

Comprehensive Corporate Finance Evaluation of Infosys Ltd.

Subject : Corporate Finance using Excel



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Infosys: Global Leader in Digital & IT Services

Infosys is one of the world's leading IT consulting and digital transformation companies, enabling enterprises to adopt cloud, AI, analytics, automation, and next-generation technologies.

Global Presence & Scale

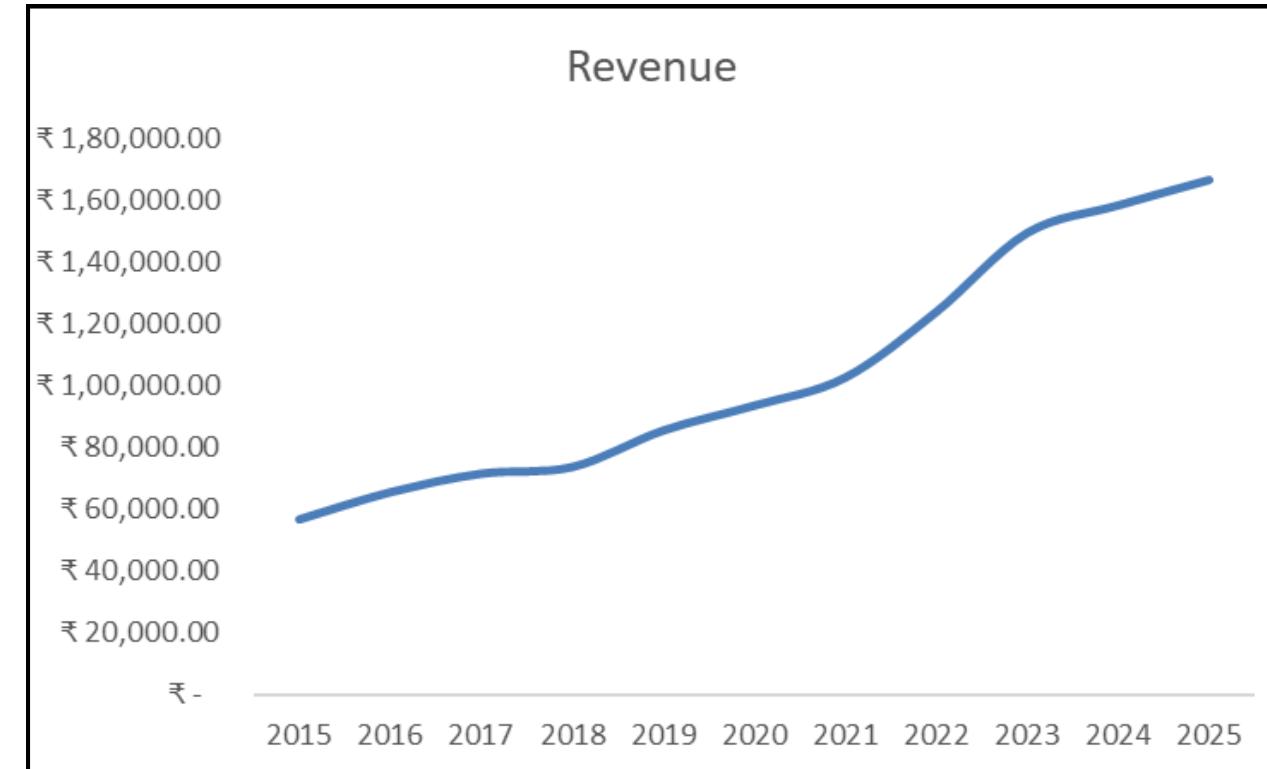
- Operations in 59+ countries
- Workforce of 3,20,000+ employees
- Strong delivery model with global development centers
- Serves Fortune 500 clients across BFSI, Retail, Manufacturing, Energy, Healthcare, and Hi-Tech sectors

Why this matters:

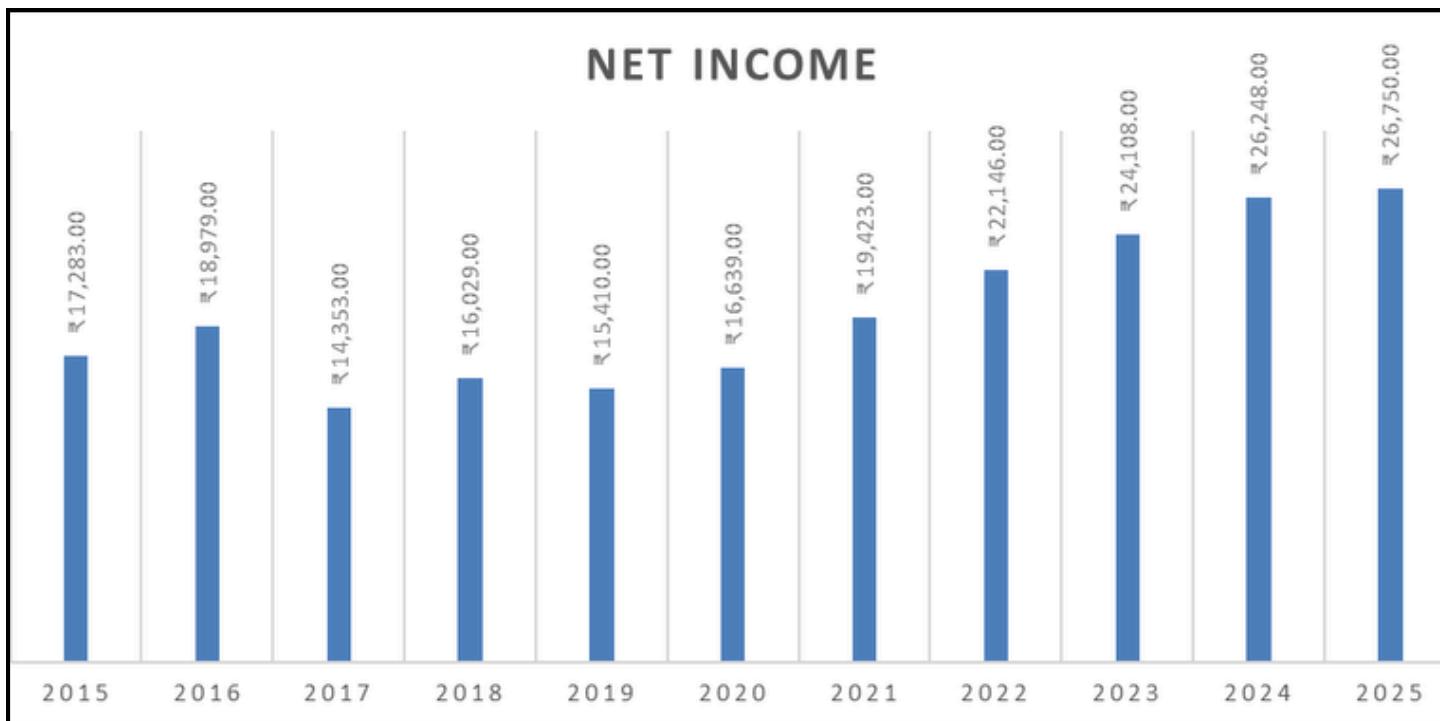
- A wide global presence reduces business risk and ensures diversified revenue streams.

Financial Strength (FY25)

- Revenue: ₹1,62,990 crore
- Net Profit: ₹26,713 crore
- Balance Sheet: Nearly zero-debt, high liquidity
- Capital Allocation: Regular dividends + periodic buybacks



Infosys' revenue shows a steady upward trajectory over the past decade, with especially strong acceleration after 2020.

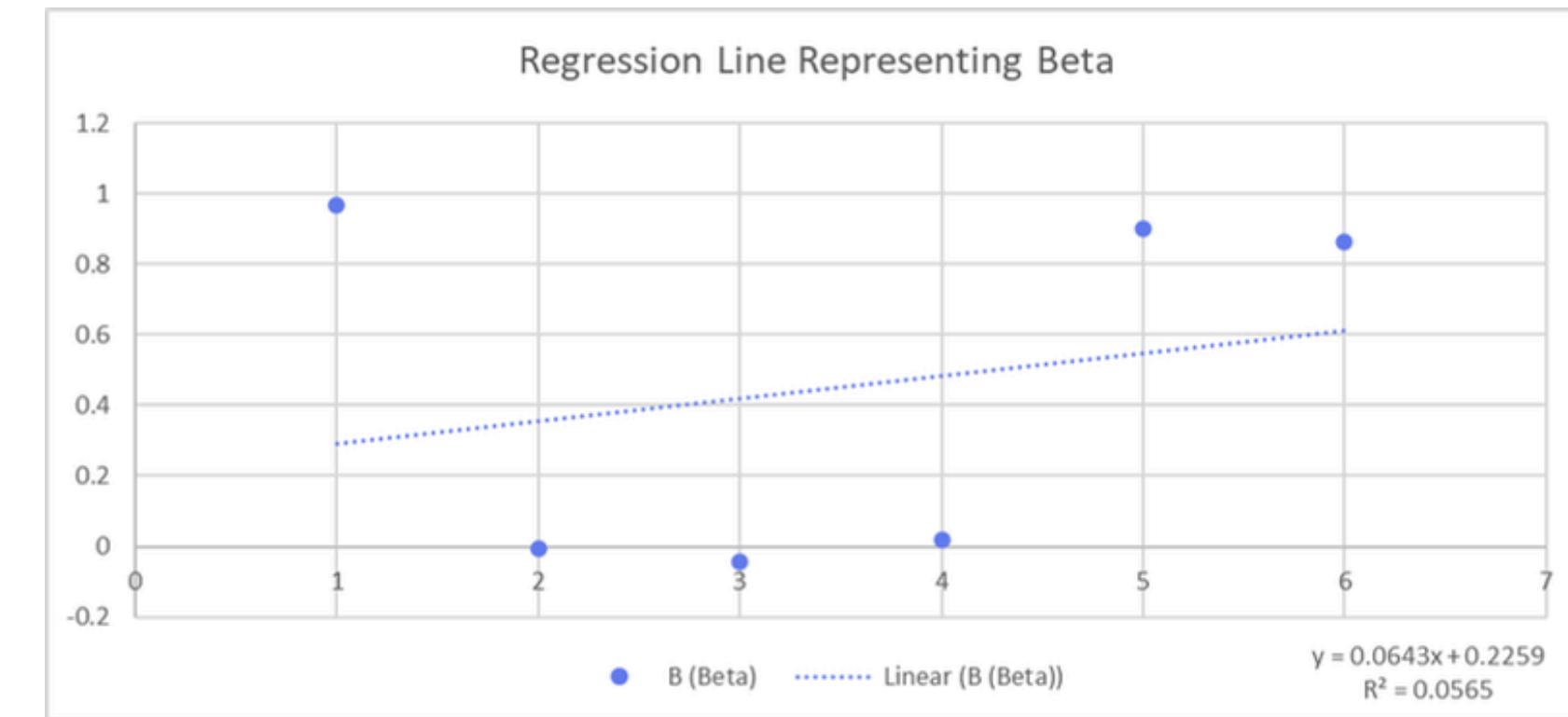


Net income has increased consistently from 2015 to 2025. This reflects stable operations, strong demand for digital services, and effective cost management.

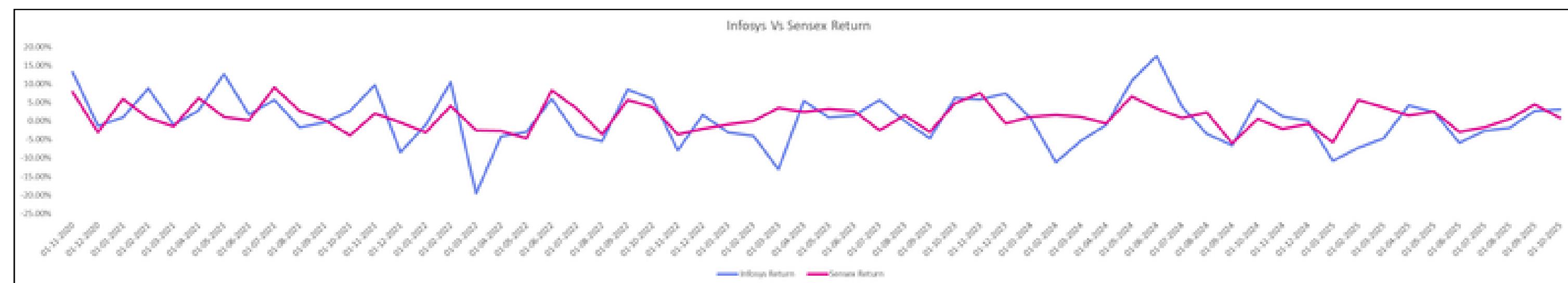
Beta calculations

A (Period)	B (Beta)
5 years - Daily	0.969004153
5 years - Weekly	-0.004368418
5 years - Monthly	0.902173947
10 years - Daily	-0.004368418
10 years - Weekly	0.017434809
10 years - Monthly	0.863024247

We use the 5-year monthly beta because it offers a stable and noise-free estimate of Infosys' true market risk, smoothing out daily volatility while capturing a meaningful long-term trend—making it more reliable for WACC and valuation.



The regression line shows only a slight upward trend with a very low R^2 , meaning the variation in betas is mostly noise. Infosys' beta is effectively stable, so the latest value (0.90217) should be used for CAPM and WACC.



- Infosys' returns broadly move in line with the overall market
- Short-term volatility is present, but long-term movement reflects stable performance
- The company demonstrates resilience during market downturns due to its strong fundamentals and global revenue mix

Profitability Ratios

- ROC (31%–38%) → Strong and consistent return on capital employed.
- ROE (22%–43%) → High shareholder returns; demonstrates strong financial performance.
- EBIT Margin (~25%) → Stable margins showing efficient operations.
- ROA (17%–19%) → Effective use of assets to generate income.

Infosys maintains high profitability, supported by strong margins and efficient use of capital.

Liquidity Ratios

Indicate the company's ability to meet short-term obligations.

- Current Ratio (1.8–3.2) → Strong short-term financial position.
- Quick Ratio (similar values) → Asset-light model with minimal inventory.

Infosys shows excellent liquidity and strong working capital management.

Leverage Ratios

Show long-term financial risk and dependence on debt.

- Debt-to-Equity: 0 across all years
- Interest Coverage: NA (no interest due to zero debt)
- Equity Multiplier: Stable, indicating low leverage

Infosys is effectively debt-free, meaning extremely low financial risk and high balance sheet strength.

	2025	2024	2023	2022	2021
Profitability Ratios					
Return on Capital	35.46%	36.34%	38.46%	35.73%	31.50%
Return on Equity	27.81%	40.68%	43.96%	39.76%	34.68%
EBIT Margin	22.58%	22.72%	22.29%	24.29%	25.93%
Return on Asset	17.96%	19.05%	19.16%	18.79%	17.92%
Liquidity Ratios					
Current Ratio	2.266021004	2.30530494	1.80883479	1.99937506	2.54485648
Quick Ratio	2.266021004	2.30530494	1.80883479	1.99937506	2.54485648
Leverage Ratios					
Assets/Equity(Equity Multiplier)	1.547799965	1.55790687	1.65995118	1.5565253	1.41160689
Debt/Total Capital	0	0	0	0	0
Interest Coverage	0	0	0	0	0
Debt/Equity	0	0	0	0	0
Activity Ratios					
Sales/Assets(Asset Turnover)	0.179647153	0.1904596	0.19161315	0.18786105	0.17920211
Average Daily Sales	73.28767123	71.9123288	66.0493151	60.6739726	53.2136986
Days Receivables	68.26742301	69.5818627	62.0852624	66.8471631	68.5896974
YoY Growth					
Revenue Growth	5.18%	5.96%	20.60%	20.71%	9.70%

Infosys displays:

- High profitability
- Strong liquidity
- Zero debt
- Stable operational efficiency

WACC Inputs (Based on Market Data)

- Risk-free Rate (Rf): 6.53%
- Market Risk Premium (MRP): 6.43%
- Beta: 0.90 (Infosys' sensitivity to market movements)
- Cost of Equity (Ke): 12.33%
- Cost of Debt (Kd): 0% (Infosys has no interest-bearing debt)
- Market Value of Equity (E): ₹6,24,920 crore
- Market Value of Debt (D): ₹0
- Tax Rate: 28.87%

Since Infosys has zero debt, the WACC becomes:

$$\text{WACC} = \text{Cost of Equity} = 12.33\%$$

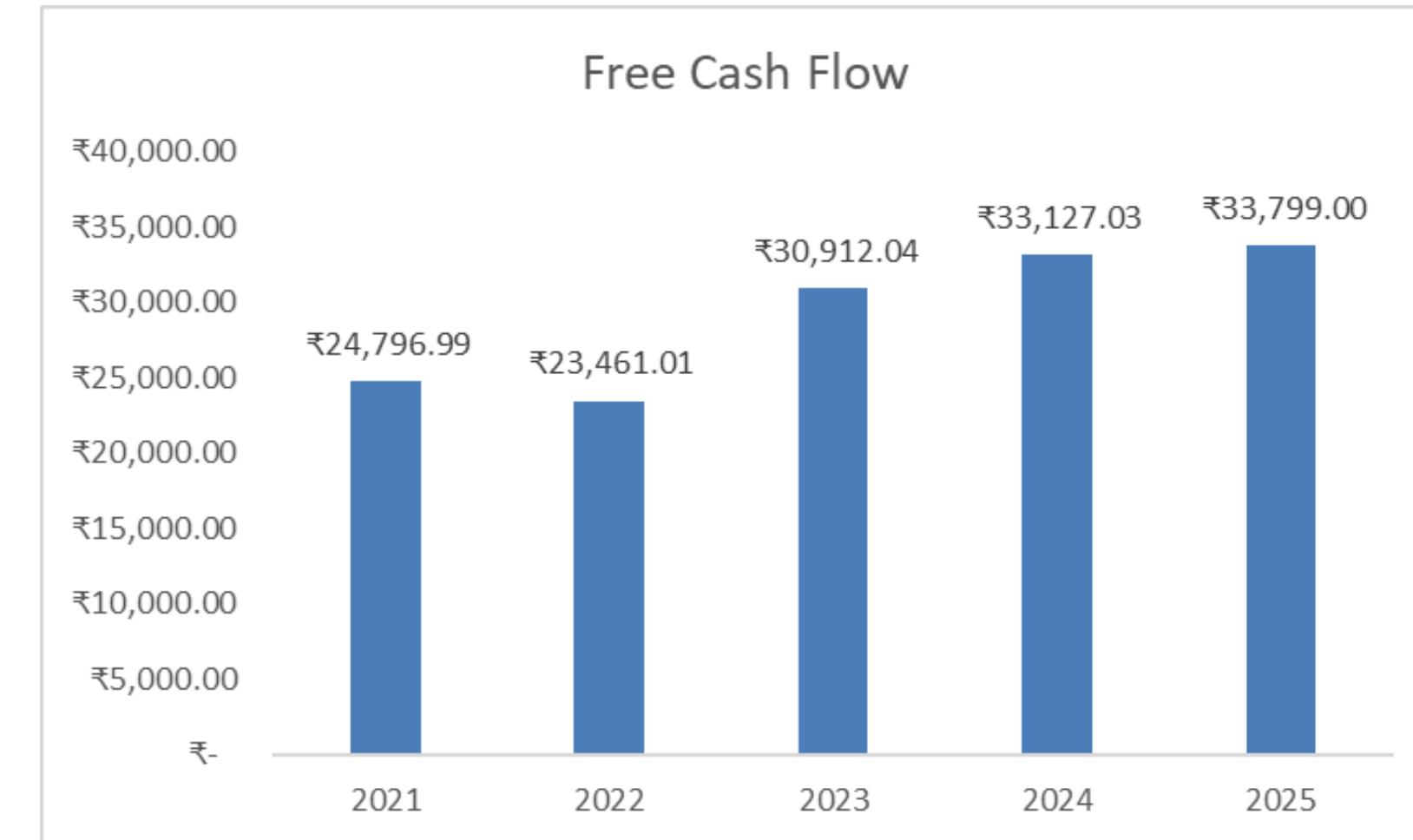
Interpretation

- Infosys' WACC of 12.33% reflects its required return for equity investors.
- With zero leverage, the company relies primarily on internal funds and equity capital.
- WACC equals the cost of equity because there is no debt risk and no tax shield.
- This WACC will be used as the discount rate in our DCF valuation.



Key Inputs

- Growth Rates (YoY): 9.7% → 20.7% → 20.6% → 5.96% → 5.18%
 - EBIT Margins: Stable between 22% – 25%
 - CapEx & Depreciation: Moderate and consistent
 - Working Capital % of Revenue: Very low (close to 0%)
- Shows Infosys' asset-light model and efficient operations

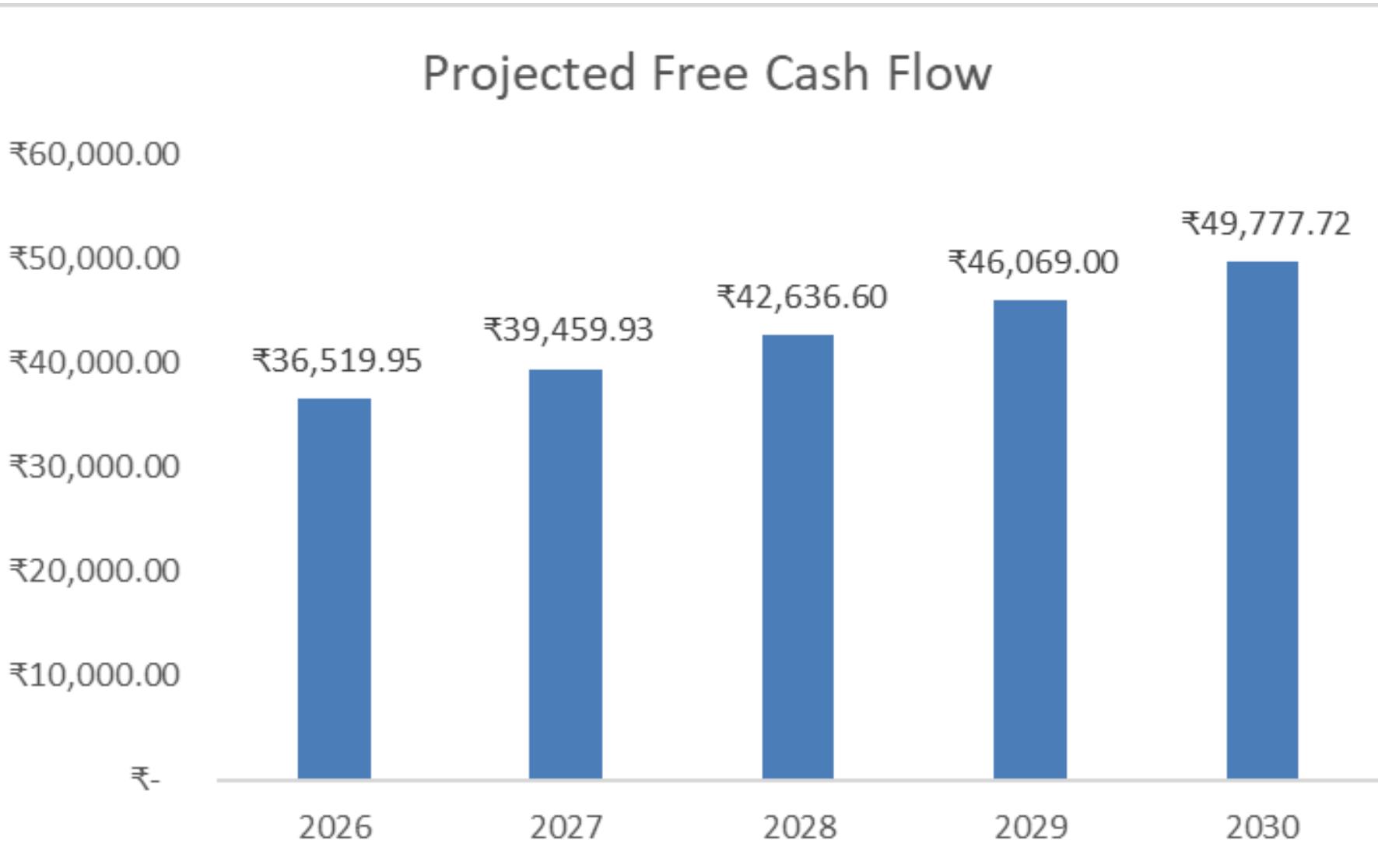


Insight:

FCFF shows a positive and rising trajectory, reflecting stable long-term cash-generating ability.

Historical Cash Flow Components

- Operating Cash Flow: Strong and increasing
- Investing CF: Negative (due to CapEx), but stable
- Financing CF: Negative (dividends & buybacks)
- Net Income: Grows steadily each year

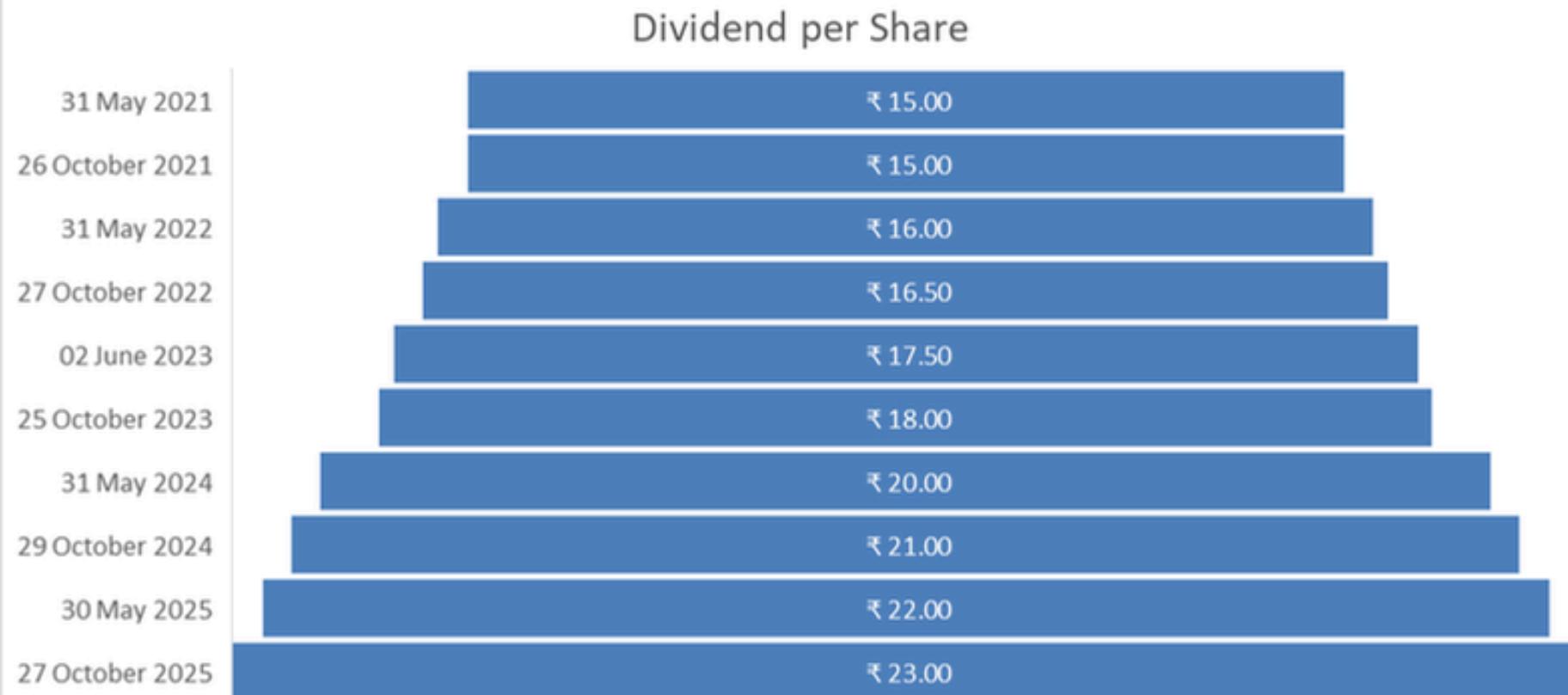


Based on stable growth, consistent operating margins, and minimal working-capital requirements, FCFF is projected to remain strong.

Interpretation of Projected Cash Flows

- Projected FCFF remains strong and predictable, averaging ₹35,000+ crore.
- Decline in PV each year is due to 12.33% WACC discounting, not weaker performance.
- The large jump in 2030 FCFF reflects terminal-year adjustment and expected maturity of AI-driven revenue.
- Stable projections indicate Infosys is a low-risk, high-cash-flow company suited for long-term DCF valuation.

Dividend Analysis of Infosys



"Infosys' dividends have steadily increased year after year, reflecting strong earnings stability and a consistent shareholder-return policy."

Dividend Valuation Models

Gordon Growth Model (DGM)

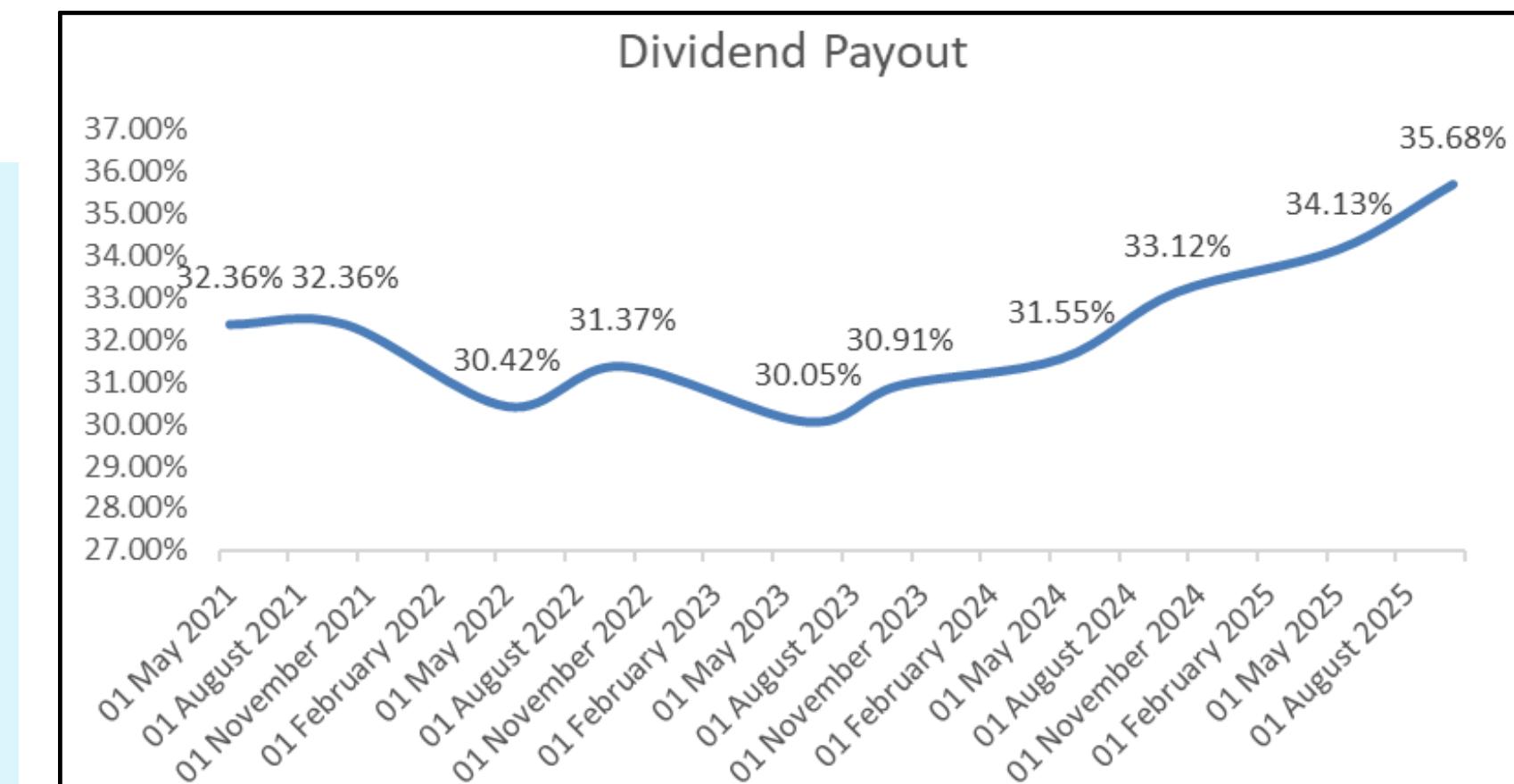
- Implied Cost of Equity = 6.79%
- Not preferred because dividends are not stable (they fluctuate).

CAPM Method

- Cost of Equity = 12.33%
- Based on the risk-free rate, beta, and market risk premium.
- Preferred model, as Infosys' payout varies and is not fixed-growth.
- Conclusion:
- For valuation (WACC + DCF), CAPM is more reliable than DGM.

Interpretation:

- Dividend per share has steadily increased, rising from ₹15 to ₹23.
- Payout ratio remains consistently around 30–35%, showing stability.
- Rising dividends reflect healthy profits and strong cash flows.



Infosys' dividend payout ratio shows a steady upward trend, indicating an increasing proportion of earnings being returned to shareholders over time.

Key Working Capital Components (FY 2024–25)

Accounts Receivable:

- Beginning: ₹30,193 crore
- Ending: ₹31,158 crore

Accounts Payable:

- Beginning: ₹4,361 crore
- Ending: ₹4,549 crore

- Sales: ₹166,590 crore

- Cost of Goods Sold: ₹113,347 crore

- Average Receivables: ₹30,675 crore

- Average Payables: ₹4,455 crore

Working Capital Efficiency Ratios

- Accounts Receivable Period (DSO): 67.21 Days
- Shows the average time Infosys takes to collect cash from customers.
- Accounts Payable Period (DPO): 14.35 Days
- Reflects how quickly Infosys pays vendors (faster due to service industry model).
- Inventory Days: 0
- Infosys has no physical inventory, since it is an IT services firm.

Operating & Cash Conversion Cycles

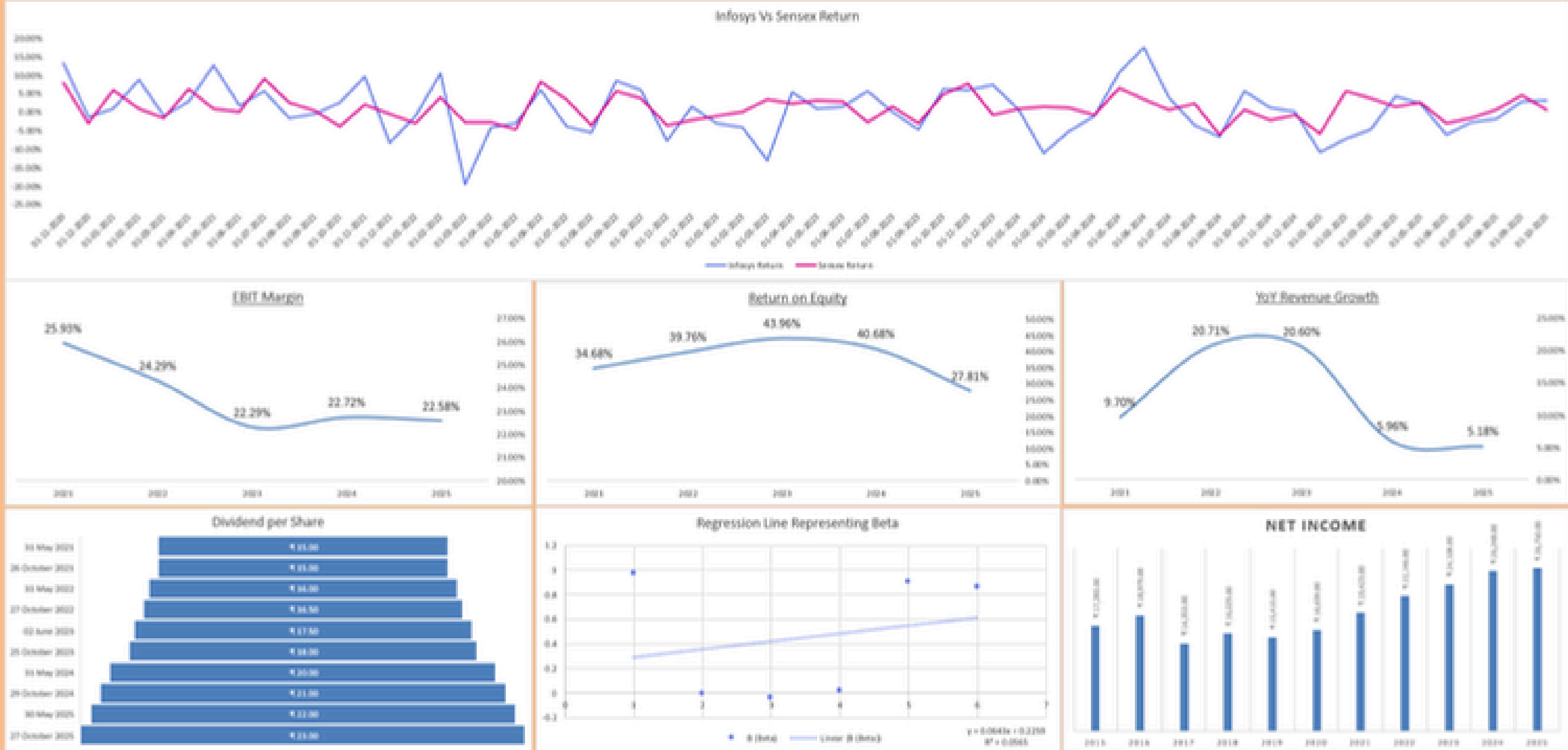
- Operating Cycle = 67.21 Days
- (Receivable Days + Inventory Days)
- Cash Conversion Cycle (CCC) = 52.86 Days
(Operating Cycle – Payables Days)

Interpretation:

A CCC of 52.86 days indicates that Infosys converts its service delivery into cash quickly, with very efficient receivables management and minimal WC blockage.

Comprehensive Corporate Finance Evaluation Dashboard of Infosys Ltd.

Infosys®



Conclusion & Recommendations



Conclusion

- Infosys is financially strong, stable, and low-risk, supported by zero debt and consistent cash flows.
- Profitability ratios and FCFF trends show steady growth and strong operational efficiency.
- Working capital cycle is highly efficient due to the asset-light IT model.
- Valuation metrics (NPV, IRR, PI) indicate that the proposed project is value-adding.

Recommendations

- Maintain low-leverage strategy but consider selective low-cost debt for tax benefits.
- Continue stable dividend policy along with buybacks to enhance shareholder value.
- Strengthen receivables management to further reduce the cash conversion cycle.
- Focus on AI, Cloud, and Automation investments to sustain growth and remain competitive.

