A Study on Stock Market Analysis for Selective Companies Listed In BSE

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ABSTRACT

Investing in stocks helps to build savings. But we cannot directly make investments in stock market without having any knowledge about it. So, this research is done to address this problem. The purpose of this research is to make new investors understand about concepts of fundamental and technical analyses. This research involves the use of secondary data. For making analysis, Real time data from selected companies are used and some of the tools like EPS, Price-to-earnings (P/E) ratio, Return on equity, Price-to-book (P/B) ratio, Dividend payout ratio and Dividend yield ratio are used to evaluate stocks of selected companies. It focuses on calculation of intrinsic value and based on value in RSI Chart. If Intrinsic value is greater than market value then shares is said to be undervalued and whereas if it is lesser, then it is said to be overvalued. RSI indicator is used to find the stocks of the companies whether they are overbought or oversold. An asset is usually considered overbought when the RSI is above 70% and oversold when it is below 30%. From the study HDFC and TCS shares are undervalued/oversold and suggested to buy and hold the shares.

Keywords : Stock Market, Analysis, Investors.

I. INTRODUCTION

A stock market is a platform where investors come to trade shares, bonds, and derivatives. The stock exchange works as administrator for all transactions and enables the buying and selling of shares. At present there are 24 stock exchanges including 21 regional stock exchanges in India. This Paper concentrated on Secondary market which enables individuals to trade stocks. Stocks can be traded on basis two major analysis namely Fundamental Analysis and Technical Analysis.

Importance of Studying Fundamental and Technical analysis

1.Fundamental Analysis

- Evaluate the past and predict the future performance of the company.

- Analyse the economy of country and find out the industry that performs well in recent times.

- Helps to predict the long-term trends in the market. It is suitable only for long-term investors.

2.Technical Analysis

- Forecasts price based on market data.

- Determines price by market movements and patterns.

This paper studies fundamental and technical analysis on selected 4 Companies listed in BSE.

II. REVIEW OF LITERATURE

1.*Silpa KS, Arya Mol J and Dr AS Ambily (2017)* in their research paper selected few companies in IT sector and conducted Fundamental analysis on those companies and based on findings they suggested to buy, hold and sell the stocks of mentioned companies.

2. *Varshini Venu, Bhavya Vikas and Charithra CM (2019)* in their research paper studied about technical analysis and used 3 methods such as RSI, SMA and ROC to analyse stocks on 3 different sectors of stocks and suggested investment decisions.

3. *Muska Paul Jeevan Kumar's (2015)* research article studied both fundamental and technical analysis to analyse stocks. For Fundamental analysis, Sortino Ratio, ROI and beta methods are used and for technical analysis, Bollinger Bands and MACD are used. By Analysing those two, he came with findings by suggesting investment in the companies that has low risks.

4.*Dr Bhargavi. R, Dr Srinivas Gumparthi and Anith R (2017)*, studied about RSI analysis. For that they have chosen 20 Listed companies and conducted RSI analysis for each company. They used both 14 Day RSI and 56 Day RSI to help investors to invest according to short term and long-term investment plans.

5.*Himanshu Vasani and Dr Vijay Gondaliya (2021),*they have Chosen IT companies listed on NIFTY 50. They have used both Fundamental and technical analysis. They conducted economical, industrial and company analysis under fundamental for all selected companies. Under Technical Analysis they used Moving Average method, MACD, RSI and Candlestick Chart. They advised small investors to follow each and every tool in technical analysis to check whether they are technically strong.

III. STATEMENT OF PROBLEM

New investors find difficult to make investment in stock market due to lack of knowledge about stock market and its operations. To help them understand about techniques for evaluating, this study explains the basic concepts for analysing stock and its methods, and helps them in decision making for their investments.

IV. OBJECTIVES OF STUDY

The Following are the objectives of this study,

- To study about fundamental and technical analysis.
- To make new investors understand concepts about fundamental and technical analyses.
- To analyse the findings and give a better investment suggestion to investors.

V. RESEARCH METHODOLGY

This paper uses secondary data. Data are collected from websites of selected companies and NSE, BSE and other stock information websites. Analysis of data is done with help of fundamental tools (Only Company Analysis method is followed) and technical tools (Only RSI used). For generating tables, MS-Excel is used. Every beginner has to choose companies listed in NIFTY50 or SENSEX to be on safer side. So, this paper studies 2 companies from IT industry for fundamental analysis and 2 companies from Banking sector for technical analysis.

VI .DATA ANALYSIS

1 . FUNDAMENTAL ANALYSIS – Company Analysis is followed and below mentioned tools are used for Valuation of Shares.

- ✓ **Earnings Per Share –** EPS can be derived by *Profit Available after Preference share dividend ÷ No. of Equity* shares. It is calculated to find how much money does company earns per share. In this paper, Only Basic EPS value is taken for valuation of shares.
- ✓ **P/E Ratio -** The price-to-earnings (P/E) ratio is a relationship between a company's share price to its earnings per share. It is calculated by *Market Value per share ÷ EPS* .
- ✓ **Return on Equity -** It is calculated by *Net Income ÷ Average Shareholder's equity*. ROE is calculated to find out the efficiency of a company in generating profits.
- ✓ **Dividend Payout Ratio -** It is a ratio which denotes total dividend paid to a company from the net profits of the company. *DPR = Dividend paid ÷ Net Income*.
- ✓ **Book Value -** Book Value is nothing but a difference between companies total net assets and liabilities.

✓ **P/B Ratio -** It is a ratio which shows the relationship between Market value of share to Book value of share. *P/B Ratio = Market Value per share ÷ Book Value per share.*

✓ **Dividend Yield -** It is calculated to show how much dividend is paid by the company to its shareholders with respect to its stock price. *DY = Annual Dividends per share ÷ Price per share.*

a) Infosys Limited

Table.1

Year	EPS	PE	ROE	DPR	BV	PB	DY – Current
Mar – 2022	52.78	36.13	29.34	-	180.5	10.62	1.33
Mar – 2021	45.61	29.99	25.34	47.12	180.75	7.61	-
Mar – 2020	38.97	16.46	25.35	57.35	155.15	4.15	-
TOTAL	137.36	82.58	80.03	104.47	516.4	22.38	-
AVERAGE	45.7867	27.5267	26.6767	52.235	172.133	7.46	-

b) Tata Consultancy Services (TCS) Limited

Table. 2

Year	EPS	PE	ROE	DPR	BV	PB	DY-Current
Mar – 2022	105.05	35.6	42.99	-	245.48	15.35	1.17
Mar – 2021	86.71	36.65	37.52	35.04	235.43	13.6	-
Mar – 2020	86.19	21.19	38.44	95.89	226	8.13	-
TOTAL	277.95	93.44	118.95	130.93	706.91	37.08	-
AVERAGE	92.65	31.1467	39.65	65.465	235.637	12.36	-

VALUATION OF SHARES

Table. 3

RATIOS	INFOSYS	TCS
1. Average DPR	0.522	0.655
Total DPR/No. of Years		
2.Average Retention Ratio	0.478	0.345
1-DPR		
3. Average ROE	0.267	0.397
ROE /No of Years		
4.Growth in equity	0.128	0.137
*Average Retention Ratio * Average ROE*		
5.Average P/E ratio	27.53	31.15
Total P/E Ratio/No of Years		
6.Projected EPS	59.52	119.44
*Current EPS * (1+ Growth in Equity)*		
Intrinsic value		
*Projected EPS * Average P/E ratio*	**1638.5**	**3720.5**
Market value (as on 15/04/22)	1748.7	3661.3
Signal	**SELL**	**BUY**

2.TECHNICAL ANALYSIS

RELATIVE STRENGTH INDEX (RSI)

a) Axis Bank Limited

Fig. 1 - Data Source :Secondary Data (www.traderscockpit.com)

Data Interpretation

- During January, March and at mid-April the RSI was above 60 which is high and good time to sell.
- During February, RSI was less so it is good time to buy.

b) HDFC Bank (HDFC Bank Limited)

Fig. 2 - Data Source : Secondary Data (www.traderscockpit.com)

Data Interpretation

- During March, the RSI was above 60 which is high and good time to sell.
- During January, February and at mid-April, RSI was less so it is good time to buy.

VII. LIMITATIONS

- For fundamental analysis - only consolidated financial data collected for both companies and data collected only for past 3 years.
- For DPR, Dividend is not declared for both companies in current year (2022) as of now. So average is taken for 2 years.
- Dividend Yield is taken only for current year.
- Only RSI method is followed in technical analysis.
- RSI data shows only for past 3 months.
- Data collected for both analyses are up to 15/4/2022.

VII. FINDINGS AND SUGGESTIONS

7.1 For Fundamental analysis

- ✓ In case of Infosys - Intrinsic Value < Market Value, it is understood that it is overvalued and future is uncertain and there may be fall in price so it is recommended to **Sell**.

- ✓ In case of TCS - Intrinsic Value > Market Value, it is understood that it is undervalued, in future price may rise so it is recommended to **Buy/Hold** the Shares.

7.2 For Technical analysis

- ✓ The RSI of Axis Bank indicates **62.38%**, which is neither overbought or oversold , but since it is closer to 70%, it is assumed as overbought and it is recommended to **Sell**.

- ✓ The RSI of HDFC bank is **47.05%**, which is closer to 30% and it is assumed as oversold so it is recommended to **Buy/Hold**.

VIII. CONCLUSION

The stock market plays an important role in the economy of a country by means of spending and investment. Without the involvement of stock markets, many countries would not be as developed as they are. Stocks is considered as liquid asset so it can be easily converted to cash. Main Purpose of Stock markets, is to serve the wider economy and helps individuals to earn a profit on their income on their investment in the stock market. Apart from earning profits and dividends, investing in stocks helps to learn about more about market fluctuations and lot about the companies. Every Investor has to maintain a diversified portfolio by investing stocks in different sector of companies. Investors should not completely rely on technical indicators sometimes it may also give wrong assumptions. So, he should also check the results with fundamental assumptions. Earlier studies suggest the new investors to take up virtual trading (eg.moneybhai) and also advises to make investment in it and keep a track for certain period of time (for 6 months) before going for real trade.

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