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A Study on Financial Analysis of Tata Consultancy Services (2021-2025)

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ABSTRACT: Financial performance analysis plays a vital role in evaluating the operational efficiency, profitability, and financial stability of corporate organizations. The present study examines the financial performance of Tata Consultancy Services (TCS) for the period 2021–2025. The research evaluates key financial indicators including liquidity ratios, profitability ratios, return ratios, working capital efficiency, and trend analysis. The study is based on secondary data collected from annual reports and published financial statements. Ratio analysis and trend analysis were applied to assess financial health and performance consistency. The findings reveal that TCS maintained strong liquidity, stable profit margins, increasing returns on assets and equity, and improved working capital efficiency during the study period. Despite rising expenses and global economic challenges, the company demonstrated strong financial resilience and sustainable growth. The study concludes that TCS is financially stable, operationally efficient, and strategically positioned for long-term growth in the competitive global IT industry.

KEYWORDS: Financial Performance, Ratio Analysis, Liquidity, Profitability, Working Capital Management, Trend Analysis, ROE, ROCE

I. INTRODUCTION

In the modern global business environment, financial performance analysis is essential for measuring organizational efficiency, profitability, and long-term sustainability. In the information technology (IT) sector, companies must balance innovation, cost control, and capital efficiency to remain competitive.

Tata Consultancy Services (TCS), a leading global IT services provider, operates across multiple countries and industry sectors. Over the years, TCS has demonstrated consistent revenue growth and profitability despite facing economic uncertainties, inflationary pressures, currency fluctuations, and technological disruptions.

This study evaluates the financial performance of TCS for the period 2021–2025 using systematic financial tools. The objective is to assess liquidity, profitability, capital efficiency, and overall financial stability to understand whether the company's growth is supported by strong financial fundamentals.

II. LITERATURE REVIEW

Several researchers have examined the financial performance of TCS using ratio and trend analysis methods. Banerjee (2021) analyzed the financial performance of TCS and reported strong profitability and growth consistency. Mittal et al. (2024) examined liquidity, leverage, and profitability, concluding that TCS maintains strong financial stability. Dharshini et al. (2023) evaluated liquidity and solvency positions and found satisfactory profitability levels. Gadhavi and Barad (2021) conducted a comparative analysis between TCS and Infosys, concluding that TCS performs better in net profit and return on equity.

IFRS Impact Study (2019) observed improved transparency and profitability post-IFRS adoption. Several studies published in IJCRT, JETIR, and IJESR highlighted consistent profit growth, strong return ratios, and resilient capital management.



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However, most studies relied heavily on traditional ratio analysis and covered periods ending before 2024. Limited research addresses the impact of rising operational costs, digital transformation investments, and post-pandemic economic challenges. Hence, this study attempts to provide an updated financial evaluation for 2021–2025.

III. RESEARCH METHODOLOGY

Research Design

The study adopts a descriptive research design to analyze financial performance using historical data.

Nature of Study

The research is quantitative in nature and based on numerical financial data.

Data Source

Secondary data was collected from:

- Annual Reports of TCS (2021–2025)
- Published financial statements
- Academic journals and research publications

Tools Used

1. Ratio Analysis
 - Liquidity Ratios
 - Profitability Ratios
 - Return Ratios
2. Trend Analysis
3. Working Capital Analysis
4. Working Capital Turnover Ratio

These tools help evaluate financial stability, efficiency, and growth patterns.

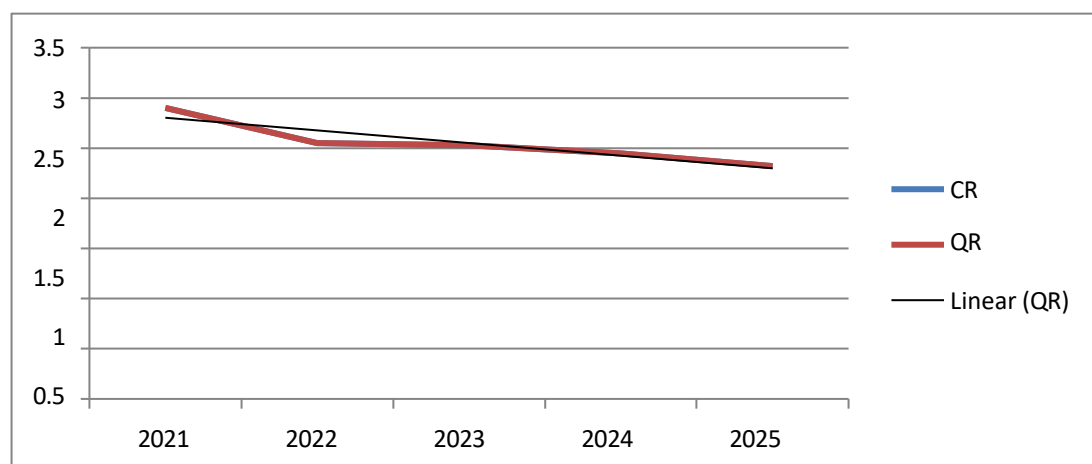
IV. RESULTS & DISCUSSION

4.1 Liquidity Position

The Current Ratio remained above 2 throughout the study period, indicating strong short-term solvency. Although the ratio declined slightly from 2.9 (2021) to 2.32 (2025), it remains well above the ideal benchmark, suggesting healthy liquidity management.

The Quick Ratio followed a similar pattern, confirming sufficient liquid assets to meet short-term obligations.

Chart 4.1 & 4.2
Current Ratio and Quick ratio





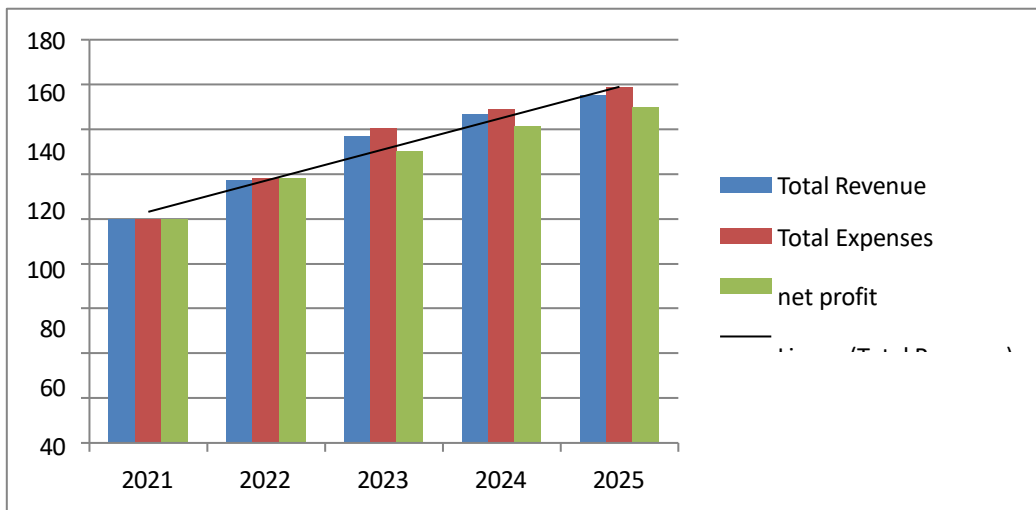
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4.2 Trend Analysis

Revenue increased by 55% over five years, while net profit grew by nearly 50%. However, expenses grew slightly faster than revenue, indicating cost pressures. Despite this, profitability remained stable, reflecting efficient cost control.

Chart 4.3
Trend Analysis

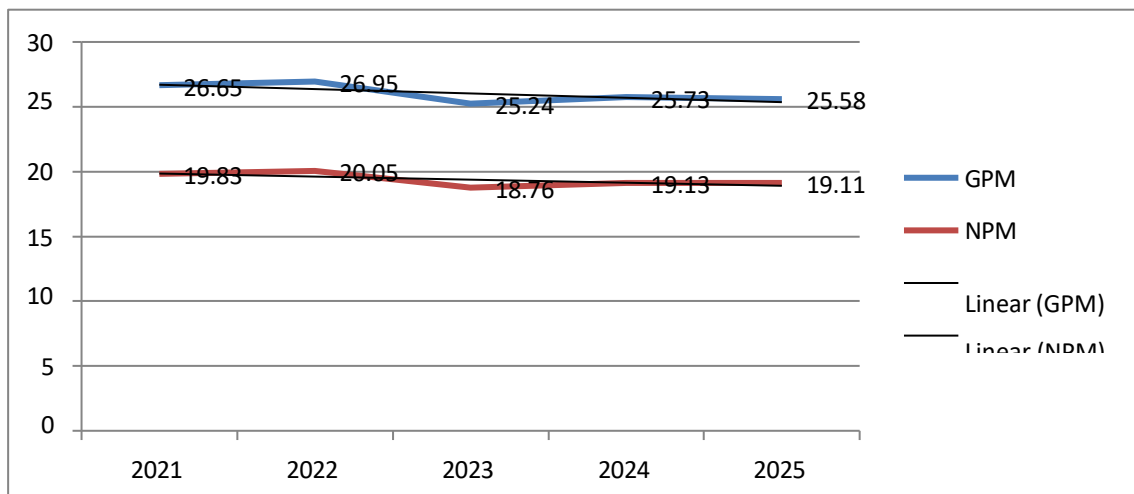


4.3 Profitability Analysis

- Gross Profit Margin remained stable between 25–27%.
- Net Profit Margin hovered around 19–20%.
- Return on Assets improved from 24.80% (2021) to 30.40% (2025).
- Return on Equity increased significantly from 37.52% to 51.24%.
- Return on Capital Employed crossed 60% in recent years.

These indicators demonstrate improved efficiency in utilizing assets, funds, and capital.

Chart 4.4 & 4.5
Gross Profit and Net Profit Margin

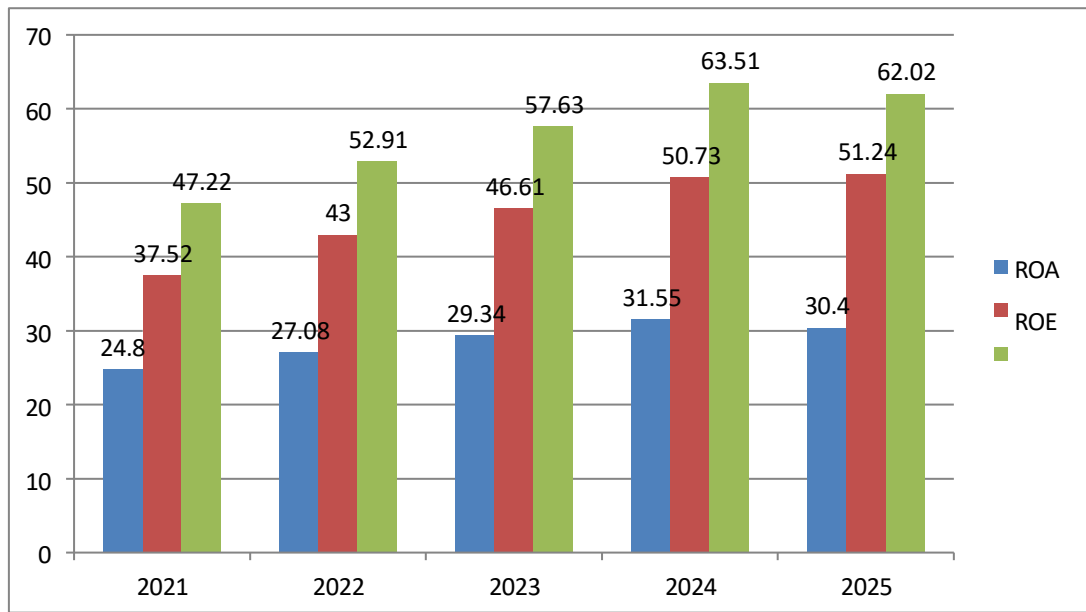




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Chart 4.6 & 4.7 & 4.8
ROA & ROE & ROCE

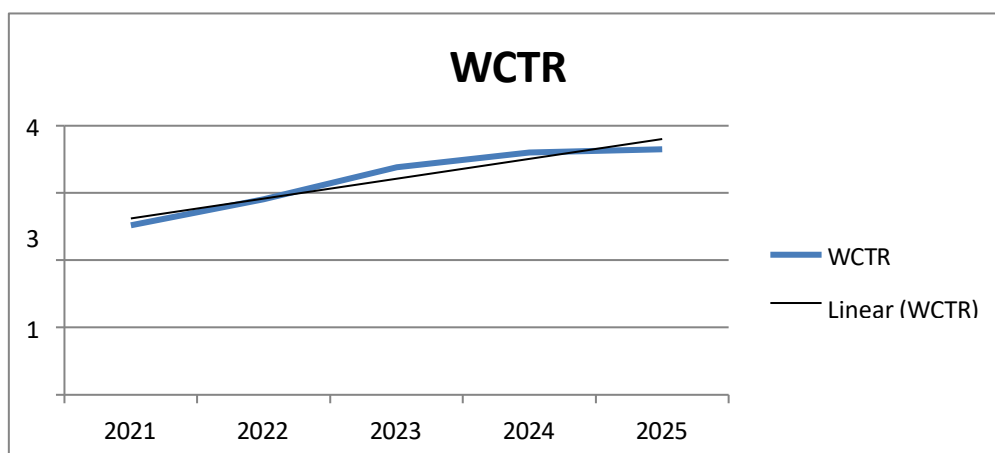


4.4 Working Capital Analysis

Current Assets consistently exceeded Current Liabilities, resulting in positive and growing working capital.

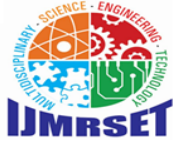
Working Capital Turnover Ratio improved from 2.52 (2021) to 3.65 (2025), indicating better utilization of working capital to generate revenue.

Chart 4.9
Working Capital Turnover Ratio



V. CONCLUSION

The study concludes that Tata Consultancy Services has demonstrated strong financial performance during 2021–2025. The company maintained excellent liquidity, stable profit margins, and consistently high return ratios. Despite rising operational costs and global uncertainties, TCS showed financial resilience and operational efficiency.



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Improvement in ROE, ROCE, and working capital efficiency reflects strong management effectiveness and strategic planning. The company remains financially sound and well-positioned for sustainable long-term growth.

Overall, TCS exhibits strong financial fundamentals, efficient capital utilization, and competitive stability within the global IT industry.

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