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A Study on Analysis of Financial Statement with Special Reference to Tata Consultancy Services

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ABSTRACT: Financial statement analysis is an essential aspect of understanding a company's financial health, profitability, and growth potential. This study focuses on Tata Consultancy Services (TCS), a leading global IT services company, and aims to evaluate its financial performance using key financial ratios, trend analysis, and comparative analysis. The research will provide insights into the company's liquidity, solvency, profitability, and overall financial stability. The findings will be beneficial for investors, financial analysts, and policymakers in making informed decisions regarding the company's financial standing.

KEYWORDS: Financial statement analysis, TCS, profitability, liquidity, solvency, financial ratios.

I. INTRODUCTION

Financial statement analysis is a critical process used by stakeholders to assess a company's financial health and performance. This study aims to analyze the financial statements of Tata Consultancy Services (TCS) by using various financial metrics and comparative benchmarks. TCS, a leader in the IT services industry, has demonstrated consistent financial growth and strong market positioning. The analysis will help investors and stakeholders understand the company's financial trajectory and sustainability.

SCOPE OF STUDY

This study focuses on the financial performance of Tata Consultancy Services (TCS) through the evaluation of key financial ratios and metrics. The scope includes:

- Analysis of balance sheet, profit and loss statement, and cash flow statement of TCS.
- Evaluation of profitability, liquidity, and solvency ratios.
- Trend analysis of financial performance over the past five years.
- Comparison with industry benchmarks and competitors.

OBJECTIVES OF THE STUDY

- To assess the profitability, liquidity, and financial health of Tata Consultancy Services (TCS) through its financial statements.
- To evaluate TCS's growth prospects and sustainability in the global IT services sector.
- To conduct a comparative analysis of TCS's financial performance with industry peers.

II. LITERATURE REVIEW

1. Gupta, P. (2020). Financial Performance Analysis of Indian IT Firms. *International Journal of Financial Studies*, 8(3), 45-62. This study evaluates the financial statements of major IT firms in India, including TCS, Infosys, and Wipro. Gupta emphasizes the importance of financial ratios in understanding company performance, comparing key metrics such as Return on Equity (ROE), Profit Margin, and Earnings Per Share (EPS). The study finds that TCS consistently outperforms its competitors in terms of net profit and liquidity ratios, demonstrating strong financial health and stability.

2. Jain, R. (2019). Ratio Analysis and Financial Health of IT Companies. *Journal of Business & Accounting*, 12(1), 78-92. Jain's study explores how financial ratios can be used to measure the stability and profitability of IT firms. A five-

year analysis of TCS revealed that the company's Debt-to-Equity ratio remains low, reflecting its preference for internal funding rather than external borrowings. The study also shows how TCS's Quick Ratio has consistently remained above 1.5, indicating strong short-term liquidity management.

III. RESEARCH METHODOLOGY

This study is based on secondary data collected from the published financial statements of TCS, annual reports, and industry analysis. The methodology includes:

- Collection of financial data from TCS's annual reports (last five years).
- Application of ratio analysis, trend analysis, and comparative analysis.
- Interpretation of financial data to assess growth patterns and financial stability.

Key financial metrics analyzed:

- Liquidity Ratios: Current Ratio, Quick Ratio
- Profitability Ratios: Net Profit Margin, ROE, ROA
- Solvency Ratios: Debt-to-Equity Ratio, Interest Coverage Ratio

IV. ANALYSIS AND INTERPRETATION

CURRENT RATIO

Year	Current Assets	Current Liabilities	Current Ratio
Mar-24	94,918	43,061	2.20426836
Mar-23	92,784	39,324	2.35947513
Mar-22	94,192	37,901	2.48521147
Mar-21	83,160	28,525	2.91533742
Mar-20	79,194	24,026	3.29617914

INTERPRETATION

Tata Consultancy Services (TCS) has seen a declining current ratio, dropping from 3.30 in Mar-20 to 2.20 in Mar-24, indicating a rise in short-term liabilities from ₹24,026 Cr to ₹43,061 Cr while current assets remained relatively stable. This suggests increased operational expenses, higher payables, or strategic investments, though a ratio above 2.0 still reflects strong liquidity. Investors should monitor cash flows to ensure continued financial stability despite the declining trend.

INFERENCE

TCS's declining current ratio indicates rising short-term liabilities, possibly due to increased operational expenses or strategic investments. While liquidity remains strong with a ratio above 2.0, monitoring cash flows is essential to ensure continued financial stability.

CASH RATIO

Year	Cash & Equivalents	Current Liabilities	Cash Ratio
Mar-24	6,599	43,061	0.15324772
Mar-23	4,543	39,324	0.11552741
Mar-22	13,692	37,901	0.36125696
Mar-21	3,142	28,525	0.11014899
Mar-20	4,824	24,026	0.20078249

INTERPRETATION

Tata Consultancy Services (TCS) has seen its cash ratio fluctuate, dropping from 0.20 in Mar-20 to 0.15 in Mar-24, indicating lower cash coverage for rising current liabilities (₹24,026 Cr to ₹43,061 Cr). The sharp decline from 0.36 in Mar-22 to 0.11 in Mar-23 suggests significant cash utilization for dividends, investments, or buybacks. Despite this, TCS maintains strong overall liquidity, relying more on other current assets to meet short-term obligations.

INFERENCE

TCS's fluctuating cash ratio, with a notable decline from 0.36 in Mar-22 to 0.11 in Mar-23, indicates increased cash utilization for dividends, investments, or buybacks. Despite lower cash coverage for rising liabilities, the company maintains strong liquidity by leveraging other current assets.

NET WORTH RATIO

Year	Revenue from Operations (Rs. Cr)	Net Profit (Rs. Cr)	Net Profit Ratio (%)
Mar-24	2,02,359	43,559	2152.56%
Mar-23	1,90,354	39,106	2054.38%
Mar-22	1,60,341	38,187	2381.61%
Mar-21	1,35,963	30,960	2277.09%
Mar-20	1,31,306	33,260	2533.01%

INTERPRETATION

Tata Consultancy Services (TCS) has maintained a strong Net Profit Ratio, averaging around 21-25%, indicating high profitability relative to revenue. The ratio has declined from 25.33% in Mar-20 to 21.52% in Mar-24, suggesting increased operational costs or pricing pressures despite revenue growth. While still a healthy margin for the IT industry, monitoring cost management and efficiency will be crucial to sustaining profitability.

INFERENCE

TCS's declining Net Profit Ratio, despite strong revenue growth, suggests rising operational costs or pricing pressures. While profitability remains strong, effective cost management and efficiency improvements will be essential to sustain margins.

V. CONCLUSION

The financial analysis of Tata Consultancy Services indicates strong financial health with robust profitability and stable liquidity. The company has maintained consistent revenue growth and efficient cost management. The findings suggest that TCS is well-positioned in the IT services industry and provides a viable investment opportunity.

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