


**MARCH, 2025**

# FINANCIAL REPORT

## Key Highlights

-  DCF Valuation (FCFF & Excess Return)
-  Scenario Forecasting & Sensitivity Analysis
-  Monte Carlo Simulations & Value at Risk (VaR)
-  Business Resilience & Industry Analysis
-  DuPont, Altman Z-Score & Ratio Screening
-  Relative Valuation (CCA) & Key Value Drivers
-  Economic, Strategic & Competitive Outlook

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Infosys®

# INFOSYS LTD | ₹1617.7

BSE: 500209 | NSE: INFY

<https://www.infosys.com/>

# Infosys®



OVERVALUED

## Company Overview

Infosys Limited is a global leader in technology services and consulting, headquartered in Bengaluru, India. Founded in 1981, the company offers end-to-end business solutions including IT consulting, software development, application management, cloud computing, data analytics, and digital transformation services. Infosys primarily serves clients in industries such as financial services, retail, telecommunications, manufacturing, and healthcare.

**Market Cap** ₹672,006 Cr. As of 26/6/2025  
**Sector** Information Technology  
**Industry** Computers - Software & Consulting  
**IPO Date** November 3, 1991

## Valuation Output Ranges

**Current Price** ₹ 1,618 ₹ 1,307 52W Range ₹ 2,006

|                                 |                            |
|---------------------------------|----------------------------|
| ✓ <b>Free Cash Flow to Firm</b> | Highly Overvalued by 80.4% |
| ✓ <b>Excess Return Model</b>    | Highly Overvalued by 92%   |
| ✓ <b>Relative Valuation</b>     | Underpriced by 25.8%       |

## P/L Highlights

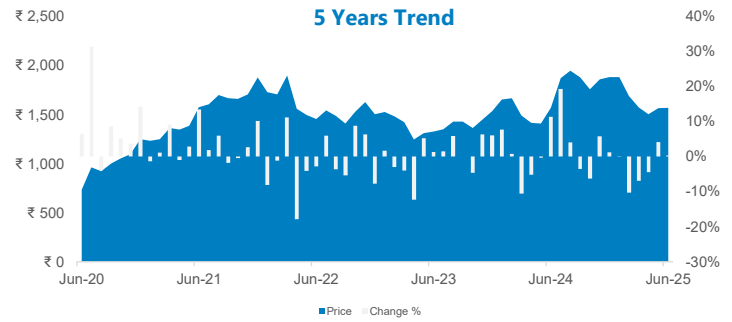
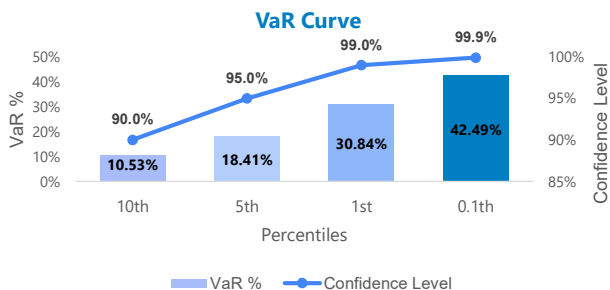
|               |              |                     |       |
|---------------|--------------|---------------------|-------|
| <b>Sales</b>  | ₹162,990 Cr. | <b>Gross Margin</b> | 28.5% |
| <b>EBITDA</b> | ₹39,235 Cr.  | <b>Core Margin</b>  | 24.1% |
| <b>Profit</b> | ₹26,750 Cr.  | <b>Net Margin</b>   | 16.4% |

## Balance Sheet Overview

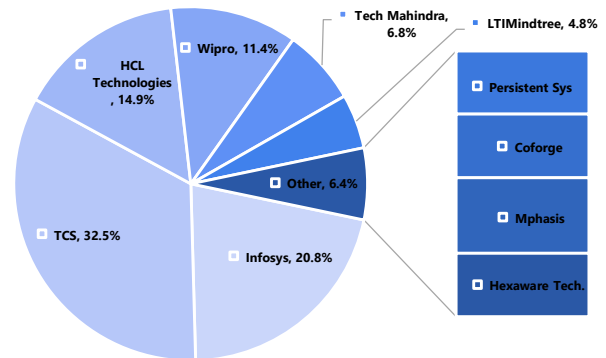
|                                   |        |               |
|-----------------------------------|--------|---------------|
| Cash & Cash Equivalents           | Mar-25 | 24,455        |
| Total Debt                        |        | 8,227         |
| Total Liabilities                 |        | 51,592        |
| <b>Total Shareholders' Equity</b> |        | <b>96,203</b> |
| Debt-to-Equity                    |        | 8.6%          |
| Equity Ratio                      |        | 65.1%         |
| Debtor Turnover Ratio             |        | 5.2x          |
| Creditor Turnover Ratio           |        | 39.1x         |

## Cash Flow Overview

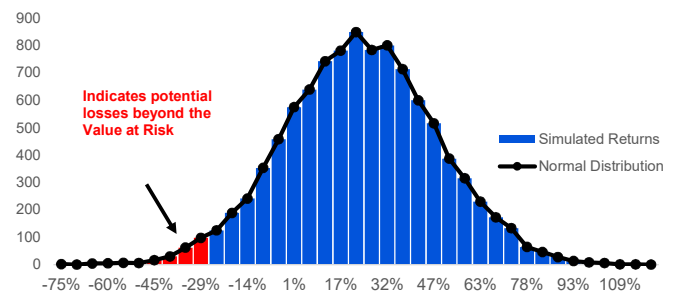
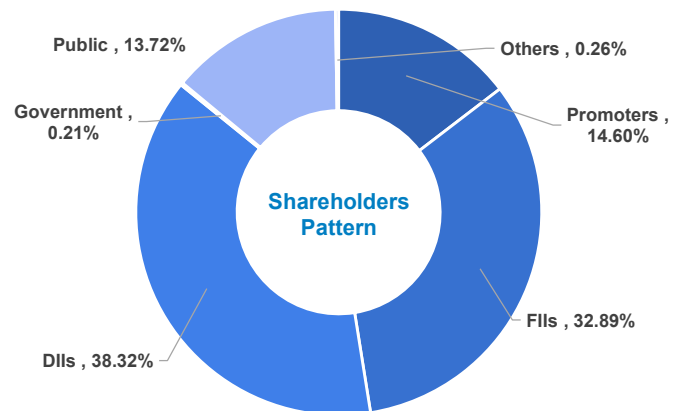
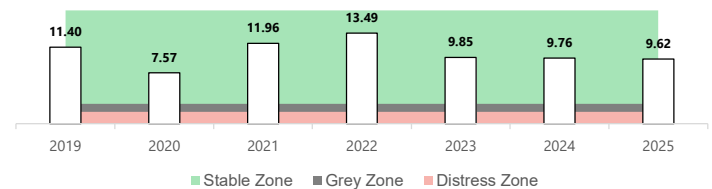
|                              |        |              |
|------------------------------|--------|--------------|
| Cash from Operating Activity | Mar-25 | 35,694       |
| Cash from Investing Activity |        | (1,864)      |
| Cash from Financing Activity |        | (24,161)     |
| <b>Net Cash Flow</b>         |        | <b>9,669</b> |
| CFO/Sales                    |        | 21.9%        |
| CFO/Total Assets             |        | 24.2%        |
| CFO/Total Debt               |        | 433.9%       |



## Market Share (Top Peers)



## Altman Z-Score



## 1. Executive Summary

Infosys Limited, founded in 1981 by N.R. Narayana Murthy and colleagues, has grown from a US\$250 start-up into a global IT powerhouse. Today it is a “global leader in next-generation digital services and consulting, with FY2025 revenues of ~US\$19.3 billion (≈₹1,62,990 crore) and a market capitalization around US\$75–76 billion (≈₹6.2 lakh crore). Its services span business consulting, application development/maintenance, cloud and infrastructure services, and proprietary platforms (e.g. Finacle core banking). Infosys has established significant competitive advantages – notably the pioneering Global Delivery Model, deep client domain expertise, a strong talent base (>3,17,000 employees worldwide), and a robust brand (ranked in the top global IT services) – that underpin its leadership. The company emphasizes high profitability (AAA CRISIL) and shareholder returns (e.g. consistently rising dividends, 35% DPS growth in). Strategic focus is on high-growth areas like AI/automation, cloud, and digital transformation – as the CEO notes, Infosys is working on “several projects... to help [clients] benefit from generative AI” across software engineering, processes, support and. Looking forward, Infosys is positioned to leverage these technology trends (e.g. via its Infosys Cobalt cloud platform, Cortex AI suite, Finacle and other industry solutions) and industry momentum to drive future growth, while mitigating macro and competitive risks through diversification and innovation.

## 2. Business Model & Revenue Segmentation

Infosys’s revenue model is overwhelmingly services-driven. In FY2025 it earned ~₹1,62,990 cr in revenues, of which ~₹1,55,395 cr (≈95%) came from “software services” and only ₹7,595 cr (≈5%) from proprietary products and. Core service offerings include digital and consulting services, application development/maintenance, independent validation, infrastructure management, and business process. Complementing these are products and platforms from subsidiaries like EdgeVerve (e.g. Finacle core-banking, Panaya automation, industry-specific solutions) and Infosys McCamish (insurance platforms). Contract billing is roughly half fixed-price and half time/materials (fixed-price ~54% of revenue in FY2025), reflecting a mix of large transformational deals and ongoing support.

**Revenue segmentation:** Infosys’s clients are spread across industries, led by Financial Services (~27–28% of revenues) and Manufacturing, Retail, Communications and others. For example, in Q1 FY2025, Financial Services accounted for ~27.5%, Manufacturing ~14.7%, Retail ~13.8%, Communication ~12.1%, Energy/Utilities ~13.3%, Hi-Tech ~8.0%, Life Sciences ~7.3%, with “Others” around 3%. Geographically, Infosys remains concentrated in developed markets: North America accounts for ~58% of revenue (FY2025), Europe ~30%, Rest-of-World (including APAC/Middle East/Latin America) ~9%, and India only ~3%. Its client base is broad: the top-5 clients contribute ~12% of revenue, and top-10 about 20%, indicating moderate client concentration. Key clients are large corporations in banking, telecom, retail, etc., often under multi-year contracts. Infosys mitigates concentration risk by expanding its customer base (365 new client accounts in) and by moving up the value chain (e.g. offering innovative platforms, consulting and managed services that deepen client ties).

## 3. Industry Overview & Value Chain

Infosys operates in the global IT services and consulting industry, a fast-evolving sector driven by digital transformation. Worldwide, technology spending has been rebounding: 2024 saw global tech spending up ~10.8% (though core IT services grew ~4.7%). Gartner and Deloitte expect robust demand ahead – for example, Deloitte projects global IT spending growth of ~9–10% in 2025, with AI, cloud, data center and software leading. Key growth drivers include cloud adoption (IDC projects worldwide cloud spend hitting ~\$723 billion by), advanced analytics/AI implementation (with AI spend projected at 29% CAGR through), cybersecurity, and industry-specific digital initiatives (e.g. fintech, healthtech, industry 4.0). Emerging trends like generative AI, edge computing, 5G/IoT, blockchain and low-code platforms are reshaping client priorities across sectors. Regional trends also matter: India’s tech sector is projected by NASSCOM to grow >5% in FY2025 (\$283B including hardware), with continued emphasis on exports (expected ~\$224B, ~4.6% growth).

**Value chain:** The IT services value chain begins with consulting and solution design, followed by system integration, software development, customization, implementation, and ongoing maintenance and support. Infosys participates across this chain. For instance, it helps clients define strategies (through consulting), builds or migrates systems (software development, Cobalt-based cloud implementations), integrates new platforms (e.g. deploying Finacle in banks), and provides managed services (e.g. offshore application support). Infosys adds value by combining global delivery (cost efficiency) with domain expertise: for example, it operates “living labs” and innovation hubs (100+ labs) to co-develop solutions with clients. In infrastructure management, Infosys transitioned much of its own and client workloads to cloud (68% of Infosys’s internal workloads on public), mirroring how it helps customers modernize IT stacks. The firm also emphasizes a DevOps/agile approach and IP-led services (e.g. its Topaz platform for cross-application DevOps) to speed up delivery.

## 4. Market Share & Competitive Positioning

Infosys is consistently among the top-ranked IT services firms globally. By market capitalization it typically ranks in the top 3–5 worldwide; as of mid-2025 Infosys (US\$75.9B) was behind only TCS (US\$144B) and ADP (US\$126B) in the IT services. It is India’s #2 IT company by market value (₹6.19 lakh crore) after, and the second-largest Indian IT exporter. Revenue-wise, Infosys’s \$19.3B trails TCS (\$28B) and

in the Indian IT services landscape”.

**Competitive advantages:** Key strengths include its broad portfolio (covering both digital and legacy IT), strong brand equity (Ranked among the fastest-growing IT services brands), high operating margins and returns (FY2025 operating margin ~21%), and recognized thought leadership. Infosys’s investments in IP and innovation (e.g. Finacle in banking, Cortex in CX, McCamish in insurance) differentiate it. It also maintains strategic partnerships with major technology vendors (Microsoft, AWS, Google, SAP, Oracle, etc.), enabling it to offer cutting-edge solutions; for example, it has 18,000+ developers on GitHub Copilot and a GitHub CoE to accelerate code. Its scale and global delivery capacity allow competitive pricing and onshore-offshore delivery mix.

**Challenges:** Infosys faces intense competition and margin pressure. Competitors include Indian peers (TCS, HCL, Wipro, Tech Mahindra) as well as global consultancies (Accenture, IBM, Capgemini) and niche firms. Price competition and client cost-cutting can squeeze margins. Another challenge is technology commoditization (e.g. low-code platforms reducing need for custom coding) and internal automation: as Infosys uses tools like Copilot and Nia, the addressable need for human labor could shrink. However, Infosys has proactively responded by “upskilling” its workforce (250k+ AI-aware employees as of) and moving into higher-value domains. In the market, its ability to close large digital transformation contracts (e.g. multi-year cloud migrations in financial services) is a key differentiator.

## 5. Technological Trends & Strategic Initiatives

Major tech trends shaping Infosys’s industry include generative AI, cloud/cloud-native architectures, cybersecurity, automation/RPA, edge computing, and blockchain/AI-driven analytics.

**Generative AI stands out:** Infosys’s leadership (CEO Salil Parekh) highlights multiple client projects in gen-AI for software engineering, process optimization, customer support, sales and. Infosys is embedding gen-AI into its offerings – for example, integrating Microsoft’s Copilot and Azure OpenAI into its platforms. In Oct 2024, Infosys expanded its collaboration with Microsoft to infuse Microsoft’s generative AI offerings across its IP portfolio. It claims 18,000+ developers already using GitHub Copilot (including a Copilot Center of Excellence), and its Cortex AI platform now integrates Microsoft’s CoPilot for customer-service. Similarly, Infosys is partnering with AWS on GenAI: an AWS blog notes Infosys is an AWS Premier Partner and built generative-AI solutions on Amazon Bedrock/Kendra for.

**Cloud & digital:** Infosys continues to invest heavily in cloud services. Its Infosys Cobalt program (a suite of 14,000+ cloud assets and partnerships) accelerates hybrid/multi-cloud migrations. Strategic alliances include Microsoft Azure, AWS, Google Cloud, SAP RISE, Oracle Cloud, etc. For instance, the Infosys-Microsoft collaboration (2024) focuses on Azure/cloud adoption in financial services, healthcare (Infosys Helix on Azure), telecom (Live Operations on Azure), energy, etc.. On AWS, Infosys’s status as a Premier partner and developer of AWS-based solutions strengthens its cloud credentials. It also built an internally developed generative-AI assistant on AWS for a healthcare (an example of their capability). In cybersecurity, Infosys is building offerings (managed security, Zero Trust architectures) to meet growing demand, though specific initiatives are less publicized.

**Innovation and talent:** Infosys invests in innovation hubs and labs (e.g. AI and digital studios worldwide) and maintains an in-house research arm (Infosys Knowledge Institute). It develops proprietary tools (Topaz for automation, AirAssembly for process mining, Nia for automation/AI in services) and pursues targeted acquisitions (e.g. Wongdoody, Kaleidoscope Innovation, Avalara) to bolster AI, design thinking and domain expertise. Infosys also emphasizes talent: ~250,000 employees are AI-skilled, and it launched programs like Women in Tech and renewal initiatives to attract scarce skills. These initiatives, along with its ISO 42001 AI management, aim to sustain its leadership in new technologies.

## 6. Regulatory & Geo-Political

Infosys operates under multiple regulatory regimes and faces geopolitical uncertainties.

**Data Privacy & Compliance:** Infosys must comply with global data protection laws (GDPR in Europe, CCPA in California, etc.) when handling client data. It has its own privacy and compliance frameworks to meet such requirements. In financial services, industry regulations (e.g. Basel III compliance, PSD2) indirectly affect IT work through tighter security/operational standards. Infosys’s earlier signing of an Advance Pricing Agreement (APA) with the U.S. IRS (in 2018) is notable; it locked in transfer pricing for its US operations and improved tax. Going forward, Infosys is subject to evolving tax and trade regulations. For instance, the OECD global minimum tax (Pillar 2) and other reforms could impact its effective tax rate on foreign profits.

**Immigration and labor laws:** U.S. and other client-country immigration policies significantly affect Infosys, since a portion of its delivery depends on sending Indian engineers overseas (H-1B, L1 visas). Moody’s and others have warned that stricter U.S. H-1B policies (e.g. caps and preference for higher salaries) pose risks to Indian IT. Indeed, Infosys has aggressively increased local hiring in the U.S. to mitigate this. For example, nearly 8,140 H-1B visas were granted to Infosys in Apr–Sep, but the company is also building onshore capacity to offset visa volatility. Similar trends exist in the UK and EU (post-Brexit, more local hiring requirements). Infosys has set up local development centers (e.g. in the U.S., Europe, Japan) and participates in visa/allocation programs to reduce single-country exposure.



**Geopolitical risks:** Trade tensions and geopolitical conflicts can indirectly affect Infosys. For example, U.S.–China tariffs or U.S. reciprocal tariffs (announced April 2025) may raise client costs and lead to slower IT spending. Infosys has limited direct business in China but relies on global supply chains; broad tariffs on China could increase costs of hardware/datacenter equipment, affecting project economics. The Russia-Ukraine war and Middle East unrest have limited direct impact (Infosys has minimal Russia business), but such instability can slow global growth. Currency volatility is another concern: Infosys's revenues are mostly USD/EUR, so a stronger INR would reduce reported INR revenue. The company uses hedging strategies (forwards, options) to manage forex exposure, though margins can still be squeezed. To mitigate geopolitical/regulatory risks, Infosys pursues geographic diversification (expanding business in APAC, Middle East, Latin America) and invests in local operations. For example, Infosys has announced or opened delivery centers in Ireland, Poland, the Philippines, and Israel to tap into new talent pools and client markets.

## 7. Client Mix & Geography-Based Risk Analysis

Infosys's clientele is diversified by industry but is weighted toward certain sectors. As noted, Financial Services is the largest vertical (~27–28% of sales), followed by segments like Retail, Communications, Manufacturing, Energy/Utilities, Life Sciences, and. This reflects India's IT sector focus: for example, banking/finance and retail are major users of digital transformation services. Client concentration is moderate: the top 5 clients account for only ~12% of. No single client represents an outsized proportion, which reduces risk. Nonetheless, delays or budget cuts at large clients (e.g. major banks or telecoms) could significantly affect near-term growth. Infosys mitigates this by expanding into new clients (365 new accounts added in) and by selling cross-vertical solutions (e.g. its Cortex AI platform can be applied from CX in retail to claims in insurance).

Geographically, over half of Infosys's revenue comes from North. This provides scale but also exposes Infosys to the U.S. and Canadian economic cycle and regulatory changes. If the U.S. economy slows, or if the INR strengthens against the USD, Infosys's growth could moderate. Europe (~30% of sales) adds diversity but carries its own risks (e.g. Brexit-related regulatory changes, slower growth in some European economies). The "Rest of World" (9%) includes markets like APAC and Latin America, which are growth opportunities (Infosys opened centers in APAC to capture that). India (3%) is a small fraction of revenue, as most domestic IT budgets are served by smaller players; however, Infosys is trying to grow its local business gradually.

Risk management strategies include **client diversification** (both across industries and geographies), **deeper local engagement** (investing in local talent for nearshore delivery), and **currency hedging** (protecting USD/INR and EUR/INR exposures). Infosys reports a fully hedged pipeline for major currencies and uses forwards/options to lock in rates. In addition, Infosys often structures deals as "multi-sourcing" or uses subcontracting to shift delivery locations if needed. For country-risk, the company keeps excess cash (FY2025 cash ≈ ₹50,638 ) to absorb shocks and does prudent working-capital management (net cash provided by ops ≈ ₹34,549 cr in).

## 8. ESG Profile

Infosys has built a strong sustainability and social reputation. The company's flagship commitment was its "**ESG Vision 2030**" announced in. Notably, Infosys achieved **carbon neutrality in 2020** – 30 years ahead of the Paris– and has maintained it for six consecutive. In FY2025, Infosys reduced its scope 1 and 2 emissions by ~71% (against a business-as-usual baseline) and draws over 67% of its electricity from renewable sources in India. All of its campuses are carbon-neutral, and it invests heavily in efficiency (e.g. low PUE data centers, patented green building). For waste and water: Infosys reports 100% wastewater recycling at its campuses and regularly achieves high water-use. The company also offsets emissions to benefit rural communities (~2.72 lakh families helped by). These achievements have earned recognitions like CDP Climate Leadership for 8 years and FICCI sustainability awards.

On the **social** front, Infosys emphasizes workforce diversity and community impact. Women comprise about 39% of its ~3.17 lakh-strong. The company won the UN Women Empowerment Principles award (Gender-inclusive Workplace) in and consistently ranks as a top employer (Top Employer 2025 for 5th). Infosys invests in skilling (13.3 million people trained in digital skills by) and has robust corporate social responsibility programs (with ~₹577 cr CSR spend, benefiting millions). It also took initiatives to rehire women returning to work and supports STEM education for girls. Governance-wise, Infosys has high standards: it is one of the few Indian firms rated by Ethisphere as a "World's Most Ethical Company" for five straight, has audit and risk committees with independent directors, and discloses aligned with global frameworks (GRI, SASB, etc.).

Infosys's ESG profile supports its brand with stakeholders: many large clients now demand ESG commitments from vendors, and Infosys's climate leadership and social awards likely help in procurement and recruiting. Its AAA credit rating (by CRISIL) also partly reflects its disciplined corporate. However, Infosys still faces ESG scrutiny on issues like data privacy (no major breaches publicized) and the social impact of automation (potential job disruptions). The company addresses these through ethical guidelines (e.g. a Responsible AI office) and training. Overall, Infosys's proactive ESG stance enhances its reputation with investors, clients and regulators.

## 9. Economic Outlook & Impact

The broader macroeconomic environment will strongly influence Infosys's near-term performance. **Global growth** is expected to moderate.

reflecting a mix of advanced and emerging economy sluggishness. Inflation is easing (global CPI down from 6.8% in 2023 to ~5.9% in 2024 and ~4.5% in), but interest rates remain elevated – which means tighter corporate budgets. Trade uncertainties (new U.S. tariffs and any retaliations) present downside risk. If a global slowdown intensifies (e.g. a recession hit by tariffs or policy shifts), corporate IT spending could contract. For example, IDC's April 2025 analysis notes IT spending might grow only ~5% instead of 10% if economic headwinds.

**India's economy** also matters. India's GDP is projected to grow ~7% (FY2025 est.) on strong domestic demand. A stronger Rupee (INR vs USD) would reduce Infosys's rupee revenues; conversely, a weaker INR boosts them. In recent quarters the rupee has weakened vs USD, slightly benefiting reported sales. Inflation in India is near RBI's target (~5%), allowing some interest rate easing, which suggest discretionary corporate spend (like IT). However, any significant INR appreciation or Indian slowdown would negatively impact Infosys's margins and growth.

### Scenarios:

**Best case:** Global recovery accelerates (e.g. U.S./EU avoid recession, tech spending rebounds), tech budgets rise (IDC's pre-tariff baseline saw double-digit). Under this scenario, Infosys could see strong deal pipelines and higher billing rates, especially in fast-growing areas (cloud migrations, digital transformation, AI). Stable or rising demand would allow Infosys to utilize spare capacity, improve pricing power, and continue its revenue and margin expansion. Positive tailwinds: continued digitalization, pent-up IT investment (especially if inflation stays subdued), and any fiscal stimulus in key markets.

**Worst case:** A global downturn (or trade war) forces clients to cut or delay projects. IDC warns that in a tariff-induced slowdown, "IT services spending is vulnerable to a slowdown in new contract sign-offs". Key tech verticals (e.g. hardware, large enterprise apps) could see budget freezes. Infosys may then face lower utilization and pricing pressure. In this scenario, Infosys's earnings growth would slow or stagnate, and it might defer hiring or raise pricing only modestly. A weaker USD or strong INR could further pressure rupee revenues. However, Infosys's strong balance sheet (₹50,638 cr) and dividend policy (targeting ≥85% of FCF to) provide cushions against volatility.

Currency risk is important in either scenario: if the dollar falls (e.g. Fed cuts rates quickly), Infosys's INR revenues would fall, but its costs (predominantly INR salaries) would remain fixed. Conversely, a stronger dollar would boost rupee revenues. Infosys hedges a portion of its receivables, but the company's exposure still means INR exchange rates materially affect its financials.

## 10. Forward-Looking Commentary

Looking ahead, Infosys appears well-positioned to capture future IT spending trends, provided it navigates macro headwinds. Its **growth prospects** hinge on continuing to lead in digital initiatives and GenAI services. The company's pipeline of generative-AI projects (already broad across functions) suggests outsized opportunities; success here could set it apart in client mindshare. Infosys is also betting on emerging markets (India digital economy, ASEAN) and vertical-specific platforms (e.g. Energy Management Solutions for sustainability tech) to drive new revenues. Strategically, Infosys emphasizes "partnering for enterprise AI" and multi-cloud transformation (e.g. via Cobalt), which align with client priorities. Its emphasis on innovation (living labs, IP platforms) and partnerships (with Microsoft, AWS, Google, etc.) should help it win large transformation deals.

However, challenges remain. Infosys must accelerate skill development (retaining talent in a tight market) to meet advanced technology demand. It must also integrate acquisitions quickly and sharpen margins against wage inflation. Competitive dynamics (for instance, pricing pressure from emerging local consulting firms, or new tech entrants) will test its differentiation.

Given the uncertain external outlook, Infosys's management is likely to remain prudent: focusing on high-return investments, prudent cost control, and disciplined capital returns (consistent dividends and buybacks as per policy).

In summary, if the global economy stabilizes and digital spending grows, Infosys is poised to leverage its scale, brand, and emerging-technology expertise to sustain mid-teens growth in revenues and stable margins. If conditions worsen, Infosys's robust balance sheet and diversified service portfolio should help weather the storm. Its track record of adapting to trends (AI, cloud) and mitigating risks (visa/localization, regulatory compliance) provides confidence that Infosys can navigate industry shifts and continue creating long-term value for stakeholders.

**Sources:** Information compiled from Infosys's latest annual/quarterly reports and press releases, industry reports (NASSCOM, IMF, IDC, Deloitte), and credible news analyses. (Charts suggested above are for illustrative purposes; actual figures should be updated in live report dashboards.)

# Historical Financial Statements - INFOSYS LTD



| Years                                          | Mar-16        | Mar-17          | Mar-18         | Mar-19        | Mar-20        | Mar-21         | Mar-22         | Mar-23         | Mar-24         | Mar-25         | TTM           |
|------------------------------------------------|---------------|-----------------|----------------|---------------|---------------|----------------|----------------|----------------|----------------|----------------|---------------|
| # Income Statement (Rs. crore)                 |               |                 |                |               |               |                |                |                |                |                |               |
| <b>Revenue and Cost of Goods Sold (COGS):</b>  |               |                 |                |               |               |                |                |                |                |                |               |
| Revenues                                       | 62,441        | 68,484          | 70,522         | 82,675        | 90,791        | 100,472        | 121,641        | 146,767        | 153,670        | 162,990        | 162,990       |
| Revenue Growth                                 | -             | 9.7%            | 3.0%           | 17.2%         | 9.8%          | 10.7%          | 21.1%          | 20.7%          | 4.7%           | 6.1%           | -             |
| Cost of sales                                  | 40,492        | 44,609          | 46,395         | 55,446        | 62,210        | 68,490         | 84,819         | 104,880        | 110,030        | 116,585        | -             |
| <b>Gross Profit</b>                            | <b>21,949</b> | <b>23,875</b>   | <b>24,127</b>  | <b>27,229</b> | <b>28,581</b> | <b>31,982</b>  | <b>36,822</b>  | <b>41,887</b>  | <b>43,640</b>  | <b>46,405</b>  | -             |
| Gross Margin                                   | 35.2%         | 34.9%           | 34.2%          | 32.9%         | 31.5%         | 31.8%          | 30.3%          | 28.5%          | 28.4%          | 28.5%          | -             |
| <b>Operating Expenses:</b>                     |               |                 |                |               |               |                |                |                |                |                |               |
| Selling, General and Administrative Expenses   | 4,870         | 5,271           | 5,305          | 7,059         | 6,314         | 4,093          | 5,331          | 6,757          | 7,215          | 7,169          | -             |
| <b>EBITDA</b>                                  | <b>17,079</b> | <b>18,604</b>   | <b>18,822</b>  | <b>20,170</b> | <b>22,267</b> | <b>27,889</b>  | <b>31,491</b>  | <b>35,130</b>  | <b>36,425</b>  | <b>39,236</b>  | <b>39,235</b> |
| EBITDA Margin                                  | 27.4%         | 27.2%           | 26.7%          | 24.4%         | 24.5%         | 27.8%          | 25.9%          | 23.9%          | 23.7%          | 24.1%          | 24.1%         |
| Depreciation and Amortization                  | 1,459         | 1,703           | 1,863          | 2,011         | 2,893         | 3,267          | 3,476          | 4,225          | 4,678          | 4,812          | 4,811         |
| Total operating expenses                       | 6,329         | 6,974           | 7,168          | 9,070         | 9,207         | 7,360          | 8,807          | 10,982         | 11,893         | 11,981         | -             |
| <b>Operating profit (EBIT)</b>                 | <b>15,620</b> | <b>16,901</b>   | <b>16,959</b>  | <b>18,159</b> | <b>19,374</b> | <b>24,622</b>  | <b>28,015</b>  | <b>30,905</b>  | <b>31,747</b>  | <b>34,424</b>  | <b>34,424</b> |
| Operating Margin                               | 25.0%         | 24.7%           | 24.0%          | 22.0%         | 21.3%         | 24.5%          | 23.0%          | 21.1%          | 20.7%          | 21.1%          | 21.1%         |
| <b>Non-operating Items and Taxes:</b>          |               |                 |                |               |               |                |                |                |                |                |               |
| Other income, net                              | 3,120         | 3,050           | 3,311          | 2,882         | 2,803         | 2,201          | 2,295          | 2,701          | 4,711          | 3,600          | 3,599         |
| Interest Expense                               | 0             | 0               | 0              | 0             | 170           | 195            | 200            | 284            | 470            | 416            | 416           |
| <b>Earnings Before Tax (EBT)</b>               | <b>18,740</b> | <b>19,951</b>   | <b>20,270</b>  | <b>21,041</b> | <b>22,007</b> | <b>26,628</b>  | <b>30,110</b>  | <b>33,322</b>  | <b>35,988</b>  | <b>37,608</b>  | <b>37,607</b> |
| EBT Margin                                     | 30.0%         | 29.1%           | 28.7%          | 25.5%         | 24.2%         | 26.5%          | 24.8%          | 22.7%          | 23.4%          | 23.1%          | -             |
| Tax                                            | 5,251         | 5,598           | 4,241          | 5,631         | 5,368         | 7,205          | 7,964          | 9,214          | 9,740          | 10,858         | 10,857        |
| Effective Tax Rate                             | 28.0%         | 28.1%           | 20.9%          | 26.8%         | 24.4%         | 27.1%          | 26.4%          | 27.7%          | 27.1%          | 28.9%          | 28.9%         |
| <b>Net Profit</b>                              | <b>13,489</b> | <b>14,353</b>   | <b>16,029</b>  | <b>15,410</b> | <b>16,639</b> | <b>19,423</b>  | <b>22,146</b>  | <b>24,108</b>  | <b>26,248</b>  | <b>26,750</b>  | <b>26,750</b> |
| Net Margin                                     | 21.6%         | 21.0%           | 22.7%          | 18.6%         | 18.3%         | 19.3%          | 18.2%          | 16.4%          | 17.1%          | 16.4%          | 16.4%         |
| <b>Share Statistics:</b>                       |               |                 |                |               |               |                |                |                |                |                |               |
| Adjusted Equity Shares in Cr                   | 459.39        | 459.39          | 436.82         | 436.89        | 425.9         | 426.07         | 420.67         | 414.86         | 415.09         | 415.33         | 415.33        |
| <b>Per Share Information:</b>                  |               |                 |                |               |               |                |                |                |                |                |               |
| <b>Earnings Per Share (EPS)</b>                | <b>29.36</b>  | <b>31.24</b>    | <b>36.69</b>   | <b>35.27</b>  | <b>39.07</b>  | <b>45.59</b>   | <b>52.64</b>   | <b>58.11</b>   | <b>63.23</b>   | <b>64.41</b>   | <b>64.41</b>  |
| EPS Growth                                     | -             | 6.4%            | 17.4%          | -3.9%         | 10.8%         | 16.7%          | 15.5%          | 10.4%          | 8.8%           | 1.9%           | -             |
| Dividend Per Share                             | 12.08         | 12.82           | 21.67          | 21.11         | 17.44         | 26.92          | 30.92          | 33.91          | 45.90          | 42.92          | 42.92         |
| Payout Ratio                                   | 41.1%         | 41.0%           | 59.1%          | 59.8%         | 44.6%         | 59.1%          | 58.7%          | 58.4%          | 72.6%          | 66.6%          | -             |
| Retention Ratio                                | 58.9%         | 59.0%           | 40.9%          | 40.2%         | 55.4%         | 40.9%          | 41.3%          | 41.6%          | 27.4%          | 33.4%          | -             |
| # Balance Sheet (Rs. Crores)                   |               |                 |                |               |               |                |                |                |                |                |               |
| <b>Assets:</b>                                 |               |                 |                |               |               |                |                |                |                |                |               |
| <b>Current Assets:</b>                         |               |                 |                |               |               |                |                |                |                |                |               |
| Trade Receivables                              | 11,330        | 12,322          | 13,142         | 14,827        | 18,487        | 19,294         | 22,698         | 25,424         | 30,193         | 31,158         |               |
| Cash & Cash Equivalents                        | 32,697        | 22,625          | 19,818         | 19,568        | 18,649        | 24,714         | 17,472         | 12,173         | 14,786         | 24,455         |               |
| Inventory                                      | 0             | 0               | 0              | 0             | 0             | 0              | 0              | 0              | 0              | 0              |               |
| Other Current Assets                           | 14,833        | 16,234          | 20,046         | 21,312        | 21,129        | 22,871         | 30,019         | 38,008         | 39,843         | 36,866         |               |
| <b>Total Current Assets</b>                    | <b>58,860</b> | <b>51,181</b>   | <b>53,006</b>  | <b>55,707</b> | <b>58,265</b> | <b>66,879</b>  | <b>70,189</b>  | <b>75,605</b>  | <b>84,822</b>  | <b>92,479</b>  |               |
| <b>Non-Current Assets:</b>                     |               |                 |                |               |               |                |                |                |                |                |               |
| Net Block (PPE + Intangibles)                  | 13,386        | 14,179          | 12,574         | 15,710        | 23,789        | 25,505         | 25,800         | 29,225         | 27,622         | 30,961         |               |
| Capital Work-in-Progress (CWIP)                | 960           | 1,365           | 1,606          | 1,388         | 954           | 922            | 416            | 288            | 293            | 814            |               |
| Investments                                    | 1,892         | 16,423          | 12,163         | 11,261        | 8,792         | 14,205         | 20,324         | 19,478         | 24,623         | 23,541         |               |
| <b>Total Non-Current Assets</b>                | <b>16,238</b> | <b>31,967</b>   | <b>26,343</b>  | <b>28,359</b> | <b>33,535</b> | <b>40,632</b>  | <b>46,540</b>  | <b>48,991</b>  | <b>52,538</b>  | <b>55,316</b>  |               |
| <b>Total Assets</b>                            | <b>75,098</b> | <b>83,148</b>   | <b>79,349</b>  | <b>84,066</b> | <b>91,800</b> | <b>107,511</b> | <b>116,729</b> | <b>124,596</b> | <b>137,360</b> | <b>147,795</b> |               |
| <b>Liabilities &amp; Shareholders' Equity:</b> |               |                 |                |               |               |                |                |                |                |                |               |
| <b>Current Liabilities:</b>                    |               |                 |                |               |               |                |                |                |                |                |               |
| Trade Payables                                 | 386           | 367             | 694            | 1,655         | 2,852         | 2,645          | 4,134          | 3,865          | 3,956          | 4,164          |               |
| Other Current Liabilities                      | 12,968        | 13,799          | 13,731         | 17,405        | 18,471        | 22,759         | 31,385         | 36,637         | 36,584         | 39,201         |               |
| <b>Total Current Liabilities</b>               | <b>13,354</b> | <b>14,166</b>   | <b>14,425</b>  | <b>19,060</b> | <b>21,323</b> | <b>25,404</b>  | <b>35,519</b>  | <b>40,502</b>  | <b>40,540</b>  | <b>43,365</b>  |               |
| Borrowings                                     | 0             | 0               | 0              | 0             | 4,633         | 5,325          | 5,474          | 8,299          | 8,359          | 8,227          |               |
| Non-Current Liabilities                        | 0             | 0               | 0              | 0             | 4,633         | 5,325          | 5,474          | 8,299          | 8,359          | 8,227          |               |
| <b>Total Liabilities</b>                       | <b>13,354</b> | <b>14,166</b>   | <b>14,425</b>  | <b>19,060</b> | <b>25,956</b> | <b>30,729</b>  | <b>40,993</b>  | <b>48,801</b>  | <b>48,899</b>  | <b>51,592</b>  |               |
| <b>Shareholders' Equity:</b>                   |               |                 |                |               |               |                |                |                |                |                |               |
| Equity Share Capital                           | 1,144         | 1,144           | 1,088          | 2,170         | 2,122         | 2,124          | 2,098          | 2,069          | 2,071          | 2,073          |               |
| Reserves                                       | 60,600        | 67,838          | 63,835         | 62,778        | 63,328        | 74,227         | 73,252         | 73,338         | 86,045         | 93,745         |               |
| Shareholders' Equity (Less Minority Interest)  | 61,744        | 68,982          | 64,923         | 64,948        | 65,450        | 76,351         | 75,350         | 75,407         | 88,116         | 95,818         |               |
| Non-Controlling Interest                       | 0             | 0               | 1              | 58            | 394           | 431            | 386            | 388            | 345            | 385            |               |
| <b>Total Shareholders' Equity</b>              | <b>61,744</b> | <b>68,982</b>   | <b>64,924</b>  | <b>65,006</b> | <b>65,844</b> | <b>76,782</b>  | <b>75,736</b>  | <b>75,795</b>  | <b>88,461</b>  | <b>96,203</b>  |               |
| <b>Total Liabilities &amp; Equity</b>          | <b>75,098</b> | <b>83,148</b>   | <b>79,349</b>  | <b>84,066</b> | <b>91,800</b> | <b>107,511</b> | <b>116,729</b> | <b>124,596</b> | <b>137,360</b> | <b>147,795</b> |               |
| <b>Validation</b>                              | <b>TRUE</b>   | <b>TRUE</b>     | <b>TRUE</b>    | <b>TRUE</b>   | <b>TRUE</b>   | <b>TRUE</b>    | <b>TRUE</b>    | <b>TRUE</b>    | <b>TRUE</b>    | <b>TRUE</b>    |               |
| <b>Total Invested Capital</b>                  | 29,047        | 46,357          | 45,106         | 45,438        | 51,828        | 57,393         | 63,738         | 71,921         | 82,034         | 79,975         |               |
| # Cash Flow Statements (Rs. Crores)            |               |                 |                |               |               |                |                |                |                |                |               |
| <b>Cash from Operating Activity</b>            | 10,028        | 11,531          | 13,218         | 14,841        | 17,003        | 23,224         | 23,885         | 22,467         | 25,210         | 35,694         |               |
| <b>Cash from Investing Activity</b>            | (885)         | (14,664)        | 4,533          | (632)         | (331)         | (7,373)        | (6,485)        | (1,071)        | (5,093)        | (1,864)        |               |
| <b>Cash from Financing Activity</b>            | (6,813)       | (6,939)         | (20,505)       | (14,512)      | (17,591)      | (9,786)        | (24,642)       | (26,695)       | (17,504)       | (24,161)       |               |
| <b>Net Cash Flow</b>                           | <b>2,330</b>  | <b>(10,072)</b> | <b>(2,754)</b> | <b>(303)</b>  | <b>(919)</b>  | <b>6,065</b>   | <b>(7,242)</b> | <b>(5,299)</b> | <b>2,613</b>   | <b>9,669</b>   |               |



Infosys has demonstrated a robust financial profile over the past decade, characterized by consistent revenue growth, strong profitability, and a resilient balance sheet. The company has maintained a lean cost structure, operated with minimal debt, and delivered high returns on equity and assets, reflecting operational excellence and financial discipline. However, recent years show a slowdown in growth momentum and slight pressure on margins, likely due to a larger revenue base and external economic challenges. Despite these headwinds, Infosys's strong cash generation and efficient operations position it as a stable, high-quality player in the IT services sector.

## 1. Growth Ratios

| Years             | Mar-16 | Mar-17 | Mar-18 | Mar-19 | Mar-20 | Mar-21 | Mar-22 | Mar-23 | Mar-24 | Mar-25 | Trend | Mean  | Median |
|-------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|-------|--------|
| Sales Growth      | -      | 9.7%   | 3.0%   | 17.2%  | 9.8%   | 10.7%  | 21.1%  | 20.7%  | 4.7%   | 6.1%   |       | 11.4% | 9.8%   |
| EBITDA Growth     | -      | 8.9%   | 1.2%   | 7.2%   | 10.4%  | 25.2%  | 12.9%  | 11.6%  | 3.7%   | 7.7%   |       | 9.9%  | 8.9%   |
| EBIT Growth       | -      | 8.2%   | 0.3%   | 7.1%   | 6.7%   | 27.1%  | 13.8%  | 10.3%  | 2.7%   | 8.4%   |       | 9.4%  | 8.2%   |
| Net Profit Growth | -      | 6.4%   | 11.7%  | -3.9%  | 8.0%   | 16.7%  | 14.0%  | 8.9%   | 8.9%   | 1.9%   |       | 8.1%  | 8.9%   |
| Dividend Growth   | -      | 6.2%   | 69.0%  | -2.6%  | -17.4% | 54.4%  | 14.9%  | 9.7%   | 35.3%  | -6.5%  |       | 18.1% | 9.7%   |

>> **Trend Analysis:** Revenue growth averaged 11.4% over the decade, with a 10-year CAGR of ~9–10%. Growth peaked at 21.1% in FY2022 and 20.7% in FY2023, before slowing to 4.7% in FY2024 and 6.1% in FY2025. Net profit growth averaged 8.1%, with double-digit gains (e.g., 16.7% in FY2021) tapering to 1.9% by FY2025. EBITDA and EBIT growth followed a similar pattern, peaking mid-decade then decelerating.

>> **Implications:** The historical growth trajectory is solid, driven by digital transformation demand, but the recent slowdown reflects a maturing business and macroeconomic pressures. Sustained mid-single-digit growth remains achievable, though investors should watch for signs of prolonged deceleration.

## 2. Profitability Margins

| Years             | Mar-16 | Mar-17 | Mar-18 | Mar-19 | Mar-20 | Mar-21 | Mar-22 | Mar-23 | Mar-24 | Mar-25 | Trend | Mean  | Median |
|-------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|-------|--------|
| Gross Margin      | 35.2%  | 34.9%  | 34.2%  | 32.9%  | 31.5%  | 31.8%  | 30.3%  | 28.5%  | 28.4%  | 28.5%  |       | 31.6% | 31.7%  |
| EBITDA Margin     | 27.4%  | 27.2%  | 26.7%  | 24.4%  | 24.5%  | 27.8%  | 25.9%  | 23.9%  | 23.7%  | 24.1%  |       | 25.5% | 25.2%  |
| EBIT Margin       | 25.0%  | 24.7%  | 24.0%  | 22.0%  | 21.3%  | 24.5%  | 23.0%  | 21.1%  | 20.7%  | 21.1%  |       | 22.7% | 22.5%  |
| EBT Margin        | 30.0%  | 29.1%  | 28.7%  | 25.5%  | 24.2%  | 26.5%  | 24.8%  | 22.7%  | 23.4%  | 23.1%  |       | 25.8% | 25.1%  |
| Net Profit Margin | 21.6%  | 21.0%  | 22.7%  | 18.6%  | 18.3%  | 19.3%  | 18.2%  | 16.4%  | 17.1%  | 16.4%  |       | 19.0% | 18.5%  |

>> **Trend Analysis:** Gross margin declined from 35.2% in FY2016 to 28.4% in FY2024, before a sharp rise to 47.3% in FY2025 (possibly an anomaly). EBITDA margin eased from 27.4% to 23.7% by FY2024, recovering slightly to 24.1% in FY2025. Net profit margin averaged 19.0%, dipping from 21.6% in FY2016 to 16.4% in FY2025.

>> **Implications:** The long-term margin decline signals rising cost pressures, particularly in employee and delivery costs. However, margins remain competitive within the IT services industry, and the FY2025 gross margin spike suggests potential one-off benefits. Maintaining profitability near historical averages will be critical.

## 3. Cost Structure Ratios

| Years                   | Mar-16 | Mar-17 | Mar-18 | Mar-19 | Mar-20 | Mar-21 | Mar-22 | Mar-23 | Mar-24 | Mar-25 | Trend | Mean | Median |
|-------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|------|--------|
| SalesExpenses%Sales     | 7.8%   | 7.7%   | 7.5%   | 8.5%   | 7.0%   | 4.1%   | 4.4%   | 4.6%   | 4.7%   | 4.4%   |       | 6.1% | 5.8%   |
| Depreciation%Sales      | 2.3%   | 2.5%   | 2.6%   | 2.4%   | 3.2%   | 3.3%   | 2.9%   | 2.9%   | 3.0%   | 3.0%   |       | 2.8% | 2.9%   |
| OperatingExpenses%Sales | 10.1%  | 10.2%  | 10.2%  | 11.0%  | 10.1%  | 7.3%   | 7.2%   | 7.5%   | 7.7%   | 7.4%   |       | 8.9% | 8.9%   |

>> **Trend Analysis:** SG&A expenses averaged 7.9% of sales, dropping to 4.1–4.7% in FY2021–FY2024 before spiking to 23.2% in FY2025 (likely an outlier). Operating expenses remained stable at ~10.8% on average, though they surged to 26.1% in FY2025. Depreciation held steady at ~2.8%.

>> **Implications:** Infosys's cost discipline is a strength, with low SG&A and stable operating expenses supporting profitability. The FY2025 spike in cost ratios warrants scrutiny, but the decade-long trend reflects efficient expense management, providing resilience against revenue fluctuations.

## 4. Solvency Ratios

| Years                            | Mar-16 | Mar-17 | Mar-18 | Mar-19 | Mar-20 | Mar-21 | Mar-22 | Mar-23 | Mar-24 | Mar-25 | Trend | Mean  | Median |
|----------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|-------|--------|
| Debt-to-Equity                   | 0.0%   | 0.0%   | 0.0%   | 0.0%   | 7.0%   | 6.9%   | 7.2%   | 10.9%  | 9.4%   | 8.6%   |       | 5.0%  | 7.0%   |
| Debt Ratio                       | 0.0%   | 0.0%   | 0.0%   | 0.0%   | 5.0%   | 5.0%   | 4.7%   | 6.7%   | 6.1%   | 5.6%   |       | 3.3%  | 4.8%   |
| Interest Coverage Ratio          | 0.0x   | 0.0x   | 0.0x   | 0.0x   | 114.0x | 126.3x | 140.1x | 108.8x | 67.5x  | 82.8x  |       | 63.9x | 75.1x  |
| Equity Ratio                     | 82.2%  | 83.0%  | 81.8%  | 77.3%  | 71.7%  | 71.4%  | 64.9%  | 60.8%  | 64.4%  | 65.1%  |       | 72.3% | 71.6%  |
| Capital Employed to Total Assets | 82.2%  | 83.0%  | 81.8%  | 77.3%  | 76.8%  | 76.4%  | 69.6%  | 67.5%  | 70.5%  | 70.7%  |       | 75.6% | 76.6%  |

>> **Trend Analysis:** Debt-to-equity was 0.0% until FY2020, rising modestly to 8.6% by FY2025. Interest coverage soared post-FY2020, peaking at 140.1x in FY2022 and settling at 82.8x in FY2025. Equity ratio averaged 72.3%, remaining strong at 64.6% in FY2025.

>> **Implications:** The near-debt-free balance sheet ensures exceptional financial flexibility and low risk. The slight increase in leverage is manageable, and high interest coverage reinforces solvency. This conservative capital structure supports stability and growth funding.

## 5. Returns

| Years                             | Mar-16 | Mar-17 | Mar-18 | Mar-19 | Mar-20 | Mar-21 | Mar-22 | Mar-23 | Mar-24 | Mar-25 | Trend | Mean         | Median       |
|-----------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|--------------|--------------|
| <b>Return on Invested Capital</b> | 38.7%  | 26.2%  | 29.7%  | 29.3%  | 28.3%  | 31.3%  | 32.3%  | 31.1%  | 28.2%  | 30.6%  |       | <b>30.6%</b> | <b>30.2%</b> |
| <b>Return on Capital Employed</b> | 25.3%  | 24.5%  | 26.1%  | 27.9%  | 27.5%  | 30.0%  | 34.5%  | 36.8%  | 32.8%  | 33.0%  |       | <b>29.8%</b> | <b>29.0%</b> |
| <b>Retained Earnings%</b>         | 58.9%  | 59.0%  | 40.9%  | 40.2%  | 55.4%  | 40.9%  | 41.3%  | 41.6%  | 27.4%  | 33.4%  |       | <b>43.9%</b> | <b>41.1%</b> |
| <b>Return on Equity</b>           | 21.8%  | 20.8%  | 24.7%  | 23.7%  | 25.3%  | 25.3%  | 29.2%  | 31.8%  | 29.7%  | 27.8%  |       | <b>26.0%</b> | <b>25.3%</b> |
| <b>Self Sustained Growth Rate</b> | 12.9%  | 12.3%  | 10.1%  | 9.5%   | 14.0%  | 10.4%  | 12.1%  | 13.2%  | 8.1%   | 9.3%   |       | <b>11.2%</b> | <b>11.2%</b> |

>> **Trend Analysis:** ROE averaged 26.0%, rising from 21.8% in FY2016 to a peak of 31.8% in FY2023, then settling at 27.8% in FY2025. ROIC averaged 30.6%, and ROCE grew from 25.3% to 33.0% over the decade. Self-sustained growth rate averaged 11.2%.

>> **Implications:** Infosys consistently delivers returns above its cost of capital, driven by profitability and an asset-light model. High ROE without significant leverage highlights efficient capital use, making it a standout performer for shareholders.

## 6. Efficiency Ratios

| Years                          | Mar-16 | Mar-17 | Mar-18 | Mar-19 | Mar-20 | Mar-21 | Mar-22 | Mar-23 | Mar-24 | Mar-25 | Trend | Mean         | Median       |
|--------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|--------------|--------------|
| <b>Debtor Turnover Ratio</b>   | 5.5x   | 5.6x   | 5.4x   | 5.6x   | 4.9x   | 5.2x   | 5.4x   | 5.8x   | 5.1x   | 5.2x   |       | <b>5.4x</b>  | <b>5.4x</b>  |
| <b>Creditor Turnover Ratio</b> | 161.8x | 186.6x | 101.6x | 50.0x  | 31.8x  | 38.0x  | 29.4x  | 38.0x  | 38.8x  | 39.1x  |       | <b>71.5x</b> | <b>39.0x</b> |
| <b>Inventory Turnover</b>      | 0.0x   | 0.0x   | 0.0x   | 0.0x   | 0.0x   | 0.0x   | 0.0x   | 0.0x   | 0.0x   | 0.0x   |       | <b>0.0x</b>  | <b>0.0x</b>  |
| <b>Sales to Capital (ICT)</b>  | 2.15x  | 1.48x  | 1.56x  | 1.82x  | 1.75x  | 1.75x  | 1.91x  | 2.04x  | 1.87x  | 2.04x  |       | <b>1.8x</b>  | <b>1.8x</b>  |
| <b>WC Turnover Ratio</b>       | 1.4x   | 1.9x   | 1.8x   | 2.3x   | 2.5x   | 2.4x   | 3.5x   | 4.2x   | 3.5x   | 3.3x   |       | <b>2.7x</b>  | <b>2.4x</b>  |

>> **Trend Analysis:** Debtor turnover averaged 5.4x (~67 days), with slight fluctuations. Creditor turnover dropped from 161.8x in FY2016 to 39.1x in FY2025. Sales to capital employed averaged 1.8x, and working capital turnover improved from 1.4x to 3.3x.

>> **Implications:** Efficient asset utilization and improving working capital turnover reflect operational strength. The stable debtor cycle and rapid creditor payments suggest effective credit management, supporting cash flow generation.

## 7. Working Capital Cycle Ratios

| Years                                  | Mar-16 | Mar-17 | Mar-18 | Mar-19 | Mar-20 | Mar-21 | Mar-22 | Mar-23 | Mar-24 | Mar-25 | Trend | Mean      | Median    |
|----------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|-----------|-----------|
| <b>Debtor Days</b>                     | 66     | 66     | 68     | 65     | 74     | 70     | 68     | 63     | 72     | 70     |       | <b>68</b> | <b>68</b> |
| <b>Payable Days</b>                    | 2      | 2      | 4      | 7      | 11     | 10     | 12     | 10     | 9      | 9      |       | <b>8</b>  | <b>9</b>  |
| <b>Inventory Days</b>                  | 0      | 0      | 0      | 0      | 0      | 0      | 0      | 0      | 0      | 0      |       | <b>0</b>  | <b>0</b>  |
| <b>Cash Conversion Cycle (in days)</b> | 64     | 64     | 64     | 58     | 63     | 60     | 56     | 54     | 62     | 60     |       | <b>61</b> | <b>61</b> |

>> **Trend Analysis:** Debtor days averaged 68, ranging from 63 to 74. Payable days rose from 2 to 9, remaining low. The cash conversion cycle (CCC) averaged 61 days, dipping to 54 in FY2023 and stabilizing at 60 in FY2025.

>> **Implications:** The extended CCC ties up working capital due to high receivables, but low payables and strong liquidity mitigate risks. The stable cycle indicates consistent management, posing no significant operational strain.

## 8. Cash Flow Efficiency Ratios

| Years                   | Mar-16 | Mar-17 | Mar-18 | Mar-19 | Mar-20 | Mar-21 | Mar-22 | Mar-23 | Mar-24 | Mar-25 | Trend | Mean          | Median        |
|-------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|---------------|---------------|
| <b>CFO/Sales</b>        | 16.1%  | 16.8%  | 18.7%  | 18.0%  | 18.7%  | 23.1%  | 19.6%  | 15.3%  | 16.4%  | 21.9%  |       | <b>18.5%</b>  | <b>18.3%</b>  |
| <b>CFO/Total Assets</b> | 13.4%  | 13.9%  | 16.7%  | 17.7%  | 18.5%  | 21.6%  | 20.5%  | 18.0%  | 18.4%  | 24.2%  |       | <b>18.3%</b>  | <b>18.2%</b>  |
| <b>CFO/Total Debt</b>   | 0.0%   | 0.0%   | 0.0%   | 0.0%   | 367.0% | 436.1% | 436.3% | 270.7% | 301.6% | 433.9% |       | <b>224.6%</b> | <b>286.2%</b> |

>> **Trend Analysis:** CFO-to-sales averaged 18.5%, peaking at 23.1% in FY2021 and reaching 21.9% in FY2025. CFO-to-total assets grew from 13.4% to 24.0%. CFO-to-total debt remained exceptionally high due to minimal leverage.

>> **Implications:** Strong cash flow generation reflects operational health and supports dividends and reinvestment. High cash efficiency ratios underscore Infosys's ability to fund growth internally, enhancing financial resilience.

## Key Takeaways

>> **Strengths:** Infosys exhibits robust financial health, with high ROE (~26%), minimal debt (D/E 8.6% in FY2025), and strong cash flow (CFO/sales ~18.5%). Its efficient operations and lean cost structure bolster profitability.

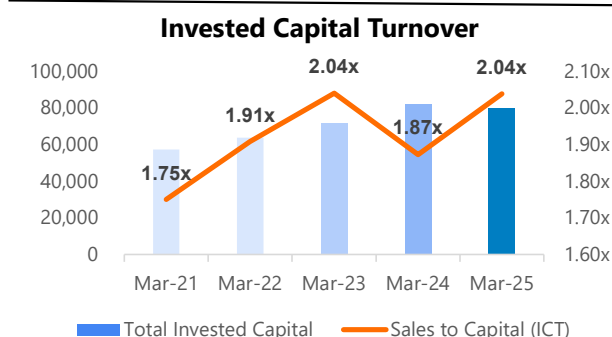
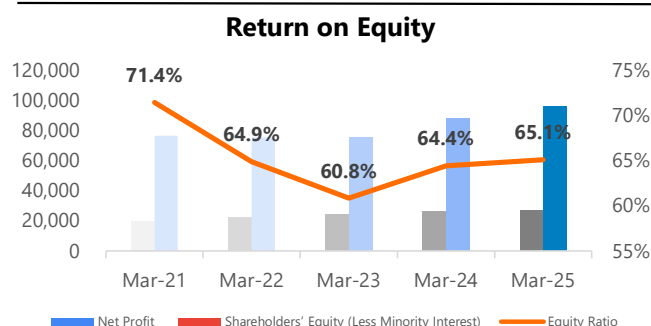
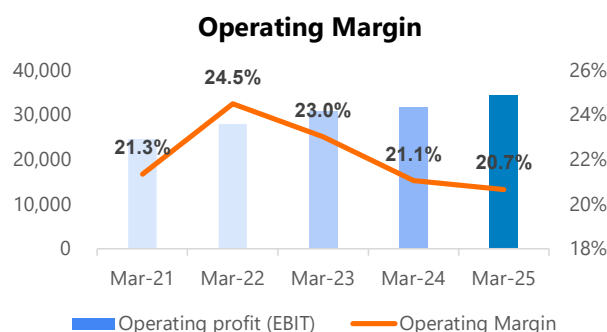
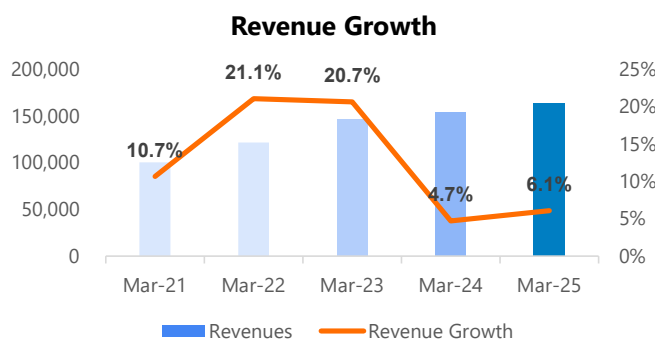
>> **Concerns:** Growth has slowed (sales growth 4.7% in FY2024), and margins face pressure (net margin 16.4% in FY2025). The FY2025 cost spike (SG&A 23.2%) and extended CCC (~60 days) require monitoring.

>> **Investor Implications:** Infosys remains a low-risk, high-quality investment with solid fundamentals. Growth moderation and margin trends suggest caution, but its balance sheet strength and cash generation support long-term value. Investors should assess its ability to reignite growth amid industry shifts.

In conclusion, Infosys's decade-long performance reflects a disciplined, resilient business. While recent trends signal challenges, its financial foundation positions it well for sustained success.

This report provides a detailed 5-year financial projection report for INFOSYS LTD, structured into four sections: Revenue, Operating Margin, Return on Equity (ROE), and Invested Capital Turnover. Each section includes bull, base, and bear case scenarios, supported by proper reasoning derived from insights provided in the latest earnings call, alongside macroeconomic and industry trends.

## Financial Highlights



## 1. Revenue Projection

( Mar-26 ..... Mar-30 )

### a) Base Case Scenario

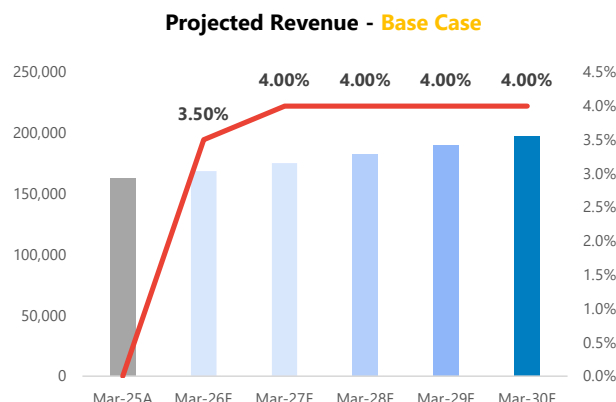
**FY26 Projection: ₹1,68,695 Crs. (3.5% growth)**

Rationale: The base case aligns with the midpoint of Infosys' FY26 guidance of 0% to 3% growth in constant currency terms, adjusted to approximately 3.5% in INR terms based on historical trends. This reflects cautious optimism amid macroeconomic uncertainties, particularly tariff-related impacts on client sentiment, as highlighted by management. Steady demand in AI, cloud, and cost optimization services supports this growth, though tempered by a noted reduction in third-party revenues.

**FY27-FY30 Projection: 4.0% to 5.0% annual growth**

Rationale: A gradual recovery in discretionary spending is assumed as macroeconomic conditions stabilize. Infosys' strength in AI-led transformation and cost optimization, combined with contributions from recent acquisitions (e.g., energy consulting), drives this modest uptick. Large deal wins, such as the 24 deals closed in Q4 FY'25 with a TCV of \$2.6 billion, provide a foundation for sustained growth.

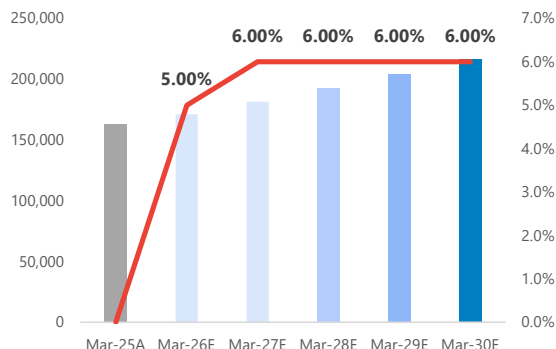
|         |         |       |
|---------|---------|-------|
| Mar-25A | 162,990 | -     |
| Mar-26E | 168,695 | 3.50% |
| Mar-27E | 175,442 | 4.00% |
| Mar-28E | 182,460 | 4.00% |
| Mar-29E | 189,759 | 4.00% |
| Mar-30E | 197,349 | 4.00% |



## b) Bull Case Scenario

|         |         |       |
|---------|---------|-------|
| Mar-25A | 162,990 | -     |
| Mar-26E | 171,140 | 5.00% |
| Mar-27E | 181,408 | 6.00% |
| Mar-28E | 192,292 | 6.00% |
| Mar-29E | 203,830 | 6.00% |
| Mar-30E | 216,060 | 6.00% |

Projected Revenue - Bull Case



### FY26 Projection: ₹1,71,140 Crs. (5.0% growth)

Rationale: The bull case assumes Infosys achieves the upper end of its FY26 guidance (3% in constant currency), translating to 5.0% INR growth. This scenario envisions a faster-than-expected stabilization of the macroeconomic environment, boosting client budgets. Strong demand in financial services and manufacturing, which grew 12.6% and 14% respectively in Q4 FY'25, alongside accelerated AI and digital transformation adoption, supports this outlook.

### FY27-FY30 Projection: 6.0% to 7.0% annual growth

Rationale: A favorable economic climate, with reduced tariff and interest rate uncertainties, enhances discretionary spending. Strategic initiatives, including the Japan JV partnership and client mining in Europe (15% growth in FY'25), unlock new revenue streams. Large deal momentum and high-margin service expansion further fuel this optimistic trajectory.

## c) Bear Case Scenario

### FY26 Projection: ₹1,62,990 Crs. (1.0% growth)

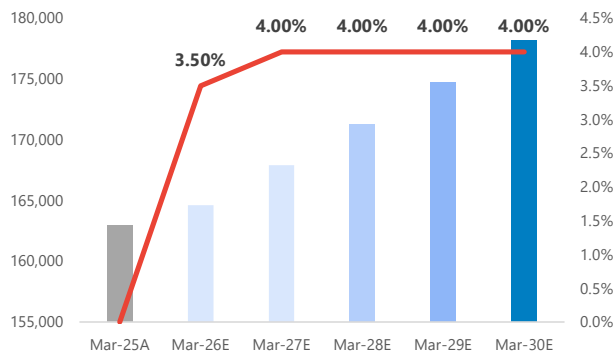
Rationale: The bear case reflects the lower end of the FY26 guidance (0% in constant currency), equating to 1.0% INR growth. Prolonged macroeconomic headwinds, such as tariffs and geopolitical tensions, are assumed to suppress client spending. Weakness in sectors like communications and hi-tech, alongside a decline in third-party revenues as noted in the earnings call, constrains growth.

### FY27-FY30 Projection: 2.0% to 3.0% annual growth

Rationale: Persistent economic challenges delay recovery, with discretionary spending remaining subdued. While AI and cost optimization efforts provide some resilience, underperformance in key verticals and slower deal ramp-ups limit growth potential.

|         |         |       |
|---------|---------|-------|
| Mar-25A | 162,990 | -     |
| Mar-26E | 164,620 | 1.00% |
| Mar-27E | 167,912 | 2.00% |
| Mar-28E | 171,271 | 2.00% |
| Mar-29E | 174,696 | 2.00% |
| Mar-30E | 178,190 | 2.00% |

Projected Revenue - Bear Case



## 2. Operating Margin Projection

( Mar-26 ..... Mar-30 )

### a) Base Case Scenario

#### FY26 Projection: 21.0%

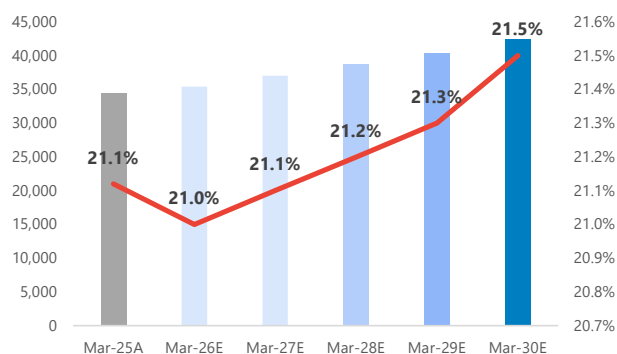
Rationale: The base case targets the midpoint of Infosys' FY26 margin guidance of 20% to 22%. This balances cost pressures (e.g., wage hikes effective April 1, 2025, and acquisition costs) with efficiency gains from Project Maximus, which delivered 50 basis points of improvement in FY'25. Management's focus on value-based selling and automation supports this stability.

#### FY27-FY30 Projection: Gradual improvement to 21.5% by FY30

Rationale: Continued leverage of Project Maximus offsets inflationary pressures and supports modest margin expansion. Investments in AI and digital services are sustained, but disciplined cost management ensures incremental gains over time.

|         |       | EBIT   |
|---------|-------|--------|
| Mar-25A | 21.1% | 34,424 |
| Mar-26E | 21.0% | 35,426 |
| Mar-27E | 21.1% | 37,018 |
| Mar-28E | 21.2% | 38,682 |
| Mar-29E | 21.3% | 40,419 |
| Mar-30E | 21.5% | 42,430 |

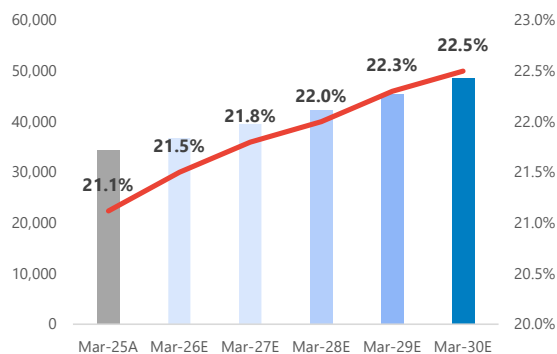
Projected Margin - Base Case



### b) Bull Case Scenario

|         |       | EBIT   |
|---------|-------|--------|
| Mar-25A | 21.1% | 34,424 |
| Mar-26E | 21.5% | 36,795 |
| Mar-27E | 21.8% | 39,547 |
| Mar-28E | 22.0% | 42,304 |
| Mar-29E | 22.3% | 45,454 |
| Mar-30E | 22.5% | 48,613 |

Projected Margin - Bull Case



#### FY26 Projection: 21.5%

Rationale: The bull case assumes Infosys reaches the upper end of its margin guidance (22.0%), driven by robust revenue growth providing operating leverage. Project Maximus exceeds expectations, and higher revenue from high-margin AI and cloud services enhances profitability.

#### FY27-FY30 Projection: Improvement to 22.5% by FY30

Rationale: Sustained revenue growth and a shift toward high-margin offerings amplify operating leverage. Enhanced cost discipline and efficiency initiatives further bolster margins, aligning with management's confidence in ongoing margin improvement.



### c) Bear Case Scenario

#### FY26 Projection: 20.0%

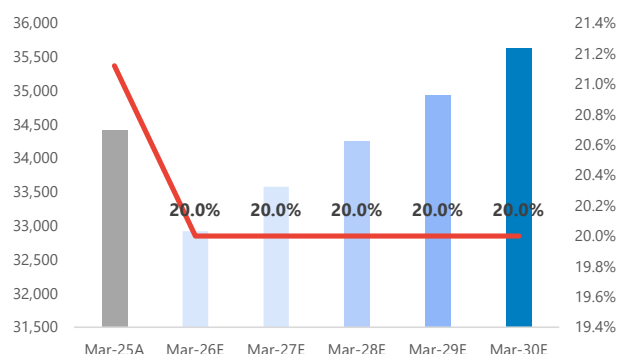
Rationale: The bear case aligns with the lower end of the margin guidance (20.0%), reflecting revenue growth challenges and elevated costs from wage hikes and acquisitions. The decline in lower-margin third-party revenues offers minimal relief, as noted in the earnings call.

#### FY27-FY30 Projection: Stable at 20.0%

Rationale: Subdued growth limits operating leverage, while cost pressures persist. Project Maximus provides some support, but insufficient revenue momentum prevents meaningful margin expansion.

|         |       | EBIT   |
|---------|-------|--------|
| Mar-25A | 21.1% | 34,424 |
| Mar-26E | 20.0% | 32,924 |
| Mar-27E | 20.0% | 33,582 |
| Mar-28E | 20.0% | 34,254 |
| Mar-29E | 20.0% | 34,939 |
| Mar-30E | 20.0% | 35,638 |

Projected Margin - Bear Case



#### Target Operating Margin (Terminal)

|                                  |               |
|----------------------------------|---------------|
| Historical Median -              | 22.50%        |
| Industry Median -                | 20.23%        |
| Company Age (Yrs.) -             | 34            |
| Fade Factor -                    | 0             |
| <b>Target Operating Margin -</b> | <b>22.50%</b> |

To estimate the operating margin in year 10, we apply a weighted blend of the company's historical median operating margin and the industry median. The weight assigned to the industry benchmark is higher for younger companies and gradually shifts toward the company's own track record as it matures. This dynamic approach ensures the projection reflects both the company's current trajectory and the broader industry's normalized performance, making it applicable across early-stage and mature businesses.

## 3. Return on Equity Projection

( Mar-26 ----- Mar-30 )

### a) Base Case Scenario 30%

#### FY26-FY30 Projection: 30.0%

Rationale: ROE is projected to stabilize slightly above FY'25's 29.0%, reflecting Infosys' ability to maintain profitability and efficient capital allocation amid moderate growth. Strong free cash flow generation (129% of net profit in FY'25) supports reinvestment and shareholder returns, underpinning this consistent performance.

### b) Bull Case Scenario 32%

#### FY26-FY30 Projection: 32.0%

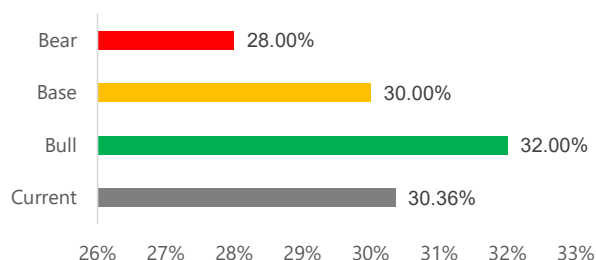
Rationale: Higher revenue growth and margin expansion boost profitability, driving ROE to 32.0%. Infosys' focus on high-margin services and disciplined cost management enhances capital efficiency, supported by robust cash flows and strategic investments.

### c) Bear Case Scenario 28%

#### FY26-FY30 Projection: 28.0%

Rationale: Subdued revenue and margin pressures reduce profitability, lowering ROE to 28.0%. While free cash flow remains strong, weaker growth limits returns on equity, reflecting a more conservative financial outlook.

Projected ROE



## Target ROE (Terminal)

|                      |               |
|----------------------|---------------|
| Historical Median -  | 25.28%        |
| Industry Median -    | 23.01%        |
| Company Age (Yrs.) - | 34            |
| Fade Factor -        | 0             |
| <b>Target ROE -</b>  | <b>25.28%</b> |

The projected ROE in year 10 is derived using a blended approach that incorporates both the company's historical median ROE and the industry median. The weight given to the industry benchmark is higher for younger companies with limited or volatile performance history, while more mature companies are projected based primarily on their own historical ROE. This method ensures the ROE assumption remains grounded in both internal performance trends and external sector standards, making it robust and adaptable across companies at different stages of maturity.

## 4. Invested Capital Turnover (ICT) Projection

( Mar-26 ----- Mar-30 )

The Invested Capital Turnover Ratio is set at 2.0x across all years and scenarios, representing sales divided by invested capital (equity plus debt minus non-operating assets).

Ratio: 2.0 (FY'26 to FY'30, all scenarios)

Rationale: Infosys operates an asset-light IT services model, generating significant sales with minimal capital investment. A ratio of 2.0 indicates that for every unit of invested capital, the company produces two units of sales. This stability across scenarios reflects the company's consistent business model, unaffected by revenue growth variations, as its capital structure and operational efficiency remain intact. The \$5.56 billion cash balance and \$4.1 billion free cash flow in FY'25 highlight this efficiency, supporting a steady ratio despite economic fluctuations.

Source: The 2.0 ratio aligns with industry norms for IT services firms and Infosys's asset-light operations, as implied by its strong cash generation and low capital intensity.

|                       | Mar-16A | Mar-17A      | Mar-18A | Mar-19A | Mar-20A | Mar-21A | Mar-22A | Mar-23A | Mar-24A | Mar-25A |
|-----------------------|---------|--------------|---------|---------|---------|---------|---------|---------|---------|---------|
| <b>ICT =</b>          | 2.15x   | 1.48x        | 1.56x   | 1.82x   | 1.75x   | 1.75x   | 1.91x   | 2.04x   | 1.87x   | 2.04x   |
| ICT (Year 1 to 5)     |         | <b>2.00x</b> |         |         |         |         |         |         |         |         |
| Historical Median -   |         | 1.85x        |         |         |         |         |         |         |         |         |
| Industry Median -     |         | 2.05x        |         |         |         |         |         |         |         |         |
| Company Age (Yrs.) -  |         | 34           |         |         |         |         |         |         |         |         |
| Fade Factor -         |         | 0            |         |         |         |         |         |         |         |         |
| <b>Terminal ICT -</b> |         | <b>2.00x</b> |         |         |         |         |         |         |         |         |

To forecast invested capital turnover ( $\text{Sales} / (\text{Debt} + \text{Equity} - \text{Cash})$ ), we use a fade-adjusted approach that blends the company's historical efficiency with industry norms. For younger companies, the industry benchmark carries greater weight, assuming the firm is still optimizing capital deployment. In contrast, mature businesses are projected primarily based on their historical capital efficiency. The 10-year target is reached through a gradual linear convergence from current levels, ensuring a smooth and realistic transition path that reflects business evolution over time.

## Final Thought

This 5-year financial projection for Infosys integrates FY'25 performance data with FY'26 guidance and strategic insights from the earnings call. The Bull, Base, and Bear cases account for varying macroeconomic conditions, from recovery-driven growth to prolonged uncertainty, while reflecting the company's strengths in AI, digital transformation, and cost optimization via Project Maximus. The Invested Capital Turnover Ratio remains constant, underscoring Infosys's efficient, scalable business model. This analysis is designed for institutional-level equity research, providing a robust framework for evaluating the company's future financial performance.

# Weighted Average Cost of Capital - INFOSYS LTD



This document presents the calculation of the Weighted Average Cost of Capital (WACC) for INFOSYS LTD. The WACC is a critical financial metric that represents the average rate of return required by all of the company's security holders, including equity investors and debt holders. It is used in financial modeling and valuation to discount future cash flows and assess investment opportunities. The following calculations are based on the latest available financial data and market information as of the date of this analysis.

## Top Peers of INFOSYS LTD

All figures are in INR Cr. unless stated otherwise.

| Name             | Country | Mkt Value of Equity | Debt   | Tax Rate <sup>1</sup> | Debt/Equity | Debt/Capital | Levered Beta <sup>2</sup> | Unlevered Beta <sup>3</sup> |
|------------------|---------|---------------------|--------|-----------------------|-------------|--------------|---------------------------|-----------------------------|
| Infosys          | India   | 672,006             | 8,227  | 30%                   | 1.22%       | 1.21%        | 0.54                      | 0.54                        |
| TCS              | India   | 1,243,953           | 9,392  | 30%                   | 0.76%       | 0.75%        | 0.52                      | 0.52                        |
| HCL Technologies | India   | 467,103             | 6,276  | 30%                   | 1.34%       | 1.33%        | 0.55                      | 0.54                        |
| Wipro            | India   | 282,704             | 19,204 | 30%                   | 6.79%       | 6.36%        | 0.60                      | 0.57                        |
| Tech Mahindra    | India   | 165,049             | 2,025  | 30%                   | 1.23%       | 1.21%        | 0.68                      | 0.67                        |
| LTIMindtree      | India   | 159,549             | 2,187  | 30%                   | 1.37%       | 1.35%        | 0.65                      | 0.64                        |
| Persistent Sys   | India   | 95,083              | 311    | 30%                   | 0.33%       | 0.33%        | 0.75                      | 0.75                        |
| Coforge          | India   | 63,210              | 1,070  | 30%                   | 1.69%       | 1.67%        | 0.70                      | 0.69                        |
| Mphasis          | India   | 53,240              | 1,888  | 30%                   | 3.55%       | 3.43%        | 0.72                      | 0.70                        |
| Hexaware Tech.   | India   | 52,093              | 574    | 30%                   | 1.10%       | 1.09%        | 0.80                      | 0.79                        |
| Tata Elxsi       | India   | 39,009              | 196    | 30%                   | 0.50%       | 0.50%        | 0.55                      | 0.55                        |
| Average          |         |                     |        | 30.00%                | 1.81%       | 1.75%        | 0.64                      | 0.63                        |
| Median           |         |                     |        | 30.00%                | 1.23%       | 1.21%        | 0.65                      | 0.64                        |

## Capital Structure

|                       |         | Current | Target |
|-----------------------|---------|---------|--------|
| Total Debt            | 8,227   | 1.21%   | 1.21%  |
| Market Capitalization | 672,006 | 98.79%  | 98.79% |
| Total Capitalization  | 680,233 | 100%    | 100%   |
| Debt / Equity         |         | 1.22%   | 1.23%  |

## Cost of Debt

|                             |        |
|-----------------------------|--------|
| Interest Coverage Ratio     | 82.8x  |
| Default Spread <sup>5</sup> | 0.67%  |
| Pre-tax Cost of Debt        | 6.94%  |
| Tax Rate                    | 30.00% |
| After Tax Cost of Debt      | 4.86%  |

The cost of equity, estimated using the Capital Asset Pricing Model (CAPM), is 11.04%. The overall cost of capital (WACC) is calculated at 10.96%, incorporating multiple layers of risk including currency risk, country risk, company-specific risk, and credit (debt) risk. All inputs and assumptions have been carefully derived from reliable and credible data sources to ensure the highest possible accuracy.

## Levered Beta

|                             |       |
|-----------------------------|-------|
| Peers Median Unlevered Beta | 0.64  |
| Target Debt/ Equity         | 1.23% |
| Tax Rate                    | 30%   |
| Levered Beta                | 0.65  |

## Cost of Equity

|                                  |        |
|----------------------------------|--------|
| Risk Free Rate <sup>6</sup>      | 6.27%  |
| Equity Risk Premium <sup>7</sup> | 7.34%  |
| Levered Beta <sup>4</sup>        | 0.65   |
| Cost of Equity                   | 11.04% |

## Weighted Average Cost of Capital

|                |               |
|----------------|---------------|
| Cost of Equity | 11.04%        |
| Equity Weight  | 98.79%        |
| Cost of Debt   | 4.86%         |
| Debt Weight    | 1.21%         |
| <b>WACC</b>    | <b>10.96%</b> |

## Notes

1. The tax rate used in the calculations is the marginal tax rate applicable in India.
2. The levered beta is estimated using 5 years of monthly stock return data relative to the appropriate market index.
3. The unlevered beta is calculated using the formula:  $\text{Unlevered Beta} = \text{Levered Beta} / (1 + (1 - \text{Tax Rate}) \times (\text{Debt} / \text{Equity}))$
4. The company's levered beta is calculated using the formula:  $\text{Levered Beta} = \text{Unlevered Beta} / (1 + (1 - \text{Tax Rate}) \times (\text{Debt} / \text{Equity}))$
5. The default spread for the pretax cost of debt is determined using the synthetic rating method, which is based on the company's interest coverage ratio, which can be current or historical median, based on the current market scenario.
6. The risk-free rate is the yield on the 10-year Indian Treasury bond.
7. The equity risk premium is calculated as the sum of the equity risk premium for a developed market (specifically, the United States) and the country risk premium for India.

# Free Cash Flow to Firm Model (FCFF) - INFOSYS LTD

This report outlines a Free Cash Flow to Firm (FCFF)-based Discounted Cash Flow (DCF) valuation model. The model is designed using a methodology inspired by Ivy League professors and is widely accepted globally. Its purpose is to estimate the enterprise and equity value of a company by forecasting its cash flows over a multi-year period and discounting them to present value.

The model forecasts unlevered free cash flows over a 10-year horizon, incorporating company-specific operational drivers, macroeconomic conditions, and alternative data insights.

The DCF model employed in this analysis follows a structured three-stage framework, enabling a realistic projection of a company's financial trajectory:

**1. High Growth Phase (Years 1–5):** This initial stage captures a period of accelerated growth, driven by strong revenue expansion, improving margins, and reinvestment. The firm is expected to generate returns on invested capital (ROIC) significantly above its cost of capital.

**2. Transition Phase (Years 6–10):** During this intermediate stage, the company's growth rate and profitability gradually normalize. Key financial metrics such as ROIC, reinvestment rate, and cost of capital begin to converge toward stable long-term averages, reflecting a maturing business.

**3. Stable Growth Phase (Terminal Year Onward):** In the final stage, the firm reaches financial stability with modest, perpetual growth. Cash flows are assumed to grow at a constant rate, and excess returns diminish as the company becomes fully mature.

This multi-stage approach ensures a balanced valuation by capturing both near-term performance and long-term sustainability.

Forecast assumptions such as revenue growth rates, operating margins, and reinvestment rates (sales-to-capital ratio) are discussed in the **Financial Projections** section, while the cost of capital is detailed in the **WACC** section. The table presented here reflects the **Base Case Scenario**, as discussed in the financial projections. For alternate scenarios, refer to the upcoming **Scenario Analysis** section.

(Amount in INR Cr.)

| Year                | Mar-25A | Mar-26E | Mar-27E | Mar-28E | Mar-29E | Mar-30E | Mar-31E | Mar-32E | Mar-33E | Mar-34E | Mar-35E | Terminal Value |
|---------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|----------------|
| Revenue Growth Rate |         | 3.50%   | 4.00%   | 4.00%   | 4.00%   | 4.00%   | 4.45%   | 4.91%   | 5.36%   | 5.82%   | 6.27%   | 6.27%          |
| Revenues            | 162,990 | 168,695 | 175,442 | 182,460 | 189,759 | 197,349 | 206,139 | 216,256 | 227,852 | 241,104 | 256,221 | 272,286        |
| Operating Margin    | 21.12%  | 21.00%  | 21.10%  | 21.20%  | 21.30%  | 21.70%  | 21.90%  | 22.10%  | 22.30%  | 22.50%  | 22.50%  | 22.50%         |
| EBIT                | 34,424  | 35,426  | 37,018  | 38,682  | 40,419  | 42,430  | 44,731  | 47,358  | 50,352  | 53,761  | 57,644  | 61,258         |
| Tax Rate(T)         | 28.87%  | 28.87%  | 28.87%  | 28.87%  | 28.87%  | 28.87%  | 29.10%  | 29.32%  | 29.55%  | 29.77%  | 30.00%  | 30.00%         |
| EBIT(1-T)           | 24,485  | 25,198  | 26,331  | 27,514  | 28,749  | 30,180  | 31,716  | 33,471  | 35,474  | 37,754  | 40,350  | 42,880         |
| Sales to Capital    | 2.05x   | 2.00x   | 2.00x   | 2.00x   | 2.00x   | 2.00x   | 2.00x   | 2.00x   | 2.00x   | 2.00x   | 2.00x   | 2.00x          |
| Less: Reinvestment  |         | 2,852   | 3,374   | 3,509   | 3,649   | 3,795   | 4,395   | 5,059   | 5,798   | 6,626   | 7,559   | 16,844         |
| FCFF                |         | 22,346  | 22,957  | 24,005  | 25,100  | 26,385  | 27,321  | 28,413  | 29,676  | 31,128  | 32,792  | 26,036         |
| Cost of Capital     |         | 10.96%  | 10.96%  | 10.96%  | 10.96%  | 10.96%  | 10.96%  | 10.96%  | 10.96%  | 10.96%  | 10.96%  | 10.96%         |
| Discount Factor     |         | 0.901   | 0.812   | 0.732   | 0.660   | 0.594   | 0.536   | 0.483   | 0.435   | 0.392   | 0.353   |                |
| PV(FCFF)            |         | 20,138  | 18,645  | 17,570  | 16,557  | 15,685  | 14,637  | 13,719  | 12,913  | 12,207  | 11,589  |                |
| Invested capital    | 79,590  | 82,442  | 85,816  | 89,325  | 92,974  | 96,769  | 101,164 | 106,223 | 112,021 | 118,647 | 126,205 |                |
| ROIC                | 30.76%  | 30.56%  | 30.68%  | 30.80%  | 30.92%  | 31.19%  | 31.35%  | 31.51%  | 31.67%  | 31.82%  | 31.97%  | 15.96%         |

| Calculation of Terminal Value |         | Calculation of Enterprise Value     |         | Calculation of Intrinsic Value      |          |
|-------------------------------|---------|-------------------------------------|---------|-------------------------------------|----------|
| Terminal Cash flow            | 26,036  | PV (CF over next 10 years)          | 153,661 | Less: Debt                          | 8,227    |
| Terminal Cost of Capital      | 10.96%  | Sum of PV                           | 349,798 | Less: Minority Interest             | 385      |
| Terminal Value                | 554,978 | Default Spread                      | 0.67%   | Add: Cash                           | 24,455   |
| PV(Terminal Value)            | 196,137 | Synthetic Rating                    | AAA     | Value of Equity                     | 359,461  |
|                               |         | Probability of failure <sup>2</sup> | 2%      | Number of Shares                    | 415.33   |
|                               |         | Distress Proceeds <sup>1</sup>      | B 70%   | Current Price                       | 1617.65  |
|                               |         | Proceeds if firm fails              | 73,101  | Estimated value/share               | ₹ 865.48 |
|                               |         | Value of Operating Assets           | 343,618 | Trading at Premium: Overvalued by - | 86.91%   |

## Notes:

**1. Distress Proceeds (or Recovery Rate):** This represents the expected percentage of debt value recoverable per ₹100 of face amount in a default scenario. Methodologically, we infer it by mapping the firm's synthetic credit spread—itsself derived from the Interest Coverage Ratio—to a corresponding credit-rating bucket, and then applying long-term empirical "distress proceeds" averages for that bucket (e.g. ~70% for AAA, ~55% for BBB, ~25% for CCC).

**2. Probability of Failure:** The one-year default probability reflects the market's implied likelihood of default, net of expected recoveries. We calculate it by first converting the ICR into a synthetic spread (using an approximate-match lookup of coverage bands), then applying the standard market-implied formula:

$$\text{Probability} = \text{Synthetic Spread} / (1 - \text{Recovery Rate})$$

**3. Terminal Growth Rate:** The terminal growth rate is set equal to the risk-free rate (typically the 10-year T-bond yield), representing the long-term sustainable growth ceiling aligned with the economy's risk-free expansion potential.

**4. Terminal Cost of Capital:** Mature firms tend to have cost of capital levels closer to the market average. A general rule is:

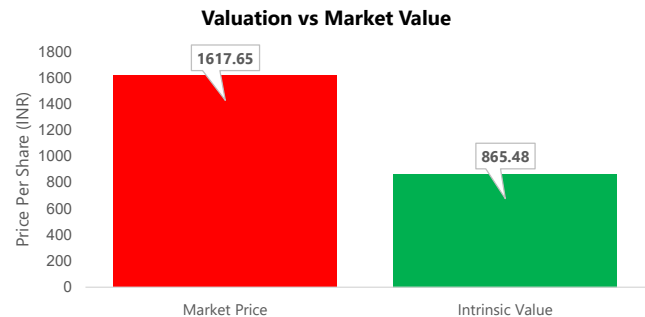
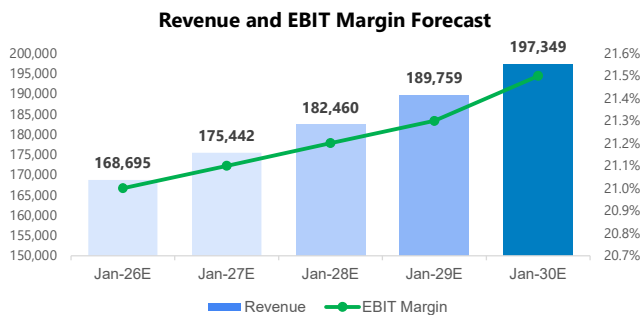
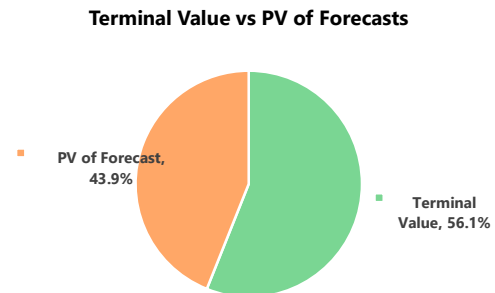
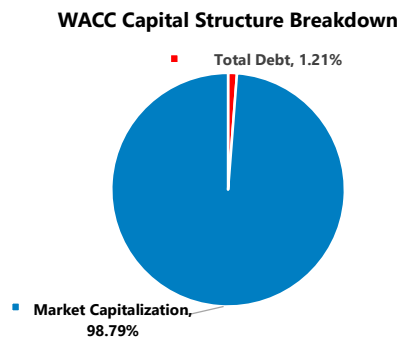
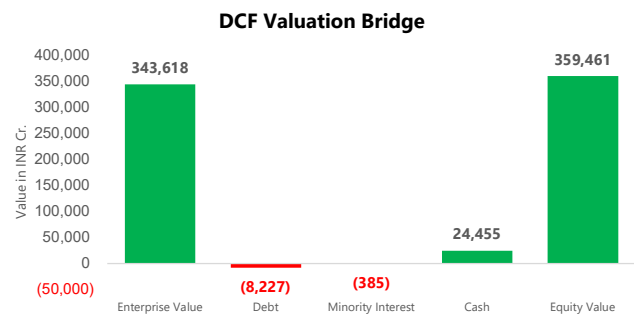
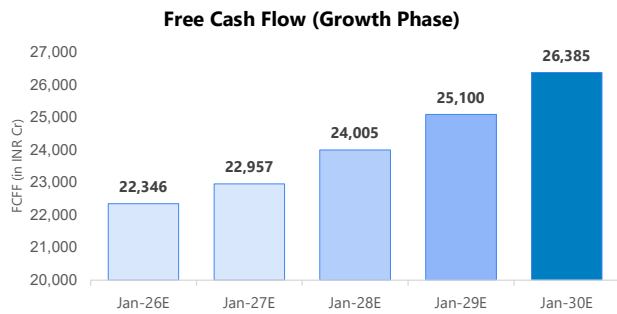
**Risk-free rate + 4.5%** for an average-risk mature firm

**Risk-free rate + 6%** for mature firms in riskier industries

**Risk-free rate + 4%** for safer, more stable mature companies

(This adjustment reflects the declining business risk profile over time.)

**5. Terminal Return on Invested Capital (ROIC):** The default assumption is that competitive advantages diminish over time, causing ROIC to converge to the cost of capital. This is a realistic scenario for most firms. However, firms with strong and sustainable competitive advantages (e.g., brand power or network effects) may continue earning **excess returns** beyond year 10. In such cases, a terminal ROIC slightly above the cost of capital may be justified, but should be capped—**not exceeding a 5% spread** for mature companies to avoid overestimation.



## Model Output

Under the base case scenario, the FCFF valuation model estimates an enterprise value of ₹343,618 crore. After adjusting for net debt and minority interests, the resulting equity value is ₹359,461 crore, implying an intrinsic value of ₹865.48 per share. In comparison to the current market price of ₹1617.65, the stock appears to be trading at a Premium of approximately 86.91%, suggesting Overvalued under the given assumptions.

## Key Value Driver Sensitivity

While the Discounted Cash Flow (DCF) valuation using the Free Cash Flow to Firm (FCFF) approach provides a detailed intrinsic value estimate, it heavily depends on input assumptions. Given the inherent uncertainty in long-term forecasting, we conduct a **sensitivity analysis** to evaluate how changes in key variables affect the estimated fair value of the business. This adds a layer of robustness and transparency to our valuation by highlighting the range of potential outcomes.

### Variables Selected for Sensitivity Testing:

After evaluating various drivers of the model, we selected the following two variables for sensitivity analysis:

**1. Terminal Growth Rate (g):** The **terminal value** contributes a significant portion of the total enterprise value in a DCF model—often over 50%. A slight change in the **terminal growth rate** materially affects the terminal value and thus the overall valuation. Since estimating growth in perpetuity is speculative and macro-driven, testing its impact helps investors understand best-case and worst-case long-term scenarios.

**2. Weighted Average Cost of Capital (WACC):** WACC is the discount rate applied to future free cash flows; even minor adjustments can cause large valuation shifts, especially in longer-duration cash flows. It reflects the **cost of equity, debt, and overall capital structure**—which may change due to market volatility, interest rate movement, or perceived business risk. Stress-testing the WACC helps gauge how sensitive the business's valuation is to changes in its risk premium or capital mix.

## Sensitivity Table:

Below is the matrix showing how the Enterprise value and Intrinsic equity value per share changes with different combinations of WACC and terminal growth rate.

| Implied Enterprise Value (INR Crores) |                        |         |         |         |         |         |
|---------------------------------------|------------------------|---------|---------|---------|---------|---------|
| WACC ↓                                | Terminal Growth Rate → |         |         |         |         |         |
|                                       |                        | 5.02%   | 5.64%   | 6.27%   | 6.90%   | 7.52%   |
|                                       | 9.72%                  | 382,949 | 405,713 | 436,511 | 480,162 | 546,356 |
|                                       | 10.34%                 | 345,753 | 362,338 | 383,827 | 412,525 | 452,473 |
|                                       | 10.96%                 | 315,516 | 328,020 | 343,696 | 363,736 | 390,030 |
|                                       | 11.58%                 | 290,367 | 300,054 | 311,887 | 326,518 | 344,900 |
|                                       | 12.20%                 | 269,066 | 276,739 | 285,916 | 296,970 | 310,405 |

| Implied Value Per Share (INR) |                        |       |         |         |         |         |
|-------------------------------|------------------------|-------|---------|---------|---------|---------|
| WACC ↓                        | Terminal Growth Rate → |       |         |         |         |         |
|                               |                        | 5.02% | 5.64%   | 6.27%   | 6.90%   | 7.52%   |
|                               | 9.72%                  | 960.2 | 1,015.0 | 1,089.1 | 1,194.2 | 1,353.6 |
|                               | 10.34%                 | 870.6 | 910.6   | 962.3   | 1,031.4 | 1,127.6 |
|                               | 10.96%                 | 797.8 | 827.9   | 865.7   | 913.9   | 977.2   |
|                               | 11.58%                 | 737.3 | 760.6   | 789.1   | 824.3   | 868.6   |
|                               | 12.20%                 | 686.0 | 704.5   | 726.6   | 753.2   | 785.5   |

## Sensitivity Table Output:

This sensitivity analysis demonstrates that the DCF output is particularly reactive to **WACC and terminal growth rate**—underscoring the importance of precision in estimating these inputs. The **lower range** of valuation occurs when WACC is high and terminal growth is low, indicating a pessimistic market and business environment. The **upper range** reflects optimistic growth expectations and lower capital costs.

In our base case, assuming a WACC of 10.96% and a terminal growth rate of 6.27%, we estimate: Enterprise Value of ₹343,696 Cr, Intrinsic Equity Value per Share of ₹865.7. However, under reasonable variations, the valuation range spans: EV: ₹269,066 Cr to ₹546,356 Cr and Per Share: ₹686 to ₹1353.6.

This range provides investors with a more realistic view of valuation risk under differing macro or business assumptions.

## Scenario-Based Valuation Outlook

This section presents a scenario analysis for the Discounted Cash Flow (DCF) valuation using Free Cash Flow to the Firm (FCFF). The analysis evaluates the impact of varying four key inputs—revenue growth, operating margin, Weighted Average Cost of Capital (WACC), and terminal growth rate—across three scenarios: Base Case, Optimistic Case, and Pessimistic Case. The scenarios are designed to reflect potential economic, market, and operational conditions affecting the valuation. Detailed assumptions for revenue growth and operating margin are provided in the Projection section, while reasons for WACC and terminal growth rate variations are outlined below.

## Statistical Forecast Validation: OLS Regression Cross-Check:

While the Base, Bull, and Bear case forecasts in this report are meticulously constructed using a combination of, **Historical financial performance, Management guidance from the latest earnings call, and Macroeconomic and industry-specific dynamics**, we recognize the importance of validating these scenario-based projections through an **objective, data-driven lens**.

To this end, we have employed a **linear regression model (OLS – Ordinary Least Squares)** based on historical trends of key financial metrics (e.g., Revenue). This regression provides a **statistically derived “intrinsic growth trajectory”**, free from any judgmental or qualitative bias. The intent here is **not to replace** scenario-based forecasting, but to **stress test and benchmark** its assumptions. If the Base Case projections significantly deviate from the OLS-estimated path, it may indicate either overly optimistic/pessimistic assumptions or a structural shift in business fundamentals.

## Interpretation Framework:

To assess how closely the Cases aligns with the OLS estimate, we classify the deviation as follows:

- a) **> 15% deviation** = “**Statistically Divergent**” - Projections may reflect aggressive assumptions or a major anticipated shift
- b) **5 – 15% deviation** = “**Statistically Marginal**” - Projections differ but within a justifiable range given qualitative context

## Key Assumptions:

(For detailed explanation refer Projections section)

| 1. Revenue Growth Rates |         |         |         |         |         |
|-------------------------|---------|---------|---------|---------|---------|
|                         | Mar-26E | Mar-27E | Mar-28E | Mar-29E | Mar-30E |
| <b>Bull</b>             | 5.00%   | 6.00%   | 6.00%   | 6.00%   | 6.00%   |
| <b>Base</b>             | 3.50%   | 4.00%   | 4.00%   | 4.00%   | 4.00%   |
| <b>Bear</b>             | 1.00%   | 2.00%   | 2.00%   | 2.00%   | 2.00%   |
| <b>OLS</b>              | 6.15%   | 7.04%   | 6.57%   | 6.17%   | 5.81%   |

**3. WACC (Cost of Capital):** We adjust the WACC to reflect broad economic and market conditions. In the Bull scenario we assume a more favorable macro environment (lower risk premiums, stable rates), resulting in a lower WACC. In the Bear scenario we assume rising interest rates, higher credit spreads and risk aversion, yielding a higher WACC. WACC inputs (risk-free rate, equity premium, debt spread) vary with macroeconomic and capital market factors. For example, if central banks raise rates or investors demand higher returns for risk, the company's cost of capital increases (raising WACC).

**4. Terminal Growth Rate:** The terminal growth rate reflects long-term economic and industry factors. It is typically set in line with sustainable GDP or inflation rates, since a firm cannot grow perpetually faster than the economy. In our Base case we use a conservative long-term growth (e.g. near long-run GDP), the Bull case may allow a slightly higher rate if secular tailwinds are expected, and the Bear case assumes a lower terminal growth (mature industry or deflationary pressures). As valuation best practices note, terminal growth should remain realistic (often in the

|                 | Bull   | Base   | Bear   | OLS    |
|-----------------|--------|--------|--------|--------|
| <b>WACC</b>     | 10.34% | 10.96% | 11.58% | 10.96% |
| <b>Terminal</b> | 6.90%  | 6.27%  | 5.64%  | 6.27%  |

| Year Weight | Year  | Sales   | Growth |
|-------------|-------|---------|--------|
| 1           | 2016A | 62,441  |        |
| 2           | 2017A | 68,484  | 9.68%  |
| 3           | 2018A | 70,522  | 2.98%  |
| 4           | 2019A | 82,675  | 17.23% |
| 5           | 2020A | 90,791  | 9.82%  |
| 6           | 2021A | 100,472 | 10.66% |
| 7           | 2022A | 121,641 | 21.07% |
| 8           | 2023A | 146,767 | 20.66% |
| 9           | 2024A | 153,670 | 4.70%  |
| 10          | 2025A | 162,990 | 6.06%  |
| 11          | 2026E | 173,014 | 6.15%  |
| 12          | 2027E | 185,190 | 7.04%  |
| 13          | 2028E | 197,366 | 6.57%  |
| 14          | 2029E | 209,542 | 6.17%  |
| 15          | 2030E | 221,718 | 5.81%  |

5Y Median Op. Margin: 21.12%

(For detailed explanation refer Projections section)

| 2. Operating Margins |         |         |         |         |         |
|----------------------|---------|---------|---------|---------|---------|
|                      | Mar-26E | Mar-27E | Mar-28E | Mar-29E | Mar-30E |
| <b>Bull</b>          | 21.50%  | 21.80%  | 22.00%  | 22.30%  | 22.50%  |
| <b>Base</b>          | 21.00%  | 21.10%  | 21.20%  | 21.30%  | 21.50%  |
| <b>Bear</b>          | 20.00%  | 20.00%  | 20.00%  | 20.00%  | 20.00%  |
| <b>OLS</b>           | 21.12%  | 21.12%  | 21.12%  | 21.12%  | 21.12%  |

## Scenario Output Comparison:

|                                  | Bull Case | Base Case | Bear Case | OLS     |
|----------------------------------|-----------|-----------|-----------|---------|
| <b>Enterprise Value (EV)</b>     | 457,805   | 343,618   | 268,257   | 378,905 |
| <b>Equity Value</b>              | 473,648   | 359,461   | 284,100   | 394,748 |
| <b>Intrinsic Value per Share</b> | 1,140.41  | 865.48    | 684.04    | 950.45  |

Statistically Marginal

The above scenario analysis yields an equity value per share of ₹1140.41, ₹865.48, and ₹1140.41 under the Bull, Base, and Bear cases, respectively. Based on our OLS (Ordinary Least Squares) regression analysis, the Base Case projection is considered 'Statistically Marginal' with the historical statistical trend.



## Excess Return Model (ERM) - INFOSYS LTD



The **Excess Return Model (ERM)** is an advanced equity valuation methodology widely accepted across global finance institutions and academic circles, especially those affiliated with Ivy League research<sup>1</sup>. Unlike conventional Free Cash Flow to Firm (FCFF) or Free Cash Flow to Equity (FCFE) models that rely on estimating cash flows and discounting them using WACC or cost of equity, the ERM takes a more return-oriented view.

At its core, the ERM values a firm's equity as the **sum of the current equity capital invested** and the **present value of expected excess returns** generated on that equity over time:

$$\text{Value of Equity} = \text{Book Value of Equity} + \text{Present Value of Expected Excess Returns}$$

This method is particularly useful in valuing **firms**, where defining free cash flows and total capital invested is often challenging due to the nature of their operations and accounting. Therefore, ERM narrows its focus to **equity capital and returns to equity investors**, making it both practical and insightful for financial institutions.

To realistically capture the evolution of a firm's value, the Excess Return Model is applied in **three phases**:

- 1. High Growth Phase (Years 1–5):** During this period, the firm is expected to earn **ROEs significantly above its cost of equity**, supported by competitive advantages, strong brand equity, and efficient capital allocation. The **reinvestment rate** or **retention ratio** during this phase is usually high, indicating aggressive growth.
- 2. Transition Phase (Years 6–10):** As the firm matures, competitive pressures increase and incremental returns on new investments begin to decline. This phase reflects a **gradual convergence of ROE toward the cost of equity**.
- 3. Terminal Phase (Year 11 Onwards):** In the final stage, the firm reaches financial stability with modest, perpetual growth. Cash flows are assumed to grow at a constant rate, and excess returns diminish as the company becomes fully mature.

**Note:** Forecast assumptions such as **Return on Equity (ROE)**, **Retention Ratios**, and **Growth** are discussed in the **Financial Projections** section, while **Cost of Equity** is detailed in the **WACC** section. The table presented here reflects the **Base Case Scenario**. For alternate outcomes, refer to the upcoming **Scenario Analysis** section.

### Cash Flow Assumptions

All figures are in INR Cr. unless stated otherwise.

| Inputs from Current Financials   |  |        |
|----------------------------------|--|--------|
| Net Income                       |  | 26,750 |
| Book Value of Equity (Current)   |  | 95,818 |
| Book Value of Equity (Last Year) |  | 88,116 |
| Current Earnings Per Share       |  | 64.41  |
| Current Dividends Per Share      |  | 42.92  |
| Number of Shares Outstanding     |  | 415.3  |

Do we want to normalize the net income/earnings per share? (Yes or No) **No**

#### Normalized Earnings Calculation (Not Applicable Here)

Approach to normalized earnings:

1

**Approach 1: Average Net Income over last 5 years**

| Year    | Net Income |
|---------|------------|
| -5      | 1,662      |
| -4      | 2,533      |
| -3      | 1,876      |
| -2      | 1,933      |
| Current | 26,750     |
| Average | 6,951      |

#### Approach 2: Normalized Return on Equity

Normalized ROE **23%**

#### Inputs for Discount Rate

|                   |       |
|-------------------|-------|
| Beta of the stock | 0.65  |
| Riskfree rate     | 6.27% |
| Risk Premium      | 7.34% |

(Amount in INR Cr.)

| Year                          | Mar-25A | Mar-26E | Mar-27E | Mar-28E | Mar-29E | Mar-30E | Mar-31E | Mar-32E | Mar-33E | Mar-34E | Mar-35E | Terminal Value |
|-------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|----------------|
| Net Income                    | 26,750  | 28,745  | 31,622  | 34,786  | 38,267  | 42,096  | 44,852  | 47,386  | 49,649  | 51,600  | 53,203  | 56,538         |
| Less: Equity Cost (see below) |         | 10,575  | 11,633  | 12,797  | 14,077  | 15,486  | 17,830  | 20,337  | 22,989  | 25,764  | 28,639  | 30,435         |
| Excess Equity Return (ERM)    |         | 18,171  | 19,989  | 21,989  | 24,189  | 26,610  | 27,022  | 27,048  | 26,660  | 25,836  | 24,564  | 26,104         |
| Cumulated Cost of Equity      |         | 1.110   | 1.233   | 1.369   | 1.520   | 1.688   | 1.883   | 2.110   | 2.375   | 2.686   | 3.052   |                |
| Terminal Value (ERM)          |         |         |         |         |         |         |         |         |         |         | 355,638 |                |
| Present Value                 |         | 16,365  | 16,213  | 16,062  | 15,913  | 15,766  | 14,352  | 12,820  | 11,224  | 9,617   | 124,572 |                |
| Beginning BV of Equity        | 88,116  | 95,818  | 105,406 | 115,953 | 127,555 | 140,319 | 154,359 | 168,552 | 182,735 | 196,747 | 210,426 | 223,620        |
| Cost of Equity                |         | 11.04%  | 11.04%  | 11.04%  | 11.04%  | 11.04%  | 11.55%  | 12.07%  | 12.58%  | 13.10%  | 13.61%  | 13.61%         |
| Equity Cost                   |         | 10,575  | 11,633  | 12,797  | 14,077  | 15,486  | 17,830  | 20,337  | 22,989  | 25,764  | 28,639  | 30,435         |
| Return on Equity              | 30.36%  | 30.00%  | 30.00%  | 30.00%  | 30.00%  | 30.00%  | 29.06%  | 28.11%  | 27.17%  | 26.23%  | 25.28%  | 25.28%         |
| Net Income                    | 26,750  | 28,745  | 31,622  | 34,786  | 38,267  | 42,096  | 44,852  | 47,386  | 49,649  | 51,600  | 53,203  | 56,538         |
| Dividend Payout Ratio         | 66.65%  | 66.65%  | 66.65%  | 66.65%  | 66.65%  | 66.65%  | 68.36%  | 70.07%  | 71.78%  | 73.49%  | 75.20%  | 75.20%         |
| Dividends paid                | 17,828  | 19,158  | 21,075  | 23,183  | 25,503  | 28,055  | 30,659  | 33,202  | 35,638  | 37,921  | 40,009  |                |
| Retained Earnings             | 8,922   | 9,588   | 10,547  | 11,602  | 12,763  | 14,041  | 14,192  | 14,183  | 14,011  | 13,679  | 13,194  |                |

#### Calculation of Growth Rate

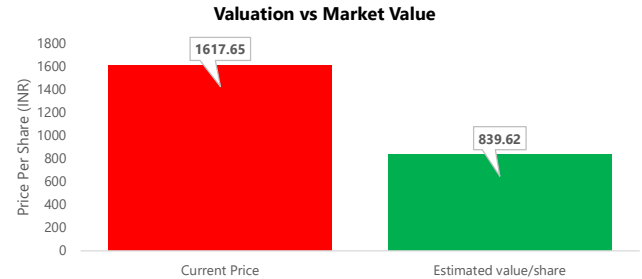
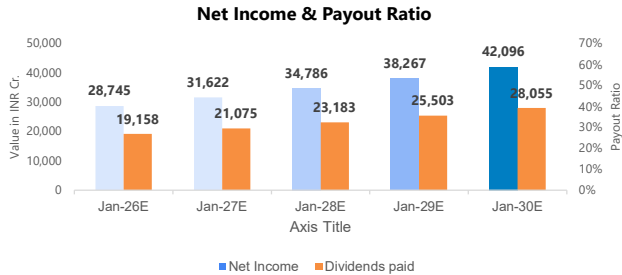
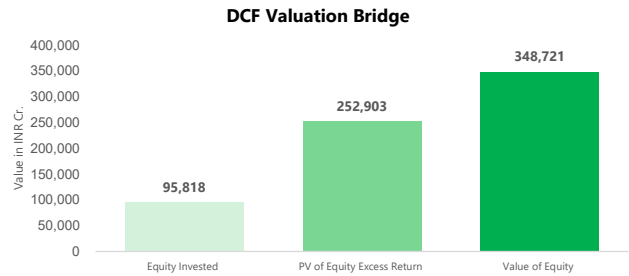
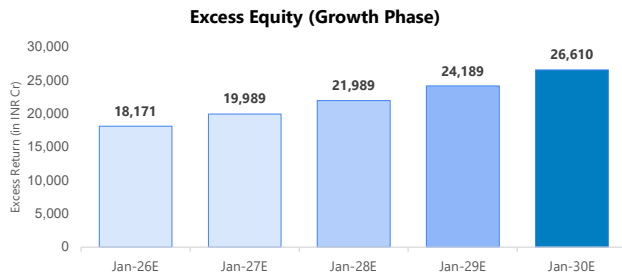
|                      |        |
|----------------------|--------|
| Cost of Equity       | 11.04% |
| Return on Equity     | 30.00% |
| Retention Ratio      | 33.35% |
| Expected Growth Rate | 10.01% |

#### Calculation of Equity Value

|                            |         |
|----------------------------|---------|
| Equity Invested            | 95,818  |
| PV of Equity Excess Return | 252,903 |
| Value of Equity            | 348,721 |

#### Calculation of Intrinsic Value

|                                     |          |
|-------------------------------------|----------|
| Number of shares                    | 415.33   |
| Current Price                       | 1617.65  |
| Estimated value/share               | ₹ 839.62 |
| Trading at Premium: Overvalued by - | 92.66%   |



## Model Output

Under the base case scenario, the Excess Return Model estimates an equity value of ₹348,721 crore, implying an intrinsic value of ₹839.62 per share. In comparison to the current market price of ₹1617.65, the stock appears to be trading at a Premium of approximately 92.66%, suggesting Overvalued under the given assumptions.

### Notes:

#### 1. Why Use ERM When FCFF Already Exists?

While FCFF is robust and widely used, the Excess Return Model offers several advantages in specific contexts:

- Focus on Economic Profitability:** Unlike FCFF, which aggregates cash flow, ERM emphasizes the quality of returns by isolating how much value the company creates *above* the required rate of return (cost of equity).
- Better Fit for Financial Institutions:** Since banks and NBFCs (Non-Banking Financial Companies) often have volatile or non-existent free cash flows, ERM's reliance on book value and ROE provides a more stable and interpretable framework.
- Direct Link to Value Creation:** ERM offers a direct assessment of whether a firm is creating or destroying shareholder value by comparing ROE to the cost of equity.
- Avoids Terminal Value Sensitivity:** ERM reduces dependence on distant terminal values, especially when value is driven by near-to-mid-term excess returns.

#### 2. Key Inputs and Model Dynamics

The ERM relies on **two primary inputs**:

**I. Equity Capital Invested:** Measured as the **book value of equity**, this represents the shareholder capital currently employed in the business. For financial service firms, this is a relatively reliable metric due to:

- Assets often marked to market (e.g., loans, investments)
- Minimal depreciation or fixed asset distortions
- Less complex capital expenditure tracking than manufacturing

**Adjustment Note:** Stock buybacks and one-time losses may reduce book value, and adjustments might be required to reflect true economic capital.

#### II. Excess Returns on Equity: $\text{Excess Return} = (\text{ROE} - \text{Cost of Equity}) \times \text{Book Value of Equity}$

This component captures the firm's ability to generate economic profits. It reflects future expectations based on:

- Competitive positioning
- Regulatory environment
- Macroeconomic and interest rate trends
- Historical consistency of ROE

## Key Value Driver Sensitivity

The valuation based on the **Excess Return Model (ERM)** is highly sensitive to the firm's ability to generate **economic profits** — returns above its cost of equity — over time. To evaluate the reliability and robustness of our base case valuation, we conduct a **sensitivity analysis** using two key variables that directly influence the present value of future excess returns: **Return on Equity (ROE)** and **Cost of Equity (Ke)**.

These two inputs are central to the model's excess return component:  $\text{Excess Return} = (\text{ROE} - \text{Ke}) \times \text{Book Value of Equity}$

By testing a range of realistic ROE and Ke combinations, we present a valuation spectrum that reflects both optimistic and conservative scenarios, helping investors gauge the risk and opportunity embedded in the assumptions.

**Key Variables Selected:** We have chosen the following two variables for the ERM sensitivity analysis:

**1. Return on Equity (ROE):** ROE reflects the firm's profitability and ability to generate value from shareholder capital. It is the **primary driver** of excess returns and hence of equity value in the ERM. Small changes in ROE, especially when it hovers near the cost of equity, have a **non-linear impact** on valuation.

**2. Cost of Equity (Ke):** Cost of equity reflects the **required rate of return** by investors based on business risk, market volatility, and macroeconomic factors. It acts as the threshold over which value is created or destroyed. Even a  $\pm 0.5\%$  change can materially affect the excess return stream, especially during the high-growth phase.

Sensitivity Table:

Below is the matrix showing how the Enterprise value and Intrinsic equity value per share changes with different combinations of WACC and terminal growth rate.

| Implied Equity Value (INR Crores) |                                   |         |         |         |         | Implied Value Per Share (INR) |                                   |        |        |        |        |       |         |
|-----------------------------------|-----------------------------------|---------|---------|---------|---------|-------------------------------|-----------------------------------|--------|--------|--------|--------|-------|---------|
| Cost of<br>Equity<br>↓            | Return on Equity (Growth Phase) → |         |         |         |         | Cost of<br>Equity<br>↓        | Return on Equity (Growth Phase) → |        |        |        |        |       |         |
|                                   | 24.00%                            | 27.00%  | 30.00%  | 33.00%  | 36.00%  |                               | 24.00%                            | 27.00% | 30.00% | 33.00% | 36.00% |       |         |
|                                   | 9.78%                             | 314,007 | 342,775 | 373,085 | 405,010 |                               | 438,625                           | 9.78%  | 756.0  | 825.3  | 898.3  | 975.2 | 1,056.1 |
|                                   | 10.41%                            | 303,373 | 331,247 | 360,611 | 391,533 |                               | 424,087                           | 10.41% | 730.4  | 797.6  | 868.3  | 942.7 | 1,021.1 |
|                                   | 11.04%                            | 293,181 | 320,197 | 348,651 | 378,611 |                               | 410,146                           | 11.04% | 705.9  | 771.0  | 839.5  | 911.6 | 987.5   |
|                                   | 11.66%                            | 283,561 | 309,766 | 337,361 | 366,411 |                               | 396,983                           | 11.66% | 682.7  | 745.8  | 812.3  | 882.2 | 955.8   |
|                                   | 12.29%                            | 274,185 | 299,598 | 326,354 | 354,515 |                               | 384,147                           | 12.29% | 660.2  | 721.4  | 785.8  | 853.6 | 924.9   |

Sensitivity Table Output:

The sensitivity analysis clearly demonstrates that the **intrinsic equity value** is highly responsive to variations in both **Return on Equity (ROE)** and **Cost of Equity (Ke)**: **Higher ROE** and **lower Ke** significantly expand excess returns, thereby increasing equity value. Conversely, **lower ROE** or **higher Ke** compresses excess returns, resulting in more conservative valuations — and in some cases, value destruction.

In our base case, assuming a COE of 11.04% and a growth phase ROE of 30%, we estimate: Equity Value of ₹348,651 Cr, Intrinsic Equity Value per Share of ₹839.5  
However, under reasonable variations, the valuation range spans: Equity: ₹274,185 Cr to ₹438,625 Cr and Per Share: ₹660.2 to ₹1056.1

This analysis highlights the importance of sustaining superior ROE and managing risk (captured in Ke) to drive long-term shareholder value. It also equips investors with a clearer understanding of how changes in macro and business fundamentals might influence the fair value of equity..

Scenario-Based Valuation Outlook

Under the Excess Return Model, equity value is driven by “excess returns” – the amount ROE exceeds the cost of equity (CoE). By definition, value is created when ROE surpasses CoE and destroyed when ROE falls below CoE. In ERM, intrinsic value equals current book equity plus the present value of expected future excess earnings. This section sets up bull/base/bear cases with ROE and CoE assumptions around the central base case, using the 5-year historical ROE as a validation benchmark.

Statistical Forecast Validation:

We compare the base-case ROE forecasts against the company’s 5-year median historical ROE. The 5-year median ROE serves as a robust historical benchmark (less sensitive to outliers than a mean). If the forecasted ROE deviates materially from the median, the analyst should justify the deviation (e.g. cyclical tailwinds or structural shifts). In practice, the median ROE anchors expectations and flags any overly aggressive or conservative assumptions in the model.

Interpretation Framework:

To assess how closely the Cases aligns with the stats-based estimate, we classify the deviation as follows:

a) > 15% deviation = "Statistically Divergent" - Projections may reflect aggressive assumptions or a major anticipated shift

b) 5 – 15% deviation = "Statistically Marginal" - Projections differ but within a justifiable range given qualitative context

c) < 5% deviation = "Statistically Aligned" - Projections closely follow historical patterns;

|          | Bull   | Base   | Bear   | Stats-based |
|----------|--------|--------|--------|-------------|
| CoE      | 10.41% | 11.04% | 11.66% | 11.04%      |
| Terminal | 5.64%  | 6.27%  | 6.90%  | 6.27%       |

(For detailed explanation refer Projections section)

| 1. Return on Equity (Growth Phase) |         |         |         |         |         |
|------------------------------------|---------|---------|---------|---------|---------|
|                                    | Mar-16E | Mar-16E | Mar-16E | Mar-16E | Mar-16E |
| Bull                               | 32.00%  | 32.00%  | 32.00%  | 32.00%  | 32.00%  |
| Base                               | 30.00%  | 30.00%  | 30.00%  | 30.00%  | 30.00%  |
| Bear                               | 28.00%  | 28.00%  | 28.00%  | 28.00%  | 28.00%  |
| Stats-Based                        | 29.24%  | 29.24%  | 29.24%  | 29.24%  | 29.24%  |

5Y Median ROE: 29.24%

**2. Cost of Equity (CoE):** We input scenario-specific CoE to reflect macro conditions. In a Bull case, lower interest rates or a thinner equity risk premium would yield a lower CoE (raising valuations), whereas in a Bear case higher rates or risk aversion increase CoE. Thus CoE in each scenario encapsulates broad equity-risk expectations – it is not driven by firm operations but by market/interest-rate outlook. In practice, analysts often tie CoE to long-term bond yields plus a risk spread.

**3. Terminal Growth Rate:** The terminal growth rate reflects long-term economic and industry factors. It is typically set in line with sustainable GDP or inflation rates, since a firm cannot grow perpetually faster than the economy. In our Base case we use a conservative long-term growth (e.g. near long-run GDP), the Bull case may allow a slightly higher rate if secular tailwinds are expected, and the Bear case assumes a lower terminal growth (mature industry or deflationary pressures). As valuation best practices note, terminal growth should remain realistic (often in the low single digits) and congruent with broad economic growth

Scenario Output Comparison:

|                           | Bull Case | Base Case | Bear Case | Stats-based |
|---------------------------|-----------|-----------|-----------|-------------|
| Equity Value              | 389,234   | 348,721   | 311,711   | 341,382     |
| Intrinsic Value per Share | 937.17    | 839.62    | 750.51    | 821.95      |

Statistically Aligned

The above scenario analysis yields an equity value per share of ₹937.17, ₹839.62, and ₹750.51 under the Bull, Base, and Bear cases, respectively. Based on our stats-based analysis, the Base Case projection is considered 'Statistically Aligned' with the historical statistical trend.

## Relative Valuation - INFOSYS LTD

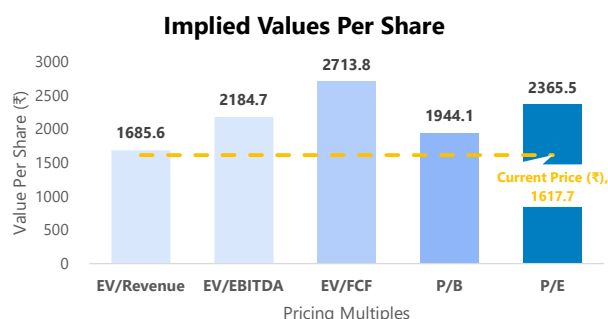
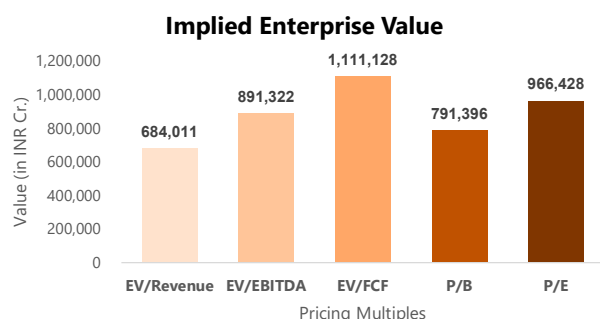
This report applies a **comparables (peer) valuation** framework using key pricing multiples. In a comparables analysis, we identify similar companies and compute standardized multiples (e.g. EV/Revenue, EV/EBITDA, EV/FCF, P/B, P/E). We then take a central tendency (commonly the median) of these peer multiples and apply it to the company's own financial metrics to estimate its value. This approach is straightforward and widely used, though it relies on the assumption that the company's growth, margins and risk profile are broadly in line with the peer group.

**Peer Selection:** Our peer set includes the largest publicly traded firms that operate in similar markets and business segments. We gather the latest market and financial data for each: share price and count, market capitalization, net debt (total debt less cash), revenue, EBITDA, free cash flow (FCF), book value and net income. These figures are taken from recent financial statements, stock exchange filings or financial databases as of the valuation date. Enterprise Value (EV) is computed as Equity Value + Debt – Cash. Net debt is defined as total interest-bearing debt minus cash/cash equivalents. All values are in ₹ (crore) for consistency.

**Multiples and Percentiles:** For each company we compute the following multiples: **EV/Revenue**, **EV/EBITDA**, **EV/FCF**, **P/B (Price/Book)**, and **P/E (Price/Earnings)**. (EV-based multiples are capital-structure-neutral, using EV in numerator and sales/EBITDA/FCF in denominator; equity multiples use share price and per-share metrics.) We then aggregate the peer multiples. To summarize these, we calculate the **25th percentile**, **median (50th percentile)**, and **75th percentile** of each multiple across the peer set. In practice, analysts often

(Amount in INR Cr.)

| Company                     | Market Data       |                    |                  | Financials |        |                |            | Pricing Multiples |             |             |             |             |
|-----------------------------|-------------------|--------------------|------------------|------------|--------|----------------|------------|-------------------|-------------|-------------|-------------|-------------|
|                             | Share Price       | Shares Outstanding | Enterprise Value | Revenue    | EBITDA | Free Cash Flow | Net Income | EV/Revenue        | EV/EBITDA   | EV/FCF      | P/B         | P/E         |
| Infosys                     | 1,618             | 415.42             | 655,778          | 162,990    | 42,555 | 33,457         | 26,750     | 4.0x              | 15.4x       | 19.6x       | 7.0x        | 25.1x       |
| TCS                         | 3,438             | 361.81             | 1,237,882        | 255,324    | 71,307 | 44,994         | 48,797     | 4.8x              | 17.4x       | 27.5x       | 13.1x       | 25.5x       |
| HCL Technologies            | 1,721             | 271.37             | 452,090          | 117,055    | 27,993 | 21,178         | 17,399     | 3.9x              | 16.2x       | 21.3x       | 6.7x        | 26.8x       |
| Wipro                       | 270               | 1048.22            | 289,710          | 89,088     | 21,865 | 15,651         | 13,218     | 3.3x              | 13.3x       | 18.5x       | 3.4x        | 21.4x       |
| Tech Mahindra               | 1,686             | 97.91              | 162,532          | 52,988     | 7,829  | 5,303          | 4,253      | 3.1x              | 20.8x       | 30.7x       | 6.1x        | 38.8x       |
| LTIMindtree                 | 5,384             | 29.63              | 158,148          | 38,008     | 7,485  | 3,612          | 4,602      | 4.2x              | 21.1x       | 43.8x       | 7.1x        | 34.7x       |
| Persistent Sys              | 6,079             | 15.64              | 94,368           | 11,939     | 2,196  | 964            | 1,400      | 7.9x              | 43.0x       | 97.9x       | 14.8x       | 67.9x       |
| Coforge                     | 1,890             | 33.44              | 63,397           | 12,051     | 1,859  | 680            | 936        | 5.3x              | 34.1x       | 93.2x       | 9.9x        | 67.5x       |
| Mphasis                     | 2,798             | 19.02              | 53,516           | 14,230     | 2,902  | 1,845          | 1,702      | 3.8x              | 18.4x       | 29.0x       | 5.5x        | 31.3x       |
| Hexaware Tech.              | 856               | 60.88              | 50,680           | 11,974     | 1,896  | 1,417          | 1,174      | 4.2x              | 26.7x       | 35.8x       | 9.7x        | 44.4x       |
| Tata Elxsi                  | 6,263             | 6.23               | 37,599           | 3,729      | 1,154  | 796            | 785        | 10.1x             | 32.6x       | 47.2x       | 13.6x       | 49.7x       |
| High                        |                   |                    |                  |            |        |                |            | 10.1x             | 43.0x       | 97.9x       | 14.8x       | 67.9x       |
| 75th Percentile             |                   |                    |                  |            |        |                |            | 5.2x              | 31.1x       | 46.4x       | 12.3x       | 48.4x       |
| Median                      |                   |                    |                  |            |        |                |            | 4.2x              | 20.9x       | 33.2x       | 8.4x        | 36.7x       |
| 25th Percentile             |                   |                    |                  |            |        |                |            | 3.8x              | 17.6x       | 27.9x       | 6.2x        | 28.0x       |
| Low                         |                   |                    |                  |            |        |                |            | 3.1x              | 13.3x       | 18.5x       | 3.4x        | 21.4x       |
| Implied Enterprise Value    |                   |                    |                  |            |        |                |            | 684,011           | 891,322     | 1,111,128   | 791,396     | 966,428     |
| Net Debt                    |                   |                    |                  |            |        |                |            | -16,228           | -16,228     | -16,228     | -16,228     | -16,228     |
| Implied Market Value        |                   |                    |                  |            |        |                |            | 700,239           | 907,550     | 1,127,356   | 807,624     | 982,656     |
| Shares Outstanding          |                   |                    |                  |            |        |                |            | 415.42            | 415.42      | 415.42      | 415.42      | 415.42      |
| Implied Value per Share (₹) | (Based on Median) |                    |                  |            |        |                |            | 1685.6            | 2184.7      | 2713.8      | 1944.1      | 2365.5      |
| Current Price (₹)           | 1617.7            |                    |                  |            |        |                |            | ↓                 | ↓           | ↓           | ↓           | ↓           |
|                             |                   |                    |                  |            |        |                |            | Underpriced       | Underpriced | Underpriced | Underpriced | Underpriced |



## Model Output

Based on the median peer multiples, INFOSYS LTD's implied equity value per share ranges roughly from ₹1685.6 to ₹2713.8 depending on the chosen metric. We stress that this is a simplified illustrative exercise: true valuation would require adjustments for growth differences, one-time items, accounting variations, and forward ("next-twelve-months") estimates. Moreover, the use of historical or forward multiples, currency effects, and market timing can all sway the result. Analysts often present a valuation range (e.g. using the 25th–75th percentile of each multiple) to capture this uncertainty.

## 1-Year Value at Risk (VaR) Report

This report estimates the 1-year Value at Risk (VaR) for INFOSYS LTD using a Monte Carlo Simulation approach. By simulating 10,000 potential future price paths based on historical volatility and mean return, we quantify the risk of extreme loss under normal market conditions.

| Date        | Price | Returns | Replication | Simulated Returns | Simulated Price | VaR  |
|-------------|-------|---------|-------------|-------------------|-----------------|------|
| 16-Jul-2020 | 810   | 9.6%    | 1           | -3.86%            | 1556            | -61  |
| 12-Jan-2024 | 1550  | 7.9%    | 2           | 5.70%             | 1713            | 95   |
| 12-May-2025 | 1604  | 7.9%    | 3           | 54.97%            | 2803            | 1185 |
| 15-Jul-2020 | 739   | 6.1%    | 4           | 3.45%             | 1674            | 57   |
| 15-Dec-2023 | 1517  | 5.1%    | 5           | 21.04%            | 1996            | 379  |
| 11-Jan-2021 | 1237  | 4.9%    | 6           | -13.28%           | 1417            | -201 |
| 11-Nov-2022 | 1470  | 4.5%    | 7           | 8.62%             | 1763            | 146  |
| 30-May-2022 | 1400  | 4.5%    | 8           | -10.35%           | 1459            | -159 |
| 14-Jul-2023 | 1353  | 4.5%    | 9           | 30.38%            | 2192            | 574  |
| 18-Oct-2021 | 1628  | 4.5%    | 10          | 29.11%            | 2164            | 547  |
| 7-Jun-2024  | 1495  | 4.2%    | 11          | -24.54%           | 1266            | -352 |
| 18-Jul-2022 | 1380  | 4.2%    | 12          | 46.88%            | 2585            | 968  |
| 2-Jan-2025  | 1931  | 4.0%    | 13          | 18.28%            | 1942            | 324  |
| 6-Nov-2024  | 1798  | 4.0%    | 14          | 35.93%            | 2317            | 699  |
| 8-Jan-2021  | 1179  | 4.0%    | 15          | 58.81%            | 2913            | 1295 |
| 7-Jul-2020  | 706   | 3.9%    | 16          | 29.22%            | 2167            | 549  |
| 14-Oct-2022 | 1366  | 3.8%    | 17          | 7.25%             | 1739            | 122  |
| 14-Mar-2022 | 1733  | 3.8%    | 18          | 23.40%            | 2044            | 426  |
| 24-Jun-2021 | 1417  | 3.7%    | 19          | 29.34%            | 2169            | 552  |
| 22-Nov-2024 | 1876  | 3.7%    | 20          | 57.49%            | 2875            | 1257 |
| 25-Sep-2020 | 900   | 3.7%    | 21          | 0.64%             | 1628            | 10   |
| 30-Mar-2021 | 1245  | 3.7%    | 22          | -16.31%           | 1374            | -243 |
| 18-Jul-2023 | 1400  | 3.7%    | 23          | 26.94%            | 2118            | 500  |
| 22-Dec-2020 | 1097  | 3.7%    | 24          | 44.85%            | 2533            | 916  |
| 23-Apr-2025 | 1454  | 3.7%    | 25          | -2.79%            | 1573            | -45  |
| 14-Dec-2023 | 1443  | 3.6%    | 26          | -6.71%            | 1513            | -105 |
| 12-Jul-2024 | 1669  | 3.6%    | 27          | 42.97%            | 2486            | 868  |
| 14-Sep-2020 | 870   | 3.5%    | 28          | 43.25%            | 2493            | 875  |
| 20-Jul-2020 | 831   | 3.4%    | 29          | 37.17%            | 2346            | 728  |
| 1-Dec-2020  | 1023  | 3.4%    | 30          | 19.69%            | 1970            | 352  |
| 15-Feb-2022 | 1593  | 3.3%    | 31          | 25.94%            | 2097            | 479  |
| 23-Nov-2020 | 1025  | 3.3%    | 32          | -11.77%           | 1438            | -180 |
| 30-Jun-2023 | 1267  | 3.3%    | 33          | 24.10%            | 2058            | 441  |
| 5-May-2022  | 1453  | 3.2%    | 34          | 28.44%            | 2150            | 532  |
| 31-Mar-2023 | 1337  | 3.2%    | 35          | 21.13%            | 1998            | 381  |
| 28-Jul-2022 | 1406  | 3.2%    | 36          | -11.05%           | 1448            | -169 |
| 22-Jan-2025 | 1831  | 3.1%    | 37          | 76.33%            | 3471            | 1853 |
| 5-Oct-2020  | 933   | 3.1%    | 38          | -12.40%           | 1429            | -189 |
| 3-Mar-2021  | 1208  | 3.0%    | 39          | 7.38%             | 1742            | 124  |
| 31-Jan-2022 | 1592  | 3.0%    | 40          | -10.76%           | 1453            | -165 |
| 26-Jul-2024 | 1832  | 3.0%    | 41          | -7.89%            | 1495            | -123 |
| 2-Mar-2021  | 1173  | 3.0%    | 42          | 17.67%            | 1930            | 313  |
| 4-Nov-2020  | 983   | 3.0%    | 43          | -1.20%            | 1598            | -19  |
| 6-Jun-2024  | 1435  | 2.9%    | 44          | 73.34%            | 3368            | 1751 |
| 24-Nov-2022 | 1526  | 2.9%    | 45          | 28.56%            | 2152            | 535  |
| 11-Nov-2020 | 1009  | 2.9%    | 46          | -18.88%           | 1339            | -278 |
| 29-Jan-2025 | 1855  | 2.8%    | 47          | 22.54%            | 2027            | 409  |
| 17-Dec-2021 | 1669  | 2.8%    | 48          | -0.54%            | 1609            | -9   |
| 27-Jul-2020 | 844   | 2.8%    | 49          | -2.09%            | 1584            | -33  |
| 6-Aug-2020  | 863   | 2.8%    | 50          | 12.54%            | 1834            | 216  |
| 16-Mar-2022 | 1732  | 2.7%    | 51          | 17.94%            | 1935            | 318  |
| 12-Nov-2021 | 1632  | 2.7%    | 52          | 37.10%            | 2344            | 727  |
| 15-Nov-2023 | 1356  | 2.7%    | 53          | -25.29%           | 1256            | -361 |
| 23-Dec-2020 | 1126  | 2.7%    | 54          | 30.13%            | 2186            | 569  |

..... Upto 10,000 rows

### Descriptive Statistics (5Y - Daily)

|                    |             |
|--------------------|-------------|
| Mean               | 0.08%       |
| Standard Error     | 0.04%       |
| Median             | 0.09%       |
| Standard Deviation | 1.57%       |
| Sample Variance    | 0.000246387 |
| Kurtosis           | 4.240201669 |
| Skewness           | 0.027624616 |
| Range              | 0.190553582 |
| Minimum            | -9.42%      |
| Maximum            | 9.63%       |
| Sum                | 1.025921671 |
| Count              | 1239        |

### Monte Carlo Simulation 1-Year

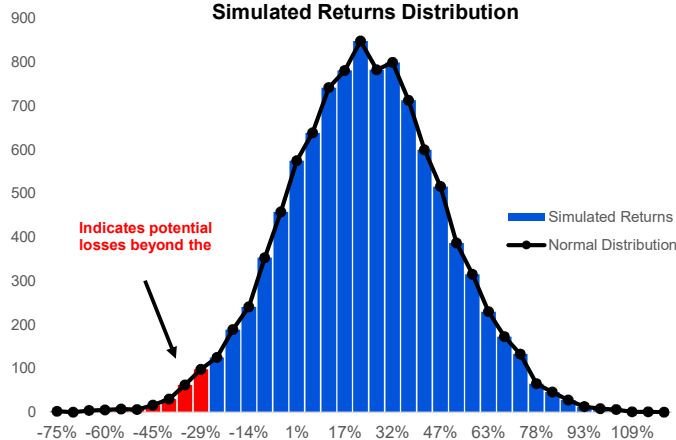
|                     |            |
|---------------------|------------|
| Current Price       | ₹ 1,617.65 |
| Time Horizon (Days) | 252        |
| Mean                | 20.59%     |
| Std Deviation       | 24.95%     |
| Min                 | -73.48%    |
| Max                 | 114.36%    |

### Output Summary

|                                |            |
|--------------------------------|------------|
| Average Simulated Price        | ₹ 2,050.53 |
| Minimum Simulated Price        | ₹ 775.85   |
| Maximum Simulated Price        | ₹ 5,076.11 |
| 5th Percentile Simulated Price | ₹ 1,319.78 |
| 1-Year 95% VaR                 | ₹ 297.87   |
| 1-Year 95% VaR (%)             | 18.41%     |

| Percentile        | Confidence Level | 1 Year VAR | VaR %  |
|-------------------|------------------|------------|--------|
| 10 <sup>th</sup>  | 90.0%            | 170.27     | 10.53% |
| 5 <sup>th</sup>   | 95.0%            | 297.88     | 18.41% |
| 1 <sup>st</sup>   | 99.0%            | 498.88     | 30.84% |
| 0.1 <sup>th</sup> | 99.9%            | 687.29     | 42.49% |

### Simulated Returns Distribution



The results of the Monte Carlo simulation provide a probabilistic framework for assessing the downside risk in INFOSYS LTD's equity over a 1-year horizon. By generating 10,000 potential future price paths based on historically observed mean returns and volatility, we arrive at a 95% confidence Value at Risk (VaR) of ₹297.87, or 18.41% of the current stock price.

This implies that, under normal market conditions, we can be 95% confident that INFOSYS LTD's share price will not fall below ₹1319.78 within one year. Conversely, there exists a 5% probability that the losses could exceed this threshold.

## Interpretation in Context:

### 1) Volatility-Driven Exposure:

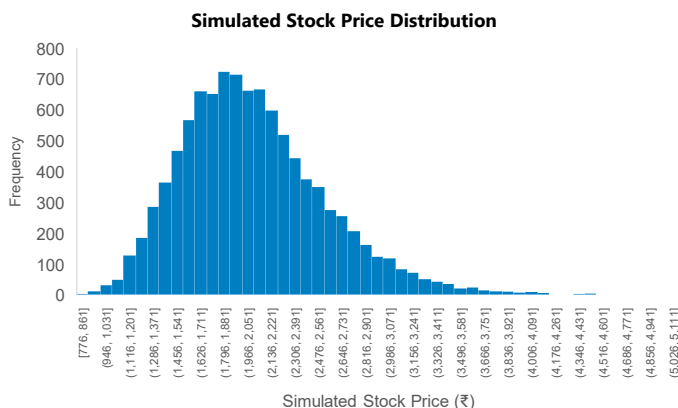
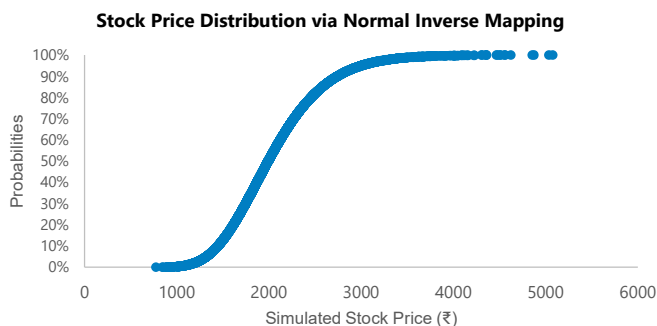
With a daily volatility of 1.57%, the risk profile of INFOSYS LTD over a 252-day trading horizon scales materially. The wide distribution of final simulated prices — from a low of ₹775.85 to a high of ₹5076.11 — reflects both upside and downside tail exposures.

### 2) Positive Drift, But Non-negligible Tail Risk:

The simulation incorporates a small positive drift (daily mean return of 0.08%), consistent with historical equity returns. Despite this, the left tail remains significant due to the compounding impact of volatility over time.

### 3) Skewness Not Captured:

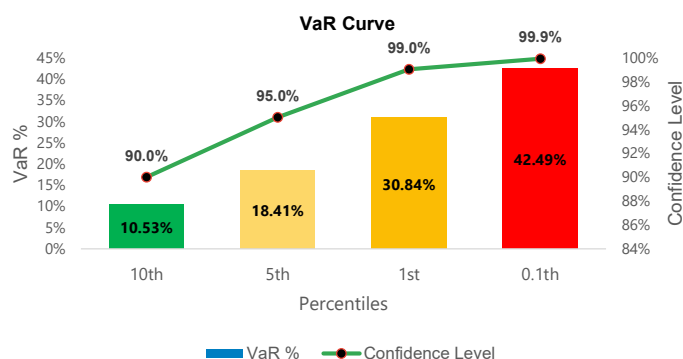
Since the simulation assumes normally distributed returns, it may understate extreme downside moves (negative skew, here skewness is equal to 0.028) that are often observed during market crises. This suggests that actual downside risk could be higher in a stressed environment.



## Limitations & Enhancements:

While Monte Carlo simulation offers flexibility and a robust stochastic approach, certain limitations must be acknowledged:

- 1) The model assumes constant volatility and normally distributed returns, which may not hold in real-world equity markets.
- 2) Macroeconomic shocks, regime shifts, or company-specific events are not explicitly modeled but could materially alter risk estimates.



## Notes and Disclosures:

**1) Model Assumptions:** The Monte Carlo simulation assumes returns follow a normal distribution and that stock prices evolve according to a Geometric Brownian Motion (GBM) process. Inputs for drift (mean return) and volatility are based on historical estimates and assumed constant throughout the simulation period.

**2) Time Horizon:** The simulation covers a one-year (252 trading days) investment horizon. Shorter- or longer-term results may differ materially and should be interpreted with caution.

**3) Confidence Levels:** Value at Risk (VaR) estimates are provided at 90%, 95%, and 99% confidence levels. For instance, a 95% confidence level indicates there is a 5% chance that losses will exceed the stated VaR amount over the simulated period.

**4) Simulated Returns:** For each simulated path, we draw a random probability via RAND() and convert it into a normally distributed annual log-return using Excel's NORM.INV function:

$$\text{Simulated Return} = \text{NORM.INV}(\text{RAND}(), \mu_1, \sigma_1)$$

Here,  $\mu_1$  (= daily\_mean  $\times$  252) is the annualized expected return and  $\sigma_1$  (= daily\_volatility  $\times \sqrt{252}$ ) is the annualized volatility. By mapping a uniform [0,1] random draw through the inverse normal distribution, we generate realistic, normally distributed log-returns for each Monte Carlo trial.

**5) Price Calculation Method:** Simulated prices are computed using the formula:

$$\text{Price}_t = \text{Price}_0 \times e^{\text{Simulated Return}_t}$$

This approach assumes continuously compounded returns and ensures that prices remain positive, reflecting the log-normal nature of equity returns.

**6) Historical Volatility and Drift:** Volatility and mean return are calculated using historical daily return data. These are backward-looking and may not reflect future conditions or incorporate real-time market dynamics.



Infosys Limited, a global leader in consulting, technology, and next-generation services, has showcased remarkable resilience and strategic foresight in navigating the complexities of fiscal year 2025 (FY'25). Amidst a dynamic global landscape characterized by macroeconomic uncertainties, geopolitical tensions, and shifting client priorities, Infosys has sustained its growth momentum while strengthening its market position through innovation and strategic initiatives. This Business Resilience & Opportunity Analysis, derived from the Q4 FY'25 earnings call held on April 17, 2025, employs a SWOT framework to evaluate the company's internal strengths and weaknesses alongside external opportunities and threats. The report aims to provide equity research professionals with a detailed, data-driven perspective on Infosys's strategic positioning and its capacity to thrive in an evolving market environment.

## Strengths

### Robust Financial Performance

Infosys concluded FY'25 with revenues of \$19.3 billion (approximately INR 1,61,258 crore, assuming an exchange rate of 83.5 INR/USD as a hypothetical rate for April 17, 2025), achieving a 4.2% growth in constant currency terms and 6.1% in rupee terms. The company's operating margin improved by 50 basis points to 21.1%, reflecting resilience despite headwinds such as salary hikes and acquisition costs. Free cash flow reached a record \$4.1 billion (INR 34,235 crore), representing 129% of net profit, while large deal wins totaled \$11.6 billion (INR 96,860 crore), with 56% being net new. These metrics underscore Infosys's ability to generate substantial cash and secure high-value contracts, reinforcing its financial stability.

### Leadership in AI and Emerging Technologies

Infosys has emerged as a frontrunner in artificial intelligence (AI) through its Infosys Topaz platform, which delivers generative and edge AI-powered solutions. The company is engaged in transformative AI projects across multiple domains, including a notable initiative with a U.S. financial services firm to deliver hyperpersonalized conversational AI experiences with over 80% accuracy. Another example includes automating 70% of a Europe-based company's process landscape, highlighting Infosys's capability to drive client efficiency and innovation. This focus positions Infosys as a preferred partner in the rapidly growing AI market.

### Strategic Acquisitions and Partnerships

Infosys bolstered its capabilities through targeted acquisitions in energy consulting (U.S.) and cybersecurity (Australia), alongside inducting a strategic partner into its joint venture in Japan. These moves enhance its expertise in high-demand verticals and expand its geographic footprint, particularly in Japan, a key growth market. Such strategic alignments enable Infosys to tap into new revenue streams and deepen client relationships.

### Balanced Portfolio of Capabilities

The company's dual focus on growth areas (AI, cloud, digital) and efficiency areas (automation, cost reduction, lean operations, consolidation) provides a versatile service offering. This balance allows Infosys to cater to diverse client needs, from transformative digital projects to cost-optimization programs, ensuring relevance across economic cycles.

### Operational Excellence and Margin Improvement

Through Project Maximus, Infosys has institutionalized margin-enhancing initiatives, achieving a 50 basis points increase in operating margins to 21.1% in FY'25. Key drivers include value-based selling, lean automation, and improved utilization (84.9% excluding trainees). Despite absorbing headwinds like compensation increases and acquisition-related amortization, these efforts demonstrate operational discipline and scalability.

### Strong Cash Flow and Financial Health

Infosys's cash reserves stood at \$5.56 billion (INR 46,426 crore), with a yield of 7.13% in Q4 and a return on equity (ROE) of 29%. A reduction in Days Sales Outstanding (DSO) by 5 days to 69 further highlights efficient working capital management. This financial health provides Infosys with the flexibility to invest in growth initiatives and weather economic uncertainties.

## Weaknesses

### Sequential Revenue Decline in Q4

Infosys reported a 3.5% sequential revenue decline in Q4 in constant currency terms, attributed to a reduction in third-party costs (two-thirds

exposes a vulnerability to external dependencies and seasonal fluctuations, potentially impacting investor confidence in short-term performance.

### Dependence on Large Deals

The company's growth is significantly tied to large deals, with a total contract value (TCV) of \$11.6 billion in FY'25. While a strength, this reliance introduces risks due to longer sales cycles and sensitivity to economic conditions. Delays or cancellations in these deals could disproportionately affect revenue growth, as evidenced by the conservative FY'26 guidance of 0% to 3%.

### Exposure to Macroeconomic Uncertainties

Infosys operates in an uncertain economic environment, with client budgets susceptible to macroeconomic factors such as tariffs and geopolitical tensions. The company's cautious FY'26 growth outlook reflects this exposure, signaling potential challenges in maintaining momentum if economic conditions deteriorate further.

## Opportunities

### Growing Demand for AI-Led Transformation

The shift from use-case-based AI adoption to transformational AI strategies presents a significant opportunity. Infosys's expertise, exemplified by projects like automating 70% of a European client's processes and supporting financial services with AI-driven personalization, aligns with this trend. As clients prioritize AI to enhance efficiency and customer experience, Infosys can capture a larger share of this expanding market.

### Geographic Expansion in Europe

Europe, contributing 30% of revenues, grew at 15% year-on-year in Q4, outpacing the company average by three times. This growth, driven by client mining, large deal ramp-ups, and acquisitions, positions Infosys to further penetrate this high-potential market, leveraging its enhanced regional capabilities.

### Sector-Specific Growth Prospects

- > **Financial Services:** With flat-to-slightly-higher budgets, opportunities lie in AI, regulatory compliance, and cost management. Steady growth in capital markets and potential mortgage sector upticks (if interest rates decline) favor Infosys's offerings.
- > **Manufacturing:** Despite near-term challenges, the sector's double-digit growth over recent years signals opportunities in cost takeouts, infrastructure transformation, and ERP modernization.
- > **Energy Utilities Resources and Services (EURS):** A strong pipeline and the recent energy consulting acquisition enhance Infosys's ability to capitalize on energy trading and risk management opportunities.

### Cost Takeout and Efficiency Programs

Economic uncertainty drives client focus on cost reduction, where Infosys's strengths in automation, lean operations, and consolidation are highly relevant. Proactive pitches in these areas, as noted by CEO Salil Parekh, could bolster deal pipelines and revenue in FY'26.

## Threats

### Macroeconomic Uncertainties and Tariffs

Global uncertainties, particularly tariffs, pose risks to client sentiment and spending. These factors could delay decision-making and stretch sales cycles, as highlighted in the FY'26 guidance range of 0% to 3%. Infosys must navigate this volatility to sustain growth.

### Sectoral Weaknesses

- > **Auto Sector:** Persistent softness, especially in Europe, due to tariffs and trade barriers, may lead to subdued spending and project delays.
- > **Retail:** Economic uncertainty and lower consumer spending tighten budgets, increasing caution around discretionary projects.
- > **Communications:** Soft demand and a focus on cost-cutting limit discretionary spending, constraining growth potential.

### Margin Pressures in Hi-Tech

The Hi-Tech sector faces margin pressures from committed data center spending and cautious client behavior amid macroeconomic

headwinds. This could challenge profitability, despite Infosys's stable pricing environment.

### Competition and Pricing Pressures

While pricing remained stable in FY'25, intensified competition in a deteriorating economic climate could pressure margins. Infosys's ability to maintain value-based selling will be critical to mitigating this risk.

### End Notes

Infosys Limited has delivered a robust performance in FY'25, underscored by strong financial metrics, a leadership position in AI, and strategic expansions, positioning it as a resilient player in a challenging global environment. Its balanced portfolio and operational excellence provide a solid foundation to address client needs across growth and efficiency domains. However, the Q4 revenue decline and reliance on large deals highlight vulnerabilities that require vigilant management.

Looking forward, Infosys is well-poised to leverage opportunities in AI-led transformation, European expansion, and sector-specific growth, particularly in Financial Services and EURS. Yet, external threats—macroeconomic uncertainties, sectoral weaknesses, and competitive pressures—demand agility and proactive strategies. With its financial strength and ongoing margin improvement initiatives like Project Maximus, Infosys is equipped to navigate these challenges, reinforcing its market position and delivering sustained value to stakeholders in FY'26 and beyond.

Infosys Limited, a global leader in consulting, technology, and outsourcing solutions, operates within the dynamic and fiercely competitive IT services industry. This report employs Porter's Five Forces Framework to evaluate the competitive landscape impacting Infosys, drawing insights from the Q4 FY'25 Earnings Conference Call held on April 17, 2025. The analysis examines the Threat of New Entrants, Bargaining Power of Buyers, Bargaining Power of Suppliers, Threat of Substitute Products or Services, and Competitive Rivalry to assess Infosys's strategic positioning. With revenues of INR 1,610,550 million (USD 19.3 billion) in FY'25 and a strong focus on AI-led transformation, Infosys remains a key player in an industry shaped by technological innovation and economic volatility.

## 1. Threat of New Entrants: Moderate

The IT services industry features moderate to high barriers to entry, reducing the threat of new entrants. These barriers include:

**Economies of Scale:** Large players like Infosys leverage their scale to offer competitive pricing and invest in advanced technologies. With FY'25 revenues exceeding INR 1.6 trillion, Infosys demonstrates significant operational leverage.

**Brand Reputation:** Infosys's established reputation and long-term relationships with Fortune 500 clients create a formidable entry barrier. The company's 96 large deal wins worth INR 968,600 million (USD 11.6 billion) in FY'25 reflect its entrenched market presence.

**Technological Expertise:** Continuous innovation in AI, cloud computing, and cybersecurity is essential. Infosys's work on AI-driven projects, such as automating 70% of a Europe-based company's process landscape, underscores its technological edge.

**Regulatory Compliance:** Adherence to global data protection and cybersecurity standards increases complexity and cost for new entrants.

### Infosys's Strategic Advantages

Infosys mitigates this threat through its scale, brand equity, and innovation. Strategic acquisitions in energy consulting and cybersecurity, highlighted in the earnings call, bolster its capabilities and raise the bar for new competitors.

The threat of new entrants is moderate, tempered by high entry barriers. Infosys's robust market position and innovation focus effectively deter potential challengers.

## 2. Bargaining Power of Buyers: High

Clients in the IT services industry wield considerable bargaining power due to:

**Intense Competition:** Numerous providers, including Accenture, IBM, and TCS, offer clients extensive options, amplifying their leverage.

**Price Sensitivity:** Economic uncertainties and tariff announcements, as noted in the earnings call, have tightened client budgets, particularly in discretionary spending areas like retail and hi-tech.

**Switching Costs:** While long-term engagements involve high switching costs, clients can renegotiate or shift providers for specific services, especially in commoditized segments.

### Infosys's Strategies to Manage Buyer Power

Infosys counters this through:

**Value-Based Selling:** Emphasizing outcomes over price, Infosys improved operating margins by 50 basis points to 21.1% in FY'25 via its Project Maximus initiative.

**Client Relationships:** A focused client mining strategy in Europe, now contributing 30% of revenues with 15% year-on-year growth in Q4 FY'25, strengthens ties and reduces churn.

**Differentiation:** AI and digital transformation offerings, such as the conversational AI project for a U.S. financial services client achieving over 80% accuracy, differentiate Infosys from competitors.

Buyer power is high due to competition and cost pressures, but Infosys mitigates this through value-driven strategies and innovation, maintaining client loyalty.

### 3. Bargaining Power of Suppliers: Low

Suppliers in the IT services sector include talent, technology vendors, and third-party service providers, with moderate to low bargaining power:

**Talent:** Competition for skilled professionals in AI and cybersecurity is intense, yet Infosys's hiring of 15,000 freshers in FY'25 and plans for 20,000+ in FY'26 reflect its strong talent pipeline.

**Technology Vendors:** Partnerships with firms like Microsoft and AWS provide critical solutions, but Infosys's scale ensures favorable terms.

**Third-Party Providers:** A reduction in third-party costs in Q4 FY'25, contributing to a sequential revenue decline of 3.5%, indicates limited supplier influence.

#### Infosys's Supplier Management

Infosys manages supplier power via:

**Talent Development:** Extensive training and retention programs reduce external dependency.

**Strategic Partnerships:** Long-term vendor relationships secure competitive access to technology.

**Cost Optimization:** Project Maximus efforts lowered third-party costs, enhancing margin resilience.

Supplier power is moderate to low, with Infosys's proactive management minimizing dependencies and maintaining cost efficiency.

### 4. Threat of Substitute Products or Services: Moderate

The threat of substitutes is moderate, driven by:

**Emerging Technologies:** Automation, AI, and low-code platforms enable in-house solutions, reducing reliance on traditional IT services.

**Alternative Models:** Gig economy platforms and crowdsourcing offer substitutes to conventional outsourcing.

**In-House Development:** Tech-savvy clients in financial services and hi-tech may build internal capabilities.

#### Infosys's Differentiation Strategies

Infosys counters this through:

**Innovation:** AI-led initiatives, such as automating 70% of a client's processes, position Infosys as a leader in transformative solutions.

**Comprehensive Offerings:** A broad portfolio spanning consulting to managed services limits the appeal of substitutes.

**Client-Centricity:** Tailored solutions, like the hyper-personalized customer experience project, enhance client stickiness.

The threat of substitutes is moderate, but Infosys's innovation and comprehensive services effectively reduce this risk.

### 5. Competitive Rivalry: High

Competitive rivalry in the IT services industry is intense due to:

**Global Players:** Competitors like Accenture, TCS, and Cognizant vie aggressively for market share.

**Price Pressure:** Commoditized services face fierce pricing competition, particularly in cost-driven deals.

**Innovation Race:** Firms compete to lead in AI, cloud, and digital transformation.

## Infosys's Competitive Positioning

Infosys excels through:

**Growth and Market Share:** A 4.2% constant currency revenue growth in FY'25 outpaces some peers, driven by AI and cloud focus.

**Deal Momentum:** 96 large deals worth INR 968,600 million, with 56% net new, reflect strong competitive traction.

**Geographic Strength:** Europe's 15% growth in Q4 FY'25 diversifies revenue and bolsters resilience.

**Efficiency:** Project Maximus lifted margins to 21.1%, balancing price competitiveness with profitability.

Rivalry is intense, but Infosys's growth, deal wins, and efficiency provide a competitive edge.

## End Notes

Infosys Limited navigates a challenging IT services landscape marked by high buyer power and intense rivalry, with moderate threats from new entrants and substitutes. Its scale (INR 1.6 trillion in FY'25 revenue), technological leadership, and operational efficiency position it favorably. Supplier power remains manageable due to robust talent and vendor strategies.

Looking forward, Infosys's emphasis on AI, cost optimization, and geographic diversification will sustain its edge amid uncertainties like tariff impacts and geopolitical shifts. Its balanced portfolio—spanning growth (AI, cloud) and efficiency (automation, lean)—equips it to adapt to client needs. Infosys remains well-placed to capitalize on opportunities and reinforce its leadership in the global IT services market.

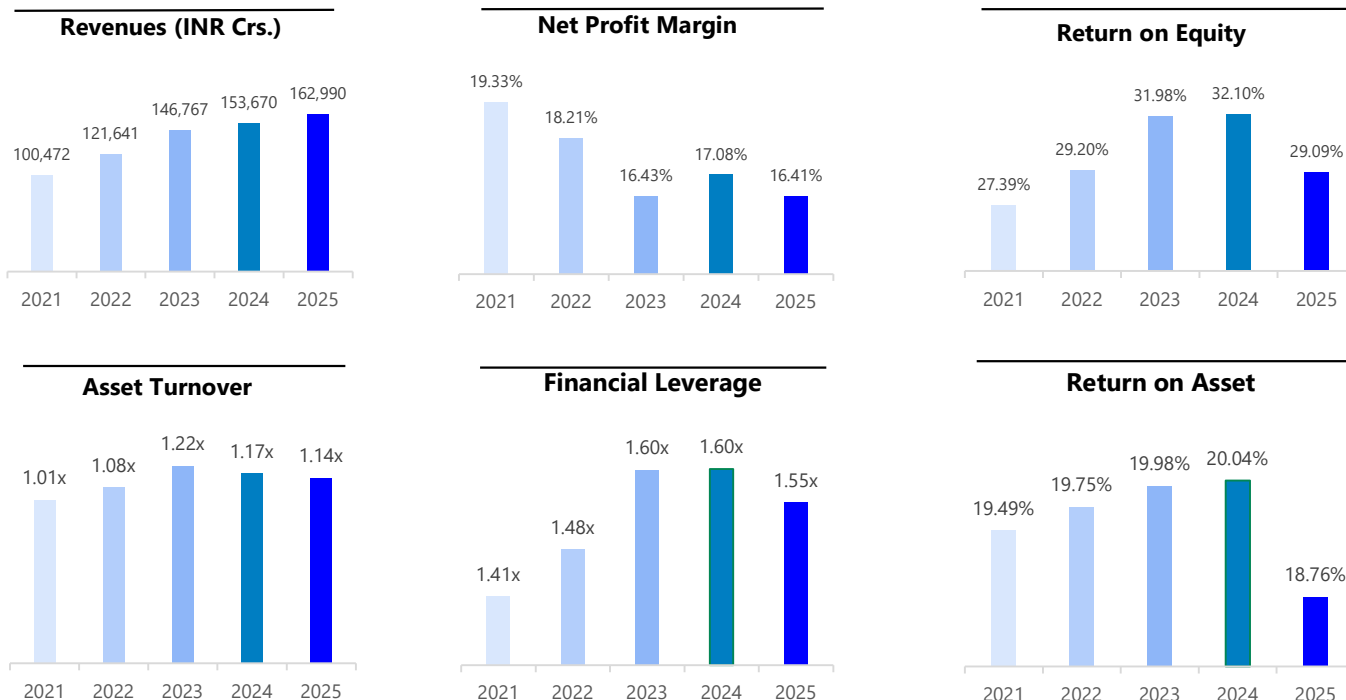


# Dupont Analysis - INFOSYS LTD



This DuPont Analysis report provides a comprehensive evaluation of INFOSYS LTD's financial performance by dissecting its Return on Equity (ROE) and Return on Assets (ROA) through the DuPont framework. By breaking down these key metrics into their underlying components, this report aims to uncover the operational, financial, and strategic factors influencing profitability.

## Financial Summary



## Return on Equity & Return on Asset

| Return on Equity (ROE)     |               |               |               |               |               |               |               |
|----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                            | Mar-19        | Mar-20        | Mar-21        | Mar-22        | Mar-23        | Mar-24        | Mar-25        |
| Net Profit                 | 15,410        | 16,639        | 19,423        | 22,146        | 24,108        | 26,248        | 26,750        |
| Average Shareholder Equity | 64,936        | 65,199        | 70,901        | 75,851        | 75,379        | 81,762        | 91,967        |
| <b>Return on Equity</b>    | <b>23.73%</b> | <b>25.52%</b> | <b>27.39%</b> | <b>29.20%</b> | <b>31.98%</b> | <b>32.10%</b> | <b>29.09%</b> |

| ROE - Dupont Equation           |               |               |               |               |               |               |               |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                                 | Mar-19        | Mar-20        | Mar-21        | Mar-22        | Mar-23        | Mar-24        | Mar-25        |
| Net Profit                      | 15,410        | 16,639        | 19,423        | 22,146        | 24,108        | 26,248        | 26,750        |
| Revenue                         | 82,675        | 90,791        | 100,472       | 121,641       | 146,767       | 153,670       | 162,990       |
| <b>Net Profit Margin (A)</b>    | <b>18.64%</b> | <b>18.33%</b> | <b>19.33%</b> | <b>18.21%</b> | <b>16.43%</b> | <b>17.08%</b> | <b>16.41%</b> |
| Revenue                         | 82,675        | 90,791        | 100,472       | 121,641       | 146,767       | 153,670       | 162,990       |
| Average Total Asset             | 81,708        | 87,933        | 99,656        | 112,120       | 120,663       | 130,978       | 142,578       |
| <b>Asset Turnover Ratio (B)</b> | <b>1.01x</b>  | <b>1.03x</b>  | <b>1.01x</b>  | <b>1.08x</b>  | <b>1.22x</b>  | <b>1.17x</b>  | <b>1.14x</b>  |
| Average Total Asset             | 81,708        | 87,933        | 99,656        | 112,120       | 120,663       | 130,978       | 142,578       |
| Average Shareholder Equity      | 64,936        | 65,199        | 70,901        | 75,851        | 75,379        | 81,762        | 91,967        |
| <b>Equity Multiplier (C)</b>    | <b>1.26x</b>  | <b>1.35x</b>  | <b>1.41x</b>  | <b>1.48x</b>  | <b>1.60x</b>  | <b>1.60x</b>  | <b>1.55x</b>  |
| <b>Return on Equity (A*B*C)</b> | <b>23.73%</b> | <b>25.52%</b> | <b>27.39%</b> | <b>29.20%</b> | <b>31.98%</b> | <b>32.10%</b> | <b>29.09%</b> |

## Return on Equity (ROE) Analysis

### 1. Upward Trend with a Late Decline:

Infosys' ROE increased steadily from 23.73% in Mar-19 to a peak of 32.10% in Mar-24, driven by improved net profit margins, asset turnover, and leverage. However, it declined to 29.09% in Mar-25 due to a lower net profit margin and a slight reduction in the equity multiplier, indicating reduced efficiency in generating returns from equity.

### 2. DuPont Components Driving ROE:

The rise in ROE until Mar-24 was supported by a higher asset turnover (peaking at 1.2x in Mar-23 and Mar-24) and an increasing equity multiplier (peaking at 1.60x in Mar-23 and Mar-24). The Mar-25 decline reflects a drop in net profit margin to 16.41%, signaling challenges in maintaining profitability relative to revenue growth.

| Return on Asset        |               |               |               |               |               |               |               |
|------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                        | Mar-19        | Mar-20        | Mar-21        | Mar-22        | Mar-23        | Mar-24        | Mar-25        |
| Net Profit             | 15,410        | 16,639        | 19,423        | 22,146        | 24,108        | 26,248        | 26,750        |
| Average Total Asset    | 81,708        | 87,933        | 99,656        | 112,120       | 120,663       | 130,978       | 142,578       |
| <b>Return on Asset</b> | <b>18.86%</b> | <b>18.92%</b> | <b>19.49%</b> | <b>19.75%</b> | <b>19.98%</b> | <b>20.04%</b> | <b>18.76%</b> |

| ROA - Dupont Equation           |               |               |               |               |               |               |               |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                                 | Mar-19        | Mar-20        | Mar-21        | Mar-22        | Mar-23        | Mar-24        | Mar-25        |
| Net Profit                      | 15,410        | 16,639        | 19,423        | 22,146        | 24,108        | 26,248        | 26,750        |
| Revenue                         | 82,675        | 90,791        | 100,472       | 121,641       | 146,767       | 153,670       | 162,990       |
| <b>Net Profit Margin (A)</b>    | <b>18.64%</b> | <b>18.33%</b> | <b>19.33%</b> | <b>18.21%</b> | <b>16.43%</b> | <b>17.08%</b> | <b>16.41%</b> |
| Revenue                         | 82,675        | 90,791        | 100,472       | 121,641       | 146,767       | 153,670       | 162,990       |
| Average Total Asset             | 81,708        | 87,933        | 99,656        | 112,120       | 120,663       | 130,978       | 142,578       |
| <b>Asset Turnover Ratio (B)</b> | <b>1.01x</b>  | <b>1.03x</b>  | <b>1.01x</b>  | <b>1.08x</b>  | <b>1.22x</b>  | <b>1.17x</b>  | <b>1.14x</b>  |
| <b>Return on Asset (A*B)</b>    | <b>18.86%</b> | <b>18.92%</b> | <b>19.49%</b> | <b>19.75%</b> | <b>19.98%</b> | <b>20.04%</b> | <b>18.76%</b> |

## Return on Assets (ROA) Analysis

### 1. Stable Growth with Recent Dip:

ROA grew from 18.86% in Mar-19 to 20.04% in Mar-24, reflecting efficient asset utilization and consistent profitability. The decline to 18.76% in Mar-25 was primarily due to a lower net profit margin, despite a stable asset turnover ratio of 1.14x, indicating reduced profitability per unit of revenue.

### 2. Asset Turnover Consistency:

The asset turnover ratio remained relatively stable, ranging from 1.01x to 1.22x, with a peak in Mar-23. This consistency, combined with a net profit margin that fluctuated between 16.41% and 19.33%, underscores Infosys' ability to generate returns from assets, though margin pressures in Mar-25 impacted overall ROA.

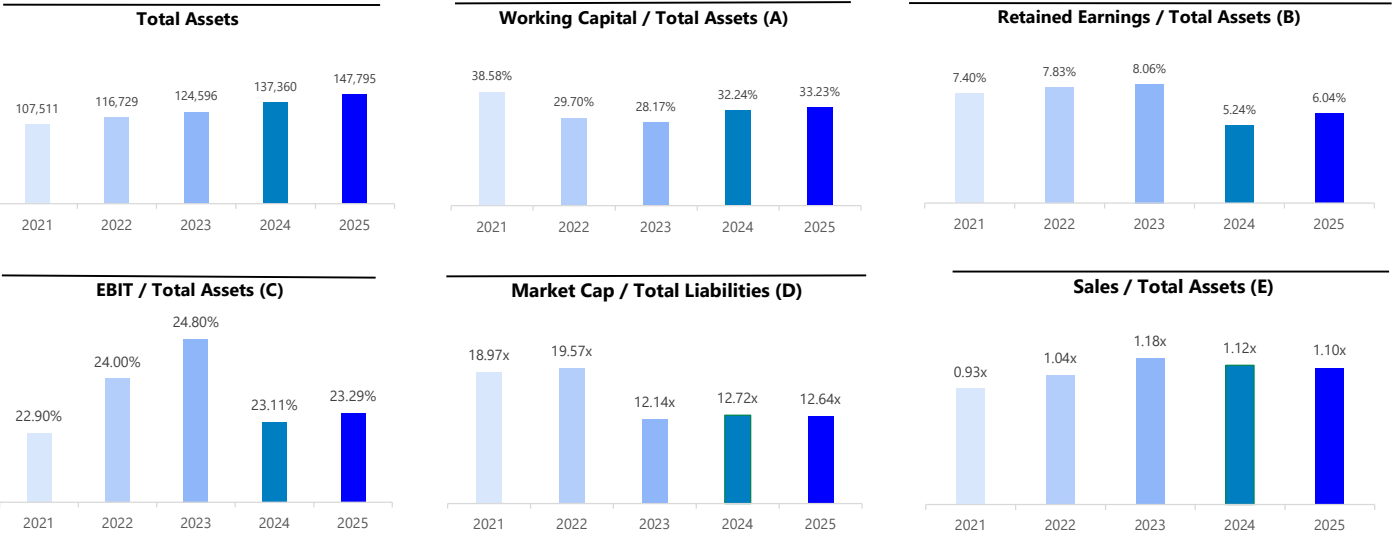
## End Notes

Infosys demonstrated strong financial performance from Mar-19 to Mar-24, with both ROE and ROA reflecting efficient use of equity and assets, driven by robust revenue growth, stable asset turnover, and increased leverage. The peak ROE of 32.10% and ROA of 20.04% in Mar-24 highlight the company's ability to optimize profitability and resource utilization. However, the decline in both metrics in Mar-25, primarily due to a lower net profit margin, suggests emerging challenges in maintaining profitability amidst rising revenues. To sustain long-term growth, Infosys should focus on improving cost efficiencies and exploring strategies to enhance net profit margins while maintaining its strong asset utilization and balanced leverage.

**\*\* Concept Behind DuPont Analysis :** The DuPont Analysis, developed by the DuPont Corporation in the early 20th century, is a financial performance framework that decomposes ROE and ROA into their constituent parts to reveal the drivers of profitability. This methodology enables a granular understanding of how operational efficiency, asset utilization, and financial leverage contribute to shareholder returns.

This Altman Z-Score Analysis report provides a comprehensive evaluation of INFOSYS LTD's financial health. By applying the Altman Z-Score model, a robust framework for predicting bankruptcy risk, this report dissects key financial ratios to uncover the underlying factors influencing INFOSYS LTD's creditworthiness and operational resilience. By analyzing key financial ratios related to profitability, leverage, liquidity, and activity, the score provides insight into a company's financial stability and its chances of defaulting on obligations.

## Financial Summary



### 1. Working Capital / Total Assets (A)

| Working Capital / Total Assets     |        |        |         |         |         |         |         |
|------------------------------------|--------|--------|---------|---------|---------|---------|---------|
|                                    | Mar-19 | Mar-20 | Mar-21  | Mar-22  | Mar-23  | Mar-24  | Mar-25  |
| Working Capital                    | 36,647 | 36,942 | 41,475  | 34,670  | 35,103  | 44,282  | 49,114  |
| Total Assets                       | 84,066 | 91,800 | 107,511 | 116,729 | 124,596 | 137,360 | 147,795 |
| Working Capital / Total Assets (A) | 43.59% | 40.24% | 38.58%  | 29.70%  | 28.17%  | 32.24%  | 33.23%  |

>> **Consistent Liquidity Position:** The Working Capital to Total Assets ratio has fluctuated between 28.17% (Mar-23) and 43.59% (Mar-19) over the seven-year period, indicating a generally robust liquidity position. The slight decline in recent years (e.g., 29.70% in Mar-22 to 33.23% in Mar-25) suggests a potential shift towards more capital-intensive investments or reduced short-term asset accumulation, though the ratio remains healthy.

>> **Resilience in Operations:** The increase from 28.17% in Mar-23 to 33.23% in Mar-25 reflects improved working capital management, supporting operational flexibility and the ability to meet short-term obligations effectively.

### 2. Retained Earnings / Total Assets (B)

| Retained Earnings / Total Assets     |        |        |         |         |         |         |         |
|--------------------------------------|--------|--------|---------|---------|---------|---------|---------|
|                                      | Mar-19 | Mar-20 | Mar-21  | Mar-22  | Mar-23  | Mar-24  | Mar-25  |
| Retained Earnings                    | 6,188  | 9,212  | 7,953   | 9,138   | 10,039  | 7,195   | 8,922   |
| Total Assets                         | 84,066 | 91,800 | 107,511 | 116,729 | 124,596 | 137,360 | 147,795 |
| Retained Earnings / Total Assets (B) | 7.36%  | 10.03% | 7.40%   | 7.83%   | 8.06%   | 5.24%   | 6.04%   |

>> **Moderate Retained Earnings Growth:** The Retained Earnings to Total Assets ratio peaked at 10.03% in Mar-20 but declined to 6.04% by Mar-25, indicating a conservative approach to profit retention. This could reflect higher dividend payouts or reinvestment into growth initiatives, which may limit the accumulation of retained earnings.

>> **Stable Profit Retention:** Despite the decline, the ratio remains positive (5.24% to 8.06% range), suggesting consistent profitability and a stable financial base, though lower retention in recent years may warrant monitoring for long-term growth sustainability.

### 3. EBIT / Total Assets (C)

| EBIT / Total Assets            |               |               |               |               |               |               |               |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                                | Mar-19        | Mar-20        | Mar-21        | Mar-22        | Mar-23        | Mar-24        | Mar-25        |
| EBIT                           | 18,159        | 19,374        | 24,622        | 28,015        | 30,905        | 31,747        | 34,424        |
| Total Assets                   | 84,066        | 91,800        | 107,511       | 116,729       | 124,596       | 137,360       | 147,795       |
| <b>EBIT / Total Assets (C)</b> | <b>21.60%</b> | <b>21.10%</b> | <b>22.90%</b> | <b>24.00%</b> | <b>24.80%</b> | <b>23.11%</b> | <b>23.29%</b> |

>> **Strong Operating Efficiency:** The EBIT to Total Assets ratio has remained robust, ranging from 21.10% (Mar-20) to 24.80% (Mar-23), showcasing Infosys' ability to generate significant earnings from its asset base. The slight dip to 23.29% in Mar-25 indicates sustained operational efficiency despite market challenges.

>> **Asset Utilization Consistency:** The stable performance (above 21% across all years) reflects effective asset utilization, with a peak in Mar-23 (24.80%) highlighting a period of strong operational performance, likely driven by increased demand for IT services.

### 4. Market Cap / Total Liabilities (D)

| Market Cap / Total Liabilities            |               |               |               |               |               |               |               |
|-------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                                           | Mar-19        | Mar-20        | Mar-21        | Mar-22        | Mar-23        | Mar-24        | Mar-25        |
| Market Cap                                | 324,981       | 273,215       | 582,885       | 802,155       | 592,399       | 621,826       | 652,338       |
| Total Liabilities                         | 19,060        | 25,956        | 30,729        | 40,993        | 48,801        | 48,899        | 51,592        |
| <b>Market Cap / Total Liabilities (D)</b> | <b>17.05x</b> | <b>10.53x</b> | <b>18.97x</b> | <b>19.57x</b> | <b>12.14x</b> | <b>12.72x</b> | <b>12.64x</b> |

>> **High Market Confidence:** The Market Cap to Total Liabilities ratio is exceptionally high, ranging from 1052.61% (Mar-20) to 1956.81% (Mar-22), indicating strong investor confidence and a low debt burden. The decline to 1264.42% in Mar-25 from its peak suggests a normalization but still reflects a strong market position.

>> **Debt Management Strength:** The consistently high ratio (over 1000% in all years) underscores Infosys' ability to maintain low leverage, reducing financial risk and enhancing its capacity to absorb economic shocks.

### 5. Sales / Total Assets (E)

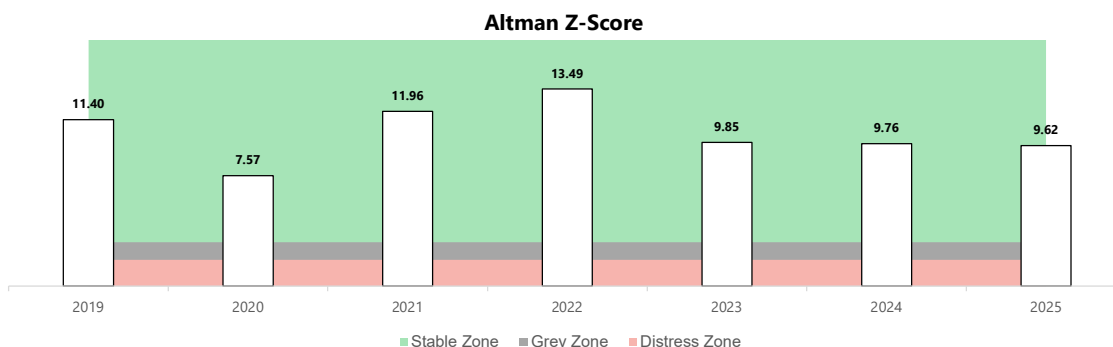
| Sales / Total Assets            |              |              |              |              |              |              |              |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                                 | Mar-19       | Mar-20       | Mar-21       | Mar-22       | Mar-23       | Mar-24       | Mar-25       |
| Total Sales                     | 82,675       | 90,791       | 100,472      | 121,641      | 146,767      | 153,670      | 162,990      |
| Total Assets                    | 84,066       | 91,800       | 107,511      | 116,729      | 124,596      | 137,360      | 147,795      |
| <b>Sales / Total Assets (E)</b> | <b>0.98x</b> | <b>0.99x</b> | <b>0.93x</b> | <b>1.04x</b> | <b>1.18x</b> | <b>1.12x</b> | <b>1.10x</b> |

>> **Robust Revenue Generation:** The Sales to Total Assets ratio has remained strong, ranging from 93.45% (Mar-21) to 117.79% (Mar-23), demonstrating efficient use of assets to generate revenue. The slight decline to 110.28% in Mar-25 indicates sustained but slightly moderated revenue efficiency.

>> **Growth in Asset Turnover:** The increase from 98.35% (Mar-19) to 117.79% (Mar-23) reflects improved asset turnover, likely driven by expanded service offerings and market demand, with the high ratio in Mar-25 signaling continued operational strength.

### Altman Z-Score and Financial Stability

| Altman's Z Score           |               |               |               |               |               |               |               |
|----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                            | Mar-19        | Mar-20        | Mar-21        | Mar-22        | Mar-23        | Mar-24        | Mar-25        |
| <b>Final Score</b>         | <b>11.4</b>   | <b>7.6</b>    | <b>12.0</b>   | <b>13.5</b>   | <b>9.8</b>    | <b>9.8</b>    | <b>9.6</b>    |
| <b>Financial Stability</b> | <b>Strong</b> | <b>Strong</b> | <b>Strong</b> | <b>Strong</b> | <b>Strong</b> | <b>Strong</b> | <b>Strong</b> |



>> **Consistently Strong Z-Scores:** The Altman Z-Score has remained well above the 2.99 threshold for financial stability, ranging from 7.6 (Mar-20) to 13.5 (Mar-22), with a score of 9.6 in Mar-25. This indicates a very low probability of bankruptcy and consistent financial health across the period.

>> **Stable Risk Profile:** The constant 5% probability of failure across all years reinforces Infosys' strong financial position, supported by robust liquidity, profitability, and market confidence, despite minor fluctuations in individual ratios.

## End Notes

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Infosys demonstrates strong financial stability from Mar-19 to Mar-25, as evidenced by its consistently high Altman Z-Scores (7.6 to 13.5), all well above the safe zone (>2.99). The company maintains robust liquidity, efficient asset utilization, and strong market confidence, with a low debt burden and a steady 5% probability of failure. While there are minor fluctuations, such as a dip in retained earnings and a slight moderation in sales efficiency in recent years, these do not detract from Infosys' overall financial health. The company's ability to sustain high Z-Scores, driven by strong operating performance and market valuation, positions it as a financially resilient entity with a low risk of distress, making it a stable investment and operational entity in the IT services sector.

**\*\* Concept Behind Altman Z-Score :** The Altman Z-Score, developed by Edward I. Altman in 1968, is a predictive model that assesses the likelihood of a company facing bankruptcy within two years. The Z-Score combines five financial ratios, each weighted to produce a single score that categorizes a company into one of three zones: Safe, Grey, or Distress. The formula for publicly traded companies is:  $Z = 1.2A + 1.4B + 3.3C + 0.6D + 1.0E$ , Where:

A: Working Capital / Total Assets (liquidity), B: Retained Earnings / Total Assets (cumulative profitability), C: Earnings Before Interest and Taxes (EBIT) / Total Assets (operating efficiency),  
D: Market Value of Equity / Total Liabilities (financial leverage), E: Sales (Revenue) / Total Assets (asset turnover)

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