ORIGINAL RESEARCH PAPER

Accountancy

FINANCIAL ANALYSIS OF TCS

KEY WORDS:

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ABSTRACT

This financial analysis of TCS provides an overview of the company's financial performance and position over the past few years. TCS is a leading Indian multinational information technology services and consulting company. The analysis covers key financial ratios, such as liquidity, and solvency ratios. The analysis highlights TCS's strong financial performance, with consistent revenue growth, healthy profitability, strong liquidity, and a stable capital structure. Overall, the analysis suggests that TCS is well-positioned to sustain its growth and profitability in the long term.

INTRODUCTION:

Finance is defined as the provision of the money when it is required. Every enterprise needs finance to start and carry out its operation. Finance is the life blood of an organization, so finance should be managed effectively. Financial statements are prepared primarily for decision making. With unlimited wants and limited financial resources, the finance is concerned with what it is produced, requirement of funds, allocation of funds, selection of development priorities, determination of gestation periods, proper monitoring of accounts to avoid cash flow problems and to ensure the profitability of an enterprise.

Statement Of The Problem:

This study aims to analyse the financial performance of the **Tata Consultancy Services Ltd**, for the past 3 years. TCS is one of the largest Indian IT service providers in the Asia and has a significant presence worldwide. Despite its success in the market, the financial performance of TCS faces various challenges that need to be addressed.

Objectives Of The Study:

- To examine the liquidity position of the company.
- To analyse the Solvency position of the company

Source Of Data:

Year	Currents assets	Current liability	Current ratio
2020	90,237	27,060	3.33:1
2021	99,280	34,155	2.91:1
2022	1,08,310	42,351	2.56:1

Secondary data had been collected from annual report published by the company. These annual reports had been downloaded from the official website of the company.

Period Of Study:

The study on financial performance of Tata Consultancy Services Ltd is confined to a period of three years from 2019-2020 to 2021-2022 It took 3 weeks to collect the data and come to a conclusion on the study

Scope Of The Study:

The study aims at analysing the profitability and overall performance of the company by using ratio analysis. Ratio analysis is an excellent tool to find out what went wrong or what the company is doing right; therefore, the company can take actions

Tools For Analysis :

- Ratio analysis
- Comparative balance sheet

Limitation Of The Study :

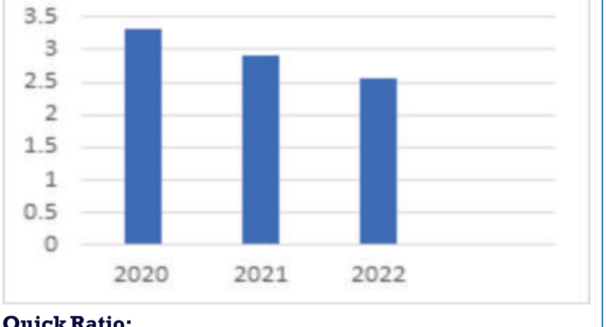
- The study is restricted for a period of three years. So, it will not reflect the life time performance of the company.
- The study is done with help of secondary data obtained from the annual reports of their Organizations.
- The availability of the information and data are limited by time factor.
- Non-Monetary factors like human behavior, their relationship etc are not considered.

(Objective 1) To Examaine Liquidity Position Of The Company

Current Ratio :

Interpretation Of Current Ratio:

The current ratio was highest in the year 2020-21 (2.91: 1) than compared to the other years but yet the company satisfies its ideal ratio (2:1) .The High current ratio indicates that the firm will be able to pay their short term dues without any exterior help. Hence the TCS is said to be in a good liquidity position.

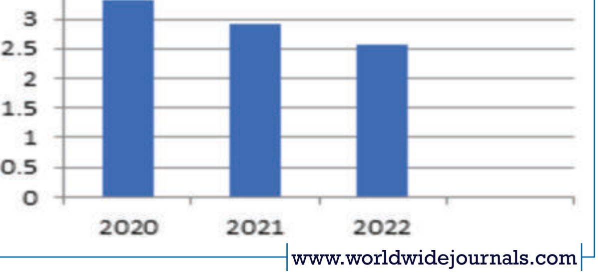


Quick Ratio:

Year	Quick assets	Current liabilities	Quick ratio
2020	90,232	27,060	3.33:1
2021	99,272	34,155	2.91:1
2022	1,08,290	42,351	2.56:1

Interpretation Of Quick Ratio:

The quick ratio was highest in the year 2019-20 (3.33:1) compare to the year 2021 & 2022. Hence the quick ratio is more than 1:1 thus the financial position is said to be good. It indicates that quick assets are sufficient to pay off the short-term obligations.

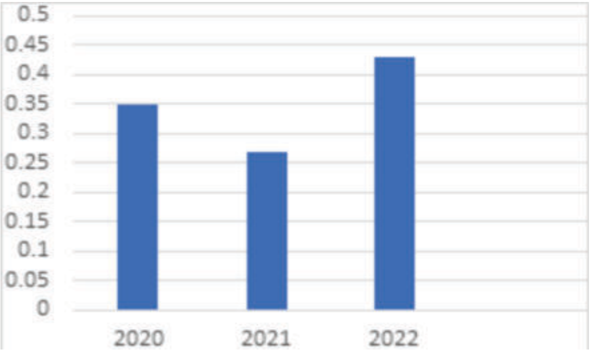


Absolute Liquidity Ratio:

Year	Absolute liquid asset	Current liability	Absolute liquid ratio
2020	9,666	27,060	0.35:1
2021	9,329	34,155	0.27:1
2022	18,221	42,351	0.43:1

Interpretation Of Absolute Liquidity Ratio:

The company's absolute liquid assets increased significantly from 2020 to 2022, while their current liabilities also increased. However, the absolute liquid ratio improved in 2022, indicating that the company's ability to cover their current liabilities with absolute liquid assets improved.



(Objective 2) To Analyse The Solvency Position Of The Company

Proprietary Ratio

Year	Shareholders fund	Total assets	Proprietary ratio
2020	84,126	1,20,899	0.69:1
2021	86,433	1,30,759	0.66:1
2022	89,139	1,41,514	0.63:1

Interpretation Of Proprietary Ratio :

The table shows the shareholders' fund, total assets, and proprietary ratio for a company for the years 2020, 2021, and 2022.

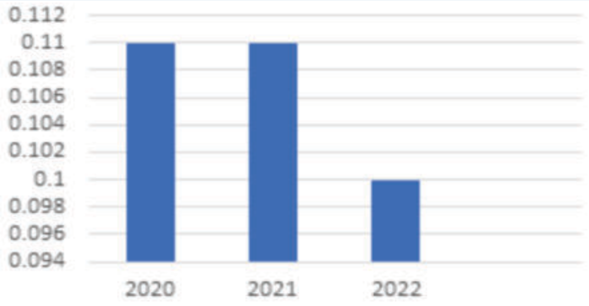
From the table, we can see that the shareholders' fund and total assets of the company have increased from 2020 to 2022. However, the proprietary ratio has decreased but yet it satisfies the ideal ratio.

Debt Equity Ratio

Year	Total debt	Total shareholder's equity	Debt equity ratio
2020	9,090	84,126	0.11:1
2021	9,496	86,433	0.11:1
2022	9,317	89,139	0.10:1

Interpretation Of Debt Equity Ratio :

The debt equity ratio for the company remained relatively stable at around 0.11:1 for the years 2020 and 2021. However, by 2022, the ratio slightly decreased to 0.10:1, indicating that the company has reduced its reliance on debt and increased its shareholder's equity.



Findings :

- The current ratio has been decreasing over the years, from 3.33:1 in 2020 to 2.91:1 in 2021, and further to 2.56:1 in 2022. This suggests that the company's ability to pay off its current liabilities with its current assets has been decreasing. Any how the standard current ratio is well maintained by the organisation which shows a favourable trend.
- The quick ratio has been decreasing over the years, from 3.33:1 in 2020 to 2.91:1 in 2021, and further to 2.56:1 in 2022. This suggests that the company's ability to pay off its current liabilities with its quick assets has been decreasing.
- The company's absolute liquid assets increased significantly from 2020 to 2022, while their current liabilities also increased. However, the absolute liquid ratio improved in 2022, indicating that the company's ability to cover their current liabilities with absolute liquid assets improved.
- The proprietary ratio has been decreasing over the years, from 0.69:1 in 2020 to 0.66:1 in 2021, and further to 0.63:1 in 2022. This suggests that the proportion of total assets that are financed by shareholder's equity has been decreasing.
- The debt equity ratio for the company remained relatively stable at around 0.11:1 for the years 2020 and 2021. However, by 2022, the ratio slightly decreased to 0.10:1, indicating that the company has reduced its reliance on debt and increased its shareholder's equity.

Suggestions :

1. Liquidity: TCS should maintain a healthy liquidity position by ensuring that its current assets are more than its current liabilities. The ideal current ratio should be around 2:1 and so far it is said to be in a good liquidity position further working capital shall be wisely managed by preventing its investments in long term assets which will otherwise hamper the company's liquidity position

2. Profitability: TCS should focus on improving its profit margins by increasing revenue and reducing costs. It can achieve this by adopting innovative strategies, expanding its customer base, and investing in research and development.

CONCLUSION:

After a detailed comparative study of three years, it is found that the financial performance of the company is satisfactory. It has made a mark in present scenario. The profitability position of company is also satisfactory. The company has high solvency position which makes the company successful in the industry. The financial strength is also fair for the company. The financial performance of each succeeding year had improved. The company does not use its funds properly. But the company is so efficient in terms of its profitability.

Tata Consultancy Services Ltd is one of the top IT servicing company in India. Tata Consultancy Services is now placed among the most valuable IT services brands worldwide. This project helps us to understand the various aspects of the financial side of TCS ltd which includes liquidity position, solvency position and profitability side of this corporate giant. Through the three-year financial data, a detailed financial analysis became possible. The study was conducted with the main object of analyzing the overall performance of the company. This project helps me to acquire a good experience in this field.