

Investment Opportunities in Stock Market with Special Focus on Oil Sector by Using Text Data Mining

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Abstract:

Text data mining plays a great role in analysis the stock market analysis. The Indian Stock Market & an investment opportunity in the oil sector in India. The capital market (securities markets) is the market for securities, where companies and the government can raise long-term funds. The capital market includes the stock market and the bond market. A stock market is a market for the trading of company stock and derivatives. The objectives of the paper is Understanding the various activities in an E- Broking firm. To get acquainted with all the workings of online trading. To gain practical knowledge in share trading To analyze the financial market & the share movements in order to study the prospects of investing in a particular stock or sector. The aim of the paper is to understand the overall equity market, to get to know the trading, clearing & settlement aspect of the equity market. As far as this project is concerned, it will help me to understand the overall working of the equity market & its importance to the economy of the India. A huge amount of money flows & millions of shares exchange hands in a single market day. This exchange of shares enables the flow of money in & out of a firm. The company whose shares are listed & the government who plays a pivotal role through the policies formed in the market, helps them to raise long term funds which can be used for the benefit & the growth of the companies & also give back some part of their profit to the investor in the form of dividends.

Keywords: Text Mining, stock market analysis, services, inflation, trends.

1).INTRODUCTION

India Info line Securities Put Ltd is a 100% subsidiary of India Info line Ltd, which is engaged in the businesses of equities broking and portfolio management services. It holds memberships of both the leading stock exchanges of India viz. the stock exchange, Mumbai (BSE) and the national stock exchange (NSE).

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It also undertakes research, customized and off-the-shelf. Launched on 11 May 1999, www.indiainfoline.com is India's leading and most comprehensive business and financial information website. The site provides quality information and analysis - earlier restricted to a few people - to the common man, absolutely free! The site has met with an overwhelming response and has been reviewed as the most comprehensive financial content website in India by BBC World. The company also won the Golden Mouse Award in India Internet World 2000 for the "Best Finance" site. In May 2001, the website was included in the Top 200 Best of the Web list by Forbes Global

under the Asia Investing category. This is the only website from India to be featured in this category. Since then it has been nominated twice to this list. In its last review, Forbes editors have said, "www.indiainfo.com is a must read for the investors in South Asia..."

India Info line is a growing organization, which is an ideal place for individuals with high ambitions. The working atmosphere is highly charged with a young and energetic team of qualified professionals. The average age of the team is 28. Further it provides an environment where conventions, protocols do not come in the way of good ideas. Individuals who are dynamic and result oriented will find their own niche in this environment.

2).SCOPE OF STUDY:

The scope of this paper is limited to only one sector i.e. oil sector. This project is concerned with only one sector in the stock market. The project does not extend its scope to any other sector of companies.

Source of information for this project is only secondary data. The data about the oil sector, the government policies with respect to the sector, and the Information about the companies are all gathered from secondary sources, available on the websites, annual reports, and business magazines.

IIL is in the expansion mode and plans to set up 350 branches by FY07E. It also plans to set up branches in cities like Dubai, Singapore and London to serve the NRI's for PMS service. It has recently opened up a branch in Kuwait and expects this branch to contribute to the equity broking business.

PRODUCTS AND SERVICES

IIL a one-stop financial services shop, most respected for quality of its advice, personalized service and cutting-edge technology

Equities

Indiainfoline provided the prospect of researched investing to its clients, which was hitherto restricted only to the institutions. Research for the retail investor did not exist prior to Indiainfoline. Indiainfoline leveraged technology to bring the convenience of trading to the investor's location of

preference (residence or office) through computerized access. Indiainfoline made it possible for clients to view transaction costs and ledger updates in real time.

PMS

Portfolio Management Service is a product wherein an equity investment portfolio is created to

suit the investment objectives of a client. Indiainfoline invest the resources of the investors into stocks from different sectors, depending on one's risk-return profile. This service is particularly advisable for investors who cannot afford to give time or don't have that expertise for day-to-day management of their equity portfolio.

Research

Sound investment decisions depend upon reliable fundamental data and stock selection techniques. Indiainfoline Equity Research is proud of its reputation for, and wants to find the facts that the investors need. Equity investment professionals routinely use the research and models as integral tools in their investments strategy.

Wealth Management Service

INVESTMENT HIGHLIGHTS:

Strong growth in Industry volumes and rising retail participation Average daily volumes in the equity markets (cash and derivative combined) have increased by 72% from Rs.167bn in FY 05 to Rs.288bn in FY 06. With the economy growing at 7-8% a mounting per capital income and growing BPO culture, there is a new class of young investors, which are moving towards the equity market.

IIL is majorly present in the retail segment

INVESTMENT CONCERN

High reliance on equity segment

In FY06, 67% of IIL's earnings are derived from the equity broking business. Any volatility in the market has direct impact on the earnings of the company.

Market observation:

It was the basic task assigned during the SIP. While working with an e-broking firm it is very essential to be aware about the current market issues like current market news, Current market position, stock watch, global market condition, past trend of the market etc.

Customer acquisition:

To acquire new customers for the company it was the task given to me. 8 new Demat accounts have been opened in this duration.

Strategy in acquiring new customers:

Technical tasks:

Various technical tasks have been performed like, software download, to give software demonstration to the clients, solving various problems of the clients regarding software handling etc.

Administrative task:

These were the secondary tasks given below, which have been performed during the training period.

- ☐ Completion of account opening form
- ☐ Collection of required documents from existing clients

Customer follow-up:

Follow-up has been given to newly acquired as well as existing clients for various issues.

- ☐ Trading for offline clients under the relationship manager's guidance.
- ☐ To give market updates to newly acquired as well as existing clients in market duration, etc.
- ☐ Companies trading software has been downloaded.

Objectives Of The Study

Objectives:

India Infoline Securities Pvt. Ltd. (5paisa.com) performs as an intermediary between stock exchange and clients. Various tasks related to e-broking have been assigned to me.

- To study the oil industry and find out the growth opportunities.
- To carry out the company analysis of the selected company and to suggest whether it is a viable investment option.

The main objectives are as follows:

- To understand various activities in E-Broking firm. (D P).
- To get familiar with the working of online trading.
- To gain practical knowledge in share trading.

- To get an exposure.

3 Methodology:

My first task before starting the process was to understand what fundamental analysis is all about & what the steps to achieve it are. For this my first step was going through various Internet sites & reading about the methods of fundamental analysis & the usefulness of the whole process. After reading through the whole data I then went about understanding fundamental analysis with the help of my coordinator, Mr. Pradeep Rampal & my manager Mr. Nitin Shrivastava.

Once I got to know about the basics about the fundamental analysis, my task was to select one company in the oil sector, one major company on which I can conduct the analysis. After doing a thorough research on the oil sector in India, the company that I short-listed was Oil & Natural Gas Corporation (ONGC), the bigguns of oil sector.

Once this was done I went ahead & started my analysis on the companies & concluded the project with my say on the future investment prospects in the following company.

Data Presentation, Analysis & Interpretation

FUNDAMENTAL ANALYSIS ON OIL SECTOR:

Strengths of Fundamental Analysis

Long-term Trends

Fundamental analysis is good for long-term investments based on long-term trends. The ability to identify and predict long-term economic, demographic, technological or consumer trends can benefit patient investors who pick the right company in the right industry groups.

Value Spotting

Sound fundamental analysis will help identify companies that represent a good value. Some of the most renowned investors think long-term and value. Graham and Dodd, Warren Buffet and John Neff are seen as the champions of value investing. Fundamental analysis can help uncover companies with valuable assets, a strong balance sheet, stable earnings, and staying power.

Business Acumen

One of the most obvious, but less tangible, rewards of fundamental analysis is the development of a thorough understanding of the business. After such painstaking research and analysis, an investor will be familiar with the key revenue and profit drivers behind a company. Earnings and earnings expectations can be potent drivers of equity prices.

Fundamental analysis by EIC model

3.1.) ECONOMIC ANALYSIS

First and foremost in a top-down approach would be an overall evaluation of the general economy. The economy is like the tide and the various industry groups and individual companies are like boats. When the economy expands, most industry groups and companies benefit and grow. When the economy declines, most sectors and companies usually suffer. So it is important to study the economy

1.) GROWTH RATE OF INDIA

Development Indicators:

The productivity scenario of India's economy is experiencing a faster rate of growth today. Some of the development indicators of the India's economy are as follows:

□ Both the savings and investment rates in the country are experiencing a faster rate of growth recently. Both the indicators are expected to rise very fast in the coming years.

2.) GDP

India's GDP recently crossed the trillion-dollar mark for the first time and with this India has joined the elite club of 12 countries with a trillion dollar economy. Countries that have breached trillion-dollar GDP level in the past are the US, Japan, Germany, China, UK, France, Italy, Spain, Canada, Brazil and Russia.

3.) INFLATION IN INDIA

Inflation in India is at an acceptable level and remains much lower than in many other developing countries. But off late prices of essential commodities such as food grain, edible oil, vegetables etc have risen sharply and in the process driving up the inflation rate.

4) STOCK MARKET TRENDS

The 30-stock index BSE Senses crossed 15000 points on July 2007. The NSE Nifty also touched new heights crossing 4000 points. Robust growth in the Industry, high credit growth and better quarterly earnings boosted the sentiments of the investors further leading to bullish trend in the stock market.

1.) Foreign Exchange Reserves:

Because of increasing inflow of funds, the Foreign Exchange Reserves increase which further appreciates the currency and this appreciation of currency makes the exports more costly which puts pressure on current account.

2.) Volatility in the stock market

Increasing inflow of the funds makes the stock market more volatile. And too much volatility in the market is also a cause of concern.

5.) CURRENCY SYSTEM

Indian bank notes depicting M. K. Gandhi, The 1000-rupee note is the highest denomination printed. The Rupee is the only legal tender accepted in India. The exchange rate as of July 24, 2007 is about 40.15 to a US dollar, 55.50 to a Euro, and 82.81 to a UK pound.

6.) FOREIGN TRADE

The numbers released for the month of January 2007 show moderation in exports. In the first quarter of this fiscal India's merchandise exports grew at 30 per cent (in US dollar terms), growth in exports further increased to 40 per cent in the second quarter and in the third quarter growth slid below 30 per cent.

7.) FDI (Foreign Direct Investment)

Foreign direct investment (FDI) into India has increased significantly during the current financial year. The inflows are likely to be more than double the amount recorded in 2006. FDI equity inflows during April 2006 to November 2006 were \$7.2 billion, which is the highest ever for equity capital since economic liberalization. The higher inflows as well as the new credit rating reflected growing investor confidence in India.

8.) FOREIGN EXCHANGE RESERVES

From the above graph it is clear that from year 96, there have been a continuous growth in the foreign investment in India, which increased the Foreign Currency Assets.

9.) TRENDS IN EXCHANGE RATES

It is to be noted that appreciation of Rupee to such an extent (Rs 41.00) against the USD has led to low realizations to the exporters.

10.) KEY INDUSTRY CHECK

a.) MANUFACTURING SECTOR

The growth rate of manufacturing sector in a country truly reflects its economic potentiality. Most of the developed countries are strong enough in their manufacturing sector

b.) SERVICE SECTOR

The service sector of Indian Economy has brought much success in the recent years. It constitutes a larger share in the total Gross Domestic Product. percent of the total GDP in the.

PROJECTS & INVESTMENTS

ONGC is actively involved in Increased Oil Recovery (IOR) and Enhanced Oil Recovery (EOR) projects in 15 of its major fields to augment recovery from the matured fields. These involve a substantial Capital Expenditure (Capex)

CREDIT RATING

ONGC has been awarded the highest-ever Credit Rating for any Indian corporate by the International Credit Rating Agency Moody's Investors Services. ONGC secured - Baa1 (Indicative Foreign Currency debt rating).

FINANCIALS OF ONGC: -

Liquidity ratio: -

Current ratio

Years	Mar' 05	Mar' 06	Mar' 07
Current Ratio	1.41	1.28	1.15

Current ratio indicates the liquidity position of ONGC. As per the Ideal Current Ratio is 2:1 but ONGC's is below the Ideal Ratio, Moreover it has decreased over the period of 3 years. Which shows that its current assets (receivables) are decreasing and all the current liabilities are increasing which shows it that it may not be able to pay off its current liabilities out of current assets. It does not project a good image for creditors.

Share Price History of ONGC:

	NSE	BSE
Date	14/08/2007	14/08/07
Open Price	832.00	850.10
High Price	859.00	860.00
Low Price	830.00	841.00
Close Price	853.30	853.95
Volume	524,625	70,308
52 week high	990.00	989.95
52 week low	726.50	665.81

After Studying and Analysing the Financial of ONGC the Following Interpretation came forward:

□ Highest-ever Dividend of 450% (up from 400% dividend for FY05). The total payout in absolute terms works out to be Rs. 6,417 Crore (up 12.5% from Rs. 5,704 Crore); out of this, the Government will get Rs. 4,757

Crore (74.14%).

- ☐ ONGC recorded the highest-ever Gross Income (Turnover) of Rs. 49,440 Crore (up 4% from Rs. 47,245 Crore in FY05). 66% of the Turnover came from sale of Crude Oil, 14% from sale of Natural Gas and 13% from sale of Value-Added- products (VAPs) like LPG, NGL, ARN, and Trading - 7%. The Compounded Annual Growth Rate (CAGR) in Gross Income in last 5 years is 20.6%
- ☐ Highest-ever Net Profit of Rs. 14,431 Crore (up 11% from Rs. 12,983 Crore in FY05)
- ☐ Net Worth Rs. 53,593 Crore (up 15% from Rs. 46,314 Crore in FY05).
- ☐ Highest-ever Earning-Per-Share (EPS) of Rs. 101.20 (up 11% over Rs. 91.05 in FY05)
- ☐ Capital Expenditure rose to Rs. 11,421 Crore (up 7% from Rs. 10,681 Crore in FY05). Out of this, 99.7% was spent on Exploration & Production (E&P).
- ☐ The shareholding by FII s increased to 9.24% in September 2006 (from 8.4% in March 2006)
- ☐ Contribution to Exchequer was 23,409 Crore (Rs. 22,812 Crore in FY05)

Results for FY07, which signify as follows:

- ☐ Highest ever Turnover: Rs 56904 Crore (Up 18 %)
- ☐ Highest ever Profits: Rs 15643 Crore (Up 8 %)
- ☐ Highest-ever Sales Income (Turnover) of Rs. 56904 Crore (up 18 % from Rs. 48201 Crore in FY06).
- ☐ Highest-ever Net Profit of Rs. 15643 Crore (up 8 % from Rs. 14,431 Crore in FY06), notwithstanding highest-ever subsidy payout of Rs. 17,024 Crore (up 42.4 % from Rs. 11,957 Crore in FY06).

Conclusion:

After looking at the above analysis ONGC stands strong Net Profit for last FY & the market capitalization. The financial performance of ONGC for the 3 years reflected a good growth in sales and though all the market segments sustained or bettered their performance over the previous years. Cost overrun in a few long-term projects impacted the profitability. However, the company's track record has always been oriented towards profitable growth and with the strong fundamentals; the company is well placed to grow continuously on major fronts. The financial performance of the company for the 3 years reflected a good growth in sales and though all the market segments sustained or bettered their performance over the previous years.