

SECURITY ANALYSIS

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Abstract

Economic liberalization has accelerated the pace of development in the securities market, which has undergone a sea change during the last 2 decades. In India, the role of securities market in mobilizing & channelizing private capital for the economic development of the country has increased over the years and the securities market itself has undergone structural transformation with the introduction of computerized online trading & interconnected market system. Over the years as investment in securities gathered momentum, the investment decisions were more often made by the whims & fancies of the investors & rumours heard rather than by rational analysis.

Introduction

Only recent security analysis & portfolio management has emerged as a separate academic discipline in India. Portfolio theory that deals with the rational investment decision-making process has now become an integral part of financial literature. Investing in securities such as shares, debentures & bonds is profitable well as exciting. It is indeed rewarding but involves a great deal of risk & need artistic skill. Investing in financial securities is now considered to be one of the most risky avenues of investment. It is rare to find investors investing their entire savings in a single security. Instead, they tend to invest in a group of securities. Such group of securities is called a Portfolio. Creation of a portfolio helps to reduce risk without sacrificing returns. Portfolio Management deals with the analysis of individual securities as well as with the theory & practice of optimally combining securities into portfolios.

Objectives of the study

- To study the investment pattern and its related risks & returns.
- To understand, analyze and select the best portfolio.
- To help the investors to choose wisely between alternative investment.
- To strike balance between Cost of funds, risk and returns.

Review of Literature

Security Analysis management is a concept which made in advent in the aftermath of World War II when the instability in the stock markets are grooming the frothiness of individuals companies and even governments. It was then discovered that investing in various scrip's instead of putting all money in simple securities yielded better returns with low risk %,.. It rubdowns to the credit of Harry Markowitz. 1991 Noble prize, to have pioneered the concept of high yielding securities to achieve optimum correlation coefficient of shares.

Research Methodology

The methodology adopted or employed in this study was mostly on Secondary data collection i.e.

- Companies Annual Reports
- Information from Internet
- Publications
- Information provided by Hyderabad Stock Exchange

Period of Study:

For different companies, financial data has been collected from the year 2017 -2021.

Selection of Companies:

Companies selected for analysis are -

Infosys, Indian Tobacco Corporation (ITC), Satyam , Hero Honda , Reliance

Results & Discussion

RELIANCE FINANCIAL STATEMENTS & INCOME STATEMENT

As on (Months)	31-Mar-21		31-Mar-20		31-Mar-19		31-Mar-18	31-Mar-17
Profit/Loss A/c	Rs mn	%OI	Rs mn	%OI	Rs mn	%OI		
Net Sales	509987.30	99.75	452280.00	99.66	418749.60	99.58	254293.40	178498.60
Operating Income (OI)	511263.70	100.00	453824.90	100.00	420531.60	100.00	46234.90	38194.50
OPBDIT	97415.90	19.05	83888.40	18.48	82496.30	19.62	46234.90	38194.50
OPBDT	85588.40	16.74	69941.20	15.41	62532.70	14.87		
OPBT	53118.20	10.39	41570.30	9.16	34371.30	8.17	21796.60	21234.50
Non-operating Income	9963.20	1.95	8231.80	1.81	5858.70	1.39	3685.30	6281.90
Extraordinary/Prior period	-8130.30	-1.59	-6240.00	-1.37	-5843.00	-1.39		
Tax	3580.00	0.70	2519.00	0.56	1960.00	0.47	1395.00	610.00
Profit after tax (PAT)	51371.10	10.05	41043.10	9.04	32427.00	7.71	20054.60	20624.50
Cash Profit	83841.30	16.40	75654.00	16.67	70548.40	16.78	26456.20	35359.20
Dividend Equity	7331.00	1.43	6981.90	1.54	6632.80	1.58	4478.50	3846.50
As on	31-Mar-21		31-Mar-20		31-Mar-19		31-Mar-18	31-Mar-17
Assets	Rs mn	%BT	Rs mn	%BT	Rs mn	%BT		
Gross Block	489335.00	72.27	478171.80	78.04	439888.20	81.50	253559.90	243309.50
Net Block	280021.80	41.36	293560.20	47.91	289119.00	53.57	107436.80	123458.30
Capital WIP	33568.10	4.96	19944.40	3.26	15333.10	2.84	5123.80	3314.20
Investments	137052.30	20.24	56297.60	9.19	35487.70	6.57	67261.10	60665.60
Inventory	72312.20	10.68	75104.10	12.26	49740.70	9.22	-	-
Receivables	30463.80	4.50	29754.90	4.86	27224.60	5.04	-	-
Other Current Assets	123652.10	18.26	138062.00	22.53	122844.00	22.76	41482.10	39881.20
Balance Sheet Total (BT)	677070.30	100.00	612723.20	100.00	539749.10	100.00	221303.80	227319.30
Liabilities	Rs. Mn	%BT	Rs mn	%BT	Rs mn	%BT		
Equity Share Capital	13959.50	2.06	13959.20	2.28	10535.60	1.95	10534.90	10534.50
Reserves	292695.10	43.23	261955.30	42.75	240203.40	44.50	109411.00	98625.90
Total Debt	2094446.60	30.93	197583.10	32.25	189284.80	35.07	101352.90	115202.40
Creditors and Acceptances	108494.40	16.02	90055.80	14.70	58472.00	10.83	-	-
Other current liab/prov	52474.70	7.75	49169.80	8.02	41253.30	7.64	-	-
Balance Sheet Total (BT)	677070.30	100.00	612726.20	100.00	539749.10	100.00	221303.80	227319.30

Ratio Analysis

As on	31-Mar-21	31-Mar-20	31-Mar-19	31-Mar-18	31-Mar-17
OPBIT/Prod.cap.empl (%)	18.94	14.37	14.07	12.82	12.30
PBIT/Cap. Employed (%)	13.84	12.68	12.80	11.50	12.50
PAT/Net worth (%)	16.75	14.88	12.93	11.02	10.53
Tax/PBT (%)	6.51	5.78	5.70	5.60	5.40
Total Debt/Net worth (X)	0.68	0.72	0.75	0.78	0.65
Long Term Debt/ Net worth (x)	0.51	0.67	0.73	0.72	0.73
PBDIT/Finance Charges (x)	8.39	6.16	4.13	4.02	3.53
Current Ratio (x)	1.41	1.74	2.00	2.55	2.35
RM Inventory (day consumption)	37.55	38.18	37.26	-	-
KG Inventory (days cost of sales)	24.32	31.33	12.52	-	-
Receivables (days gross sales)	20.05	21.89	21.99	-	-
Creditors (days cost of sales)	95.69	88.85	63.14	-	-
Op.curr.assets (davs OI)	107.00	133.00	145.00	-	-

Share Statistics

As on	31-Mar-21	31-Mar-20	31-Mar-19	31-Mar-18	31-Mar-17
EPS(Rs.)	36.79	29.39	30.77	25.83	22.69
CFPS (Rs.)	60.04	54.18	66.95	-	-
Book Value (Rs)	219.61	197.59	237.95	-	-
DPS(Rs.)	5.25	5.00	6.29	4.25	3.65

INDIAN TOBACCO CORPORATION FINANCIAL STATEMENTS &

Income statement

As on (Months)	31-Mar-21		31-Mar-20		31-Mar-19		31-Mar-18	31-Mar-17
Profit; Loss A/c	Rs.nm	%OI	Rs.nm	%OI	Rs.nm	% OI		
Net Sales	64704.40	99.39	58657.80	98.91	50592.30	98.84	49760.70	38484.60
Operating Income (01)	65103.70	100.00	59301.40	100.00	51187.40	100.00	16992.10	13923.20
OPBDIT	24068.70	36.97	22233.70	37.49	19776.20	38.63	18173.90	15172.90
OPBDT	23911.00	36.73	21997.80	37.09	19047.00	37.21		
OPBT	21494.80	33.02	19624.40	33.09	17062.50	33.33	15760.80	12259.90
Non- operating Income	1691.50	2.60	930.90	1.57	735.90	1.44	1181.80	1549.70
Extraordinary /Prior period	1280,10	1.97	906.20	1.53	-717.40	-1.40		
Tax	8537.90	13.11	7748.00	13.07	M83.80	10.13		
Profit after tax (PAT)	15928.50	24.47	13713.50	23.13	11897.20	23.24	10062.60	7924.40
Cash Profit	18344.70	28.18	15368.10	25.92	14719.90	28.76		
Dividend Equity	4953.60	7.61	3712.70	6.26	3341.40	6.53	2545.20	1840.60

BALANCE SHEET

As on	31-Mar-21		31-Mar-20		31-Mar-19		31-Mar-18	31-Mar-07
Assets	Rs mn	%BT	Ks mn	%BT	Us HIM	%BT		
Gross Block	46219.40	43.77	41797.40	48.92	26223.90	50.48	25219.30	18711.30
Net Block	31806.80	30.12	29347.10	34.13	25205.20	35.13	17510.60	12148-00
Capital WIP	3137.40	2.97	1634.20	1.90	3872.70	5.40	1461.50	2743.60
Investments	8715.60	8.25	9545.60	11.10	8228.10	11.47	10069.40	9872.60
Inventory	15342.10	14.53	12522.20	14.56	11802.70	16.45		
Receivables	2301.50	2.18	2067.40	2.40	1843.00	2.57		
Other Current Assets	44298.30	41.95	30858.90	35.89	20801.10	28.99	14258.50	9117.00
Balance Sheet Total (BT)	105601.70	100.00	85975.40	100.00	71752.80	100.00	43300.00	33881.20
I. in hilt tits	Us inn	%BT	Ks m n	"%,BT	Us inn	%IJT		
Equity Share Capital	2470.80	2.33	2475.40	2.87	2454.40	3.42	2454.10	2454.10
Reserves	38093.75	36.07	27947.64	32.50	20176.36	28.1)	17881.56	14801.85
Total Debt	23568.25	22.31	23684.56	27.54	23632.84	32.93	22964.34	16625.25
Creditors and Acceptances	28063.30	26.57	20540.70	23.89	15829.80	22.06	-	-
Other current liab/nrov	13405.60	12.69	11327.10	13.17	9659.40	13.46	-	-
Bali.- re Sheet Total	105601.70	100.00	85975.40	100.00	71752.80	100.00	43300.00	33881.20

Ratio Analysis

As on	31-Mar-21	31-Mar-20	31-Mar-19	31-Mar-18	31-Mar-17
OPBIT/Prod .cap. Empl (%)	71.09	54.58	53.39	41.97	44.78
PBIT/Cap. Employed (%)	40.37	41.35	42.01	38.74	41.28
PAT/Net worth (%)	25-31	25.90	27.40	24.60	23.50
Tax/PBT (%)	34.90	36.10	30.35	-	-
Total Debt/Net worth (X)	0.02	0.02	0.07	0.08	0.10
Long Term Debt' Net worth (x)	0.01	0.01	0.04	0.06	0.09
Peon-Finance Charges (x)	171.47	102.04	27.15	-	-
Current Ratio (x)	1.49	1.43	1.35	1.23	1.02
RM Inventory (day consumption)	149.09	1 86.50	163.05	-	-
FG Inventory (days cost of sales)	52.41	34.30	43.17	-	-
Receivables (days gross sales)	7.11	6.84	6.84	-	-
Creditors (days cost of sales)	249.62	202.26	183.94	-	-
Op. curr. assets (days OI)	176.00	223.00	214.00	-	-

Share Statistics

As tin	31-Mar-21	31-Mar-20	31-Mar-19	31-Mar-18	31-Mar-17
EPS(Rs.)	64.31	55.41	48.48	36.52	34.25
CFPS (Rs.)	74.07	62.09	59.98	-	-
Book Value (Rs)	254.06	213.88	176.92	-	.
DPS (Rs.)	20.00	15.00	13.62	10.37	7.49

SATYAM FINANCIAL STATEMENTS & RATIO ANALYSIS

Income Statement

As on j Months)	31-Mar-21		31-Mar-20		31-Mar-19		31-Mar-18	31-Mar-17
Profit/Loss A/c	K- mn	%OI	Us mn	%OI	Rs mn	%OI		
Net Sales	25415.45	99.89	20236.51	99.93	17319.42	99.69	12199.85	6693.03
Operating Income (OI)	25442.57	100.00	20250.74	100.00	17373.45	100.00	4451.56	2433.62
OPBDIT	6965.11	27.38	4675.80	23.09	5859.40	33.73	4484.61	2448.06
OPBDT	6957.63	27.35	4668.59	23.05	5763.45	33.17		
OPBT	5841.47	22.96	3426.76	16.92	4588.86	26.41	3174.86	1329.12
Non-operating Income	777.98	3.06	263.50	1.30	663.75	3.82	33.05	14.44
Extraordinary / Prior period	18.47	0.07	40.47	0.20	-46.00	-0.26	---	-----
Tax	1080.00	4.24	656.50	3.24	305.33	1.76	184.45	60.01
Profit after tax (PAT)	5557.92	21.84	3074.22	15.18	4901.28	28.21	2990.41	1269.11
Cash Profit	6674.08	26.23	4274.97	21.11	6075.87	34.97	----	-----
Dividend Equity	1267.21	4.98	943.63	4.66	372.62	2.14	224.95	127.74

Balance Sheet

As on	31-Mar-21		31-Mar-20		31-Mar-19		31-Mar-18	31-Mar-17
Assets	Rs.mn	%BT	Rs mn	%BT	Rs mn	%BT		
Gross Block	8471.59	28.69	7675.39	30.31	7308.95	33.87	5458.47	4185.41
Net Block	2494.04	8.45	2839.60	11.21	3564.75	16.52	2841.71	2528.81
Capital WIP	221.72	0.75	269.84	1.07	380.66	1.76	849.01	200.88
Investments	747.50	2.53	566.10	2.24	1402.46	6.50	1028.19	564.86
Inventory	0.00	0.00	0.00	0.00	0.00	0.00		
Receivables	5928.15	20.08	4798.84	18.95	3956.11	18.33		
Oilier Current Assets	20134.59	68.19	16849.05	66.54	12276.00	56.89	5129.95	3119.29
Balance Sheet Total (BT)	29526.00	100.00	25323.43	100.00	21579.98	100.00	9848.86	6413.84
Liabilities	Rs mn	%BT	Rs mn	%BT1	Rs mn	%BT		
Equity Share Capital	632.50	2.14	629.09	2.48	629.09	2.92	5623.80	5623.80
Reserves	25175.16	85.26	20636.14	81.49	18591.32	86.15	2079.65	1001.59
Total Debt	72.95	0.25	183.57	0.72	58.46	0.27	1719.85	2913.25
Creditors	1502.06	5.09	1845.37	7.29	1419.60	6.58	395.46	1936.62

and Acceptances								
Other current 1 lab/pro v	2143.33	7.26	2029.27	8.01	881.53	4.08		
Balance Sheet Total (BT)	29526.00	100.00	25323.43	100.00	21579.98	100.00	9848.86	6413.84

Ratio Analysis

As on	31-Mar-21	31-Mar-20	31-Mar-19	31-Mar-18	31-Mar-17
OPBIT/Prod .cap. Empl (%)	23.48 ^	16.67	26.78	18.29	15.34
PBIT/Cap. Employed (%)	25.90	17.65	28.06	20.36	16.23
PAT/Net worth (%)	21.54	14.46	25.50	13.53	12.86
Tax/PBT (%)	16.27	17.60	5.86	5.32	4.39
Irtal DL-hr-'NcI worth (X)	0.00	0.01	0.00	-	-
Long Term Debt/ Net worth (x)	0.00	0.00	0.00	-	-
PBDIT/Finance Charges (x)	1036.53	690.87	67.50	53.30	48.92
Current Ratio (x)	7.15	5.59	7.05	6.35	7.23
RM Inventory (day consumption)	0.00	0.00	0.00	-	-
FG Inventory (days cost of sales)	0.00	0.00	0.00	-	-
Receivables (days gross sales)	85.14	86.56	83.37	-	-
Creditors (days cost of sales)	29.67	43.25	45.00	-	-
0 p. curr. assets (days OI)	369.00	382.00	329.00	'	

Share Statistics

As on	31-Mar-21	31-Mar-20	31-Mar-19	31-Mar-18	31-Mar-17
EPS(Rs.)	17.57	9.77	15.58	28.95	8.36
CFPS (Rs.)	21.10	13.59	19.32	-	-
Book Value (Rs)	81.60	67.61	61.11	-	-
DPS (Rs.)	4.01	3.00	1.18	7.99	2.27

FINANCIAL STATEMENT OF HERO HONDA & RATIO ANALYSIS

(Rupees in Crores)

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
Sales (no's)	761623	1029510	1425302	1677537	2070147
Growth in Sales (no's) (%)	43.6	35.2	38.4	17.7	23.4
Total Income	2269	3191	4539	5195	5997
Growth in Total Income (%)	50.8	40.7	42.2	14.4	15.5
Profit before Tax	285	377	694	885	1072
Profit after Tax	192	247	463	581	728
Share Capital	40	40	40	40	40
Reserves and Surplus	408	589	646	821	1099
Total Debt	51	66	116	134	175
Net fixed assets	373	454	491	506	589
Total Assets	499	696	802	995	1314
Market Capitalization	3874	2816	6670	3758	9797
Economic Value Added	119	155	374	482	569

Conclusion

Before investing in shares you should look at the type of shares, you want to buy and the way in which you want to deal on the stock market. Three main routes for investing in shares:

- Invest your capital in a single company.
- Invest your capital in a number of different companies, a portfolio of shares.
- Invest indirectly and spread your risk through collective investments such as investment trusts and unit trusts.

References

TEXT BOOKS:

1. V.K.Bhalla(2012).Security Analysis & Portfolio Management (7 th Edition)
2. V.Avadhani (2014).Investment Management (8 th Edition)
3. Gordon. Jodd (2016). Security Analysis (6 th Edition)

WEBSITE

www.cholamandalam.com