**Financial Analysis for Tata Consultancy Services Limited**

**Overview**

Tata Consultancy Services Limited provides information technology (IT) and IT enabled services in the Americas, Europe, India, and internationally. The company provides TCS ADD, a suite of AI powered life sciences platforms; TCS BaNCS, a financial services platform; TCS BFSI Platforms, a cloud-native, as-a-service digital ecosystem for insurers and financial firms; TCS Chroma, a cloud-based human resource management system platform; TCS Customer Intelligence & Insights, an AI-driven customer analytics and real-time CDP solution; TCS ERP on Cloud, an SAP platform as a service; ignio, a cognitive automation software product; TCS iON, a learning ecosystem; and TCS HOBS, a cloud-native, catalog-centric platform for personalization of products and processes. It also offers TCS Intelligent Urban Exchange for enterprises and smart cities; TCS OmniStore, a retail commerce platform; TCS Optumera, a retail-connected strategic intelligence platform; TCS Tap, a platform for intelligent procurement; Quartz, a distributed ledger technology; TCS TwinX, an enterprise digital twin platform; TCS MasterCraft, an AI-driven cognitive automation product; Jile, an enterprise agile planning and delivery tool; and TCS DigiBOLT, an end-to-end, organization-wide enterprise platform. In addition, the company provides cloud, cognitive business, consulting, cybersecurity, data and analytics, enterprise solutions, IoT and digital engineering, TCS interactive, artificial intelligence, network solutions, and sustainability services. It serves banking; capital markets; consumer packaged goods and distribution; communications, media, and information services; education; energy, resources, and utilities; healthcare; high tech; insurance; life sciences; manufacturing; public services; retail; and travel and logistics industries. The company was founded in 1968 and is based in Mumbai, India. Tata Consultancy Services Limited is a subsidiary of Tata Sons Private Limited.

**Financial Ratio Analysis**

**Liquidity Ratios**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Current Ratio** | **Quick Ratio** | **Cash Ratio** |
| 2021-03-31 00:00:00 | nan | nan | nan |
| 2022-03-31 00:00:00 | 2.55744 | 2.55696 | 0.294113 |
| 2023-03-31 00:00:00 | 2.53157 | 2.53092 | 0.163345 |
| 2024-03-31 00:00:00 | 2.45063 | 2.45003 | 0.195363 |
| 2025-03-31 00:00:00 | 2.32092 | 2.32052 | 0.157186 |

The Current Ratio for TCS.NS has consistently been above 2.3, indicating a strong ability to cover short-term liabilities. The Quick Ratio, which excludes inventory, also remains high, suggesting excellent liquidity even without relying on inventory sales. The Cash Ratio, while fluctuating, shows that the company maintains a decent cash position relative to its current liabilities.

**Profitability Ratios**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Return on Equity (RoE)** | **Return on Assets (RoA)** | **Return on Capital Employed (RoCE)** | **Net Profit Margin** | **Operating Margin** |
| 2021-03-31 00:00:00 | nan | nan | nan | nan | nan |
| 2022-03-31 00:00:00 | 0.429969 | 0.270835 | 0.529139 | 0.199876 | 0.253387 |
| 2023-03-31 00:00:00 | 0.466104 | 0.293399 | 0.576324 | 0.186939 | 0.241185 |
| 2024-03-31 00:00:00 | 0.507332 | 0.313474 | 0.625592 | 0.190574 | 0.246686 |
| 2025-03-31 00:00:00 | 0.5124 | 0.304162 | 0.620165 | 0.190162 | 0.243976 |

TCS.NS demonstrates exceptional profitability. The Return on Equity (RoE) is consistently above 40%, indicating very high returns on shareholder investment. The Return on Assets (RoA) is also strong, consistently above 27%, showcasing efficient asset utilization. The Return on Capital Employed (RoCE) is remarkably high, exceeding 50%, which signifies excellent efficiency in capital utilization. Both Net Profit Margin and Operating Margin are consistently high, well above 18% and 24% respectively, indicating strong profitability and cost efficiency.

**Efficiency Ratios**

|  |  |  |
| --- | --- | --- |
|  | **Asset Turnover** | **Inventory Turnover** |
| 2021-03-31 00:00:00 | nan | nan |
| 2022-03-31 00:00:00 | 1.35502 | nan |
| 2023-03-31 00:00:00 | 1.56948 | 4989.96 |
| 2024-03-31 00:00:00 | 1.64489 | 4745.39 |
| 2025-03-31 00:00:00 | 1.59948 | 5946.24 |

The Asset Turnover Ratio for TCS.NS has shown an increasing trend, indicating that the company is becoming more effective at generating sales from its assets. The Inventory Turnover is exceptionally high, consistently in the thousands, which is expected for a service-based IT company with minimal physical inventory.

**Valuation Ratios**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Price-to-Earnings (P/E)** | **Price-to-Sales (P/S)** | **Price-to-Book (P/B)** | **EV/EBIDTA** |
| 2021-03-31 00:00:00 | 23.2934 | nan | nan | nan |
| 2022-03-31 00:00:00 | 23.2934 | 5.98656 | 12.8782 | 23.5307 |
| 2023-03-31 00:00:00 | 23.2934 | 5.09162 | 12.6952 | 21.1214 |
| 2024-03-31 00:00:00 | 23.2934 | 4.76538 | 12.686 | 19.301 |
| 2025-03-31 00:00:00 | 23.2934 | 4.49604 | 12.1148 | 18.4452 |

The Price-to-Earnings (P/E) ratio has remained constant at 23.29, which is slightly above the "reasonable" threshold of <20, suggesting the stock might be fairly valued to slightly overvalued. The Price-to-Sales (P/S) ratio has been decreasing, moving from nearly 6 to 4.49, indicating a potential shift towards a more fair valuation. The Price-to-Book (P/B) ratio is consistently high, above 12, suggesting the stock is valued significantly higher than its book value. The EV/EBITDA ratio has been decreasing, moving from 23.53 to 18.44, which still suggests the company is on the expensive side, but the trend is positive.

**Leverage Ratios**

|  |  |  |
| --- | --- | --- |
|  | **Debt-to-Equity (D/E)** | **Interest Coverage** |
| 2021-03-31 00:00:00 | nan | nan |
| 2022-03-31 00:00:00 | 0.0877057 | 66.9273 |
| 2023-03-31 00:00:00 | 0.0850217 | 74.0513 |
| 2024-03-31 00:00:00 | 0.0886406 | 80.6877 |
| 2025-03-31 00:00:00 | 0.0991177 | 83.0741 |

TCS.NS exhibits very low leverage. The Debt-to-Equity (D/E) ratio is consistently below 0.1, indicating a very healthy and low debt burden. The Interest Coverage ratio is exceptionally high, consistently above 66, demonstrating the company's strong ability to cover its interest expenses and indicating a very low risk of default.

**Performance and Growth Metrics**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Revenue Growth (%)** | **EBIT Growth (%)** | **Net Profit Margin (%)** | **EPS Growth (%)** | **EPS** | **Debt-to-Equity** | **Free Cash Flow** | **FCF Growth (%)** |
| 2022-03-31 00:00:00 | nan | nan | 19.9876 | nan | 104.746 | 0.0877057 | 3.6954e+11 | nan |
| 2023-03-31 00:00:00 | 17.5767 | 9.93882 | 18.6939 | 9.96686 | 115.186 | 0.0850217 | 3.8865e+11 | 5.17129 |
| 2024-03-31 00:00:00 | 6.84606 | 8.8219 | 19.0574 | 10.1568 | 126.885 | 0.0886406 | 4.1664e+11 | 7.20185 |
| 2025-03-31 00:00:00 | 5.99063 | 5.33971 | 19.0162 | 5.76152 | 134.195 | 0.0991177 | 4.4971e+11 | 7.93731 |

TCS.NS shows consistent growth across key performance metrics. Revenue Growth, while showing a slight deceleration from 17.57% to 5.99%, remains positive. EBIT Growth and EPS Growth are consistently positive, indicating increasing operational efficiency and earnings per share. Net Profit Margin remains healthy, consistently around 19%. Free Cash Flow (FCF) is substantial and shows consistent positive growth, indicating strong cash generation. The Debt-to-Equity ratio remains very low, reinforcing financial stability.

**Analysis of Performance Ratios**

* **Liquidity Ratios:** TCS.NS demonstrates excellent short-term liquidity with Current and Quick Ratios well above industry benchmarks, indicating a strong ability to meet short-term obligations. The Cash Ratio, while fluctuating, shows a healthy cash position.
* **Profitability Ratios:** The company exhibits outstanding profitability, with consistently high Return on Equity, Return on Assets, and Return on Capital Employed. Net Profit Margin and Operating Margin are also very strong, highlighting efficient operations and robust earnings.
* **Efficiency Ratios:** TCS.NS shows good operational efficiency with an increasing Asset Turnover Ratio. The extremely high Inventory Turnover is typical for a service-oriented IT company and indicates no issues with inventory management.
* **Valuation Ratios:** While the P/E ratio is slightly above the "reasonable" threshold, the decreasing P/S and EV/EBITDA ratios suggest a move towards a more fair valuation. The P/B ratio remains high, indicating a premium valuation compared to its book value.
* **Leverage Ratios:** The company has very low leverage, with a Debt-to-Equity ratio significantly below 1 and an exceptionally high Interest Coverage ratio, indicating minimal debt risk and strong financial health.
* **Performance and Growth Metrics:** TCS.NS demonstrates consistent positive growth in revenue, EBIT, EPS, and Free Cash Flow. The Net Profit Margin is stable and healthy, and the low Debt-to-Equity ratio further reinforces its financial stability.

**Conclusions:**

* **Is the company growing revenue and profit sustainably?** Yes, the company is growing revenue and profit sustainably. While revenue growth has slightly decelerated, it remains positive, and EBIT and EPS growth are consistently strong.
* **Is it over-leveraged or overvalued?** The company is not over-leveraged; in fact, it has very low debt. In terms of valuation, it appears to be fairly valued to slightly overvalued based on P/E, P/S, and EV/EBITDA ratios, but the decreasing trend in P/S and EV/EBITDA is a positive sign. The high P/B ratio suggests a premium valuation.
* **Are margins stable or volatile?** Margins are stable and healthy, with Net Profit Margin consistently around 19% and Operating Margin around 24%.
* **Is cash generation real or profit is accounting-based?** Cash generation is real and strong, as evidenced by consistently positive and growing Free Cash Flow.
* **Are returns on capital adequate (>12–15%)?** Yes, returns on capital are more than adequate, with RoE consistently above 40% and RoCE consistently above 50%.

**Recommendation:** Tata Consultancy Services Limited (TCS.NS) presents a compelling investment opportunity. The company exhibits exceptional financial health, characterized by strong liquidity, outstanding profitability, and efficient operations. Its very low leverage and robust cash flow generation further enhance its financial stability. While valuation ratios suggest the stock might be trading at a slight premium, the consistent and sustainable growth in revenue, earnings, and free cash flow, coupled with excellent returns on capital, justify a positive long-term outlook. Investors seeking a stable and growing company with a strong financial foundation should consider TCS.NS for long-term investment.