

Productivity of Indian I.T. Companies

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Abstract

Indian IT market and specially leading IT companies are top performers in Indian economy. They are expanding their business globally. The present paper attempts to know their productivity and 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 HCL Technologies Ltd.

Key Words: IT Companies, TCS, Infosys, HCL, Productivity, and 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 in to IT sector. Along with the major players in IT sector like Infosys, TCS and HCL. There is a large number of medium and small scales IT companies in India. In the present paper, productivity and profitability of Infosys, TCS and HCL 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
2013-14	38.04	36.21	22.94
2014-15	35.98	34.14	24.85
2015-16	34.06	38.11	27.65
2016-17	36.57	34.65	28.38
2017-18	34.77	35.74	26.58
Average	35.88	35.77	26.08

Source: Annual Reports and Accounts of the companies under study.

It can be seen from Table 1 that Infosys had a decreasing trend during the study period from 2013-14 to 2017-18 for profit before depreciation, interest and taxes (PBDIT) except in the year 2016-17. It was highest i.e., 38.04 percent in 2013-14 which decreased to 35.98 percent in 2014-15 and came down to 34.06 percent (lowest) in 2015-16. Then it increased up to 36.57 percent in 2016-17 but declined again to 34.77 percent in the final year 2017-18.

At the same time, TCS showed a fluctuating trend for PBDIT. It was 36.21 percent in 2013-14 which

Productivity of Indian I.T. Companies

Rajeev Mathur & Dr. Anupam Jain

decreased to 34.14 percent (lowest) in 2014-15 but increased sharply to 38.11 percent (highest) in 2015-16. Then it came down to 34.65 percent in 2016-17 but inclined again to 35.74 percent in 2017-18. HCL had an increasing trend during the study period from 2013-14 to 2017-18 for PBDIT except in the year 2017-18. It was lowest i.e., 22.94 percent in 2013-14 which increased to 24.85 percent in 2014-15, 27.65 percent in 2015-16 and reached to 28.38 percent in 2016-17. Finally, it came down to 26.58 percent in the year 2017-18. The average PBDIT was highest for Infosys, followed by TCS and lowest and far below for HCL for the period under study.

Profit Be fore 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
2013-14	35.50	34.43	20.59
2014-15	33.38	32.49	22.74
2015-16	31.57	36.44	25.75
2016-17	34.64	32.75	26.49
2017-18	32.70	33.92	24.63
Average	33.56	34.01	24.04

Source: Annual Reports and Accounts of the companies under study.

It can be seen from Table 2 that Infosys had a decreasing trend during the study period for PBIT except in the year 2016-17. It was highest i.e., 35.50 percent in 2013-14 which decreased to 33.38 percent in 2014-15 and came down to 31.57 percent (lowest) in 2015-16. Then it increased up to 34.64 percent in 2016-17 but declined again to 32.70 percent in the final year 2017-18.

For TCS, PBIT showed a fluctuating trend. It was 34.43 percent in 2013-14 which decreased to 32.49 percent (lowest) in 2014-15 but increased up to 36.44 percent (highest) in 2015-16. Then, it came down to 32.75 percent in 2016-17 but inclined again to 33.92 percent in 2017-18.

In case of HCL, PBIT had an increasing trend during the study period except in the year 2017-18. It was lowest i.e., 20.59 percent in 2013-14 which increased to 22.74 percent in 2014-15, 25.75 percent in 2015-16 and reached to 26.49 percent in 2016-17. Finally, it came down to 24.63 percent in the year 2017-18. The average PBIT was highest for TCS, followed by Infosys and lowest and far below for HCL during the period under study.

Profit Be fore Taxes

Table 3 Showing Profit Be fore Taxes (PBT) Margin for the IT Companies Under Study

Table 3
PBT Ratio of IT Companies under Study

Year	Infosys	TCS	Wipro
2013-14	37.05	34.39	18.68
2014-15	33.61	32.42	21.68
2015-16	31.57	36.40	24.79
2016-17	35.51	33.36	25.61
2017-18	38.33	33.91	23.45
Average	35.21	34.09	22.84

Source: Annual Reports and Accounts of the companies under study

Productivity of Indian I.T. Companies

Rajeev Mathur & Dr. Anupam Jain

It can be seen from Table 3 that Infosys had a decreasing trend initially but recovered well in later years of the study period for PBT. It was 37.05 percent in 2013-14 which decreased to 33.61 percent in 2014-15 and came down to 31.57 percent (lowest) in 2015-16. Then, it increased up to 35.51 percent in 2016-17 and reached finally to 38.33 percent (highest) in the year 2017-18.

For TCS, PBT showed a fluctuating trend. It was 34.39 percent in 2013-14 which decreased to 32.42 percent (lowest) in 2014-15 but increased up to 36.40 percent (highest) in 2015-16. Then, it came down to 33.36 percent in 2016-17 and inclined marginally to 33.91 percent in 2017-18.

In case of HCL, PBT had an increasing trend during the study period except in the year 2017-18. It was lowest i.e., 18.68 percent in 2013-14 which increased to 21.68 percent in 2014-15, 24.79 percent in 2015-16 and reached to 25.61 percent in 2016-17. Finally, it came down to 23.45 percent in the year 2017-18. The average PBT was highest for Infosys followed by TCS and lowest and far below for HCL 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
2013-14	27.10	28.24	14.78
2014-15	24.79	26.40	17.00
2015-16	22.99	28.56	19.06
2016-17	25.71	26.17	19.88
2017-18	29.24	26.64	18.12
Average	25.96	27.26	17.77

Source: Annual Reports and Accounts of the companies under study

It can be seen from Table 4 that Infosys had a decreasing trend of net profit initially but recovered in later years of the study period. It was 27.10 percent in 2013-14 which decreased to 24.79 percent in 2014-15 and came down to 22.99 percent (lowest) in 2015-16. Then, it increased up to 25.71 percent in 2016-17 and reached finally to 29.24 percent (highest) in the year 2017-18.

For TCS, net profit showed an increasing trend except 2016-17. It was 28.24 percent in 2013-14 which decreased to 26.40 percent in 2014-15 but increased up to 28.56 percent (highest) in 2015-16. Then, it came down to 26.17 percent (lowest) in 2016-17 and inclined marginally to 26.64 percent in 2017-18.

In case of HCL, net profit had an increasing trend during the study period except in the year 2017-18. It was lowest i.e., 14.78 percent in 2013-14 which increased to 17.00 percent in 2014-15, 19.06 percent in 2015-16 and reached to 19.88 percent in 2016-17. Finally, it came down to 18.12 percent in the year 2017-18. The average net profit was highest for TCS and Infosys was also not far behind but HCL 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
2013-14	28.46	44.33	19.23
2014-15	25.28	39.38	23.31
2015-16	24.21	41.93	25.16
2016-17	25.30	42.40	23.66
2017-18	27.61	38.87	19.79
Average	26.17	41.38	22.23

Source: Annual Reports and Accounts of the companies under study

It can be seen from Table 5 that Infosys had a decreasing trend of return on net worth initially but recovered in later years of the study period. It was 28.46 percent (highest) in 2013-14 which decreased to 25.28 percent in 2014-15 and came down to 24.21 percent (lowest) in 2015-16. Then, it increased to 25.30 percent in 2016-17 and reached finally to 27.61 percent in the year 2017-18.

For TCS, return on net worth showed a fluctuating trend. It was 44.33 percent (highest) in 2013-14 which decreased to 39.38 percent in 2014-15 but increased to 41.93 percent in 2015-16 and reached up to 42.40 percent in 2016-17. Finally, it declined sharply to 38.87 percent (lowest) in 2017-18.

HCL also had a fluctuating trend for return on net worth during the study period. It was lowest i.e., 19.23 percent in 2013-14 which increased to 23.31 percent in 2014-15, 25.16 percent in 2015-16 but decreased to 23.66 percent in 2016-17. Finally, it came down to 19.79 percent in the year 2017-18.

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

Return on Capital Employed

Table 6 shows return on capital employed for the IT companies under study.

Table 6
Return on Capital Employed of IT Companies under Study

Year	Infosys	TCS	Wipro
2013-14	28.46	43.17	17.44
2014-15	25.15	38.35	22.98
2015-16	24.01	40.74	23.96
2016-17	25.29	41.32	22.73
2017-18	27.58	38.16	19.02
Average	26.10	40.35	21.22

Source: Annual Reports and Accounts of the companies under study

It can be seen from Table 6 that Infosys had a decreasing trend of return on capital employed initially but recovered in later years of the study period. It was 28.46 percent (highest) in 2013-14 which decreased to 25.15 percent in 2014-15 and came down to 24.01 percent (lowest) in 2015-16. Then, it increased to 25.29 percent in 2016-17 and reached finally to 27.58 percent in the year 2017-18.

Productivity of Indian I.T. Companies

Rajeev Mathur & Dr. Anupam Jain

For TCS, return on capital employed showed a fluctuating trend. It was 43.17 percent (highest) in 2013-14 which decreased to 38.35 percent in 2014-15 but increased to 40.74 percent in 2015-16 and reached up to 41.32 percent in 2016-17. Finally, it declined sharply to 38.16 percent (lowest) in 2017-18. HCL also had a fluctuating trend for return on capital employed during the study period. It was lowest i.e., 17.44 percent in 2013-14 which increased to 22.98 percent in 2014-15, 23.96 percent in 2015-16 but decreased to 22.73 percent in 2016-17. Finally, it came down to 19.02 percent in the year 2017-18.

The average return on capital employed was significantly highest for TCS followed by Infosys and HCL respectively; both were well below the TCS average.

Return on Total Assets

Table 7 shows return on total assets for the IT companies under study.

Table 7
Return on Total Assets Ratio of IT Companies under Study

Year	Infosys	TCS	Wipro
2013-14	23.64	32.03	12.13
2014-15	21.18	29.72	13.88
2015-16	19.33	32.07	16.15
2016-17	19.67	30.53	15.34
2017-18	21.69	29.46	13.68
Average	21.10	30.76	14.23

Source: Annual Reports and Accounts of the companies under study

It can be seen from Table 7 that Infosys had a decreasing trend of return on total assets initially but recovered in later years of the study period. It was 23.64 percent (highest) in 2013-14 which decreased to 21.18 percent in 2014-15 and came down to 19.33 percent (lowest) in 2015-16. Then, it increased slightly to 19.67 percent in 2016-17 and reached finally to 21.69 percent in the year 2017-18.

For TCS, return on total assets showed a fluctuating trend. It was 32.03 percent in 2013-14 which decreased to 29.72 percent in 2014-15 but increased to 32.07 percent (highest) in 2015-16. Then it decreased to 30.53 percent in 2016-17 and finally came down to 29.46 percent (lowest) in 2017-18.

HCL also had a fluctuating trend for return on total assets during the study period. It was lowest i.e., 12.13 percent in 2013-14 which increased to 13.88 percent in 2014-15, 16.15 percent in 2015-16 but decreased to 15.34 percent in 2016-17. Finally, it came down to 13.68 percent in the year 2017-18.

The average return on total assets was significantly highest for TCS followed by Infosys and significantly lowest for HCL.

Conclusion

The decreasing trend of Infosys for PBDIT should be a matter of worry for the company management. HCL 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 HCL which means shareholders of TCS were most satisfied and other two IT companies have to improve their return on net worth in future. Return on capital employed was highly satisfactory for TCS whereas Infosys and HCL need to increase it. There was a significant difference in return on total assets. TCS showed highest (30.76 percent) return on

Productivity of Indian I.T. Companies

Rajeev Mathur & Dr. Anupam Jain

total assets, Infosys was well behind (21.10 percent) and HCL showed lowest performance (14.23 percent). From this analysis, it can be concluded that among these three leading Indian IT companies, productivity and profitability performance is best of TCS followed by Infosys and HCL respectively.

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