

Financial Performance Analysis of TCS, Wipro and Infosys: A Comparative Study

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ABSTRACT

This research conducts a thorough examination of the financial performance of three leading companies in India's IT sector: Tata Consultancy Services (TCS), Wipro, and Infosys concentrating on their profitability and liquidity from 2020 to 2024. By employing ratio analysis, the study evaluates essential financial indicators such as the current ratio, return on capital employed, gross profit ratio, and net profit ratio to assess the financial stability and operational effectiveness of these firms. The results indicate notable disparities between the companies regarding liquidity and profitability. Infosys stands out with the best liquidity position, while TCS leads in profitability metrics, such as return on capital employed and net profit ratio. To substantiate these findings, the study utilizes statistical techniques like one-way ANOVA. These insights are beneficial for stakeholders, investors, and management, providing a clearer perspective on each company's financial strengths and weaknesses, thereby facilitating informed decision-making in the dynamic IT sector.

INTRODUCTION

The IT sector comprises industries dedicated to creating and managing technological systems, including software, hardware, and networks. It is integral to areas such as IT-enabled services (ITES), Business Process Management (BPM), cloud computing, and cybersecurity, serving as the backbone for digital information management, communication, and supporting various industries worldwide.

This sector is vital for promoting economic growth, generating employment, and boosting global connectivity through outsourcing. It drives innovation, enhances operational efficiency, and powers digital transformation across industries, playing a key role in modernizing economies and enhancing global competitiveness. In the Indian context, some of the leading companies in the IT sector are TCS, Wipro, and Infosys.

Tata Consultancy Services (TCS): TCS is a global leader in IT services, consulting, and business solutions, and a key part of the Tata Group. As one of the largest IT companies worldwide, TCS provides a broad range of services including software development, IT consulting, and digital transformation, catering to multiple industries. The company is renowned for its global reach and its focus on innovation, sustainability, and community engagement.

Wipro: Wipro is an international IT and consulting company offering a diverse portfolio of services such as IT solutions, business process outsourcing, and digital transformation. The company emphasizes sustainability and innovation, particularly in cloud computing, cybersecurity, and artificial intelligence. Wipro serves a wide array of industries, including healthcare, finance, and manufacturing.

Infosys: Infosys is a prominent IT services and consulting firm known for its digital solutions that help businesses grow faster. With a strong emphasis on innovation and education, Infosys delivers services like cloud computing, artificial intelligence, and business process management. It has a significant global presence and provides strategic consulting and IT outsourcing services across a wide range of industries. A large population of shareholders is interested in gaining insights into the financial performance of these companies, their current position, and forecasting their future potential. This evaluation primarily revolves around critical financial aspects such as liquidity and profitability, which are quantified through various financial ratios such as the current ratio, Gross Profit Ratio, Net Profit, and Return on Capital Employed, and will provide great help to stakeholders while making crucial decisions.

REVIEW OF LITERATURE

Begum and Shruti M (2024) conducted a comparative financial analysis of Wipro and Tata Consultancy Services (TCS) using secondary data from company websites and other sources. Financial statements were reviewed and key ratios such as return on assets (ROA), return on equity (ROE), and current ratio were calculated to evaluate operational efficiency and financial stability. The study also considered qualitative factors like industry dynamics and management strategies. Findings indicated that TCS maintained a high current ratio, while Wipro's ratios remained steady over the years.

Jayantibhai (2023) conducted a study on the financial performance of Tata Consultancy Limited to assess its financial strength. The study highlighted how TCS serves as a driver of economic growth, enhances efficiency across various sectors, boosts India's export market, helps reduce the trade deficit, and acts as a tool for better governance. The data was collected during a five-year period from 2017–2018 to 2021–2022 from the company's annual reports, and books and journals and financial computed. Financial stability was analysed by various accounting and financial approaches.

K. Das (2022) explored the financial statements of Indian selected Information Technology company mainly based on specific ratios. The financial statements were analyzed using statistical tools, graphs, and tables. The findings showed that Wipro Ltd. was a standout performer in the Information Technology sector over the past six years, excelling in financial performance. Overall, the paper offers valuable insights and is beneficial for managers, stakeholders, and future research.

Mehta et al. (2021) examined the financial performance of selected Indian IT companies over a 13-year period (2007-08 to 2020-21). The study utilized various accounting ratios and statistical methods, including ANOVA (Analysis of Variance) and CAGR (Compound Annual Growth Rate), and employed secondary data. Findings of the study concluded that Infosys performed best in terms of Gross Profit, Net Profit, and Current Ratio and Wipro Return on Invested Capital, Return on Equity, and Financial Leverage Ratio, HCL Second in Return on Invested Capital and Current Ratio and TCS was second in Return on Equity and Gross Profit.

Patel and Patel (2020) conducted a study on the financial and accounting performance of leading Indian IT companies over a decade, from 2011 to 2020. The analysis utilized various accounting ratios and statistical tools to highlight differences in profitability among the selected firms. The findings revealed that Wipro performed best in terms of Gross Profit and Net Profit Ratios, as well as Return on Capital. HCL emerged as the top performer overall, followed by Redington, Infosys, and Wipro. In terms of Return on Equity, HCL ranked first, with Wipro and Infosys following. Regarding liquidity, the analysis indicated that Infosys had the highest current ratio, with Wipro and HCL next in line.

Bansal (2015) conducted a study on “A Comparative Analysis of the Financial Performances of Selected Indian IT Companies During 2010-2014.” Tata Consultancy Services (TCS), Wipro, Infosys and Tech Mahindra’s secondary data (financial statements, income statement, profit, and loss statements) were taken from various sources including CMIE Prowess, Money Control, and Yahoo Finance and financial ratios were computed. Based on the current ratio, return on shareholder’s equity, earnings per share, debtor turnover ratio, and most importantly debt-equity ratio, it was concluded that Infosys was the most sought-after company for investors. TCS’s strong working capital turnover and total asset turnover were promising indicators for shareholders focused on maximizing profits..

The literature review reveals a comprehensive analysis of the financial performance of major Indian IT companies, including TCS, Wipro, and Infosys, through various studies spanning multiple years. Key findings highlight the differing strengths among these firms. Overall, these insights underscore the critical role of financial analysis in guiding stakeholder decisions and enhancing understanding of each company's market position within the competitive IT sector.

Research Objectives

1. To examine the profitability and liquidity analysis of TCS, Wipro and Infosys.
2. To compare the financial performance position based on financial ratios of TCS, Wipro and Infosys
3. To determine whether there is any significant difference between the profitability of TCS, Wipro, and Infosys.

Research Gap

1. The research addresses gaps by providing a comparative analysis of TCS, Wipro, and Infosys from 2020 to 2024, incorporating both liquidity and profitability assessments.
2. It employs advanced statistical methods like one-way ANOVA.

Research methodology

Research methodology is a systematic way to solve the research problems involving different steps of any research investigation from selection of problem , selection of research area , sampling frame by using different tools for data collection and various methods used for financial ration analysis.

Research design: the research design used for this study is descriptive research design.

Research gap: This study focused on TCS , Wipro and Infosys and analysed long term financial position as well as profitability from 2020 to 2024 of TCS ,Wipro and Infosys.

Sample Size: 3 Companies were selected from the whole IT sector for analysis

- TCS
- Wipro
- Infosys

Time period of study: the period of study is 2020-2024

Data collection method: Secondary data has been used to collect the data for this research like annual reports of companies, previous research papers, and websites like money control.

Tool and techniques: **Ratio analysis**, which included gross profit, net profit, return on capital employed, and the current ratio, was used to assess the profitability and liquidity positions of TCS, Wipro, and Infosys.

Mean: The **mean** is a measure of central tendency that represents the average value of a set of numbers and is used to compare the average Profitability and liquidity of TCS, WIPRO and Infosys

One-way ANOVA was used to show that there is a difference between liquidity and profitability of TCS, Wipro, and Infosys.

Liquidity Analysis: - It was used to denote a company’s ability to pay its day-to-day expenses or to meet its short-term obligations usually up to one year. To study liquidity position important ratios used is Current ratio.

Profitability Analysis: - It was utilized to determine whether the company is profitable and if it can meet shareholders' expectations regarding their return on investment by analyzing (i) Return on Capital Employed, (ii) Gross Profit Ratio, and (iii) Net Profit Ratio for TCS, Wipro, and Infosys.

DATA ANALYSIS

LIQUIDITY ANALYSIS

Liquidity analysis involves evaluating how well a company can meet its short-term financial obligations using its current assets. This process looks at how easily a company can convert its assets into cash to pay off debts that are due within the next year.

Liquidity analysis is vital for investors, creditors, and management as it sheds light on the company’s financial health and its ability to operate without facing cash flow issues. A strong liquidity position suggests the company can comfortably meet its obligations, whereas weak liquidity may indicate potential financial challenges

1. CURRENT RATIO = Current Liabilities /Current Assets

Testing of Hypotheses 1. H0 = There is no significant difference in the Current Ratio of TCS , Wipro and Infosys

H1= There is a significant difference in the Current Ratio of TCS, Wipro, and Infosys

YEAR	TCS LTD	WIPRO LTD	Infosys
2020	1.70	0.80	1.73
2021	1.62	0.97	1.54
2022	1.71	0.89	1.69
2023	1.82	1.18	2.14
2024	2.01	1.26	2.20
mean	1.772	1.02	1.86

ANOVA OF CURRENT RATIO

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	2.131413	2	1.065707	21.88759	9.92E-05	3.88529383
Within Groups	0.58428	12	0.04869			
Total	2.715693	14				

Interpretation: The table demonstrates that the computed F-value of 21.88759 exceeds the critical value of 3.885 at the 5% significance level with degrees of freedom (v1 = 2 and v2 = 12). Therefore, we reject the null hypothesis, as the analysis does not support it. This indicates a significant difference in the

liquidity ratios of TCS, WIPRO, and Infosys, with Infosys having the highest current ratio, indicating a strong liquidity position, whereas TCS was ranked second and Wipro had the lowest liquidity ratio.

PROFITABILITY ANALYSIS

Profitability analysis is the examination of a company’s ability to generate profit compared to its revenues, assets, and other financial metrics. This analysis involves looking at various profitability ratios and financial statements to determine how efficiently a company turns sales into profits, manages its costs, and performs overall financially.

RETURN ON CAPITAL EMPLOYED % =

Capital Employed / Earnings Before Interest and Tax (EBIT)×100

Testing of Hypotheses 1. H0 = There is no significant difference in the Return on capital employed of TCS Wipro and Infosys

H1= There is a significant difference in the Current Ratio of TCS , Wipro and Infosys

YEAR	TCS LTD	WIPRO LTD	Infosys
2020	70.43	21.36	41.37
2021	63.79	18.98	45.09
2022	58.86	25.20	40.55
2023	52.77	25.63	35.30
2024	51.31	22.42	34.03
mean	59.432	22.718	39.268

ANOVA OF RETURN ON CAPITAL EMPLOYED

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	3380.679	2	1690.339	55.67814	8.47E-07	3.885294
Within Groups	364.3094	12	30.35912			
Total	3744.988	14				

Interpretation: This table summarizes an ANOVA (Analysis of Variance) test to compare the profitability ratios of three companies (TCS, WIPRO, and Infosys) . The calculated F value 55.67814 is more than the critical value of 3.885 at the 5% level of significance with df (v1=2, and v2=12) leading to the rejection of the null hypothesis and indicating a significant difference in the Return on Capital Employed of TCS, WIPRO, and Infosys. Among all TCS has the highest ROCE followed by Infosys and Wipro

GROSS PROFIT RATIO (%) = Net Sales/Gross Profit×100

Testing of Hypotheses H0 = There is no significant difference between the Gross Profit Ratio of TCS, Wipro and Infosys

H1= There is a significant difference between the Gross Profit Ratio of TCS, Wipro, and Infosys

YEARS	TCS LTD	WIPRO LTD	Infosys
2020	24.62	14.89	20.65
2021	24.05	14.93	21.05
2022	25.26	17.15	23.03
2023	25.87	19.38	24.50
2024	24.58	16.77	21.33

mean	24.876	16.624	22.112
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ANOVA OF GROSS PROFIT RATIO %

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	176.4222	2	88.21112	40.4593	4.64E-06	3.885294
Within Groups	26.16292	12	2.180243			
Total	202.5852	14				

Interpretation: The F value of 40.593 excels the critical value of 3.885 at the 5% level of significance with df (v1=2, and v2=12) leading to acceptance of the alternate hypothesis and supports a significant difference in the Gross Profit Ratio of TCS, WIPRO, and Infosys. TCS boasts the top gross profit ratio. Gross Profit ratio of Wipro stood at 22.112 and ranking 3rd and the lowest of all was Wipro.

NET PROFIT RATIO % = Net Profit / Net Sales ×100

Testing of Hypotheses H0 = There is no significant difference in the Net Profit Ratio of TCS , Wipro and Infosys

H1= There is a significant difference in the Net Profit of TCS , Wipro and Infosys

YEARS	TCS LTD	WIPRO LTD	Infosys
2020	19.05	12.30	17.07
2021	18.69	12.54	16.41
2022	19.98	15.41	18.17
2023	19.75	17.43	19.26
2024	20.60	15.90	18.27
mean	19.614	14.716	17.836

ANOVA OF NET PROFIT %

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	61.47681	2	30.73841	13.62832	0.000816	3.885294
Within Groups	27.06576	12	2.25548			
Total	88.54257	14				

Interpretation: The critical value of 3.885 at the 5% significance level with degrees of freedom (v1 = 2 and v2 = 12) is surpassed by the F-value of 13.62832, resulting in the rejection of the null hypothesis and the acceptance of the alternate hypothesis. This suggests that a significant difference in the Net Profit Ratios of TCS, WIPRO, and Infosys. TCS had the highest net profit ratio followed by Infosys and Wipro.

Results and Findings

1. Significant differences in financial performance among TCS, Wipro, and Infosys are confirmed thro-

ugh statistical analysis.

2. TCS demonstrates superior profitability metrics, including return on capital employed and net profit ratios, indicating strong operational effectiveness.
3. Infosys exhibits the best liquidity position, showcasing its ability to meet short-term obligations effectively.

Conclusion

In conclusion, this study highlights the varying financial performances of Tata Consultancy Services (TCS), Wipro, and Infosys from 2020 to 2024. TCS excels in profitability, showcasing strong operational efficiency, while Infosys leads in liquidity, demonstrating robust short-term financial stability. The statistical analysis reveals significant differences among the companies, offering valuable insights for stakeholders, investors, and management to make informed decisions in the competitive IT sector. These findings emphasize the importance of continuous financial monitoring and evaluation.

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