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FUNDAMENTAL ANALYSIS OF LEADING INFORMATION TECHNOLOGY ENTERPRISES ON THE NATIONAL STOCK EXCHANGE IN INDIA

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Abstract

This research aims to assist investors in making informed stock market decisions by leveraging fundamental analysis, a technique that analyze the company's performance through its core financial elements. India's stock market presents abundant opportunities for investors due to its advanced infrastructure, with the IT sector being particularly attractive to both domestic and international investors. Despite its appeal, the IT market is often volatile, with significant price fluctuations. Therefore, thorough evaluation of each investment's fundamentals is crucial. This study serves as a comprehensive guide, offering insights on how to determine the intrinsic value of the stocks, with a specific focus on IT companies in India, enabling investors to make prudent and well-informed choices.

Keywords: Fundamental Analysis, NSE, IT Industry, Intrinsic Value.

I. INTRODUCTION

India's Information Technology (IT) sector has emerged as a cornerstone of the nation's economic development, driving innovation, job creation, and global competitiveness. The sector has experienced remarkable growth over the past few decades, propelled by factors such as India's skilled workforce, conducive regulatory environment, and increasing digital adoption worldwide. As a result, IT enterprises listed on the National Stock Exchange (NSE) have garnered significant attention from investors seeking exposure to this high-growth industry.

The Indian IT sector's journey has been characterized by continuous adaptation to technological advancements, evolving market dynamics, and global economic shifts. From the early days of software services outsourcing to the current era of digital transformation and cloud computing, IT companies have navigated through various challenges and opportunities to maintain their leadership positions in the global market.

Moreover, India's IT industry has demonstrated resilience in the face of adversity, weathering challenges such as the global financial crisis of 2008 and the recent disruptions caused by the

COVID-19 pandemic. This resilience underscores the sector's robust fundamentals and its ability to innovate and thrive even in uncertain times.

Fundamental analysis is a tool which is used to determine a security's value by focusing on essential factors that affect a company's actual business. An investor can use the fundamental analysis on industries or the economy as a whole. The primary goal of fundamental analysis is to describe the nature of an economy, industry and company that an investor can compare with the securities, with the aim of figuring out what sort of position to take with that security in the future[1]. Fundamental analysis, as the cornerstone of investment evaluation, encompasses a multifaceted approach to assessing the intrinsic value of a company's stock. It involves a comprehensive examination of qualitative and quantitative factors, such as ratio analysis, financial statement scrutiny, market dynamics assessment, and industry trend evaluation.

By undertaking a rigorous fundamental analysis of leading IT enterprises on the NSE, this research aims to contribute to the existing body of knowledge on the Indian IT sector. It seeks to uncover patterns, trends and vital fundamental aspects, providing stakeholders with actionable insights to make informed investment decisions and strategic choices.

II. LITERATURE REVIEW

Paula Liugita, Syafira Salsabilla, and Meythi (2024)conducted a comprehensive investigation into investment decision-making in their "Fundamental Analysis and Technical Analysis in Investment Decision Making", focusing on fundamental and technical analyses utilizing stock data spanning 2019 to 2022. Their study delves into the fluctuations of key metrics such as EPS, PER, ROE, and ROA for stocks like BUKA, GOTO, EMTK, and SIDO, elucidating dynamic shifts in company performance.

Nitesh Kumar Jha (2024) "The Impact of Fundamental Analysis in the IT Industry before Investing: A Comparative Study on Wipro, TCS, and Infosys "encompasses the various fundamental aspects like ratios, trends, etc. and insights of the selected IT companies of India – Wipro, TCS and Infosys.

Yevi Dwitayanti, Artisan Juliadi, A.Ratna Sari Dewi (2023) in their study, "Stock Fundamental Analysis and Investment Decision Making," investigate the relationship between fundamental analysis and decision-making, with a specific focus on the Indonesian stock market. Their research delves into how fundamental analysis informs investment decisions within this market context.

J. Hema and V. Ariram (2016) "Fundamental Analysis with special reference to pharmaceutical companies listed in NSE" this research paper introduces fundamental analysis as a pivotal tool for assessing a security's value by delving into critical factors impacting a company's actual business performance.

Veliota Drakopoulou's (2015) article titled "A Review of Fundamental and Technical Stock Analysis Techniques" contributes significantly to the literature on fundamental analysis in stock markets. The research delves into the core principles of fundamental analysis, emphasizing its pivotal role in investment decision-making. Drakopoulou highlights the comprehensive nature of fundamental analysis, which involves scrutinizing financial statements and conducting quantitative assessments to gauge a company's financial health and future prospects.

Amsaveni and Gomathi's (2013) study on "Fundamental Analysis of Selected FMCG Companies in India" provides a thorough examination of leading FMCG companies' financial performance in the Indian market. Through rigorous analysis of key financial indicators, the study offers insights into operational efficiency, profitability, and growth prospects within the FMCG sector.

Jeffery Abarbanell and Brain Bushee (1977) "Fundamental Analysis, Future Earnings and Stock Prices", in their study examined the relationship between accounting based fundamental signals and future earnings of security prices. They applied multiple regression analysis to analyze the data. The study found that investors are not completely relying on the information given by the analyst.

STATEMENT OF PROBLEM

The literature on fundamental analysis of IT companies listed on the NSE highlights its importance for investors, yet a notable gap exists in the absence of calculated valuations in many studies. Relative valuation methods, which compare a company's valuation metrics to those of its industry peers, are often overlooked. Integrating relative valuation techniques would not only address this gap but also offer a complementary perspective on stock pricing dynamics. By considering market sentiment and industry comparable, this study aims to enhance the understanding of investment decision-making processes for IT companies listed on the NSE.

This study also aims to bridge this gap by conducting a thorough fundamental analysis of leading IT enterprises on the NSE. By systematically examining financial indicators, market dynamics, and industry trends, it seeks to provide stakeholders with actionable insights to inform investment decisions and foster the sector's sustainable growth.

S OF STUDY

- To analyze the financial performance of selected leading IT companies listed on NSE.
- To determine the intrinsic value of the stocks of the chosen IT enterprises to understand the stock is overvalued or undervalued.
- To compare and contrast the financial and market performance of the selected IT companies over a specified period to recommend for better choice of investment.

III. RESEARCH METHODOLOGY

In this study, we primarily rely on secondary data sources. These include information gathered from the internet, official websites of the companies under scrutiny, their balance sheets, annual reports, as well as press releases. Fundamental tools are used to analyze the data of selected five IT sector companies.

SCOPE OF STUDY

This study includes identifying the top five IT sector companies trading on the NSE by market capitalization as of April 2024. Companies meeting this criterion will be chosen for inclusion in the study.

- IT – Software Companies listed on NSE.
- Availability of Data for the period of 5 years.

IV. DATA ANALYSIS

Economic Analysis

Global Economy-According to the IMF report of 2024, global growth is anticipated to reach 3.1 percent in 2024 and 3.2 percent in 2025. This projection for 2024 is 0.2 percentage points higher compared to the October 2023 World Economic Outlook (WEO), primarily attributed to the greater resilience observed in the United States and several significant emerging market and developing economies, alongside fiscal support measures in China. However, the forecast for 2024–25 falls short of the historical average of 3.8 percent recorded between 2000 and 2019. The subdued growth outlook is attributed to elevated central bank policy rates aimed at curbing inflation, the withdrawal of fiscal support amid high debt levels, and sluggish underlying productivity growth. Across regions, inflation is declining more rapidly than anticipated, driven by the resolution of supply-side issues and the implementation of restrictive monetary policies. The IMF predicts that global headline inflation will decrease to 5.8 percent in 2024 and further decline to 4.4 percent in 2025, with a downward revision for the 2025 forecast.

Indian Economy-According to a report by the UN, the Indian economy is anticipated to grow by 6.5 percent in 2024, maintaining its position as the fastest-growing major economy globally. The report, released by the UN Trade and Development (UNCTAD), highlighted that India grew by 6.7 percent in 2023, driven by robust public investment outlays and the vitality of the services sector. This growth was further supported by strong local demand for consumer services and external demand for the country's business services exports. The UNCTAD report emphasized the increasing focus of multinationals on India as a manufacturing base to diversify their supply chains, particularly in light of developments in China. The outlook suggests that this trend will positively impact Indian exports, while moderating commodity prices are expected to benefit the country's import bill. The report also highlighted the growing interest in investment in South Asia, especially in India, as multinationals view the country as an alternative manufacturing base amidst supply chain diversification strategies. However, economic growth in other Southern Asian countries remains subdued, with some countries under IMF programs that necessitate tight monetary policies and fiscal austerity measures.

Industry Analysis

In the latest forecast by Gartner, it's projected that global IT spending will soar to a staggering $5 trillion in 2024, marking a substantial 6.8 percent increase from the previous year. Despite a slight downturn from the previous quarter's forecast of 8 percent growth, the IT services sector stands out as the largest segment within this colossal expenditure. Anticipated to surge by 8.7 percent in 2024, reaching a monumental $1.5 trillion, this growth is underpinned by enterprises' strategic investments in organizational efficiency and optimization projects, deemed essential amidst the prevailing economic uncertainty.

With respect to Indian IT sector, in 2024, IT spending in India is projected to experience a substantial double-digit growth of 11.1 percent, reaching a total of $138.6 billion, up from $124.7 billion in the previous year. This growth aligns with the global trend, as worldwide IT spending is forecasted to reach $5 trillion in 2024, reflecting a 6.8 percent increase from 2023. In contrast, the overall IT spending growth rate for 2023 was a modest 3.3 percent, indicating a mere 0.3 percent increase from the previous year, largely attributed to change fatigue among Chief Information Officers (CIOs). However, momentum is anticipated to rebound in 2024, with overall IT spending projected to increase by 6.8 percent, as per research firm Gartner Inc.

Company Analysis

Examining the financial performance of chosen companies is crucial for assessing their profitability and gauging potential risks and returns for investors. Understanding key metrics like EPS, Debt to Equity, P/E ratio, Return on Equity, and Dividend Payout Ratio aids in this analysis.

- ***RETURN ON EQUITY***

Return on equity (ROE) measures a company's profitability by indicating how much profit it generates with shareholder equity, providing insight into management's efficiency in utilizing investor funds. It's a key metric for investors assessing a company's financial performance and growth potential. It is calculated by dividing profit after tax by shareholders equity.

Table 1: Return on equity (ROE)

Company	**Mar-2020**	**Mar-2021**	**Mar-2022**	**Mar-2023**	**Mar-2024**	**CAGR**
TCS	38.57%	37.67%	43.13%	46.78%	50.94%	7.20%
Infosys	25.42%	25.44%	29.39%	31.97%	29.79%	4.04%
HCL tech	21.57%	18.64%	21.84%	22.70%	23.01%	1.64%
Wipro	17.66%	19.80%	18.72%	14.63%	14.91%	-4.15%
LTIMindtree	28.14%	26.54%	27.65%	26.58%	22.90%	-5.01%

Source: Secondary data

Table 1 shows the positive CAGR for TCS, Infosys and HCL Tech where TCS outperforms other four peers. While Wipro and LTIMindtree shows negative CAGR.

- ***DEBT TO EQUITY***

The debt-to-equity ratio compares a company's total debt to its shareholders' equity, providing insight into its financial leverage and risk. Investors use this ratio to assess a company's solvency and financial health.

Table 2: Debt to Equity Ratio

Company	**Mar-2020**	**Mar-2021**	**Mar-2022**	**Mar-2023**	**Mar-2024**	**CAGR**
TCS	9.72%	9.02%	8.77%	8.50%	8.86%	-2.27%
Infosys	7.08%	6.97%	7.26%	11.01%	9.49%	7.59%
HCL tech	15.58%	11.46%	10.24%	7.33%	8.43%	-14.22%
Wipro	17.58%	19.04%	26.90%	22.49%	22.09%	5.88%
LTIMindtree	16.87%	10.93%	1.80%	2.13%	10.34%	-11.52

Source: Secondary Data

Table 2 Shows the Debt-to-equity ratio of all five companies and among these companies only two companies – Infosys and Wipro have increased their debt with respect to the equity. Other three TCS, Infosys and LTIMindtree shows negative CAGR showing reducing burden of debt in the capital structure.

- ***EARNING PER SHARE***

EPS is a key measure of a company's profitability, calculated by dividing its net income by the number of outstanding shares. Investors use EPS to gauge a company's earnings potential and performance on a per-share basis.

Table 3: Earning Per Share (EPS in Rs)

Company	**Mar-2020**	**Mar-2021**	**Mar-2022**	**Mar-2023**	**Mar-2024**	**CAGR**
TCS	86.5	88.0	105.1	115.6	127.4	10.18%
Infosys	39.1	45.6	52.6	58.1	63.2	12.79%
HCL tech	40.7	41.2	49.8	54.7	57.9	9.18%
Wipro	17.1	19.8	22.3	20.7	21.3	5.60%
LTIMindtree	87.3	110.9	225.3	149.1	154.8	15.38%

Source: Secondary Data

Table 3 shows the EPS of LTIMindtree is leading with highest CAGR in past five years followed by Infosys and TCS. HCL tech and Wipro are slightly lower CAGR in past five years.

- ***PRICE TO EARNINGS RATIO***

The price-to-earnings (P/E) ratio is a valuation metric used to evaluate a company's stock price relative to its earnings per share (EPS). It's calculated by dividing the current market price of a share by its EPS. The P/E ratio provides insights into investor sentiment, growth prospects, and the relative attractiveness of a stock compared to others in the market.

Table 4: Price-to-Earnings Ratio(P/E Ratio)

Company	**Mar-2020**	**Mar-2021**	**Mar-2022**	**Mar-2023**	**Mar-2024**	**CAGR**
TCS	21.12	36.10	35.59	27.73	30.42	9.56%
Infosys	16.42	30.01	36.22	24.57	23.69	9.60%
HCL tech	10.71	23.88	23.35	19.84	26.66	25.61%
Wipro	11.50	20.88	26.50	17.63	22.58	18.37%
LTIMindtree	16.36	36.56	27.32	31.92	31.91	18.17%

Source: Secondary Data.

Table 4 of the study shows the Price to Earnings ratio of all selected companies. Among which HCL Technologies showing the highest CAGR followed by Wipro and LTIMindtree. TCS and Infosys are lagging in PE ratio CAGR.

- ***NET PROFIT MARGIN***

Net profit margin is a profitability ratio that measures a company's ability to generate profit from its revenue. It is calculated by dividing net income by total revenue and multiplying by 100 to express the result as a percentage. Net profit margin indicates how much of each rupee in revenue translates into profit after all expenses are deducted. It's a crucial metric for evaluating a company's operational efficiency and financial health.

Table 5: Net Profit Margin

Company	**Mar-2020**	**Mar-2021**	**Mar-2022**	**Mar-2023**	**Mar-2024**	**CAGR**
TCS	20.67%	19.83%	20.05%	18.76%	19.14%	-1.19%
Infosys	18.33%	19.33%	18.21%	16.43%	17.08%	-1.74%
HCL tech	15.64%	14.82%	15.79%	14.63%	14.29%	-2.23%
Wipro	15.98%	17.55%	15.44%	12.56%	12.38%	-6.19%
LTIMindtree	13.98%	15.67%	15.13%	13.29%	12.91%	-1.97%

Source: Secondary Data

Table 5 shows fluctuating net profit margin of all five companies resulting in negative CAGR for all the companies. But all the companies have stable net profit margin. Among all the companies, TCS Net profit margin is on higher side compared to others showing good profit generation with respect to revenue.

COMPARABLE COMPANY VALUATION

Comparable company valuation assesses a company's worth by comparing it to similar publicly traded firms based on key financial metrics like P/E ratio, EV/EBITDA, or EV/Revenue ratio, providing insights for investors for getting fair value or intrinsic value of company.

Table 6: Comparable Company Valuation of TCS

Company	Market Data						Financials			Valuation		
	Ticker	**Share Price**	**Shares Outstanding**	**Equity Value**	**Net Debt**	**Enterprise Value**	**Revenue**	**EBITDA**	**Net Income**	**EV/ Revenue**	**EV/ EBITDA**	**P/E**
TCS	TCS	3,826	362	1,384,357	-5,265	1,379,088	240,893	68,700	46,099	5.72 x	20.07x	30.03 x
Infosys	INFY	1,411	415	585,796	-6,427	579,364	153,670	41,136	26,248	3.77 x	14.08x	22.32 x
HCL Technologies	HCLTECH	1,448	271	392,808	-9,456	383,347	108,020	25,476	15,696	3.55 x	15.05x	25.03 x
Wipro	WIPRO	453	523	236,575	6,770	243,343	89,760	19,383	11,112	2.71 x	12.55x	21.29 x
LTIMindtree	LTIM	4,661	30	138,045	-1,190	136,839	35,315	7,016	4,598	3.87 x	19.50x	30.02 x
Tech Mahindra	TECHM	1,194	98	116,596	-1,641	114,950	52,842	6,063	2,858	2.18 x	18.96x	40.80 x
Persistent Systems	PERSISTENT	3,885	15	59,824	-348	59,495	9,486	1,744	1,030	6.27 x	34.12x	58.10 x
High										6.3x	34.1x	58.1x
75th Percentile										2.2x	12.6x	21.3x
Average										**4.0x**	**19.2x**	**32.5x**
Median										**3.8x**	**19.0x**	**30.0x**
25th Percentile										2.2x	12.6x	21.3x
Low										2.2x	12.6x	21.3x
TCS										**EV/ Revenue**	**EV/ EBITDA**	**P/E**
Implied Enterprise Value										908,211	1,302,460	1,384,028
Net Debt										-5265	-5265	-5265
Implied Market										913,476	1,307,72	1,389,293

Value											5	
Shares Outstanding										361.81	361.81	361.81
Implied Value Per Share										**₹ 2,524.7**	**₹ 3,614.4**	**₹ 3,839.8**
										Over-valued	**Over-valued**	**Under-valued**

Table 6 of this study, which is calculated value shows the relative valuation of TCS company, this analysis shows that TCS is overvalued by EV/Revenue and EV/EBITDA multiple and undervalued by P/E multiple.

Table 7: Comparable Company Valuation of Infosys

Company	**Market Data**						**Financials**			**Valuation**		
	Ticker	**Share Price**	**Shares Outstanding**	**Equity Value**	**Net Debt**	**Enterprise Value**	**Revenue**	**EBITDA**	**Net Income**	**EV/ Revenue**	**EV/ EBITDA**	**P/E**
TCS	TCS	3,826	362	1,384,357	-5,265	1,379,088	240,893	68,700	46,099	5.72x	20.07x	30.03x
Infosys	INFY	1,411	415	585,796	-6,427	579,364	153,670	41,136	26,248	3.77x	14.08x	22.32x
HCL Technologies	HCLTECH	1,448	271	392,808	-9,456	383,347	108,020	25,476	15,696	3.55x	15.05x	25.03x
Wipro	WIPRO	453	523	236,575	6,770	243,343	89,760	19,383	11,112	2.71x	12.55x	21.29x
LTIMindtree	LTIM	4,661	30	138,045	-1,190	136,839	35,315	7,016	4,598	3.87x	19.50x	30.02x
Tech Mahindra	TECHM	1,194	98	116,596	-1,641	114,950	52,842	6,063	2,858	2.18x	18.96x	40.80x
Persistent Systems	PERSISTENT	3,885	15	59,824	-348	59,495	9,486	1,744	1,030	6.27x	34.12x	58.10x
High										6.3x	34.1x	58.1x
75th Percentile										2.2x	12.6x	21.3x
Average										**4.0x**	**19.2x**	**32.5x**
Median										**3.8x**	**19.0x**	**30.0x**

25th Percentile										2.2x	12.6 x	21.3x
Low										2.2x	12.6 x	21.3x
Infosys										**EV/ Revenue**	**EV/ EBITDA**	**P/E**
Implied Enterprise Value										579, 364	779, 884	788,0 42
Net Debt										-6,42 7	-6427	-6427
Implied Market Value										585, 791	786, 311	794,4 69
Shares Outstanding										415	415	415
Implied Value Per Share										**₹ 1,41 1.2**	**₹ 1,89 4.3**	**₹ 1,914 .0**
										Fairly-valued	**Under-valued**	**Under-valued**

Data Source: Screener.in

Table 7 of this study, which is calculated in excel shows the relative valuation of Infosys company, this analysis shows that Infosys can be said fairly valued by EV/Revenue and undervalued by EV/EBITDA and P/E multiple.

Table 8: Comparable Company Valuation of HCL Technologies

Company	**Market Data**						**Financials**			**Valuation**		
	Ticker	**Share Price**	**Shares Outstanding**	**Equity Value**	**Net Debt**	**Enterprise Value**	**Revenue**	**EBITDA**	**Net Income**	**EV/ Revenue**	**EV/ EBITDA**	**P/E**
TCS	TCS	3,826	362	1,384, 357	-5,26 5	1,379, 088	240, 893	68,7 00	46,09 9	5.72 x	20.0 7x	30.03 x
Infosys	INFY	1,411	415	585,7 96	-6,42 7	579,36 4	153, 670	41,1 36	26,24 8	3.77 x	14.0 8x	22.32 x
HCL Technologies	HCLTECH	1,448	271	392,8 08	-9,45 6	383,34 7	108, 020	25,4 76	15,69 6	3.55 x	15.0 5x	25.03 x
Wipro	WIPRO	453	523	236,5 75	6,77 0	243,34 3	89,7 60	19,3 83	11,11 2	2.71 x	12.5 5x	21.29 x

LTIMindtree	LTIM	4,661	30	138,045	-1,190	136,839	35,315	7,016	4,598	3.87x	19.50x	30.02x
Tech Mahindra	TECHM	1,194	98	116,596	-1,641	114,950	52,842	6,063	2,858	2.18x	18.96x	40.80x
Persistent Systems	PERSISTENT	3,885	15	59,824	-348	59,495	9,486	1,744	1,030	6.27x	34.12x	58.10x
High										6.3x	34.1x	58.1x
75th Percentile										2.2x	12.6x	21.3x
Average										**4.0x**	**19.2x**	**32.5x**
Median										**3.8x**	**19.0x**	**30.0x**
25th Percentile										2.2x	12.6x	21.3x
Low										2.2x	12.6x	21.3x
HCL Technologies										**EV/Revenue**	**EV/EBITDA**	**P/E**
Implied Enterprise Value										407,255	482,991	471,240
Net Debt										-9,456	-9456	-9456
Implied Market Value										416,711	492,447	480,696
Shares Outstanding										271.37	271.37	271.37
Implied Value Per Share										**₹ 1,535.6**	**₹ 1,814.7**	**₹ 1,771.4**
										Under-valued	**Under-valued**	**Under-valued**

Data Source: Screener.in

Table 8 of this study, which is calculated in excel shows the relative valuation of HCL Technologies company, this analysis shows that HCL tech is undervalued by all the multiples i.e. EV/Revenue, EV/EBITDA and P/E multiple.

Table 9: Comparable Company Valuation of Wipro

Company	**Market Data**						**Financials**			**Valuation**		
	Ticker	**Share Price**	**Shares Outstanding**	**Equity Value**	**Net Debt**	**Enterprise Value**	**Revenue**	**EBITDA**	**Net Income**	**EV/ Revenue**	**EV/ EBITDA**	**P/E**
TCS	TCS	3,826	362	1,384,357	-5,265	1,379,088	240,893	68,700	46,099	5.72x	20.07x	30.03x
Infosys	INFY	1,411	415	585,796	-6,427	579,364	153,670	41,136	26,248	3.77x	14.08x	22.32x
HCL Technologies	HCLTECH	1,448	271	392,808	-9,456	383,347	108,020	25,476	15,696	3.55x	15.05x	25.03x
Wipro	WIPRO	453	523	236,575	6,770	243,343	89,760	19,383	11,112	2.71x	12.55x	21.29x
LTIMindtree	LTIM	4,661	30	138,045	-1,190	136,839	35,315	7,016	4,598	3.87x	19.50x	30.02x
Tech Mahindra	TECHM	1,194	98	116,596	-1,641	114,950	52,842	6,063	2,858	2.18x	18.96x	40.80x
Persistent Systems	PERSISTENT	3,885	15	59,824	-348	59,495	9,486	1,744	1,030	6.27x	34.12x	58.10x
High										6.3x	34.1x	58.1x
75th Percentile										2.2x	12.6x	21.3x
Average										**4.0x**	**19.2x**	**32.5x**
Median										**3.8x**	**19.0x**	**30.0x**
25th Percentile										2.2x	12.6x	21.3x
Low										2.2x	12.6x	21.3x
Wipro										338,413	367,481	333,618
Implied Enterprise Value										6,770	6,770	6,770
Net Debt										331,643	360,712	326,848

Implied Market Value										523	523	523
Shares Outstanding										338,413	367,481	333,618
Implied Value Per Share										**₹ 634.7**	**₹ 690.3**	**₹ 625.5**
										Under-valued	**Under-valued**	**Under-valued**

Data Source: Screener.in

Table 9 of this study shows the relative valuation of Wipro, this analysis shows that Wipro is undervalued by all the multiples i.e. EV/Revenue, EV/EBITDA and P/E multiple.

Table 10: Comparable Company Valuation of LTIMindtree

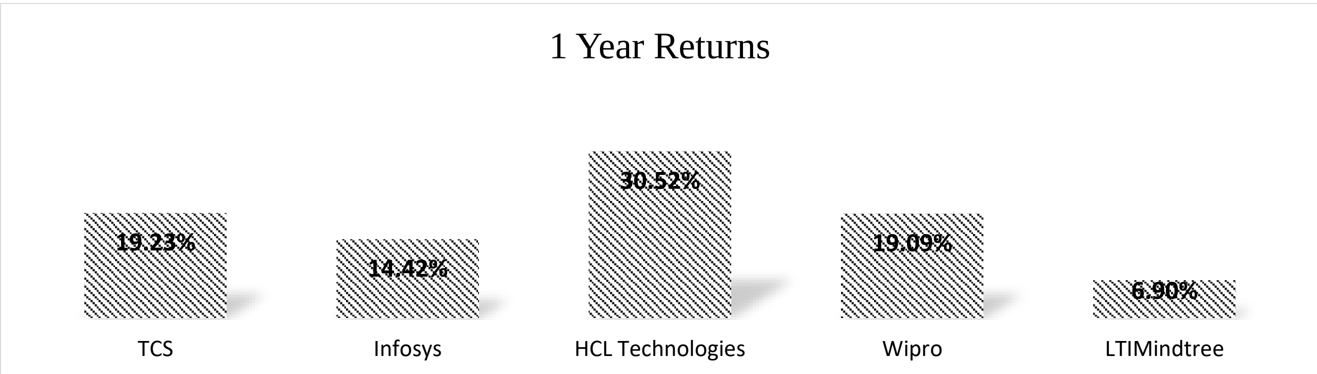
Company	**Market Data**						**Financials**			**Valuation**		
	Ticker	**Share Price**	**Shares Outstanding**	**Equity Value**	**Net Debt**	**Enterprise Value**	**Revenue**	**EBITDA**	**Net Income**	**EV/ Revenue**	**EV/ EBITDA**	**P/E**
TCS	TCS	3,826	362	1,384,357	-5,265	1,379,088	240,893	68,700	46,099	5.72x	20.07x	30.03x
Infosys	INFY	1,411	415	585,796	-6,427	579,364	153,670	41,136	26,248	3.77x	14.08x	22.32x
HCL Technologies	HCLTECH	1,448	271	392,808	-9,456	383,347	108,020	25,476	15,696	3.55x	15.05x	25.03x
Wipro	WIPRO	453	523	236,575	6,770	243,343	89,760	19,383	11,112	2.71x	12.55x	21.29x
LTIMindtree	LTIM	4,661	30	138,045	-1,190	136,839	35,315	7,016	4,598	3.87x	19.50x	30.02x
Tech Mahindra	TECHM	1,194	98	116,596	-1,641	114,950	52,842	6,063	2,858	2.18x	18.96x	40.80x
Persistent Systems	PERSISTENT	3,885	15	59,824	-348	59,495	9,486	1,744	1,030	6.27x	34.12x	58.10x
High										6.3x	34.1x	58.1x
75th Percentile										2.2x	12.6x	21.3x
Average										**4.0x**	**19.2**	**32.5x**

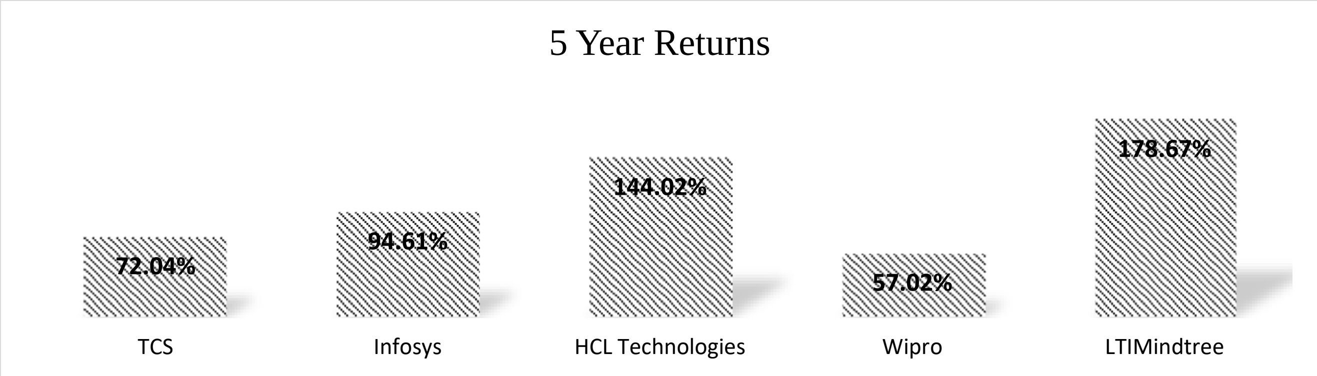
											x	
Median										**3.8x**	**19.0 x**	**30.0x**
25th Percentile										2.2x	12.6 x	21.3x
Low										2.2x	12.6 x	21.3x
LTIMindtree										133,144	133,016	138,045
Implied Enterprise Value										-1,190	-1,190	-1,190
Net Debt										134,334	134,206	139,235
Implied Market Value										29.6	29.6	29.6
Shares Outstanding										133,144	133,016	138,045
Implied Value Per Share										**₹ 4,535.8**	**₹ 4,531.5**	**₹ 4,701.3**
										Over-valued	**Over-valued**	**Under-valued**

Data Source: Screener.in

Table 10 shows the relative valuation of LTIMindtree company, this analysis shows that this company is overvalued by EV/Revenue and EV/EBITDA whereas undervalued by P/E multiple.

RETURNS ANALYSIS





V. FINDINGS AND CONCLUSION

- By evaluating P/E ratio and by relative valuation, HCL Technologies can be the best option to invest and it has also shown positive growth and returns over the past few years across top IT sector companies.
- Over the past five years, TCS, Infosys, and HCL Technologies have notably outshined others, showing impressive growth in both net profit and assets, setting a high bar in financial performance among the top companies.
- From March 2020 to March 2024, Infosys and Wipro saw an increase in their debt-to-equity ratios with CAGRs of 7.59% and 5.88%, indicating rising debt levels. Conversely, HCL Tech and LTIMindtree experienced significant improvements, with CAGRs of -14.22% and -11.52%, respectively, suggesting reduced debt levels.
- While TCS and Infosys displayed an upward trajectory in Price to Earning (PE) ratio from FY20 to FY22, experiencing a slight dip in the subsequent years, HCL Technologies demonstrated a consistent positive trend in PE ratio over the past five years, showcasing its resilience and investor confidence.
- In case of EPS, Wipro has maintained a stable earnings per share (EPS) around Rs. 20, whereas TCS, LTI, Mindtree, and HCL Technologies have exhibited a steady upward trajectory, reflecting a gradual increase in their EPS over time.
- In terms of returns, over the past five years, LTI Mindtree has emerged as the frontrunner in generating the highest returns, closely followed by HCL Technologies. Additionally, in terms of short-term returns, HCL Technologies has notably outperformed the other four companies.

Investment Decision:

- Relative to the industry PE ratio of 29.9 as of April 2024, TCS appears to be fairly valued. However, Infosys and HCL Technologies could be deemed slightly undervalued, along with Wipro, while LTI Mindtree may be considered slightly overvalued based on their respective PE ratios.
- Investment Analysis by Comparable Company Valuation/Relative Valuation:

o **TCS:** <u>Intrinsic value < Market Value</u>

TCS appears to be overvalued as its intrinsic value is lower than its market value evaluated by EV/Revenue and EV/EBITDA multiple. This suggests that the market may be pricing TCS higher than its fundamental worth based on these multiples.

o **Infosys:** <u>Intrinsic value > Market value</u>

Infosys appears undervalued by EV/EBITDA and P/E multiples, and fairly valued by EV/Revenue multiple, making it a potentially good investment option.

o **HCL Technologies:** <u>Intrinsic value > Market value</u>

HCL Technologies is undervalued across all multiples (EV/Revenue, EV/EBITDA, and PE), while its returns have consistently outperformed its peers over the long term as well as short term, making it a compelling choice for investment and good option to buy the stock.

- **Wipro:** Intrinsic value > Market value

Wipro is undervalued by across all selected multiples by Relative valuation.

- **LTIMindtree:** Intrinsic value < Market value

LTIMindtree can be said overvalued by EV/Revenue and EV/EBITDA multiple, so it is not recommended to buy the stock.

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