

3. Comparative Analysis of Sectoral Indices with NSEINDEX

K. Neeraja

Assistant Professor,
Department of Master of Business Administration,
St. Josephs Degree and PG College,
King Koti, Adids Hyderabad.

P. Swapna Rani

Assistant Professor,
Department of Master of Business Administration,
St. Josephs Degree and PG College,
King Koti, Adids Hyderabad.

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. A better understanding of the stock market trend will facilitate allocation of financial sources to the most profitable investment opportunity. The behavior of stock returns will enable the investors to make appropriate investment decisions. The fluctuations of stock returns are due to several economic and non-economic factors. The study is aimed at ascertaining the behavior of share returns. This project analyses the equity share fluctuations in India Selected Industry. It also measures the strength of the trend and the money involved in investing in the stocks. Simple moving average model is applied for selected companies which would give the investor a sell signal or buy signal.

Keywords: *NSE Indices, Nifty 50, Comparative Analysis, Returns, Risk, Correlation*

3.1 Introduction:

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.

3.1.1 Objectives of the Study:

- To study the analysis of price movement of shares and company performance with respect to Information Technology
- To study the various factors affecting the price movement of shares and company performance.
- To analyze the performance of select companies in IT industry
- The research report can be used by the organization to assist the investors in making investment decisions.
- In order to accomplish the primary objectives, the following secondary objectives are to be accomplished:
- To understand fundamental and technical analysis.

3.2 Research Methodology:

Type of Study:

The project will be exploratory in the initial stage and the knowledge thus gained will be used for further descriptive research.

Data: The project is done using secondary data.

Sample Size: 2 IT companies listed in the N Stock Exchange. **HCL and INFOSYS**

Sampling Design: The companies for the project shall be selected using Convenience Random Sampling.

3.2.1 Limitations:

The analysis is fully based on secondary data and hence the accuracy of data is a major concern. Only three companies are selected for analysis because of time constraints.

Analysis helps the investor in making investment decisions but not every investment is entirely dependent on the analysis alone.

Some important concepts would have been left uncovered in the project due to lack of data availability and the project has to be completed in a short span of time.

3.3 Analysis of Study:

MEAN, SD, VARIANCE INFOSYS:

Descriptive Analysis	
Mean	0.31
Standard Deviation	3.15
Sample Variance	9.95

MEAN, SD, VARIANCE:

Descriptive Analysis	
Mean	0.31
Standard Deviation	3.15
Sample Variance	9.95

MEAN, SD, VARIEANCE:

Descriptive Analysis	
Mean	0.68
Standard Deviation	2.72
Sample Variance	7.39

MEAN, SD, VARIANCE:

Descriptive Analysis	
Mean	-1.31
Standard Deviation	3.60
Sample Variance	12.96

MEAN, SD, VARIANCE HCL:

Descriptive Study	
Mean	1.08
Standard Deviation	2.17

Descriptive Study	
Sample Variance	4.70

MEAN, SD, VARIANCE HCL:

Descriptive Study	
Mean	-2.11
Standard Deviation	5.89
Sample Variance	34.67

MEAN, SD, VARIANCE HCL:

Descriptive Study	
Mean	-0.96
Standard Deviation	3.33
Sample Variance	11.11

MEAN, SD, VARIANCE HCL:

Descriptive Study	
Mean	1.08
Standard Deviation	2.17
Sample Variance	4.70

FUNDAMENTAL ANALYSIS FOR HCL:

Balance Sheet of HCL Technologies					
----- in Rs. Cr. -----					
	Mar '20	Jun '19	Jun '18	Jun '17	Jun '16
Sources of Funds					
Total Share Capital	282.08	281.2	140	139.37	138.66
Equity Share Capital	282.08	281.2	140	139.37	138.66
Share Application Money	0.05	0.02	7.65	5.01	2.77
Reserves	21,226.78	19,124.53	15,605.61	10,093.36	6,465.15
Net worth	21,508.91	19,405.75	15,753.26	10,237.74	6,606.58
Secured Loans	28.16	27.22	27.45	532.66	698.87
Unsecured Loans	0.03	0	29.25	82.48	0
Total Debt	28.19	27.22	56.7	615.14	698.87
Total Liabilities	21,537.10	19,432.97	15,809.96	10,852.88	7,305.45
Application of Funds					
Gross Block	5,446.61	5,297.03	4,489.56	3,764.05	3,153.74
Less: Accum. Depreciation	2,372.86	2,232.80	2,040.99	1,809.87	1,540.03
Net Block	3,073.75	3,064.23	2,448.57	1,954.18	1,613.71
Capital Work in Progress	582.12	543.95	518.5	488.19	549.55
Investments	3,973.44	4,124.96	4,116.01	4,055.70	3,297.95
Inventories	128.56	83.65	15.54	81.84	99.99
Sundry Debtors	4,084.53	3,578.28	3,224.19	2,709.21	1,992.42
Cash and Bank Balance	8,662.96	8,829.41	7,911.08	2,808.83	1,041.20
Total Current Assets	12,876.05	12,491.34	11,150.81	5,599.88	3,133.61
Loans and Advances	6,095.02	4,690.58	3,580.61	3,861.38	2,282.21
Total CA, Loans & Advances	18,971.07	17,181.92	14,731.42	9,461.26	5,415.82

India's Financial Markets Recent Trends

Balance Sheet of HCL Technologies					
----- in Rs. Cr. -----					
	Mar '20	Jun '19	Jun '18	Jun '17	Jun '16
Current Liabilities	3,886.96	4,395.19	4,914.06	3,748.66	2,613.79
Provisions	1,176.32	1,086.90	1,090.48	1,357.79	957.79
Total CL & Provisions	5,063.28	5,482.09	6,004.54	5,106.45	3,571.58
Net Current Assets	13,907.79	11,699.83	8,726.88	4,354.81	1,844.24
Total Assets	21,537.10	19,432.97	15,809.96	10,852.88	7,305.45
Contingent Liabilities	975.34	1,222.24	3,519.61	4,186.27	3,644.36
Book Value (Rs)	152.5	138.02	224.94	146.84	95.25

Profit & Loss account of HCL Technologies					
	20-Mar	19-Jun	18-Jun	17-Jun	16-Jun
INCOME					
Revenue from Operations [Gross]	13,433.35	17,153.44	16,497.37	12,517.82	8,907.22
Revenue from Operations [Net]	13,433.35	17,153.44	16,497.37	12,517.82	8,907.22
Total Operating Revenues	13,433.35	17,153.44	16,497.37	12,517.82	8,907.22
Other Income	968.76	1,199.50	659.12	378.84	300.86
Total Revenue	14,402.11	18,352.94	17,156.49	12,896.66	9,208.08
EXPENSES					
Purchase of Stock-In Trade	162.66	363.76	345.37	251.66	180.51
Changes In Inventories of FG, WIP And Stock-In Trade	-46.79	-66.23	64.75	7.83	25.85
Employee Benefit Expenses	4,854.22	5,924.62	5,123.95	4,628.61	3,923.06
Depreciation and Amortization Expenses	279.15	299.92	490.7	441.91	353.07

Comparative Analysis of Sectoral Indices with NSEINDEX

Profit & Loss account of HCL Technologies					
	20-Mar	19-Jun	18-Jun	17-Jun	16-Jun
Other Expenses	3,339.44	4,071.69	3,652.41	3,038.99	2,267.58
Total Expenses	8,634.50	10,654.40	9,758.83	8,445.46	6,847.34
Profit/Loss Before Exceptional, Extra Ordinary Items and Tax	5,767.61	7,698.54	7,397.66	4,451.20	2,360.74
Exceptional Items	0	0	0	93.54	0
Profit/Loss Before Tax	5,767.61	7,698.54	7,397.66	4,544.74	2,360.74
Tax Expenses-Continued Operations					
Current Tax	1,240.33	1,610.45	1,555.74	924.55	416.2
Less: MAT Credit Entitlement	181.86	310.43	115.91	14.43	0
Deferred Tax	-24.54	52.57	-26.79	-70.1	-5.88
Total Tax Expenses	1,033.93	1,352.59	1,413.04	840.02	410.32
Profit/Loss After Tax and Before Extraordinary Items	4,733.68	6,345.95	5,984.62	3,704.72	1,950.42
Profit/Loss from Continuing Operations	4,733.68	6,345.95	5,984.62	3,704.72	1,950.42
Profit/Loss For The Period	4,733.68	6,345.95	5,984.62	3,704.72	1,950.42

Current Ratio: Ca/Cl:

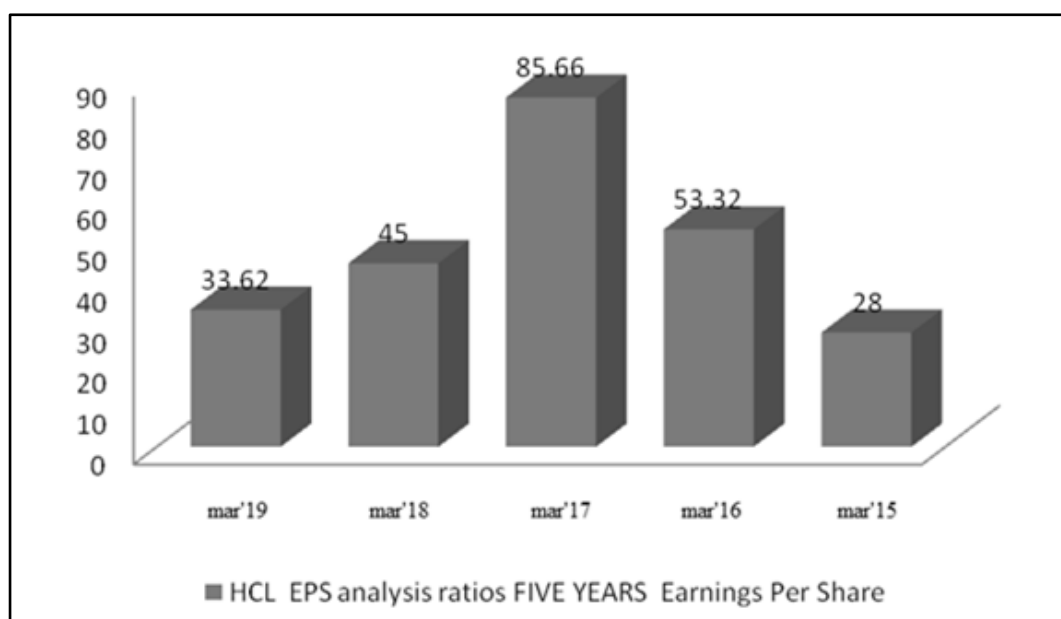
Years	Current Assets	Current Liabilities	Ratio
Mar '20	12,876.05	3,886.96	3.31
Mar '19	12,491.34	4,395.19	2.84
Mar '18	11,150.81	4,914.06	2.27
Mar '17	5,599.88	3,748.66	1.49
Mar '16	3,133.61	2,613.79	1.20

3.4 Interpretation:

The current ratio is used extensively in financial reporting.

However, while easy to understand, it can be misleading in both a positive and negative sense - i.e., a high current ratio is not necessarily good, and a low current ratio is not necessarily bad. Here the current ratio is satisfactory in the years 2019 and 2018,

FHCL EPS analysis ratios FIVE YEARS	
YEARS	Earnings Per Share
Mar '20	33.62
Mar '19	45
Mar '18	85.66
Mar '17	53.32
Mar '16	28



Interpretation:

- EPS is very important for Estimating Yearly Income Positions for any Company Performance.
- It reveals every year growth of the company.
- 2017 was highest % of income generated by HCL (85.66)

Fundamental Analysis for Infosys:

----- In Rs. Cr. -----BALANCE SHEET -----					
	Mar '20	Mar '19	Mar '18	Mar '17	Mar '16
Sources of Funds					
Total Share Capital	1,148.00	1,148.00	574	286	287
Equity Share Capital	1,148.00	1,148.00	574	286	287
Reserves	66,869.00	56,009.00	47,494.00	41,806.00	35,772.00
Net worth	68,017.00	57,157.00	48,068.00	42,092.00	36,059.00
Total Liabilities	68,017.00	57,157.00	48,068.00	42,092.00	36,059.00
Application of Funds					
Gross Block	16,210.00	14,709.00	12,827.00	10,374.00	8,029.00
Less: Accum. Depreciation	7,605.00	6,461.00	5,480.00	4,642.00	3,576.00
Net Block	8,605.00	8,248.00	7,347.00	5,732.00	4,453.00
Capital Work in Progress	1,247.00	934	769	954	1,135.00
Investments	24,977.00	11,113.00	6,857.00	6,717.00	4,344.00
Sundry Debtors	10,960.00	9,798.00	8,627.00	7,336.00	6,365.00
Cash and Bank Balance	19,153.00	29,176.00	27,722.00	24,100.00	20,401.00
Total Current Assets	30,113.00	38,974.00	36,349.00	31,436.00	26,766.00
Loans and Advances	14,943.00	13,498.00	10,491.00	7,873.00	6,330.00
Total CA, Loans & Advances	45,056.00	52,472.00	46,840.00	39,309.00	33,096.00
Current Liabilities	11,518.00	6,801.00	5,700.00	4,503.00	3,181.00

India's Financial Markets Recent Trends

----- In Rs. Cr. -----BALANCE SHEET -----					
	Mar '20	Mar '19	Mar '18	Mar '17	Mar '16
Provisions	350	8,809.00	8,045.00	6,117.00	3,788.00
Total CL & Provisions	11,868.00	15,610.00	13,745.00	10,620.00	6,969.00
Net Current Assets	33,188.00	36,862.00	33,095.00	28,689.00	26,127.00
Total Assets	68,017.00	57,157.00	48,068.00	42,092.00	36,059.00
Contingent Liabilities	3,033.00	1,512.00	1,461.00	1,020.00	1,693.00
Book Value (Rs)	296.12	248.84	418.54	736.64	627.95

PROFIT and LOSS ACCOUNT OF INFOSYS					
----- in Rs. Cr. -----					
	20- Mar	19-Mar	18-Mar	17-Mar	16-Mar
INCOME					
Revenue From Operations [Gross]	59,289.00	53,983.00	47,300.00	44,341.00	36,765.00
Revenue From Operations [Net]	59,289.00	53,983.00	47,300.00	44,341.00	36,765.00
Total Operating Revenues	59,289.00	53,983.00	47,300.00	44,341.00	36,765.00
Other Income	3,062.00	3,009.00	3,337.00	2,576.00	2,215.00
Total Revenue	62,351.00	56,992.00	50,637.00	46,917.00	38,980.00
EXPENSES					
Operating and Direct Expenses	6,044.00	6,029.00	4,284.00	3,990.00	2,969.00
Employee Benefit Expenses	30,944.00	28,206.00	25,115.00	24,350.00	19,932.00
Depreciation and Amortization Expenses	1,331.00	1,115.00	913	1,101.00	956
Other Expenses	5,094.00	3,985.00	3,939.00	3,474.00	2,849.00
Total Expenses	43,413.00	39,335.00	34,251.00	32,915.00	26,706.00
Profit/Loss Before Exceptional, Extraordinary Items and Tax	18,938.00	17,657.00	16,386.00	14,002.00	12,274.00

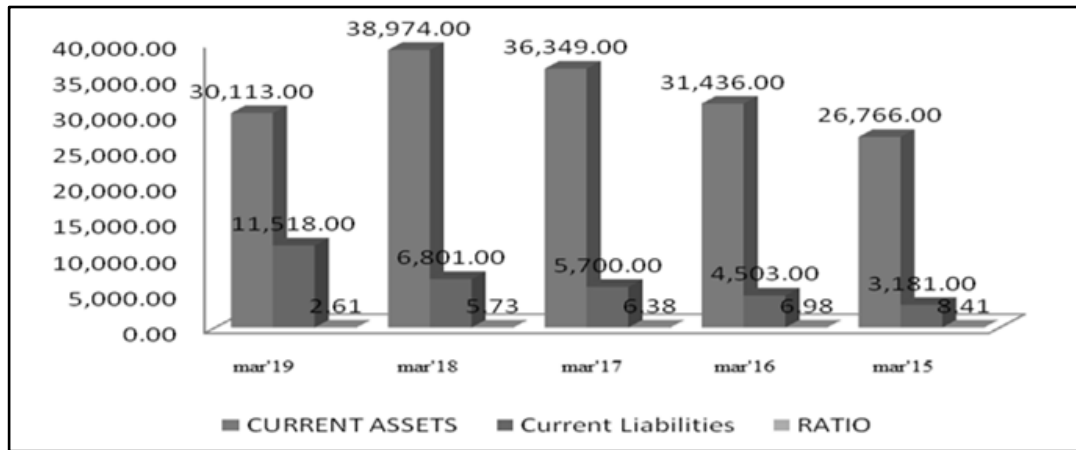
Comparative Analysis of Sectoral Indices with NSEINDEX

PROFIT and LOSS ACCOUNT OF INFOSYS					
----- in Rs. Cr. -----					
	20- Mar	19-Mar	18-Mar	17-Mar	16-Mar
Exceptional Items	0	3,036.00	412	0	83
Profit/Loss Before Tax	18,938.00	20,693.00	16,798.00	14,002.00	12,357.00
Tax Expenses-Continued Operations					
Current Tax	5,068.00	4,898.00	4,537.00	4,063.00	3,361.00
Deferred Tax	52	9	97	-255	-120
Total Tax Expenses	5,120.00	4,907.00	4,634.00	3,808.00	3,241.00
Profit/Loss After Tax and Before Extraordinary Items	13,818.00	15,786.00	12,164.00	10,194.00	9,116.00
Profit/Loss from Continuing Operations	13,818.00	15,786.00	12,164.00	10,194.00	9,116.00
Profit/Loss for The Period	13,818.00	15,786.00	12,164.00	10,194.00	9,116.00

Current Ratio: Ca/Cl:

Years	Current Assets	Current Liabilities	Ratio
Mar '20	30,113.00	11,518.00	2.61
Mar '19	38,974.00	6,801.00	5.73
Mar '18	36,349.00	5,700.00	6.38
Mar '17	31,436.00	4,503.00	6.98
Mar '16	26,766.00	3,181.00	8.41

India's Financial Markets Recent Trends



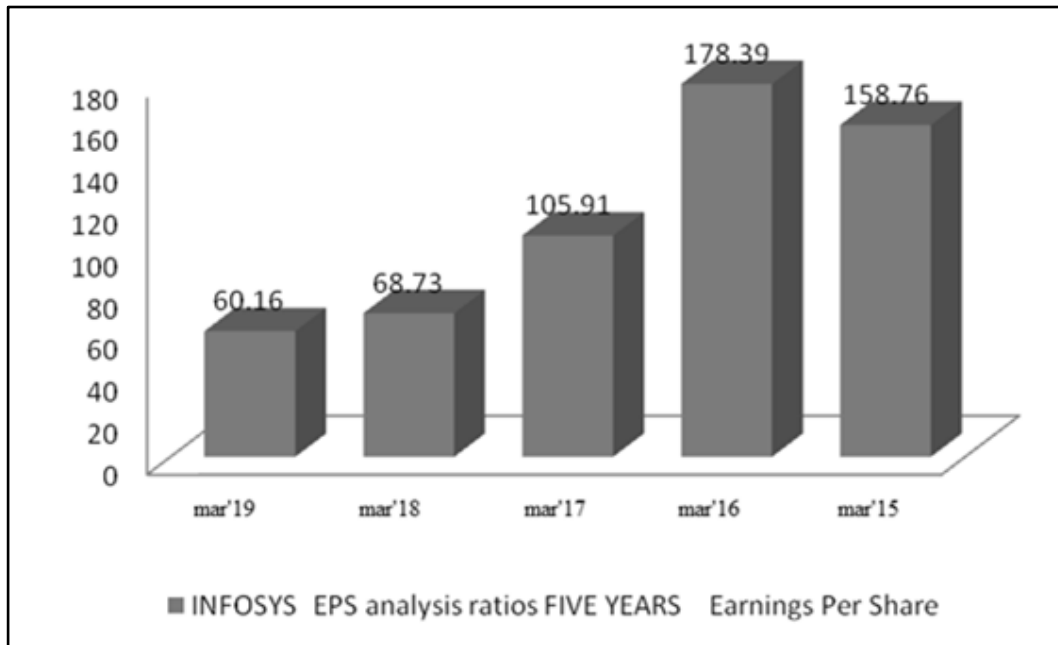
Interpretation:

The current ratio is used extensively in financial reporting.

However, while easy to understand, it can be misleading in both a positive and negative sense - i.e., a high current ratio is not necessarily good, and a low current ratio is not necessarily bad.

Here the current ratio is satisfactory in the years 2018 and 2017.

INFOSYS EPS analysis ratios FIVE YEARS	
YEARS	Earnings Per Share
Mar '20	60.16
Mar '19	68.73
Mar '18	105.91
Mar '17	178.39
Mar '16	158.76



Interpretation:

- EPS Is Very Important for Estimating Yearly Income Positions for any Company Performance.
- It reveals every year growth of the company.
- 2016 was highest % of income generated by INFOSYS (178.39)

3.5 Conclusion:

INDIAN IT INDUSTRY: The industry has recovered from the global slowdown and started to make good returns and the industry is expected to grow in the future years.

So investment in the IT companies is good for long term.

- From the fundamental analysis we can conclude that the company is strong in its fundamentals and has a good future value.
- From the technical analysis we can conclude that the prices are in uptrend even though the MACD shows a bearish signal line crossover because the MACD is above zero. So the prices are expected to rise in the near future.

- From the fundamental analysis we can conclude that the company is strong in its fundamentals and has a good future value.
- From the technical analysis we can conclude that the prices are in uptrend and since EMAs are moving closer and the stock is highly volatile. The ROC is negative which shows a bearish signal. But we can see that the MACD is above its signal line. So there is strong upward momentum, but the prices may fall very soon but will rise again.
 - From the fundamental analysis we can conclude that the company is strong in fundamentals and prices are expected to rise in the future.
 - From the technical analysis we can see that the EMAs are rising. We can also notice that the MACD, ROC and RSI also show bullish momentum. So, we can conclude that the prices will rise in the short term.

3.6 Findings:

High current ratio is not necessarily good, and a low current ratio is not necessarily bad. Here the current ratio is satisfactory in the years 2017 and 2018,

- 2019 was highest % of income generated by HCL (85.66)
- EPS Is Very Important for Estimating Yearly Income Positions for any Company Performance.
- It reveals every year growth of the company.
- It reveals every year growth of the company.
- 2018 was highest % of income generated by INFOSYS (179.39)
- I found that **Infosys** The current ratio is used extensively in financial reporting. However, while easy to understand, it can be misleading in both a positive and negative sense - i.e., a high current ratio is not necessarily good, and a low current ratio is not necessarily bad. Here the current ratio is satisfactory in the years 2019 and 2020.

3.7 Suggestions:

- Fundamental analysis is one of the most often overlooked techniques of stock picking.
- Many investors eschew fundamental analysis in favor of the flashier technical analysis made so famous by chartists over the years.

Stock market charts are now animated wonders, so who doesn't love looking at them, especially since it's a lot easier than actually pouring through SEC statements adding up the numbers.

- But fundamental analysis never really completely goes out of style, because many of history's greatest investors, such as the greatest of all, Warren Buffett have practiced fundamental analysis as strictly as a devout person practices religion.
- The reason great investors believe in fundamental analysis is because it's a great model of how things work.
- Companies report on financial operations that are best explained by numbers. Analyzing the numbers rigorously, and placing personalities aside, gives a stock analyst the chance to really get a feel for how the company is doing.
Why listen to hyped up PR statements when you can clearly see what a company really did, as reported by them in their statement of operations.
- Apart from the analysis done, stocks can be analyzed on the basis of various other indicators of technical analysis or on the basis of the fundamental analysis.
- The index considered here is not alone the best investment avenue available. Even other stock of other indexes may yield good returns.
- The technical indicators can be utilized even for the study of Derivatives market and even for the commodities market etc.
- The opportunity cost of capital and the returns from investing elsewhere can be calculated and compared with the investment made in stocks.
- Apart from the factors explained in the project which would affect the stock market, many other factors also may exist.

3.7.1 Hypothesis:

H0 – There is no significant relationship between sectoral indices and market index.

H1 - There is a significant relationship between sectoral indices and market index.

Bibliography:

Books:

Prof. Y. P. Singh

- Fundamental analysis for investors

Prof. Dr. N.M. Vechalekar

- Financial Management
- The Economic Times of India
- Business Standard

3.8 Websites:

1. www.NSEindia.com
2. www.rediff.com
3. www.money.rediff.com
4. www.moneycontrol.com
5. www.googlefinance.com
6. www.yahoofinance.com