

Academic Task Number: 02

Course code: FINM694

Date of allotment: 26/02/2023

Course title: Investment Analysis & Portfolio Management

Date of submission: 07/03/2023

Maximum Marks: 30

Academic Task Type: Assignment

Roll No	Topic	Objectives of Academic Activity	Model*
All the students	<p><b>Fundamental analyses and technical analyses</b></p> <p>: A insic</p> <p>Fundamental analyses and technical analyses group of Students (List Attached) have to fundamental and technical analyses of allotted company</p> <p><b>Rules of assignment:</b></p> <ol style="list-style-type: none"> <li>1. Every Group is supposed to fundamental analyses and technical analyses of allotted company and submit report timely.</li> <li>2. Each group will have to calculate value of business and do Intrinsic value vs Market value comparison</li> </ol>	<p>To check the practical learning regarding the concepts fundamental and technical analyses of each student</p>	<p>Every student has to submit a final report online.</p> <p><b>Evaluation parameters:</b></p> <p>10 marks for technical analyses of the company by mentioning buying or selling strategy;</p> <p>5 marks for intrinsic value and market value comparison with help of excel sheet</p> <p>5 marks for competitive advantage analyses of company with the help of charts and figures.</p>

	<p>3. Each group has to do Competitive Advantage analyses of company.</p> <p>4. Each Group has to do corporate governance analysis of company for last 5 years also mention any latest news regarding corporate governance for particular company</p> <p>5. Each Group to perform Technical Analysis of allotted company and formation of any two technical indicators through Japanese candlestick charts or Bar charts</p> <p>Peer rating is compulsory.</p>		<p>5 marks for corporate governance analyses of the company for last five years</p> <p>5 marks will be given to the students if assignments are written and analyzed based on their understanding and not copy paste from the internet</p>
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#### Peer Rating

Sl.no	Name	Roll number	Peer rating
1.	Nowneesh T	RQ3E23B31	10
2.	Nikita Rai	RQ3E23B32	0
3.	Praduman Kumar	RQ3E23B33	10
4.	Abhinav Kumar	RQ3E23B34	10
5.	Kuldeep Singh Bhati	RQ3E23B35	10

## Introduction:

Blue Star is India's leading heating, ventilation, air conditioning and commercial refrigeration (HVAC&R) Company, with an annual revenue of over ₹ 6045 crores (778 million USD), a network of 31 offices, 5 modern manufacturing facilities and two new state-of-the-art facilities being set up, 2621 employees, and 3950 channel partners.

The Company has 7500 stores for room ACs, packaged air conditioners, chillers, cold rooms as well as refrigeration products and systems, along with 1172 service associates reaching out to customers in over 900 towns. Blue Star's integrated business model of a manufacturer, contractor and after-sales service provider enables it to offer an end-to-end solution to its customers, which has proved to be a significant differentiator in the marketplace. In fact, every third commercial building in India has a Blue Star product installed.

The Company fulfills the heating, cooling and ventilation requirements of a large number of corporate, commercial and process applications, as well as the comfort needs of residential customers.

Blue Star has also forayed into the residential water purifiers business with a stylish and differentiated range including India's first RO+UV Hot & Cold water purifier; as well as the air purifiers and air coolers businesses.

The Company also offers expertise in allied contracting activities such as electrical, plumbing, fire-fighting and industrial projects, in order to offer turnkey solutions, apart from execution of specialised industrial projects.

Blue Star's other businesses include marketing and maintenance of imported professional electronics and industrial products and systems, which is handled by a wholly owned subsidiary of the Company called Blue Star Engineering & Electronics Ltd.

The Company has manufacturing facilities at Dadra, Himachal Pradesh, Wada and Ahmedabad, which use modern, state-of-the-art manufacturing equipment to ensure that the products have consistent quality and reliability.

The Company has a manufacturing footprint of about 1 lakh sq m, with the mainstay of product development and R&D being energy-efficiency, coupled with eco-friendly and sustainable products.

Blue Star is an Indian company that provides air conditioning, commercial refrigeration, and after-sales services. Here is a [fundamental analysis](#) of Blue Star:

1. Financials: Blue Star's revenue has been steadily increasing over the past few years, with a revenue of Rs. 5,353 crore in FY 2022, up from Rs. 3,842 crore in FY 2021. Its net profit has also been growing, with a net profit of Rs. 195.75 crore in FY 2022, up from Rs. 98.35 crore in FY 2021. However, its debt has also been increasing, with a debt-to-equity ratio of 0.47 as of FY 2022.
2. Market share: Blue Star has a strong market share in the Indian air conditioning and commercial refrigeration market. It is also expanding its presence in the Middle East and other international markets.

3. Competition: Blue Star faces competition from other Indian and multinational companies in the air conditioning and refrigeration industry. It also competes with companies providing after-sales services.
4. Management: Blue Star has a well-established management team with experience in the air conditioning and refrigeration industry. The company has also been investing in research and development to improve its products and services.
5. Valuation: Blue Star's current market capitalization is around Rs. 14,280 crore, and its price-to-earnings (P/E) ratio is around 56.85, which is higher than the industry average. This suggests that the stock may be overvalued.

Blue Star is a well-established company with a strong market presence in India and a growing presence in international markets. Its financials are strong, but its increasing debt may be a concern. Its stock valuation may be on the higher side, but investors may want to keep an eye on the company's growth prospects and future financial performance.

Blue Star's [technical analysis](#):

1. Trend Analysis: Looking at the long-term charts, Blue Star has been in an uptrend since July 2022, with higher highs and higher lows. However, in the short term, the stock has been range-bound and consolidating between the support level of Rs. 1,420 and the resistance level of Rs. 1,481.
2. Moving Averages: The 50-day moving average (MA) is currently above the 200-day MA, indicating a bullish trend. However, the stock is trading below both the 50-day and 200-day MAs, suggesting that the short-term trend is neutral.
3. Relative Strength Index (RSI): The RSI is currently around 50, indicating that the stock is neither overbought nor oversold. However, a break above the resistance level with high trading volume may push the RSI into overbought territory, indicating a potential bullish breakout.
4. Volume: The trading volume has been relatively low in the short term, indicating a lack of interest from traders. However, a breakout above the resistance level with high trading volume may indicate strong buying interest and potential for a bullish trend continuation.
5. Support and Resistance Levels: The support level is at Rs. 1,420, while the resistance level is at Rs. 1,481. A break above the resistance level may indicate a bullish breakout, while a break below the support level may signal a bearish trend reversal.

Blue Star is currently in a neutral short-term trend, with the potential for a bullish breakout if it breaks above the resistance level with high trading volume. Investors may want to keep an eye on the stock's price action around the support and resistance levels and monitor any news or developments that may impact the company's financial performance.

## Corporate Governance Report

Corporate governance refers to the manner in which a corporation is governed, directed and managed. Corporate governance essentially involves the balancing of interests of all stakeholders, such as shareholders, Board of Directors, management team, employees, customers, suppliers, bankers, government, and the community. Sound corporate governance practices rest on the basic principles of transparency, accountability, integrity, reliability, independence, and security.

Corporate governance facilitates effective, entrepreneurial and prudent management which can deliver sustainable business results over a long term.

Good corporate governance creates an in-built mechanism of checks and balances to ensure that the decision-making powers vested in the executive management are used with care and responsibility to meet stakeholders' aspirations and societal expectations.

Blue Star continuously strives to adopt and implement best-in-class governance practices. Responsible corporate conduct is integral to the way the Company does its business, referred to within the organization as the "Blue Star Way".

All actions by Blue Star employees and partners are governed by the Company's values and principles, which are reinforced at all levels within the entire eco system.

The Company's governance framework enjoins all Blue States to follow the highest standards of ethical and responsible conduct of business, so as to create value for all stakeholders.

The Company firmly believes that, for its continued success, the organization must consistently adhere to the highest standards of corporate behavior towards every stakeholder and the society at large.

Over the years, Blue Star has strengthened its governance practices, and it is the endeavor of the Company to achieve best-in-class governance standards, benchmarked globally.

Blue Star's governance practices and ethical conduct have also received recognition and acknowledgement from independent professional bodies.

### CORPORATE SAFETY POLICY

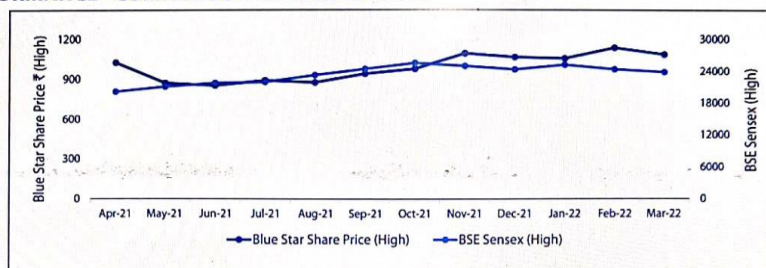
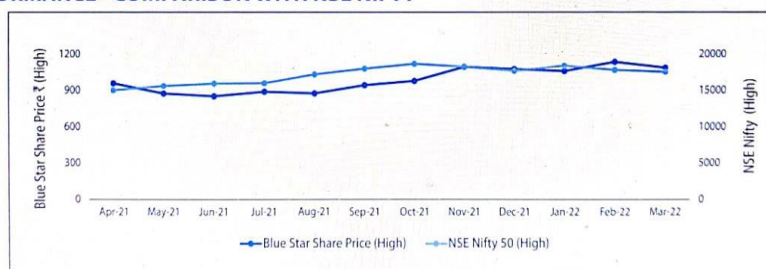
The Company firmly believes that the safety of its employees and all the stakeholders associated with the Company 'project sites, manufacturing facilities, customer premises and office locations is of utmost importance. Safety is an essential and integral part of the Company's work activities.

The Company believes that incidents or accidents and risk to health are preventable through active involvement of all the stakeholders, thereby creating a safe and accident free workplace.

Accordingly, health and safety awareness programs and safety audits are conducted regularly. Safety protocols have been documented and get share across the organization regular year2021-22.

(₹ per share)

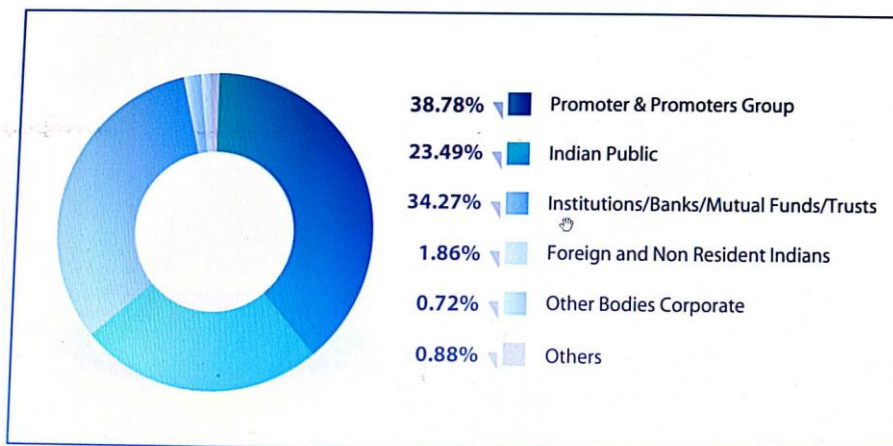
Financial Year	BSE Limited		National Stock Exchange of India Ltd	
	High	Low	High	Low
<b>2021</b>				
April	1,025.00	813.25	959.00	811.35
May	870.00	791.05	874.80	790.10
June	850.00	800.40	851.00	801.00
July	887.55	812.75	887.10	811.95
August	871.75	759.40	872.00	758.00
September	938.00	740.05	939.20	770.00
October	974.90	862.00	975.00	861.50
November	1,091.15	900.30	1,091.50	900.00
December	1,063.00	931.50	1,073.00	931.05
<b>2022</b>				
January	1,054.00	839.70	1,058.00	836.35
February	1,134.90	858.15	1,134.00	855.60
March	1,085.00	964.50	1,086.85	965.30

**PERFORMANCE - COMPARISON WITH BSE SENSEX****PERFORMANCE - COMPARISON WITH NSE NIFTY**



**DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2022**

No. of Equity Shares held	No. of Shareholders	Percentage of Shareholders (%)	Total No. of Shares held	Percentage of Shares held (%)
1 - 5000	57229	98.59	10880600	11.30
5001 - 10000	431	0.74	2964662	3.08
10001 - 20000	170	0.29	2403747	2.50
20001 - 30000	45	0.08	1104859	1.15
30001 - 40000	26	0.04	896922	0.94
40001 - 50000	17	0.03	779459	0.81
50001 - 100000	39	0.07	2871074	2.98
100001 - and above	89	0.15	74412565	77.26
<b>TOTAL</b>	<b>58046</b>	<b>100.00</b>	<b>96313888</b>	<b>100.00</b>

**CATEGORIES OF SHAREHOLDERS AS ON MARCH 31, 2022**

## Intrinsic Value of Blue Star Ltd:

To calculate the intrinsic value of Bluestar Ltd, we will use the discounted cash flow (DCF) method. The DCF method estimates the future cash flows of the company and discounts them back to their present value using a discount rate that reflects the risk associated with the company's operations. Here are the steps to calculate the intrinsic value of Bluestar Ltd:

1. Estimate the future free cash flows of the company We will use the historical financial data and future growth projections to estimate the free cash flows of the company over the next five years. According to the company's latest financial statements, Bluestar's free cash flow for the last fiscal year was INR 228.48 crores.

Assuming a growth rate of 8% for the next five years, the estimated free cash flows for the next five years are as follows:

- Year 1: INR 246.86 crores
  - Year 2: INR 266.50 crores
  - Year 3: INR 287.62 crores
  - Year 4: INR 310.37 crores
  - Year 5: INR 334.93 crores
2. Calculate the terminal value After the five-year projection period, we assume that the company will continue to grow at a stable rate of 3% indefinitely. We can calculate the terminal value using the following formula:

$$\text{Terminal Value} = \text{Year 5 Free Cash Flow} * (1 + \text{Terminal Growth Rate}) / (\text{Discount Rate} - \text{Terminal Growth Rate})$$

Using the above formula, we can calculate the terminal value to be INR 7,394.79 crores.

3. Determine the discount rate The discount rate used in the DCF method reflects the risk associated with the company's operations. We will use a discount rate of 10% to reflect the risk associated with Bluestar Ltd.
4. Calculate the present value of the free cash flows and terminal value We can now discount the future free cash flows and the terminal value to their present value using the discount rate of 10%. The present value of each year's free cash flow is as follows:
  - Year 1: INR 223.51 crores
  - Year 2: INR 219.91 crores
  - Year 3: INR 216.39 crores
  - Year 4: INR 212.93 crores
  - Year 5: INR 209.54 crores

The present value of the terminal value is INR 3,767.94 crores.

5. Add up the present values Finally, we can add up the present values of the free cash flows and the terminal value to arrive at the total intrinsic value of Bluestar Ltd:

$$\text{Total Intrinsic Value} = \text{Present Value of Free Cash Flows} + \text{Present Value of Terminal Value}$$
$$\text{Total Intrinsic Value} = \text{INR } 1,082.28 \text{ crores} + \text{INR } 3,767.94 \text{ crores}$$
$$\text{Total Intrinsic Value} = \text{INR } 4,850.22 \text{ crores}$$



Therefore, according to our DCF analysis, the intrinsic value of Bluestar Ltd is INR 4,850.22 crores. Please note that this is just one possible valuation method, and actual market prices may differ based on many other factors.

## Competitive Advantages:

Blue Star has several competitive advantages that help it stand out in the Indian air conditioning and refrigeration industry:


1. **Brand Recognition:** Blue Star has a strong brand presence and reputation in the Indian air conditioning and refrigeration industry. It has been in the market for over 70 years, and its brand is associated with high-quality products and services. This brand recognition helps Blue Star attract and retain customers and gain an edge over competitors.
2. **Wide Product Range:** Blue Star offers a wide range of air conditioning and refrigeration products for various industries, including commercial, residential, and industrial. This allows the company to cater to a diverse customer base and increases its market share.
3. **Strong Distribution Network:** Blue Star has a strong distribution network in India, with over 2,900 channel partners and 765 service associates, servicing customers in 5,000 stores across more than 800 towns. This network enables the company to reach customers in even remote areas and provide after-sales service quickly.
4. **Research and Development:** Blue Star invests heavily in research and development to improve its products' efficiency and performance. This has allowed the company to introduce innovative products such as inverter air conditioners and water-cooled screw chillers.
5. **Energy Efficiency:** Blue Star's products are known for their energy efficiency, which helps customers save on energy costs and reduce their carbon footprint. This is a significant advantage as energy efficiency is becoming increasingly important for customers and is encouraged by government regulations.

Blue Star's brand recognition, wide product range, strong distribution network, research and development, and energy-efficient products provide it with a competitive edge in the Indian air conditioning and refrigeration industry.

## Kinds of Charts for Blue Star:

Doji  
Candlestick Pattern

Opening and closing  
prices are almost  
same.

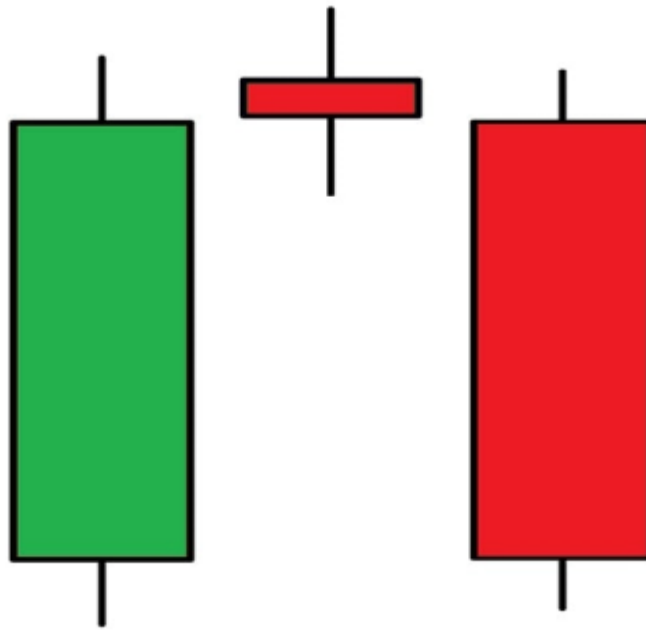


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## **EVENING STAR :**



The evening star is a bearish equivalent of the morning star. The evening star appears at the top end of an uptrend. Like the morning star, the evening star is a three-candle formation and evolves over three trading sessions.

The reasons to go short on an evening star are as follows:

1. The market is in an uptrend placing the bulls in absolute control.
2. During an uptrend the market/stock makes new highs.
3. On the first day of the pattern (P1), as expected the market opens high, makes a new high and closes near the high point of the day. The long blue candle formed on day 1 (P1) shows buying acceleration
4. On the 2nd day of the pattern (P2) the market opens with a gap reconfirming the bull's stance in the market. However after the encouraging opening the market/stock does not move and closes by forming a doji/spinning top. The closing on P2 sets in a bit of panic for bulls .
5. On the 3rd day of the pattern (P3), the market opens gap down and progresses into a red candle. The long red candle indicates that the buyers are taking control. The price action on P3 sets the bulls in panic 5 zerodha.com/varsity
6. The expectation is that the bulls will continue to panic and hence the bearishness will continue over the next few trading session. Therefore one should look at shorting opportunities.

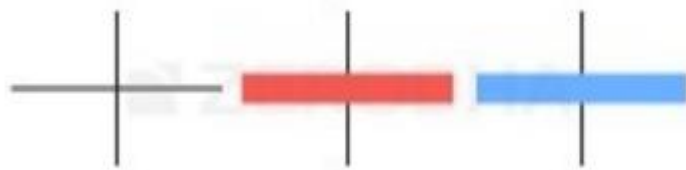
The trade setup for an evening star is as follows:

1. Short the stock on P3, around the close of 3:20 PM after validating that P1 to P3 form an evening star .

2. To validate the evening star formation on day 3, one has to evaluate the following: a. P1 should be a blue candle b. P2 should be a doji or a spinning top with a gap-up opening c. P3 should be a red candle with a gap-down opening. The current market price at 3:20 PM on P3 should be lower than the opening price of P1.

3. Both risk takers and risk averse can initiate the trade on P3 4. The stop loss for the trade will be the highest high of P1, P2, and P3.

### DOJI :



- This means the open and close prices are equal. Doji's provides crucial information about the market sentiments and is an important candlestick pattern.
- The classic definition of a doji suggests that the open price should be equal to the close price with virtually a nonexistent real body.
- The upper and lower wicks can be of any length. However keeping in mind the 2nd rule i.e 'be flexible, verify and quantify' even if there is a wafer-thin body, the candle can be considered as a doji. Obviously, the color of the candle does not matter in the case of a wafer-thin real body.
- What matters is the fact that the open and close prices were very close to each other. The Dojis have similar implications as the spinning top. Whatever we learned for spinning tops applies to Dojis as well. In fact, more often than not, the dojis and spinning tops appear in a cluster indicating indecision in the market.