

Performance Analysis of Stocks for Selected Sectors with special reference to Banking And IT

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Abstract:

In today's world, economic scenarios interest rates are falling and fluctuation in the stock market has put investors in confusion. The decision of investing in stock market is a crucial, important as well as difficult decision. This is the main factor in stock market because the nature of investment is very risky and a long term or short-term trader need to keep in mind many important factors in order to invest in the market. The factors important in investment include risk, return, and fluctuation in shares and liquidity. The important object of comparing investment in equity market is to analyse the performance of Equity share along with their Milestone and in addition to this comparing them with equities by the utilization of risk and return considering them as a parameter. Data taken from past five years were analysed on the basis of Financial Ratios which are EPS, P/E Ratio, ROE, and Book-Value. The analysis has been performed by using percentage method for comparing equity shares belongs to two particular sectors. Here, we used fundamental and technical analysis to study the stock. The investors with good knowledge in equity market can proceed with equity investments in share market. The study proposes then analysis of equity shares in particular selected sectors.

Key words: Investment, Risk, Return, EPS, P/E Ratio, ROE, Book-Value, Fundamental and Technical Analysis.

Introduction: -

In India, banking sector and IT sector both are the most important sector in the development of nation and occupies a unique place in a nation's economy. The development of country's economy is evident through the soundness of the banking system and IT industry is having potential to generate IT professionals who could meet the demand and global industry expectations. Banks are key financial institutions or intermediaries that serve as middle man in the transfer of fund from servers to those who invest in real assets as house and factories. By performing this function banking improve the wellbeing of both saver and investor. The banking sector is considered to be an important source to financing the corporate companies or business. They make funds available to meet the needs of individuals, business and government apart from this, banking sector create high level of employment. While as compare to most of the developed countries, Indian IT sector is more cost-efficient in terms of skill professionals. Hence, this is one of the major reasons for increment in 'IT' sector such as education-based outsourcing and business-based outsourcing has been extended at a large extend to generate the job sources 15 in Indian economy. Some of the major factors played an important role in India's emergence as global 'IT' player such as Indian education system, High quality human resource, competitive cost and Infrastructure scenario.

Objectives: -

To predict the regular fluctuations in share by using various approaches like Fundamental analysis and Technical analysis.

To study the Compounded annual growth rate.

To study the Intrinsic Value of the company's share.

To help new investors/traders to trade in equity market.

Limitations of study: -

The discussion of the tools of fundamental analysis and technical analysis is restricted by the time available and size considerations for the project.

The interpretation of ratios and charts may differ from one analyst to another.

The time period for stock prices in this project is limited to 5 years (April 2015 to March 2020).

The intrinsic value and consideration are taken on the basis of results up to 31st March, 2020. Hence the data after 31st March, 2020 are not considered.

Literature Review: -

Dr. Anubha Srivastava (2015) Research on technical analysis of selected stocks of Indian banking sector. In a research, she collected the data of SBI and other stocks of Indian banking sector. A study indicates the dynamics of market environment and share price movement of stocks which give signal for investor to buy and sell share.

Dr. H.N. Devanand & Dr. T. Rajendra Prasad (2015) Performance analysis of public sector banks in India. This paper examines performance of scheduled banks in India and profitability analysis of public sector banks. The data are collected from 1991-2012 for the study. This study helps us in ratio analysis of public sector banks identify profitability of public sector bank.

Ramavtar Tawaniya (2014) Equity analysis of Indian IT sector. The study is limited to only the fundamental analysis of seven 'IT' companies of Indian Stocks. They use Ratio of return on assets, return on equity, return on investments, dividend per share and earning per share. The study finds P/E ratio of all selected company by year after year and there is continuous flow of business.

Hasnain Baber Fundamental analysis of IT sector in India. The study focuses on SWOT analysis of Information Technology sector in India the study finds the contribution of 'IT' sector in India and also ranked major 'IT' companies by its revenue.

Dr Sreemoye Guha Roy (2013) study on equity research fundamental and technical analysis. The study of him explained how the basic tools of fundamental and 20 technical analysis may be applied to arrive at investment decisions. The study reached at a conclusion about the decision-making behavior of the investors.

V. sornaganesh and D. mahesvari (2013) fundamental analysis of IT industry in India. The study getting four major companies of IT industry and examined them revenues, profit margin, earnings and ratios. They also identify how the four major companies run and compete with each other and how investor getting benefit by it.

Research Methodology: -

Secondary data collection from various sites and use descriptive research design. Analysis has done with the help of statistical tools like Earning per share, price to earnings ratio, return on equity and book value.

Trend Analysis:

For the purpose of Technical analysis, we used line charts which shows the trend of the share for the last five years.

Data Analysis and Interpretation: -**Compound Annual Growth Rate**

The CAGR is a formula that provides a smoothed rate of return. It shows the number that tell what an investment yields on an annually compounded basis.

Earnings Per Share

Earnings Per Share is a company's net profit divided by the number of common shares it has outstanding. It indicates how much money a company makes for each share of its stock and is a widely used to measure estimate corporate value of a company.

Years	HDFC Bank	SBI	Kotak Mahindra	ICICI Bank
2015-16	48.84	12.98	18.09	16.75
2016-17	57.18	13.43	26.9	15.31
2017-18	67.76	-7.67	32.7	10.56
2018-19	78.65	0.97	37.6	5.23
2019-20	48.01	16.23	44.7	12.28
Mean	60.088	7.188	31.998	12.026
CAGR	-0.342%	4.570%	19.832%	-6.020%

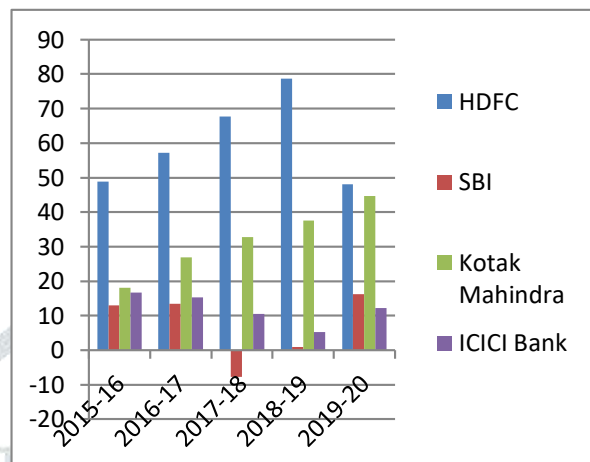


Chart 1: Earning Per Share of Banks

Table 1 represents that mean of Earnings per Share in HDFC Bank (60.88) is higher than SBI (7.188), Kotak Mahindra (31.998) and ICICI Bank (12.026). Table also shows that SBI and Kotak Mahindra was having positive CAGR while HDFC Bank and ICICI Bank was having negative CAGR.

Price to Earnings Ratio

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

Years	HDFC Bank	SBI	Kotak Mahindra	ICICI Bank
2015-16	21.9	14.96	36.1	12.85
2016-17	25.23	21.85	32.5	16.44
2017-18	28.47	-32.58	32.1	26.36
2018-19	29.48	330.67	35.5	76.58
2019-20	17.95	12.13	29	26.36
Mean	24.606	69.406	33.04	31.718

CAGR	-	-	-4.285%	15.454%
	3.900%	4.107%		

Table 2: Price to Earnings Ratio

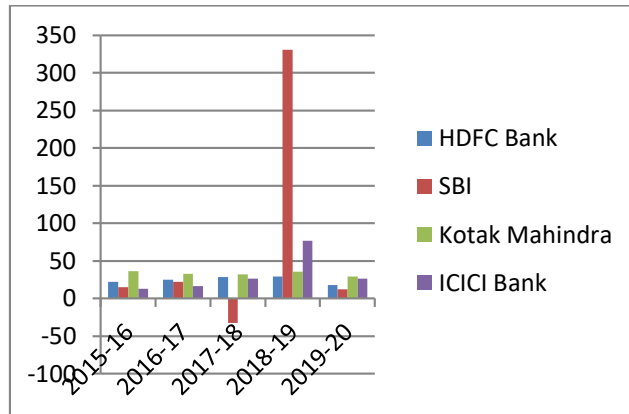


Chart 2: Price to Earnings Ratio of Banks

Table 2 represents that mean of Profit to earnings in SBI (69.406) is higher than HDFC Bank (24.606), ICICI Bank (31.718) and Kotak Mahindra (33.04). Table also shows that HDFC Bank, SBI, Kotak Mahindra were having negative CAGR. While ICICI Bank was having positive CAGR.

Return on Equity

Return on equity is a measure of profitability of company that reveals how much profit is generated by the company with the money shareholders have invested. It is calculated by dividing net income by shareholder’s equity.

Table 3: Return on Equity

Years	HDFC Bank	SBI	Kotak Mahindra	ICICI Bank
2015-16	18.6	7.74	11	11.08
2016-17	18.3	7.25	13.8	11
2017-18	18.4	-3.78	13.5	8
2018-19	17	0.48	13.3	4.8
2019-20	16.5	7.74	13.7	9
Mean	17.76	3.886	13.06	8.776
CAGR	-2.368%	0.000%	4.488%	-4.073%

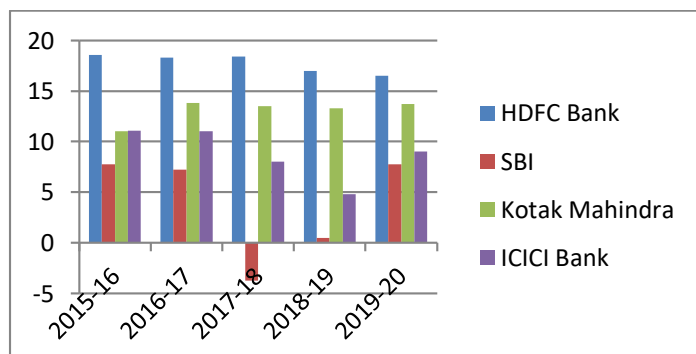


Chart 3: Return on Equity of Banks

Table 3 shows the mean of return on equity and CAGR. The table represents that HDFC bank was having highest mean (17.76) in compare to other three banks SBI (3.886), Kotak Mahindra (13.06) and ICICI Bank (8.776). Table also shows that HDFC Bank and ICICI Bank were having negative CAGR while Kotak Mahindra was having positive CAGR. Whereas SBI not having any CAGR.

Book Value

Book Value indicates the share of equity shareholders after the company has paid all its liabilities, creditors, debenture holders and preference share. It can be greater than, less than or equal to zero.

Years	HDFC Bank	SBI	Kotak Mahindra	ICICI Bank
2015-16	143.74	232.64	182	147.13
2016-17	174.56	272.39	209	163.31
2017-18	204.8	258.08	265	172.11
2018-19	273.94	262.75	303	177.24
2019-20	311.83	281.31	348	189.97
Mean	221.774	261.434	261.4	169.952
CAGR	16.753%	3.872%	13.842%	5.244%

Table4: Book Value

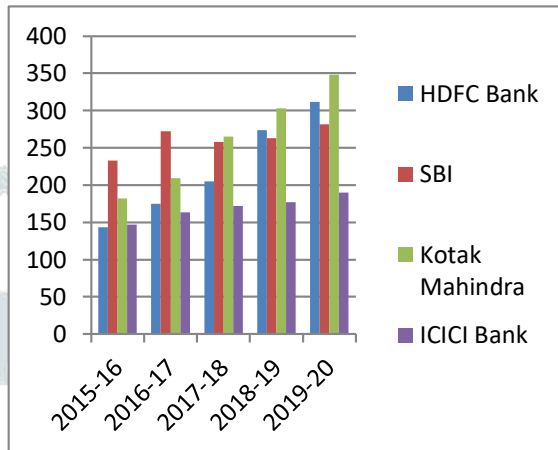


Chart 4: Book Value of Banks

Table 4 represents that the mean of book value of banks where SBI and Kotak Mahindra was having same mean of book value as well as higher than two other banks which is 261.4 where ICICI was having 169.952 and HDFC was having 221.774. Table also shows that all the banks were having positive CAGR.

Valuation of Share:

	HDFC Bank	SBI	Kotak Mahindra	ICICI Bank
Average DPR	16.68	198.8	2.34	25.32
Average Retention ratio	83.32	-98.8	97.66	74.68
Average ROE	17.76	3.886	13.06	8.776
Growth in Equity	14.797632	-3.839368	12.754396	6.5539168
Normalized Average P/E	24.606	69.406	33.04	31.718
Projected EPS	55.1143431 2	15.60687057	50.40121501	13.08482098
P/E valuation	1356.14352 7	1083.210459	1665.256144	415.0243519
Market Value (as on 1 st April 2020)	829.65	186.55	1181.65	311.15

Decision

- **HDFC Bank:** Intrinsic Value is greater than Market Value, it is undervalued, so it is recommended to buy the stock as value of share may increase in future.
- **SBI:** Intrinsic Value is greater than Market Value, it is undervalued, so it is recommended to buy the stock as value of share may increase in future.
- **Kotak Mahindra:** Intrinsic Value is greater than Market Value, it is undervalued, so it is recommended to buy the stock as value of share may increase in future.
- **ICICI Bank:** Intrinsic Value is greater than Market Value, it is undervalued, so it is recommended to buy the stock as value of share may increase in future.

4.1.1. Information Technology:

Table 5: Earnings Per Share

Year	Infosys	TCS	HCL Tech	Tech Mahindra
2015-16	55.26	117.11	33.52	33.4
2016-17	60.16	120.04	48.18	31.37
2017-18	71.28	131.15	52.54	40.84
2018-19	33.66	79.34	59.69	44.58
2019-20	36.34	88.64	33.06	46.89
Mean	51.34	107.256	45.398	39.416
CAGR	-8.041%	-5.418%	-0.276%	7.020%

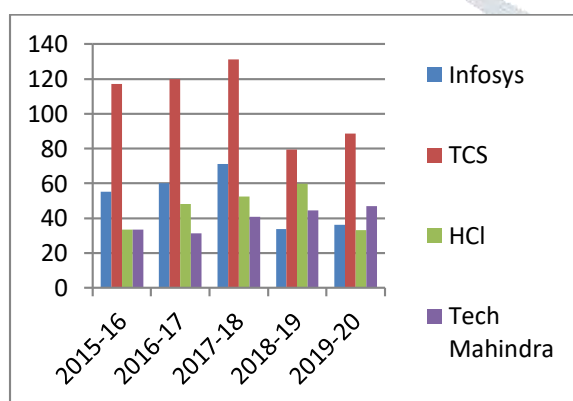


Chart 5: Earnings Per Share of IT Companies

Table 5 depicts TCS was having highest mean of earning per shares (107.256) in compare to Infosys (51.34), HCL (45.398), Tech Mahindra (39.416). Table also represents that Infosys, TCS and HCL having negative CAGR whereas Tech Mahindra was having positive CAGR.

Table 6: Profit to Earnings Ratio

Years	Infosys	TCS	HCL Tech	Tech Mahindra
2015-16	11.02	10.76	12.14	14.26
2016-17	8.49	10.13	9.07	14.63
2017-18	7.93	10.86	9.21	15.63
2018-19	22.09	25.22	9.1	17.4
2019-20	17.65	20.6	13.2	12.06
Mean	13.436	15.514	10.544	14.796
CAGR	9.878%	13.870%	1.688%	-3.296%

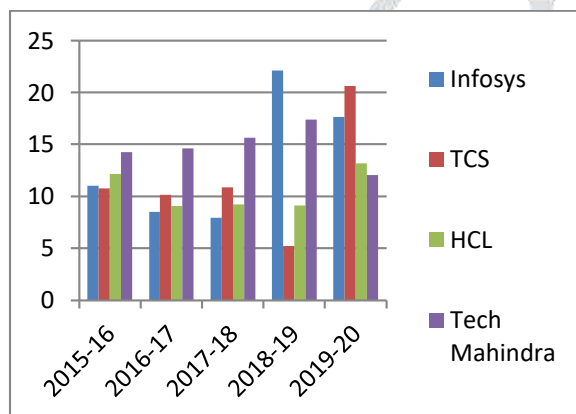
**Chart 6: Price to Earnings Ratio of IT Companies**

Table 6 represents mean of profit to earnings ratio and CAGR. Table shows TCS was having higher mean of P/E ratio than Infosys (13.436), HCL (10.544) and tech Mahindra (14.796). Except Tech Mahindra other three have positive CAGR.

Table 7: Return on Equity

Years	Infosys	TCS	HCL Tech	Tech Mahindra
2015-16	22.7	39.5	27.4	22.3
2016-17	21.4	33.4	26.9	18
2017-18	24.1	30.1	25.2	20.9
2018-19	22.7	36	24.6	21.4
2019-20	25.8	37.2	24	18.1
Mean	23.34	35.24	25.62	20.14
CAGR	2.593%	-1.193%	-2.615%	-4.088%

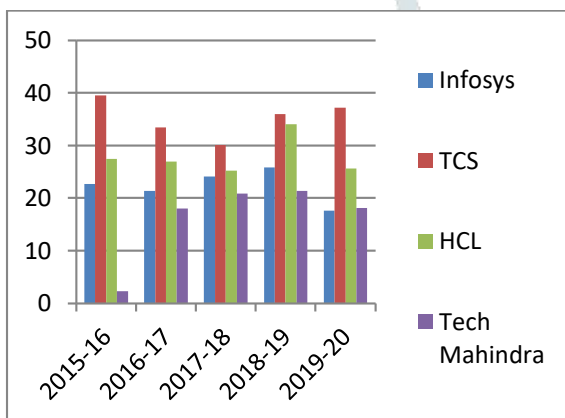
**Chart 7: Return on Equity of IT Companies**

Table 7 represents return on equity, mean and CAGR. TCS (35.24) was having higher mean of return on equity than Infosys (23.34), HCL (25.62), Tech Mahindra (20.14). Except Infosys all three companies were having negative CAGR.

Table 8: Book Value.

Years	Infosys	TCS	HCL Tech	Tech Mahindra
2015-16	149.2	180.35	108.85	167.5
2016-17	170.22	218.77	101.36	187.31
2017-18	167.62	222.35	148.37	213.32
2018-19	148.44	238.37	162.98	228.62
2019-20	149.14	224.19	183.99	250.28
Mean	156.924	216.806	141.11	209.406
CAGR	-0.008%	4.448%	11.069%	8.363%

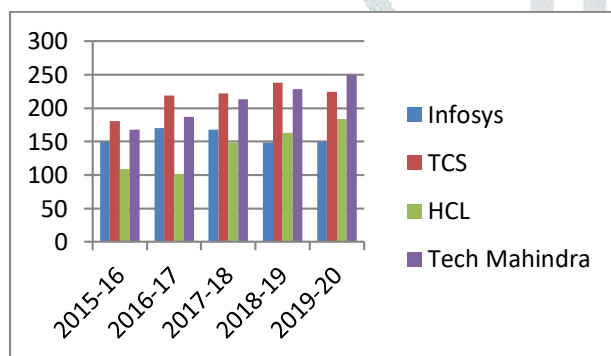
**Chart 8: Book Value of IT Companies**

Table 8 represent book value, mean and CAGR. TCS (216.806) was having highest mean of book value among all other three companies which are Infosys (159.924), HCL (141.11), Tech Mahindra (209.406). except Infosys All other companies TCS, HCL and Tech Mahindra were having positive CAGR.

Valuation of Share:

	Infosys	TCS	HCL Tech	Tech Mahindra
Average DPR	28.98	46.86	28.98	36.78
Average Retention ratio	71.02	53.14	71.02	63.22
Average ROE	23.34	35.24	25.62	20.14
Growth in Equity	16.576068	18.726536	18.195324	12.732508
Normalized Average P/E	13.436	15.514	10.544	14.796
Projected EPS	42.36374311	105.2392015	39.07537411	52.860273
P/E valuation	569.1992524	1632.680972	412.0107447	782.1205993
Market value (as on 1 st April 2020)	602.8	1708.75	413.5	511.2

Decision

- **Infosys:** Intrinsic Value is less than Market Value, it is overvalued, so it is recommended to not buy the stock as value of share may fall in future.
- **TCS:** Intrinsic Value is less than Market Value, it is overvalued, so it is recommended to not buy the stock as value of share may fall in future.
- **HCL Tech:** Intrinsic Value is less than Market Value, it is overvalued, so it is recommended to not buy the stock as value of share may fall in future.
- **Tech Mahindra:** Intrinsic Value is greater than Market Value, it is undervalued, so it is recommended to buy the stock as value of share may increase in future.

4.2. Trend Analysis:

Trend Analysis is a technique which is used in technical analysis to predict the future price of the stock on the based recently observed Trend data. Trend Analysis based on the idea what has happened in the past and gives traders an idea of what will happen in the future.

4.2.1. Banks

Table 9: Share Price of Banks

Years	HDFC Bank	SBI	Kotak Mahindra	ICICI Bank
2015-16	535.58	194.25	680.65	215.14
2016-17	721.28	293.4	872.2	251.68
2017-18	943.05	249.9	1047.8	278.35
2018-19	1159.45	320.75	1334.5	400.5
2019-20	861.9	196.85	1296.05	323.75

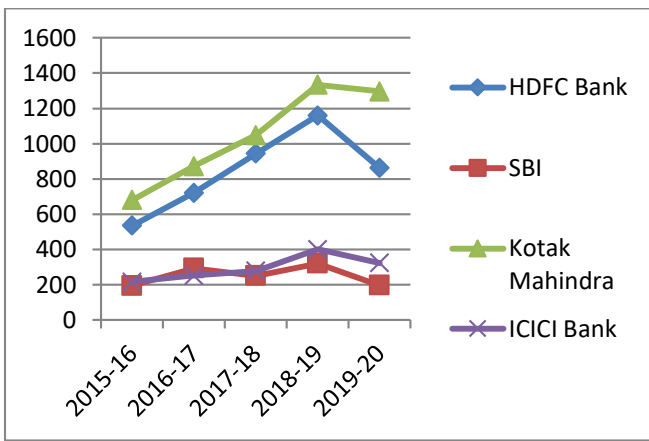


Chart 9: Trend Analysis of Banks

Table 9 shows the share price of banks which considered the last trading day of financial year for the five years. HDFC Bank share price was 535.58 (lowest of 5 years) as on 31st march, 2016 and stand 861.9 as on 31st march, 2020 and made a highest of 1159.45 on 29th march, 2019. Whereas SBI, Kotak Mahindra and ICICI Bank were also having lowest 194.25, 680.65 and 215.14 as on 31st march, 2016 and highest 320.75, 1334.5 and 400.5 as on 29th march, 2019. In the last year 2019-20, share price of all the banks declined due to the effect of Covid-19 Virus (Corona-virus) and made a 52-week low in Quarter 1 of 2020.

4.2.2. Information Technologies

Table 10: Share Price of IT Companies

Year	Infosys	TCS	HCL Tech	Tech Mahindra
2015-16	609.15	1260.15	407.05	474.95
2016-17	511.13	1215.9	437.38	459.15
2017-18	565.9	1424.58	484.3	638.7
2018-19	743.85	2001.65	543.73	775.9
2019-20	641.5	1826.1	436.4	565.5

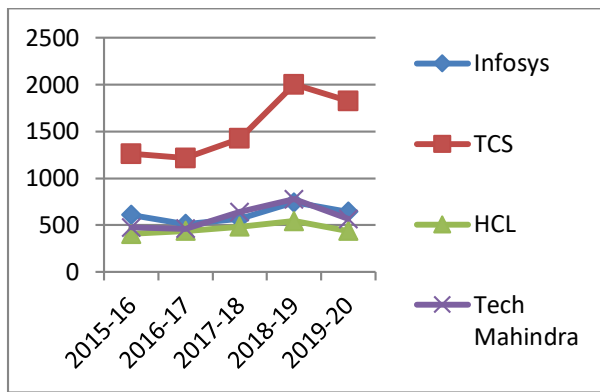


Chart 10: Trend Analysis of IT Companies

Table 10 also shows the share price of banks which considered the last trading day of financial year for the five years. Infosys and TCS were having lowest share price as on 31st march 2017 which were 511.13 and 1215.9. while, HCL and Tech Mahindra were having lowest share price 407.05 and 474095 as on 31st march 2016. All the companies, Infosys (743.85), TCS (2001.65), HCL (543.73) and Tech Mahindra (775.9) were having highest share price as on 29th march 2019. In the last year 2019-20, share price of all the banks declined due to the effect of Covid-19 Virus (Corona-virus) and made a 52-week low in Quarter 1 of 2020.

Findings: -

In case of EPS, HDFC bank was showing increasing trend initially till 2018-19 and later it starts decline, while ICICI Bank showing decline trend initially till 2018-19 and later it starts increasing. Whereas SBI showing fluctuating EPS and Kotak Mahindra showing increasing trend throughout the years.

In concern with P/E ratio HDFC Bank and ICICI Bank were showing increasing trend in First four year and decline in Fifth year while Kotak Mahindra shown fluctuated P/E Ratio through-out all the years. Whereas, SBI was showing hyper fluctuation through-out the five years. In 2017-18, SBI P/E ratio was -32.58 while in 2018-19 SBI P/E ratio stands 330.67.

For Return on Equity, HDFC Bank was maintaining a constant return in three years and gradually decline in next two years. While ICICI Bank was showing decline trend in first four years and increasing in fifth. Whereas Kotak Mahindra and SBI were showing fluctuated ROE through-out the five years.

Book Value of HDFC Bank, Kotak Mahindra and ICICI Bank were showing tremendous increasing trend through-out the years. While, SBI was maintaining Fluctuated Book Value through-out the five years.

In concern with EPS, Infosys and TCS were showing increasing trend in initial years and decrease in last two years. Whereas, HCL was showing increasing trend for the first four years and decline in last year. While, Tech Mahindra was showing fluctuating EPS through-out the five years.

In concern with P/E ratio, Infosys, TCS and HCL were showing the fluctuation P/E ratio through-out the years. While, Tech Mahindra was showing increasing trend in first four years and decline in fifth year.

In Return on Equity ratio, Infosys and Tech Mahindra were fluctuated through-out the five years. Whereas, TCS was showing decreasing trend in opening three years and gradually increased in next two years.

Infosys was maintaining the fluctuated book value throughout the five years. TCS was maintaining the increasing trend for the first four years and decline in fifth years. Whereas, HCL was maintaining fluctuated

book value for the first two years and starts increasing trends for the next three years. While, Tech Mahindra was showing increasing trend through-out the five years.

In Trend Analysis, the share price of banks stocks increasing at a very good rate of return at end of every year. As a compare of share price of Kotak Mahindra with other banks. Kotak Mahindra leading the charts of the share price.

In IT Companies, the TCS and Tech Mahindra gave good return as a compare Infosys and HCL. The price of Infosys and Tech Mahindra are almost close in the year 2018-19.

Suggestions:

It is recommended to Buy and hold the shares which are undervalued such as HDFC Bank, SBI, Kotak Mahindra, ICICI Bank and Tech Mahindra as they have potential to raise their share price in future.

Every investor is recommended to do a thorough analysis of the capital market and about the industry and company before investing any penny in the stock.

It is recommended to sell the overvalued shares such as Infosys, TCS and HCL tech as they have tendency to decrease the share price in the future.

It is suggested that investing in one share alone is not a good sign any investor have and maybe it not gives favorable results. So always investing in multiple shares and diversified the risk or reduce the risk and make a good portfolio and provide a good return.

Conclusion:

As from the above study of Banking and 'IT' sectors analysis we have conclude that Banking and 'IT' sector are the most promising sectors will become one of the leading sectors in Indian capital market and both sectors have the potentiality to contribute to the growth of Indian economy in terms of generation of employment, Gross Domestic Product foreign exchange earnings. In this project, we studied four banks and four 'IT' companies which are leadings companies from their respective sector. From the study, we find Mean, CAGR and Intrinsic value of Share of selected banks and 'IT' companies. On that basis we conclude that the market value of share is undervalued or overvalued. If the share price is undervalued it is recommended to buy that share. While in overvalued it is recommended to sell that share. After the individual analysis of selected stocks, we reach on the conclusion that Kotak Mahindra and HDFC Bank have the vast impact in banking industries as well as in Indian stock market. On the other hand, in 'IT' industries TCS and Infosys have the vast impact in 'IT' industries as well as in Indian stock market. In future, it is expected that number of investors will be increasing into capital market that increases the relevance of fundamental analysis and technical analysis of various sectors. It can be concluded that the banking and 'IT' industries are most promising sector for investment and in turns give good return for the investors.

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