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A STUDY ON EQUITY ANALYSIS

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ABSTRACT
In order to assess the financial health, earnings potential, and overall investment feasibility of a firm, fundamental analysis entails examining its financial statements, which include its balance sheet, income statement, and cash flow statement. When calculating a stock's fair value, important financial ratios including P/E, P/B, and dividend yield are used. Because it sheds light on the company's inherent worth in relation to its financial basics and external market variables, this method is crucial for investment plans with a longer time horizon. To forecast how stock prices will move in the future, technical analysts look at past trends in prices, trading volumes, and chart patterns. To take advantage of market inefficiencies and timing possibilities, this strategy is commonly employed by market participants and short-term traders. It is common practice to use indicators like Bollinger Bands, relative strength index (RSI), and moving averages to spot patterns and signals while trading equities.

INTRODUCTION

Financial Statements: Information about profitability, stability, and operational effectiveness may be found in the income statement, balance sheet, and cash flow statement. Ratios of valuation: The price of the company in relation to its earnings, book value, or returns may be evaluated using ratios such as price-to-book (P/B), price-to-earnings (P/E), and return on equity (ROE).

Growth Prospects: This entails assessing the business strategy, moat (competitive advantages), and potential for future expansion within the industry. Economic and Industry Conditions: A company's prospects for the future may be impacted by macrotrends, laws, and industry dynamics.

Technical Analysis

To forecast future stock price patterns, technical analysis, on the other hand, relies on past price movements and trade volumes. It is predicated on the notion that historical market activity may be used to predict future price changes. Technical analysis tools include: Charts and Patterns: Price charts may be used to spot patterns that indicate the direction of future prices, such as triangles, flags, and head-and-shoulders. Indicators that aid in evaluating trends and momentum in the price of stocks include moving averages, the relative strength index (RSI), and moving average convergence divergence (MACD).Investors can identify entry and exit opportunities by using support and resistance levels, which are price locations at which a stock often experiences buying or selling pressure.

Concepts in Equity Analysis

Market Value vs. Intrinsic Value: In order to uncover overpriced or undervalued equities, fundamental research frequently looks for a stock's intrinsic value, which is then contrasted with its current market price.
Risk and Return: Equity analysis evaluates a stock's possible return in light of the associated risk. Market volatility, company hazards, and outside variables like interest rates and world events are examples of risk factors. Market Sentiment: News, market patterns, and macroeconomic variables all influence investor sentiment, which is a major driver of changes in stock prices.

Steps in Equity Analysis

Screening: Reduce the number of possible investments by sorting stocks according to certain standards, including industry, market capitalization, or financial measures. Research: Examine in-depth the management, competitive positioning, core principles, and outside variables influencing the company's performance.
Valuation: To ascertain the stock's fair value, apply valuation methodologies such as similar company analysis or discounted cash flow (DCF) analysis.
Making Decisions: Determine whether to purchase, hold, or sell the stock based on the analysis.

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For long-term investors looking to manage risk and create a portfolio with strong growth and income potential, equity research is essential. To produce a comprehensive picture of a company's future success, it integrates quantitative financial data with qualitative elements such as market dynamics and managerial Caliber.

STATEMENT OF THE PROBLEM

In order for investors, financial analysts, and market players to make well-informed judgments, a number of critical elements necessitate equity analysis. With so many investment possibilities available to them, it can be challenging for investors to select the best stocks without conducting adequate research. Investors may make informed judgments thanks to equity analysis, which offers the essential information about a company's market position, growth prospects, and financial health. Investors can find inexpensive stocks that could provide significant returns and avoid overpaying for overpriced stocks by performing equity research.

OBJECTIVES OF THE STUDY

- To study about the Equity Analysis
- To know about the various Risk and Return patterns associated with the selected securities
- To compare the risk & return of the selected securities
- To analyze the risks associated with stocks Investments

RESEARCH METHODOLOGY

Both primary and secondary sources of data are used to get the information; the main source is gathered through market research and firsthand observations. The basic data is mostly gathered by hand, without the assistance of others, and is observed directly. On the other hand, secondary data is gathered from the data that is already accessible.
Primary data: This study does not contain any primary data.
Secondary Data: Websites, Textbooks, Journals, newspapers, and other secondary sources are among the sources from which the secondary data is gathered.

LIMITATIONS OF THE STUDY

- The data is only available for the firms that were chosen for the research.
- The largest constraint of the study is the amount of time it takes to gather and analyze the data.
- There is no guarantee that the data will provide correct results.
- The time it takes to calculate the data is also uncertain.

LITERATURE REVIEW

Banks in equity market - a risk analysis by Nemavathi K S, Ashraf Ali A, (Jun 2012): Many people believe that the stock market is the primary force propelling the economy forward. The significance of the equities market in the economic growth of emerging nations is crucial. A substantial amount of capital is required for many emerging market businesses in order to grow and take advantage of the current rapid expansion rates. Because it is the sole liquid financial market in many developing nations, the stock market plays a crucial role in economic growth.Furthermore, financial markets are becoming increasingly globalized. Investors from wealthy nations are looking to diversify their risk and increase their return by investing outside of their own economies. Investing in stocks is fraught with peril. Before putting their money into any equities, investors should do their research.

Mortagage – Equity Cash flow Analysis by Jon Robinson, (Mar 1986): This study combines two methods often employed in property investment research and appraisal in the US and UK, the mortgage-equity capitalization and equated yield techniques. Two parts of value, debt and equity, are taken into account by the mortgate-equity method. Conventional income capitalization takes place in the first year and is applied to the net income receivable. Rent estimates may be evaluated using equivalence yield, a kind of cash flow analysis. By combining the two methods, equity capital may get a discounted cash flow rate of return by treating loan capital as an actual sequence of cash flows. Property firms and occupying investors are likely to be interested in this move. A basic example is used to illustrate the method, and a few example tables showing equivalent yield on equity are attached

The Saga of Brand Equity: A Comprehensive Bibliometric Analysis by Mikul, Ishwar Mittal, (Sep 2023): The goals of this study are to(1) conduct a thorough bibliometric analysis of current research patterns and trends in brand equity;(2) create a social and intellectual structural map of brand equity; and(3) suggest a way forward for future research in this area. This research used the (SPAR-4) method of systematic performance analysis and review for its methodology. In response to a given search term, the Scopus

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database yielded 1,842 journal articles spanning the years 1992–2022. Using RStudio and VOSviewer, we performed a number of performance analysis and scientific mapping methodologies to get a feel for the body of knowledge in the subject. The results indicate that there has been a dramatic increase in the number and impact of brand equity studies within the last 30 years. The brand equity literature was found to be divided into four separate subfields through the use of co-citation analysis.

Equity Analysis and Natural Hazards Policy by Matthew D Adler, (Dec 2006): In the eyes of most economists, distribution is fundamentally subjective and influenced by politics. However, when it comes down to it, cost-benefit analysis and equity analysis are identical. A normative reason is necessary for both. Equally useful as it is for structuring cost-benefit analyses, normative argument may guide the development of equity analyses. Written for an upcoming book on Katrina-related natural disaster policy, this chapter posits that equity stands apart from efficiency and general welfare as a normative factor. Following this, it asserts that equity is not based on groups but on individuals; that it is applied after the fact rather than before; that income and longevity are not the means by which equity is measured; and that, if nothing else, equity analysis should aim to prevent severe deprivations in any aspect of well-being.

Measuring and Maximizing Cutomer Equity : A Critical Analysis by V Kumar, Morris George, (May 2007): There are a variety of aggregate and disaggregate-level methods for calculating customer equity, which is the value of customers' assets. The authors examine several methods for measuring and optimizing customer equity. By utilizing customer-level techniques including optimum resource allocation, purchase sequence analysis, and balancing acquisition and retention expenditure, we discover that the disaggregate-level strategy maximizes customer lifetime value. Improving customer equity drivers enhances customer equity at the aggregate level. While all of the various aggregate methods have a focus on customer retention, there are several key conceptual distinctions when it comes to tracking new customers, current ones, and the projection period. In order to assist businesses assess and manage customer equity, the authors suggest a hybrid methodology that takes into account both the strengths and weaknesses of current methods.

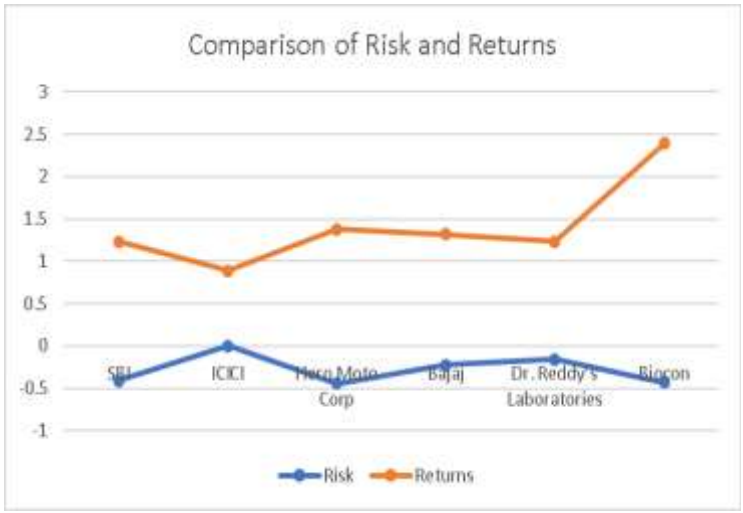
A Global Equity Assessment System Based on Principal Component Analysis by Anqi Li , Yishan li, , (Jan 2022): In order to examine how the asteroid mining proposal would affect global equity, we need an equity assessment model (EAM) that defines global equity. The first step in establishing global fairness is determining how each country's access to the planet's mineral resources is weighted. Second, the data comes from 18 different nations, and the Kaiser-Meyer-Olkin (KMO) test on that data comes out to 0.653, therefore principal component analysis is legit. Third, we utilize principal component analysis in MATLAB to determine a score for 18 nations. The introduction of the equity index p as a worldwide equity metric is the last step. The next step is to examine how asteroid mining affects world equity using ridge regression; a model fit level of 0.742 shows a decent

DATA ANALYSIS

Comparison of Risk and Returns of Selected securities

Securities	Risk	Returns
SBI	-0.41	1.23
ICICI	0.0004	0.89
Hero Moto Corp	-0.44	1.38
Bajaj	-0.22	1.32
Dr. Reddy’s Laboratories	-0.16	1.23
Biocon	-0.43	2.39

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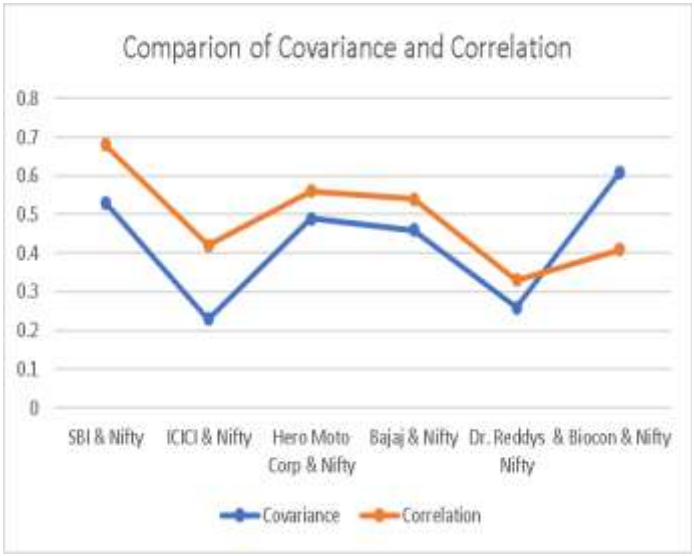


Interpretation

Fom the above table and graph we can state that, ICICI Bank show positive returns compare to other securies and all other securities showing negative returns including the nifty indices also.

Comparison of Correlation and Covariance

Securities	Covariance	Correlation	Status
SBI & Nifty	0.53	0.68	Positive Correlation
ICICI & Nifty	0.23	0.42	Positive Correlation
Hero Moto Corp & Nifty	0.49	0.56	Positive Correlation
Bajaj & Nifty	0.46	0.54	Positive Correlation
Dr. Reddy's & Nifty	0.26	0.33	Positive Correlation
Biocon & Nifty	0.61	0.41	Positive Correlation



FINDINGS

- SBI Bank Avg Returns for the period of three months i.e December 2024 and January, Febrauary 2025 is -0.41 i.e. -41% and Standard Deviation is 1.23

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- Nifty Avg Returns for the period of three months i.e December 2024 and January, Febrauary 2025 is -0.13 i.e. -13% and Standard Deviation is 0.64
- Correlation and Covariance between SBI & Nifty for the period of three months i.e December 2024 and January, Febrauary 2025 is 0.68 and 0.53
- ICICI Avg Returns for the period of three months i.e December 2024 and January, Febrauary 2025 is 0.0004 i.e. 0.04% and Standard Deviation is 0.89
- Correlation and Covariance between ICICI Bank & Nifty for the period of three months i.e December 2024 and January, Febrauary 2025 is 0.42 and 0.23
- Hero Moto CorpAvg Returns for the period of three months i.e December 2024 and January, Febrauary 2025 is -0.44 i.e. -44% and Standard Deviation is 1.38
- Correlation and Covariance between Hero Moto Corp & Nifty for the period of three months i.e December 2024 and January, Febrauary 2025 is 0.56 and 0.49
- BajajAvg Returns for the period of three months i.e December 2024 and January, Febrauary 2025 is -0.22 i.e. -22% and Standard Deviation is 1.32
- Correlation and Covariance between Bajaj & Nifty for the period of three months i.e December 2024 and January, Febrauary 2025 is 0.54 and 0.46
- Dr. Reddy's Laboratories Avg Returns for the period of three months i.e December 2024 and January, Febrauary 2025 is -0.17 i.e. -17% and Standard Deviation is 1.29
- Correlation and Covariance between Dr. Reddy's Laboratories & Nifty for the period of three months i.e December 2024 and January, Febrauary 2025 is 0.33 and 0.26
- Biocon Avg Returns for the period of three months i.e December 2024 and January, Febrauary 2025 is -0.43 i.e. -43% and Standard Deviation is 2.39
- Correlation and Covariance between Bio & Nifty for the period of three months i.e December 2024 and January, Febrauary 2025 is 0.41 and 0.61
- ICICI Bank show positive returns compare to other securies and all other securities showing negative returns including the nifty indices also.

SUGGESTIONS

- Incorporate a comprehensive literature study on equity analysis, encompassing both traditional and modern ideas, to amplify the evaluation. Examine and contrast several stock valuation methods, including the Price Multiples, Dividend Discount, and Discounted Cash Flow models.
- Consider incorporating a behavioral finance study into your equities research to help you deal with cognitive biases like herding, overconfidence, or loss aversion and how these effect market pricing.
- Include Case Studies: To demonstrate the success or failure of applying equity analysis, include case studies or real-world examples. One way to show how theoretical principles are put into practice is by analyzing real organizations, such as large enterprises in different industries.
- Incorporate Quantitative methodologies: To support your study with data-driven insights, utilize quantitative tools and methodologies like financial modeling software or regression analysis. Your study would gain greater credibility if this were to happen.
- Compare and contrast efficient and inefficient markets, and talk about what it means for stock research. Your research might be enhanced by delving into a discussion of the Efficient Market Hypothesis (EMH) and its relationship with stock analysis.
- Analyze the risks involved by looking at how equity analysis takes both systematic and unsystematic risks into account. When talking about risk assessment, you might want to include metrics like beta and VaR.
- Incorporate a Variety of Financial Metrics into Your Analysis: Look at more than just the debt-to-equity ratio, return on equity, and earnings before interest and taxes (EBIT). Analyze and value these factors in light of their potential impact.
- In order to better understand the impact of local laws and market circumstances on stock values, it is helpful to compare and contrast equity research methods used by various sectors or regions.
- Talk about new things happening in equities research, such how ESG (environmental, social, and governance) considerations are starting to have a bigger impact on people's decisions to invest and how AI and ML are being used to predict stock prices.
- Concerning the ethical aspects of equities research, it is important to address issues such as insider trading, market manipulation, and conflicts of interest in analyst reports.

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CONCLUSION

In order to evaluate the worth and future prospects of stocks in the market, equity analysis is an essential component of investing decision-making. Investors can acquire a more complete picture of a company's financial status and market activity by integrating fundamental and technical analysis. In order to understand the true worth of stocks for the long run, investors must do fundamental analysis, which looks at things like financial statements, profitability measures, and the basics of the firm. But technical analysis uses patterns and indicators to help short-term traders spot trends and price changes.According to the results, the best way to understand stock valuation is to use a balanced approach that incorporates both kinds of research. In addition, stock prices are heavily impacted by factors including market mood, macroeconomic conditions, industry developments, and risk appraisal. Taking these factors into account in addition to quantitative indicators allows investors to minimize portfolio risks while maximizing profits.

This study's results also highlight the need of keeping abreast of new developments in equity research, such as the use of AI and ESG considerations. To remain successful in equities investing as financial markets change, the capacity to adjust analytical methods is critical. Finally, improving portfolio performance, controlling risk, and reaching long-term financial objectives all depend on equity research, which is critical for valuing companies. The intricacies of the stock markets require a methodical and educated strategy to successfully traverse.

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