**Abstract**

A Comparative study on performance of ITC & TAJ Ltd has been chosen for the study because hotel industry is one of the fastest growing sectors of the economy. To analyse the performance leverage and trend are used. Leverage refers to the employment of assets or sources of fund bearing fixed payment to magnify EBIT or EPS respectively. So, it may be associated with investment activities or financing activities. Operating leverage is concerned with the investment activities of the firm. Financial leverage is mainly related to the mix of debt and equity in the capital structure of a firm. A degree of combined leverage (DCL) is a leverage ratio that summarizes the combined effect that the degree of operating leverage (DOL) and the degree of financial leverage have on earnings per share (EPS), given a particular change in sales. This ratio can be used to help determine the most optimal level of financial and operating leverage to use in any firm. The Comparative and Common Size statements suffer from a major limitation i.e., absence of a basic standard to indicate whether the proportion of an item is normal or abnormal. Trend analysis overcomes this limitation. This method is also an important and useful technique of financial statement analysis.