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**FUNDAMENTAL AND TECHNICAL ANALYSIS ON RELIANCE
INDUSTRIES LIMITED LISTED UNDER BOMBAY STOCK
EXCHANGE – A DESCRIPTIVE STUDY**

By

C.V.NAVEEN KUMAR
Reg No. 71206631034

of

**Department of Management Studies
Kumaraguru College of Technology
Coimbatore**



A PROJECT REPORT
Submitted to the

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In partial fulfillment of the requirements
For the award of the degree

Of

MASTER OF BUSINESS ADMINISTRATION

April, 2008

DECLARATION

I, hereby declare that this project report entitled as “Fundamental and Technical analysis on Reliance Industries Limited listed under Bombay Stock Exchange – A descriptive study”, has undertaken for academic purpose submitted to Anna University in partial fulfillment of requirement for the award of the degree of Master of Business Administration. The project report is the record of the original work done by me under the guidance of Ms. S.Sangeetha, lecturer during the academic year 2007-2008.

I, also declare hereby, that the information given in this report is correct to the best of my knowledge and belief.

Place: Coimbatore

Date: 3-JULY-2008



(C.V.NAVEEN KUMAR)



DEPARTMENT OF MANAGEMENT STUDIES
KUMARAGURU COLLEGE OF TECHNOLOGY
COIMBATORE

BONAFIDE CERTIFICATE

Certified that this project report titled “FUNDAMENTAL AND TECHNICAL ANALYSIS ON RELIANCE INDUSTRIES LIMITED LISTED UNDER BOMBAY STOCK EXCHANGE – A DESCRIPTIVE STUDY” is the bonafide work of Mr. C.V.NAVEEN KUMAR (71206631034) who carried out the research under my supervision. Certified further, that to the best of my knowledge the work reported herein does not form part of any other project report or dissertation on the basis of which a degree or award was conferred on an earlier occasion on this or any other candidate.

Faculty Guide

Director

Evaluated and vice-voce conducted on ...3rd.....JULY.....2008.....

Examiner I

Examiner II

Indiabulls

March 20,2008

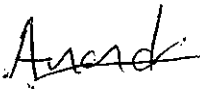
TO WHOM SO EVER IT MAY CONCERN

This is to certify that **Mr.C.V.Naveen Kumar (06MBA34)** doing his MBA in KCT Business School, Kumaraguru College of Technology, had successfully undergone a Project between January 10 to March 24 2008 entitled **Analysis on Reliance Industries Limited.**

During the tenure his performance was very good

We wish him all the best.

For Indiabulls



Regional Manager

ACKNOWLEDGEMENT

It is inevitable that thoughts and of other people tend to drift into the subconscious when one feels to acknowledge helping derived from others. I acknowledge to all those who have helped me in the preparation of this project work.

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EXECUTIVE SUMMARY

The methods used to analyze securities and make investment decisions fall into two very broad categories: fundamental analysis and technical analysis. Fundamental analysis involves analyzing the characteristics of a company in order to estimate its value. Technical analysis takes a completely different approach; it doesn't care one bit about the "value" of a company or a commodity.

The valuation of investment depends both on rational and irrational factors. The psychological expectations of investors have long influenced by these factors existing in the stock market. The fundamental and technical analysis captures the psychological expectations of the investor through analyses of the company performance and price behavior. The investment advice could also be generated using the above premises. Hence the researcher consider the company performance and price behavior as a problem to be studied upon

The objectives of the study is to conduct a company stock valuation and predict its probable price evolution, to make projection on its business performance, to make a technical analysis for the Reliance Industries Ltd. scrips listed in BSE for the study period, and to analyze the stock returns performance and interpret the future movement of the scrips using indicators in the market.

This study comes under descriptive research, here in fundamental analysis different ratios like valuation ratio, profitability ratio, dividend yield, growth rates, financial strength, and management effectiveness are compared with industry and S&P average for interpretation. Then analysis is done on sales, cost of goods sold, earnings per share (EPS), revenue and price performance for 5 years (2003 to 2007).

In technical analysis, totally 7 indicators have been selected for having different views in the stock. Depending upon the each characteristics of the indicator the future movements are interpreted.

The researcher derived two conclusions from this study (1) For long term Investors- The earnings per share (EPS) as a low estimation for the year 2008 and 2009 is 88.68 and 100.48 respectively. This shows that even the low estimation is very good in the industry. From the history of Reliance Industries Limited it is derived that the company performs more than the expectation level or estimates. Hence the investor can expect good return in future. (2) For short term Investors - Buy the stock in the month of January 2007 and sell it within mid of January 2008 and investor can go for short selling from the mid of January 2008 and in mid of February 2008 as the fall of price is realized.

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CHAPTER 1
INTRODUCTION

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BACKGROUND

The methods used to analyze securities and make investment decisions fall into two very broad categories: fundamental analysis and technical analysis. Fundamental analysis involves analyzing the characteristics of a company in order to estimate its value. Technical analysis takes a completely different approach; it doesn't care one bit about the "value" of a company or a commodity.

The fundamental analysis maintains that markets may misprice a security in the short run but that the "correct" price will eventually be reached. Profits can be made by trading the mispriced security and then waiting for the market to recognize its "mistake" and reprice the security.

The analysis of a business' health starts with financial statement analysis that includes ratios. It looks at dividends paid, operating cash flow, new equity issues and capital financing. The earnings estimates and growth rate projections published widely by Thomson Financial and others can be considered either 'fundamental' (they are facts) or 'technical' (they are investor sentiment) based on your perception of their validity.

The determined growth rates (of income and cash) and risk levels (to determine the discount rate) are used in various valuation models. The foremost is the discounted cash flow model, which calculates the present value of the future

- Dividends received by the investor, along with the eventual sale price. (Gordon model)
- Earnings of the company, and
- Cash flows of the company.

The simple model commonly used is the Price/Earnings ratio. Implicit in this model of a perpetual annuity (Time value of money) is that the 'flip' of the P/E is the

discount rate appropriate to the risk of the business. The multiple accepted is adjusted for expected growth (that is not built into the model).

Growth estimates are incorporated into the PEG ratio but the math does not hold up to analysis. Its validity depends on the length of time to think the growth will continue.

"Technical analysis is the study of market action, primarily through the use of charts, for the purpose of forecasting future price trends." In its purest form, technical analysis considers only the actual price behavior of the market or instrument, based on the premise that price reflects all relevant factors before an investor becomes aware of them through other channels.

Technical analysts (or technicians) identify non-random price patterns and trends in financial markets and attempt to exploit those patterns. While technicians use various methods and tools, the study of price charts is primary. Technicians especially search for archetypal patterns, such as the well-known head and shoulders reversal pattern, and also study such indicators as price, volume, and moving averages of the price. Many technical analysts also follow indicators of investor psychology (market sentiment).

Technicians seek to forecast price movements such that large gains from successful trades exceed more numerous but smaller losing trades, producing positive returns in the long run through proper risk control and money management.

There are several schools of technical analysis. Adherents of different schools (for example, candlestick charting, Dow Theory, and Elliott wave theory) may ignore the other approaches, yet many traders combine elements from more than one school. Technical analysts use judgment gained from experience to decide which pattern a particular instrument reflects at a given time, and what the interpretation of that pattern should be. Technical analysts may disagree among themselves over the interpretation of a given chart.

Technical analysis is frequently contrasted with fundamental analysis, the study of economic factors that some analysts say can influence prices in financial

before investors are aware of them, hence the study of price action alone. Some traders use technical or fundamental analysis exclusively, while others use both types to make trading decisions.

The principles of technical analysis derive from the observation of financial markets over hundreds of years. The oldest known example of technical analysis was a method used by Japanese traders as early as the 18th century, which evolved into the use of candlestick techniques, and is today a main charting tool.

Dow Theory is based on the collected writings of Dow Jones co-founder and editor Charles Dow, and inspired the use and development of modern technical analysis from the end of the 19th century. Modern technical analysis considers Dow Theory its cornerstone.

Many more technical tools and theories have been developed and enhanced in recent decades, with an increasing emphasis on computer-assisted techniques.

The S&P 500 is a stock market index containing the stocks of 500 Large-Cap corporations. The index is the most notable of the many indices owned and maintained by Standard & Poor's, a division of McGraw-Hill. S&P 500 is used in reference not only to the index but also to the 500 actual companies, the stocks of which are included in the index. The S&P 500 contributes its importance in valuing the whole economy

1.2 REVIEW OF LITERATURE:

Below is the review most cited literature on technical analysis.

*Lo, Andrew W., Harry Mamaysky and Jiang Wang. (1992)*¹ observed that Technical analysis, also known as charting, has been part of financial practice for many decades, but this discipline has not received the same level of academic scrutiny and acceptance as more traditional approaches such as fundamental analysis.

¹Lo, Andrew W., Harry Mamaysky and Jiang Wang (2000). "Foundations of Technical Analysis: Computational Algorithms, Statistical Inference, and Empirical

One of the main obstacles is the highly subjective nature of technical analysis the presence of geometric shapes in historical price charts is often in the eyes of the beholder. This paper, propose a systematic and automatic approach to technical pattern recognition using nonparametric kernel regression, and apply this method to a large number of U.S. stocks from 1962 to 1996 to evaluate the effectiveness to technical analysis. By comparing the unconditional empirical distribution of daily stock returns to the conditional distribution conditioned on specific technical indicators such as head-and-shoulders or double-bottoms and found that over the 31-year sample period, several technical indicators do provide incremental information and may have some practical value.

*Osler, Karen (July 2000)*² observed that “Support” and “resistance” levels—points at which an exchange rate trend may be interrupted and reversed—are widely used for short-term exchange rate forecasting. Nevertheless, the levels’ ability to predict intraday trend interruptions has never been rigorously evaluated. This article undertakes such an analysis, using support and resistance levels provided to customers by six firms active in the foreign exchange market. The author offers strong evidence that the levels help to predict intraday trend interruptions. However, the levels’ predictive power is found to vary across the exchange rates and firms examined.

*Neely, Christopher J., and Paul A. Weller (2001)*³ observed that the genetic programming techniques developed in Neely, Weller and Dittmar (1996) to show that technical trading rules can make use of information about intervention by the Federal Reserve to improve their out-of-sample profitability. A considerable part of the improvement in performance results from more efficient use of the information in the past exchange rate series. They show that much of the profitability of the rules is accounted for by returns from $t - 1$ to t , when intervention takes place at date t . This supports the view that intervention is intended to check or reverse strong and predictable trends in the market. However, the rules interpret intervention as a signal that an existing trend will continue, rather than undergo a reversal.

² Osler, Karen (July 2000). "Support for Resistance: Technical Analysis and Intraday Exchange Rates," FRBNY Economic Policy Review

³ Neely, Christopher J., and Paul A. Weller (2001). "Technical analysis and Central Bank Intervention" *Journal of International Money and Finance*, 20 (7), 949-70

*Prechter, Robert R., Jr., and Wayne D. Parker (2007)*⁴ observed that “Neoclassical economics does not offer a useful model of finance, because economic and financial behavior have different motivational dynamics. The law of supply and demand operates among rational valuers to produce equilibrium in the marketplace for utilitarian goods and services. The efficient market hypothesis (EMH) is a related model applied to financial markets. The socionomic theory of finance (STF) posits that contextual differences between economics and finance produce different behavior, so that in finance the law of supply and demand is irrelevant, and EMH is inappropriate. In finance, uncertainty about valuations by other homogeneous agents induces unconscious, non-rational herding, which follows endogenously regulated fluctuations in social mood, which in turn determine financial fluctuations. This dynamic produces non-mean-reverting dynamism in financial markets, not equilibrium”

*David M. Cutler, James M. Poterba, Lawrence H. Summers.*⁵, observed that the fraction of the variance in aggregate stock returns that can be attributed to various kinds of news. First, we consider macroeconomic news and show that it is difficult to explain more than one third of the return variance from this source. Second, to explore the possibility that the stock market responds to information that is omitted from our political and world events. The relatively small market responses to such news, along with evidence that large market moves often occur on days without any identifiable major news releases, casts doubt on the view that stock price movements are fully explicable by news about future cash flows and discount rates.

*Eugene Fama*⁶, observed that the theoretical and empirical literature on the efficient markets model. After a discussion of the theory, empirical work concerned

⁴ Prechter, Robert R., Jr., and Wayne D. Parker (2007). "The Financial/Economic Dichotomy in Social Behavioral Dynamics: The Socionomic Perspective," *Journal of Behavioral Finance*, vol. 8 no. 2 pp. 84-108

⁵ David M. Cutler, James M. Poterba, Lawrence H. Summers, "What Moves Stock Prices?", NBER Working Paper #2538 (March 1988), pp 13-14.

⁶ Eugene Fama, *"Efficient Capital Markets: A Review of Theory and Empirical*

with the adjustment of security prices to three relevant information subsets is considered. First, weak form tests, in which the information set is just historical prices, are discussed. Then semi-strong form tests, in which the concern is whether prices efficiently adjust to other information relevant for price formation are reviewed. Then shall conclude that, with but a few exceptions, the efficient markets model stands up well.

*B.Egeli et al*⁷, observed that prediction of stock market returns is an important issue in finance. Artificial neural networks have been used in stock market prediction during the last decade. Studies were performed for the prediction of stock index values as well as daily direction of change in the index. In some applications it has been specified that artificial neural networks have limitations for learning the data patterns or that they may perform inconsistently and unpredictable because of the complex financial data used.

*R. Lawrence*⁸, observed that the application of neural networks in forecasting stock market prices. With their ability to discover patterns in nonlinear and chaotic systems, neural networks offer the ability to predict market directions more accurately than current techniques. Common market analysis techniques such as technical analysis, fundamental analysis, and regression are discussed and compared with neural network performance. Also, the Efficient Market Hypothesis (EMH) is presented and contrasted with chaos theory and neural networks. This paper refutes the EMH based on previous neural network work. Finally, future directions for applying neural networks to the financial markets are discussed.

⁷ B.Egeli et al. *Stock Market Prediction Using Artificial Neural Networks*

⁸ R. Lawrence. *Using Neural Networks to Forecast Stock Market Returns*

1.3 STATEMENT OF THE PROBLEM

The valuation of investment depends both on rational and irrational factors. The psychological expectations of investors have long influenced by these factors existing in the stock market. The fundamental and technical analysis captures the psychological expectations of the investor through analyses of the company performance and price behavior. The investment advice could also be generated using the above premises. Hence the researcher consider the company performance and price behavior as a problem to be studied upon

1.4 OBJECTIVES OF THE STUDY

Primary Objective

To make Financial and Technical Analysis for Reliance Industries Limited listed under Bombay Stock Exchange for the study period 2003-2007.

Secondary Objectives

- To conduct a company stock valuation and predict its probable price evolution
- To make projection on its business performance
- To make a technical analysis for the Reliance Industries Ltd. scrips listed in BSE for the study period.
- To analyze the stock returns performance and interpret the future movement of the scrips using indicators in the market.

1.5 SCOPE OF THE STUDY:

An investor evaluates an company based on the value created by it for him. The performance of the company and behavior of the stock returns will enable the investors to make appropriate investment decision. The fluctuations in shareholders wealth maximization may be due to volume traded in the market including the psychology of other investors.

This study helps the investor to analyze how the stock moves and predict the future.

1.6 RESEARCH METHODOLOGY

1.6.1 TYPE OF STUDY

This study comes under descriptive research.

Under this research, the researcher goes into the researching stage with a specific topic about which he have not made any kind of conclusions. Often it is called as question. The researcher surveys the information and views already out there both before and during research. That will require reading, plus evaluation of the resources handled by the researcher. By the end of the research the researcher will be able to contribute his own thoughts to the academic discussion by drawing some conclusions about the topic he has chosen. Hence this study comes under descriptive research.

1.6.2. METHOD OF DATA COLLECTION:

Secondary data is used in this study. The data is collected from the websites

www.ril.com

www.bseindia.com

1.6.3. TOOLS FOR ANALYSIS:

Here two different groups of tools are used in both fundamental and technical analysis.

I. Fundamental analysis:

1. Valuation Ratio.

$$\text{Price/Earnings Ratio} = \frac{\text{Stock Price per Share}}{\text{Earnings per Share (EPS)}}$$

$$\text{Price/Sales Ratio} = \frac{\text{Stock Price per Share}}{\text{Net Sales (Revenue) per Share}}$$

$$\text{Price/Book Value Ratio} = \frac{\text{Stock Price per Share}}{\text{Shareholders' Equity per Share}}$$

$$\text{Price/Cash Flow Ratio} = \frac{\text{Stock Price per Share}}{\text{Operating Cash Flow per Share}}$$

2. Dividends

$$\text{Dividend Yield} = \frac{\text{Annual Dividend per Share}}{\text{Stock Price per Share}}$$

$$\text{Dividend Payout Ratio (\%)} = \frac{\text{Dividends per Common Share}}{\text{Earnings per Share}}$$

3. Financial Strength

$$\text{Quick Ratio} = \frac{\text{Cash \& Equivalents} + \text{Short - term Investments} + \text{Accounts Receivable}}{\text{Current Liabilities}}$$

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$\text{Debt - Equity Ratio} = \frac{\text{Total Liabilities}}{\text{Shareholders' Equity}}$$

$$\text{Interest Coverage Ratio} = \frac{\text{Earnings Before Interest and Taxes (EBIT)}}{\text{Interest Expense}}$$

4. Profitability Ratios:

$$\text{Gross Profit Margin} = \frac{\text{Gross Profit}}{\text{Net Sales (Revenue)}}$$

$$\text{Operating Profit Margin} = \frac{\text{Operating Profit}}{\text{Net Sales (Revenue)}}$$

$$\text{Pretax Profit Margin} = \frac{\text{Pretax Profit}}{\text{Net Sales (Revenue)}}$$

$$\text{Net Profit Margin} = \frac{\text{Net Income}}{\text{Net Sales (Revenue)}}$$

$$\text{Effective Tax Rate (\%)} = \frac{\text{Income Tax Expense}}{\text{Pretax Income}}$$

5. Management Efficiency:

$$\text{Return on Assets} = \frac{\text{Net Income}}{\text{Average Total Assets}}$$

$$\text{Return on Equity} = \frac{\text{Net Income}}{\text{Average Shareholders' Equity}}$$

$$\text{Return on Capital Employed (ROCE)} = \frac{\text{Net Income}}{\text{Capital Employed}}$$

$$\text{Capital Employed} = \text{Average Debt Liabilities} + \text{Average Shareholders' Equity}$$

II. Technical Analysis:

Here indicators are to be considered as tools and 7 such tools are selected on the basis of diversified view for analyzing the performance of Hindustan Unilever Ltd. The list of tools with its description is given in the below table

Table 1.1

TOOLS	DESCRIPTION
Accumulation/Distribution Line	A technical indicator that attempts to quantify the flow of money into and out of a given stock.
Commodity Channel Index(CCI)	A technical indicator that attempts to display cyclical turns in a stock or commodity.
Moving Average Convergence/Divergence (MACD)	A popular technical indicator system that combines several moving averages to better show a stock's trend and momentum.
Price By Volume	A technical overlay that resembles a horizontal histogram and shows which price levels a stock has been heavily trading at.
Relative Strength Index (RSI)	A popular technical indicator that tries to quantify a stock's current direction and strength.
Stochastic Oscillator	A popular technical indicator that tracks a stock's up and down movements closely. This article describes all three types of Stochastic oscillators.
Williams %R	A popular technical indicator that uses Stochastics to determine overbought and oversold levels.

PERIOD OF STUDY

- For fundamental analysis the period of study is for 5 years i.e., from 2002-2003 to 2006-2007
- For technical analysis the period of study is for 1 year, focuses from Jan 2007

1.7 LIMITATIONS

- One of the limitations of technical analysis results is that they are generally prepared with the benefit of hindsight.
- There are numerous other factors related to the markets in general or to the implementation of any specific trading model which cannot be fully accounted for the prediction of stock value.

1.8. CHAPTER SCHEME:

The **FIRST CHAPTER** is introductory in nature. This chapter tells about the objectives and scope of the study and its limitations.

The **SECOND CHAPTER** conveys about the history of the **INDIABULLS SECURITIES LTD.**, highlights the origin and development, objectives, financial and working of the company, development programmes and plan of the company.

The **THIRD CHAPTER** gives the macro and micro scenario with respect to the capital market.

The **FOURTH CHAPTER** presents the data analysis and interpretation.

The **FIFTH CHAPTER** gives summary of findings and concludes the study with relevant suggestions.

CHAPTER 2

ORGANIZATION PROFILE

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ORGANIZATION PROFILE

2.1 HISTORY OF THE ORGANIZATION

Indiabulls Financial Services Limited was incorporated on January 10, 2000 as M/s Orbis Infotech Private Limited at New Delhi under the Companies Act, 1956. The name of Company was changed to M/s. Indiabulls Financial Services Private Limited on March 16, 2001 due to change in the main objects of the Company from Infotech business to Investment & Financial Services business. It became a Public Limited Company on February 27, 2004 and the name of Company was changed to M/s. Indiabulls Financial Services Limited.

The Company was promoted by three engineers from IIT Delhi, and has attracted more than Rs.700 million as investments from venture capital, private equity and institutional investors such as LNM India Internet Ventures Ltd., Transatlantic Corporation Ltd., Farallon Capital Partners, L.P., R R Capital Partners L.P., and Infinity Technology Trustee Pvt. Ltd. and has developed significant relationships with large commercial banks such as Citibank, HDFC Bank, Union Bank, ICICI Bank, ABN Amro Bank, Standard Chartered Bank, Lord Krishna Bank and IL&FS.

The Company and its subsidiaries have facilities from the above mentioned banks and financial institutions aggregating to Rs. 1760 million. The Company headquarters are co-located in Mumbai and Delhi, allowing it to access the two most important regions for Indian financial markets, the western region including Mumbai, rest of Maharashtra and Gujarat; and the Northern region, including the National Capital Territory of Delhi, nearby cities, parts of Haryana, Uttar Pradesh and Punjab; and access the highly skilled and educated workforce in these cities. The Marketing and Sales efforts are headquartered out of Mumbai, with a regional headquarter in Delhi; and its back office, risk management,

internal finances etc. are headquartered out of Delhi, allowing The Company to scale these processes efficiently for the nationwide network,

Indiabulls Financial Services Ltd fixes an issue price of Rs 19 per share for its initial public offering (IPO), which was oversubscribed 18.5 times. Indiabulls Financial Services IPO closed on September 10, with an impressive response from all categories of investors. The book was finally subscribed 18.5 times with over 1.3 lakh bids. The institutional portion was subscribed more than 12 times, the retail portion 25 times and the non-institutional portion 24 times.

2.2 MANAGEMENT

Promoters and Their Background

The Company was established by three engineers from IIT Delhi, and has attracted significant amount of investments from venture, private equity and institutional investors. The details are as follows:

Sameer Gehlaut, Chairman, CEO & Whole Time Director:

Rajiv Rattan, President, CFO & Whole Time Director:

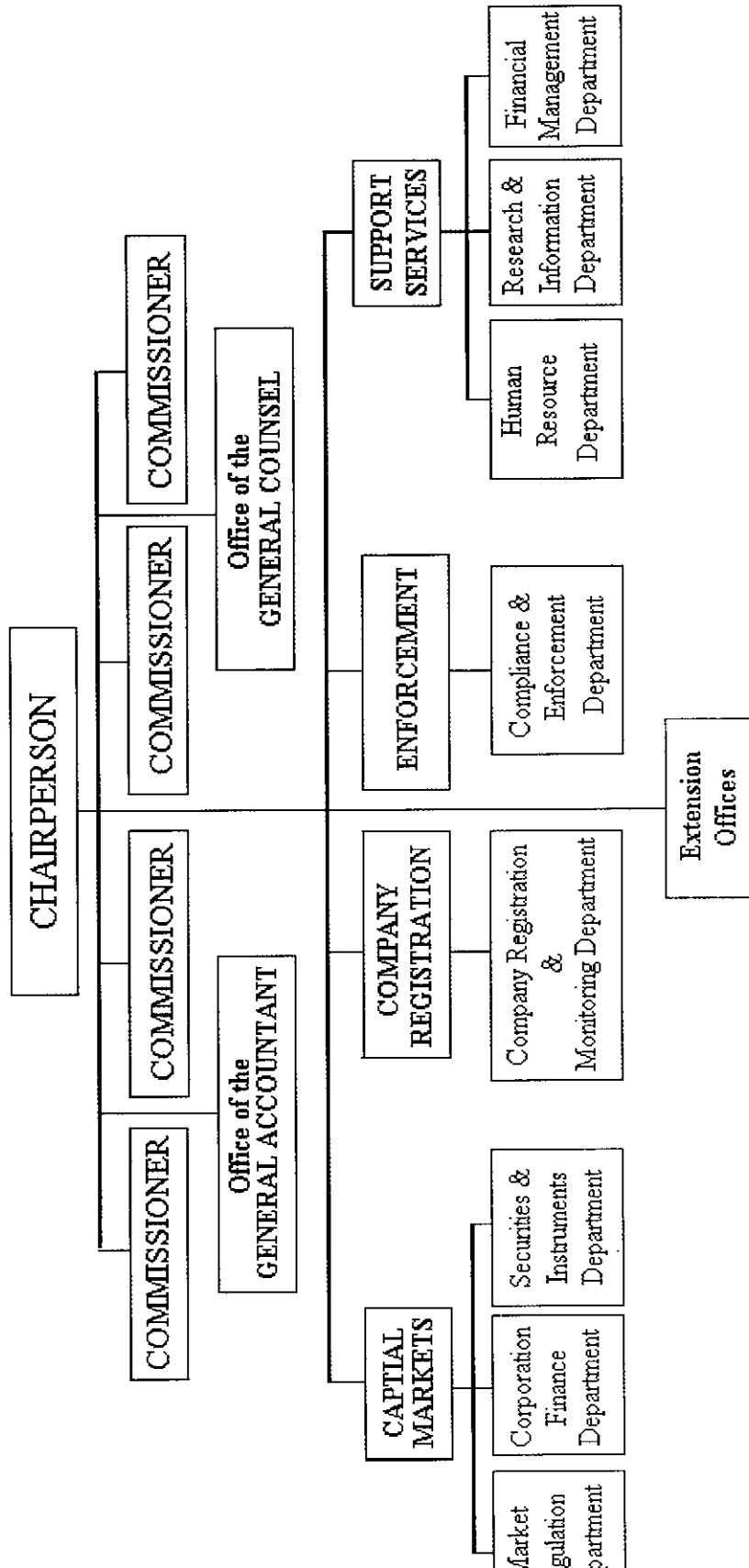
Saurabh Mittal, Director:

Number of Branches: 87

Number of Clients : 64,293

Number of Employees : 803

2.3 ORGANIZATIONAL STRUCTURE



2.4 PRODUCTS PROFILE AND MARKET POTENTIAL

The Company has following three subsidiaries:

1. Indiabulls Securities Ltd. (ISL)
2. Indiabulls Insurance Advisors Pvt. Ltd.(IIAPL)
3. Indiabulls Commodities Pvt. Ltd. (ICPL)

ISL, IIAPL and ICPL provide financial products and services to its customers. ISL provides equity & debt broking, depository services, derivatives broking services and research services to its clients. IIAPL has a tie up with Birla Sun Life and sells its insurance products to its customers in the capacity of a corporate agent of Birla Sun Life. ICPL has been incorporated to provide services in the commodities market. ICPL is a member of NCDEX.

Indiabulls Securities Ltd.

Indiabulls Securities Limited was incorporated as GPF Securities Private Limited on June 9, 1995. The name of the company was changed to Orbis Securities Private Limited on December 15, 1995 to change the profile of the company and subsequently due to the conversion of the company into a public limited company; the name was further changed to Orbis Securities Limited on January 5, 2004. The name of the company was again changed to Indiabulls Securities Limited on February 16, 2004 so as to capitalize on the brand image of the term “Indiabulls” in the company name. ISL is a corporate member of capital market & derivative segment of The National Stock Exchange of India Ltd. At present, ISL accounts for approximately 3% of the total daily turnover of the Exchange with 32,359 client relationships and 70 branches spread across the country as of April 30, 2004

Indiabulls Commodities Pvt. Ltd.

Indiabulls Commodities Pvt. Ltd. was incorporated on October 30, 2003 and is a member of National Commodities Derivatives Exchange (NCDEX). NCDEX has been promoted by the NSE for derivatives trading on commodities in India. Being a member of NCDEX, ICPL will function as an intermediary for commodity's derivatives. The Company commenced its activities from March 30,

Indiabulls Insurance Advisors Private Limited (“IIAPL”)

IIAPL is engaged in the agency business for life insurance business. IIAPL is licensed under section 42 of the Insurance Act, 1938

1. **The Insurance Act, 1938** (“Insurance Act”) embodies the law relating to the business of insurance in India. Under section 40 of the Insurance Act no person shall pay or contract to pay any remuneration or reward whether by way of commission or otherwise for soliciting or procuring insurance business in India to any person except an insurance agent. Under the Insurance Act an “insurance agent” means an insurance agent licensed under section 42 of the Act. Under section 42 of the Act, Insurance Regulatory & Development Authority established under The Insurance Regulatory and Development Authority Act, 1991 is authorized in the manner determined by the regulations made by the Authority to issue to any person making an application in the manner determined by the regulations, a licence to act as an insurance agent for the purpose of soliciting or procuring insurance business.

2. **The Insurance Regulatory and Development Authority Act, 1991** provides for the establishment of an Authority to protect the interests of holders of insurance policies, to regulate, promote and ensure orderly growth of the insurance industry and for matters connected therewith or incidental thereto.

3. **The Insurance Regulatory and Development Authority (“IRDA”) (Licensing of Corporate Agents) Regulations, 2002** provide, inter-alia, for issue or renewal of license to corporate agents. As per Regulation 3 a person desiring to obtain or renew a license to act as a corporate agent or a composite corporate agent shall make an application to a designated person by the IRDA if its insurance executives possess the necessary qualifications and meet the criteria including having undergone necessary training as prescribed under the said Regulation and the Insurance Act, 1938.

2.5 COMPETITIVE STRENGTH OF THE COMPANY

Indiabulls is essentially engaged in providing financial services in equity, derivatives and debt markets. The company's other financial services include distributorship of insurance products, mutual fund advisory, depository for listed shares, equity research and other non banking financial services. The company operates through a network of 106 branches spread across the country. The graphs below indicate the breakup of the revenues from its online and offline brokerage businesses.

Brokerage business (both online as well as offline) accounts for nearly all of the company's revenues from operations. While the online segment contributes 55% of brokerage revenues, offline contribution stands at 85%. As far as size of the business is concerned, the overall revenues from the brokerage business were Rs 695 m in FY04, while the overall revenues from operations were to the tune of Rs 696 m.

Online trading potential is huge:

Online trading accounted for 5% of overall market in financial year 2004 as compared to an estimated 3% in financial year 2003. Indiabulls currently has almost 20% market share of volumes in the Internet trading space. The table below indicates the growth in volumes of the Internet trading segment on the NSE over the last few years. The growth is indicative of the potential of this segment, which they believe is likely to be robust going forward as well. This is primarily driven by increasing penetration of computers, significant decline in Internet charges, convenience of usage and cost advantage. To put things in perspective, the offline brokerage on equities is around 1.0% as compared to 0.5% in the online trading space.

Advisory services:

Indiabulls is also into mutual fund and insurance advisory businesses. Though this field is extremely competitive and requires significant research skills, these are highly profitable business segments. Though these businesses currently

penetration levels of mutual funds and insurance in the country, prospects are promising.

Aggressive growth plans:

Indiabulls has set aggressive targets to expand its business in the offline space. This includes investments in upgradation of branch network and opening another 106 branches by the end of calendar year 2008. The company has also indicated its intent to acquire strategic stake in other companies towards growing the business inorganically

2.6 FUTURE PLANS IF ANY

The objects of the Issue are to achieve benefits of listing and to raise capital. They believe that listing will enhance their brand value and provide capital to promote new business activities, upgrade existing fixed infrastructure, open new offices and make investments & strategic acquisitions. The net proceeds of this Issue before deducting underwriting and management fees, brokerage, fees to various advisors and all other Issue related expenses payable is estimated at Rs. 650 million. The main objects clause and objects incidental or ancillary to the main objects clause of the Memorandum of Association of their Company enables us to undertake their existing activities and the new activities for which the funds are being raised by us, through the present Issue. Further, they confirm that Their registration under the NBFC regulations allows them to carry out the activities currently being carried out and under the NBFC regulations; they are entitled to carry on Asset Management Activities through their subsidiaries.

Promote new Business Activities

They propose to enter into retail finance business through IFSL with a total outlay of Rs 200 million. They also plan to enter into Asset Management business by deploying a total sum of Rs 200 million, either through setting up their own Asset Management Company or by acquiring strategic stake in an

Upgrade Fixed infrastructure and Open new branches

They intend to invest Rs 650 million in upgrading their technology systems and installing a Virtual Private Network (VPN) to connect their offices. They believe that investments in technology would enable them to low their operating costs, improve client response time and allow them to handle more business. They plan to deploy Rs 800 million towards increasing their geographical footprint through physical presence in new locations. They believe that opening offices in new locations will increase their reach to new customers. They intend to open 106 more branch offices by the end of calendar year 2008.

Investments and Acquisitions

They propose to make investments of Rs 650 million in one of their subsidiary companies, ISL. By way of this capital infusion of Rs 650 million in their subsidiary, ISL they will be able to strengthen its balance sheet, increase its working capital and enhance its capability to undertake more business in equities, derivatives and wholesale debt markets. They plan to deploy up to Rs 720 million for the purposes of acquisitions of strategic stake in other companies. They plan to focus on growing the business through the inorganic route to enter new markets and gain significant capabilities and immediate scale. The investment through inorganic route will be in the form of acquisitions of full or partial stakes in other companies. The Board of Directors looks at various opportunities periodically from the perspective of maximizing shareholder value and long-term growth potential of their Company.

2.7. About Reliance Industries Ltd.

Business Description

Reliance Industries Limited. The Group's principal activity is to produce and distribute plastic and intermediates, polyester filament yarn, fibre intermediates, polymer intermediates, crackers, chemicals, textiles, oil and gas. The refining segment includes production and marketing operations of the Petroleum refinery. The petrochemicals segment includes production and marketing operations of petrochemical products namely, High and Low density Polyethylene, Polypropylene, Polyvinyl Chloride, Polyester Yarn, Polyester Fibres, Purified Terephthalic Acid, Paraxylene, Ethylene Glycol, Olefins, Aromatics, Linear Alkyl Benzene and Polyethylene Terephthalate. The Group conducts its Communication business through subsidiaries and associates. The Group has its manufacturing facilities at Patalganga in Maharashtra, Ahmedabad, Surat and Jamnagar in Gujarat. The brands include Recron, Relene, Repol, Reon, Relab, Reclair, Koylene, Vimal, Harmony and RueRel.

RIL took several strategic initiatives during the year 2004. An important initiative was the acquisition of the polyester major, Trevira GmbH, headquartered in Frankfurt, Germany. Apart from enhancing RIL's global ranking in polyester, the acquisition enables access to valuable intellectual property rights in this domain.

Recent news:

- **12-Jan-2008:** Reliance Industries Limited, Hazira Manufacturing Division Adjudged Winner of Golden Peacock Innovation Award (2007)
- **14-Jan-2008:** Jamnagar Refinery Adjudged Winner of Golden Peacock National Training Award (2007)
- **14-Jan-2008:** RIL makes Another Gas Discovery in Shallow Water Block in the Krishna Basin
- **17-Jan-2008:** Record Quarterly Profit, Up 26% Y-o-Y Turnover Exceeds Rs. 1,00,000 Crore In Nine Months For The First Time Expanding Global Footprint

Across All Businesses Refinery And Oil & Gas Development Projects In Advanced Stages Of Implementation

- **06-Feb-2008:** Project Drishti - a unique RIL - NAB initiative crosses 5,000 nationwide corneal graft surgeries for the underprivileged "Largest corneal grafting drive undertaken by a single corporate in India"
- **13-Feb-2008:** First Gas Discovery in Deepwater Block in the Krishna Basin
- **26-Feb-2008:** Reliance Strikes Eighth Gas Discovery in Block NEC - 25 in the Mahanadi Basin
- **07-Mar-2008:** Vimal Relaunches Exclusive Showrooms in Chennai Vimal to Offer Ready to Wear Apparel for Men
- **26-Mar-2008:** Vimal Relaunches Exclusive Showrooms in Cochin Vimal to Offer Ready to Wear Apparel for Men

Reliance Industries Limited Key Data:

Ticker	:	RELIANCE
Country	:	INDIA
Major Industry	:	Chemicals
Employees	:	24,696
Currency	:	Indian Rupees
Fiscal Year Ends	:	March
Shares Outstanding	:	14,536,469,680
Closely Held Shares	:	710,370,687

Officers Name	Current Position	Annual Compensation (in Rs)
Ambani, Mukesh	Chairman of the Board, Managing Director	245,100,000
Ambani, Vinod	President, Chief Compliance Officer, Secretary	--

CHAPTER 3

MACRO-MICRO ANALYSIS

CHAPTER 3

MACRO-MICRO STUDY

Macro Analysis

Global equity markets, as measured by the MSCI World index, returned 2.4% over the quarter, whilst in terms of style leadership, growth oriented stocks outperformed their value counterparts as the MSCI World Growth and Value indices returned 2.7% and 2.0% respectively.

At a sector level the best performing sector on a global basis was MSCI World Materials which returned 9.4%, whilst the defensive areas of MSCI World Utilities (6.2%) and MSCI World Consumer Staples (4.7%) also performed well. The worst performing areas included MSCI World IT (-0.6%) and MSCI World Financials (0.2%).

Markets had moved into 2007 against a positive backdrop of solid earnings growth expectations, strong cash flows and dividends, and an environment supportive of corporate restructuring, augmented by merger and acquisition activity and private equity appetite. However, by the end of February all major global indices had experienced significant downward movements. A wave of selling on the Chinese stock market in response to the threat of a new capital gains tax on stock transactions was the initial trigger, amid wider concerns surrounding the possibility of an economic slowdown in the region. Investor nerves were further jangled by comments from ex US Federal Reserve Chairman, Alan Greenspan (during a talk in Asia), suggesting that the US itself may also be heading for a recession. Whilst none of the reasons cited, in isolation, would necessarily have caused the market weakness and no material change to the fundamental global outlook, the timing of these events in combination prompted investors to begin taking money out of the market. That said, given the heightened levels of volatility which were experienced, markets held up remarkably well through March to end the quarter in positive territory.

US inflation and housing data continued to remain at the forefront of investors' minds over the quarter. Consumer prices rose more than forecast early in

that inflation remains the central bank's primary concern. Whilst policy makers expect inflationary pressures will gradually dissipate over the next two years, recent data releases are likely to have firmed the Fed's resolve not to lower interest rates from their current level of 5.25% in the immediate term. However, in countering the comments made by his predecessor, Bernanke noted in his February congressional testimony that the US economy should grow at a moderate pace, again downplaying concerns that the US housing slump might spill over into the rest of the economy. It is, however, anticipated that US unemployment data will gradually shift upwards over the next few months as slowdowns in housing and manufacturing act as a hindrance to economic growth and companies trim payrolls in an attempt to maintain a lid on costs.

As noted in our last quarterly commentary, given the assumption of a soft landing scenario in the US, coupled with continued solid growth in Europe, the phase of incremental tightening of interest rates has continue outside the US. This was largely prevalent in Europe, amid concerns that the fastest economic expansion in 6 years may fuel wage demands and lead to more persistent inflation in the economy of the dozen euro nations. The External Commercial Borrowings (ECB) raised interest rates for the seventh time in 16 months in March, to 3.75%. Meanwhile, in the UK, the Bank of England raised interest rates by 0.25% to 5.25% in January, as economic growth continued to push inflation above target. The market consensus is that, in order to contain inflation and house price growth, the Bank of England has more to do, albeit that the MPC have indicated they may pause a while before increasing rates further, thereby allowing more time for the economy to absorb the three increases since August 2006. Rates were subsequently left unchanged at both the February and March meetings.

As markets fell sharply at the end of February, among the issues impacting sentiment were fears of higher than expected Chinese consumer price inflation prompting further interest rate hikes by the central bank. Whilst short term policy risks remain, as the government seeks to cool off excessive stock market speculation, and with monetary tightening likely to continue as inflation picks up (the 27bp hike in March being the third in three months), it appears unlikely that economic momentum in the region will slow significantly. Earnings growth has remained supportive and

The greater concern, remains the ongoing effect of China's trade surplus, which widened to \$15.9 billion in January, adding pressure on the Chinese authorities to let the renminbi rise faster against the currencies of its trading partners amid criticism that we are artificially keeping the currency weak to maintain the competitiveness of their exports. This itself is flooding the financial system with cash hindering efforts to prevent investment bubbles and accelerating inflation.

Elsewhere in Asia, the Bank of Japan raised interest rates in February for a second time since the end of the zero interest rate policy in 2006, taking rates to 0.5%, whilst in India inflation was pushed to a 2 year high as record bank lending and higher salaries continued to spur consumer spending. The likelihood is that the Reserve Bank of India may well increase interest rates at its April meeting for the sixth time in 16 months.

Micro Analysis

Indian Share Market started functioning from 1875. The name of the first share trading association in India was Native Share and Stock Broker's Association which later came to be known as Bombay Stock Exchange (BSE). This association kicked off with 318 members.

Indian Share Market mainly consists of two stock exchanges:-

Bombay Stock Exchange (BSE)

National Stock Exchange (NSE)

Bombay Stock Exchange (BSE)

Bombay Stock Exchange is the oldest stock exchange not only in India but in entire Asia. Its history is synonymous with that of the Indian Share Market history. BSE started functioning with the name, The Native Share and Stock Broker's Association in 1875. It got Government of India's recognition as a stock exchange in 1956 under Securities Contracts (Regulation) Act, 1956. At the time of its origin it

was an Association of Persons but now it has been transformed to a corporate and demutualised entity.

BSE is spread all over India and is present in 417 towns and cities. The total number of companies listed in BSE is around 3500. Bombay Stock Exchange's trading system is popularly known as BOLT (BSE's Online Trading System). It makes the trade efficient, transparent and time saving. In BSE, the trades that takes place are :-

- Equity or Shares
- Derivatives (Futures and Options)
- Debt Instruments

The main index of BSE is called BSE SENSEX or simply SENSEX. It is composed of 30 financially sound company stocks which are liable to be reviewed and modified from time-to-time. The index calculation is done on the methodology of "Free-float Market Capitalization" method. This method is also followed by the leading bourses like Dow-Jones. During early 1990s it was at 1000 mark, 5000 in 1999, and 8000 in September 2000 but at the time of writing the article (30.05.07) it is hovering around 14500. The credit behind this meteoric rise of the Indian bourse goes to the pro-market New Economic Policy adopted by the government in July, 1991. This momentum of SENSEX reflects the splendid performance of Indian Inc. and the consequent success story of the Indian economy. There are also some other indicators in BSE like BSE mid cap, BSE FMCG, BSE small cap, BSE 100, etc.,

National Stock Exchange (NSE)

National Stock Exchange (NSE) is the leading most stock exchange in India in terms of total volume traded. It is based in Mumbai but has its presence in over 1500 towns and cities. In terms of market capitalization, NSE is the second largest bourse in South Asia.

National Stock Exchange got its recognition as a stock exchange in July 1993 under Securities Contracts (Regulation) Act, 1956. The products that can be traded in NSE are :-

- Equity or Share
- Futures (both index and stock)
- Options (Call and Put)
- Wholesale Debt Market
- Retail Debt Market

NSE provides its customers with a fully automated screen based trading system known as NEAT system with speedy, efficient and transparent transactions. The stocks are held in a demutualised format helping in fast, transparent and efficient preservation and transactions. The risk management system of National Stock Exchange is of highest quality and can be used as a benchmark for other bourses.

NSE's leading index is Nifty 50 or popularly Nifty and is composed of 50 diversified benchmark Indian company stocks. Nifty is constructed on the basis of weighted average market capitalization method.

Regulatory Authority of Indian Share Market

SEBI or Securities and Exchange Board of India is entitled to protect the investors' interests, regulate and develop securities market in India. It passes laws for streamlining the Indian share market for efficient outcomes.

Portfolio investments of the Foreign Institutional Investors (FIIs) are increasing steadily which shows increasing reliance of the FIIs on the Indian Share Market.

The upbeat mood of the Indian bourses got a trip because of the infamous Harshad Mehta Scam. He had fraudulently diverted huge sum of money from the banks and manipulated 270 million shares and causing mayhem for the small investors and BSE was on its knees shedding 570 points in a day.

But with the introduction of online trading system and high end risk management facilities the chances of scams and fraudulent practices has been reduced sharply. This has led to increased investor confidence on the market and consequently helped in mopping up the volume of trade of the Indian bourses.

Indian Share Market is the reflection of the overall performance of the Indian Corporates and is seeing new highs regularly. So, it is in an upbeat mood. Economists predict that the economy will be growing around 10% in the near future and hope to see more and more bullish trends in the due course of time. Hence, Indian Share Market along with the Indian Inc. is signaling positive signs to the investors for a robust growth trajectory.

CHAPTER 4
DATA ANALYSIS AND
INTERPRETATION

CHAPTER 4

DATA ANALYSIS AND INTERPRETATION

I. FUNDAMENTAL ANALYSIS

4.1 Valuation Ratios

Table 4.1

The table showing the valuation ratios of Reliance Industries Ltd. in comparison with Industry average and S&P 500 average

Particulars	Company	Industry	S&P 500
P/E Ratio (TTM)	27.07	137.85	17.83
P/E High - Last 5 Yrs.	38.94	30.06	32.53
P/E Low - Last 5 Yrs.	9.04	8.28	13.86
Beta	0.99	1.08	1
Price to Sales (TTM)	2.75	8.91	2.43
Price to Book (MRQ)	1.35	3.06	3.7
Price to Cash Flow (TTM)	18.46	25.3	12.92

Source: Secondary Data

Interpretation

Here Profit/Earnings (P/E) ratio for last 1 year is 19.6% of Industry's average but more than the S&P Index. Beta value of the company is less than 1 and the Price to sales, book and cash flow ratios of the company shows the positive sign

Inference

Since the Beta value is less than 1 which means that the scrip is indirectly proportional to the index. Prediction should be made according to it. All other valuation ratios shows that the company's performance is good.

4.2 Dividends

Table 4.2

The table showing the Dividends ratios of Reliance Industries Ltd. in comparison with Industry average and S&P 500 average

Particulars	Company	Industry	S&P 500
Dividend Yield	0.38	1.5	2.57
Dividend Yield - 5 Year Avg.	0.45	0.97	1.81
Dividend 5 Year Growth Rate	18.29	20.95	13.18
Payout Ratio (TTM)	12.7	26.66	29.17

Source: Secondary Data

Interpretation

The average dividend yield for 5 years of the company is 46.4% of the industry average and 26.86% of S&P Index. The payout ratio of the company is 48% of industry and 43.5% of the economy.

Inference

The above value shows a positive sign for a investor to invest. The dividend growth rate shows the maximum growth in the industry.

4.3 Growth Rates

Table 4.3

The table showing the growth rates of Reliance Industries Ltd. in comparison with Industry average and S&P 500 average

Particulars	Company	Industry	S&P 500
Sales (MRQ) vs Qtr. 1 Yr. Ago	39.77	36.15	17.09
Sales (TTM) vs TTM 1 Yr. Ago	40.09	46.07	15.82
Sales - 5 Yr. Growth Rate	22	24.26	15.13
EPS (MRQ) vs Qtr. 1 Yr. Ago	40.39	-579.68	16.06
EPS (TTM) vs TTM 1 Yr. Ago	27.6	39.11	12.38
EPS - 5 Yr. Growth Rate	28.59	29.73	22.72
Capital Spending - 5 Yr. Growth Rate	75.48	53.88	11.38

Source: Secondary Data

Interpretation

Here sales, Earnings per share (EPS) are compared. From the above values the important area to be considered is EPS (MRQ) vs quarter. 1 Year ago i.e., the value of the industry seems to be very low (-597.68) but the company has a positive growth (40.39) even when the industry's value was negative.

Inference

The sales made by the company show a good result when compared with both the industry and the economy. Even the EPS shows a very good return to the investor for 5 years which shows a positive signal for a investor to invest in this scrip.

4.4 Financial Strength

Table 4.4

The table showing the financial strength of Reliance Industries Ltd. in comparison with Industry average and S&P 500 average

Particulars	Company	Industry	S&P 500
Quick Ratio (MRQ)	0.71	0.89	1.15
Current Ratio (MRQ)	1.64	1.13	1.63
LT Debt to Equity (MRQ)	0.49	0.61	0.58
Total Debt to Equity (MRQ)	0.49	0.64	0.76
Interest Coverage (TTM)	12.89	24.99	13.96

Source: Secondary Data

Interpretation

Here the financial strength of the company is being compared. The interest coverage ratio is nearly 50% of the industry and 92% of the economy.

Inference

The above all ratios satisfy the basic condition for a good company and also shows a good performance in the industry.

4.5 Profitability Ratios

Table 4.5

The table showing the Profitability ratios of Reliance Industries Ltd. in comparison with Industry average and S&P 500 average

Particulars	Company	Industry	S&P 500
Gross Margin (TTM)	17.69	45.18	43.93
Gross Margin – 5 Yr. Avg.	18.13	31.83	44.1
EBITD Margin (TTM)	18.26	31.33	23.34
EBITD - 5 Yr. Avg.	19.43	27.12	22.46
Operating Margin (TTM)	12.87	21.91	18.78
Operating Margin - 5 Yr. Avg.	12.74	20.48	19.17
Pre-Tax Margin (TTM)	12.87	20.84	17.41
Pre-Tax Margin - 5 Yr. Avg.	12.73	20.5	18.32
Net Profit Margin (TTM)	10.61	13.74	12.7
Net Profit Margin - 5 Yr. Avg.	10.59	14.48	12.74
Effective Tax Rate (TTM)	17.56	32.86	29.57
Effective Tax Rate - 5 Yr. Avg.	16.77	25.74	30.71

Source: Secondary Data

Interpretation

The profitability ratios focus on the profit aspect of the organization. The net profit margin – 5 year average of the company is 72.43% of industry and 83% of economy. About effective tax rate is 65.2% of industry and 54.6% of economy.

Inference

The net profit and tax rate is above 50% of industry and tax rate. Hence the company's performance can be rated as average.

4.6 Management Effectiveness

Table 4.6

The table showing the management efficiency of Reliance Industries Ltd. in comparison with Industry average and S&P 500 average

Particulars	Company	Industry	S&P 500
Return On Assets (TTM)	7.18	8.32	8.76
Return On Assets - 5 Yr. Avg.	9.36	11.9	7.94
Return On Investment (TTM)	8.23	9.91	12.6
Return On Investment - 5 Yr. Avg.	11.43	14.43	11.55
Return On Equity (TTM)	16.9	17.17	21.15
Return On Equity - 5 Yr. Avg.	18.59	22.58	19.51

Source: Secondary Data

Interpretation

The return on assets of the company is 78.65% of the industry and 117.8% of the economy. The return on investment of the company is 79.2% of industry and 98.9% of economy. The return on equity of the company is 82.32% of industry and 95.28% of economy.

Inference

The return on investment and equity is above 70% of industry and economy. Hence the company can be rated as above average. So the investor can find good source to invest.

4.7 Comparison of Cost of Goods Sold with Sales

Table 4.7

The table showing the comparison of Sales and Cost of Goods Sold (CGS) from 2003 to 2007

Year	Sales (in Millions INR.)	Sales Growth (%)	Cost of Goods Sold (in Millions INR.)	(CGS/Sales) x 100
2003	650,737	Nil	459,101	70.55%
2004	746,417	14.70%	481,816	64.51%
2005	737,105	-1.25%	538,011	72.99%
2006	909,379	23.37%	686,762	75.52%
2007	1,204,311	32.43%	936,423	75.75%

Source : Secondary Data

Interpretation

From the above table it can be inferred that the sales in the year 2005 is 1.25% less than the sales in the year 2004 but even though the company shows a constant increase in Cost of goods sold (CGS) and in CGS with respect to sales it maintains an average 71.86% of sales.

Inference

The (CGS/Sales) x 100 of the company from the year 2003 to 2007 shows a positive growth except in the year 2004. in the year 2006 and 2007 the company maintains 75.5% of sales. It means that the company's performance is moderate. The investor must consider other factors for investing in this company.

4.8 Comparison of EBITDA with Sales

Table 4.8

The table showing the comparison of Sales and Earnings before Interest, Taxes, Depreciation, and Amortization (EBITDA) from 2003 to 2007

Year	Sales (in Millions INR.)	Sales Growth (%)	Earnings before Interest, Taxes, Depreciation, and Amortization (EBITDA) (in Millions INR.)	(EBITDA/Sales) x 100
2003	650,737	Nil	48,734	7.49%
2004	746,417	14.70%	63,101	8.45%
2005	737,105	-1.25%	91,255	12.38%
2006	909,379	23.37%	110,243	12.12%
2007	1,204,311	32.43%	146,470	12.16%

Source : Secondary Data

Interpretation

From the above table it can be interpreted that the Earnings before Interest, Taxes, Depreciation, and Amortization (EBITDA) shows a growth over the previous year. When the EBITDA of year 2007 is compared with year 2003 it shows an increase of 200.54%, but in EBITDA/with respect to Sales, from the year 2003 to 2007 the EBITDA is 12.1% of sales.

Inference

In EBITDA/with respect to Sales, from the year 2003 to 2007 the EBITDA is 12.1% of sales, this is because there is a constant growth for both sales and EBITDA. When the investor considers this factor for investing then there seems that there is no growth for the company for past 3 years.

4.9 Comparison of EAITDA with Sales

Table 4.9

The table showing the comparison of Sales and Earnings After Interest, Taxes, Depreciation, and Amortization (EAITDA) from 2003 to 2007

Year	Sales (in Millions INR.)	Sales Growth (%)	Earnings after Interest, Taxes, Depreciation, and Amortization (EAITDA) (in Millions INR.)	(EAITDA/Sales) x 100
2003	650,737	Nil	39,832	6.12%
2004	746,417	14.70%	51,690	6.93%
2005	737,105	-1.25%	76,026	10.31%
2006	909,379	23.37%	94,831	10.43%
2007	1,204,311	32.43%	120,753	10.03%

Source : Secondary Data

Interpretation

From the above table it can be interpreted that the Earnings before Interest, Taxes, Depreciation, and Amortization (EAITDA) shows a growth over the previous year. When the EAITDA of year 2007 is compared with year 2003 it shows an increase of 203.15%, but in EAITDA/with respect to Sales, from the year 2003 to 2007 the EBITDA is 10.3% of sales.

Inference

In EAITDA/with respect to Sales, from the year 2003 to 2007 the EAITDA is 12.1% of sales, this is because there is a constant growth for both sales and EAITDA. When the investor considers this factor for investing then there seems that there is no growth for the company for past 3 years.

4.10 Price Performance

Table 4.10

The table showing the Price Performance of Reliance Industries Ltd. Stock for 4, 13, 26 and 52 Weeks. Company's Rank in Industry and Industry's Rank in the Economy is also shown.

Period	Actual (%)	S&P 500 (%)	Company's Rank in Industry	Industry's Rank in the Economy
4 Weeks	-7.10%	1.50%	56	3
13 Weeks	-20.90%	-1.10%	73	2
26 Weeks	14.70%	11.90%	56	27
52 Weeks	68.50%	37.60%	67	42

Note: Rank is a Percentile that Ranges from 0 to 99, with 99 = Best

Source : Secondary Data

Interpretation

The data is taken on 4th March 2008. 4 weeks and 13 weeks before it showed a negative trend because of negative growth in the global economy, but when stock price in long time duration such as 26 weeks and 52 weeks the stock price has shown a good percentage in growth.

Inference

In 13 weeks the company's rank in industry and industry's rank in the economy is 73 and 2 respectively. In 52 weeks performance company's rank in industry and industry's rank in the economy is 67 and 42 respectively. This is because the performance of the industry was very low in 13 weeks and moderate in 52 weeks.

4.11 Price & P/E History

Table 4.11

The table showing the Price, P/E History and Dividend Yield for 5 years i.e., from 2003 to 2007

Calandar Year	High Price (Rs.)	Low Price (Rs.)	Year End Price (Rs.)	High P/E	Low P/E	Year End P/E	Dividend Yield
2003	582	258	573	20.4	9.04	20.09	0.87
2004	610.45	382	533.8	16.59	10.38	14.51	0.98
2005	901	498.2	889.65	16.49	9.12	16.28	0.84
2006	1350	675.1	1270.35	20.02	10.01	18.84	0.79
2007	3235	1250	2881.05	38.94	15.05	34.68	0.38

Source : Secondary Data

Interpretation

From the above table it can be interpreted that year after year the values are being increasing except dividend yield. In the year 2007 the dividend yield was very low when compared with other years i.e., 0.38. High dividend yield was found on 2004 (0.98).

Inference

The dividend yield was very less in the year 2007 because there was low dividend per share and high share price. The investor must be cautious in investing with help of the dividend yield information.

4.12 Earnings Per Share

Table 4.12

The table showing the Earnings per share (EPS) in quarterly for 5 years i.e., from 2003 to 2007

Periods Quarter	Year 2003	Year 2004	Year 2005	Year 2006	Year 2007
June	4.4	8.12	10.29	16.6	18.3
September	6.8	9.65	12.5	17.8	19.4
December	8.67	8.65	14.98	12.7	20.1
March	9.43	10.38	16.49	18	25.27
Totals	29.3	36.8	54.26	65.1	83.07
Note: Units in INR					

Source : Secondary Data

Interpretation

From the above table it can be interpreted that, from the year 2003 to 2007 there has been a constant increase except Dec 2005 (14.98) and Dec 2006 (12.7) but when the total of year 2007 is compared with year 2003 it shows an increase of 183.5%.

Inference

The earnings per share have showed a good result in these 5 years by giving 183.51% of growth from 2003 to 2007. Hence the investor can invest in the company.

4.13 Revenue

Table 4.13

The table showing the Earnings per share (EPS) in quarterly for 5 years i.e., from 2003 to 2007

Periods Quarter	Year 2003	Year 2004	Year 2005	Year 2006	Year 2007
June	119,296	101,617	142,800	177,840	245,220
September	102,701	135,654	161,640	207,170	284,740
December	103,265	129,342	177,680	181,680	264,720
March	133,839	153,640	183,877	263,558	343,021
Totals	459,101	520,253	665,997	830,248	1,137,701

Note: Units in Millions of INR

Source : Secondary Data

Interpretation

From the above table it can be interpreted that, from the year 2003 to 2007 there has been a constant increase. When the total of year 2007 is compared with year 2003 it shows an increase of 147.81% in EPS.

Inference

The revenue has showed a good result in these 5 years by giving 147.81% of growth from 2003 to 2007. Hence the investor can invest in the company.

4.14 Estimates of Revenue and EPS

Table 4.14

From the above analysis the estimates for the year 2008 and 2009 is made.

Year	Median Estimation	High Estimation	Low Estimation
Revenue			
FY: 2008	1,430,659.00	1,558,991.68	1,289,129.00
FY: 2009	1,799,053.70	2,136,286.30	1,460,712.07
EPS			
FY: 2008	98.41	107.24	88.68
FY: 2009	123.76	146.96	100.48
LongTerm Growth Rate (%)	25.75	37.03	13.31
Note: Units in Millions of INR (except for per share items)			

Interpretation

Assuming outstanding shares as constant (14536469680) the above revenue and EPS estimation is calculated on the basis of long term growth rate percentage. The long term growth rate percentage for median estimation (25.75%) is calculated on the basis of taking average of 5 years growth percentage. The long term growth rate percentage for high estimation (37.03%) is taken because this percentage of growth was the highest, which happened in the year 2006-2007. The long term growth rate percentage for low estimation (13.31%) is taken because this percentage of growth was the lowest, which happened in the year 2003-2004.

Inference

The earnings per share (EPS) as a low estimation for the year 2008 and 2009 is 88.68 and 100.48 respectively. This shows that even the low estimation is very good in the industry. From the history of Reliance Industries Limited it is derived that the company performs more than the expectation level or estimates. Hence the investor can expect good return in future.

II. TECHNICAL ANALYSIS

Time Duration : January 2007 to March 2008

4.15 ACCUMULATION/DISTRIBUTION LINE

A technical indicator that attempts to quantify the flow of money into and out of a given stock.

Formula

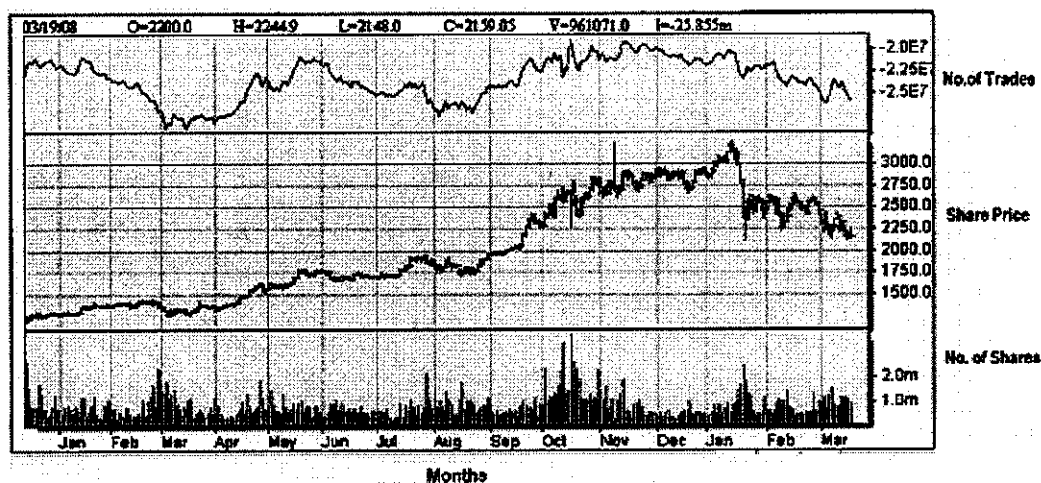
$$CLV = \{[(Close\ Price - Low\ Price) - (High\ Price - Close\ Price)] / (High\ Price - Low\ Price)\}$$

CLV → Close Location Value (Range +1 to -1)

Accumulation/Distribution Line = (Cumulative value) CLV * Corresponding period's volume

Chart 4.1

Chart showing Accumulation/Distribution Line of RIL



Interpretation

From the above chart it can be interpreted that the volume of trade made is more in the months October to November with slight variation it means it represents a bullish signal (there is an upward movement in price) in those periods.

Then from November to the following months the number of trades made is in declining stage which means the stock represents bearish signal (there is an downward movement in price)

In the month of June and July the number of trade being made is less when compared to other months.

Inference

The investor can invest in this stock in the month of July and must sell those stocks in the month January. And also he can buy the stocks in the month of July by expecting the price hike in future with proper fundamental analysis.

4.16 Commodity Channel Index(CCI)

A technical indicator that attempts to display cyclical turns in a stock or commodity.

Formula

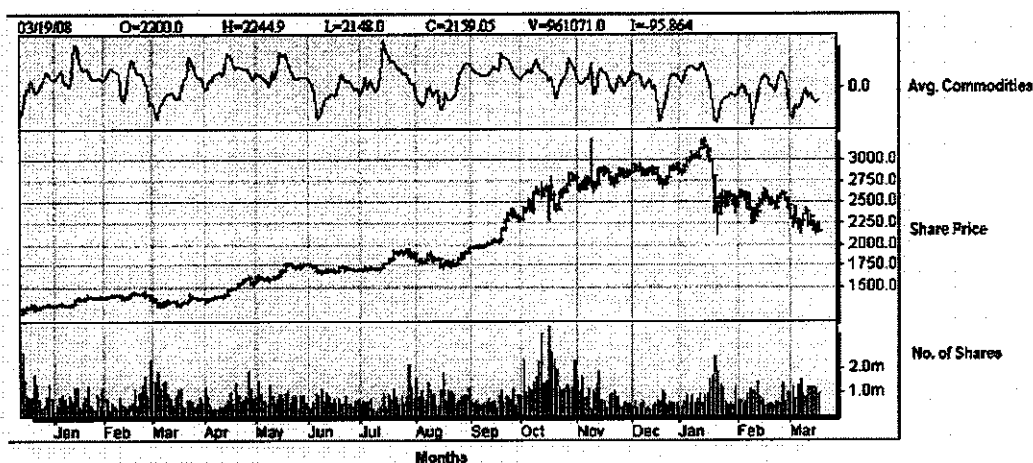
$$CCI = \frac{\text{Price} - \text{MA}}{0.015 \times D}$$

MA → Moving Average of close price

D → Normal deviation

Chart 4.2

Chart showing Commodity Channel Index(CCI) of RIL



Interpretation

The Commodity channel index (CCI) is otherwise called as overbought/oversold indicator.

Here in the mid of July and in the mid of January is found that a huge negative divergence which means there is an oversold of the stock. And in the end of October and in early stage of November there is a huge positive divergence. Hence there is an overbuying of the stock in that period.

Inference

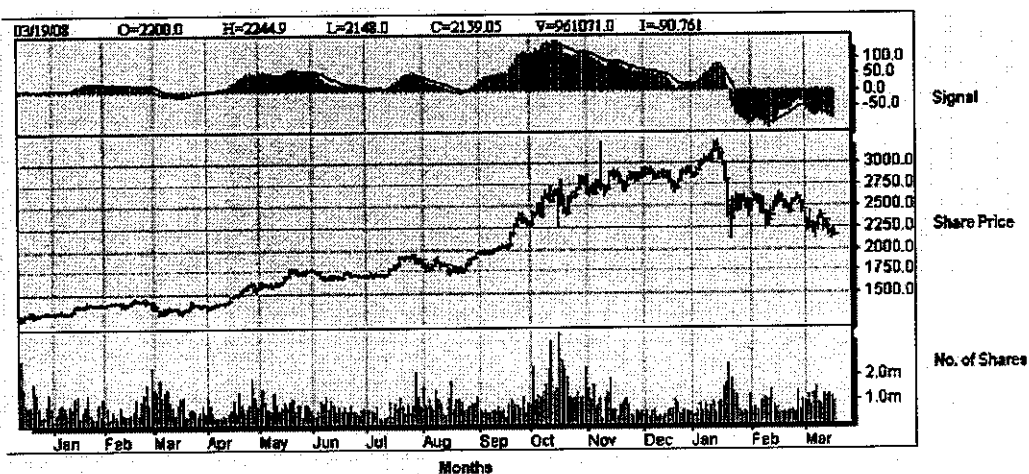
This indicator helps the investor to find whether the stock is in bullish or in bearish condition and he can make the plans accordingly. Here the stock is found to be bullish in December 2007 and bearish from mid of Jan 2008.

4.17 Moving Average Convergence/Divergence (MACD)

A popular technical indicator system that combines several moving averages to better show a stock's trend and momentum.

Chart 4.3

Chart showing Moving Average Convergence/Divergence (MACD) of RIL



Interpretation

In the above chart there is a line in the signal portion this is a virtual drawn at point 0.0(zero) this is called as signal line.

Here the interpretation in MACD trading rule is to sell when the MACD falls below its signal line. Similarly, a buy signal occurs when the MACD rises above its signal line. It is also popular to buy/sell when the MACD goes above/below zero.

The MACD strategy can be used by an investor in the intra-day trading.

Inference

From the month of Jan 2007 to mid of Jan 2008 the MACD is above the signal line which instructs the investor to buy the stocks. And from mid of Jan 2008 the MACD falls below the signal line which indicates the investor to sell the stock.

4.18 Price By Volume

A technical overlay that resembles a horizontal histogram and shows which price levels a stock has been heavily trading at.

Formula

The first step to calculate Price volume trend is to find percentage change in the close price:

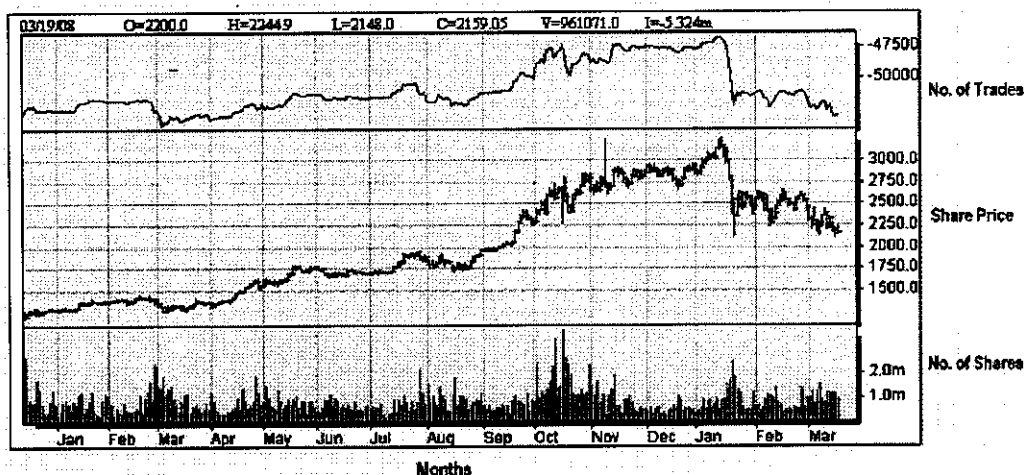
$$\text{Change} = (\text{Close}(\text{today}) - \text{Close}(\text{yesterday})) / \text{Close}(\text{yesterday})$$

Price volume trend (PVT) is calculated using following formula:

$$\text{PVT}(\text{today}) = \text{Change} * \text{Volume}(\text{today}) + \text{PVT}(\text{yesterday})$$

Chart 4.4

Chart showing Price By Volume of RIL



Interpretation

The volume traded in the month January 2008 is much higher than any other month in the selected period of time. Hence the price is judged according to the volume traded i.e., if the volume is more the price of the stock is high and vice versa.

Inference

This indicator will be useful to the arbitrageur and short selling person by selling the stock in the mid of Jan 2008 first and then buying the same immediately when the price goes down.

4.19 Relative Strength Index

A popular technical indicator that tries to quantify a stock's current direction and strength.

Formula

The Relative Strength index is calculated using following algorithm:

1. Average Upward Price Move = EMA(Sum of all upward movements in Closing price)
2. Average Downward Price Move = EMA(Sum of all downward movements in Closing price)
3. Calculate Relative Strength (RS):

$$RS = \text{Average Upward Price Move} / \text{Average Downward Price Move}$$

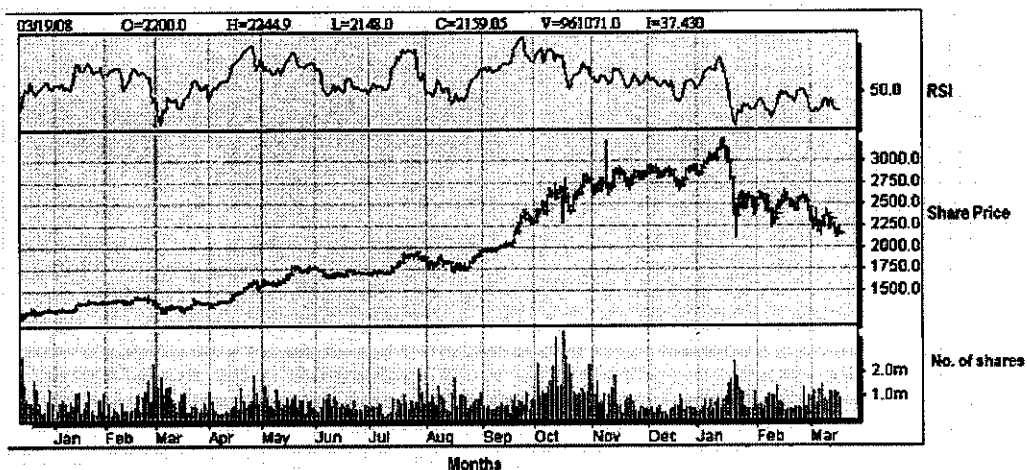
4. Calculate the Relative Strength Index (RSI):

$$RSI = 100 - 100 / (1 + RS)$$

EMA = Exponential Moving Average

Chart 4.5

Chart showing Relative Strength Index of RIL



Interpretation

Here 14-days is used to calculate Relative strength index (RSI)

From the above chart it is observed that the stock is making certain pattern of head and shoulders in certain months and a new high can be found in the month of November with the following divergence in the next month (December)

From the above statement it can be interpreted that when RSI increases, the price of the stock will also increase and vice versa.

Inference

For the investors it is recommended that to buy the stock when RSI is above 70 and to sell the stock when RSI is below 30.



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4.20 Stochastic Oscillator

A popular technical indicator that tracks a stock's up and down movements closely.

Formula

The Stochastic indicator is calculated on the following way:

$$\%K = (\text{Today's Close} - LL) / (HH - LL) * 100$$

where:

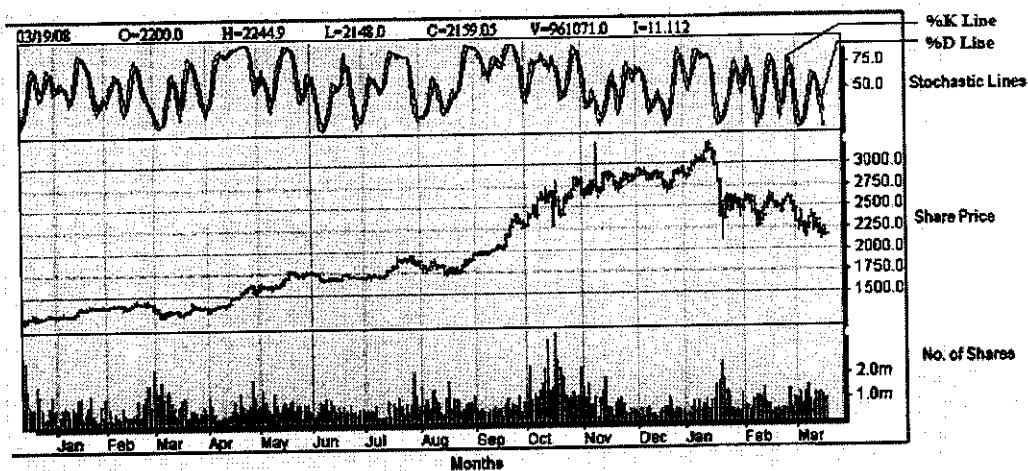
LL = Lowest Low price in PeriodK

HH = Highest High price in PeriodK

%D is calculated as a Moving Average of %K for PeriodD.

Chart 4.6

Chart showing Stochastic Oscillator of RIL



Interpretation

The Stochastic Oscillator is displayed as two lines. The main line is called "%K." The second line, called "%D," is a moving average of %K.

The Stochastic indicator value is always between 0 and 100, and is represented as a percentage. If the value is above 80 then the price is closing near the high. If the value is below 20 then the price is closing near its low.

The %D line is more important than %K line, and the %K line changes

line, a slow and steady reversal is usually indicated. If both the %K and %D lines change direction and the %K line (the Fast Line™) changes direction and approaches the %D line but does not cross it then this is a good confirmation of the prior reversal stability.

Inference

From the above chart it can be inferred and recommended to the investors to buy the stock when (%K or %D) falls below a specific level (e.g., 20) and then rises above that level.

To sell the stock when (%K or %D) rises above a specific level (e.g., 80) and then falls below that level.

Another interpretation is that to buy the stock when %K line rises above the %D line and sell when %K line falls below the %D line.

4.21 Williams %R

A popular technical indicator that uses Stochastics to determine overbought and oversold levels.

Formula

The William's %R indicator is calculated on the following way:

$$\%R = [(HH - \text{Today's Close}) / (HH - LL)] * -100$$

where:

LL = Lowest Low price in Period

HH = Highest High price in Period

Chart 4.6

Chart showing Williams %R of RIL

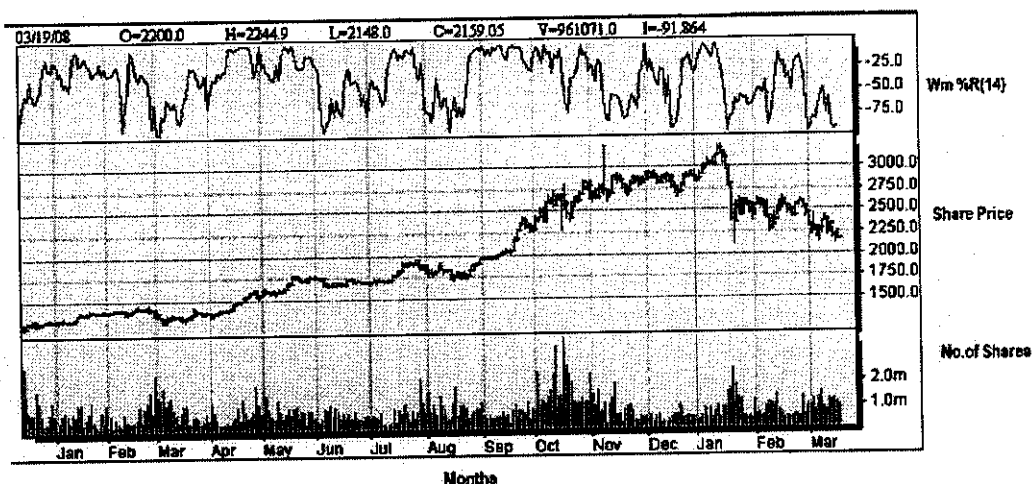


Chart 4.7

$Wm \%R(14)$ = Williams %R curve for 14 days

Interpretation

Here the Williams %R is calculated using 14 period and can be used on intraday, daily, weekly, or monthly data

The value for the William's %R indicator is always between 0 and -100, and is represented as a percentage. If the value is below -80 then the price is closing near the high price. If the value is above -20 then the price is closing near its low.

Inference

In the above chart when there is an upper trend in the Williams %R then there will be an higher trading opportunity and vice versa. The investor can invest in this stock in the month of July and must sell those stocks in the month October or Jan 2008. And also he can buy the stocks in the month of July by expecting the price hike in future with proper fundamental analysis.

CHAPTER 5
FINDINGS AND CONCLUSION

CHAPTER 5

FINDINGS AND CONCLUSION

5.1 FINDINGS:

The objectives of the study are : (1)To conduct a company stock valuation and predict its probable price evolution, (2)To make projection on its business performance, (3)To use the tools and techniques for analyzing the stocks Reliance Industries Ltd. In the BSE. (4)To analyze the stock returns performance and interpret the future movement of the stock market value using indicators in the retail market. These objectives are taken into account and analysis is done and following has been found out.

5.1.1 Valuation Ratios

Profit/Earnings (P/E) ratio for last 1 year is 19.6% of Industry's average but more than the S&P Index. Beta value of the company is less than 1 and the Price to sales, book and cash flow ratios of the company shows the positive sign

5.1.2 Dividends

The average dividend yield for 5 years of the company is 46.4% of the industry average and 26.86% of S&P Index. The payout ratio of the company is 48% of industry and 43.5% of the economy.

5.1.3 Growth Rates

Here sales, Earnings per share (EPS) are compared. From the above values the important area to be considered is EPS (MRQ) vs quarter. 1 Year ago i.e., the value of the industry seems to be very low (-597.68) but the company has a positive growth (40.39) even when the industry's value was negative.

5.1.4 Financial Strength

All the financial strength of the company is being compared. The interest coverage ratio is nearly 50% of the industry and 92% of the economy.

5.1.5 Profitability Ratios

The profitability ratios focus on the profit aspect of the organization. The net profit margin – 5 year average of the company is 72.43% of industry and 83% of economy. About effective tax rate is 65.2% of industry and 54.6% of economy.

5.1.6 Management Effectiveness

The return on assets of the company is 78.65% of the industry and 117.8% of the economy. The return on investment of the company is 79.2% of industry and 98.9% of economy. The return on equity of the company is 82.32% of industry and 95.28% of economy.

5.1.7 Comparison of Cost of Goods Sold with Sales

The sales in the year 2005 is 1.25% less than the sales in the year 2004 but even though the company shows a constant increase in Cost of goods sold (CGS) and in CGS with respect to sales it maintains an average 71.86% of sales.

5.1.8 Comparison of EBITDA with Sales

The Earnings before Interest, Taxes, Depreciation, and Amortization (EBITDA) shows a growth over the previous year. When the EBITDA of year 2007 is compared with year 2003 it shows an increase of 200.54%, but in EBITDA/with respect to Sales, from the year 2003 to 2007 the EBITDA is 12.1% of sales.

5.1.9 Comparison of EAITDA with Sales

The Earnings before Interest, Taxes, Depreciation, and Amortization (EAITDA) shows a growth over the previous year. When the EAITDA of year 2007 is compared with year 2003 it shows an increase of 203.15%, but in EAITDA/with respect to Sales, from the year 2003 to 2007 the EBITDA is 10.3% of sales.

5.1.10 Price Performance

The data is taken on 4th March 2008. 4 weeks and 13 weeks before it showed a negative trend because of negative growth in the global economy, but when stock price in long time duration such as 26 weeks and 52 weeks the stock price has shown a good percentage in growth.

5.1.11 Price & P/E History

Year after year the values are being increasing except dividend yield. In the year 2007 the dividend yield was very low when compared with other years i.e., 0.38. High dividend yield was found on 2004 (0.98).

5.1.12 Earnings Per Share

From the year 2003 to 2007 there has been a constant increase except Dec 2005 (14.98) and Dec 2006 (12.7) but when the total of year 2007 is compared with year 2003 it shows an increase of 183.5%.

5.1.13 Revenue

From the year 2003 to 2007 there has been a constant increase. When the total of year 2007 is compared with year 2003 it shows an increase of 147.81% in EPS.

5.1.14 Accumulation/Distribution Line

The volume of trade made is more in the months October to November with slight variation it means it represents a bullish signal (there is an upward movement in price) in those periods.

Then from November to the following months the number of trades made is in declining stage which means the stock represents bearish signal (there is a downward movement in price)

In the month of June and July the number of trade being made is less when compared to other months.

5.1.15 Commodity Channel Index (CCI)

Here in the mid of July and in the mid of January is found that a huge negative divergence which means there is an oversold of the stock. And in the end of October and in early stage of November there is a huge positive divergence. Hence there is an overbuying of the stock in that period.

5.1.16 Moving Average Convergence/Divergence (MACD)

Here the interpretation in MACD trading rule is to sell when the MACD falls below its signal line. Similarly, a buy signal occurs when the MACD rises above its signal line. It is also popular to buy/sell when the MACD goes above/below zero.

The MACD strategy can be used by an investor in the intra-day trading.

5.1.17 Price By Volume

The volume traded in the month January 2008 is much higher than any other month in the selected period of time. Hence the price is judged according to the volume traded i.e., if the volume is more the price of the stock is high and vice versa.

5.1.18 Relative Strength Index

The stock is making certain pattern of head and shoulders in certain months and a new high can be found in the month of November with the following divergence in the next month (December)

From the above statement it can be interpreted that when RSI increases, the price of the stock will also increase and vice versa.

5.1.19 Stochastic Oscillator

The Stochastic indicator value is always between 0 and 100, and is represented as a percentage. If the value is above 80 then the price is closing near the high. If the value is below 20 then the price is closing near its low.

The %D line is more important than %K line, and the %K line changes direction before the %D line. When the %D line changes direction prior to the %K

change direction and the %K line (the Fast Line™) changes direction and approaches the %D line but does not cross it then this is a good confirmation of the prior reversal stability.

5.1.20 Williams % R

The value for the William's %R indicator is always between 0 and -100, and is represented as a percentage. If the value is below -80 then the price is closing near the high price. If the value is above -20 then the price is closing near its low.

5.2 SUGGESTIONS

5.2.1 Valuation Ratios

Since the Beta value is less than 1 which means that the scrip is indirectly proportional to the index. Prediction should be made according to it. All other valuation ratios shows that the company's performance is good.

5.2.2 Dividends

Value shows a positive sign for a investor to invest. The dividend growth rate shows the maximum growth in the industry.

5.2.3 Growth Rates

The sales made by the company shows a good result when compared with both the industry and the economy. Even the EPS shows a very good return to the investor for 5 years which makes a positive for a investor to invest in this scrip.

5.2.4 Financial Strength

All the ratio satisfies the basic condition for a good company and also shows a good performance in the industry.

5.2.5 Profitability Ratios

The net profit and tax rate is above 50% of industry and tax rate. Hence the company's performance can be rated as average.

5.2.6 Management Effectiveness

The return on investment and equity is above 70% of industry and economy. Hence the company can be rated as above average. So the investor can find good source to invest.

5.2.7 Comparison of Cost of Goods Sold with Sales

The $(CGS/Sales) \times 100$ of the company from the year 2003 to 2007 shows a positive growth except in the year 2004. In the year 2006 and 2007 the company maintains 75.5% of sales. It means that the company's performance is moderate. The investor must consider other factors for investing in this company.

5.2.8 Comparison of EBITDA with Sales

In $(EBITDA/Sales) \times 100$ column from the year 2003 to 2007 the EBITDA is 12.1% of sales, this is because there is a constant growth for both sales and EBITDA. When the investor considers this factor for investing then there seems that there is no growth for the company for past 3 years.

5.2.9 Comparison of EAITDA with Sales

In $(EAITDA/Sales) \times 100$ column from the year 2003 to 2007 the EAITDA is 12.1% of sales, this is because there is a constant growth for both sales and EAITDA. When the investor considers this factor for investing then there seems that there is no growth for the company for past 3 years.

5.2.10 Price Performance

In 13 weeks the rank in industry and industry rank is 73 and 2 respectively. In 52 weeks performance rank in industry and industry rank is 67 and 42 respectively. This is because the performance of the industry was very low in 13 weeks and moderate in 52 weeks.

5.2.11 Price & P/E History

The dividend yield was very less in the year 2007 because there was low dividend per share and high share price. The investor must be cautious in investing with help of the dividend yield information.

5.2.12 Earnings Per Share

The earnings per share have showed a good result in these 5 years by giving

5.2.13 Revenue

The revenue has showed a good result in these 5 years by giving 147.81% of growth from 2003 to 2007. Hence the investor can invest in the company.

5.2.14 Accumulation/Distribution Line

The investor can invest in this stock in the month of July and must sell those stocks in the month January. And also he can buy the stocks in the month of July by expecting the price hike in future with proper fundamental analysis.

5.2.15 Commodity Channel Index (CCI)

This indicator helps the investor to find whether the stock is in bullish or in bearish condition and he can make the plans accordingly. Here the stock is found to be bullish in December 2007 and bearish from mid of Jan 2008.

5.2.16 Moving Average Convergence/Divergence (MACD)

From the month of Jan 2007 to mid of Jan 2008 the MACD is above the signal line which instructs the investor to buy the stocks. And from mid of Jan the MACD falls below the signal line which indicates the investor to sell the stock.

5.2.17 Price By Volume

This indicator will be useful to the arbitrageur and short selling person by selling the stock in the mid of Jan 2008 first and then buying the same immediately when the price goes down.

5.2.18 Relative Strength Index

For the investors it is recommended that to buy the stock when RSI is above 70 and to sell the stock when RSI is below 30.

5.2.19 Stochastic Oscillator

To buy the stock when (%K or %D) falls below a specific level (e.g.,20) and then raises above that level.

5.2.20 Williams % R

When there is an upper trend in the Williams %R then there will be an higher trading opportunity and vice versa. The investor can invest in this stock in the month of July and must sell those stocks in the month October or Jan 2008. And also he can buy the stocks in the month of July by expecting the price hike in future with proper fundamental analysis.

5.3 CONCLUSION

This study deals with analyzing the Reliance Industries Limited both fundamentally and technically. This study reveals two types of conclusion.

Type I (For Long Term Investors)

The earnings per share (EPS) as a low estimation for the year 2008 and 2009 is 88.68 and 100.48 respectively. This shows that even the low estimation is very good in the industry. From the history of Reliance Industries Limited it is derived that the company performs more than the expectation level or estimates. Hence the investor can expect good return in future.

Type II (For Short Term Investor)

From the calculated beta value of the stock is 0.99 in the sensex list it can be said that this stock is currently under reacting and from the study it is found that the scrip is highly volatile where it can be seen reaching highest value of Rs. 3512.32 in the month of January 2008 and the lowest value of Rs. 968.23 in the month of January 2007. Hence for an investor the wise suggestion will be, to buy the stock in the month of January 2007 and sell it within mid of January 2008 and investor can go for short selling from the mid of January 2008 and in mid of February 2008 as the fall of price is realized.

APPENDIX

Appendix

Annual Income Statement

In Millions of INR (except for per share items)	2003 3/31/2003	2004 3/31/2004	2005 3/31/2005	2006 3/31/2006	2007 3/31/2007
Gross Revenue	650,737	746,417	737,105	909,379	1,204,311
Sales Returns & Allowances	-149,656	-181,709	--	--	--
Excise Taxes Receipts	-41,980	-44,455	-71,128	-79,131	-66,610
Total Revenue	459,101	520,253	665,977	830,248	1,137,701
Cost of Revenue, Total	375,270	421,816	538,011	686,762	936,423
Depreciation/Amortization	34,532	33,352	37,884	49,478	68,965
Interest Expense, Net Operating	15,585	14,397	14,741	9,346	12,323
Interest Income, Operating	--	--	--	-4,919	-2,835
Invest Income, Operating	-798	-581	-696	-4,747	28
Inter/Invest Inc, Operating	-798	-581	-696	-9,666	-2,807
Interest/Expense (In),Net Operating	14,787	13,816	14,044	-321	9,516
Unusual Expense (Income)	0	--	--	--	--
Other Operating Expense	-6,157	-844	-611	-14,528	-19,970
Other, Net	-8,065	-10,987	-14,301	-2,380	-3,702
Other Operat Expse, Total	-14,222	-11,831	-14,911	-16,908	-23,672
Total Operating Expense	410,367	457,153	575,028	719,010	991,231
Operating Income	48,734	63,101	90,948	111,238	146,470
Gain (Loss) on Sale of Assets	--	--	306	-995	0
Net Income Before Taxes	48,734	63,101	91,255	110,243	146,470
Provision for Income Taxes	8,701	11,411	14,972	16,295	25,723
Net Income After Taxes	40,033	51,690	76,282	93,948	120,747
Minority Interest	0	--	0	35	1
Net Income Before Extra. Items	40,033	51,690	76,282	93,982	120,748
Net Income	40,033	51,690	76,282	93,982	120,748
Preferred Dividends	-201	0	--	--	--
Misc Earnings Adjustment	--	--	--	0	5
Total Adjust to Net Income	-201	0	--	0	5
Income Available to Common Excl. Extra. Items	39,832	51,690	76,282	93,982	120,753
Income Available to Common Incl. Extra. Items	39,832	51,690	76,282	93,982	120,753

Basic/Primary Weighted Average Shares	1,396	1,405	1,396	1,394	1,454
Basic/Primary EPS Excl. Extra. Items	28.525	36.79	54.647	67.443	83.069
Basic/Primary EPS Incl. Extra. Items	28.525	36.79	54.647	67.443	83.069
Dilution Adjustment	0	0	0	--	--
Diluted Weighted Average Shares	1,396	1,405	1,396	1,394	1,454
Diluted EPS Excl. Extra. Items	28.525	36.79	54.647	67.443	83.069
Diluted EPS Incl. Extra. Items	28.525	36.79	54.647	67.443	83.069
DPS - Common Stock Primary Issue	5	5.25	7.5	10	11
Gross Dividend - Common Stock	6,982	7,331	10,451	13,935	15,341
Pro Forma Net Income	--	--	--	--	--
Interest Expense, Supplemental	15,585	14,397	14,741	9,346	12,323
Depreciation, Supplemental	34,532	33,352	37,884	34,808	48,792
Total Special Items	0	--	-306	995	0
Normalized Income Before Tax	48,734	63,101	90,948	111,238	146,470
Effect of Special Items on Income Taxes	0	--	-50	147	0
Inc Tax Ex Impact of Sp Items	8,701	11,411	14,922	16,442	25,723
Normalized Income After Tax	40,033	51,690	76,026	94,796	120,747
Normalized Inc Avail to Common	39,832	51,690	76,026	94,831	120,753
Basic Normalized EPS	28.525	36.79	54.464	65.052	83.069
Diluted Normalized EPS	28.525	36.79	54.464	65.052	83.069

Source: <http://stocks.us.reuters.com/stocks/incomeStatement.asp>

Annual Balance Sheet

In Millions of INR (except for per share items)	2003 3/31/2003	2004 3/31/2004	2005 3/31/2005	2006 3/31/2006	2007 3/31/2007
Cash and Short Term Investments	1,501	2,709	36,107	26,164	19,370
Trade Accounts Receivable, Gross	31,140	32,716	39,278	--	--
Provision for Doubtful Accounts	-1,132	0	--	--	--
Trade Accounts Receivable, Net	30,007	32,716	39,278	43,517	38,314
Notes Receivable - Short Term	78,054	74,490	66,972	76,738	148,881
Total Receivables, Net	108,061	107,206	106,250	120,255	187,194
Inventory - Finished Goods	31,753	27,570	20,136	35,448	49,847
Inventory - Work In Progress	9,396	7,524	9,715	17,396	18,887
Inventory - Raw Materials	33,956	37,218	44,278	50,609	55,829
Total Inventory	75,104	72,312	74,129	103,453	124,563
Other Curr. Assets, Total	4,641	7,282	14,533	250	32
Total Current Assets	189,308	189,509	231,019	250,122	331,159
Buildings	37,809	28,444	31,806	48,076	57,305
Land/Improvements	2,305	2,662	3,670	4,191	10,454
Machinery/Equipment	446,765	485,435	495,276	801,325	921,295
Construction in Progress	20,106	33,882	48,706	88,962	293,237
Leases	823	839	842	827	17,648
Property/Plant/Equipment - Gross	507,808	551,262	580,301	943,381	1,299,939
Accumulated Depreciation	-184,616	-217,179	-248,734	-315,501	-370,983
Property/Plant/Equipment - Net	323,192	334,082	331,567	627,880	928,956
Intangibles, Gross	18,277	18,359	19,680	23,989	26,326
Accum. Intangible Amort.	--	--	--	--	-13,819
Intangibles, Net	18,277	18,359	19,680	23,989	12,507
LT Invt. - Affiliate Comp.	60,098	150,474	165,338	8,456	2,407
LT Investments - Other	43,321	33,814	65,502	58,213	50,273
Long Term Investments	103,419	184,288	230,840	66,668	52,680
Other Long Term Assets	472	14	0	56	46
Total Assets	634,668	726,251	813,106	968,715	1,325,347
Accounts Payable	90,733	99,818	128,365	124,541	176,908
Accrued Expenses	4,672	4,781	5,416	7,741	9,286
Notes Payable/Short Term Debt	452	396	284	271	25
Curr. Port. LT Dbt/Cap Ls.	140	68	27	8	114
Dividends Payable	7,441	7,828	10,970	14,518	695

Other Payables	1,196	1,288	1,592	2,161	163
Other Current Liabilities	--	13,466	17,636	12,044	14,964
Other Current Liabilities, Total	8,639	26,095	37,238	38,165	16,183
Total Current Liabilities	104,636	131,158	171,330	170,726	202,516
Total Long Term Debt	197,825	210,168	188,171	233,428	336,515
Total Debt	198,417	210,631	188,483	233,707	336,654
Deferred Income Tax	26,849	34,748	42,668	49,708	69,905
Minority Interest	1	2	1	4,573	34,220
Total Liabilities	329,310	376,076	402,169	458,434	643,157
Common Stock	13,959	13,960	13,931	13,932	13,932
Additional Paid-In Capital	162,618	161,140	157,567	159,247	252,079
Retained Earnings (Accumulated Deficit)	128,780	175,076	239,439	337,073	415,598
Cum. Trans. Adjustment	--	--	0	29	-20
Other Equity	0	--	--	0	601
Other Equity, Total	0	--	0	29	582
Total Equity	305,357	350,176	410,937	510,280	682,191
Total Liabilities & Shareholders Equity	634,668	726,251	813,106	968,715	1,325,347
Total Common Shares Outstanding	1,396	1,396	1,394	1,394	1,394

Source: <http://stocks.us.reuters.com/stocks/balanceSheet.asp>

RATIO ANALYSIS

Valuation Ratio

	Company	Industry	S&P 500
P/E Ratio (TTM)	27.07	137.85	17.83
P/E High - Last 5 Yrs.	38.94	30.06	32.53
P/E Low - Last 5 Yrs.	9.04	8.28	13.86
Beta	0.99	1.08	1
Price to Sales (TTM)	2.75	8.91	2.43
Price to Book (MRQ)	1.35	3.06	3.7
Price to Cash Flow (TTM)	18.46	25.3	12.92

Source: <http://stocks.us.reuters.com/stocks/ratios.asp?symbol=RELI.BO>

Dividends

	Company	Industry	S&P 500
Dividend Yield	0.38	1.5	2.57
Dividend Yield - 5 Year Avg.	0.45	0.97	1.81
Dividend 5 Year Growth Rate	18.29	20.95	13.18
Payout Ratio (TTM)	12.7	26.66	29.17

Source: <http://stocks.us.reuters.com/stocks/ratios.asp?symbol=RELI.BO>

Growth Rates

	Company	Industry	S&P 500
Sales (MRQ) vs Qtr. 1 Yr. Ago	39.77	36.15	17.09
Sales (TTM) vs TTM 1 Yr. Ago	40.09	46.07	15.82
Sales - 5 Yr. Growth Rate	22	24.26	15.13
EPS (MRQ) vs Qtr. 1 Yr. Ago	40.39	-579.68	16.06
EPS (TTM) vs TTM 1 Yr. Ago	27.6	39.11	12.38
EPS - 5 Yr. Growth Rate	28.59	29.73	22.72
Capital Spending - 5 Yr. Growth Rate	75.48	53.88	11.38

Source: <http://stocks.us.reuters.com/stocks/ratios.asp?symbol=RELI.BO>

Financial Strength

	Company	Industry	S&P 500
Quick Ratio (MRQ)	0.71	0.89	1.15
Current Ratio (MRQ)	1.64	1.13	1.63
LT Debt to Equity (MRQ)	0.49	0.61	0.58
Total Debt to Equity (MRQ)	0.49	0.64	0.76
Interest Coverage (TTM)	12.89	24.99	13.96

Source: <http://stocks.us.reuters.com/stocks/ratios.asp?symbol=RELI.BO>

Profitability ratio

	Company	Industry	S&P 500
Gross Margin (TTM)	17.69	45.18	43.93
Gross Margin - 5 Yr. Avg.	18.13	31.83	44.1
EBITD Margin (TTM)	18.26	31.33	23.34
EBITD - 5 Yr. Avg.	19.43	27.12	22.46
Operating Margin (TTM)	12.87	21.91	18.78
Operating Margin - 5 Yr. Avg.	12.74	20.48	19.17
Pre-Tax Margin (TTM)	12.87	20.84	17.41
Pre-Tax Margin - 5 Yr. Avg.	12.73	20.5	18.32
Net Profit Margin (TTM)	10.61	13.74	12.7
Net Profit Margin - 5 Yr. Avg.	10.59	14.48	12.74
Effective Tax Rate (TTM)	17.56	32.86	29.57
Effective Tax Rate - 5 Yr. Avg.	16.77	25.74	30.71

Source: <http://stocks.us.reuters.com/stocks/ratios.asp?symbol=RELI.BO>

Management Effectiveness

	Company	Industry	S&P 500
Return On Assets (TTM)	7.18	8.32	8.76
Return On Assets - 5 Yr. Avg.	9.36	11.9	7.94
Return On Investment (TTM)	8.23	9.91	12.6
Return On Investment - 5 Yr. Avg.	11.43	14.43	11.55
Return On Equity (TTM)	16.9	17.17	21.15
Return On Equity - 5 Yr. Avg.	18.59	22.58	19.51

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