

# VALUE ANALYSIS OF IT SECTOR

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## ABSTRACT

Equity Analysis alludes to the investigation of exchanging securities from the perspective of their costs, returns and dangers. All speculations are dangerous and the normal return is identified with the hazard. Their investigation will help in understanding the conduct of security costs and the market and in choice – making for speculation. In the event that it is an investigation of just scrip, it is called small scale examination of an organization. In the event that its is an investigation of market of securities, it is alluded to as a miniaturized scale image of the conduct of the market.

It investigations the stock dependent on the particular objectives of the financial specialists. They think about the monetary quality of the corporate development of offers, income and benefit. They additionally consider the general business and financial condition. Fundamentalists are if the assessment that free market activity for stocks relies upon the basic elements.

As indicated by the traditional speculation hypothesis, crucial investigation depends on the hypothesis that the cost of offer is influenced by the profits that that the investors hope to get from the organization in future. Key examination is gone for assessing the future cost of the offer. This future cost is reliant on the future EPS of the organization and in addition on how the market sees the danger of the offer.

## 1. INTRODUCTION

Equity Analysis refers to the analysis of trading securities from the point of view of their prices, returns and risks. All investments are risky and the expected return is related to the risk. Their analysis will help in understanding the behavior of security prices and the market and in decision –making for investment. If it is an analysis of only scrip, it is called micro-analysis of a company. If its is an analysis of market of securities, it is referred to as a micro-picture of the behavior of the market.

**Objectives of the study**

1. An Equity Analysis of Capital IQ, United Health Group, THOMSON REUTERS, Cognizent and find out the EPS to future EPS of the stock prices.
2. To Analyze key financial profitability ratio's of the firm.
3. To Analyze the ROE of the firm.
4. To study the P/E ratio of the firm.
5. This study is conducted to evaluate the performance of the stock prices of the company using technical tools.

**METHODOLOGY**

The present study has been adopting the following methodology in both collection of necessary data and analyses of the selected objectives.

**Sources of the data:**

The study carries both the primary and secondary data. Primary data was collected from the financial statements of the firm. Secondary data was collected from the newspapers, multimedia, fund managers, some mutual funds advisors and Karvy Ltd.

**Period of study:**

The data collected from statements for a period of 4 years.

**Data collection:**

The data required for equity analysis is collected from newspapers, company websites, recent announcements of results, and fund manager's advisories.

**Data analyzing tools:**

Equity analysis and its effectiveness in the organization has been analyzed by the researcher percentages and ratio analysis, Trend Analysis methods.

**2. INDUSTRY PROFILE & COMPANY PROFILE****STOCK BROKING OPERATIONS**

As capital market operations is a complex activity which require an in depth knowledge of stock market and about the company performance, security analysis of the stock. A full time practicing firm/person is needed to advise for our investment; in fact a broker can also invest his own money to make profit out of stock market operations.

A stockbroker puts resources into money markets for people or enterprises so at whatever point people or organizations need to purchase or offer stocks they should experience a business house. Stockbrokers regularly exhort and advise their customers on fitting ventures. Dealers clarify the workings of the stock trade to their customers and accumulate data from them about their necessities and monetary capacity, and after that decide the best speculations for them. The specialist at that point sends the request out to the floor of the securities trade by PC or by telephone. At the point when the exchange has been made, the representative supplies the customer with the cost. The purchaser pays for the stock and the intermediary exchanges the title of the stock to the customer and performs clearing and settlement systems. The settlement procedure is talked about in ensuing pages. The starting stockbroker's first need is taking in the market. One dealer stated, "First you need to choose whether you have an enthusiasm for the stock exchange. This will decide how well you will do. On the off chance that you are simply intrigued by profiting you won't get much of anywhere." Stockbrokers invest their energy in a quick paced office, generally working from nine to five, except if they are simply beginning or need to meet with customers. The new representative spends numerous hours on the telephone developing a customer base. Now and again intermediaries instruct money related training classes to open themselves to potential financial specialists who may then turn into their customers.

#### **New Membership -CM and F&O segment**

##### **Eligibility**

- a. Individuals
- b. Partnership Firms enlisted under the Indian Partnership Act, 1932.
- c. Corporations, Companies or organizations or backups of such Corporations, Companies or establishments set up for giving money related administrations.
- d. Such different people or elements as might be allowed occasionally by RBI/SEBI under the securities Contracts (Regulations) Rules, 1957.
- e. **General Eligibility Conditions:**

Criteria	Individuals	Firms	Corporate
AGE	Minimum age: 21 years  Maximum age: 60 years	Minimum age: 21 years (applicable for partners)	Minimum age: 21 years (applicable for directors)
STATUS	Indian Citizen	Registered partnership firm under Indian partnership Act, 1932	Corporate registered under The Companies Act, 1956 (Indian)

### 3. COMPANY PROFILE

In 1982, a gathering of Hyderabad – based honing Chartered Accountants began Karvy Consultants Limited with a capital of Rs. 1,50,000 offering reviewing and tax collection benefits at first. Afterward, it forayed into the Registrar and Share Transfer exercises and in this manner into budgetary administrations. Up and down, Karvy's solid hard working attitude and expert foundation utilized with Information Technology empowered it to convey quality to the person.

Today, Karvy approaches a large number of Indian investors, other than organizations, banks, budgetary establishments and administrative offices. Plans in acquiring and offering regard offers and debentures on the National Stock Exchange (NSE), the Hyderabad Stock Exchange (HSE) and the Over-The-Counter Exchange of India (OTCEI),

#### GROUP COMPANIES & DIVISIONS:

1. **KARVY CONSULTANTS LIMITED:** Arrangements in Registrar and Investment Services
2. **KARVY SECURITIES LIMITED:** Arrangements in dispersion of different venture items, viz., values, shared assets, bonds and debentures, Fixed stores, protection approaches for the speculator
3. **KARVY INVESTOR SERVICES LIMITED:** Arrangements in Issue administration, Investment Banking and Merchant Banking,
4. **KARVY STOCK BROKING LIMITED:** Arrangements in purchasing and offering value offers and debentures on the National Stock Exchange (NSE), the Hyderabad Stock Exchange (HSE) and the Over-The-Counter Exchange of India (OTCEI),

**INDUSTRY PROFILE:**

## INFORMATION TECHNOLOGY

**Plans in obtaining and offering esteem offers and debentures on the National Stock Exchange (NSE), the Hyderabad Stock Exchange (HSE) and the Over-The-Counter Exchange of India (OTCED),**

The data innovation (IT) industry has happened to the most vigorous enterprises on the planet. IT, more than some other industry or financial aspect, has an expanded efficiency, especially in the created world, and in this manner is a key driver of worldwide monetary development. Economies of scale and voracious interest from the two purchasers and undertakings portray this quickly developing area.

The Information Technology Association of America (ITAA) clarifies 'data innovation' as incorporating every conceivable part of data frameworks dependent on PCs.

Both programming improvement and the equipment engaged with the IT business incorporate everything from PC frameworks, to the plan, execution, study and advancement of IT and administration frameworks.

Attributable to its simple availability and the extensive variety of IT items accessible, the interest for IT administrations has expanded considerably throughout the years. The IT area has risen as a noteworthy worldwide wellspring of both development and work.

**4. DATA ANALYSIS AND INTERPRETATION****FINANCIAL RATIOS OF 'COGNIZENT'**

<b>Basic Ratio's</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>(I) Profitability Ratio's</b>				
<b>Adjusted Net profit Margin</b>	26.12	27.76	26.82	28.77
<b>Gross Profit Margin</b>	35.75	36.41	32.33	32.25
<b>Operating Profit Margin</b>	35.74	36.44	34.84	35.14
<b>EBITDA Profit Margin</b>	30.90	32.51	30.32	31.58
<b>Return on Capital employed</b>	48.41	47.65	45.61	37.99
<b>Return on Equity, (%)</b>	18.65	7.58	8.77	6.61
<b>EPS</b>	170	68.96	81.41	64.35
<b>P/E ratio</b>	3.63	16.37	18.31	30.41
<b>(II) Management Efficiency Ratio</b>				
<b>Debtor Turnover Ratio</b>	8.32	7.28	6.65	6.90
<b>Fixed asset Turnover Ratio</b>	3.23	3.18	3.14	2.95
<b>(III) Liquidity &amp; Solvency Ratio's</b>				
<b>Current Ratio</b>	1.72	2.79	2.75	4.9
<b>Debt Equity Ratio</b>	-	-	-	-
<b>Book value Per Share</b>	488.21	194.15	249.89	195.14

**KEY FINANCIAL RATIOS OF 'UNITED HEALTH GROUP'**

<b>Basic Ratio's</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>(I) Profitability Ratio's</b>				
Adjusted Net profit Margin	21.87	21.66	26.75	22.85
Gross Profit Margin	30.44	28.03	33.91	27.47
Operating Profit Margin	30.47	28.20	33.91	27.47
EBITDA Profit Margin	26.07	25.05	31.26	25.38
Return on Capital employed	27.95	29.85	31.34	31.18
Return on Equity.(%)	17.57	23.50	38.21	21.33
EPS	17.06	22.85	37.22	20.77
P/E RATIO	8.60	8.95	11.35	22.62
<b>(II) Management Efficiency Ratio</b>				
Debtor Turnover Ratio	4.74	5.10	4.91	4.49
Fixed asset Turnover Ratio	3.15	3.90	4.43	5.12
<b>(III) Liquidity &amp; Solvency Ratio's</b>				
Current Ratio	6.42	7.12	6.50	5.89
Debt Equity Ratio	0.01	-	-	-
Book value Per Share	81.61	100.77	133.57	86.55

**KEY FINANCIAL RATIOS OF 'THOMSON REUTERS'**

<b>Basic Ratio's</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>(I) Profitability Ratio's</b>				
Adjusted Net profit Margin	---	22.75	24.18	25.15
Gross Profit Margin	---	27.89	29.65	30.21
Operating Profit Margin	---	28.02	29.69	30.23
EBITDA Profit Margin		20.36	27.40	27.94
Return on Capital employed	1.46	109.87	67.77	60.69
Return on Equity.(%)	4.16	38.14	55.52	38.39
EPS	4.01	36.60	53.63	36.66
P/E ratio	--	19.56	17.86	31.64
<b>(II) Management Efficiency Ratio</b>				
Debtor Turnover Ratio		10.97	5.92	5.83
Fixed asset Turnover Ratio		12.70	8.21	7.45
<b>(III) Liquidity &amp; Solvency Ratio's</b>				
Current Ratio	0.02	1.15	1.96	2.06
Debt Equity Ratio	4.47	0.15	0.02	0.01
Book value Per Share	12.92	69.17	114.64	82.35

**KEY FINANCIAL RATIOS OF 'CAPITAL IQ'**

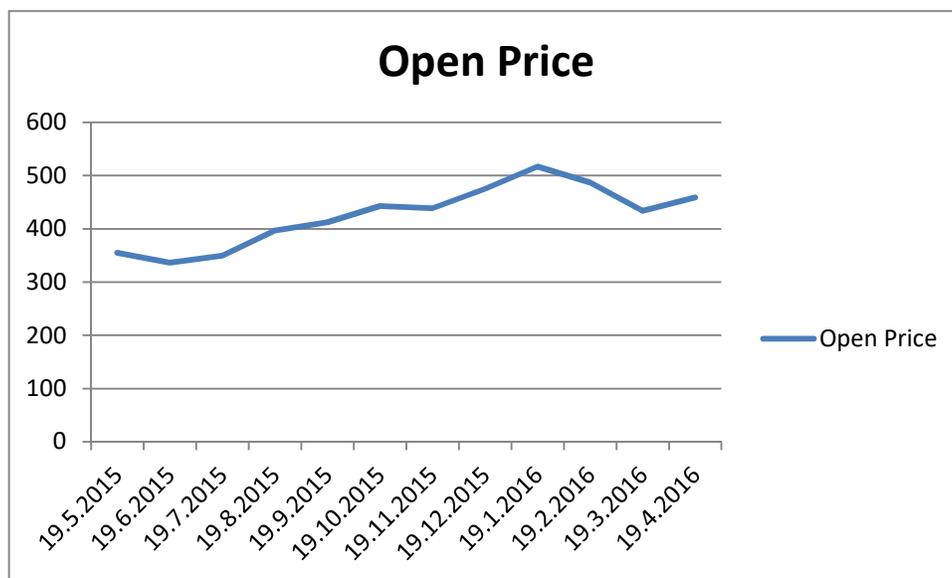
<b>Basic Ratio's</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>(I) Profitability Ratio's</b>				
Adjusted Net profit Margin	20.13	17.63	20.54	19.68
Gross Profit Margin	26.53	23.78	26.69	25.64
Operating Profit Margin	26.61	23.84	26.77	25.67
EBITDA Profit Margin	23.19	20.92	24.21	22.83
Return on Capital employed	31.45	30.98	41.15	41.01
Return on Equity.(%)	34.97	39.30	21.25	14.17
EPS	34.84	35.59	20.55	13.47
P/E RATIO	7.29	9.42	27.24	38.71
<b>(II) Management Efficiency Ratio</b>				
Debtor Turnover Ratio	5.64	5.60	5.95	6.12
Fixed asset Turnover Ratio	3.81	4.16	4.70	4.97
<b>(III) Liquidity &amp; Solvency Ratio's</b>				
Current Ratio	2.97	1.60	1.32	1.46
Debt Equity Ratio	0.02	0.02	0.02	0.01
Book value Per Share	143.20	150.70	69.54	45.03

**TREND ANALYSIS:**

**SHARE PRICE OF 'UNITED HEALTH GROUP' (From 19.5.2015 to 19.4.2016)**

Price Data	Open Price	Close Price	Traded Quantity
19.5.2015	355.00	333.13	1,04,82,518
19.6.2015	336.50	334.95	49,65,292
19.7.2015	349.50	328.45	1,04,39,230
19.8.2015	397.00	396.00	33,62,536
19.9.2015	412.13	419.65	71,11,064
19.10.2015	443.00	440.85	44,90,477
19.11.2015	438.50	434.25	23,84,032
19.12.2015	475.15	463.30	35,02,020
19.1.2016	517.00	489.10	1,19,77,888
19.2.2016	487.00	481.80	13,73,167
19.3.2016	434.00	433.15	19,56,616
19.4.2016	459.00	447.80	44,90,173

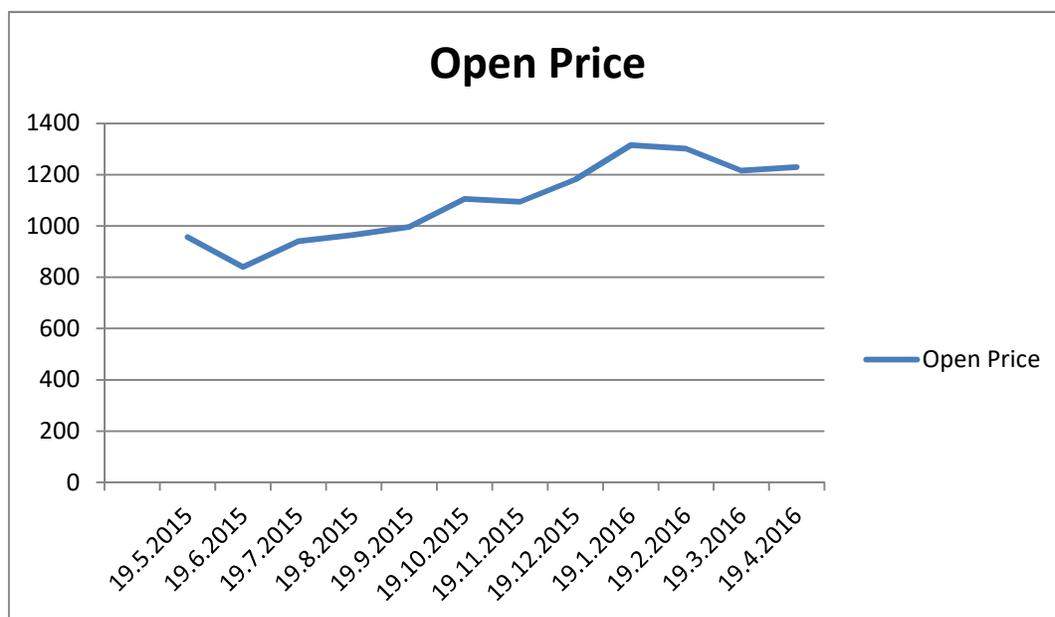
**TREND ANALYSIS OF 'UNITED HEALTH GROUP**



**SHARE PRICE OF 'THOMSON REUTERS' LTD (from 19.5.2015 to 19.4.2016)**

Price Date	Open Price	Close Price	Traded Quantity
19.5.2015	957.00	946.18	12,17,054
19.6.2015	840.00	834.18	10,73,522
19.7.2015	941.00	878.78	35,11,596
19.8.2015	965.00	969.70	4,50,910
19.9.2015	997.00	1010.05	9,93,486
19.10.2015	1106.00	1092.15	7,75,905
19.11.2015	1094.00	1095.15	5,55,421
19.12.2015	1181.00	1141.85	9,05,907
19.1.2016	1315.45	1296.45	7,20,514
19.2.2016	1301.40	1309.80	11,84,674
19.3.2016	1216.30	1260.90	3,03,424
19.4.2016	1230.00	1242.90	7,91,163

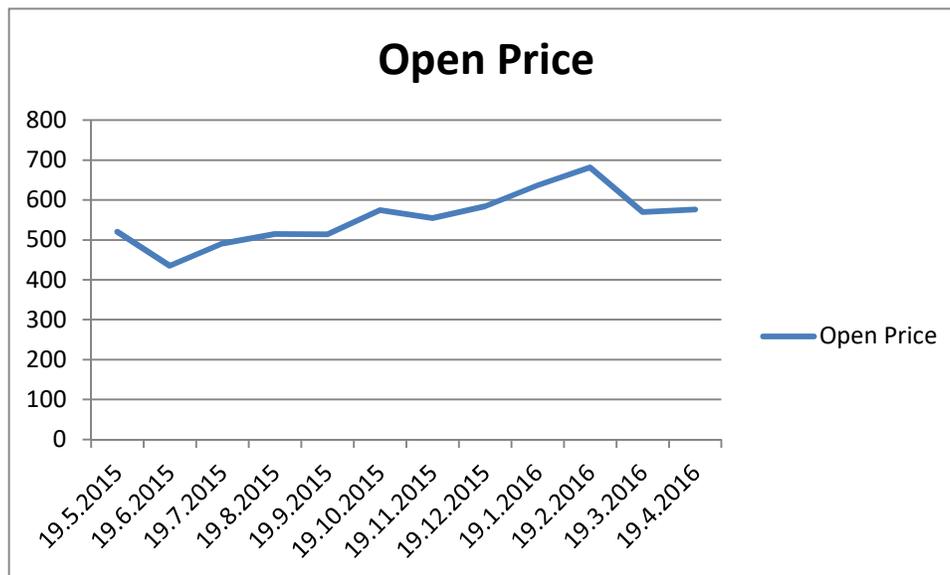
#### TREND ANALYSIS OF 'T C S'



SHARE PRICE OF CAPITAL IQ (From 19.5.2015 to 19.4.2016)

Price Date	Open Price	Close Price	Traded Quantity
19.5.2015	520.00	487.70	16,60,219
19.6.2015	435.15	435.85	12,69,100
19.7.2015	491.15	458.35	30,89,987
19.8.2015	515.00	512.20	5,37,690
19.9.2015	513.80	512.20	8,48,910
19.10.2015	574.30	550.60	31,63,224
19.11.2015	554.90	550.25	6,00,212
19.12.2015	584.00	566.75	10,55,709
19.1.2016	637.00	620.65	8,23,438
19.2.2016	681.00	681.25	7,48,895
19.3.2016	570.00	578.25	4,67,617
19.4.2016	576.00	575.85	9,89,959

**TREND ANALYSIS OF CAPITAL IQ**



#### 4. CONCLUSIONS

The Pattern of investment is a crucial decision for an investor to get more return and minimize the risk. From the above analysis it can be concluded that the investor can be benefited more if he invest in Capital IQ and the next option he can choose to make investment Cognizent.

#### REFERENCES

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[2] SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT Punithavathy Pandian

[3] INVESTMENT ON ECONOMIC INDICATOR [www.indiaeconomystat.com](http://www.indiaeconomystat.com)

[4] PROFILE OF THE COMPANIES :

Financial Analysis [www.moneycontrol.com](http://www.moneycontrol.com)

Share Price Movements [www.nseindia.com](http://www.nseindia.com)