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5. **KEYWORDS**: Abstract must be followed by a list of keywords, subject to the maximum of five. These should be arranged in alphabetic order separated by commas and full stops at the end.

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INTRODUCTION

REVIEW OF LITERATURE

NEED/IMPORTANCE OF THE STUDY

STATEMENT OF THE PROBLEM

OBJECTIVES

HYPOTHESES

RESEARCH METHODOLOGY

RESULTS & DISCUSSION

FINDINGS

RECOMMENDATIONS/SUGGESTIONS

CONCLUSIONS

SCOPE FOR FURTHER RESEARCH

ACKNOWLEDGMENTS

REFERENCES

APPENDIX/ANNEXURE

It should be in a 8 point Calibri Font, single spaced and justified. The manuscript should preferably not exceed *5000 WORDS*.

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- Garg, Bhavet (2011): Towards a New Natural Gas Policy, Political Weekly, Viewed on January 01, 2012 http://epw.in/user/viewabstract.jsp

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PROFITABILITY AND CONSISTENCY ANALYSIS OF INFORMATION TECHNOLOGY SECTOR

DR. K. S. VATALIYA
PRINCIPAL
M.J COLLEGE OF COMMERCE
BHAVNAGAR UNIVERSITY
BHAVNAGAR

RAJESH A. JADAV
LECTURER
M.J COLLEGE OF COMMERCE
BHAVNAGAR UNIVERSITY
BHAVNAGAR.

MALHAR.G.TRIVEDI
LECTURER
M.J COLLEGE OF COMMERCE
BHAVNAGAR UNIVERSITY
BHAVNAGAR

ABSTRACT

In India, Information Technology sector is one the most promising & growing industry. But form the point of view of profitability & consistency these are the not as good as it is for overall industry & it differs from one company to other. Under the study we have taken the four major players working in the information technology sector in India & taken the financial data of all the companies for four financial years. For the research purpose there are various ratios which are calculated & further taken into consideration for the different tests. In the study secondary data are used which are collected from internet. Objective of study is to analyze the performance of each company by profitability & consistency under the study & give them various ranks according to their performance. Thus, it is useful for the measurement of overall performance of various companies under information technology in India.

KEYWORDS
Information Technology in India, Profitability & Consistency.

INTRODUCTION

The **Indian** Information Technology industry accounts for a 5.9% of the country's GDP and export earnings as of 2009, while providing employment to a significant number of its tertiary sector workforce. More than 2.3 million people are employed in the sector either directly or indirectly, making it one of the biggest job creators in India and a mainstay of the national economy. In March 2009, annual revenues from outsourcing operations in India amounted to US$60 billion and this is expected to increase to US$225 billion by 2020. The most prominent IT hub is IT capital Bangalore. The other emerging destinations are Chennai, Hyderabad, Mumbai, Pune, NCR, Jaipur and Kolkata. Technically proficient immigrants from India sought jobs in the western world from the 1950s onwards as India's education system produced more engineers than its industry could absorb. However, there are severe skills shortage among engineers, especially who lack in soft skill and technical skill, as a result engineering graduates remain unemployed after being pass out from college or university. India's growing stature in the information age enabled it to form close ties with both the United States of America and the European Union.

Each year India produces roughly 500,000 engineers in the country, out of them 25% to 30% possessed both technical competency and English language skills, although 12% of India's population can speak in English out of 100. India developed a number of outsourcing companies specializing in customer support via Internet or telephone connections. By 2009, India also has a total of 37,160,000 telephone lines in use, a total of 506,040,000 mobile phone connections, a total of 81,000,000 Internet users—comprising 7.0% of the country's population, and 7,570,000 people in the country have access to broadband Internet— making it the 12th largest country in the world in terms of broadband Internet users. Total fixed-line and wireless subscribers reached 543.20 million as of November, 2009.

PROGRESSIVE YEARS

Videsh Sanchar Nigam Limited (VSNL) introduced Gateway Electronic Mail Service in 1991, the 64 kbit/s leased line service in 1992, and commercial Internet access on a visible scale in 1992. Election results were displayed via National Informatics Centre's NICNET.The Indian economy underwent economic reforms in 1991, leading to a new era of globalization and international economic integration. Economic growth of over 6% annually was seen between 1993-2002. The economic reforms were driven in part by significant the internet usage in the country. The new administration under Atal Bihari Vajpayee—which placed the development of Information Technology among its top five priorities— formed the Indian National Task Force on Information Technology and Software Development. The New Telecommunications Policy, 1999 (NTP 1999) helped further liberalize India's telecommunications sector. The Information Technology Act 2000 created legal procedures for electronic transactions and e-commerce. Throughout the 1990s, another wave of Indian professionals entered the United States. The number of Indian Americans reached 1.7 million by 2000. This immigration consisted largely of highly educated technologically proficient workers. Within the United States, Indians fared well in science, engineering, and management. Graduates from the Indian Institutes of Technology (IIT) became known for their technical skills. The success of Information Technology in India not only had economic repercussions but also had far-reaching political consequences. India's reputation both as a source and a destination for skilled workforce helped it improve its relations with a number of world economies. The relationship between economy and technology—valued in the western world—facilitated the growth of an entrepreneurial class of immigrant Indians, which further helped aid in promoting technology-driven growth.

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INDIA'S IT INDUSTRY

TABLE 1

Particulars	Financial Years			
	2004	2005	2006	2004
IT Services	10.4	13.5	17.8	23.7
-Exports	7.3	10.0	13.13	18.1
-Domestic	3.1	3.5	4.5	5.6
ITES – BPO	3.4	5.2	7.2	9.5
-Exports	3.1	4.6	6.3	8.3
-Domestic	0.3	0.6	0.9	1.2
Engineering services,& Software Porducts	2.9	3.9	5.3	6.5
-Exports	2.5	3.1	4.0	4.9
-Domestic	0.4	0.7	1.3	1.6
Hardware	5.0	5.9	7.0	8.2
Total IT Industry	21.6	28.4	37.4	47.8
-Exports	13.4	18.2	24.1	31.9
-Domestic	8.3	10.2	13.2	15.9
				(USD bn)

Source: NSSCOM

OBJECTIVES

➢ To measure the performance of the companies according to their profitability.
➢ To measure the performance of the companies according to their consistency.
➢ To give rankings to the sample companies as per their overall performance.

HYPOTHESIS AND RESEARCH METHODOLOGY

Analysis of Profitability and consistency of companies in Information Technology sector. It has seven sub-hypothesis which are as follows:

HYPOTHESIS 1

H0: There is no significant difference between gross profit margin ratio of companies.
Ha: There is a significant difference between gross profit margin ratio of companies.

HYPOTHESIS 2

H0: There is no significant difference between net profit margin ratio of companies.
Ha: There is a significant difference between net profit margin ratio of companies.

HYPOTHESIS 3

H0: There is no significant difference between operating expenses ratio of companies.
Ha: There is a significant difference between operating ratio of companies.

RESEARCH METHODOLOGY

TYPE OF RESEARCH

Type of research used here is an Analytical Research, the researcher have used the facts already available and have analyze them to make a critical evaluation of the material.

SAMPLE DESIGN

Sampling design: The sampling used here is convenient sampling.

SAMPLE SIZE

In the study, data collected from four companies consisting three financial years.

VARIABLES OF STUDY

Dependent variables: Profitability and Consistency. Independent variables: gross profit margin, net profit margin, operating expenses ratio, return on total assets, return on net assets, return on equity, dividend pay-out ratio.

METHOD OF DATA COLLECTION

The data used to calculate the ratios are derived from balance sheet and profit and loss account of sample companies from the internet.

METHOD OF ANALYSIS OF DATA

Here data is preliminarily analyzed using a test called one-way ANOVA. ANOVA means analysis of variance. On the basis of ANOVA performed on each of the ratios some points are allocated to companies and on the basis of that conclusion is derived.

ANALYSIS AND INTERPRETATION

GROSS PROFIT MARGIN

The Values calculated for the four companies related to Gross Profit Margin in the previous section is summarized below.

TABLE 2

	Infosys	TCS	Wipro	Tech Mahindra
2009	45.00099	67.10369	41.2975	67.42163
2008	43.2771	67.40722	40.76066	66.08872
2007	44.64978	56.85152	44.03569	69.37665

ANOVA test performed on the above data gives following result.
Anova: Single Factor

SUMMARY

TABLE 3

Groups	Count	Sum	Average	Variance
Infosys	3	132.92787	44.30929	0.829899263
TCS	3	191.36243	63.78747667	36.10365378
Wipro	3	126.09385	42.03128333	3.08528386
Tech Mahindra	3	202.887	67.629	2.734872659

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ANOVA

TABLE 4

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	1553.79772	3	517.932573	48.45732252	1.78327E-05	
Within Groups	85.5074191	8	10.6884273			
Total	1639.305139	11				

Interpretation: The test gives F-ratio value which is greater than the critical value for given degree of freedom. So the difference between Gross Profit Margin of sample companies is not because of sampling error or any other reason. This difference can be considered as a significant difference. So we can rank the companies for its profitability and consistency. We can allocate points to it ranging from 4-1as per the performance indicated by Average and Variance, given in the Summery section. They are shown in the following table.

TABLE 5

	Profitability	Consistency
Infosys	2	4
TCS	3	1
Wipro	1	3
Tech Machindra	4	2

NET PROFIT MARGIN

The Values calculated for the four companies related to Net Profit Margin in the previous section is summarized below.

TABLE 6

	Infosys	TCS	Wipro	Tech Mahindra
2009	28.716	20.961	13.8308	22.63984
2008	28.566	24.652	17.512	9.035426
2007	28.7703	25.149	20.7691	2.364289

ANOVA test performed on the above data gives following result.
Anova: Single Factor
SUMMARY

TABLE 7

Groups	Count	Sum	Average	Variance
Infosys	3	86.05215	28.68405	0.01119783
TCS	3	70.76244	23.58748	5.233793513
Wipro	3	52.11243	17.37081	12.05192595
Tech Mahindra	3	34.039555	11.34651833	106.7803529

ANOVA

TABLE 8

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	509.5009859	3	169.833662	5.475093438	0.024314	4.0661
Within Groups	248.1545404	8	31.0193175			
Total	757.6555263	11				

Interpretation: The test gives F-ratio value which is greater than the critical value for given degree of freedom. So the difference between Net Profit Margin of sample companies is not because of sampling error or any other reason. This difference can be considered as a significant difference. So we can rank the companies for its profitability and consistency. We can allocate points to it ranging from 4-1as per the performance indicated by Average and Variance, given in the Summery section. They are shown in the following table.

TABLE 9

	Profitability	Consistency
Infosys	4	4
TCS	3	3
Wipro	2	2
Tech Machindra	1	1

OPERATING EXPENSES RATIO

The Values calculated for the four companies related to Operating Expenses Ratio in the previous section is summarized below.

TABLE 10

	Infosys	TCS	Wipro	Tech Mahindra
2009	65.91986	73.1261	77.5274	71.47873
2008	68.28249	73.8858	78.6184	77.2325
2007	67.86828	71.2117	76.0215	74.47148

ANOVA test performed on the above data gives following result.
Anova: Single Factor
SUMMARY

TABLE 11

Groups	Count	Sum	Average	Variance
Infosys	3	202.07063	67.3587667	1.591655156
TCS	3	218.22359	72.74119667	1.898916827
Wipro	3	232.16726	77.38908667	1.700361365
Tech Mahindra	3	223.18271	74.39423667	

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ANOVA

TABLE 12

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	159.3488432	3	55.1162810	15.77101299	0.001013	4.0661
Within Groups	26.9437511	8	3.36796888			
Total	186.2925943	11				

Interpretation: The test gives F-ratio value which is greater than the critical value for given degree of freedom. So the difference between Operating Expenses Ratio of sample companies is not because of sampling error or any other reason. This difference can be considered as a significant difference. So we can rank the companies for its profitability and consistency. We can allocate points to it ranging from 4-1as per the performance indicated by Average and Variance, given in the Summery section. They are shown in the following table.

TABLE 13

	Profitability	Consistency
Infosys	4	4
TCS	3	2
Wipro	1	3
Tech Machindra	2	1

FINAL ANALYSIS

In detailed analysis of each ratio, we have seen interpretation of the test performed on the ratio values of different companies. On the basis of that we can conclude which ratios can help ranking the companies on the basis of their performance and which ratios should not be taken into the consideration because of sampling error or due to some other unseen errors.

The ratios which can be considered for ranking are:

1) Gross profit margin
2) Net profit margin
3) Operating expenses ratio

The ratios which cannot be consider for ranking are:

1) Return on total assets
2) Return on net assets
3) Return on equity
4) Dividend pay-out ratio

On the basis of overall performance on ratios which are considered for ranking the following result and interpretation can be seen. We can decide the profitability and consistency of the companies and rank them for that.

Profitability: The following table shows points that the sample companies have got for their performance on each of the ratios.

TABLE 14

	Infosys	TCS	Wipro	Tech Mahindra
Gross Profit Margin	2	3	1	4
Net Profit Margin	4	3	2	1
Operating Expenses Ratio	4	3	1	2

The average of all values for each company shows the performance of the company for profitability. We can compare companies on the basis of their average values.

SUMMARY

TABLE 15

Groups	Count	Sum	Average	Variance
Infosys	3	10	3.333	1.33333
TCS	3	9	3	0
Wipro	3	4	1.333	0.33333
Tech Mahindra	3	7	2.333	2.33333

The higher the average value, the higher the profitability of that company. According to this we get following result for profitability.

TABLE 16

Company	Rank
Infosys	1
TCS	2
Tech Mahindra	3
Wipro	4

CONSISTENCY

The following table shows points that the sample companies have got for their performance on each of the ratios.

TABLE 17

	Infosys	TCS	Wipro	Tech Mahindra
Gross Profit Margin	4	1	3	2
Net Profit Margin	4	3	2	1
Operating Expenses Ratio	4	2	3	1

The average of all values for each company shows the performance of the company for consistency. We can compare companies on the basis of their average values.

SUMMARY

TABLE 18

Groups	Count	Sum	Average	Variance
Infosys	3	12	4	0
TCS	3	6	2	1
Wipro	3	8	2.667	0.333333333
Tech Mahindra	3	4	1.333	0.333333333

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The higher the average value, the higher the consistency of that company. According to this we get following result for consistency.

TABLE 19

Company	Rank
Infosys	1
Wipro	2
TCS	3
Tech Mahindra	4

LIMITATIONS, FINDINGS & CONCLUSION

LIMITATIONS

➢ The study involves only three years of comparison. So it can only predict the profitable trend for a couple of year, not more than that.

➢ The value of ratios depends on the definition of ratio and can vary slightly according to its definition in case of different companies.

➢ The study involves only major players of Information technology sector, not all the companies.

FINDINGS

➢ Average of Tech Mahindra was the highest among all the companies showing the highest profitability which was followed by TCS & the lowest average Gross Profit was of Wipro.

➢ Average Net Profit of Infosys was the highest i.e 28.6841 which was the lowest in case of Tech Mahindra i.e Approximately 11%. Whereas TCS showed the average Net Profit of around 22 to 23%.

➢ The huge gap between average net profit & gross profit in case of Tech Mahindra can visible showing the big burden of operating expenses in the company. The lowest operating ratio is in Infosys showing good control of management over the cost.

➢ From the analysis and its interpretation we can find out which ratios are more important and which are less important in this particular case.

➢ Gross Profit Margin, Net profit margin and Operating expenses ratio are more useful in allocating points to the companies for their performance.

➢ Return on total assets, return on net assets, return on equity and Dividend pay-out ratio are less important in this case so we can't use them for allocating points to the companies as their performance is almost similar on these criteria.

CONCLUSION

➢ The major players of Information Technology sector shows upwards trend in case of profitability. We can study the performance and rank the companies for its profitability; Infosys secured the first rank & TCS, Tech Mahindra, Wipro followed by the next ranks which are as follows.

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Sd/-

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