$ revenue CAGR over FY25-27F.
- Expect 6.7% EBIT CAGR over FY25-27F.
- Expect 8.6% PAT CAGR over FY25-27F



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(10.6)	(26.7)	0.5
Relative (%)	(13.9)	(27.1)	(4.9)

Major shareholders	% held
LIC	10.6
SBI MF	4.7
ICICI MF	2.9

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Infosys**Trimming estimates and target price**

- FY26F guidance expectations have moderated, but we try and build potential scenarios.
- Our analysis suggests that 1-3% could be a reasonable growth range for FY26F.
- Revision in our estimates drives a cut in the target price to Rs1,575.

All eyes are on the guidance

Infosys' 4QFY25F print is on 17 Apr 2025, but all eyes are on its FY26F guidance. Although the preview commentary and macroeconomic uncertainty may have moderated the expectations (~1-4% range), we try and build potential scenarios assuming 4QFY25F exit momentum and representative sequential growth assumption across the four quarters of FY26F. This, coupled with a potentially soft 1HFY26F and an unlikely scenario of strong recovery in 2HFY26F, implies 1-3% as a reasonable growth range for FY26F. Consequently, we trim our estimates and target price.

4QFY25 exit rate crucial

Although the implied sequential revenue decline in 4QFY25F (of 0.8% to 2.5%) based on FY25F constant currency (CC) revenue growth guidance is known, the exit rate is crucial to the FY26F guidance range. 4QFY25F exit at the lower/upper end and a 1% compounded quarterly growth rate (CQGR) implies FY26F growth range of 3.5% to 2.2%. Although 1% CQGR appears modest, it must be viewed in the context that 1) 1QFY26F bookings could potentially witness the full-quarter impact of current uncertainty, and 2) modeling a strong recovery in 2H, in any fiscal, is generally optimistic.

TCS commentary too suggests 1HFY26F could be soft

Although Tata Consultancy Services or TCS does not give guidance, its 4QFY25 earnings commentary suggests near-term uncertainty across key verticals barring FSI. Mathematically, assuming a flattish qoq CC revenue in 1Q & 2QFY26F still yields a modest yoy decline in 1HFY26F and recouping this deficit in a seasonally soft 2H could be a tough task. Resolution to tariff-led uncertainty could be a key upside risk to this thesis.

Trimming our estimates and target price; maintain ADD rating

We now model FY25F-27F US\$ revenue CAGR of 4% (vs. 7.6% earlier) which, coupled with a cut in our FY25F-7F average EBIT margin assumption by 20bp to 21.3%, drives the PAT (Rs) CAGR assumption lower to 8.6% vs. 12.3% earlier. As with TCS, we shift our valuation methodology to P/E (vs. PE/G earlier) and value Infosys at 21x (10% discount to TCS' multiple; implied 27x earlier) FY27F EPS to arrive at a lower target price of Rs1,575 (Rs2,166 earlier). Better operating cash flow, dividend payout ratio certainty, and healthy return ratios support the valuation. A slower recovery in the North America geography & the FSI vertical, weak bookings, and higher project cancellations are key downside risks.

Financial Summary	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	1,467,670	1,536,710	1,641,508	1,710,543	1,845,740
Operating EBITDA (Rsm)	351,310	364,250	393,774	414,636	447,592
Net Profit (Rsm)	240,950	262,320	263,791	287,856	311,019
Core EPS (Rs)	57.3	63.0	63.6	69.4	74.9
Core EPS Growth	9.8%	9.8%	1.0%	9.0%	8.0%
FD Core P/E (x)	24.64	22.44	22.21	20.37	18.86
DPS (Rs)	34.0	46.0	53.0	59.0	63.7
Dividend Yield	2.40%	3.25%	3.74%	4.17%	4.51%
EV/EBITDA (x)	16.57	15.58	14.34	13.50	12.40
P/FCFE (x)	34.12	29.58	24.72	21.64	21.23
Net Gearing	(15.9%)	(24.1%)	(23.2%)	(28.0%)	(31.1%)
P/BV (x)	7.84	6.64	6.34	6.06	5.78
ROE	32.0%	32.1%	29.2%	30.4%	31.4%
% Change In Core EPS Estimates			(0.05%)	(0.07%)	
InCred Research/Consensus EPS (x)					

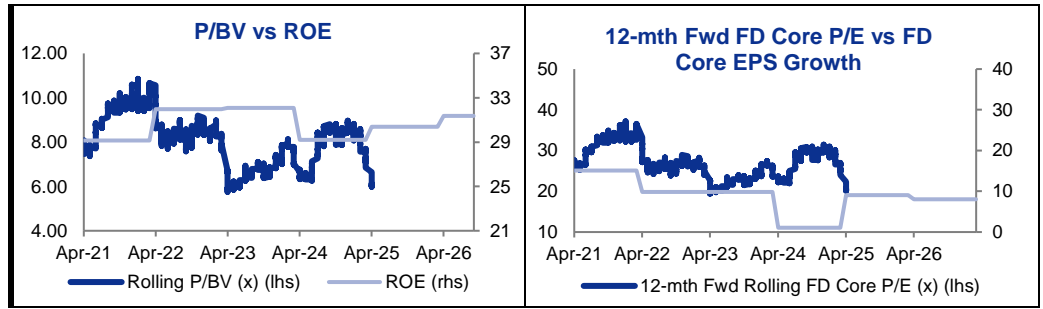
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Change in InCred estimates

Y/E Mar (Rs m)	FY26F			FY27F		
	New	Old	% change	New	Old	% change
US\$ revenue	19,890	20,747	-4.1	20,974	22,405	-6.4
Revenue	17,10,543	17,73,863	-3.6	18,45,740	19,49,232	-5.3
EBIT	3,64,859	3,80,139	-4.0	4,47,592	4,75,613	-5.9
EBIT Margin (%)	21.3%	21.4%	(0.1)bp	24.3%	24.4%	(0.2)bp
Net PAT	2,87,856	2,98,661	-3.6	3,11,019	3,29,741	-5.7
EPS (Rs)	69.4	72.0	-3.6	74.9	79.5	-5.7

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	1,467,670	1,536,710	1,641,508	1,710,543	1,845,740
Gross Profit	486,390	509,350	546,522	571,321	616,477
Operating EBITDA	351,310	364,250	393,774	414,636	447,592
Depreciation And Amortisation	(42,250)	(46,780)	(47,746)	(49,777)	(53,526)
Operating EBIT	309,060	317,470	346,029	364,859	394,066
Financial Income/(Expense)	15,390	15,980	20,276	22,254	24,340
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	8,770	26,440	8,321	7,868	8,306
Profit Before Tax (pre-EI)	333,220	359,890	374,625	394,981	426,711
Exceptional Items					
Pre-tax Profit	333,220	359,890	374,625	394,981	426,711
Taxation	(92,140)	(97,410)	(110,354)	(106,645)	(115,212)
Exceptional Income - post-tax					
Profit After Tax	241,080	262,480	264,271	288,336	311,499
Minority Interests	(130)	(160)	(480)	(480)	(480)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	240,950	262,320	263,791	287,856	311,019
Recurring Net Profit	240,950	262,320	263,791	287,856	311,019
Fully Diluted Recurring Net Profit	240,950	262,320	263,791	287,856	311,019

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	351,310	364,250	393,774	414,636	447,592
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(63,440)	(50,820)	(21,918)	(14,496)	(33,707)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(130)	(160)	(480)	(480)	(480)
Other Operating Cashflow					
Net Interest (Paid)/Received					
Tax Paid	(87,940)	(92,310)	(110,354)	(106,645)	(115,212)
Cashflow From Operations	199,800	220,960	261,023	293,014	298,193
Capex	(25,790)	(22,010)	(24,000)	(22,000)	(22,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	13,700	(28,080)	(10,504)	34,273	36,796
Cash Flow From Investing	(12,090)	(50,090)	(34,504)	12,273	14,796
Debt Raised/(repaid)					
Proceeds From Issue Of Shares					
Shares Repurchased	(114,990)				
Dividends Paid	(136,310)	(146,920)	(219,520)	(244,678)	(264,366)
Preferred Dividends					
Other Financing Cashflow	(15,650)	(28,120)	(4,150)	(4,150)	(4,150)
Cash Flow From Financing	(266,950)	(175,040)	(223,670)	(248,828)	(268,516)
Total Cash Generated	(79,240)	(4,170)	2,849	56,459	44,473
Free Cashflow To Equity	174,010	198,950	237,023	271,014	276,193
Free Cashflow To Firm	187,710	170,870	226,519	305,287	312,989

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	190,820	277,010	279,859	336,318	380,790
Total Debtors	407,130	429,610	454,226	468,642	505,682
Inventories					
Total Other Current Assets	110,860	187,700	187,700	187,700	187,700
Total Current Assets	708,810	894,320	921,785	992,660	1,074,173
Fixed Assets	205,160	192,150	211,654	183,877	152,351
Total Investments	154,060	148,470	148,470	148,470	148,470
Intangible Assets	89,970	87,000	87,000	87,000	87,000
Total Other Non-Current Assets	100,160	56,200	56,200	56,200	56,200
Total Non-current Assets	549,350	483,820	503,324	475,547	444,021
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	38,650	39,560	42,258	42,178	45,511
Other Current Liabilities	353,210	348,380	348,380	348,380	348,380
Total Current Liabilities	391,860	387,940	390,638	390,558	393,891
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	108,350	105,590	105,590	105,590	105,590
Total Non-current Liabilities	108,350	105,590	105,590	105,590	105,590
Total Provisions					
Total Liabilities	500,210	493,530	496,228	496,148	499,481
Shareholders Equity	754,070	881,160	925,431	968,609	1,015,262
Minority Interests	3,880	3,450	3,450	3,450	3,450
Total Equity	757,950	884,610	928,881	972,059	1,018,712

Key Ratios

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	20.7%	4.7%	6.8%	4.2%	7.9%
Operating EBITDA Growth	11.6%	3.7%	8.1%	5.3%	7.9%
Operating EBITDA Margin	23.9%	23.7%	24.0%	24.2%	24.3%
Net Cash Per Share (Rs)	28.73	51.41	52.01	65.61	76.33
BVPS (Rs)	180.13	212.67	222.97	233.38	244.62
Gross Interest Cover	108.82	67.69	83.38	87.92	94.96
Effective Tax Rate	27.7%	27.1%	29.5%	27.0%	27.0%
Net Dividend Payout Ratio	58.8%	72.6%	83.2%	85.0%	85.0%
Accounts Receivables Days	93.23	99.37	98.26	98.46	96.34
Inventory Days					
Accounts Payables Days	14.88	13.89	13.64	13.53	13.02
ROIC (%)	49.7%	44.4%	43.2%	43.9%	48.5%
ROCE (%)	27.4%	26.1%	25.1%	26.3%	27.2%
Return On Average Assets	18.9%	19.0%	17.8%	18.8%	19.7%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

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Recommendation Framework

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Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.