



A study on equity analysis of selected companies in India

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Abstract

Equity analysis is very crucial and critical aspect in valuation of the firm and helps in investment decision making process. It required specialized knowledge and skills in assessing the company's real value and worth. Therefore, present study focused on the valuation of company through equity analysis techniques ratios such as P/EG, P/E, RONW, ROI, ROLF and NPM for the period of five years 2021-2025. The study found that, valuation variations in the selected companies during the study period. The hypothesis outcome is evidence for acceptance null hypothesis i.e. insignificant variations in the selected companies during the study period.

Keywords: Equity analysis, valuation of company, investment

Introduction

Equity analysis plays a crucial role in the world of finance, enabling investors and analysts to assess the value and a company's stock's potential. A thorough analysis of financial statements, market trends, the competitive environment, and other pertinent elements are all part of this process. The goal of equity analysis is to ascertain if a company's stock is overpriced, undervalued, or adequately priced by utilizing a variety of tools, procedures, and financial ratios. The main ideas and methods necessary to comprehend stock analysis and become a more informed investor will be covered in this blog. Now let's explore the realm of equity analysis. The process of assessing a company's overall performance, growth potential, and financial health in order to make well-informed investment decisions is called equity analysis, sometimes referred to as stock analysis or share analysis. To determine a company's stock's fair worth and forecast its possible future performance, investors use equity analysis. Analysts look for ways to reduce risks and find profit possibilities by analyzing a variety of financial data and market trends. It's crucial to comprehend the two main methods of equities analysis—fundamental analysis and technical analysis—before going further. In order to determine a company's intrinsic value, this approach examines its financial statements, business plan, competitive advantages, managerial caliber, and economic considerations. The elements that could affect the company's future cash flows and profitability are examined by fundamental analysts. The fundamental analysis makes use of the following key metrics.

The process of obtaining data about a business and thoroughly examining it with the goal of comprehending its potential for expansion and financial stability is known as equity analysis. Predicting the company's capacity to produce a profit and generate the greatest returns over the short and long terms is another aspect of it. Market psychology, investor behavior, industry news, updates, and the general opinion of the investor community toward the underlying stock are all included in the qualitative and quantitative components of the equity research. In addition to making the future more clear, the research assists in determining if the stock is overpriced, undervalued, or adequately priced. Based on this information, investors can decide whether to invest in it or not, anticipating the risks

involved. Equity is significant because it shows how much an investor's part in a company is worth. Shareholders who own firm shares are eligible to receive dividends and capital gains. Shareholders who own equity will also have the ability to vote on board of director elections and company actions. These advantages of equity ownership encourage shareholders' continued involvement in the business. Positive or negative shareholder equity is possible. If positive, the business's assets exceed its liabilities. If negative, the company's obligations are greater than its assets; if this situation persists, it is referred to as balance sheet insolvency. Companies having negative shareholder equity are generally seen by investors as dangerous or risky ventures. Investors can effectively assess an organization's financial health by combining shareholder equity with other tools and measures. Shareholder equity alone is not a reliable predictor of a company's financial health.

Literature Review

The purpose of this research is to investigate the fundamental analysis of a few chosen IT companies that are listed on the NSE. There are three sections to the study of fundamental analysis. Basic elements such as GDP, IIP, fiscal deficit, inflation, current account deficit, etc. are all covered in economic analysis. Industry analysis Porter's five forces model, industry type, government intervention, and entry obstacles are used to analyze the Indian IT sector. Lastly, a number of statistics are utilized in company analysis, including the debt-to-equity ratio, EPS, P/E ratio, and dividend payout ratio. Additionally, it focuses on calculating the intrinsic value of shares and comparing it to market value (Silp Arya Mol & A. Samiily, 2017). Using financial and fundamental analytical tools, assess the performance of the chosen firm and compare it to that of its top technology industry peers. The first chapter describes the theoretical foundation of financial and fundamental reports; the second portion shows the technology industry in the context of the region's current financial and economic conditions; and the last section offers the final investment recommendations and values. Prince Zaverkena, Elie Hake (2020). The study, "Fundamental Analysis of Five Major Companies in the Information Technology Sector," will help investors understand the tactics they might employ while trading stocks. Based on a company's fundamentals,

investors can use fundamental analysis to assess how well it is functioning. The well-developed Indian capital markets offer a wide range of investment options. Shukla Sakshi (2021). For instance, economic, industry, and company analysis are the three main components of EIC that make up fundamental analysis.

The organization analysis of the top ten pharmaceutical companies is the main focus of this investigation. The market capitalization of an International Journal of Research Publication and Reviews, Vol (5), Issue (5), May (2024) Page – 10263-10271 10265 company is calculated by multiplying the market value of the company by the number of shares. Fundamental analysis indicates where an investor should make long-term investments. Pavan, B. N. L. (2023). Fundamental Analysis of Financial measures on Stock Prices: This study examines in further detail how financial measures, such as Return on Assets (ROA), Net Profit Margin (NPM), and Debt to Equity Ratio (DER), affect stock prices both before and after financial statements are released. The impact of ROA and NPM on stock prices after publishing was found to be larger than before publication, however the effect of DER was found to be the opposite, according to panel data using STATA. These findings indicate that investors continue to utilize financial measures as a benchmark in their stock market purchases. Deden Tarmidil Rachmat Pramukty, Taufik Akbar (2018) Fundamental analysis is simply analyzing the causes that will undermine the prosperity of businesses, industry associations, and the economy. The value of a company's stock will be determined using this system. It can also be used to determine the value of any type of security, including cash or securities. Examining those monetary and economic aspects is part of this fundamental deconstruction transformation. A security's intrinsic value will also be determined by additional qualitative and quantitative factors that have been linked to it in this manner. J.V.V. Meghanath, 3C.H. Sathyaja, K.S. Sekhara Rao, and Bhavani (2018). The Function of Company Fundamental Analysis in Investment Management: Fundamental analysis is a technique for evaluating a company's financial statements to ascertain whether investing in it would be profitable. This article's research goal is to demonstrate the value of fundamental analysis in the field of management while assessing possible investments.

Need of the study

Equity analysis is very crucial analysis part in investment process in assessing the valuation of the company. It is helps to find whether a company overvalued or undervalued or fairly valued.

If company is overvalued then investors decided not to investment in the company with expectation of decreased in share price in future, in the contrast, if firm is undervalued then he purchased shares and hold it until it generates returns. Thus, present study has focused on the equity valuation of selected companies in India.

Objectives of the study

- To analyze the price to earnings growth (P/EG) ratio of selected companies in India
- To evaluate the price to earnings (P/EG) ratio of selected companies in India
- To analyze the price Return of Net worth ratio (RONW) of selected companies in India
- To analyze the price Net Profit Margin (NPM)ratio of selected companies in India
- To assess the price Return on Investment (ROI) ratio of selected companies in India
- To analyze the price Return on Long term funds (ROLF) ratio of selected companies in India

Hypothesis: The study formulated the following null hypothesis where alternative hypothesis is implied

H₁: There is significant variation in P/EG ratio between and within the selected companies in India

H₂: There is significant variation in P/E ratio between and within the selected companies in India

H₃: There is significant variation in ROI ration between and within the selected companies in India

H₄: There is significant variation in RONW ratio between and within the selected companies in India

H₅: There is significant variation in ROLF ratio between and within the selected companies in India

H₆: There is significant variation in NPM ratio between and within the selected companies in India

Research methodology

Present study is purely based on the secondary data computed on the data collected from the company annual reports for the period of 2020-21 to 2024-25 which is five years study period. The sample companies comprised in the study are ITC, SBI, HDFC, Canara bank and Axis bank selected by using purposively and convenient sampling technique. The research variables included in the study are price to earnings growth, price to earnings ratio, return on newt worth, return on long term funds, return on investment and net profit margin ratios. In the study hypothesis are examined through ANOVA single factor.

Data Analysis and Interpretation

Table 1: PEG Ratio of selected Companies during the period of 2021-2025(%)

Company	2020-21	2021-22	2022-23	2023-24	2024-25	AVG
ITC	1.86	2.80	1.80	1.65	0.56	1.73
SBI	1.78	0.73	0.29	0.19	0.14	0.63
HDFC	0.05	0.05	0.05	0.05	0.05	0.05
CANARA	0.13	0.13	0.13	0.13	0.13	0.13
AXIS	0.07	0.07	0.07	0.07	0.07	0.07
AVG	0.78	0.76	0.47	0.42	0.19	0.52
Annova: Single Factor						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	1.219489	4	0.304872	0.452795	0.769223	2.866081
Within Groups	13.46623	20	0.673312			
Total	14.68572	24				

Source: Computed from the company Annual Reports

Table 2: P/E Ratio of selected Companies during the period of 2021-2025 (%)

Company	2020-21	2021-22	2022-23	2023-24	2024-25	AVG
ITC	19.69	34.16	27.16	26.94	15.63	24.72
SBI	40.68	26.00	16.07	13.32	11.43	21.50
HDFC	2.70	3.19	3.78	4.10	4.21	3.60
CANARA	2.17	4.17	7.49	10.29	2.41	5.30
AXIS	1.63	3.13	2.29	5.94	6.28	3.85
AVG	13.37	14.13	11.36	12.12	7.99	11.79
Annova: Single Factor						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	113.4654	4	28.36636	0.194484	0.938405	2.866081
Within Groups	2917.084	20				
Total	3030.55	24				

Source: Computed from the company Annual Reports

Table 3: ROI Ratio of selected Companies during the period of 2021-2025 (%)

Company	2020-21	2021-22	2022-23	2023-24	2024-25	AVG
ITC	29.16	32.36	36.56	36.50	38.34	34.58
SBI	8.86	12.33	16.75	17.46	17.13	14.51
HDFC	15.27	15.39	15.74	13.89	13.53	14.76
CANARA	5.05	9.85	16.03	18.69	18.22	13.57
AXIS	6.48	11.32	7.66	16.54	14.76	11.35
AVG	12.96	16.25	18.55	20.62	20.40	17.75
Annova: Single Factor						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	205.0388	4	51.2597	0.529924	0.715129	2.866081
Within Groups	1934.606	20	96.73028			
Total	2139.644	24				

Source: Computed from the company Annual Reports

Table 4: Return on Net worth of selected Companies during the period of 2021-2025(%)

Company	2020-21	2021-22	2022-23	2023-24	2024-25	AVG
ITC	51.83	28.47	28.05	25.06	22.74	31.23
SBI	17.13	17.46	16.75	12.33	8.86	14.51
HDFC	13.53	13.89	15.74	15.39	15.27	14.76
CANARA	18.22	18.69	16.03	9.85	5.05	13.57
AXIS	14.76	16.54	7.66	11.32	6.48	11.35
AVG	23.09	19.01	16.85	14.79	11.68	17.08
Annova: Single Factor						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	339.2873	4	84.82183	0.850574	0.515146	3.055568
Within Groups	1495.846	15	99.72306			
Total	1835.133	19				

Source: Computed from the company Annual Reports

Table 5: Return on long term funds of selected companies during the period of 2021-2025(%)

Company	2020-21	2021-22	2022-23	2023-24	2024-25	AVG
ITC	0	0	0	0	0	0
SBI	94.43	96.38	84.86	77.19	79.02	86.38
HDFC	53.51	50.43	47.54	43.63	47.92	48.6
CANARA	112.69	117.95	101.55	90.24	96.6	103.81
AXIS	57.48	61.59	47.3	44.88	42.53	50.76
AVG	63.62	65.27	56.25	51.19	53.21	57.91
Annova: Single Factor						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	783.9492	4	195.9873	0.120933	0.973379	2.866081
Within Groups	32412.63	20	1620.632			
Total	33196.58	24				

Source: Computed from the company Annual Reports

Table 6: Net Profit Margin of selected companies during the period of 2021-2025 (%)

Company	2020-21	2021-22	2022-23	2023-24	2024-25	AVG
ITC	50.77	31.2	28.39	26.72	28.65	33.15
SBI	15.33	14.71	15.12	11.49	7.69	12.87
HDFC	22.41	23.53	27.29	28.93	25.73	25.58

CANARA	14.21	13.39	12.56	8.18	3.69	10.41
AXIS	21.49	22.73	11.24	19.33	10.35	17.03
AVG	24.84	21.11	18.92	18.93	15.22	19.81
Annova: Single Factor						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	248.16178	4	62.04045	0.560607	0.693873	2.866081
Within Groups	2213.3302	20	110.6665			
Total	2461.492	24				

Source: Computed from the company Annual Reports

Findings of the Study

- The study observed the Price/Earning-to-growth ratio of ITC Company was 1.86 % in 2020-21 which is increase to 2.80 % in 2021-22, but in 2022-23 and 2023-24 it is decreased to 1.80 and 1.65 % respectively and finally drastically drop to 0.56 % in 2024-25. The study observed the Price/Earning-to-growth ratio of SBI Company was 1.78 % in 2020-21 which is decrease to 0.73 % in 2021-22, but in 2022-23 and 2023-24 it is decreased to 0.29 and 0.19 % respectively and finally drop to 0.14 % in 2024-25. The study observed consistent Price/Earning-to-growth ratio of HDFC bank i.e. 0.05 during entire study period. Similarly, Price/Earning-to-growth ratio of CANARA bank was 0.13 % during the entire study period. Similarly, the Price/Earning-to-growth ratio of AXIS bank was 0.07 % in 2020-21 which is Neutral to 0.07 % in 2021-22, but in 2022-23 and 2023-24 it is Neutral to 0.07 and 0.07 % respectively and finally Neutral to 0.07 % in 2024-25
- The study observed the P/E ratio of ITC company was 19.69 % in 2020-21 which is increased to 34.16 % in 2021-22 , but in 2022-23 and 2023-24 it is decreased to 27.16 and 26.94 % respectively and finally dropped to 15.63 % in 2024-25 The study observed the P/E ratio of SBI Bank was 40.68 % in 2020-21 which is decrease to 26 % in 2021-22 , but in 2022-23 and 2023-24 it is decreased to 16.07 and 13.32 %s respectively and finally dropped to 11.43 % in 2024-25. Similarly, P/E ratio of HDFC Bank was 2.7 % in 2020-21 which is increase to 3.19 % in 2021-22, but in 2022-23 and 2023-24 it is increased to 3.78 and 4.1 %s respectively and finally highly increased to 14.21 % in 2024-25. In the similar line, the P/E ratio of CANARA Bank was 2.17 % in 2020-21 which is increase to 4.17 % in 2021-22, but in 2022-23 and 2023-24 it is increased to 7.49 and 10.29 %s respectively and finally dropped to 2.41 % in 2024-25. Similarly, P/E ratio of AXIS Bank was 1.63 % in 2020-21 which is increase to 3.13 % in 2021-22, but in 2022-23 and 2023-24 it is increased to 2.29 and 5.94 %s respectively and finally increased to 6.28 % in 2024-25.
- The study observed the Return on Investment ratio of ITC Company was 29.16 % in 2020-21 which is increase to 32.36 % in 2021-22, but in 2022-23 and 2023-24 it is increased to 36.56 and 36.5 %s respectively and finally increased to 38.34 % in 2024-25. The study observed the Return on Investment ratio of SBI Bank was 8.86 % in 2020-21 which is increase to 12.33 % in 2021-22, but in 2022-23 and 2023-24 it is increased to 16.75 and 17.46 % respectively and finally decreased to 17.13 % in 2024-25. Similarly, ROI of HDFC Bank was 15.27 % in 2020-21 which is increase to 15.39 % in 2021-22, but in 2022-23 and 2023-24 it is increased to 15.74 and decreased 13.89 %s respectively and finally decreased to 13.53 % in 2024-25. Similarly, ROI off CANARA Bank was 5.05 % in 2020-21 which is increase to 9.85 % in 2021-22, but in 2022-23 and 2023-24 it is increased to 16.03 and 18.69 %s respectively and finally decreased to 18.22 % in 2024-25. Similarly, ROI ratio of AXIS Bank was 6.48 % in 2020-21 which is increase to 11.32 % in 2021-22, but in 2022-23 and 2023-24 it is decreased to 7.66 and 16.54 %srespectively and finally decreased to 14.76 % in 2024-25.
- The study observed the Return on Net Worth ratio of ITC Company was 51.83 % in 2020-21 which is decreased to 28.47 % in 2021-22, but in 2022-23 and 2023-24 it is decreased to 28.05 and 25.06 % respectively and finally dropped to 22.74 % in 2024-25. Similarly, Return on Net Worth ratio of SBI bank was 17.13 %s in 2020-21 which is increased to 17.46 %s in 2021-22, but in 2022-23 and 2023-24 it is decreased to 16.75 and 12.33 %s respectively and finally dropped to 8.86 %s in 2024-25. The study observed the Return on Net Worth ratio of HDFC bank was 13.53 %s in 2020-21 which is increased to 13.89 %s in 2021-22, but in 2022-23 and 2023-24 it is decreased to 15.73 and 15.39 %s respectively and finally increased to 15.27 % in 2024-25. Similarly, RONW ratio of Canara bank was 18.22 % in 2020-21 which is increased to 18.69 % in 2021-22, but in 2022-23 and 2023-24 it is decreased to 16.03 and 9.85 %s respectively and finally dropped to 5.05 % in 2024-25. Similarly, RONW ratio of Axis bank 14.76 % in 2020-21 which is increased to 16.54 % in 2021-22, but in 2022-23 and 2023-24 it is decreased to 7.66 and 11.32 %s respectively and finally dropped to 6.48 % in 2024-25.
- The study observed the Return on Long Term Funds of SBI bank was 94.43 % in 2020-21 which is increased to 96.38 % in 2021-22, but in 2022-23 and 2023-24 it is decreased to 84.86 and 77.19 %s respectively and finally slightly rises to 79.02 % in 2024-25. Similarly, Return on Long Term Funds of HDFC bank was 53.51 % in 2020-21 which is decreased to 50.43 % in 2021-22, but in 2022-23 and 2023-24 it is decreased to 47.54 and 43.63 %s respectively and finally slightly climbs to 47.92 % in 2024-25. In the similar line, Return on Long Term Funds of Canara bank was 112.69 % in 2020-21 which is increased to 117.95 % in 2021-22, but in 2022-23 and 2023-24 it is decreased to 101.55 and 90.24 %s respectively and finally increased to 96.6 % in 2024-25. Similarly, Return on Long Term Funds of Axis bank was 57.48 % in 2020-21 which is increased to 61.59 % in 2021-22, but in 2022-23 and 2023-24 it is decreased to 47.3 and 44.88 %s respectively and finally decreased to 42.53 % in 2024-25.

6. The study observed the Net Profit Margin Ratio of ITC Company was 50.77 % in 2020-21 which is decreased to 31.2 % in 2021-22, but in 2022-23 and 2023-24 it is decreased to 28.39 and 26.72 %s respectively and finally decreased to 28.65 % in 2024-25. Similarly, NPM Ratio of SBI bank was 15.33 % in 2020-21 which is decreased to 14.71 % in 2021-22, but in 2022-23 and 2023-24 it is decreased to 15.12 and 11.49 % respectively and finally decreased to 7.69 % in 2024-25. Net Profit Margin Ratio of HDFC bank was 22.41 % in 2020-21 which is increased to 23.53 % in 2021-22, 27.29 and 28.93 % respectively in next two years and but in final year decreased to 25.73 % in 2024-25. Similarly, Net Profit Margin Ratio of CANARA bank was 14.21 % in 2020-21 which is decreased to 13.39 % in 2021-22, even in 2022-23 and 2023-24 it is decreased to 12.56 and 8.18 % respectively and finally further dropped to 3.69 % in 2024-25. Similarly, Net Profit Margin Ratio of Axis bank was 21.49 % in 2020-21 which is increased to 22.73 % in 2021-22, but in 2022-23 and 2023-24 it is decreased to 11.24 and again increased to 19.33 % respectively and finally decreased to 10.35 % in 2024-25
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Hypothesis Result: The study used ANOVA single factor analysis for hypothesis testing. The statistical outcome evidence that calculated p-value is higher than standard value of 0.05 in the case of all selected research variables. Thus, the study found there is insignificant variation in selected research variables within and between the selected companies. Thus, the study supports the null hypothesis in all ratios and rejected alternative hypothesis.

Conclusion

Equity analysis plays a crucial role in the world of finance, enabling investors and analysts to assess the value and a company's stock's potential. A thorough analysis of financial statements, market trends, the competitive environment, and other pertinent elements are all part of this process. Equity analysis is very crucial analysis part in investment process in assessing the valuation of the company. It is helps to find whether a company overvalued or undervalued or fairly valued. Therefore, present study focused on the valuation of company through equity analysis techniques ratios such as P/EG, P/E, RONW, ROI, ROLF and NPM for the period of five years 2021-2025. The study found that, valuation variations in the selected companies during the study period. The hypothesis outcome is evidence for acceptance null hypothesis i.e. insignificant variations in the selected companies during the study period.

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