



A STUDY ON FINANCIAL PERFORMANCE ANALYSIS OF INFOSYS LIMITED

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ABSTRACT

Financial performance is one of the most important metrics used to assess the financial well-being and development of any corporate organization. Financial performance describes the efficiency with which income is generated from the capital invested in the business. It demonstrates how successfully the business utilizes its assets to maximize its return. It represents the company's financial status as a whole. Domestic and outside stakeholders of the company can learn about the firm's financial strengths and weaknesses.¹ Given the significance of financial performance evaluation, the present study article aims to examine Infosys Limited's financial performance. The study is based on secondary data obtained from published yearly reports, journals, and magazines, news-papers etc. The period of the study is of five years that is from the 2019-20 to 2023-24. Accounting Ratios are used to judge the financial achievements of the Infosys Limited. The result revealed that the Infosys Limited is under sound and strong financial position.

(Key Points: Financial Performance, growth, revenue, stakeholders)

INTRODUCTION

Finance is considered the vital source of any business because all day-to-day activities in the company require funding to archive its goals regardless of the size of the business. Financing is needed the right way to start a business when you come up with a business idea. Finance is the key that opens up all production and marketing opportunities. For preparing and managing financial decisions, financial success is crucial. It is a method to determine how much of its assets a company uses from its core business state to generate money, as well as a method of determining the overall financial health of the organization over time. Every big, medium and small business needs investments to continue its operations. Finance is now so important that it is also referred to as “business cycle.” No business can survive for a long time without a sufficient budget. As a result, the study of financial performance is important because it is the process of calculating the financial results of a company’s operations. Financial performance analysis is the process of identifying the strongest and weakest financial points of a company by determining the correct relationship between the account account and the



components of the profit and loss account. It also helps in short- and long-term forecasting, as well as identifying growth through the use of various financial techniques in the analysis of financial performance. In the development of the Indian economy, the bank plays an important role. In developing countries, the healthy and efficient banking sector provides the financial imports needed for the economy. It also assesses the performance of an organization in relation to the bank's financial weaknesses and vulnerabilities, as well as the relationship between accounting and income reporting.

SECTOR OVERVIEW

The IT and BPM industry is one of the main drivers of Indian economic growth and contributes significantly to GDP and the well-being of the population. By 2025, the IT sector is expected to contribute 10% of India's GDP, representing 7.4% in the 22nd financial year.

As industry has adopted advanced digital applications, India is now well prepared for the next phase of the IT revolution. Currently, 76 million people have access to the Internet in India is considered to be one of the largest Internet users in the lowest Internet rates in the rest of the world. Thanks to the enhanced digital access of the Digital India programme and the solid foundation of the digital infrastructure, we are placing emphasis on creating important economic value and strengthening citizens' powers. India is one of the countries with the fastest pace of digital adoption. This has been achieved through public policies, a combination of innovation and investment in the private sector and new digital applications that improve people's daily lives. In the 2022 Global Innovation Index, India rose from sixth to fortyth. (GII). 2

COMPANY PROFILE

Business solutions built by technology will be presented by Infosys Ltd. (Infosys). Business consulting, external provision of technology-related services such as business application services, cloud application solutions, product engineering, system integration, software development, maintenance, redesign, independent testing and validation services are just a few of the services the company offers. Aviation and Defence, Agriculture, Automotive, Consumer Goods, Packaging, Education, Financial Services, Health Care, High Technology, Industrial Production, Information Services and Publication, Insurance, Life Sciences, Logistics and Distribution, Communications and Entertainment, Mining, Oil and Gas, Professional Services, Public Industry, Retail, Travel, Recreation and Services are just a few of the directions in which its products and services are used. America, Europe, the Middle East, Africa and Asia Pacific are the regions where the company operates. Infosys headquarters is located in Bengaluru, Karnataka, India.



REVIEW OF LITERATURE

1. **Dr. Shweta Gupta and Ms Ati Jain(2019):** made a study on “A study on financial performance of IT sector in india.” The objective of the study was to examine the financial conditions of the IT sector and also dedicated to analyze the trend of financial performance of the industries. The secondary data from the selected IT players are taken as base of the study and various quantitative tools are adopted to form financial prescience of IT sector operating in India. The research concludes that in india IT sector has a very good development but still there requires due efforts to push the sector.⁴

2. **Chauhan Mehulkumar Jayantibhai (2023)** conducted a study on A study on Financial performance analysis of Tata Consultancy Limited. The main objective of the study was to examine the financial stability of the sample company. The study was based on secondary data. The period of the study is of 5 years that is from 2017-18 to 2021-22. Both accounting and statistical tools and techniques were applied to examine the financial performance of The TCS limited has strong liquidity and solvency situation.⁵

STATEMENT OF THE PROBLEM

Infosys limited is one of the companies which has been survived in every situation as it was massively impacted during the COVID19. It had extended its operation worldwide through providing best consulting, technology, outsourcing and next-generation services. However, the company has faced many issues in the recent past times- downsizing the employees, minimizing the operations, sacked out the employees to cut the costs. Even through the IT companies charge a huge amount for software development, the pay and perquisites provided to the employees are considerably high. The overall financial performance is an important factor which indicates the growth of a company that comprises growth rate, trend value and efficiency. Hence, this study tried to analyze the financial performance of the Infosys limited.

NEED OF THE STUDY

Financial performance can be measured using different techniques. Here the researcher tried to investigate the financial performance of the infosys limited using financial proportions which will be helpful to the domestic and foreign investor of the company. the study will be useful for the academician and research scholars too.

OBJECTIVE OF THE STUDY

Evaluating Infosys Limited's financial performance is the primary focus of this study, which attempts to analyze the company's financial performance.

RESEARCH METHODOLOGY

Sample Period: The period of the study is of five years that is from 2019-20 to 2023-24.

Sample Data: The study was based on the secondary data.



Source of the Data: The secondary data collected from the published annual statement of the company. The other relevant information collected from the journals, magazines, websites and news-papers.

Tools & Techniques: Accounting ratios of Infosys Limited for the period under study have been taken to analyze the financial performance of the company. Major ratios indicating profitability, liquidity, solvency is taken for the analysis.

DATA ANALYSIS & INTERPRETATION

Data analysis & Interpretation part categorized into three categories to get idea about the financial performance of the Infosys Limited.

- I. Profitability Evaluation
- II. Liquidity Evaluation
- III. Management Efficiency Evaluation

Profitability Evaluation:

To earn profit and generate revenue for the business is the prime goal of any business organization. Gross Profit Ratio, Net Profit Ratio, Return on Capital Employed (ROCE) and Return on Net Worth (RONW) are the prime profitability measurement ratios.

Gross Profit Ratio = $\text{Gross Profit} / \text{Net sales} * 100$

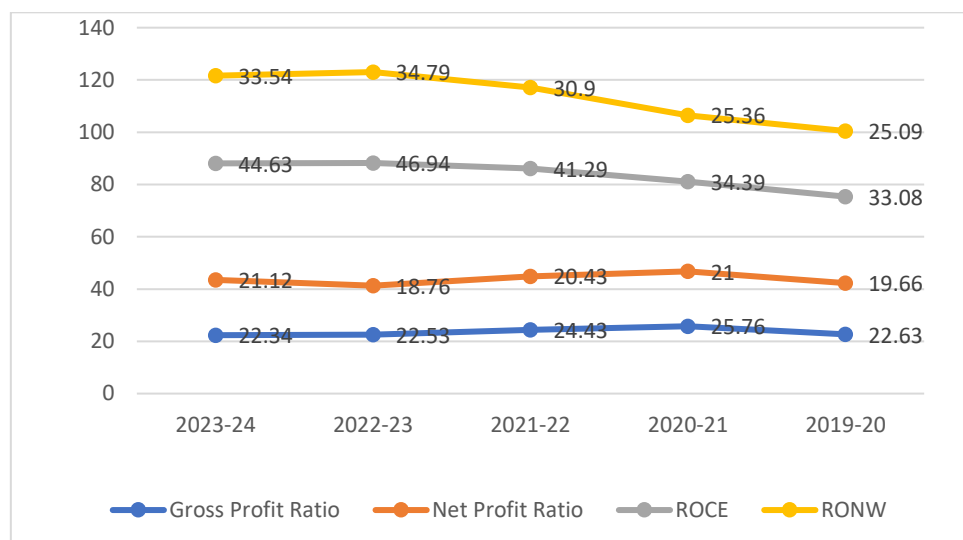
Net Profit Ratio = $\text{Net Profit} / \text{Net Sales} * 100$

ROCE = $\text{Profit After Tax} / \text{Total Capital Employed} * 100$

RONW = $\text{Profit After Tax} / \text{Shareholders fund} * 100$

Year	Gross Profit Ratio	Net Profit Ratio	ROCE	RONW
2023-24	22.34	21.12	44.63	33.54
2022-23	22.53	18.76	46.94	34.79
2021-22	24.43	20.43	41.29	30.9
2020-21	25.76	21	34.39	25.36
2019-20	22.63	19.66	33.08	25.09
Mean	23.538	20.194	40.066	29.936

(Source: Money Control.com)



Interpretation: The above table and chart shows the major profitability ratios of the Infosys Limited. Profitability ratios shows fluctuation during the period under study. Gross Profit ratio is 22.63 during FY 2019-20 which shows fluctuating trend and reached at 22.34 during the FY 2023-24. Net profit ratio is 19.66 during the 2019-20 which reached at 21.12. Return on capital employed indicates how efficiently the company utilizes the capital of the business while Return on Net Worth indicates that how much return company generates on shareholders fund. Again, both the ratios show fluctuation during the period under study. ROCE is highest during the year 2022-23 that is 46.94 while it is lowest during the FY 2019-20 that is 33.08. RONW is higher and 34.79 during the period of 2022-23. But, overall the profitability situation is satisfactory in the company.

II. Liquidity Evaluation

Liquidity is the ability of the firm to pay off the short-term obligation of the business concern. It shows that how quickly company can overcome its short-term obligations as and when they arise. Here, the researchers have selected Current ratio and quick ratio to identify the liquidity position of the business.

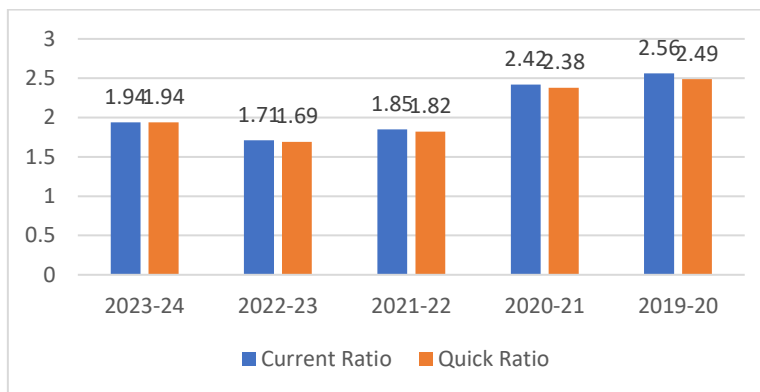
Current Ratio = Current assets/ Current Liabilities

Quick Ratio = Quick Assets/ Current Liabilities

Year	Current Ratio	Quick Ratio
2023-24	1.94	1.94
2022-23	1.71	1.69
2021-22	1.85	1.82
2020-21	2.42	2.38
2019-20	2.56	2.49
Mean	2.096	2.064



(Source: Money control.com)

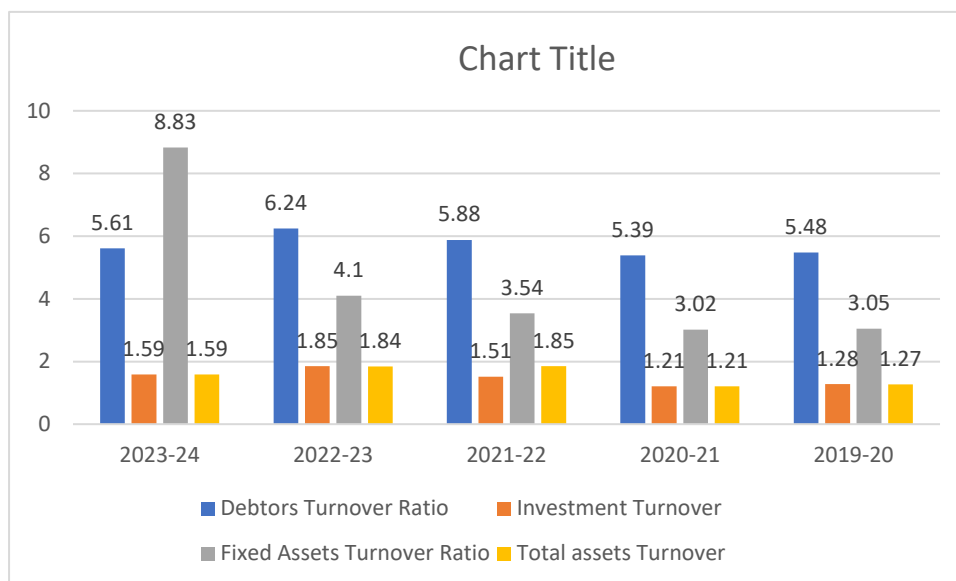


Interpretation: The above table and chart shows the major Liquidity ratios of the Infosys Limited. Current ratio is 2.56 during FY 2019-20 and 1.94 during the FY 2023-24. Current ratio refers to the proportion of current assets and current liability. This ratio shows the ability to meet short term obligation. The ideal ratio is 2:1 and This ratio indicates the amount of the current assets available with the business to repay current liability. Quick Ratio is 2.49 during the 2019-20 which reached at 1.94 during FY2023-24. Quick ratio refers to the proportion of highly liquid assets to current liabilities. It shows the firm's ability to meet urgent cash requirement. Overall the liquidity situation is satisfactory in the company.

Management Efficiency Evaluation

As we all know that in company form of business organisation management and ownership are distinct from each other. Board of directors on behalf of equity shareholders manage the business and hence, It is necessary to assess the efficiency of management that how effectively they utilise the limited resources of business organisation.

Year	Debtors Turnover Ratio	Investment Turnover	Fixed Assets Turnover Ratio	Total assets Turnover
2023-24	5.61	1.59	8.83	1.59
2022-23	6.24	1.85	4.1	1.84
2021-22	5.88	1.51	3.54	1.85
2020-21	5.39	1.21	3.02	1.21
2019-20	5.48	1.28	3.05	1.27
Mean	5.72	1.488	4.508	1.552



Interpretation: The above chart and table indicates the ratios showing managerial efficiency. The past records of five years in this case also describe fluctuating position. Compare to all years under study FY 2022-23 shows very good situation in 2022-23 there is a highest debtors turnover ratio which indicates that it takes 6.24 times to collect amount of debt from debtors. Investment turnover ratio was highest in 2022-23 while it was lowest during FY 2020-21. Fixed turnover ratio improved and it was highest during the last FY that is during 2023-24. Total assets turnover also shows fluctuating trend and it was highest during the FY 2021-22

LIMITATIONS OF THE STUDY

1. This research spans only 5 years, from 2019-20 to 2023-24, thus the findings are only indicative and not conclusive.
2. The primary disadvantage of this study is that it is limited to a single sector, such as information technology (IT). It is restricted to determining only the financial achievements of particular companies.
3. The study and interpretation depend on ratio analysis, which is limited by historical cost.
4. This study relies purely on secondary data, which has its own limitations.

FUTURE SCOPE OF THE STUDY

The financial performance of a company reveals its overall financial stability and growth. The present study is limited to the major profitability, liquidity, and managerial efficiency of Infosys for a limited period of time. Additionally, a more thorough analysis over a longer time frame is possible, and significant IT businesses can be selected to look at the sector's overall financial performance.

CONCLUSION

The information technology (IT) industry represents one of the world's healthiest, more so than any other. For success in today's competitive environment, every firm faces an ongoing challenge. The size of a company's customer base can be utilized to evaluate its growth. However, the monetary results of a firm may be evaluated



by looking at its profitability and liquidity. As the business grows, its ability to pay its obligations is known as liquidity. Creditors, banks, and other financial institutions can make better choices on whether to lend to the targeted company. On the other hand, profitability refers to a company's ability to generate profits and its efficacy. To use resources in the most profitable way possible. The investigation reveals that "Infosys Limited" has a sound financial stability and solvency status.

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