

Financial Analysis: RELIANCE, TCS

Jotty Financial Analysis

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Financial Analysis: RELIANCE, TCS

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Executive Summary

Financial Analysis: RELIANCE vs TCS

1. COMPANY OVERVIEW

RELIANCE - Large conglomerate operating in energy, petrochemicals, retail, and telecommunications - Market Cap: 18,75,736 Cr (significantly larger than TCS) - Capital-intensive business model with high asset base

TCS - Leading IT services and consulting company - Market Cap: 11,44,220 Cr - Asset-light, technology-driven business model

2. FINANCIAL PERFORMANCE

Revenue & Profit Trends (5-year data in Cr):

RELIANCE: - Sales: 125,849 → 127,695 (volatile, modest growth) - Net Profit: 8,373 → 9,924 (18.5% growth, highly volatile) - Profit margins compressed, inconsistent profitability

TCS: - Sales: 49,275 → 50,844 (steady 3.2% growth) - Net Profit: 10,659 → 10,753 (stable, 0.9% growth) - Consistent profitability despite flat recent performance

Profitability Ratios:

Metric	RELIANCE	TCS
ROE	6.61%	65.0%
ROCE	7.57%	78.4%
Operating Margin	~13-15%	~27-28%

TCS demonstrates **exceptional capital efficiency** with ROE and ROCE ~10x higher than Reliance.

3. FINANCIAL HEALTH

Balance Sheet Strength:

RELIANCE: - Equity: 3.14 lakh Cr (note: sharp jump in latest year to 6,335 Cr - possible corporate action) - Reserves: 3.08 lakh Cr (growing steadily) - **Debt: 1,16,881 Cr** (high and increasing) - Debt-dependent business model - Book Value: 413

TCS: - Equity: 191 Cr - Reserves: 75,675 Cr - **Debt: 225 Cr** (negligible) - Near debt-free, asset-light structure - Book Value: 235

Liquidity: TCS has superior liquidity with minimal debt obligations. Reliance carries significant debt burden.

4. VALUATION

Metric	RELIANCE	TCS
Current Price	1,386	3,162
P/E Ratio	47.2	23.4
P/B Ratio	3.36	13.5
Dividend Yield	0.40%	1.90%
52-week High/Low	1,612	4,161

- **RELIANCE trades at 2x the P/E multiple** of TCS despite far weaker fundamentals
- Both stocks trading significantly below 52-week highs (14% and 24% down respectively)
- TCS offers better dividend yield

5. INVESTMENT THESIS

RELIANCE

Strengths: - Diversified business portfolio reduces concentration risk - Large market capitalization and established market position - Growing reserves base

Risks: - Very poor capital efficiency (ROE/ROCE <8%) - High and rising debt burden (1.17 lakh Cr) - Volatile profitability and compressed margins - **Severely overvalued at 47.2 P/E** given fundamentals - Stock down 14% from highs, momentum negative

Recommendation: AVOID/SELL - Fundamentals don't justify premium valuation - Capital efficiency concerns persist - Better opportunities exist elsewhere

TCS

Strengths: - Exceptional capital efficiency (65% ROE, 78% ROCE) - Nearly debt-free balance sheet - Consistent profitability and stable business model - Reasonable valuation at 23.4 P/E - Higher dividend yield (1.9%)

Risks: - Flat recent growth (sales/profits stagnant) - Stock down 24% from peak - sector headwinds - High P/B suggests limited margin of safety - IT sector facing demand uncertainties

Recommendation: BUY ON DIPS / HOLD - Strong fundamentals support current valuation - Quality business at reasonable P/E - Current correction presents accumulation opportunity - Better risk-adjusted returns than Reliance

Relative Verdict: TCS is fundamentally superior to Reliance across profitability, capital efficiency, and financial health metrics. Reliance's 47.2 P/E is unjustified given 6.6% ROE and high debt. TCS offers better value despite higher P/B ratio.

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

	Dec 2022	Mar 2023	Jun 2023	Sep 2023	Dec 2023
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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