

A Study on Equity Analysis of Selected Nationalized Banks

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Abstract- Equity analysis is to supply info to the investors within the markets. associate economical market relies on info. In today's state of affairs, most investors square measure tending to take a position available market. The main aim of this project is to equity analysis on banking sector and to search out the opportunities of investment in these sectors wherever returns may be maximized. As firms grow their shareholders square measure benefited with smart dividend and capital appreciation on investment in equity shares of such firms. range of firms listed available exchange (BSE&NSE) has been increasing per annum with new IPOs coming back within the market. This report starts from the elemental analysis wherever EIC (Economy, Industry, and Company) analysis of the three banks (SBI, BANK OF BARODA,PNB). basic analysis could be a methodology of measure a security's intrinsic worth by examining connected economic and money factors. basic analysts study something that may affect the security's worth, from economic science factors like the state of the economy and industry conditions to economic science factors just like the effectiveness of the company's management. Then the technical analysis is of the highest banks has been done. Technical analysis is employed to review stock chart pattern of those banks. The determined patterns square measure tested with numerous oscillators and decision concerning explicit stock is created. supported these factors, a trend of a specific stock is observed. Then the participation of chosen banks in share market and examination the performance of chosen banks within the share market.

Keywords- Banking, Equity Analysis, Fundamental Analysis.

I. INTRODUCTION

Equity is that the interest of investors within the business concern. The investors will own equity shares during a firm within the sort of common shares or preference shares. On a company's balance sheet equity is diagrammatic by common shares, preference shares, paid in capital and maintained earnings. The equity are often calculated by subtracting total liabilities from total assets. Equity Analysis: Equity or stock analysis may be a term that refers to the analysis of explicit mercantilism instrument within the investment sector or market as a full. There square measure 2 varieties of equity analyses.

1. Fundamental Analysis 2. Technical Analysis

Fundamental Analysis: elementary Analysis is that the analysis of various forces that have an effect on the health of the economy within the business teams and firms. the elemental analysis main goal is to drive forecast and exploit future worth movements and it's going to involve examination of monetary information, management, business construct and competition. For the national economy elementary analysis would possibly specialize in economic information to assess this and future growth of the economy to forecast future stock costs, future price, and stocks value. the Fundamental analysis inspect maximize perceived costs, concentrates on information from sources as well as money records, economic records, company assets and market shares. Fundamental analysis involves 3 varieties of analysis : (i) Economic Analysis (ii) Industry Analysis (iii) Company analysis

Technical Analysis: Technical Analysis refers to the study of market generated information like costs & volume to determine the long run direction of costs movements. Technical analysis chiefly seeks to predict the short term worth travels. the main focus of technical analysis is principally on the interior market information, i.e. costs & volume information. It appeals chiefly to short term traders. it's the oldest approach to equity investment chemical analysis back to the late nineteenth century. money Ratios from the statements of a company give helpful info on the performance of the corporate. Technical analysis helps to predict trend of the share costs. money quantitative relation analysis may be a tool of financial statement, it simplifies the money statements. quantitative relation Analysis explains relationship between past and gift info.

II. OBJECTIVES

- Fundamental analysis of banking sector.
- Technical analysis of selected banks.
- To study and compare the performance of the SBI, PNB, BOB in NSE.
- To suggest the investors in the concept of investing in equity shares.

III. NEED FOR THE STUDY

Most of the investors invest in share market with no idea or clarity on performing the shares and even they don't have any knowledge about fundamental and technical analysis of share market. The study of my project is conduct fundamental analysis and technical analysis of selected banks and comparing the performance of the selected banks..

IV. SCOPE OF THE STUDY

Scope of the study is covers the banking sectors in India. There is a huge emerging issue of financial condition of banking sector and banks in India. But, study is only going to cover selected three public sector banks in India. The time period is limited from April 2016 to march 2020 as it will give exact impact financial and equity performance of banks. The scope of the project are limited to understanding the basics of fundamental and technical analysis of the selected banks and apply it to take a decision of investing in banking sector.

V. RESEARCH METHODOLOGY

Research methodology means collecting, analyzing interpreting the data. The population of the selected banks is listed from NSE and it is a secondary data sample collection.

VI. REVIEW OF LITERATURE

1. Basu (1977) found that stocks with low price-earnings ratios (P/Es) are higher average returns than stocks with high P/Es, even once dominant for knowledge.

2. Zafar, Chaubey, and Sharma (2011) created a little study on „Indian Social Sector Banks“ by taking the aspects of basic analysis. They used in operation ratio, profits margin, earning per share, dividend per share, D/P quantitative relation and price-earnings quantitative relation in their study. additional analytical tools on come on internet price, current quantitative relation, debt equity quantitative relation and stuck assets turnover quantitative relation were additionally utilized by them to search out out the elemental results of 5 banks (i.e., PNB, SBI, OBC, AB and BOI). They found that these on top of given quantitative relation play a major role in creating the investment call by the various classes of investors. In their findings, OBC was discovered best within the context expenses and high in operation profits. it absolutely was noticed by them that the standard the standard plus was deteriorating marginally.

3. Dr. Virender Koundal (2012) in his paper titled “performance of Republic of Indian banks in Indian monetary

System” concludes that varied reforms have made favorable effects on industrial banks in India, however it's completed that the most important profit is taken by the non-public sector banks and foreign banks whereas public sector banks square measure still insulating material behind on varied monetary parameters.

4. Dr. Sreemoyee Guha Roy (2013) in her study Equity Research: basic and Technical Analysis, examines the economic setting, trade performance associated company performance before creating an investment call. The study received a conclusion concerning the choice creating behavior of the investors.

5. Hanumantha Rao P, Subhendu Dutta (2014) discovered that the last 5-6 years are terribly volatile for not solely the Indian economy, however additionally for the whole world economy. various investors have lost their cash because the stock costs have fallen flat everywhere the planet throughout this era. The banking sector has invariably been one among the vital sectors for investment. within the time of uncertainty, once some square measure dispute that the economies square measure within the method of recovery, and whereas others square measure opining that the planet is about for one more recession presently, this article tried to check the basics of the banking sector in Republic of India. Their article thought-about the variables like internet in operation margin, profits margin, Return on equity, earnings per share (EPS), worth earnings quantitative relation, dividends per share, and dividend payout quantitative relation for a amount of vi years from 2006-07 to 2011- twelve for 3 major banks in Republic of India - SBI, ICICI Bank, and HDFC Bank. The paper additionally compared the basics of SBI, ICICI Bank, and HDFC Bank.

6. P. Devika & Dr. S. Poornima (2015) found in their study of basic Analysis as a technique of Share Valuation as compared with Technical Analysis, envisages on totally different trends of the securities market and it relates the trends towards the usage of basic and Technical analysis.

7. Milan B. Undavia (2016) in his paper titled “Fundamental Analysis of designated Public {and non-public | and personal} Sector Banks in India” found that South Indian Bank is that the best stock from private sector banks for investment purpose & PNB is that the best stock from Public Sector banks for investment purpose.

VII. DATA ANALYSIS AND INTERPRETATION

1. Fundamental Analysis

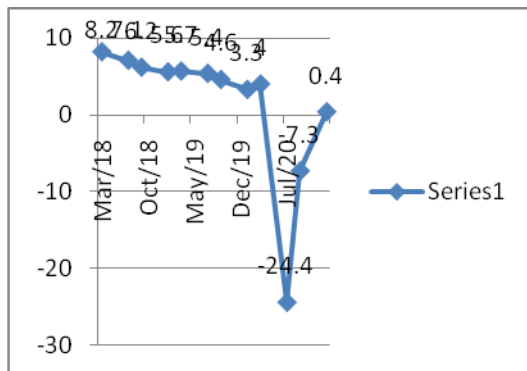
1.1 Economy Analysis

GDP:

The total market value of all final goods and services produced in a country in a given year, anal to total consumer, investment and government spending, plus the value of exports, minus the value of imports. The change in GDP is shown in percentage and it implies the GDP growth rate.

	M	J	S	J	M	J	S	J	M	J	S	J
	a	u	a	a	a	a	a	a	a	a	a	a
	r	l	p	n	r	l	p	n	r	l	p	n
	-	-	-	-	-	-	-	-	-	-	-	-
	1	1	1	1	1	1	1	2	2	2	2	2
	8	8	8	9	9	9	9	0	0	0	0	1
GDP										-	-	
	8	7	6	5	5	5	4	3	4	4	7	0

	2	1	2	6	7	4	6	3	4	4	3	4



Inference:

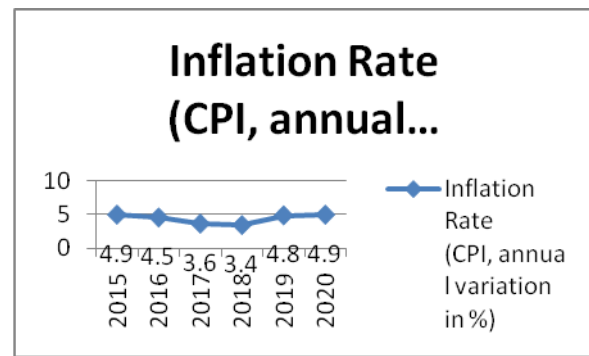
The economy of India grew 0.4% year-on-year within the last 3 months of 2020, slightly below market forecasts of a 0.5% gain. Still, it's the primary growth in 3 quarters because the government opened economic activities in phases from June when a corona virus internment in late-March. throughout covid nineteen pandemic July 2020 value rate is weakened for 4 to -24.4 in negative rate. Then accrued for -7.3 in Sep 2020. Then accrued for 0.4 in Sep 2020.

Inflation rate:

Inflation could be a rise within the general level of costs of products and services in a very economy over a amount of your time. once the value level rises, every unit of currency buys fewer product and services. Inflation is erosion

within the buying of power of cash, a loss of real price within the internal medium of exchange and unit of account within the economy. A live of worth inflation is that the rate of inflation and it's annualized from the value index. Inflation effects on associate degree economy with each positive and negative rates.

	2015	2016	2017	2018	2019	2020
Inflation Rate (CPI, annual variation in %)	4.9	4.5	3.6	3.4	4.8	4.9



Inference:

It is clear from the above that the percentage of inflation rate was continuously decreasing from 4.9% - 3.4% in 2015 to 2018 & in the following years too, but don't have any effective control measures inflation rate has increased to 4.9% in the year 2020. The continuous growth of inflation rate is because of the decrease in the purchasing power of the currency.

1.2 Industry Analysis

SWOT Analysis of Banking Industry

Strength

- Banking Industry is the Oldest Industry
- Financial Stability of Nation
- Supplier of Financial Instruments
- Good Employment Source and Helps in GDP growth
- Financial Assistance
- Diversified services
- Changing from the position of simple savings & credit facilitator
- Connecting People

Weakness

Global Economics Susceptibility
 Lack of coverage in rural areas
 Non Performing Assets

Opportunities

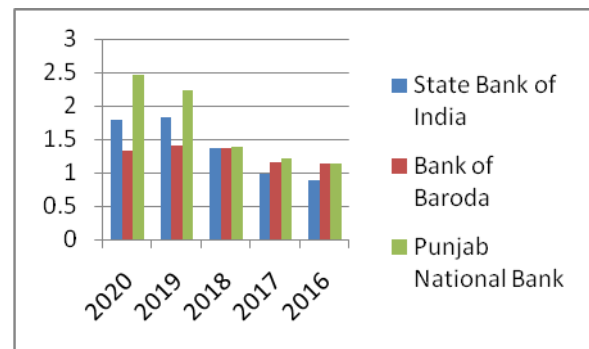
Advancements in Technology
 Opportunities for rural growth
 Societal Evolution
 Lack of Cyber Defense Proper

Threats

Competition Stiff
 Global Uncertainty in Economics
 Recession
 System stability

$$\text{Current Ratios} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

	2020	2019	2018	2017	2016	AVERAGE
State Bank of India	1.78	1.83	1.36	0.99	0.88	1.368
Bank of Baroda	1.33	1.47	1.37	1.16	1.14	1.28
Punjab National Bank	2.47	2.23	1.38	1.22	1.13	1.686



Banking Industry is one in all the quickest ever-changing and growing business within the world. Banks are unit adopting new technologies to extend their business. they need conjointly contributed normally to the world’s economic process. But their own shortcomings, like NPAs and an absence of adequate rural presence, should be tackled. the nice news is that by providing quality service and growing into untapped regions, they'll work towards turning these weakness into opportunities. This would permit them to counter the worldwide challenges of recessions and intense competition additional effectively. Another issue that banks need to pay attention of is making certain that their digital infrastructure is up-to-date and running properly. The banking system can so make sure that it continues its palmy march. Banking is ever-changing thanks to UPI payments and Payment Wallets like PhonePe, Amazon Pay, PayTM, etc.

1.3 Company Analysis

1.3.1 Liquidity ratio:

Current ratio:

The current magnitude relation could be a money magnitude relation that measures whether or not or not a firm has enough resources to pay its debts over consecutive twelve months. It compares a firm’s current assets to its current liabilities. To pay short obligations, it includes inventories. A current magnitude relation of assets to liabilities of 2:1 is typically thought-about to be acceptable.

Interpretation:

From the on top of Table showing this Ratios of the chosen banks, it are often seen that there's a unsteady trend discovered in SBI, BOB, PNB. Thus, it are often seen that geographic region full service bank incorporates a Current magnitude relation of regarding one.68:1 on a median throughout the study amount, that is that the highest among all the chosen corporations and additionally A current magnitude relation of one.5 or on top of is taken into account healthy and is probably going to support a company's share value. On the opposite hand, SBI and Bank of Baroda has very cheap current magnitude relation of regarding one.36:1 and 1.28:1 on a median throughout the study amount.

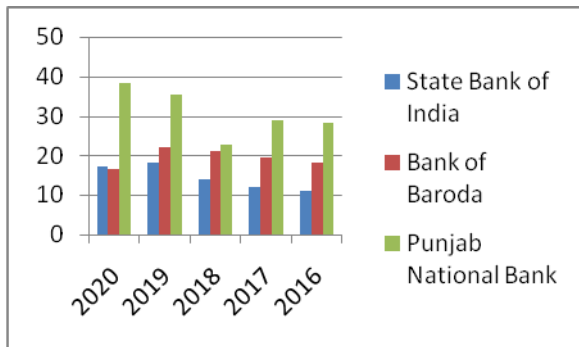
Quick ratio:

An indicator of a company’s short-run liquidity. the fast quantitative relation measures a company’s ability to satisfy its short-run obligations with its most assets. For this reason, the quantitative relation excludes inventories from current assets.

Quick ratio = Current Assets -Inventories

Current Liabilities

	2020	2019	2018	2017	2016
State Bank of India	17.05	18.06	13.83	11.94	10.89
Bank of Baroda	16.7	21.94	21.18	19.38	18.27
Punjab National Bank	38.31	35.35	22.72	28.98	28.09



Interpretation:

An indicator of a company’s short liquidity. the short magnitude relation measures a company’s ability to satisfy its short obligations with its most assets. the upper the short magnitude relation, the higher the position of the corporate. This chart indicates increasing or positive trend of PNB. SBI, and BOB is increasing 2016 to 2019. Then decreasing in 2020.

1.3.2 Leverage ratio:

Debt-Equity ratio:

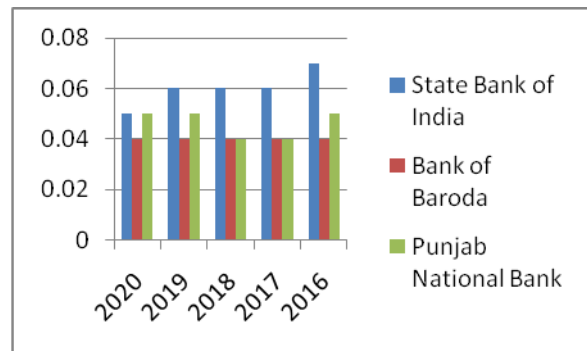
The Debt / Equity quantitative relation measures the long run money economic condition of firm. It conjointly live of a company’s money leverage calculated by dividing its total liabilities by stockholders’ equity. It indicates what proportion of equity and debt the corporate is victimization to finance its assets. it’s calculated as follows

D/E Ratio =

Total Liabilities

Shareholders equity

	2020	2019	2018	2017	2016
State Bank of India	0.05	0.06	0.06	0.06	0.07
Bank of Baroda	0.04	0.04	0.04	0.04	0.04
Punjab National Bank	0.05	0.05	0.04	0.04	0.05



Interpretation

From the on top of Table showing the Debt / Equity magnitude relation of the chosen banks, it are often seen that there's a unsteady trend determined in SBI, BOB, PNB. All the 3 banks square measure lowest D/E magnitude relation is maintained in last five years. Generally, an honest debt-to-equity magnitude relation is something less than one.0. A magnitude relation of two.0 or higher is sometimes thought of risky. If a debt-to-equity magnitude relation is negative, it means the corporate has a lot of liabilities than assets—this company would be thought of very risky. A negative magnitude relation is usually associate degree indicator of bankruptcy.

1.3.3 Profitability ratio:

Return on equity:

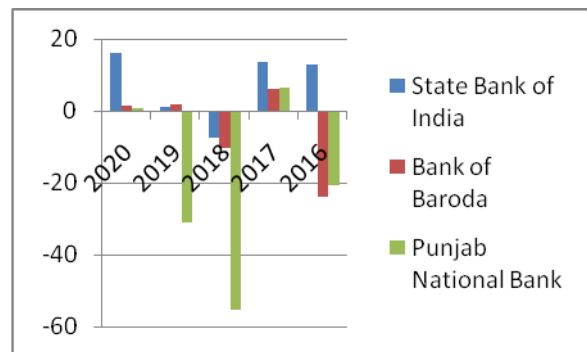
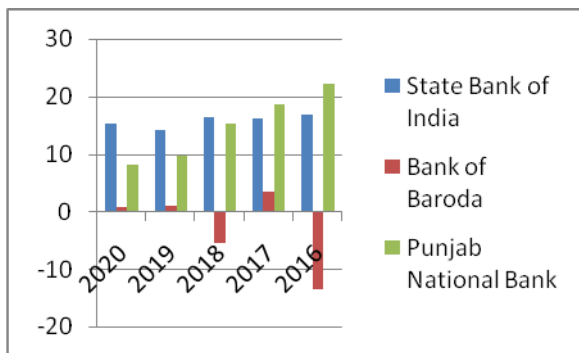
The Return on equity shows how much returns is being earned .this is made from the point of view of the shareholders .if the return on equity is more, then it is said to be the most demanded shares in the market. Net income is for the fiscal year shareholders equity does not include preferred shares. Also known as “return on net worth”(RONW).

$$\text{Return on equity} = \frac{\text{Net income}}{\text{Shareholders Equity}} * 100$$

$$\text{EPS} = \frac{\text{Net profit available to the equity shar}}{\text{Number of ordinary shares outstandi}}$$

	2020	2019	2018	2017	2016
State Bank of India	15.35	14.12	16.45	16.26	16.91
Bank of Baroda	0.76	0.94	-5.6	3.43	-13.42
Punjab National Bank	8.12	9.69	15.19	18.52	22.12

	2020	2019	2018	2017	2016
State Bank of India	16.23	0.97	-7.67	13.43	12.98
Bank of Baroda	1.36	1.64	-10.53	6	-23.89
Punjab National Bank	0.62	-30.94	-55.39	6.45	-20.82



Interpretation

From the above Table showing the Return on Equity ratio of the selected banks, it can be seen that there is a fluctuating trend observed in SBI, BOB, PNB. ROE of more than 25% is desirable, ROE over 15% may be considered exceptional. Thus, it can be seen that SBI has a Return on Equity ratio of about above 15% on an average during the study period, which is the highest among all the selected companies. PNB is gradually decreased during the study period. On the other hand, Bank of Baroda has the lowest on during the study period.

Earning per share:

Earnings per-share (EPS) is that the quantity of earnings per every outstanding share of a company's stock. The portion of a company's profit allotted to every outstanding share of common shares. EPS is AN indicator of a company's profit. It will be calculated within the following manner

Interpretation

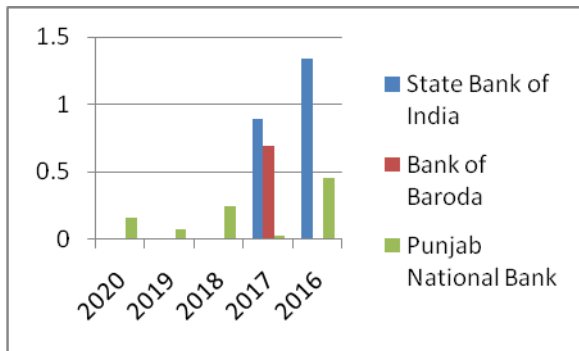
From the above Table showing the Earnings per share (EPS) of the selected companies, it can be seen that there is a fluctuating trend observed. Thus, it can be seen that SBI has an EPS of about Rs.16.23 during the study period, which is the highest among all the selected companies. On the other hand, PNB has the lowest EPS during the study period.

Dividend yield ratio:

Dividend Yield or Dividends paid to holders of common shares are set by management, sometimes with relevancy the company's earnings. there's no guarantee that future dividends can match past dividends or perhaps be paid the least bit. the foremost commonly-cited figure for dividend yield is that the historic yield that is calculated victimization the subsequent formula

$$\text{Dividend Yield Ratio} = \frac{\text{Dividend}}{\text{Current Market Price}}$$

	2020	2019	2018	2017	2016
State Bank of India	0	0	0	0.89	1.34
Bank of Baroda	0	0	0	0.69	0
Punjab National Bank	0.15	0.07	0.24	0.02	0.45



Interpretation:

The SBI and BOB dividends are paid on the face value of ₹ 1 and ₹ 2. These companies paid the dividend in both the year i.e. in 2016 and 2017. Then PNB dividends are paid on the face value of ₹ 2. These companies paid the dividend in both the year i.e. in 2016 to 2020.

1.3.4 Earning ratio:

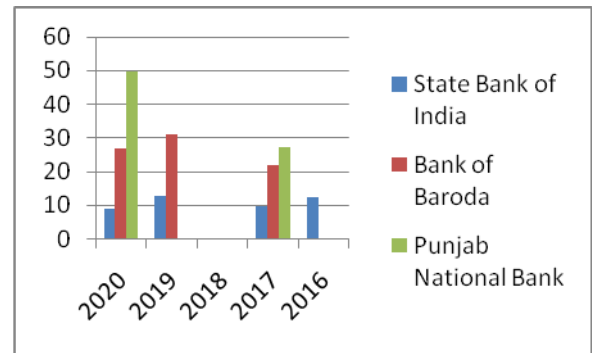
P/E ratio:

A valuation ratio of a company's current share price compared to its per-share earnings.

Calculated as;

$$\text{PE Ratio} = \frac{\text{Market price}}{\text{EPS}}$$

	2020	2019	2018	2017	2016
State Bank of India	8.89	12.45	0	9.6714	12.34
Bank of Baroda	26.67	30.97	0	21.96	0
Punjab National Bank	49.71	0	0	27.01	0



Interpretation:-

From the above Table showing the Price Earnings (P/E) Ratios of the selected companies, it can be seen that there is a fluctuating trend observed. Thus, it can be seen that PNB has a P/E ratio of about 49.71 times during the study period, which is the highest among all the selected companies. On the other hand, SBI has the lowest i.e., only 8.89 times during the study period.

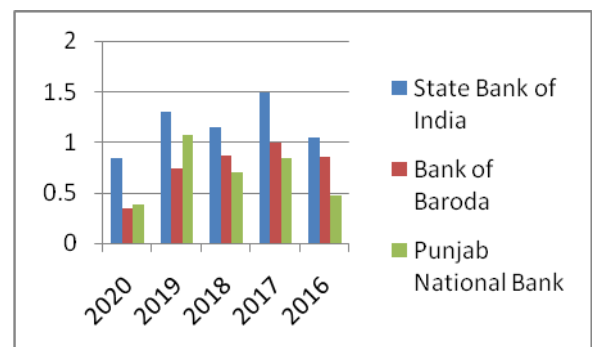
Price to book value:

A ratio used to compare a stock's market value to its book value. It's calculated by dividing the present market value of the stock by the newest quarter's value per share. Additionally, it's called the "price-equity ratio".

Calculated as:

$$\text{P/B Ratio} = \frac{\text{Book Value per Share}}{\text{Market Price per Share}}$$

	2020	2019	2018	2017	2016
State Bank of India	0.84	1.3	1.15	1.49	1.05
Bank of Baroda	0.34	0.74	0.87	0.99	0.85
Punjab National Bank	0.38	1.07	0.7	0.84	0.47



Interpretation:

The Book value is used to know the stock is under value or over value. 1 to 3 is considered a good P/B value. On the book value of the share we cannot take any kind of decision for the investment. Because it is historical value. SBI P/B ratio is nearly 1 in 2020.

VIII. FINDINGS

- Punjab National Bank has a Current ratio of about 1.68:1. SBI and Bank of Baroda has the lowest current ratio of about 1.36:1 and 1.28:1 in during the study period.
- SBI, BOB, PNB. All the three banks are lowest D/E ratio is maintained in last 5 years.
- SBI has a Return on Equity ratio of about above 15% in during the study period. PNB is gradually decreased. On the other hand, Bank of Baroda has the lowest on last 5 years.
- SBI has an EPS of about Rs.16.23 during the study period, which is the highest among all the selected companies.
- The SBI and BOB dividends are not paid last 3 years. PNB paid the dividend in both the year i.e. in 2016 to 2020.
- PNB has a P/E ratio of about 49.71 times during the study period, which is the highest among all the selected companies. SBI has the lowest i.e., only 8.89 times during the study period.
- SBI P/B ratio is nearly 1 in 2020.

IX. CONCLUSION

The concept of Equity Analysis studies the performance of Banking sector companies. With the help of Fundamental Analysis can know the past performance of the Banks. Fundamental Analysis considers the long-term performance of companies and this helps the investors to invest their money for long term as well as can get the good returns. The overall fundamental analysis reveals that SBI is at the moment a fundamentally strong stock. This is fairly evident from high annual EPS growth. Further, low price to earnings ratios as compared to competitors hint at undervaluation of the stock. SBI P/B ratio is nearly 1 in 2020 compared to another banks.

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