JETIR.ORG ISSN: 2349-5162 | ESTD Year : 2014 | Monthly Issue
JOURNAL OF EMERGING TECHNOLOGIES AND INNOVATIVE RESEARCH (JETIR)
An International Scholarly Open Access, Peer-reviewed, Refereed Journal

Financial Performance of Selected Indian IT Companies

Dr. Prabal Chakraborty, Associate Professor , Jagannath International Management School, New Delhi
Umesh Gupta, Assistant Professor , Jagannath International Management School, New Delhi.

ABSTRACT :
Financial analysis of Information Technology Companies states to the process of defining the financial strengths, weakness and financial characteristics of a firm. The analysis of four top most Information Technology companies of India are done for the period of ten years, ranging from financial year 2014-2015 to 2023- 2024. The main objective of this study is to determine the financial performance of top Information Technology Companies in India. Various financial ratio used for analysis such as profitability ratio, efficiency ratio , Solvency ratio and valuation ratio were used for the study, that can be helpful in finding the growth aspects of the upcoming IT companies in India . In order to measure business performance as a whole, ratio analysis is used together with statistical tools like oneway ANOVA and CAGR.

KEYWORDS: Financial performance of IT (Information Technology) companies in India , Ratio Analysis (Efficiency Ratio, Valuation Ratio , Profitability Ratio, Solvency Ratio)

INTRODUCTION:

Market size of the information technology has grown exponentially in current years. It is expected to grow from $8508.63 billion in 2023 to $9039 billion in 2024 at a compound annual growth rate (CAGR) of 6.2%. The main reason for growth was driven by developments in software, increased the mobile revolution, personal computing, and growing concerns about cyber security. India’s digital adoption is at rapid pace. Ministry of Electronics & Information Technology Government of India states that extended internet access to around 76 crore Indian citizens, the world looks at India as one of the largest Internet user bases with the lower most Internet tariff. India's IT industry is likely to hit the US$ 350 billion mark by 2026 and contribute 10% towards the country's gross domestic product (GDP). A report of India Brand Equity Foundation state that exports from the Indian IT industry stood at US$ 194 billion in FY23. The export of IT services was the major contributor, accounting for more than 51% of total IT exports (including hardware).

REVIEW OF LITERATURE :

In a study by Dr. A S Hema an appraisal of financial performance of Tata Consultancy Services Limited (TCS) it has been observes that both the short term and long term liquidity position of Tata Consultancy Services have been found to be good which is a positive note for the creditors and lenders that there is a security for their funds. The company has been found to have efficiently managed its net worth and total assets for maximizing the profits. The growth of the company in terms of working capital and total assets has been found to be satisfactory (Hema, 2014).

Surat Singh (2019) in a study of Financial Performance of Selected IT Companies in India; A Panel Data Approach it has been observed that in **Finding of a Pooled Regression Model:** The intercept value of TCS, Infosys and Wipro are the same Fixed Asset Turnover Ratio, Debt to Equity Ratio, and Current Ratio prove to be a key explanatory variable of Return on Capital employed at 1% and 5% level of significant. The Return on Capital employed increases with an increase of Fixed Asset Turnover Ratio and decrease of Debt to Equity Ratio and Current Ratio **Finding of lSDV Regression Model:** The intercept value of TCS, Infosys, and Wipro are different. These differences in intercepts may be due to the special features of each company, such as managerial style or managerial philosophy. Current Ratio, Debtor Collection Period, and Debt to Equity Ratio prove to be key explanatory variables of Return on Capital Employed at 1% and 5% level of significant. Return on Capital employed increases with a decrease in Current Ratio, Debtor Collection Period, and Debt to Equity Ratio (Singh & Kaur Sachdeva, 2020) .

Yuvan Shankar Raja K and Dr. S. Prasanna Kumar conducted a study on Financial Performance and Forecasted Analysis of Tata Consultancy Services (TCS) , and observed that even though the company have experienced a slight decline in its liquidity ratios and the forecasted values show that the company may or may not meet the ideal scenario. It is to be noted that the forecasted values using simple linear regression are predicted based on the performance trend and existing data of the company over the years, and these forecasted values are predicted as an indicator for upcoming years, which may also tend to change depending on the performance of the company, based on their past performance it is obvious that even though there is a slight decrease in the liquidity ratios they would manage to meet the ideal scenarios. But the profitability ratios have been excellent and they tend to gradually increase in the upcoming years, which is a good sign for the company as it attracts more investors and generates a good name for the company in the community. As the company started to focus on expansion and diversification process which may also be a reason for slight decline in liquidity ratio over the years but the returns, they make over the owner's capital and on assets are consistently high and it is forecasted to increase in upcoming years. Focusing on future growth and innovation makes the company an ideal venture for the investors to invest in and to enjoy a good profitable return and it also equally contributes towards the GDP of the company and creates more opportunity for the upcoming generations in this consistent IT sector(Kumar & Kumar, 2023).

Chauhan Mehulkumar Jayantibhai (2023) worked upon a study on financial performance analysis of TCS and observed that One of the world's healthiest industries is the information technology (IT) sector more than any other sector. Every business has a formidable task in order to survive in this atmosphere of competition. The size of a company's clientele base can be used to measure its growth. Yet, the monetary results of a corporation could be evaluated by looking at its profitability and liquidity with growth the capacity of the business to pay its obligation is known as liquidity. Making judgements on whether to provide money to the targeted company is made easier for creditors, banks, and other financial institutions. On the other side, profitability refers to a company's capacity for profit making and its effectiveness. To use the resources in a way that maximises earnings. The investigation comes to the conclusion that "TATA CONSULTANCY SERVICES" has a solid liquidity and solvency situation(A. GAYATHRIDEVI, 2007).

Dr. A. Madhavi Latha according to the study on study on financial performance of select it companies in India, it is observed that the performance of Infosys was satisfactory among the selected companies for the time period of 2019 to 2023 and INFOSYS is the best perfuming company with respect to gross, net profit, current assets and asset turnover ratio whereas, INFOSYS was as top rank in case of ROE (Latha, 2023).

STATEMENT OF PROBLEM

TCS, INFOSYS, WIPRO and Tech Mahindra are the topmost I T Companies in India and are the backbone of the country. It had its network operation worldwide by providing best Information Services and Solutions. However, above mentioned companies faced many difficulties in the recent past times viz. downsizing the employees, minimizing the operations to cut the costs. Even through the IT companies charge their internal strategies a enormous amount for development of software, the salary structure, hierarchy level as well as quality of work life. Hence, this study made an attempt to analyse the financial performance of selected IT companies. Hence the study is focused on the analysis of market size and segments of the sector to evaluate the financial performance of IT Sector of India

OBJECTIVE OF THE STUDY

1. To study the financial performance of top IT Companies in India.
2. To scrutinize efficiency, liquidity, profitability and solvency status of chosen companies.
3. To illustrate upward and downward shift in financial analysis over ten years using CAGR

RESEARCH METHODOLOGY RESEARCH DESIGN:

The current study is both qualitative and quantitative in nature. An attempt is made using financial ratios to analyse the financial performance of the top four I.T. sector players having high-market capitalization over the years 2014-15 to 2023-24 which are TCS, Infosys, Tech Mahindra and Wipro.

RESEARCH GAP:

Only a short-term examination of the financial results of the top four IT companies from 2014–15 to 2023–24 is included.

DATA COLLECTION: For this study, secondary sources such as annual reports of Companies from the moneycontro.com website, earlier research papers, Annual Reports, and journals were used to gather the data.

TOOLS AND TECHNIQUES: The selected IT companies Efficiency, profitability, liquidity, and solvency position are determined using ratio analysis. CAGR was employed to critically evaluate rising and falling trend past ten years. One-way ANOVA demonstrate the variation in the operations of I.T. Companies. Graphical representation was also used for better understanding.

DATA ANALYSIS:

A. Profitability Ratios: This shows the extent to which the business can turn a profit from its operating revenues. Moreover, how effectively the business reduces production costs in order to outperform rivals in terms of profit. How much profit the stockholders receive is another consideration. This is found with the help of (i)Operating Ratio (ii)Net profit ratio (iii)Return on Capital Employed (iv)Earnings per Share (v)Payout Ratio (Reddy, 2023).

B. Liquidity ratios: This shows how well the company converts its assets to meet its immediate or ongoing obligations or liabilities. This data is used by creditors to determine whether or not to offer short-term loans. We use (i) Current ratio (ii) Quick ratio in order to find the liquidity or short-term solvency of the companies (Reddy, 2023).

C. Solvency ratios: Here, we determine if the corporation has the funds to pay off its long-term debts when they become due. We find this with the help of (i) Debt-equity ratio (ii) Proprietary ratio (Reddy, 2023).

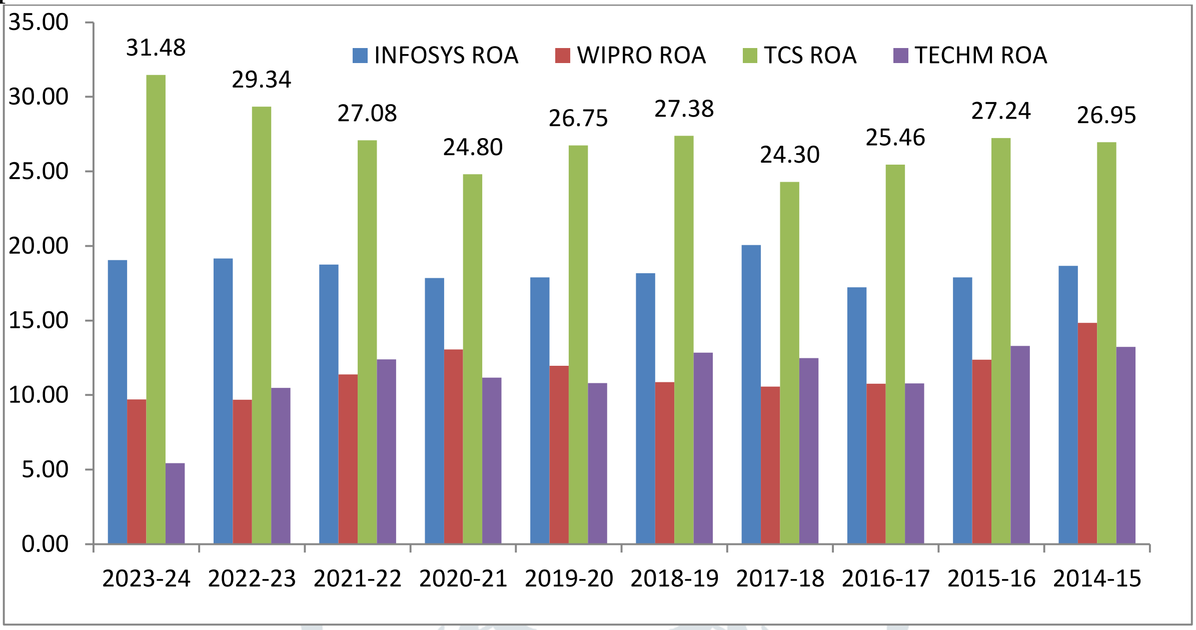
LIMITATIONS OF THE STUDY:

1. This analysis is based on the years 2014–15 till 2023–24, any conclusions drawn from the performance over the previous ten years will not be definitive.
2. As the study relies on secondary data such as annual reports, magazines, journals, etc., the significance of the same depends on the validity of the data collected.
3. The study considers only the top four top most IT companies of India based on their market share. This study is based on financial ratios, one-way ANOVA, CAGR, and representations of graph for comparison.

Profitability Ratio :

Return on Assets (ROA)

H_0 = Designated Indian IT Companies' Return on Asset Ratios (ROA) do not differ substantially from one another. ROA = (Net Profit / Average Asset)*100 .It shows that how efficiently a company uses its assets to generate profit.



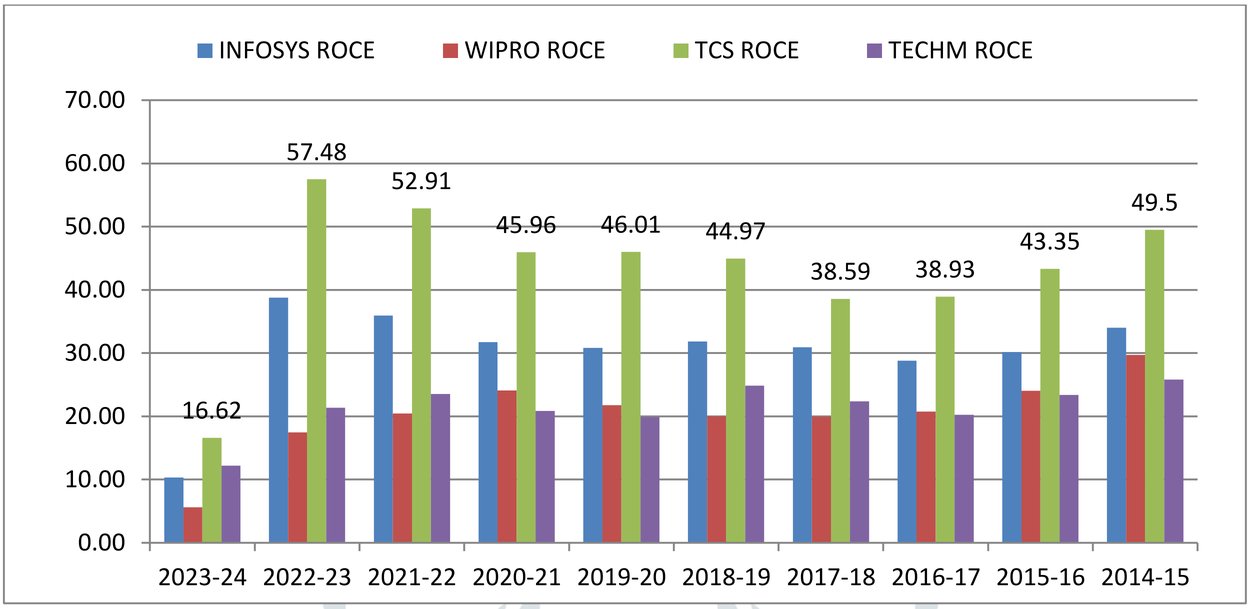
ANOVA / ROA						
	Sum of Squares	df	Mean Square	F	Sig.	F Limit at 5%
Between Groups	1663.568	3	554.523	169.616	.000	
Within Groups	117.694	36	3.269			2.866
Total	1781.262	39				

Discussion : The estimated F value of 169.616, which is greater than the table value or crucial value of 2.866 at 5% level of significance with degrees of freedom (df_1=3 and df_2=36), is mentioned in the table. As a result, the null hypothesis stands rejected and so it can be said that there is difference in Return on Assets Ratio ratios of selected IT companies.

The above table reveals that CAGR for Return on Assets of TCS is 1.74%. Infosys is 0.23%, Tech Mahindra is -9.43%, Wipro is -4.61%, and it reveals that TCS, Infosys a consistent growth rate is showing positive trend for the time period 2014 to 2024 whereas Wipro & Tech Mahindra CAGR is negative. It concludes that the position of is TCS stronger as compare to other selected IT Companies as per Return on Assets.

ROCE (Return on Capital Employed)

H_0 = Designated Indian IT Companies Return on Capital Employed (ROCE) do not differ substantially from one another. ROCE = (Earnings before interest & Taxes / Total Asset-Current Liabilities)*100 .It shows that how efficiently a company is employing its capital to generate profit.



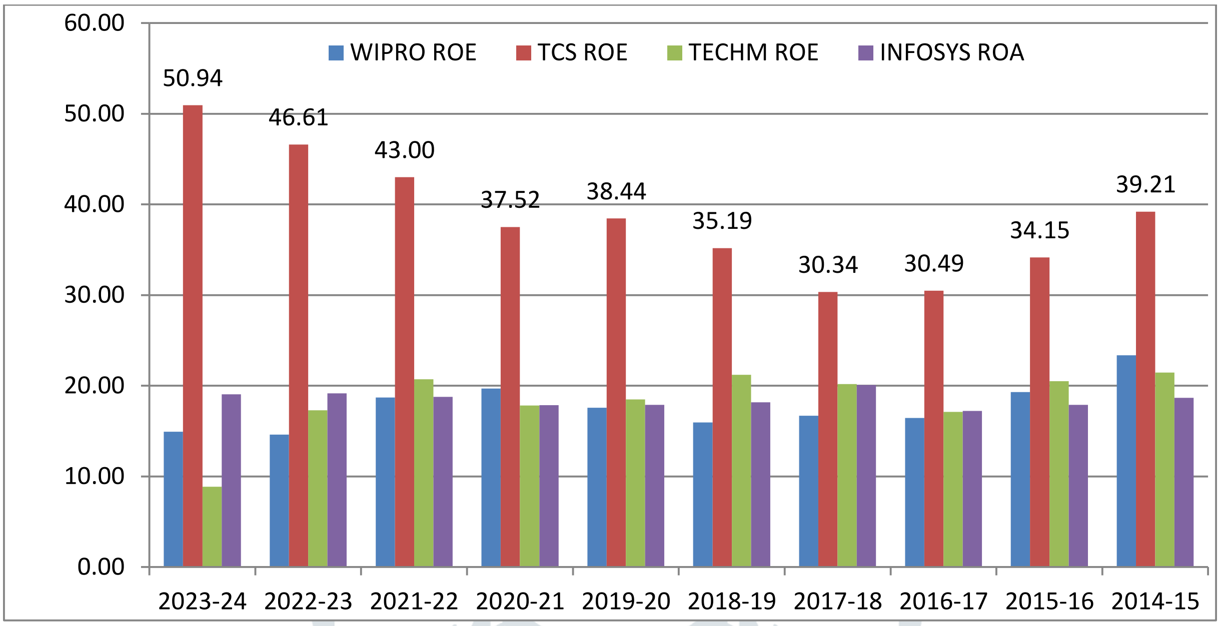
ANOVA / ROCE						
	Sum of Squares	df	Mean Square	F	Sig.	F Limit at 5%
Between Groups	3414.748	3	1138.249	19.515	.000	
Within Groups	2099.781	36	58.327			2.866
Total	5514.529	39				

Discussion : The estimated F value of 19.515, which is greater than the table value or crucial value of 2.866 at 5% level of significance with degrees of freedom (df_1=3 and df_2=36), is mentioned in the table. As a result, the null hypothesis stands rejected and so it can be said that there is difference in Return on Capital Employed ratios of selected IT companies.

In an IT industry rule of thumb states that higher Return on Capital Employed (ROCE) is extra favorable. ROCE with more that15% is considered good and the company's debt capital are considered a plus point. It has been observed that ROCE of TCS past ten years more than 15% as compare other company viz Infosys , Wipro and Tech Mahindra not consistent . It has also been observe that in TCS, ROCE higher than the company's debt capital is considered a plus point.

ROE : Return on Equity

H_0 = Designated Indian IT Companies' Return on Equity (ROE) do not differ substantially from one another. ROE = (Net Income / Shareholder's Equity)*100 .It measures a company's aptitude to generate profits using its shareholder's fund.



ANOVA						
ROE						
	Sum of Squares	df	Mean Square	F	Sig.	F Limit at 5%
Between Groups	2822.012	3	940.671	48.091	.000	
Within Groups	704.165	36	19.560			2.866
Total	3526.177	39				

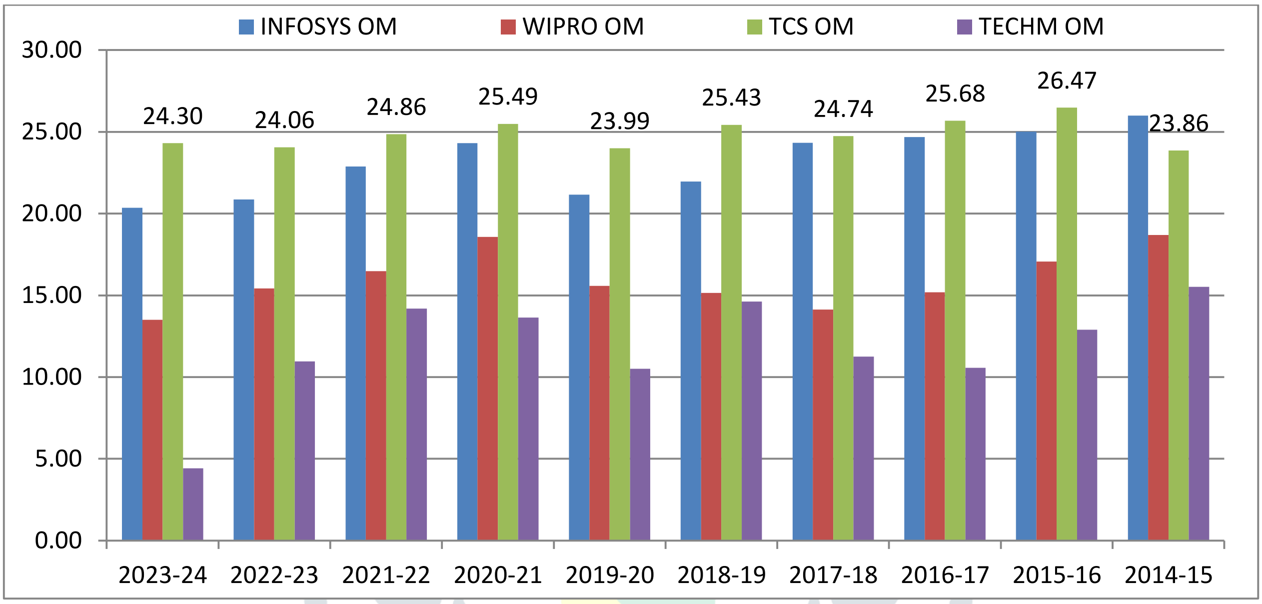
Discussion : The estimated F value of 48.091, which is greater than the table value or crucial value of 2.866 at 5% level of significance with degrees of freedom (df_1=3 and df_2=36), is mentioned in the table. As a result, the null hypothesis stands rejected and so it can be said that there is difference in Return on Equity ratios of selected IT companies.

ROE Ratio of TCS. with value of 50.94 means its generates profits efficiently by using its Shareholders Fund as compared to other IT companies viz. Infosys Wipro and Tech Mahindra. CAGR of TCS & Infosys are 2.95% & 2,25% respectively whereas WIPRO and Tech Mahindra are -4,84% & -9.38% respectively

Operating Margin(OM) :

H_0 = Designated Indian IT Companies' Operating Margin (OM) do not differ substantially from one another. Operating Margin = (Operating Earning / Total Revenue)*100 . It is also popularly known as Return on Sales.

ANOVA/Operating Margin						
	Sum of Squares	df	Mean Square	F	Sig.	F Limit at 5%
Between Groups	1121.168	3	373.723	84.384	.000	
Within Groups	159.439	36	4.429			2.866
Total	1280.607	39				



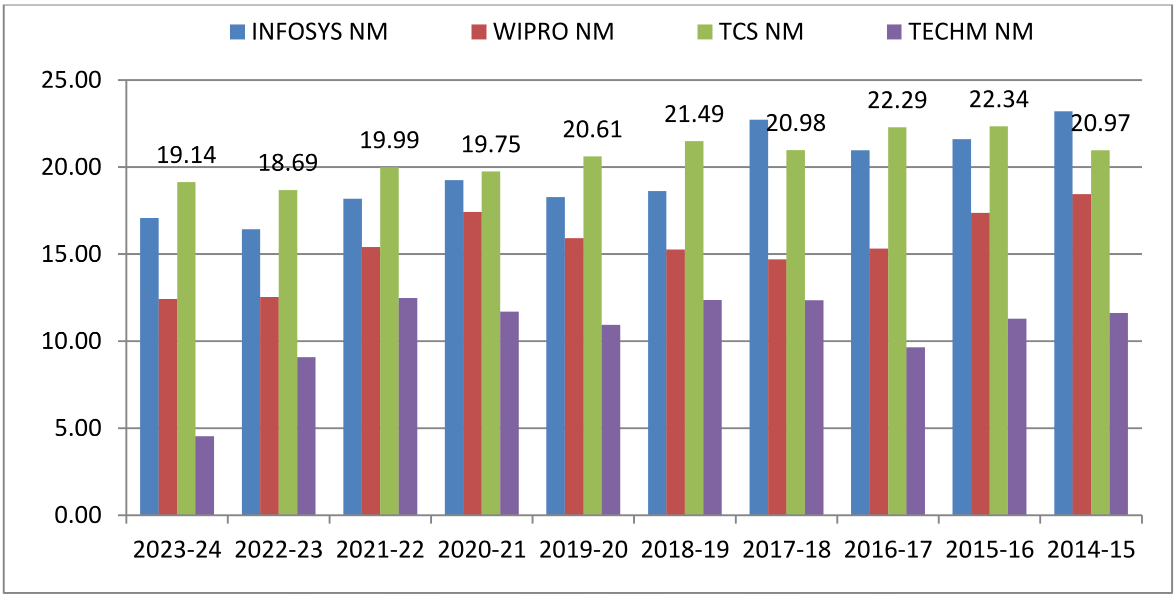
Discussion : The estimated F value of 84.384, which is greater than the table value or crucial value of 2.866 at 5% level of significance with degrees of freedom (df_1=3 and df_2=36), is mentioned in the table. As a result, the null hypothesis stands rejected and so it can be said that there is difference in Operating Margin ratios of selected IT companies.

Operating Margin Ratio with value of 26.47 was highest in Year Mar-16 in last ten years in TCS. The Operating Margin Ratio of TCS was sliding down for at past three Years. An operating margin of all top IT companies was more than 15% or higher is considered good. TCS and Infosys operating margin indicates that the company is efficiently generating its profits from sales whereas fall or rise of WIPRO and Tech Mahindra in operating margin might be due to high or low operating costs.

Net Margin(NM) :

H_0 = Designated Indian IT Companies' Net Margin (NM) do not differ substantially from one another. Net Margin = (Net Profit / Total Revenue)*100 . It indicates how much a net profit is engendered for each rupee of revenue earned.

ANOVA /Net Margin						
	Sum of Squares	df	Mean Square	F	Sig.	F Limit at 5%
Between Groups	626.593	3	208.864	49.626	.000	
Within Groups	151.515	36	4.209			2.866
Total	778.107	39				



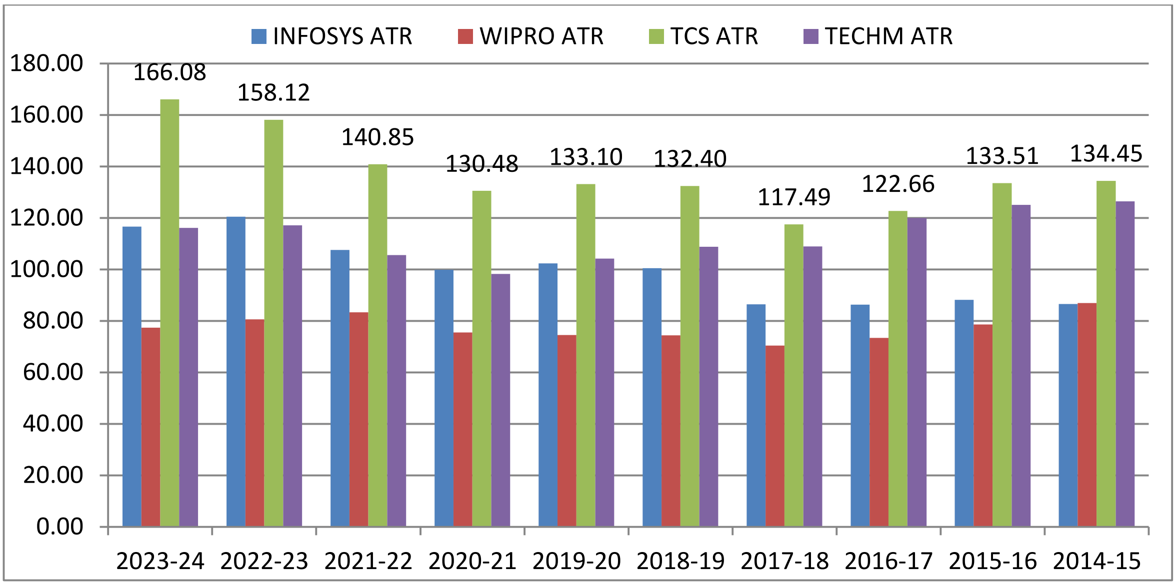
Discussion : The estimated F value of 49.636, which is greater than the table value or crucial value of 2.866 at 5% level of significance with degrees of freedom (df_1=3 and df_2=36), is mentioned in the table. As a result, the null hypothesis stands rejected and so it can be said that there is difference in Net Margin ratios of selected IT companies.

A high net margin specifies positive returns in the business, and the company is efficiently managing its expenses and changing its sales into a profit. It has been observed that CAGR of TCS comparatively vey low as compared to other three IT companies, we may conclude that the position of TCS is stronger.

Assets Turnover Ratio (ATR) :

H_0 = Designated Indian IT Companies' Asset Turnover Ratio (ATR) do not differ substantially from one another. ATR = (Total Sales / Average Assets)*100 .It measures how efficiently a company uses its assets to generate revenue, and it is based on an yearly basis.

ANOVA /Assets Turnover Ratio						
	Sum of Squares	df	Mean Square	F	Sig.	F Limit at 5%
Between Groups	18572.457	3	6190.819	50.165	.000	
Within Groups	4442.746	36	123.410			2.866
Total	23015.203	39				



Discussion : Asset turnover ratio is one of the important tools of profitability ratio. The estimated F value of 50.165, which is greater than the table value or crucial value of 2.866 at 5% level of significance with degrees of freedom (df_1=3 and df_2=36), is mentioned in the table as a result, the null hypothesis stands rejected .

It measures how efficiently a company utilizes its assets to generate revenue, and it is based on an annual basis it can be said that there is significant difference in Assets Turnover Ratio of TCS companies.

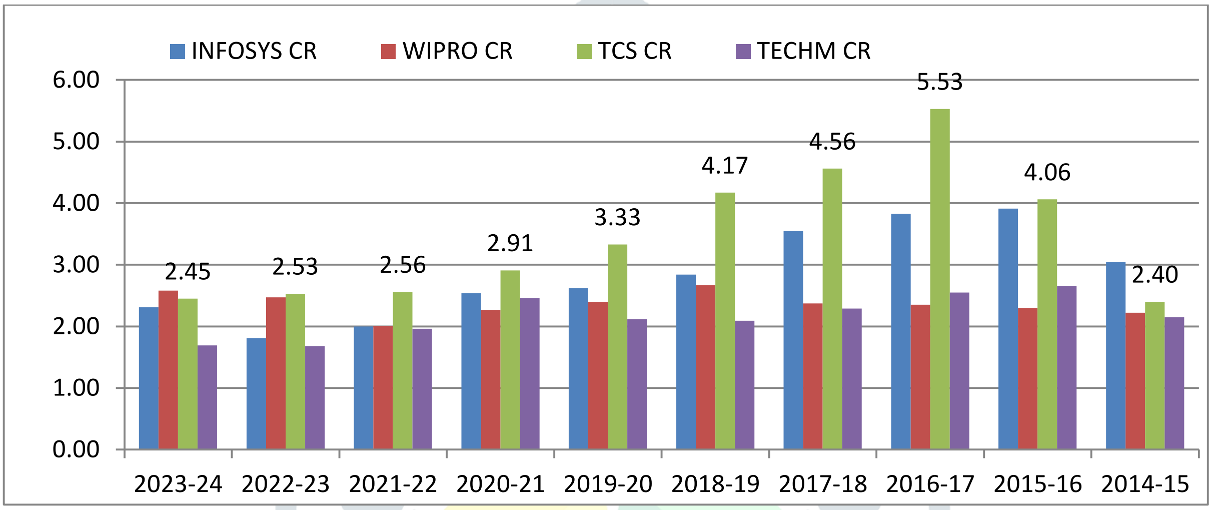
Liquidity Ratio:

Current Ratio (CR)

H_0 = Designated Indian IT Companies' Current Ratio do not differ substantially from one another. Current Ratio = (Current Assets/ Current Liabilities)*100. It shows the company's ability to meet its short-term commitments that are due within one year or less than one year.

ANOVA/Current Ratio

	Sum of Squares	df	Mean Square	F	Sig.	F Limit at 5%
Between Groups	9.828	3	3.276	7.073	.001	
Within Groups	16.673	36	.463			2.866
Total	26.501	39				



Discussion :: The estimated F value of 7.073, which is greater than the table value or crucial value of 2.866 at 5% level of significance with degrees of freedom (df_1=3 and df_2=36), is mentioned in the table. As a result, the null hypothesis stands rejected .

Current Ratio with value of 5.53 was highest in the 2016-17 in TCS in last Five Years. If current assets are double in amount compared to its current liabilities as mentioned in the graph, that is 2:1 or higher, mean all topmost IT companies is considered good.

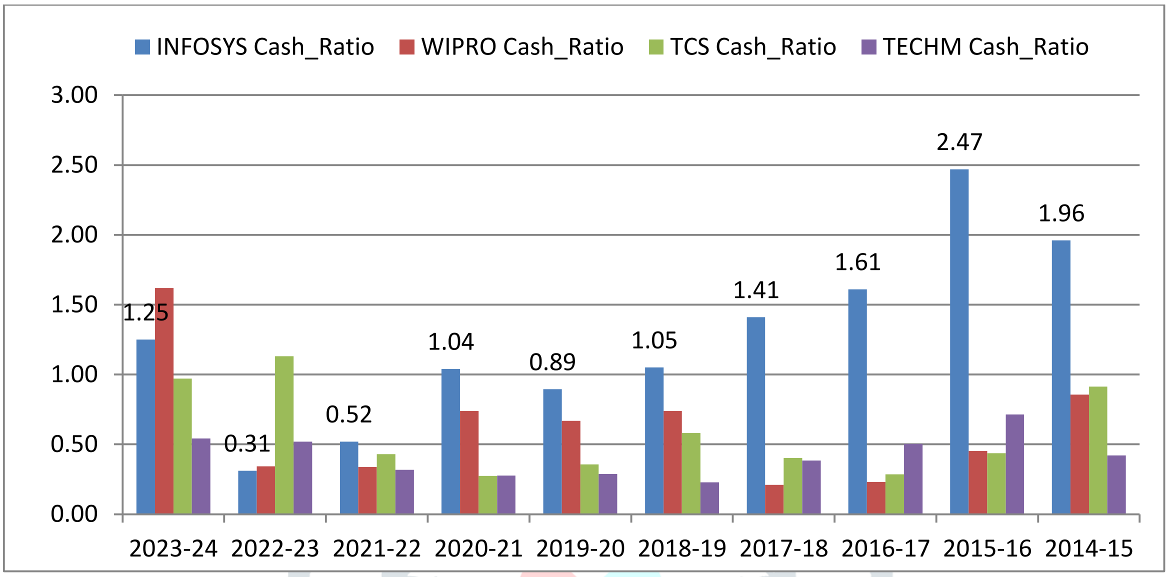
A low current ratio specifies a weak liquidity position for the company. It means that the company is insufficient to pay off current liabilities. Investors should look for a higher value Ratio. But if current ratio is too high, then also check other relative factors.

Cash Ratio (CR)

H_0 = Designated Indian IT Companies' Cash Ratio do not differ substantially from one another. Cash Ratio = (Cash and Cash Equivalents / Current Liabilities)*100. It indicates how much the company can protect its current liabilities with its cash and cash equivalents.

ANOVA/ Cash Ratio

	Sum of Squares	df	Mean Square	F	Sig.	F Limit at 5%
Between Groups	4.021	3	1.340	7.495	.001	
Within Groups	6.438	36	.179			2.866
Total	10.459	39				



Discussion : The estimated F value of 7.495, which is greater than the table value or crucial value of 2.866 at 5% level of significance with degrees of freedom (df_1=3 and df_2=36), is mentioned in the table. As a result, the null hypothesis stands rejected and so it can be said that there is difference in Current Ratios of selected IT companies.

Cash Ratio with value of 2.47 was highest in Year Mar-16 in last Ten Years. Cash Ratio of Infosys trending down past seven Years from 2015-16 and 2023-24 marginally increased.

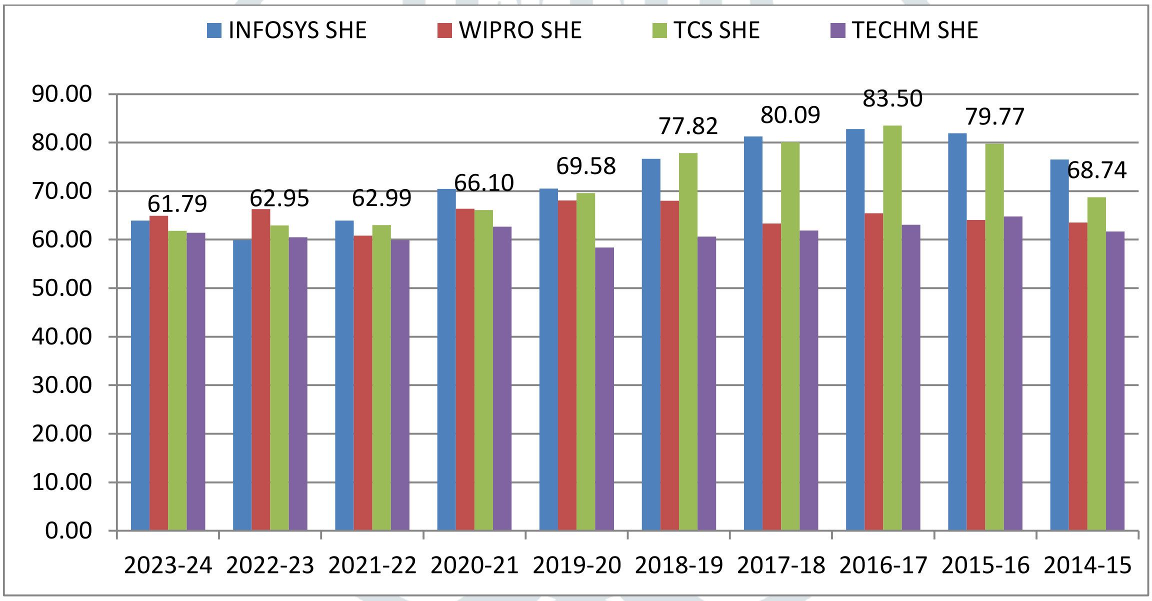
Solvency Ratios :

Share Holders Equity

H_0 = Designated Indian IT Companies' Shareholders Equity do not differ substantially from one another. Share Holders Equity = (Total Shareholders' Equity /Total Assets). It shows that how much shareholders claim on the company's assets in a time of liquidation.

ANOVA / Share Holders Equity

	Sum of Squares	df	Mean Square	F	Sig.	F Limit at 5%
Between Groups	844.649	3	281.550	7.815	.000	
Within Groups	1296.964	36	36.027			2.866
Total	2141.613	39				



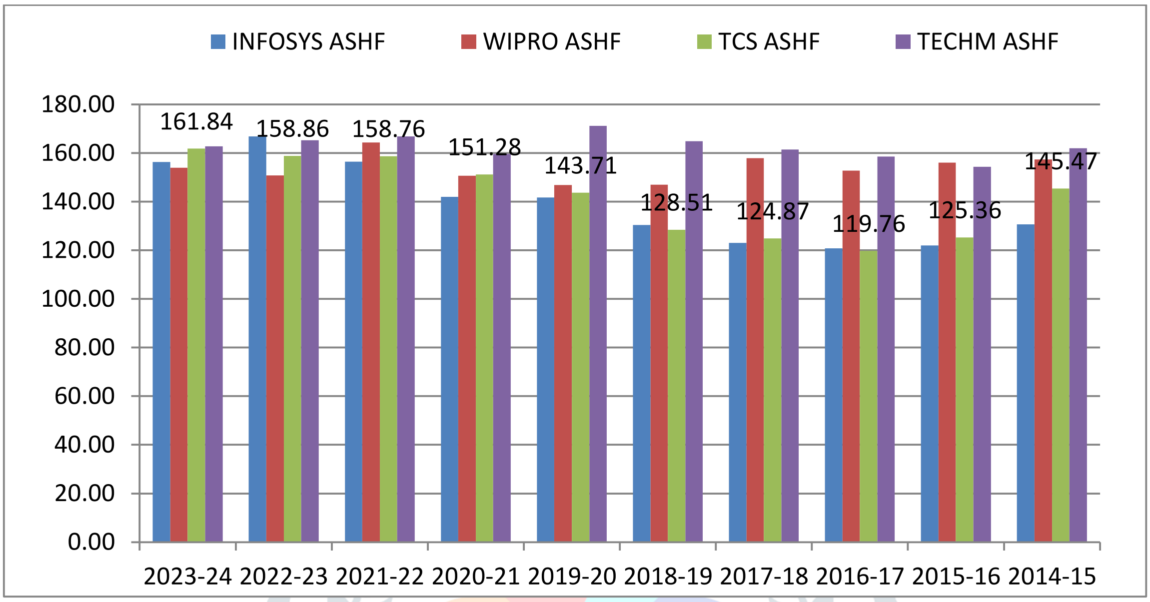
Discussion : The estimated F value of 7.815, which is greater than the table value or crucial value of 2.866 at 5% level of significance with degrees of freedom (df_1=3 and df_2=36), is mentioned in the table. As a result, the null hypothesis stands rejected and so it can be said that there is difference Shareholder Equity ratios of selected IT companies.

Shareholder to Equity Ratio of Tata Consultancy Services Ltd. with value of 83.50 in 2016-17 indicates that shareholders own a high proportion of the assets of the company. Shareholders Equity Ratio of TCS has fallen at least by 1% compared to previous Financial Year. In the year 2023-24 Shareholders Equity Ratio with value of 61.79 is lower than Average Shareholders' Equity of past years.

Total Assets to Shareholder Equity :

H_0 = Designated Indian IT Companies' Assets / Shareholders Equity do not differ substantially from one another. Assets / Share Holders Equity = (Total Assets / Total Shareholders' Equity). The Asset to Shareholders Equity Ratio measures how much the company's assets are financed using shareholder's equity instead of debt.

ANOVA / Total Assets to Share Holder Equity						
	Sum of Squares	df	Mean Square	F	Sig.	F Limit at 5%
Between Groups	3615.415	3	1205.138	8.376	.000	
Within Groups	5179.802	36	143.883			2.866
Total	8795.217	39				



Discussion : The estimated F value of 8.376, which is greater than the table value or crucial value of 2.866 at 5% level of significance with degrees of freedom (df_1=3 and df_2=36), is mentioned in the table. As a result, the null hypothesis stands rejected and so it can be said that there is difference total Assets to Shareholder Equity ratios of selected IT companies.

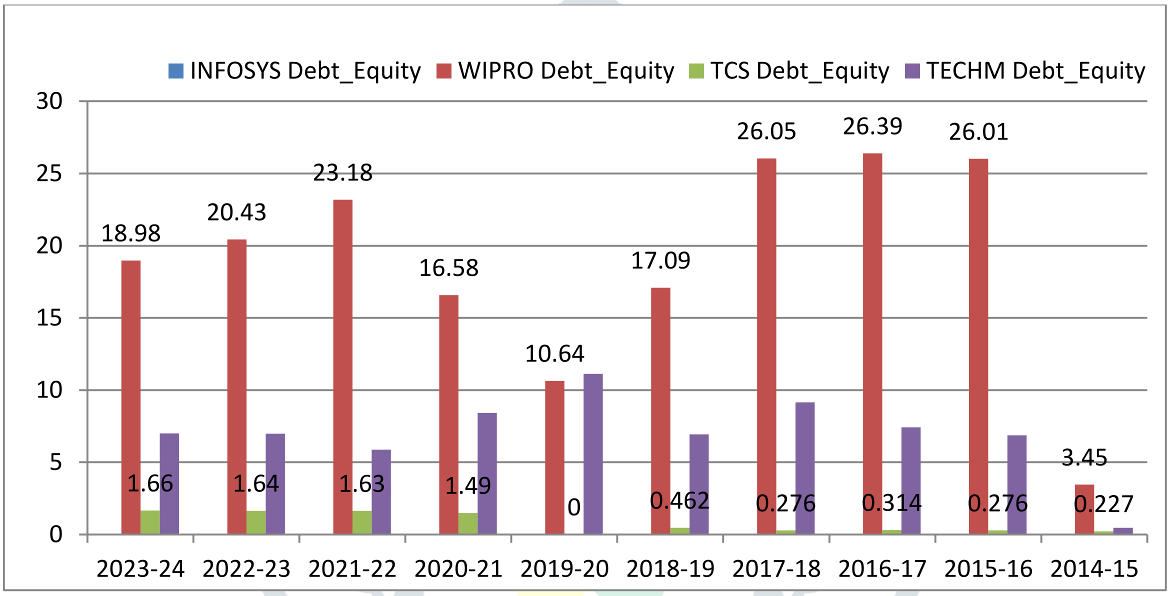
Above ratio i.e. Asset to shareholders equity ratio measures the portion of the company's assets that are financed by shareholders funds. It has been observed that TCS on and average has low asset to shareholders equity ratio and it is considered good as compared to a high ratio.

Solvency Ratio :

H_0 = Designated Indian IT Companies' Debt to Equity Ratio do not differ substantially from one another. Debt to Equity = Total Debt / Total Share Holders Equity. Debt to Equity Ratio shows the relationship between the company's total debt and total shareholders fund. And it indicates the ability of a company's shareholders' equity to pay its debt obligations in a tough time. .

ANOVA / Debt to Equity

	Sum of Squares	df	Mean Square	F	Sig.	F Limit at 5%
Between Groups	2281.845	3	760.615	48.329	.000	
Within Groups	566.579	36	15.738			2.866
Total	2848.424	39				



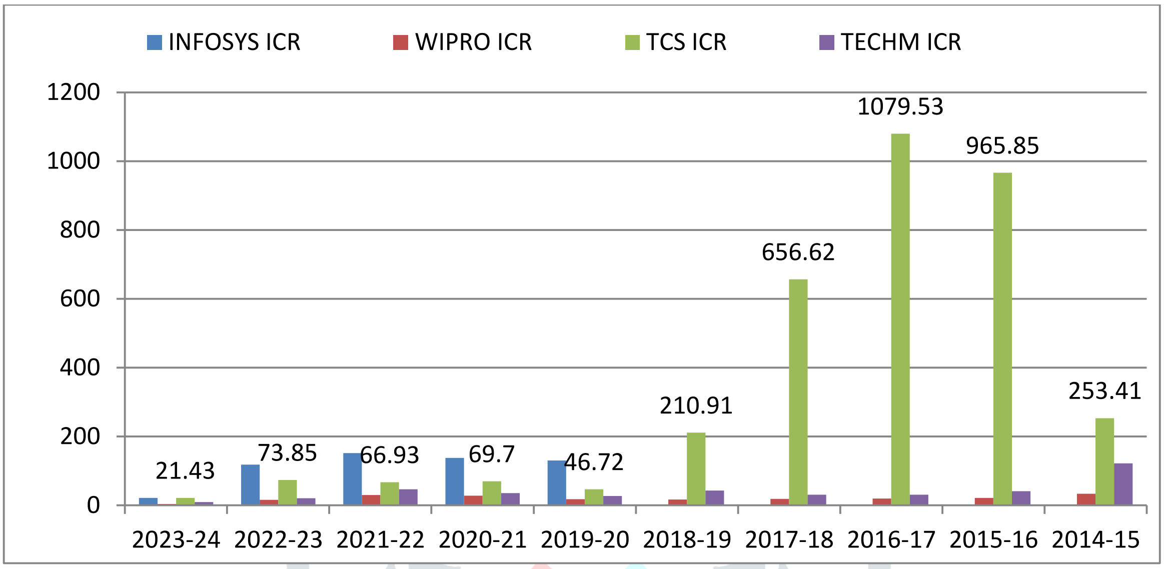
Discussion : The estimated F value of 48.329, which is greater than the table value or crucial value of 2.866 at 5% level of significance with degrees of freedom (df_1=3 and df_2=36), is mentioned in the table. As a result, the null hypothesis stands rejected and so it can be said that there is difference total Debt Equity ratios of selected IT companies.

It has been observed from the above graph that Debt to Equity Ratio of Infosys has fallen by 0 % past ten years whereas in TCS , Debt to Equity Ratio with value of 0.0166 is Greater than Average Debt to Equity of 0.0129 in last five years. Generally, a low debt to equity ratio is considered good and less risky. It indicates that the company raised more funds by shareholders' funds than debts. But Debt to Equity Ratio 0.190 of Wipro Ltd. indicates to run a business company uses lower amount of long-term debt.A high Debt to Equity ratio indicates the company has taken a lot of debts for running the company's operations.

Interest Coverage Ratio

H_0 = Designated Indian IT Companies' Interest Coverage Ratio do not differ substantially from one another. Interest Coverage Ratio = Earnings before Interest and Tax / Interest Expenses. Interest Coverage Ratio measures how well a company can pay its interest expenses, which are concerned with outstanding debts.

ANOVA /Interet Coverage Ratio						
	Sum of Squares	df	Mean Square	F	Sig.	F Limit at 5%
Between Groups	706115.262	3	235371.754	5.575	.003	
Within Groups	1519897.686	36	42219.380			2.866
Total	2226012.949	39				



Discussion : The estimated F value of 8.376, which is greater than the table value or crucial value of 2.866 at 5% level of significance with degrees of freedom (df_1=3 and df_2=36), is mentioned in the table. As a result, the null hypothesis stands rejected and so it can be said that there is difference Interest Coverage Ratios of selected IT companies.

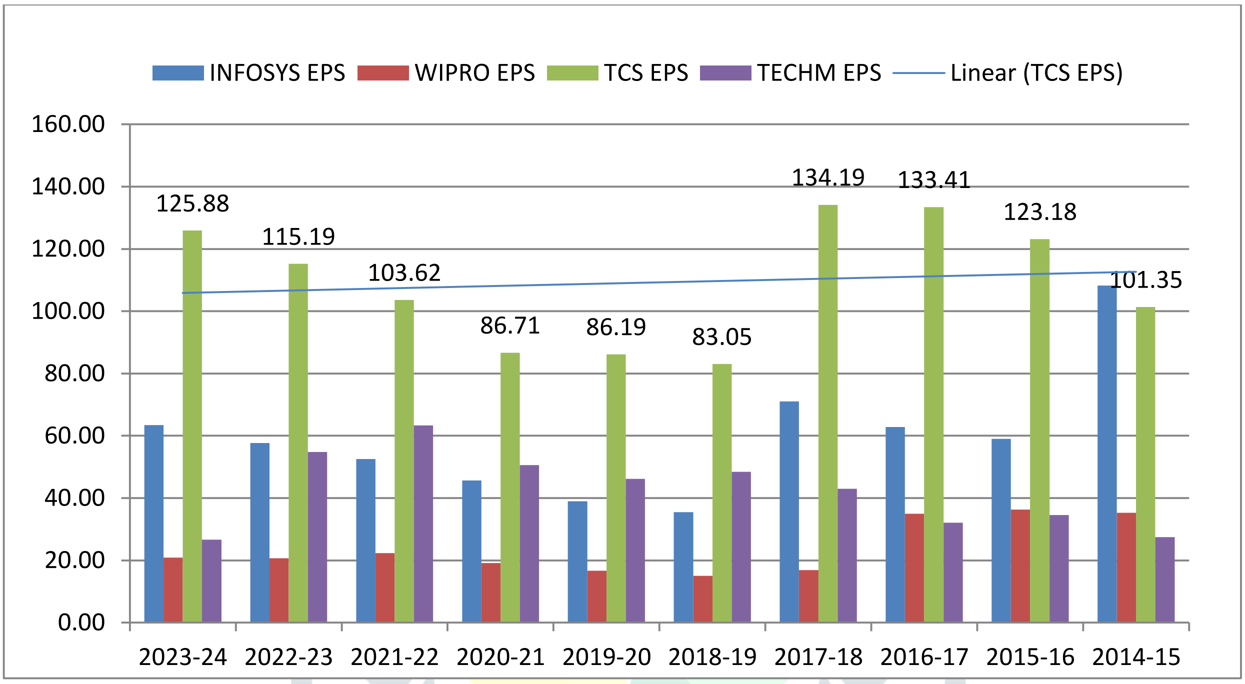
Interest Coverage Ratio of TCS Ltd. with value of 1079.53 in the year 2016-17 indicates the company does have sufficient profit to service its debt and there after Interest coverage ratio decline to 21.43 in the year 2023-24. The interest coverage ratio is an indicator of the company's solvency position and whether it can pay its interest payments or not. A high interest coverage ratio specifies that the company can meet its interest expenses by EBIT (Earnings before Interest and Tax). It has been observed from past 10 year's data of selected IT companies that TCS on and average a high interest coverage ratio above four IT companies and TCS is considered excellent IT company.

Earnings Per Share (EPS) :

EPS is calculated as net income divided by weighted share outstanding. This metric indicates the Information Technology Company's ability to generate net profits for common shareholders. Earnings Per Share = Net Income/ Weighted Share Outstanding. This ratio indicates the Information Technology Company's ability to generate net profits for common shareholders. If net income of the company will be higher, the EPS will automatically increase. Investors should look for higher earnings per share (EPS); it specifies that the company is profitable.

ANOVA / Earning Per Share

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	40314.150	3	13438.050	52.054	.000
Within Groups	9293.655	36	258.157		
Total	49607.805	39			



Discussion : The estimated F value of 52,054, which is greater than the table value or crucial value of 2.866 at 5% level of significance with degrees of freedom (df_1=3 and df_2=36), is mentioned in the table. As a result, the null hypothesis stands rejected and so it can be said t The above table reveals that CAGR for EPS of TCS is positive and Infosys ,Tech Mahindra and Wipro are negative we may conclude that TCS growth rate is showing positive trend for the time period 2018-19 to 2023-24 . It concludes that the position of is TCS stronger as compare to other selected IT Companies as per Earnings per Share.

Findings :

Hypothesis Testing: One way ANOVA test has been done of Profitability, Liquidity and Solvency Ratio and it has been observed that there is a significance difference in Profitability, Liquidity and Solvency Ratio.

Interest Coverage Ratio: The Interest Coverage Ratio is a measure of the number of times a company could make the interest payments on its debt with its EBIT. A higher ratio indicates a better financial health as it means that the company is more capable to meeting its interest obligations from operating earnings. However, if a firm is generating high profits, but there is no cash flow from operations, this ratio is misleading. Infosys did not have any interest expenses in 2013-14 to 2018-19. Tech Mahindra recorded its best interest coverage ratio of 122.01 in 2014-15 and minimum in current year is 9.19 in 2023-24. Wipro had a high ratio 33.08 in 2014-15 and had the lowest 3.88 in 2023-24. TCS showed huge figures varying between 1079.53 in 2016-17 and 21.43 in 2024-25. Therefore, we can conclude that TCS has better financial heath as compared to Wipro, Infosys and Tech Mahindra.

Net Profit Margin (NPM): All the four companies have experienced variations in their net profit margins past ten years. TCS sustained higher NPMs compared to Wipro, Infosys and Tech Mahindra signifying better profitability and cost management. However, all the four IT companies faced a decline in NPM in 2019-20, which might suggest challenges in maintaining profitability during Covid-19 period.

Asset Turnover Ratio (ATR): It has been observed that TCS consistently high as compared to Wipro, Infosys and Tech Mahindra in transforming its assets to produce revenue. The increasing trend in TCS assets turnover suggests best possible way utilization of assets over time. It has been observed that huge difference of the ATR between TCS and Wipro, Infosys and Tech Mahindra.

Equity Multiplier Ratio: It has been observed that Infosys regularly (except 2022-23 & 2023-14) maintained a lower equity multiplier compared to TCS ,Wipro and Tech Mahindra this indicates that Infosys is less dependent on debt financing to fund its assets. Infosys's decreasing except 2022-23 & 2023-14 trend in the equity multiplier suggests a shift towards using more equity financing, while other IT companies shown fluctuations without a clear trend.

Return on Equity (ROE): It has been observed that ROE of TCS significantly very high as compared to Wipro, Infosys and Tech Mahindra. TCS has generally kept a strong ROE over the years and shows a positive trend in ROE which shows an improving profitability and efficiency in generating returns for stakeholders. This shows that a better financial performance and efficient use of stakeholders' capital by TCS relative to other IT companies. However, there have been some fluctuations in ROE of Wipro, Infosys and Tech Mahindra which influenced by changes in net profit margin, assets turnover, and equity multiplier.

Conclusion :

Any company that wishes to increase efficiency, facilitate business operations, and expand profitably in today competitive world needs IT-based services. In addition to boosting the country's economy, information technology has helped governance by making it more capable and approachable. By 2025, India is projected to develop a $1 trillion digital economy. According to a report by industry group Nasscom and international consulting firm McKinsey, India's technology services sector can generate $300-350 billion in annual revenue by 2025 if it can take advantage of the rapidly emerging business potential in cloud, artificial intelligence (AI), cyber security, and other emerging technologies. (Jayswal, 2021)

By 2025, it is anticipated that India's IT sector will contribute 10% of the country's GDP. The IT sector employed 5 million workers as of FY22. According to a survey conducted by Amazon Web Services in 2021, the number of digitally proficient professionals in India is predicted to increase nine-fold by 2025. This shows that by 2025, it is anticipated that 3.9 billion people would have received digital skill training. India's market for IT and business services is expected to be worth US$19.93 billion by 2025. (IBEF, 2022)

It is revealed that none of the financial ratio (solvency ratio, Efficiency ratio, profitability ratio or liquidity ratio) the null hypotheses are accepted of selected top most IT Companies in India. The hypothesis provided the conclusion that the performance of the selected companies has not significant.

Based on the ratios Profitability, Liquidity and Solvency ratio and most importantly Debt Equity Ratio, it can be concluded that TCS is the most popular company for investors. Thus, it can be concluded that TCS Company have a better chance to invest in expansion as well as growth plans.

The above study will provide a supportive and awareness to the investors to make better investments in IT companies.

Bibliography

A. GAYATHRIDEVI. (2007). *a Study on Financial Performance Using Ratio Analysis At Emami Ltd*. *2*(2), 173–177.

Hema, A. S. (2014). *COMMERCE An Appraisal of Financial Performance of Tata Consultancy Services Limited (TCS) Assistant Professor of Commerce , Government Arts College for , Salem*. *12*, 23–24.

Kumar, Y. S. R., & Kumar, P. (2023). *Financial Performace and Forecasted Analysis of Tata Consul- Financial Performace and Forecasted Analysis of Tata Consul- Tancy Services (Tcs)*. *November*, 1–7.

Latha, A. M. (2023). Study on Financial Performance of Select IT Companies in India. *International Journal of Management (IJM)*, *14*(6), 61–69. https://iaeme.com/Home/journal/IJM61editor@iaeme.comAvailableonlineathttps://iaeme.com/Home/issue/IJM?Volume=14&Issue=6https://iaeme.com

Singh, S., & Kaur Sachdeva, T. (2020). The Financial Performance of Selected IT Companies in India; A Panel Data Approach. *Shanlax International Journal of Arts, Science and Humanities*, *7*(3), 7–14. https://doi.org/10.34293/sijash.v7i3.411

IBEF. (2022, December). *Government of India.* . Retrieved from Retrieved from Government website: https://www.ibef.org/industry/information-technology-india

Jayswal, P. J. (2021, 08 17). Retrieved from How the IT Industry is shaping the future of India? : https://timesofindia.indiatimes.com/readersblog/youth2020/how-the-it-industry-is-shaping-the-future-of-india-36519/

Reddy, P. T. (2023). *Management Accounting. Margham Publications.*

Annual Report of TCS / INFOSYS / WIPRO / TECH MAHINDRA

Annexure

Year	INFOSYS	WIPRO	TCS	TECHM	INFOSYS	WIPRO	TCS	TECHM	INFOSYS	WIPRO	TCS	TECHM
	ROCE	ROCE	ROCE	ROCE	ROE	ROE	ROE	ROE	ROA	ROA	ROA	ROA
2023-24	10.31	5.62	16.62	12.19	29.79	14.94	50.94	8.84	19.05	9.70	31.48	5.43
2022-23	38.79	17.44	57.48	21.34	31.95	14.61	46.61	17.30	19.15	9.69	29.34	10.47
2021-22	35.96	20.43	52.91	23.52	29.34	18.70	43.00	20.70	18.76	11.38	27.08	12.40
2020-21	31.74	24.11	45.96	20.84	25.34	19.67	37.52	17.81	17.85	13.05	24.80	11.16
2019-20	30.84	21.77	46.01	19.89	25.35	17.57	38.44	18.49	17.89	11.96	26.75	10.80
2018-19	31.83	19.98	44.97	24.84	23.72	15.96	35.19	21.19	18.18	10.86	27.38	12.85
2017-18	30.92	19.92	38.59	22.38	24.69	16.70	30.34	20.17	20.06	10.57	24.30	12.48
2016-17	28.82	20.76	38.93	20.25	20.81	16.44	30.49	17.12	17.22	10.75	25.46	10.79
2015-16	30.18	24.02	43.35	23.39	21.85	19.30	34.15	20.51	17.90	12.37	27.24	13.29
2014-15	34.03	29.73	49.5	25.8	24.39	23.35	39.21	21.45	18.66	14.84	26.95	13.24
CAGR	-12.43%	-16.90%	-11.42%	-7.99%	2.25%	-4.84%	2.95%	-9.38%	0.23%	-4.61%	1.74%	-9.43%

Source : Annual Reports

Year	INFOSYS	WIPRO	TCS	TECHM	INFOSYS	WIPRO	TCS	TECHM	INFOSYS	WIPRO	TCS	TECHM
	Cash_Ratio	Cash_Ratio	Cash_Ratio	Cash_Ratio	CR	CR	CR	CR	EPS	EPS	EPS	EPS
2023-24	1.25	1.62	0.97	0.54	2.31	2.58	2.45	1.69	63.39	20.89	125.88	26.66
2022-23	0.31	0.34	1.13	0.52	1.81	2.47	2.53	1.68	57.63	20.68	115.19	54.76
2021-22	0.52	0.34	0.43	0.32	2.00	2.01	2.56	1.96	52.52	22.37	103.62	63.32
2020-21	1.04	0.74	0.27	0.28	2.54	2.27	2.91	2.46	45.61	19.11	86.71	50.64
2019-20	0.89	0.67	0.36	0.29	2.62	2.40	3.33	2.12	38.97	16.67	86.19	46.21
2018-19	1.05	0.74	0.58	0.23	2.84	2.67	4.17	2.09	35.44	14.99	83.05	48.47
2017-18	1.41	0.21	0.40	0.39	3.55	2.37	4.56	2.29	71.07	16.85	134.19	43.02
2016-17	1.61	0.23	0.29	0.50	3.83	2.35	5.53	2.55	62.80	34.98	133.41	32.14
2015-16	2.47	0.45	0.44	0.71	3.91	2.30	4.06	2.66	59.02	36.26	123.18	34.51
2014-15	1.96	0.86	0.91	0.42	3.05	2.22	2.40	2.15	108.26	35.28	101.35	27.46
CAGR	-4.87%	7.36%	0.69%	2.87%	-3.04%	1.68%	0.23%	-2.64%	-5.77%	-5.66%	2.44%	-0.33%

Source : Annual Reports

Year	INFOSYS	WIPRO	TCS	TECHM	INFOSYS	WIPRO	TCS	TECHM	INFOSYS	WIPRO	TCS	TECHM
	OM	OM	OM	OM	NM	NM	NM	NM	ATR	ATR	ATR	ATR
2023-24	20.35	13.50	24.30	4.42	17.08	12.41	19.14	4.53	116.58	77.40	166.08	116.09
2022-23	20.86	15.43	24.06	10.95	16.42	12.54	18.69	9.07	120.45	80.56	158.12	117.09
2021-22	22.87	16.48	24.86	14.19	18.18	15.42	19.99	12.47	107.52	83.38	140.85	105.61
2020-21	24.31	18.57	25.49	13.64	19.26	17.43	19.75	11.70	99.90	75.53	130.48	98.28
2019-20	21.15	15.58	23.99	10.50	18.28	15.90	20.61	10.94	102.30	74.47	133.10	104.15
2018-19	21.96	15.14	25.43	14.61	18.63	15.26	21.49	12.37	100.44	74.42	132.40	108.77
2017-18	24.32	14.12	24.74	11.25	22.73	14.69	20.98	12.35	86.40	70.45	117.49	108.92
2016-17	24.68	15.18	25.68	10.56	20.96	15.32	22.29	9.65	86.30	73.44	122.66	119.94
2015-16	25.02	17.06	26.47	12.89	21.60	17.38	22.34	11.30	88.17	78.60	133.51	125.05
2014-15	25.98	18.69	23.86	15.52	23.2	18.45	20.97	11.62	86.52	86.89	134.45	126.42
CAGR	-2.68%	-3.55%	0.20%	-13.03%	-3.35%	-4.31%	-1.01%	-9.94%	3.37%	-1.28%	2.38%	-0.94%

Source : Annual Reports

Year	INFOSYS	WIPRO	TCS	TECHM	INFOSYS	WIPRO	TCS	TECHM	INFOSYS	WIPRO	TCS	TECHM
	SHE	SHE	SHE	SHE	ASHF	ASHF	ASHF	ASHF	Divdend PayoutRatio	Divdend PayoutRatio	DivdendPayoutRatio	DivdendPayoutRatio
2023-24	63.94	64.93	61.79	61.42	156.40	154.01	161.84	162.82	56.00	4.69	54.53	166.13
2022-23	59.93	66.31	62.95	60.50	166.85	150.81	158.86	165.28	56.57	28.91	98.10	88.24
2021-22	63.92	60.84	62.99	59.92	156.45	164.37	158.76	166.90	57.23	4.47	34.75	45.39
2020-21	70.44	66.36	66.10	62.65	141.96	150.69	151.28	159.61	47.12	5.06	33.46	39.73
2019-20	70.55	68.06	69.58	58.39	141.74	146.92	143.71	171.25	57.35	5.85	98.63	61.78
2018-19	76.65	68.04	77.82	60.64	130.47	146.97	128.51	164.91	89.01	5.00	32.04	34.69
2017-18	81.27	63.32	80.09	61.90	123.05	157.94	124.87	161.55	46.59	6.77	35.95	24.84
2016-17	82.76	65.42	83.50	63.05	120.84	152.86	119.76	158.60	48.43	10.28	34.85	44.05
2015-16	81.94	64.07	79.77	64.77	122.04	156.07	125.36	154.39	50.51	39.85	39.06	18.53
2014-15	76.54	63.54	68.74	61.71	130.65	157.38	145.47	162.04	41.14	33.68	85.74	20.92
CAGR	-1.98%	0.24%	-1.18%	-0.05%	2.02%	-0.24%	1.19%	0.05%	3.49%	-19.67%	-4.90%	25.89%

Year	INFOSYS	WIPRO	TCS	TECHM	INFOSYS	WIPRO	TCS	TECHM
	Debt_Equity	Debt_Equity	Debt_Equity	Debt_Equity	ICR	ICR	ICR	ICR
2023-24	0	18.98	1.66	7	21.72	3.88	21.43	9.19
2022-23	0	20.43	1.64	6.98	118.33	15.64	73.85	20.72
2021-22	0	23.18	1.63	5.88	151.55	29.42	66.93	46.81
2020-21	0	16.58	1.49	8.42	137.55	28.3	69.7	35.21
2019-20	0	10.64	0	11.13	130.45	17.72	46.72	27.39
2018-19	0	17.09	0.462	6.93	0	16.66	210.91	43.11
2017-18	0	26.05	0.276	9.16	0	18.57	656.62	31.04
2016-17	0	26.39	0.314	7.42	0	19.58	1079.53	30.98
2015-16	0	26.01	0.276	6.87	0	21.59	965.85	40.73
2014-15	0	3.45	0.227	0.451	0	33.08	253.41	122.01

Source : Annual Reports