A STUDY OF FINANCIAL PERFOMANCE OF INFOSYS

With Special Reference to the period 2015-2019

In partial fulfilment of the requirements
for the award of the degree of

BACHELOR OF BUSNESS ADMINISTRATION

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Abstract

Infosys was established in the year 1981. Infosys is a global leader in next generation digital services and consulting. Information technology is a use of computer and software for the purpose of managing the information's. This study is based upon the secondary data extracted from the annual report of the INFOSYS Limited. The financial statements of INFOSYS limited have been collected over a period of 5 years from 2015- 2019. Financial performance analysis identifies the financial strength and weakness of the company and facilitates management in decision making. Financial performance helps in forecasting the short term and long-term financial position and growth of the company. Common size statement and trend analysis have been used to analyse the financial performance of the INFOSYS Limited. The overall financial position of the company was satisfactory.

Key words: Financial performance, Balance sheet, financial position.

INTRODUCTION

Infosys limited belonging to Forbes is one of the largest business groups across the globe. It serves as a consultancy, software services, e-business, program management and supply chain solution. The employees perform different functions such as application development, product co-development, system implementation and system engineering. They target business sectors who are specialized in insurance, banking, telecommunication and manufacturing sectors. They get more information in this business sectors which are very useful to their sector. They have their own motive on obtaining those information as it is of great use to their IT sector. Infosys is the only Indian company and the first one to be registered in NASDAQ-100 index. By doing so they serve as testimony to its competitive business model and leadership position in this industry. The Managing Director of Infosys said that their inclusion in NASDAQ-100 not only benefited them but had a recognition to the whole country. The annual Revenue of the company reached from $100 million to $10 billion in 2017. Their economic growth had reached to high level among all other IT sectors. Company's 87% of revenue were from North America, Europe and Asian countries especially from India. These countries serve as a major source of income to IT and ITES sector

Market capitalization of the company is $46.52 billion which set a benchmark for the IT companies not only in India but across the globe. It is also noted that the market cap of Infosys is more than the GDP of many countries. Infosys is ranked as #3 in 2019 Forbes as the World's Best Regarded Companies list. As per 2020, the Number of employees in Infosys were 2,42,371 across Europe, America and Asia. Out of which 37.8% were women. They give more importance to women empowerment in their sector. The company won as Best Awards by the Association for Talent Development (ATD). Apart from this they have won many awards and one among them were Best Platinum Awards in two consecutive years.

OBJECTIVES OF THE STUDY

- To predict the sales and profit of Infosys Ltd.,
- To analyse the financial performance of Infosys Ltd.
- To analyse the pattern of change of the Company.
- To calculate the contribution of each year.

RESEARCH METHODOLGY

The following methodology have been used in this study, Period of Study The study period of Infosys Ltd. consists of 5 years from 2015-16 to 2018-19 Source of Study This study is based on secondary data which have been obtained from the annual reports of the company, books, journals and websites. Tools and Techniques Used Common size statement and Trend analysis are the tools used in this study for analysing the financial statement of Infosys.

REVIEW OF LITERATURE

Dr. S. Vijayalakshmi.et.al. (2017), in the article titled, "A study on Financial Performance Analysis of Bharti Airtel Limited", took a period of 5 years from 2011-2016 for the financial assessment of the company selected. The financial tools employed to measure the financial position was ratio analyses. Under ratio analysis short term and long-term ratios were used to see the liquidity, profitability and stability level of the company. It can be concluded from the study that the liquidity level of the company keeps on varying. Profitability of the company is not as good as the sales is decreasing and income is also not stable. Bharti Airtel needs to improve their debt position also.

J. Pavithra..et.al. (2017) in paper titled, "A study on the analysis of the Financial Performance with Reference to Jeppiar Cements Pvt. Ltd. The period of the

study was taken for 5 years from 2009-2013. Comparative financial statements, ratio and trend analysis was employed to study the financial position over the years. It was found that the debtor's turnover ratio had an increasing trend which is not considered a good sign for the company and concluded overall profitability position to be good. The current ratio showed fluctuation but the creditworthiness of the company was observed to be good.

Amalendu Bhunia et al. (2011), researched into the financial performance of some public sector pharmaceutical and drug enterprises in India. The research was aimed at assessing both short- and long-term solvency, profitability and liquidity trends, efficiency of financial processes and to examine determinants of liquidity and profitability behaviours. To evaluate how the chosen ratios jointly influence the financial position and profitability of the firms, the multiple regression technique was used. The research sampled two public enterprises from the pharmaceutical and drug sector that were listed on Bombay Stock Exchange. The performance indicators deployed included solvency, profitability, efficiency, financial stability, operating efficiency and liquidity ratios. It found that both companies had strong liquidity positions. Financial stability of the two companies also demonstrated an increasingly declining trend. A notable gap in the study was the complete reliance on published financial data. Thus, it's prone to all the weaknesses inherent in the summarized published financial statements.

Julius B. Adesina et al (2015) evaluated how the capital structure of quoted Nigerian banks relates with their financial performances. Parameters used were profit before tax, equity and debt. The survey research design was employed and data analysis was undertaken by deploying the Ordinary Least Square (OLS) regression to capture the kind of the associations between the banks' financial performances and the corresponding capital structure. To filter out the banks in the top tier with relatively high capital structure, stratified sampling was adopted for the study. This resulted in the selection of the ten most capitalized banks. The annual reports of the sampled banks were scrutinized and data on pre-tax profits, debt and equity for 2005 to 2012 period were extracted. The research established a significant positive impact of equity and debt on financial performance of the banks. The gap in the work is the exclusive reliance on OLS in a two variable regression analysis, which may expose the model to technical flaws. The potential threat to the model is its failure to capture the feedback effect of the variables of interest.
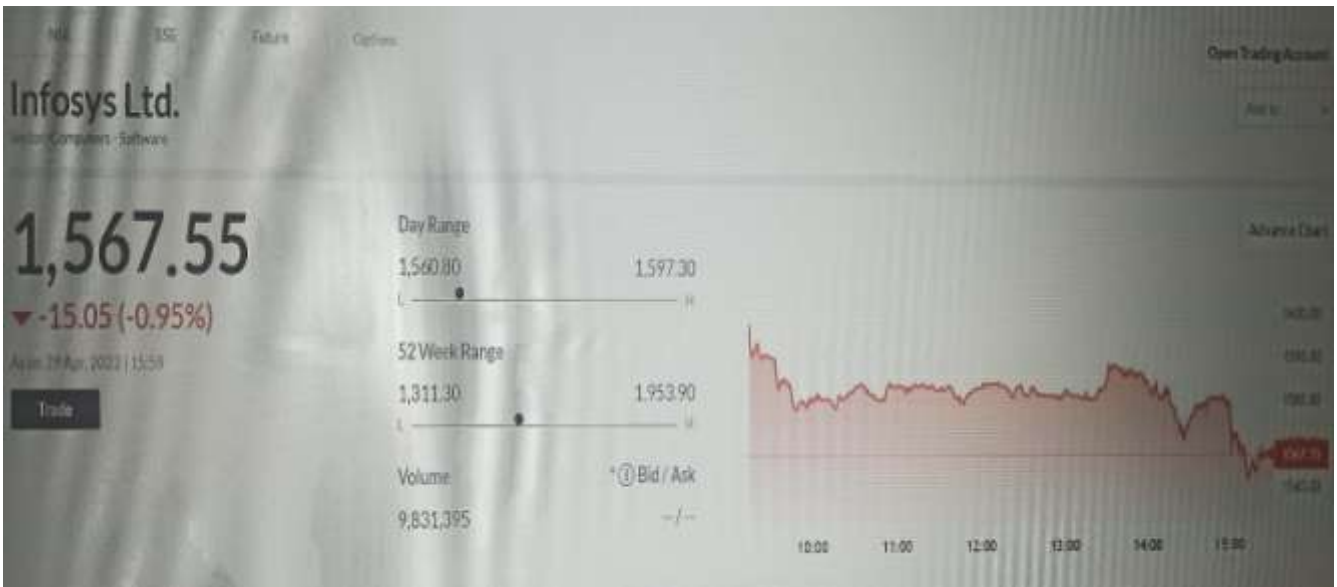
ANALYSIS AND INTERPRETATION OF INFOSYS

Analysis means a detailed examination of the elements. It is a process of applying statistical or logical techniques for the purpose of evaluating data. Interpretation refers to the task of drawing inferences from the collected facts.

COMMON SIZE STATEMENT

A common size financial statement displays all items as percentages of a common base figure rather than as absolute numerical figures. The values on the common size statement are expressed as ratios or percentages.

COMMON SIZE STATEMENT FOR THE YEAR ENDED 2015 AND 2016 (IN CRORES)				
	2015		**2016**	
PARTICULARS	AMOUNT (Rs)	PERCENTAGE (%)	AMOUNT (Rs)	PERCENTAGE (%)
SHAREHOLDERS FUND				
Share Capital	574	0.93	1148	1.58
Reserves	57494	76.83	59934	82.40
NON-CURRENT LIABILITIES				
Deferred Tax Liabilities	0	0.00	0	0.00
Other Long-Term Liabilities	30	0.05	62	0.09
CURRENT LIABILITIES				
Trade Payables	124	0.20	623	0.86
Other Current Liabilities	5546	8.97	10529	14.48
Short-Term Provisions	8045	13.02	436	0.60
TOTAL	**61813**	**100.00**	**72732**	**100.00**
ASSET				
NON-CURRENT ASSET				
Tangible Assets	7347	11.89	8248	11.34
Intangible Assets	0	0.00	0	0.00
Capital work in progress	769	1.24	934	1.28
Non-current investment	6108	9.88	11076	15.23
Deferred tax assets	433	0.70	405	0.56
Long term loans and advances	4378	7.08	5	0.01
Other non-current assets	26	0.04	5967	8.20
CURRENT ASSET				
Current investments	749	1.21	2	0.00
Trade Receivables	8627	13.96	9798	13.47
Cash and cash equivalents	27722	44.85	29176	40.11
Short term loans and advances	3231	5.23	355	0.49
Other current assets	2423	3.92	6766	9.30
TOTAL	**61813**	**100.00**	**72736**	**100.00**

During the period 2015-16 it has been found that the shareholders fund has been increased to (83.98%). Current liabilities have been decreased to (15.94%). Non-current liabilities have been increased to (0.09%). Non-current assets have been increased to (36.62%). Current assets have been decreased to (63.37%).

COMMON SIZE STATEMENT FOR THE YEAR ENDED 2016 AND 2017 (IN CRORES)				
	2016		2017	
PARTICULARS	AMOUNT (Rs)	PERCENTAGE (%)	AMOUNT (Rs)	PERCENTAGE (%)
SHAREHOLDERS FUND				
Share Capital	1148	1.58	1148	1.44
Reserves	59934	82.40	66869	83.71
NON-CURRENT LIABILITIES				
Deferred Tax Liabilities	0	0.00	0	0.00
Other Long-Term Liabilities	62	0.09	82	0.10
CURRENT LIABILITIES				
Trade Payables	623	0.86	269	0.34
Other Current Liabilities	10529	14.48	11167	13.98
Short-Term Provisions	436	0.60	350	0.44
TOTAL	**72732**	**100.00**	**79885**	**100.00**
ASSET				
NON-CURRENT ASSET				
Tangible Assets	8248	11.34	8605	10.77
Intangible Assets	0	0.00	0	0.00
Capital work in progress	934	1.28	1247	1.56
Non-current investment	11076	15.23	15334	19.20
Deferred tax asset	405	0.56	346	0.43
Long term loans and advances	5	0.01	5	0.01
Other non-current assets	5967	8.20	6666	8.34
CURRENT ASSET				
Current investments	2	0.00	9643	12.07
Trade Receivables	9798	13.47	10960	13.72
Cash and cash equivalents	29176	40.11	19153	23.98
Short term loans and advances	355	0.49	310	0.39
Other current assets	6766	9.30	7616	9.53
TOTAL	**72732**	**100.00**	**79885**	**100.00**

SOURCE: Secondary data (money control.com)

From the above table it has been found that shareholders fund has been increased to (85.15%). Non-current liabilities have been increased to (0.10%). Current liabilities have been decreased to (14.76%). Non-current assets have been increased to (40.31%). Current assets have been decreased to (59.69%).

PARTICULARS	2017		2018	
	AMOUNT (Rs)	PERCENTAGE (%)	AMOUNT (Rs)	PERCENTAGE (%)
COMMON SIZE STATEMENT FOR THE YEAR ENDED 2017 AND 2018 (IN CRORES)				
SHAREHOLDERS FUND				
Share Capital	1148	1.44	1092	1.44
Reserves	66869	83.71	62410	82.25
NON-CURRENT LIABILITIES				
Deferred Tax Liabilities	0	0.00	505	0.67
Other Long-Term Liabilities	82	0.10	208	0.27
CURRENT LIABILITIES				
Trade Payables	269	0.34	738	0.97
Other Current Liabilities	11167	13.98	10488	13.82
Short-Term Provisions	350	0.44	436	0.57
TOTAL	**79885**	**100.00**	**75877**	**100.00**
ASSET				
NON-CURRENT ASSET				
Tangible Assets	8605	10.77	9027	11.90
Intangible Assets	0	0.00	130	0.17
Capital work in progress	1247	1.56	1442	1.90
Non-current investment	15334	19.20	11993	15.81
Deferred tax asset	346	0.43	1128	1.49
Long term loans and advances	5	0.01	19	0.03
Other non-current assets	6666	8.34	8048	10.61
CURRENT ASSET				
Current investments	9643	12.07	5906	7.78
Trade Receivables	10960	13.72	12151	16.01
Cash and cash equivalents	19153	23.98	16770	22.10
Short term loans and advances	310	0.39	393	0.52
Other current assets	7616	9.53	8870	11.69
TOTAL	**79885**	**100.00**	**75877**	**100.00**

SOURCE: Secondary data (money control.com)

During the period 2017-18, it has been found that the shareholders fund has been decreased to (83.69%). Non-current liabilities have been increased to (0.94%). Current liabilities have been increased to (15.36%). Non-current asset has been increased to (41.91%). Current asset has been decreased to (58.1%).

COMMON SIZE STATEMENT FOR THE YEAR ENDED 2018 AND 2019 (IN CRORES)				
	2018		**2019**	
PARTICULARS	AMOUNT (Rs)	PERCENTAGE (%)	AMOUNT (Rs)	PERCENTAGE (%)
SHAREHOLDERS FUND				
Share Capital	1092	1.44	2178	2.76
Reserves	62410	82.25	60533	76.69
NON-CURRENT LIABILITIES				
Deferred Tax Liabilities	505	0.67	541	0.69
Other Long-Term Liabilities	208	0.27	248	0.31
CURRENT LIABILITIES				
Trade Payables	738	0.97	1604	2.03
Other Current Liabilities	10488	13.82	13321	16.88
Short-Term Provisions	436	0.57	505	0.64
TOTAL	**75877**	**100.00**	**78930**	**100.00**
ASSET				
NON-CURRENT ASSET				
Tangible Assets	9027	11.90	10394	13.16
Intangible Assets	130	0.17	103	0.13
Capital work in progress	1442	1.90	1212	1.54
Non-current investment	11993	15.81	12062	15.28
Deferred tax asset	1128	1.49	1114	1.41
Long term loans and advances	19	0.03	16	0.02
Other non-current assets	8048	10.61	7806	9.89
CURRENT ASSET				
Current investments	5906	7.78	6077	7.70
Trade Receivables	12151	16.01	13370	16.94
Cash and cash equivalents	16770	22.10	15551	19.70
Short term loans and advances	393	0.52	1048	1.33
Other current assets	8870	11.69	10177	12.89
TOTAL	**75877**	**100.00**	**78930**	**100.00**

SOURCE: Secondary data (money control.com)

During the period 2018-19, it has been found that the shareholders fund has been decreased to (79.45%). Non-current liabilities have been increased to (1%). Current liabilities have been increased to (19.55%). Non-current asset has been increased to (41.43%). Current asset has been increased to (58.56%).

TREND ANALYSIS

The analysis and review of financial statements for two or more years is termed as Trend Analysis. Generally, the financial statement such as Profit & Loss account and Balance Sheet are taken for Trend Analysis. It indicates the trend in different years which has been changing from year to year. From this analysis the firm will study about the strength and weakness and they would plan to overcome them in future. For the trend calculation of two years, it is calculated on the basis of previous years. This analysis which is taken from the balance sheet are analysed for 5 years, the first year is taken as BASE year and the percentage of trend is calculated.

YEARS	SALES		PROFIT	
	AMOUNT (IN CRORE) (RS)	PERCENTAGE (%)	AMOUNT (IN CRORE) (RS)	PERCENTAGE (%)
2015	47300	100	12164	100
2016	53983	114.13	12693	104.35
2017	59289	125.35	13818	113.60
2018	61941	130.95	16155	132.81
2019	73107	154.56	14702	120.86

SOURCE: Secondary data (money control.com)

(1) The sales have increased continuously all the years up to 2019. The percentage in 2019 is 154.56% is more as compared to 100% in 2015. The increase in sales is quite satisfactory.

(2) The profit has increased substantially increased. Increase in profit in 2015 is more as compared to 2019.

FINDINGS

- In the year 2015-2016 it has been found that the shareholders fund has been increased to (83.98%) due to issue of bonus shares. Current liabilities have been decreased to (15.94%) due to decrease in short term provisions. Non-current liabilities have been increased to (0.09%) due to increase in other long-term liabilities. Non-current assets have been increased to (36.62%) due to increase in capital work in progress, non-current investment and other non-current assets. Current assets have been decreased to (63.37%) because of decrease in trade receivables, cash and cash equivalents and short-term loans and advances.

- In the year 2016-2017 there will be increase in shareholders fund by (85.15%) due to increase in issuing of bonus shares. Non-current liabilities have been increased to (0.10%) due to increase in other long-term liabilities. Current liabilities have been decreased to (14.76%) due to decrease in trade payables, short term provisions and other current liabilities. Non-current assets have been increased to (40.31%) due to increase in capital work in progress, non-current investment, and other non-current asset. Current assets have been decreased to (59.69%) due to decreasing in cash and cash equivalents and short-term loans and advances

- In the year 2017-2018 it has been found that the shareholders fund has been decreased to (83.69%) due to reduction of treasury shares. Non-current liabilities have been increased to (0.94%) due to increase in deferred tax liabilities and other long-term liabilities. Current liabilities have been increased to (15.36%) due to decrease in other current liabilities. Non-current asset has been increased to (41.91%) due to increase in tangible asset, intangible asset, capital work in progress, deferred tax assets, long term loans and advances and other non-current assets. Current asset has been decreased to (58.1%) due to decrease in current investment and cash and cash equivalent.

- The average sales of the company is 125.00 % and the average profit of the company is 114.32 % from 2015 to 2019.

- As per trend analysis, the values were decreased in 2019 and made an increase in 2018

- The 5 years trend value depicts the company's development and the financial changes of the firm.

- Pattern of the firm remains almost same but there were technological changes every year.

- In spite of using loans and advances, they manage to keep their asset level utmost the same.

- Market value of the firm were higher to cover the debts of firm.

- As per Comparative Balance sheet. The firm made more contribution (capital) in 2019 when compared to the previous years.

CONCLUSION

The study entitled **"An Analysis of Financial Performance of INFOSYS Limited"** highlighted that the financial position of the INFOSYS Limited is good. During the period 2013-2018 by using trend analysis sales and profit of the INFOSYS Limited has been increased gradually. This indicates the performance of the INFOSYS Limited is good.

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