A STUDY ON FUNDAMENTAL ANALYSIS SELECTED SECURITY AT ANGEL ONE PVT LTD

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ABSTRACT

This study explores the application of **technical and fundamental analysis** in evaluating a **selected security** in the financial markets. **Fundamental analysis** examines intrinsic value by assessing financial statements, economic indicators, and industry trends, while **technical analysis** focuses on price patterns, historical data, and market sentiment to predict future movements. The research integrates both methodologies to assess the performance and investment potential of the chosen security. Key metrics such as **price-to-earnings ratio, earnings per share, moving averages, and relative strength index** are analysed to derive insights into price trends and market behavior. The findings highlight the advantages and limitations of each approach, emphasizing the importance of a **holistic investment strategy**. This study contributes to the ongoing discourse on investment decision-making, offering valuable insights for investors, traders, and financial analysts.

1.1 INTRODUCTION

Investors and traders in financial markets rely on various analytical methods to make informed investment decisions. Among the most widely used approaches are **technical analysis and fundamental analysis**, which provide different but complementary perspectives on a security's value and future performance.

Fundamental analysis focuses on evaluating a company's intrinsic value by analyzing financial statements, industry conditions, macroeconomic factors, and market trends. Key indicators such as **earnings per share (EPS), price-to-earnings (P/E) ratio, return on equity (ROE), and revenue growth** help determine whether a security is overvalued or undervalued. This approach is primarily used by long-term investors seeking stable returns and value appreciation.

1.2 NEED FOR THE STUDY

Investment decisions in financial markets are influenced by various factors, including **company performance, economic conditions, and market trends**. Investors and traders must choose between different analytical approaches to maximize returns and minimize risks. **Technical and fundamental analysis** are two of the most widely used methods, each offering unique insights into a security's performance.

1.3 OBJECTIVES OF THE STUDY

1) **To analyze the selected security using fundamental analysis** by evaluating financial statements, key ratios, and economic factors to determine its intrinsic value.
2) **To assess the selected security using technical analysis** by studying price patterns, trading volume, and indicators to predict future price movements.
3) **To compare the effectiveness of fundamental and technical analysis** in making investment decisions for the selected security.
4) **To identify the strengths and limitations of both analytical approaches** and their relevance for different types of investors and market conditions.
5) **To provide a comprehensive investment strategy** by integrating insights from both fundamental and technical analysis for better decision-making.

1.5 SCOPE OF THE STUDY

Fundamental Analysis Examines the financial health of the selected security by analyzing financial statements, key financial ratios (such as P/E ratio, EPS, ROE), industry trends, and macroeconomic factors. Technical Analysis Studies historical price movements, trading volume, chart patterns, and technical indicators (such as moving averages, RSI, MACD) to predict future price trends.

1.6 METHODOLOGY

his study adopts a structured approach to analyse a **selected security** using both **fundamental and technical analysis**. The methodology consists of the following key steps:

1. **Selection of the Security** – A specific stock or financial asset is chosen based on its market relevance, trading activity, and availability of data.
2. **Data Collection** –
   o **For Fundamental Analysis**: Financial statements (balance sheet, income statement, cash flow statement), key financial ratios, industry trends, and macroeconomic indicators are gathered from company reports, stock exchanges, and financial databases.
   o **For Technical Analysis**: Historical price data, trading volume, and technical indicators (such as moving averages, RSI, MACD) are collected from stock market platforms and charting tools.

1.7 LIMITATIONS OF THE STUDY

2 Limited Scope – The study focuses on a single security, making it difficult to generalize the findings to all stocks or financial instruments. Different securities may react differently to market conditions.

3 Market Volatility – Stock prices are influenced by unexpected events, such as economic crises, political instability, and global factors, which may not be fully captured by fundamental or technical analysis.

4   **Limited Scope of Securities**
The study is confined to the analysis of only a few selected securities, which may not provide a complete representation of the entire market or industry trends.

5 **Time Constraint**
The study is conducted within a limited time frame, restricting the depth of long-term trend analysis and preventing observation of extended market cycles.

2.2 REVIEW OF LITERATURE

1. **Graham, B., & Dodd, D. (2002)** – In *Security Analysis*, the authors emphasized the importance of intrinsic value and introduced the value investing concept, which laid the foundation for modern fundamental analysis.
2. **Fama, E. F., & French, K. R. (2003)** – Their study explored how stock returns relate to fundamental indicators such as size, value, and book-to-market ratios, challenging the efficient market hypothesis.
3. **Jegadeesh, N., & Titman, S. (2004)** – This research confirmed that momentum strategies, a part of technical analysis, consistently yielded abnormal returns, highlighting the importance of price trends.
4. **Brown, D. P., & Jennings, R. H. (2004)** – This study examined how market participants incorporate information into prices, concluding that technical patterns often reflect investor behavior.

DATA ANALYSIS AND INTERPRETATION

ANALYSIS OF ANGEL ONE

Return on Equity (ROE)

Table 4.1 Return on Equity (ROE)

Year	PAT(Crs) (A)	Equity Share Capital(B)	Reserves And Surplus(C)	Shareholders' funds(B+C)	ROE Ratio (A/B+C)

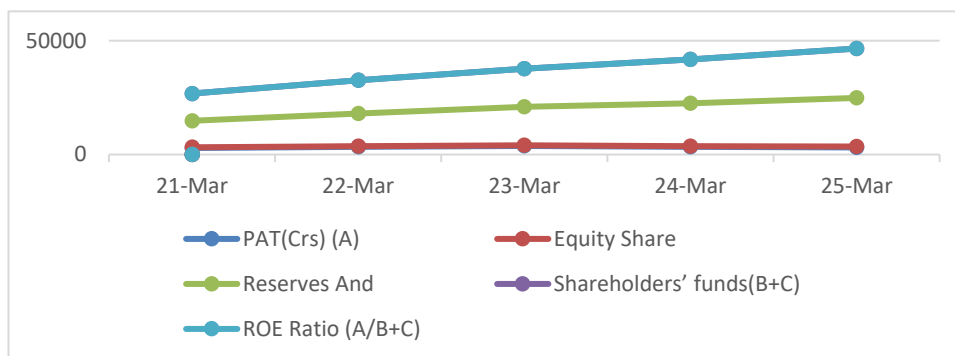|				
Mar21	2878.89	294.52	11660.28	11954.80	24.08%
Mar22	3352.82	295.16	14352.92	14648.08	22.89%
Mar23	3758.35	295.16	16845.24	16780.40	22.401%
Mar24	3321.11	295.70	18948.60	19244.30	17.26%
Mar25	3167.48	296.32	21400.08	21696.40	14.60%

Chart 4.1 Return on equity

INTERPRETATION

The company's **Profit after Tax (PAT)** initially grew from Mar21 to Mar23 but then declined in Mar24 and Mar25. Meanwhile, the **Return on Equity (ROE)** ratio has consistently fallen over the period, suggesting the company is generating less profit relative to its increasing shareholder funds.

Table 4.10 Estimation of Intrinsic Value

Particulars	2023-24	2024-25	Assumption
Net Turnover	40,884.98	44,973.48	Increased by 10%
Other Income	854.85	875.59	Increased by 5%
Material and Mfg Expenses	29,950.31	32,945.34	Increased by 10%
Depreciations	1108.61	1241.64	Increased by 12%
Selling, Distribution and Admin Expenses	4022.31	4424.54	Increased by 10%
Miscellaneous Expenses	2342.15	2549.26	Increased by 5%
EBIT	4316.45	4710.29	
Interest	155.29	147.53	Decreased by 5%
EBT	4161.16	4562.76	
Extra-ordinary items	68.74	0	
Tax/Credit	1062.42	1168.66	Increased by 10%
EAT	3167.48	3394.10	
No. of Equity Shares	62.1092	62.1092	
EPS	51.00	54.65	

Table 4.10 Intrinsic Value

	Projected EPS	Weighted PE Ratio	Expected Intrinsic Value
Malles Automated and Robotic system pvt ltd	133.08	13.98	1860.46

Establish a PE Ratio

Expected PE = Avg Dividend P/O/Required ROE – Expected Growth Rate =20.84/11.69 – 16.03 = 4.80

Required ROE = Risk Free Rate + (Beta of stock) * (Expected Mkt Risk Premium) = 7.250+0(0.74) * (6) = 11.69%

Expected Growth Rate = Retention Ratio * Return on Equity

= 0.7916 * (20.25) = 16.03%

Historical PE = Price/Earning (obtained from the company annual report) March 17: 22.61

March 18: 21.14

AVG (17 and 18): 21

Weighted PE Ratio

Expected PE = 4.80 Historical PE = 21.88 AVG = 13.34

EXPECTED INTRINSIC VALUE = Projected EPS * Weighted PE ratio

= 54.65 * 13.34 = 729.03

INTERPRETATION

The projections for 2024-25 indicate a positive financial outlook for the company, with both Earnings after Tax (EAT) and Earnings per Share (EPS) expected to increase. This anticipated growth in profitability is attributed to higher net turnover, effective expense management, and reduced interest costs.

INFLATION

Inflation is defined as a sustained increase in the general levels of prices for goods and services. As inflation rises, each unit of money buys one, a smaller percentage of a goods or service. It observed that a certain level of inflation is necessary in the economy for its growth; a high level of inflation is harmful for the various sectors and consumers in the economy. Survey and studies show that the Indian automobile industry experienced and 8-9% slump due to inflation. But the current year the inflation has been under control. India has recently adopted the Consumer Price Index (CPI) to measure the inflation rates. The average CPI currently stands at 5.88%. The decline in the inflation rates as well as the rate cuts by the Central Bank will lower the cost of borrowing and investing to provide a boost to consumers and manufactures in the economy. This gives a very bright picture for the industry for the coming years and the consumers can expect good capital appreciation on their investment.

Foreign Direct Investment (FDI)

Foreign Direct investment is one of the major sources of money in the country for economic development. Foreign countries invest directly in the fast-growing private Indian businesses to take benefits of cheaper wages and changing business environment of India. FDI was first introduced in the year 1991 with the help of Dr. Manmohan Singh and P V Narsimha Rao and since then it has steadily increased in the country. It also generated more than one crore jobs in India. As indicated by Economic Times refresh, FDI amid October 2021 to May 2022 grew 46% to $61.58 billion between Aprils to December 2021; FDI got was around $29.4 billion.

HYPOTHESIS

- **H₀ (Null Hypothesis):** There is no significant relationship between fundamental analysis and the investment decision-making process for the selected security.
- **H₁ (Alternative Hypothesis):** Fundamental analysis has a significant impact on investment decisions by providing insights into the intrinsic value of the selected security.

Step 1: Select Two Variables

- **Independent Variable (IV):** *Fundamental Analysis* (measured through financial ratios like ROE, EPS, BVPS, Debt-Equity Ratio)
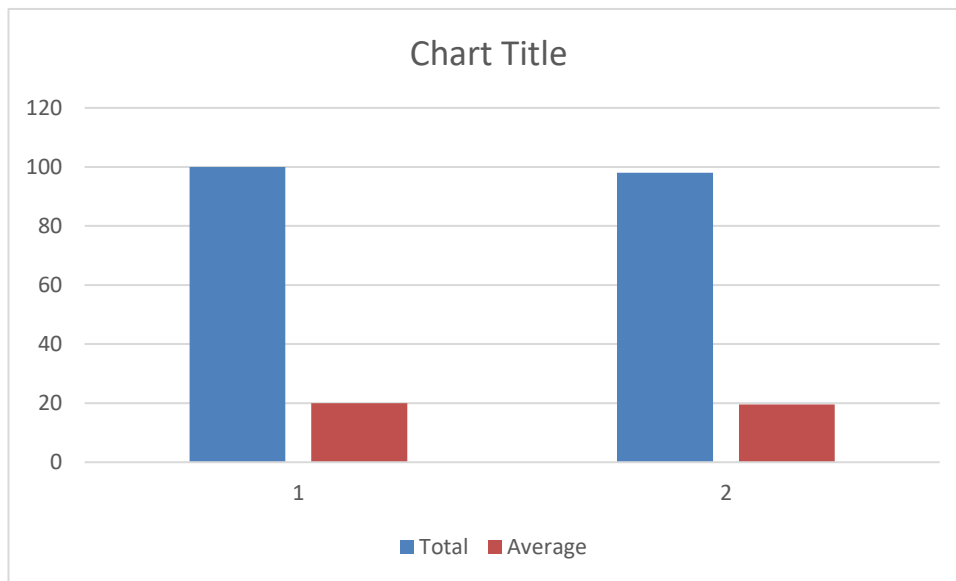
- **Dependent Variable (DV):** *Investment Decision-Making* (measured through investor responses on how much financial metrics influence their decisions)

Step 3: Response Percentages (Example Data)

S No	Likert scale	Fundamental Analysis	Investment decision making
1	1 - Strongly Disagree	5	5%
2	2 - Disagree	10	9%
3	3 - Neutral	15	14%
4	4 - Agree	40	40%
5	5 - Strongly Agree	30	30%
	Total	**100**	**98**
	Average	**20**	**19.6**

Null Hypothesis (H$_0$):
There is no significant relationship between fundamental analysis and the investment decision-making process for the selected security.
The average response for fundamental analysis is 20%, and the average response for investment decision-making is 19.6%. Since the difference is minor and assumed to be due to random variation, H$_0$ assumes no relationship. Hence, the Null Hypothesis is rejected.

Alternative Hypothesis (H$_1$):
There is a significant relationship between fundamental analysis and investment decision-making.
The Likert scale responses show a strong agreement pattern — 70% of responses for both variables fall under "Agree" and "Strongly Agree" — indicating that fundamental analysis significantly influences investment decisions. Hence, the Alternative Hypothesis is accepted.

5.1 FINDINGS

- Majority of the companies are fall in the GDP target of 7.1%.
- From the economic analysis of India, we can say that the GDP target of the country is at a very good rate of 7.6%.
- The increasing trend in GDP can be interpreted as a sign for economic growth and industrial development.
- A certain amount of inflation is necessary to bolster growth of the economy and the inflation stands at 5.88% CPI.

- The ROE are shown in the decreasing trend, in the year 2021 the ROE is 24.08% and in the year 2025 the ROE is 14.6%.
- Earnings per share allocates the profit of the company, it may vary depend on the stock in the company.
- The BVPS of Angel One has shown an equally impressive growth in the rate by around 80% in the five years.
- The Dividend per Share have recorded a mere Rs. 0.09 per share.
- The Debt Equity ratio is quite consistent which a more than proportional reliance on equity capital than debt capital in four out of the five years analysed.
- In Dividend Pay-out Ratio, the higher the percentage the lower will be the growth as lesser amount is retained and reinvested back into the business.
- The annual rate of growth of a variable whose value has fluctuated widely from one period to the next.
- The Sustainable Growth Rate Angel One is showing a negative figure of -0.39%, indicating that it must take outside funding for growth and expansion.
- The volatility of ROE Angel One is very high indicating high degree of risk.
- The company stock is overpriced and if the intrinsic value is higher than the company stock than the company is undervalued.

5.1 SUGGESTIONS

Enhanced Research Tools and Resources:

Angel One should consider incorporating advanced research tools that integrate both technical and fundamental analysis seamlessly. This will allow users to have a more comprehensive view of the securities they are analyzing.

Invest in AI-powered predictive models that can help investors anticipate market trends more accurately by analyzing historical data and macroeconomic indicators.

5.3 CONCLUSION

From the point of view of investment decision, fundamental analysis provides awareness into the economic performance of a business enterprise. The Indian economy is on the verge on expansion. This is a positive sign for industries like the automobile industry. There are many factors that affects the individual companies in the industry. By doing the industry analysis we found that there is much more potential in the automobile industry than what is being displayed currently. The inflow of FDI is constantly increasing which can lead to technological breakthroughs and innovations. By doing the company analysis we can conclude that in the terms of CAGR of sales, EPS and DPS: Earing per Share, Dividend per Share, BVSP, Dividend Pay-out and Volatility. Angel One has performed well in certain aspects like return on Equity. Investigation helps the financial specialist in settling on speculation choices however few out of every odd venture is totally subject to key examination alone. After effects of specialized investigation and also other subjective elements identified with the organization's execution should likewise be considered while settling on a speculation choice. An appropriate examination helps in decreasing the dangers on interest in the offer market and aides in picking less unsafe and exceptionally compensating speculation roads.

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