



A STUDY ON FUNDAMENTAL ANALYSIS WITH SPECIAL REFERENCE TO MNCS COMPANIES, CHENNAI

***Mr.P.Anbarasan, Assistant Professor, Tagore Engineering College, Chennai**

****Dr.P.Priyadarsini, Professor & Head, Tagore Engineering College, Chennai**

ABSTRACT

A Systematic assessment of the past performance and the expected future performance of an economy or an industry or a company is known as fundamental analysis. Fundamental analysis is undertaken with respect to the three components such as the economy in industry, company & in share market. Fundamental analysis makes an estimate of future share price and dividends of an equity stock and the analysis is based on assumptions that the price movements of an equity stock is based on certain fundamental factors such as the global economic conditions, general state of the economy and performance of the industry in general and the company in particular. An analysis attempts to capture the intrinsic value of an equity stock as measured by its present and future earnings.

Keywords: Fundamental, Stock Market, Equity Market, Investment, Buying & Selling.

INTRODUCTION:

Fundamental Analysis is the macro level study of all the economics of the world taken together. Global economic analysis tends to project a general picture of the economic development experienced by the world in general.

The broad macro- economic indicators on the basis of which an analysis can be done in the following:

- Gross domestic Product
- Rate of Inflation
- Per capita Income
- Unemployment level
- Balance of Payments

Fundamental Analysis is a holistic approach to study a business. When an investor wishes to invest in a business for the long term (3-5 years) it becomes extremely essential to understand the business from various perspectives. It is critical for an investor to separate in daily short term noise in the stock prices & concentrate on the underlying Business performance.

We have such examples in the Indian market such as Infosys, TCS, Page Industries, Bosch India, and Nestle India. Here are long term charts of Bosch India, TCS that can set you thinking about long term wealth creation and each of these companies have delivered on an average over 20% compounded annual growth return (CAGR).



Fundamental analysis is the technique that gives you the conviction to invest for a long term by helping you to identify these attributes of wealth creating companies.

- Quantitative – capable of being measured or expressed in numerical terms.
- Qualitative – related to or based on the quality or character of something, often as opposed to its size or quantity.

ABOUT FUNDAMENTAL ANALYSIS IN MNC COMPANIES:

SWOT ANALYSIS IN TCS:

Strength:

- High command on local and domestic market
- Strong brand backing
- Strong Ethics
- Brand image is quite strong in markets it serves

Weakness:

- Not very strong in product segment

Opportunities:

- Emerging markets
- Repeat Business from existing clients

Threats:

- Attrition and employee loyalty
- Bigger MNC entering India & competing of global clients

MNCs are those companies in which the foreign shareholding is over 50% and the management control is vested in the foreign company. MNC stocks are known for their good image, strong parentage, strong technological proficiency and asset-light business models. These companies are usually well-capitalized and have low debt exposures and also decent dividend policies. MNCs are present in key sectors of the Indian economy and Have played an important role in development of the economy by bringing in the largest technologies and know-how.

OBJECTIVES OF THE STUDY:**PRIMARY OBJECTIVES:**

“A Study on Fundamental Analysis with special reference to MNCs Companies, Chennai”.

SECONDARY OBJECTIVES:

- To identify the each source of variation in regression analysis.
- To analyze the factors that affects the financial performance of the MNCs companies.
- To find out the company future trends through the methods of fundamental analysis.
- To analyze the existing MNCs Company’s fundamental analysis reports for comparison.

SCOPE OF THE STUDY:

- The study is totally dependent on the data collected from the secondary source. The major work in the concept of equity research lies in identification of variables that influence the stock prices which will be helpful for the investor to generate the better returns on the investments It is not clear as to how the results would generate to sample of firms for different industries with valid characteristics. So the results of the study can be reinforced to assess the performance with the inclusion of few more variables and applying to different indices or firms or industries.

NEED OF THE STUDY:

- Fundamental value or intrinsic value is very important in an investment. The intrinsic value of the stock does not refer to market value but refers to the natural value of the stock. Through fundamental analysis, we can arrive at the fundamental value of the stock which enhances the understanding of different stock to investors and this value is very important at the time of investment to take a rational decision in investing in a stock.

REVIEW OF LITERATURE:

J Hema and V Ariram in their research paper titled, “Fundamental analysis with special reference to pharmaceutical companies listed in NSE” stated that an investor should analyze the pharmaceutical industry in India.

Ahmed s Wafi, Hassan Hassan and Abel Mabrouk in their learning headed, “Fundamental analysis models in financial market” presented in their economic and finance conference in Rome. This paper aims to find the better stock valuation model using the fundamental analysis approach.

RESEARCH METHODOLOGY:

Research Methodology is a way to systematically solve the research problem and need to know how to develop test, out to calculate analysis of variance, how to apply research techniques. Weighted average, but they also need to know which of these methods are techniques are relevant and which or not, and what would they mean & indicate & why.

RESEARCH DESIGN:

The study is based on secondary data. Data pertaining behavior of liquidity solvency and profitability position were collection from the balance sheets and profit & loss account. The necessary data were obtained from published annual reports.

ANALYTICAL RESEARCH:

The research design used in this project is analytical in nature the procedure using which researcher has to use facts or information already available to make a critical evaluation of the performance.

TECHNIQUES USED FOR ANALYSIS:

- Comparative Balance sheet
- Ratio Analysis
- Trend Analysis
- Current Reports for analyzing future trends

COMPARATIVE STATEMENT BALANCE SHEET

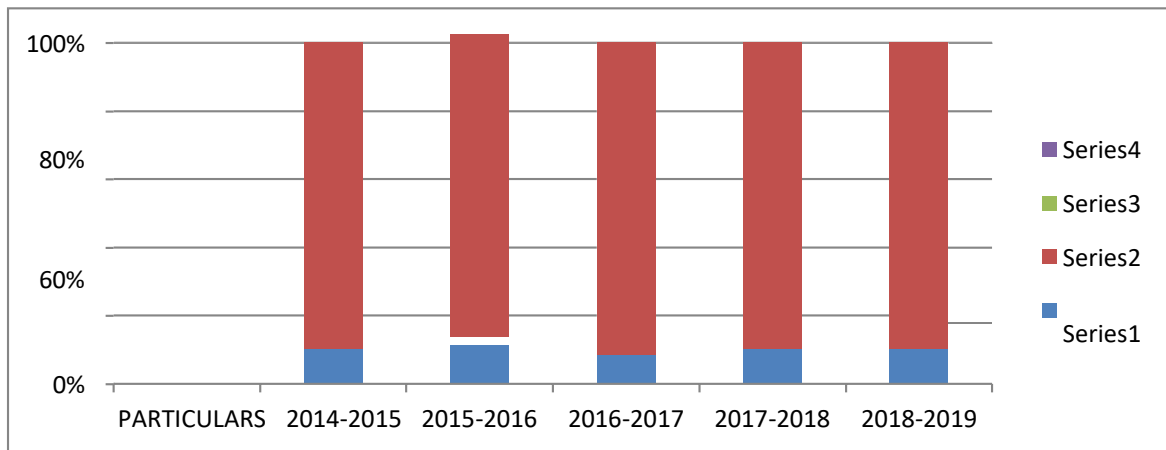
PARTICULARS	2018-2019	2014-2015	INC/DEC	INC/DEC%
Current asset				
Debtors	90.34	562.17	0.160699	0.177882
Cash and bank	47.29	480.58	0.098402	0.208082
Inventories	633.38	645.52	0.981193	0.154914
Other current assets	252.45	1074.08	0.235038	0.093103
TOTAL CURRENT ASSETS (A)	1023.46	2762.35	0.370503	0.036201
Fixed assets				
Net fixed asset	2324.32	2728.13	0.851983	0.036655
Investment	7840.52	917.09	8.549346	0.109041
Other current assets	198.53	1074.08	0.184837	0.093103
TOTAL FIXED ASSETS (B)	10363.37	4719.3	2.195955	0.02119
TOTAL ASSETS (A+B)	11386.83	7481.65	1.521968	0.013366
Current liabilities				
Non-current liabilities	370.01	-	370.01	100
Current liabilities	2098.1	2567.3	0.81724	0.038951
TOTAL LIABILITIES (C)	2468.11	2567.3	0.961364	0.038951

INFERENCE:

From the above table it is inferred that, value was decreased by 1023.46 in a current asset 2018-2019 & in current liabilities compared to 2014-2015 the value was increased by 2567.3 on the whole financial position is under control and the financial position of the company is not satisfactory.

CALCULATION OF CURRENT RATIO

PARTICULARS	CURRENT ASSETS	CURRENT LIABILITIES	CURRENT RATIO
2014-2015	311.95	2755.55	0.113207889
2015-2016	465.89	3653.09	0.127533129
2016-2017	497.34	5345.07	0.093044619
2017-2018	792.7	7030.07	0.112758479
2018-2019	1023.46	8918.72	0.114754135

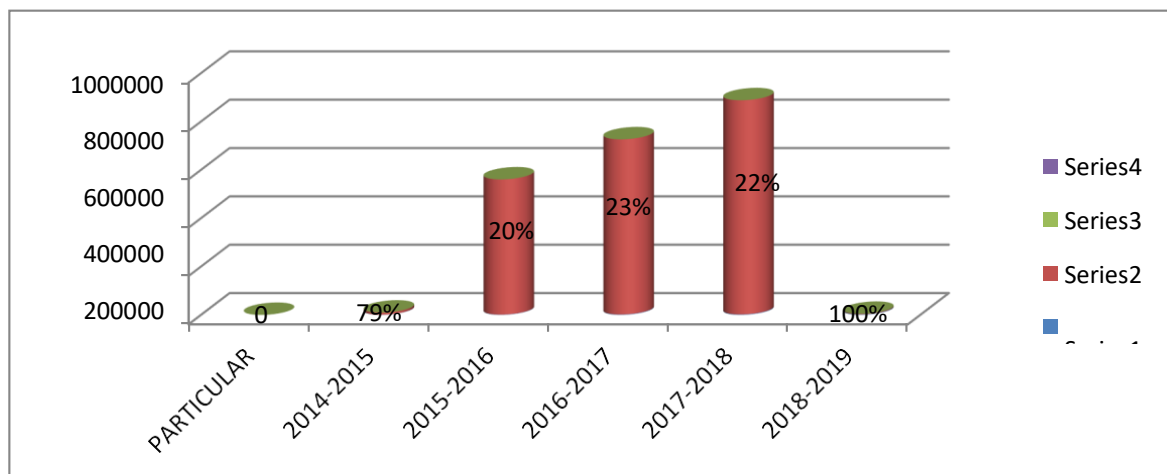


INFERENCE:

From the above table it is inferred that the current ratio value was 0.11 in the year 2014-15, The value was 0.12 in the year 2015-16, the value was 0.09 2016-17, in the year the value was 0.11 in the year 2017-18, in the year the value was 0.11 in the year 2018-19.

CALCULATION OF NET PROFIT RATIO

PARTICULAR	NET PROFIT	NET SALES	PERCENTAGE
2014-2015	701.74	8845	79%
2015-2016	1143.61	559436	20%
2016-2017	1667.08	724739	23%
2017-2018	1959.67	886053	22%
2018-2019	2202.73	2202	100%

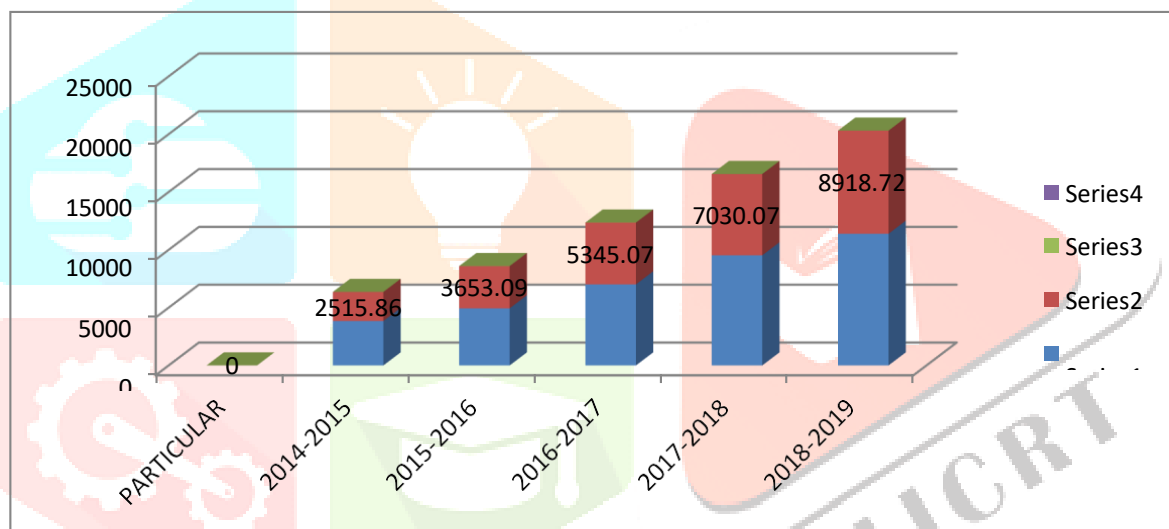


INFERENCE:

From the above table it is inferred that the net profit ratio value was 79% in the year 2014-15, the value was 20% in the year 2015-16, the value was 23% in the year 2016-17, the value was 22% in the year 2017-18, the value was 100% in the year 2018-19.

CALCULATION OF DEBT EQUITY RATIO

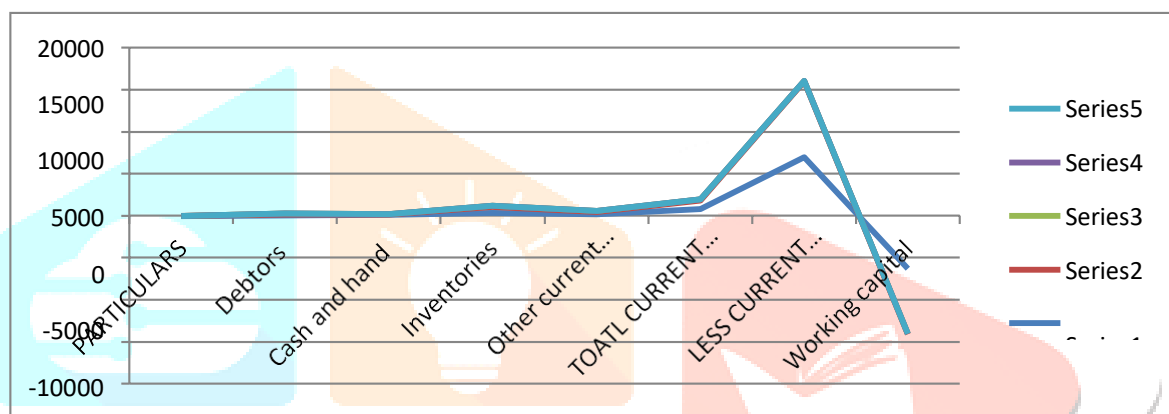
PARTICULAR	TOTAL LIABILITY	TOTAL SHARE HOLDER'S EQUITY	PERCENTAGE
2014-2015	3840.27	2515.86	152%
2015-2016	4939.01	3653.09	135%
2016-2017	7009.08	5345.07	131%
2017-2018	9522.23	7030.07	135%
2018-2019	11386.83	8918.72	127%

**INFERENCE:**

From the above table it is inferred that the debt equity ratio value was 152% in the year 2014-15, the value was 135% in the year 2015-16, the value was 131% in the year 2016-17, the value was 135% in the year 2017-18, the value was 127% in the year 2018-19.

CALCULATION OF TREND ANALYSIS

PARTICULARS	YEAR2017-2018	YEAR2018-2019	TREND PERCENTAGE
Debtors	68	90.34	132.8529412
Cash and hand	103.06	47.29	45.88589171
Inventories	394.64	633.38	160.4956416
Other current ratio	227	252.45	111.2114537
TOATL CURRENT ASSETS	792.7	1023.46	129.1106345
LESS CURRENT LIABILITIES	7030.07	8918.72	126.8653086
Working capital	-6237.37	-7895.26	126.5799528

**INFERENCE:**

From the above table it is inferred that the trend analysis value 132 in the year 2017-18 the value was 126 in the year 2018-19.

FINDINGS OF THE STUDY:

- It is found that, the value decrease in a total assets 2762.35 in a current assets 2014-2015 The current liabilities compared to 2015-2016 increased value in 1212.32 on the whole financial position is under control and the financial position of the company is not satisfactory.
- It is found that, the value was decreased by 1023.46 in a current asset 2018-2019 & in current liabilities compared to 2014-2015 the value was increased by 2567.3 on the whole financial position is under control and the financial position of the company is not satisfactory.
- It is found that the debt equity ratio value was 152% in the year 2014-15, the value was 135% in the year 2015-16, the value was 131% in the year 2016-17, the value was 135% in the year 2017-18, the value was 127% in the year 2018-19.

- It is found that the trend analysis value is 5.80 in the year 2014-15, the value was - 129 in the year 2015-16.

LIMITATION OF THE STUDY:

- Many facts & data's are not disclosed properly because of the confidential nature.
- Various techniques, ratio statistical tools used in this study will have its own limitation.
- Time- consuming models often produce valuation that are contradictory to the current price prevailing on the exchange.
- Future uncertainties.

SUGGESTIONS:

- The overall analysis shows about the company performing better but not excellent for various reasons. The company may concentrate to increase the return on investment percentage.
- The firm may increase investment in current asset to create sufficient securities for the current liabilities.
- The company can maintain the sufficient cash position to meet its current requirements.

CONCLUSION

The corporate fundamental analysis is concluded that the overall the fundamental analysis is increase the volume of sales and earn more profit in future years. Fundamental analysis hold that no investment decision should be without processing & analysing all relevant information and fundamental analysis can be valuable, but it should be approached with caution. This analysis is carried out in IT Sector, their profit & loss account & balance sheet. I shall suggest investor to invest in TCS & Infosys.

REFERENCES:

- Dimitris N. Chorafas (2004). The management of equity investments. Butterworth-Heinemann; Business and Economics.
- Edwin J. Elton, Martin J. Gruber, Stephen J. Brown, William N. Goetz Mann (2014). Modern Portfolio Theory and Investment Analysis, 9th Edition.
- Investment Analysis & Portfolio Management- Prasanna Chandra.
- Investments: By SHARPE AND ALEXANDER

- Security Analysis & Portfolio Management- Prasanna Chandra.

Newspapers:

- Economic Times of India.

Websites:

www.Moneycontrol.com

www.TCS.COM

WWW.INFOSYS.COM

WWW.nse.com

www.bse.com

www.sebi.com

www.rbi.com

