

Financial Analysis: RELIANCE, TCS

Jotty Financial Analysis

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Financial Analysis: RELIANCE, TCS

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Executive Summary

Financial Analysis Summary

1. Company Overview

RELIANCE: Diversified conglomerate operating across energy, petrochemicals, retail, and telecommunications. India's largest private sector company by market cap (18.76 lakh crores).

TCS: Leading global IT services and consulting firm, India's largest IT company with market cap of 11.44 lakh crores. Pure-play technology services business model.

2. Financial Performance

Revenue & Profit Trends

RELIANCE: - Revenue: 1.26-1.37 lakh crores (volatile, -7% latest period) - Net Profit: 84-138 billion (highly volatile, -11% latest) - Operating margins declining

TCS: - Revenue: 493-508 billion (stable, +1.4% latest) - Net Profit: 98-109 billion (stable, -2% latest) - Consistent 28% operating margins

Profitability Ratios

Metric	RELIANCE	TCS
ROE	6.61%	65.0%
ROCE	7.57%	78.4%
Operating Margin	~13-15%	~28%

Winner: TCS demonstrates exceptional capital efficiency with industry-leading returns.

3. Financial Health

Balance Sheet Strength

RELIANCE: - Equity: 3.14 lakh crores (doubled in latest period - likely bonus issue) - Debt: 1.17 lakh crores - **Debt/Equity:** 0.37x (manageable but significant)

TCS: - Equity: 757 billion - Debt: 2.25 billion - **Debt/Equity:** ~0.003x (virtually debt-free)

Cash Flow & Liquidity

- **RELIANCE:** Capital-intensive business requires continuous investment
- **TCS:** Asset-light model generates strong free cash flow

Winner: TCS has fortress balance sheet with negligible debt.

4. Valuation

Metric	RELIANCE	TCS	Assessment
P/E Ratio	47.2x	23.4x	Reliance extremely expensive
P/B Ratio	3.36x	13.5x	TCS premium for quality
Dividend Yield	0.40%	1.90%	TCS offers better income
Price to Book Value	Current 1,386 vs BV 413	Current 3,162 vs BV 235	Both trading at premiums

RELIANCE: Trading at 47x earnings despite declining profits and mediocre ROE - **significantly overvalued**.

TCS: 23x P/E for 65% ROE with stable earnings - **reasonably valued for quality**.

5. Investment Thesis

RELIANCE

Strengths: - Market leadership and scale - Diversified revenue streams - Strong brand value

Key Risks: - Low ROE/ROCE (6-7%) indicates poor capital allocation - Volatile and declining profitability - High debt burden (1.17L crores) - Extreme valuation (47x P/E) unjustified by fundamentals - Minimal dividend yield (0.4%)

Recommendation: AVOID - Currently overvalued with deteriorating fundamentals. ROE below 7% at 47x P/E is unjustifiable.

TCS

Strengths: - Exceptional capital efficiency (65% ROE, 78% ROCE) - Debt-free balance sheet - Stable, predictable cash flows - Strong dividend policy (1.9% yield) - Resilient business model

Key Risks: - Global IT spending slowdown - Currency fluctuations - Wage inflation pressures - Competition from digital-native firms

Recommendation: BUY on dips - High-quality compounder with sustainable competitive advantages. Current 23x P/E is reasonable for best-in-class profitability. Wait for 10-15% correction for better entry.

Comparative Verdict

TCS » RELIANCE

TCS offers superior risk-adjusted returns with 10x better ROE, negligible debt, stable earnings, and half the valuation multiple. Reliance's 47x P/E with 6.6% ROE represents poor value despite its conglomerate premium.

Detailed Financial Data

1. RELIANCE (RELIANCE)

Key Ratios

Ratio	Value
Book Value	413
Current Price	1,386

Ratio	Value
Dividend Yield	0.40
Face Value	10.0
High / Low	1,612
Market Cap	18,75,736
ROCE	7.57
ROE	6.61
Stock P/E	47.2

Profit & Loss Statement

	Dec 2022	Mar 2023	Jun 2023	Sep 2023	Dec 2023
Sales+	125,849	129,674	122,627	137,380	127,695
Expenses+	110,950	110,542	105,134	118,189	110,137
Operating Profit	14,899	19,132	17,493	19,191	17,558
OPM %	12%	15%	14%	14%	14%
Other Income+	2,689	2,750	2,728	2,934	2,969
Interest	3,349	3,752	3,596	3,239	2,982
Depreciation	2,529	3,779	3,883	4,384	4,567
Profit before tax	11,710	14,351	12,742	14,502	12,978
Tax %	28%	4%	24%	23%	24%
Net Profit+	8,373	13,806	9,627	11,208	9,924
EPS in Rs	6.19	10.20	7.11	8.28	7.33
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2. TCS (TCS)

Key Ratios

Ratio	Value
Book Value	235
Current Price	3,162
Dividend Yield	1.90
Face Value	1.00
High / Low	4,161
Market Cap	11,44,220
ROCE	78.4
ROE	65.0
Stock P/E	23.4

Profit & Loss Statement

	Dec 2022	Mar 2023	Jun 2023	Sep 2023	Dec 2023
Sales+	49,275	49,780	49,862	50,165	50,844
Expenses+	35,759	36,910	36,726	36,363	36,481
Operating Profit	13,516	12,870	13,136	13,802	14,363
OPM %	27%	26%	26%	28%	28%
Other Income+	1,558	1,433	1,903	1,755	851
Interest	136	250	138	134	204
Depreciation	996	1,008	969	979	964
Profit before tax	13,942	13,045	13,932	14,444	14,046
Tax %	24%	25%	25%	24%	23%
Net Profit+	10,659	9,800	10,484	10,929	10,753
EPS in Rs	29.13	26.78	28.65	29.87	29.72
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