

**Project Report**

**STOCK ANALYSIS**

**OF INDIAN OIL CORP. LTD.**

Submitted to  
**G.S. College of Commerce & Economics**  
**Nagpur**

In partial fulfilment for the award of the degree of  
**Bachelor of Business Administration**

Submitted by

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Under the Guidance of  
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**G.S. College Of Commerce & Economics, Nagpur**

Academic Year 2022 – 23



**G.S. College Of Commerce & Economics, Nagpur**

**Academic Year 2022 – 23**



## **CERTIFICATE**

This is to certify that “**Mihir U. Daksh** “has submitted the project report titled “**STOCK ANALYSIS OF INDIAN OIL CORP.LTD**”, towards partial fulfillment of **BACHELOR OF BUSINESS ADMINISTRATION** degree examination. This has not been submitted for any other examination and does not form part of any other course undergone by the candidate. It is further certified that he/she has ingeniously completed his/her project as prescribed by Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur.

**DR. PRAGATI PANDEY**  
**(Project Guide)**

**DR. AFSAR SHEIKH**  
**(Co-Ordinator)**

**Place: Nagpur**  
**Date:**

**G.S. College Of Commerce & Economics, Nagpur**

Academic Year 2022 – 23



## **DECLARATION**

**I here-by declare that the project with title “Stock analysis of indian oil corp.ltd “has been completed by me in partial fulfillment of BACHELOR OF BUSINESS ADMINISTRATION degree examination as prescribed by Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur and this has not been submitted for any other examination and does not form the part of any other course undertaken by me.**

**Mihir Daksh**

**Place: Nagpur**

**Date:**

**G.S. College Of Commerce & Economics, Nagpur**

Academic Year 2022 – 23



## **ACKNOWLEDGEMENT**

With immense pride and sense of gratitude, I take this golden opportunity to express my sincere regards to Dr. Swati S. Kathaley, Principal, G.S. College of Commerce & Economics, Nagpur.

I am extremely thankful to my Project Guide Dr. Pragati Pandey for his/her guideline throughout the project. I tender my sincere regards to Co-Ordinator, Dr. Afsar Sheikh for giving me outstanding guidance, enthusiastic suggestions and invaluable encouragement which helped me in the completion of the project.

I will fail in my duty if I do not thank the non-Teaching staff of the college for their Co-operation.

I would like to thank all those who helped me in making this project complete and successful.

**MIHIR UMASHANKAR DAKSH**

**Place: Nagpur**

**Date:**

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# INTRODUCTION

## **INTRODUCTION**

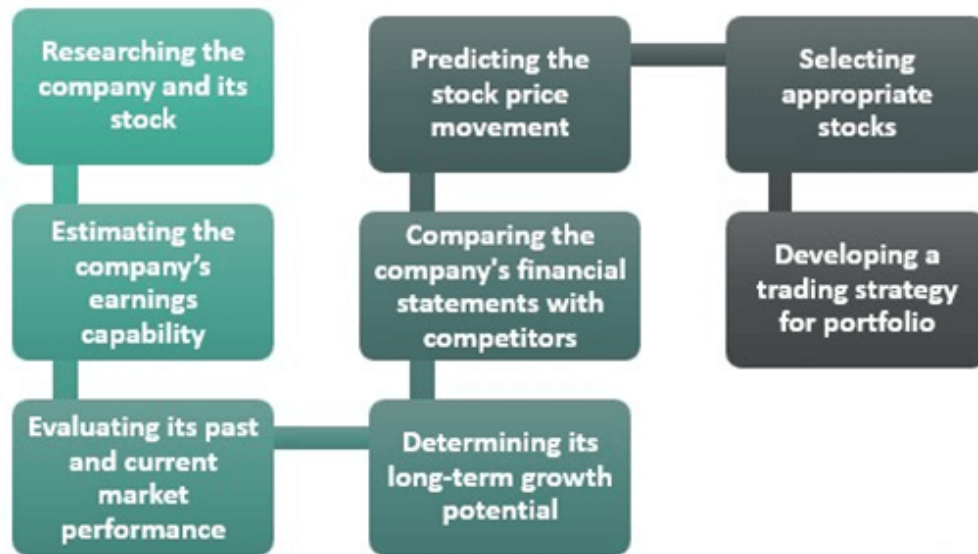
### **WHAT IS STOCK?**

A stock is a form of security that indicates the holder has proportionate ownership in the issuing corporation. Corporation issue (sell) stock to raise funds to operate their businesses. There are two main types of stock: common and preferred. Stocks are bought and sold predominantly on stock exchanges, though there can be private sales as well.

### **WHAT IS STOCK ANALYSIS?**

Stock analysis is the evaluation of a particular trading instrument. It is a method for investors and traders to make buying and selling decisions. By using stock analysis, investors and traders arrive at equity buying and selling decisions. Studying and evaluating past and current data helps investors and traders to gain an edge in the markets to make informed decisions. Stock analysis enables investors to identify the intrinsic worth of a security even before investing in it. All stock market tips are formulated after thorough research by experts. It can be used to gain an insight in to the economy as a whole, the stock market, a specific sector or an individual stock, traders can create a methodology for choosing which stocks to focus on, as well as a way to identify entry and exit points for their traders.

## Steps In Stock Analysis



The stock analysis can be an investor's best guide while venturing into securities markets.

The company's past and present **financial statements** and their comparison with competitors can tell a great deal about how well the company is doing. Metrics like **operating profit margin** can also help analysts estimate the company's **revenue, operating expenses, operating income**, etc.

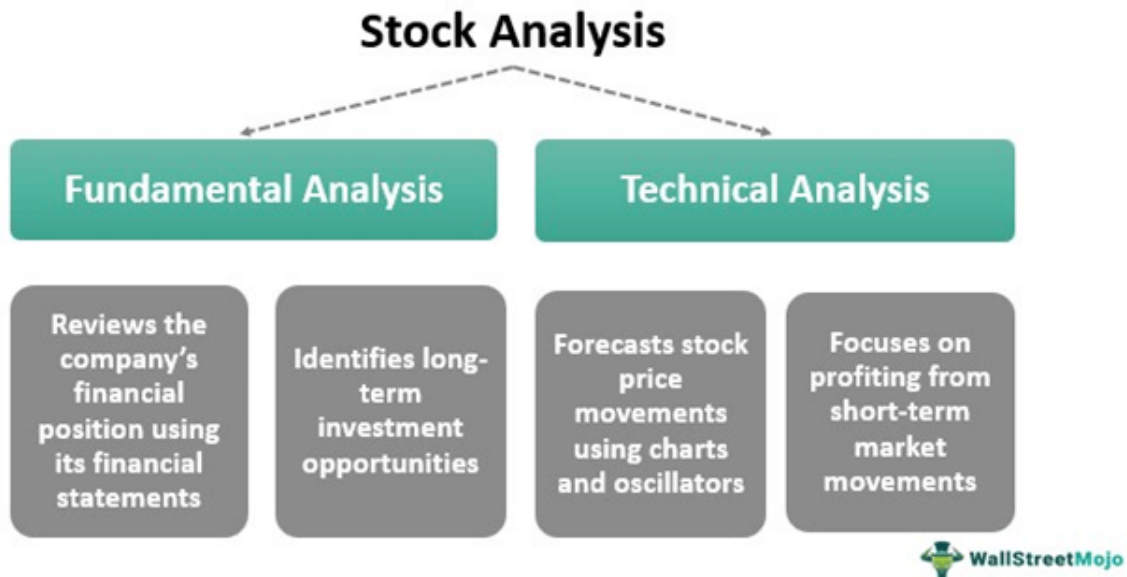
**The two primary approaches to stock analysis include:**

1. Fundamental Analysis
2. Technical Analysis

Both techniques are vital to gain a complete understanding of the stock, including its value and growth potential.



# Stock Analysis Techniques



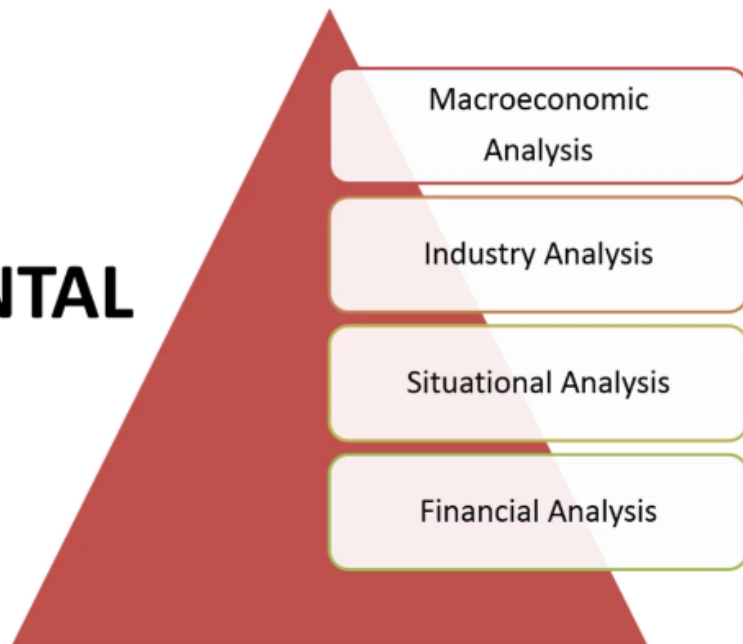
## • Fundamental Analysis

Investors apply fundamental analysis when reviewing a company's financial positioning, such as evaluating its **cash flows**, **balance sheet**, and earnings or income statement. The **stock analysis report** can reveal a company's operating expenses, profits, and distribution of its revenue. Investors prepare ratios and valuation metrics to determine the potential value of the company. It involves looking into the company's financial records, stock price, **market share**, and overall assets. This way, it helps investors make long-term investment decisions.

Investors compare the previous and current **financial statements**. These statements answer to the following questions: 8

- Is the company growing?
- Is it profitable?
- What is it doing with the profits?
- Is the growth sustainable?

# STEPS OF FUNDAMENTAL ANALYSIS



Analysis measures a company's growth, profitability, creditworthiness, liquidity, etc. The current ratio and quick ratio are two metrics used to determine if a company's short-term or current obligations can be met using available assets.

1. **Balance Sheet:** It provides information about the company's total assets, liabilities, and shareholder equity.
2. **Income Statement:** It shows how much money the company makes and at what cost. Its components include the cost of goods sold, gross profit, total expenses, net income, and earnings per share (EPS). A higher EPS means the stock is worth purchasing.

**3. Cash Flow Statement:** Statement of Cash Flow provides information on the money flowing in and out from operations, investments, and financing. It also indicates if the company has enough cash to pay its expenses.

### **Other Helpful Fundamental Tools**

**1. Price to Earnings (P/E) Ratio** – Reflects a company's value by dividing the share price by the EPS and then comparing it with competitors. A higher PE ratio shows that investors are willing to pay a premium to invest in the company (it also means the firm is overvalued) and vice versa.

**2. Price to Book (P/B) Ratio** – Price to Book Value compares a company's market values to its fundamental book value or the net value.

**3. Return on Equity (ROE)** – ROE shows the profitability of a company from investments made by investors.

**4. Price to Earnings to Growth (PEG) Ratio** – The expected annualized earnings growth of a company, determining the stock value. It results from dividing the stock's P/E ratio by the growth rate of income.

**5. Dividend Payout Ratio** – Dividend Payout Ratio refers to the percentage of the company earnings given to its shareholders.

**6. Debt-to-EBITDA Ratio** – It is the ratio of total debts and EBITDA. A high ratio indicates a riskier investment.

**7. Debt Ratio** – The debt ratio shows how much debt is weighing on the assets of a company. If it is more than one, the corporation has more liabilities than assets. *Debt ratio = Total liabilities / Total assets*

## • Technical Analysis

Investors and traders perform technical analysis by looking at past price and volume trends, demand and supply variables, etc., to determine where the stock price can go in the future. It is a way of forecasting stock price movements using a variety of stock analysis tools and resources. The analysis uses indicators like charts and oscillators to predict future trends. It benefits traders who seek profits from short-term price fluctuations.

Questions in mind while performing technical analysis are:

What trends are taking place?

Is it a good time to enter/exit a trade?

What are price levels hit by stock?

When the stock hits those levels, where does it tend to go afterward?

Technical Analysis	
<b>Qualitative Analysis</b> <ul style="list-style-type: none"> <li>• Supports and resistances</li> <li>• Change in polarity principals</li> <li>• Chart patterns</li> </ul>	<b>Quantitative Analysis</b> <ul style="list-style-type: none"> <li>• Identify market trends</li> <li>• Moving averages</li> <li>• Momentum indicators</li> </ul>

- **Support** – It is the price level that shows previous declines marked well below the current price. The level followed by a break signals the start of a downtrend. It is when the buyer enters the market and places a bid on a stock price.
- **Resistance** – It is the level at which the stock price starts to fall due to selling pressure. It shows the previous high points before the current stock price. Breaking through the level signals an optimistic outlook.
- **Moving Averages (MA)** – **Moving averages** reflect the average stock price over a specific period. Popular moving averages include the 200-day, 100-day, and 50-day averages.
- **Trend Lines (TL)** – These display price patterns that enable investors and traders to visualize support and resistance levels. One can create them by connecting the pivot points where the price has reversed during a specific period.
- **Relative Strength Index (RSI)** – This indicator measures the momentum of a stock price, indicating whether it is overbought or oversold.

- **Pivot Points** – These are price levels in which the stock hit support or resistance.

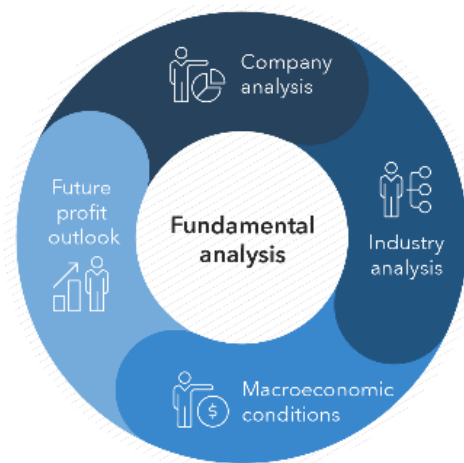
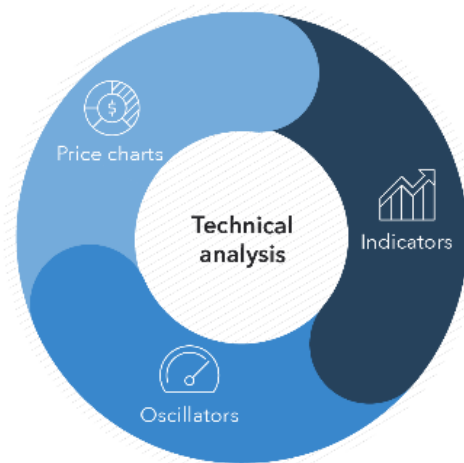
Different analysts and investors have varying viewpoints as to whether fundamental or technical stock analysis is the way to go, or whether there should be a combined approach. There isn't necessarily one right way to perform stock analysis; It all depends on the investor. Stock analysis can be based on either fundamental or technical analysis or both. Both institutional and individual investors can use stock analysis as part of their investment decision-making processes.

## Fundamental Analysis (FA) vs. Technical Analysis (TA)

Many investors get confused between two terms or use them interchangeably – technical analysis and fundamental analysis.

Fundamental analysis of a company seeks to make a studied guess on a company's cash flows based on how the economy, industry, and the company will perform. With this, the investor gets an idea of what the company/stock is worth.

On the other hand, technical analysis looks at internal market data such as price and trade volume. The focus of technical analysis is on identifying patterns and trends that will repeat so that the trader can capitalize on them.



# COMPANY PROFILE

## COMPANY PROFILE



# Indian Oil Corporation Limited

**Tagline: Our groundwork takes you sky high**

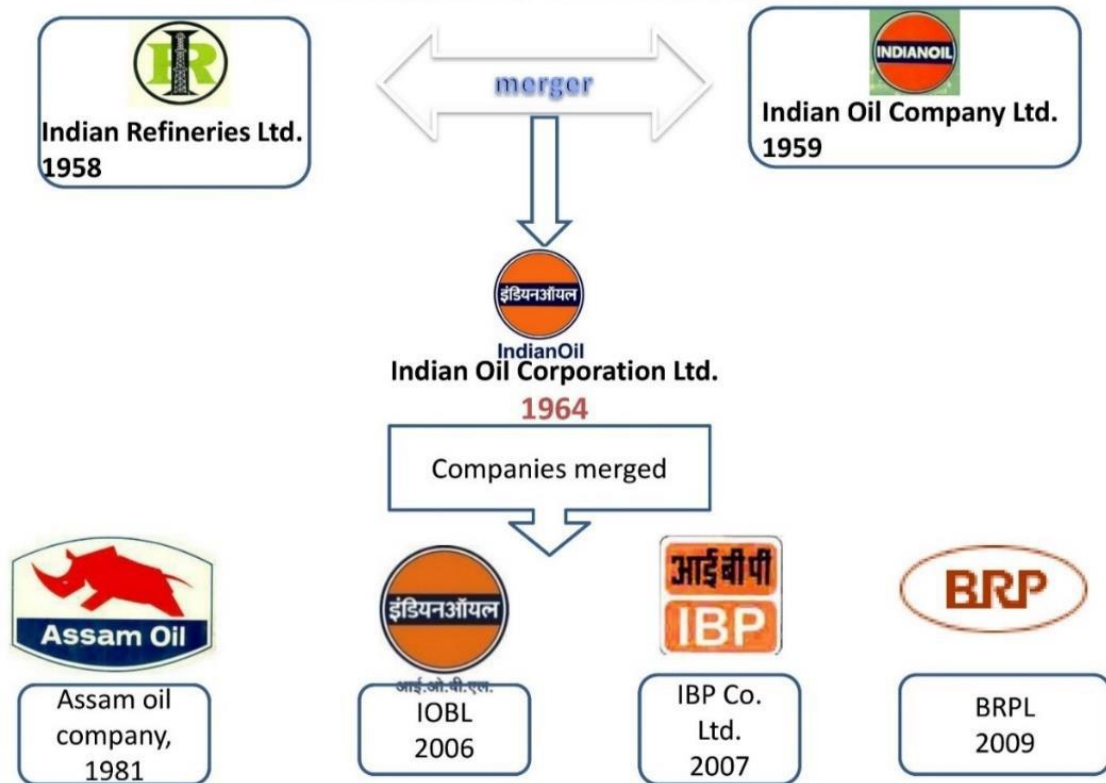
INDIAN OIL CORPORATION LIMITED is in the industry of Petroleum and Coal Products Manufacturing was started in 1959. INDIAN OIL CORPORATION LIMITED's stock symbol is National of India: IOC Indian Oil, is an Indian government corporation.

It is under the ownership of Ministry of Petroleum and Natural Gas, Government of India headquartered in New Delhi. It is the largest government owned oil corporation in the country, with a net profit of \$6.1 billion for the financial year 2020-21.

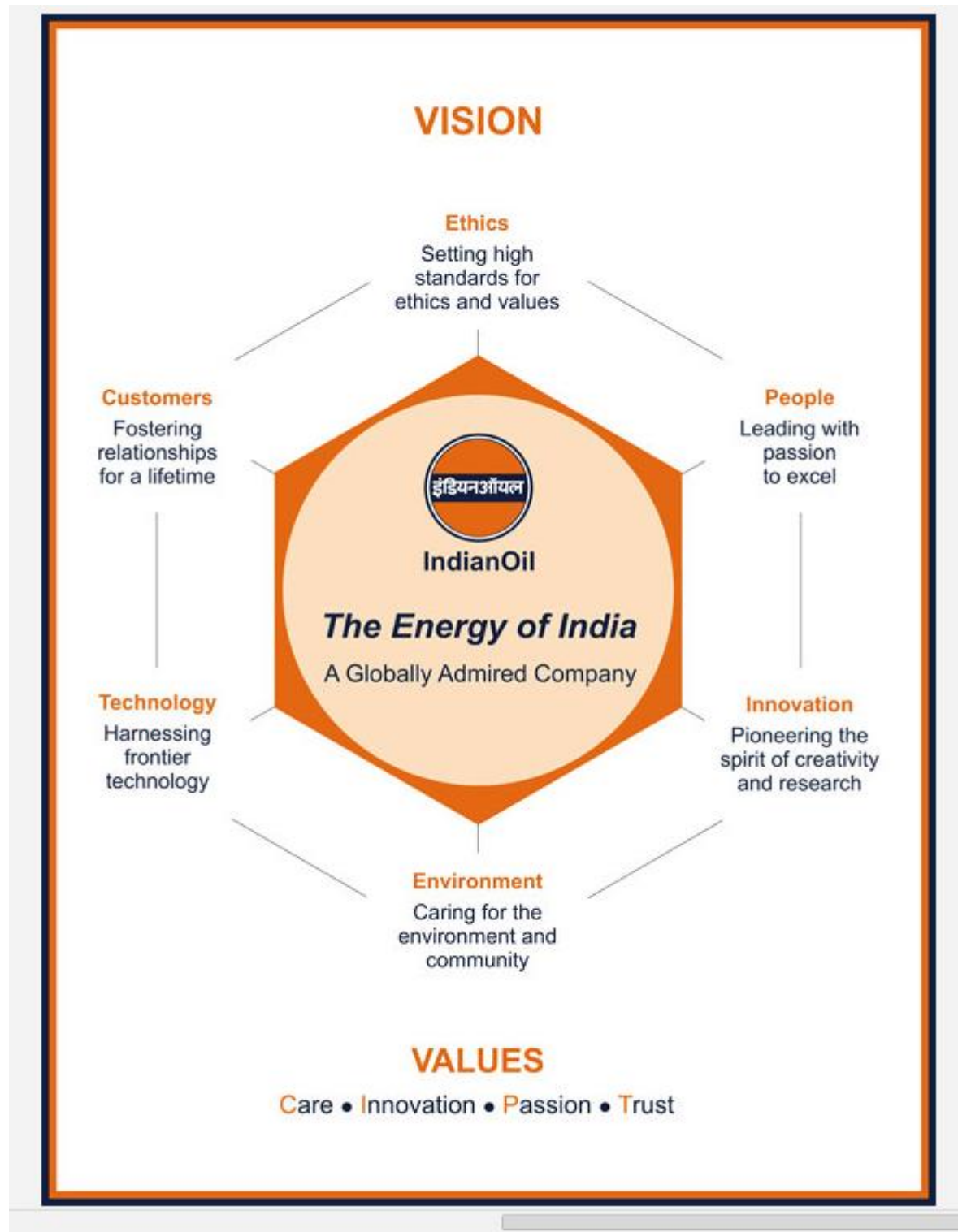
The government corporation is ranked 212th on the Fortune Global 500 list of the world's biggest corporations as of 2021. Indian Oil's business interests overlap the entire hydrocarbon value-chain, including refining, pipeline transportation, marketing of petroleum products, exploration and production of crude oil, natural gas and petrochemicals.



## COMPANY OVERVIEW



- In May 2018, IOCL became India's most profitable government corporation for the second consecutive year, with a record profit of ₹21,346 crores in 2017–18, followed by Oil and Natural Gas Corporation, whose profit stood at ₹19,945 crores.
- In February 2020, the company signed a deal with the Russian oil company Rosneft to buy 140,000 barrels per day of crude in year 2020. By 1 April 2020, Indian Oil was in absolute readiness to launch BS-VI (Bharat Stage VI) fuels in all its retail outlets in Telangana and adopt world-class emission norms.
- In January 2021, sales were registered at all time high of 410,000 barrels of oil per day till 26 January 2021.
- Delek, Qatar Petroleum, Saudi Aramco are its largest business partners with Abu Dhabi National Oil Company and National Iranian Oil Company signing deals to deliver high production output at end of 2020.



**IndianOil nurtures the core values of Care, Innovation, Passion & Trust across the organization in order to deliver value to its stakeholders.**

**Care** Stands for

Concern

Empathy

Understanding

Co-operation

Empowerment

**Innovation** Stands for

Creativity

Ability to learn

Flexibility

Change

**Passion** Stands for

Commitment

Dedication

Pride

Inspiration

Ownership

Zeal & Zest

**Trust** Stands for

Delivered promises

Reliability

Dependability

Truthfulness

Transparency

Indian Oil's 'Vision with Values' encompasses the Corporation's new aspirations – to broaden its horizons, to expand across new vistas, and to infuse new-age dynamism among its employees. Adopted in the company's Golden Jubilee year (2009), as a 'shared vision' of Indian Oil People and other stakeholders, it is a matrix of six cornerstones that would together facilitate the Corporation's endeavours to be 'The Energy of India' and to become 'A globally admired company.'

More importantly, the Vision is infused with the core values of Care, Innovation, Passion and Trust, which embody the collective conscience of the company and its people, and have helped it to grow and achieve new heights of success year after year.

### **Business Divisions**

There are seven major business divisions in the organization:

- Refineries Division
- Pipelines Division
- Marketing Division
- R&D Division
- Petrochemicals Division
- Exploration & Production (E&P) Division
- Explosives and Cryogenics Division

- **Refinery Locations**

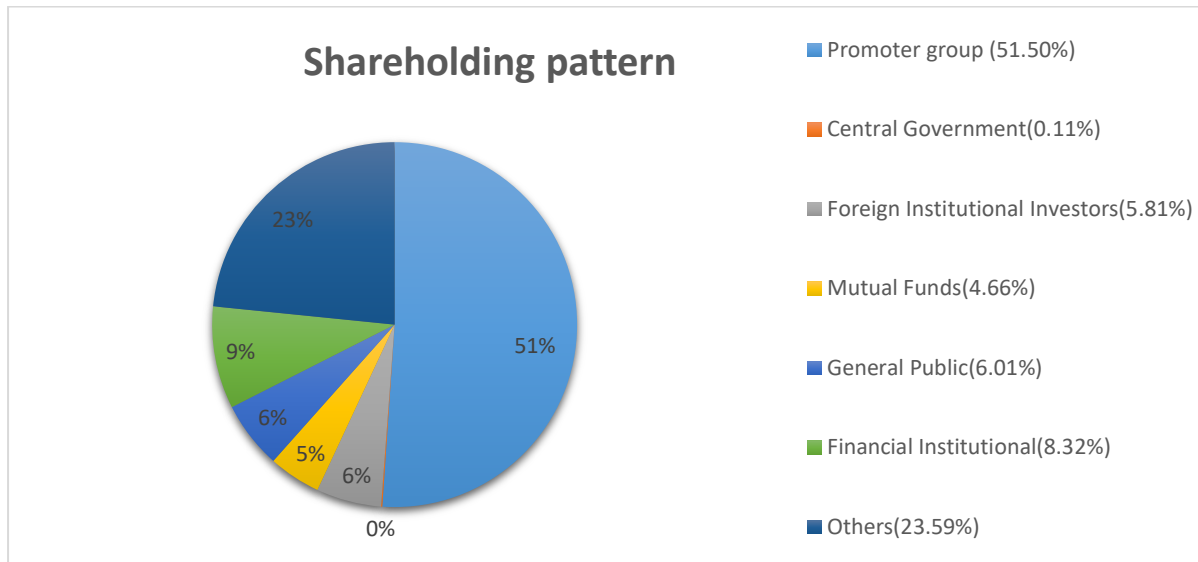
- Barauni Refinery
- Bongaigaon Refinery
- CPCL, Chennai

- CPCL, Narimanam
- Digboi Refinery
- Guwahati Refinery
- Haldia Refinery
- Koyali Refinery
- Mathura Refinery
- Panipat Refinery
- Paradip Refinery

- **Foreign Subsidiaries**

Subsidiaries include:

- Indian Oil (Mauritius) Limited
- IOC Middle East FZE, UAE
- Lanka IOC PLC, Sri Lanka
- IOC Sweden AB, Sweden
- IOCL (USA) Inc., USA
- Ind Oil Global B.V. Netherlands
- IOCL Singapore Pte. Ltd.



## LEADERS OF Indian Oil Corporation Limited

### Chairman

#### Mr. Shrikant Madhav Vaidya

He is a Chemical Engineer from the National Institute of Technology, Rourkela, and has over 34 years of extensive experience in refining & petrochemicals operations. Mr. Vaidya is also a Non-Executive Chairman on the Board of Chennai Petroleum Corporation Ltd. (a Subsidiary of Indian Oil), Ratnagiri Refinery & Petrochemicals Ltd., Indian Oil tanking Ltd., Hindustan Urvarak & Rasayan Ltd. (all three are Joint



Venture Companies of Indian Oil). He is also a Non-Executive Director on the Board of Petronet LNG Ltd. (a Joint Venture of Indian Oil) and President of World LPG Association, Paris.

## **OTHER LEADERS**

- Dr. SSV Ramakumar

Director (Research & Development)

- Ranjan Kumar Mohapatra

Director (HR)

- Sandeep Kumar Gupta

Director (Finance)

- V Satish Kumar

Director (Marketing)

- D S Nanaware

Director (Pipelines)

- Dr. Navneet Mohan Kothari

Government Nominee Director

- Anant Kumar Singh

CVO (Chief Vigilance Officer)

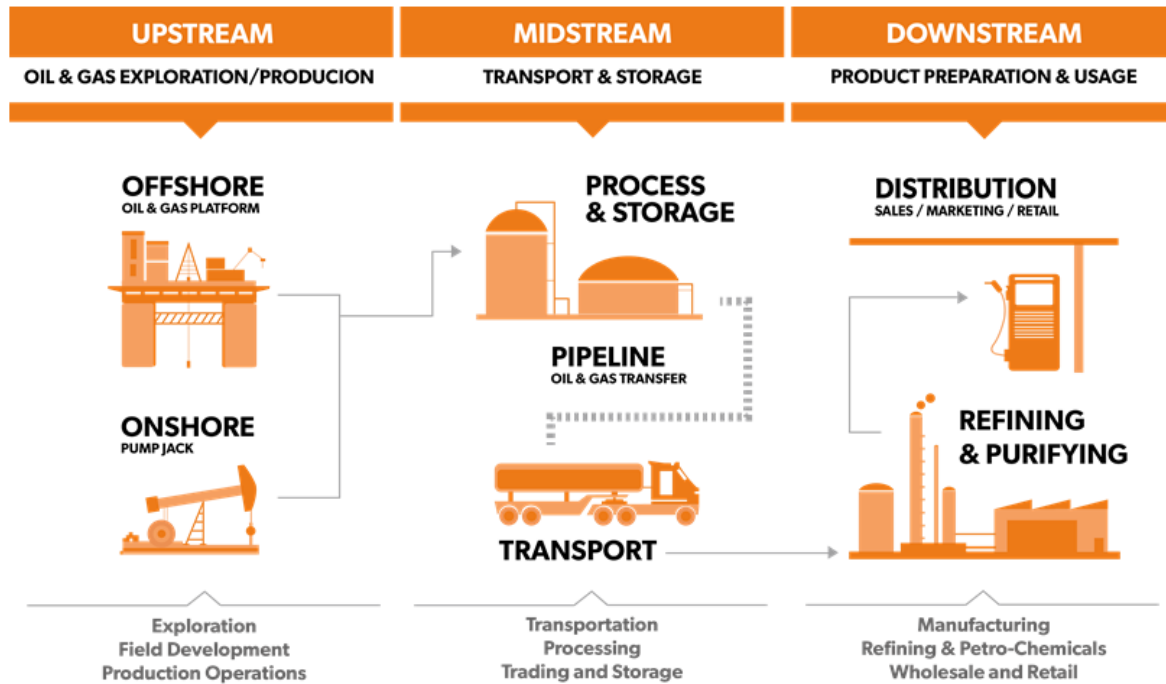
- Kamal Kumar Gwalani

Company Secretary

## **About Petroleum Industry**

The petroleum industry, also known as the oil industry or the oil patch, includes the global processes of exploration, extraction, refining, transportation and marketing of petroleum products. The largest volume products of the industry are fuel oil and gasoline.

The industry is usually divided into three major components: upstream, midstream, and downstream. Upstream regards exploration and extraction of crude oil, midstream encompasses transportation and storage of crude, and downstream concerns refining crude oil into various end products.





# LITERATURE REVIEW

## **LITERATURE REVIEW**

### **Report on Indian Oil Corporation Ltd. by Ashwith Puthran**

- The short-term solvency of IOC is fine but that of BPCL is quite low.
- So, all the Liquidity Ratios indicate not well enough short-term solvency/liquidity position of the firm.
- As far as the Activity and Turnover ratios are concerned, nothing concrete can be said as the results of three companies are very fluctuating every year in term of sales.
- In the year 2008 all three companies are showing good results and the turnover is satisfactory.
- This analysis shows that the companies were in strong position in year 2008, but the recession in 2009 has highly affected the companies' growth and their profit came down and they are more in debts.

# RESEARCH STUDY

## RESEARCH STUDY



SWOT Analysis of IOCL (Indian Oil Corporation Limited) focuses on Strengths, weaknesses, opportunities, and threats. Strength and Weakness are the internal factors and Opportunities and Threats are the external factors that influence the SWOT Analysis of IOCL (Indian Oil Corporation Limited)

### Strengths in the SWOT Analysis of IOCL

- **Strong Brand Portfolio:** Over the years, IOCL has made significant investments in developing a strong brand portfolio. This is reinforced by IOCL's SWOT analysis. If the company wishes to grow into other product categories, this brand portfolio may be quite beneficial.
- **Effective Go to Market Strategy:** Its Go to Market techniques for its products have been extremely effective.
- **Good Training Programmes:** Successful training and learning programmes have resulted in a highly competent workforce. IOCL invests heavily in employee training and development, resulting in a team that is not just highly competent but also driven to achieve more.

### **Weakness in the SWOT Analysis of IOCL**

- **Tough Competition:** Reliance Industries, ONGC, Hindustan Petroleum, and Bharat Petroleum are IOCL's key competitors. Bharat Petroleum, another major rival of IOCL, has invested in different R&D initiatives. It also operates huge refineries in Mumbai and Cochin and is a Fortune 500 company. To keep ahead of the competition and avoid losing market share, IOCL must make strategic decisions and investments.

- **Government Control:** IOCL has suffered significant losses as a result of the government's management of gasoline pricing policy because the centre frequently fails to follow its commitments to keep gasoline costs artificially low. The corporation continues to borrow more and spend more in order to assure constant fuel supply to consumers, but growing interest costs slash their profit, limiting their capacity to drive the new project to modernize.

- **Need more investment in new technologies:** Given the scale of expansion and different geographies the company is planning to expand into, IOCL needs to put more money in technology to integrate the processes across the board. Right the investment in technologies is not at par with the vision of the company

### **Opportunities in the SWOT Analysis of IOCL**

- **Growing Business and Demand:** IOCL's primary business has been transportation and distribution of petroleum products, as well as refining and other related activities, in response to India's expanding need for fuel. Over the years, the firm has extended its activities throughout the hydrocarbon value chain, including oil and gas exploration, as well as diversification into natural and alternative energy sources.

- **Market Expansion:** IOCL has been steadily extending its business worldwide, with offices in the UAE, Bangladesh, Myanmar, Mauritius, Singapore, and the United States. The company has also expanded its operations through collaborative partnerships with reputable partners from both outside and India. Ratnagiri Refinery and Petrochemicals Ltd. was formed as a joint venture between BPCL and HPCL. The company is performing incredibly well in the international market and has been able to create several chances for the organization.

- **Increasing natural gas market:** Natural gas is developing as a cleaner alternative to fossil fuels, and the government of India is pushing for a gas-based economy and measures to utilize it across industries. IOCL obtains liquefied natural gas (LNG) from overseas suppliers with whom it has a long-term contract. Currently, IOCL distributes LNG to 58 institutional clients in the electricity, fertilizer, steel, and industrial sectors.

#### **Threats in the SWOT Analysis of IOCL**

- **Government Policies and Regulations:** The government's decision to provide citizens with relief from rising gasoline costs resulted in massive losses for the corporation. Companies such as IOCL, BPCL (Bharat Petroleum Corp. Ltd), and HPCL (Hindustan Petroleum Corp. Ltd) were predicted to lose Rs. 9000 crores in net profit. Certain government actions to reduce fuel and diesel prices have a significant impact on the company's earnings.

- **Economic Conditions:** The corporation is dealing with a number of issues relating to rising oil costs, currency fluctuations, and growing worries about air pollution. The company's goal and primary strategy are to address the difficulties and possibilities given by environmental circumstances, as well as to integrate and diversify activities across its worldwide business. In

such uncertain conditions, the company's effort to reduce costs across the supply chain is a monumental challenge.

- **Liability Laws:** Liability laws in different countries are different and XYZ may be exposed to various liability claims given change in policies in those markets.
- **Currency Fluctuations:** As the company is operating in numerous countries it is exposed to currency fluctuations especially given the volatile political climate in a number of markets across the world.

# NEED OF REPORT



## **NEED OF REPORT**

- Analyse the nature of organization.
- Identify factors impacting organization.
- Enables investors to identify the intrinsic worth of a security even before investing in it.
- Studying and evaluating past and current data helps investors and traders to gain an edge in the markets to make informed decisions.

# SCOPE OF REPORT

## **SCOPE OF REPORT**

- Project will be a learning device for the finance student.
- Through this project I would study the various methods of the stock analysis.
- The project will be a learning of how to do stock market analysis.
- The project would also be an effective tool for investors who are planning to invest in Indian Oil Corp. Ltd.
- This will show investors whether they should buy, sell or hold.

# OBJECTIVES OF REPORT

## OBJECTIVES OF REPORT

Analyse the nature of organization

- Identify factor impacting organization
- Enables investors to identify the intrinsic worth of a security even before investing in it.
- Studying and evaluating past and current data helps investors and traders to gain an edge in the markets to make informed decisions.



**Predicting future  
price movement**



**Determining fair  
value**



**Management  
evaluation**



**Analysing companies  
financial strength**



**Determining company's  
ability to beat competitors**

## RELEVANCE OF REPORT

## **RELEVANCE OF REPORT**

The stock market's movements can impact companies in a variety of ways. The rise and fall of share price values affects a company's market capitalization and therefore its market value. The higher shares are priced, the more a company is worth in market value and vice versa. The market value of a company can be important when considering mergers and/or acquisitions that involve shares as part of the deal.

Share issuance decisions can also be affected by stock performance. If a stock is doing well, a company might be more inclined to issue more shares because they believe they can raise more capital at the higher value.

Positive increases in stock values can also potentially generate new interests for a particular company or sector. This can possibly add to revenue growth from sales or attract investors.

Analysis has led to an increase in profits of traders and investors Correct analysis of the market directly leads to more profits as analysis gives important insights into the future price movements. Provides early signals before the reversal of the trend so that investors and traders can take their decision based on those signals.

# HYPOTHESIS



## **HYPOTHESIS**

Hypothesis is usually considered as the principal instrument in research. Its main function is to suggest new experiments and observations. In fact, many experiments are carried out with the deliberate objects of testing hypothesis

H0: Fundamental analysis assumes that stock market price does not differ.

H1: Fundamental analysis assumes that stock market price differs.

# RESEARCH METHODOLOGY

## **RESEARCH METHODOLOGY**

Research methodology refers to the techniques used to find and analyses information for a study here we are using fundamental analysis.

### **What is primary data?**

Primary data is the data collected directly by the researchers from main sources through interviews, surveys, experiments, etc. primary data are usually collected from the source – where the data originally originated from and are regarded as the best kind of data in research.

### **What is Secondary Data?**

Secondary data is the data that have been already collected by and readily available from other sources. Such data are cheaper and more quickly obtainable than the primary data and also may be available when primary data cannot be obtained at all.

Here various websites, books and journals are been referred for secondary data.

- Official Publications,
- Publications Relating to Trade
- Journal/ Newspapers etc
- Industry Associations
- Websites

## **FUNDAMENTAL ANALYSIS**

Ratios are used extensively in fundamental analysis. This type of analysis determines the value of a stock based on financial statements, earnings reports, and economic analysis. Price to earnings, or P/E, is the biggest ratio used in valuing equities.

Financial statements are a major part of fundamental analysis. The balance sheet is used to determine assets and liabilities, and to report on a company's financial condition.

The income statement shows profitability and the cost of operating the business. The cash-flow statement is used to determine future cash flows and reveals how a company spends its money

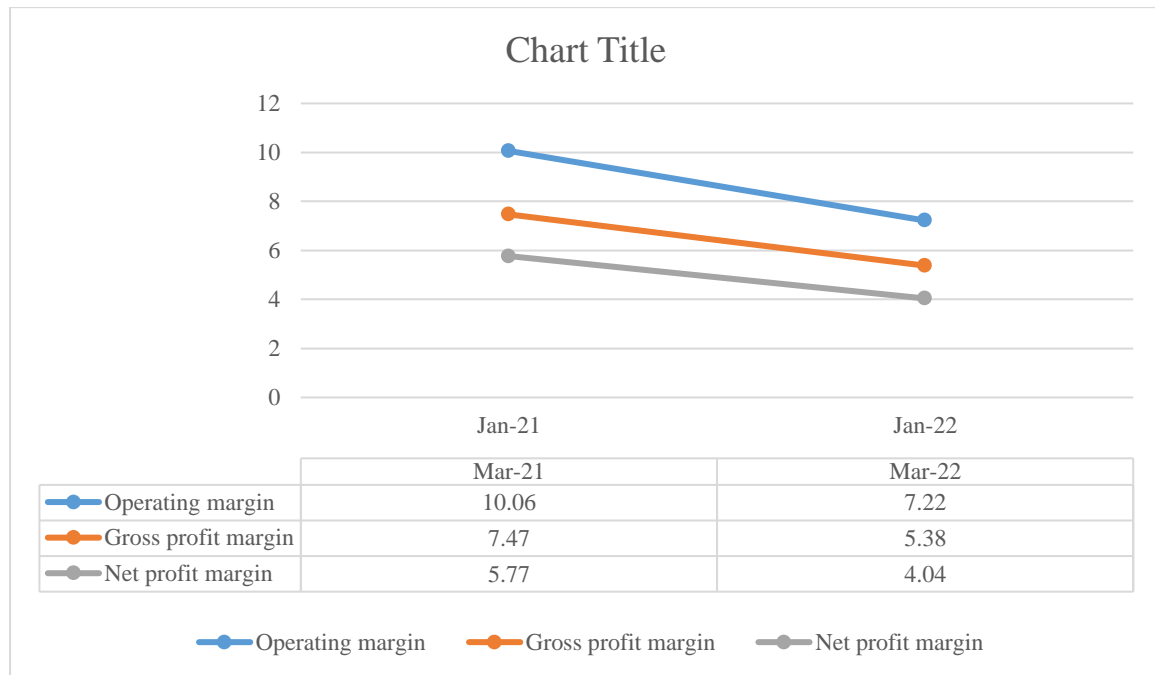
Fundamental analysis reason that a solid earnings report leads to higher stock prices. Each stockholder is a fractional owner of the company, so if the company boosts its earnings per share, the value of ownership also grows. When the value of ownership grows, so does the price of the stock, or so the reasoning goes.

# DATA ANALYSIS AND INTERPRETATION

## DATA ANALYSIS AND INTERPRETATION

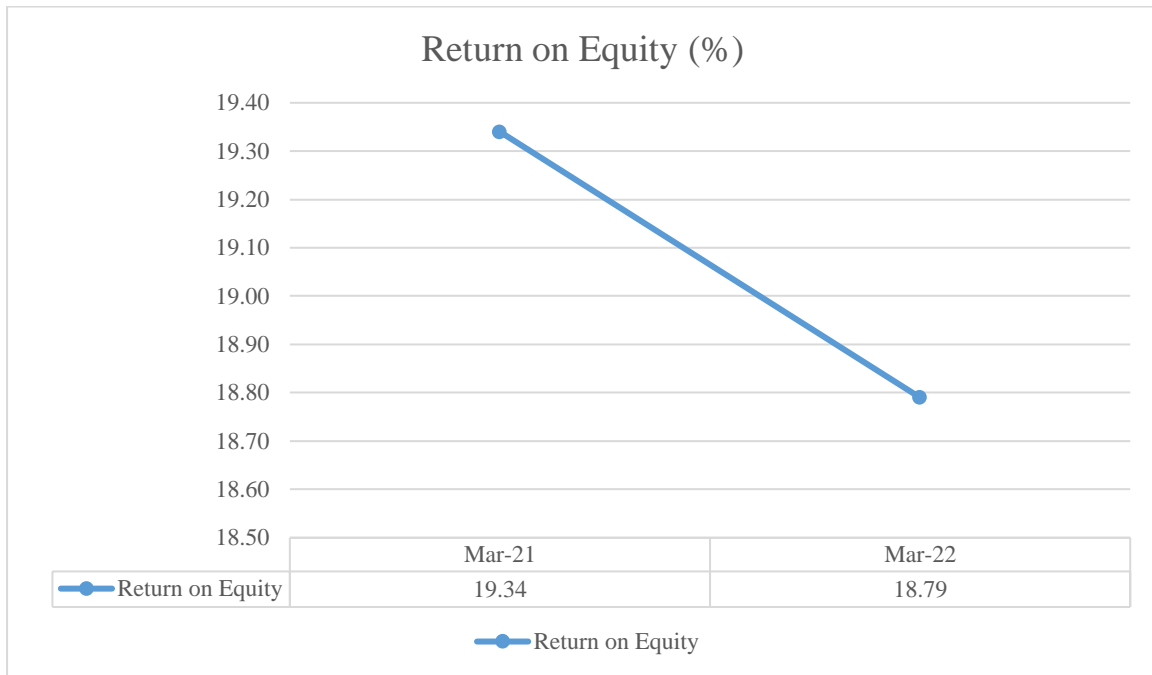
Data analysis is the process of ordering, categorizing, manipulating, and summarizing data to obtain answers to research questions. It is usually the first step taken towards data interpretation.

Data interpretation is the process of reviewing data through some predefined processes which will help assign some meaning to the data and arrive at a relevant conclusion. It involves taking the result of data analysis, making inferences on the relations studied, and using them to conclude.



The most important ratio is Net Profit Margin percentage or Net margin. It tells us how much out of every sale IOC gets to keep after everything else has been paid for. It is highly variable from one industry sector to another. An ideal company has consistent profit margins.

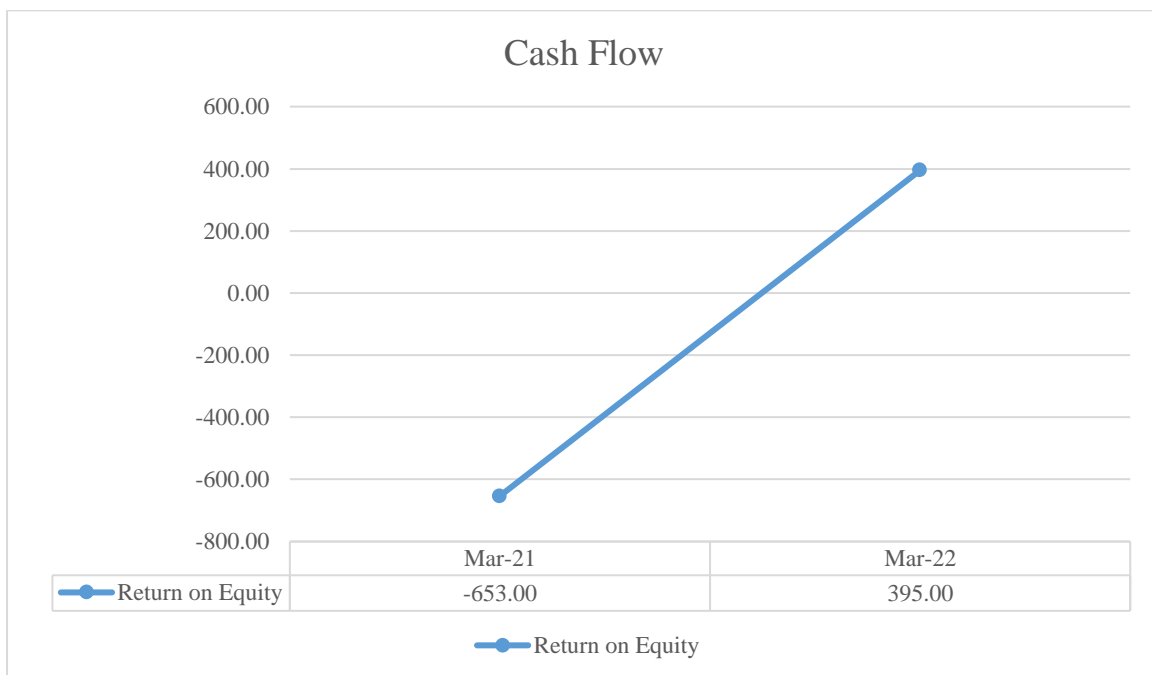
Gross Profit Margin =  $(\text{Revenue} - \text{Cost of Revenue}) / \text{Revenue}$   
 Net Profit Margin =  $\text{Net Income} / \text{Revenue}$



From an investor's perspective, ROE is a key ratio. The ROE (after subtracting preferred shares) tells common shareholders how effectively their money is being employed. Ideal long term average ROE should be above 15%. Average 2-year ROE of Indian Oil Corporation Ltd.:

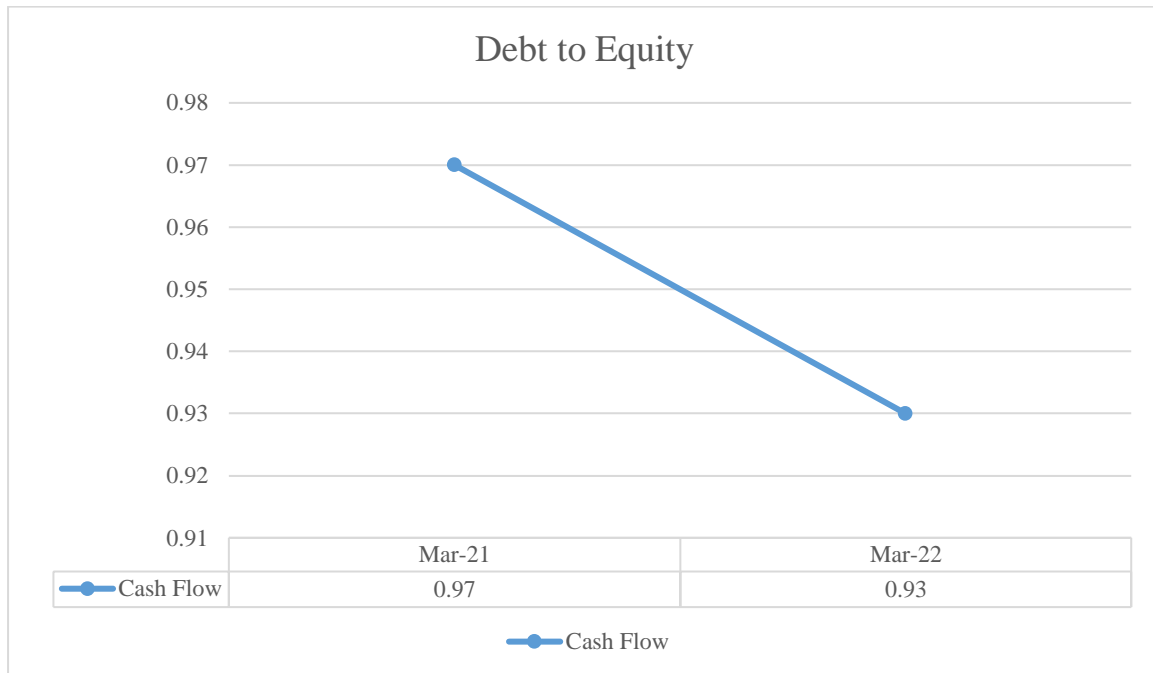
9%

Return on Equity =  $(\text{Net Income} - \text{Preferred Dividend}) / \text{Shareholder's Equity}$



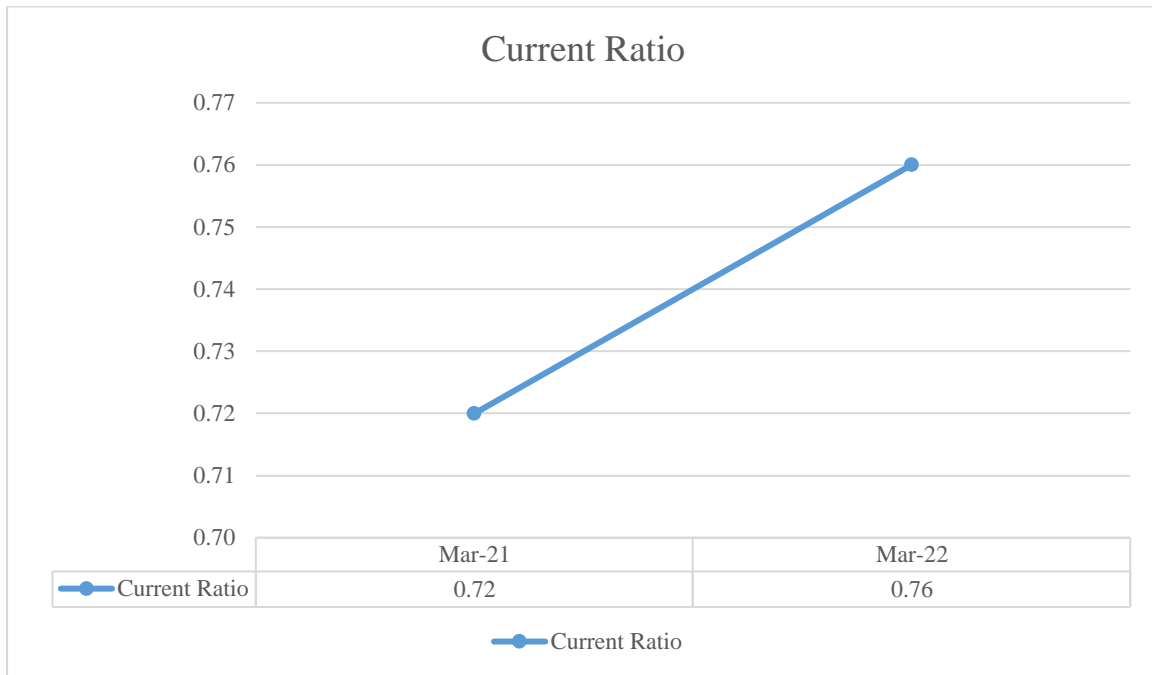
Free Cash Flow is a measure which is ignored by most investors. FCF represents the cash that a company is able to generate after spending the money required to maintain or expand its Property, Plant and Equipment (PPE) also called as Capital Expenditure (Capex). FCF can be used by the company to invest in other projects, thus enhancing shareholder value.

Free Cash Flow = Cash flow from operations - Capital Expenditure



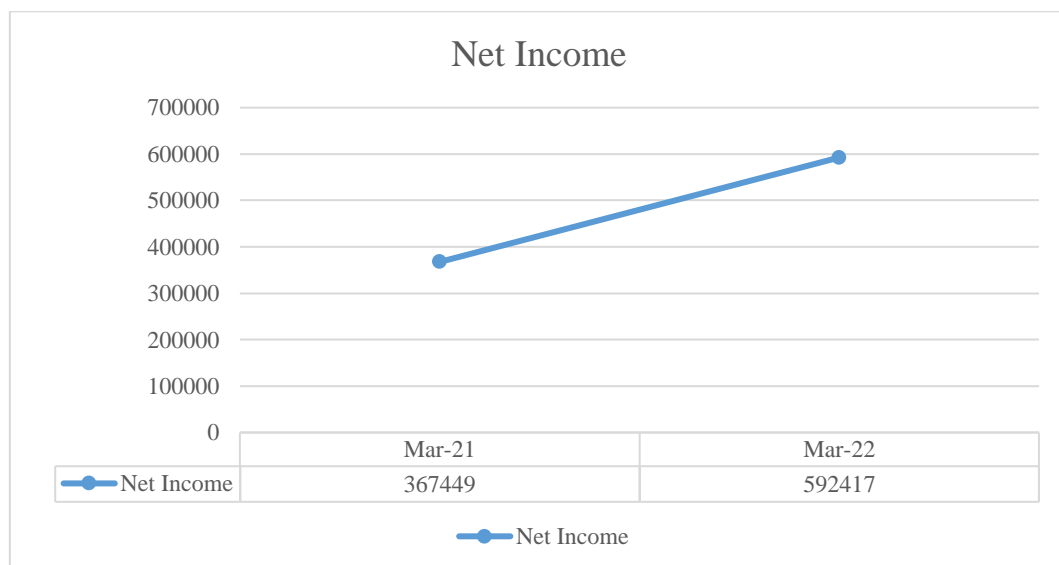
Debt-to-Equity ratio varies across industries but many companies have a ratio larger than 1, that is they have more debt than equity. If the ratio is very high, raising more cash through borrowing could be difficult. Capital intensive industries such as auto manufacturing tend to have a debt/equity ratio above 2, while IT companies have a debt/equity of under

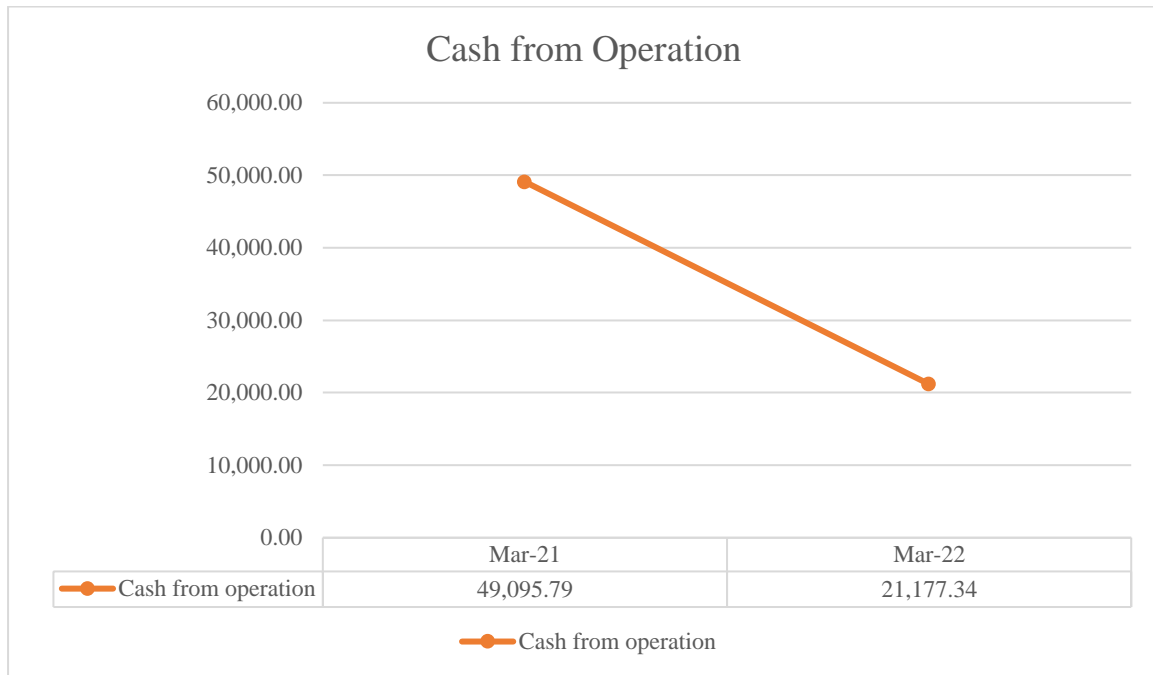




Current Ratio measures the company's current assets against its current liabilities. Ideally the current ratio should be greater than 1.5. Avoid investing in companies whose current ratio is less than 1. There are exceptions to this rule, some good companies can have less than 1 or even a negative current ratio when they receive money faster from their customers than they have to pay to their vendors.

Current Ratio = Current Assets / Current Liabilities





Operating cash flow is a better metric of a company's financial health for two main reasons. Cash flow is harder to manipulate than net income (although it can be done to a certain degree). Second, "cash is king", a company that does not generate cash over the long term is on its deathbed. Investors can avoid a lot of bad investments if they analyse a company's operating cash flow.

Net Income (Income Statement) and Cash from operations (Cash Flow Statement) should ideally be parallel. A consistently falling or negative operating Cash Flow (OCF) despite a rising net profit is a cause for concern because of aggressive accounting techniques or high working capital requirements. An ideal company has a higher operating cash flow than its net profit (income).

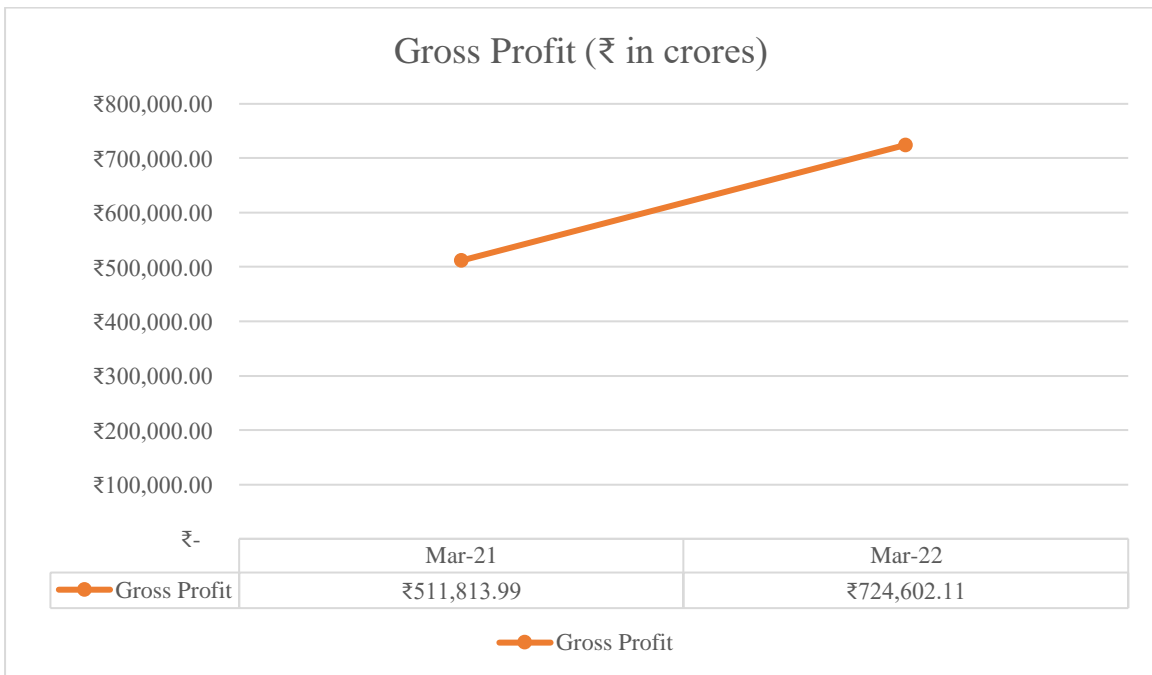
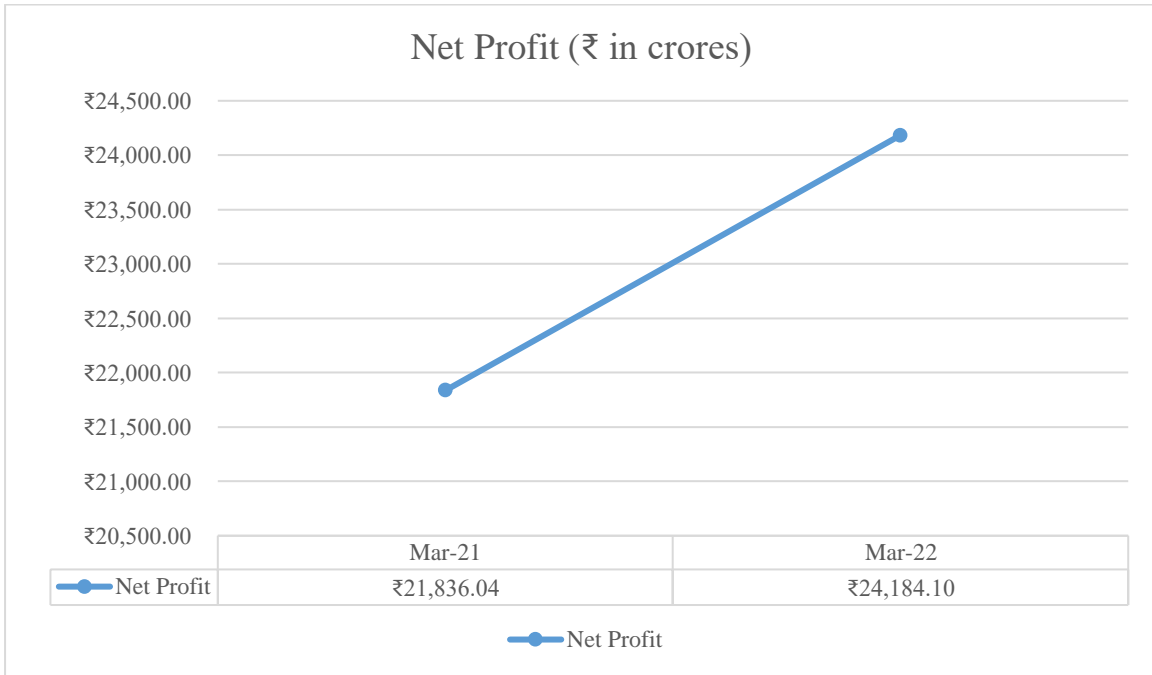


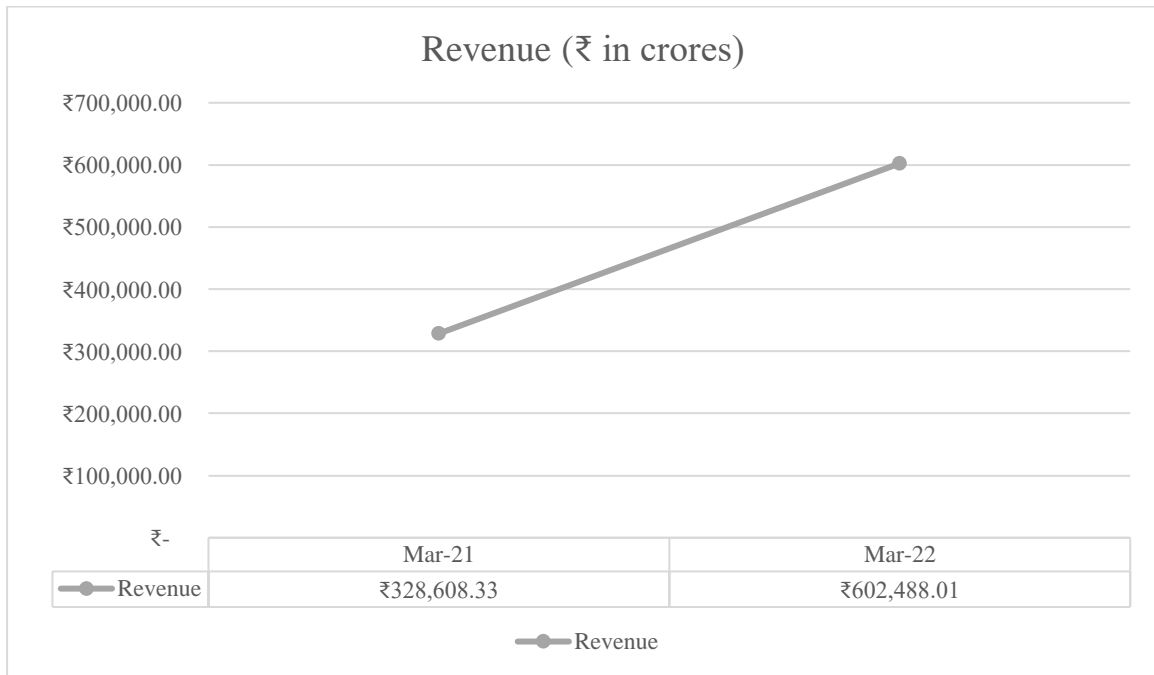
Net worth also called as "Shareholder Equity", "Stockholder's Equity", "Net Asset Value" or "Book Value". It essentially means total assets minus total liabilities. When you buy shares of a company, you are essentially buying a share of the company's net worth and a share of the company's future cash flows. If the company's net worth and cash is growing, the value of the company is going up because of which the company's share price goes up.

The above chart displays the share price and the book value per share. The share price is above the book value price but during a recession (eg.2008) or due to some other factors, the share price can go below the book value per share.

Current Market Price: 122.05 Rs. on 11-February-2022 Market Capitalization = Share 27

price x No. of shares (theoretical price at which you can buy the whole company) Enterprise Value = Market Capitalization + Short term debt + Leases + Long term Debt + Preferred Stock - Cash in hand





# LIMITATIONS

## **LIMITATIONS**

- Fundamental analysis is based on reported and publicly available data. But if the management has incorrectly reported financial details or you have misinterpreted it, then your decision may go wrong.
- Uses historical financial data to predict future earnings based on expected growth rate. Blindly relying on these historical numbers can be dangerous.
- Fundamental analysis is time consuming – each company must be studied independently and in detail. Most of the information used in fundamental analysis is widely available. To gain an edge with fundamentals, you need to find unique datasets that aren't available to most investors.
- Though fundamental analysis is more powerful, technical analysis is more relevant considering the fact it is readily available unlike fundamental analysis which is not readily available for everyone and it consumes more time and money to obtain all the necessary information.

# CONCLUSION



## CONCLUSION

- The two main ways analysts derive stock prices and position trades are through technical analysis and fundamental analysis. Both methods have their merits.
- Technicians use technical analysis to indicate when to buy a stock, whereas fundamentalists use fundamental analysis to determine whether the stock is worth buying.
- Although fundamental analysis is supported by mathematics, technical analysis is more of a pseudoscience or predictive methodology. Stock analysts use the fundamental approach when issuing research reports, but technical analysis is not used as a solid foundation for report.
- Apart from fundamental and technical analysis, there is a mysterious component of stock prices that is governed by investor sentiment. Sometimes both technical and fundamentals indicate a stock should go down in price, but if enough investors love the company and buy the stock out of fondness for the company, the stock price will rise. This is a case of more buyers than sellers. A stock price is not an easily definable thing. It has many components that most of the time agree, but occasionally do not.
- Many investors use analyst recommendations to quickly size up a stock. Analysts perform extensive fundamental and technical research, and they issue buy or sell recommendations. Before deciding to buy or sell shares, investors typically use analyst recommendations in conjunction with a stock analysis technique.

# SUGGESTIONS

## SUGGESTIONS

- If you invest in an unlisted company, fundamental analysis is all you have available to work with. But, when it comes to listed stocks, there is a lot that can be learnt from their trading history. The price of tradeable securities is also affected by a lot more than the underlying fundamentals.
- For long term investors, it's important to have an idea of the value of a company. This is important when picking stocks to hold for the long term, to manage portfolio risk, and to know when to exit extended price moves. In the future, the debate over the two styles of analysis may become immaterial as multiple approaches are combined with quantitative and systematic approaches to investing.
- Fundamental analysis is the detailed research both qualitative and quantitative knowledge of a stock. It is defined as the most powerful way to analyse the stock but it is not feasible for all. The technical analysis which gives us a quantitative knowledge about the market flow and its direction regarding demand and supply is relevant for us in choosing the market and forecasting price of the share. Technical analysis gives us a picture of the volume and price and helps in deriving future earnings.
- Fundamental analysis involves study of organization. Balance sheet, annual report, future projects, assets, liabilities, sector growth, key decisions such as JV, mergers, acquisition and change in management. On the other hand, technical analysis involves study of price and volume of trade based on demand and supply which in turn helps predict stock price movements.

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## **BIBLIOGRAPHY**

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