



A Comparative Study of TCS and LTTS

Yash Agarwal¹, Ms. Sonam Rajput²

¹B.com (HONS), A42304621014, Amity University

²Assistant Professor, AUG – ACCF, Amity University

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ABSTRACT

This research paper conducts a comparative analysis of two prominent companies in the IT and engineering sectors: Tata Consultancy Services (TCS) and L&T Technology Services (LTTS). The study delves into the historical background of the IT industry, tracing its evolution from the 1950s to the present digital era. Detailed profiles of TCS and LTTS highlight their origins, global expansion, innovative offerings, and commitment to sustainability. A review of literature provides insights from various studies, including financial analyses, market dynamics, and the impact of external factors like the COVID-19 pandemic. The objective is to evaluate the growth and performance of TCS and LTTS through fundamental analysis, examining metrics such as earnings per share (EPS), price-to-earnings (P/E) ratio, return on equity (ROE), dividend payout ratio (DPR), and book value (BV). The study concludes with recommendations based on the valuation of shares and provides suggestions for investors to navigate the capital market effectively. Overall, it underscores the importance of informed decision-making and strategic investment approaches in the dynamic landscape of the IT and engineering sectors.

1. INTRODUCTION

1.1. INTRODUCTION TO THE TOPIC

In the dynamic landscape of global markets, where technological advancements and innovation are the driving forces of economic growth, the performance and strategic positioning of companies in the IT and engineering sectors are of paramount importance.

This research paper undertakes a comparative study of two prominent entities in these domains:

- 1. Tata Consultancy Services (TCS)**
- 2. L&T Technology Services.**

TCS, a flagship company of the Tata Group, stands as a beacon of excellence in the IT services industry, renowned for its cutting-edge solutions, global presence, and robust financial performance. On the other hand, L&T Technology Services, a subsidiary of Larsen & Toubro Limited (L&T), is a leading player in engineering and R&D services, catering to diverse industry verticals with its innovative offerings.

1.2. INTRODUCTION TO IT INDUSTRY

The Information Technology (IT) industry stands at the forefront of global economic transformation, driving innovation, efficiency, and connectivity across various sectors. In recent decades, the IT industry has experienced exponential growth, fuelled by advancements in computing technology, the proliferation of digital devices, and the increasing demand for software solutions and digital services. Understanding the broader landscape of the IT industry provides valuable context for our comparative study of Tata Consultancy Services (TCS) and L&T Technology Services.



1.3. HISTORY

Early Development (1950s-1970s):

- The roots of the IT industry can be traced back to the mid-20th century. The mainframe computer, which was developed to serve large-scale data processing needs, was mainly used by governments and centralized entities.
- During this period, companies like IBM played a pioneering role in the development and commercialization of computer hardware, software, and services, laying the foundation for the modern IT industry.

Microcomputer Revolution (1980s):

- The 1980s saw the advent of microcomputers, smaller and more affordable personal computers that began to enter homes and businesses, leading to the democratization of computing.
- Companies like Microsoft, Apple, and Intel emerged as key players in the microcomputer revolution, developing operating systems, hardware components, and software applications that fuelled the growth of the IT industry.

Internet and Dot-Com Boom (1990s):

- The widespread adoption of the internet in the 1990s revolutionized communication, commerce, and information sharing, giving rise to the dot-com boom.
- Companies like Amazon, Google, and Yahoo capitalized on the internet's potential, launching online platforms and services that transformed industries and created new business models.

Globalization and Outsourcing (2000s):

- The 2000s witnessed the globalization of the IT industry, with companies increasingly outsourcing software development, IT services, and business processes to countries with lower labor costs, such as India and China.
- Indian IT services providers like Tata Consultancy Services (TCS), Infosys, and Wipro emerged as major players in the global IT outsourcing market, offering cost-effective solutions and skilled talent.

Digital Transformation (2010s-present):

- The Organizations transformed into digital entities during the 2010s.
- Companies like TCS and L&T Technology Services have adapted to the evolving landscape, expanding their offerings to include digital solutions, consulting services, and specialized engineering capabilities to meet the changing needs of clients.

1.4. INTRODUCTION TO TCS (TATA CONSULTANCY SERVICE)



Name	TATA CONSULTANCY SERVICE (TCS)
FOUNDED	1968, 56 YRS. AGO
FOUNDER	J.R.D. TATA
HEADQUARTER	MUMBAI, MAHARASHTRA, INDIA
TYPE	PUBLIC

Tata Consultancy Services (TCS) is a leading global provider of information technology (IT) services and consulting, with a strong emphasis on innovation, excellence, and customer centricity. TCS, which was founded in 1968 as a division of the renowned Tata Group, is an Indian corporation that serves clients from various industries and geographical areas.

Founding and Early Years:

- Established by Tata Sons, the flagship holding company of the Tata Group, TCS began its journey in 1968 under the visionary leadership of F.C. Kohli, widely regarded as the father of the Indian software industry.
- Initially focused on providing IT services to domestic clients in India, TCS quickly expanded its operations and began to establish a reputation for technical expertise, reliability, and integrity.

Global Expansion and Innovation:

- Throughout the 1980s and 1990s, TCS embarked on a path of global expansion, establishing offices and delivery centers in key markets worldwide, including the United States, Europe, Asia-Pacific, and the Middle East.
- TCS played a pivotal role in shaping the outsourcing industry, leveraging India's abundant talent pool and cost-effective delivery model to offer a wide range of IT services, including software development, systems integration, and consulting.

Leadership in the Digital Age:

- TCS is a trailblazer in digital transformation, helping clients leverage emerging technologies like cloud computing, big data analytics, AI, and IoT to drive innovation.
- TCS's strong focus on research and development, coupled with strategic investments in talent development and partnerships, has enabled the company to stay at the forefront of technological innovation and maintain its competitive edge in an ever-evolving industry landscape.

Commitment to Sustainability and Corporate Citizenship:

- Beyond business success, TCS is committed to positively impact society and the environment through corporate social responsibility (CSR) initiatives focused on education, healthcare, environmental sustainability and community development.
- TCS has received numerous accolades and awards for its CSR efforts, demonstrating its dedication to corporate citizenship and ethical business practices.

Future Outlook:

- As the pace of technological change accelerates and organizations navigate the complexities of a digital world, TCS remains steadfast in its mission to empower customers with innovative solutions, strategic insights, and unparalleled expertise.
- With a strong foundation built on decades of experience, a global delivery network, and a culture of continuous learning and adaptation, TCS is well-positioned to lead the way in shaping the future of technology and driving digital transformation across industries.

1.5. INTRODUCTION TO LTTS (*Larsen & Turbo Technology Service*)



L&T Technology Services

NAME	LARSEN & TURBO TECHNOLOGIES SERVICE
FOUNDED	2012, 12 YRS. AGO
FOUNDER	ANIL KUMAR MANIBHAI NAIK
HEADQUARTER	L&T KNOWLEDGE CITY, VADODARA, GUJARAT, INDIA
TYPE	PUBLIC

L&T Technology Services (LTTS) stands as a leading global engineering services provider, renowned for its cutting-edge solutions, domain expertise, and commitment to innovation. A subsidiary of Larsen & Toubro Limited (L&T), one of India's largest engineering and construction conglomerates, LTTS has emerged as a trusted partner to businesses across diverse industries, offering a comprehensive suite of engineering, research, and development services.

Origins and Evolution:

- Established in 2009 as a separate business unit within Larsen & Toubro Limited, L&T Technology Services was carved out to focus exclusively on engineering services and technology solutions.
- Leveraging L&T's rich heritage and deep industry knowledge spanning over eight decades, LTTS quickly established itself as a pioneer in engineering innovation, serving clients in sectors such as automotive, aerospace, telecommunications, healthcare, and semiconductors.

Specialized Offerings and Expertise:

- LTTS offers a wide range of specialized engineering services, including product design and development, digital engineering, manufacturing engineering, and plant engineering, among others.
- With a focus on innovation and value creation, LTTS collaborates closely with clients to address their most complex engineering challenges, leveraging advanced technologies such as artificial intelligence (AI), machine learning (ML), Internet of Things (IoT), and augmented reality (AR) to drive efficiency, agility, and sustainability.

Global Presence and Partnerships:

- LTTS has a strong global presence, with delivery centers and engineering labs located in key markets across North America, Europe, Asia-Pacific, and the Middle East.
- In order to remain at the forefront of technological innovation and provide best-in-class solutions to its clients, the company maintains strategic partnerships with top technology providers, educational institutions, and research organizations.

Commitment to Sustainability and Innovation:

- LTTS is committed to sustainability and environmental stewardship, integrating eco-friendly practices and green technologies into its engineering solutions.
- The company's focus on innovation is evident through its investments in research and development, patent filings, and technology incubation initiatives, driving continuous improvement and differentiation in a competitive market landscape.

Future Vision and Growth Trajectory:

- As the world embraces digital transformation and disruptive technologies reshape industries, LTTS is poised to play a pivotal role in driving innovation and engineering excellence.

- With a strong foundation built on L&T's engineering legacy, a diverse portfolio of services, and a culture of collaboration and customer-centricity, LTTS is well-positioned to capitalize on emerging opportunities and deliver value-driven solutions that propel its clients towards success in a rapidly evolving digital world.

REVIEW OF LITERATURE

- **Udit Agarwal, (2023):** The paper investigates technical analysis of TCS and LTI. According to his research, He noted LTI has the best performance compared to TCS. For evaluation, one-year stock price movement from 2018 to 2022 was considered.
- **DP Karthika, P Karthikeyan (2011):** The aim of this study is to compare the risk, return, and liquidity of the stocks of a selected group of companies from various industries, including information technology, automotive, banking, medicine, and oil. According to research, the stock market is extremely volatile at times. High risk industries include the banking and electricity sectors. Non-cyclical industries with lower risk include FMCG, housing, and pharmaceuticals.
- **M Raju, D.P.V Rao, (2020):** The paper investigates the financial analysis of TCS and Wipro which shows benefit after tax to sale execution ratio of TCS is on better way at 20% and Wipro is having between 12% and 19%.
- **R Revathi, PS Aithal, (2018):** This case study paper discusses the strategy of L&T InfoTech while providing services for different sectors like Banking, Insurance, Energy and Utilities, CPG & Retail, Hi-tech, Life Science and Healthcare, Media and Entertainment, and Manufacturing. In this case study, They used Theory A to quickly assess the company's business strategy, operational strategy, competitors, financial stability, marketing mix, and recruiting and training plans.
- **H Olasiuk, S Kumar, P Sharma, T Ganushchak, (2023):** This study uses information from the top ten IT firms listed on the Nifty IT Index to investigate how the Covid-19 pandemic has affected Indian IT companies. The study discovers that although the performance of Nifty IT companies during COVID-19 was better than it was prior to pandemic, difference was not statistically significant. In addition, during 2020–2022, firms' scale efficiency increased relative to the growth of production efficiency.
- **KS Silpa, JA Mol, AS Ambily, (2017):** This paper aims to study on Fundamental analysis of selected IT companies listed at NSE. Fundamental analysis is studied in three parts. Economic analysis deals with basic factors like GDP, IIP, fiscal deficit, inflation, current account deficit etc. Industry Analysis the Indian IT sector is analyzed based on entry barriers, type of industry, government intervention, Porter's Five Forces Model. Finally, various ratios like Dividend Payout Ratio, EPS, P/E Ratio, Debt-Equity Ratio are used in the analysis of the company. The study undervalues shares of Wipro, TCS and Infosys and suggests buy and hold shares.

OBJECTIVE OF STUDY

- To study the growth and performance of TCS and LTT.
- To study fundamental analysis for TCS and LTT to recommend for better investment choices.
- Analyzing intrinsic value and market value through fundamental analysis.

RESEARCH METHODOLOGY

This paper mainly uses secondary data. Data is collected from sources like internet, 'websites of selected companies', company balance sheets, annual reports, press releases etc. Data is analyzed using basic tools for selected TCS and LTT. Here, the selected website:

- Tcs.com
- Ltts.com
- Screener.com
- Moneycontrol.com
- Topstockresearch.com

DATA ANALYSIS

Quarterly Performance (Q3FY24)

First, we must examine the Business Segments of TCS and LTTS to look overall working of the companies. All the details are taken from the transcript of *Q3FY24* from original company websites.

LTTS:

The Company has six Business segments, namely but the seventh segment tries to reflect the overall company performance with respecting this quarter and last one.

1. Transportation (Auto, Commercial Vehicles and Aero)

- Company had started investing in *SDV or Software Defined Vehicles, AI, and cybersecurity last quarter*. In this quarter, SDV is where the next big wave of spending will happen.
- SDV is becoming relevant in Commercial Vehicle segment too - which follows the same trend as Auto - by investing first in EV and now SDV. With a US construction and mining giant, Company have been working on their EV platform, and now they are helping them on SDV architecture too.
- On the Aero side, Company won a large deal in avionics. They are also having deal discussions with a few new logos in new-age aerospace like electric/hybrid aircraft, building on our earlier wins.

Overall, 3 large deal wins and the SDV win in Q3 give us a lot of comfort of strong growth continuing in Transportation.

2. Plant Engineering

- We had broad-based growth across *FMCG, O&G and Chemicals*.
- The key highlight of Q3 was the start of a significant relationship with *bp* (Bharat petroleum) - as part of which, Company will help them in operational excellence and low-carbon initiatives.

They are excited about the pipeline and strong customer spending outlook that gives us confidence of Plant Engineering growth continuing.

3. Industrial Products

- Company is seeing good growth within Machinery and Power sub-segments although Building Automation remains challenged.
- Demand is driven by customer investments in digital platforms, need for higher product efficiency, factory optimization and sustainability.
- Lifecycle assessment is an emerging area of demand – they are working on AI driven automated solutions that will reduce time to market for our customers.
- Cybersecurity continues to be of interest as legacy systems and products are getting connected and modernized.

Company is optimistic on growing in IP, which will be driven by digital products and supply chain resilience.

4. Telecom and Hitech

- Company is seeing signs of a turnaround in *Semcon* with the spending freeze in the past few quarters being lifted slowly.
- Demand is strong in the *VLSI chip design* space for 5G and AI related chipsets.
- In addition to the alliance with Palo Alto, they have now signed a \$12M deal in cybersecurity with a Telecom Network OEM. They are seeing a very good acceleration in our Cybersecurity practice post the addition of SWC talent. This deal is our second large deal leveraging SWC in the global market.
- We are seeing good opportunities in network automation and digital infrastructure management as Telcos look at cost take-outs and performance improvement.
- We are partnering with Telcos to help enterprise customers leverage next generation communication networks for industrial automation, security, and material handling.
- In Media and ISV, we are seeing more cost takeouts and vendor consolidation opportunities as focus turns towards higher productivity and efficiency.

Overall, Company sees a good pipeline in Telecom & Hitech and expect growth to continue gradually improve as the deals get closed.

5. Medical

We had a good performance in Medical, led by the ramp-up of a large deal win that we won in Q2.

- Demand is driven by 3 key areas:
 - Digital platforms to enhance patient experience and diagnostics.
 - Complaints handling and remediation.
 - Digital manufacturing and supply chain optimization.

- Company sees a great potential in leveraging AI in Healthcare - For e.g., they have developed an AI solution for Complaints Handling that is finding good traction with customers. This differentiated solution combines AI with domain specific context like regulation to improve process efficiency.
- They would have also seen our press release of our collaboration with NVIDIA to develop Gen AI and Advanced Software-Defined Architectures for Medical Devices.
- They had a good performance in Medical, led by the ramp-up of a large deal win that we won in Q2.

Overall, Company believe budgets will be constrained in Medical in the short term, but they see consolidation and AI driven opportunities to help drive growth forward.

6. Digital Engineering and Technology progress

- The engineers continue to innovate. They had a *total of 51 patent filings in Q3* & as you are aware, the pace of filing has increased - our cumulative filings are at around 1,250 from around 1,000 a year back.
- In AI, which is one of our 3 investment focus areas, they have *filed a record 53 patents till date across segments like Transportation, Medical and Industrial Products*.
- They have partnered with the likes of *NVIDIA, AWS, Google Cloud*, which will help us create AI and automated solutions to address our customers' priorities.
- The result of the investments can be seen in industry rankings - Zinnov, in their 2023 rankings, have rated as leaders across 14 engineering domains and an overall ER&D leader for the 8th year in a row. Additionally, they have been rated as leaders in Data and AI Engineering Services, Digital Engineering Services, and Industry 4.0.

7. Outlook

- The common themes emerging from customer discussion is that spends in *CY24 will either increase slightly or remain the flat but will not see declines*.
- Secondly, clients are actively considering core vs contextual spends and there will be deals as they try to move contextual work to providers like us.
- Third, there will be opportunities for cost takeout and value engineering across the manufacturing and supply chain as customers focus on higher productivity and efficiency. The contour, size and colour of deals will change and will require deployment of next-gen skills.
- As an outcome of this, *Company have seen the pipeline improve over the last quarter, deal velocity being like Q2*.
- They are working on multiple double-digit deals in SDV, AI, Digital and Next Gen communications that will help our trajectory.
- *Company is expecting strong wins in Q4, and for FY24 we re-affirm our revenue growth guidance of 17.5% to 18.5% in constant currency.*

TCS

The Company has seven Business focus, tries to reflect the overall company performance with respecting this quarter and last one.

1. Operating Model Transformation

- AI-powered TCS Cognix™ delivers superior business outcomes for our clients. It enables businesses to lower operating expenses, increase business efficiencies across several business divisions, and become more nimble.
- They were chosen by a top American aerospace manufacturer to improve and standardize their tool chain in order to drive digital transformation, lower costs, simplify operations, and increase speed and efficiency. The client partners with TCS not only to achieve system stability, but also to build the framework for the future of IT, which is key to ensuring success in its business operations.

2. Growth and Transformation

- TCS developed a real-time data-driven sales visualizer in partnership with a major global fashion retailer. Using artificial intelligence (AI) and cutting-edge technology, TCS has developed a strong observability framework solution that analyzes data from several IT systems to produce insights and spot possible issue areas. 100% transparency on sales forecasts and real-time omnichannel sales performance enabled by our solution helps clients in troubleshooting and quick resolution of issues, agility in fine-tuning our strategies for promotions in underperforming sectors/markets/products.

3. Customer and Employee Experience

- TCS assisted a well-known retailer in North America in realizing their creative idea of providing customers with exclusive offers.
- A major American aerospace manufacturer chose TCS to completely revamp their hiring procedure from start to finish.

4. Supply Chain Transformations

- To digitally transform its supply chain, TCS teamed up with a multinational food and beverage processing company based in Switzerland. This will enhance our clients' capacity to comprehend and respond to their dynamic surroundings while delivering on-time and complete (OTIF) work, which is essential to achieving client satisfaction.
- A well-known supermarket chain in the UK has teamed up with TCS to lower operating costs while improving supply chain efficiency, logistics forecast availability and accuracy, supplier collaboration, and transparency.

5. Sustainability

- The TCS team proposed a solution to reduce waste in high-cost drug inventory for a major Canadian food and pharmacy retailer.
- The company has partnered with Metcash, Australia's largest wholesale distribution and marketing company, to enhance sustainability reporting.

6. Generative AI

- TCS launched a new Cyber Insights Platform, which focuses on AI-powered threat detection.
- We created a co-pilot for TCS Optumera™, an AI-powered retail intelligence platform for competitive pricing, new product trends, design and testing, visual merchandising, recommendations, and product feature enhancement.

7. Cloud technologies

- TCS implemented a major operations system covering crew management and operations control for leading British airline, Virgin Atlantic.

Understanding from above business segment:

Based on the quarterly performance analysis provided in the study, both Tata Consultancy Services (TCS) and L&T Technology Services (LTTS) showcase robust performance across their respective business segments. LTTS demonstrates strong growth in transportation, plant engineering, industrial products, telecom and high-tech, medical, digital engineering, and technology progress. The company's strategic focus on innovation and collaboration with clients across diverse industries positions it well for sustained growth and success in the engineering services market.

On the other hand, TCS exhibits impressive performance in operating model transformation, growth and transformation, customer and employee experience, supply chain transformations, sustainability, generative AI, and cloud technologies. TCS's ability to leverage advanced technologies and deliver value-added solutions underscores its leadership in the IT services industry.

Overall, both companies demonstrate resilience and adaptability in navigating the challenges of the market, highlighting their strong foundations and strategic initiatives for driving growth and innovation.

COMPANY ANALYSIS

In the business analysis, the financial performance of selected businesses is analyzed in order to analyze the profitability of the business. To understand the risk and reward of investing in stocks, an investor should be aware of the company's financial performance. For analytical purposes, a variety of ratios are used, including book value, EPS, P/E ratio, return on equity (ROE), and dividend payout ratio.

• Earnings per share (EPS)

Earnings per share are calculated by dividing earnings after interest and preference dividends by the number of shareholders. EPS indicates the earning capacity of the company.

Here, we will take last year's EPS of TCS and LTTS

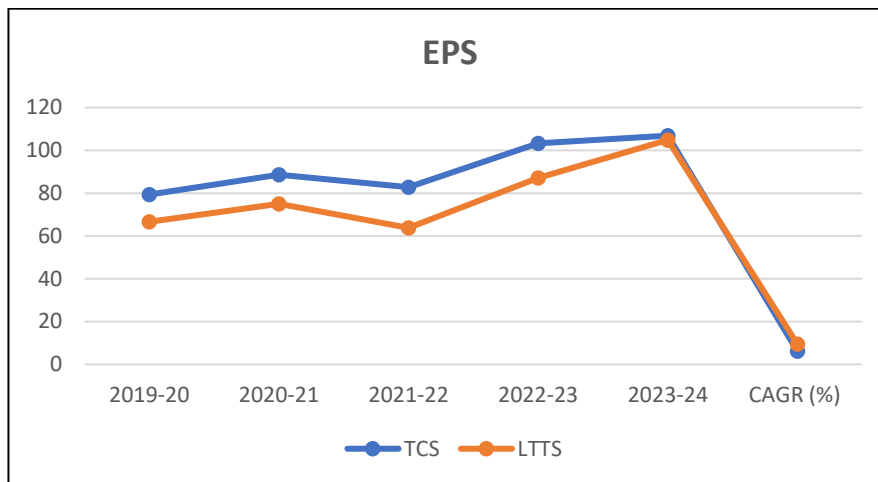
Table 1. Table showing EPS

Years	TCS	LTTS
2019-20	79.34	66.67
2020-21	88.64	74.99
2021-22	82.78	63.83
2022-23	103.24	87.08

2023-24	106.88	104.87
CAGR (%)	6.14	9.48

Source: Secondary Data

Table 1 depicts that LTTS and TCS has positive EPS. But, LTTS has better EPS than TCS over five years. A positive CAGR indicates an increase in EPS over the years and a negative CAGR indicates a decrease in EPS over the years. Despite facing challenges such as the COVID-19 pandemic, TCS has maintained a consistent increase in EPS, demonstrating resilience and adaptability in navigating market fluctuations. On the other hand, LTTS has exhibited a slightly higher EPS growth rate, reflecting its robust performance and strategic positioning in the engineering services sector.



- **PRICE TO EARNINGS RATIO (P/E Ratio)**

The P/E ratio is a measure of the price paid for a stock relative to the revenue or profit earned by the firm per share. A high P/E ratio means investors are paying more for a unit of income.

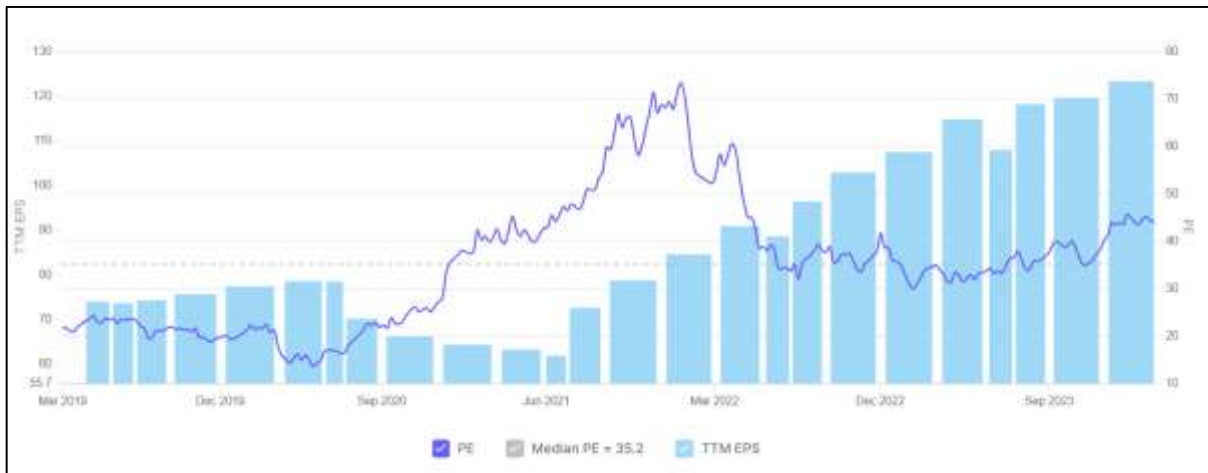
Table 2. Table showing P/E ratios

Years	TCS	LTTS
2019-20	24.10	21.36
2020-21	21.19	14.83
2021-22	36.65	42.03
2022-23	36.09	56.10
2023-24	27.83	30.50
CAGR (%)	2.92	7.38

Source: Secondary Data

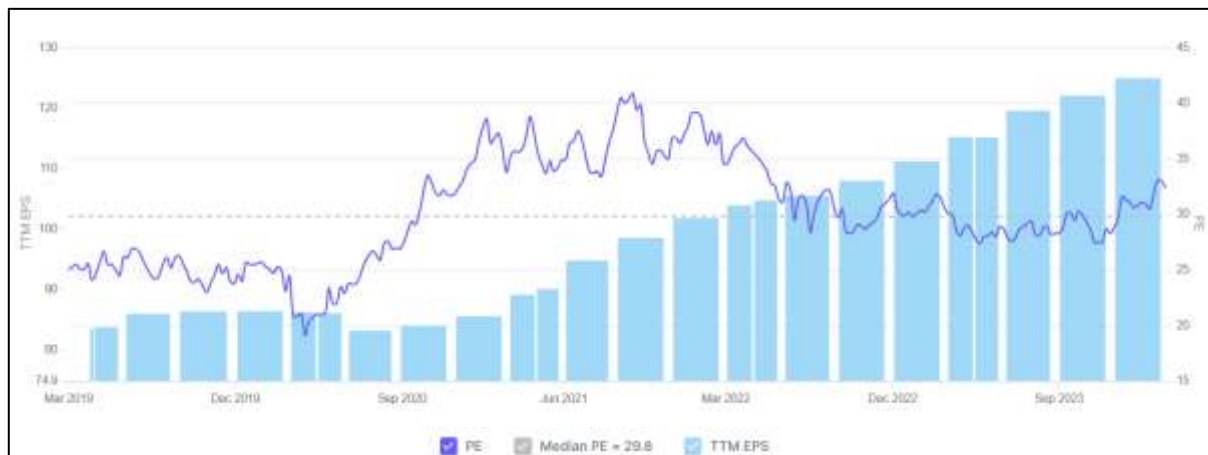
Table 2 depicts that LTTS have shown overprice than TCS. People have to pay more money to buy LTTS than TCS.

Chart 1 showing PE of LTTS



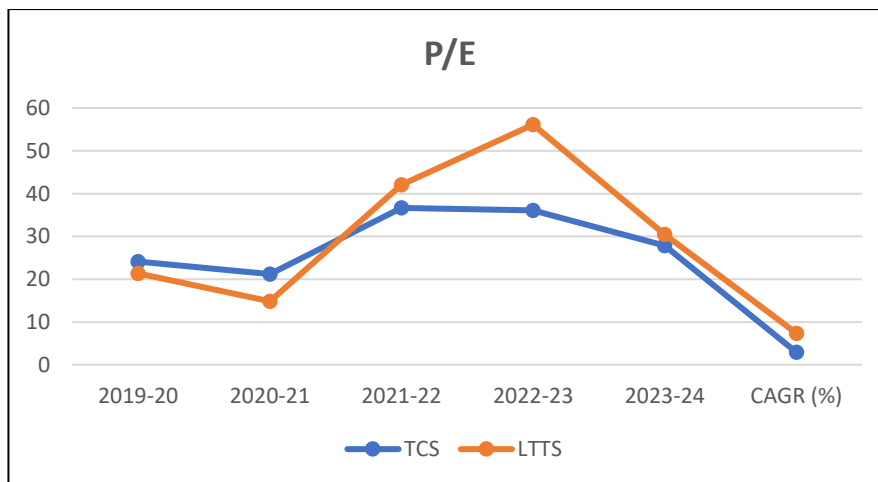
Source: Secondary Data

Chart 2 showing PE of TCS



Source: Secondary Data

Chart 1 and Chart 2 depict that, same as table 2, LTTS is more above than his median PE value than TCS, which is less above than his median PE value according to pricing.



- **Return to Equity (ROE)**

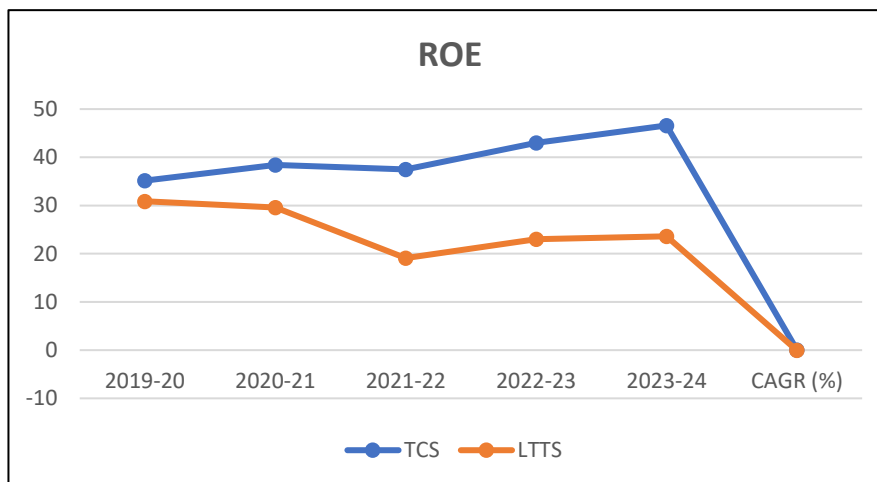
Return on equity is a measure of profitability of company that reveals how profit is generated by the company with the money shareholders have invested. It is computed by dividing profit after tax with net worth.

Table 3 showing ROE

Years	TCS	LTTS
2019-20	35.19	30.88
2020-21	38.44	29.57
2021-22	37.52	19.10
2022-23	43.00	22.99
2023-24	46.61	23.63
CAGR (%)	5.78%	-5.21%

Source: Secondary Data

Table 3 shows that the return on equity of TCS is moving in a positive trend. On the other hand, LTTS shows a downward trend. TCS demonstrates a consistent ROE over the years, showcasing stability and efficiency in utilizing shareholder funds to generate profits, LTTS exhibits a declining trend in ROE. This decline may signal challenges or inefficiencies in LTTS's operations or financial management.



- DIVIDEND PAYOUT RATIO (DPR)**

DPR measures what a company pays out to investors in the form of dividends. It can be calculated by dividing the annual dividend per share by the earnings per share. It can be calculated by dividing DPS by EPS.

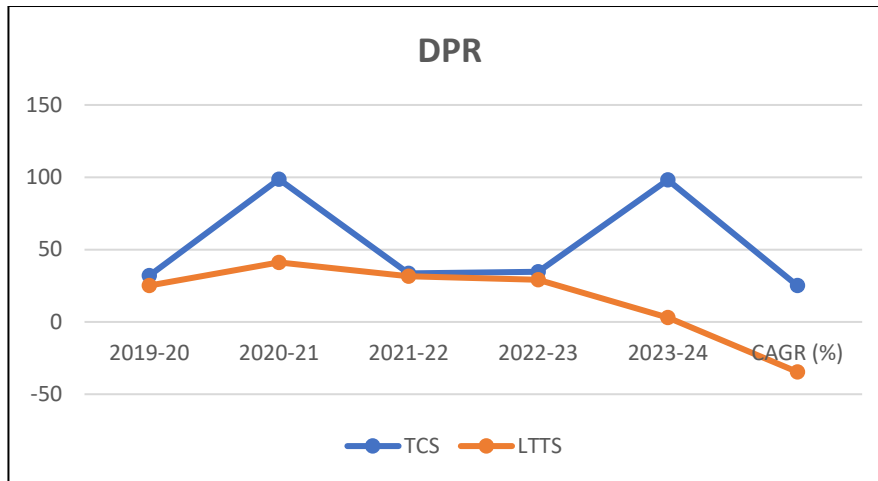
Table 3 showing DPR

Years	TCS	LTTS
2019-20	32.04	25.19
2020-21	98.63	41.15
2021-22	33.46	31.52
2022-23	34.75	29.16
2023-24	98.10	3.02

CAGR (%)	25.08	-34.57
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Source: Secondary Data

Table 3 shows TCS provided higher dividend than LTTS. TCS consistently exhibited a higher DPR compared to LTTS. However, in the last year, LTTS showed a significant decrease in its DPR, while TCS maintained a relatively stable payout ratio.



- **BOOK VALUE (BV)**

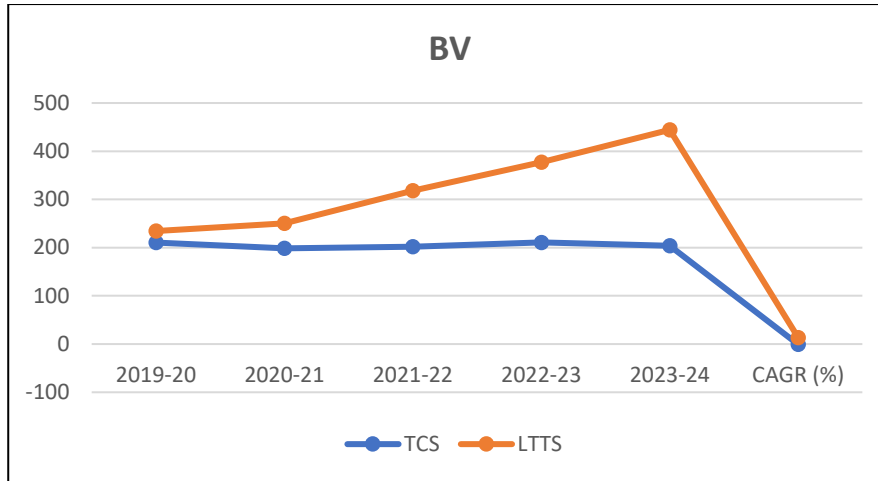
This ratio indicates the share of equity shareholders after the company has paid all its liabilities, creditors, debenture holders and preference shareholders. A positive book value means that the company's assets are greater than its liabilities. A negative book value means that the company's liabilities are greater than its assets.

Table 4 table showing BV

Years	TCS	LTTS
2019-20	210.39	234.22
2020-21	198.31	250.72
2021-22	202.15	318.10
2022-23	210.86	377.40
2023-24	203.66	444.37
CAGR (%)	-0.64	13.66

Source: Secondary Data

Table 5 depicts that TCS has negative CAGR, but LTTS has positive CAGR. The study reveals that while LTTS demonstrates a consistent increase in Book Value over the years, TCS exhibits a declining trend and even a negative compound annual growth rate (CAGR) over the analyzed period. This divergence highlights the contrasting financial trajectories of the two companies and underscores the importance of Book Value as an indicator of shareholder equity and company health.



VALUATION OF SHARES

Ratios	TCS	LTTS
Average DPR = (Σ DPS/ No. of years)	0.610	0.342
Average Retention Ratio = (1- DPR)	0.390	0.658
Average ROE = (ROE/ No. of years)	0.452	0.252
Growth in Equity = (Avg. Retention Ratio * Avg. ROE)	0.176	0.165
Normalized Average P/E Ratio = (Σ P/E ratio/ No. of years)	29.17	32.96
Projected EPS = (Current EPS * (1 + Growth in equity))	125.69	122.173
Intrinsic Value = (Projected EPS * Normalized Avg. Ratio)	3666.40	4026.84
Market Value (as on 26-feb-2024 opening)	4040.10	5420.25

Source: Secondary Data

DECISION

TCS: Intrinsic value < market value, it is overvalued, so the value of the stock may decrease in future so selling the stock is recommended. Soon there will be a correction on TCS.

LTTS: Intrinsic value < market value, it is overvalued; hence it is recommended to sell the stock as the value of the stock may decrease in future.

FINDINGS

- In case of EPS, Both Company, TCS and LTTS are maintaining a constant increase. In 2021-22 Covid-18 period, TCS was decreased by only 5.86 points but LTTS was decreased by 11.16 points.
- In case of Price earnings ratio, TCS and LTTS have shown unstable trend throughout last five years. But LTTS had higher fluctuation than TCS.

- In case of Dividend Payout Ratio, TCS has given comparably higher dividend than LTTS throughout last five years. In last year, LTTS has lowest dividend in its five years vice versa TCS has given highest dividend.
- Book value of LTTS is maintaining a consistency with minute increase in each year. But TCS has shown decreasing trend between years and has negative CAGR for last 5 years.
- LTTS is showing decreasing trend in case of Return on equity. TCS is having considerable line of consistency during last five years. Only one year it has shown declining trend of ROE.

SUGGESTIONS

- Overvalued stocks like TCS and LTTS are suggested to sell as their share prices tend to fall in future.
- It is advisable to take profit from the stock as the market will correct the price.
- Before making any investment decisions, it is advised that all investors conduct a comprehensive analysis of the capital market regarding the company and the industry.
- Stocks that are undervalued are recommended to buy and hold, as their share prices tend to rise in the future.
- Stock investments on their own are not advised because profits aren't guaranteed. Purchasing a variety of diversified stocks lowers risk and yields consistent returns.

CONCLUSION

India's information technology sector has contributed significantly to the growth of the Indian economy in terms of gross domestic product, employment generation and foreign exchange earnings. In the Indian context, IT sector industries are major contributors to India's GDP.

The comparative analysis of Tata Consultancy Services (TCS) and L&T Technology Services (LTTS) reveals valuable insights into the dynamics of the IT and engineering sectors. Both companies exhibit strengths in innovation, global presence, and commitment to sustainability. However, the fundamental analysis indicates that both TCS and LTTS are currently overvalued, suggesting a potential correction in their share prices.

TCS and LTTS are overvalued as its intrinsic value is lower than its market value and suggested to sell the shares as its price may fall in the near future. investors are advised to conduct thorough analyses of the capital market, individual companies, and industry trends before making investment decisions. Diversifying investments and considering undervalued shares may provide more stable returns in the long run.

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