

## Profitability of IT Companies: Infosys, Wipro and TCS

\*Ajay Singh

\*\*Dr. R.K. Jaimini

### Abstract

Indian IT market and specially leading IT companies are major performers in Indian economy. They are expending their business globally. The present study attempts to know their profitability for the period from 2013-14 to 2017-18. A number of ratios have been calculated and comparative analysis has been made which shows that TCS is the top performer followed by Infosys and Wipro.

Key words: IT companies, TCS, Infosys, Wipro, profitability.

### Introduction

IT companies have been in news for various reasons, largely because of the revenues they have been generating, the employment they have created for millions of people and high rate of employees' turnover. Because of huge profits and lucrative market size, lot of small and big players have entered into this market, and therefore a major chunk of youngsters are taking their careers into IT sector. Along with the major players in IT sector like Infosys, Wipro, TCS, there is a large number of medium and small scale IT companies in India. In the present paper, profitability of Infosys, TCS and Wipro have been compared for the period from 2013-14 to 2017-18 through a number of profitability ratios.

### Profit Before Depreciation, Interest and Taxes

Table 1 showing PBDIT margin for the IT companies under study.

Table 1  
PBDIT Ratio of IT Companies under Study

Year	Infosys	TCS	Wipro
2017-18	34.41	34.52	25.57
2016-17	34.18	34.15	26.50
2015-16	34.66	35.88	26.90
2014-15	36.57	34.65	28.38
2013-14	34.06	38.11	27.65
<b>Average</b>	<b>34.78</b>	<b>35.46</b>	<b>27.00</b>

Source: Annual Reports of IT companies from 2013-14 to 2017-18.

It can be seen from Table 1 that Infosys had a fluctuating trend during the study period from 2013-14 to 2017-18 for profit before depreciation, interest and taxes (PBDIT). It was 34.06 present in 2013-14 which increased sharply to 36.57 present in 2014-15 but decreased to 34.66 present in 2015-16 and further came down to 34.18 present (lowest) in 2016-17. Finally, it increased and reached up to

34.41 present in the final year 2017-18.

At the same time, TCS showed a fluctuating trend for PBDIT. It was 38.11 present (highest) in 2013-14 which decreased to 34.65 present in 2014-15 but increased to 35.88 present in 2015-16. Then, it came down to 34.15 present in 2016-17 but inclined again to 34.52 present in 2017-18.

Wipro had a decreasing trend during the study period from 2013-14 to 2017-18 for PBDIT except in the year 2014-15. It was 27.65 present in 2013-14 which increased to 28.38 present (highest) in 2014-15 but after that decreased to 26.90 present in 2015-16, 26.50 present in 2016-17 and came down to 25.57 present in the year 2017-18.

The average PBDIT was highest for TCS followed by Infosys and lowest and far below for Wipro for the period under study.

### Profit Before Interest and Taxes

Table 2 showing profit before interest and taxes (PBIT) margin for the IT companies under study.

Table 2  
PBIT Ratio of IT Companies under Study

Year	Infosys	TCS	Wipro
2017-18	32.14	32.82	23.30
2016-17	31.94	32.45	24.22
2015-16	32.60	34.18	24.94
2014-15	34.64	32.75	26.49
2013-14	31.57	36.44	25.75
<b>Average</b>	<b>32.58</b>	<b>33.73</b>	<b>24.94</b>

Source: Annual Reports of IT companies from 2013-14 to 2017-18.

It can be seen from Table 2 that Infosys had a fluctuating trend during the study period for PBIT. It was 31.57 percent in 2013-14 which increased to 34.64 percent (highest) in 2014-15 but decreased to 32.60 percent in 2015-16 and further came down to 31.94 percent in 2016-17. Finally, it increased somewhat and reached up to 32.14 percent in the final year 2017-18.

For TCS, PBIT showed a fluctuating trend. It was 36.44 percent (highest) in 2013-14 which decreased to 32.75 percent in 2014-15 but increased up to 34.18 percent in 2015-16. Then, it came down to 32.45 percent in 2016-17 which inclined again to 32.82 percent in 2017-18.

In case of Wipro, PBIT had a decreasing trend during the study period except in the year 2014-15. It was 25.75 percent in 2013-14 which increased to 26.49 percent (highest) in 2014-15 but declined to 24.94 percent in 2015-16, decreased to 24.22 percent in 2016-17 and finally, it came down to 23.30 percent (lowest) in the year 2017-18.

The average PBIT was highest for TCS, followed by Infosys and lowest and far below for Wipro during the period under study.

### Profit Before Taxes

Table 3 showing profit before taxes (PBT) margin for the IT companies under study.

## Profitability of IT Companies : Infosys, Wipro and TCS

Ajay Singh & Dr. R.K. Jaimini

Table 3  
PBT Ratio of IT Companies under Study

Year	Infosys	TCS	Wipro
2017-18	32.14	32.79	22.44
2016-17	31.94	32.43	23.20
2015-16	32.60	34.16	23.71
2014-15	35.51	33.36	25.61
2013-14	31.57	36.40	24.79
<b>Average</b>	<b>32.75</b>	<b>33.83</b>	<b>23.95</b>

Source: Annual Reports of IT companies from 2013-14 to 2017-18.

It can be seen from Table 3 that Infosys had a fluctuating trend during the study period for PBT. It was 31.57 percent in 2013-14 which increased sharply to 35.51 percent (highest) in 2014-15 but declined to 32.60 percent in 2015-16 and further came down to 31.94 percent (lowest). Finally it increased to 32.14 percent in the year 2017-18.

For TCS, PBT showed a fluctuating trend. It was 36.40 percent in 2013-14 which decreased to 33.36 percent in 2014-15 but increased up to 34.16 percent in 2015-16. Then, it came down to 32.43 percent in 2016-17 which inclined marginally to 32.79 percent in 2017-18.

In case of Wipro, PBT had a decreasing trend during the study period except in the year 2014-15. The ratio was 24.79 percent in 2013-14 which increased to 25.61 percent in 2014-15, but after that decreased to 23.71 percent in 2015-16, 23.20 percent in 2016-17 and came down to 22.44 percent (lowest) in the year 2017-18.

The average PBT was highest for TCS followed by Infosys and lowest and far below for Wipro during the period under study.

### Net Profit Ratio

Table 4 showing net profit ratio for the IT companies under study.

Table 4  
Net Profit Ratio of IT Companies under Study

Year	Infosys	TCS	Wipro
2017-18	26.08	25.92	17.27
2016-17	23.30	25.51	17.72
2015-16	23.51	26.87	18.35
2014-15	25.71	26.17	19.88
2013-14	22.99	28.56	19.06
<b>Average</b>	<b>24.32</b>	<b>26.61</b>	<b>18.46</b>

Source: Annual Reports of IT companies from 2013-14 to 2017-18.

It can be seen from Table 4 that Infosys had a fluctuating trend of net profit during the study period. It was 22.99 percent in 2013-14 which increased to 25.71 present in 2014-15 but declined to 23.51 percent in 2015-16 and camee down to 23.30 present (lowest) in 2016-17. Then, it increased sharply

and reached up to 26.08 percent (highest) in the year 2017-18.

For TCS, net profit showed a fluctuating trend. It was 28.56 percent (highest) in 2013-14 which decreased to 26.17 percent in 2014-15 but increased slightly to 26.87 percent in 2015-16. Then, it came down to 25.51 percent (lowest) in 2016-17 which inclined marginally to 25.92 percent in 2017-18.

In case of Wipro, net profit had a decreasing trend during the study period except in the year 2014-15. It was 19.06 percent in 2013-14 which increased to 19.88 percent (highest) in 2014-15, but after that, it decreased to 18.35 percent in 2015-16, 17.72 percent in 2016-17 and finally came down to 17.27 percent (lowest) in the year 2017-18.

The average net profit was highest for TCS and Infosys was also not far behind but Wipro showed lowest average net profit for the period under study.

### Return on Net Worth Ratio

Table 5 shows return on net worth for the IT companies under study.

Table 5

Return on Net Worth Ratio of IT Companies under Study

Year	Infosys	TCS	Wipro
2017-18	25.44	33.27	18.27
2016-17	20.31	30.31	17.47
2015-16	20.78	35.49	19.89
2014-15	25.30	42.40	23.66
2013-14	24.21	41.93	25.16
<b>Average</b>	<b>23.21</b>	<b>36.68</b>	<b>20.89</b>

Source: Annual Reports of IT companies from 2013-14 to 2017-18.

It can be seen from Table 5 that Infosys had a fluctuating trend of return on net worth for the study period. It was 24.21 percent in 2013-14 which increased to 25.30 percent in 2014-15 but declined to 20.78 percent in 2015-16 and further came down to 20.31 percent (lowest) in 2016-17. Finally, it increased sharply and reached up to 25.44 percent (highest) in 2017-18.

For TCS, return on net worth showed a fluctuating trend. It was 41.93 percent in 2013-14 which increased to 42.40 percent (highest) in 2014-15 but decreased to 35.49 percent in 2015-16 and came down to 30.31 percent (lowest) in 2016-17. Finally, it inclined and reached up to 33.27 percent in 2017-18.

Wipro had a decreasing trend for return on net worth during the study period except in the year 2017-18. It was highest i.e., 25.16 percent in 2013-14 which decreased to 23.66 percent in 2014-15, 19.89 percent in 2015-16 and came down to 17.47 percent (lowest) in 2016-17. Finally, it increased and went up to 18.27 percent in 2017-18.

The average return on net worth was significantly highest for TCS followed by Infosys and Wipro respectively; both were well below the TCS average.

### Conclusion

In top three Indian IT companies, Wipro should improve its PBDIT, PBIT and PBT, net profit as well. Return on net worth was observed highest and well above the average of Infosys and Wipro for TCS

which means shareholders of TCS remained most satisfied and other two IT companies have to improve their return on net worth in future. Other ratio results are also highly satisfactory for TCS whereas Infosys and Wipro need improvement. From this analysis, it can be concluded that among these three leading Indian IT companies, profitability performance is best of TCS followed by Infosys and Wipro.

**\*Research Scholar  
Department of ABST,  
Rajasthan University, Jaipur  
\*Associate Professor  
Department of ABST,  
Rajasthan University, Jaipur**

**References**

- Alicia Gazely and Michael Lambert (2006), "Management Accounting" North America, Sage Publications.
- Barney and Jay (1991). Firm Resources and Sustained Competitive Advantage, *Journal of Management*, 99-120.
- Finlay Paul N., Ruth M. and King. (1999), IT Outsourcing: A Research Framework, *International Journal of Technology Management*, 17.
- Florence, P. Sargent and Walker Glibort (2004), Efficiency and Its Management, London: George Allen & Unwin.
- Godard John, John T. and Delaney (2000). Reflections on the high performance paradigm's implications for industrial relations as a field, *Industrial and Labor Relations Review*, 53, 482-502.
- Annual Reports and Accounts of TCS from 2013-14 to 2017-18.
- Annual Reports and Accounts of Infosys from 2013-14 to 2017-18.
- Annual Reports and Accounts of Wipro from 2013-14 to 2017-18.