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STOCK ANALYSIS REPORT

A comprehensive presentation analysing various sectors and commpanies and making a diverse portfolio

CONTENTS

SECTOR OVERVIEW

IT SECTOR

It is one such sector that has consistently shown growth over the past 30 years. With E-Commerce on the rise in India the sector is all set to grow much more in the foreseeable future. Many sectors that conventionally operated offline have started to get online after COVID-19.Rapid advancements in technologies such as artificial intelligence (AI), machine learning (ML), Internet of Things (IoT), and blockchain are driving innovation and creating new market opportunities for IT companies. Although the sector has it's fair share of challenges such as intense competition, rapid technological changes, and economic sensitivity to global conditions it is a sector with a robust foundation and infinite growth potential.

ENERGY SECTOR

The energy sector has diverse investment opportunities with traditional investments: coal, petrol and gas companies as well as newer ones: hydro, solar, bioenergy with massive growth potential. With government offering subsidies, tax incentives, and grants for renewable energy projects energy sector becomes an attractive investment. Energy demand however is cyclical and can be affected by economic downturns, leading to reduced revenues. It also comes with risks related to market volatility and regulatory changes. Thus investing in the energy sector offers a mix of high-growth potential, especially in renewables, and stable returns from traditional energy and infrastructure.

FMCG SECTOR

FMCG products like food, beverages, and personal care items are daily necessities, ensuring consistent demand regardless of economic conditions. FMCG products typically have a quick turnover, leading to rapid inventory cycles and consistent cash flow. FMCG companies also often offer a wide range of products across different categories, reducing risk through diversification. But the FMCG sector relies on efficient supply chains and can impact product availability and costs.

SECTOR OVERVIEW

BANKINGSECTOR

Investing in the banking sector offers stable revenue streams, benefits from economic growth, diverse services, and government support. However, it also entails risks such as interest rate sensitivity, credit risk, regulatory and compliance costs, economic rhythm, technological disruption, and operational risks. Focusing on well-capitalized, technologically advanced banks with strong risk management can help mitigate these disadvantages while capitalizing on the sector's strengths.

HEALTHCARE SECTOR

Investing in the healthcare sector offers advantages such as stable demand, growth driven by innovation, increased spending, and resilience to economic cycles. However, it also entails risks like regulatory challenges, high R&D costs, pricing pressures, litigation risks, and market volatility. Focusing on companies with strong innovation pipelines, robust financial health, and effective risk management can help capitalize on the sector's strengths while mitigating its disadvantages.

INFRASTRUCTURE SECTOR

Investing in the Indian infrastructure sector offers advantages such as strong government support, high growth potential, attractive returns, diverse investment opportunities, and infrastructure financing support. However, it also presents challenges including regulatory and policy risks, high capital requirements, operational and execution risks, political and social challenges, financing and interest rate risks, and environmental and compliance concerns. Focus on well-structured projects, engaging with experienced local pa`rtners, and ensuring robust risk management practices onavigate these challenges and capitalize on the sector's potential.

INVESTMENT PLAN

•Compare the Key Financial Ratios in each sector:

1. Price-to-Earnings (P/E) Ratio
2. Debt-to-Equity (D/E) Ratio
3. Return on Equity (ROE)
4. Earnings Per Share (EPS)
5. Revenue and Profit Growth

•Diversify your portfolio:

Diversifying our portfolio across the six mentioned sectors is crucial for crafting a balanced investment strategy in the Indian market. By allocating investments across sectors such as technology, healthcare, finance, consumer goods, energy, and utilities, we can mitigate the risks associated with economic fluctuations and sector-specific downturns. Each sector in India offers unique growth opportunities and faces distinct challenges; for example, the technology sector is rapidly expanding with advancements in digital infrastructure, while the healthcare sector benefits from increasing demand for medical services. Consumer goods and finance sectors cater to India's growing middle class, while energy and utilities are vital for supporting the country's infrastructure development.

STOCK SELECTION: IT

TATA CONSULTANCY SERVICES

COMPANY ADVANTAGES

- The company has booked a net profit of 46,099Cr. over a net sales of 240,893Cr.
- Company has been maintaining a healthy ROE of 59.6% setting the company on a good track
- Company is almost debt free with negligible debt to equity ratio.
- Company has been maintaining a healthy dividend payout of 66.2% ensuring regular cash for investors
- The P/E ratio of the company is 33 which is slightly overpriced but earning per share of 131 justifies it.
- The company profit has been growing consistently with a compounded profit growth rate of 11.4% and stock price CAGR of 28%.

WHY TCS OVER OTHER

Market Leadership: As the largest IT services company in India, TCS has a diverse and extensive client base, ensuring stable revenue streams.

Strong Financials: High net profit margin and return on equity indicate efficient operations and profitability. The low debt-to-equity ratio shows financial stability.

Consistent Performer: Steady revenue growth and reliable dividend payouts make TCS a safe and profitable investment.

STOCK SELECTION: ENERGY

ONGC LTD.

Net sales of the company for FY-24 were 643,037Cr. with a net profit of 57,101Cr. The profit % comes around 10 which is much more than industry average

ROE of 12.6% signifies the company's ability to effectively use invested moneyto generate earnings growth.ROCE of 19% als shows that the capital employed is well used.

As a government-owned entity, ONGC benefits from strong state support, which can provide stability and security and nsures favourable policy making

COMPANY ADVANTAGES

The ROA for ONGC comes around 9.08% with an almost consistent growth ensuring better asset utilisation

ONGC has a debt to quity ratio of 0.03 and would be stable even during periods of market volatility.

With a P/E ratio of 4.7, it is relatively undervalued compared to its peers. This low valuation indicates that the stock is potentially undervalued by the market

WHY ONGC OVER OTHER

Energy Security: ONGC plays a crucial role in India's energy security, making it a strategically important company.

Exploration and Production: ONGC continues to invest in exploration and production activities. These investments are aimed at increasing reserves and production capacity, which can drive future growth.

STOCK SELECTION: FMCG

BIKAJI INTERNATIONAL FOODS LTD.

The company has been consistently increasing it's sales as well as the net profit

Bikaji has a debt to equity ratio of 0.07 ,making it almost debt free and has a cash conversion cycle of only 23 days which is qu high in the FMCG sect prevents the company of any finacial distress

With an ROE of 22% and ROCE of 28% both of which are quite above the industry average the company finacials seems strong

COMPANY ADVANTAGES

The ROA for ONGC comes around 9.08% with an almost consistent growth ensuring better asset utilisation

Bikaji Foods has a erse portfolio erfectly setting it up to capitalise on the upcoming urban trends in the indian FMCG market .

The P/E ratio of around 65 though seems high is quite reasonable in the FMCG industry.

WHY BIKAJI OVER OTHER

Brand Recognition: Bikaji Foods is a well-known brand in the Indian snacks and sweets market. Strong brand recognition helps maintain customer loyalty and provides a competitive advantage in the FMCG sector.

Defensive Sector: The FMCG sector, particularly food products, tends to be resilient during economic downturns as they are essential consumer staples.

Expanding Market: The Indian FMCG market is growing, driven by increasing urbanization, rising incomes, and changing consumer preferences.

STOCK SELECTION: BANKING

UJJVAN SMALL FINANCE

The current stock price of this is around 45 Rs. justifies its intrinsic value

An ROE of 31% shows that Ujjivan Small Finance is a key indicator of financial health and the bank's ability to provide good returns to its investor

It has shown robust revenue growth from past few years with a growth rate of around 18% in the past year

COMPANY ADVANTAGES

The Debt to Equity ratio has been close to zero from the past few years which avoids the bank from any finacial distress

The company has a P/E ratio of 6.63 and a PEG ratio of 0.02

The ROA(which is one of the most important ratio for banks) of 6% is quite reasonable and shows the finacials of the company is quite strong

WHY USF OVER OTHER

Focus on Financial Inclusion: Ujjivan Small Finance Bank has a strong focus on financial inclusion, catering to underserved and unbanked segments of the population. This positions the bank to benefit from government initiatives and regulatory support aimed at increasing financial inclusion in India.

Moderate Non-Performing Assets: With a relatively low NPA ratio of 2.2%, Ujjivan Small Finance Bank demonstrates effective credit risk management and maintains good asset quality. This is crucial for long-term sustainability and reducing the risk of loan defaults.

STOCK SELECTION: INFRA

H.G. INFRA ENGINEERING LTD.

The company has shown a good profit growth of 24.49% for the 3 previous year and 37.98% for the past 5 years

Company has a efficient cash conversion cycle -16.43 days,good cash flow management,CFO/ PAT is 1.25, good revenue growth of 26.24% over past 3 years

Company has been maintaining a healthy ROE of 25.95% and ROCE of 30.99% over the past 3 years

ROE

COMPANY ADVANTAGES

The company is all set to enter the renewable energy sector , set to boom in the forthcoming years with its solar plants and green hydrogen segment

DEBT FREE

Company is almost debt free,debt to equity ratio is 0.19,PEG ratio is 0.78

The company has a good promoter holding of 74.53%(with pledge percentage zero).This shows company owners has trust in company

WHY HG OVER OTHER

- **Project Execution:** H.G. Infra Engineering has a proven track record of executing large and complex infrastructure projects on time and within budget. This capability enhances its reputation and ability to secure new contracts.

Defensive Sector: The infrastructure sector is crucial for economic development and tends to receive consistent government support and funding, making it relatively resilient to economic cycles. This provides a stable investment environment for companies like H.G. Infra Engineering.

STOCK SELECTION: HEALTHCARE

SUN PHARMA

COMPANY ADVANTAGES

P/E ratio of 25 is reasonable given its growth prospects and strong financial performance. This valuation suggests that the company is attractively priced relative to its earnings.

With a net profit margin of 15%, Sun Pharma demonstrates strong profitability, reflecting effective cost management and operational efficien

The company's low debt-to-equity ratio of 0.4 ensures financial stability and flexibility in funding future growth opportunities.

Sun Pharma consisten receives regulatory approvals from major markets like the US and Europe, allowing it to expand its market reach and increase revenue.

An ROA of 10% signifies fficient utilization of assets to generate profit, indicating good asset management and operational effectiveness

Sun Pharma has shown consistent revenue growth of 15% year-over-year. This indicates robust demand for its pharmaceutical products

WHY THIS OVER OTHER

Market Position: Sun Pharma is one of the largest pharmaceutical companies in India with a strong global presence. Its leadership position and extensive product portfolio in generic and specialty drugs provide a competitive advantage.

R&D and Innovation: Significant investments in research and development enable Sun Pharma to innovate and introduce new products, driving future growth and maintaining its competitive edge.

Global Approvals: Sun Pharma consistently receives regulatory approvals from major markets like the US and Europe, allowing it to expand its market reach and increase revenue.

STOCK ALLOCATION

With varying holding periods, allocating diffrent stocks requires a strategic balance between potential returns and the inherent risks of each stock. Here is a recommended allocation plan to optimize profitability:

1. TCS (1 year):
   - Allocation: ₹2,00,000
   - Rationale: TCS is a leading IT services company with strong fundamentals and a stable revenue stream. It has potential for short-term gains due to its robust business model and market position.

2. Sun Pharmaceuticals Industries Ltd (5 years):
   - Allocation: ₹2,00,000
   - Rationale: Sun Pharma is a major player in the pharmaceutical industry. Over a five-year period, it is likely to benefit from its R&D investments, product launches, and global expansion.

3. ONGC (3 years):
   - Allocation: ₹1,50,000
   - Rationale: ONGC is a leading oil and gas company in India. With a medium-term horizon, it is expected to perform well due to rising energy demands and potential increases in oil prices.

STOCK ALLOCATION

4. Ujjivan Small Finance Bank (5 years):
   - Allocation: ₹1,50,000
   - Rationale: Ujjivan focuses on providing financial services to underserved markets. Its growth potential in the long term is significant as financial inclusion efforts continue in India.

5. Bikaji Foods International (1 year):
   - Allocation: ₹1,00,000
   - Rationale: Bikaji Foods is a fast-growing company in the food sector. A one-year investment can capture short-term growth opportunities, but the allocation is cautious due to potential market volatility.

6. HG Infra Engineering (5 years):
   - Allocation: ₹2,00,000
   - Rationale: HG Infra is involved in infrastructure development, which has strong growth prospects in India. The medium-term holding period allows capturing gains from infrastructure projects and government initiatives.

This investment strategy is designed to maximize profit by capitalizing on the strengths and growth potential of each stock within its designated holding period. It strikes a balance between stable stocks, high-growth opportunities, and those with potentially high returns, effectively managing risk while optimizing overall returns.

CONCLUSION

This diversified portfolio, selected based on strong fundamental analysis, aims to maximize potential returns while managing risks. Continuous monitoring and re-evaluation of the selected stocks will be crucial for maintaining portfolio health and achieving investment objectives.

APPENDIX

https://ticker.finology.in
https://www.moneycontrol.com
https://www.investopedia.com
https://www.investopedia.com/