

Equity Valuation Of A Selected Company TCS Using Multiple Valuation Methods

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ABSTRACT

The subject for this research paper shall be an equity valuation analysis of Tata Consultancy Services Limited, an established company operating within the IT sector in India. In order to evaluate the intrinsic value of TCS, various methods of equity valuation would be used for this company. They include Discounted Cash Flow (DCF), relative valuation and financial ratios analysis. The source for this research would consist of annual reports, financial databases, journal articles among others. Financial ratios evaluated in this research would include net profit margin, return on assets, return on equity, earnings per share, debt-to-equity ratio and price-to-earnings ratio. Based on the findings, Tata Consultancy Services exhibited profitability, liquidity and shareholder benefits over the period of time. DCF Model analysis showed the high intrinsic value of the firm due to stability and consistency of cash flows and its sustainability. The statistical methods involved the use of regression and ANOVA techniques which were done through the use of Microsoft Excel and SPSS software. Summary of Based on the above research results, TCS is a stable company, hence making a suitable investment firm.

KEY WORDS

Equity Valuation ,Tata Consultancy Services (TCS) ,Discounted Cash Flow (DCF) ,Financial Ratio Analysis ,Intrinsic Value ,Return on Equity (ROE) ,Earnings Per Share (EPS),SPSS,Financial Performance ,Investment Analysis

INTRODUCTION

Equity valuation is a crucial component of financial management and investment. Equity valuation helps the shareholder determine whether their stock is overvalued, undervalued, or properly priced in the stock exchange. One such company that has grown well and provided good dividends to its shareholders is Tata Consultancy Services (TCS), India, which is one of the leading Indian IT companies.

The rise of the Indian IT and FinTech sector has necessitated the need to carry out financial analysis and equity valuation. This research paper will conduct a financial analysis and equity valuation on Tata Consultancy Services (TCS), India.

The impact of profitability, liquidity, and market ratios on the value of the stockholder will be investigated.

OBJECTIVES OF THE STUDY

Primary Objective

To evaluate the intrinsic value of Tata Consultancy Services Ltd. using multiple valuation methods such as Discounted Cash Flow (DCF), Relative Valuation, and Dividend Discount Models.

Secondary Objectives

- To analyze the financial performance of TCS through financial statements.
- To calculate profitability, leverage, and market-based ratios.
- To compare intrinsic value with market price.
- To understand the effectiveness of different valuation methods.
- To support investment decision-making using financial analysis.

NEED OF THE STUDY

- The scope of the research lies in financial performance of Tata Consultancy Services Limited.
- The time frame considered for the analysis is from 2021 to 2025.
- Intrinsic valuation of Tata Consultancy Services Limited is carried out through financial ratio analysis and valuation techniques.
- Models used in the research include DCF model, FCFE model, and relative valuation model.
- Statistical tools such as SPSS, regression, and ANOVA are used during the research process.
- The study will be helpful for investors in learning about the equity valuation process in the Indian IT industry.

SCOPE OF THE STUDY

- Tata Consultancy Services Limited and its financial performance form the focus of the study.
- For the purpose of the study, the time period will be 2021 to 2025.
- Ratio analysis and valuation techniques will be used to identify the intrinsic value of the stock.
- The methods of DCF, FCFE, and relative valuation will be used to conduct the analysis.
- Statistical techniques like SPSS, regression analysis, and ANOVA will be considered.
- The objective of the study is to shed light on the equity valuation methods practiced in India's IT industry.

PROBLEM OF THE STUDY

- Conventional methods of financial analysis may not provide a comprehensive view of the intrinsic value.
- The prices of stocks are likely to fluctuate based on the investor's sentiments and business climate.
- There is a need for investors to figure out whether the stock is overvalued or undervalued.
- The use of one type of valuing method is likely to be unfruitful in making investment decisions.
- Predicting financial forecasts is uncertain due to the ever-changing dynamics of financial conditions.
- There is a need for combining various valuation methods.

REVIEW OF LITERATURE

Several researchers have considered the issue of financial performance and valuation of Tata Consultancy Services. According to Dr. Rupa Sarkar (2024), he reviewed the profitability and solvency ratios of TCS and found that superior financial performance results in increased value creation for shareholders. As per the research

conducted by Aditya C and Dr. R. Jeyalakshmi (2024) on technical and fundamental analysis, TCS can be classified as a growth stock with high market premium valuation.

Ayush Kumar (2025) conducted another study where he used Discounted Cash Flow approach and found that intrinsic value has more impact in determining the stock price than market speculation. Other studies advised the use of combination of several valuation techniques such as P/E ratio, DCF, and Ratio Analysis to make sound investment decisions.

There was a research gap regarding valuation approaches specifically in India in light of recent market changes after the pandemic situation.

DATA ANALYSIS

The above computations were made by using computer application programs such as Microsoft Excel and SPSS. The ratios like net profit margin, ROA, ROE, debt-to-equity ratio, EPS, and P/E ratio have been analyzed over the period of 2021 to 2025.

ROE has increased tremendously from 38.15 percent to 46.24 percent. This is an indication that stockholders have made tremendous profits on their investment between the period of 2021 to 2025. Furthermore, the EPS has increased tremendously from 88.60 to 134.13 during the period of 20

Financial Year	Net Profit (₹ Cr)	Shareholders' Equity (₹ Cr)	ROE (%)
2021	32430	85000	38.15%
2022	38327	90000	42.59%
2023	42147	95000	44.36%
2024	45908	100000	45.91%
2025	48553	105000	46.24%

The findings clearly demonstrate that profitability and performance have been steady for TCS during this period. Trends show an increase in ROE and EPS, meaning better performance regarding shareholder wealth, while Debt-Equity Ratio has been very low, meaning stability. Regression analysis and ANOVA have been done in SPSS.

FINANCIAL YEAR	TOTAL DEBT (₹ CR)	TOTAL NET WORTH (₹ CR)	DEBT-EQUITY RATIO
2021	7,795	86,433	0.09
2022	7,818	89,139	0.09
2023	7,688	90,424	0.09
2024	8,021	90,489	0.09
2025	9,392	94,756	0.10

The Debt to Equity ratio always remained low at 0.09-0.10 as there was very little financial risk in the organization. The valuation based on discounted cash flows showed that the intrinsic value of equity in TCS was ₹975171.39 crore while the intrinsic value per share was ₹2694.

VALUATION METHOD	ESTIMATED VALUE PER SHARE (₹)
DCF Valuation (FCFE Method)	2694.93
Relative Valuation (Trading Multiples)	2586.20
Current Market Price	2,524

The DCF valuation model further confirmed the strong intrinsic value of TCS shares.

Findings

- From the data provided by the analysis, TCS was able to maintain its profitability within the years from 2021 to 2025.
- The Net Profit Margin was constant at 19%.
- It is evident that the ROE increased gradually throughout the entire time frame showing that the company was able to make an efficient use of its investors' money.
- EPS was increasing regularly, indicating that the company created value and achieved good earnings.
- At the same time, Debt-to-Equity Ratio was constantly low, thus demonstrating great financial stability of the firm and little reliance on debt capital.
- The analysis conducted using the Discounted Cash Flow method showed that the company is characterized by high intrinsic value and growth.

- Furthermore, it should be noted that the analysis revealed steady performance of the company amid changing market conditions.
- Several valuation techniques helped understand the financial situation and value of the stock better.

Suggestions

- For TCS, the areas of innovation, digital transformation, and AI are vital if it wants to keep its competitive edge within the IT sector.
- To enhance its shareholders' value, TCS can achieve this through operational efficiency and profitability margin stability.
- The firm should continue with a strategy that limits debt since it ensures financial stability for the organization.
- Management should invest more in the expansion of the firm's operations and emerging technologies.
- In valuation, intrinsic valuation as well as market valuation should be taken into consideration.
- Valuation accuracy in the future could be achieved if the firm monitors market trends and economic changes.
- Performance analysis is critical for the success of the business organization.

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WEB LINKS

- [TCS Official Website](#)
- [NSE India – TCS Share Information](#)
- [BSE India – TCS Financial Data](#)
- [Moneycontrol – TCS Financials](#)
- [Screener India – TCS Analysis](#)