

FUNDAMENTAL ANALYSIS OF IT SECTOR

NAGINDAS KHANDWALA COLLEGE OF SCIENCE,
COMMERCE, ARTS AND MANAGEMENT STUDIES
(AUTONOMOUS) MALAD WEST

A Project Report on
Fundamental Analysis of IT Sector

Submitted BY
SHAILI MEHTA

TYBMS SEMESTER VI

SUBMITTED TO
UNIVERSITY OF MUMBAI

PROJECT GUIDE
MS. SONALI SINGH

ACADEMIC YEAR 2020-21

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CERTIFICATE

This is to certify that **Miss Shaili Sunil Mehta** has worked and duly completed her Project Work for the degree of Bachelor of Management Studies under the Faculty of Commerce in the subject of **Research Project** and her project is entitled, **“Fundamental Analysis of IT Sector”** under my supervision.

I further certify that the entire work has been done by the learner under my guidance and that no part of it has been submitted previously for any Degree or Diploma of any University.

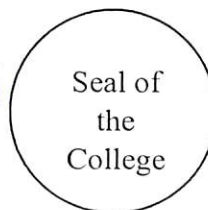
It is her own work and facts reported by her personal findings and investigations.

Sonali Singh
13/21

Name and Signature of Guiding Teacher

Mrs. Sonali Singh

Date of submission:



Sonali Singh

PRINCIPAL

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DECLARATION BY LEARNER

I the undersigned **Miss Shaili Sunil Mehta** hereby, declare that the work embodied in this project work titled "**Fundamental Analysis of IT Sector**", forms my own contribution to the research work carried and has not been previously submitted to any other University for any other Degree/Diploma to this or any other University.

Whenever reference has been made to previous works of others, it has been clearly indicated as such and included in the bibliography.

I, here by further declare that all information of this document has been obtained and presented in accordance with academic rules and ethical conduct.



Name and Signature of the learner

Shaili Sunil Mehta



Certified by

Name and Signature of the Guiding Teacher

Mrs. Sonali Singh

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FUNDAMENTAL ANALYSIS OF IT SECTOR

TABLE OF CONTENTS

Chapter No.	Content	Page No.
	Executive Summary	
Chapter 1	Introduction	1-6
1.1.	Introduction	2-3
1.2.	History of IT Industry	3-4
1.3.	Objectives	4
1.4.	Methodology	5
1.5.	Sources of data	5
1.6.	Scope of study	6
1.7.	Limitations of study	6
1.8.	Scope of Further Research	6
Chapter 2	Methodology	7-16
2.1.	Technical Analysis	8-10
2.2.	Fundamental Analysis	10-16
Chapter 3	Review of Literature	17-22
Chapter 4	Core Content	23-32
4.1.	Tata Consultancy Services (TCS)	24-28
4.2.	Wipro Co. Ltd	28-29

FUNDAMENTAL ANALYSIS OF IT SECTOR

Chapter 5	Comparison of TCS & Wipro	33-50
5.1.	Fundamental Analysis of Wipro and TCS for Corresponding Year	34-36
5.2.	Ratio Analysis of TCS and Wipro for Corresponding Year	42-44
5.3.	Competitors of Wipro and TCS	50-51
Chapter 6	Findings	52-63
Chapter 7	Conclusion & Recommendations	64-65
	Bibliography	66-68
	Appendix	69-72

FUNDAMENTAL ANALYSIS OF IT SECTOR

LIST OF FIGURES

Fig. No.	Topic	Page no.
2.2.2	Economic Forecast for Long-Term view	11
2.2.3.	Cluster of Lines for Analysis	12
6.1.	Age	53
6.2.	Prefer to Invest in IT companies	53
6.3.	Leader of the Market	54
6.4.	Valuations of IT companies	55
6.5.	Investment in Stock Market	55
6.6.	Nifty IT Index	56
6.7.	IT companies future	57
6.8.	IT stock in Portfolio	57
6.9.	Portfolio Strength	58
6.10.	Effects by COVID-19	59
6.11.	Comparison of stock with Nifty IT	59
6.12.	Technical Analysis	60
6.13.	Technical Chart	61
6.14.	Ratios for Fundamental Analysis	61
6.15.	Primary Motive	62
6.16.	Recommendation to Invest	63

FUNDAMENTAL ANALYSIS OF IT SECTOR

LIST OF TABLES

Table no.	Topic	Page no.
2.2.8.1.	Classification of Items	14-15
2.2.8.2.	Standard Ratios for Company	15-16
4.3.3.	Wipro Investment Growth	30
5.1.	Balance Sheet	34-36
5.2.	Ratios	42-43

FUNDAMENTAL ANALYSIS OF IT SECTOR

EXECUTIVE SUMMARY

At the point when consistency is a test of skill and endurance in our bustling lives, we are seeing sparing time wherever conceivable. With regards to this, the study of technical and fundamental analysis for the IT sector has given various perspectives and there has been a significant change in the point of view of respondents. These days, there is a growing realization and even a need for a secondary source of income where a person can apply his part of income in the secondary market to get an additional income above that. This is possible only with adequate knowledge, skills, and money. Any absence of the three factors may cost huge losses to a person and this may even affect the generations of a particular family. These days after the post covid people need to think about the secondary income too. Alongside, the study focuses on the behaviour and technicality of the sector. Furthermore, the day-to-day study also reveals and improves the knowledge of the individual as the work to be done can be completed only with appropriate knowledge.

A simple random sampling is a subset that has an equivalent measurable populace where every individual from the subsets has an equivalent likelihood of being picked up. A simple random sampling is intended to be a fair portrayal of a group. Researchers can make a simple random technique using a few techniques. For years, the Indian IT industry fate was solely being decided by foreign markets, especially the US. Although the markets still hold the lion's share in the total IT revenues, there has been a gradual transition in this trend. With the economic downturn post-2008 significantly cutting down IT spending in the global markets, IT impasses have been forced to look out for new avenues of sustaining growth. Primary data is involved as a structured questionnaire with questions that mainly focus on covering all the aspects of technical and fundamental analysis of the IT sector. There were a variety of questions asked to respondents and each respondent has answered diligently making it easy to interpret the data.

The project will help to get an in-depth understanding and helps me to find the level of knowledge the youth has when it comes to stock market analysis using technical and fundamental analysis. The analysis will help us to know the source of information regarding IT sector analysis. It will help us to know whether the respondents are keen on gaining knowledge from the stock market and the number of respondents who are engaged in doing trading or investing. The sample size used in this project is 151 responses. The age group is divided into 16-25, 26-35, 36-45, 45, and above. The geographical boundary is around Mumbai suburban. The primary data has been collected from the questionnaire and secondary data has been collected from various sites, books, and articles. There were a variety of questions asked to respondents and each respondent has answered diligently making it easy to interpret the data. The buyers and sellers of the shares are the true owners. The study of the IT sector reveals various facts and figures and correspondingly the fundamental and technical analysis. This study can also be extended with different sectors and this helps the researchers to do

FUNDAMENTAL ANALYSIS OF IT SECTOR

various research. Under literature review, there are also various cases for further research which even helps to get more conceptual clarity for the same. Objectives of research are mainly described to give clarity for the report.

To analyze the understanding of individual knowledge of the stock market.

To find out various factors that influence the behaviour of the individual.

To find out whether investing in the IT industry is safe or not.

To get a better perspective about the technical and fundamental analysis of the IT industry.

To conclude whether there are safety, income, and capital gains

CHAPTER 1

CHAPTER 1 - INTRODUCTION

1.1. Introduction

The project covers the analysis of the IT industry where all the analysis such as fundamental analysis are covered and all the aspects and concepts are explained with detailed explanation. The unit of analysis covers all the ages of the group. The examination of the individual authority using various forms to get an understanding of the perspective of the customer. For analyzing the data, a total of 151 responses are collected via primary data (Google Forms). The research methodology used in this research is descriptive research. In descriptive research, the questionnaire method is used. The sample design and the use of a sampling basis is simple random sampling. A simple random sampling is a subset that has an equivalent measurable populace where every individual from the subsets has an equivalent likelihood of being picked up. A simple random sampling is intended to be a fair portrayal of a group. Researchers can make a simple random technique using a few techniques. With a lottery technique, every individual from the populace is allocated the number after which numbers are chosen aimlessly.

The Information Technology & Information Technology Enabled Services (IT-ITES) sector is a profession that is experiencing accelerated evolution and is transforming the shape of Indian Business Standards. This division includes software development, consultancies, software management, online assistance, and Business Process Outsourcing (BPO).

According to an article in the Times of India, India's liberalization was probable due to its IT industry. In the 1990s, the business started with trading of nearly \$100 million with around 5,000 employees. Now, it is an enterprise that grows globally and India's IT exports are presently around \$70 billion with 2.8 million employees operating in this sector. The report declares that the IT sector is one of the top two manufacturers in the country today. India's IT industry is anticipated to grow at a rate of 12 - 14% during 2016-2017 as per a statement by India's software industry body National Association of Software and Services Companies (NASSCOM.) This certainly shows that knowledge technology is an area that will likely be one of the emerging businesses in the days to come as India's economy wants more hardware, software, and other IT services. In a NASSCOM McKinsey report, India's place in the global offshore IT industry is based on five factors - Overflowing Talent, Piece of the Urban Foundation, Operational Excellence, Favourable Business Environment, and ultimately, continued extension in the domestic IT sector.

IT Industry in India 2017 IT-BPM industry earnings (excluding hardware) for the Financial Year 2016-17 are expected to be at US \$154 billion. The IT sector committed to India's GDP by 7.7% in the year 2016. In the Financial Year 2016, TCS reached as the market leader with about a 10.4% increase to India's IT and ITES

FUNDAMENTAL ANALYSIS OF IT SECTOR

sector revenue. The IT business is quite competing with the top 5 IT firms contributing over 25% to the total IT revenue. For the Financial Year 2017, the national revenue is expected to be at US \$38 billion while the export revenue is considered to be at US \$117 billion.

The IT industry is gradually affected by factors like the global market and the subsistence of its rate of growth. The slowdown in the United States also affected the IT community in India negatively. This division is encouraging and has enormous potential, but there are matters concerning the demand-supply gap, which is increasing. Some difficulties which the industry is suffering are inadequate foundation, tax problems, and limited preferential access for local firms. China and Taiwan are examples of low-cost destinations, and India needs to change its current tax structure so that it can defeat opposition from other countries.

One of the most important advantages that the computer and IT industry presents in India is the profession it can produce. Additional advantages are Export and Foreign Direct Investments (FDI). New businesses have started up in the Middle East, Africa, Eastern Europe, and South and Southeast Asia. India is now a better target for IT outsourcing. There is no shortage of IT job opportunities in India. India is required to reach the US to become the most amount of software developers in 2018.

The best IT companies in India that allow job possibilities in this profession are Tata Consultancy Services (TCS), Wipro Technologies, Cognizant, Yahoo!, Google, Tech Mahindra, Infosys Technologies, HP, Capgemini, iGATE Patni, Accenture, L&T, EY, Convergys, Mphasis, Genpact, HCL Technologies and Godrej Infotech. Cities like Bengaluru, Delhi, Noida, Gurgaon, Hyderabad, Chennai, Bombay, and Cochin are some of the places which have expanded into possible IT hubs of the country, recognition to the appearance of those top IT companies. These are now important players which offer the maturity of the Indian economy through telecommunication, software development, design, mobile commerce, e-commerce, BPO, and Knowledge Process Outsourcing (KPO). The IT business is not restricted to the software community only. Technology can be implemented in libraries, hospitals, banks, shops, prisons, hotels, airports, train stations, and several other places through database management systems, or custom-made software as seen fit. Among other sectors, the IT sector in India has been encouraging completion for the last decade and stronger and holds the potential to maintain doing so for the next several years if deficiencies are met and difficulties are faced.

1.2. History of IT Industry in India

Services were inaugurated by the DATA group for software development services in India in 1968. In 1981, Informs was founded by Marinara Murphy and his colleagues. Informs was restricted to creating class software services and also took an IT business model which was developing supported by a most maximum of the IT

FUNDAMENTAL ANALYSIS OF IT SECTOR

companies in India. Economic reforms in 1991 and expansion of the IT sector in India. The Indian government had stringent power over the private business items in India before expanding the economy in 1991.

The first major IT change by the Indian Government was the invention of a corporation called Software Technology Parks of India (STEP). This company provided satellite links to major IT developers allowing them to communicate the job done in India immediately abroad. As a consequence, the IT industry in India converted available and the establishment of outsourcing would certainly gain energy with more and more clients and enterprises working for the outsourcing of IT. Another important result for the Indian IT industry posts the 1991 improvements was the YUK defect. Fear of an omelet categorization of computer services, the US corporations outsourced all the tools and improving work to Indians. Influence of the recession on the Indian IT sector. The global economic crisis in 2008 and the Rezone crisis have made it a surge coaster journey for the world economies. The Asia Pacific experienced a deferred impact of the economic crisis.

India was one of the world's fastest-growing tech businesses, concentrated largely on exports, and also encountered the trembling of the global economic crisis. Domestic IT Outsourcing: For ages, the Indian IT industry's future was individually being compromised by foreign markets, particularly the US. Although the businesses still hold the lion's portion in the total IT revenues, there has been continuous development in this course. With the financial downturn post-2008 significantly paring down IT use in the global markets, IT obstacles have been required to look out for different avenues of supporting growth.

A part of the canter thus started moving to the European and Asian markets. IT service providers are recognizing the potential of the internal market and are building-specific methods to work with Indian enterprises. Industry specialists point out that the internal IT market is expected to increase at a CAGR of around 7% between FYI and IFFY and give more than \$36 billion by the end of IFFY.

1.3. Objectives of Research

- To analyze the understanding of individual knowledge of the stock market.
- To find out various factors that influence the behaviour of the individual.
- To find out whether investing in the IT industry is safe or not.
- To get a better perspective about the technical and fundamental analysis of the IT industry.
- To conclude whether there are safety, income, and capital gains.

FUNDAMENTAL ANALYSIS OF IT SECTOR

1.4. Methodology

The age group used in this project is young adults. To define them they are of the age from 16 to 35 years. This covers students who have started their graduation and have some basic ideas about the topic of my project. The technical terms used are also helpful for them getting a clear idea regarding the same. It covers those students who have entered a corporate world and it ends where he is at a good earning stage. In this project, descriptive research is used. Descriptive research can be defined as that research that can depict various characteristics and objectives and along with that the deep understanding of the topic and with various conceptual clarity which helps an adult to take the various decisions regarding the diversification of earnings during the early 30s. It does not answer the question concerning how/when/why the characteristics occurred. Rather it answers the question of what.

The sample design used in the project is a simple random sampling method. A simple random sampling method is a subset of a measurable populace where every individual from the subset has an equivalent chance of getting selected.

A simple random sampling is intended to be a fair portrayal of a group. Researchers can make a simple random sampling utilizing a few techniques. This just means that there were no hardcore efforts required to collect the data. Data is collected in such a way that it is convenient for the researcher. Google forms were made and sent out across contacts from various colleges. However, the geographical boundaries were limited to the metropolitan region of Mumbai. The sample size used in this project is 151 responses. The age group is divided into 16-25, 26-35, 36-45, 45, and above.

1.5. Sources of Data

Primary data is involved as a structured questionnaire with questions that mainly focus on covering all the aspects of technical and fundamental analysis of the IT sector. There were a variety of questions asked to respondents and each respondent has answered diligently making it easy to interpret the data. The questions that were asked from the investment in the IT sector till the respondents engaged in activities of the stock market were asked to understand the overall aspects of responses given by respondents. A total of 151 respondents were taken to get a clear picture and this was used to get a better conclusion for my topic.

Secondary data was collected from many journals, papers, online sites including more control, stock edge app, and BSE India to gain a better understanding of the price movements as well as the fundamentals of the NIFTY IT index. The main focus has been the questionnaire and the conclusions are based on what are the findings of primary data.

FUNDAMENTAL ANALYSIS OF IT SECTOR

1.6. Scope of Study

The project will help to get an in-depth understanding and helps me to find the level of knowledge the youth has when it comes to stock market analysis using technical and fundamental analysis. The analysis will help us to know the source of information regarding IT sector analysis. It will help us to know whether the respondents are keen on gaining knowledge from the stock market and the number of respondents who are engaged in doing trading or investing. This study also enhances the knowledge of respondents which helps them to make more money and get attracted towards the fundamentals of the companies specifically toward the IT industry.

The satisfactory level of the respondents can be noticed via this project. The analysis of the project will help us to take various suggestions regarding the analysis of the market.

1.7. Limitation of Study

The limitations are that various respondents are not aware whether they must use technical or fundamental analysis while investing in the stock market. Many respondents are not aware that while using fundamental analysis the growth of the company, ROE of the company and net profits decide the future while for technical analysis what matters are the charts i.e., the candlesticks, bar charts, and various other forms of charts which are unknown to respondents. The age group is also another factor where people at age of 16 do not have complete knowledge and they end up facing losses and also questionnaire.

1.8. Scope of Further Research

The study of the IT sector is not only restricted to giant companies like WIPRO and TCS. This study is of a vast field where the respondents are not only knowledgeable about this sector but the overall market. The buyers and sellers of the shares are the true owners. The study of the IT sector reveals various facts and figures and correspondingly the fundamental and technical analysis. This study can also be extended with different sectors and this helps the researchers to do various research. The fundamental and technical analysis helps the trader as well as an investor to predict the growth and to earn good profits within a short period. Thus, it's mandatory to have good knowledge and enhance various skills to prepare a good strategy.

CHAPTER 2

CHAPTER 2 – METHODOLOGY

2.1. TECHNICAL ANALYSIS

2.1.1. Definition

Technical Analysis refers to the study of the action of the market itself as hostile the study of the products within which the market deals. Technical Analysis is that the science of recording, sometimes in graphic kind, the particular history of commercialism in an exceedingly bound stock or monetary plus and so deciding from that pictured history the probable future trend.

2.1.2. Assumptions

Like any alternative science, Technical Analysis has additionally supported some assumptions.

- Stock costs area unit determined entirely by the interaction of demand and provide.
- Stock costs tend to makeover in trends.
- Shifts in demand and provide cause reversals in trends.
- Shifts in demand and provide may be detected in charts.
- Chart patterns tend to repeat themselves.

2.1.3. History

The history of Technical analysis is incredibly poorly recorded, as there's no proof of it being employed. however, it may be formed that this ancient technique of analyzing markets and costs was utilized in the distant past in freely listed markets.

Markets in one kind or another have existed for hundreds of years. as an example, we all know that notes and checks between traders and bankers existed in the metropolis by 2000 BC. Currency exchange, commodities, and participation in mercantile voyages were listed in Ostia, the port of Rome, within the second century AD. within the Middle Ages, wheat, bean, oat, and barley costs were offered from 1160 on in Frenchman, England; and an oversized grain market existed in Toulouse as early as 1203. publicly offered proof suggests that as early because the twelfth century, markets existed in most cities and cities and were joined in an exceeding network of arbitrage.

FUNDAMENTAL ANALYSIS OF IT SECTOR

In the eighteenth century, because the Dutch empire declined, the London and Paris Exchanges step by step surpassed the Amsterdam Exchange inactivity and offerings. In alternative elements of the planet, specifically in Japan, cash-only goods markets in rice and silver were developing, sometimes at the docks of major seashore cities. It's in these markets that we tend to initially have recorded info of a loaded bargained World Health Organization used technical analysis and commercialism discipline to amass a fortune.

Japan is that the initial place within which recorded technical rules are found, several historians have prompt that technical analysis began within the rice markets in Japan. However, it appears impossible that technical analysis wasn't utilized in the additional subtle and earlier markets and exchanges in Medieval Europe. Indeed, even in Japan, it's thought that charts were introduced initially within the silver market around 1870 by associate "English man". Thus, the technical analysis contains a poorly recorded history however by logical thinking maybe a recent technique of analyzing commercialism markets and costs.

2.1.4. Alternative Technical Analysis

Although the observation of technical analysis in some form doubtless dates back several centuries, Charles Dow was the primary to present and inquire into it in recent times. He's thought of the daddy of "modern" technical analysis. Dow's introduction of stock indexes to live the performance of the securities market allowed for a significant advance within the sophistication of securities market participants.

With the arrival of computers, many faculties of technical analysis have arisen and modern technical analysis has been modified utterly. Earlier traders want to draw charts on paper and so take off with associate analysis on it an explicit plus. But now, it's utterly machine-controlled wherever knowledge is directly fetched from exchanges and also the value charts area unit drawn on the technical associate lysis package armed with a finish range of tools to investigate out of it.

Today, the technical analysis covers many alternative time horizons: (1) long finance and (2) short swing and (3) intraday commercialism being the foremost basic. The symptoms and ways used for these horizons usually have their characteristics. Additionally, to time horizons, completely different finance or commercialism instruments exist. Commodities, as an example, have their technical info and peculiarities, as do currencies and monetary instruments like bonds and notes. The topic of technical analysis is advanced. As a result of data of all prospects is not possible, the individual should decide the amount, methods, and instruments best suited to his or her temperament, ability, knowledge, and time offered. Though the fundamental principles of technical analysis that we tend to investigate during this book area unit common to any or all areas of markets, investors should learn by reading, studying, and experiencing the peculiarities of the markets within which they need to profit.

FUNDAMENTAL ANALYSIS OF IT SECTOR

While coming into the stock markets one ought to have the whole strategy to earn because the market may be a competitive field within which your analysis is matched with the toughest minds of the trade. Unless you've got developed the whole strategy of your one cannot say the great from the unhealthy.

2.2. Fundamental Analysis

Fundamental analysis is that the examination of the underlying forces that affect the well-being of the economy, trade teams, and firms, like most analyses, the goal is to derive a forecast and make the most of future value movements. At the corporate level, an elementary analysis could involve the examination of monetary knowledge, management, business conception, and competition. At the trade level, there may be an associate examination of providing and demand forces for the merchandise offered. For the financial system, an elementary analysis may target economic knowledge to assess this and future growth of the economy. To forecast future stock costs, the elementary analysis combines economic, industry, and company analysis to derive a stock's current honest worth and forecast future worth. If the honest worth isn't capable of the present stock value, elementary analysts believe that the stock is either overvalued or undervalued and also the {market price market worth value} can ultimately gravitate towards honest value.

Fundamentalists don't heed the recommendation of the random walkers and believe that markets are a unit week-form economical. By a basic cognitive process that costs don't accurately replicate all offered info, elementary analysts look to maximize perceived value discrepancies.

2.2.1. General Steps to elementary analysis

Even though there's nobody clear-cut methodology, a breakdown is given below within the order associate degree capitalist may proceed. This methodology employs a top-down approach that starts with the economy and so works down from trade teams to specific corporations. As a part of the analyzing method, it's necessary to recollect that everyone's info is relative. trade teams are compared against alternative trade teams {and corporations and firms} against alternative companies. Usually, corporations are compared with others within the same cluster. for instance, a medium operator (JIO) would be compared to a different medium operator (AIRTEL), to not associate degree company (IOC).

2.2.2. Economic Forecast

First and foremost, {in adoring align associate degree exceedingly in a very} top-down approach would be an overall analysis of the overall economy. The economy is just like the tide and therefore the numerous trade teams and individual corporations are like boats. once the economy expands, most trade teams and

FUNDAMENTAL ANALYSIS OF IT SECTOR

corporations' profit and grow. once the economy declines, most sectors and corporations sometimes suffer. Several economists link economic growth and contraction to the number of interest rates. Interest rates are seen as the number one indicator for the stock exchange yet. Below could be a chart of the S&P five hundred and therefore the yield on the 10-year notes over the last thirty years. Though not precise, a correlation between stock costs and interest rates is seen. Once a state of affairs for the economy has been developed, associate degree capitalists will break down the economy into its numerous trade teams.

This is eg of long term chart of S&P 500 large cap which is US market related.

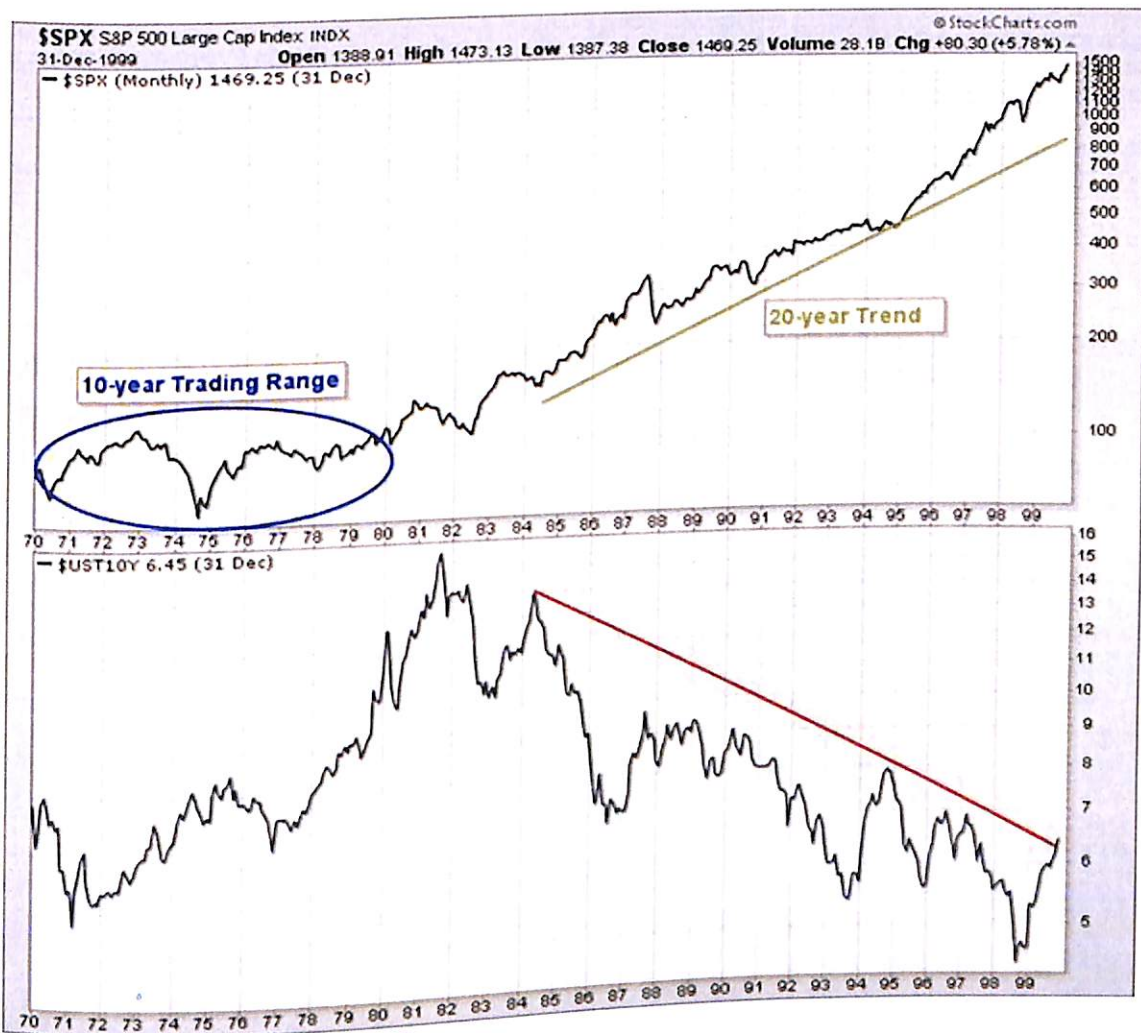


Fig. No. 2.2.2. Economic Forecast for Long-Term view

2.2.3. Cluster Choice

If the prognosis is for associate degree increasing economy, then sure teams are doubtless to learn over others. Associate degree capitalist will slender the sphere to those teams that are best suited to learn from the present

FUNDAMENTAL ANALYSIS OF IT SECTOR

or future economic surroundings. If most corporations are expected to learn from associate degree growth, then risk in equities would be comparatively low associate degreed an aggressive growth-oriented strategy may well be judicious. A growth strategy may involve the acquisition of technology, biotech, semiconductor, and circular stocks. If the economy is forecast to contract, associate degree capitalists could pick a lot of conservative strategies and hunt down stable income-oriented corporations. A defensive strategy may involve the acquisition of shopper staples, utilities, and energy-related stocks.

To assess associate degree trade group's potential, associate degree capitalists would wish to contemplate the rate, market size, and importance to the economy. Whereas the individual company remains necessary, its trade cluster is probably going to exert even as a lot of, or more, influence on the stock value. Once stocks move, they sometimes move as groups; there are only a few lone guns out there. Many times, it's a lot necessary to be within the right trade than within the right stock! The chart below shows the relative performance of five sectors over a 7-month timeframe, because the chart illustrates, being within the right sector will create all the distinction.

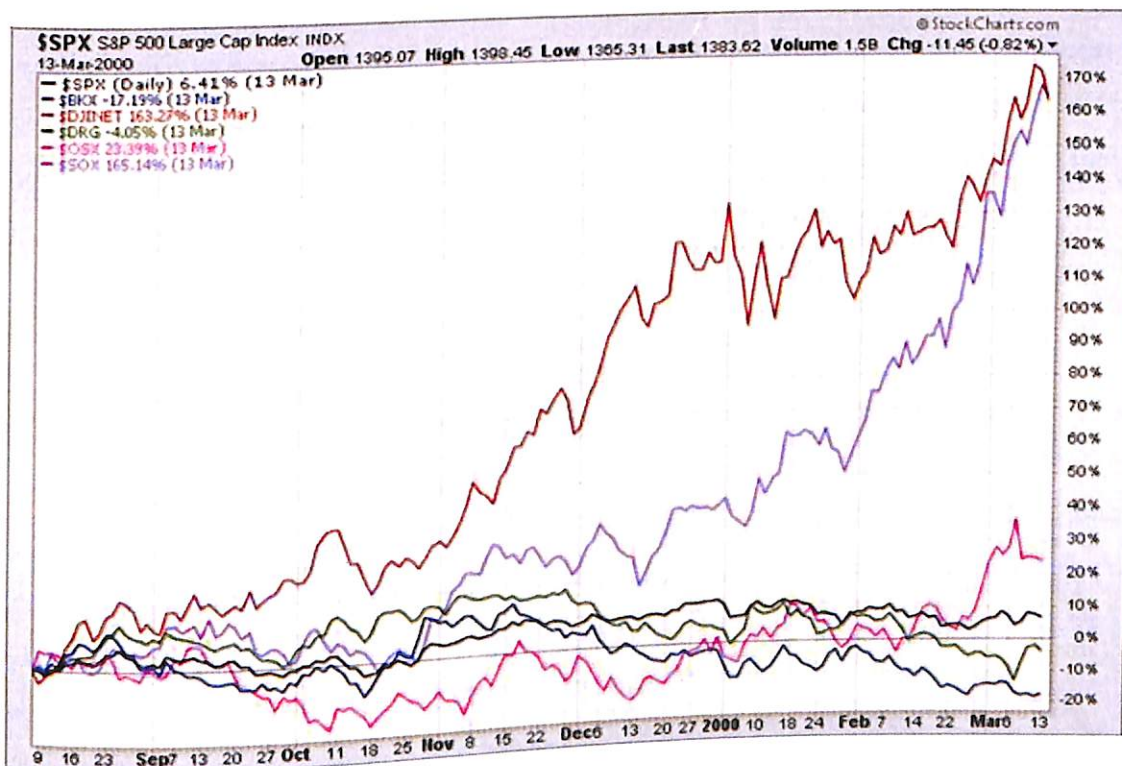


Fig. No. 2.2.3. Cluster of Lines for Analysis

2.2.4. Slender at intervals the cluster

Once the traded cluster is chosen, associate degree capitalists would want to slender the list of corporations before continuing to a lot of careful analysis. Investors square measure sometimes inquisitive about finding

FUNDAMENTAL ANALYSIS OF IT SECTOR

the leaders and therefore the innovators at intervals a bunch. The primary task is to spot this business and competitive atmosphere at intervals a bunch also because of the future trends. However, do the businesses rank per market share, product position, and competitive advantage? United Nations agency is that the current leader and the way can change at intervals {the sector the world the square measuring} affect this balance of power? What are the barriers to entry? Success depends on having a footing, be it promoting, Technology, market share, or innovation. A comparative analysis of the competition at intervals a sector can facilitate establish those corporations with a footing, and people presumably to stay it.

2.2.5. Company analysis

With a range of corporations, associate degree capitalists would possibly analyze the resources and capabilities at intervals every company to spot those corporations that square measure capable of making and maintaining a competitive advantage. The analysis might specialize in choosing corporations with a smart business arrangement, solid management, and sound financials.

2.2.6. Business arranges

The business arrangement, model, or conception forms the bedrock upon that all else is made. If the arrangement, model, or ideas stink, there's very little hope for the business. For a replacement business, the query is also these: Will its business build sense? Is it feasible? Is there a market? Will a profit be made? For a long-time business, the queries could be: Is that the company's direction clearly defined? Is that the company a pacesetter within the market? Will the corporate maintain leadership?

2.2.7. Management

To execute a business, arrange, a corporation needs the finest management. Investors would possibly verify management to assess their capabilities, strengths, and weaknesses. Even the best-laid plans within the most dynamic industries will attend waste with dangerous management (AMD in semiconductors). Or else, even in an exceedingly mature trade, robust management will make increased success (Alcoa in aluminium). A number of the inquiries to raise would possibly include: How proficient is that the management team? Do they need a track record? How long have they worked together? Will management deliver on its promises? If management may be a drawback, it's generally best to makeover on.

2.2.8. Money Analysis

The final step to the current analysis method would be to require apart from the money statements and are available up with a way of valuation. Below may be a list of potential inputs into a money analysis.

FUNDAMENTAL ANALYSIS OF IT SECTOR

Accounts Payable	Good Will
Accounts Receivable	Gross Profit Margin
Acid Ratio	Growth
Amortization	Industry
Assets - Current	Interest Cover
Assets - Fixed	International
Book Value	Investment
Brand	Liabilities - Current
Business Cycle	Liabilities - Long-term
Business Idea	Management
Business Model	Market Growth
Business Plan	Market Share
Capital Expenses	Net Profit Margin
Cash Flow	Pageview Growth
Cash on hand	Pageviews
Current Ratio	Patents
Customer Relationships	Price/Book Value
Days Payable	Price/Earnings
Days Receivable	PEG
Debt	Price/Sales
Debt Structure	Product
Debt: Equity Ratio	Product Placement
Depreciation	Regulations
Derivatives-Hedging	R & D
Discounted Cash Flow	Revenues
Dividend	Sector

FUNDAMENTAL ANALYSIS OF IT SECTOR

Dividend Cover	Stock Options
Earnings	Strategy
EBITDA	Subscriber Growth
Economic Growth	Subscribers
Equity	Supplier Relationships
Equity Risk Premium	Taxes
Expenses	Trademarks
	Weighted Average Cost of Capital

Table No. 2.2.8.1. Classification of Items

The list will appear quite long and discouraging. However, when a jiffy, Associate in Nursing capitalist can learn what works best and develop a group of most popular analysis techniques. There square measure many alternative valuation metrics and far depends on the business and stage of the economic cycle. An entire monetary model may be engineered to forecast future revenues, expenses, and profits, or an Associate in Nursing capitalist will deem the forecast of alternative analysts and apply varied multiples to gain a valuation. A number of the additional standard ratios square measure found by dividing the stock value by a key worth driver.

Ratio	Company Type
Price/Book Value	Oil
Price/Earnings	Retail
Price/Earnings/Growth	Networking
Price/Sales	B2B
Price/Subscribers	ISP or Cable Company

FUNDAMENTAL ANALYSIS OF IT SECTOR

Price/Lines	Telecom
Price/Page Views	Website
Price/Promises	Biotech

Table No. 2.2.8.2. Standard Ratios for Company

This methodology assumes that a corporation can sell at a particular multiple of its earnings, revenues, or growth. The associate capitalist could rank firms that supported these valuation ratios. Those at the high finish could also be thought-about overvalued, whereas those at the low finish could represent comparatively smart price.

2.2.9. Golf shot it all at once

After all, is alleged and done, associate capitalists are left with one or two firms that stand out from the pack. Over the course of the analysis method, associate understanding can develop of that firms stand out as potential leaders and innovators. Also, alternative firms would be thought-about laggards and unpredictable. The ultimate step of the basic analysis method is to synthesize all information, analysis, and understanding into actual picks.

CHAPTER 3

CHAPTER 3 – REVIEW OF LITERATURE

1. Ashish Arora¹, V. S. Arunachalam², Jai Asundi³, Ronald Fernandes (1999): The Indian Software Industry

This paper records the results of the analysis on the Indian software industry moved out at Carnegie Mellon University. We use a mixture of sources, including a questionnaire review of Indian software firms, and field interviews and interviews with industry participants, observers, and US-based clients.

The Indian software industry is unusual in several respects. It is setting rather than product-oriented, heavily export-oriented, and is mostly managed by expert and entrepreneurial executives. Also, domestic market knowledge and expertise seem to have very limited benefits for strong importers. Although the industry has become spectacularly, providing this performance will pose several challenges. To prevent the generally described deficiencies of skilled software professionals and the potential competition from other low wages, human capital-rich countries, Indian firms are working to move up the value chain by getting a more extensive knowledge of business domains and management capacity, and to decrease prices by producing superior methodologies and tools. Whether firms will receive will depend critically on their management expertise and enthusiasm to buy along with several dimensions.

From a cultural perspective, the disconnect between domestic and export the company is a major hurdle, but one that the increasing number of computers and the expansion of the information infrastructure should make it more comfortable to confront. In the end, the largest impact the software industry is required to have on the Indian economy is complicated, in its position as an example of the new business organizational form and as an incentive to other administrators.

2. Ashok Desai (2003): The Dynamics of the Indian Information Technology Industry

The experience of the business is frequently shaped by official statistics. In the case of the Indian information (IT) industry¹, the statistics are not even guaranteed. All statistics on it are created by the National Association of Software and Service Companies (NASSCOM). This dynamic industry organization had 850 members at the end of 2002 (NASSCOM 2003a:17); it required that they considered for over 95 percent of the industry's revenue.

There are several firms in the business that are not parts of NASSCOM; a single directory, for example, lists over 4000 firms (EFY 2002). Although there is no basis to expect a bias in NASSCOM's characters, they are steps from its affiliates' figures. A connection with IT export figures recently published by the Reserve Bank

FUNDAMENTAL ANALYSIS OF IT SECTOR

of India shows that NASSCOM's figures are within 10 percent of gross exports. Imports are less than 10 percent of exports; NASSCOM does not consider them. The true and NASSCOM figures are similar; the difference between them could be due to advances and lags. In the support of the paper, we will practice the NASSCOM figures. But we should at the starting point out the weaknesses of representing the Indian IT industry in terms of what occurs within India's borders.

Thus established, the industry holds the subsidiaries of multinational companies, which are an essential part of their global progress. NASSCOM estimates their share in the sales of the Indian industry in 2001-02 at 26.6 percent. On the other hand, Indian companies have branches and subsidiaries outside. The accounts of selected IT companies present financial investments to have been 24 percent of their gross assets in 2001-02; practically all of those would be abroad.

3. Carnegie Mellon University (2000): The Globalization of Software: The Case of the Indian Software Industry

The accelerated globalization of the software industry in the modern years has focused a big deal of attention on India whose software industry is now a minute but becoming part of the international movement of labour. Our study had two main purposes: To learn and explain the main characteristics of the Indian software industry, particularly its capability and weaknesses; and to follow its links with the American software industry and with the American economy more frequently. To get at these problems, we collected data from various sources, including a questionnaire survey of over 100 Indian software firms, and attended over 45 Indian software firms in Delhi, Bombay, Madras, Bangalore, and Hyderabad.

We understood up with a smaller number of phone interviews with U.S. firms that have outsourced software development to India. We also had short structured interviews with 61 Indian programmers to know better where and how they have been raised and the nature of the work they do. Besides, we examined several government officials in India and industry experts in both India and the U.S. The completion of this research illuminates some issues compared to the Indian software industry, establishing some impressionistic accounts but denying others. In particular, approximately two-thirds of the revenues of the Indian software industry are from exports, with a much smaller home market.

4. Helsinki University of Technology (2009): National Software Industry Survey

This article presents the effects of the twelfth National Software Industry Survey. The software industry is a challenging one for review research due to the pervasive nature of software; Software is a key element of many

FUNDAMENTAL ANALYSIS OF IT SECTOR

modern technology products and can be also used as a combined element when providing services. Moreover, it is trying to separate the software industry from other learning product industries and the recent increase in online services has further developed the challenges in defining the boundaries of the industry.

The software industry is a subset of expert software development. We classify these activities into four categories as shown. The software business has been traditionally divided into software products and custom-made software. This organization is displayed on the horizontal axis of our organization. Lately, the barriers between the software industry and other industries have grown frequently clouded due to courses that are discussed more in the next section. Hardware generators are relying on software for functionality and differentiation. In some instances, firms deemed traditionally to be individual devices or machinery vendors have developed their business to carry also corresponding software products or services that have a significant software component.

5. Indian Embassy (2008): India's Information Technology Industry

The Indian software industry has developed from the mere US \$ 150 million in 1991-92 to the wavering US \$ 5.7 billion (including over \$4 billion worth of software exports) in 1999-2000.

No, another Indian business has performed so well against the global conflict. The yearly growth rate of India's software exports has been consistently over 50 percent since 1991. As per the predictions made by the National Association of Software and Services Companies (NASSCOM) for 2000-2001 (April 1, 2000 - March 31, 2001), India's software trading's would be around \$ 6.3 billion, in addition to \$ 2.5 billion in the domestic sale.

6. Jeffrey Tucker, Stephen Chen, Corrie DeCamp (2006): Future of the Enterprise Software Industry

In the extremely competitive atmosphere of enterprise software, making the next technological wave managed to be the way to win. Doing the first business with innovative new technology could mean beginning as the next new thing instead of being folded into a larger company. Similarly, for customers, early selection of the right developing technology could accommodate the incremental development needed to draw ahead of the competition.

Today, companies are no longer attempting these strategies. Perversely for both vendors and clients, no major changes are expected in the enterprise software market in the next three to five years. No new thoughts as important as supply chain management (SCM) or customer relationship management (CRM) are on the near

FUNDAMENTAL ANALYSIS OF IT SECTOR

horizon—just a continuous pressure to make incremental changes. Meanwhile, practically every company that needed to add business software to its application portfolio has already done so. With no completely new technologies expected and with most markets soaked, the enterprise software sector can anticipate seeing the shakeout sequence typical of any growing industry, as companies merge and rationalize.

7. Ashish Arora a, V.S. Arunachalam (1999): The Indian software services industry

The Indian software exportation has grown spectacularly. Its leader has, for the most part, been a mixture of resource revenues, a mix of favourable failure and ongoing support from a usually intrusive regulation, and good timing. The majority of the Indian software exports have consisted of reasonably normal services such as low-level programming and support. The marked dependence on the introduction of low-cost human capital has inspired significant uncertainty about the strength of the Indian software industry to maintain its production, given the accelerated growth in the demand for engineers and the almost inelastic supply of engineers. This paper discusses the effects of an investigation of the Indian software industry.

We use a blend of sources, including a questionnaire survey of Indian software firms, and field visits and interviews with industry participants, observers, and US-based clients. Although maintaining the prevailing rate of the increase will model several challenges, these challenges are not impossible. Not only can the possible pool of human capital be increased by tapping and reducing the very large pool of English, speaking college graduates, but the leading Indian firms are also making great efforts to move up the value chain by acquiring better software project management capacity and more extensive knowledge of business fields, and reducing costs and improving quality by exhibiting superior methodologies and tools.

8. Sachin: India software industry future: IT career advantages, disadvantages and Benefits (2003)

Recently a lot of people have been debating about the future of the Indian software industry, whether it is a good career move for people out of college or not.

More and more students in college are asking "Should I go in software or not". In the last few months, I have been researching this topic, reading the predictions and projections of various experts on the internet, and even talking to many software professionals about the future of the Indian IT industry. In this article, I will share my thoughts with you including the pros and cons of the software profession. I have divided this analysis into three sections - Positives, Negatives, and Final Conclusion.

Additionally, the software is a white-collar job, meaning you are mostly sitting in a nice air-conditioned office/cubicle and unlike many other professions you do not have to run around to get your work done. There

FUNDAMENTAL ANALYSIS OF IT SECTOR

are plenty of jobs and you can change companies every two years and your salary increases each time you do so.

International competition increasing: Countries like China, Mexico, and the Philippines are slowly catching up. Several Indian companies have already opened their offices there. Did you know that China produces more engineers than India but they cannot speak English? The upcoming Chinese generations are much better and will certainly compete with India in the future.

CHAPTER 4

CHAPTER 4 – CORE CONTENT

4.1. TATA CONSULTANCY SERVICES LTD. (TCS)

4.1.1. Company History

Tata Consultancy Services Ltd. may be an obligatory worldwide renowned IT company and business solutions organization providing transformational conjointly as outsourcing services to world enterprises. We've got a worldwide presence deep domain experience in multiple trade verticals and a fashionable portfolio of services, consisting of consulting and repair integration digital transformation services and psychological feature business operations - targeting each C-suite neutral. The corporate uses of those and its industry-leading suite of merchandise and platforms to deliver high-quality & high-impact solutions investment the most recent technologies to customers across the world.

Tata Consultancy Services geographic footstep consists of North-America geographic region the UK Continental Europe Asia-Pacific Asian nation and Middle-East. The corporate could also be a neighbourhood of Tata cluster one in every of India's most revered business conglomerates and most revered brands. The corporate is headquartered in Mumbai. TCS has been operative through 285 offices in forty-six countries additionally as 147 delivery centers in twenty-one countries. The company shares are listed on the National securities market and Mumbai securities market of Asian nations. Tata Consultancy Services Ltd was combined inside the year 1968. Tata Sons Ltd established the company as a division to service their Electronic Data Process (EDP) needs and provide industry services. Within the year 1971, they started their 1st international responsibility. The corporate pioneered the worldwide delivery model for IT services with their 1st offshore shopper in 1974.

"In the year 1981, the organization established India's 1st IT, R&D division the Tata analysis style and Development Centre at Pune." Within the year 1985, they acknowledged their 1st client-dedicated offshore development center for Compaq (then Tandem). In the year 1989, they discharged AN electronic installation and commerce system referred to as SECOM for SIS Sega Inter Settle, Switzerland. Within the year 1997, the {corporate} opened its new corporate coaching facility at Trivandrum. As of thirty-one December 2020, the company has practiced for 5634 patents as well as 134 applied throughout the quarter and has continued granted 1713 patents. -Forms new services patents registered.

The company stratified preferred for client satisfaction in European country additionally as in Switzerland within the country editions of White lane analysis 2020 IT Sourcing Study supported a survey of CXOs and

FUNDAMENTAL ANALYSIS OF IT SECTOR

senior IT executives from the very best IT outlay enterprises in these 2 countries. The corporate has been awarded the Best Patents Portfolio inside the big Enterprises (Information and Technology and Services) class at the Confederation of Indian Trade (CII) Industrial Material Possession Awards 2020. TCS Connected Clinical Trials answer a neighbourhood of the TCS ADD platform won the 2020 Cite line Award inside the class 'Best Patient-facing Technology Initiative' for providing positive expertise to patients in clinical trials and driving potency.

➤ 2004

- Debuted at the National exchange (NSE) and concrete center exchange with associate initial public giving (IPO) that was termed the foremost necessary in the Republic of Bharat at the time, by a private sector company.
- Priced at Rs. 850 per share of Rs. 1 at par, the commerce was sold-out seven times and listed on the NSE at Rs 1199, making it the third costliest company in the Republic of Bharat then.

➤ 2005

- Launched the 'Experience Certainty' tagline.
- Won a deal valued at \$847 million (£486 Mn) to produce insurance back-office act technique services to the UK-based Pearl cluster.
- Acquired Sydney-based cash Network Services for roughly US\$ twenty-six million and Chilean business technique outsourcing company, Comicom, for \$23 million.
- Introduced a pair of new service lines, Remote Infrastructure Management and Business technique Outsourcing, marking the formal launch of our full services strategy.

➤ 2008

- Acquired Citigroup international Services Ltd (the erstwhile eServer Ltd), the back-office operations of Citigroup in the Republic of Bharat for \$505 Million.
- Reorganized ourselves into a predominantly verticalized, ancient structure composed of about several business solutions units, each with end-to-end responsibility for a bunch of shoppers among associate business vertical, and owning its profit & loss (P&L) account.
- Signed a Rs 10 Billion upset the govt. of India's Ministry of External Affairs, for the Passport Automation Project. Since then, we have opened and managed seventy-seven Passport Seva Kendra's across the Republic of Bharat.

FUNDAMENTAL ANALYSIS OF IT SECTOR

➤ 2009

- S Ramadorai, World Health Organization semiconductor TCS for 13 years, and had Brobdingnagian its revenues from \$140 Million to over \$6 Billion, stepped down from his govt position, making manner for N Chandrasekaran, then Chief operational Officer, to want over as a result of the chief operative officer & MD.

➤ 2010

- Became the second-largest player at intervals the GB life and pensions third party administration market once language megadeals with companies like Phoenix cluster, National Employment Savings Trust, and Friends Life.

➤ 2011

- Launched particle, an integrated cloud-based, pay-per-use platform for tiny and Medium Businesses in the Republic of Bharat.
- Formally used the term 'Digital' to clarify a contemporary crop of technologies that helped enterprises deliver a superior consumer experience; launched a full crop of recent services and solutions finance mobile, social, cloud, and large information analytics technologies.
- Became the first code firm to be assessed at CMM Level 5 enterprise-wide in code services and development.

➤ 2012

- Crossed \$10 Bn in revenue.

➤ 2013

- Acquired French IT services firm ALTI militia, one in every of the most effective doable five package implementers in France.

➤ 2014

- Launched a psychological feature automation product, ignio that uses its Brobdingnagian body of knowledge and discourse awareness to diagnose and autonomously fix problems that arise in refined enterprise IT environments, and endlessly manufacture a come-over time.
- Then-CEO, N Chandrasekaran coined the term 'Default is Digital' to clarify the presence of the new Digital technologies and together came up with the Digital Reimagination framework that used the Acquired Mitsubishi Corporation's IT arm in Japan.

FUNDAMENTAL ANALYSIS OF IT SECTOR

- Opened Saudi Arabia's initial all-women BPO center in the city, presently once that, ladies in TCS crossed 100,000.
- 2015
- Cloud Platforms (ion assessments, cash inclusion, HR, cash accounting, TAP, acquisition, and analytics) crossed the \$100 Mn revenue mark.
 - Articulated "There unit only heritage technologies, no heritage people". Digital reskilling of the personnel at scale victimization the Digital Learning Platform that mixes physical, virtual, and experiential learning anywhere, anytime, and on any device. Over 120,000 employees trained at intervals the initial year, resulting in 349,000 competencies learned.
- 2016
- Opened govt informing Centre in metropolis, India, then the Digital Reimagination Studio in town, CA.
- 2017
- Tata Sons appointed Chandra as a result of the Chairman of the Tata cluster. The TCS Board appointed then-CFO Rajesh Gopinathan as a result of the chief operating officer and director, N Ganapathy Subramanian as COO and government, and V Ramakrishnan as administrator. The transition was seamless, and future changes to the organization then the launch of recent Digital Transformation service practices – were progressive and technique.
 - Unveiled the Business four.0 thought leadership framework to help customers leverage digital technologies to plenty of their growth and transformation agendas throughout the fourth historic amount.
 - Instituted the foremost necessary ever purchase at intervals the history of the capital of Bharat markets, returning Rs sixteen,000 Cr (\$2.4 Bn) to shareholders.
- 2018
- Signed three Brobdingnagian, industry-defining digital transformation deals. at intervals the most important ever deal signed by TCS, it partnered with Transamerica to interchange their fragmented heritage core with a contemporary, cloud-based digital one on the TCS BaNCS Insurance platform.
 - The selection of a pair of deals, with M&S and M&G prudent at intervals the United Kingdom, will leverage digital technologies to rework their operational models to adapt to a Business four world.

FUNDAMENTAL ANALYSIS OF IT SECTOR

- Ranked among the most effective doable three costliest wholes at intervals the international IT services sector and named the fastest growing IT services complete in an associate assessment done by whole Finance. We tend to face live class-conscious as a result of the prime leader globally by the most effective doable leader Institute. and among the foremost effective Employers by Forbes.

4.2. WIPRO CO. LTD

4.2.1. Company History

Wipro Ltd., the flagship company of the Azim H Premji cluster was incorporated within the year 1945. The corporate started originally as a manufacturer of vegetable ghee/vanaspati, refined edible oils, etc., bit by bit the corporate has diversified into numerous alternative businesses.

Today Wipro restricted is that the initial PCMM Level five and SEI CMM Level five certified IT Services Company globally. Wipro provides comprehensive IT solutions and services, together with systems integration, data Systems outsourcing, package implementation, package application development and maintenance, and analysis and development services to firms globally.

In the Indian market, Wipro may be a leader in providing IT solutions and services for the company phase in the Republic of India giving system integration, network integration, package solutions, and IT services. Wipro additionally includes a profitable presence in niche market segments of client products and lighting. Within the Asia Pacific and also the Middle East markets, Wipro provides IT solutions and services for international firms.

Wipro's ADSs are listed on the big apple securities market, and its equity shares are listed in the Republic of India on the securities market – metropolis, and also the National securities market, among others.

Wipro is that the leading strategic IT partner for firms across the Republic of India, the center East, and Asia-Pacific – giving integrated IT solutions. They plan, deploy, sustain and maintain your IT lifecycle through their total outsourcing, consulting services, business solutions, and skilled services. Wipro InfoTech helps you drive momentum in your organization despite what domain you're in.

Backed by their sturdy quality processes and made expertise in managing international purchasers across numerous business verticals, they align IT methods to your business goals. In conjunction with their best-of-breed technology partners, Wipro InfoTech additionally helps you along with your hardware and IT infrastructure desires.

FUNDAMENTAL ANALYSIS OF IT SECTOR

The various accreditations that they need to be achieved for each service they provide mirror their commitment towards quality assurance. Wipro InfoTech was the primary international package company to realize Level five SEI-CMM, the world's initial IT Company to realize Six alphabetic characters, besides, because the world's initial company to realize Level five PCMM.

Their continued success in the death penalty comes may be a result of their demanding implementation of quality processes. Deploying quality frameworks to align along with your business can provide you with the good thing about a swish and clear transition whereas providing complete IT lifecycle management. Responsibility and perfection are a result of their adherence to those quality benchmarks and this has been their key discriminator whereas serving to drive the business momentum.

The company's expertise and experience are measured against globally recognized standards to make sure of their commitment to delivering competitive solutions to their customers. Wipro InfoTech epitomizes quality by maintaining high standards in commission offerings and products, in addition to internal processes and other people management. They believe in perpetually scaling quality standards by increasing our potency in all told areas on the far side of their basic IT offerings.

Different folks understand innovation in numerous ways that, at Wipro InfoTech, their innovative thinking helps them adopt newer business lines and offerings that supported your business expectations. They need to be tailored to the changes led to by technology and business and this has helped the North American nation improve client expertise through service delivery and method optimization.

In 2013, the corporate set to close up its hardware business organization as a result of it offers no competitive advantage. It might not build Wipro-branded desktops, laptops, and servers, together with the Super Genius line of PCs and web Power servers. It might currently look to strengthen its footprint as a system measuring instrument and increase its target IT services.

❖ Rs.10,000 to Rs.741 Crores

Let's simply assume that you just bought a hundred shares of Wipro every at a face worth of Rs.100 within the year 1980. Total investment: Rs.10,000. You don't bite it in any respect, no profit booking or shopping for additional shares. Often corporations give advantages to their shareholders by the method of company actions. They might give bonus shares for shares that you just hold, they might do a split wherever a high face worth share would be attenuated into smaller face worth shares however the number of shares will increase proportionately, etc.

FUNDAMENTAL ANALYSIS OF IT SECTOR

Wipro has done varied such bonuses and stock splits in its history of 1980-2017. Let's currently see the various company actions and the way the number of stocks would've full-grown.

YEAR	ACTION	NUMBER OF SHARES	FACE VALUE
1980	Initial Investment	100	Rs. 100
1981	1:1 Bonus	200	Rs. 100
1985	1:1 Bonus	400	Rs. 100
1986	Stock split to FV Rs.10	4,000	Rs. 10
1987	1:1 Bonus	8,000	Rs. 10
1989	1:1 Bonus	16,000	Rs. 10
1992	1:1 Bonus	32,000	Rs. 10
1995	1:1 Bonus	64,000	Rs. 10
1997	2:1 Bonus	1,92,000	Rs. 10
1999	Stock split to FV Rs.2	9,60,000	Rs. 2
2004	2:1 Bonus	28,80,000	Rs. 2
2005	1:1 Bonus	57,60,000	Rs. 2
2010	2:3 Bonus	96,00,000	Rs. 2
2017	1:1 Bonus	1,92,00,000	Rs. 2

Table No. 4.3.3. Wipro Investment Growth

FUNDAMENTAL ANALYSIS OF IT SECTOR

After the year 2017, there were no more bonuses or stock splits. But with just that initial investment of Rs.10,000 (100 shares) you now would end up with 1,92,00,000 shares of the company because of all the stock splits and bonus shares. The stock price of Wipro is about Rs.413.50 per share, as of 22 March, 2021.

$\text{Rs.}413.50 \times 1,92,00,000 = \text{Rs.}793$ crores. That is a CAGR (Compound Annual Growth Rate) of 41.42%. Does any of your bank FD give you a 41% annual interest rate? It was all possible because of the free shares that the company gave to its shareholders as an incentive for investing in their company.

❖ How about an additional yearly pay-out of Rs.1.92 crores?

If you thought that Rs.793 lakh crores out of a merger investment of Rs.10,000 were unbelievable, here comes another shocker. Every year the company announces dividends from its operating profits for its shareholders. As a shareholder, you would also get this benefit for how many stocks you hold.

For example, the last year 2018, the company announced Re.1 per share as dividends. So, you get back Rs.1.92 crores just for holding the shares. Until recently dividends were also not taxed. But now any aggregate dividend above Rs.10 lakhs is taxed at 10%.

For a comparison, just calculate your (or your dad's) current salary per annum and imagine getting a crore every year as additional income. How does this Rs.10000 investment compare to all the other money invested in other products like real estate or gold? No other investment would've given you such returns and dividends every year. If only my dad had the surplus money to invest in this.

❖ Investment in TCS During IPO Was Fruitful?

The initial public offer (IPO) opened on July 29, 2004, and closed on August 5, 2004. 55,452,600 equity shares of Rs 1 each were put on sale during the IPO. Besides, the green-shoe option offered 83 lakh shares.

TCS has come a long way since the stock was listed at a 27% premium to its issue price of Rs 850 on August 25, 2004. The stock has given 318% returns to the investors since its listing date fourteen years ago. In the last 10 years, however, the stock has delivered over 600% returns to its shareholders. We look at various key levels the stock scaled to hit a record Rs 6.80 lakh crore mark in market action today.

The initial public offer (IPO) opened on July 29, 2004, and closed on August 5, 2004. 55,452,600 equity shares of Rs 1 each (face value) were put on sale during the IPO. Also, the green-shoe option offered 83 lakh shares. A green-shoe option allows the underwriter the right to sell or purchase more shares than originally planned during the first 30 days' time window immediately after listing.

FUNDAMENTAL ANALYSIS OF IT SECTOR

Under this, the underwriter buys or sells equity shares from the market if the share price falls below the issue price or goes significantly above the issue price. The above option acts as a price stabilizing mechanism.

The price band of the share was Rs 775 -Rs 900 per share. The Rs 5,420-crore IPO was oversubscribed 10.3 times and over 13 lakh bids were received for the issue.

On listing, the market capitalization of the stock stood at Rs 47,232 crore. Since then, the stock has gained over Rs 6,79,332 crore in market cap- the highest among all Indian listed companies.

CHAPTER 5

FUNDAMENTAL ANALYSIS OF IT SECTOR

CHAPTER 5 – COMPARISON OF TCS & WIPRO

5.1. Fundamental Analysis of Wipro & TCS for corresponding year

BALANCE SHEET

	WIPRO		TCS	
	Mar'19	Mar'18	Mar,19	Mar'18
	Rs. Crores	Rs. Crores	Rs. Crores	Rs. Crores
EQUITIES & LIABILITIES				
SHAREHOLDERS'S FUNDS				
Equity Share Capital	1,206.80	904.80	Share Capital	375.00
Total Share Capital	1,206.80	904.80	Share Warrants & Outstanding's	
			Shareholder's Funds	78,898.00
Reserves & Surplus	48,185.20	41,357.80	Total Reserves	78,523.00
Total Reserves & Surplus	48,185.20	42,262.60	Long-Term Borrowings	0.00
Total Shareholders' Funds	49,392.00	42,262.60	Secured Loans	33.00
NON-CURRENT LIABILITIES			Unsecured Loans	0.00
Long Term Borrowings	22.00	72.40	Deferred Tax Assets/Liabilities	-1,758.00
Deferred Tax Liabilities (Net)	10.4	46.30	Other Long-Term Liabilities	1,252.00
Other Long-Term Liabilities	1,309.50	1,085.30	Long-Term Trade Payables	0.00
Long Term Provisions	119.6	168.80	Long-Term Provisions	82.00
Total Non-Current Liabilities	1,461.50	1,372.80	Total Non-Current Liabilities	-391.00

FUNDAMENTAL ANALYSIS OF IT SECTOR

CURRENT LIABILITIES			Current Liabilities		
			Trade Payables	7,692.00	4,775.00
Short Term Borrowings	5,052.20	4,647.70	Other Current Liabilities	7,097.00	6,309.00
Trade Payables	4,765.50	4,176.20	Short Term Borrowings	0.00	181.00
Other Current Liabilities	5,397.90	5419.00	Short Term Provisions	4,107.00	2,793.00
Short Term Provisions	929.00	793.00	Total Current Liabilities	18,896.00	14,058.00
Total Current Liabilities	16,144.60	15,035.90	Total Liabilities	97,403.00	88,005.00
Total Capital & Liabilities	66,998.10	58,671.30	ASSETS		
ASSETS			Non-Current Assets	0.00	0.00
NON-CURRENT ASSETS			Gross Block	21,954.00	20,396.00
Tangible Assets	3,874.20	3,802.60			
Intangible Assets	526.0	564.40	Less: Accumulated Depreciation	12,293.00	10,956.00
Capital Work-In-Progress	2,112.70	1,290.60	Less: Impairment of Assets	0.00	0.00
Other Assets	0.00	0.00	Net Block	9,661.00	9,440.00
Fixed Assets	6,513.70	5,657.60	Lease Adjustment A/C	0.00	0.00
Non-Current Investments	8,250.30	5,841.60	Capital Work in Progress	834.00	1,238.00
Deferred Tax Assets (Net)	391	452.00	Intangible Assets Under Development	0.00	0.00
Long Term Loans & Advances	0	0.00	Pre-operative Expenses pending	0.00	0.00
Other Non-Current Assets	4,002.70	3,752.80	Assets in transit	0.00	0.00
Total Non-Current Assets	19,267.70	15,704.00	Non-Current Investments	2,189.00	2,186.00
CURRENT ASSETS			Long Term Loans & Advances	4,535.00	6,032.00

FUNDAMENTAL ANALYSIS OF IT SECTOR

Current Investments	21,998.80	24,841.20	Other Non-Current Assets	1,152.00	887.00
Inventories	340.3	294.30	Total Non-Current Assets	18,371.00	19,783.00
Trade Receivables	10,648.60	9,502.00	Current Assets		
Cash & Cash Equivalents	10,390.20	2,322.00	Loans & Advances		
Short Term Loans & Advances	0.00	0.00	Current Investments	28,280.00	35,073.00
Other Current Assets	4,352.50	6,007.80	Inventories	10.00	25.00
Total Current Assets	47,730.40	42,967.30	Sundry Debtors	24,029.00	18,882.00
Total Assets	66,998.10	58,671.30	Cash & Bank	8,900.00	3,487.00
OTHER ADDITIONAL INFORMATION			Other current Assets	10,484.00	7,673.00
CONTINGENT LIABILITIES, COMMITMENTS			Short Term Loans & Advances	7,329.00	3,082.00
Contingent Liabilities	2,618.90	10,123.10	Total Current Assets	79,032.00	68,222.00
CIF VALUE OF IMPORTS			Net Current Assets (Including Current Investments)	60,136.00	54,164.00
Raw Materials	0.00	0.00			
Stores, Spares & Loose Tools	0.00	0.00	Total Current assets Excluding Current Investments	50,752.00	33,149.00
Trade/ Other Goods	0.00	0.00	Miscellaneous Expenses not written off	0.00	0.00
Capital Goods	0.00	0.00	Total Assets	97,403.00	88,005.00
EXPENDITURE IN FOREIGN CURRENCY			Contingent Liabilities	6,505.00	7,595.00
Expenditure in Foreign Currency	23,036.20	20,783.10	Total Assets	97,403.00	88,005.00
REMITTANCES IN FOREIGN CURRENCY			Contingent Liabilities	6,505.00	7,595.00
			Total Debt	39.00	225.00

FUNDAMENTAL ANALYSIS OF IT SECTOR

Dividend Remittance in Foreign Currency			Book Value (in Rs.)	209.41	0.00
EARNINGS IN FOREIGN EXCHANGE			Adjusted Book Value (in Rs.)	209.71	0.00
FOB Value of Goods					
Other Earnings	44,458.40	39,180.70			
BONUS DETAILS					
Bonus Equity Share Capital	1,205.19	903.50			
NON-CURRENT INVESTMENTS					
Non-Current Investments Quoted Market Value					
Non-Current Investments Unquoted Book Value	8,250.30	5,841.60			
CURRENT INVESTMENTS					
Current Investments Quoted Market Value	14,201.80	15,289.10			
Current Investments Unquoted Book Value	7,797.00	9,552.10			

Table No. 5.1. Balance Sheet

5.1.1. Comments on the Financial statement of Wipro company

The financial statement of the company has a strong impact upon the mind of investors and these financial statements also determine whether the company will be getting enough funds to run the company or they will be short of funds due to which there may be a stoppage of some activities which can lead to an overall loss for the company. The company needs to prepare these statements every year and file them with the registrar of companies and other authorities and even showcase to the shareholders who are the real owner of companies, these statements play a major role among the mind of the investor and this helps them to make a wise decision regarding investing their money in the company for short term or medium term or long-term perspective. These companies have to mandatorily comply with the schedule 3 balance sheet of companies act 2013 and for the method of the depreciation schedule, 2 is followed as given by companies act 2013.

FUNDAMENTAL ANALYSIS OF IT SECTOR

The financial statement not only includes the balance sheet but also includes the income statement and cash flow statements. The income statement is a statement where all the expenses and revenue are recorded and this statement helps the investors and shareholders to get an idea about how the company manages its expenses and how it arises incomes from the services provided by them. The income statements when compared between two years or more may even indicate a trend where it may show whether a company has a consistent revenue from a particular source and how long the company will be able to receive the same kind of revenue, even this statement indicates whether the expenses made in one following year is not excess then the previous year and if it is then clarification is needed for the same by the company and this helps the investors and shareholder to wisely think about the funds as these factors also determine the future growth and increase of profits.

The income statement starts with the heading revenues and it ends with the profits earned by the company along with the reserves to be created by the company and even the statutory reserves as applicable for the company which is to be transferred mandatorily by the company for that year and even carry forward the balance for coming years. After the completion of the income statement, the company must prepare the cash flow statements as per AS 3 and comply with the requirements. The cash flow statements comply with the activities where the company has to bifurcate among three main heads means the operating activities, investing activities, and financial activities. The operating activities mainly give various descriptions about the core activities under which the company performs the primary functions. There are certain tax provisions for which the arrangements are to be made below the operating activities. After that, there are activities of investing under which the company invests for the assets or there is purchase and sell of investments for which cash is generated, and that effect is shown here as the cash is involved. There comes the last activity which is termed as financial activities and under this activity where all the transaction where cash is involved for the sale and purchase of shares, securities, bonds, etc are recorded here, and along with the interest received for the investment is to be recorded under this activity.

❖ Comparison of Financial Statements of WIPRO for year 17-18 and 18-19

The share capital of the company was Rs 905 crores for 17-18 which rose to Rs 1207 crores for 18-19 and the reason behind the increments can be an increase in the number of shares as allowed where a company may give bonus shares to employees to generate additional capital and this indicates the company and this is not a piece of positive news as the issue of new shares will reduce the wealth of the actual investors.

The total reserves are the indicating trend where the company is earning good profits and these profits are then transferred to the reserves which shows an increasing trend. It may be due to an increase in capital reserve or may be due to revenue reserves. The capital reserves are the reserves which the company gets over some time

FUNDAMENTAL ANALYSIS OF IT SECTOR

and which cannot be utilized for the issue of bonus shares and the next concept is the revenue reserve is created from operating activities.

The shareholder funds are increased from selling the share of stock and raising the revenue of the company and along with that, the operating expenses are to be reduced to give a net effect for the same.

As a company is having such huge reserves, it can be even noticed that the company will be debt-free and as indicated in the balance sheet in the current as well as previous year the company has not borrowed a loan and these loans cannot be stated under long term liabilities.

There are two concepts regarding deferred tax assets and deferred tax liabilities as stated by AS 22. Under AS 22, deferred tax means a company has a liability of tax for the future but it has paid for the current year and will get a set off for the same in subsequent years. Deferred tax liabilities mean the company has to pay tax for the current year but it is created for the future. This company had Rs (72.40) crores for year 17-18 and now it has a deferred tax asset at Rs (22) crores for year 18-19.

There are certainly other long-term liabilities which were Rs 1085 crores as of this date and it was 1309 crores for the previous year which shows the company has been borrowing money for a short term.

The company doesn't have any long-term trade payables for any of the years and this shows the company is no longer liable.

There are certain long-term provisions for the company which was nearly 169 crores for years 17-18 and now it is 120 crores. These long-term provisions are those provisions that are for more than a year.

There are certain details about the assets of the company as disclosed in the balance sheet of the company and being the company since the 1970s with excellent growth and providing excellent opportunities to the investors and make a good number of profits.

5.1.2. Comments on the Financial statement of TCS company

The financial statement of the company has a strong impact upon the mind of investors and these financial statements also determine whether the company will be getting enough funds to run the company or they will be short of funds due to which there may be a stoppage of some activities which can lead to an overall loss for the company. The company needs to prepare these statements every year and file them with the registrar of companies and other authorities and even showcase to the shareholders who are the real owner of companies, these statements play a major role among the mind of the investor and this helps them to make a wise decision regarding investing their money in the company for short term or medium term or long-term perspective. These companies have to mandatorily comply with the schedule 3 balance sheet of companies act 2013 and for the method of the depreciation schedule, 2 is followed as given by companies act 2013.

FUNDAMENTAL ANALYSIS OF IT SECTOR

The financial statement not only includes the balance sheet but also includes the income statement and cash flow statements. The income statement is a statement where all the expenses and revenue are recorded and this statement helps the investors and shareholders to get an idea about how the company manages its expenses and how it arises incomes from the services provided by them. The income statements when compared between two years or more may even indicate a trend where it may show whether a company has a consistent revenue from a particular source and how long the company will be able to receive the same kind of revenue, even this statement indicates whether the expenses made in one following year is not excess then the previous year and if it is then clarification is needed for the same by the company and this helps the investors and shareholder to wisely think about the funds as these factors also determine the future growth and increase of profits.

The income statement starts with the heading revenues and it ends with the profits earned by the company along with the reserves to be created by the company and even the statutory reserves as applicable for the company which is to be transferred mandatorily by the company for that year and even carry forward the balance for coming years. After the completion of the income statement, the company must prepare the cash flow statements as per AS 3 and comply with the requirements. The cash flow statements comply with the activities where the company has to bifurcate among three main heads means the operating activities, investing activities, and financial activities. The operating activities mainly give various descriptions about the core activities under which the company performs the primary functions. There are certain tax provisions for which the arrangements are to be made below the operating activities. After that, there are activities of investing under which the company invests for the assets or there is purchase and sell of investments for which cash is generated, and that effect is shown here as the cash is involved. There comes the last activity which is termed as financial activities and under this activity where all the transaction where cash is involved for the sale and purchase of shares, securities, bonds, etc are recorded here, and along with the interest received for the investment is to be recorded under this activity.

❖ Comparison of Financial Statements of TCS between FY 17-18 & FY 18-19

The share capital of the company was Rs 75,866 crores for 17-18 which rose to Rs 78,898 crores for 18-19 and the reason behind the increments can be an increase in the number of shares as allowed where a company may give bonus shares to employees to generate additional capital and this indicates the company and this is not a piece of positive news as the issue of new shares will reduce the wealth of the actual investors.

The total reserves are the indicating trend where the company is earning good profits and these profits are then transferred to the reserves which shows an increasing trend. It may be due to an increase in capital reserve or may be due to revenue reserves. The capital reserves are the reserves which the company gets over some time

FUNDAMENTAL ANALYSIS OF IT SECTOR

and which cannot be utilized for the issue of bonus shares and the next concept is the revenue reserve is created from operating activities.

The shareholder funds are increased from selling the share of stock and raising the revenue of the company and along with that, the operating expenses are to be reduced to give a net effect for the same.

As a company is having such huge reserves, it can be even noticed that the company will be debt-free and as indicated in the balance sheet in the current as well as previous year the company has not borrowed a loan and these loans cannot be stated under long term liabilities.

The secured loans are the loans for which any assets are pledged for short-term purposes and these loans are usually used to meet working capital requirements and as indicated the secured loans are reduced for both years. Thus, a company figure indicates it is constantly working for reducing the loans of the company.

There are two concepts regarding deferred tax assets and deferred tax liabilities as stated by AS 22. Under AS 22, deferred tax means a company has a liability of tax for the future but it has paid for the current year and will get a set off for the same in subsequent years. Deferred tax liabilities mean the company has to pay tax for the current year but it is created for the future. This company had Rs (2,627) crores for year 17-18 and now it has a deferred tax asset at Rs (1758) crores for year 18-19.

There are certainly other long-term liabilities which were crores as of this date and it was 581 crores for the previous year which shows the company has been borrowing money for a short term.

The company doesn't have any long-term trade payables for any of the years and this shows the company is no longer liable.

There are certain long-term provisions for the company which was nearly 88 crores for years 17-18 and now it is 82 crores. These long-term provisions are those provisions that are for more than a year.

The trade payables are regarded as the current creditors which are under the headings of current liabilities which means the payment for the same has to be made within 12 months. The company is witnessing a credit purchase over some time due to which there is a drastic change in the figures which was 4775 crores and now during 18-19 it rosed up to 7692 crores.

The other current liabilities are those items that are not much necessary for the investor as these are the miscellaneous amount that is added at one place indicating a liability that is to be paid in one year. The liability has also been increased with an increasing trend.

The total liabilities have been increased which may create an adverse effect on the company for a particular financial year.

FUNDAMENTAL ANALYSIS OF IT SECTOR

The study of the balance sheet is incomplete without the study of the Assets of the company.

The assets are the core of the company which is much important for any company to satisfy the going concern concept. Under the concept of assets, there exists a first concept which shows the non-current assets which mean which are tangible, and these assets are reduced by an amount called depreciation mainly at the end of the financial year for the wear and tear of assets and this is said to be a non-cash expenditure. Further, certain losses are said to be impairment losses basically for the non-current assets. The company is not facing any type of these losses which is a positive for the company. The non-current assets are recorded at the gross value and then depreciation is to be deducted from the same, later these assets are to be recorded as netblocks where depreciation needs to be calculated as per schedule 2 of companies act 2013.

There is a capital WIP for the company which has been reduced as compared to the previous year which indicates that the company has completed some portion of the asset which is capitalized in books of accounts. There are no significant changes under non-current investments where only some investments are liquidated.

Long term loans and advances

The long-term loan and advances mean the advances which are the assets of the company for more than one year, the company had about 6032 crores and now it has reduced to about 4535 crores.

There are some other non-current assets and these assets are increased in value from 887 crores to 1152 crores and the total of non-current assets has been reduced to 18371 crores.

The next line item is the current assets and the three main items under current assets are inventories, debtors, and cash and cash equivalents. All the line items are to be valued properly and this forms a major part of current assets. The value of current assets has been increased from Rs 68,222 crores to 79,302 crores.

There also has been an increase in the assets which shows the position of the company has been growing continuously in the market. There is even a contingent liability which means the liability which has an unforeseen future that may or may not be payable in near future depending upon the circumstances of the future. This liability has been decreased as compared to the previous year which indicates that the company has recovered or paid a certain amount of money.

The book value per share has been decreased which indicates this is an overvalued company and which needs to be adjusted accordingly and the total debt is also reduced which indicates that the company is witnessing faster collection from the creditors.

Thus, all the above information indicates that TCS is a strong and very aggressive growing company with great future and market prospects.

FUNDAMENTAL ANALYSIS OF IT SECTOR

5.2. Ratio Analysis of Wipro & TCS for corresponding year

RATIOS

WIPRO			TCS		
Parameter	Mar'19	Mar'18	Parameter	Mar'19	Mar'18
OPERATIONAL & FINANCIAL RATIOS			OPERATIONAL & FINANCIAL RATIOS		
Earnings Per Share (Rs.)	12.62	17.07	Earnings Per Share (Rs.)	80.17	121.15
DPS (Rs.)	1	1	DPS (Rs.)	30	50
Book NAV/ Share (Rs.)	81.42	93.03	Book NAV/ Share (Rs.)	209.71	397.30
MARGIN RATIOS			MARGIN RATIOS		
Operating Costs to Assets	0	0	Operating Costs to Assets	0	0
Yield on Investments	0	0	Yield on Investments	0	0
Cost of Liabilities	0	0	Cost of Liabilities	0	0
NIM	0	0	NIM	0	0
Interest Spread	0	0	Interest Spread	0	0
PERFORMANCE RATIOS			PERFORMANCE RATIOS		
ROA (%)	32.43	28.79	ROA (%)	12.2	12.75
ROE (%)	38.91	32.92	ROE (%)	16.69	17.47
ROCE (%)	52.81	41.55	ROCE (%)	20.27	20.61
EFFICIENCY RATIOS			EFFICIENCY RATIOS		
Cost Income Ratio	0	0	Cost Income Ratio	0	0
Core Cost Income Ratio	0	0	Core Cost Income Ratio	0	0
Operating Costs to Assets	0	0	Operating Costs to Assets	0	0
CAPITALISATION RATIOS			CAPITALISATION RATIOS		
Tier 1 ratio	0	0	Tier 1 ratio	0	0
Tier 2 ratio	0	0	Tier 2 ratio	0	0

FUNDAMENTAL ANALYSIS OF IT SECTOR

CAR	0	0	CAR	0	0
VALUATION PARAMETERS			VALUATION PARAMETERS		
PER(x)	20.19	12.37	PER(x)	24.95	10.78
PCE(x)	17.98	14.57	PCE(x)	23.6	20.24
Price/ Book (x)	3.13	3.03	Price/ Book (x)	9.54	7.17
Yield (%)	0.39	0.36	Yield (%)	1.5	1.75
EV/ Net Sales (x)	3.08	2.93	EV/ Net Sales (x)	6.02	5.56
EV/ Core EBITDA (x)	13.1	11.44	EV/ Core EBITDA (x)	17.4	16.1
EV/ EBIT (x)	14.28	12.56	EV/ EBIT (x)	18.14	16.93
EV/ CE (x)	2.23	2.25	EV/ CE (x)	7.61	6.15
M Cap/ Sales	3.19	2.85	M Cap/ Sales	6.09	5.59
GROWTH RATIO			GROWTH RATIO		
Core Operating Income Growth	36.59	-17.88	Core Operating Income Growth	466.67	87.5
Operating Profit Growth	-0.91	-6.31	Operating Profit Growth	26.73	6.16
Net Profit Growth	-1.41	-5.38	Net Profit Growth	19.11	6.71
BVPS Growth	-12.47	-51.22	BVPS Growth	-47.22	1.01
Advances Growth	0	0	Advances Growth	0	0
EPS Growth (%)	-26.08	-49.16	EPS Growth (%)	-39.33	10.07
LIQUIDTY RATIO			LIQUIDTY RATIO		
Loans/ Deposits (x)	0	0	Loans/ Deposits (x)	0	0
Total Debt/ Equity (x)	0	0	Total Debt/ Equity (x)	0	0
Current Ratio (x)	0	0	Current Ratio (x)	0	0
Quick ratio (x)	0	0	Quick ratio (x)	0	0
Total Debt/ M Cap (x)	0	0	Total Debt/ M Cap (x)	0	0
Net NPA in Rs. Million	0	0	Net NPA in Rs. Million	0	0

Table No. 5.2. Ratio Analysis

FUNDAMENTAL ANALYSIS OF IT SECTOR

5.2.1. Ratio analysis of the companies

1. Understanding of ratios of the companies and analysis of ratios:

The ratios play a very important role mainly for the investors and the shareholders where they get to know about the financial position of the company and these ratios are helpful for comparison on year-to-year basis and this further helps to take various decisions whether to invest in the company or not. Ratio analysis can mark how the company is performing and even the prospects. In general, there are four basic varieties of measures adopted in ratio analysis: profitability, liquidity, solvency, and valuation.

There are most important ratios under which it becomes necessary to understand the same:

- a. Working Capital Ratio.
- b. Quick Ratio.
- c. Earnings per Share (EPS)
- d. Price-Earnings (P/E) Ratio.
- e. Debt-Equity Ratio.
- f. Return on Equity (ROE)

The list above is just an exhaustive list as various other ratios are also helpful for the analyst to give a judgment for the company.

2. Profitability Ratios

Profitability is a fundamental feature to analyze when considering an investment in a company. This is because high revenues alone don't necessarily translate into high earnings or high dividends. In general, profitability analysis seeks to analyze business productivity from multiple angles using a few different scenarios. Profitability ratios help provide insight into how much profit a company generates and how that profit relates to other important information about the company. These are used to assess a business's ability to generate earnings relative to its revenue, operating costs, balance sheet assets, and shareholders' equity over time, using data from a specific point in time.

Some key profitability ratios include:

- a. Gross margin (and adjusted gross margin)
- b. Operating margin
- c. Net profit margin
- d. EBITDA margin
- e. Operating cash flow margin
- f. Return on assets (ROA)

FUNDAMENTAL ANALYSIS OF IT SECTOR

- g. Return on equity (ROE)
- h. Return on invested capital (ROIC)
- i. Return on investment (ROI)

One of the leading ratios used by investors for a quick check of profitability is the net profit margin.

This ratio compares a company's net income to its revenue. In general, the higher a company's profit margin, the better. A net profit margin of 1 means a company is converting all of its revenue to net income. Profit margin levels vary across industries and periods as this ratio can be affected by several factors. Thus, it is also helpful to look at a company's net profit margin versus the industry and the company's historical average.

With net profit margin, there can be a few red flags you should watch out for, especially if the company sees decreasing profit margins year-over-year. Oftentimes, this suggests changing market conditions, increasing competition, or rising costs.

If a company has a very low-profit margin, it may need to focus on decreasing expenses through wide-scale strategic initiatives. A high-profit margin relative to the industry may indicate a significant advantage in economies of scale, or potentially some accounting schemes that may not be sustainable for the long term.

3. Liquidity Ratios

Liquidity measures how quickly a company can repay its debts. This also shows how well company assets cover expenses. Liquidity ratios give investors an idea of a company's operational efficiency. They also show how quickly and easily a company is in generating cash to purchase additional assets or to repay creditors quickly, either in an emergency or in the course of normal business.

Some of the key liquidity ratios include:

- a. Current ratio
- b. Quick ratio
- c. Cash ratio
- d. Cash conversion cycle (CCC)
- e. Operating cash flow ratio
- f. Receivable's turnover
- g. Inventory turnover
- h. Working capital turnover

The current and quick ratios are great ways to assess the liquidity of a firm. Both ratios are very similar. The current ratio is calculated by dividing current assets by current liabilities. Since current assets and current liabilities represent activity in the upcoming 12 months, this ratio can provide insight into the firm's short-

FUNDAMENTAL ANALYSIS OF IT SECTOR

term liquidity. A higher current asset ratio is favourable as it represents the number of times current assets can cover current liabilities.

4. Solvency Ratios

Solvency ratios, also known as leverage ratios, are used by investors to get a picture of how well a company can deal with its long favourable -term financial obligations. As you might expect, a company weighed down with debt is probably a less investment than one with a minimal amount of debt on its books.

Some of the most popular solvency ratios include:

- a. Debt to total assets
- b. Debt to equity
- c. Time interest earned
- d. Interest coverage ratio
- e. Net income to liabilities
- f. Times' interest earned

Debt to assets and equity debt are two top ratios often used for a quick check of a company's debt levels. Both reviews how debt stacks up against other categories on the balance sheet.

As a general rule, a number closer to zero is generally better because it means that a company carries less debt compared to its total assets. The more solvent the assets, the better. Remember, lenders typically have the first claim on a company's assets when required to liquidate; therefore, a lower debt/assets ratio typically indicates less risk.

When using this ratio to analyze a company, it can help to look at both the company growth phase and the industry as a whole. It's not unrealistic for a younger company to have a debt to total assets ratio closer to one (with more of its assets financed by debt) as it hasn't had a chance to eliminate its debt.

5. Valuation Ratios

Valuation ratios are some of the most commonly quoted and easily used ratios for analyzing the attractiveness of an investment in a company. These measures primarily integrate a company's publicly traded stock price to give investors an understanding of how inexpensive or expensive the company is in the market. In general, the lower the ratio level, the more attractive an investment in a company becomes. Often, analysts will take the reciprocal of a valuation ratio, or it's multiple, as a measure of relative value.

Popular valuation multiples include:

- a. Price-to-earnings (P/E)

FUNDAMENTAL ANALYSIS OF IT SECTOR

- b. Price-to-book (P/B)
- c. Price-to-sales (P/S)
- d. Price-to-cash-flow (P/CF)

Some of the important ratios as mentioned are

a. Working capital ratio

The ratio can be arrived at when we divide the total current assets of the company with the total liabilities of the company. This ratio can also be called as current ratio and this is basically at 2:1. It is a type of liquidity ratio.

b. Quick ratio

This ratio can be also called the acid test ratio. This ratio can be derived when we divide the current assets with current liabilities but here the current assets exclude stocks and prepaid expenses while the current liability excludes bank overdraft.

c. Earnings per share (EPS)

The ratio can be determined when we divide the net profit with the no. of equity shares. Here, the preference shares and the interest if any are to be excluded while deriving EPS. This is the amount of profit that each shareholder owns in the company.

d. Price earnings ratio (P/E)

The price-to-earnings ratio (P/E ratio) is the ratio for evaluating a company that holds its current share price related to its per-share earnings (EPS). The price-to-earnings ratio is additionally sometimes known as the price multiple or the earnings multiple.

P/E ratios are used by investors and examiners to ascertain the comparative value of a company's shares in comparison. It can also be used to distinguish a company versus its historical record or to examine aggregate markets corresponding to one another or over time.

e. Debt-equity ratio

It indicates the proportion of funds belonging to the outsiders with that of the shareholders. The standard ratio is 2:1 which indicates that for every 1 additional rupee of funds raised from shareholders the company raised 2 rupees from outsiders. It is a measure of financial risk. The higher the debt-equity ratio, the higher is the financial risk which indicates excessive borrowings and unsatisfactory long-term solvency position.

f. Return on Equity (ROE)

FUNDAMENTAL ANALYSIS OF IT SECTOR

This ratio is derived when the earning after-tax is subtracted by preference dividend including DDT and it is divided by the equity shareholders' funds. This ratio indicates how much return the equity shareholders have earned during the year on share capital. It is expressed in terms of %.

Thus, with some explanation of ratios, many ratios can be known before investing in the company.

6. Technical analysis of the company

Technical analysis plays a very important role in the stock market where the traders or investors invest in the secondary markets by using various types of data and technical charts which help them to get a clear understanding of the trends of the price of a particular stock which helps them to get more profits.

Technical Analysis (also abbreviated as TA) is a popular technique that allows you to do just that. It not only helps you develop a point of view on a particular stock or index but also helps you define the trade keeping in mind the entry, exit, and risk perspective.

Like all research techniques, Technical Analysis also comes with its attributes, some of which can be highly complex. However, technology makes it easy to understand.

Imagine you are vacationing in a foreign country where everything including the language, culture, climate, and food is new to you. On day 1, you do the regular touristy activities, and by evening you are very hungry. You want to end your day by having a great dinner. You ask around for a good restaurant and you are told about a nice food street which is close by. You decide to give it a try.

To your surprise, many vendors are selling different varieties of food. Everything looks different and interesting. You are clueless as to what to eat for dinner. To add to your dilemma, you cannot ask around as you do not know the local language. So, given all this, do you decide on what to eat?

Well, you have two options to figure out what to eat.

Option 1: You visit a vendor, figure out what they are cooking/selling. Check on the ingredients used, cooking style, probably taste a bit, and figure out if you like the food. You repeat this exercise across a few vendors, after which you would most likely end up eating at a place that satisfies you the most.

The advantage of this technique is that you know exactly what you are eating since you have researched about it on your own. However, on the flip side, the methodology you adopted is not scalable as there could be about 100 odd vendors, and with limited time at your disposal, you can probably cover about 4 or 5 vendors. Hence there is a high probability that you could have missed the best-tasting food on the street.

Option 2: You just stand in a corner and observe all the vendors. You try and find a vendor who is attracting the maximum crowd. Once you find such a vendor you make a simple assumption

FUNDAMENTAL ANALYSIS OF IT SECTOR

"The vendor is attracting so many customers which means he must be making the best food!"

Based on your assumption and the crowd's preference you decide to go to that particular vendor for your dinner. Chances are that you could be eating the best-tasting food available on the street.

The advantage of this method is scalability. You just need to spot the vendor with a maximum of several customers and bet on the fact that the food is good based on the crowd's preference.

However, on the flip side, the crowd need not always be right.

If you could recognize, option 1 is very similar to Fundamental Analysis where you research a few companies thoroughly.

Option 2 is very similar to Technical Analysis where one scans for opportunities based on the current trend aka the preference of the market.

Technical Analysis is a research technique to identify trading opportunities in the market based on the actions of market participants. The actions of market participants can be visualized utilizing a stock chart. Over time, patterns are formed within these charts and each pattern conveys a certain message. The job of a technical analyst is to identify these patterns and develop a point of view.

Like any research technique, technical analysis stands on a bunch of assumptions. As a practitioner of technical analysis, you need to trade the markets keeping these assumptions in perspective. Of course, we will understand these assumptions in detail as we proceed along. Also, at this point, it makes sense to throw some light on a matter concerning fundamental and technical analysis. Often people get into the argument contending a particular research technique is a better approach to the market. However, in reality, there is no such thing as the best research approach. Every research method has its own merits and demerits. It would be futile to spend time comparing Technical analysis and Fundamental analysis to figure out which is a better approach.

Both the techniques are different and not comparable. A prudent trader would spend time educating himself on both the techniques so that he can identify great trading or investing opportunities.

5.3.

COMPETITORS OF TCS AND WIPRO

1. Persistent Systems

Persistent Systems is a global solutions company delivering digital business acceleration and enterprise modernization. It operates through three segments: Technology Services, Alliance, and Accelerite (Products).

FUNDAMENTAL ANALYSIS OF IT SECTOR

Persistent's service line includes digital business strategy, CX innovation and optimization, digital product engineering, data-driven business and intelligence, and identity, access, and privacy. The company serves the banking, financial services, insurance, healthcare and life sciences, industrial, and software and technology industries.

2. StarTek

StarTek is a company that provides tech-enabled business process management solutions. It offers enterprises a suite of solutions enabling them to manage customer experience and covering sales, order management and provisioning, customer care, technical support, receivables management, and retention processes. In addition, the company provides a range of multi-channel customer interaction capabilities including voice, chat, email, IVR, and back-office support.

3. Infosys

Infosys is a company that provides consulting, technology, and outsourcing services. It offers a range of IT services, including application development and maintenance, independent validation, infrastructure management, business process management, and more. The company focuses on aerospace, defence, automotive, education, financial, healthcare, retail, and other industries.

4. Cognizant

Cognizant Technology Solutions is a company that provides information technology, consulting, and business process outsourcing services. It operates through four segments: Financial Services; Healthcare; Products and Resources; as well as Communications, Media, and Technology. Cognizant offers digital services and solutions, consulting, application development, systems integration, application testing, application maintenance, infrastructure services, and business process services. The company also develops, licenses, implements, and supports proprietary and third-party software products and platforms.

5. Mindtree

Mindtree delivers digital transformation and technology services from ideation to execution, enabling Global 2000 clients to outperform the competition. "Born digital." Mindtree takes an agile, collaborative approach to creating customized solutions across the digital value chain. Our deep expertise in infrastructure and applications management turns IT into a strategic asset. Whether you need to run your business more efficiently or accelerate revenue growth, Mindtree can get you there.

CHAPTER 6

CHAPTER 6 – FINDINGS

Pie 1

Which age group do you belong to?

151 responses

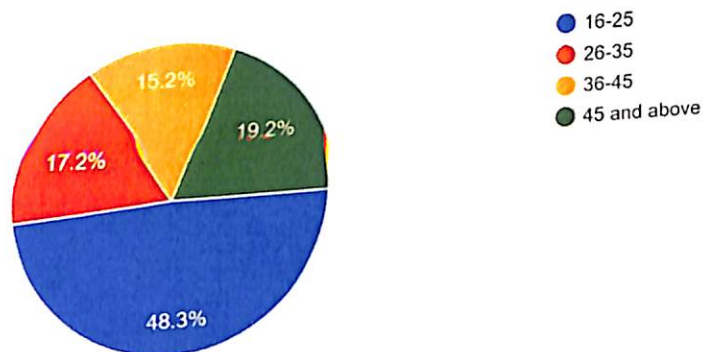


Fig. No. 6.1. Age

In the above pie chart, it is visible that the youth are more interested in the stock market whereas elderly people basically above 45 have less interest comparatively. We can notice that the age group from 16-25 i.e., mainly after adolescence and before reaching the age of maturity, the youth are engaged in value investing where they are even thinking of secondary alternatives of income which is a positive sign.

Pie 2

Do you prefer to invest in IT companies?

151 responses

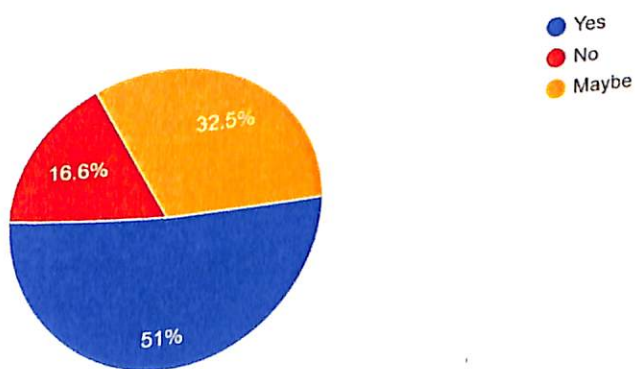


Fig. No. 6.2. Prefer to Invest in IT companies

FUNDAMENTAL ANALYSIS OF IT SECTOR

It is good to see that more % of ppl are preferring to invest in IT companies. As they find that IT companies can be the future of the CMG Techworld. People are more enthusiastic about trading and investing which gives them an additional income. Furthermore, IT companies are having great potential to get a bullish trend after the end of a pandemic which will boost the confidence of investors.

Pie 3

Which IT company is known as the leader of the market?
151 responses

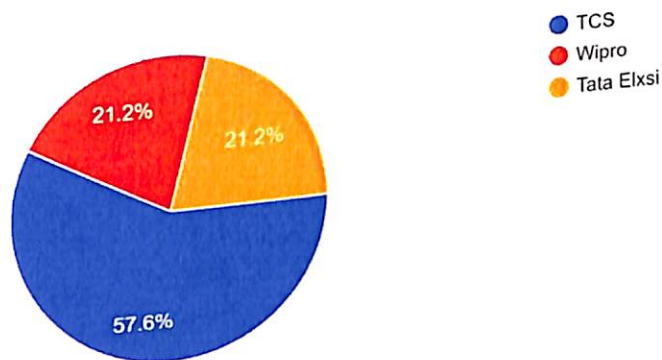


Fig. No. 6.3. Leader of the Market

As people are considering their second income from trading and investing, they are analyzing very carefully each n every investment as the market remains volatile which makes investor think for the leader which according to the survey is TCS and respondents are very well known with the company as they are more bullish for the market leader and the alternative options like WIPRO and TATA ELXSI are considered secondarily for investment point of view by investors.

FUNDAMENTAL ANALYSIS OF IT SECTOR

Fig 4

How are the valuations of IT companies?

151 responses

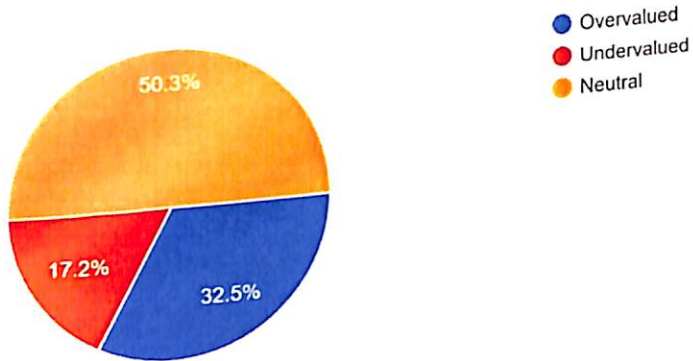


Fig. No. 6.4. Valuations of IT companies

IT companies are having a bullish trend post covid levels, according to given data respondents are having a safe bet where they are opting for a neutral option which means according to them these IT companies can even rise or have a fall in a short period. Furthermore, minority respondents feel like having it is overvalued and they are planning to short their position in near future. Just 10% of respondents are bullish on this sector and this creates a panic among the investors and day traders due to lack of confidence.

Fig 5

Which analysis do you do while investing in the stock market?

151 responses

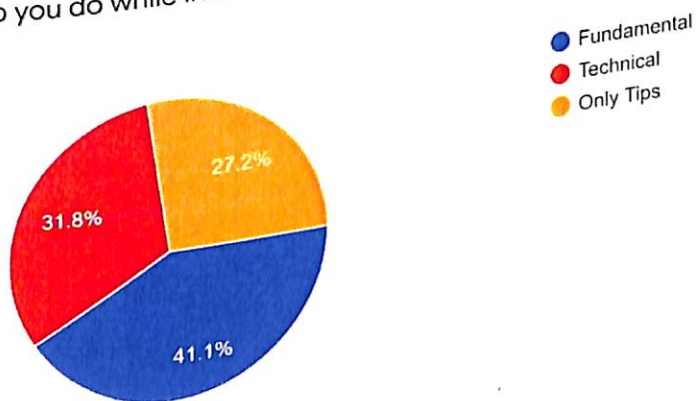


Fig. No. 6.5. Investment in Stock Market

The respondents while investing or trading rely on three methods i.e., Fundamental analysis, technical analysis, and tips from the expert. Fundamental means to study the books of accounts and understand the financials of

FUNDAMENTAL ANALYSIS OF IT SECTOR

companies and this method is mainly used by them whose main motive is value investing means to allocate the funds and forget the same for next 5-7 years. The technical analysis is used by those traders who are investing for day trades or swing trades. Some respondents just pour their money into the market by taking advice from market experts and may get good profit or may even face losses for their actions.

Pie 6

Have you heard about the Nifty IT Index?
151 responses

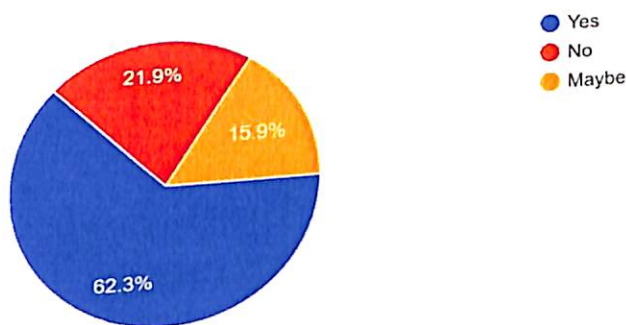


Fig. No. 6.6. Nifty IT Index

There are two indexes i.e., Sensex and Nifty50. Under this index, various stocks satisfy the criteria to get listed on the index. On similar lines, there are various other indexes, the Nifty IT index, Nifty SmallCap index, and different index options available to the respondents. Furthermore, nearly 71% of respondents are known to this type of index which indicates that the respondents are having better knowledge about the secondary market before they are investing money and this helps them to gain an edge over the other respondents who are not so well versed with the same concept.

FUNDAMENTAL ANALYSIS OF IT SECTOR

Pie 7

Do IT companies have a great future?

151 responses

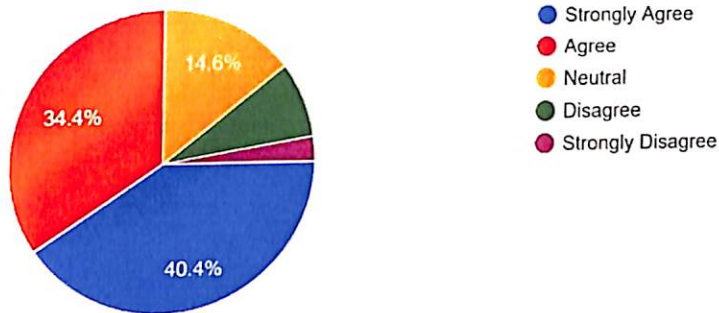


Fig. No. 6.7. IT companies future

IT companies have been at a higher trend and this statement is also backed by the respondents where nearly half of the sample size strongly agree with the same and they have robust confidence which helps the long-term investors to get a valuable return on their investment. Nearly 85% even agree with the growth of these companies and there are minority stakes that disagree as according to them this sector was already bullish in the last 4-5 months and now it may be in a consolidation mode or even bearish.

Pie 8

Which IT stock do you have in your portfolio currently?

151 responses

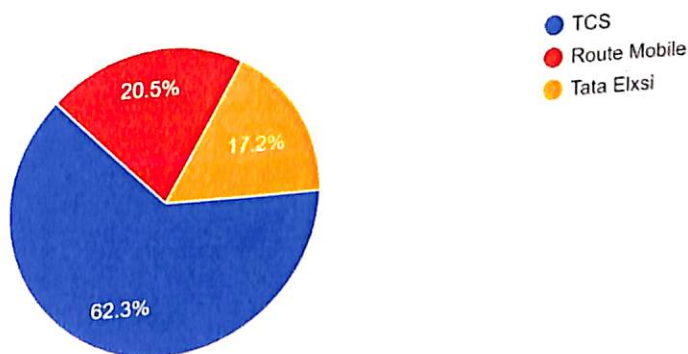


Fig. No. 6.8. IT stock in Portfolio

Even after studying the IT sector, there are specific IT companies that are selected by the respondents where they prefer to invest or it may be said as to where the respondents may feel to get good and quick returns in

FUNDAMENTAL ANALYSIS OF IT SECTOR

near future. TCS is considered as the market leader and as indicated by the pie chart TCS is selected by most of the respondents and it shows greater confidence among the respondents and even by some respondent's other peer companies like Wipro, HCL tech is also selected by them for some good profits.

Pie 9

How has your portfolio strength in the last five years?

151 responses

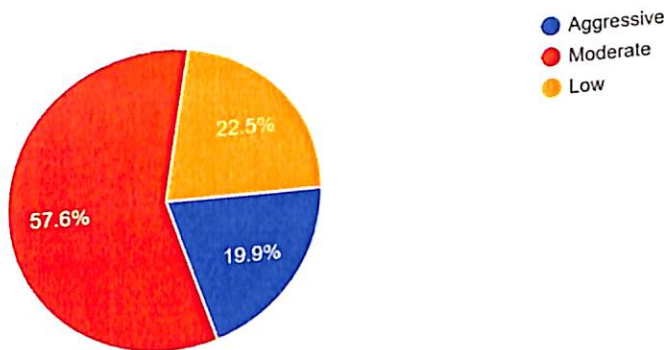


Fig. No. 6.9. Portfolio Strength

The strength of a portfolio mainly depends upon the way the investments are made by the respondents whether they follow fundamental or technical analysis and even the market trends. The strength depends upon the way the stocks are selected to be invested. Nearly 11% of respondents have an aggressive portfolio and nearly 15% have a low-level portfolio. The market trends play a major role in deciding the portfolio factor down the line in five years. The inevitable condition like pandemic may even destroy the wealth created.

FUNDAMENTAL ANALYSIS OF IT SECTOR

Pie 10

Was the IT sector affected by the COVID-19 pandemic?
151 responses

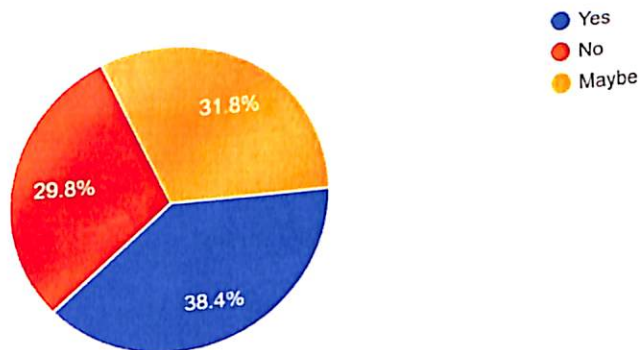


Fig. No. 6.10. Effects by COVID-19

The IT sector was no more differentiated from all the other sectors. With the outbreak of pandemic and situation losing entire control, the entire stock market witnessed a sharp fall where the indices were dragged down by nearly 10-15% and the investors and traders suffered a huge loss with the news of complete lockdown. The IT sector gave rise to a concept of work from home which enabled them to be less affected by the pandemic and with the reopening it gained a sharp surge throughout the sector. According to the report, nearly 37% agreed they were affected but this was for a very less period and since the situation was right back on track, things were under control and this sector gave excellent results and profits to their investors.

Pie 11

Do you compare stock return with Nifty IT and after that do you invest if the return is?
151 responses

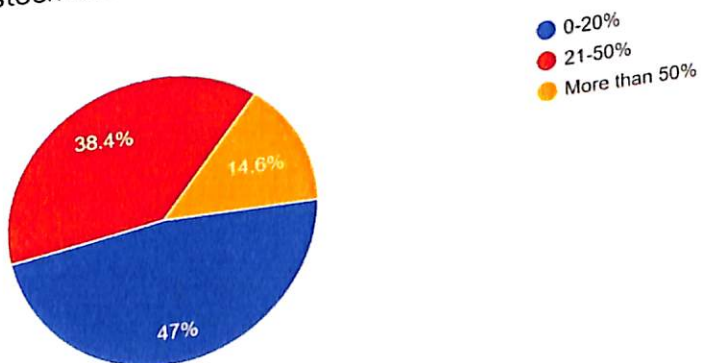


Fig. No. 6.11. Comparison of stock with Nifty IT

FUNDAMENTAL ANALYSIS OF IT SECTOR

NiftyIT index accommodates mainly the IT sector where the IT stocks momentum is reflected under the index itself which helps the analysts to indicate whether it shows a bullish trend or bearish trend. The particular stock if selected should be able to give more than the returns which the NiftyIT index has given. Nearly 50% of the sample size claims that they have returned in the range of 0-20% and other respondents are those who earn more than 50% which indicates they are aggressive traders or investors who are continuously monitoring the situation and looking for various opportunities.

Pie 12

Does Technical Analysis give more clarify before investing?

151 responses

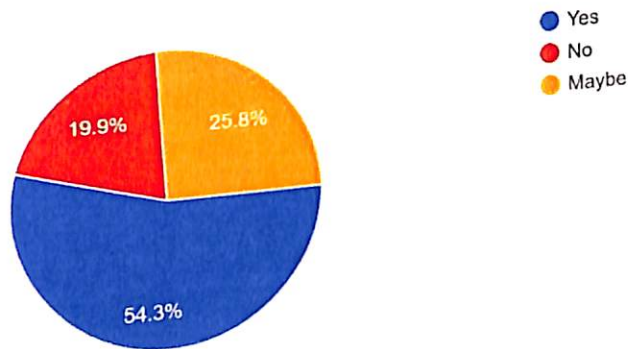


Fig. No. 6.12. Technical Analysis

Technical analysis as explained is for those traders who are usually the intraday traders or swing traders who play within short periods. This technical analysis is usually based on charts where various techniques are used to analyze a stock where if a breakout is seen using various indicators then there is a buy call by the expert, if the volume is seen mainly on buying side which is indicated in the chart then it is also a buy call from the analysis. The deeper the knowledge of the charts the more will be beneficial from the same. Nearly 60% of investors think that technical analysis is helpful before investing which helps them to gain more deep knowledge and which is self-reliant for the same.

FUNDAMENTAL ANALYSIS OF IT SECTOR

Pie 13

Which technical chart pattern do you prefer?

151 responses

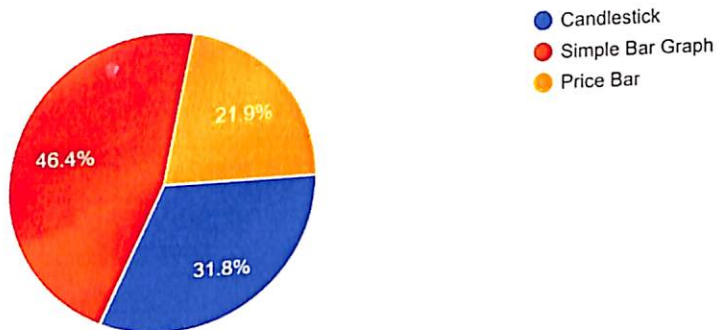


Fig. No. 6.13. Technical Chart

The technical pattern has great variances means a particular trader may follow a single strategy and another trader may follow the same strategy but with a different approach and different buying techniques which will help the investors to earn more profits on basis of their assumption and this helps the investors to increase their overall profits. Approximately 52% of the respondents follow bar diagram charts to analyze the stocks and this gets the information about the same. Furthermore, the candlestick is also popularly used by the respondents and these charts are popularly used basically by investors. The rarely used diagram is a price bar diagram and this furthermore helps the investors to get detailed analysis upon the same.

Pie 14

Which ratios are important for Fundamental Analysis?

151 responses

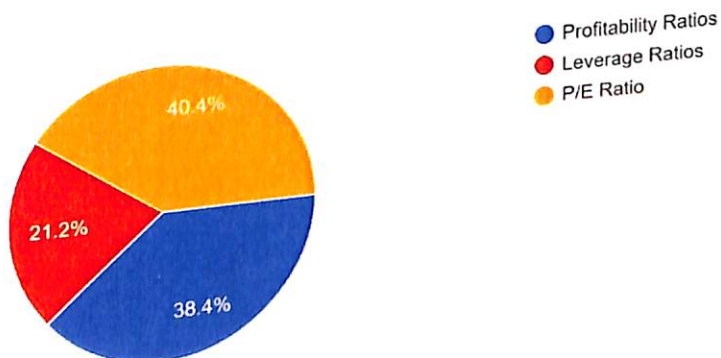


Fig. No. 6.14. Ratios for Fundamental Analysis

FUNDAMENTAL ANALYSIS OF IT SECTOR

While using the fundamental analysis, the investors follow the financial accounts and they analyze the stock based on growth and this helps the investors to boost their confidence which is analyzed on basis of profitability ratio, PE ratio, and leverage ratio which are commonly used. According to analysis, it is concluded that the majority of the population uses the profitability ratios and it is followed by PE ratio.

Pie 15

What is the primary motive before entering the stock market?

151 responses

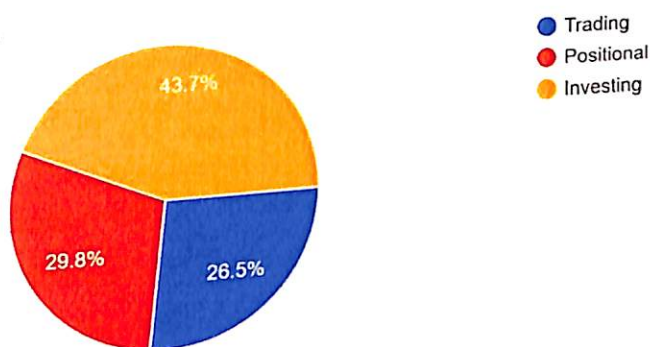


Fig. No. 6.15. Primary Motive

The respondents before entering the primary or secondary market have a goal set where they need to decide the duration for which the amount of money, they are going to invest in the stock market. Once this factor is decided they mainly get three options wherein for intraday trader a person buys a stock on a particular day and sells it on the same day, the other option is swing trading where a person buys a stock on a particular day but doesn't sell it on the same day instead, he takes delivery and sells it after three to four days to earn more money, the last option is delivery trade where a person buys a stock for some particular period and sets a target before selling it. Nearly 54% of respondents are engaged in investing which is followed by a trading basis.

FUNDAMENTAL ANALYSIS OF IT SECTOR

Pie 16

Which is the company of your recommendation to invest in?
151 responses

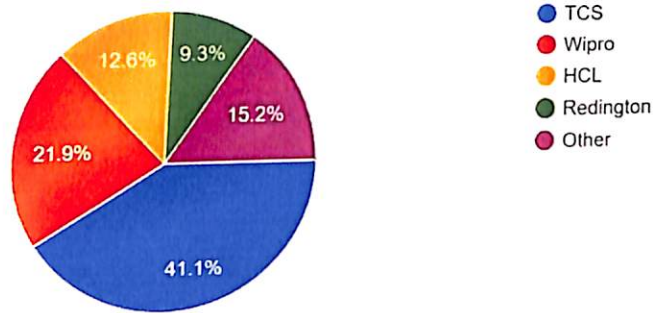


Fig. No. 6.16. Recommendation to Invest

The last part was mainly the one-word answer as given by the respondents where they were asked about the recommendations made by them. These respondents may have applied various analysis of fundamental and technical and the majority of respondents are recommending TCS which is a market leader and the confidence among the respondents for this company is very bullish and this indicates the real strength of the company under the IT sector.

CHAPTER 7

CHAPTER 7 – CONCLUSION & RECOMMENDATIONS

After the detailed explanation about the fundamental and technical analysis of the IT sector, I would like to give a conclusion for the same which indicates that the IT sector is the most emerging sector for developing countries like India. With the rise in educational facilities and various other activities, technology plays a very important role for the same. This analysis even indicates that respondents are also very active in the financial markets and they have a good amount of knowledge which encourages them to create a second source of income as a backup.

The IT industry is heavily influenced by factors like the global market and the sustenance of its rate of growth.

Descriptive research can be defined as those research that can depict various characteristics and objectives and along with that the deep understanding of the topic and with various conceptual clarity which helps an adult to take the various decisions regarding the diversification of earnings during the early 30s. Primary data is involved as a structured questionnaire with questions that mainly focus on covering all the aspects of technical and fundamental analysis of the IT sector.

Fundamental analysis is the examination of the underlying forces that affect the well-being of the economy, industry groups, and companies. Technical Analysis refers to the study of the action of the market itself as opposed to the study of the goods in which the market deals. Along with this analysis to gain a better knowledge for the same two companies are selected and compared as they both belong to the same sector among which one of the companies is a market leader. The companies are TCS and WIPRO, both these companies have a history of more than 25 years and have registered tremendous growth during all the situations. The pandemic was a major loss for companies all over the globe but the fastest recovery after the pharma sector was seen by the IT sector. The returns given by this company was huge and this always boosts the confidence of investors whether its foreign investor, institutional investors or the retail investor. TCS was selected as an example as it is a market leader having a strong order book and very ambitious management and WIPRO was selected as the company is in the market for fifty years and the investing in this company can also be called value investing.

With the explanation and all the concepts relevant to the topic, I would terminate with all the co-operation by the respondents who gave me knowledge about the same and helped me to get a detailed analysis for the fundamental and technical analysis of the sector.

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APPENDIX

FUNDAMENTAL ANALYSIS OF IT SECTOR

APPENDIX

Fundamental and Technical Analysis of IT sector

Q1. Which age group do you belong to?

- a. 16-25
- b. 26-35
- c. 36-45
- d. 46 and above

Q2. Do you prefer to invest in IT companies?

- a. Yes
- b. No
- c. Maybe

Q3. Which IT company is known as the leader of the market?

- a. TCS
- b. Wipro
- c. Tata Elxsi

Q4. How are the valuations of IT companies?

- a. Overvalued
- b. Undervalued
- c. Neutral

Q5. Which analysis do you do while investing in the stock market?

- a. Fundamental
- b. Technical
- c. Only Tips

Q6. Have you heard about the Nifty IT Index?

- a. Yes
- b. No
- c. Maybe

FUNDAMENTAL ANALYSIS OF IT SECTOR

Q7. Do IT companies have a great future?

- a. Strongly Agree
- b. Agree
- c. Neutral
- d. Disagree
- e. Strongly Disagree

Q8. Which IT stock do you have in your portfolio currently?

- a. TCS
- b. Route Mobile
- c. Tata Elxsi

Q9. How has your portfolio strength in the last five years?

- a. Aggressive
- b. Moderate
- c. Low

Q10. Was the IT sector affected by the COVID-19 pandemic?

- a. Yes
- b. No
- c. Maybe

Q11. Do you compare stock return with Nifty IT and after that do you invest if the return is?

- a. 0-20%
- b. 21-50%
- c. More than 50%

Q12. Does Technical Analysis give more clarify before investing?

- a. Yes
- b. No
- c. Maybe

Q13. Which technical chart pattern do you prefer?

- a. Candlestick
- b. Simple Bar Graph

FUNDAMENTAL ANALYSIS OF IT SECTOR

c. Price Bar

Q14. Which ratios are important for Fundamental Analysis?

a. Profitability Ratios

b. Leverage Ratio

c. P/E Ratio

Q15. What is the primary motive before entering the stock market?

a. Trading

b. Positional

c. Investing

Q16. Which is the company of your recommendation to invest in?

a. TCS

b. Wipro

c. HCL

d. Redington

e. Other

