

ANALYSIS OF FINANCIAL PERFORMANCE OF SELECTED COMPANIES IN IT INDUSTRY

M. Sureka ¹ , Dr J Ramya ²

1. UG Student, 2. Assistant Professor, Head - Department of Business Administrations, SRM Institute of Science and Technology, Vadapalani, Chennai

ABSTRACT

Financial statement analysis establishes the company's financial strengths and weaknesses. The abilities of business management significantly affects the success of every business enterprise. It is important for the commercial enterprise to be able to develop different strategies for dealing with the market's evolving and new challenging business conditions. Hence, managers make an effort to alter their management style during difficult times to maintain the long-term and steady operation of the company. They must constantly maintain and acquire consumers and suppliers. These actions give them the chance to outperform rival businesses by gaining a competitive advantage. Understanding and diagnosing the information in financial statements, as well as figuring out the business's profitability and financial strengths, are the key goals of financial statement analysis. It is essential for assisting in comprehending financial accounts, spotting trends throughout time, and assessing the general financial health of the company. The researcher attempts to perform financial analysis of the selected company to understand the trends of the industry. The researcher has used descriptive analysis and trend analysis, and ratio analysis as tools to depict the financial position. The paper is tested for its validity and reliability.

Keywords: Trend analysis, Ratio analysis, Assets, Liabilities, Sales, Equity, Profit.

INTRODUCTION

The information technology (IT) sector is a major driver of India's GDP growth and is one of the country's most promising emerging industries. India has become the global IT hub due to its enormous demographic dividend potential. In addition to supporting India's economy, the IT sector improves people's lives by being fully integrated into a variety of socioeconomic factors. IT has been a major factor in transforming India's perception from one of a steadily increasing regulatory framework to one of innovative endeavors and a global player in the feeding of elite technology systems and corporate facilitation.

An introduction to Wipro ltd:

Wipro, an Indian multinational organization, is a provider of information technology, consulting, and business process services. It is stylized as wipro. It is among the top Big Tech businesses. Wipro offers clients in 167 countries a wide range of technology consulting services, including cloud computing, computer security, digital transformation, robots, artificial intelligence, and data analytics.

An introduction to TATA communications ltd:

Tata Communications Limited (formerly Videsh Sanchar Nigam Limited). They provide Network services and software-defined network platforms, including Ethernet, SD-WAN, CDNs, the internet, Multiprotocol Label Switching (MPLS), and private lines, are offered by Tata Communications.

An introduction to Sify Technologies Ltd:

An Indian information and communications technology company, Sify Technologies Limited (formerly Satyam Info way), offers end-to-end ICT solutions, including telecom, data center, cloud & managed, transformation integration, and application integration services. In India, Sify Technologies Limited was a major player in the early development of e-commerce and the Internet.

A company's financial statements show its state of health. An investor reviews a company's financial statements before making any investment decisions. Using statistical tools and techniques like trend analysis and ratio analysis attempts are made to determine financial potency and imbecility of selected companies in IT industry

LITERATURE REVIEW

The process of reviewing literature helps researchers think through the issue and reveals details and consequences that may not have been previously considered. Baran, Pastyr, & Baranová (2016) showed that Every company's ability to succeed is directly correlated with its management team's skills. As a result, the company can develop different strategies for dealing with the unique, complicated, and ever-changing circumstances necessary for success in the marketplace. In order to ensure the long-term and stable operation of the business enterprise, managers are attempting to modify their management style during difficult times. They are compelled to consistently acquire and retain clients and suppliers. They have the chance to gain a competitive edge over other businesses by putting these strategies into practice. Trupti Gohel and Dr. Navjyot Raval (2022) investigated One type of NBFC is the Housing Finance Company (HFC), whose main activity is lending money and offering support for the purchase and building of homes for both residential and commercial use. As a regulatory body, the Reserve Bank of India (RBI) has suggested the CAMEL rating system as a means of assessing the robustness and effectiveness of the NBFCs' financial performance. The financial performance of a subset of Indian housing finance companies was assessed for a period of five fiscal years, from 2014–15 to 2018–19, using the CAMEL model. To compare the performance of these companies, a ranking has been conducted. In order to measure and assess the financial performance of the aforementioned model, a number of financial ratios have been computed. Sonia Lobo and Ganesh Bhat S (2021) proposed that Financial statements serve as a mirror reflecting the company's strengths and weaknesses as well as its financial situation. Internally, financial statements are useful to the company's stockholders, board of directors, managers, and some employees, including labor unions. Externally, however, they are important to potential investors, government agencies in charge of taxation and regulation, lenders like banks and credit rating agencies, investment analysts, and stock brokers. Venkateswararao Podile and Manchala Raju (2020) investigated a variety of methods and approaches used to consider the connection between various declarations. The financial declarations will provide the relevant and solid facts from both internal and external clients. These clients include traders, owners arising from organizations, talented directors, lessees, the government, and so forth. These clients are those who are otherwise referred to as partners of a specialty unit. The analysis of the economic report will look at the issues with the balance sheet's articulation and the profit and loss statement. In the unlikely event that the data is arranged in a crucial way, it will indicate how the related topics relate to one another.

METHODOLOGY

The study is descriptive in nature and was carried out using a range of financial statement literatures. It has been suggested that descriptive research be used to increase the depth of knowledge. As a result, this study only uses secondary data collection techniques and takes into account a range of secondary sources, including books, journals, reports, empirical studies, websites, literature reviews, and academic databases. This study is confined to the year 2021-23 and uses financial tools like trend analysis and ratio analysis.

ANALYSIS AND FINDINGS

RATIO ANALYSIS

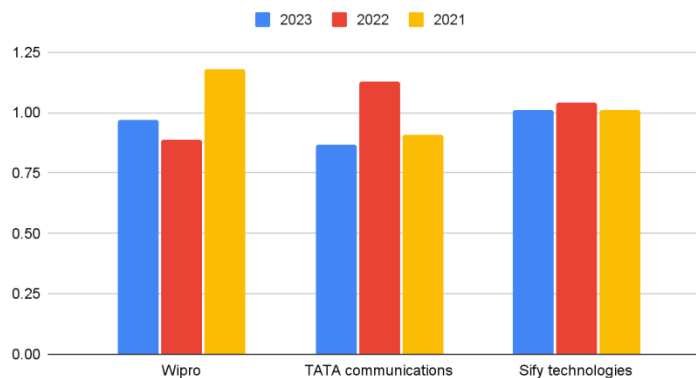
People can examine financial aspects like profitability, liquidity, and efficiency with the aid of ratio analysis. Financial professionals can conduct competitive analysis and comprehend company trends with the aid of ratio analysis. Liquidity, leverage, market value, and efficiency ratios are examples of common ratio analysis.

1. CURRENT RATIO

One liquidity ratio used to assess a company's capacity to meet short-term or one-year-due obligations is the current ratio. It provides guidance to analysts and investors on how a business can optimize its current assets on the balance sheet to pay down its current debt and other payables.

	2023	2022	2021
Wipro	0.97	0.89	1.18
TATA communications	0.87	1.13	0.91
Sify technologies	1.01	1.04	1.01

Current Ratio

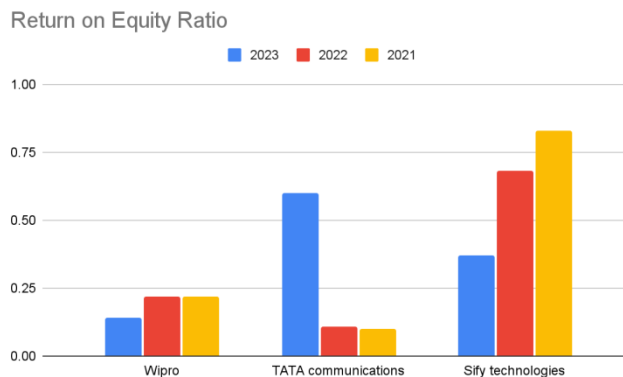


A healthy current ratio falls between 1.2 and 2, indicating that the company has twice as many current assets as liabilities to pay off its debt. The company doesn't have enough liquid assets to cover its short-term liabilities if its current ratio is less than 1.

2. RETURN ON EQUITY RATIO

Return on equity (ROE) is a ratio that tells investors how well a business—or, more precisely, how well its management team is using the money that its shareholders have contributed. Stated differently, return on equity expresses how profitable a company is relative to the equity held by its investors. A company's management is more effective at producing revenue and growth from its equity financing the higher the ROE.

	2023	2022	2021
Wipro	0.14	0.22	0.22
TATA communications	0.60	0.11	0.10
Sify technologies	0.37	0.68	0.83

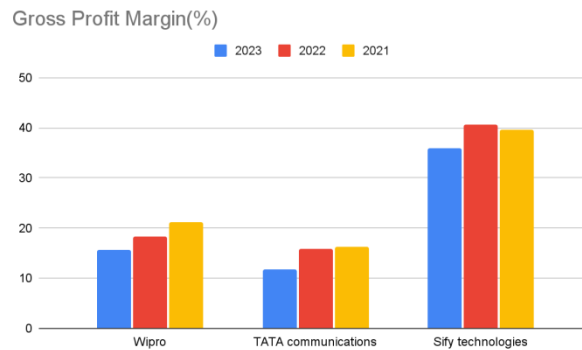


Return on equity (ROE) measures management's capacity to produce profits from the equity at its available use. 0.15 to 0.20 ROEs are generally regarded as good.

3. GROSS PROFIT MARGIN

Analysts utilize gross profit margin as a financial metric to evaluate the soundness of a company's finances. The profit left over after deducting the cost of goods sold (COGS) is known as the gross profit margin. To put it simply, the money left over after operating expenses are deducted is known as a company's gross profit margin. This statistic, sometimes referred to as the gross margin ratio, is typically expressed as a percentage of sales.

	2023	2022	2021
Wipro	15.56	18.33	21.28
TATA communications	11.74	15.78	16.23
Sify technologies	36	40.64	39.54

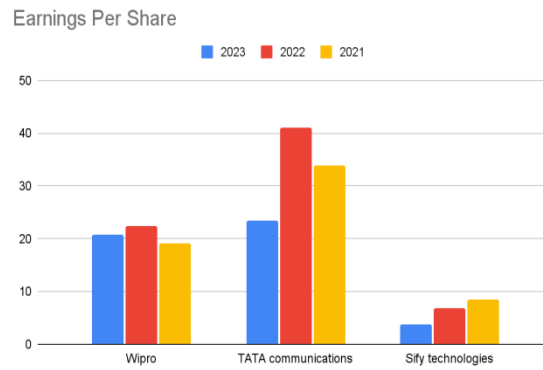


A healthy gross profit margin ratio would be between 30% to 60%. One major factor influencing these margins can be the labor costs related to providing services.

4. EARNINGS PER SHARE

The calculation of earnings per share (EPS) involves dividing a company's net income by the number of outstanding shares of common stock. Net income is the amount of money left over after a company's expenses and costs are deducted. It is available to all shareholders.

	2023	2022	2021
Wipro	20.68	22.37	19.11
TATA communications	23.37	40.96	33.78
Sify technologies	3.69	6.890	8.530



A company's earnings per share (EPS) is frequently compared by investors and financial analysts to its historical performance, industry benchmarks, and the guidance or expectations given by the company and the wider market. Every company's EPS can be different based on its own set of goals and circumstances.

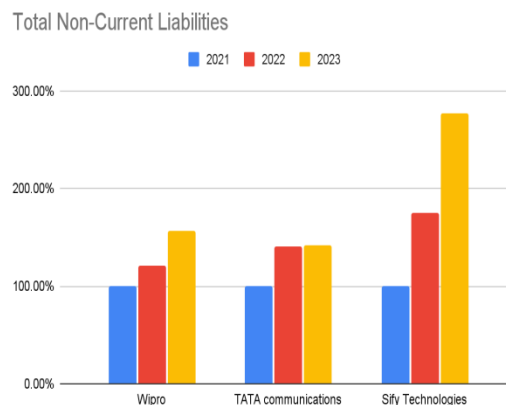
TREND ANALYSIS

A method for analyzing and projecting an item's movements based on recent and past data is called trend analysis. By using trend data to guide your decision-making, trend analysis can help you grow your company.

1. TOTAL NON-CURRENT LIABILITIES

A business's debts that are not expected to be paid off for at least a year are known as non-current liabilities. Another name for them is long-term liabilities.

	2021	2022	2023
Wipro	100%	121.00%	156.73%
TATA communications	100%	141.10%	142.27%
Sify Technologies	100%	174.66%	276.62%

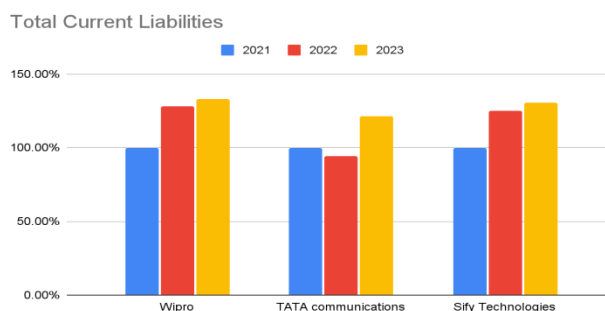


As per the above table the base considered is 2021 at 100%. The trend analysis shows that there is an increase of total non-current liabilities in Wipro ltd for the time period 2021-23 from 100% to 156.73%, TATA communications ltd for the time period of 2021-23 from 100% to 142.27% and maximum increase in Sify Technologies ltd for the time period of 2021-23 from 100% to 276.62%.

2. TOTAL CURRENT LIABILITIES

A company's short-term financial obligations that are due within a year or during a typical operating cycle are referred to as current liabilities.

	2021	2022	2023
Wipro	100%	127.80%	132.81%
TATA communications	100%	94.30%	121.43%
Sify Technologies	100%	124.72%	130.39%

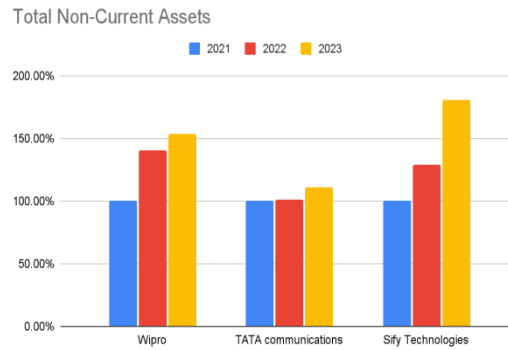


As per the above table the base considered is 2021 at 100%. The trend analysis shows that there is an increase of total current liabilities in Wipro ltd for the time period 2021-23 from 100% to 132.81% and Sify technologies ltd for the time period 2021-23 from 100% to 130.39%. However, TATA communications ltd saw a decrease in 2022 from 100% to 94.30% and a raise to 121.43% in 2023.

3. TOTAL NON-CURRENT ASSETS

Long-term investments with a useful life of more than a year are referred to as non-current assets by a company. Non-current assets are difficult to quickly turn into cash. They include things like land and heavy machinery and are necessary for a business's long-term needs.

	2021	2022	2023
Wipro	100%	140.55%	153.90%
TATA communications	100%	101.47%	111.34%
Sify Technologies	100%	128.81%	180.30%

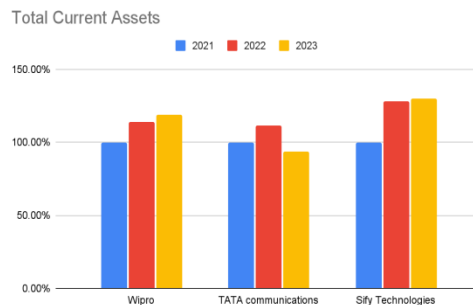


As per the above table the base considered is 2021 at 100%. The trend analysis shows that there is an increase of total non-current assets in Wipro ltd for the time period 2021-23 from 100% to 153.90% , TATA communications ltd for the time period of 2021-23 from 100% to 111.34% and Sify technologies ltd for the time period 2021-23 from 100% to 180.30%.

4. TOTAL CURRENT ASSETS

Any asset that is reasonably expected to be sold, used up, or depleted during a business's regular operations within the current fiscal year, operating cycle, or financial year is considered a current asset.

	2021	2022	2023
Wipro	100%	114.09%	118.95%
TATA communications	100%	111.73%	93.66%
Sify Technologies	100%	127.88%	129.73%



As per the above table the base considered is 2021 at 100%. The trend analysis shows that there is an increase of total current assets in Wipro ltd for the time period 2021-23 from 100% to 118.95% and Sify technologies ltd for the time period 2021-23 from 100% to 129.73%. However, TATA communications ltd saw an increase in 2022 from 100% to 111.73% and a decrease from 2022-23 from 111.73% to 93.66%.

CONCLUSION

In India, the IT sector is a booming, fundamentally dynamic industry. It supports the economy in specific ways. Entrepreneurs exemplify their eagerness to take risks in the business to anticipate significant profits due to its robust accomplishments. One aspect of financial management that is open to input is financial analysis. Thus, the study was started with the intention of using financial analysis to look at the financial statements of the leading IT companies in India. The core of an empirical study is analyzed with the use of statistical tools and techniques like trend analysis and ratio analysis, giving management rationality. Indian IT companies make a significant contribution to the comprehensive analysis of the strength of management stability. A strong performance is the foundation of any business venture. Any business entity can use financial sustainability as a criterion for determining how strong their venture exercise is for continued success.

REFERENCES

- https://www.moneycontrol.com/stocks/company_info/print_main.php
- https://www.sec.gov/ix?doc=/Archives/edgar/data/0001094324/000157587223001057/sify-20230531.htm#a001_016_item17financial
- <https://www.moneycontrol.com/financials/tatacommunications/balance-sheetVI/TC17>
- <https://www.moneycontrol.com/financials/wipro/balance-sheetVI/W>
- https://www.researchgate.net/profile/Dr-Haralayya/publication/353143684_Study_On_Trend_Analysis_at_John_Deere/links/60e98681b8c0d5588ce75c8d/Study-On-Trend-Analysis-at-John-Deere.pdf
- https://scholar.google.co.in/scholar?hl=en&as_sdt=0,5&as_vis=1&qsp=1&q=financial+trend+analysis+healthcare+industry&qst=ib
- https://www.researchgate.net/publication/373282360_ANALYSIS_OF_THE_FINANCIAL_SITUATION_OF_CONSTRUCTION_COMPANIES_AND_DIRECTIONS_FOR_ITS_IMPROVEMENT
- https://www.researchgate.net/publication/364310532_Comparative_Analysis_of_the_Financial_Performance_of_Selected_Indian_Housing_Finance_Companies
- https://www.researchgate.net/publication/305076841_Financial_Analysis_of_a_Selected_Company