SUMMER INTERNSHIP FINAL REPORT

EQUITY RESERCH REPORT

on

COMPARATIVE ANALYSIS OF HCL TECH & WIPRO

Submitted to-

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Submitted by-

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Batch- MBA-FT (2019-21)

DATE OF SUBMISSION: 5TH JULY, 2020

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Date of Report: 05-07-2020

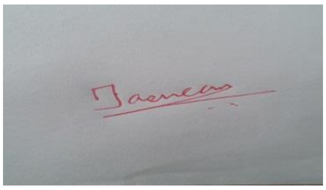
Purpose of the Report: Report for the fulfilment of the Summer Internship 2020 project for the MBA FT 2019-2021 program at Institute of Management, Nirma University

Prepared for: Institute of Management, Nirma University, Ahmedabad.

Submitted to: Prof. Krishna Kanaber, Institute of Management Nirma University, Ahmedabad

DECLARATION

I, Tasneem Lukkawala , hereby declare that this Summer Internship Report is an authentic work done by me. It is to the best of my knowledge and belief. This is to declare that the entire work involved in the completion of this Summer Internship Report such as research and analysis is a profound and honest work of mine.



(Signature)

Tasneem Lukkawala

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ACKNOWLEDGMENT

I deeply acknowledge **Aditya Birla Sun Life Insurance** for providing me with a great internship opportunity which enhanced my professional development and learning.

I would like to thank and express my heartfelt gratitude towards my organisation mentor **Ms. Khyati Patel, senior agency partner. Aditya Birla Sun Life Insurance, Pune,** who inspite of having busy schedule provided me with constant support, guidance and motivation which helped me a lot during my summer internship. I would also like to thank **Mr. Rajat Gupta** (project guide) who always took out time to clear my doubts and guided me immensely throughout the internship period.

I would also like to thank my institute mentor **Prof. Krishna Kanabar** for her insightful suggestions, encouragement and constant guidance in completion of this project work.

I am also thankful to my **fellow interns** at Aditya Birla Sun Life Insurance who provided valuable insights into the real market situation.

Lastly, I am thankful to Institute of Management, Nirma University for providing me such a wonderful opportunity. It was a valuable learning experience for me through my Summer Internship and using all the skills that I had learnt during my First Year of MBA Program

CONTENTS

EXECUTIVE SUMMARY:

This report is written to provide the reader the basic knowledge about Equity Research i.e. what exactly it is, what is its purpose and the process which in followed to carry out the same. This topic was chosen so that a brief research work can be conducted on the equity market and its various sector and among them this particular report focuses on the IT Sector for its research. The IT Sector itself is so vast that it would have been impossible to cover it all in such a small report so to give a brief information about the same 2 companies are chosen from the IT Sector which has the nearby same market capital, PE Ratio etc. These terms may be new for now but the same are explained in the report properly and in the easiest possible language. If we talk about other key take away from this report they are as follow:

- In this report, one will get the economic structure and contribution of various sectors towards the economy.
- How the IT Sector is classified and its analysis using various models like SWOT and Porter 5 forces
- How a company's growth is measured, what are its strengths and how the valuation is done for any company based on various factors
- One will also be able to understand how the technical indicators are used in the analysis of the share market
- How the technical analyst predicts the price or flow of market for next day and when to invest and in which firm using these indicators.

So, this report does cover all the above-mentioned points, which are a small part of a vast ocean which couldn't be penned downed in a report. But the report here is to give its reader a basic knowledge on the various points quoted above and if interested can go for indepth analysis of the market using the indicators provided in this report.

Word count 320

PART B

RESEARCH BASED PROJECT

(1) INTRODUCTION

Equity Research- Equity research is the first and foremost step of the investment process. Equity research basically means analysing the company's financial position, analysing the ratio, forecast the financial i.e. financial modelling, and recommendations with the objective of making buy/sell stock investment decision. Investors have to make various decisions like which company to be invested into, when to sell particular stock, hold or buy stocks and what has to be stop loss etc. The equity researchers analyse stocks to help portfolio managers make better-informed investment decisions.

a) Nature of the problem

The problem statement is that there is a gap of knowledge amongst the people willing to invest in the equity market. Individuals or corporates are devoid of the accurate and adequate information required to take investment decisions due to lack of resources or the capabilities to research each stock. This inadequacy results in inappropriate decision making.

Equity research comes to the rescue by providing vital & reliable information to existing & prospecting investors.

(b) Objectives of the study

- To understand how financial analysis is done in real business world.
- To get a broader view of financial & non -financial aspects to be covered when such comparison is made.
- To get a wide view of the Indian economy and understand the IT sector in detail.
- To apply concepts of financial management, ratio analysis, equity, debt, mutual funds practically.
- To understand how equity research on companies is conducted and its impact on decision making by investors.

(c) Utility of the study

- This research is useful for investors in taking informed decision regarding buying or selling of shares. The report further focuses on 2 companies of the IT sector with the aim to provide the needed information about these stocks.
- Since full data and information related to a stock is never provided by the management due to several issues, this study covers all the relevant information therein.
- Equity analysis reports are made after researching stocks, following the news and market to provide with the accurate data in deciding whether to purchase or sell the stocks
- Also, equity analysis tries to spot the worthy stocks out of the large ocean of stocks and facilitate the buyers to earn profit.

(2) METHODOLOGY

This section covers the approach and the way in which the research has been conducted.

(a) Approach- the approach followed in making of this report is primarily quantitative. Data and facts which are measurable and quantifiable have been used to conduct financial analysis and arrive at conclusions. Quantitative approach emphasises objective measurements and the statistical, mathematical, or numerical analysis of data to take informed decisions.

The process followed for conducting the equity research is described below-

- Select the companies or the sector on which the research has to be conducted. All following steps are concerned with this.
- Once we have the company under consideration, we look at the economic aspects like GDP, growth rates, the market size of the industry and the competition aspects, etc.
- Once we perform the sector analysis, next step is to conduct a financial statement analysis of the historical balance sheet, cash flows and income statement to form an opinion on how the company did in the past.
- Based on management's expectation, historical performances and industry competition, we project the financial statements like the balance sheet, income statement of the company.

- Use the Equity valuation models like discounted cash flow, Relative valuations and then estimating the future price of the shares to decide whether to buy or sell the stock.

(b) Sources of data – the sources of data are mainly secondary. Secondary data means data collected by someone other than the user himself or data taken from already published/displayed sources.

(c) Method of data collection- the secondary data used for the purpose of conducting this research has been collected from sources like-

- Websites namely money control, market mojo, investopedia.com, economic times market , value research and the like
- Companies' websites namely wipro.com and hcltech.com
- Previously constructed equity research reports
- Articles , news clippings related to both the companies

(d) Method of data analysis –

- I have used ratio analysis to study the growth , profitability and other important factors of the companies.
- Next I have taken into consideration the external environment which impacts the business operations of the companies.
- I have also fundamental and technical analysis to study both the companies and compare them at a later stage in the report.

(3) CONTEXT OF INDUSTRY PROBLEM

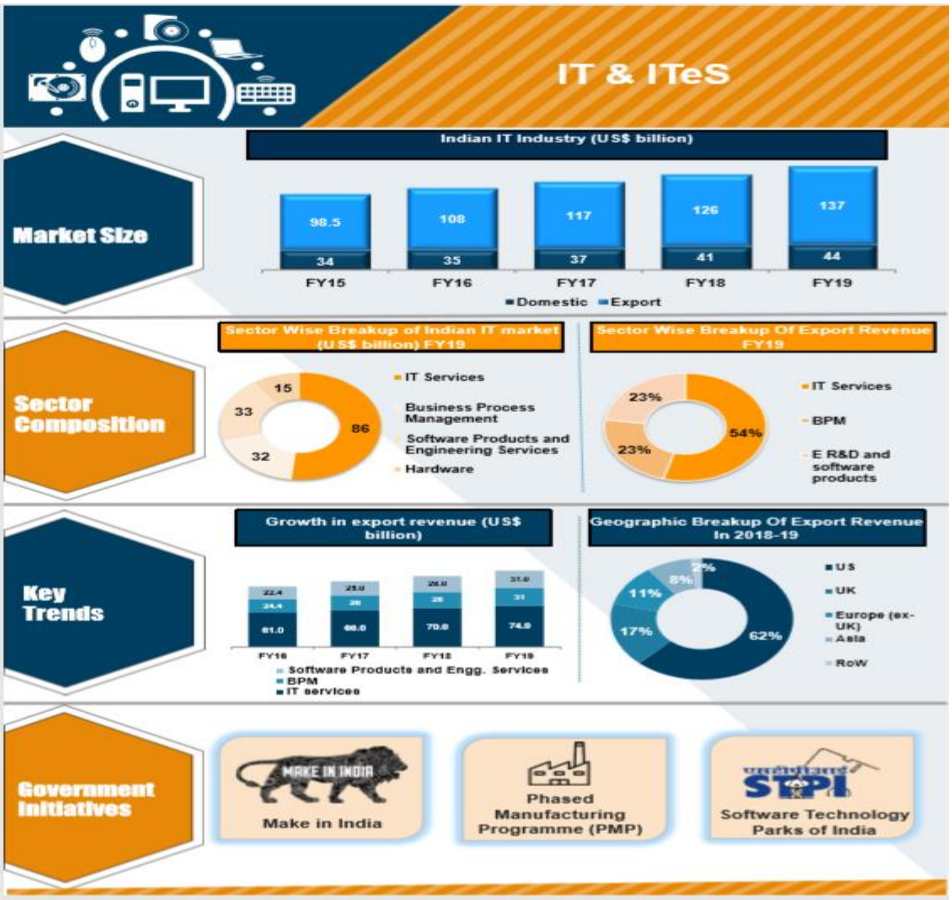
Brief overview of IT Industry is given below followed by industry problems-

- The economy of India is described as a developing market economy. It is the world's fifth-biggest economy by nominal GDP and the third-biggest by purchasing power parity (PPP). As per the IMF, on a per capita salary ground, India positioned 139th by GDP (nominal) and 118th by GDP (PPP) in 2018 .
- Information Technology in India is an industry consisting of two major components: IT services and business process outsourcing (BPO). The sector has increased its

contribution to India's GDP from 1.2% in 1998 to 7.7% in 2017. According to NASSCOM, the world aggregated revenues of US$160 billion in 2017, with export revenue standing at US$99 billion and domestic revenue at US$48 billion, growing by over 13%. The us accounts for two-thirds of India's IT services exports.

- The global sourcing market in India continues to grow at a better pace compared to the IT-BPM industry. India is the leading sourcing destination across the planet, accounting for about 55 % market share of the US$ 185-190 billion global services sourcing business in 2017-18. Indian IT & ITeS companies have found out over 1,000 global delivery centres in about 80 countries.
- India has become the digital capabilities hub of the planet with around 75 per cent of worldwide digital talent present within the country.
- The IT-BPM sector in India stood at US$177 billion in 2019 witnessing a growth of 6.1 % Y-O-Y and is forecasted that the dimensions of the industry will grow to US$ 350 billion by 2025. India's IT & ITeS industry grew to US$ 181 billion in 2018-19.

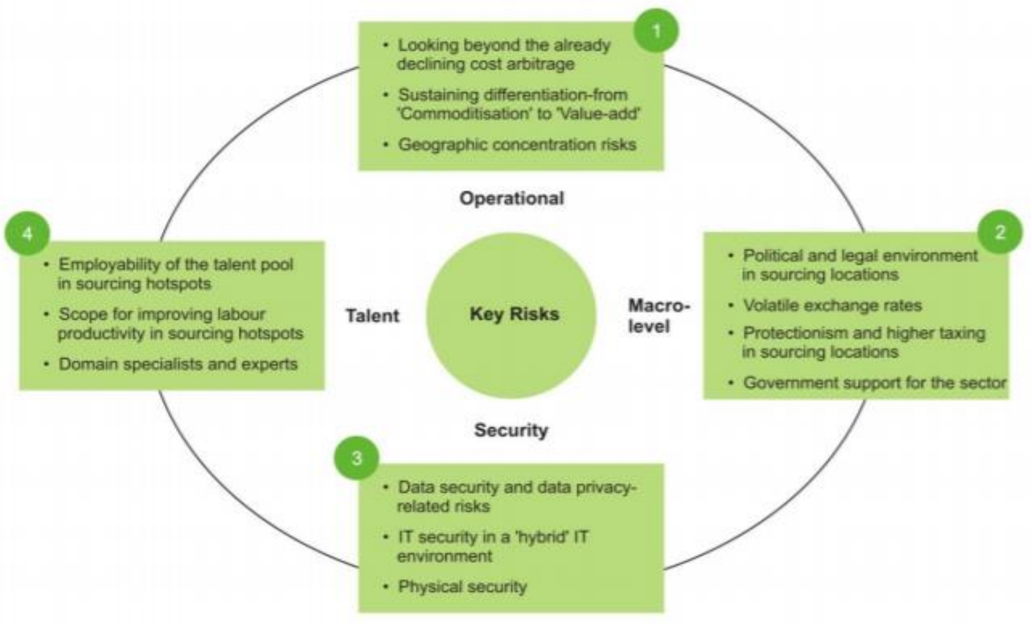
FIG 1- A Brief overview of the Indian IT Sector is shown in the figure below:



INDUSTRY PROBLEMS

- Gaps in public infrastructure indirectly impacts the expansion of this sector, so additional and supporting business infrastructure (road/air connectivity, mass rapid public transportation systems etc.) will definitely enhance the convenience of doing business and aid the spread of this sector to other parts of the country.
- Broadband is one of the great infrastructure challenge. Timely and affordable access to broadband is important within the present century. Yet one more major concern is on the appliance software package development front.
- The Indian IT industry accounts for almost 2 % of the global software products market. Development is capital intensive, involves the risk of failure and requires domain knowledge. And most vital, it needs a domestic market where products are often tested before being taken foreign markets. The danger of obsolescence is additionally very high.
- The industry's ability to garner an increasing share of the outsourcing market will depend on the extent to which stakeholders are able to mitigate the impact of the key threats/risks posed to India 's competitiveness.

Figure 2 Below: Key Challenges that threaten India's Competitiveness



- The upcoming discontinuation of fiscal incentives, the volatile exchange rates, recession, rise of protectionism and better taxing in source locations, alongside with unfavourable political and legal environment in sourcing locations are major dampeners for the industry. As a result of America 's worsening economic climate and incendiary political rhetoric, the US firms started avoiding overseas contracts fearing a backlash from skittish politicians (Economic Times, 16 September 2009, p. 1). However, the consequences of restrictions upon H1B visas for Indian software professionals are likely to be quite complex for the industry.

PORTER 5 FORCES:

In general, the Michael Porter's 5 Forces model is shown below:

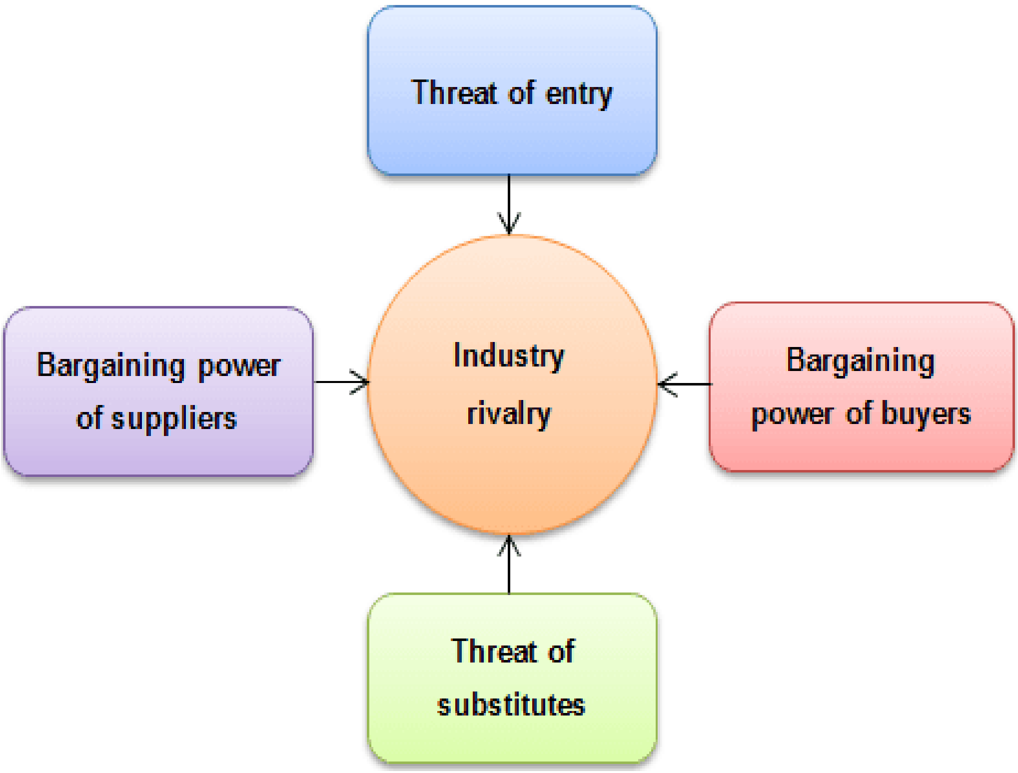


FIG 3- For IT sector these 5 forces have the following impacts-

Bargaining Power of Buyers:

- In an industry as huge as Information Technology, the term "buyers" refers to almost everyone within the world. While there are countries that are behind technologically, a majority of locations within the world have access to computers and therefore the internet etc. Given the massive number of buyers, it's safe to mention that the purchasers control the IT industry.
- There are wide choices for a buyer (many firms during this industry) and there are minimal switching costs, so customers aren't typically "locked in" to at least one firm.

- Also, because tons of IT sales come from companies that make large purchases, those companies are powerful and important to the IT firms (who often provide incentives to those businesses).
- Customers are sensitive to cost , but IT products and services are vital to the success of companies , so they are willing to spend loads of cash to urge an honest product. There are typically many interactions between buyers and IT companies due to the necessity for training to use products, constantly upgraded technology and an abundance of advertising.

Bargaining Power of Suppliers:

- Although companies like Intel and AMD are constituents of the IT industry, they will be classified as suppliers to the IT industry's firms. The inputs during this industry are pretty standard, with differences being speed, memory etc.
- Though the inputs are standard, new companies find it difficult (not impossible) to enter this industry as a supplier due to the prevailing relationships between current suppliers and IT firms, the ever changing and improving technologies of the planet and therefore the intense rivalry between existing players.
- IT firms are vital to suppliers because they're their primary customers, but suppliers are even more important to buyers(IT firms).
- Suppliers aren't "locked" into deals with specific firms (contracts exempt), but most of the relationships between the firms and suppliers during this industry are well established, and these suppliers would presumably not want to finish their relationship.

Threat of New Entrants:

- The IT industry is attractive to newcomers due to its rapid climb and appealing customer base. At an equivalent time, the industry is unattractive to newcomers due to the value advantage large-scale incumbents possess.
- Any newcomer in this industry can expect a robust retaliation from existing market players, which may be a major reason this industry isn't too attractive.
- the simplest way for a fresh replacement entrant to achieve success would be if that they had a brand-new idea for a product or service.
- The lack of differentiation within the industry is one thing a newcomer could exploit. Overall, the IT industry isn't overly attractive, but it's routine and profitable enough

that tons of firms attempt to enter it. Many firms try to enter this industry, but they rarely give established names a true run for their money.

Threat from Substitutes:

- There is not much of a threat from substitutes to the IT industry, mostly because there aren't true substitutes.
- We sleep in a digital age, so we believe IT to run our lives and businesses. An example of a substitute would be a scientific calculator, but to match the 2 may be a stretch. Nothing can really replace all that computers do for us as a society.

Rivalry Among Existing Players:

- The IT industry is known for its rapid growth, effectiveness and competition. A main reason why many new entrants aren't successful is that the intense rivalry between existing players.
- Large companies in this industry enjoy economies of scale, which is effective and something they struggle very hard to not lose.
- Products during this industry are well branded and have a tendency to possess a robust customer base.
- Market share is unevenly distributed among existing players, who are often in various sorts of legal and advertising battles with each other

(4) PRESENTATION OF DATA

The companies selected for conducting this equity research are HCL Technologies and Wipro. Both of these have been selected due to similarity in terms of the market cap held by them (HCL market cap- Rs 157121 cr, Wipro market cap- Rs 128403 cr) to make the comparison homogeneous. The data is presented first for HCL Tech consisting of share valuation and key ratios. The same is followed for Wipro later on.

i. Valuation of HCL

The valuation of HCL Technologies is as follows:

Standalone Consolidated

Market Cap (Rs Cr.)	157,121.21	Market Lot	1	Price/Book	4.21
P/E	17.52	Industry P/E	20.36	Dividend Yield.(%)	1.73
Book Value (Rs)	137.44	EPS (TTM)	33.05	Face Value (RS)	2.00
Dividend (%)	500.00	P/C	14.39	Deliverables (%)	44.85

FIG 4- Source- www.moneycontrol.com

- The above data shows the key financials of HCL Technologies . The company's P/E ratio is lower than the industry P/E which has been discussed later in the report.
- When we see the comparison of how the company is growing in the market the following graph shows the results in which we can see that the HCL Technologies is functioning better than others companies in IT sector.

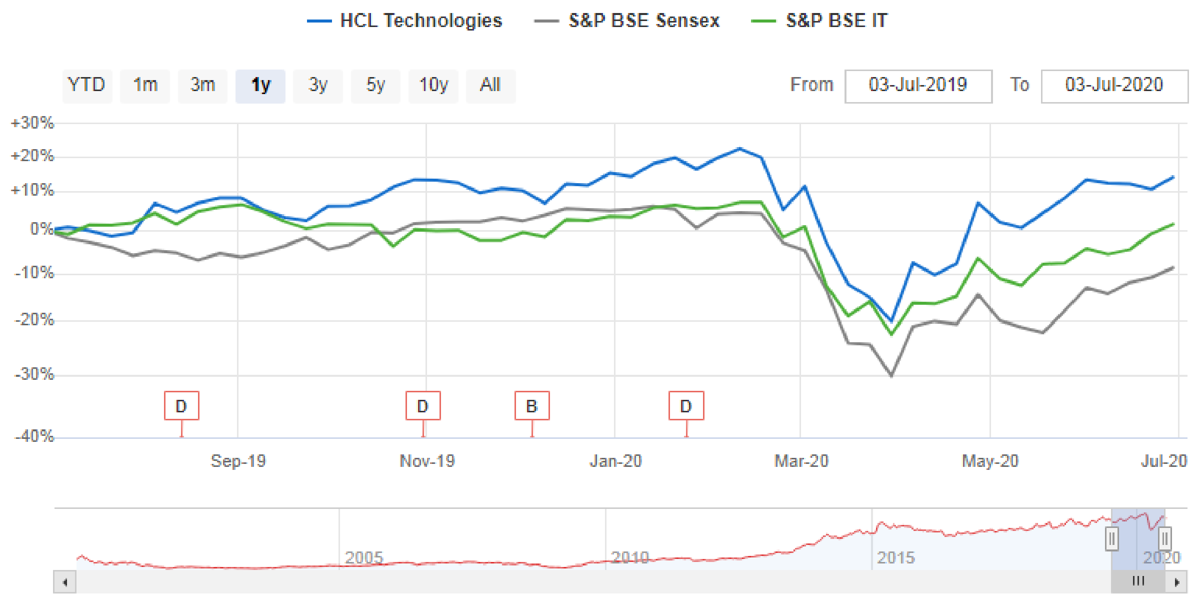


FIG 5- Source- www.moneycontrol.com

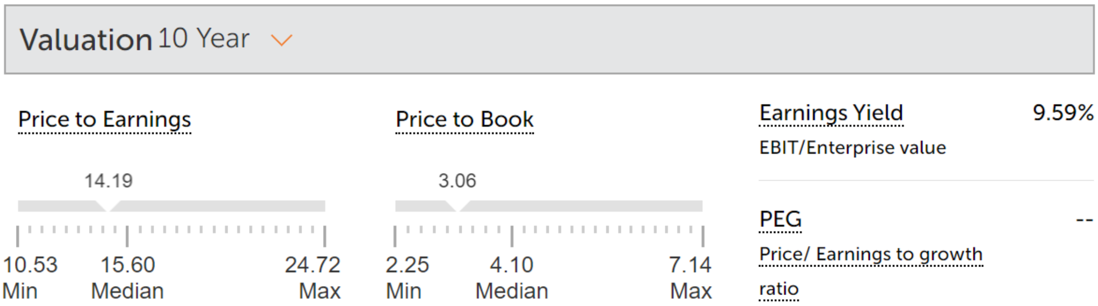
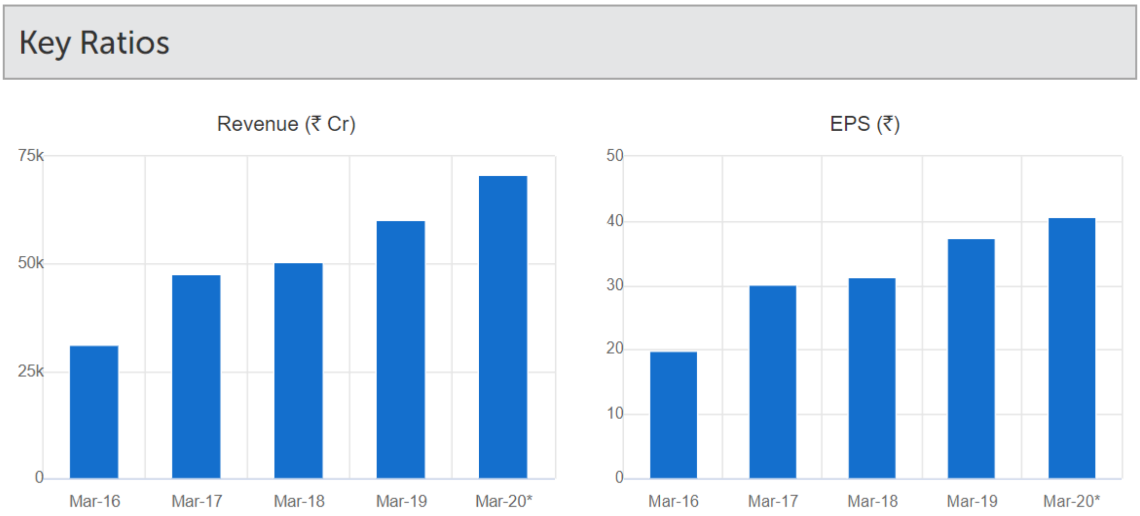


FIG 6- Source www.valueresearchonline.com

- The line graph also shows that the even though the fall in market took place to a greater extent but now the market is stabilizing again & the company is amongst the top companies to regain stability in share prices since its share is trending nearly 10% above the base price.
- In context of volume of shares traded it can be said that the shares of HCL are traded on higher volume and this has started since 2015 which means people are taking more and more of interest in investing in HCL.
- Referring to the Price to Earnings Ratio, this ratio indicates the dollar amount an investor can expect to invest in a company in order to receive one dollar of that company's earnings. This is why the P/E ratio is sometimes called the price multiple because it shows how much investors are willing to pay per dollar of earnings and HCL has it around 14.19 which is quite a sum for an investor to invest money in their stocks.
- The financials of the company also indicate that it has a lower P/E ratio than the industry P/E, which means that the stock is undervalued. Investors can buy undervalued stock at a discount and then earn profit when the price of that stock rises
- The Price to Book Ratio is a financial ratio that is used to compare market value of a stock to its book value. This financial ratio is obtained by dividing the current closing price of a share by the book value of a share in the latest quarter. For HCL the P/B Ratio is just above 3 so investors will think before investing in this firm.
- P/B ratio is used by a large number of investors to identify potential investments. P/B ratios under 1 are typically considered solid investments. This means stocks having P/B ratios above 1 will be invested into only after careful and deep

analysis & they stand at a disadvantageous position than their rivals (with P/B ratios under 1) in terms of likeability.



- The figure 7 above indicates continuous increase in the revenue earned by the company over the last few years. The revenue in the year 2020 increased by approximately 27% despite the Covid-19 pandemic. This hints towards the company’s bright future.
- The earnings per share have also increased from around Rs 38 in 2019 to Rs 41 in 2020 showing a percentage rise of 7.8%. This is a slightly positive and hopeful sign for the investors .

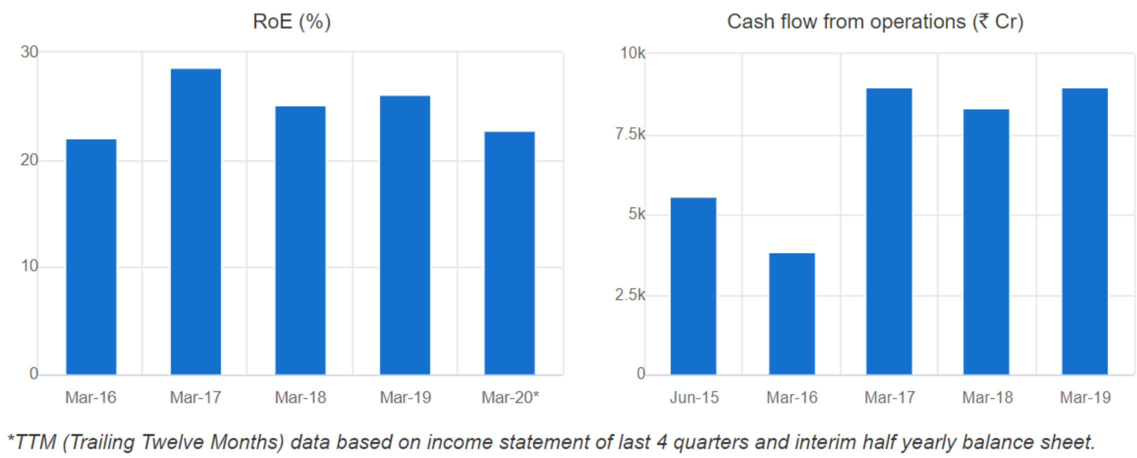


FIG 8- Source www.valueresearchonline.com

- The next figure depicting the Return on Equity is a bit discouraging for the organisation. It shows decline in ROE from around 25% in 2019 to 22 % in the current year. A declining ROE suggests that the company is becoming less efficient at generating profits and therefore this will have a negative effect on increasing shareholder value. Although experts believe that ROEs of 15-20% are generally considered good. Hence the current ROE of HCL is not a cause of worry for it.

- Cash flow from operating activities are on a rise from around Rs 80000 cr to Rs 85000 cr showing an increase of approximately 6.25% . This is a positive sign for the company and investors since it proves that company is able to increase its sales and other revenue income .
- Hence , the data presented depict a positive and healthy financial picture of HCL Technologies. The company has a stable & sound financial position and investors should not stress about their investments.

ii. Valuation of Wipro

The Valuation of Wipro is as follows:

Standalone Consolidated

Market Cap (Rs Cr.)	128,403.44	Market Lot	1	Price/Book	2.76
P/E	14.8	Industry P/E	20.36	Dividend Yield.(%)	0.45
Book Value (Rs)	81.29	EPS (TTM)	15.19	Face Value (RS)	2.00
Dividend (%)	50.00	P/C	13.08	Deliverables (%)	27.49

FIG 9 Source- www.moneycontrol.com

- The above data facts show the key financials of Wipro. The company's P/E ratio is lower than the industry P/E & even lower than HCL Technologies
- When we see the comparison of how the company is growing in the market , the following graph shows the results in which we can clearly see that Wipro is not functioning better than its peers in the IT sector and it is facing problems for the past one year to hold its position amongst top IT firms.

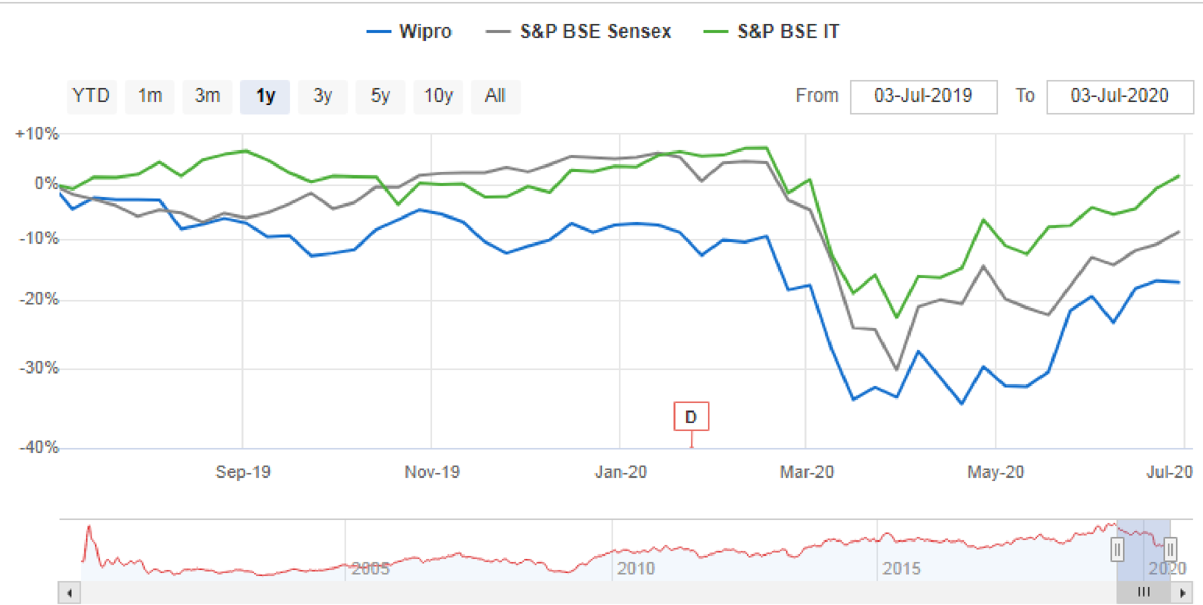
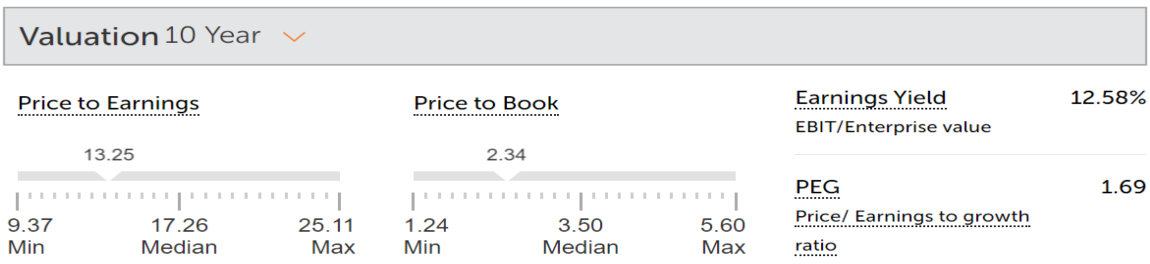


FIG 10- Source www.valueresearchonline.com

- The line graph clearly shows that the company is performing poorly and is experiencing a decline in share prices when compared to the IT sector itself
- There is a downfall in the volume of shares traded which means the investors are taking their money out of the firm pointing towards stakeholders losing their confidence in the organisation.
- The pandemic has severely affected the firm compared to the whole IT sector. This is not a good sign for the company even though it is reviving back in market but the pace seems low



- Referring to the Price to Earnings Ratio, it is 13.25 for the company in contrast to the industry's median figure of 17.26. Generally the higher the P/E ratio, the more investors are willing to pay for a dollar's worth of a company's earnings. Stocks with high P/E (those with a P/E above 30)are said to have better future growth prospects, while stocks with low P/E (those with a P/E less than 15) tend to have lesser future growth prospects.

- This means that the P/E ratio does not speak well about Wipro. It can also be inferred that the stock is undervalued. Investors can buy undervalued stock at a discount and then earn profit when the price of that stock increases. Wipro's P/E ratio is even lower than HCL's ratio meaning that Wipro's share is more undervalued than HCL.
- The Price to Book Ratio depicts a relationship between the market capitalisation of an organisation and the value of assets it possesses. It also portrays the relationship between what the market perceives the value of a company's equity to be and the actual book value of its equity. It is therefore a useful measure for value investing.
- We already know that P/B ratios below 1 are generally considered as worthy investments. In case of Wipro, it has a P/B ratio of 2.5 which means investors will not readily purchase the shares of the company.

FIG 12- Source www.valueresearch.com

- The figure above indicates a stable increase in the revenue earned by the company over the last few years. The revenue in the year 2020 increased by approximately 3.3% which can be considered as very slow growth. This is a wakeup call for the company and needs to be taken care of .
- The earnings per share have increased from around Rs 15 in 2019 to Rs 17 in 2020 showing a percentage rise of 13.3%. This is a more positive and hopeful sign for the company than the revenue earned.
- The next figure depicts the Return on Equity which declined drastically after March 2016 and then remained nearly stable for the following years for the organisation. The ROE of Wipro has remained below 20% for the last 4 years which is a bad sign . This shows that the business activities of the company are not creating profits. The company is lagging on efficiency and effectiveness. It needs to improve on this front as early as possible .
- Cash flow from operating activities has declined from around Rs 12000 cr to Rs 10000 cr showing a decrease of approximately 20% . This is a troublesome sign for the company and investors since it shows that company is unable to increase its sales and other revenue income .
- Hence , the data presented depict an unfavourable and unhealthy financial picture of Wipro. The company lacks a stable & sound financial position and investors would stress about their investments resulting in divesting their holdings.

(5) ANALYSIS AND DISCUSSION

Here we will be talking in terms of the company's growth in the market and a few key points and charts to compare the two companies in various terms. So, first we will have a small brief about the two firms followed by the figures and charts showing the comparison.

(A) Brief about HCL Technologies:

- The HCL Technologies is part of the HCL enterprise which was started in the year 1976. The first three subsidiaries of parent HCL Enterprise were: HCL Technologies - originally HCL's R&D division emerged as a subsidiary in 1991 , HCL Infosystems and HCL Healthcare

- The company tried to remain focused on hardware, but, via HCL Technologies, software and services became a main focus.
- HCL Technologies is India's fifth-largest software company. Its service offerings include technology-led services, enterprise consulting services, applications consulting services, ITES and infrastructure services. While the company has witnessed volatility in its core business, it has done excellently well to grow its inorganic businesses. HCL Tech's has a strong focus on BPO and is the third-largest BPO services provider in India, as per NASSCOM latest rankings.
- Currently HCL Technologies may be a subsidiary of Vamasundari Delhi through a sequence of entities in between. Vamasundari (Delhi) is owned by Shiv Nadar and it in turns holds majority of shares in most HCL group companies

(B) Brief about Wipro:

- Wipro, also known as Western India Products, is an Indian information technology company established by Mohamed Hashem Premji as 'Western India Vegetable Products' in 1945 which was later abbreviated to Wipro.
- It was previously set up as a refined edible oil manufacturer in Amalner, Maharashtra. In 1966, after the death of Mohamed Premji', his son Azim Premji took over Wipro as its chairman at the age of 21.
- Wipro is India's third largest software services firm. It provides end-to-end software services across industries and geographies via the global delivery model.
- It is headquartered in Bangalore, Karnataka, India. In 2013, Wipro separated its non-IT businesses and formed the privately owned Wipro Enterprises.

(C) Comparison

fig 13 – comparison of share prices

- The above gap is the share price comparison graph on a daily basis from 27th June 2019 to 26th June 2020 and by it we can state that HCL Technologies are doing pretty good in the market but this is mere comparison of the share price on a daily basis. So, we will have the following charts and figures to help us evaluate and compare the companies better.

CURRENT VALUATIONS

		HCL TECHNOLOGIES	WIPRO	HCL TECHNOLOGIES/ WIPRO
P/E (TTM)	x	13.6	10.3	133.1%
P/BV	x	3.6	1.8	205.5%
Dividend Yield	%	1.4	0.5	318.5%

FIG 14- From the above Table we can conclude the following:

- If we see the comparison of P/E ratio HCL is having a way better P/E Ratio that means a greater number of investors are going to invest in the firm and the compared ratios also shows that the returns in HCL is **133.1%** more than Wipro
- The P/BV Ratio is also greater for HCL when compared to Wipro i.e. an investor will be more interested in investing in HCL than in Wipro when only these two firms are considered.
- The last is the dividend yield i.e. The dividend yield or dividend-price ratio of a share is the dividend per share, divided by the price per share, and as in the chart here also HCL has higher yield than Wipro but it means the company is paying more to the investors as return on their investment than they should be using for the growth of the company.

From this table we talked about the basic ratios for comparison. Let’s discuss is further:

If we talk about, the financials of the two companies, this also helps us understand the growth of the company and its whereabouts. The following tables will be representing the equity share data, the income statement and the cash flow in the two firms. These will help us compare the two firms better and the analysis will be more accurate.

HCL TECHNOLOGIES WIPRO

EQUITY SHARE DATA					
		HCL TECHNOLOGIES Mar-19	WIPRO Mar-19	HCL TECHNOLOGIES/ WIPRO	5-Yr Chart Click to enlarge
High	Rs	1,125	292	385.5%	
Low	Rs	880	190	462.9%	
Sales per share (Unadj.)	Rs	445.5	97.1	458.9%	
Earnings per share (Unadj.)	Rs	74.6	14.9	499.3%	
Cash flow per share (Unadj.)	Rs	89.9	18.2	494.7%	
Dividends per share (Unadj.)	Rs	8.00	1.00	800.0%	
Dividend yield (eoy)	%	0.8	0.4	192.3%	
Book value per share (Unadj.)	Rs	305.0	93.5	326.2%	
Shares outstanding (eoy)	m	1,356.27	6,033.94	22.5%	
Bonus/Rights/Conversions		ESOP,BB	B	-	
Price / Sales ratio	x	2.2	2.5	90.7%	
Avg P/E ratio	x	13.4	16.1	83.3%	
P/CF ratio (eoy)	x	11.1	13.3	84.1%	
Price / Book Value ratio	x	3.3	2.6	127.6%	
Dividend payout	%	10.7	6.7	160.2%	
Avg Mkt Cap	Rs m	1,359,322	1,453,576	93.5%	
No. of employees	`000	68.1	175.7	38.8%	
Total wages/salary	Rs m	292,830	299,774	97.7%	
Avg. sales/employee	Rs Th	8,871.7	3,334.5	266.1%	
Avg. wages/employee	Rs Th	4,299.2	1,706.3	252.0%	
Avg. net profit/employee	Rs Th	1,485.8	513.3	289.5%	

INCOME DATA					
Net Sales	Rs m	604,270	585,845	103.1%	
Other income	Rs m	94,300	26,138	360.8%	
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Depreciation	Rs m	20,730	19,467	106.5%	
Interest	Rs m	174	7,375	2.4%	
Profit before tax	Rs m	126,220	115,422	109.4%	
Minority Interest	Rs m	0	0	-	
Prior Period Items	Rs m	0	0	-	
Extraordinary Inc (Exp)	Rs m	0	0	-	
Tax	Rs m	25,020	25,243	99.1%	
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Gross profit margin	%	8.7	19.8	44.1%	
Effective tax rate	%	19.8	21.9	90.6%	
Net profit margin	%	16.7	15.4	108.8%	

FIG 15- From the above two tables we can conclude the following points:

- The price/sales ratio is higher for Wipro that means an investor is going to invest in HCL than in Wipro because the revenue for Wipro is less than that of HCL and when the P/S ratio is calculated even though the price per share for HCL is higher but so is their revenue and this brings their P/S ratio lower than Wipro and attracts more investors.
- Even though HCL is the third largest IT company in India still when it comes to Market Capital Wipro outperform HCL

- Even though Wipro has a higher gross profit but due to greater number of employees the firm has to pay greater tax than HCL and this brings down their net profit after tax.

BALANCE SHEET DATA					
Current assets	Rs m	297,220	571,906	52.0%	
Current liabilities	Rs m	116,474	214,350	54.3%	
Net working cap to sales	%	29.9	61.0	49.0%	
Current ratio	x	2.6	2.7	95.6%	
Inventory Days	Days	1	2	22.3%	
Debtors Days	Days	71	63	112.9%	
Net fixed assets	Rs m	231,230	197,300	117.2%	
Share capital	Rs m	2,710	12,068	22.5%	
"Free" reserves	Rs m	410,950	552,158	74.4%	
Net worth	Rs m	413,660	564,226	73.3%	
Long term debt	Rs m	29,770	28,368	104.9%	
Total assets	Rs m	585,750	829,248	70.6%	
Interest coverage	x	726.4	16.7	4,362.7%	
Debt to equity ratio	x	0.1	0.1	143.1%	
Sales to assets ratio	x	1.0	0.7	146.0%	
Return on assets	%	17.3	11.8	147.1%	
Return on equity	%	24.5	16.0	153.1%	
Return on capital	%	28.5	20.7	137.6%	
Exports to sales	%	0	0	-	
Imports to sales	%	3.1	0	-	
Exports (fob)	Rs m	NA	NA	-	
Imports (cif)	Rs m	18,860	NA	-	
Fx inflow	Rs m	22,892	444,584	5.1%	
Fx outflow	Rs m	63,560	230,362	27.6%	
Net fx	Rs m	-40,668	214,222	-19.0%	
CASH FLOW					
From Operations	Rs m	89,710	116,316	77.1%	
From Investments	Rs m	-30,730	50,126	-61.3%	
From Financial Activity	Rs m	-14,620	-49,369	29.6%	
Net Cashflow	Rs m	42,350	117,599	36.0%	
SHARE HOLDING					
Indian Promoters	%	44.5	73.5	60.5%	
Foreign collaborators	%	17.1	0.0	-	
Indian inst/Mut Fund	%	3.6	3.5	103.2%	
FIIs	%	29.1	10.1	288.1%	
ADR/GDR	%	0.0	1.9	-	
Free float	%	5.8	11.0	52.7%	
Shareholders		89,311	210,471	42.4%	
Pledged promoter(s) holding	%	0.0	0.0	-	

NM: Not Meaningful

Source: Company Annual Reports, Regulatory Filings, Equitymaster

FIG 16- From the above two tables we can conclude the following points:

- Wipro has lower amount of long-term Debt than HCL which is a good term while considering to invest in any firm.

- Wipro has higher amount of cash flow from its operations and a positive cash flow from its investments which can also help in the higher amount of interest of investors to invest in Wipro.
- As we can see the Indian promoters are holding greater number of shares of Wipro than that of HCL which shows their trust in the firm.
- Wipro has higher number of shares in liquidity which means their share are easily available for the retail investors for trading and hence there are more shareholders for Wipro than HCL

(D) Ratio Analysis:

- Ratio analysis is the comparison of line items in the financial statements of a business. Ratio analysis is used to evaluate a number of issues with an entity, such as its liquidity, efficiency of operations, and profitability.
- FOR HCL TECHNOLOGIES:
  - **Current Ratio**: The company's current ratio declined to 1.29x during FY20, from 2.89x during FY19. The current ratio measures the company's ability to pay short-term and long-term obligations.
  - **Interest Coverage Ratio**: The company's interest coverage ratio also declined and stood at 47.96x during FY20, from 621.69x during FY19. The interest coverage ratio of a company states how easily a company can pay its interest expense on outstanding debt. A higher ratio is preferable.
  - **Return on Equity (ROE):** The ROE for the company has also declined and stood at 24.04% during FY20, from 26.88% during FY19. The ROE measures the ability of a firm to generate profits from its shareholders capital in the company.
  - **Return on Assets (ROA):** The ROA of the company declined and down at 16.75% during FY20, from 21.85% during FY19. The ROA measures how efficiently the company uses its assets to generate earnings.
- FOR WIPRO:
  1. **Current Ratio**: The company's current ratio declined to 2.40x during FY20, from 2.67x during FY19.
  2. **Interest Coverage Ratio**: The company's interest coverage ratio improved and stood at 17.72x during FY20, from 16.66x during FY19

3. **Return on Equity (ROE):** The ROE for the company has improved and stood at 17.57% during FY20, from 15.95% during FY19.
4. **Return on Assets (ROA):** The ROA of the company also improved and stood at 11.96% during FY20, from 15.95% during FY19.

(E) External Factors:

These factors are common for both the companies so mentioning a few from the whole lot:

1. Government Regulations and Deregulations
2. Role of Non-Government Organization, Civil Society & Protest Groups
3. Employment Rate
4. Work Force Productivity
5. Transparency & Digital Drive
6. Per Capita and National Carbon Emission
7. Health & Safety Laws

The above mentioned are a few external factors that decide a company's growth in the market vis-à-vis its share market hold is also affected by these to some extent. If a company takes care of these factors the company has chances of growing in the market and attracting more of investors and vice versa.

(F) Fundamental Analysis:

HCL TECHNOLOGIES:

The following figure shows the fundamental analysis and a comparison with the IT sector in the market:

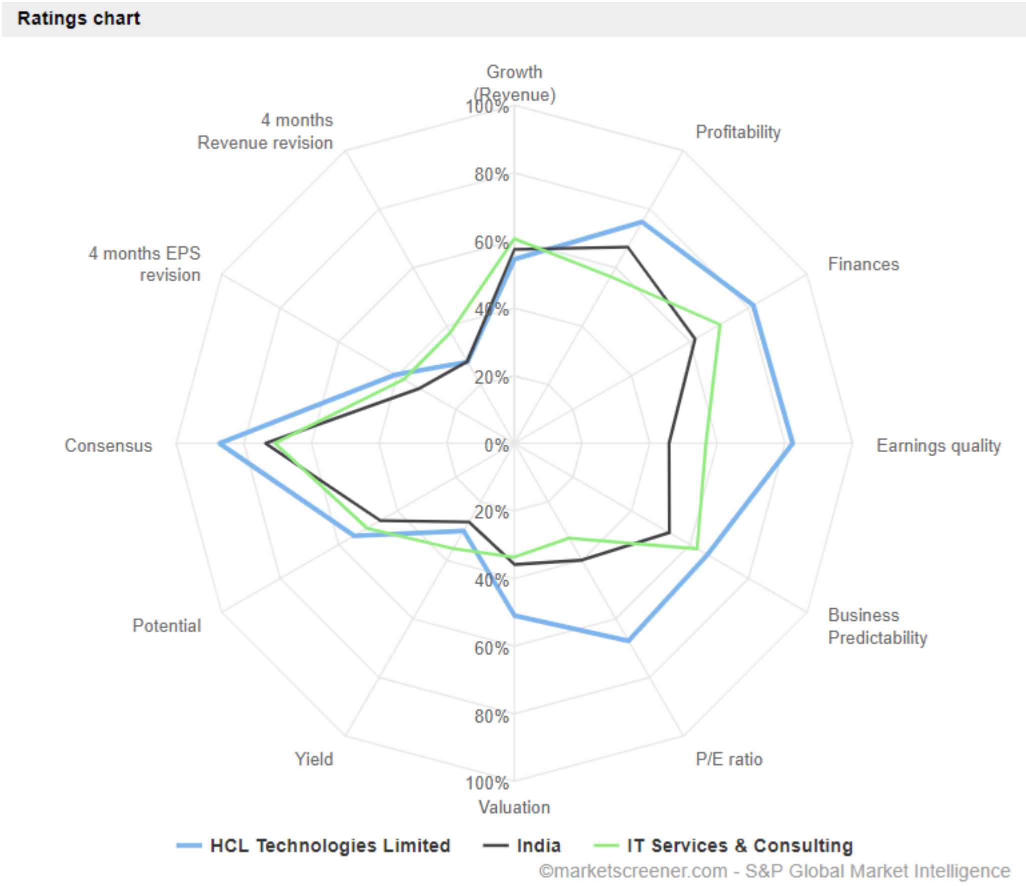

FIG 17- From the above figure we can conclude the following points:

- In terms of the following parameters the HCL Technologies is actually working better than the IT sector as a whole. These are
    (1) Profitability
    (2) Earnings quality
    (3) P/E Ratio
    (4) Valuation
- From the figure we can also say that the company is in portfolio of many a investors but the firm needs to grow in the yield parameter so that the profitability will be higher

WIPRO:

The following figure shows the fundamental analysis and a comparison with the IT sector in the market:

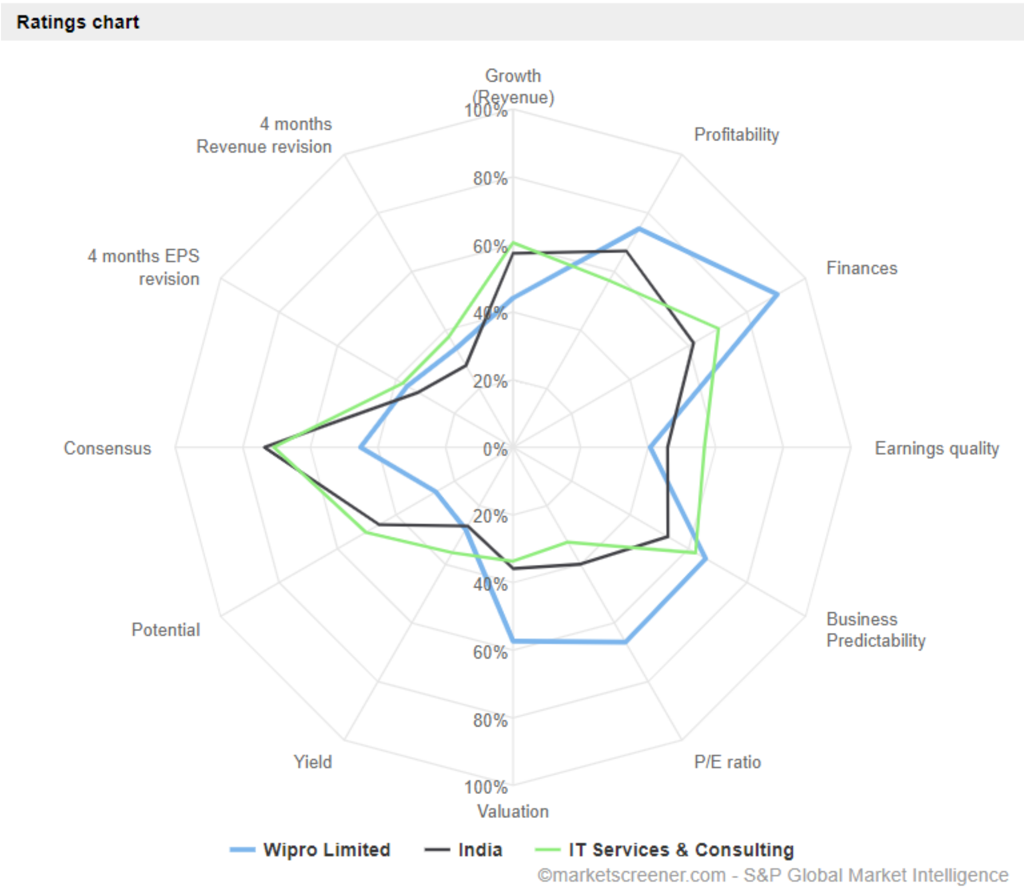

FIG 18- From the above figure we can conclude the following points:

- In terms of the following parameters the Wipro is actually working better than the IT sector as a whole. These are
  1. (1) Valuation
  2. (2) Profitability
  3. (3) P/E Ratio
  4. (4) Finances
- We can also state that the company needs to work on the yield and revenue parameters as it is lacking in them and this keeps investors away from the company or their interest in the firm is only for intraday trading.

(G) Comparison on basis of qualitative factors

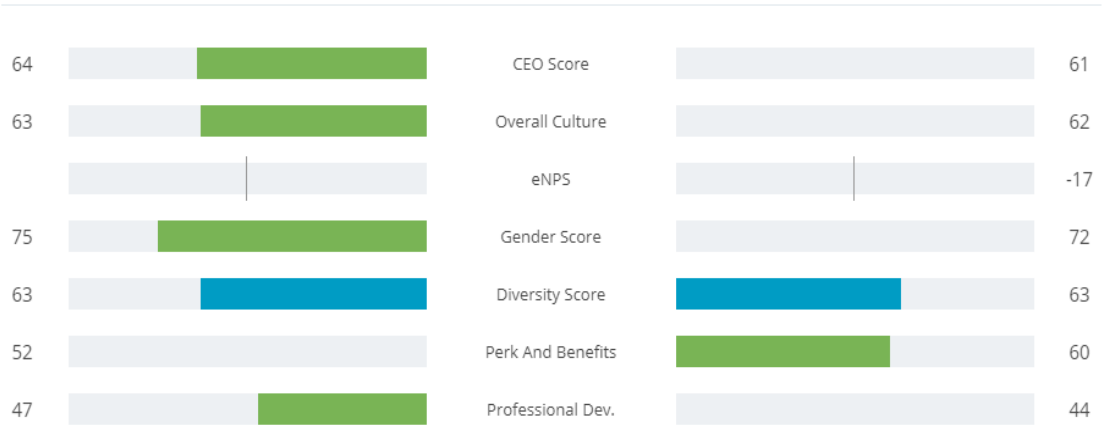

FIG 19

- Employees at HCL Technologies rate their CEO, C Vijayakumar, 64/100, which is 3% higher than Wipro Limited's CEO, Abidali Neemuchwala. Departments that rate C Vijayakumar the highest are Marketing and IT.
- Employees at Wipro Limited rate their CEO, Abidali Neemuchwala, 61/100. This score is 3% lower than the scores of HCL Technologies' CEO, C Vijayakumar. Employees in the Business Development and Customer Support departments rate Abidali Neemuchwala the highest

(H) Latest news and mergers

HCL Technologies

- HCL Technologies has extended its partnership with technology firm Broadcom Inc. that designs, develops, and supplies semiconductor and infrastructure software solutions
- HCL And Google Cloud Expand Partnership To Digitally Transform Commerce
- HCL Technologies To Launch Global Delivery Center In Hartford, Connecticut With Anchor Client, Stanley Black & Decker
- HCL Technologies has signed a seven-year partnership with Temenos a banking software company. The exclusive strategic agreement will be for non-financial

services enterprises, where HCL has been granted a license to develop, market and support Temenos multi experience development platform (MXDP)

- HCL Announces Appscan V10 for Fast, Accurate, Agile Security Testing
- HCL Releases Bigfix 10: Bringing New Innovations to the Industry's Most Comprehensive Endpoint Management Platform
- HCL Technologies and Broadcom Expand their Global Preferred Services Partnership to include Symantec Enterprise Security Consulting.

Mergers

- HCL Technologies Limited (HCL) has acquired Sankalp Semiconductor (Sankalp), an advanced technology design services provider offering comprehensive digital and mixed-signal SoC services and solutions from concept to prototype, in the semiconductor space.
- HCL Technologies Ltd will spend $1.78 billion to buy eight software products from International Business Machines Corp. (IBM), unveiling the single-largest acquisition by an Indian information technology (IT) services company and a buyout that is unlike any made by risk-averse home-grown IT firms.

Wipro News

- Wipro extends collaboration with Amazon Web Services for DevOps. Wipro has extended its strategic relationship with Amazon Web Services (AWS) to incorporate capabilities within the area of DevOps. Through this alliance, both companies would collaborate to assist global organizations leverage the advantages of automation, effective monitoring and rapid deployment using DevOps.
- Wipro partners with IBM to supply Cloud solutions.Wipro has partnered with IBM to assist customers start a hybrid cloud migration journey.Through this alliance, Wipro would develop hybrid cloud offerings to assist businesses migrate, manage and transform mission-critical operations and applications across public or private cloud and on-premise IT environments.
- Wipro launches Microsoft Business Unit for digital transformation solutions.Wipro said the unit will specialise in the event and evangelization of solutions leveraging Microsoft's enterprise cloud services. This initiative is

an outcome of Wipro's expanded global alliance with Microsoft to accelerate cloud adoption and digital transformation for its customers across sectors.

- Wipro to tech-ready 1,167 branches of Karnataka Gramin Bank.Wipro said it's completed the implementation of core banking solution for Kaveri Grameena Bank as a part of the merger with Pragathi Krishna Gramin Bank to make, Canara Bank sponsored regional rural bank (RRB), Karnataka Gramin Bank.
- Wipro, PLEXIS Healthcare Systems Ink strategic partnership.Wipro Limited on Friday announced its global strategic partnership with PLEXIS Healthcare Systems.

Mergers:

- Wipro to acquire International TechneGroup Incorporated (ITI), a global digital engineering and manufacturing solutions company.According to sources, the company is being acquired for $45 million (₹312 crore).
- Wipro Ltd is strengthening its digital business inorganically through strategic acquisitions of digital-native companies which includes Designit, Appirio, Cooper, Syfte and, most recently, International TechneGroup (ITI), a digital engineering and manufacturing solutions company," said Rajan Kohli, president, Wipro Digital.
- In February 2020, Wipro acquired Rational Interaction for enhancing customer experience offerings and boosting digital marketing capabilities.

(I) Conclusion

The entire research study conducted brings to the conclusion that HCL Technologies is better from Wipro in more parameters than the latter being better than the former. The market cap of HCL is more than Wipro, employees' perspective is more favourable for HCL's CEO , P/E ratio is better than Wipro etc. So an investor should invest in HCL than Wipro .

(J) Managerial Implications

Managers have to make important decisions in day-to-day life. Moreover finance managers or fund managers have to make huge investment decisions. So a manager employed in the field of equity investment or portfolio management should carefully undergo equity research and then invest in shares.

PART C – LEARNING

a) APPLICATION AND INSIGHTS OF CONCEPTS, TECHNIQUES AND SKILLS LEARNT IN YEAR I

The manner in which the courses learnt in the first year of MBA gained practicality during our internship has been described below-

1. Organizational behaviour- the important lessons on leadership, attitude, personality, conflict management learnt during this course helped us in effectively performing the tasks assigned and pursuing this internship very well.
2. Corporate finance- this subject taught us concepts of time value of money, cost of capital , capital structure etc which helped us a lot in our project on equity research & related internship work
3. Presentation skills- this course improved our presentation skills for the corporate world. It surely helped us when we prepared a ppt to be presented before our colleagues.
4. Strategic management- we had learnt strategy & policy making in firms while launching new product. We could relate this how insurance policies are crafted and which factors are involved therein.
5. Indian economy in global context & Macroeconomics- these courses studied the economic situations of countries across the globe & the macro level impact on India. The related concepts were experienced by us practically when the current scenario of Covid-19 impacted the entire economy & insurance sector since people were reluctant in buying policies due to financial crunch or job loss.
6. Marketing management- this course came to our rescue when we had to persuade our clients for investing in company’s policies and products. So it basically involved sheer marketing & promotional skills which were taught to us during this course.
7. Human resource management- we saw practical applicability of this subject when our mentor used to manage various groups of interns belonging to different colleges, cities and making them work towards the targets in the work-from-home system.

8. Business research methodology- our project is based on equity research of companies belonging to the same sector and involving a lot of research work. This work was made easy with the practice of research done in this subject

b) NEW KNOWLEDGE ,TOOLS, TECHNIQUES

1. I-Champ:- ABSLI uses an e-app known as *i-champ* which performs functions like calculating premium for a policy or customise the various premium paying options to suit the customers' requirements or determining the final benefits of a policy. We were trained on how to use the app and we used it subsequently for future client dealings.
2. Portfolio Design- We understood practically how portfolio of a client is made keeping in mind his risk taking ability, age, financial strength and designing a proper asset allocation for him that yields maximum returns.
3. Vision Life Income Plan –Next in line, we were introduced with this, traditional whole life plan which gives regular guaranteed pay-outs, long term savings and life insurance benefit. We were explained the working, calculations, eligibility criteria etc
4. Life Shield Plan – We were also taught another very important plan (commonly referred to as term insurance plans providing lump sum amount on death of the life insured). It contributes majorly to the overall policy sales of the company. We learnt about various options like level term assurance, waiver of premium, return of premium and how these could be tailored for different clients depending on their risk appetite , financial condition & many other factors.
5. Combinations-This is a kind of bundle service offered by the company with a mix of two policies so that the client gets the benefits of both by paying premiums for both. We made different combinations of life shield & vision life income plans to be offered to the client base.
6. Unit Linked Insurance Plans-These are wealth with protection plans offering both protection as well as investment opportunities in the capital market. We learnt the working, calculations, related charges like fund management charge, policy administration charges etc .
7. ITR Filing-We got to know how ITR returns are filed online on the website of incometaxindiaefiling.gov.in for individuals, the procedure of filing and different forms available for different purposes.

8. Wealth Aspire Plan – This is a type of personalised wealth creation plan to accumulate substantial financial corpus & securing the future of your loved ones. It offers 2 plan options which come with 4 different investment options and flexible premium paying terms with facility to withdraw partial funds in case of emergency.

c) SOFT SKILLS

- Team work – we worked on various tasks like preparing videos, group presentations which enhanced our team bonding and interpersonal skills. Dealing with people from other colleges, coming from different backgrounds instilled team player skills in us.
- Communication skills- one of the main works was client pitching so over a course of 2 months, we made numerous calls and interacted with clients of different cities, professions, age which improved our communication skills drastically
- Negotiation skills- clients had to be persuaded to buy insurance policies while they insisted on paying lowest possible premium. So a great deal of negotiation was involved from the time of making the first call till the time of converting the client which greatly improved our negotiation skills
- Time management– as we were working from home throughout this internship period, managing time between internship video call sessions, internship work & other household chores initially posed a challenge but gradually, we learnt how to manage time and divide it to finish all the tasks timely.
- Work ethics & professionalism- the current pandemic situation affected our internship in a way that everything was being conducted online instead of working in the company's office. But we practised professionalism and sound work ethics by reporting to our mentor timely, submitting the work done, attending meetings on time.

d) . INSIGHTS ABOUT MANAGERIAL ROLE FOR FUTURE LEARNING

This internship increased our understanding about the insurance industry and how it operates. Our mentor taught us the working pattern, functionality , business model of an insurance company besides making us aware about the managerial responsibilities attached thereto. A manager of such a company is responsible for lead generation and ensuring that the correct policy is sold to the appropriate client since dealings in an insurance business involves huge financial commitments and liabilities. So he has to be good at marketing, negotiation, leadership, advising, forecasting & most importantly understanding the needs of the client. If

I were employed in the insurance business I would want to pursue the job of fund manager- the one who manages huge funds of clients and invests them in the market with the aim of maximising the wealth of the customer.

f) The project completion certificate is not yet received from the organisation. We have informed the CRC regarding the same.

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ANNEXURES

1.

HCL TECHNOLOGIES WIPRO

EQUITY SHARE DATA					
		HCL TECHNOLOGIES Mar-19	WIPRO Mar-19	HCL TECHNOLOGIES/ WIPRO	5-Yr Chart Click to enlarge
High	Rs	1,125	292	385.5%	
Low	Rs	880	190	462.9%	
Sales per share (Unadj.)	Rs	445.5	97.1	458.9%	
Earnings per share (Unadj.)	Rs	74.6	14.9	499.3%	
Cash flow per share (Unadj.)	Rs	89.9	18.2	494.7%	
Dividends per share (Unadj.)	Rs	8.00	1.00	800.0%	
Dividend yield (eoy)	%	0.8	0.4	192.3%	
Book value per share (Unadj.)	Rs	305.0	93.5	326.2%	
Shares outstanding (eoy)	m	1,356.27	6,033.94	22.5%	
Bonus/Rights/Conversions		ESOP,BB	B	-	
Price / Sales ratio	x	2.2	2.5	90.7%	
Avg P/E ratio	x	13.4	16.1	83.3%	
P/CF ratio (eoy)	x	11.1	13.3	84.1%	
Price / Book Value ratio	x	3.3	2.6	127.6%	
Dividend payout	%	10.7	6.7	160.2%	
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2.

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