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Grade



SUMMER INTERNSHIP REPORT

“Ventura Securities Ltd”



Submitted to:

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Section: “D”

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Purpose of 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. Himanshu Chauhan, Institute of Management Nirma University, Ahmedabad

DECLARATION

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

Anjali Khetan

191408

ACKNOWLEDGEMENT

The satisfaction that accompanies the successful completion of any work would be incomplete without mentioning few people who made it possible, whose constant guidance and encouragement crowned our efforts with success.

I would like to express my special thanks to Institute of Management, Nirma University and especially Prof Himanshu Chauhan, Corporate Relations Team and all the other faculty members for providing me an opportunity to work on this Summer Internship which helped me enhance my learning about Management and I came across numerous new things to learn about. I would also like to thank Ventura Securities Ltd for imparting a great experience, always being supportive and imparting a great deal of knowledge.

EXECUTIVE SUMMARY

This is an internship report based on two months long internship that I have successfully completed in Ventura Securities Ltd in Equity Research and Valuation. It also involved a small macro project. This internship gave me practical experience of how companies are evaluated qualitatively as well as quantitatively. The report includes details about the company background, introduction of the industry it belongs to, services provided as well as competitive analysis of the company. In addition it includes details of the project, analysis of the research conducted as well as learnings.

Capital market industry in India is highly influenced by economic as well as political aspects of the country and has evolved significantly over the years. Ventura Securities Ltd is a stock broking firm which is well established and has a wide range of customers and clients. It has evolved over the years in terms of providing services to the customers and adapting with upcoming technology. It is available on different platforms and is striving hard to make trading experience for customers seamless.

The project assigned to me involved equity research and valuation of Balaji Amines Ltd which belongs to chemical sector. The need to perform this research was mainly to identify how firm belonging to chemical sector may perform in current scenario. As it is a well-established company, historical data was easily available and was extensively used for evaluation. Study involved performing a detailed analysis of company's business and management as well as building financial model predicting future performance.

The project concluded with results that the company has performed well over the years and people involved in management are capable of handling any adverse situations coming their way. This conclusion was backed by financial results which were also indicating positive future prospects. Working on this project gave me hand-on experience in the field of finance as it involved major concepts such as stock market, trading, financial modeling etc. This internship also gave me an introduction to the corporate world as it involved team discussions, regular presentations and final submissions with strict deadlines. This experience will surely add value to my career and help me perform better in future.

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Chapters1 INTERNSHIP COMPANY (VENTURA SECURITIES LIMITED)

1.1 COMPANY DETAILS:

The name of the company is Ventura Securities Ltd. It is a stock broking house which was established in the year 1994. Over the years, it has grown into a group of companies providing variety of financial Services. The mission of the company is “to build relationships and strive towards customer delight, through constant innovation on a strong foundation of dedicated and trained resources.” Ventura has a registered office at Thane which houses its corporate office and all its operations. They have branches in selected metros and business partners across the length and breadth of the country. They have a large network of sub-brokers through which they offer clients an opportunity to trade in equity and equity derivatives such as commodities, mutual funds, fixed income products and currency futures. They have in-house, customized and ready to use software to enable seamless processes and flawless execution. They are appointed as a national level distributor for all mutual funds. They are a corporate member of both the BSE and the NSE. Ventura Commodities Pvt. Ltd., an associate company, is a trading member of MCX and NCDEX.

1.2 PRODUCTS:

Equity Trading: Delivers strategies and solutions to trade in equity market. If the client has high risk taking capability, they can buy/sell shares of the company.

Commodity Trading: Market experts are available at Ventura which helps in taking sound decisions while trading in commodities derivatives market.

Currency trading: It provides valuable tips to the clients trading in the currency market and helps them gain through changes in Foreign Exchange.

Futures and Options: Derivatives market comprises of futures and options. It provides tips to the customers to trade in that segment.

Mutual Funds and SIP: Clients can invest in mutual funds and SIP through Ventura and save their taxes and diversify their portfolio.

Fixed Deposits/Bonds: As fixed deposit and bonds are low cost trading options, Ventura provides services in that too.

NPS: To ensure retirement corpus of the clients it also offers NPS scheme.

1.3 SERVICES:

- **Trading Services:** It offers trading account, online trading tools and other beneficiary services that help while trading.
- **Intraday Services:** Through Intraday services Ventura allow their clients to buy/sell shares in a same day, instead of waiting for 2 days.
- **Ventura IPO Services:** Through IPO services Ventura enables its clients to invest in the initial stage of company and gain higher returns in a shorter period of time.
- **Ventura Stock Recommendation:** Through this service it provides its clients information about the latest move of the stocks and suggests which stock will give better results.
- **Ventura Depository Services:** Ventura is a participant of NSDL and CDSL. It offers best online trading experience and keeps clients updated from depository.

1.4 CUSTOMERS:

- Business class people.
- High net worth individuals.
- Service class people.
- Government employees.
- Young adults.
- Adults.
- Hindu undivided family.

1.5 TRADING PLATFORMS:

Pointer:

It is trading software which can be installed on desktop or laptop. It is compatible with all major versions Windows Operating system. Some of the key features are:

- Setting up market watch.
- Quick order placing across equity, F&O.
- Market depth and share price chart windows with a customized interface available.
- Share price charting with scrip fundamental data available.
- Scrip analysis available for 7 days intraday charts.

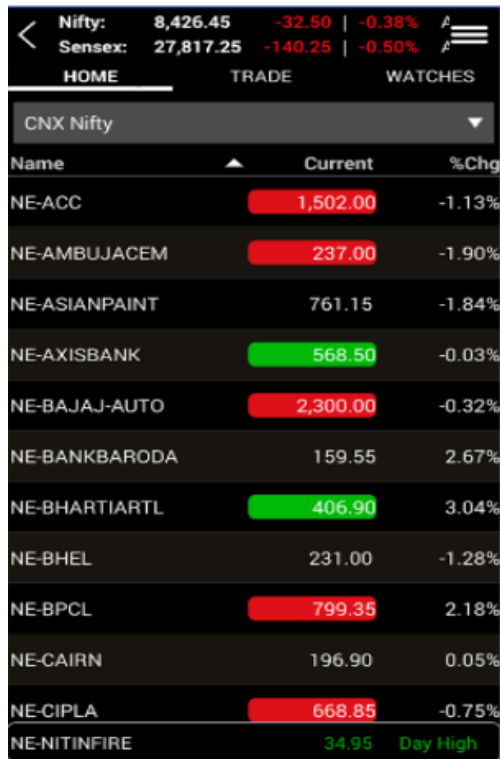


Ventura Wealth:

It is a mobile trading application provided to its clients to trade on BSE & NSE which includes buy and sell of equity, commodity, currency, Derivatives, Mutual Funds using their mobile phones with an internet connection. Some of the features of the app are:

- Live charts with market updates.

- Automated market watch based on your preferences.
- Multiple order types for execution.
- Presence of tips and recommendations within the app.
- Provision to invest in mutual fund available.



The screenshot displays a financial application interface. At the top, it shows the Nifty index at 8,426.45 (down 32.50, -0.38%) and the Sensex index at 27,817.25 (down 140.25, -0.50%). Below this are three tabs: HOME, TRADE, and WATCHES. The 'WATCHES' tab is selected, showing a dropdown menu for 'CNX Nifty'. Below the dropdown is a table of stock prices.

Name	Current	%Chg
NE-ACC	1,502.00	-1.13%
NE-AMBUJACEM	237.00	-1.90%
NE-ASIANPAINT	761.15	-1.84%
NE-AXISBANK	568.50	-0.03%
NE-BAJAJ-AUTO	2,300.00	-0.32%
NE-BANKBARODA	159.55	2.67%
NE-BHARTIARTL	406.90	3.04%
NE-BHEL	231.00	-1.28%
NE-BPCL	799.35	2.18%
NE-CAIRN	196.90	0.05%
NE-CIPLA	668.85	-0.75%
NE-NITINFIRE	34.95	Day High

Ventura Commodities:

This app is specifically designed for traders who are inclined towards trading in commodities. This app allows users to check margin status across commodities, place trades, edit or cancel orders, set watch lists and so on.

Name	Current	%Chg
M-SILVER-03Mar17	38,512.00	-0.22%
M-CRUDEOIL-19Jan17	3,613.00	0.47%
M-NATURALGAS-27Dec16	250.30	1.05%
M-NICKEL-30Dec16	690.70	-2.17%
M-COPPER-28Feb17	369.15	-1.01%
M-ZINC-30Dec16	168.95	-2.79%
M-GOLD-03Feb17	26,965.00	-0.11%

1.6 VENTURA CUSTOMER CARE SERVICES:

Ventura provides following communication channels to its clients:

- Offline branches.
- Phone.
- Fax.
- Email.

They provide an average quality of services with limited formats of communications. There is good room for improvement regarding turnaround time they take to solve concerns, quality of resolutions and professionalism of support executives.

1.7 VENTURA CHARGES:

- Trading Account Opening Charges: Rs 150
- Trading Annual maintenance charges (AMC): Rs 0
- Demat Account Opening Charges (One Time): Rs 300
- Demat Account Annual Maintenance Charges (AMC): Rs 400 (free for 1st year)

1.8 VENTURA SECURITIES BROKERAGE:

Broking charges highly depend upon the plan client opts for but here is a generic range of charges for brokerage.

Equity Delivery	0.20%
Intraday Delivery	0.03%
Equity Futures	0.03%
Equity Options	50 per lot
Currency Futures	20 per lot
Currency Options	20 per lot
Commodity	NA

1.9 MARKET AND COMPETITION:

Over time capital markets have matured and investor's requirements have become more diverse. The competitive environment has changed drastically for full-service brokerage firms. Their product offerings were only confined to stocks and bonds and their customers were more than satisfied with it. But price deregulation and technological advances changed the system dramatically. A new era of specialized firms and discount brokers appeared on the scene,

offering wide range of services at low costs. They not only added value to the customers but also developed different channels to reach to their customers. Technological innovations helped them in making “self-service’ a reality. Recognizing the growth, more and more firms started focusing on more and more specific sources of value to address customer needs, fostering the perception that their services are cheaper. Despite all this, company has kept up with the time and today, it offers a whole range of investment products and services.

Major competitors of Ventura are:

SHAREKHAN:



It is one of the biggest competitors of Ventura Securities. It was founded in 2000 and is headquartered in Coimbatore, Tamil Nadu. It operates in the application software industry. It has 4,400 employees more than Ventura Securities. The brokerage of Sharekhan ranges from 0.1% to 0.5% while the brokerage of Ventura ranges from 0.03% to 0.2%. Sharekhan is having overall high rating as compared to Ventura. A customer can open trading account for free on Sharekhan whereas one has to pay minimum charges on Ventura to open a trading account. Sharekhan provides a wide variety of plans whereas Ventura only offers one single plan. Sharekhan provides app which supports IOS whereas Ventura does not provide any such applications.

ANGEL BROKING:



Angel Broking is one of the most innovative broking houses who pioneer robo advisory in broking industry by the name of ARQ. It is a private broking company who has its headquarters in Mumbai, Maharashtra. It was established in the year 1987 by Dinesh Thakkar. Angel Broking keeps on offering different offers to increase the consumer base; however none of this is done by Ventura Securities. It provides free market updates to the customers unlike Ventura Securities. However it does not offer offline trading services to the customers.

KARVY:



It was founded in 1979 in Hyderabad, Andhra Pradesh and is one of the oldest competitors of Ventura. It provides diversified financial services. It generated 30.9M more revenue than Ventura. Brokerage for Karvy ranges from 0.03% to 0.3%. Karvy has also received better rating

as compared to Ventura. Clients can open trading account on Karvy for free. Karvy does not provide multiple plans to the customers. Karvy offers Algo trading whereas Ventura does not offer Algo trading. Karvy doesn't offer margin funding. It also does not provide service of NRI trading to the customers.

1.10 FINANCIAL PERFORMANCE:

As it is one of the private companies, very limited information is available regarding financials of the company. Companies authorized capitals stand at Rs. 600 Lakhs and has 92.486% paid up capital which is Rs 554.92 Lakhs. Company last updated its financials on 31st March 2017.

1.11 STRENGTHS OF VENTURA:

- Has a decent offline presence across most parts of the country.
- Multiple investments and trading products are available for client's financial plans.
- Since it is a DP itself, Ventura can provide free AMC demat account to its clients.
- Equity and mutual funds investment options available for Non-Resident Indians.
- Online funds transfer across major banks of the country available.

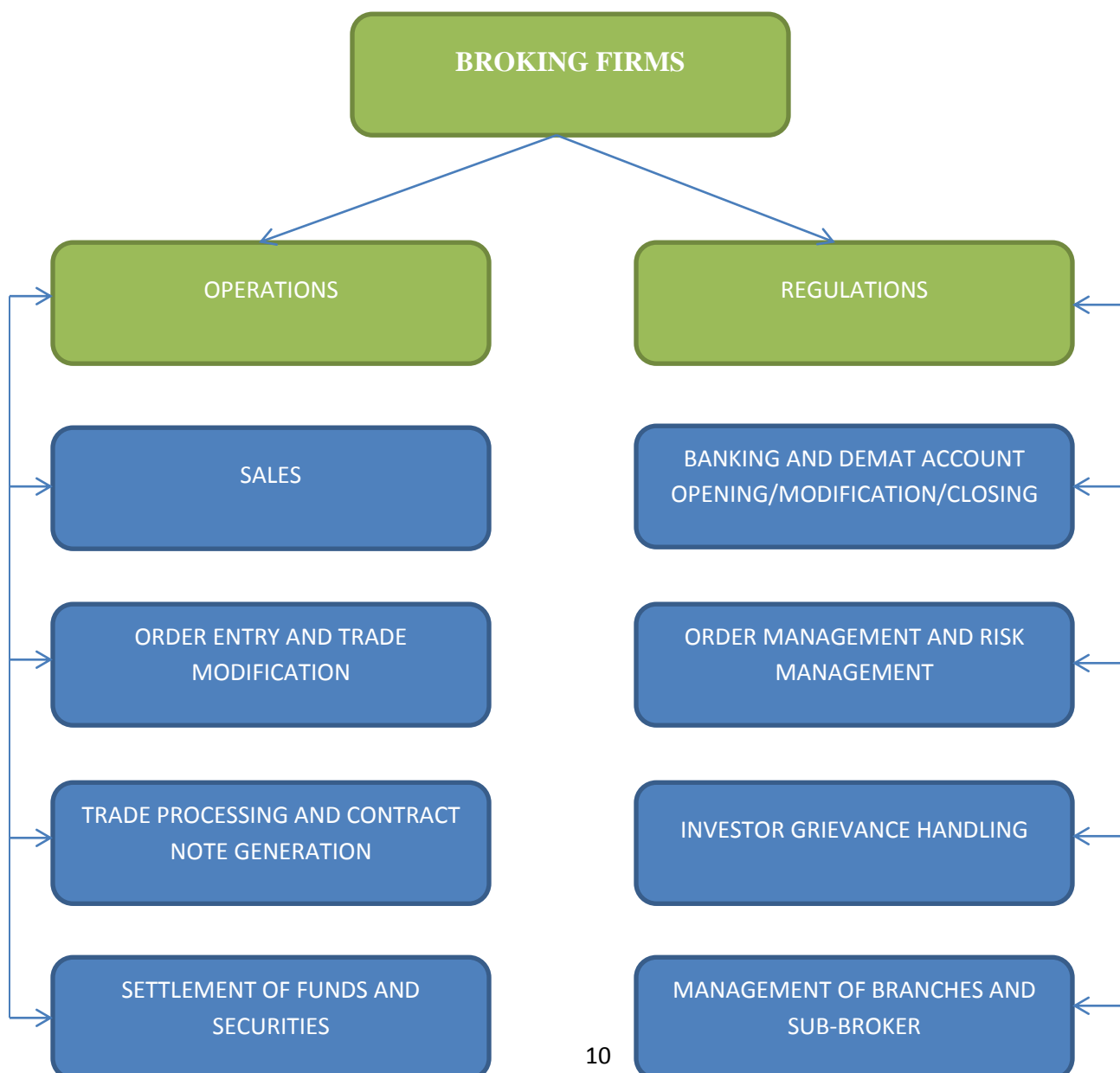
1.12 WEAKNESSES OF VENTURA:

- A minimum of Rs. 3500 fixed charge is levied in case you do not generate that much of brokerage in a month.
- Minimum innovation in online trading software.
- Since Ventura is not into banking services like HDFC securities or ICICI Direct, it is not able to provide 3-in-1 account facility which is much easier to use for transactions.
- One of the lowest quality customer services among the stockbrokers of India.

Chapters2 INDUSTRY IN WHICH VENTURA SECURITIES OPERATES

1.1 INDUSTRY OVERVIEW:

Ventura securities belong to capital market sector. A capital market is a financial market in which long term debt or equity backed securities are bought or sold. The capital market is vital to the financial system. Capital markets provide support of capitalism to the country. The wave of economic reforms initiated by the government has influenced the functioning and governance of the capital market.



A decade after financial crisis, the capital market industry looks as profitable as ever. Although industry as a whole creates over \$100 billion profit each year, it has been observed that distribution of this profit is far from equal.

While many buy side and market infrastructure player have earned high profits, it has not been the same for sell-side traders. In addition, cost structure across industry is quite unstable.

The transition to technology intensive market models will help in creating balance between sell side players and market infrastructure organizations. Highly efficient digital market structures are trying to remove lucrative inefficiency prevalent in the market for years.

According to a survey, every firm in capital markets should expect to have its future business and economic models challenged by 2020.

1.2 CURRENT TRENDS:

Talking about the current scenario of the industry there are multiple opportunities created. Market and regulatory forces are reshaping the industry. Economic pressure, client conflicts, limited resources, evolving customer needs and continuous innovation are visible in all parts of the sector. Changes are occurring via 3 mechanisms:

- New demand generating new revenue.
- Shifts of existing revenue generated activities.
- Cost reducing efforts of market participants.

The effect of execution is distinguished based on liquid and illiquid market instruments. For liquid instruments there is high focus on transparency of prices and conduct. Inspection on commissions is leading to unbundling of brokerage costs from different services such as research. For illiquid instruments, funding and capital generation are the biggest challenges as returns deteriorate for both investor and dealer. Regulatory norms will led to increase in centrally cleared volumes. Clients will interact with CCP's more directly due to conflict of interest between choices between clients and brokers.

Margin requirements are expected to grow making management of collateral extremely important. To meet this increasing demand of collateral solutions will be required to open dormant eligible instruments available with institutional investors. Core custody and settlement services are moving towards a utility model due to price pressure and regulatory standards.

Priorities of the market participants in coming times will be as follows:

- Proactively managing risks, capital and regulations.
- Establish stronger and more transparent conduct and culture.
- Reviewing business models.
- Leveraging information advantage.
- Enabling innovation and capabilities to foster it.
- Strategically renewing operating models.

1.3 CAPITAL MARKET INFLUENCERS:

Below are the few parameters which are expected to impact capital markets significantly.

Intelligent Solutions:

- AI to improve pricing decisions in trading of bond securities.
- Firms leveraging block chain technology to create more transparency.
- Evolution of assets in the form of digital securities.
- Client onboarding process has become Hassel free due to robotic automation processes.

Data driven compliances:

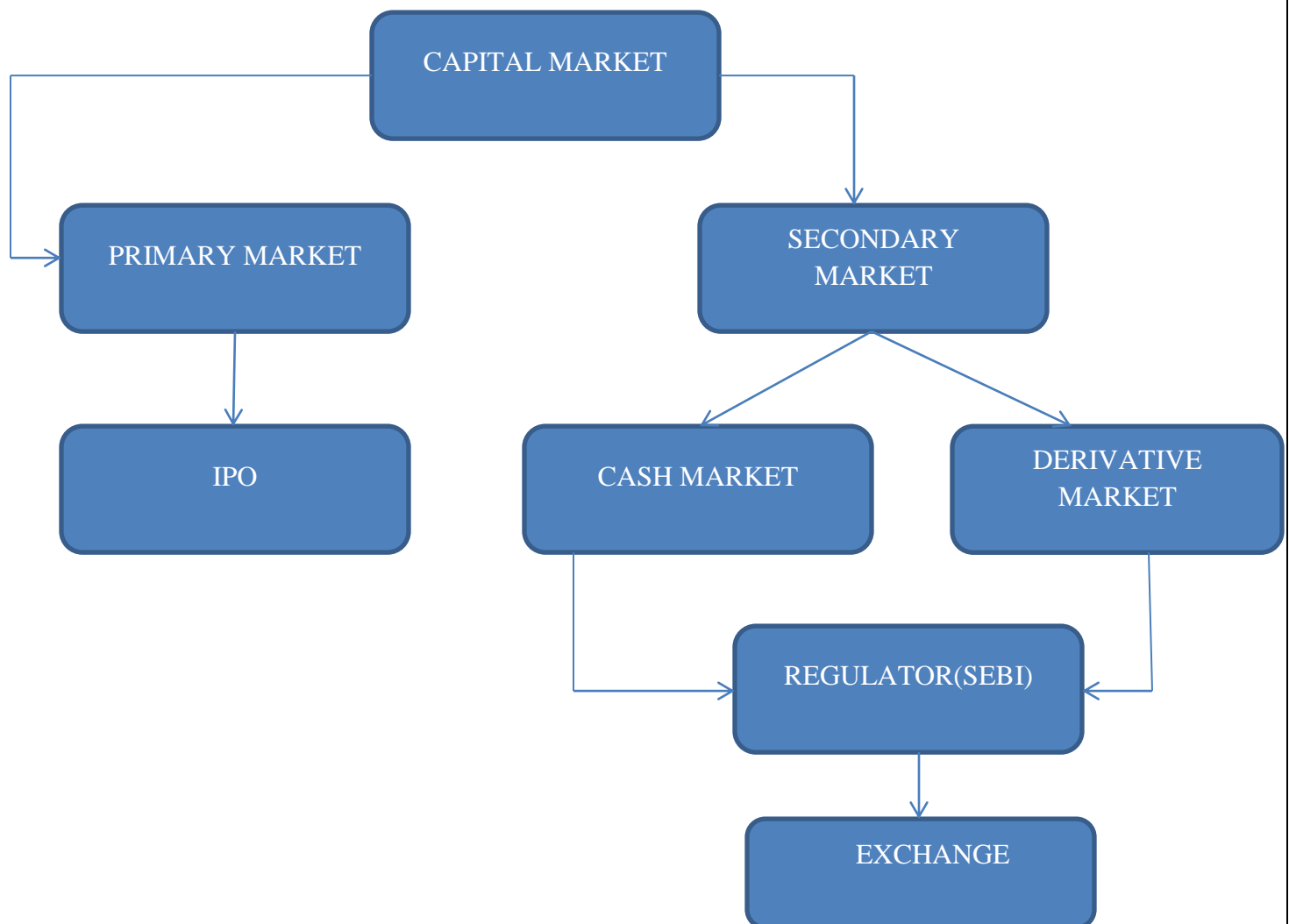
- Quantamental investing: a new buy side trend is coming up.
- Common domain model which aims at standardizing derivatives trading and settlements.
- Capital markets planning to move away from London Interbank Offered Rate.

Deep Customer Insights:

- Machine Learning will help in boosting customer feedback system heavily.

1.4 STRUCTURE OF CAPITAL MARKETS IN INDIA:

Capital market structure in India is a bit complex. Also, it makes up for significant part of Indian Financial Markets. Capital market is divided into primary and secondary market. Primary market is one type of capital market where various companies issues their shares and bonds for the first time to raise funds from the public, it is called as IPO. A secondary market is a form of capital market where issued securities are bought and sold. SEBI (Securities and Exchange Board of India) is a regulator of Indian Capital Market. It was established in the year 1988. The basic function of SEBI is to protect the interest of investors. Exchange provides an electronic and transparent platform to buy and sell the shares. In India, there are two national stock exchanges. They are NSE and BSE. Also, there are two exchanges for commodities, MCX and NCDEX.



1.5 ECONOMIC REFORMS IN CAPITAL MARKETS:

The history of stock markets set back to 18th century when securities of East India Company were traded. The concept of stock exchanges was established in the year 1980 when different businessmen were associated with the trading of stocks. Multiple stock exchanges were incorporated in different parts of the country. However, when Government of India adopted the principle of unitary control and securities contract (regulation) Act of 1956 many pseudo stock exchanges were shut down and few were merged together. Thus, by 1960's, only 8 stock exchanges were recognized by Government of India. Later, few more exchanges were established. The appointment of Narsimhan Committee has resulted in great reforms in Indian Capital Markets.

The major reforms during the new economic policies are:

- Establishment of credit rating agencies.
- Establishment of SEBI.
- Introduction of new instruments.
- Electronic transaction.
- Investor's protection.
- Derivatives transactions.
- United Payments Interface (UPI).
- Creation of FSLRC (Financial Sector Legislative Reform Commission).
- Modern monetary policy.
- Unified exchanges.
- Establishment of Insolvency and Bankruptcy code (IBC).
- Revision of Issue of Capital and Disclosure Requirements (ICDR).
- Increased transparency.
- Investor awareness campaign.
- Goods and Service Tax.
- Know Your Customer (KYC).

There have major reforms introduced after the implementation of a new economic policy in 1991. It has been observed that there is a positive co-relation between capital markets and economic development of the country. Innovation in capital markets aims at filling the gap of the untapped markets. Thus innovation is mandatory for the innovation and development of the country.

1.6 GROWTH STORY OF VENTURA:

Capital market industry in India has become highly competitive. Customer perception of value has changed significantly thus forcing firms to innovate and provide services to the customers at reduced cost. In such a competitive environment, Ventura has successfully maintained its market position due to its continuous efforts to provide customized services thus attracting specific group of investors which are self-driven. They have made it possible for the customers to reduce their overall cost by paying for only those services which they need. Also, they provide expert advices and research material to the customers at no additional cost. Also, Ventura is planning to use technology aggressively thus reaching to more and more customers. Ventura started with a single office at a very small pace, but over the years it has managed to develop its visibility in almost all major parts of the country.

The services offered by the company are quite unique when compared to its competitors and company believes in maintaining long term relationship with the clients. Company has a high network of business partners and caters clients from almost all parts of the country. Low cost services and a hassle free transaction has been the USP of the company. It has managed to serve the customers having different needs and interested in multiple trading. It has also successfully created schemes for Non Resident Indians (NRI's), which is provided by one few firms in India.

Also, with the introduction of better regulation and transparency norms in the country, the company is able to continue its operations at the same pace with minimum customer complaints. Capital market industry is expected to grow in coming years extensively as it is an important part backing the economy of the country. Similarly, Ventura is positive about its growth and future prospects in capital market.

1.7 7S- FRAMEWORK:

HARD Ss:

STRATEGY:

Strategy basically defines how a company is going to walk through the path beating its competitors and also attaining its mission successfully. Ventura has developed a successful strategy by focusing on 4 key parameters.

- **Market Penetration:** It caters to a large audience by providing them multiple services on different platforms at minimal costs. By doing this, it tries to gain more market share as compared to its competitors. It has adopted a mix of selling more products to existing customers along with finding new customers.
- **Product Development:** Over the years, it has not only worked on offline presence but also worked to maintain its visibility on wide variety of platforms. Also with time it is able to provide additional services such as investment in mutual funds and NRI schemes.
- **Market Development:** It is constantly on search of new buyers for existing products and does so successfully by offering multiple offers.
- **Diversification:** As already discussed, company has huge portfolio of services which provides customers whatever he wants at a single place.

STRUCTURE:

Ventura has been demonstrating quite a dynamic structure over the course of years. As capital market keep on evolving company makes temporary structural changes to adapt with specific strategic tasks without disturbing basic structural divisions throughout the organization. It primarily uses functional structure where each part of the organization is grouped according to its purpose.

SYSTEM:

System refers to resources and procedures that people use to do their work. As company deals with confidential information about their clients, it is obliged to maintain high level of regulatory

norms and trustworthy employees. At Ventura client's interest is priority and they have the required procedures in place.

SOFT Ss:

SHARED VALUES:

Ventura ensures that company's success is reflected in client's progress thus ensuring customer loyalty and long term relationship. It makes sure that values and aspirations unite all the employees as an organization working towards their goal with common purpose.

SKILLS:

With the presence in more than 525 locations across India, Ventura is known for its decent performing trading platforms. As company has many experts working extensively for their clients, they are known for their timely market information and trading advices. Although company is working on introducing more innovation on technology front.

STAFF:

Being a part of the organization as an intern, I can say that within the company people are carefully guided, developed, nurtured and allocated works according to their capabilities. There is continuous communication about the work in progress and any difficulties faced by the employees. They ensure a healthy work environment for all their employees.

STYLE:

It refers to the style of leadership adopted in the organization. According to my observation, Ventura follows democratic leadership style where manager allows employees to become a part of decision making. Every person is empathetic towards each other irrespective of their position. Everything is majorly agreed upon by majority and there is direct communication between high officials to subordinate levels.

1.8 PORTER'S FRAME WORK:

Bargaining Power of Suppliers:

- Increased dependence on IPO:

There is a substantial increase in dependence of corporates on broking firms with the increasing number of IPOs in the market.

Intensity of Competitive Rivalry:

- A large number of firms are moving towards merging with the smaller firms with the view of either becoming franchise for the large brokers or closing operations.
- Increased interest of banks in retail broking.
- There is an ever growing demand for online trading due to consumer's perspective of opting for internet rather than traditional brokers.

Bargaining Power of Customers:

- Lack of expertise and knowledge of financial markets reduces the bargaining power of the customers.
- There is very little differentiation in products and services provided by different firms which allows customers to enjoy greater bargaining power.

Threat of New Entrants:

- New forms of trading such as T+2 settlement systems, dematerialization etc. is strengthening the market and attracting new players.
- Also technology has led to decreased capital requirements which are also an incentive for new players.
- As the industry is booming ever since its inception and is expected to grow at higher rate, it attracts more players to enter the market.

Threat of Substitute products:

- Alternative forms of investments are available such as fixed deposit with banks and post offices which has low risk and fixed returns.
- Such options are considered more suitable with people who are retired or are on the verge of retirement as they are not capable of handling high risks.
- Banks have also started providing similar services and expert advice on portfolio management and wealth management.

Chapters3 PROJECT BREIF OF INTERNSHIP

1.1 INTRODUCTION:

PROBLEM:

1. Perform fundamental analysis of a company named Balaji Amines Ltd which belongs to chemical sector.
2. Perform analysis of a country (Germany) based on macro-economic factors.

OBJECTIVE OF THE STUDY:

1. To understand qualitative as well as quantitative aspects of the company.
2. To perform valuation of the company.
3. To identify whether company is suitable for short term or long term investments.
4. To briefly understand chemical sector in India as well as globally.
5. To prospect impact of COVID-19 on the company as well as sector.
6. To understand different macro-economic indicators in detail.
7. To understand what are the macro-economic factors impacting a particular country?

UTILITY OF STUDY:

1. Fundamental analysis gave me an opportunity to work and get hands on experience of different financial concepts such as analysis of financial statements, financial modeling, Valuation model, etc.
2. It helped me to not only analyze a company financially but also introduced me to different qualitative factors to be considered during analysis.
3. As macroeconomics plays an important role in growth and future of any company, macro project helped me in understanding different macro indicators and how each country reacts to them.

1.2 METHODOLOGY:

APPROACH:

Fundamental analysis involves quantitative as well as qualitative analysis. Quantitative analysis helps one to understand morality and capability of the management of the company. People at the topmost position must be from good background, well qualified and must not be involved in any unethical acts. This ensures that company is in good hands and is a positive indicator.

Along with qualitative aspect quantitative analysis involves Financial Modeling, Valuation which uses historical data to identify profitability and efficiency of the company and helps in projection of future performance of the company. It also involves calculating and predicting different financial ratios and comparing it with other industry participants.

However, macro project required on qualitative analysis where it was essential to understand what does each macro indicator means, what are its causes and effects and how can it impact an economy.

SOURCES OF DATA:

For the first project, primary as well as secondary source of data was utilized. As it is publicly listed company, a lot of information and latest news about the company was available for free online. The major secondary sources of data used included annual of reports of the company published for every financial year, investor presentations available on company website and concall transcripts which included management discussion. Also, little financial information was available on trading websites but most of it was extracted from financial statements. I also had an opportunity to conduct a meeting with company representative to get a more clear understanding of their business and future plans which can form a part of primary source.

On the other hand, working on macro project required understanding macro concept very well and then applying it to analyze economy of a particular country. This was implemented mostly by collecting data from secondary sources such as different economic websites, official website of the Government of a particular country and books available for the same.

1.3 METHOD OF DATA COLLECTION:

Method applied for data collection of both the projects was searching details related to few important aspects from data available online. Also, a discussion was held with the company representative which included questions related to different aspects of the company.

1.4 METHOD OF DATA ANALYSIS:

The method of data analysis for qualitative data included collecting the historical data and going in as much detail as possible and also having discussion with company representative helped in ensuring authenticity of data collected.

Aspects considered during the meeting included:

- Having a clear understanding of the sector, its components and functioning of the business.
- Understanding quality of the management by checking on their background, qualifications, work experience etc.
- Products of the company and raw material required to produce them.
- Production capacity, ongoing projects, other businesses etc.
- Imports and exports of the company and what global factors impacting this trade.
- Impact of COVID-19 on the company and their plans to cope up with it.

For quantitative part, data for last 5 years was extracted from annual reports of the company and was used to calculate different financial ratios. These ratios were compared with industry peers and helped in forming a judgment about the company. This data was also used to project future performance of the company through financial modeling and valuation model.

For macro project it was just understanding the concepts well and then observing how it is affecting economy of a country. Different indicator considered for macro analysis involved:

- Analysis of aggregate demand.
- Inflation.
- Monetary policy
- Linkages of macro financials.

- Fiscal policy and sustenance
- Current account and external position
- Real exchange rate and competitiveness
- External risk factors
- Risks and vulnerabilities

1.5 CONTEXT OF INDUSTRY PROBLEM:

As today, there are multiple companies trading on stock exchange it is difficult to decide which company to choose for investment and which will provide high returns with minimum risks. Hence fundamental analysis provides holistic view about the company and ensures that it is suitable for long term investments. It not only provides assurance from qualitative perspective but for quantitative as well.

Also, as COVID-19 has brought immense changes in the businesses, it is important to understand impact of it on different sectors in India and companies belonging to them. This helps to understand how companies are dealing with such situation, what are the measures they are taking, how much preparedness is required and whether they will be able to sustain such difficult times or not.

Understanding of macro indicators helps one to predict how they will affect our economy and by studying their impact on different countries will provide us a way to deal with such problems if the same occurs here. Also growth of the company is highly influenced by different macro-economic factors such as inflation, interest rates, tax rates etc. Hence, study of macro-economic factors not only helps in understanding economy of a country but also provides a managerial perspective thus aiding in decision making about the business.

1.6 PRESENTATION OF DATA:

FUNDAMENTAL ANALYSIS OF BALAJI AMINES LTD



Leadership



Mr. A. Pratap Reddy
(Promoter)



Mr. D. Ram Reddy
(Managing Director)

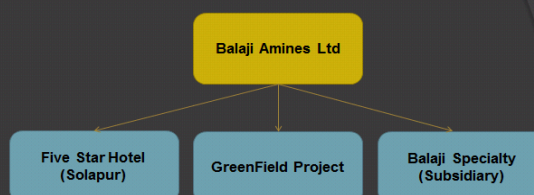


Mr. A. Srinivas Reddy
(Executive Chairman)

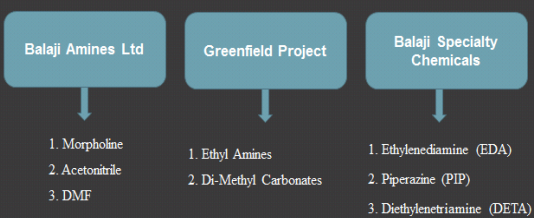


Mr. G. Hemanth Reddy
(CFO)

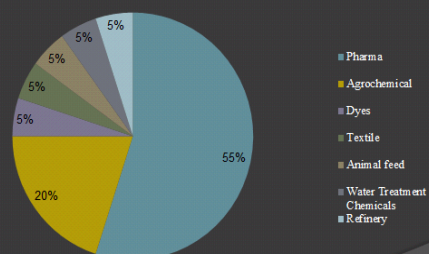
Business Structure



PRODUCTS



Revenue Classification



Particulars (in crores)	FY15	FY16	FY17	FY18	FY19
Share Capital	6.48	6.48	6.48	6.48	6.48
Reserves and Surplus	231.25	285.21	370.79	460.58	568.52
Total shareholder's Fund	237.73	291.69	377.27	467.06	575
Secured Loan	200.66	125.44	81.21	103.97	94.64
Unsecured Loans	7.78	8.63	0	1.81	0
Total Debt	208.44	134.07	81.21	105.78	94.64
Debt/Equity Ratio	0.88	0.46	0.22	0.23	0.16

We can see that BAL has been maintaining a D/E ratio of less than 1 consistently.

D/E ratio helps in understanding the composition of funds that a company has utilized to buy the assets.

D/E shows how much of the total funds employed by the company is its own and how much is borrowed from other lenders. As in this case, D/E < 0.5, it is a good sign for the company.

Particulars	FY2015	FY2016	FY2017	FY2018	FY2019
Short term assets	275.8	245.33	279.56	361.8	449.57
short term liabilities	256.37	215.64	199.09	256.73	308.43
Current ratio	1.08	1.14	1.40	1.41	1.46
Total Liabilities	392.65	324.53	272.55	362.78	453.88
Total Assets	622.55	604.74	635.02	847.84	1045.89
Debt Ratio	0.63	0.54	0.43	0.43	0.43
EBIT	87.16	112.51	139.58	174.27	179.07
Interest	31.42	20.08	11.69	9.04	13.03
Interest Coverage Ratio	2.77	5.60	11.94	19.18	13.74

The current ratio is an indicator of the liquidity of the company.

As we can see, the current ratio of the company lies between 1 to 1.5 which is slightly on the lower side but at the same time the company's business is well established and it has strong bargaining power while negotiating with suppliers and clients. This allows Balaji Amines Ltd to operate comfortably.

A debt ratio and interest coverage ratio enable us to understand the solvency of the company.

The debt ratio of the company is below 0.6 which is a good sign. Also, the interest coverage ratio is quite high and reassures that the company will not face any solvency issue soon.

Global Factors: Iran

- The company imports majority of its raw material (methanol) from Iran.
- Currently, there is some understanding going on between India and Iran for marking the payments.
- They are going to approve few financial institutions through which deals will take place in future.
- But if the issue is not resolved, it will not impact heavily as methanol is available in plenty in other parts of the world like Qatar, Malaysia and Saudi Arabia.

Global Factors: China

- Smallest activity in China directly impacts the business in India.
- The company was highly benefitted due to the closure of antidumping facility and stricter environmental norms in China.
- There has been a shift from China to India for APIs and Agrochemicals.
- This has also led to the growth in the volumes of the company.
- But it also has a negative impact as it imports few of the raw materials from China.

1.7 FINANCIAL MODELING:

A	B	C	D	E	F	G	H	I	J
P & L Statement									
Particulars	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Sales(including excise duty)	674.04	711.38	874.58	943.05	-	-	-	-	-
Less: excise duty	54.07	59.76	13.35	0.00	-	-	-	-	-
Net Sales	619.97	651.62	861.23	943.05	-	-	-	-	-
Other Operating Income	14.95	15.92	0.00	0.00	-	-	-	-	-
Total Revenue	634.92	667.54	861.23	943.05	1037.36	1192.96	1371.90	1577.69	1814.34
Growth%	NA	5%	29%	10%	10%	15%	15%	15%	15%
Cost of goods sold	326.77	345.94	460.96	541.01	555.45	647.04	744.10	855.71	984.07
% of sales	51%	52%	54%	57%	54%	54%	54%	54%	54%
Gross Profit	308.15	321.60	400.27	402.04	481.90	545.92	627.81	721.98	830.27
% of sales	49%	48%	46%	43%	46%	46%	46%	46%	46%
Changes in inventories of finished goods and work-in progress	22.08	(4.85)	3.11	(25.65)	-	-	-	-	-
Employee benefits expense	20.33	23.18	26.89	29.46	-	-	-	-	-
Other expenses	136.83	148.50	180.75	204.81	-	-	-	-	-
Operating Expenses	179.24	166.83	210.75	208.62	258.86	297.69	342.34	393.69	452.74
% of sales	0.28	25%	24%	22%	25%	25%	25%	25%	25%

Balance Sheet									
Particulars	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Reserves and surplus	285.21	362.2	460.58	567.53	418.88	418.88	418.88	418.88	418.88
Non controlling interest in subsidiary	0	0	18	18	18.00	18.00	18.00	18.00	18.00
Total Equity	291.69	368.68	485.06	592.01	443.36	443.36	443.36	443.36	443.36
Total Equity and Liabilities	606.83	655.34	847.8	1045.85	725.09	740.56	756.96	775.81	797.49
Balance Check	0	0	0	0	322	472	655	875	1136

Balance Sheet Assumptions									
AR days	69	67	73	65	68	68	68	68	68
Inventory Days	66	86	71	110	83	83	83	83	83
AP days	61	71	57	58	62	62	62	62	62
Ratios									
Current Ratio	1.09	1.26	1.38	1.46					
Quick Ratio	0.80	0.86	1.03	0.93					
Asset Turnover Ratio	1.05	1.02	1.02	0.90					
ROA	0.10	0.13	0.13	0.11					
ROE	0.21	0.23	0.23	0.20					

Cash Flow Statement									
Particulars	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Cash flow from Operating Activities									
Add: Profit Before Tax	93.18	130.5	165.86	168.62	205.06	226.37	261.50	302.38	349.65
Adjustments									
Add: Depreciation	17.89	18.22	19.28	19.55	23.06	27.34	29.29	31.24	33.18
Add: Interest Expenses	20.08	11.68	9.04	13.02					
Change in Deferred Tax Assets/ Liabilities	NA	1.91	-8.04	-4.47	6.90	0.00	0.00	0.00	0.00
Change in other long term Liabilities	NA	-6.22	-5.27	2.64	0.00	0.00	0.00	0.00	0.00
Change in long term Provisions	NA	-	-	-	-	-	-	-	-
Change in Other Current Assets	NA	-21	-36.63	-13.99	34.06	0.00	0.00	0.00	0.00
Change in Other Current Liabilities	NA	-3.29	-12.19	27.39	0	0	0	0	0
Change in short term Provisions	NA	18.78	-29.6	0.61	9.65	0.00	0.00	0.00	0.00
Change in other non-current assets	NA	-0.24	-47.65	47.01	-11.37	0.00	0.00	0.00	0.00
Changes in Working Capital									
Accounts Recievables	NA	-1.72	-50.88	5.46	40.43	-20.90	-22.15	-25.48	-29.30
Inventory	NA	-22.76	-7.12	-74.06	-31.19	-29.15	-33.52	-38.55	-44.33
Accounts Payables	NA	13.2	4.17	13.42	8.58	15.47	16.40	18.86	21.68
Cash Flow from Operations after change in WC	NA	-37.68	-62.17	-82.02	0.67	-65.53	-72.07	-82.88	-95.32
Less:Tax paid	NA	44.91	52.66	51.53	45.25	45.25	45.25	45.25	45.25
Cash flow from Operating Activities	NA	56.07	-69.07	113.81	222.77	142.94	173.47	205.49	242.27
A	B	C	D	E	F	G	H	I	J
Asset Schedule									
Particulars	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Capex	-	-	-	-	90	110	50	50	50
Gross Block	468.91	472.9	479.1	501.88	591.88	701.88	751.88	801.88	851.88
Accumulated Depreciation	128.09	147.42	163.04	182.13	205.19	232.53	261.81	293.05	326.23
Net Block	340.82	325.48	316.06	319.75	386.69	469.35	490.07	508.83	525.65
Dep/Gross Block	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04
	FY-2013	FY-2014	FY-2015	FY-2016	FY-2017	FY-2018	FY-2019		
CAPEX	89	53	8.1	32.15	13.64	110.74	169.79		
Debt Schedule									
Particulars	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024

1.8 MACRO PROJECT:

Germany is a quite fascinating country in itself. It is situated in Central Western Europe and shares its border with 9 other countries. German has one of the most developed inland navigation system in the world because of the rivers flowing through it to or from other countries. The rivers have also been primary source for hydroelectric generation, recreational platforms, marking national borders and most importantly creating vibrant ecosystem. Germany has the largest population in European Union. Germany is seventh largest country in Europe and Germany is composed of 16 states. In addition, it is the largest economy of EU and lies in the fourth place in the world after US, China and Japan. Germany is way ahead as compared to other countries when it comes to manufacturing.

ECONOMIC CRISIS OF 1923

Economic Situation in Germany after WW1:

During the World War 1 Germany was spending all its gold reserves and by the end Germany had no gold reserves left. Another factor affecting Germany was Treaty of Versailles which officially ended the First World War. This treaty forced Germany to give up key industrial areas such as Silesia as a result Germany didn't have income from that area to boost its economy. Second impact of treaty of Versailles was Reparation Bills of 6600 million pounds. In 1921 Germany paid its first Reparation of 50 million pounds. However in 1922 they could pay nothing and by 1923, Germany was virtually bankrupt.

1. **Problem: Hyperinflation**

Solution: The Rentenmark = new temporary currency

Confidence in the currency increased

Later, it was permanently replaced by Reichsmark which was permanent currency.

2. **Problem: Reparations**

Solution 1: The Dawes Plan (Annual payments reduced to an affordable amount and USA invested 800,000,000 marks in German Industry)

German resumes reparation payments.

France leaves Ruhr region

German Economy begins to recover.

Solution 2: The Young Plan (1929)

Reparations were cut from 6.6 billion pounds to 2 billion

Germany got 59 more years to pay back reparations

1.9 ANALYSIS & DISCUSSION:

Above screenshots represent the analysis of the company. It includes factual data as well as financial data. The company Balaji Amines Ltd was established in the year 1988 and is a leading manufacturer of Aliphatic Amines and Specialty chemicals. The chemical sector has very few players in India and Balaji Amines Ltd is one of the market leaders. The moat of the company includes use of indigenous technology and zero discharge facilities. The aim of the company is to replace all the company imports in the country and improve its techniques and processes.

A detailed analysis was performed on the management of the company, their background, their tenure with the company and important management decisions. As the management involved in mostly family members, decision making is quite different in the company. Management of the company is well qualified and well experienced and has a clear history. Also company has always presented achievable targets and genuine numbers in concalls held. This ensures that management is well organized and capable of maintaining the profitability of the company.

Later, study was performed on the business structure, their existing facilities and production capacity. Business structure has 3 major components. Balaji Amines has a subsidiary named Balaji Specialty which is responsible for the production EDA, PIP and DETA. It has a five star property in Solapur which was established quite strategically owing to the tourist population visiting Solapur and nearby areas every year. It has recently set up a Greenfield project which will help the company to increase its production to a great extent. The company has also invested huge capital in this project. One positive aspect of the company is that it does not have too many subsidiaries. Thus avoiding too much inflow or outflow of cash, helping the management to focus on core business. Also the hotel in Solapur is profitable as there is no such property nearby and Solapur is a famous tourist place providing a good business. The management of the company is quite optimistic and plans to reduce dependency of India on other countries for chemicals to a large extent.

There are few products which are produced only by Balaji Amines in India. The major products of the company are Morpholine and Acetonitrile. The raw materials required by the company include Methanol, Ethanol, BDO and Ammonia. They are highly dependent on middle-east and Saudi East Asian countries for raw materials.

The company supplies chemical products in the different sector of the country. Revenue classification shows that major contribution comes from Pharmaceutical sector and Agrochemical sector and rest comes from dyes, textiles, refinery etc. 20% of the total sales is contributed by exports and they import around 5000-6000 tons of raw materials per month.

There are different global factors from Iran and China affecting the business; hence it is important to study them in detail as the company is a big exporter of chemicals. Also it was essential to study the impact of current situation on the company and measures they are taking to maintain their profitability.

Later financial ratios are mentioned. These ratios are used to measure profitability, solvency, liquidity and operating efficiency of the company. These ratios are compared with other participants within the market and on the basis of the comparison, it is decided whether company is a good investment option or not.

The financial ratios of the company are in very good position. Sales are increasing year on year basis. We can say that BAL is having very good operating efficiency as **OPM** is maintained **20%** for the last 4 years. **NPM** also shows a **positive** trend which is a good sign. In India, the corporate **tax rate** is **30%** for Indian Companies. BAL seems to be a company with good accounting and corporate governance standards as it can be observed that the company has been paying tax at standard rates. **High-Interest coverage ratio** indicates that the company is capable to pay interest to its lenders for the borrowings.

We can see that BAL has been maintaining a D/E ratio of less than 1 consistently. D/E ratio helps in understanding the composition of funds that a company has utilized to buy the assets. D/E shows how much of the total funds employed by the company is its own and how much is borrowed from other lenders. As in this case, $D/E < 0.5$, it is a good sign for the company

The current ratio is an indicator of the liquidity of the company. As we can see, the current ratio of the company lies between 1 to 1.5 which is slightly on the lower side but at the same time the company's business is well established and it has strong bargaining power while negotiating with suppliers and clients. This allows Balaji Amines Ltd to operate comfortably. A debt ratio and Interest coverage ratio enable us to understand the solvency of the company. The debt ratio of

the company is below 0.6 which is a good sign. Also, the interest coverage ratio is quite high and reassures that company will not face any solvency issue soon.

Later mentioned is the financial model which contains historical data for last 4 years as well as projections for next five years. Financial model includes balance sheet, P&L statement, cash flow statement, asset schedule and debt schedule. For the initial working, the 3-statement model with all the statement on the single sheets was taken for year ended. Also the various Margin % was shown with every statement which helped in assessing the profitability of the company.

Different assumptions were made while preparing this model regarding capex, debt, interest, depreciation etc.

Basic assumptions for income statements are for revenue, operating expense and other fixed cost such as interest and depreciations.

- **Revenue:** For projecting revenue one can take the past data and see the trend of the revenue growth, if it is in the growing phase, however where the data is the average of past data is taken.
- **Operating expense:** For operating expense, % of sales is considered for projecting the future data.
- **Fixed Cost:** Cost like Interest or finance cost was taken as % of the total debt at beginning of the year or the average of the debt by making the debt schedule.
- **Depreciation:** worked in the same manner as the interest cost. An asset schedule was prepared which gave average rate of depreciation that company incurred on the assets or individual assets and use that for projection.
- **Tax rate:** was computed in the same manner of taking the past average. However due to change in the Income tax rules now, we had to search for company update about the adoption of the new tax regime.

Basic assumptions for balance sheet include:

- **Equity:** Generally, these figures were kept constant as of past years as there was no knowledge of the company business about the rights issue, buyback or other details which could be taken into account.
- **Liability:** The Company generally do not provide the details of the debt schedule but sometimes they provide the details of debt repayment in their reports so that was considered while making your debt schedule.
- **Assets:** the schedule for the depreciation was made in the income statement. The same was used to get data for this.

Basic assumptions for cash flow include:

- **Operating Activities:** Basically, when we figure this out most of the data is already there with you in your past statements.
- **Investing Activities:** When we figure it out, we need to recall what we had seen in the management presentation. Capital Expenditure part is mostly given by the management and as the asset schedule was already made most of the data was taken from there.
- **Financing Activities:** Needed to go through the Annual reports or recent corporation announcement of fund raising or repayment.

Macro project basically included collecting theoretical data about different macro-economic indicators. The country assigned to me is Germany and I needed to collect and analyze data regarding all the indicators for Germany. Currently, this project is still in progress and will be completed within the last phase of the internship.

Presentations were also an integral part of entire internship where we had to select the most important data and present it to the entire team in the form of PowerPoint presentations. This also helped in getting feedback from other interns as well as insights in the work done by them.

1.10 CONCLUSION AND LEARNING:

- After performing the fundamental and the financial analysis, it can be said that company has an optimistic growth prospective and is a good investment opportunity.
- This project gave me hands on experience of working on financial model through which I understood how to make assumptions and where to look for relevant data.
- As annual report is very lengthy, I now understand which part is marketing about the company and which part is genuine information.
- Macro project did give an insight on how to apply macro-economic concepts while taking financial decisions.

1.11 MANAGERIAL IMPLICATIONS:

- Managers have to take initiatives to remain market competitive that may have positive impact on company's business.
- Financial modeling helps managers to understand the business knowledge correctly and deliver value and benefits to the organization.
- A manager has three important decisions to make in any business which includes investment decision, financing source decision and returns and risk decision.
- This type of analysis forms basis for all three types of decisions and helps in decision making.