

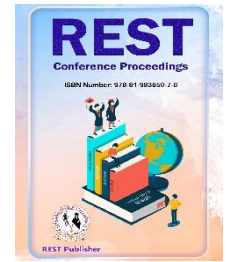


REST Conference Proceedings

Vol: 1(2), 2025

REST Publisher; ISBN: 978-81-993050-7-6

Website: <https://restpublisher.com/book-series/rcp/>



Fundamental Analysis of TCS and Infosys for Investment Opportunity

Muskan Agrawal, S.B. Malani

SIPNA C.O.E.T., Amravati, Maharashtra, India.

Abstract: This study presents a fundamental analysis of Tata Consultancy Services (TCS) and Infosys, two leading Indian IT companies, to evaluate their long-term investment potential. Key financial metrics such as Earnings Per Share (EPS), Price-to-Earnings (P/E) ratio, return on Equity (ROE), Debt-to-Equity ratio, revenue trends, profit margins, and dividend policies are analysed. Additionally, qualitative factors including management efficiency, innovation, global presence, and market reputation are considered, along with macroeconomic influences such as global IT demand and currency fluctuations. The comparative approach identifies strengths and weaknesses of both firms, offering insights into their stability, growth prospects, and value creation potential for investors.

Key Words: Fundamental Analysis, TCS, Infosys, Investment Opportunity, Earnings Per Share, Dividend Per Share, Price-to-Earnings Ratio, Return on Equity, Debt-to-Equity Ratio, IT Sector, Financial Performance.

1. INTRODUCTION

The Indian Information Technology (IT) sector has emerged as a key driver of economic growth, innovation, and digital transformation both domestically and globally. Over the past few decades, India has established itself as a major hub for IT services, software development, and business process outsourcing, attracting multinational clients and contributing significantly to the country's GDP. Among the leading players in this sector, Tata Consultancy Services (TCS) and Infosys stand out as globally recognized firms that have consistently demonstrated financial stability, operational excellence, and strong market positioning. Investors seeking long-term returns often rely on fundamental analysis to evaluate the intrinsic value and potential of companies. Fundamental analysis examines both quantitative factors, such as financial ratios, profitability, revenue growth, and dividend performance, and qualitative factors, including management effectiveness, innovation capacity, corporate governance, global presence, and market reputation. For IT companies like TCS and Infosys, which operate in highly competitive and dynamic environments, such analysis is crucial to understand their ability to sustain growth, generate shareholder value, and adapt to global market changesets, known for its extensive global delivery network, diversified service offerings, and large-scale client base, has historically demonstrated robust revenue generation and profitability. Infosys, on the other hand, emphasizes innovation, agile business strategies, and strategic investments in emerging technologies such as Artificial Intelligence, Cloud Computing, and Data Analytics. By comparing these two companies, this study aims to provide insights into their financial strength, growth potential, and overall attractiveness as long-term investment opportunities. In addition to company-specific factors, external influences such as global IT demand, currency fluctuations, economic conditions, and regulatory policies also impact investment decisions. Understanding how TCS and Infosys perform in relation to these factors enables investors to make informed choices and manage risk effectively. This research uses a combination of ratio analysis, comparative evaluation, and statistical testing to examine key financial metrics, providing a comprehensive assessment of both companies' investment potential.

2. LIMITATION OF THE STUDY

The present study is limited to the analysis of only two companies—Tata Consultancy Services (TCS) and Infosys—within the IT sector, which may restrict the generalizability of the findings to the broader industry. The research relies on secondary data sourced from annual reports, company websites, and other publicly available resources, which may be subject to reporting biases or outdated information. Additionally, the study focuses

primarily on financial indicators and does not account for qualitative factors such as employee satisfaction, innovation capabilities, or brand perception, which can also influence a company's performance. Market fluctuations and external economic factors prevailing during the study period may have also affected the results.

3. METHODOLOGY

This study adopts a descriptive research design to compare the fundamental performance of Tata Consultancy Services (TCS) and Infosys over 2019–2024 using secondary data from annual reports, company websites, financial statements, and industry publications. Key financial indicators analyzed include Earnings Per Share (EPS), Dividend Per Share (DPS), Price-to-Earnings (P/E) ratio, Return on Equity (ROE), Debt-to-Equity ratio, revenue growth, profit margins, and liquidity ratios. Data was evaluated using ratio analysis, descriptive statistics, and comparative techniques. Compound Annual Growth Rates (CAGR), mean values, and standard deviations were calculated for EPS and DPS, and t-tests were performed to assess the statistical significance of differences between the two companies. The analysis also considers qualitative factors such as management efficiency, innovation, global presence, and market reputation. This combined quantitative and qualitative approach provides a clear, objective, and comprehensive assessment of both firms' long-term investment potential.

4. DATA ANALYSIS

Earnings per share: Earnings per share (EPS) is a financial measure which indicates how much money a company makes for each share of its stock and is a widely used metric for estimating corporate value. A higher EPS indicates greater value because investors will pay more for a company's shares if they think the company has higher profits relative to its share price. It is calculated by dividing the company's net income with its total number of outstanding shares.

$$\text{EPS} = \frac{\text{Earnings available for equity shareholders}}{\text{No. of outstanding equity shares}}$$

TABLE 1. Showing Earnings Per Share (Rs)

Companies	2019	2020	2021	2022	2023	2024	CAGR	Mean	(SD)
INFOSYS	35.44	38.97	45.61	52.52	57.63	65.62	13.50%	49.3	10.48
TCS	83.05	86.19	86.71	103.62	115.19	125.88	8.70%	100.11	16.18

Table 1 Earnings per share (EPS) ratio is used to calculate a company's profit per outstanding share of stock. Net profit is divided by the total number of outstanding shares to arrive at this figure. Over the period from 2019 to 2024, Infosys exhibited a consistent increase in Earnings Per Share (EPS) with a Compound Annual Growth Rate (CAGR) of 13.50%, rising from 35.44 to 65.62. TCS also experienced steady EPS growth, though at a slightly lower CAGR of 8.70%, increasing from 83.05 in 2019 to 125.88 in 2024. Infosys and TCS demonstrated robust and consistent EPS growth, with Infosys having the highest CAGR. TCS had the highest mean EPS for the period, followed by Infosys.

Dividend per share: Dividend per share (DPS) is a financial which indicates the sum of declared dividends issued by a company for every ordinary share outstanding. DPS is an important metric to investors because the amount a firm pays out in dividends directly translates to income for the shareholder. A higher DPS over time is a sign that a company's management believes that its earnings growth can be sustained. DPS is calculated by dividing the total dividends paid out by a business, including interim dividends, over a period of time, usually a year, by the number of outstanding ordinary shares issued.

$$\text{DPS} = \frac{\text{Dividend for equity shareholders}}{\text{No. of outstanding equity shares}}$$

TABLE 2. Showing Dividend Per Share (Rs)

Companies	2019	2020	2021	2022	2023	2024	CAGR	Mean	(SD)
INFOSYS	21.5	17.5	27	31	34	49	17.80%	30	10.13
TCS	30	73	38	43	115	73	18.90%	62	28.91

Table 2 Dividend per share (DPS): This ratio shows how much each share of an organization's outstanding stock is worth in dividend payments to shareholders. It is computed by dividing the total dividend payments made by the total number of shares that are outstanding. Between 2019 and 2024, Infosys saw its dividend per share rise

from 21.5 Rs. to 49 Rs., reflecting a Compound Annual Growth Rate (CAGR) of 17.80%, with an average dividend of 30 Rs. TCS experienced a substantial increase, growing from 30 Rs. to 73 Rs., boasting an impressive CAGR of 18.90%, and a mean dividend per share of 62 Rs. TCS demonstrated the highest growth with a remarkable 18.90% CAGR, while Infosys also had a respectable 17.80% growth.

Hypothesis of The Study:

- ❖ **Null Hypothesis (H₀):** There is no significant difference between TCS and Infosys in terms of investment attractiveness based on fundamental indicators — specifically, EPS, DPS, and their trends (growth and consistency). Both offer similar long-term return potential.
- ❖ **Alternative Hypothesis (H₁):** TCS is fundamentally stronger than Infosys, offering better investment potential due to higher EPS, higher DPS, and superior financial growth performance over the six-year period (2019–2024).

TABLE 3. Observed

Metric	INFOSYS (Observed)	TCS (Observed)	Total
EPS	295.79	600.64	896.43
DPS	180	372	552
Total	475.79	972.64	1448.43

TABLE 4. T-Test for EPS

Metric	Company	Mean	Std Dev
EPS	INFOSYS	49.3	10.48
EPS	TCS	100.11	16.18
DPS	INFOSYS	30	10.13
DPS	TCS	62	28.91

T-Test for EPS:

$$t = \frac{X_1 - X_2}{\sqrt{\frac{s_1^2}{n_1} + \frac{s_2^2}{n_2}}}$$

Where:

X_1, X_2 = sample means, S_1^2, S_2^2 = sample variances, n_1, n_2 = sample sizes

$$t = \frac{49.3 - 100.11}{\sqrt{\frac{10.48^2}{6} + \frac{16.18^2}{6}}} = \frac{-50.81}{\sqrt{18.32 + 43.63}} = \frac{-50.81}{7.87} = -6.46 \text{ Degrees of freedom } \approx 10 \quad \text{Critical}$$

t-value ($\alpha = 0.05$, two-tailed) $\approx \pm 2.23$

Result: $|t| = 6.46 > 2.23 \rightarrow \text{Reject } H_0$

T-Test for DPS:

$$t = \frac{30 - 62}{\sqrt{\frac{10.13^2}{6} + \frac{28.91^2}{6}}} = \frac{-32}{12.5} = -2.56$$

Result: $|t| = 2.56 > 2.23 \rightarrow \text{Reject } H_0$

Findings: The comparative analysis of TCS and Infosys reveals distinct differences in financial and operational performance over 2019–2024. TCS consistently reported higher revenue and net profit, reflecting its large-scale operations, diversified service offerings, and strong market positioning. Profitability ratios indicate that TCS maintained better operational efficiency, while liquidity ratios for both companies suggest stable short-term financial health, with Infosys slightly outperforming in certain years. EPS and DPS analysis show that both firms achieved consistent growth, with Infosys recording a higher EPS growth rate (CAGR 13.5%) and TCS demonstrating higher average EPS and DPS values. T-tests confirm that the differences in EPS and DPS between the two companies are statistically significant, favoring TCS in absolute financial strength. Qualitative factors also differentiate the two firms. Infosys emphasizes innovation, technology adoption, and employee development, which support long-term competitiveness. TCS leverages its extensive global delivery network, established client base, and operational scale to sustain market leadership. Overall, TCS excels in financial stability and market reach, while Infosys demonstrates agility, innovation focus, and growth potential.

4. CONCLUSIONS

The comparative analysis of Tata Consultancy Services (TCS) and Infosys reveals that both organizations are globally recognized leaders in the IT services sector, contributing significantly to India's economic growth and global technological presence. TCS demonstrates a stronger financial position, higher revenue generation, and superior profit margins, largely due to its extensive client base, diversified service offerings, and strategic global expansions. Its operational efficiency and brand equity have enabled it to maintain market leadership for several years. On the other hand, Infosys, while relatively smaller in scale, stands out for its agility, innovation-oriented strategies, and consistent focus on emerging technologies such as Artificial Intelligence, Cloud Computing, and Data Analytics. The company's investments in employee skill development and sustainability initiatives also contribute to its long-term competitiveness. The study indicates that while TCS currently leads in scale, profitability, and market reach, Infosys is steadily narrowing the gap through innovation, client-centric solutions, and operational improvements. Both companies display resilience in adapting to market shifts, responding to global economic challenges, and leveraging digital transformation opportunities. Therefore, it can be concluded that TCS holds a dominant position in the present, whereas Infosys has the potential to expand its market share and strengthen its global footprint in the near future.

REFERENCES

- [1] Sharma, Amit. *Fundamental Analysis of TCS and Infosys: Investment Strategies in IT*. Mumbai: Finance Today Publications, 2023.
- [2] Verma, Priya. *Evaluating Investment Opportunities: A Case Study of TCS and Infosys*. Pune: TechInvest Publishers, 2022.
- [3] Kumar, Rajesh. *IT Sector Investment: Analysing TCS and Infosys Fundamentals*. Bangalore: Market Insight Press, 2024.
- [4] Desai, Suresh. *Investment Analysis of Major IT Firms: TCS and Infosys*. New Delhi: Economic Times Publications, 2023.