



SECURITY ANALYSIS OF MAHARATNA COMPANIES

(A Study based on Fundamental, Technical & Random Analysis)

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ABSTRACT

The security analysis and protection of modern distributed information systems has to deal with the complexity, heterogeneity and broad interconnectivity of the systems. With respect to that our approach employs object-oriented modeling techniques in order to facilitate the analysis and to assure its quality even in case of extensive systems. The analysis efforts can concentrate on the creation of a model of the existing system, while threat and weakness identification, risk assessment, and countermeasure planning are substantially supported by automated tool-assistance. The tool moreover adopts conceptions of object-oriented design tools like the utilization of predefined class libraries and the use of graphical UML-based class and instance diagrams. Therefore the tool already supports the comfortable model creation. The following tasks correspond to model analysis, refinement and augmentation. They are supported by automated tool functions which apply enhanced object-oriented techniques like multiple class hierarchies, object patterns, and graph rewrite system based transformation rules. We report on the principles of the approach and clarify its application by means of an example.

Key Words: Security Analysis, Risk Analysis, Risk Assessment

DATA SOURCE AND METHODOLOGY

To analyze the securities of the Maharatna's we can get the secondary data from various source such as stock exchanges, financial reports and companies visits and the mythology is firstly we can analyse the information based on the theoretical and secondly through various statistical methods.

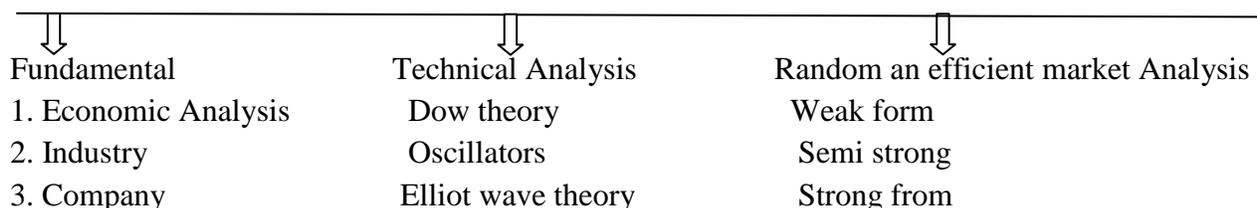
INTRODUCTION TO THE STUDY

Security Analysis (Risk & Return on Securities)

The primary objective of security analysis is to analysis the various securities in terms of expected risk and return, and various other parameters in order to take proper investment decision.

Security analysis in Traditional & Modern Sense involves the Projection of future dividend or earnings flows, forecast of the share price in the future and estimating intrinsic value of a security based on the forecast of earnings / dividends

APPROACHES OF SEC ANALYSIS





1. FUNDAMENTAL ANALYSIS :- (Long-term Benefit)

(A based on the premises that a security has an intrinsic value at any given time.)

Fundamental Approach attempts to analyze various fundamental or basic factors that effect the risk return of the securities growth rate, earning capacity and intrinsic value (I.V) The assumption in this approach is that the market price (M.P) of the securities and price and justified by its fundamental factors called intrinsic value (I.V).

Decision Rule

1. If $I.V > MP$ = buy the security
2. If $I.V < MP$ = sell the security
3. If $I.V = MP$ = No action (Hold it)

The Fundamental factors may relate to the Economy or Industry or company.

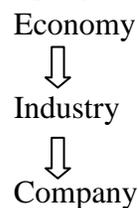
Securities for taking investment decision

Economic - Industry - company frame work forms an integral part of this approach.

Firstly the investor firstly has to analyze the overall economy a security market.

Second Analyze the industry within which a particular company operates

Finally Analysis of company should be considered.



2. TECHNICAL ANALYSIS: - is study of market analysis (short term benefit point of View).

Technical Analysis is the study of historical patterns of stock price behavior and volume of trading that takes place on the stock market.

The term technical implies the study of market itself. Technical Analysis referred as “the market Analysis”.

Technical Analysis believes that greater importance should be given to the technical aspect of the Market as Price changes & Trading Volume Objectives.

- Technical Analysis aim to determine the Right time to enter or exit the market by studying the T. indicators & charts.
- Technical Analysis believes that stock market movement is 10%logical and 90% psychological in nature so most of their tools are designed to read the psychological in nature at market.

“Tools of Technical Analysis: Price & volume patterns and Technical Analysis depends upon fully historical trends to predict future prices”

3. RANDOM ANALYSIS: - Efficient Market hypotheses Random Analysis states that the share price fluctuations are random and do not follow any regular pattern.



It says that all securities are rightly priced; decision criterion is expected risk / return bearing capacity.

Random Analysis is one in which securities prices fully reflect all available information all the relevant information is reflected in the current stock price. Information can't used to obtain excess return.

INTRODUCTION TO THE MAHARATNA COMPANIES:

Maharatna Companies

The Government had introduced the Maharatna scheme, in 2009. The main objective of the Maharatna Scheme is to empower mega CPSEs to expand their operations and emerge as global giants. The introduction to Maharatna Scheme, the Department of Public Enterprises has achieved one of the three tasks identified to be completed within first 100 days programme in respect of their Department.

ELIGIBILITY CRITERIA AND PROCEDURE FOR GRANT OF MAHARATNA STATUS

The CPSEs meeting the following eligibility criteria are proposed to be considered for Maharatna status:

- a) Having Navratna status
- b) Listed on Indian stock exchange with minimum prescribed public shareholding under SEBI regulations
- c) An average annual turnover of more than Rs.25,000 crore during the last 3 years
- d) An average annual net worth of more than Rs.15,000 crore during the last 3 years
- e) An average annual net profit after tax of more than Rs.5,000 crore during the last 3 years
- f) Should have significant global presence/international operations

The procedure for grant of Maharatna status as well as their review is proposed to be similar to that in vogue for the grant of Navratna status. The introduction of the above scheme will not entail any additional expenditure on the part of the Government.

List of Maharatna

As on 30 September 2015 there are 7 Maharatnas.

1. National Thermal Power Corporation (NTPC)
2. Oil and Natural Gas Corporation (ONGC)
3. Steel Authority of India (SAIL)
4. Bharat Heavy Electricals Ltd. (BHEL)
5. Indian Oil Corporation Limited (IOCL)
6. Coal India Limited (COL)
7. GAIL (GAIL)

1. National Thermal Power Corporation (NTPC)

NTPC Limited (“NTPC” or the “Company”) is the largest power generating company in the country. Set up in 1975, NTPC is engaged in the generation, distribution, and sale of bulk power to state power utilities in India. The Company generates power from coal, gas, hydro, and liquid fuel sources. NTPC ranked 337th in the ‘2012, Forbes Global 2000’ ranking of the World’s biggest companies. NTPC has current generating capacity of 42,454 MW, with 17 coal based and 7 gas based stations, located across the country. The Company plans to become a 128,000 MW company by 2032 with a well-diversified fuel mix comprising 56% coal, 16% gas, 11% nuclear energy, 9% renewable energy and 8% hydro power based capacity.

The Company has 16% of the total national capacity, and contributes 25.6% of total power generation. NTPC has also diversified into hydro power, coal mining, power equipment manufacturing, oil & gas exploration, power trading & distribution.

Valuation Analysis					
Consolidated					
Particulars	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Total Income from Operations (Rs. Cr.)	65,893.25	69,376.82	78,921.66	80,622.04	78,705.50
Growth (%)	11.43 %	5.29 %	13.76 %	2.15 %	(2.38 %)
PAT (Rs. Cr.)	9,814.66	12,586.22	11,403.40	9,992.37	10,162.43
Growth (%)	4.99 %	28.24 %	(9.40 %)	(12.37 %)	1.70 %
Earnings Per Share – Basic (Rs.)	11.90	15.27	13.83	12.11	12.35
Earning Per Share – Diluted (Rs.)	11.90	15.27	13.83	12.11	12.35
Price to Earnings	13.67	9.30	9.35	11.29	10.43

2. Oil and Natural Gas Corporation (ONGC)

Oil & Natural Gas Corporation Limited (“ONGC” or the “Company”) is the second largest oil and gas exploration and production Company in the world and ranks 23rd among leading global energy majors. Headquartered in Dehradun, the Company’s primary business includes exploration and production of crude oil, natural gas, LPG and other value-added petroleum products. ONGC has also set up a subsidiary, Oil Videsh Limited (OVL), for overseas oil exploration and production. OVL is operating in 15 countries with 30 projects with cumulative investment worth over USD 15 billion, to source equity oil & gas for energy security of the country.

The Company operates with 27 crews, manages 240 onshore production installations, 202 offshore installations, 77 drilling and 58 work-over, owns and operates more than 26,598 kms of pipeline in India, including 4,500 kms of sub-sea pipelines.

Valuation Analysis					
Consolidated					
Particulars	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Total Income from Operations (Rs. Cr.)	1,47,306.81	1,62,386.33	174,466.56	1,60,894.87	1,31,517.33
Growth (%)	20.81 %	10.24 %	7.44 %	(7.78 %)	(18.26 %)
PAT (Rs. Cr.)	28,428.90	23,990.26	26,653.02	17,672.95	14,300.93
Growth (%)	24.55 %	(15.61 %)	11.10 %	(33.69 %)	(19.08 %)
Earnings Per Share – Basic (Rs.)	32.90	28.31	30.98	21.43	16.51
Earning Per Share – Diluted (Rs.)	32.90	28.31	30.98	21.43	16.51
Price to Earnings	8.12	11.00	12.89	15.12	13.01

3. Steel Authority of India (SAIL)

Founded in 1975, Steel Authority of India (“SAIL” or the “Company”) is a fully integrated iron and steel maker, producing both basic and special steels for domestic construction, engineering, power, railway, automotive and defence industries and for sale in export markets. Established in 1975, SAIL is the leading steel-making company in India and one of the five Maharatnas of the country’s Central Public Sector Enterprises.

SAIL manufactures and sells a broad range of steel products, including hot and cold rolled sheets and coils, galvanised sheets, electrical sheets, structurals, railway products, plates, bars and rods, stainless steel and other alloy steels. SAIL produces iron and steel at five integrated plants and three special steel plants, located principally in the eastern and central regions of India and situated close to domestic sources of raw materials, including Company’s iron ore, limestone and dolomite mines.

SAIL has the distinction of being India’s second largest producer of iron ore and of having the country’s second largest mines network.

Valuation Analysis

Consolidated

Particulars	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Total Income from Operations (Rs. Cr.)	46,372.55	44,697.61	46,837.28	45,843.56	39,462.84
Growth (%)	6.69 %	(3.61 %)	4.79 %	(2.12 %)	(13.92 %)
PAT (Rs. Cr.)	3,545.18	2,180.52	2,631.89	2,117.51	(4,001.26)
Growth (%)	(28.20%)	(38.49 %)	20.70 %	(19.54 %)	(288.96 %)
Earnings Per Share – Basic (Rs.)	8.58	5.28	6.37	5.13	(9.69)
Earning Per Share – Diluted (Rs.)	8.58	5.28	6.37	5.13	(9.69)
Price to Earnings	10.96	11.81	11.21	13.32	-

4. Bharat Heavy Electricals Ltd. (BHEL)

Bharat Heavy Electricals Limited (“**BHEL**” or the “**Company**”) is an integrated power plant equipment manufacturer and one of the largest engineering and manufacturing companies in India in terms of turnover. The Company manufactures a wide range of products and services for the core sectors of the Indian economy, including power, transmission, industry, transportation, renewable energy, oil & gas and defence. The Company has been earning profits continuously since 1971-72 and paying dividends since 1976-77. BHEL undertakes all jobs related to the construction, designing, engineering and testing of its products all the way to commissioning and servicing. The Company currently operates at more than 150 project sites across India and abroad and has a wide presence with 16 manufacturing divisions, 2 repair units, eight service centres, eight overseas offices, 7 joint ventures and 15 regional centres.

Valuation Analysis

Consolidated					
Particulars	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Total Income from Operations (Rs. Cr.)	48,355.22	48,915.84	39,569.41	30,788.59	26,350.60
Growth (%)	13.01 %	1.16 %	(19.11 %)	(22.19 %)	(14.41 %)
PAT (Rs. Cr.)	7,087.26	6,693.10	3,502.86	1,450.44	(897.39)
Growth (%)	17.08 %	(5.56 %)	(47.66 %)	(58.59 %)	(161.87 %)
Earnings Per Share – Basic (Rs.)	28.96	27.35	14.31	5.93	(3.66)
Earning Per Share – Diluted (Rs.)	28.96	27.35	14.31	5.93	(3.66)
Price to Earnings	8.87	6.47	17.38	42.00	-

5. Indian Oil Corporation Limited (IOCL)

Indian Oil Corporation Limited (“**IOC**” or the “**Company**”) is India’s flagship national oil company with business interests ranging from refining, pipeline transportation and marketing of petroleum products to exploration & production of crude oil & gas. The Company is the market leader, with an overall share of (53.1%) among the PSUs.

IOC and its subsidiary, Chennai Petroleum Corporation Limited, account for over 49 % petroleum products market share, 31 % national refining capacity and 71 % downstream sector pipelines capacity in India. The Company has a portfolio of energy brands that includes Indane LPGas, *SERVO* lubricants, XtraPremium petrol, XtraMile diesel, PROPEL & petrochemicals. During FY 2013, IOC maintained its leadership position in the industry on the basis of unparalleled performance on all operational parameters.

Valuation Analysis

Consolidated

Particulars	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Total Income from Operations (Rs. Cr.)	4,08,924.03	4,61,779.67	4,88,344.93	4,49,508.66	3,55,926.62
Growth (%)	41.98 %	12.93 %	5.75 %	(7.95 %)	(20.82 %)
PAT (Rs. Cr.)	4,265.27	3,627.30	6,966.58	4,871.78	11,605.72
Growth (%)	(47.25 %)	(14.96 %)	92.06 %	(30.07 %)	138.22 %
Earnings Per Share – Basic (Rs.)	17.41	18.32	29.18	20.23	46.21
Earning Per Share – Diluted (Rs.)	17.41	18.32	29.18	20.23	46.21
Price to Earnings	15.08	15.36	12.46	17.60	8.51

6. Coal India

Founded in 1973, Coal India Ltd. (“**Coal India**” or the “**Company**”), is a Government of India (GOI) enterprise and the largest coal producer in the world based on raw coal production and coal reserves. CIL’s total coal resources and reserves amount to 64.2 billion tonnes and 18.9 billion tonnes respectively. The Company currently operates 471 mines in 21 major coalfields across 8 states in India, of which 163 are open cast mines, 273 are underground mines and 35 are mixed mines. The Company carries out its coal production through eight subsidiaries – Eastern Coalfields Ltd. (ECL), Bharat Coking Coal Ltd. (BCCL), Central Coalfields Ltd. (CCL), Northern Coalfields Ltd. (NCL), Western Coalfields Ltd. (WCL), South Eastern Coalfields Ltd. (SECL), Mahanadi Coalfields Ltd. (MCL), and North Eastern Coalfields (NEC).

Valuation Analysis					
Consolidated					
Particulars	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Total Income from Operations (Rs. Cr.)	62,415.43	68,302.74	68,810.02	74,120.07	78,010.12
Growth (%)	24.25 %	9.43 %	0.74 %	7.72 %	5.25 %
PAT (Rs. Cr.)	14,788.2	17,342.64	15,111.63	13,726.61	14,274.29
Growth (%)	36.08 %	17.27 %	(12.86 %)	(9.17 %)	3.99 %
Earnings Per Share – Basic (Rs.)	23.47	27.63	23.92	21.73	22.60
Earning Per Share – Diluted (Rs.)	23.47	27.63	23.92	21.73	22.60
Price to Earnings	14.62	11.19	15.61	17.63	12.92

7. GAIL (GAIL)

Incorporated in August 1984, GAIL (India) Limited (“GAIL” or the “Company”) is engaged in the exploration, production, distribution, and marketing of natural gas in India and internationally.

Over the years, GAIL has grown organically by building large network of natural gas pipelines covering over 9,500 km with a capacity of around 172 MMSCMD (Million Metric Standard Cubic Meter Per Day) of natural gas; two LPG pipelines covering 2,040 km with a capacity of 3.3 MMTPA (Million Metric Tonne Per Annum) of LPG; seven gas processing plants for production of LPG and other liquid hydrocarbons, with a production capacity of 1.4 MMTPA.

The Company owns a 70% equity share in Brahmaputra Cracker and Polymer Limited (BCPL) which is setting up a polymer plant in Assam with a capacity of 280,000 Tonnes Per Annum.

Valuation Analysis					
Consolidated					
Particulars	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Total Income from Operations (Rs. Cr.)	27,162.27	35,218.93	44,182.14	51,094.43	61,918.31
Growth (%)	9.27 %	29.66 %	25.45 %	15.64 %	21.18 %
PAT (Rs. Cr.)	3,292.29	3,980.85	4,400.83	4,316.67	4,727.59
Growth (%)	18.00 %	20.91 %	10.55 %	(1.91 %)	9.52 %
Earnings Per Share – Basic (Rs.)	26.23	31.70	35.03	34.48	37.73
Earning Per Share – Diluted (Rs.)	26.23	31.70	35.03	34.48	37.73
Price to Earnings	15.62	14.67	10.70	9.26	9.85

CONCLUSIONS:

An investment refers to the commitment of funds at present, in anticipation of some positive rate of return in future. Today the spectrum of investment is indeed wide. An investor is confronted with array of investment avenues. Among all investment, investment in equity is best high proportion. This is because the history of stock market world over is booms and bursts over night millionaires an instant pauper. Security analysis can be done through Fundamental, Technical and random analysis as discussed above

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