FFA

TCS (Mar -18 to Mar -22)

BALANCE SHEET

Over the years, shareholder's fund has increased by 2% from 2019 to 2022.

Non-current liabilities have increased to 547%. Deferred tax liability has reduced over the years. Trade payables have increased to 211%. This signifies that company is **borrowing money** to finance itself.

The percentage of equity in sources of funds has decreased from 83% to 64% as the amount of liabilities has increased both in current and non-current liabilities.

Overall, the equity and liabilities have increased by 33%.

The company is heavily investing in tangible assets as it has increased by 87%. It might also be working on new software as intangible assets also showed a growth of 65%. Overall, non-current assets increased by 19%.

Current investments and inventory has decreased over the years. The company is willing to **sell its products on credit** as trade receivables have increased by 91%. The company has cash as its cash has increased by almost 4 times.

In any particular year, the ratio of non-current:current assets has mostly remain constant approx. 1:4.

Overall, the **assets have grown by 33%** which match with sum of equities and liabilities.

PROFIT AND LOSS

The **gross revenue has increased by 65%.** However, **expenses have also risen by 56%.** This is primarily because expenditure on employee benefit schemes have been increased which point out that the company is looking after the welfare of its staff. As it has taken loans over the years, the interest amount has also risen by more than 16 times. Depreciation and Amortisation has also lead to an increase in the EBT. Total tax expense has also increased by 72%.

Despite all this, the company is still profitable as its **net earning has increased by 51%.**

The **EPS has decreased** over the years despite having a higher income. This might be because the company would have issued more shares.

RATIO ANALYSIS

TCS (Mar -20 to Mar -22)

Return On Assets, Return on Capital, Return on Equity have increased over the years. The **overall performance ratio has increased** which shows that there is an efficient management and utilization of resources which has led to higher profits.

Net profit margin hasn't improved as tax liabilities have increased. **Asset turnover ratio has increased** which signifies that company is judiciously using its resources.

The DuPont analysis shows that the company is **more levered** as total leverage has increased from 1.41 to 1.57.

Both non-current and current ratios have increased which show that **past and present assets are optimally utilized.** Also increase in equity turnover ratio signifies that management is effectively using equity to generate revenue.

Working capital turnover measures how effective a business is at generating sales for every dollar of working capital put to use. It has increased which shows that every rupee invested generates more revenue.

The days sales of inventory (DSI) is a financial ratio that indicates the average time in days that a company takes to turn its inventory, including goods that are a work in progress, into sales. It has increased which shows that company is taking longer to convert raw materials into sales.

Higher the Debtors turnover ratio, better is the credit management of the firm. As it has decreased, it shows bad credit management of the firm compared to base year.

Days cash on hand is the number of days a company can keep up with its operating expenses using the cash available in the business. The key assumption with days cash on hand is that there no current cash flow from sales. This has increased by almost 15 days. It is because the company has increased its cash and equivalents.

The cash conversion cycle (CCC) is a metric that expresses the time (measured in days) it takes for a company to convert its investments in inventory and other resources into cash flows from sales. It has increased which show worrying signs, **the inventory isn't properly maintained**. The company should cut down on their inventory cost and should make provision to quickly realize raw materials into sales.

Insolvency ratios show that the company has **incorporated more debts in its capital structure**. It has increased its debt ratio showing its more levered now. However, since interest coverage ratio has also increased, it shows that the **company is able to meet interest payments** and would get stable interest rates.

The current ratio and quick ratio have decreased which shows that the company might find difficult to satisfy its current debt and other payables. TCS's ability to pay its short-term obligations has decreased.

From the investors point of view, the stock has increased by two times, giving its shareholders a 100% profit. However, they have stopped giving higher dividends as they are retaining the amount for maybe future investments.

It's PE ratio has largely gone up which shows that people are willing to invest in the company and it has a positive sentiment in the marketplace. As the price to book value is also huge, it shows that people are willing to pay more for getting a stock of TCS.

Hence from investor point of view, this stock has been quite favourable as they might have earned less from dividends but a lot from the growth of the stock over the course of 2-3 years.