FINANCIAL STATEMENT ANALYSIS OF

TATA CONSULTANCY SERVICES LIMITED

A Project Submitted to

University of Mumbai for partial completion of the degree of

Bachelor in Commerce (Accounting and Finance)

Under the Faculty of Commerce

By

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Under the Guidance of

'ASST. PROF. DR. Kishor Chauhan'

JNAN VIKAS MANDAL'S

Mohanlal Raichand Mehta College of Commerce

Diwali Maa College of Science

Amritlal Raichand Mehta College of Arts

Dr. R.T. Doshi College of Computer Science

NAAC Re-Accredited Grade 'A+' (CGPA : 3.31) (3rd Cycle)

Sector-19, Airoli, Navi Mumbai, Maharashtra 400708

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CERTIFICATE

This is to certify that **'MR. SARTHAK SANTOSH SHINDE'** has worked and duly completed his Project work for the degree os Bachelor in Commerce (Accounting and Finance) under the Faculty of Commerce in the subject of **Management control** and his project is entitled, **"FINANCIAL STATEMENT ANALYSIS OF TATA CONSULTANCY SERVICES LIMITED"**. Under my supervision.

I further certify that the entire work has been done by the learner under my guidance and that no part of it has been submitted previously for any Degree or Diploma of any University.

It is his own work and fact reported by her personal finding and investigations

Name and signature of
Guiding Teacher

ASST. PROF. DR. KISHOR CHAUHAN.

Date of submission :

DECLARATION

I, the undersigned, **Mr. SARTHAK SANTOSH SHINDE** hereby, declare that the work embodied in this project work titled **"FINANCIAL STATEMENT ANALYSIS OF TATA CONSULTANCY SERVICES LIMITED",** forms my own contribution to the research work carried out under the guidance of '**ASST. PROF. DR. KISHOR CHAUHAN'** is a result of my own research work and has not been previously submitted to any other University for any other Degree/Diploma to this or any other University.

Wherever reference has been made to previous work of other, it has been clearly indicated as such and included in the bibliography.

I, here by further declare that all the information of this document has been obtained and presented in accordance with academic rules and ethical conduct.

SARTHAK SANTOSH SHINDE

Certified by

ASST. PROF. DR. KISHOR CHAUHAN

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1. INTRODUCTION

1.1 Financial Statement

A) Meaning, Nature and Objectives:

Meaning:

Financial statements are basically reports that depict financial and accounting information relating to

Businesses. A company's management uses it to communicate with external stakeholders. These include shareholders, tax authorities, regulatory bodies, investors, creditors, etc.

These statements basically include the following reports:

1. Balance Sheet
2. Profit and Loss Statement
3. Cash Flow Statement
4. Income Sheet

Nature:

Financial statements are prepared using facts relating to events, which are recorded chronologically. Thus, we have to first record all these facts in monetary terms. Then, we have to process them using all applicable rules and procedures. Finally, we can now use all this data to generate financial statements.

Based on this understanding, the nature of financial statements depends on the following points:

1. **Recorded facts:** We need to first record facts in monetary form to create the statements. For this, we need to account for figures of accounts like fixed assets, cash, trade receivables, etc.
2. **Accounting conventions:** Accounting Standards prescribe certain conventions applicable in the process of accounting. We have to apply these conventions while preparing these statements. For example, the valuation of inventory at cost price or market price, depending on whichever is lower.
3. **Postulates:** Apart from conventions, even postulates play a big role in the preparation of these statements. Postulates are basically presumptions that we must make in accounting. For example, the going concern postulate presumes a business will exist for a long time. Hence, we have to treat assets on a historical cost basis.

4. **Personal judgments:** Even personal opinions and judgments play a big role in the preparation of these statements. Thus, we have to rely on our own estimates while calculating things like depreciation.

Objectives:

Stakeholders of a company heavily rely on financial statements to understand its functioning. They portray the true state of affairs of the company. Here are some objectives of financial statements:

- These statements show an accurate state of a company's *economic assets and liabilities*. External stakeholders like investors and authorities generally do not possess this information otherwise.
- They help in predicting the extent of a company's *capacity to earn profits*. Shareholders and investors can use this data to make their financial decisions.
- These statements depict the *effectiveness of a company's management*. How well a company is performing depends on its profitability, which these statements show.
- They even help readers of these statements know the *accounting policies* used in them. This helps in understanding statements more comprehensively.
- These statements also provide information relating to the company's *cash flows*. Investors and creditors can use this data to predict the company's liquidity and cash requirements.

Finally, they explain the *social impact of businesses*. This is because it shows how the company's external factors affect its functioning.

B) Advantages and Disadvantages:

Advantages:

1. **Review of cash flow**: It shows the financial solvency and the ability of the company to pay liabilities to pay its liabilities. The statement of cash flow statement breaks the statement into operating, investing, and financial parts. A review of cash flow helps us understand whether the business is operating under a cyclical revenue stream structure or consistent revenue model. This also helps the business to maintain and keep the expenditure of business inline within the revenue model it operates in.
2. **Review of liability**: Financial statements presents the short- and long-term obligations of the business. If the owner wants to expand his business, he must look at the statements of financial position and deduce the logic as to whether he should reduce existing liabilities to apply for further capital expansion. Lenders look at the financial statements and determine the prospect of business on the basis of revenues, assets, and liabilities.
3. **Review of inventory and its movement**: The levels of opening and closing stock as a percentage of purchase and sales along with the changes and movements in the levels of stock throughout the year shows the ability and nature of goods of the business. It shows whether the goods are in demand, fast-moving or slow-moving or change in the trend of sales and so on. When the goods are slow-moving as compared to industry, it is considered as a negative for the business prospect and growth.
4. **Identification of trends**: The business owner should prepare and compare financial statements over various periods so as to identify the trend in business. This helps the business in knowing what products are selling well, what segments are growing well, and which segment of business needs further review and re-investment or complete exit at once. Trends are the gospel in the performance of the business. Identifying trends is, therefore, a necessity for the business to sustain the growth and achieve higher profits.
5. **Preparation of budget**: Every business must have a vision. To prepare a vision, the business must have defined goals and objectives. The objective of financial statements is to prepare a blueprint for the future by analyzing the past financial statements already prepared and audited. Budgets help to keep the expenses in line with income and sales. The budgets are forecasted using prepared financial statements.

Disadvantages:

1. **Derived from Historical Costs:** Transactions are initially recorded at their cost. This is a concern when reviewing the balance sheet, where the values of assets and liabilities may change over time. Some items, such as marketable securities, are altered to match changes in their market values, but other items, such as fixed assets, do not change. Thus, the balance sheet could be misleading if a large part of the amount presented is based on historical costs.
2. **Do not contain some Intangible Assets:** Many intangible assets are not recorded as assets. Instead, any expenditures made to create an intangible asset are immediately charged to expense. This policy can drastically underestimate the value of a business, especially one that has spent a large amount to build up a brand image or to develop new products. It is a particular problem for startup companies that have created intellectual property, but which have so far generated minimal sales.
3. **Only cover a specific period**: A user of financial statements can gain an incorrect view of the financial results or cash flows of a business by only looking at one reporting period. Any one period may vary from the normal operating results of a business, perhaps due to a sudden spike in sales or seasonality effects. It is better to view a large number of consecutive financial statements to gain a better view of ongoing results.
4. **No Predictive Value**: The information in a set of financial statements provides information about either historical results or the financial status of a business as of a specific date. The statements do not necessarily provide any value in predicting what will happen in the future. For example, a business could report excellent results in one month, and no sales at all in the next month, because a contract on which it was relying has ended.
5. **Could be wrong due to fraud**: The management team of a company may deliberately skew the results presented. This situation can arise when there is undue pressure to report excellent results, such as when a bonus plan calls for payouts only if the reported sales level increases. One might suspect the presence of this issue when the reported results spike to a level exceeding the industry norm, or well above a company's historical trend line of reported results.

1.2 Financial Statement Analysis

A) Meaning and Definition:

Meaning:

- **Financial statement analysis** (or financial analysis) is the systematic process of dividing the financial information into simple and valuable elements, establishing relationships between inter-related elements and interpreting the same to understand the working and financial position of an enterprise from its financial statements.
- It includes analysis of Statement of Profit and Loss, Balance Sheet and Cash Flow Statement of an enterprise.
- It provides information to understand complex financial data and helps in taking appropriate financial decisions.

Understanding Analysis and Interpretation: These two terms in understanding the meaning of financial statement analysis are complementary to each other and therefore, analysis cannot be complete without interpretation.

- **Analysis:** It is concerned with simplification of financial data by proper classification of given in the financial statement.
- **Interpretation:** It is concerned with explaining the meaning and significance of the financial data.

Definition:

As per Myer: Financial Statement Analysis is largely a study of relationships among the various financial factors in a business, as disclosed by a single set of statements, and a study of trends of these factors, as shown in a series of statements.

B) Objectives of Financial Statement Analysis:

Following are the Purposes (Objectives) and Significance of Financial Analysis:

1. **To Assess the Earning Capacity or Profitability:** Earning Capacity and Profitability of the enterprise can be assessed from the financial statement analysis. It also facilitates forecasting of the same for the future years. External users are interested in earnings and hence, this is their prime objective of analyzing financial statement.
2. **To Assess the Managerial Efficiency:** This assessment is possible because financial statement analysis identifies the areas where managers have been efficient and where not. Favorable and unfavorable variations can be identified to pinpoint the managerial inefficiency.
3. **To Assess the Short-term and Long-term Solvency of the Enterprise:** This assessment is possible by analyzing the financial statements minutely. Creditors or suppliers are interested to know the ability of the entity to meet the short-term liabilities and Debenture holders and lenders are interested to know the long term and short-term solvency of the enterprise to assess the ability of the company to repay the principal and interest thereon.
4. **To facilitate Inter-firm Comparison:** Inter-firm Comparison helps an enterprise to assess its own performance as well as that of others if mergers and acquisitions are to be considered.
5. **To Forecast and Prepare Budgets:** Analysis of historical data in the financial statements helps in assessing developments in future. It facilitates forecasting and preparing budgets for the future years.
6. **To Understand Complicated Matter:** Financial Statement analysis helps the users in understanding the complicated matter. This can be facilitated by using charts, graphs and diagrams which are easy to explain and understand.

C) Uses of Financial Statement Analysis:

Financial Statements Analysis assists in making accurate decisions in various areas which are as follows:

1. **Security Analysis**: It is a process used by the investor to identify whether the firm is fulfilling his expectations with regard to dividends, capital appreciation, etc. Such analysis is done by a security analyst who is interested in cash generating ability, dividend pay-out policy and the behaviour of share prices.
2. **Credit Analysis**: It is useful when a firm or bank offers credit to a new customer or a dealer. Management is always interested to know credit worthiness of client so as to take decisions regarding whether to allow or extend credit to them or not.
3. **Debt Analysis**: It is useful when a firm wants to know its borrowing capacity.
4. **Dividend Decision:** It is useful in determining the rate of dividend in order to decide how much of the earnings are to be distributed in the form of dividends and how much is to be retained. Dividend decisions have a direct impact on profitability of the firm and behavior of its share prices so are to be taken wisely using Financial Statement Analysis.
5. **General Business Analysis:** It is useful in identifying the key profit drivers and business risks in order to assess the profit potential of the firm and also assist in future growth scenarios.

D) Parties Interested in Financial Analysis:

Following are the parties interested in the analysis of Financial Statements:

1. **Management**: Financial analysis helps the management to ascertain overall as well as segment wise efficiency of the business. It also helps in decision making, controlling and self-evaluation.
2. **Employees and Trade Unions:** Financial Analysis is considered helpful for employees to get a clear idea of the emoluments, bonus, working conditions and security of their jobs by analyzing profitability, sustainability and financial position of the enterprise from its financial statements. In order to take proper decisions and enter into beneficial wage agreements, trade unions also analyze financial statements to determine the degree of profitability of the enterprise based on which they can further negotiate.
3. **Shareholder or Owners or Investors:** These are the investors who invest or contribute their savings in the form of capital. Therefore, they are interested in the returns of the business which can be ascertained from the profitability of the business. Also, growth potential helps in investment appreciation.
4. **Potential Investors:** These are those who are interested to know the present profitability and the financial position as well as future prospects to make their mind on investment into business concern.
5. **Suppliers or Creditors:** This set of interested users are concerned whether the enterprise can make timely payments of the amounts due on account of credit transactions done with them and also whether to extend further credit to such enterprise. Such decision is based on the short-term solvency of the enterprise which can be determined by analyzing the financial statements of the enterprise.
6. **Bankers and Lenders:** These are those parties to an enterprise who provide funds in the form of loans which is repayable at the end of a pre-determined term. In order to identify the repaying capacity of the enterprise, such parties should have a clear idea of the long- term solvency of the enterprise. Such information is obtained by analyzing financial statements of respective enterprise.
7. **Researchers:** Parties engaged into research activity and wish to perform the same over the business entities so as to analyse the profitability, growth and financial position of an enterprise. To gather information on such areas, they are interested in analysing respective aspects of such areas which includes data related to business operations, finance, human resource, etc.
8. **Tax Authorities:** Tax Authorities are interested in ensuring proper assessment of tax

liabilities of the enterprise as per the tax laws in force from time to time.

9. **Customers:** Customers have an interest in information about the continuance of an enterprise. This is particularly when they are either dependent on the enterprise or they have a long-term involvement with the enterprise.

E) Types of Financial Statement Analysis:

 Classification of Financial Statement Analysis Financial Statement Analysis is of 4 types as follows:

1. **External Analysis:** This type of analysis is done by investors, credit agencies, researchers, etc. who do not have access to the confidential and complete records of an enterprise and therefore, have to depend on information published in various statements or reports which shall comprise of Statement of Profit and Loss, Balance Sheet, Auditor's Reports etc.
2. **Internal Analysis:** This is a detailed and accurate type of analysis done by the management of the enterprise to determine the financial position and operational efficiency of the organisation. Since, management has access of complete information, they perform an extensive type of analysis which is more detailed and accurate.
3. **Horizontal Analysis:** It is also known as Dynamic Analysis. It is done to review and analyse financial statement for a number of years and hence, is also known as time series analysis. It facilitates comparison of financial data for several years against a chosen base year.
4. **Vertical Analysis:** It is also known as Static Analysis. It is done to review and analyse the financial statements of one year only. It is useful in comparing the performance of several companies of the same type or divisions or departments in one enterprise

Differences between Horizontal Analysis and Vertical Analysis

Basis	**Horizontal Analysis**	**Vertical Analysis**
1) Period	It requires comparative financial statements of two or more accounting periods.	It requires financial statement of one period.
2) Components	It deals with same item of different period.	It deals with different items of same period.
3) Information	Information is provided in absolute and percentage terms.	It provides information in percentage terms.
4) Usefulness	It is useful for Time Series Analysis.	It is generally used for Cross Sectional Analysis.

Understanding Inter-firm and Intra-firm Analysis

1. **Inter-firm Analysis:** It facilitates a comparison of two or more firms based on the various financial factors or variables that will help decide the competitiveness of the respective firms. A comparison of a single set of statements of two or more firms is termed as Cross-sectional Analysis.
2. **Intra-firm Analysis:** It facilitates a comparison of the various financial variables of an enterprise over a period of time and therefore, it is also known as Time Series Analysis or Trend Analysis. It helps analysing performance of an enterprise over a period of time.

F) Process of Financial Statement Analysis:

Following are the main functions that are used in the process of analysis and interpretation of Financial Statement.

1. **Rearrangement of Financial Statements:** It is necessary to reclassify the complex data contained in the financial statement into purposive classes so that maximum desired information from every data for analysis can be obtained.
2. **Comparison:** Once the classification of the complex data is done, it is necessary to obtain comparative data of the same enterprise of the past periods if it is a time series analysis. If it is a cross sectional analysis, it is necessary to obtain comparative data of the same accounting period of similar or comparable enterprises.
3. **Analysis:** The comparative financial data is then analysed with reference to financial characteristics like profitability, solvency and liquidity.
4. **Interpretation:** This is the concluding part of the financial statement analysis. The interpretation should be precise and directed towards indicating the movement if various financial characteristics.

G) Limitations of Financial Statement Analysis:

Following are the limitations of Financial Statement Analysis:

1. **Historical Analysis**: Financial Statements are prepared using the historical information of the financial transactions that have already taken place. As a result, financial statements are correctly termed as a historical record of financial transactions. Analysis of such transactions is therefore, a historical analysis. Therefore, the statement is incorrect as it makes reference to use of future data.
2. **Price Level Changes are not considered**: If there is a change in the price level, analysis of financial statements of different accounting years become invalid as accounting records ignore change in value of money.
3. **Qualitative Aspect Ignored**: Financial Statements record only monetary transactions which are quantitative in nature. Other important qualitative elements which affect the financial statements are not considered.
4. **Financial Statements Limitations**: Financial Statements are not always accurate and are subject to some limitations. Since, analysis is based on the information provided by financial statements, such limitations will therefore, have an impact on the decisions taken based on the analysis of information provided by such financial statement.
5. **Not free from bias**: Financial statements are the outcome of accounting concepts and conventions combined with estimates. Estimates cannot be relied upon completely as there are chances that the amounts may fluctuate and hence, are not free from bias.
   Therefore, the financial statements are not completely reliable.
6. **Accounting Practices**: In order to compare the profitability and the financial position of different firms, it is necessary that these firms follow same accounting practices. If different accounting practices are followed, inter-firm comparison is not possible.
7. **Window Dressing:** It refers to the presentation of a better financial position than what it actually is by way of manipulating the books of accounts. Such false representation will provide misleading information for analysis which will result in wrong decision making.
8. **Symptoms**: Financial statements analysis facilitates identifying symptoms or problems but it fails to provide solution or remedy for the same. Rectification of the error or problem has to be taken care of by the management based on their respective analysis.

1.3 IT & BPM Industry in India

Introduction

The global sourcing market in India continues to grow at a higher pace compared to the IT-BPM industry. India is the leading sourcing destination across the world, accounting for approximately 55% market share of the US$ 200-250 billion global services sourcing business in 2019-20.

The IT industry accounted for 8% of India's GDP in 2020. According to STPI (Software Technology Park of India), software exports by the IT companies connected to it, stood at Rs. 1.20 lakh crore (US$ 16.29 billion) in the first quarter of FY22.

Market Size

The IT & business service industry's revenue was estimated at ~US$ 6.96 billion in the first half of 2021, an increase of 6.4% YoY. The export revenue of the IT industry is estimated at US$ 150 billion in FY21. According to Gartner estimates, IT spending in India is estimated to reach US$ 93 billion in 2021 (7.3% YoY growth) and further increase to US$ 98.5 billion in 2022. The BPM sector in India currently employs >1.4 million people, while IT and BPM together have >4.5 million workers, as of FY21.

India's software services exports (excluding exports through commercial presence) increased by 4% in FY21 compared with FY20 and are estimated at USD 133.7 billion during 2020-21.

Indian software product industry is expected to reach US$ 100 billion by 2025. Indian companies are focusing to invest internationally to expand global footprint and enhance their global delivery centres. In line with this, in February 2021, Tata Consultancy Services announced to recruit ~1,500 technology employees across the UK over the next year. The development would build capabilities for Tata Consultancy Services Limited (TCS) to deliver efficiently to the UK customers.

As of FY21, the IT industry employed 4.5 million people.

The data annotation market in India stood at ~ US$ 250 million in FY20, of which the US market contributed ~ 60% to the overall value. The market is expected to reach ~ US$ 7 billion by 2030 due to accelerated domestic demand for AI.

Investment

Indian IT's core competencies and strengths have attracted significant investment from major countries. The computer software and hardware sector in India attracted cumulative foreign direct investment (FDI) inflows worth US$ 74.12 billion between April 2000 and June 2021. The sector ranked 2nd in FDI inflows as per the data released by Department for Promotion of Industry and Internal Trade (DPIIT). Japanese investments in the Indian IT sector grew 4X between 2016 and 2020. Investments stood at US$ 9.2 billion in the review period.

Leading Indian IT firms like Infosys, Wipro, Tata Consultancy Services Limited (TCS) and Tech Mahindra are diversifying their offerings and showcasing leading ideas in blockchain and artificial intelligence to clients using innovation hubs and research and development centres to create differentiated offerings.

- In November 2021, Wipro partnered with TEOCO to build solutions for communication service providers (CSPs) to improve network automation, efficiency, flexibility and reliability.
- In August 2021, Tata Consultancy Services was adjudged a leader in the NelsonHall NEAT for CX Services in Banking, Financial Services and Insurance (BFSI).
- In August 2021, SAP India and Microsoft announced the introduction of TechSaksham, a collaborative skilling initiative aimed at enabling young women (from underprivileged regions) to pursue careers in technology. 62,000 women students will be trained in artificial intelligence (AI), cloud computing, web design and digital marketing as a result of this collaboration.
- In August 2021, Startek, a business process management company, announced a plan to increase its minority stake in CSS Corp to reach a wider market. It also announced a plan to recruit >2,000 employees in India, in FY22.
- In July 2021, Wipro announced plans to invest US$ 1 billion over the next three years to expand its cloud technology capabilities through acquisitions and collaborations.
- In July 2021, Infosys announced that it has set up an Automotive Digital Technology and Innovation Centre in Stuttgart, Germany. Automotive IT infrastructure professionals stationed in Germany will transfer from Daimler AG to the new Digital Technology and Innovation Centre as part of Infosys' relationship with Daimler.
- In July 2021, Tata Consultancy Services Limited (TCS) expanded its strategic partnership with Royal London, the largest mutual life insurance, pensions and investment company in the UK, to help the latter transform its pension platform estate and deliver market-leading services to members and customers.
- In July 2021, Tata Technologies partnered with Stratasys, a 3D printing technology company, to provide advanced additive manufacturing technologies to the Indian manufacturing ecosystem.

- In July 2021, Tech Mahindra Foundation and Wipro GE Healthcare have joined forced to offer skilling and upskilling courses to students and healthcare technicians.
- In July 2021, HCL announced a multi-year agreement with Fiskars Group, consisting of a family of lifestyle brands including Fiskars, Gerber, Iittala, Royal Copenhagen, Waterford and Wedgwood for digital transformation.
- In July 2021, Tata Consultancy Services Limited (TCS) launched Jile 5.0, a key release of its Enterprise Agile, on-the-cloud services, planning and delivery tool that enables enterprises to meet the large-scale development needs of multiple distributed teams.

Government Initiatives

Some of the major initiatives taken by the Government to promote IT and ITeS sector in India are as follows:

- In November 2021, the government launched Internet Exchange in Uttarakhand to enhance the quality of internet services in the state.
- The Karnataka government has signed three MoUs worth US$ 13.4 million (Rs. 100.52 crore) to help the state's emerging technology sector.
- In August 2021, the Union Minister of State for Electronics and Information Technology, Mr. Rajeev Chandrasekhar, announced that the IT export target is set at US$ 400 billion for March 2022. In addition, the central government plans to focus in areas, such as cybersecurity, hyperscale computing, artificial intelligence and blockchain.
- In September 2021, the Indian government announced a plan to build a cyber lab for the 'Online Capacity Building Programme on Crime Investigation, Cyber Law and Digital Forensics' to strengthen cyber security capabilities.
- In September 2021, the Ministry of Electronics and Information Technology (MeitY) organised a workshop under the theme of 'Connecting all Indians', to promote public and private stakeholders' interest in the country and expand internet access to remote areas.
- In September 2021, the Indian government launched the Meghalaya Enterprise Architecture Project (MeghEA), to boost service delivery and governance in the state by leveraging digital technologies, to make Meghalaya a high-income state by 2030.
- In September 2021, the Indian government launched Phase II of Visvesvaraya PhD Scheme to encourage research in 42 emerging technologies in Information Technology (IT), Electronics System Design & Manufacturing (ESDM) and Information Technology Enabled Services (ITES).

- In September 2021, the Indian government inaugurated five National Institute of Electronics & Information Technology (NIELIT) Centres, in three North Eastern states to boost availability of training centres and employment opportunities.
- In August 2021, the India Internet Governance Forum (IIGF) – 2021 was launched at Electronics Niketan in New Delhi by the National Internet Exchange of India (NIXI), the Ministry of Electronics and Information Technology (MeitY) and the Chairman of the Coordination Committee of the IIGF-2021. The event will take place over three days beginning October 20, 2021. The meeting's topic this year is Inclusive Internet for Digital India.
- On July 2, 2021, the Ministry of Heavy Industries and Public Enterprises launched six technology innovation platforms to develop technologies for globally competitive manufacturing in India.

  The six technology platforms have been developed by IIT Madras,Central Manufacturing Technology Institute (CMTI), International Centre for Automotive Technology(iCAT), Automotive Research Association of India(ARAI), BHEL and HMT in association with IIScBanglore.
- In Budget 2021, the government has allocated Rs. 53,108 crore (US$ 7.31 billion) to the IT and telecom sector.
- Department of Telecom, Government of India and Ministry of Communications, Government of Japan signed a MoU to enhance cooperation in areas of 5G technologies, telecom security and submarine optical fibre cable system.

Road Ahead

India is the topmost offshoring destination for IT companies across the world. Having proven its capabilities in delivering both on-shore and off-shore services to global clients, emerging technologies now offer an entire new gamut of opportunities for top IT firms in India. Indian IT & business services industry is expected to grow to US$ 19.93 billion by 2025.

In November 2021, Mr. Piyush Goyal, Minister of Commerce and Industry, Consumer Affairs, Food and Public Distribution and Textiles, lauded the Indian IT sector for excelling its competitive strength with zero government interference. He further added that service exports from India has the potential to reach US$ 1 trillion by 2030.

1.4 Company Profile

Tata Consultancy Services

Tata Consultancy Services (TCS) is an Indian multinational information technology (IT) services and consulting company headquartered in Mumbai, Maharashtra, India with its largest campus located in Chennai, Tamil Nadu, India. As of February 2021, Tata Consultancy Services Limited (TCS) is the largest IT services company in the world by market capitalisation ($200 billion). It is a subsidiary of the Tata Group and operates in 149 locations across 46 countries.

Tata Consultancy Services Limited (TCS) is the second largest Indian company by market capitalisation and is among the most valuable IT services brands worldwide. In 2015, Tata Consultancy Services Limited (TCS) was ranked 64th overall in the Forbes World's Most Innovative Companies ranking, making it both the highest-ranked IT services company and the top Indian company.As of 2018, it is ranked eleventh on the Fortune India 500 list. In April 2018, Tata Consultancy Services Limited (TCS) became the first Indian IT company to reach $100 billion in market capitalisation and second Indian company ever (after Reliance Industries achieved it in 2007) after its market capitalisation stood at ₹6.793 trillion (equivalent to ₹7.7 trillion or US$100 billion in 2020) on the Bombay Stock Exchange.

In 2016–2017, parent company Tata Sons owned 72.05% of Tata Consultancy Services Limited (TCS) and more than 70% of Tata Sons' dividends were generated by Tata Consultancy Services Limited (TCS). In March 2018, Tata Sons decided to sell stocks of Tata Consultancy Services Limited (TCS) worth $1.25 billion in a bulk deal. As of 15 September 2021, Tata Consultancy Services Limited (TCS) has recorded a market capitalisation of US$200 billion, making it the first Indian IT firm to do so.

HISTORY

1968–2005

Tata Consultancy Services Limited, initially started as "Tata Computer Systems" was founded in 1968 by division of Tata Sons Limited. Its early contracts included punched card services to sister company TISCO (now Tata Steel), working on an Inter-Branch Reconciliation System for the Central Bank of India, and providing bureau services to Unit Trust of India.

In 1975, Tata Consultancy Services Limited (TCS) delivered an electronic depository and trading system called SECOM for Swiss company SIS SegaInterSettle [de]; it also developed System X for the Canadian Depository System and automated the Johannesburg Stock Exchange. Tata Consultancy Services Limited (TCS) associated with a Swiss partner, TKS Teknosoft, which it later acquired.

In 1980, Tata Consultancy Services Limited (TCS) established India's first dedicated software research and development centre, the Tata Research Development and Design Centre (TRDDC) in Pune. In 1981, it established India's first client-dedicated offshore development centre, set up for clients Tandem. Tata Consultancy Services Limited (TCS) later (1993) partnered with Canada-based software factory Integrity Software Corp, which Tata Consultancy Services Limited (TCS) later acquired.

In anticipation of the Y2K bug and the launch of a unified European currency (Euro), Tata Consultancy Services created the factory model for Y2K conversion and developed software tools which automated the conversion process and enabled third-party developer and client implementation. Towards the end of 1999, Tata Consultancy Services Limited (TCS) decided to offer Decision Support System (DSS) in the domestic market under its Corporate Vice President and Transformation Head Subbu Iyer.

2005 to 2021

On 25 August 2004, Tata Consultancy Services Limited (TCS) became a publicly listed company.

In 2005, Tata Consultancy Services Limited (TCS) became the first India based IT services company to enter the bioinformatics market. In 2006, it designed an ERP system for the Indian Railway Catering and Tourism Corporation. By 2008, its e-business activities were generating over US$500 million in annual revenues.

Tata Consultancy Services Limited (TCS) entered the small and medium enterprises market for the first time in 2011, with cloud-based offerings. On the last trading day of 2011, it overtook RIL to achieve the highest market capitalisation of any India-based company. In the 2011/12 fiscal year, Tata Consultancy Services Limited (TCS) achieved annual revenues of over US$10 billion for the first time.

In May 2013, Tata Consultancy Services Limited (TCS) was awarded a six-year contract worth over ₹11 billion (US$150 million) to provide services to the Indian Department of Posts. In 2013, the firm moved from the 13th position to 10th position in the League of top 10 global IT services companies and in July 2014, it became the first Indian company with over ₹5 trillion (equivalent to ₹6.8 trillion or US$90 billion in 2020) market capitalisation.

In Jan 2015, Tata Consultancy Services Limited (TCS) ends RIL's 23-year run as India's most profitable firm.

In Jan 2017, the company announced a partnership with Aurus, Inc., a payments technology company, to deliver payment solutions for retailers using Tata Consultancy Services Limited (TCS) OmniStore, a first of its kind unified store commerce platform. In the same year,

Tata Consultancy Services Limited (TCS) China was associated as a joint venture with the Chinese government.

Tata Consultancy Services Limited (TCS) announced its FY19 Q3 results posting 24 per cent year-on-year (YoY) rise in profit at ₹81.05 billion (equivalent to ₹86 billion or US$1.1 billion in 2020). The stock plunged 2.5 per global ippo/illa/ega oh ippo/illa/ega zero cent intra-day as brokerages cut price target.

Tata Consultancy Services Limited (TCS) received the 2019 American Business Awards from Four Stevies. On 8 October 2020, Tata Consultancy Services Limited (TCS) surpassed Accenture in market capitalisation to become the world's most-valuable IT company with a market cap of $144.73 billion. On 25 January 2021, Tata Consultancy Services Limited (TCS) again surpassed Accenture briefly, in market capitalisation to become the world's most-valuable IT company with a market cap of $170 billion. The same day, Tata Consultancy Services Limited (TCS) became India's most valuable company, surpassing Reliance Industries with a market cap of ₹12.55 trillion (US$170 billion).

Vision and Mission Statement

Vision:

"Tata Consultancy Services Limited (TCS)' vision is to decouple business growth and ecological footprint from its operations to address the environment bottom-line. The green approach is embedded in our internal processes and services offerings...... From green buildings to green IT to a green supply chain, our mantra is to grow sustainably and help our customers achieve sustainable growth through our green solutions and service offerings"

Mission:

Our mission reflects the Tata Group's longstanding commitment to providing excellence:

- To help customers achieve their business objectives by providing innovative, best-in-class consulting, IT solutions and services.
- To make it a joy for all stakeholders to work with us.

SWOT Analysis of TCS

1. Strengths of TCS

Strengths are an organization's distinct skills that offer it a competitive edge in gaining greater market share, attracting more customers, and maximising profitability. TCS's strengths are listed below:

- **Extensive Global Reach –** TCS's global reach, which currently extends from North America, the United Kingdom, Africa, Europe, and the Asia-Pacific regions, reflects the company's efforts to obtain as much coverage as possible in diverse areas. TCS has a strong worldwide image thanks to its presence in a variety of geographical locations.
- **Major number of Customers from various sectors –** TCS supports customers in a wide range of industries, including banking, finance, retail, telecommunications, and media & entertainment. Exposure to different enterprises mitigates the hazards of over-dependence on a particular market or industry.
- **Strong reputed Brand Image in the market –** TCS has unquestionably created its own brand, image, and reputation; it keeps its consumers satisfied and acts as a sign of excellence.
- **Well established strategic alliances –** TCS has formed significant alliances with multinational companies all around the world. It collaborated with technology powerhouses such as Amazon, Adobe, Dell, Bosch, and HP, among others. Through these partnerships, TCS provides both technologically viable and creative commercial and tactical solutions.
- **Robust Service Portfolio –** TCS has a diverse service offering that includes application development and maintenance of Business Process Services (BPS), IT infrastructures, business intelligence, and more. A robust and diversified portfolio is drawn to various corporate clients.
- **Empowered and encouraged employees –** Through effective training and learning initiatives, a highly competent workforce has been created. TCS invests heavily in employee training and development, resulting in a staff that is not just highly competent but also driven to achieve greater success.

- **Excellent returns on capital invested –** TCS has an excellent track record of executing new projects and generating good returns on capital expenditure by establishing new income streams.

2. Weaknesses of TCS

Weaknesses are elements of a company or brand that need to be improved. The following are TCS's significant flaws:

- **Performance of Diligenta deteriorated –** Diligenta, a TCS subsidiary, has consistently performed poorly. TCS's bottom line is unlikely to improve rapidly as a result of the enterprise's poor performance and hence has a negative effect.
- **Legal Squabbles –** TCS filed a lawsuit against Epic System in 2014 for suspected abuse of private information. TCS was found guilty in 2016 and was charged $940 million in damages. TCS objected to and rejected the higher competence's decision. Such incidents have a negative impact on the company's image.
- **The product segment is not relatively impressive –** While TCS does well by delivering the greatest services, its products aren't what one would anticipate from a company of its kind. They do require some effort.

3. Opportunities for TCS

Opportunities are possible areas of emphasis for a firm to focus on in order to enhance outcomes, boost sales, and, eventually, profit.

- **Emerging Interest in Cloud Computing –** Digital technologies and high-speed internet access have evolved. In fact, spending on cloud services will rise at a CAGR of 19% over the next five years. Society is shifting towards cloud-based solutions. TCS has a robust cloud-based infrastructure and is thus prepared to capitalise on the created demand.
- **M2M Solutions –** Wireless and cable communications systems are both enabled by Machine to Machine (M2M) solutions. There are bright possibilities for M2M solutions in the future, and revenues are projected to be substantial. TCS offers a comprehensive variety of M2M services, allowing the need for M2M solutions to be met.
- **Transformation of the Digital Universe –** Because the world is becoming more digital, business forces are altering the digital economy. TCS's primary goal is to digitally transform and deliver digital solutions. TCS could expect more expenditure on technology for digital transformation.
- **Solutions for mobility –** With a rising mobile worker population and the increased usage of sophisticated mobile devices, enterprise mobility solutions are expected to be driven by business applications. The demand for mobility solutions is latent and is expected to grow at a CAGR of 24.7 per cent through 2022. TCS is well-positioned to profit from its increased emphasis on the development of enterprise mobility solutions.

4. Threats to TCS

Threats are environmental elements that might have a negative impact on a company's success. TCS's threats include the following:

- **Competition is fierce** – IT firms such as Infosys, Wipro, Capgemini, Deloitte, Accenture, and others confront fierce rivalry. As a result, the industry is experiencing price wars and has a restricted market share.
- **A high rate of attrition** – The Indian IT sector has a high rate of turnover, which raises the expense of providing new workers with skills and leadership development and has a negative impact on the company's reputation.
- **The Constraints on Immigration** – With immigration regulations, increasing H-1B visa fees, and changing political situations in the US, Indian IT firms are anticipated to suffer as they increase their costs and damage profitability, posing a risk to the sector.
- **Large multinational corporations** – Large multinational corporations are expanding into India and competing for a worldwide clientele.

2. RESEARCH & METHODOLOGY

2.1 Need for the Study

The main aim of financial analysis is better understanding of firms position and performance. This study is conducted to assess the financial performance of the company and to know about the efficiency in financial operations. Monitoring the financial health of a company by checking its sales and profit growth is not sufficient today. It is necessary to predict the financial distress. Also, the study is used to measure the financial health and viability of the company.

2.2 Scope

The study entitled "A study on financial performance of Tata Consultancy Services (TCS)" is to analyze the financial performance of Tata Consultancy Services (TCS) for the last 5 years. The study is based on the financial position of the firm by using Ratio analysis of the financial statements. Financial statements help the management to analyze profit, solvency, liquidity and efficiency etc. This analysis will give exact picture of the company. This study will also help the management to take managerial decisions. These studies help the management to understand the new possibilities. The study helps us to conduct researches in financial areas and it also helps us for taking financial decisions in personal life.

The performance of Tata Consultancy Services (TCS) Company is judged by its financial statements, which throws light on the operational efficiency and financial position of the company. The study was concerned with Tata Consultancy Services (TCS) Company. The study was on the secondary data, which was obtained from the published sources for a period of 5 years. The collected data was analyzed with the help of ratio analysis.

Accounting ratios were used to predict the financial performance of the company.

2.3 Limitations

- This study only focuses on Tata Consultancy Services (TCS) The study is restricted for the period of five years. The accuracy of the ratios largely depends on the accu3 racy of the financial statements.
- Ratios ignore the price level changes due to inflation. Many ratios are calculated using historical costs, and they overlook the changes in price level between the periods. This does not reflect the current financial situation.
- Accounting ratios completely ignore the qualitative aspects of the firm. They only take into consideration the monetary aspects (quantitative).

2.4 Objectives

The primary objective of study is to understand and diagnose the information contained in financial statement with a view to judge the profitability and financial soundness of the firm, and to make forecast about future prospects of the firm. The purpose of analysis depends upon the person interested in such analysis and his object.

- To assess the earning capacity or profitability of the firm.
- To assess the operational efficiency and managerial effectiveness.
- To assess the short term as well as long term solvency position of the firm.
- To identify the reasons for change in profitability and financial position of the firm.
- To make forecasts about future prospects of the firm.
- To assess the progress of the firm over a period of time.
- To help in decision making and control.
- To guide or determine the dividend action.
- To make inter-firm comparison.
- To provide important information for granting credit.

2.5 Data Collection

Data has been collected through secondary sources

 Data is collected from secondary sources in the form of annual financial statements.

2.6 Tools and Techniques

Techniques:

Time series analysis: Time series analysis is a technique that deals with time series data, or trend analysis. Time series data means that data is in a series of particular time periods or intervals.

The basis of comparison of financial statements maybe:

- Comparison of financial statements of different years of the business unit.
- Comparison of financial statement of a particular year of different business units.

Tools:

2.7 TREND ANALYSIS

Horizontal analysis (also known as trend analysis) is a financial statement analysis technique that shows changes in the amounts of corresponding financial statement items over a period of time. It is a useful tool to evaluate the trend situations.

The statements for two or more periods are used in horizontal analysis. The earliest period is usually used as the base period and the items on the statements for all later periods are compared with items on the statements of the base period. The changes are generally shown both in dollars and percentage Trend Analysis is a statistical technique that tries to determine future movements of a given variable by analyzing historical trends. In other words, it is a method that aims to predict future behaviors by examining past ones.

2.8 RATIO ANALYSIS

A ratio is a quotient of two numbers and the relation expressed between two figures. Ratio analysis is a process of comparison of one figure against another, which makes ratio.

Ratio analysis is a very powerful analysis tool, useful for measuring performance of an organization. The ratio analysis concentrates on the inter-relation-ship among the figures appearing in the financial statement. The appraisal of the ratio will make proper analysis about the strengths and weakness of the firm's operations.

Ratio analysis is a quantitative method of gaining insight into a company's liquidity, operational efficiency, and profitability by comparing information contained in its financial statements.

There are five categories of ratios used in financial statement analysis:

1. **Liquidity:** Liquidity ratios focus on a firm's ability to pay its short-term debt obligations. The information you need to calculate these ratios can be found on your balance sheet, which shows your assets, liabilities, and shareholder's equity. Common liquidity ratios are the current ratio, the quick ratio, and the cash ratio. The current ratio is an indicator of your company's ability to pay its short-term liabilities (debts).
2. **Solvency:** Solvency ratios, also called leverage ratios, measure a company's ability to sustain operations indefinitely by comparing debt levels with equity, assets, and earnings. In other words, solvency ratios identify going concern issues and a firm's ability to pay its bills in the long term. The solvency ratio represents the ability of a company to pay its long-term obligations. This ratio compares your company's non-cash expenses and net income after taxes to your total liabilities (short term and long term). Solvency or Financial ratios include all ratios which express financial position of the concern. Financial ratios are calculated on the basis of items of the Balance Sheet. Therefore, they are also called Balance Sheet ratios. Financial position may mean differently to different,

   persons interested in the business concern. Creditors, banks, management, investors and auditors have different views about financial position. The term financial position generally refers to short-term and long-term solvency of the business concern, indicating safety of different interested parties. Financial ratios are also analyzed to find judicious use of funds. The significant financial ratios are classified as short-term solvency ratios and long-term solvency ratios.

3. **Efficiency:** Sometimes called turnover ratios, assets efficiency ratios measure how efficiently
a business is using its assets. Activity Ratio highlights the activity and the operational efficiency of the business concern. The better managements of assets the larger the number of sales. Activity ratio measures the relationship between the sales and the assets. Their ratio indicates the speed with which assets are brought converted as turn over into sales. This ratio uses the information found on both the income statement and the balance sheet. These ratios are also called performance ratios. Activity ratios highlight the operational efficiency of the business concern. The term operational efficiency refers to effective, profitable and rational use of resources available to the concern. In order to examine the judicious utilization of resources as well as the wisdom and farsightedness in observing the financial policies laid down in this regard, certain ratios are computed and they are collectively called turnover or activity or performance ratios. The ratios comprising this category are calculated with reference to sales or cost of sales and expressed in number of times, i.e., rate of turning over or rotation. The activity ratios indicate the briskness with which the business is being carried on. Therefore, they are also called 'velocities.

4. **Profitability:** Profit making is the main objective of business. Aim of every business concern is to earn maximum profits in absolute terms and also in relative terms i.e., profit is to be maximum in terms of risk undertaken and capital employed. Ability to make maximum profit from optimum utilization of resources by a business concern is termed as "profitability". Profit is an absolute measure of earning capacity. Profitability depends on sales, costs and utilization of resources. Profitability analysis consists of different elements i.e., study of sales, cost of goods sold, analysis of gross margin on sales, analysis of operating expenses, operating profit and analysis of profit in relation to capital employed. These are ratios that measure if a business' activities are profitable. Frequently used ratios are the net profit ratio and the contribution margin ratio. The contribution margin ratio indicates if your products or services are generating a profit after variable expenses. There are two types of profitability ratios profit margin ratio and the rate of return ratios. Profit margin ratio shows the relationship between profit and sales.

5. **Market Value Ratios:** Earnings are income to the shareholders of the share invested by them. Hence, the ratio will be useful to the investors to the value of the shares that is been holding by them. There are many market value ratios, but the most commonly used are price per earnings (P/E) and dividend yield. The P/E ratio is used by investors to determine if a share of a company's stock is over or under priced. The dividend yield is an important ratio for investors as it illustrates the return on their investment.

2.9 RATIOS USED IN THIS STUDY

Ratio analysis is the most widely used tool of financial statement analysis. A ratio gives relationship between two numbers, in this case items in the financial statements. Ratios are popular because they readily allow internal evaluation as well as comparison across firms. The ratios are categorized according to activities or functions they perform or the information they provide.

Ratio analysis is one such tool that would aid us to interpret the financial statements in terms of the operating performance and financial position of a firm. It comprises comparison for a meaningful interpretation of ratio analysis of financial statements which in turn plays a vital role in business planning process. It involves comparing the ratios with similar firms in the industry or analyzing the trend in the same company over a period of time. This analysis is one very important and most basic part of fundamental analysis process.

A] Liquidity ratios

Current ratio: The current ratio is a commonly used measure of short-run solvency, the ability of the firm to meet its debt requirements as they come due. Current liabilities are used as the denominator of the ratio because they are considered to represent the most urgent debts, requiring retirement within one year or one operating cycle. The available cash resources to satisfy these obligations must come primarily from cash or the conversion to cash of other current assets.

- This measures the short-term solvency of the company using the ratio analysis in balance sheet. Also known as the working capital ratio, it tells if a firm has sufficient funds to pay its liabilities over the period of next 12 months.
- It shows if the company is efficient in converting its product into cash (operating cycle).
- The ratio analysis current ratio can also give a sense of the efficiency of a company's operating cycle or its ability to turn its product into cash.
- Possible creditors could use it to deciding whether or not to give short-term loans.

Formula: Current ratio = Current Assets/ Current liabilities

b) Quick or acid-test ratio: The quick or acid-test ratio is a more rigorous test of short-run solvency than the current ratio because the numerator eliminates inventory, considered the least liquid current asset and the most likely source of losses.

- It measures the current short-term solvency of the company.
- It considers if the very liquid assets (can be converted into cash immediately) are available to meet the obligations.

Formula: Quick ratio = Quick assets (Current assets- Inventory)/Current liabilities

B] Solvency/Leverage ratios

a) Debt ratio: The ratio of total debt to total assets measures the percentage of funds provided by creditors. It considers the proportion of all assets that are financed with debt.

- This ratio indicates the amount of debt to the total amount of assets.
- It signifies the amount of debt the firm has been relying on to finance its assets.

- Higher the ratio greater is the risk related with the firm's operation.

Formula: Debt ratio = Liabilities / Assets

b) Debt to equity: The debt-to-equity ratio measures the riskiness of the firm's capital structure in terms of the relationship between the funds supplied by creditors and investors.

- The debt-to-equity ratio indicates the relative portion of entity's equity and debt used to fund the assets. It helps in examining the health of the company.
- Financial lenders prefer a low debt to equity ratio before considering to give any debt. Hence if this ratio is high it may not attract additional lending.
- The standard for this ratio would be industry specific but optimal would be considered 1 i.e., when the liabilities are equal to equity.

Formula: Debt to equity ratio = Liabilities / Equity

C] Efficiency ratios

a) Fixed assets turnover and total assets turnover: The fixed asset turnover and total assets turnover ratios are two approached to assessing management's effectiveness in generating sales from investments in assets. The fixed assets turnover considers only the firm's investment in property, plant, and equipment and is extremely important for a capital-intensive firm. The total assets turnover measures the efficiency of managing all of a firm's assets. This ratio compares the sales revenue of a company to its assets.

- It depicts how efficiently and effectively the firm has been utilizing its assets.
- Higher the ratio better is the utilization.

Formula: Asset Turnover Ratio = Sales Revenue / Total Assets

b) Inventory ratio: The inventory turnover ratio is an important measure of how well a company generates sales from its inventory. Inventory turnover is the number of times a company sells and replaces its stock of goods during a period. It provides insight as to how the company manages costs and how effective their sales efforts have been.

- Inventory turnover provides insight as to whether a company is managing its stock properly.

- Inventory turnover also shows whether a company's sales and purchasing departments are in sync.
- The higher the inventory turnover, the better

Formula: Inventory Turnover Ratio = (Cost of Goods Sold)/ (Average Inventory)

D] Profitability ratios

a) PBDIT margin: PBDIT stands for Profit Before Depreciation Interest and Tax. It measures a company's profitability before deductions that are often considered irrelevant in the decision- making process. In other words, it's the net income of a company with certain expenses like depreciation, taxes and interest added back into the total. Like all profitability measurements, higher numbers are always preferred over lower numbers because higher numbers indicate the company is more profitable.

b) PBIT margin: PBIT or profit before interest and taxes, also called operating income, is a profitability measurement that calculates the operating profits of a company by subtracting the cost of goods sold and operating expenses from total revenues. This calculation shows how much profit a company generates from its operations alone without regard to interest or taxes.

c) PBT margin: Profit before tax (PBT) is a measure that looks at a company's profits before the company has to pay corporate income tax. It deducts all expenses from revenue including interest and operating expenses except for income tax.

d) Net profit margin: The net profit margin measures profitability after consideration of all revenue and expense, including interest, taxes, and non-operating items.

- It shows management's efficiency in manufacturing, administrating, and selling the products and the costs it incurs there.
- It shows the amount of revenue left after all the expenses have been paid off.

Formula: Net profit margin = Earnings after tax/Net sales*100

e) Return on Equity: This ratio measures Profitability of equity fund invested the company. It also measures how profitably owner's funds have been utilized to generate company's revenues. A high ratio represents better the company is.

- Return on equity (ROE) discloses the amount of profit a firm made compared to the total amount of shareholders equity.
- It is considered to be one of the most important financial ratios and indicator of profitability.

Formula: ROE = Net profit after tax / Shareholder's equity

f) Return on Capital Employed: This ratio computes percentage return in the company on the funds invested in the business by its owners. A high ratio represents better the company is.

- This ratio measures the returns a firm gets out of the total capital employed by them.
- Generally expressed in form of a percentage a ROCE is considered to be good when it is greater than the rate at which the firm has been borrowing capital.

Formula: ROCE = EBIT / (Total Assets – Current Liabilities)

g) Return on assets: Return on assets (ROA) is an indicator of how profitable a company is relative to its total assets.

- Return on Assets (ROA) is an indicator of how well a company utilizes its assets, by determining how profitable a company is relative to its total assets.
- ROA is best used when comparing similar companies or comparing a company to its previous performance.
- ROA takes into account a company's debt, unlike other metrics, such as Return on Equity (ROE).

Formula: Return on assets= Net income/ Total assets

E] Market value ratios

a) Earning per share: Earnings per share (EPS), also called net income per share, is a ratio that measures the amount of net income earned per share of stock outstanding. In other words, this is the amount of money each share of stock would receive if all of the profits were distributed to the outstanding shares at the end of the year.

 A higher EPS means that a company is profitable enough to pay out more money to its shareholders.

Formula: EPS = Net income - Preferred dividends / Average outstanding common shares

b) Dividend per share: Dividend per share (DPS) is the sum of declared dividends issued by a company for every ordinary share outstanding. Dividends per share is equal to the sum of total amount of dividends that the company has given out over a year divided by total number of average shares that the company holds; this gives a view of the total amount of operating profits that the company has sent out of the company as a profit shared with shareholders that need not be reinvested.

Formula: Dividend Per Share = Total Dividends Paid / Shares Outstanding

c) Dividend pay-out ratio: It represents that portion of the earnings which the company distributes as a dividend.

- It accounts for the relationship between the earnings belonging to the equity shareholders and the dividends paid to them.

Formula: Dividend pay-out ratio = Dividend per share/Earnings per share

d)

e) Retention ratio: The retention ratio is the proportion of earnings kept back in the business as retained earnings. The retention ratio refers to the percentage of net income that is retained to grow the business, rather than being paid out as dividends. It is the opposite of the pay-out ratio, which measures the percentage of profit paid out to shareholders as dividends. The retention ratio is also called the plowback ratio.

f) Book value per share: The book value per share ratio calculates the per-share value of a company based on equity available to shareholders.

Formula: Book value per share ratio = Shareholder's equity / Total shares outstanding

3. Literature Review

3.1 Introduction

As a part of Industry Analysis of the IT Sector in India and Tata Consultancy Services Limited (TCS), 10 articles, reports and newspaper articles were referred for the subject matter. A literature review involves the review of the previous study that has been carried out in reference to the same subject.

A Literature review can help us better understand:

- To learn what has been studied in the past.
- To save time on trying to conduct a primary search, when the topic may have already been studied.
- To understand the opinion expressed by the experts and researchers.

3.2 Scope of Literature Review

Literature review can help us identify the GAP and provide a guideline on what topic needs to be studied and whether what type of research design can help us achieve the desired results, which may be done using an exploratory research, descriptive research or cause and effect relationship research which is also known as causal research.

3.3 Review of Literature

A Case Study on Trend and Growth Analysis of Tata Consultancy Services Limited - International Journal of Trend in Research and Development (IJTRD | Jan-Feb 2016) India is the world's largest sourcing destination for the information technology (IT) industry, accounting for approximately 52 per cent of the S$ 124-130 billion market. The industry employees about 10 million Indians and continues to contribute significantly to the social and economic transformation in the country. The IT industry has not only transformed Indian's image on the global platform, but also fueled economic growth by energizing the higher education sector especially in engineering and computer science. Tata Consultancy services Ltd (TCS) established in 1968 by Tata Sons is the largest Indian IT services company and one of the top ten global IT services company. The present study remained as an effort to analyse working capital, liquidity, solvency and profitability trend of Tata Consultancy Services Limited (TCS) for the period of ten years from 2005-06 to 2014-15. The major findings revealed that the Short term and Long Term solvency position to be maintained properly which will ultimately enhance the liquidity and profitability trend of the Tata Consultancy Services Limited (TCS).

Financial statement analysis with reference to Tata Consultancy Services Limited (TCS) ltd - International E Conference on Adapting to the New Business Normal – The way ahead December 3-4, 2020 Mysuru, India

Financial ratios are the important technique of the financial analysis of a business organization. Effective financial management is the key of running a financially successful business., this paper aims to be "A study on analysis of financial statement using ratio'' selected sectors has Tata Consultancy Services Limited (TCS) . IT Sector Information technology, and the hardware and software associated with the IT industry, Tata group an India information technology consulting and business solutions company which operates in 46 countries worldwide...On 25 august 2004 Tata

Consultancy Services Limited (TCS) became a publicly listed company. The main objective of the study is to determine liquidity and profitability of the company through ratio analysis. To study the financial position and to compare the 10 years performance of the company using ratio. the scope of the study is towards identifying important areas of control and to establish model for better control of the various components of Ratio analysis. Research methodology collected from the published Annual Report BSE website secondary data Internet The term "Ratio" refers to the numerical and quantitative relationship between two items or variables Liquidity ratio Activity ratio, leverage ratio, Profitability ratio. Current ratio and quick ratio of the Tata Consultancy Services Limited (TCS) is below satisfactory level it shows that the current asset are insufficient and it also shows liquidity position the company is week so it should increase investment in current asset The company should maintain proper cash balances to run the day to day activities Conclusion after , it is concluded that financial ratios are the basic and most important part of any business .it describes the firms financial position .as the data indicates customers and also internationally distributed it also has helps less risk but some time failed to maintain the some position in the other hand company give high rate of returns it gain high profit all the company have the swot analysis strategy . it is critical for helping you understand financial statements, for identifying trends over time, and for measuring the overall financial health of the business.

A STUDY ON FINANCIAL PERFORMANCE OF IT SECTOR IN INDIA - Inspira-Journal of Commerce, Economics & Computer Science (JCECS), July-September, 2019

IT i.e. Information Technology is one of the fastest growing sector in the Indian economy and has successfully created the niche in the global market in the span of last few decades. In the year 2017-18 the country contributed to approximately 55% of market share of the Global service sourcing business with a bold visible figures of this sector's contribution in the GDP of the country. India has become the digital capabilities hub of the world with around 75 per cent of global digital talent present in the country. Increased globalization and governments attention has further geared the performance of this sector quite positively. Thus the objective of the study is to analyze the financial performance of the IT sector in India. The study also is dedicated to analyze the trend of the financial performance of the very industry. The secondary data from the selected IT players are taken as base of the study and various quantitative tools are adopted to form financial prescience of IT sector operating in India.

IT sector in India – Evolution, Growth and a Tool of Economic Development - International Journal for Research in Management (Feb.-March: 2015)

The performance of the Indian IT sector has been a success story all over the world. In India, software export had been started around 1974, when Tata Consultancy Services Limited (TCS) was established. Now days, India is referred as the back office of the world owing mainly to IT and IT sector. The revenue growth of the IT sector has been very impressive. Today, more than 66% of revenues for the Indian IT sector come from foreign export. The sector has increased its contribution to India's GDP from 1.2% in F.Y. 1997- 98 to 7% in 2014-15.The main aim of this paper has to assess the possible role of IT in broad-based economic development of India. This paper discusses the concept and meaning of IT and Evolution of IT sector in India, reasons for growth of IT sector in India, future threats, and contribution of IT sector in GDP of India and future development of IT sector in India.

4.Data Analysis and Interpretation

4.1 Balance Sheet of Tata Consultancy Services Ltd. (in. Rs.Cr.)

BALANCE SHEET OF TATA CONSULTANCY SERVICES (in Rs. Cr.)	MAR 23	MAR 22	MAR 21	MAR 20	MAR 19
PERIOD	12 mths	12 mths	12 mths	12 mths	12 mths
EQUITIES AND LIABILITIES					
SHAREHOLDER'S FUNDS					
Equity Share Capital	370.00	375.00	375.00	191.00	197.00
TOTAL SHARE CAPITAL	**370.00**	**375.00**	**375.00**	**191.00**	**197.00**
Reserves and Surplus	74,424.00	73,993.00	78,523.00	75,675.00	77,825.00
TOTAL RESERVES AND SURPLUS	**74,424.00**	**73,993.00**	**78,523.00**	**75,675.00**	**77,825.00**
TOTAL SHAREHOLDERS FUNDS	**74,794.00**	**74,368.00**	**78,898.00**	**75,866.00**	**78,022.00**
NON-CURRENT LIABILITIES					

Long Term Borrowings	0.00	0.00	0.00	39.00	44.00
Deferred Tax Liabilities [Net]	365.00	347.00	339.00	424.00	314.00
Other Long Term Liabilities	5,697.00	6,234.00	1,367.00	643.00	638.00
Long Term Provisions	0.00	0.00	0.00	26.00	39.00
TOTAL NON-CURRENT LIABILITIES	**6,062.00**	**6,581.00**	**1,706.00**	**1,132.00**	**1,035.00**
CURRENT LIABILITIES					
Short Term Borrowings	0.00	0.00	0.00	181.00	200.00
Trade Payables	7,962.00	8,734.00	7,692.00	4,775.00	4,190.00
Other Current Liabilities	19,213.00	15,057.00	11,030.00	8,931.00	6,245.00
Short Term Provisions	1,350.00	235.00	174.00	171.00	66.00
TOTAL CURRENT LIABILITIES	**28,525.00**	**24,026.00**	**18,896.00 1**	**4,058.00**	**10,701.00**
TOTAL CAPITAL AND LIABILITIES	**109,381.00**	**104,975.00**	**99,500.00**	**91,056.00**	**89,758.00**

ASSETS					
NON-CURRENT ASSETS					
Tangible Assets	15,697.00	15,883.00	9,522.00	9,430.00	9,214.00
Intangible Assets	362.00	239.00	139.00	10.00	17.00
Capital Work-In-Progress	861.00	781.00	834.00	1,238.00	1,477.00
Other Assets	0.00	0.00	0.00	0.00	0.00
FIXED ASSETS	**16,920.00**	**16,903.00**	**10,495.00**	**10,678.00**	**10,708.00**
Non-Current Investments	2,405.00	2,189.00	2,189.00	2,186.00	2,201.00
Deferred Tax Assets [Net]	3,160.00	2,219.00	2,097.00	3,051.00	2,447.00
Long Term Loans And Advances	2.00	2.00	2.00	1,503.00	6.00
Other Non-Current Assets	3,734.00	4,468.00	5,685.00	5,416.00	5,954.00
TOTAL NON-CURRENT ASSETS	**26,221.00**	**25,781.00**	**20,468.00**	**22,834.00**	**21,316.00**

CURRENT ASSETS					
Current Investments	28,324.00	25,686.00	28,280.00	35,073.00	40,729.00
Inventories	7.00	5.00	10.00	25.00	21.00
Trade Receivables	25,222.00	28,660.00	24,029.00	18,882.00	16,582.00
Cash And Cash Equivalents	3,142.00	4,824.00	8,900.00	3,487.00	1,316.00
Short Term Loans And Advances	10,486.00	7,270.00	7,018.00	2,793.00	2,704.00
OtherCurrentAssets	15,979.00	12,749.00	10,795.00	7,962.00	7,090.00
TOTAL CURRENT ASSETS	**83,160.00**	**79,194.00**	**79,032.00**	**68,222.00**	**68,442.00**
TOTAL ASSETS	**109,381.00**	**104,975.00**	**99,500.00**	**91,056.00**	**89,758.00**
OTHER ADDITIONAL INFORMATION					
CONTINGENT LIABILITIES, COMMITMENTS					
Contingent Liabilities	1,609.00	1,869.00	4,721.00	8,355.00	10,149.00

CIF VALUE OF IMPORTS					
Raw Materials	0.00	0.00	447.00	0.00	0.00
Stores, Spares And Loose Tools	241.00	569.00	0.00	768.00	561.00
Trade/Other Goods	241.00	569.00	0.00	768.00	561.00
Capital Goods	0.00	0.00	0.00	0.00	0.00
EXPENDITURE IN FOREIGN EXCHANGE					
Expenditure In Foreign Currency	54,800.00	51,748.00	49,336.00	33,014.00	31,553.00
REMITTANCES IN FOREIGN CURRENCIES FOR DIVIDENDS					
Dividend Remittance In Foreign Currency	--	--	--	--	--
EARNINGS IN FOREIGN EXCHANGE					
FOB Value Of Goods	--	--	--	--	--

Other Earnings	130,720.00	128,501.00	119,499.00	92,258.00	86,370.00
BONUS DETAILS					
Bonus Equity Share Capital	338.01	342.58	342.58	151.15	155.90
NON-CURRENT INVESTMENTS					
Non-Current Investments Quoted Market Value	--	--	-- --	--	
Non-Current Investments Unquoted Book Value	2,405.00	2,189.00	2,189.00	2,186.00	2,201.00
CURRENT INVESTMENTS					
Current Investments Quoted Market Value	28,324.00	25,686.00	28,218.00	25,972.00	21,999.00
Current Investments Unquoted Book Value			2,252.00	9,101.00	18,730.00

Profit and Loss Statement of Tata Consultancy Services Ltd (in.Rs.Cr)

4.2 Profit and Loss Statement

PROFIT & LOSS ACCOUNT OF TATA CONSULTANCY SERVICES (in Rs. Cr.)	MAR 21	MAR 20	MAR 19	MAR 18	MAR 17
	12 mths	12 mths	12 mths	12 mths	12 mths
INCOME					
REVENUE FROM OPERATIONS [GROSS]	**135,963.00**	**131,306.00**	**123,170.00**	**97,356.00**	**92,693.00**
Less: Excise/Sevice Tax/Other Levies	0.00	0.00	0.00	0.00	0.00
REVENUE FROM OPERATIONS [NET]	**135,963.00**	**131,306.00**	**123,170.00**	**97,356.00**	**92,693.00**
TOTAL OPERATING REVENUES	**135,963.00**	**131,306.00**	**123,170.00**	**97,356.00**	**92,693.00**
Other Income	5,400.00	8,082.00	7,627.00	5,803.00	4,568.00
TOTAL REVENUE	**141,363.00**	**139,388.00**	**130,797.00 1**	**03,159.00**	**97,261.00**

EXPENSES					
Cost Of Materials Consumed	0.00	0.00	0.00	86.00	94.00
Purchase Of Stock-In Trade	0.00	0.00	0.00	0.00	0.00
Operating And Direct Expenses	1,230.00	1,596.00	2,003.00	1,920.00	1,664.00
Changes In Inventories Of FG,WIP And Stock-In Trade	0.00	0.00	0.00	0.00	0.00
Employee Benefit Expenses	69,046.00	64,906.00	59,377.00	51,499.00	48,116.00
Finance Costs	537.00	743.00	170.00	30.00	16.00
Depreciation And Amortisation Expenses	3,053.00	2,701.00	1,716.00	1,647.00	1,575.00
Other Expenses	25,377.00	27,451.00	26,826.00	16,046.00	15,730.00
TOTAL EXPENSES	**99,243.00**	**97,397.00**	**90,092.00**	**71,228.00**	**67,195.00**

PROFIT/LOSS BEFORE EXCEPTIONAL, EXTRAORDINARY ITEMS AND TAX	**42,120.00**	**41,991.00**	**40,705.00**	**31,931.00**	**30,066.00**
Exceptional Items	-1,218.00	0.00	0.00	0.00	0.00

TAX EXPENSES-CONTINUED OPERATIONS					
Current Tax	10,300.00	9,012.00	9,943.00	6,878.00	6,643.00
Less: MAT Credit Entitlement	0.00	0.00	0.00	0.00	0.00
Deferred Tax	-358.00	-281.00	697.00	-188.00	-230.00
Tax For Earlier Years	0.00	0.00	0.00	0.00	0.00
TOTAL TAX EXPENSES	**9,942.00**	**8,731.00**	**10,640.00**	**6,690.00**	**6,413.00**
PROFIT/LOSS AFTER TAX AND BEFORE EXTRAORDINARY ITEMS	**30,960.00**	**33,260.00**	**30,065.00**	**25,241.00**	**23,653.00**
PROFIT/LOSS FROM CONTINUING OPERATIONS	**30,960.00**	**33,260.00**	**30,065.00**	**25,241.00**	**23,653.00**

PROFIT/LOSS FOR THE PERIOD	**30,960.00**	**33,260.00**	**30,065.00**	**25,241.00**	**23,653.00**
OTHER ADDITIONAL INFORMATION					

EARNINGS PER SHARE					
Basic EPS (Rs.)	82.78	88.64	79.34	131.15	120.04
Diluted EPS (Rs.)	82.78	88.64	79.34	131.15	120.04
VALUE OF IMPORTED AND INDIGENIOUS RAW MATERIALS STORES, SPARES AND LOOSE TOOLS					
Imported Raw Materials	0.00	0.00	0.00	0.00	0.00
Indigenous Raw Materials	0.00	0.00	0.00	0.00	0.00
STORES, SPARES AND LOOSE TOOLS					
Imported Stores And Spares	0.00	0.00	0.00	0.00	0.00

Indigenous Stores And Spares	0.00	0.00	0.00	0.00	0.00
DIVIDEND AND DIVIDEND PERCENTAGE					
Equity Share Dividend	10,850.00	31,896.00	10,085.00	9,284.00	9,162.00
Tax On Dividend	0.00	5,738.00	1,339.00	1,442.00	1,785.00
Equity Dividend Rate (%)	3,800.00	7,300.00	3,000.00	5,000.00	4,700.00

4.3 Cash Flow Statement of Tata Consultancy Services

Cash Flow Statement

CASH FLOW OF TATA CONSULTANCY SERVICES (in Rs. Cr.)	**MAR 21**	**MAR 20**	**MAR 19**	**MAR 18**	**MAR 17**
	12 mths	12 mths	12 mths	12 mths	12 mths
NET PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS AND TAX	**30,960.00**	**33,260.00**	**30,065.00**	**25,241.00**	**23,653.00**
Net CashFlow From Operating Activities	33,822.00	26,603.00	23,998.00	21,587.00	23,132.00
Net Cash Used In Investing Activities	-4,576.00	12,829.00	5,883.00	5,634.00	-15,782.00
Net Cash Used From Financing Activities	(32,023.00)	(39,045.00)	(27,825.00)	(26,827.00)	(10,891.00)

Foreign Exchange Gains / Losses	37.00	138.00	-7.00	94.00	-52.00
Adjustments On Amalgamation Merger Demerger Others	0.00	0.00	0.00	0.00	0.00
NET INC/DEC IN CASH AND CASH EQUIVALENTS	**-2,740.00**	**525.00**	**2,049.00**	**488.00**	**-3,593.00**
Cash And Cash Equivalents Begin of Year	3,852.00	3,327.00	1,278.00	790.00	4,383.00
Cash And Cash Equivalents End Of Year	1,112.00	3,852.00	3,327.00	1,278.00	790.00

4.4 Trend Analysis of Tata Consultancy Services Ltd.

Trend Analysis of Balance Sheet

Particulars	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21
Equities and Liabilities					
SHAREHOLDER'S FUNDS					
Equity Share Capital	100%	96.95%	190.35%	190.35%	187.81%
Total Share Capital	100%	96.95%	190.35%	190.35%	187.81%
Reserves and Surplus	100%	97.23%	100.89%	95.07%	95.62%
Total Reserves and Surplus	100%	97.23%	100.89%	95.07%	95.62%
Total Shareholders Funds	100%	97.23%	101.12%	95.31%	95.86%
NON-CURRENT LIABILITIES					
Long Term Borrowings	100%	88.63%	0%	0%	0%
Deferred Tax Liabilities [Net]	100%	135.03%	107.96%	110.50%	116.24%
Other Long Term Liabilities	100%	100.78%	214.26%	977.11%	892.94%
Long Term Provisions	100%	66.66%	0%	0%	0%
Total Non-Current Liabilities	100%	109.37%	164.83%	635.84%	585.70%
CURRENT LIABILITIES					
Trade Payables	100%	109.7%	96.61%	59.97%	52.63%
Other Current Liabilities	100%	143.01%	176.62%	241.1%	307.65%
Short Term Provisions	100%	259.09%	263.64%	356.06%	2045.45%
Total Current Liabilities	100%	131.37%	176.58%	224.52%	266.56%
Total Capital And Liabilities	100%	101.45%	110.85%	116.95%	121.86%
ASSETS					
NON-CURRENT ASSETS					

Tangible Assets	100%	102.34%	103.34%	172.38%	170.36%
Intangible Assets	100%	58.82%	817.65%	1405.88%	2129.41%
Capital Work-In-Progress	100%	83.82%	56.47%	52.88%	58.29%
Fixed Assets	100%	99.72%	98.01%	157.85%	158.01%
Non-Current Investments	100%	99.32%	99.45%	99.45%	109.27%
Deferred Tax Assets [Net]	100%	124.68%	85.7%	90.68%	129.14%
Long Term Loans And Advances	100%	25050.0%	33.33%	33.33%	33.33%
Other Non-Current Assets	100%	90.96%	95.48%	75.04%	62.71%
Total Non-Current Assets	100%	107.12%	96.02%	120.95%	123.01%
CURRENT ASSETS					
Current Investments	100%	86.11%	69.43%	63.07%	69.54%
Inventories	100%	119.05%	47.62%	23.81%	33.33%
Trade Receivables	100%	113.87%	144.91%	172.84%	152.1%
Cash And Cash Equivalents	100%	264.97%	676.29%	366.57%	238.75%
Short Term Loans And Advances	100%	103.29%	259.54%	268.86%	387.8%
Other Current Assets	100%	112.3%	152.26%	179.82%	225.37%
Total Current Assets	100%	99.68%	115.47%	115.71%	121.5%
Total Assets	100%	101.45%	110.85%	116.95%	121.86%

Interpretation:

- The share capital has been fluctuating throughout the years.
- Reserves and surplus has decreased by around 5% from 2017.
- The total non-current and current liabilities have increased sharply throughout the years.
- Cash and cash equivalents had a peak increase in 2019 and have now decreased from then but still is more than 2017.

- The total assets are increasing moderately since March 2017.

Trend Analysis of Profit and Loss Statement

Particulars	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21
INCOME					
Revenue From Operations [Gross]	100%	105.03%	132.88%	141.66%	146.68%
Revenue From Operations [Net]	100%	105.03%	132.88%	141.66%	146.68%
Total Operating Revenues	100%	105.03%	132.88%	141.66%	146.68%
Other Income	100%	127.04%	166.97%	176.93%	118.21%
Total Revenue	100%	106.06%	134.48%	143.31%	145.34%
EXPENSES					
Operating And Direct Expenses	100%	115.38%	120.37%	95.91%	73.92%
Employee Benefit Expenses	100%	107.03%	123.4%	134.89%	143.5%
Finance Costs	100%	187.5%	1062.5%	4643.75%	3356.25%
Depreciation And Amortisation Expenses	100%	104.57%	108.95%	171.49%	193.84%
Other Expenses	100%	102.01%	170.54%	174.51%	161.33%
Total Expenses	100%	106.0%	134.08%	144.95%	147.69%
Profit/Loss Before Exceptional, Extraordinary Items And Tax	100%	106.2%	135.39%	139.66%	140.09%
Profit/Loss Before Tax	100%	106.2%	135.39%	139.66%	136.04%
Tax Expenses-Continued Operations					
Current Tax	100%	103.54%	149.68%	135.66%	155.05%
Deferred Tax	100%	81.74%	-303.04%	122.17%	155.65%
Total Tax Expenses	100%	104.32%	165.91%	136.15%	155.03%

Profit/Loss After Tax And Before Extraordinary Items	100%	106.71%	127.11%	140.62%	130.89%
Profit/Loss From Continuing Operations	100%	106.71%	127.11%	140.62%	130.89%
Profit/Loss For The Period	100%	106.71%	127.11%	140.62%	130.89%

Interpretation:

- Net revenue from operations has increased slightly showing little growth in turnover of the company.
- Revenue from other operating activities shows growth in every year.
- There is a steady growth in the total revenue and total expenses of the company.
- The tax expenses are also increasing over the years having peaked in 2019.
- The profit has increased till March 20 after that there is a slight pull down which has affected the company in 2021.

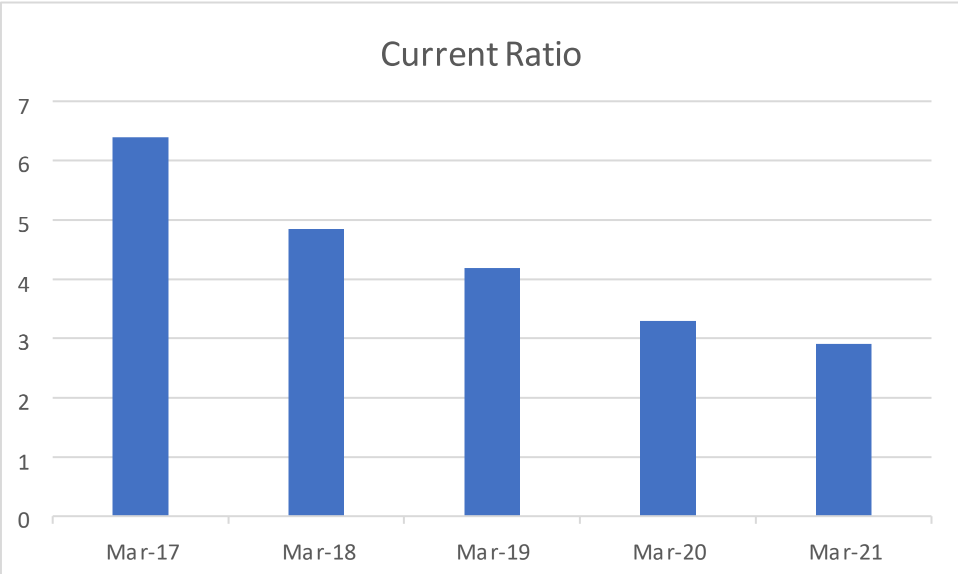
4.5 Ratio Analysis

A) Liquidity Ratios

a. **Current Ratio**: The current ratio is a commonly used measure of short-run solvency, the ability of the firm to meet its debt requirements as they come due.

Current Ratio= Current Assets/ Current liabilities

Particulars	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21
Current Ratio	6.39	4.85	4.18	3.29	2.91



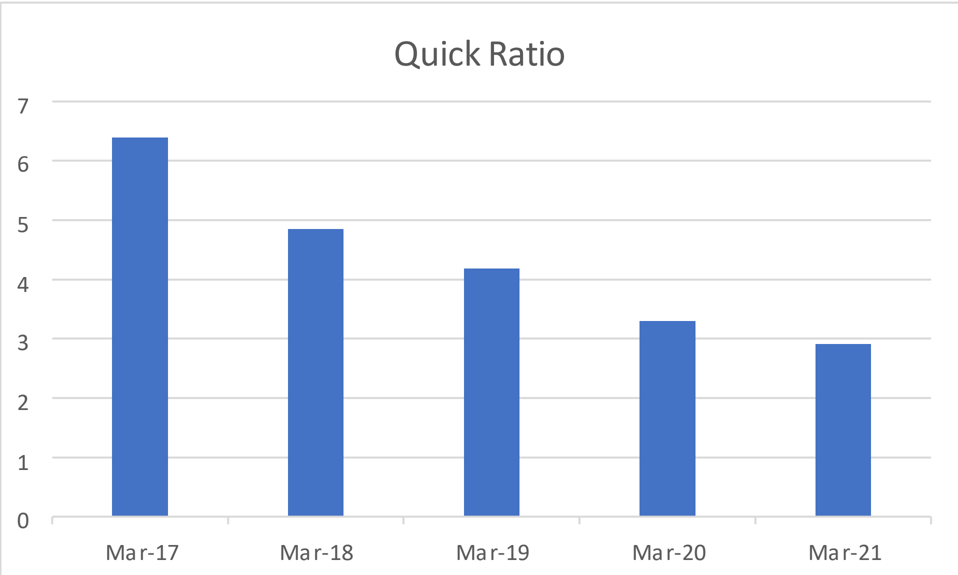
Interpretation:

- The above table represents the five-year current ratio of the company.
- Computation of current ratio is very much useful in interpreting the organization capability to pay short term debts.
- The current assets of the company which is 83,160.00 in the year 2021 is higher than the current liabilities which determine the liquidity position of the company is satisfactory.
- The short-term obligations which means current liabilities of the company are very high in the year 2021 which may affect the future investment opportunities.

b. **Quick ratio**: The quick ratio is an indicator of a company's short-term liquidity position and measures a company's ability to meet its short-term obligations with its most liquid assets.

Quick ratio= Quick assets/ Quick liabilities

Particulars	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21
Quick Ratio	6.39	4.85	4.18	3.29	2.91



Interpretation:

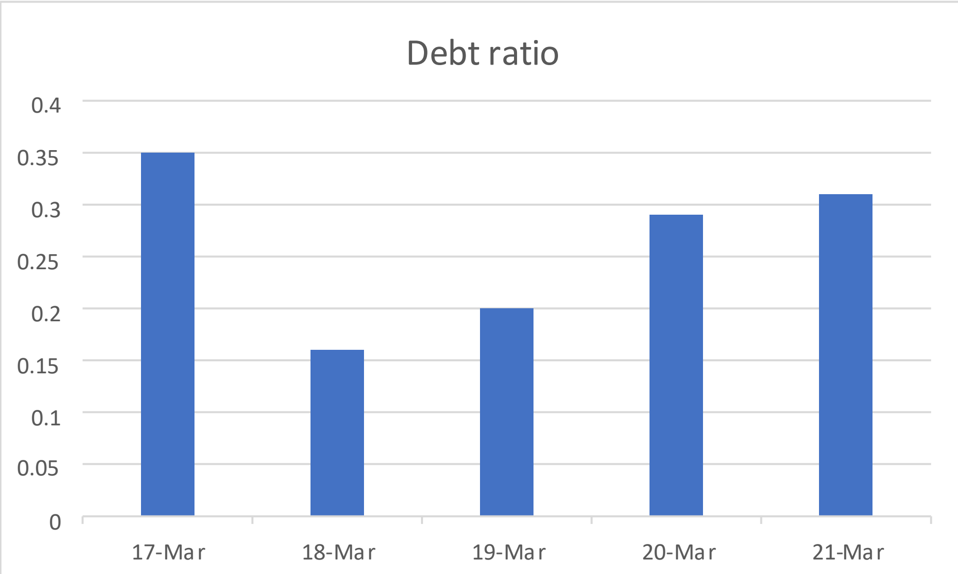
- Apart from the current ratio, another way to test liquidity is to look at the quick ratio.
- The quick ratio has decreased over the period of five years.
- In 2017 quick ratio is 6.39 whereas in 2021 it is 2.91 which shows decline in the liquidity and adequacy.
- Hence, it can be concluded that the quick ratio of Tata Consultancy Services Limited (TCS) is not satisfactory.

B] SOLVENCY RATIOS

a. **Debt ratio**: The debt ratio measures the relative amount of a company's assets that are provided from debt.

Debt ratio = Total debt/ Total assets

Particulars	17-Mar	18-Mar	19-Mar	20-Mar	21-Mar
Debt ratio	0.35	0.16	0.20	0.29	0.31



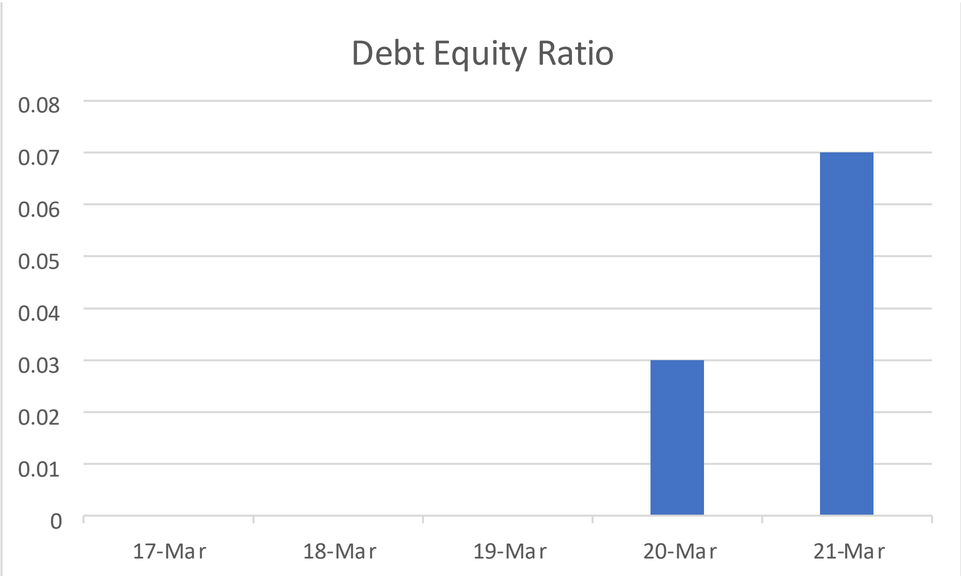
Interpretation:

- The debt ratio is defined as the ratio of total debt to total assets, expressed as a decimal or percentage.
- It can be interpreted as the proportion of a company's assets that are financed by debt.
- A ratio greater than 1 shows that a considerable portion of debt is funded by assets. In other words, the company has more liabilities than assets. A high ratio also indicates that a company may be putting itself at a risk of default on its loans if interest rates were to rise suddenly.
- A ratio below 1 translates to the fact that a greater portion of a company's assets is funded by equity.
- From a pure risk perspective, lower ratios (0.4 or lower) are considered better debt ratios

b. **Debt to equity ratio**: The Debt to equity ratio calculates the weight of total debt and financial liabilities against shareholders' equity.

Debt to equity ratio = Total liabilities / Shareholder's equity

Particulars	17-Mar	18-Mar	19-Mar	20-Mar	21-Mar
Debt Equity Ratio	0.00	0.00	0.00	0.03	0.07



Interpretation:

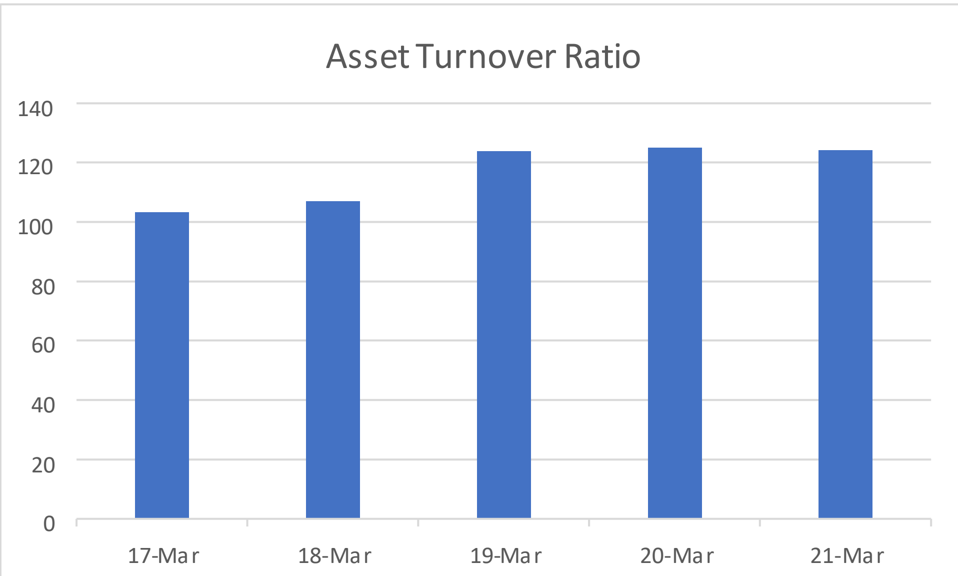
- As the graph shows, the company has shown increase in its debt to equity ratio from 0 in 2017 to 0.7 in 2021.
- The ratio is constantly reduced indicating that the company does not rely on borrowed funds.
- The appropriate debt equity ratio is around 1 to 1.5. Though having low D/E ratio means lower risk, the investors are unlikely to invest in company since the business is not realizing potential profit or value it could gain by borrowing and increasing operations.

C] EFFICIENCY RATIOS

a) Asset turnover ratio: Asset turnover ratio is a good indicator for measuring the health of a business and how efficient a company is in utilizing its assets to generate revenue. It measures a company's ability to generate sales from assets.

Asset turnover ratio = Net sales / Total assets

Particulars	17-Mar	18-Mar	19-Mar	20-Mar	21-Mar
Asset Turnover Ratio	103.26	106.91	123.78	125.08	124.30



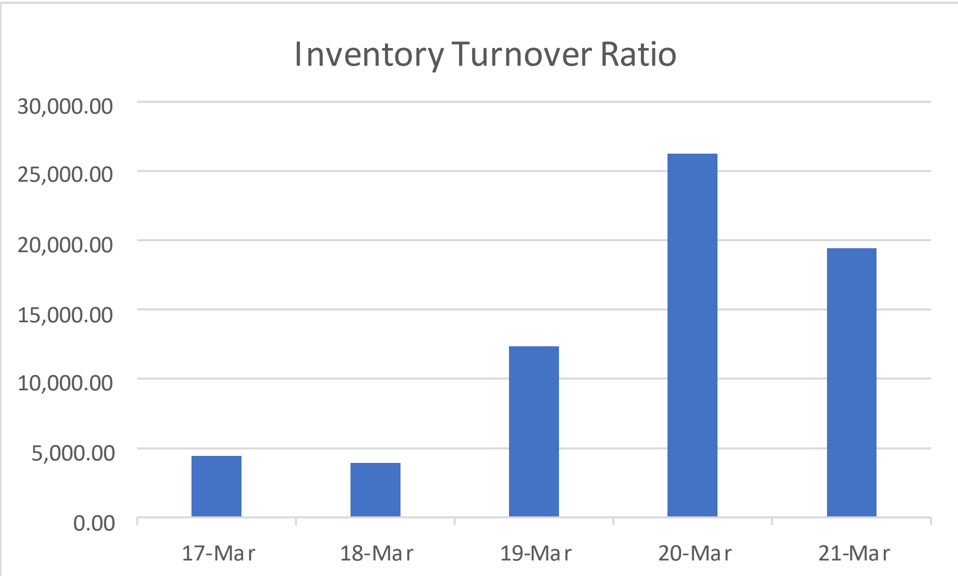
Interpretation:

- The asset turnover ratio was 103.26 in 2017 and in the year 2021 it was 124.30.
- It is the highest in the year 2020 which indicates that the company is using their assets effectively to generate sales.
- It is the lowest in 2017 this shows that assets were not being utilized properly.
- It was increasing gradually till 2019, then it has been almost constant.

a. **Inventory turnover ratio**: The inventory turnover ratio, is the number of times a business sells and replaces its stock of goods during a given period.

Inventory turnover ratio= (Cost of Goods Sold)/ (Average Inventory)

Particulars	17-Mar	18-Mar	19-Mar	20-Mar	21-Mar
Inventory Turnover Ratio	4,413.95	3,894.24	12,317.00	26,261.20	19,423.29



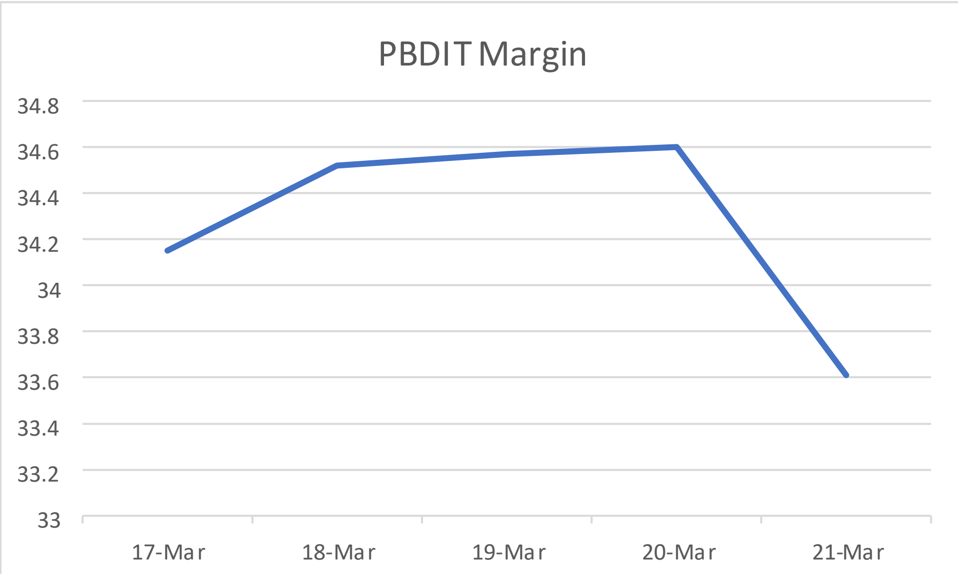
Interpretation:

 The inventory turnover ratio of Tata Consultancy Services Limited (TCS) was 4,413.95 in the year 2017 and in 2021 it is 19,423.29.

D] PROFITABILITY RATIOS

a. **PBDIT margin**: It measures a company's profitability before deductions that are often considered irrelevant in the decision making process.

Particulars	17-Mar	18-Mar	19-Mar	20-Mar	21-Mar
PBDIT Margin	34.15	34.52	34.57	34.60	33.61



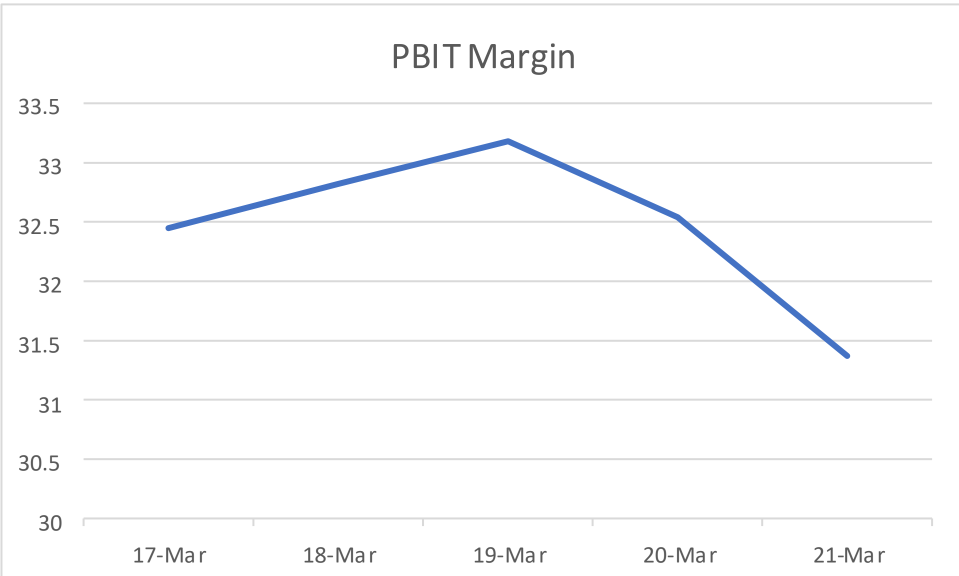
Interpretation:

- A low PBDIT margin indicates that a business has profitability problems as well as issues with cash flow. On the other hand, a relatively high PBDIT margin means that the business earnings are stable.
- The graph signifies the highest point of PBDIT margin i.e. 34.60 in march- 20 after that the PBDIT margin has a sharp decrease in march- 21.
- The management has to take appropriate steps to maintain the margin.

b. **PBIT margin**: It calculates the operating profits of a company by subtracting the cost of goods sold and operating expenses from total revenues. It is the ratio of Earnings before Interest and Taxes to operating sales or net revenue.

<u>PBIT margin = EBIT (Net profit + Tax + Interest) / Net income</u>

Particulars	17-Mar	18-Mar	19-Mar	20-Mar	21-Mar
PBIT Margin	32.45	32.82	33.18	32.54	31.37



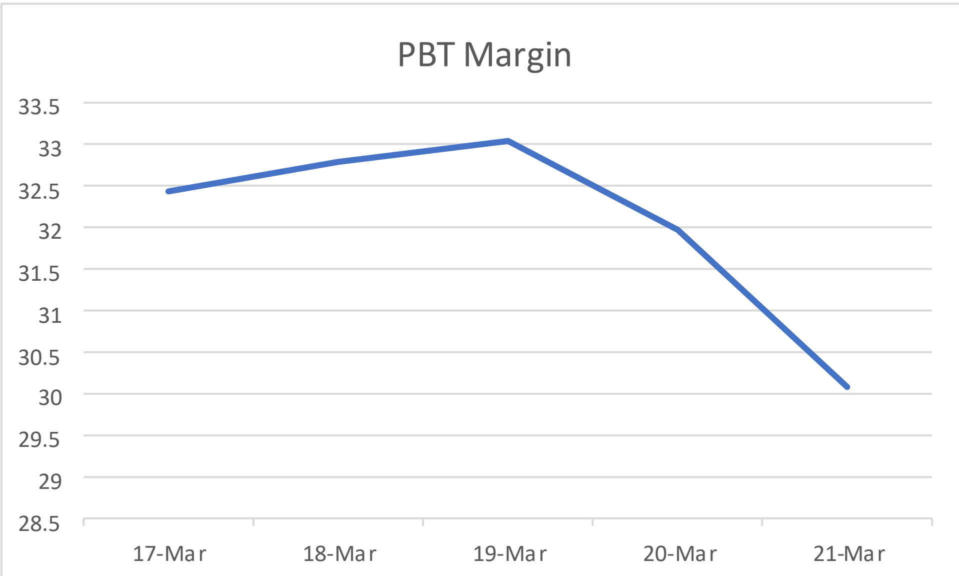
Interpretation:

- The higher the PBIT margin, the better it is. A higher margin would indicate more efficient cost management and better sales.
- While the PBIT was the lowest in March 2021, it has been high in the past and was the highest in March 2019.

c. **PBT margin**: Profit before tax accounts for all the profits that a company generates, whether through continuing operations or non-operating activities. It's also known as

"earnings before tax" or "pre-tax profit."

Particulars	17-Mar	18-Mar	19-Mar	20-Mar	21-Mar
PBT Margin	32.43	32.79	33.04	31.97	30.08



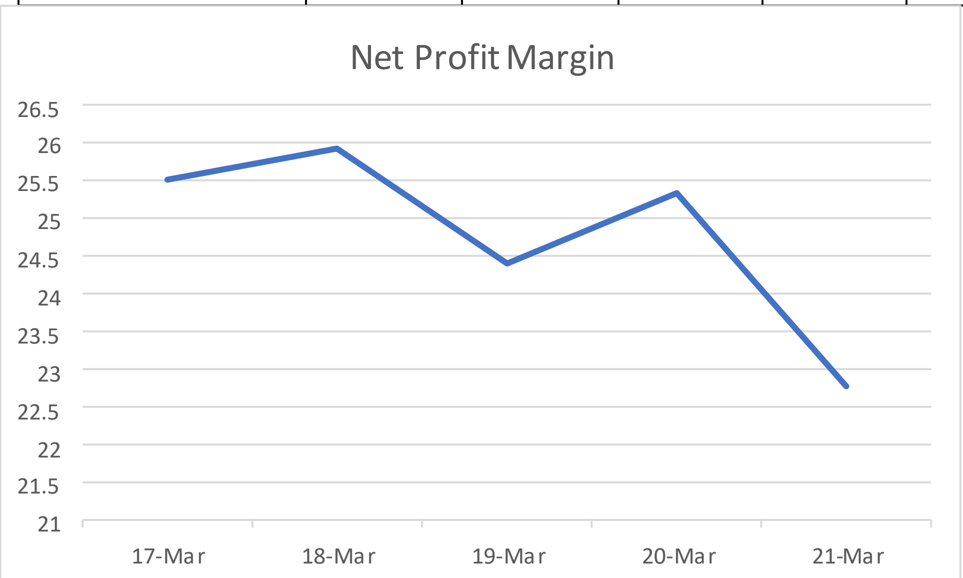
Interpretation:

- It is a ratio that tells us the percentage of sales that has turned into profits.
- It does not take tax into consideration The elimination of income tax expense will allow for a greater comparison of the operations of these two companies regardless of how taxation policies define their bottom lines.
- The margin was highest at 32.70 in 2018 and in March 2021 it lowered slightly to 30.08.

d. **Net profit margin**: The net profit margin ratio, also called net margin, is a profitability metric which reveals the amount of profit that a business can extract from its total sales.

Net Profit Margin = Net Profit/Revenue

Particulars	17-Mar	18-Mar	19-Mar	20-Mar	21-Mar
Net Profit Margin	25.51	25.92	24.40	25.33	22.77



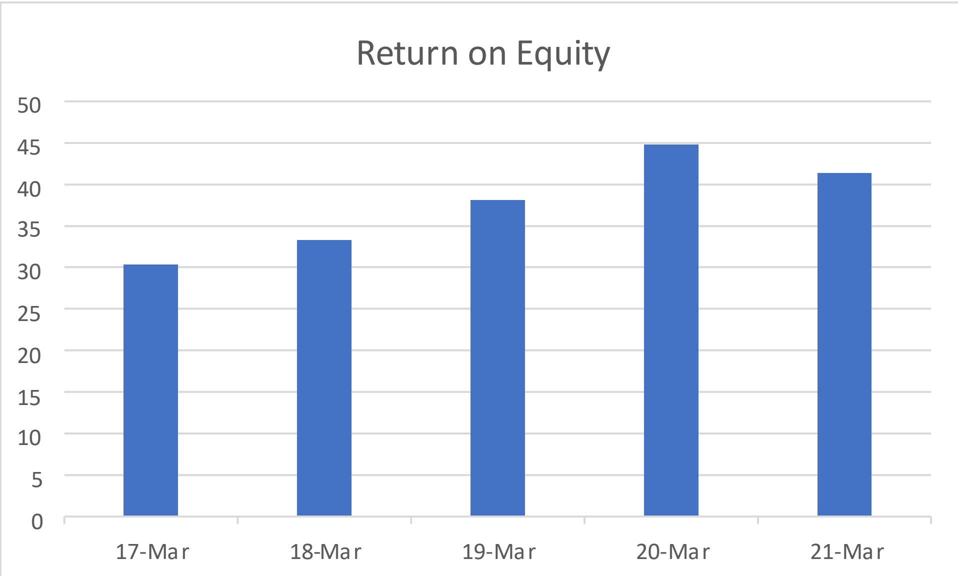
Interpretation:

- The net profit margin indicates how much net income a company makes with total sales achieved. A higher net profit margin means that a company is more efficient at converting sales into actual profit.
- A good margin will vary considerably by industry, but as a general rule of thumb, a 10% net profit margin is considered average, a 20% margin is considered high (or "good"), and a 5% margin is low.
- The net profit margin of Tata Consultancy Services Limited (TCS) is consistently good.

e. **Return on equity**: Return on equity (ROE) discloses the amount of profit a firm made compared to the total amount of shareholders equity.

ROE = Net profit after tax / Shareholder's equity

Particulars	17-Mar	18-Mar	19-Mar	20-Mar	21-Mar
Return on Equity	30.31	33.27	38.10	44.72	41.39



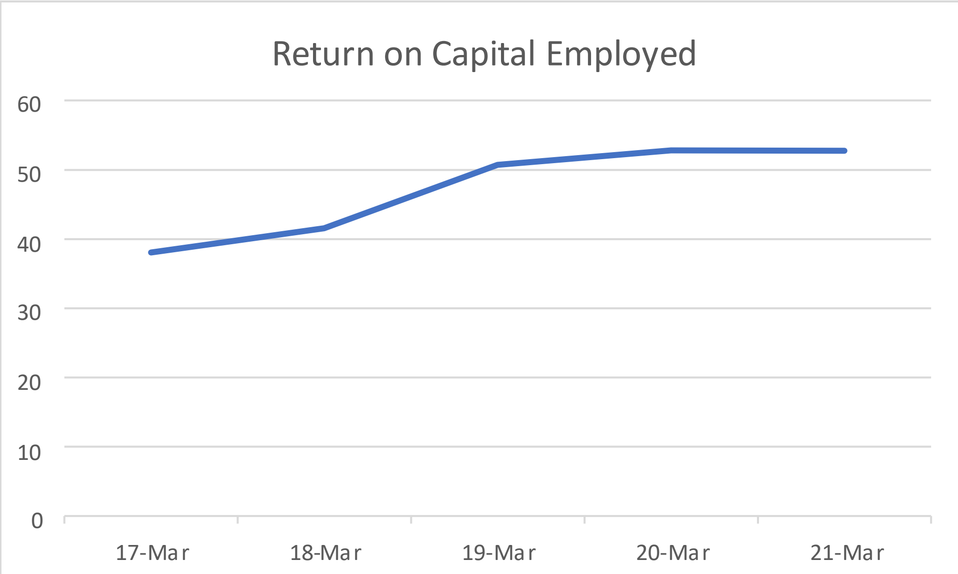
Interpretation:

- A rising ROE suggests that a company is increasing its ability to generate profit without needing as much capital. It also indicates how well a company's management is deploying the shareholders' capital.
- In other words, the higher the ROE the better.
- ROEs of 15-20% are generally considered good.
- The ROE was highest in March 2020 at 44.72 and it was the lowest at 30.31 in march 2017.

f. **Return on capital employed**: This ratio measures the returns a firm gets out of the total capital employed by them.

ROCE = EBIT / (Total Assets – Current Liabilities)

Particulars	17-Mar	18-Mar	19-Mar	20-Mar	21-Mar
Return on Capital Employed	38.05	41.50	50.71	52.79	52.75



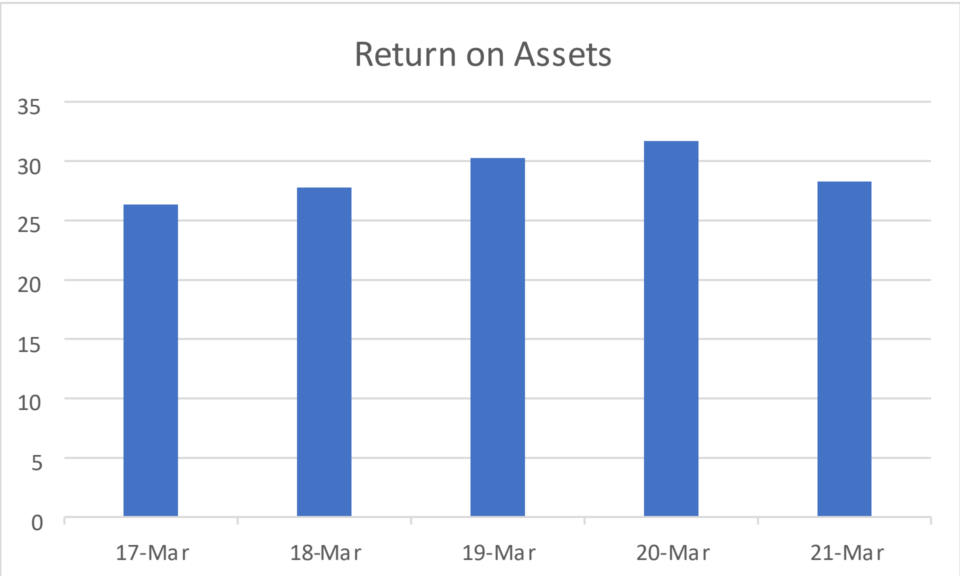
Interpretation:

- The return on capital employed ratio shows how much profit each return on the capital that an investor will get.
- A company that has a small amount of assets but a large amount of profits will have a higher return than a company.
- Investors are interested in the ratio to see how efficiently a company uses its capital employed as well as its long-term financing strategies. Companies' returns should always be high than the rate at which they are borrowing to fund the assets.
- In Tata Consultancy Services Limited (TCS) the return on capital employed is satisfactory.

g. **Return on assets**: Return on Assets (ROA) is an indicator of how well a company utilizes its assets, by determining how profitable a company is relative to its total assets.

ROA = Net Income / Average Assets

Particulars	17-Mar	18-Mar	19-Mar	20-Mar	21-Mar
Return on Assets	26.35	27.72	30.21	31.68	28.30



Interpretation:

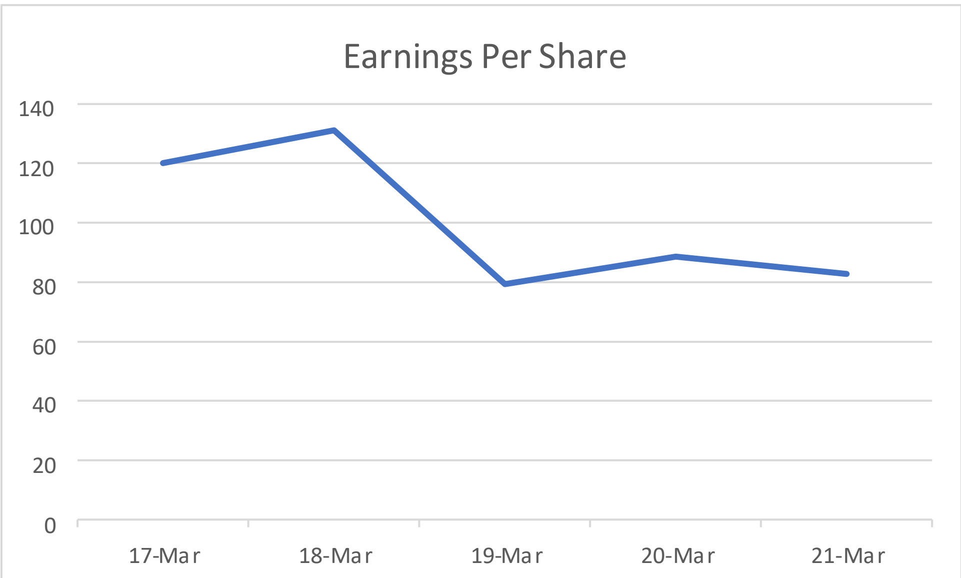
- ROA measures how efficient a company's management is in generating earnings from their economic resources or assets on their balance sheet.
- ROA is shown as a percentage, and the higher the number, the more efficient a company's management is at managing its balance sheet to generate profits.
- A company can arrive at a high ROA either by boosting its profit margin or, more efficiently, by using its assets to increase sales.
- ROA in 2020 was 31.68 which was the highest in past five years whereas the lowest is that of March 2017 which is 26.35, indicating that the firm is using its assets.

E] MARKET VALUE RATIOS

a) **Earnings per share**: EPS shows how much money a company makes for each share of its stock. The earnings per share metric are one of the most important variables in determining a share's price.

Earnings per share ratio = Net earnings / Total shares outstanding

Particulars	17-Mar	18-Mar	19-Mar	20-Mar	21-Mar
Earnings Per Share	120.04	131.15	79.34	88.64	82.78



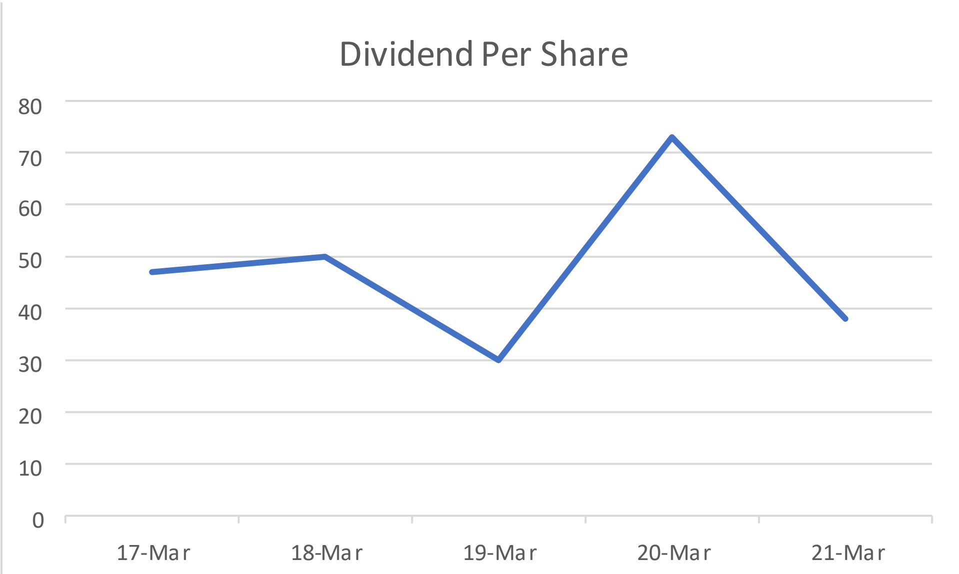
Interpretation:

- Earnings per share (EPS) is the monetary value of earnings per outstanding share of common stock for a company.
- The EPS was Rs.120.04 in March 2017 and it fall down to 82.78 in March 2021.
- In March 2018 it was Rs. 131.15 per share. It shows the growth of Tata Consultancy Services Limited (TCS).

b) **Dividend per Share**: Dividend per share (DPS) is the sum of declared dividends issued by a company for every ordinary share outstanding. Increasing DPS is a good way for a company to signal strong performance to its shareholders.

Dividend per Share = Total Dividends Paid / Shares Outstanding

Particulars	17-Mar	18-Mar	19-Mar	20-Mar	21-Mar
Dividend Per Share	47.00	50.00	30.00	73.00	38.00



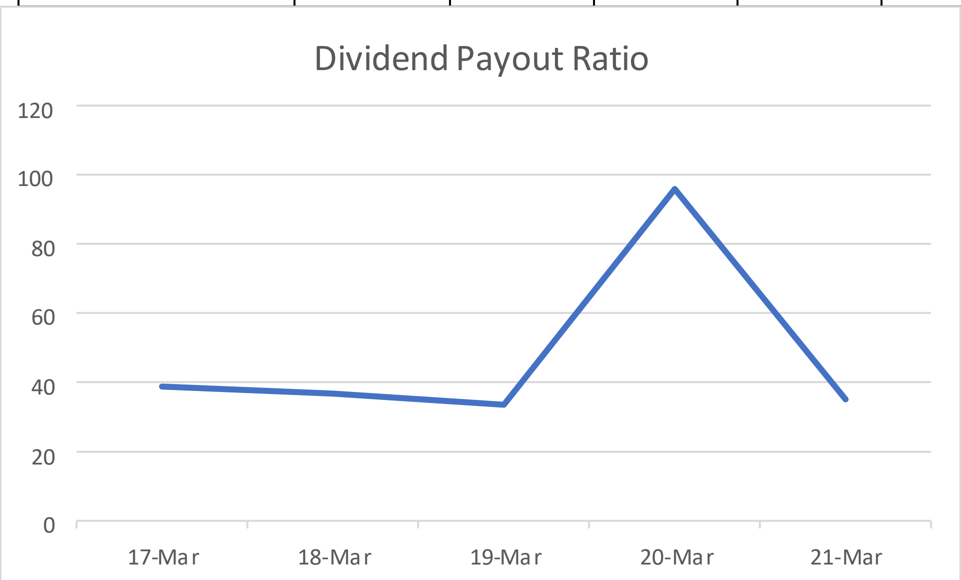
Interpretation:

- DPS of Tata Consultancy Services Limited (TCS) show a steady slight increasing trend for one year i.e. 2017 to 2018 Rs 47 to Rs 50.
- In March 2019 it slumped down to Rs. 30 and after that it is increased to Rs. 73 in March 2020.’
- In March 2021 DPS dropped to Rs. 38.

c) **Dividend pay-out ratio**: The dividend pay-out ratio is the ratio of the total amount of dividends paid out to shareholders relative to the net income of the company.

DPR = Dividends per share / Earnings per share

Particulars	17-Mar	18-Mar	19-Mar	20-Mar	21-Mar
Dividend Payout Ratio	38.73	36.78	33.54	95.89	35.04



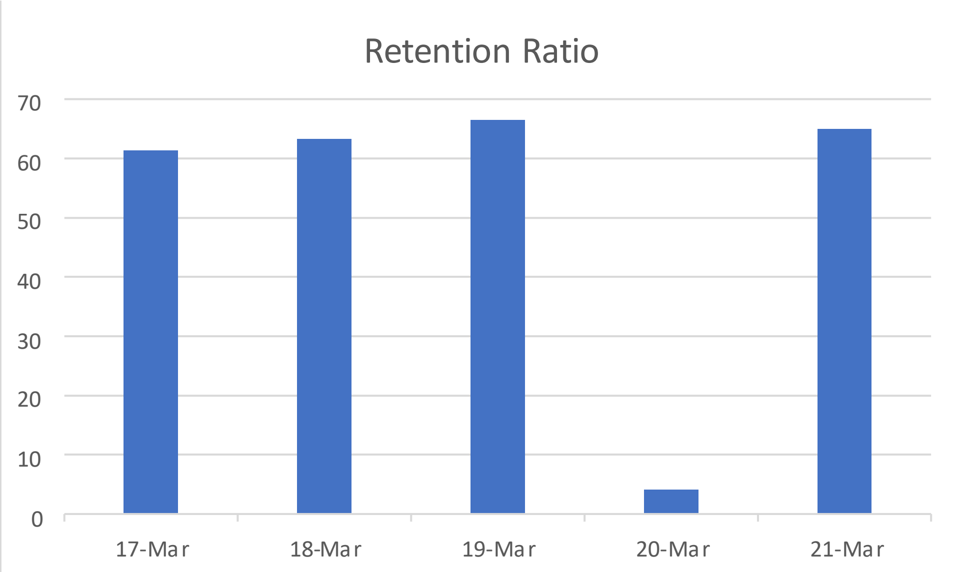
Interpretation:

- The dividend pay-out ratio is the proportion of earnings paid out as dividends to shareholders, typically expressed as a percentage.
- The dividend pay-out ratio was 38.73% in March 2017 and after a fall in 2019 it increased to 95.89% in March 2020. In March 2021 it started declining due to economic crisis.
- This ratio shows a fluctuating trend from March 2019 to March 2021.

d) **Retention ratio**: The retention ratio measures the percentage of a company's profits that are reinvested into the company in some way, rather than being paid out to investors as dividends.

Retention ratio= Total Gross Profits – Pay-out ratio

Particulars	17-Mar	18-Mar	19-Mar	20-Mar	21-Mar
Retention Ratio	61.26	63.21	66.45	4.10	64.95



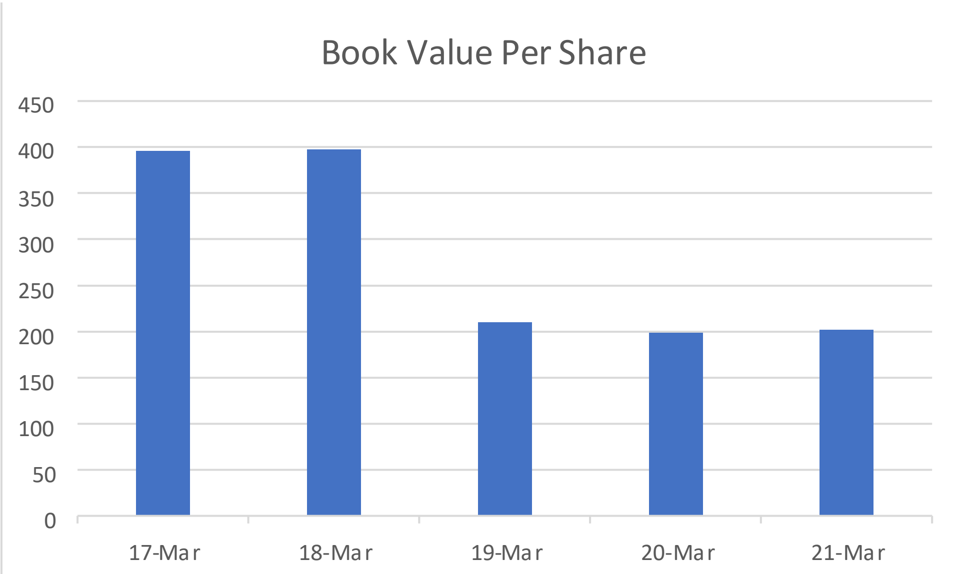
Interpretation:

- The retention ratio of the Tata Consultancy Services Limited (TCS) was stable from March 2017 to March 2019.
- In March 2020, it dropped down to 4.10% meaning very less profit was reinvested in the business and more was given out to shareholders in form of dividend.
- The retention ratio in 2021 saw a sharp increase.

e) **Book value per share**: The book value per share (BVPS) is calculated by taking theratio of equity available to common stockholders against the number of shares outstanding. When compared to the current market value per share, the book value per share can provide information on how a company's stock is valued. If the value of BVPS exceeds the market value per share, the company's stock is deemed undervalued.

BVPS = (Common shareholder's equity – Preferred stock) / Number of shares outstanding

Particulars	17-Mar	18-Mar	19-Mar	20-Mar	21-Mar
Book Value Per Share	396.05	397.20	210.39	198.31	202.15



Interpretation:

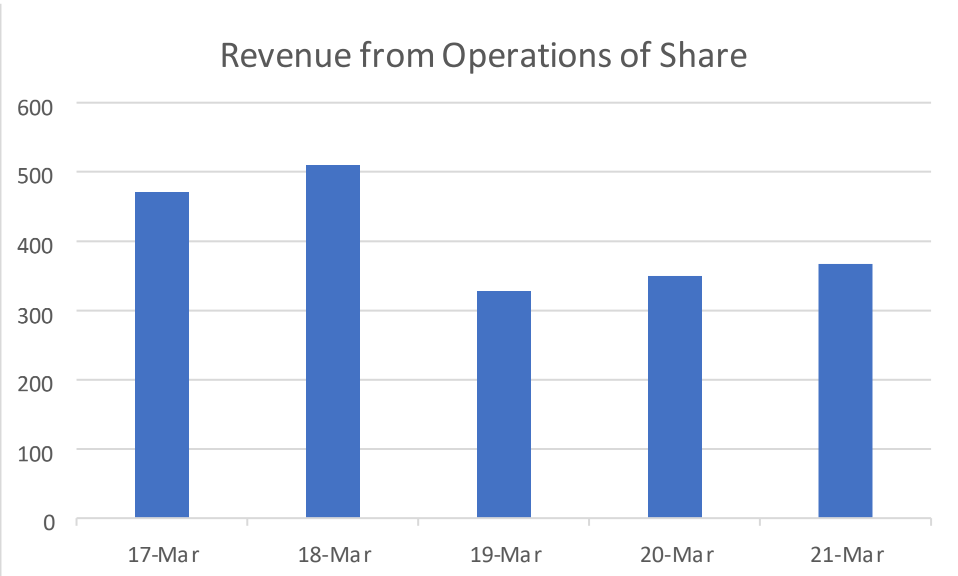
- Book value per share (BVPS) is one of the most commonly used valuation metrics to assess a firm's accounting value based on shareholder equity.
- Book value per share is used to determine if a stock is overvalued, undervalued or fairly valued. This is because BVPS uses the number of shares outstanding as a denominator, thereby lowering or increasing the equity value per share. So, if a firm can increase its BVPS, it would signal that the stock is more valuable, thereby pushing the stock price up.
- In march 2017, the book value per share of Tata Consultancy Services Limited (TCS) was 396.05. The BVPS became 202.15 by the year 2021.

- The graph reflects how book value per share decreased after March 2018 and has been steady over the remaining years

F] PER SHARE RATIOS

i. Revenue from Operations/Share

Particulars	17-Mar	18-Mar	19-Mar	20-Mar	21-Mar
Revenue from Operations of Share	470.52	509.72	328.45	350.15	367.47

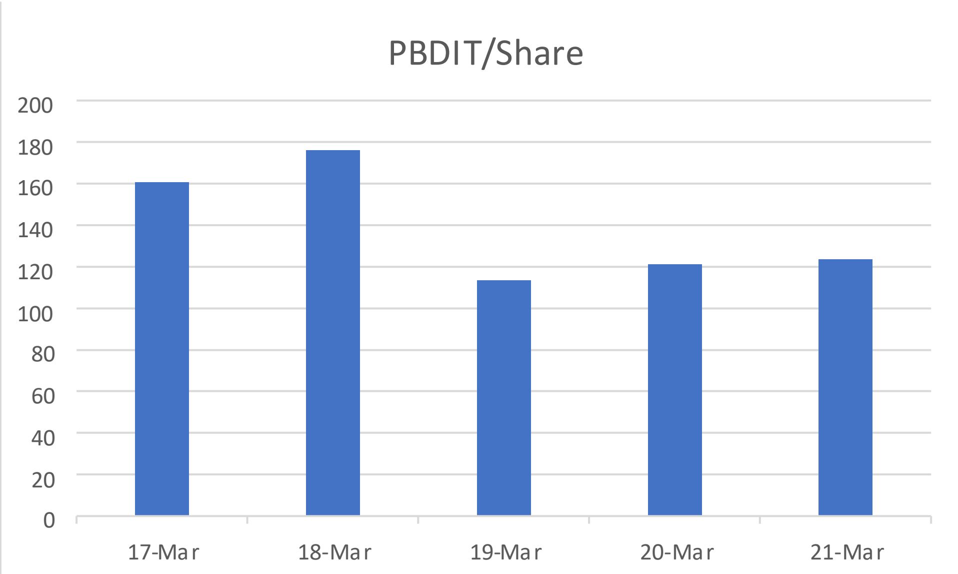


Interpretation:

- The above graph shows the revenue from operations per share.
- The revenue from operations per share was Rs. 470.52 in March 17.
- It increased to Rs. 509.72 in March 2018. Then decreased to Rs. 328.45 in March 2019 and has been steadily growing since then.

ii. PBDIT/Share

Particulars	17-Mar	18-Mar	19-Mar	20-Mar	21-Mar
PBDIT/Share	160.70	175.96	113.58	121.16	123.54

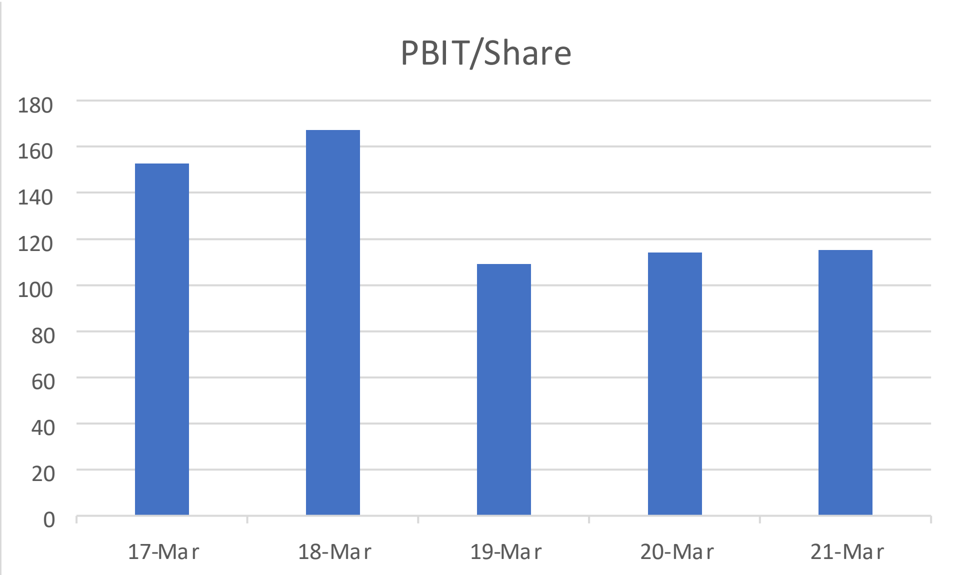


Interpretation:

- The graph above shows the profit before depreciation, interest and tax per share over the period of five years.
- In March 2017 the PBDIT was Rs. 160.70 per share. It decreased after March 2018.
- In March 2021 it was 123.54 per share.

iii. PBIT/Share

Particulars	17-Mar	18-Mar	19-Mar	20-Mar	21-Mar
PBIT/Share	152.70	167.34	109.00	113.96	115.29

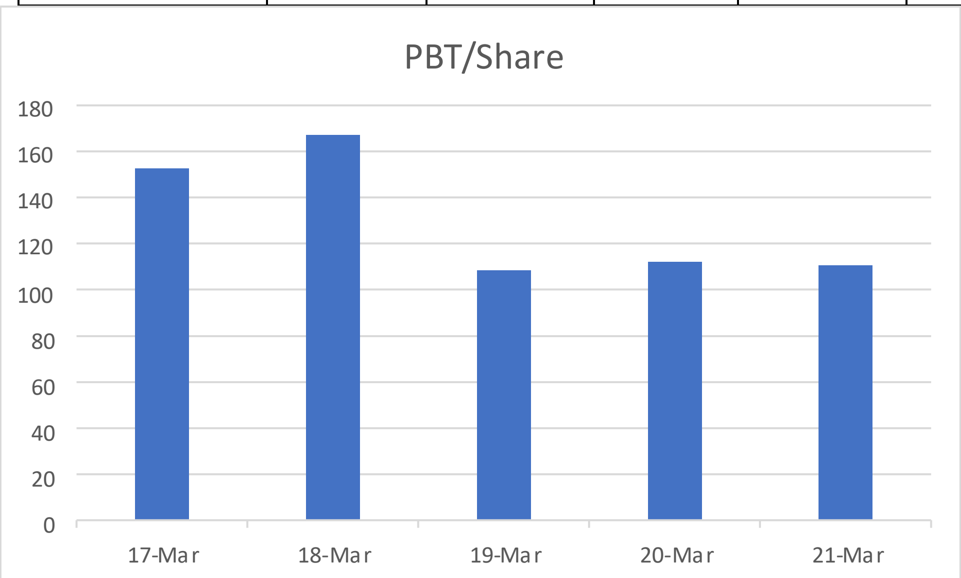


Interpretation:

- The graph of PBIT per share of Tata Consultancy Services Limited (TCS) is given above.
- The PBIT per share was 152.70 in March 2017 and fall down to Rs. 109.00 in March 2019. Then we see it is stable with slight growth.

iv. PBT/Share

Particulars	17-Mar	18-Mar	19-Mar	20-Mar	21-Mar
PB/Share	152.62	167.18	108.55	111.98	110.55

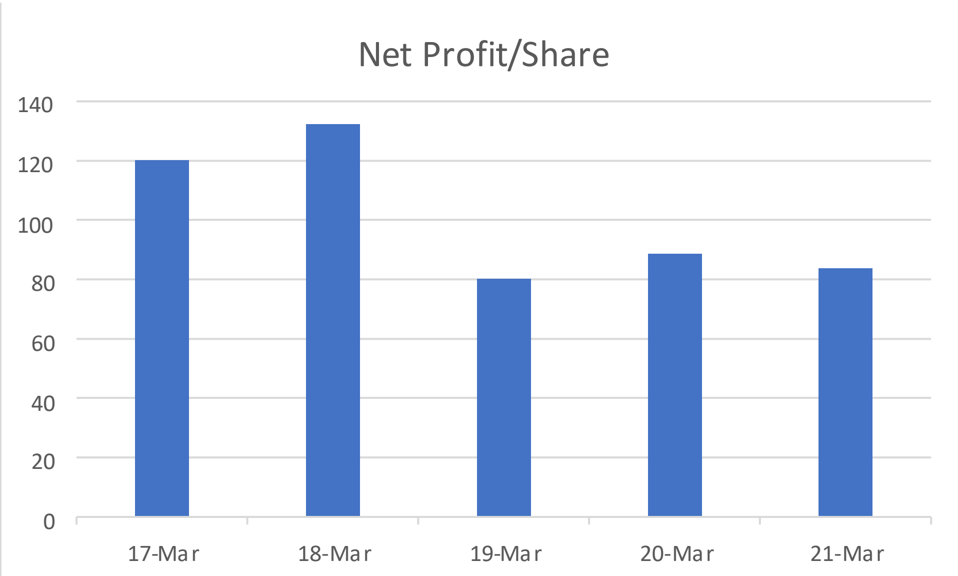


Interpretation:

- The PBT for the year in March 2017 was Rs. 152.62 per share.
- It increases for one year and then decreases to Rs. 108.55 in March 2019 and has been fluctuating slightly till Rs. 110.55 in March 2021.

v. Net Profit/Share

Particulars	17-Mar	18-Mar	19-Mar	20-Mar	21-Mar
Net Profit/Share	120.07	132.15	80.17	88.69	83.68



Interpretation:

- In March 2017 the net profit was Rs. 120.07 per share.
- The net profit increases for one year and then decreases to Rs. 80.17 in March 2019 and has been fluctuating slightly till Rs. 83.68 in March 2021.

5. SUGGESTIONS AND CONCLUSION

5.1 Suggestions

- The company needs to reduce the overall expenditure so that the overall profit increases.
- The assets of the firm must be utilized more efficiently to improve the financial position of the firm.
- The leverage of the company must be managed properly which will improve the liquidity and solvency problems.
- Management of the company is overall good though has a scope of improvement so as to increase the valuation of the company.
- The management of the company must also study the market position and also the demand prevailing in the market for the products and thus will guide them to enhance their sales volume.
- The management should also study the market so that the company can adapt to ever changing market environment.

5.2 Conclusion

This study was conducted to evaluate the financial statement analysis of Tata Consultancy Services Limited (TCS), for the period of 5 years ranging from 2017 to 2021. It helps to explore the strength and weakness of the company. Examination and explanation of financial statements shows that, Tata Consultancy Services Limited (TCS) was delivering good profits from 2017 to 2021 but along with expenses too increased which resulted in consolidating the profits in the year 2021.

The central focus of the study was to conduct an evaluative study of the financial state of the company by using ratio analysis and trend analysis by taking into accounts the past years of the company's financial statements.

The study concluded that company's overall financial performance is good and further it can improve if the company concentrates on its operating, administrative and selling expenses and by reducing expenses.

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