“A study on Fundamental analysis of IT, Pharmaceuticals and Cement sector”

Manju Y Shattennavar
manjushattennavar1998@gmail.com

Prof. Pramod S G
pramodgoudar@gmail.com

Abstract

Fundamental analysis is the art of evaluating the intrinsic value of a stock to find long term investing opportunities. In other words Fundamental analysis is a method of determining a stocks real or fair market value. Analysis of capital market can be done either by Fundamental analysis or by Technical analysis. This paper aims to study on the Fundamental analysis of selected sectors they are IT, Pharmaceuticals and Cement sectors. The main objective was to conduct a comparative analysis for the three selected companies under each sector and to suggest the better suitable stock to the investors. Fundamental analysis is studied in three parts namely; Economic analysis deals with fundamental factors like GDP, Inflation rate, FOREX reserve, Interest rates, and Current account to GDP etc. Industry analysis, in this analysis all the three sectors are evaluated on the basses of Porter's five force model which takes in to consideration, Threat of new potential Entrants, Threat of substitutes, Bargaining power of suppliers, Bargaining power of buyers and the competition among the existing companies in the market. Finally, Company analysis deals with various ratios such as Dividend pay-out ratio, EPS, P/E ratio, Net profit margin, ROE, ROA, and Debt to Equity ratio are used and to calculate these ratios the secondary data was collected through the respective company's annual reports. Based on the calculations of the ratios in the study we found that majority of the stocks are having downfall in ROE, ROA and EPS and we suggested to avoid such stocks for the long term investment, and with the help of comparative analysis we suggested the better suitable stocks for the investors to invest in each of the sectors they are TCS ltd, for the IT sector, Cipla ltd, for the Pharmaceutical sector and ACC ltd, for Cement sector. Lastly it can be concluded as every investor is advised to have enough knowledge about the stock market before making any investment decisions.

Keywords: Fundamental analysis, Technical analysis, Economic analysis, Industry analysis, Company analysis, Comparative analysis.

Introduction

Fundamental analysis is the examination of the underlying forces that affect the well-being of the economy, industry and company. As with most analysis, the goal is to develop a forecast of future price movement and profit from it. At the company level fundamental analysis may involve examination of financial data, management and competition. At the industry level, there might be an examination of supply and demand forces of the products. In the economy level, it focuses on economic data to assess the present and future growth of the economy.

If Fundamental analysis is defined as researching the fundamentals, that doesn't convey the whole in the absence of knowledge about what fundamentals are. The big problem with defining fundamentals is that it can include anything related to the economic well-being of a company. Thus, fundamentals include everything from a company's market share to the quality of its management. There are some questions which often arise like: Is the company's revenue growing? Is it actually making profits? Is it in a strong enough position to beat out its competitors in the future? Is it able to repay its debts? And is management trying to "cook he books"? Of course, these are very involved questions and there are literally hundreds of others one might have about a company. It all really boils down to one question, i.e. whether the company's stock a good investment? Fundamental Analysis is a toolbox to help us answer this question.

It is, thus, a stock valuation methodology that uses financial and economic analysis to envisage the movement of stock prices. The relevant data and information for analysis could include both financial and non-financial aspects such as estimates of growth, demand for products sold, industry comparisons, economy-wide changes, changes in government policies, etc. The outcome of such an analysis is a value of the stock of the company called its 'intrinsic value' often called 'price target' in fundamental analysts' parlance. It, thus, attempts to predict the intrinsic value of an investment.

Literature Review

What is Analysis?

Analysis is the process of considering something carefully or using statistical methods in order to understand it or to explain it.

The methods used to analyse securities and make investment decisions fall into two very broad categories:

Fundamental Analysis

Technical Analysis

Fundamental Analysis

A Fundamental Analysis is a method of measuring a security's intrinsic value by examining related economic and financial factors. In other words Fundamental analysis is a method of determining a stocks real or fair market value. In this analysis the fundamental analyst should take in to consideration all the factors which can affect the security's value, from macroeconomic factors such as the state of economy and industry conditions to microeconomic factors like the effectiveness of the company's management. Fundamental analysis is performed on historical and present data, but with the goal of making financial forecasts.

There are two sides of Fundamental Analysis they are Quantitative and qualitative analysis.

Quantitative Analysis: The quantitative side involves analysis of factors that can be measured numerically, such as company's assets, liabilities, cash flow and price to earnings ratio. The goal of Fundamental Analysis is to produce a quantitative value that investors can compare with a security's current price, to help determine whether the security is undervalued or overvalued.

Qualitative Analysis: The qualitative factors are an important part of a company since they are not measured in numbers, they tend to be subjective and represent either a positive or negative force affecting the company. For example: company's reputation, change in management and relationship that company has with its key vendors.

Components of Fundamental Analysis

Economic Analysis

Industry Analysis

Company Analysis

Economic Analysis: The level of economic activity has an impact on investment in many ways. If the economy grows rapidly, the industry can also be expected to show rapid growth and vice-versa. When the level of economic activity is low, stock prices are low, and the level of economic activity is high, stock prices are high reflecting the prosperous outlook for sale and profits of the firms. The analysis of macroeconomic environment is essential to understand the behaviour of the stock prices.

Tools used For Economic Analysis:
Gross domestic product (GDP) growth rate in India

Inflation rate

Foreign Exchange reserve

Interest rate

India's current account to GDP

India's Central Government Budget

Industry Analysis:

The industry analysis is a type of an investment research that begins by focusing on the status of an industry or industrial sector. A form of fundamental analysis involving the process of making investment decisions based on the different stages of an industry. And the tool used for Industry Analysis is:

Michael Porter a Harvard business school management researcher designed various vital frame works for developing an organization strategy. One of the most renowned among managers making strategic decisions is the few component forces module that determines industry structure. According Porter, the nature of competition in industry is personified in the following few forces which is known as Michael Porters five forces module.

Threat of new potential entrants

Threats of new substitute products or services

Bargaining power of suppliers

Bargaining power of buyer

Rivalry among current competitors

Company Analysis:

The company analysis is a process carried out for evaluating the securities of the company by collecting the information related to the company's profile, products and services as well as profitability. Additionally in company analysis, the **financial ratios** of the companies are analysed in order to ascertain the category of stock as value stock or growth stock. These ratios include price to book ratio and price-earnings ratio. Other ratios like return on equity etc. can also be analysed to ascertain the potential company for making investment.

Tools used for Company Analysis

Net Profit Margin: Net profit margin is an important ratio which is used while comparing the companies in similar industries. The higher the net profit margin the more profitable the company and has better control over its costs compared to its competitors. It is displayed as percentage.

Net profit Margin=Net Income/Sales Revenue

Dividend Pay-out Ratio: The dividend pay-out ratio is the ratio of the total amount of dividend paid out to shareholders relative to the net income of the company.

Dividend Pay-out Ratio=Dividends/Net Income

Return on Equity (ROE): Return on equity also known as Return on net worth is a measure of profitability of a company expressed in percentage. It is calculated by dividing the net income of the firm by shareholders' equity.

ROE=Net Income/Shareholders' Equity

Return on Asset (ROA): Return on Assets (ROA) is an indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings. Calculated by dividing a company's annual earnings by its total assets, ROA is displayed as a percentage. Sometimes this is referred to as "Return on Investment"(ROI).

ROA=Net Income/Total Assets

Earnings per Share (EPS): Earnings per share indicate the net income earned by each share of outstanding stock. It is most often used by investors as a primary comparison of performance and profitability across different companies.

EPS=Net Income/Number of shares outstanding

Price to Earnings Ratio: PE ratio is one of the most widely used tools for stock selection. It is calculated by dividing the current market price of the stock by its earnings per share (EPS). It shows the sum of money you are ready to pay for each rupee worth of the earnings of the company.

PE ratio=Market Price per share/EPS

Debt to Equity ratio: Debt to equity ratio is a long term solvency ratio that indicates the soundness of long-term financial policies of a company. It shows the relation between the portion of assets financed by creditors and the portion of assets financed by stockholders. As the debt to equity ratio expresses the

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relationship between external equity (liabilities) and internal equity (stockholders' equity), it is also known as "external-internal equity ratio".

Debt to Equity ratio=Total Liabilities/Stockholders' equity

Objective of the Study

To understand what Fundamental Analysis is? And to know its Importance based on EIC Analysis.

To carry out the Fundamental analysis for the selected stocks.

To have a comparative analysis of the stocks of selected sectors to ascertain the stocks.

To identify and suggest the investors most suitable stocks in the selected sectors.

Scope of the Project

In this study we are conducting a comparative analysis for the selected sectors they are IT, Pharmaceuticals and Cement sector. In each sector three companies will be selected for the analysis and this study will help the investors to understand what fundamental analysis is? And about the markets which help in estimating the future stock trends and to select the best suitable stock for the investors.

Limitations of the study

For this project we have considered the secondary data.

Future changes are largely unpredictable, so the past record is a poor guide to future performance.

The fundamental analysis is a very wide topic only some of the aspects are considered for this study.

For economic analysis only GDP, Interest rates, Inflation rates and current account to GDP is taken into consideration.

The suggestions given are based on my knowledge and they may be inaccurate or the different analysts have their own point of view.

Research Methodology

Secondary data:

The data which is already collected or the data which is already recorded by someone else for a different purpose other than this project.

Data collected from internet

Data collected by Wikipedia

Data collected from company websites

Technique:

The technique used in the analysis of the company is MS Excel sheets, graphs and tables of financial statements etc.

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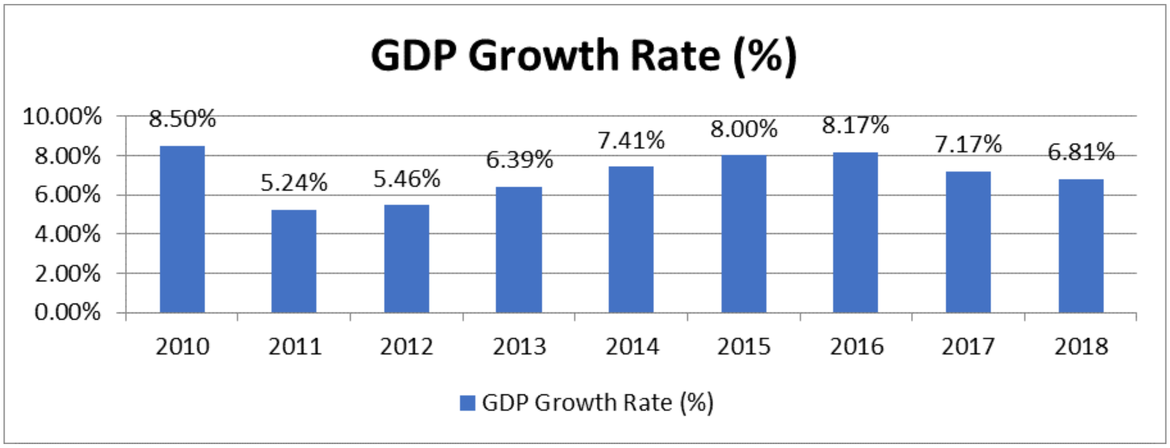
ECONOMIC ANALYSIS

The economy of India is characterised as a developing market economy.[44][45] It is the world's fifth-largest economy by nominal GDP and the third-largest by purchasing power parity (PPP). According to the IMF, on a per capita income basis, India ranked 139th by GDP (nominal) and 118th by GDP (PPP) in 2018. Economic analysis is a process whereby the strengths and weaknesses of economy are analysed. Economic analysis is important in order to understand the exact condition of an economy.

Gross Domestic Product (GDP) Growth rate



Interpretation:

The above data shows the GDP growth rate of India from 2010 to 2018. In 2018 the GDP growth rate is about 6.81% which is -0.36% lower compare to the growth rate of 2017. The CAGR (in %) shows the negative values, which indicates the decrease in the economic growth.

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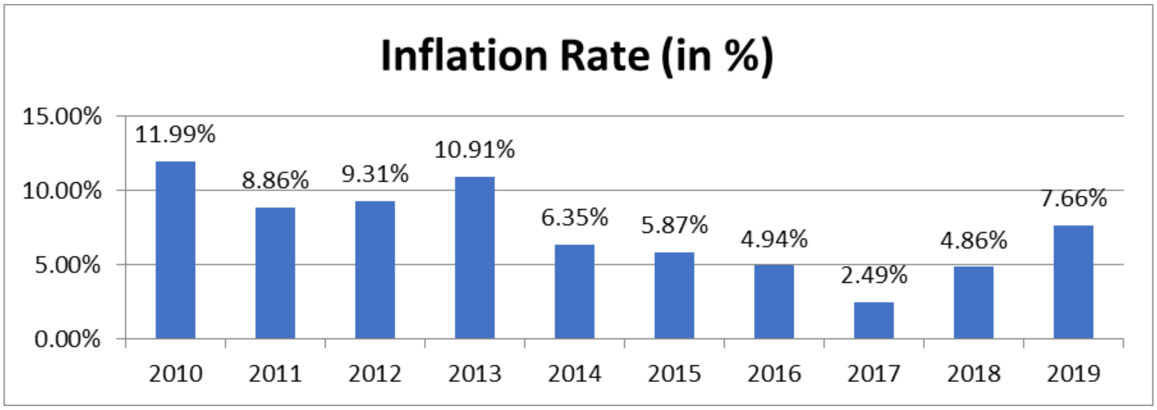
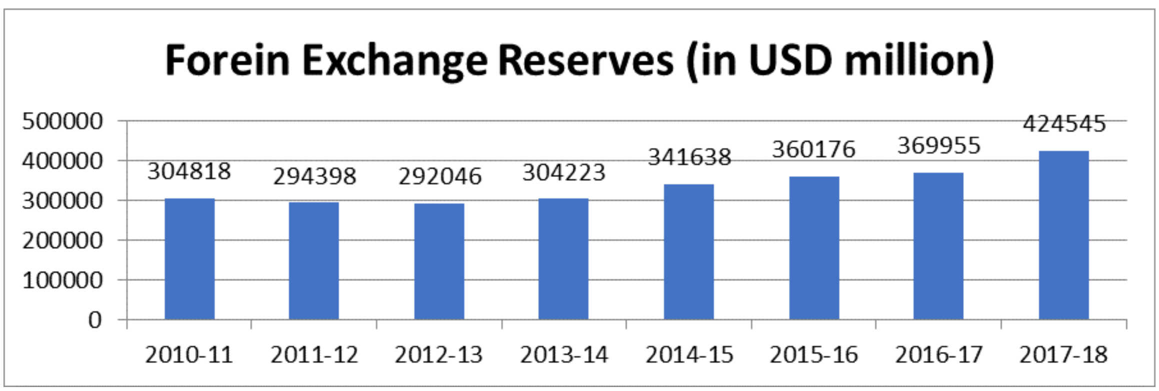
Inflation Rate



Interpretation:

The above data and chart represent the inflation rate of India from 2010 to 2019. The inflation rate in the year 2019 is 7.66% which increased by 2.8% compared to the inflation rate in the year 2018. When the inflation is rate is high it is not good for the economy as well as for the individuals, inflation rate reduces the value of money until the interest rates are higher than the inflation rate. From the year 2010 till 2017 the chart shows the decreasing trend which is favourable to the economic growth.

India's Foreign Exchange Reserve:



Interpretation:

The above chart represents the Foreign Exchange Reserve of India; in the above chart we can observe that there is an increasing trend. By the end of July 3, 2020 the foreign exchange reserve of India touches an all-time high of $513.254 billion.

India's Current Account to GDP:

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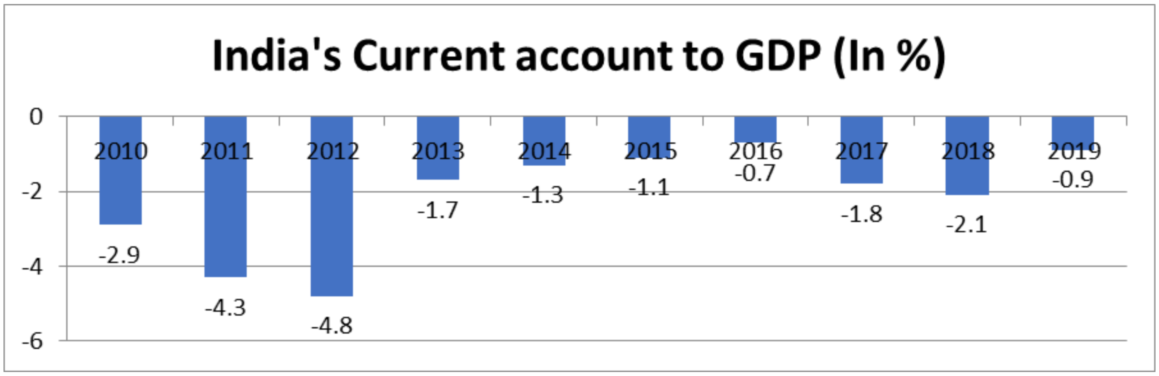
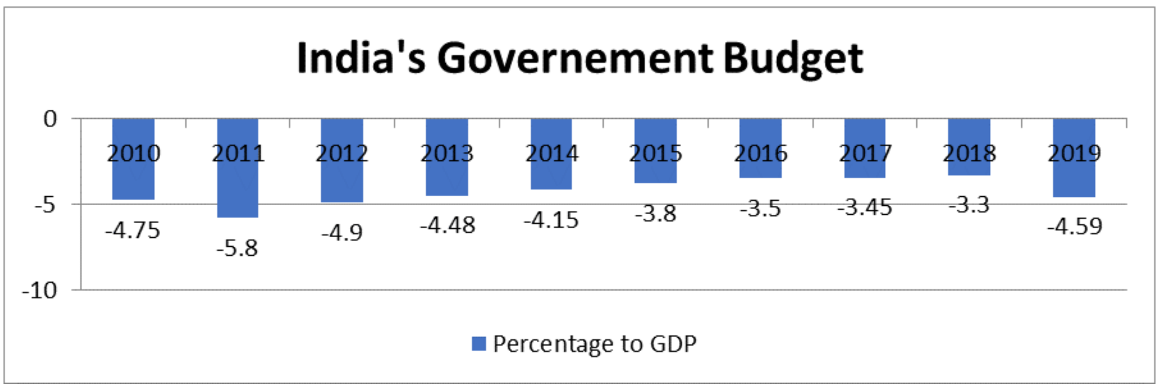


Interpretation:

India recorded a current account deficit of -0.90 per cent of the country's Gross Domestic Product in 2019, which is higher, compared to the year 2018.

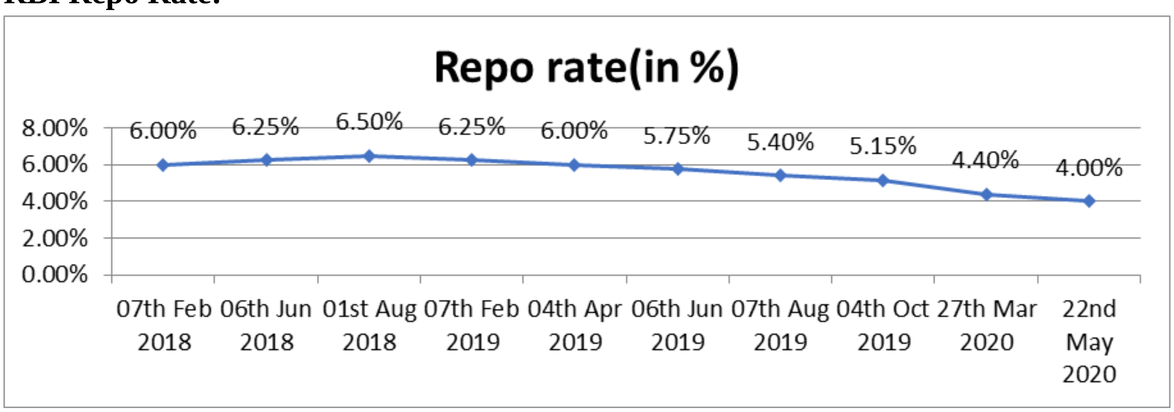
India's Government Budget:



Interpretation:

India recorded a Government budget deficit equal to -4.59 per cent of the country's Gross Domestic Product in the 2019 which is less -1.29 per cent compared to year 2018.

RBI Repo Rate:



Interpretation:

The Reserve Bank of India unexpectedly lowered its bench mark repurchase rate by 40bps to 4% in an emergency move on May 22nd, amid an on-going nationwide lockdown to prevent further spreading of the corona virus. The committee accommodative stance of monetary policy aiming to achieve the medium term inflation target of 4%, +/-2%, and mitigate the impact of COVID – 19 on the economy, while supporting growth.

Industrial analysis of selected sectors

INFORMATION TECHNOLOGY SECTOR:

Information Technology in India is an industry consisting of two major components, IT Service and Business Process Outsourcing (BPO). The sector has increased its contribution to India's GDP from 1.2% in 2017. According to NASSCOM, the sector aggregated revenue of US$180 billion in 2019, with an export revenue standing at US$99 billion and domestic revenue at US$48 billion, growing by over 13% as of 2020, India's IT workforce accounts for 4.36 billion employees. In the year 1967, Indian Information Technology industry came into existence by the establishment of TATA Group in partnership with Burroughs, in Mumbai.

The IT Industry in India is an important part of the country's economy. In the year 2017, Information Technology sector represented almost 8% of the nation's overall Gross Domestic Product. As per the financial year 2019, Information Technology Industry in India generated annual revenue nearing to US$180billions. A majority of this revenue was generated by exports, where as domestic revenue was totalled to less than US$50 billion.

Michael Porter's five forces model for IT Industry

Threat of new entrants

The IT industry is relatively attractive to new comers because of its rapid growth and attractive customer base. At the same time the industry is unattractive to new comers because of the heavy capital requirement, and the major established brands already in the industry. Any new comer can expect the strong competition by the existing players which is a major reason this industry is not too attractive. The new comers should come up with the innovative ideas for product or services to be successful in industry, overall the IT industry is not overly attractive, but it is routine and profitable enough that a lot of people can try and enter in it. Currently there are 58, 824+, companies are in the IT industry in India.

Competitive Rivalry

The IT industry is known for rapid growth, effectiveness and strong competition. A main reason why many new entrants are not successful it's because of intensive rivalry between existing players. Large companies in this industry are benefited from economies of scale. The products in this industry are well branded and tend to have a strong customer base. In this industry the market share is distributed randomly among the existing players, thus the competition among the companies in IT industry is high.

Bargaining Power of Buyers

As we all know the term buyers refers to almost everyone in the world. There are so many choices for a buyer such as many firms in the industry and there are minimum switching costs so customers are not typically locked in to one firm and most of the IT sales come from the large and branded companies. And these branded companies are often provides incentives to convince buyers to utilize their product over competitors. Customers are sensitive to price, but to they are willing to spend money because the IT products and services are necessary for every business.

Bargaining power of suppliers

The bargaining power for the suppliers is very low and since high standardisation exists, there is a little scope of suppliers having any influence. The supplier consists of IT infrastructure providers such as servers, computers, recruitment firms, and office space suppliers etc.

Threat of substitutes:

In IT industry there are no true substitutes, because it depends on research and innovation of new products or upgrading the existing products and services to provide quality products and services to buyers. Hence there is low threat of substitutes in the IT industry.

Pharmaceutical Industry

The Indian pharmaceutical industry presently best the diagram among India's science based businesses with wide extending abilities in the perplexing field of medications assembling and innovation. It positions high among all the underdeveloped nations, as far as innovation, quality and the tremendous scope of prescriptions that are made. It ranges from basic headache pills to modern anti-infection agents and a complex cardiac compounds; pretty much every kind of medicine is currently made in the Indian pharmaceutical industry.

Indian pharmaceutical sector is relied upon to develop to US$100 billion, while clinical gadget showcase is required to develop US$25 billion, by 2025. Pharmaceutical trade from India remained at US$20.70 billion in FY20. Pharmaceutical trade incorporate mass medications, intermediates, drugs formulation, biological, ayush and herbal items and surgical. India's domestic pharmaceutical market turnover reached Rs.1.4 lakh crore (US$ 20.03 billion) in 2019, up 9.8 per cent year on year from Rs.129, 015 crore (US$18.12 billion) in 2018.

Michael Porter's five forces model for Pharmaceutical Industry

Threat of new entrants

It has become very important for the pharmaceutical companies to focus on R&D to sustain their position in the market. The cost associated with research and development is very high. Also, there are the strict government regulations for approval of new drugs which act as high barrier. Besides this, various other challenges such as drawing up appropriate distribution strategies, selecting the right products, anticipating competition among others are limiting the entry of new barrier in market. Due these factors the threat of new entrants is low or moderate.

Threat of Substitutes

The threat of substitute ranges from moderate to high. The demand for generic drugs compared to branded drug has increased because of cost. Generic manufacturers do not incur the high cost involved in research and development and regulatory activities such as FDA approval and clinical trials. These are the reasons; they can offer their product at cheaper price. This increases the threat of substitutes.

Bargaining power of Buyers

The buyer's bargaining power is moderate. There are many companies in market providing similar products. Because of this reason, buyers such as hospital and other healthcare organization have an option to select. They generally pressurize the Pharma companies to keep prices of the drug low. Moreover, pharmaceutical industry has one unique feature that the buyer is different from the influencer who is a doctor. The consumer has no options but to buy drugs as prescribed by physician. Therefore, the bargaining power of patient is low.

Bargaining power of Suppliers

The bargaining power of supplier in market is low. The pharmaceutical products required various types of organic chemicals. There are number of chemical suppliers present in the market. Instead of buying chemicals at the high cost, Pharma companies can switch from one company to other.

Competitive Rivalry

Due to increasing demand of high quality drugs, low to moderate entry barrier to the new entrant, the presence of a number of large and small firms this market is highly competitive.

CEMENT INDUSTRY

Cement industry is the second most important primary and basic industry for the economic development of India, second only after iron and steel industry the cement industry is basic industry and makes an important contribution to the development of the other factory industry, to the construction and even to the development of agriculture. Cement is required by every industry cement is an important part of industrial infrastructure. It provides direct and indirect employment to a large number of persons and contributes a major part to Gross Domestic Product (GDP). Cement is a key infrastructure industry. However, the performance of the industry and prices of cement are monitored regularly. The constraints faced by the infrastructure coordination committee meetings held in the cabinet secretariat under the chairmanship of secretary (coordination) its performance is also reviewed by the cabinet committee on infrastructure.

The cement industry has witnessed substantial reorganization of capacities during the last couple of years. Some examples of the consolidation witnessed during the recent past include: Gujarat Ambuja taking a stake of 14% in ACC; Gujarat Ambuja taking over DLF Cements and Modi Cement, India Cement taking over Raasi Cement and Sri Vishnu Cement; Grasim's acquisition of the cement business of L&T; Indian Rayon's cement division merging with Grasim, Grasim taking over Sri Dig Vijay Cements, L&T taking over Narmada Cements, ACC taking over IDCOL.

Cement production grew by 13.3% to 337.3 million tonnes in the financial year 2019 compared with 6.3% growth in financial year 2018. This has been the fastest growth in cement production recorded in one single year at a CAGR of 5.6% from 230 million tonnes in the financial year 2012 to 337.3 million tonnes in financial year 2019. India's exports of cement, clinker asbestos cement increased at CAGR of 10.5% between FY12 to FY20 to reach US$ 177.9 million.

Michael Porter's Five Force Model for Cement Sector:

Threat of new entrants:

The threat of new entrants for the cement industry is low. Cement is the high bulk and low value commodity. For every tons of cement produced require almost 1.7 tons of Raw material. The selection of the plant location is also plays as the important barrier and also because of the capital requirement.

Bargaining Power of buyers

This refers to the effect customer can exert on a particular industry in the cement industry, the bargaining power of buyer is low because of the majority of the buyers are bulk buyers. The power of consumers is limited due to the lack of substitutes, the small no. of cement firms, and the demand that consumers have for the product. Buyers are said to be powerful if they are highly concentrated and purchase a large amount of the product.

Bargaining Power of supplier

In this industry the supplier exert a very high power. This is because of the raw materials form a very large part of the process in the manufacturing of cement. Shortage in supply of raw material can cripple the whole plant and can lead to huge losses. In the suppliers demand something, the negotiation have to be completed quickly and the result is more or less in favor of supplier.

Competitive Rivalry

Cement industry is one of the highly competitive markets in India. Many players in this invest are large scale players with huge capital invested in setting up the production units. This factor raises the exit barrier for the companies. Hence this stays in the industry and start aggressive competition. Also, the differentiation in the type of cement is marginal, hence the switching cost to customer is not high, so firms compete intensely to gain market share.

Threat of Substitutes:

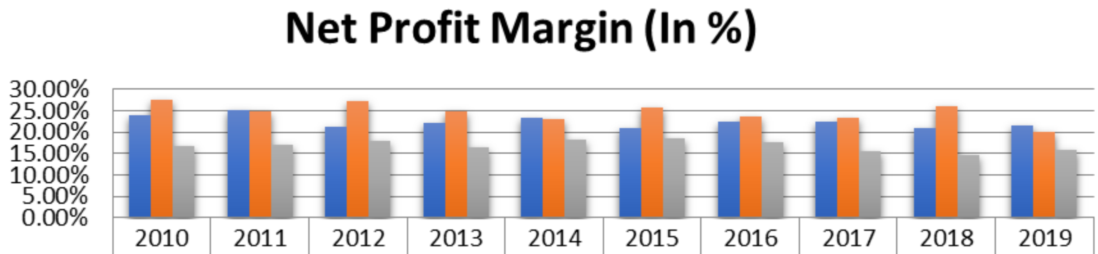
There are no products exist that can substitute effectively for cement. An industry is only threatened if other industries produce a similar product. Thus in this case the threat of substitute is low or moderate.

Company Analysis of the selected sectors:

This analysis is a comparative analysis of the companies selected under each of the sector. There are three companies taken into consideration for each sector and this is a quantitative analysis. We calculated ratios for every company and compared it with each other and with the help of the result we suggested the suitable or a good choice for the investors to invest. The companies taken into consideration are as follows. For IT sector: - TCS Ltd, Infosys Ltd and Wipro Ltd. For Pharmaceuticals sector: - Sun Pharma Ltd, Lupin Ltd and Cipla Ltd. For Cement Sector: - ACC Ltd. JK Lakshmi Ltd and UltraTech Ltd.

Company analysis of IT Companies:

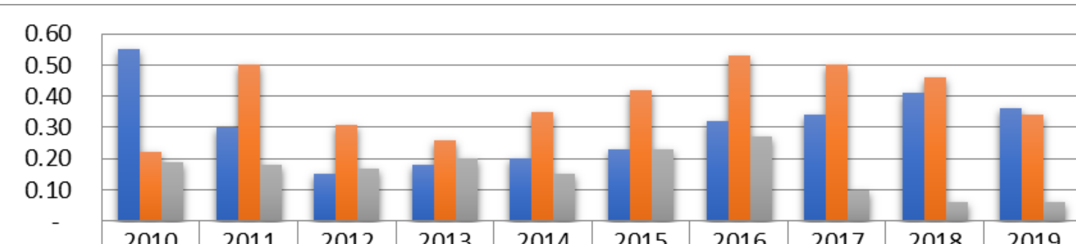
Net Profit Margin:



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
TCS ltd	24.00%	25.15%	21.29%	22.09%	23.42%	20.97%	22.40%	22.34%	21.02%	21.54%
Infosys ltd	27.55%	24.85%	27.10%	24.79%	22.99%	25.71%	23.51%	23.30%	26.08%	20.11%
Wipro ltd	16.69%	16.99%	17.90%	16.42%	18.29%	18.44%	17.57%	15.47%	14.68%	15.85%

Interpretation: The above chart is representing the Net profit margin of TCS ltd., Infosys ltd, and Wipro Ltd. With the help of the above chart we can understand that net profit margin of TCS Ltd. Was highest in the year 2011 and lowest in the year 2015. For the year 2019 is 21.54% and on 2018 was 21.02%. In the above ten years data showed there are fluctuations in the net profit margin. For Infosys Ltd. Its net profit margin for 2010 was highest and 2019 is the lowest. For the year 2019 it is 20.11% which is 5.97% less than its previous year's net profit margin that is 26.08% in the year 2018. As per the data available in the above chart Wipro ltd. In 2015 net profit margin of the company was highest and 2018 is the lowest. For the year 2019 its net profit margin is 15.85% which is increased by 1.17% from the 2018.

Dividend Pay-out Ratio:

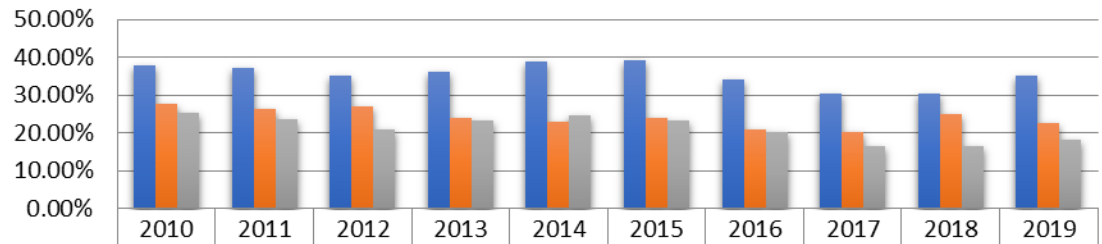


	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
TCS ltd	0.55	0.30	0.15	0.18	0.20	0.23	0.32	0.34	0.41	0.36
Infosys ltd	0.22	0.50	0.31	0.26	0.35	0.42	0.53	0.50	0.46	0.34
Wipro ltd	0.19	0.18	0.17	0.20	0.15	0.23	0.27	0.10	0.06	0.06

Interpretation: The above chart shows the dividend payout ratio of TCS ltd. Infosys ltd and Wipro ltd. The dividend payout ratio of 2019 is 0.36 (36%) which is less than the 2018 dividend payout ratio; in 2018 dividend payout ratio was 0.41 (41%). Infosys dividend payout ratio is 0.34 (34%) for the year 2019 which -0.12 (-12%) less compared to 2018 dividend payout ratio. The dividend payout ratio for Wipro

For the year 2019 is 0.06 (6%) and in the year 2018 as well it remained the same. 35% to 55% is the healthy range of dividend payout ratio for an investor's point of view.

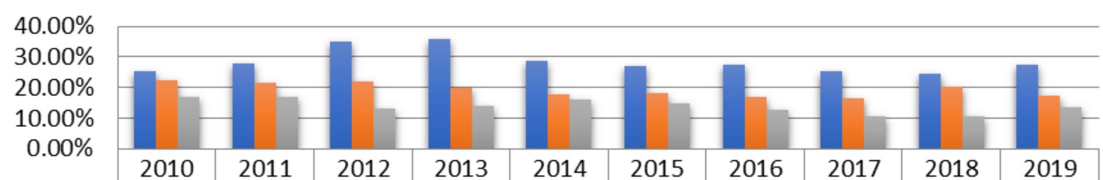
Return on Equity:



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
TCS ltd	37.90%	37.00%	35.20%	36.01%	38.95%	39.20%	34.07%	30.44%	30.25%	35.10%
Infosys ltd	27.71%	26.31%	27.03%	23.99%	22.89%	23.97%	20.78%	20.31%	24.88%	22.61%
Wipro ltd	25.38%	23.53%	20.74%	23.15%	24.73%	23.34%	20.15%	16.40%	16.61%	18.25%

Interpretation: As per the data shown above the ROE for TCS ltd. Increased by 4.85% in the year 2019 compared to 201. The ROE for 2019 was 35.10% and the ROE measures the company's ability to generate returns or profits from the shareholders capital in the company. The return on equity of Infosys ltd. Is decreased by -2.27% for the year 2019 compared to 2018. The ROE for 2019 is 22.61% and for 2018 was 24.88%. The return on equity of Wipro ltd. Is increased by 1.64% in the year 2019 as compared to 2018. The ROE for the year 2019 was 18.25%.

Return on Assets:



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
TCS ltd	25.55%	27.68%	35.20%	36.01%	28.54%	26.95%	27.31%	25.52%	24.34%	27.45%
Infosys ltd	22.59%	21.71%	22.08%	19.67%	17.89%	18.34%	16.84%	16.57%	20.22%	17.34%
Wipro ltd	16.97%	16.85%	12.95%	14.08%	15.99%	14.68%	12.73%	10.78%	10.57%	13.45%

Int*erpretation***:** Return on assets for TCS ltd. Is increased by 3.11% in the year 2019. In 2018 ROA was 24.34% and In 2019 ROA is 27.45%. The Return on assets for Infosys ltd. Is decreased by -2.88% in the year2019. In 2018 ROA of the company was 20.22% and in the year 2019 it is 17.34%. The Return on assets for Wipro ltd. Is increased by 2.88% in the year 2019 as compared to 2018. In the year 2018 ROA was 10.57% and 2019 it is 13.45%.

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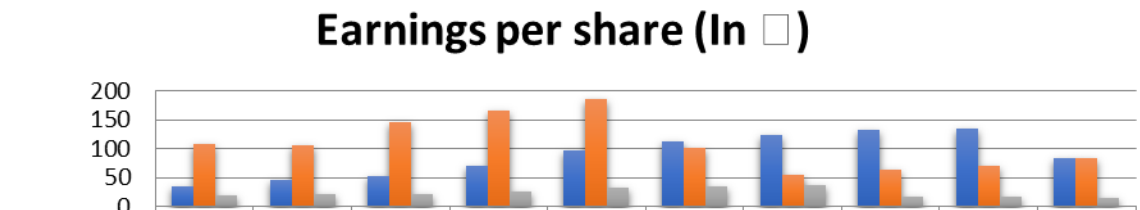
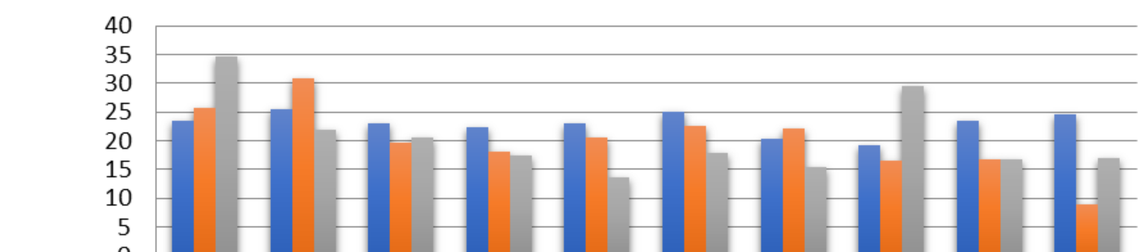
Earnings per Share:



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
TCS ltd	35.67	46.27	53.07	70.99	97.66	111.87	123.18	133.41	134.19	83.05
Infosys ltd	109.02	104.87	145.83	165.01	186.49	102.33	55.51	62.80	71.07	83.05
Wipro ltd	19.07	21.72	21.46	25.07	32.37	35.28	36.47	17.48	16.85	14.99

Interpretation: Earnings per share of the TCS ltd are shown above as we can observe that the value of EPS is increased year on year till 2018, in the year 2019 the EPS of TCS decreased from 134.19 in 2018 to 83.05 in 2019. The EPS of Infosys ltd. Are fluctuating year by year in the year 2019 the EPS of Infosys was 83.05 compared to 2018 it has been increased. The EPS of Wipro ltd. Had an increasing trend till 2015, and started decreasing from 2016. The EPS for Wipro is 14.99 in 2019.

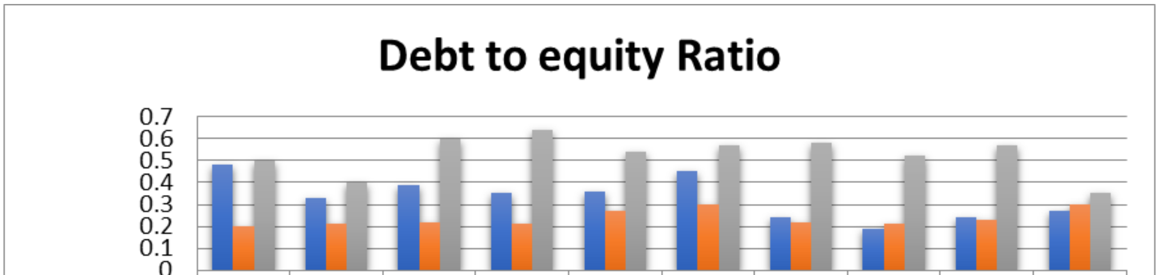
Price to Earnings Ratio:



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
TCS ltd	23.56	25.55	23.01	22.40	23.04	25.11	20.42	19.20	23.40	24.56
Infosys ltd	25.73	30.86	19.76	18.20	20.56	22.60	22.24	16.62	16.82	9.00
Wipro ltd	34.55	22.00	20.50	17.43	13.59	17.82	15.47	29.50	16.68	16.99

Interpretation: In the above chart we can see the Price to earnings ratio, TCS ltd. The price to earnings ratio for 2019 is 24.56 times which is increased from the previous year, in the previous 2018 it was 23.40 times. Infosys ltd. Price to earnings ratio has been declined to 9.00 times in 2019, in the year 2018 it was 16.82 times on their share. Wipro ltd. Price to earnings ratio in 2019 was 16.99 times and it was 16.68 times in the year 2018.

Debt to equity Ratio:

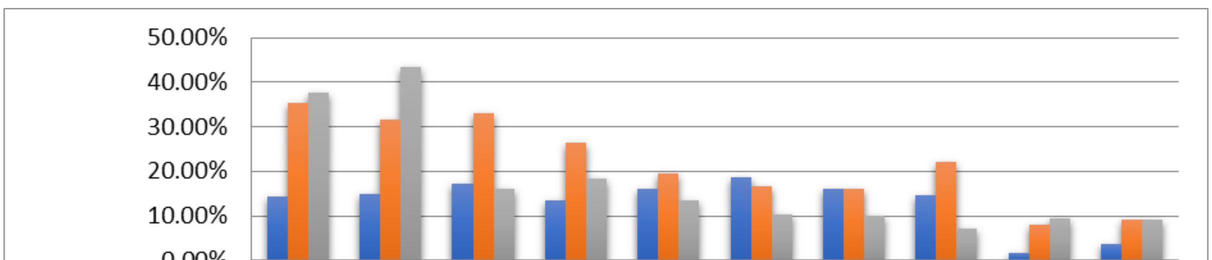


	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
TCS ltd	0.48	0.33	0.39	0.35	0.36	0.45	0.24	0.19	0.24	0.27
Infosys ltd	0.20	0.21	0.22	0.21	0.27	0.30	0.22	0.21	0.23	0.30
Wipro ltd	0.50	0.40	0.60	0.64	0.54	0.57	0.58	0.52	0.57	0.35

I*nterpretation***:** In the above chart the Debt equity ratio is shown. The TCS ltd debt equity ratio is 0.27 in 2019. This is increased from the previous year's 2018 it was 0.27. The Debt equity ratio of the Infosys ltd. In 2019 it is 0.30 which increased from the year 2018 it was 0.23. The Debt equity ratio of the Wipro ltd. has decreased to 0.35 in the year 2019, it was 0.57 in 2018. This shows the relative proportion of shareholders equity and debt used to finance its assets.

Company analysis of Pharmaceutical sector:

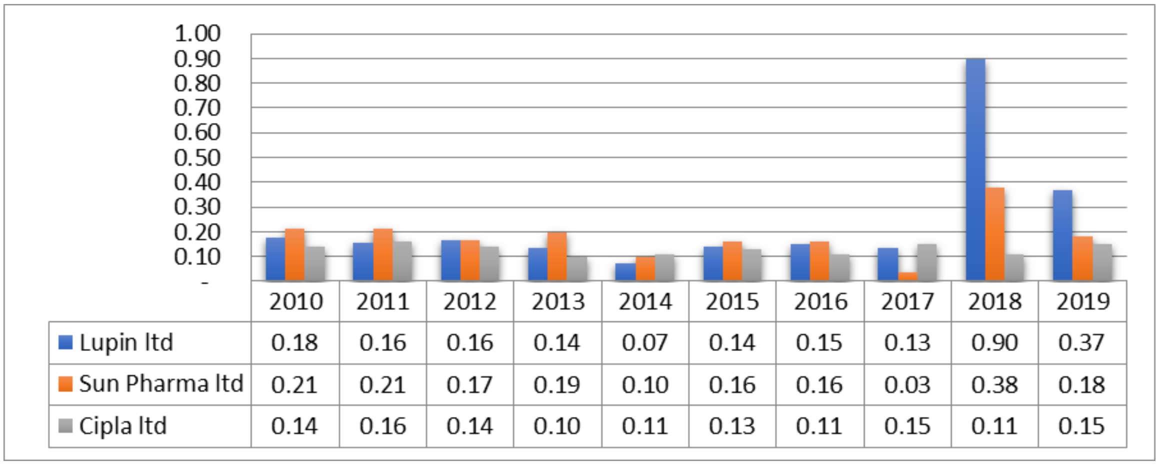
Net Profit Margin:



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Lupin ltd	14.19%	15.00%	17.17%	13.60%	16.15%	18.72%	15.92%	14.65%	1.58%	3.68%
Sun Pharma ltd	35.36%	31.70%	33.12%	26.39%	19.53%	16.57%	15.95%	22.05%	7.91%	9.17%
Cipla ltd	37.52%	43.42%	16.05%	18.41%	13.49%	10.30%	10.03%	7.07%	9.30%	9.12%

Interpretation: In the above chart the net profit margin is shown for the pharmaceutical companies. Lupin ltd. has a fluctuating decrease in its net profit margin in the year 2018 it was 1.58% which increased to 3.68% in the year 2019. Sun Pharma ltd. The net profit margin of 2019 is 9.17% which has increased from 7.91% in 2018. Cipla ltd. The net profit margin has a fluctuating decreasing trend for the year 2018 it was 9.30% and in the year 2019 it decreased to 9.12%.

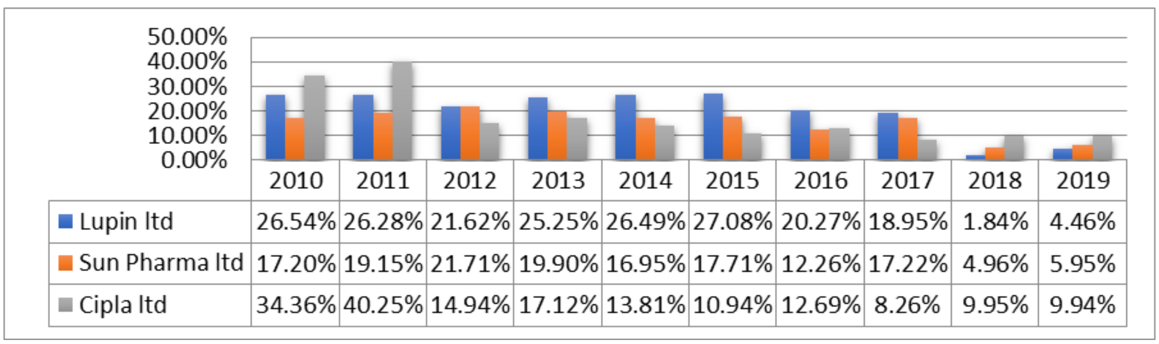
Dividend Payout ratio:



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Lupin ltd	0.18	0.16	0.16	0.14	0.07	0.14	0.15	0.13	0.90	0.37
Sun Pharma ltd	0.21	0.21	0.17	0.19	0.10	0.16	0.16	0.03	0.38	0.18
Cipla ltd	0.14	0.16	0.14	0.10	0.11	0.13	0.11	0.15	0.11	0.15

Interpretation: The dividend payout ratio is shown in the above chart, Lupin ltd. Is decreased in 2019 that is 0.37 it was 0.90 in 2018. Sun Pharmaceuticals ltd. This is 0.18 in the year 2019 this was less compared to the dividend payout ratio in 2018 that is 0.38. Cipla ltd. In the year 2019 the dividend payout ratio was 0.15 compared to 2018 it got increased in the year 2018 it was 0.11.

Return on Equity:

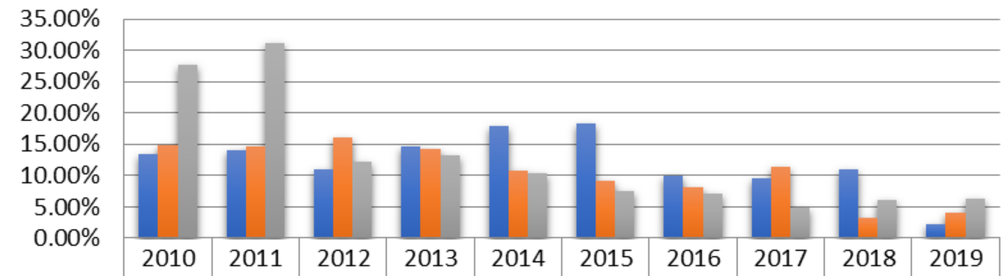


	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Lupin ltd	26.54%	26.28%	21.62%	25.25%	26.49%	27.08%	20.27%	18.95%	1.84%	4.46%
Sun Pharma ltd	17.20%	19.15%	21.71%	19.90%	16.95%	17.71%	12.26%	17.22%	4.96%	5.95%
Cipla ltd	34.36%	40.25%	14.94%	17.12%	13.81%	10.94%	12.69%	8.26%	9.95%	9.94%

Interpretation: In the above chart Return on equity is represented. Lupin Ltd had a decreasing return on equity year by year in 2018 it was 1.84% and in the year 2019 it increased 4.46%. High return on equity is a good sign for a company but the current ROE of Lupin is not good. ROE for Sun Pharma ltd also had a deceasing return on equity year by year in the year 2018 it was 4.96% and in the year 2019 the ROE was 5.95%. ROE for Cipla ltd was remained unchanged for 2018 and 2019. The ROE of Cipla ltd decreased year by year as well in 2018 9.95% and in 2019 9.94%.

Return on assets:

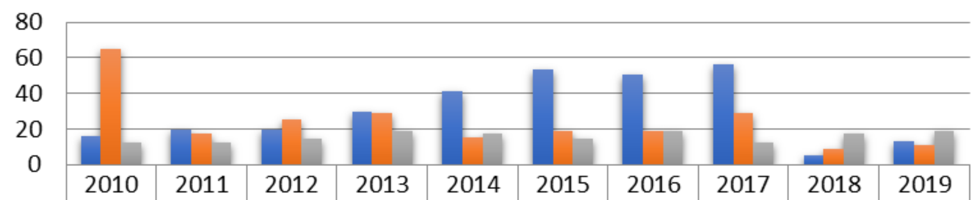
ISBN: 978-93-83302-47-5



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Lupin ltd	13.40%	14.08%	10.93%	14.74%	17.99%	18.29%	10.03%	9.63%	10.89%	2.22%
Sun pharma ltd	14.84%	14.74%	16.12%	14.28%	10.69%	9.25%	8.18%	11.34%	3.22%	4.10%
Cipla ltd	27.78%	31.10%	12.20%	13.25%	10.35%	7.51%	7.20%	4.94%	6.19%	6.22%

Interpretation: In the above chart Return on assets is represented. Lupin ltd has a decrease in the year 2019 it is 2.22% in the year 2019 . In thee above chart return on assets for Sun Pharmaceutical ltd has an increase in the year 2019 as compared to 2018. The ROE for 2019 is 4.10% and in 2018 it was 3.22%. In thee above chart return on assets for Cipla ltd has an slight increase in 2019 as compared to 2018 that is in 2019 6.22% and in the 2018 it was 6.19%.

Earnings per share (₹):



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Lupin ltd	15.84	19.36	19.43	29.39	40.99	53.54	50.25	56.69	5.56	13.41
Sun Pharma	65.2	17.5	25.7	28.8	15.2	18.9	18.9	29	8.7	11.1
Cipla ltd	12.50	12.32	14.25	18.75	17.27	14.71	18.76	12.52	17.53	18.97

Interpretation: In the above chart the earnings per share are represented, Lupin ltd has fluctuations I it's increasing trend of earnings per share in 2019 the EPS was 13.41 and in 2018 the EPS was 5.56. The EPS of Sun Pharmaceuticals ltd are decreased year by year in the year 2018 the EPS was 8.7 per share and then increased to 11.1 per share in 2019. The EPS of Cipla ltd has an increase in its earnings per share over ten years and in some years the EPS has decreased in the year 2018 the EPS was 17.53 per share in the year 2019 the EPS was 18.97 per share.

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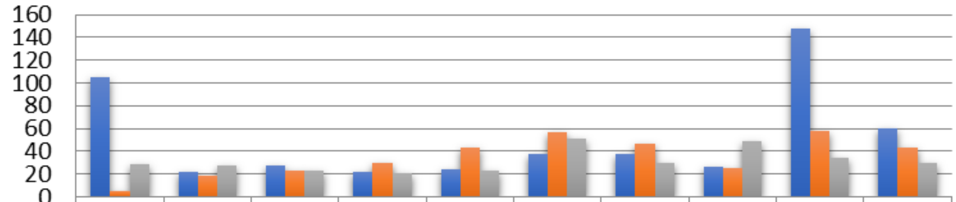
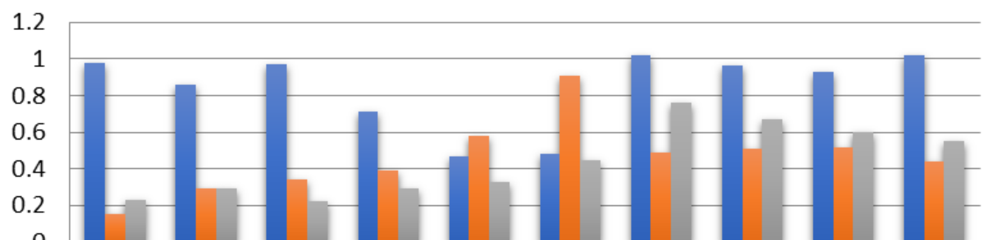
Price to earnings Ratio:



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Lupin ltd	105	21.8	27.41	21.73	24.46	38.04	37.39	26.43	148	60.44
Sun pharma ltd	5.43	18.97	23.11	29.4	42.96	56.82	46.12	25.11	57.7	43.5
cipla ltd	28.36	26.94	22.45	21.11	23.25	51.15	29.29	48.55	34.67	29.36

Interpretation: In the above chart the Price to earnings ratio is represented, Lupin ltd the price to earnings ratio for the year 2019 is 60.44 which are decreased from 148 in the year 2018. The price to earnings ratio of Sun Pharmaceuticals ltd was 57.7 in the year 2018 and it got decreased to 43.5 in the year 2019. The price to earnings ratio of Cipla ltd was 34.67 in the year 2018 and got decreased to 29.36 in the year 2019.

Debt to Equity ratio:



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Lupin ltd	0.98	0.86	0.97	0.71	0.47	0.48	1.02	0.96	0.93	1.02
Sun pharma	0.15	0.29	0.34	0.39	0.58	0.91	0.49	0.51	0.52	0.44
Cipla ltd	0.23	0.29	0.22	0.29	0.33	0.45	0.76	0.67	0.60	0.55

Interpretation: In the above chart the debt equity ratio is represented the Lupin ltd the Debt equity ratio of 2019 is 1.02 and it is increased from 0.93 in the year 2018. The above chart is represents the Sun Pharmaceuticals ltd the debt equity ratio is of 2019 is 0.44 which is decreased from the year 2018 that was 0.52. The above chart shows the debt equity ratio of Cipla ltd for the year 2019 the debt equity ratio was 0.55 which was decreased from the year 2018 in that year it was 0.60.

Company Analysis under Cement sector:

Net Profit Margin:

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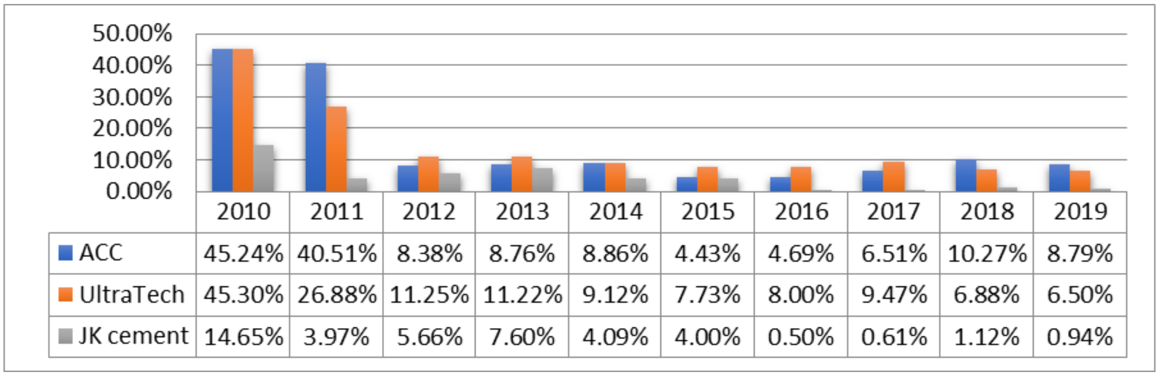


	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
ACC	45.24%	40.51%	8.38%	8.76%	8.86%	4.43%	4.69%	6.51%	10.27%	8.79%
UltraTech	45.30%	26.88%	11.25%	11.22%	9.12%	7.73%	8.00%	9.47%	6.88%	6.50%
JK cement	14.65%	3.97%	5.66%	7.60%	4.09%	4.00%	0.50%	0.61%	1.12%	0.94%

Interpretation: In the above chart the net profit margin of the cement companies are shown. The ACC ltd net profit margin is decreased in the year 2019 that is 8.79% from 10.27% in the year 2018. The net profit margin for UltraTech ltd is shown above which has decreased from year by year in the year 2018 the net profit margin was 6.88% which has decreased to 6.50% in the year 2019. In the above chart net profit margin of JK Lakshmi ltd is decreased year by year for the year 2019 it was 0.94% where as in the year 2018 the net profit margin was 1.12%.

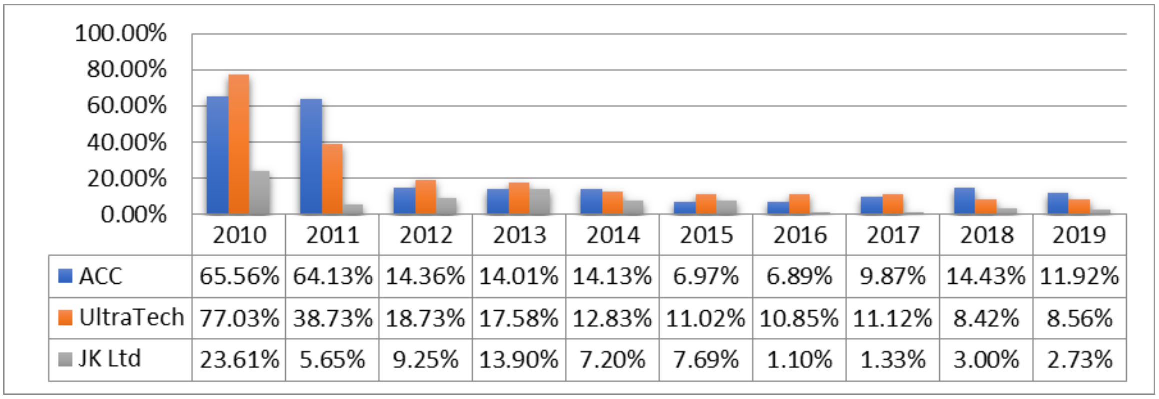
Dividend Payout Ratio:

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
ACC	0.16	0.13	0.61	0.61	0.65	0.65	0.64	0.36	0.2	0.19
UltraTech	0.02	0.03	0.07	0.09	0.13	0.13	0.12	0.11	0.14	0.14
JK Cement	0.14	0.3	0.25	0.19	0.29	0.27	0.23	0.19	0.24	0.26

Interpretation: In the above chart the Dividend payout ratio is shown for the cement companies. The ACC ltd has increased its dividend payout ratio in 2019 that is 0.19, in 2018 it was 0.20. The dividend payout ratio of the UltraTech ltd is shown in the above chart the dividend payout ratio remained same for both 2018 and 2019 that is 0.14 and 0.14 for both years. The dividend payout ratio of the JK Lakshmi ltd is shown above the dividend payout ratio for the year 2018 is 0.24 and it increased to 0.26 in the 2019.

Return on Equity:

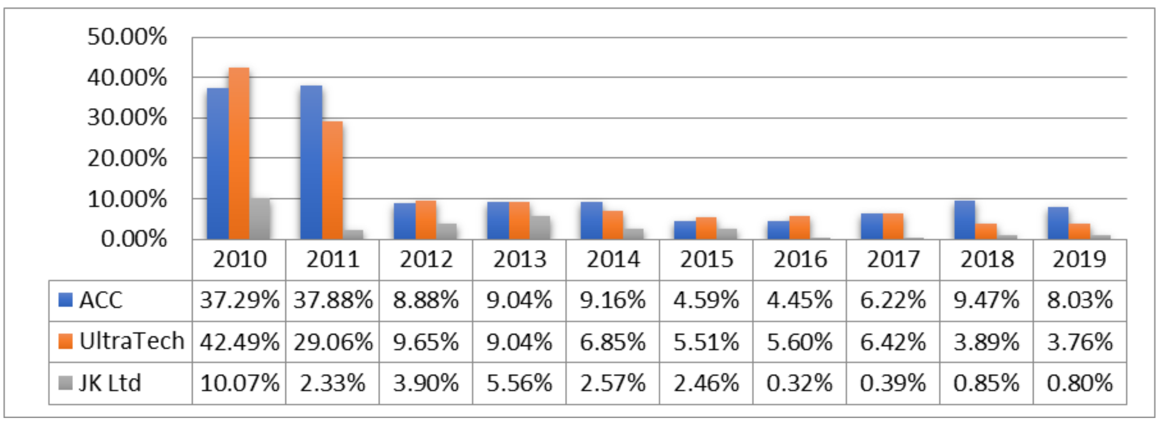
ISBN: 978-93-83302-47-5



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
ACC	65.56%	64.13%	14.36%	14.01%	14.13%	6.97%	6.89%	9.87%	14.43%	11.92%
UltraTech	77.03%	38.73%	18.73%	17.58%	12.83%	11.02%	10.85%	11.12%	8.42%	8.56%
JK Ltd	23.61%	5.65%	9.25%	13.90%	7.20%	7.69%	1.10%	1.33%	3.00%	2.73%

Interpretation: In the above chart the Return on equity of the cement companies. The ROE for the ACC ltd is 11.92% in the year 2019 and it decreased from the year 2018 the ROE was 14.43%. The return on equity for the UltraTech ltd is shown in the chart in 2019 the ROE of the company is 8.56% as compared to 2018 it is increased in the year 2018 the ROE was 8.42%. The return on equity for the JK Lakshmi ltd is shown in the chart, in 2019 the company's ROE decreased to 2.73% from 3.00% in the year 2018.

Return on Assets:



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
ACC	37.29%	37.88%	8.88%	9.04%	9.16%	4.59%	4.45%	6.22%	9.47%	8.03%
UltraTech	42.49%	29.06%	9.65%	9.04%	6.85%	5.51%	5.60%	6.42%	3.89%	3.76%
JK Ltd	10.07%	2.33%	3.90%	5.56%	2.57%	2.46%	0.32%	0.39%	0.85%	0.80%

Interpretation: The Return on assets of the Cement companies is shown in the above chart. The ACC ltd in the year of 2019 the company's return on asset is 8.03% which is less compared to 2018 the ROA was 9.47%. The ROA of the UltraTech ltd is shown in the above chart. The company's ROA was 3.89% in the year 2018 and it decreased in the year 2019 to 3.76%. The ROA of the JK Lakshmi ltd is shown in the above chart. The company's ROA in the tear 2019 was 0.80% which is less compared to 2018 that is 0.85%.

Earnings per share:

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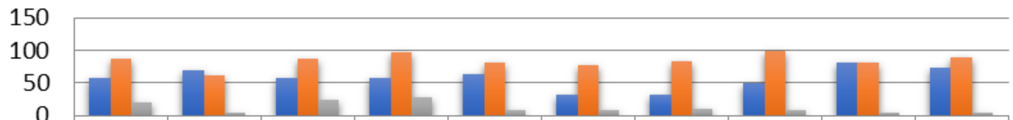
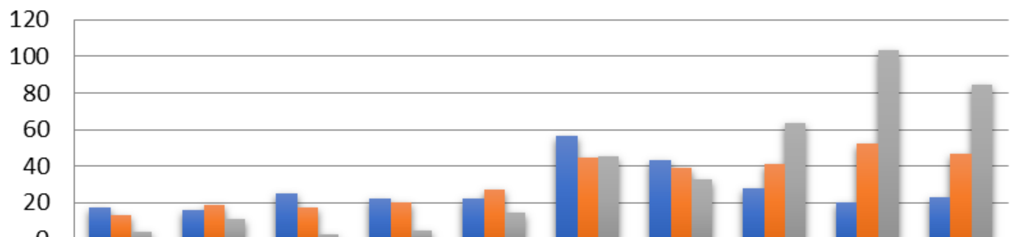


	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
ACC	57.39	69.29	56.42	58.31	62.33	31.30	32.19	49.23	80.97	73.35
UltraTech	87.98	61.39	87.69	97.69	80.45	76.48	83.33	98.92	80.94	88.72
Jk ltd	19.71	4.83	24.02	27.97	7.98	8.75	10.78	7.29	4.69	4.36

Interpretation: The Earnings per share of the cement companies are shown in the above chart. The ACC ltd earnings per share are fluctuating year by year. In the year 2018 the EPS was 80.97 and in the year 2019 the EPS was 73.35. The Earnings per share of the UltraTech ltd is shown in the above chart. In the year 2018 the EPS was 80.94 which have increased in the year 2019 to 88.72 Rs. The Earnings per share of the JK Lakshmi ltd is shown in the chart. The EPS for the year 2019 is 4.36 which is less than the EPS in the year 2018 it was 4.69 Rs.

Price to earnings Ratio:



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
ACC	17.72	15.83	24.90	22.29	22.44	56.70	43.46	28.06	20.26	22.83
UltraTech	13.20	18.65	17.58	19.90	27.27	44.44	39.19	41.32	52.33	46.72
JK ltd	4.10	10.93	2.78	4.82	14.64	45.36	32.64	63.78	103.19	84.62

Interpretation: The Price to earnings ratio is represented in the above chart for the Cement companies. The PE ratio of the ACC ltd in the year 2019 is 22.83 in the year 2018 it was 20.83. The PE ratio of the UltraTech ltd is shown in the above chart. In the year 2019 the PE ratio of the company is 46.72 and in the year 2018 the PE ratio was 52.33. The PE ratio of the JK Lakshmi ltd is represented in the chart. The PE ratio of the company in the year 2019 was 84.62 which have decreased from 1030.19 in the year 2018.

Debt to equity Ratio:

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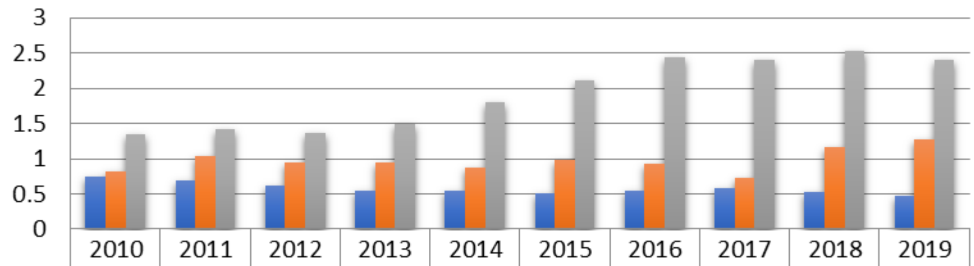

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
ACC	0.75	0.69	0.61	0.54	0.54	0.51	0.54	0.58	0.52	0.48
UltraTech ltd	0.81	1.03	0.94	0.94	0.87	0.99	0.93	0.73	1.16	1.27
JK Ltd	1.34	1.42	1.37	1.49	1.80	2.11	2.44	2.40	2.53	2.41

Interpretation: In the above chart the Debt to Equity ratio of the Cement companies are represented. The ACC ltd has a decrease in its debt equity ratio in the year 2019 the debt equity ratio is 0.48 and in the year 2018 it was 0.52. In the above chart the debt equity ratio of the UltraTech ltd is shown. The debt equity ratio in 2019 is 1.27 which increased from 1.16 in the year 2018. In the above chart the debt equity ratio of the JK Lakshmi ltd. The debt equity ratio in the year 2019 was 2.41 which are less compared to the debt equity ratio of 2018 which is 2.53.

Findings:

IT Industry:

TCS Ltd: The Net profit margin of the TCS Ltd is showing a downward trend line. And its Dividend payout ratio is showing an upward trend 2012 onwards and in the year 2019 it has decreased slightly. The Return on equity of the company is moving in the upward trend which is beneficial for company, and the Return on assets also increased in the year 2019. The Earnings per share of the TCS ltd have an upward trend in the year 2019 the companies EPS has decreased. Price to earnings ratio of the company has an increase in the year 2019 and it is showing an upward trend. The company's Debt to equity ratio is low.

Infosys Ltd: The Net profit margin of the company is moving downwards. And the dividend payout ratio of the company is moving upward till 2016 and falling from 2017. The ROE of the company is showing a downward trend. And the Infosys ltd ROA also showing downward trend which is not good for the company. The Earning per share of the Infosys ltd is also showing a downward trend. The Price to earnings ratio of the company is moving downward and the Debt to equity ratio of the company is showing an upward trend.

Wipro Ltd: The Company's net profit margin is moving down from past 4 years, and the dividend payout ratio of the company is also low. The ROE of the company is showing a decreasing trend, and the ROA of the company is also moving downwards. Earnings per share of the company are fluctuating year by year and show decrease in the trend line. Price to earnings ratio of the company is low, and the Debt to equity ratio is showing an upward trend in the year 2019 it has a low DE ratio.

Pharmaceuticals Industry:

Lupin ltd: The net profit margin of the Lupin ltd is showing a downward trend. And the company's Dividend payout ratio is showing an upward trend and in the year 2018 it has a highest dividend payout ratio of 0.90 (90%). The return on equity of the Lupin ltd is showing a downward trend and Return on

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assets of the company is showing a downward trend too. The Earnings per share of the company are falling from the year 2018 and continued and again increased in the year 2019. Price to earnings ratio of the company is very high in the year 2018 and it has an upward moving trend line and Debt to equity ratio of the company is high and showing an upward trend.

Sun Pharmaceuticals Ltd: The net profit margin of the Sun Pharma ltd is showing a decreasing trend and its Dividend payout ratio is showing an upward trend. ROE of the company is showing a downward falling trend and its ROA is also shows a downward moving trend. The Earnings per share of the company are decreased year by year and it's showing a downward falling trend. Price to earnings ratio of the company is showing an increasing trend and the company's debt to equity ratio is also shows an increasing trend.

Cipla Ltd: The net profit margin Cipla ltd is showing a downward moving trend and its dividend payout ratio has an upward moving trend with fluctuations. ROE of the company is also showing a downward moving trend and ROA of the company is moving in downward trend. The Earnings per shares of the Cipla ltd are showing an upward moving trend. The Price to earnings ratio of the company is showing an upward trend and the Debt to equity ratio of the company is moving in upward trend.

Cement Industry

ACC ltd: The Company's net profit margin shows the downward trend but from the year 2016 they are increasing. And Dividend payout ratio of the company shows the upward trend with the various rises and fall. The company's ROE is showing a downward trend and ROA of the company is also moving down. The Earnings per share of the company is showing the upward trend and there are some rise and falls in the EPS. PE ratio of the company is has an increasing trend with some rise and falls. And the Debt equity ratio of the company is moving downwards.

UltraTech ltd: The net profit margin of the company is showing a downward trend and the Dividend payout ratio of the company is increased year by year. The ROE of the company is showing a decreasing trend. The ROA of the company also has the decreasing trend. Earnings per share of the company have risen and fall and show an upward moving trend line. The PE ratio of the company is increasing year by year and the Debt to equity ratio of the company shows upward moving trend.

JK Lakshmi ltd: The net profit margin is very much low and shows the decreasing trend. Dividend payout ratio has an increasing trend. ROE of the JK ltd is showing a downward moving trend and the ROA also moving in downward trend, Earnings per share of the company are moving downward. PE ratio of the company is are high and shows an increasing trend and the Debt to equity ratio is also increasing.

Conclusion

Fundamental analysis is a procedure to analysis the market circumstance and the presentation of the stocks to settle on the correct choice of putting resources into the correct stocks at perfect time.

There is consistently a need to consider and examine shares before putting into it. Fundamental analysis contemplates the fundamental parts of the economy, industry and the company all in all. Fundamental analysis is for long haul speculators who need to put resources into the stocks for a longer period of time.

In fundamental analysis we study the past annual reports and the exhibition of the company to estimate the fate of that specific company. Contemplating the monetary reports of the company gives the data about the development of the company by which future development forecasts should likewise be possible.

For the economic analysis the GDP, interest rate, inflation rate etc. were analysed. The industry analysis was done on the basis of porter's five force model and for the company analysis the annual reports of the selected company were taken to calculate the important ratios like net profit margin, PE ratio, dividend yield and also EPS and DPS were calculated to have the understanding about the performance of the companies.

The biggest part of fundamental analysis is delving into the financial statements. Also known as the quantitative analysis. In the process of this project it helped me to learn the analysis of financial statements of company and extracting the necessary information. And how to carry out the fundamental analysis and to choose a suitable share for investing.

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