RISK RETURN ANALYSIS AT SMC GLOBAL SECRITIES LTD

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ABSTRACT

The project on "A STUDY ON RISK RETURN ANALYSIS OF IT SECTOR STOCKS" was carried out in SMC GLOBAL SECURITIES LTD., a very well-known company in the field of stock broking and capital market services sector. The reason behind choosing this project is thatit provides hands on experience with what goes on in the stock market on a day-to-day basis. Some value investors only look at present assets/earnings and don't place any value on future growth. Other value investors base strategies completely around the estimation of future growth and cash flows. Despite the different methodologies, it all comes back to trying to buy somethingfor less than its worth. The project initiated with understanding the mannerisms of the stock market trading followed by the dynamics of the IT sector. Some of the major players in IT sector were then chosen for further analysis. These companies were further studied in detail withrespect to their financials and the management's future plans regarding the functioning of the company, their expansion plans, and various news about these companies and their global forays. Based on the complete study of the companies, TCS INFOSYS & WIPRO looked promising andwith a view to derive maximum value from the investment

INTRODUCTION

Stock market analysis empowers financial specialists to recognize the inborn worth of security even before putting resources into it. All stock market tips are detailed after intensive research by specialists. Stock investigators attempt to discover the activity of aninstrument/sector/advertises in the future.

By utilizing stock analysis, financial specialists and dealers show up at equity purchasing and selling choices. Considering and assessing past and current information causes financial specialists and dealers to increase an edge in the business sectors to settle on educated choices. Fundamental Research and Technical Research are two kinds of research used to initially break down and afterward esteem security.

Playing out an examination before making a venture is an unquestionable requirement. It is simply after careful research that you can make a few suppositions into the worth and future presentation of speculation. Regardless of whether you are following stock exchanging tips, its perfect to do some examination, just to guarantee that you are making a speculation that is required to get your greatest returns.

At the point when you put resources into equity, you buy a few bits of a business hoping to bring in cash upon increment in the estimation of the business. Before purchasing anything,be it a vehicle or telephone, you do some level of research about its presentation and quality. Speculation is the same. It is your well-deserved cash that you are going to contribute, so youshould have reasonable information on what you are putting resources into.

NEED FOR THE STUDY:

Investment plays a significant role in the Indian stock market. Investment is the process of sacrificing money for future benefits. Professional investors will take decisions based on the volatility of prices. This study mainly focuses on how to evaluate the company in terms of volatility of prices. Research analysts take decisions by using equity analysis since equity analysts meet the management of companies to know the real picture of affairs in thecompany. So, there is a need for this study of equity analysis to know the performance of companies.

SCOPE OF THE STUDY:

The scope of the study is limited to only one sector of companies in the stock market i.e. IT sector. It covers five companies of the IT sector like WIPRO LTD, INFOSYS LTD, TECH MAHINDRA LTD, ORACLE FINANCIAL SERVICES LTD, and TATA CONSULTANCY

LTD. This project does not extend to any other sector. The study is confirmed to equity study through the use of fundamental and valuation analysis.

OBJECTIVES OF THE STUDY:

- ➢ To know about the equity performance of selected companies.
- ➢ To know the risk-return on investment of selected companies.
- ➢ To analyze the dividend per share and earnings per share for selected companies.

RESEARCH METHODOLOGY:

The study is done based on the secondary data of the six companies. The data is collected for three months period of time. And more data is also collected from magazines, newspapers, journals, websites, and scholars.

The tools are used to calculating systematic risk are as follows.

1. Average returns = Sum of returns / Number of days.

2. $\text{Variance} = \dfrac{\Sigma D^2}{n-1}$

3. $\text{Risk} = \sqrt{variance}$
4. Coefficient of variation=Risk/Return

LIMITATIONS OF THE STUDY

1. The data is limited to only five companies.
2. The period of study is for 45 days.
3. The data is collected by secondary data.

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REVIEW OF LITERATURE

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Equity analysis:

The process of analysing sectors and companies, to give advice to professional fund managers and private clients on which shares to buy. Sell-side analysts work for brokers who sell shares to the investors (mainly fund management firms and private clients). Buy- side analysts work for fund management firms.

Equity valuation is crucially linked to the practice and theory of corporate finance. An analyst cannot comprehensively value an equity unless he or she understands the underlying firm's corporate financial strategy, tactics, and performance. Yet the practice of security analysis does not always quickly or sufficiently consider the implications of up-to-date research-by the academic or investment on the valuation consequences of corporate financial decisions.

The presentations in this proceedings begin to fill that gap by considering various frameworks for analyzing firm value and the sustainability of corporate growth and by surveying recent research and practices concerning the valuation effects of research and development, mergers, acquisitions, strategic alliances, and spin-offs, and of company use of such risk-management tools as derivatives.

This proceeding reveals several themes in recent financial research and practice:

- ➢ The full distribution of potential returns of an investment is important. Both security analysis and corporate capital project evaluation often place too much emphasis on most-likely outcomes rather than on the full range of possible outcomes.
- ➢ The base used to calculate investment returns must be carefully and critically evaluated. Accounting conventions do not always capture economic reality. For example, the standard accounting treatment of R&D expenses can understate the book

INDUSTRY PROFILE

The securities market achieves one of the most important functions of channeling idle resources to productive resources or from less productive resources to more productive resources. Hence in the broader context the people who save and investors who invest focus more towards the economy''s abilities to invest and save respectively. This enhances savings and investments in the economy, the two pillars for economic growth. The Indian Capital Market has come a long way in this process and with a strong regulator it has been able to usher an era of a modern capital market regime. The past decade in many ways has been remarkable for securities market in India. It has grown exponentially as measured in terms of amount raised from the market, the number of listed stocks, market capitalization, trading volumes and turnover on stock exchanges, and investor population. The market has witnessed fundamental institutional changes resulting in drastic reduction in transaction costs and significant improvements in efficiency, transparency and safety.

Stock market:

When investors think of the stock market, they Nov imagine a specific place - such as a stock exchange. In fact, the stock market is the abstract idea of stock trading and stock exchange. All selling of stocks - at stock exchanges and in other ways - affects the market overall. Following stock market information in the news can help you make the right decisions about stock market investing.

Need of stock market:

The stock market is simply a term for the overall market or industry that is concerned with buying and selling company stock, both private and publicly traded securities. The stock market does many things. It helps to set prices of stocks. The more a stock is traded on the market and the more in demand the stock, the higher is its value. Having a stock market that

is interconnected with stock markets around the world helps traders and investors to see how Specific stocks are doing.

Of course, the stock market is mainly present to create money. Through the market, investors

- both companies and individuals - can buy stocks, which effectively make them own a small part of a company. If the company prospers, investors are rewarded with dividends and profits. Companies, by becoming public and offering stocks to the public, can raise money and improve their profile through business expansions which can help them make great profit.

COMPANY PROFILE

SMC Group, founded in 1990, is India''s best Equity Broking House and the Largest Distribution Network, providing a wide range of financial services and investment solutions. A blend of extensive experience, diverse talent and client focus has made us achieve this landmark.

Over the years, SMC has expanded its operations domestically as well as internationally. Existing network includes regional offices at Mumbai, Kolkata, Chennai, Cochin, Ahmedabad, Jaipur, Hyderabad, Bangalore plus a growing network of 2300+ offices spread across 425 cities/towns in India.

We offer a diverse range of financial services which includes institutional and retail brokerage of equity, currency, commodities, derivatives, online trading, depository services, fixed Deposits, IPOs and mutual funds distribution, dedicated desk for NRI and institutional clients, insurance broking, clearing services, margin funding, investment banking, portfolio management, wealth advisory&research. We have a highly efficient workforce of over 6000 employees and over 7500 financial advisors serving the financial needs of more than 6, 00,000 satisfied investors.

We are also amongst the first financial firms in India to expand operations in the lucrative gulf market, by acquiring license for broking and clearing member with Dubai Gold and Commodities exchange (DGCX.

The SMC Advantage:
DATA ANALYSIS AND INTERPRETATION

STATEMENT SHOWING THE RISK AND RETURNS OF WIPRO LTD FROM (02-12-2023) TO (28-02-2024)

Date	Open Price	Close Price	Returns	Average Returns	Difference	D*D
28-Feb-24	230.8	202.1	-4.387	-0.329	-4.058	16.466
27-Feb-24	239.95	201.6	-3.605	-0.329	-3.276	10.733
26-Feb-24	243	240	-1.250	-0.329	-0.923	0.848
25-Feb-24	244.95	244.15	-0.328	-0.329	0.002	0.000
24-Feb-24	245	244.2	-0.328	-0.329	0.002	0.000
23-Feb-24	247.6	245.55	-0.835	-0.329	-0.506	0.256
22-Feb-24	244.55	247.55	1.202	-0.329	1.541	2.375
18-Feb-24	243.75	244.1	0.143	-0.329	0.473	0.233
17-Feb-24	243	243.75	0.308	-0.329	0.637	0.406
14-Feb-24	243.75	243	-0.309	-0.329	0.023	0.000
13-Feb-24	245.1	243.75	-0.554	-0.329	-0.235	0.050
12-Feb-23	241.15	244.6	1.410	-0.329	1.740	3.027
11-Feb-24	240.55	241.15	0.249	-0.329	0.578	0.334
10-Feb-24	245	241	-1.660	-0.329	-1.330	1.770
7-Feb-24	246.2	244	-0.902	-0.329	-0.572	0.328
6-Feb-24	242.3	243.6	0.534	-0.329	0.863	0.745
5-Feb-24	241.85	242.3	0.186	-0.329	0.515	0.265
4-Feb-24	238.3	240.25	0.812	-0.329	1.141	1.302
3-Feb-24	237.9	237.45	-0.220	-0.329	0.140	0.023
1-Feb-24	237.45	236.05	-0.593	-0.329	-0.264	0.070
31-Jan-24	240	236.8	-1.351	-0.329	-1.023	1.045
30-Jan-24	246.7	240.8	-2.450	-0.329	-2.123	4.498
29-Jan-24	244.75	246.7	0.790	-0.329	1.123	1.254
28-Jan-24	247.45	244.05	-1.393	-0.329	-1.064	1.132
27-Jan-24	248.95	245.3	-1.488	-0.329	-1.159	1.343
24-Jan-24	249.85	247.55	-0.929	-0.329	-0.600	0.360

23-Jan-24	246.05	248.75	1.085	-0.329	1.415	2.001
23-Jan-24	247.35	246.05	-0.528	-0.329	-0.229	0.040
23-Jan-24	248.75	247.05	-0.688	-0.329	-0.359	0.129
23-Jan-24	251.45	248	-1.391	-0.329	-1.062	1.128
17-Jan-24	252.7	251	-0.677	-0.329	-0.348	0.123
16-Jan-24	249.5	250.25	0.300	-0.329	0.629	0.396
15-Jan-24	253.05	248.15	-1.975	-0.329	-1.645	2.707
14-Jan-24	257	257.15	0.058	-0.329	0.388	0.150
13-Jan-24	253.55	254.9	0.530	-0.329	0.859	0.738
10-Jan-24	254	251.75	-0.894	-0.329	-0.564	0.322
9-Jan-24	255	253.6	-0.552	-0.329	-0.233	0.050
8-Jan-24	254	254.7	0.275	-0.329	0.604	0.365
7-Jan-24	253.4	255.2	0.705	-0.329	1.035	1.070
6-Jan-24	251.85	252.15	0.122	-0.329	0.448	0.201
3-Jan-24	249	250.8	0.718	-0.329	1.047	1.096
2-Jan-24	248.7	248.25	-0.181	-0.329	0.148	0.023
1-Jan-24	247	247.75	0.303	-0.329	0.632	0.399
31-Dec-23	248	245.95	-0.834	-0.329	-0.504	0.254
30-Dec-23	247.65	249.05	0.562	-0.329	0.891	0.795
27-Dec-23	251.95	247.6	-1.757	-0.329	-1.428	2.038
26-Dec-23	252	250.2	-0.722	-0.329	-0.390	0.152
24-Dec-23	253.9	252	-0.754	-0.329	-0.425	0.180
23-Dec-23	252.55	253.85	0.512	-0.329	0.841	0.708
23-Dec-23	249.95	251.6	0.656	-0.329	0.985	0.970
22-Dec-23	248.4	249.15	0.301	-0.329	0.630	0.397
18-Dec-23	245	248.4	1.369	-0.329	1.698	2.883
17-Dec-23	246.8	244.75	-0.838	-0.329	-0.508	0.258
16-Dec-23	244.6	243.15	-0.596	-0.329	-0.267	0.071
13-Dec-23	240.15	243.8	1.497	-0.329	1.826	3.336
12-Dec-23	240.05	239.4	-0.272	-0.329	0.058	0.003
11-Dec-23	236.5	240	1.458	-0.329	1.788	3.226
10-Dec-23	241	238.15	-1.227	-0.329	-0.867	0.752
9-Dec-23	241.9	240.4	-0.624	-0.329	-0.295	0.087
6-Dec-23	244	240.95	-1.266	-0.329	-0.937	0.877
5-Dec-23	243	243.7	0.287	-0.329	0.617	0.380
Dec-23	237	242.2	2.147	-0.329	2.476	6.132

3-Dec-23	238.8	236.75	-0.866	-0.329	-0.537	0.288
2-Dec-23	239.75	238.7	-0.440	-0.329	-0.111	0.012
			-0.329			83.550

verage Returns = -0.32927

$$\textbf{Variance} = \frac{\Sigma D^2}{n-1}$$

= 1.305472

$$\textbf{Risk} = \sqrt{variance}$$

= 1.142572

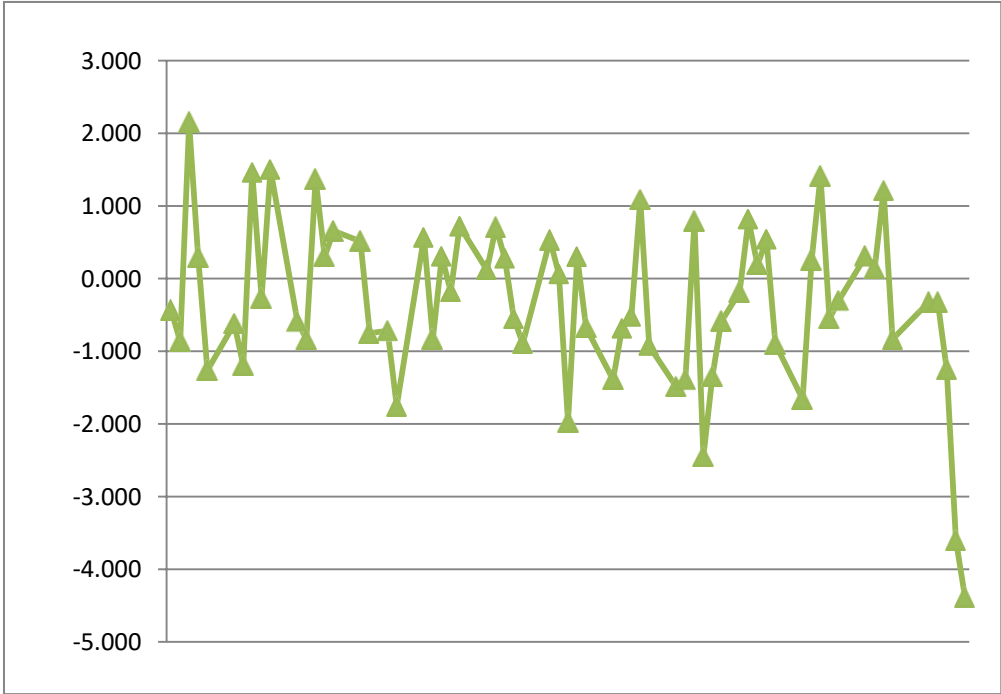**Coefficient of variation=Risk/Return**

=1.142572/-0.32927

= -3.47005

GRAPHICAL **REPRESENTATION** **OF** **WIPRO LTD**

FINDINGS:

- **WIPRO LTD** has on average return (-0.32927), variance (1.305472), risk value (1.142572), coefficient of correlation (-3.47005).
- **INFOSYS LTD** has on average return (-0.056), variance (1.098626), risk value (1.048153), coefficient of correlation (-18.7313).
- **TECH MAHINDRA LTD** has on average return (-0.077), variance (2.023627), risk value (1.420291), coefficient of correlation (-18.54).
- **ORACLE FINANCIAL SERVICES LTD** has on average return (-0.463), variance (2.084096), risk value (1.44364), coefficient of correlation (-3.11482).
- **TATA CONSULTANCY SERVICES** has on average return (-0.226), variance (2.350382), risk value (1.533096), coefficient of correlation (-7.45347).

SUGGESTIONS:

- **WIPRO LTD** has less coefficient of variance and negative returns so the investor has to wait till it gets positive returns.
- **INFOSYS LTD** has less coefficient of variance and negative returns so the investor has to wait till it gets positive returns.
- **TECH MAHINDRA LTD** has less coefficient of variance and negative returns so the investor has to wait till it gets positive returns.
- **ORACLE FINANCIAL SERVICES LTD** has less coefficient of variance and negative returns so the investor has to wait till it gets positive returns.
- **TATA CONSULTANCY SERVICES LTD** has less coefficient of variance and negative returns so the investor has to wait till it gets positive returns.

CONCLUSION:

From the above analysis five companies IT companies have taken among all the companies wipro stocks will get more negative returns than other IT stocks. Overall the IT sector depends upon outside currency. The investor has to wait until the stock market moves positive again.

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