



TATA CONSULTANCY SERVICES FINANCIAL PERFORMANCE : A COMPREHENSIVE REVIEW

Dr. R. GUNA SUNDARI¹, AKASH P²

¹Associate Professor, Sri Krishna Adithya College of Arts and Science

²III.B.COM (A & F), Sri Krishna Adithya College of Arts and Science

ABSTRACT

This study examines the financial performance of Tata Consultancy Services (TCS), one of the leading global IT services and consulting firms. The analysis provides a comprehensive review of key financial indicators, including revenue growth, profitability, and liquidity over past five years. By leveraging financial statements, ratio analysis, working capital and trend analysis the study aims to assess TCS's financial stability, efficiency, and growth potential. The findings offer insights into TCS's financial strengths, challenges, and future outlook, making this study valuable for investors, analysts, and industry professionals.

INTRODUCTION

This financial analysis study aims to evaluate the financial health, performance, and value of the company by analyzing its key financial statements and ratios. Through this analysis, we will gain insights into the company's profitability, liquidity, efficiency, and solvency, providing a holistic view of its current and historical financial standing. Our objective is to assess the company's overall financial stability, identify any potential risks, and understand the strengths and weaknesses in its financial structure.

The objective of this study is to conduct a comprehensive analysis of TCS's financial performance over the past five years, utilizing various financial metrics and ratios to assess its profitability, liquidity, efficiency, and solvency. By examining TCS's financial statements— specifically its profit and loss account and balance sheet, and —this study aims to uncover trends and insights that reflect the company's operational effectiveness and strategic positioning in the competitive landscape of the IT sector.

STATEMENT OF THE PROBLEM

The study will primarily rely on publicly available financial data from the company annual reports and financial disclosures. The project aims to conduct a comprehensive analysis of TCS's financial performance of last five years (2019-2020 to 2023-2024), utilizing tools such as ratio analysis , working capital and benchmarking against industry standards. The focus will be on understanding company's revenue growth, profitability, risk taking capacity, and financial stability. It also explores an comparative study of the financial performance in theses five years.

OBJECTIVES

- To know the financial position of the Tata Consultancy Services (TCS).
- To find out the ratio analysis, working capital and trend analysis of TCS.
- To compare the financial performance of the company in past five years.
- To recommend suggestions for improving the financial performance of the company.

SCOPE OF STUDY

This study aims to analyze the financial performance of Tata Consultancy Services (TCS) using Ratio Analysis, Working Capital Analysis, and Trend Analysis over the last five years . It will evaluate key financial indicators, including profitability, liquidity and solvency ratios, to assess TCS's stability and growth. The working capital analysis will examine the company's short-term financial health, while trend analysis will identify patterns in sales for the last five years

RESEARCH METHODOLOGY

Source of data : Only secondary data is used in this analysis of financial performance of the Tata Consultancy Service.

Here the data used for this project are :

1. Balance sheet of the company
2. Profit and loss account of the company

LIMITATIONS OF STUDY

- The study of financial performance is limited to five years that is from 2019-20 to 2023-24.
- Financial information collected for the analysis are completely secondary in nature.
- The future financial performance forecasted as part of the study may rely on assumptions, it might not true .
- This study only focuses on the quantitative aspects , the qualitative aspects like innovations, human resource capabilities etc are not considered.

REVIEW OF LITERATURE

- ❖ **Prakash et al. (2023)** examines TCS's post pandemic financial resilience, focusing on recovery strategies in digital transformation and cloud services , linking innovation with financial recovery metrics.
- ❖ **Singh and Agarwal (2023).** Investigates TCS's profitability under inflationary conditions , assessing cost management strategies , and their effects on profitability ratios. TCS has demonstrated resilience and effective cost management during inflationary periods, though it remains vigilant about future demand uncertainties.

INDUSTRIAL OVERVIEW

Tata Consultancy Services (TCS), a subsidiary of the Tata Group, is a global leader in IT services, consulting, and business solutions. Established in 1968, TCS has played a pivotal role in the evolution of the global IT services industry, serving clients across various sectors worldwide. Headquartered in Mumbai, India, TCS operates in more than 55 countries and serves clients across diverse industries. TCS offers a comprehensive range of services, including consulting, software development, digital transformation, cloud computing, AI, and business process outsourcing. This extensive portfolio enables TCS to cater to diverse industry verticals such as banking, finance, healthcare, manufacturing, and retail.

MISSION

"To help customers achieve their business objectives by providing innovative, best-in-class consulting, IT solutions, and services, and to make it a joy for all stakeholders to work with us."

VISION

"To be among the top 10 global IT service providers by delivering sustainable value through innovation and technology."

ANALYSIS AND INTERPRETATION

1. CURRENT RATIO

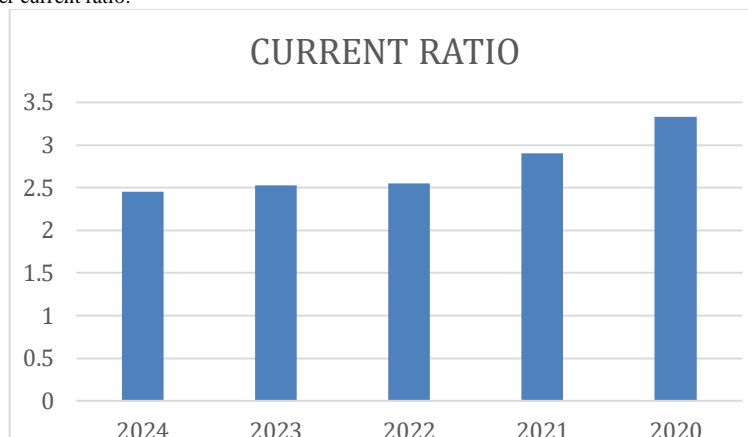
Current Ratio = Current Assets / Current Liabilities

CURRENT RATIO			
YEAR	CURRENT ASSETS	CURRENT LIABILITIES	CURRENT RATIO
2024	112,984.00	46,104.00	2.45
2023	110,270.00	43,558.00	2.53
2022	108,310.00	42,351.00	2.55
2021	99,280.00	34,155.00	2.90
2020	90,237.00	27,060.00	3.33

Source of Data : Secondary Data

INTERPRETATION

The current ratio of TCS has been consistently decreasing from 3.33 in 2020 to 2.45 in 2024. The growth rate of current liabilities is higher than that of current assets, leading to a lower current ratio.

**INFERENCE**

The current ratio has shown a decreasing trend from 2020 to 2024. The highest ratio is observed in 2020 and the lowest ratio is observed in 2024.

2. NET PROFIT RATIO

Net Profit Ratio = Net Profit / Net Sales *100

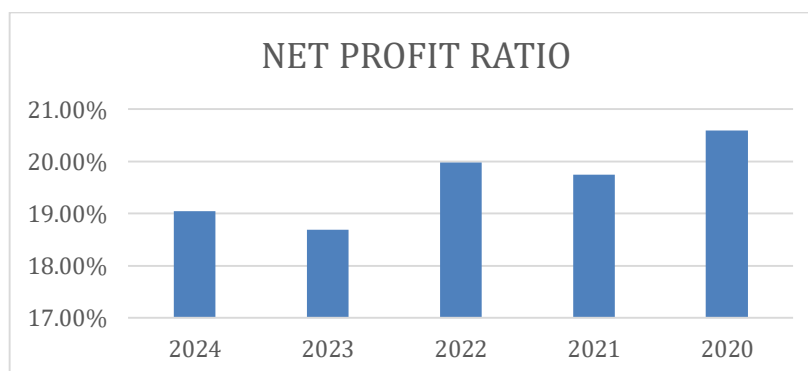
NET PROFIT RATIO

Year	Net Profit	Net Sales	Net Profit Ratio
2024	45,908.00	240,893.00	19.05%
2023	42,147.00	225,458.00	18.69%
2022	38,327.00	191,754.00	19.98%
2021	32,430.00	164,177.00	19.75%
2020	32,340.00	156,949.00	20.60%

Source of data : Secondary data

INTERPRETATION

The net profit has increased over the years with an increase in net sales respectively. The net profit ratio of TCS over the years are between 18.69% to 20.60% .

**INFERENCE**

The graph shows an declining trend in the net profit ratio. The net profit was high in 2020 with an ratio 20.60% and the net profit was low in 2023 with an ratio of 18.69%.

3. DEBT-EQUITY RATIO

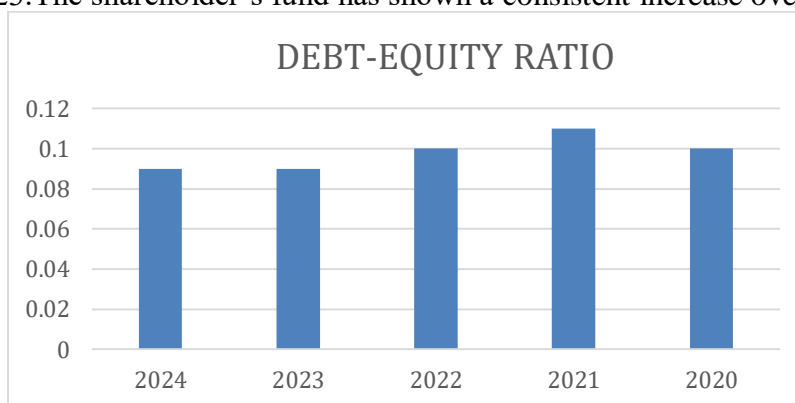
Debt Equity Ratio = Total long term debts / Shareholders fund

DEBT EQUITY RATIO			
YEAR	Total Long term debts	Shareholders Fund	Debt Equity Ratio
2024	9,026.00	90,489.00	0.09
2023	8,887.00	90,424.00	0.09
2022	9,317.00	89,139.00	0.10
2021	9,496.00	86,139.00	0.11
2020	9,090.00	84,433.00	0.10

Source of data : Secondary data

INTERPRETATION

The company's long-term debts slightly fluctuates over the years, with highest value in 2021 and lowest value in 2023. The shareholder's fund has shown a consistent increase over the five years.



INFERENCE

The ratio has remained between 0.09 and 0.11 over the five-year period. The highest ratio was in 2021 and the lowest ratio was observed in 2023 & 2024.

4. WORKING CAPITAL

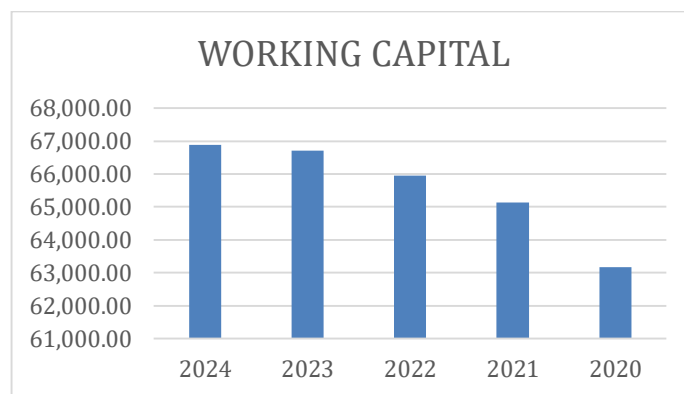
Working Capital=Current Assets–Current Liabilities

WORKING CAPITAL			
YEAR	CURRENT ASSETS	CURRENT LIABILITIES	WORKING CAPITAL
2024	112,984.00	46,104.00	66,880.00
2023	110,270.00	43,558.00	66,712.00
2022	108,310.00	42,351.00	65,959.00
2021	99,280.00	34,155.00	65,125.00
2020	90,237.00	27,060.00	63,177.00

Source of data : Secondary data

INTERPRETATION

The current assets and current liabilities have consistently increased over the years. Despite a consistent increase in current liabilities, the working capital has remained strong.



INFERENCE

The working capital of TCS have shown a increasing trend over the years. The graph shows that in 2024 the working capital was high with an value of ₹66,880 crore and the working capital was low in 2020 with an value of ₹63,177 crore.

5. TREND ANALYSIS

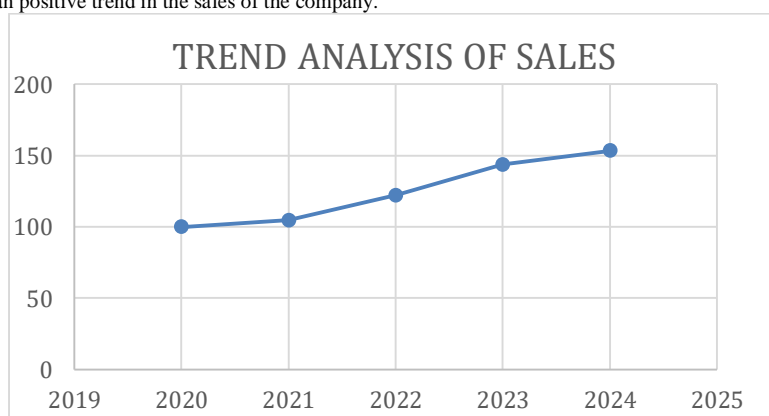
Trend Analysis = Current year / Base year * 100 ,Here , the base year is 2020.

Trend Analysis of Sales		
Year	Sales (in Cr.)	Trend (in %)
2024	240,893.00	153.48
2023	225,458.00	143.65
2022	191,754.00	122.17
2021	164,177.00	104.60
2020	156,949.00	100

Source of data : Secondary data

INTERPRETATION

The sales of the company has consistently increased from ₹156,949 Crore in 2020 to ₹240,893 crore in 2024. The base year 2020 is set with a 100% and in the further tears , it shows an positive trend in the sales of the company.



INFERENCE

The graph shows an steady positive trend in sales from 2020 to 2024. This indicates that the company's revenue has been increasing each year.

FINDINGS

- ❖ TCS's current ratio has consistently decreased from 3.33 in 2020 to 2.45 in 2024.
- ❖ The net profit of the company has increased over the years. The net profit ratio has ranged between 18.69% and 20.60%, indicating some variations in profitability.
- ❖ The debt-equity ratio has remained low and stable, ranging between 0.09 and 0.11, due to the consistent growth of the shareholders fund.
- ❖ The company has successfully maintained a positive working capital position, ensuring smooth short-term operations
- ❖ The company's sales have steadily increased from ₹156,949 Cr. in 2020 to ₹240,893 Cr. in 2024.

SUGGESTIONS

- Tata Consultancy Service (TCS) should monitor the growth of current liabilities in the company and should reduce the growth rate in the future.
- Excessive working capital might indicate underutilized resources, so the company should consider investing surplus funds into growth opportunities.
- The steady increase in sales reflects strong business growth. To sustain this momentum, the company should focus on expanding market reach, enhancing product offerings, and improving operational efficiency.

CONCLUSION

The financial performance of Tata Consultancy Services (TCS) has been thoroughly analyzed in this study, focusing on its financial position, ratio analysis, and performance over the past five years. Through an in-depth evaluation of key financial metrics, including profitability ratios, liquidity ratios, and solvency ratios, it is evident that TCS has maintained a strong and stable financial position in the industry. One of the key findings of this study is that TCS has shown consistent revenue growth, demonstrating its ability to expand its market presence and capitalize on the increasing demand for IT and digital services.

REFERENCE

- TCS Integrated Annual Report 2023-2024: This report provides detailed insights into TCS's financial metrics, operational highlights, and strategic initiatives for the fiscal year 2023-2024.
- Money control – TCS Key Financial Ratios: This source offers a breakdown of TCS's financial ratios, including current ratio, quick ratio, and dividend payout ratio, facilitating a deeper understanding of the company's financial health.

WEBSITES

- www.tcs.com
- www.wikipedia.com
- www.moneycontrol.com