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July 28, 2026

Dear Sir/ Madam,

Sub: Transcripts of the press conference and earnings call conducted after the Meeting of Board of directors on July 23, 2026

Please find enclosed the transcripts of the press conference and earnings call conducted after the Board meeting held on July 23, 2026, for your information and records.

This information will also be hosted on the Company's website, at https://www.infosys.com/investors/reports-filings/quarterly-results/2026-2027/q1.html

The audio/video recordings of the press conference and earnings call are also made available on the Company's website, at https://www.infosys.com/investors/reports-filings/quarterly-results/2026-2027/q1.html

This is for your information and records.

Yours Sincerely,
For **Infosys Limited**

Anur Gurugopala Raju Suryanarayana Manikantha

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Infosys Limited
Media Conference Call

July 23, 2026

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Nandan Nilekani
Co-Founder and Chairman of the Board

Salil Parekh
Chief Executive Officer and Managing Director

Jayesh Sanghrajka
Chief Financial Officer

Rishi Basu
AVP and Global Head - Corporate Communications

JOURNALISTS:

Ritu Singh
CNBC TV18

Reshab Shaw
Moneycontrol

Mansee Dave
ET Now

Shilpa Phadnis
The Times of India

Avik Das
Business Standard

Haripriya Suresh
Reuters

Beena Parmar
The Economic Times

Sanjana B.
The Hindu BusinessLine

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Deccan Herald

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The Financial Express

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Fortune India

Rishi Basu

A very good evening, everyone and thank you for joining Infosys' first quarter financial results. My name is Rishi. And on behalf of Infosys, I would like to welcome all of you today. I would first like to invite our Chairman, Mr. Nandan Nilekani and our Chief Executive Officer, Mr. Salil Parekh for an important announcement which will then be followed by our business updates. Kindly note, Nandan will not be taking any questions. Sirs, over to you.

Nandan Nilekani

Thank you, Rishi and it is great to be here with all of you. I thought I would take this opportunity to make an important announcement. As you know, Salil has been CEO of Infosys for almost 10 years. He came, I do not know how many of you were here 10 years back, but he came at a time when things were slightly unstable. And he brought in calmness, focus, took the company from $10 bn to $20 bn, completely did the transformation for the digital era and started the AI differentiation and implementation. Salil’s term comes to an end on March 31, 2027.

Infosys has been looking at his succession. And today, I am delighted to tell you that the Board has appointed his successor, our new CEO, who will take over on April 1, 2027. He is from Infosys. He has been somebody who is a true-blue Infoscion. He has worked in Infosys for 31 years. He has worked in every part of Infosys, be it in delivery, be it in sales, be it in account management, starting a new DC in Bhubaneswar, everything. And he is someone who I think everybody likes, respects, is an uncomplicated guy who focuses on what needs to be done. His name is Ashiss Dash. So Ashiss is based out of L.A. He has been there for some time. He will move back to India and in the next 2-3 months, he will do some CEO coaching and then from October 1, Salil will take him on as his mentee and prepare him for the role, so that he can take on this role of managing a complex $20 bn company in a very transformational time.

So, I just wanted to let you know that Ashiss will be the new CEO and I would now like to request Salil to say a few words about Ashiss.

Salil Parekh

Thanks, Nandan. So first welcome, everyone. This is an incredible time for us, as Nandan shared, I have known Dash for a very long time working closely with him, a huge congratulations to him and in making sure everything he does works well into the future. He has had an amazing portfolio, the way he has built it, the way he has crafted it in terms of the clients he has worked with, in terms of the people he has worked with.

And there is a tremendous set of opportunities from that on to the overall company, the learnings from that as we apply to the overall company. Ashiss Dash, also a very collaborative individual working well with all of the various components within Infosys and having been here for a long time, has made sure he has learned everything and also understood how all different parts of the company work. So huge, huge congratulations to him and looking forward to working with him as we do the transition over the next few months.

Rishi Basu

I now invite Jayesh to join Salil on stage to commence the quarter updates. As always, for this section, I will request one question from each media house. But with that, let me invite Salil for his remarks. Over to you, Salil.

Salil Parekh

Thanks, Rishi, and thanks Nandan. So good afternoon, everyone. Thank you for being here.

Our revenue growth for Q1 was at 2.4% Y-on-Y and 1% Q-on-Q in constant currency terms. We had a one-time revenue impact of a client decision during the quarter. Our AI services revenue was 8.2% of overall revenue in Q1. Our large deals, $3.6 bn at 61% net new, operating margin at 21.1%, free cash flow at $955 mn. Earnings per share were up 15% Y-on-Y in rupee terms.

We saw a strong acceleration in our AI work, as I shared earlier, with AI revenues at 8.2%. This is growing at double-digit Q-on-Q for the last several quarters. With this momentum, we see long-term relevance of our services for our clients, which are all driven through AI. From our delivery team, over 80,000 employees are working on coding tools such as Claude Code or Codex or several others for our clients, for our work inside. We see strong traction across the six areas of new growth that we see in AI, our Hexagon for AI strategy.

We see client work, for example in building agents for processes, work on data, modernization and using coding tools. We are building a team of frontier engineers to support our client work. Our plan is to have 6,000 Frontier Engineers over the next few years. We have built a platform, Topaz Fabric that enables our clients to get the benefits of AI while keeping the sovereignty of their own data within their company.

Our clients are able to work with any foundation model, closed, open-weight or on the cloud on their own servers. Our clients are able to optimize token cost, which has become very critical now to make sure its appropriate for the type of work they are doing and not out of hand.

Overall, we continue to see the macro environment remaining uncertain. With our Q1 results and a view for the rest of the financial year, we are changing our revenue growth guidance to 1.5% to 3% Y-on-Y growth in constant currency terms. Our operating margin guidance remains the same at 20% to 22% operating margin.

Thank you. And with that, let's open it up for questions.

Rishi Basu

Thank you, Salil. We will now open the floor for questions. The first question is from Ritu Singh from CNBC TV18.

Ritu Singh

Thank you very much. I know you have asked for one question. But if I may, Salil, you have given us a big news in this quarter. To begin with, since you speak about how you brought in and Mr. Nilekani spoke about how you brought in calmness at a time when the company was going through quite a bit.

Even now you are speaking of this global uncertainty because of which you have had to, again, pull down your guidance as well. Why decide to leave at a time like now, instead of perhaps looking at an extension? I wanted to understand. And with the new CEO coming in, any mandate for the new CEO that you could highlight for us more clearly? And perhaps that is something the investors would also want to know?

And then on the earnings, of course, the reason for this revision downwards, if you could give us a little more colour on what you are seeing in the environment, where is the weakness? Where is momentum picking up?

Some of your competitors like Tech M have been talking about irrational competitive pricing. Wipro has also spoken about that a bit. So what are you seeing in the environment? And with a 1% kind of growth in the first quarter, do we assume the second half will be meaningfully better if you were to reach that upper end of the 3% guidance you are speaking about?

And just on AI, if you could update us how the revenue is moving? Is it proceeding as per what your expectations were? Any updates you could share on that front as well, as far as revenue contribution from AI is concerned?

Salil Parekh

So let me start with the first one.

I think you had that question collectively for some time now. We have the answer. As I look at it, I am really delighted with the role I have played here. We have taken the business, as Nandan said from $10 bn to $20 bn. It is working very well, the digital transformation and now the AI transformation is launched. So, I am really delighted that it is working well with our clients and with an incredible team that we have inside. So that is what I would like to say on the first one.

On the second, I think what we are seeing is an environment, where a little bit sort of combining the third piece as well, AI services is growing extremely well, double-digit growth, if you look at it like Q-on-Q, if you look at it over several quarters in the past. We see that those 6 areas that we have identified like the process, the agents, the data, the engineering, all of those are working extremely well with our clients. So we are now looking at revenue growth in each of those areas.

Our pipeline is even larger than the 8%, which is the revenue today. So we see good traction in that. Therefore, we feel there is a good long-term relevance of our services to our clients because this is going to continue to grow as we look out into the future.

Now the question on the guidance, we had a one-time impact that I shared with a client decision. There are factors related to what is going on in the macro environment, which we talked about. There are factors related to the volumes in the quarter. But we look at the large deal number, $3.6 bn, 61% net new, so we see a lot of support in that. I think there are 5 (Editor's comment) of those deals which are consolidation deals that we have been the beneficiary in, as an example. There are 3 (Editor's comment) deals which are just under the $500 mn range. So just like a mega deal. So we see really good traction. The pipeline there is looking good.

So all that when we balance, we decided to look at our guidance in a different way. The upper end of the guidance was really based on if the macro was improving, we now see the macro, it may improve, but not at the level that we were thinking initially. And so that is how we really constructed the guidance. But we have tremendous view that this is a good place for Infosys to operate, with AI the way it is looking and all of the work that we are doing on large deals gives us continued traction.

Ritu Singh

[Inaudible]. The question of why you didn't decide to stay on and what the mandates are and you know better. If you could clarify all of those points?

Salil Parekh

So there I think, as I shared earlier, my sense is, I have been fortunate to have a tremendous opportunity and what we have done in Infosys over the last many years and having taken the business from about $10 bn to $20 bn. So it is been an incredible journey. And that with the team we have and with the client work we have done, that is been a fantastic outcome.

On the mandate, I think as AI strategy is put together, and Dash has been part of that, our thinking is the strategy we want to execute on. Of course, there will be some things which we will look at in terms of fine-tuning but that is a natural course of evolution. But the strategy is very well in place to make sure that it goes into the next phase, making sure the partnerships we have with the various models, the Topaz Fabric that we built. Today on AI, it is important that clients see that their own data remains sovereign to them. And the way we built Topaz Fabric, it allows the clients to do that no matter which model they are using. And that is a very big differentiator we have. For example, in AI, the token cost that will be an important factor we think in the future.

And we have built Topaz Fabric in a way that, depending on the task you are using the foundation model for, it will use the right model. So you do not have to pay for the most simple task like an expensive token cost and so on. So we think we are in good position in that.

In terms of second half, first half, I think we have the guidance for the full year. We expect the normal seasonality that will come. We are not expecting anything unusual there.

Ritu Singh

Competitive pricing in the market that some of your peers have spoken about?

Salil Parekh

Yes. So maybe they are seeing that, you should check with them.

Rishi Basu

Thanks Ritu. The next question is from Reshab Shaw from Moneycontrol.

Reshab Shaw

Salil, if you could tell us your biggest achievement and what will you miss the most and what is next coming for you? On the quarterly performance, how has been the TCV conversion because that is a worry that investors have? And the third question is, two of your peers have highlighted that AI revenue is slightly lumpy and it could be 1 or 2 quarters post which you will have to go and get those deals again. So is that something that Infosys is also seeing?

Salil Parekh

So let me start with the second one, I will come back to the first.

On TCV conversion, we see a pretty good way of converting now. What tends to happen is like, when you have a consolidation deal, the conversion comes a little bit quicker. When you have a transformation deal, it is a little bit spread out, but that is the normal sort of conversion we see. We do not see that it has suddenly changed like in the last quarter or a couple of quarters or so on.

On the AI revenue, I think it is moving so quickly that it is a bit up and down on a quarter-by-quarter basis. So our thought is, that is why we are saying like look at over the last several quarters, we see that double-digit type of growth Q-on-Q.

And we will see sometimes it could be a little bit faster but it is growing nonetheless, meaning if you look at the secular trend, we see that is pretty strong, and that gives us a view that long term, there is a relevance of what we are doing on AI for the clients.

For me, I think, I am very focused on what we have to do here at Infosys. We have a lot of things to get done. I want to make sure we remain in the leadership position. We win in the market, we are leading in AI and I get a smooth transition done. So that is really my focus. And after that, I will see what else happens.

Rishi Basu

Thanks, Reshabh. The next question is from Mansee Dave from ET Now.

Mansee Dave

Hello, good afternoon, Salil and Jayesh. Nice talking to you. Salil, my questions are on client spending, large deals and competitive positioning. So talking about the client spending, client budgets remain selective across industries. Have you started seeing any improvement in discretionary technology spending? Or are enterprises still prioritizing cost optimization over transformation? Talking about the large deals, Infosys has maintained a healthy large deal pipeline. So how confident are you that these deals will convert into faster revenue growth?

Also, every global IT company today is talking about AI. What would you say is Infosys' biggest competitive advantage in this AI-led technology cycle? And please start with this one, which moment during your tenure best reflects the values and culture of Infosys? Thank you.

Salil Parekh

Okay. There were a few, so I will start the first was a conversion of the TCV discussion. We see that the large deals, we see a good traction of those values over the last few quarters have been strong, this quarter was pretty good. We see the pipeline to be pretty good on the large deals, and we feel there is a benefit of the consolidation that we are seeing in some of the large deals, which is definitely helping us as we go through it.

The conversion, whether it is faster or slower, I think it is at the same type of a level and we will convert those into revenue with 61% net new, it already looks pretty strong in terms of the net new work, which we will see. And obviously, the renewals are going pretty okay as well.

On AI, I think there is a huge differentiation that I find from what we are working on. First, we have a very clear AI strategy with the 6 areas of focus. We are investing in it. We have actually taken and Jayesh has shared in the past, he will share also today, we have invested in building out AI capability.

We have, as I shared earlier, 8% revenue, growing double-digit Q-on-Q over the last several quarters. We have a good pipeline in that area. Then you look at some of the stats, we have 80,000 people working on the tools today for client work. It is not just training and so on.

Then what we built with Infosys Topaz Fabric, I feel is very differentiated because it allows clients to maintain control of their data, maintain control of what they want to do with the AI and still use the different models, and lower cost. We have a harness through which they can leverage what they want to achieve with the foundation model. So that is a significant move up in terms of differentiation that we have seen here.

I think in terms of values, my sense has always been Infosys has incredible values and it has really been sort of a privilege to be associated with that and learn from it and contribute to it. So, in many ways, it is a great, fortunate thing that could happen in the way that it has happened.

Rishi Basu

Thank you. The next question is from Shilpa Phadnis from The Times of India.

Shilpa Phadnis

Can you please give us some colour on how your GCC portfolio is doing because some of your peers who are slightly late starters, are catching up. They are already looking at $1 bn in revenue run rate. So I just wanted to understand from you, how it is doing? I mean is there a milestone that you have touched?

And secondly, there is also a concern with Vanguard and Daimler and a lot of other companies are chipping into the space. They are setting up their own GCCs. How much of that compression are you seeing in the market?

Salil Parekh

So, in GCC, in fact, my sense is you might have seen that we launched an AI GCC concept some time ago. We had a client event a few months ago, where all the leading GCCs of the country, their leadership teams were here in Bangalore on our campus, and we did a 1-day session sharing with them what the latest developments were in overall and also in the AI GCC. So, our traction on GCC is looking very strong.

We do not externally share the milestone, but our revenue growth is good. Our work with them is good. In the GCC, there is always a life cycle. So, there are some which are expanding well. And there are some in the past where they have exited and we have sometimes participated in that and so on. And that continues, but the overall GCC like work both within the GCC and like the work we are doing with them, I think both are growing well.

Shilpa Phadnis

I have two questions, sir. When do you think AI-led revenues will be material enough to offset productivity-led compression that customers are seeing in the market?

Salil Parekh

I think, my sense is the AI-led revenues are extremely significant at 8% already. And if you look at the growth trajectory and if we execute on that well and the growth trajectory continues, we can see now long-term relevance of AI revenues to our clients from what we are doing.

The productivity will also continue. But I think it is both of those things because when we share our strategy and that Hexagon, we had outlined a $300 bn market opportunity, addressable market, so that is all new revenue. And also the productivity will happen, but the significance, I think already we can start to see here.

Jayesh Sanghrajka

And if I can just add, if you look at when we launched our Hexagon in February of this year, our AI revenue for Q3 was 5.5% of our revenue. Today, it is already at 8.2%. So, it is growing at a very fast double-digit over double-digit growth. And at that pace, it is already becoming a growth engine in a way. So that it is becoming a long-term play in the way.

Shilpa Phadnis

This is not reclassification in any format?

Jayesh Sanghrajka

No.

Shilpa Phadnis

One last thing, sir. On the status of hikes, Infosys has not called that out yet. So where are you on that? And secondly, also on Forward Deployed Engineers, there is a lot of talk in the tech ecosystem about this. But how difficult is it for a services company to sort of plug FDEs into the existing workflows? There are several challenges that companies are facing.

Salil Parekh

Let me start with the second one. We will come back to the first. On Frontier Engineers, we now have a very good plan, which has been put in place some time ago to scale that up. We have a lot of capability within Infosys, which are doing similar work. We are making sure that it works in the way that the Frontier Engineer needs to work with clients today. We have set the objective of 6,000 to make sure that the teams can work with different clients to make the impact.

We feel we have a good understanding of how that works because the capability is really the engineering plus the business context. And that is something that Infosys was good at, even before the AI wave of work had started. And we are making sure that becomes very much part of the future.

On the compensation increases, we will roll out our compensation increases in October and January in 2 parts and that is part of something internal that we have announced now.

Jayesh Sanghrajka

Yes, with most of the employees getting an increase in October and the senior employees will get it in January.

Rishi Basu

Thanks, Shilpa. The next question is from Avik Das from Business Standard.

Avik Das

Salil, good afternoon. Just 3 quick questions and one for Jayesh. You talked about how the macro perhaps has not improved over the last 3 months that you perhaps would have wanted to. Just wanted to understand, which are some of those parts of the macro that led you to first to increase it between 1.5% to 3.5%, now you sort of cut it down to 3%. So which are some of those areas which did not really work according to your expectations?

Number 2 is that, would Infy ever at all, at least in the near future, would you want the company to move into the AI infrastructure business, data center, something that HCL and TCS has already done?

And the last question is, what would you classify at least in your tenure as the most challenging period? Was it the COVID or is it the AI-led transformation for Infosys?

And Jayesh, one question on the margins. Once you obviously roll out the hikes and with the growth projections tapered now, do you think you would be able to maintain the 20% to 22% band at least for this year? Just wanted to know that. Thank you.

Salil Parekh

Let me start off on the first one. I think a little bit later, Jayesh can also add a bit of colour. I think on the macro, what we see in the environment, we have had a sense that the macro was settling down. So, we had a guidance where the upper end looked at maybe things would settle down in the second half. Things are a little bit more uneven.

But at the same time, it could easily stabilize over time. So, we have kept the option, and we always have that ability because tech spending, discretionary spending can also come back if that happens. So, we are sharing more what we see today as opposed to like a prediction of what is going to happen exactly in a certain timeframe.

On the data center piece, so in fact, we have internally reviewed what we want to do in terms of our balance sheet. We have had a discussion with the management team and also with our Board. And we have decided to not do anything in that space at this stage.

What was the third?

Rishi Basu

Margin.

Salil Parekh

I think my focus in that is, making sure that we are very much focused today on what we need to do for this part of the work that I have to finish. I am very much enjoying that, and we will come to that at the right time in terms of what was in terms of the tenure and so on.

On the margin, Jayesh will have it, but yes, we will hold the guidance.

Jayesh Sanghrajka

So at this point in time, we have given a guidance of 20% to 22%. If you look at our first quarter, we are at 21.1%, right? If you look at puts-and-takes of where we are, the currency will be a tailwind at least where we see today, Project Maximus is working well.

If you look at the last three-year period, we have been consistently able to hold or improve our margins despite investment in business, whether it is AI, whether it is talent or whether it is sales and marketing and we believe the project will continue to deliver value from pricing, from utilization, etc. So of course, we will have a headwind coming from the compensation in the second half of the year. But we are very confident at this point in time of the guidance band that we have given.

Rishi Basu

Thank you, Avik. The next question is from Haripriya Suresh from Reuters.

Haripriya Suresh

Good evening, gentlemen. One is I wanted to get some colour on each of the verticals as well within Financial Services, Retail has seen some sort of hit this quarter as well. Some of your peers have called out some percentage of AI deflation in their portfolio. I mean, obviously, there is growth coming from AI, but also existing portfolio see some sort of deflation. If there is any number, you can provide for that?

And also, is outcome-based pricing becoming a larger part of your portfolio? And are there certain deals that tend to see more outcome-based pricing than others? Is there any kind of quantification you could offer, that would be very helpful?

Salil Parekh

I will start on the industries. Jayesh will add a little bit. And then let me address the other one, which is on, what we see on the outcome-based pricing and the compression piece that you mentioned there.

On the industries, what we see right now is, for example, Financial Services, we see the growth in that part of our business will be higher than the average growth within the company.

In Energy, Utilities part of our business, we will see something similar. We still see, for example, in Retail, some constraints in terms of the growth that we are not yet seeing the pickup in that. And there might be other things that Jayesh will add.

On the compression, I said in the past, we do see that in some places across our portfolio, but we have not externally quantified that compression at this stage.

On Outcome-Based Pricing, we see clients have a stronger interest in that. But typically, it is not so much that it is become a large part of our activity, but there is definitely more discussions on it. And typically, when the investment needs are heavy for transformation, it becomes more part of that discussion. But it is not that we are like shifting massively to it, but there is definitely more discussion on it.

Haripriya Suresh

[Inaudible]

Salil Parekh

There is no particular type. It is more, I think, a function of other clients going through a transformation. And is there a need for some upfront investment, which can then translate into a transformation and then the outcome gives a benefit of that transformation.

Jayesh Sanghrajka

So just to add to what Salil was saying on segments. Financial Services and EURS, both we expect to deliver higher than the company average going forward or for the rest of the year.

Manufacturing, while we had an impact coming from one of the clients which we had called out last quarter as well, despite that Manufacturing has grown very well at close to 1.5% or slightly over 1.5% (Editor’s comment: CC growth 1%). So, I think that is commendable considering the headwind that the sector has seen.

Life Sciences, we will see benefit coming on the back of the acquisition in Healthcare and Life Sciences. So only two segments that continue to see challenges is Communication and Retail from that perspective.

And just to add on the outcome-based pricing, that is one of the specific tracks within Project Maximus as well. So, there is a leader at the organization level who is working with all the segments and driving outcome-based pricing and we have a very specific focus on that.

Rishi Basu

Thanks, Haripriya. The next question is from Beena Parmar from The Economic Times.

Beena Parmar

Just a bit on the consolidation deals, the six consolidation deals, which spaces are these in? And how many of these are large deals? And secondly, Infosys has lost some of the existing renewals, at least three in the know. What are the factors that led to that? What are your reasons?

On the guidance also, if you could just extend a little bit on the colour on why really the upper limit was reduced? Do you see macroeconomic environment further worsening or do you see that conversations have been a little different from last quarter? And secondly, are you still looking at acquisitions and investments and which spaces will these be in? And lastly, what next for Salil Parekh?

Salil Parekh

So on the first one, I think the consolidation deals, the ones I was referring to, are all in the large deals. So those are not the ones, we were only saying, like, within the large deal, we see those many consolidation deals. We are not specifying in which areas, but these are typically in the bigger industries that we operate in. And there are big companies who are looking to consolidate across partners. And that is where we have seen it. But we are not specifying where we see that.

Beena Parmar

You lost some renewals?

Salil Parekh

Yes. So, we do not comment on any specific deals in the environment, in any case. However, we are quite clear that our focus overall is to make sure that we are working with clients on projects and contracts that make economic sense to us. But no specific comment beyond that. We want to make sure that economically, it makes sense to us in some of these situations as well.

The guidance, I will also request Jayesh. I have also said a few things that he will add to it. What we see is given where we were in Q1, which is the outcome that we had with one of the delivery client decisions that I shared, we want to make sure that we have a guidance that reflects all of that.

And then looking at the changes, whether it is in volumes, whether it is in some level of pricing mix that is how we built the guidance. As we go through the year, we typically reduce the band as well, so instead of 2 points, it is now like a 1.5 point band as we go through the quarters. And that is how we built the guidance. Jayesh will add to it.

To your other question, I think for me really the attention is, on what we are driving through for this year, making sure that we continue to lead in AI, making sure that we continue to win market share and making sure that we have an absolutely smooth transition. I very much enjoy what I am doing, and I am sure once all of this is done, I will have time to focus on what is next.

Acquisitions, we are continuing to look at acquisitions. We have a good pipeline in that. We did the acquisition on Life Sciences, Healthcare. We did the acquisition on Insurance. We have other areas that we have an interest in. So, we have a view in geography that we are looking at some geographies where we could do more work, and those are good geographies. We could do more in some of the other industries as well. For example, we are not doing anything, but we have seen that there could be things we could do in Telco and Financial Services, a little bit more in Healthcare. There are areas that we could do, which are more service-line oriented. We think there is good traction in where AI can be leveraged into processes and agent building. But there is a pipeline and we will continue with the acquisitions.

Jayesh Sanghrajka

Just to add to what Salil was saying and I will come to guidance in a bit. On the consolidation deal of the six deals that we have won, it is a $700 mn of net new business that we have won. So, we have seen positive impact coming out of the consolidation deal and we have been on the positive side of the market share.

On the guidance, whatever happens in Q1 typically has a cascading impact on the whole year. While we will see benefit coming out of the acquisition that we completed in Q1, the one-off impact that we had in Q1, the softer-than-expected volume and price that we got in Q1 will have a cascading effect on the rest of the year in terms of guidance.

In terms of the large deal that we talked about with the European client where we decided to not bid beyond the point because it did not make commercial sense or economic sense as Salil said, that will have an additional impact in Q4 as the deal comes to a closure in December. So, that is also baked in our guidance.

And if you compare to last year, we have additional headwinds coming from the lower on-site mix, as I called out in the last quarter because of our conscious decision of derisking our business model. Deals that we lost in the last quarter from the same European manufacturing client and that impact, which was baked in the original guidance as well.

So, all of this cumulatively results in our guidance, there are multiple models that leads to the lower end and the upper end of the guidance and that is how the guidance is baked in.

Rishi Basu

Thank you. The next question is from Sanjana from The Hindu Business Line.

Sanjana B

Good evening, gentlemen. Just two questions. Coming to rupee depreciation, how much of a tailwind has that provided to your margins in Q1 or going ahead, how do you see that panning out? And the other one is, how is AI improving or what kind of impact does it have on your employee productivity? And how is this affecting the revenue per employee metric? Just these two questions. Thank you.

Salil Parekh

I will start on the second one and Jayesh will come on the first. So if you look at not this quarter, but the previous several quarters, we have had a good improvement in revenue productivity. We generally speaking, see overall that there is a benefit from that productivity coming.

Having said that, we are recruiting. We have recruited 20,000 college graduates last year. This year, we have a plan to recruit 20,000 college graduates. We have already done almost 4,000 in the first quarter. But equally, we see that there is a productivity benefit, that will continue to come through.

Then, of course, you also have pricing issues within the market, so those sometimes balance out. But if I look back, not this quarter with the previous several quarters, we have seen a continuous expansion of that.

Jayesh Sanghrajka

And on rupee depreciation, every 1% change in the currency or depreciation in dollar typically gives you anywhere between 15 to 17 bps on margin. But the important thing to note also is whenever dollar appreciates against rupee, it generally appreciates against most of the currency also. And we have roughly 45% of revenue coming from non-U.S. geography and that kind of offsets some part of the rupee depreciation benefit.

Rishi Basu

Thank you. The next question is from Uma Kannan from Deccan Herald.

Uma Kannan

Good evening gentlemen. With the rise in security incidents around autonomous AI agents and recent breach at model hosting platform, it is about OpenAI hack. How are you updating your approach to safety and security? Just adding on to it, using cross domain network, is it not a risk for your client database as AI tools will have full access to it? And also tell us about the guardrails you have put in place for AI systems?

Salil Parekh

So on the cyber, I think what we have done is, made sure that, for example, when there was a whole discussion some time ago with Mythos, we had worked with the previous model, OPUS 4.7, made sure that we got an understanding of some of the security protocols beyond that and build an approach that enabled our clients to have an understanding of the vulnerability and how to protect against it. And that is some work that we are doing with several clients.

So, our approach across cyber encompasses that, related to the point that you made. I think each client environment has to have that sort of a cyber defence built and we have a way to support our clients when we work with them on the cyber area beyond working just on the foundation model area.

Our own approach to cyber within the Infosys incorporates that as well. And then that translates to, when we do work for our clients through our security operation centers and so on. So that is broadly the approach we have.

Uma Kannan

So just one more question. You spoke about acquisition plans. One of your peers has invested in Indian AI firm. So do you have plans to invest especially in Indian AI firms?

Salil Parekh

So we, generally speaking, have a view on what we have, an innovation fund which invests in companies which are in very early stage and where we do not have essentially majority interest, we have a small minority interest in that, more from the perspective of seeing if that early or new technology can be deployed across our client base or can be leveraged in some way, so that is the way the innovation fund is working.

We have several investments into that over the past years, a lot into data and analytics, but now in many other technologies. So in that light, we will look at all opportunities that are there without specifically saying, yes or no to what you are suggesting. But in that broad context of the innovation fund, we will look at it.

Rishi Basu

Thanks Uma. Next question is from Rohit Chintapali from Businessworld.

Rohit Chintapali

Hi Salil. Give us an idea about the large deal TCV which was about $3.6 bn with 61% net new. How much of this pipeline was tied to Agentic AI and Infosys Topaz? And the second part of the question is, what is the typical time lag when it comes to converting this TCV signing, AI-led deals, the recognition of these AI deals?

Salil Parekh

So what has happened today with clients discussions is almost every discussion has some element of AI and of Topaz Fabric because Topaz Fabric is like a foundational thing. Many clients come use it here, experiment with it and are using it. And we use Topaz across all of the work we are doing. So it is not like what is the total TCV is for AI, but without AI, we are not able to participate because that is integral to the work that we are doing.

The conversion is the same in the sense of when the deals are signed, typically, depending on the type of deals if there are deals where we have some level of transfer, consolidation that ramp up pretty quickly and there are some deals which have a transformation and that activity starts and then the deals ramp up. So, it is not like one thing for all the deals, but it is the similar thing of what we have seen over the past several quarters, not like suddenly the TCV has come and the ramp-up has not happened for a long period and so on.

Rohit Chintapali

Also, on the transition, does this transition all about strategic continuity? How should investors kind of read into it? What do you want to see?

Salil Parekh

We have well-defined AI strategy today. We have looked at the Hexagon with the 6 areas of the addressable market. We are seeing good growth, the 8% of our revenue, the double-digit Q-on-Q growth. So that is the strategy we will continue with as we go through into the next phase. And then, of course, I will work with Dash very closely on the transition as well.

Rishi Basu

Thanks, Rohit. The next question is from Poulomi Chatterjee from Financial Express.

Poulomi Chatterjee

Good evening. Just a couple of questions. You mentioned just now that the new kinds of AI deals are also a mix of the more traditional ones and pure-play AI. How do you see the margins of the new buckets of AI deals essentially evolving?

And also, I am curious, Infosys had offerings for small language models, specialized models in banking and IT-Ops, how is the demand for these models? And has there been an uptick, especially since enterprises are moving more towards a more mixed model kind of?

Salil Parekh

Absolutely. I think that is exactly what we are seeing for the small language model for the banking is getting good traction. It is based on our Finacle product set. So, for a lot of the clients there, it is an easy way to leverage a small language model.in The parameter set is smaller, the cost of running it is smaller, the token usage is more efficient and so on. The same for the IT-Ops. So that is all part of scaling.

On the AI deals itself, we do not comment separately on the margin in terms of the quantitative value but we are quite comfortable with the margin we are seeing here.

Rishi Basu

Thank you. The next question is from Jas Bardia from Mint.

Jas Bardia

Good evening. So in response to a previous question, on the mandate for the new CEO Designate, you said there were some things that you would fine-tune. Could you just shed some more light on what these things would be?

Second, amid all this talk of rising data center demand and slowdown in mainframe modernization, are you seeing clients spend more on memory chips, GPU? And if yes, are you seeing that lead to some sort of a slowdown in the traditional infra management work?

If I may squeeze a third question in, when it comes to deals and the demand environment, are you seeing AI, kind of, make the market a little more competitive between the mid-caps and the large caps such as yourself?

Salil Parekh

So on the first one, let me say this. I think our AI strategy is well defined. We are focused on the 6 areas and that will continue. We see good traction in that, we see good growth in that. It is now becoming a large part of our revenue with 8%,and so that will continue and that is the driving part of it. The approach that we will take is always look at what is going on in the environment.

We see, for example, today, there is a tremendous attention to token cost. There is a tremendous attention to ensuring there is a sovereignty of data within a client environment. But the overall strategy remains the same. Those sorts of things, we will evolve as we go along.

Related to the infra environment, the costs, as you mentioned of memory chips and so on, I think in general, these are all areas, whether it is Infra, other areas where there is always a need for efficiency. And that is the overarching theme that we see, whether there are productivity improvements, a lot of our large deals look at cost and so on, and that is primarily the environment that we are in. Having said that, we are still seeing tremendous growth that I shared earlier in AI, which is absolutely the new things that we are driving towards.

Rishi Basu

There was a question on deals and demand environment.

Salil Parekh

We see a few companies where we compete given our client base. And those are the ones that we look at as an essential differentiator on AI that I shared earlier. Also on the quality of delivery and the depth of delivery which is massive and it is at least in my view, very difficult for too many or for any company to really match up with that.

Rishi Basu

Thank you, Jas. The next question is from Rukmini Rao from Fortune India.

Rukmini R

Thanks, Rishi. Salil, given that if you are looking at Microsoft, which recently launched their frontier company and Anthropic looking at Claude, with big tech getting into AI services space. Are they going to be competitors where probably you and your peers may someday become just vendors giving in your engineers, given that partnership that you have with many of them, where your training lakhs of people on these models, right? Will Indian IT companies end up becoming subcontractors at the end of the day, if these guys get into the game?

Two, if that happens, will that rob you from, say, the bigger opportunities that all of you have been talking about in the AI space that the massive opportunity that all of you think is going to be? But if the big boys get into this entire services space, is the future opportunity that you are talking about getting squeezed?

And second one, in conjuncture with all the problems in terms of the cybersecurity part of these LLM models, right? When large corporations are looking at their own agentic environment, given your conversations with clients, are large companies okay to be under the umbrella of just one ecosystem, let us say, just a Claude Enterprise kind of adoption, which we saw? I mean what happened with SaaS given the problems that is with these LLMs, will they ever be like an entire, let us say, Copilot environment in which any enterprise would be okay to work, or just an OpenAI environment given the cybersecurity problems that are cropping up at very nascent stage of the adoption? Thank you.

Salil Parekh

So on the first one, if there are companies that want to enter the services space, so that AI can be made to work, it is actually a huge positive for Infosys because that means that, what we do will continue to be done because that is what we do every day. Our job is to make AI work as services for clients. It now so happens that we have over 300,000 people doing that. We work with some 1,800 clients. So the scale, the context that we have with our clients is completely different. So to me, it is a huge positive. Of course, we are happy to work with other companies, partner with them. That goes on in many different ways across time. But the first big thing for me is, at least if someone new is entering services means there is a very good future for services that they can see and therefore we can see it.

On the Cyber, I think, absolutely, not just cyber actually, the data part also, so many large companies and clients want to be mindful of how they look at what is happening with their own data or even beyond that, what is the essence of the company, how they are making sure it just does not go outside and they lose some of their competitive differentiation.

So, one of the things we have done in Topaz Fabric is enabled the large company client to keep that within themselves. It is not even with us in that sense on Topaz Fabric is not with the foundation model company. So that allows them to keep what is essential for them with themselves. And that to me is a huge differentiator for us, and I think may become even more and more important as time goes on.

Rukmini Rao

Salil, just to clarify, when you say great opportunity, is it like, again, the whole subcontracting vendor kind of opportunity that you are talking about or probably the big contracts that Microsoft would end up winning if they are AI services company and you end up getting like a chunk of it and everybody else goes about the same way now, and then vendor consolidation deal coming in about 5 years later, is that what you say when you are saying that you are optimistic about the opportunity?

Salil Parekh

No, no. I am more looking at it like if someone with a few hundred people or a few thousand people can get excited about services. We with 300,000 people will be very excited about services.

Rukmini Rao

[Inaudible]

Salil Parekh

So my sense is like where we have understanding of our client and the context of that client. I think we are extremely well positioned in those places. I would say, better than maybe anyone else.

Rishi Basu

Thank you. With that, we come to the end of this press conference. We thank our friends from media. Thank you, Salil, and thank you, Jayesh. Before we conclude, please note that the archived webcast of the press conference will be available on the Infosys website and on our YouTube channel later today. Thank you and please join us for high tea outside.

Infosys Limited
Q1 FY27 Earnings Conference Call

July 23, 2026

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Moderator

Ladies and gentlemen greetings and welcome to Infosys Limited Q1 FY27 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sandeep Mahindroo. Thank you and over to Mr. Mahindroo.

Sandeep Mahindroo

Thank you everyone, and welcome to this earnings call to discuss Infosys Q1 FY27 financial results. Joining us on this call is Chairman of the Board, Mr. Nandan Nilekani, CEO Mr. Salil Parekh, CFO Mr. Jayesh Sanghrajka, along with other members of the leadership team.

We will start the call with some remarks by Nandan, followed by remarks by Salil and Jayesh on the performance. Subsequent to that, we will open up the call for questions with Salil and Jayesh. Kindly note that anything we say which refers to our future outlook is a forward-looking statement that must be read in conjunction with the risk that the company faces. A full statement and explanation of these risks is available in our filings with the SEC, which can be found on www.sec.gov.

I would now like to pass on the call to Nandan.

Nandan Nilekani

Thank you, Sandeep and it is really a pleasure to talk to all of you. I joined this call to make an important announcement. As you know, Salil has done a stellar job as the CEO for almost 10 years. And under his leadership, the company has grown from $10 bn to $20 bn. He has done the transition to the digital era and he has laid the foundation for a differentiated AI strategy, which will serve the company in good stead for many more years.

However, his term is coming to an end on March 31, 2027 and the Board has decided today to appoint a new CEO who is coming from inside Infosys, from within, an internal candidate. His name is Ashiss Dash.

Ashiss Dash has been in Infosys for more than 31 years. He joined as a software engineer from IIT Kharagpur and he has all-around experience of Infosys. He has worked in delivery for many years, he has worked on account management, he has been involved in starting a DC in Bhubaneswar, he has been in sales. And of course, he has been a Segment Head for many years running the EURS practice, which has many sub-verticals and he is an outstanding person. He is very good at his job, he is very collegial, He is very good and collaborative, he is accepted and liked by everybody in the company. He has quintessential Infosys values, at the same time, he is focused on the market and being able to get good deals, at good revenue and good margin.

And because of his technical background, he understands AI, what is happening in AI and that will help him in the future. So the Board has appointed Mr. Dash as the next CEO, Designate. He will work with Salil over the next few months. Next 2-3 months, he will focus on getting more coaching and training on being a CEO. And then for 6 months, he will work as a mentee under Salil's leadership, who will groom him for the complex job of managing a $20 bn company at a very transformational time. So we are all very excited by the choice. He has got a very good response internally and with customers. And you will get to see him in a few months, so you can maybe keep that in mind.

I will ask Salil to add a few words on Dash.

Salil Parekh

Thanks, Nandan. Good morning, good evening, everyone. It is an absolute pleasure for me to have Dash be the next CEO of the company. I have had the opportunity to work with him over the last several years. In my mind, he is a fantastic leader and very good with the people around. He has worked very closely with clients and built a portfolio which is, I think, quite strong and exceptional on the growth dimension and the way it is managed operationally and economically, so all of the ingredients which make for a successful business.

In addition to his leadership, Dash is a very good friend and I am delighted with this. Congratulations to him. I look forward to working with him over the course of the next few months, as Nandan mentioned, in the way we transition there. So look forward to all of that. And as Nandan said, you will get to meet Dash in the coming quarters as well.

Nandan Nilekani

So thank you, and I will excuse myself and Salil and Jayesh and the team will continue the quarterly call. Thank you very much.

Salil Parekh

Thanks Nandan. Good evening and good morning to everyone on the call. Thank you for joining us. Let me start off with the update for the business in this quarter.

Our revenue growth for Q1 was 2.4% Y-on-Y and 1% Q-on-Q in constant currency terms. We had a onetime revenue impact of a client decision during this quarter.

Our AI services revenue was 8.2% of overall revenue. Our large deals were $3.6 bn with a net new of 61%. Our operating margin was 21.1%. Free cash flow at $955 mn. And our earnings per share were higher by 15% in Q1, in rupee terms.

We saw a strong acceleration in our AI business, as I shared earlier, with AI revenues for the quarter at 8.2%. This is growing at double-digit Q-on-Q over the last several quarters.

With this momentum, we see long-term relevance of our services for our clients. From our delivery team, over 80,000 employees are working today on coding tools such as Claude Code or Codex for our clients and for some projects inside. We saw strong traction across the 6 areas of growth in our AI strategy, Hexagon. We see client work, for example, in building agents for processes, work on data, in AI, in modernization and of course, in coding tools.

For a health care company, we implemented AI agents to automate medicaid eligibility verification and operation support. The solution reduced eligibility verification time from about 6 to 8 days to approximately 4 minutes.

We are building a team of frontier engineers to support our client work. Our plan is to have 6,000 frontier engineers over the next few years.

We have built a platform, Topaz Fabric that allows our clients to get benefits of AI, while keeping the sovereignty of their data and company knowledge with themselves. Our clients are able to work with any foundation model closed, open weight, on cloud, on their server. Topaz Fabric provides a harness to a client to enable them to more fully deploy the benefits of the foundation models into their organization.

Our clients are also able to optimize their token cost by ensuring appropriate models are used for appropriate tasks. Overall, we see a good pipeline for AI services, and that gives us a good view for continued AI work with our clients.

Outside of that, we continue to see the macro-environment remaining uncertain. With our Q1 results and a view of the rest of the financial year, we have changed our revenue growth guidance to 1.5% to 3% Y-on-Y growth in constant currency terms. Our operating margin guidance remains the same at 20% to 22%. Thank you.

And with that, let me hand it over to Jayesh for his update.

Jayesh Sanghrajka

Thank you, Salil. Good morning, good evening everyone and thank you for joining the call today.

We entered FY27 against a backdrop of a dynamic and evolving business environment, which is reflected in lower-than expected volumes. Clients continue to prioritize investments in AI, modernization, cloud and productivity initiatives while remaining selective in discretionary spending. Our focus remains on disciplined execution supporting clients' transformation agenda and delivering sustainable financial performance.

Q1 revenues were at $5,082 mn, increase of 1% sequentially and 2.4% Y-on-Y in constant currency terms. Acquisitions contributed approximately 1.1% sequentially.

Our AI revenue momentum is very strong with AI revenues at 8.2% of our overall revenues, growing at a strong double-digit sequentially over the last many quarters. We are seeing strong traction across all 6 value pools with higher share of revenues coming from process AI, AI strategy and engineering and Data for AI.

Q1 revenue growth was lower than our expectations, mainly due to

- one-off 50 basis point impact on account of program termination by an EURS client during the quarter. This was not factored in the earlier guidance.
- Volumes were soft and weaker than expectations and also versus the historical Q1 trends
- Additionally, client expectation on productivity, along with high competitive intensity is resulting in softer increase in price versus our expectations.

Sequential revenue growth was also impacted by higher offshoring to derisk our business model, along with lower revenues from a European Manufacturing client, as I mentioned in the last earnings call.

Despite lower-than-expected growth, gross margins improved by 60 bps sequentially. Operating margin improved by 20 bps sequentially to 21.1%. Major components of the change are as below-

Tailwinds of

- 70 bps from rupee depreciation,
- 20 bps from Project Maximus,
- 10 bps (Editor's comment) net benefit due to amortization of costs on intangibles incurred in Q4, offset by impact of new acquisitions in Q1

Headwinds of

- 50 bps from investment in AI sales and marketing,
- 40 bps from onetime revenue impact arising out of program termination.

We also had onetime cost benefit of approximately 30 bps, which was offset by 20 bps due to increase in various other expenses.

Our tight focus on improving operational efficiency led to utilization, excluding trainees, improving by 1.9% to 84.9%.

Onsite mix, excluding new acquisitions, dropped by 30 bps, however including acquisitions, it remained flat. We expect Onsite mix excluding new acquisitions to reduce by 75 bps to 1% for the year.

DSO reduced by 4 days sequentially to 63. DSO, including unbilled net of unearned was 76 days versus 78 in Q4. Headcount reduced by 500 employees after adding over 2,000 employees from acquisitions.

Attrition increased slightly to 13% versus 12.6% sequentially, in-line with Q1 seasonality. We plan to give salary hikes to most of our employees effective October while the rest of the employees will be covered in January '27.

We expect effective tax rate for the year to be in the range of 29% to 30%.

EPS for the quarter stood at INR19.19, up approximately 15% year-on-year.

Q1 yield on cash investment balance was at 6.8%.

Our balance sheet continues to be strong and debt-free. Consolidated cash and cash equivalents were at $3.9 bn at the end of the quarter after returning more than $1 bn to the shareholders through dividends. Free cash flow was strong at $955 mn at 116.5% of net profit.

Large deal wins were strong at $3.6 bn with high net new of 61%, reflecting the relevance of our value proposition. Out of the 22 large deal won, we had three deals worth $400 mn each. We have been on the positive side of vendor consolidation with 20% of the total large deal TCV being from new vendor consolidation deals.

Vertical-wise, we won 5 deals in Financial Services and Communications, 4 in EURS, 3 in Manufacturing, 2 in Retail, 1 each in Life Science, HiTech and others. Region-wise, we signed 11 deals in North America, 8 in Europe and 3 in the Rest of the world.

Coming to Verticals;

In Financial Services, uncertainty and geopolitical instability is causing some client' hesitancy as spending patterns are taking a more cautious approach. Client priorities are centered on efficiency, productivity and modernization with discretionary spend being evaluated more carefully. We see momentum across banking, payments, capital markets and wealth management. AI adoption has been incremental additive with clients increasingly engaging us to support their AI journeys across strategy, platforms, engineering and operations. This is reflected in our strong deal wins this quarter with approximately $1 bn in large deal net new TCV. GCCs continue to expand and we are partnering with our clients both in setup and growth of GCCs.

Growth in Manufacturing continues to be impacted due to lower revenue from a large client. Clients remain cautious on discretionary spend and decision making is elongated, especially in European auto. The impact of tariffs, geopolitical uncertainty and energy cost is keeping budgets tightly controlled. While AI adoption is creating new opportunity areas, it is also raising productivity expectations from clients. We are getting better pricing on AI skills and consulting. We remain focused on supporting clients through digital, AI modernization and consolidation initiatives while balancing growth opportunities with disciplined deal selection and sustainable pricing.

EURS segment was impacted by one-off client termination, adjusted for which the growth was strong. Macroeconomic uncertainty continues to influence client spending patterns and decision-making timelines. Clients are driving business priorities, including cost optimization, operational resilience, productivity improvements and regulatory compliance. Generative AI is emerging as a strong growth catalyst, driving process re-imagination and productivity initiatives. Our partnerships with hyper-scalers and AI native companies is allowing us to experiment and ideate faster.

In Retail and CPG, consumer spend remains muted and budgets are tightly controlled due to geopolitics, inflation and tariffs. Spend is shifting towards AI modernization and productivity-led programs funded through operational efficiency and cost optimization. Clients are asking for AI-led productivity commitments leading to new pricing structures. We are leveraging our native knowledge of the clients' business processes and technology landscapes and augmenting it with AI. Large deal pipeline is healthy, but decision cycles are longer.

In Communications, operating environment remains challenging as clients continue to exercise discipline on discretionary spending and closely scrutinize investment decisions. AI is reshaping spending patterns, enterprises are increasingly prioritizing initiatives that deliver near-term gains. Telcom is undergoing significant transformation with consolidation and M&A with increased investments, especially for OEMs. We remain focused on aligning our offerings to these evolving client priorities and helping enterprise realize measurable business outcomes.

Considering lower-than-expected Q1 revenues and revised view of the rest of the year, we are revising our revenue guidance to 1.5% to 3%. This includes

- approximately 1.7% contribution from recently closed acquisitions of Optimum Healthcare and Stratus
- slightly over 1% impact from large a European Manufacturing client due to reduced client spend along with our conscious decision to not pursue certain deals that were not aligned to our return expectations
- approximately 0.75% to 1% impact from shift towards offshore.

Overall business environment continues to remain volatile. The lower end of the guidance assumes further deterioration in macro. Top end of the guidance assumes an improvement in macro, though lower than what we had assumed in April guidance. FS and EURS are expected to grow higher than the company average.

The underlying fundamentals of our business remain strong. We continue to see healthy client engagements leading to a robust pipeline.

We are taking decisive actions to capitalize on the opportunities ahead, especially on 6 identified AI value pools. Spending is shifting towards areas with clear business cases such as, AI-led Modernization, Cost Transformation, Cybersecurity, Cloud Optimization and Vendor Consolidation.

As we look at the rest of the year, we remain confident in our strategy, discipline in our investments and focus on delivering stronger performance. Margin guidance is maintained at 20% to 22%. This assumes headwind from wage hikes productivity pass-throughs, AI investments and 50 basis point impact from acquisitions of Optimum Healthcare and Stratus. These headwinds will be partly offset by initiatives under Project Maximus and currency benefits.

With that, we can open up for the questions. Thank you.

Moderator

Thank you very much. We will now begin with the question-and-answer session. First question is from the line of Kumar Rakesh from BNP Paribas. Please go ahead.

Kumar Rakesh

Hi, good evening and thank you for taking my question. My first question was a bit of a clarification around the guidance, especially the like-to-like guidance what we had given last quarter versus this quarter. If I am looking at the new guidance that is at the midpoint, suggesting 2.25% sort of growth, which I understand you indicated includes acquisition of about 1.7%. So that would imply an organic growth of about 0.5% or slightly higher than that versus 2.5%, which was in the last quarter. So, is that about 2 percentage point of cut at the midpoint in the guidance or am I reading that wrong?

Jayesh Sanghrajka

Hi, Kumar. So, the last quarter midpoint would be around 2.2%. In the guidance because, as you remember, we had said 20 bps was the Stratus which was already baked in, in the guidance, which was 1.5% to 3.5%.

Kumar Rakesh

Okay. Got that. So in that case, like-to-like this time, it would be about 0.8% sort of a number, excluding the incremental acquisition that we have baked in?

Jayesh Sanghrajka

Yes.

Kumar Rakesh

Got that. And looking into the second quarter, given some of the impact that we have seen in this quarter with lower-than-expected volume and one-time client-related decision as well, how much of that you are expecting that to flow into second quarter as well? And how you are looking at the demand environment and the growth momentum?

Jayesh Sanghrajka

So Kumar, as you know. typically, whatever happens in Q1, it will have a cascading effect in Q2. And especially if the volumes have been softer through the Q1, automatically, it will have some impact on Q2 and therefore, the rest of the year. That kind of largely explains the guidance change.

As I said earlier, the multiple reasons on the change in guidance is, first of all, one-off that we had in one of the EURS client, the volumes that were softer with the cascading effect, the ask of productivity from clients and increased competitiveness, competition in pricing that reflected in a lower-than-expected pricing this quarter, which will again have effect on the rest of the year.

And as I had called out at the beginning of the year, we expect our onsite mix to be lower by roughly around 0.75% to 1%, which will have impact on a year-to-year comparison, if you are doing. We had called out a European manufacturing client's impact between 0.75% to 1% last time which is now clearly above 1% as we have progressed on certain other deals as well, so that is an additional headwind as well. So all of that is baked in, in the revised guidance.

Kumar Rakesh

Thanks a lot Jayesh for that. Just one clarification around the one time client decision which you spoke about, if you could give some context to that, that would be great. That is all from my side. Thank you.

Jayesh Sanghrajka

Thanks so much. So, this is with respect to a client, which has terminated a project in the EURS vertical.

Kumar Rakesh

Got it. Thank you.

Moderator

Thank you. Next question is from the line of Jonathan Lee from Guggenheim. Please go ahead.

Jonathan Lee

Great. Thanks for taking my question. You mentioned that softer volumes and pricing contributed to Q1 alongside the program termination and at the upper end of the prior guide assumed macro stabilization that is not materialized.

Can you walk us through how the quarter progressed relative to internal expectations, whether April, May and June trended differently when the program termination was communicated to you and whether decision-making velocity and discretionary spend deteriorated or stabilized through the quarter? And what have you seen in the first 2 weeks of July that may inform your shape of Q2?

Jayesh Sanghrajka

So Jonathan, sorry I was not very clear with the question, but from whatever I understood the question is, whether we saw the change through the quarter and the increase in volatility.

The softness that we saw in terms of volumes was through the quarter, the one-off impact that we saw was mainly on account of a client termination, which happened towards the end of the quarter. And the deal that we talked about, European client that was also towards the end of the quarter. So I think all of those factors reflected in the revised guidance, if that is what you are looking at.

Jonathan Lee

Thanks for that color. And given your commentary on pricing, particularly around the competition has been building for several quarters and Maximus explicitly includes value-based selling, why were pricing headwinds not more fully contemplated in the April outlook what has changed over the last three months? Is the pressure concentrated in specific verticals or deal types of renewals versus the new? And what gives you visibility that pricing may actually stabilize from here?

Jayesh Sanghrajka

Jonathan, we are not saying that we are not seeing a price increase. What I am saying here is, we have not seen as much price increase that we envisaged at the beginning of the year on the back of the AI productivity ask of the clients, plus the intensifying competitiveness in the market. But we are still seeing a net increase in the pricing.

Jonathan Lee

I appreciate that clarification.

Moderator

Thank you very much. Next question is from the line of Gaurav Rateria from Morgan Stanley. Please go ahead.

Gaurav Rateria

Hi, thank you for taking my question. My first question is on the multiple client-specific issues, one is the European automotive that we highlighted last quarter than this quarter on the EURS vertical. How should we think about all these like our completely disconnected issues and just happened to take place at the same time coincidentally or there are certain common links, which basically could be early renewals, competitive pricing, etc., going on because of the technology change?

So just trying to understand how much of it is led by underlying changes in technology happening and driving clients to take these decisions and creating competitiveness in the market or are they completely disconnected events?

Jayesh Sanghrajka

So Gaurav, there are two parts of the question, one is, the European manufacturing client that you talked about it, we knew certain part of the deals at the beginning of the year, which was in April, and there was additional deals that happened in Q1 of this year. Both of these were the deals where we decided not to pursue the deals beyond a certain point because it did not make economic sense for us, a commercial sense for ourselves, and that is the reason that has nothing to do with the client behaviour in terms of AI, etc..

The other deal is a contract where the client has terminated the contract for various reasons. Again, nothing to do with AI here. It is a termination of the contract and therefore, a reduction in revenue.

Gaurav Rateria

Got it. My second question is on your margin outlook. I know that you maintained your outlook on the band, but now that you have announced the wage hike for second half for the company as a whole. So there will be incremental headwinds around that. So just wanted to understand what would be some levers that will help you to offset these pressures in the second half? And would it be fair to say that our aspiration will be to just hold on the margin level compared to the last year and this year? Thank you.

Jayesh Sanghrajka

So Gaurav, at this point in time, we have given a guidance of 20% to 22% let me say that at the outset, we are very confident of that guidance. Of course, as I called out at the beginning of the year, we will have a headwind coming out from the acquisition that we have done in terms of amortization of intangibles and retention pay out to the founders or the management team, etc., of the acquired entities.

But we also have tailwinds coming from currency coming from Project Maximus. As you see this quarter also, we have got 20 bps of tailwinds from Project Maximus, 70 bps of currency, so all of those are tailwinds. As we look forward, as I said earlier as well in the call, we will have 0.75% to 1% reduction in onsite mix, so that is the tailwind. So all of those are tailwinds, puts-and-takes all of that put together, we are still very confident of maintaining our margin guidance.

Gaurav Rateria

Thank you. All the best.

Jayesh Sanghrajka

Thank you.

Moderator

Thank you. Next question is from the line of Abhishek from Motilal Oswal. Please go ahead.

Abhishek Pathak

Yes, hi. So, I think my question is on deal wins. It does look like we have had a pretty decent quarter on deal TCV, net new seems to be decently strong as well as compared to historical levels. But clearly, that is not kind of translating into guidance.

So how is the TCV versus ACV dynamic playing out? Are we seeing extended TCV or extended 10 years right now, which is leading to lower ACV or are we seeing sort of delayed ramp-ups, but clients are still committing to spends, that will be very helpful to understand with regards to the conversion of the deals that we are winning.

Jayesh Sanghrajka

So, Abhishek, if you look at the deal wins, typically the terms of the large deals have not gone up. They still remain between on an average between 3 to 5 years. Of course, when you look at some of the mega deals, the terms could be longer. But in the current year, we have most of the deals which are not mega deals. The deals that we signed, while most of them were less than $500 mn, we did have some deals between $400 mn to $500 mn, 3 of them.

What we also need to remember is, whenever the deal comes up for renewal, we always used to have the additional productivity ask from the client, which is how traditionally this industry has been.

On the back of AI, there is an additional deflation or the AI led deflation as we call it. So that is a headwind that is there. That is not only on the large deal portion, that is also there on the non-large deal portion. So that is what is getting offset by the net new business that we are seeing.

Abhishek Pathak

Understood. And could you quantify the deflation, if you can? I know it is so dynamic, but just a quantification about the deflation entails would be helpful. And lastly, how do we define AI-led revenues? Is this AI implementation or AI infused, just a broad sense of that will also be very helpful. Thanks. That is from my side.

Salil Parekh

Hi, this is Salil. On the AI, and I will come to the other one after that. I think what we are seeing on the AI revenues is, these are revenues which are coming from the strategic framework we described at the Investor Day, which are the 6 areas that we see new growth, the new addressable market of $300 bn. For example, process AI, for example, making AI engineering strategy work. For example, data, which is needed, the data layer for AI. And each of those 6 areas, we see a good growth. This revenue is 8.2%, growing double-digit Q-on-Q over the last several quarters. And that is the primary AI revenue.

Internally, we also look at AI revenue, which you referenced like infused, augmented or where AI is and part of an existing work stream that becomes more AI. But this specific one that we shared externally is, what we see from the AI strategy that we put together.

On the quantification, we do not quantify that compression part externally, but we acknowledge of course there is a compression and internally, we track it to see how that works. Now in many cases, when there is the compression, we typically, given the work we are doing with clients, have the opportunity to do more work in other areas. So the contract terms, scope, etc., gets redefined.

And in many cases, we see adjacent to that other pieces of work, not related to that, which come through. So it is not easy to simply say like-for-like in many cases, but they are definitely we see a compression.

Jayesh Sanghrajka

So Abhishek, just to add to what Salil was saying, the AI first revenue is everything that is around the Hexagon and AI augmented revenue is what we presented on the AI Day also. That is not part of this. While we track it internally, that is still not part of this.

So AI first is everything that we do in terms of Hexagon and the subservices that we called out at Hexagon. We have a very robust process inside the company of identifying these at a child / subproject level and tracking it and monitoring it. It is growing at a very strong double-digit growth.

Abhishek Pathak

Thank you. And that is all from my side. All the best.

Moderator

Thank you very much. Next question is from the line of Ankur Rudra from JP Morgan. Please go ahead.

Ankur Rudra

So my question was on the worsening demand environment from an AI productivity passthrough perspective. How secular is this across industries and geographies? And how often do clients ask for productivity increases in the middle of a contract as opposed to on renewal?

Salil Parekh

Hi. This is Salil. Ankur, I think, what we are seeing is, there is a demand for AI productivity, which is across most industries. Now if you look at where AI is most getting used, we probably see Telcos, we see Financial Services. We see even on Retail, Utilities, that is where their usage is pretty high, especially with the foundation models, the modernization, the coding tools.

On the productivity side, it is a broad coverage that we see. And it typically at least in the recent past has come up, as there is progress made by the AI foundation model companies or there is a perception that, that sort of a benefit can be achieved, the discussion starts. And of course, at the renewal time, it is definitely there. Sometimes it does come in between the timeframe of the contracts' renewal as well.

Ankur Rudra

Okay. Thanks for clarifying that. I just wanted to sort of follow-up on AI revenues, which have been growing at a very high pace like you have been highlighting. If we think this out a few years, at what size of your overall portfolio do AI revenues have to be, so that you can overcome the AI deflation or the compression in the rest of the portfolio? any thoughts there?

Salil Parekh

So we do not have a view in that sense externally on what you are referencing. But I think if we are able to execute on this AI transformation, as we have done in the last few quarters, we get this momentum. It is not that difficult to see that in the coming few quarters, it will start to become more and more larger part of our overall revenue and that will drive the growth of the overall company.

If I go back to how we saw it, not that it is the same thing, but there is some lessons maybe on the digital, we saw that there was a way that at one stage, we were at 20% and then over a few years, we then went to 60% of our revenue becoming digital. So if that path becomes followed, we can see a big transformation and a long-term support to the view that what we are doing remains relevant in terms of services for our clients.

Now here, there are strong partnerships with the foundation model companies. There is extremely strong internal work on Topaz Fabric. We are building things where clients can use multi-model scenarios within our Topaz Fabric, where they can use different models for different types of work, so the token cost is optimized. We have an ability to provide a harness so that they can build what they want to build and keep the sovereignty of the data and like the knowledge of the company more within themselves.

So to me, all of that points to that, it is a nice growth area for the long term. And we are now looking at 8%. It is fairly sizable and we are looking at it becoming more and more sizable in the quarters to come.

Jayesh Sanghrajka

Ankur, just one additional data point I would want to add is, if you remember in February, we talked about our AI revenue, which was 5.5% for Q3. And in 2 quarters, it is already become 8.2%. So you can imagine the rate at which is growing and even if you look at a longer 5, 6-quarter view, it is growing at a strong double-digit and that gives us the confidence that this is becoming our growth engine.

Ankur Rudra

I appreciate it. Maybe just one clarification, Jayesh. Can you confirm that the program termination was fully absorbed in Q1 or will it have an impact in the second quarter also from a sequential basis?

Jayesh Sanghrajka

So Ankur, the program has been terminated. What we know has obviously been taken in Q1 at this point in time.

Ankur Rudra

So, no follow-through in Q2 in terms of that program specifically?

Jayesh Sanghrajka

Yes. What we know at this point in time has been considered in Q1.

Ankur Rudra

Okay. Thank you and best of luck.

Moderator

Thank you very much. Next question is from Bryan Bergin from TD Cowen. Please go ahead.

Bryan Bergin

Hi thank you. Good evening. And first Salil congrats to you and congrats to Ashiss Dash. My first question is on AI talent and in competition. I am curious what your view is on Hyperscalers like AWS, Microsoft recently announcing new investment in their own FTE practices. Just considering their historic use of the services channel around cloud deployment, they seem to be a bit more surprising and OpenAI or Anthropic doing it. So, what are your thoughts there?

And you have announced plans to add 6,000 Frontier Engineers, but it seems everyone is looking to add that base of talent. So, can you just talk about how you plan to navigate that elevated competition for top tier talent?

Salil Parekh

So first, thank you. I think, with other companies launching services companies to help large enterprises with making AI work. At a high level, I see that as a positive for Infosys because it reconfirms that what we do and now with the AI revenue growth that we are demonstrating, that we have sort of relevance, for the long term for our clients.

What I think works for us is we have over 300,000 employees. We have deep knowledge and context of the select clients that we work with and that becomes the way to really ensure that AI gets leveraged into that environment, which is typically quite complex.

We are also in a position where we are partnering with some of the companies you named and I have spoken with them as they have launched their programs. And the intent and the idea is really, in terms of scale, a few hundred or a couple of thousand is not going to be the same as 300,000 from Infosys. But there is a way to partner and make all of that work for the benefit of the client. That is how at least we are looking at it for now. And there are similar type of models existed, as you probably know well in the past, when there were software companies, which have their own small services businesses.

In terms of talent, first, we have already people within Infosys who are operating at the level of Frontier Engineers. And so, we have put together a program to bring all of that together to make them at the same type of a global level. Then we have training for the people that we will recruit and build out to be like that Frontier Engineers.

And then, of course, we will look externally but the primary method is recruitment in college training and taking internal people who are doing some of that type of work and making sure they are fully deployed into the Frontier Engineer work.

So, we feel that we have a decent start to it. It is not that we are going to, tomorrow morning, recruit 6,000 from the outside. But equally, we also have, as has been always the case with Infosys, the approach of training the people from ground up, so building out that skillset, which is slightly longer, and that is why I have said, it is over a few years. We want to build it out and make sure that we support our clients in that.

Bryan Bergin

Okay. That is clear. My follow-up on AI productivity, can you just give us a sense of how much of your existing backlog has been re-priced under the higher levels of market productivity? I am trying to understand how long the company may face outsized compression, as you renew the installed base of work where there was not any meaningful GenAI-driven efficiencies before?

Salil Parekh

So, as you can imagine, it is something we look at internally, but it is not something we share externally.

Bryan Bergin

Okay. Understood. Thank you.

Moderator

Thank you very much. Next question is from the line of Vibhor Singhal from Nuvama. Please go ahead.

Vibhor Singhal

Yes, hi. Thanks for taking my questions. Just two questions from my side. One question, Salil, basically the overall environment in which we are operating, some of our peers have kind of called out, and I think it is kind of what is also the concept which is gaining traction is that, more and more belief that enterprises might not just basically look to deploy the premier large language models for their enterprise needs and they might be now going more towards more like customized small language models, the SLMs, the which can be basically cater to their own specific needs.

And to that extent, more and more deals and large deals specifically are all basically making their way into the market towards the players. Is that also that we are also seeing our conversation with the clients? Do we see some of those kind of deals on the horizon? And do you see that basically playing out over the next few quarters?

Salil Parekh

So, I think the way you describe it, what we are seeing it is, the large companies, large enterprises are becoming more sensitive to, what is the foundation model like best equipped for and for the various tasks and activities and processes that they have inside the company, which model should be used for which thing.

So like a company might think can we use, like a less parameter model, also less expensive model or like even an older version of some of the big company models for some task and the most recent one for like some very specific, let us say, high-end type of task, which needs it. So that optimization is going on. And that is where we think what we have built in Topaz Fabric, allows the company to do this in a very efficient way.

Then companies are also looking at, okay, I will use for the simpler task, a slightly older model or less expensive. Then let me also then look at the cost of token usage for that model. And even there, if there is a way for the same effectiveness, you can get a lower token cost approach in the model.

So this whole approach of this multi-model is critical for the task and the cost. At least we are seeing the large companies are being sensitive to that. And that is where what we have built and how we can work with them today, we are working in Fabric Topaz with 15 different models. So, let us say, you come as a large company, Global 100 and you want to do something, you do not even have to decide by looking at the task we will decide between the 15, where to put it and give you the most efficient outcome. So things like that will help the companies to do the things in a better way we feel.

Vibhor Singhal

Got it. So overall, this should basically, if I were to, let us say, take a top view of this, this would mean that there is an increasing level of customization that or, let us say, a specific requirement that each client would require rather than more of a standardization to begin with?

Salil Parekh

It depends also a little bit, like some companies might say, look, I want Model X. I want to build deep capability in that. Like company X will have three models. They can go with an older model in the company X. It is not like there is one answer, meaning people are all doing different things, but the flexibility exists today. So, depending on how the company wants to do it.

Vibhor Singhal

Got it. Just one last question on the margins front. So Jayesh, if I could just bother you on that? In FY26, we had the wage hike, which was spread over Q4 FY25 and Q1 FY26. So, we just probably had basically half of the impact of the wage hike in FY26. In FY27, we are able to give the wage hike in Q3 and Q4. So, the entire impact is going to be absorbed by in this year itself, plus we have the acquisition impact, which you called out in the call.

So, are we looking at more headwinds this year on the margins than FY26? I know we are in that same guided range of 20% to 22%, but vis-à-vis FY 26 are we looking at more headwinds than FY26?

Jayesh Sanghrajka

So Vibhor, if you look at FY26, we had a full year impact of the wage hike that we gave in January as well as in April. Of course, whatever we gave in January, the flow-through of that was for 3 quarters. But whatever we gave in April, the full year impact of that came in the year versus in FY27, we have only half year impact of whatever we will do in October and 1 quarter impact of what we will do in January.

So to that extent, the relative impact is going to be lower in FY27 versus FY26. And of course, there will be a 50 bps impact on account of the acquisitions that we have called out. But, if you look at the tailwinds that I called out, there is a currency tailwind, at least as we stand today versus the last year, the Project Maximus is still creating value.

We have seen pricing benefit, albeit little lesser than what we estimated at the beginning of the year. Utilization has gone up Q-on-Q significantly. Our Onsite mix is going to go down. So, I think there are puts-and-takes on both sides.

Vibhor Singhal

Got it, got it. Got the math. Thanks a lot for taking my questions and wish you all the best.

Jayesh Sanghrajka

Thank you.

Moderator

Thank you very much. Next question is from the line of Bachman from BMO Capital Markets. Please go ahead.

Keith Bachman

Good evening, good morning. I wanted to ask about your thoughts on headcount growth trends through FY27. And I am not looking for specifics, but just generalities. Is headcount going to grow, be flat, reduce as you look at the next 12 months? And even if you find on the next few years, how do you see the headcount growth in relation to revenue growth?

Salil Parekh

Hi, this is Salil. So first, what we saw in the last financial year as you know, is we recruited 20,000 college graduates for the full year. This year, we have a plan to recruit 20,000 college graduates. In the first quarter, we have recruited over 4,000 already.

Our plan is to continue to bring in talent, make them more and more AI well-versed and then have them work with our clients. What we are seeing with the 8% revenue of the AI is that to make many of these things work, it is a combination of foundation model, agents and people. Of course, there is more efficiency. So, the same amount of work can be done maybe with fewer people, but there is more work. So overall, at least right now, we are seeing that.

We do not have an exact external view on the end year headcount, but we continue to look at recruitment. We think it looks like headcount will be part of our future as our revenue grows as well.

Keith Bachman

Okay. And it will be interesting to see how, I understand the recruitment process. It will be interesting to see how your net headcount trends unfold. Can I go to the next question? You talked about 20% of your TCV was vendor consolidation deals. Could you provide some context on really the economics associated with those deals, what I mean by what was the leverage that enabled you to win those deals?

In particular, you talked about price was a little more aggressive this quarter. How are pricing trends, enabling you to win those deals? Just any kind of attributes that you could throw out such as was it more competitive or was price down, anything along those lines? That is, it for me. Many thanks.

Salil Parekh

I will start, and Jayesh will add a little bit more to it.

What we saw like in the reasons for winning a consolidation deal. Typically, what we are noticing is there is a complex tech environment, and the clients are seeing that what we have done for them over the past in terms of delivering value is very significant, more reliable and that is typically when we are the beneficiaries of the consolidation deals.

In terms of pricing for those specific deals there is always productivity benefits because that is in the nature of the discussion in this period. But the reason primarily for the wins are more about the depth of delivery, understanding of technology.

Jayesh Sanghrajka

Just to add to this, what Salil said, on an aggregate level, all of these consolidated deals came at a very healthy margins even when you compare to our overall large deals portfolio. As I said earlier, we will compete aggressively in the market, but we are not going to underwrite uneconomic productivity assumptions. And in those cases, we would prefer to not pursue those deals further when it does not make economic sense to us.

Keith Bachman

Okay, perfect. Many thanks.

Moderator

Thank you. Next question is from the line of Jamie Friedman from Susquehanna. Please go ahead.

James Friedman

Hi, good evening. Salil, well done piloting the company and Dash we look forward to working together. I had a bigger picture question back to the strategy Hexagon, I'll be interested in your perspective on the supply side, what reskilling does that require?

And on the demand side, Salil, you mentioned what you are finding is resonating most obviously, is performing well. Is there anything though that needs to be adjusted? So, supply and demand question about the strategy and Hexagon? Thank you.

Salil Parekh

Thank you for that. On the supply side, first, we have taken a view, and I am sure you know that. We have not done any staff restructuring in the company, we have done essentially all reskilling. And that is a significant work for the company. But I think we see a benefit of that over time.

What we are seeing is and has another reason for doing the college graduate hiring because what we see from colleges up, people coming in with a lot more native understanding of the AI landscape and the toolset. And then training them on our Fabric and Topaz is the next step after that and also training them on our tools, which are pre-AI so that they have a sense of how software development works. So, we think we will be able to manage a lot of that supply side with the people we bring in.

But there are also specialized things where there will be some accelerations needed, a specific tool is very much in demand. And for that, of course, we have some recruitment, which is more lateral as well. Even there, we need a little bit of reskilling or training but not massive. There is good understanding. But that, of course, is in short supply. So, we will still rely more heavily on the bringing in from college training, which is by design is a longer duration process.

On the demand side, we are now tracking each of the 6 areas pretty granularly as Jayesh mentioned earlier. We have good traction on the process AI side, it is going pretty well. On the AI engineering, it is going pretty well, meaning in terms of scale, all of them are growing very fast, but those things are pretty scaled already. The data AI part is going pretty well. And so, the whole work of building agents, doing the coding, doing the modernization, doing the data, those things are really scaling up, meaning have a decent scale today and we think those will continue going pretty well.

James Friedman

Okay, thank you. So, I will jump back in the queue.

Moderator

Thank you very much. Ladies and gentlemen, we will take that as the last question. With this, I now hand the conference over to the management for closing comments.

Salil Parekh

Thank you. So first, thanks, everyone, for joining. A couple of points to summarize from my side. Overall in the quarter, we had neutral revenues, strong margins, strong free cash flow and very strong large deals. The more critical thing, our AI services revenue, 8.2%, growing across quarters, Q-on-Q, double digit and becoming more and more off-scale for us and showing us therefore, that there is a long-term relevance of what we are doing for our clients. And that gives us a tremendous benefit given the client connects that we have across the different industries and across the different markets. So, thank you all for joining in, and we will catch up at the next quarterly call.

Moderator

Thank you very much, members of the management. And ladies and gentlemen, on behalf of Infosys Limited, that concludes this conference call. Thank you all for joining us, and you may now disconnect your lines. Thank you.