



# **A STUDY ON FINANCIAL PERFORMANCE ANALYSIS OF TATA CONSULTANCY LIMITED**

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## **ABSTRACT**

The global economy may be expanding, but the Indian software industry is still expanding at a steady rate. As part of the larger business finance role, financial analysis entails looking at historical data to learn more about a company's present and future financial health. IT has a great potential to be an engine of accelerated economic growth, efficiency, improvement for all economic sectors, strengthening India's export market position, reducing trade deficit, and a tool for effective governance. It improves access to information, safeguards consumers, offers access to government services, increases the effectiveness of skill development and training, enhances the liberation of health services, and encourages simplicity. According to the results of the current study, Tata Consultancy Services underwent "A study on financial condition and performance analysis with special reference to Tata Consultancy Services" during a five-year period from 2017–2018 to 2021–2022. The information was taken from the company's annual reports, and books and journals were used to gain more pertinent material. The researcher used Tata Consultancy Services for their study in order to understand the financial ratio in the IT sector. The purpose of this research paper is to determine the financial stability of "TATA CONSULTANCY SERVICES" by analysing the data with the aid of various accounting and statistical approaches.

**Keywords:** Financial analysis, Economic growth, IT sector, Financial ratio

## **INTRODUCTION**

Finance is the key that unlocks all the production and merchandising opportunities. For the preparation and administration of financial decisions, financial success is critical. It is a method of determining how well a firm uses its assets from its core business mode to generate money, as well as a method of determining an organization's overall financial health over time.

Every business large, medium and small requires funding to continue its operations. Finance is very important nowadays that it is rightfully referred to as the "living blood" of businesses. No business can survive for a long time without enough funding. As a result, the study of financial performance is critical, as it is the process of calculating the financial results of a company's operations.

Financial performance analysis is the process of determining a company's financial strengths and weaknesses by correctly defining the relationship between balance sheet and profit and loss account components. It also aids in short-term and long-term forecasting, as well as the identification of growth through the use of various financial techniques in financial performance analysis. In the development of the Indian economy, the bank plays a critical role. In emerging countries, a sound and efficient banking sector provides the required financial inputs to the economy. It also assesses performance of an organisation is concerned with the bank's financial strengths and weaknesses, as well as the relationship between the balance sheet and the income statements.

## **COMPANY PROFILE**

Tata consultancy services (TCS) is one of the leading Information Technology sector companies of India and among the top 10 technology firms in the world. It has been growing rapidly for the last couple of years. TCS adds numerous value to global organisation through domain expertise as well as solutions with enormous success in the field of technology sector. TCS is an Indian multinational information technology (IT) services and consulting company with its headquarter in Mumbai, Maharashtra. TCS is a parent organization of the Tata Group. Additionally it is listed in Bombay Stock Exchange and National Stock Exchange of India. Tata consultancy services limited is one of the largest India-based IT services companies as it operates in 150 locations across 46 countries. It was founded by JRD TATA in 1968. The chairman of Tata Group is Natarajan Chandrasekaran while its Chief Executive Officer (CEO) and Managing Director (MD) is Rajesh Gopinathan. TCS has been providing largest numbers of employment for the last two decades with around 606,331 employees as of January 2023, out of which around 93% of Indians, 7% of are non-Indians, with 35.5% of women workforce in it. TCS' employee cost in the December quarter has surged more than 19% year-on-



year(YOY) to Rs.32,467 crore in quarter three of financial year 2023 as compared to Rs. 27,168 crore in the same quarter a year ago period. Its operating margin at 24.5%, net Income at Rs. 10,846 crore while Net cash from operations at Rs. 11,154 crore. Furthermore its LTM IT services attrition rate has been at 21.3%. According to Tata Consultancy services' latest financial reports the current revenue of company is \$27.18 as of December 2022-23, which was \$24.93 B in the year of March 2021. Total Dividend per share of Rs. 75 per share including Rs. 67 as special dividend has been paid out by the company.

## **REVIEW OF LITERATURE**

**A. R. Dave & D. R. Shah (2018)** conducted a study on financial performance analysis of Indian Companies in Information Technology sector of selected five companies for the period of ten years by using significant information in both absolute and relative manner, the paper inferred that with increase in sales they have efficient working capital and are more equity driven.

**P. Bhargava (2017)** worked upon financial performance analysis of Information Technology Industry of India compared the performance of the said two companies in a broad aspect by taking information of five years along with applying the principle of hypothesis testing, suggested that when compared to Wipro Ltd. Infosys was better financial performance, though it was not an alarming situation for Wipro Ltd.

## **STATEMENT OF THE PROBLEM:**

TCS is one of the companies which has been survived in every situation as it was massively impacted during the COVID19. It had extended its operation worldwide through providing best Information Services and Solutions. However, the company has faced many problems in the recent past times- downsizing the employees, minimizing the operations, sacked out the employees to cut the costs. Even through the IT companies charge a huge amount for software development, the pay and perquisites provided to the employees are considerably high. The overall financial performance is an important factor which indicates the growth of a company that comprises growth rate, trend value and efficiency. Hence, this study made an attempt to analyse the financial performance of the Tata Consultancy Services limited.

## **SCOPE OF THE STUDY**

The IT industry can be a serve as a middle of e-governance, as it provides easy convenience to information. The use of information technology in the service sector improves operation efficiency and adds to transparency. It also serves as a middle of skill structure. Growth of IT sector gets awareness from everywhere. Example: job-seekers, Investors, government, competitors etc, and all requirements financial analysis of the companies for different purposes. Hence this research paper presents "A study on financial performance analysis of Tata Consultancy Services Limited".

## **OBJECTIVE OF THE STUDY**

To study the financial position and performance analysis of Tata Consultancy Services limited.

## **RESEARCH METHODOLOGY**

The main objective of the study is to find out the financial performance analysis of Tata Consultancy Services. The study is purely based on the secondary data. The researcher has used various methods for analysing financial statement to determine the overall performance of the company.

## **PERIOD OF THE STUDY**

The study covers the period of five financial years starting from 2017-18 to 2021-22.

## **TOOLS AND TECHNIQUES**

Ratio analysis

## **FRAMEWORK OF ANALYSIS**

Financial Statement

## **LIMITATION OF THE STUDY**

This study is purely based on secondary data, which has its own limitation. The major limitation of this study is restricted to one particular sector such as Information Technology (IT). It is confined to only measure the financial performance of select company.

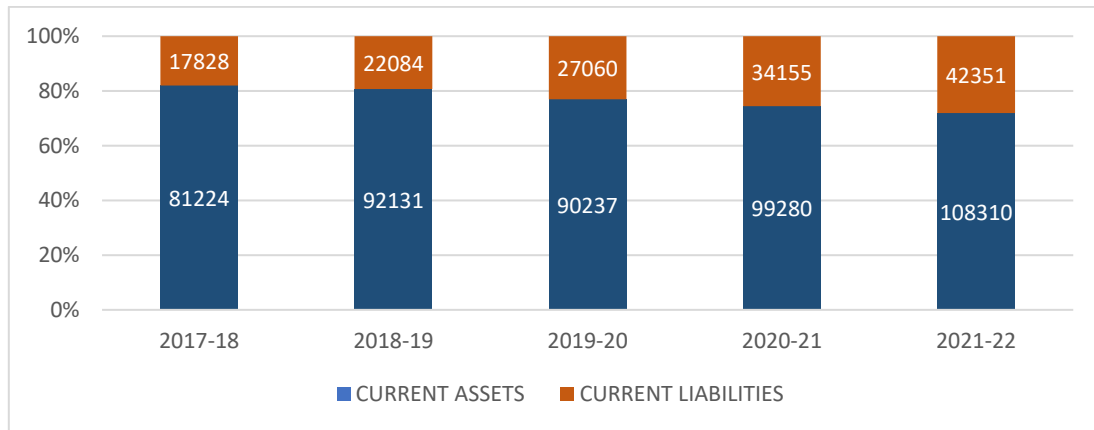
**CURRENT RATIO**

Current ratio may be defined as the relationship between current assets and current liabilities. This ratio known as working capital ratio a measure of general liquidities and is most widely used to make the analysis of a shorter financial position or liquidity of a firm. It is calculated by dividing the assets by total of the current liabilities.

The formula for current ratio is

$$\text{CURRENT RATIO} = \text{CURRENT ASSETS} / \text{CURRENT LIABILITIES} * 100$$

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	RATIOS
2017-18	81,224	17,828	4.56
2018-19	92,131	22,084	4.17
2019-20	90,237	27,060	3.33
2020-21	99,280	34,155	2.91
2021-22	108,310	42,351	2.56



**INTERPRETATION:**

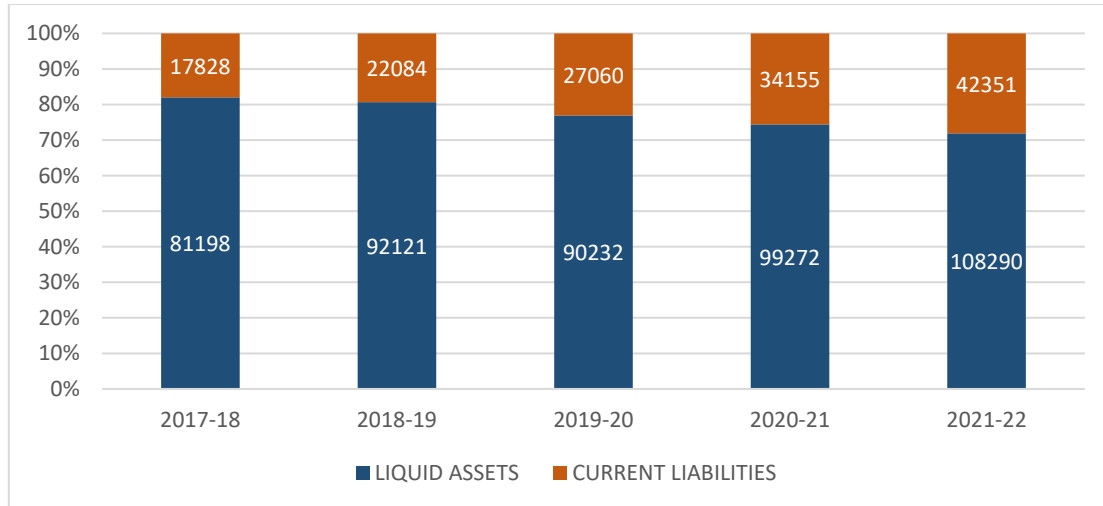
The current ratio measures the company’s ability to pay short-term and long-term obligations. The current ratio of TCS was absolutely fine as it was around 4.56X and 4.17X in the year FY2017-18 and FY2018-19 respectively. It is believed if the current ratio is laid between 1.5X to 2X, which is the ideal situation. The current ratio during FY2020-21 stood at 2.91X as compared to 4.56X in FY2017-18, thereby witnessing a decreased of 1.65X during that period. The liabilities have been increased as it was Rs. 42,351 Crore while its assets was Rs.108,310 Crore in FY2021-22. The company’s current ratio deteriorated and stood at 2.56X during FY2021-22 from 2.91X during FY2020-21. Hence, we can say that the liabilities have been increased after post pandemic.

**LIQUIDITY RATIO**

Quick or acid test indicates whether the firm is in a position to pay its current liabilities within a month or immediately. This ratio is better test for short term financial position of the current ratio.

$$\text{LIQUIDITY RATIO} = \text{QUICK LIQUID ASSETS} / \text{CURRENT LIABILITIES} * 100$$

YEAR	QUICK ASSETS	LIQUID	CURRENT LIABILITIES	RATIOS
2017-18	81,198		17,828	4.55
2018-19	92,121		22,084	4.17
2019-20	90,232		27,060	3.33
2020-21	99,272		34,155	2.91
2021-22	108,290		42,351	2.56



**INTERPRETATION:**

The liquidity ratio shows the ability of a company to pay its debt within a month or immediately. The company's quick assets were 81,198 Crore in while its current liabilities were 17,828 Crore in FY 2017-18. Current assets stood at 90,232 Crore and 99,272 Crore in FY2019-20 and 2020-21 respectively. Current liabilities have also been increased and stood at 34,155 Crore during FY2020-21 as compared to 17,828 Crore during FY2017-18. Overall, the total assets and liabilities for 2021-22 stood at the ratio of 2.46X as against 4.55X during FY2017-18, thereby, witnessing a decrease of 2X for the last five years.

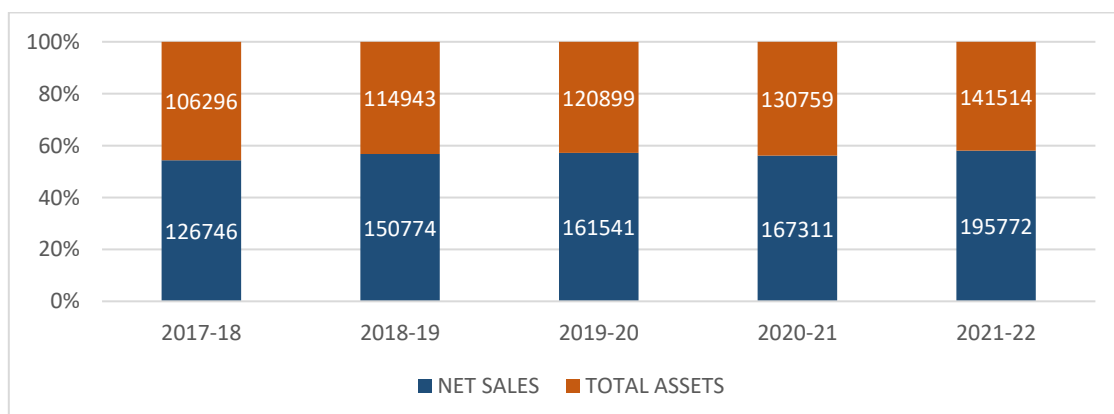
**RETURN ON ASSETS**

The term return on assets (ROA) refers to a financial ratio that indicate how profit able a company is in relation to its total assets. Corporate management, investor and other stakeholder can use ROA to determine how efficiency a company uses its assets to generate a profit.

The formula for Return on Assets is:

$$\text{Return on Assets} = \text{Net Income} / \text{Total Assets}$$

Year	Net sales	Total Assets	Return on Assets
2017-18	1,26,746	106296	1.19
2018-19	1,50,774	114943	1.31
2019-20	1,61,541	120899	1.34
2020-21	1,67,311	130759	1.28
2021-22	1,95,772	141514	1.38



**INTERPRETATION**

The ROA measures the rate of return on the total assets. It measures a firm's efficiency at generating profits from shareholder's equity plus liabilities. It is seen that the return on assets ratio 1.19X during PY2017-18 while 1.31X in PY2018-19. Net Sales of the company has been gradually increased as it stood at 1,26,746 Crore during PY 2017-18, subsequently it rose up to 1,95,772 Crore in PY 2021-22. Therefore, it is clearly seen that the ROA in PY2021-22 was 1.38X as against 1.28X in PY2020-21.



However, ROA should not be used to compare companies in different industries because it can vary drastically across industry. For retailer, a ROA of higher than 5% is expected.

<b>PARTICULARS</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
TOTAL SHARE CAPITAL	191	375	375	370	366
TOTAL RESERVE AND SURPLUS	84,937	89,071	83,751	86,063	88,773
TOTAL SHAREHOLDERS FUNDS	85,128	89,446	84,126	86,433	89,139
TOTAL NON-CURRENT LIABILITIES	2938	2960	9090	9496	9317
TOTAL CURRENT LIABILITIES	17,828	22,084	27,060	34,155	42,351
<b>TOTAL CAPITAL AND LIABILITIES</b>	<b>106,296</b>	<b>114,943</b>	<b>120,899</b>	<b>130,759</b>	<b>141,514</b>

## CONCLUSION

One of the world's healthiest industries is the information technology (IT) sector more than any other sector. Every business has a formidable task in order to survive in this atmosphere of competition. The size of a company's clientele base can be used to measure its growth. Yet, the monetary results of a corporation could be evaluated by looking at its profitability and liquidity with growth the capacity of the business to pay its obligation is known as liquidity. Making judgements on whether to provide money to the targeted company is made easier for creditors, banks, and other financial institutions. On the other side, profitability refers to a company's capacity for profit making and its effectiveness. To use the resources in a way that maximises earnings. The investigation comes to the conclusion that "TATA CONSULTANCY SERVICES" has a solid liquidity and solvency situation.

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