

## Fundamental analysis of Reliance Industries Limited and Tata Consultancy Services

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### Abstract

This study conducts a fundamental analysis of two prominent Indian companies—Reliance Industries Limited (RIL) and Tata Consultancy Services (TCS)—to evaluate their financial health and investment potential. By examining key financial ratios, profitability, liquidity, and solvency metrics, the analysis offers insights into the operational efficiency and market positioning of these firms. RIL, a diversified conglomerate with interests in energy, retail, and digital services, demonstrates robust profitability and strategic growth initiatives. TCS, a leading IT services provider, showcases exceptional profitability and a conservative capital structure. The findings highlight the strengths and areas for improvement in both companies, providing valuable information for investors and stakeholders.

**Keywords:** Fundamental analysis, financial ratios, profitability, liquidity, solvency, Reliance Industries, Tata Consultancy Services

### Introduction

Fundamental analysis involves evaluating a company's financial statements to assess its intrinsic value and investment potential. This paper focuses on two major players in the Indian corporate landscape: Reliance Industries Limited (RIL) and Tata Consultancy Services (TCS). RIL operates across various sectors, including energy, retail, and digital services, while TCS is a leading IT services provider with a global presence. By analyzing their financial ratios and performance metrics, this study aims to provide a comprehensive overview of their financial health.

### Methodology

The analysis is based on the examination of key financial ratios and performance indicators for the fiscal year 2024–25. Data has been sourced from the companies' annual reports and reputable financial databases. The ratios analyzed include:

- **Profitability Ratios:** Net Profit Margin, Return on Equity (ROE), Return on Capital Employed (ROCE)
- **Liquidity Ratios:** Current Ratio, Quick Ratio
- **Solvency Ratios:** Debt-to-Equity Ratio
- **Efficiency Ratios:** Asset Turnover Ratio, Inventory Turnover Ratio

These ratios provide insights into the companies' ability to generate profit, manage short-term obligations, maintain financial leverage, and utilize assets efficiently.

### Financial Analysis of Reliance Industries Limited

#### 1. Profitability Ratios

- **Net Profit Margin:** RIL's net profit margin stood at 6.81%, indicating a healthy profit relative to sales.
- **Return on Equity (ROE):** The company achieved a ROE of 6.49%, reflecting the return generated on shareholders' equity.
- **Return on Capital Employed (ROCE):** RIL's ROCE was 7.34%, demonstrating efficient use of capital in generating profits.

#### 2. Liquidity Ratios

- **Current Ratio:** The current ratio was 1.05, suggesting that RIL has slightly more current assets than current liabilities, indicating adequate short-term liquidity.
- **Quick Ratio:** At 0.70, the quick ratio indicates that RIL may face challenges in meeting short-term obligations without relying on inventory sales.

#### 3. Solvency Ratios

- **Debt-to-Equity Ratio:** RIL's debt-to-equity ratio was 0.37, indicating a conservative approach to leveraging and a lower financial risk.

#### 4. Efficiency Ratios

- **Asset Turnover Ratio:** The asset turnover ratio was 0.52, reflecting the company's ability to generate revenue from its assets.
- **Inventory Turnover Ratio:** At 5.94, RIL efficiently manages its inventory, ensuring quick turnover.

### Financial Analysis of Tata Consultancy Services

#### 1. Profitability Ratios

- **Net Profit Margin:** TCS reported a net profit margin of 22.36%, showcasing strong profitability.
- **Return on Equity (ROE):** The company achieved a ROE of 63.55%, indicating exceptional returns on shareholders' equity.
- **Return on Capital Employed (ROCE):** TCS's ROCE was 75.77%, reflecting highly efficient use of capital.

#### 2. Liquidity Ratios

- **Current Ratio:** The current ratio stood at 2.10, indicating a strong ability to cover short-term liabilities with current assets.
- **Quick Ratio:** At 2.10, the quick ratio further confirms TCS's solid liquidity position.

**3. Solvency Ratios**

- **Debt-to-Equity Ratio:** TCS maintained a debt-to-equity ratio of 0.00, highlighting a debt-free capital structure and minimal financial risk.

**4. Efficiency Ratios**

- **Asset Turnover Ratio:** The asset turnover ratio was 1.69, demonstrating effective utilization of assets to

generate revenue.

- **Inventory Turnover Ratio:** With an inventory turnover ratio of 5936.23, TCS exhibits exceptional efficiency in managing inventory.

**Comparative Analysis**

Metric	Reliance Industries	Tata Consultancy Services
Net Profit Margin (%)	6.81	22.36
Return on Equity (%)	6.49	63.55
Return on Capital Employed (%)	7.34	75.77
Current Ratio	1.05	2.10
Quick Ratio	0.70	2.10
Debt-to-Equity Ratio	0.37	0.00
Asset Turnover Ratio	0.52	1.69
Inventory Turnover Ratio	5.94	5936.23

The comparative analysis reveals that TCS outperforms RIL in most profitability and efficiency metrics, reflecting its strong financial performance and operational efficiency. RIL, while demonstrating solid profitability, has lower profitability ratios and efficiency metrics compared to TCS.

**Conclusion**

Both Reliance Industries Limited and Tata Consultancy Services exhibit strong financial health, albeit with differences in their operational models and financial metrics. TCS's high profitability and efficiency ratios underscore its leadership in the IT services sector, while RIL's diversified business model provides resilience and growth opportunities across various industries. Investors may consider TCS for its robust profitability and operational efficiency, while RIL offers exposure to a diversified portfolio with potential for long-term growth.

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