IJARSCT
ISSN: 2581-9429
International Journal of Advanced Research in Science, Communication and Technology
International Open-Access, Double-Blind, Peer-Reviewed, Refereed, Multidisciplinary Online Journal
Volume 5, Issue 6, May 2025
Impact Factor: 7.67

# A Study on Evaluating Financial Stability: A Detailed Financial Ratio Analysis of TCS, Wipro, and Infosys

**Savitha.D1 and BI BI Zaara[2]**
Faculty of Commerce, School of Economics and Commerce, CMR University, Bangalore
d.savitha@cmr.edu.in and bibi.zaara@cmr.edu.in

**Abstract**: *This study entitled "Evaluating Financial Stability: A Financial Ratio Analysis of TCS, Wipro, and Infosys" attempts to evaluate and determine the financial condition and performance of three Indian IT firms. The financial ratios were classified as profitability, liquidity, solvency and efficiency ratios and analyzed the ratios to assess the position and viability of the firms. This study focuses only on applying ratio analysis practices to analyze the financial viability, operational capabilities and longer-run viability for Tata Consultancy Services (TCS), Infosys and Wipro from the five-year period of 2020-2024. Financial ratio analyses are one of the most formal and systematic methodologies to evaluate performance of firms, making it an ideal tool to evaluate a set of firms in similar industries.*

**Keywords**: Financial analysis, financial statement, IT industry, Financial ratio

## I. INTRODUCTION

This dissertation is about "Measuring Financial Stability: A Financial Ratios Analysis of TCS, Wipro, and Infosys". The aim of this dissertation is to evaluate and compare the financial stability of three major Indian IT companies – Tata Consultancy Services (TCS), Infosys, and Wipro – using financial ratios. The primary purpose of the research is to create a comparative analysis for investors, stakeholders, and analysts to understand how the companies perform in terms of profitability, liquidity, solvency, and efficiency. By looking into the companies, we can perform an analysis of the important financial ratios over a five-year periods which will offer a glimpse of how financially stable the companies were and the operational strength these companies possessed. This study is limited to utilizing secondary data which was found in the annual reports of these firms. The paper focuses on financial ratios and does not look at qualitative aspects. Doing so allows for an objective analysis that is entirely data-based. The importance of the study is both practical and of importance for the academic community in leveraging financial ratio analysis as a planning tool for companies. Practically it identifies elements for stakeholders to make informed decisions concerning their financial position, while also creating an academic understanding of how financial ratio analysis could be leveraged as a means for evaluating the business. The work is significant as the IT sector in India has a global and national relevance, thus financial ratio analysis not only benefits investors who are based in India, but provides an important contribution towards international stakeholders identifying opportunities for investment.

## II. LITERATURE REVIEW

**Jasmine** Mehta 2021, Past studies examined the profitability and growth of selected Indian IT companies using financial ratios. Researchers found differences in company performance with TCS and Infosys usually with higher profitability. The researchers commonly identified methods to track trends in performance across time frames using ANOVA and CAGR. This study will build on past research looking at long-term financial viability of some large IT firms from 2008-2020.

Parmar (2024) conducted research into the financial performance of the largest Indian IT companies within India; using ratio analysis statistics. The research examined companies such as TCS, Infosys, and Wipro. The research demonstrates varied performance levels between these companies. It was shown that the use of financial ratios show growth,

IJARSCT
International Journal of Advanced Research in Science, Communication and Technology
International Open-Access, Double-Blind, Peer-Reviewed, Refereed, Multidisciplinary Online Journal
ISSN: 2581-9429 Volume 5, Issue 6, May 2025 Impact Factor: 7.67

profitability and efficiency for the company. This paper uses the same method of study; to continue to assess financial performance from newer years and study the trends.

Routh (2022) conducted research into the role of corporate governance in inside India's IT sector in relation to financial performance. He studied three companies; TCS, Infosys, and Wipro over ten years, looking at multiple financial and corporate governance variables. The research demonstrated that the leverage and liquidity variables demonstrated a negative effect on financial performance, where as sales growth had a positive effect on financial performance. There was little significance of the Corporate Governance Index; profits were not strongly determined by governance measures, suggesting that other factors explained the determination of profits.

Das (2022) conducted an analysis of Wipro Ltd. by assessing its financial performance using ratios over six financial years. The results of the analysis showed that Wipro performed well consistently well, particularly in earnings per share and profits. Using ratio analysis, graphs and tables, Das was able to determine trends in liquidity, returns and net capital. The research concluded that Wipro demonstrated strong financial health and therefore provided good value to a range of stakeholders.

Farida Begum (2024) undertook a comparative financial analysis of Wipro and TCS through financial ratio analysis. The study addressed profitability, liquidity, efficiency and solvency using five years of financial data. The yields concluded; TCS had better current ratios, however, both companies maintained steady performance trends. This research will be advantageous to investors and demonstrates the benefits of fundamental analysis in relation to investors making informed decisions.

**Objectives**

- To establish the financial performance of TCS using key financial ratios
- To compare TCS's financial statements to its industry competitors
- To outline a complete picture of TCS's financial soundness.

## III. RESEARCH METHODOLOGY

This study is quantitative and is based on secondary research by using published statements from TCS, Wipro, and Infosys. As such, it will use financial ratios to understand and compare financial performance. Ratios are classified into profitability, liquidity, solvency, and efficiency ratios. Ratios will be compared using trend analysis and comparative analysis over a five-year period.

**Research Design** The research design adopted for this study is a descriptive design.

**Gap in Knowledge** Whereas the literature review identifies numerous studies of Tata Consultancy Services (TCS), a significant gap in analysis of TCS in regards to its performance and financial health. Most studies focus on TCS's market position, and competitive advantages, not addressing the practical use of important ratios like Return on Assets (ROA), and Gross Profit Margin ratios. Few studies outlined a comparison of TCS's financial standing with other companies, such as Infosys, Wipro, and Accenture. Studies that report TCS financial statements also tend to omit the effects of global economic changes occurring within TCS's business environment, for example, the impact on revenue and profits from Covid-19, technological disruption and changes to regulations impacting TCS's financial soundness. This study will help to fill the gap of research on financial health of TCS systematically examining its financial soundness through ratio analysis, comparing it with competitors, and considering external factors impacting TCS's financial sustainability.

**Time Period of Study** the time frame of study is 2020-2024.

**Data Collection Method** Secondary data has been utilized for this research, sourced from company annual reports, previous research studies, magazines, journals, and online resources.

IJARSCT
International Journal of Advanced Research in Science, Communication and Technology
International Open-Access, Double-Blind, Peer-Reviewed, Refereed, Multidisciplinary Online Journal
ISSN: 2581-9429
Volume 5, Issue 6, May 2025
Impact Factor: 7.67

## IV. DATA ANALYSIS & INTERPRETATION

**GROSS PROFIT RATIO**=Gross Profit/Sales*100

The Gross Profit Ratio measures the proportion of revenue that exceeds the cost of goods sold (COGS). It indicates a company's efficiency in producing and selling its products.

| Year | TCS | INFOSYS | WIPRO |
|---|---|---|---|
| MARCH 2020 | 26.39 | 22.63 | 17.98 |
| MARCH 2021 | 27.4 | 25.76 | 21.28 |
| MARCH 2022 | 26.64 | 24.43 | 18.33 |
| MARCH 2023 | 24.72 | 22.53 | 15.56 |
| MARCH 2024 | 25.67 | 22.34 | 15.25 |

The Gross Profit Ratio for all three companies is showing a downward trend from 2021 to 2024. This suggests increasing costs or pricing pressures for all three companies. TCS consistently had the highest ratio and gave the impression that they were better managing costs and higher gross profitability. Infosys followed with moderate margins that seemed to be stable. Wipro had the lowest ratios and is showing the greatest volatility and decline. Overall TCS appears to be the most efficient with respect to the three companies in terms of maintaining gross profitability.

**RETURN ON ASSETS**=Total Assets/Net Income×100

ROA evaluates how effectively a company uses its assets to generate net income. A higher ROA reflects better utilization of assets for profit generation.

| Year | TCS | INFOSYS | WIPRO |
|---|---|---|---|
| MARCH 2020 | 198.19 | 81.31 | 142.18 |
| MARCH 2021 | 202.2 | 82.57 | 167.01 |
| MARCH 2022 | 210.91 | 99.14 | 163.31 |
| MARCH 2023 | 203.71 | 113.34 | 161.18 |
| MARCH 2024 | 199.33 | 110.58 | 195.56 |

The Return on Assets (ROA) for all three companies indicates a generally improving pace over the years. TCS is consistently the best performer, and also has the highest ROA, which indicates that it is most efficient in using its assets to generate profit. Infosys also had a steady upward trend, with a slight bump in the growth in the ROA ratio between 2022 and 2023. Wipro, had an instrumental bump in 2024 and after fluctuating for a couple of years. The gap between Wipro and TCS narrowed greatly in 2024.

LIQUIDITY RATIO

**QUICK RATIOS**=Current Assets-Inventory/Current Liability

Also known as the acid-test ratio, it assesses a company’s short-term liquidity by measuring its ability to pay current liabilities using quick assets (excluding inventory).

| Year | TCS | INFOSYS | WIPRO |
|---|---|---|---|
| MARCH 2020 | 1.89 | 2.49 | 2.13 |
| MARCH 2021 | 1.69 | 2.38 | 2.09 |
| MARCH 2022 | 1.57 | 1.82 | 1.63 |
| MARCH 2023 | 1.38 | 1.69 | 1.53 |
| MARCH 2024 | 1.43 | 1.94 | 1.13 |

The Quick Ratio for all three companies show a decline from 2020 through to 2023, indicating a slight degree of weakening of short-term liquidity. Infosys has the strongest quick ratio overall, implying the company is more capable of meeting short-term obligations without having to depend on inventory. TCS show a steady decline, but the ratio marginally improved in 2024. Wipro’s ratio fell considerably in 2024, indicating a potential liquidity management issue. All in all, Infosys seems to be the most financially agile in the short term.

IJARSCT

International Journal of Advanced Research in Science, Communication and Technology

International Open-Access, Double-Blind, Peer-Reviewed, Refereed, Multidisciplinary Online Journal

ISSN: 2581-9429 Volume 5, Issue 6, May 2025 Impact Factor: 7.67

DEBT COVERAGE RATIO

**INTEREST COVERAGE RATIO**=Interest Expense/Earnings Before Interest and Taxes (EBIT)

This ratio shows how many times a company can cover its interest obligations with its operating earnings (EBIT). It indicates financial stability in handling debt.

| Year | TCS | INFOSYS | WIPRO |
|---|---|---|---|
| MARCH 2020 | 57.52 | 180.62 | 21.57 |
| MARCH 2021 | 79.44 | 195.26 | 32.51 |
| MARCH 2022 | 103.31 | 223.62 | 42.55 |
| MARCH 2023 | 75.37 | 202.55 | 20.51 |
| MARCH 2024 | 88.01 | 130.79 | 16.15 |

Infosys' Interest Coverage Ratio remains the highest amongst all the years and showed an excellent ability to meet interest obligations but dropped in 2024. TCS showed continuous improvements until 2022 with a dip in 2023 and bounce-back in 2024. Wipro consistently possessed the lowest ratios for all years, dropping significantly in 2024, indicating possible strain in meeting interest requirements. Overall, Infosys is in the best position for financial stability as related to debt obligations while Wipro's downward dot may indicate risk.

DEBTORS TURNOVER RATIO:

**TOTAL ASSETS TURNOVER RATIO**=Average Accounts Receivable/Net Credit Sales

The Debtors Turnover Ratio measures how efficiently a company collects receivables from credit sales. A higher ratio suggests quicker collection and effective credit management.

| Year | TCS | INFOSYS | WIPRO |
|---|---|---|---|
| MARCH 2020 | 1.77 | 1.27 | 0.99 |
| MARCH 2021 | 1.83 | 1.28 | 1 |
| MARCH 2022 | 2.11 | 1.48 | 0.97 |
| MARCH 2023 | 2.58 | 1.81 | 1.01 |
| MARCH 2024 | 2.82 | 1.73 | 1.09 |

The Total Assets Turnover Ratio illustrates that TCS achieves a consistently high level of operational performance in relation to its industry competitors, which indicates an extremely effective utilization of assets in generating revenues. Infosys in both the analysis and application displayed steady improvement moving until 2023, though did see a marginal decline in value during 2024. Wipro consistently yielded the lowest ratios of the group but showed improvement in the ratio moving into 2024. The liquidity ratio TCS improved dramatically from 2020 until 2024 while illustrating the operational efficiencies of the company. Essentially TCS continues to lead its competitors in utilizing both its assets effectively while Wipro appears to follow while slightly improving.

## V. RESULTS AND FINDINGS

With respect to the collective trends related to Gross Profit Ratio, we discover that TCS maintained the highest Gross Profit Ratio in 2020, 2021, and 2022 indicating TCS benefited from strong cost containment strategies, it should also be noted that TCS has relative pricing power compared to Infosys and Wipro. Infosys maintained a relatively consistent margin through the analysis, while Wipro Gross Profit Ratio declined dramatically, indicating a lower cost efficiency and higher cost pressure. From 2020 to 2023 all companies saw a decline in ting trend where gross profit continued to decline, indicating that operating expenses had increased, and/or the company tries to maintain prices. The Return on Assets( ROA) trends from 2020 to 2024 revealed positive returns however TCS again emerged as the company to maintain a consistent high ROA, again demonstrating the superiority of TCS in maximizing return from assets. Similarly, Infosys also demonstrated positive and steady growth with ROA particularly in 2022 through 2023; whereas Wipro grossly improved its operating performance ultimately reaching its highest ROA from 2020 through 2024, which is noteworthy improvement considering that TCS has strong hold in establishing notice of significant time loss in service.

In terms of liquidity, the Quick Ratio across the three companies was generally declining, indicating deterioration of short-term financial strength. Infosys maintained the strongest liquidity position throughout the period of analysis, indicating greater short-term financial flexibility. TCS experienced slight declines, and showed a small recovery in 2024. Wipro's quick ratio severely dropped in 2024, raising potential short-term solvency concerns. The Interest Coverage Ratio further demonstrated Infosys's strong financial position in managing debt, even while it declined in 2024. TCS showed growth in overall debt coverage despite some minor fluctuations to the ratio. Wipro always lagged and it also showed a steep decline in 2024 that may indicate financial stress for the company. Finally, with the Total Assets Turnover Ratio, it was evident that TCS was the most efficient in leveraging their assets to generate revenue, with a consistent positively trending ratio. Infosys was next with steady improvement but again, Wipro was the lowest total assets turnover ratio, but also showed small recovery in 2024. Overall, all considered, TCS clearly showed the best performing company in regards to profitability, efficiency, and asset utilization.

## VI. FINDINGS, RECOMMENDATIONS AND CONCLUSIONS

Findings: The results of the financial ratio analysis between the years of 2020 to 2024 revealed that TCS outperformed both Infosys and Wipro for the entire period, especially in the areas of gross profit ratio, return on assets, and total assets turnover. TCS displayed the strongest profitability and operational efficiency with effective asset and cost management. In terms of payables management, Infosys came in a close second showing stability in terms of liquidity and the best debt coverage even though its growth was the slowest, at least stable nonetheless. In regard to Wipro, it showed the most indication of volatility with decreasing profitability, liquidity, and the lowest interest coverage ratio during the years. That said, it did show the greatest improvements in both ROA and total assets turnover in 2024. Overall these trends suggest widely diverse financial strategies and risk profiles within each of these companies.

Recommendations: TCS should continue to focus on improving cost and asset strength while also improving short-term liquidity. We recommend that Infosys continue to manage their debt well while working to improve asset utilization and recover from the small drop in 2024. Wipro needs to focus on liquidity and interest coverage quickly, as the drop in 2024 is significant and may indicate financial instability. Re-evaluating Wipro's cost structure and capital strategy may be able to restore the company to profitability. All companies will need to remain vigilant about ongoing market conditions and adjust their financial policies to maintain stability if industry competition continues. Internal reviews of financial strength are needed for companies to anticipate and manage risk.

Conclusion: In summary, the ratio analysis substantiates TCS as the strongest firm with the most financially stable and effective use of all of its resources as indicated by profitability, asset use, and overall financial performance. Although Infosys, is less profitable and asset utilization is less effective than TCS, it has shown a solid ability to meet current obligations and debt commitments, which demonstrates financial responsibility and consistency when compared to TCS. Lastly, Wipro made some improvements in certain instances, like ROA and asset turnover, but its weakness in profitability and solvency metrics puts it further behind in normalizing its financial condition. In summary, the study establishes that frequent or regular use of ratio analysis is visually revealing but also necessary to be able to put together a picture of a company's financial health over time. In summary, continued financial health will depend on striking a good balance between liquidity, profitability, solvency, and efficiency as warranted by situations and context. Organizational sustainability will depend on no less than continuous or constant improvement in the students' corporate finances, efficiency, and practice with specific indicators to examine for greater results.

## BIBLIOGRAPHY

**[1].** Jasmine Mehta. (2021). Profitability and Growth Analysis of Selected Indian IT Companies Using Financial Ratios. International Journal of Financial Studies. (Use in-text citation: Mehta, 2021)

**[2].** Parmar, R. (2024). Ratio Analysis of Top Indian IT Firms: A Comparative Study of TCS, Infosys, and Wipro. Indian Journal of Business and Management. (Use in-text citation: Parmar, 2024)

[3]. Routh, A. (2022). Impact of Corporate Governance on Financial Performance in the Indian IT Sector. Journal of Corporate Finance Research. (Use in-text citation: Routh, 2022)

[4]. Das, N. (2022). A Financial Ratio Analysis of Wipro Ltd.: A Six-Year Review. Global Finance Review. (Use in-text citation: Das, 2022)

[5]. Begum, F. (2024). A Comparative Financial Analysis of Wipro and TCS Using Ratio Techniques. Journal of Economic and Financial Research. (Use in-text citation: Begum, 2024)

[6]. Annual Reports of Tata Consultancy Services Ltd. (2020–2024). Retrieved from https://www.tcs.com (Use in-text citation: TCS Annual Report, 2020–2024)

[7]. Annual Reports of Infosys Ltd. (2020–2024). Retrieved from https://www.infosys.com (Use in-text citation: Infosys Annual Report, 2020–2024)

[8]. Annual Reports of Wipro Ltd. (2020–2024). Retrieved from https://www.wipro.com (Use in-text citation: Wipro Annual Report, 2020–2024)