International Journal of Business and Economics Research
www.drbgrpublications.in

A Study on Financial Performance and Stability of Tata Consultancy Services

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Abstract

The Indian information technology industry plays a significant role in economic development, and Tata Consultancy Services (TCS) stands as one of its leading contributors. This study aims to analyze the financial performance and overall financial health of TCS over a five-year period from 2020 to 2025. The research evaluates key financial aspects such as profitability, liquidity, solvency, and operational efficiency using secondary data collected from published financial statements, annual reports, and reliable financial databases. Financial ratio analysis and trend analysis are used as major analytical tools to identify performance patterns and financial stability. The study also considers the impact of growing competition, rising operational costs, technological advancements, and changing client demands on the company's performance. By examining financial trends and indicators, the research assesses how effectively TCS has managed its resources and financial obligations. The findings of the study provide meaningful insights into the company's strengths, weaknesses, and sustainability. This research is useful to investors for decision-making, to management for strategic planning, and to students and researchers for understanding practical financial analysis in the IT services sector.

Keywords: Financial Performance, Ratio Analysis, Trend Analysis, Tata Consultancy Services (TCS)

Introduction

The Indian information technology (IT) industry plays a vital role in the country's economic growth by generating employment, supporting digital transformation, and contributing significantly to GDP. Among the major players in this sector, Tata Consultancy

Services (TCS) has established a strong reputation as one of India's leading IT services and consulting companies. TCS focuses on providing a wide range of services including IT consulting, software development, digital solutions, cloud computing, and business process services, with an emphasis on innovation, quality, and customer-centric solutions. With a strong global presence and a diversified service portfolio, the company continues to attract clients across various industries worldwide.

In recent years, Tata Consultancy Services has shown notable improvement in both operational and financial performance. The company has benefited from increasing demand for digital transformation services, growing adoption of cloud computing and artificial intelligence, and the rapid expansion of technology-driven business models. Government initiatives promoting digitalization, data security, and IT infrastructure development have further supported this growth. At the same time, the company faces several challenges such as intense global competition, rising employee costs, talent retention issues, and the need for continuous investment in emerging technologies. These factors have a direct impact on the financial performance and long-term stability of the company.

In this context, the present study aims to analyze the financial performance and overall financial health of Tata Consultancy Services over a period of five years. The study focuses on evaluating profitability, liquidity, solvency, and efficiency through the use of financial statements and ratio analysis. By examining trends and financial indicators, the research seeks to understand how effectively the company has managed its resources and how well it is positioned to face future challenges. The findings of this study are expected to provide useful insights for investors, management, researchers, and students interested in the financial performance of companies in the Indian IT industry.

Statement of the problem

Despite its strong brand image and global presence, Tata Consultancy Services (TCS) faces several challenges that affect its financial performance and long-term sustainability. Intense competition from domestic and international IT firms increases pressure on pricing, client retention, and profit margins. Rising operational costs such as employee compensation, infrastructure expenses, and digital investments reduce operating margins. Project delays, talent attrition, and shortage of skilled manpower can disrupt service quality and customer satisfaction. At the same time, changing client demands for cloud computing, AI, cybersecurity, and digital solutions require continuous innovation. Heavy spending on R&D, employee upskilling, and digital infrastructure adds further financial burden. Global economic fluctuations and regulatory changes also create uncertainty in performance. Therefore, maintaining stable growth becomes challenging while balancing costs and future investments. Hence, a detailed study of TCS financial performance is necessary to assess its strengths, weaknesses, and long-term growth sustainability.

Significance of the Study

This study is significant as it provides a detailed understanding of the financial performance and stability of Tata Consultancy Services (TCS) over a five-year period. By using financial statements, ratio analysis, and trend analysis, the study helps evaluate the company's profitability, liquidity, solvency, and operational efficiency. The findings of this research are useful to investors in assessing the company's financial strength and investment potential. It also benefits management by identifying financial strengths, weaknesses, and areas requiring improvement to support effective decision-making. Students and researchers can use this study as a reference for understanding practical financial analysis in the IT services industry. Additionally, the study contributes to academic knowledge by highlighting the financial challenges faced by IT companies in a highly competitive and technology-driven global market. Overall, the study helps explain how financial performance influences sustainability and long-term growth in the Indian IT services sector.

Scope of the Study

The research centers on the financial performance of Tata Consultancy Services over a five-year period from 2020 to 2025. Financial statement analysis tools such as ratio analysis and trend analysis will be used to understand the company's performance regarding profitability, liquidity, and solvency. The research is limited to secondary data obtained from published financial statements, annual reports, and reputable online financial databases. The research is primarily focused on financial indicators, not qualitative factors like employee performance, market positioning, or customer satisfaction. This research will aid in understanding TCS's growth trajectories, financial policies, and financial health in an uncertain world. The findings may also help students, investors, and other financial professionals.

Research Gap

Most existing studies on TCS focus mainly on general growth and profitability, but there is limited recent research that fully examines its financial stability using a combined analysis of profitability, liquidity, solvency, and efficiency over the last five years. This study fills the gap by providing an updated and detailed financial evaluation of TCS using ratio and trend analysis.

Objectives of the Study

- To examine the financial performance of Tata Motors Passenger Vehicles Limited by studying the trends in revenue, expenses, and profits from the Profit and Loss Account over the last five years.
- To assess the company's liquidity, solvency, and profitability status using Balance Sheet and Profit and Loss Account data with the help of suitable financial ratio analysis.
- To evaluate the overall financial position and stability of Tata Motors Passenger Vehicles Limited through comparative and trend analysis of Balance Sheet and Profit and Loss Account figures.

Research Methodology

Research Design

The study adopts a descriptive and analytical research design. It aims to provide a detailed evaluation of the financial performance and stability of Tata Consultancy Services over a five-year period. The research focuses on collecting, organising, and analyzing financial data to identify trends, patterns, and areas of strength or weakness.

Data Collection

The study uses secondary data obtained from authentic sources, including:

- Annual reports of Tata Consultancy Service Passenger Vehicles Limited for the last five financial years.
- Financial statements, including the Balance Sheet and Profit and Loss Account.
- Reports from financial databases, stock exchanges, and company websites.
- Relevant literature, industry reports, and research papers on the Indian automobile sector.

Period of Study

The research covers a period of five financial years, which provides sufficient data to evaluate trends and assess long-term financial performance. This period allows for the analysis of fluctuations, growth patterns, and financial stability of the company.

Tools and Techniques for Analysis

The study employs quantitative financial analysis tools, including:

Financial Ratio Analysis:

- Profitability Ratios (e.g., Net Profit Margin, Return on Assets, Return on Equity) to assess the company's ability to generate profits.
- Liquidity Ratios (e.g., Current Ratio, Quick Ratio) to measure short-term financial stability.
- Solvency Ratios (e.g., Debt to Equity Ratio, Interest Coverage Ratio) to evaluate long-term financial obligations.
- Efficiency Ratios (e.g., Asset Turnover Ratio, Inventory Turnover Ratio) to analyze resource utilization and operational efficiency.

Statistical Tools

The study uses basic statistical and financial tools for analysis, including:

- Percentage analysis to measure growth rates.
- Ratios and proportions for liquidity, profitability, solvency, and efficiency.
- Graphs and charts for clear visualization of trends.

Result and Analysis

Table 1: Table showing Revenue Trend of Tata Consultancy Services

Year	Total Revenue (₹ Cr)
2020-21	1,66,022
2021-22	1,96,052
2022-23	2,29,182
2023-24	2,44,344
2024-25	2,59,286

Source: Secondary data

Table 1 reveals Tata Consultancy Services has steady growth in revenue over the last five years. This continuous rise shows strong demand for TCS services and successful business expansion. The company is consistently improving its market position.

Table 2: Table showing Total Expenses Trend (₹ Crore)

Year	Total Expenses (₹ Cr)
2020-21	1,17,631
2021-22	1,38,697
2022-23	1,66,199
2023-24	1,76,597
2024-25	1,87,917

Source: Secondary data

Table 2 reveals TCS expenses increased every year, mainly due to higher employee costs and business expansion. However, the expense growth is controlled and justified as it supports company growth and service quality.

Table 3: Table showing Profit/Loss Trend (₹ Crore)

Year	Net Profit (₹ Cr)
2020-21	32,430
2021-22	38,327
2022-23	42,147
2023-24	45,908
2023-25	48,797

Source: Secondary data

Table 3 reveals TCS net profit increased consistently over the years, indicates strong financial health and good business strategy. TCS is generating higher returns for its shareholders every year.

Table 4: Table showing Liquidity Position

Year	Current Assets (₹ Cr)	Current Liabilities (₹ Cr)	Current Ratio
2020-21	99,280	34,155	2.91
2021-22	1,08,310	42,351	2.56
2022-23	1,10,270	43,558	2.53
2023-24	1,12,984	46,104	2.45
2024-25	1,23,012	53,001	2.32

Source: Secondary data

Table 4 reveals TCS maintains a strong liquidity position across all five years. The current ratio remains well above 2, indicating the company can easily meet its short-term obligations. Although the ratio slightly declined over time, it is still healthy and shows efficient working capital management.

Table 5: Table showing Solvency Position

Years	Total Debt (₹ Cr)	Shareholders' Fund (₹ Cr)	Debt-Equity Ratio
2020-21	9,496	86,433	0.11
2021-22	9,317	89,139	0.10
2022-23	8,887	90,424	0.10
2023-24	9,026	90,489	0.10
2024-25	10,857	94,756	0.11

Source: Secondary data

Table 5 reveals TCS maintains a very low debt-equity ratio in all five years, showing that the company depends more on shareholders' funds than borrowed capital. This reflects strong longterm solvency and low financial risk.

Table 6: Table showing Profitability Position

Year	Net Profit (₹ Cr)	Revenue (₹ Cr)	Net Profit Margin (%)
2020-21	32,430	1,66,022	19.5%
2021-22	38,327	1,96,052	19.5%
2022-23	42,147	2,29,182	18.4%
2023-24	45,908	2,44,344	18.8%
2024-25	48,797	2,59,286	18.8%

Source: Secondary data

$$\text{Net Profit Margin} = \frac{Net\ Profit\ After\ Tax}{Total\ Revenue} \times 100$$

Table 6 reveals TCS maintains a consistently high net profit margin across all five years, indicating strong operational efficiency and effective cost management. The company is generating healthy profits from its revenue.

Table 7: Table showing the Overall Financial Position and Stability of Tata Consultancy Services (Five-Year Trend Analysis)

Aspect Analyzed	Observation from Balance Sheet / P&L	Trend Identified	Interpretation
Revenue Growth	Sales revenue has shown a steady increase over five years due to rising demand for passenger vehicles and new model launches	Upward trend	Indicates strong market acceptance and business expansion
Profitability	Net profit has improved significantly after earlier losses, supported by cost control and higher sales	Improving trend	Shows recovery and better operational efficiency
Operating Performance	Operating margins have strengthened due to improved capacity utilization and cost optimization	Positive trend	Reflects better management efficiency and production planning
Cost Management	Manufacturing and operating expenses have grown at a slower rate than revenue	Controlled cost trend	Demonstrates effective expense management
Shareholders' Funds	Equity and reserves have increased consistently	Upward trend	Shows strong internal fund generation and investor confidence
Debt Position	Total borrowings have reduced gradually over the period	Downward trend	Indicates improved solvency and lower financial risk
Debt-Equity Ratio	Ratio has declined due to reduced debt and increased equity	Improving trend	Shows stronger capital structure and stability
Liquidity Position	Current assets have increased more than current liabilities	Positive trend	Company has strong short-term payment capacity
Cash & Cash Equivalents	Cash balances have improved steadily	Increasing trend	Ensures better working capital management
Asset Base	Fixed assets have increased due to investments in new plants and technology	Upward trend	Indicates expansion and modernization
Return on Equity	ROE has improved in recent years	Rising trend	Reflects better profitability for shareholders
Overall Financial Stability	Improved profits, lower debt, and higher reserves	Strong upward trend	The company is financially stable and sustainable

Findings

- TCS revenue has shown a steady increasing trend from 2020–21 to 2024–25. There is continuous growth in revenue every year without decline. This indicates strong business performance and market demand. The company has expanded its operations consistently. Overall, it reflects a positive growth pattern.

- The highest revenue is recorded in the year 2024–25. This shows the company's improved operational efficiency. It also reflects successful adoption of digital technologies. Customer base and project volume have increased. Hence, revenue performance is at its peak.
- Revenue growth is consistent year after year. No financial year shows a decrease in income. This highlights effective management strategies. Market position of TCS remains strong. Business sustainability is clearly visible.
- The continuous revenue rise shows financial stability. The company maintains steady cash inflows. It supports future expansion plans. Investor confidence is strengthened. Overall financial health is strong.
- Total expenses of TCS show a continuous increasing trend from 2020–21 to 2024–25. Expenses increased every year without any decline. This reflects business expansion and higher operational activities. The company is investing more in employee and operating costs. Overall expense growth follows business growth.
- The lowest total expenses were recorded in the year 2020–21. This year shows minimum operational spending. Subsequent years show gradual increases. It indicates increased scale of operations. Cost structure has expanded over time.
- The highest total expenses are observed in 2024–25. This reflects increased workforce and project execution. Higher expenses indicate business expansion. The company invested more in resources. Operational scale reached its peak.
- Expenses growth is consistent year after year. No year shows a decrease in spending. This indicates stable business operations. Cost control is maintained along with growth. Company manages rising costs effectively.
- Net profit of TCS shows a continuous increasing trend from 2020–21 to 2024–25. Profit has grown every year without any decline. This indicates strong financial performance. The company is managing its costs effectively. Overall profitability has improved steadily.
- The lowest net profit was recorded in the year 2020–21. This year shows the base level of earnings. From this point, profit keeps increasing. It reflects business recovery and growth. Financial performance has strengthened over time.
- The highest net profit is observed in 2024–25. This shows the best financial

performance. Profit reached ₹48,797 crore in this year. It reflects operational efficiency. The company achieved strong earnings growth.

- Year-on-year profit growth is consistent. No year shows a decline in net profit. This indicates stable business operations. Management strategies are effective. The company maintains sustainable growth.
- Current assets of TCS show a steady increasing trend from 2020–21 to 2024–25. Assets increased every year without any decline. This indicates strong working capital management. The company is maintaining good liquidity. Short-term financial strength is improving.
- Current liabilities have also increased gradually over the years. This reflects expansion in business operations. Higher liabilities show increased operational scale. However, assets are still higher than liabilities. Company maintains balance in obligations.
- The current ratio shows a declining trend from 2.91 to 2.32. Although decreasing, it remains above the ideal ratio of 2. This indicates the company can meet short-term obligations. Liquidity position is still strong. Financial stability is maintained.
- The highest current ratio was recorded in 2020–21. After that, it shows a gradual decline each year. This reflects better utilization of current assets. Company is efficiently managing working capital. Overall liquidity position remains healthy.
- Total debt of TCS remains low throughout the five-year period. Debt shows minor fluctuations but stays within a narrow range. This indicates controlled borrowing. The company is not highly dependent on external funds. Financial risk is very low.
- Shareholders' fund shows a continuous increasing trend. It increased from ₹86,433 crore in 2020–21 to ₹94,756 crore in 2024–25. This reflects strong internal fund generation. Reserves and surplus are growing steadily. Equity base of the company is strengthening.
- The debt-equity ratio remains stable around 0.10–0.11. This indicates a healthy capital structure. The company relies more on equity than debt. Financial stability is well maintained. Risk to investors is minimal.
- The lowest debt-equity ratio was observed in 2021–22 and 2022–23. This shows the strongest solvency position. Low leverage reflects sound financial management. The company can easily meet long-term obligations. Overall solvency position is strong.
- Net profit of TCS shows a continuous increasing trend from 2020–21 to 2024–25. Profit increased every year without any decline. This indicates strong financial performance.

Revenue growth supported profit growth. Overall earnings position is improving.

- Net profit margin remained stable at 19.5% during 2020–21 and 2021–22. It slightly declined to 18.4% in 2022–23. Later it improved to 18.8% in 2023–24 and 2024–25. This shows effective cost control. Profitability level is well maintained.
- Revenue increased steadily from ₹1,66,022 crore to ₹2,59,286 crore. This reflects strong business expansion. Higher revenue helped improve profits. Market demand for TCS services increased. Overall business performance is strong and stable.
- Overall, the company maintains high profitability alongside revenue expansion. Net profit growth is consistent and sustainable. Profit margins indicate strong cost control measures. The company demonstrates effective financial management. TCS shows stable earnings with good return on revenue.

Suggestions

Based on the study's findings, here are some suggestions

- TCS should continue focusing on revenue expansion strategies. Entering new global markets will support growth. More digital service offerings should be introduced. Client diversification can increase income. This will strengthen long-term stability.
- Cost control measures should be strengthened further. Operating expenses must be monitored regularly. Automation can reduce unnecessary costs. Efficient resource utilization should be ensured. This will improve profit margins.
- The company should maintain its low debt position. Avoid excessive external borrowing. Use internal funds for expansion. This will reduce financial risk. Capital structure will remain strong.
- Working capital management must be improved continuously. Current assets should be used efficiently. Receivables collection period should be reduced. This will improve cash flow. Liquidity position will remain healthy.
- TCS should invest more in innovation and technology. Focus on AI, cloud computing, and cybersecurity. This will attract new clients. Competitive advantage can be maintained. Future growth will be supported.
- Employee productivity programs should be enhanced. Training and skill development must be increased. This improves service quality. Motivated employees increase performance. Profitability will improve.
- Dividend policy can be reviewed periodically. Shareholders should be rewarded

consistently. This increases investor confidence. Market value of shares can rise. Brand image improves.

- Risk management practices should be strengthened. Economic and market risks must be analysed. Contingency plans should be prepared. This ensures business continuity. Stability is maintained.
- Customer satisfaction should remain a priority. High-quality service delivery must be ensured. Client feedback should be reviewed. Long-term relationships can be built. Repeat business will increase.
- Long-term strategic planning should be improved. Future projects must be well evaluated. Expansion decisions should be data-driven. This avoids financial losses. Sustainable growth will be achieved.

Conclusion

The study on the financial performance and stability of Tata Consultancy Services clearly shows that the company has maintained strong financial health and efficient management over the five-year period. The analysis reveals steady growth in revenue and profit, supported by effective cost control, strong operational efficiency, and a solid market position in the global IT industry. The company’s diversified services and global presence have helped maintain stable revenue and reduced business risk.

The study also highlights TCS’s strong liquidity, low debt levels, and high profitability, which together reflect a stable financial foundation and long-term sustainability. The company has successfully managed challenges such as rising costs and technological changes while continuing its growth journey. Overall, TCS emerges as a financially stable, reliable, and future-oriented organization, making it a trustworthy company for investors, stakeholders, and researchers in the Indian IT services industry.

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