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A COMPARATIVE STUDY OF FINANCIAL LIQUIDITY AND SOLVENCY ANALYSIS OF SELECTED INDIAN INFORMATION TECHNOLOGY COMPANIES IN INDIA

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ABSTRACT

The Indian IT sector has been vital to India's progress during the past ten decades. Financial Liquidity and Solvency Analysis offer ways to assess a company's capacity, stability, and profitability using its financial statements. In this research paper, the financial Liquidity and Solvency of selected Indian IT companies during 11 years (2011-12 to 2021-22) are analysed and examined. A linear link between Liquidity and Solvency is established. With the aid of numerous accounting ratios and statistical tools like Mean, SD, CV & CAGR, an effort is made in this to do financial Liquidity and Solvency analysis that demonstrates variations in the profitability of selected IT Companies. According to the data, Infosys and Wipro had the best performances among the businesses that were chosen for the 2011-12-to-2021-22-time frame. In terms of the current ratio, Infosys performs well, whereas Wipro excels in terms of Debt Equity Ratio, Interest Coverage Ratio, Proprietary Ratio, and financial leverage ratio. HCL and TCS, on the other hand, move up to the third and fourth positions in terms of performance. HCL comes in second in terms of performance for both the current ratio and debt-equity ratio. Regarding performance in terms of Financial Liquidity and Solvency, Infosys is ranked first and TCS second Position.

Keywords: *Information Technology, Financial Strength, Financial Ratios, Liquidity, Solvency Analysis, CAGR, CV.*

Introduction

Based on past information gleaned from yearly reports, financial analysis is a method used to determine a company's current and future situation. Analysis of financial ratios such as the current ratio, Debt Equity Ratio, Interest Coverage Ratio, Proprietary Ratio, and financial leverage ratio is part of the process of determining a company's liquidity, and solvency positions. The IT sector has significantly contributed to India's standing on the international stage. In addition, it has a good impact on people's lives by directly and indirectly supporting a diverse range of business services, top-notch technology, employability, and a high standard of life. The Indian IT/ITES market is segmented into four key areas: IT services, IT-enabled services/BPM (Business Process Management), software & engineering, R & D services, and hardware goods.

With a substantial impact on the GDP and welfare of the nation, the IT & BPM industry has emerged as one of the most important growth drivers for the Indian economy. In FY22, the IT sector contributed 7.4% of India's GDP, and by 2025, it is projected to make up 10% of India's GDP. India is now

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ready for the next stage of growth in its IT revolution as cutting-edge digital applications penetrate sector after industry. India is regarded by the rest of the world as having one of the largest Internet user bases and the most affordable Internet rates, with 76 crore persons now having access to the Internet. Due to a strong foundation of digital infrastructure and improved digital access given by the Digital India Programme, the focus now is on the creation of considerable economic value and citizen empowerment. India is one of the nations where the adoption of digital technology is happening the quickest. This was done via a combination of government action, business innovation and investment, and new digital applications that are already enhancing and penetrating a range of activities and diverse lines of employment and having a beneficial influence on the daily lives of individuals.

National Association of Software and Service Companies (NASSCOM) reports that the Indian IT sector generated US$ 227 billion in sales in FY22, representing a 15.5% YoY growth. Gartner forecasts that India's IT spending would rise from an anticipated US$ 81.89 billion in 2021 to US$ 101.8 billion in 2022.By 2025, it is anticipated that the Indian software products market would be worth $100 billion. Indian businesses are concentrating on making investments abroad to broaden their worldwide reach and improve their global delivery hubs. In FY20, the market for data annotation in India was valued at USD 250 million, with the US market accounting for 60% of that total. Due to an increase in local demand for AI, the industry is anticipated to reach US$ 7 billion by 2030.

In FY21, the Indian IT sector exported goods worth US$149 billion. The largest contribution, accounting for more than 51% of all IT exports (including hardware), has been the export of IT services. In terms of overall IT exports during FY21, BPM, engineering, R&D (ER&D), and software product exports each contributed 20.78%. By 2022, the ER&D market is anticipated to reach US$ 42 billion. In this study, we use financial ratios to examine the financial health of the I.T. industry throughout the years 2011-12 to 2021-22. by examining the Five companies with the largest market capitalization.

Literature Review

Financial Liquidity and Solvency Analysis is a crucial aspect of any business, as it is a key indicator of the company's success and potential for future growth. A review of recent literature on financial Strength indicates that there have been several notable developments and trends in this area over the past few years. In this literature review, we will examine some of the key findings and insights from research papers on Financial Liquidity and Solvency Analysis.

Dhakal et al. (2021)[1] used ratio analysis to evaluate the liquidity and profitability of hospitality companies in Nepal. The authors found that hospitality companies experienced a decline in liquidity and profitability due to the pandemic and that companies with stronger pre-pandemic financial positions were better able to weather the impact of the pandemic.

Gupta et al. (2020)[2] used ratio analysis to evaluate the profitability, liquidity, and solvency of Indian pharmaceutical companies. The authors found that the profitability of the Indian pharmaceutical industry was affected by factors such as research and development expenses and pricing regulations.

Qiu et al. (2020)[3] used ratio analysis to evaluate the liquidity, solvency, and profitability of Chinese manufacturing companies. The authors found that Chinese manufacturing companies exhibited high levels of profitability but lower levels of liquidity and solvency.

Amjad et al. (2019)[4]found that several financial ratios, including return on assets (ROA), return on equity (ROE), and earnings per share (EPS), were significant predictors of a company's financial performance. The authors concluded that these financial indicators could be used to guide investment decisions and evaluate the financial health of companies.

Banerjee and Dey (2019)[5] used a comprehensive ratio analysis framework that included both traditional financial ratios and non-financial ratios such as loan-to-deposit ratio, provisioning ratio, and net interest margin. The authors found that this more comprehensive approach provided a more nuanced understanding of the financial strength of Indian banks.

Kaur and Singh (2018)[6] found that ratio analysis can be misleading if used in isolation and without consideration of the broader economic and industry context. The authors argued that financial analysts must consider the larger context in which a company operates to effectively use ratio analysis.

Shleifer and Vishny (2017)[7]proposed several new ratios, including the cash flow yield and the asset turnover ratio, to supplement traditional ratios such as the current ratio and the debt-to-equity ratio. The authors argued that these new ratios can provide more accurate and comprehensive insights into a company's financial performance.

Maisuria and Allad et al. (2016)[8] found that there were differences in the profitability of the companies they analysed between 2010-11 to 2014-15. They observed that while Oracle Fin. Services performed well in terms of Net Profit Ratio and Earnings Per Share, its Net Worth Ratio and Return on Capital Employed were not satisfactory. The study concluded that Tata Consultancy Services was the highest-performing company while Tech Mahindra was the lowest performer.

Khan and Singhal (2015)[9] focused on analysing the performance of a group of IT companies over five years from 2010 to 2014. They used the ANOVA technique to identify significant differences between the companies across the years. The findings of the study indicated that HCL technology performed well in terms of operating and net profit ratios when compared to other companies. The study concluded that HCL technology exhibited strong financial performance during the five years under investigation.

Trabelsi et al. (2015)[10] examined the financial performance of firms listed on the Tunisian Stock Exchange. The study used ratio analysis to evaluate profitability, liquidity, solvency, and market performance. The findings of the study showed that the profitability and liquidity ratios of the firms had improved in 2012 compared to 2009.

Puttana et al. (2014)[11]aimed to examine the financial performance of ten IT sector companies listed on the Bombay Stock Exchange. The study focused on analysing the earnings before interest and taxes (EBIT) and earnings per share (EPS) of these companies and conducted a comparative analysis of EBIT-EPS to determine the profit generated from the investment. The findings of the study revealed that all the IT companies exhibited distinct patterns of profit and debt financing.

Beig et al. (2013)[12] examined the financial performance of Indian companies in the automobile industry. The study used ratio analysis to evaluate the liquidity, profitability, and efficiency of the companies. The findings indicated that the companies had improved their financial performance over the years, with better profitability and liquidity ratios.

Mishra et al. (2012)[13]analysed the financial performance of Indian pharmaceutical companies using ratio analysis. The study evaluated liquidity, profitability, and efficiency ratios and found that the companies had good financial performance, with high profitability and efficiency ratios.

Naser et al. (2011)[14]analysed the financial performance of Bahraini Islamic banks using ratio analysis. The study evaluated liquidity, profitability, and solvency ratios and found that Islamic banks had good financial performance, with high profitability and solvency ratios.

Previous literature related to the IT industry has focused on its growth and export strength, and several studies have analysed the sector's Strength from 2011 to 2021. However, this study takes a different approach by examining the financial strength of the sector using Five companies with the highest market capitalization as a proxy for the entire sector. The study covers 11 years from 2011-12 to 2021-22 and evaluates financial ratios related to profitability, liquidity, and solvency. The findings indicate that the IT sector has demonstrated consistent growth and a linear relationship between liquidity, leverage, profitability, and efficiency. Overall, the study provides valuable insights into the soundness of the IT sector and its Strength over the years.

Research Objectives

- To examine the short-term liquidity trend of selected IT companies in India.
- To compare the leverage and long-term solvency position of selected IT Companies.

Research Methodology

Research design	The Research Design used for this study is Descriptive Research Design.
Sample Size	Five IT companies are selected based on a higher market capitalization rate.
Sample Unit	Five IT companies i.e., Infosys, TCS, Wipro, HCL, Tech Mahindra,
Period of Study	The period of study is 2011-12 to 2021-22
Data Collection	Secondary data has been used to collect the data for this research's annual reports of companies, previous research papers, magazines, journals, and the internet.
Financial Liquidity and Solvency Analysis	The ratio Analysis technique is used to find out the profitability and liquidity position of selected IT companies.
Statistical Tool	Descriptive Statistics (Mean, SD, CV, CGAR, etc.)

Data Analysis

- **Liquidity Analysis:** The analysis of liquidity is essential in evaluating a company's ability to meet its short-term obligations and daily expenses. The current ratio, calculated by dividing current assets by current liabilities, is commonly used for studying the liquidity position of IT companies.

Table 1:

H_0: There is no significant difference in the Current Ratio of selected Indian IT Companies.

Year	Company				
	HCL Technologies	Infosys Ltd.	TCS	Tech. Mahindra Ltd.	Wipro Ltd.
2011-12	1.64	4.38	2.22	1.34	1.99
2012-13	1.69	4.36	2.66	1.14	1.82
2013-14	2.09	3.58	2.73	2.31	2.22
2014-15	2.33	3.05	2.40	2.15	2.22
2015-16	2.54	3.90	4.06	2.67	2.30
2016-17	2.33	3.83	5.53	2.55	2.35
2017-18	2.43	3.54	4.56	2.29	2.37
2018-19	2.42	2.83	4.17	2.09	2.66
2019-20	1.62	2.62	3.33	2.12	2.35
2020-21	2.48	2.54	2.91	2.46	2.77
2021-22	2.56	1.99	2.56	1.96	2.01
Mean	2.194	3.329	3.375	2.098	2.278
SD	0.372	0.781	1.060	0.475	0.279
C.V.(%)	16.937	23.455	31.414	22.652	12.248
CAGR(%)	5.072	-8.393	1.596	4.316	0.111

Sources: Annual reports of companies

Table 1 presents the current ratio of the selected companies for the period 2011-12 to 2021-22. It is noted that the current ratio of Hindustan Computers Limited (HCL) Technologies has moved up from 1.64 in 2011-12 to 2.56 in 2021-22 with some inter-temporal variations, though the ratio has gone beyond 2.56 which is quite healthy. In the case of Infosys Technologies Limited, the ratio started from a higher level of 4.38 in 2011-12 but it has started to decline and has come down to 1.99 in 2021-22, which suggests that the rate of increase in current liabilities has outcompeted the rate of rise in the current assets of the company. As far as Tata Consultancy Services (TCS) Limited is concerned, the current ratio has increased from 2.22 in the year 2011-12 to 5.53 in 2016-17, but it slightly decreases from the year 2017-18 to 2021-22 which is 4.56 to 2.56 respectively. It is always more than the ideal ratio and shows a healthy rate of increase over the years.

However, in the case of Tech Mahindra, the current ratio has increased from 1.34 to 2.46 between 2011-12 and 2020-21 but has gone down to 1.96 in 2021-22. In the case of Wipro Limited, the current ratio has moved up from 1.99 to 2.77 during the study period, which shows only a moderate rise. Moreover, the current ratio of the IT companies has been higher than that of the ideal ratio of 2:1 in the study period, which shows their better liquidity position in the short run. the mean of all selected companies under study is more than the ideal ratio it indicates better liquidity of companies. It is observed from the table that the SD of the current ratio of all IT companies is less than 1 except TCS which indicates higher variability in the liquid position of the company. The coefficient of variation of all companies is stable except TCS i.e., 31.414% which indicates higher variability in the liquid position of the company in the short run. The Compound annual growth rate (CAGR) of all IT companies is positive except Infosys Ltd., i.e.-8.393 % which indicates better performance of the company's liquid position.

During the study period, TCS and Tech Mahindra reported the highest and lowest average current ratios i.e. 3.375 and 2.098 respectively among all companies under study the highest CR indicates the company may be inefficiently using its current assets or short-term financing facilities whereas the lowest CR indicates that the Tech Mahindra is having difficulty meeting current obligations but in the average CR of all companies are more than ideal ratio 2:1 it indicates the better liquid position of companies under study.

- **Solvency Analysis**: Solvency analysis, also referred to as financial structure or capital structure ratio, assesses a company's ability to meet its long-term obligations. It examines the company's

capacity to repay principal and fixed interest charges on long-term debts regularly. Debt Equity Ratio, Interest Coverage Ratio, and Proprietary Ratio are employed to study this aspect of a company's financial performance.

- **Debt-Equity Ratio:** The relationship between borrowed funds and owner's capital is a popular measure of the long-term financial strength of a firm. This relationship is shown by the debt-equity ratio. It is calculated by dividing Total Debts by Owner's Equity.

Table 2

H_0: There is no significant difference in the Debt-Equity Ratio of selected Indian IT Companies.

Year	Company				
	HCL Technologies	Infosys Ltd.	TCS	Tech. Mahindra Ltd.	Wipro Ltd.
2011-12	0.160	0.15	0.01	0.28	0.21
2012-13	0.060	0.17	0.01	0.20	0.16
2013-14	0.405	0.20	0.01	0.05	0.16
2014-15	0.025	0.21	0.01	0.06	0.21
2015-16	0.033	0.22	0.02	0.07	0.26
2016-17	0.019	0.21	0.02	0.07	0.26
2017-18	0.019	0.23	0.04	0.09	0.26
2018-19	0.096	0.30	0.04	0.07	0.17
2019-20	0.096	0.41	0.06	0.11	0.11
2020-21	0.063	0.41	0.09	0.07	0.12
2021-22	0.063	0.56	0.09	0.06	0.23
Mean	0.094	0.279	0.036	0.103	0.195
SD	0.111	0.128	0.031	0.072	0.055
C.V.(%)	117.842	45.870	85.447	70.074	28.150
CAGR(%)	-9.838%	15.762%	27.652%	-15.731%	1.016%

Sources: Annual reports of companies

Table 2 demonstrates that the Debt equity ratio of HCL was found to be low during the study period. The ratio ranged from 0.019 to 0.405, in the last two years however the ratio seems to be stable which is 0.063. The mean value of the ratio was 0.094, which shows that debt capital was comparatively low in the capital structure of the company, indicating low risk in long-term solvency. The results of SD and CV were 0.111 and 117.842 percent respectively, showing a low level of deviation in the ratio from the mean value.

The debt-equity ratio of Infosys Ltd. was found to be low during the study period. The ratio ranged from 0.15 to 0.56. The mean value of the ratio was 0.279, which shows that debt capital was very low in the capital structure of the company. The risk of long-term solvency is very low. The results of SD and CV were 0.055 and 45.870 percent respectively, they show a low level of deviation in the ratio from the mean value.

The debt-equity ratio of TCS was found to be low, but it was on an increasing trend. The ratio ranged from 0.01 to 0.09. The mean value of the ratio was 0.036, which shows that debt capital was very low in the capital structure of the company. The risk of long-term solvency was very low. The results of SD and CV were 0.031 and 85.447 percent respectively. It shows a moderate level of deviation in the ratio from the mean value.

In the case of Tech Mahindra Ltd., it was found low during the study period. The ratio ranged from 0.05 to 0.28. The mean value of the ratio was 0.103, which shows that debt capital was low in the capital structure of the company, indicating low risk in long-term solvency. The results of SD and CV were 0.072 and 70.074 percent respectively, which shows the low level of deviation in the ratio from the mean value.

In the case of Wipro Ltd., it was found to be very low during the study period, The ratio ranged from 0.11 to 0.26. The mean value of the ratio was 0.195, which shows that debt capital was comparatively low in the capital structure of the company, therefore the risk of long-term solvency was low. The results of SD and CV were 0.13 and 28.150 percent respectively, which show the low level of deviation in the ratio from the mean value.

The CAGR is positive for all the companies selected for the study except HCL Technologies and Tech. Mahindra Ltd. The average Debt to Equity Ratio of different years is highest in the case of Infosys Ltd (0.279) followed by Wipro with an average Debt to Equity Ratio of different years (0.195). The coefficient of Variation of a different year is highest in the case of HCL Technologies (117.842 %) showing more variability and less consistency in the Debt-to-Equity Ratio. The coefficient of Variation of a different year is lowest in the case of Infosys (28.150%). It is concluded that Infosys has the highest average Debt to Equity Ratio and a higher degree of uniformity during the study period. The Debt-to-Equity Ratio of all companies for the study period is below the standard ratio of 1:1. It shows that the long-term financial position of the companies is sound.

- **Proprietary Ratio:** It is also known as the 'Equity-Asset Ratio.' It relates the owner's or proprietor's fund with total assets. It is calculated by dividing the proprietor's fund by total assets. It indicates the extent of shareholders' funds concerning total funds (shareholders' funds + liabilities). In other words, it indicates "the proportion of total assets financed by owners." It is calculated by dividing Owner's Funds by Total Assets.

Table 3

H_0: There is no significant difference in the Proprietary Ratio of selected Indian IT Companies.

Year	Company				
	HCL Technologies	**Infosys Ltd.**	**TCS**	**Tech. Mahindra Ltd.**	**Wipro Ltd.**
2011-12	0.61	0.92	0.71	0.54	0.69
2012-13	0.64	0.84	0.73	0.58	0.65
2013-14	0.72	0.80	0.73	0.58	0.65
2014-15	0.78	0.78	0.68	0.66	0.64
2015-16	0.81	0.79	0.76	0.66	0.69
2016-17	0.63	0.88	0.86	0.56	0.67
2017-18	0.68	0.82	0.84	0.58	0.65
2018-19	0.75	0.79	0.77	0.62	0.64
2019-20	0.80	0.78	0.72	0.66	0.62
2020-21	0.72	0.84	0.73	0.61	0.63
2021-22	0.65	0.85	0.70	0.57	0.66
Mean	0.708	0.826	0.748	0.602	0.654
SD	0.071	0.045	0.056	0.043	0.022
C.V. (%)	10.041	5.446	7.533	7.159	3.440
CAGR (%)	0.708%	-0.875%	-0.157%	0.603%	-0.493%

Sources: Annual reports of companies

Table 3 reports that the Proprietary ratio of HCL Technologies was considered low during the study period. The ratio ranged from 0.61 to 0.81. The ratio was very low during 2011-12. The mean value of the ratio was 0.708, which is slightly better than Wipro and Tech Mahindra, indicating that a considerable part of the total assets of the company was financed by the borrowed fund and hence the long-term financial risk was moderate. There was a very low level of deviation in the ratio from the mean value as shown by the results of SD and CV.

In the case of Infosys Ltd., it was found to be very high. The ratio ranged between 0.78 and 0.92. The mean value of the ratio was 0.826, it was considered very high and therefore a major part of the total assets of the company was financed by its fund and long-term financial risk was very low. There was a low level of deviation in the ratio from the mean value as shown by the results of SD and CV. In the case of TCS, it was found to be very high during the study period. The ratio ranged between 0.70 and 0.86. The mean value of the ratio was 0.748, it was high. This shows that a major part of the total assets of the company was financed by its fund and long-term financial risk was very low. The results of SD and CV show a very low level of deviation in the ratio from the mean value.

The proprietary ratio of Tech Mahindra was low during the study period. The ratio ranged between 0.54 and 0.66. The mean value of the ratio was 0.602, which was comparatively lower than the other companies in the sample study. This indicates that almost forty percent of the total assets of the company were financed by borrowed funds, where the long-term financial risk was high. The results of SD and CV show a low level of deviation in the ratio from the mean value. The proprietary ratio of Wipro was low during the study period. The ratio ranged from 0.62 to 0.69. The mean value of the ratio was

0.654, which was lower than HCL Technologies, Infosys, and TCS. There was a very low level of deviation in the ratio from the mean value as shown by the results of SD and CV. The CAGR is negative for all the companies selected for the study except HCL Technologies and Tech. Mahindra Ltd.

- **Interest Coverage Ratio:** It is one of the conventional ratios used to measure the debt-servicing capacity of a firm. It is also known as the "Time-Interest-Earned Ratio'. It indicates 'the number of times the interest charges are covered by funds that are ordinarily available for their payment.' The interest coverage ratio is calculated by dividing a company's earnings before interest and taxes (EBIT) by its interest expense during a given period.

Table 4

H_0: There is no significant difference in the Interest Coverage Ratio of selected Indian IT Companies.

Year	Company				
	HCL Technologies	Infosys Ltd.	TCS	Tech. Mahindra Ltd.	Wipro Ltd.
2011-12	23.5	86.47	628.33	8.35	21.30
2012-13	50.89	128.57	374.06	11.16	28.19
2013-14	70.15	44.48	660.45	47.23	27.38
2014-15	100.93	154.23	248.71	122.01	33.08
2015-16	96.21	78.73	965.45	40.73	21.59
2016-17	119.43	107.52	1079.53	30.98	19.58
2017-18	160.58	86.52	656.62	31.04	18.57
2018-19	73.54	101.35	210.91	43.11	16.67
2019-20	28.68	130.45	46.72	27.39	17.72
2020-21	32.02	137.55	77.99	43.58	33.73
2021-22	67.7	151.55	72.80	56.16	35.20
Mean	74.875	109.765	456.506	41.976	24.819
SD	42.101	34.148	364.289	30.287	6.924
C.V. (%)	56.229	31.110	79.799	72.153	27.899
CAGR (%)	12.475%	6.433%	-21.297%	23.587%	5.740%

Sources: Annual reports of companies

Table 4 shows a fluctuating trend in the interest coverage ratio of the selected information technology companies in India during the study period. Such a fluctuating trend could be attributed to the poor earnings before interest and tax, growth rates of borrowings, and financial charges of all the selected information technology companies in India. HCL Technologies registers a fluctuating trend and it ranges from 23.5 times in 2011-12 to 160.58 times in 2017-18. The average interest coverage ratio of HCL Technologies is 74.87 and C.V. 56.229 % with a CAGR of 12.457 %. In the case of Infosys Ltd., it ranged between 44.48 in FY 2013-14 to 154.23 in FY 2014-15. Infosys reported a 31.11% coefficient of variation and the lowest positive CAGR of 6.433% during the study period. The interest coverage ratio varied from company to company, the highest average is 456.506 times in TCS followed by 109.765 times in Infosys Ltd., 74.87 times in HCL Technologies, and 41.976 times in Tech. Mahindra Ltd and lowest 24.819 times in Wipro Ltd. A low burden of debt servicing and lower utilization of borrowed funds are observed in Tech. Mahindra Ltd and Wipro Ltd. as their average interest coverage ratios are lower than the industrial average. The table also discloses the fact that Tech. Mahindra Ltd and Wipro Ltd. are not taking advantage of 'equity trading' and are very conservative in using debt and credit facilities as their average interest is too low compared to other companies. It is also noticed from the table that the TCS shows a danger signal as the company is highly dependent on borrowed funds since the average interest coverage ratio was very high. The CAGR shows a growth rate for HCL Technologies, Infosys Ltd., and Tech. Mahindra Ltd. Wipro Ltd. negative growth rate for TCS.

Results and Findings

- TCS and Tech Mahindra reported the highest and lowest average current ratios i.e. 3.375 and 2.098 respectively among all companies under study the highest CR indicates the company may be inefficiently using its current assets or short-term financing facilities whereas the lowest CR indicates that the Tech Mahindra is having difficulty meeting current obligations but in the average CR of all companies are more than ideal ratio 2:1 it indicates the better liquid position of companies under study.

- The debt-to-equity ratio helps to analyse the company's financial strategy that whether companies are using debt financing or equity financing for running their operations. The average Debt-Equity ratio of all IT companies under the study period is less than the ideal ratio i.e., 1:1. The low Debt- Equity ratio indicates that the company's shareholders are bigger, and it does not require any money to finance its business and operations for growth. A high debt-to-equity indicates high risk whereas a low risk in a low debt-equity ratio.
- The average Proprietary Ratio of Infosys Ltd is highest during the study period i.e., 0.826 followed by TCS which was 0.748 indicating that a business is in a strong position and provides relief to creditors but Tech Mahindra reported the lowest average proprietary ratio i.e., 0.602 the low proprietary ratio shows the dependence of the company on the debt financing to run its business.
- The average interest coverage ratio of TCS Ltd is highest during the study period i.e., 456.506followed by Infosys which was 109.765indicating that a business is in a strong position and provides relief to creditors but Wipro reported the lowest average interest coverage ratio i.e., 0.602 the low proprietary ratio shows the dependence of the company on the debt financing to run its business.
- Whereas, HCL and TCS gain the third and fourth position in terms of performance. As HCL gets the second position in termsof performance in return on invested capital and current ratio. TCS gets the second position in terms of performance returnon equity and Gross profit.
- This study will help enhance the knowledge of investors, regarding the financial position and growth of I.T. companies for making better investment decisions.

Conclusion

The IT industry has played a pivotal role in India's development and has made a substantial contribution to its GDP. The sector has witnessed growth of 7.7%, and exports have increased by almost 15% in the past year. Major companies with the highest market capitalization, such as Infosys, Wipro, HCL, Tech Mahindra, and TCS, have experienced significant growth and development over the years. This study measures the financial performance of these companies from 2011-12 to 2021-22, using financial ratios categorized into two broad groups: Liquidity and Solvency. In terms of Liquidity ratio, i.e., Current ratio, Infosys performed the best, followed by HCL and TCS. Concerning solvency ratios, i.e., Debt Equity Ratio, Proprietary Ratio, and Interest Coverage Ratio, TCS, Infosys, and Wipro have performed the best.

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