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A COMPARATIVE EVALUATION OF FINANCIAL PERFORMANCE OF LEADING INDIAN IT COMPANIES USING RATIO ANALYSIS

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ABSTRACT
This study examines the financial performance of selected Indian IT companies – TCS, Infosys, Wipro, and HCL Technologies, using ratio analysis over the period 2023–24 to 2024–25. The main objective of the study is to analyse and compare the profitability, liquidity, solvency, and efficiency of the selected companies. The study is descriptive in nature and based on secondary data which has been collected from the published annual reports and moneycontrol.com. Using key financial ratios like Current Ratio, Net Profit Ratio, ROCE, Debt-Equity Ratio and Earnings Per Share (EPS), the analysis has been conducted. The findings reveal strong liquidity and low financial risk across all companies, TCS stands out as the most consistent and efficient performer, while HCL shows steady growth and stability. Wipro reflects gradual improvement, whereas Infosys experiences some fluctuations. Overall, the study highlights differences in performance and offers useful insights for investors and decision-makers.
KEYWORDS- *Financial Performance, IT Sector, Ration Analysis, Liquidity, Solvency.*

I. INTRODUCTION

The IT sector has become one of the strongest pillars of India's economy, contributing significantly to growth, employment, and public welfare. In April 2025, the industry recorded 16% Year-over-year (YOY) growth in hiring, driven by the rising adoption of artificial intelligence, cloud modernization, and the expansion of Global Capability Centres (GCCs). India's AI Mission has also added momentum by securing 38,000 GPUs in September 2025, tripling its original target of 10,000 and strengthening compute power for researchers, startups, and enterprises developing advanced AI models.

As per NASSCOM, India's IT industry revenue has expanded from US$ 118 billion in FY15, including US$ 100 billion in exports, to an estimated US$ 283 billion in FY25, with exports contributing US$ 224 billion. IT exports rose 12.48% in FY25, up from US$ 199.5 billion in FY3, with STPI-registered units contributing Rs. 10.64 lakh crore (US$ 124.56 billion). Export of IT services remained the largest contributor, accounting for more than 65% of total IT exports.

India's IT growth is being increasingly driven by new hubs beyond traditional metros. Non-metro cities such as Udaipur, Vizag, Coimbatore, and Nagpur recorded over 50% IT hiring growth in H1 2025, significantly higher than Bengaluru and NCR at 12–15%. This reflects a structural shift as tier-II and tier-III hubs attract demand in AI, cloud, and cyber security while offering cost savings of around 30%. Mid-tier IT companies also reported stronger growth than their larger counterparts in FY25, highlighting their agility in navigating uncertain global conditions. (Source ibef.org)

The Indian IT sector has grown remarkably over the past few decades, transitioning from an obscure industry to a multi-billion-dollar behemoth. The industry's capacity to offer high-quality as well as reasonably priced solutions has fuelled its growth, thereby making it a favorite destination for worldwide outsourcing. Furthermore, the potential of the Indian IT industry in providing services like digital solutions, cloud computing, software development, IT consulting and business process outsourcing (BPO) has given it a competitive edge in the international market.

However, the financial performance of the Indian IT companies has faced many difficulties and volatility despite their quick expansion and widespread reputation. Various factors like changes in global demand, government policies,

technological disruptions, and currency fluctuations impact their performance and so it is important for the companies to navigate them. In order to make prudent choices in a world economy that is evolving quickly, it becomes essential for various stakeholders to understand the financial performance of these companies. To provide insights into how various businesses within the same industry are functioning, the factors that influence their performance, the challenges that they confront, this study compares the financial performance of major Indian IT companies. This study will give a comprehensive picture of the health of Indian IT sector by looking at the key financial metrics like revenue growth, ROI, debt levels and profitability.

II. LITERATURE REVIEW

Maksym Dubyna (2022) highlights that the ICT sector plays a crucial role in economic development, particularly in Eastern European countries. Using correlation and regression analysis, the study finds that increased adoption of digital technologies, internet usage, and ICT-skilled workforce significantly contribute to GDP growth and overall economic performance.

Raju, M., & Venkateswara Rao, P. (2020) investigated the financial performance of selected IT firms using ratio analysis, trend analysis and financial statement evaluation. The research highlights that the Indian IT sector plays an important role in economic growth and therefore analyzing its financial performance is essential. The study examines selected companies such as Infosys, TCS, Wipro and HCL Technologies and evaluates their profitability, liquidity and operational efficiency. The findings indicate that most selected IT companies show strong profitability and financial stability.

Bhargava, P. (2017) analyzed the financial performance of major Indian IT companies through financial statement analysis. The study emphasizes the importance of financial analysis in evaluating liquidity, profitability and efficiency of firms and helping investors make better decisions. It specifically examines the utilization of shareholders' funds, return on capital employed and net profit ratios of Wipro and Infosys over a five-year period. The study concludes that financial analysis plays a crucial role in understanding the financial strength of IT companies in India.

Malichová and Ďurišová (2015) evaluated the financial performance of enterprises operating in the IT sector using financial indicators such as profitability, liquidity and asset turnover. The research highlights that financial performance measurement is essential for understanding the efficiency and competitiveness of IT firms in a rapidly changing technological environment. The study uses financial statements of selected enterprises and analyses indicators such as return on assets, return on equity and total asset turnover to measure performance. The findings show that IT enterprises are financially stable and capable of generating profit effectively.

Revti Raman and Doren Chadee (2011) examined the IT sectors of India and China. It concludes that India's IT industry is export-oriented and dominates the global outsourcing market, while China focuses more on domestic growth, indicating complementary rather than competitive development paths.

Somesh K. Mathur (2009) analyzed the efficiency and productivity of the ICT sector using Data Envelopment Analysis and the Malmquist Productivity Index. It finds that efficiency levels vary across countries, with nations like South Korea and Sweden performing strongly in different periods. The study highlights a catching-up effect among developing countries. It also shows that Total Factor Productivity growth is positively influenced by technological readiness, emphasizing the importance of technology adoption and supportive policies in enhancing ICT sector performance globally.

Sameer Kumar (2006) emphasized the global impact of IT companies, particularly in software outsourcing. The study shows that Indian IT firms such as Infosys and Wipro have gained a competitive advantage by focusing on cost efficiency and niche outsourcing markets rather than directly competing with global giants like Microsoft.

Abdulwahed Khalfan and Tom G Gough (2001) examined outsourcing practices in both public and private sectors within a developing country context. The research highlights that IT outsourcing involves delegating information system functions such as data management, software development, and network operations to external service providers.

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III. OBJECTIVE OF THE STUDY

1. To analyse the financial performance of selected Indian IT companies using the key financial ratios.
2. To compare the profitability, liquidity and solvency position of the selected IT companies.
3. To evaluate the earning capacity of the selected companies.
4. To evaluate the capital efficiency of the selected companies.
5. To draw comparative insights and rank the companies based on their overall financial performance.

IV. RESEARCH METHODOLOGY

1. **Research Design**
   The present study is descriptive and analytical in nature. It aims to analyse and compare the financial performance of selected Indian IT companies using ratio analysis.
2. **Nature and Source of Data**
   The present study is based on secondary data. The required data has been collected from the annual reports of the selected companies, official websites of the companies, moneycontrol.com, and other reliable sources.
3. **Sample**
   The study focuses on four leading companies from the IT sector of India. The companies are Tata Consultancy Services (TCS), Infosys, Wipro and HCL Tech. The companies have been selected based on their market presence and availability of the financial data.
4. **Period of Study**
   The study covers a period of two financial years from 2023-24 to 2024-25.
5. **Tools used**
   The financial performance of the companies has been analysed using the following ratios:
   - Current Ratio
   - Net Profit Ratio
   - Debt-Equity Ratio
   - Earnings per Share (EPS)
   - Return on Capital Employed (ROCE)
6. **Techniques of Analysis**
   Simple comparison techniques have been used to evaluate performance across companies and years. Charts and tables have been used for better presentation and understanding of the data.

V. DATA ANALYSIS AND INTERPRETATION

RETURN ON CAPITAL EMPLOYED

Return on Capital Employed (ROCE), a profitability ratio which measures how efficiently a company is using its capital to generate profits. The return on capital employed metric is considered one of the best profitability ratio and is commonly used by investors to determine whether a company is suitable to invest in or not.

Table 1 Return on Capital Employed (%)

Company	2024	2025
Infosys	41.23	38.27
Wipro	20.94	22.15
TCS	75.85	75.77
HCL Technologies	37.23	43.23

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Figure 1: ROCE-2024

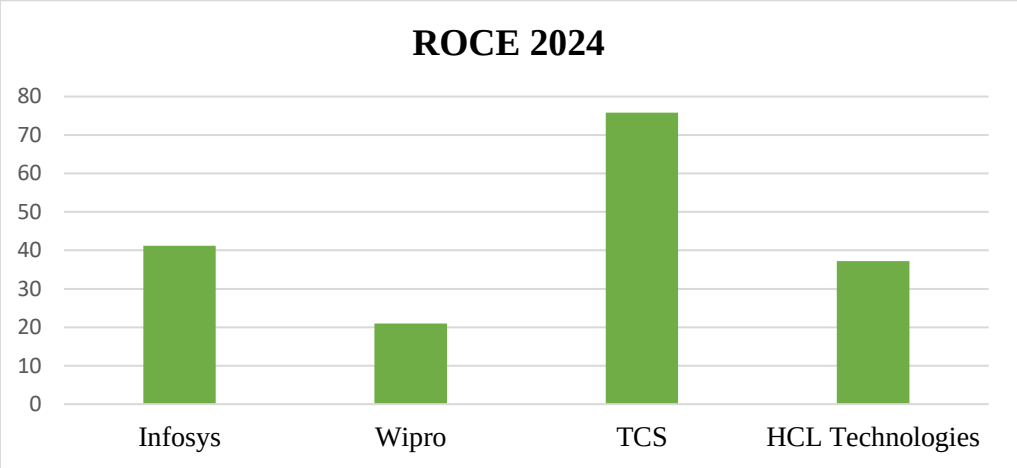
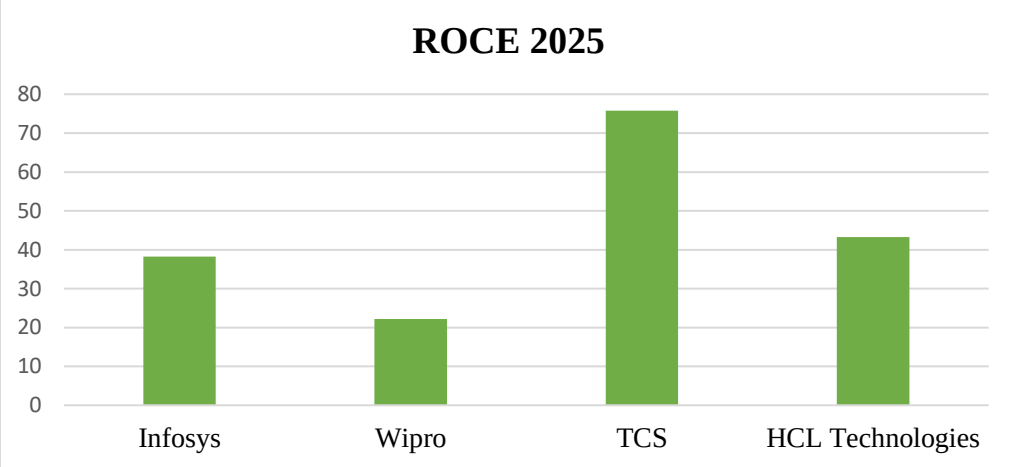


Figure 2: ROCE-2025



The above table and charts depict the Return on Capital Employed (ROCE) of selected IT companies for the years 2024 and 2025. It is depicted that TCS maintained its leading position with the highest return on capital employed being 75.85% and 75.77% for two consecutive years, thereby indicating consistent performance. The performance of HCL Technologies showed improvement from 37.23% to 43.23%. Infosys experienced a slight decline from 41.23% to 38.27%, though it continues to maintain a strong position. Wipro reported relatively lower ROCE reflecting relatively lower efficiency in capital usage despite a slight increase to 22.15% in 2025. Overall, TCS leads in terms of capital efficiency and HCL shows a notable improvement during the study period.

EARNING PER SHARE

Earnings Per Share (EPS) is a key profitability metric showing how much net income a company generates for each outstanding share of its common stock, calculated by dividing net income (minus preferred dividends) by the number of common shares, indicating financial health and allowing for comparisons between companies, with a higher EPS generally suggesting greater profitability and shareholder value.

Table 2 Earnings Per Share

Company	2024	2025
Infosys	65.62	61.58
Wipro	17.24	10.32
TCS	119.44	132.83
HCL Technologies	43.11	45.25

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Figure 3: EPS-2024

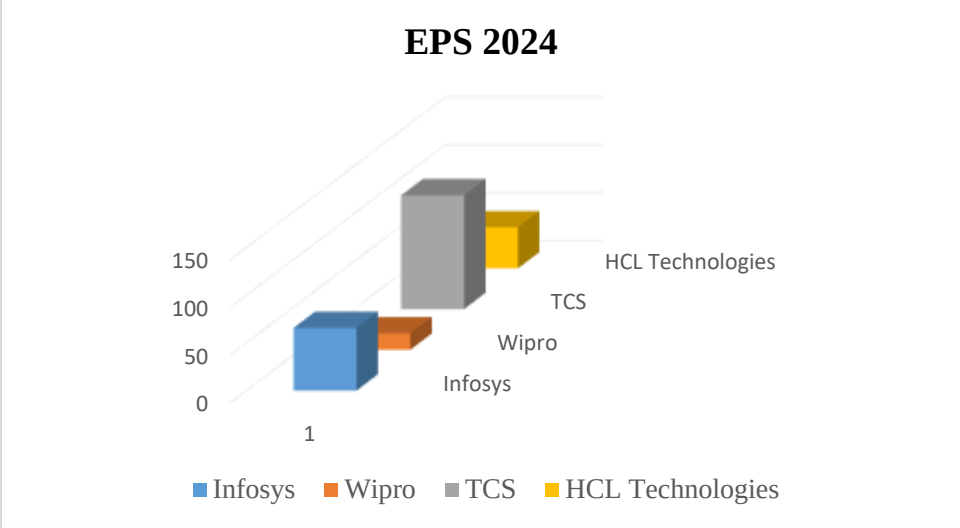
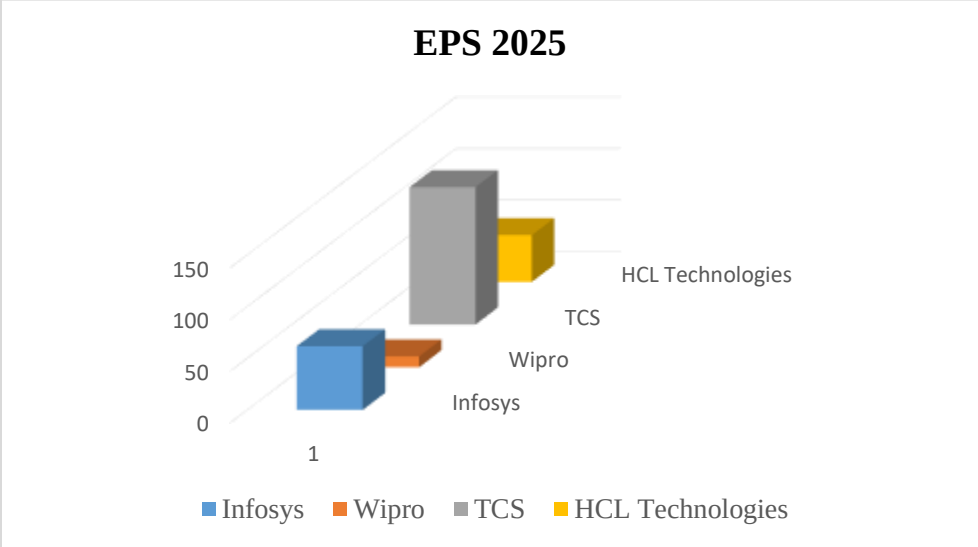


Figure 4: EPS-2025



From the above table and charts it is revealed that there is a mixed performance among the selected companies during the study period. Two companies namely TCS and HCL Technologies reported an increase in EPS in the year 2025, reflecting improved profitability and enhanced returns to the shareholders of these companies. On the contrary, the other two companies i.e. Infosys and Wipro experienced a decline in EPS in 2025, indicating a reduction in earnings during the study period. Overall, TCS and HCL Technologies with higher earnings per share indicate a stronger financial performance as compared to others.

CURRENT RATIO

The current ratio is a liquidity ratio that measures a company's ability to pay short-term obligations (due within one year) using its short-term assets (convertible to cash within one year) by dividing current assets by current liabilities; a ratio above 1 generally indicates better short-term solvency, showing more assets than liabilities, but ideal ratios vary by industry.

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Table 3 Current Ratio

Company	2024	2025
Infosys	2.62	2.43
Wipro	2.74	2.68
TCS	2.2	2.1
HCL Technologies	2.82	2.07

Figure 5: Current Ratio-2024

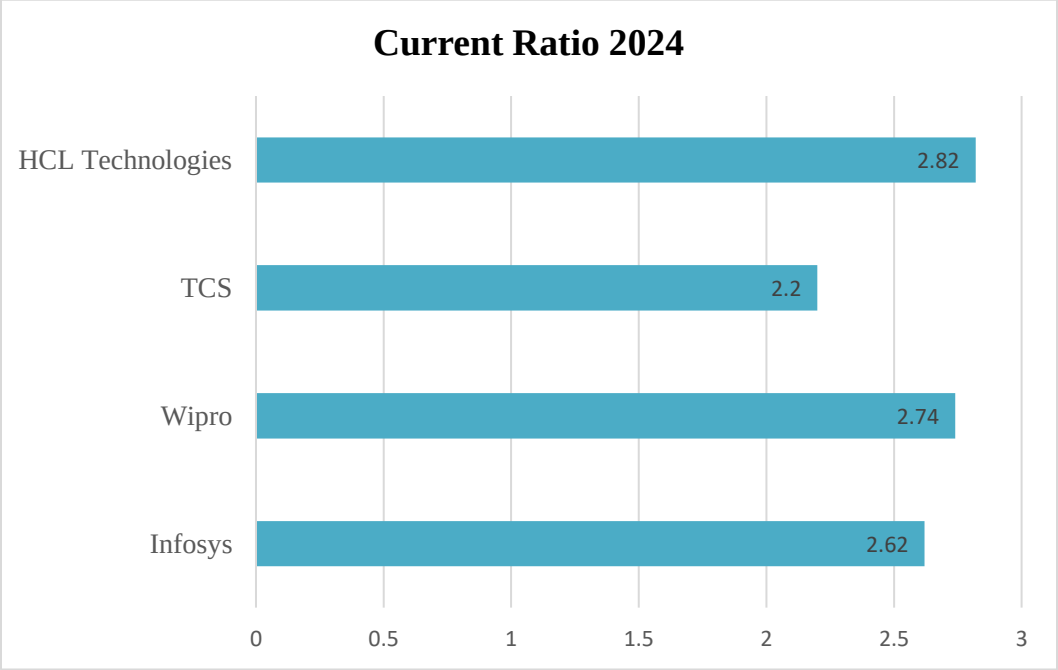
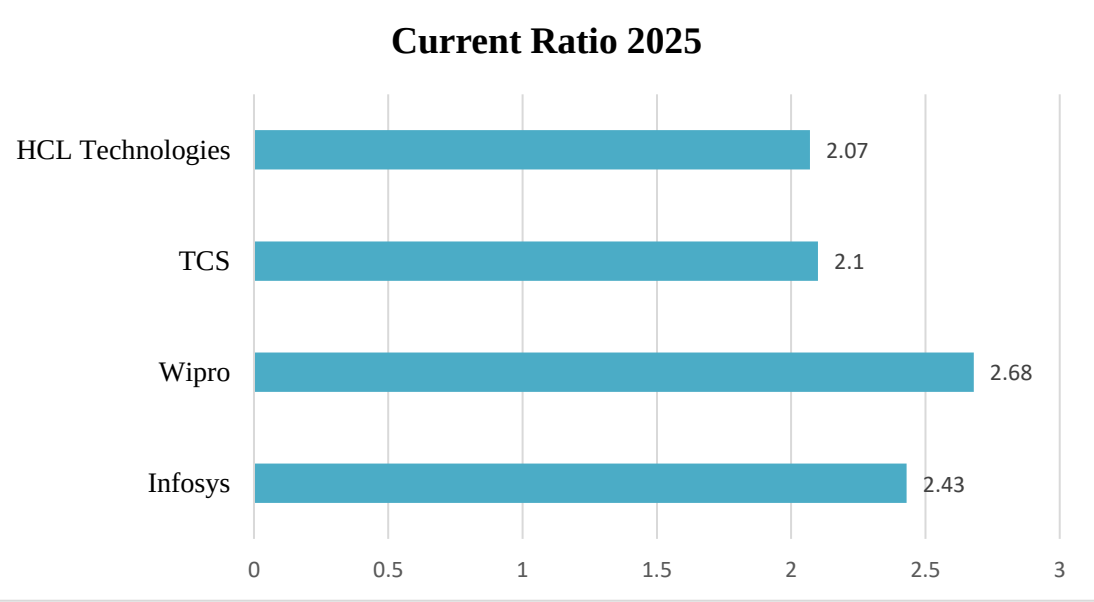


Figure 6: Current Ratio-2025



The calculation of the current ratio shows that all companies considered have managed to keep the ratio above the 2:1 benchmark in both years under consideration. This means that they are well-placed when it comes to liquidity and are

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able to settle their short-term commitments. Despite this fact, however, there is a visible decline for all companies in 2025 compared to 2024. For instance, the fall from 2.82 to 2.07 implies that the level of safety margin has been lowered, but still stays within acceptable limits.

DEBT TO EQUITY RATIO

The debt-to-equity ratio establishes the relationship between a company's total debts (liabilities) and the amounts invested of its own (shareholders' equity). The ideal debt to equity ratio is considered to be 1:1 wherein it can be said that the outsider's capital should not exceed own funds beyond certain level else it increases the bankruptcy costs. Higher the debt, higher the financial risk for any company. When the companies want more capital and opt for debt instead of equity, this ratio increases. It gives a signal to the decision makers that the limit has been reached and company can no more bear the risks of taking further debt.

Table 4 Debt to Equity Ratio

Company	2024	2025
Infosys	0	0
Wipro	0.07	0.1
TCS	0	0
HCL Technologies	0	0

Figure 7: Debt to Equity Ratio-2024

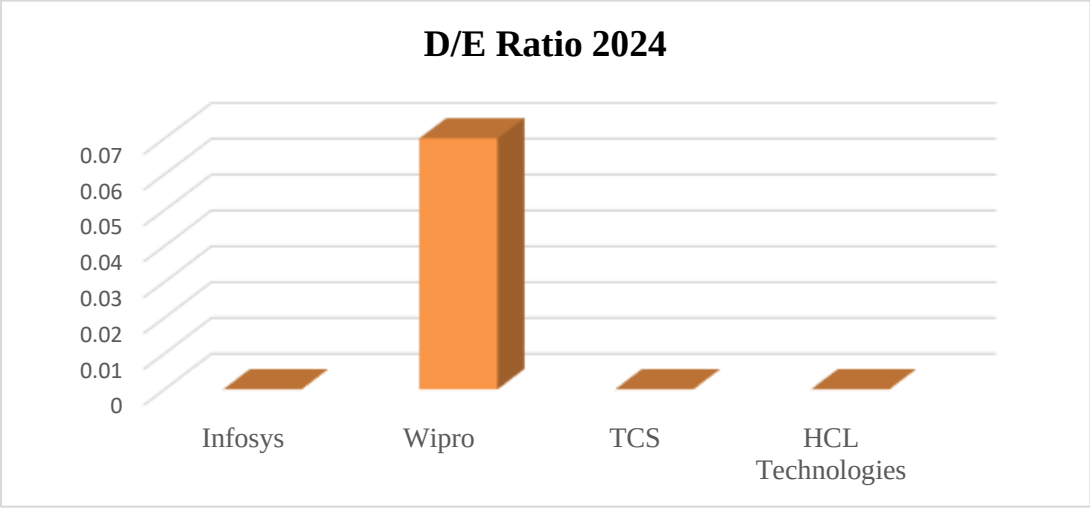
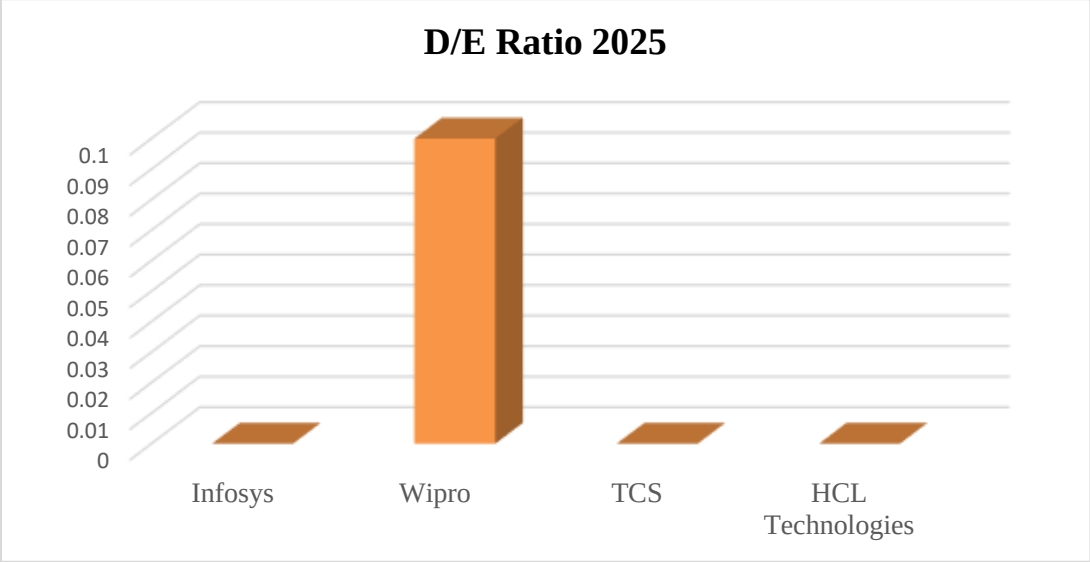


Figure 8: Debt to Equity Ratio-2025



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The analysis of the debt-to-equity ratio shows that the three companies, namely, Infosys, TCS and HCL Technologies, were with a ratio equal to zero during both the years. In other words, there was no presence of any debt, and the firms used only equity financing. The capital structure is characterized by extreme conservatism and low financial risks. Wipro has a small rise in the debt-to-equity ratio, namely, from 0.05 to 0.12, which means that there has been a slight increase in the share of the debt burden. However, the debt-to-equity ratio is still quite low, which means that the company has high solvency and low financial risks.

NET PROFIT RATIO

The Net Profit Ratio (or Margin) shows a company's profitability by revealing the percentage of revenue left after all expenses (operating, interest, taxes) are paid, indicating how efficiently it converts sales into actual profit, calculated as (Net Profit / Net sales) x 100, with a higher ratio generally signaling better cost control and performance.

Table 5 Net Profit Ratio

Company	2024	2025
Infosys	21.12	18.71
Wipro	13.65	16.03
TCS	21.52	22.36
HCL Technologies	24.26	24

Figure 9: Net Profit Ratio-2024

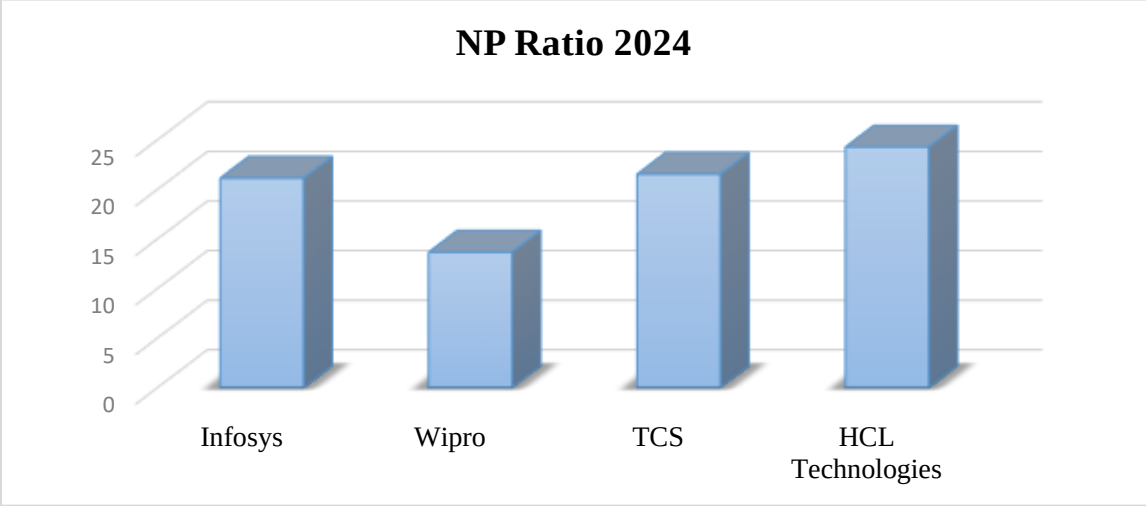
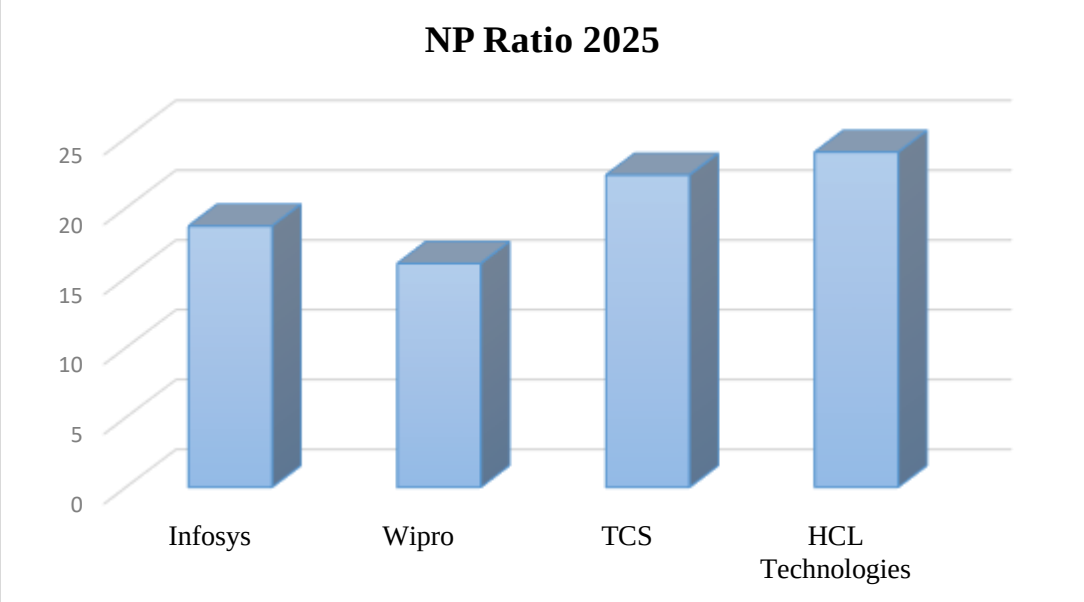


Figure 10: Net Profit Ratio-2025



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It is observed that the maximum net profit ratio was achieved by HCL Technologies, which was reduced marginally from 24.2% to 24%. Thus, it can be stated that the company maintains a stable profitability record. However, TCS showed marginal progress in terms of profitability, which increased from 21.5% to 22.3%. Infosys reported a drop in profitability, which went down to 18.71% from 21.12%. But, the net profit ratio of Wipro improved substantially from 13.65% to 16.03%.

❖ **Overall Comparative Analysis and Ranking**

IT Company	Rank
TCS	1
HCL	2
Wipro	3
Infosys	4

VI. FINDINGS OF THE STUDY

- There are mixed patterns in the EPS measure for the selected IT firms, where some companies have shown improvements in their EPS levels while other companies have recorded reduced EPS levels. Therefore, there is heterogeneity in profitability performances within the firms.
- All information technology (IT) firms under analysis have high liquidity capacity, considering the fact that the current ratio always exceeds the benchmark value of 2:1. There is only a slight downward trend for the year 2025 in the IT sector.
- In regard to profitability, both TCS and HCL are highly profitable, considering that they have recorded consistent growth in their net profit margins and financial performance.
- In terms of overall performance analysis, TCS performs better than any other firm in the group since it shows consistency in its financial efficiency level. On the other hand, HCL is stable and Wipro has shown continuous improvement in its financial performance level.

VII. SUGGESTIONS

- Infosys should focus on improving operational efficiency and controlling costs and thereby enhancing profitability.
- Wipro should maintain its improving trend, particularly in EPS and profitability amd also strengthen its overall financial consistency to give a competent edge to the top performers.
- HCL should also focus on enhancing profitability and maintain its stable performance to challenge the leading position held by TCS.
- All the companies should keep an eye on the declining trend in current ratio, ensuring that there are no idle current assets and yet liquidity is maintained.
- Companies with zero debt policy may consider optimal use of leverage, as a moderate use of debt can enhance profitability without increasing financial risk.

VIII. CONCLUSION

In the present study, the financial performance of various Indian IT companies has been evaluated through the use of important financial ratios over the specified period of time. It is observed that all these companies have a strong liquidity position and risk-free capital structure, implying their financial stability. Out of all the companies chosen for the analysis, TCS is considered to be the top performer, having consistency and efficiency along with profitability. In addition, HCL Technologies is one of the most stable performers during the whole period of analysis. On the other hand, Wipro has shown gradual improvement in some aspects, whereas Infosys has shown volatility in terms of its profitability and earning. In conclusion, it can be said that while the Indian IT industry maintains its financial strength, some variance in performances is still visible.

IX. LIMITATIONS

1. The analysis is limited to only four companies from the IT industry, which may not represent the entire sector.
2. The study is purely based on secondary data hence the accuracy of the results of the study rely on reliability of the data.
3. The study covers limited time period i.e. two years, which might not fully capture long-term trends in their financial performance.
4. The study is confined to selected financial ratios only and does not include other external factors that affect the financial performance of a company. Hence, the findings of the study shall be interpreted within these constraints.

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X. FUTURE SCOPE

Future studies can extend the analysis by including more IT companies from the IT industry. The scope can also be widened by covering a longer time period for a more comprehensive picture of the industry. Also, further research may apply advanced statistical techniques to gain deeper insights into the financial performance.

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