

# “A Study On Profitability Of Tata Consultancy Services”

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## Abstract

The analysis of profitability consist the financial position and results of operations as well as the financial progress of the company are satisfactory or unsatisfactory. The analytical methods or devices are used to ascertain or measure the relationships among the financial statements items of a single set of statements and the changes that have taken place in these items as reflected in successive financial statements. In this modern era, finance is necessary to each and every business organisation, whether it is small or big. Human body can't survive without blood same as business organization can't survive in competition market or expansion without finance. Industries are helpful in the growth of Indian economy. So, it is necessary to make financial performance analysis of any company. IT companies provide services such as software support, computer systems design, and data processing facilities management. Here the examples of IT companies are Accenture (Ireland), Infosys Technologies (India), Tata Consultancy (India), and Wipro (India). In this research to study the financial performance of Tata Consultancy Services.

**Keywords:** Profitability, TCS

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## INTRODUCTION

Finance may be defined as the art and science of managing money. It includes financial service and financial instruments. Finance also is referred as the provision of money at the time when it is needed. Finance function is the procurement of funds and their effective utilization in business concerns. The concept of finance includes capital, funds, money, and amount. But each word is having unique meaning. Studying and understanding the concept of finance become an important part of the business concern.


Accounting ratios are a very useful tool for grasping the true message of the financial performance of companies and understanding them. Ratios naturally should be worked out between figures that are significantly related to one another. Ratios may be worked out on the basis of figures contained in the financial statements. Here we are discussing the Ratio analysis method in details, as it is very important to measure the financial performance as profitability and liquidity situation of the company.

## TATA CONSULTANCY SERVICES

Tata Consultancy Services Limited is an Indian multinational information technology service and consulting company headquartered in Mumbai, Maharashtra, India. It is a subsidiary of Tata Group and operates in 149 locations across 46 countries.

TCS is the largest Indian company by market capitalization. Tata consulting services is now placed among the most valuable IT services brands worldwide. In 2015, TCS was ranked 64<sup>th</sup> overall in the Forbes world's most innovative companies ranking, making it both the highest-ranked IT services company and the top Indian company. It is the world's largest IT services provider.

In 2016-2017, Parent company Tata Sons owned 20 per cent of TCS and more than 70 per cent of Tata Sons' dividends were generated by TCS. In March 2018, Tata Sons decided to sell stocks of TCS worth \$ 1.25 billion in a bulk deal.

<b>TATA CONSULTANCY SERVICES</b>	
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<b>Type</b>	Public
<b>Traded as</b>	BSE: 532540 NSE: TCS BSE SENSEX ConstituentCNX Nifty Constituent
<b>Industry</b>	IT services, IT consulting
<b>Founded</b>	1968; 51 years ago
<b>Founder</b>	Tata Sons F. C. Kohli
<b>Headquarters</b>	Mumbai, Maharashtra, India
<b>Area served</b>	Worldwide
<b>Key people</b>	Natarajan Chandrasekaran (Chairman) Rajesh Gopinathan (MD & CEO)
<b>Services</b>	Outsourcing Consulting Managed services
<b>Number of employees</b>	450,738 (September 2019)
<b>Parent</b>	Tata Group
<b>Subsidiaries</b>	TCS China TRDDC
<b>Website</b>	<a href="http://www.tcs.com">www.tcs.com</a>

## REVIEW OF LITERATURE

V. Srinivasan et.al. (1978) in their investigation on "The Application of Multiple Regression Analysis to Financial Ratios of Public Enterprises" presumed that gross net revenue influences the profit for money to the biggest degree. The other two in diminishing significance are turnover of capital utilized and working capital. The relapse coefficient for working capital turnover infers that as the turnover of working capital builds its commitment to return on capital utilized reductions. It shows that the organization has lesser working capital and it should be more than what it is presently.

D. K. Run (1999), in his examination, "Monetary Performance Evaluation through Ratio Analysis: A Case Study of Nawanagar Co-usable Bank, Jamnagar," uncovered that 94 percent of the banks pay came from revenue procured out of advances and ventures. Premium paid on borrowings and stores was the primary use for the bank. The level of use to the complete pay procured was 72 percent. The proportion of net benefit to add up to resources changed from 0.03 to 0.04 percent. The profitability of bank was agreeable. Despite the fact that the dissolvability position of the bank around then was sound, the future achievement laid on the consistent undertaking of the individuals, the board and staff of the bank.

L. Gopal Krishna Swami (2000), in his examination on "A Forecasting Model for Sustainable Corporate Growth," inferred that the organization's liquidity levels will be definitely influenced. The exhibitions of organizations are underneath their supportable levels. The inert assets, if not utilized for extension reason or if there is no expansion in profits, could prompt fall consequently on resources and profit for value and the company's stock cost will decrease. The use of reasonable development models causes the executives to anticipate a development rate in deals that is reliable with its monetary approaches, its assets and key destinations.

Asok Mukhopadhyay (2001), found that the current proportion, brisk proportion, working capital proportion, indebted individuals turnover proportion, current resources turnover proportion and normal assortment period are the main proportions to feel the monetary dissolvability of an association. It assists with diagnosing the sufficiency of example of working capital administration of a corporate.

**RESEARCH METHODOLOGY**

**Research Objective**

- To analyse profitability of Tata Consultancy Services.

**Research Design and Data**

The study was done by applying analytical research. For analytical research I have used the annual reports of Tata Consultancy Services. I have done this research as it provides helps in showing the financial and operating condition of Tata Consultancy Services.

**Hypothesis of the study**

- $H_0$  = There is no significant difference in profitability of Tata Consultancy Services.
- $H_1$  = There is significant difference in profitability of Tata Consultancy Services.

**Sampling technique**

I have used non probability sampling technique, in that convenience sampling was used in this research, because it was convenient with regards to time, cost and place of the research and also for analysis of the data.

**Sample Size**

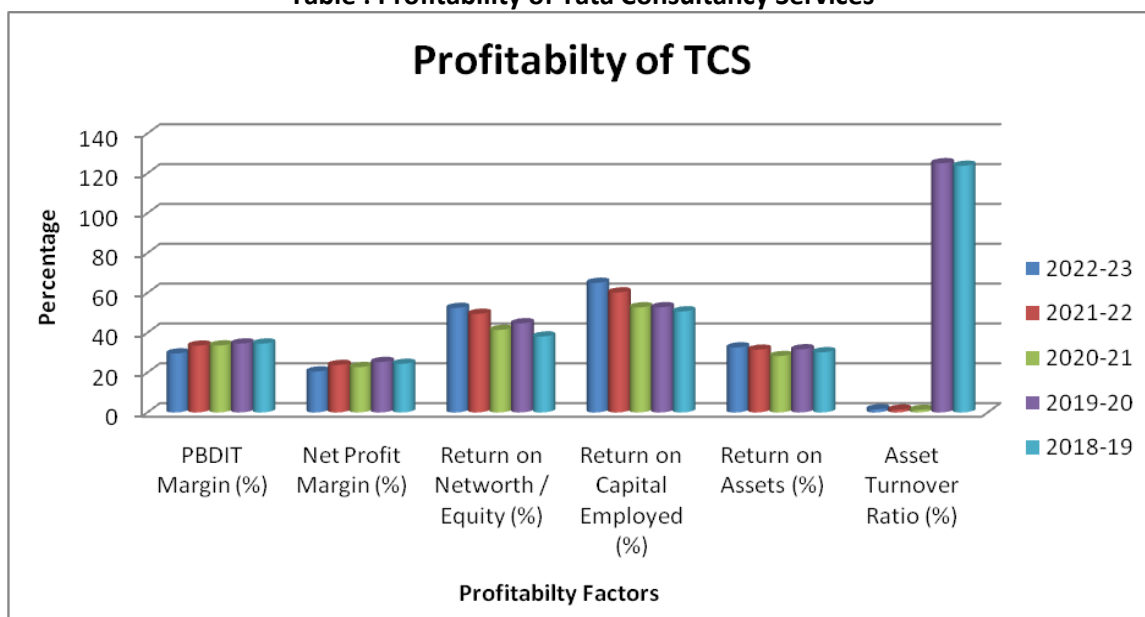
I have taken 5 years data of Tata Consultancy Services. I have taken last five years from 2018-19 to 2022-23 for financial analysis of Tata Consultancy Services.

**Table : Profitability of Tata Consultancy Services**  
(in Percentage)

Year	PBDIT Margin	Net Profit Margin	Return on Networth / Equity	Return on Capital Employed	Return on Assets	Asset Turnover Ratio
2022-23	29.58	20.54	52.46	65.07	32.63	1.58
2021-22	33.51	23.81	49.48	60.23	31.49	1.39
2020-21	33.61	22.77	41.39	52.75	28.3	1.27
2019-20	34.6	25.33	44.72	52.79	31.68	125.08
2018-19	34.57	24.4	38.1	50.71	30.21	123.78

Source: Annual reports of Tata Consultancy Services

**Table : Profitability of Tata Consultancy Services**



**Interpretation:**

The PBDIT Margin ratio of Tata Consultancy Services showed highest in 2019-20 and lowest in 2022-23. The Net Profit Margin ratio of TCS showed highest in 2019-20 and lowest in 2022-23. The Return on Net Worth of TCS showed highest in 2022-23 and lowest in 2018-19. The Return on Capital Employed of TCS showed highest in 2022-23 and lowest in 2018-19. The Return on Assets of TCS showed highest in 2022-23 and lowest in 2020-21. The Assets Turnover Ratio of TCS showed highest in 2019-20 and lowest in 2020-21.

**HYPOTHESIS TESTING**

- $H_0$  = There is no significant difference in profitability of Tata Consultancy Services.
- $H_1$  = There is significant difference in profitability of Tata Consultancy Services.

Anova: Single Factor						
SUMMARY						
Groups	Count	Sum	Average	Variance		
PBDIT Margin (%)	5	165.87	33.174	4.3005		
Net Profit Margin (%)	5	116.85	23.37	3.3663		
Return on Networkth / Equity (%)	5	226.15	45.23	34.0445		
Return on Capital Employed (%)	5	281.55	56.31	37.132		
Return on Assets (%)	5	154.31	30.862	2.7946		
Asset Turnover Ratio (%)	5	253.1	50.62	4540.1536		
ANOVA						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	4063.88	5	812.78	1.055	0.4091	2.62
Within Groups	18487.17	24	770.3			
Total	22551.05	29				

**INTERPRETATION:**

From the above calculation calculated value of **F = 1.055** and Critical Value of **F = ± 2.62**. Here null hypothesis true under the acceptance region of the critical value = **± 2.62**. so that null hypothesis is accepted. So, there is no significant difference in profitability of the Tata Consultancy Services.

**Result of Hypotheses Testing**

$H_0$  = There is no significant difference in profitability of Tata Consultancy Services.

**CONCLUSION**

From the calculation of various ratio I can conclude that overall financial position of company is moderate because of the different factors indicate normal fluctuation of overall profitability of company.

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