Chapter - V
Analysis and Interpretation of Financial Performance of Selected IT Companies

➢ GENERAL FINANCIAL PERFORMANCE – RATIO ANALYSIS
  • Ratio Analysis
  • Liquidity Ratio – Current Ratio
  • Leverage or Capital Structure Ratio – Debt-Equity Ratio
  • Activity or Turnover Ratio – Fixed Assets Turnover Ratio
  • Profitability Ratio – Return on Capital Employed (ROCE) Ratio

➢ RATIO ANALYSIS OF SAMPLE COMPANIES
  • Current Ratio
    o Inter-Company Comparison of Average Current Ratio
  • Debt-Equity Ratio
    o Inter-Company Comparison of Average Debt-Equity Ratio
  • Fixed Assets Turnover Ratio
    o Inter-Company Comparison of Average Fixed Assets Turnover Ratio
  • Return on Capital Employed (ROCE) Ratio
    o Inter-Company Comparison of Average Return on Capital Employed (ROCE) Ratio

➢ INTERPRETATION OF FINANCIAL PERFORMANCE OF SELECTED COMPANIES
Chapter - V  
Analysis and Interpretation of Financial Performance of Selected IT Companies

GENERAL FINANCIAL PERFORMANCE – RATIO ANALYSIS

Any business in fact is a vicious circle basically moving ahead on hopes to grow with consistent efforts to improve by reviewing day-to-day activities. The financial performance of any business is done after a particular interval of time. And the Books of Accounts where day-to-day business transactions are recorded in a systematic manner forms the basis of Final Accounts i.e. the Trial Balance, Profit and Loss Account and the Balance Sheet, of any business concern. Final Accounts gives only a glimpse of the financial position of any business concern but to study the various sets of activities taking place to organize a business; and their impact on its allied activities that gives a clear picture with utmost precision, we require an in-depth financial analysis.

To evaluate the financial condition and performance of a company, the financial analyst needs certain yardsticks. The yardstick frequently used is a ratio, or index, relating two pieces of financial data to each other. ¹

Financial Analysis helps to identify the financial strengths and weaknesses of business concern by appropriately establishing relationship by means of ratios between the items of Balance Sheet and Profit and Loss Account. The strengths must be understood if they are to be used to proper advantage, and the weaknesses must be recognized if corrective action is to be taken. ²

In assessing the financial stability of a firm, a management should, apart from profitability, be interested in relative figures rather than in absolute figures. In fact, an analysis of financial statements ratios is imperative. A ratio is a mathematical relationship between two quantities. ³
A financial ratio can give a financial analyst an excellent picture of a company's situation and the trends that are developing. The level and historical trends of these ratios can be used to make inferences about a company's financial condition, its operations and attractiveness as an investment. Thus, there is a growing body of evidence that ratios can be directly helpful as a basis for making predictions.  

However, when these methods are applied to projected financial data, they greatly aid the planning function by helping to measure the effectiveness of existing and newly proposed plans.

**Ratio Analysis**

Ratio analysis is a widely used tool of financial analysis. A ratio is a quantity that denotes the proportional amount or magnitude of one quality relative to another. This tool provides sufficient information with regards to historical performance of a business concern as well as current financial condition can be determined. A single figure by itself carries no meaning, but when compared properly with a related figure, it yields significant inferences. Ratios are simply one number divided by another; as such they may or not be meaningful. In finance, ratios are usually two financial statement items that may be related to one another and may provide the prudent user a good deal of information. Of the myriad of ratios that could be generated, some will be more meaningful than others. Ratios provide a bird’s eye view of the financial condition of the company.

A ratio is defined as, “the indicated quotient of two mathematical expressions” and as “the relationship between two or more things”.

Generally ratios are divided into four areas of classification that provide different kinds of information: Liquidity Ratios, Leverage Ratios, Activity Ratios and Profitability Ratios.
Liquidity ratios indicate the firm’s ability to meet its maturing short-term obligations and reflect its short-term financial strength or solvency.

Leverage (or Capital Structure) Ratios helps to find out a firm’s long-term financial position and its capacity to meet out repayments of long-term debts.

Activity Ratios indicate a firm’s efficiency to manage and utilize its assets. These ratios are also called as ‘Turnover Ratios’.

Profitability Ratios indicates the operating efficiency of the company.

These Liquidity, Leverage, Activity and Profitability Ratios allow the business owner to identify trends in a business and to compare its progress with the performance of others through data published by various sources. The owner may thus determine the business's relative strengths and weaknesses.

I. Liquidity Ratio

Credibility of any company lies in its strength to meet its current obligations as and when they become due. Company’s strength to pay out it obligations is termed as ‘Liquidity’. But at the same time an company has to maintain appropriate balance with regards to its liquidity. A very low or high percentage of liquidity proves harmful in long-term for any company. Such circumstances have direct bearing on creditor’s confidence, credit ratings. In the event to meet it current obligations there are possibilities that a company may have to face law suits that could even lead to closure of the company. These ratios indicate the ease of turning assets into cash. They include the Current Ratio, Quick Ratio, and Working Capital.

Current Ratios

The Current Ratio is one of the best known measures of financial strength. It is figured as shown below:

**Current Ratio** = Total Current Assets / Total Current Liabilities
Current Ratio helps to find out company’s position in terms of its current assets to meet the payment schedule of its current debts with a margin of safety for possible losses in current assets, such as inventory shrinkage or collectable accounts.

A relatively high value of the current ratio is considered as an indication that the firm is liquid and has the ability to pay its bills. On the other hand, a relatively low value of the current ratio is considered as an indication that the firm will find difficulty in paying its bills. A generally acceptable current ratio is 2 to 1. The minimum acceptable current ratio is obviously 1:1, but that relationship is usually playing it too close for comfort. The higher the current ratio, the greater the margin of safety.\(^7\)

**II. Leverage or Capital-Structure Ratio**

Leverage ratios measure the funds provided by owners as compared with the funds supplied by the firm’s creditors. First, creditors look to the equity, or owner-supplied funds, to provide a margin of safety. If owners have provided only a small proportion of total financing, the risks of the enterprise are borne mainly by the creditors. Second, by raising funds through debt, the owners gain the benefits of maintaining control of the firm with a limited investment. Third, if the firm earns more on the borrowed funds than it pays in interest, the return to the owners is magnified.

Firms with low leverage ratios have less risk of loss when the economy is in a downturn, but they also have lower expected returns when the economy booms. Conversely, firms with high leverage ratios run the risk of large losses but also have a chance of gaining high profits.\(^8\) One of such ratio is Debt-Equity Ratio:
**Debt-Equity Ratio**

Debt Equity Ratio, an important tool of financial analysis, depicts an arithmetical relation between loan funds and owner’s funds. This is a popular measure in the hands of investors and creditors to assess the long-term financial solvency of a firm. This reflect the relative claims of lenders and owners against the company’s assets.\(^9\)

Whatever way the debt-equity ratio is calculated, it shows the extent to which debt financing has been used in the business. A high ratio shows that the claims of creditors are greater than those of owners. A very high ratio is unfavourable from the firm’s point of view. This introduces inflexibility in the firm’s operations due to the increasing interference and pressures from creditors.

A low debt-equity ratio implies a greater claim of owners than creditors. From the point of view of creditors, it represents a satisfactory capital structure of the business since a high proportion of equity provides a larger margin of safety for them.\(^10\)

\[ \text{Debt-Equity Ratio} = \frac{\text{Long-term debt}}{\text{Shareholders’ equity}} \]

**III. Activity or Turnover Ratio**

The funds of creditors and owners are invested in various kinds of assets to generate sales and profits. The better the management of assets, the larger the amount of sales. Activity ratios are employed to evaluate the efficiency with which the firm manages and utilises its assets. These ratios are also called ‘Turnover Ratios’ because they indicate the speed with which assets are being converted or turned over into sales. Activity ratios, thus, involve a relationship between sales and the various assets. A proper balance between sales and assets generally reflects that assets are managed well.\(^11\) One of such ratios are Fixed Assets Turnover Ratio.
**Fixed Assets Turnover**

The fixed assets turnover ratio measures the efficiency with which the firm is utilizing its investment in fixed assets, such as land, building, plant and machinery, furniture etc. It also indicates the adequacy of sales in relation to the investment in fixed assets.

A high fixed assets turnover ratio indicates efficient utilisation of fixed assets in generating sales, while a low ratio indicates inefficient management and utilisation of fixed assets.\(^\text{12}\)

**Fixed Assets Turnover** = Sales / Net Fixed Assets

**IV. Profitability Ratios**

The profitability ratios are calculated to measure the operating efficiency of the company. Besides management of the company, creditors and owners are also interested in the profitability of the firm. Creditors want to get interest regularly and return of principal at maturity. Owners want to get a reasonable return on their investment. Generally, two major types of profitability ratios are calculated:

1. Profitability in relation to sales
2. Profitability in relation to investment.

**Return-on-Investments**

The ROI is perhaps the most important ratio of all. It is the percentage of return on funds invested in the business by its owners. In short, this ratio tells the owner whether or not all the effort put into the business has been worthwhile. If the ROI is less than the rate of return on an alternative, risk-free investment such as a bank savings account, the owner may be wiser to sell the company, put the money in such a savings instrument, and avoid the daily struggles of small business management. The important ratios to find out Return on Investments are:

1. Return on Assets (ROA)
2. Return on Capital Employed (ROCE)
3. Return on Shareholders’ Equity (ROSE)

Return on Capital Employed (ROCE) Ratio

The Return on Capital Employed (ROCE) indicates how well management has used the funds supplied by creditors and owners.\textsuperscript{13} This ratio is calculated to establish relationship between profits actually earned and the capital actually employed in the business. It enables the management to know whether the investment made is utilised productively or not.\textsuperscript{14} The higher the ratio, the more efficient the firm in using funds entrusted to it. This ratio is calculated using the below given formula:

\[
\text{Return on Capital Employed} = \frac{\text{Net Profit after Taxes}}{\text{Capital Employed}}
\]

RATIO ANALYSIS OF SAMPLE COMPANIES

Ratio Analysis which is widely used tool to ascertain the performance of any company in different areas like Liquidity, Leverage, Activity and Profitability is also applied using data of select IT companies. The table showing Current Ratios of the selected companies for the period under study is given below:

Current Ratio

For the sake of arriving at a fair and just conclusion the data pertaining to Current Ratio is analyzed into two parts of the decade i.e. Part I, beginning from year 1990-91 to 1999-2000 and Part II covers the period beginning from year 1997-98 to 1999-2000, Table (5.1).
Table 5.1
Current Ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>NIIT</th>
<th>HCL Info-system</th>
<th>TVS Elect.</th>
<th>Tata Infotech</th>
<th>ICIM</th>
</tr>
</thead>
<tbody>
<tr>
<td>90-91</td>
<td>3.45</td>
<td>1.69</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>91-92</td>
<td>3.26</td>
<td>2.54</td>
<td>1.90</td>
<td>1.70</td>
<td></td>
</tr>
<tr>
<td>92-93</td>
<td>3.28</td>
<td>4.14</td>
<td>2.31</td>
<td>1.93</td>
<td>1.85</td>
</tr>
<tr>
<td>93-94</td>
<td>2.75</td>
<td>2.11</td>
<td>2.27</td>
<td>1.85</td>
<td>1.51</td>
</tr>
<tr>
<td>94-95</td>
<td>2.98</td>
<td>2.38</td>
<td>2.58</td>
<td>1.80</td>
<td>1.76</td>
</tr>
<tr>
<td>95-96</td>
<td>3.46</td>
<td>3.04</td>
<td>2.66</td>
<td>1.81</td>
<td>2.00</td>
</tr>
<tr>
<td>96-97</td>
<td>2.90</td>
<td>2.86</td>
<td>2.15</td>
<td>2.42</td>
<td>1.37</td>
</tr>
<tr>
<td>97-98</td>
<td>4.40</td>
<td>2.40</td>
<td>2.25</td>
<td>2.38</td>
<td>1.60</td>
</tr>
<tr>
<td>98-99</td>
<td>3.80</td>
<td>2.40</td>
<td>2.21</td>
<td>2.50</td>
<td>0.79</td>
</tr>
<tr>
<td>99-00</td>
<td>4.90</td>
<td>2.10</td>
<td>2.21</td>
<td>2.46</td>
<td>0.75</td>
</tr>
<tr>
<td>Total</td>
<td>28.47</td>
<td>28.14</td>
<td>21.18</td>
<td>20.74</td>
<td>13.33</td>
</tr>
<tr>
<td>Avg.</td>
<td>3.55</td>
<td>2.81</td>
<td>2.35</td>
<td>2.07</td>
<td>1.48</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

PART - I

<table>
<thead>
<tr>
<th>Year</th>
<th>Aptech</th>
<th>Zenith</th>
<th>DEIL</th>
<th>Wipro</th>
<th>CMC</th>
</tr>
</thead>
<tbody>
<tr>
<td>90-91</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>91-92</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>92-93</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>93-94</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>94-95</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>95-96</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>96-97</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>97-98</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>98-99</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>99-00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>19.2</td>
<td>11.7</td>
<td>7.6</td>
<td>6.20</td>
<td>3.5</td>
</tr>
<tr>
<td>Avg.</td>
<td>6.4</td>
<td>3.9</td>
<td>2.53</td>
<td>2.06</td>
<td>1.16</td>
</tr>
</tbody>
</table>

When the data is arranged in two parts five companies namely; NIIT, HCL Technologies, TVS Electronics, Tata (Unisys) Infotech and ICIM are grouped together since data pertaining to these companies are available for a period of 8-10 years which is useful for the purpose of analysis.

In the second part companies included are Aptech, Zenith, DEIL, Wipro and CMC since data available pertaining to these companies are from the year 1997-98 to 1999-2000 i.e. for 3 years.

Inter-Company Comparison of Average Current Ratio

In case of Current Ratio, a 2:1 ratio is supposed to be the indicator of the satisfying liquidity position of a business concern. Ratios exceeding these prescribed standards generally indicate that the firm has locked up excessive cash in current assets and a reduction in the requirements for cash is possible through the careful regulation of current assets.

In the case of companies’ listed in Part-I, Table (5.1) reveals that the current ratio for NIIT during the year 1992-93 to 1999-2000 was greater than that of the standard current ratio i.e. 2:1. During the year 1997-98 and 1999-2000, the current ratio was as high as (4.40) and (4.90) respectively. This shows that
the company’s liquidity position was quite satisfactory throughout the decade under study but at the same time exceeding the standard current ratio simply depicts that the company was more concerned about its liquidity. In this process a large amount of cash was locked up in creation of current assets which otherwise would have been used appropriately in other productive areas like Research & Development etc.

On an average NIIT Limited shows a very high liquid position as the average current ratio during the decade under study was (3.55). Thus, NIIT Limited has succeeded in maintaining a consistent high current ratio from year 1992-93 to 1999-2000 and average current ratio which is highest than other companies’ of this group.

In case of HCL Infosystems data in Table (5.1) shows that the current ratio during the year 1990-91 to 1999-2000 was almost greater than the standard current ratio i.e. 2:1. During the year 1990-91 to 1992-93 and 1995-96 it was quite high as compared to year 1993-94, 1994-95 and 1996-97 to 1999-2000, when the current ratio was marginally above the standard current ratio. Thus, it reveals that the liquidity position of HCL Infosystems during the decade under study was quite sound. Even the average current ratio (2.81) as shown in Table No. (5.1) of HCL Infosystems shows a very high liquid position Thus, the above data reveals that HCL Infosystems has succeeded in maintaining a consistent high current ratio from year 1990-91 to 1999-2000.

The current ratio of TVS Electronics as shown in Table (5.1) was marginally above the standard current ratio; during the year 1991-92 to 1999-2000. The above data shows that during the decade under study TVS Electronics has consistently maintained current ratio which was near to the standard current ratio and thus, its liquidity position was sound. The average current ratio (2.35) of TVS Electronics during the period under study is also above the standard current ratio which once again shows that the company has maintained sound liquidity position during the decade under study.
With regards to current ratio of Tata (Unisys) Infotech, Table (5.1) reveals that it was marginally below the standard current ratio during the year 1990-91 to 1995-96. And during the year 1996-97 to 1999-2000, it was marginally greater than the standard current ratio. For a major period of the decade under study i.e. year 1990-91 to 1995-96 (six years’) the current ratio of this company was marginally above the minimum acceptable current ratio i.e. 1:1 which indicates that the liquidity position of Tata (Unisys) Infotech Limited was very weak and unsafe. The average current ratio (2.07) of this company during the decade under study was marginally above the standard current ratio. This company could not maintain satisfactory current ratio position for the period of six years i.e. from 1990-91 to 1995-96 which reveals that the liquidity position was critical and hence company failed to make any advancement towards higher revenue which weakened its competitive strength.

In case of ICIM, current ratio remained less than that of the standard current ratio, excepting year 1995-96 when it was exactly the same as prescribed standard. For the year 1998-99 and 1999-2000, current ratio was less than the minimum acceptable current ratio. Thus, it reveals that the liquidity position of this company was considerably unsafe as it was slightly above the minimum acceptable ratio from the year 1991-92 to 1994-95. The position of current ratio improved at the end of fiscal year 1995-96 when it was exactly the same as that of the standard current ratio. But in coming years’ this position fell down from year 1996-97 to 1997-98, when the current ratio of this company was marginally greater than the minimum acceptable which sounds risky. During the year 1998-99 and 1999-2000, the current ratio badly fell down even below the minimum acceptable ratio, it touched a low of (0.79) and (0.75) respectively. This clearly indicates that the liquidity position of this company was very unsatisfactory and under such circumstances it would have been a difficult task for the company to pay its bills. The average current ratio (1.48) of ICIM, during the decade under study was also below the standard current ratio.
The average current ratio of NIIT and HCL Infosystems was (3.55) and (2.81) respectively, which was greater than the standard current ratio. In case of TVS Electronics and Tata (Unisys) Infotech, current ratio (2.35) and (2.07) was marginally above the standard current ratio. But current ratio of ICIM was quite low (1.48) and below the standard ratio; during the decade under study.

Thus, out of the five companies’ listed in Part-I, Table (5.1), NIIT Limited shows a very high Current ratio (Avg. 3.55) which shows that the company maintained liquidity position which was more than the standard current ratio and thus the company’s position was very sound to pay its external obligations. Whereas, ICIM Limited’s (Avg. 1.48) Current ratio was below the standard ratio.

The above data pertaining to Part-I, Table (5.1) is presented in graphical form; Figure (5.1) alongwith industry average and the comparison of the Current ratio of individual company is done with industry average which is shown as below:

**Line Graph 5.1**
The above graphical presentation (Line Graph 5.1) shows that during the year 1992-93, against the industry’s (Magenta color line) average (2.70) Current ratio, NIIT (Blue color line) topped the group with (3.28). It is observed that during the decade under study the trend is continuously higher than the industry average. And during the last year i.e. 1999-2000 of the study it was as high as (4.9) as compared to industry average for this year which was (2.48).

The Current ratio trend of HCL (Pink color line) Line Graph (5.1) was quite good and above the industry average from year 1990-91 to 1992-93. Starting with (3.45) at the end of year 1990-91 it was as high as (4.14) at the end of fiscal year 1992-93 this time industry average was (2.70). At the end of fiscal year 1993-94, Current ratio of HCL slipped down to (2.11) which was nearly the same (2.09) of the industry average. From this point of time till year 1996-97, Current ratio trend of HCL was in uptrend mode and was above industry average. At the end of fiscal year 1997-98, Current ratio slipped down to (2.40) which was below the industry average (2.60). This continued till the end of decade under study; at the end of fiscal year 1999-2000, Current ratio of HCL was (2.10) against the industry average (2.48). This clearly shows a weaker performance on the part of HCL in striking a balance in its Current Assets and Current Liabilities.

TVSE’s (Yellow color line) performance with regards to Current ratio as shown in Line Graph (5.1) also was not so satisfactory during the decade under study. At the end of fiscal year 1991-92 its Current ratio was (2.54) which was slightly above the industry average (2.35). In the very next year i.e. 1992-93 it came down to (2.31) against the industry average (2.70). From the year 1993-94 to 1995-96, the Current ratio trend of TVSE was marginally above the industry average which fell down at the end of year 1996-97 and remained so till the last year i.e. 1999-2000. At the end of fiscal year 1999-2000, Current ratio of TVSE was (2.21); this time the industry average was (2.48).
The Current ratio of Tata (Unisys) Infotech Limited (TUL) (Turquoise color Line) Line Graph (5.1) shows weaker performance in maintaining balance between Current Assets and Current Liabilities. At the end of fiscal year 1990-91, Current ratio of TUL was (1.69) which was quite below the industry average (2.57). This situation persisted till the year 1995-96 when its Current ratio was (1.81) against the industry average (2.59). This position improved at the end of fiscal year 1996-97 and by the end of fiscal year 1999-2000 it was nearly the same (2.46) as the industry average (2.48). In case of TUL it is remarkable that Current ratio which was below the standard ratio from year 1990-91 to 1995-96, was improved from year 1996-97 which was maintained till the year 1999-2000.

In case of ICIM (Lavender color line) the Current ratio trend as shown in Line Graph (5.1) was very unsatisfactory. At the end of fiscal year 1991-92 it was (1.70) against the industry average (2.35) and it remained below the industry average for the entire decade under study. At the end of fiscal year 1999-2000 it was as low as (0.75) against the industry average (2.48). This reveals that the company’s financial position was quite weak during the decade under study.

In case of companies’ listed in Part-II, Table (5.1) Aptech Limited shows a gradual increase in its Current ratio. At the end of fiscal year 1997-98, Current ratio was (5.00) which at the end of the next year i.e. 1998-99 was (6.50) and at the end of fiscal year 1999-2000 it was (7.70).

The average Current ratio of Aptech Limited, at the end of the decade under study was (6.4), which shows that the company maintained a very high liquidity position during the decade under study.

In case of Zenith Computers Limited, Current ratio at the end of fiscal year 1997-98 was (3.40) which was nearly the same i.e. (3.50) at the end of fiscal
At the end of fiscal year 1999-2000, company’s Current ratio was (4.50).

The average Current ratio at the end of the decade under study was (3.9) which depicts that Zenith enjoyed sound liquid position during the period under study.

In case of Digital Equipments India Limited (DEIL), Current ratio at the close of financial year 1997-98 was (2.10) which further slipped to (1.60) at the end of financial year 1998-99. At the end of financial year 1999-2000, company improved its liquidity position and Current ratio stood as (3.90).

The average Current ratio of DEIL at the end of the decade under study was (2.53) which shows that the liquidity position of this company was sound during the decade under study.

In case of Wipro, Current ratio at the end of fiscal year 1997-98 was (2.40) which was (2.10) at the end of fiscal year 1998-99. But at the end of fiscal year 1999-2000, Current ratio slipped of Wipro slipped to (1.70).

With average Current ratio (2.06) Wipro maintained sound liquidity position during the decade under study.

The Current ratio of Computer Maintenance Corporation Limited (CMC) at the end of fiscal year 1997-98 was (1.30) and in the last two years’ i.e. year 1998-99 and 1999-2000, Current ratio was same i.e. (1.10).

The average Current ratio of CMC (1.16) at the end of the decade under study was below the prescribed standard ratio which shows that the performance in this area was not satisfactory.
Thus, out of total five companies’ listed in Part-II, Table (5.1) average Current ratio (6.4) of Aptech Limited is quite satisfactory. Whereas, average Current ratio (1.16) of CMC is low proving that the company’s performance in this area was poor.

The above data pertaining to Part-II, Table (5.1) is presented in graphical form; Figure (5.2) alongwith industry average and the comparison of the Current ratio of individual company is done with industry average which is shown as below:

**Line Graph 5.2**

![Line Graph 5.2](image)

The Current ratio trend of Aptech Limited (Blue color line) shown in Line Graph (5.2) was very satisfactory. At the end of fiscal year 1997-98 it was (5.0) whereas the industry average (Magenta color line) was (2.84). It maintained this uptrend during the period and at the end of fiscal year 1999-2000 it was as high as (7.7) whereas at this point of time the industry average was (3.78). This reveals that the company maintained a very high liquidity position during the decade under study.
In case of Zenith Computers Limited also (Pink color line) Current ratio trend as shown in Line Graph (5.2), was quite satisfactory. At the end of fiscal year 1997-98 its Current ratio was (3.40) that was above the industry average (2.84). This company also maintained its uptrend till the end of the period under study. At the end of fiscal year 1999-2000, Zenith’s Current ratio was (4.5) whereas, the industry average was (3.78). Thus, it is evident that Zenith also maintained sound liquidity position during the period under study.

The Current ratio trend of Digital Equipments India Limited (DEIL) (Yellow color line) shown in Line Graph (5.2) presents an unsatisfactory position. At the fiscal year 1997-98 its Current ratio was (2.10) against industry average (2.84). And the end of fiscal year 1999-2000, this was (3.90) which was marginally above the industry average (3.78). This shows that DEIL’s liquidity position was satisfactory.

In case of Wipro (Turquoise color line) Current ratio trend shows a downward trend; Line Graph (5.2). At the end of fiscal year 1997-98 its Current ratio was (2.40) against industry average (2.84). And at the end of fiscal year 1999-2000, Current ratio of Wipro slipped to (1.70) whereas the industry average was (3.78). On the basis of average Current ratio (2.06) it can be said that company maintained sound liquidity position during the decade under study but in comparison to the industry average Wipro lacked strength in this area.

The Current ratio trend of Computer Maintenance Corporation Limited (CMC) (Lavender color line) as shown in Line Graph (5.2) was very unsatisfactory. At the end of fiscal year 1997-98 its Current ratio was (1.30) against the industry average (2.84). And at the end of fiscal year 1999-2000, its Current ratio was as low as (1.10). Thus, CMC; on individual level as well as in comparison to the industry average depicts unsatisfactory liquidity position.

The Table No. (5.2) showing Debt-Equity Ratios of the selected companies for the period under study is given below:
Debt-Equity Ratio

For the sake of arriving at a fair and just conclusion the data as shown in Table (5.2) pertaining to Debt-Equity Ratio is analyzed into two parts of the decade i.e. Part I, beginning from year 1990-91 to 1999-2000 and Part II covers the period beginning from year 1997-98 to 1999-2000.

<table>
<thead>
<tr>
<th>Year</th>
<th>COMPANY NAME</th>
<th>PART - I</th>
<th>PART - II</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>NIIT</td>
<td>HCL Info-system</td>
</tr>
<tr>
<td>90-91</td>
<td>2.87</td>
<td>0.26</td>
<td>0.26</td>
</tr>
<tr>
<td>91-92</td>
<td>3.66</td>
<td>1.79</td>
<td>0.21</td>
</tr>
<tr>
<td>92-93</td>
<td>0.16</td>
<td>1.65</td>
<td>1.67</td>
</tr>
<tr>
<td>93-94</td>
<td>0.24</td>
<td>0.30</td>
<td>1.35</td>
</tr>
<tr>
<td>94-95</td>
<td>0.36</td>
<td>0.45</td>
<td>2.12</td>
</tr>
<tr>
<td>95-96</td>
<td>0.76</td>
<td>0.77</td>
<td>0.67</td>
</tr>
<tr>
<td>96-97</td>
<td>0.67</td>
<td>0.70</td>
<td>0.54</td>
</tr>
<tr>
<td>97-98</td>
<td>0.30</td>
<td>0.70</td>
<td>0.80</td>
</tr>
<tr>
<td>98-99</td>
<td>0.00</td>
<td>0.70</td>
<td>1.58</td>
</tr>
<tr>
<td>99-00</td>
<td>0.00</td>
<td>0.40</td>
<td>1.81</td>
</tr>
<tr>
<td>Total</td>
<td>2.49</td>
<td>12.20</td>
<td>12.33</td>
</tr>
<tr>
<td>Avg.</td>
<td>0.31</td>
<td>1.22</td>
<td>1.37</td>
</tr>
</tbody>
</table>

In case of Debt-Equity Ratio when the data is arranged in two parts five companies namely; NIIT, HCL Technologies, TVS Electronics, Tata (Unisys) Infotech and ICIM are grouped together since data pertaining to these companies are available for a period of 8-10 years which is useful for the purpose of analysis.

In the second part companies included are Aptech, Zenith, DEIL, Wipro and CMC and the data available pertaining to these companies are from the year 1997-98 to 1999-2000 i.e. for 3 years.

Inter-Company Comparison of Average Debt-Equity Ratio

In case of Debt-Equity ratio, a very high ratio is unfavourable from the firm’s point of view. This introduces inflexibility in the firm’s operations due to the increasing interference and pressures from creditors.
Whereas, low Debt-Equity ratio implies a greater claim of owners’ than the creditors. From the point of view of creditors, it represents a satisfactory capital structure of the business since a high proportion of equity provides a larger margin of safety.

In the case of companies’ listed in Part-I, Table (5.2) the Debt-Equity ratio of Tata (Unisys) Infotech Limited for the year 1990-91 to 1992-93 was quite low and from the year 1993-94 to 1996-97 it was very low which ranges from (0.04) to (0.08). Debt-Equity ratio from the year 1997-98 to 1998-99 increased slightly which was (0.16) and (0.17) respectively which once again at the end of fiscal year 1999-2000 was dropped to as low as (0.07). Thus, the data as shown in Table (5.2) shows that the company maintained its Debt-Equity ratio at considerably low level which depicts that the company operated on a very less amount of Debt financing. The less amount of Debt financing kept the company flexible and free from interferences and pressures from its creditors. This also shows that during the decade under study the capital structure of Tata (Unisys) Infotech Limited was quite satisfactory. On an average basis also the company maintained very low Debt-Equity i.e. (0.13) during the decade under study. Thus in the case of maintaining healthy Debt-Equity ratio Tata (Unisys) Infotech Limited was ahead of other sample companies’ as shown in Part-I, Table (5.2).

In case of NIIT Limited, Debt-Equity ratio from the year 1992-93 to 1994-95 was (0.16), (0.24) and (0.36) respectively which was quite low. At the end of fiscal year 1995-96 and 1996-97, this slightly increased to (0.76) and (0.67) respectively. The company succeeded in maintaining low Debt-Equity ratio i.e. (0.30) at the end of fiscal year 1997-98. In the last two years’ of the decade under study i.e. from 1998-99 to 1999-2000, company reported ‘Nil’, Table (5.2) Debt-Equity ratio which shows that the company was free from any interference from its creditors and has maintained a sound capital structure. The average Debt-Equity ratio of NIIT Limited at the end of the
decade under study was as low as (0.31), Table (5.2) which shows satisfactory capital structure.

Debt-Equity ratio of ICIM Limited at the end of fiscal year 1991-92 and 1992-93 was (1.46) and (1.75) which was quite high. At the end of fiscal year 1993-94, it came down to (0.97), Table (5.2) but again at the end of fiscal year 1994-95, it was increased to (1.43) which further rose to as high as (2.02) at the end of fiscal year 1995-96, Table (5.2). From the year 1996-97 to 1999-2000, Debt-Equity ratio of this company started gradually coming down from (1.12) at the end of year 1996-97 to (0.08) at the end of fiscal year 1999-2000. Thus, the data shown in Table (5.2) shows that company consistently worked under the influence of its creditors and failed to maintain a satisfactory capital structure. The average Debt-Equity ratio at the end of the decade under study was (1.09), Table (5.2).

In case of HCL Infosystems, Debt-Equity ratio was very high from year 1990-91 to 1992-93. Starting from (2.87) in the year 1990-91 it increased to (3.66) at the end of year 1991-92 and was (1.65) at the end of year 1992-93, Table (5.2). From the year 1993-94 to 1999-2000, HCL succeeded in maintaining a low Debt-Equity ratio ranging from as low as (0.30) to a maximum of (0.70). This shows that the capital structure in the first three years’ of the decade under study was not satisfactory but later on from year 1993-94 till the end of the decade under study company succeeded in maintaining a satisfactory capital structure. The average Debt-Equity ratio at the end of the decade under study was quite high (1.22), Table (5.2) as compared to other companies’ listed in Part-I.

In case of TVS Electronics Limited it is observed that Debt-Equity ratio from year 1991-92 to 1994-95 was quite high. From the year 1995-96 to 1997-98, company succeeded in maintaining a low Debt-Equity ratio i.e. (0.67), (0.54) and (0.80) respectively. But at the end of fiscal year 1998-99 and 1999-2000, Debt-Equity ratio once again increased to (1.58) and (1.81) respectively. This
shows that the company failed in maintaining a satisfactory capital structure during the decade under study. Its average Debt-Equity ratio (1.37) was also very high as compared to other companies’ listed in Part-I, Table (5.2).

Thus, out of the total five companies’ listed in Part-I, Table (5.2), Tata (Unisys) Infotech Limited shows a very low Debt-Equity ratio (Avg. 0.13) which shows that the capital structure was very favourable and free from interferences and pressures from creditors. Whereas, TVSE (Avg. 2.92) faired badly in this area depicting an unfavourable capital structure.

The above data pertaining to Part-I, Table (5.2) is presented in graphical form Line Graph (5.3) alongwith industry average and the comparison of the Debt-Equity ratio of individual company is done with industry average which is shown as below:

**Line Graph 5.3**
The above graphical presentation; Line Graph (5.3) shows that during the year 1992-93, against the industry's (Magenta color line) average (1.10) Debt-Equity ratio, NIIT (Blue color line) shows very satisfactory ratio (0.16). It is observed that during the decade under study the trend was satisfactory excepting year 1995-96 and 1996-97 when Debt-Equity ratio of NIIT was nearly the same as that of the industry average. And during the last two years of the period under study i.e. 1998-99 and 1999-2000 Debt-Equity ratio of NIIT was (0.00) whereas the industry average was (0.50) and (0.47) respectively. Thus, these figures reveal that NIIT’s capital structure was very satisfactory as high proportion of equity provides a larger margin of safety.

The Debt-Equity ratio trend of HCL (Pink color line) Line Graph (5.3) presents very uneven pattern. Starting with as high as (2.87) at the end of year 1990-91 it soar up to (3.66) at the end of fiscal year 1991-92, whereas during this time industry average was (1.56) and (1.78) respectively. At the end of fiscal year 1992-93, it slipped down to (1.65) against the industry average (1.10). Debt-Equity ratio of HCL sharply came down to (0.30) at the end of fiscal year 1993-94, this time industry average was (0.58). Only for the next two years’ i.e. 1994-95 and 1995-96 it remained below the industry average. But from year 1996-97 to 1999-2000 it was either above the industry average or marginally below. This clearly shows a weaker performance on the part of HCL in maintaining balance between its Debts and Equity which only depicts a poor capital structure.

TVSE’s (Yellow color line) performance with regards to Debt-Equity ratio as shown in Line Graph (5.3) also was not satisfactory during the decade under study. At the end of fiscal year 1991-92 its Debt-Equity ratio was (1.79) which was nearly the same as that of the industry average (1.78). From the year 1992-93 to 1994-95 Debt-Equity ratio of TVSE was quite higher than the industry average. Only for the next two years’ i.e. 1995-96 and 1996-97 it came down and was below the industry average. From this point of time it shows uptrend which lasted till the end of the decade under study i.e. year
1999-2000. At the end of fiscal year 1999-2000, Debt-Equity ratio of TVSE was as high as (1.81); this time the industry average was just (0.47). These figures reveal that TVSE also failed in maintaining sound capital structure.

The Debt-Equity ratio of Tata (Unisys) Infotech Limited (TUL) (Turquoise color Line) Line Graph (5.3) shows remarkable performance in comparison to the industry average. At the end of fiscal year 1990-91, Debt-Equity ratio of TUL was (0.26) which was quite below the industry average (1.56). This trend persisted till the end of the decade under study. At the end of fiscal year 1999-2000, Debt-Equity ratio of TUL was as low as (0.07) against the industry average (0.47). Thus, it is observed that during the whole decade under study TUL maintained a sound capital structure as compared to that of the industry average.

In case of ICIM (Lavender color line) the Debt-Equity ratio trend as shown in Line Graph (5.3) was very unsatisfactory. Only at the end of fiscal year 1991-92 it was (1.46); marginally below the industry average (1.78). From the year 1992-93 to 1997-98 it remained higher than that of the industry average. At the end of fiscal year 1995-96 it was as high as (2.02) against the industry average (0.85). In the last two years’ i.e. 1998-99 and 1999-2000 it remained below the industry average. At the end of fiscal year 1999-2000 it was as low as (0.08) against the industry average (0.47). Thus it is observed that the company’s capital structure was quite unsatisfactory during the decade under study.

In case of companies’ listed in Part-II, Table (5.2), Digital Equipments India Limited’s (DEIL) Debt-Equity ratio at the end of fiscal year 1997-98 was (0.10) and in the following two years i.e. year 1998-99 and 1999-2000, this was (0.00).
The average Debt-Equity ratio of DEIL at the end of the decade under study was (0.03) which shows that the capital structure of this company was very satisfactory from the point of view of the creditors’.

In case of Aptech Limited Debt-Equity ratio at the end of fiscal year 1997-98 was (0.50) which was brought down to (0.10) at the end of fiscal year 1998-99.

The average Debt-Equity ratio of Aptech Limited, at the end of the decade under study was (0.30) which depicts satisfactory capital structure from the point of view of the creditors’ of the firm.

The Debt-Equity ratio of Wipro Limited at the end of fiscal year 1997-98 was (0.70) which slipped to (0.50) at the end of fiscal year 1998-99. At the end of fiscal year 1999-2000, the Debt-Equity ratio of Wipro Limited was (0.10).

The average Debt-Equity ratio of Wipro Limited at the end of the decade under study was (0.43). In comparison to the other sample companies in the group Wipro maintained a moderate capital structure.

In case of Computer Maintenance Corporation (CMC) Debt-Equity ratio at the end of fiscal year 1997-98 was as high as (1.10). At the end of fiscal year 1998-99 and 1999-2000 it was same i.e. (0.70).

The average Debt-Equity ratio of CMC at the end of the decade under study was (0.83). As a high Debt-Equity ratio is unfavourable it shows that CMC operated under pressure from its creditors’.

In case of Zenith Computers Limited (Zenith) Debt-Equity ratio at the end of fiscal year 1997-98 was (0.80) which at the end of fiscal year 1998-99 was (1.10). At the end of fiscal year 1999-2000 this was (0.90).
The average Debt-Equity ratio of Zenith at the end of the decade under study was (0.93) which that the company faired poorly in maintaining its capital structure and worked under pressure from its creditors’.

Thus, out of total five companies’ listed in Part-II, Table (5.2) average Debt-Equity ratio (0.03) of DEIL was quite satisfactory and it can be said that this company maintained sound capital structure. Whereas, average Debt-Equity ratio of Zenith was (0.93) which depicts inflexibility in its operation and shows that the company worked under pressure from its creditors’.

The above data pertaining to Part-II, Table (5.2) is presented in graphical form Line Graph (5.4) along with industry average and the comparison of the Debt-Equity ratio of individual company is done with industry average which is shown as below:

Line Graph 5.4
The Debt-Equity ratio trend of Aptech Limited (Blue color line) shown in Line Graph (5.4) was very satisfactory in comparison to the industry average (Magenta color line). At the end of fiscal year 1997-98 it was (0.50) whereas the industry average was (0.64). It maintained down trend during the period under study which was a healthy sign for the company. At the end of fiscal year 1999-2000 Aptech’s Debt-Equity ratio was as low as (0.00) against the industry average (0.34). Thus, it is observed that during the period under study Aptech operated under larger margin of safety with high proportion of equity.

In case of Zenith Computers Limited (Pink color line) it is observed that during the entire period under study its Debt-Equity ratio was higher than that of the industry average. At the end of fiscal year 1997-98 its Debt-Equity ratio was (0.80) against the industry average (0.64). At the end of fiscal year 1999-2000, Zenith’s Debt-Equity ratio was (0.90) whereas, the industry average was (0.34). Thus, it is evident that Zenith failed to maintain sound capital structure during the period under study.

The Debt-Equity ratio trend of Digital Equipments India Limited (DEIL) (Yellow color line) shown in Line Graph (5.4) presents satisfactory position of its capital structure. At the fiscal year 1997-98 its Debt-Equity ratio was (0.10) against industry average (0.64). And the end of fiscal year 1999-2000, this was (0.00) against the industry average (0.34). This shows that during the period under study DEIL worked freely without any sort of pressure from its creditors’ due to its high proportion of equity.

In case of Wipro (Turquoise color line) Debt-Equity ratio trend as shown in Line Graph (5.4) presents a moderate condition as compared to the industry average. At the end of fiscal year 1997-98 its Debt-Equity ratio was (0.70) which was marginally above the industry average (0.64). And at the end of fiscal year 1999-2000, Debt-Equity ratio of Wipro was (0.10) whereas the
industry average was (0.34). Thus, it is observed that the capital structure of Wipro was not satisfactory during the period under study.

The Debt-Equity ratio trend of Computer Maintenance Corporation Limited (CMC) (Lavender color line) as shown in Line Graph (5.4) was very unsatisfactory. At the end of fiscal year 1997-98 its Debt-Equity ratio was (1.10) against the industry average (0.64). And at the end of fiscal year 1999-2000, its Debt-Equity ratio was as high as (0.70) which was double than the industry average (0.34). Thus, CMC; on individual level as well as in comparison to the industry average shows that its capital structure was not satisfactory.

Table No. (5.3) showing Fixed Assets Turnover Ratios of the selected companies for the period under study is given below:

**Fixed Assets Turnover Ratio**

For the sake of arriving at a fair and just conclusion the above data pertaining to Fixed Assets Turnover Ratio is analyzed into two parts of the decade i.e. Part I, beginning from year 1990-91 to 1999-2000 and Part II covers the period beginning from year 1997-98 to 1999-2000.

<table>
<thead>
<tr>
<th>Year</th>
<th>PART - I</th>
<th>PART - II</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Company Name</td>
<td>Company Name</td>
</tr>
<tr>
<td></td>
<td>NITT</td>
<td>HCL Info-system</td>
</tr>
<tr>
<td>90-91</td>
<td>7.75</td>
<td>12.01</td>
</tr>
<tr>
<td>91-92</td>
<td>5.28</td>
<td>2.98</td>
</tr>
<tr>
<td>92-93</td>
<td>2.13</td>
<td>4.96</td>
</tr>
<tr>
<td>93-94</td>
<td>1.97</td>
<td>9.49</td>
</tr>
<tr>
<td>94-95</td>
<td>2.10</td>
<td>13.79</td>
</tr>
<tr>
<td>95-96</td>
<td>1.98</td>
<td>13.94</td>
</tr>
<tr>
<td>96-97</td>
<td>2.09</td>
<td>11.22</td>
</tr>
<tr>
<td>97-98</td>
<td>3.60</td>
<td>11.10</td>
</tr>
<tr>
<td>98-99</td>
<td>5.20</td>
<td>16.20</td>
</tr>
<tr>
<td>99-00</td>
<td>6.60</td>
<td>19.70</td>
</tr>
<tr>
<td>Total</td>
<td>25.67</td>
<td>113.43</td>
</tr>
<tr>
<td>Avg.</td>
<td>3.20</td>
<td>11.34</td>
</tr>
</tbody>
</table>
In case of Fixed Assets Turnover Ratio when the data is arranged in two parts five companies namely; NIIT, HCL Technologies, TVS Electronics, Tata (Unisys) Infotech and ICIM are grouped together since data pertaining to these companies are available for a period of 8-10 years which is useful for the purpose of analysis.

In the second part companies included are Aptech, Zenith, DEIL, Wipro and CMC and the data available pertaining to these companies are from the year 1997-98 to 1999-2000 i.e. for 3 years.

**Inter-Company Comparison of Average Fixed Assets Turnover Ratio**

A high fixed assets turnover ratio indicates efficient utilisation of fixed assets in generating sales, while a low ratio indicates inefficient management and utilisation of fixed assets.

In case of companies’ listed in Part-I, Table (5.3) HCL Infosystems Limited maintained a good Fixed Assets Turnover ratio from year 1990-91 to 1993-94, ranging from as low as (4.96) to as high as (9.49). From the year 1994-95 to 1997-98, Fixed Assets Turnover ratio of HCL improved very well which was ranging from as low as (11.10) to (13.94). And at the end of year 1998-99 and 1999-2000, HCL shows a very impressive Fixed Assets Turnover ratio as compared to other companies’ listed in Part-I, Table (5.3). The average Fixed Assets Turnover ratio at the end of the decade under study was (11.34). Thus, it shows that HCL Infosystems Limited has efficiently used its fixed assets in generating sales.

In case of Tata (Unisys) Infotech Limited, this ratio was quite high at the end of fiscal years 1990-91 and 1991-92 i.e. (12.01) and (11.07) respectively. From the year 1992-93 to 1999-2000, Fixed Assets Turnover ratio of this company dropped below (10) and was ranging between as low as (7.20) to as high as (9.27). The average Fixed Assets Turnover ratio at the end of the
decade under study was (8.88). This reveals that Tata (Unisys) Infotech Limited’s management satisfactorily used its investment in fixed assets for generating sales.

The Fixed Assets Turnover ratio of TVS Electronics Limited, from the year 1991-92 to 1993-94 was quite low ranging from as low as (2.98) to as high as (5.00). This marginally improved from the year 1994-95 to 1998-99, ranging from as low as (7.75) to as high as (9.81). Only in the last year of the decade under study i.e. year 1999-2000, the Fixed Assets Turnover ratio of TVS Electronics improved and was recorded as (10.34). Thus, at the end of the decade under study the average Fixed Assets Turnover ratio of this company stood at (7.28), Table (5.3) which comparatively shows inefficient utilization of fixed assets in generating sales.

In case of NIIT Limited, Fixed Assets Turnover ratio was quite low from fiscal year 1992-93 to 1997-98, which was ranging from as low as (1.97) to as high as (3.60). This improved at the end of fiscal year 1998-99 and 1999-2000, and was recorded as (5.20) and (6.60) respectively. Consequently, the average Fixed Assets Turnover ratio (3.20) at the end of the decade under study was quite low. This reveals that the company failed to efficiently utilize its investments in fixed asset to generate sales.

In case of ICIM Limited, Fixed Assets Turnover ratio was quite low from fiscal year 1991-92 to 1995-96, which was ranging from as low as (2.71) to as high as (4.49). This improved at the end of fiscal year 1996-97 and was recorded as (7.49), which again fell down to (2.17) at the end of fiscal year 1997-98. At the end of fiscal year 1998-99 and 1999-2000, company’s Fixed Assets Turnover ratio was (0.00).

The average Fixed Assets Turnover ratio at the end of the decade under study was as low as (2.92), Table (5.3) which shows a very inefficient management of investment in fixed assets in generating sales.
Thus, out of the five companies’ listed in Part-I, Table (5.3), HCL Infosystems shows a very high Fixed Assets Turnover ratio (Avg. 11.34) which shows that the investments in fixed assets were efficiently utilized in generating sales. Whereas, ICIM Limited’s (Avg. 2.92) performance in this area was very poor.

The above data pertaining to Part-I, Table (5.3) is presented in graphical form Line Graph (5.5) alongwith industry average and the comparison of the Fixed Assets Turnover ratio of individual company is done with industry average which is shown as below:

**Line Graph 5.5**

![Fixed Assets Turnover Ratio Trend Analysis - Part I](image)

The above graphical presentation; Line Graph (5.5) shows that during the year 1992-93, against the industry’s (Magenta color line) average (4.43) Fixed Assets Turnover ratio, NIIT (Blue color line) shows unsatisfactory ratio (2.13). For the whole decade under study Fixed Assets Turnover ratio of NIIT
remained below the industry average. At the end of fiscal year 1999-2000 it was as low as (6.60) whereas the industry average was (8.94). Thus, in comparison to the industry average it is evident that NIIT failed to utilize its fixed assets in generating sales.

The Fixed Assets Turnover ratio trend of HCL (Pink color line) Line Graph (5.5) presents remarkable position of the company. At the end of fiscal year 1990-91 HCL’s Fixed Assets Turnover ratio was (7.75) against the industry average (9.88). By the close of fiscal year 1991-92, it was (5.28) marginally below the industry average (5.70). From this point of time Fixed Assets Turnover ratio trend gained upward momentum which lasted till the end of the decade under study. At the end of fiscal year 1999-2000, it was as high as (19.70) whereas the industry average was (8.94). Thus it is observed that HCL efficiently utilized its investments in Fixed Assets in generating sales.

TVSE’s (Yellow color line) performance with regards to Fixed Assets Turnover ratio as shown in Line Graph (5.5) was satisfactory during the decade under study. At the end of fiscal year 1991-92 its Fixed Assets Turnover ratio was (2.98) which was quite below the industry average (5.70). This shows uptrend till the year 1997-98 when it was (9.81) above the industry average (6.78). At the end of fiscal year 1999-2000, Fixed Assets Turnover ratio of TVSE was (10.34) whereas the industry average was (8.94). These figures reveal that TVSE efficiently utilized its Fixed Assets for generating sales.

The Fixed Assets Turnover ratio of Tata (Unisys) Infotech Limited (TUL) (Turquoise color Line) Line Graph (5.5) shows satisfactory performance in comparison to the industry average. At the end of fiscal year 1990-91, Fixed Assets Turnover ratio of TUL was (12.01) which was higher than the industry average (9.88). Though it shows downward trend till the end of fiscal year 1997-98, it remained above the industry average. At the end of fiscal year 1999-2000, Fixed Assets Turnover ratio of TUL was (8.04) which was
marginally below the industry average (8.94). Thus, it is observed that during the
decade under study TUL efficiently utilized its investments in Fixed
Assets for generating sales.

In case of ICIM (Lavender color line) the Fixed Assets Turnover ratio trend as
shown in Line Graph (5.5) was very unsatisfactory. At the end of fiscal year
1991-92 it was (3.45) against the industry average (5.70). Only at the end of
fiscal year 1996-97 it was (7.49) which was marginally below the industry
average (7.76). At the end of fiscal year 1999-2000 it was as low as (0.00)
against the industry average (8.94). Thus it is observed that during the decade
under study this company badly failed in utilizing its Fixed Assets for
generating sales.

In case of companies’ listed in Part-II, Table (5.3) Fixed Assets Turnover
ratio of Zenith Computers Limited (Zenith) was (12.70) which dropped to
(10.30) at the end of fiscal year 1998-99. At the end of fiscal year 1999-2000,
this ratio improved to (12.20).

The average Fixed Assets Turnover ratio at the end of the decade under study
was (11.73) which was very good as compared to other companies’ listed in
Part-II, Table (5.3). This proves that the company efficiently utilized its
investments in fixed assets for generating sales.

In case of Digital Equipments India Limited (DEIL), Fixed Assets Turnover
ratio at the end of fiscal year 1997-98 was (13.90) which improved (17.00) at
steeply fell down to (3.20).

The overall average Fixed Assets Turnover ratio at the end of the decade
under study was (11.36), Table (5.3) which shows that the company performed
satisfactorily in this area.
The Fixed Assets Turnover ratio of Computer Maintenance Corporation Limited (CMC) at the end of fiscal year 1997-98 was (5.80) which gradually went on increasing till the year 1999-2000. At the end of year 1998-99 it was (6.50) and at the end of fiscal year 1999-2000, the Fixed Assets Turnover ratio was (8.10).

The average Fixed Assets Turnover ratio of CMC at the end of the decade under study was (6.80), Table (5.3). Thus, it reveals that the company failed to efficiently utilize its fixed assets for generating sales.

In case of Wipro, Fixed Assets Turnover ratio at the end of fiscal year 1997-98 was (3.80) which gradually moved up to (4.30) and (5.00) at the end of fiscal year 1998-99 and 1999-2000 respectively.

The average Fixed Assets Turnover ratio was (4.36), Table (5.3) at the end of the decade under study. Such low average indicates that the company failed to efficiently utilize its fixed assets for generating sales.

The Fixed Assets Turnover ratio of Aptech continuously presents a declining trend from the year 1997-98 to 1999-2000. At the end of fiscal year 1997-98 it was (5.40) which fell down to (3.10) and (2.30) at the end of fiscal year 1998-99 and 1999-2000 respectively.

The average Fixed Assets Turnover ratio was (3.60) at the end of the decade. This clearly shows that the company failed to efficiently utilize its fixed assets for generating sales.

Thus, out of the total five companies’ listed in Part-II, Table (5.3), on the basis of average ratio (11.73) the performance of Zenith with regards to utilizing fixed assets for generating sales was sound. Comparatively, the performance of Aptech (3.60) was very weak.
The above data pertaining to Part-II, Table (5.3) is presented in graphical form Line Graph (5.6) along with industry average and the comparison of the Fixed Assets Turnover ratio of individual company is done with industry average which is shown as below:

**Line Graph 5.6**

The Fixed Assets Turnover ratio trend of Aptech Limited (Blue color line) shown in Line Graph (5.6) shows downtrend similar to the downtrend of industry average (Magenta color line). At the end of fiscal year 1997-98 it was (5.40) whereas the industry average was (8.32). This downtrend continued till the end of the period under study. At the end of fiscal year 1999-2000 Aptech’s Fixed Assets Turnover ratio was as low as (2.30) against the industry average (6.16). Thus, it is observed that during the period under study Aptech failed in efficiently utilizing its Fixed Assets for generating sales.
In case of Zenith Computers Limited (Pink color line) it is observed that during the entire period under study its Fixed Assets Turnover ratio was higher than that of the industry average. At the end of fiscal year 1997-98 its Fixed Assets Turnover ratio was (12.70) against the industry average (8.32). At the end of fiscal year 1999-2000, Zenith’s Fixed Assets Turnover ratio was nearly double i.e. (12.20) of the industry average which was as low as (6.16). Thus, it is observed that the performance of Zenith with regards to utilization of investments in Fixed Assets for generating sales was remarkable during the period under study.

The Fixed Assets Turnover ratio trend of Digital Equipments India Limited (DEIL) (Yellow color line) shown in Line Graph (5.6) was satisfactory during the year 1997-98 and 1998-99. At the fiscal year 1997-98 it was (13.9) much above the industry average (8.32). From as high as (17.00) at the end of fiscal year 1998-99 when industry average was (8.24) it slipped to as low as (3.20) at the end of fiscal year 1999-2000, this time industry average was (6.16). On the basis of average ratio and the downtrend witnessed in industry average of Fixed Assets Turnover ratio it is observed that DEIL’s performance in this area was satisfactory.

In case of Wipro (Turquoise color line) Fixed Assets Turnover ratio trend as shown in Line Graph (5.6) presents upward trend against the downward trend of industry average. At the end of fiscal year 1997-98 its Fixed Assets Turnover ratio was (3.80) against industry average (8.32). And at the end of fiscal year 1999-2000, Fixed Assets Turnover ratio of Wipro was (5.00) whereas the industry average was (6.16). Thus, it is observed that the utilization of Fixed Assets for generating sales was satisfactory during the period under study.

The Fixed Assets Turnover ratio trend of Computer Maintenance Corporation Limited (CMC) (Lavender color line) as shown in Line Graph (5.6) was very satisfactory. At the end of fiscal year 1997-98 its Fixed Assets Turnover ratio
was (5.80) against the industry average (8.32). And at the end of fiscal year 1999-2000, its Fixed Assets Turnover ratio was as high as (8.10) which was above the industry average (6.16). Thus, CMC; on individual level as well as in comparison to the industry average shows that it efficiently used its investments in Fixed Assets for generating sales.

The Table No. (5.4) showing Return on Capital Employed Ratios of the selected companies for the period under study is given below:

**Return on Capital Employed (ROCE) Ratio**

For the sake of arriving at a fair and just conclusion the above data pertaining to Return on Capital Ratio is analyzed into two parts of the decade i.e. Part I, beginning from year 1990-91 to 1999-2000 and Part II covers the period beginning from year 1997-98 to 1999-2000.

**Table 5.4**

<table>
<thead>
<tr>
<th>Year</th>
<th>PART - I Company Name</th>
<th>PART - II Company Name</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NIT HCL Infosystem</td>
<td>TVS Elect. Tata Info tech</td>
</tr>
<tr>
<td>90-91</td>
<td>5.12</td>
<td>35.52</td>
</tr>
<tr>
<td>91-92</td>
<td>2.53</td>
<td>19.32 24.77 4.64</td>
</tr>
<tr>
<td>92-93</td>
<td>25.71 0.00 20.14 22.93 2.44</td>
<td></td>
</tr>
<tr>
<td>93-94</td>
<td>25.13 15.03 24.63 26.69 1.95</td>
<td></td>
</tr>
<tr>
<td>94-95</td>
<td>25.42 20.10 20.22 25.75 0.00</td>
<td></td>
</tr>
<tr>
<td>95-96</td>
<td>20.17 4.45 12.78 26.78 0.00</td>
<td></td>
</tr>
<tr>
<td>96-97</td>
<td>21.27 1.98 13.49 22.68 37.03</td>
<td></td>
</tr>
<tr>
<td>97-98</td>
<td>30.60 11.80 12.19 25.08 5.76</td>
<td>36.70 12.60 32.00 20.90 18.00</td>
</tr>
<tr>
<td>98-99</td>
<td>37.60 21.50 9.71 26.92 0.00</td>
<td>22.60 12.20 32.20 25.60 17.50</td>
</tr>
<tr>
<td>99-00</td>
<td>39.30 21.70 10.32 7.02 0.00</td>
<td>14.80 12.10 23.20 45.80 24.00</td>
</tr>
<tr>
<td>Total</td>
<td>227.60 104.41 142.80 244.14 51.82</td>
<td>74.10 36.90 87.40 92.30 59.50</td>
</tr>
<tr>
<td>Avg.</td>
<td>28.45 10.44 15.86 24.41 5.75</td>
<td>24.70 12.30 29.13 30.76 19.83</td>
</tr>
</tbody>
</table>

For the sake of arriving at a fair and just conclusion the above data pertaining to Return on Capital Employed Ratio is analyzed into two parts of the decade i.e. Part I, beginning from year 1990-91 to 1999-2000 and Part II covers the period beginning from year 1997-98 to 1999-2000.
In case of Return on Capital Employed Ratio when the data is arranged in two parts five companies namely; NIIT, HCL Technologies, TVS Electronics, Tata (Unisys) Infotech and ICIM are grouped together since data pertaining to these companies are available for a period of 8-10 years which is useful for the purpose of analysis.

In the second part companies included are Aptech, Zenith, DEIL, Wipro and CMC and the data available pertaining to these companies are from the year 1997-98 to 1999-2000 i.e. for 3 years.

**Inter-Company Comparison of Average Return on Capital Employed (ROCE) Ratio**

Return on Capital Employed (ROCE) ratio indicates how well management has used the funds supplied by creditors and owners. This ratio is calculated to establish relationship between profits actually earned and the capital actually employed in the business. It enables the management to know whether the investment made is utilised productively or not. The higher the ratio, the more efficient the firm in using funds entrusted to it.

In case of companies’ listed in Part-I, Table (5.4), data shows that NIIT limited maintained ROCE ranging from as low as (20.17) to as high as (27.53) from the year 1992-93 to 1996-97. The ROCE at the end of fiscal year 1997-98 improved and was recorded as (30.60) which gradually went on increasing till fiscal year 1999-2000. At the end of fiscal year 1999-2000, ROCE of NIIT limited was (39.30).

The average ROCE at the end of the decade under study was (28.45), Table (5.4) which shows that the company efficiently managed funds entrusted to it in generating profits.

In case of Tata (Unisys) Infotech Limited, ROCE (35.52) at the end of fiscal year 1990-91 was satisfactory. In the very next year i.e. 1991-92 it dropped
down to (24.77). From the year 1991-92 to 1998-1999, ROCE of this company kept on fluctuating between as low as (22.68) to as high as (26.92). But at the end of fiscal year 1999-2000 it fell down to (7.02).

Even though the position in the last year i.e. 1999-2000 was very alarming the average ROCE at the end of the decade under study was (24.41), Table (5.4) which shows that the company satisfactorily used the funds entrusted to it.

Data as shown in Table (5.4) of TVS Electronics (TVSE) shows that ROCE from the year 1991-92 to 1994-95 was quite satisfactory ranging between (19.32) to (24.63). At the end of fiscal year 1995-96 it fell down to (12.78) which slightly improved (13.49) at the end of fiscal year 1996-97. Again at the end of year 1997-98, ROCE of TVSE fell down to (12.19). At the end of year 1998-99 it fell down to (9.91) which marginally improved (10.32) at the end of fiscal year 1999-2000.

The average ROCE of TVSE at the end of the decade under study was (15.86), Table (5.4). This clearly reveals that the company could not utilize the funds supplied to it by creditors and owners; properly.

In case of HCL Infosystems Limited (HCL), ROCE at the end of year 1990-91 and 1991-92 was (5.12) and (2.53) respectively which was very low. At the end of fiscal year 1992-93, company’s ROCE was ‘Nil’. The position with regards to ROCE improved (15.23) and (20.10) during the year 1993-94 and 1994-95 respectively which again fell down to (4.45) and (1.98) at the end of fiscal year 1995-96 and 1996-97 respectively. At the end of fiscal year 1997-98, ROCE of HCL was (11.80) which further improved (21.50) at the end of fiscal year 1998-99. This once again marginally improved (21.70) at the end of year 1999-2000.
The average ROCE of HCL during the decade under study was (10.44), Table (5.4). This shows that the company failed to utilize its investments productively.

In case of ICIM Limited, ROCE from the year 1991-92 to 1993-94 was very low ranging between as low as (1.95) and as high as (4.64). Following two years i.e. 1994-95 and 1995-96, ROCE of this company was ‘Nil’. At the end of fiscal year 1996-97, a sharp rise (37.03) in ROCE is witnessed which the company failed to maintain in coming years and in the very next year i.e. 1997-98 it was dropped to (5.76). At the end of fiscal year 1998-99 and 1999-2000, ROCE of ICIM Limited was ‘Nil’.

The average ROCE of this company during the decade under study was (5.75), which is very low as compared to other companies’ listed in Part-I, Table (5.4). Thus, this data reveals that the management of this company was inefficient in utilizing funds supplied to it by creditors and owners; productively.

Thus, out of total five companies’ the average ROCE (28.45) of NIIT Limited was higher than other companies’ listed in Part-I, Table (5.4) proving it to be efficient in using funds productively. And ROCE (5.75) of ICIM Limited was very low as compared to other companies’ in this group which proves that this company failed to efficiently utilize its funds.

The above data pertaining to Part-I, Table (5.4) is presented in graphical form Line Graph (5.7) along with industry average and the comparison of the Return on Capital Employed (ROCE) ratio of individual company is done with industry average which is shown as below:
The above graphical presentation; Line Graph (5.7) shows trend reversal in industry’s (Magenta color line) average for six times in a span of ten years’; this indicates instability which is also prominently visible in case of individual companies’. At the end of fiscal year 1992-93, Return on Capital Employed (ROCE) ratio of NIIT (Blue color line) was (25.71) which was much above the industry average (14.24). The downtrend witnessed from year 1993-94 reversed at the end of fiscal year 1995-96. At the end of fiscal year 1999-2000, company’s ROCE was as high as (39.30) whereas the industry average was as low as (15.67). Thus, it is remarkable that NIIT efficiently used funds entrusted to it; for earning profits.

The ROCE ratio trend of HCL (Pink color line) Line Graph (5.7) presents very unstable trend. At the end of fiscal year 1990-91 HCL’s ROCE ratio was as low as (5.12) against the industry average (20.32). At the end of fiscal year
1999-2000, it was as high as (21.70) whereas the industry average was (15.67). Thus it is observed that HCL failed in efficiently utilizing funds provided by creditors and owners for earning profits.

TVSE’s (Yellow color line) performance with regards to ROCE ratio as shown in Line Graph (5.7) also was not satisfactory during the decade under study. At the end of fiscal year 1991-92 its ROCE ratio was (19.32) which was above the industry average (12.82). After fiscal year 1993-94, when it was as high as (24.63) against industry average (19.21) it shows downtrend that lasted till the end of the decade under study. At the end of fiscal year 1999-2000, ROCE ratio of TVSE was as low as (10.32) whereas the industry average was (15.67). These figures reveal that the ROCE of TVSE was not satisfactory.

Similar is the case of Tata (Unisys) Infotech Limited (TUL) (Turquoise color Line) Line Graph (5.7), the ROCE ratio at the end of fiscal year 1990-91, was as high as (35.52) against the industry average (20.32). At the end of fiscal year 1999-2000, ROCE ratio of TUL was as low as (7.02) which was far below the industry average (15.67). Thus, it is observed that during the decade under study TUL also failed to efficiently utilize its funds for generating profits.

In case of ICIM (Lavender color line) the ROCE ratio trend as shown in Line Graph (5.7) presents very instable and weak position in this area. At the end of fiscal year 1991-92 it was as low as (4.64) against the industry average (12.82). At the end of fiscal year 1999-2000 it was as low as (0.00) against the industry average (15.67). Thus, these figures reveal very unsatisfactory performance with regards to generating profits out of funds entrusted by creditors and owners.

In case of companies’ listed in Part-II, Table (5.4) Wipro shows a very satisfactory ROCE from the year 1997-98 to 1999-2000. At the end of fiscal
year 1997-98, ROCE was (20.90) which grew to (25.60) at the end of year 1998-99. The ROCE (45.80) at the end of fiscal year 1999-2000, was quite impressive.

The average ROCE during the decade under study was (30.76) which shows that the funds entrusted by creditors and owners were efficiently utilized by Wipro Limited.

In case of Digital Equipments India Limited (DEIL), ROCE was (32.00) at the end of year 1997-98 which was nearly the same (32.20) at the end of year 1998-99. At the end of year 1999-2000 it fell down to (23.20).

The average ROCE (29.13) was satisfactory during the decade under study. This reveals that DEIL’s efforts in utilizing the funds entrusted were quite satisfactory.

ROCE trend of Aptech shows a gradual decline from year 1997-98 when it was (36.70). At the end of year 1998-99 it fell down to (22.60) and finally it fell down to (14.80) at the end of fiscal year 1999-2000.

The average ROCE (24.70) shows that Aptech failed to properly utilize the funds entrusted to it.

In case of Computer Maintenance Corporation Limited (CMC), ROCE at the end of fiscal year 1997-98 and 1998-99 was quite low i.e. (18.00) and (17.50) respectively. This improved (24.00) at the end of fiscal year 1999-2000.

The average ROCE (19.83) is quite low as compared to other companies’ listed in Part-II, Table (5.4) which proves that CMC was inefficient in managing funds entrusted to it.
In case of Zenith Computers (Zenith), ROCE remained around (12.00) during the three years’ period i.e. year 1997-98 to 1999-2000. In fact it shows a gradual decline in ROCE starting from (12.60) in the year 1997-98 it fell down to (12.20) in 1998-99 and further fell down to (12.10) at the end of fiscal year 1999-2000, Table (5.4).

The average ROCE of Zenith during the decade under study was (12.30). This shows that the company failed in efficiently using funds supplied by creditors and owners; to procure profits.

Thus, out of total five companies’ listed in Part-II, Table (5.4) average ROCE (30.76) of Wipro is quite satisfactory. Whereas, average ROCE (12.30) of Zenith is very low proving that the company’s performance in this area was very poor.

The above data pertaining to Part-II, Table (5.4) is presented in graphical form Line Graph (5.8) along with industry average and the comparison of the ROCE ratio of individual company is done with industry average which is shown as below:
The ROCE ratio trend of Aptech Limited (Blue color line) shown in Line Graph (5.8) was very unsatisfactory in comparison to the industry average (Magenta color line) during the period under study. At the end of fiscal year 1997-98 it was (36.70) which was much above the industry average (24.04). But presenting a downward trend; at the end of fiscal year 1999-2000, it was as low as (14.80) against the industry average (23.98). Thus it is observed that Aptech failed in efficiently utilizing funds provided by creditors and owners for earning profits during the period under study.

In case of Zenith Computers Limited (Pink color line) it is observed that during the entire period under study its ROCE ratio was almost flat and remained below the industry average. At the end of fiscal year 1997-98 its ROCE ratio was (12.60) against the industry average (24.04). And at the end of fiscal year 1999-2000, it was (12.10) whereas, the industry average was (23.98). Thus, in comparison with the industry average as well as on
individual level it is evident that Zenith failed to efficiently generate profits out of the capital employed by creditors and owners; during the period under study.

The ROCE ratio trend of Digital Equipments India Limited (DEIL) (Yellow color line) shown in Line Graph (5.8) also shows downward trend during the period under study. At the fiscal year 1997-98 its ROCE ratio was (32.00) which was higher than the industry average (24.04). This was nearly the same at the end of fiscal year 1998-99, i.e. (32.20) against the industry average (22.02). But at the end of fiscal year 1999-2000, this slipped to (23.20) which was marginally below the industry average (23.98). Thus, the above figures show that during the period under study DEIL’s ROCE was satisfactory on the basis of its average.

In case of Wipro (Turquoise color line) ROCE ratio trend as shown in Line Graph (5.8) presents remarkable condition as compared to the industry average. At the end of fiscal year 1997-98 its ROCE ratio was (20.90) which was below the industry average (24.04). The ROCE trend moving in upward direction was as high as (45.80) at the end of fiscal year 1999-2000, this time the industry average was (23.98). Thus, during the period under study it is observed that Wipro efficiently utilized funds entrusted by creditors and owners; for generating profits.

The ROCE ratio trend of Computer Maintenance Corporation Limited (CMC) (Lavender color line) as shown in Line Graph (5.8) presents a satisfactory position. At the end of fiscal year 1997-98 its ROCE ratio was (18.00) which was below the industry average (24.04). But at the end of fiscal year 1999-2000, ROCE ratio of CMC was (24.00) which was nearly the same of industry average (23.98). Thus, CMC; on individual level as well as in comparison to the industry average presents satisfactory position with regards to generation of profits out of the capital employed.
INTERPRETATION OF FINANCIAL PERFORMANCE OF SELECTED COMPANIES

Following detailed observations pertaining to financial performance of selected IT companies are derived after application of Ratio Analysis techniques:

The Current Ratio of NIIT Ltd. (3.55) shows a better performance and Fujitsu ICIM (1.48) shows low financial performance in the first group of companies.

In the second group; while studying Current Ratio it is observed that Aptech Ltd. (6.4) performed well and the financial performance of CMC Ltd. (1.16) is low.

With regards to Debt-Equity Ratio; in the first group of companies Tata (Unisys) Infotech Ltd.’s (0.13) financial position is good. Whereas, the financial position of TVS Electronics Ltd. (1.37) is unsatisfactory.

Similarly, in the second group of companies Debt-Equity Ratio of DEIL (0.03) shows a good financial condition while in comparison to DEIL the financial position of Zenith Computers (0.93) is not upto the mark.

In case of Fixed Assets Ratio; HCL Technologies (11.34) financial strength is good. And the financial condition of Fujitsu ICIM (2.92) is substantially low.

In the second group of companies Zenith Computers (11.73) shows a good financial state of affairs. Whereas, Aptech (3.6) shows a low ratio in this regards.

The study with regards to Return-on-Capital Employed Ratio reveals that the financial performance of NIIT Ltd. (28.45) is quite satisfactory. And Fujitsu ICIM (5.75) shows a low performance.

In the second group of companies Wipro (30.76) shows a very high financial position and comparatively Zenith Computers (12.30) shows a low performance.
REFERENCES:


4. Ibid


