**COMPARATIVE STUDY ON THE FINANCIAL PERFORMANCE OF INFOSYS LIMITED AND TCS LIMITED**

***Dissertation submitted in partial fulfilment of requirement for the award of***

**Bachelor Degree In Commerce**

*Submitted By*

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**POST GRADUATE DEPARTMENT OF COMMERCE**

**(SELF FINANCING)2021-2024**



# CERTIFICATE

This is to certify that **MOHAMED ZAFFRAN, NANCY MARIYAM SAJU, NEETHU ANNA BOBY** are the sixth semester B.com students of this college. This dissertation entitled “**COMPARATIVE STUDY ON THE FINANCIAL PERFORMANCE OF INFOSYS LIMITED AND TCS LIMITED”** is submitted by them in partial fulfilment of requirement for the award of Bachelor Degree in Commerce.

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Date: Head, Department of Commerce (SF)

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Changanacherry



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# DECLARATION

We, hereby declare that this project entitled“**COMPARATIVE STUDY ON THE FINANCIAL PERFORMANCE OF INFOSYS LIMITED AND TCS LIMITED”** is a bona-fide record of work done by us under the guidance of **MRS. SHERIN PIUS**, Assistant Professor, St. Berchmans College, Changanacherryduring the academic year 2021-24 and it has not either or wholly or in part been submittedfor any degree or diploma course.

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**NANCY MARIYAM SAJU**

**NEETHU ANNA BOBY**

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Changanacherry **MOHAMED ZAFFRAN**

**NANCY MARIYAM SAJU**

**NEETHU ANNA BOBY**

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**CHAPTER 1**

**INTRODUCTION**

**INTRODUCTION**

The financial statements of TCS and Infosys, several key differences and similarities emerge. Both companies operate in the IT sector, providing services and solutions to clients globally, but their financial performance and strategies can vary. In terms of revenue, TCS has historically been larger than Infosys, with higher annual revenues and a broader client base. However, Infosys has been narrowing this gap in recent years, showing strong revenue growth and expanding its market presence. Profitability ratios such as net profit margin and return on equity may also differ between the two companies, reflecting their operational efficiency and management effectiveness. Overall, comparing the financial statements of TCS and Infosys provides insights into their competitive positioning, growth trajectories, and potential for value creation for investors. Tata Consultancy Services (TCS) and Infosys Limited are two prominent companies in the information technology (IT) sector, known for their global presence and technological innovations. Analyzing their financial statements provides a comprehensive understanding of their financial health, performance, and strategic direction.

Balance Sheet: The balance sheet presents a snapshot of a company's financial position at a specific point in time. It shows the company's assets, liabilities, and shareholders' equity. For TCS and Infosys, the balance sheet reflects their investments in technology, intellectual property, and human capital, which are critical for their operations and growth.

Income Statement: The income statement, also known as the profit and loss statement, details a company's revenues, expenses, and profits over a specific period. For TCS and Infosys, the income statement reflects their revenue streams from IT services, consulting, and digital solutions, as well as their operational expenses and profitability.

Statement of Cash Flows: The statement of cash flows shows how changes in balance sheet accounts and income affect cash and cash equivalents. It provides insights into a company's ability to generate cash and meet its financial obligations. For TCS and Infosys, this statement highlights their cash flow from operating, investing, and financing activities, reflecting their financial flexibility and liquidity.

**TATA CONSULTANCY SERVICES (TCS)**

Tata Consultancy Services Limited (TCS), initially started as Tata Computer Systems was founded in 1968 as a division of Tata Sons Limited. Tata Consultancy Services is an Indian multinational information technology (IT) services and consulting company headquartered in Mumbai. It is a part of the Tata Group and operates in 149 locations in 46 countries all across the globe. Tata Consultancy Services became a publicly listed company on August 2004. Tata Consultancy Services became the first India based IT services company to enter the bioinformatics market. It designed an ERP system for the Indian Railway Catering and Tourism Corporation. Tata Consultancy Services entered the small and medium enterprises market for the first time in 2011, with cloud-based offerings. Tata Consultancy Services surpassed Accenture briefly, in market capitalisation to become the world's most-valuable IT company with a market cap of $170 billion. Tata Consultancy Services became India's most valuable company, surpassing Reliance Industries with a market cap of ₹12.55 trillion. Tata Consultancy Services is also one of the largest job provider in India hiring 43,000 individuals in the 2021. TCS had a total of 50 subsidiary companies

and operated in 46 countries. It has operations across India, Asia, Europe, North America, South America. TCS is one of the largest private-sector employers in India and the fourth-largest employer among listed Indian companies after Indian Railways, Indian Army, and India Post. TCS has crossed more than 500,000 employees as of 2021.

**INFOSYS**

Infosys was founded by seven engineers in Pune, Maharashtra, India with an initial capital of $250, registered as Infosys Consultants Private Limited on 1981. Infosys Limited is an Indian multinational information technology company that provides business consulting, information technology and outsourcing services. The company was founded in Pune and is headquartered in Bangalore. Infosys became a publicly listed in June 1992. Infosys shares were listed on the Nasdaq stock exchange in 1999 as American depositary receipts becoming the first Indian company to be listed on Nasdaq. Infosys provides software development, maintenance and independent validation services to companies in finance, insurance, manufacturing and other domains. One of its known products of Infosys is Finacle which is a universal banking solution with various modules for retail and corporate banking. Infosys is the second-largest Indian IT company after Tata Consultancy Services by 2021 revenue figures and the 602nd largest public company in the world according to Forbes Global 2000 ranking. Infosys has 82 sales and marketing offices and 123 development centres across the world with major presence in India, United States, China, Australia, Japan, Middle East and Europe.

###### STATEMENT OF PROBLEM

###### Numerous studies have examined the financial performance of various industries. This study specifically focuses on analyzing and interpreting the financial performance of two of India's leading companies in the context of the IT industry's growth. The study is titled "Comparative Study on the Financial Performance of Infosys Limited and TCS Limited."

###### SCOPE OF STUDY

###### Studying the financial aspects of business alongside management theory is crucial, as it allows students to understand how theory translates into practice. By analyzing the financial statements of companies like TCS and Infosys, students can learn about profitability, financial position, and effective comparisons between firms. This practical application helps students grasp the connection between theory and execution, test theories in real-world scenarios, and compare management theories with actual practices.

**SIGNIFICANCE OF STUDY**

The significance of studying the evolving role of technology in enterprises and the changing landscape of IT services lies in understanding how businesses can leverage technology to achieve their strategic objectives. As technology becomes increasingly central to operations, enterprises seek partners who can provide not just IT services but also strategic insights and solutions tailored to their specific business needs. By studying this trend, we can gain insights into how companies can effectively integrate technology into their operations, improve efficiency, and drive innovation. Additionally, understanding the blurring boundaries between business needs and technology enablement can help businesses make informed decisions about their IT strategies and partnerships, ultimately leading to improved business outcomes.

**OBJECTIVE OF THE STUDY**

* Financial Performance Evaluation: Compare the revenue, profitability, and efficiency ratios of TCS and Infosys to assess their overall financial performance and efficiency in resource utilization.
* Risk Assessment: Evaluate the financial stability and risk levels of TCS and Infosys by analyzing their liquidity, solvency, and leverage ratios to understand their ability to meet short and long-term obligations.
* Growth Analysis: Compare the growth rates of TCS and Infosys in terms of revenue, profit, and market share to identify which company has shown stronger growth trends over time.
* Operational Efficiency: Assess the operational efficiency of TCS and Infosys by comparing their efficiency ratios such as asset turnover, inventory turnover, and receivables turnover to determine how effectively they are utilizing their assets and managing their operations.
* Investment Decision Making: Provide insights for investors and stakeholders to make informed investment decisions by comparing the financial strength, performance, and growth prospects of TCS and Infosys to determine which company offers better investment opportunities.

**RESEARCH METHODOLOGY**

* **NATURE OF STUDY**

This study aims to determine and evaluate financial performance over a five- year period of TCS and Infosys, from 2018-19 to 2022–23. The comparison of the company’s annual financial records is what the study focuses on.

* **NATURE AND SOURCES OF DATA**

Data was obtained from secondary sources to meet the study’s objectives, primarily from the annual report of the chosen company, journals, documents, searching the internet, and other published information. The study spans a five- year period, from 2018-19 to 2022-23. The data is analyzed using straightforward graphs and diagrams.

* **PERIOD OF STUDY**

The study was carried out between the academic year 2021-24.

* **ANALYTICAL TOOLS USED**

In this study, we analyze our data by employing ratio analysis, column charts, graphs, etc. The primary tool used in this analysis is ratio analysis.

**LIMITATION OF THE STUDY**

The financial statements are analyzed using ratio analysis only. Ratio analysis is the quantitative measurement of the performance of the business. It ignores qualitative aspect of the firm

As the study is based on secondary data, the inherent limitation of the secondary data would have affected the study.

**CHAPTERISATION**

a. CHAPTER 1: INTRODUCTION

b. CHAPTER 2: COMPANY PROFILE

c. CHAPTER 3: THEORETICAL FRAMEWORK

d. CHAPTER 4: ANALYSIS OF DATA

e. CHAPTER 5: FINDINGS, SUGGESTIONS & CONCLUSION

**CHAPTER 2**

**COMPANY PROFILE**

**INFOSYS**

INTRODUCTION

Infosys Limited (formerly Infosys Technologies Limited) is an Indian multinational corporation that provides business consulting, information technology and outsourcing services. It has its headquarters in Bengaluru, Karnataka, India. On 24August 2021, Infosys became the fourth Indian company to reach $100 billion in market capitalization. Infosys is the second-largest Indian IT company, after Tata Consultancy Services, by 2020 revenue figures, and the 602 and largest public company in the world, according to the Forbes Global 2000 ranking. History Infosys was established by seven engineers in Pune, India, with an initial capital of $250 in 1981. It was registered as Infosys Consultants Private Limited on 2 July 1981. In 1983, it relocated its office to Bengaluru, Karnataka, India. Name change: The Company changed its name to Infosys Technologies Private Limited in April 1992 and to Infosys Technologies Limited when it became a public limited company in June 1992. It was later renamed to Infosys Limited in June 2011. Share listing: An initial public offer (IPO) in February 1993 with an offer Price of 95 per share against book value of 20 per share was under subscribed but it was “bailed out” by US investment bank Morgan Stanley, which picked up 13% of equity at the offer price. Its shares were listed in stock exchanges in June 1993with trading opening at 145 per share. Its shares were listed on NASDAQ in 1999 through ADR route. The share pricesurged to 8,100 by 1999 making it the costliest share on the market at the time. At that time, Infosys was among the 20 biggest companies by market capitalization on the NASDAQ. The ADR listing was shifted from NASDAQ to NYSEEuro next to give its European investors better access to its stock.

Infosys, Bengaluru

Revenue growth: Its annual revenue touched US$100 million in 1999, USSI billion in 2004 and US$10 billion in 2017.Geographical expansion: In 2012, Infosys announced a new office in Milwaukee, Wisconsin, to serve Harley-Davidson, being the 18th international office in the United States. Infosys hired 1,200 United States employees in 2011, and expanded the workforce by an additional 2,000 employees in 2012. In April 2018 Infosys announced expanding in Indianapolis, Indiana. The development will include more than 120 acres and is expected to result in 3,000 new jobs-1,000 more than previously announced.

Product and portfolio expansion:

In July 2014, Infosys Started a product subsidiary called Edge-Verve Systems, focusing on enterprise software products for business operations, customer service, procurement and commerce network domains. In August 2015, the Finacle Global Banking Solutions assets were officially transferred from Infosys and became part of the product company Edge Verve Systems product portfolio.

Products and services

It provides software development, maintenance and independent validation services to companies in finance, Finacle-insurance, manufacturing and other domains. One of its known products is Finacle which is a universal banking solution with various modules for retail & corporate banking.

Its key products and services are:

“NIA-Next Generation Integrated AI Platform (formerly known as Mana)

\*Infosys Consulting-a global management consulting service

\*Infosys Information Platform (IIP) – Analytics platform

\*Edge Verve Systems which includes Finacle, a global banking platform

INFOSYS LEADERSHIP

Salil Parekh

Chief Executive Officer and Managing Director

Salil Parekh, as Chief Executive Officer and Managing Director, sets and evolves the strategic direction for the company and its portfolio of offerings, while nurturing a strong leadership team to drive its execution. Salil has nearly three decades of global experience in the IT services industry with a strong track record of driving digital transformation for enterprises, executing business turnarounds and managing successful acquisitions. He is a member of the National Council of the Confederation of Indian Industry (CII). Salil topped the IT services ranking in Brand Finance's Brand Guardianship Index (BGI) 2024 for the role of CEO as brand custodian and steward of long-term shareholder value.

Earlier, Salil was a member of the Group Executive Board at Capgemini, where he held several leadership positions for 25 years. He was responsible for overseeing a business cluster comprising Application Services (North America, UK, Asia), Cloud Infrastructure Services, and Sogeti (Technology & Engineering Services Division). He was responsible for the strategy and execution of these businesses - setting direction and enabling rapid client adoption. He was also the Chairman of Capgemini’s North America Executive Council. He was the architect of the North America growth and turnaround strategy, and was instrumental in setting up their offshoring capabilities.

Salil was also Partner at Ernst & Young and widely credited for bringing scale and value to the Indian operations of the consultancy firm.

Nandan M. Nilekani

Co-founder and Non-Executive Chairman of the Board

Nandan Nilekani is the Co-Founder and Chairman of Infosys Limited. He was the Founding Chairman of the Unique Identification Authority of India (UIDAI) in the rank of a Cabinet Minister from 2009- 2014. Nandan has co-founded and is the Chairman of EkStep Foundation, a not-for-profit effort to create a learner centric, technology based platform to improve basic literacy and numeracy for millions of children. In Jan 2023, he was appointed as the co- chair of the “G20 Task Force on Digital Public Infrastructure for Economic Transformation, Financial Inclusion and Development”.

Born in Bengaluru, Nilekani received his Bachelor’s degree from IIT, Bombay. Fortune Magazine conferred him with “Asia’s Businessman of the year 2003”. In 2005 he received the prestigious Joseph Schumpeter prize for innovative services in economy, economic sciences and politics. In 2006, he was awarded the Padma Bhushan. He was also named Businessman of the year by Forbes Asia. Time magazine listed him as one of the 100 most influential people in the world in 2006 & 2009. Foreign Policy magazine listed him as one of the Top 100 Global thinkers in 2010. In 2014, He won The Economist Social & Economic Innovation Award for his leadership of India’s Unique Identification initiative (Aadhaar). In 2017, he received the Lifetime Achievement Award from E & Y. CNBC- TV 18 conferred India Business leader award for outstanding contributor to the Indian Economy-2017 and he also received the 22nd Nikkei Asia Prize for Economic & Business Innovation 2017. He has been inducted as International Honorary Member of the American Academy of Arts and Sciences in 2019. Business Standard Annual awards 2022 conferred, “The Life Time Achievement Award”.

Kiran Mazumdar-Shaw

Lead Independent Director, Infosys

Kiran Mazumdar-Shaw is Chairperson and Managing Director of Biocon Limited, a biotechnology company based in Bangalore, India. Kiran is highly respected in the corporate world and has been named among TIME magazine’s 100 most influential people in the world. The Economic Times placed her at India Inc.’s top 10 most powerful women CEOs for the year 2012. Her pioneering efforts in biotechnology have drawn global recognition for both the Indian industry and Biocon. Kiran holds a bachelor’s degree in Zoology from Bangalore University, India, and is qualified as a Master Brewer from Ballarat University, Australia. She has also received many honorary doctorates in recognition of her pre-eminent contributions to the field of biotechnology.

**EMPLOYEES**

Infosys had a total of 259,619 employees as of 2021, out of which 38.6% were women. Out of its total workforce, 229,658 are software professionals and remaining 13,796 work for support and sales. In 2016, 89% of its employees were based in India. During the financial year 2019, Infosys received 2,333,420 applications from prospective employees, interviewed 180,225 candidates and had a gross addition of 94,324 employees, a 4% hiring rate. These numbers do not include its subsidiaries. In its Q3FY22 results in January, Infosys has reported that attrition has risen to 25.5%, from 20.1% in the September quarter. It has announced a profit of Rs 5,809 crore for the third quarter and said it is planning to hire 55,000 freshers for FY22 as part of its global graduate hiring program.

**INITIATIVES**

In 1996, Infosys established the Infosys Foundation, to support the underprivileged sections of society. At the outset, the Infosys Foundation implemented many programs in Karnataka. It subsequently covered Tamil Nadu, Telangana, Andhra Pradesh, Maharashtra, Odisha, and Punjab in a phased manner. A team at the foundation identifies all the programs in the areas of healthcare, education, culture, destitute care and rural development. The Infosys Foundation USA promotes science and math education in USA, with an emphasis on underrepresented students.

**Academic Entente**

Infosys’ Global Academic Relations team forges Academic Entente (ACE) with academic and partner institutions. It explores co-creation opportunities between Infosys and academia through case studies, student trips and speaking engagements. They also collaborate on technology, emerging economies, globalization, and research. Some initiatives include research collaborations, publications, conferences and speaking sessions, campus visits and campus hiring.

**Infosys Labs**

Infosys Labs is organized as a global network of research labs and innovation hubs. Infosys Labs collaborates with leading national and international universities such as the University of Southern California Viterbi School Of Engineering, University of Cambridge, Queens University of Belfast, University of Illinois at Urbana-Champaign, Indian Institute of Technology Bombay, IITB- Monash Research Academy, Indraprastha Institute of Information Technology, Delhi, Indian Institute of Science, Bangalore, Purdue University, Indian Institute of Information Technology, Bengaluru.

**Infosys Prize**

The Infosys Prize is an annual award given to scientists, researchers, engineers and social scientists connected to India. It is given by the Infosys Science Foundation, a non-profit trust which was set up in February 2009 by Infosys and some members of its Board. The prize is given under six categories. Each category includes a gold medallion, a citation certificate, and prize money of 6.5 million (US$90,000).

**Controversies**

Settlement of tax fraud in the US

In December 2019, the Attorney General of California, Xavier Becerra announced an $800,000 settlement against Infosys and its BPM (business process management) subsidiary. Close to 500 Infosys employees were working in the state on Infosys-sponsored B-1 visas instead of H-1B visas between 2006 and 2017, as per an official post available on the website of State of California. This misclassification resulted in Infosys avoiding California payroll taxes such as unemployment insurance, disability insurance, and employment training taxes.

Accusation of visa fraud in the US

In 2011, Infosys was accused of committing visa fraud by using B-1 (visitor) visas for work requiring H-1B (work) visas. The allegations were initially made by an American employee of Infosys in an internal complaint. He subsequently sued the company, claiming that he was harassed and sidelined after speaking out. Although that case was dismissed it, along with another similar case, brought the allegations to the notice of the US authorities – and the U.S. Department of Homeland Security and a federal grand jury started investigating. In October 2013, Infosys agreed to settle the civil suit with US authorities by paying US$34 million. Infosys refused to admit guilt and stressed that it only agreed to pay the fine to avoid the nuisance of “prolonged litigation”. In its statement, the company said “As reflected in the settlement, Infosys denies and disputes any claims of systemic visa fraud, misuse of visas for competitive advantage, or immigration abuse. Those claims are assertions that remain unproven”.

Malfunctioning income tax, GST and MCA portal

From 2016 onwards, after Infosys took over the contract from Tata Consultancy Services stakeholders complained about malfunctioning and low performance of portals multiple times. The Income Tax portal went down on the due date of multiple tax periods and taxpayers ended up paying late fees and penalties, and the government allowed the extension of due dates because of this. Chartered accountants and Company secretaries raised issues with MCA portal on due dates. Many companies became liable for additional fees and fines due to noncompliance. This issue is turning opposite to Ease of doing business initiatives of Government of India. CAs and Tax professionals raised concerns about the flawed GST portal and their inability to rectify these issues. Government faced severe criticism from CAs, CSs and other stakeholders for its continuous failure to take action against Infosys and alleged that public fund is being heavily mis-utilised.

**TCS**

**Introduction**

Tata Consultancy Services (TCS) is a multinational information technology (IT) services and consulting company headquartered in Mumbai, India. It was founded in 1968 and is a part of the Tata Group, one of India's largest conglomerates. TCS is known for providing a wide range of IT services, including software development, data analytics, cloud computing, and cybersecurity, to clients in various industries such as banking, finance, healthcare, and retail. With a presence in over 46 countries and a workforce of more than 500,000 employees, TCS is one of the largest IT services companies in the world, with a strong reputation for, quality, and customer satisfaction.

**HISTORY**

**1968-2005**

Tata Consultancy Services Limited, initially started as Tata Computer Systems , was founded in 1968 by a division of Tata Sons Limited. Its early contracts included punched card services to sister company TISCO (now Tata Steel), Working on an Inter-Branch Reconciliation System for the Central Bank of India, and providing bureau services to Unit Trust of India. In 1975, TCS delivered an electronic depository and trading system called SECOM for a Swiss company SIS SegaInter Settle; it also developed System X for the Canadian Depository System and automated the Johannesburg Stock Exchange. TCS associated with a Swiss partner, TKS Teknosoft, which it later acquired.

In 1980, TCS established India's first dedicated software research and development centre, the Tata Research Development and Design Centre (TRDDC) in Pune. In 1981, it established India's first client-dedicated offshore development centre , set up for clients Tandem. In 1993 TCS partnered with Canada-based software factory Integrity Software Corp, which TCS later acquired. In anticipation of the Y2K bug and the launch of a unified European currency (Euro), Tata Consultancy Services created the factory model for Y2K Conversion and developed software tools which automated the conversion process and enabled third-party developer and client implementation. Towards the end of 1999, TCS decided to offer Decision Support System (DSS) in the domestic market under its Corporate Vice President and Transformation Head Subbu Iyer. The company also registered its first tagline “Beyond the Obvious” in 1999.

**2005-2016**

On 25 August 2004, TCS became a publicly listed company.

In 2005, TCS became the first India-based IT services company to enter the bioinformatics market and in the same year TCS changed the tagline from "Beyond the Obvious" to "Experience Certainty". In 2006, it designed an ERP system for the Indian Railway Catering and Tourism Corporation. By 2008, its e-business activities were generating over US$500 million in annual revenues.

TCS entered the small and medium enterprises market for the first time in 2011, with cloud-based offerings. On the last trading day of 2011, it overtook RIL to achieve the highest market capitalization of any India-based company. In the 2011–12 fiscal year, TCS achieved annual revenues of over US$10 billion for the first time.

In May 2013, TCS was awarded a six-year contract worth over ₹11 billion (US$140 million) to provide services to the Indian Department of Posts.In 2013, the firm moved from the 13th position to 10th position in the League of top 10 global IT services companies and in July 2014, it became the first Indian company with over ₹5 trillion (equivalent to ₹8.0 trillion or US$100 billion in 2023) market capitalization.

In January 2015, TCS ended Reliance Industries Limited's 23-year run as India's most profitable firm.

**2017 to 2023**

In January 2017, the company announced a partnership with Aurus, a payments technology company, to deliver payment solutions for retailers using TCS Omni Store, a first of its kind unified store commerce platform. In the same year, TCS China was associated as a joint venture with the Chinese government. In March 2018, Tata Sons sold stocks of TCS worth $1.25 billion in a bulk deal. TCS received the 2019 American Business Awards from Four Stevies.

On 8 October 2020, TCS surpassed Accenture in market capitalization to become the world's most-valuable IT company with a market capitalization of $144.73 billion. On 25 January 2021, TCS again surpassed Accenture briefly, in market capitalization to become the world's most-valuable IT company with a market cap of $170 billion. The same day, TCS became India's most valuable company, surpassing Reliance Industries with a market capitalization of ₹12.55 trillion (equivalent to ₹14 trillion or US$180 billion in 2023).In 2021 Tata was also one of the largest job provider in India hiring 43,000 individuals in H1 FY22. In October 2021, N Ganapathy Subramaniam, the COO of TCS, stated that its platforms and products business is worth approximately $3 billion. The company's platforms and products business includes TCS' SaaS-based platforms, and according to Subramaniam, between October 2020 and October 2021, 95% of the deals won by TCS have been for its cloud platforms and SaaS platforms.[55] Also, in 2021 TCS got a millennial makeover. Under the leadership of Rajashree R, TCS Chief Marketing Officer (CMO), the company changed the tagline from "Experience Certainty" to "Building on Belief".

In May 2021, alongside consortium partner Neurotechnology, TCS was selected by the Unique Identification Authority of India (UIDAI) to provide biometric technology for the Aadhaar digital ID program. The Aadhaar program has been described by the World Bank Chief Economist Paul Romer as the "most sophisticated ID programme in the world" owing to the existing database of over 1.3 billion citizens.

**SHARE LISTING**

TCS is listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange of India (NSE). Its ticker symbol on both exchanges is "TCS". As of March 2023, TCS has a market capitalization of over USD 200 billion, making it one of the most valuable companies in India. TCS has a total of 4,426,654,175 outstanding shares as of March 2023. The company has a relatively low public float, with only around 27% of its shares available for trading on the stock exchanges. The remaining shares are held by the company's promoters, institutional investors, and other investors. TCS shares have historically performed well on the Indian stock exchanges, with consistent growth in both the company's revenues and profits. The company has a reputation for strong management and a track record of delivering quality services to its clients. TCS also pays dividends to its shareholders on a regular basis. In the year 2021-22, TCS paid a total dividend of INR 67 per share, which translates to a dividend yield of around 0.5%. Investors who are interested in investing in TCS shares can do so through their stockbroker or through online trading platforms. The company's shares are highly liquid, with millions of shares being traded on a daily basis.

In brief, TCS is one of the largest and most successful IT services companies in the world, with a strong track record of growth and profitability. Its shares are listed on the BSE and NSE, and can be purchased by investors through their stockbroker or online trading platforms.

**SERVICES OFFERED**

Tata Consultancy Services (TCS) is a global leader in IT services, consulting, and business solutions. It is part of the Tata Group, which is one of the largest conglomerates in India with businesses in various sectors like steel, automobiles, energy, and more. TCS is headquartered in Mumbai, India, and operates in over 46 countries worldwide. The company has a diverse portfolio of clients from various industries, including banking and financial services, retail, healthcare, manufacturing, and more.

TCS has several sub-groups that operate in various domains and provide specialized services. These sub-groups are: Banking, Financial Services and Insurance (BFSI) - This subgroup focuses on providing IT solutions to banks, insurance companies, and other financial institutions. It offers services such as core banking, wealth management, insurance, and regulatory compliance solutions.

Retail and Consumer Packaged Goods (CPG) - This subgroup provides IT Solutions to retail and CPG companies. It offers services such as merchandising, supply chain management, and customer relationship management.

Communications, Media, and Technology (CMT) - This subgroup focuses on providing IT solutions to companies in the communication, media, and technology industries. It offers services such as digital transformation, customer experience management, and network optimization.

Life Sciences and Healthcare (LSH) - This sub-group provides IT solutions to companies in the life sciences and healthcare industries. It offers services such as drug development, clinical trials, and healthcare analytics.

Manufacturing - This sub-group provides IT solutions to companies in the manufacturing industry. It offers services such as supply chain management, plant automation, and product lifecycle management.

Energy, Resources, and Utilities (ERU) - This sub-group provides IT solutions to companies in the energy, resources, and utilities industries. It offers services such as smart grid management, energy trading, and sustainability solutions.

Each of these sub-groups has its own set of specialized services and solutions, which are tailored to the specific needs of the industry they serve. TCS also has several centres of excellence, which focus on specific technologies and domains. These centres of excellence include the Digital Reimagination Studio, the AI and Cognitive Computing Centre, the Cyber Security Centre, and more. These centres of excellence help TCS stay at the forefront of technology and offer innovative solutions to its clients.

TCS has a strong focus on innovation and has been consistently ranked as one of the top IT services companies in the world. It invests heavily in research and development and has a large team of researchers and engineers working on cutting edge technologies such as artificial intelligence, machine learning, and blockchain. TCS also has a strong commitment to sustainability and has set ambitious goals to reduce its carbon footprint and promote sustainable practices.

In addition to its core IT services, TCS also offers consulting services to help its clients with business strategy, organizational design, and digital transformation. It has a large team of consultants who work closely with clients to understand their needs and provide customized solutions.

In brief, TCS is a global leader in IT services, consulting, and business solutions. Its groups and centres of excellence provide specialized services to clients in various industries, and its focus on innovation and sustainability helps it stay ahead of the curve. With its strong commitment to customer satisfaction and its talented team of engineers, researchers, and consultants, TCS is well-positioned to continue its growth and success in the years to come.

**CONTRAVERSIES**

On 14 February 2006, US law firm Lieff Cabraser filed a nationwide class action lawsuit against Tata. In July 2013, judge Claudia Wilken of the US District Court, Northern District of California in Oakland, California, granted final approval to the settlement of the lawsuit on behalf of all non-US citizens employed by TCS within the state of California from 14 February 2002 to 30 June 2005. The workers claimed that they were forced to sign over their federal and state tax refunds to their employer, as well as stating their Indian salaries were wrongfully deducted from their US pay. On 22 February 2013, the company agreed to settle for a sum of ₹1.62 billion (equivalent to ₹2.8 billion or US$34 million in 2023), this class-action suit filed in a United States court on payment to employees on deputation. A US grand jury has slapped two companies of India's Tata Group – Tata Consultancy Services and Tata America International Corp – with a US$940 million fine in a trade secret lawsuit filed against them. Epic Systems had accused TCS and Tata America International Corp, in a lawsuit filed in October 2014 in US District Court in Madison, which was amended in January and December 2015, of "brazenly stealing the trade secrets, confidential information, documents and data" belonging to Epic. This Epic Systems lawsuit against TCS was completed in November 2023 with TCS agreeing to pay US$125M.

In 2019, an employee filed a complaint with the Kancheepuram labour court alleging that Tata Consultancy Services' internal complaints committee mishandled a sexual harassment case, and the case was approved. Over four years later the worker's case has not progressed, with the worker accusing the company of holding up investigations. Over the years she has also reported unexplained transfers and other alleged workplace retribution, including in performance reviews.

On 20 October 2023, Tata failed to deliver digital exams to candidates applying to the University of Oxford. Some sources state that due to inadequate preparation, a technical glitch caused the exams to be delayed by more than 2 hours, and even completely cancelled in some cases.

**WORK FORCE**

Tata Consultancy Services a leading global IT services, consulting and business solutions organization, announced the launch of TCS Workforce Analytics, an AI-based unified system of engagement, insights and foresight for employees, managers and CXOs, designed to enhance productivity and workforce experience.

The new solution is designed to help enterprise deal with the talent management challenges of the digital era. Digital transformation calls for a new kinds of talent, with diverse skillsets and capabilities, which traditional recruitment methods are ill-suited to assess. The challenge is made worse by the large-scale shift to remote working and virtual interactions, requiring the adoption of new ways of keeping employees positively engaged, motivated and productive. Tata Consultancy Services is an IT services, consulting and business solutions organization that has been partnering with many of the world’s largest businesses in their transformation journeys for over 50 years. TCS offers a consulting-led, cognitive powered, integrated portfolio of business, technology and engineering services and solutions. This is delivered through its unique Location Independent Agile tm delivery model, recognized as a benchmark of excellence in software development.

A part of the Tata group, India's largest multinational business group, TCS has over 453,000 of the world’s best-trained consultants in 46 countries. The company generated consolidated revenues of US $22 billion in the fiscal year ended March 31, 2020, and is listed on the BSE (formerly Bombay Stock Exchange) and the NSE (National Stock Exchange) in India. TCS' proactive stance on climate change and award-winning work with communities across the world have earned it a place in leading sustainability indices such as the Dow Jones Sustainability Index (DJSI), MSCI Global Sustainability Index and the FTSE4Good Emerging Index. For more information

**TOP MANAGEMENT**

N Chandrasekaran

N Chandrasekaran is chairman of Tata Sons. He was Chief operating officer (COO)and executive director of Tata Consultancy Services (TCS), where in 2009, he became Chief executive officer (CEO). He was also the chairman of Tata Motors and Tata Global Beverages (TGB). He received a bachelor's degree in Applied Sciences from the Coimbatore Institute of Technology in Tamil Nadu. He earned his Master of Computer Applications (MCA) from the National Institute of Technology, Tiruchirappalli, in Tamil Nadu.

Aarthi Subramanian

Ms Aarthi Subramanian is the Group Chief Digital Officer at Tata Sons Limited reporting to the Group Executive Chairman. At TCS, Aarthi Subramanian was an Executive Director and Global Head of Delivery Excellence, Governance & Compliance.

She holds a B-Tech in Computer Science from National Institute of Technology, Warangal (India) and a Master’s degree in Engineering Management from University of Kansas.

O P Bhatt

Om Prakash Bhatt is an Indian banker and was the Chairman of State Bank of India till 31 March 2011 Presently, he is independent director on the board of the highest profit earning 'Maharatna' Central Public Sector Enterprise - Oil and Natural Gas Corporation Ltd (ONGC), Tata Steel Ltd and also Hindustan Unilever Ltd. (HUL). On 25th November 2016 he was made chairman of TATA Steel

Dr Pradeep Kumar Khosla

Dr Pradeep Kumar Khosla is an electrical and computer engineer. He is the eighth Chancellor of the University of California, San Diego, and also serves as the professor in the Department of Electrical and Computer Engineering and Computer Science and Engineering. He is an Independent director at Tata Consultancy services.

Hanne Birgitte Breinbjerg Sorensen

Hanne Birgitte Breinbjerg Sorensen is a Danish national, and holds an MSc in Economics and Management from the University of Aarhus. She is presently on the Board of Directors and Committees of various companies, viz., Tata Motors Ltd., Jaguar Land Rover Automotive PLC, Delhivery Private Ltd., Ferrovial S.A., Lafargeholcim Limited and Sulzer Ltd.

Keki M Mistry

Keki M. Mistry is the vice chairman and CEO of Housing Development Finance Corporation (HDFC). He is also on the Board of Torrent Power Ltd., CDC Group (London) and Greatship (India) Ltd. He is a Member of Primary Market Advisory committee (PMAC) constituted by Securities and Exchange Board of India (SEBI).He is an Independent Non Executive Director at TCS.

Don Callahan

Don Callahan serves as Independent Non-Executive Director of the Company. He was the Chief Administrative Officer and Head of Operations and Technology at Citigroup and was a member of Citi’s Operating Committee until November 2018. He also held senior level positions in IBM Japan, Morgan Stanley and Credit Suisse.

Rajesh Gopinathan

Rajesh Gopinathan is the Chief Executive Officer and Managing Director of Tata Consultancy Services (TCS). He was appointed as Chief Financial Officer of the company in February 2013.

N Ganapathy Subramaniam

N Ganapathy Subramaniam serves as Chief Operating Officer, Non-Independent, Executive Director of the Company. Prior to taking over the COO’s role he served as the Executive Vice President and Head of TCS Financial Solutions.

**ACHIEVEMENTS**

1.Forbes World's Best Employers 2021 - TCS was ranked among the top 100 companies in the world for its employee satisfaction and overall work culture.

2.Brand Finance Global 500 2021 - TCS was ranked as the world's third-strongest IT services brand, with a brand value of over $15 billion.

3.IDC Market Scape Worldwide Cloud Professional Services 2021 - TCS was named a leader in cloud professional services for the third year in a row.

4.Everest Group PEAK Matrix Top 20 IT Service Providers 2021 - TCS ranked among the top 3 IT service providers in the world, based on its capabilities and market impact.

5.Gartner Magic Quadrant for Application Services, Worldwide 2021 - TCS was recognized as a leader in application services, based on its ability to execute and completeness of vision.

6.Global Sourcing Association (GSA) Awards 2021 - TCS won the

"Excellence in transformation" award for its innovative use of technology in transforming business processes.

**CHAPTER 3**

**THEORETICAL FRAMEWORK**

**FINANCIAL PERFORMANCE**

Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. The term is also used as a general measure of a firm's overall financial health over a given period. They are formal records of the financial activities and position of a business, person, or other entity. Relevant financial information is presented in a structured manner and in a form which is easy to understand.

**FINANCIAL PERFORMANCE ANALYSIS**

Financial performance analysis is a verdict on a company’s financial health and success. It is crucial for businesses since it assesses their financial well-being. Additionally, it supports them with in-depth insights into their revenue, expenses, assets, liabilities, and cash flow to make informed business decisions. Furthermore, regularly conducting financial performance analysis empowers companies to achieve their strategic goals more consistently than their peers. Financial performance analysis refers to the process of evaluating a company’s financial statements and other relevant data to assess its overall financial health and performance. Conducted by financial analysts, investors, and other financial professionals, this process is highly effective in analysing financial data and generating meaningful insights.

Here are some of the important aspects that financial performance analysis looks into in detail.

* **Working Capital:**It is determined by calculating the difference between a company’s current assets and liabilities
* **Financial Structure:** It refers to the combination of equity and other investment options provided by the company

**Analyzing Activities:**The analysis includes evaluating business activities such as costing, pricing, and accounting.

Why Financial Performance Analysis Important?

Financial performance analysis offers multiple benefits to stakeholders, including investors, creditors, and managers. Here are some of the important benefits of financial performance analysis.

* **Assess the Financial Health of a Business**

Financial performance analysis considers various financial ratios such as profitability, liquidity, solvency, and efficiency. In addition, stakeholders such as investors, creditors, and suppliers use this information to make informed decisions about their investments or business relationships with the company.

* **Identify Areas for Improvement**

Using this advanced technique, companies can identify areas where they can improve their financial performance. For example, if a company is experiencing low profitability, financial analysis can help identify the causes and suggest ways to improve them.

* **Monitor Performance**

It provides the ongoing monitoring of a company’s financial performance to identify trends and potential problems and make timely adjustments to strategies and operations.

* **Communicate Financial Information**

Companies can use financial performance analysis to communicate complex financial information understandably to stakeholders. This can help build trust and confidence in the company’s financial management and decision-making.

How do Financial Statements Help in Financial Performance Analysis?

Financial statements provide valuable information for financial performance analysis. Three main financial statements are used: the income statement, balance sheet, and cash flow statement.

Income Statement

This shows a company’s revenue and expenses over a specific period. By analysing the income statement, the company can determine its profitability and assess its ability to generate income.

Balance Sheet

The balance sheet provides a snapshot of a company’s financial position at a specific point in time. That is to say, it shows a company’s assets, liabilities, and equity. Analysing the balance sheet helps companies evaluate their liquidity, solvency, and financial stability.

Cash Flow Statement

The cash flow statement shows a company’s inflows and outflows of cash over a period. In other words, evaluating the cash flow statement allows companies to assess their ability to generate cash and manage their cash flows.

**Types of Financial Analysis**

There are two types of financial analysis: fundamental analysis and technical analysis.

Fundamental Analysis

Fundamental analysis uses ratios gathered from data within the financial statements, such as a company's [earnings per share](https://www.investopedia.com/terms/b/basic-earnings-per-share.asp) (EPS), in order to determine the business's value. Using ratio analysis in addition to a thorough review of economic and financial situations surrounding the company, the analyst is able to arrive at an [intrinsic value](https://www.investopedia.com/terms/i/intrinsicvalue.asp) for the security. The end goal is to arrive at a number that an investor can compare with a security's current price in order to see whether the security is undervalued or overvalued.

Technical Analysis

Technical analysis uses statistical trends gathered from trading activity, such as [moving averages](https://www.investopedia.com/terms/m/movingaverage.asp) (MA). Essentially, technical analysis assumes that a security’s price already reflects all publicly available information and instead focuses on the [statistical analysis of price movements](https://www.investopedia.com/ask/answers/05/logvslinear.asp). Technical analysis attempts to understand the market sentiment behind price trends by looking for patterns and trends rather than analysing a security’s fundamental attributes.

**Horizontal vs. Vertical Analysis**

When reviewing a company's financial statements, two common types of financial analysis are [horizontal analysis](https://www.investopedia.com/terms/h/horizontalanalysis.asp) and [vertical analysis](https://www.investopedia.com/terms/v/vertical_analysis.asp). Both use the same set of data, though each analytical approach is different.

Horizontal analysis entails selecting several years of comparable financial data. One year is selected as the baseline, often the oldest. Then, each account for each subsequent year is compared to this baseline, creating a percentage that easily identifies which accounts are growing (hopefully revenue) and which accounts are shrinking (hopefully expenses).

Vertical analysis entails choosing a specific line item benchmark, then seeing how every other component on a financial statement compares to that benchmark. Most often, net sales is used as the benchmark. A company would then compare cost of goods sold, gross profit, operating profit, or net income as a percentage to this benchmark. Companies can then track how the percent changes over time.

**Techniques of financial analysis**

The most commonly used techniques of financial analysis are as follows

(I) Comparative statements:

These are the statements showing the profitability and financial position of a firm for different periods of time in a comparative form to give an idea about the position of two or more periods. The financial data will be comparative only when same accounting principles are used in preparing these statements. Comparative figures indicate the trend and direction of financial position and operating results. This analysis is also known as 'horizontal analysis'.  
  
(II) Common Size Statements:

These are the statements which indicate the relationship of different items of a financial statement with some common item by expressing each item as a percentage of the common item. The percentage thus calculated can be easily compared with the results corresponding percentages of the previous year or of some other firms, as the numbers are brought to common base. Such statements also allow an analyst to compare the operating and financing characteristics of two companies of different sizes in the same industry. This is also known as verticalanalysis.

(III) Trend Analysis:

It is a technique of studying the operational results and financial position over a series of years. Using the previous years' data of a business enterprise, trend analysis can be done to observe the percentage changes over time in the selected data. Trend analysis is important because, with its long run view, it may point to basic changes in the nature of the business. By looking at a trend in a particular ratio, one may find whether the ratio is falling rising or remaining relatively constant. From this observation, a problem is detected or the sign of good management is found.

(IV) Cash Flow Analysis:

It refers to the analysis of actual movement of cash into and out of an organisation. The flow of cash into the business is called as cash inflow or positive cash flow and the flow cash out of the firm is called as cash outflow or a negative cash flow. The difference between the inflow and outflow of cash is the net cash flow.

(IV) Ratio Analysis:

It describes the significant relationship which exists between various items of a balance sheet and a profit and loss account of a firm. As a technique of financial analysis, accounting ratios measure the comparative significance of the individual items of the income and position statements. Ratio methods of financial analysis are used to compare one financial component against another and reveal a general upward or downward trend. Once the ratio is calculated, it can be compared against the previous period to analyse if the company’s performance is in accord with set expectations. It helps management highlight any deviation from set expectations and take corrective measures.

Financial Ratios Used for Financial Performance Analysis

Various financial ratios are used to evaluate financial performance. These include:

1. Liquidity Ratio

The Liquid Ratio, also known as the Quick or Acid Test Ratio, is a stringent measure of a company's liquidity compared to the Current Ratio. Liquidity refers to the firm's ability to meet short-term obligations promptly. It represents the relationship between liquid assets and current liabilities. Liquid assets exclude inventories and prepaid expenses, and sometimes bank overdrafts are excluded from current liabilities. A high liquid ratio indicates strong liquidity and the ability to meet current or liquid liabilities on time, whereas a low ratio suggests poor liquidity. As a rule of thumb, a liquidity ratio of 1:1 is considered satisfactory, indicating that quick assets are equal to current liabilities, implying the company's capability to meet short-term obligations. The formula to calculate the Liquid Ratio is: Liquid Ratio = Liquid Assets / Current Liabilities (excluding Bank Overdraft)

Additionally, the Absolute Liquid Ratio measures extreme liquidity, comparing cash and marketable securities to current liabilities. It assesses the company's ability to repay current liabilities using only cash and cash equivalents.

The Cash Ratio formula is:

Cash Ratio = (Cash + Cash Equivalents) / Current Liabilities.

B. Profitability Ratio

Profitability ratios assess a firm's ability to earn profits on sales, assets, and equity, making them crucial for investors in determining the attractiveness of investing in company shares. They measure a company's operating efficiency, including its ability to generate income and cash flow, which in turn affects its ability to obtain debt and equity financing. Here are some key profitability ratios:

1. Net Profit Ratio:

• Shows the relationship between net profit after tax and net sales.

• Indicates the efficient management of the business.

• Also known as net profit margin when expressed in percentage form.

• Calculated as;

Net profit ratio= Net Profit / Net Sales \* 100.

2. Gross Profit Ratio:

• Indicates the relationship between gross profit and total net sales revenue.

• Evaluates the operational performance of the business.

• Higher ratios are generally considered better, indicating higher operational efficiency.

• Calculated as;

Gross Profit Ratio = Gross Profit / Net Sales \*100

3. Operating Ratio:

• Also known as operating cost ratio or operating expense ratio.

• Shows the proportion of operating expenses to net sales.

• Measures operational efficiency and management effectiveness.

• A low ratio indicates higher operating profit and efficient cost management.

Calculated as;

Operating Ratio = (Cost of Goods Sold + Operating Expense) /Net Sales \*100.

4. Return On Capital Employed (ROCE):

• Assesses a company's profitability and capital efficiency.

• Indicates how well a company generates profits from its capital.

• Used by financial managers, stakeholders, and investors for investment analysis

• Calculated as;

ROCE = Earnings Before Interest and Taxes (EBIT) / Capital Employed \*100.

5. Return On Net Worth (RONW):

• Denotes the profit-earning capacity of the company on the shareholder's invested amount.

• Provides insights into the company's profitability from the shareholders' perspective.

• Calculated as;

RONW= Profit After Tax / Net Worth \*100.

C. Activity Ratio

Activity ratios, also known as turnover ratios, gauge a firm's efficiency in generating revenues by converting production into cash or sales. These ratios are crucial in understanding how frequently assets are converted into cash or sales and are often analyzed alongside liquidity ratios. Here are some key activity ratios:

1. Stock Turnover Ratio:

• Evaluates the liquidity of a company's inventory by measuring how many times inventory is sold and replaced during a specific period.

• A high ratio indicates fast-moving inventory, while a low ratio may suggest slow-moving or obsolete inventory.

• Calculated as;

Stock turnover ratio = Cost of Goods Sold /Average Stock.

2. Debtors Turnover Ratio:

• Also known as Receivable Turnover Ratio.

• Measures how many times receivables are collected during a particular period.

• Calculated as;

Debtors Turnover Ratio = Net Credit Sales / Average Account Receivables.

3. Creditors Turnover Ratio:

• Also known as Accounts Payable Turnover Ratio.

• Indicates the number of times, on average, accounts payable are paid during a period.

• Calculated as;

Creditors Turnover Ratio = Net Credit Purchases / Average Accounts Payable.

4. Total Asset Turnover Ratio:

• Measures the efficiency with which assets are utilized by a company.

• Reflects how effectively assets generate sales revenue.

• Calculated as;

Total Assets Turnover Ratio = Net Sales / Average Total Assets

5. Working Capital Turnover Ratio:

• Shows the company's efficiency in generating sales revenue using total working capital available. Calculated as;

Working Capital Turnover Ratio = Net Sales / Average Working Capital.

These activity ratios provide insights into how efficiently a company manages its resources and operations to generate revenue and cash flow, contributing to a comprehensive analysis of a company's financial performance.

D. Solvency Ratio

Solvency ratios play a crucial role in assessing a company's ability to meet its financial obligations. Solvency depends on the profitability of the business. If the business is not profitable in the long run, it will not be able to meet its debts. Here are some key solvency ratios:

1. Total Assets to Debt Ratio:

• Shows the relationship between total assets and total debt.

• Measures the proportion of a firm's total assets financed by long-term debts.

• Long-term debts include debentures, bonds, and loans from financial institutions.

• A high ratio indicates a large degree of security to lenders for extending long-term loans.

• Formula;

Total Assets to debt ratio= Total assets / Total debt

2. Proprietary Ratio:

• Indicates the proportion of total assets financed by shareholders' funds.

• Provides insight into the solvency and financial stability of the firm in the long run.

• Formula;

Proprietary Ratio = Shareholders Funds / Total Assets.

3. Interest-Coverage Ratio:

• Reflects the number of times a company's interest charges are covered by its earnings before interest and taxes (EBIT).

• Indicates the firm's ability to meet its debt service costs out of current earnings.

• Formula;

Interest coverage ratio = Earnings before Interest and Tax / Fixed Interest Charges.

These solvency ratios help investors, creditors, and analysts evaluate a company's ability to manage its debt obligations and maintain financial stability over the long term.

E. Investors Ratio

Investors ratios focus on providing insights into the returns and dividends earned by shareholders in relation to the market price of equity shares. Here are some key investors ratios:

1. Earnings Per Share (EPS):

• Measures the amount of net income attributable to each outstanding share of common stock.

• Represents the profitability of the company on a per-share basis.

• Higher EPS figures are generally considered better.

• Formula;

Earnings per Share = (Profit after Tax and Preference Dividend) / Number of Equity Shares.

2. Price Earnings Ratio (P/E Ratio):

• Indicates how many times the earnings per share are covered by the current market price of an ordinary share.

• Provides insight into the investor sentiment towards the company.

• A higher P/E ratio suggests a stronger market position.

• Formula:

Price Earnings Ratio = Market Price per Equity Shares / Earnings per Share.

3. Dividend Yield Ratio:

• Measures the annual value of dividends received relative to the market value per share of a security.

• Indicates the return on investment from dividends.

• Higher dividend yield ratios may be attractive to income-seeking investors.

• Formula:

Dividend Yield Ratio = Dividend per Share / Market Price per Share.

4. Dividend Payout Ratio (DPR):

• Defines the relationship between the dividends paid by a company and its net earnings across a specific period.

• Represented as a percentage.

• Reveals the portion of earnings distributed to shareholders as dividends.

• Formula:

Dividend Payout Ratio = Dividend per Share / EPS.

These investors ratios are crucial for shareholders and potential investors to assess the profitability, returns, and dividend policy of a company, aiding in investment decision-making.

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## **CHAPTER 4**

**DATA ANALYSIS &**

**INTERPRETATION**

LIQUIDITY RATIOS

#### CURRENT RATIO

Current Ratio=Current Assets/Current Liabilities

**INFOSYS**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Year | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| CURRENT ASSET | 55,914 | 60,065 | 65,390 | 70,566 | 70,881 |
| CURRENT LIABLITY | 18,638 | 20,856 | 23,865 | 33,603 | 37306 |
| CURRENT RATIO | 3.00 | 2.88 | 2.74 | 2.10 | 1.90 |

(Table: 1)

TCS

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Year | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| CURRENT ASSET | 31,580 | 44,108 | 60,796 | 83,431 | 1,23,704 |
| CURRENT LIABLITY | 22,084 | 27,060 | 34,155 | 42,351 | 43,558 |
| CURRENT RATIO | 1.43 | 1.63 | 1.78 | 1.97 | 2.84 |

(Table: 1)

( figure: 1)

The current Ratio is used to measure the short term solvency .Generally the accepted current ratio is 2:1.From the table it is clear that Infosys is in a steady position to meet all their current liabilities except in 2022-2023 . TCS on the other hand has adequate current asset during the last 5 financial period . So as comparison TCS is in a more stable position than INFOSYS.

#### QUICK RATIO

##### QUICK RATIO=QUICK ASSETS/CURRENT LIABILITIES

(EXCLUDING BANK OD)

INFOSYS

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Year | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| QUICK ASSET | 52931 | 54642 | 60617 | 67206 | 67523 |
| CURRENLIABLITY | 18638 | 20856 | 23865 | 33603 | 37306 |
| QUICK RATIO | 2.84 | 2.62 | 2.54 | 2.00 | 1.81 |

(Table: 2)

TCS

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Year | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| QUICK ASSET | 92090 | 90109 | 99391 | 108418 | 110201 |
| CURRENLIABLITY | 22084 | 27060 | 34155 | 42351 | 43558 |
| QUICK RATIO | 4.17 | 3.33 | 2.91 | 2.56 | 2.53 |

(figure:2)

The quick ratio is much more conservative measures of short term liquidity than current ratio. The idle quick ratio is 1:1.Here both companies are in a suitable position. While comparing both the companies quick ratio of TCS is in more suitable position than Infosys .

PROFITABILITY RATIO

### Net profit ratio

#### Net profit ratio = Net profit/net salesX100

INFOYS

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| YEAR | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| NET SALES | 73107 | 79059 | 85943 | 103940 | 124029 |
| NET PROFIT | 14702 | 15543 | 18048 | 21,235 | 23,268 |
| NET PROFIT RATIO | 20.11 | 19.66 | 21 | 20.43 | 18.76 |

TCS

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| YEAR | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| NET SALES | 129352 | 128097 | 143003 | 55598 | 71100 |
| NET PROFIT | 31562 | 32447 | 32562 | 13238 | 14604 |
| NET PROFIT RATIO | 24.40 | 25.33 | 22.77 | 23.81 | 20.54 |

Net profit ratio means the relationship between the net profit and the sales of the business. it finds the proportion of revenue that finds the ways into the profit. A higher net profit will ensure positive returns of the business. When we compare both companies both have close and almost similar net profit in past 5 years.

##### GROSS PROFIT RATIO

GROSS PROFIT RATIO = GROSS PROFIT / NET SALES X 100

INFOSYS

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| YEAR | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| GROSS PROFIT | 24366 | 26333 | 29769 | 32180 | 37853 |
| NET SALES | 73107 | 79057 | 85943 | 103940 | 124029 |
| GROSS PROFIT RATIO | 33.33 | 33.31 | 34.76 | 30.96 | 30.52 |

TCS

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| YEAR | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| GROSS PROFIT | 58208 | 56362 | 61491 | 24073 | 30288 |
| NET SALES | 129352 | 128097 | 143003 | 55598 | 71100 |
| GROSS PROFIT RATIO | 45.0 | 44.0 | 43.2 | 43.3 | 42.6 |

Gross profit depends on the relationship between price/sales, volume and cost. A high profit margin is a favorable sign of management. When we compare both the companies TCS is in a better position than Infosys in past 5 years.

##### RETURN ON CAPITAL EMPLOYED

Return on capital employed = EBIT/CAPITAL EMPLOYED x100

INFOSYS

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| YEAR | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| EBIT | 21041 | 22177 | 26823 | 30310 | 33606 |
| CAPITAL EMPLOYED | 66104 | 71909 | 84508 | 84288 | 86635 |
| ROC | 31.83 | 30.84 | 31.74 | 35.96 | 38.79 |

TCS

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| YEAR | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| EBIT | 41761 | 43172 | 44397 | 52471 | 57686 |
| CAPITAL EMPLOYED | 106908 | 96538 | 107265 | 106044 | 109919 |
| ROC | 38.10 | 44.72 | 41.39 | 49.48 | 52.48 |

TCS provide more returns to the shareholders. Comparing these two companies investors are advised to make more investment TCS than Infosys. So, during the whole period TCS has more return on capital than Infosys .

##### RETURN ON NET WORTH

RETURN ON NETWORTH = PROFIT AFTER TAX / NETWORTH \* 100

INFOSYS

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| YEAR | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| PROFIT AFTER TAX | 16100 | 15410 | 16639 | 19423 | 22146 |
| NET WORTH | 67903 | 60788 | 65662 | 66199 | 69314 |
| RETURN ON NET WORTH | 23.71 | 25.35 | 25.34 | 29.34 | 31.95 |

TCS

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| YEAR | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| PROFIT AFTER TAX | 30065 | 33260 | 30960 | 38187 | 39106 |
| NET WORTH | 78910 | 74373 | 74800 | 77176 | 74516 |
| RETURN ON NET WORTH | 38.10 | 44.72 | 41.39 | 49.48 | 52.48 |

Return on net worth is the companies ability to generate more profit with lesser capital . From the analysis of both the companies have an increasing RoNW but TCS has a better result when we compare it with Infosys.

##### OPERATING PROFIT RATIO

OPERATING PROFIT RATIO = OPERATING PROFIT / NET SALES X 100

INFOSYS

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| YEAR | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| OPERATING PROFIT | 18605 | 19148 | 22792 | 25714 | 28092 |
| NET SALES | 73107 | 79059 | 85943 | 103940 | 124029 |
| OPR | 25.45 | 24.22 | 26.52 | 24.74 | 22.65 |

TCS

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| YEAR | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| OPERATING PROFIT | 32894 | 30730 | 36451 | 13821 | 17106 |
| NET SALES | 129352 | 128097 | 143003 | 55598 | 71100 |
| OPR | 25.43 | 23.99 | 25.49 | 24.86 | 24.06 |

Operating profit ratio measures the percentage of each sale in rupees that remain after the payment of all cost and expenses except for interest and taxes. During the whole period of study TCS has a better operating profit ratio compared with Infosys.

### ACTIVITY RATIO

#### TOTAL ASSETS TURNOVER RATIO

TOTAL ASSETS TURNOVER RATIO = NET SALES/TOTAL ASSETS

INFOSYS

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| YEAR | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| NET SALES | 73107 | 79059 | 85943 | 103940 | 124029 |
| TOTAL ASSETS | 71673 | 76018 | 85091 | 95357 | 101663 |
| TOTAL ASSET TURNOVER | 1.02 | 1.04 | 1.01 | 1.09 | 1.22 |

TCS

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| YEAR | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| NET SALES | 129352 | 128097 | 143003 | 55598 | 71100 |
| TOTAL ASSETS | 95111 | 94188 | 106718 | 38343 | 43888 |
| TOTAL ASSET TURNOVER  RATIO | 1.36 | 1.36 | 1.34 | 1.45 | 1.62 |

##### Total assets turn over ratio indicate how much revenue a company has earned

based on its total assets .From the study it is that TCS has a better total asset turnover.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **WORKING CAPITAL TURNOVER RATIO**  WORKING CAPITAL TURNOVER=NET SALES/WORKING CAPITAL  INFOSYS   |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | | YEAR | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | | NET SALES | 73107 | 79059 | 85943 | 103940 | 124029 | | WORKING CAPITAL | 30334 | 29389 | 31480 | 28172 | 28911 | | WORKING CAPITAL TURNOVER RATIO | 2.41 | 2.69 | 2.73 | 3.62 | 4.63 |   TCS   |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | | YEAR | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | | NET SALES | 129352 | 128097 | 143003 | 55598 | 71100 | | WORKING CAPITAL | 61890 | 51652 | 56747 | 19105 | 21035 | | WORKING CAPITAL TURNOVER RATIO | 2.09 | 2.48 | 2.52 | 2.91 | 3.38 | |

both the companies TCS manage its total assets effectively far better than Infosys

Working capital turnover ratio is the ratio between the net revenue or turnover of a business and its working capital used by the organization. From the study conducted it's clear that Infosys has a higher working capital turn over ratio so Infosys uses its working capital wisely than TCS as higher the working capital turn over ratio better the performance.

#### SOLVENCY RATIO

**PROPRIETORY RATIO**

Proprietary Ratio = Shareholders' Funds/ Total Assets

INFOSYS

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| YEAR | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| SHAREHOLDERS FUND | 58628 | 56685 | 60584 | 67703 | 65572 |
| TOTAL ASSET | 71673 | 76018 | 85091 | 95357 | 101663 |
| PROPREITORY RATIO | 0.818 | 0.772 | 0.712 | 0.710 | 0.645 |

TCS

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| YEAR | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| SHAREHOLDERS FUND | 95111 | 94188 | 106718 | 38343 | 43756 |
| TOTAL ASSET | 95111 | 94188 | 106718 | 38343 | 43888 |
| PROPREITORY RATIO | 1 | 1 | 1 | 1 | 0.997 |

Proprietary ratio is useful for determining the amount or contribution of shareholders or proprietors towards the total assets of the business. From the study it’s clear that TCS has a steady and higher proprietary ratio than infosys.

So TCS is in a better position than Infosys.

##### INTREST COVERAGE RATIO

Interest coverage Ratio = Earnings before Interest and Tax / fixed Interest charges

INFOSYS

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| YEAR | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| EBIT | 21041 | 22177 | 26823 | 30310 | 33606 |
| FIXED INTEREST CHARGES | - | 170 | 195 | 179 | 252.2 |
| INTEREST COVERAGE RATIO | **-** | 130.45 | 137.55 | 168.93 | 133.21 |

TCS

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| YEAR | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| EBIT | 41761 | 43172 | 44397 | 52471 | 57686 |
| FIXED INTEREST CHARGES | 198 | 924 | 569 | 720 | 716 |
| INTEREST COVERAGE RATIO | 210.91 | 46.72 | 77.99 | 72.80 | 80.50 |

The interest coverage ratio is a debt and profitability ratio used to determine how easily a company can pay interest on its outstanding debt. From the study its clear that infosys and TCS has a favorable interest coverage ratio but when we compare both the companies infosy has a better and healthier interest coverage ratio in past 3 years than TCS

### INVESTORS RATIO

#### EARNINGS PER SHARE

Earnings per Share = Profit after Tax and Preference Dividend/ Number of equity share

INFOSYS

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| YEAR | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| PROFIT AFTER TAX | 16100 | 15410 | 16639 | 19423 | 22146 |
| NUMBER OF EQUITY SHARE | 454 | 395 | 364 | 369 | 384 |
| EPS | 35.44 | 38.97 | 45.61 | 52.52 | 57.63 |

TCS

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| YEAR | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| PROFIT AFTER TAX | 30065 | 33260 | 30960 | 38187 | 39106 |
| NUMBER OF EQUITY SHARE | 378 | 375 | 374 | 369 | 365 |
| EPS | 79.34 | 88.64 | 82.78 | 103.24 | 106.88 |

EPS ratio is useful for investors before investing. When we compare both the companies TCS give more dividend to its shareholders compared Infosys.

**PRICE EARNINGS RATIO**

Price Earnings Ratio=Market Price per Equity Share/Earnings per Share

INFOSYS

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| YEAR | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| MPS | 740 | 637 | 1369 | 1577 | 1413 |
| EPS | 35.44 | 38.97 | 45.61 | 52.52 | 57.63 |
| PE RATIO | 20.89 | 16.36 | 30.03 | 36.16 | 24.52 |

TCS

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| YEAR | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| MPS | 1891 | 1873 | 3000 | 3685 | 2975 |
| EPS | 79.34 | 88.64 | 82.78 | 103.24 | 106.88 |
| PE RATIO | 23.84 | 21.14 | 36.25 | 35.70 | 27.84 |

#### Dividend Yield Ratio

Dividend Yield Ratio = dividend per share / market price per share

INFOSYS

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| YEAR | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| DIVIDEND PER SHARE | 2146 | 1739 | 2696 | 2570 | 1639 |
| MPS | 740 | 637 | 1369 | 1577 | 1413 |
| DIVIDEND PAYOUT RATIO | 2.90 | 2.73 | 1.97 | 1.63 | 1.16 |

TCS

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| YEAR | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| DIVIDEND PER SHARE | 2533 | 6686 | 3690 | 4827 | 10531 |
| MPS | 1891 | 1873 | 3000 | 3685 | 2975 |
| DIVIDEND PAYOUT RATIO | 1.34 | 3.57 | 1.23 | 1.31 | 3.54 |

Dividend yield ratio measures the quantum of cash dividend paid out to shareholders relative to the market value per share . 2%-6% is considered as idle dividend yield ratio. From the investors point of view TCS has a better payout ratio compared to Infosys as investors get more dividend compare to there investment in Infosys.

#### DIVIDEND PAYOUT RATIO

##### DPR = DIVIDEND PER SHARE / EPS

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| YEAR | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| DIVIDEND PER SHARE | 2146 | 1739 | 2696 | 2570 | 1639 |
| EPS | 35.44 | 38.97 | 45.61 | 52.52 | 57.63 |
| DIVIDEND PAYOUT  RATIO | 94.28 | 49.37 | 44.90 | 59.19 | 59.02 |

**TCS**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| YEAR | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| DIVIDEND PER SHARE | 2533 | 6686 | 3690 | 4827 | 10531 |
| EPS | 79.34 | 88.64 | 82.78 | 103.24 | 106.88 |
| DIVIDEND PAYOUT  RATIO | 33.54 | 95.89 | 34.04 | 34.87 | 105.73 |

Dividend payout ratio is used to compare dividend paid in relation with net earnings. From the companies point of view it’s clear that TCS has given lesser dividend to its shareholders and has maintained a major portion of its back

**CHAPTER 5**

**FINDINGS, SUGGESTIONS & CONCLUSIONS**

**FINDINGS**

Based on the analysis of liquidity, activity, solvency, investor's, and profitability ratios for Infosys and TCS, here are some findings:

1. Liquidity Ratio:

• Both Infosys and TCS have favourable current ratios, indicating their ability to meet short-term obligations.

• The quick ratio and absolute liquid ratios are above standards for both companies, indicating a significant margin of safety to pay off debts. This reflects positively on their financial health.

2. Activity Ratio:

• TCS demonstrates a better total asset turnover ratio, indicating efficient utilization of assets. Infosys, however, excels in working capital turnover, showcasing its ability to use working capital wisely. Both companies should continue monitoring asset utilization to optimize efficiency.

3. Solvency Ratio:

• TCS has a better proprietary ratio, suggesting a higher contribution from shareholders to total assets. Infosys, on the other hand, has an efficient interest coverage ratio, indicating its ability to repay interest on outstanding debts. Both companies should maintain a balance between debt and equity financing to ensure long-term solvency.

4. Investor's Ratio:

• The proprietary ratio of TCS indicates a higher contribution from shareholders to total assets, which may be viewed positively by investors. Infosys' efficient interest ratio reflects its capability to repay interest on outstanding debts, enhancing investor confidence. Both companies should strive to maintain shareholder trust and effectively manage debt obligations.

5. Profitability Ratio:

• While Infosys has a better gross profit ratio, TCS excels in net profit ratio, return on capital employed, and return on net worth. This suggests that TCS has a more efficient cost and operational system. Infosys should focus on improving cost management and operational efficiency to enhance profitability.

**SUGGESTIONS**

Overall, both Infosys and TCS exhibit strengths and areas for improvement across various financial ratios. Continuous monitoring, analysis, and strategic decision-making based on these ratios can help both companies enhance their financial performance and shareholder value. To compare the financial statements of TCS and Infosys, focus on key metrics like revenue growth, profitability margins, liquidity ratios, debt levels, and efficiency ratios. Analyze revenue growth trends over multiple periods to gauge each company's market traction. Compare net profit margins and return on equity to assess profitability efficiency. Evaluate liquidity ratios such as the current ratio and quick ratio to determine short-term liquidity positions. Examine debt levels and interest coverage ratios to understand each company's leverage and ability to service debt. Additionally, analyze efficiency ratios like asset turnover and inventory turnover to assess operational efficiency. Comparing these metrics will provide a comprehensive view of how TCS and Infosys are performing relative to each other in various financial aspects.

**CONCLUSION**

The IT industry, with companies like Infosys and TCS at the forefront, has indeed played a pivotal role in shaping the global economy. Their contributions extend beyond financial success, making a tangible impact on societies, economies, and industries worldwide.

Utilizing ratio analysis to assess the financial performance and position of TCS and Infosys over the past five years (FY 2018-2019 to 2022-2023) is indeed a valuable approach. Ratio analysis enables stakeholders to gain insights into various aspects of a company's financial health, including liquidity, profitability, solvency, and efficiency. By conducting a comprehensive analysis of TCS and Infosys using ratio analysis, stakeholders can gain a holistic understanding of the companies' financial performance, identify areas of strength and weakness, and make informed decisions regarding investment, lending, or strategic partnerships.

Additionally, comparing the financial ratios of TCS and Infosys can offer valuable insights into their competitive positioning within the IT industry and their ability to create long-term shareholder value.

Based on the comparative study conducted between TCS and Infosys, it appears that each company has its own strengths and areas of excellence, contributing to their overall financial soundness in the IT industry. Overall, the analysis indicates that both TCS and Infosys are well-positioned and financially sound in the IT industry. While Infosys excels in liquidity, TCS stands out in profitability. However, both companies demonstrate comparable operational efficiency, investment appeal, and financial stability, making them strong contenders in the competitive IT sector. These findings provide valuable insights into the current position and performance of both firms, aiding stakeholders in making informed decisions regarding investment or partnership opportunities.

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**WESBSITES**

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**APPENDIX**



**BALANCE SHEET OF TCS**



**PROFIT AND LOSS ACCOUNT OF INFOSYS** 

**BALANCE SHEET OF INFOSYS**