



INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

“A Study On Trend And Growth Analysis Of Tata Consultancy Services Limited”

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ABSTRACT

This study analyzes the trend and growth patterns of Tata Consultancy Services Limited (TCS) by examining its financial performance from 2019-2020 to 2023-2024. Key financial indicators such as profitability, liquidity, and sales growth are analyzed to understand the company's operational efficiencies and strategic advancements in the IT sector. Data was sourced from TCS's annual reports and related literature. Findings reveal fluctuating profitability ratios, declining liquidity ratios, and consistent sales growth. Challenges such as rising costs and competitive pressures have impacted profit margins. Recommendations include cost optimization, enhanced liquidity management, and investments in automation and digital transformation to maintain a competitive edge. The study concludes that while TCS showcases robust sales growth, improving operational efficiency is essential for sustained long-term success.

Keywords: Trend, Growth, IT Industry, Cost Optimization, Financial Stability.

JEL Classification Code: L, L0, L2, L8

INTRODUCTION OF THE STUDY

Tata Consultancy Services (TCS) 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 150 locations across 46 countries. In March 2024, TCS reported that it had 601,546 employees worldwide. TCS is the second-largest Indian company by market capitalization, the most valuable IT service brands worldwide, and the top Big Tech (India) company. In the contemporary business landscape, organizations must continually adapt to evolving market dynamics and technological advancements to maintain a competitive edge. Tata Consultancy Services (TCS), a leading global IT services, consulting, and business solutions organization, exemplifies such adaptability and innovation.

The present study aims to analyse the trends and growth patterns of TCS, focusing on its strategic development, market performance, and operational efficiencies over recent years. By examining liquidity ratio, trend analysis, and profitability ratio, this research seeks to provide a comprehensive understanding of how TCS has navigated and influenced the global IT sector. The insights gained will not only reflect TCS's impact on the industry but also offer valuable lessons for other organizations aiming to thrive in an increasingly complex business environment.

REVIEW OF LITERATURE

Chauhan Mehulkumar Jayantibhai (2023) conducted a study on financial performance analysis of TCS Ltd. They conducted a study to determine the financial stability of "TATA CONSULTANCY SERVICES" by analysing the data with the aid of various accounting and statistical approach. The research covers from 2017-2018 to 2021-2022.

Divyaa, Panneerselvam (2023) analysis the financial performance of TCS LTD with reference to IT Sector. They conducted a study based on the performance in financial fluctuations and interpretations of TCS Company with reference to IT sector in India for the period (2011 to 2020).

Jagdishbhai Patel (2021) conducted a study on profitability of Tata Consultancy Services Limited. In their study they examined the profitability position of TCS LTD using profitability ratio for the period (2018-2019 to 2022-2023).

Dhanraj Devraj Gadhavi (2021) "A Comparative study of financial performance: with special reference to Tata Consultancy Services Ltd and Infosys Ltd" in this study they assess and compare the financial performance of Tata Consultancy services and Infosys for the period of five years starting from 2016-17 to 2020-21.

Pratibha Jain, Prof. Megha Mehta (2014) conducted a study on critical analysis of TCS LTD. They used accounting, finance and statistics related techniques which were Ratio analysis, Trend analysis, Working capital growth, Operating and financial leverages, EBIT-EPS analysis, Dividend policy analysis and Statistical measures for the period (2009-2013).

STATEMENT OF THE PROBLEM

Tata Consultancy Services (TCS) is currently facing several challenges, including the impact of global economic slowdowns that have led to reduced client budgets and diminished demand for IT services. Additionally, the company struggles with high talent attrition and competitive recruitment, which increase operational costs. Managing these costs while investing in technology is another significant issue, compounded by clients' tighter IT budgets that affect revenue growth. Furthermore, The overall financial performance is an important factor which indicates the growth of a company that Comprises growth rate, trend value and efficiency. Hence the present study made an attempt to analyse the Trend and Growth of Tata Consultancy Services Limited.

OBJECTIVE OF THE STUDY

- To analyse the trend of TCS LTD.
- To analyse the profitability position of TCS LTD.
- To analyse the liquidity position of TCS LTD.

LIMITATION OF THE STUDY

- The data may be incomplete or inaccurate for a number of reasons.
- Access to secondary data may be difficult, as it may be restricted or costly.
- There is a lot of secondary data available, so it can be time-consuming to sort through it all.

RESEARCH METHODOLOGY

➤ Source of data

The Source for this research is obtained from Secondary Data. Secondary data consists of Journals, Articles and annual report of Tata Consultancy Services Limited.

➤ Period of study

This study is taken for a period of 5 years from 2019-2020 to 2023-2024.

➤ Sampling Method

Convenience Sampling.

➤ Framework of analysis

- To analyse the trend of TCS Ltd by using Trend Analysis method.
- To analyse the profitability position of TCS Ltd by using Profitability Ratio method.
- To analyse the liquidity position of TCS Ltd by using Liquidity Ratio.

Profitability position of the company

Table-1
Net profit ratio

Year	Net Profit	Net Sales	Net Profit Ratio
2019-2020	32,447.00	156,949.00	20.67%
2020-2021	32,562.00	164,177.00	19.83%
2021-2022	38,449.00	191,754.00	20.05%
2022-2023	42,303.00	225,458.00	18.76%
2023-2024	46,099.00	240,893.00	19.13%
2024-2025			18.44%
2025-2026			18.03%
2026-2027			17.61%
2027-2028			17.20%
2028-2029			16.78%
MEAN			19.69
S.D			0.756
C.V			0.038
CAGR			-1.917%

SOURCE OF DATA : Secondary data

The above table no-1 shows that the Net profit ratio from 2019-20 to 2023-24. The net profit ratio indicates the fluctuating trend from 2019-20 to 2023-24. The increased value is 20.67% in the year 2019-20, and the decreased value is 18.76% in the year 2022-2023, the mean value is 19.69, followed by standard deviation is 0.756, coefficient of variance is 0.038, and the CAGR is -1.917%



Table – 2
Gross profit ratio

Year	Gross profit	Net sales	Gross profit ratio
2019-2020	42,248.00	156,949.00	28.29%
2020-2021	43,760.00	164,177.00	26.65%
2021-2022	51,687.00	191,754.00	26.95%
2022-2023	56,907.00	225,458.00	25.24%
2023-2024	61,997.00	240,893.00	25.74%
2024-2025			24.62%
2025-2026			23.97%
2026-2027			23.32%
2027-2028			22.66%
2028-2029			22.02%
	MEAN		26.3
	S.D		0.769
	C.V		0.029
	CAGR		-1.11%

SOURCE OF DATA: Secondary data

The above table no-2 shows that the Gross profit ratio from 2019-20 to 2023-24. The Gross profit ratio indicates the fluctuating trend from 2019-20 to 2023-24. The increased value is 26.95% in the year 2021-22, and the decreased value is 25.24% in the year 2022-2023, the mean value is 26.3, followed by standard deviation is 0.769, coefficient of variance is 0.029, and the CAGR is -1.11%.

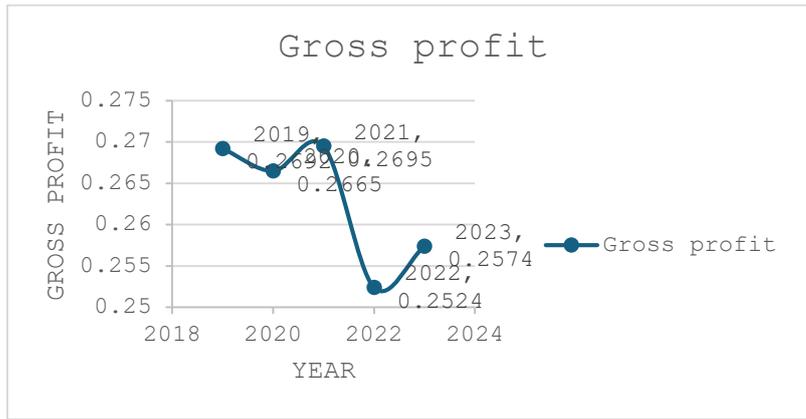


Table – 3
Operating profit ratio

Year	EBIT	Net Sales	Operating Profit ratio
2019-2020	42,248.00	156,949.00	26.92%
2020-2021	43,760.00	164,177.00	27.39%
2021-2022	51,687.00	191,754.00	26.95%
2022-2023	56,907.00	225,458.00	25.24%
2023-2024	61,997.00	240,893.00	26.13%
2024-2025			25.41%
2025-2026			24.79%
2026-2027			24.46%
2027-2028			24.33%
2028-2029			23.66%
	MEAN		26.53
	S. D		0.85
	C.V		0.032
	CAGR		-0.14%

SOURCE OF DATA: Secondary data

The above table no-3 shows that the Operating profit ratio from 2019-20 to 2023-24. The operating profit ratio indicates the fluctuating trend from 2019-20 to 2023-24. The increased value is 27.39% in the year 2020-21, and the decreased value is 25.24% in the year 2022-2023, the mean value is 26.53, followed by standard deviation is 0.85, coefficient of variance is 0.032, and the CAGR is -0.14%.



Liquidity position of the company
Table – 4
Current ratio

Year	Current asset	Current liabilities	Current ratio
2019-2020	90,237.00	27,060.00	3.33
2020-2021	99,280.00	34,155.00	2.91
2021-2022	108,310.00	42,351.00	2.56
2022-2023	110,270.00	43,558.00	2.53
2023-2024	112,984.00	46,104.00	2.45
2024-2025			2.11
2025-2026			2.00
2026-2027			1.87
2027-2028			1.66
2028-2029			1.48
MEAN			2.756
S.D			0.366
C.V			0.133
CAGR			-0.073%

SOURCE OF DATA: Secondary data

The above table no-4 shows that the Current ratio from 2019-20 to 2023-24. The Current ratio indicates the fluctuating trend from 2019-20 to 2023-24. The increased value is 3.33 in the year 2019-20, and the decreased value is 2.45 in the year 2023-24, the mean value is 2.756, followed by Standard deviation is 0.366, coefficient of variance is 0.133, and the CAGR is -0.073%

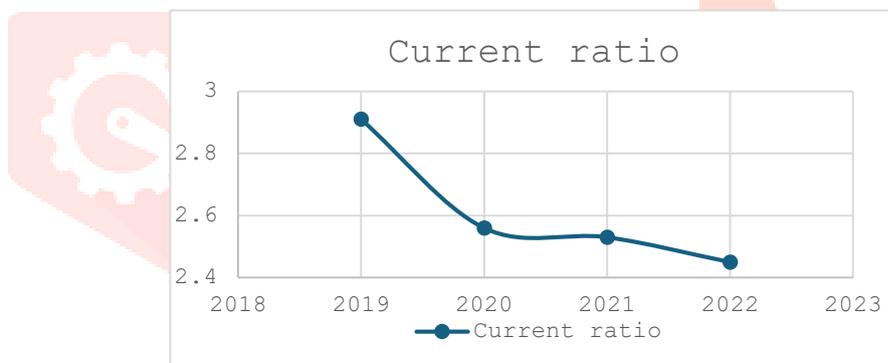


Table – 5
Quick ratio

Year	Quick asset	Current liabilities	Quick ratio
2019-2020	90,237.00	27,060.00	3.33
2020-2021	99,280.00	34,155.00	2.91
2021-2022	108,310.00	42,351.00	2.56
2022-2023	110,270.00	43,558.00	2.53
2023-2024	112,984.00	46,104.00	2.45
2024-2025			2.11
2025-2026			2.00
2026-2027			1.87
2027-2028			1.66
2028-2029			1.48
MEAN			2.756
S.D			0.366

C.V	0.133
CAGR	-0.073%

SOURCE OF DATA: Secondary data

The above table no-5 shows that the Quick ratio from 2019-20 to 2023-24. The Quick ratio indicates the fluctuating trend from 2019-20 to 2023-24. The increased value is 3.33 in the year 2019-20, and the decreased value is 2.45 in the year 2023-24, the mean value is 2.756, followed by Standard deviation is 0.366, coefficient of variance is 0.133, and the CAGR is -0.073%.

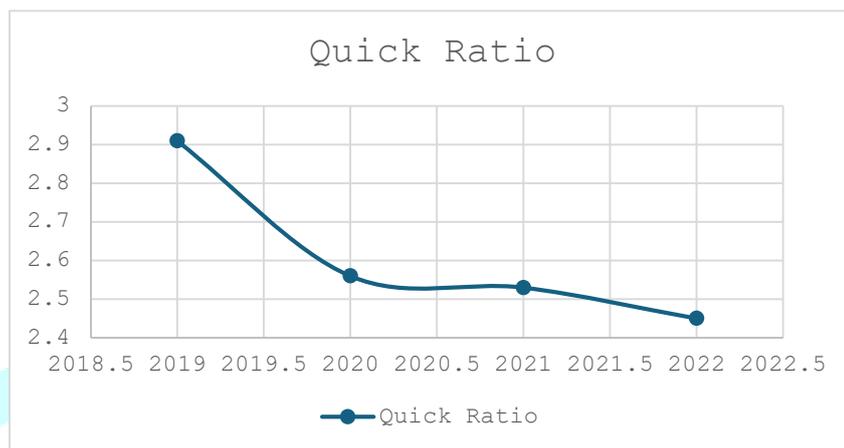


Table – 6
Cash ratio

Year	Cash & cash equivalents	Current liabilities	Cash ratio
2019-2020	9,666.00	27,060.00	0.36
2020-2021	9,329.00	34,155.00	0.27
2021-2022	18,221.00	42,351.00	0.43
2022-2023	11,032.00	43,558.00	0.25
2023-2024	13,286.00	46,104.00	0.29
2024-2025			0.27
2025-2026			0.26
2026-2027			0.21
2027-2028			0.22
2028-2029			0.19
MEAN			0.32
S.D			0.074
C.V			0.23
CAGR			-5.26%

SOURCE OF DATA: Secondary data

The above table no-6 shows that the Cash ratio from 2019-20 to 2023-24. The Cash ratio indicates the fluctuating trend from 2019-20 to 2023-24. The increased value is 0.43 in the year 2021-22, and the decreased value is 0.25 in the year 2022-23, the mean value is 0.32, followed by Standard deviation is 0.074, coefficient of variance is 0.23, and the CAGR is -5.26%.

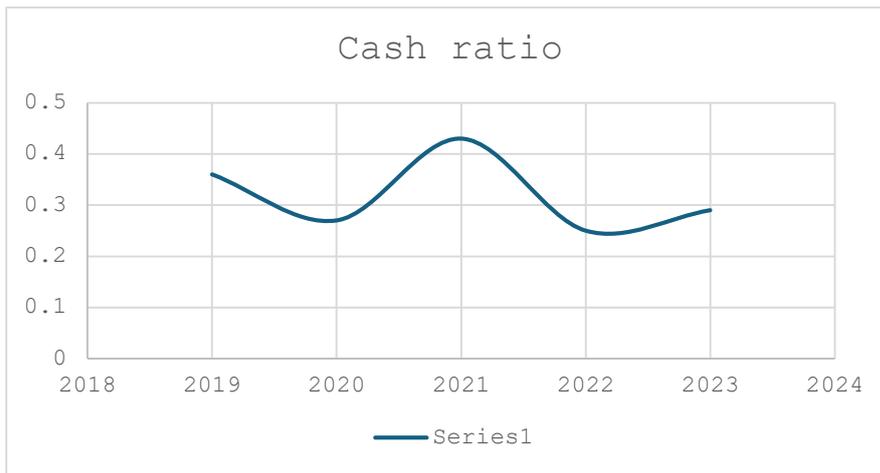


Table – 7
Trend Analysis

Year	Sales	Trend percentage %	Profit after tax	Trend percentage %
2019-2020	156,949.00	100	32,447.00	100
2020-2021	164,177.00	105	32,562.00	100.4
2021-2022	191,754.00	122	38,449.00	118
2022-2023	225,458.00	144	42,303.00	130
2023-2024	240,893.00	153	46,099.00	142
2024-2025		168		152
2025-2026		186		167
2026-2027		200		178
2027-2028		214		190
2028-2029		230		202

Trend percentage
(Base year 2019-20 as 100%)

Interpretation

- i. The sales have continuously increased in all the years upto 2023-24. The percentage in 2023-24 is 153% compared to 100% of base year.
- ii. The Profit After Tax (PAT) have also an increased trend percentage in 2023-24 is 142% compared to 100% base year.
- iii. But if critically examined, it can be concluded that profit has not soared in the same manner as of sales. This may be because of increase in the cost of production.



FINDINGS OF THE STUDY

- 1. Profitability:** Net Profit (20.67) and Gross Profit (28.29) Ratios are peak in 2019-2020 whereas Operating Profit Ratio (27.39) is peak in 2020-2021. Then declined in subsequent year, then ratios showed fluctuating trends.
- 2. Liquidity Position:** Current, Quick, and Cash ratios declined over the study period, indicating reduced short-term financial stability.
- 3. Sales Growth:** Sales revenue showed a continuous upward trajectory, increasing from ₹156,949 crores in 2019-2020 to ₹240,893 crores in 2023-2024. This represents a 53% increase over five years, with a trend percentage of 153% in 2023-2024 compared to the base year (2019-2020).
- 4. Profit After Tax (PAT):** PAT also grew but at a slower rate than sales, reflecting rising production costs impacting profit margins.
- 5. Efficiency Challenges:** The negative CAGR in profitability and liquidity ratios highlights the need for improved operational and financial efficiency.
- 6. Trend Analysis:** The trend analysis indicates that sales are expected to grow steadily through 2028-2029, with sales reaching 230% of the base year. This consistent growth underscores TCS's ability to adapt to market demands and leverage its strong global presence.

SUGGESTION OF THE STUDY

1. Focus on cost optimization to improve profit margins.
2. Enhance liquidity through better cash flow and working capital management.
3. Analyze market expansion strategies and their contribution to growth.
4. Conduct comparative performance studies with industry peers.
5. TCS must address challenges like rising attrition, global economic slowdowns, and increasing competition. Investments in automation, AI, and digital transformation can help maintain its competitive edge.

CONCLUSION

The study concludes that while TCS has demonstrated consistent sales growth, profitability and liquidity have shown a declining trend due to rising production costs and operational challenges. This indicates the need for strategic cost management, enhanced efficiency, and financial stability to sustain long-term growth and competitiveness in the IT industry.

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