Comparative Study of Financial Performance between GPIT and Indian IT Companies (Wipro, Infosys, Satyam and TCS)

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Letter of transmittal

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Dear Madam,

I am pleased to submit the report on “Comparative Study of Financial Performance between GPIT and Indian IT Companies (Wipro, Infosys, Satyam and TCS)” which was assigned by you as a partial fulfillment of the course BUS400 (Internship).

I have taken at most care to present this report and this report has been excellent outlet for combining theoretical and practical aspect. We have collect information both from online and the annual reports of the respective organizations. Through the report I got the opportunity to nourish my learning, which I am sure, is going to help in my careers ahead. Since this report is my first endeavor on this topic, inspire of my best effort there may be lacking a fault, I will be ready to accept any suggestion at any aspect of this report. I have a great interest on this report and I will be highly motivated if this report meets your desired expectation. And I am always being ready to reply all the queries you have.

I have tried to make each and every element relevant to the topic and discussed under the context of whatever I have learned from organization and university courses.

Sincerely yours,

Fatema Umma Johura 07304016 ______________________

BRAC Business School
Acknowledgement

I wish to take this opportunity to express my deep gratitude to the persons and the organization that have helped, encouraged, inspired and enlightened me with their constructive ideas and overall support towards the completion of this project successfully. This project would have been incomplete without the active co-operation and guidance of Biswajit Roy. He was my organizational supervisor and taught me many organizational works. He helped me to prepare the report and provided necessary information those were needed to complete the project. I am very thankful to Afsana Akhter my academic supervisor for helping me throughout my project showing me the right direction towards the completion of my project. She was always ready to guide me and solved all the difficulties that I faced during the accomplishment of the term paper. Undoubtedly, this report would help me in future in my career. No words and language can ever be sufficient to express my gratitude to the above-mentioned persons who provided me with the support to prepare this project.
Executive summary

The current size of Bangladesh IT Industry and software/ITES industry in particular is still lot smaller with a total estimated IT industry size of US$ 120 Million (including export) compared to the overall economy and the number of population (over 150 million), but over the last few years the industry has grown considerably and is expected to grow at that rate for some time. It is estimated that during the last five years the average yearly growth rate of software & ITES industry has been over 40%. The growth has been driven by both good export trends in recent years as well as the growing IT automation demand in domestic market where local demand has been led by large automation projects by telecom, banking sector and export oriented garments/textile industry.

Currently there are over five hundred (500+) registered software and ITES companies in the country employing over 20,000 ICT professionals. Out of these companies, around 60% are mainly domestic market focused while 40% are mainly export focused and significant number of companies work for both local and export clients. Among these companies one of the leading IT firms in Bangladesh is Grameenphone IT Limited. GPIT, a wholly owned subsidiary of Grameenphone Ltd. - the leading telecommunications operator in Bangladesh, was incorporated as a private limited company in January 2010 as a separate legal entity.

In this report I have done a market study based on the information given by my organizational supervisor Biswajit Roy. The information was collected from BASIS. I have presented a market scenario of GPIT, SWOT analysis and based on that prepared SWOT matrix.

I have evaluated financial performance of GPIT based on financial ratios and compared the result with other Indian firms, namely Satyam, Infosys, TCS and Wipro. I tried to make it a comparison of IT firms of South-East Asia but due to the problem of data
insufficiency I had to take four Indian firms. Various ratios have been taken into consideration in this report like Profitability Ratio, Assets Utilization Ratio, Liquidity ratio and Debt Utilization Ratio. Analysis incorporated in this report is of cross section analysis as we had data of 2010 only. So, this report can be described as a cross section analysis of GPIT, Satyam, Wipro, TCS and Infosys for the year 2010. Throughout the report I have tried to extract information regarding firms’ various operational aspects. I have tried to outline their efficiency in asset management, expense management and also tried to figure out their financing methods. I have figured out which company performed well and which did not and also tried to explain the underlying reasons behind those varying performances. In the end I have summarized some of the critical aspects of our findings in the conclusion segment. Thus throughout the report effort has been to provide some meaningful and useful information regarding the performance of GPIT in the year 2010 which I hope would shed light in some crucial areas of the organization.
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Chapter ONE: Company Profile
1.1 Introduction

In today’s fast paced world, an education needs to be more than just book study. Career prospects need to hit the ground running and be well acclimatized to their chosen career path. An internship shows us the way of learning in a particular field offers the best training for people new to a career. Basically, internship is a system of on-the-job training for white-collar jobs, similar to an apprenticeship. Interns are usually university students. Student internships provide opportunities for students to gain experience in their field, determine if they have an interest in a particular career, create a network of contacts, or gain credit.

In BRAC Business School it is mandatory for every business student to undergo through an internship program from any organization. Career Service Office of BRAC University helps the students to find a suitable internship program for themselves. CSO also helped me to find an internship program in one of the renowned IT company - Grameenphone IT Ltd.

Presently lot of organization need helps to solve technology related problem. That’s for the reason GPIT now collect 400 experienced worker and they providing there service 20 IT support center in the whole world. GPIT is providing services for some local organization and foreign organization. GPIT also wants to be a famous organization in the whole world.

A child of Grameenphone organization GPIT wants to provide worldwide technology service in Bangladesh. That’s for the reason our many locally organization and also other country organization getting this service in the easiest way. Then Bangladeshi people can get many Jobs.
GPIT is still working for our Garments Industry, mobile company and also some others company’s in our country. They are always given technology services. GPIT also want to give training 1200 high graduated people on our country.

To get that chance to work with GPIT I had to go through an interview. After a week they gave me the confirmation and asked me to join Finance Division from 29th May, 2011. It was a 3 months program. My main responsibility was to help my division in almost every aspect. My other responsibilities were preparing: financial statements, Treasury Reports, invoices, billings and accounts on cheques; maintaining: updated records for future use and for some important investigation matters; checking: payment vouchers; documenting: important paper and reports and managing: Treasury related issues with internal stakeholders.

Through this time I have received many new and interesting experiences which helped me to enhance my learning. Besides this it also helped me to develop my communication skills, presentation skills and interpersonal skills.
1.2 History

The leading telecommunications operator Grameenphone Ltd. launched its first offshoot company. It is a wholly subsidiary of GP incorporated as a private limited company in January 2010 as a separate legal entity. From GP’s operational backbone, GPIT build competitive business IT solutions and maintain their critical IT infrastructure, allowing Grameenphone to continue giving exceptional services to over 30 million subscribers nationwide.

GPIT is an international B2B company with a profit balance and stable corporate clienteles’ prescription medications right from day one. IT has been established with an experience of more than a decade of excellence and effort to make people’s lives easier. It has highly dedicated IT professionals that specialize in innovative, customized end-to-end solutions. It has targets to be a dominant player on the local market for enterprise grade IT software and managed solutions and recognized globally for quality mobile and enterprise software solutions as well as its support and maintenance.

GPIT already has created the first full activity-based, automated paperless workplace in Bangladesh and creating milestones and industry benchmarks in the way it operates. GPIT’s foremost ambition is to contribute to the growth of the local IT industry. Currently GPIT provides complete managed services to GP. In addition to the telecom industry, the company wants to be successful in banking industry by providing best IT solutions. It has a target to develop the IT business that will improve way of life, increase productivity and efficiency that will take Bangladesh to a brighter future.
1.3 Product and service offerings

GPIT try to provide end-to-end solution for all IT need of the customers. They offer different IT solutions to their customers, which includes-

1.3.1 Solutions:

✔ Mobile Solutions

Mobile solution endow with a range of service that helps the customer to gain competitive technology boundary which will help them showcase business capability and drive business growth. This solution gives the clients the chance to have the latest information at their fingertips.

✔ Enterprise Solutions

Enterprise solutions are intuitive and cost-effective end-to-end solutions to transform clients’ enterprise for outstanding results. These solutions ensure maximization of customer’s IT investment whilst utilizing their human resources effectively. And also provide them with comprehensive support for specialized requirements by working sincerely with their business partners.

✔ Communication Solutions

For easier accessibility to information and enhance the organization’s cross-functional collaboration GPIT has developed communication solutions for the advancing organizations which includes unified communications (UC), PBX solutions, Multimedia and AV services.

✔ Network Solutions

GPIT design and maintain entire network solutions that form the backbone of customers’ business according to the networking requirements to bridge the gaps between connectivity, security and accessibility.

✔ Infrastructure Solutions
Infrastructure solutions include comprehensive range of services for building and maintaining technology assets of the customers.

1.3.2 Services:

- System Integration

GPIT provide services for the infrastructure that will help customers to link infrastructure and data which can help expedite process, business intelligence and reporting objectives.

- IT Consultancy

In IT consultancy they offer consultancy services in the areas of business strategy, disaster recovery, business continuity, operations, security and e-governance.

- Support & Maintenance

Maintenances services are offered for technology and business processes. This includes maintenance of networks, infrastructure, communications and enterprise systems, ensure smooth performance.

- Business Process Outsourcing

Under business process outsourcing GPIT provide economic solutions in carrying most cumbersome and daunting tasks of an organization which is compulsory but carrying high overhead.

1.3.2 Products:

Products offered by GPIT are:

- ERP (Enterprise Resource Planning)
- CRM (Customer Relationship Management)
- Core Banking
- Business Intelligence and Data Warehouse
- Call Center Solutions
- DR & Data Center
1.4 Operational network Organogram

CEO

- Development
  - Architecture, Design & Planning
  - Network Management
- Operations
  - Business Support Systems
  - Business Support System Management
- Commercial
  - Communication Systems
  - Communication System Management
- Finance & CA
  - Enterprise & Financial Systems
  - Enterprise & Financial System Management
- People & Organization
  - People Excellence
  - Reward & Retention
    - Organization Development & Learning
  - Governance & Internal Controls
    - Corporate Affairs
      - Treasury & Financial Management
  - Customer Service
    - Bid Management
    - Project Management
  - Business Support
    - Partnership Management
    - Business Support System Management
  - Infrastructure Management
  - Infrastructure Management
  - Network Management
  - Back Office & Regional Operations
  - Recruitment & Employee Branding
1.5 Vision, Mission & Value

Through their vision GPIT Ltd. hopes to achieve great milestones and with a culture of continuous improvement, they hope to succeed beyond measure.

1.5.1 Vision:

"Become the most reliable Bangladeshi IT company providing best value solutions both locally and globally."

1.5.2 Mission:

"Help transform businesses through best IT solutions to reach new peaks in productivity and efficiency."

1.5.3 Value:

GPIT shares four values with its mother company Grameenphone. The values are:

- Make it easy
- Be inspiring
- Be respectful
- Keep promises
Chapter TWO: JOB
2.1 Description/ nature of the job

I have received the opportunity to work with one of the renowned international IT firm of Bangladesh- Grameenphone IT Limited (GPIT). It was an internship program of 3 months contract with GPIT, which was started from 29 May, 2011 to 28 August, 2011. This internship program is a requirement to complete BUS 400 of BRAC University. The Finance Division is charged with the responsibility of monitoring the activities all financial activities. This includes the Accounts Payable and Payroll functions. In conjunction with this task the Finance Division is responsible for the compilation and administration of budget, the administration of Tax and Vat, internal auditing to insure compliance with all laws, and financial reporting to stakeholders. The finance division of GPIT has six departments, like- treasury, financial reporting, vat and tax and other departments which are related to directing, monitoring, and planning all aspects of the Finance Division. My supervisor ‘Biswajit Roy’ looks after ‘Financial Reporting’ department and my main responsibility was to assist him and others to finish their works smoothly.

2.2 Specific Responsibilities of the Job

A job description is a list that a person might use for general tasks, or functions, and responsibilities of a position. My first day at GPIT was about knowing my task, responsibilities and new environment. I was briefed about my job responsibilities that I have to do throughout my internship. My supervisor informed me about some specific responsibilities that as an intern I have to perform. According to him my responsibilities are:

- Providing help to maintain General Ledger
- Forecasting cash flow
- Preparing monthly and yearly financial statements
- Maintaining updated records for future use and for some important investigation matters
- Filing accounting documents for reporting and reconciliation
- Documenting reports
- Checking and processing payment vouchers
- Checking and posting of vouchers
- Bank relationship management
- Preparing and reviewing Treasury Reports,
- Managing Treasury related issues with internal stakeholders
- Ensuring the proper documentation of every transaction
- Preparing invoices, billings and accounts on cheques
- Summarizing accounting records
- Reporting on the financial status of the business
- Controlling the standing or exposure of the firm cash on the daily basis
- Looking after cash requests on the ad-hoc basis
- Ensuring confidentiality in performing assigned task

Along with above responsibilities my task was to analyze, evaluate and interpret data concerning an organization's financial stability, as well as current and future financial trends. This includes summarizing data to suggest changes or improve current and long-term organizational growth. This involves measuring competitors' financial statistics, as well as performing research and analysis relative to losses.
2.3 Different Aspects of Job Performance

In previous discussion I have mentioned that I was assigned with some specific responsibilities at my first day at GPIT, but throughout my internship period I had to perform some extra responsibilities. In some cases I did not have to perform certain responsibilities. The task I had performed while I was working there are:

1. **Comparative study and ratio analysis:** My first task was to prepare a comparative study between GPIT and the global competitors. Because they wanted to know the current scenario of the company. So I made a excel file which shows the comparative study of GPIT and some Indian IT Companies based on various ratio analysis which include profitability ratio, debt utilization ratio and liquidity ratio.

2. **Company study:** I was given another task to observe and study the Annual Report- 2010 of GPIT, so that I can get a clear view of the company. Then I was asked to prepare a report that includes my thought and overall idea about my understanding.

3. **Management report preparing:** GPIT prepare management report on a monthly basis. And this time I got the chance to prepare the monthly Management Report of May, 2011. For that I had to calculate the revenue & OPEX, revenue & EBITDA and present certain charts to show the scenario. Besides I had to prepare adjusted financials and payable vs. receivable as on May 31, 2011.

4. **Summarizing contract papers:** As a IT Company GPIT often has to prepare contract or sign contract with other party to provide certain IT services or receive any services from other party. My responsibility was to summarize the financial part of the contract so that it helps them to take necessary financial decisions.
5. **Preparing vouchers:** Another task was to prepare vouchers, like purchase requisition vouchers, payment vouchers etc. Based on some terms and condition I had to fill up the vouchers and calculate the final amount of the transaction. I had to make sure every item is included and calculated correctly.

6. **Preparing invoices:** An invoice is a commercial document issued by a seller to the buyer, indicating the products, quantities, and agreed prices for products or services the seller has provided the buyer. My task was to prepare such documents for those parties who have taken IT services from GPIT.

7. **Permission collection and ensure payments of internal and external stakeholders:** Another tricky and crucial work was to ensure payments of internal and external stakeholders of GPIT. This payment includes salary, different allowance including mobile allowance and car allowance, final settlements of the employees who are leaving the job, business trips, and payment to the sellers for furniture, office fixtures and other necessary items required for different IT work. My work was to collect permission from the director panel and ensure that they internal and external stakeholders receive their payments on time.

8. **Bank relationship management:** GPIT is an international organization, so finance division has to do lots of banking works to receive or provide payments from different national and international stakeholders. For that reason they have to maintain a good relationship with banks, as a part of finance division I had to maintain such relationship with Standard Chartered Bank Ltd, Eastern Bank Ltd and some other banks to get important information and enable necessary services on time.

9. **Managing formal banking activities:** Recently GPIT enabled on line banking system and my task was to ensure this whole enabling activities goes on without any problem. Besides all kinds of financial payments and important papers
requires signature from any two members of signatories panel. I had to work complete banking formalities to make a new panel. For that I had to collect required papers, fill those up, collect necessary papers to attach with those papers and submit those to respective banks.

10. Writing cheques and payment permission collection: GPIT often has to give checks to the employees or external stakeholders. For that I had to write cheques without error. Like other important document this cheques also requires signature from any two members of signatories panel. So I had check which two signatories are available, then I had to present the cheque with supporting documents and convince them to sign the cheque.

11. Attending workshop: GPIT arrange quarterly strategic workshop for each division. And it is mandatory for everyone to participate. I got the chance to participate in last workshop and make a summary of the day long workshop so that it can be helpful for the management to identify the areas need to improve and take organizational necessary decision based on the outcome.

12. Research work and research paper: Recently the management of GPIT is thinking of developing new software. They were not sure if it is feasible to start that new project. So they assigned me to do a research work on that matter and asked me to present a research paper on my findings. For that to collect information I had to visit many places and do many research on the information I had collected from internet. Later on I submitted them the research paper.

Besides these works I had to help them to organize a Corporate Iftar Party on 25th August, 2011 at Lake Shore, which includes the customers and some other renowned organizations. On the other hand, besides my regular works an unassigned task work to maintain coordination with inter department and Grammenphone Finance Division.
2.4 Critical Observation and Recommendation

Grameenphone IT Ltd. is a remarkable place to use my academic learning to work life and use that in my future career ahead. I had the chance to reassure my educational learning through many matter-of-fact responsibilities and works. Most important thing I have learned about financial activities, business and economy state of affairs are significantly different from what we see from our inner perspective or experience. From my perspective I can say, I had the most practical experience of finance related terminologies and theories and activities. From preparing financial reports, vouchers and invoices, managing other records to strategic planning I have got the chance to sharpen my learning and competitive skills. This helped me to developed communication skills as I had to communicate with many people and convince the management for payment and other permission; leadership skills as I had to helped them to organize a Iftar Party where I had to lead some people to some works; presentation skills as I often had to present different findings and situation to the management; documentation skills as I had to do the documentation of report and other transaction. Besides all the skills I got the real experience of corporate cultural at GPIT. More above at GPIT I got the chance to work in an open office space where no one has fixed place so anyone can sit anywhere which reduce boredom, as employees do not sit in particular office they get the chance to interact with each other more and it helps to develop good team. Two things I found really interesting about GPIT, one is that they maintain a paperless office, every employee is provided with a laptop where they can do their work, and this also helps them to anywhere they want. Another thing is GPIT Finance Division uses the latest technology for their work, they even installed on line banking system. This helps them to get error free information and enable faster services.

I found almost everything good about GPIT. But some matters are there if they develop those sectors it will be a good addition to their effective and efficient work environment. So I would like to present some recommendations, like:
GPIT do not pay the interns. Sometimes inters have to do many works of the organization that requires payment. So if they can give some remuneration to them will work as a motivator factor.

Although they promise inters to provide transport services, inters of GPIT only get pick service not drop service, so they can manage that.

I was provided with many job responsibilities at my first day at work, but many responsibilities were there which I did not have to do. In fact to some extent I had less work to do, as finance division has to deal with many confidential works. But they can trust inters that they will not disclose the information and can provide more works to them so that the interns get to learns more.

If GPIT can solve above situation and use interns for more works this will help them to get more effective works and new and fresh ideas that will help them to develop their business.
Chapter Three:
Project
3.1.1 Summary

In this report I have prepared a financial study of GPIT and based on that study I have presented a comparative study between GPIT and some Indian IT Companies like: Wipro, Infosys, Satyam and TCS. Financial Analysis refers to the assessment of a business to deal with the planning, budgeting, monitoring, forecasting, and improving of all financial details within an organization. I have prepared this analysis based on some financial statements analysis. This analysis includes: Budgeting and Budget Analysis, Financial Performance Management, Revenue Analysis, Cost Analysis, Expense Analysis, Cash Flow Analysis, Balance Sheet Analysis, Accounts Receivable Analysis, Accounts Payable Analysis, Invoicing and Billing Analysis and Profit and Loss Statements. And based on the analysis I have done ratio analysis of GPIT, which includes: Profitability Ratio, Debt Utilization Ratio, Assets Utilization Ratio and Liquidity Ratio. Under each category there are some sub categories, like under profitability ratio I have measure Profit Margin, Return on Assets and Return on equity. Profit margin of GPIT is 19.65% which is higher than Satyam but lower than other companies. But it is not a bad situation. ROA is 15.31% and this is lower than other companies. I have prepared the Du Pont Analysis of ROA, which shows that GPIT has a high profit margin of 19.65% and a low assets turnover ratio of 0.78, which is a satisfactory scenario. Under ROE part it shows that they have a ratio of 62.72% and they are utilizing higher portion of shareholders’ investment. Like ROA I have prepares Du Pont Analysis of ROE as well, and it shows that a smaller portion of GPIT’s total assets is financed by shareholders’ equity and a larger portion is financed by total liabilities.

I have calculated Assets Utilization Ratios, which includes Inventory Turnover Ratio, Fixed Assets Turnover Ratio and Total Assets Turnover Ratio. Inventory Turnover Ratio
of GPIT for the year 2010 is 6.20 times as it hasn’t been efficient in utilizing their inventory to yield revenue for the company; this is lower than TCS and Wipro but higher than Satyam and Infosys. Fixed Assets Turnover Ratio is 3.63 times as they are not doing effective use of fixed assets. This ratio is higher than Wipro but lower than other three companies. Total Assets Ratio is 0.78 times and they have not been much efficient in managing its total assets to generate revenue compared to other IT firms.

Under Liquidity analysis Ratio I have calculated and presented comparative study based on current ratio and quick ratio. Here current ratio of GPIT is lowest among IT Companies but for GPIT it is gives a positive result. On the other hand quick ratio is really lower that other companies and it indicates that unlike other four companies it GPIT would need to liquidate some of its inventory if it wants to pay off all its current liabilities.

My calculation and comparative study of Debt Utilization Ratio includes Total Debt Ratio, Financial Charges Coverage and Debt/Equity Ratio. Here Total Debt Ratio and Debt/Equity Ratio are higher than Wipro, Satyam, Infosys and TCS. This indicates most of the company's assets are financed through debt and it has the ability to pay off equity using its debt.

Based on the finding and study I can say that, although GPIT is one of the known IT Company of Bangladesh but it still has long way to go to reach to the position where other Indian IT Companies are in. in fact GPIT has the potentiality to reach the pick.
3.1.2 Objective

Our objectives of the project is-

- To know about the IT industry.
- To get detailed information about GPIT.
- To gain knowledge about their market position and strategies.
- To learn about their current financial process and position
- To compare with other Asian giant IT companies and gets a clear picture of GPIT’s current situation.

3.1.3 Scope

I have prepared the report to evaluate financial performance of GPIT and based on the financial performance I have made comparative study of GPIT, Wipro, Infosys, Satyam and TCS.
3.1.4 Methodology

The internship report has been written on the basis of information collected from primary as well as secondary sources.

3.1.4.1 Primary Data Collection

The main source of the primary data collection of my report was my discussion with my supervisor Biswajit Roy; he is a specialist of Finance Division of GPIT. He helped me to collect the essential & vital information to make my internship report.

3.1.4.2 Secondary Data Collection

The secondary data collection I have collected from several kinds of sources.

➢ *Sources of Data /information*

Data has been collected from secondary sources. Necessary data and information has been collected by the following sources:

1. Annual Report-2010 of Grameenphone IT LTD.
2. Newspapers and journals.
3. Internet and websites.

➢ *Methods of Data Collection*

Data has been collected from secondary sources. Reviewing the materials i.e. Policy and guidelines, visiting to the concern internet website was the methods of data collections. The data and information has been collected fully form secondary information. By-
1. Observation
2. Analysis
3. Examine the tools and the Systems.

3.1.5 Limitation

There have been some limitations of the report which are given below:

**Data insufficiency:** Data insufficiency has been a major problem of this report. Due to this reason I couldn’t compare performance of GPIT with local firms. Also I had to include IT firms only from India due to same reason. Another insufficiency relating data collection was that I only had GPIT annual report 2010 which prevented us from incorporating any time series or panel analysis in the report.

**Data credibility:** Data credibility has also been a problem in this report. Data regarding ratios of various Indian IT firms have been collected from a particular website. So we couldn’t calculate the ratios of those companies by ourselves. This problem is evident in the figures of investment valuation ratios for different Satyam. Operating profit per share of Satyam is quite low but net operating profit per share was really high. Even if we consider the fact that expense between operating profit and profit before interest and tax has been much lower for Satyam compared to other firms, this phenomenon wasn’t evident in the profitability ratios of Satyam. All of its profitability ratios have been consistently low compared to other firms. So this was another limitation of the report.
3.1.6 Bangladesh IT Market Scenario

IT Industry in Bangladesh is relatively small compared to Bangladesh’s total GDP nearing USD100 Billion. Twenty years ago the IT industry was predominantly a hardware vendors market with little or no value addition locally. The information technology industry in Bangladesh has gradually come of age and today accounts for USD300 million in annual revenues. It is still a tiny blip compared to a GDP nearing USD100 billion.

Total size of the IT industry now is USD 300 Mn as per BASIS. Today, Bangladesh has now more than 20,000 IT professionals engaged with over 500 software and ITES companies. Among them 100 companies currently export their products to more than 30 countries. BASIS is expecting the government will allocate 5 percent budget of annual development program for the IT sector. Software and ITES industries in Bangladesh have started growing rapidly. The average yearly growth rate is over 40% for recent five years.

Source: BASIS

A majority of the clients of Bangladeshi companies are exporting to NA, EU countries, East Asian countries and Japan. The core strengths of Bangladesh ICT sector is the young people. However skilled IT resource crunch and brain drain are also threats for this industry. India, Philippines, China, Vietnam, Ukraine are the major competitors of Bangladesh IT companies. The cost of internet access is relatively high and currently there is no other diversified national connectivity option available.
The public sector is the largest domestic segment for IT Companies in Bangladesh. World Bank and Govt. is seriously taking initiatives towards public IT projects for instances project like. E-governance, office automation etc. Market size for Mobile Banking is the biggest (48 Mn) where as ERP and DC-DR are the second largest (18 Mn each).

Source: BASIS
3.1.7 Competitive Scenario of GPIT

Local competition

Local software development market is very fragmented with Southtech being the largest with 200 people and the rest having less than 100 developers. That makes GPIT division already the largest software developer in Bangladesh. The competitors will have a certification & cost advantage on GPIT, but a significant disadvantage in quality perception and experience with enterprise maintenance.

Global competition

Globally a significant number of competitors can be found. The most notable are the “big four” Indian outsourcing companies TATA, Infosys, WIPRO and Satyam. In addition several of the consulting companies like IBM, Accenture etc are providing services to their customers through own Indian operations. The competition must be considered as significant; however GPIT will have a generic cost advantage especially in Bangladesh market. Other companies like Philippines, China, Vietnam, and Ukraine are also major competitors of Bangladesh IT companies.

Competition amongst direct competitors

For the mobile solutions the competition is reasonably week as there are plenty of opportunities. The same is, to some extent, true for the managed solutions on the local market, but here there are close to no competitors. For general outsourcing GPIT will be competing / be compared with companies like Wipro, TCS, and Infosys.
3.1.8 SWOT Analysis

Strengths

• Existing technical skills and experience
• Strong footprint in Telco domain
• Opportunity to leverage GP’s corporate customer base
• 24&7 Customer Service nation wide
• Partnership with IT giants
• Internal resource capability to provide solution in multiple business areas with multiple skill sets

Opportunities

• Growing local demand for IT
• Digital Initiatives by government
• Global demand for low cost resource & IT Service
• Opportunity within Telenor Group & through Partner
• Need for a market leader in Bangladesh IT Industry

Weaknesses

• Inexperience in providing solutions to external customers as IT company & outsource project management
• Lack of solution competency in domains other than Telco
• Development & process standardization readiness
• Lack of customer reference

Threats

• Lack of supply for skilled IT resources in Market
• Global player in local market (Wipro, Samsung)
• Potential competition from local companies
• Regulatory changes & political instability
Foreign currency restrictions

3.1.9 SWOT Matrix

GPIT Strategy to tackle threats and achieve opportunities:

- Competency development based on the upcoming demands & trends
- Collaboration with local companies and competitors for industry development
- Collaboration with universities and training institutions for skilled & ready workforce
- Strong involvement with Government, BASIS, BGMEA to utilize it in modifying industry policy & regulation for its favor

GPIT Strategy to utilize strengths and overcome weakness:

- Quick utilization of low hanging fruits where both demands and competency match
- Proactive marketing & aggressive sales visit to the target verticals for local market & Telco domain for global market
- Identification & implementation of cost & efficiency project within organization
- Training & capability development for new team with increasing efficiency
- Revise benefit policy in alignment with industry average
- Immediate concentrate on the being full complaint with standardization in order to bring efficiency in process.
Financial analysis refers to an assessment of the viability, stability and profitability of a business. Typically, financial analysis is used to analyze whether an entity is stable, solvent, liquid, or profitable enough to be invested in. It is prepared using ratios that make use of information taken from financial statements like income statement, balance sheet, and cash flow statement. This analysis is presented to top management as one of their bases in making business decisions.

Here I have analyzed financial situation of GPIT and presented a comparative study between GPIT and other competitors based on ratios into four categories. Those are:

a. Profitability ratios
b. Asset utilization ratios
c. Liquidity ratios and
d. Debt utilization ratios
3.2.1.1 Profitability Ratio Analysis

With the help of financial ratios we can determine a firm’s strength to generate revenue compared to the costs incurred in the process. Higher profitability ratio would indicate that firm has the ability to generate more revenue compared to the incurred costs and vice versa. In this report we will focus on the following profitability ratios:

- Profit margin
- Return on assets
- Return on equity

3.2.2.1 Profit margin

The equation that needs to calculate profit margin is:

\[
\text{Profit margin} = \frac{\text{Net Income}}{\text{Revenue}}
\]

<table>
<thead>
<tr>
<th>Revenue (TK)</th>
<th>Net Income (TK)</th>
</tr>
</thead>
<tbody>
<tr>
<td>642007224</td>
<td>126175141</td>
</tr>
<tr>
<td>Profit Margin:</td>
<td>19.65%</td>
</tr>
</tbody>
</table>

This ratio helps us to compare a firm’s net profit with its revenue generated over a particular period of time. For example, a particular firm’s net profit margin turns out to be 8.9%, then it would mean that after considering all the expenses and revenues the company has been able to yield tk8.9 worth of net profit out of every tk100 worth of revenue. GPIT has a profit margin of 19.65%, which indicates that after considering all
the expenses and revenues the company has been able to yield TK19.65 worth of net profit out of every TK100 worth of revenue.

**Comparative analysis of Profit Margin:**

Profit margin of GPIT and other global IT competitors are:

<table>
<thead>
<tr>
<th></th>
<th>GPIT</th>
<th>Infosys</th>
<th>Satyam</th>
<th>TCS</th>
<th>Wipro</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit Margin</td>
<td>19.65%</td>
<td>26.36%</td>
<td>-1.37%</td>
<td>24.13%</td>
<td>20.97%</td>
</tr>
</tbody>
</table>

As it’s evident from the chart GPIT’s net profit margin figure is better than Satyam but lower than other three firms. But still the figure isn’t small enough to cause an alarm for the company. It means that GPIT generated some moderate level of net profit out of its revenue compared to other IT firms.
3.2.2.2 Return on Assets

The equation that needs to calculate return on assets is: Return on Assets = (Net income / Total assets)

<table>
<thead>
<tr>
<th>Return on Assets</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets (TK)</td>
<td>Net Income (TK)</td>
</tr>
<tr>
<td>824089355</td>
<td>126175141</td>
</tr>
<tr>
<td>Return on Assets:</td>
<td>15.31%</td>
</tr>
</tbody>
</table>

Return on assets or ROA gives us an idea about how the firm has utilized its assets to generate its net income. Higher value would indicate better utilization of assets. For example ROA value of 25% would mean that for every TK100 worth of assets revenue generated by the firm is TK25. GPIT has a ROA of 15.31% which means that every TK100 worth revenue generated by the firm is TK15.31.
Comparative analysis of Return on Assets:

Return on assets of GPIT and other global IT competitors are:

<table>
<thead>
<tr>
<th></th>
<th>GPIT</th>
<th>Infosys</th>
<th>Satyam</th>
<th>TCS</th>
<th>Wipro</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROA</td>
<td>15.31%</td>
<td>384.02%</td>
<td>19.53%</td>
<td>76.72%</td>
<td>120.49%</td>
</tr>
</tbody>
</table>

Infosys has the highest ROA among all five firms so it means that they have been able to most net income utilizing their assets compared to other firms. GPIT’s ROA stands at 15.31% which lowest among all the companies.
Du Pont Analysis of ROA

The Du Pont Company was a forerunner in stressing that satisfactory return on assets may be achieved through high profit margins or rapid turnover of assets, or a combination of both. The Du Pont system causes the analyst to examine the sources of a company’s profitability. Since the profit margin is an income statement ratio, a high profit margin indicates good cost control, whereas a high asset turnover ratio demonstrates efficient use of the assets on the balance sheet.

<table>
<thead>
<tr>
<th>Total Assets (TK)</th>
<th>Revenue (TK)</th>
<th>Net Income (TK)</th>
</tr>
</thead>
<tbody>
<tr>
<td>824089355</td>
<td>642007224</td>
<td>126175141</td>
</tr>
</tbody>
</table>

Profit Margin: 19.65%
Assets Turnover: 0.78
ROA: 15.31%

Different industries have different operating and financial structure. For example, in the heavy capital goods industry the emphasis is on high profit margin with a low asset turnover- whereas food processing, the profit margin is low and key to satisfactory returns on total assets is a rapid turnover of assets. Based on above calculation it shows as an IT company GPIT has a high profit margin of 19.65% and a low assets turnover ratio of 0.78, which is a satisfactory scenario.
3.2.2.2 Return on Equity

The equation that needs to calculate return on equity is:

\[
\text{Return on equity} = \frac{\text{Net income}}{\text{shareholders’ equity}}
\]

<table>
<thead>
<tr>
<th>Shareholders’ Equity (TK)</th>
<th>Net Income (TK)</th>
</tr>
</thead>
<tbody>
<tr>
<td>201175141</td>
<td>126175141</td>
</tr>
</tbody>
</table>

Return on Equity: 62.72%

This ratio helps us to understand how much revenue the company has generated utilizing the money invested by its shareholders. Again higher value would mean better utilization of shareholders invested money and vice versa. For example 35% ROE would mean that the firm has generated TK35 revenue utilizing every TK100 worth of shareholders’ investment. And according to the calculation GPIT has a ROE of 62.72%, which means that it has generated TK62.72 revenue utilizing every TK100 worth of shareholders’ investment.
**Comparative analysis of Return on Equity:**

Return on equity of GPIT and other global IT competitors are:

<table>
<thead>
<tr>
<th></th>
<th>GPIT</th>
<th>Infosys</th>
<th>Satyam</th>
<th>TCS</th>
<th>Wipro</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROE</td>
<td>62.72%</td>
<td>26.33%</td>
<td>-3.09%</td>
<td>37.30%</td>
<td>27.68%</td>
</tr>
</tbody>
</table>

Quite interestingly GPIT has the highest ROE which exceeds other firms ROE by a high margin. It may be resulted due to the fact that a smaller portion of GPIT’s total assets is financed by shareholders’ equity and a larger portion is financed by total liabilities. This factor may explain this phenomenon. But definitely GPIT’s shareholders’ would happy about that as it means more return for them compared to other firms’ shareholders.
Du Pont Analysis of Return on Equity

The DuPont System of Analysis merges the income statement and balance sheet into two summary measures of profitability: Return on Equity (ROE).

<table>
<thead>
<tr>
<th>DU Pont Analysis of ROE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ROA:</strong> Return on Assets/ (1 - Debt/Assets)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Assets (TK)</th>
<th>Debt (TK)</th>
<th>Net Income (TK)</th>
</tr>
</thead>
<tbody>
<tr>
<td>824089355</td>
<td>622914214</td>
<td>126175141</td>
</tr>
</tbody>
</table>

| ROA: 15.31% |
| Debt/Assets: 0.76 |
| ROE: 62.72% |

The equation which represents a modified or second version of the Du Pont formula is:

\[
ROE = \frac{ROA}{(1 - Debt/Assets)}
\]

GPIT has a ROE of 62.72%, which is highest than the other IT competitors. Thus the owners of GPIT are more amply rewarded than other shareholders in industry. This may be the result of one or two factors: a high return on total assets or a generous utilization of debt or a combination thereof. This does not necessarily mean debt is a positive influence, only that it can be used to boost return on equity. The ultimate goal of any firm is to achieve maximum valuation for its securities in the market place, and this goal may or may not be advanced by using debt to increase return on equity. Because debt represents increased risk, a lower valuation of higher earnings is possible.
3.2.3 Assets Utilization Ratio Analysis

These ratios are useful to develop an idea about management’s efficiency in running a particular organization. It helps us to determine how well the management is using its assets and liabilities to generate revenue or to operate various functions of the organization. Following ratios will be used in this regard:

- Inventory Turnover Ratio
- Fixed Assets Turnover Ratio
- Total Assets Turnover Ratio

3.2.3.1 Inventory Turnover

The equation that needs to calculate inventory turnover ratio is:

\[
\text{Inventory turnover ratio} = \frac{\text{Revenue}}{\text{Inventory}}
\]

<table>
<thead>
<tr>
<th>Inventory Turnover</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue (TK)</td>
</tr>
<tr>
<td>642007224</td>
</tr>
<tr>
<td><strong>Inventory Turnover</strong></td>
</tr>
</tbody>
</table>

This ratio helps us to determine how well the company is using its inventory to generate its revenue. For example inventory turnover ratio of a particular company is 15 then it would mean that the company is earning TK15 worth of revenue for every TK1 worth of inventory. According to the calculation GPIT has a turnover of 6.20 times, which means it is earning TK6.20 worth of revenue for every TK1 worth of inventory.
**Comparative analysis of Inventory Turnover Ratio:**

Inventory turnover of GPIT and other global IT competitors are:

<table>
<thead>
<tr>
<th></th>
<th>GPIT</th>
<th>Infosys</th>
<th>Satyam</th>
<th>TCS</th>
<th>Wipro</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventory Turnover</td>
<td>6.20</td>
<td>4.77</td>
<td>0.00</td>
<td>3,398.94</td>
<td>45.4</td>
</tr>
</tbody>
</table>

Inventory turnover ratio of GPIT is higher than Infosys and Satyam but is very lower than TCS and Wipro, which means that it hasn’t been efficient in utilizing their inventory to yield revenue for the company. It may be resulted due to unused or poorly used inventories. TCS has been very efficient in this regard and leads the comparison by a large margin.
3.2.3.2 Fixed Assets Turnover Ratio

The equation that needs to calculate fixed assets turnover ratio is:

\[
\text{Fixed assets turnover ratio} = \frac{\text{Revenue}}{\text{Fixed assets}}
\]

<table>
<thead>
<tr>
<th>Revenue (TK)</th>
<th>Fixed Assets (TK)</th>
</tr>
</thead>
<tbody>
<tr>
<td>642007224</td>
<td>176822402</td>
</tr>
</tbody>
</table>

Fixed Assets Turnover Ratio 3.63 Times

With the help of fixed assets turnover ratio we can have a understanding about management’s efficiency in utilizing the company’s fixed to generate revenue over a particular period of time. For example, a company’s fixed assets turnover ratio is 2.3 which would indicate that the company has the ability to generate TK2.3 worth of revenue by using every TK1 worth or fixed assets. According to the calculation GPIT has a fixed assets turnover of 3.63 times, which means has the ability to generate TK3.63 worth of revenue by using every TK1 worth of fixed assets.
Comparative analysis of Fixed Assets Turnover Ratio:

Fixed assets turnover ratios of GPIT and other global IT competitors are:

<table>
<thead>
<tr>
<th>Fixed Assets Turnover Ratio</th>
<th>GPIT</th>
<th>Infosys</th>
<th>Satyam</th>
<th>TCS</th>
<th>Wipro</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3.63</td>
<td>4.77</td>
<td>6.99</td>
<td>4.74</td>
<td>3.47</td>
</tr>
</tbody>
</table>

Fixed assets turnover ratio is also poor for GPIT which again indicates its inefficiencies in managing it fixed assets to yield revenue for the company. Interestingly Satyam’s fixed assets turnover ratio is very high whereas its inventory turnover ratio was really poor. This may be a result of the fact that inventory comprises a much greater portion of its total assets and fixed assets constitutes much smaller portion of the total assets.
3.2.3.3 **Total Assets Ratio**

The equation that needs to calculate total assets ratio is:

\[
\text{Total assets turnover ratio} = \frac{\text{Revenue}}{\text{Total assets}}
\]

<table>
<thead>
<tr>
<th>Revenue (TK)</th>
<th>Total Assets (TK)</th>
</tr>
</thead>
<tbody>
<tr>
<td>642007224</td>
<td>824089355</td>
</tr>
</tbody>
</table>

**Total assets Turnover Ratio** 0.78 Times

Like the previous cases by using this we can develop an idea about how well the company is utilizing its total assets to generate revenue. According to the calculation GPIT has a total assets turnover of 0.78 times, which means has the ability to generate TK0.78 worth of revenue by using every TK1 worth of total assets.
Comparative analysis of Total Assets Ratio:

Total assets ratios of GPIT and other global IT competitors are:

<table>
<thead>
<tr>
<th>Total Assets Ratio</th>
<th>GPIT</th>
<th>Infosys</th>
<th>Satyam</th>
<th>TCS</th>
<th>Wipro</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets Ratio</td>
<td>0.78</td>
<td>1.00</td>
<td>1.42</td>
<td>1.52</td>
<td>0.99</td>
</tr>
</tbody>
</table>

Total assets turnover ratio is again low for GPIT as both inventory turnover ratio and fixed assets turnover ratio were low for GPIT. TCS’s ratio is high due to a higher fixed assets turnover ratio. So this figure implies that TCS has been much efficient in managing its total assets to generate revenue compared to other IT firms.
3.2.4 Liquidity Ratio Analysis

Liquidity ratio can be used to determine a company’s ability to pay off its short term debt obligations. So, naturally higher liquidity ratio would indicate firm’s strength to meet up its short term obligations. However, too high value of liquidity ratio might advocate a different sort of weakness of the company. If the liquidity ratio of a particular company is too high then it would mean that it hasn’t been efficient in utilizing its short term assets and a greater portion of its short term assets has remained idle and unused. In this segment we will use the following liquidity ratios to compare the performance of GPIT with some other foreign firms:

- Current Ratio
- Quick Ratio

3.2.4.1 Current Ratio

The equation that needs to calculate current ratio is:

Current ratio = (Current Assets / Current Liabilities)

GPIT’s current ratio is:

<table>
<thead>
<tr>
<th>Current Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Assets (TK)</td>
</tr>
<tr>
<td>647266953</td>
</tr>
<tr>
<td>Current Ratio</td>
</tr>
</tbody>
</table>

Normally, if the value of the current ratio is more than 1 then it would mean that the company can pay off its current obligations utilizing its current assets which would in
turn indicate the firm’s solvency. And here the current ration of GPIT is 1.04, so it means it has the ability to pay off the current obligation.

**Comparative analysis of Current Ratio:**

Current ratios of GPIT and other global IT competitors are:

<table>
<thead>
<tr>
<th></th>
<th>GPIT</th>
<th>Infosys</th>
<th>Satyam</th>
<th>TCS</th>
<th>Wipro</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Ratio</td>
<td>1.04</td>
<td>4.28</td>
<td>2.04</td>
<td>1.49</td>
<td>1.33</td>
</tr>
</tbody>
</table>

From the table and the chart we can see that GPIT has the lowest current ratio among the five IT companies. It might not necessarily be an alarming matter for GPIT as the ratio is still over 1 which means that the firm can pay off all its current liabilities using its current assets.
3.2.4.2 Quick Ratio

Quick ratio = [(Current Assets – Inventory) / Current Liabilities]

GPIT’s quick ratio is-

<table>
<thead>
<tr>
<th>Current Assets (TK)</th>
<th>Inventories (TK)</th>
<th>Current Liabilities (TK)</th>
</tr>
</thead>
<tbody>
<tr>
<td>647266953</td>
<td>103488179</td>
<td>622914214</td>
</tr>
<tr>
<td><strong>Quick Ratio</strong></td>
<td><strong>0.87</strong></td>
<td></td>
</tr>
</tbody>
</table>

Quick ratio is another measure of firm’s solvency. It measures whether firm can meet up it current liabilities without liquidating its inventories or not. Quick ratio value of more than 1 would mean that firm can pay off its current obligations without liquidating its inventories and values lower that 1 would mean firms insolvency in this regard. Here GPIT has a qiock ratio of 0.87, which is lower than 1. This means it is not that much solvent to pay off its current debts.
Comparative analysis of Quick Ratio:

Quick ratios of GPIT and other global IT competitors are:

<table>
<thead>
<tr>
<th></th>
<th>GPIT</th>
<th>Infosys</th>
<th>Satyam</th>
<th>TCS</th>
<th>Wipro</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quick Ratio</td>
<td>0.87</td>
<td>4.2</td>
<td>2.04</td>
<td>1.48</td>
<td>2.26</td>
</tr>
</tbody>
</table>

Quick ratio of GPIT is also the lowest among all four IT firms and it’s lower than 1. All other firms have a quick ratio more than 1, so it seems that GPIT would need to liquidate some of its inventory if it wants to pay off all its current liabilities which other IT firms wouldn’t need to do.
3.2.5 Debt Utilization Ratio Analysis

Debt utilization ratios are used to evaluate the firm's debt position. It allows the analyst to measure the prudence of the debt management policies of the firm. In this segment we will use the following ratios to compare the performance of GPIT with some other foreign firms:

- Total Debt Ratio
- Financial Charges Coverage
- Debt/Equity Ratio

3.2.5.1 Total Debt Ratio

The equation that needs to calculate total debt ratio is:

Total Debt Ratio = (Total Debt / Total Assets)

<table>
<thead>
<tr>
<th>Total Liabilities (TK)</th>
<th>Total Assets (TK)</th>
<th>Total Debt Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>622914214</td>
<td>824089355</td>
<td>75.59%</td>
</tr>
</tbody>
</table>

Debt Ratio is a financial ratio that indicates the percentage of a company's assets that are provided via debt. It is the ratio of total debt which is the sum of current liabilities and long-term liabilities and total assets which is the sum of current assets, fixed assets, and other assets such as 'goodwill'. The higher the ratio, the greater risk will be associated with the firm's operation. In addition, high debt to assets ratio may indicate low...
borrowing capacity of a firm, which in turn will lower the firm's financial flexibility. GPIT has a ratio of 75.59% which indicates that it has a lower borrowing capacity.

**Comparative analysis of Total Debt Ratio:**

Total debt ratios of GPIT and other global IT competitors are:

<table>
<thead>
<tr>
<th></th>
<th>GPIT</th>
<th>Infosys</th>
<th>Satyam</th>
<th>TCS</th>
<th>Wipro</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Debt Ratio</td>
<td>75.59%</td>
<td>0.00%</td>
<td>1.18%</td>
<td>0.24%</td>
<td>23.81%</td>
</tr>
</tbody>
</table>

Among all five IT companies GIPT has the highest debt ratio which means most of the company's assets are financed through debt. Which is a alarming situation as company with high debt/asset ratios are said to be "highly leveraged," not highly liquid as stated above. A company with a high debt ratio (highly leveraged) could be in danger if creditors start to demand repayment of debt.
3.2.5.2 Financial Charges Coverage

The equation that needs to calculate financial charges coverage is:

Financial Charges Coverage = (Profit before interest and tax / Fixed Charges)

This can be used to determine how easily a company can pay fixed charges on outstanding debt. The lower the ratio, the more the company is burdened by debt expense. This ratio below 1 indicates the company is not generating sufficient revenues to satisfy interest expenses. GPIT has a fixed charges coverage of 191.50 times which indicates that company is not burdened by debt.
Comparative analysis of Financial Charges Coverage:

Financial charges coverage of GPIT and other global IT competitors are:

<table>
<thead>
<tr>
<th></th>
<th>GPIT</th>
<th>Infosys</th>
<th>Satyam</th>
<th>TCS</th>
<th>Wipro</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Charges Coverage</td>
<td>191.50</td>
<td>4,116.50</td>
<td>10.25</td>
<td>723.63</td>
<td>59.48</td>
</tr>
</tbody>
</table>

Here it shows that Infosys has the highest fixed charges coverage, where GPIT has higher fixed charges coverage than Satyam and Wipro.
3.2.5.3 Debt/Equity Ratio

The equation that needs to calculate debt/equity ratio is:

Debt equity ratio = (Total Liabilities / Shareholders Equity)

<table>
<thead>
<tr>
<th>Debt/Equity Ratio</th>
<th>Owner's Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Liabilities (TK)</td>
<td>TK</td>
</tr>
<tr>
<td>622914214</td>
<td>201175141</td>
</tr>
<tr>
<td>Debt/Equity Ratio</td>
<td>3.10</td>
</tr>
</tbody>
</table>

Debt equity ratio can be used to measure a firm’s solvency. It indicates that debt equity ratio value of more than 1 would indicate firm’s ability to pay off all its debt utilizing its shareholders equity. It also helps us to understand company’s method of financing its overall operation. GPIT has a ratio of 3.10 which indicates that it has the ability to pay off Debt using its equity.
Comparative analysis of Debt/Equity Ratio:

Debt/equity ratios of GPIT and other global IT competitors are:

<table>
<thead>
<tr>
<th></th>
<th>GPIT</th>
<th>Infosys</th>
<th>Satyam</th>
<th>TCS</th>
<th>Wipro</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt/Equity Ratio</td>
<td>3.10</td>
<td>-</td>
<td>0.02</td>
<td>0.01</td>
<td>0.31</td>
</tr>
</tbody>
</table>

GPIT’s debt equity ratio is much higher than other firms whereas Wipro, which has the second greatest debt equity ratio. So these figures clearly show that GPIT has used liabilities more extensively that its equity to finance its assets compared other IT firms in the discussion.
Conclusion

I have tried to evaluate the performance of GPIT and present a comparative study between GPIT and other IT companies of Asia based on various financial ratios and comparing those with three foreign IT firms. There have some interesting findings in the report, one of them is the fact that GPIT’s profitability ratios like gross profit margin, ROA and especially ROE have been quite higher like other firms but their efficiency ratios like inventory turnover ratio, fixed asset turnover ratio have been quite low. This might seem a bit contradictory at first look but in fact it isn’t so. A closer look at the profitability ratios will give an idea that all the profitability ratios of GPIT top the list except ROA. But ROE remained high due to heavy reliance on liabilities which created a financial leverage and did boost up ROE figure. So based on these findings a conclusion can be drawn that GPIT hasn’t been efficient in managing their assets to generate revenue in the last year but still their profitability ratios were high because they have been able to manage their expenses in an efficient manner. These activities might have caused such variations in profitability ratios and management efficiency ratios. There are some more interesting findings, like- even though GPIT showed high reliance on liabilities to finance their assets they had absolutely no long term debt in the year 2010. So, high percentage of their assets have financed through current liabilities. There have also been some noticeable findings of Satyam and Wipro regarding their management efficiency ratios. Inventory turnover ratio of Wipro has a very high figure but fixed assets turnover ratio and total assets turnover ratio are really poor. This might have resulted due to the fact that inventory comprises very small portion of Wipro’s total assets. Satyam’s case is just the opposite, their inventory turnover ratio is poor but fixed assets turnover ratio is very high. So their fixed assets might comprise a small portion of their total assets compared to inventories. Satyam’s profitability ratios have been consistently low compared to other firms and their ROE wasn’t promising even though they had a high long term debt equity ratio compared to other IT firms. The reason is that even though Satyam’s long term debt ratio was much higher their debt equity ratio wasn’t
so, which means that they didn’t rely heavily on liabilities to finance their assets. Long term liability comprised a high portion of the total liability but liability itself wasn’t used extensively to finance their assets. That’s why ROE remained low even though long term debt equity was high. So, based on the discussion it can be conclude that GPIT’s performance in the year 2010 was bad compared to those other IT firms and especially if we consider the fact that GPIT is a new IT firm in the market. In the 2010 GPIT managed their expenses in a pretty efficient as it has been shown in this report but their asset management strategies haven’t been that much efficient. So if the firm focuses on improving those areas where their inefficiencies lie and keep up the good work they did in 2010, then it may be safe to say that GPIT has a sound future ahead and might well be one of leaders in the IT market of South-East Asia.
Reference

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Thank You