

Comparative Study to Choose Better Option for Investment between Tata Consultancy Services (TCS) Vs Tata Elxsi

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Abstract

1. ABSTRACT

Performance of overall finance of business can be measured by using the historical data related to finance and the future soundness and health of the company. Finance is important aspect of business need to check in determining that a company and organization is how much capable, stable, liquid and solvent. For the purpose of checking company specific performance a researcher, study its financial statement and income statement.

2. INTRODUCTION

Analysis of finance is a course of action that the major performance indicator in term of liquidity, profitability and furthermore efficiency of business operations of an organization can be assessed. To check the problems and investment opportunities, ratio analysis has been added as techniques. Indian economy is emerging from the slow moving economy to the fast moving by having its innovative entrepreneurs and meeting international demands of technology and business services. In today's India every types of business or non-business transactions or tasks such as income tax return, e-ticketing and passport servicing, is being done through internet. IT industry played a key role in putting India at international level and has been a most significant growth contributor for the Indian economy. IT is the important determinant of the progress of nation's communities and individuals and it is a powerful tool enables for developing countries.

Infosys Limited is one of the biggest and the second largest company in Indian IT industry and it has offices in 22 countries by 2016 revenues and development centres in India, Japan, China, UK, Australia and Canada and headquarter is situated at Bangalore in India. Infosys Technologies Ltd. make and delivers technology-enabled solutions of business to the its clients internationally. It provides a range of solutions to its international customers and a broad area of organizations. Further, Infosys introduced many services such as IT, consulting, services, BPO and engineering.

Infosys got a rank among world's five best performing organizations or companies in term of software and services by Forbes magazine in April 2009, rated amongst the "50 most innovative companies" by business week and was placed at 15th number in term of largest IT services provider worldwide by HFS research according to 2013 ranking. The company has been voted India's most appreciated company in the wall street journal Asia and its has well renowned clients such as Accenture, IBM, US navy, US army and the New York city board of education.

TCS was founded by the Tata group, a large company, in 1986, a major subsidiary and the oldest IT service firm in India. TCS is now placed among the big four most valuable IT services brand worldwide. It is the world's 10th largest IT services provider, measured by revenues. Since its listing on August 25, 2004 now contributes more than 61% to the group's market cap in comparison with only 33% before five years according to a report given by economic time's bureau on July, 2013. TCS has strengthened its presence in Japan with local associates, new customer relationship and a partner with shared strategic vision common values. Its potential clients are CISCO, VODAFONE, SBI, BRITISH TELECOM, TATA McGraw hill, CITIBANK, WALMART, NOKIA and many more.

3. OBJECTIVES OF THE STUDY

1. To understand the future performance of the companies.
2. To compare Revenue, Profitability and Earnings of the company.
3. To analyse and compare financial performance of Infosys Limited and TCS

4. BUSINESS OVERVIEW

A) Tata Consultancy Services

Tata Consultancy Services Ltd is a leading global IT services consulting and business solutions organization offering transformational as well as outsourcing services to global enterprises. It has a global presence deep domain expertise in multiple industry verticals and a complete portfolio of services consisting of consulting and service integration application services digital transformation services cloud services engineering services cognitive business operations and products & platforms - targeting every C-suite stakeholder. The Company uses all these and its industry leading suite of products and platforms to deliver high quality high impact solutions leveraging the latest technologies to customers across the world.

B) Tata Elxsi

Tata Elxsi Ltd is an India-based provider of design and technology services for the aerospace and defense, automotive, broadcasting and media, communications, consumer products, healthcare, semiconductor, and automotive industries. Its solutions include product engineering, design, Big Data analytics, Internet of Things, content development, artificial intelligence, virtual reality, and systems integration. The firm has operations in India, North America, Europe, Middle East and Africa, and Asia-Pacific.

5. TCS VS Tata Elxsi COMPARISON:

A) PROFITABILITY RATIO

Profitability ratios are a set of measurements used to determine the ability of a business to create earnings. These ratios are considered to be favorable when they improve over a trend line or are comparatively better than the results of competitors. Profitability ratios are derived from a comparison of revenues to difference groupings of expenses within the income statement.

1) NET PROFIT MARGIN

The net profit ratio subtracts all expenses in the income statement from sales, and then divides the result by sales. This is used to determine the amount of earnings generated in a reporting period, net of income taxes.

Thus we can conclude that TCS has high profit margin than the TATA ALXSI.

TABLE- 1 NET PROFIT MARGIN

YEAR	Mar-22	Mar-21	Mar-20	Mar-19	Mar-18	Average	Rank
TCS	23.81	22.77	25.33	24.4	25.92	24.45	1
TATA ELXSI	22.24	20.15	15.9	18.15	17.31	18.75	2

2) RETURN ON ASSET

The return on assets divides net profits by the total amount of assets on the balance sheet.

TABLE – 2 RETURN ON ASSET

YEAR	Mar-22	Mar-21	Mar-20	Mar-19	Mar-18	Average	Rank
TCS	31.49	28.3	31.68	30.21	27.72	29.88	1
TATA ELXSI	25.34	21.44	18.43	25.36	25.3	23.17	2

3) Return on Capital Employed (ROCE)

Return on Capital Employed (ROCE) a profitability ratio, measures how efficiently a company is using its capital to generate profits. The return on capital employed metric is considered one of the best profitability ratios and is commonly used by investors to determine whether a company is suitable to invest in or not.

TABLE-3 RETUEN ON CAPITAL EMPLOYED

YEAR	Mar-22	Mar-21	Mar-20	Mar-19	Mar-18	Average	Rank
TCS	60.23	52.75	52.79	50.71	41.5	51.60	1
TATA ELXSI	42.91	35.65	30.55	45.3	31.7	37.22	2

4) EARNING PER SHARE (EPS)

The earnings per share ratio or the EPS is the net company of the company divided by the number of common shares issued. The earnings per share ratio is a widely used

indicator of how much a company earns per share of its stock and is used to estimate its corporate value.

TABLE-4 BASIC EPS

YEAR	Mar-22	Mar-21	Mar-20	Mar-19	Mar-18	Average	Rank
TCS	103.24	82.78	88.64	79.34	131.15	97.03	1
TATA ELXSI	88.26	59.11	41.12	46.56	38.54	54.72	2

5) Dividend Per Share (DPS)

Dividend Per Share (DPS) is the total amount of dividends attributed to each individual share of a company's outstanding stock. Calculating the dividend per share allows an investor to assess how much money he or she will receive from the company on a per-share basis.

TABLE -5 DIVIDEND/SHARE

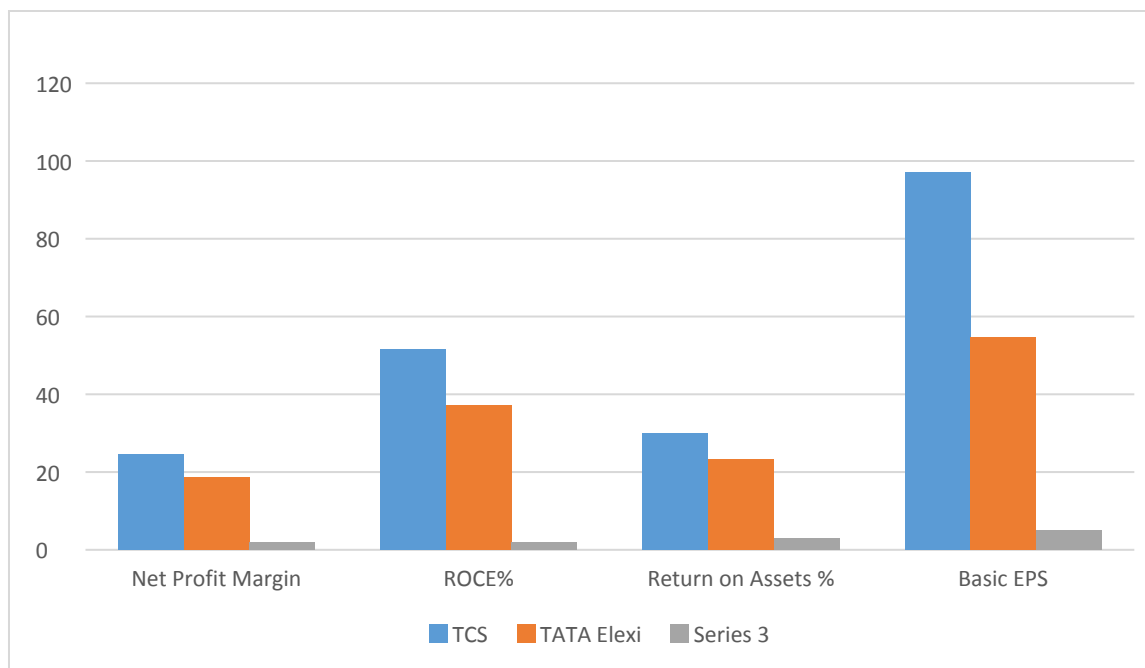
YEAR	Mar-22	Mar-21	Mar-20	Mar-19	Mar-18	Average	Rank
TCS	43	38	73	30	50	46.80	1
TATA ELXSI	42.5	48	16.5	13.5	11	26.30	2

1. CONCLUSIONS

On the basis of the various ratios calculated for both the companies, overall ranks are given. The overall ranking is done for each parameter namely- ROCE %, Net profit margin, Basic EPS, Dividend per Share. The following table presents the ranking of company's parameters.

AVERAGE RANKING OF BOTH THE COMPANIES

SR NO.	PARAMETERS	TCS	Tata Elxsi
1	Net Profit Margin	24.45	18.75
2	ROCE %	51.60	37.22
3	Return on Assets (%)	29.88	23.17
4	Dividend per Share	46.80	26.30
5	BASIC EPS	97.03	54.72
	Average	49.95	32.03



TCS has performed better than the TATA Elxi. The overall ranking of TCS is 49.95 while that of TATA Elxi is 32.03. Hence it can be concluded that TATA Consultancy Services has outperformed on these parameters.

2. LIMITATIONS

- a. The present research is limited to only Two companies and the data of only five years is considered which may or may not give correct trend of the results.
- b. Financial analysis is mainly done to compare the growth, profitability and financial soundness of respective companies by recognizing the information available from the secondary sources. Hence the results of the study may be affected by the reliability and accuracy of data sources.
- c. The research consists of only the quantitative performance and not the qualitative performance of selected Companies such as corporate governance, exposure to various high-risk projects, competitive advantage etc.

7. REFERENCES

- 1) <https://www.moneycontrol.com/financials/tataconsultancyservices/ratiosVI/TCS#TCS>
- 2) <https://www.moneycontrol.com/financials/tataelxi/ratiosVI/TE#TE>
- 3) <https://www.business-standard.com/company/tcs-5400/information/company-history>