
THE ROLE OF FINANCIAL RATIOS IN EQUITY ANALYSIS: ASSESSING COMPANY PERFORMANCE AND INVESTMENT POTENTIAL AT INDIA INFOLINE

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ABSTRACT

Equity analysis is a fundamental process used to evaluate the financial health, performance, and potential of publicly traded companies in order to make informed investment decisions. This study focuses on the techniques and tools involved in analyzing equity shares, including both **fundamental analysis** and **technical analysis** approaches. Fundamental analysis involves examining a company's financial statements, ratios, industry position, and macroeconomic indicators to estimate its intrinsic value. Technical analysis, on the other hand, studies past market data, price patterns, and volume trends to predict future movements.

The research compares companies across different sectors using key performance indicators such as Earnings Per Share (EPS), Price-to-Earnings (P/E) ratio, Return on Equity (ROE), and market capitalization. It also explores investor behavior, market trends, and the impact of external factors like economic policies and global events on stock prices. The findings suggest that equity analysis is essential for identifying undervalued stocks, managing investment risk, and maximizing returns. The study concludes that a combination of fundamental and technical analysis provides a more holistic view of equity performance, enabling better portfolio management and long-term wealth creation.

I. INTRODUCTION

EQUITY ANALYSIS

Equity Analysis is the process of evaluating the financial performance, market position, and future

growth prospects of a company to determine the fair value of its shares. It helps investors make informed decisions regarding buying, holding, or selling stocks. Equity shares represent ownership in a company and provide shareholders with a claim on the company's earnings and assets.

In today's dynamic financial environment, equity analysis plays a vital role in investment decision-making. Investors analyze various factors such as company earnings, financial statements, industry trends, economic conditions, management efficiency, and market performance to assess the potential returns and risks associated with an investment. The primary objective of equity analysis is to identify stocks that are undervalued or overvalued in the market and thereby maximize investment returns while minimizing risk.

Equity analysis can be broadly classified into Fundamental Analysis and Technical Analysis. Fundamental analysis focuses on evaluating a company's intrinsic value based on financial and economic factors, whereas technical analysis studies historical price movements and market trends to forecast future stock prices. Both approaches are widely used by investors, analysts, and portfolio managers.

With the rapid growth of stock markets and increasing participation of retail investors, equity analysis has become an essential tool for understanding market behavior and selecting profitable investment opportunities. A well-conducted equity analysis enables investors to build a balanced portfolio, manage risks effectively, and

achieve long-term financial goals. Thus, equity analysis serves as a cornerstone of successful investment management and wealth creation.

Equity investments

Equity investments refer to investments made in the shares or stocks of a company. When an investor purchases equity shares, they become a part-owner of the company and are entitled to a proportionate share of its profits and assets. Equity investments offer the potential for capital appreciation and dividend income, making them one of the most popular investment avenues for individuals and institutional investors.

Equity investments are generally made through stock exchanges where shares of publicly listed companies are traded. The value of equity investments fluctuates based on various factors such as company performance, industry trends, economic conditions, government policies, and investor sentiment. Although equity investments carry a higher level of risk compared to fixed-income securities, they also provide the opportunity for higher returns over the long term.

Investors choose equity investments to achieve objectives such as wealth creation, portfolio diversification, inflation protection, and long-term financial growth. Successful equity investing requires careful analysis of a company's financial position, management quality, competitive strength, and future growth prospects. Therefore, equity investments play a crucial role in capital formation, economic development, and personal financial planning.

SCOPE OF THE STUDY

The scope of this study is to analyze the performance and investment potential of equity shares of selected companies listed on the stock market. The study focuses on evaluating the financial strength, profitability, market performance, and growth prospects of companies through various analytical tools and techniques. It includes an examination of historical stock price movements,

financial statements, ratio analysis, and industry trends to assess the attractiveness of equity investments.

The study also covers the analysis of risk and return associated with equity investments, helping investors understand the factors influencing stock prices and investment decisions. It aims to provide insights into the effectiveness of equity analysis in identifying profitable investment opportunities and supporting portfolio management decisions. The findings of the study are useful for investors, financial analysts, researchers, and students seeking a better understanding of equity markets and investment strategies.

NEED AND IMPORTANCE OF STUDY

The study of equity analysis is essential for understanding the performance and value of companies in the stock market. With increasing investment opportunities and market fluctuations, investors need reliable methods to evaluate stocks and make informed decisions. Equity analysis helps in assessing a company's financial health, profitability, growth potential, and associated risks, thereby reducing uncertainty in investment decisions.

The importance of this study lies in its ability to provide valuable insights into market trends, stock valuation, and investment strategies. It enables investors to identify profitable investment opportunities, avoid overvalued stocks, and manage risks effectively. The study also helps in understanding the impact of economic, industrial, and company-specific factors on share prices. Furthermore, it contributes to better portfolio management and long-term wealth creation by guiding investors toward sound investment choices.

OBJECTIVE OF THE STUDY

1. To analyze the financial performance of selected companies through equity analysis.
2. To evaluate the market value and growth potential of equity shares.

3. To study the risk and return associated with equity investments.
4. To examine the factors influencing stock price movements.
5. To assess the profitability and financial stability of the selected companies.
6. To understand the impact of economic and industry conditions on equity performance.
7. To compare the performance of different companies based on financial and market indicators.
8. To identify investment opportunities through fundamental and technical analysis.
9. To provide useful information for investors in making investment decisions.
10. To suggest suitable investment strategies based on the findings of the study.

II. METHODOLOGY

The data collection methods include both the Primary and Secondary Collection methods.

1. Primary Collection Methods:

This method includes the data collected from the personal discussions with the authorized clerks and members of the Exchange.

2. Secondary Collection Methods:

The Secondary Collection Methods includes the lectures of the superintendent of the Department of Market Operations, EDP etc, and also the data collected from the News, Magazines of the NSE, HSE and different books issues of this study

LIMITATIONS OF THE PROJECT

- The study is based primarily on secondary data collected from company reports, stock exchanges, financial websites, and other published sources, which may contain inaccuracies or limitations.
- The analysis is restricted to a selected number of companies and may not represent the performance of the entire stock market.
- Stock market prices are highly volatile and influenced by various economic, political,

and social factors that are difficult to predict accurately.

- The study is conducted for a specific period, and the findings may vary with changes in market conditions over time.
- Unforeseen events such as government policy changes, economic crises, or global market fluctuations may affect the results of the analysis.
- The accuracy of future predictions is limited, as stock market performance depends on uncertain and dynamic factors.
- Time and resource constraints may limit the depth and scope of the analysis.
- Investor behavior and market sentiment, which significantly influence stock prices, are difficult to measure precisely.
- The study focuses mainly on quantitative factors and may not fully capture qualitative aspects such as management quality and corporate reputation.

III. LITERATURE REVIEW

Equity Analysis

Decisions like whether you should buy or sell when trading in the share market is a difficult task to do. It requires split-hair analysis of the market. To do so one also needs to have excellent understanding of the market. Equity analysis forms an integral part of the share trading experience. Equity analysis decides the stance one would take in the share trading industry. Finding out the highs and lows in the market and analyzing the equity is of utmost importance before making any sort of investment. Technical analysis, fundamental analysis and others form a part of the equity analysis. www.bestindiansites.com has found you five best sites for your equity analysis

Gives you rigorous analysis of the stock market. Get advice on whether you should buy or sell or invest in a share. You will get technical analysis, history of technical analysis, a fundamental analysis, about the roulette wheel and also on

automated trading. Find out the details from the site. You will surely get useful information from here. Enrich yourself before you do that little trading. Visit the site.

This is the official website of [indiainfoline](http://indiainfoline.com). You can get your equity analysis here. They have carefully selected and rated stocks for you on measures based on facts. They update their equity analysis on a daily basis. So, you will get an updated version every day. You will only have to be a member and everytime you want an updated analysis, you will have to log in and find out. However, if you are a new user, they have a sample you can view online. Just follow the simple instructions and get acquainted with their equity analysis procedure.

Find out from equity master about their trends in equity analysis. Find the current listings, the day's market, the markets in motion and much more right here. You can trust this site to give you authentic information. Find out the market trends from the site before you plan on investment. Become a member and surely you will benefit additionally from this. To find out more on equity analysis, visit their site.

National Stock Exchange of India is one of the most trusted names in the market. They have been active in the market and a great analyzer of the latest trends. You will find the top gainers and losers from their site. Get the trade verification, historical data on equity analysis, risk management tips and a lot more from this site. Have a look at their member's directory too. You can also become a member to avail their services. Look for the details in this site. Visit the link above.

They offer easy to use technical analysis prospecting tools that help in trading, online trading and stock investing. They offer to analyze individual stocks, industry groups, sector and indices. Find out how they do it from their site. Their methods have been explained in details. All that you need to do is

find out. Do this easily. Simply visit the link above and you will be showered with information.

Capital Market Instruments

The capital markets are relatively for long term (greater than one year maturity) financial instruments e.g bonds and stocks). It is the largest source of funds with long and indefinite maturity for companies are there by enhances the capital formation in the country. It offers a investment avenues to investors. The capital market instruments are the vehicles between the companies and the investors. The financial instruments that have short or medium term maturity periods are dealt in the money market whereas the financial instruments that have long maturity periods are dealt in the capital market. The different types of financial instruments that are traded in the capital markets are equity instruments, credit market instruments, insurance instruments, foreign exchange instruments, hybrid instruments and derivative instrument Stock market is the capital and SEBI is the driver.

EQUITY SHARES

They are also called as common stock. The common stock holders of a company are its real owners, the own the company and assume the ultimate risk associate with ownership. Their liability, how ever is restricted to the amount of their investment in the event of liquidation, these stock holders have a residual claim on the assets of the company after the claims of all creditors and preferred stock holders,are settled in full. Common stock like preferred stock, as no maturity date.NSE started trading in the equities segment (Capital Market segment) on November 3, 1994 and within a short span of 1 year became the largest exchange in India in terms of volumes transacted.Trading volumes in the equity segment have grown rapidly with average daily turnover increasing from Rs.17 crores during 1994-95 to Rs.14,148 corers during FY 2007-08. During the year 2007- o8,NSE reported a turnover of Rs.3,551,038 crores in the equities segment.The Equities section provides you with an

insight into the equities segment of NSE and also provides real-time quotes and statistics of the equities market. In-depth information regarding listing of securities, trading systems & processes, clearing and settlement, risk management, trading statistics etc are available here.

AUTHORIZED, ISSUED AND OUTSTANDING SHARES:

An authorized shares is the maximum no. of shares that the articles of association (AOA) of the company permit it to issue in the market. A company can however amend its AOA to increase the number. The number of shares that the company has actually issued out these authorized shares is called as issued shares. A company usually likes to have a number of shares that a authorized but un-issued. These un-issued allow flexibility in granting stock options, pursuing merger targets and splitting the stock. Outstanding shares refer to the number of shares issued and actually held by public. The corporation can buy back part of its issued stock and hold it as a treasury stock. Par value, book value and liquidating value: The par value of a share of stock is merely a recorded figure in the corporate charter and is of little economic significance. A company should not, however, issue common stock at a price less than par value, because any discount from par value (amount by which the issuing price is less than the par value) is considered a contingent liability of the own wrest to the creditors of the company. In the event of liquidation, the share holders would be legally liable to creditors of any discount from par value.

Market value

Market value per share is the current price at which the stock is traded. For actively traded stocks, market price quotations are readily available. For the many in active stocks that have thin markets, price are difficult to obtain. Even when obtainable, the information may reflect only the sale of a few shares of stock of common stock and not typify the market value of the firm as the whole. The market

value of a share of common stock will usually differs from its book value and its liquidating value. Market value per share of common stock is a function of the current and expected future dividends of the company and the perceived risk of the stock on the part of investors.

Rights of common share holders:

1. Rights of income:

If the company fails to pay contractual interest and principle and payments to creditors, the creditors are able to take legal action to insure that principle payments are made of company is liquidated. Common share holders, on the other hand, have legal recourse to a company for not distributing profits. only if management, the board of directors, or both engaged in fraud may share holders take their case to court and possibly force the company to pay dividends.

2. Voting rights:

The common shares of a company are its owners and they are entitled to elect a board of directors. In a large corporations shares holders usually exercise only indirect control through the board of directors they elect. The board, in turn, select the management, and the management actually controls the operations of the company. In a sole proprietorship, partnership, or small corporation, the owners usually control the operation of the business directly.

3. Proxies and proxy contests:

Common share holders are entitled to one vote for each share of stock that they own. it is usually difficult, both physically and financially, for the most share holders to attend a corporations annual meetings. Because of this, many share holders vote of means of a proxy, a legal document by which share holders assign their right to vote to another person.

4. Voting procedures:

Depending on the corporate charter, the board of directors is elected under either majority rule voting system or a cumulative voting system. Under the

majority rule system, stock holders have one for each share of stock that they own, and they must vote for each director position that is open. Under cumulating voting system, a stock holder is able to accumulate votes and cast them for less than the total number of directors being elected. The total number of votes of each share holders is equal to the number of shares the stock holder times the number of directors being elected.

IV. FINDINGS

- The volume on the same dates or days volumes are increased. Because on this session INFOSIS LTD value is raised i.e. percentage of 5.69 %.
- The volume on the same dates or days volumes are increased. Because on this session STATE BANK OF INDIA value is raised i.e. percentage of 6.69 %.
- The volume on the same dates or days volumes are increased. Because totally this session TATA COMMUNICATIONS LTD. EPS value is increased i.e. percentage of 3.54%.
- The volume on the same dates or days volumes are increased. Because totally this session TVS MOTOR COMPANY LTD. EPS value is increased i.e. percentage of 3.47 %.

V. SUGGESTIONS

- I recommend the exchange authorities to take steps to educate Investors about their rights and duties. I suggest to the exchange authorities to increase the investors' confidences.
- I recommend the exchange authorities to be vigilant to curb wide fluctuations of prices.
- The speculative pressures are responsible for the wide changes in the price, not attracting the genuine investors to the greater extent towards the market.
- Genuine investors are not at all interested in the speculative gain as their investment is

based on the future profits, therefore the authorities of the exchange should be more vigilant to curb the speculation.

- Necessary steps should be taken by the exchange to deal with the situations arising due to break down in online trading.

VI. CONCLUSION

- The comprehensive study of capital market instrument at Inter Connected stock exchange has been an enlightening experience stressing on the positive aspects on Dematerialization.
- And settlement of shares, derivative market and capital instruments has done in whole lot of good to the issuer, investor companies and country.
- The depository systems has reduced the lag in delivery and settlement of securities but also supported the cause of providing more liquidity to the security holder, the need for setting up of a depository paper less trading.
- Through online trading system and settlement became inevitable and unavoidable for the smooth and the efficient functioning of the capital market.
- This system has proved its worthiness by increasing in the speed of transactions within T+3 days which are earlier T+5 days.
- Now there is a proposal that the settlement will be done within T+1 days in near future which is in it an indication of a boon in the system of demat and capital market instruments.
- It has been fairly long since derivative trading started off on the Indian Indexes.
- Actively has failed to really take off with low figures being transacted in terms of value and volumes.
- The introduction of derivative trading was hailed by the punters in the capital markets but has not really brought about a wave so as to speak.

- There are several factors, which impede the growth of the derivative markets in India.
- Of these factors the absence of clear guidelines on tax-related issues and the high cost of transactions are the most prominent.

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