



A Study on Financial Position and Performance Analysis With Special Reference to Tata Consultancy Services

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ABSTRACT

ARAE OF STUDY – FINANCE

Despite the global economy growing up, the Indian software industry is maintaining a steady pace of growth. Financial analysis is an aspect of the overall business finance function that involves examining historical data to gain information about the current and future financial health of a company. IT has great possible of becoming an engine of accelerated economic growth, efficiency, improvement for all sectors of the economy, developing India's position in export market, improving trade insufficiency and means of efficient governance. It enhances way in to information, protects consumers, provides access to government services, makes skill creation and training more effective, improves liberation of health services, and promotes simplicity. The present study found that the "A study on financial position and performance analysis with special reference to Tata Consultancy Services" for a period of five years from 2010 -2011 to 2014 -2015. The data was collected from the company's annual reports and other related information was gathered from the journals and books. To know the financial ratio in IT sector the researcher have taken Tata Consultancy Services for their study. In this research paper the data have been analyzed with the help of different accounting and statistical techniques has used to know the financial soundness of "TATA CONSULTANCY SERVICES".

KEYWORDS : Financial analysis, Economic growth, IT Sector, Financial Ratio.

INTRODUCTION

It is the process of establishing and interpreting various financial analyses helping in creation of certain decisions. The analysis also is not an end in itself. It is only a means of improved kind of financial strengths and weaknesses of a firm. Economics of level for the in progression technology industry are high. Unlike other common industries, the IT industry is knowledge – based. Well-organized operation of skilled labour forces in the IT sector can help an economy realize a rapid. The IT industry helps many other sectors in the growth development of the economy including the services and developed sectors. They are also attracted in firm's financial structure to the extent it affects firm's earning and risk. Management of the firm would be interested in every aspect of the financial analysis. It is their responsibility to see that the funds are used most effectively and efficiently, and the firm's financial situation is sound. Government is also interested in financial analysis report of the companies for various purposes. Example: Tax purposes etc. The investors get sufficient idea to decide concerning the investments of their funds in the exact company.

COMPANY PROFILE

Tata Consultancy Services (TCS) is a leader in the global marketplace and among the top 10 technology firms in the world. Its continued rapid growth is a testament to the certainty its clients experience every day. Building on more than 40 years of experience, TCS add real value to global organisations through domain expertise plus solutions with proven success in the field and world-class service. TCS is an Indian multinational information technology (IT) services, business solutions and outsourcing Services Company headquartered in Mumbai, Maharashtra. TCS is a subsidiary of the Tata Group and is listed on the Bombay Stock Exchange and the National Stock Exchange of India. It is one of India's most valuable companies and is the largest India-based IT services company by 2012 revenues. It was founded in 1968. Its founder was JRD TATA. Its headquarter is in Mumbai, Maharashtra, India. Its key people are: Ratan Tata (Chairman). TCS operates in 46 countries. TCS is now placed among the 'Big 4' most valuable IT services brands worldwide. TCS is one of the largest private sector employers in India, and the second-largest employer among listed Indian companies. TCS had a total of over 300,000 employees as of March 2015, of which 31% were women. The number of non-Indian nationals was 21,282 as at March 31, 2013 (7.7%). The employee costs for the FY 2012-13 were US\$4.38 billion, which was approx. 38% of the total revenue of the company for that period. In the fiscal year 2012-13, TCS recruited a total of 69,728 new staff, of whom 59,276 were based in India and 10,452 were based in the rest of the world. As of June 2014, TCS has over 3,00,000 employees. It is world's third largest IT employer behind IBM and HP. TCS's ebusiness activities were generating over US\$ 500 million in annual revenues. TCS deputed its employees abroad for rendering on site services at the clients' places,

which enables the clients to design, modify and update its automation process according to their needs and requirements.

STATEMENT OF THE PROBLEM

TCS is one of the companies which could survive during the past decade with extending its operations worldwide. The economic slowdown in the recent past has many sectors, for which IT sector is not an exception. It has also faced a lot of challenges – downsizing the employees, minimizing the operations, etc. with a view to cut the costs. Even through the IT companies charge a huge amount for software development, the pay and perquisites provided to the employees are considerably high. Under these circumstances, an appraisal of the financial performance of Tata Consultancy Services is felt necessary.

SCOPE OF THE STUDY

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

OBJECTIVE OF THE STUDY

To study the financial position and performance analysis of Tata Consultancy Services from the year 2010 - 2011 to 2014 - 2015.

RESEARCH METHODOLOGY

The present study's core objective is to find out the financial position and performance analysis of Tata Consultancy Services. The researcher among various methods for analysing financial statement to determine the overall financial strength business. Both primary and secondary data has been used for the study.

SOURCE OF DATA

Researchers have also contacted the concerned officials of the company as and when required. The Primary data has been collected from Personal Interaction with Finance department and other staff members. The secondary data is mainly used for the study. The major source of data for the study has been collected from the published annual reports, profit and loss account of 5 year period from 2010 - 2011 to 2014 - 2015 of the Tata Consultancy Services some more information has been collected from different websites, magazines, official publications, accounting records, text books and journals etc.,

DATA ANALYSIS

Financial analysis is an aspect of the overall business finance function that involves examining historical data to gain information about the current and future financial health of a company. Trade creditors are interested in firm's ability to meet their claims over a very short period of time. Their analysis will, therefore, be confined to the evaluation of the firm's liquidity position. Suppliers of long – term debt, on the other hand, are concerned with the firm's long – term solvency and survival. They analysis the firm's profitability over time, its ability to generate cash and able to pay interest and repay principal. Long term creditors do analysis the historical financial statements and also put stress on the projected financial statements. Investors who have invested their money in the firm's shares are most concerned about the firm's earnings. They focus on the analysis of the firm's present and future profitability. This is conclusion about the exact financial position of "Tata Consultancy Services".

(Rs in Crores)

YEAR	NET PROFIT RATIO	CURRENT RATIO	LIQUID RATIO	ABSOLUTE LIQUID RATIO	RETURN ON NET WORTH
2010 - 2011	25.86	2.02	2.01	0.79	38.66
2011 - 2012	28.25	2.60	2.60	0.69	44.16
2012 - 2013	26.40	2.49	2.49	0.66	39.27
2013 - 2014	28.57	3.68	3.68	1.71	41.94
2014 - 2015	26.17	3.27	3.27	1.61	42.40

Source: Annual Reports

STATISTICAL ANALYSIS

Null Hypothesis 1

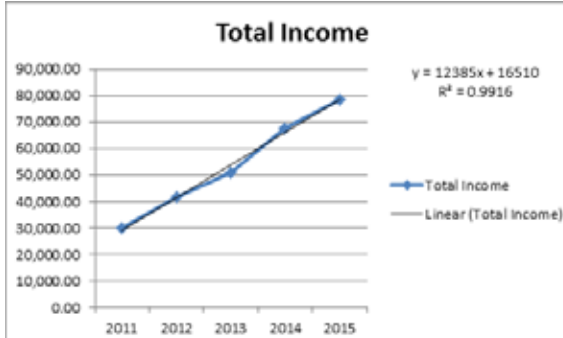
There is no growth of Total Income of Tata Consultancy services from the year 2011 to 2015
Table 1

Model Summary				
R	R Square	Adjusted R Square	Std. Error of the Estimate	
.996	.992	.989	2075.519	

ANOVA					
	Sum of Squares	df	Mean Square	F	Sig.
Regression	1533925597.806	1	1533925597.806	356.083	0.000**
Residual	12923331.224	3	4307777.075		
Total	1546848929.030	4			

Note: **represents significant at 1% level

Coefficients					
	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
Case Sequence	-12385.175	656.337	-.996	-18.870	.000
(Constant)	90821.523	2176.822		41.722	.000



The above table shows that Total income of Tata Consultancy Services from the year 2011 to 2015. It is observed from the study F value is 356.083 and corresponding p value is 0.000, which is less than 0.01. Therefore, the null hypothesis is rejected at 1% level of significant.

Hence it is concluded that there is a positive growth of Tata Consultancy services from the year 2011 to 2015.

Null Hypothesis 2

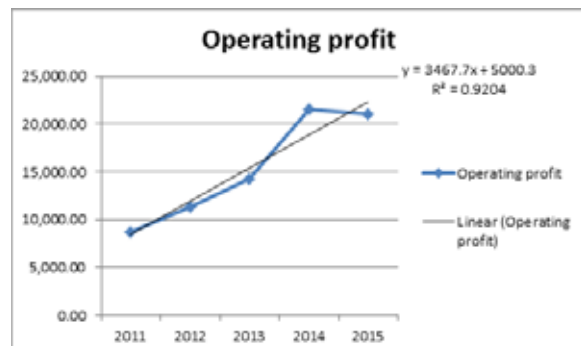
There is no growth of Operating profit of Tata Consultancy Services from the year 2011 to 2015

Model Summary				
R	R Square	Adjusted R Square	Std. Error of the Estimate	
.959	.920	.894	1861.964	

ANOVA					
	Sum of Squares	Df	Mean Square	F	Sig.
Regression	120251790.948	1	120251790.948	34.686	0.010**
Residual	10400727.792	3	3466909.264		
Total	130652518.740	4			

Note: **represents significant at 1% level

Coefficients					
	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
Case Sequence	-3467.734	588.805	-.959	-5.889	.010
(Constant)	25806.690	1952.844		13.215	.001



The above table shows that Operating profit of Tata Consultancy Services from the year 2011 to 2015. It is observed from the study F value is 34.686 and corresponding p value is 0.010, which is less than 0.01. Therefore, the null hypothesis is rejected at 1% level of significant. Hence it is concluded that there is a positive operating profit of Tata Consultancy services from the year 2011 to 2015.

Null Hypothesis 3

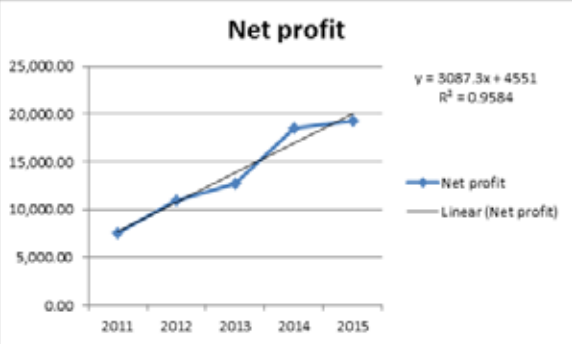
There is no growth of Net Profit of Tata Consultancy Services from the year 2011 to 2015

Model Summary				
R	R Square	Adjusted R Square	Std. Error of the Estimate	
.979	.958	.945	1173.970	

ANOVA					
	Sum of Squares	df	Mean Square	F	Sig.
Regression	95313471.949	1	95313471.949	69.158	0.004**
Residual	4134613.583	3	1378204.528		
Total	99448085.533	4			

Note: **represents significant at 1% level

Coefficients					
	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
Case Sequence	-3087.288	371.242	-.979	-8.316	.004
(Constant)	23074.702	1231.270		18.741	.000



The above table shows that Net profit of Tata Consultancy Services from the year 2011 to 2015. It is observed from the study F value is 69.158 and corresponding p value is 0.004, which is less than 0.01. Therefore, the null hypothesis is rejected at 1% level of significant. Hence it is concluded that there is a positive net profit of Tata Consultancy services from the year 2011 to 2015.

Null Hypothesis 4
There is no growth of Earning per share of Tata Consultancy Services from the year 2011 to 2015

Model Summary			
R	R Square	Adjusted R Square	Std. Error of the Estimate
.979	.959	.946	5.937

ANOVA					
	Sum of Squares	df	Mean Square	F	Sig.
Regression	2483.146	1	2483.146	70.451	0.004**
Residual	105.740	3	35.247		
Total	2588.885	4			

Note: **represents significant at 1% level

Coefficients					
	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
Case Sequence	-15.758	1.877	-.979	-8.393	.004
(Constant)	117.734	6.227		18.908	.000



The above table shows that Earning per share of Tata Consultancy Services from the year 2011 to 2015. It is observed from the study F value is 70.451 and corresponding p value is 0.004, which is less than 0.01. Therefore, the null hypothesis is rejected at 1% level of significant. Hence it is concluded that there is a positive Earning per share of Tata Consultancy services from the year 2011 to 2015.

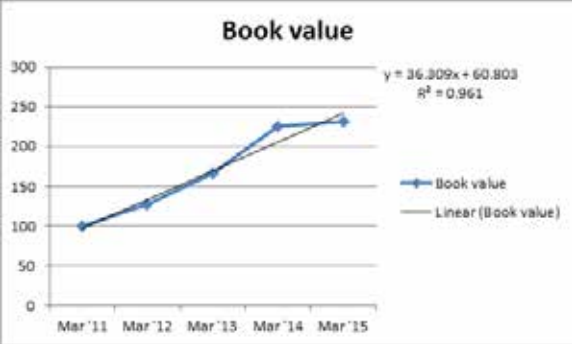
Null Hypothesis 5
There is no growth of Book value of share of Tata Consultancy Services from the year 2011 to 2015

Model Summary			
R	R Square	Adjusted R Square	Std. Error of the Estimate
.980	.961	.948	13.347

ANOVA					
	Sum of Squares	df	Mean Square	F	Sig.
Regression	13183.435	1	13183.435	74.010	0.003**
Residual	534.388	3	178.129		
Total	13717.823	4			

Note: **represents significant at 1% level

Coefficients					
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
Case Sequence	-36.309	4.221	-.980	-8.603	.003
(Constant)	278.657	13.998		19.907	.000



The above table shows that Book value of Tata Consultancy Services from the year 2011 to 2015. It is observed from the study F value is 74.010 and corresponding p value is 0.003, which is less than 0.01. Therefore, the null hypothesis is rejected at 1% level of significant. Hence it is concluded that there is a positive book value of Tata Consultancy services from the year 2011 to 2015.

FINDINGS

The Net profit ratio of the company increases year by year. A higher ratio is preferable, indicating higher profitability. As it denotes increases in selling price without change in cost of goods sold respectively the management efficiency in operating business is successful.

The Current Asset ratio of the company also good for all the years from 2011 to 2015 as it indicates the company is working in an efficiency manner.

The liquid ratio of the company is increased all the years from 2011 to 2015 the firm has the capacity to pay off its short term debts using its liquid assets. Here in all the years the firm liquid ratio position was good.

The absolute liquid ratio is useful only when used in conjunction with current ratio and quick ratio. Throughout the years from 2013 the ratio is low but from 2011 to 2015 the firm streamlined how to pay off its liabilities.

The Return on Net worth of the company this ratio is of great importance to the present and prospective shareholders as well as the management of the company. Here in all the years from 2011 to 2015 the company is following a steady process to return funds to the shareholders and that is very well encourageble, so the investment from the shareholders will increase so as the company grows.

CONCLUSION

The information technology (IT) industry has become of the healthiest industries in the world. IT, more than any other industry or

economic side, has an improved productivity, particularly in the developed in the world, and therefore is a key in importance of global economic growth. In this competitive environment, survival of every company is a great challenge. The growth of a company can be measured in terms of its client base. However, the financial performance of a company could be assessed by examining its liquidity profitability and growth Liquidity is the ability of the firm to meet its liabilities. It helps the creditors, banks and other financial institutions to make decisions on lending to the concerned firm Profitability, on the other hand, means the ability of the firm in earning profits and its efficiency to utilize the assets towards maximizing the profits. The study concludes that **"TATA CONSULTANCY SERVICES"** liquidity and solvency position are considered satisfactory.

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