

“AN ANALYTICAL STUDY OF FINANCIAL PERFORMANCE OF TATA CONSULTANCY SERVICES”

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ABSTRACT

The analysis of financial performance consist the financial position and results of operations as well as the financial progress of the company are satisfactory or unsatisfactory. The analytical methods or devices are used to ascertain or measure the relationships among the financial statements items of a single set of statements and the changes that have taken place in these items as reflected in successive financial statements. In this modern era, finance is necessary to each and every business organisation, whether it is small or big. Human body can't survive without blood same as business organization can't survive in competition market or expansion without finance. Industries are helpful in the growth of Indian economy. So, it is necessary to make financial performance analysis of any company. IT companies provide services such as software support, computer systems design, and data processing facilities management. Here the examples of IT companies are Accenture (Ireland), Infosys Technologies (India), Tata Consultancy (India), and Wipro (India). In this research to study the financial performance of Tata Consultancy Services.

Keywords: Financial performance, TCS

I. INTRODUCTION

Finance may be defined as the art and science of managing money. It includes financial service and financial instruments. Finance also is referred as the provision of money at the time when it is needed. Finance function is the procurement of funds and their effective utilization in business concerns. The concept of finance includes capital, funds, money, and amount. But each word is having unique meaning. Studying and understanding the concept of finance become an important part of the business concern.

Accounting ratios are a very useful tool for grasping the true message of the financial performance of companies and understanding them. Ratios naturally should be worked out between figures that are significantly related to one another. Ratios may be worked out on the basis of figures contained in the financial statements. Here

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we are discussing the Ratio analysis method in details, as it is very important to measure the financial performance as profitability and liquidity situation of the company.

TATA CONSULTANCY SERVICES

Tata Consultancy Services Limited is an Indian multinational information technology service and consulting company headquartered in Mumbai, Maharashtra, India. It is a subsidiary of Tata Group and operates in 149 locations across 46 countries.

TCS is the largest Indian company by market capitalization. Tata consulting services is now placed among the most valuable IT services brands worldwide. In 2015, 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. It is the world's largest IT services provider.

In 2016-2017, Parent company Tata Sons owned 20 per cent of TCS and more than 70 per cent of Tata Sons' dividends were generated by TCS. In March 2018, Tata Sons decided to sell stocks of TCS worth \$ 1.25 billion in a bulk deal.

TATA CONSULTANCY SERVICES	
	
Type	Public
Traded as	BSE: 532540 NSE: TCS BSE SENSEX ConstituentCNX Nifty Constituent
Industry	IT services, IT consulting
Founded	1968; 51 years ago
Founder	Tata Sons

	F. C. Kohli
Headquarters	Mumbai, Maharashtra, India
Area served	Worldwide
Key people	Natarajan Chandrasekaran (Chairman) Rajesh Gopinathan (MD & CEO)
Services	Outsourcing Consulting Managed services
Number of employees	450,738 (September 2019)
Parent	Tata Group
Subsidiaries	TCS China TRDDC
Website	www.tcs.com

II. REVIEW OF LITERATURE

V. Srinivasan et.al. (1978) in their investigation on "The Application of Multiple Regression Analysis to Financial Ratios of Public Enterprises" presumed that gross net revenue influences the profit for money to the biggest degree. The other two in diminishing significance are turnover of capital utilized and working capital. The relapse coefficient for working capital turnover infers that as the turnover of working capital builds its commitment to return on capital utilized reductions. It shows that the organization has lesser working capital and it should be more than what it is presently.

D. K. Run (1999), in his examination, "Monetary Performance Evaluation through Ratio Analysis: A Case Study of Nawanagar Co-usable Bank, Jamnagar," uncovered that 94 percent of the banks pay came from revenue procured out of advances and ventures. Premium paid on borrowings and stores was the primary use for the bank. The level of use to the complete pay procured was 72 percent. The proportion of net benefit to add up to resources changed from 0.03 to 0.04 percent. The profitability of bank was agreeable. Despite the fact that the dissolvability position of the bank around then was sound, the future achievement laid on the consistent undertaking of the individuals, the board and staff of the bank.

L. Gopal Krishna Swami (2000), in his examination on "A Forecasting Model for Sustainable Corporate Growth," inferred that the organization's liquidity levels will be definitely influenced. The exhibitions of organizations are underneath their supportable levels. The inert assets, if not utilized for extension reason or if there is no expansion in profits, could prompt fall consequently on resources and profit for value and the company's stock cost will decrease. The use of reasonable development models causes the executives to anticipate a development rate in deals that is reliable with its monetary approaches, its assets and key destinations.

Asok Mukhopadhyay (2001), found that the current proportion, brisk proportion, working capital proportion, indebted individuals turnover proportion, current resources turnover proportion and normal assortment period are the main proportions to feel the monetary dissolvability of an association. It assists with diagnosing the sufficiency of example of working capital administration of a corporate.

III. RESEARCH METHODOLOGY

Research Objectives

- To study financial performance of Tata Consultancy Services.
- To analyse profitability of Tata Consultancy Services.
- To analyse liquidity of Tata Consultancy Services.

Research Design and Data

The Study was done by applying analytical research. For analytical research I have used the annual reports of Tata Consultancy Services. I have done this research as it provides helps in showing the financial and operating condition of Tata Consultancy Services.

Hypothesis of the study

- H_0 = There is no significant difference in current ratio and liquid ratio of Tata Consultancy Services.
- H_1 = There is significant difference in current ratio and liquid ratio of Tata Consultancy Services.

Sampling technique

I have used non probability sampling technique, in that convenience sampling was used in this research, because it was convenient with regards to time, cost and place of the research and also for analysis of the data.

Sample Size

I have taken 5 years data of Tata Consultancy Services. I have taken last five years from 2014-15 to 2018-19 for financial analysis of Tata Consultancy Services.

NET PROFIT RATIO

Year	Net Profit (cr.)	Sales (cr.)	Net Profit Ratio (%)
2014-2015	30,065.00	1,23,170.00	24.41%
2015-2016	25,241.00	97,356.00	25.93%
2016-2017	23,241.00	92,693.00	25.07%
2017-2018	23,075.00	85,864.00	26.87%
2018-2019	19,256.96	73,582.15	26.17%

Source: Annual reports of Tata Consultancy Services

Interpretation:

This ratio measures the relation between the net profits and sales of the firm. In first year 2014-2015 company's net profit ratio is 24.41%. The next year 2015-16 it was increase and become 25.93%. In the year 2016-17 net profit ratio was decrease and become 25.07%. Then after the year 2017-18 it was on boost level and become 26.87% and after the year it was decreased by 26.17%. The overall net profit ratio is normally increased and well maintained by the company.

CURRENT RATIO

Year	Current Assets (Cr.)	Current Liability (Cr.)	Current Ratio
2014-2015	33,551.60	10,252.33	3.27:1
2015-2016	23,873.00	12,086.00	1.98:1
2016-2017	17,919.00	11,387.00	1.57:1
2017-2018	22,394.00	14,773.00	1.52:1
2018-2019	32,939.00	20,395.00	1.62:1

Source: Annual reports of Tata Consultancy Services

Interpretation:

This ratio indicates the company's burden and his paying ability. In above chart, in the year of 2014-15 the current ratio was very high i.e. 3.27:1. The next year 2015-16 the current ratio was decrease and became 1.98:1. Then after year 2016-17 to 2017-18 current ratio was decrease. The last year 2018-19 current ratio minor increase and became 1.62:1. In short current ratio shows decreased year to year.

LIQUID RATIO

Year	Liquid Assets (Cr.)	Liquid Liabilities (Cr.)	Liquidity Ratio
2014-2015	33,539.26	10,252.33	3.27:1
2015-2016	23,864	12,086.00	1.97:1
2016-2017	17,898	11,387.00	1.57:1
2017-2018	22,369	14,773.00	1.51:1
2018-2019	32,929	20,395.00	1.61:1

Source: Annual reports of Tata Consultancy Services

Interpretation:

This ratio indicates the company's liquidity position. In the year 2014-15 the liquidity ratio was 3.27:1. The next year 2015-16 extremely decrease and became 1.97:1. Further year 2016-17 to 2017-18 liquid ratio was also falls down. In the year 2018-19 liquid ratio was increase and became 1.61:1.

HYPOTHESIS TESTING

- H_0 = There is no significant difference in current ratio and liquid ratio of Tata Consultancy Services.
- H_1 = There is significant difference in current ratio and liquid ratio of Tata Consultancy Services.

t-Test: Paired Two Sample for Means		
	<i>Current Ratio</i>	<i>Liquidity Ratio</i>

Mean	3.27	1.986
Variance	2.46519E-31	0.54748
Observations	5	5
Pearson Correlation	-6.71029E-17	
Hypothesized Mean Difference	0	
Df	4	
t Stat	3.880305297	
P(T<=t) one-tail	0.008918327	
t Critical one-tail	2.131846782	
P(T<=t) two-tail	0.017836654	
t Critical two-tail	2.776445105	

T-test paired two sample for means was conducted to compare the significance difference in current ratio and liquid ratio of Tata Consultancy Services.

Here $T_{cal} < T_{tab}$

H_0 is accepted.

H_0 = There is no significant difference in current ratio and liquid ratio of Tata Consultancy Services.

IV. CONCLUSION

From the calculation of various ratio I can conclude that overall financial position of company is moderate because of net profit ratio indicate fluctuation of profit of company. Current ratio of company is also less than standard ratio in all year excluding first year which indicates that company was face difficulty to meet its short term debt.

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