

A Study of Security Analysis With Reference To Anand Rathi Financial Limited

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INTRODUCTION

An individual saves out of his current income to meet future requirement of funds. He may invest his savings in physical assets like gold, silver, land and building or in the financial assets like securities such as shares, bonds etc. The financial securities deal with the capital market, which include Primary market and Secondary market.

STOCK MARKET

A stock market is a market for the trading of company stock/shares and derivatives. This includes securities listed on a stock exchange as well as those only traded privately. The Stock Market is a place where buyers and sellers of securities can enter into transactions to purchase and sell shares, bonds, debentures etc. Markets, thus, provide channels for reallocation of savings to investments and entrepreneurship.

PRIMARY MARKET

The primary market is that part of the capital market that deals with the issuance of new securities. Primary market issues can be classified into Initial Public Offer, Follow on Offer, Rights Issue and Preferential Issue.

SECONDARY MARKET

The secondary market is the financial market for trading of securities that have already been issued in an initial private or public offering. Securities initially issued in the primary market by companies are traded on the secondary market. The secondary market comprises of two broad segments viz. Equity and Debt.

STOCK EXCHANGE

The Stock exchange refers to the organized market for purchase and sale of listed financial securities which deal with the stock exchange including shares and debentures, government securities and bonds used by municipal bodies.

The first stock exchange in the world was set up in London about 200 years ago. In India, the first stock exchange was established in the year 1875 at Mumbai. At present, there are 25 stock exchanges in the country; of which, 21 stock exchanges are categorized as regional stock exchanges. In the recent context, there are 2 major stock exchanges in our country i.e., Bombay Stock Exchange (BSE) and National Stock Exchange (NSE).

The BSE and NSE perform a number of functions such as acting as ready market, agency for capital formation, control of speculative business and provide permanent market, wide distribution of securities, help companies and governments to raise funds and foster growth of corporate form of businesses.

PROFILE OF ANAND RATHI (AR) FINANCIAL SERVICES LTD.

Anand Rathi (AR) is a leading full service securities firm providing an entire gamut of financial services. The firm was founded in 1994 by Mr. Anand Rathi. Anand Rathi today has a national presence as well as an international presence through its offices in Dubai and Bangkok. Anand Rathi provides a breadth of financial and advisory services including wealth management, investment banking, corporate advisory, brokerage and distribution of equities, commodities, mutual funds and insurance, structured products; all of which are supported by powerful research teams. The entire firm's activities are divided across distinct client groups, individuals, private clients, corporates and institutions.

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Anand Rathi Financial Services Ltd., a full service securities firm provides a range of financial services. It offers brokerage services in equities and commodities, distribution of mutual funds, IPOs and insurance products, real estate, investment banking, merger and acquisitions, corporate finance and corporate advisory. The company's depository services include settlement, clearing and custody of securities, registration of shares, and dematerialization. It also offers commodities rating services, including online futures trading through NCDEX and MCX and depository services through CDSL. In addition, it provides risk management techniques, such as identification, measurement and assess. It now has a total of 300 branches across India. Senior Management of Anand Rathi comprises of a diverse talent pool that brings together rich experience across industry as well as financial services.

MILESTONES OF THE COMPANY

In 1994, AR started activities in consulting and institutional equity sales with a staff of only 15 people. In 1995, it set up a research desk and empanelled it with major institutional investors. In 1997, AR introduced investment banking business and launched retail brokerage services. In 1999, its lead managed the first IPO and executed the first M&A deal. In 2001, it initiated wealth management services. In 2002, retail business expansion recommenced with ownership model. During 2003, wealth management assets crossed Rs. 1500 crores, insurance broking was launched, wealth management services were launched in Dubai and retail branch network exceeded 50. In 2004, commodities brokerage and real estate services were introduced. Wealth management assets crossed Rs. 3000 crores, Institutional equities business was relaunched and a senior research team was put in place. The Retail Branch network was expanded across 100 locations within India. In 2005, Real Estate private Equity Fund was launched and the Retail Branch network was expanded across 200 locations within India. In 2006, AR Middle East acquired the membership of Dubai Gold and commodity Exchange (DGCX). It was ranked amongst South Asia's top five wealth managers for the ultra-rich by Asia Money 2006 Poll and ranked sixth in financial year 2006 for All India Broker Performance in equity distribution in the High Net worth Individuals (HNI) category, and was ranked ninth in the Retail Category having more than 5% market share. AR completed its presence in all states across the country with offices at 300+ locations within India. In 2007, City Group Venture Capital International picked up 19.9% equity stake; the Retail Customer base crossed 200 thousands and established presence in over 450 locations.

VISION OF AR

"To be a shining example as a leader in innovation and the first choice for clients and employees".

SERVICE PROFILE OF AR

INDIVIDUALS

Private Wealth Management (PWM): AR attempts to provide friendly assistance by offering the most extensive platform of customized services, individual strategies and products to help in meeting the requirements of affluent investors.

Equity and Derivatives Brokerage: AR provides end to end equity solutions to institutional and individual investors. AR also provided consistent delivery of high quality advice on individual stock sector trends and investment strategy; for this reason, it has established a reliable and competent research unit across the country.

NRIs: AR acts as a gateway to the wealth of investment opportunities in India for Non Resident Indians as it has superior understanding of the Indian economy and markets. With a dedicated relationship team, AR provides an unparalleled product range, both Indian and Global.

INSTITUTIONS

Institutional Equities: It covers Management Investment Services, Portfolio Management Services (PMS) and Real Estate Opportunities Fund.

Corporates: The services cover Institutional Wealth Management (IWM), Investment Banking and Corporate Finance as well as Corporate Advisory Services Cross Border Advisory.

AREAS OF OPERATION OF AR IN INDIA

AR has established its branches in more than 300 locations across the country and has offices in international locations like Dubai and Bangkok. Some of its important areas of operation cover the states of Andhra Pradesh, Assam, Bihar, Chattisgarh, Gujarat, Haryana, Goa, Meghalaya, Mumbai, Jharkhand, New Delhi, Orissa, Rajasthan, Uttar Pradesh, Tamil Nadu, West Bengal, Karnataka and Uttaranchal.

COMPETITORS

In the today's innovative world, competition is inevitable. Like every other organization, Anand Rathi Financial Services too have some tough contenders in their respective business field, which include Appollo Sindhoori Capital Investment Ltd, Infrastructure Leasing and Financial Services Investsmart India Ltd (IL & FS) and Geojit Financial Services Ltd.

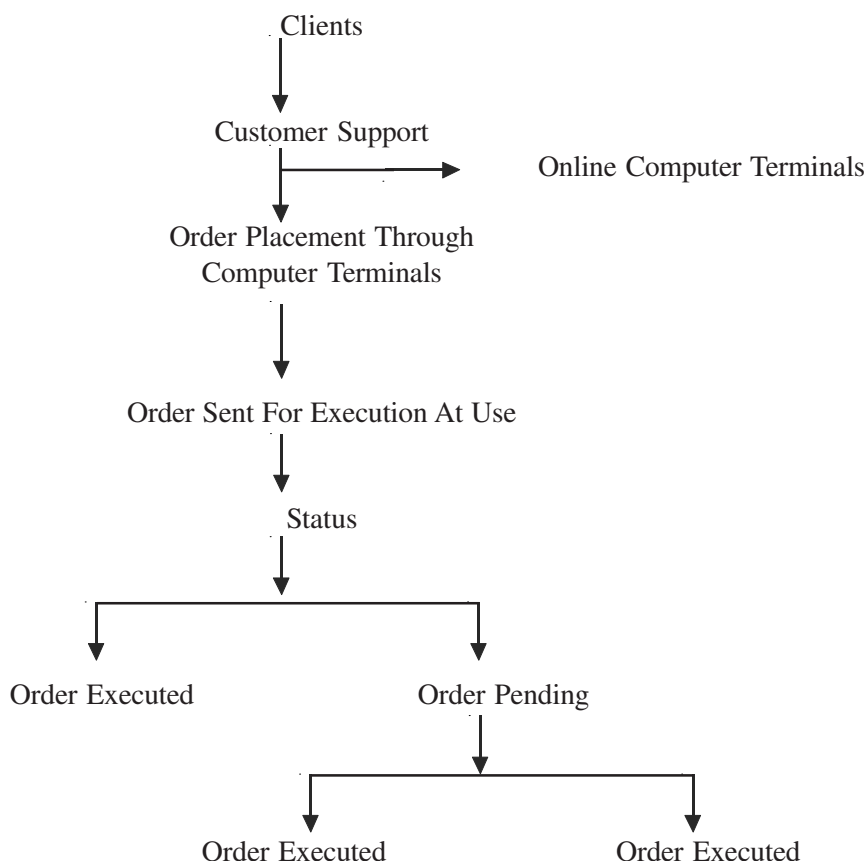
ANAND RATHI FINANCIAL SERVICES LIMITED - SHIMOGA BRANCH

Anand Rathi is a leading full service securities firm providing an entire gamut of financial services. In Shimoga, AR started operating from January 2006. Within a considerably short span of time, AR Shimoga has done a commendable job by acquiring a good number of customers. The firm's philosophy is entirely client centric with a clear focus on providing long term value addition to clients, while maintaining the highest standards of excellence, ethics and professionalism.

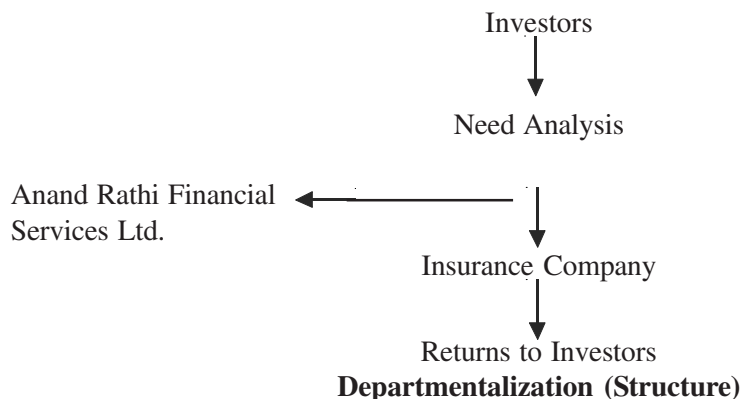
The Services provided by Anand Rathi Financial Services Ltd. cover areas such as Equity trading – offline and online, Derivatives trading, Mutual fund investments, Investment advisory service, Insurance Broking, Research and analysis, Online services and tools, Depository services and Portfolio Management services.

WORKFLOW CHART

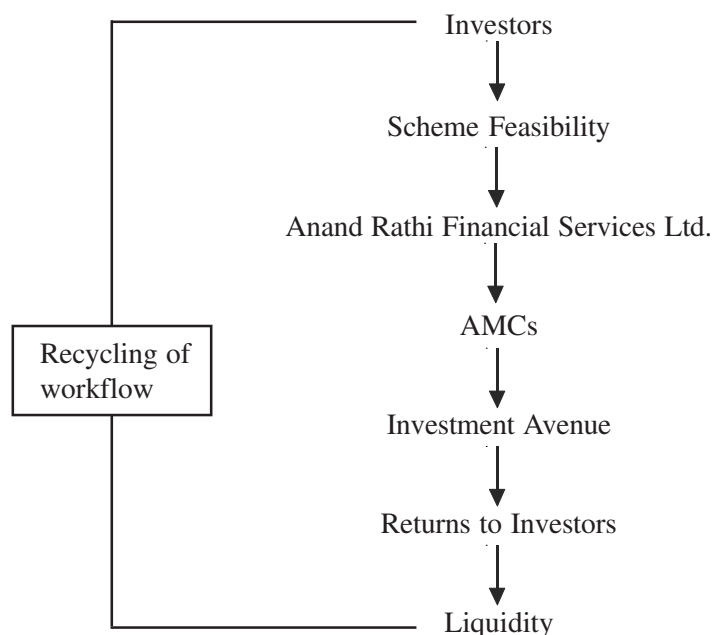
Procedure of Buying and Selling of Equities Futures at Anand Rathi Financial Services Ltd.



WORKFLOW MODEL OF INSURANCE



WORKFLOW MODEL OF MUTUAL FUNDS



SECURITY ANALYSIS

Security analysis is an examination of the various factors affecting the value of a security. Security analysis is about valuing the assets, debt, warrants and equity of companies from the perspective of the outside investors using publicly available information. Investing, like marriage, is not something that should be entered into lightly. At this point, security analysis assists as a friend to be aware of the market trends regarding securities of the companies. Security analysis is categorized as Fundamental Analysis and Technical Analysis.

FUNDAMENTAL ANALYSIS

The term simply refers to the analysis of the economic well being of a financial entity as opposed to only its price movements. It is a method of evaluating a security by attempting to measure its intrinsic value by examining related economic, financial and other qualitative and quantitative factors. Fundamental analysts attempt to study everything that can affect the security's value, including macro economic factors such as the overall economy and industry conditions and individual specific factors like the financial condition and management of the company. This method of security analysis is considered to be the opposite of Technical analysis.

FUNDAMENTAL ANALYSIS: QUALITATIVE FACTORS - THE INDUSTRY

Each industry has differences in terms of its customer base, market share among firms, industry wide growth,

competition, regulation and business cycles. Learning about how the industry works will give the investors a deeper understanding of a company's financial health. Some of the qualitative factors include Customer's Market Share, Industry Growth, Competition and Regulation.

FUNDAMENTAL ANALYSIS: QUALITATIVE FACTORS - THE COMPANY

Fundamental analysis seeks to determine the intrinsic value of a company's stock. Some of the specific qualitative factors that an investor should be aware of consists of Business Model, Competitive Advantage and Management.

TECHNICAL ANALYSIS

Technical analysis is a method of evaluating securities by analyzing the statistics generated by the market activity such as past price and volume. Technical analysts do not attempt to measure a security's intrinsic value; instead, they use charts and other tools to identify patterns that can suggest future activities. Technical analysis attempts to understand the emotions in the market by studying the market itself, as opposed to its components. Technical analysis is widely used among traders and financial professionals and it is more wide spread than fundamental analysis in the Foreign exchange market. The field of technical analysis is based on the assumptions such as the market discounts everything, price moves in trends and history tends to repeat itself.

TECHNICAL ANALYSIS CHART PATTERNS

A chart pattern is a distinct formation on a stock chart that creates a trading signal, or a sign of future price movements. Chartists use these patterns to identify current trends and trend reversals and to trigger buy and sell signals.

There are two types of patterns within this area of technical analysis, **reversal and continuation**. A reversal pattern signals that a prior trend will reverse upon completion of the pattern. A continuation pattern, on the other hand, signals that a trend will continue once the pattern is complete. These patterns can be found over charts of any timeframe. Some of the popular chart patterns are described as under:

Head and Shoulder: Head and shoulders is a reversal chart pattern that when formed, signals that the security is likely to move against the previous trend. There are two versions of the head and shoulders chart pattern. Head and shoulders top (shown on the left) is a chart pattern that is formed at the high of an upward movement and signals that the upward trend is about to end. Head and shoulders bottom also known as inverse head and shoulders (shown on the right) is the lesser known of the two, but is used to signal a reversal in a downtrend.

HEAD AND SHOULDER

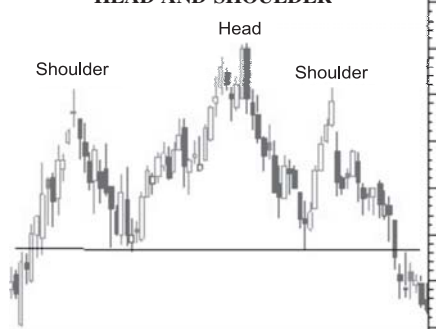


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Source: Investopedia.com

CUP AND HANDLE

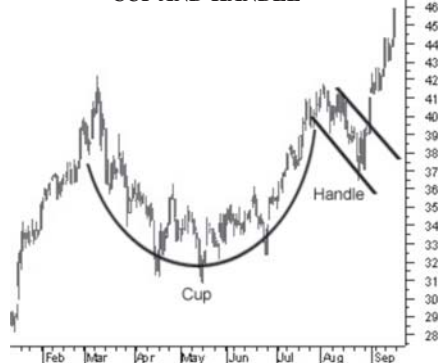


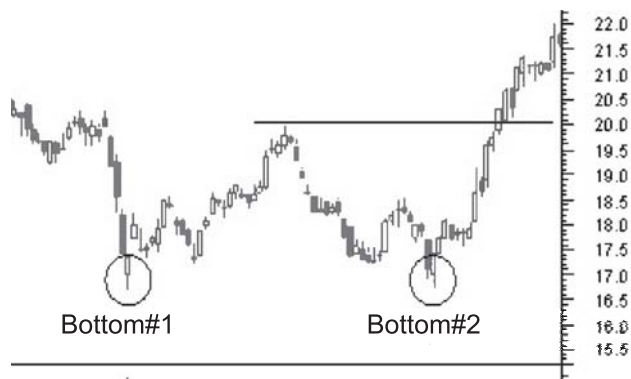
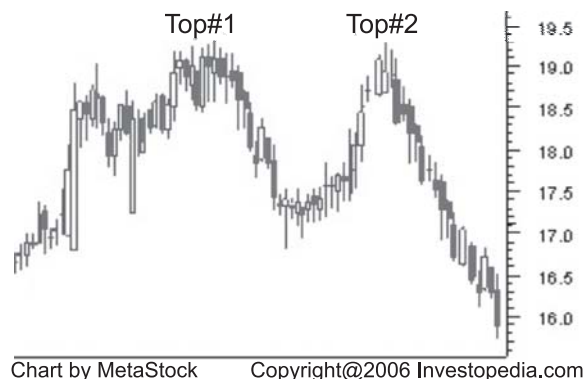
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Source: Investopedia.com

Cup and handle: A cup and handle chart is a bullish continuation pattern in which the upward trend has paused but will continue in an upward direction once the pattern is confirmed.

As we can see in the graph, this price pattern forms what looks like a cup, which is preceded by an upward trend. The handle follows the cup formation and is formed by a generally downward sideways movement in the security's price.

Double Tops and Bottoms: This chart pattern is another well-known pattern that signals a trend reversal. It is considered to be one of the most reliable and is commonly used. These patterns are formed after a sustained trend and signal to chartists that the trend is about to reverse. The pattern is created when a price movement tests support or resistance levels twice, and is unable to break through.



In the case of the double top pattern in the above graph, the price movement has twice tried to move above a certain price level. After two unsuccessful attempts at pushing the price higher, the trend reverses and the price heads south. In the case of a double bottom (shown on the right), the price movement has tried to go lower twice, but has found support each time. After the second bounce off of the support, the security enters a new end and heads upward.

Triangles: Triangles are some of the most well known chart patterns used in technical analysis. The three types of triangles, which vary in construct and implication, are the **symmetrical triangle**, **ascending and descending triangle**. These chart patterns are considered to last anywhere from a couple of weeks to several months.



Source: Investopedi.com

The symmetrical triangle in the above graph is a pattern in which two trend lines converge towards each other. This pattern is neutral in that a breakout to the upside or downside is a confirmation of a trend in that direction. In an ascending triangle, the upper trend line is flat, while the bottom trend line is upward sloping. In a descending triangle, the lower trend line is flat and the upper trend line is descending. This is generally seen as a bearish pattern, where chartists look for a down side breakout.

Flag and Pennant: These two short term chart patterns are continuation patterns that are formed when there is a sharp price movement followed by a generally sideways price movement. This pattern is then completed upon another sharp price movement in the same direction as the move that started the trend. The patterns are generally thought to last from one to three weeks.



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Source: Investopedia.com



Chart by MetaStock Copyright © 2006 Investopedia.com

As we see in the above graph, there is a little difference between a pennant and a flag. The main difference between these price movements can be seen in the middle section of the chart pattern. In a pennant, the middle section is characterized by converging trend lines, much like what is seen in a symmetrical triangle. The middle section on the flag pattern, on the other hand, shows a channel pattern, with no convergence between the trend lines. In both cases, the trend is expected to continue when the price moves above the upper trend line.

Wedge: The wedge chart pattern can be either a continuation or reversal pattern. It is similar to a symmetrical triangle except that the wedge pattern slants in an upward or downward direction, while the symmetrical triangle generally shows a sideways movement. The other difference is that the wedges tends to form over longer periods, usually between three and six months.



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Source: Investopedia.com

The fact that wedges are classified as both continuation and reversal patterns can make reading signals confusing. However, at the most basic level, the falling wedge is bullish and a rising wedge is bearish. In the graph, we have a falling wedge, in which two trend lines are converging in a downward direction. If the price was to rise above the upper trend line, it would form a continuation pattern, while a move below the lower trend line would signal a reversal pattern.

Gaps: A Gap in a chart is an empty space between a trading period and the following trading period. This occurs when there is a large difference in prices between two sequential trading periods. Gap price movements can be found on bar charts and candlestick charts but will not be found on point and figure or basic line charts. There are three main types of gaps viz., **breakaway**, **runaway (measuring)** and **exhaustion**. A breakaway gap forms at the start of a trend, a runaway gap forms during the middle of a trend and an exhaustion gap forms near the end of a trend.

Triple Tops and Bottoms: Triple tops and triple bottoms are another type of reversal chart pattern in chart analysis. These are not as prevalent in charts as head and shoulders and double tops and bottoms, but they act in a similar fashion. These two chart patterns are formed when the price movement tests a level of support or resistance three times and is unable to break through; this signals a reversal of the prior trend.



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Confusion can form with triple tops and bottoms during the formation of a pattern because they can look similar to other chart patterns.

Rounding Bottom: A rounding bottom, also referred to as a saucer bottom, is a long-term reversal pattern that signals a shift from a downward trend to an upward trend. This pattern is traditionally thought to last anywhere from several months to several years.

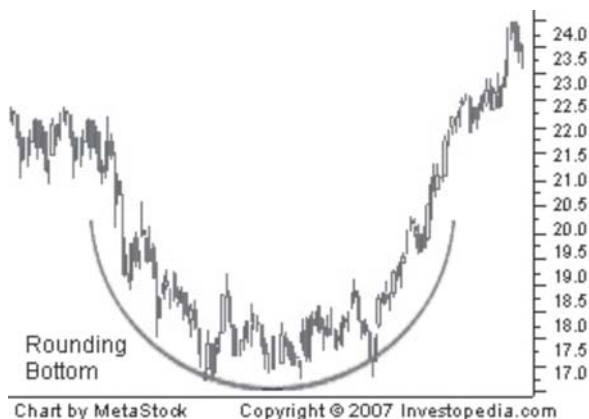


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A rounding bottom chart pattern looks similar to a cup and handle pattern but without the handle. The long-term nature of this pattern and the lack of a confirmation trigger, such as the handle in the cup and handle, make it a difficult pattern to trade.

SURVEY ANALYSIS AND INTERPRETATION

In order to draw conclusions, certain bases of information are needed and hence a survey had been conducted. To collect necessary information, an investor's questionnaire was provided to the investors to know their feed back and the survey was targeted to cover 50 investors from Shimoga city and nearby towns.

OBJECTIVES OF THE SURVEY

- To know the general opinion of the investors about Anand Rathi Financial Services Ltd.
- To know the opinion of the customers about the services rendered by Anand Rathi.
- To know the preferences of the investors in relation to the analysis of the securities.
- To know the services in which the investors are preferably investing.
- To offer some suggestions based on the information collected from the respondents to improve the services provided by AR, if they have noticed any drawbacks in the present procedure.

METHODOLOGY

For preparing this paper, data have been collected from primary data and secondary data as well. Primary data has been collected by using a questionnaire that was administered to the AR customers and the personnel dealing with the employees of AR. Secondary data has been collected from general websites, company website, company brochures, customer's records, catalogues etc. For the purpose of presentation, statistical graphs, tables etc., are used.

PERIOD OF SURVEY

The survey was conducted during February 2008 to April 2008, spread over a period of three months for the purpose of collecting the data for the survey in and around Shimoga, targeted to cover 50 investors.

LIMITATIONS OF THE SURVEY

- The survey is conducted only in Shimoga and nearby towns.
- The survey conducted covers only 50 respondents.
- Area covered by the survey is based on Random Sampling Method.
- Few investors could not express their views freely and poor response was also a limitation.
- Time constraints were another limitation.

THE ANALYSIS AND INTERPRETATION OF THE SURVEY IS PRESENTED AS UNDER

Table 1: Classification of Investors On The Basis of Age Group

Age Group	Respondents	Percentage
20-25	12	24
25-30	20	40
30-35	11	22
35 and above	7	14
Total	50	100

Source: Investor's Questionnaire

Observation

The above table shows that, out of the 50 respondents of the survey, 40% are from the age group of 25-30 years, 24% and 22% are from age group of 20-25 years and 30-35 years respectively. Only 14% of them are from the age group of 35 years and above.

Interpretation: A major portion of investors come under the age group of 30-35 years and investors of this age group are investing substantially in the stock market.

Table 2: Classification of Investors On The Basis of Sex

Sex	Respondents	Percentage
Male	41	82
Female	09	18
Total	50	100

Source: Investor's Questionnaire

Observation: The above table shows that, among 50 respondents, 82% are males and a mere 18% are female investors.

Interpretation: It can be inferred that a huge portion of (i.e. 82%) the investors are males and male investors are more than female investors by more than four times.

Table 3: Classification of Investors On The Basis of Occupation

Occupation	Respondents	Percentage
Student	06	12
Professional	13	26
Employee	13	26
Business	18	37
Total	50	100

Source: Investor's Questionnaire

Observation: From the above table, it is clear that among 50 respondents, 36% are running their own business, 26% are professionals and 26% of them are employees and mere 12% are from the student group.

Interpretation: Investors with their own business are more in number than professionals and employees, whereas students are the least of all.

Table 4: Classification of Investors On The Basis of Monthly Income

Income (monthly)	Respondents	Percentage
Below 5000	10	20
5000-10000	12	24
10000-15000	15	30
15000 and above	13	26
Total	50	100

Source: Investor's Questionnaire

Observation: Out of 50 respondents, 30% are from the income group of Rs.10000-Rs 15000 per month, 26% are from income group of Rs 15000 & above per month, 24% are from the income group of Rs 5000- Rs10000 per month and the remaining 20% are from the income group of below 5000 per month.

Interpretation: From the observation, it is clear that investors of income group of Rs. 10000-Rs 15000 are more than the investors of any other income group, but there is a consistency in the rest of the income groups.

Table 5: Responses of the Investors for the References of Types of Security Analysis

Types of security analysis	Respondents	Percentage
Fundamental analysis	06	12
Technical analysis	20	40
Advice	24	48
Total	50	100

Source: Investor's Questionnaire

Observation: The above table shows that among 50 respondents, 48% them refer to A.R. for advice, 20% refer for technical analysis of securities and a mere 12% refer for fundamental analysis.

Interpretation: Most of the investors usually consult AR for advice of experts for analysis; whereas, a consistent number of them consult AR for technical analysis and very few investors consult AR for fundamental analysis.

Table 6: Accounts of Investors In Different Broking Firms

Broking Firms	Respondents	Percentage
Anand Rathi	26	52
Apollo	06	12
Geojit	10	20
IL & FS	08	16
Total	50	100

Source: Investor's Questionnaire

Observation: The above shows that among 50 respondents, 52% do have account in AR, 20% are having account in Geojit, 16% in IL&FS and 12% in Apollo respectively.

Interpretation: Investors having account in AR account for more than 50% and investors having account in Apollo, Geojit and IL&FS put together account for 50% of the investors.

Table 7: Responses of AR'S Customer's About Their Reasons of Satisfaction

Reasons for satisfaction	Respondents	Percentage
Better services	09	18
Right advice	09	18
Good response	08	16
Not AR's customers	24	48

Source: Investor's Questionnaire

Observation: Among 50 respondents, 48% are not AR's customers and among 52% of AR's customers, 18% of them are satisfied as AR provides better services and the right advice.16% are satisfied for the reason of good response at AR.

Interpretation: A good number of AR customers of are satisfied as AR provides better services as well as the right advice; whereas, a consistent number of customers are satisfied as they get a good customer service at AR.

Table 8: Rating of Brokerage Firms On the Basis of Customer Satisfaction

Better services	Respondents	Percentage
Anand Rathi	26	52
Apollo	06	12
Geojit	10	20
IL & FS	08	16
Total	50	100

Source: Investor's questionnaire

Observation: The above table clearly shows that among 50 respondents of the survey, 52% have an opinion that AR provides better services, 20% think that Geojit provides better services, 16% feel that IL&FS provides better services and 12% of them have an opinion that Apollo provides better services.

Interpretation: A good number of investors (52%) believe that AR provides better services than Geojit, IL&FS and Apollo.

SUMMARY OF FINDINGS AND SUGGESTIONS

The ultimate purpose of the study was to gather adequate information regarding the attitudes of general investors and customers of AR towards Anand Rathi Financial Services Ltd., and also to know the preferences of the investors relating to the securities analysis. For this, an investor's questionnaire was prepared and a survey was conducted to draw the conclusions.

On the basis of the information gathered, some of the important findings of the survey are presented below:

- Anand Rathi Financial Services Ltd. is able to draw a connection between the performance and value propositions claimed to be offered by it to its customers.
- In the present context, most of the individuals prefer to invest in the stock market securities.
- Most of the people are unaware of the fact that the broking firms are meant to advice the investors and bear risk on their behalf. Even though they want to invest, they find it risky as a result of market fluctuations.
- AR has successfully established a strong advisory base.

On the basis of gathered information, the following suggestions are offered:

- Most of the people who are willing to invest are not aware of the risk management firms like AR and, therefore, Anand Rathi should lay emphasis on promotional tools such as advertisement and communicate with the people in order to free them of the worries of market fluctuations so as to induce them to invest.
- AR's branches are found in district headquarters and there are many people of semi-urban areas who are willing to invest in the securities. So it is suggested that AR establishes its branches in commercial taluk headquarters.
- People willing to invest should be properly educated about the pros and cons of stock exchange and be properly advised and guided of all the alternative sources available.

CONCLUSION

The above mentioned are some of the important findings and suggestions drawn on the bases of collected information through survey. However, AR is performing really well and just needs to adopt some more strategies and make certain changes to enhance its services and market position.

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