Financial statement analysis with reference to TCS ltd

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Abstract

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 TCS ltd . 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 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 (web site :www bseindia.com, google.com, slideshare.com) etc_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 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.

Keyword : *industry analysis, company analysis, ratio analysis, comparative statements analysis.*

INDUSTRY PROFILE

Information Technology (IT) can be defined as the utilization of hardware, services and infrastructure to create, store, exchange and leverage information in various forms to accomplish any number of business objectives. Additionally, the term encompasses the workers that develop, implement, maintain and utilize information technology directly indirectly. **Information technology the hardware and software associated with the IT industry, are an integral part of nearly every major global industry**. Information Technology in India is an industry consisting of two major components: IT services and business process outsourcing (BPO) Information Technology is an industry which transforms the humans multi skilled talents into commercial one with the help of computers and other supporting equipment. 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. 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. The investors get sufficient idea to decide concerning the investments of their funds in the exact company There is an Impression that is India is world class in information technology. This is mainly due to the success of India's software industry and contribution of people of India origin in IT revolution in the United States. The fact IT sector in the country has increased at an incredible rate of 35 % per year for the last 10 years reinforces the view that India is the world class in IT. At the same time, India remains a poor country both in terms of the per capita income (PCI) and the human development index (HDI).

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 per cent market share of the US$ 185-190 billion global services sourcing business in 2017-18. Indian IT & IT companies have set up over 1,000 global delivery centers in about 80 countries across the world

INTRODUCTION

TATA CONSULTANCY SERVICES LTD. Tata Consultancy Services Limited (TCS) is the 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 organization 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. It's 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. IT employer behind IBM and HP. TCS's e business activities were generating over US$ 500 million in annual revenues. TCS deputes its employees abroad for rendering on site services at the clients' places, world-leading information technology consulting, services, and business process outsourcing organization that envisioned and pioneered the adoption of the flexible global business practices that today enable companies to operate more efficiently and produce more value.TCS commenced operations in 1968, when the IT services industry didn't exist as it does today. Now, with a presence in 34 countries across 6 continents, & a comprehensive range of services across diverse industries, TCS is one of the words leading Information Technology companies. Six of the Fortune top 10 companies are among their valued customers

Mission

To help customers achieve their business objectives by providing innovative, best-in-class consulting, IT solutions and services. To be one of the top 10 global companies by 2010

Vision

TCS vision is to decouple business growth and ecological foot print from its operations to address the environment bottom-line, our mantra is to grow sustainably and help our customers achieve sustainable growth through our green solutions and service offerings

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"

OBJECTIVES OF MY RESEAECH

- ✓ To understand financial position of Tata Consultancy service based on different ratios analysis for the last 10 years .

Research Methodology

Desk Research method is adopted for this study. The required information was collected through secondary sources

Secondary data were collected from various sources including the annual reports of the company

Data collection tools

Secondary data:

- . The data relating to TCS has been collected from the published annual report The data relating to financial statements
- Internet (web site: cityhr.com, google.com, slideshare.com) etc.

RATIO ANALYSIS

Ratio analysis is the process of examining and comparing financial information by calculating meaningful financial statement figure percentages instead of comparing line items from each financial statement.

ANALYSIS AND INTERPRETION

Current ratio

- The current ratio is a liquidity ratio that measures a company's ability to pay short-term and long-term obligations. The formula for calculating a company's current ratio is:

i) Current Ratio: Current Ratio $= \frac{\text{Current Assets}}{\text{current liabilities}}$

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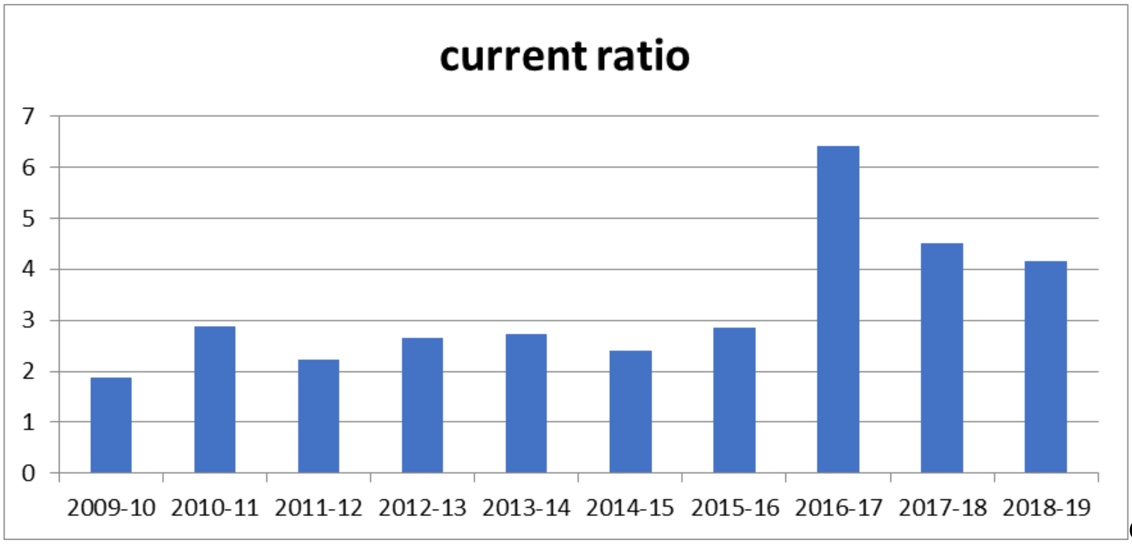
Rs,(in cr)

Year	Current asset	Current liabilities	Current ratio
2009-10	15788.88	8393.36	1.88
2010-11	21880.73	7604.58	2.87
2011-12	23275.09	10465.01	2.22
2112-13	31576.56	11842.81	2.66
2013-14	42897.69	15670.31	2.73
2014-15	48813	20318.24	2.40
2015-16	63067.39	21975.51	2.86
2016-17	68619	10701	6.41
2017-18	81224	17828	4.5
2018-19	92131	22084	4.17

Table 1

“Current ratio” source annual report Tcs ltd (2009 to 2019)



Graph 1

diagrammatic representation of current ratio 2009-19

INTERPRETATIONS:

The current ratio in 2010 was not good in position it shows below the standard ratio (i.e. 1.87 times) but at present after 9 year in 2019 it is above the standard ratio i.e.4.17 times. At present company is in good position it can manage all liabilities.

Quick ratio

The quick ratio is an indicator of the company's short term liquidity position and measures a company ability to meet its short term obligations with liquid asset

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

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Rs (in cr)

Year	Quick assets	Quick liabilities	Quick ratio
2009-10	10766.16	7239.25	1.87
2010-11	21857.91	7604.58	2.87
2011-12	23257.32	10465.01	2.22
2112-13	31555.41	11842.8	2.66
2013-14	42882.48	15670.31	2.73
2014-15	48796.93	20318.24	2.40
2015-16	63051.12	21975.51	2.86
2016-17	68598	10701	6.41
2017-18	55.224	17828	4.55
2018-19	92121	22084	4.17

Table 2

“Quick ratio” source annual report Tcs ltd (2009 to 2019)

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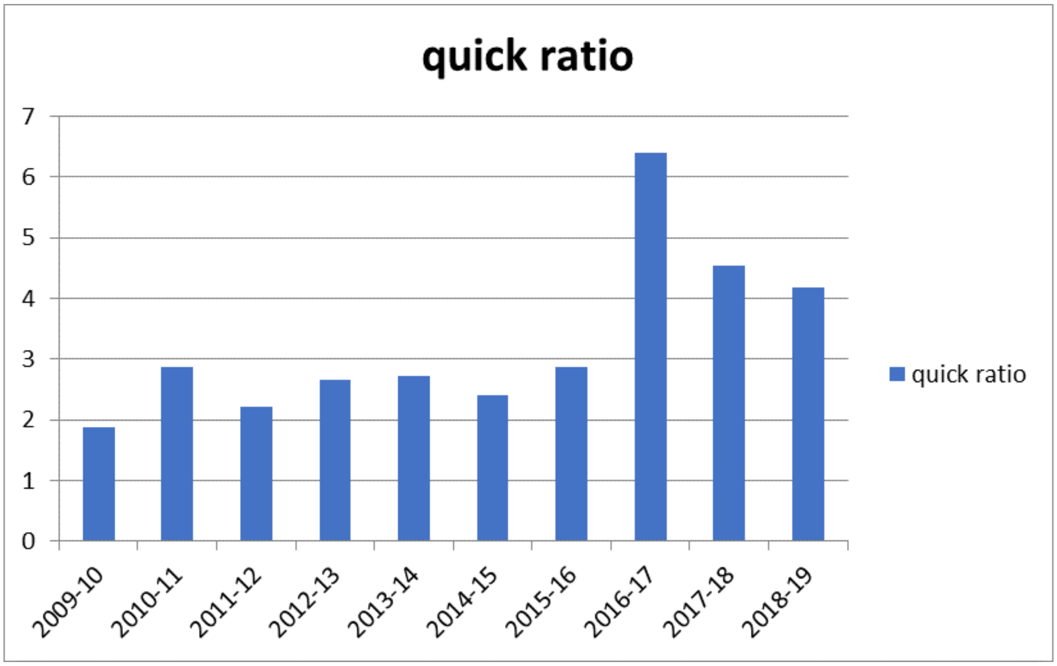


Graph 2

diagrammatic representation of quick ratio 2009-19

INTERPRETATIONS

The above graph shows the company's Quick or Liquid Ratio. According to the above data company is not capable to pay its debts through liquid assets. Quick ratios of all the years (2014 to 2015) showing below the standard . From 2015-2016 company's Quick Ratio was in above standard . But in 2016 and 2017 it is 6.14 Quick Ratio got some improvement

i)INVENTORY TURN OVER RATIO

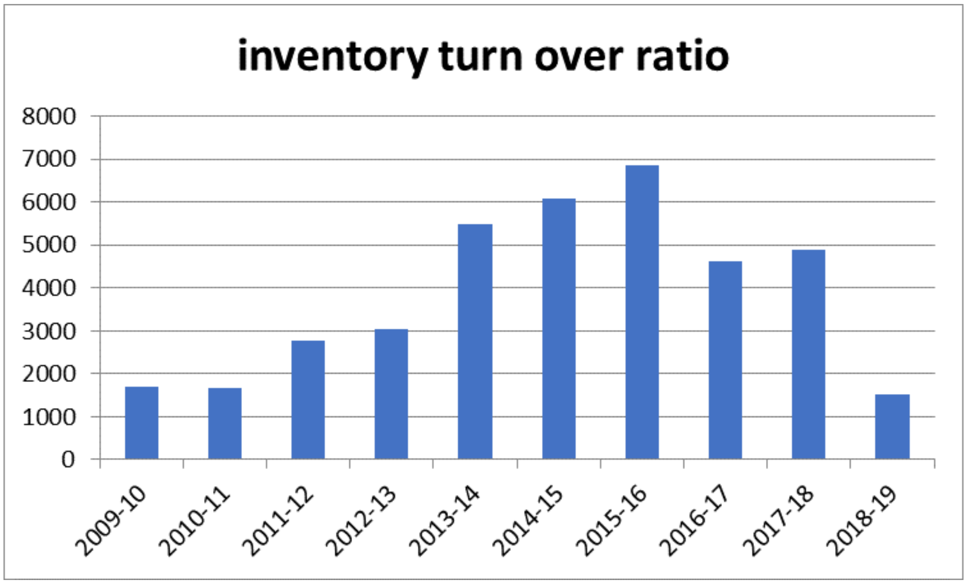
$$\text{inventory turn over ratio} \quad \frac{\text{sales}}{\text{closing inventory}}$$

Rs (in cr)

Year	Sales	Average inventory	Activity turn over ratio
2009-10	30300.99	17.79	1703
2010-11	37928.51	22.82	1662
2011-12	4932200	17.77	2775
2012-13	64167.71	21.15	3033
2013-14	83446.1	15.21	5486
2014-15	97878.32	16.07	6090
2015-16	111700.08	16.27	6865
2016-17	97267	21.00	4631
2017-18	126.746	26.00	4874
2018-19	150.774	10.0	1507

Table 3

"Inventory turn over ratio" source annual report Tcs ltd (2009 to 201



Graph 3

diagrammatic representation of inventory turn over ratio

<u>Interpretation</u>

The above graph shows the company's inventory turn over ratio. According to the above data company from 2009-2011 it is constant .inventory turn over ratios in the years (2014 to 2016)it is showing upward standard and in the last 2 years it is slowing down inventory turn over Ratio can ensure that things are going well with business.

DEBTORS TURNOVER RATIO

$$\text{Debtors turn over ratio} = \frac{\text{net creditors sales}}{\text{Average debtor}}$$

Rs(cr)

Year	Net credit sales	Average debtors	Debtors turn over ratio
2009-10	30300.99	5855.41	5.1
2010-11	37928.51	8198.84	4.6
2011-12	4932200	11520.35	4.2
2012-13	64167.71	14076.56	4.5
2013-14	83446.1	18230.4	4.5
2014-15	97878.32	20437.94	4.7
2015-16	111700.08	24069.71	4.6
2016-17	97261	16649	5.8
2017-18	126.746	94.00	1.3
2018-19	150.774	27346	0

Table 4

“Debtors turn over ratio” source annual report Tcs ltd(2009to 2019)

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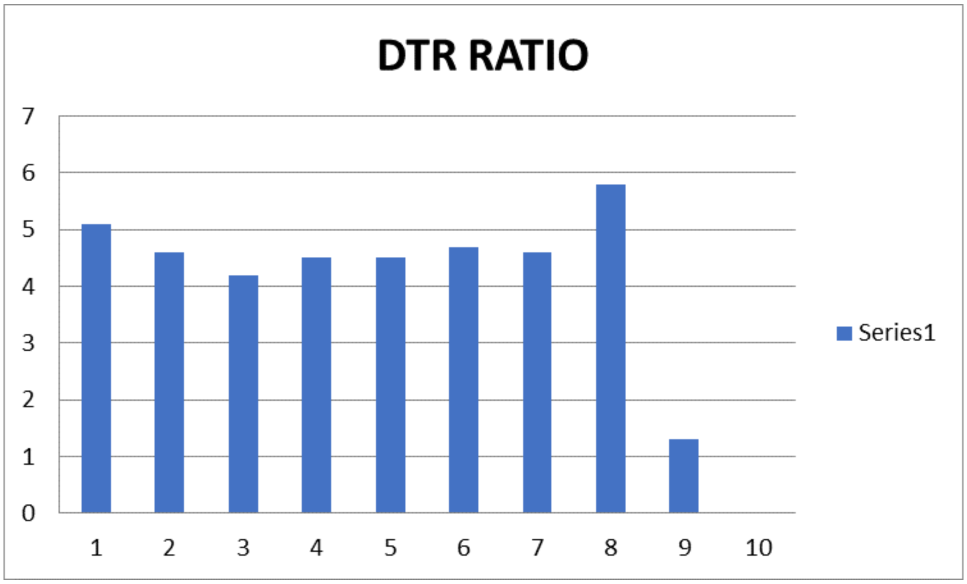

Graph 4

diagrammatic representation of Dtr ratio 2009-19

The debtors' turnover ratio revels that in the year 2009 it is 5.1 and in the(2010-11)has been decreased to 4.6 to 4.2 and in the year 2013-17 it has increased 4.5 to 5.8 and it in the year 17-18

Slow down to 1.3

ii) Average collection period

$$\text{average collection period} = \frac{365}{\text{debtors turn over ratio}}$$

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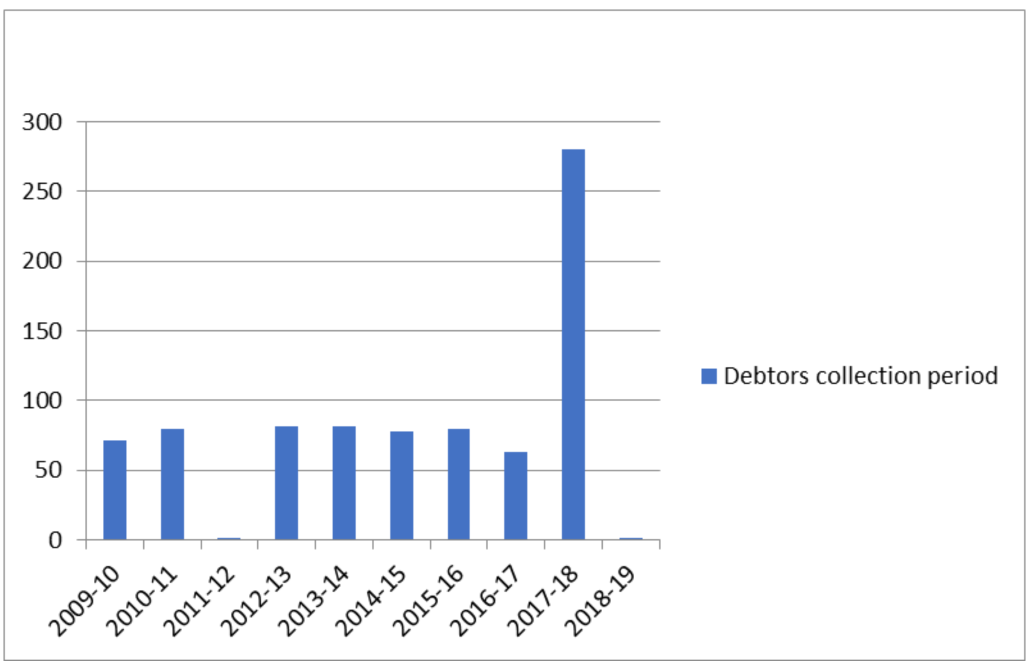
Rs. (in cr)

Year	No of days	DTR	Debtors collection period
2009-10	365	5.1	71
2010-11	365	4.6	79
2011-12	365	428	0.8
2012-13	365	4.5	81
2013-14	365	4.5	81
2014-15	365	4.7	77
2015-16	365	4.6	79
2016-17	365	5.8	62
2017-18	365	1.3	280
2018-19	365	0	0

Table 5 annual report Tcs ltd(2009to 2019)



Graph 5. diagrammatic representation of Dcp ratio 2009-1

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INTERPRETATION:

The ratio indicates the average number of days for which a firm has to wait before its receivables is converted in to cash. The dcp having average collection period in the year , 2014-15 and 2015 ,is 79days the days of collection performance which in adversely affect little bit to the liquidity of the firm again It has been increased in the year 17-18 that is 280 days.

III. PROFITABILITY RATIOS

i) Gross profit ratio

ii) Net profit ratio

$$\textbf{Gross Profit} = \frac{\text{G P}}{\text{Net Sales}}$$

Rs (in cr)

Year	Gross profit	Net sale	
2009-10	30961.88	30300.99	1.02
2010-11	38663.77	37928.51	1.01
2011-12	4933118	4932200	1.00
2012-13	6547.63	64167.71	0.10
2013-14	84795.25	83446.1	1.01
2014-15	99677.01	97878.32	1.01
2015-16	113648	111700.08	1.01

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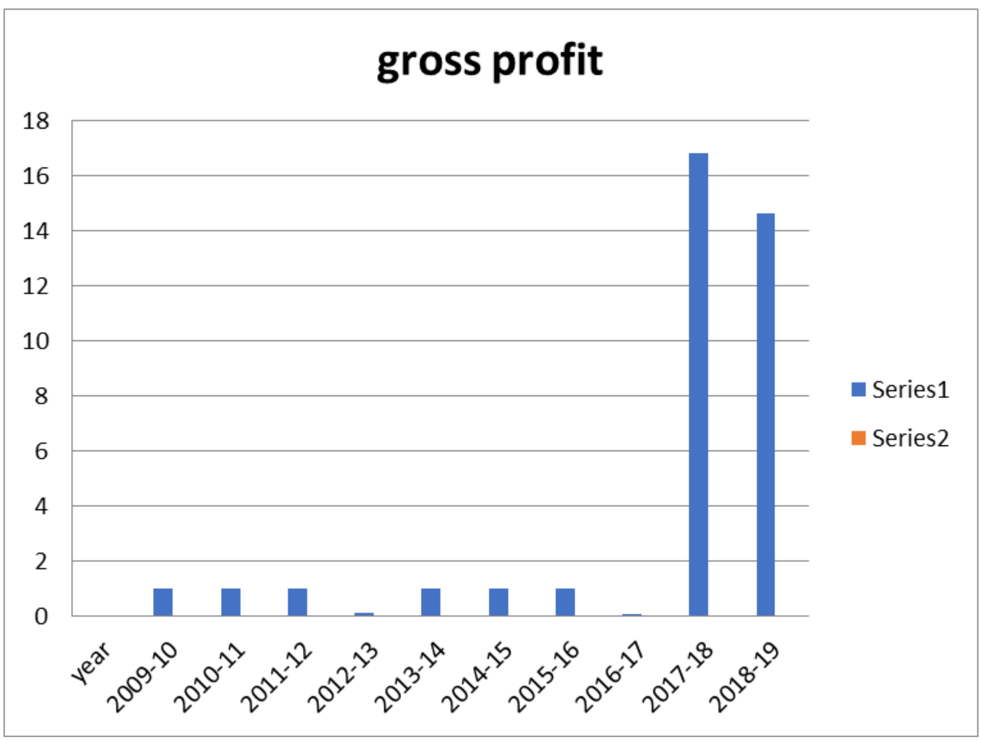
2016-17	1575	97261	0.01
2017-18	2140.746	126.746	16.8
2018-19	2206.774	150.774	14.6

Table 6

Gross profit source annual report Tcs ltd(2009to 2019)



Graph 6

diagrammatic representation of gross ratio 2009-19

Interpretation

. High ratio of gross profit to sales is a sign of good management, The gross profit margin has improved during 2017 it was 16.8, compared to previous 8 years, which was very low and 2017 and for 2018 there is a increase of 16.8 and in the year 2018 it has again decreased to 14.6 respectively.

1) **Operating profit ratio =** $\frac{\text{EBIT}}{\text{sales}}$

Rs (in cr)

Year	EBIT	SALES	operating profit ratio
2009-10	8289.63	30300.99	0.2
2010-11	11020.62	37928.51	0.2
2011-12	13923.31	4932200	0.0
2012-13	18089.73	64167.71	0.2
2013-14	25401.86	83446.1	0.3
2014-15	26298.49	97878.32	0.2
2015-16	3167.87	111700.08	0.0
2016-17	30066	97261	0.3
2017-18	8212	126.746	6.4

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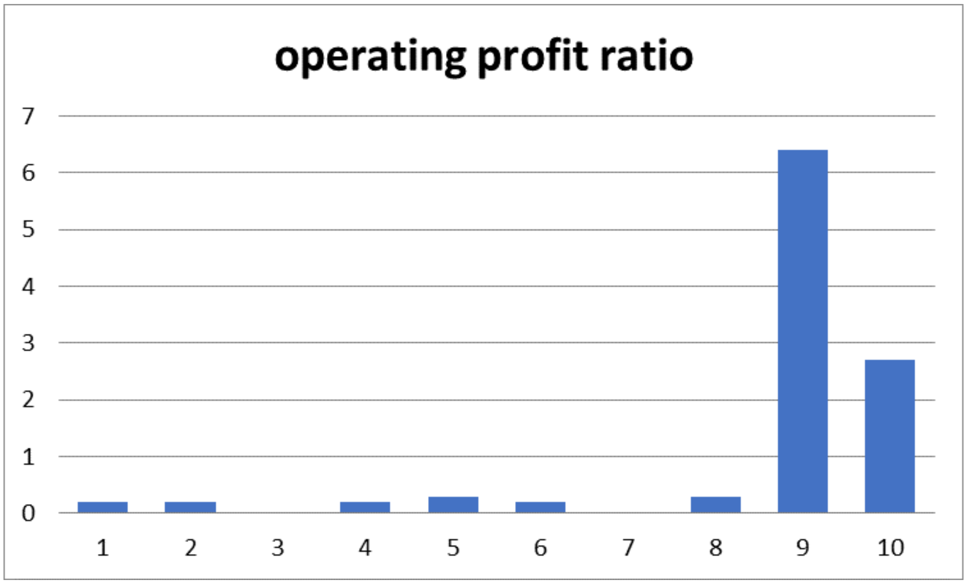
2018-19	41563	150.774	2.7

Table 7

'Operating ratio source annual report Tcs ltd(2009to 2019)



Graph .7

diagrammatic representation Operating profit ratio 2009-19

Interpretation:

A high net profit margin would ensure adequate return to the owners as well as enable a firm to withstand adverse economic condition, when selling price is declining, cost of production is raised and demand for the product is falling. And in all the years the ratio for the year 2017-18 is increased 6.4

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IV. LEVERAGE RATIO

DEBT EQUITY RATIO

Debt equity ratio = total debt / Shareholders equity

Rs(in cr)

Year	total debt	share holders equity	debt turn over ratio
2009-10	19000.36	18466.72	1.02
2010-11	2514.27	24504.81	0.10
2011-12	41394.49	29579.23	1.39
2012-13	52267.22	38645.73	1.35
2013-14	67137.78	49194.76	1.36
2014-15	73660.88	50634.76	1.45
2015-16	89384.38	65360.56	1.36
2016-17	23956	3784.55	6.32
2017-18	106296	25880	4.1
2018-19	114943	89446	1.28

Table 8

“ Debt equity ratio ,annual report Tcs ltd(2009to 2019)

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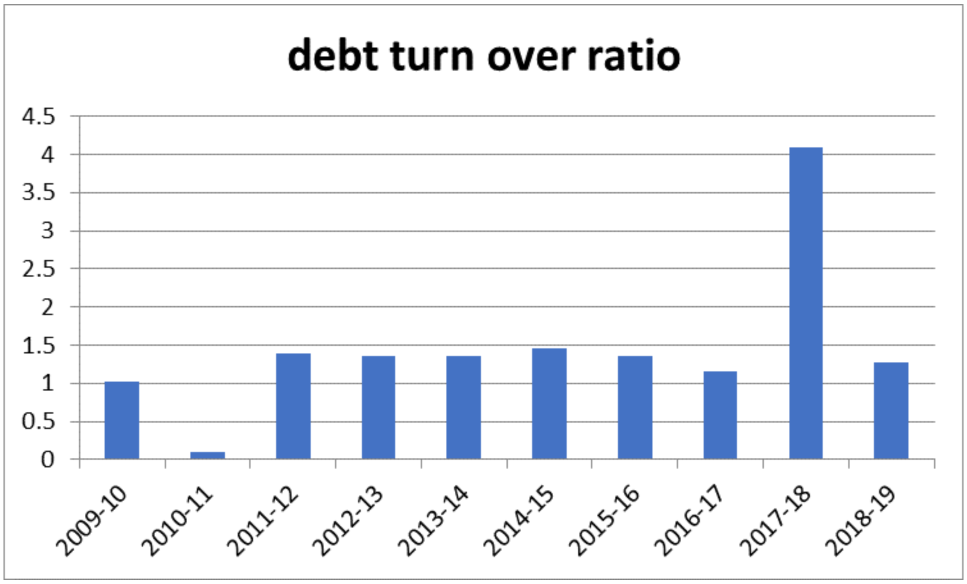

graph 8

Diagrammatic representation of debt turn ratio debt turn ratio 2009-19

DEBT RATIO

$$\text{Debt ratio} = \frac{\text{total liabilities}}{\text{Total asset}}$$

Rs(in cr)

Year	Total debt ratio	net asset	Debt ratio
2009-10	19000.36	19000.36	1
2010-11	14276.15	14276.15	1
2011-12	41394.49	41394.49	1
2012-13	52267.22	52267.22	1
2013-14	67137.78	67137.78	1

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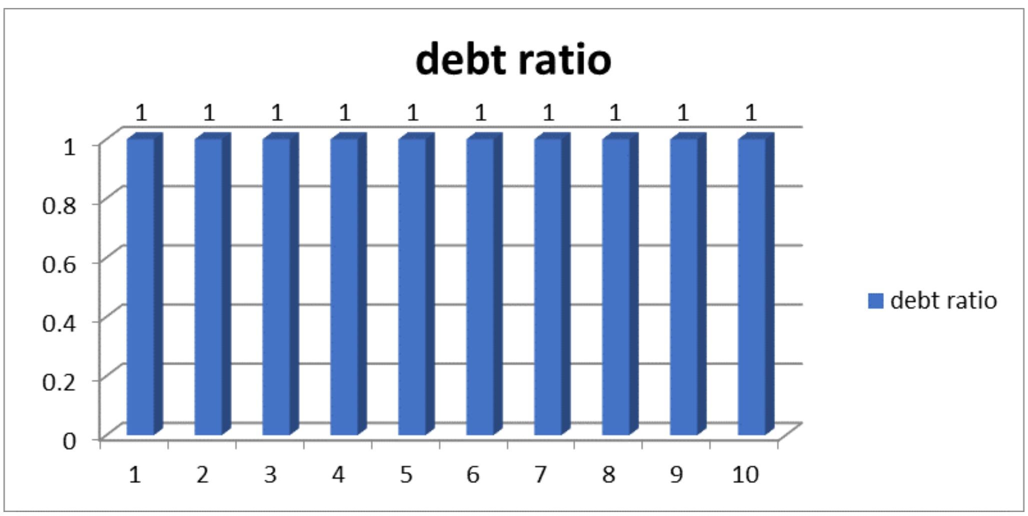
2014-15	73660.88	73660.88	1
2015-16	89384.38	89384.38	1
2016-17	89758	85758	1
2017-18	106296	106296	1
2018-19	114943	114943	1

Table 9

Debt ratio source annual report Tcs ltd(2009to 2019)



Graph 9

Diagrammatic representation of debt ratio 2009-19

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Interpretation:

The debt to net asset ratio, in all the years it is one hence The debt to net asset ratio has equal in all the years basis, but it is higher almost 90% of the assets value. Hence net assets is more. A high ratio indicates company's inability to balance its debt to assets.

PROPRIETARY RATIO

$$\text{Proprietary ratio} = \frac{\text{proprietary fund}}{\text{Total Assets}} \times 100$$

Rs(in cr)

Year	Proprietary fund	Total asset	Proprietary ratio
2009-10	18466.72	19000.36	97
2010-11	24504.81	25147.27	97
2011-12	29579.23	41394.49	71
2012-13	38645.73	52267.22	73
2013-14	49194.76	67137.78	73
2014-15	50634.76	73660.88	68
2015-16	65360.56	89384.38	73
2016-17	3784.55	89758	86
2017-18	25880	106296	24
2018-19	89446	114943	77

Table 10

Proprietary ratio'' source annual report Tcs ltd(2009to 2019)

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Graph 10

diagrammatic representation of Propritery ratio 2009-19

Propritery ratio 2009-19

Interpretation

The above table shows, the proprietary ratio that the proprietary fund is less, compared to total assets it means the company is able to meets its proprietary obligation in the year. The proprietary' turnover ratio revels that in the year 2009 to 10 it is 97 in the year 12 to 14 it has been decreased 68 and it is increased in the year 16-17 it is 86 and in the year 17 -18 is decreased to 24 and in the year 18-19 it is increased to 77

Total Capital Turn over Ratio

$$\text{total capital turn over ratio} = \frac{\text{sales}}{\text{capital employed}}$$

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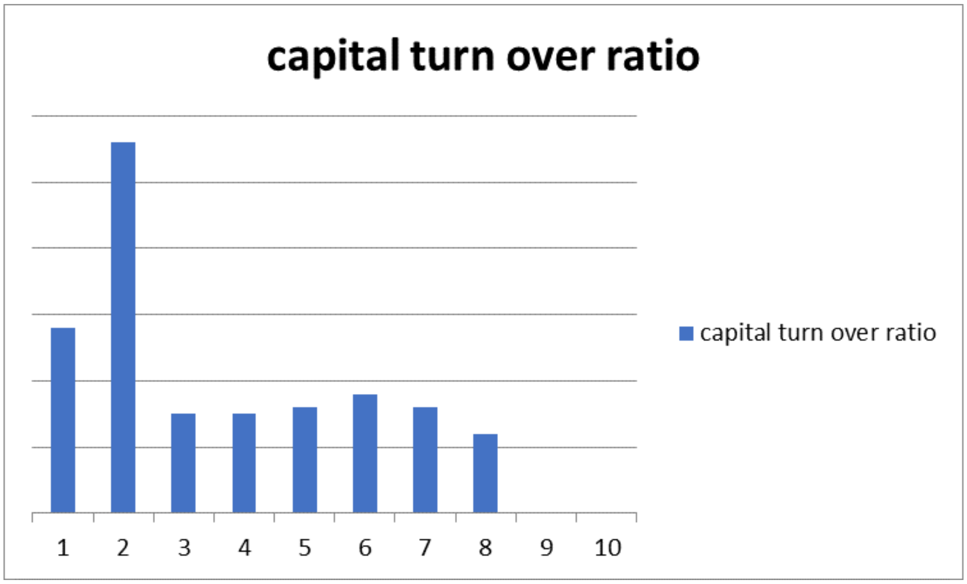
Rs(in cr)

Year	Sales	capital employed	capital turn over ratio
2009-10	30300.99	10606.5	2.8
2010-11	37928.51	6671.57	5.6
2011-12	4932200	30929.48	1.5
2012-13	64167.71	40424.41	1.5
2013-14	83446.1	51467.47	1.6
2014-15	97878.32	53342.64	1.8
2015-16	111700.08	67408.87	1.6
2016-17	3160.23	79057	1,2
2017-18	126.746	88468	0
2018-19	150.774	92859	0

Table11

Capital turn over ratio source annual report Tcs ltd(2009to 2019)



Graph 11

Diagrammatic representation of Capital turn over ratio 2009-19

Interpretation:

the total capital turn over ratio that is less, compared to total assets it means the company is able to meets its proprietary obligation in the year. The total capital turnover ratio revels that in the year 2009 it was 2.8 and in the 2010 it is increased to 5.6 and in the year 2011 it has decreased to 1.5 and in year 2012 it same and in the year 2013 it is increase to 1.6 and in the year 2014 it is increased 1.8 and in the year 2015 it is decreased to 1.6 and in the year 2016 it decreased to 1,2 and in the year 2017 and 2018 it is nill as compare to all the years 2010-11 is increasing

RETURN ON ASSET RATIO

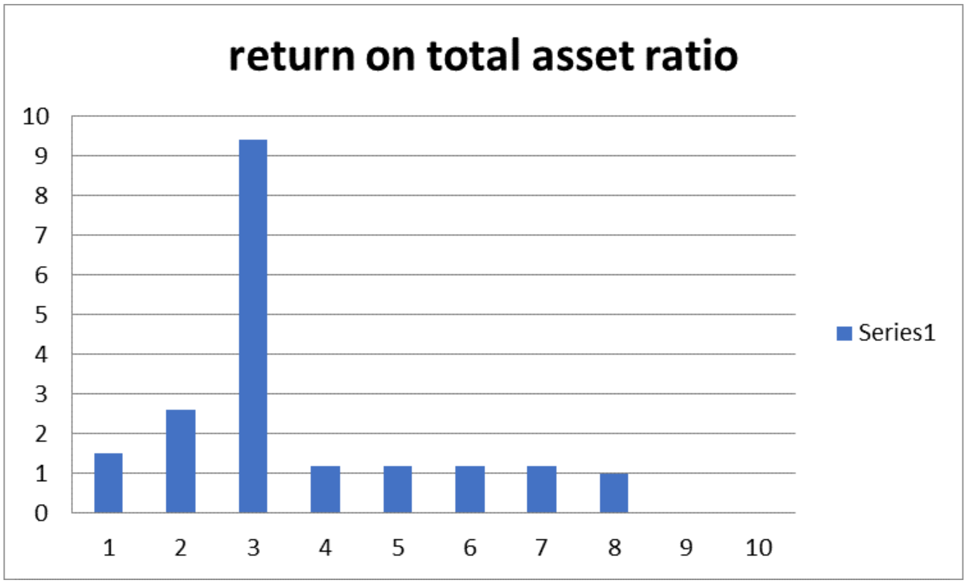
$$\text{Return on asset ratio} = \frac{\text{net sales}}{\text{Total asset}}$$

Rs(in cr)

Year	net sales	total asset	return on asset ratio
2009-10	30300.99	19000.36	1.5
2010-11	37928.51	14276.15	2.6
2011-12	4932200	52267.22	9.4
2012-13	64167.71	52267.22	1.2
2013-14	83446.1	67137.78	1.2
2014-15	97878.32	73660.88	1.3
2015-16	111700.08	89384.38	1.2
2016-17	97261	89758	1.0
2017-18	126.746	106296	0.0
2018-19	150.774	114943	0.0

Table 12

Return on asset ratio annual report Tcs ltd(2009to 2019)



Graph 12

Diagrammatic representation of Capital turn over ratio 2009-19

Interpretation:

the return on asset ratio is in the year 2009 it was 1.5 and in the year 2010 it is increased to 2.6 and in the year2011 it is increased 94and in the year 2012 it has decreased to 1.2 and in year 2012 it same and in the year 2013 it is decrease to 1.2 and in the year 2014 it is increased 1.4 and in the year 2015 it is decreased to 1.2 and in the year 2016 it decreased to 1.0 and in the year 2017 and 2018 it is 0 as compare to all the years 2010-11 is increasing .

Working capital ratio

$$\text{Working capital ratio} = \frac{\text{current asset}}{\text{Current liabilities}}$$

ISBN: 978-93-83302-47-5

Rs(in cr)

Year	current asset	current liabilities	current ratio
2009-10	15788.88	8393.86	1.8
2010-11	21880.73	7604.58	2.8
2011-12	23275.09	10465.01	2.2
2012-13	31576.56	11842.81	2.6
2013-14	42897.69	15670.31	2.7
2014-15	48813	20318.24	2.4
2015-16	63067.39	21975.51	2.8
2016-17	68619	10701	6.4
2017-18	81224	17828	4.5
2018-19	92131	22084	4.1

Table no 13 annual report Tcs ltd(2009to 2019)

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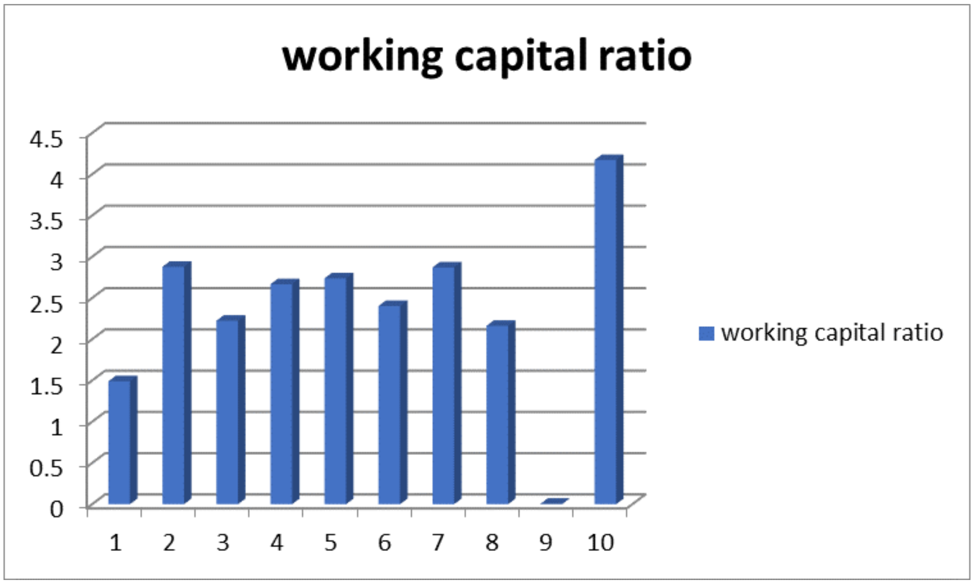

Graph 13

Diagrammatic representation of Capital turn over ratio 2009-19

Interpretation:

Working capital ratio is in the year 2009 it was 1.8 and in the year 2010 it is increased to 2.8and in the year2011 it is decreased 2.2 and in the year 2012 it is increased 2.6 and in the year 2013 it has increased to 2.7 and in year 2014 it is decreased 2.4 and in the year 2014 it is decrease to 2.4 and in the year 2015 it is increased 2.8 and in the year 2016 it is increased to 6.4 and in the year 2017 it decreased to 4.5 and in the year 2018 it is decreasing 4.1 compare to all the years 2016 is increasing

Coverage Ratio:

Coverage = Interest Coverage Ratio:
EBIT

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Rs(in cr)

Year	EBIT	Interest	Coverage ratio
2009-10	8289.63	16.1	514.
2010-11	11020.62	26	423
2011-12	13923.31	109	127
2012-13	25401.86	158	160
2013-14	26298.49	168	156
2014-15	25401.86	207	122.
2015-16	31675.87	83	381
2016-17	30.066	6413	0.00
2017-18	34092	8212	4.15
2018-19	41.563	1000	0.04

Table no 14

EBIT source annual report Tcs ltd(2009to 2019)

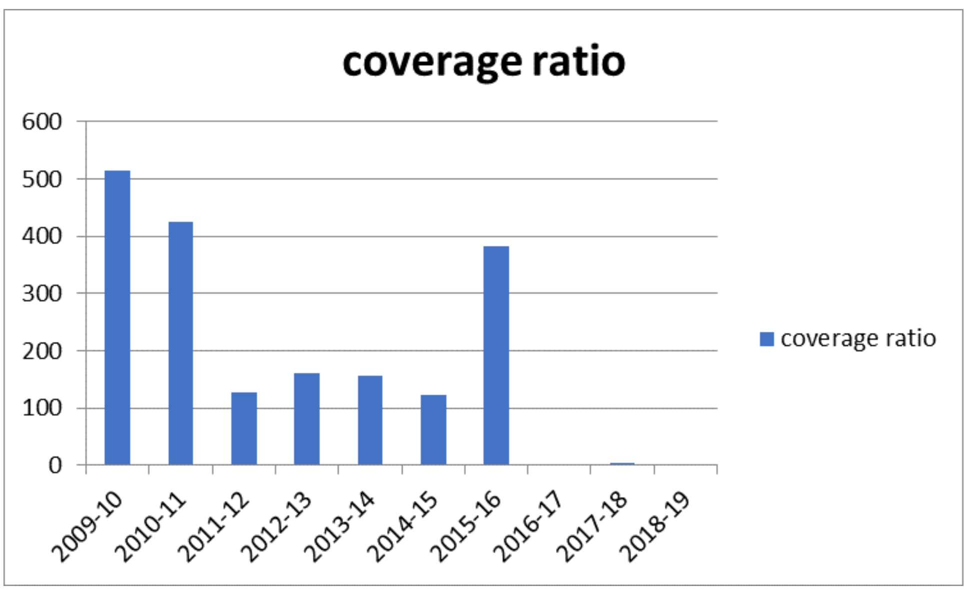

table no 14

Diagrammatic representation of Capital turn over ratio 2009-19

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Interpretation:

In the coverage ratio in year 2009 it was 514 and in the year 2010 it is decreased to 423 and in the year 2011 it is decreased by 109 and in the year 2012 it has increased by 160 and in year 2012 it same and in the year 2013 it is decrease to 159 and in the year 2014 it is decreased 122 and in the year 2015 it is increased to 381 and in the year 2016 to 18 it is nill .

FINDINGS

1. Current ratio The current ratio in 2010 was not good in this position it shows below the standard ratio 1.87 times but at present after 9 year in 2019 it is above the standard ratio i.e.4.17 times. At present company is in good position it can manage all liabilities.
2. Quick ratio The above graph shows the company's Quick or Liquid Ratio. According to the above data company is not capable to pay its debts through liquid assets. Quick ratios of all the years(2014 to 2015) showing below the standard . From 2015-2016 company's Quick

Ratio was in above standard . But in 2016 and 2017 it is 6.14 Quick Ratio got some improvement

3. Inventory turn over ratio The above graph shows the company's inventory turn over ratio. According to the above data company from 2009-2011 it is constant .inventory turn over ratios in the years(2014 to 2016)it is showing upward standard and in the last 2 years it is slowing down inventory turn over Ratio can ensure that things are going well with business.
4. The debtors' turnover ratio revels that in the year 2009 it is 5.1 and in the(2010-11)has been decreased to 4.6 to 4.2 and in the year 2013-17 it has increased 4.5 to 5.8 and it in the year 1.7 Slow down to 1.3
5. The ratio indicates the average number of days for which a firm has to wait before itsreceivables is converted in to cash. The DCP having average collection period in the year 2014-15 and 2015 ,is 79days the days of collection performance which in adversely affect little bit to the liquidity of the firm again It has been increased in the year 17-18 that is 280 days

CONCLUSION

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 that the TCS is a international services and has expanded its service on the offers the large rage of product but on the other side

TCS gains the customer trust and also offers the large range of product but also orders side the customer trust the wide range of services in the software the reasonable price and more customers relation and friendly

The financial statement it is clear that the financial position of TCS It is more preferred by the customers and also internationally distributed it also has helps less rick but some time failed to maintain the some position in the other hand company give high rate of returns because it gain high profit all the company have the swot analysis

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

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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