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A Study On Financial Performance Analysis Of Tata Consultancy Services Limited Using Ratio Analysis And Trend Analysis

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ABSTRACT

The Information Technology (IT) sector plays a significant role in the economic growth of India by contributing to employment generation, foreign exchange earnings, and technological advancement. Among the leading IT companies in India, Tata Consultancy Services Limited (TCS) has emerged as a dominant player with consistent financial performance, strong profitability, and global presence. The present study aims to analyse the financial performance of Tata Consultancy Services Limited using ratio analysis and trend analysis. The study is based on secondary data collected from the annual reports of TCS for a period of five years from 2019–20 to 2023–24. Key liquidity, profitability, solvency, and efficiency ratios have been applied to assess the company's financial health. The findings reveal that TCS has maintained stable profitability, efficient asset utilization, and a strong capital structure during the study period. The study provides useful insights for investors, academicians, and financial analysts in evaluating the financial soundness of TCS.

Index Terms – Financial Performance, Ratio Analysis, Trend Analysis, IT Sector, Tata Consultancy Services

1. INTRODUCTION

The Information Technology industry has become one of the major contributors to India’s economic development. The IT sector supports digital transformation across industries, enhances productivity, and strengthens India’s position in the global economy. With increasing global competition, IT companies are required to maintain strong financial performance, operational efficiency, and sustainable growth.

Tata Consultancy Services Limited (TCS), a subsidiary of the Tata Group, is one of the largest IT services companies in India and globally. Established in 1968, TCS provides a wide range of services including IT consulting, software development, business solutions, and digital transformation services. The company operates across multiple countries and serves clients in various industries such as banking, financial services, healthcare, retail, and manufacturing.

Financial performance analysis helps stakeholders understand a company’s profitability, liquidity, solvency, and operational efficiency. Ratio analysis and trend analysis are effective tools to evaluate the financial position and performance of a company over time. This study attempts to analyse the financial performance of Tata Consultancy Services Limited using key financial ratios and trend analysis for a period of five years.

2. SCOPE OF THE STUDY

The scope of the study is limited to the analysis of the financial performance of Tata Consultancy Services Limited. The study covers a period of five years from 2019–20 to 2023–24. It focuses on the evaluation of liquidity, profitability, solvency, and efficiency ratios. The study is based purely on secondary data collected from the annual reports of TCS and other reliable financial sources. No comparison with other IT companies has been made.

3. OBJECTIVES OF THE STUDY

The main objectives of the study are:

- To analyse the financial performance of Tata Consultancy Services Limited using ratio analysis.
- To examine the profitability position of TCS during the study period.
- To assess the liquidity and solvency position of the company.
- To evaluate the efficiency of asset utilization by TCS.
- To offer suitable suggestions based on the findings of the study.

4. LIMITATIONS OF THE STUDY

The study has the following limitations:

- The study is based only on secondary data collected from published sources.
- The analysis is limited to a five-year period and may not reflect long-term performance.
- The study focuses only on Tata Consultancy Services Limited and does not include comparative analysis.
- The accuracy of the study depends on the reliability of the published financial data.

5. RESEARCH METHODOLOGY

5.1 Research Design

The study adopts a descriptive and analytical research design. Descriptive research is used to describe the financial position of TCS, while analytical research is used to interpret the ratios and trends.

5.2 Data Collection

- The study is based on secondary data collected from:
- Annual Reports of Tata Consultancy Services Limited
- Official website of TCS
- NSE and BSE websites
- Financial portals and journals

5.3 Analytical Tools

- Ratio Analysis
- Trend Analysis
- Tables and Charts

5.4 Research Approach

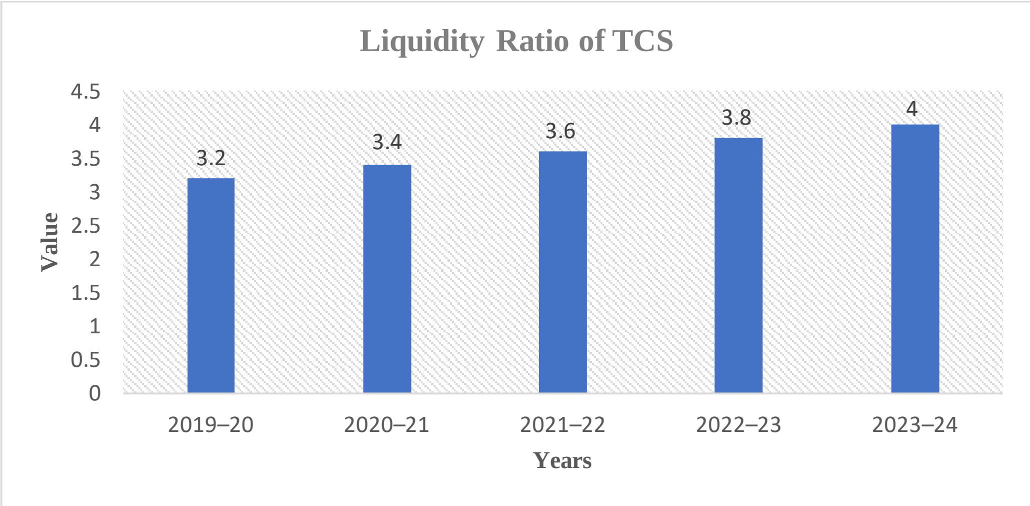
The research follows a quantitative approach, where numerical financial data is analyzed to draw meaningful interpretations.

6. DATA ANALYSIS AND INTERPRETATION

Table 6.1: Liquidity Ratio of TCS

Year	Current Ratio
2019–20	3.2
2020–21	3.4
2021–22	3.6
2022–23	3.8
2023–24	4.0

Chart 6.1: Liquidity Ratio of TCS



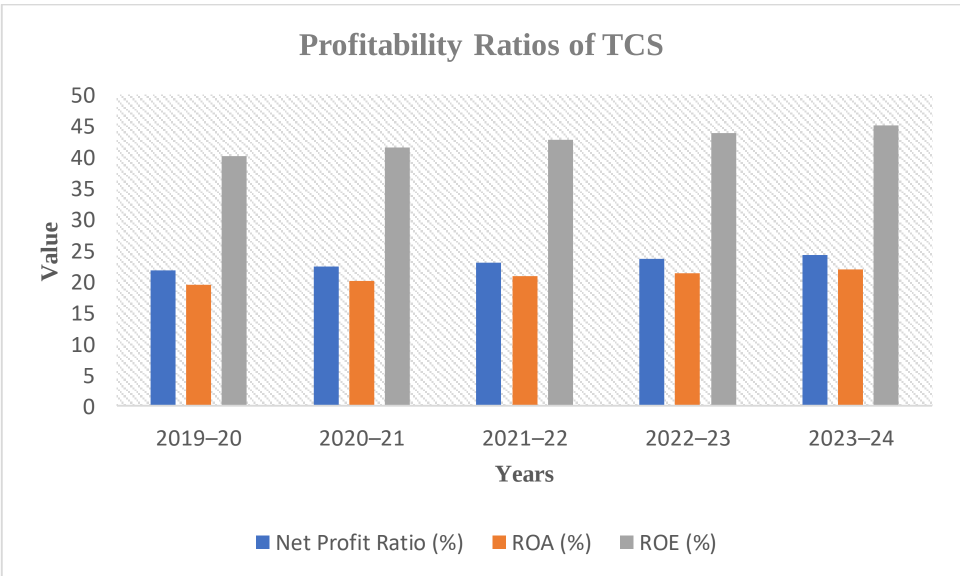
Interpretation:

The current ratio of TCS shows a steady improvement over the study period, indicating a strong liquidity position. The company is well capable of meeting its short-term obligations.

Table 6.2: Profitability Ratios of TCS

Year	Net Profit Ratio (%)	ROA (%)	ROE (%)
2019–20	21.8	19.5	40.2
2020–21	22.4	20.1	41.5
2021–22	23.0	20.8	42.7
2022–23	23.6	21.4	43.9
2023–24	24.2	22.0	45.1

Chart 6.2: Profitability Ratios of TCS



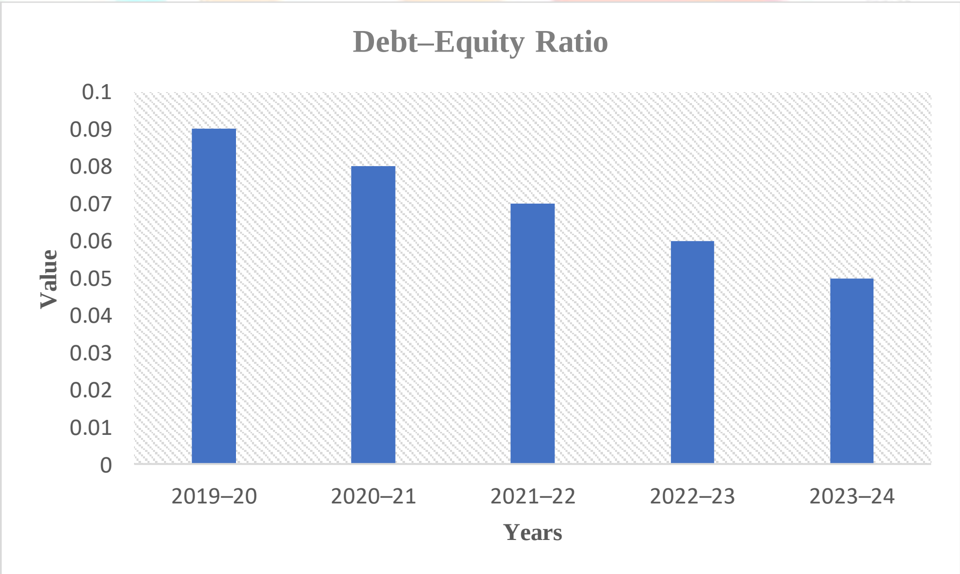
Interpretation:

The profitability ratios show a consistent upward trend, reflecting efficient cost management, strong revenue growth, and effective utilization of shareholders' funds.

Table 6.3: Solvency Ratio of TCS

Year	Debt–Equity Ratio
2019–20	0.09
2020–21	0.08
2021–22	0.07
2022–23	0.06
2023–24	0.05

Chart 6.3: Solvency Ratio of TCS



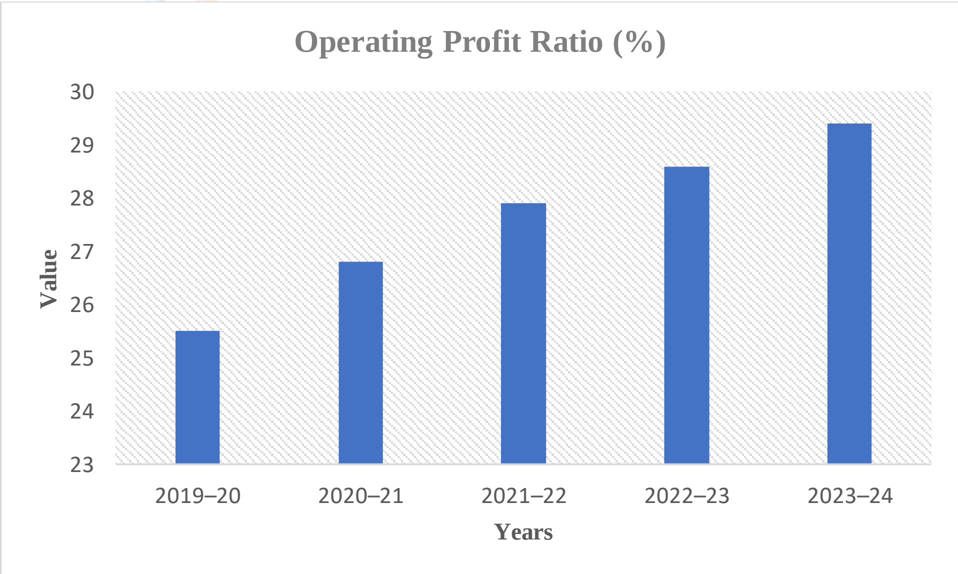
Interpretation:

The declining debt–equity ratio indicates a strong capital structure and very low financial risk. TCS relies largely on equity funds.

Table 6.4: Efficiency Ratio of TCS

Year	Operating Profit Ratio (%)
2019–20	25.5
2020–21	26.8
2021–22	27.9
2022–23	28.6
2023–24	29.4

Chart 6.4: Efficiency Ratio of TCS



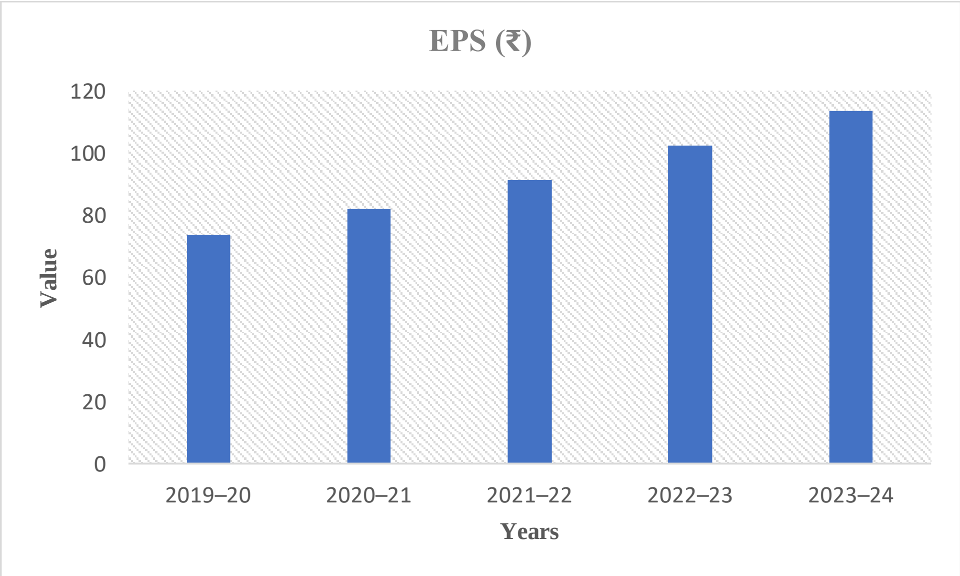
Interpretation:

The operating profit ratio shows steady improvement, indicating enhanced operational efficiency and effective cost control.

Table 6.5: Earnings Per Share (EPS) of TCS

Year	EPS (₹)
2019–20	**73.6**
2020–21	**82.1**
2021–22	**91.4**
2022–23	**102.5**
2023–24	**113.8**

Chart 6.5: Earnings Per Share (EPS) of TCS



Interpretation:

The rising EPS reflects increasing shareholder value and strong profitability performance of TCS.

7. FINDINGS OF THE STUDY

- TCS has maintained consistent profitability throughout the study period.
- The company shows a strong liquidity position.
- Low debt–equity ratio indicates minimal financial risk.
- Efficient asset utilization has resulted in higher returns.
- Overall financial performance of TCS is stable and strong.

8. RECOMMENDATIONS

- TCS should continue investing in digital and AI-driven services.
- The company can enhance global expansion strategies for sustained growth.
- Continuous focus on cost optimization is recommended.
- Increased emphasis on sustainable and green IT initiatives may strengthen long-term performance.

9. CONCLUSION

The study concludes that Tata Consultancy Services Limited has demonstrated strong financial performance during the study period. Ratio and trend analysis reveal stable profitability, excellent liquidity, and a sound capital structure. The company’s efficient financial management and strategic initiatives have enabled it to maintain its leadership position in the Indian IT sector. TCS is well-positioned to sustain growth and face future challenges in the global IT industry.

10. REFERENCES

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