



A study on financial statement analysis with special reference to infosys limited

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Abstract

Infosys is an Indian Business Legend. It is a leading provider of technology, next generation digital services, consulting, outsourcing, and enabling clients in around 46 countries to create and execute strategies for their digital transformation. It is one of India's most pre-eminent providers of IT Services. The main objective of this article is to compare the financial statements of the company and analyze the financial position of the company in the market, their profits etc. The method used for this process of analysis is Comparative Income Statement. To conduct this analysis the annual reports of the company for five consecutive years are taken into consideration i.e., the years 2016, 2017, 2018, 2019 and 2020. For all these years Comparative Income Statement method is conducted and the company's profits are found out and are plotted for easy understanding. Through the Interpretations of individual analysis and findings of the entire analysis we can clearly understand how the company is balancing all its assets-liabilities, payables-receivables, and how the company is strategically growing in the market even though facing many problems in this pandemic situation. It is still holding very big dominating projects in its hands, and standing top with a great brand name competing with its competitors and increasing performance.

Keywords: gross profit, operating profit and net profit

Introduction

Infosys is a global technology services company. Its headquarters in Bangalore, Karnataka, India. The name Infosys is derived from Information System. It was established in the year 1981. Infosys is a global leader in next generation digital services and consulting. It was started with a capital of US \$250 and has grown to become a US \$79.7 billion company in today's market. Infosys ltd. has already started to increase the share of revenue in digital business. The main strategies the company has decided to look forward to in FISCAL 2021 are, Digitalization of processes. Migration to cloud- based Technology. Company objectives are measurable and effectively describe the sections required to accomplish a task. Objectives define the techniques your organization will use to achieve sales success, Customer service standard and branding opportunities as well as any other measurable aspirations.

Objectives of the study

- To study competitive analysis and to prepare a comparative income statement for the company.
- The analysis of Infosys company financial performance in terms of gross profit, operating profit, and net profit.

Methodology

The data is entirely depends on that secondary data base. The data is taken from company annual reports. The method used here for the analysis is comparative income statement.

1. Comparative Income statement: A comparative statements is a document used to compare a particular financial statement with prior period statements. Previous financial are presented a long side the latest figures in side by side columns enabling investors to identify trends, track a company's progress and

compare it with industry rivals.

Types of comparative statements: Here two types of statements are there.

- Comparative income statement
- Comparative balance sheet.

Comparative Income Statement: It is the income statement in which multiple periods of the income statement are dealt multiple periods of the income statement are dealt and compared side by side so as to allow the reader to compare the incomes from previous year and take investment decisions on whether or not to invest in the company.

2. Period of the Study: The period taken for the study is 2016-17 to 2019-20

Review of Literature

- Petrit Hasanj & Beke Kuqi (2019) ^[1] "Analysis of financial Statements: The Importance of Financial Indicators in Enterprise" In this article mainly focused that the financial statements applies different tools and techniques and how the managers has to take the wise decision comparing to the company information like liquidity, profitability, asset turnover ratio and long term insolvency ratios given a details information in this article. Here focused main information like internal as well as external also.
- J. Pavithra, Dilip Gurukrishnan, (2018) "A Study on Financial; Analysis of BSNL"- In this article they said that telecom sector has fastest growing of economy. The income is continuously decreasing but there is no impact shown on expenditure, because the main observing pint is that declining in profits.

- Dr. S. Poongavanam (2017) ^[2] “A Study on Comparative Financial Statement Analysis with Reference to Das Limited” Mainly focused those financial statements of a Das company. Especially they are focused on the company position is changed current assets are changed than how it will be changed current liabilities.

As well as they are given explanation regarding how the company liquidity position is changed day to day.

- Dr. Ayad Shaker Sultan (2014) ^[4], “Financial

Statement Analysis – Measurement of Performance and Profitability: Applied Study of Baghdad Soft-Drink Industry, In this article they focused that soft drink company performance analysis of in terms of stability, viability and profitability how they are getting, The company managing the all the company inputs comparing in the more using financial statement analysis.

Data Analysis and Interpretation

Table 1: Comparative income statement as on 31.03.2020 and 31.3.2019

Particulars	2019	2020	Increase or Decrease (Amount)	Increase or Decrease (%)
Revenue	82,675	90,791	8,116	9.82
Cost of sales	53,867	60,732	6,865	12.74
Gross Profit	28,808	30,059	1,251	4.34
<i>Operating Expenses</i>				
Selling Expenses	4,473	4,711	238	5.32
Administrative expenses	5,455	5,974	519	9.51
Total Operating Expenses	9,928	10,685	757	7.62
Operating Profit	18,880	19,374		2.62
Reduction in fair value of assets held for sale	(270)	-	270	100
Adjustment in held for sale	(451)	-	451	100
Finance cost	-	170	170	-
Other income, net	2,882	2,803	(79)	(2.74)
Profit before tax	21,041	22,007	966	4.59
Tax Expenses	5,631	5,368	(263)	(4.67)
Profit after tax	15,410	16,639	1,229	8.00

Source: Annual Reports

Calculations

Percentage of Increase /Decrease =Difference amount/
Previous year total * 100

Gross Profit =Revenue-Cost of sales

Operating Profit=Gross Profit –Total operating Expenses

Interpretations

By comparing the years of 2019 and 2020,we can

understand that the revenue has increases by 9.82%.The cost of sales has increased from 2019 to 2020 by 12.74%.The gross profit has increased from 2019 to 2020 by 4.34 %The operating expenses and operating profit has increased by 7.62% and 2.62% respectively.

The other income has reduced from 2019 to 2020 by 2.74%. The profit after tax has increased by 8% (Net profit).

Table 2: Comparative Income statements as on 31.03.2019 and 31.03.2018

Particulars	2018	2019	Increase (or) Decrease (Amount)	Increase (Or) Decrease (%)
Revenue	70,522	82,675	12,153	17.23
Cost of sales	45,130	53,867	8,737	19.36
Gross Profit	25,392	28,808	3,416	13.50
<i>Operating Expenses</i>				
Selling Expenses	3,560	4,473	913	25.65
Administrative expenses	4,684	5,455	771	16.46
Total Operating Expenses	8,244	9,928	1,684	20.43
Operating Profit	17,148	18,880	1,732	10.10
Reduction in fair value of assets held for sale	(118)	(270)	(152)	128.81
Adjustment in held for sale	-	(451)	(451)	-
Finance cost	-	-	-	-
Other income, net	3,311	2,882	(429)	(12.96)
Profit before Interest	20,341	21,041	700	3.44
Interest	(71)	-	71	(100)
Profit before tax	20,270	21,041	771	3.80
Tax Expenses	4,241	5,631	1,390	32.77
Profit after tax	16,029	15,410	(619)	(3.86)

Source: Annual Reports

Interpretations

By comparing the years of 2018 and 2019, we can understand that the revenue has increased by 17.23%. The cost of sales has increased by 19.36%. The total operating expenses and operating profit has increased by 20.43% and

10.1% respectively. The other income has decreased from 2018 to 2019 by 12.96%. The profit after tax decreased from 2018 to 2019 by 12.96%. The profit after tax has decreased from 2018 to 2019 by 3.86% (net profits).

Table 3: Comparative Income Statements as on 31.03.2018 and 31.03.2017

Particulars	2017	2018	Increase (Or) Decrease (Amount)	Increase (or) Decrease (%)
Revenue	68,484	70,522	2,038	2.98
Cost of sales	43,253	45,130	1,877	4.34
Gross Profit	25,231	25,392	161	0.64
<i>Operating Expenses</i>				
Selling Expenses	3,591	3,560	(31)	(0.86)
Administrative expenses	4,739	4,684	(55)	(1.16)
Total Operating Expenses	8,330	8,244	(86)	(1.03)
Operating Profit	16,901	17,148	247	1.46
Loss value of assets held for sale	-	-	-	-
Other income, net	3,080	3,193	113	3.67
Profit before Interest	19,981	20,341	360	1.80
Interest	(30)	(71)	(41)	(136.67)
Profit before tax	19,951	20,270	319	1.60
Tax Expenses	5,598	4,241	(1,357)	24.24
Profit after tax	14,353	16,029	1,676	11.67

Source: Annual Reports

Interpretation

By comparing the years of 2018 and 2017 we can understand that the revenue has increased by 2.98%. The cost of sales has increased by 4.34%. The gross profit has increased from 2017 to 2018 by 0.64%. The total operating expenses and operating profit decreases and has increased by 1.03% and 1.46% respectively. The other net income has increased by 3.67%. The profit after tax has increased from 2017 to 2018 by 11.67% which the net profit is gained.

Table 4: Comparative Income Statements as on 31.03.2017 and 31.03.2016

Particulars	2016	2017	Increase (or) Decrease (Amount)	Increase (or) Decrease (%)
Revenue	62,441	68,484	6,043	9.68
Cost of sales	39,098	43,253	4,155	10.63
Gross Profit	23,343	25,231	1,888	8.09
<i>Operating Expenses</i>				
Selling Expenses	3,431	3,591	160	4.66
Administrative expenses	4,292	4,739	447	10.41
Total Operating Expenses	7,723	8,330	607	7.86
Operating Profit	15,620	16,901	1,281	8.20
Other income, net	3,123	3,080	(43)	(1.38)
Profit before Interest	18,743	19,981	1,238	6.60
Interest	(3)	(30)	(27)	900
Profit before tax	18,740	19,951	1,211	6.46
Tax Expenses	5,251	5,598	347	6.61
Profit after tax	13,489	14,353	864	6.41

Source: Annual Reports

Interpretation

By comparing the years of 2016 and 2017, we can understand that the revenue has increased by 9.68%. The cost of sales has increased by 10.63%. The gross profit has increased from 2016 to 2017 by 8.09%. The total operating expenses and operating profit has increased by 7.86% and 8.20% respectively. The other incomes (net) has decreased from 2016 to 2017 by 1.38%. The profit after tax has

increased from 2016 to 2017 by 6.41% which is the net profit gained.

Infosys Company 2016-2020 Graphical View Representation

Table 5 Showing Gross Profits of 2016-2020

Years	Gross Profit
2016-17	8.09
2017-18	0.64
2018-19	13.5
2019-20	4.34

Source: Above Analysis of tables

Chart Number: 1

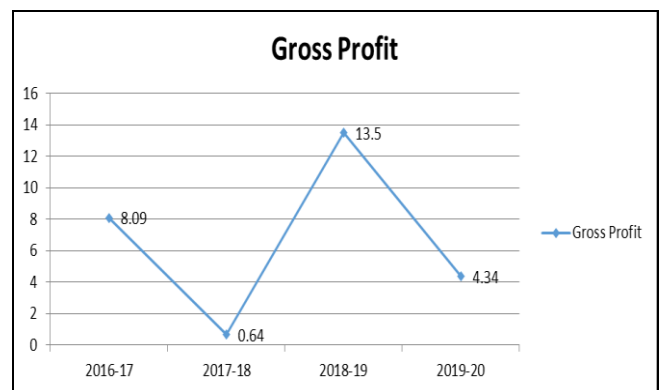


Fig 1

Table 6: Showing Operating Profits of 2016-2020

Years	Operating Profit
2016-17	8.2
2017-18	1.46
2018-19	10.1
2019-20	2.62

Chart Number: 2

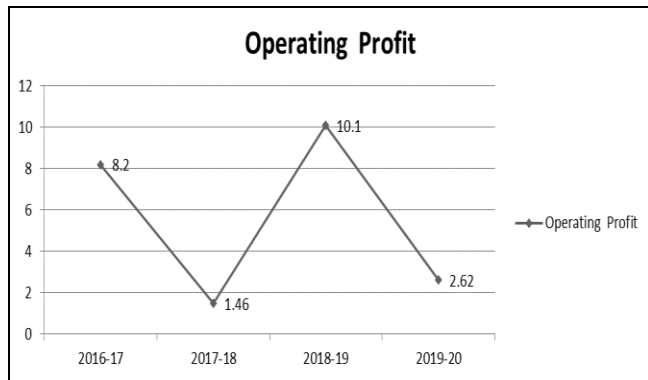


Fig 2

Table 7: Showing Net Profits of 2016-2020

Years	Net Profit
2016-17	6.41
2017-18	11.67
2018-19	-3.86
2019-20	8

Chart Number: 3

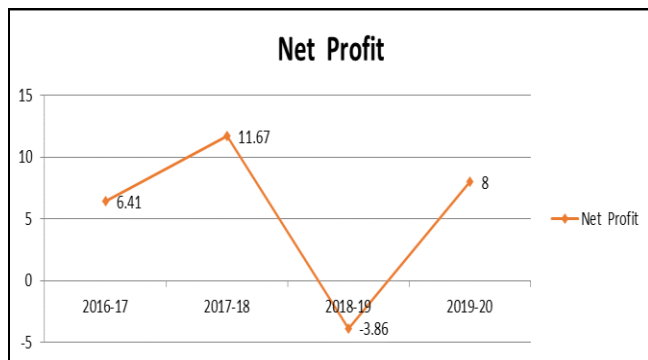


Fig 3

Findings

From the entire article we can observe and analyze the entire financial analysis of the Infosys Company from the year 2016 to 2020 as follows:

- To know the company revenue position compare to the all the years year by year increasing. 2016-2017: 9.68%, 2017-2018: 2.98%, 2018-2019: 17.23% and 2019-2020: 9.82% However from the percentage of increase in revenue is increasing and decreasing between the years. From the above figures we can understand that the revenue of the company is increasing gradually from the year 2016 to 2020.
- To know cost of goods sold increase the percentage the Cost of Goods Sold or Cost of Sales percentage has fallen down from 10.63% to 4.34% from 2016-2017 to 2017-2018. But the company has increased its level of sales. We can understand that the Cost of sales has been drastically increased from 2016 to 2020 from around 39 to 60 cores respectively.
- The Gross Profit is also increasing but in little amounts. From the percentage increase, we can observe that it has been increasing and decreasing over the years. (8.09 %, 0.64%, 13.50% and 4.34%) But taking the figures into consideration the profit (Gross Profit)

values is an increasing one only.

- Operating Profit increasing in %:2016-2017: 8.20%, 2017-2018: 1.46%, 2018-2019: 10.10%, 2019-2020: 2.62% from the % increase in operating profit we can see that it has been increasing and decreasing over the years. But from the figures we can clearly understand that the Operating profit is increasing in small amounts from 2016 to 2020 from around 15 to 19 cores.
- Net Profit: Increase in %:2016-2017: 6.41%, 2017-2018: 11.67%, 2018-2019: (3.86) %, 2019-2020: 8.00% the % increase in Net profit has increased from 2016-2017 to 2017-2018. But it has decreased to negative values from 2018-2019. It is because of the decrease in other Income (Net) and increase in tax expenses in the year 2018-2019. Finally, it has been increased from 2019-2020. But, if we consider the amounts the Net Profit has increased from 2016-2017 and decreased from 2017-2018. But it has increasing in later all the years from 2018-2019 to 2020 respectively.
- From the above findings we can analyze that even though the company has faced many ups and downs it had strategically maintaining its profits and sales and it has been the top company with efficient profits and excellent performance.

Suggestions and Conclusion: Being a well-known and well developed company, Infosys has maintained its sales and profits (Gross profit, Operating Profit and Net profit) in an excellent and efficient way. Though ups and downs in their financial terms it has been the top most company well almost always increasing performance.

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