

AI Participation Is Proven; a Consolidated Growth Inflection Is Not

1 KEY RESULTS VS. CONSENSUS			
Metric	Reported	Consensus	vs. Cons.
Revenue	INR 492.44B	INR 491.08B	+0.3%
Net Income	INR 78.23B	INR 79.04B	-1.0%
SEGMENT REVENUE			
Financial Services	INR 137.74B	INR 137.71B	+0.0%
Energy and Utilities	INR 69.75B	INR 66.70B	+4.6%
Manufacturing	INR 79.13B	INR 78.72B	+0.5%
Communications	INR 61.50B	INR 59.36B	+3.6%
Life Sciences	INR 41.45B	INR 39.70B	+4.4%
Retail	INR 56.64B	INR 62.79B	-9.8%
Hi-Tech	INR 33.32B	INR 39.75B	-16.2%

2 | GUIDANCE AND OUTLOOK

Fiscal 2027 constant-currency revenue growth guidance was cut to 1% to 2%, from 1.5% to 3%, against a 2.03% consensus estimate. Management attributed the reduction to softer volumes, pricing pressure from competitive intensity and higher client productivity expectations, lower discretionary spending in retail and high tech, and offshore delivery shifts. Operating margin guidance was maintained at 20% to 22%, against a 20.8% estimate, with second-half compensation increases and continued pricing intensity cited as headwinds.

3 | EARNINGS ANALYSIS

A REVENUE BEAT THAT MASKS SLOWER GROWTH. Reported rupee revenue of INR492.44 billion beat the INR491.08 billion consensus by 0.3%, but constant-currency growth of 1.5% year over year missed the 1.8% estimate, and net income of INR78.23 billion missed by 1.0% as other income fell 14%. Reported dollar revenue rose only about 1.4% to \$5.145 billion, so most of the 11% rupee growth is currency translation, not demand.

THE GUIDANCE CUT IS BROADER THAN TIMING. Full-year guidance fell to 1% to 2% from 1.5% to 3%, a 75 basis point midpoint reduction that left the midpoint 53 basis points below the 2.03% consensus estimate. Management cited softer volumes, competitive pricing pressure, higher productivity expectations, and weaker discretionary spending. On the July call's 1.7 point acquisition contribution, the new range implies organic growth near zero at the midpoint.

AI GROWTH EXCEEDS THE WHOLE COMPANY'S. AI revenue rose to 10.5% of revenue from 8.2% in the June quarter, growing 29% sequentially. On the rounded shares and reported dollar totals, AI revenue increased about \$124 million while consolidated dollar revenue increased only about \$63 million, so the residual non-AI business contracted about 1.3%. Management says the work is genuinely new, but gave no bridge separating new spending from repricing.

MARGIN HELD, WITH CURRENCY DOING WORK. Operating margin of 21.0% was 10 basis points below the 21.1% consensus estimate: a 70 basis point post-sale customer-support swing and 20 basis points of added acquisition costs were offset by 40 basis points of currency benefit, 20 from working days, and 20 from Project Maximus. Excluding currency alone, the margin would have printed near 20.6%.

MEGADEALS SUPPORT FISCAL 2028, NOT 2027. Large-deal contract value of \$5.2 billion rose 68% year over year, with 62% net new, but two contracts, a net-new deal above \$2 billion over seven years and a \$1 billion renewal, supplied more than 58% of the total. The megadeal ramps only from late in the March quarter and contributes a minuscule amount this year; management expects over 1% of next year's growth from it.

VERTICAL DISPERSION IS THE REAL STORY. Financial services, the largest vertical at INR137.74 billion, met its estimate, while energy and utilities beat by 4.6% and life sciences by 4.4%. Retail missed by 9.8% and high tech by 16.2% on discretionary ramp-downs and client-specific slowdowns concentrated in the US. Utilization near 85% leaves little bench leverage.

4 | KEY READ-THROUGHS

IT SERVICES: AI REVENUE GROWTH DOES NOT ESTABLISH NET INDUSTRY GROWTH
Wipro (WIPRO), Cognizant Technology Solutions (CTSH), Tata Consultancy Services (TCS) | Negative | Moderate negative for organic revenue expectations
Parekh acknowledged that AI is also seeing the compression, and the CFO cited softer volumes, competitive pricing pressure, and higher productivity expectations behind the guidance cut. AI reduces development, testing, and support hours; under time-based billing fewer hours mean less revenue, and at renewal clients capture part of the gain. AI revenue rose about \$124 million against \$63 million consolidated.

VENDOR CONSOLIDATION FAVORS LARGE INTEGRATORS
Accenture (ACN), Tata Consultancy Services (TCS), HCL Technologies (HCLTECH) | Positive | Moderate positive for competitive positioning
Clients pursuing productivity programs prefer fewer providers accountable for the whole outcome, and Infosys's \$5.2 billion of signings, 62% net new including a seven-year contract above \$2 billion, shows the scale integrators can fund. Consolidation does not enlarge the industry pool, since a winner's net-new revenue can be another incumbent's displacement.

STABLE MARGINS CAN MASK A SHRINKING BILLABLE REVENUE BASE
Concentrix (CNXC), Teleperformance (TEP) | Negative | Moderate negative for traditional-service revenue durability
Process AI and agent development were among Infosys's strongest growth areas, and management said clients sometimes demand benefits beyond what it can economically deliver. In process outsourcing, self-service and AI-assisted agents cut the labor each transaction needs; where pricing follows staffing, automation shrinks provider revenue even as client economics improve.

CYBERSECURITY: REMEDIATION AND SECURITY OPERATIONS GAIN VALUE
CrowdStrike Holdings (CRWD), Palo Alto Networks (PANW) | Positive | Moderate positive for the addressable opportunity
Parekh called cybersecurity a huge opportunity, built on agent and human capabilities, and noted that different frontier models surface different vulnerabilities. The bottleneck is shifting from discovery to prioritization and remediation, raising the operational load platforms must absorb. CrowdStrike's Project QuiltWorks names Infosys as a participating partner using Falcon to remediate frontier-AI risk.