

# International Conference on Science, Technology and Management (ICSTM-2020)



Guru Gobind Singh Polytechnic, Nashik, Maharashtra (India)



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## “A STUDY ON EQUITY ANALYSIS OF NIFTY 50 COMPANIES

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### ABSTRACT

*The Indian capital Market has witnessed a tremendous growth. There was an explosion of investor interest during the nineties and an Equity Guilt emerged in statutory legislations has helped the capital market. Foreign Exchange regulation act is one such legislation in this direction. An important recent development has been the Entry of Foreign Institutional investors are participants to the primary and secondary markets for the securities. In the past several years, investments in developing countries have increased remarkably. Among the developing countries India has received considerable capital inflows in recent years. The liberalization policy of the government of India has now started fielding results and the country is poised for a big leap in the industrial and economic growth. The Economy of the country is mainly based on the development of the corporate sectors.*

### INTRODUCTION

Generally, equity is the value of an asset less the amount of all liabilities on that asset. As an accounting equation, one can represent it as  $\text{Assets} - \text{Liabilities} = \text{Equity}$ .

Equity can have somewhat different meanings, depending on the context and the asset type. In finance, you can think of equity as one's degree ownership in any asset after subtracting all debts associated with that asset. For example, a car or house with no outstanding debt is entirely the owner's equity because he or she can readily sell the item for cash and pocket the resulting sum.

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Stocks are equity because they represent ownership in a firm, even though ownership of shares in a public company rarely come with accompanying liabilities.

The following are more specific definitions for the various forms of equity:

1. A stock or any other security representing an ownership interest. This may be in a private company, in which case it is a private equity.
2. On a company's balance sheet, the amount of the funds contributed by the owners or shareholders plus the retained earnings (or losses). One may also call this stockholders' equity or shareholders' equity.
3. In margin trading, the value of securities in a margin account minus what the account holder borrowed from the brokerage.
4. In real estate, the difference between the property's current fair market value and the amount the owner still owes on the mortgage. It is the amount that the owner would receive after selling a property and paying any liens. Also referred to as “real property value.”
5. In investment strategies, equities are one of the principal asset classes. The other two classes are fixed-income (bonds) and cash/cash-equivalents. These are used in asset allocation planning to structure a desired risk and return profile for an investor's portfolio.
6. When a business goes bankrupt and has to liquidate, equity is the amount of money remaining after the business repays its creditors. This is most often called “ownership equity,” but some call it risk capital or “liable capital.”

Equity is important because it represents the real value of one's stake in an investment. Investors who hold stock in a company are usually interested in their personal equity in the company, represented by their shares. Yet, this kind of personal equity is a function of the company's total equity, so a shareholder concerned for his or her own earnings will also have a concern for the company. Owning stock in a company over time will ideally yield capital gains for the shareholder and potentially dividends. It can also give the shareholder the right to vote in Board

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of Directors elections. These benefits further promote a shareholder's ongoing interest in the company.

## **Stockholders' Equity**

Stockholders' equity is synonymous with shareholders' equity. It represents the equity stake held on the books by a firm's investors and shareholders. Its calculation is a firm's total assets minus its total liabilities or as share capital plus retained earnings minus treasury shares. The firm lists this result on its balance sheets. Many refer to this as the book value of a company.

Stockholders' equity functions as equity capital for a firm, which uses it to buy assets. Stockholders' equity has two main sources. The first is from the money initially invested in a company and additional investments made later. A second source is retained earnings that the company can build over time through its businesses: These earnings, net income from operations and other business activities, are returns on total stockholders' equity that the company reinvests into itself instead of distributing them as stock dividends. Retained earnings grow larger over time as the company continues to reinvest a portion of its income. At some point, the amount of accumulated retained earnings often exceeds the amount of equity capital contributed by stockholders and can eventually grow to be the main source of stockholders' equity. In fact, retained earnings are the largest component of stockholders' equity for companies that have been operating for many years.

## **Private Equity**

Private equity is the opposite of shareholders' equity. It involves funding that is not noted on a public exchange. Private equity comes from funds and investors that directly invest in private companies or that engage in leveraged buyouts (LBOs) of public companies.

Private investors can include institutions, including pension funds, university endowments and insurance companies, or individuals. Private equity also refers to mezzanine debt, private-placement loans, distressed debt and funds of funds. Private equity comes into play at different points along a company's life cycle. Typically, a young company with no revenue or earnings

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can't afford to borrow, so it must get capital from friends and family or individual "angel investors." Venture capitalists enter the picture when the company has finally created its product or service and is ready to bring it to market. Some of the largest, most successful corporations in the tech sector, like Dell Technologies and Apple Inc., began as venture-funded operations.

## STATEMENT OF THE PROBLEM

The investment made in various companies in order to gain the profit in India has gained in popularity over the last years, mainly. The present study focus on Equity Analysis of Nifty 50 Companies. The risk associated with those companies share price were measured with relevant tools. They are many number of studies in this perspective but they are in different periods and different sectors. The present study is made considering all the 50 companies of nifty index based on their equity analysis and its share price.

## OBJECTIVES

- To identify the share price fluctuations of Nifty 50 companies.
- To analysis the risk involved in the Nifty 50 companies.

## LITERATURE REVIEW

- A Study on the analysis of Equity share price behavior of selected companies (2010) S. Uma. The objective of the study -To analyze the share price behavior of the selected industries, to predict the day to day Fluctuations in the stock market using Technical Analysis, to study the price movements in the stock exchange, to study the current trend and strength of the trend of selected industry, to recapitulate the key findings and offer suggestions to investors. Methodology of the study-Secondary data is used. The data also obtained by the national stock exchange website ([www.nscindia.com](http://www.nscindia.com))For the purpose of this study the daily closing prices of 15 companies included in National stock exchange were taken. This study made will help the investors know the behavior of share prices and thus can succeed.

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- A Report on Equity Analysis of Telecom Sector(2018) A.Navya B.Kiran Kumar Reddy. Objective is to know the present scenarios of telecom sector, to give suggestions based on findings, to suggest the investors whether to choose the telecom sector to invest to earn appropriate profits, to analyze the risk and return involved with telecom sector. This study is based on secondary data only. The data have been collected from journals like impact journals, books like Donald E. Fisc her and Ronald J.Jordan and BSE official website and integrated websites of telecommunication.
- Analysis on equity share behavior of selected companies scrip in pharmaceutical sector and banking sector(2015) M. Prakash, S. Namasivayam, S. Ashwini, M. Gunasekaran .Objective - To analyze the share price behavior of the selected industries predict the day to day fluctuations in the stock market using technical analysis, to analyze the share price behavior of the selected industries, to predict the day to day fluctuations in the stock market using technical analysis, to study the price movements in the stock exchange, to study the current trend and strength of the trend of selected industries.
- Mr.Premchand Kaila, Dr. E. Lokanadha Reddy, Dr.C.Rajanikanth.The objective is to calculate mean returns and standard deviation of various selected companies from different industries and correlating them with Index return. Secondary data was used for the analysis, has been collected form National Stock Exchange website. For the purpose of this study the yearly closing prices of 5 Sectorial indices and 10companies included in National stock exchange were taken and their price movement are computed and studied. Better understanding of the stock market trend will facilitate allocation of financial sources to the most profitable Investment opportunity.
- STUDY ON EQUITY ANALYSIS OF AUTOMOBILE INDUSTRY IN INDIA(2012)The objective - Detailed analysis of Automobile industry which is gearing towards international standards Analyze the impact of qualitative factors on industry's and company's prospects Comparative analysis of three tough competitors TATA Motors, Maruti Suzuki and Mahindra and Mahindra through fundamental analysis. Suggesting as to which company's shares would be best for an investor to invest.



### ANALYSIS AND INTERPRETATION

**TABLE 1: SHARE FLUCATATION – AVERAGE RETURN**

SECTORS	COMPANIES	AVERAGE RETURN
<b>Pharmaceuticals</b>	Cipla	0.00046
	Dr. Reddy's Lab	0.000278
	Lupin	0.000272
	Sun Pharmaceutical	0.000337321
<b>Information Technology</b>	HCL Technologies	0.000714
	Infosys	0.000571919
	TCS	0.000704
	Tech Mahindra	0.000679556
	Wipro	0.000353
<b>Cements</b>	Grasim Industries	-0.01
	UltraTech Cement	0.000903646
<b>Automobile</b>	Bajaj Auto	0.00030392
	Hero MotoCorp	0.000467316
	Mahindra & Mahindra	0.000835
	Maruti Suzuki	0.001695
	<b>Tata Motors</b>	<b>-2.1128805</b>
<b>Financial Services</b>	Axis Bank	0.001148
	HDFC Bank	0.001014
	ICICI Bank	0.000719
	IndusInd Bank	0.00136307
	Kotak Mahindra Bank	0.001132
	State Bank of India	0.000678
	Yes Bank	0.0016
	Bajaj Finserv	0.002138
<b>Metals</b>	Coal India	0.70899067

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	Hindalco Industries	-0.000945416
	Tata Steel	0.00085057
	Vedanta	0.008032
<b>Energy</b>	BPCL	0.001251
	HPCL	0.001768
	<b>GAIL (India)</b>	<b>7.1771606</b>
	NTPC	-1.09597
	ONGC	6.4698905
	Power Grid	-0.000196
	Reliance Industries	0.000973
<b>Telecom</b>	Bharti Airtel	-0.01
	Bharti Infratel	0.016278434
<b>Consumer Goods</b>	Asian Paints	0.001001423
	Hindustan Unilever	0.000911
<b>Construction</b>	Larsen & Toubro	0.000892786
<b>Media &amp; Entertainment</b>	Zee Entertainment	0.000812
<b>Shipping</b>	Adani Ports and Special Economic Zone Ltd.	0.001152021
<b>Cigarette</b>	ITC	0.000388

The above table reveals the average monthly share prices of the Commodities Sector Companies in the sample. The average return ranges from **7.1771606 to -2.1128805**. The maximum average return of was earned by **7.1771606 by GAIL**, followed by ONGC - 6.469805

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**TABLE 2: SHARE PRICE DISTRIBUTION**

SECTORS	COMPANIES	SKEWNESS	KURTOSIS
<b>Pharmaceuticals</b>	Cipla	-0.55858	-0.51669
	Dr. Reddy's Lab	<b>0.552649</b>	-0.09892
	Lupin	<b>0.157764</b>	-1.29909
	Sun Pharmaceutical	<b>0.358717</b>	-0.74614
<b>Information Technology</b>	HCL Technologies	-0.63972	0.508547
	Infosys	<b>0.224422</b>	-0.21135
	TCS	<b>1.929785</b>	4.106655
	Tech Mahindra	-0.69065	0.528121
	Wipro	-0.10017	0.018247
<b>Cements</b>	Tech Mahindra	-0.69065	0.528121
	Wipro	-0.10017	0.018247
<b>Automobile</b>	Bajaj Auto	-0.060807771	-0.544068553
	Hero MotoCorp	-0.05434	-1.10208
	Mahindra & Mahindra	<b>0.36545138</b>	0.999002993
	Maruti Suzuki	<b>0.447738</b>	-0.96887
	Tata Motors	-0.040718714	0.359268
<b>Financial Services</b>	Axis Bank	-1.04627	0.30617
	HDFC Bank	<b>0.565898</b>	-0.86469
	ICICI Bank	-0.20787	-0.68872
	IndusInd Bank	<b>0.303612</b>	-1.0175
	Kotak Mahindra Bank	<b>0.425558</b>	-0.37606
	State Bank of India	<b>0.603088</b>	-0.71024
	Yes Bank	<b>0.194448</b>	-1.28731
	Bajaj Finserv	<b>0.656461</b>	-0.90245
	India bulls Housing Finance	<b>0.16262</b>	-1.06489
	Coal India	-1.14967024	<b>-0.91923433</b>
<b>Metals</b>	Hindalco Industries	-0.92392	<b>-0.92392</b>
	Tata Steel	<b>0.430975</b>	<b>-0.73379</b>
	Vedanta	-0.23637	<b>-0.76685</b>
	BPCL	-0.123390463	-1.094806826
<b>Energy</b>	HPCL	<b>0.282665</b>	-1.09597
	GAIL (India)	<b>0.64711519</b>	-0.67793407
	NTPC	-0.1153	-0.82281
	ONGC	0.988125	0.56289
	Power Grid	-0.039	-1.18519
	Reliance Industries	<b>1.306293</b>	0.615255
<b>Telecom</b>	Bharti Airtel	<b>1.201172</b>	1.730148

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	Bharti Infratel	-0.81988	-0.04061
<b>Consumer Goods</b>	Asian Paints	-0.100289467	-0.966656868
	Hindustan Unilever	<b>1.021134</b>	0.487913
Construction	Larsen & Toubro	-0.37909	-0.39875
<b>Media &amp; Entertainment</b>	Zee Entertainment	-0.07679	-1.30308
<b>Shipping</b>	Adani Ports and Special Economic Zone Ltd.	-0.22593328	-0.860787331
Cigarette	ITC	<b>0.682538</b>	

The skewness and kurtosis values were represented commodities sector companies. The skewness values insist that except 22 companies, all the other companies share prices are positively skewed in the distribution which is shown in bold letters. The kurtosis values insist that all the companies share prices have kurtosis value of less than 3 which reveals that it is platykurtic.

## FINDINGS

### Average Return:

- If there is high return there will be more risk
- If there is less return there will be less risk.

### Skewness:

- When the share price is in positive the company is in developing process and earns profit.
- When the share price is in negative the company has to develop process to set the target to earn profit.

## CONCLUSION

Equity analysis is the most important measurement technique used to measure the movement of share market, which helps the investor to take decision either to buy or sell. Selected nifty 50

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companies share recorded moderate risk and a moderate gain or loss to the investors during the study period.

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