



A STUDY ON FINANCIAL POSITION AND PERFORMANCE ANALYSIS OF TATA CONSULTANCY SERVICES LIMITED

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Abstract: Efficient management of financial statement is vital for the success of an enterprise. In present time greater importance is given to financial performance of Tata Consultancy Services Limited. The Indian IT sector has been vital to India's progress during the past two decades. Financial Performance Analysis offers ways to assess a company's capability, stability, and profitability using its financial statements. The financial performance of Tata Consultancy Services Ltd. for a period of five years is analyzed and examined in the current article. As a result, this endeavor uses ratio analysis to examine financial performance.

Index Terms - Financial position, performance analysis, liquidity

I. INTRODUCTION

“Ratio Analysis” is the process of determining and interpreting numerical relationship based on financial statement. This relationship can be expressed as percent or quotient.

Ratio analysis is the most widely used tool of financial analysis. A ratio is a quotient of two numbers and is an expression of relationship between the figures or two amounts. It indicates a quantitative relationship which is used for a qualified judgement and decision making.

Tata Consultancy Services Limited is a global Indian IT company and a leading company in IT sector. TCS is an Indian multinational information technology (IT) services, business solutions and outsourcing Services Company headquartered in Mumbai, Maharashtra is a subsidiary of the Tata Group and is listed on the BSE (formerly Bombay Stock Exchange) and the NSE (National Stock Exchange) in India. The company generated consolidated revenues of US \$22.2 billion in the fiscal year ended March 31, 2021. It was founded in 1968. Its founder was JRD TATA. It's headquartered in Mumbai, Maharashtra, India. Its key people are: Ratan Tata (Chairman). TCS operates in 46 countries. TCS is now placed among the ‘Big 4’ most valuable IT services brands worldwide is one of the largest private sector employers in India, and the second-largest employer among listed Indian companies. TCS had a total of over 613,974 by end of the December 2022 quarter. TCS deputed its employees abroad for rendering on site services at the clients' places, world-leading information technology consulting, services, and business process outsourcing organization that envisioned and pioneered the adoption of the flexible global business practices that today enable companies to operate more efficiently and produce more value. TCS commenced operations in 1968, when the IT services industry didn't exist as it does today. Now, with a presence in 34 countries across 6 continents, & a comprehensive range of services across diverse industries, TCS is one of the words leading Information Technology companies. Six of the Fortune top 10 companies are among their valued customers

II. NEED OF THE STUDY

In order to estimate future, there is a need to understand the past. So, in order to get better insight about financial data, it is useful to analyze a firm's past performance and assess its present financial position. Therefore, the study is undertaken to analyses financial health of Tata Consultancy Services Limited.

III. OBJECTIVES OF THE STUDY

- To understand financial position and financial performance of Tata Consultancy Services based on various ratio analysis for the period of 2017-2022.

IV. SCOPE OF THE STUDY

The IT industry can serve as a middle of e-governance, as it assures easy convenience to information. The use of information technology in the service sector improves operational efficiency and adds to transparency. It also serves as a middle of skill structure. Growth of IT industries gets awareness from every corner. Example: job-seekers, Investors, government, competitors

etc, and all requirements financial analysis of the companies for different. The scope of the study is limited to Tata Consultancy Services Ltd.

3 RESEARCH METHODOLOGY

The required information was collected through secondary sources. Secondary data were collected from various sources including the annual reports of the company, website etc.

IV. RESULTS AND DISCUSSION

Ratio analysis helps in understanding how liquid, solvent, profitable and sound business is. The following ratios are calculated in order to analyze the financial position of TCS under study.

Current ratio

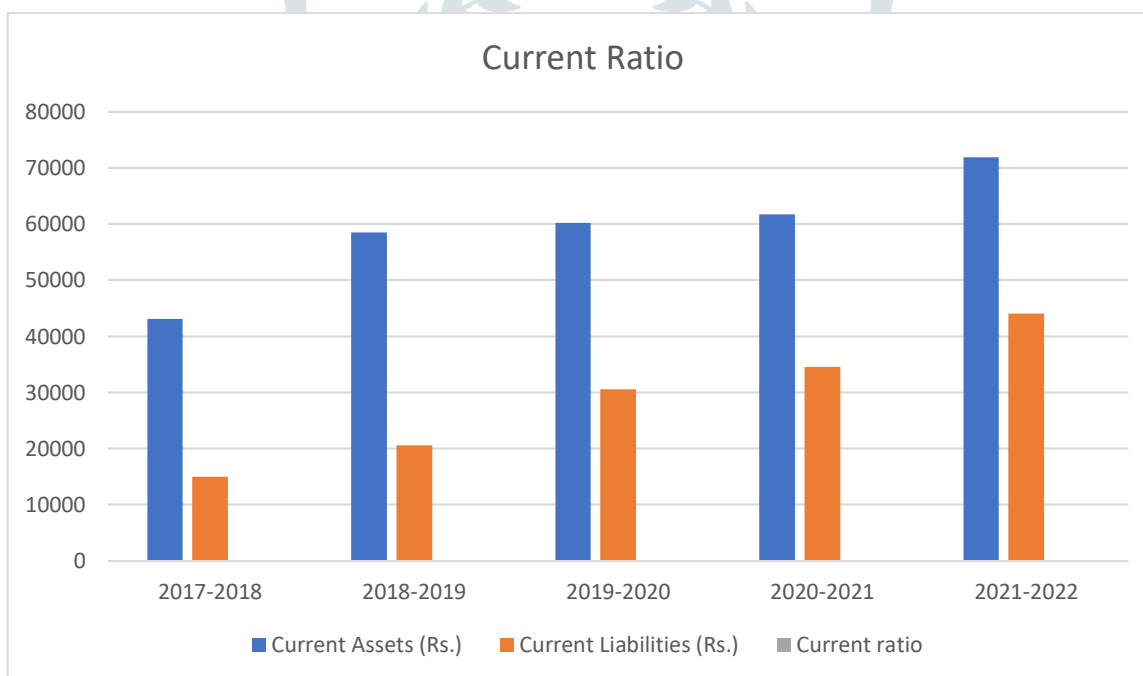
The current ratio is a liquidity ratio that measures a company's ability to pay short- term and long-term obligations. A current ratio of 2:1 is considered satisfactory. The higher the current ratio, the greater the margin of safety. The formula for calculating a company's current ratio is:

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

Table No 1 Current Ratio of Tata Consultancy Services Ltd from 2017-22 (Rs. In Crore)

Year	Current Assets (Rs.)	Current Liabilities (Rs.)	Current ratio
2017-2018	43119	14970	2.88
2018-2019	58536	20602	2.84
2019-2020	60197	30607	1.97
2020-2021	61732	34587	1.78
2021-2022	71926	44090	1.63

Source: Secondary data



A current ratio 2:1 is considered as ideal. During the year 2017-18 the ratio is 2.88 and it has decreased to 1.63 during the year 2021-22. The current ratio in 2018 was good in position, it is above the standard ratio (i.e., 2.88 times) but at present after 4 years in 2022 it is below the ideal ratio i.e., 1.63 times.

Quick ratio

The quick ratio is an indicator of the company's short term liquidity position and measures a company ability to meet its short-term obligations with liquid asset. Generally, a quick ratio of 1:1 is considered as satisfactory.

$$\text{Quick ratio} = \frac{\text{current assets} - \text{inventory}}{\text{Current liabilities}}$$

Table No 2 Quick Ratio of Tata Consultancy Services Ltd from 2017-22 (Rs. In Crores)

	Quick assets	Current liabilities	Quick ratio
2017-2018	39969	14970	2.67
2018-2019	56463	20602	2.74
2019-2020	57847	30607	1.89
2020-2021	58452	34587	1.69
2021-2022	69221	44090	1.57

Source: Secondary data



From the above table 2, it is evident that the company has enough liquid assets to meet its short-term obligation. During the year 2017-18 the ratio is 2.67 and it has decreased to 1.57 during 2021-22.

Debt Equity Ratio

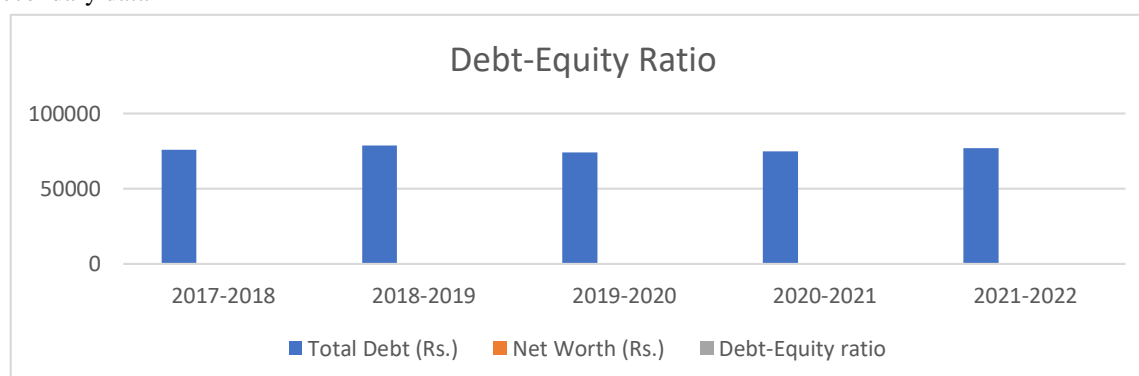
Debt-equity ratio refers to mix of Debt and Equity. The standard norm of Debt-Equity ratio is 2:1. This ratio establishes a relationship between long-term debt and shareholders' fund.

$$\text{Debt-Equity ratio} = \frac{\text{Total debt}}{\text{Net worth}}$$

Table 3 Debt-Equity Ratio of Tata Consultancy Services Ltd from 2017-22 (Rs. In Crores)

Year	Total Debt (Rs.)	Net Worth (Rs.)	Debt-Equity ratio
2017-2018	75866	220	0
2018-2019	78898	0	0
2019-2020	74368	0	0
2020-2021	74794	0	0
2021-2022	77173	0	0

Source: Secondary data



The

Debt-

equity ratio is Constant throughout the five years period (2017-2022). Low Debt-equity ratio indicates that the company is utilizing its assets and burrowing less money from the market.

Debtors' turnover ratio

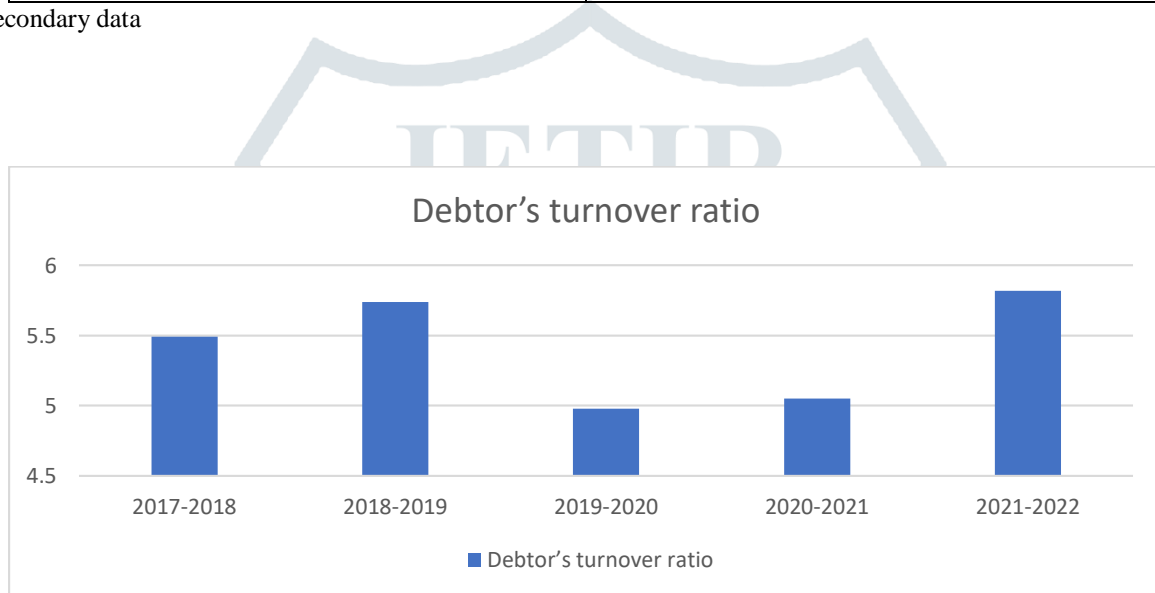
It is used to measure how effective a company is in extending credit as well as collecting debts.

$$\text{Debtors' turnover ratio} = \frac{\text{Net credit sales}}{\text{Average debtor}}$$

Table 4 Debtors Turnover Ratio of Tata Consultancy Services Ltd from 2017-22 (Rs. In Crores)

Year	Debtor's turnover ratio
2017-2018	5.49
2018-2019	5.74
2019-2020	4.98
2020-2021	5.05
2021-2022	5.82

Source: Secondary data



The above table depicts that the debtor's turnover ratio is fluctuating. In the year 2022, debtor's turnover ratio is higher. A high ratio is desirable, as it indicates that company's collection of accounts receivable is frequent and efficient.

Average collection period

Average collection period is the average of days it takes a business to collect and convert its accounts receivable into cash.

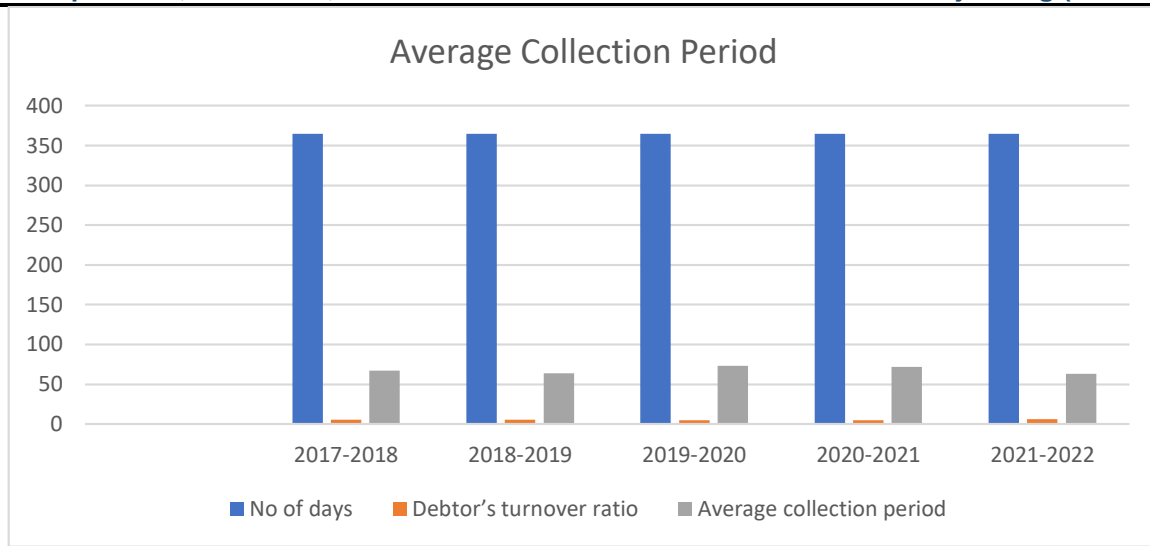
$$\text{Average collection period} = \frac{365}{\text{Debtors' turnover ratio}}$$

$$\text{Average collection period} = \frac{365}{5.82}$$

Table 5 Average Collection period of Tata Consultancy Services Ltd from 2017-22 (Rs. In Crores)

Year	No of days	Debtor's turnover ratio	Average collection period
2017-2018	365	5.49	67
2018-2019	365	5.74	64
2019-2020	365	4.98	73
2020-2021	365	5.05	72
2021-2022	365	5.82	63

Source: Secondary data



The ratio indicates the average number of days for which a firm has to wait before its receivables is converted in to cash. Average collection period is higher in the year 2020 i.e., 73 days. It indicates that company is in difficulty to collect payments. But average collection ratio has decreased in the year 2022 i.e., 63 days.

Fixed asset turnover ratio

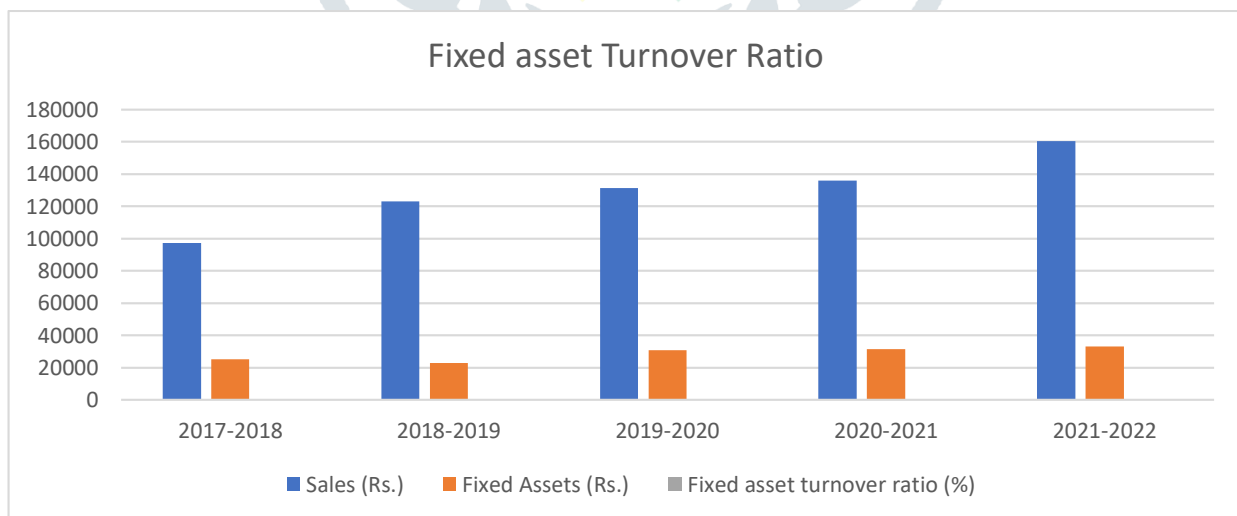
The fixed asset turnover ratio reveals how efficient a company is at generating sales from its existing fixed assets. The fixed asset turnover ratio is calculated by dividing net sales by the average balance in fixed assets. A higher ratio implies that management is using its fixed assets more effectively.

$$\text{Fixed asset turnover ratio} = \frac{\text{Net sales}}{\text{Net fixed assets}}$$

Table 6 Fixed Asset Turnover Ratio of Tata Consultancy Services Ltd from 2017-22 (Rs. In Crores)

Year	Sales (Rs.)	Fixed Assets (Rs.)	Fixed asset turnover ratio (%)
2017-2018	97356	25072	3.88
2018-2019	123170	22812	5.39
2019-2020	131306	30662	4.28
2020-2021	135963	31479	4.32
2021-2022	160341	33204	4.83

Source: Secondary data



The above table shows that fixed assets turnover ratio is higher in the year 2019. A higher fixed assets turnover ratio indicated better utilization of firms. A lower ratio indicates that a company is not using its assets efficiently and may have internal problems.

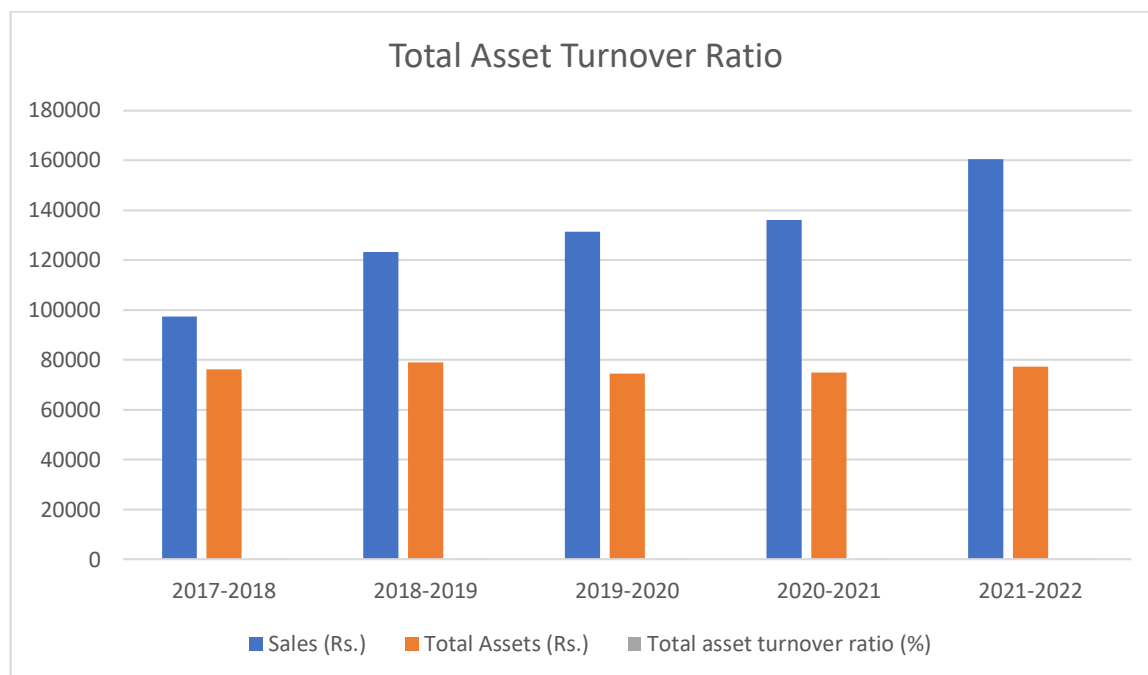
Total Assets Turnover Ratio

This ratio ensures whether the capital employed has been effectively used or not. This is also test of managerial efficiency and business performance. Higher total capital turnover ratio is always required in the interest of the company.

Table 7 Totals Assets Turnover Ratio of Tata Consultancy Services Ltd from 2017-22 (Rs. In Crores)

Year	Sales (Rs.)	Total Assets (Rs.)	Total asset turnover ratio (%)
2017-2018	97356	76086	1.28
2018-2019	123170	78898	1.56
2019-2020	131306	74368	1.77
2020-2021	135963	74794	1.82
2021-2022	160341	77173	2.08

Source: Secondary data



The ratio measures the efficiency of how well a company uses assets to produce sales. The Total Assets Turnover ratio of TCS Ltd was started with 1.28 at 2017-18. And increased in the consecutive years. A higher ratio is favorable, as it indicates a more efficient use of assets.

Working Capital Turnover Ratio

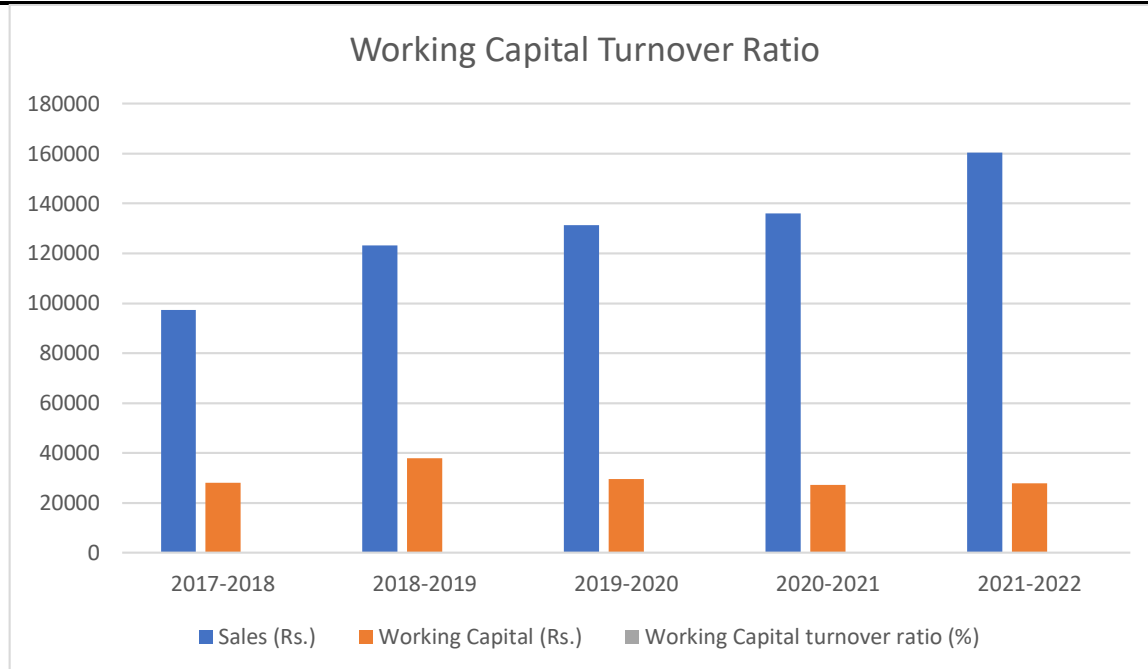
This ratio is calculated to study the efficiency with which the working capital utilized in the business. This ratio indicates the speed with which working capital is turned over during a year.

Table 8 Working Capital Turnover Ratio of Tata Consultancy Services Ltd from 2017-22 (Rs. In Crores)

Year	Sales (Rs.)	Working Capital (Rs.)	Working Capital turnover ratio (%)
2017-2018	97356	28149	3.46
2018-2019	123170	37934	3.25
2019-2020	131306	29590	4.44
2020-2021	135963	27145	5.00
2021-2022	160341	27836	5.76

Source: Secondary data

Working capital turnover measures how effective a business is at generating sales for every dollar of working capital put to use. A higher working capital turnover ratio is better, and indicates that a company is able to generate a larger number of sales. In this analysis the company maintained better performance in the year 2021-22.



Gross Profit Ratio

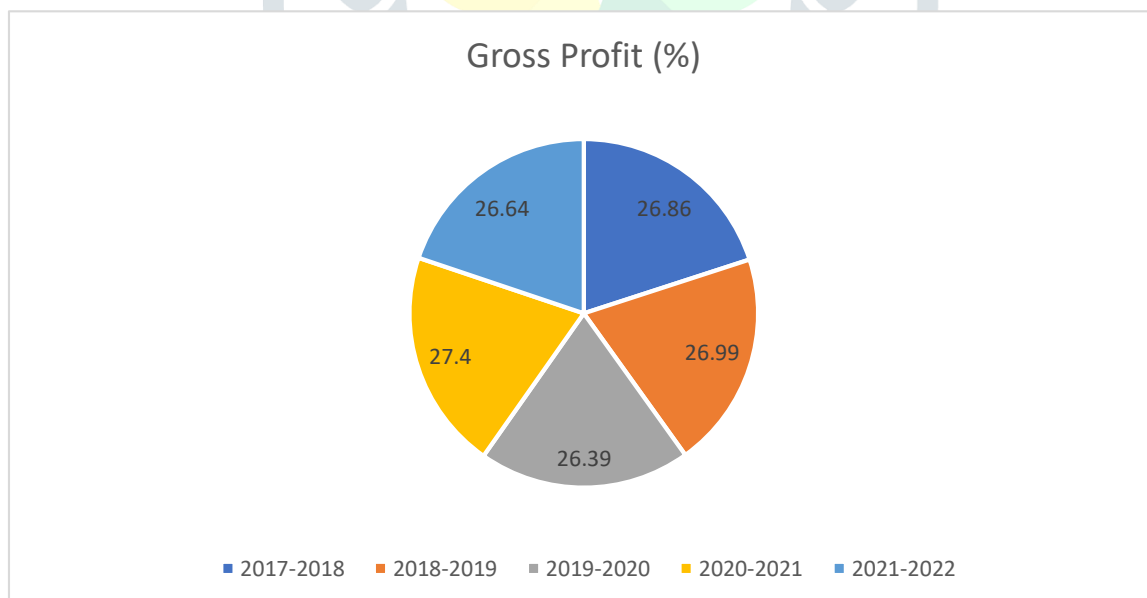
The gross profit ratio shows the proportion of profits generated by the sale of products or services, before selling and administrative expenses.

$$\text{Gross Profit} = \frac{\text{Gross Profit}}{\text{Net Sales}} \times 100$$

Table 9 Gross Profit Ratio of Tata Consultancy Services Ltd from 2017-22 (Rs. In Crores)

Year	Gross Profit (%)
2017-2018	26.86
2018-2019	26.99
2019-2020	26.39
2020-2021	27.40
2021-2022	26.64

Source: Secondary data



The above table depicts that the gross profit ratio over 5 years is almost in a stable position. Higher gross profit ratio is evident in the year 2021 i.e., 27.40%.

Net Profit Ratio

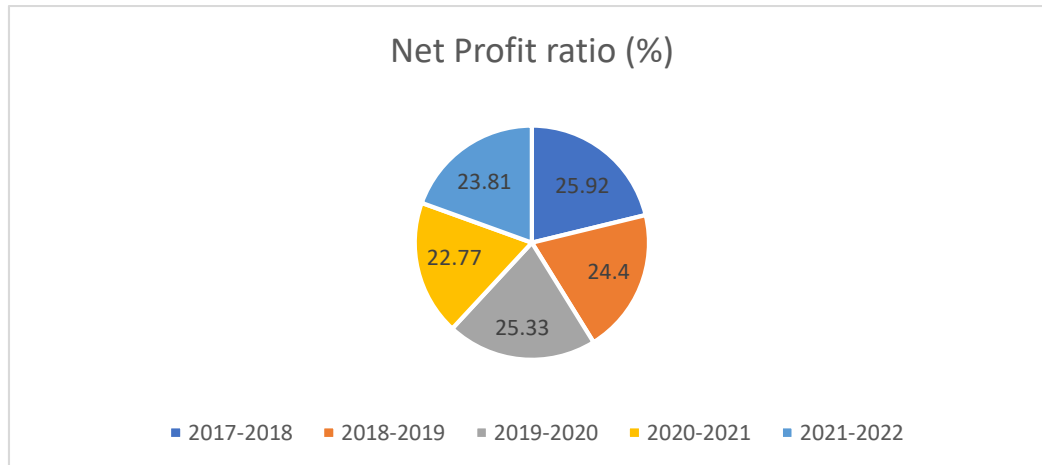
Net Profit Ratio measures the company's profits to the total amount of money brought into the business.

$$\text{Net Profit margin} = \frac{\text{Net Profit}}{\text{Net sales}} \times 100$$

Table 10 Net Profit Ratio of Tata Consultancy Services Ltd from 2017-22 (Rs. In Crores)

Year	Net Profit ratio (%)
2017-2018	25.92%
2018-2019	24.40%
2019-2020	25.33%
2020-2021	22.77%
2021-2022	23.81%

Source: Secondary data



The above table depicts that net profit ratio is higher in the year 2018. It indicates that the company is more efficient at converting sales into actual profit.

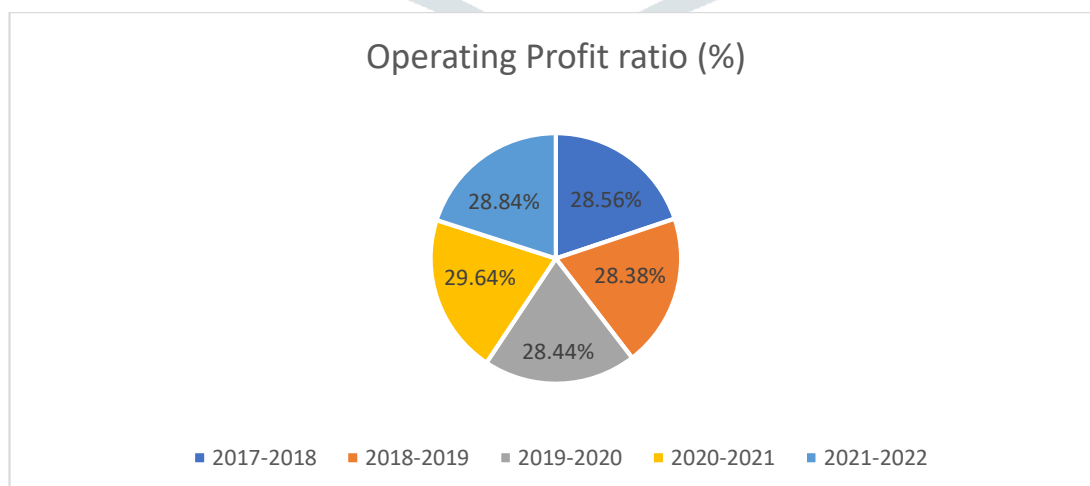
Operating Profit Ratio

This ratio expresses the relationship between operating profit and sales. With the help of this ratio one can judge the managerial efficiency which may not be reflected in the net profit ratio.

Table 11 Operating Profit Ratio of Tata Consultancy Services Ltd from 2017-22 (Rs. In Crores)

Year	Operating Profit ratio (%)
2017-2018	28.56%
2018-2019	28.38%
2019-2020	28.44%
2020-2021	29.64%
2021-2022	28.84%

Source: Secondary data



The above table depicts that operating profit obtained in the years 2017-2018 are 28.56 and it has slight decrease in 2018-2019 i.e., 28.38 and it slightly increased to next year 2019-2020 is 28.44.

V. FINDINGS

- The current ratio in 2021- 2022 was not good in this position it shows below the standard ratio 1.63 times. At present company is not in a good position to manage all liabilities.

- Quick ratios of all the year showing above the standard. It indicates that the company has enough liquid assets to meet its short-term obligation. During the year 2017-18 the ratio is 2.67 and it has decreased to 1.57 during 2021-22.
- The Debt-equity ratio is Constant throughout the five years period (2017-2022). Low Debt-equity ratio indicates that the company is utilizing its assets and borrowing less money from the market.
- Debtor's turnover ratio is fluctuating. In the year 2022, debtor's turnover ratio is higher.
- Fixed assets turnover ratio is higher in the year 2019. A higher fixed assets turnover ratio indicated better utilization of firms.
- The Total Assets Turnover ratio of TCS Ltd was started with 1.28 at 2017-18. And increased in the consecutive years. A higher ratio is favorable, as it indicates a more efficient use of assets.
- In the year 2021-22, the company maintained better Working Capital Turnover Ratio i.e. 5.76.
- Gross profit ratio over 5 years is almost in a stable position. Higher gross profit ratio is evident in the year 2021 i.e., 27.40%.
- Net profit ratio is higher (25.92%) in the year 2018. It indicates that the company is more efficient at converting sales into actual profit.

VI. CONCLUSION

Tata Consultancy Services Ltd is one of the leading companies with information and technology industry. Financial performance of Tata Consultancy Services Limited provide an in-depth knowledge to know the performance of company, further it helps the management to take appropriate decision. In this report the company performance is average; there are some ratios like Quick ratio, Debt-equity ratio, Debtors turnover ratio, Total assets turnover ratio, Fixed asset turnover ratio, working capital turnover ratio which showed positive sign whereas some ratios which par below ideal ratio the overall performance of the company is average. Thus, company should improve in order to give tough competition with their competitor

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