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Annual Audit of Infosys

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ABSTRACT: one of India's top providers of IT services, Infosys, will have its financial and ratio success analyzed. The study examines the financial statement for the company's fiscal year 2020 in order to assess its overall financial performance and position. The DuPont model is used in this research to examine the various aspects of Infosys' return on equity. (ROE). According to the study, Infosys' recent financial year saw a significant increase in its revenue, profit, and assets. The company's financial ratios also yield favorable results, pointing to a sound financial situation. When compared to industry averages, profitability metrics like net profit margin, return on assets, and return on equity, as well as liquidity and solvency ratios like debt to asset ratio, current ratio, and quick ratio, are all rising. The study's conclusions point to the company's sound financial position, which may make Infosys a worthwhile venture for prospective stakeholders. This research also raises some issues that need to be addressed by the company in order to maintain long-term financial sustainability, including the company's dependence on the US region for revenue, slower growth in profits and revenue in prior years, and higher employee costs.

KEYWORDS: Ratio analysis, profitability ratio, liquidity ratio, and financial performance

I. INTRODUCTION

In 1981, seven engineers in Pune, Maharashtra, India, created Infosys with \$250. On July 2, 1981, Unquestionably, Infosys Consultants Private Limited was the name on the registration. The name of the business was changed from Infosys Technologies Private Limited to Infosys Technologies Limited in June 1992 when it turned into a public limited company. The name was changed to Infosys Ltd. in June 2011. Infosys provides a range of services to companies in the manufacturing, financial, insurance, and other sectors, including independent validation and software development maintenance. The Financial universal banking system, which includes a number of modules for both retail and commercial banking, is one of its well-known products.

STATEMENT OF THE PROBLEM

When evaluating an organization's financial performance, choices must be made using a ratio analysis tool to identify profitability and liquidity situations and assess if the organization is in a position to correctly and on time fulfill its commitments. Researching Infosys Ltd's financial performance is the current task.

OBJECTIVES OF THE STUDY

- To research Infosys Ltd.'s Financial and Ratio Analysis.
- To use profitability ratios to assess Infosys Ltd's general effectiveness.

THE METHODOLOGY OF RESEARCH

Because it measures financial performance, the study relies on secondary data. The data was obtained from the company's annual reports. The study will last 10 years, beginning in 2012 and finishing in 2022. The study used an analytic research design.

Techniques and Tools

This study uses a ratio analysis approach to examine Infosys Ltd.'s financial statements.

RESTRICTIONS OF THE STUDY

The balance sheet and profit and loss statements from the company's annual reports are used to construct the study. • The data are historical in nature and do not reflect the company's current condition.



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II. REVIEW OF LITERATURE

- Dr. P.R Brinda Kalyani (2022), From 2016 to 2020, "A research on the financial performance of Infosys Ltd" was conducted. It was discovered that the firm's market worth was larger than its loans. The business's structure is mostly the same, although technology is constantly evolving. The company's growth and financial changes are shown by the 5-year trend value.
- The doctors J. Nandhini, P. V. Nivashini, G. Pavithra, and Mrs. Vijayalakshmi (2019), This study's main objective is to assess Ashok Leyland Limited's financial performance from 2014 to 2018. Extrapolated from the company's annual report, it is based on data related to secondary education. The researchers come to the conclusion that Ashok Leyland performed quite well during the research period.
- Anil Kumar Goyal (2020), A study on India's Bharat Petroleum Corporation's financial performance analysis. The profitability, liquidity, and solvency ratios are used by the author to analyze the company's financial performance. The research spans the study years of 2004–2005 through 2011–2012. Conclusion: Throughout the research period, the firm was unable to even approach the desired fast ratio, which may cause issues with short-term liquidity.

III. ANALYSIS AND INTERPRETATION

- LIQUIDITY RATIO: A company's ability to meet its immediate obligations is assessed using liquidity ratios. It establishes how quickly a business can turn assets into cash and use that cash to pay down its debts.
- Current ratio
- Liquid ratio

PRESENT RATIO

The current ratio shows the relationship between current assets and short-term liabilities. The primary goal of this ratio is to determine if a company has sufficient liquid assets to satisfy its current liabilities. The standard presentation is 2:1. Present ratio = Present Asset/Present Liabilities

QUICK RATIO

A company's capacity to meet its short-term financial obligations is gauged by its liquidity ratio. This is accomplished by contrasting the liquid assets and current liabilities of a business. The fast ratio evaluates an organization's ability to quickly pay off the short-term debt by liquidating its most valuable assets. The liquid-to-solid ratio is 1:1. Liquid ratio = Liquid asset/Current Liabilities.

IV. RATIO OF PROFITABILITY

A set of metrics called profitability ratios is used to evaluate a company's ability to make money in relation to sales, operational expenses, assets on the balance sheet, and shareholders' equity. The effectiveness with which a business utilizes its current assets to produce profit and value for its owners can be shown by profitability ratios.

2. RATIO OF NET PROFIT
3. RETURN ON OPERATING CAPITAL.
4. OUTLAY RATIO
5. THE RATIO OF RETURN ON TOTAL ASSETS

RATIO OF NET PROFIT

The relationship between net profit made and net revenue generated by activities is established by the net profit ratio, commonly referred to as the net profit margin ratio. (net sales). The net profit ratio is multiplied by 100 because it is a profitability ratio that is expressed as a percentage.

The net profit ratio is defined as net profit to sales multiplied by 100.

RATE OF OPERATING PROFIT

The relationship between realized operating profit and net sales from operations is established by the operating profit margin. (Sales). A particular class of profitability indicator that is expressed as a percentage is the operating profit margin. Operating income to sales ratio: 100 divided by operating income



EXPENSE RATIO

The cost-of-sales ratio, also known as the expense ratio, is calculated to demonstrate the connection between a single expense or collection of expenses and sales. By dividing a particular cost or set of costs by net sales, it is calculated. A percentage is used to represent the expense ratio. The cost Ratio is calculated as Special Expense / Net Sales.

RETURN ON TOTAL ASSETS AT AVERAGE RATES

Return on assets, a financial statistic, reveals how lucrative a company is in relation to its total resources. Net income expressed as a proportion of total assets is one typical definition. Net Profit divided by Total Assets is known as Return on Assets.

FINDINGS

- In 2011–2012, the current ratio was favorable.
- The quick ratio reached its peak point in 2012 and its lowest point in 2021.
- The absolute liquid ratio gradually declines between 2016 and 2021.
- That shows a negligible improvement in the company's circumstances.
- The ratio of profit to sales after taxes is known as the net profit margin.
- Its peak occurs in the year 2012, while its trough occurs in the year 2020.
- The operational profit ratio is calculated by multiplying net sales by 100 and the operating profit before interest and taxes.
- Peaked in 2012 and bottomed out in 2020. The expense ratio measures the percentage of a particular cost in net income height at this point.

SUGGESTIONS

The firm can maintain its profitability position by employing its resources effectively. The liquidity position might be reinforced by lowering current obligations. In order to sustain their absolute liquid ratio and, consequently, their liquidity position over time, management may make the appropriate actions.

V. CONCLUSION

The financial performance of INFOSYS LTD during a ten-year period from 2012 to 2021 was examined using ratio analysis, and the results show that the financial performance is generally good. Finding the company's financial strength depends on its financial performance. The success of the corporation has been analyzed by researchers using a variety of ratios, including the liquidity ratio and the profitability ratio. One may get the conclusion that the business has been doing well.

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