



A STUDY ON FINANCIAL PERFORMANCE ANALYSIS OF SELECTED IT COMPANIES (PARTICULARLY INFOSYS LTD, TECH MAHINDRA LTD, LARSEN & TOUBRO INFOTECH LTD, 3I INFOTECH LTD)

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Abstract:

In the financial management process, the initial stage of the process is a financial analysis or review of the firm financial analysis is essentially the first step towards gaining a sound understanding of a business regarding once own or competitors financial strengthens and weakness., its financial opportunities and risk etc. The purpose of financial analysis is to diagnose the information contained in the financial statements so as to judge the profitability and the financial soundness of the firm.

I.INTRODUCTION

Financial analysis is the evaluation of a firm's past, present and anticipated future financial performance and financial condition. Its objective is to identify the firm's financial strength and weakness and to provide the essential foundation for financial decision making and planning. The main aim of the study is to analyze the financial position of the company over a period of time in terms of solvency, liquidity and profitability and to analyze the overall financial performance of the company in respect of liquidity efficiency and effectiveness in financial management and to evaluate the strength and weakness of the company based on the analyzing effect

II. REVIEW OF LITERATURE

Dr. Ashvin R. Dave & Ms. Devanushi R. Shah⁰¹ (2018) conducted a study on financial performance analysis of Indian companies in Information Technology sector of selected five companies for the period of ten years by using significant information in both absolute and relative manner, the paper inferred that with increase in sales they have efficient working capital and are more equity driven.

Dr. Pramod Bhargava⁰²(2017) worked upon Financial analysis of Information Technology Industry of India (A Case Study of Wipro Ltd. and Infosys Ltd.) compared the performance of the said two companies in a broad aspect by taking information of five years and five ratios along with applying the principle of hypothesis testing, suggested that when compared to Wipro Ltd., Infosys was having better financial performance, though it was not an alarming situation for Wipro Ltd.

III. STATEMENT OF THE PROBLEM

Finance is the view as a backbone to accelerating economic development of any company. In our present day, economic finance is the provision of money at the time when it is required. Presently a firm communicated financial information to the users through financial statements and reports. A financial statement compares of two statements namely balance sheet and profit & loss a/c. Being this is the present's status, it quiet possible for the company to improve its profitability as well as liquidity position without employing, further resources and just to be stream lining the existing financial system and the financial information system.

The basic problem faced by the financial manager of an enterprise is to trade off between the conflicting but equally important goals of liquidity and profitability. Greater than liquid resources of the firm lesser will be its profitability and vice versa. He has to maintain to profitability position, and liquidity position at such level, which may ensure satisfactory earnings to the enterprise without regarding its liquidity position.

So, the main aim of the study is to analyze the financial position of the company over a period of time in terms of solvency, liquidity and profitability.

IV. OBJECTIVES OF THE STUDY

1. To evaluate the overall financial performance of selected IT companies.
2. To assess financial strength of IT companies with the help of comparison of company's ratios with industry average
3. To study the impact of profitability on liquidity and solvency of the companies.

V. METHODOLOGY OF THE STUDY

Analytical research design is chosen for the study. This research is conducted to find out facts about given topic from the answers obtained develop new and useful ways during things.

Tools

- a) Ratio Analysis
- b) Trend Analysis
- c) Working Capital Analysis
- d) Correlation

VI. ANALYSIS AND INTERPRETATION

TABLE
TABLE SHOWING CURRENT RATIO

Company year	Infosys	Tech Mahindra	3i info tech	L& T
2010-2011	4.59	1.34	1.03	1.36
2011-2012	4.38	1.34	1.16	1.39
2012-2013	4.36	1.14	0.65	1.40
2013-2014	3.58	2.31	0.43	1.25
2014-2015	3.05	2.15	0.34	1.22
2015-2016	3.91	2.66	1.05	2.04
2016-2017	3.83	2.55	1.48	2.68
2017-2018	3.55	2.29	1.49	3.05
2018-2019	2.84	2.09	1.60	3.14
2019-2020	2.62	2.12	1.68	2.27

INTERPRETATION

In the above table 4.1.1 the Current Ratio of the Infosys Company is above the standard norms(2:1). The Current Ratio was highest in the year 2010-2011 and lowest in the year 2019-2020.

In the above table 4.1.1 the Current Ratio of the Tech Mahindra Company is above the standard norms. The Current Ratio was highest in the year 2015-2016 and lowest in the year 2012-2013.

In the above table 4.1.1 the Current Ratio of the 3i InfoTech Company is below the standard norms. The Current Ratio was highest in the year 2019-2020 and lowest in the year 2014-2015.

In the above table 4.1.1 the Current Ratio of the L&T Company is above the standard norms. The Current Ratio was highest in the year 2018-2019 and lowest in the year 2014-2015.

CHART 4.1.1

CHART SHOWING CURRENT RATIO

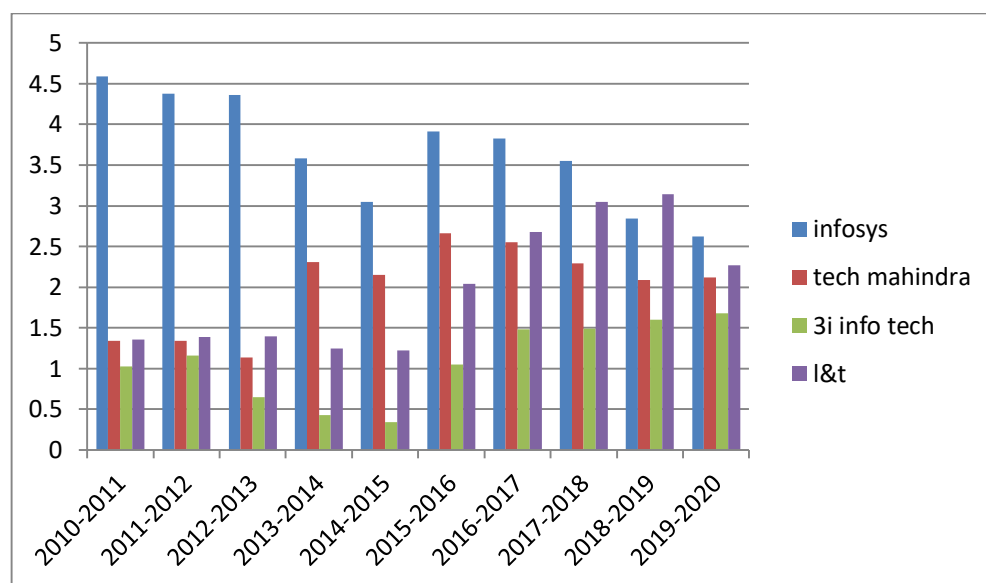


TABLE 4.1.2

TABLE SHOWING PROPRIETARY RATIO

company year	Infosys	Tech Mahindra	3i info tech	L& T
2010-2011	3.56	1.61	2.45	0.48
2011-2012	3.87	4.71	2.30	0.51
2012-2013	4.58	0.85	2.81	0.56
2013-2014	4.77	3.71	2.36	0.59
2014-2015	4.19	1.61	1.49	0.66
2015-2016	7.40	1.93	0.73	0.57
2016-2017	7.07	1.68	0.10	0.70
2017-2018	6.41	1.53	3.84	0.74
2018-2019	5.60	2.32	1.83	0.76
2019-2020	3.94	5.48	1.00	0.62

INTERPRETATION

In the above table 4.1.4 the proprietary ratio of the Infosys Company is above the standard norm (0.5:1). The proprietary ratio was highest in the year 2015-2016 and lowest in the year 2010-2011.

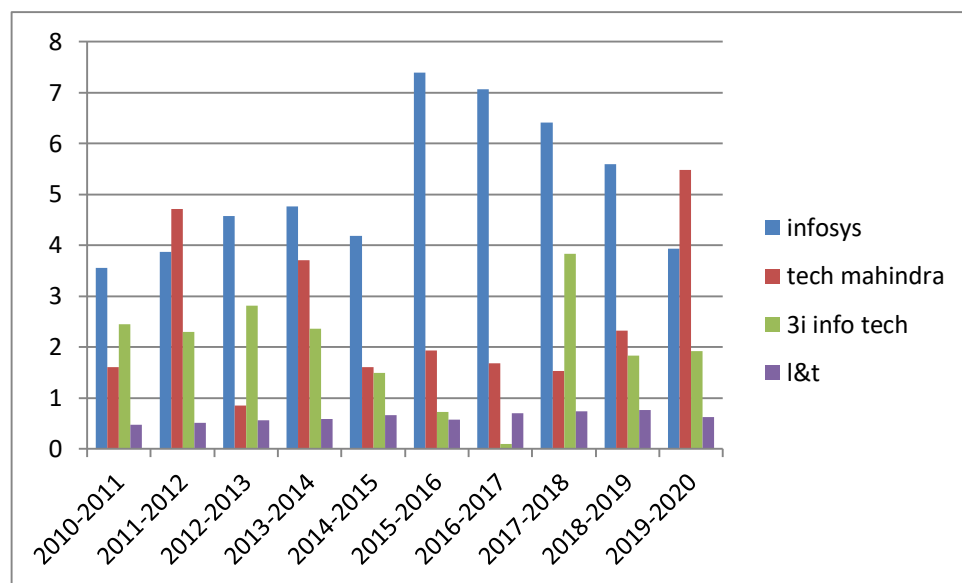
In the above table 4.1.4 the proprietary ratio of the Tech Mahindra Company is above the standard norm (0.5:1). The proprietary ratio was highest in the year 2019-2020 and lowest in the year 2012-2013.

In the above table 4.1.4 the proprietary ratio of the 3i InfoTech Company is above the standard norm (0.5:1). The proprietary ratio was highest in the year 2017-2018 and lowest in the year 2016-2017.

In the above table 4.1.4 the proprietary ratio of the L&T Company is above the standard norm (0.5:1). The proprietary ratio was highest in the year 2017-2018 and lowest in the year 2010-2011.

CHART 4.1.2

CHART SHOWING PROPRIETARY RATIO



4.2.1 Infosys

Table 4.2.1

Trend Analysis for Net Sales from 2011-2020

S.NO	YEAR	Net SALES	PERCENTAGE
1	2010-2011	2,75,01,000	100%
2	2011-2012	3,37,34,000	122.64%
3	2012-2013	4,03,52,000	146.73%
4	2013-2014	5,01,33,000	182.29%
5	2014-2015	5,33,19,000	193.88%
6	2015-2016	6,24,41,000	227.04%
7	2016-2017	6,84,84,000	249.02%
8	2017-2018	7,05,22,000	256.43%
9	2018-2019	8,26,75,000	300.62%
10	2019-2020	9,07,91,000	330.13%

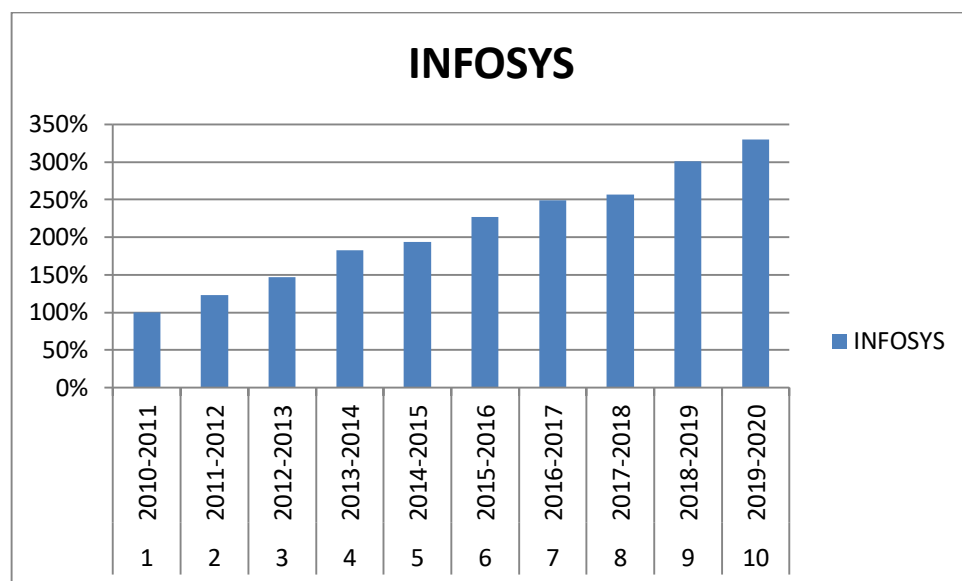
INTERPRETATION

It obviously shows the trend percentage of net sales for the Infosys Company from the year 2010-2011 to 2019-2020.

They were increasing during the year from 2019-2020 compared to 2010-2011.

CHART 4.2.1

Trend analysis for sales from 2010-2020



**4.2.2 L& T
Table 4.2.2**

Trend Analysis for Sales from 2011-2020

S.NO	YEAR	SALES	PERCENTAGE
1	2010-2011	25,92,210	100%
2	2011-2012	29,59,560	114.17%
3	2012-2013	36,13,420	139.40%
4	2013-2014	46,43,940	179.15%
5	2014-2015	49,87,400	192.05%
6	2015-2016	58,47,060	225.57%
7	2016-2017	65,00,000	250.76%
8	2017-2018	73,06,500	281.87%
9	2018-2019	94,45,800	364.40%
10	2019-2020	1,08,76,600	419.58%

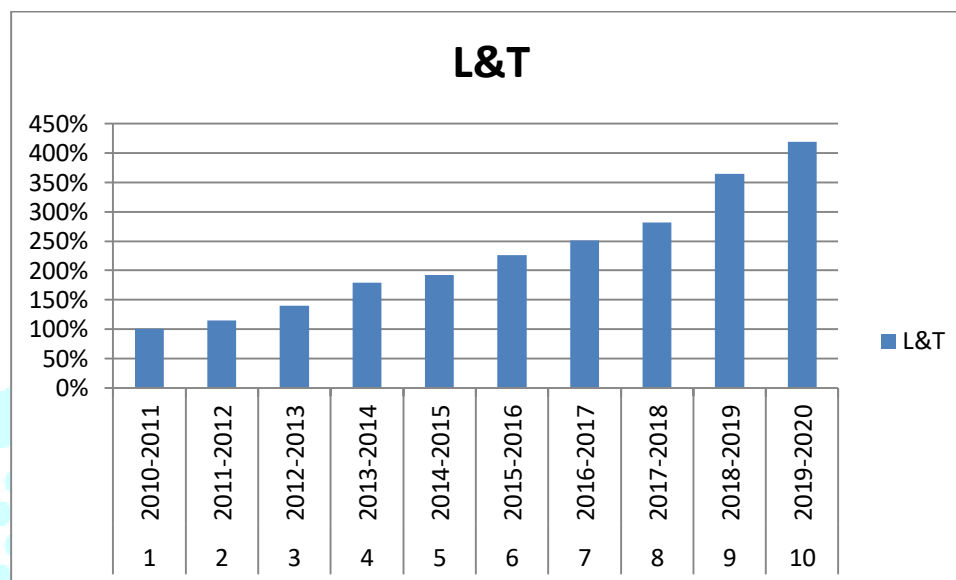
INTERPRETATION

It obviously shows the trend percentage of net sales for the L&T Company from the year 2010-2011 to 2019-2020.

They were increasing during the year from 2019-2020 compared to 2010-2011.

CHART 4.2.2

Trend analysis for sales from 2010-2020



4.2.3 Tech Mahindra

Table 4.2.3

Trend Analysis for Sales from 2011-2020

S.NO	YEAR	SALES	PERCENTAGE
1	2010-2011	51,40,230	100%
2	2011-2012	54,89,690	106.80%
3	2012-2013	6,873,080	133.71%
4	2013-2014	1,88,31,380	366.35%
5	2014-2015	2,26,21,270	440.08%
6	2015-2016	2,64,94,230	515.42%
7	2016-2017	2,91,40,840	566.91%
8	2017-2018	3,07,72,930	598.67%
9	2018-2019	3,47,42,100	675.89%
10	2019-2020	3,68,67,700	717.23%

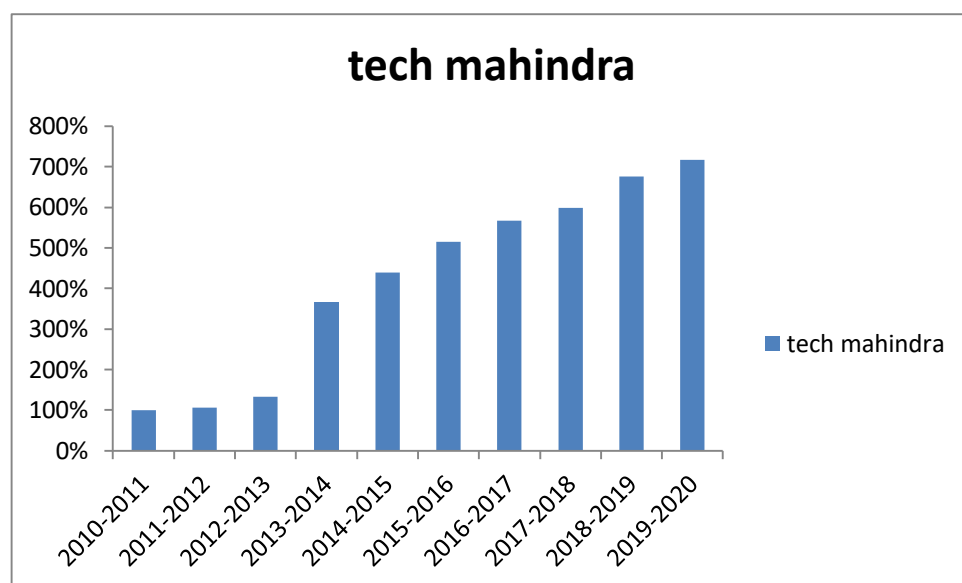
INTERPRETATION

It obviously shows the trend percentage of net sales for the Tech Mahindra Company from the year 2010-2011 to 2019-2020.

They were increasing during the year from 2019-2020 compared to 2010-2011.

CHART 4.4.3

Trend analysis for sales from 2010-2020



4.2.4 3i info tech

Table 4.2.4

Trend Analysis for Sales from 2011-2020

S.NO	YEAR	SALES	PERCENTAGE
1	2010-2011	25,69,750	100%
2	2011-2012	16,81,020	65.41%
3	2012-2013	13,11,360	51.03%
4	2013-2014	13,07,890	50.89%
5	2014-2015	13,44,000	52.30%
6	2015-2016	11,25,590	43.80%
7	2016-2017	10,03,790	39.06%
8	2017-2018	9,91,190	38.57%
9	2018-2019	11,21,750	43.65%
10	2019-2020	11,41,320	44.41%

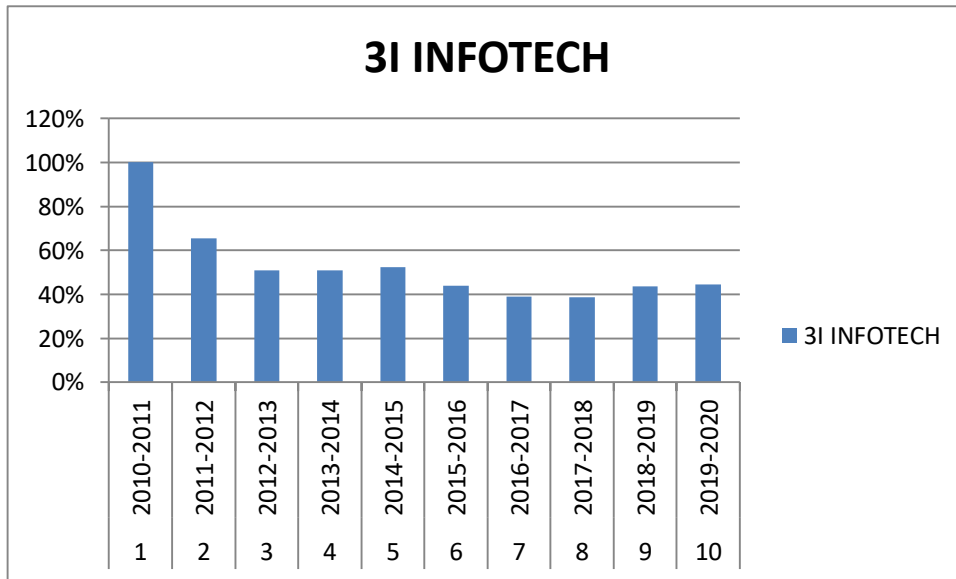
INTERPRETATION

It obviously shows the trend percentage of net sales for 3i InfoTech the Company from the year 2010-2011 to 2019-2020.

They were decreasing during the year 2011-2012 compared to 2010-2011 and gradually decrease.

CHART 4.4.4

Trend analysis for sales from 2010-2020



VII. FINDINGS

Current ratio shows above the standard Norms (2:1) [highest-Infosys 2010-2011, lowest 3i InfoTech 2014-2015]

Fixed assets ratio show below the standard Norms (0.67:1) [highest- 3i InfoTech 2015-2016, lowest-L&T 2019-2020]

Proprietary ratio shows above the standard Norms (0.51:1) [highest-Infosys 2015-2016, lowest-3i InfoTech 2015-2016]

VIII. SUGGESTIONS

The company should improve its liquidity position by raising the absolute liquid assets such as cash in hand, bank balance and marketable securities.

The company shall utilize its assets which will enhance the efficiency of the firm

The company can adopt new improved technologies , which in turn will help the company to achieve a satisfactory return on investment.

The company should keep an optimum amount of cash for meeting its day to day requirements. If the company does so, it can meet its cash requirement without relying on its future income and borrowings.

The company resource should be utilized to the maximum to improve the efficiency in operation of the business.

IX. CONCLUSION

Information technology is playing an important role in India today and has transformed India's image from a slow moving bureaucratic economy to a land of innovative entrepreneurs. Financial analysis is done to identify the financial strength and weakness of IT sector by properly establishing relationship between the items of balance sheet and profit and loss account,

It helps in better understanding of IT company's financial position and performance by analyzing the financial statement with various tools and evaluating the relationship between various elements of financial statement. On the basis of the analysis of the financial performance of selected IT companies reveals that the companies have shown a remarkable progress in its performance. The result shows that the Infosys and Tech Mahindra shows outstanding financial performance when compared to other two companies

REFERENCES

- 1) Dr. R. Ramachandran and Dr. R. Srivanasan, Management Accounting, Sriram Publishers Tiruchy, 12th edition.
- 2) M. C. Shukla and T. S. Grewel Advanced Accounts, S. Chand & company ltd., New Delhi.

