



BIJU PATNAIK INSTITUTE OF INFORMATION TECHNOLOGY &
MANAGEMENT STUDIES (BIITM), BHUBANESWAR

Plot No. F/4, Chandaka Industrial Estate, Infocity, Patia, Bhubaneswar-24

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SUMMER INTERNSHIP PROJECT 2023

REPORT TITLE

**“FUNDAMENTAL ANALYSIS OF STOCK
MARKET”**

SUBMITTED BY

Soumya Ranjan Bal

2-year MBA Batch: 2024-24

University Regn. No: 2206258267

Faculty Guide

Corporate Guide

**Dr. Sudeshna Dutta
Asst. Prof. (Finance) BIITM,
Bhubaneswar**

**Mr. Bipin B Dutta Officer on
Special Duty & In-Charge Of
Training & Education, Odisha
Capital Market & Enterprise
Ltd(Bhubaneswar)**

CERTIFICATE OF INTERNAL GUIDE

This is to certify that Mr Soumya Ranjan Bal bearing university registration no 2206258267 of 2022-24 batch, has completed his/her summer internship at ODISHA CAPITAL MARKET ENTERPRISES LTD. Formally BHUBANESWAR STOCK EXCHANGE LTD. from 03-09-2023 to 05-10-2023 under the supervision of Mr. Bipin Kumar Datta(corporate guide) and has submitted this project report under my guidance in partial fulfilment of the requirements for award of the degree of Master of Business Administration at Biju Patnaik Institute of Information Technology and Management Studies, Bhubaneswar. To the best of my knowledge and belief, this project report has been prepared by the student and has not been submitted to any other institute or university for the award of any degree or diploma.

Date:

Signature of the Internal Guide

Place: Bhubaneswar

Name: Dr. Sudeshna Dutta

Designation: Assistant Professor (Finance)

DECLARATION

I, Mr Soumya Ranjan Bal Bearing university registration no 2206258267 (2022-24 batch), hereby declare that the project report titled Fundamental analysis of stock market is based on my internship at Odisha Capital Market Enterprises Ltd. Formally Bhubaneswar Stock Exchange Ltd during the period 03-09-2023 to 05-10-2023 and is an original work done by me under the supervision of Mr. Bipin Kumar Datta (Corporate Guide) and Dr. Sudeshna Dutta (Internal Guide). This report is being submitted to Biju Patnaik Institute of Information Technology and Management Studies, Bhubaneswar, affiliated to Biju Patnaik University of Technology, Odisha, in partial fulfilment of the requirements for the award of the degree of Master of Business Administration. This project report has not been submitted to any other institute/university for the award of any degree or diploma.

Date:

Place: Bhubaneswar

Signature

ACKNOWLEDGEMENT

Firstly, I would like to thank Mr. Bipin Kumar Datta, is an ‘Officer on Special Duty’ of training and education department, ODISHA CAPITAL MARKET ENTERPRISES LTD, Bhubaneswar for giving me the opportunity to do an internship within the organization. I also would like to thank all the people that worked along with me in Finance Department Odisha Capital Market Enterprises Ltd. which helped in creating an enjoyable working environment. It is indeed with great sense of pleasure and gratitude that I acknowledge the help of these individuals.

I am highly indebted to Dr. Sudeshna Dutta, Assistant Professor, Finance from Biju Patnaik Institute of Information Technology and Management Studies, Bhubaneswar for the guidance provided to accomplish this internship.

I am extremely grateful to all my friends who helped me in successful completion of this internship

Date:

Place: Bhubaneswar

Signature

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CHAPTER-1

INTRODUCTION OF FUNDAMENTAL ANALYSIS

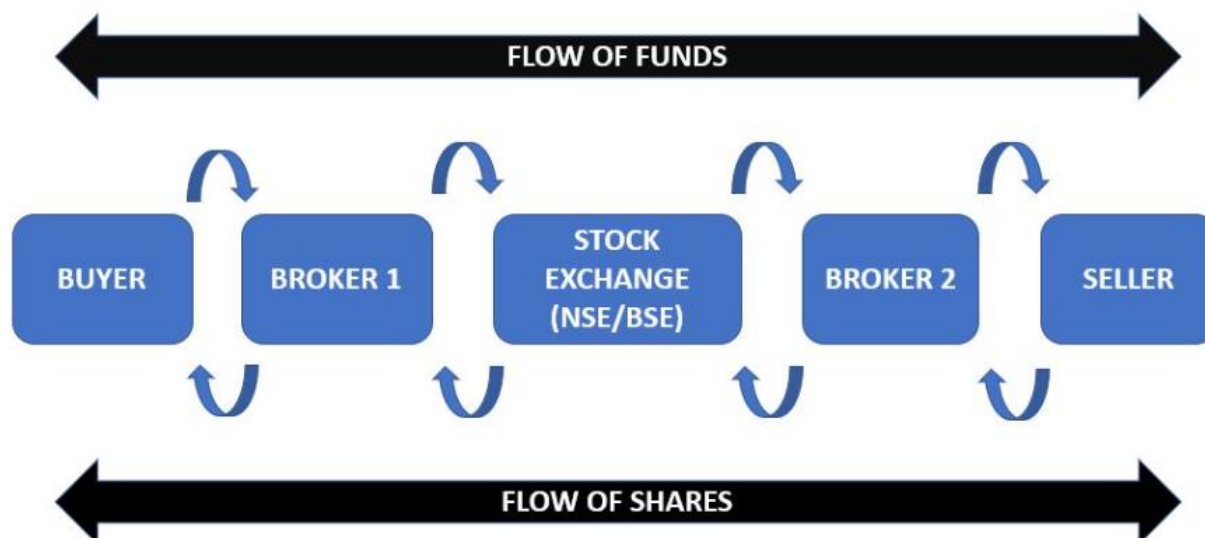
Meaning Of Stock Market

Stock markets are venues where buyers and sellers meet to exchange equity shares of public corporations. Stock markets are components of a free-market economy because they enable democratized access to investor trading and exchange of capital. Stock markets create efficient price discovery and efficient dealing.

The stock market is a place where people can buy and sell shares of companies. When you buy a share of a company, you are essentially buying a small piece of that company. This gives you ownership rights in the company and a share of its profits.

If you are considering investing in the stock market, it is important to do your research and understand the risks involved. You should also consider your investment goals and time horizon. If you are investing for the long term, you can afford to take on more risk. However, if you are investing for the short term, you should be more cautious

How Does the Stock Market Work?



Meaning Of Analysis:

Analysis is the process of breaking down complex subjects and entities into smaller pieces and better understanding them. (Bhatt V. &, 2020) This technique was used in the study of mathematics and logic before Aristotle (384-322 BC), but analysis as a formal concept is a relatively recent development. (Banker, 2020) The definition of analysis is the process of breaking down something into its parts and learning what they do and how they relate to each other. Examining blood in the laboratory to discover all its components is an example of analysis.

Corporate financial managers, securities regulators and investors are inherently biased in their behaviour and their decisions tend to make emotional choices (Ramiah, 2014). Such behaviours include overconfidence, optimism, involvement, and risk behaviours (Iqbal s. & Butt, 2015).

The basic analysis is the study of economic, industrial, and corporate conditions to determine the value of a company's shares. Basic analysis typically focuses on key statistics from a company's annual financial statements to determine whether the share price is properly valued. After determining the state and outlook of the economy, industry and business, the base analyst determines whether the company's shares are overvalued, undervalued, or properly valued. The basic analysis covers various financial and non-financial aspects such as the assessment of the economic and industrial scenario, corporate governance, and the financial situation of the company and soon.

Meaning Of Fundamental Analysis

In this section we are going to review the basics of fundamental analysis, examine how it can be broken down into quantitative and qualitative factors, introduce the subject of intrinsic value and conclude with some of the downfalls of using this technique

The Very Basics

When talking about stocks, fundamental analysis is a technique that attempts to determine a security's value by focusing on underlying factors that affect a company's actual business and its prospects. On a broader scope, you can perform fundamental analysis on industries or the economy. The term simply refers to the analysis of the economic well-being of a financial entity as opposed to only its price movements.

Note: The term fundamental analysis is used most often in the context of stocks, but you can perform fundamental analysis on any security, from a bond to a derivative. If you look at the economic fundamentals, you are doing fundamental analysis. For this tutorial, fundamental analysis always is referred to in the context of stocks

Fundamental analysis uses both the financial and non-financial aspects of the company as well as the macros of the industry. The financial aspect can be done by analysing the financial data of the company, which can be found in the company's annual reports. The non-financial aspect uses information such as growth estimates, demand for products sold by the company, comparisons with industry, changes in the economy, changes in government policy, etc.

The biggest part of fundamental analysis involves delving into the financial statements. Also known as quantitative analysis, this involves looking at revenue, expenses, assets, liabilities and all the other financial aspects of a company. Fundamental analysts look at this information to gain insight on a company's future performance. A good part of this tutorial will be spent learning about the balance sheet, income statement, cash flow statement and how they all fit together.

The basic analysis is the method of evaluating actions, which uses microeconomics and financial data to analyse the movements of actions. The result of the basic analysis is to find an intrinsic value for a stock for better wealth creation. For a fundamental investor, the market price of a stock tends to return to its intrinsic value

If the intrinsic value of a stock is higher than the current market price, the investor will buy the stock because he believes that the share price will rise and move towards its intrinsic value. If the value of a stock is lower than the market price, then the investor would sell the stock because he believes that the share price will fall and move closer to its intrinsic value.

DEFINATION OF FUNDAMENTSL ANSLYSIS

Fundamental analysis is an approach that determines “what ought to be the price” for the securities. Its significant objective is to determine whether the security is underpriced or overpriced. This determination is helpful in making buy sell decisions. A security said to be underpriced when the current market price is below the price determined by what ought to be the price, otherwise known as true value or intrinsic value. Overpriced securities are those whose current market prices are more than intrinsic value. It may be noted that the end objective of the fundamental analysis is not to make speculative profits, which are the result of frequent entry, and exit in the market. Framework of fundamental analysis includes economic analysis, industry analysis, and company analysis. Economic analysis is the study of global economic trends and their impact on Indian economy and is considered helpful in analysing the relationship between economic trends and economic policies. Industry analysis is the second step of fundamental analysis. The importance of industry analysis can be improved by comparing the performance of two different industries. This analysis helps the investors by the way of continuing analysis of industries by revealing the

Types of Fundamental Analysis



Basic accounting and financial analysis are the analysis of a company's financial statements (usually to analyse the company's assets, liabilities, and income) health and competitors and markets.

(HiralBorikar, 2020) It also considers the overall health of the economy and factors such as interest rates, production, income, employment, GDP, housing, manufacturing, and government.

(Prajapati K. &, 2019) There are two basic approaches that can be used: bottom-up analysis and top-down analysis. These terms are used to distinguish such analysis from other types of investment analysis, such as: Quantitative and technical.

Investors can use either or both complementary stock selection methods. For example, many fundamental investors use technical indicators to determine entry and exit (Bhatt H. R.) Similarly, most tech investors use basic indicators to narrow their pool of potential stocks to "good" companies.

In this section we are going to review the basics of fundamental analysis, examine how it can be broken down into quantitative and qualitative factors, introduce the subject of intrinsic value and conclude with some of the downfalls of using this technique.

The Very Basics.

When talking about stocks, fundamental analysis is a technique that attempts to determine a security's value by focusing on underlying factors that affect a company's actual business and its prospects. On a broader scope, you can perform fundamental analysis on industries or the economy. The term simply refers to the analysis of the economic well-being of a financial entity as opposed to only its price movements.

Note: The term fundamental analysis is used most often in the context of stocks, but you can perform fundamental analysis on any security, from a bond to a derivative. If you look at the economic fundamentals, you are doing fundamental analysis. For this tutorial, fundamental analysis always is referred to in the context of stocks

History and evaluation:

The stock market has its roots in the 13th century, when Venetian merchants began to sell shares of ownership in their ships. The first modern stock exchange was established in Amsterdam in the 17th century, when the Dutch East India Company began trading shares of its stock.

In the 18th and 19th centuries, stock exchanges began to appear all over the world. The New York Stock Exchange (NYSE) was founded in 1817 and quickly became the largest stock exchange in the world.

In the 20th century, the stock market experienced several booms and busts. The Great Depression of the 1930s was caused in part by a stock market crash. However, the stock market has also played a major role in the economic growth of the past century.

In recent decades, the stock market has become increasingly globalized. Investors can now buy and sell shares of companies from all over the world. The stock market has also become more accessible to individual investors, thanks to the rise of online trading. The first stock exchange in India was established in 1875 in Bombay, Maharashtra, where the native share and stock broker's association was formed to trade securities.

SCOPE

Fundamental analysis is a method of evaluating the intrinsic value of a security by examining related economic and financial factors. It is used by investors to make informed decisions about buying, selling, or holding securities.

The scope of fundamental analysis is broad and encompasses a wide range of factors, including:

- Economic factors: The state of the economy, interest rates, inflation, GDP growth, unemployment, etc.
- Industry factors: The competitive landscape, technological advancements, regulatory changes, etc.
- Company factors: Financial performance, management team, products and services, competitive advantages, etc.

Fundamental analysts use a variety of tools and techniques to evaluate securities, including:

- Financial statement analysis: Analysts review a company's financial statements, such as the balance sheet, income statement, and cash flow statement, to assess its financial health and performance.
- Ratio analysis: Analysts calculate financial ratios to compare a company to its peers and to industry benchmarks. Common ratios include price-to-earnings (P/E) ratio, price-to-book (P/B) ratio, debt-to-equity (D/E) ratio, and return on equity (ROE).
- Qualitative analysis: Analysts also consider qualitative factors, such as the company's management team, brand value, and competitive advantages.

Fundamental analysis can be used to evaluate a wide range of securities, including stocks, bonds, and mutual funds. It is particularly useful for long-term investors, who are looking to identify undervalued securities that have the potential to generate superior returns over time.

- Identifying undervalued stocks
- Evaluating investment opportunities
- Making informed investment decisions
- Avoiding overpaying for stocks

OBJECTIVE

The objective of fundamental analysis in the stock market is to determine the intrinsic value of a company's stock based on its financial performance and future growth prospects. This information can then be used to identify undervalued stocks that may offer long-term growth potential, while staying away from overvalued stocks. Once fundamental analysts have gathered and analysed this information, they can use it to estimate a company's intrinsic value. This is the value that the company is worth based on its underlying fundamentals, rather than the price at which its stock is currently trending.

The Objective is to:

- To help investors identify undervalued or overvalued on TCS stocks that may offer long-term growth potential.
- To help investors understand the underlying risks and rewards of investing in a TCS company.
- To report that is focused on the long-term outlook for TCS's stock.
- To study of fundamental analysis of TCS stock.

LIMITATION

- The survey is limited to listed companies only.
- It is not possible to collect primary data.
- Fundamental analysis is based on historical data and future projections and based on a number of assumptions and estimates and there is no guarantee that these assumptions will be accurate.
- Fundamental analysis is subjective and can be interpreted differently by different analysts can come up with different valuations for the same stock.

Methodology

Research design

Research design is the conceptual structure within which research is conducted. This research is about finding annual report of the company. Every stock available in the markets has a value called market price, which is the indicator of the company's performance. According to fundamental analysis, we will try to find the intrinsic value of a particular stock which is the true value of the stock, based on which investment arguments take place.

Sampling Unit:

This study is about collecting the fundamental data for the past 5 years in TATA CONSULTANCY SERVICES. According to fundamental analysis, we will try to find the intrinsic value of a particular stock which is the true value of the stock.

Sampling Size:

One company for IT sector that is: TATA CONSULTANCY SERVICES (TCS)

Research Objectives:

- **Primary objectives:**
 - The main purpose of this study is to evaluate individual investor patterns for fundamental analysis
- **Secondary objectives:**
 - Identify the elements of the basic factors.
 - Examine investor behaviour patterns.
 - Actions taken by investors to understand and evaluate fundamental analysis.
 - To Use various fundamental analysis information available to investors to determine pay call recognition

Data Collection Methods/Source of data:

The study is about collecting the secondary data that has been collected from company reports and it is quantitative in nature. The data are collected from the employee working in TATA CONSULTANCY SERVICES. The sources are internal and its type is a balance sheet for last five years. Here this study consists of fundamental data analysis of the company.

- Web site
- Reports
- Literature review

CAPTER - 2

COMPANY ANALYSYS



TYPE: - PUBLIC

INDUSTRY: - IT SERVICE, IT CONSULTING.

FOUMDER: - J R D TATA (Jehengir Ratanji Dadabhoy Tata) in 1968

KYE PEOPLE: - Natarajan Chandrasekaran (CHAIRMAN)

Kirthi Krithivasan (CEO & MD)

AREA SERVED: - WORLDWIDE

PARENTS COMPANY: - TATA GROUP

SUBSIDIARY: - CMC LIMITED, TCS CHINA, TRDDC, TCS E SERVICE LTD.

HEADEQUATER: - MUMBAI, MAHARASTRA, INDIA

Committees of Board of Directors

Audit Committee		
Name	Position	Nature of Directorship
Mr. Keki Mistry	Chairman	Independent, Non-Executive
Mr. O.P. Bhatt	Member	Independent, Non-Executive
Ms. Aarthi Subramanian	Member	Non-Independent, Non-Executive
Dr. Pradeep Kumar Khosla	Member	Independent, Non-Executive
Ms. Hanne Sorensen	Member	Independent, Non-Executive
Mr. Don Callahan	Member	Independent, Non-Executive
Nomination and Remuneration Committee		
Name	Position	Nature of Directorship
Mr. O.P. Bhatt	Chairman	Independent, Non-Executive
Mr. N. Chandrasekaran	Member	Non-Independent, Non-Executive
Ms. Aarthi Subramanian	Member	Non-Independent, Non-Executive
Ms. Hanne Sorensen	Member	Independent, Non-Executive
Stakeholders' Relationship Committee		
Name	Position	Nature of Directorship
Dr. Pradeep Kumar Khosla	Chairman	Independent, Non-Executive
Mr. Rajesh Gopinathan	Member	Non-Independent, Executive
Mr. Keki Mistry	Member	Independent, Non-Executive
Corporate Social Responsibility Committee		
Name	Position	Nature of Directorship
Mr. N. Chandrasekaran	Chairman	Non-Independent, Non-Executive
Mr. O.P. Bhatt	Member	Independent, Non-Executive
Mr. N. Ganapathy Subramaniam	Member	Non-Independent, Executive
Executive Committee		
Name	Position	Nature of Directorship
Mr. N. Chandrasekaran	Chairman	Non-Independent, Non-Executive
Mr. Rajesh Gopinathan	Member	Non-Independent, Executive
Risk Management Committee		
Name	Position	Nature of Directorship
Mr. Keki Mistry	Chairman	Independent, Non-Executive
Mr. Rajesh Gopinathan	Member	Non-Independent, Executive
Mr. N. Ganapathy Subramaniam	Member	Non-Independent, Executive
Mr. Don Callahan	Member	Independent, Non-Executive
Mr. Ramakrishan V	Mr. Ramakrishan V	Chief Financial Officer

Introduction of a company

Our analysis was provided from a range of sources including the company's website and financial statements and analyses which have a sectoral analytical viewpoint. Such studies not only help us analyse whether and how the company sees itself but also allow us to watch key industry patterns to see how TCS is performing in comparison to other airline companies.

About of Company

Tata Consultancy Services Ltd is a paramount in the field of IT, outsourcing and business solutions. A variety of IT infrastructure, externalization and enterprise solutions are delivered. They also deliver services in IT management, consulting sector for business processes, manufacturing and production facilities, Eco-sustainability services, enterprise security, regional advisory and resources leveraged services. The divisions comprise accounting, investment, insurance, engineering, retail and distribution, and telecommunications

The firm belongs to Tata Group, a corporation that is one of the most known brands and corporate conglomerates worldwide. The headquarters is in Mumbai, India. It is the largest provider of information technology in Asia and second largest business process outsourcing services provider in India. It has 142 branches in 42 countries and 105 logistics centres in 20 nations, with over 65 offices outside India. TCS employs more than 18,000 consultants and serves hundreds of clients, providing information technology and business consulting services to organizations in government, business, and industry around the world. The company operates in America, Europe, Asia-Pacific, Middle East, and Africa through subsidiaries. The shareholdings of the Group are published on the National Stock Exchange and Bombay Stock Exchange

The company was established as a division of electronic data processing (EDP) requirements and providing management consultancy services in 1968 by Tata Sons Ltd

The system further describes four organizational practices embraced by Business 4.0. This personalizes environments to size, integrates threats and generates incremental benefit. It has resonated proficiently with the market and TCS has received many industry-specific major contracts focused on its complete stakeholder management approach, research.

TCS was recognized as one of the top 3 companies of IT services globally during the 50th year of its existence and one of the leading 60 firms in the USA in all industries. It was also the worldwide most rapidly growing company by value, increasing 14.4% year on year

TCS SERVICE:

Cloud	Cognitive Business Operations	Consulting	Cybersecurity	Data and Analytics	Enterprise Solutions	IoT and Digital Engineering
TCS Interactive	Sustainability Services	TCS and AWS Cloud	TCS Enterprise Cloud	TCS and Google Cloud	Cognitive Business Operations	TCS and Microsoft Cloud Services

CAPITAL STUCTIOR

Period		Instrument	Authorized Capital	Issued Capital	- PAID UP -		
From	To		(Rs. cr)	(Rs. cr)	Shares (nos)	Face Value	Capital
2022	2023	Equity Share	460.05	365.91	3,659,051,373	1	365.91
2021	2022	Equity Share	460.05	365.91	3,659,051,373	1	365.91
2020	2021	Equity Share	460.05	369.91	3,699,051,373	1	369.91
2019	2020	Equity Share	460.05	375.24	3,752,384,706	1	375.24
2018	2019	Equity Share	460.05	375.24	3,752,384,706	1	375.24
2017	2018	Equity Share	460.05	191.43	1,914,287,591	1	191.43
2016	2017	Equity Share	460.05	197.04	1,970,427,941	1	197.04
2015	2016	Equity Share	460.05	197.04	1,970,427,941	1	197.04
2014	2015	Equity Share	420.05	195.87	1,958,727,979	1	195.87
2013	2014	Equity Share	420.05	195.87	1,958,727,979	1	195.87
2012	2013	Equity Share	225	195.72	1,957,220,996	1	195.72
2011	2012	Equity Share	225	195.72	1,957,220,996	1	195.72
2010	2011	Equity Share	225	195.72	1,957,220,996	1	195.72
2009	2010	Equity Share	225	195.72	1,957,220,996	1	195.72
2008	2009	Equity Share	120	97.86	978,610,498	1	97.86
2007	2008	Equity Share	120	97.86	978,610,498	1	97.86

HR Policies of TCS in 2023

HR policies of TCS in 2023 can be illustrated as policies of the organisation with a vision of developing relationships, transmission and imposing a set of rules that will reflect the organisation's values and acceptable management.

employers can work together. They achieve the goal of the organisation. The HR policies of an organisation must be created as per the objectives and ethical values of the organisation.

➤ **HR Policies of TCS Global – Anti Bribery and Corruption:**

Compliance is mandatory, and no individual or anyone connected with TCS can be an exception to this policy. Associates need to follow this policy or the jurisdiction's law, depending on the jurisdictions where TCS operates. Compliance is based on applicability.

➤ **TCS Global Statement – Modern Slavery Act:**

This Policy on Prevention of Modern Corporate Slavery is applicable to TCS Limited and all its subsidiary organisations across the globe. However, if any subsidiary has their own Policy on Prevention of Modern Corporate Slavery, the same shall nullify this Policy with respect to that subsidiary. It includes illegal human trafficking, forceful slavery of the employee, servitude, and forcefully imposed or compulsory labor. Additionally, it covers debt labour bondage, child exploitation through labor, and the illegal securing of labour by threat or deception.

➤ **HR Policies of TCS Global Guideline – Dress Code:**

As an organization, TCS employees represent the company. Their dressing attire, style, and personal sanitation create an impression of TCS to outsiders. TCS has specific guidelines for Dress Code. These guidelines are in place to ensure that employees dress appropriately at the office premises.

➤ TCS HR Global Policy – Prevention of Criminal Facilitation of Tax Evasion:

The Corporate Criminal Offence (CCO) subjects for businesses who fail to prevent themselves from tax evasion. An offence by a business person could lead to criminal prosecution, a hefty penalty, conviction, and potential ban on its business process. TCS is committed to the prevention of tax evasion in its business and in its other subsidiaries. This Policy is applicable in all jurisdictions in the world where the Company has its business transactions.

➤ TCS HR Global Policy – Policy for Prevention of Sexual Harassment:

Sexual Harassment is strictly prohibited in all the TCS workplace and its subsidiary companies in all over the world. TCS promotes a safe and secure workplace where employees of all genders can work to complement equally each other and believes that all employees have a right to get their respect & morality. TCS will take necessary steps to prevent Sexual Harassment through providing training, awareness campaigns and other interactive initiatives.

➤ HR policies of TCS India – Smoke-free Workplace:

TCS always commits to the health and wellness of its employees, business associates, clients, and visitors. It extends this commitment to those who visit the TCS workplaces. The intention of this Policy is to Protect employees, business associates, clients, visitors, etc.

MISSION, VISION, AND VALUES


MISSION :

TCS Group's mission is to provide value-added construction services to our clients by creating successful partnership with them throughout the construction process and to establish lasting relationship by exceeding their expectations and gaining their trusts. Our goal is to ensure the continuance of our company through repeat and referral business achieved by Clients' satisfaction in all areas including timeliness and quality of work.


VISION :


To be the premier construction company in the country, delivering the best quality of work, timely completion, highest health and safety standards and stringent environmental management services. TCS vision is to decouple business growth and ecological footprint from its operations to address the environment bottom-line.


VALUES :

 **Pioneering** - We will be bold and agile, courageously taking on challenges, using deep customer insight to develop innovative solutions.

 **Integrity** - We will be fair, honest, transparent, and ethical in our conduct; everything we do must stand the test of public scrutiny

 **Excellence** - We will be passionate about achieving the highest standards of quality, always promoting meritocracy.

 **Unity** - We will invest in our people and partners, enable continuous learning, and build caring and collaborative relationships based on trust and mutual respect.

 **Responsibility** - We will integrate environmental and social principles in our businesses, ensuring that what comes from the people goes back to the people many times over.

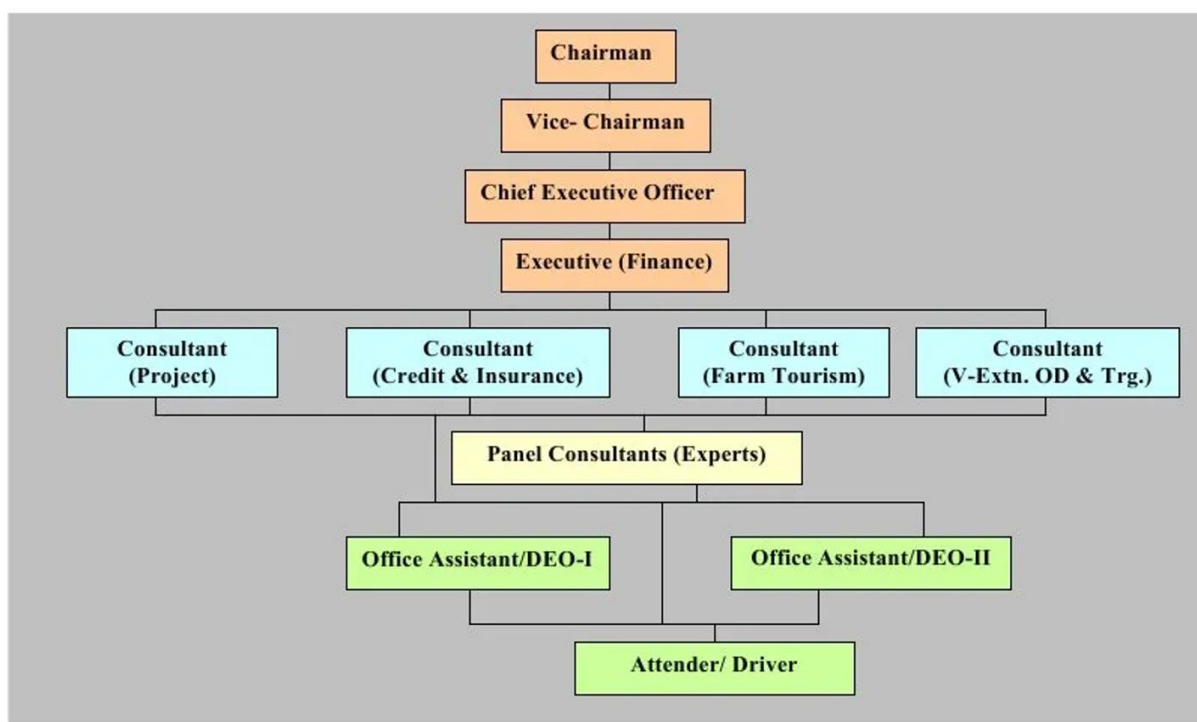
TCS PRODUCT / WORKING ON

List of Products	List of Services
TCS CHROMA™	Consulting
TCS Customer Intelligence And Insights™	TCS Interactive
ignio™	Analytics and insights
TCS Intelligent Urban Exchange	Internet of things
Jile™	Blockchain
TCS Omni Store™	Enterprise application
TCS Optumera™	Cognitive business operations
Quartz™ Blockchain	Conversational experiences
TCS TAP™	Automation & AI
TCS BaNCST™	Industrial engineering
TCS iON	Cloud apps, microservices & API
TCS Master Craft™	Cybersecurity
TCS BFSI Platforms	FIs and insurance firms
TCS ADD™	research and drug development
TCS HOBS™	architecture engineering

MAJOR ARCHIVMENT

- TCS also won the 2023 Microsoft US Partner of the Year Award in the categories Global Systems Integrator, Industrials and Manufacturing, and Dynamics 365 Sales and Marketing, as well as the Malaysia Customer Success Partner of the Year.
- The six Asia-Pacific Stevie Awards that TCS won are: Innovative Achievement in Finance for TCS' autonomous finance initiative that combines artificial intelligence and automation – Gold.
- SUNNYVALE, CA | MUMBAI, August 30, 2023: Tata Consultancy Services (TCS) (BSE: 532540, NSE: TCS), has won three 2023 Google Cloud Partner of the Year Awards: Global Talent Development Partner of the Year, Industry Solution Services Partner of the Year – Financial Services & Insurance, and Industry Solution Services Partner of the Year – Retail & Consumer Packaged Goods.

ORGANIZATION CHART



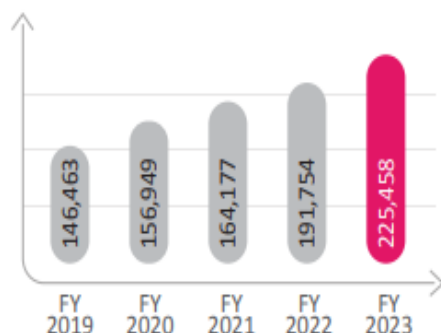
FINANCIAL FROPEMANANCE

The financial performance is the most important data about a company for any investor for making an investment decision. So, let's analyse the financial performance of the company requested by you 'Tata Consultancy Services' over the past 3 years.

In Crore Rupees

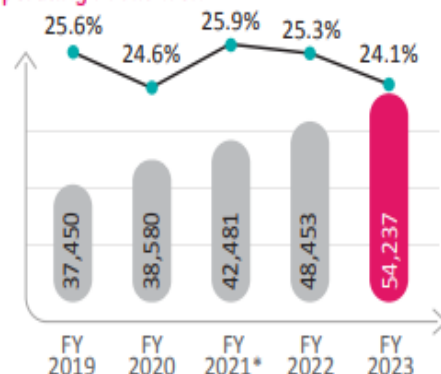


Revenue Trend CAGR 12.9%



(₹ crore)

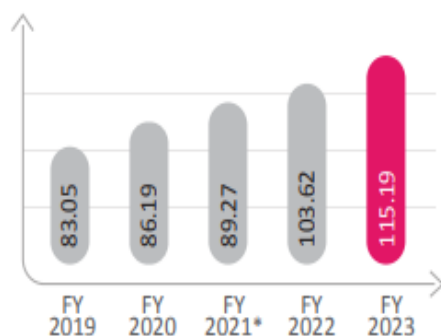
Operating Profit Trend



(₹ crore)

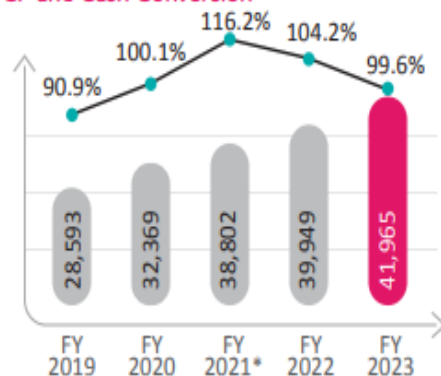
● Operating Profit
● Operating Margin

Earnings per share CAGR 11.4%



(Amount in ₹)

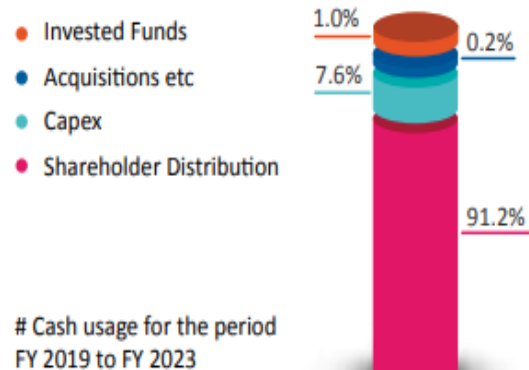
OCF and Cash Conversion



(₹ crore)

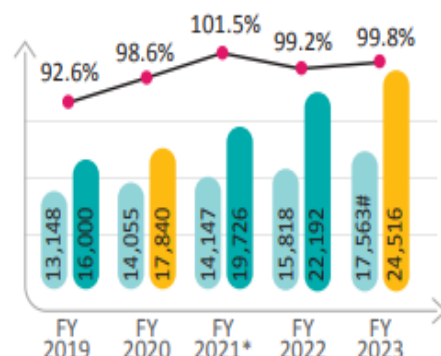
● Operating Cash Flow (OCF)
● OCF to Net Profit Ratio

Cash Usage#



Cash usage for the period
FY 2019 to FY 2023

Shareholder Payouts



● Dividend ● Special Dividend ● Buyback including tax
● Shareholder Payout ratio (Including special dividend and buyback, including tax)









includes proposed final dividend

(₹ crore)

*Excluding provision towards legal claim

P & L / INCOME STATEMENT

All

Annual	Mar 2023	Mar 2022	Mar 2021	Mar 2020	Mar 2019	Trend Mar 19 - Mar 23
Sales	225,458	191,754	164,177	156,949	146,463	
Other Income	3,449	4,018	3,134	4,592	4,311	
Total Income	228,907	195,772	167,311	161,541	150,774	
Total Expenditure	171,221	143,301	122,914	118,369	109,013	
EBIT	57,686	52,471	44,397	43,172	41,761	
Interest	779	784	637	924	198	
Tax	14,604	13,238	11,198	9,801	10,001	
Net Profit	42,303	38,449	32,562	32,447	31,562	

Profit and loss (all data given Above the data)

Income Statement

As you can see, the company's net profit has increased from Rs 31,562 in March 2019 to Rs 42,303 in March 2023. This is primarily due to an increase in sales, which rose from Rs 146,463 to Rs 225,458. There was also an increase in other income, from Rs 4,311 to Rs 3,449. However, there was an increase in total expenditure, from Rs 109,013 to Rs 171,221. This was primarily due to an increase in interest expense, from Rs 198 to Rs 779.

Overall, the company's profitability has improved in recent years. This is a positive trend, as it suggests that the company is becoming more efficient at generating profits. However, the increase in interest expense is a concern, as it suggests that the company is taking on more debt.

CASH FLOW











	Mar 2023	Mar 2022	Mar 2021	Mar 2020	Mar 2019	Trend Mar 19 - Mar 23
Operating Activities	41,965	39,949	38,802	32,369	28,593	
Investing Activities	39	-897	-8,129	8,565	1,596	
Financing Activities	-47,878	-33,581	-32,634	-39,915	-27,897	
Others	509	159	173	403	49	
Net Cash Flow	-5,365	5,630	-1,788	1,422	2,341	

As you can see, the company's net cash flow has decreased from Rs 5,630 in March 2022 to Rs -5,365 in March 2023. This is primarily due to a decrease in cash flow from operating activities, which fell from Rs 39,949 to Rs 41,965. There was also a decrease in cash flow from investing activities, from Rs -897 to Rs 39. However, there was an increase in cash flow from financing activities, from Rs -33,581 to Rs -47,878.

RATIO

Per Share Ratios	Mar 2023	Mar 2022	Mar 2021	Mar 2020	Mar 2019	Trend Mar 19 - Mar 23
Basic EPS (Rs.)	115.19	103.62	86.71	86.19	83.05	
Diluted Eps (Rs.)	115.19	103.62	86.71	86.19	83.05	
Book Value [Excl. Reval Reserve]/Share (Rs.)	249.20	245.48	235.43	226.00	239.73	
Dividend/Share (Rs.)	115.00	43.00	38.00	73.00	30.00	
Face Value	1	1	1	1	1	

BALANCE SHEET

Equities & Liabilities	Mar 2023	Mar 2022	Mar 2021	Mar 2020	Mar 2019	Trend Mar 19 - Mar 23
Share Capital	366	366	370	375	375	
Reserves & Surplus	90,058	88,773	86,063	83,751	89,071	
Current Liabilities	43,558	42,351	34,155	27,060	22,084	
Other Liabilities	9,669	10,024	10,171	9,713	3,413	
Total Liabilities	143,651	141,514	130,759	120,899	114,943	
Assets						
Fixed Assets	19,891	20,716	20,149	20,124	11,553	
Current Assets	110,270	108,310	99,280	90,237	92,131	
Other Assets	13,490	12,488	11,330	10,538	11,259	
Total Assets	143,651	141,514	130,759	120,899	114,943	
Other Info						
Contingent Liabilities	2,388	2,298	1,821	2,124	4,516	

Balance Sheet (all 5 year Performance report above the data)

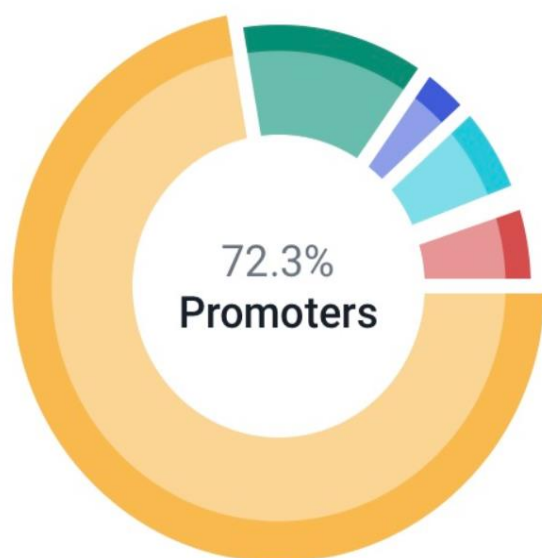
As you can see, the company's total assets have increased from Rs 114,943 in March 2019 to Rs 143,651 in March 2023. This is primarily due to an increase in current assets, which rose from Rs 92,131 to Rs 110,270. There was also an increase in reserves and surplus, from Rs

89,071 to Rs 90,058. However, there was a decrease in fixed assets, from Rs 11,553 to Rs 19,891, and a decrease in other assets, from Rs 11,259 to Rs 13,490.

On the liabilities side, there was an increase in total liabilities, from Rs 114,943 in March 2019 to Rs 143,651 in March 2023. This is primarily due to an increase in current liabilities, which rose from Rs 22,084 to Rs 43,558. There was also an increase in other liabilities, from Rs 3,413 to Rs 9,669. However, there was a decrease in reserves and surplus, from Rs 89,071 to Rs 90,058.

Overall, the company's financial position has strengthened in recent years. This is a positive trend, as it suggests that the company is becoming more financially stable. However, the decrease in fixed assets and other assets is a concern, as it suggests that the company may be selling off some of its assets.

SHARE HOLDING PATERN



- 72.30% Promoters
- 12.47% FII's
- 03.49% Mutual Funds
- 05.90% Insurance Companies
- 00.68% Other DII's
- 05.16% Non Institution

INDUSTRY ANALYSIS

SWOT ANALYSIS

SWOT analysis is a study which is undertaken by the majority of companies to determine their core strengths, weaknesses, opportunities and threats. It is a framework that is used to evaluate a company's competitive position which later helps in strategic planning.



SWOT analysis is a strategic planning framework used to evaluate a company's strengths, weaknesses, opportunities, and threats. It is a simple but powerful tool that can be used to gain a better understanding of a company's competitive position and to develop strategies for growth and success.

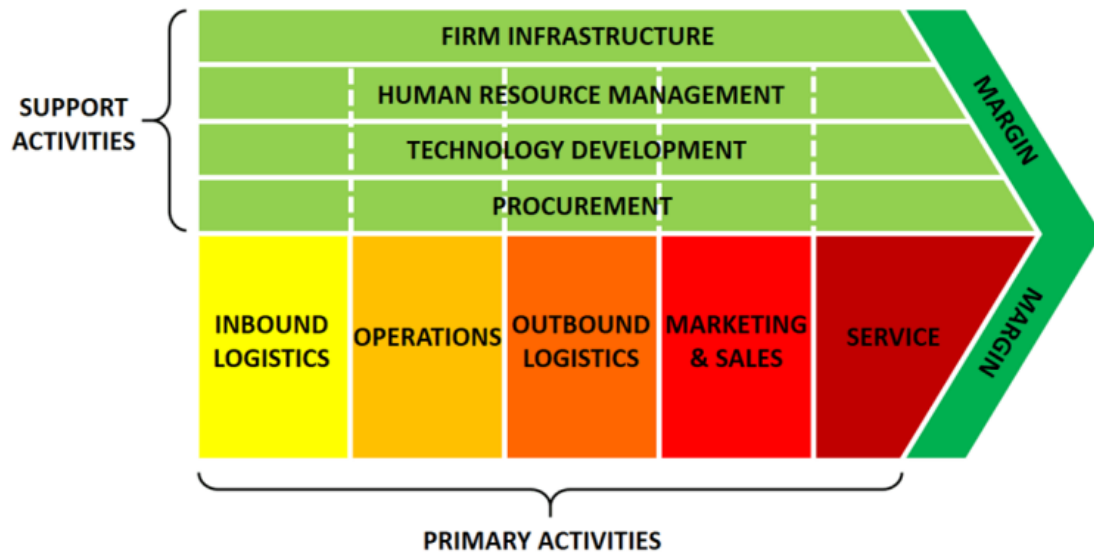
SWOT analysis is important for the stock market because it can help investors make informed investment decisions. By understanding a company's strengths, weaknesses, opportunities, and threats, investors can better assess the risks and rewards of investing

- Identify potential investment opportunities
- Assess potential risks
- Make informed investment decisions

<p><u>Strengths</u></p> <ul style="list-style-type: none"> ▪ Wide Range of Services ▪ Broad Network Globally ▪ Skilled and Experienced Management Team ▪ Strong brand name and reputation ▪ Large and diversified customer base ▪ Global presence ▪ Strong financial performance ▪ Experienced and skilled workforce ▪ Focus on innovation and research 	<p><u>Weakness</u></p> <ul style="list-style-type: none"> ▪ Inability to Provide Adequate Returns to its Shareholders ▪ Legal Battles ▪ Reliance on a few key clients ▪ Exposure to currency fluctuations ▪ High attrition rate ▪ Increasing competition from other IT companies
<p><u>Opportunities</u></p> <ul style="list-style-type: none"> ▪ Growth in Service Market Globally ▪ Cloud-Based Solutions ▪ Growing demand for IT services ▪ Shift to cloud computing and digital transformation ▪ Expansion into emerging markets ▪ New product and service development 	<p><u>Threats</u></p> <ul style="list-style-type: none"> ▪ Domestic and International Competitors ▪ Changing Technological Trends ▪ Retaining a Sustainable Workforce ▪ Economic slowdown ▪ Changes in government regulations ▪ New technologies and disruptions ▪ Cyber threats

PORTER'S VALUE CHAIN ANALYSIS

The Porter's Value Chain is a business analysis framework developed by Michael Porter which breaks down a company's internal activities into two primary activities and support activities. This framework helps companies identify areas for competitive advantage, reduce costs, and optimize processes and help businesses make strategic decisions to improve overall performance, allocate resources effectively



Primary Activities:

❖ Inbound Logistics:

- TCS sources its inputs from a variety of suppliers, including hardware and software vendors, telecommunications providers, and staffing agencies.
- TCS's strong relationships with suppliers give it access to the latest hardware and software technologies at competitive prices.

❖ Operations:

- TCS's operations involve the development, delivery, and support of IT services.
- TCS's global presence and large workforce allow it to deliver services to customers around the world.

❖ Outbound Logistics:

- TCS delivers its services to customers through a variety of channels, including direct sales, online sales, and channel partners.

- TCS's variety of delivery channels gives it the flexibility to meet the needs of different customers.

❖ **Marketing and Sales:**

- TCS markets and sells its services to a variety of customers, including businesses, governments, and consumers.
- TCS's strong brand name and reputation help it to attract and retain customers

❖ **Service:**

- TCS provides a variety of customer support services, including training, consulting, and help desk support.
- TCS's commitment to customer service helps it to maintain long-term relationships with customers.

Support Activities:

❖ **Firm Infrastructure:**

- TCS's firm infrastructure includes its organizational structure, management systems, and corporate culture.
- TCS's strong organizational structure and management systems help it to operate efficiently and effectively.

❖ **Human Resource Management:**

- TCS's human resource management activities include recruiting, training, and compensating employees.
- TCS's investment in human resource management helps it to attract and retain talented employees.

❖ **Technology Development:**

- TCS invests heavily in technology development, both to improve its existing services and to develop new services.
- TCS's investment in technology development helps it to maintain its competitive advantage.

❖ **Procurement:**

- TCS procures a variety of inputs, including hardware and software, telecommunications services, and staffing services.

- TCS's strong procurement capabilities help it to get the best possible prices for its inputs.

Overall, TCS's value chain is a well-integrated system that contributes to the company's competitive advantage. TCS's focus on innovation, customer needs, and operational efficiency allows it to deliver high-quality IT services at a competitive price, TCS's value chain is a source of competitive advantage for the company.

Marketing Strategy

Marketing strategy aims to recognize markets and to prepare for it all, including emerging customers. To understand the marketing strategy of Tata Consultancy Services, we must go through the four Ps that make up the entire marketing plan and then examine the positioning of this global corporation under the company position section.

Target Market

The recognition of the target audience is as important as the products and services to be developed for every company and the same applies to TCS. The firm has been quite successful in doing so.

The Company utilizes its extensive qualitative understanding of its clients' business to create innovative, high-quality, high-impact approaches tailored to provide distinct market outcomes. Such strategies are implemented incorporating the new technologies using a special Location Independent Agile delivery model, embedding a Machine First methodology, acknowledged as a benchmark of innovation and excellence in software development

Product Strategy

The firm's product strategy will help us know how the organization manages to strategize its product diversity and expands in the same incremental way it does. With a vast variety of products and services, TCS serves the ever-changing demands of customers by combining our local and regional expertise.

TCS with its 67 subsidiaries offers a wide variety of information technology-related products and services, spanning application engineering, business process outsourcing, resource planning, consultancy, corporate software, equipment scale, payment processing,

applications engineering and technology education services (Tata Consultancy Services,)The developed software products of the company are CHROMA, ignio, TCS Omnistore, TCS Mastercard and many more.

Pricing strategy

There is a wide variety and therefore variation in pricing policies for Tata Consultancy Services. TCS helps consumers enhance business operations, minimize prices, increase sales and deliverables on schedule across various pricing structures and policies (Economic Times, 2023). In its overall outsourcing contracts and differential pricing model for its iON facilities, TCS adopted a competitive pricing approach, where rates vary due to the specific customers (Tata Consultancy Services, 2023).

TCS plans to reach local communities and all sorts of consumer bases with this support. As iON, combined with the services offered by TCS, integrates equipment, applications, and network, there is no extra charge for this system (Tata Consultancy Services, 2023).

Promotion Strategy

Promotion is an essential factor in communicating to consumers the value of the product or service. Well-marketing and advertising campaigns maintain long sustainability, improve buyer potential, and have company productivity.

Although TCS doesn't have a charted-out plan of action for promotion as most of the other multinational corporations, it earns a lot of consumer trust by only fulfilling the corporate social responsibilities. Hence with the number of people associated directly/indirectly with community events sponsored by TCS, the promotion of the corporation passes by the word of mouth itself.

Distribution Strategy

A distribution strategy is a plan or method that allows the target consumers to access a product or service via the supply chain. The Distribution Plan defines the full strategy for the accessibility of the product or service beginning with feedback on what the organization has presented to the target audience through marketing promotions.

TCS sells its services directly to consumers through methods like On-Site consulting, Third-party consulting, workshops, seminars, publications, etc. Therefore, the distribution strategy of TCS includes both B2B and B2C service which provides a wide target market to access the services and products by Tata Consultancy Services Ltd.

CHAPTER-3

COMPETITORS ANALYSIS



INFOSYS- Established in 1981, Infosys is a NYSE listed global consulting and IT services company with more than 328k employees. From a capital of US\$250, we have grown to become a US\$ 18.55 billion (LTM Q2 FY24 revenues) company with a market capitalization of US\$ 71.01 billion.

In our journey of over 40 years, we have catalysed some of the major changes that have led to India's emergence as the global destination for software services talent. We pioneered the Global Delivery Model and became the first IT Company from India to be listed on NASDAQ. Our employee stock options program created some of India's first salaried millionaires.

TATA CONSULTANCY SERVICES (TCS) - Tata Consultancy Services Limited, initially started as Tata Computer Systems, was founded in 1968 by a division of Tata Sons Limited.[21] Its early contracts included punched card services to sister company TISCO (now Tata Steel), working on an Inter-Branch Reconciliation System for the Central Bank of India,[22] and providing bureau services to Unit Trust of India.

TCS was recognized as one of the top 3 companies of IT services globally during the 50th year of its existence and one of the leading 60 firms in the USA in all industries. It was also the worldwide most rapidly growing company by value, increasing 14.4% year on year.

WIPRO - The company was incorporated on 29 December 1945 in [Amalner](#), India, by Mohamed Premji. In 1966, after Mohamed Premji's death, his son [Azim Premji](#) took over Wipro as its [chairperson](#) at the age of 21. Wipro (stylized in lower case as, **Wipro**) is an Indian multinational corporation that provides information technology, consultant and business process services. It is one of the leading Big Tech companies.^[5] Wipro's capabilities range across cloud computing, computer security, digital transformation, artificial intelligence, robotics, data analytics, and other technology consulting services to customers in 167 countries.

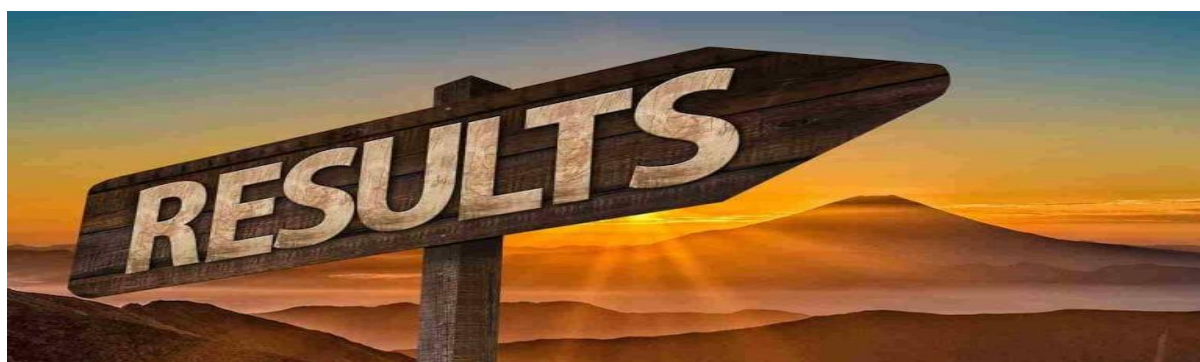
During the 1970s and 1980s, the company shifted its focus to new opportunities in the IT and computing industry, which was at a nascent stage in India at the time. On 7 June 1977, the name of the company changed from Western India Vegetable Products Limited, to Wipro Products Limited. In 1982, the name was changed again, from Wipro Products Limited to Wipro Limited. In 1999, Wipro was listed on the [New York Stock Exchange](#). In 2004, Wipro became the second Indian IT company to earn US\$1 billion in annual revenue.

Wipro's equity shares are listed on Bombay Stock Exchange, where it is a constituent of the BSE SENSEX index, and the National Stock Exchange of India where it is a constituent of the NIFTY 50. The American Depositary Shares of the company are listed on the New York Stock Exchange (NYSE) since October 2000.

Hindustan Computers Limited (HCL) –HCL Technologies Limited, d/b/a HCLTech (formerly Hindustan Computers Pvt. Limited), is an Indian multinational information technology (IT) services and consulting company headquartered in Noida. The founder of HCLTech is Shiv Nadar. It emerged as an independent company in 1991 when HCL entered the software services business. The company has offices in 52 countries and over 225,944 employees.

HCLTech is on the Forbes Global 2000 list. It is among the top 20 largest publicly traded companies in India with a market capitalization of ₹281,209 crore as of March 2022. It is one of the top Big Tech (India) companies.

In 1976, a group of eight engineers, all former employees of Delhi Cloth & General Mills, led by [Shiv Nadar](#), started a company that would make personal computers.^{[13][14]} Initially floated as Micro comp Limited, Nadar and his team (which also included Arjun Malhotra, [Ajai Chowdhry](#), D.S. Puri, Yogesh Vaidya and Subhash Arora) started selling tele digital calculators to gather capital for their main product. On 11 August 1976, the company was renamed Hindustan Computers Limited (HCL).^[15] The company originally was focused on hardware but, via HCL Technologies, software and services became a focus.



Tata Consultancy Services (TCS), **Infosys**, **Wipro**, and **HCLTech**, the top four Indian IT companies, all reported positive to mixed numbers for the second quarter, which ended on September 30

Despite worries about an impending recession, inflation, US H-1B visa delays, a toughening environment in major markets like India, north America, the UK, and Europe, and delays in hiring freshers, the IT sector showed resilience this quarter as demand stayed stable.

	TCS	Infosys	Wipro	HCLTech
Revenue	\$6.87 billion	\$4.5 billion	\$2.8 billion	\$3.08 billion
QoQ USD Revenue Growth	1.20%	3%	2.30%	1.90%
Operating Margins	24%	21.50%	15.10%	18%
Total Contract Value	\$8.1 billion	\$2.7 billion	\$725 million	\$2.38 billion
Net addition	9,840	10,032	605	8,359
Fresher addition	20,000	NA	4,000	10,339
Attrition rate (LTM)	21.50%	27.10%	23%	23.80%

Company	CMP Rs.	P/E	Mar Cap Rs.Cr.	Div Yld%	NP Qtr Rs.Cr.	Qtr Profit Var%	Sales Qtr Rs.Cr.	Qtr Sales Var %	ROCE%
TCS	3350.90	27.46	1226111.52	1.43	11380.00	8.73	59692.00	7.92	58.67
Infosys	1389.05	23.18	576510.82	2.45	6215.00	3.17	38994.00	6.72	40.48
HCL Technologies	1266.25	22.26	343617.84	3.79	3833.00	9.89	26672.00	8.05	28.26
Wipro	383.55	18.09	210606.82	0.26	2667.30	-0.11	22515.90	-0.11	17.70
Company	391.15	24.53	296047.55	2.01	1850.25	5.94	144000.00	3.12	31.19

As you can see, TCS has the highest market capitalization (Mar Cap) of the five companies, at Rs 1226111.52 crore. It also has the highest P/E ratio, at 27.46. This suggests that investors are willing to pay a premium for TCS's shares, as they believe that the company has strong growth potential.

- Infosys has the second-highest market capitalization, at Rs 576510.82 crore. It also has a relatively high P/E ratio, at 23.18. This suggests that Infosys is also seen as a growth stock.
- HCL Technologies has a market capitalization of Rs 343617.84 crore and a P/E ratio of 22.26. Wipro has a market capitalization of Rs 210606.82 crore and a P/E ratio of 18.09.
- In terms of profitability, TCS has the highest net profit (NP) for the quarter, at Rs 11380.00 crore. Infosys has the second-highest NP, at Rs 6215.00 crore. HCL Technologies has an NP of Rs 3833.00 crore, Wipro has an NP of Rs 2667.30 crore.
- TCS also has the highest return on capital employed (ROCE) of the five companies, at 58.67%. Infosys has the second-highest ROCE, at 40.48%. HCL Technologies has a ROCE of 28.26%, Wipro has an ROCE of 17.70%.

Overall, TCS appears to be the strongest of the five companies based on the data provided. However, it is important to note that this is just a snapshot of the companies' financials at a given point in time. It is important to conduct further research before making any investment decisions.

OPERATING MARGINS

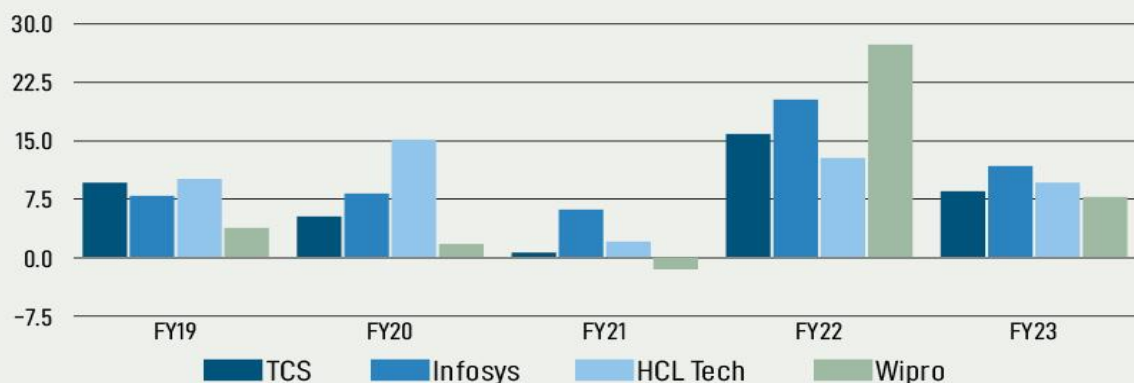
	Q2FY22	Q1FY23	Q2FY23
TCS	25.6	23.1	24
Infosys	23.6	20.1	21.5
Wipro	17.8	15	15.1
HCLTech	19.1	17	18

As you can see, TCS has the highest operating margin of the four companies, at 24.0%. This means that TCS is able to keep 24.0% of every rupee it earns as profit after covering its operating costs. Infosys has the second-highest operating margin, at 21.5%. HCLTech has an operating margin of 18.0%, and Wipro has an operating margin of 15.1%.

Here are some of the key trends that can be observed from the data:

- TCS's operating margin has remained relatively stable over the past year. This suggests that the company is able to manage its costs effectively and is not as affected by economic downturns as some of its competitors.
- Infosys's operating margin has declined slightly over the past year. This could be due to a number of factors, such as increased competition, higher employee costs, or lower project margins.
- HCLTech's operating margin has also declined slightly over the past year. This could be due to similar factors as Infosys.
- Wipro's operating margin has remained relatively flat over the past year. This suggests that the company may be having difficulty improving its profitability.

Top Indian IT Services Companies Growth Rates Over Last Five Years



HCL Tech revenues from FY20 onwards include contribution from products purchased from IBM in \$1.8 billion deal
Wipro's revenues from FY22 onwards include contribution from acquisition of Capco in \$1.45 billion deal
SOURCE: Company websites

CHAPTER-5

CUSTOMER ANALYSIS

CHALLENGE

The information revolution heralded by digitization has spurred customer expectations like never before. Understanding these expectations and drawing strategies to fulfill them is what would determine the success of companies today and in the future. Hence, it becomes important for enterprises to serve customers well, build strong customer relationships, and improve customer experience to retain old customers and attract new ones. For this, companies need in-depth insights into customer data and trends that help formulate successful marketing strategies. The need of the hour is an end-to-end analytics solution that allows enterprises to adopt a customer-centric approach in this hyper-competitive world.

TCS SOLUTION

TCS Customer Experience Analyzer is a complete digital solution that comes with in-built product and service customizations to improve customer experience. The solution studies customer interactions across various touchpoints, such as call centers and networks, and analyzes their preferences and behaviors. It understands customer mindset through their sentiments, feedbacks and complaints to improve loyalty and reduce churn rate.

TCS Customer Experience Analyzer helps enterprises provide a personalized, multichannel, and unified experience to customers. The framework associates this information with existing insights and knowledge from other data sources. The platform is modular, which helps enterprises follow a natural growth plan. It is also fault-tolerant and available both in cloud and on-prem infrastructure.

The two delivery models for Customer Experience Analyzer include:

CONSULTANCY

- Deploys deep domain-level solutions using optimum value-based approach
- Leverages KPI trees and templates for improving customer insights

SERVICES AND ACCELERATORS

- Implements module-based solution powered by data science accelerators
- Uses functional expertise and industry-specific experience for customer satisfaction
- Derives industry-focused and service-based engagement with customers
- Provides a configurable functional system that can be implemented along with other products and solutions.
- Reduces implementation time with prebuilt, library-based AI-ML models

BENEFITS

TCS Customer Experience Analyzer helps enterprises improve overall service delivery to customers and thus enhance loyalty and retention while reducing operational effort and costs. With this platform and allied services, enterprises can:

- Provide a personalized experience to customers with proactive customization
- Save precious time of customers with faster grievance redressal
- Deliver better multi-channel experience to customers at various touchpoints
- Get valuable insights and recommendations on sales versus engagement strategies
- Improve customer retention by more than 10%
- Enhance customer tenure by over 10%
- Reduced operational efforts by more than 15%
- Improve customer value

TCS ADVANTAGE

TCS believes in rendering best-in-class services to customers with industry-leading solutions. By partnering with TCS, enterprises can leverage:

- **Domain knowledge-based consulting:** We provide deep domain expertise by leveraging relevant KPI trees and AI/ML-based accelerators.
- **Valuable partnerships:** We have strategic partners who bring the most recent, cutting edge, and innovative solutions for customer analytics problems.
- **Qualified professionals:** We have more than 5,000 qualified customer analytics professionals capable of solving any problem.
- **Analytics & Insights (A&I) Academy and Center of Excellence:** The TCS A&I Academy and CoE work to bring continuous improvements to the existing solutions

CHAPTER-5

ACTUAL WORK DONE ON INTERNSHIP

Fundamental Analysis



Fundamental analysis is the study of economic, industry and company conditions in an effort to determine the value of a company's share. Fundamental analysis focuses on key statistics in a company's financial statements to determine if the stock price is correctly priced or not. After determining the condition and outlook of the economy, the industry, and the company, the fundamental analyst determines if the company's stock is overvalued, undervalued or correctly priced.

Economic Analysis

Companies are a part of the industry and industry is a part of the overall economy in the first place.

It is important to predict the course of the national economy because economic activities affect the corporate profits, investor attitude and expectations and then ultimately influence the security prices. Thus, if the economy is in recession or stagnation, the performance of the company will be bad in general. On the other hand, industries will be prosperous.

In order to understand about the way in which the economy is performing at a given point of time the factors that determine or have an effect on the economy, has to be analysed.

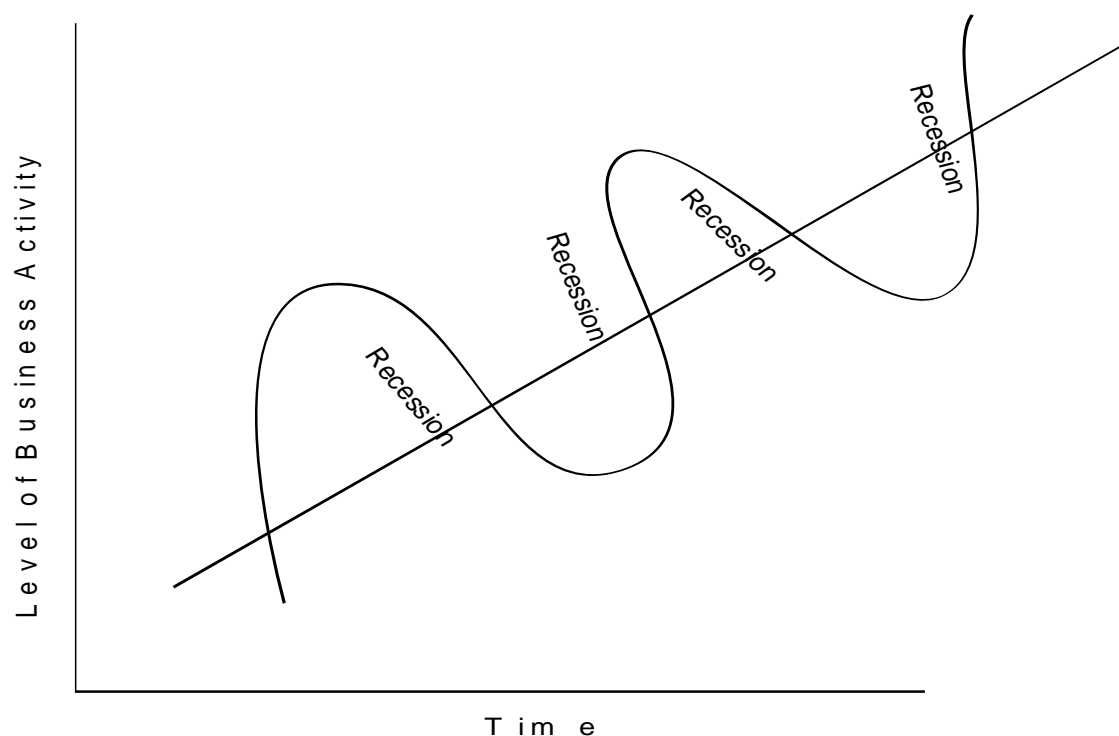
Some of these important factors are as follows:

Monsoon and Agriculture-Over 70% of the Indian population depend on agriculture and it contributes nearly 35% of the output of the economy. Thus, if the monsoon is good and the agricultural income rises, then the demand for industrial products and services will increase and the industry will prosper and grow. On the other hand, if the agricultural production during a year is not good then it will affect industries which in turn will affect the companies.

Govt. Budget – Investment analysis examines the govt. budget to assess its likely impact on the stock market. For example, a favourable budget can be termed as a budget which is a reasonably balanced budget having a tax structure that provides incentives for stock market investment and which has a level of debt that can be serviced comfortably. A favourable budget provides a boost for the stock market. On the other hand, an unfavourable budget is not good for the stock market.

Gross Domestic Product (GDP)- GDP is the market value of all final goods and services produced within a given period of time by the factors of production located within a nation. It is a measure of the economic well-being of any nation.

Business Cycle- A Business Cycle consists of a period of economic expansion followed by a period of economic contraction.



Interest Rates-When interest rates rise, consumers spend less and save more thus lowering corporate sales and profits. Thus, an increase in the interest rates is bearish for the stock market, where as a decrease is bullish.

Fiscal Policy Fiscal Policy is a mechanism for the Govt. to influence the level of GDP in the short run using taxes and the Govt. spending. The expansionary fiscal policy is used to cure the recession. In this policy, the Government. Expenditure increases and the taxes are reduced. Both these measures increase the money supply and thus raise the aggregate demand in the economy. Contractionary fiscal policy, on the other hand, prescribes for a decrease in government expenditure and an increase in the tax rate. This would decrease the money supply leading to a fall in the aggregate demand and the general price level so as to control inflation.

Monetary Policy-Monetary policy regulates the money supply in the economy. It is concerned with the cost and the availability of credit. The broad objective of monetary policy is to establish equilibrium at the full employment level of output and to ensure price stability by controlling inflation and deflation and promote economic growth of an economy.

Balance of Payments –Any nation that transacts with some other nation will either receive or pay a consideration. The record of a nation's transactions in goods, services and assets with the rest of the world is its balance of payments. The balance of payments of any economy must always balance, i.e., the receipts and payments must be equal.

Exchange Rate- Exchange rate is the rate at which one currency is exchanged for another. Like GDP, exchange rates too have an important role to play in a Nation's economy. Any change in the exchange rates will change the imports and exports of the nation, which in turn affect the level of the real GDP and the price level.

Political Stability – Political stability plays a very important role in the investment scenario of any nation. Because when the Govt. changes, the economic policies of any nation may also change. The focus areas of growth may be different for different governments. Thus a stable political system imparts confidence in the mind of the investors that projects in which they have invested will not be changed due to a change in Government. However change in government is not bad, but frequent changes adversely affect the economy along with huge election expenditure.

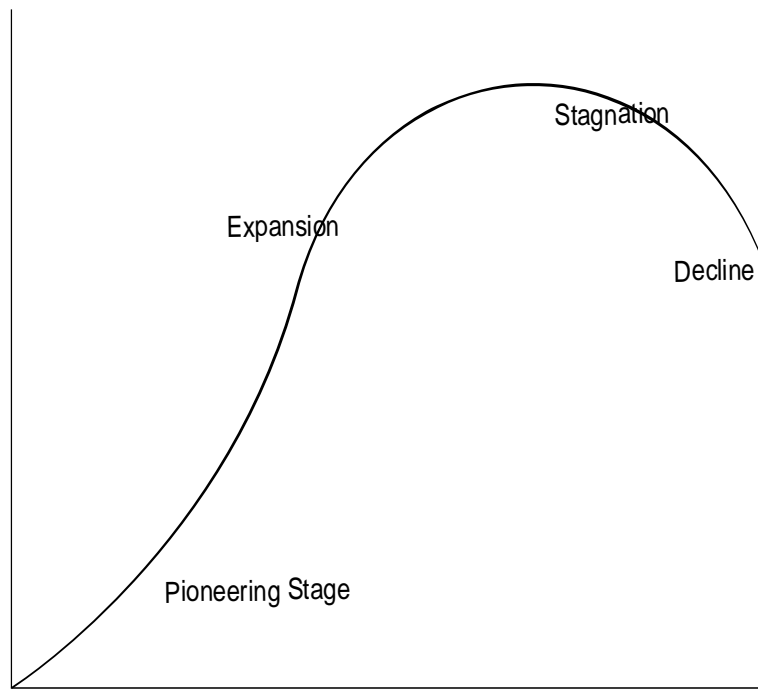
INDUSTRY ANALYSIS

An Industry may be defined as a group of companies that produce or manufacture or supply similar type of goods or services.

Once the overall economic scenario is analysed the next step is to find out specific industries in the economy that are supposed to provide us with maximum return on investment. Industry Analysis not only enables us to find out the high performing industries in the economy but also guides us to determine whether we should remain invested in the industry once selected.

The industry analysis process normally includes conducting a thorough study of its three subheads, namely Structural Framework, Industry Life Cycle and Competitive Environment.

- I. Structural Framework** – The industry analysis should focus on the following major aspects:
- II. Competition**
 - a. market share
 - b. Pricing policy
 - c. Degree of homogeneity
 - d. Entry and exit barriers
 - e. Demand Condition
 - f. Govt.'s attitude towards the industry
 - g. Labour conditions
 - h. Technology and Research
 - i. Permanence
- III. Industry Life Cycle**
 - a. Pioneering Stage
 - b. Expansion Stage
 - c. Stagnation Stage
 - d. Decline Stage



IV. Competitive Environment

- a. Rivalry among existing firms
- b. Threat of new entrants
- c. Bargaining power of Buyers
- d. Bargaining power of Suppliers
- e. Threat of Substitute Products

V. Competitive Environment

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COMPANY ANALYSIS

Even though an Industry might seem to be very competitive, but ultimately it is the capability of the company based on which its performance has to be judged over a period of time. In order to find out the best firms in an Industry, a comparative analysis of the constituent firms in an Industry is made. While making a comparative analysis the following factors are kept in mind.

- a. Competitive position of the Company
- b. Quality of Management
- c. Technology
- d. Product Analysis
- e. Brand Image and Market Share
- f. Marketing Strategy and Tie-ups
- g. Locational Aspects
- h. Raw Material
- i. Dependence on Labour
- j. Company's Investment Strategies
- k. Capacity Utilization
- l. Captive Power Plant

Company Analysis: Qualitative Issues

- Sales Revenue (growth)
- Profitability (trend)
- Product line (turnover, age)
 - ☐ Output rate of new products
 - ☐ Product innovation strategies
 - ☐ R&D budgets
- Pricing Strategy
- Patents and technology

- Organizational performance
 - ❑ Effective application of company resources
 - ❑ Efficient accomplishment of company goals
- Management functions
 - ❑ Planning - setting goals/resources
 - ❑ Organizing - assigning tasks/resources
 - ❑ Leading - motivating achievement
 - ❑ Controlling - monitoring performance
- Evaluating Management Quality
 - ❑ Age and experience of management
 - ❑ Strategic planning
 - Understanding of the global environment
 - Adaptability to external changes
 - ❑ Marketing strategy
 - Track record of the competitive position
 - Sustainable growth
 - Public image
 - ❑ Finance Strategy - adequate and appropriate
 - ❑ Employee/union relations
 - ❑ Effectiveness of board of directors
- Operating efficiency
 - ❑ Productivity
 - ❑ Production function
- Importance of Q.A.
 - ❑ Understanding a company's risks
 - Financial, operating, and business risks

■ Company Analysis: Quantitative Issues

■ Financial Ratio Analysis

- ☐ Past financial ratios
- ☐ With industry, competitors, and

■ Regression analysis

- ☐ Forecast Revenues, Expenses, Net Income
- ☐ Forecast Assets, Liabilities, External Capital Requirements

■ Balance Sheet

- ☐ Snapshot of company's Assets, Liabilities and Equity.

■ Income statement

- ☐ Sales, expenses, and taxes incurred to operate
- ☐ Earnings per share

■ Cash flow statement

- ☐ Sources and Uses of funds

■ Are financial statements reliable?

- ☐ G.A.A.P. vs Cleverly Rigged Accounting Ploys

FINANCIAL ANALYSIS / FUTURE OUT LOOK

Financial Analysis is the process of identifying the financial strengths and weaknesses of a company by properly establishing the relationship between the items of balance sheet, profit and loss account and other financial statements. The most powerful tool of financial analysis is ratio analysis. The mathematical relationship between two accounting figures is known as a ratio. A ratio is used as a benchmark for evaluating the financial position and performance of a firm.

I. Profitability Ratios

- a. $\text{Gross Profit Margin} = \text{Gross Profit} / \text{Sales} \times 100$
- b. $\text{Operating Profit Margin} = \text{EBIT} / \text{Sales} \times 100$
- c. $\text{Net Profit Margin} = \text{PAT} / \text{Sales} \times 100$
- d. $\text{Return on Assets} = \text{PAT} / \text{Total Assets} \times 100$
- e. $\text{Return on Investment} = \text{Total Assets Turnover} \times \text{Net Profit Margin}$
- f. $\text{Return on Equity} = \text{Net Profit} / \text{Equity Share Capital}$
- g. $\text{Return on Capital Employed} = [\text{PAT} / (\text{Equity} + \text{Debt})] \times 100$

II. Leverage Ratios –These ratios explain the long term effects of the business.

- a. $\text{Debt Equity Ratio} = \text{Debt} / \text{Equity}$
- b. $\text{Debt Equity Ratio} = \text{Debt} / (\text{Debt} + \text{Equity})$
- c. $\text{Interest Coverage Ratio} = \text{EBIT} / \text{Interest Expenses}$

III. Liquidity Ratios

- a. $\text{Current Ratio} = \text{Current Assets} / \text{Current Liabilities}$
- b. $\text{Quick Ratio} = \text{Quick Assets} / \text{Current Liabilities}$

IV. Other Ratios

- a. $\text{Earnings per Share} = \text{Net Profit} / \text{No. of Shares}$
- b. $\text{Price Earnings Ratio} = \text{Market Price per Share} / \text{Earnings per Share}$
- c. $\text{Dividend Yield} = (\text{Dividend per Share} / \text{Market Price per Share}) \times 100$

FINDINGS

Analysing the fundamental aspects of Tata Consultancy Services (TCS), Infosys, Wipro, and HCL Technologies in the context of 2023 reveals a mix of trends and challenges that investors should consider.

- **Revenue Growth:** Wipro exhibits a steady increase in revenue, while Infosys and HCL Technologies show a more volatile pattern. TCS demonstrates a consistent upward trend over five years. TCS has shown the strongest revenue growth over the past five years, followed by Infosys, Wipro, and HCL Technologies.
- **Profitability:** TCS and Infosys have the highest profitability margins, better than Wipro and HCL Technologies.
- **Debt Ratio:** HCL Technologies has the highest debt-to-equity ratio, and the Wipro, Infosys, and TCS are lowest debt-to-equity ratio. That was no constant in future it's may be fluctuating.
- **Cash Flow:** TCS has the strongest free cash flow generation, followed by Infosys, Wipro, and HCL Technologies.
- **Price-to-Earnings Ratio (P/E Ratio):** Infosys and HCL Technologies experienced a declining P/E ratio in the first three years, followed by a gradual rise in the subsequent two years. Wipro exhibits a downward trend, while TCS maintains a fluctuating P/E ratio.
- **Valuation:** TCS and Infosys have the highest price-to-earnings ratios, that against of Wipro and HCL Technologies that good for TCS and Infosys.
- **Dividend Distribution Ratio:** TCS, Infosys, and HCL Technologies witnessed a growing dividend distribution ratio for the first four years, followed by a decline. Wipro's dividend distribution ratio fluctuates.
- **Book Value:** Wipro's book value maintains a correlation with incremental yearly increases. HCL Technologies and Infosys initially experienced an increase in book value, but it has declined over the past two years. TCS has shown a steady upward trend.
- **Return on Equity (ROE):** TCS's ROE has been trending downward. Infosys maintains a relatively consistent ROE over the past five years. HCL Technologies and Wipro exhibit an upward trend in the first three years, followed by a downward trend in the past two years.

SUGGESTIONS

- Consider Wipro's steady revenue growth and Infosys's consistent ROE when making investment decisions.
- Be aware of the volatile trends in some financial metrics, such as P/E ratio and dividend distribution ratio, exhibited by HCL Technologies and Wipro.
- I recommend that you consider investing in TCS stock. The company is well-positioned to benefit from the continued growth of the IT services market, and it is a sound investment for long-term investors.
- TCS is Strong increase in profit year-on-year basis.
- Increasing EPS indicate good earnings for TCS.
- Increase in sharing profit with shareholders in form of dividend as considered to invest TCS .
- TCS is expanding its footholds on international level also; its insurance and asset management business are also performing well.
- TCS is the one of largest companies in the IT industry. The net worth of TCS is high.
- Carefully evaluate TCS's recent downward trend in ROE before investing.

■ Looking for TCS point of view:

- TCS should continue to focus on its large client base and strong brand reputation.
- The company should invest in research and development to maintain its technological edge.
- The TCS companies should focus on innovation and developing new products and services.
- TCS should expand its offerings into new areas such as digital marketing and analytics.
- TCS has a strong financial track record with consistent growth in revenue, profits, and margins. The company has a healthy balance sheet with low debt levels and a strong cash flow position.
- The companies should maintain strong corporate governance practices.
- It is recommended to buy and hold undervalued shares, such as Wipro, TCS and Infosys, as their share prices tend to rise in the future.
- It is proposed to sell overvalued shares such as HCL Technologies, as the share price tends to fall in the future.

Overall:

The IT sector is expected to continue to grow in the coming years, driven by demand for digital transformation services. TCS, Infosys, Wipro, and HCL Technologies are all well-positioned to benefit from this growth. However, investors should carefully consider each company's individual financial metrics and risk profile before making investment decisions. Investing in an action alone is not suggested because returns may not always be favourable. Each investor is advised to conduct an in-depth analysis of the capital market, business and industry before making investment decisions.

FOR INVESTOR:

- Investor need to be focus on the all-related factor of the fundamental analysis which is concluding in the company`s Portfolio.
- Fundamental analysis is just a scenario of the Company that had been showing by numbers but investor have found the Vision or mission of the company which is pick by their self.
- Investor has to educate their self to analysing company by their self and aware about the fake recommendation toward the market.
- If the fair market value is higher than the market price, the stock is deemed to be undervalued and a buy recommendation is given.
- In contrast, technical analysts ignore the fundamentals in favour of studying the historical price trends of the stock.
- Investor should know to how to find a better industry for future portfolio and analyse with proper comparison.
- The IT sector is expected to continue to grow in the coming years, driven by demand for digital transformation services. TCS, Infosys, Wipro, and HCL Technologies are all well-positioned to benefit from this growth. However, investors should carefully consider each company's individual financial metrics and risk profile before making investment decisions.

CONCLUSION

India's information technology sector has contributed significantly to the growth of India's economy in terms of gross domestic product, job production and foreign exchange earnings. In the Indian context, the electricity SERVICES industries contribute significantly to India's GDP. According to the study, Wipro, TCS, Infosys is undervalued because its intrinsic value is greater than its market value and suggested buying the stock because the price of the same could increase in the future. On the other hand, HCL Technologies is overvalued because its market value is higher and prefers to sell the stock because the share price may fall. It is recommended for every investor to have IT companies in their portfolio as they are fastest growing in the industry according to Indian background research. In the near future, the number of investors is expected to visit the capital market, increasing the relevance of basic analyses of different sectors. In conclusion, information technology companies are one of the most promising investment platforms in the capital market and in turn offer a significant return on the risk taken by investors

The fundamental analysis on IT sector is a very relevant topic on account of the increased investor interest in IT industry. There is always a need to study and analyse a share before investing in the share market. Investor can arrive at rational decisions and avoid unnecessary losses if they make a fundamental analysis of the stocks.

Nowadays majority of the stock brokers use this technique, along with the others to advice clients on investment matters. The project study proved fruitful as it opened my eyes to the reality of stock market. The analysis of the stocks under study and the prospective returns from each was very useful. Though the return from some shares will be satisfactory, there is an increased need on the part of the investor or the portfolio manager to study the associated risk.

The study gives several insights into the stock market but it is not decisive in nature. The calculations are based on past figures which have already happened and become a part of history. The economy is uncertain and a rational investor should incorporate several other aspects before taking an investment decision

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