

# A Study on A Descriptive Statistics of Profitability of Selected Information Technology Companies In India During 2013-14 TO 2017-18

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## ARTICLE DETAILS

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## ABSTRACT

*The focus of the study to analyze the Descriptive statistics analysis of profitability of information Technology Companies namely Mphasis, Oracle, Polaris, Rolta and Tech Mahindra for the period of five years in India. The objective of the study is to analyze the profitability of the selected companies in India during the study period by using Ratio analysis; Descriptive statistics have been used. To conclude that the profitability of the selected companies is good but it has some ups & downs during the study periods.*

## 1. Introduction

Information technology is concerned with the development, management, and use of computer-based information systems. The Information Technology Association of America has defined information technology as “the study, design, development, application, implementation, support or management of computer-based information systems”, but the term has also been applied more narrowly to describe a branch of engineering dealing with the use of computers and telecommunications equipment to store, retrieve, transmit and manipulate data. Although commonly used to refer to computers and computer networks, IT encompasses other information-distribution technologies such as television and telephones, a wider field more explicitly known as information and communications technology. The information technology industry has become of the most robust industries in the world. IT, more than any other industry or economic facet, has an increased productivity, particularly in the developed world, and therefore is a key driver of global economic growth. Economies of scale and insatiable demand from both consumers and enterprises characterize this rapidly growing sector.

## 2. Review of Literature

Lee (2008) conducted a study on Financial Risk on which he observed that financial researchers, including those concentrating on the lodging industry, use various financial risk measures for their studies. Examples of those risk measures are beta, earnings variability, bankruptcy probability, debt-to-equity ratio and book-to-market ratio. The purpose of this study is, first, to descriptively investigate various financial risk measures used in the lodging financial literature by performing factor analysis and identifying four distinct risk groups. Second, this study examines the predictive ability of the four risk groups for lodging firm performance. The findings of this study suggest that strategic and stock performance risk factors better represent a lodging firm's financial risk than do bankruptcy and firm performance risk factors, and also, ROA than ROE better estimates lodging firm performance in terms of their relationships with financial risk factors.

Adolphus J. Toby (2008) has conducted a study on liquidity performance relationship of Nigerian manufacturing companies. The results of the study have revealed a significant relationship between liquidity, profitability, efficiency and leverage measures. The study has also made an attempt to suggest that in order to target money supply, monetary policy could be used to facilitate monetary transmission mechanism by integrating a minimum liquidity requirement for the manufacturing industry. Rationale for the present study

## 3. Research Methodology

Research Methodology is a systematic and continuous method of defining a problem collecting the facts and analyzing them, reaching conclusion forming generalization.

### 3.1 Research Statement:

“A descriptive statistics of Profitability of selected Information Technology companies in India.”

### 3.2 Need of the study

Profit earning is the main aim of every economic activity. A business being an economic institution must earn profit to cover its costs and provide funds for growth. No business can service without earning profit. Profits are a measure of efficiency of a business enterprise. Profits also serve as a protection against risks which cannot be ensured. The accumulated profits enable a business to face risks like fall in prices, competition from other units, adverse government policies etc. The profitability refers the capacity of a business enterprise to generate profit per each rupee of sales or capital invested in business. The profitability of IT Company has been analyzed through various profitability ratios & statistical tools.

### 3.3 Research Design

**3.3.1 Source of Data:** The study is based on secondary data. The secondary data are collected from information various journals, magazines, newspapers and annual reports, literature and websites and through various search engines.

**3.3.2 Sample selection:** The convenient sample method has been adopted to select the Information Technology companies namely TCS, Wipro, Infosys, HCL, Mind tree for the present study.

**3.3.2 Period of study:** The study covers a period of 2013-14 to 2017-18.

#### 3.4 Objectives of study:

To know the profitability of the selected IT companies in India.

#### 3.5 Scope of the study

The scope of study is confined only to selective IT companies on the basis of their financial performance and analyzing the financial performance of the IT companies. The study is restricted to collecting information about the companies from websites and annual report.

#### 3.6 Tools of Analysis

The following tools and techniques are used for the present study.

3.6.1 Ratio Analysis

3.6.2 Descriptive statistics

## 4. Data Analysis & Interpretation

### Descriptive Statistics

TABLE: I

#### GROSS PROFIT RATIO

IT COMPANY	MAX	MIN	RANG	MEAN	STDEV	CV
MPHISIS	26.05	13.44	12.61	19.664	3.630994	18.47
ORECAL	37.97	16.38	21.59	28.894	8.467015	29.31
POLARIS	13.9	4.91	8.99	9.685	3.961983	40.91
ROLTA	49.14	29.18	19.96	38.28375	6.411559	16.75
TECH- MAHINDRA	26.33	13.65	12.68	19.54333	4.684453	23.97

[ Sources : Descriptive statistics has been performed in MINITAB 17]

As above Table no. 1, among all the samples companies, the ROLTA Company outperformed compare to other IT companies in terms of gross profit ratio with a highest mean of 38.28 and POLARIS underperformed compare to other sample

companies in the term of gross profit ratio i.e. was 9.69. According to CV, there is the high variability in POLARIS and less in ROLTA. Hence, ROLTA may be considered to be more consistent in terms of gross profit ratio.

TABLE: II

#### OPERATING PROFIT RATIO

IT COMPANY	MAX	MIN	RANG	MEAN	STDEV	CV
MPHISIS	29.12	18.15	10.97	22.491	3.776408	16.79
ORECAL	39.71	19.36	20.35	31.02	7.843751	25.29
POLARIS	17.54	7.61	9.93	12.54333	3.837972	30.60
ROLTA	71.78	51.62	20.16	61.6075	8.320029	13.50
TECH- MAHINDRA	28.69	16.52	12.17	21.83333	4.181202	19.15

[ Sources : Descriptive statistics has been performed in MINITAB 17]

As above Table no. 2, among all the samples companies, the ROLTA Company outperformed compare to other IT companies in terms of operating profit margin ratio with a highest mean of 61.61 and POLARIS underperformed compare to other sample companies in the term of operating

profit margin ratio i.e. was 12.54. According to CV, there is the high variability in POLARIS and less in ROLTA. Hence, ROLTA may be considered to be more consistent in terms of operating profit margin ratio.

TABLE:III

#### NET PROFIT RATIO

IT COMPANY	MAX	MIN	RANG	MEAN	STDEV	CV
MPHISIS	26.14	11.89	14.25	18.566	4.680632	25.21
ORECAL	41.79	20.34	21.45	30.986	7.683235	24.79
POLARIS	13.5	1.93	11.57	8.184	3.474607	42.46
ROLTA	40.19	-56.25	96.41	23.703	28.56775	120.52
TECH- MAHINDRA	22.54	2.35	20.19	13.046	5.736505	43.97

[ Sources : Descriptive statistics has been performed in MINITAB 17]

As above Table no.3, among all the samples companies, the ORECAL Company outperformed compare to other IT companies in terms of net profit ratio with a highest mean of 30.99 and POLARIS underperformed compare to other sample

companies in the term of net profit margin ratio i.e. was 8.18. According to CV, there is the high variability in ROLTA and less in ORECAL. Hence, ORECAL may be considered to be more consistent in terms of net profit margin ratio.

**TABLE:IV**  
**RETURN ON CAPITAL EMPLOYED RATIO**

IT COMPANY	MAX	MIN	RANG	MEAN	STDEV	CV
MPHISIS	39.02	8.15	30.87	22.794	8.858784	38.86
ORECAL	53.15	16	37.15	24.688	10.36433	41.98
POLARIS	27.85	10.91	16.94	18.40167	6.553629	35.61
ROLTA	21.02	10.07	10.95	15.075	3.575768	23.72
TECH- MAHINDRA	74.08	16.05	58.03	35.53556	22.89246	64.42

[ Sources : Descriptive statistics has been performed in MINITAB 17]

As above Table no. 4, among all the samples companies, the TECH MAHINDRA Company outperformed compare to other IT companies in terms of return on capital employed ratio with a highest mean of 35.54 and POLARIS underperformed compare to other sample companies in the term of return on

capital employed ratio i.e. was 18.40. According to CV, there is the high variability in TECH MAHINDRA and less in ROLTA. Hence, ROLTA may be considered to be more consistent in terms of return on capital employed ratio.

**TABLE: V**  
**RETURN ON NET WORTH RATIO**

IT COMPANY	MAX	MIN	RANG	MEAN	STDEV	CV
MPHISIS	41.33	5.78	35.55	21.011	10.38672	49.43
ORECAL	34.61	14.39	20.22	18.723	6.074126	32.44
POLARIS	18.32	7.14	11.18	13.72	4.609221	33.59
ROLTA	26.46	-49.56	23.1	11.28375	25.01453	221.69
TECH MAHINDRA	52.45	7.43	45.02	24.997	12.96135	51.85

[ Sources : Descriptive statistics has been performed in MINITAB 17]

As above Table no. 5, among all the samples companies, the TECH MAHINDRA Company outperformed compare to other IT companies in terms of return on net worth ratio with a highest mean of 25 and ROLTA underperformed compare to other sample companies in the term of return to net worth ratio i.e. was 11.28. According to CV, there is the high variability in ROLTA and less in ORECAL. Hence, ORECAL may be considered to be more consistent in terms of return to net worth ratio.

## 5. Conclusion

During the study period the Profitability ratio is very satisfactory in ROLTA, ORECAL and TECH MAHINDRA where those are very unsatisfactory in POLARIS. Profitability ratio of POLARIS was very low, the reason was behind the unsatisfactory profitability position may be the high cost of production and operating expenses, unutilized in an efficient manner. All the ratios are significant in selected companies. From this analysis it can be noticed that the profitability ratios are good but it has ups and downs in selected companies.

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