

Financial Analysis: RELIANCE, TCS

Jotty Financial Analysis

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Financial Analysis: RELIANCE, TCS

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Executive Summary

Comprehensive Financial Analysis: Reliance vs TCS

1. Company Overview

RELIANCE - Diversified conglomerate with presence in energy, petrochemicals, retail, and telecommunications - Market cap: 18,75,736 crores - India's largest company by market capitalization - Operates in capital-intensive, cyclical industries

TCS - Leading IT services and consulting company - Market cap: 11,44,220 crores - India's largest IT services firm - Asset-light business model with global client base

2. Financial Performance

Revenue & Profit Trends (Crores)

RELIANCE: - Sales: 125,849 → 127,695 (fluctuating, slight growth) - Operating Profit: 14,899 → 17,558 (+18%) - Net Profit: 8,373 → 9,924 (+19%)

TCS: - Sales: 49,275 → 50,844 (+3% steady growth) - Operating Profit: 13,516 → 14,363 (+6%) - Net Profit: 10,659 → 10,753 (+1%)

Profitability Ratios

Metric	Reliance	TCS
ROE	6.61%	65.0%
ROCE	7.57%	78.4%
Operating Margin	~13.7%	~28.2%
Net Margin	~7.8%	~21.1%

Analysis: TCS demonstrates **exceptional capital efficiency** with ROE/ROCE nearly 10x higher than Reliance. This reflects TCS's asset-light model vs Reliance's capital-intensive operations.

3. Financial Health

Balance Sheet Strength

RELIANCE: - Equity + Reserves: 3,14,647 crores - Borrowings: 1,16,881 crores - Debt-to-Equity: 0.37x (moderate leverage) - Book Value: 413 per share

TCS: - Equity + Reserves: 75,866 crores

- Borrowings: 225 crores (negligible) - Debt-to-Equity: ~0.003x (virtually debt-free) - Book Value: 235 per share

Analysis: TCS maintains a **pristine balance sheet** with minimal debt. Reliance carries significant debt due to infrastructure investments but maintains manageable leverage ratios.

Cash Flow & Liquidity

- TCS: Strong cash generation from operations, consistent dividend payer
 - Reliance: Capital-intensive capex requirements, but improving cash flows
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4. Valuation

Metric	Reliance	TCS	Analysis
P/E Ratio	47.2x	23.4x	Reliance trading at premium

Metric	Reliance	TCS	Analysis
P/B Ratio	3.36x	13.5x	TCS commands higher multiple
Dividend Yield	0.40%	1.90%	TCS offers better yield
Price to High	86%	76%	Both off 52-week highs

Valuation Assessment: - **Reliance:** High P/E (47.2x) appears expensive relative to ~7% returns and modest growth - **TCS:** P/E of 23.4x is reasonable given 65% ROE and stable business model - TCS's high P/B justified by exceptional return metrics

5. Investment Thesis

RELIANCE

Key Strengths: Dominant market position across multiple sectors

Improving profitability trends (+19% net profit growth)

Strategic investments in new energy and digital

Strong reserves and diversification

Key Risks: Low ROE/ROCE (6-7%) relative to valuation

Very high P/E ratio (47.2x) not justified by returns

Cyclical business exposure

High debt levels (1.17 lakh crores)

Fluctuating revenue trends

Recommendation: **HOLD/AVOID** - Valuation appears stretched. P/E of 47x is unjustifiable for a company generating <7% ROE. Wait for better entry point below 35x earnings.

TCS

Key Strengths: Exceptional capital efficiency (65% ROE, 78% ROCE)

Debt-free balance sheet

Consistent profitability and cash generation

Reasonable P/E (23.4x) for quality

Higher dividend yield (1.9%)

Predictable, recurring revenue model

Key Risks: Modest revenue growth (+3%)

Currency and wage inflation pressures

Global economic uncertainty

High P/B ratio (13.5x)

Recommendation: **BUY** - Superior quality business at reasonable valuation. P/E of 23x is justified by exceptional 65% ROE and capital-light model. Better risk-reward profile than Reliance.

Summary Verdict

For Quality & Value: TCS is the clear winner - 10x better capital efficiency - Debt-free balance sheet

- More reasonable valuation (23.4x vs 47.2x P/E) - Higher dividend yield

For Growth/Turnaround: Reliance shows operational improvement but valuation remains a concern. Only attractive below 1,000 (30x P/E).

Portfolio Allocation Suggestion: TCS 70% | Reliance 30% (if diversification needed)

Detailed Financial Data

1. RELIANCE (RELIANCE)

Key Ratios

Ratio	Value
Book Value	413
Current Price	1,386
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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