Equity Analysis of selected Small-cap Stocks listed on Bombay Stock Exchange (BSE)

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Abstract: The research paper is organized to analyze the risk and return of selected small-cap stocks listed on Bombay Stock Exchange and also to find the correlation between the selected small-cap stocks. The data is collected for 5 years i.e., from 1st January 2019 to 31st December 2023. The study is purely based on secondary data, stock monthly share prices were collected from BSE. The study shown Garware Hi-Tech Films Ltd., Vadilal Industry, TCPL Packaging and Globus stocks have given the highest returns during the study period. It shows that the entire Beta value of the all small-cap stocks are less than one, so the stocks carried less volatility.

Keywords: BSE, Return, Risk, Small-cap stocks.

1. INTRODUCTION:

An equity market is a venue where businesses can raise funds from various investors. Thus, a business releasesstocks, which buyers or dealers buy with the hope of making money from the stock's future sales. To make well-informed investment decisions, equity analysis—also referred to as stock analysis or share analysis—is the process of assessing a company's financial health, growth potential, and overall performance. Equity analysis is a tool used by investors to project a company's future performance and determine the stock's fair value. Market trends and a variety offinancial indicators are examined by analysts to reduce risks and find profitable opportunities. In an economy driven by markets, equity markets are crucial. They offer possibilities for investments, liquidity, and capital raising.

In the world of finance, equity analysis is essential because it helps analysts and investors determine the potentialand value of a company's shares. This procedure entails a thorough analysis of financial accounts, market trends, the competitive environment, and other pertinent variables. Equity analysis uses a variety of methods, techniques, and financial statistics to evaluate if a company's stock is fairly priced, overpriced, or undervalued.

2. LITERATURE REVIEW:

Sonia Lobo and Ganesh Bhat (2021): The study analyses the risk and return of selected stocks in the financial sector. They analyzed the monthly closing prices of five financial investment companies from January 2020 to June 2021. IIFL Finance has displayed an excellent monthly return, but it incorporates higher risk as the beta value of the stock is greater than one. Hence, investors who are comfortable with taking risks may consider visitingthis company.

Dr. V. Vanaja, P.J. Nishok (2020): The study is all about the risk and return analysis of selected five stocks in the Indian Automobile Sector for a period of 5 years, covering from 2015-16 to 2019-20. The results show that therisk of MARUTI and TATA MOTORS are the largest, which means that they are the most aggressive stocks.

Lakshman Raj Kandel (2018): The study focuses on analyzing the risk and return relationship of two selected commercial banks that are listed on the Nepal Stock Exchange. The data was collected for five years and tools suchas correlation, SD, covariance, and portfolio analysis & t-test were used for analysis. They analyzed that both thebanks had high proportions of unsystematic risk, and the prices of the stocks were overpriced. So, they concludedthat the investors should have gone for short selling.

3. OBJECTIVES:

The aim of the study examines the performance of ten selected small-cap stocks over the period spanning from 2019 to 2023. The study also determines to find the return and risk associated with the stocks. Following this, a detailed assessment of the volatility exhibited by each of the small-cap stocks. Additionally, to find the correlation between the selected small-cap stocks within the market.

4. RESEARCH METHODOLOGY:

The secondary data was collected from stock exchanges like BSE (BOMBAY STOCK EXCHANGE), SEBI and Money control. The study is descriptive. For the equity analysis, the data of monthly share prices were collected from the BSE. The data is collected for 5 years starting from the 1st Jan 2019 to the 31st Dec 2023.

SAMPLE TAKEN FOR THE STUDY:

1. Garware Hi-Tech Films Ltd.
2. S H Kelkar & Company Ltd.
3. Vadilal Industries Ltd.
4. Mahanagar Telephone Nigam Ltd. (MTNL)
5. Dollar Industries Ltd.
6. TCPL Packaging Ltd.
7. Apollo Pipes Ltd.
8. SMS Pharmaceuticals Ltd.
9. Globus Spirits Ltd.
10. Sastasundar Ventures Ltd.

DATA ANALYSIS AND INTERPRETATION:

Overall Equity Analysis from 2019 to 2023

	Garware Hi-Tech	S H Kelkar	Vadilal Ind	MTNL	Dollar Ind	TCPL Packaging	Apollo Pipes	SMS	Globus	Sasta Sundar
2019										
Mean	-1%	-3%	3%	-3%	-6%	-4%	-1%	-4%	-1%	-2%
S.D	0.1034	0.0784	0.1211	0.1622	0.0925	0.0645	0.1030	0.0366	0.1200	0.0606
Variance	0.0107	0.0061	0.0147	0.0263	0.0086	0.0042	0.0112	0.0013	0.0144	0.0037
Correlation	0.5990	0.6098	-0.1482	0.0275	0.0123	0.3865	-0.2463	-0.1395	0.3552	0.4569
Alpha	-0.0298	0.0617	-0.0249	-0.0600	-0.0393	0.0137	-0.0419	-0.0248	-0.0177	0.0078
Beta	0.4540	0.9419	-0.1985	0.0157	0.0086	0.6355	-0.0850	-0.4578	0.1794	0.7798
2020										
Mean	7%	2%	2%	5%	7%	7%	8%	12%	9%	2%
S.D	0.1578	0.1931	0.1574	0.2023	0.1940	0.2617	0.2015	0.2566	0.2216	0.2246
Variance	0.0249	0.0373	0.0248	0.0409	0.0376	0.0685	0.0406	0.0659	0.0491	0.0504
Correlation	0.2780	0.3894	0.3365	0.4952	0.5437	0.6936	0.4796	0.4336	0.6229	0.4701
Alpha	0.0010	0.0127	0.0430	0.0405	0.0175	0.0495	0.0695	0.0474	-0.0373	0.0600
Beta	0.3401	0.3174	0.4326	0.4748	0.7333	0.5341	0.6107	0.3744	0.6315	0.3304
2021										
Mean	7%	3%	2%	12%	5%	3%	3%	1%	16%	1%
S.D	0.1574	0.0981	0.0545	0.3131	0.1122	0.0787	0.2524	0.0948	0.3179	0.1133
Variance	0.0249	0.0096	0.0030	0.0981	0.0126	0.0062	0.0637	0.0090	0.1011	0.0128
Correlation	0.0885	0.0314	-0.1203	-0.1403	-0.0250	0.1225	-0.1310	0.0199	0.0543	0.4285

Alpha	0.0220	0.0163	0.1284	0.0598	0.0287	0.0167	0.0130	0.1552	0.0109	0.0586
Beta	0.0550	0.0175	-0.6913	-0.0503	-0.0175	0.3928	-0.0492	0.0668	0.0194	0.5973
2022										
Mean	-1%	0%	10%	-1%	1%	11%	0%	-3%	-3%	-1%
S.D	0.1126	0.0641	0.1619	0.1558	0.1600	0.1575	0.1168	0.0878	0.1211	0.0654
Variance	0.0127	0.0041	0.0262	0.0243	0.0256	0.0248	0.0136	0.0077	0.0147	0.0043
Correlation	0.3363	-0.293	-0.157	-0.292	-0.324	0.2885	0.3920	0.3105	-0.0193	0.1350
Alpha	-0.0024	0.0998	0.0022	0.0071	0.1087	-0.0189	-0.0328	-0.0316	-0.0080	-0.009
Beta	0.1914	-0.7410	-0.1511	-0.3003	-0.3198	0.2139	0.2947	0.4282	-0.0104	0.2327
2023										
Mean	7%	1%	1%	3%	1%	4%	3%	4%	1%	8%
S.D	0.1365	0.1396	0.1486	0.1525	0.0868	0.0082	0.0636	0.1560	0.1209	0.1429
Variance	0.0186	0.0195	0.0221	0.0233	0.0075	0.0078	0.0040	0.0243	0.0146	0.0204
Correlation	0.3094	-0.035	-0.065	0.1677	0.3692	0.1935	0.2127	0.0760	0.2835	0.3809
Alpha	-0.012	0.0063	0.0319	0.0090	0.0326	0.0202	0.0277	0.0081	0.0731	0.0460
Beta	0.3163	-0.037	-0.066	0.0954	0.3751	0.1396	0.5218	0.0589	0.3352	0.3638

INTERPRETATION:

From the above, it is observed that all the stocks received positive returns from the period of 2020, 2021, and 2023. Nine out of ten stocks received negative returns remaining one stock gave positive returns during 2019. Five out of ten stocks received negative returns remaining five stocks gave positive returns during 2022.

The standard deviation and variances shown less than one for all the stocks which shows the stocks carried less risk from 2019 to 2023.

The outcome of correlation reveals that all the stocks were positively correlated during 2020, so the stockmoves in the same direction. Three out of ten stocks were negatively correlated, so the stocks move in the opposite direction, remaining seven stocks were positively correlated during 2019. Four out of ten stocks were negatively correlated remaining six stocks were positively correlated during 2021. Five out of ten stocks are negatively correlated remainingfive stocks were positively correlated during 2022. Two out of ten stocks are negatively correlated remaining eight stocks were positively correlated during 2023.

It exhibits that all the stocks were shown positive alpha during 2020 that the stocks outperformed the market. Seven out of ten stocks shown negative alpha that the stocks underperformed the market remaining three stocks had positive alpha that the stocks outperformed the market during 2019. One out of ten stocks shown negative alpha that the stocks underperformed the market remaining nine stocks had positive alpha that the stocks outperformed themarket during 2020. Six out of ten stocks shown negative alpha that the stocks underperformed the market remaining four stocks had positive alpha that the stocks outperformed the market during 2022. One out of ten stocks showed negative alpha that the stocks underperformed the market remaining nine stocks had positive alpha that thestocks outperformed the market during 2023.

It is observed that the Beta shown less than one to all the stocks from the period of 2019 to 2023 that the stocks were carried less Volatility.

5. CONCLUSION:

The study is based on the equity analysis of small-cap stocks listed on BSE. This study helps the investor **t**identify the performance of selected small-cap stocks for a given period. Some of the stocks have higher returns and some stocks have high risk. Investors are constantly seeking a balance between maximizing returns and minimizing risks. The Beta is usefulfor judging Systematic Risk. Thus, this study helps the investor to conclude and also provides information aboutthe performance of stocks in the market in terms of return and

risk. From the study, it is found that Garware Hi-Tech Films Ltd., Vadilal Industry, TCPL Packaging and Globus are a good investment stocks for the investors, they have given higher returns with less risk and less beta.

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