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FINANCIAL ANALYSIS OF INFOSYS LTD

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ABSTRACT

Infosys was registered as Infosys Consultants Private Limited on 2 July 1981. Infosys might be a world leader in next generation digital services and consulting. The foremost objective of this study is to figure out the firm's liquidity and profitability position by using ratio analysis tool. This study is predicted upon the secondary data extracted from the annual report of the INFOSYS Limited. The financial statements of INFOSYS limited are collected over a period of 10 years from 2012- 2021. Financial performance helps in forecasting the short term and long-term financial position and growth of the company. The financial position of the company was satisfactory.

KEYWORDS: Financial performance, Ratio Analysis, Liquidity ratio, Profitability ratio.

INTRODUCTION

Seven engineers started Infosys in 1981 with \$250 in cash in Pune, Maharashtra, India. On July 2, 1981, it absolutely was registered as Infosys Consultants Private Limited. When the company became a public limited company in June 1992, it changed its name from Infosys Technologies Private Limited to Infosys Technologies Limited. In June 2011, it underwent a reputation change to Infosys Limited. For businesses within the banking, insurance, manufacturing, and other sectors, Infosys offers software development, maintenance, and independent validation services. Finacle, a universal banking system with different modules for retail and business banking, is one of its well-known offerings.

STATEMENT OF THE PROBLEM

The effectiveness of financial performance entails making decisions in the organisation using a ratio analysis tool to recognise profitability and liquidity positions and to determine whether the organisation is in a position to meet their obligations properly and on time. The task at hand is to research Infosys Ltd's financial performance.

OBJECTIVES OF THE STUDY

- To study the liquidity position of Infosys Ltd.
- To determine the overall efficiency of Infosys Ltd by using profitability ratios.

RESEARCH METHODOLOGY

The study is about financial performance so it deals with the secondary data. The data has been collected from annual reports of the company. The study covers the period of ten years ranges from 2012-21. The study employs an analytical research design.

Tools and Techniques

Ratio analysis tool is used in this study for analysing the financial statement of Infosys Ltd.

LIMITATIONS OF THE STUDY

- The study is based on the data obtained from the annual reports of the concern i.e., balance sheet, profit and loss account.
- The data are in historical nature, it does not reflect the current position of the company.

REVIEW LITERATURE

Dr P.R BrindaKalyani (2021), “A study on the financial performance of Infosys Limited” took a period of 5 years from 2016 to 2020. It was found that Market value of the firm were higher to cover the debts of firm. Pattern of the firm remains almost same but there were technological changes every year. The 5 years trend value depicts the company’s development and the financial changes of the firm.

Dr. Mrs. Vijayalakshmi, J. Nandhini, P. V. Nivashini and G. Pavithra (2019), this study is mainly done to analyze the financial performance of Ashok Leyland Limited for the period of 2014 – 2018. It is based on the secondary data collected from the annual report of the company. The researchers conclude that the performance of Ashok Leyland in the study period has been excellent.

Anil Kumar Goyal (2020), ‘A Study on financial performance analysis of Bharat petroleum corporation India’ The author uses profitability, liquidity and solvency ratio for analysis of the company’s financial performance. The study covers the period of study from 2004-2005 to 2011-2012. It is concluded that the company was unable to even touch the ideal quick ratio during the period of study which may create problem to the short-term liquidity.

ANALYSIS AND INTERPRETATION

LIQUIDITY RATIO

Liquidity ratios assess a company's ability to pay off its short-term liabilities. It determines how quickly a company can convert assets and use them to pay off debts.

- Current ratio
- Liquid ratio
- Absolute liquid ratio

CURRENT RATIO

The relationship between current assets and current liabilities is depicted by the current ratio. The main goal of calculating this ratio is to determine whether the company's short-term assets are sufficient to cover its short-term liabilities. The standard current ratio is 2:1.

Current ratio = Current Asset/Current Liabilities

Table No.1
Table Showing Current Ratio

(Rs. In crores)

YEAR	CURRENT ASSET	CURRENT LIABILITIES	RATIO
2012	29,568.00	6,058.00	4.88
2013	32,738.00	6,793.00	4.82
2014	39,237.00	10,256.00	3.83
2015	42,752.00	13,715.00	3.12
2016	46,097.00	11,588.00	3.98
2017	47,682.00	11,786.00	4.05
2018	44,090.00	11,662.00	3.78
2019	46,223.00	15,430.00	3.00
2020	43,820.00	15,220.00	2.88
2021	48,282.00	17,622.00	2.74

INTERPRETATION

The Table No.1 shows the Current ratio position of the Infosys Ltd company. The Current ratio was ranges from 4.88 to 2.74 during the study period 2012 to 2021. And it is understood that during the study period the current ratio is high in the year 2012 and low in the year 2021.

LIQUID RATIO

The Liquidity ratio assesses a company's ability to repay its short-term debt obligations. This is accomplished by comparing a company's liquid assets to its current liabilities. This ratio is used to determine how well a company can meet its short-term debt with its most liquid assets. The standard liquid ratio is 1:1.

Liquid ratio = Liquid asset/Current Liabilities.

Table No. 2
Table Showing Liquid Ratio

(Rs. In crores)

YEAR	LIQUID ASSET	CURRENT LIABILITIES	RATIO
2012	29,568.00	6,058.00	4.88
2013	32,738.00	6,793.00	4.82
2014	39,237.00	10,256.00	3.83
2015	42,752.00	13,715.00	3.12
2016	46,097.00	11,588.00	3.98
2017	47,682.00	11,786.00	4.05
2018	44,090.00	11,662.00	3.78
2019	46,223.00	15,430.00	3.00
2020	43,820.00	15,220.00	2.88
2021	48,282.00	17,622.00	2.74

INTERPRETATION

The Table No.2 shows the Liquid ratio position of the Infosys Ltd company. The Liquid ratio was ranges from 4.88 to 2.74 during the study period 2012 to 2021. And it is understood that during the study period the Liquid ratio is high in the year 2012 and low in the year 2021.

ABSOLUTE LIQUID RATIO

The Absolute Liquid ratio measures a company's ability to meet its short-term financial liabilities. It is also referred to as the cash ratio. The Absolute Liquid ratio is calculated by taking assets that can be converted into cash quickly. The Absolute Liquid ratio is determined by cash and cash equivalents. The standard absolute liquid ratio is 0.5:1.

Absolute Liquid ratio = cash + marketable securities + accounts receivable / current liabilities.

Table No. 3
Table Showing Absolute Liquid Ratio
 (Rs. In crores)

YEAR	ABSOLUTE LIQUID ASSETS	CURRENT LIABILITIES	RATIO
2012	18,057.00	6,058.00	2.98
2013	21,981.00	6,793.00	3.24
2014	26,849.00	10,256.00	2.62
2015	28,471.00	13,715.00	2.08
2016	29,178.00	11,588.00	2.52
2017	28,796.00	11,786.00	2.44
2018	22,676.00	11,662.00	1.94
2019	21,628.00	15,430.00	1.40
2020	17,568.00	15,220.00	1.15
2021	19,649.00	17,622.00	1.12

INTERPRETATION

The Table No.3 shows the Absolute liquid ratio position of the Infosys Ltd company. The Absolute liquid ratio was ranges from 2.98 to 1.12 during the study period 2012 to 2021. And it is understood that during the study period the Absolute liquid ratio is high in the year 2013 and low in the year 2021.

PROFITABILITY RATIO

Profitability ratios are a set of metrics that evaluate a company's ability to generate revenue in comparison to its revenue, operating costs, balance sheet assets, and shareholders' equity. Profitability ratios also demonstrate how well a company uses its existing assets to generate profit and value for its shareholders.

- Net profit ratio
- Operating profit ratio
- Expense ratio
- Return on total assets ratio

NET PROFIT RATIO

Net profit ratio is also known as Net Profit Margin ratio, it establishes a relationship between net profit earned and net revenue generated from operations (net sales). Net profit ratio is a profitability ratio which is expressed as a percentage hence it is multiplied by 100.

$$\text{Net profit ratio} = \text{Net profit/sales} * 100$$

Table No.4
Table Showing Net Profit Ratio
(Rs. In crores)

YEAR	NET PROFIT	SALES	RATIO%
2012	8,470.00	31,254.00	27.10
2013	9,116.00	36,765.00	24.80
2014	10,194.00	44,341.00	22.99
2015	12,164.00	47,300.00	25.72
2016	12,693.00	53,983.00	23.51
2017	13,818.00	59,289.00	23.31
2018	16,155.00	61,941.00	26.08
2019	14,702.00	73,107.00	20.11
2020	15,543.00	79,047.00	19.66
2021	18,048.00	85,912.00	21.01

INTERPRETATION

The Table No. 4 shows the net profit ratio of the Infosys Ltd company. The Net profit ratio was ranges from 27.10% to 21.01% during the study period 2012 to 2021. And it is understood that during the study period the Net profit ratio is high in the year 2012 and low in the year 2020.

OPERATING PROFIT RATIO

Operating profit ratio establishes a relationship between operating Profit earned and net revenue generated from operations (net sales). Operating profit ratio is a type of profitability ratio which is expressed as a percentage.

$$\text{Operating profit ratio} = \text{Operating profit/sales} * 100$$

Table No. 5
Table Showing Operating Profit Ratio
(Rs. In crores)

YEAR	OPERATING PROFIT	SALES	RATIO%
2012	11,096.00	31,254.00	35.50
2013	12,274.00	36,765.00	33.39
2014	14,002.00	44,341.00	31.58
2015	16,386.00	47,300.00	34.64
2016	17,600.00	53,983.00	32.60
2017	18,938.00	59,289.00	31.94
2018	19,908.00	61,941.00	32.14
2019	19,927.00	73,107.00	27.26
2020	20,477.00	79,047.00	25.90
2021	24,477.00	85,912.00	28.49

INTERPRETATION

The Table No. 5 shows the operating profit ratio of the Infosys Ltd company. The Operating profit ratio was ranges from 35.50% to 28.49% during the study period 2012 to 2021. And it is understood that during the study period the operating profit ratio is high in the year 2012 and low in the year 2020.

EXPENSE RATIO

Expense ratio (expense to sales ratio) is computed to show the relationship between an individual expense or group of expenses and sales. It is computed by dividing a particular expense or group of expenses by net sales. Expense ratio is expressed in percentage.

$$\text{Expense ratio} = \frac{\text{Particular expenses}}{\text{Net sales}} * 100$$

Table No. 6

Table showing Expense Ratio

(Rs. In crores)

YEAR	PARTICULAR EXPENSES	NET SALES	RATIO%
2012	21,987.00	31,254.00	70.35
2013	26,706.00	36,765.00	72.64
2014	32,915.00	44,341.00	74.23
2015	34,251.00	47,300.00	72.41
2016	39,389.00	53,983.00	72.97
2017	43,413.00	59,289.00	73.22
2018	46,052.00	61,941.00	74.35
2019	56,032.00	73,107.00	76.64
2020	61,270.00	79,047.00	77.51
2021	63,902.00	85,912.00	74.38

INTERPRETATION

The Table No.6 shows the expense profit ratio of the Infosys Ltd company. The Expense profit ratio was ranges from 70.35% to 74.38% during the study period 2012 to 2021. And it is understood that during the study period the expense profit ratio is high in the year 2020 and low in the year 2012.

RETURN ON TOTAL ASSETS RATIO

Return on assets is a financial ratio that shows the profit percentage of a company earns in relation to its overall resources. It is commonly defined as net income divided by total assets.

$$\text{Return on assets} = \frac{\text{Net profit}}{\text{Total assets}} * 100$$

Table No. 7
Table Showing Return on Total Assets Ratio
(Rs. In crores)

YEAR	NET PROFIT	TOTAL ASSETS	RATIO%
2012	8,470.00	35,815.00	23.65
2013	9,116.00	43,028.00	21.19
2014	10,194.00	52,712.00	19.34
2015	12,164.00	61,813.00	19.68
2016	12,693.00	72,732.00	17.45
2017	13,818.00	79,885.00	17.30
2018	16,155.00	75,877.00	21.29
2019	14,702.00	78,930.00	18.63
2020	15,543.00	81,041.00	19.18
2021	18,048.00	93,939.00	19.21

INTERPRETATION

The Table No.7 shows the return on total assets ratio of the Infosys Ltd company. The return on total assets ratio was ranges from 23.65% to 19.21% during the study period 2012 to 2021. And it is understood that during the study period the return on total assets ratio is high in the year 2012 and low in the year 2017.

FINDINGS

- The current ratio was favourable during 2011-2012.
- The quick ratio was highest in the year of 2012 and lowest in the year of 2021.
- Absolute liquid Ratio has a gradual decrease during the period from 2016 to 2021. It indicates insignificant improvement in conditions of the business.
- Net Profit Ratio is the ratio of after-tax profits to net sales. It is high in the period of 2012 and low in the period of 2020.
- Operating Profit Ratio is the ratio of operating profit before interest and taxes to net sales multiplied by 100. It is high in the period of 2012 and low in the period of 2020.
- Expense Ratio is the ratio of particular expenses to net sales. It is high in the period of 2020 and decreases in the period of 2012.
- Return on Total Asset Ratio shows the percentage of profit a company earns in relation to its overall resources. The concern fully utilizes the assets on the period of 2012 and it varies in the other periods.

SUGGESTIONS

- The company can retain their profitability position stable by making efficient employment of their available resources.
- The liquidity position could be strengthened by reducing the current liabilities.
- The management may take proper decisions to maintain their absolute liquid ratio, so that they can maintain their liquidity position in the long run.

CONCLUSION

On studying the financial performance (ratio analysis) of INFOSYS LTD, for a period of ten years from 2012 to 2021, the study reveals that the financial performance in general is satisfactory. Financial performance is important for finding the financial strength of the company. Researcher has used to analysis various Ratios like Liquidity Ratio and Profitability Ratio to analysis the performance of the company. It could be concluded that the company has been performing well.

REFERENCE

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