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Returns from Infosys, TCS, and Sensex – an investor's perspective

This article has been written in response to a request from Nanayam Vikatan, as they wanted to publish an article about the two bell weather IT companies when TCS is at the cusp of being the first Indian IT company to have a \$100 billion valuation.

TCS and Infosys have been among the pioneering companies that have been responsible to put India on the Information technology map of the world. They have created an industry, lakhs of jobs, and significant wealth.

This article takes a perspective of investor's experience in investing in these companies over the last 12 years. This article is not a critique of either of the company strategies, it is only intended to reflect the experience of investors in these stocks.

This article examines the investor experience from 3 different perspectives

- a) An investor who invests in January of a year and sells in December of that year
- b) An investor who invested once and is holding the investment to date
- c) An investor who has systematically invested monthly and is holding to date.

The data here is from 2006, this is to allow 16 months from the time TCS was listed, this is to factor in the early listing gains that can also be attributed to Infosys when it was listed. We have used the data till 31st March 2018 for this article.



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Returns for investors who buy in January and sell in December

Return for buy in Jan and sell in Dec			
Year	Sensex	Infosys	TCS
2006	49.4%	51.8%	45.9%
2007	60.0%	-18.8%	-11.1%
2008	-46.7%	-36.7%	-55.9%
2009	73.8%	133.4%	213.6%
2010	16.9%	32.4%	55.4%
2011	-16.3%	-19.7%	-0.3%
2012	22.3%	-16.1%	8.4%
2013	11.6%	50.3%	72.6%
2014	27.3%	13.1%	17.7%
2015	-1.6%	12.1%	-3.9%
2016	2.8%	-8.5%	-3.2%
2017	31.8%	-2.2%	11.1%

Infosys: Investors who bought in Jan and sold in Dec would have beaten Sensex in 6 years over the last 12 years

TCS: Investors who bought in Jan and sold in Dec would have beaten Sensex in 4 years over the last 12 years

Starting 2011, i.e., in the last 7 years, returns from 12-month investments in both Infosys and TCS have beaten Sensex only twice.



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Returns for investors who bought once and are holding till 31 Mar 2018

Returns for an investment made in the year and held to date			
Year	Sensex	Infosys	TCS
2006	289.3%	166.1%	475.1%
2007	177.5%	127.3%	389.8%
2008	170.5%	189.1%	663.0%
2009	179.1%	146.0%	601.4%
2010	110.5%	54.1%	228.3%
2011	107.3%	54.1%	147.1%
2012	94.6%	72.8%	122.6%
2013	77.7%	50.7%	64.7%
2014	41.1%	21.6%	15.9%
2015	27.9%	0.2%	10.2%
2016	28.8%	-1.5%	13.5%
2017	8.6%	12.7%	14.1%

(For this part of the analysis we have used average of 12 month price for the year for calculating returns)

Infosys: Investors who bought and held the stock till 31st Mar 2018 have beaten Sensex in 2 years over the last 12 years.

TCS: Investors who bought and held the stock till 31st Mar 2018 have beaten Sensex in 8 years over the last 12 years

Starting 2011, i.e., in the last 7 years, returns from investments that are held to date, Infosys has beaten Sensex once and TCS has beaten Sensex thrice.



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Returns for investors who have been buying monthly and are holding till 31 Mar 2018

Returns for a monthly investment held to date			
Year	Sensex	Infosys	TCS
2006	107.1%	72.9%	224.1%
2007	90.9%	64.6%	201.7%
2008	82.5%	58.5%	183.4%
2009	72.9%	44.4%	131.5%
2010	60.1%	32.0%	74.6%
2011	53.1%	29.0%	53.4%
2012	44.4%	25.0%	38.4%
2013	34.9%	15.9%	22.3%
2014	24.8%	7.7%	12.4%
2015	19.8%	3.4%	11.3%
2016	16.2%	4.8%	11.7%
2017	6.1%	9.9%	10.3%

Infosys: Investors who have invested a fixed amount every month and held the stock till 31st Mar 2018 have beaten Sensex once over the last 12 years.

TCS: Investors who have invested a fixed amount every month and held the stock till 31st Mar 2018 have beaten Sensex 7 times over the last 12 years.

Starting 2011, i.e., in the last 7 years, returns from investing a fixed amount every month and held to 31st Mar 2018, Infosys has beaten Sensex once and TCS has beaten Sensex twice.

In summary

Both TCS and Infosys have generated market beating returns for their early investors. Returns from these stocks since 2011 have been less than exciting. This is especially true for systematic investors as well as investors with long holding periods.

Based on the analysis of data so far, we at IndusWealth believe that both Infosys and TCS may not generate market beating returns for systematic investors or for investors with long holding periods.

Disclosure: Author and the clients of IndusWealth may own some or all the stocks discussed in this article and may transact in them for their own portfolios.

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