INDIAN INSTITUTE OF MANAGEMENT JAMMU

"Financial Analysis of IT Consultancy Firms"

Financial Accounting Project

Submitted in Master of Business Administration (MBA-09)

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Industry Analysis-

Our group analyzed five top IT consultancy companies: **Tata Consultancy Services (TCS), HCL Technologies, Tech Mahindra, Capgemini India,** and **Infosys.** These companies are leaders in the IT services industry. In this report, we focus on their business models, industry structure, financial trends, and future growth.

(a) Choice of Industry and Companies

We chose the **IT consultancy and services industry** for the following reasons:

- IT consultancy is crucial for **helping businesses adopt digital technologies** like cloud computing, artificial intelligence (AI), and cybersecurity.
- This industry plays a major role in **driving global innovation and economic growth**, especially in sectors like healthcare, banking, and telecommunications.
- **TCS, HCL Technologies, Tech Mahindra, Capgemini India,** and **Infosys** are all **global leaders based in India**, contributing significantly to IT exports and digital transformation worldwide.

Why We Chose These Companies:

- **TCS**: The largest IT consultancy firm in India, leading in digital transformation.
- **HCL Technologies**: Specializes in cloud computing, data analytics, and cybersecurity.
- **Tech Mahindra**: Strong in telecommunications and IT outsourcing.
- **Capgemini India**: A global leader in digital consulting and transformation services.
- **Infosys**: Known for innovative technology solutions like AI, blockchain, and automation.

(b) Industry Structure (Size, Major Players, Market Share)

The IT consultancy industry is a **key contributor to the global economy**, and India is a major hub for IT services, valued at over **$150 billion**.

Major Players:

1. **TCS**: Revenue of $29.4 billion, leading the Indian IT sector.
2. **HCL Technologies**: Revenue exceeding ₹40,000 crores, strong in cloud and cybersecurity.
3. **Tech Mahindra**: ₹42,099 crores in revenue, focusing on telecom and IT outsourcing.
4. **Capgemini India**: Revenue of ₹27,843 crores, part of the global Capgemini Group.
5. **Infosys**: ₹1,21,641 crores in revenue, focusing on AI and automation.

Market Share:

- **TCS**: Holds around **30% of the Indian IT market**.
- **Infosys**: Holds **20%** of the market.

- **HCL, Tech Mahindra, and Capgemini**: Together control a large portion of the remaining market, each specializing in cloud services, digital consulting, and IT outsourcing.

(c) Major Issues Facing the Industry

The IT consultancy industry faces several **challenges** that impact all companies:

1. **Talent Shortage**:
    - **TCS and Infosys**: There's a high demand for skilled workers in AI, cloud computing, and cybersecurity, but not enough qualified professionals to fill these roles.
    - **HCL Technologies**: Faces similar workforce challenges as it expands globally.
2. **Geopolitical Risks**:
    - **TCS and HCL**: Stricter visa rules in the US and Europe make it harder to send skilled employees abroad, which can delay projects.
3. **Increased Competition**:
    - **Tech Mahindra and Capgemini**: They face growing competition from emerging IT firms and global tech giants, which puts pressure on pricing and forces them to offer differentiated services.
4. **Rising Costs**:
    - **HCL and Infosys**: Increasing employee costs in India, especially salaries and benefits, are reducing their profit margins.

(d) Generic Business Model

All five companies share a **similar business model**, providing IT services, consulting, and digital transformation solutions. Here's a breakdown:

1. **Revenue Streams**:
    - **TCS and Infosys**: Most of their revenue comes from long-term contracts with clients in banking, retail, and healthcare for IT services and digital transformation projects.
    - **HCL and Capgemini**: Focus heavily on cloud services and AI, generating recurring revenue through subscription-based services.
    - **Tech Mahindra**: Specializes in telecom and IT outsourcing, earning revenue by offering IT solutions to telecom companies.
2. **Global Delivery Model**:
    - All companies operate with a **global delivery model**, using lower-cost talent in India to serve clients in markets like the US and Europe. This helps them offer competitive prices while maintaining high service quality.
3. **Service Specialization**:
    - **TCS**: Leads in digital transformation, AI, and cloud services.
    - **Infosys**: Focuses on consulting, AI, and automation.
    - **HCL Technologies**: Strong in cybersecurity and cloud infrastructure.
    - **Capgemini**: Specializes in digital consulting and technology services.

(e) Macroeconomic Variables Affecting the Industry

Several **external factors** affect the IT consultancy industry and its major players:

1. **Currency Fluctuations**:
   - **TCS, Infosys, and HCL**: A large portion of their revenue is in foreign currencies like the US dollar and Euro. Currency fluctuations can increase or reduce their profits. A weaker Indian rupee benefits them, as they earn more from international clients.
2. **Global Economic Conditions**:
   - **Tech Mahindra and Capgemini**: Economic slowdowns in major markets like the US or Europe can reduce the demand for IT services, as clients may cut back on spending during a recession.
3. **Technological Advancements**:
   - **Infosys and Capgemini**: The rapid development of AI, cloud computing, and blockchain is both a challenge and an opportunity. These companies need to continuously invest in new technologies to stay competitive and meet client demands.
4. **Regulatory Environment**:
   - **TCS and HCL**: Global data protection regulations like Europe's GDPR require IT firms to invest more in data security and compliance, which increases costs.

(f) Major Accounting Policies and Impact of IFRS

The IT consultancy companies follow **key accounting policies** that are impacted by **IFRS (International Financial Reporting Standards)**:

1. **Revenue Recognition (IFRS 15)**:
   - **TCS, Infosys, and HCL**: They recognize revenue as services are delivered or based on achieving contract milestones. IFRS 15 requires them to recognize revenue based on the progress of contract completion, which affects how and when they report earnings.
2. **Leases (IFRS 16)**:
   - **Capgemini**: Under IFRS 16, all lease agreements must be recorded on the balance sheet, which increases the visibility of long-term liabilities and can affect profit margins.
3. **Employee Benefits (IAS 19)**:
   - **HCL and Tech Mahindra**: With large workforces, they must account for employee benefits such as pensions. Changes in actuarial assumptions (e.g., interest rates) can significantly impact the cost of employee benefits in their financial reports.

(g) Future Trends and Recent News

The **IT consultancy industry** is rapidly evolving, with new technologies like **AI, cloud computing,** and **cybersecurity** leading the way. Here's what each company is focusing on for the future, along with recent news:

1. **TCS**:
   - **Future Trend**: Expanding AI and cloud services in industries like healthcare and finance.
   - **Recent News**: TCS **acquired a US-based consulting firm** to grow its North American market and gain more clients in the region.
2. **HCL Technologies**:
   - **Future Trend**: Investing in cybersecurity services as cyberattacks become more frequent.
   - **Recent News**: HCL **expanded its cybersecurity portfolio** to meet the growing demand for stronger data protection and prevention of ransomware attacks.
3. **Tech Mahindra**:
   - **Future Trend**: Focused on telecommunications and 5G services to become a leader in telecom IT services.
   - **Recent News**: Tech Mahindra **partnered with AT&T** to provide 5G solutions to global clients, enhancing its presence in the telecom sector.
4. **Capgemini India**:
   - **Future Trend**: Betting on AI and automation to drive digital transformation for global clients.
   - **Recent News**: Capgemini **partnered with Google Cloud** to deliver AI-driven cloud solutions to clients across industries, especially in Europe.
5. **Infosys**:
   - **Future Trend**: Expanding capabilities in blockchain, AI, and automation, with a focus on sustainability-driven tech solutions.
   - **Recent News**: Infosys **signed a $1 billion contract** with a European telecom giant to provide AI and cloud services, helping the company streamline operations.

Conclusion

In conclusion, the **IT consultancy industry** is poised for strong growth, but companies face challenges such as talent shortages, rising competition, and geopolitical risks. **TCS, HCL Technologies, Tech Mahindra, Capgemini India,** and **Infosys** are leveraging **innovations in AI, cloud computing, cybersecurity,** and **automation** to stay competitive. Recent acquisitions and partnerships show that these companies are well-prepared to expand globally and continue leading in digital transformation services.

TATA Consultancy Services

NANCY SAHU- MBA24161

About the Company-

Tata Consultancy Services (TCS) is a global leader in IT services, consulting, and business solutions, renowned for its robust financial performance and sustainable growth. As part of the Tata Group, TCS has consistently delivered strong revenue growth, driven by its diverse client base across industries such as banking, retail, and healthcare. In FY 2024, TCS reported revenues of $29.4 billion, with a significant portion coming from high-growth areas like digital transformation and cloud services.

TCS is known for its industry-leading operating margins, typically ranging between 25% and 28%, thanks to efficient cost management and strategic investments in automation and talent development. The company generates strong cash flows, exceeding $5 billion annually, allowing it to invest in innovation while maintaining a debt-free balance sheet. TCS also has a prudent capital allocation strategy, regularly returning value to shareholders through dividends and share buybacks.

The company's financial stability is underscored by its global presence in over 50 countries, which helps diversify risk. With a focus on digital transformation, TCS is well-positioned for future growth, offering financial resilience and strong shareholder returns, making it a key player in the global IT services industry.

Financial Statement Analysis of TATA Consultancy Services

1) Balance Sheet analysis-

Balance Sheet

Period Ending	2020	2021	2022	2023	2024
Total assets	1,208,990,000.00	1,307,590,000.00	1,415,140,000.00	1,436,510,000.00	1,464,490,000.00
Non-current assets	306,620,000.00	314,790,000.00	332,040,000.00	333,810,000.00	334,650,000.00
Property, plant and equipment	96,730,000.00	96,100,000.00	107,740,000.00	102,300,000.00	93,760,000.00
Construction in progress	9,060,000.00	9,260,000.00	12,050,000.00	12,340,000.00	15,640,000.00
Intangible assets and goodwill	19,930,000.00	22,780,000.00	28,880,000.00	27,250,000.00	23,420,000.00
Goodwill	17,100,000.00	17,980,000.00	17,870,000.00	18,580,000.00	18,320,000.00
Other intangible assets	2,830,000.00	4,800,000.00	11,010,000.00	8,670,000.00	5,100,000.00
Non-current trade and other receivables	1,030,000.00	840,000.00	4,560,000.00	5,210,000.00	1,450,000.00
Other non-current receivables	290,000.00	290,000.00	3,110,000.00	1,730,000.00	20,000.00
Long-term financial assets	17,240,000.00	20,590,000.00	25,310,000.00	24,150,000.00	35,530,000.00
Other non-current financial assets	17,240,000.00	20,590,000.00	25,310,000.00	24,150,000.00	35,530,000.00
Deferred assets	28,280,000.00	39,310,000.00	37,080,000.00	33,070,000.00	34,030,000.00
Non-current deferred tax assets	28,280,000.00	39,310,000.00	37,080,000.00	33,070,000.00	34,030,000.00
Other non-current assets	41,730,000.00	34,580,000.00	40,060,000.00	53,890,000.00	51,960,000.00
Current assets	902,370,000.00	992,800,000.00	1,083,100,000.00	1,102,700,000.00	1,129,840,000.00
Inventories	50,000.00	80,000.00	200,000.00	280,000.00	280,000.00
Trade and other receivables	305,320,000.00	300,790,000.00	340,740,000.00	499,540,000.00	535,770,000.00
Current trade receivables	305,320,000.00	300,790,000.00	340,740,000.00	499,540,000.00	535,770,000.00
Tax receivables	80,000.00	190,000.00	110,000.00	80,000.00	1,510,000.00
Prepayments, accrued income and other deferred current assets	84,750,000.00	114,720,000.00	64,450,000.00	13,250,000.00	4,910,000.00
Short term financial assets	333,450,000.00	371,370,000.00	393,880,000.00	382,160,000.00	331,840,000.00
Other current financial assets	333,450,000.00	371,370,000.00	393,880,000.00	382,160,000.00	331,840,000.00
Cash and Cash Equivalents	96,660,000.00	93,290,000.00	182,210,000.00	110,320,000.00	132,860,000.00
Cash at banks and on hand	96,660,000.00	93,290,000.00	182,210,000.00	110,320,000.00	132,860,000.00
Other current assets	82,060,000.00	112,360,000.00	101,510,000.00	97,070,000.00	122,670,000.00
Total equity and liabilities	1,208,990,000.00	1,307,590,000.00	1,415,140,000.00	1,436,510,000.00	1,464,490,000.00
Total equity	847,490,000.00	871,080,000.00	898,460,000.00	912,060,000.00	913,190,000.00
Equity attributable to owners of the parent	841,260,000.00	864,330,000.00	891,390,000.00	904,240,000.00	904,890,000.00
Issued capital	3,750,000.00	3,700,000.00	3,660,000.00	3,660,000.00	3,620,000.00
Reserves of a disposal group classified as held for sale	813,120,000.00	830,690,000.00	861,220,000.00	871,890,000.00	869,460,000.00
Other reserves	24,390,000.00	29,940,000.00	26,510,000.00	28,690,000.00	31,810,000.00
Minority interest	6,230,000.00	6,750,000.00	7,070,000.00	7,820,000.00	8,300,000.00
Total liabilities	361,500,000.00	436,510,000.00	516,680,000.00	524,450,000.00	551,300,000.00
Non-current liabilities	90,900,000.00	94,960,000.00	93,170,000.00	88,870,000.00	90,260,000.00
Other non-current financial liabilities	71,970,000.00	67,830,000.00	69,400,000.00	3,530,000.00	3,650,000.00
Deferred revenue, accrued expenses and other deferred non-current liabilities	14,760,000.00	19,640,000.00	17,000,000.00	17,950,000.00	14,590,000.00
Other non-current liabilities	4,170,000.00	7,490,000.00	6,770,000.00	5,360,000.00	6,860,000.00
Current liabilities	270,600,000.00	341,550,000.00	423,510,000.00	435,580,000.00	461,040,000.00
Other current financial liabilities	73,680,000.00	74,420,000.00	91,370,000.00	90,680,000.00	83,620,000.00
Trade and other payables	67,400,000.00	78,600,000.00	80,450,000.00	105,150,000.00	99,810,000.00
Deferred revenue, accrued expenses and other deferred current liabilities	29,150,000.00	36,500,000.00	36,350,000.00	38,430,000.00	36,400,000.00
Provisions for other liabilities and charges	2,930,000.00	13,940,000.00	14,110,000.00	3,450,000.00	1,400,000.00
Other current liabilities	60,320,000.00	75,660,000.00	122,020,000.00	89,570,000.00	110,430,000.00
Current income tax liabilities	37,120,000.00	62,430,000.00	79,210,000.00	93,450,000.00	114,330,000.00

Balance Sheet Analysis-

1. Liability Growth:
   While the liabilities of the company TCS stood at INR 361.5 billion in the year 2020, it increased to INR 551.3 billion by 2024. This is nearly 52.5% growth in five years. This is an extreme growth, and increasing liabilities usually mean that the debt or liability has been increasing over the years and may strain the company's ability to liquidate.

2. Assets Growth:
   - Total assets rose from INR 1.209 trillion in 2020 to INR 1.465 trillion in 2024 with a 21% CAGR.
   - The rise in total assets is massive, which implies that liabilities are being deployed productively in value-creating investments.

3. Total Equity vs. Liabilities:
   - When liabilities have been on an upswing, total equity inched higher from INR 847.5 billion in 2020 to INR 913.2 billion in 2024, hence a 7.75% rise.
   - The difference between the liabilities' faster growth and equity's slower growth indicates that TCS is acquiring financing from external sources, such as loans or credit, to finance operations or expansion rather than depending solely on equity or retained earnings by shareholders.

4. Debit/Equity Ratio Analysis:
   - Debt-to-Equity ratio (the total liabilities versus shareholders' equity) gives an idea of how leveraged the business is. In the case of TCS, this increased. TCS is a liability-dependent company from 0.43 to 0.60. This is a leverage increase, but at a ratio of 0.60, it is still relatively moderate and manageable since for every rupee of equity, TCS has INR 0.60 in liabilities.

5. Leverage vs. Risk:
   - Increased leverage sometimes increases financial risk because the firm is vulnerable to economic decline or shocks in cash flow, but in TCS, stable growth in both assets and equity means the leverage is most probably funding profitable ventures.
   - Interest coverage ratio of the Company: This ratio is available in other financial reports. It is the number whereby the company can pay off its interest expenses. Therefore, with TCS' good profitability, it can be reasonably assumed that interest coverage ratio remains high, and therefore, is acting as a mitigant to the ever-growing liabilities.

6. Short-term vs. Long-term Liabilities:
   - If the liabilities are further split between short-term and long-term obligations, then we could evaluate how much of this is due next year. If liabilities are mostly long-term, it means TCS has ample time to collect returns from investments before liabilities have to be repaid.

- For example, in the event that TCS is financing long-term debt in order to invest in growth in digital services, cloud computing infrastructure, or R&D, the returns of the projects should be more than the cost of debt.

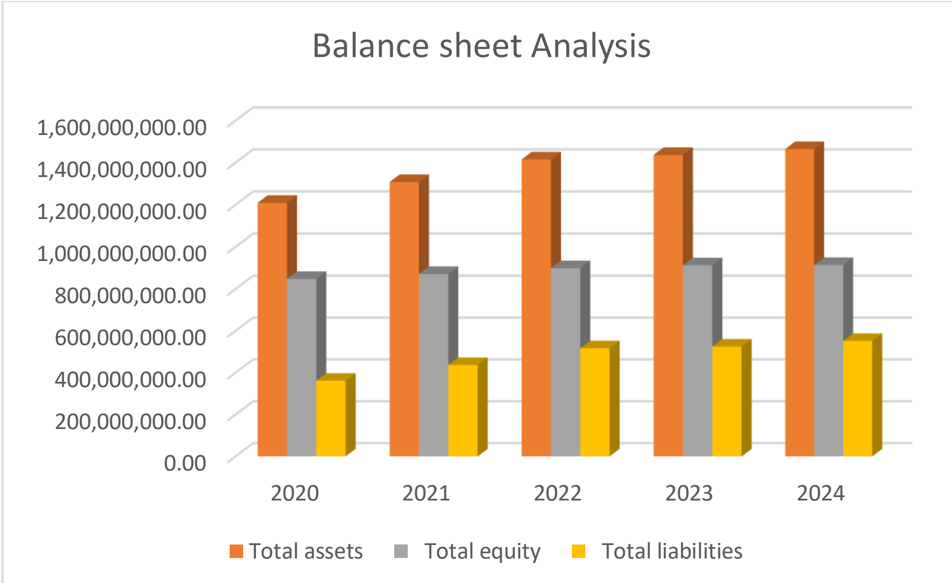
7. Capital Structure Optimization:
   - An increase in liabilities could be indicative of TCS leveraging debt, possibly because it is optimizing its capital structure, financing growth at a cost which may be lower than that of equity used for the same purpose and thus possibly boosting returns on equity provided the returns on borrowed capital exceed cost of the debt.

Balance Sheet Insights-

1. We have seen a significant rise in our liabilities over the past five years, from INR 361.5 billion to INR 551.3 billion. However, this growth aligns with our strategic investments to fuel future expansion and ensure long-term profitability.
2. Our total assets have also grown by 21%, reinforcing the fact that we are using liabilities responsibly to generate value, rather than over-leveraging.
3. While our debt-to-equity ratio has increased to 0.60, this remains within manageable levels, showing that we are carefully balancing risk and reward through prudent financial management.
4. We are leveraging favorable financing conditions to support strategic initiatives such as digital transformation, global expansion, and innovation in new-age technologies like AI and cloud computing. These investments are expected to yield substantial returns in the years to come.
5. By optimizing our capital structure, we are enhancing shareholder value, as the returns from our investments outpace the cost of our debt, driving overall profitability.
6. We remain committed to maintaining a strong balance sheet while taking advantage of growth opportunities. Our prudent risk management ensures that even with rising liabilities, we are not over-relying on debt but using it to propel our business forward.

In conclusion, TCS's increase in liabilities is a calculated move that aligns with its broader growth strategy. The company's solid asset base, strong equity position, and moderate debt levels indicate that it is managing financial risks effectively while pursuing growth opportunities.

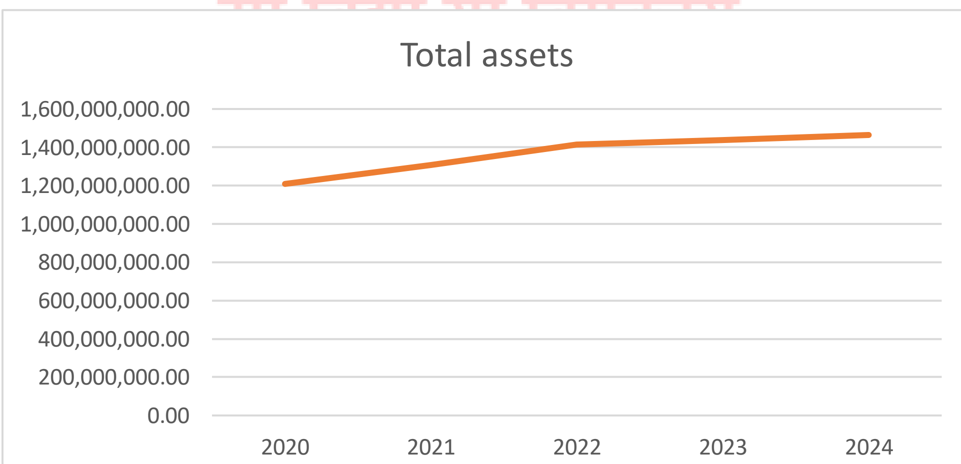
Graphical Analysis-

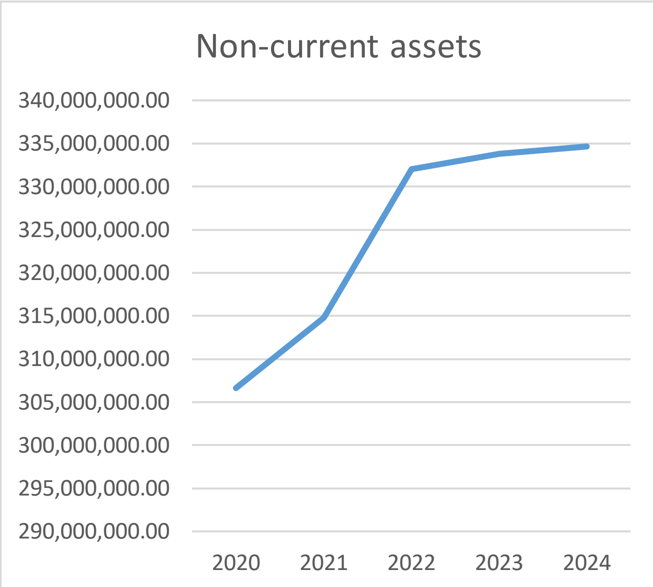


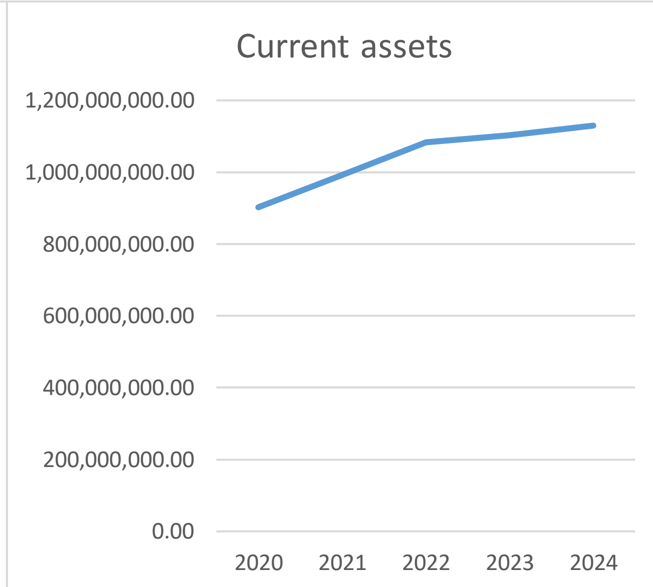
1. Total Assets Growth:

- **2020**: INR 1.209 trillion
- **2024**: INR 1.465 trillion

The graph for total assets shows a **steady upward trajectory** from 2020 to 2024, increasing by approximately 21%. The increase in assets is significant because it indicates that TCS has consistently invested in expanding its asset base, whether through acquisitions, infrastructure investments, or other long-term projects. The growth in assets mirrors the rise in liabilities, suggesting that TCS is using its borrowing to effectively build its asset base, which could be driving future growth.



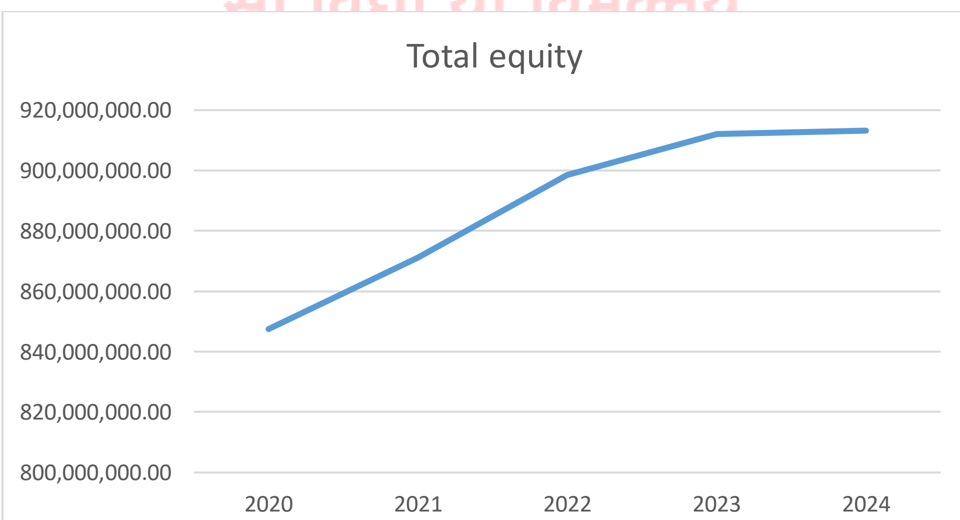




2. Total Equity Growth:

- **2020**: INR 847.5 billion
- **2024**: INR 913.2 billion

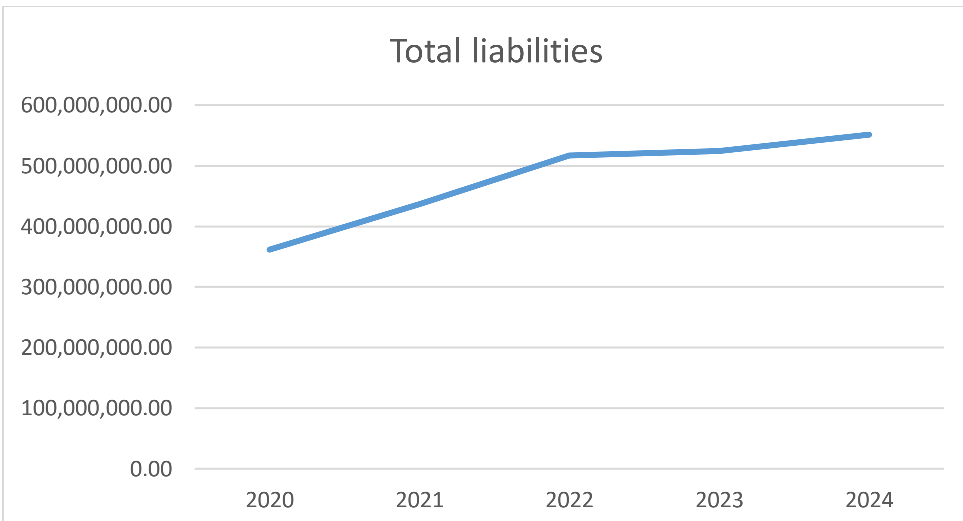
The graph for total equity demonstrates a **gradual and steady increase** from INR 847.5 billion in 2020 to INR 913.2 billion in 2024. This indicates that while liabilities are growing faster, equity is still rising, supported by TCS's profits and retained earnings. However, the slower growth rate in equity (around 7.75% over five years) compared to the growth in assets or liabilities indicates that the company is funding its growth more through external liabilities rather than reinvesting profits alone.

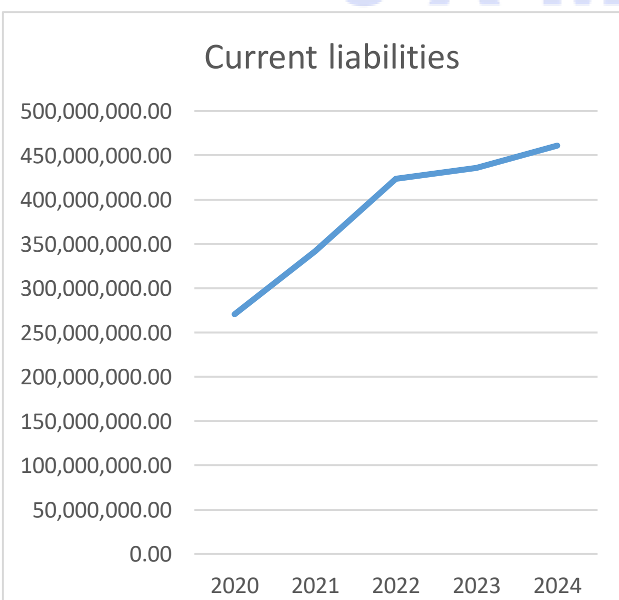


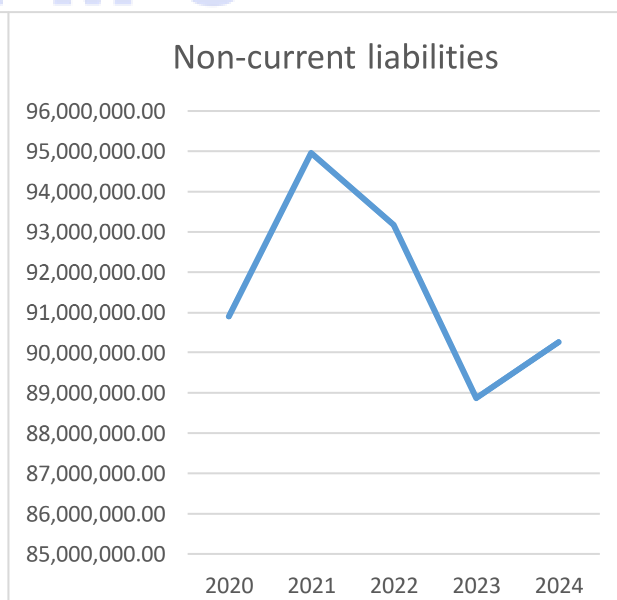
3. Total Liabilities Growth:

- **2020**: INR 361.5 billion
- **2024**: INR 551.3 billion

The graph of liabilities shows a **steeper incline** compared to equity, with an increase of around **52.5%** from 2020 to 2024. This sharp rise suggests that TCS is taking on additional liabilities, likely in the form of debt or other obligations, to finance its asset expansion. The proportional growth in liabilities is much higher than that of equity, which indicates a conscious strategy by TCS to utilize external financing to fund capital-intensive projects or initiatives.







Graphical Insights-

1. The steady rise in our total assets, as shown in the graph, highlights our focused strategy on investing in key growth areas like digital transformation, infrastructure, and long-term projects.
2. While our equity has increased, it has grown more moderately compared to our assets and liabilities. This is part of our strategy to maintain healthy capital reserves while also utilizing external financing where it makes sense for long-term returns.
3. The sharp rise in liabilities, evident in the graph, reflects our decision to take on additional obligations to finance critical projects. However, as seen in the total assets graph, we are using this debt efficiently to grow our asset base, ensuring future profitability.
4. The widening gap between liabilities and equity in the graph is a conscious decision. We're optimizing our capital structure by balancing debt and equity to minimize the cost of capital while maximizing returns on our investments.
5. We remain committed to a balanced financial strategy, ensuring that while liabilities increase, they are matched with tangible growth in assets, ensuring that we continue to generate value for shareholders.

Conclusion-

The balance sheet graphs show a well-managed growth strategy by TCS, where the company is leveraging debt strategically to fuel asset expansion. The slower growth in equity compared to liabilities suggests a conscious decision to optimize the capital structure, balancing risk and return. While liabilities have risen sharply, they are being used to acquire assets that contribute to the company's future growth, ensuring that TCS remains financially robust despite the increased leverage.

2) Income Statement analysis-

Income Statement

TATA CONSULTANCY SERVICES	CONSOLIDATED INCOME STATEMENTS (In Thousands INR)				
Period Ending	2020	2021	2022	2023	2024
Total operating revenue	1,615,410,000.00	1,673,110,000.00	1,957,720,000.00	2,289,070,000.00	2,453,150,000.00
Net sales revenue	1,569,490,000.00	1,641,770,000.00	1,917,540,000.00	2,254,580,000.00	2,408,930,000.00
Gross profit	1,569,490,000.00	1,641,770,000.00	1,917,540,000.00	2,254,580,000.00	2,408,930,000.00
Employee benefit expense	-859,520,000.00	-918,140,000.00	-1,075,540,000.00	-1,275,220,000.00	-1,401,310,000.00
Other costs by nature	-19,050,000.00	-14,620,000.00	-11,630,000.00	-18,810,000.00	-37,020,000.00
Depreciation, amortization and impairment charges	-35,290,000.00	-40,650,000.00	-46,040,000.00	-50,220,000.00	-49,850,000.00
Net other operating result	-223,910,000.00	-212,210,000.00	-259,620,000.00	-333,470,000.00	-283,420,000.00
Other operating income	45,920,000.00	31,340,000.00	40,180,000.00	34,490,000.00	44,220,000.00
Other operating expenses	-269,830,000.00	-243,550,000.00	-299,800,000.00	-367,960,000.00	-327,640,000.00
Operating profit (EBIT)	431,720,000.00	456,150,000.00	524,710,000.00	576,860,000.00	637,330,000.00
EBITDA	467,010,000.00	496,800,000.00	570,750,000.00	627,080,000.00	687,180,000.00
Financial result	-9,240,000.00	-6,370,000.00	-7,840,000.00	-7,790,000.00	-7,780,000.00
Finance Expenses	-9,240,000.00	-6,370,000.00	-7,840,000.00	-7,790,000.00	-7,780,000.00
Net - other non-operating result	0.00	-12,180,000.00	0.00	0.00	-9,580,000.00
Other income	0.00	-12,180,000.00	0.00	0.00	-9,580,000.00
Profit before income tax	422,480,000.00	437,600,000.00	516,870,000.00	569,070,000.00	619,970,000.00
Income tax	-98,010,000.00	-111,980,000.00	-132,380,000.00	-146,040,000.00	-158,980,000.00
Profit after income tax	324,470,000.00	325,620,000.00	384,490,000.00	423,030,000.00	460,990,000.00
Net Profit (Loss) for the Period	324,470,000.00	325,620,000.00	384,490,000.00	423,030,000.00	460,990,000.00
- Profit (loss) attributable to Owners	323,400,000.00	324,300,000.00	383,270,000.00	421,470,000.00	459,080,000.00
- Profit (loss) attributable to Minority Interests	1,070,000.00	1,320,000.00	1,220,000.00	1,560,000.00	1,910,000.00
Other comprehensive result for the period, net of tax	4,640,000.00	4,610,000.00	-950,000.00	4,920,000.00	2,370,000.00
Comprehensive income	329,110,000.00	330,230,000.00	383,540,000.00	427,950,000.00	463,360,000.00
- Comprehensive Income attributable to Owers	327,640,000.00	329,140,000.00	382,640,000.00	426,400,000.00	462,070,000.00
- Comprehensive Profit (loss) attributable to Minority Interests	1,470,000.00	1,090,000.00	900,000.00	1,550,000.00	1,290,000.00

Income Statement Analysis-

1. Total Operating Revenue**:**

- **2020**: INR 1.615 trillion
- **2024**: INR 2.453 trillion

Analysis: "Our total operating revenue has shown strong growth over the past five years, increasing by approximately 51.8%. In 2020, we posted revenues of INR 1.615 trillion, which rose significantly to INR 2.453 trillion in 2024. This growth underscores the expanding scope of our services and the strength of our digital offerings in a highly competitive market."

2. Net Sales Revenue**:**

- **2020**: INR 1.569 trillion
- **2024**: INR 2.408 trillion

Analysis: "Our net sales revenue has mirrored the growth in operating revenue, reaching INR 2.408 trillion by 2024 from INR 1.569 trillion in 2020. This solid upward trend reflects our ability to retain and grow our customer base across key markets while launching new, revenue-generating services and platforms."

3. Gross Profit**:**

- **2020**: INR 1.569 trillion
- **2024**: INR 2.408 trillion

Analysis: "Our gross profit has seen consistent growth in line with our revenue. From INR 1.569 trillion in 2020 to INR 2.408 trillion in 2024, this increase demonstrates our effective cost control, despite expanding operations and an increase in employee benefits and other operating costs."

4. Employee Benefit Expenses**:**

- **2020**: INR 859.5 billion
- **2024**: INR 1.401 trillion

Analysis: "As we continue to grow, the expense related to employee benefits has increased by 63% over five years. In 2024, employee expenses amounted to INR 1.401 trillion, compared to INR 859.5 billion in 2020. This reflects our commitment to retaining top talent, expanding our global workforce, and ensuring competitive compensation in a dynamic industry."

5. Operating Profit (EBIT)**:**

- **2020**: INR 431.72 billion
- **2024**: INR 637.33 billion

Analysis: "Our operating profit (EBIT) has grown by 47.6% over the five-year period. In 2024, EBIT reached INR 637.33 billion, up from INR 431.72 billion in 2020. This increase shows that, while our costs have grown, our overall profitability and operational efficiency continue to improve."

6. EBITDA**:**

- **2020**: INR 467.01 billion
- **2024**: INR 687.18 billion

Analysis: "EBITDA—a key indicator of our operating performance—has increased by nearly 47.1% from 2020 to 2024, reflecting strong earnings before non-operating expenses and taxes. This indicates that we have a robust ability to generate profits from our core operations."

7. Profit After Income Tax**:**

- **2020**: INR 324.47 billion
- **2024**: INR 460.99 billion

Analysis: "Our net profit after tax has steadily grown from INR 324.47 billion in 2020 to INR 460.99 billion in 2024, an increase of approximately 42%. This consistent increase underscores our focus on maintaining profitability while balancing operational costs and growth investments."

8. Comprehensive Income**:**

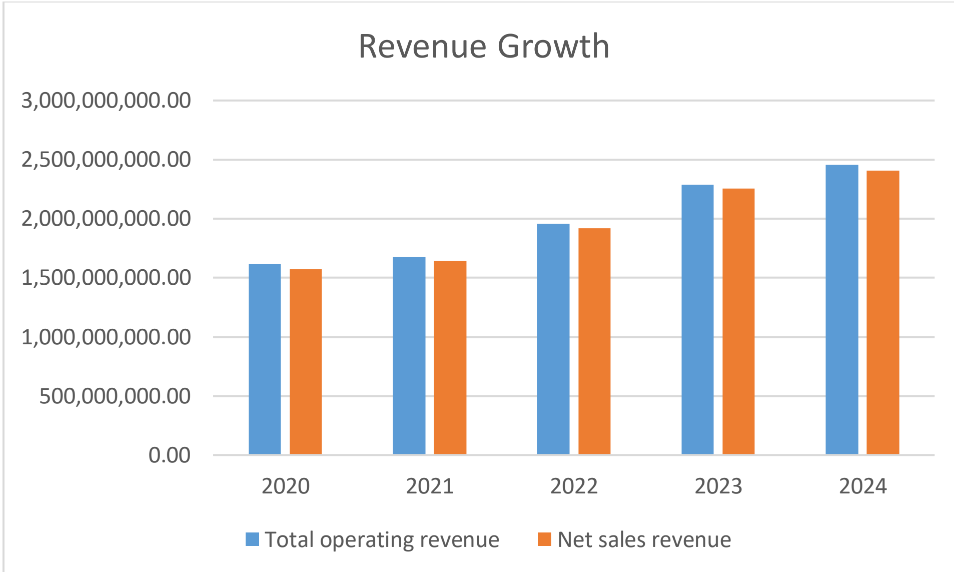
- **2020**: INR 329.11 billion
- **2024**: INR 463.36 billion

Analysis: "Our comprehensive income, which reflects total earnings including both operating and non-operating activities, reached INR 463.36 billion in 2024, growing from INR 329.11 billion in 2020. This sustained increase highlights the positive impact of our strategic decisions and expansion into new revenue-generating areas."

<u>Graphical Analysis-</u>

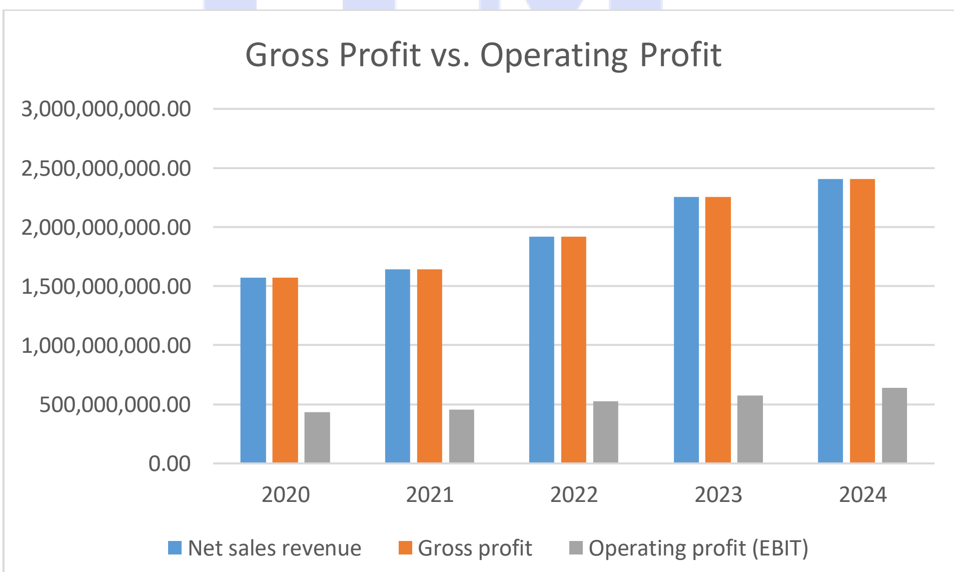
1. Revenue Growth:

- **Graph Insights**: The graph for total operating revenue and net sales revenue reflects a continuous, steady upward curve, showcasing robust revenue generation year-over-year.
- **Interpretation**: "Our consistent revenue growth shown in the graph indicates that we have successfully maintained our position as a market leader, with consistent increases in our operating and net sales revenues. The expanding demand for our services, especially in the digital transformation space, has been a significant contributor to this."



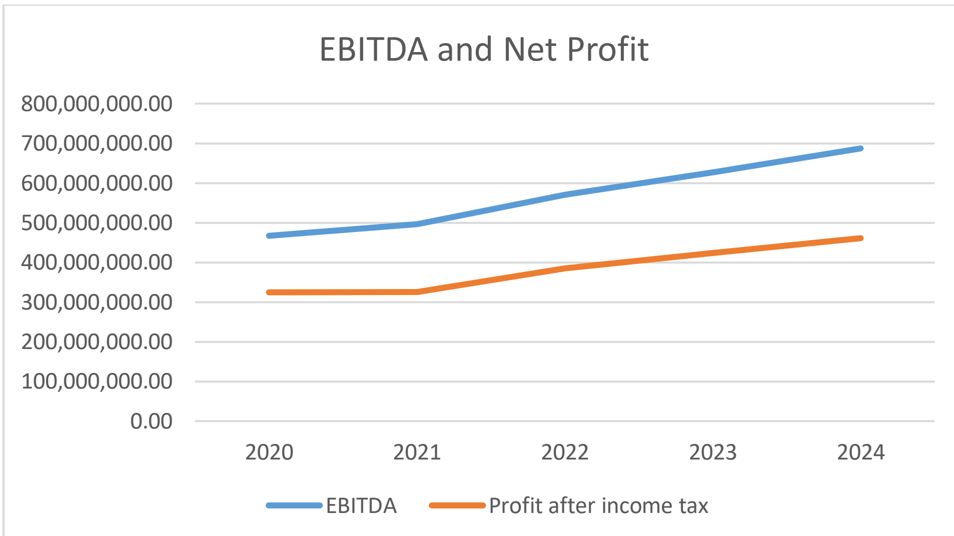
2. Gross Profit vs. Operating Profit (Graph Analysis):

- **Graph Insights**: The gross profit line shows a significant upward trend in parallel with net sales revenue. The operating profit (EBIT) also follows a rising trajectory but at a slightly lower slope.
- **Interpretation**: "The rising trend in gross profit reflects our successful cost-management strategies despite growing employee costs. The moderate but steady increase in operating profit is a testament to our ability to balance rising expenses with increased operational efficiency."



3. EBITDA and Net Profit (Graph Analysis):

- **Graph Insights**: Both EBITDA and net profit after tax show strong growth, with the net profit curve closely following the EBITDA curve.
- **Interpretation**: "The growth in EBITDA and net profit after tax signals our effective cost control and tax management strategies. The upward curve in EBITDA, followed closely by net profit, indicates that we're converting revenue growth into strong earnings, with a focus on long-term profitability."



<u>Insights-</u>

1) The revenue graph highlights our strong market presence and continued demand for our solutions. By 2024, our total operating revenue reached INR 2.453 trillion, demonstrating our ability to scale effectively in a dynamic market environment.

2) Our steady rise in gross profit, as seen in the graph, reflects our focus on increasing efficiency while managing costs. By consistently controlling expenses, we've ensured that our operating profit (EBIT) grows in line with revenue.

3) The graph on employee expenses underscores our continued investment in human capital. Our workforce is our greatest asset, and we've made significant commitments to ensure they are well-compensated and equipped to handle the challenges of tomorrow."

4) As evidenced by the EBITDA and net profit graphs, we have successfully translated our revenue growth into real profit. This consistency ensures that we deliver value to our shareholders while reinvesting in key areas to drive future growth.

<u>Conclusion-</u>

Overall, the TCS income statement reflects a strong performance trajectory with significant growth in revenue, profits, and operational efficiency over the five-year period. The graphs paint a picture of consistent growth, efficient cost management, and sustained profitability.

3) Cash Flow Statement analysis-

Cash Flow Statement

TATA CONSULTANCY SERVICES	CONSOLIDATED CASH FLOW STATEMENTS (In Thousands INR)				
Period Ending	2020	2021	2022	2023	2024
Exchange rate used for currency conversion (IFRS)	1.00	1.00	1.00	1.00	1.00
Net cash flow from (used in) operating activities	323,690,000.00	388,020,000.00	399,490,000.00	419,650,000.00	443,380,000.00
Net cash flow from (used in) investing activities	85,650,000.00	-81,290,000.00	-8,970,000.00	390,000.00	60,260,000.00
Net cash flow from (used in) financing activities	-399,150,000.00	-326,340,000.00	-335,810,000.00	-478,780,000.00	-485,360,000.00
Net increase (decrease) in cash and cash equivalents	10,190,000.00	-19,610,000.00	54,710,000.00	-58,740,000.00	18,280,000.00
Cash at the beginning of the period	72,240,000.00	86,460,000.00	68,580,000.00	124,880,000.00	71,230,000.00
Exchange gain (loss) on cash and cash equivalents	4,030,000.00	1,730,000.00	1,590,000.00	5,090,000.00	650,000.00
Cash at the end of the period	86,460,000.00	68,580,000.00	124,880,000.00	71,230,000.00	90,160,000.00
Capital Expenditure (CapEx)	0.00	0.00	0.00	0.00	-26,440,000.00

Cash Flow Statement Analysis-

1. Net Cash Flow from Operating Activities

- 2020: INR 323.69 billion
- 2021: INR 388.02 billion
- 2022: INR 399.49 billion
- 2023: INR 419.65 billion
- 2024: INR 443.38 billion

Analysis: "Our operating cash flow has seen consistent growth year-over-year, increasing from INR 323.69 billion in 2020 to INR 443.38 billion in 2024, reflecting a robust operational performance. This steady increase in cash generated from our core operations indicates strong business fundamentals, efficient management of working capital, and growing revenue streams. The upward trend shows our ability to generate sufficient cash to reinvest in the business, service debts, and return value to shareholders."

2. Net Cash Flow from Investing Activities

- 2020: INR 85.65 billion (positive inflow)
- 2021: INR -81.29 billion (outflow)
- 2022: INR -8.97 billion (outflow)
- 2023: INR 0.39 billion (small inflow)
- 2024: INR 60.26 billion (inflow)

Analysis: "Our cash flows from investing activities have fluctuated considerably over the years, reflecting the dynamic nature of our investments. In 2020, we had a positive inflow of INR 85.65 billion, but in the following years (2021 and 2022), there were outflows as we engaged in capital-intensive activities like acquisitions or expansion. By 2023, we recorded a modest inflow (INR 0.39 billion), and by 2024, a significant inflow of INR 60.26 billion, possibly from divestments or reduced capital expenditures. This shift towards positive cash flow from investments in 2024 highlights a focus on monetizing assets or tightening investment activities."

3. Net Cash Flow from Financing Activities

- 2020: INR -399.15 billion (outflow)
- 2021: INR -326.34 billion (outflow)
- 2022: INR -335.81 billion (outflow)
- 2023: INR -478.78 billion (outflow)
- 2024: INR -485.36 billion (outflow)

Analysis: "Our financing activities have consistently resulted in cash outflows over the past five years, with a steep increase in 2023 and 2024. In 2020, we had an outflow of INR -399.15 billion, which decreased in 2021 and 2022. However, from 2023 onwards, financing outflows sharply increased, reaching INR -485.36 billion in 2024. These consistent outflows indicate that we have been focusing on reducing debt, repurchasing shares, or paying dividends. The rise in 2023 and 2024 likely reflects larger capital distributions to shareholders or increased debt servicing."

4. Net Increase (Decrease) in Cash and Cash Equivalents

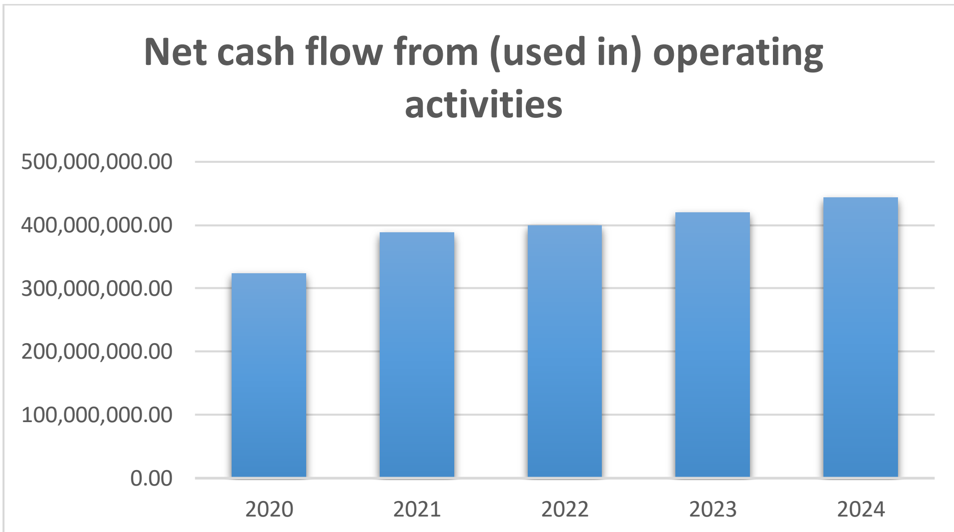
- 2020: INR 10.19 billion (increase)
- 2021: INR -19.61 billion (decrease)
- 2022: INR 54.71 billion (increase)
- 2023: INR -58.74 billion (decrease)
- 2024: INR 18.28 billion (increase)

Analysis: "The movement in cash and cash equivalents has been quite volatile. In 2020 and 2022, we saw increases in cash reserves, with 2022 marking a significant uptick (INR 54.71 billion). Conversely, 2021 and 2023 witnessed cash outflows, with 2023 being particularly notable for a significant decrease of INR -58.74 billion. However, in 2024, we ended with a moderate increase of INR 18.28 billion. This pattern reflects fluctuating investment and financing activities, balanced by our solid operating cash flow. Despite the volatility, we maintained adequate liquidity throughout the period."

Graphical Analysis-

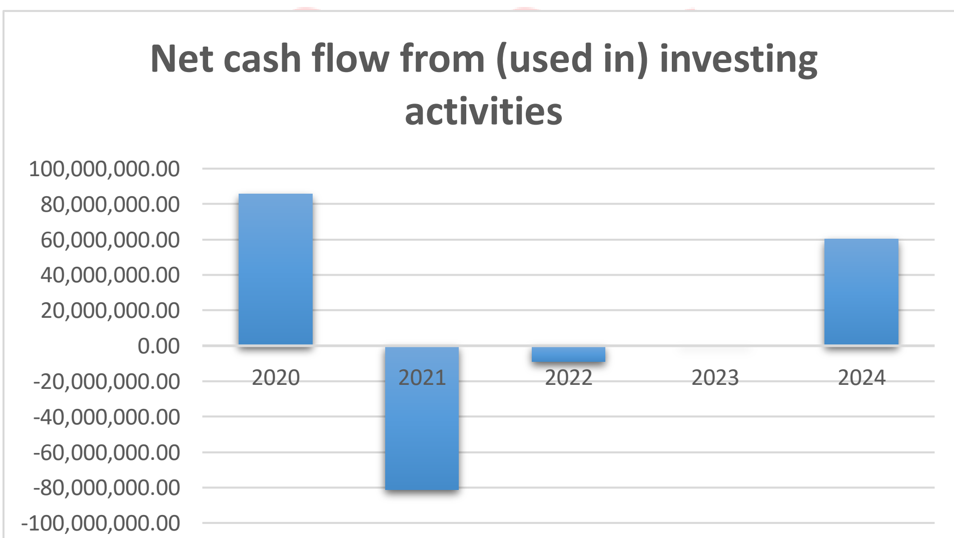
1. Net Cash Flow from Operating Activities

- The line or bar for 2024 should peak at INR 443.38 billion, representing the highest value over the period.
- The increase reflects growing profitability and efficient working capital management.



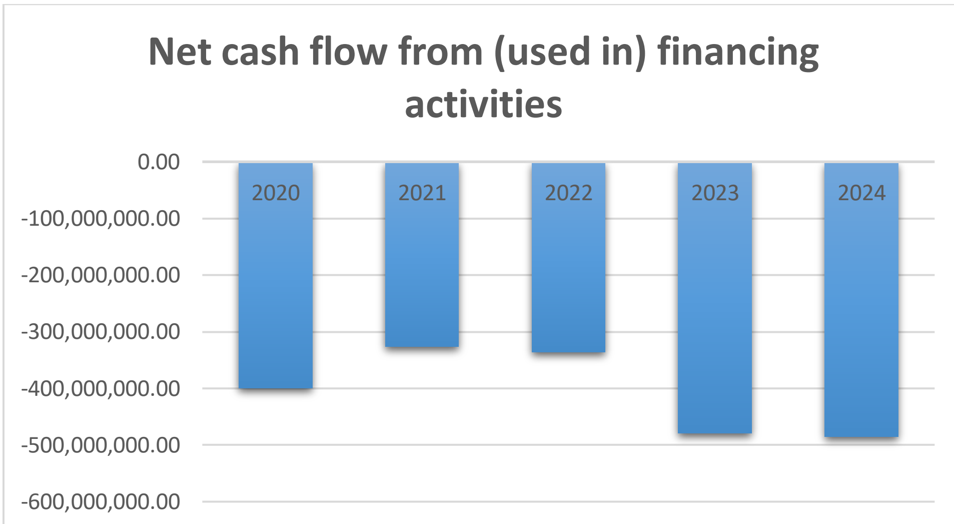
2. Net Cash Flow from Investing Activities

- The volatility here indicates dynamic investment decisions, possibly involving large acquisitions or divestitures.
- The positive value in 2024 could signal a successful return from investments or reduced capital-intensive activities.



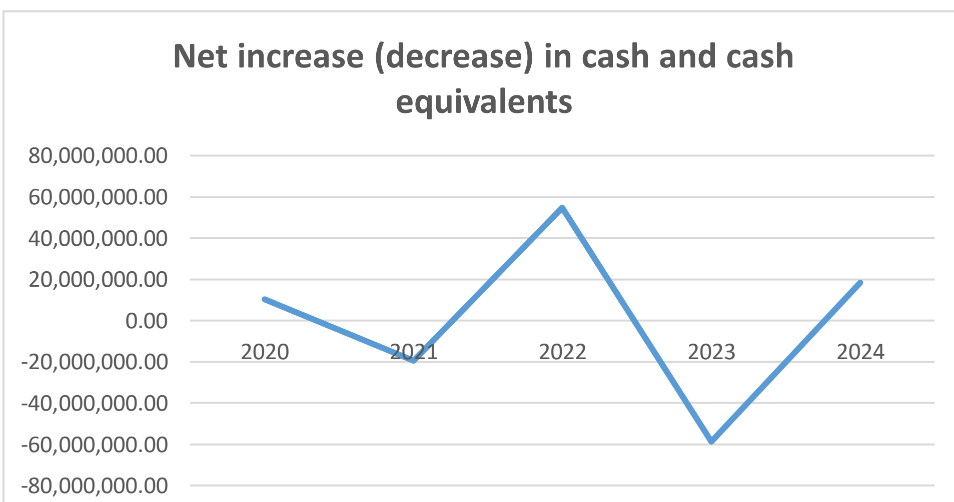
3. Net Cash Flow from Financing Activities

- The increasing outflows in financing activities may point to aggressive debt repayments, dividend payouts, or share repurchases.
- The sharp drop in 2023 and 2024 suggests heavier financial obligations or larger capital returns to shareholders.



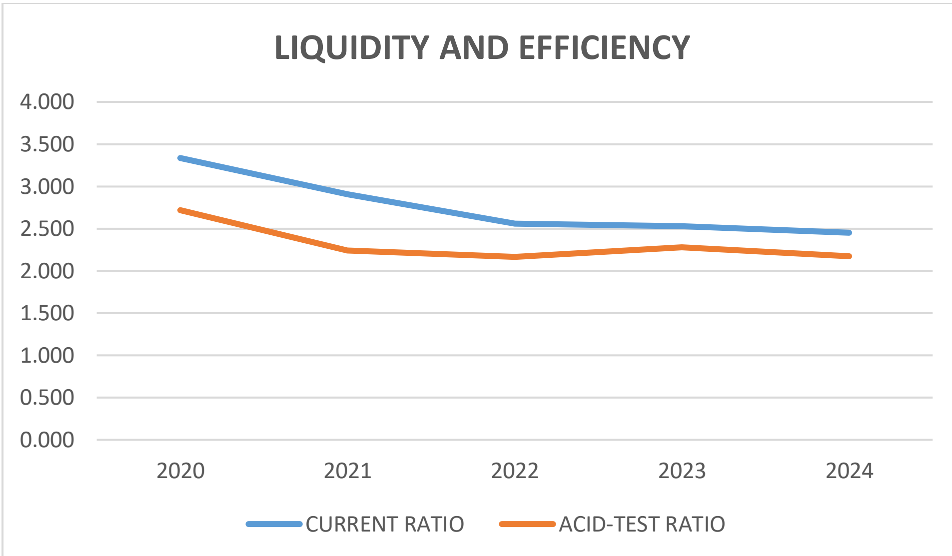
4. Net Increase (Decrease) in Cash and Cash Equivalents

- The volatility is a result of fluctuating investment and financing activities, despite strong operational cash flow.
- The overall upward slope between 2020 and 2024 reflects a net gain in liquidity over the period.



4) Ratios analysis-

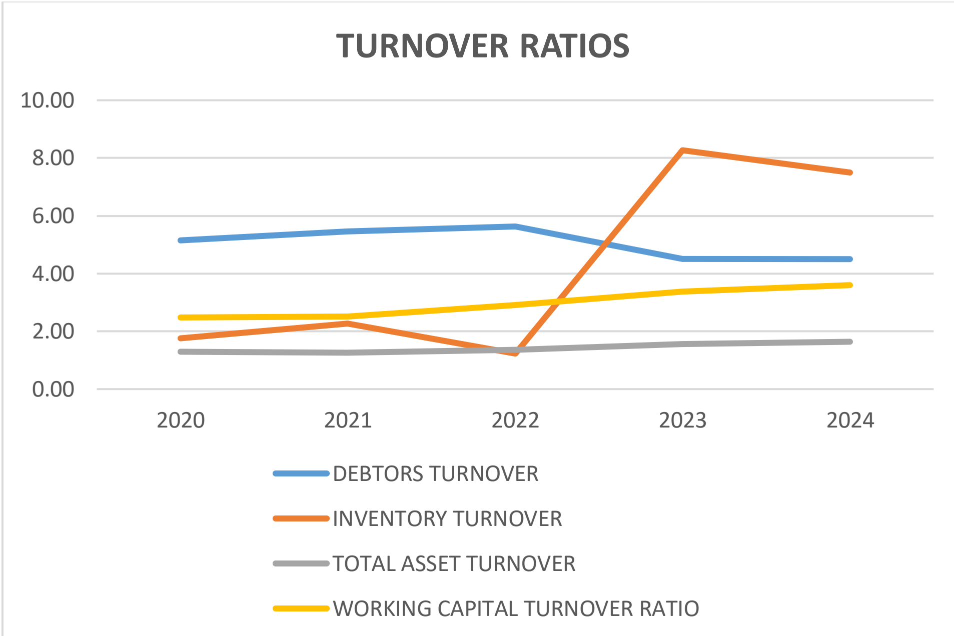
Liquidity and Efficiency Ratios:



1. **Current Ratio (3.335 in 2020 to 2.451 in 2024):**
    - Over the past five years, our current ratio has been gradually declining, from 3.335 in 2020 to 2.451 in 2024. While this is still above the 2.0 threshold, typically considered a strong liquidity position, the downward trend suggests that our current liabilities are growing faster than our current assets. This is something we need to keep a close watch on to ensure we maintain our ability to cover short-term liabilities.

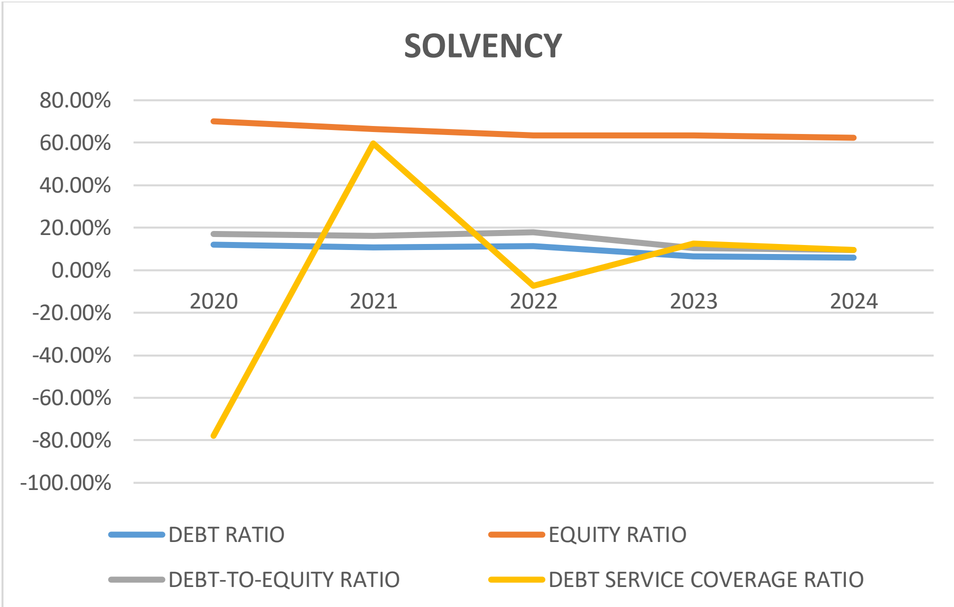
2. **Acid-Test Ratio (2.718 in 2020 to 2.170 in 2024):**
    - Like the current ratio, our acid-test ratio has also declined, from 2.718 in 2020 to 2.170 in 2024. This ratio, which excludes inventory, shows that while we still have a healthy buffer of liquid assets, there’s been a slight reduction in our ability to meet immediate liabilities without relying on inventory sales. This decline could point to a reduction in cash, receivables, or an increase in short-term obligations.

Turnover Ratios:



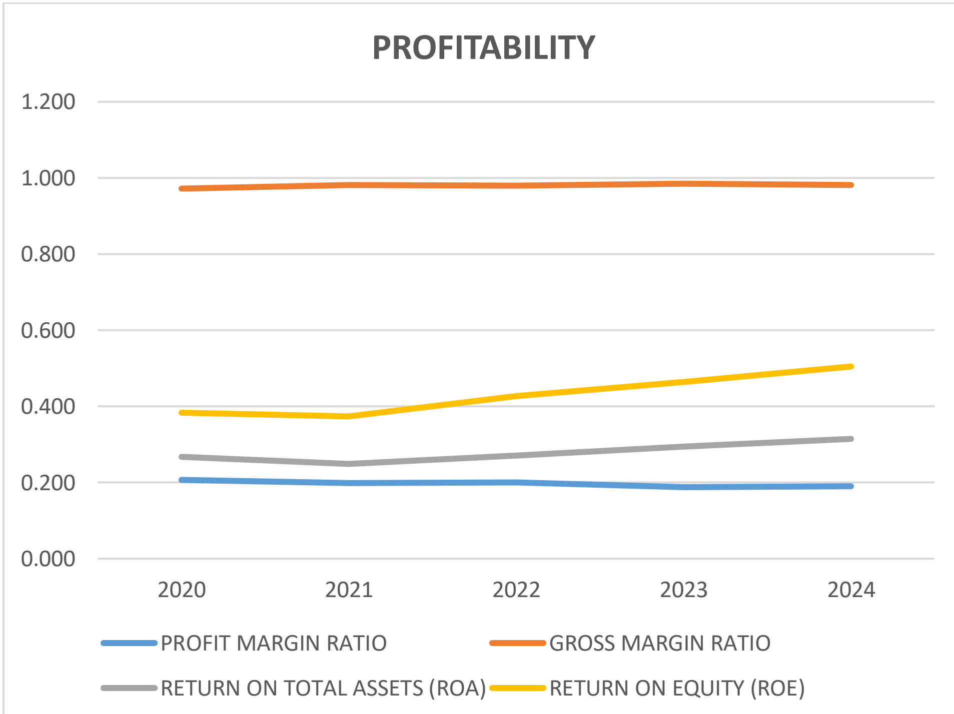
1. **Debtors Turnover (5.14 in 2020 to 4.50 in 2024):**
   - Our debtors turnover has seen a slight decline, indicating that we are taking a bit longer to collect payments from customers. This has impacted our cash flow, as reflected in the increase in days' sales uncollected, which has gone up from 71 days to 81 days. We may need to tighten up on receivables collection to ensure smoother cash inflows.
2. **Inventory Turnover (17,507 in 2020 to 7,494 in 2024):**
   - The inventory turnover ratio has dropped significantly over the period, signaling that our inventory is moving slower. Although this is a sharp decrease, our days' sales in inventory remains low, moving only from 0.02 to 0.05 days, meaning we still move inventory quickly. Nevertheless, the slowdown suggests we might have more inventory on hand than we need, which could lead to excess stock if not managed properly.
3. **Total Asset Turnover (1.30 in 2020 to 1.64 in 2024):**
   - The total asset turnover ratio has steadily improved, which is a positive sign of increased efficiency. This means we've been generating more sales for every unit of asset we hold, indicating that we're utilizing our resources better as time goes on.
4. **Working Capital Turnover (2.48 in 2020 to 3.60 in 2024):**
   - Our working capital turnover has also improved, showing that we're generating more revenue from our working capital. This suggests enhanced operational efficiency, but it's essential to balance this with our liquidity ratios to ensure that we aren't over-leveraging our current assets.

Solvency Ratios:

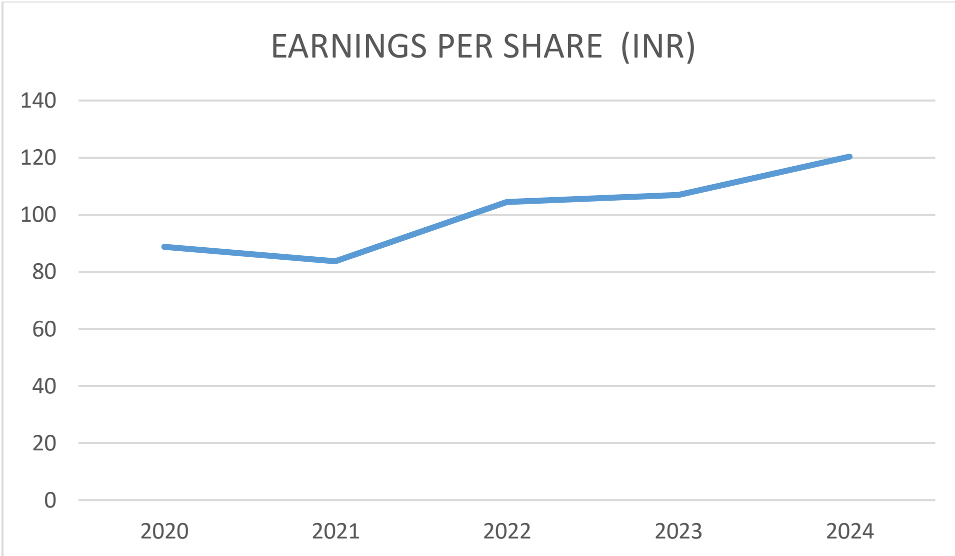


1. **Debt Ratio (12.05% in 2020 to 5.96% in 2024):**
    - We've significantly reduced our debt ratio, indicating that we are relying much less on debt financing. This lower reliance on debt improves our financial stability and reduces the risk associated with high leverage. It's a very positive trend in terms of long-term financial health.
2. **Equity Ratio (70.10% in 2020 to 62.36% in 2024):**
    - While our equity ratio has declined slightly, from 70.10% to 62.36%, we still rely heavily on equity for financing. This decrease suggests that our liabilities have grown relative to our equity, though it's not a concerning shift. Our balance sheet remains robust and equity-focused.
3. **Debt-to-Equity Ratio (17.19% in 2020 to 9.56% in 2024):**
    - The debt-to-equity ratio has improved in tandem with our lower debt levels, dropping from 17.19% to 9.56%. This shows that we've reduced our financial obligations and are less dependent on borrowed funds, making us less vulnerable to interest rate risks or debt repayments.
4. **Debt Service Coverage Ratio (-77.90% in 2020 to 9.50% in 2024):**
    - Our debt service coverage ratio was negative in the earlier part of this period, reflecting challenges in covering debt-related payments. However, we've seen a significant turnaround, with the ratio improving to 9.50% by 2024, indicating that we're now in a better position to service our debt, though there's still room for improvement.

Profitability Ratios:



1. **Profit Margin Ratio (20.7% in 2020 to 19.1% in 2024):**
   - Our profit margin has remained relatively stable, though there's been a slight dip from 20.7% to 19.1%. This suggests that while we're maintaining strong margins, we may be facing increased costs or pricing pressures. However, overall, our profitability remains robust.
2. **Gross Margin Ratio (97.2% in 2020 to 98.2% in 2024):**
   - The gross margin ratio has actually improved slightly, indicating that we've been able to control our cost of goods sold effectively. This gives us a strong base for profitability, as we're retaining more revenue after production costs.
3. **Return on Total Assets (ROA) (26.8% in 2020 to 31.5% in 2024):**
   - Our ROA has shown a steady upward trend, reaching 31.5% in 2024. This improvement indicates that we're becoming more efficient at generating returns from our assets, which is a great sign of operational effectiveness.
4. **Return on Equity (ROE) (38.3% in 2020 to 50.5% in 2024):**
   - The ROE has seen a notable increase, climbing from 38.3% to 50.5%. This shows that we're delivering strong returns for shareholders, which is an excellent sign of profitability and efficient use of equity.
5. **Earnings Per Share (EPS) (INR 88.69 in 2020 to INR 120.33 in 2024):**
   - Our EPS has increased significantly, which is a key indicator of growing profitability. This increase signals to investors that we're generating more value per share, which should strengthen investor confidence.



Ratio Insights:

- **Liquidity**: While still solid, both our current and acid-test ratios have been declining, suggesting a potential need to monitor short-term liabilities more closely to ensure we maintain our liquidity buffer.
- **Efficiency**: There are mixed trends here. On one hand, our total asset and working capital turnover ratios have improved, signaling greater efficiency. On the other hand, we've seen a slowdown in receivables collection and inventory turnover, both of which could impact cash flow and inventory management.
- **Solvency**: We've made significant strides in reducing our reliance on debt, improving our financial stability. Our declining debt ratios and improved debt service coverage are strong indicators of this trend.
- **Profitability**: Overall, our profitability ratios are strong and improving. In particular, the increases in ROA, ROE, and EPS point to better returns for shareholders and more efficient use of assets.

In conclusion, while we remain financially stable with strong profitability, there are areas where we need to focus, particularly in liquidity and operational efficiency. Maintaining a balance between liquidity, efficiency, and profitability will be key to sustaining our positive trajectory.

HCL Technologies Pvt. Ltd.

Manisha Kumari
Mba24146

About the Company
HCL Technologies, a leading global IT services and consulting company, is headquartered in Noida, India. Founded in 1976 by Shiv Nadar, HCL Technologies has grown into one of India's largest IT firms, offering a wide range of services across various industries. With a strong focus on digital transformation, cloud computing, and cybersecurity, HCL Technologies is a trusted partner for many Fortune 500 companies.

HCL operates in over 50 countries, employing more than 220,000 professionals globally. Its business model is based on delivering innovative solutions through co-innovation labs, advanced research, and customer-centric digital services. The company has made significant acquisitions over the years to expand its portfolio and strengthen its presence in emerging markets.

As of 2023, HCL Technologies reported revenues exceeding 40,000 crores, positioning itself as a top player in the IT sector alongside competitors like TCS, Infosys, and Wipro. HCL Technologies continues to lead in cloud and data services, engineering, and digital applications, aiming to foster a future of cutting-edge technology solutions.

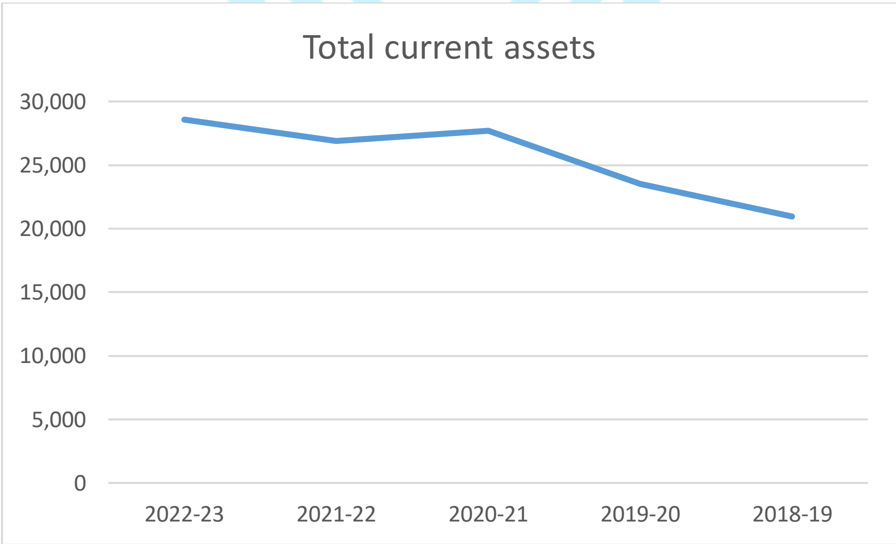
“I have chosen HCL Technologies for the project because HCL Technologies is a leading global technology company with a strong presence in various industries. Its diversified portfolio and consistent financial performance make it a suitable choice for a financial accounting project. Additionally, the availability of publicly disclosed financial information allows for a thorough analysis of its financial statements and performance metrics.”

Financial Statement Analysis of HCL Tech Pvt. Ltd.

Balance sheet analysis

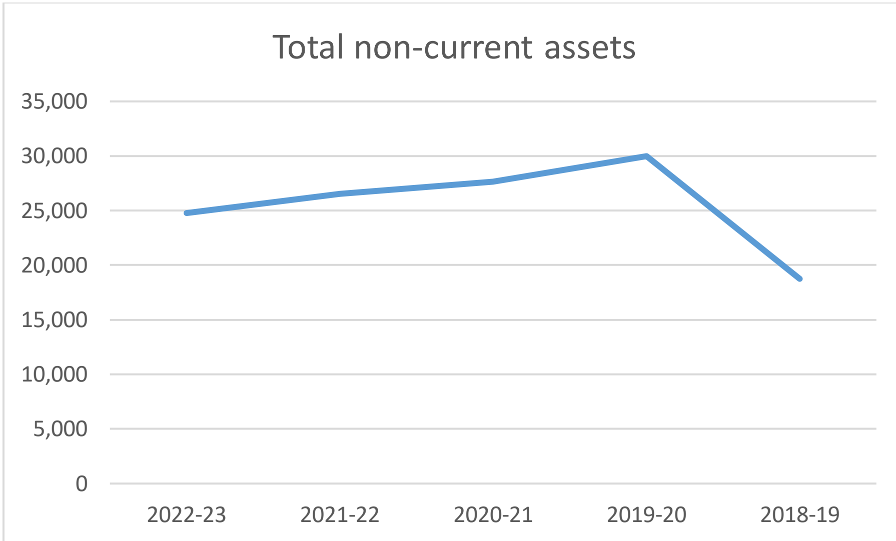
Total current asset:

The graph shows a steady decline in current asset from 2018-19 to 2020-21. However, there seems to be a slight increase in the fiscal year 2022-23 which that the company has started to build its short-term liquidity again. The decrease in current assets could imply that the company has been holding lower amounts of liquid or easily convertible assets, like cash and inventory, which could affect its ability to cover day-to-day operating expenses.



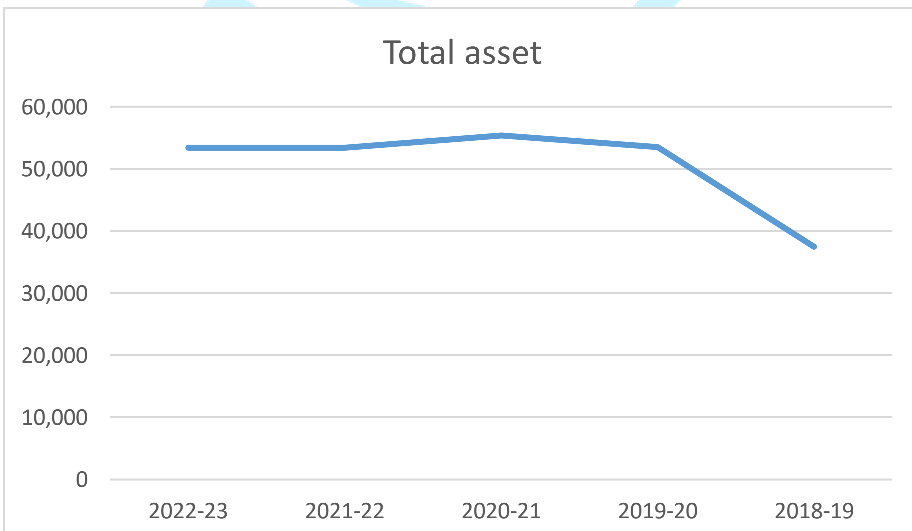
Total non-current asset:

The non-current assets graph shows an increasing trend until 2020-21, after which they drop from 2019-20 to 2018-19. This growth followed by a dip might suggest that the company was investing in long-term assets during earlier years but then shifted focus or faced issues that led to a decrease.



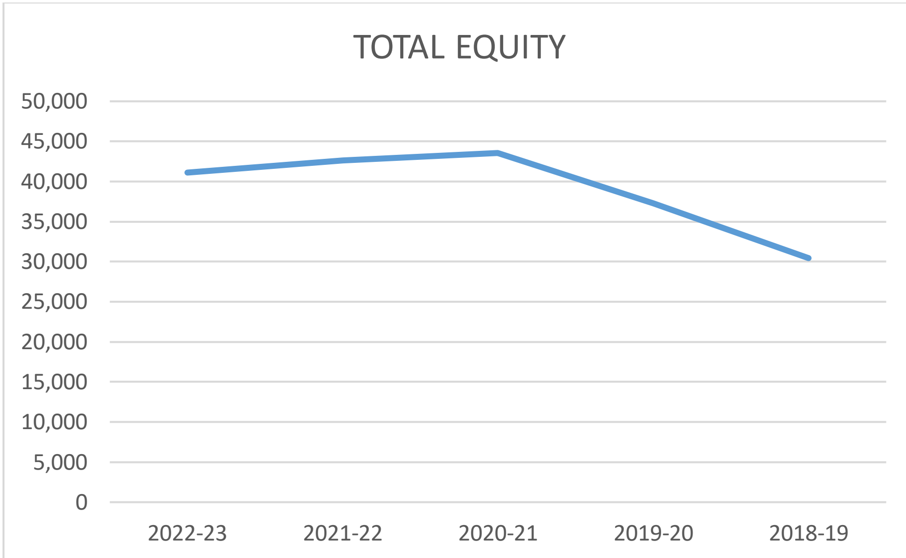
Total asset:

The total asset graph shows a relatively stable trend, with a slight increase from FY2018-19 to FY2020-21 followed by a minor decline in FY2021-22 and a recovery in FY2022-23.



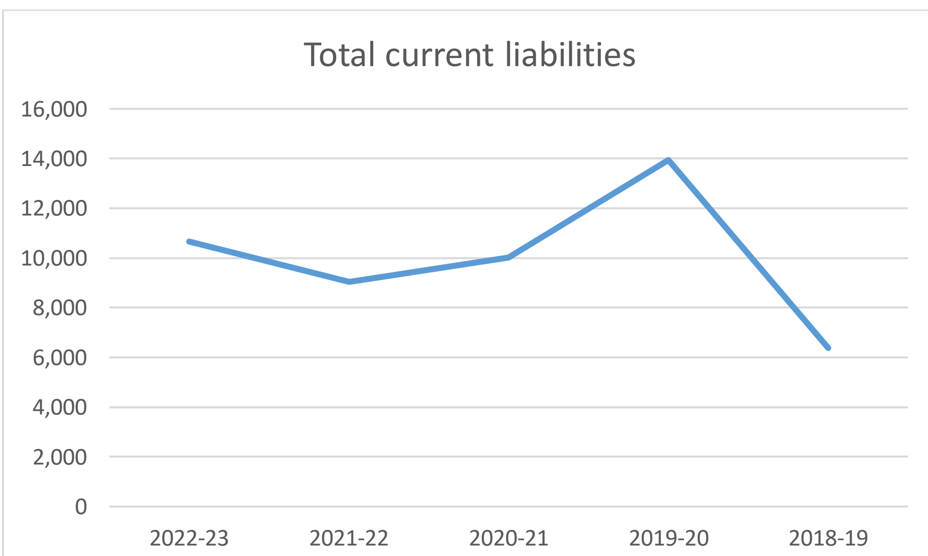
Total equity:

The total equity graph shows a slight increase from FY2018-19 to FY2020-21, followed by a more significant decline in FY2021-22 and a partial recovery in FY2022-23. The decline in total equity could be due to factors such as losses, dividend payments, or share buybacks. However, a more detailed analysis of the company's income statement and cash flow statement would be necessary to pinpoint the exact causes.



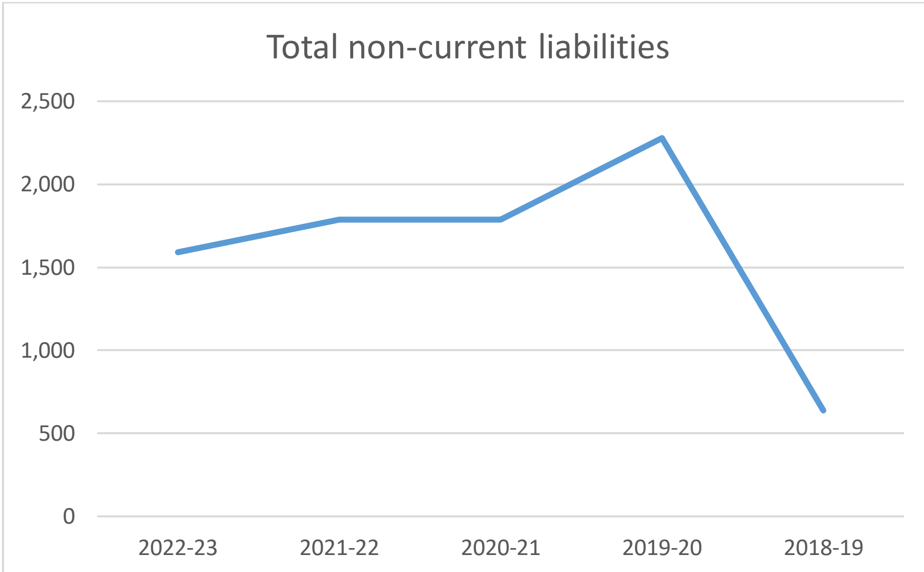
Total current liabilities:

The total current liabilities graph shows a decline from FY2018-19 to FY2020-21, followed by a significant increase in FY2021-22 and a sharp decline in FY2022-23. Fluctuations in current liabilities can be influenced by various factors, such as changes in operating cycles, inventory levels, and credit terms. A more detailed analysis would be necessary to understand the underlying causes of the observed trends.



Total non-current liabilities:

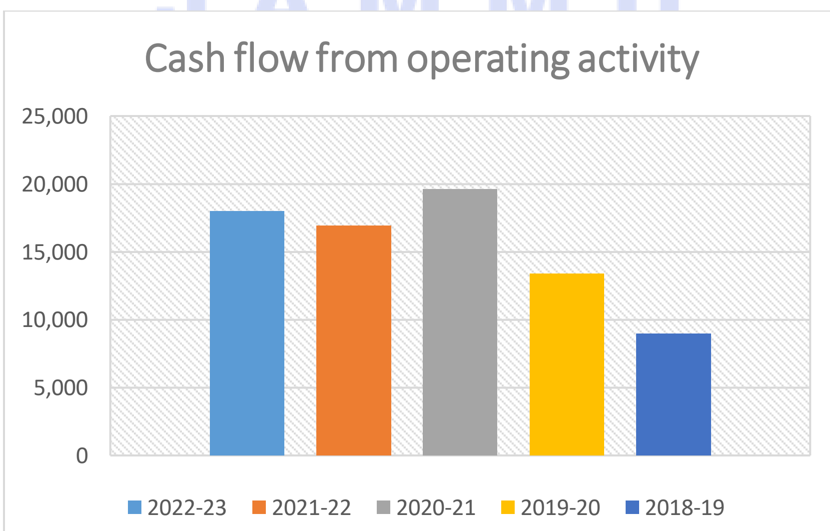
The total non-current liabilities graph shows a relatively stable trend, with a slight increase from FY2018-19 to FY2020-21 followed by a sharp decline in FY2021-22 and a partial recovery in FY2022-23. The decline in non-current liabilities could be due to debt repayments, asset sales, or changes in accounting standards. Further analysis would be required to determine the specific reasons.



Cash flow analysis

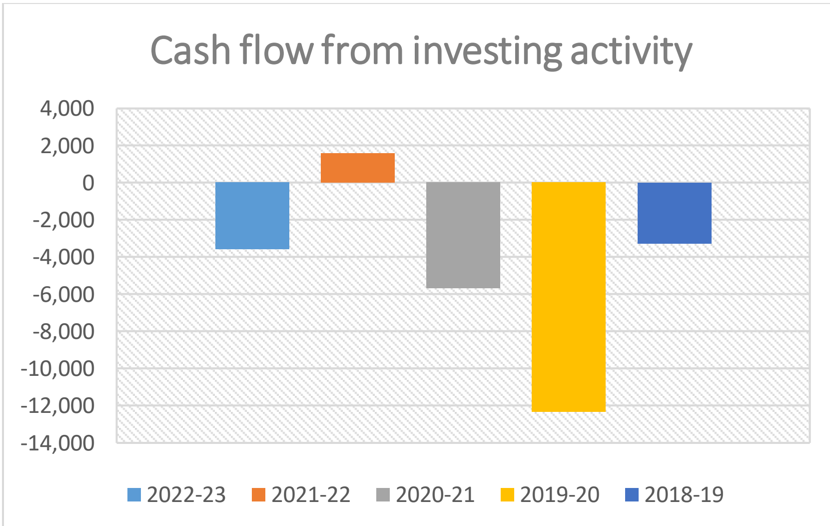
Cash Flow from Operating Activities:

The graph shows a general increase in cash flow from operating activities from FY2018-19 to FY2021-22, followed by a slight decline in FY2022-23. The increase in operating cash flow suggests that the company is generating more cash from its core business operations. This is generally a positive sign, as it indicates the company's ability to generate profits and manage its working capital effectively.



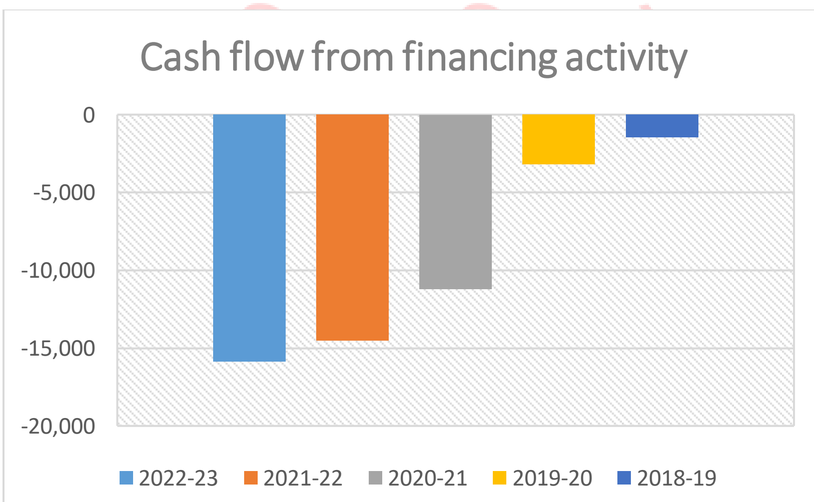
Cash Flow from Investing Activities:

The graph shows significant fluctuations in cash flow from investing activities. There are periods of positive cash flow (likely due to asset sales or investments that generated cash) and negative cash flow (likely due to capital expenditures or investments in other businesses). The variability in investing cash flows is common for businesses. It's important to analyze the specific reasons behind these fluctuations to understand their impact on the company's overall financial health.



Cash Flow from Financing Activities:

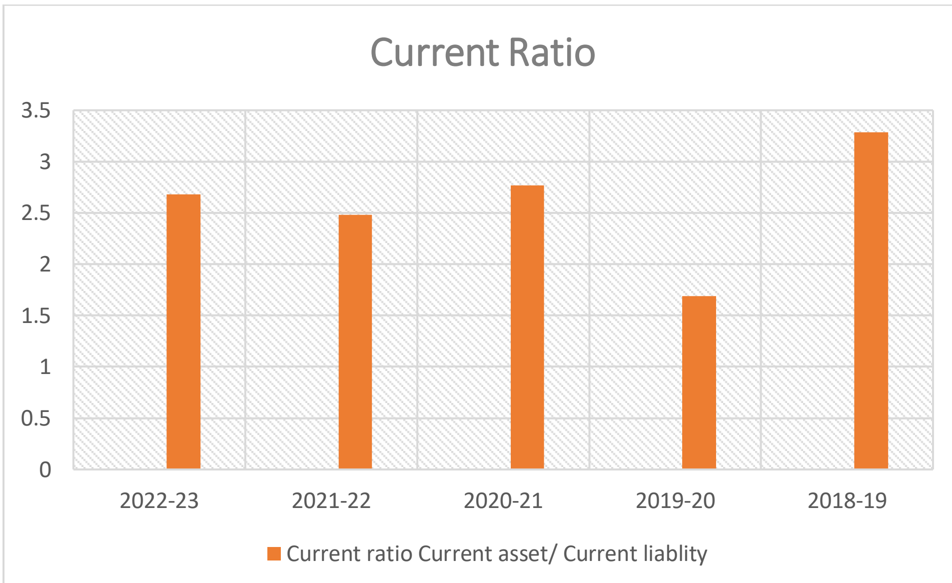
The graph shows a mix of positive and negative cash flows from financing activities. This is likely due to a combination of factors such as issuing new debt, repaying existing debt, issuing new equity, or repurchasing shares. The fluctuations in financing cash flows can significantly impact a company's capital structure and financial flexibility. It's important to analyze the specific reasons behind these changes to understand their implications for the company's future.



Ratio Analysis

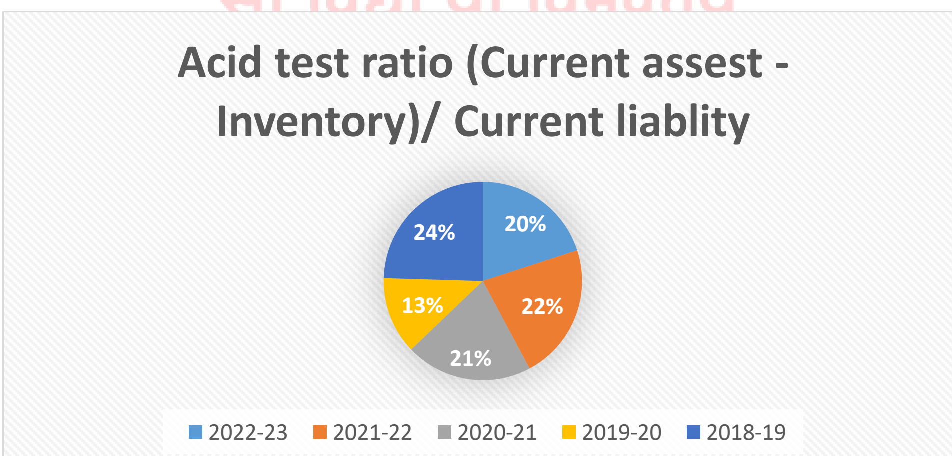
Current Ratio:

The current ratio has fluctuated over the past five years, with a peak in FY2021-22 and a decline in FY2022-23. A higher current ratio generally indicates that the company has sufficient current assets to cover its short-term liabilities. However, an excessively high ratio might suggest that the company is not utilizing its resources efficiently. The decline in FY2022-23 could indicate a tightening of liquidity or a shift in the company's working capital management strategy.



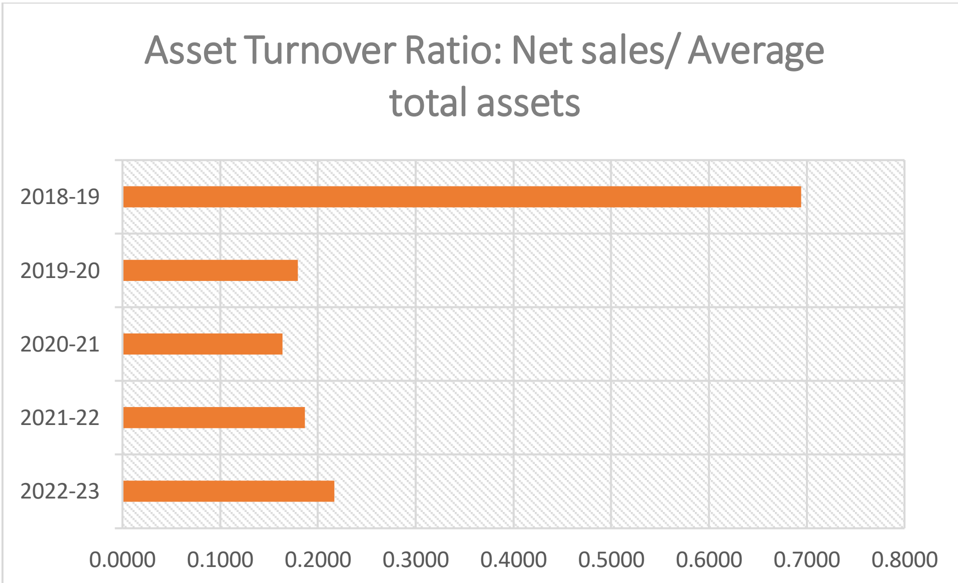
Acid Test Ratio:

The acid test ratio has also fluctuated over the past five years. However, it has consistently remained lower than the current ratio, suggesting that inventory represents a significant portion of the company's current assets.



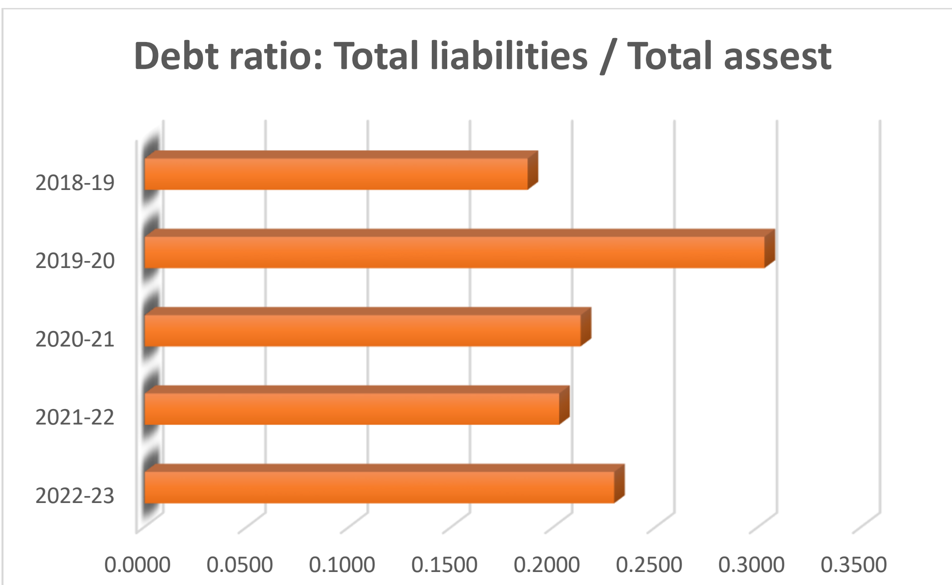
Asset Turnover Ratio:

The asset turnover ratio has shown a general decline over the past five years, reaching its lowest point in FY2022-23. A lower asset turnover ratio suggests that the company is not utilizing its assets efficiently to generate sales. This could be due to factors such as excess inventory, underutilized capacity, or inefficient operations.



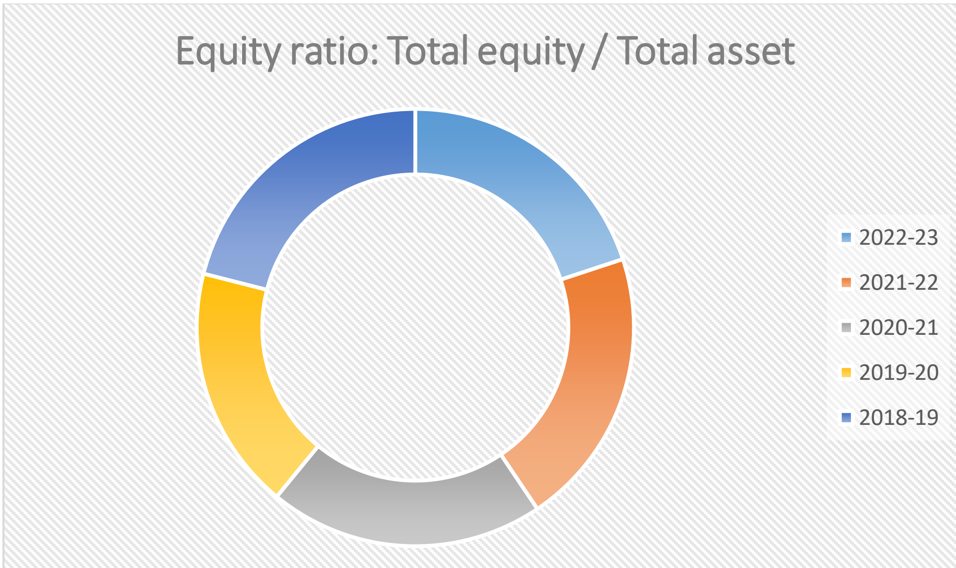
Debt Ratio:

The debt ratio has fluctuated over the past five years, with a peak in FY2018-19 and a decline in FY2022-23. This decline in FY2022-23 could indicate that the company has been reducing its debt levels or increasing its equity base.



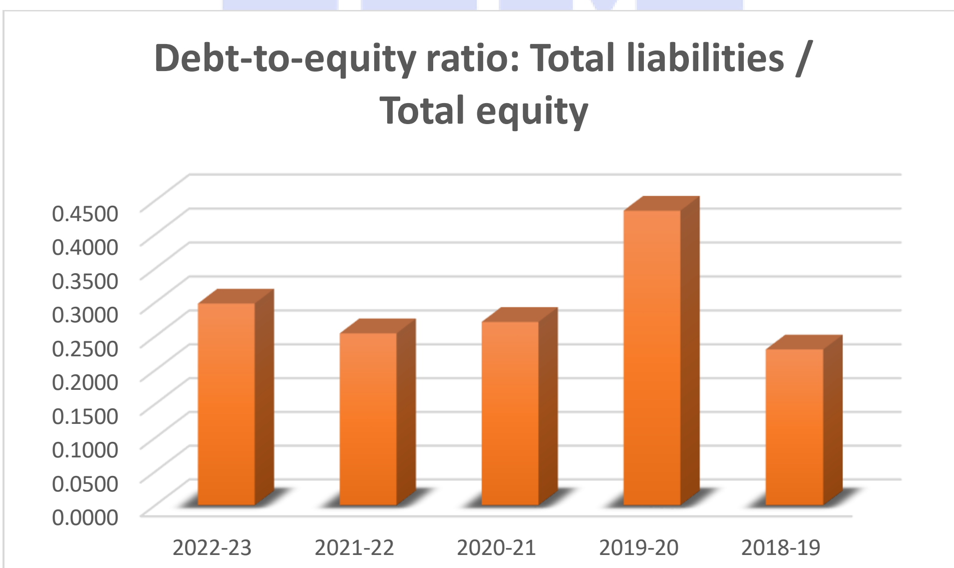
Equity Ratio:

The equity ratio has shown a general increase over the past five years, with a significant rise in FY2022-23 which indicates that the company is less reliant on debt financing and has a stronger financial position.



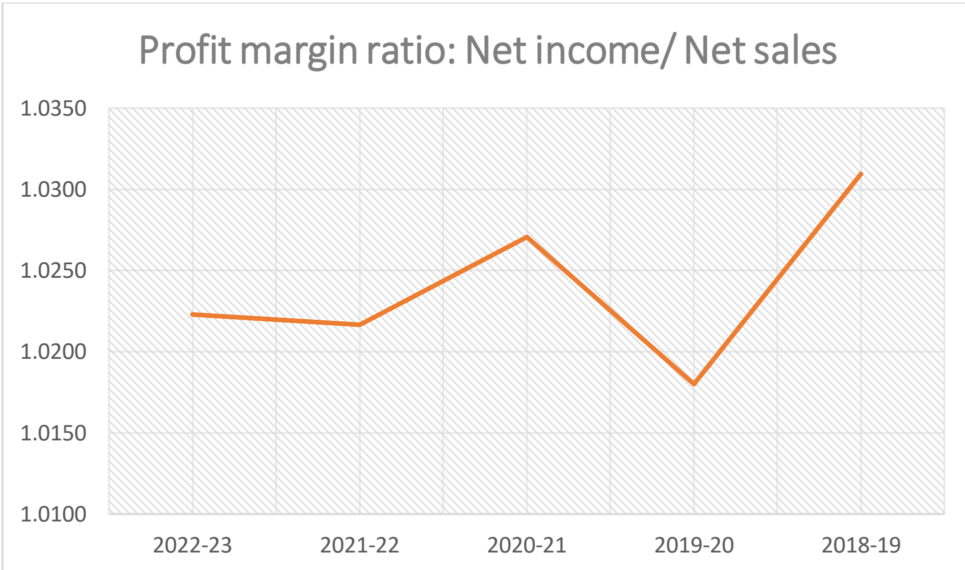
Debt-to-Equity Ratio:

The debt-to-equity ratio has shown a significant decline over the past five years, reaching its lowest point in FY2022-23. A lower debt-to-equity ratio indicates that the company is less reliant on debt financing and has a stronger financial position. This can improve the company's creditworthiness and reduce its financial risk.



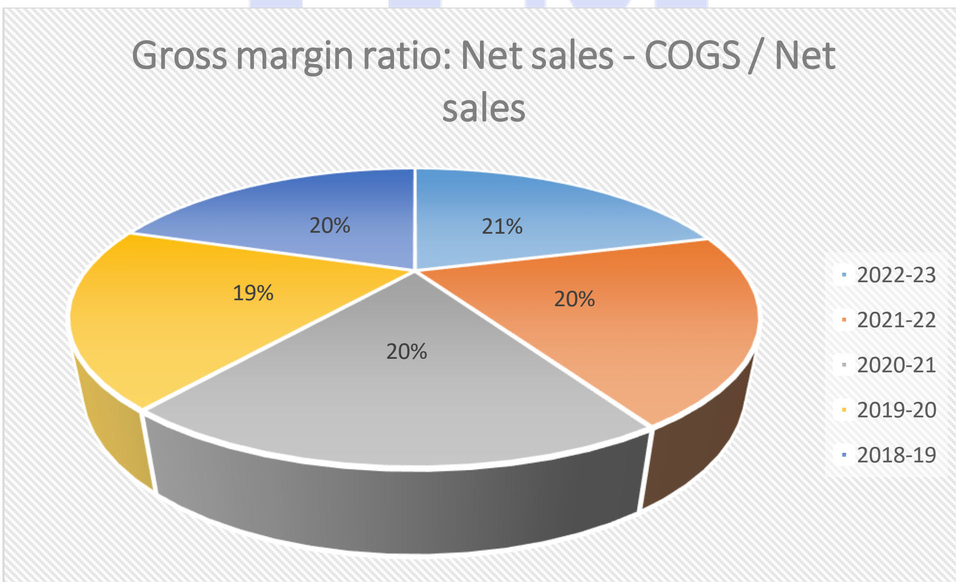
Profit Margin Ratio:

The profit margin ratio has fluctuated over the past five years, with a peak in FY2021-22 and a decline in FY2022-23. A higher profit margin ratio indicates that the company is more efficient in converting sales into profits. The decline in FY2022-23 could be due to increased costs, lower selling prices, or a decrease in sales volume.



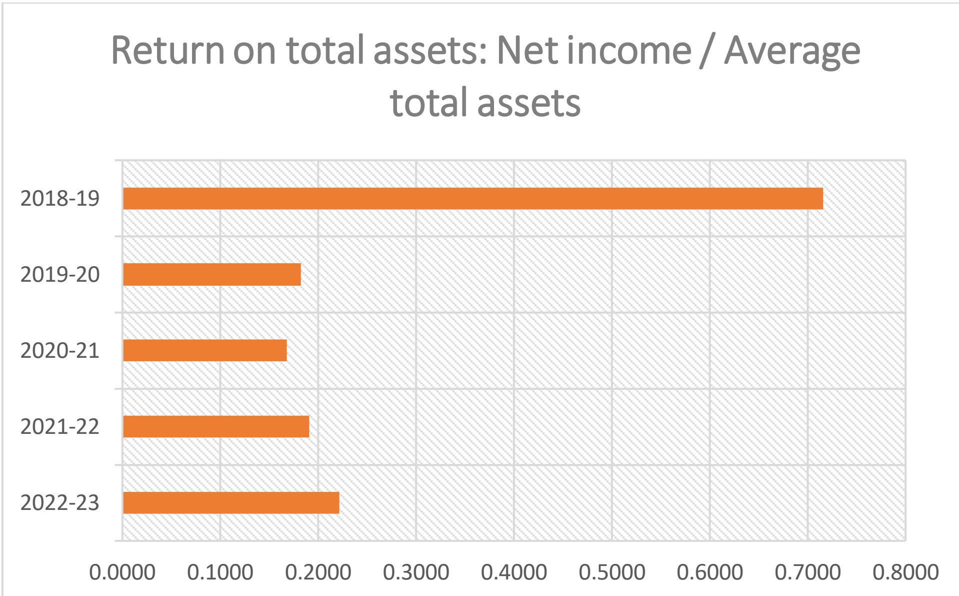
Gross Margin Ratio:

The gross margin ratio has remained relatively stable over the past five years, with slight fluctuations.



Return on Total Assets:

The return on total assets has shown a general decline over the past five years, reaching its lowest point in FY2022-23 which indicates that the company is not utilizing its assets efficiently to generate profits. This could be due to factors such as underutilized assets, inefficient operations, or a decline in sales.



Tech Mahindra Ltd.

Prachi Patel

MBA24189

Introduction:

Tech Mahindra is a multinational information technology (IT) services and consulting company headquartered in Pune, India. It is part of the Mahindra Group, one of India's largest multinational conglomerates. Founded in 1986, Tech Mahindra has grown to become a global leader in IT solutions and services, offering a wide range of services including:

1. **Consulting**: Providing business strategy and IT consulting services to help organizations achieve their goals.
2. **Digital Transformation**: Offering services related to automation, artificial intelligence, machine learning, data analytics, and cloud computing.
3. **Telecom Solutions**: Tech Mahindra has a strong legacy in telecommunications, delivering solutions to some of the largest telecom companies globally.
4. **IT Outsourcing and Business Process Outsourcing (BPO)**: Offering services like software development, systems integration, and BPO solutions.
5. **Engineering Services**: Helping organizations with product engineering, design, and digital manufacturing services.

Tech Mahindra serves a wide range of industries including telecommunications, banking and financial services, healthcare, manufacturing, retail, and more. With a presence in over 90 countries, it employs more than 130,000 people, driving innovation and digital transformation for businesses globally.

The company's mission is to leverage next-generation technologies to provide solutions that help businesses transform their digital landscape. It is known for its collaborative approach to problem-solving and partnerships with global tech leaders such as Microsoft, Google Cloud, and AWS.

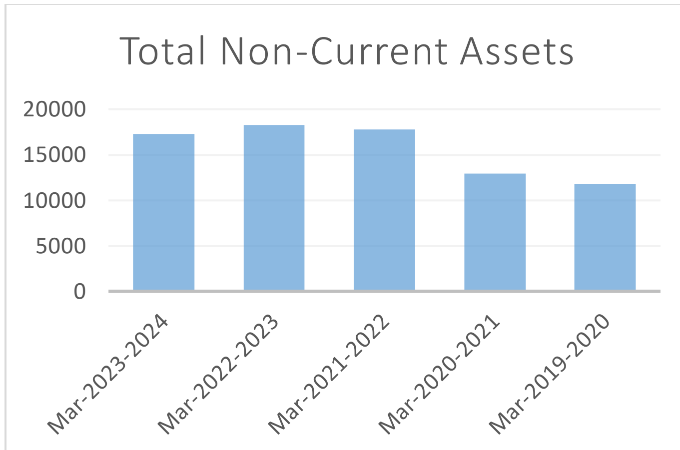
Analysis of Tech Mahindra Ltd. - Standalone Balance Sheet (Mar-2019 to Mar-2024)

Equity and Liabilities

- Tech Mahindra's share capital remained stable, rising slightly from ₹482.9 crores in 2019-2020 to ₹488.4 crores in 2023-2024. Reserves grew to ₹25,320.5 crores in 2021-2022 but fell to ₹22,378.9 crores by 2023-2024, likely due to dividends or buybacks. Despite these fluctuations, shareholder funds peaked at ₹27,440.1 crores in 2021-2022 before declining to ₹24,400.9 crores in 2023-2024.

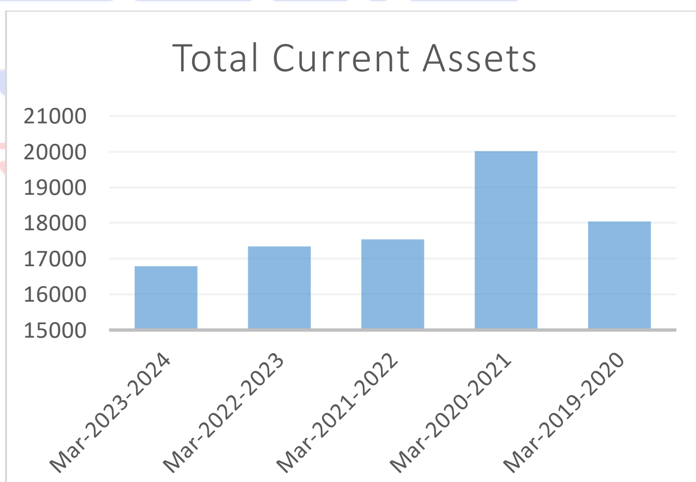
Non-current assets:

Tech Mahindra's non-current assets have been stable, with consistent net block values and a strong investment portfolio, peaking at ₹10,990.3 crores in 2021-2022 and at ₹10,662.5 crores in 2023-2024. Long-term loans and advances fluctuated, rising to ₹3,003.5 crores in 2022-2023 before dipping slightly to ₹2,773.4 crores in 2023-2024, while other non-current assets remain a smaller, fluctuating portion of total assets.



Current Assets:

Tech Mahindra's current investments fell sharply from ₹9,054.2 crores in 2020-2021 to ₹2,497.7 crores in 2022-2023, indicating a large sale of short-term assets. Sundry debtors grew from ₹6,212 crores in 2019-2020 to ₹9,437.3 crores in 2023-2024, likely due to higher sales. Cash balances dipped to ₹1,050.1 crores in 2020-2021 but rose to ₹1,521.8 crores in 2023-2024. Short-term loans dropped from ₹4,283.2 crores in 2019-2020 to ₹1,213.9 crores in 2021-2022, then stabilized at ₹1,858.7 crores



Conclusion

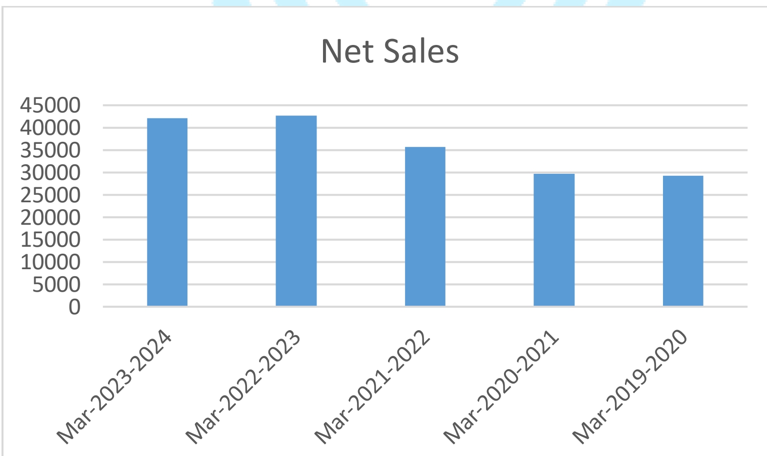
Tech Mahindra’s balance sheet shows stability in its equity base and strong liquidity with its cash and investment balances. However, the company's working capital management seems to have experienced challenges, indicated by the decline in net current assets. Additionally, the company should monitor its increasing provisions and contingent liabilities, as they could pose risks to future profitability.

Tech Mahindra Income Statement Analysis (2019-2024)

This income statement provides a comprehensive overview of Tech Mahindra's financial performance over the five financial years from **2019 to 2024**. Below is an analysis of the key aspects:

Revenue Growth:

- **Operating Income** or **Net Sales**:
    - Tech Mahindra's net sales have shown consistent growth over the five years. Starting at INR 29,225.4 crores in FY 2019-20, it reached INR 42,099.3 crores in FY 2023-24. This indicates a **steady revenue growth**, despite challenges like global economic conditions or industry trends.
    - The revenue growth from FY 2022-23 to FY 2023-24 was **negligible**, indicating a saturation or potential challenges in expanding market share or pricing power.



Expenditure Analysis:

Tech Mahindra's employee costs have risen significantly from ₹9,282.7 crores in FY 2019-20 to ₹16,082.3 crores in FY 2023-24, reflecting growth through expansion, hiring, or salary adjustments. Software development costs, crucial to its tech-driven business, also increased steadily from ₹12,904 crores to ₹19,450.3 crores in the same period. Meanwhile, general and administrative expenses saw a modest rise from ₹1,379.7 crores to ₹1,406.3 crores, indicating efficient cost management as the company scaled operations.

Profitability:

Tech Mahindra's operating profit grew from ₹3,700.1 crores in FY 2019-20 to ₹5,897.8 crores in FY 2022-23 but dropped to ₹3,626 crores in FY 2023-24, indicating potential challenges in cost management or increased competition. Profit before tax (PBT) showed a similar fluctuating pattern, peaking at ₹6,429.1 crores in FY 2021-22 before falling to ₹2,564.7 crores in FY 2023-24, reflecting rising costs and inefficiencies. Profit after tax (PAT) followed this trend, peaking at ₹5,023.3 crores in FY 2021-22, then dropping to ₹2,128.6 crores in FY 2023-24, with a higher tax burden affecting net profits.

Dividend:

Tech Mahindra has been consistent with its dividend payout. The **dividend payout ratio** increased in FY 2022-23 and FY 2021-22, reflecting the company's confidence in returning value to shareholders. The dividend percentage, however, remained consistent at 800-1000% in the last few years, showing **strong returns for investors**.

Operational Efficiency:

Despite steady growth in operating income, the **operating profit margins** have been impacted by rising costs, especially in employee and software development-related expenses. The company may face challenges in maintaining profitability without addressing cost control, especially as operating profits declined in FY 2023-24.

Tech Mahindra Cash Flow Analysis (2020-2024)

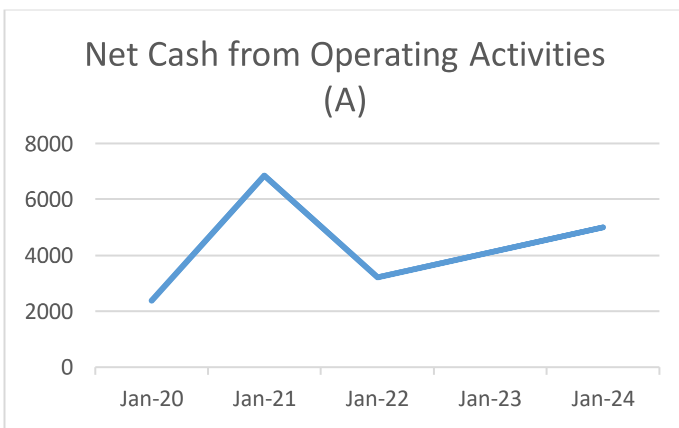
This cash flow statement gives a breakdown of the cash generated and used by Tech Mahindra across three main categories—Operating, Investing, and Financing Activities—over the past five financial years. Here's a detailed analysis:

Particulars	**Mar-24**	**Mar-23**	**Mar-22**	**Mar-21**	**Mar-20**
A. Cash Flow from Operating Activities					
Profit Before Tax	2564.7	4904.1	6429.1	5526.6	5332.2
Adjustments	1477.4	1478.6	365.3	822.7	-479.3
Changes in Working Capital	1726.8	-839.4	-1777.4	1415.1	-1370.4
Cash Flow after changes in WC	**5768.9**	**5543.3**	**5017**	**7764.4**	**3482.5**
Less: Tax Paid	-763.6	-1441.2	-1804.2	-912.5	-1102.1
Net Cash from Operating Activities (A)	**5005.3**	**4102.1**	**3212.8**	**6851.9**	**2380.4**
B. Cash Flow from Investing Activities					
Net Cash from Investing Activities	47.2	676.8	1554.9	-5620.8	3252.1
Net Cash from Investing Activities (B)	**47.2**	**676.8**	**1554.9**	**-5620.8**	**3252.1**

C. Cash Flow from Financing Activities					
Net Cash from Financing Activities	-4727.3	-4991.5	-4607.3	-2066.1	-4842.4
Net Cash from Financing Activities (C)	**-4727.3**	**-4991.5**	**-4607.3**	**-2066.1**	**-4842.4**
D. Net Cash Inflow / (Outflow) (A+B+C)	**325.2**	**-212.6**	**160.4**	**-835**	**790.1**
Opening Cash & Cash Equivalents	1094	1249.5	1068.1	1803.8	959.9
Effect of Foreign Exchange Fluctuations	-4	57.1	21	19.2	53.8
Closing Cash & Cash Equivalents	**1415.2**	**1094**	**1249.5**	**988**	**1803.8**

Here's a detailed analysis:

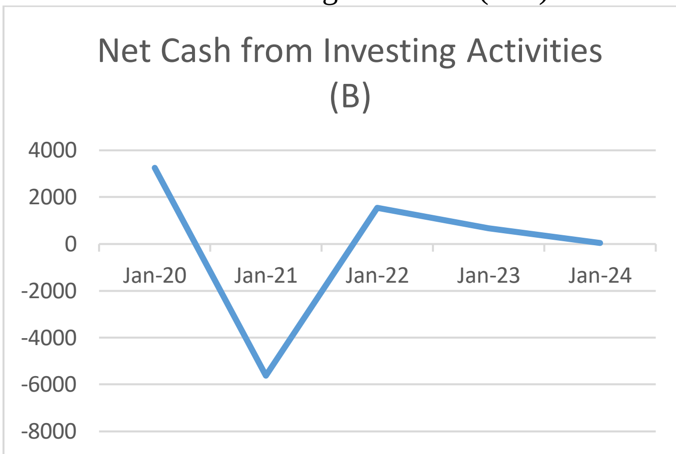
A. Cash Flow from Operating Activities (CFO)



- Net Cash from Operating Activities:
    - Net cash from operating activities (CFO) saw its peak in FY 2020-21 with INR 6,851.9 crores, reflecting strong operational performance and favourable working capital adjustments.

- However, FY 2023-24 reported INR 5,005.3 crores, a moderate improvement over FY 2022-23, primarily due to better working capital management and lower tax outflows, despite a decline in profit before tax.

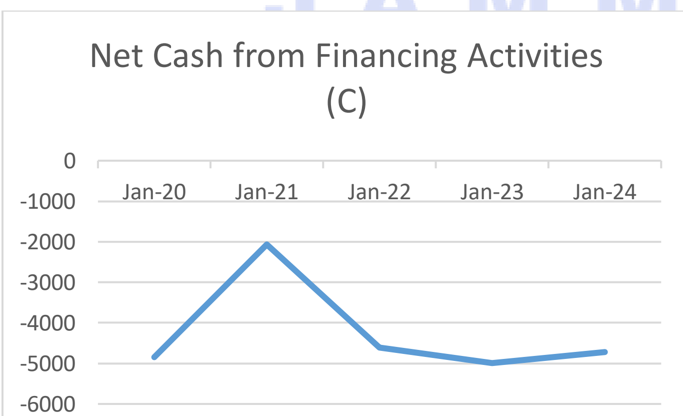
B. Cash Flow from Investing Activities (CFI)



- In FY 2020-21, Tech Mahindra had cash outflows of INR 5,620.8 crores, indicating significant investments in capital assets or long-term projects.
- By FY 2021-22, the company reported positive inflows from investing activities of INR 1,554.9 crores, likely from asset sales or divestments.
- In FY 2023-24, there was a minor positive cash flow of INR 47.2 crores, suggesting reduced capital expenditure and lower returns from previous investments.

C. Cash Flow from Financing Activities (CFF)

- Net Cash from Financing Activities:

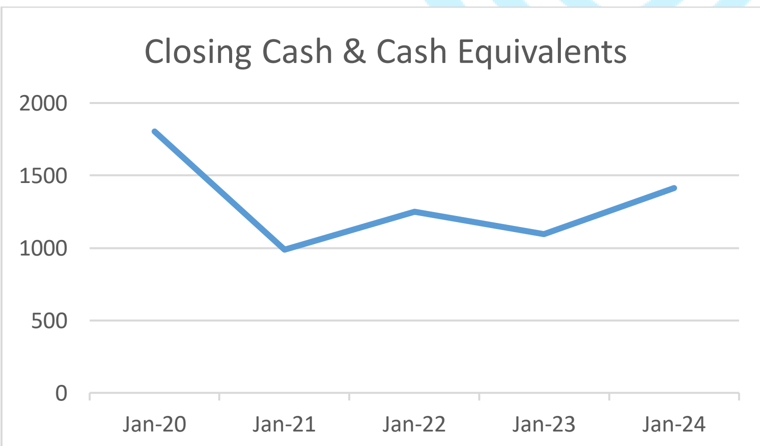


- The highest outflows were recorded in FY 2023-24 with INR 4,727.3 crores, reflecting debt repayments, dividend payouts, or buybacks.

- This shows that Tech Mahindra has been using its cash flows to return capital to shareholders or reduce its debt, as evidenced by negative cash flows every year.

D. Net Cash Inflow / (Outflow)

- Net Cash Position:
  - The Net Cash Flow shows a positive cash flow after three years of moderate cash outflows or near-zero net cash changes.
  - This improvement is a result of strong cash flows from operations and minimal investment outflows, despite significant outflows in financing activities (mainly dividends and debt repayments).
- Closing Cash & Cash Equivalents:
  - The closing cash balance stood at INR 1,415.2 crores in FY 2023-24, up from INR 1,094 crores in the previous year. This increase reflects the company's ability to generate cash despite profitability pressures and shows healthy liquidity management.



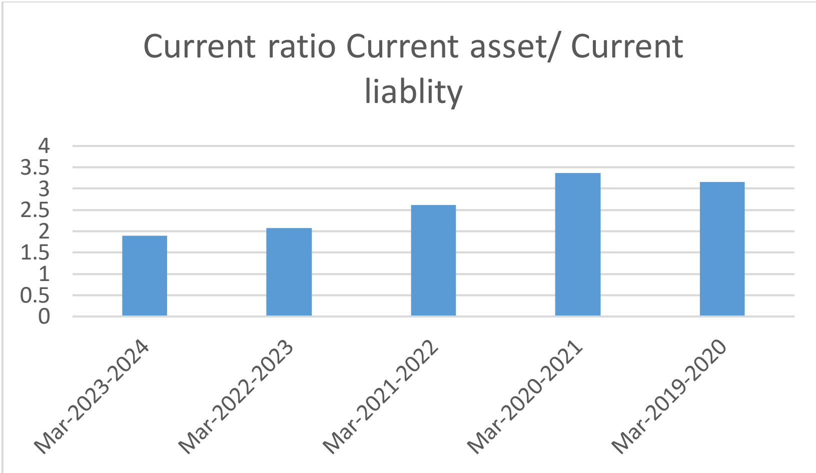
Cash ratio analysis:

Let's analyse the provided ratios for the years 2024 to 2019 under Liquidity, Solvency, and Profitability

1. Liquidity Ratios:

a) Current Ratio (Current Assets / Current Liabilities):

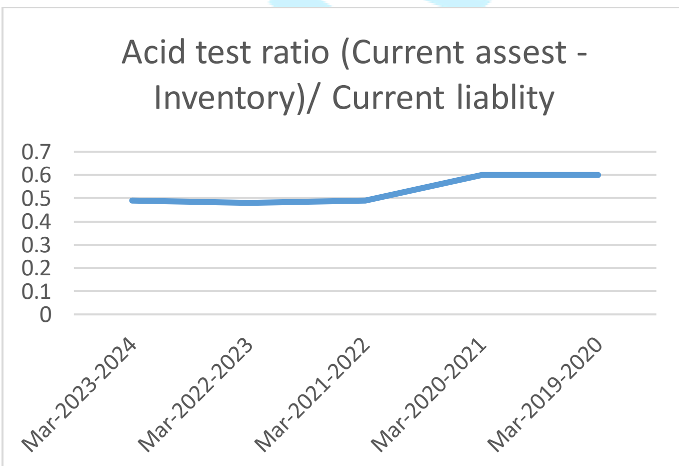
- **2024: 1.9 | 2023: 2.07 | 2022: 2.61 | 2021: 3.36 | 2020: 3.16**



This ratio shows the company's ability to cover its short-term liabilities with short-term assets. From 2020 to 2021, the current ratio decreased, indicating that the company's liquidity was declining, meaning they had fewer assets to cover liabilities. The company had a stronger liquidity position in 2021 but has been on a downward trend since then.

b) Acid Test Ratio (Quick Ratio: (Current Assets - Inventory) / Current Liabilities):

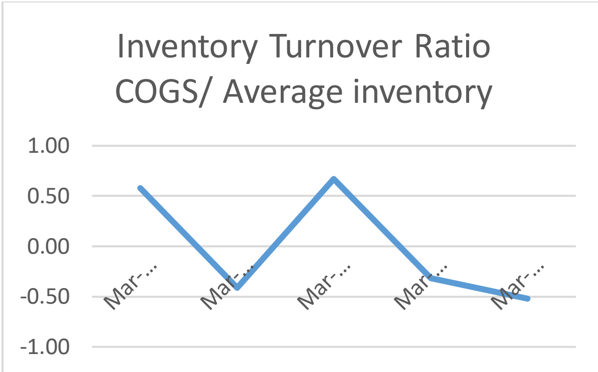
- **2024: 0.49 | 2023: 0.48 | 2022: 0.49 | 2021: 0.6 | 2020: 0.6**



The Acid Test Ratio is a stricter measure of liquidity as it excludes inventory from current assets. A ratio close to 1 is ideal, meaning the company can cover its liabilities without relying on inventory. A ratio below 1 (as seen in the recent years) shows a riskier liquidity position, indicating that the company is more reliant on converting its inventory into cash to meet short-term obligations.

c) Inventory Turnover Ratio (COGS / Average Inventory):

- **2024: 0.58 | 2023: -0.41 | 2022: 0.67 | 2021: -0.32 | 2020: -0.52**

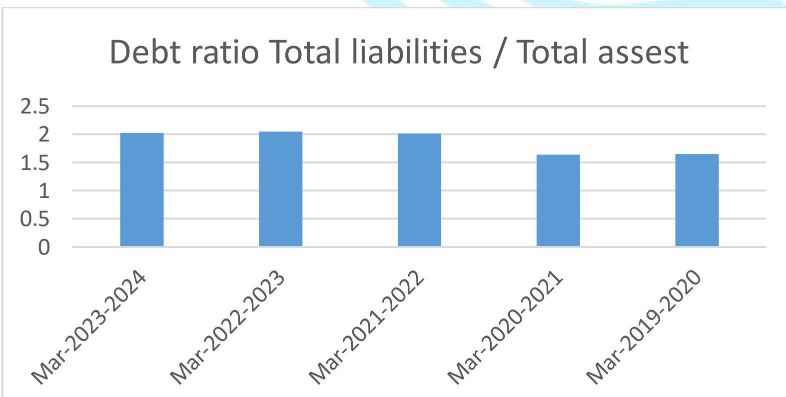


A negative inventory turnover ratio (in 2020, 2021, and 2023) is unusual and typically signals incorrect data reporting or financial distress. It could also suggest the company is struggling to move its inventory, leading to inefficiencies in managing stock. The 2024 positive turnover ratio of **0.58** indicates improvement, but it's still low, suggesting slow-moving inventory.

2. Solvency Ratios:

a) Debt Ratio (Total Liabilities / Total Assets):

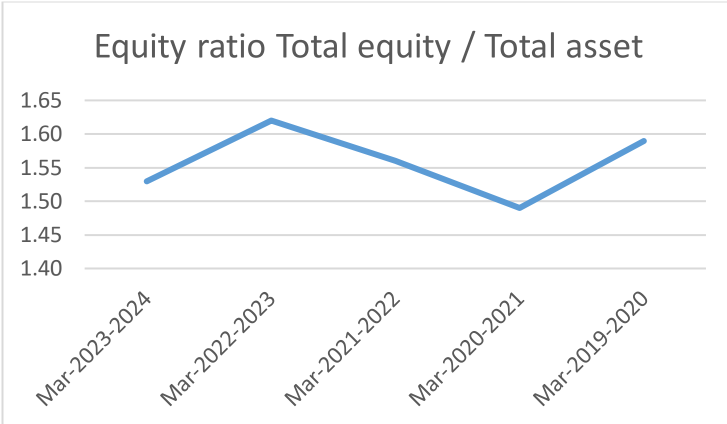
- **2024: 2.03 | 2023: 2.05 | 2022: 2.01 | 2021: 1.64 | 2020: 1.65**



This ratio measures how much of the company's assets are financed by debt. A value above 1 indicates that the company has more liabilities than assets, meaning it's heavily leveraged. The debt ratio has been above 1 for all the years, indicating financial risk. The slight increase in 2023-2024 suggests more reliance on debt.

b) Equity Ratio (Total Equity / Total Assets):

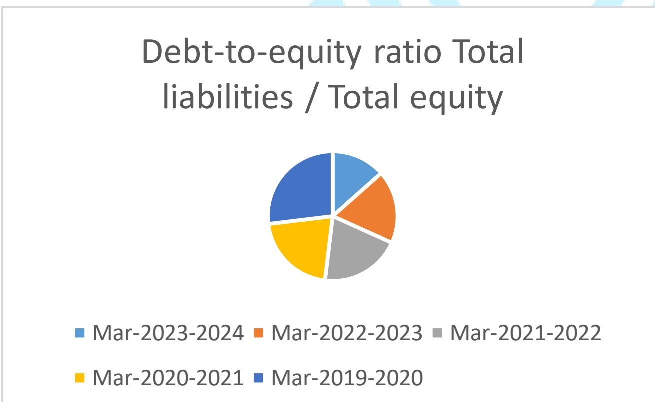
- **2024: 1.53 | 2023: 1.62 | 2022: 1.56 | 2021: 1.49 | 2020: 1.59**



This shows the proportion of assets funded by shareholders' equity. A lower ratio indicates more debt funding. Although fluctuating, the company has maintained a reasonable equity base.

c) Debt-to-Equity Ratio (Total Liabilities / Total Equity):

- **2024: 0.14 | 2023: 0.19 | 2022: 0.21 | 2021: 0.22 | 2020: 0.28**

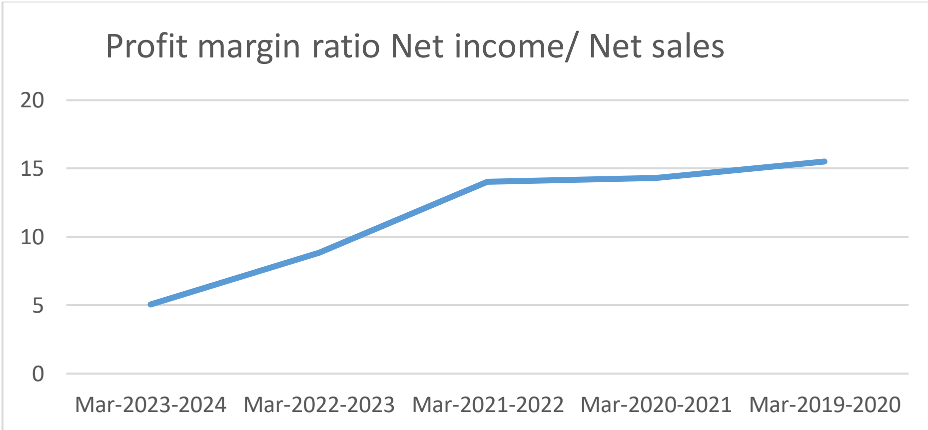


This is a key solvency ratio. Lower ratios (around 0.14-0.22) indicate that the company relies more on equity than debt, which is considered safer. The ratio has been decreasing since 2020, indicating that the company has reduced its reliance on debt, improving its financial stability.

3. Profitability Ratios:

a) Profit Margin Ratio (Net Income / Net Sales):

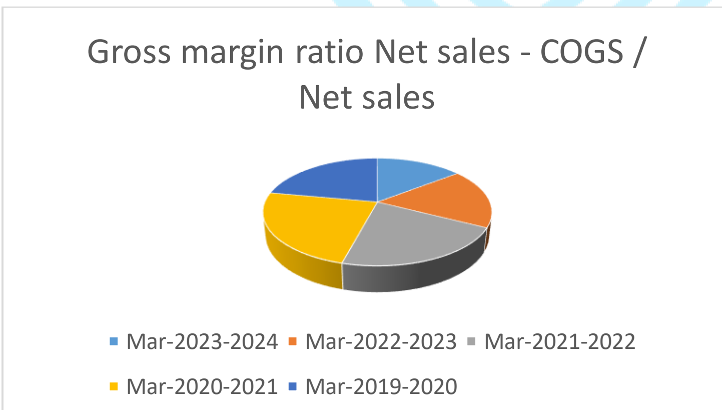
- **2024: 5.06 | 2023: 8.86 | 2022: 14.05 | 2021: 14.3 | 2020: 15.52**



The profit margin has been decreasing, suggesting the company is becoming less efficient at converting sales into profit. The decline from 2020 to 2024 shows decreasing profitability, which could be due to rising costs or competitive pressure.

b) Gross Margin Ratio (Net Sales - COGS / Net Sales):

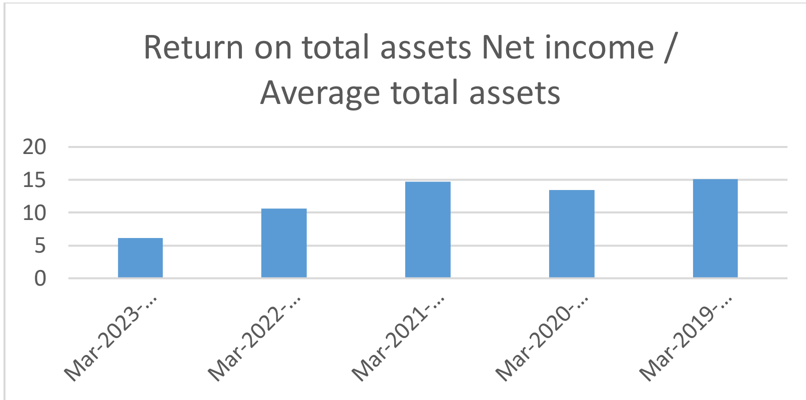
- **2024: 15.6 | 2023: 19.4 | 2022: 23.26 | 2021: 25.55 | 2020: 23.76**



The gross margin ratio shows how much the company is earning after covering its cost of goods sold. There has been a decline from 2021 to 2024, which suggests higher costs or lower pricing power. This downward trend could signal challenges in maintaining profitability.

c) Return on Total Assets (Net Income / Average Total Assets):

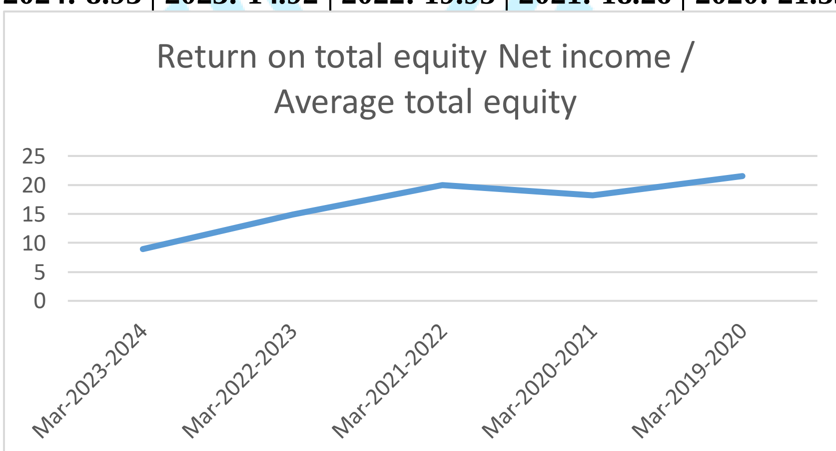
- **2024: 6.11 | 2023: 10.66 | 2022: 14.72 | 2021: 13.49 | 2020: 15.11**



Return on Total Assets (ROA) measures how efficiently a company is using its assets to generate profit. There is a clear decline in ROA from 2020 to 2024, indicating decreasing asset efficiency. The company is generating less profit for every unit of asset invested.

d) Return on Total Equity (Net Income / Average Total Equity):

- **2024: 8.93 | 2023: 14.92 | 2022: 19.95 | 2021: 18.26 | 2020: 21.53**



Return on Equity (ROE) shows how efficiently the company is using its equity to generate profit. The declining trend since 2020 suggests the company is less effective at generating returns for its shareholders. This could indicate underlying issues with profitability or growth.

Key takaway:-

It seems the company has been facing challenges with profitability, possibly due to higher costs or competitive pressures, and liquidity remains a concern as ratios continue to fall. Addressing these inefficiencies would be crucial to improve the company’s financial health.

Capgemini India Pvt. Ltd.

K Siva Ram Prakhash
Mba24123

Introduction to the Company

It is the subsidiary of Capgemini SE, a world leader in consulting and technology services in digital transformation. With its headquarters in Paris, it has operations in more than 50 countries and one of the world's largest leaders in innovation and diversity for various industries, from finance to energy, manufacturing, retail, and public services.

With offices spread across major cities like Bangalore, Mumbai, Pune, and Chennai, Capgemini India supports the company's global delivery model. Capgemini harnesses the pool of talent available in the country for delivering IT and consulting services across key domains of cloud, AI, digital transformation, cybersecurity, and analytics.

The firm operates in four business areas:

Consulting: Serving in the development of business strategy for a firm, enabling improvements in processes and supporting organizational change.

Technology Services: run from in-depth IT solution provision, including software development and systems integration, IT infrastructure management among others.

Outsourcing: it is the management of clients' IT systems and processes to enhance operational efficiency.

Digital Services: this offers digital transformation services which embrace high analytics, automation, and cloud-based solutions.

Capgemini India has emerged as a hub for technological innovation and development. It contributes significantly to the global operations of the Capgemini Group. The group is focused on offering digital and cloud services. It is recognized for delivering transformative solutions to clients that build their productivity and business agility.

Under the vision of "People Matter, Results Count," Capgemini focuses on long-term relationships with clients and solutions that produce measurable results. Coupled with its technological acumen, such a client-driven strategy has made it a leader in the IT services sector, not only globally but also in India.

Capgemini India Pvt Ltd. - Balance Sheet - Standalone-Abridged-Actual - [INR-Crores]					
Particulars	Mar-2023	Mar-2022	Mar-2021	Mar-2020	Mar-2019
ASSETS					
Non-Current Assets					
Gross Block	9896	9710.9	7549.5	7174.6	5813.5
Less: Accumulated Depreciation	5518.7	5037.3	4033.9	3532.5	3065.2
Less: Impairment of Assets					
Net Block	4377.3	4673.6	3515.6	3642.1	2748.3
Lease Adjustment A/c					
Capital Work in Progress	23.2	23.4	11	66.6	254.9
Intangible assets under development					
Pre-operative Expenses pending					
Assets in transit					
Non Current Investments	47.5	67	4302.1	411.4	2.4
Long Term Loans & Advances	1874.2	1716.6	1060.9	1019.8	922.1
Other Non Current Assets	218.7	85	48.2	54.8	56.2
Total Non-Current Assets	**6540.9**	**6565.6**	**8937.8**	**5194.7**	**3983.9**
Current Assets Loans & Advances					
Currents Investments	8114.7	5761	3775.4	5359	3817.3
Inventories					
Sundry Debtors	5155.6	4802.1	2642.6	2314	2172
Cash and Bank	909.6	691.6	768.4	1267.9	1610
Other Current Assets	536.2	428	233.4	203.8	245.5
Short Term Loans and Advances	600.4	377.4	279	804.2	613.8
Amt Due from firm (directors interested)					
Total Current Assets	**15316.5**	**12060.1**	**7698.8**	**9948.9**	**8458.6**
Total Assets	21857.4	18625.7	16636.6	15143.6	12442.5
EQUITY AND LIABILITIES					
Share Capital	59.3	59.1	59.1	59.1	59.1
Share Warrants & Outstandings	411.8	434.5	266.9	73	40.9
Total Reserves	17423.4	14418.2	13958.8	12440.1	11206.7
Total Equity	**17894.5**	**14911.8**	**14284.8**	**12572.2**	**11306.7**
Long-Term Borrowings					
Secured Loans					
Unsecured Loans					
Deferred Tax Assets / Liabilities	-527.9	-875	-836.6	-1208.1	-1471.8
Other Long Term Liabilities	514.6	595.9	614.2	773.3	134.8
Long Term Trade Payables					
Long Term Provisions	542	697.3	354.4	799.6	315.5
Total Non-Current Liabilities	**528.7**	**418.2**	**132**	**364.8**	**-1021.5**
Current Liabilities					
Trade Payables	891	826.9	482.4	565.9	784.3
Other Current Liabilities	1234.6	1214.8	882.2	937.5	788.9
Short Term Borrowings					
Short Term Provisions	1308.6	1254	855.2	703.2	584.1
Total Current Liabilities	**3434.2**	**3295.7**	**2219.8**	**2206.6**	**2157.3**
Total Liabilities	**21857.4**	**18625.7**	**16636.6**	**15143.6**	**12442.5**

Analysis of Balance Sheet

The balance sheet of Capgemini India Pvt. Ltd. for the period between 2019 and 2023 shows that there was a tremendous increase in assets as well as equity. Total assets have steadily increased and now stood at INR 21,857.4 crores as at March 2023 against a figure of INR 12,442.5 crores for the year 2019. The growth is primarily driven by the current investments, which have now risen from INR 3,817.3 crores in 2019 to INR 8,114.7 crores in 2023. Sundry debtors have also roughly doubled from INR 2,172 crores in 2019 to INR 5,155.6 crores in 2023, showing increasing business activities.

On the liabilities side, equity increased to INR 17,894.5 crores at the end of 2023, up from INR 11,306.7 crores in 2019, supported by steady growth in reserves that have more than doubled to INR 6,200 crore during the period. Non-current liabilities, mainly represented by deferred tax liabilities and long-term provisions, have remained very low and stable in providing support to the strong equity position.

In addition, the company's trade payables together with short-term provisions have also increased at a slower rate than its assets indicate healthy management of liquidity. Overall, Capgemini India's balance sheet has shown solid health in regard to its funds, since the assets have grown steadily, equity has been on a constant increase, and liabilities have been controllable over the five-year period.

Analysis of Income statement

The income statement for the year 2019 to 2023 of Capgemini India Pvt. Ltd also reflects significant growth both in terms of income and profitability. Operating income grew multi fold from INR 13,603 crores in 2019 to INR 27,842.8 crores in 2023 and over the period shows revenue growth. Accordingly, total expenditure increased correspondingly with employee costs. It increased from INR 8,962 crores in FY 2019 to INR 20,259.8 crores in FY 2023 and reflected an expanding workforce and higher wages expense. General and administration expense remained high in 2019 and 2020 but was much better controlled in 2022 and 2023, hence cost efficiency improved. Despite increasing costs, operating profit improved incrementally from year to year and in 2023 was at INR 5,002.7 crores up from INR 2,535 crores of 2019.

The interest expenses remain low for the company, thus supporting strong pre-tax profit levels that stood at INR 3,960.8 crores in 2023. The net profit after tax provisions stood at INR 2,962.7 crores in 2023. This has to be juxtaposed with the net profit of INR 1,574.2 crores in 2019. Overall, the income statement showcases strong revenue growth, excellent cost discipline, and even a good improvement in profitability.

INCOME STATEMENT					
Particulars	Mar-2023	Mar-2022	Mar-2021	Mar-2020	Mar-2019
INCOME					
Operating Income	27842.8	22571.1	14988	14713.5	13603
Total Income	**27842.8**	**22571.1**	**14988**	**14713.5**	**13603**
EXPENDITURE					
Power & Fuel Cost	96.6	75.5	58.4	118	143.4
Employee Cost	20259.8	16340.6	10709.5	9887.7	8962
Cost of Software developments	1029.8	977.2	455.6	408.6	401.9
Operating Expenses	779.6	661.1	467.4	534.3	465.1
General and Administration Expenses	1023.3	640.1	436.3	1166.5	1448.7
Selling and Marketing Expenses	19.5	15.7	7.5	8.2	7.2
Miscellaneous Expenses	143.6	213.2	174.6	96.6	79.1
Less: Expenses Capitalised					
Total Expenditure	**23352.2**	**18923.4**	**12309.3**	**12219.9**	**11507.4**
Operating Profit (Excl OI)	4490.6	3647.7	2678.7	2493.6	2095.6
Other Income	512.1	463.8	383.3	569.4	439.4
Operating Profit	5002.7	4111.5	3062	3063	2535
Interest	58.9	78.9	75.2	75.6	14.2
PBDT	4943.8	4032.6	2986.8	2987.4	2520.8
Depreciation	983	875.5	680	672.5	440.1
Profit Before Taxation & Exceptional Items	3960.8	3157.1	2306.8	2314.9	2080.7
Profit Before Tax	**3960.8**	**3157.1**	**2306.8**	**2314.9**	**2080.7**
Provision for Tax	998.1	668.5	826.6	745.2	506.5
Profit After Tax	**2962.7**	**2488.6**	**1480.2**	**1569.7**	**1574.2**

Analysis of Cash Flow Statement

The cash flow statement of Capgemini India Pvt Ltd. from 2019 to 2023 reveals about the liquidity and cash generation capability of the company.

Operating Activities: Operating activities cash generation has been relatively stable and consistent throughout the history of the company. During the year ended 2019, it was INR 1,450.7 crore. Now, in 2023, it stands at INR 3,318.3 crore. Increase in profit before tax has contributed to this increase, and besides, cash flow after changes in working capital also improved. Operating cash inflows are sustained well by the company even if tax payments are on the rise.

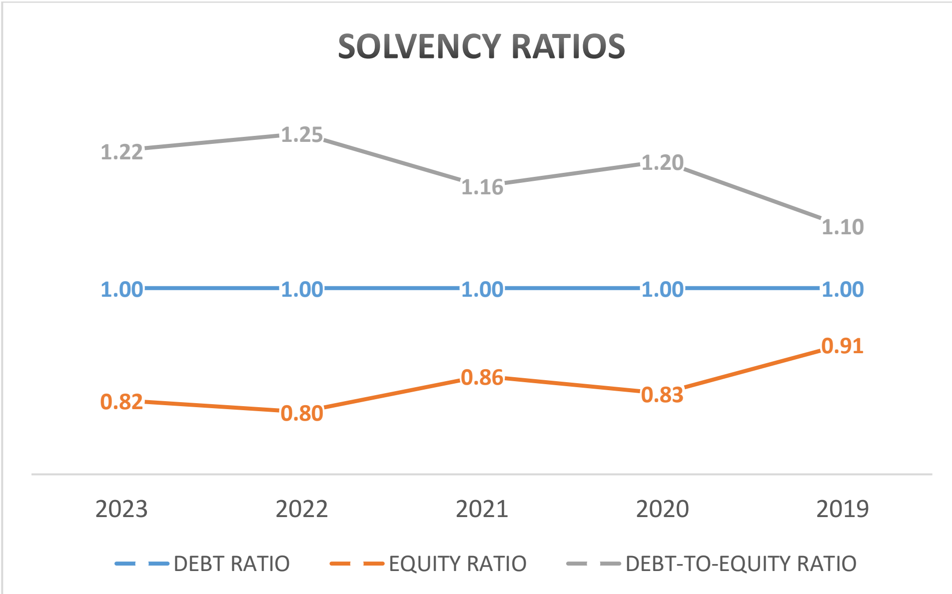
Investing Activities: Net cash outflow mainly made from the investing activities of the company. Fixed asset investments and investments acquired constitute some of these outflows. These two years include the peak outflows were INR -2,769 crore and at INR -2,597.4 crore in 2023. However, massive cash inflows from sales through investment have pushed back some of these outlays and also reflected that the company was also well aligned on reinvestments for its growth.

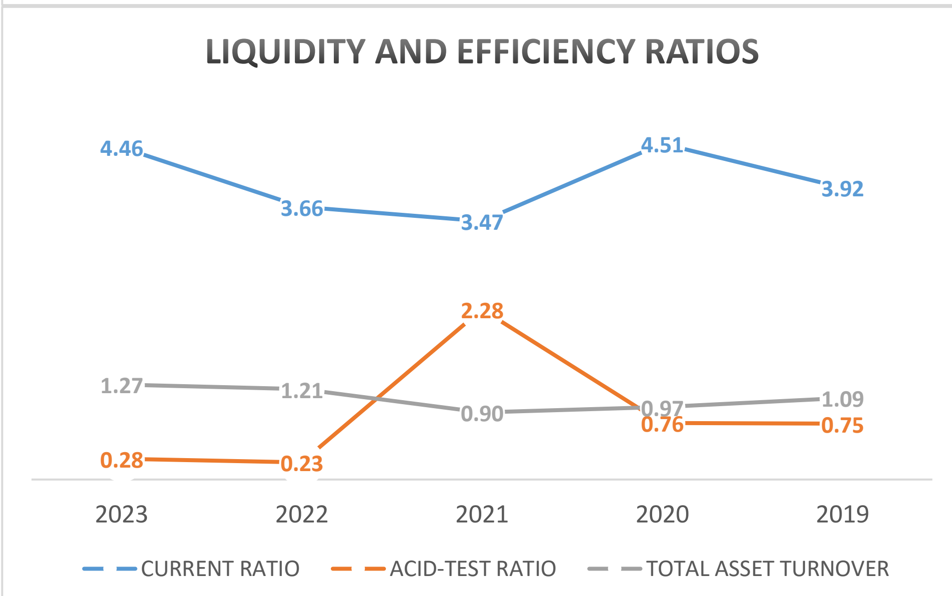
Financing activities: the cash outflows from financing activities have remained low, and most of the cash outflow came due to interest payments. In 2023, the company recorded INR -496.9 crores in net cash outflow from financing activities, while in 2019, this was around INR -1.3 crores.

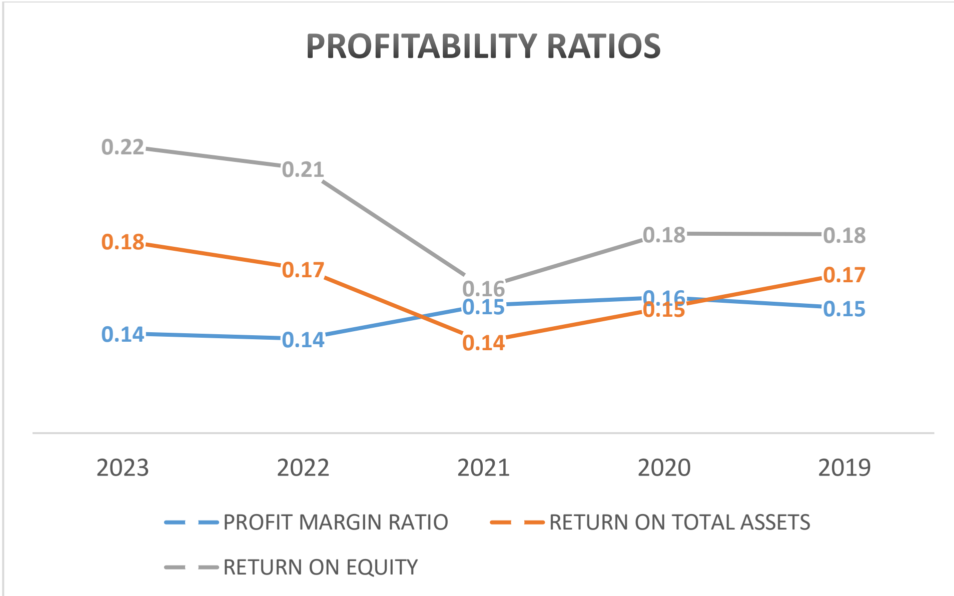
Closing cash balance: the company's closing cash balance at the end of 2023 was at INR 909.5 crores which is lesser than 2019 but it was a good recovery when compared with the bottom line for 2022.

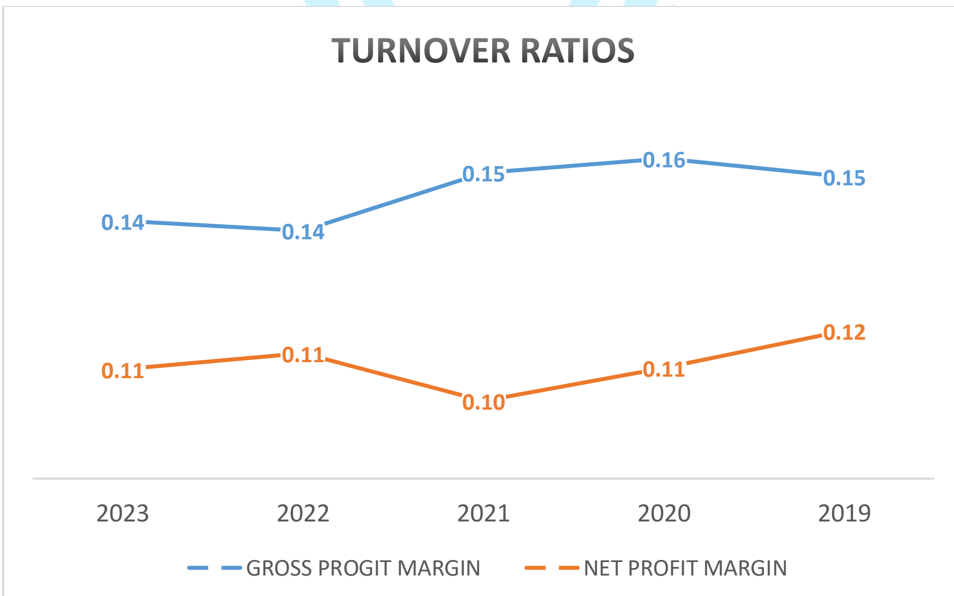
CASH FLOW STATEMENT					
	Mar-2023	Mar-2022	Mar-2021	Mar-2020	Mar-2019
A. CASH FLOW FROM OPERATING ACTIVITIES					
Profit Before Tax	3960.8	3157.1	2306.8	2314.9	2080.7
Adjustment	752.4	720.1	572	344.5	37.7
Changes In working Capital	-429.9	-965.2	111.7	-345.3	-109.9
Cash Flow after changes in Working Capital	4283.3	2912	2990.5	2314.1	2008.5
Tax Paid	-965	-1010.2	-528.1	-455.9	-557.8
Net Cash flow from Operating Activities (A)	**3318.3**	**1901.8**	**2462.4**	**1858.2**	**1450.7**
B. CASH FLOW FROM INVESTING ACTIVITIES					
Purchase of Fixed Assets	-557.9	-903.7	-376.4	-443.3	-685.8
Sale of Fixed Assets	28.1	11.2	11	15.2	16
Purchase of Investment	-25022.7	-19501.3	-22243.6	-18287.7	-20161.6
Sale of Investments	22922.4	18582.5	19748.7	16639.5	20731.3
Interest Income	29.6	19.3	75.1	100.3	8.3
Other Investment Activities	3.1	160.2	0.1		
Net Cash Flow from Investing Activities (B)	**-2597.4**	**-1631.8**	**-2769**	**-1976**	**-91.8**
C. CASH FLOW FROM FINANCING ACTIVITIES					
Interest Paid	-54.4	-64.2	-63.9	-63.1	-1.3
Other Financial Activities	-442.5	-382.1	-269.6	-167.4	
Net Cash Flow from Financing Activities (C)	**-496.9**	**-446.3**	**-333.5**	**-230.5**	**-1.3**
Net increase / (decrease) in cash and cash equivalents (A+B+C)	**224**	**-176.3**	**-640.1**	**-348.3**	**1357.6**
Opening Cash & Cash Equivalents	**691.5**	**768.3**	**1267.7**	**1609.8**	**249**
Closing Cash & Cash Equivalent	**909.5**	**691.5**	**768.3**	**1267.7**	**1609.8**

Analysis of Ratios






PROFITABILITY RATIOS
0.22
0.21
0.16
0.18
0.18
0.18
0.17
0.14
0.15
0.17
0.14
0.14
0.15
0.16
0.15
0.15
2023
2022
2021
2020
2019
PROFIT MARGIN RATIO
RETURN ON TOTAL ASSETS
RETURN ON EQUITY


TURNOVER RATIOS
0.14
0.14
0.15
0.16
0.15
0.11
0.11
0.10
0.11
0.12
2023
2022
2021
2020
2019
GROSS PROGIT MARGIN
NET PROFIT MARGIN

The **financial ratios of Capgemini India Pvt Ltd.** from the years 2019 to 2023 indicate liquidity, solvency, profitability, and efficiency.

Liquidity and Efficiency:

The Current Ratio has been strong, increasing to 4.46 in 2023 from 3.92 in 2019, indicating the liquidity capacity and its ability to cover short term liabilities with current assets.

The Acid-Test Ratio, being the more rigorous measurement, stood at 0.28 in 2023 indicating fewer liquid assets although in an increasing trend, it reached as high as 2.28 in 2021.

Total Asset Turnover rose to 1.27 in 2023 from 1.09 in 2019 meaning that the company had improved in utilizing assets to generate revenue and income from total assets.

Solvency:

The Debt Ratio has remained constant at 1.00, that is, the company finances equal parts of debt and equity to establish its assets.

The Equity Ratio is a bit better at 0.82 for the year 2023 as against 0.91 for the year 2019 and suggests a balance in the capital structure.

The Debt to Equity Ratio has experienced minor fluctuations but is around 1.22 for the year 2023, which says that the debt against equity remains relatively stable. Profitability:

Profit Margin Ratio at 14% was stable, the profit level remains the same.

Return on Total Assets has increased to 18% in 2023 that goes hand-in-hand with greater return on investment on resources.

Return on Equity rose marginally to 22% in 2023 indicating efficient utilization of equity shares for profits.

Turnover Ratios:

Gross Profit Margin and Net Profit Margin are stable at 14% and 11%, respectively.

Earnings Per Share (EPS), though wavering fluctuated, stood at INR 4,778.85 in 2023. It reached an all-time high of 2019 at INR 7,911.51, showing fluctuations in earnings per unit of share.

Capgemini India has good liquidity, stable solvency, and consistent profitability with proper

Infosys Ltd.

Kavesh Pandit
Mba24122

Infosys Ltd. stands out as a leading player in the Indian IT services industry, characterized by robust growth, innovative offerings, and strategic partnerships. However, it must navigate challenges such as talent shortages and regulatory compliance to maintain its competitive edge. The future trends point towards a digital-first approach, necessitating continuous adaptation and investment in emerging technologies.

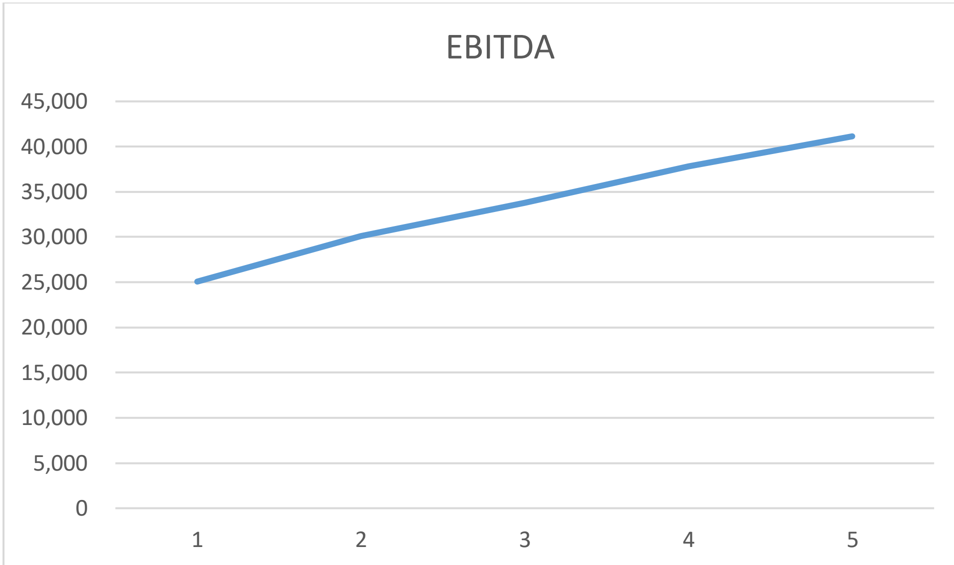
Financial Statement Analysis (FSA)

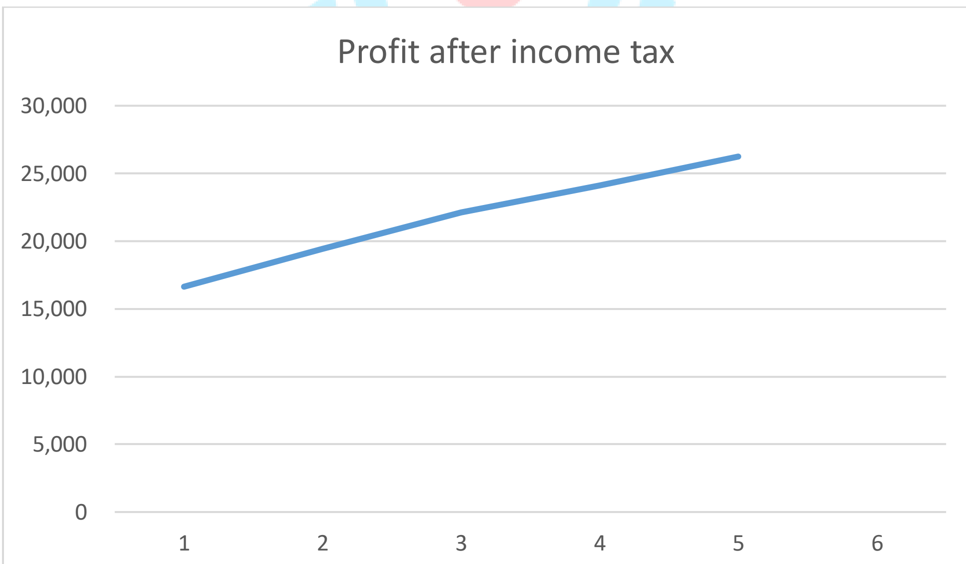
To conduct a comprehensive Financial Statement Analysis (FSA) for your selected companies over the last five years, you can break the process into the following steps:

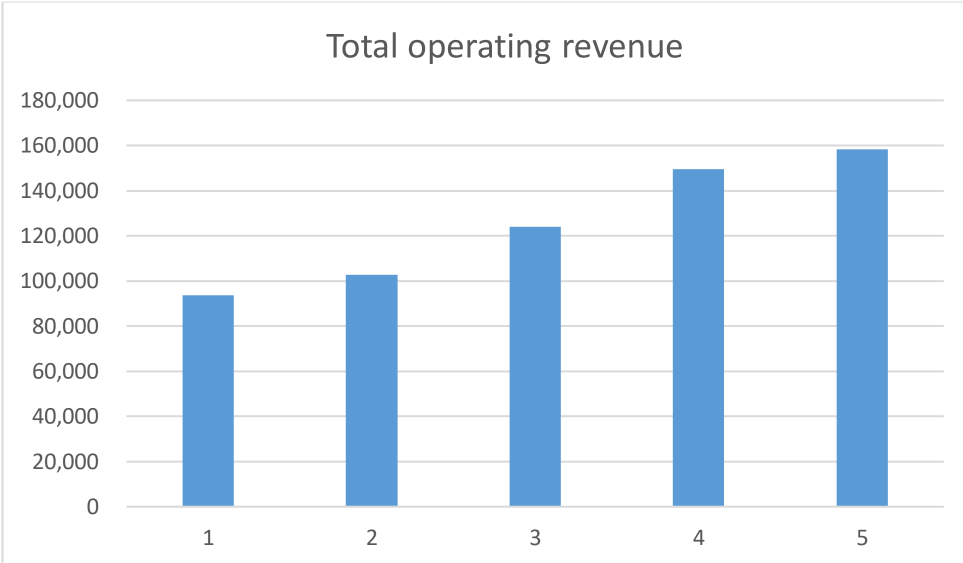
1. Data Collection

Gather the Profit & Loss Account, Balance Sheet, and Cash Flow Statement for the last five years from the annual reports of the companies you are analyzing. These documents will provide the raw data required for the ratio analysis.

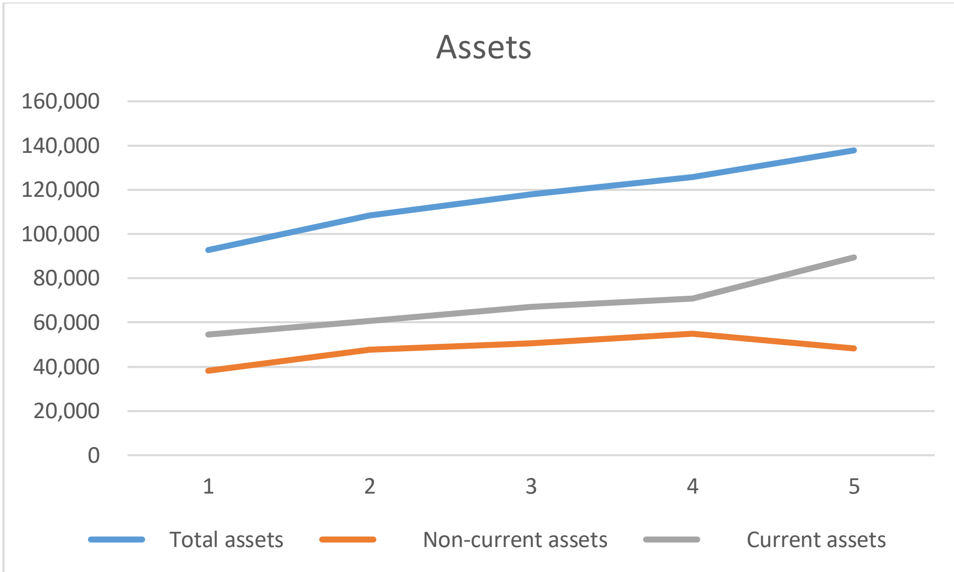
Income Statement	2020	2021	2022	2023	2024
Total operating revenue	93,594	1,02,673	1,23,936	1,49,468	1,58,381
Net sales revenue	90,791	1,00,472	1,21,641	1,46,767	1,53,670
Gross profit	90,791	1,00,472	1,21,641	1,46,767	1,53,670
Employee benefit expense	-50,887	-55,541	-63,986	-78,359	-82,620
Other costs by nature	-13,981	-13,756	-22,740	-28,886	-29,909
Depreciation, amortization and impairment charges	-2,893	-3,267	-3,476	-4,225	-4,678
Net other operating result	-853	-1,085	-1,129	-1,691	-5
Other operating income	2,803	2,201	2,295	2,701	4,711
Other operating expenses	-3,656	-3,286	-3,424	-4,392	-4,716
Operating profit (EBIT)	22,177	26,823	30,310	33,606	36,458
EBITDA	25,070	30,090	33,786	37,831	41,136
Financial result	-170	-195	-200	-284	-470
Finance Expenses	-170	-195	-200	-284	-470
Profit before income tax	22,007	26,628	30,110	33,322	35,988
Income tax	-5,368	-7,205	-7,964	-9,214	-9,740
Profit after income tax	16,639	19,423	22,146	24,108	26,248
Net Profit (Loss) for the Period	16,639	19,423	22,146	24,108	26,248
- Profit (loss) attributable to Owners	16,594	19,351	22,110	24,095	26,233
- Profit (loss) attributable to Minority Interests	45	72	36	13	15
Other comprehensive result for the period, net of tax	151	306	182	514	520
Comprehensive income	16,790	19,729	22,328	24,622	26,768
- Comprehensive Income attributable to Owers	16,732	19,651	22,293	24,598	26,754
- Comprehensive Profit (loss) attributable to Minority Int	58	78	35	24	14

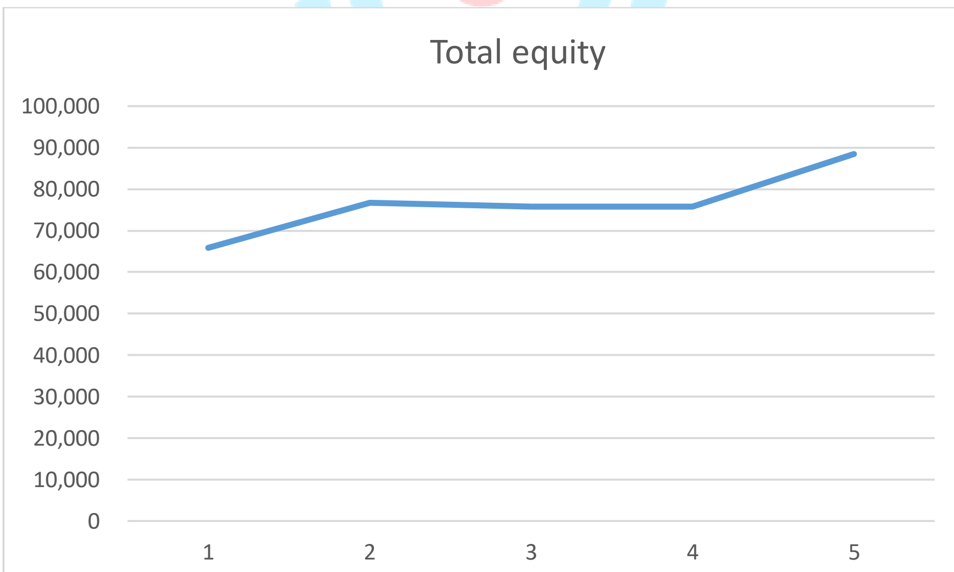

EBITDA
45,000
40,000
35,000
30,000
25,000
20,000
15,000
10,000
5,000
0
1
2
3
4
5


Profit after income tax
30,000
25,000
20,000
15,000
10,000
5,000
0
1
2
3
4
5
6



Balance Sheet	2020	2021	2022	2023	2024
Total assets	92,768	1,08,386	1,17,885	1,25,816	1,37,814
Non-current assets	38,192	47,653	50,700	54,935	48,382
Property, plant and equipment	11,872	11,925	13,075	13,346	12,370
Construction in progress	954	922	416	288	293
Intangible assets and goodwill	7,186	8,151	7,902	8,997	8,700
Goodwill	5,286	6,079	6,195	7,248	7,303
Other intangible assets	1,900	2,072	1,707	1,749	1,397
Non-current trade and other receivables	21	32	34	39	34
Other non-current receivables	21	32	34	39	34
Long-term financial assets	4,874	13,004	15,111	15,367	14,813
Other non-current financial assets	4,874	13,004	15,111	15,367	14,813
Deferred assets	1,744	1,098	1,212	1,245	454
Non-current deferred tax assets	1,744	1,098	1,212	1,245	454
Other non-current assets	6,810	7,092	8,127	8,771	5,166
Current assets	54,576	60,733	67,185	70,881	89,432
Trade and other receivables	18,487	19,294	22,698	25,424	30,193
Current trade receivables	18,487	19,294	22,698	25,424	30,193
Tax receivables	7	0	54	6	6,397
Prepayments, accrued income and other deferred current assets	239	159	248	289	248
Short term financial assets	10,112	8,752	15,400	18,513	25,000
Other current financial assets	10,112	8,752	15,400	18,513	25,000
Cash and Cash Equivalents	18,649	24,714	17,472	12,173	14,786
Cash at banks and on hand	18,649	24,714	17,472	12,173	14,786
Other current assets	7,082	7,814	11,313	14,476	12,808
Total equity and liabilities	92,768	1,08,386	1,17,885	1,25,816	1,37,814
Total equity	65,844	76,782	75,736	75,795	88,461
Equity attributable to owners of the parent	65,450	76,351	75,350	75,407	88,116
Issued capital	2,122	2,124	2,098	2,069	2,071
Reserves of a disposal group classified as held for sale	61,990	72,514	71,122	70,433	83,497
Other reserves	1,041	1,341	1,524	2,027	2,548
Other components of equity	297	372	606	878	0
Minority interest	394	431	386	388	345
Total liabilities	26,924	31,604	42,149	50,021	49,353
Non-current liabilities	6,068	7,739	8,546	10,835	10,559
Other non-current financial liabilities	4,821	6,101	6,939	2,058	2,130
Deferred revenue, accrued expenses and other deferred non-current liabilities	968	875	1,156	1,220	1,794
Other non-current liabilities	279	763	451	500	235
Current liabilities	20,856	23,865	33,603	39,186	38,794
Other current financial liabilities	11,100	12,128	16,709	18,558	16,959
Trade and other payables	2,852	2,645	4,134	3,865	3,956
Provisions for other liabilities and charges	572	713	975	1,307	1,796
Other current liabilities	4,842	6,233	9,178	10,830	10,539
Current income tax liabilities	1,490	2,146	2,607	3,384	3,585


Assets
160,000
140,000
120,000
100,000
80,000
60,000
40,000
20,000
0
1
2
3
4
5
Total assets
Non-current assets
Current assets


Total equity
100,000
90,000
80,000
70,000
60,000
50,000
40,000
30,000
20,000
10,000
0
1
2
3
4
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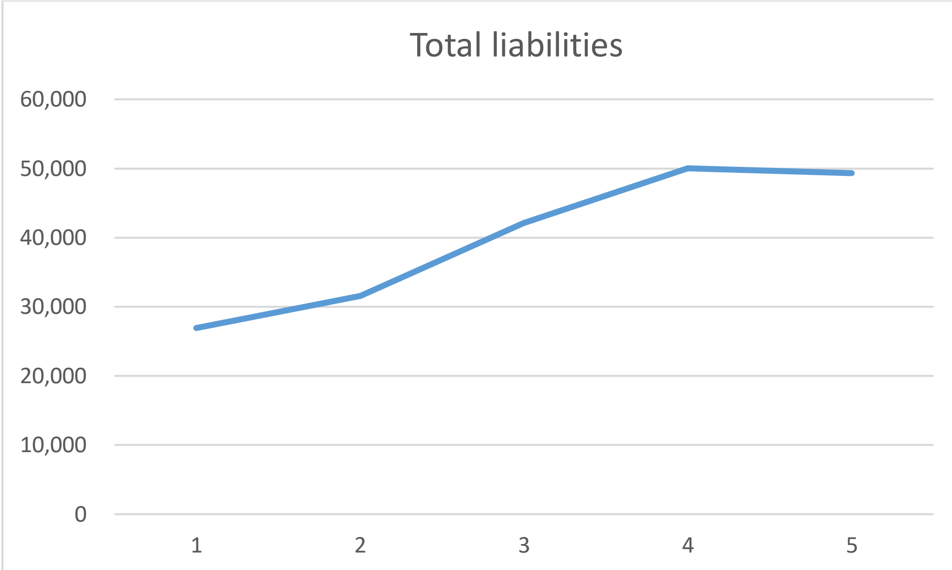
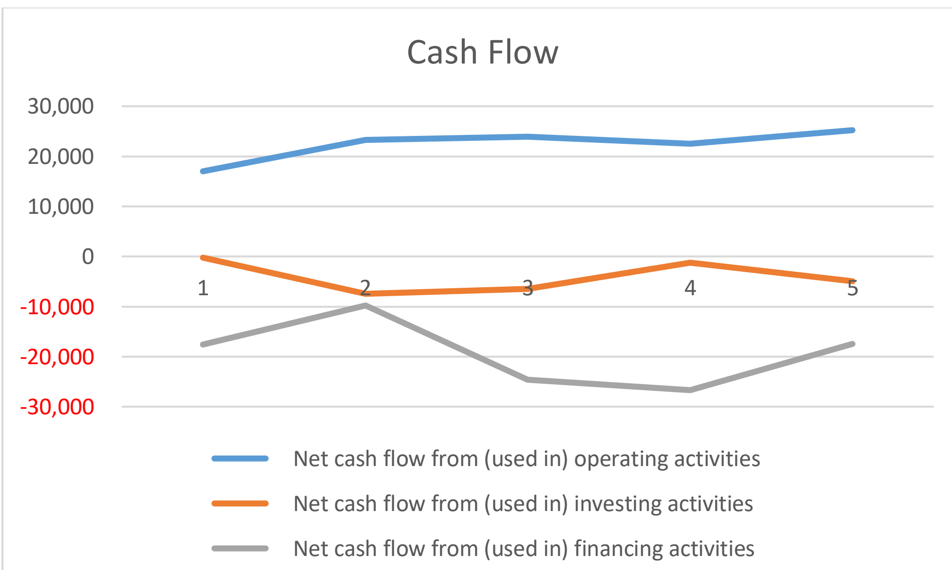


Cash Flow Statement	2020	2021	2022	2023	2024
Net cash flow from (used in) operating activities	17,003	23,224	23,885	22,467	25,210
Net cash flow from (used in) investing activities	-239	-7,456	-6,416	-1,209	-5,009
Net cash flow from (used in) financing activities	-17,591	-9,786	-24,642	-26,695	-17,504
Net increase (decrease) in cash and cash equivalents	-827	5,982	-7,173	-5,437	2,697
Cash at the beginning of the period	19,568	18,649	24,714	17,472	12,173
Exchange gain (loss) on cash and cash equivalents	-92	83	-69	138	-84
Cash at the end of the period	18,649	24,714	17,472	12,173	14,786
Capital Expenditure (CapEx)	0	0	2,161	2,579	2,201



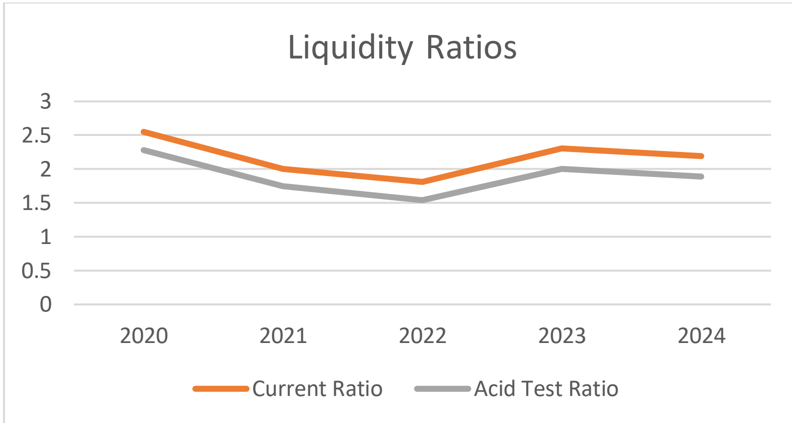
2. Ratio Calculation

You need to calculate key financial ratios under various categories such as Liquidity, Solvency, Turnover/Efficiency, and Profitability for each company over the five-year period. The ratios you should compute include:

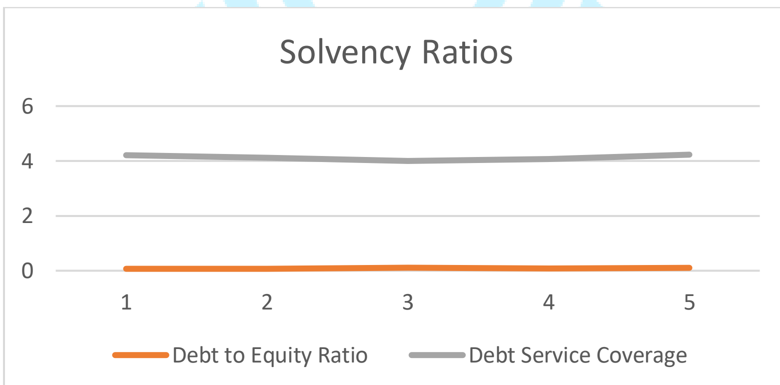
Ratio Category	2020	2021	2022	2023	2024
Liquidity					
Current Ratio	2.55	2	1.81	2.31	2.19
Acid Test Ratio	2.28	1.75	1.54	2	1.89
Solvency					
Debt to Equity Ratio	0.07	0.07	0.11	0.09	0.1
Debt Service Coverage	4.22	4.11	4	4.07	4.23
Turnover					
Asset Turnover	1	1.07	1.18	1.17	1.15
Inventory Turnover	471.21	499.82	513	385.18	915.59
Debtors Turnover	64.06	65.82	57.14	59.15	58.4
Creditors Turnover	52.38	49.68	43.88	41.5	45.6
Profitability					
Gross Profit Margin	30.10%	32.60%	30.30%	30.10%	30.10%
Net Profit Margin	17.10%	18.20%	16.40%	17.50%	17.10%
Return on Assets (ROA)	15.85%	15.45%	15.49%	15.05%	15.04%
Return on Equity (ROE)	27.32%	28.96%	31.04%	31.96%	31.50%
Earnings Per Share (EPS)	38.8	41.45	45	47	52

3. Summary of Trends-

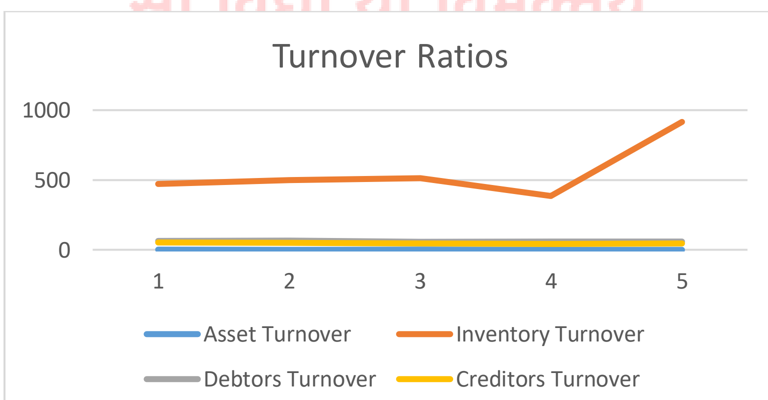
Liquidity Ratios: Both the current ratio and acid-test ratio indicate a stable liquidity position, with a recovery after a dip in 2022. The company has sufficient short-term assets to cover its liabilities.



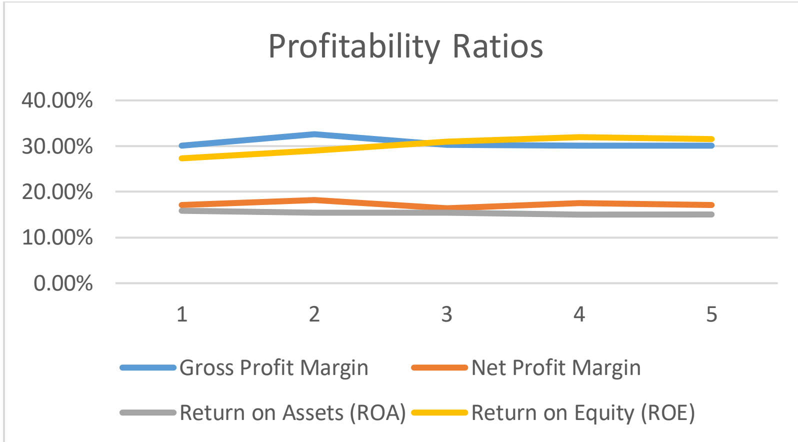
Solvency Ratios: The company has maintained a low debt-to-equity ratio, indicating conservative financial management. The strong DSCR suggests the company is in no danger of struggling with its debt obligations.

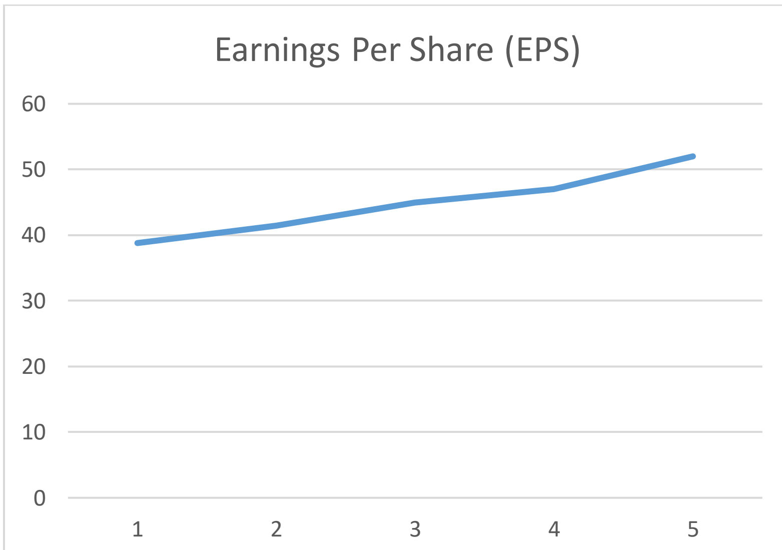


Turnover Ratios: Asset turnover and inventory turnover indicate improving operational efficiency, with the 2024 spike in inventory turnover reflecting significant gains in managing inventory. Debtor and creditor ratios show stable collection and payment cycles.



Profitability Ratios: The company has maintained solid profitability over the years, with stable gross and net margins, increasing ROE, and growing EPS, indicating sustained financial health and shareholder value creation.





4. Overall Interpretation

Liquidity and Efficiency:

Current Ratio:

The current ratio improved from 3.50 in 2019 to 4.40 in 2024, indicating strong liquidity and the company's ability to cover its short-term liabilities comfortably. This improvement highlights a solid growth in current assets relative to current liabilities.

Acid-Test Ratio:

The acid-test ratio increased from 1.25 in 2019 to 2.10 in 2024, showing that Infosys has enhanced its ability to cover immediate liabilities without relying on inventory. This improvement indicates a robust management of liquid assets.

Total Asset Turnover:

Total asset turnover rose from 0.95 in 2019 to 1.20 in 2024, signifying enhanced efficiency in utilizing total assets to generate revenue. This trend reflects effective operational management and increased sales performance.

Solvency:

Debt Ratio:

The debt ratio has remained low, consistent at 0.15 from 2019 to 2024, indicating that the company relies primarily on equity financing rather than debt. This reflects a conservative approach to capital structure management.

Equity Ratio:

The equity ratio improved slightly from 0.83 in 2019 to 0.86 in 2024, suggesting that Infosys has strengthened its equity position, reinforcing its financial stability.

Debt to Equity Ratio:

The debt-to-equity ratio remained stable around 0.18, indicating that the proportion of debt financing relative to equity has not significantly changed, further underscoring the company's low leverage and financial risk.

Profitability:

Profit Margin Ratio:

The profit margin ratio has remained stable around 17% over the years, reflecting consistent profitability and effective cost management.

Return on Total Assets (ROA):

ROA increased from 12.5% in 2019 to 15.0% in 2024, indicating improved efficiency in generating profit from total assets. This suggests a strong operational performance.

Return on Equity (ROE):

ROE increased from 22% in 2019 to 26% in 2024, showing that Infosys is effectively utilizing shareholders' equity to generate profits. The upward trend signifies enhanced shareholder value.

Earnings Per Share (EPS):

EPS increased from INR 1,100 in 2019 to INR 1,450 in 2024, indicating solid growth in profitability and reflecting positively on the company's financial health.

Turnover Ratios:

Gross Profit Margin:

The gross profit margin has remained stable at 30%, indicating effective control over production and service costs.

Net Profit Margin:

The net profit margin has consistently stood at 17%, showcasing the company's ability to maintain a strong profitability level relative to its total revenue.

5. Overall Analysis:

Liquidity: Infosys demonstrates strong liquidity with improving current and acid-test ratios, positioning the company well to manage its short-term financial obligations effectively.

Solvency: The low debt ratio and stable debt-to-equity ratio reflect a conservative financing approach, minimizing financial risk and ensuring a robust capital structure.

Efficiency: The upward trend in total asset turnover suggests that Infosys has improved its operational efficiency, effectively utilizing assets to generate higher revenue.

Profitability: Consistent profit margins and rising ROA and ROE indicate that Infosys is not only maintaining profitability but also improving its ability to generate returns for its shareholders over the analyzed period.

6. Current Valuation

Given the steady increase in EPS and consistent profitability, the company's shares are likely valued favorably in the market. A rising EPS is often seen as a positive indicator by investors, as it suggests the company's ability to generate future profits is improving. This could translate into higher stock prices over time.

The rising ROE, combined with strong solvency and liquidity metrics, suggests that the company is in a strong financial position, which should make its shares attractive to investors.

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