

A STUDY OF EQUITY ANALYSIS OF BAJAJ FIN SERV

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Abstract: India is a developing economy and people due to financial literacy are interested to invest in financial markets to secure high returns. Investment in equities are playing a key role for the capital contribution of the business since the beginning. From the introduction of shares concept, large numbers of investors are showing interest to invest in stock market. In an industry beset with skepticism and the stock market increasingly difficult to predict and contend with, if one looks hard enough there may still be a genuine aid for the day trader and short term investor. The study is aimed at conducting equity analysis of Bajaj Fin Serv limited and offer suitable suggestions to investors for investment in equity. The daily prices of shares was considered for a period of six months and moving averages were calculated. The selected company's share price movements are compared and correlated with Industry Index to calculate the Correlation. The Mean calculates the Returns and the Standard Deviation measures the Risk of the Investment.

Key words : Top Down Approach, Fundamental Analysis, Technical Analysis

1.1 Introduction TO THE STUDY:

The price of any security represents consensus, it is a price at which a person agrees to purchase and other agrees to sell. It depends basically on expectations. If the price of security increases, the investor buys it and if the investor expects the price to fall, he sells it. These simple statements are the major reason for challenges in forecasting share prices, as they refer to human expectations. The human expectations are neither predicable nor quantifiable. But there is usually a fairly strong consensus about share's future earnings that an investor cannot disprove. In the concept of equity analysis, Fundamental and Technical analysis are co exist and complement each other. In order to make maximum profits, investors cannot ignore both fundamental and technical analysis.

1.2. NEED OF THE STUDY

To start any business capital plays major role. Capital can be acquired in two ways by issuing shares or by taking debt form financial institutions. The owners of the company have to play regular interest and principal amount at the end. Share is ownership in a company, with each share representing a tiny piece of ownership. The more shares investors own, the more of the company one owns the company. The more shares the investor owns, the more dividends investors earn when the company makes a profit. In the world of finance,, ownership is called "Equity". The role equity analysis is to provide information to the market. An efficient market

depends on information; and lack of information creates inefficiencies which result in shares being misrepresented i.e., over or under valued. This is valuable because it fills gaps of information so that each individual share holder does not need to analyze every stock thereby making more efficient markets

1.3. OBJECTIVES OF THE STUDY

The main objective of the study equity analysis is as follows:

1. To understand the performance of equity shares using equity analysis
2. To evaluate the performance of selected equity shares using equity analysis
3. To offer suggestions to the investors for selecting the equity shares

1.4. scope of the study

1. Bajaj Fin Serv Shares has been selected for equity analysis
2. The comparison of performance is done by using Benchmark Index i.e S&P BSE Finance
3. The daily share prices and index prices during July 2019 to December 2019 was taken into consideration

1.5. RESEARCH METHODOLOGY

The Project is carried out with secondary data. Daily share prices and index prices during the months of July 2019 to December 2019 was collected from Bombay Stock Exchange website.

The review of literature is carried out using information from Journals and Website.

1.6. LIMITATIONS OF THE STUDY

- ❖ This study has been conducted purely to understand equity analysis for investors.
- ❖ The study is limited to the companies having equities.
- ❖ The study is based on collection of sources from secondary data.

2. REVIEW OF LITERATURE:

2.1. security analysis:

The success of investment is a matter of timings and careful selection of share purchases coupled with proper matching to an individual's tolerance of risk. To carryout the timing, selection and matching the actions, investors need to conduct proper security analysis. There are two important objectives of investors (a) to make capital gains (b) to earn income by dividends.

There are important approaches to study share prices and its valuation i.e, fundamental analysis and technical analysis.

Thus the value of a share is determined by the performance of the firm who issued it. If the company's financial health is able to demonstrate growth and strength, the value of the share increases. Whenever the value of the firm increases, the prices the share follow and grow, thus the share value increases.

2.2. fundamental analysis

The fundamental analysis is a method of forecasting the future share price movements of a financial instrument based on political, economic,

environmental and other statistics and technological production structure. Irrespective factors that affects the demand and economic situations specifically, few industries supply of whatever that underlies may perform better and stock prices of these financial instrument. It is an analysis of industries may not decline as much as in other economic well being of a financial well sectors. The identification of industry and being of a financial entity as opposed to economic specific factors that influence the only its share price movements. stock prices helps the investors to identify the It appraises the intrinsic value of a stocks which fits individual expectations. security. It insists on a point that no During Industry Analysis – Industry life cycle, investor buys or sells a shares on the growth of industry, nature of competition, basis of rumours or tips. It emphasizes SWOT Analysis etc., are considered. on detailed analysis of the information about the organization, industry and economy. It is known as Top Down Approach.

Thus, an **EIC approach** involves 3 steps:

- i. Economic analysis
- ii. Industry analysis
- iii. Company analysis

2.3. ECONOMIC ANALYSIS

The economic activity level has impacted the investment in different ways; as the economy grows, industry is expected to show a rapid growth and vice versa. The share prices reflects the prosperous outlook for profits and sales of the firm, even when the economic activity level is low or high; share prices are low or high etc., The macro economic environmental analysis is very important to understand the share prices. The macro economical factors used for analysis are GDP, Investment and Savings, Inflation, Interest Rates, Infrastructural facilities, tax structure etc.,

2.4. industry analysis

An Industry is a group of organizations producing similar products or have

2.5. Company analysis

The investors assimilates several bits of information in the company analysis, which is related to a firm and evaluates the existing and future value of the shares. To take better investment decisions, the risk and return factors associated with the purchase of shares are analyzed. As a part of company analysis – the competitive edge of company, market share, growth of sales, stability of sales and earnings of the company are analyzed.

2.6. TECHNICAL ANALYSIS:

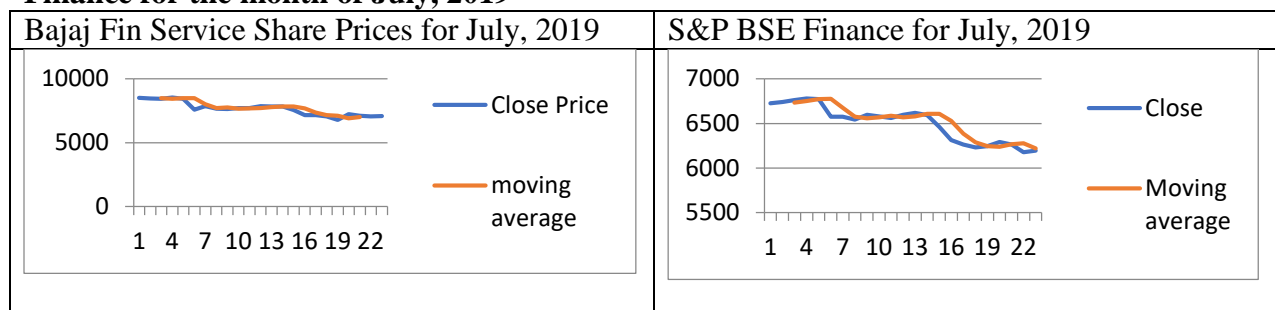
The technical analysis of stocks studies the historical stock information including volume and price. By using technical indicators and chart patterns, they analyze the behavior.

3. DATA ANALYSIS & INTERPRETATION

For analyzing the performance of Equity shares, Bajaj Fin Serv company's daily share prices are taken into consideration during July to December, 2019

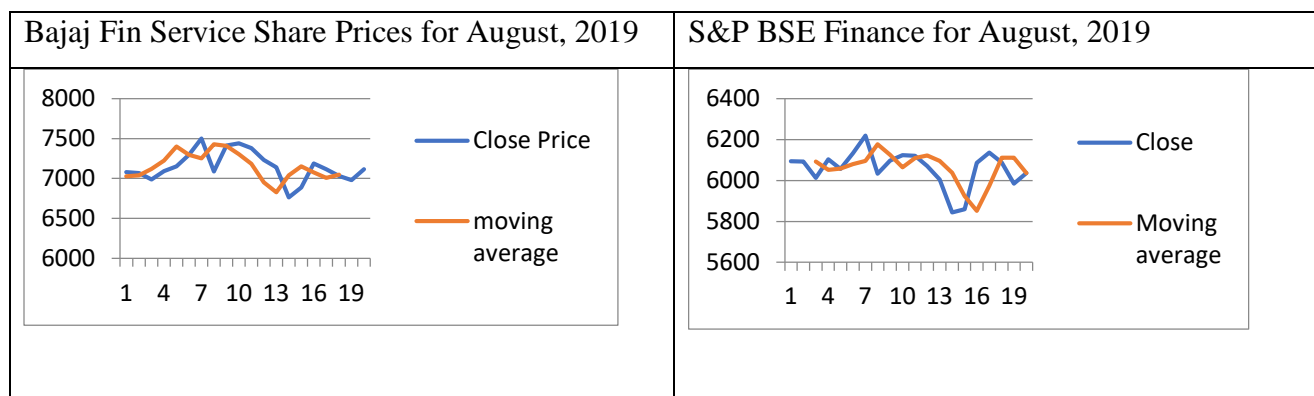
A comparison of the performance is done by using Industry Benchmark ie, S&P BSE Finance. The results are as follows:

Figure 1 representing Daily share prices and average of Bajaj Fin Serv and BSE S&P Finance for the month of July, 2019



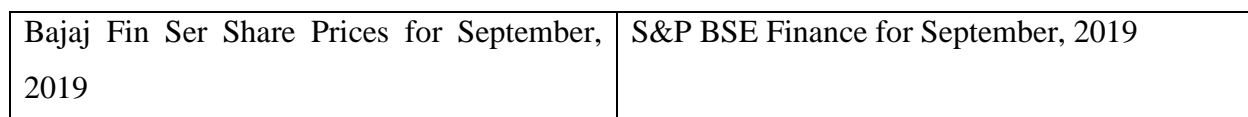
Interpretation : The Daily Prices of Bajaj Fin Serv and BSE S&P are constantly decreasing for the month of July, 2019.

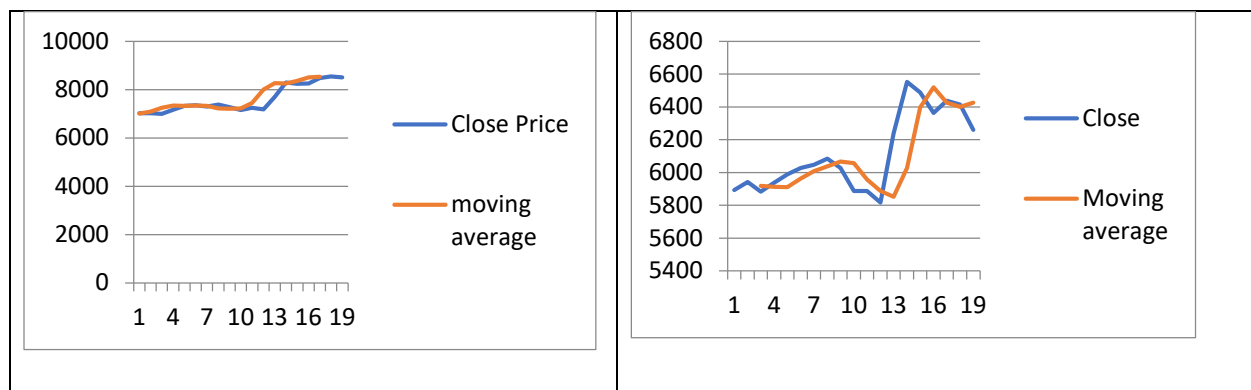
Figure 2 representing Daily share prices and average of Bajaj Fin Serv and BSE S&P Finance for the month of August, 2019



Interpretation : The Daily Prices of Bajaj Fin Serv and BSE S&P Finance are fluctuating during the month of August, 2019

Figure 3 representing Daily share prices and average of Bajaj Fin Serv and BSE S&P Finance for the month of September, 2019

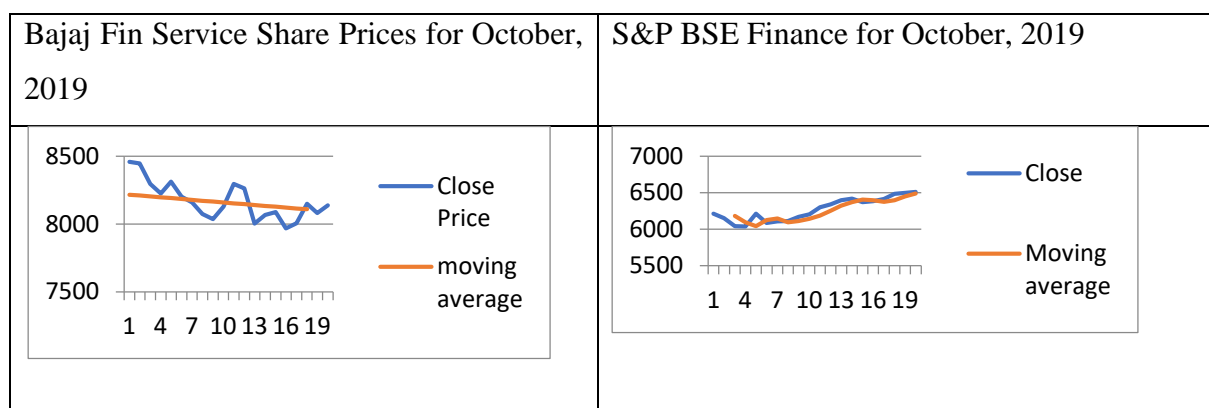




Interpretation :

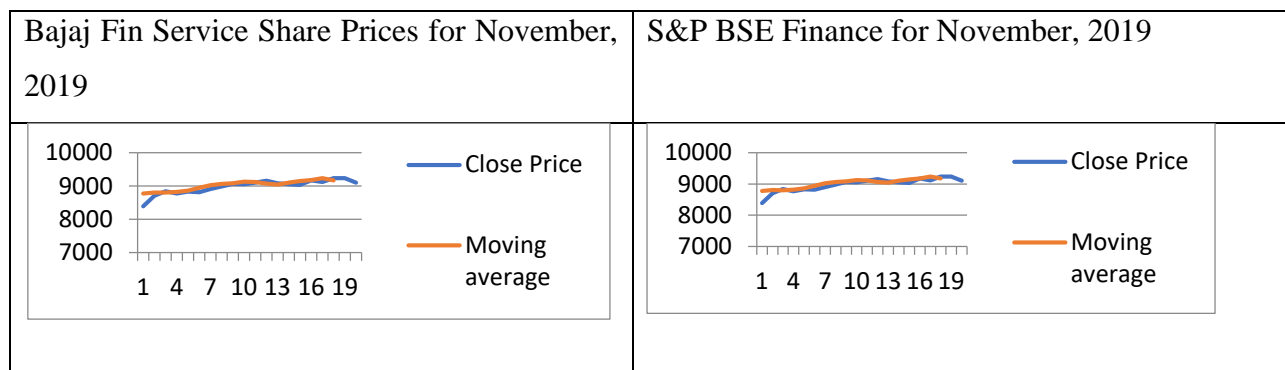
The Daily Prices of Bajaj Fin Serv are increasing during the month of September, 2019 whereas, The Daily Prices of BSE S&P are fluctuating during the month of September, 2019

Figure 4 representing Daily share prices and average of Bajaj Fin Serv and BSE S&P Finance for the month of October, 2019



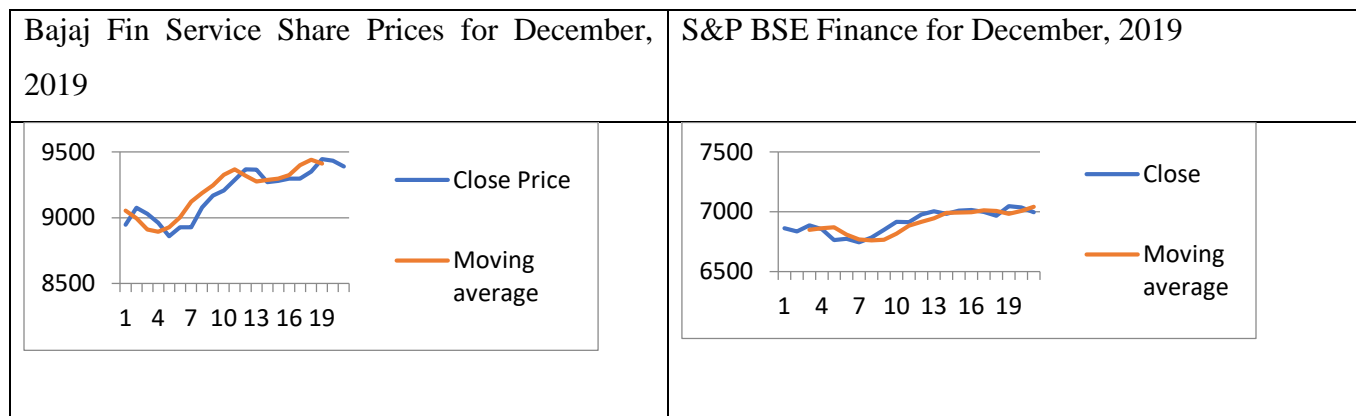
Interpretation : The Daily Prices of Bajaj Fin Serv are fluctuating during the month of October , 2019 Whereas, the Daily Prices of BSE S&P are increasing during the month of October , 2019

Figure 5 representing Daily share prices and average of Bajaj Fin Serv and BSE S&P Finance for the month of November, 2019



Interpretation: The prices of Bajaj Fin Serv and BSE S&P Finance for the month of November, 2019 is gradually increasing.

Figure 6 representing Daily share prices and average of Bajaj Fin Serv and BSE S&P Finance for the month of December, 2019



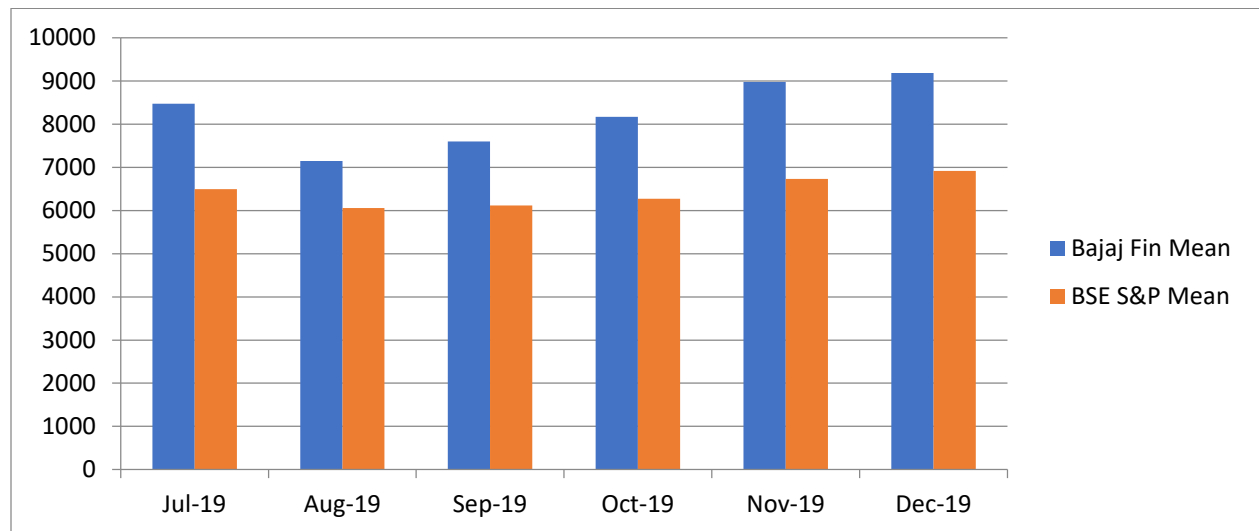
Interpretation:

From the above we can observe that the prices of Bajaj Fin Sev is gradually increasing in the month of December, 2019 and with BSE S&P Finance, represents the daily prices have decreased during 5-11 December, 2019 and then afterwards they have increased.

Table 1 showing Comparison of Returns of Bajaj Fin Serv and BSE S&P Return (Mean)

	JULY 2019	AUGUST 2019	SEPTEMBER 2019	OCTOBER 2019	NOVEMBER 2019	DECEMBER 2019
Bajaj Fin Mean	8473.56	7148.28	7602.28	8169.50	8983.69	9189.07
BSE S&P Mean	6498.4	6059.89	6114.52	6273.35	6730.09	6915.32

Fig 7 Representing Comparison of Returns of Bajaj Fin Serv and BSE S&P Returns for the months of July-December, 2019



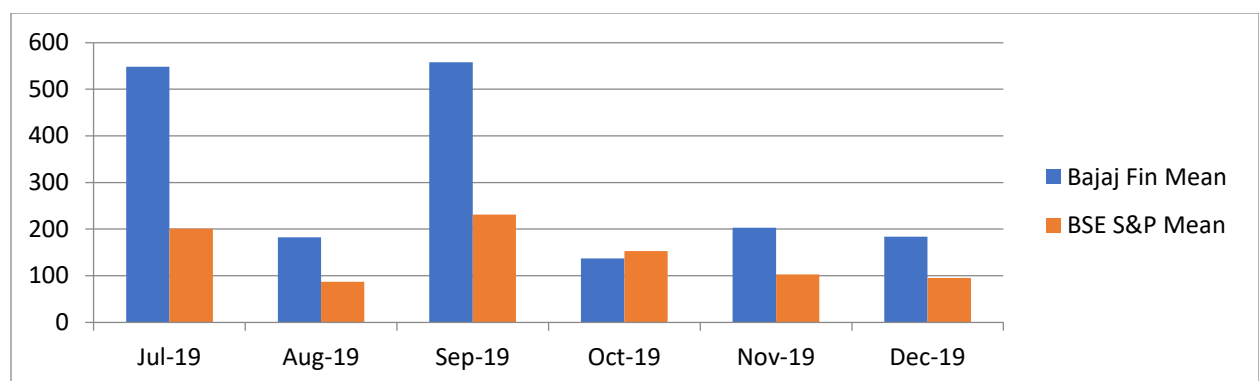
Interpretation:

By observing the values of Returns of Bajaj Fin Serv, using Mean / Average, the Returns are increasing and recorded high during December, 2019 (for a 6 months period) and BSE S&P also observed the same phenomenon.

Table 2 showing Comparison of Risk of Bajaj Fin Serv and BSE S&P Risk (Standard Deviation)

	JULY 2019	AUGUST 2019	SEPTEMBER 2019	OCTOBER 2019	NOVEMBER 2019	DECEMBER 2019
Bajaj Fin Mean	548.37	182.68	557.79	137.26	203.14	183.76
BSE S&P Mean	200.75	86.82	231.09	152.8	102.97	95.23

Fig 8 Graph representing Comparison of Risk of Bajaj Fin Serv and BSE S&P Risk (Standard Deviation)



Interpretation

A variability is observed in Risk values of Bajaj Fin Serv during the months of July-December, 2019. The Risk is highest in the month of September, 2019 and lowest during October 2019. Whereas, for BSE S&P, the risk is high during September, 2019 and lowest during August, 2019.

Table 3 Correlation between Daily Prices of Bajaj Fin Serve and BSE S&P

	JULY 2019	AUGUST 2019	SEPTEMBER 2019	OCTOBER 2019	NOVEMBER 2019	DECEMBER 2019
Value of Correlation	0.955	0.811	0.928	-0.44	0.835	0.914

Interpretation :

There is a positive correlation between Daily Prices of Bajaj Fin Serv and BSE S&P during the months of July, August, September, November and December However during October, a negative correlation was found between them The correlation is recorded highest during the month of July, 2019.

FINDINGS & SUGGESTIONS**4.1. FINDINGS**

1. The Benchmark is taken as S&P BSE Finance and it is compared by Bajaj Fin Serv the following are the findings available
 1. The daily prices of Bajaj Fin Serv and BSE S&P Finance is constantly decreasing during the month of July, 2019
 2. During the month of August, 2019 a high fluctuations in prices of Bajaj Fin Serv and BSE S&P Finance during August, 2019.
 3. There is a steady increase in the prices of Bajaj Fin Serv stocks during the month of September, 2019 . But a heavy fluctuations are observed in daily index prices of S&P BSE Finance during the month of September, 2019
 4. During the month of October 2019, Bajaj Fin Serv Prices are fluctuating but whereas S&P BSE Finance has been increasing
 5. The prices of Bajaj Fin Serv and S&P BSE Finance has been gradually increasing during November, 2019.
 6. The prices of Bajaj Fin Serv and S&P BSE Finance is gradually increasing during December, 2019 even through S&P BSE Finance has decreased during first week of December, 2019.
 7. During the month of December, 2019 Both Bajaj Fin Serv and S&P BSE Finance Mean shown highest Mean ie., Returns
 8. During the month of August, 2019 both Bajaj Fin Serv and S&P BSE Finance Mean shown lowest Mean i.e, Returns
 9. The Risk of Bajaj Fin Serv and S&P BSE Finance are high during the month of September, 2019
 10. The Risk of Bajaj Fin Serv is low in the month of October, 2019; whereas the risk of S&P BSE Finance is lowest in the month of December, 2019.
 11. There is a negative correlation between Bajaj Fin Serv and S&P BSE Finance in the month of October, 2019.

4.2. SUGGESTIONS

Buying shares is not hard. Choosing a company which is consistently beating the stock market is the challenge. The following are the various strategies to be adopted to invest in the stock market:

1. **Check the emotions at the door :** The success made in the investment cannot be correlated with Intelligent Quotient. As per Warren Buffet, the investors who their heads are not their guts and they are driving their investment decisions. The over reactivity in trading is triggered by emotions which is one the most common ways in which investors hurt about their own returns from portfolio. The investors cultivate a required temperament by following stock market tips to achieve long term success.
2. **Pick companies, not ticker symbols :** There is an actual business behind the alphabet soup of share quotes which are crawling along the bottom of every business news broadcasting. The share selection should not become an abstract concept. By buying a company's share an investor should think that he is becoming the owner of the company.
3. **Plan ahead for panic times :** The investors often change their relationship status with their shares. Making decisions at the heat of moment can lead of classic investment gafee. Thus, they should follow the rule of buying high and selling low..

4. **Gradually Build up positions:** The investors' super power is time and not timings. With an expectations of rewards over years or decades via appreciation in share prices, dividends etc., the successful investors can buy the shares. This necessitates the investors to take time in buying stocks. To reduce the exposure to volatility in prices strategies like : Dollar Cost Averaging, Buy in Thirds and Buy the basket etc. need to be followed
5. **Avoid over activity Trading :** the investor needs to check the shares at least once in a quarter when they receive quarterly reports. It is difficult to keep a constant eye on the company's score board. This can leads to overreacting to short term events. Thus they need to focus on company value rather than share price.

CONCLUSION:

Investment is an important individual goal. When an individuals have money, they need to make proper analysis before making an investment through which returns are expected in the future. If the investments runs well, a lot of profit can be made out of it; if not people have to lose from the investment need to start from earlier. An investment plan to make the investment will run well. Through this, an investor is prepared to know, what they are facing in the future, what types of risks to be encountered, how the economy is going and impacting the investment etc., The individuals need to invest money in the markets whether to invest in high risk or low risky markets to gain returns in the future. Usually, higher returns are associated with higher risks.

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