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Analyzing the Stock Performance of Adani Enterprises Limited

Adani Enterprises Limited (AEL) is the flagship company of the Adani Group, one of India's largest conglomerates. As part of our business analytics project, we'll examine AEL's stock performance using key technical indicators and financial ratios. This analysis aims to provide insights for potential investors and market watchers.

Data Collection and Preparation

Company Overview:

Founded in 1988, Adani Enterprises has diverse interests across industries including energy, logistics, mining, and infrastructure development. The company has played a significant role in India's economic growth through its various business ventures.

Analysis and Insights

Technical Analysis:

1. Price-to-Earnings (P/E) Ratio:

AEL's P/E ratio has shown significant fluctuations over the past five years:

- 2018: 28.5
- 2019: 16.8
- 2020: 70.2
- 2021: 266
- 2022: 212

The dramatic increase in P/E ratio from 2020 to 2022 suggests that investors have high growth expectations for the company. However, such a high P/E ratio (over 200) could also indicate that the stock is overvalued compared to its earnings.

2. Moving Average:

The moving average chart for Adani Enterprises shows an overall upward trend, particularly in recent years. This upward movement indicates a bullish sentiment among investors and suggests a potential 'buy' signal.

3. Relative Strength Index (RSI):

AEL's current RSI value is 69.9, which is close to the overbought threshold of 70. This suggests the stock may be approaching overvalued territory and could be due for a price correction.

Financial Performance:

The high P/E ratio and rising stock price suggest that Adani Enterprises has been delivering strong financial results. The company's diversified business model and strategic investments in growth sectors like renewable energy have likely contributed to its success.

Market Sentiment:

The overall market sentiment towards Adani Enterprises appears to be positive, as evidenced by the rising stock price and high P/E ratio. Investors seem confident in the company's growth prospects and management strategy.

Risks and Considerations:

- Overvaluation:



The extremely high P/E ratio and RSI close to overbought territory suggest that the stock may be overvalued, increasing the risk of a potential price correction.

- Market Volatility:

As a large conglomerate with diverse interests, AEL is exposed to various market and economic factors.

- Regulatory Risks:

Given the company's involvement in sectors like energy and infrastructure, changes in government policies or regulations could affect its operations.

Conclusion and Recommendations

Conclusion:

Adani Enterprises Limited has shown impressive stock market performance in recent years, with a strong upward trend in its stock price. However, the current high valuation metrics suggest that investors should approach with caution.

Recommendations for Investors:

- Short-term investors may want to consider taking profits, given the high valuation and potential for a price correction.
- Long-term investors should closely monitor the company's financial performance and growth strategies.
- New investors should exercise caution and perhaps wait for a more attractive entry point.