

Financial Performance of Five Major IT Companies

In partial fulfilment

Of the

Master of Business Administration

Prepared by

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Under the Guidance of

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Certificate

This is to certify that MOHITH B Reg no: 20182MBA0420, AKASH M D Reg no:20182MBA0488 has completed the project titled "Financial Performance of Five Major IT Companies" under my guidance in partial fulfillment of the Course Name 'Dissertation', Course Code: (MGT 502) in Master of Business Administration program.

Signature of Faculty Guide:

Name of the Faculty Guide:

DECLARATION

We, Mohith B and Akash M D Students of MBA 2-year (Finance and Data Science) 2019-2020 studying at Presidency University, Bangalore, declare that the project work entitled Financial Performance of Five Major IT Companies, was carried by us in the partial fulfilment of MBA program under the Presidency University.

This project was undertaken as a part of academic curriculum according to the university rules and norms. It is our original work. It is not submitted to any other University for any other purpose.

Date:

Place: Bangalore

Mohith B

Akash M D

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CHAPTER: 1

1.1 Introduction to the Study

The present world is technology world; especially it is a computer world. In each and every old computer is being used and most of the works are done through computer. Both hardware and software computer companies are in India, but the role of software companies in technology is vital. Information technology companies are progressing companies in India. They are playing an important role in the national economy in terms of a considerable contribution to national gross domestic product and offers wide employment opportunity to computer brains. This industry also helps the economy indirectly, by ways of increasing standard of livings of people by paying high salary, supporting other industries such as automobile, real estate etc., since the employees working in the industry are getting high salary and they seek for buying goods from the above industries. The industry also helps the economy by way of bringing considerable amount of foreign currency by getting business from foreign companies. Even more than fifty per cent of business of information technology companies is done in foreign companies.

As a progressing industry, investors in share market also seek to buy shares of information technology company, since there is scope for increase in share prices and able to get high return through divided, because of high earning capacity and scope for future development in the industry. From the point of view of the management and investors, performance of a company should be evaluated periodically by correcting their existing mistakes and make steps for further development in future as the investors want to see performance of the companies for taking their investment decisions. In management, financial management is playing an important role because finance is the backbone of every managerial activities, without finance an organization cannot undertake any business activity. Efficient financial management will help in successfully running of the business. Especially, studying portability performance of a company will bring out overall efficiency of the business, since profit is the primary objective of any business organization. Hence, analysing portability of selected information technology companies in India will be helpful.

1.2 Introduction about the Dissertation

Financial Performance analysis of IT companies is an attempt to find the factors influencing the profitability of selected IT Companies in India. And to determine the significance and meaning of the financial data,

In today's phenomena IT sector companies are well growing companies. So, it is very interesting to analyse the financial performance of those companies. Financial performance is the study of fund management, or the allocation of assets and liabilities over time under conditions of certainty and uncertainty. Analysing the IT sector companies is the systematic process of operating, deploying, maintaining, disposing and upgrading assets in the most cost-efficient and profit-yielding way possible. The term financial performance of IT sector companies covers investment management or financial management in the financial sector that manages investment funds for client accounts.

Service sector is an important sector in the Indian economy. This sector contributes more than profit per cent to national gross domestic products. Among the sector information technology industry is playing key role in the ways of providing technologies to other industries, providing more employment opportunities, bringing foreign currencies, increasing standard of livings of the people, supporting other industries and so on. Hence investors are also eager to invest in the sector by buying shares of leading IT companies. Shares of all company is fluctuating in the market, the fluctuating may be either upward or downward. Good performance of a company will increase share prices of the company and vice versa. Profit is the primary objective of any business organization and analysing portability will bring overall performance of a company. Hence the researchers have analysed portability of selected information technology companies in India.

Objective of the study:

- To analyse the Key Performance Ratios of selected IT Company in India (2016-2020)
- To analyse market price of selected IT companies (2009 – 2019)

Tools used for Analysis

Ratio analysis is a technique adopted to analysis and interpret general financial statements 2019 to assess the profitability position. Further a comprehensive analysis is carried on stock prices of IT companies by applying required statistical techniques using data analytical tool. (python)

The companies for this study are selected based on top 5 market capitalization of IT Services & Consulting.

The following are the selected companies.

1. TCS
2. Infosys
3. HCL Tech
4. Wipro
5. Tech Mahindra

COMPANY PROFILE

1.3 TATA Consultancy Services Limited (TCS)

TATA Consultancy Services Limited (TCS) is the biggest Indian multinational information technology (IT) service and consulting company, and is headquartered in Mumbai, Maharashtra, India. It is a subsidiary of Tata Group and operates in 149 locations across 46 countries.

- **Vision and Mission:**

"TCS' vision is to decouple business growth and ecological footprint from its operations to address the environment bottom-line. The green approach is embedded in our internal processes and services offerings..... From green buildings to green IT to a green supply chain, our mantra is to grow sustainably and help our customers achieve sustainable growth through our green solutions and service offerings"

- **Growth Potential:**

According to Brand Finance IT Services 15 annual report for 2018, TCS now has a total brand value of US \$10.391 billion – a growth of 14.4% from last year's total of \$9.081 billion, with an increase of \$1.309 billion. The new value is the fastest incremental growth of all companies in the industry, and places TCS in the top three most valuable brands in the global IT services sector along with IBM and Accenture.

- **Market Price:**



Infosys

Infosys is a global leader in next-generation digital services and consulting. We enable clients in 46 countries to navigate their digital transformation. With nearly four decades of experience in managing the systems and workings of global enterprises, we expertly steer our clients through their digital journey.

Vision “To be a globally respected corporation that provides best-of-breed business solutions, leveraging technology, delivered by best-in-class people.”

Mission “To achieve our objectives in an environment of fairness, honesty, and courtesy towards our clients, employees, vendors and society at large.”

- **Growth Potential:**

Infosys NSE 5.83 % is likely to grow faster than larger rival TCSNSE 6.15 % this fiscal year, analysts said, on the back of its acquisitions and competitive pricing strategy. Over the past two years, the software services provider has been investing in an aggressive sales and marketing team and to attract digital- tech-focused deals.

The company decided to build long-term relationships with strategic clients, including telecom major Verizon and hired deal directors to chase large deals.

- **Market Price:**



Wipro Limited (Wipro)

Wipro Limited (Wipro), incorporated on December 29, 1945, is a global information technology (IT), consulting and business process service provider. It operates through two segments: IT Services and IT Products. The Company's IT Services business provides a range of IT and IT-enabled services. IT Products segment provides a range of third-party IT products, which allows it to offer IT system integration services.

Vision "To earn our clients' trust and maximize the value of their business by providing solutions that integrate deep industry insights, leading technologies and best in class delivery process."

- **Growth Potential:**

Wipro NSE 1.32 %, one of the top five software services providers in India, is planning to boost its sales team, as the Bengaluru-based company tries to stem a years-long under-performance with growth lagging far behind rivals.

IT companies have begun scaling up sales teams to help win larger traditional deals as well as smaller digital mandates. In fact, when Infosys NSE 5.83 % CEO Salil Parekh took over in 2018, one of his top priorities was to strengthen the company's large-deals team.

- **Market Price:**



Tech Mahindra Limited

Tech Mahindra Limited is an Indian multinational subsidiary of the Mahindra Group, providing information technology (IT) services and business process outsourcing (BPO) to companies in various vertical and horizontal markets. Anand Mahindra is the Chairman of Tech Mahindra, which is headquartered at Pune and has its registered office in Mumbai.

Mission Statement

Tech Mahindra represents the connected world, offering innovative and customer-centric information technology services and solutions, enabling Enterprises

Vision Statement

Educated, skilled and able women and men are a country's true strength.

Growth Potential:

Tech Mahindra's 2018-19 fourth quarter results were a mixed bag. The company's telecom segment, which contributes around 40% to its revenue, has sustained its growth momentum. It grew 4% year-on-year in dollar terms, making it the third successive quarter of healthy growth.

Market Price:



HCL Technologies (HCL)

HCL Technologies Limited is an Indian multinational information technology (IT) service and consulting company headquartered in Noida, Uttar Pradesh. It is a subsidiary of HCL Enterprise. Originally a research and development division of HCL, it emerged as an independent company in 1991 when HCL entered into the software services business.

Mission Statement: We will be the employer of choice and the partner of choice by focusing on our stated values of Employees First, Trust, Transparency, Flexibility and Value Centricity.

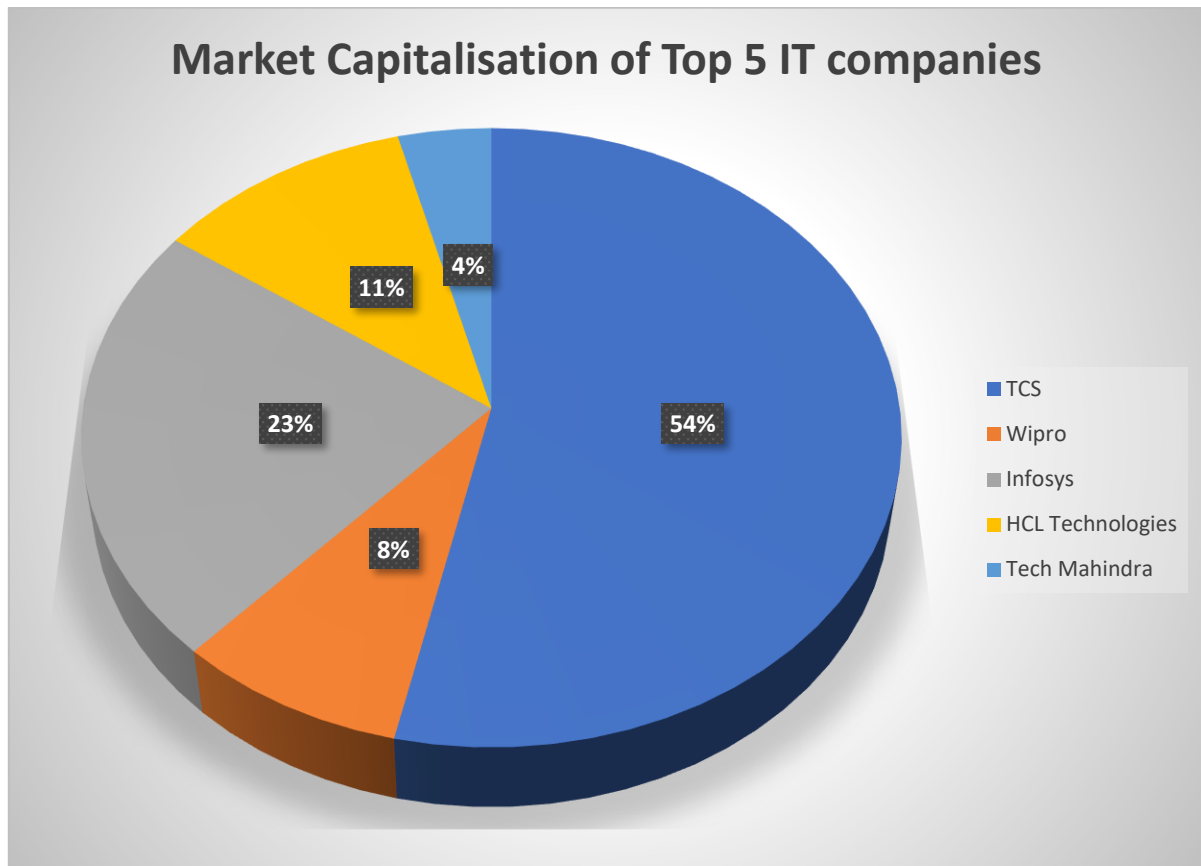
Growth Potential:

ET Intelligence Group: HCL Technologies, the country's third largest software exporter based on revenue, is likely to deliver double-digit growth in the ongoing fiscal year, driven by the recently integrated portfolio of some IBM products and growth in existing business. This would help the company report faster revenue growth for fiscal 2020 than larger rivals Tata Consultancy Services and Infosys, even as its relatively attractive valuation might keep the stock on investors' radar.

Market Price:



Overview of Market Capitalization of Selected Companies



CHAPTER: 2

2.1 Literature Review

- **literature review**

Some important research works undertaken in recent years which are very closely connected with the present study are reviewed.

1. **Vineet Singh (2016)** in their study evidenced that Return on Equity of TCS was better than Return on Equity of Wipro, also Return on Investment of TCS is better than Return on Investment of Wipro. the result also showed that there was significant difference between ROE and ROI of TCS and ROE and ROI of Wipro.

2. **Hema A.S (2014)** analysed the financial performance of Tata Consultancy services Ltd. the study evidenced that both short term and long-term liquidity position of TCS is good. The Company has efficiently managed its net worth and total assets for maximizing the profits.

3. **Emilio Barucci (2015)** in his entitled on “**Asset management, High Water Mark and flow of funds**” analysed the asset manager’s portfolio problem when he is remunerated through a High-Water Mark incentive fee, management fee, and the assets under management are characterized by in/outflow of funds as a function of the performance of the fund with respect to a benchmark. In this study solve numerically the investment problem, they show that the presence of a flow fund induces risk in excess in case of a High-Water Mark defined on the pure performance of the fund. The study conclude that High Water Mark assets management leads to a more prudent investment strategy.

4. **George Chacko (2016)** in his study entitled on “**An index-based measure of liquidity**” revealed the liquidity shocks of ’08–’09 revealed that measures of liquidity risk being used in most financial institutions turned out to be woefully inadequate. The study examined the construction of long-short portfolios based on liquidity proxies introduces errors such as extraneous risk factors and hedging error. The researcher also developed a new measure for liquidity risk using exchange traded funds (ETFs) that attempts to minimize this error. The researcher also explained the theoretically-

supported measure that is long ETFs and short the underlying components of that ETF, i.e., long and short a similar set of underlying securities with the same weights. The researcher also stated pricing discrepancies between the long and short positions are driven by liquidity differences between the ETF and its underlying components. In this study the constructing liquidity risk factors in a number of markets, they undertake several tests to validate our new liquidity metric. The findings of the study show that their illiquidity measure is strongly related to other measures of illiquidity, explains bond index returns, and reveals a systematic illiquidity component across fixed-income markets.

5. **Martijn Cremers (2016)** in his study entitled **“Indexing and active fund management: International evidence”** investigated about the relation between indexing and active management in the mutual fund industry worldwide. The researcher analysed the explicit indexing and closet indexing by active funds are associated with countries’ regulatory and financial market environments. The researcher actively managed funds are more active and charge lower fees when they face more competitive pressure from low-cost explicitly indexed funds. A quasi-natural experiment using the exogenous variation in indexed funds generated by the passage of pension laws supports a causal interpretation of the results. The researcher also adopted the average alpha generated by active management is higher in countries with more explicit indexing and lower in countries with more closet indexing. The study suggests that explicit indexing improves competition in the mutual fund industry.

6. **Zafar S.M.Tariq & Khalid S.M (2012)** the study explored that ratios are calculated from financial statements which are prepared as desired policies adopted on depreciation and stock valuation by the management. Ratio is simple comparison of numerator and a denominator that cannot produce complete and authentic picture of business. Results are manipulated and also may not highlight other factors which affect performance of firm by promoters.

7. **Agyemang & Ryan (2013)** examines organizational change processes that occur when accountability demands from powerful external stakeholder's change. It investigates, firstly, whether these external accountability demands impact on the performance management systems of two different types of organizations. Secondly, it considers whether the goals for improved performance contained within the external accountability demands are realized. In the public sector case study, the organizations tended to reorient their performance management systems towards the external accountability demands; whilst in the private sector organization, pressures from falling share prices forced managers to focus their decision making on the preferred performance measures contained in shareholders' accountability demands.

8. **Schiuma (2012)** Knowledge represents one of the fundamental constituent parts of any organization and it can be incorporated into people's abilities or ingrained into structural and technological capital. Thus, management of knowledge is at the core of organization's business growth. In the light of this reflection this special issue pays attention to two main perspectives. First, recognizing that knowledge, likewise any other organization's resource, needs management means to support its allocation and development, the frameworks and tools aiming to identify, manage and assess the critical knowledge resources for growth are focused on. Second, acknowledging that the translation of knowledge into business outcomes requires management mechanisms, and then considering the knowledge processes grounding the improvement of performance.

- **2.2 Need for the Study**

Finance is defined as the provision of money at the time when it is required. Every enterprise, whether big, medium, or small, needs finance to carry on its operations and to achieve its targets. In fact, finance is so indispensable today that it is rightly said to be the lifeblood of an enterprise. Without adequate finance, no enterprises can possibly accomplish its objectives. Finance refers to the management of flow of money through an organization. A subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. Financial statement analysis is largely a study of relationship among the various financial factors in a business as disclosed by a single set of statements. It is a process of

evaluating the relationships component parts of a financial statement to obtain a better understanding of a firm's positions and performance.

Financial Performance analysis of IT companies is an attempt to find the factors influencing the profitability of selected IT Companies in India. And to determine the significance and meaning of the financial data so that forecast may be made for the future expected revenues and expense of the selected IT companies.

• **2.3 RESEARCH GAPS**

- ❖ During the research, finding and gathering the information about the financial performance of all the 5 companies is difficult as we cannot find many researches and papers on this topic.
- ❖ Collecting information is bit difficult as the company will not support to disclose all the information that we need directly and indirectly.
- ❖ Many literature reviews are on the financial performance of any one selected IT company, there are no researchers who have written on the financial performance of top 5 companies in India as it is a very rare topic.
- ❖ There are a smaller number of researches made on financial performance of IT companies
- ❖ financial performance of IT companies carries the both profitability and Forecasting market share of selected companies, they are the main aspects of researches of this study hence the study is lengthier and more complicated to understand.

• **2.4 Limitations of the Study**

This study carries on projecting the actual financial position of Indian IT sector. But it contains two limitations as it has only considered the financial indices and absolutely disregards the human resources which are inevitable for this type of industry because IT is purely knowledge-based industry. Another limitation of this study is that we are taking only five IT companies Annual Reports that may limit our discussion.

- The study depends upon the secondary data collected i.e. various kinds of reports of IT sector companies
- The entire financial position of the company cannot be disclosed.

- All the limitations of secondary data are applicable for this study.
- This study based on the historical data and information provided in the reports.

- **2.5 SCOPE FOR FURTHER RESEARCH**

The present study is basically dealing with the financial performance of Indian IT sector after post liberalized period. To discuss the financial position of IT sector in India we have taken top five companies and analyse their annual reports to view the actual scenario of financial growth and stability in this sector. In course of the study, it has been felt that some future research may be carried on in relation to this IT industry. A few such areas are mentioned below-

1. Future performance and prospect of Indian IT industry may be another important of research.
2. Comparative study on Indian IT industry with other type of industries like construction, manufacturing, iron and steel industry etc. in India may be another important of research.
3. Comparison of financial condition of Indian IT industry with one or more than one other countries IT industry may become another area of research work.

- **Topic chosen for study**

“Financial Performance of Five Major IT Companies”

CHAPTER: 3

3.1 Research Design

Statement of the Problem

Service sector is an important sector in the Indian economy. This sector contributes more than fifty per cent to national gross domestic products. Among the sector information technology industry is playing key role in the ways of providing technologies to other industries, providing more employment opportunities, bringing foreign currencies, increasing standard of livings of the people, supporting other industries and so on. Hence investors are also eager to invest in the sector by buying shares of leading IT companies. Shares of all company is fluctuating in the market, the fluctuating may be either upward or downward. Good performance of a company will increase share prices of the company and vice versa. Profit is the primary objective of any business organization and analysing portability will bring overall performance of a company. Hence the researchers have analysed portability of selected information technology companies in India.

Objectives of the study

The study has been undertaken with the following objective

- To analyse the profitability position of selected IT Companies in India.
- To analyse market price of selected IT companies (2009 – 2019)

All the analysis is based on balancesheet, cashflow statement, income statement of 2016 - 2019 data, For Market Price analysis year 2014 - 2020 data is used,

3.2 Hypothesis

A hypothesis is a speculation or theory, based on insufficient evidence, that lends itself to further testing and experimentation. With further testing, a hypothesis can usually be proven true or false. Hypothesis formulated under the study are as follows: For the present study we have selected 2 companies TCS and WIPRO because TCS market price is more volatile since 2014 and Wipro market price is stable / less volatile since 2014, hypotheses were tested with the help of statistical tools.

The statements of hypothesis were as under

- H₀(1) There is no significant difference between ROE of TCS and Wipro.
- H_a(1) There is a significant difference between ROE of TCS and Wipro.
- H₀(2) There is no significant difference between ROI of TCS and Wipro.
- H_a(2) There is a significant difference between ROI of TCS and Wipro.

The above hypotheses will be tested through t-test. because t test tells you how significant the differences between groups are; In other words, it lets you know if those differences (measured in means/averages) could have happened by chance and T test is one of the most commonly used techniques for testing a hypothesis.

3.3 Data Collection Methods

- Secondary data is used for the study. The required data for the study is collected and compiled from “PROWESS” database of Centre for Monitoring Indian Economy (CMIE) for the period from 2014-2015 to 2019-2020 (5 Years) which is a reliable and empowered corporate database
- Ratio analysis is a technique adopted to analysis and interpret general financial statements to assess the profitability position. Further a comprehensive analysis is carried on stock prices of IT using data analytical tool.
- The companies for this study are selected based on top 5 market capitalization of IT Services & Consulting. The following are the selected companies.
 - TCS
 - Infosys
 - HCL Tech
 - Wipro
 - Tech Mahindra

SAMPLING DESIGN

As we are working on the secondary data which is available in the company’s database. We don’t require to do survey, so there is no sampling design.

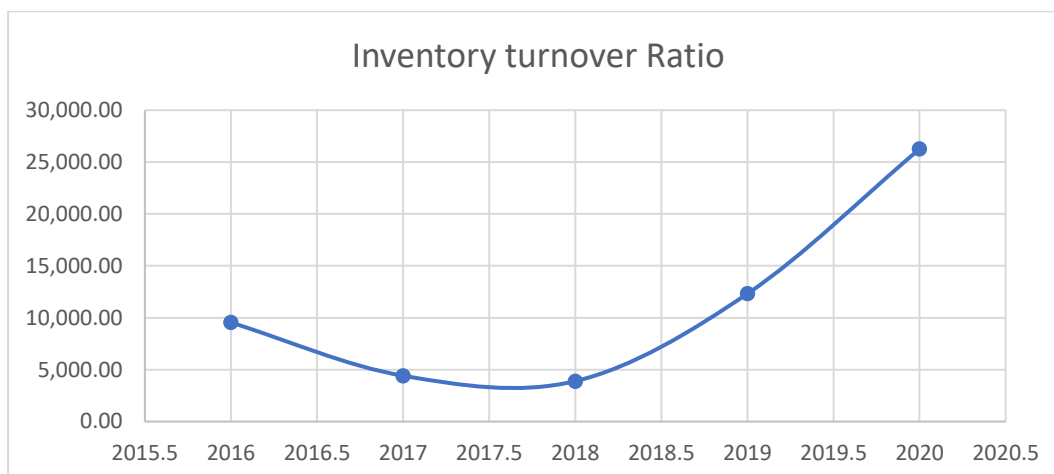
CHAPTER: 4

4.1 Data Analysis and Interpretation

TATA Consultancy Services Limited (TCS)

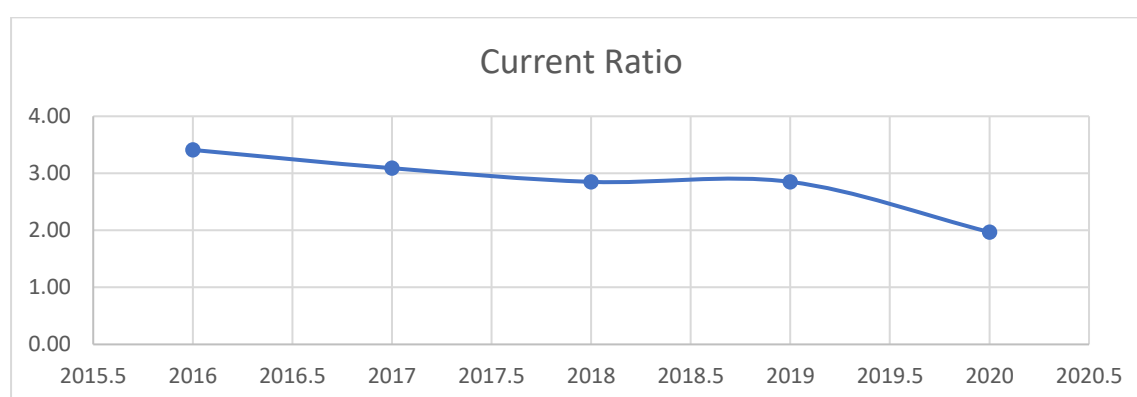
Key Financial ratios data and Cash Flow Data at (Appendix 1.1)

- The Inventory turnover is a measure of the number of times inventory is sold or used in a time period such as a year. The equation for inventory turnover equals the cost of goods sold or net sales divided by the average inventory. The above table shows about the Inventory Turnover Ratio, in that we can see an increasing trend i.e.: - in 2016 the ratio was 9,540.44 and when it became 2020 the ratio increased to 26,261.20 and in 2019 the ratio was extremally increased from 3,894 to 12,317



- Earnings per share is reduced from 117.11 in 2016 to 88.69 in 2020, But Dividend per share is increased from 43.50 to 73.00. we can see a consistent growth from 2016 to 2020 in dividends pay-out
- Even though Gross Profit reduced in 2018, It have picked up in 2019 and 2020 and way back to increasing. Net Profit Margin is constantly moving slowly.
- The net profit percentage is the ratio of after-tax profits to net sales. It reveals the remaining profit after all costs of production, administration, and financing have been deducted from sales, and income taxes recognized. From 2016 to 2019 Net Profit margin is falling. But in the year 2020 it is getting increased. The highest net profit was in the year 2016.

- The return on total assets is a ratio that measures an IT company's earnings before interest and taxes (EBIT) against its total net assets. The ratio is considered to be an indicator of how effectively a company is using its assets to generate earnings before contractual obligations must be paid. The highest ratio was in the year 2016(329.94).
- Current ratio is constantly decreasing, Generally, Current Ratio Shows a decreasing trend in each year and It shows the ability of your business to generate cash to meet its short-term obligations. A decline in this ratio can be attributable to an increase in short-term debt, a decrease in current assets, or a combination of both.



- The quick ratio is a financial ratio used to gauge a IT company's liquidity. The quick ratio is also known as the acid test ratio. The quick ratio compares the total amount of cash + marketable securities + accounts receivable to the amount of current liabilities. The table shows a decreasing trend of quick ratio. Because from 2016 to 2020 the quick ratio is reducing. The highest ratio was in the year 2016 (3.27) and lowest ratio was in the year 2020 (1.89).
- Financial Activities of TCS is going down as shown in the graph, Operations and Investments are slightly increasing year by year. Net cashflow is stable





TCS CASH FLOW							
From Operations	Rs m	193,688	191,090	252,230	250,670	285,930	
From Investments	Rs m	-17,013	-51,500	-167,320	28,860	15,960	
From Financial Activity	Rs m	-171,676	-96,660	-110,260	-268,850	-278,970	
Net Cashflow	Rs m	3,940	44,330	-26,980	12,860	23,410	

Infosys (Key Financial ratios data and Cash Flow Data at (Appendix 1.2))

- Current Ratio: The company's current ratio deteriorated and stood at 3.03 during FY19, from 3.83 during FY18. The current ratio measures the company's ability to pay short-term and long-term obligations.
- Operating income during the year rose 17.2% on a year-on-year (YoY) basis.
- The company's operating profit increased by 6.8% YoY during the fiscal. Operating profit margins witnessed a fall and stood at 24.4% in FY19 as against 26.8% in FY18.
- Depreciation charges increased by 7.9% increased by 0.0% YoY, respectively.
- Other income declined by 13.0% YoY. Net profit for the year declined by 3.9% YoY. Net profit margins during the year declined from 21.7% in FY18 to 18.0% in FY19.
- Dividend per share was 24.25 in 2016 and in 2020 dividend per share is 17.50 its increased, even the earning per share is reducing 2016 was 55.26, and EPS in 2020 is 36.50,
- Return on assets as of 2020 it is 146.16, but in 2016 it as 265.93
- The company's current liabilities during FY19 stood at Rs 186 billion as compared to Rs 141 billion in FY18, thereby witnessing an increase of 32.1%.
- Current assets rose 6% and stood at Rs 529 billion, while fixed assets rose 21% and stood at Rs 171 billion in FY19.
- Overall, the total assets and liabilities for FY19 stood at Rs 847 billion as against Rs 799 billion during FY18, thereby witnessing a growth of 6%.

FINANCIAL PERFORMANCE OF FIVE MAJOR IT COMPANIES

- INFOSYS's cash flow from operating activities (CFO) during FY19 stood at Rs 148 billion, an improvement of 12.3% on a YoY basis. Cash flow from investing activities (CFI) during FY19 stood at Rs -6 billion on a YoY basis. Cash flow from financial activities (CFF) during FY19 stood at Rs -145 billion, an improvement of 29% on a YoY basis. Overall, net cash flows for the company during FY19 stood at Rs -3 billion from the Rs -28 billion net cash flows seen during FY18.

INFOSYS CASH FLOW							
From Operations	Rs m	83,530	100,280	115,310	132,180	148,410	
From Investments	Rs m	10,880	-9,010	-145,420	44,520	-5,750	
From Financial Activity	Rs m	-49,350	-68,130	-69,390	-205,050	-145,120	
Net Cashflow	Rs m	45,060	23,300	-100,720	-27,540	-3,030	

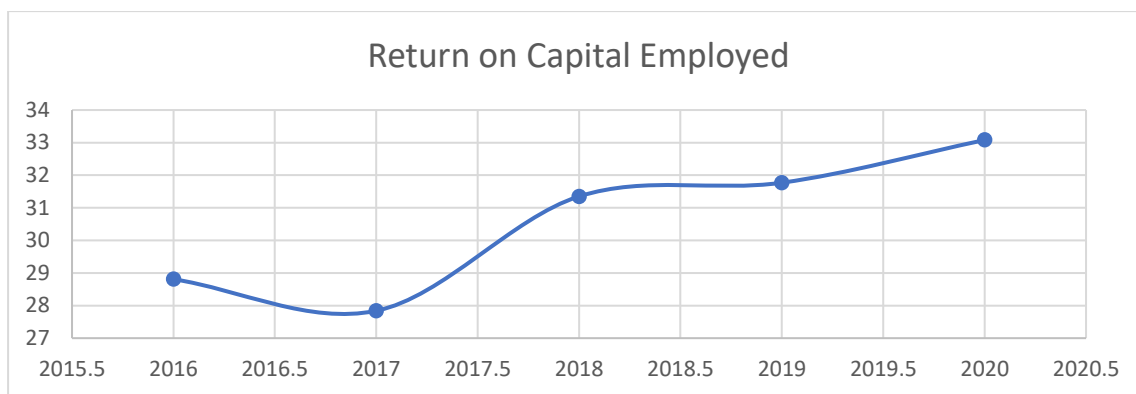
- The trailing twelve-month earnings per share (EPS) of the company stands at Rs 35.5, an decline from the EPS of Rs 73.8 recorded last year.
- The price to earnings (P/E) ratio, at the current price of Rs 716.0, stands at 20.3 times its trailing twelve months earnings.
- The price to book value (P/BV) ratio at current price levels stands at 4.4 times, while the price to sales ratio stands at 3.5 times. The company's price to cash flow (P/CF) ratio stood at 18.0 times its end-of-year operating cash flow earnings.

Profitability Ratios

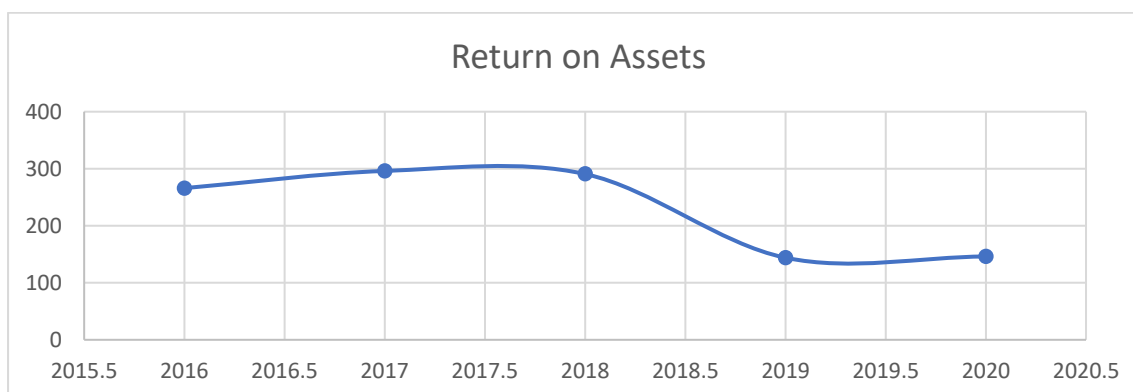
- Return on Equity (ROE): The ROE for the company declined and down at 23.7% during FY19, from 24.7% during FY19. The ROE measures the ability of a firm to generate profits from its shareholders capital in the company.

FINANCIAL PERFORMANCE OF FIVE MAJOR IT COMPANIES

- **Return on Capital Employed (ROCE):** The ROCE for the company improved and stood at 32.4% during FY19, from 31.2% during FY18. The ROCE measures the ability of a firm to generate profits from its total capital (shareholder capital plus debt capital) employed in the company.







- **Return on Assets (ROA):** The ROA of the company declined and down at 150 during FY19, from 300 during FY18. The ROA measures how efficiently the company uses its assets to generate earnings.



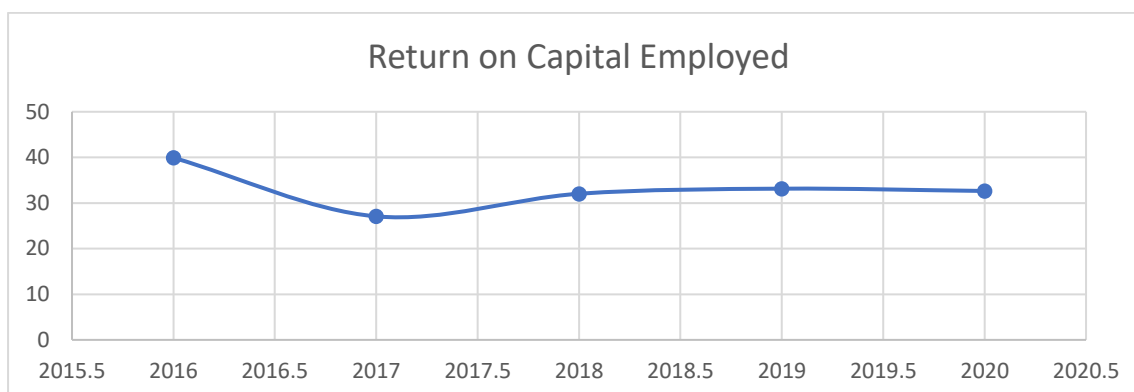
HCL Tech (Key Financial ratios data and Cash Flow Data at (Appendix 1.3))

- Depreciation charges increased by 49.9% and finance costs decreased by 74.8% YoY, respectively. Other income grew by 674.9% YoY. Net profit for the year grew by 16.0% YoY. Net profit margins during the year declined from 16.8% in FY18 to 14.5% in FY19.
- The company's current liabilities during FY19 stood at Rs 116 billion as compared to Rs 101 billion in FY18, thereby witnessing an increase of 15.2%.
- Long-term debt stood at Rs 30 billion as compared to Rs 3 billion during FY18, a growth of 780.8%.
- Current assets rose 21% and stood at Rs 297 billion, while fixed assets rose 21% and stood at Rs 231 billion in FY19.
- Overall, the total assets and liabilities for FY19 stood at Rs 586 billion as against Rs 480 billion during FY18, thereby witnessing a growth of 22%.
- HCL TECHNOLOGIES's cash flow from operating activities (CFO) during FY19 stood at Rs 90 billion, an improvement of 7.7% on a YoY basis. Cash flow from investing activities (CFI) during FY19 stood at Rs -31 billion, an improvement of 34.6% on a YoY basis. Cash flow from financial activities (CFF) during FY19 stood at Rs -15 billion, an improvement of 74% on a YoY basis. Overall, net cash flows for the company during FY19 stood at Rs 42 billion from the Rs 4 billion net cash flows seen during FY18.

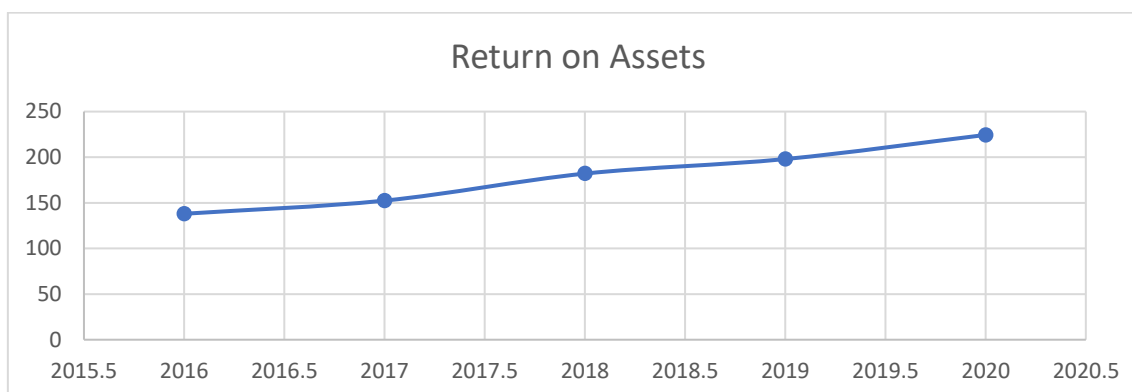
HCL TECHNOLOGIES CASH FLOW							
From Operations	Rs m	89,951	89,951	83,280	83,280	89,710	
From Investments	Rs m	-38,330	-38,330	-22,830	-22,830	-30,730	
From Financial Activity	Rs m	-45,170	-45,170	-57,140	-57,140	-14,620	
Net Cashflow	Rs m	5,881	5,881	3,780	3,780	42,350	

- Operations was constantly declining till 2018, later on HCL Expands Operations that's results from 2018 constant increasing.
- Operating income during the year rose 19.5% on a year-on-year (YoY) basis.
- The company's operating profit decreased by 53.0% YoY during the fiscal. Operating profit margins witnessed a fall and stood at 8.7% in FY19 as against 22.2% in FY18.
- The trailing twelve-month earnings per share (EPS) of the company stands at Rs 74.6, an improvement from the EPS of Rs 62.6 recorded last year.
- The price to earnings (P/E) ratio, at the current price of Rs 1,085.6, stands at 15.4 times its trailing twelve months earnings. The price to book value (P/BV) ratio at current price levels stands at 3.3 times, while the price to sales ratio stands at 2.2 times.
- The company's price to cash flow (P/CF) ratio stood at 12.6 times its end-of-year operating cash flow earnings.
- **Current Ratio:** The company's current ratio improved and stood at 2.6x during FY19, from 2.4x during FY18. The current ratio measures the company's ability to pay short-term and long-term obligations.
- **Interest Coverage Ratio:** The company's interest coverage ratio improved and stood at 726.4x during FY19, from 160.6x during FY18. The interest coverage ratio of a company states how easily a company can pay its interest expense on outstanding debt. A higher ratio is preferable.
- **Return on Equity (ROE):** The ROE for the company improved and stood at 24.5% during FY19, from 24.0% during FY18. The ROE measures the ability of a firm to generate profits from its shareholders capital in the company.

- **Return on Capital Employed (ROCE):** The ROCE for the company is neutral from 2018. The ROCE measures the ability of a firm to generate profits from its total capital (shareholder capital plus debt capital) employed in the company.



- **Return on Assets (ROA):** The ROA of the company is constantly increasing year after year. The ROA measures how efficiently the company uses its assets to generate earnings







- **Inventory ratio:**



Wipro (Key Financial ratios data and Cash Flow Data at (Appendix 1.4))

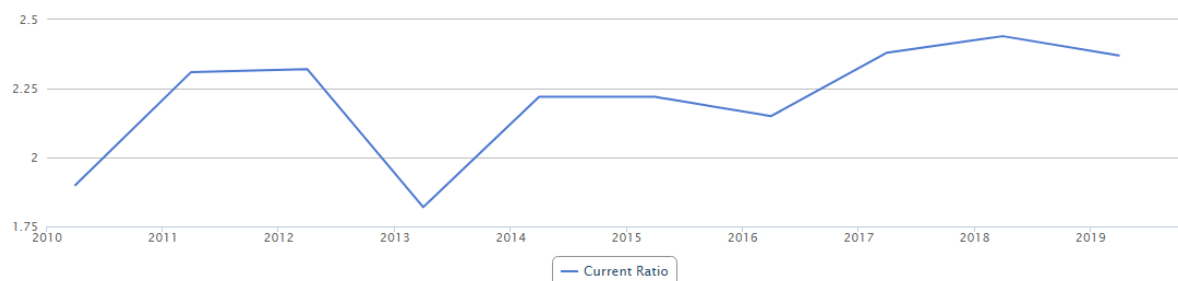
- All the cash flow activities of Wipro are going smooth, but there is no improvement as all the activities is same year after year. There is no improvement. Operating income during the year rose 7.5% on a year-on-year (YoY) basis. Cash flow from investing activities (CFI) during FY19 stood at Rs 50 billion, an improvement of 40.9% on a YoY basis, Cash flow from financial activities (CFF) during FY19 stood at Rs -49 billion, an improvement of 62% on a YoY basis. Overall, net cash flows for the company during FY19 stood at Rs 118 billion from the Rs -10 billion net cash flows seen during FY18, WIPRO's cash flow from operating activities (CFO) during FY19 stood at Rs 116 billion, an improvement of 38.1% on a YoY basis.

WIPRO CASH FLOW							
From Operations	Rs m	78,404	78,873	92,773	84,233	116,316	
From Investments	Rs m	-25,957	-138,156	-116,283	35,578	50,126	
From Financial Activity	Rs m	-8,297	-1,587	-22,752	-129,978	-49,369	
Net Cashflow	Rs m	44,150	-60,321	-47,674	-9,792	117,599	

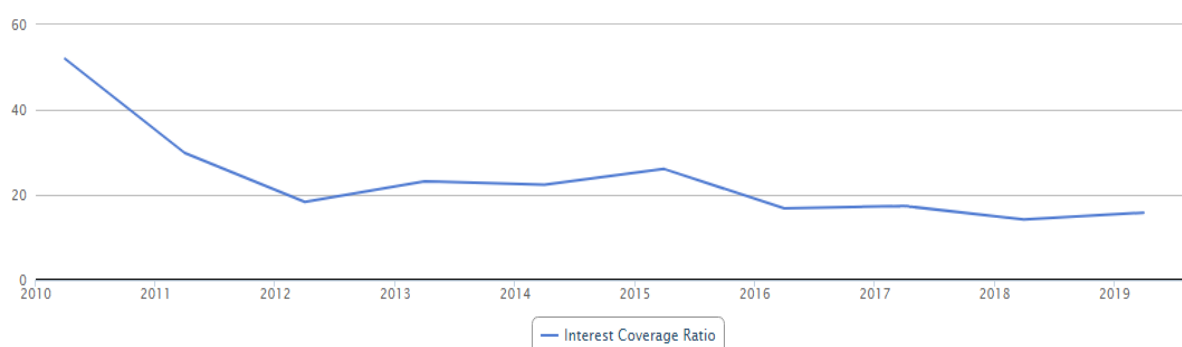
- Depreciation charges decreased by 7.8% and finance costs increased by 26.5% YoY, respectively. Other income grew by 2.6% YoY. Net profit for the year grew by 12.7% YoY. Net profit margins during the year grew from 14.0% in FY18 to 14.7% in FY19.
- The company's current liabilities during FY19 stood at Rs 214 billion as compared to Rs 214 billion in FY18, thereby witnessing an increase of 0.4%. Long-term debt down at Rs 28 billion as compared to Rs 45 billion during FY18, a fall of 37.3%.
- Current assets rose 13% and stood at Rs 572 billion, while fixed assets rose 1% and stood at Rs 197 billion in FY19. Overall, the total assets and liabilities for FY19 stood at Rs 829 billion as against Rs 757 billion during FY18, thereby witnessing a growth of 10%.

FINANCIAL PERFORMANCE OF FIVE MAJOR IT COMPANIES

- **Current Ratio:** The company's current ratio reducing and stood 1.34 during FY19, from 1.37 during FY18. The current ratio measures the company's ability to pay short-term and long-term obligations.



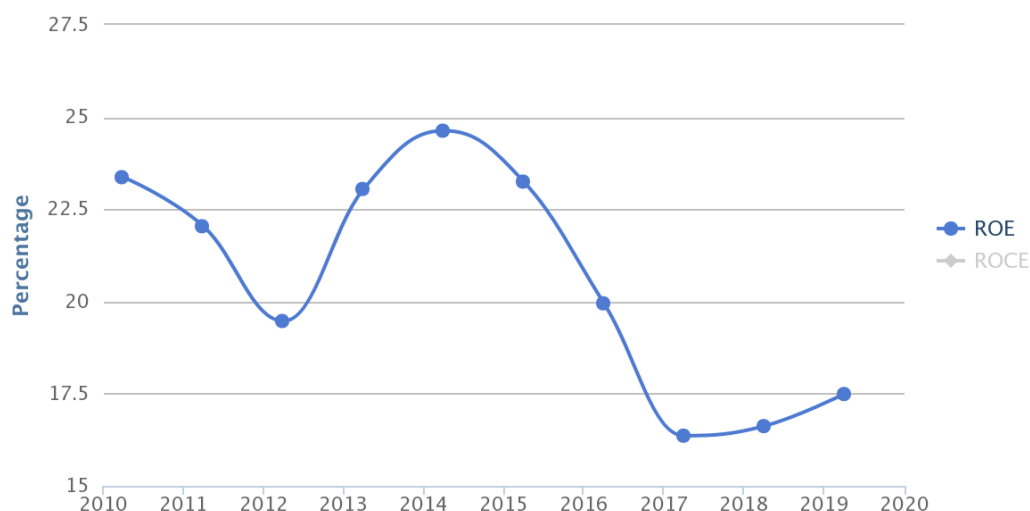
- **Interest Coverage Ratio:** The company's interest coverage ratio deteriorated and stood at 16.7x during FY19, from 18.6x during FY18. The interest coverage ratio of a company states how easily a company can pay its interest expense on outstanding debt. A higher ratio is preferable.



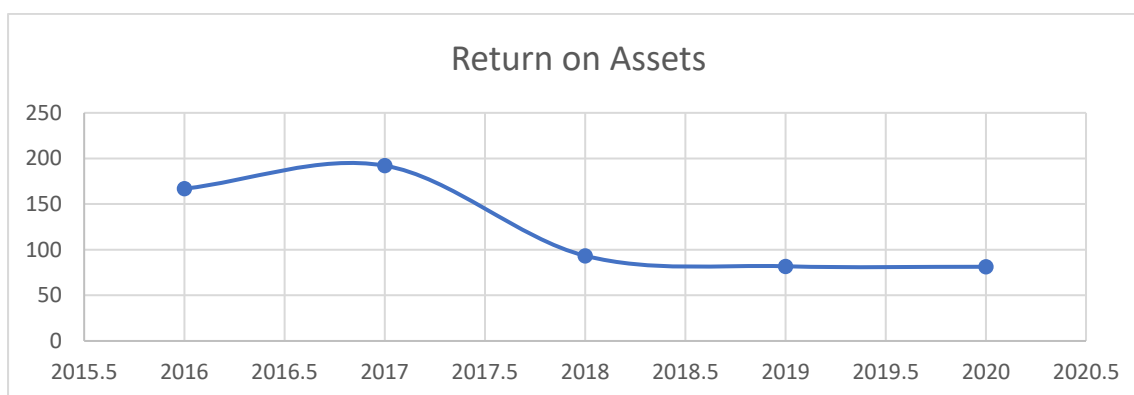
An interest coverage ratio less than 1.5 is a red flag. The higher the ratio the less a company is burdened by debt. If a company has no debt or the loan interest is being paid by interest income from investments or other activities the ratio is zero which of course is excellent. A negative ratio tells us that the company cannot even pay its interest on loans from its operating income, stay far away from such companies.

FINANCIAL PERFORMANCE OF FIVE MAJOR IT COMPANIES

- **Return on Equity (ROE):** The ROE for the company declined and down at 16.0% during FY17, from 17.5% during FY19. The ROE measures the ability of a firm to generate profits from its shareholders capital in the company.

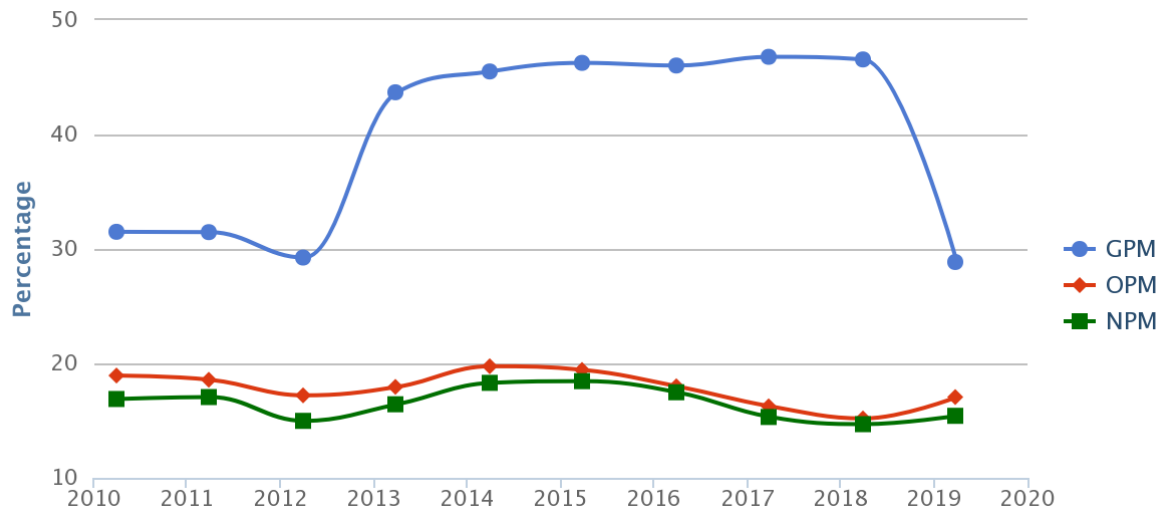


- **Return on Capital Employed (ROCE):** The ROCE for the company improved and stood at 20.7% during FY19, from 20.6% during FY18. The ROCE measures the ability of a firm to generate profits from its total capital (shareholder capital plus debt capital) employed in the company.
- **Return on Assets (ROA):** The ROA of the company improved and stood at 11.8% during FY19, from 11.3% during FY18. The ROA measures how efficiently the company uses its assets to generate earnings.



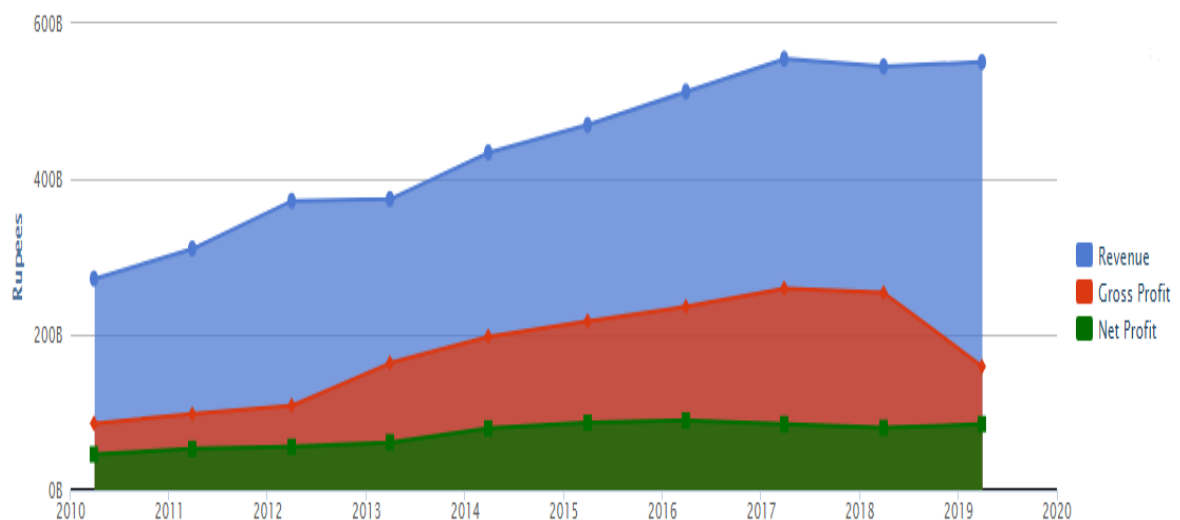
FINANCIAL PERFORMANCE OF FIVE MAJOR IT COMPANIES

Profitability Ratios:



The most important ratio is Net Profit Margin percentage or Net margin. It tells us how much out of every sale WIPRO gets to keep after everything else has been paid for. It is highly variable from one industry sector to another. An ideal company has consistent profit margins.

Overall performance of Wipro:







Tech Mahindra

(Key Financial ratios data and Cash Flow Data at (Appendix 1.5))

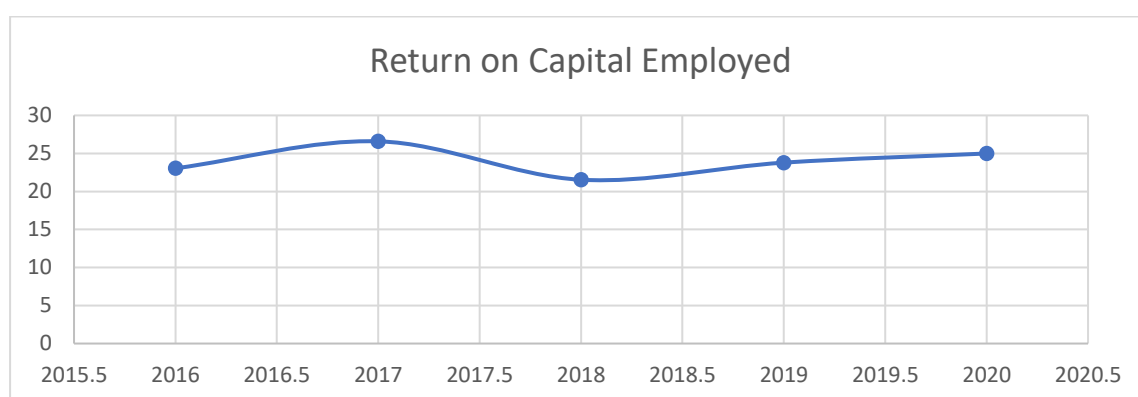
- Operating income during the year rose 12.9% on a year-on-year (YoY) basis.
- The company's operating profit increased by 34.6% YoY during the fiscal. Operating profit margins witnessed a fall and down at 18.2% in FY19 as against 15.3% in FY18.
- Depreciation charges increased by 4.1% and finance costs decreased by 18.0% YoY, respectively.
- Other income declined by 62.3% YoY. Net profit for the year grew by 13.3% YoY. Net profit margins during the year grew from 11.8% in FY18 to 12.2% in FY19.
- The company's current liabilities during FY19 stood at Rs 103 billion as compared to Rs 79 billion in FY18, thereby witnessing an increase of 30.5%.
- Long-term debt down at Rs 2 billion as compared to Rs 8 billion during FY18, a fall of 72.9%.
- Current assets rose 19% and stood at Rs 216 billion, while fixed assets fell 10% and stood at Rs 31 billion in FY19.
- Overall, the total assets and liabilities for FY19 stood at Rs 334 billion as against Rs 304 billion during FY18, thereby witnessing a growth of 10%.
- The price to earnings (P/E) ratio, at the current price of Rs 678.8, stands at 15.3 times its trailing twelve months earnings.
- The price to book value (P/BV) ratio at current price levels stands at 3.2 times, while the price to sales ratio stands at 1.8 times.

- TECH MAHINDRA's cash flow from operating activities (CFO) during FY19 stood at Rs 44 billion, an improvement of 24.7% on a YoY basis. Cash flow from investing activities (CFI) during FY19 stood at Rs -21 billion on a YoY basis. Cash flow from financial activities (CFF) during FY19 stood at Rs -23 billion on a YoY basis. Overall, net cash flows for the company during FY19 stood at Rs 766 million from the Rs -352 million net cash flows seen during FY18.

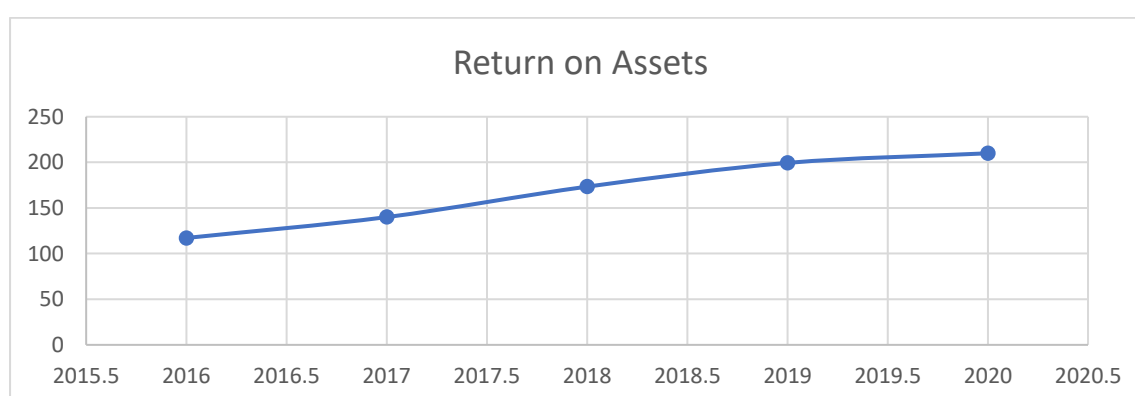
TECH MAHINDRA CASH FLOW							
From Operations	Rs m	24,479	31,370	40,714	35,535	44,320	
From Investments	Rs m	-20,922	-14,598	-28,895	-33,597	-21,164	
From Financial Activity	Rs m	-8,290	-4,961	-15,709	-2,694	-22,512	
Net Cashflow	Rs m	-4,733	11,877	-3,925	-352	766	

- The trailing twelve-month earnings per share (EPS) of the company stands at Rs 48.3, an improvement from the EPS of Rs 42.9 recorded last year.
- The company's price to cash flow (P/CF) ratio stood at 12.0 times its end-of-year operating cash flow earnings.
- **Current Ratio:** The company's current ratio deteriorated and stood at 2.1x during FY19, from 2.3x during FY18. The current ratio measures the company's ability to pay short-term and long-term obligations.
- **Interest Coverage Ratio:** The company's interest coverage ratio improved and stood at 43.1x during FY19, from 31.0x during FY18. The interest coverage ratio of a company states how easily a company can pay its interest expense on outstanding debt. A higher ratio is preferable.
- **Return on Equity (ROE):** The ROE for the company improved and stood at 21.1% during FY19, from 20.1% during FY19. The ROE measures the ability of a firm to generate profits from its shareholders capital in the company.

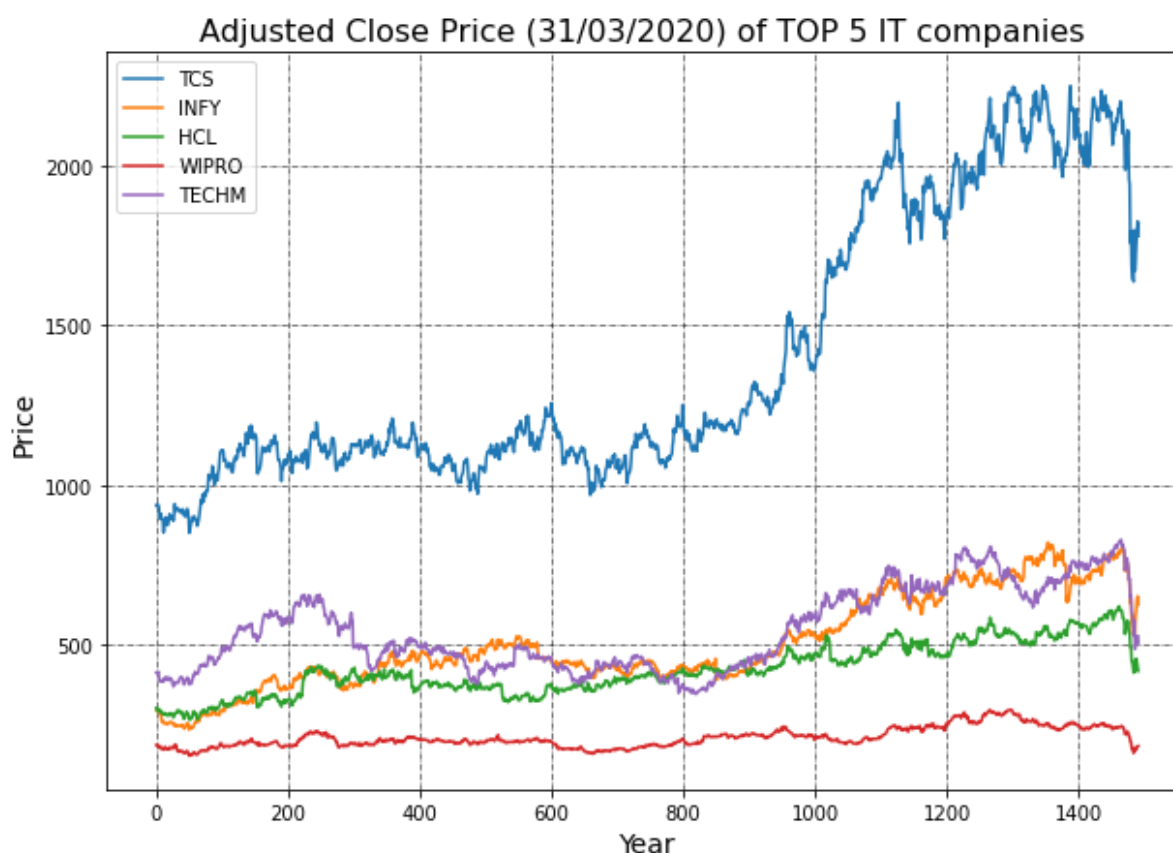
- **Return on Capital Employed (ROCE):** The ROCE for the company improved and stood at 23.7% during FY19, from 21.7% during FY18. The ROCE measures the ability of a firm to generate profits from its total capital (shareholder capital plus debt capital) employed in the company.



- **Return on Assets (ROA):** The ROA of the company improved and stood at 199.43 during FY19, from 173 during FY18. The ROA measures how efficiently the company uses its assets to generate earnings.



4.2 Compared Analysis of IT companies

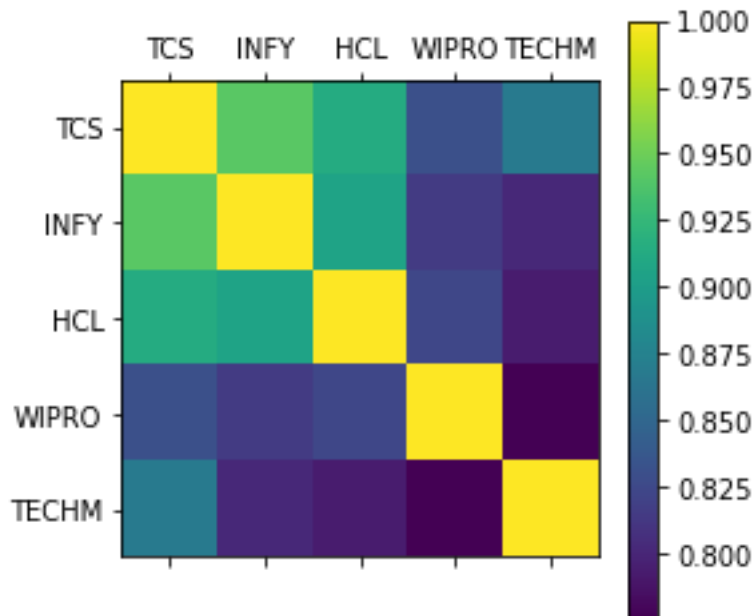


The above chart clearly shows TCS Market price of per Share was always high (+ RS 2000) compared to other companies, all other companies were traded at below RS 700

Correlation:

	TCS	INFY	HCL	WIPRO	TECHM
TCS	1.000000	0.943050	0.914199	0.830480	0.867905
INFY	0.943050	1.000000	0.905734	0.815041	0.801975
HCL	0.914199	0.905734	1.000000	0.823917	0.793568
WIPRO	0.830480	0.815041	0.823917	1.000000	0.776231
TECHM	0.867905	0.801975	0.793568	0.776231	1.000000

FINANCIAL PERFORMANCE OF FIVE MAJOR IT COMPANIES

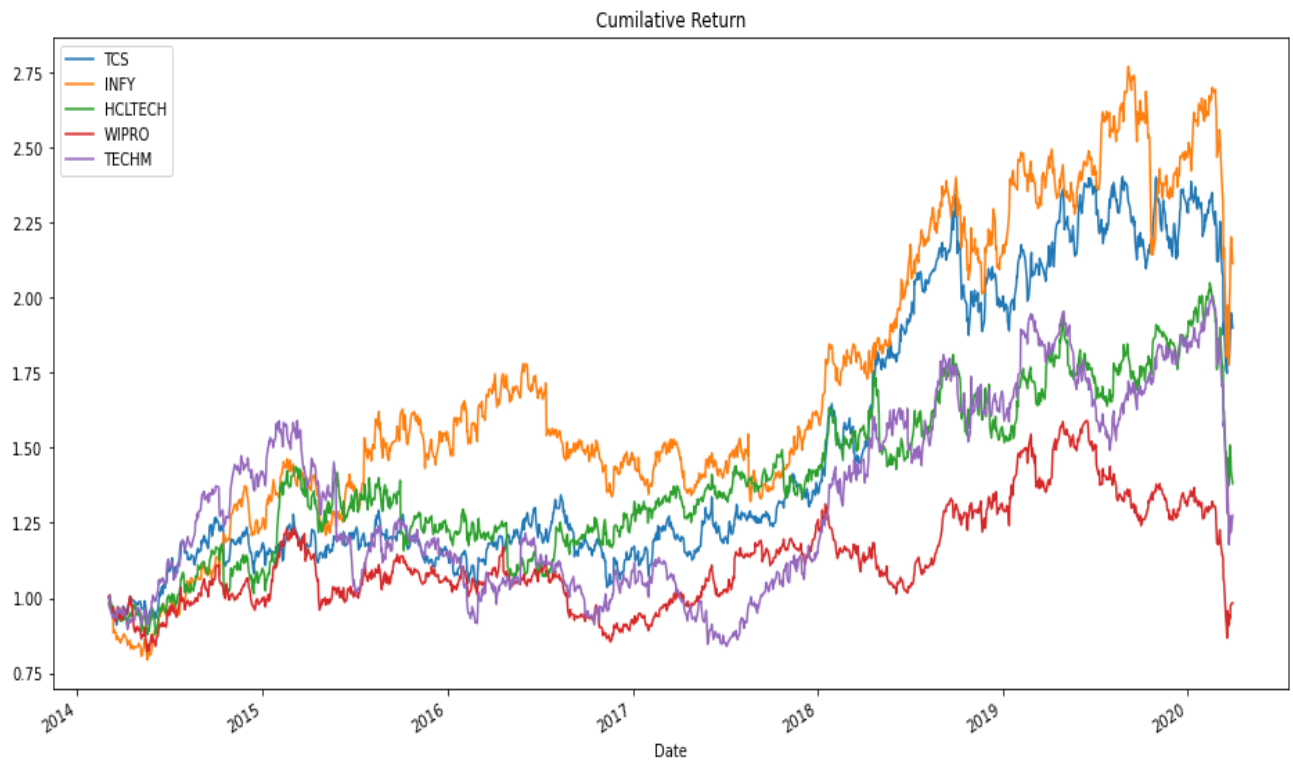


The above charts show detailed Correlation between all the 5 IT companies,

- For TCS, : INFOSYS is highly correlated (0.94304982), and less correlated with WIPRO (0.83048044)
- For INFOSYS : TCS is highly correlated (0.94304982), and less correlated is Tech Mahindra (0. 80197499)
- For HCL : TCS is highly correlated (0. 91419912), and less correlated is Tech Mahindra (0. 79356837)
- WIPRO market shares are little bit different among other IT companies as its correlation with other companies is not crossed 0.9, highly correlation with TCS(0.83048044), and low with TECHM(0.77623091)
- Tech Mahindra market price also little bit different among other IT companies as its correlation with other companies is not crossed 0.9, highly correlation with TCS (0. 86790543), and low with WIPRO (0. 77623091)

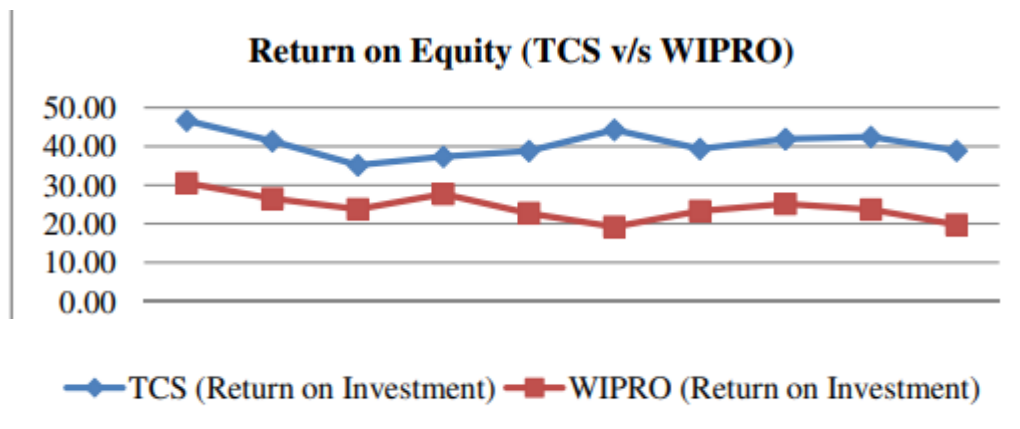
Among all the companies TCS and INFY are more positively correlated (0.94), WIPRO and TECHM are less positively correlated (0.77)

Cumulative Returns

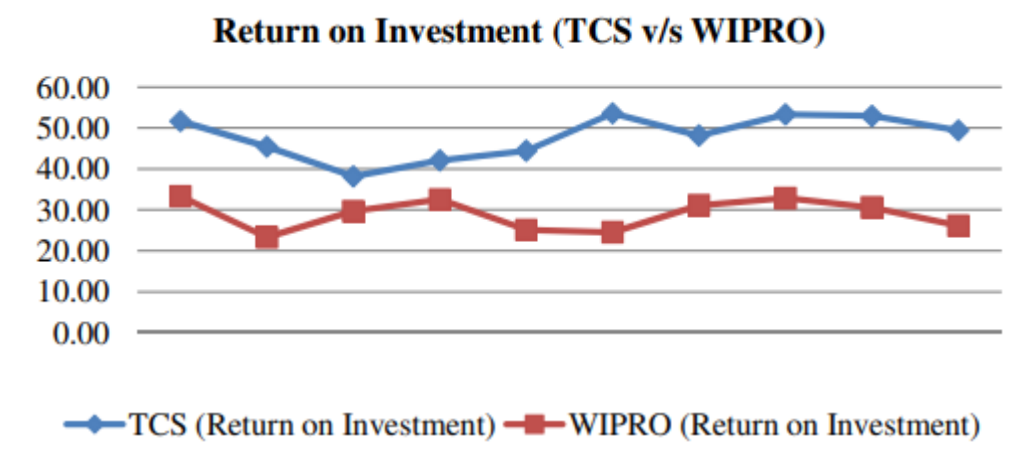


The above Cumulative returns chart clearly shows Infosys market shares is better because you can see that cumulative returns are very high for Infosys before covid19, After Covid19 all the IT companies are in recession, and the companies are slowly recovering from it,

4.3 HYPOTHESIS ANALYSIS



X Axis: Years, Y Axis: Return on Equity in %, (2009 – 2019)



X Axis: Years, Y Axis: Return on Investment in %, (2009 – 2019)

The above table and figure clearly reveal that ROI of TCS is better as compared to Wipro.

- **H₀(1)** There is no significant difference between ROE of TCS and Wipro.
- **H_a(1)** There is a significant difference between ROE of TCS and Wipro.
- **H₀(2)** There is no significant difference between ROI of TCS and Wipro.
- **H_a(2)** There is a significant difference between ROI of TCS and Wipro.

The above hypotheses will be tested through t-test. because t test tells you how significant the differences between groups are; In other words, it lets you know if those differences (measured in means/averages) could have happened by chance and T test is one of the most commonly used techniques for testing a hypothesis.

FINANCIAL PERFORMANCE OF FIVE MAJOR IT COMPANIES

t-Test: Two-Sample Assuming Unequal Variances		
	ROE (TCS)	ROE (Wipro)
Mean	40.59330983	24.23788509
Variance	11.50578755	11.73517765
Observations	10	10
Hypothesized Mean Difference	0	
df	18	
t Stat	10.72839479	
P(T<=t) one-tail	1.49745E-09	
t Critical one-tail	1.734063592	
P(T<=t) two-tail	2.99491E-09	
t Critical two-tail	2.100922037	

Since the calculated value of t is more than table value of t at two tail, hence $H_0(1)$ is rejected and $H_a(1)$ is accepted. Therefore, it can be concluded that, there is a significant difference between ROE of TCS and Wipro.

t-Test: Two-Sample Assuming Equal Variances		
	ROI (TCS)	ROI (Wipro)
Mean	47.95848208	28.93286172
Variance	28.01827919	14.28749279
Observations	10	10
Pooled Variance	21.15288599	
Hypothesized Mean Difference	0	
df	18	
t Stat	9.249942102	
P(T<=t) one-tail	1.46187E-08	
t Critical one-tail	1.734063592	
P(T<=t) two-tail	2.92375E-08	
t Critical two-tail	2.100922037	

Since the calculated value of t is more than table value of t at two tail, hence $H_0(2)$ is rejected and $H_a(2)$ is accepted. Therefore, it can be concluded that, there is a significant difference between ROI of TCS and Wipro.

On the basis of above study, the following conclusions can be drawn:

- Return on equity of TCS is better than return on equity of Wipro.
- Return on investment of TCS is better than return on investment of Wipro.
- There is a significant difference between ROE of TCS and Wipro.
- There is a significant difference between ROI of TCS and Wipro.

CHAPTER: 5

5.1 FINDINGS

Financial performance analysis is the specific area of performance analysis dealing with the financial decision for IT companies. The study of financial performance of IT companies, has revealed that the liquidity position of the company showed a decreasing trend. The study has been conducted on ratio analysis, which helped the company to manage its profitability, liquidity and turnover ratio effectively. It is being found that the production target of the company has been achieved on time; thereby the profit percentage of the company is weak. Overall the profitability of the company is very weak and liquidity position is very poor. The sales volume is going down in every year. Looking at the profitability of the company it was showing a constant increase. So, in future IT companies will in to a good financial position. The IT companies is matured one and it has contributed towards the current growth and development and will also continue to perform and contribute to the whole nation. To conclude IT companies has sound and effective management of fund, which helps them to control cost and increase the profit in future.

The September 2019 quarter performance of Infosys affirms that the country's second-largest software company appears to be on course to report a double-digit growth in dollar-denominated revenue for the current fiscal. At a time when TCS (Tata Consultancy Services) is undergoing a deceleration in growth momentum, Infosys appears to be back on the growth track. A comparison of revenue on trailing 12-month (TTM) basis shows that revenue growth for Infosys improved to 9.5% in the September quarter from 7.7% in the year-ago quarter. Whereas for TCS, revenue growth (TTM) down to 8.1% from 10.2% in the said period. Thus, in the quarterly results for Q2 FY2019-20, Infosys beat the market estimates. The revenue and profit growth as well as businesses growth momentum are improving from last 3-4 quarters.

Infosys pays a moderate amount of dividend to its shareholders in the increasing trend. In both Infosys and TCS the stock is overvalued as the ratio is above 1 therefore, they have performed well

TCS also has traded at high price in 2013 by not generating enough cash flows but in the following years they have rectified, Infosys has higher dividend yield ratio when comparing to TCS but high dividend yield percentage may be due to decrease in market price of the stock of the company due to financial troubles.

It has been concluded that value of the TCS is relatively high when comparing with Infosys. Thus, these valuation ratios attract the investors who are interested in regular returns. By the study TCS has positive impact for greater investment opportunities.

5.2 SUGGESTIONS

Innovation is one method by which a company may increase market share. When a firm brings to market a new technology, its competitors have yet to offer, consumers wishing to own the technology buy it from that company, even if they previously did business with a competitor. Many of those consumers become loyal customers, which adds to the company's market share and decreases market share for the company from which they switched.

In the challenging economic climate, IT companies should find new ways and means to stimulate growth, improve financial performance and reduce risk. The following are the suggestions offered to improve the financial performance of these companies.

- Working capital tied up in cash flow is quickly being seen as a 'hidden reservoir' of efficiencies that can be tapped to fund growth strategies, such as capital expansion. Cash flow locked in receivables can be freed up by using a recipe of business process improvements, specialized technology and effective change management.
- Free cash flow is a measure of how well corporations are generating cash after capital expenditures. It is increasingly being seen as a signpost of corporate efficiency. As the IT companies improve their working capital management, their free cash flow also increases and subsequent increases in shareholder value.

- The pressure to improve margins and profitability has led many IT companies to take a two – pronged approach to centralizing finance functions, along with leveraging third party service providers. Credit, receivables and payable functions are not exceptions to this, and are prime candidates for shared services, where a smaller specialized team of professional's services for the global business units.
- Balancing receivables and payables performance both in house and outsourcing teams is critical to ensure financial success. This often requires a specialized technology platform with multi-language and multi-currency capabilities that both teams can use, while offering measurement and management capabilities to finance executives.
- While the daily operational aspects of managing cash, flow are done at the levels of credit, collections and payable departments, the job of optimizing short term liquidity is often done by treasury and corporate finance departments. These personnel have the task of accurately forecasting cash 244 from receivables and payables and managing any gaps in liquidity.
- The problem of excessive investments in the IT companies can largely be tackled through improved coordination in the functioning of some strategic departments such as finance, personnel, purchase and maintenance. For ensuring effective coordination, strengthening up of management information system in IT companies is essential.
- IT companies need to adopt weekly reporting system in respect of Cash and bank balances. Moreover, the responsibility for arranging funds to meet the working capital requirements should not be thrust upon the finance managers only, rather it should be made a collective responsibility of all the middle level managers.
- During the course of research investigation, it has been found that the management normally consider the liability aspects of the selected IT companies. It is important that these companies do not pay much attention to the profitability of funds employed in it. That is why, the main problem of these companies is to invest in various current assets without proper financial analysis. To overcome this difficulty, the management should consider working capital as equally important and realize that only proper balancing of liquidity and profitability would ensure efficient financial operations.

- Cash management in IT companies can be streamlined by proper planning and control of cash. These IT companies must increasingly adopt objective methods rather than intuitive methods of cash forecasting. Moreover, cash inflows and outflows must be individually managed.
- As better financial performance needs, frequent financial decision making. It is proposed that every IT company should set up a separate 'portfolio' to keep vigilance on the global environmental conditions and economic trends.

Improving the current ratio: Faster conversion cycle of debtors or accounts receivables, pay off current liabilities, Sell-off unproductive assets, improve current asset by rising shareholders' funds, sweep bank accounts, Early Invoice Submission, Switch from Short-term debt to Long-term debt, Control Your Overhead Expenses, Negotiate for Longer Payment Cycles

➤ **Maintaining Market Share**

Companies with the highest market share in their industries almost invariably have the most skilled and dedicated employees. Bringing the best employees on board reduces expenses related to turnover and training, and enables companies to devote more resources to focusing on their core competencies. Offering competitive salaries and benefits is one proven way to attract the best employees; however, employees in the 21st century also seek intangible benefits such as flexible schedules and casual work environments.

Few suggestions to improve market share of the IT companies: Build a referral program, increase engagement with customers, stay ahead of your competitors, Develop a unique brand position, Market to niche audiences,

5.3 CONCLUSION

Information technology industry is one of the progressions and successful industries in India. Investors are also willing to invest in shares of the company with the view of getting high return through dividend and capital appreciation. Hence the study has been made to analyse portability of 5 top information technology companies in India. The study applied ratio analysis, hypothesis, correlation, cumulative returns, the study found that portability in terms of net profit ratio and operating profit ratio of TCS, Infosys and HCL are not good, whereas Net profit ratio and operating profit ratio were found to be high in case of Tech Mahindra and operating profit ratio of Wipro. Portability in terms of return on assets is good in case of HCL and TECH MAHINDRA, Cumulative Return is high in case of INFOSYS. Portability in terms of earnings per share of TECH MAHINDR and HCL is found to be high and the low in case of TCS. A company with a high earnings per share ratio is capable of generating a significant dividend for investors,

The motive of the present study is to compare the performance, profitability, solvency, etc. of some of the popular IT companies. Everyone has its strength and weaknesses, but Infosys and WIPRO clearly indicate the highest mean values. Using the financial analysis instruments, it is possible to show a better delimitation between them. Strong financial statement analysis does not necessarily mean that the organization has a strong financial future. Financial statement analysis might look good but there may be other factors that can cause an organization to collapse. The Long-term success of IT companies depends on their financial discipline, efficient process and robust systems. Advancement in the technology and weak global economy often hit the financial strength of these companies and question their sustainability. Though the net worth of the companies is quite appreciable, increase in loans and advances and the increase in current liabilities throw many more challenges before the selected IT companies. These companies also face major fluctuations to maintain the position of their net current assets and total assets. As a result, these companies struggle to generate adequate profit and limit the ability of their business operations.

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Appendix

1.1 TATA Consultancy Services Limited (TCS)

- Financial Ratios:

• Key Financial Ratios	Mar '20	Mar '19	Mar '18	Mar '17	Mar '16
Investment Valuation Ratios					
Face Value	1.00	1.00	1.00	1.00	1.00
Dividend Per Share	73.00	30.00	50.00	47.00	43.50
Operating Profit Per Share (Rs)	99.61	93.18	145.25	137.48	137.30
Net Operating Profit Per Share (Rs)	350.15	328.24	508.58	470.42	435.76
Free Reserves Per Share (Rs)	--	--	--	--	--
Bonus in Equity Capital	--	91.35	79.13	79.13	79.13
Profitability Ratios					
Operating Profit Margin(%)	28.44	28.38	28.56	29.22	31.50
Profit Before Interest And Tax Margin(%)	24.86	25.41	25.35	26.23	28.55
Gross Profit Margin(%)	26.39	26.99	26.86	27.52	29.80
Cash Profit Margin(%)	25.79	24.29	26.06	25.93	27.37
Adjusted Cash Margin(%)	25.79	24.29	26.06	25.93	27.37
Net Profit Margin(%)	25.33	24.40	25.92	25.51	26.87
Adjusted Net Profit Margin(%)	23.86	22.98	24.46	24.31	25.74
Return On Capital Employed(%)	57.46	51.78	42.00	38.43	45.03
Return On Net Worth(%)	44.72	38.10	33.27	30.31	35.49
Adjusted Return on Net Worth(%)	44.72	38.10	33.27	30.31	35.49
Return on Assets Excluding Revaluations	198.31	210.26	396.31	395.96	329.94
Return on Assets Including Revaluations	198.31	210.26	396.31	395.96	329.94
Return on Long Term Funds(%)	57.46	51.78	42.10	38.53	45.11
Liquidity And Solvency Ratios					
Current Ratio	1.97	2.85	2.85	3.09	3.41
Quick Ratio	1.89	2.74	2.67	2.93	3.27
Debt Equity Ratio	--	--	--	--	--
Long Term Debt Equity Ratio	--	--	--	--	--
Debt Coverage Ratios					
Interest Cover	57.52	240.44	1,065.37	1,880.13	2,257.85
Total Debt to Owners Fund	--	0.00	0.00	0.00	0.00
Financial Charges Coverage Ratio	61.15	250.54	1,120.27	1,978.56	2,370.08
Financial Charges Coverage Ratio Post Tax	49.40	187.95	897.27	1,577.75	1,888.23
Management Efficiency Ratios					
Inventory Turnover Ratio	26,261.20	12,317.00	3,894.24	4,413.95	9,540.44
Debtors Turnover Ratio	4.98	5.74	5.49	5.20	4.76
Investments Turnover Ratio	1.77	12,317.00	3,894.24	4,413.95	9,540.44
Fixed Assets Turnover Ratio	7.77	5.67	4.79	4.96	9.48
Total Assets Turnover Ratio	1.77	1.56	1.28	1.18	1.32
Asset Turnover Ratio	1.71	1.59	1.26	1.29	1.55

FINANCIAL PERFORMANCE OF FIVE MAJOR IT COMPANIES

Average Raw Material Holding	--	--	--	--	--
Average Finished Goods Held	--	--	--	--	--
Number of Days In Working Capital	29.16	58.44	45.52	37.19	72.05
Profit & Loss Account Ratios					
Material Cost Composition	--	--	--	--	--
Imported Composition of Raw Materials Consumed	--	--	--	--	72.42
Selling Distribution Cost Composition	--	--	--	--	--
Expenses as Composition of Total Sales	--	--	94.76	93.17	95.36
Cash Flow Indicator Ratios					
Dividend Payout Ratio Net Profit	--	33.54	36.78	38.73	34.63
Dividend Payout Ratio Cash Profit	--	31.73	34.52	36.31	32.57
Earning Retention Ratio	100.00	66.46	63.22	61.27	65.37
Cash Earning Retention Ratio	100.00	68.27	65.48	63.69	67.43
AdjustedCash Flow Times	--	0.00	0.01	0.01	0.01

	Mar '20	Mar '19	Mar '18	Mar '17	Mar '16
Earnings Per Share	88.69	80.12	131.86	120.04	117.11
Book Value	198.31	210.26	396.31	395.96	329.94

Source: <https://www.moneycontrol.com/financials/tataconsultancyservices/ratios/TCS>

1.2 INFOSYS

Financial Ratios:

• Key Financial Ratios

	Mar '20	Mar '19	Mar '18	Mar '17	Mar '16
Investment Valuation Ratios					
Face Value	5.00	5.00	5.00	5.00	5.00
Dividend Per Share	17.50	21.50	43.50	25.75	24.25
Operating Profit Per Share (Rs)	47.05	42.87	79.19	74.91	68.39
Net Operating Profit Per Share (Rs)	185.64	167.82	283.60	258.12	235.02
Free Reserves Per Share (Rs)	--	--	--	--	--
Bonus in Equity Capital	--	99.44	98.33	98.33	98.33
Profitability Ratios					
Operating Profit Margin(%)	25.34	25.54	27.92	29.02	29.09
Profit Before Interest And Tax Margin(%)	21.88	22.47	24.08	25.46	25.60
Gross Profit Margin(%)	22.63	23.35	25.65	26.77	27.03
Cash Profit Margin(%)	21.63	21.46	26.62	24.29	24.22
Adjusted Cash Margin(%)	21.63	21.46	26.62	24.29	24.22
Net Profit Margin(%)	19.66	20.11	26.08	23.30	23.51

FINANCIAL PERFORMANCE OF FIVE MAJOR IT COMPANIES

Adjusted Net Profit Margin(%)	19.01	19.35	24.49	22.16	22.27
Return On Capital Employed(%)	33.08	31.77	31.35	27.84	28.81
Return On Net Worth(%)	24.97	23.44	25.44	20.31	20.78
Adjusted Return on Net Worth(%)	24.97	23.44	25.44	20.31	20.78
Return on Assets Excluding Revaluations	146.16	143.96	290.74	296.12	265.93
Return on Assets Including Revaluations	146.16	143.96	290.74	296.12	265.93
Return on Long Term Funds(%)	33.08	31.77	31.35	27.84	28.81
Liquidity And Solvency Ratios					
Current Ratio	2.71	3.03	3.83	3.80	4.50
Quick Ratio	2.64	2.96	3.74	3.77	4.47
Debt Equity Ratio	--	--	--	--	--
Long Term Debt Equity Ratio	--	--	--	--	--
Debt Coverage Ratios					
Interest Cover	180.62	--	--	--	--
Total Debt to Owners Fund	--	--	--	--	--
Financial Charges Coverage Ratio	199.43	--	--	--	--
Financial Charges Coverage Ratio Post Tax	156.15	--	--	--	--
Management Efficiency Ratios					
Inventory Turnover Ratio	--	--	--	--	--
Debtors Turnover Ratio	5.48	5.73	5.36	5.71	5.86
Investments Turnover Ratio	1.27	1.17	--	--	--
Fixed Assets Turnover Ratio	6.53	3.57	3.45	3.66	3.67
Total Assets Turnover Ratio	1.27	1.17	0.98	0.87	0.88
Asset Turnover Ratio	1.27	1.16	0.94	0.92	0.99
Average Raw Material Holding	--	--	--	--	--
Average Finished Goods Held	--	--	--	--	--
Number of Days In Working Capital	52.52	71.39	102.89	114.25	187.17
Profit & Loss Account Ratios					
Material Cost Composition	--	--	--	--	--
Imported Composition of Raw Materials Consumed	--	--	--	--	--
Selling Distribution Cost Composition	--	--	--	--	--
Expenses as Composition of Total Sales	--	98.10	97.39	97.37	97.93
Cash Flow Indicator Ratios					
Dividend Payout Ratio Net Profit	--	93.64	46.42	50.51	43.88
Dividend Payout Ratio Cash Profit	--	84.46	42.70	46.07	40.33
Earning Retention Ratio	100.00	6.36	53.58	49.49	56.12
Cash Earning Retention Ratio	100.00	15.54	57.30	53.93	59.67
AdjustedCash Flow Times	--	--	--	--	--

	Mar '20	Mar '19	Mar '18	Mar '17	Mar '16
Earnings Per Share	36.50	33.75	73.97	60.16	55.26
Book Value	146.16	143.96	290.74	296.12	265.93

Source : <https://www.moneycontrol.com/financials/infosys/ratios/IT>

1.3 HCL

Financial Ratios:

Key Financial Ratios

	Mar '19	Mar '18	Mar '17	Mar '16	Jun '15
Investment Valuation Ratios					
Face Value	2.00	2.00	2.00	2.00	2.00
Dividend Per Share	8.00	12.00	24.00	16.00	30.00
Operating Profit Per Share (Rs)	76.81	67.08	55.04	36.41	48.79
Net Operating Profit Per Share (Rs)	191.79	158.54	135.40	95.26	122.00
Free Reserves Per Share (Rs)	--	--	--	--	--
Bonus in Equity Capital	77.98	77.98	77.98	78.79	79.03
Profitability Ratios					
Operating Profit Margin(%)	40.05	42.30	40.65	38.22	39.98
Profit Before Interest And Tax Margin(%)	34.09	37.08	36.37	33.73	35.74
Gross Profit Margin(%)	35.14	38.26	38.17	36.16	38.24
Cash Profit Margin(%)	35.27	36.24	36.25	34.68	36.21
Adjusted Cash Margin(%)	35.27	36.24	36.25	34.68	36.21
Net Profit Margin(%)	31.46	33.35	35.57	35.12	36.99
Adjusted Net Profit Margin(%)	30.52	32.32	33.90	32.76	34.57
Return On Capital Employed(%)	32.64	33.14	32.03	27.07	39.92
Return On Net Worth(%)	26.88	26.70	26.46	21.95	32.70
Adjusted Return on Net Worth(%)	26.88	26.70	26.46	21.95	32.70
Return on Assets Excluding Revaluations	224.43	197.98	182.04	152.42	138.02
Return on Assets Including Revaluations	224.43	197.98	182.04	152.42	138.02
Return on Long Term Funds(%)	32.64	33.14	32.03	27.07	39.92
Liquidity And Solvency Ratios					
Current Ratio	2.89	3.04	3.02	3.80	3.13
Quick Ratio	2.59	2.75	2.82	3.54	3.08
Debt Equity Ratio	--	--	--	--	--
Long Term Debt Equity Ratio	--	--	--	--	--
Debt Coverage Ratios					
Interest Cover	621.69	397.74	151.47	127.18	127.95
Financial Charges Coverage Ratio	701.44	436.57	160.16	133.22	132.90
Financial Charges Coverage Ratio Post Tax	592.31	359.91	134.65	110.03	110.60
Management Efficiency Ratios					
Inventory Turnover Ratio	1,445.11	551.83	214.64	104.50	205.06
Debtors Turnover Ratio	4.46	4.48	4.54	3.51	5.04
Investments Turnover Ratio	1,445.11	551.83	214.64	104.50	205.06
Fixed Assets Turnover Ratio	3.81	3.50	3.34	2.62	3.26
Total Assets Turnover Ratio	1.14	1.08	0.91	0.63	0.88
Asset Turnover Ratio	0.90	0.82	0.81	0.66	0.97
Average Raw Material Holding	--	--	--	--	--

FINANCIAL PERFORMANCE OF FIVE MAJOR IT COMPANIES

Average Finished Goods Held	--	--	--	--	--
Number of Days In Working Capital	100.30	103.22	163.34	267.36	207.94
Profit & Loss Account Ratios					
Material Cost Composition	0.54	0.62	0.64	1.21	2.12
Imported Composition of Raw Materials Consumed	--	--	--	--	--
Selling Distribution Cost Composition	--	--	--	0.01	--
Expenses as Composition of Total Sales	88.00	87.32	101.17	86.53	85.60
Cash Flow Indicator Ratios					
Dividend Payout Ratio Net Profit	13.42	22.98	49.26	57.16	37.59
Dividend Payout Ratio Cash Profit	11.61	20.49	46.06	53.99	35.89
Earning Retention Ratio	86.58	77.02	50.74	42.84	62.41
Cash Earning Retention Ratio	88.39	79.51	53.94	46.01	64.11
AdjustedCash Flow Times	0.00	0.00	0.00	0.01	0.00

	Mar '19	Mar '18	Mar '17	Mar '16	Jun '15
Earnings Per Share	60.35	52.88	48.17	33.46	45.14
Book Value	224.43	197.98	182.04	152.42	138.02

Source: <https://www.moneycontrol.com/financials/hcltechnologies/ratios/hcl0>

1.4 WIPRO

Financial Ratios:

• Key Financial Ratios

	Mar '20	Mar '19	Mar '18	Mar '17	Mar '16
Investment Valuation Ratios					
Face Value	2.00	2.00	2.00	2.00	2.00
Dividend Per Share	1.00	1.00	1.00	2.00	6.00
Operating Profit Per Share (Rs)	17.87	14.52	19.79	39.31	37.68
Net Operating Profit Per Share (Rs)	88.22	79.76	98.83	189.43	180.84
Free Reserves Per Share (Rs)	--	--	--	--	--
Bonus in Equity Capital	--	99.86	99.85	96.30	96.30
Profitability Ratios					
Operating Profit Margin(%)	20.24	18.20	20.02	20.75	20.83
Profit Before Interest And Tax Margin(%)	17.14	15.43	16.82	17.47	17.79
Gross Profit Margin(%)	17.98	16.26	17.75	18.47	18.87
Cash Profit Margin(%)	18.57	16.86	18.51	18.91	19.15
Adjusted Cash Margin(%)	18.57	16.86	18.51	18.91	19.15
Net Profit Margin(%)	17.22	15.82	17.27	17.72	18.35
Adjusted Net Profit Margin(%)	16.41	15.02	16.36	16.76	17.30
Return On Capital Employed(%)	22.42	19.08	22.17	21.09	23.25
Return On Net Worth(%)	18.68	15.41	18.27	17.47	19.89

FINANCIAL PERFORMANCE OF FIVE MAJOR IT COMPANIES

Adjusted Return on Net Worth(%)	18.68	15.41	18.27	17.47	19.89
Return on Assets Excluding Revaluations	81.31	81.86	93.42	192.13	166.86
Return on Assets Including Revaluations	81.31	81.86	93.42	192.13	166.86
Return on Long Term Funds(%)	24.83	21.03	24.60	23.31	26.30
Liquidity And Solvency Ratios					
Current Ratio	1.30	1.34	1.37	1.50	1.71
Quick Ratio	2.19	2.35	1.85	2.17	2.49
Debt Equity Ratio	0.11	0.10	0.11	0.13	0.16
Long Term Debt Equity Ratio	--	--	--	0.02	0.03
Debt Coverage Ratios					
Interest Cover	21.57	19.80	27.11	23.84	20.27
Total Debt to Owners Fund	0.11	0.10	0.11	0.13	0.16
Financial Charges Coverage Ratio	23.70	21.58	29.75	26.07	21.86
Financial Charges Coverage Ratio Post Tax	19.35	17.29	23.74	20.68	17.50
Management Efficiency Ratios					
Inventory Turnover Ratio	289.53	141.42	151.92	129.38	84.91
Debtors Turnover Ratio	5.06	4.78	5.07	5.57	5.40
Investments Turnover Ratio	0.98	141.42	151.92	129.38	84.91
Fixed Assets Turnover Ratio	6.55	4.30	4.19	4.44	4.60
Total Assets Turnover Ratio	0.98	0.89	0.96	0.88	0.94
Asset Turnover Ratio	0.95	0.95	0.90	0.91	1.01
Average Raw Material Holding	--	--	--	--	--
Average Finished Goods Held	--	--	--	--	--
Number of Days In Working Capital	50.66	67.16	3.87	16.21	53.87
Profit & Loss Account Ratios					
Material Cost Composition	1.58	2.37	3.28	4.74	5.94
Imported Composition of Raw Materials Consumed	--	--	--	--	--
Selling Distribution Cost Composition	--	0.47	--	--	0.49
Expenses as Composition of Total Sales	--	92.38	87.63	87.73	90.61
Cash Flow Indicator Ratios					
Dividend Payout Ratio Net Profit	--	7.16	7.05	10.75	43.49
Dividend Payout Ratio Cash Profit	--	6.38	6.23	9.52	39.30
Earning Retention Ratio	100.00	92.84	92.95	89.25	56.51
Cash Earning Retention Ratio	100.00	93.62	93.77	90.48	60.70
AdjustedCash Flow Times	0.51	0.59	0.54	0.67	0.74

	Mar '20	Mar '19	Mar '18	Mar '17	Mar '16
Earnings Per Share	15.19	12.62	17.07	33.57	33.19
Book Value	81.31	81.86	93.42	192.13	166.86

Source : <https://www.moneycontrol.com/financials/wipro/ratios/W>

1.5 TECH MAHINDRA

Financial Ratios:

Key Financial Ratios

	Mar '19	Mar '18	Mar '17	Mar '16	Mar '15
Investment Valuation Ratios					
Face Value	5.00	5.00	5.00	5.00	5.00
Dividend Per Share	14.00	14.00	9.00	12.00	6.00
Operating Profit Per Share (Rs)	52.56	39.84	37.69	35.27	33.58
Net Operating Profit Per Share (Rs)	276.80	241.51	237.81	216.67	199.45
Free Reserves Per Share (Rs)	--	--	--	--	--
Bonus in Equity Capital	70.26	70.55	70.97	71.40	71.92
Profitability Ratios					
Operating Profit Margin(%)	18.98	16.49	15.85	16.27	16.83
Profit Before Interest And Tax Margin(%)	16.00	12.78	12.67	12.99	14.27
Gross Profit Margin(%)	16.57	13.72	13.16	13.67	14.36
Cash Profit Margin(%)	17.88	18.33	15.25	17.05	13.83
Adjusted Cash Margin(%)	17.88	18.33	15.25	17.05	13.83
Net Profit Margin(%)	16.09	16.90	13.15	15.35	11.77
Adjusted Net Profit Margin(%)	15.54	15.75	12.66	14.58	11.69
Return On Capital Employed(%)	24.99	23.79	21.54	26.59	23.04
Return On Net Worth(%)	21.21	20.46	18.04	23.75	20.04
Adjusted Return on Net Worth(%)	21.21	20.46	18.04	23.75	19.50
Return on Assets Excluding Revaluations	209.95	199.43	173.37	140.03	117.15
Return on Assets Including Revaluations	209.95	199.43	173.37	140.03	117.15
Return on Long Term Funds(%)	26.49	25.28	23.10	28.97	25.56
Liquidity And Solvency Ratios					
Current Ratio	1.69	2.25	2.42	2.26	2.30
Quick Ratio	1.67	2.20	2.41	2.20	2.23
Debt Equity Ratio	--	0.01	0.01	0.01	--
Long Term Debt Equity Ratio	--	0.01	0.01	0.01	--
Debt Coverage Ratios					
Interest Cover	126.92	70.30	61.79	74.61	334.63
Total Debt to Owners Fund	0.00	0.01	0.01	0.01	--
Financial Charges Coverage Ratio	142.21	79.57	71.55	84.84	389.66
Financial Charges Coverage Ratio Post Tax	117.92	66.76	58.52	71.65	318.38
Management Efficiency Ratios					
Inventory Turnover Ratio	--	--	--	--	--
Debtors Turnover Ratio	4.93	4.91	4.76	4.46	4.69
Investments Turnover Ratio	--	--	--	--	--
Fixed Assets Turnover Ratio	4.58	3.81	3.93	3.97	4.20
Total Assets Turnover Ratio	1.29	1.18	1.27	1.47	1.54
Asset Turnover Ratio	1.27	1.21	1.39	1.53	1.72
Average Raw Material Holding	--	--	--	--	--

FINANCIAL PERFORMANCE OF FIVE MAJOR IT COMPANIES

Average Finished Goods Held	--	--	--	--	--
Number of Days In Working Capital	-17.12	22.63	28.51	96.76	82.89
Profit & Loss Account Ratios					
Material Cost Composition	--	--	--	--	--
Imported Composition of Raw Materials Consumed	--	--	--	--	--
Selling Distribution Cost Composition	0.25	0.15	0.20	0.19	--
Expenses as Composition of Total Sales	93.66	95.09	--	97.00	95.94
Cash Flow Indicator Ratios					
Dividend Payout Ratio Net Profit	31.42	25.90	45.24	36.09	25.67
Dividend Payout Ratio Cash Profit	27.32	22.25	37.57	30.86	21.22
Earning Retention Ratio	68.58	74.10	54.76	63.91	73.61
Cash Earning Retention Ratio	72.68	77.75	62.43	69.14	78.29
AdjustedCash Flow Times	0.00	0.03	0.05	0.05	--

	Mar '19	Mar '18	Mar '17	Mar '16	Mar '15
Earnings Per Share	44.55	40.82	31.28	33.27	23.48
Book Value	209.95	199.43	173.37	140.03	117.15

Source: <https://www.moneycontrol.com/financials/techmahindra/ratios/tm4>