



MBA (FT) 2019-2021

Summer Internship Report

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Purpose of the Report: Report for the fulfillment of the Summer Internship 2020 for the
MBA FT 2019-2021 program at Institute of Management, Nirma University

Prepared for: Institute of Management, Nirma University, Ahmedabad.

Submitted to: Prof. Chetan Jhaveri, Institute of Management Nirma University, Ahmedabad

DECLARATION

I, Akshay Ghanshyala, hereby declare that this Summer Internship Report is an authentic work done by me. It is to the best of my knowledge and belief. This is to declare that all the work indulged in the completion of this Summer Internship Report such as research, analysis of equity market is a profound and honest work of mine.

(Signature)

Akshay Ghanshyala

191404

ACKNOWLEDGMENT

Finance being my area of interest, it was a privilege for me to work for Prakash Chemicals International Private Limited .I am highly thankful to the organization for providing me such a great opportunity to work and learn with them.

I am thankful to Mr Jindal Doshi, CFO for the continuous support throughout the internship.

I extend my gratitude to my mentor Dr. Chetan Jhaveri for his regular guidance and supporting me every time whenever needed.

Finally, I am extremely thankful to Institute of Management, Nirma University for giving me such a wonderful opportunity and it was a nice learning experience for me through my Summer Internship wherein I got to use all the skills that I had learned during my First Year of MBA Program.

EXECUTIVE SUMMARY

I was given a training on the equity market wherein I got to understand a lot about the stock market. The task involved intensive research about the companies and its future growth aspects. It required analyzing various financial ratios, balance sheet profit and loss statements among other things. The task also involved tracking the investment being made in a particular company by the Foreign Institutional Investors and the Domestic Institutional Investors. This in a way helped in understanding the sentiments of the investors whether they are bullish on the market.

Once the shortlisting of any stock was done then it was reported to the management about the finding of the research done on it. The analysis of each of the stock studied was also produced along with the various ratio parameters. This is discussed in the later part of the report.

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PART A

About the Company

Prakash Chemicals International Private Limited

Established in 1950, the 70 year old Prakash Group has evolved in to a competitive force and reached a new tipping point in its desire to keep pace with the constant changing world order and rapid transformation in the corporate environment. The Group which started in the business of chemicals, has diversified in to software, tele-communication and plans are afoot to foray in to other businesses in the near future. It remains as a model of unequalled quality and duty. Dynamic in global conveyance and agreement assembling of synthetic compounds across differing and complex applications, PCIPL has been unfaltering in its promise to maintain the most noteworthy worldwide benchmarks in quality.

At PCIPL, it aims to work around their vision and guiding principle. The company has a **strong network of client all around the world in over 86 countries**. The success they enjoy in the business they do can be attributed primarily to their customer centric approach. **Its focus is mainly in 8 industry verticles like plastics and rubber, ink and coatings** to name a few. The company has also partnered with various SMEs to help them produce products of international standards.

Products/Services

➤ Food & Beverages

The company provides a wide range of F&B ingredients like sweeteners, preservatives, antioxidants etc. These products are received from SMEs based in India and some big names from China. Some of the products included are- Potassium Sorbate, Liquid Glucose, and Ascorbic acid.

➤ Chemical synthesis and Micro nutrients

Based on the different processes like acetylation, chlorination, methylation and sulphonation the company has various products to offer. Under this the product portfolio includes Chloro Toluene

and Chloro Acetic acid derivatives. Some of the products included are Mono Chloro Acetic Acid, Methylene Chloride and Zinc Sulfate.

Services

The company has plenty of services to offer as mentioned below-

➤ Supply Chain Management-



Moving enormous measures of dangerous and chemicals over the globe require huge knowledge and arranging capacities. For a considerable length of time, PCIPL has been molding its supply chain management capabilities. This is conceivable with-

- Experienced and committed coordinations group
- Strategic stock locations in supply-chain path for key chemical source and end client markets.
- Automated process so as to save precious time.
- Having a database of the requirements to be completed of the chemicals stocked in the warehouse.
- **Quality Assurance**

The company makes sure that the products to be released into the market are of best quality standard. So an experienced team from a world class inspection agency & chemical manufacturer looks into this.

➤ Custom Manufacturing

Having enough experience in processing chemicals both at their site and at partners location has given the company enough knowledge to offer tailor made solutions/products to their clients. In their manufacturing facility in Vadodara they have range of chlorination capabilities. They also have a facility for Solid-solid high temperature reaction capabilities.

Industry Classification-Chemical Industry

The Chemical industry plays a huge role in the economy wherein raw materials are transformed to various products for intermediate or final consumption. This industry in a way stands at the start of the value chain of numerous sectors like food and beverage, consumer goods, pharmaceuticals etc. It also plays a huge role in promoting economic development, ensuring sustainable use of natural resources and also improving food security. The activities associated are manufacturing basic chemicals, polymers, fertilizers, paints and coatings etc.

Industry Structure

The Chemical industry being highly diversified brings with it huge competition among the players present in the market. It can be broadly classified into Bulk chemicals, Specialty chemicals, Agrochemicals, Petrochemicals, Polymers and Fertilizers. This industry is delicensed other than the hazardous chemicals. Several investment regions like Chemicals and Petrochemicals Investment Regions and plastic parks are coming up to provide better infrastructure to the industry. According to projections the Indian Industry is projected to reach \$304bn by 2025. The export ranking for India stands at 14th position whereas imports stand at 8th and this excludes pharmaceuticals products. Over the next five years it is expected that the demand for the chemical products will increase by 9% pa. This industry employs more than 2 million Indian which is a large number and hence this industry is important for the growth and economy of the country.

Since the opening up of the economy in 1991, investment opportunities have vastly improved. As per the new FDI policy in the Chemical sector, 100% FDI is allowed under the automatic route.

With the changes taking place in the chemical industry like the increasing regulatory hurdles and the trend of outsourcing has increased complexity and brought a paradigm shift in the relationship between distributor and the suppliers. In the challenging business environment to achieve sustainable growth and to be competitive in the market there is a need to have a good collaboration between the distributors and the suppliers. The company enjoys a customer base of more than 30000+ spread all across the world and it handles shipments greater than 12000 throughout the year. Total products handled are around upwards of 2 lac which in itself is a huge number.

Part B

In the initial phase I was given a brief about the business of the company, its products and services offered. The project in which I worked upon was about optimizing financial resources and the company was looking for opportunities to invest in the equity markets. So the task involves extensive research about the companies and studying its past performance by looking at the financial statements and the calculating the financial ratios. These ratios are extremely important while doing the fundamnetal analysis of any company. They in a way give a clarity whether a given stock is worth investing in, what are it furure aspects of the stock, whether the stock is overvalued or undervalued etc.

Some of the important ratios have been discussed below and then an analysis based on these ratios is done for some of the companies which were part of the research.

Market capitalization-It is the market value of the shares of any publicly traded company. This market value is calculated by multiplying the total number of shares by the present share price. For example the market cap for Reliance Industries as on 7/July/2020 is 1208679.75 Cr.

P/E-The PE ratio relates a company share price to the earnings per share.

A high PE indicates that the company is overvalued and a low one indicates an undervalued company. It is also advised to compare this ratio with the competitors of the company so as to give a clear picture. As in the case with Reliance Industries its PE is 27.09 as compared to industry PE 20.58. Thus it is on a higher side and may also mean that the investors have positive sentiments about company's future growth.

EPS-Earning per share is the company's net profit divided by the outstanding shares the company has. This ratio gives an idea as to how much the company makes for each of the share it has. If this number is high then the company is considered to be profitable. Currently the Earning per share for Reliance Industries ltd is 58.20

However it can be seen that some of the ratios are industry specific and may not give a clear picture about companies from that are from some other industry.

For example in the banking industry CASA which stands for Current account Saving account is considered important feature. This is useful in a banking industry. And a bank having a higher percentage of CASA is considered as good.

Kotak Mahindra Bank has a CASA of 56 percent which suggests a strong point.

P/B ratio-This particular ratio is used to compare the market value of the stock to the book value of the stock. This market value is typically higher than the book value. A company having a PB ratio of less than 1 is considered to be a good investment.

ROCE- ROCE stands for return on capital employed. This particular financial ratio tells about any particular company profitability in terms of its total capital.

ROE-The ROE stands for return on equity and gives an understanding as to how well the company is investing its assets into use so as to create maximum profits.

As shown various indicators are checked and compared with that of the industry or with the past performance of the company and if they are good then it shows that the company's performance is good.

So the task involves to look for companies having great fundamentals and which are expected to give good return in the future. It involves checking details like promoters share in the company to the financial ratios and other fundamentals.

1. HUL



- EPS has increased over the past five years.

Per Share Ratios	MAR 2020	MAR 2019	MAR 2018	MAR 2017	MAR 2016
Basic EPS (Rs.)	31.17	27.97	24.09	20.68	19.10

- PE ratio is at par with the industry ratio and stands at 72.69
- It is a debt free company and hence 0 debt to equity ratio.
- Its return on equity is also good at 81.95%.
- Sales has also improved over the years.
- Also promoter holding stands at 61.90% which is big.

2. Infosys Ltd.

Price Chart



- Its EPS has improved from the previous year.
- Return on equity is 25.24 which is better than bank FD.
- Its PE is less than industry PE and is hence undervalued.
- Sales growth is at 9.82% over the last year.

Mar 2015	Mar 2016	Mar 2017	Mar 2018	Mar 2019	Mar 2020
53,319	62,441	68,484	70,522	82,675	90,791

- Debt to equity is good at 0.07 which is much less than 1.
- Promoter holding has improved by a few percent point over last year.

3. ITC

Price Chart



- EPS has increased over the years.

MAR 2019	MAR 2018	MAR 2017	MAR 2016
10.30	9.26	8.50	7.75

- Company has reduced debt over the time and is virtually debt free.
- It is currently undervalued with PE less than that of the industry.
- Return on equity is also more than 20%.
- It offers better dividend yield compared to the sector.

4. Tata Consultancy Services Limited



- Its EPS has improved compared to last year and currently is 86.24.
- It may be overvalued currently with PE higher than industry.
- Its current debt is very low with a debt to equity of 0.08
- Return on equity is 37.21
- One of the positives is high promoter holding of 72 % of which only around 2% is pledged.

5. HCL Technologies Limited



- Low PE ratio/stock is undervalued.
- It enjoys a significant promoter holding of 60.33%.
- Return of equity is at 25.76%
- EPS has reduced over the year.
- It also has consistent profit growth of around 20% over the 5years.

6. Larsen & Toubro Limited

Price Chart



- EPS has increased over the past five years.

MAR 2019	MAR 2018	MAR 2017	MAR 2016	MAR 2015
63.51	52.62	43.20	45.48	51.33

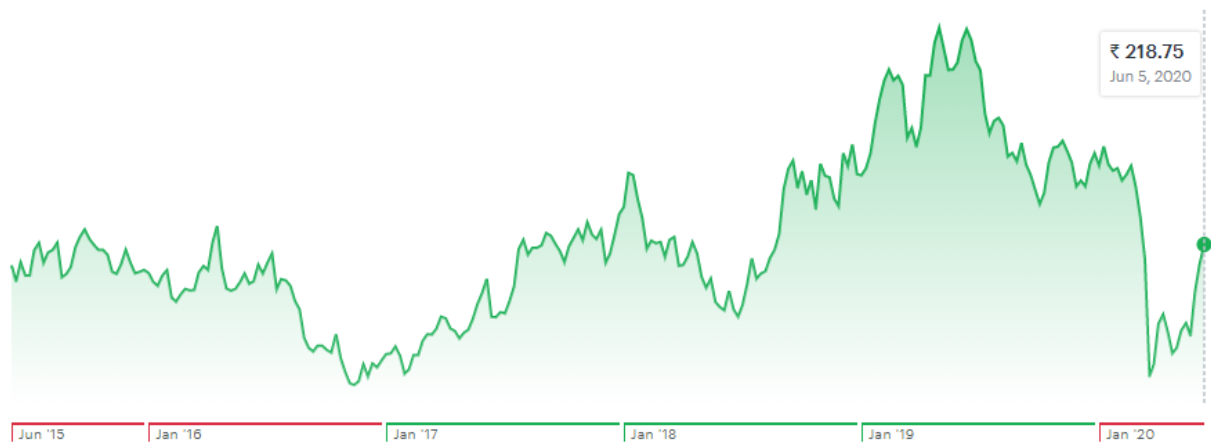
- The stock is undervalued currently.
- PB is also better than the industry.
- Company's market share has improved to around 47% over the past five years.
- Negative point is large debt and low return on equity.

7. Wipro Ltd

Price Chart

High ₹ 301.60 Low ₹ 153.03 Returns 5.10%

1D 1W 1M 1Y 5Y Max SIP



- The stock is much undervalued with PE much lower than that of industry.
- The promoter holding is as high as 74.33 which is a good sign.
- Debt to equity is at 0.14 and ROE is below 20% with debt over 7000cr.
- Price to book is low as compared to industry.

8. Coal India Ltd

Price Chart

High ₹ 447.10 Low ₹ 119.20 Returns -57.71%

1D 1W 1M 1Y 5Y Max SIP



- EPS has increased over the past year.

MAR 2019	MAR 2018	MAR 2017	MAR 2016	MAR 2015
28.14	11.31	14.80	22.59	21.73

- With thermal power demand expected to increase over the next decade the company expects to ramp up its production.
- Debt to equity is low though the sales have contracted.

9. Power Grid Corporation of India Ltd

Price Chart



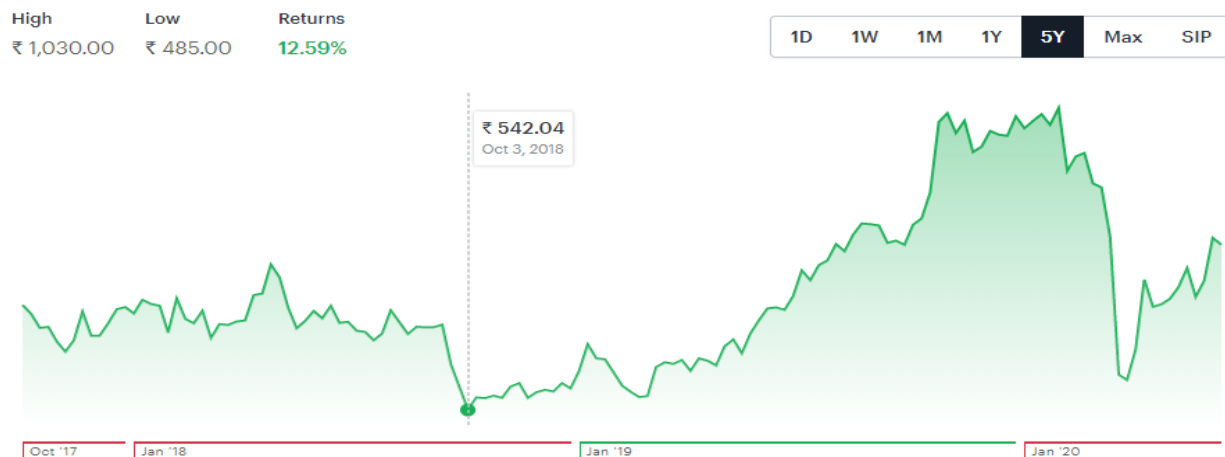
- EPS has increased significantly compared to last year.

MAR 2019	MAR 2018	MAR 2017	MAR 2016	MAR 2015
19.00	15.75	14.37	11.52	9.52

- Stock is very much undervalued as PE is lower than sector.
- Its market share has improved significantly in recent years.
- FII/FPI have increased their shareholding
- Return on equity is improving since last 2 years.
- Though the debt owned by the company is high.

10. SBI Life Insurance Company Ltd

Price Chart



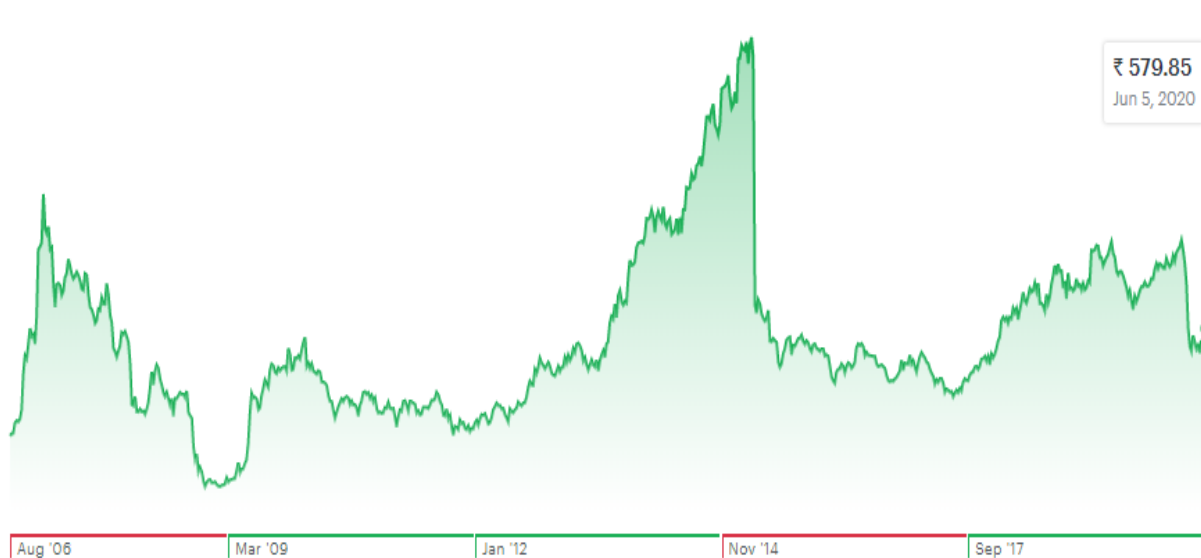
- The stock is a bit overvalued.
- However the company is virtually debt free.
- The company has a high promoter holding.
- The revenues have been increasing in the last two quarters.

11. Tech Mahindra Ltd.

Price Chart

High Low Returns
₹ 1,479.73 ₹ 101.28 **111.75%**

1D 1W 1M 1Y 5Y **Max** SIP



- At current prices the stock is undervalued.
- EPS has been increasing though reduced for March 2020

MAR 2020	MAR 2019	MAR 2018	MAR 2017	MAR 2016
46.21	48.47	43.02	32.14	34.51

- It has a low debt and net cash flow is improving in last 2 years.

12. GAIL

Price Chart



- Company EPS is improving with time.

MAR 2019	MAR 2018	MAR 2017	MAR 2016	MAR 2015
29.03	21.28	14.94	11.05	24.91

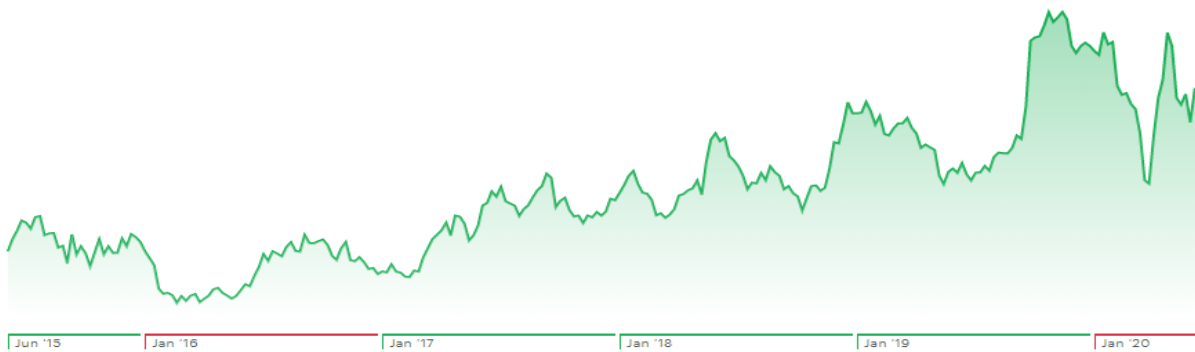
- Though PE ratio is high compared to industry, PEG ratio is low taking growth into consideration.
- Debt to equity is low and the company operating profit increasing.
- Interest coverage ratio of 34.19 is good.
- ROCE of 20%.
- Promoter holding is fairly good.

13. Colgate Palmolive

Price Chart

High Low Returns
₹ 1,642.60 ₹ 787.20 45.33%

1D 1W 1M 1Y **5Y** Max SIP



- Company has low debt to equity ratio and its operating profit also increasing.
- PE ratio is somewhat close to industry and the PEG ratio is high suggesting it is overvalued.
- It has high interest coverage ratio.
- CFO/PAT is more than 1 and shows profit earned is in form of cash.
- Also promoter holding is high along with FII and DII.

14. Aurobindo Pharma Ltd

Price Chart



- Net profit is increasing with an increasing profit margin.
- Promoters have increased share in recent times.
- EPS has also improved.

MAR 2020	MAR 2019	MAR 2018	MAR 2017	MAR 2016
48.32	40.36	41.36	39.33	34.67

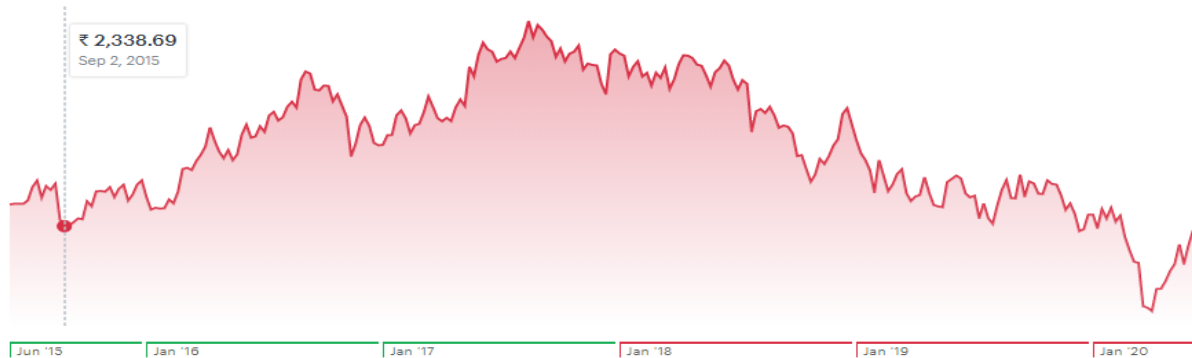
- PE is low compared to sector and but profit growth has also reduced.

15. Hero MotoCorp Ltd

Price Chart

High Low Returns
₹ 4,091.95 ₹ 1,475.00 -7.14%

1D 1W 1M 1Y **5Y** Max SIP



- ROE is more than 20% and company is virtually debt free.
- PE ratio is low compared to sector.
- Interest coverage ratio is very high.

16. Power Finance Corporation Ltd

Price Chart

High Low Returns
₹ 192.50 ₹ 42.70 54.14%

1D 1W 1M 1Y 5Y **Max** SIP



- It has a good ROA of 2.26%

- ROE has also improved over the years.
- The promoter holding is at 56 % which is a good sign.
- PE is low compared to industry with a low PEG ratio making this undervalued.
- Quick ratio is more than 1 which suggest more liquidity.
- FII have also increased their shareholdings

Part C

Learnings

- Working at Prakash Chemicals helped me in understanding and getting an idea about the corporate world.
- I learned about the various departments from finance , marketing to supply chains and others and their importance for the success of the business.
- Since it is a chemical industry I got to learn about the challenges and the opportunities waiting to be realized in this sector.
- Though my area of work was in finance but I also got to learn about the supply chains and Prakash being an International organization, I got to know how they exported their products all across the world.
- Also since my primary task was researching about the equity market I got to learn new things and this in a way opened a whole new world for me in the stock market.
- I applied my skills learnt in the first year course along with the learnings made during the summer intern. The theoretical knowledge of the various ratios studied during the class along with the some new ones introduced in the internship period, I was able to put them into use while doing the fundamental analysis of the organization.
- The project overall gave be a complete insigh on the equit market and how it functions.
- Learnt also how to read and understand financial statements.

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