

Saarth

E-Journal of Research

ISSN NO: 2395-339X

A STUDY ON FINANCIAL PERFORMANCE ANALYSIS OF SELECTED IT COMPANIES IN INDIA

NIRALI UNADKAT*

ABSTRACT:

India ranks in the top 15 for indicators such as ICT (Information and Communication Technology) services exports, graduates in science and engineering, government online services and R&D-intensive global companies. India ranked 52 in Global Innovation Index. That is the reason; an attempt has been made by the researcher to analyze the financial position of the selected IT companies in India. The research covers five years of data. In the present study researcher has used various profitability and liquidity ratios for analyzes. Here researcher used T – Test is been calculated. There is no significant difference between gross profit ratio and quick ratio. The investor can invest in TCS because overall performance was good of TCS.

KEYWORDS: Information Technology, Profitability, Liquidity, T – Test

INTRODUCTION:

The present word is technology's world; especially it is a computer world. In each and every field computer is being used and most of the works are done through computer. There are hardware and software both companies available in India, but the role of software companies in technology is very wide. Information Technology is moving fast now a day. IT has performing very major role in national economy in terms of considerable contribution to national gross domestic product and offers vital employment opportunity to computer brains. Information technology (IT) is the use of computers to store, retrieve, transmit, and manipulate data or information.

OVERVIEW OF INDUSTRY:

IT sector was born much after Indian Independence; the IT-ITeS sector has come a long way to become one of the pillars of modern India. 10 years ago, it contributed less than 5 percent to the country's GDP, today; it contributes nearly twice as much.

*NIRALI UNADKAT, Research Scholar, Department of Commerce, Saurashtra University, Rajkot

Saarth

E-Journal of Research

ISSN NO: 2395-339X

The IT industry's revenues are at an estimated \$190 billion, growing at 7.7 percent on a year-on-year basis and by 2025, they are expected to reach \$350 billion. The Indian IT sector is highly influenced by the rapidly dynamic situation in Europe and the US, which are two of its biggest markets and together contribute nearly 85percent of revenues.

LITRATURE REVIEW:

(Dr. Pramod Bhargava, 2017) Analyzed "FINANCIAL ANALYSIS OF INFORMATION AND TECHNOLOGY INDUSTRY OF INDIA" (A CASE STUDY OF WIPRO LTD AND INFOSYS LTD) Researcher analyzed that Infosys Ltd. was better than Wipro Ltd in the every parameter of the performance.

(Dr. Roopa T N, Prof. Chaya Devi H B, 2017) Analyzed "A STUDY ON FINANCIAL PERFORMANCE OF SELECT IT AND ITeS COMPANIES LISTED IN NSE, INDIA" By given the rank the researcher found that big companies had better performers and medium companies had compatible performers.

(Dr. Sachin Bhide, 2020) Analyzed "A STUDY ON FINANCIAL ANALYSIS OF SELECTIVE INDIAN IT COMPANIES BASED ON SPECIFIC RATIO "Profitability performance was good of TCS from all selected companies.

(Dr. Preeti Singh, 2012) Analyzed "ANALYSIS OF PROFITABILITY IN INFORMATION TECHNOLOGY ENABLED OUTSOURCING FIRMS IN INDIA" Researcher analyzed that investors and creditors had been indicated for ITES-BPO because of maximum profitability in coming years.

(Mr. Vishal J. Bhatt, Dr. Jagdish R. Raiyani, 2019) Analyzed "A STUDY ON FINANCIAL PERFORMANCE ANALYSIS OF SELECTED INFORMATION TECHNOLOGY (IT) COMPANIES IN INDIA" The researcher found that a profitability ratio was remarkable and different from each other and a liquidity ratio was reliable.

OBJECTIVES OF THE STUDY:

1. To understand financial health of IT companies in India.
2. To identify the different Liquidity ratios and profitability ratios.
3. To view the actual scenario of financial growth and stability in IT sector.

Saarth

E-Journal of Research

ISSN NO: 2395-339X

HYPOTHESIS OF STUDY:

Ho: There is no significant difference in Gross Profit Ratio of TCS and Infosys during the period of study.

H1: There is significant difference in Gross Profit Ratio of TCS and Infosys during the period of study.

Ho: There is no significant difference in Net Profit Ratio of TCS and Infosys during the period of study.

H1: There is significant difference in Net Profit Ratio of TCS and Infosys during the period of study.

Ho: There is no significant difference in Operating Profit Ratio of TCS and Infosys during the period of study.

H1: There is significant difference in Operating Profit Ratio of TCS and Infosys during the period of study.

Ho: There is no significant difference in Return on equity Ratio of TCS and Infosys during the period of study.

H1: There is significant difference in Return on equity Ratio of TCS and Infosys during the period of study.

Ho: There is no significant difference in Current Ratio of TCS and Infosys during the period of study.

H1: There is significant difference in Current Ratio of TCS and Infosys during the period of study.

Ho: There is no significant Quick difference in Ratio of TCS and Infosys during the period of study.

H1: There is significant difference in Quick Ratio of TCS and Infosys during the period of study.

SCOPE OF THE STUDY:

Present study restricted to the companies listed in National Stock Exchange. The top two companies selected in accordance with Market Capitalization. Study is limited to the five years from 2015-16 to 2019-20. Hence, there are wide scopes available for further research.

LIMITATION OF THE STUDY:

Present study completely based on secondary data and study covers only five years from 2015-16 to 2019-20. In research, only two IT companies selected based on market capitalization. Analysis in the present research carried out taking into account various ratios.

Saarth

E-Journal of Research

ISSN NO: 2395-339X

RESEARCH METHODOLOGY:

TITLE OF THE STUDY:

“A STUDY ON FINANCIAL PERFORMANCE ANALYSIS OF SELECTED IT COMPANIES IN INDIA”

NATURE OF THE STUDY:

The present research is analytical and quantitative in nature as here the financial performance of the selected IT companies of India analyzed through quantitative data.

SAMPLE SELECTION:

There are numerous IT companies working presently in India. Out of them, the researcher had selected two IT companies of India taking into account the aspects like; The Company listed in National Stock Exchange based on the Market Capitalization.

SAMPLE OF THE STUDY:

TCS(Tata Consultancy Services)

Infosys

COLLECTION OF DATA:

The relevant data in the present study collected through various secondary data sources. Here researcher collected data from various official sites and money control website as well as various reports, journal articles and books with in intention of carrying out the present research.

PERIOD OF THE STUDY:

The present research encompass study period of five years from 2015-16 to 2019-20.

TOOLS AND TECHNIQUES:

In the present study, various selected profitability and liquidity ratios are been used.

For the measurement of statistical tools T-test is been used.

Saarth

E-Journal of Research

ISSN NO: 2395-339X

ANALYSIS OF DATA:

TABLE no. 1: Ratios of TCS Ltd.

YEARS	Gross Profit Ratio(%)	Net Profit Ratio(%)	Operating Profit Ratio (%)	Return on Equity Ratio (%)	Current Ratio (%)	Quick Ratio (%)
2015-16	31.07	22.4	29.33	34.14	4.06	4.06
2016-17	30.96	22.34	29.28	30.49	5.53	5.53
2017-18	29.37	21.02	27.73	30.33	4.56	4.55
2018-19	29.91	21.54	28.51	35.18	4.17	4.17
2019-20	29.75	20.67	27.5	38.44	3.33	3.33

(Source: Money Control)

The above table shows the various ratios of the TCS. Gross profit ratio is highest in 2015-16 as well as lowest in 2017-18. Net profit ratio is highest in 2015-16 as well as lowest in 2019-20. operating profit ratio is highest in 2015-16 as well as lowest in 2019-20. Return on equity ratio is highest in 2019-20 as well as lowest in 2017-18. Current ratio is highest in 2016-17 as well as lowest in 2019-20. Quick ratio is highest in 2016-17 as well as lowest in 2019-20.

TABLE no. 2: Ratios of INFOSYS Ltd.

YEARS	Gross Profit Ratio(%)	Net Profit Ratio(%)	Operating Profit Ratio (%)	Return on Equity Ratio (%)	Current Ratio (%)	Quick Ratio (%)
2015-16	32.35	21.6	30.01	21.84	3.91	3.91
2016-17	31.66	21	29.17	20.8	3.83	3.83
2017-18	31.48	22.82	28.84	24.68	3.55	3.55
2018-19	27.88	18.63	25.45	23.71	2.84	2.84
2019-20	27.61	18.32	24.42	25.35	2.62	2.62

(Source: Money Control)

The above table shows the various ratios of the Infosys. Gross profit ratio is highest in 2015-16 as well as lowest in 2019-20. Net profit ratio is highest in 2017-18 as well as lowest in 2019-20. operating profit ratio is highest in 2015-16 as well as lowest in 2019-20. Return on equity ratio is highest in 2019-20 as well as lowest in 2016-17. Current ratio is highest in

Saarth

E-Journal of Research

ISSN NO: 2395-339X

2015-16 as well as lowest in 2019-20. Quick ratio is highest in 2015-16 as well as lowest in 2019-20.

TABLE no. 3: T – Test Analysis:

Particular	T stat	Two tailed
Gross Profit Ratio (%)	0.01	2.30
Net Profit Ratio(%)	1.19	2.30
Operating Profit Ratio (%)	0.76	2.30
Return on Equity Ratio (%)	5.96	2.30
Current Ratio (%)	2.20	2.30
Quick Ratio (%)	2.20	2.30

Here, the analysis of T – Test has been applied by research. So the null hypothesis is accepted in Return on equity ratio and the null hypothesis can't be accepted for other ratios. So there is no significant difference between gross profit ratio and quick ratio.

CONCLUSION:

There is no significant difference between gross profit ratio and quick ratio. Profitability ratio and liquidity ratio of TCS and Infosys is good. So the investor can invest in TCS because overall performance was good of TCS.

REFERENCES:

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, 3(3), 1-13

Dr. Preeti Singh. (2012, Jananuary-March). ANALYSIS OF PROFITABILITY IN INFORMATION TECHNOLOGY ENABLED OUTSOURCING FIRMS IN INDIA. GIAN JYOTI E-JOURNAL, 1(2).

Dr. Sachin Bhide. (2020, june 22). A Study on Financial Analysis of Selective Indian IT Companies Based on Specific Ratios.

Saarth

E-Journal of Research

ISSN NO: 2395-339X

Dr.Roop T N, Prof.Chaya Devi H B. (2017, November). A Study on Financial Performance of Select IT and ITeS Companies listed in NSE, India. International Journal of Latest Engineering and Management Research(IJLEMR), 02(11), 38-47.

Mr. Vishal J. Bhatt, Dr. Jagdish R. Raiyani. (2019, July-September). A Study on Financial Performance Analysis of Selected Information Technology (IT) Companies in India. SHODH SARITA, 6(23), 254-258.

Syeda Saria Musheer, Dr.L.Ganesamoorthy. (2017, April). FINANCIAL PERFORMANCE OF

SELECT INFORMATION TECHNOLOGY COMPANIES IN INDIA - WITH SPECIAL

472-474.REFERENCE TO PROFITABILITY. GLOBAL JOURNAL FOR RESEARCH ANALYSIS, 6(4), 472-474.