



A comparative profitability analysis of selected IT companies of India

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Abstract

This paper aim is analysis and study of the profitability position of IT companies of India. In this study 4 major companies selected Tata consultancy services, Infosys, HCL technologies and Wipro help of non probability sampling. Time period of this study was 5 years 2019-20 to 2023-24. For the analysis purpose researcher used ANOVA and analyzed selected IT companies' profitability position. It was revealed that TCS Net Profit Ratio, Return on Total Assets and Earnings per Share highest and Wipro is down to all three ratio. So, overall Tata consultancy service (TCS) profitability position is good compare to other selected companies.

Keywords: Profitability, IT companies, Net Profit Ratio, Return on Total Assets, Earnings per Share

Introduction

The IT sector has significantly impacted India's economy, accounting for 7% of GDP in FY24. With 76 crore citizens accessing the internet, India is focusing on economic value and citizen empowerment. The Digital India Programme has enhanced digital access, and India has accelerated digital adoption through government action, commercial innovation, and investment. India's rankings improved six places to 40th in the 2022 Global Innovation Index. Every business's main goal is to earn more income than the business expenditures. A company's bottom line can be affected by many different kinds of the things, such as strategic decisions, management of resources, and effectiveness. Profitability thus becomes an essential indicator of a business's performance and overall health. The capability of a company to generate profits earnings in proportion to its expenses is defined by its profitability. A company becomes profitable when its growth in revenue exceeds its expenditures and operational costs. Businesses that fail to generate sufficient revenue are considered inefficient and needs to modify the way they operate to earn a profit.

Literature review

(Dr. Vineet Singh, 2019) This paper was based on the analyzed the profitability position of selected 5 FMCG companies in India during the period of 2007-08 to 2016-17. In this paper researcher was used the profitability ratio i.e.net profit ratio, return on assets and return on capital employed. ANOVA is also used in this paper. In this study paper Dabur India is highest ratio of return on assets and ROCE and ITC limited is highest in net profit ratio. In this selected companies Pidilite industries limited profitability is lowest in compare to others.

(Desai, 2018) ^[1] This study is profitability analysis of FMCG sector of India. In this paper researcher selected the 16 BSE or NSE listed companies. Study period of this paper was 10 years 2004-05 to 20013-14. This paper is used 4 profitability ratios i.e. net profit margin ratio, EBIT margin ratio, return on capital employed and return on equity. The study was using ratio analysis and statistical techniques. It

reveals efficient capital utilization in India's FMCG sector, with satisfactory ROE ratio for equity shareholders, indicating profitable investment.

(Dr. N. S. Pandey, 2017) ^[2] This research paper was examining the impact of corporate leverage on profitability of pharmaceutical industry in India. This selected 37 pharmaceutical firms listed in nation stock exchange. Study time was 10 year 2004-05 to 2013-14. In this study three independent variable financial, operating and combined leverage and three dependent variable return on assets, return on equity and earnings per share have used and tested by using regression and correlation analysis as statistical tools. The study reveals that the pharmaceutical industry in India significantly impacts the profitability of CL and OL, with ROA, ROE, and EPS playing important roles.

(V. Sadhishkumar, 2021) The liquidity, leverage, and profitability positions of the selected Indian software companies have been analysed in this investigation. The study's representative sample of five software companies was selected by the availability of sufficient information from 2014 to 2020. The data was evaluated using Pearson Correlation as a statistical tool and Ratio Analysis as a financial instrument. Given the moderately adverse correlation between liquidity and profitability, the research study concluded that leverage has a moderately positive relationship with profitability.

Objectives of the study

- To determine and Comparison of the profitability position of the selected IT companies of India

Sample of study

All the samples are selected with the help of non probability method of judgemental sampling. For the selection of the company is based on net profit.

Company	Net profit (IN CR)
Tata consultancy services	1,67,311
Infosys	1,02,673
HCL technologies	76,306
Wipro	64,325

Period of the study

This research paper study time 5 years from 2019-20 to 2023-24.

Data collection

Secondary sources formed the basis of this research paper. Study-related information is collected from websites along with online resources.

Method of data analysis

Data classifying and tabulation are the techniques applied to analysis of data. Ratio analysis is the base of our study. ANOVA is utilized, when testing a hypothesis at the 0.05 level of significance and 95% confidence level.

Hypothesis of the study:

- **H0:** There is **no** significant difference in the **Net Profit** ratio between the selected companies during study period.
- **H0:** There is **no** significant difference in the **Return on Total Assets** ratio between the selected companies during study period.
- **H0:** There is **no** significant difference in the **Earnings per Share** ratio between the selected companies during study period.

Analysis & interpretation

NET Profit ratio

Year	TCS	Infosys	HCL	Wipro
2019-20	25.33	19.17	16.75	17.22
2020-21	22.77	19.21	15.79	20.00
2021-22	23.81	21.36	20.35	20.36
2022-23	20.54	22.96	21.47	13.54
2023-24	21.52	23.69	22.31	13.65
Minimum	20.54	19.17	15.79	13.54
Maximum	25.33	23.69	22.31	20.36
Average	22.794	21.278	19.334	16.954

(www.moneycontrol.com)

Analysis

The overall highest Net Profit Ratio was TCS and lowest of this ratio Wipro.

Net profit ratio of the TCS 2019-20 was in 25.33 and after next year this decrease and came 22.77 after that 2021-22 this ratio increase compare to previous year and reach the 23.81. Next year this ratio was also decrease and reaches the 20.54 in 2022-23 after that was increase in next year 2023-24. So, overall this ratio fluctuated in every year.

Infosys 2019-20 net profit ratios was 19.17 and next year this ratio increase by 0.4 and this ratio 2021-22 reach the 21.36 and increase. After each and every year this ratio is increase. This company highest ratio in 2019-20 and lowest was 2023-24.

In the HCL this ratio 16.75 year of 2019-20 and next year this is decrease 0.96 in 2020-21. After every year this ratio was increase by 4.56, 1.12 and 0.84 of given time period.

Wipro net profit ratio was fluctuated by every year. Year 2019-20 this ratio is 17.22 and next year increases and reaches the 20.00. After that in year 2021-22 increase 0.36 and next year this ratio is decrease. Year 2023-24 this ratio increase 0.11 and reach the 13.65.

Return on total assets

Year	TCS	Infosys	HCL	Wipro
2019-20	31.68	19.66	27.50	13.29
2020-21	28.30	21.00	24.50	15.30
2021-22	31.49	20.43	26.75	15.09
2022-23	32.63	18.76	24.76	10.75
2023-24	35.95	21.12	24.26	11.16
Minimum	28.30	18.76	24.26	10.75
Maximum	35.95	21.12	27.50	15.30
Average	32.01	20.194	25.554	13.118

(www.moneycontrol.com)

Analysis

The overall highest Return on Total Assets was TCS and lowest of this ratio Wipro.

Return on total assets of TCS is 31.68 in the year 2019-20. After the year that decrease in 2020-21 and reach 28.30 and after that every year this ratio is increase in nature and last year 2023-24 this ratio is 35.95.

Infosys return on assets is fluctuated given every year. In the 2019-20 this ratio is 19.66 and next year increase 2.66. After next year 2021-22 and 2022-23 decrease in return on total assets. Last year 2023-24 this ratio increase and reach 21.12. In the HCL this ratio was decreasing in nature except the 2021-22 because of this year return on total assets increase by 2.25. Highest return on total assets is 2019-20 and lowest was year of 2023-24.

Wipro is fluctuated in nature of this ratio. 2019-20 this ratio is 13.29 and next year increases and came out 15.30. Year 2021-22 decrease ratio from 0.21 and after year they also decrease from the 4.34 or next year 2023-24 increase this ratio and came out 11.16.

Earnings per share

Year	TCS	Infosys	HCL	Wipro
2019-20	88.64	36.34	33.06	14.88
2020-21	82.78	42.37	32.22	17.81
2021-22	103.24	50.27	40.10	22.20
2022-23	106.88	55.48	42.32	16.75
2023-24	119.44	65.62	43.11	17.24
Minimum	82.78	36.34	32.22	14.88
Maximum	119.44	65.62	43.11	22.20
Average	100.196	50.016	38.162	17.776

(www.moneycontrol.com)

Analysis

The overall highest Earnings per Share was TCS and lowest of this ratio Wipro.

TCS earnings per share were highest 119.44 in the year of 2023-24 and lowest 82.78 in the year 2020-21. And average of this ratio is 100.196.

An Infosys earnings per share were highest 65.62 in the year of 2023-24 and lowest 36.34 is a year 2019-20. Average of earning per share is 50.016.

HCL earnings per share were highest 43.11 in the year of 2023-24 and lowest 32.22 in the year 2020-21. And average of this ratio is 38.162.

Wipro earnings per share were highest 22.20 in the year of 2021-22 and lowest 14.88 is a year 2019-20. Average of earnings per share is 17.776.

Result of anova

No.	Ratio	Calculated value	Table value	Result
1	Net Profit Ratio	4.69	3.239	H ₀ IS Rejected
2	Return on Total Assets	84.73	3.239	H ₀ Failed to accept
3	Earnings per Share	64.88	3.239	H ₀ not Accept

Analysis

It is clear from the table that calculated value for the all three ratio Net Profit Ratio, Return on Total Assets and Earnings per Share which is higher than the critical value at 5% level of significance. So, it should be rejected the all null hypothesis and accept all alternative hypothesis.

Findings

In the profitability position of Tata consultancy service (TCS) is much good compare to other selected companies and Wipro performance lowest.

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