Comparative Analysis of Tata Consultancy Services Ltd. with its PEERs & Industry

Case Study

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PIET

TATA CONSULTANCY SERVICES

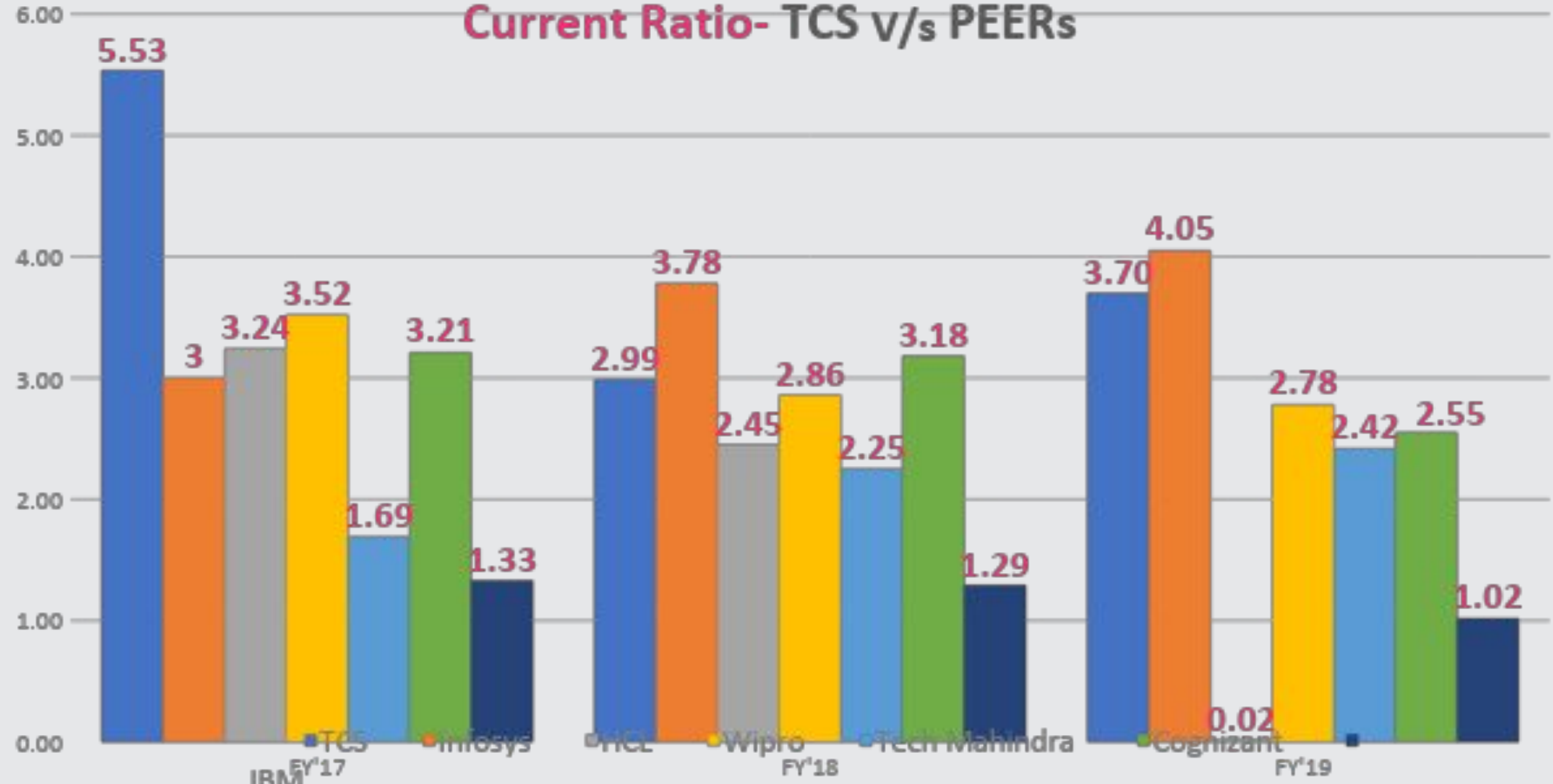
OBJECTIVES

Learning Objectives

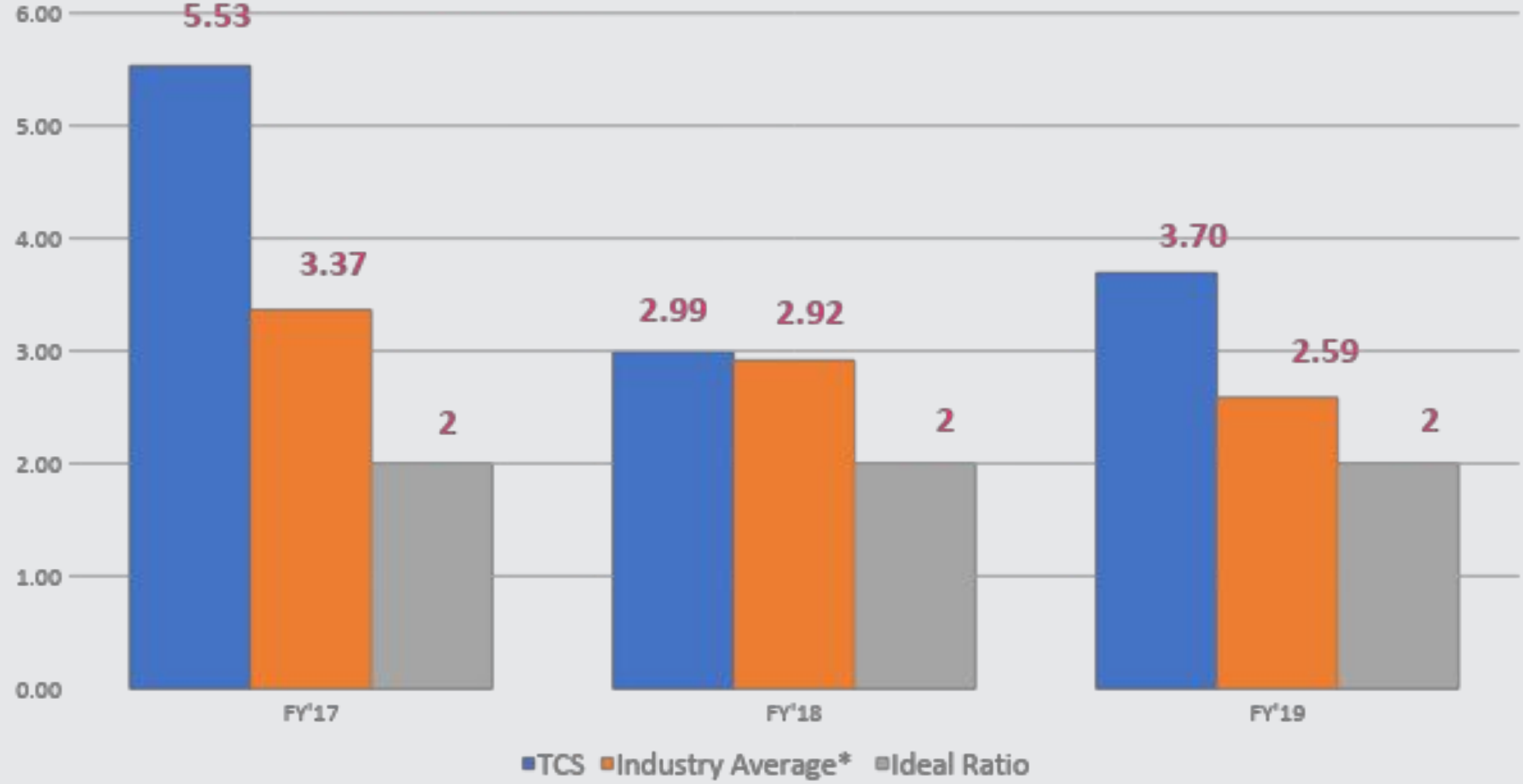
This case is designed to achieve the following learning objectives:

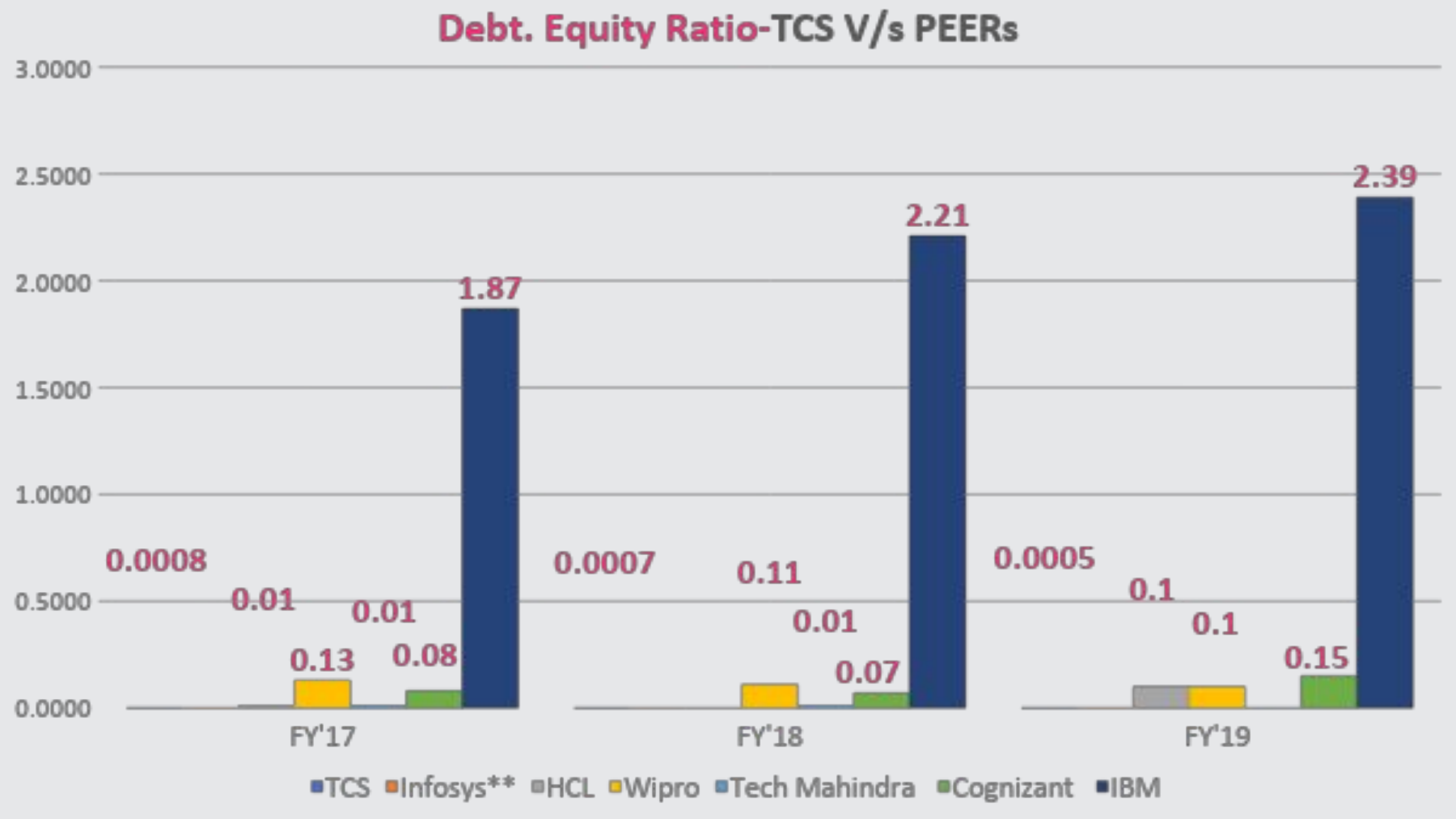
- To understand financial statements of an information technology (IT) company
- To analyze and interpret the financial ratios of an IT company
- To understand the various challenges in doing ratio analysis for an IT company

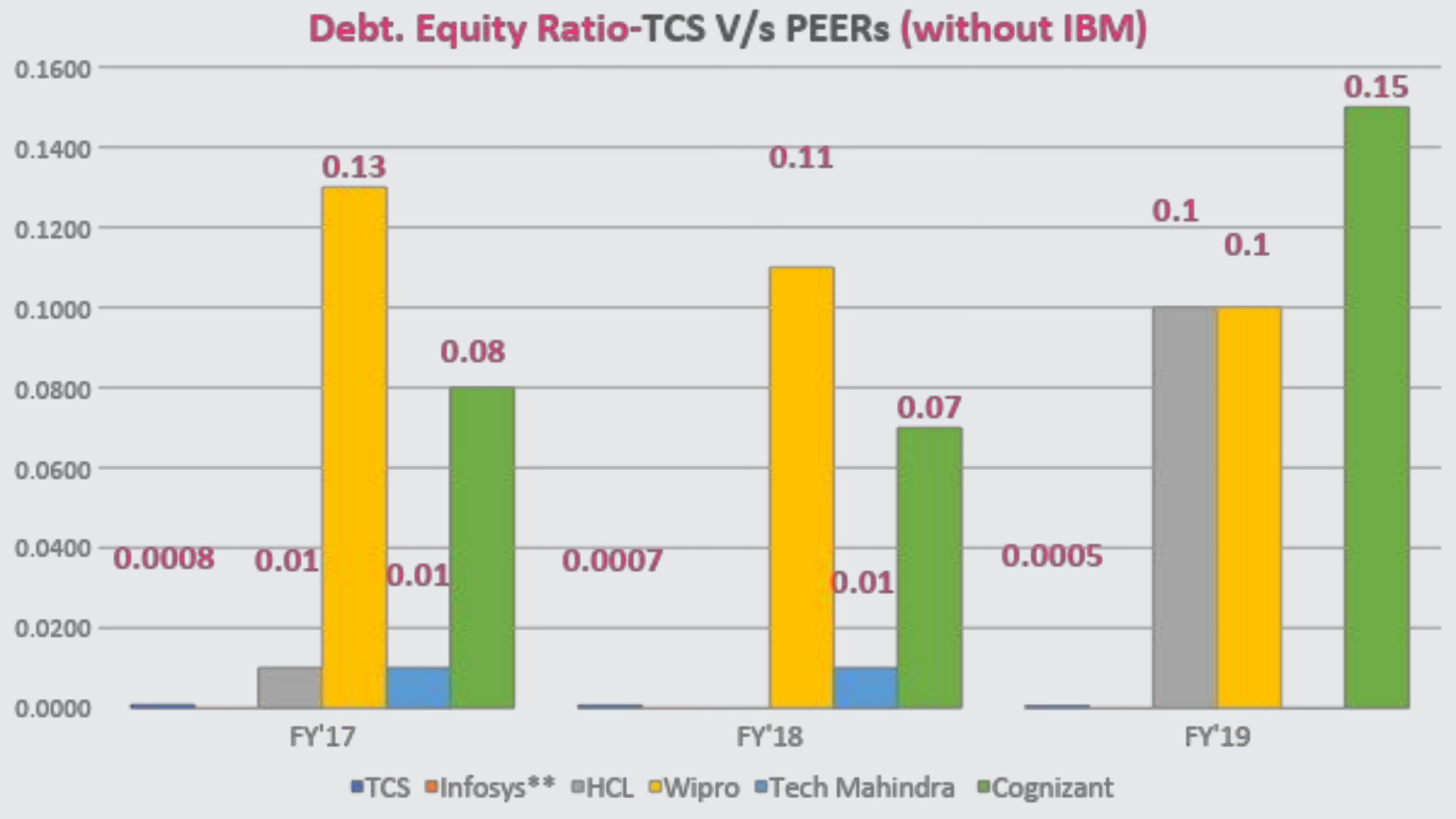
Current Ratio- TCS V/s PEERs

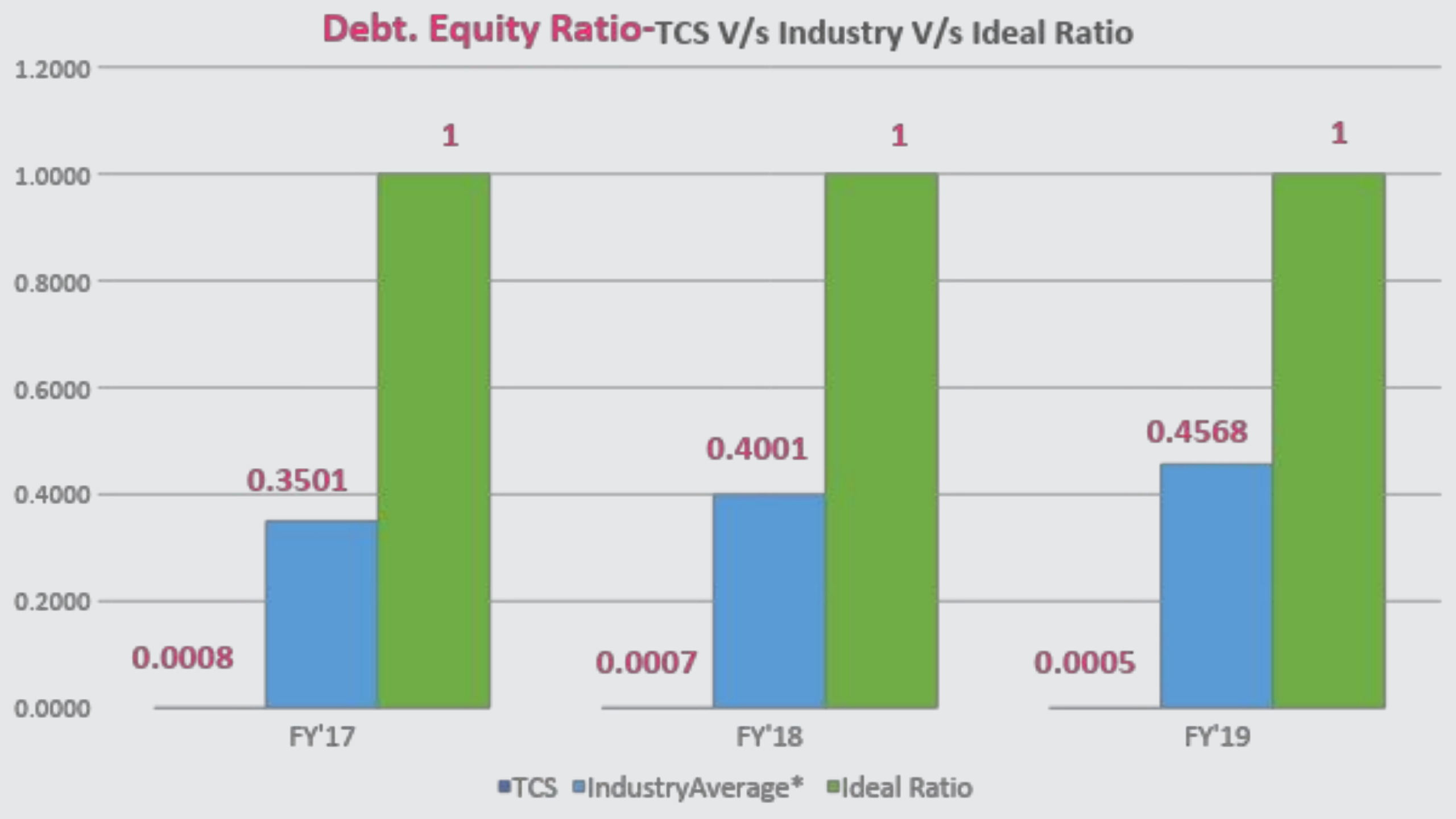


Current Ratio- TCS v/s Industry v/s Ideal Ratio

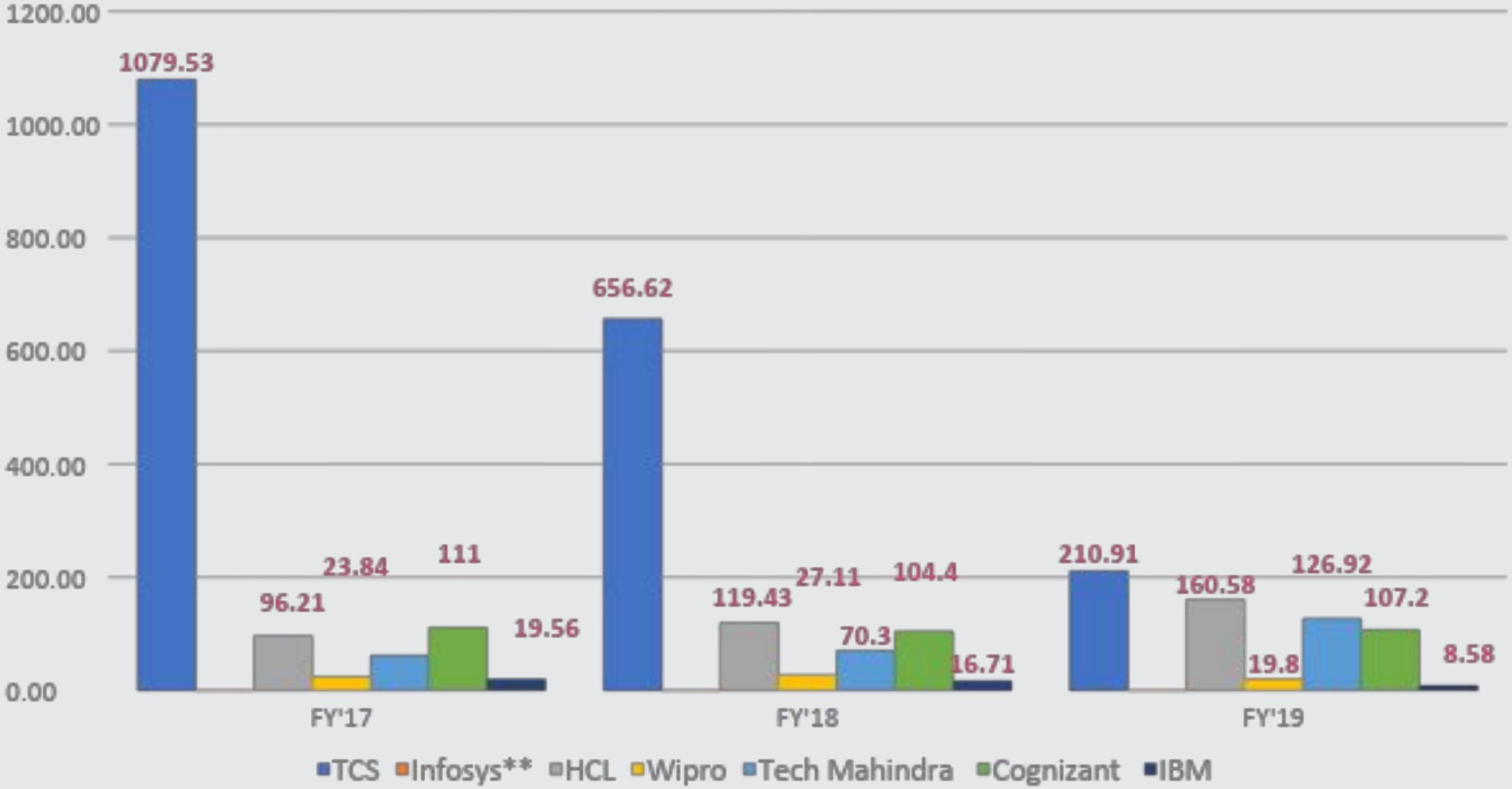


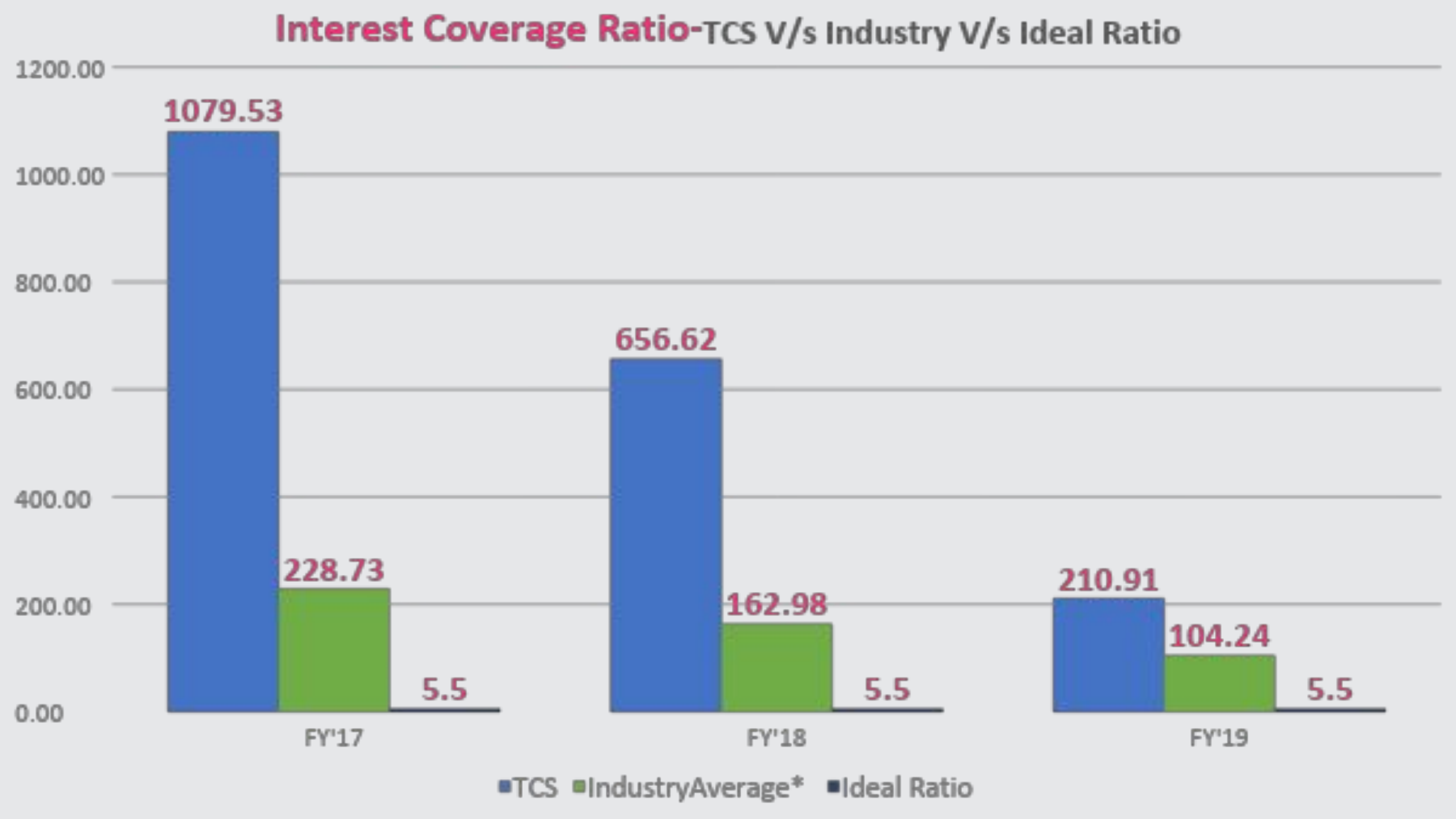

Debt. Equity Ratio-TCS V/s PEERs
3.0000
2.5000
2.0000
1.5000
1.0000
0.5000
0.0000
0.0008
0.01
0.13
0.01
0.08
1.87
0.0007
0.11
0.01
0.07
2.21
0.0005
0.1
0.1
0.15
2.39
FY'17
FY'18
FY'19
TCS
Infosys**
HCL
Wipro
Tech Mahindra
Cognizant
IBM

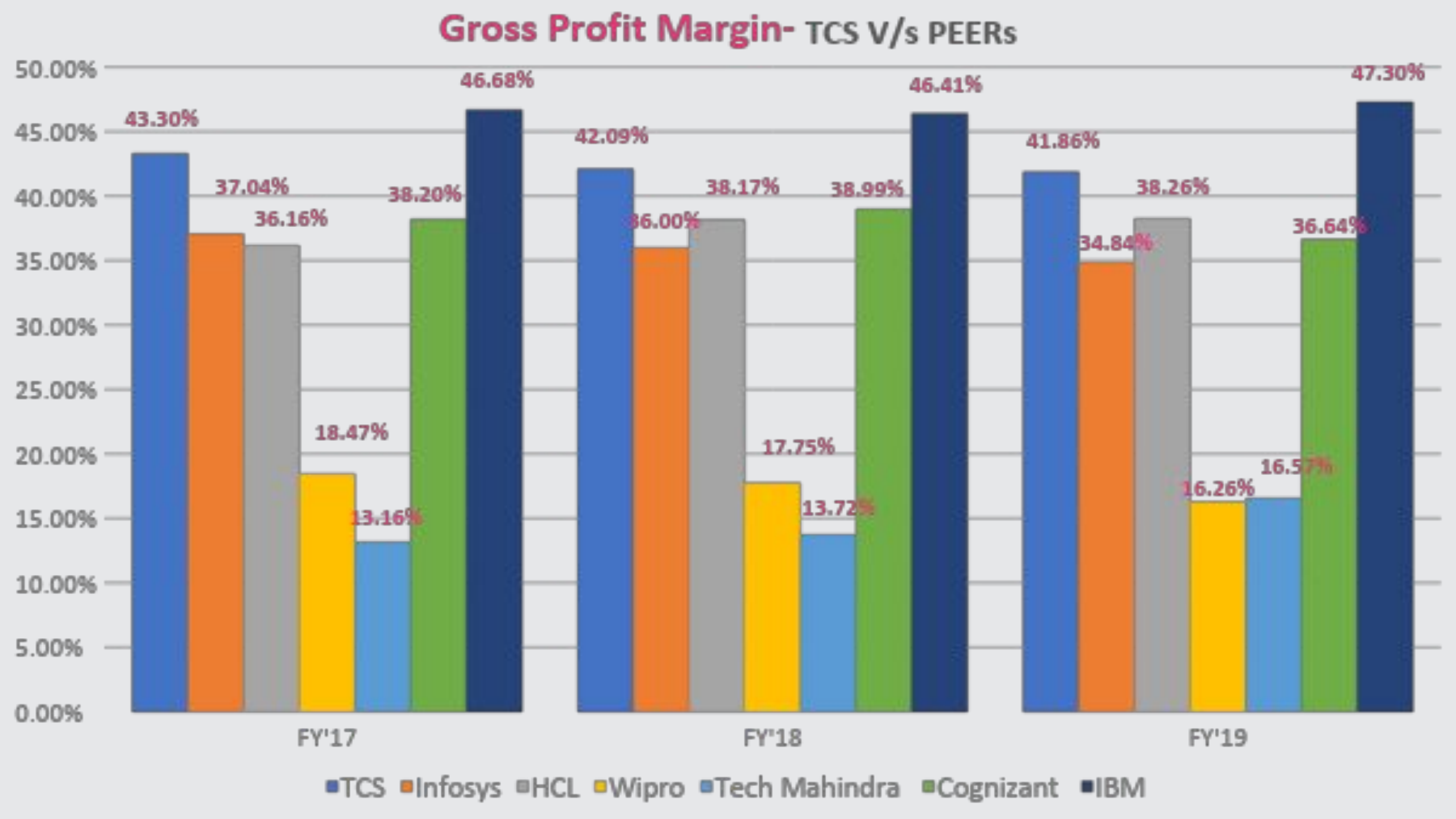

Debt. Equity Ratio-TCS V/s PEERs (without IBM)
0.1600
0.1400
0.1200
0.1000
0.0800
0.0600
0.0400
0.0200
0.0000
0.0008
0.01
0.13
0.01
0.08
0.0007
0.11
0.01
0.07
0.0005
0.1
0.1
0.15
FY'17
FY'18
FY'19
TCS
Infosys**
HCL
Wipro
Tech Mahindra
Cognizant

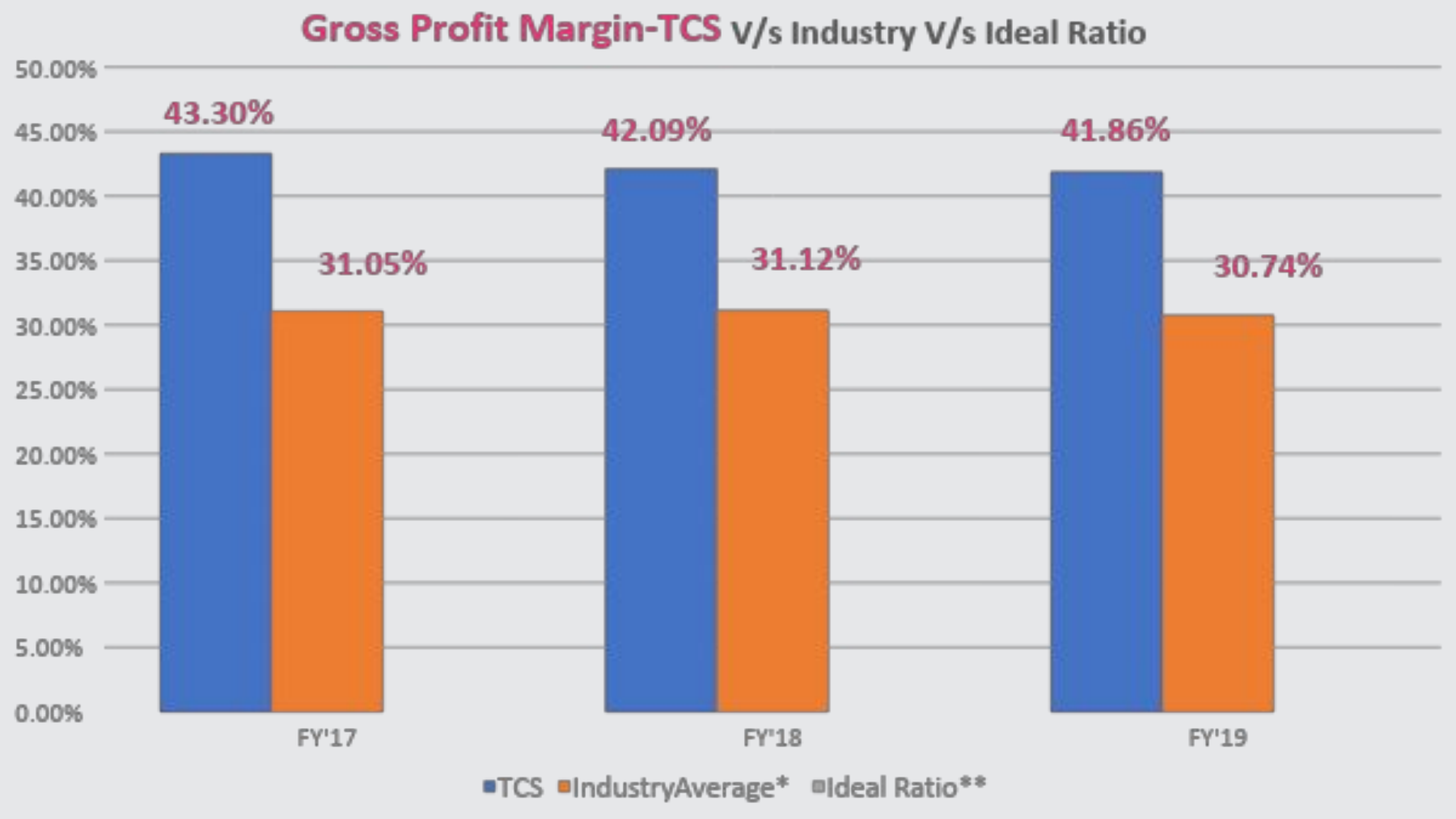

Debt. Equity Ratio-TCS V/s Industry V/s Ideal Ratio
1.2000
1.0000
0.8000
0.6000
0.4000
0.2000
0.0000
1
1
1
0.3501
0.4001
0.4568
0.0008
0.0007
0.0005
FY'17
FY'18
FY'19
TCS
IndustryAverage*
Ideal Ratio

Interest Coverage Ratio-TCS V/s PEERs

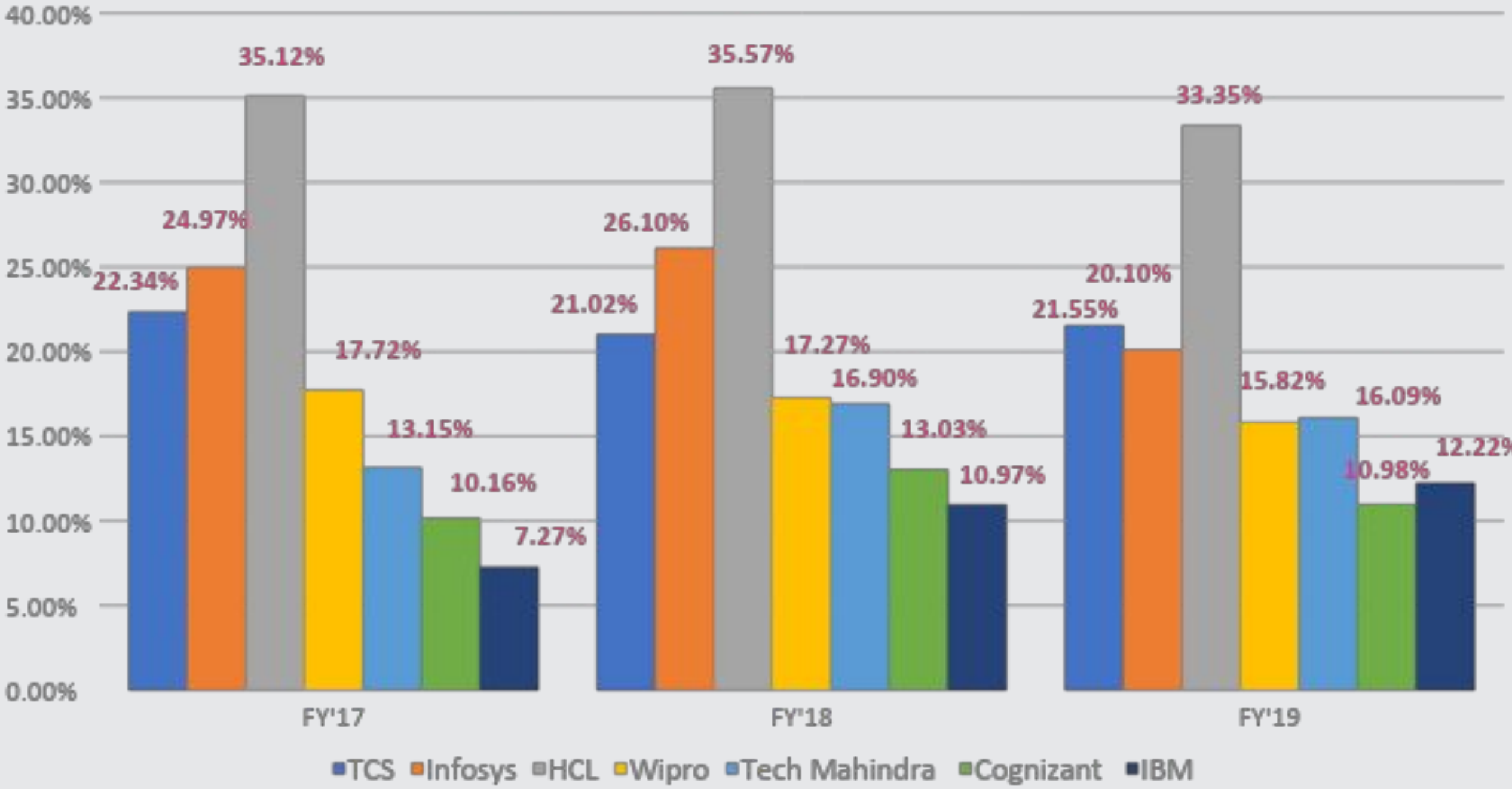


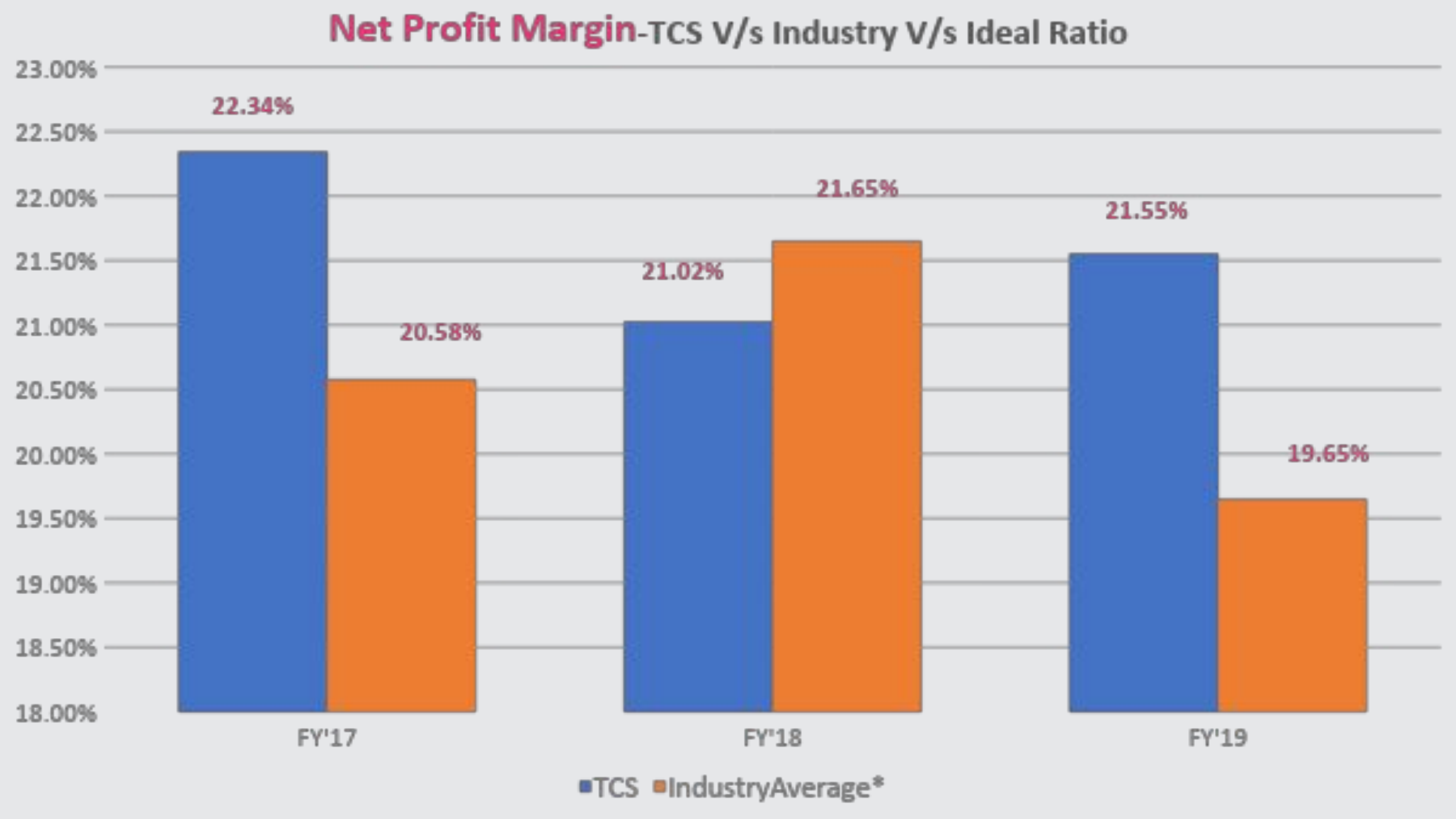

Interest Coverage Ratio-TCS V/s Industry V/s Ideal Ratio
1200.00
1000.00
800.00
600.00
400.00
200.00
0.00
1079.53
228.73
5.5
656.62
162.98
5.5
210.91
104.24
5.5
FY'17
FY'18
FY'19
TCS
IndustryAverage*
Ideal Ratio

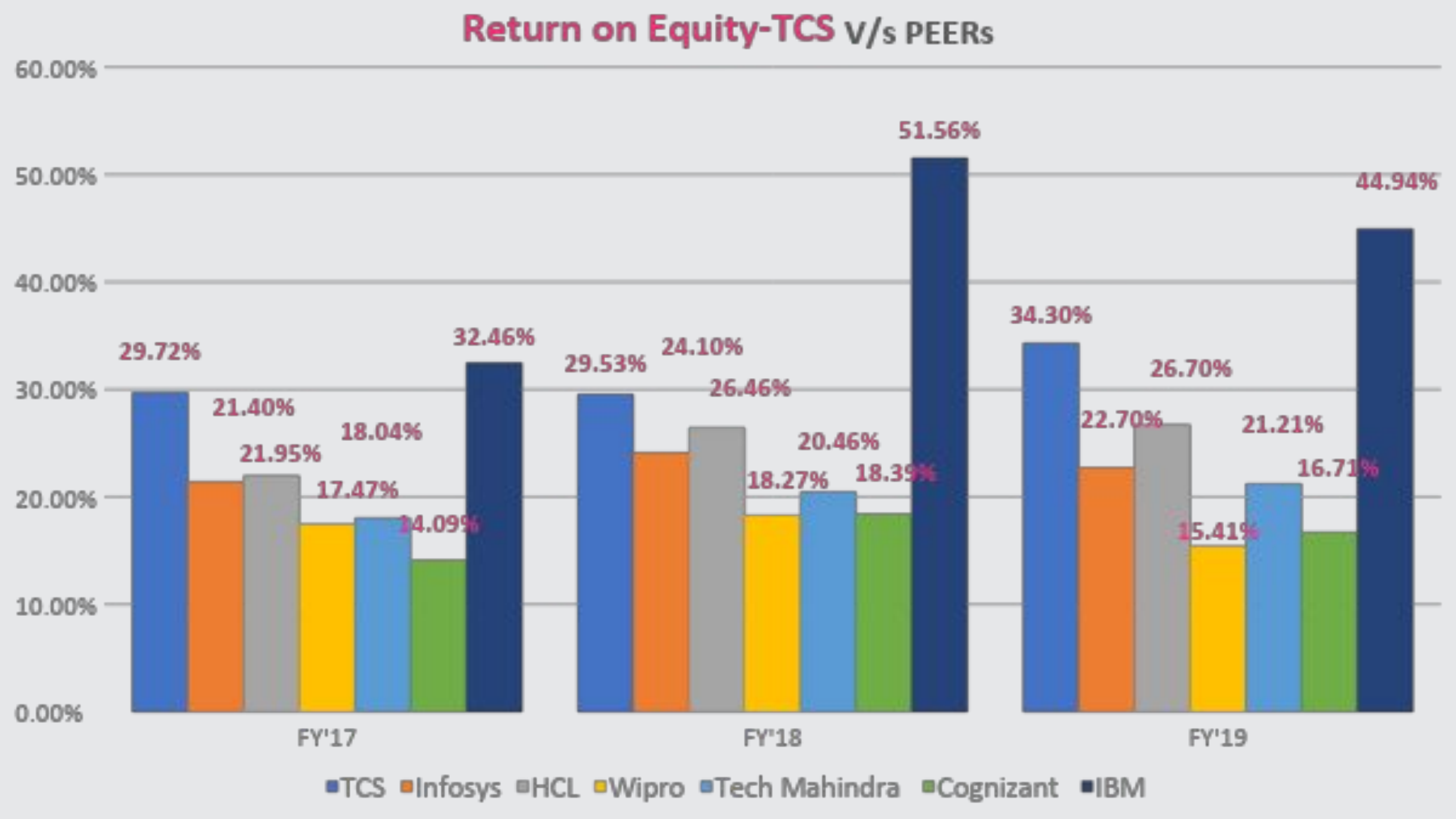

Gross Profit Margin- TCS V/s PEERs
50.00%
45.00%
40.00%
35.00%
30.00%
25.00%
20.00%
15.00%
10.00%
5.00%
0.00%
43.30%
37.04%
36.16%
18.47%
13.16%
38.20%
46.68%
42.09%
36.00%
38.17%
17.75%
13.72%
38.99%
46.41%
41.86%
34.84%
38.26%
16.26%
16.57%
36.64%
47.30%
FY'17
FY'18
FY'19
TCS
Infosys
HCL
Wipro
Tech Mahindra
Cognizant
IBM

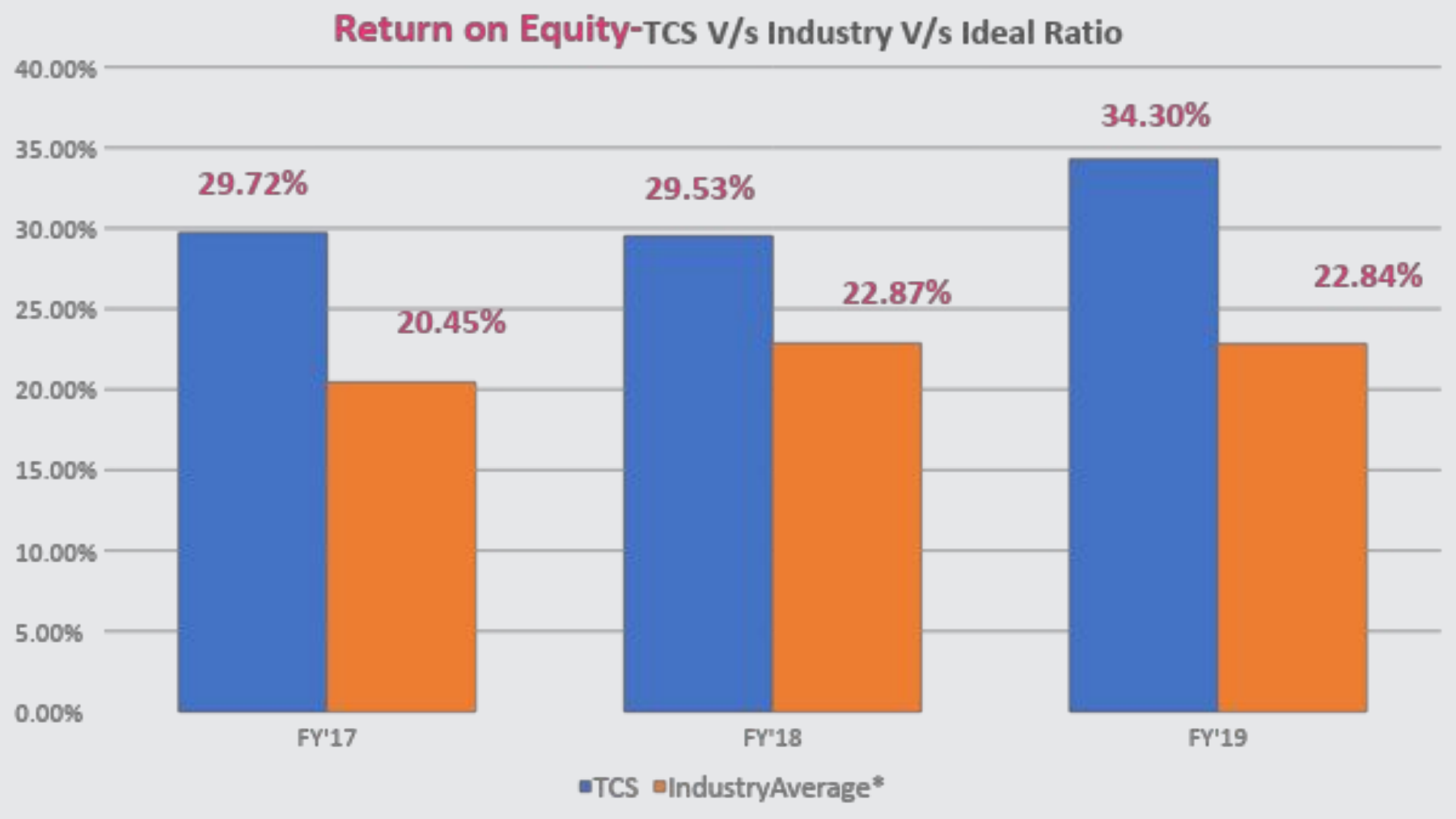

Gross Profit Margin-TCS V/s Industry V/s Ideal Ratio
50.00%
45.00%
40.00%
35.00%
30.00%
25.00%
20.00%
15.00%
10.00%
5.00%
0.00%
43.30%
31.05%
42.09%
31.12%
41.86%
30.74%
FY'17
FY'18
FY'19
TCS
IndustryAverage*
Ideal Ratio**

Net Profit Margin-TCS V/s PEERs




Net Profit Margin-TCS V/s Industry V/s Ideal Ratio
23.00%
22.50%
22.00%
21.50%
21.00%
20.50%
20.00%
19.50%
19.00%
18.50%
18.00%
22.34%
20.58%
21.02%
21.65%
21.55%
19.65%
FY'17
FY'18
FY'19
TCS
IndustryAverage*


Return on Equity-TCS V/s PEERs
60.00%
50.00%
40.00%
30.00%
20.00%
10.00%
0.00%
29.72%
21.40%
21.95%
17.47%
18.04%
14.09%
32.46%
29.53%
24.10%
26.46%
18.27%
20.46%
18.39%
51.56%
34.30%
22.70%
26.70%
15.41%
21.21%
16.71%
44.94%
FY'17
FY'18
FY'19
TCS
Infosys
HCL
Wipro
Tech Mahindra
Cognizant
IBM


Return on Equity-TCS V/s Industry V/s Ideal Ratio
40.00%
35.00%
30.00%
25.00%
20.00%
15.00%
10.00%
5.00%
0.00%
29.72%
20.45%
29.53%
22.87%
34.30%
22.84%
FY'17
FY'18
FY'19
TCS
IndustryAverage*