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Historical performance analysis of top IT companies in India

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Abstract
The Information Technology (IT) industry involves IT services, IT-enabled services (ITES), e-commerce, and Software and Hardware products. Because of the impressive IT industry, India is now known as a knowledge economy of 21st century. The role of IT in India's economic development has been imperative. It is the main sector that brought foreign funds in Indian domestic market in the critical situation of Covid-19 even after facing economic hazards like lockdown, layoff, termination, labour turnover. it plays an important role in Indian economy in post COVID recovery. The IT market made a huge growth in last two decades, it is expected to contribute 10% of the GDP of India by the year 2025, which was 1.2% of GDP in the year 1998. The exponential growth of IT industry grows interest in investors to invest in this sector. To analyse the best payback companies, this paper represents a comparative study between the financial performance of top 5 Indian IT software companies. The selected companies are Tata Consultancy Services (TCS), Infosys, Wipro, HCL Ltd. And Tech Mahindra. The financial performance is measured based on financial ratios and other parameters such as Enterprise Value, Revenue, Profit After Tax (PAT), Enterprise Value / Earnings Before Interest, Taxes, Depreciation, and Amortization (EV/EBITDA) Ratio, Net Profit Margin Ratio, Price Earnings(P/E) Ratio, Return on Asset (ROA) ratio and Return on Capital Employed (ROCE) ratio for the period of 2014-2023. The comparison is made based on the graphs created with the collected data.

Keywords: IT industry, financial performance analysis, financial ratios

Introduction
An amount of money which is invested for smoothly run a business is called finance. Moreover, Financial performance analysis implies the method to evaluate and assess the organization's financial activities, it provides the idea about a company's financial health. Through this, businesses can find out the zones of improvement, what will be the treatment of costs and make some constructive decisions about the future endeavours. Also, this analysis helps the companies to compare their performance with their competitors and identify the demand-supply trends of the market. IT industry is recognised as one of the leading sectors in India. From the year 1998, it has enlarged hugely, increasing its contribution in Indian GDP from 1.2% (Karmakar, 2014) [2] to 9.3% (Tomer, 2020) [5]. Hence it can be concluded that the IT industry has a great role in accelerate India's economic growth. It also contributes 56% of the international market (Karmakar, 2014) [2] with $194 billion export revenue in FY 2023 [1]. It is expected that in the next few years IT industry in India is to witness significant growth. This industry is predicted to grow at a CAGR of 10% (Svystelnyk, 2023) [4] during this period, driven by multiple factors such as shifting of market towards technology, high demand for skilled IT professionals and so on. This paper examines methodically the financial performance based on some historical data of top five IT companies in India, such as Tata Consultancy Services (TCS), Infosys, Wipro, HCL Ltd. and Tech Mahindra and their competitiveness in terms of sound financial performance.

Literature review
(Saranya C. & Sridevi, 2019) [3] analysed the financial performance of IT companies,

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[1] https://en.wikipedia.org/wiki/Information_technology_in_India

The paper did a financial ratio analysis using secondary data which were collected from news paper reports, articles and etc. This study took the data for five years, from 2014 to 2018. They gave a conclusion that the IT companies manage their funds efficiently to increase profitability.

(Gupta, S., & Jain, M. A. 2019) [1] quantitatively analysed the Secondary data from the NASSCOM and IBEF. The analysed the Financial performance of the IT sector of India through the market size both in the terms of domestic and export market and their overall growth in total market share. They also disseminate the financial performance of IT sector into segments i.e. IT services, Business Process Management (BPM) and software product including engineering services. They concluded that IT is play a major role in Indian economy and is expected to achieve new milestones in the light of financial performance.

(Raju, M., & Rao, D. P. V. 2020) [6] investigated ten IT companies, considering their performance of Profit After Tax (PAT) and the international investors for the time span of 2008 to 2019. They gave a conclusion that the IT industries are significantly growing. But they noted that A cross business enterprise and cross country study will be required earlier than they sum up results.

(Thomas Asha E. 2021) [9] conducted an analytical study on the performance of Indian IT industry to understand it's suitability for investment. The paper used five year financial report of top four companies. It had performed a SOWT analysis. It also performed financial data analysis using some specific ratios, such as earning per share, book value per share, price earning ratio, etc. This paper concluded that

IT sector of India is going to give a high return in the future. (Chauhan, M. 2023) [7] analysed the financial performance of Tata Consultancy Services which was fully depend on the secondary data. Author considered Ratio Analysis as the tool of the study. He termed the IT sector as healthier compare to others and TCS was in a better condition in terms of solvency and liquidity.

(Kanagaraj, M. P., & Harinie, M. A. 2023) [8] conducted a study to examine the profitability, solvency and liquidity position of TCS Ltd. They concluded that some ratios were fluctuating in nature throughout the years but the return on shareholders fund had been continuously increased over the years.

This Previous works are comparing two or more companies to give a comparative analyse. But in many cases, they only considered TCS. Some paper used only 3- or 5-year data to analyse the trend which is not sufficient to comment on the financial condition of that industry.

Objectives
To address the research gap, this paper has three objectives which are following
- To analyze the financial performance of top 5 IT industries.
- To compare their financial position in overall IT periphery.
- To Examine their competitiveness based upon the financial information

Research methodology

Nature of the data	Secondary
Type of data	Financial
Source of data	Financial Statement
Time span of the study	2014 to 2023
Parameters	Enterprise Value, Revenue, EV/EBITDA, PAT, Net Profit Margin ratio, ROCE, ROA, PE ratio

Data analysis
Table 1 shows Enterprise Value of Tata Consultancy Services (TCS), Infosys, Wipro, HCL Ltd. And Tech Mahindra over the time period of 2014 to 2023.

Table 1: Enterprise Value

	TCS	Infosys	HCL	Wipro	Tech Mahindra
2023	1168779.8	585675.96	288863.3	201130.3	106138.4
2022	1354708.8	789898.32	311226.5	327315.4	144395.2
2021	1172570	565049.5	262157.7	222962.3	94922.73
2020	678819.75	259077.74	117446.6	106910.4	52704.87
2019	741250	307794.88	141183	148400.2	75127.31
2018	540949.3	230982.96	132468.5	129726.1	60730.8
2017	477854.7	215222.68	116478.6	127904.1	42836.96
2016	491018.85	250465.32	106193	137462.8	42900.15
2015	482638.45	226743.68	120697.4	145338.5	58658.06
2014	404383.76	163450.22	96904.12	127760.6	39081.44
Source: Secondary Data					

Table 2 shows Revenue of all addressed companies over the time period of 2014 to 2023.

Table 2: Revenue

	TCS	Infosys	HCL	Wipro	Tech Mahindra
2023	190354	124014	46276	67753.4	42657.3
2022	160341	103940	40638	59574.4	34726.1
2021	135963	85912	35673	50299.4	29640.9
2020	131306	79047	32606	50407	29225.4
2019	123170	73107	26012	48123.8	27219.6
2018	97356	61941	22073	44,710.00	23661.2
2017	92693	59289	19318	45,639.60	23165.4
2016	85864	53983	13434.64	44,680.80	20969.8
2015	73578.06	47300	17153.44	41,209.80	19162.7
2014	64672.93	44341	16497.37	38,757.20	16295.1
Source: Secondary Data					

Table 3 shows EV/EBITDA of all addressed companies over the time period of 2014 to 2023.

Table 3: EV/EBITDA

	TCS	Infosys	HCL	Wipro	Tech Mahindra
2023	20.75	16.95	16.72	13.88	18
2022	25.21	25.44	19.46	19.12	20.6
2021	25.65	20.99	17.02	15.44	15.18
2020	14.94	11.4	8.79	8.43	8.69
2019	17.4	14.3	12.58	13.1	12.26
2018	16.1	10.84	13.19	11.35	10.78
2017	15.09	10.62	13.22	10.48	9.38
2016	15.94	13.38	17.4	11.44	9.49
2015	18.93	13.11	14.98	12.42	17.5
2014	16.41	10.82	12.16	11.92	10.76
Source: Secondary Data					

Table 4 shows Profit After Tax (PAT) of all addressed companies over the time period of 2014 to 2023.

Table 4: Profit After Tax

	TCS	Infosys	HCL	Wipro	Tech Mahindra
2023	39,106.00	23268	14716	9176.7	3777.5
2022	38,187.00	21235	13268	12135.3	4913.1
2021	30,960.00	18048	12410	10060.9	4239.1
2020	33,260.00	15543	11177	8680.7	4534.5
2019	30,065.00	14702	9931	7614	4380.4
2018	25241	16,155.00	9125	7,722.80	3999.3
2017	23653	13,818.00	8276	8,161.70	3047.3
2016	23075	12,693.00	5781.55	8,200.50	3220
2015	19256.96	12,164.00	7698.54	8,193.10	2256.2
2014	18474.92	10,194.00	7397.66	7,387.40	2458.9
Source: Secondary Data					

Table 5 shows Net Profit Margin Ratio of all addressed companies over the time period of 2014 to 2023.

Table 5: Net Profit Margin Ratio

	TCS	Infosys	HCL	Wipro	Tech Mahindra
2023	20.54	18.76	24.76	13.54	8.85
2022	23.81	20.43	26.75	20.36	14.14
2021	22.77	21	24.5	20	14.3
2020	25.33	19.66	27.5	17.22	15.51
2019	24.4	20.11	31.46	15.82	16.09
2018	25.92	26.08	33.35	17.27	16.9
2017	25.51	23.3	35.57	17.72	13.15
2016	26.87	23.51	35.12	18.35	15.35
2015	26.17	25.71	36.99	19.88	11.77
2014	28.56	22.99	36.27	19.06	16.48
Source: Secondary Data					

Table 6 shows Return on Capital Employed (ROCE) of all addressed companies over the time period of 2014 to 2023.

Table 6: Return on Capital Employed

	TCS	Infosys	HCL	Wipro	Tech Mahindra
2023	65.07	34.34	34.76	19.4	19.23
2022	60.23	30.63	30.14	27.32	22.37
2021	52.75	25.23	27.76	27.49	20.39
2020	52.79	24.97	28.84	23.62	21.93
2019	50.71	23.44	32	20.44	24.31
2018	41.5	31	32.52	23.87	22.85
2017	38.05	27.8	31.49	22.61	20.7
2016	34.9	20.75	21.37	18.75	21.04
2015	41.32	25.29	31.86	22.73	22.45
2014	40.74	24.01	36.33	23.96	25.52
Source: Secondary Data					

Table 7 shows Return on Assets (ROA) of all addressed companies over the time period of 2014 to 2023.

Table 7: Return on Asset

	TCS	Infosys	HCL	Wipro	Tech Mahindra
2023	32.63	22.96	21.47	10.75	10.48
2022	31.49	21.36	20.35	15.09	14.03
2021	28.3	19.21	15.79	15.3	12.7
2020	31.68	19.17	16.75	13.29	14.95
2019	30.21	18.62	21.85	11.36	14.43
2018	27.72	21.29	22.43	13.16	14.92
2017	26.35	17.29	21.23	12.92	12.84
2016	29.8	17.45	17.74	13.91	15.59
2015	30.53	19.67	25.47	15.34	13.25
2014	32.07	19.33	27.43	16.15	18.22
Source: Secondary Data					

Table 8 shows Price-Earning (PE) ratio of all addressed companies over the time period of 2014 to 2023.

Table 8: Price-Earning Ratio

	TCS	Infosys	HCL	Wipro	Tech Mahindra
2023	29.99	25.73	25.65	21.78	28.45
2022	36.21	37.93	29.027	26.66	29.715
2021	38.39	32.3	30.52	23.27	22.67
2020	20.56	17.62	13.21	13.22	12.05
2019	25.22	22.069	18.22	20.09	17.42
2018	21.715	15.91	18.455	17.29	15.63
2017	20.26	16.99	18.12	15.32	14.65
2016	21.47	22.05	24.28	16.897	14.25
2015	25.897	20.91	20.38	18.82	26.68
2014	22.598	18.398	17.46	18.04	15.54
Source: Secondary Data					

Findings
Based on Table 1, firstly, Enterprise Value of Tata Consultancy Services (TCS) is significantly increased throughout the time span of the study i.e. 2014 to 2023 compare to others. Secondly, Enterprise Value of Infosys, Wipro, HCL Ltd. And Tech Mahindra are fluctuating in nature. For the initial seven years the enterprise value of Infosys continues to be same and then increases and again drops in the year 2023. This values of HCL and Wipro are similar in every year except FY 2023.
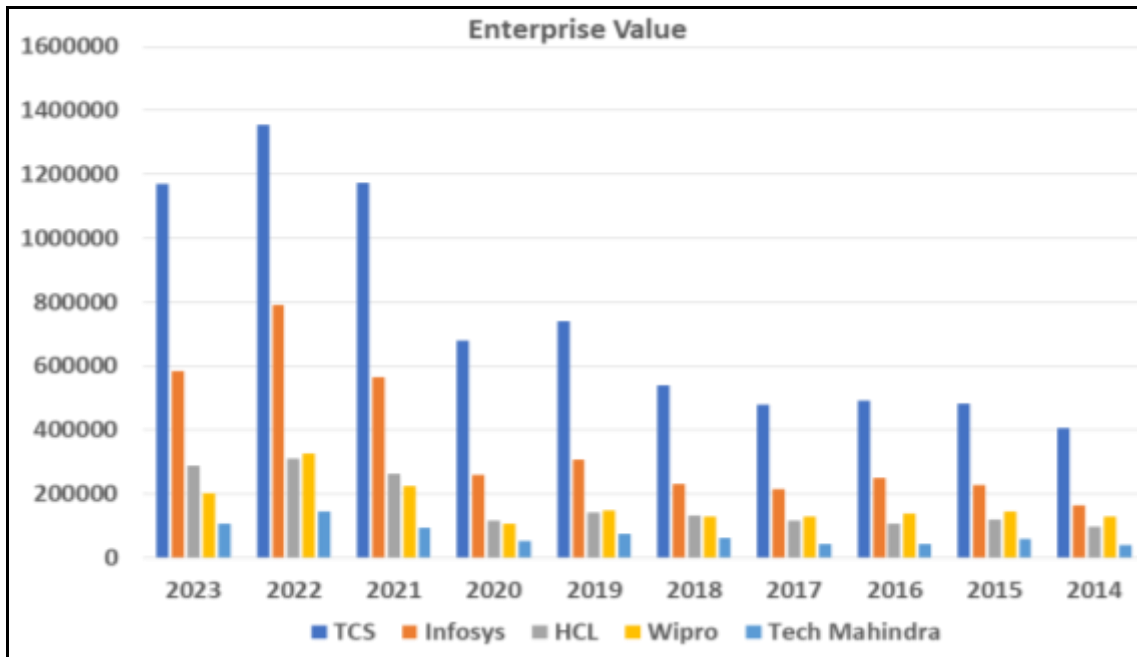

Chart 1: Enterprise Value

Considering the Table 2, revenue of Tata Consultancy Services (TCS) is sharply increased throughout the period. But, the revenue of Infosys and Tech Mahindra are moderately increased during the period. Lastly, HCL and Wipro having the revenues which is inconsistent in nature in the poor growth. On close observe, it can be noticed that the revenue of HCL and Tech Mahindra have a similar value over the year.
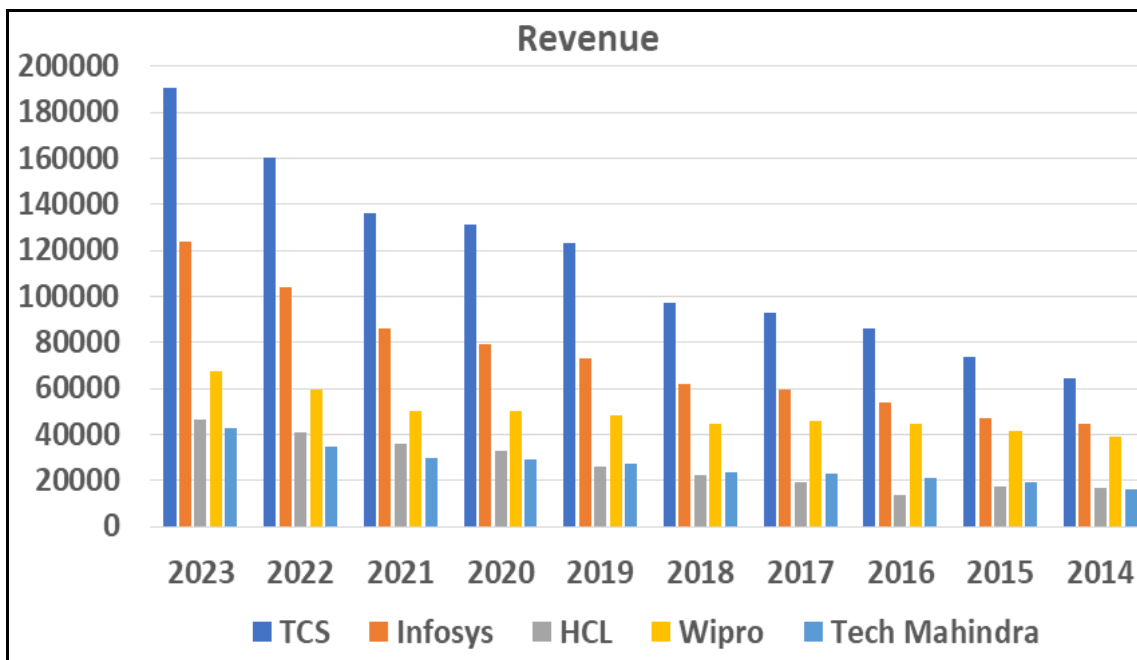
Chart 2: Revenue

Depending upon Table 3, EV/EBITDA of HCL, Wipro and Tech Mahindra having values 8.79, 8.43 and 8.69 in the year 2020 which is healthier than others that attracts the investors to compare the companies in order to make an investment decision. Additionally, in 2016 and 2017, Tech Mahindra having the value 9.49 and 9.38 which is moderately significant than others. This parameter shows a huge fluctuation for all the companies among the period.
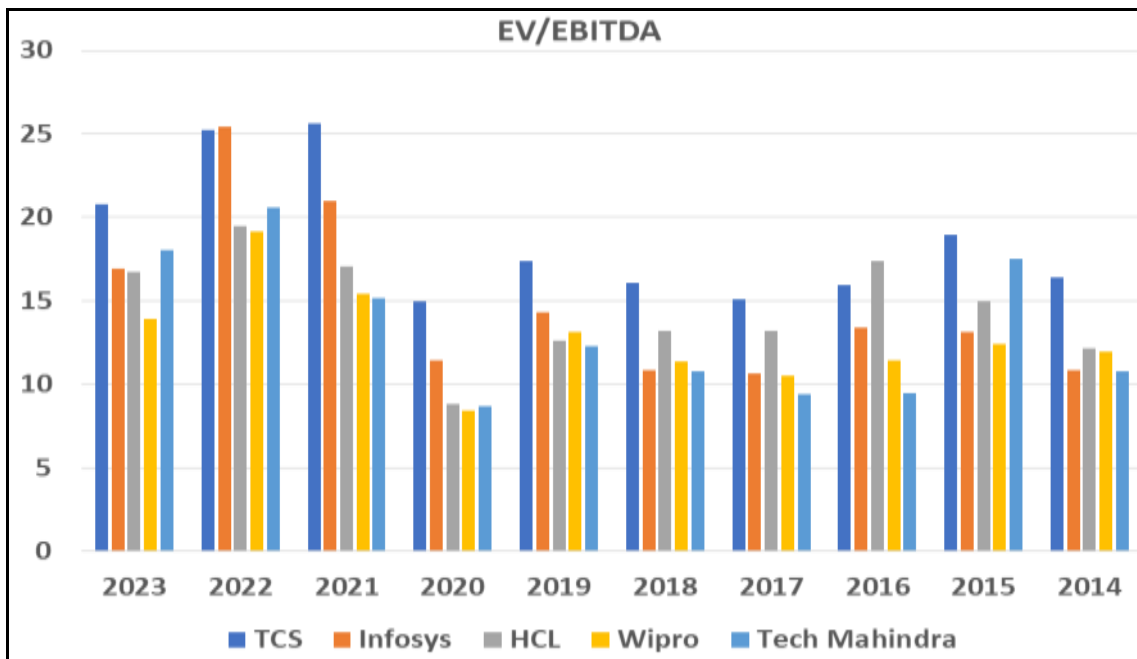
Chart 3: EV/EBITDA

By analysing Table 4, Profit After Tax (PAT) of all five companies are significantly increased during the time span but TCS is in a better condition in terms of PAT. This chart shows a consistency among all the companies except for HCL which shows a slight drop in the year 2016.
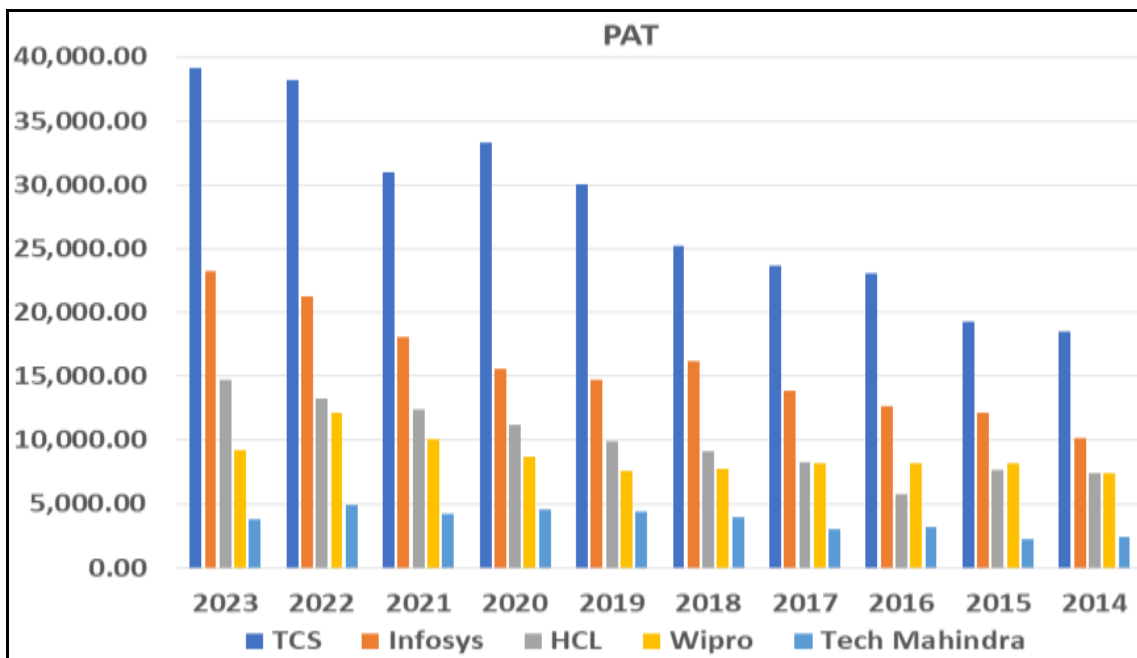

Chart 4: Profit After Tax

Generally Net Profit Margin ratio is inconsistent in nature and it varies by industry. Considering the Table 5, TCS is maintained above 20% Net Profit Margin ratio during the period of the study. In this regard, Tech Mahindra has the exact opposite scenario i.e. Tech Mahindra's Net Profit Margin ratio is below 20% throughout the period.
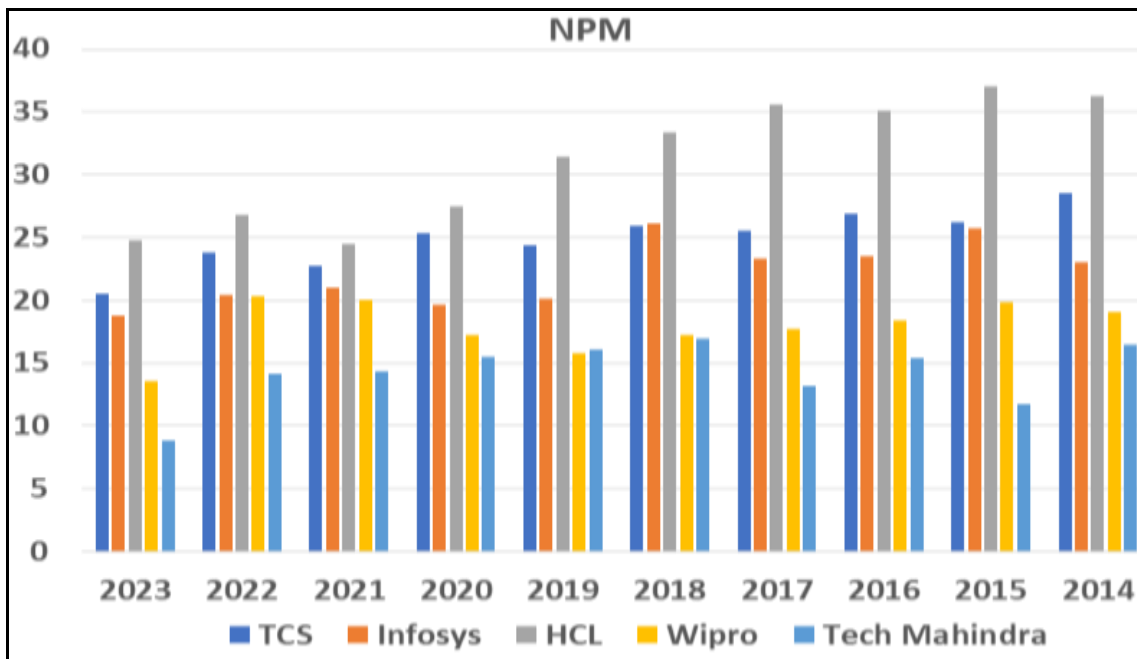
Chart 5: Net Profit Margin

Considering the Table 6, Return on Capital Employed (ROCE) of TCS is in a sound position compare to others during the period. Where, Wipro and Tech Mahindra is in a moderate condition in the light of profit and stable financial position in the market.
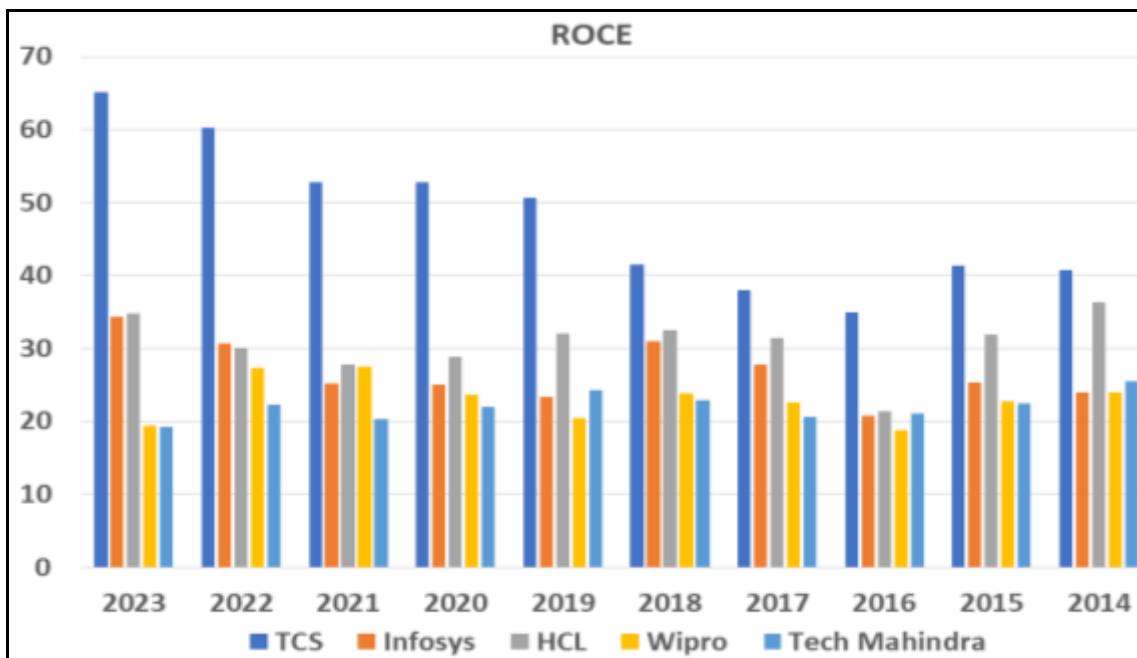

Chart 6: Return on Capital Employed

By analysing the Table 7, TCS has better Return on Assets (ROA) in the light of revenue generating assets but it is unstable in nature. Infosys and HCL having moderate ROA compare to others during the period.
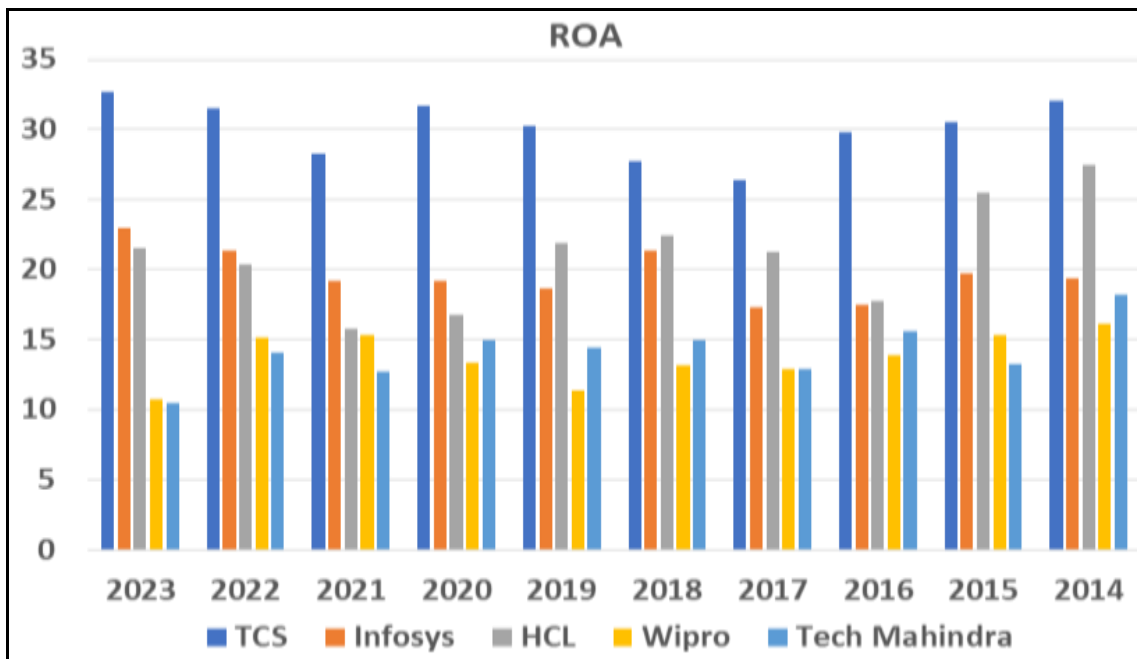
Chart 7: Return on Asset

Last but not the least, Table 8 shows the Price-Earning (PE) ratio. In the year 2022 and 2023, all the companies having high PE ratio compare to other years. But in 2020, all companies having average PE ratio than others.
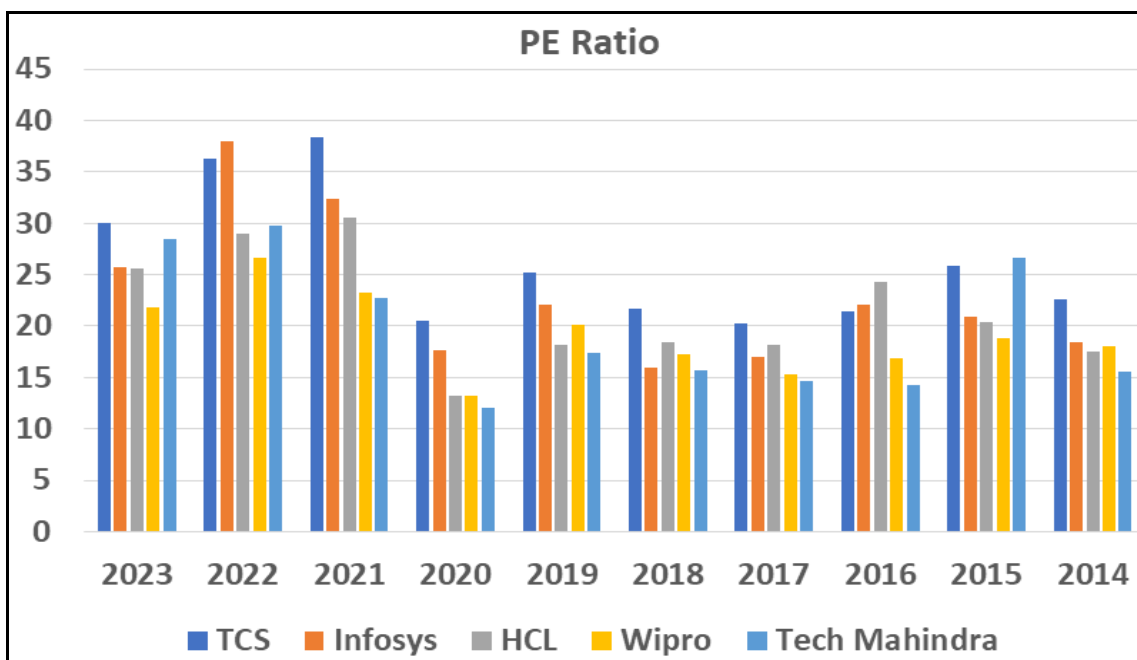

Chart 8: Profit Earning Ratio

Conclusion
After the study of Top IT companies for the period of 2014 to 2023, it can be concluded that Indian IT industry is rapidly growing sector for the last decade and it will set a benchmark in near future. The overall financial performance of these companies is in a sound condition and it can be predicted that IT sector will be a key factor in the India's economic growth. Moreover, this study is purely based on historical data which is secondary in nature. The parameters which are taken in this study are sufficient enough but not ultimate. There are some variables which are ignored due to the unavailability of authentic data. Lastly, it can be concluded that financial performance of Indian IT sector will reach a new height which will contribute the Indian economy in terms of healthy financial condition.

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