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Understanding TCS Limited's financial landscape: A comprehensive ratio analysis for the period 2014-2024

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Abstract
This study provides a comprehensive examination of Tata Consultancy Services (TCS) Limited's financial condition through financial ratio analysis, concentrating on liquidity, leverage, activity, and profitability from 2014 to 2024. Financial ratios are critical instruments for measuring a company's economic stability, and their application in evaluating TCS's position illuminates the firm's strategic financial management and stability (Kondguli & S.G., 2020). TCS, a leading IT services firm under the Tata Group, operates internationally in 46 countries and became publicly traded in 2004. The primary objectives of this research are to evaluate TCS's liquidity position, its capacity to handle liabilities, operational efficiency, and profitability throughout the decade under examination. The analysis was mostly based on data from TCS's annual reports available on the Bombay Stock Exchange (BSE) website, supplemented by secondary sources such as BSEindia.com, Google, and SlideShare. This examination offers a fundamental comprehension of TCS's financial status, illustrating the efficacy of financial ratios in evaluating and enhancing financial strategy.
The findings demonstrate a continually advantageous liquidity status for TCS, as evidenced by both the current and quick ratios, with the peak current ratio of 5.53:1 recorded in 2016-17. This role highlights TCS's strong ability to meet short-term liabilities without depending on inventory. TCS also sustained a low debt-to-asset ratio, underscoring its limited dependence on debt and effective financial risk management strategy. The company's little financial leverage increases its attractiveness to creditors, indicating a robust owner's equity capable of absorbing any losses. Moreover, the elevated capital turnover and working capital turnover ratios demonstrate that TCS has efficiently leveraged its resources to enhance revenue growth and reduce holding expenses. The company's elevated profitability ratios indicate robust net and operating profit margins, facilitating reinvestment and value enhancement for shareholders.
This study emphasizes the significance of ratio analysis in pinpointing areas for enhancement and establishing a foundation for improved financial management techniques. The findings underscore TCS's strategic methodology in resource allocation and financial risk mitigation, indicating a route for maintaining enduring development and stability. TCS can leverage its robust financial base to enhance its competitive edge in the global IT services sector by prioritizing sustainability, digital transformation, and market expansion as the business landscape evolves.

Keywords: Financial Ratios, Tata Consultancy Services (TCS), liquidity analysis, profitability ratios, financial management

Introduction

The Companies Act 2013 establishes a legislative framework for financial analysis, promoting transparency and accountability in corporate reporting for enterprises in India. Essential instruments for financial statement analysis are ratio analysis, trend analysis, comparative statements, and cash flow analysis, each providing insights into a company's financial health, operational efficiency, and solvency (Ministry of Corporate Affairs [MCA], 2013). Furthermore, Section 134 of the Act requires that the Board's Report contains an examination of financial performance, notable alterations in financial ratios, and any substantial effects on operations (MCA, 2013). Ratio analysis, including liquidity and profitability ratios, provide measures on efficiency and profitability, whereas cash flow statements outline the company's cash inflows and outflows, evaluating liquidity. These tools enable stakeholders to make educated decisions based on the company's financial status and changes throughout time (MCA, 2013).

Tata Consultancy Services Ltd. is a global leader in the technology sector, positioned among the top 10 technology corporations worldwide. The continuous quick growth signifies the trust clients have in its services (Kondguli & S.G., 2020) [24]. TCS utilizes almost forty years of expertise to provide substantial value to global enterprises through specialized knowledge, effective solutions, and superior service (Guha Roy & Das, 2019) [27]. TCS, headquartered in Mumbai, Maharashtra, India, is a subsidiary of the Tata Group and is listed on the Bombay Stock Exchange and the National Stock Exchange of India. It is acknowledged as one of India's most esteemed organizations and is designated as the leading IT services provider in India based on 2012 revenues (Kondguli & S.G., 2020) [24].
TCS, founded in 1968 by J.R.D. Tata, operates in 46 countries and is recognized as one of the 'Big 4' most valuable IT services brands worldwide. It is one of the major private sector employers in India and the second-largest employer among listed Indian corporations (Guha Roy & Das, 2019) [27]. As of March 2015, TCS employed more over 300,000 individuals, with 31% of these roles occupied by women (Kondguli & S.G., 2020) [24]. The IT employer ranks below IBM and HP. TCS's digital business operations generate more than US$ 500 million in annual revenue (Guha Roy & Das, 2019) [27]. The company dispatches its staff internationally to deliver on-site services at client sites, including premier IT consulting, services, and business process outsourcing.

Mission of TCS Limited
To assist clients in attaining their business goals through the provision of creative, premier consulting, IT solutions, and services. To rank among the top 10 worldwide corporations by 2010.

- **Vision of TCS Limited**
  TCS aims to separate company expansion from its environmental impact to tackle ecological concerns. Their principle is to cultivate sustainability and assist clients in attaining sustainable growth via eco-friendly solutions and services (Tata Consultancy Services | Business | Tata Group, n.d.).
- **Industry profile**
  Information Technology (IT) refers to the utilization of hardware, services, and infrastructure to create, store, disseminate, and use information in diverse formats to accomplish numerous business objectives. It include individuals who develop, install, maintain, and utilize IT, either directly or indirectly. Information technology includes the hardware and software pertinent to the IT sector, which are essential elements of practically every significant worldwide industry. In India, the information technology sector is categorized into two primary domains: IT services and business process outsourcing (BPO). The IT business converts the varied skills of individuals into commercial value through the utilization of computers and ancillary equipment. It entails the establishment and analysis of diverse financial data to facilitate decision-making. This study serves not merely as an isolated procedure but as an instrument for augmenting a company's financial strengths and weaknesses. An effectively managed IT staff can substantially enhance a nation's economic prosperity. The IT sector is essential for the advancement of other economic sectors, such as services and manufacturing. It also impacts a company's financial framework by influencing its revenue and risk profile. Management is highly focused on all facets of financial analysis to guarantee optimal and efficient fund use and to preserve the company's financial stability. The government scrutinizes the financial records of corporations for multiple objectives. Investors derive critical information from these reports to make informed investment decisions regarding specific companies. India is usually regarded as a prominent worldwide participant in information technology. This reputation mostly stems from the achievements of India's software sector and the substantial contributions of Indians to the IT revolution in the United States. The remarkable annual growth rate of 35% in India's IT sector over the previous decade substantiates the assertion that India is a premier IT destination globally. Nonetheless, India continues to be a developing nation concerning per capita income (PCI) and the human development index (HDI). The global market for IT services in India is growing at a more rapid pace than the IT-BPM sector. India presently stands as the premier location for global services sourcing, representing around 55% of the US$ 185-190 billion global services sourcing industry in 2017-18. Indian IT and IT firms have created more than 1,000 global delivery centers across about 80 countries worldwide. Tata Consultancy Services | Business | Tata Group, n.d.

Review of Literature
Slavica Andelic and Tamara Vesic (2018) [15] conducted a study highlighting the significance of financial analysis in company decision-making. The authors emphasized that financial statements are crucial instruments for managers to avert future issues and steer the strategic trajectory of a firm (Andelic & Vesic, 2018) [15].
Gayatri Guha Roy and Bhagaban Das (2019) [27] analyzed the segment reporting procedures of TCS, emphasizing the relevance of segment information for stakeholders, especially investors. Their research indicated that comprehensive segment reporting improves transparency and facilitates investment decision-making (Guha Roy & Das, 2019) [27].
Raju M and Venkateshwararao Podile (2020) [29] performed a financial analysis of specific IT businesses in India, including TCS. Their research uncovered insights regarding productivity and profitability trends within the IT sector, emphasizing the financial measures essential for assessing a company's performance (Raju & Podile, 2020) [29].
Kondguli and S.G. (2020) [24] Evaluated the financial stability of TCS through diverse financial parameters, uncovering significant patterns over the past decade. They observed that ratio analysis is essential for stakeholders to evaluate a company's liquidity and profitability (Kondguli & S.G., 2020) [24].
Sharma and Kumar (2021) [30] emphasized the importance of liquidity ratios in assessing a company's short-term financial stability. Their research highlighted that a comprehensive examination of liquidity ratios facilitates the understanding of a firm's capacity to fulfill its obligations (Sharma & Kumar, 2021) [30].

Singh and Gupta (2021) [31] Investigated the correlation between financial leverage and profitability in Indian IT companies. Their research indicated that appropriate leverage enhances profitability, underscoring the necessity for meticulous financial management (Singh & Gupta, 2021) [31].

Bharadwaj, *et al*. (2020) [26] Evaluated the influence of corporate governance on financial success within IT companies. The authors determined that strong corporate governance frameworks enhance financial results, suggesting a favorable correlation between governance practices and organizational performance (Bharadwaj *et al*., 2020) [26].

Patel and Mehta (2019) Examined the impact of working capital management on profitability enhancement within the IT sector. Their research demonstrated that proficient working capital management substantially influences a company's operational efficiency and profitability (Patel & Mehta, 2019).

Sahu and Singh (2021) [31] analyzed the patterns in return on equity (ROE) of prominent IT firms, including TCS. It was determined that sustaining a high ROE is essential for preserving investor trust and attracting additional investment (Sahu & Singh, 2021) [31].

Shukla and Tiwari (2020) examined the growth trajectory of TCS within the framework of global competitiveness. Their research demonstrated that strategic investments in technology and people acquisition are essential for maintaining growth in a competitive environment (Shukla & Tiwari, 2020).

Mishra and Kumar (2019) [28] emphasized the significance of cash flow analysis in financial reporting. They contended that comprehending cash flow patterns is crucial for evaluating a company's operational efficiency and long-term sustainability (Mishra & Kumar, 2019) [28].

Nair and Shastri (2020) Investigated the influence of digital transformation on the financial performance of IT companies. Their research demonstrated that the adoption of digital technology is associated with improved financial performance and increased market competitiveness (Nair & Shastri, 2020).

Scope of the Study

This study especially examines the application of Financial Ratio Analysis to the financial statements of TCS Limited. The analysis utilizes financial data sourced from TCS Limited's Annual Reports, spanning the years 2014 to 2024. The study is solely based on secondary data, particularly the financial statements obtained from these Annual Reports. The research analyzes essential financial statistics, such as liquidity, leverage, activity, and profitability ratios, to deliver a thorough assessment of TCS's financial performance.

Objectives of the Research

- To analyze the liquidity position of TCS Ltd. from 2014 to 2024.
- To analyze the leverage ratio of TCS Ltd. from 2014 to 2024.
- To analyze the activity ratio of TCS Ltd. from 2014 to 2024.
- To analyze the profitability status of TCS Ltd. from 2014 to 2024.

Research Methodology

This section delineates the research approach utilized to provide an exhaustive examination of TATA Consultancy Services (TCS) using financial ratio analysis. The report employs a desk research methodology, concentrating on secondary data sources to extract significant insights into TCS's financial performance during the past ten years.

Research Design

This study utilizes an exploratory research design to assess TCS's financial health and performance via multiple financial ratios. The research aims to examine liquidity, profitability, and leverage ratios, among others, to assess the company's financial health and operational effectiveness (Kondguli & S.G., 2020) [24].

Data Collection

- **Secondary Data**: The principal data for this study was obtained from TCS's publicly accessible annual reports and financial statements, available on the Bombay Stock Exchange (BSE) website and TCS's official website. This data encompasses detailed financial statements, including the balance sheet, income statement, and cash flow statement, from the past ten fiscal years (Tata Consultancy Services | Business | Tata Group, n.d.).
- **Supplementary Data Sources:** Various secondary sources were employed for comparative analysis and further insights, in addition to annual reports. This encompassed esteemed financial databases, academic articles, and industry reports accessible via platforms such as Google Scholar and JSTOR. The literature survey included research papers and publications pertinent to financial analysis and performance evaluation within the IT sector (Andelic & Vesic, 2018; Guha Roy & Das, 2019) [15, 27].

Data Analysis Techniques

The data analysis process consisted of multiple stages:

- **Ratio Calculation**: Financial ratios were derived from TCS's financial statements to facilitate a comprehensive analysis. The key ratios included:
- **Liquidity Ratios**: The current ratio and quick ratio were calculated to evaluate the company's capability to fulfill its short-term liabilities.
- **Leverage Ratios**: The debt-to-equity ratio and interest coverage ratio were examined to gauge the degree of financial leverage utilized by TCS and its capacity to meet interest obligations (Raju & Podile, 2020) [29].
- **Activity Ratios**: This ratio was also analyzed to determine how effectively TCS utilizes its assets to generate sales, providing insights into operational efficiency.
- **Profitability Ratios**: Metrics such as return on equity (ROE), net profit margin, and return on assets (ROA) were analyzed to assess TCS's overall profitability and its efficiency in generating returns for shareholders (Sharma & Kumar, 2021) [30].
- By employing these various financial ratios, the study aimed to present a holistic view of TCS's financial performance over the specified period.

Limitations of the Study

This study is limited by various factors that may influence its results. The research is confined to the financial ratio analysis of TCS Limited, indicating that the findings may not be applicable to other firms or sectors. Secondly, the analysis relies exclusively on secondary data obtained from TCS's Annual Reports spanning 2014 to 2024, potentially introducing biases or inconsistencies inherent in the company's supplied statistics. The study primarily examines financial ratios—liquidity, leverage, activity, and profitability—while neglecting qualitative aspects and external market situations that may also impact TCS's financial performance.

Moreover, the study fails to employ several other instruments for financial statement analysis as stipulated in the Indian Companies Act, 2013, particularly in Section 134 and Section 137, which underscore the necessity of thorough financial disclosures. This legislation encompasses tools for financial analysis, including:

- **Common Size Analysis**: A technique that expresses each line item in the financial statement as a percentage of a base figure, facilitating comparison across periods and companies.
- **Trend Analysis**: This method assesses financial statements over several periods to identify patterns or trends in financial performance.
- **Cash Flow Analysis**: Analyzing cash flows provides insights into the company's liquidity and operational efficiency, which ratios alone may not fully capture.
- **Vertical and Horizontal Analysis**: These methods compare individual items in financial statements either across different periods (horizontal) or as a proportion of a total (vertical).

Analysis And Interpretation

- **Analysis of Objective No. 1: Examination of TCS Limited's Liquidity Position from 2014 to 2024:** This objective focuses on assessing the liquidity status of TCS Limited from 2014 to 2024. The research seeks to evaluate the company's capacity to meet its short-term financial obligations through the examination of essential liquidity parameters. This analysis will elucidate the firm's operational efficiency and financial stability during this period, emphasizing its ability to adeptly handle existing assets and liabilities.
- **Liquidity Ratio**

  To study Liquidity position of TCS Ltd. From 2014-24.
- **Current Ratio**

  The Current Ratio is one of the best-known measures of short-term solvency. It is the most common measure of short-term liquidity. (Fernando, 2024)

A generally accepted current ratio is 2:1

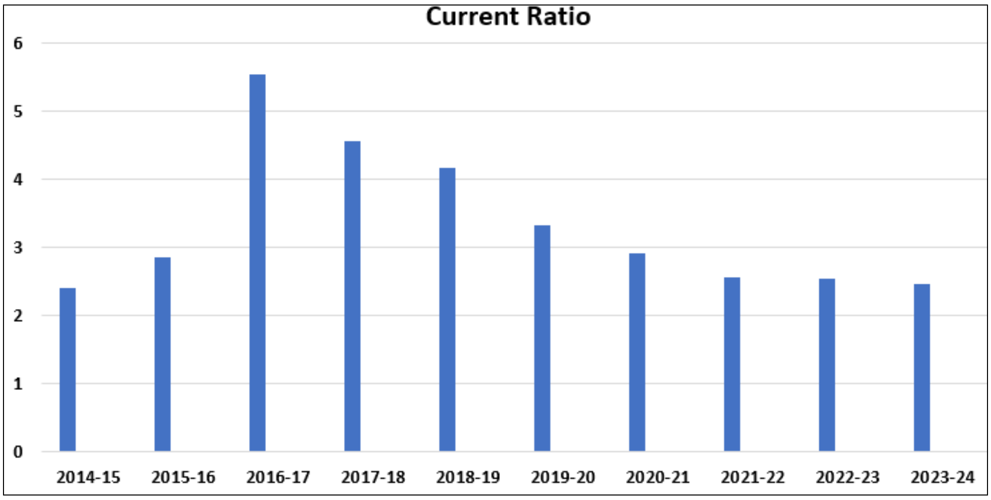
The formula for calculating a company’s current ratio is:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Table 1: Selected Financial Statement Figures for TCS Ltd. (2014-2024) (in crores)

Year	Current Assets	Current Liabilities	Current Ratio
2014-15	48813	20318.24	2.40
2015-16	63067.39	21975.51	2.86
2016-17	80316	14512	5.53
2017-18	81224	17828	4.56
2018-19	92131	22084	4.17
2019-20	90237	27060	3.33
2020-21	99280	34155	2.91
2021-22	108310	42351	2.56
2022-23	110270	43558	2.53
2023-24	112984	46104	2.45

(***Source***: Annual Report of TCS Ltd. 2014-2024)



Graph 1: Diagrammatic representation of Current Ratio 2014-24

(Source: *Author Enumeration)*

Interpretation

The present ratio is favorable as it exceeds the optimum benchmark, with the highest value recorded in 2016-17 at 5.53:1. The corporation is currently in a strong position to manage all liabilities.

Quick Ratio

Quick Assets consist of only cash and near cash assets. Inventories are deducted from current assets on the belief that these are not 'near cash assets' and also because in times of financial difficulty, inventory may be saleable only at liquidation value. But in a seller's market, inventories are also near cash assets. (Team, 2023)

The Quick Ratio is a much more conservative measure of short-term liquidity than the Current Ratio.

The Quick Ratio is sometimes called the "acid-test" ratio and is one of the best measures of liquidity.

The formula for calculating a company's quick ratio is:

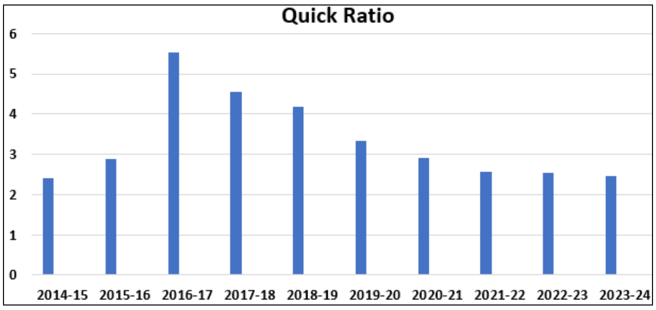
$$\text{Quick Ratio} = \frac{\text{Quick Assets}}{\text{Current Liabilities}}$$

Quick Assets = Current Assets – Inventories – Prepaid Expenses

Table 2: Selected Financial Statement Figures for TCS Ltd. (2014-2024) (in crores)

Year	Quick Assets	Current Liabilities	Quick Ratio
2014-15	48796.93	20318.24	2.40
2015-16	63197	21975.51	2.88
2016-17	80295	14512	5.53
2017-18	81198	17828	4.55
2018-19	92121	22084	4.17
2019-20	90232	27060	3.33
2020-21	99272	34155	2.91
2021-22	108290	42351	2.56
2022-23	110242	43558	2.53
2023-24	112956	46104	2.45

(***Source***: Annual Report of TCS Ltd. 2014-2024)



Graph 2: Diagrammatic representation of Quick Ratio 2014-24 (Source: Author Enumeration)

Interpretation

The overall 10-year quick ratio is satisfactory as it covers its liabilities. The optimal quick ratio occurred in the year 2016-17, measuring 5.53:1. The 10-year position has consistently exceeded a 1:1 ratio.

Analysis of Objective No. 2: Examination of TCS Limited's Leverage Ratio from 2014 to 2024

This objective aims to evaluate the leverage ratio of TCS Limited for the period from 2014 to 2024. The analysis aims to assess the degree of financial leverage employed by the organization and its capacity to fulfill long-term financial obligations. This study intends to clarify the equilibrium between debt and equity financing by analyzing pertinent leverage ratios, consequently providing insights into TCS's financial risk exposure and capital structure management throughout this period.

Leverage Ratio

To study Leverage ratio of TCS Ltd. From 2014-24.

Equity Ratio

This ratio indicates proportion of owner's fund to total fund invested in the business. (Kim, 2024)

Traditionally, it is believed that higher the proportion of owner's fund, lower is the degree of risk for potential lenders.

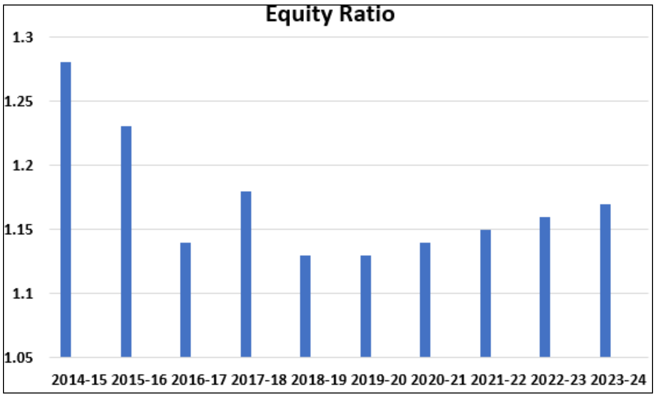
The formula for calculating a company's equity ratio is:

$$\text{Equity Ratio} = \frac{\text{Shareholder's Fund}}{\text{Net Assets}}$$

Table 3: Selected Financial Statement Figures for TCS Ltd. (2014-2024) (in crores)

Year	Shareholder's Fund	Net Assets	Equity Ratio
2014-15	50634.76	39225.96	1.28
2015-16	71072	57319	1.23
2016-17	86214	75289	1.14
2017-18	85128	71964	1.18
2018-19	89446	78640	1.13
2019-20	84126	74211	1.13
2020-21	86433	75778	1.14
2021-22	89139	77358	1.15
2022-23	90424	77716	1.16
2023-24	90489	77190	1.17

(***Source***: Annual Report of TCS Ltd. 2014-2024)



Graph 3: Diagrammatic representation of Equity Ratio 2014-24 (Source: Author Enumeration)

Interpretation

This ratio signifies the proportion of the total fund allocated to the firm. The ratio consistently exceeds 1, indicating a favorable position that mitigates the risk for prospective lenders.

Debt Ratio

This ratio is used to analyse the long-term solvency of a firm.

A ratio is greater than 1 would mean greater portion of company assets are funded by debt and could be risky scenario. (Forage, 2023)

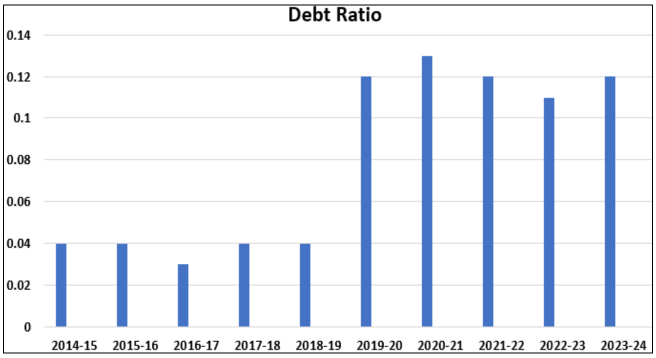
The formula for calculating a company's debt ratio is:

$$\textbf{Debt Ratio} = \frac{\text{Total Debt}}{\text{Net Assets}}$$

Table 4: Selected Financial Statement Figures for TCS Ltd. (2014-2024) (in crores)

Year	Total Debt	Net Assets	Debt Ratio
2014-15	1580.12	39297.96	0.04
2015-16	2100	57319	0.04
2016-17	2160	75289	0.03
2017-18	2938	71964	0.04
2018-19	2960	78640	0.04
2019-20	9090	74211	0.12
2020-21	9496	75778	0.13
2021-22	9137	77358	0.12
2022-23	8887	77716	0.11
2023-24	9026	77190	0.12

(***Source***: Annual Report of TCS Ltd. 2014-2024)



Graph 4: Diagrammatic representation of Debt Ratio 2014-24 (Source: Author Enumeration)

Interpretation
The ratio of all 10-year periods is less than 1, indicating that a minimal fraction of corporate assets is financed by debt, which is not a problematic situation.

Debt to Equity Ratio
A high debt to equity ratio here means less protection for creditors, a low ratio, on the other hand, indicates a wider safety cushion.
This ratio indicates the proportion of debt fund in relation to equity. This ratio is very often used for making capital structure decisions such as issue of shares and/or debentures. (Finserv, 2024) [6]

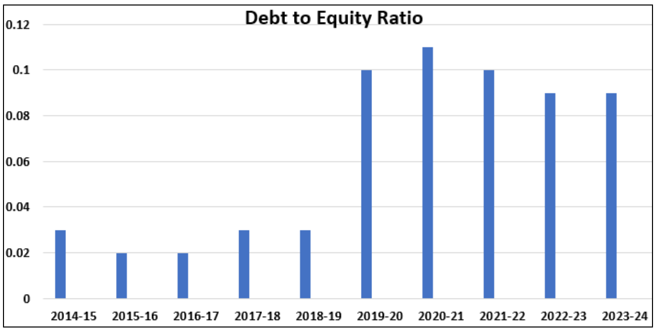
The formula for calculating a company's debt to equity ratio is:

$$\text{Debt to Equity Ratio} = \frac{\text{Total Debt}}{\text{Shareholder's Equity}}$$

Table 5: Selected Financial Statement Figures for TCS Ltd. (2014-2024) (in crores)

Year	Total Debt	Shareholder's Equity	Debt to Equity Ratio
2014-15	1580.12	50634.76	0.03
2015-16	2100	71072	0.02
2016-17	2160	86214	0.02
2017-18	2938	85128	0.03
2018-19	2960	89446	0.03
2019-20	9090	84126	0.10
2020-21	9496	86433	0.11
2021-22	9137	89139	0.10
2022-23	8887	90424	0.09
2023-24	9026	90489	0.09

(*Source*: Annual Report of TCS Ltd. 2014-2024)



Graph 5: Diagrammatic representation of Debt to Equity Ratio 2014-24
(Source: Author Enumeration)

Interpretation
The low overall percentage indicates a broader safety cushion, suggesting that creditors believe the owner's equity can mitigate potential income and capital losses.

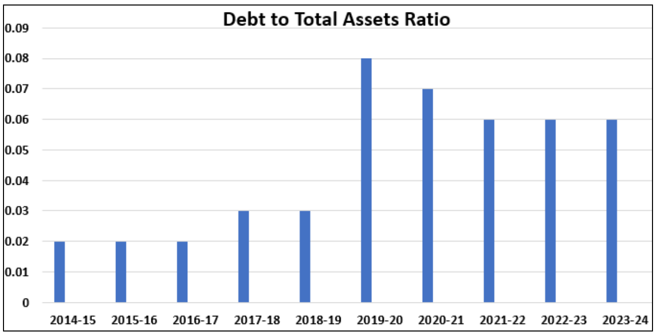
Debt to Total Assets Ratio
This ratio measures the proportion of total assets financed with debt and, therefore, the extent of financial leverage. (Peterdy, 2023) [7]
Higher the ratio, indicates that assets are less backed up by equity and hence higher financial leverage.
The formula for calculating a company's debt to total assets ratio is:

$$\text{Debt to Total Assets Ratio} = \frac{\text{Total Debt}}{\text{Total Assets}}$$

Table 6: Selected Financial Statement Figures for TCS Ltd. (2014-2024) (in crores)

Year	Total Debt	Total Assets	Debt to Total Assets Ratio
2014-15	1580.12	73660.88	0.02
2015-16	2100	89096	0.02
2016-17	2160	103252	0.02
2017-18	2938	106296	0.03
2018-19	2960	114943	0.03
2019-20	9090	120899	0.08
2020-21	9496	130759	0.07
2021-22	9137	141514	0.06
2022-23	8887	143651	0.06
2023-24	9026	146449	0.06

(***Source***: Annual Report of TCS Ltd. 2014-2024)



Graph 6: Diagrammatic representation of Debt to Total Assets Ratio 2014-24
(Source: Author Enumeration)

Interpretation

A larger ratio signifies that assets are less supported by equity, resulting in increased financial leverage. Conversely, a lower total 10-year ratio is favorable, indicating reduced debt on the borrower's balance sheet and diminished credit risk.

Proprietary Ratio

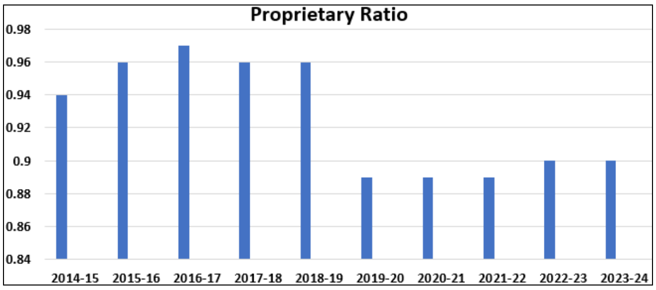
Proprietary fund includes Equity Share Capital, Preference Share Capital and Revenue & Surplus. (Choubey, 2024)
It indicates the proportion of total assets financed by shareholders. Higher the ratio, less risky scenario it shall be.
The formula for calculating a company's proprietary ratio is

$$\text{Proprietary Ratio} = \frac{\text{Proprietary Fund}}{\text{Total Assets}}$$

Table 7: Selected Financial Statement Figures for TCS Ltd. (2014-2024) (in crores)

Year	Proprietary Fund	Total Assets	Proprietary Ratio
2014-15	50634.76	53342.64	0.94
2015-16	71072	73527	0.96
2016-17	86214	88740	0.97
2017-18	85128	88468	0.96
2018-19	89446	92859	0.96
2019-20	84126	93839	0.89
2020-21	86433	96604	0.89
2021-22	89139	99163	0.89
2022-23	90424	100093	0.90
2023-24	90489	100345	0.90

(***Source***: Annual Report of TCS Ltd. 2014-2024)



Graph 7: Diagrammatic representation of Proprietary Ratio 2014-24
(Source: Author Enumeration)

Interpretation

It denotes the ratio of total assets funded by shareholders. Each year, the company's ratio remains low, indicating a favorable situation.

Analysis of Objective No. 3: Examination of TCS Limited's Activity Ratio from 2014 to 2024

This purpose aims to examine the activity ratio of TCS Limited from 2014 to 2024. The emphasis is on assessing the company's efficiency in asset utilization for revenue generation. This study seeks to elucidate operational efficiency, inventory management, and total asset usage by analyzing key activity ratios, consequently highlighting the company's effectiveness in optimizing operational performance over the past decade.

Activity Ratio

To study Activity ratio of TCS Ltd. From 2014-24.

Capital Turnover Ratio

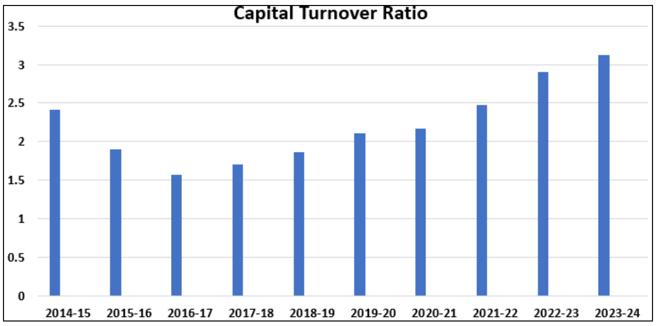
Net Assets equals to capital it is also known as Capital Turnover Ratio.
This ratio indicates the firm's ability of generating sales/ Cost of Goods Sold per rupee of long-term investment. (Team, 2024)
The formula for calculating a company's capital turnover ratio is:

$$\text{Capital Turnover Ratio} = \frac{\text{Sales}}{\text{Net Assets}}$$

Table 8: Selected Financial Statement Figures for TCS Ltd. (2014-2024) (in crores)

Year	Sales	Net Assets	Capital Turnover Ratio
2014-15	94652.50	39297.96	2.41
2015-16	108646	57319	1.90
2016-17	117966	75289	1.57
2017-18	123104	71964	1.71
2018-19	146463	78640	1.86
2019-20	156949	74211	2.11
2020-21	164177	75778	2.17
2021-22	191754	77358	2.48
2022-23	225458	77716	2.90
2023-24	240893	77190	3.12

(***Source***: Annual Report of TCS Ltd. 2014-2024)



Graph 8: Diagrammatic representation of Capital Turnover Ratio 2014-24
(Source: Author Enumeration)

Interpretation

An elevated capital turnover ratio is advantageous, as it signifies that a corporation can produce increased sales. Every decade, the ratio is elevated, indicating that TCS has generated more sales.

Working Capital Turnover Ratio

It measures how effective a company is at generating sales

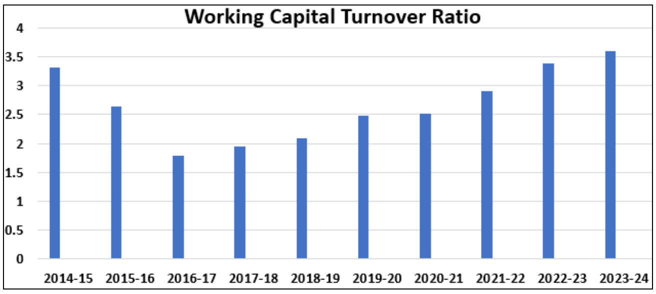
for every rupee of working capital put to use. (Hayes, 2024) Higher the ratio, the more efficient is the utilisation of working capital in generating sales. However, a very high working capital turnover ratio indicates that the company needs to raise additional working capital for future needs.'
The formula for calculating a company's working capital turnover ratio is:

$$\text{Working Capital Turnover Ratio} = \frac{\text{Sales}}{\text{Working Capital}}$$

Table 9: Selected Financial Statement Figures for TCS Ltd. (2014-2024) (in crores)

Year	Sales	Working Capital	Working Capital Turnover Ratio
2014-15	94652.50	28494.76	3.32
2015-16	108646	41091.88	2.64
2016-17	117966	65804	1.79
2017-18	123104	63396	1.94
2018-19	146463	70047	2.09
2019-20	156949	63177	2.48
2020-21	164177	65125	2.52
2021-22	191754	65959	2.90
2022-23	225458	66712	3.38
2023-24	240893	66880	3.60

(***Source***: Annual Report of TCS Ltd. 2014-2024)



Graph 9: Diagrammatic representation of Working Capital Turnover Ratio 2014-24
(Source: Author Enumeration)

Interpretation
An elevated ratio signifies that a company is utilizing its working capital efficiently, whilst a diminished ratio may suggest ineffective utilization. The ratio of TCS over the past decade is elevated, indicating the company's efficient utilization of working capital.

Inventory Turnover Ratio
This Ratio also known as stock turnover ratio establishes the relationship between the cost of goods sold during the year and average inventory held during the year. (Team, 2024)
It measures the efficiency with which a firm utilizes or manages its inventory.

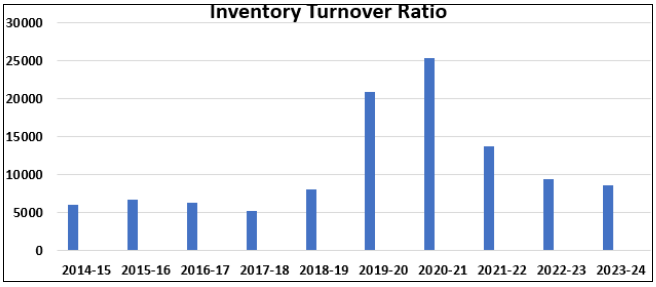
The formula for calculating a company's inventory turnover ratio is:

$$\text{Inventory Turnover Ratio} = \frac{\text{Cost of Goods Sold}}{\text{Average Inventory}}$$

Table 10: Selected Financial Statement Figures for TCS Ltd. (2014-2024) (in crores)

Year	COGS	Average Inventory	Inventory Turnover Ratio
2014-15	94648.41	15.64	6051.69
2015-16	108646	16.03	6777.67
2016-17	117966	18.50	6376.54
2017-18	123104	23.50	5238.47
2018-19	146463	18	8136.83
2019-20	156949	7.5	20926.53
2020-21	164177	6.5	25258
2021-22	191754	14	13696.71
2022-23	225458	24	9394.08
2023-24	240893	28	8603.32

(***Source***: Annual Report of TCS Ltd. 2014-2024)



Graph 10: Diagrammatic representation of Inventory Turnover Ratio 2014-24
(Source: Author Enumeration)

Interpretation
A greater Inventory Turnover Ratio (ITR) is often advantageous, and the TCS's decade-long ratio is elevated, signifying that the company is expediting inventory sales, hence minimizing holding costs and liberating working capital.

Analysis of Objective No. 4: Examination of TCS Limited's Profitability Position from 2014 to 2024
This objective focuses on evaluating the profitability status of TCS Limited from 2014 to 2024. The research seeks to assess the company's capacity to make profits in relation to its revenue, assets, and equity. This study aims to analyze important profitability ratios to elucidate TCS's financial performance and operational efficiency, emphasizing trends in profitability and the firm's ability for reinvestment and shareholder distribution during this period.

Profitability Ratio
To study Profitability position of TCS Ltd. From 2014-24.

Net Profit Ratio
It measures the relationship between net profit and sales of the business.
Net Profit ratio finds the proportion of revenue that finds its way into profits after meeting all expenses. (Kim, 2023)
A high net profit ratio indicates positive returns from the business.

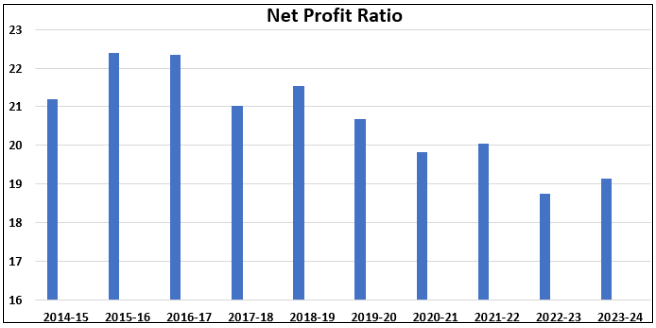
The formula for calculating a company's net profit ratio is:

$$\text{Net Profit Ratio} = \frac{\text{Net Profit}}{\text{Sales}} \times 100$$

Table 11: Selected Financial Statement Figures for TCS Ltd. (2014-2024) (in crores)

Year	Net Profit	Sales	Net Profit Ratio
2014-15	20056.86	94652.50	21.19
2015-16	24336.70	108646	22.40
2016-17	26353.60	117966	22.34
2017-18	25876.46	123104	21.02
2018-19	31548.13	146463	21.54
2019-20	32441.36	156949	20.67
2020-21	32556.30	164177	19.83
2021-22	38446.67	191754	20.05
2022-23	42295.92	225458	18.76
2023-24	46082.83	240893	19.13

(***Source***: Annual Report of TCS Ltd. 2014-2024)



Graph 11: Diagrammatic representation of Net Profit Ratio 2014-24
(Source: Author Enumeration)

Interpretation

A higher net profit ratio is advantageous, and TCS has maintained a high ratio over the past decade, indicating the company possesses greater liquidity for investment or distribution to shareholders.

Operating Profit Ratio

Operating profit ratio measures the percentage of each sale in rupees that remains after the payment of all costs and expenses except for interest and taxes. (Team, 2024)
Operating profit ratio is also calculated to evaluate operating performance of business.

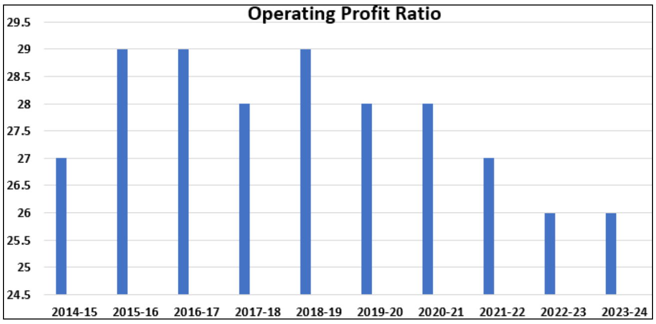
The formula for calculating a company's operating profit ratio is:

$$\text{Operating Profit Ratio} = \frac{\text{EBIT}}{\text{Sales}} \times 100$$

Table 12: Selected Financial Statement Figures for TCS Ltd. (2014-2024) (in crores)

Year	EBIT	Sales	Operating Profit Ratio
2014-15	25912.93	94652.50	27
2015-16	31873	108646	29
2016-17	34545	117966	29
2017-18	34144	123104	28
2018-19	41761	146463	29
2019-20	43172	156949	28
2020-21	45615	164177	28
2021-22	52471	191754	27
2022-23	57686	225458	26
2023-24	63733	240893	26

(***Source***: Annual Report of TCS Ltd. 2014-2024)



Graph 12: Diagrammatic representation of Operating Profit Ratio 2014-24
(Source: Author Enumeration)

Interpretation

A superior operating profit ratio is advantageous, and the 10-year ratio of TCS is elevated, signifying the company's profitability and operational efficiency.

Return on Assets

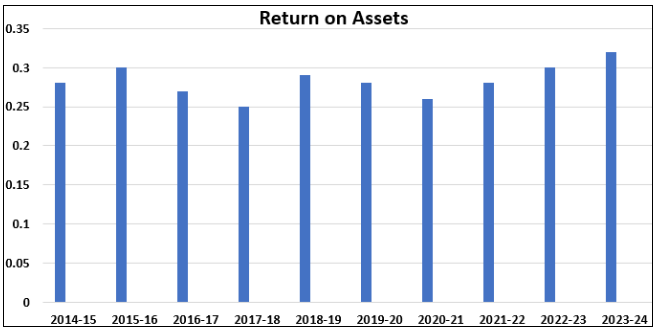
The profitability ratio is measured in terms of relationship between net profits and assets employed to that profit.
The ratio measures the profitability of the firm in terms of assets employed in the firm. (Hargrave, 2024) [14]
The formula for calculating a company's return on assets is:

$$\text{Return on Assets} = \frac{\text{Net Profit after Taxes}}{\text{Average Total Assets}}$$

Table 13: Selected Financial Statement Figures for TCS Ltd. (2014-2024) (in crores)

Year	Net Profit after Taxes	Average Total Assets	Return on Assets
2014-15	20059.70	70399.33	0.28
2015-16	24338	81378.44	0.30
2016-17	26357	96174	0.27
2017-18	25880	104774	0.25
2018-19	31562	110619.50	0.29
2019-20	32447	117921	0.28
2020-21	32562	125829	0.26
2021-22	38449	136136.50	0.28
2022-23	42303	142582.50	0.30
2023-24	46099	145050	0.32

(***Source***: Annual Report of TCS Ltd. 2014-2024)



Graph 13: Diagrammatic representation of Return on Assets 2014-24
(Source: Author Enumeration)

Interpretation

An elevated ROA signifies that a corporation has greater efficiency in utilizing its assets to produce profit. A diminished ROA may indicate that the organization must augment investments to enhance profitability. The ten-year ratio of TCS is elevated.

Conclusion

This study provides a comprehensive analysis of TCS Limited's financial health over a decade using various financial ratios.

The current ratio routinely surpasses the optimal benchmark, indicating TCS's robust liquidity situation. The maximum current ratio in 2016-17, at 5.53:1, demonstrates TCS's strong capacity to fulfill short-term liabilities.

The quick ratio of TCS consistently exceeded 1:1 during the whole decade. The 2016-17 ratio of 5.53:1 is significant, demonstrating the company's ability to meet its short-term liabilities without depending on inventory.

The equity-to-assets ratio, continuously exceeding 1, indicates TCS's robust equity base, mitigating risk for prospective lenders and bolstering the company's financial resilience.

The company sustained a low debt-to-asset ratio during the time, signifying limited dependence on debt funding, hence mitigating financial risk.

TCS's low leverage ratio highlights a substantial safety margin, providing reassurance to creditors by demonstrating the owner's financial capacity to withstand any setbacks.

The consistently low financial leverage ratio over the decade indicates that TCS has successfully avoided excessive leverage, reflecting prudent debt management and diminished credit risk.

The continually low equity multiplier over the years indicates that a lesser proportion of TCS's assets are financed by debt, hence augmenting the company's financial stability and attractiveness to shareholders.

High capital turnover ratios during the decade demonstrate that TCS adeptly utilizes its capital to stimulate sales growth, highlighting the company's operational effectiveness.

The elevated working capital turnover ratio for each year indicates the company's effective utilization of working capital, guaranteeing that funds are perpetually directed towards productive, revenue-generating endeavors.

TCS's elevated inventory turnover ratio (ITR) over the years illustrates its proficiency in inventory management, reducing holding costs and liberating resources for operational requirements.

The net profit margin remained strong over the ten-year period, demonstrating a solid ability for reinvestment and shareholder dividends, indicative of the company's prosperity.

Likewise, the elevated operating profit ratio over the period highlights TCS's operational efficiency, demonstrating its adept management of operating expenses in relation to revenue.

The constantly elevated return on assets (ROA) indicates that TCS has proficiently used its assets to yield profit, with opportunities for additional reinvestment to augment profitability.

The findings reveal that TCS Limited has exhibited strong financial health and stability through judicious financial management methods, putting it advantageously within the industry. The company's robust liquidity, little leverage, effective capital utilization, and profitability underscore its financial stability and potential for sustainable expansion.

Way Forward

TCS Limited can enhance its robust financial basis by concentrating on strategic initiatives that correspond with changing market demands, technological improvements, and sustainability objectives. Enhancing digital transformation and supporting sustainable business practices will improve brand reputation, attract a broader international clientele, and foster long-term success. Furthermore, continuous investment in innovation and talent cultivation will maintain TCS's competitiveness and adaptability to industry fluctuations.

Recommendations

Improve Operational Efficiency: Despite the company's robust financial performance, there is potential for operational efficiency improvement. By implementing sophisticated data analytics and automation, it is possible to optimize operations and minimize expenditures, thereby increasing profitability.

Enhance Sustainable Practices: In light of the growing global emphasis on environmental, social, and governance (ESG) factors, TCS should prioritize sustainable initiatives, particularly in the areas of energy efficiency, resource conservation, and waste reduction. This will not only decrease operational expenses but also increase the company's appeal to ESG-aware investors and clients.

Capital Structure Optimization: Financial risk could be mitigated by reducing the reliance on debt financing and maintaining a balanced capital structure. Additionally, TCS may contemplate the utilization of surplus funds for dividend distribution or share buybacks in order to enhance shareholder value.

Invest in Employee Development: In order to remain at the vanguard of innovation, TCS must continue to invest in employee training, skill development, and well-being as technology advances at a rapid pace. This also promotes the company's strategic objectives by cultivating a culture of agility and learning.

Investigate Growth Opportunities in Emerging Markets: In order to diversify revenue streams, TCS could investigate growth opportunities in emerging markets. Enhancing its global presence and reducing its reliance on established markets would be achieved by fortifying its presence in markets such as Latin America, Southeast Asia, and Africa.

Capitalize on Technological Advancements: In order to provide clients with innovative solutions, TCS should prioritize investment in cloud computing, AI, and machine learning. This strategy will facilitate the organization's capacity to adjust and respond to evolving industry standards.

Enhance Digital Marketing Initiatives: Particularly in the global IT services sector, the potential for increased market share may result from the enhancement of brand visibility and client engagement through the implementation of digital marketing strategies.

Emphasis on High-Margin Services: TCS should investigate opportunities in high-margin service areas, such as consulting and digital transformation services, to improve profitability and align with industry trends.

viii. Maintain Financial Transparency: The ongoing dedication to stakeholder communication and financial transparency will foster trust, enhance investor confidence, and ensure adherence to global best practices in corporate governance.

TCS Limited can enhance long-term value for its stakeholders and further strengthen its financial health, operational resilience, and competitive position by implementing these recommendations.

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