

A Study on Financial Performance Analysis of Tata Consultancy Services Limited


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Abstract

This study focuses on the analysis of the financial performance of Tata Consultancy Services Ltd for the period 2020-2021 to 2024-2025 concentrates on the profitability, solvency, Liquidity and trend analysis of the company. Tata Consultancy Services Ltd was a division of Tata Sons Limited originally named Tata Computer Systems by providing various services like Digital Transformation, Automated tools, etc. The company shows significant increase in the overall financial performance in the period of study. This study aims to give advices to the investors for investing in the best performing IT company.

Keywords: Tata, Finance, liquidity, profitability, trend, ratio, etc.,

Introduction

Tata Consultancy Services Ltd was one of the leading IT sector company in the country. Tata Consultancy Services Ltd has demonstrated a strong and consistent performance in the financial years 2020–2021 to 2024–2025. Tata Consultancy Services reported a rise in revenue from ₹2,40,893 crore in FY 2023–24 to ₹2,55,324 crore in FY 2024–25, makes an increase of ₹14,431 crore. Total revenue also grow up by ₹13,971 crore during the period. Net profit increased from ₹46,099 crore to ₹48,797 crore an increase of ₹2,698 crore focusing a steady profitability growth. On global economic uncertainties and challenges like the early years of the COVID-19 pandemic time the company has maintained a steady revenue growth supported by the diversified service portfolio with strong client relationships. Over this period the total revenue increased significantly on the period of study. This study is focuses on the performance analysis of the company.

Review of Literature

- **Prathiksha and Dr. M. Vadivel in their study of analysing the trend and growth of the Tata Consultancy Services (2025);** The study focusing on the trend, growth and liquidity of the company. The study explores that the profitability and liquidity ratios of the company was reducing significantly and only the sales trend analysis was raising slightly. Their study suggests to improve the profit margin and liquidity position of the company.
- **Mr. Praful Patel and Dr. Sharda Gangwar on their study of comparative analysis of Infosys and TCS (2024);** The study compares the two IT companies to show the turnover and profitability of the both companies. In that both Infosys and TCS was decreasing well in the net profit margin in the period of study and in the asset turnover ratio the

both companies are increasing significantly but compared to Infosys here TCS was having a higher asset turnover ratio during the period of study. This study suggest both companies to increase their profit and turnover ratios to attract more investors.

• **Reena Raj in her study of financial analysis of Tata Consultancy Services (2020);** Focusing on the financial analysis of the Tata Consultancy services, she used various types of analysis like profitability, solvency, liquidity and turnover ratios. In which the study discovered that only the solvency of the company has been decreased and other ratios has been increased during her study period which shows that the company was performing good and the revenue was increased. The study also suggested to reduce the solvency and overhead expenses of the company.

• **CS Arvinder Kaur in his study on the comparative financial performance analysis of various IT companies (2018);** The study compares top five IT companies in profitability, liquidity and turnover ratios. This study shows that Tata Consultancy Services is the best performing IT company Compared to other IT companies. The other companies shows a negative position on the ratios used in the study and only TCS has maintained a positive position in the study period of 2008-2017. This study suggests TCS to maintain the financial performance to ensure the best performing IT company and to attract more investors to the company by the positive returns compared to other companies in their study.

Statement of the problem

All major companies in the IT sector are competing with each other with their profitability, solvency, turnover and trend of the company. The investors are feeling difficult to invest in the best performing IT company. Among the IT sector companies in India Tata Consultancy Services Ltd is one of the leading company. This induces the researcher to take up the study on A study on financial performance analysis of TCS Ltd in order to providesuggestions to the investors to take decisions and to find out the Profitability, solvency, turnover, Liquidity and trend analysis of the company.

Objectives of the study

- To evaluate the liquidity and solvency position of the company.
- To evaluate the Profitability of the company.
- To evaluate the overall performance of the company.

Research Methodology

Since the study is based on the secondary data collected from the TCS official website and money control. So the results may also wrong and not accurate.

Data Collection

The financial data was collected from the official website of Tata Consultancy Services Ltd and money control website. The collected data includes profit and loss, balance sheet of the company for the period 2020-2021 to 2024-2025.

Tools used

1. Ratio Analysis
2. Trend Analysis

Analysis and Interpretation Liquidity and Solvency Ratios:

Ratios:

Table 1

Liquidity and Solvency Ratios

Year	Current Ratio	Quick Ratio	Cash Ratio	Debt Equity Ratio	Solvency Ratio
2020-2021	2.91	2.91	4.05	0.11	2.33
2021-2022	2.56	2.56	3.53	0.10	2.81
2022-2023	2.53	2.53	2.28	0.10	2.95
2023-2024	2.45	2.45	2.14	0.10	3.19
2024-2025	2.32	2.32	1.99	0.11	3.15
Average	2.554	2.554	2.798	0.104	2.886

Source: Secondary Data from Money Control.

Interpretation: The Liquidity ratios are good, The company needs to maintain the same and the solvency ratios of the company is very less and the company should focus on the solvency of the company.

Profitability Ratios:

Table 2

Profitability Ratios

Year	Gross Profit Ratio (%)	Net Profit Ratio (%)	Operating Profit Ratio (%)
2020-2021	29.47	19.75	28.35
2021-2022	29.91	19.99	27.67
2022-2023	27.94	18.69	26.28
2023-2024	28.12	19.06	26.69
2024-2025	27.95	19.11	26.40
Average	28.67	19.32	27.08

Source: Secondary Data from Money Control.

Interpretation: The profitability ratios of the company was performing well and the company should maintain the same and the company should focus on increase of net profit conversion of the company.

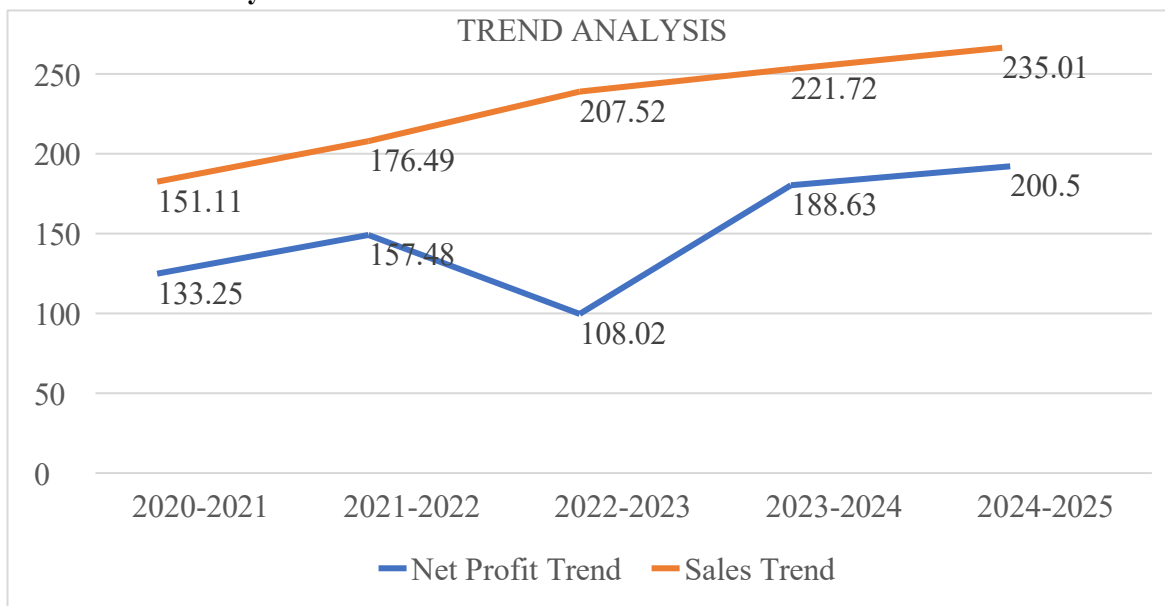
Trend Analysis:

Table 3 Trend Analysis

Year	Net Profit Trend (%)	Sales Trend (%)
2020-2021	133.25	151.11
2021-2022	157.48	176.49
2022-2023	108.02	207.52
2023-2024	188.63	221.72
2024-2025	200.50	235.01
Average	157.576	198.37

Source: Secondary Data from Money Control.

Chart 1 Trend Analysis



Interpretation: In the trend analysis the company shows a average increase of sales and net profit at the period of study. The company should maintain the same for the further years to maintain the significant growth of the company.

Findings of the study:

- The Liquidity ratios are good, The company needs to maintain the same and the solvency ratios of the company is very less and the company should focus on the solvency of the company.
- The profitability ratios of the company was performing well and the company should maintain the same and the company should focus on increase of net profit conversion of the company.
- In the trend analysis the company shows a average increase of sales and net profit at the period of study. The company should maintain the same for the further years to maintain the significant growth of the company.

Conclusion:

The financial analysis of the company reveals that the company has strong position in liquidity, profitability and overall operational efficiency. The current ratio and liquid ratio indicate that the company is well positioned to meet the short-term obligations without difficulty. The low debt-equity ratio and high proprietary ratio show that the company follows a conservative capital structure resulting in low financial risk and high financial stability. The

company has demonstrated consistent growth in sales and net profit over the last ten years reflecting effective management and a sound business model. High net profit margin and return on investment further confirm the company's ability to generate substantial profits using its resources efficiently. The company would be raising for the period of the study. The study suggests the investors can trust the company for investment and trading activities.

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