



A STUDY ON FINANCIAL PERFORMANCE OF TATA CONSULTANCY SERVICES LIMITED

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ABSTRACT

Financial performance analysis is the process of determining a company's financial strengths and weaknesses by correctly defining the relationship between balance sheet and profit and loss account components. Secondary data is used and the main objective of the study is to find the financial performance of the company and also to help in finding the growth of the company. There are various financial techniques like ratio analysis, trend analysis used in the study for ascertaining financial performance of the company.

INTRODUCTION

“Financial performance analysis is a process of evaluating the relationship between component parts of a financial statement to obtain a better understanding of a firm's position and performance”. The purpose of financial analysis is to diagnose the information contained in financial statements so as to judge the profitability and financial soundness of the firm. A financial analyst analyses the financial statements with various tools of analysis before commenting upon the financial health or weaknesses of an enterprise.

STATEMENT OF PROBLEM

Financial analysis reveals the strength and weakness of the company by properly establishing the relationship between the items of the balance sheet and profit and loss account. The efficient performance of the firm depends on the sound planning of the capital structure, investment and distribution. Financial analysis may be used internally to evaluate issues such as employee performance, the efficiency of operations and credit policies, and externally to evaluate potential investments and the credit worthiness of borrowers. The importance of timely appraisal of the firm's performance cannot be ignored. Therefore, this study is conducted to evaluate the financial performance of Tata Consultancy Services Ltd.

OBJECTIVES OF THE STUDY

- To analyze the solvency and profitability position of the company.
- To know the efficiency of the company.
- To evaluate the financial growth of the company.

SCOPE OF THE STUDY

This study analyzes the overall financial position of Tata Consultancy Services Ltd by using the ratio and trend analysis. The study has been used the facts and analyzed them to make a critical evaluation of growth and financial performance of the company. This study suggests various measures by which the company can utilize the opportunities available to them and strive for their betterment. A sincere attempt has been made to include all the aspects relating to the study.

REVIEW OF LITERATURE

- Hema A.S (2014) analysed the financial performance of Tata Consultancy Services Ltd. The study revealed that both short term and long term liquidity position of TCS is good. The Company has properly controlled its net worth and total assets for maximising the profits. The growth of the company in terms of Working Capital and Total assets was satisfactory.
- Kannappan (2015) In his research paper titled “A study on financial position and performance analysis with special reference to Tata Consultancy Services” analyzed the financial ratio in term of profitability and asset position found that there was high profitability and absolute liquidity ratio year by year from 2011 to 2015. The return on net worth of the company also showed steady progress. The technique used in study were ANOVA and coefficient of correlation & regression.
- P.Srinivasan (2018) conducted a study to evaluate and analyze financial performance and position using ratio analysis. It includes analyzing the balance sheet and profit & loss account for the period of five years. The research shows that the company’s financial performance was not satisfactory and they should take efforts to increase sales by reducing cost for maximizing profits.

COMPANY PROFILE

Tata Consultancy Services Limited, initially started as Tata Computer Systems, was founded in 1968 by a division of Tata Sons Limited. Its early contracts included punched card services to sister company TISCO (now Tata Steel), working on an Inter-Branch Reconciliation System for the Central Bank of India, and providing bureau services to Unit Trust of India.

Tata Consultancy Services Limited (TCS) is an Indian multinational information technology (IT) services and consulting company headquartered in Mumbai. It is a part of the Tata Group and operates in 150 locations across 46 countries. In September 2023, it was reported that TCS had over 616,000 employees worldwide. TCS is the second-largest Indian company by market capitalization, the most valuable IT service brands worldwide, and the top Big Tech (India) company. As of June 2023, it was the world's second-largest user of U.S. H-1B visas. As of 2021, it was ranked seventh on the Fortune India 500 list. In September 2021, TCS recorded a market capitalization of US\$200 billion, making it the first Indian IT tech company to do so. In 2016–2017, parent company Tata Sons owned 72.05% of TCS and more than 70% of Tata Sons' dividends were generated by TCS.

CONCLUSION

After the study of the financial performance of a company for the last five years, starting from FY2018-2019 to FY2022-2023, it can be concluded that the current ratio, liquid ratio, and proprietary ratio have continuously increased over the years, whereas the debt ratio, debt equity ratio, asset turnover ratio, and debtors turnover ratio have continuously decreased. The absolute liquid ratio has been in same level over the years. The net profit ratio and operating profit ratio have shown mixed trends with some years showing an increase and some years showing a decrease. The return on shareholders fund has continuously decreased over the years. These financial ratios are crucial indicators of a company's financial health, and their analysis helps investors, creditors, and management to make informed decisions.

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