ISSN 2348-3156 (Print)
International Journal of Social Science and Humanities Research ISSN 2348-3164 (online)
Vol. 12, Issue 4, pp: (360-366), Month: October - December 2024, Available at: www.researchpublish.com

Impact of Currency Devaluation- A Case Study on Tata Consultancy Services Ltd

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DOI: https://doi.org/10.5281/zenodo.14385506

Published Date: 11-December-2024

Abstract: **Nowadays, developing country like India is facing a major problem of currency devaluation. Economic and strategic support taken by a country, India has become the major trading partner of US. The impact of currency devaluation against the dollar on TCS for the period 2012 to 2023 has been investigated in this paper. It has seen that the Indian Rupees soaring to new highs against the dollar and subsequently falling to new lows. Every company has its ultimate aim to Growth. Increase in competition with the Changing times has provided a competitive edge to a company over others. Various indicators like Revenue, Profits and employment rate represent the position of the company in the market. There are very few studies that thoroughly examine the impact of currency devaluation on the IT sector of the country. Therefore, the goal of this study is to comprehend the impact of currency devaluation on the employment and the financial performance of TCS.**

Keywords: **Currency, Devaluation, Revenue, Profit, Financial Performance, Employment, Tata Consultancy Services.**

I. INTRODUCTION

Particularly in India, where the value of the Indian rupee is continuously declining, the exchange rate is a crucial issue that requires attention. It is imperative to investigate the factors influencing the exchange rate in India. It is crucial to examine these aspects in the current economic climate and determine which ones require attention in order to regulate the exchange rate. Thus, lowering exchange rate volatility is one of the most crucial goals for a developing nation like India. It's interesting to note that very few studies quantify India's actual exchange rate mismatch. Even though there are many studies on the behavior of exchange rates in the economic literature, most of the focus is on examining the causes of exchange rate movement rather than analyzing how exchange rate volatility affects important economic variables. There are also very few studies that discuss exchange rate misalignment in developing nations, including India. Their vast quantity and significant diversity, the majority of studies only take into account a small number of concerns, and very few studies have been done that thoroughly examine the impact of currency devaluation on the IT sector of the country. The literature that is now accessible indicates that the impact of currency devaluation on the IT sector in general and TCS in particular. Since the nation's economic situation may fluctuate over time, the impact could be attributed to the various exchange rate policies and initiatives implemented by the many succeeding administrations.

II. REVIEW OF LITERATURE

Agarwal (2012) "Effect of devaluation of Indian currency in Indian economy," in his paper states that devaluation is a means of correcting the BOP imbalance. In his article, he states that depreciation of the currency is preferable to devaluation since it would boost exports and, as a result, boost employment, both of which contribute to economic growth.

Oberoi (2012) "Riding the INR Stocks," in the article reveals that how currency-sensitive shares are being impacted by the volatility of the INR. How currency-sensitive shares are being impacted by the volatility of the INR discusses how enterprises that focus on exports stand to benefit the most from INR depreciation. Software services, pharmaceuticals, aquaculture, engineering, and jewelers are some of these. However, the engineering goods, diamonds, and jewelers sectors saw limited growth because the increase in the cost of importing raw materials partially offset the gains. Conversely, enterprises in the fields of information technology (IT) and pharmaceuticals are benefiting from an emphasis on exports. Devaluation increases profit in several industries, such as IT. The IT industry generates around $60 billion in revenue annually through the export of software and services.

Bhawna Kalra (2012) “Devaluation of INR vs. USD: A historical prospective”states the causes of devaluation both before and after liberalization are discussed in this essay. The author is attempting to research how the Indian economy is affected by the depreciation of the INR. Additionally, he notes that the persistently low INR is more concerning than encouraging. The author argues that in order to maintain stable currency, active central government engagement is necessary.

R. Sirohi (2013) claims that people experience increased commodity prices as a result of currency depreciation, which affects students who are currently studying abroad or who plan to travel. Divergent views have been expressed by Divakaran, N Deepa, and Dr. G.S. Gireeshkumar (2014) regarding the effects of the currency devaluation on the Indian economy. They mentioned how this will help the export-oriented economy in India. The main ones include the IT industry, textiles, pharmaceuticals, gems and jewelry, power, and fertilizers. Due to the weak rupee, Indian producers would be able to charge higher prices and will be more competitive on the global market. However, it can also increase the current account deficit and bring about inflation.

III. OBJECTIVES OF THE STUDY

- To ascertain the impact of currency devaluation on the revenue of TCS
- To know the impact of currency devaluation on the operating profit of TCS
- To ascertain the impact of currency devaluation on the employment of TCS

IV. SCOPE OF THE STUDY

The study would reveal the impact of currency devaluation on the financial performance and the employment of TCS.

V. RESEARCH METHODOLOGY

The data for the study is based on secondary data that is quarterly data of Revenues, Operating Profit and Employees collected from the yearly report published on the website of TCS. It also includes the annual average of exchange rate of the Indian rupee vis-a-vis US Dollar taken from RBI official website of past 12 years i.e., 2012-2024. Some articles, journals, magazines, research bulletins and other accessible publications are also used as a source. The study is both quantitative as well as qualitative and the quantitative data has been used to support the qualitative facts obtained.

Impacts of Indian Rupee (INR) Devaluation on TCS

Currency devaluation, the deliberate downward adjustment of a currency's value relative to other currencies, can have significant economic, social, and political implications. Its impact varies depending on the country's economic structure and the level of dependency on imports and exports. Currency devaluation can significantly impact export-oriented companies like Tata Consultancy Services (TCS) which operates in the global IT services market, particularly because it earns a substantial portion of its revenue from international clients in foreign currencies, such as the US Dollar, Euro, and Pound Sterling.

TABLE I. Indian Rupee Vs 1 US Dollar

INR Vs 1USD													
YEARS	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
IN RS	53.06	54.78	60.5	31.14	65.46	67.07	64.45	69.92	70.92	74.23	74.5	80.36	82.79

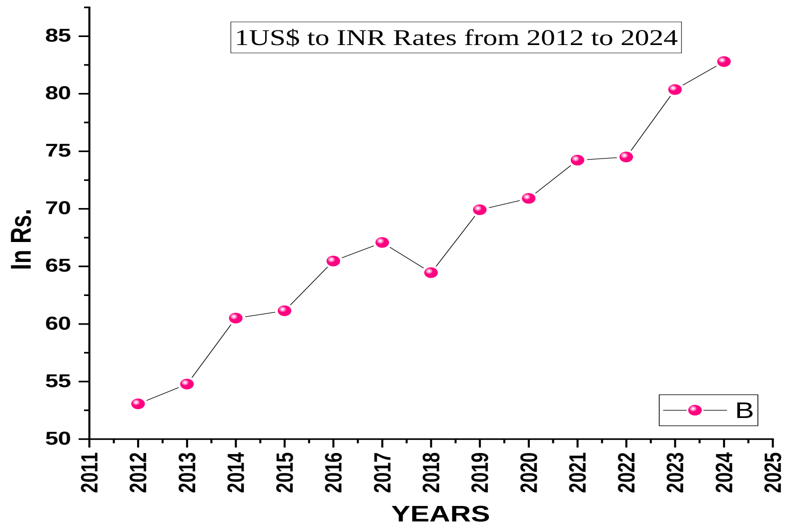

Fig. 1.Indian Rupee Vs 1 US Dollar from 2012 to 2024

Positive Impacts of Indian Rupee (INR) Devaluation on TCS

If the Indian Rupee (INR) depreciates against major currencies like the US Dollar (USD) or Euro, the revenue TCS earns in foreign currencies translates into higher INR revenue. This is beneficial for TCS as it enhances its top-line growth. For example, if a contract is worth $1 million, a weaker rupee results in higher INR revenue. A weaker rupee can make TCS's services more cost-competitive compared to peers based in countries with stronger currencies. This may help TCS attract more international clients. Since a large proportion of TCS's operating costs (e.g., salaries) are incurred in INR, while revenues are in stronger currencies, currency devaluation can improve operating margins.

Negative Impacts of Indian Rupee (INR) Devaluation on TCS

TCS engages in hedging to manage foreign exchange risks. Currency devaluation could lead to losses on forward contracts or hedging instruments, affecting profitability. It often signals economic instability in the home country. This may deter foreign clients from long-term commitments due to perceived risks, potentially affecting new deal signings. If TCS relies on imported software, licenses, or equipment, the cost of these imports can rise, offsetting some of the gains from a weak rupee. Devaluation of currencies in client geographies (e.g., Euro depreciation) can lower TCS's revenues from those markets or reduce demand as clients face economic challenges.

TABLE II. Revenues of TCS

REVENUES OF TCS												
YEARS	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
IN RS	48894	62989	81809	94648	108646	117966	123104	146463	156949	164177	191754	225458

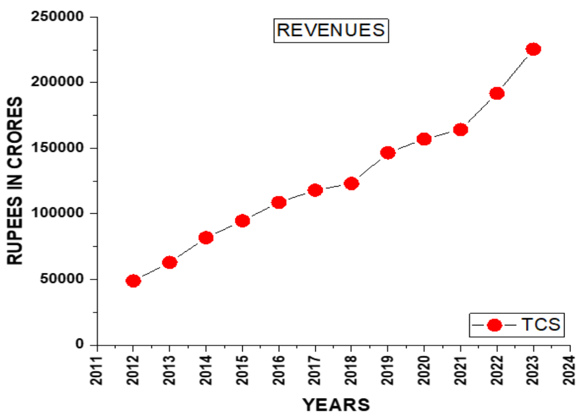

Fig. 2. Revenues of TCS from 2012 to 2024

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Currency devaluation can have a significant impact on the revenues of multinational companies like Tata Consultancy Services (TCS), which derives a large portion of its revenues from foreign markets, particularly the United States and Europe. TCS earns the majority of its revenue in foreign currencies, especially USD, EUR, and GBP. A weaker Indian Rupee (INR) against these currencies typically benefits the company, as the same amount of foreign currency translates to higher INR revenue. Over this period, the Indian Rupee saw a steady depreciation against major currencies, especially the USD. For instance, the INR depreciated from approximately ₹53/USD in 2012 to around ₹82/USD in 2023. This depreciation has positively contributed to TCS's revenue growth in INR terms, even when constant currency growth rates were moderate. TCS reported consistent revenue growth over the decade, partly fueled by the currency impact. However, the company's performance also depends on business volume, client demand, and macroeconomic factors in client geographies. TCS employs hedging strategies to manage currency risk. This minimizes the adverse effects of short-term currency volatility but doesn't eliminate the long-term impact of sustained devaluation. Events like Brexit, the COVID-19 pandemic, and global economic slowdowns have caused currency fluctuations that affected TCS's revenues variably.

Notable Observations (2012–2023):

1. 2013–2014: The Rupee saw a sharp depreciation during the taper tantrum, benefiting TCS's revenue in INR.

2. 2018–2019: Trade tensions and global uncertainties led to currency volatility, supporting TCS's export earnings.

3. 2020–2022: During the pandemic, INR depreciation continued as the USD strengthened globally, providing a cushion to TCS's INR revenues despite economic disruptions.

4. 2023: Continued depreciation of INR against USD amid rising global interest rates and geopolitical risks.

TABLE III. Operating Profit of TCS

OPERATING PROFIT OF TCS												
YEARS	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
IN RS	8000	10819	23808	25424	28789	30324	30502	37450	38580	42481	48453	54237

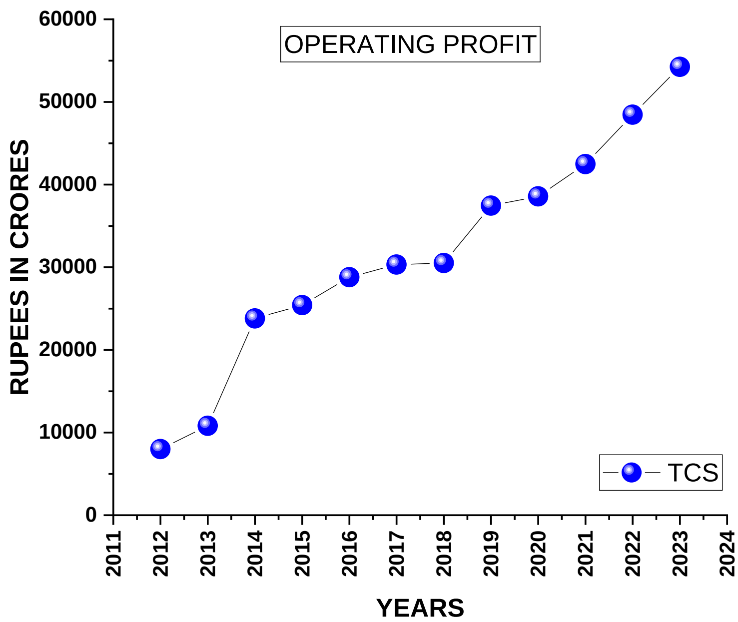

Fig. 3. Operating Profit of TCS from 2012 to 2024

The impact of currency devaluation on Tata Consultancy Services (TCS)'s operating profit from 2012 to 2023 is influenced by both revenue gains from favorable exchange rates and cost implications. TCS generates most of its revenue in foreign currencies (USD, EUR, GBP), and a weaker Indian Rupee (INR) against these currencies leads to higher revenue in INR.

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Since operating costs (e.g., salaries, infrastructure) are largely incurred in INR, this results in a positive impact on operating profit margins. A significant portion of TCS's operating costs, including salaries for Indian employees, is denominated in INR. Currency devaluation increases the spread between foreign-denominated revenues and INR-denominated costs, enhancing profit margins.However, any rise in imported technology or software costs due to a weaker rupee can offset this benefit to a small extent. CS uses currency hedging to manage short-term currency fluctuations. While hedging provides stability, it may limit the full impact of rupee depreciation on operating profits. Long-term client contracts often include clauses that adjust pricing based on currency movements, which can limit the direct benefit of currency devaluation on profits.

Trends in INR Depreciation (2012–2023):

1. 2012–2014: The sharp depreciation of the INR (taper tantrum in 2013) significantly boosted TCS's revenues and operating profit margins. TCS benefited from increased INR earnings while costs remained relatively stable.

2. 2015–2018: INR experienced moderate depreciation. Stable revenue growth, combined with cost management, ensured steady operating profit improvement.

3. 2019–2020: During global trade tensions and the onset of COVID-19, INR depreciation accelerated. Increased demand for digital services and favorable currency movement supported operating profit growth despite rising operational challenges.

4. 2021–2023: Continued INR depreciation amid global interest rate hikes and geopolitical uncertainties further boosted TCS's INR-denominated operating profits. Enhanced operating leverage from cost efficiencies and increased revenue during the pandemic recovery period amplified the benefits.

TABLE IV. Employees of TCS

EMPLOYEES OF TCS												
YEARS	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
TCS	238	276	300	320	354	387	395	424	448	488	592	615

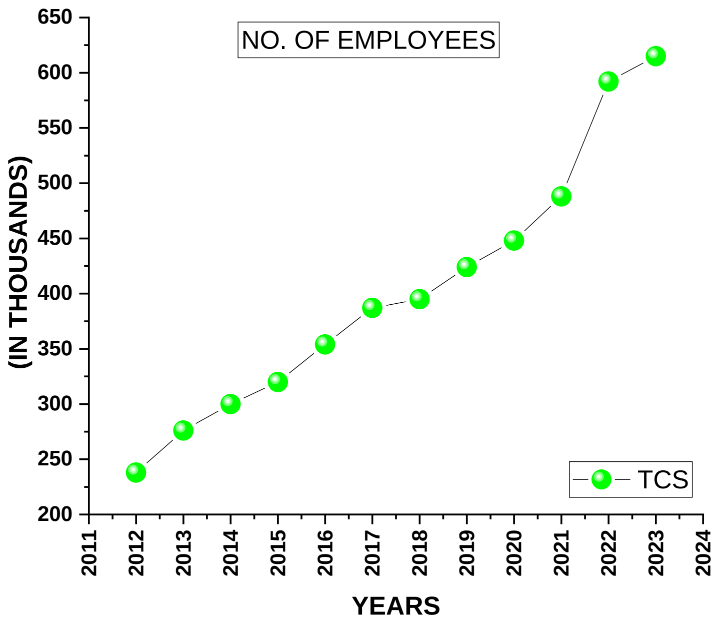

Fig. 4. No. of Employees of TCS from 2012 to 2024

The devaluation of the Indian Rupee (INR) from 2012 to 2023 had an indirect yet notable impact on the employment trends at Tata Consultancy Services (TCS). TCS earns most of its revenues in foreign currencies (USD, EUR, GBP). With the INR depreciating from ₹53/USD in 2012 to ₹82/USD in 2023, the company benefited from higher INR revenues without needing

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proportional increases in business volume. This additional revenue allowed TCS to invest in scaling operations, which typically involves hiring more employees to service growing demand. Currency devaluation made Indian IT services, including those provided by TCS, more cost-competitive globally. This drove demand for outsourcing, requiring TCS to expand its workforce to meet increased client requirements.Since a significant portion of TCS's workforce is based in India, where salaries are paid in INR, the company could leverage the favorable revenue-cost differential to hire more employees without a substantial impact on profitability. With increasing digital transformation needs globally (e.g., cloud computing, AI, and analytics), TCS diversified its offerings. Devaluation provided the financial stability to invest in employee upskilling and hire specialists for new technologies. The INR's depreciation further reinforced TCS's focus on offshore delivery (India-based workforce) to optimize costs. While TCS continued to hire globally, a majority of employment growth was concentrated in India, where devaluation enhanced cost advantages.

Trends in Employment Growth at TCS (2012–2023)

1. 2012–2014: Early Expansion

During the taper tantrum (2013), the INR depreciated sharply. TCS leveraged its cost advantage to win more contracts and grew its employee base significantly. Total employees: 300,000 in 2012 and 320,000 by the end of 2014.

2. 2015–2018: Steady Growth

With moderate rupee depreciation and strong demand from key markets, TCS expanded its workforce further, focusing on hiring fresh graduates and scaling offshore delivery centers. Total employees: 420,000 by 2018.

3. 2019–2021: Pandemic Challenges and Opportunities

The pandemic disrupted global markets, but INR depreciation and rising demand for digital transformation services enabled TCS to expand its workforce despite the challenges. Transition to remote work allowed TCS to tap into talent from Tier-2 and Tier-3 cities in India. Total employees: 500,000 by 2021.

4. 2022–2023: Post-Pandemic Surge

INR continued to depreciate, and demand for IT services surged. TCS hired aggressively to meet demand, focusing on both freshers and lateral hires for specialized roles. Total employees: 600,000 by the end of 2023.

VI. CONCLUSION

From 2012 to 2023, the devaluation of the Indian Rupee significantly boosted TCS's reported revenue in INR. While the company also grew in constant currency terms due to business expansion, currency devaluation provided an additional tailwind to its INR-denominated earnings. However, the impact was moderated by TCS's hedging practices and cost structures, ensuring stability against extreme fluctuations. Currency devaluation had a positive impact on TCS's operating profits, primarily due to the higher revenue realization in INR from foreign markets and Operational efficiencies and effective hedging techniques to minimize risks. TCS's ability to maintain strong operating profit margins during this period (25–27% on average) reflects its effective handling of currency volatility and strategic cost management. During this period, the devaluation of the INR supported employment growth at TCS, enabling it to expand its India-based workforce while remaining globally competitive. The increased revenues due to currency devaluation allowed TCS to scale operations, train employees, and hire for emerging technology roles, contributing to its position as one of the largest IT employers globally. Currency devaluation generally benefits TCS due to its export-driven revenue model but poses challenges that need active management.

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