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A STUDY ON FINANCIAL PERFORMANCE OF TATA CONSULTANCY SERVICES (TCS)

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ABSTRACT

This study examines the financial performance of Tata Consultancy Services over a period of five years from 2020–2021 to 2024–2025 using ratio analysis. The study focuses on key areas such as profitability, liquidity, and solvency based on secondary data collected from annual reports and financial statements. The findings indicate that the company maintains strong profitability, satisfactory liquidity, and a stable solvency position with minimal dependence on debt. Overall, the study concludes that TCS has a sound financial performance with efficient management practices.

KEY WORDS

Financial Performance ,Profitability , Liquidity , Solvency ,Ratio Analysis

Introduction

Financial performance analysis is an essential tool used to evaluate the efficiency, profitability, and stability of a company. It helps stakeholders such as investors, management, and analysts to understand how well a company is utilizing its resources and managing its operations.

Tata Consultancy Services (TCS) is a globally recognized IT services company and a part of the Tata Group. Established in 1968, TCS has grown into one of the largest IT service providers in the world, offering services such as software development, consulting, cloud computing, artificial intelligence, and data analytics. The company operates in more than 50 countries and serves clients across various industries including banking, healthcare, retail, and telecommunications.

The success of TCS can be attributed to its strong business strategies, continuous innovation, global presence, and efficient management practices. However, in today's dynamic business environment, it is important to continuously evaluate the financial performance of the company to ensure long-term

sustainability and growth.

Statement of the Problem

Despite being a market leader, TCS operates in a highly competitive and rapidly changing environment. Factors such as technological advancements, global economic fluctuations, rising operational costs, and increasing competition can affect its financial performance. Therefore, it is necessary to analyze whether the company is effectively utilizing its financial resources, maintaining liquidity, ensuring solvency, and generating adequate returns. The problem lies in assessing the overall financial efficiency of TCS using appropriate financial tools and techniques.

Objectives of the Study

- To analyze the profitability position of TCS
- To evaluate the liquidity position of TCS
- To examine the solvency position of TCS

Scope of the Study

The study is limited to analyzing the financial performance of TCS for a period of five years from 2020–2021 to 2024–2025. It focuses on key financial aspects such as profitability, liquidity, and solvency using ratio analysis. The study is based on secondary data and does not include non-financial factors such as employee satisfaction or market competition in detail.

1.4 RESEARCH METHODOLOGY

Research methodology refers to the systematic process used to collect, analyze, and interpret data in order to solve a research problem. In this study, it helps to understand the financial performance of Tata Consultancy Services in a structured and clear manner.

1.4.1 Research Design

The study is based on an analytical research design. This approach focuses on analyzing financial data and interpreting results. It involves examining the financial statements of TCS over a specific period to identify trends, patterns, and relationships. This helps in evaluating the overall financial performance of the company.

1.4.2 Sources of Data

This study is based on secondary data, which means the data has already been collected and published by reliable sources. The data used in this study is obtained from:

- Annual reports of Tata Consultancy Services
- Financial statements (Income Statement and Balance Sheet)
- Official company website

- Journals, articles, and reports

These sources provide accurate and relevant information for analyzing the company's financial position.

Limitations of the Study

- The study is based only on secondary data
- It covers only a five-year period
- Non-financial factors are not considered
- External economic conditions may influence results

REVIEW OF LITERATURE

Reddy (2020) analyzed the liquidity position of TCS using Current Ratio and Quick Ratio. The study revealed that the company has sufficient current assets to meet its short-term obligations without difficulty. It also showed that TCS maintains a proper balance between liquidity and profitability. The research concluded that strong liquidity reflects the company's sound financial management.

Kumar (2019) examined return-based ratios like Return on Assets (ROA) and Return on Equity (ROE). The study found that TCS provides higher returns compared to other IT companies. It also indicated that efficient utilization of resources leads to increased shareholder wealth. The research concluded that strong returns attract more investors.

Nair (2018) analyzed working capital management in TCS. The study found that efficient management of cash, receivables, and payables helps maintain smooth operations. It also observed that proper working capital management improves liquidity and profitability. The research concluded that TCS effectively manages its short-term financial resources.

COMPANY PROFILE

History of the Company

Tata Consultancy Services was established in the year 1968 as a part of the Tata Group. In its early stages, the company focused mainly on providing data processing services to Tata Group companies using basic computing technology. During the 1970s and 1980s, the company expanded its services into software development and IT consulting. It also became one of the first Indian companies to export software services, marking its entry into the global market. In the 1990s, TCS experienced rapid growth by diversifying its services and expanding its international presence.

A major milestone in the company's history was its Initial Public Offering (IPO) in 2004, which helped it become a publicly listed company and strengthened its financial position. In recent years, TCS has focused on digital transformation, adopting advanced technologies such as cloud computing, artificial

intelligence, and data analytics.

DATA ANALYSIS AND INTERPRETATION

Profitability Analysis

The profitability ratios of TCS indicate strong financial performance. The Gross Profit Ratio remains above 25%, showing efficient cost management. The Net Profit Ratio remains above 20%, indicating consistent earnings.

However, slight fluctuations in these ratios suggest increasing cost pressures and the need for improved operational efficiency.

Liquidity Analysis

The liquidity position of the company is satisfactory. The Current Ratio remains above the standard level of 2:1, indicating that the company can meet its short-term obligations.

The Quick Ratio also shows strong liquidity, but a declining trend suggests the need for better working capital management.

Solvency Analysis

The solvency position of TCS is very strong. The Debt-Equity Ratio is very low, indicating minimal reliance on borrowed funds.

The Proprietary Ratio shows a slight decline, but overall financial stability is maintained.

GROSS PROFIT RATIO

year	Net sales	Gross profit	Gross profit ratio
2020 - 2021	135963	40310	29.35%
2021-2022	160341	46245	28.84%
2022 - 2023	190354	50997	26.79%
2023 -2024	202359	55847	27.60%
2024 - 2025	214853	57929	26.96%

INTERPRETATION

The Gross Profit Ratio of Tata Consultancy Services shows slight fluctuations with an overall declining trend, indicating increasing cost pressure. A small improvement in 2023–24 reflects temporary better cost control.

NET PROFIT RATIO

YEAR	NET SALES(₹Cr)	NET PROFIT(₹ Cr)	Net Profit Ratio (%)
2020 - 2021	135963	30960	22.8
2021-2022	160341	38187	23.8
2022 - 2023	190354	39106	20.6
2023 -2024	202359	43559	21.5
2024 - 2025	214853	48057	22.4

INTERPRETATION

The Net Profit Ratio of Tata Consultancy Services shows fluctuations but remains overall stable, indicating consistent profitability despite cost variations.

OPERATING PROFIT RATIO

YEAR	NET SALES(₹Cr)	OPERATING PROFIT(₹ Cr)	RATIO (%)
2020 - 2021	1,35,963	40,310	29.7
2021 - 2022	1,60,341	46,245	28.8
2022 - 2023	1,90,354	50,997	26.8
2023 - 2024	2,02,359	55,847	27.6
2024 - 2025	2,14,853	57,929	27

INTERPRETATION

The Operating Profit Ratio of Tata Consultancy Services shows a slight declining trend with minor fluctuations, indicating moderate pressure on operating efficiency.

RETURN ON CAPITAL EMPLOYED

Year	Operating Profit (₹Cr)	Capital Employed (₹ Cr)	ROCE (%)
2020 - 2021	40,310	69,046	58.38%
2021 - 2022	46,245	81,097	57.02%
2022 - 2023	50,997	96,218	53.00%
2023 - 2024	55,847	1,03,139	54.15%
2024 - 2025	57,929	1,07,300	53.99%

INTERPRETATION

The ROCE of Tata Consultancy Services shows a slight declining trend with minor fluctuations, indicating marginal reduction in capital efficiency but overall strong performance.

CURRENT RATIO

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	CURRENT RATIO
2020 - 2021	83160	28525	2.91
2021 - 2022	94192	37901	2.48
2022 - 2023	92784	39324	2.35
2023 - 2024	94918	43061	2.2
2024 - 2025	103163	49182	2.09

INTERPRETATION

The Current Ratio of Tata Consultancy Services shows a declining trend but remains above the standard level, indicating satisfactory liquidity despite slight weakening.

QUICK RATIO

Year	Quick Assets(₹ Cr)	Current Liabilities (₹ Cr)	Quick Ratio
2020 - 2021	56,688	28,525	1.99
2021 - 2022	72,806	37,901	1.92
2022 - 2023	83,079	39,324	2.11
2023 - 2024	82,507	43,061	1.92
2024 - 2025	87,722	49,182	1.78

INTERPRETATION

The Quick Ratio of Tata Consultancy Services shows minor fluctuations with a slight declining trend, but remains above the standard level, indicating good liquidity.

DEBIT EQUITY RATIO

Year	Total Debt (₹ Cr)	Equity (₹ Cr)	Ratio
2020 - 2021	7,320	89,784	0.08
2021 - 2022	7,897	96,889	0.08
2022 - 2023	8,105	1,04,837	0.07

2023 - 2024	9,210	1,09,354	0.08
2024 - 2025	10,450	1,14,063	0.09

INTERPRETATION

The Debt-Equity Ratio of Tata Consultancy Services is extremely low, indicating minimal or no dependence on debt and a very strong financial position with low risk.

PROPRIETARY RATIO

Year	Shareholder's Funds (₹ Cr)	Total Assets (₹ Cr)	Ratio
2020 - 2021	74,794	1,09,381	0.68
2021 - 2022	77,173	1,21,263	0.63
2022 - 2023	74,538	1,19,827	0.62
2023 - 2024	72,120	1,21,148	0.59
2024 - 2025	75,617	1,32,788	0.56

INTERPRETATION

The Proprietary Ratio of Tata Consultancy Services shows a declining trend, indicating a gradual decrease in reliance on shareholders' funds.

FINDINGS, SUGGESTIONS AND CONCLUSION

Findings

- Net sales and profits show a steady increasing trend.
- Profitability ratios show minor fluctuations due to cost changes.
- ROCE shows a slight decline, indicating reduced capital efficiency.
- Liquidity ratios are decreasing but remain satisfactory.
- Tata Consultancy Services has low debt and strong financial stability.

Suggestions

- Improve cost control to stabilize profits.
- Increase efficient use of capital to improve returns.
- Strengthen liquidity management.
- Maintain a balanced capital structure.
- Focus on long-term growth and efficiency.

Conclusion

The present study on the financial performance of Tata Consultancy Services reveals that the company has maintained a strong and stable financial position during the period from 2020–2021 to 2024–2025. The analysis based on the Profit and Loss Account and ratio analysis shows that the company has achieved consistent growth in revenue and profitability. TCS has effectively managed its operations and maintained good control over its financial activities. The profitability position is satisfactory, although increasing expenses such as employee cost indicate the need for improved cost management.

The liquidity and solvency position of the company is strong, which indicates its ability to meet both short-term and long-term obligations without financial difficulty. The low level of debt highlights the company's financial stability and reduced risk. Despite minor fluctuations in certain financial aspects, the overall performance remains efficient and reliable. With better cost control, improved operational efficiency, and continuous innovation, TCS can further strengthen its financial performance and sustain its leadership position in the global market.

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