A

RESEARCH PROJECT ON

"FINANCIAL AND RATIO ANALYSIS OF INFOSYS"

For the partial fullfillment of the requirement of

Bachelor of Business Administration

(2019- 2022)

GALGOTIAS UNIVERSITY, GREATERNOIDA

SUBMITTEDBY:
Tanmay Chirania
Tarang Tandon
Ujala

UNDERTHEGUIDANCEOF:
Prof. Ruchi Atri
SOB, Galgotias

Galgotias
University,Semester-6,BBA
GautamBuddhaNagar

Financial Ratio analysis of INFOSYS

By

Tanmay Chirania
Tarang Tandon
Ujala

GALGOTIAS UNIVERSITY

April,2022

Financial Ratio analysis of Infosys

AResearchProjectfor

BachelorsofBusinessAdministration

By

Tanmay Chirania
Tarang Tandon
Ujala

Undertheguidanceof

Dr. /Prof. Ruchi Atri
Designation
SOB,GU, GautamBuddha Nagar

GALGOTIAS UNIVERSITY

April,2022

<u>Certificate of Approval</u>

The following Research Project Report titled "**Financial Ratio analysis of Infosys**" is here by approved as a certified study in management carried out and presented in am annersat is factory to warrant its acceptance as a prerequisite for the award of **Bachelor of Business Administration** for which it has been submitted. It is understood that by this approval theundersigned do not necessarily endorse or approve any statement made, opinion expressed orconclusion drawn therein but approve the ResearchProject Report only for thepurpose it is submitted to the Research Project Report Examination Committee forevaluationofResearch ProjectReport.

	Name	Signature
1.FacultyMentor	Prof.Ruchi Atri	____________________

Certificate from Research Project Guide

Thisistocertifythat**Mr. Tanmay Chirania**,astudentofthe**BachelorofBusinessAdministration** has worked under my guidance and supervision. This Research Project Report has the requisite standard and to the best of my knowledge no part of it hasbeenreproducedfromanyotherresearch project,monograph,reportorbook.

Prof. Ruchi AtriSignature:Designation : ProfessorSchool of BusinessGalgotiasUniversity

Date:

ExecutiveSummary

Asamanager,youmaywanttorewardemployeesbasedontheirperformance.Howdoyouk nowhowwelltheyhavedone?Howcanyoudeterminewhatdepartments or divisions have performed well? As a lender, how do decide theborrower will be able to pay back as promised? As a manager of a corporation howdo you know when existing capacity will be exceeded and enlarged capacity will beneeded? As an investor, how do you predict how well the securities of one companywill perform relative to that of another? How can you tell whether one security isriskierthananother?Wecanaddressallofthesequestionsthroughfinancialanalysis.

Financial analysis is the selection, evaluation, and interpretation of financial data,alongwithotherpertinentinformation,toassistininvestmentandfinancialdecision-making. Financial analysis may be used internally to evaluate issues suchas employee performance, the efficiency of operations, and credit policies, andexternally to evaluate potential investments and the credit-worthiness of borrowers,amongother things.

Theanalystdrawsthefinancialdataneededinfinancialanalysisfrommanysources. The primary source is the data provided by the company itself in its annualreport and required disclosures. The annual report comprises the income statement,the balance sheet, and the statement of cash flows, as well as footnotes to thesestatements. Certain businesses are required by securities laws to disclose additionalinformation.

Besidesinformationthatcompaniesarerequiredtodisclosethroughfinancialstatements,o therinformationisreadilyavailableforfinancialanalysis.Forexample, information such as the market prices of securities of publicly-tradedcorporations can be found in the financial press and the electronic media daily.Similarly, information on stock price indices for industries and for the market as awholeisavailable in the financialpress.

Anothersourceofinformationiseconomicdata,suchastheGrossDomesticProduct and Consumer Price Index, which may be useful in assessing the recentperformanceorfutureprospectsofacompanyorindustry.Supposeyouareevaluatin g a company that owns a chain of retail outlets. What information do youneedtojudgethecompany'sperformanceandfinancialcondition?Youneedfinancial data, but it doesn't tell the whole story. You also need information onconsumer spending, producer prices, consumer prices, and the competition. This iseconomicdata thatisreadily availablefromgovernment andprivatesources.

Besidesfinancialstatementdata,marketdata,andeconomicdata,infinancialanalysis you also need to examine events that may help explain the company'spresent condition and may have a bearing on its future prospects. For example, didthe company recently incur some extraordinary losses? Is the company developing anew product? Or acquiring another company? Is the company regulated? Currenteventscan provideinformation that maybe incorporatedin financial analysis.

The financial analyst must select the pertinent information, analyze it, and interpretthe analysis, enabling judgments on the current and future financial condition andoperatingperformanceofthecompany.Inthisproject,Iaimyoutogiveabrief

understanding of financial ratios -- the tool of financial analysis. In financial ratioanalysisweselect therelevant information-- primarilythefinancial statementdata -
- and evaluate it. We show how to incorporate market data and economic data in theanalysisandinterpretationoffinancialratios.Andweshowhowtointerpretfinancial ratio analysis, warning you of the pitfalls that occur when it's not usedproperly.

This analysis aims to compute and analyse the financial performance of the Infosys to have a deep understanding of its financial policies.

Acknowledgement

The final outcome of this project required a lot of guidance and assistance from manypeople and I am extremely fortunate to have got this all along the completion of myproject work.

I would like to express my deep and sincere gratitude to my project mentor Dr./Prof.Ruchi Atri for providing invaluable guidance throughout this project. She hastaught me the methodology to carry out the research and to present the research worksas clearly as possible. It was a great privilege and honour to work and study under hisguidance.I amextremely grateful for what hehasoffered me.

I am extremely grateful to Galgotias University for providing me with a goodenvironment and facilities to complete this project. Last but not the least, I would liketo express my gratitude to my family and friends and for their support and willingnessto contribute to thisproject.

TableofContents

Listoffigures

Listoftables

Introduction

Aboutratioanalysis

The ratio analysis is the most powerful tool of financial analysis. Several ratioscalculated from the accounting data can be grouped into various classes according tofinancial activity or function to be evaluated.

Definition:

Ratio is “The indicate quotient of two mathematical expressions “and as “Therelationship
betweentwoormorethings

Ratio analysis is a quantitative method of gaining insight into a company's liquidity,operational efficiency, and profitability by studying its financial statements such asthebalance sheetand income statement.Ratio analysisisa cornerstone offundamentalequityanalysis.

“Itevaluatesthefinancial positionandperformance ofthefirm.
As started in the beginning many diverse groups of people are interested in analysingfinancial information to indicate the operating and financial efficiency and growth offirm. These people use ratios to determine those financial characteristics of firm inwhichthey interested.
Withthe helpof ratiosonecan determine-

- Theability ofthe firmtomeet itscurrent obligations.
- Theextent towhich the firmhasused itslong-termsolvency byborrowing funds.
- The efficiency with which the firm is utilizing its assets in generating the salesrevenue.
- Theoverall operatingefficiency andperformanceoffirm.

The information contained in these statements is used by management, creditors,investors and others to form judgment about the operating performance and financialposition of firm. Uses of financial statement can get further insight about financialstrength and weakness of the firm if they properly analyse information reported inthesestatements.

Management should be particularly interested in knowing financial strength of thefirm to make their best use and to be able to spot out financial weaknesses of the firmto take suitable corrective actions. The further plans firm should be laid down in newof the firm’s financial strength and weaknesses. Thus, financial analysis is the startingpoint for making plans before using any sophisticated forecasting and planningprocedures.Understanding the past isa prerequisite for anticipatingthe future.

NEEDOFRATIOANALYSIS

Thestudy enablesusto have accessto variousfactsof the organization. It helpsin

understanding the needs for the importance and advantage of materials in theorganization, the study also helps to exposure our minds to the integrated materialsmanagementthe various
procedures, methods and technique adopted by the organization. The study providesknowledge about how the theoretical aspects are put in the organization in terms ofdescribedbelow-

- Topaywagesandsalaries.
- Forthepurchaseofrawmaterials,sparesandcomponentsparts.
- Toincur day-to-dayexpenses.
- Tomeetsellingcostssuchaspacking, advertising.
- Toprovidecreditfacilitiesto customers.
- To maintain inventories and raw materials, work-in-progress and finishedstock.

Forratiostobeusefulandmeaningful,they mustbe:

- Calculated using reliable, accurate financial information (does your financialinformationreflect your true cost picture?)
- Calculatedconsistently fromperiod toperiod
- Usedincomparisontointernalbenchmarksandgoals
- Usedincomparisontoothercompaniesinyourindustry
- Viewed both at a single point in time and as an indication of broad trends andissuesover time
- Carefully interpreted in the proper context, considering there are many otherimportantfactorsandindicatorsinvolvedin assessingperformance.

OBJECTIVESOFSTUDY

1. Tostudyandanalyse thefinancialposition oftheCompany throughratioanalysis.

2. Tosuggestmeasuresforimprovingthefinancialperformanceoforganization.

3. Toanalysethe profitabilityposition ofthecompany.

4. Toassessthereturnoninvestment.

5. Toanalysethe assetturnover ratio.

6. Todeterminethesolvencypositionofcompany.

7. Tosuggestmeasuresfor effectiveandefficient usageofinventory.

This analysis tends torecognizethefinancialhealthandperformanceofInfosys usingitsfinancialstatementanalysisfortheyears;2017,2018,2019, 2020and2021 respectively. After the analysis of different ratios; liquidity, activity, efficiency supported by figures of Infosys.

CompanyProfile

Background of Infosys

Infosys was established in the year 1981 in the name of “Infosys Consultants Private Limited”. They had become public limited company in the year 1992 and changed their name to “Infosys Technologies Limited” which was again renamed in 2011 as “Infosys Limited”. Due to company’s world-wide development in the IT and ITES sector they have reached certain top position not only in business but also the in the minds of people.

INTRODUCTIONTOINFOSYS

ESTABLISHMENT

HISTORYOFINFOSYS

MISSIONANDVISION

Infosys is a reputed global consulting and IT services company established in 1981. This NASDAQ listed company was established in Pune, India by N.R. Narayana Murthy and six engineers with US $ 250 as initial capital. Today with its strong business strategy and IT strength, it has grown to become a US $ 4.8 billion company with a market capitalization of approximately US $ 33 billion.

MISSION

"To be a globally respected corporation that provides best-of-breed business solutions.

Leveraging technology, delivered by best-in-class people."

Infosys does not just want to be a corporation which just focuses on increasing its business and revenue, rather its vision is to be a corporation which provides best business solution by indulging best talented people and eventually to become a reputed and respected corporation.

VISION

"To achieve our objectives in an environment of fairness, honesty, and court towards our clients, employeesvendors and society at large."

Infosys focuses on maintaining fairness, honesty and courtesy towards their clients, employees, vendors and society in their path of achieving their objective.

They believe that these three key aspects were the main factors in achieving their vision.

PERFORMANCEWITHPURPOSE

Infosys **provides software development, maintenance and independent validation services to companies in finance, insurance, manufacturing and other domains**.
One of its known products is Finacle which is a universal banking solution with various modules for retail and corporate banking.

OURMISSION

"**To achieve our objectives in an environment of fairness, honesty and courtesy towards our clients, employees, vendors and society at large**."

OURVISION

The goal was to see what a real, global attempt at sustainable development – with all the radical policy and lifestyle changes this would entail

Methodology

For this project, an exploratory research design has been adopted. Exploratoryresearch is one which is largely interprets and already available information and itlays particular emphasis on analysis and interpretation of the existing and availableinformation.

• Toknowthefinancial statusof thecompany.
• Toknowthecredit worthinessofthe company.
• Toofferssuggestionsbasedonresearch finding.

This report is based on the secondary data, however primary data collection was givenmore importance since it is overhearing factor in attitude studies. One of the mostimportant uses of research methodology is that it helps in identifying the problem,collecting, analysing the required information data and providing alternative solutionto the problem and also help in collecting the vital information that is required by thetopmanagementtoassistthemforthebetterdecisionmakingbothdaytodaydecisionsandcriticalonesbutbecauseofthispandemicwearenotabletocollectdatafromprimarymethodsthat'swhyeverything isbasedon secondary data.

Data Source: Research has been done by secondary data collection and it has beencollectedthroughvarious websites,andinternetsearches basicallybasedonpastrecords. Company balance sheet and profit and loss account. secondary data is secondhandinformation.

The data of Infosys for five consecutive years; 2017 to 2021 are presented. And thedata are obtained fromthe financialsof yahoo finance.
The methodology followed here is the horizontal analysis, as the financial data iscomparedover a consecutive reporting period of 5 years.

Reviewofliterature

AdvantagesofRatioAnalysis

Theratioanalysisifproperlydoneimprovestheuser'sunderstandingoftheefficiency with which the business is being conducted. The numerical relationshipsthrow light on many latent aspects of the business. If properly analysed, the ratiosmake us understand various problem areas as well as the 204 Accountancy : CompanyAccounts and Analysis of Financial Statements bright spots of the business. Theknowledge of problem areas help management take care of them in future. Theknowledge of areas which are working better helps you improve the situation further.It must be emphasised that ratios are means to an end rather than the end inthemselves. Their role is essentially indicative and that of a whistle blower. There aremanyadvantagesderived fromratio analysis.

Thesearesummarisedasfollows:

1. Helps to understand efficacy of decisions: The ratio analysis helps you tounderstand whether the business firm has taken the right kind of operating, investingand financing decisions. It indicates how far they have helped in improving theperformance.

2. Simplify complex figures and establish relationships: Ratios help in simplifying thecomplex accounting figuresandbring out their relationships.They help summarisethe financial information effectively and assess the managerial efficiency, firm'screditworthiness, earning capacity, etc.

3. Helpful in comparative analysis: The ratios are not be calculated for one year only.When many year figures are kept side by side, they help a great deal in exploring thetrends visible in the business. The knowledge of trend helps in making projectionsaboutthe businesswhich isa very useful feature.

4. Identification of problem areas: Ratios help business in identifying the problemareas as well as the bright areas of the business. Problem areas would need moreattentionand bright areaswill needpolishing to have still better results.

5. Enables SWOT analysis: Ratios help a great deal in explaining the changesoccurring in the business. The information of change helps the management a greatdeal in understanding the current threats and opportunities and allows business to doitsown SWOT (StrengthWeakness-Opportunity-Threat) analysis.

6. Various comparisons: Ratios help comparisons with certain bench marks to assessas to whether firm's performance is better or otherwise. For this purpose, theprofitability,liquidity, solvency, etc.of a business,may be compared:

(I) over a number of accounting periods with itself (Intra-firm Comparison/TimeSeriesAnalysis),

(ii) with other business enterprises (Inter-firm Comparison/Cross-sectional Analysis)and

(iii) with standards set for that firm/industry (comparison with standard (or industryexpectations).

LimitationsofRatioAnalysis

Since the ratios are derived from the financial statements, any weakness in theoriginal financial statements will also creep in the derived analysis in the form ofAccounting Ratios 205 ratio analysis. Thus, the limitations of financial statementsalso form the limitations of the ratio analysis. Hence, to interpret the ratios, the usershould be aware of the rules followed in the preparation of financial statements andalso their nature and limitations. The limitations of ratio analysis which ariseprimarilyfromthe nature of financial statementsare asunder:

1. Limitations of Accounting Data: Accounting data give an unwarranted impressionof precision and finality. In fact, accounting data "reflect a combination of recordedfacts, accounting conventions and personal judgements which affect them materially.For example, profit of the business is not a precise and final figure. It is merely anopinion of the accountant based on application of accounting policies. The soundnessof the judgement necessarily depends on the competence and integrity of those whomake them and, on their adherence, to Generally Accepted Accounting Principles andConventions". Thus, the financial statements may not reveal the true state of affairs oftheenterprisesand so the ratioswill also not give the truepicture.

2. Ignores Price-level Changes: The financial accounting is based on stable moneymeasurement principle. It implicitly assumes that price level changes are either non-existent or minimal. But the truth is otherwise. We are normally living in inflationaryeconomies where the power of money declines constantly. A change in the price-levelmakes analysis of financial statement of different accounting years meaninglessbecauseaccounting recordsignore changesin value of money.

3. Ignore Qualitative or Non-monetary Aspects: Accounting provides informationabout quantitative (or monetary) aspects of business. Hence, the ratios also reflectonly the monetary aspects, ignoring completely the non-monetary (qualitative)factors.

4. Variations in Accounting Practices: There are differing accounting policies forvaluation of inventory, calculation of depreciation, treatment of intangibles Assetsdefinition of certain financial variables etc., available for various aspects of businesstransactions. These variations leave a big question mark on the cross-sectionalanalysis. As there are variations in accounting practices followed by differentbusinessenterprises,avalidcomparisonoftheirfinancialstatementsisnotpossible.

5. Forecasting: Forecasting of future trends based only on historical analysis is notfeasible.Properforecasting requiresconsideration ofnon-financial factorsaswell.

Nowletustalkabout thelimitationsoftheratios. Thevariouslimitationsare:

1. Means and not the End: Ratios are means to an end rather than the end by itself.206Accountancy:Company AccountsandAnalysisof FinancialStatements

2. Lack of ability to resolve problems: Their role is essentially indicative and ofwhistleblowing and not providing asolution to the problem.

3. Lack of standardised definitions: There is a lack of standardised definitions ofvarious concepts used in ratio analysis. For example, there is no standard definition ofliquid liabilities. Normally, it includes all current liabilities, but sometimes it refers tocurrentliabilitieslessbank overdraft.

4. Lack of universally accepted standard levels: There is no universal yardstick whichspecifies the level of ideal ratios. There is no standard list of the levels universallyacceptable,and, in India, the industry averagesare also not available.

5. Ratios based on unrelated figures: A ratio calculated for unrelated figures wouldessentially be a meaningless exercise. For example, creditors of Rs. 1,00,000 andfurniture of Rs. 1,00,000 represent a ratio of 1:1. But it has no relevance to assessefficiency or solvency. Hence, ratios should be used with due consciousness of theirlimitations while evaluating the performance of an organisation and planning thefuturestrategiesfor itsimprovement.

Financialanalysis

Financial analysis is the process of identifying the financial strengths and weakness ofthe firm. It is done by establishing relationships between the items of financialstatements viz., balance sheet and profit and loss account. Financial analysis can beundertakenbymanagementofthefirm,viz.,owners,creditors,investorsandothers.

Objectivesofthe financialanalysis-

Analysisoffinancialstatementsmaybemadeforaparticularpurposeinview.

1. Tofind outthe financialstability andsoundnessofthe businessenterprise.

2. Toassessandevaluate theearning capacityof thebusiness

3. Toestimateand evaluatethefixed assets,stocketc., oftheconcern.

4. Toestimateanddeterminethepossibilitiesoffuturegrowthofbusiness.

5. To assess and evaluate the firm’s capacity and ability to repay short- and long-termloans

Partiesinterestedinfinancialanalysis

The users of financial analysis can be divided into two broad

groups.Internalusers-

1. Financialexecutives

2. Top

managementExtern

alusers-

1. Investors

2. Creditor.

3. Workers

4. Customers

5. Government

6. Public

7. Researchers

Significanceoffinancialanalysis

Financialanalysisservesthefollowing purpose:

- Toknowtheoperational efficiency ofthe business:
  The financial analysis enables the management to find out the overallefficiency of the firm. This will enable the management to locate the weakSpotsof the businessandtake necessary remedial action.

- Helpfulinmeasuringthesolvencyofthefirm:
  The financial analysis helps the decision makers in taking appropriatedecisions for strengthening the short-term as well as long-term solvency of thefirm.

- Comparisonofpastandpresentresults:
  Financial statements of the previous years can be compared and the trendregarding various expenses, purchases, sales, gross profit and net profit can beascertained.

- Helpsinmeasuringtheprofitability:
  Financialstatementsshowthe grossprofit,&net profit.

- Inter-firmcomparison:
  The financial analysis makes it easy to make inter-firm comparison. Thiscomparisoncan also bemade for varioustime periods.

- BankruptcyandFailure:
  Financial statement analysis is significant tool in predicting the bankruptcyand the failure of the business enterprise. Financial statement analysisaccomplishesthisthrough theevaluation of the solvencyposition.

- Helpsinforecasting:
  The financial analysis will help in assessing future development by makingforecastsand preparing budgets.

Classificationofratios

A ratio is a mathematical relation between one quantity and another. Suppose youhave 200 apples and 100 oranges. The ratio of apples to oranges is 200 / 100, whichwe can more conveniently express as 2:1 or 2. A financial ratio is a comparisonbetween one bit of financial information and another. Consider the ratio of currentassets to current liabilities, which we refer to as the current ratio. This ratio is acomparisonbetween assetsthat canbe readilyturned intocash --current assets -- and the obligations that are due in the near future -- current liabilities. Acurrentratioof2:1or2meansthatwehavetwiceasmuchincurrentassetsasweneed to satisfy obligationsdue in the near future.

Ratios can be classified according to the way they are constructed and their generalcharacteristics. By construction, ratios can be classified as a coverage ratio, a returnratio,a turnover ratio, or a component percentage:

1. A*coverageratio*isameasureofacompany'sabilitytosatisfy(meet)partic ularobligations.
2. A *return ratio* is a measure of the net benefit, relative to the resourcesexpended.
3. A*turnoverratio*isameasureofthegrossbenefit,relativetotheresourcesexpend ed.
4. A*componentpercentage*istheratioofacomponentofanitemtotheitem.
5.

When we assess a company's operating performance, we want to know if it isapplying its assets in an efficient and profitable manner. When we assess acompany's financial condition, we want to know if it is able to meet its financialobligations.

There are six aspects of operating performance and financial condition we canevaluatefromfinancial ratios:

1. A*liquidityratio*providesinformationonacompany'sabilitytomeetitsshort-term,immediateobligations.
2. A*profitabilityratio*providesinformationontheamountofincomefromeachdo llar of sales.
3. An*activityratio*relatesinformationonacompany'sabilitytomanageitsresour ces(thatis, itsassets)efficiently.
4. A *financial leverage ratio* provides information on the degree of acompany's fixed financing obligations and its ability to satisfy thesefinancingobligations.

Typesofratios

Management is interested in evaluating every aspect of firm's performance. In view ofthe requirement of the various users of ratios, we may classify them into followingfourimportant categories:

1. LiquidityRatio

2. LeverageRatio

3. ActivityRatio

4. ProfitabilityRatio

1) LiquidityRatio

Itisessentialfor afirmtobe ableto meetitsobligationsasthey becomedue.

Liquidity ratios demonstrate a company's ability to pay its current obligations. Inother words, they relate to the availability of cash and other assets to cover accountspayable, short-term debt, and other liabilities. All small businesses require a certaindegree of liquidity in order to pay their bills on time, though start-up and very youngcompanies are often not very liquid. In mature companies, low levels of liquidity canindicate poor management or a need for additional capital. Any company's liquiditymayvarydue toseasonality, thetiming ofsales, andthestate ofthe economy.

Liquidity Ratios help in establishing a relationship between cast and other currentassets to current obligations to provide a quick measure of liquidity. A firm shouldensure that it does not suffer from lack of liquidity and also that it does not haveexcess liquidity. A very high degree of liquidity is also bad, idle assets earn nothing.The firm's funds will be unnecessarily tied up in current assets. Therefore, it isnecessaryto strike a proper balance of liquidity.

Liquidityratioscan be divided into three types:

CurrentRatio

QuickRatio

CashRatio

CurrentRatio

$$Current\ ratio = \frac{Current\ assets}{Current\ liabilities}$$

Currentratioisanacceptablemeasureoffirm’sshort-termsolvency.

Current assets include cash within a year, such as marketable securities, debtors andinventors. Prepaid expenses are also included in current assets as they represent thepaymentsthatwillnotmadeby thefirminfuture.All obligationsmaturingwithina year are included in current liabilities. These include creditors, bills payable, accruedexpenses,short-termbank loan, income-tax liabilityin the current year.

The current ratio is a measure of the firm's short-term solvency. It indicated theavailability of current assets in rupees for every one rupee of current liability. Acurrent ratio of 2:1 is considered satisfactory. The higher the current ratio, the greaterthe margin of safety; the larger the amount of current assets in relation to currentliabilities, the more the firm's ability to meet its obligations. It is a cured -and-quickmeasureof the firm'sliquidity.

Currentratio iscalculated by dividingcurrent assetsandcurrent liabilities.

QuickRatio

$$Quick\ ratio = \frac{Current\ assets\ - inventories}{Current\ liabilities}$$

Quick Ratio establishes a relationship between quick or liquid assets and currentliabilities. An asset is liquid if it can be converted into cash immediately or reasonablysoonwithout a lossof value.

Cash is the most liquid asset, other assets that are considered to be relatively liquidasset and included in quick assets are debtors and bills receivables and marketablesecurities(temporary quoted investments).

Inventories are converted to be liquid. Inventories normally require some time forrealizing into cash; their value also has a tendency to fluctuate. The quick ratio isfoundout by dividing quick assetsby current liabilities.

Generally, a quick ratio of 1:1 is considered to represent a satisfactory currentfinancial condition.

Quick ratio is a more penetrating test of liquidity than the current ratio, yet it shouldbe used cautiously. A company with a high value of quick ratio can suffer from theshortage of funds if it has slow- paying, doubtful and long duration outstandingdebtors. A low quick ratio may really be prospering and paying its current obligationintime.

CashRatio

$$Cash\ Ratio = \frac{Cash\ and\ bank\ balance\ +\ Current\ investment}{Current\ liabilities}$$

Cash is the most liquid asset; a financial analyst may examine Cash Ratio and itsequivalent current liabilities. Cash and Bank balances and short-term marketablesecuritiesarethemostliquidassetsof afirm,financialanalyststayslook atcashratio.

Trade investment is marketable securities of equivalent of cash. If the companycarries a small amount of cash, there is nothing to be worried about the lack of cash ifthecompany hasreservesborrowing power.

The cash ratio is a liquidity measure that shows a company's ability to cover its short-termobligationsusing only cash and cash equivalents.

The cash ratio is derived by adding a company's total reserves of cash and near-cashsecuritiesand dividing that sumby itstotal current liabilities.

The cash ratio is more conservative than other liquidity ratios because it onlyconsidersa company'smost liquidresources.

2) LEVERAGERATIOS

A company can finance its assets either with equity or debt. Financing through debtinvolvesriskbecausedebtlegallyobligatesthecompanytopayinterestandtorepay the principal as promised. Equity financing does not obligate the company topayanything -- dividendsare paid at the discretion of the board of directors.

There is always some risk, which we refer to as business risk, inherent in anyoperatingsegmentofabusiness.Buthowacompanychoosestofinanceitsoperations--theparticularmixofdebtandequity--mayaddfinancialriskontopof business risk Financial risk is the extent that debt financing is used relative toequity.

Financial leverage ratios are used to assess how much financial risk the companyhastakenon.Therearetwotypesoffinancialleverageratios:componentpercentages andcoverageratios.Componentpercentages compareacompany'sdebt with either its total capital (debt plus equity) or its equity capital. Coverageratiosreflectacompany'sabilitytosatisfyfixedobligations,suchasinterest,principalrepayment, or lease payments.

Financial leverage refers to the use of debt finance while debt capital is a cheapersource of finance: it is also a riskier source of finance. It helps in assessing the riskarising from the use of debt capital. Two types of ratios are commonly used to analysefinancial leverage.

1. StructuralRatios&

2. Coverageratios.

- Structural Ratios are based on the proportions of debt and equity in thefinancialstructure of firm.
- Coverage Ratios shows the relationship between Debt Servicing,Commitmentsandthesourcesformeeting theseburdens.

The short-term creditors like bankers and suppliers of raw material are moreconcerned with the firm's current debt-paying ability. On the other hand, long-termcreditors like debenture holders, financial institutions are more concerned with thefirm's long-term financial strength. To judge the long-term financial position of firm,financial leverage ratiosare calculated.

These ratios indicated mix of funds provided by owners and lenders. There should bean appropriate mix of Debt and owner's equity in financing the firm's assets. Theprocess of magnifying the shareholder's return through the use of Debt is called"financial leverage" or "financial gearing" or "trading on equity". Leverage Ratios arecalculated to measure the financial risk and the firm's ability of using Debt toshareholder'sadvantage.

LeverageRatioscan be dividedinto five types.

Debtequity ratio.

Debtratio.

Interestcoverage ratio

Proprietaryratio.

Capitalgearing ratio

Debtequityratio

$$Debt\ Equity\ ratio = \frac{Long\ term\ debts}{Share\ holder\ funds\ (Equities)}$$

It indicates the relationship describing the lenders contribution for each rupee of theowner's contribution is called debt-equity ratio. Debt equity ratio is directly computedby dividing total debt by net worth. Lower the debt-equity ratio, higher the degree ofprotection.

A debt-equity ratio of 2:1 is considered ideal. The debt consists of all short term aswell as long-term and equity consists of net worth plus preference capital plusDeferredTax Liability.

For example, United Parcel Service's long-term debt for the quarter ending December2019 was $21.8 billion. United Parcel Service's total stockholders' equity for theending December 2019 was $3.3 billion. The company's D/E for the quarter was 8.62.Thatisconsidered high.[3]

A high debt/equity ratio generally indicates that a company has been aggressive infinancing its growth with debt. This can result in volatile earnings as a result of theadditional interest expense. If the company's interest expense grows too high, it mayincreasethe company'schancesof a default or bankruptcy.

Typically, a D/E ratio greater than 2.0 indicates a risky scenario for an investor;however, this yardstick can vary by industry. Businesses that require large capitalexpenditures (CapEx), such as utility and manufacturing companies, may need tosecure more loans than other companies. It's a good idea to measure a firm's leverageratios against past performance and with companies operating in the same industry tobetterunderstand the data.

Debtratio

$$Debt\ ratio = \frac{Total\ debt}{Total\ assets}$$

Thedebtratiocommonlyreferstothe debt-to-assetsratio.

Several debt ratios may use to analyse the long-term solvency of a firm. The firm maybe interested in knowing the proportion of the interest-bearing debt in the capitalstructure. It may, therefore, compute debt ratio by dividing total total debt by capitalemployedon net assets.

Total debt will include short and long-term borrowings from financial institutions,debentures/bonds, deferred payment arrangements for buying equipment's, bankborrowings, public deposits and any other interest-bearing loan. Capital employedwillinclude total debt net worth.

The debt ratio is a financial ratio that measures the extent of a company's leverage.The debt ratio is defined as the ratio of total debt to total assets, expressed as adecimal or percentage. It can be interpreted as the proportion of a company's assetsthat are financed by debt.

A ratio greater than 1 shows that a considerable portion of debt is funded by assets. Inother words, the company has more liabilities than assets. A high ratio also indicatesthat a company may be putting itself at a risk of default on its loans if interest rateswere to rise suddenly. A ratio below 1 translates to the fact that a greater portion of acompany'sassetsisfunded by equity.

InterestCoverageRatio

$$Interest\ coverage\ ratio = \frac{EBIT}{Interest}$$

The interest coverage ratio or the time interest earned is used to test the firms' debtservicing capacity. The interest coverage ratio is computed by dividing earningsbefore interest and taxes by interest charges. The interest coverage ratio shows thenumber of times the interest charges are covered by funds that are ordinarily availablefor their payment. We can calculate the interest average ratio as earnings beforedepreciation,interest and taxesdivided by interest.

This ratio is used by the lenders to check whether the company will be able to pay offinterest due on the instalment on time or not. This ratio also indicates the extent towhichfall in earning won't impactthe payment of interest.

A high ratio means the company can easily meet its interest obligation. A low ratioindicatesinefficient operation.

Proprietaryratio

$$Proprietary\ Ratio = \frac{Shareholder's\ equity}{Total\ assets}$$

Theproprietaryratio(alsoknownastheequityratio)istheproportion ofshareholders'equitytototalassets,andassuchprovidesaroughestimateoftheamountofc apitalizationcurrentlyusedtosupportabusiness.Iftheratioishigh,thisindicatesthatacom panyhasasufficientamountofequitytosupportthefunctionsofthebusiness,andprobably hasroominitsfinancialstructuretotakeonadditionaldebt,ifnecessary.Conversely,alowr atioindicatesthatabusinessmaybemakinguseoftoomuchdebtortradepayables,rathertha nequity,tosupportoperations(whichmayplacethecompanyatrisk ofbankruptcy).

The total shareholder's fund is compared with the total tangible assets of the company.This ratio indicates the general financial strength of concern. It is a test of thesoundness of financial structure of the concern. The ratio is of great significance tocreditors since it enables them to find out the proportion of shareholders' funds in thetotalinvestment of business.

Thus,theequityratioisageneralindicatoroffinancialstability.Itshouldbeusedinconjuncti onwiththenetprofitratioandanexaminationofthestatementofcashflowstogainabetterov erviewofthefinancialcircumstancesofabusiness.Theseadditionalmeasuresrevealtheab ilityofabusinesstoearn aprofitandgeneratecashflows,respectively.

Capitalgearingratio:

$$Capital\ gearing\ ratio = \frac{Commin\ stockholder's\ equity}{Fixed\ cost\ bearing\ funds}$$

This is an important tool used to check the capital structure of the company. This ratiodescribes the relationship between the owner's capital and the amount borrowed bythecompany on which periodic payment ismade.

This ratio makes an analysis of capital structure of firm. The ratio shows relationshipbetween equity share capital and the fixed cost bearing i.e., preference share capitaland debentures.

Companies with high levels of capital gearing will have a larger amount of debtrelativeto theirequity value. Thegearing ratio isa measure offinancial risk and expressestheamountofacompany'sdebtintermsofitsequity.Acompanywithagearingratio of 2.0 would have twice asmuch debtasequity.

3) ACTIVITYRATIOS

Turnover ratios also referred to as activity ratios or asset management ratios, measurehow efficiently the assets are employed by a firm. These ratios are based on therelationship between the level of activity, represented by sales or cost of goods soldand levels of various assets. The improvement turnover ratios are inventory turnover,average collection period, receivable turn over, fixed assets turnover and total assetsturnover.

Activity ratios are employed to evaluate the efficiency with which the firm managesand utilize its assets. These ratios are also called turnover ratios because they indicatethe speed with which assets are being converted or turned over into sales. Activityratios thus involve a relationship between sales and assets. A proper balance betweensalesand assetsgenerally reflectsthat asset utilization.

Activityratiosaremeasuresofhowwellassetsareused.Activityratios--whichare,forthemostpart,turnoverratios--canbeusedtoevaluatethebenefitsproducedbyspecificassets,suchasinventoryoraccountsreceivable.Ortheycanbeused toevaluate thebenefitsproduced byall acompany'sassetscollectively.

Thesemeasureshelpusgaugehoweffectivelythecompanyisatputtingitsinvestment to work. A company will invest in assets – e.g., inventory or plant andequipment–andthenusetheseassetstogeneraterevenues.Thegreatertheturnover,themoreeffectively thecompanyisatproducingabenefitfromitsinvestmentin assets.

Activityratiosare dividedinto four types:

- Totalassetsturnoverratio
- Working capital turnover ratio
- Fixedassetsturnoverratio
- Inventory turnover ratio

Totalassetsturnoverratio:

$$Total\ assets\ turnover\ ratio = \frac{Net\ sales}{Total\ assets}$$

This ratio expresses relationship between the amounts invested in this asset and theresultingintermsofsales. Thisiscalculated bydividing thenet salesbytotal sales.

Thehigher ratiomeansbetterutilization andvice-versa.

Thetotalassetturnoverratiocomparesthesalesofacompanytoitsassetbase.Theratiomeasurestheabilityofanorganizationtoefficientlyproducesales,andistypicallyusedbythirdpartiestoevaluatetheoperationsofabusiness.Ideally, acompanywithahightotalassetturnoverratiocanoperatewithfewerassetsthanalessefficientcompetitor,andsorequireslessdebtandequitytooperate.Theresultshouldbeacomparativelygreaterreturntoitsshareholders.

Some analysts like to compute the total assets turnover in addition to or instead of netassets turnover. This ratio shows the firm's ability in generating sales from allfinancialresourcescommitted to total assets.

Workingcapitalturnoverratio:

$$\text{Working capital turnover ratio} = \frac{Sales}{Working\ capital}$$

This ratio measures the relationship between working capital and sales. The ratioshows the number of times the working capital results in sales. Working capital asusualisthe excessof current assetsover current liabilities.

A high turnover ratio shows that management is being very efficient in using acompany's short-term assets and liabilities for supporting sales (i.e., it is generating ahigherdollaramountofsalesforeverydollaroftheworkingcapitalused).Incontrast, a low ratio may indicate that a business is investing in too many accountsreceivable and inventory to support its sales, which could lead to an excessive amountofbad debtsor obsolete inventory.

Fixedassetturnoverratio:

$$Fixed\ asset\ turnover\ ratio = \frac{net\ sales}{Fixed\ assets}$$

The firm may which to know its efficiency of utilizing fixed assets and current assetsseparately. The use of depreciated value of fixed assets in computing the fixed assetsturnover may render comparison of firm's performance over period or with otherfirms.

The ratio is supposed to measure the efficiency with which fixed assets employed ahigh ratio indicates a high degree of efficiency in asset utilization and a low ratioreflectsinefficient use of assets.

However, in interpreting this ratio, one caution should be borne in mind, when thefixed assets of firm are old and substantially depreciated, the fixed assets turnoverratiotendsto be high because the denominatorof ratio isvery low.

The fixed asset turnover ratio is an efficiency ratio calculated by dividing acompany's net sales by its net property, plant, and equipment (property, plant, andequipment - depreciation). It measures how well a company generates sales from itsproperty, plant, and equipment. From an investment standpoint, this ratio helpsinvestors approximate their return on investment (ROI), especially in the equipment-laden manufacturing industry. For creditors, this ratio helps to assess how well newmachinerycan generate revenue to repay loans.

A high fixed asset turnover ratio often indicates that a firm effectively and efficientlyuses its assets to generate revenues. A low fixed asset turnover ratio generallyindicates the opposite: a firm does not use its assets effectively or to its full potentialtogenerate revenue. Theratiosalone do notconfirmhoweffectivea company usesits fixed assets. Combined with other analysis, it can give a clear picture of operations,performance,and management of assets.

Inventoryturnoverratio

$$Inventory\ turnover\ ratio = \frac{Cost\ of\ goods\ sold}{Average\ stock}$$

Stock turnover ratio indicates the efficiency of firm in producing and selling itsproduct. It is calculated by dividing the cost of goods sold by the average stock. Itmeasureshowfasttheinventory ismovingthroughthe firmandgeneratingsales.

The stock turnover ratio reflects the efficiency of inventory management. The higherthe ratio, the more efficient the management of inventories and vice versa .However,thismay not alwaysbe true.

Inventory turnover is the rate at which a company replaces inventory in a given perioddue to sales. Calculating inventory turnover helps businesses make better pricing,manufacturing, marketing, and purchasing decisions. Well-managed inventory levelsshowthat a company'ssalesareat the desired level, andcostsare controlled. The inventory turnover ratio is a measure of how well a companygeneratessalesfromitsinventory.

A high inventory turnover may be caused by a low level of inventory which mayresultif frequent stockoutsand lossof salesand customergoodwill.

4) PROFITABILITYRATIOS

A company should earn profits to survive and grow over a long period of time. Profitsare essential but it would be wrong to assume that every action initiated bymanagement of a company should be aimed at maximizing profits. Profit is thedifferencebetween revenuesand expensesover a period oftime.

Profit is the ultimate 'output' of a company and it will have no future if it fails to makesufficient profits. The financial manager should continuously evaluate the efficiencyof company in terms of profits. The profitability ratios are calculated to measure theoperating efficiency of company. Creditors want to get interest and repayment ofprincipalregularly. Ownerswant toget a requiredrate ofreturn ontheir investment.

Profitability ratios are financial metrics used by analysts and investors to measure andevaluatethe ability of a companyto generate income (profit) relative to revenue, balance sheet assets, operating costs, and shareholders' equity during aspecific period of time. They show how well a company utilizes its assets to produceprofitand value to shareholders.

A higher ratio or value is commonly sought-after by most companies, as this usuallymeans the business is performing well by generating revenues, profits, and cash flow.The ratios are most useful when they are analyzed in comparison to similar companiesorcompared to previousperiods.

Generally,twomajor typesof profitabilityratiosarecalculated:

• Profitabilityin relationto sales

• Profitability in relation to

investmentProfitabilityRatioscan bedivided

intosix types:

Grossprofitratio

Operatingprofit ratio

Netprofit ratio

Returnoninvestment

Earnsper share

Operatingexpensesratio

4.1Grossprofitratio

$$Gross\ profit\ ratio = \frac{Gross\ profit}{Net\ sales}$$

First profitability ratio in relation to sales is the gross profit margin the gross profitmarginreflects.

The efficiency with which management produces each unit of product. This ratioindicatesthe averagespread between thecost ofgoodssold andthe salesrevenue.

A high gross profit margin is a sign of good management. A gross margin ratio mayincrease due to any of following factors: higher sales prices cost of goods soldremaining constant, lower cost of goods sold, sales prices remaining constant. A lowgross profit margin may reflect higher cost of goods sold due to firm's inability topurchase raw materials at favourable terms, inefficient utilization of plant andmachineryresulting inhigher costof production ordue tofall inpricesin market.

This ratio shows the margin left after meeting manufacturing costs. It measures theefficiency of production as well as pricing. To analyse the factors underlying thevariation in gross profit margin, the proportion of various elements of cost (Labour,materialsand manufacturingoverheads) to salemay studied indetail.

3.4.2Operatingprofitratio

$$Operating\ profit\ ratio = \frac{Operating\ profit}{Net\ sales}$$

This ratio expresses the relationship between operating profit and sales. It is workedout by dividing operating profit by net sales. With the help of this ratio, one can judgethemanagerial efficiency which maynot be reflected inthe net profit ratio.

This ratio helps to analyze a firm's operational efficiency, a trend analysis is usuallydone between two different accounting periods to assess improvement or deteriorationof operational capability.

High – A high ratio may indicate better management of resources i.e. a higheroperationalefficiency leading to higher operatingprofitsin the company.

Low – A low ratio may indicate operational flaws and improper management ofresources; it is an indicator that the profit generated from operations are not enough ascomparedto the total revenue generated fromsales.

Netprofitratio

$$Net\ profit\ ratio = \frac{Net\ profit}{Net\ sales}$$

Net profit is obtained when operating expenses, interest and taxes are subtracted fromthe gross profit. Net profit margin ratio established a relationship between net profitand sales and indicates management's efficiency in manufacturing, administering andsellingproducts.

This ratio also indicates the firm's capacity to withstand adverse economic conditions.Afirmwithahigh netmarginratiowould beinanadvantageous position tosurvivein the face of falling selling prices, rising costs of production or declining demand forproduct.

This ratio shows the earning left for shareholders as a percentage of net sales. Itmeasures overall efficiency of production, administration, selling, financing. Pricingand tax management. Jointly considered, the gross and net profit margin ratiosprovide a valuable understanding of the cost and profit structure of the firm andenablethe analyst to identify thesourcesof businessefficiency / inefficiency.

Thenetprofitpercentageistheratioofafter-taxprofitstonetsales.Itrevealstheremainingprofitafterallcostsofproduction,administration,andfinancinghavebeendeductedfromsales,andincometaxesrecognized.Assuch,itisoneofthebestmeasuresoftheoverallresultsofafirm,especiallywhencombinedwithanevaluationofhowwellitisusingitsworkingcapital.Themeasureiscommonlyreportedonatrendline,tojudgeperformanceovertime.Itisalsousedtocomparetheresultsofabusinesswithitscompetitors.

Netprofitisnotanindicatorofcashflows,sincenetprofitincorporatesanumberofnon-cashexpenses,suchasaccruedexpenses,amortization,anddepreciation.

Returnoninvestment:

$$\text{Return on investment} = \frac{EBIT}{Capital\ employed}$$

This is one of the most important profitability ratios. It indicates the relation of netprofit with capital employed in business. Net profit for calculating return ofinvestment will mean the net profit before interest, tax, and dividend. Capitalemployedmeanslong termfunds.

Return on investment (ROI) is an approximate measure of an investment'sprofitability. ROI has a wide range of applications; it can be used to measure theprofitability of a stock investment, when deciding whether or not to invest in thepurchaseof a business,or evaluate the resultsof a realestate transaction.

When ROI calculations yield a positive figure, it means that net returns are in theblack (because total returns exceed total costs). Alternatively, when ROI calculationsyield a negative figure, it means that net returns are in the red because total costsexceedtotal returns. (Inother words, thisinvestmentproducesa loss.)

Earningspershare

$$\text{Earnings per share} = \frac{Net\ profit}{Number\ of\ equity\ shares} * 100$$

This ratio is computed by earning available to equity shareholders by the total amountof equity share outstanding. It reveals the amount of period earnings after taxes whichoccur to each equity share. This ratio is an important index because it indicateswhether the wealth of each shareholder on a per share basis as changed over theperiod.

Earningspershare(EPS)isacompany'snetprofitdividedbythenumberofcommonsharesit hasoutstanding.

EPS indicates how much money a company makes for each share of its stock and is awidelyused metric for corporate profits.

A higher EPS indicates more value because investors will pay more for a companywithhigher profits.

Operatingexpensesratio

$$\text{Operating expenses ratio} = \frac{Operating\ expenses}{Sales} * 100$$

It explains the changes in the profit margin ratio. A higher operating expenses ratio isunfavourable since it will leave a small amount of operating income to meet interest,dividends. Operating expenses ratio is a yardstick of operating efficiency, but itshould be used cautiously. It is affected by a number of factors such as externaluncontrollable factors, internal factors. This ratio is computed by dividing operatingexpenses by sales. Operating expenses equal cost of goods sold plus selling expensesandgeneral administrative expensesby sales.

Operating expenses are costs associated with running a business's core operations on adaily basis. Thus, the lower a company's operating expenses are, the more profitable itgenerally is. Over time, changes in the OER indicate whether the company canincrease sales without increasing operating expenses proportionately (i.e., if thebusiness is scalable). In real estate, companies can compare properties by using theratio.
As such, the OER is also a measure of managerial flexibility and competency thatmakes companies easier to compare. However, it is important to note that someindustries have higher OERs than others. This is why comparing OERs is generallymost meaningful among companies within the same industry, and the definition of"high"or "low" expensesshould be madewithin thiscontext

Analysis
Financial RatioAnalysisofInfosys

Financialstatementanalysis

Financial analysis denotes the selection and interpretation of a firm's financial data toevaluate the operational performance and thus measuring the financial condition of acompany. And financial reporting by the financial analyst is a major part of it, as itreveals the historical and current financial information of the company. And theanalysis is done with the help of different tools; quantitative analysis and ratioanalysis.

The ratio analysis is essential as it can aid the business owners and managers inmeasuring their progress against predetermined goals, a specific competitor as well astheoverallindustry.Besides,ratios arepowerfulmediumsofrecognizingtrendsinthe firm's early stages and allow the business owners to examine the relationshipsbetween products and measure the extent of that relationship (Almansoori andNobanee, 2019). However, financial ratios are time-sensitive which means, they onlydepict the situation of the business at the time when the fundamental figures wereprepared. (Inc., n.d.)

In general, the ratios are categorized into four; profitability or return on investment,leverage,liquidity, and operating or efficiency ratios.

The income statement presents information on the financial results of a company'sbusiness activities over a period of time. The income statement communicates howmuch revenue the company generated during a period and what cost it incurred inconnection.

US$inmillions

(In ₹ crore)

Balance Sheet as at	Note	March 31, 2017	March 31, 2016	April 1, 2015
ASSETS				
Non-current assets				
Property, plant and equipment	2.3	8,605	8,248	7,347
Capital work-in-progress		1,247	934	769
Intangible assets	2.4	-	-	-
Financial assets				
Investments	2.5	15,334	11,076	6,108
Loans	2.6	5	5	4
Other financial assets	2.7	216	192	110
Deferred tax assets (net)	2.17	346	405	433
Income tax assets (net)	2.17	5,454	5,020	3,941
Other non-current assets	2.10	996	755	349
Total non - current Assets		**32,203**	**26,635**	**19,061**
Current assets				
Financial assets				
Investments	2.5	9,643	2	749
Trade receivables	2.8	10,960	9,798	8,627
Cash and cash equivalents	2.9	19,153	29,176	27,722
Loans	2.6	310	355	225
Other financial assets	2.7	5,403	4,801	4,045
Other current assets	2.10	2,213	1,965	1,384
Total current assets		**47,682**	**46,097**	**42,752**
Total Assets		**79,885**	**72,732**	**61,813**
EQUITY AND LIABILITIES				
Equity				
Equity share capital	2.12	1,148	1,148	574
Other equity		66,869	59,934	51,617
Total equity		**68,017**	**61,082**	**52,191**
LIABILITIES				
Non-current liabilities				
Financial liabilities				
Other financial liabilities	2.13	40	62	27
Other non-current liabilities	2.15	42	-	-
Deferred tax liabilities (net)	2.17	-	-	-
Total non - current liabilities		**82**	**62**	**27**
Current liabilities				
Financial liabilities				
Trade payables	2.14	269	623	124
Other financial liabilities	2.13	5,056	5,132	4,847
Other current liabilities	2.15	2,349	2,093	1,564
Provisions	2.16	350	436	382
Income tax liabilities (net)	2.17	3,762	3,304	2,678
Total current liabilities		**11,786**	**11,588**	**9,595**
Total equity and liabilities		**79,885**	**72,732**	**61,813**

The accompanying notes form an integral part of the standalone interim financial statements.

INFOSYS LIMITED

(In ₹ crore)

Balance Sheet as at	Note No.	March 31, 2019	March 31, 2018
ASSETS			
Non-current assets			
Property, plant and equipment	2.1	10,394	9,027
Capital work-in-progress		1,212	1,442
Goodwill	2.2	29	29
Other intangible assets	2.2	74	101
Financial assets			
Investments	2.3	12,062	11,993
Loans	2.4	16	19
Other financial assets	2.5	196	177
Deferred tax assets (net)	2.15	1,114	1,128
Income tax assets (net)		5,870	5,710
Other non-current assets	2.8	1,740	2,161
Total non - current Assets		**32,707**	**31,787**
Current assets			
Financial assets			
Investments	2.3	6,077	5,906
Trade receivables	2.6	13,370	12,151
Cash and cash equivalents	2.7	15,551	16,770
Loans	2.4	1,048	393
Other financial assets	2.5	4,834	5,906
Income tax assets (net)		423	-
Other current assets	2.8	4,920	1,439
		46,223	**42,565**
Assets held for sale	2.3.8	-	1,525
Total current assets		**46,223**	**44,090**
Total Assets		**78,930**	**75,877**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	2.10	2,178	1,092
Other equity		60,533	62,410
Total equity		**62,711**	**63,502**
LIABILITIES			
Non-current liabilities			
Financial liabilities			
Other financial liabilities	2.11	79	55
Deferred tax liabilities (net)	2.15	541	505
Other non-current liabilities	2.13	169	153
Total non - current liabilities		**789**	**713**
Current liabilities			
Financial liabilities			
Trade payables	2.12		
Total outstanding dues of micro enterprises and small enterprises		-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises		1,604	738
Other financial liabilities	2.11	8,528	5,540
Other current liabilities	2.13	3,335	2,972
Provisions	2.14	505	436
Income tax liabilities (net)		1,458	1,976
Total current liabilities		**15,430**	**11,662**
Total equity and liabilities		**78,930**	**75,877**

The accompanying notes form an integral part of the standalone financial statements.

Table1:InfosysInc.,consolidatedincomestatement

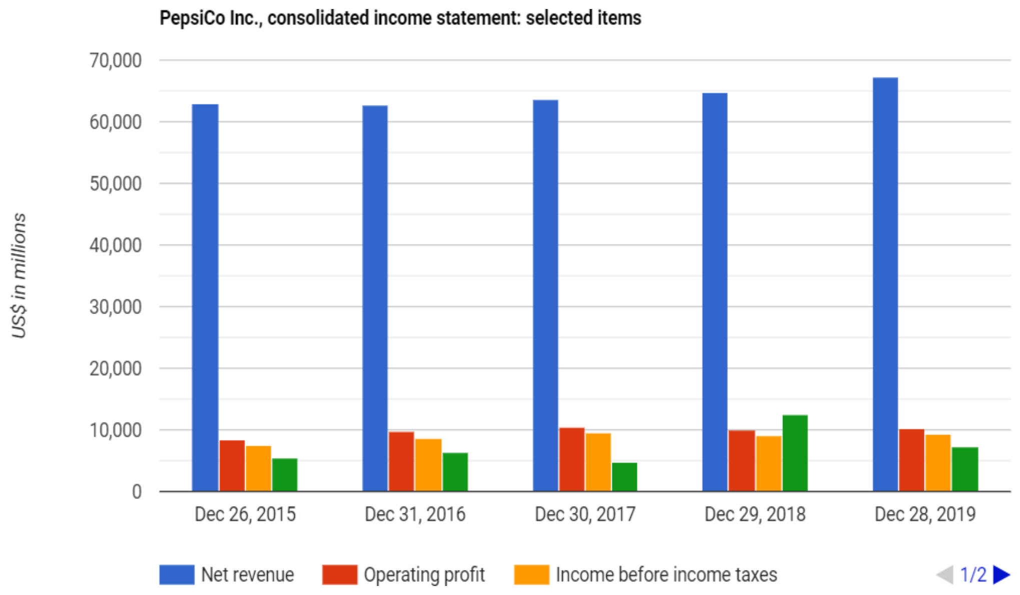

Figure1:consolidatedincomestatement

Table2:FinancialData(Infosys)

Item/year	2019	2018	2017	2016
CurrentAssets	17,645,000	21,893,000	31,027,000	27,089,000

CurrentLiabilities	20,461,000	22,138,000	20,502,000	21,135,000
Inventories	3,338,000	3,128,000	2,947,000	2,723,000
Cash	5,738,000	8,993,000	19,510,000	16,125,000
Receivables	6,447,000	6,079,000	5,956,000	5,709,000
TotalAssets	78,547,000	77,648,000	79,804,000	74,129,000
Total Liabilities	63,679,000	63,046,000	68,823,000	62,930,000
Total Equity	14,786,000	14,518,000	10,889,000	11,095,000
Sales	67,161,000	64,661,000	63,525,000	62,799,000
CostofGoodsSold	30,132,000	29,381,000	28,785,000	28,209,000
EBIT	10,291,000	10,110,000	10.509,000	9,785,000
Interest	1,135,000	1,525,000	1,151,000	1,342,000
NetIncome	7,314,000	12,515,000	4,857,000	6,329,000

Allnumbersinthousands,Source:YahooFinance

Ratiosfor theanalysis

The Liquidity ratios are the ratios that measure a company's capability to repay short-andlong-termobligations. The liquidity ratioscovered for the analysisare;

- Curentratio=Curentassets/Curentlabilités
- Acid-testratio=Currentassets–Inventories/ Currentliabilities
- Cashratio=Cash andCashequivalents/CurrentLiabilities

The debt ratio measures the comparative amount of a company's assets which aregiventhrough debt and the ratiosused for the analysisare;

- Debtratio =Total liabilities/Total assets
- Interestcoverageratio =netincome /Interestexpense

Activity ratios are used to measure how far a company is making use of its assets andtheefficiency ratiosused are:

- Assetturnoverratio=Netsales/Total assets
- Inventoryturnover ratio =Cost of goodssold / inventory
- Receivablesturnover ratio =Net credit sales/ accountsreceivable

Lastly, the profitability ratios measure the extent a company can generate incomerelativeto revenue, equity,and balance sheetassets. The ratiosfor analysisare;

- Returnonassetsratio=Netincome/ Totalassets
- Returnonequity ratio=Netincome/ Shareholder'sequity

- Profitmargin=Netincome/netsales

Table3 :Liquidity Ratiosof Infosys

Ratio/Year	2019	2018	2017	2016
CurrentRatio	0.86	0.99	1.51	1.28
QuickRatio	0.70	0.85	1.37	1.15
CashRatio	0.28	0.41	0.95	0.76

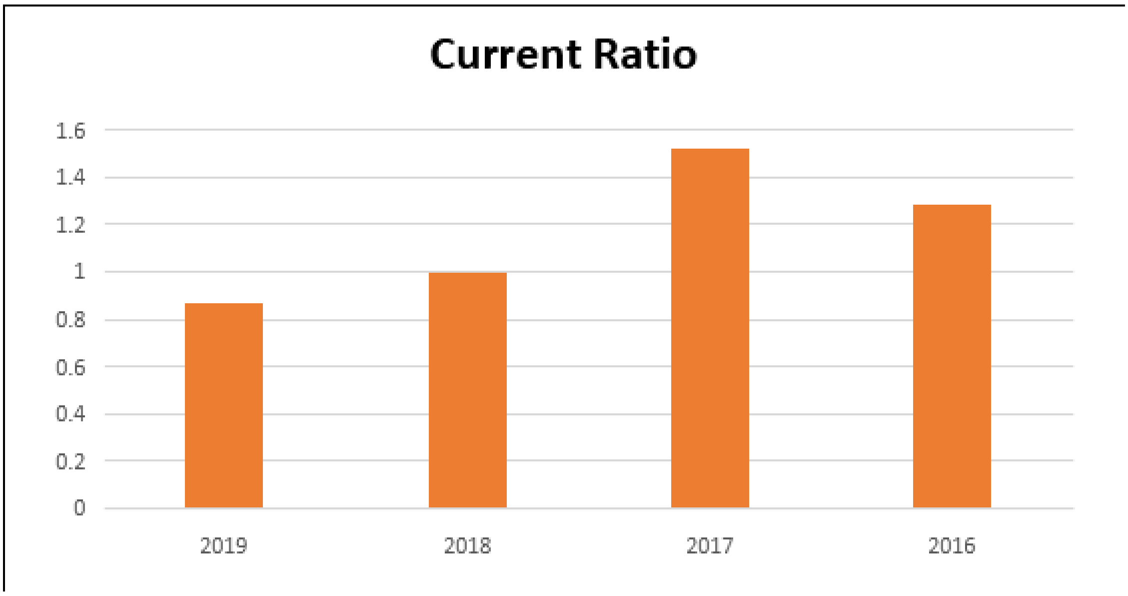

Figure2:CurrentRatioofInfosys

The current ratio measures a firm's capability to meet its short-term obligations withthe current assets. The higher the rate of the ratio is, the higher is the liquidity of thefirm.

Here from 2016 to 2017 the ratio increased from 1.3 to 1.5, therefore in 2017 theliquidity of the Infosys was higher, and the firm could easily settle its liabilities.However,the liquidity declinedin the next twoconsecutive yearsto1 by 2018 and 0.8 by 2019, which depicts that Infosys having difficulty in meeting the firm'sobligationssince the ratio dropped majorly lesser than1.

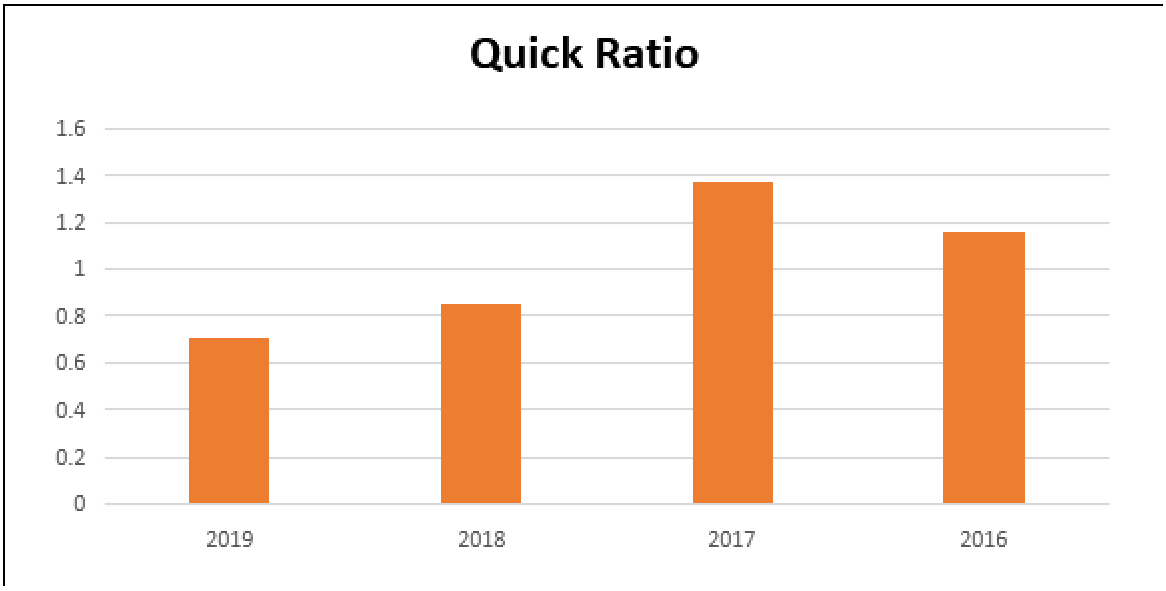

Figure3:QuickRatioofInfosys

The quick ratio denotes a firm’s capacity to pay for current liabilities without the aidof selling any inventory or additional financing. It is in the forms of cash or cashequivalentsor such assetswhich iscapable ofa convertible to cash.

Here, from 2016 to 2017, a quick ratio slightly increased from 1.1 to 1.3, thereforeInfosyswasnotfacing anyissuesrelated tomeeting thecurrent obligation. Contrarily, from 2017 to 2019, the ration dropped till 0.7 from 1.3, and this situationindicates Infosys started to rely on its inventories to meet its current obligations, andthat'snot welcoming for theinvestorsand partnersof Infosys.

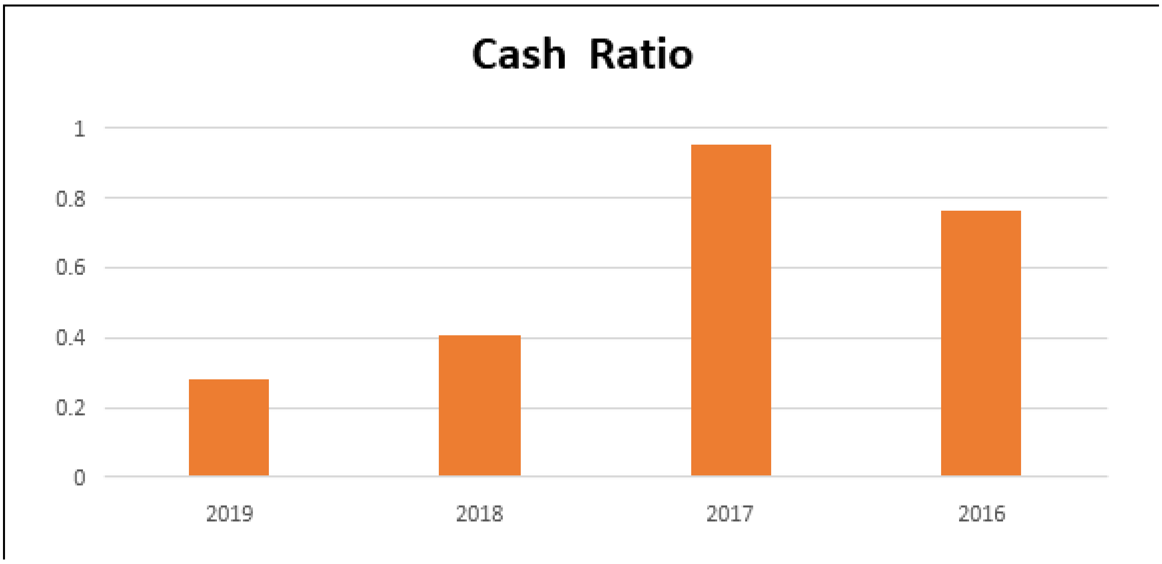

Figure4:CashRatioofInfosys

The cash ratio measures the ability to finance its current liability through cash andcashequivalents. In short,it measurestheliquidity of the company.

Here, for Infosys the cash ratio rose to 0.95 from 0.76, therefore the firm was liquidenough to finance its debt, but the scenario is quite opposite for the next two years.Theratio droppedmajorly from0.95 to0.258 by2019, whichmeansthefirmchangeditsstrategy of holding cash to hold lessamount.

SummaryofCurrentRatios

The current, quick, and cash ratios for Infosys highlights that in the year 2017, theliquidity of the firm was higher enough to meet all short-term obligations. Butcomparatively, following years of 2017, in all three ratios, Infosys has reached a lowlevel (lesser than 1, for all 3 ratios) of meeting short term obligations. Overall, theliquidityratioswere not good for the latest years; 2018 and 2019.

Table4: ActivityRatiosofInfosys

Ratio/Year	2019	2018	2017	2016
Inventory Turnover	9.03	9.39	9.77	10.36
ReceivableTurnover	10.42	10.64	10.67	11.00
TotalAssetTurnover	0.86	0.83	0.80	0.85

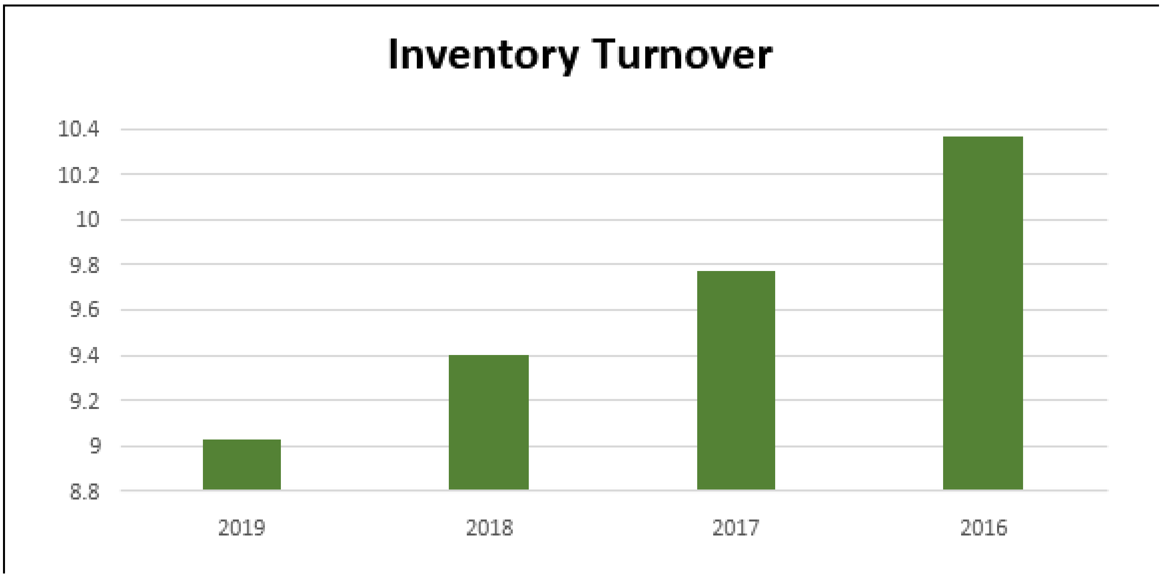

Figure5:Inventory Turnoverof Infosys

This ratio analyses how quickly the inventory is affecting the firm and how fast thecompany making sales. The higher the rate of the inventory turnover ratio, the furtherefficientwill be the management ofthe firm’sstocks.

Here, in 2016, Infosys had the highest inventory turnover rate comparative to 4years; 10.36, which decreased slightly to 9.77 in the following year. And the declinecontinued further in 2018 and 2019, depicting the weaker sales and low demand forInfosys products and other product lines, hence the cash flow of the firm is gettingslower.

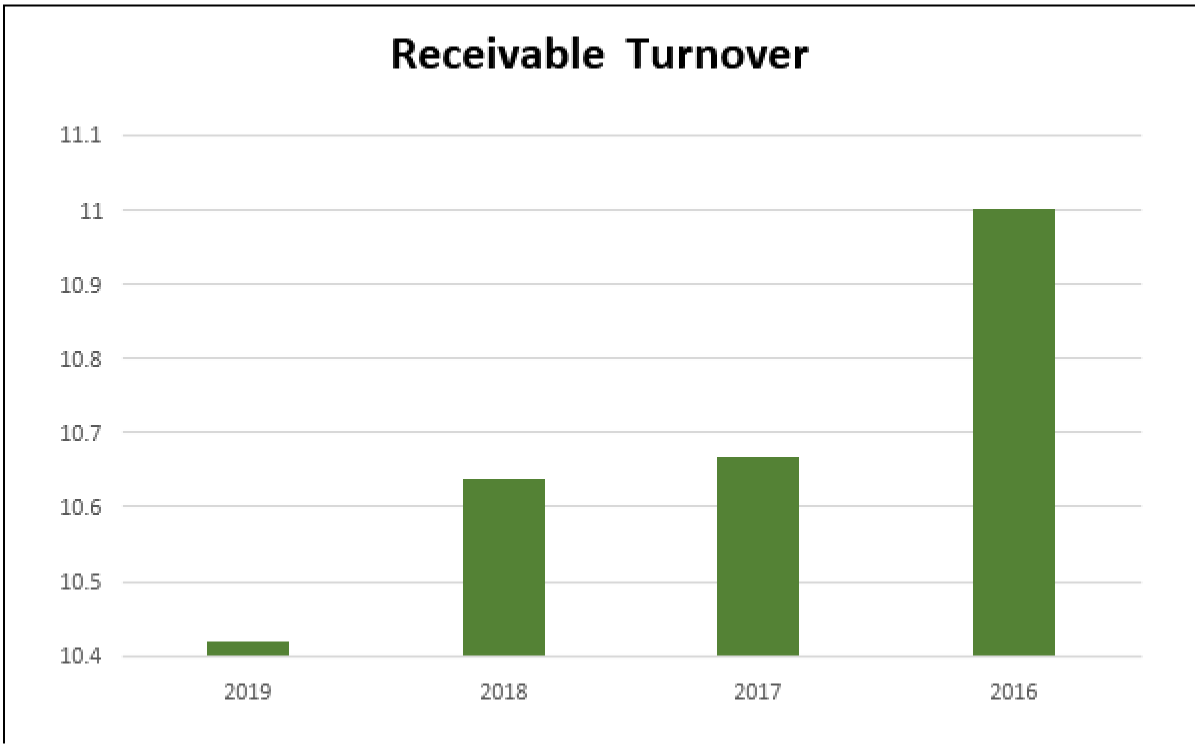

Figure5: ReceivablesTurnover ofInfosys

This ratio measures a company's capability in collecting the receivables from itsclients ordebtors.Here,in2016,Infosyshadhigherreceivables turnovercomparative to 4 years; 11, which continued to decline in the next three years slightly,reaching to 10.42 from 11. And it means Infosys had debtors who are slower to paythe debts of the firm and hence receivables are not been able to get collected quicklybyInfosys.

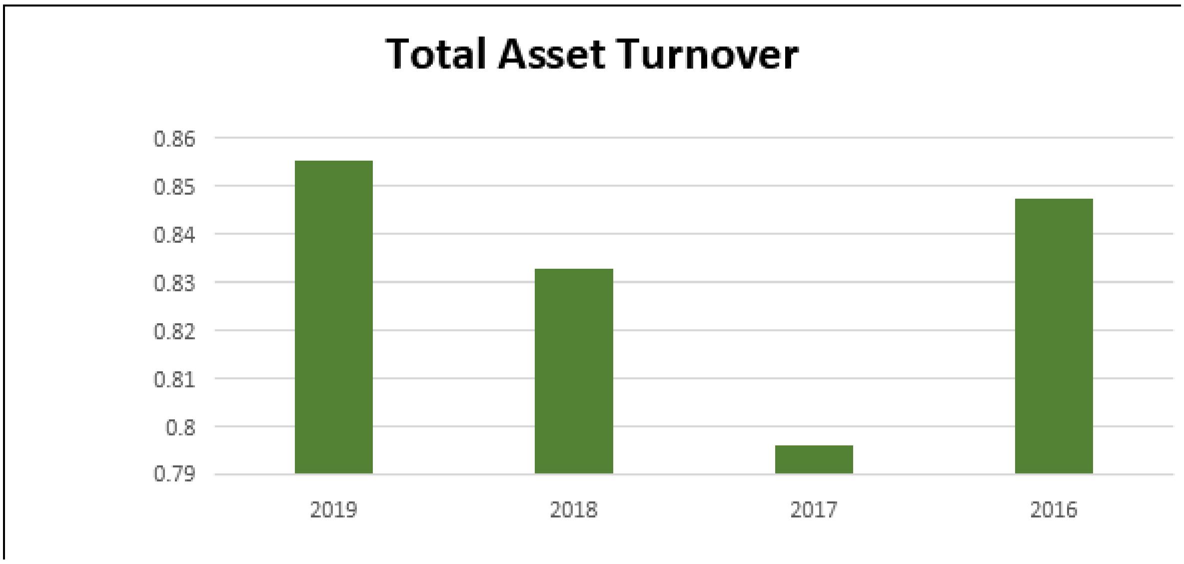

Figure6:Total AssetTurnoverofInfosys

This ratio measures the efficiency of a company's use of the assets for having salesrevenue or sales income for the firm. Here, for Infosys the total asset turnover for2016and2019 isalmost thesame;0.86 and0.85, wheretheturnover ratedropped to 0.80 in 2017 but recovered in next year to 0.83. And this means, Infosys is using itsassets more effectively in recent years and is successful in generating more sales forthecompany.

Summaryofactivityratios

Activity or Efficiency ratios; receivable turnover and inventory turnover for 2019were very less compared to the other three years, but the total turnover asset ofInfosys for 2019 was higher than the previous 3 years. And this means the Infosyshaslessliquidity and efficacy in managingthe inventory in recent years.

Table5:DebtRatiosofInfosys

Ratio/Year	2019	2018	2017	2016
DebtRatio	0.81	0.81	0.86	0.85
TimesInterestEarned Ratio	9.07	6.63	9.13	7.29

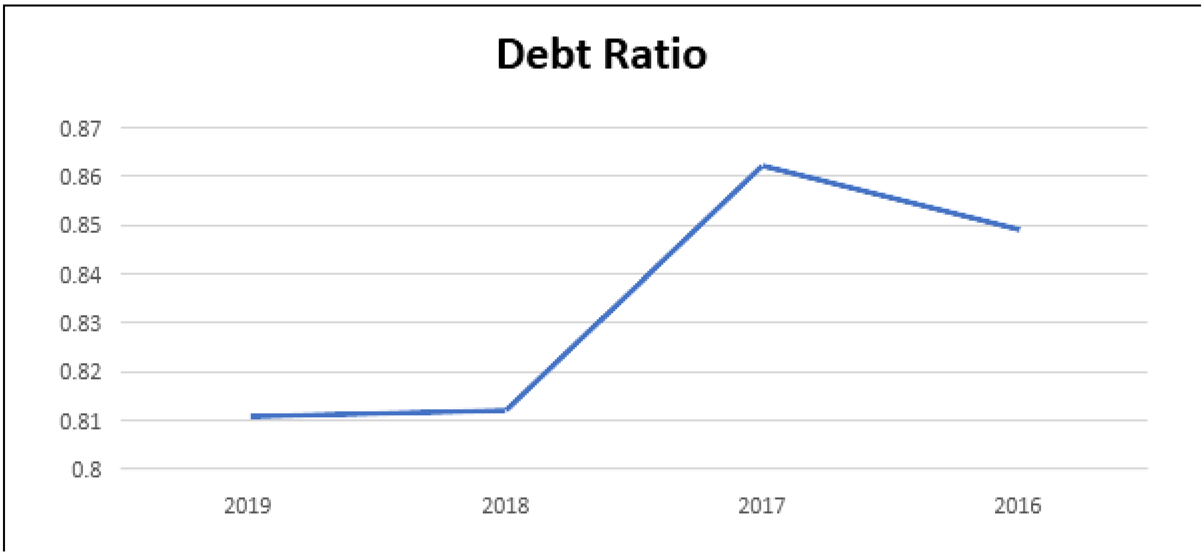

Figure7:Debt RatioofInfosys

The ratio measures the extent of a company's leverage, which means in what amountthe assets are required to sell to pay off all its existing liabilities. Here, the debt ratioincreased slightly in 2017 from 0.85 to 0.85, which are not good for the firm, sincethere's a risk of not generating enough cash flow to pay off the debt. But in the nexttwo years of Infosys; 2018 and 2019, the ratio declined to 0.81 and maintained thatconsistency till the recent year, which is a little improvement for the firm as it isextendingthe capacity of the firm'sleverage.

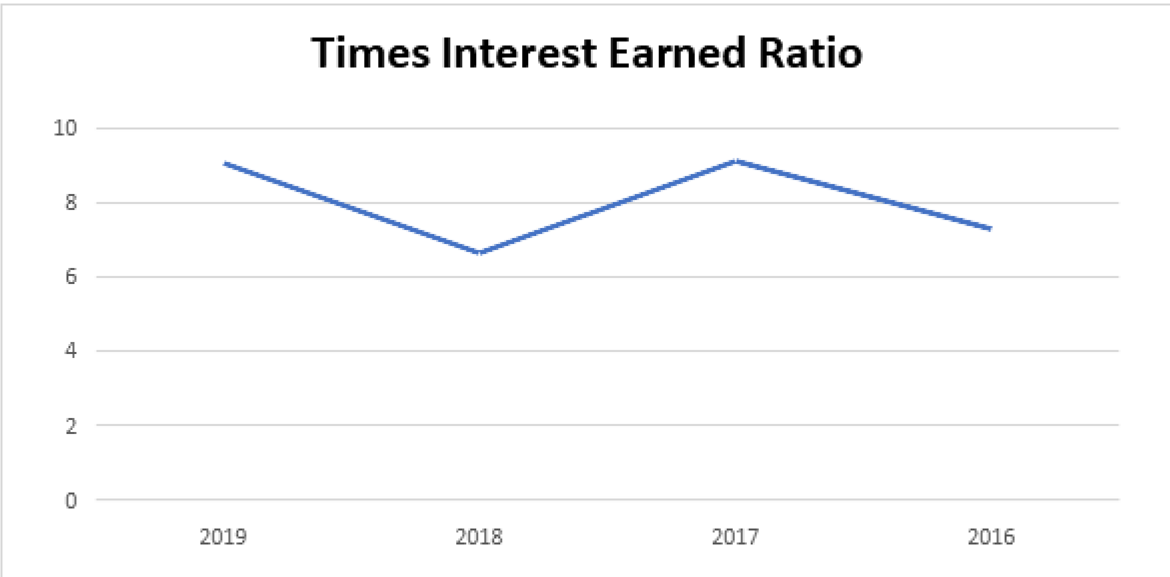

Figure8:TimesInterestEarnedRatioof Infosys

The ratio measures how quickly the company can disburse its liabilities generated oncurrent revenue. It is also known as an Interest coverage ratio. Here for Infosys, theratio fluctuated over last 4 years; 2016 -2019 and rose to higher ratio 9.07 by 2019from 6.63 in 2018, which means in recent times the financial condition of Infosys isstrong as it's more capable of meeting its interest obligations, similar to the period of2016 -2017.

SummaryofDebtsRatios
Infosys is having a strong financial position as both debt ratio and time interestearned ratio rates are contrary for the year 2019, hence it has a good amount of assetsto set off its debts against liabilities. Overall, the years; 2017 and 2019 depict a betterinterestcoverage ratio than the other two yearsof Infosys.

Table6:ProfitabilityRatiosofInfosys

Ratio/Year	2019	2018	2017	2016
Returnon Equity	0.49	0.86	0.45	0.57
ReturnonAssets	0.09	0.16	0.06	0.09
ProfitMargin	0.11	0.19	0.08	0.10

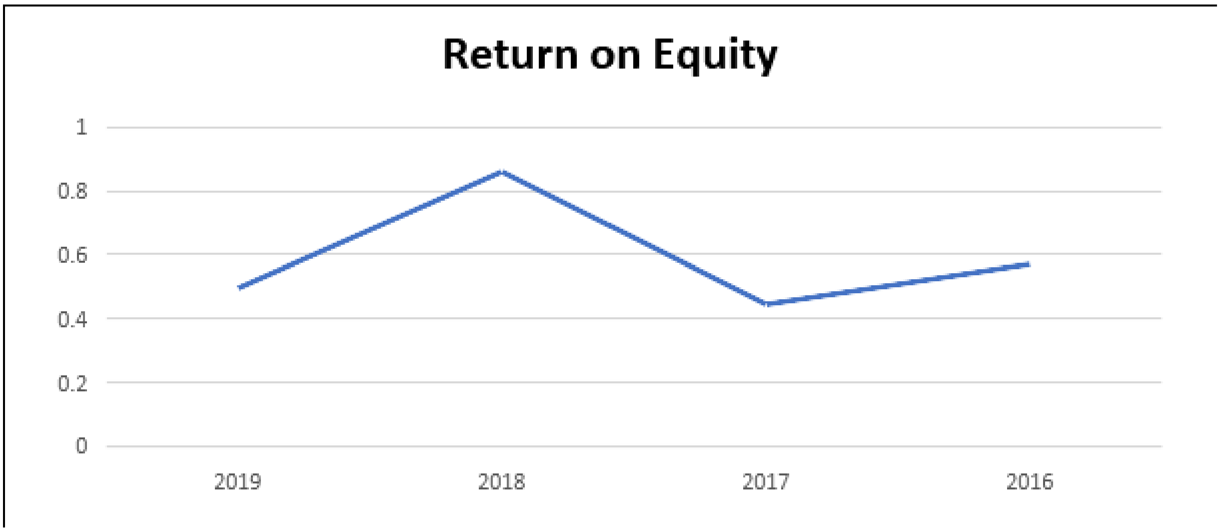

Figure9: Returnon Equityof Infosys

The ratio measures the profitability of a company in relation to stockholders' equity,which means determining whether to invest in the company or not. Therefore, it isone of the most important financial ratios for the investors. Here, for Infosys, theratio fluctuated over 4 years; 2016 -2019, where the ratio decreased first and thenincreased from 0.57 to 0.86 over the period of 2016-2018. And it was efficient for thefirm's management is at generating income as well as for the growth from its equityfinancing. On the contrary, in 2019 the ratio dropped to a very low rate of 0.49 from0.86,which highlightsthat it'snotworthy enough toinvest in Infosysat present.

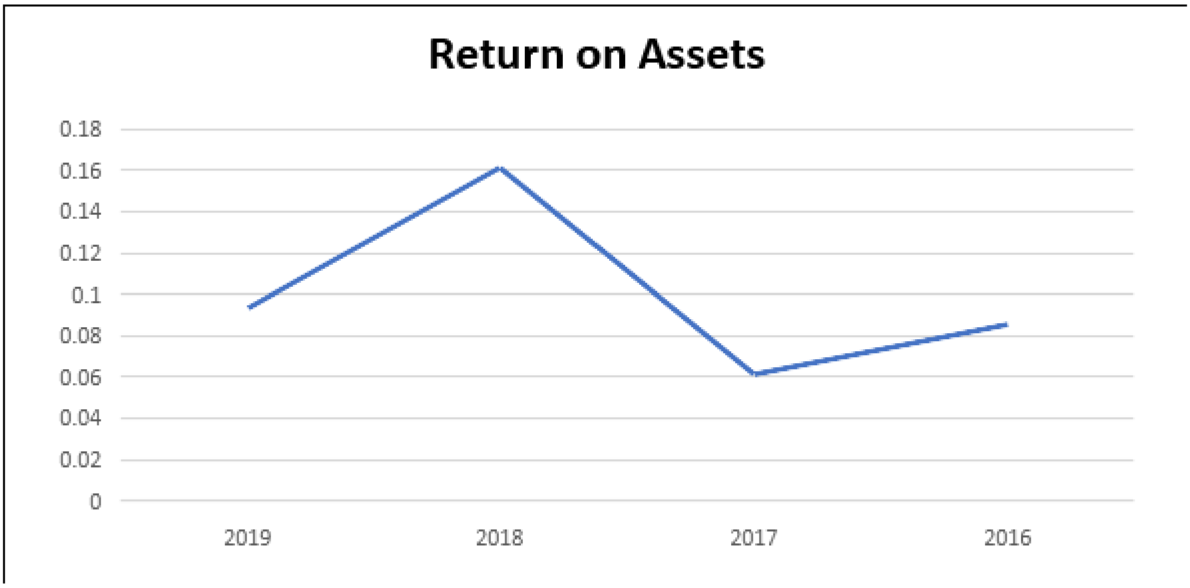

Figure10:Returnon TotalAssetsofInfosys

The ratio depicts the efficiency of the company is utilizing its assets to raise profit,through the earning before interests and taxes of the company. The higher the rate ofreturn on asset is, the better it is for the company, as it is managing its assets properlytomakesales. Here,for Infosysfortwo years;2016 and2017,the ratiodropped to 0.06 from0.09, but gainan incrementin nextyear; 2018to 0.16.And forInfosysthe year 2018 was profitable as the profit margin was rising by utilizing its assetsproperly and generating more sales than the previous two years. But in 2019, the ratioagain declined to 0.09, similar to the financial situation faced in 2016, hence Infosysisrecently unable to make enough incomefromitsassets.

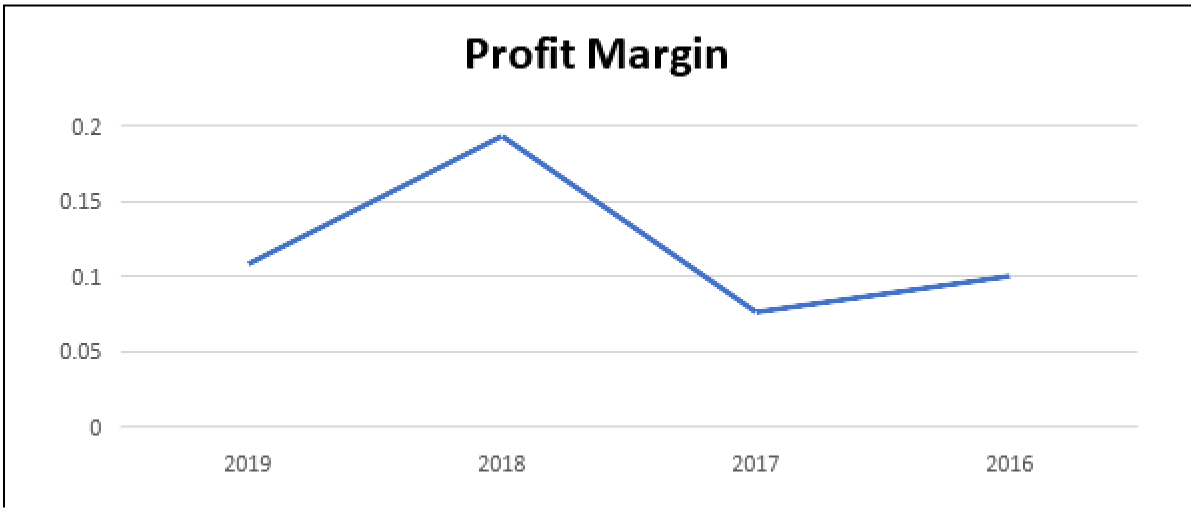

Figure11:Profit MarginofInfosys

The profit margin or the gross profit ratio measures how much of the firm’s sales aregeneratedfromitsnetincome. Here, in2016 and 2017the ratio declined slightlyto 0.08from0.10 but increased inthe following year to 0.19.And, it dropped further to

0.11 by 2019, which denotes the lower margin, indicating the Infosys is currentlyunderpricing and unable to make a reasonable profit on the sale. And this conditionwon’tattract more Investorsto paymore for Infosys

Summary

Infosys currently having less profitability compared to past years and showsinstability in maintaining the higher profit margin for 4 years; 2016-1019. And itdepicts that Infosys is not utilizing its assets well to generate its sales. However,comprehensively, the profitability ratios are impressive for the year 2018, since theratioswere higher enough, compared to 2019 and otheryears.

Conclusion

1- Company needs to reduce its cost of sales i.e. Software Development related expenses, to increase its Gross Profit ratio and Operating net ratio.

2- Company needs to have stringent credit policy, to reduce the funds required for working capital.

3- Do efficient utilization of shareholders funds to improve its ROI & ROE to maintain its goodwill in investors mind.

4- May go for some Debt borrowing to increase E.P.S. for shareholders.

Recommandations

Limitations

Thisstudyissubjecttofollowinglimitations-

Thestudywaslimited toonlypast five yearsFinancialData.

• The study is purely based on secondary data which were taken primarily fromPublishedannual reportsof Infosys

• There is no set industry standard for comparison and hence the inference is made ongeneralstandards.

• The ratio is calculated from past financial statements and these are not indicators offuture.

• Thestudy isbased on onlyon thepast records.

• Nonavailabilityof requireddata toanalyse theperformance.

Bibliography

References--

Inc. (n.d.). *Financial Ratios*. Retrieved from Inc.https://www.inc.com/encyclopedia/financial-ratios.html

https://www.coursehero.comhttps://

www.scribd.comhttps://www.moneycontrol.

com/https://www.suredividend.comhttps://fi

nance.yahoo.comhttp://www.infosys.co.in