



FINANCIAL PERFORMANCE OF SELECTED IT COMPANIES IN INDIA

Musavvira Mansoor¹ and Dr. A. Asick Iqbal²

¹M.Com., Ph.D Research Scholar , Department of Commerce , Khadir Mohideen College, Adirampattinam , Thanjavur, District , Tamil Nadu.

² Associate Professor , Department of Commerce , Khadir Mohideen College, Adirampattinam , Thanjavur, District Tamil Nadu.

ABSTRACT :

The aim of the study is to analyze the financial performance of three companies from the IT Sector in India. The companies were selected on the basis of market capitalization. The financial parameters such as Sales, Profit After Tax, Long Term Debt To Equity, Interest Coverage, Working Capital, Debtors Turnover and Cash holdings of the companies were analyzed during the period from 2008 to 2017. The study showed that all the companies were better financial position with regard all the selected financial parameters.

KEYWORDS : financial performance, financial position of IT Companies.

INTRODUCTION:

Money related Performance in more extensive sense alludes to how much budgetary targets being or has been practiced and is an essential part of back hazard the board. It is the way toward estimating the consequences of an association's strategies and activities in money related terms. It is utilized to gauge association's by and large money related wellbeing over a given timeframe and can likewise be utilized to think about comparative firms over a similar industry or to look at enterprises or area in collection.

Firms and intrigued gathering such administrators, investors, lenders and assessment experts hope to answer vital inquiries like: What is the budgetary position of the firm at a given purpose of time? How is the Financial Performance of the firm over a given timeframe? These inquiries can be replied with the assistance of a money related investigation of a firm. Money related examination includes the utilization of budget reports. A budget report is an accumulation of information that is sorted out as per sensible and predictable bookkeeping methods. Its motivation is to pass on a comprehension of some money related parts of a business firm. It might demonstrate a place of a timeframe as on account of a Balance Sheet or may uncover a progression of exercises over a given timeframe, as on account of a pay proclamation. Along these lines, the term 'fiscal summaries for the most part allude to two fundamental proclamations: the Balance Sheet and the Income Statement.

The Balance Sheet demonstrates the money related position (condition) of the firm at a given purpose of time. It gives a snap hot that might be viewed as a static picture. "Accounting report is a synopsis of an association's budgetary position on a given date that indicates Total Assets = Total Liabilities + Owner's value".



The Income Statement mirrors the execution of the firm over some stretch of time. "Salary Statement is a synopsis of an association's business incomes and costs over a predetermined period, finishing with total compensation or misfortune for the period"

Be that as it may, fiscal summaries don't uncover all the data identified with the money related activities of a firm, yet they outfit some incredibly valuable data, which features two critical elements benefit and monetary soundness.

FINANCIAL PERFORMANCE ANALYSIS

Budgetary execution examination incorporates investigation and translation of fiscal reports so that it attempts full determination of the productivity and money related soundness of the business. The monetary expert program gives essential techniques of money related examination.

Significance of financial performance measurement

The interest of various related groups is affected by the financial performance of a firm. The kind of examination fluctuates as indicated by the explicit enthusiasm of the gathering included.

Exchange Creditors: keen on the liquidity of the firm (examination of company's liquidity)

Investors: intrigued by the income capacity of the firm (evaluation of association's capital structure, the significant sources and employments of assets, gainfulness after some time and projection of future benefit.

Speculators: intrigued by present and anticipated future income and in addition solidness of these profit (evaluation of association's benefit and budgetary condition)

The board: inspired by inside control, better money related condition and better execution (examination of association's present budgetary condition, assessment of chances in connection to this present position, rate of return given by different resources of the organization.

IT INDUSTRY

Information technology (IT) is the use of any computers, storage, networking and other physical devices, infrastructure and processes to create, process, store, secure and exchange all forms of electronic data. Indian IT industry begin in the years of 1970s and contributing to the economic growth and helping industrial growth it achieved a major breakthrough in 1990s. The year of 1995-1996 was a smashing year for the Indian IT and computer industry. With height quality and price performance IT industry led to outsmart all the other sectors of the country. Industry has grown six-fold in revenue terms and hence contributing to GDP by more than 9.3 per cent in financial year 2016-2017. In the same year, India contributed as world's number one sourcing destination with a significant share of 55 per cent. The Indian software industry hence being one of the most significant and crucial industries of Indian economy holds utmost importance and cannot be unseen.

STATEMENT OF THE PROBLEM

The pace of change brought about by new technologies has had a significant effect on the way people live, work, and play worldwide. Hence the IT sector affects every other industry today. Information technology today is essential in ensuring the smooth functioning of all the departments in a company, such as the HR department, finance department, manufacturing department and in security related aspects. It has great use in the automated production of sensitive information, up-gradation of the important business processes and streamlining of the various business processes.

It helps the managers in adapting to the new business processes, and also for predicting the possible impacts of newer technologies. IT is used to keep safety of consumer's money sent or received through online purchase. IT has opened the new era of e-commerce of online selling and buying. Improvements in IT have allowed for great reform in healthcare. IT has also updated the technology a doctor can use to diagnose or treatment. In the education sector IT provides access to variety of learning resources including both audio and visual education providing broader content. It imparts fast knowledge providing education to anyone and anywhere and anytime. It provides collaborative and distance learning facility. IT and biotech stand to transform agriculture, raising its production levels and outputs. IT helps farmers access to vital information,

methodologies and the latest technology to help them in areas such as crop rotation, weather patterns, fertilizer use and going organic—all at the click of a button or a simple SMS on their mobile phones. IT provides discipline specific software tools like CAD which helps engineers drafting and reviewing of the structures in construction field. Software tools created by computer programs have made work easier for the construction industry as never before¹. In this background, it is imperative to understand financial performance of IT companies for the benefits of the stakeholders and society at large.

RESEARCH METHODOLOGY

In this study analytical research method was used to analyze the financial performance of the selected IT companies. For the purpose of study the data was collected preferably from the secondary sources. Financial statements of the companies as well as annual reports are taken into consideration. In addition to this a number of financial journals and magazines are also used for the study. For the present study, three companies, namely Tata Consultancy Services Ltd., Infosys Ltd and Wipro Ltd were selected because these companies are leading companies in the information and technology industry of India. The required secondary data were collected from 2008-2017.

FINANCIAL PARAMETERS

The financial parameters such as Sales, Profit After Tax, Profit After Tax to Sales Ratio, Long Term Debt to Equity Ratio, Interest Coverage Ratio, Net Working Capital, Current Ratio, Debtor Turnover Ratio and Cash Holding Ratio were used to measure the financial performance of the selected IT companies.

RESULTS AND DISCUSSION

Tata Consultancy Services Ltd

Tata Consultancy Services Limited (TCS) is an Indian multinational information technology (IT) service, consulting company headquartered in Mumbai, Maharashtra. It is part of the Tata Group and operates in 46 countries. TCS is one of the largest Indian companies by market capitalization. TCS is now placed among the most valuable IT services brands worldwide. As of 2017, it is ranked 10th on the Fortune India 500 list. In April 2018, TCS became the first Indian IT company to breach \$100 billion market capitalization. The financial performance of the Tata Consultancy Services Limited is shown in table 1.

TABLE 1
FINANCIAL PERFORMANCE OF THE TATA CONSULTANCY SERVICES LTD

Years	Sales (Rs. Cr.)	Profit After Tax (Rs. Cr.)	Profit After Tax to Sales Ratio	Long Term Debt to Equity Ratio	Interest Coverage Ratio	Net Working Capital (Rs. Cr.)	Current Ratio	Debtor Turnover Ratio	Cash Holding Ratio
2008	22863.39	5056.10	22%	0.40	1464.12	5544.05	2.2:1	4.72	17.45
2009	27812.88	5311.12	19%	0.41	691.82	7542	2.2:1	4.87	14.18
2010	30028.92	7092.66	23%	0.45	668.75	7336.71	1.86:1	5.05	08.09
2011	37324.51	9189.79	24%	0.30	435.8	9790.38	2.3:1	5.31	07.92

1 Dr. Ashvin R. Dave and Ms. Devanshi R. Sha (2018)"Financial Performance Analysis of Indian Companies In Information Technology Sector", International Journal of Management Studies, Vol.-V, Issue -2(1), pp.45-50.

2012	48893.83	10523.45	21%	0.37	816.02	12810.08	2.2:1	4.95	09.30
2013	62989.48	14075.69	22%	0.01	513.84	19733.75	2.6:1	4.52	10.01
2014	81809.36	19331.87	23%	0.34	1006.74	27227.38	2.7:1	5.06	07.71
2015	94648.41	20059.70	21%	0.42	309.53	28494.7	2.4:1	4.80	05.73
2016	108646.2	24374.94	22%	0.35	2257.85	41091.88	2.8:1	4.88	08.57
2017	117966.00	26357.00	22%	0.19	227.85	66014	5.5:1	2.26	21.57
Mean	63298.30	14137.23	21.9%	0.32	839.23	22558.49	2.6:1	4.64	11.05
S.D	35361.23	7914.31	1.37	0.13	615.12	19153.26	1.03	0.86	5.05
C.V (%)	55.86	55.98	06.26	40.63	73.30	84.90	39.62	18.53	45.70
CAGR (%)	17.83	17.95	0	-7.17	-16.98	28.11	9.60	-7.10	-11.66

Source: Annual Report

Table 1 shows that mean sales of the TCS during 2008-2017 was Rs.63298.30 Cr and the coefficient was variation was 55.86 per cent. The TCS has shown a consistent increase in its Sales over the study period. Sales have registered at a Compound Annual Growth Rate of 17.83 per cent. The average Profit After Tax was Rs. 14137.23 during the study period with coefficient of variation 55.98 per cent. The Profit After Tax has recorded a growth rate of 17.95 per cent during the study period. The Profit After Tax to Sales Ratio has been static over the decade at an average of 21.9 per cent. TCS is financially secured company as its major funding is by equity rather than by debt. Company has been able to keep its Long Term Debt to Equity Ratio lesser than 1, hence, it can be inferred that the company is not Debt ridden. The Interest Coverage Ratio of the company has been on an average at 839.23 which keeps the company in a comfortable situation as far as interest obligation is concerned. Its Working Capital requirement has increased more than tenfold. The Current Ratio of the company has increased over the years from 2.2 to 5.5 in 10 years. Debtor Turnover Ratio is on an average at 4.6 times. The company has higher Cash holding at average of 11 times.

Infosys Ltd

Infosys Limited (once in the past Infosys Technologies Limited) is an Indian worldwide organization that gives business counseling, data innovation and re-appropriating administrations. It has its central command in Bangalore, Karnataka, India. Infosys is the second-largest Indian IT company by 2017 revenues and 596th largest public company in the world in terms of revenue. On September 28, 2018 its market capitalization was \$44.32 billion. The financial performance of the Infosys limited during 2008-2017 is shown in table 2.

TABLE 2
FINANCIAL PERFORMANCE OF THE INFOSYS LTD

Years	Sales (Rs. Cr.)	Profit After Tax (Rs. Cr.)	Profit After Tax to Sales Ratio	Long Term Debt to Equity Ratio	Interest Coverage Ratio	Net Working Capital (Rs. Cr.)	Current Ratio	Debtor Turnover Ratio	Cash Holding Ratio
2008	16962	4659	27%	0.3	5118	8827	3:01	5.82	2.61
2009	21693	5988	27%	0.21	3358	12774	4.2:1	6.22	2.6
2010	22742	6266	27%	0.2	3761	13782	4.0:1	6.34	2.24
2011	27501	6835	33%	0.2	8822	18779	4.5:1	6.75	2.02
2012	33734	8332	34%	0.22	5838	23359	4.3:1	6.4	1.81

2013	40352	9429	31%	0.21	4120	27244	4.3:1	6.22	1.9
2014	50133	10656	21%	0.3	2334.67	31047	3.5:1	6.5	2.09
2015	53319	12373	23%	0.3	2100.75	31739	3:1	5.9	1.89
2016	62441	13681	21%	0.29	2112.36	34564	3:1	5.93	1.98
2017	68484	14383	21%	0.2	2138.45	39692	3.8:1	5.79	2.47
Mean	39736.1	9260.2	26.5%	0.24	3970.32	24180.7	3.76:1	6.18	2.16
S.D	18115.86	3416.29	4.97	0.04	2154.16	10359.67	0.59	0.32	0.30
C.V (%)	45.59	36.89	18.75	16.67	54.26	42.84	15.69	5.18	13.89
CAGR (%)	14.98	11.93	-2.48	-3.97	-8.36	16.22	2.39	-0.05	-0.55

Source: Annual Report

Table 2 reveals that Infosys Sales have increased consistently over the past 10 years. Sales have increased at a Growth Rate of 14.98 per cent. The Profit After Tax to Sales Ratio more or less remained stable over the study period. The Profit After Tax in absolute terms has grown at an Annual Average Growth Rate of 11.93 per cent. Being Equity funded Infosys also keeps its Debt Equity Ratio as low as possible, which attracts investors to the company. Long Term Debt to Equity Ratio is consistently low at 0.2:1 which means company is Equity driven. Interest Coverage Ratio is phenomenally high in view of low Debt and good margin. Company has increased its Net Working Capital over the years and its Current Ratio has been maintained in the range of 3 to 3.8 times. The Debtor Turnover ratio is at 5 to 6 times. Infosys Cash Holding is relatively low.

Wipro Ltd

It is one of the most successful technological companies in India and around the world. Wipro an Indian based company was founded as a peanut oil company with name of Western Indian Vegetable Products in 1945 by M.H. Premji and later was renamed "Wipro Ltd." by his son Azim H. Premji. Wipro Limited is an India-based information technology, consulting and business process services company headquartered in Bengaluru, India. In 2013, Wipro demerged its non-IT businesses into separate companies. The financial performance of the Wipro Ltd during 2008-2017 is shown in table 3.

TABLE 3
FINANCIAL PERFORMANCE OF THE WIPRO LTD

Years	Sales (Rs. Cr.)	Profit After Tax (Rs. Cr.)	Profit After Tax to Sales Ratio	Long Term Debt to Equity Ratio	Interest Coverage Ratio	Net Working Capital (Rs. Cr.)	Current Ratio	Debtor Turnover Ratio	Cash Holding Ratio
2008	19979.60	3252.00	16%	0.84	30.71	4594.8	1.65:1	5.72	6.76
2009	25699.50	3873.60	15%	1.04	19.03	4686.9	1.45:1	5.65	5.65
2010	27212.90	4593.20	16%	0.78	58.00	8335.2	1.84:1	5.36	5.36
2011	31038.50	5265.30	16%	0.63	42.95	10941.1	1.93:1	4.92	4.92
2012	37187.80	5677.80	15%	0.59	10.77	13413.8	1.99:1	5.35	5.35
2013	37430.00	6182.30	16%	0.63	21.45	13508.1	1.8:1	4.77	4.60
2014	43423.80	7990.90	18%	0.53	26.64	19047.1	2.2:1	5.36	4.36
2015	46951.00	8714.00	18%	0.56	30.09	23771	2.2:1	5.30	3.34
2016	51247.80	9008.90	17%	0.04	20.27	26643.4	2.14:1	5.29	3.40

2017	55040.20	8517.90	15%	0.04	28.26	30941.3	2.3:1	5.62	5.86
Mean	37521.11	6307.59	16.2%	0.56	28.81	15588.27	1.95:1	5.33	4.96
S.D	11618.77	2121.46	1.13	0.31	13.37	9188.19	0.27	0.30	1.07
C.V (%)	30.97	33.63	6.98	55.36	46.41	58.94	13.85	05.63	21.57
CAGR (%)	10.66	10.11	-0.64	-26.25	-0.83	21.01	3.38	-0.18	-1.42

Source: Annual Report

Table 3 reveals that Wipro has as well maintained a consistent increase in Net Sales at a Growth Rate at 10.66 per cent with coefficient of variation 30.97 per cent. Wipro has maintained Profit After Tax to Sales Ratio at average of 16. 2 per cent. The Profit After Tax in absolute terms has decreased in the year 2017. The Debt Equity Ratio has changed from 0.84 to 0.04 last one decade. Wipro has maintained its Interest Coverage Ratio at an average of 28.81 times. The company's Net Working Capital has increased over the years. The current Ratio has doubled over the study period. Wipro's Accounts Receivables stays in the range of 5 to 6 times. Company maintains just enough of cash at average of 5 times.

CONCLUSION

The aim of the study is to analyze the financial performance of three companies from the IT Sector in India. The companies were selected on the basis of market capitalization. The financial parameters such as Sales, Profit After Tax, Long Term Debt To Equity, Interest Coverage, Working Capital, Debtors Turnover and Cash holdings of the companies were analyzed during the period from 2008 to 2017. The study showed that all the companies were better financial position with regard all the selected financial parameters.

REFERENCE:

1. Dr. Ashvin R. Dave and Ms. Devanshi R. Sha (2018)"Financial Performance Analysis of Indian Companies In Information Technology Sector", International Journal of Management Studies, Vol.-V, Issue -2(1), pp.45-50.
2. Dr. Pramod Bhargava (2017) " Financial Analysis Of Information And Technology Industry Of India (A Case Study Of Wipro Ltd And Infosys Ltd)", Journal Of Accounting, Finance, And Auditing Studies, Vol.3, No.3, Pp.1-13.
3. Dr. M Rajesh (2017) "A study on financial performance of care it solution private limited", International Journal of Commerce and Management Research, Vol.3; Issue 6; pp.No. 155-158.
4. Asma Khan & Jyoti Singhal (2015) "Growth and Profitability Analysis of Selected IT Companies", IRACST – International Journal of Commerce, Business and Management (IJCBM)-Vol. 4, No.3, pp.2319–2828.



Musavvira Mansoor

M.Com., Ph.D Research Scholar , Department of Commerce , Khadir Mohideen College, Adirampattinam , Thanjavur, District , Tamil Nadu.