

A Study on Equity Analysis with Reference to Banking Sector

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ABSTRACT

The main aim of the study is to identify the growth trend script of banking in equity market. Investment decisions are important, enabling investors to learn more about risk. As the Indian economy has opened doors for MNC, the Indian banking industry is seeing dramatic changes and stiff competition. The study is only going to cover selected three nationalized and three private banks in India. Foreign Banks have been excluded from the study. The time period of study is limited from April 2021 to March 2024 to know exact impact of financial and equity performance of banks. This report presents fundamental analysis and technical analysis of top banks and a comparative study of selected banks. SBI from nationalized bank and HDFC Bank from private sector are most performing companies. The Primary data is used to understand relevance of equity market in context of bank. Secondary data in research are presented via tabulations and graphs based on percentile method. The frame of various observation and suggestions are shared in the subsequent research work.

Keywords: Equity Analysis, Banking Sector, Stock Analysis, Share Capital, EPS.

INTRODUCTION

The term stock analysis measures a security's intrinsic value by examining and evaluating the trading instrument, an investment industry, or the market as whole. Stock analysis predicts how a market, industry, or instrument will behave in the future. Fundamental analysis and technical analysis are the two main categories of stock analysis. The focus of fundamental analysis collects the data from various sources ie. economic statistics, financial records, market share, and corporate assets. Technical analysis is centered on analyzing historical market data to forecast future price movements. The ownership stake that investors have in a company is known as equity. Common stock or preferred stock are two forms of equity shares that investors might possess in a company. Ownership interest of investors in a business firm is depicted by equity only. Equity is represented by the following accounts in companies Balance sheet: common stock, preferred stock, paid-in capital, and retained earnings. Equity can be calculated by subtracting total liabilities from total assets. Calculation of equity is done by subtracting total liabilities from total assets.

LITERATURE REVIEW

Mr. Rahul Chauhan & Mr. Neel Rajpurohit **June-2021** "Research Study on Technical Analysis of Selected India Private and Nationalized Bank" Technical analysis in the as investors buying and selling transaction at the time any kind of assumptions of for the any type of investment like market value is determined slovenly by the interaction of supply and demand, Supply and demand are governed by

numerous factors both rational and irrational, Change in trend are caused by shift in demand and supply. Some chart patterns tend to repeat themselves

Dr. Yogesh Puri & Ms. Samiksha Agarwal **March-2022** " Technical Analysis of Selected Banking Sector Companies of India" In order to avoid losses and to cope with volatile nature of stock market returns one need to take utmost care in making buying and selling strategies of securities. Technical and fundamental analysis plays a vital role regarding investment decision. This research is an attempt to study share price movements on banking sector.

Dr. P Lavanya & P Rajini **Dec-2023**"Analysing Sector Performance: A Comparison Of Fundamental And Technical Approaches'" The Securities & Exchange Board of India with the Indian government are both actively encouraging investment awareness, leading to an increased interest in the equity market. While fixed deposits and PPFs remain the preferred investment options for traditional investors, there is a growing openness to stock market investments.

Mr. Arulvadel.M & Dr.V.R. Nedunchezian **April-2024** " A Study on Technical Analysis in Banking Sector." A nation's economy and progress are greatly influenced by the banking sector. It is crucial to the economy of our country since it meets the credit needs of every segment of the population. Its numerous tools and indicators, are used to estimate future stock prices as well as to spot patterns and trends and provide guidance when to buy and sell stocks.

OBJECTIVE

- To study the equities of selected banks.
- To perform fundamental and technical analyze on the banking sector equities.
- To understand how the investors are responding to banking equities.
- Comparative analysis of six selected banks.

RESEARCH MEDTHODOLOGY

The methodology includes interviews, surveys, publication research and other research techniques, and majorly includes present and historical information. The methodology of study consists of

I. Source of data collection.

- Primary data: -Discussion with bank managers, Live trading in the market
- Secondary data: -Books related to financial management, Web sites are used as vital information source.

II. Statistical tools and techniques ssource of data collection:

- Analysis on collected data is applied.
- The data has been analyzed through different graphs for the selected banks

FUNDAMENTAL ANALYSIS

TABLE 1: FUNDAMENTAL ANALYSIS OF BANKS

Fundamental Analysis of Banks						
Paticulars	SBI	BOB	CANARA BANK	HDFC BANK	ICICI BANK	AXIS BANK
Market Capital	716334 Cr	129077 Cr	102589 Cr	1247368 Cr	861937 Cr	362050 Cr
Book Value	Rs. 465	Rs. 231	Rs. 102	Rs. 594	Rs. 383	Rs. 504
ROCE	6.16%	6.33%	6.63%	2.71%	7.60%	3.40%

Current Price	Rs. 803	Rs. 250	Rs.113	RS. 1732	Rs. 1274	Rs. 1226
ROE	17.30%	16.70%	17.90%	16.97%	18.98%	18.07%
52 Weeks High/ Low	912/543	300/188	129/68.4	1794/1363	1362/899	1310/951
Dividend Yield	1.71%	3.04%	2.85%	1.13%	1.09%	0.08%
Sales Growth 3 years	16%	17%	16%	18%	16%	17%
Face Value	Rs. 1	Rs. 2	Rs. 2	Rs. 1	Rs. 2	Rs. 2

Inference: The collected data specifies the basis for Fundamental Analysis of selected banks. Inherently flashing market capital, book value, ROCE, current price, ROE, 52 weeks high/ low, dividend yield, Sales growth in last 3 years and face value of share.

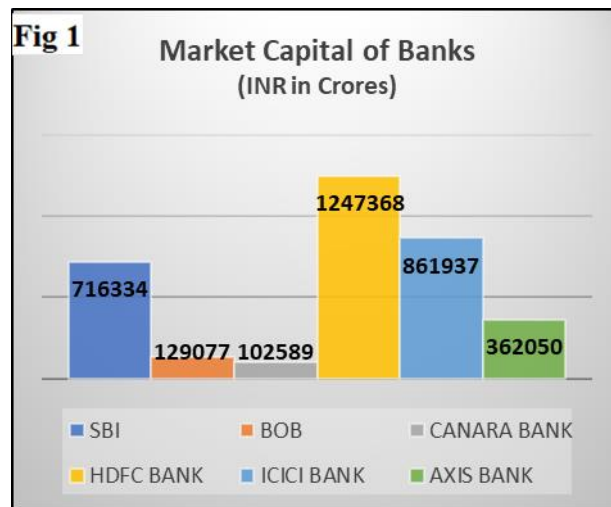


Fig1: Exhibits

The study is conducted on three nationalised banks and three Private banks reflecting market capital of selected banks. Among nationalised banks SBI is having better position whereas HDFC bank and ICICI bank are strong among private banks. (Basis Table1)

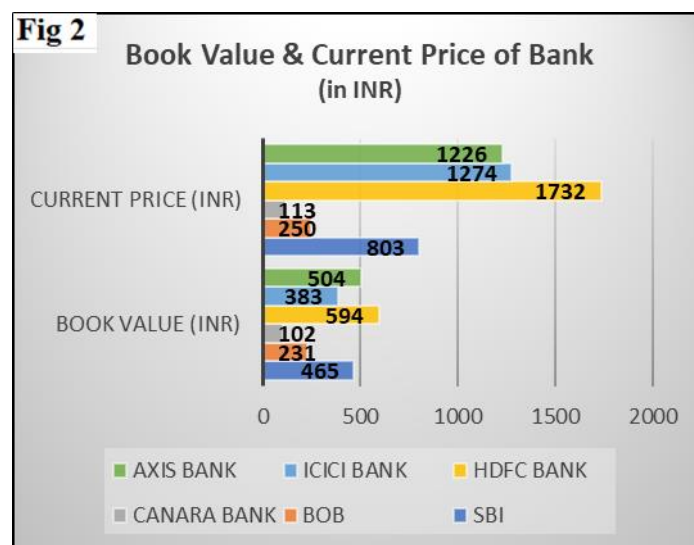


Fig2: Denotes

Current Price of share for HDFC Bank is highest whereas Canara Bank is having least current price presently.

Book Value of share similarly acknowledges the same position. Book value of HDFC Bank is highest whereas Canara Bank is having least book value currently. (Basis Table1)

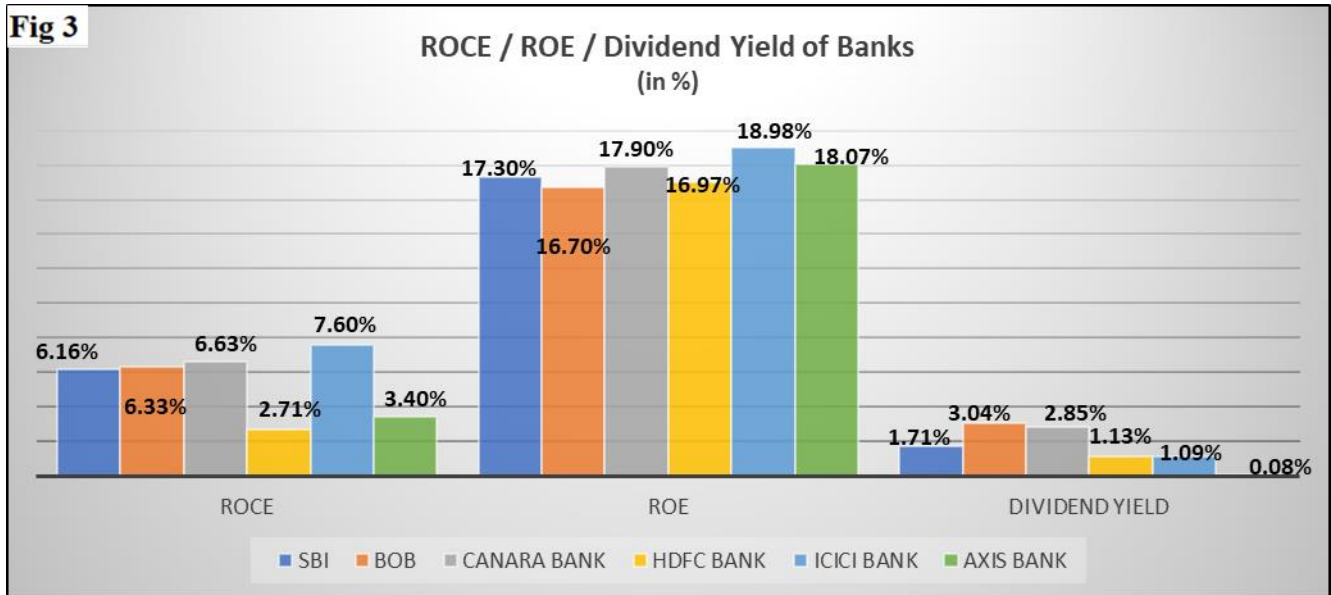


Fig3: Reflects the most significant aspects of study

ROCE (Return On Capital Employes) where all nationalized banks are very close in matter of returns. But comparatively HDFC Bank holds better position among all the selected banks.

ROE (Return on Equity) on this parameter all banks are giving equal competition to each other.

Dividend Yield fetched by BOB and Canara Bank is optimum in all the selected set of banks (Basis Table1).

TABLE 2: PARTICIPATION OF BANKS IN SHARE MARKET

Participation of Banks in Share Market												
Share Capital of SBI				Share Capital of BOB				Share Capital of Canara Bank				
Paticulars	2021-22	2022-23	2023-24	Paticulars	2021-22	2022-23	2023-24	Paticulars	2021-22	2022-23	2023-24	
Share Capital	8924.59	9103.98	9301.19	Share Capital	5434.27	5563.19	5693.51	Share Capital	4845.29	5043.19	5251.39	
% Change in Share Capital	4.59%	2.01%	2.17%	% Change in Share Capital	5.83%	2.37%	2.34%	% Change in Share Capital	6.91%	4.06%	4.13%	
EPS	43.95	51.45	59.1	EPS	29.45	34.19	39.1	EPS	38.45	44.19	50.1	
%Change in EPS	17.14%	16.93%	15.04%	%Change in EPS	21.58%	16.15%	14.43%	%Change in EPS	19.34%	15.13%	13.43%	
Share Capital of HDFC Bank				Share Capital of ICICI Bank				Share Capital of Axis Bank				
Paticulars	2021-22	2022-23	2023-24	Paticulars	2021-22	2022-23	2023-24	Paticulars	2021-22	2022-23	2023-24	
Share Capital	5769.19	6043.19	6329.39	Share Capital	3538.83	4038.19	4551.39	Share Capital	6133.19	6343.19	6563.39	
% Change in Share Capital	4.23%	4.75%	4.74%	% Change in Share Capital	5.33%	3.69%	3.66%	% Change in Share Capital	4.02%	3.42%	3.47%	
EPS	77.25	84.55	104.5	EPS	54.4	63.1	72.8	EPS	51.4	58.8	71.5	
%Change in EPS	16.18%	18.84%	20.14%	%Change in EPS	19.18%	14.36%	14.89%	%Change in EPS	13.16%	15.35%	17.84%	

Inference: The collected data denotes the participation of chosen banks in Share Market during last three consecutive years. Majorly based on four criteria's share capital, percentage change in share capital, earning per share and percentage change in earning per share.

TABLE 3: SHARE CAPITAL

Comparative study on Share Capital of Banks			
BANK	2021-22	2022-23	2023-24
SBI	8924.59	9103.98	9301.19
BOB	4845.29	5043.19	5251.39
CANARA BANK	5434.27	5563.19	5693.51
HDFC BANK	5769.19	6043.19	6329.39
ICICI BANK	3538.83	4038.19	4551.39
AXIS BANK	6133.19	6343.19	6563.39

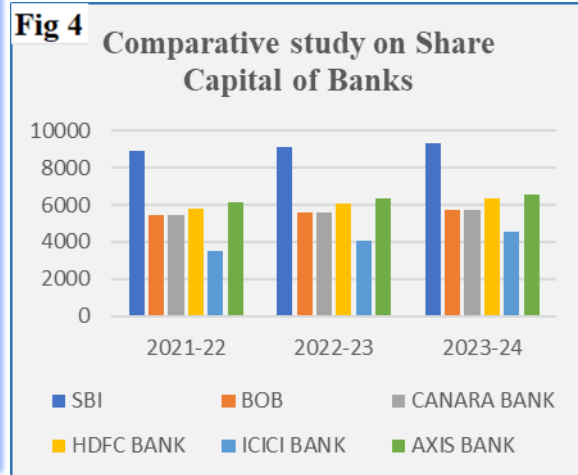


Fig4: Represents the share capital of picked banks in last three consecutive years i.e. April 2021 to Mar 2024. Analysis evaluates that SBI share capital is highest and investors shown their keen interest to invest with them. The authorized share capital indicates companies’ potential to raise additional funds for growth and expansion, which attract investors seeking long term growth. The formula for calculating share capital depends upon type of share capital.

TABLE 4: EARNING PER SHARE

Comparative study on EPS of Banks			
BANK	2021-22	2022-23	2023-24
SBI	43.95	51.45	59.1
BOB	29.45	34.19	39.1
CANARA BANK	38.45	44.19	50.1
HDFC BANK	77.25	84.55	104.5
ICICI BANK	54.4	63.1	72.8
AXIS BANK	51.4	58.8	71.5

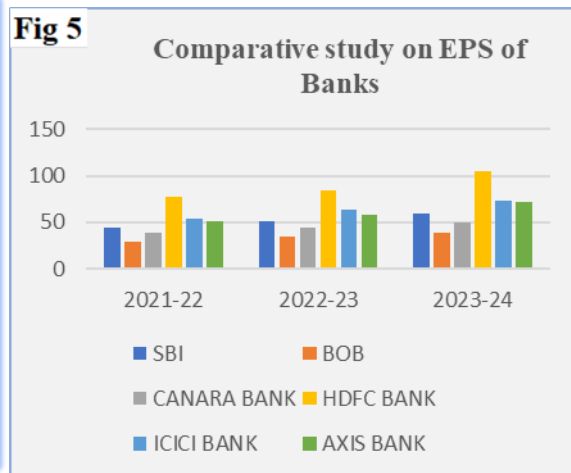


Fig5: The above graphic represents the EPS value for three years i.e. April 2021 to Mar 2024 of selected banks. HDFC Bank endeavoured simultaneously consistent growth in earning per share. With changing scenario most investors are tending to invest in stock market. Investors use EPS to gauge a company’s profitability and potential return and take investment decisions. To calculate EPS, subtract preferred dividends from net income, then divide by outstanding shares.

TECHNICAL ANALYSIS:

Fig 6: HDFC Bank from 2022-2024



Fig 7: ICICI Bank Ltd. from 2022-2024

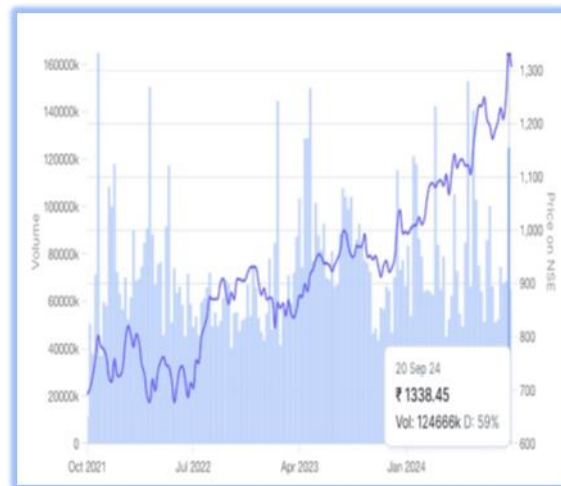


Fig 8: Axis Bank Ltd. from 2022-2024



Interpretation (Fig6,7,8): In the above analysis it represents the price and volume of the private banks for 3 years. Left side of the chart represents volume and right side represents the price. The curve

represents price and straight line represents volume. HDFC is performing bank. By comparing 3 years the price is high in year 2024 with 1750rs and it is low in the year 2022 with 1300rs.

Fig 9: SBI from 2022-2024

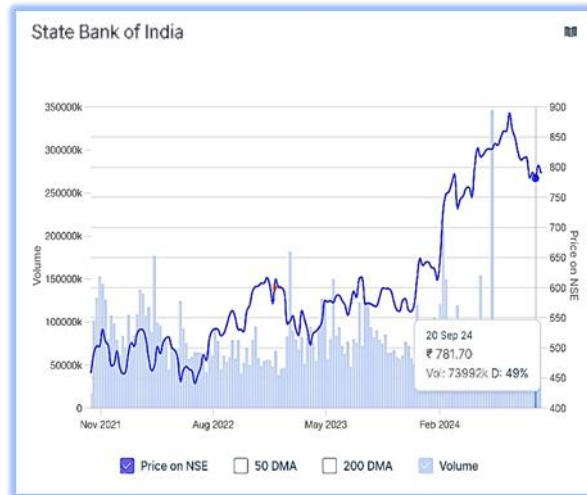


Fig 10: Bank of Baroda from 2022-2024

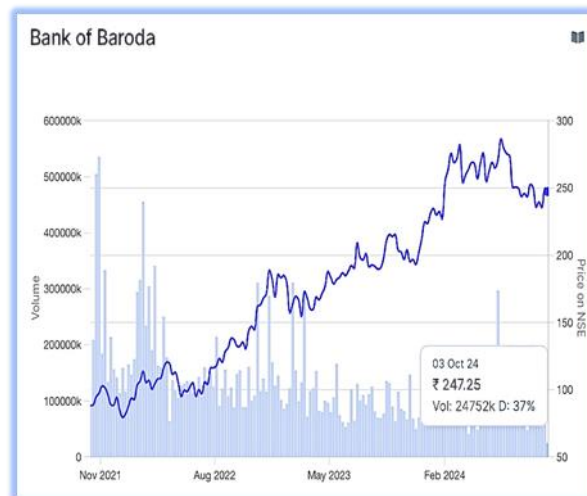
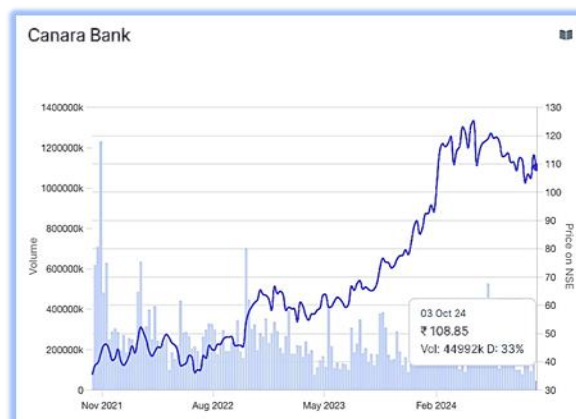


Fig 11: Canara Bank from 2022-2024



Interpretation (Fig9,10,11): In the above analysis it represents the price and volume of the Nationalised Banks for 3 years. Left side of the chart represents volume and right side represents the price. The curve represents price and straight line represents volume. SBI is most performing bank. By comparing 3 years the price is high in the year 2024 with 896rs and it is low in the year 2022 with 430rs.

LIMITATIONS:

1. The study is restricted to six Indian banks only.
2. Time constraint was again a limitation.
3. The information shared is completely secondary data.
4. Difficulty in getting firsthand information. Respondents being managers were adamant to disclose information due to compliance issue.

FINDINGS:

Rising per capita income will drive the growth of retail credit. With an increase in disposable income and increased exposure to a range of products, consumers have shown a higher willingness to take credit, in specific young customers.

High growth of Indian Economy inversely impacts the growth of banking. India is fastest growing economies in the world and is set to remain on that path for many years to come. This is expected to boost the corporate credit growth in the economy and provide opportunities to banks.

Financial Inclusion Program is the delivery of banking services at an affordable cost to the vast sections of disadvantaged and low-income groups. RBI is trying to tap this untapped market and the growth potential in rural markets by volume growth for banks.

New channel –Mobile banking is expected to become the second largest channel for banking after ATMs. Internet has shown a tremendous growth, which is still in the growth phase. Banking services will drive the growth of banking industry exponentially in the future.

Data Analysis presents that HDFC has highest EPS of 104.4 in 2024. SBI has delivered good profit growth of 98.7% CAGR over last 3 years. SBI has highest share capital of 9301(INR in crore)

CONCLUSION:

The economic growth of the country is an indicator towards the growth of the banking sector. RBI is an able central regulatory authority, whose policies have shielded Indian banks from excessive leveraging and making high risk investments. There are emerging challenges, which appear in the forms of consolidation: recapitalization, prudential regulation weak banks and non-performing assets, legal framework etc. needs urgent attention. The paper concludes that during 2021-22, majority of public sector banks failed to meet the priority sector target. Performance of banks during 2023-24 is conditioned by growth trend script in the domestic economy coupled with higher interest rate environment.

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