

Security Analysis of Mangalore Chemicals & Fertilizers (MCF) Ltd.

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Abstract— The study undertaken aims at executing economic, industry and company analysis of MCF Ltd., Mangalore. The top 5 Industries in India have been considered for Industry analysis. Company analysis was focused on MCF Ltd. Based on fundamental and technical analysis tools it was found that currently, it may not be the right time to invest in India however a recovery in economic position is expected. As far as the fertilizers Industry is concerned, it is not very attractive for investment. As far as MCF is concerned its overall financial position is satisfactory and hence may be advisable for long-term investment and a lot worth for short term.

Index Terms— Security Analysis; Portfolio analysis; Investment Management; Intrinsic value analysis.

I. INTRODUCTION

Fundamental analysis is a logical and systematic approach to estimating future dividends and share prices. It is based on the basic premise that share price is determined by several fundamental factors relating to economy, industry, and company. Hence, the economic fundamentals, industry fundamentals, and company fundamentals have to be considered while analyzing security for investment purposes.

Technical analysis is a trading discipline that evaluates assets and uncovers trading opportunities by analyzing statistical trends derived from trading activity, such as price movement and volume. In contrast to fundamental analysis, technical analysis focuses on price and volume. An investor analyses the relationship between price-volume and supply-demand for the general market, as well as for each company, employing multiple indicators to spot trend reversals at an early stage to design buying and selling strategies.

The Mangalore Chemical and Fertilizers Limited (MCF) is a Zuari Agro Chemicals Limited, an Adventz group company, which holds 53.03% equity shares. The Adventz Group is an Indian conglomerate with global ambitions that participates in and contributes to India's economic growth and prosperity through transformational change. It is the largest manufacturer of chemical fertilizers in the state of Karnataka, India. The company's corporate and registered office is at UB city, Bangalore and its factory unit are in Panambur, north of Mangalore.

Objectives of the study

1. To execute Economic Analysis.
2. To execute chemical and fertilizers industry analysis.
3. To execute MCF company analysis.

II. SCOPE OF THE STUDY

The scope of the study here was restricted to the organization only. Fundamental analysis is a practice of analyzing securities by determining the intrinsic value of the stock and also technical analysis is widely used by forex, equity, and commodity traders, to determine the short-term as well as the long-term trends of the market.

III. METHODOLOGY OF THE STUDY

Secondary data is collected from the company's records, Articles and research papers, journals and web sources.

IV. LIMITATIONS OF THE STUDY

As a study done to meet an academic requirement, it is bound to have several constraints, the most notable of which are:

- The study is restricted to only one organization; hence the results of the study cannot be generalized.
- Limited knowledge in research
- Data considered for the study is limited to 5 years only.

V. LITERATURE REVIEW

A literature review is an important aspect of any study or research project. It allows us to understand various components of your research or the issues you're searching for.

According to Dr.Madhavi Dhole(2017) "fundamental analysis is used in-stock selection for equity portfolio management. To determine if a security is underpriced or overpriced by calculating its intrinsic value from fundamentals and comparing it to the current market price". The expense of doing a fundamental analysis is exorbitant. The term "technical analysis" refers to an analysis that is presented in the form of a report. Variable charts, often known as charting, have been a staple of financial study for

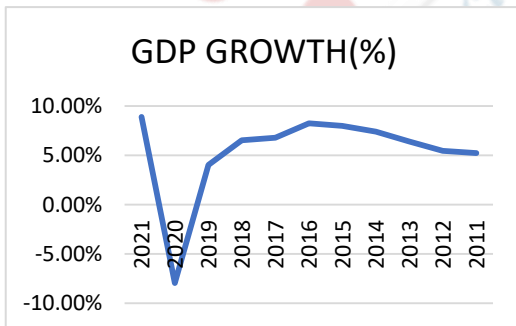
decades. The technical analysis did not have the same level of recognition as other methods of analysis at first.

According to Suresh S “Investors must depend largely on basic characteristics when making investment decisions due to the unique nature of capital market products. These fundamental factors refer to the economy as a whole, a single industry, or a single company. The business's success is thought to impact the performance of the securities that represent the company. Companies, on the other hand, are a part of the industrial and commercial sectors, which are a part of the overall economy, therefore economic and industry factors can impact investment decisions. To select an investment, fundamental analysis will be used. Fundamental analysis examines the economic climate, industry performance, and business performance before making an investment”

Isaac Kifi Nti says that Every investment in the stock market is aimed at maximizing profit while minimizing related risk, as it is in every expanding and prosperous economy. As a result, a slew of research on stock market forecasting utilizing technical or fundamental analysis, as well as other soft-computing techniques and algorithms, have been carried out.

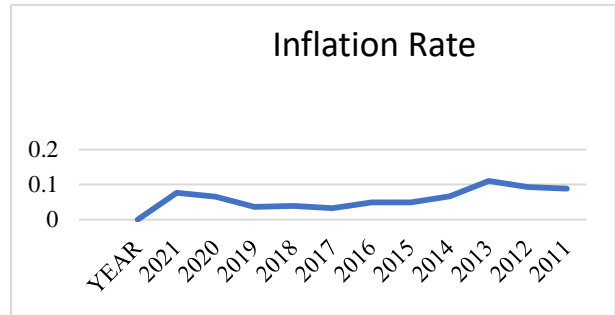
Isnaini nuzula Agustín says Fundamental Analysis and Technical Analysis have long been used by investors as a tool for predicting stock prices and obtaining the best possible return. The goal of this study is to partially evaluate the prediction power of the Fundamental Analysis and Technical Analysis models, then test the integrated model of both studies at the same time. Fundamental Analysis and Technical Analysis have long been used by investors as a tool for predicting stock prices and obtaining the best possible return. The goal of this study is to partially evaluate the prediction power of the Fundamental Analysis and Technical Analysis models, then test the integrated model of both studies at the same time.

VI. DATA ANALYSIS AND INTERPRETATION



Economists traditionally use the gross domestic product (GDP) to measure economic progress. A high GDP growth rate is advantageous to the stock market. A decline in the GDP indicates a potential economic slowdown. IN the above chart, it indicates that up to 2016 GDP rate increasing it how more job opportunities increased, and likely to get better pay

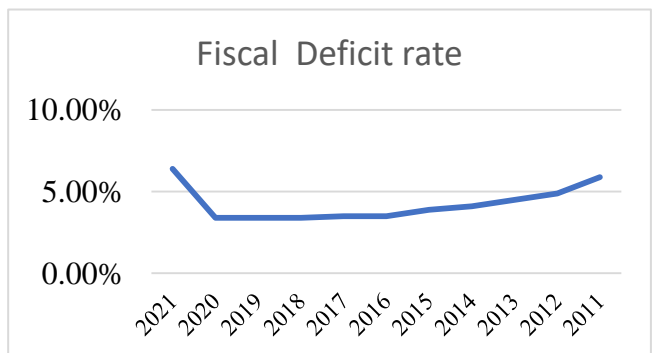
rises during this period, meanwhile, after 2016 the GDP rate moves downward, which was bad news for businesses and workers, workers may freeze, but in 2021 it showing upward sign. An increase in GDP is interpreted as a sign that the economy is doing well,



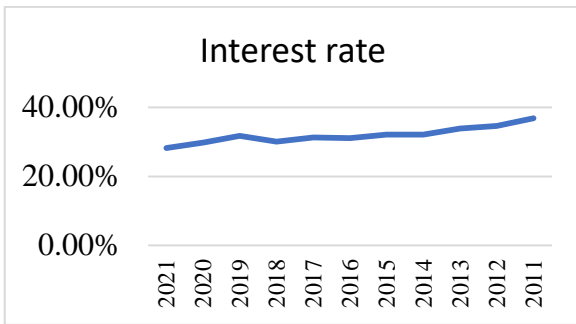
Interpretation: - As we all know that inflation rate has an important role in economic growth. Here we can see that in 2020-21 the inflation rate is relatively higher than the previous rate, the previous year's inflation rate is volatile, so the inflation rate is not fluctuating too much.



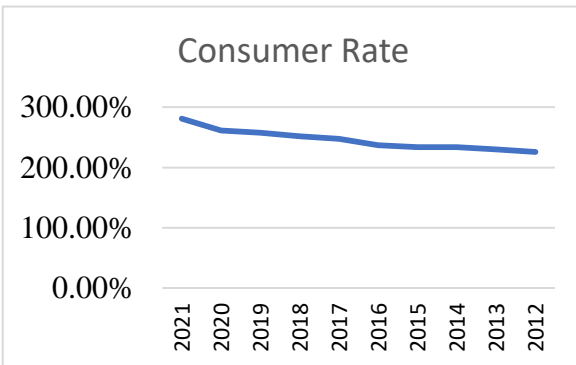
Interpretation: - From the above chart we can analyze that before the pandemic situation of the covid unemployment rate was comparatively less than the previous year. The unusual increase in the unemployment rate in the year 2021 clearly signals the Covid 19 impact. Hence this trend cannot be linked to country's performance.



Interpretation: - A larger budget deficit increases domestic currency and liquidity in the economy, depreciating the currency. This is positive for exports and negative for imports, but as India is a net importer, the current account balance is typically negative. In the above chart, we can analyze that in 2021 the fiscal deficit rate higher than compared all other previous years.



Interpretation: - Savings rates are high, which increases capital and boosts the country's economic growth. A low savings ratio indicates that consumer spending may be excessive and that money for investment may be scarce. In the above chart, we can see 2021 saving rate is less than 2020.



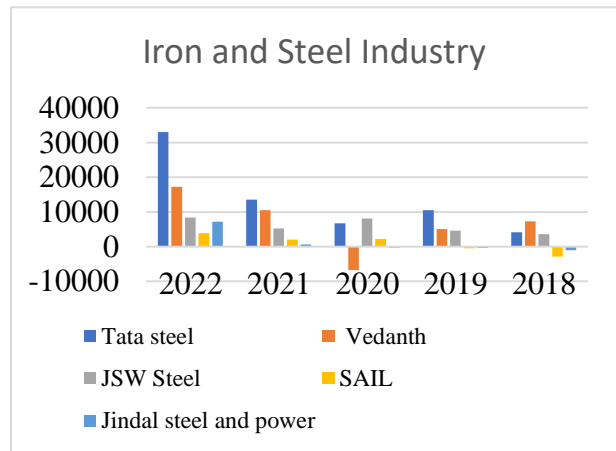
Interpretation: - In the above chart, it shows the rate of consumer index for 10 years. Compared to all the years, the consumer index rate is increased, which indicates that, When there is an upward change in the CPI, this means there has been an increase in the average change in prices over time. This eventually leads to adjustments in the cost of living and income (presumably so that income is adjusted to meet a higher cost of living). This process is referred to as indexation.



Interpretation: -The Purchasing Managers' Index (PMI) is an index of the prevailing direction of economic trends in the manufacturing and service sectors. It consists of a diffusion index that summarizes whether market conditions, as viewed by purchasing managers, are expanding, staying the same, or contracting. This index appears to be more or less stable.

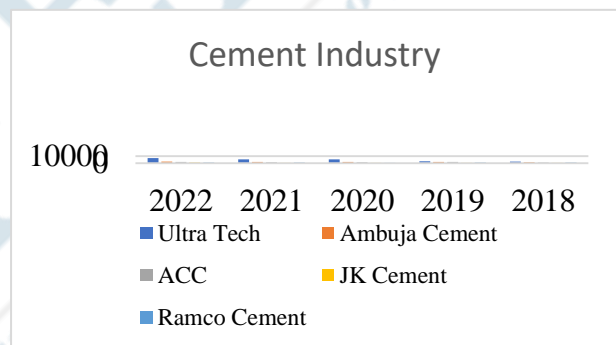
Industry Analysis

Iron and Steel Industry



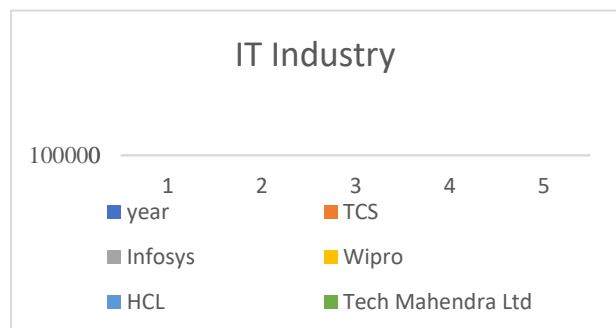
Interpretation: Above Chart shows the Profit of the companies, compared to the previous year, in 2022 the Profit of the Iron and steel industries increased.

Cement Industry



Interpretation:- Above Chart shows the Profit of the companies, Compared to the previous year, 2022 the Profit of the Iron and steel industries increased by 7.8% compared to the previous year (2020).

IT Industry



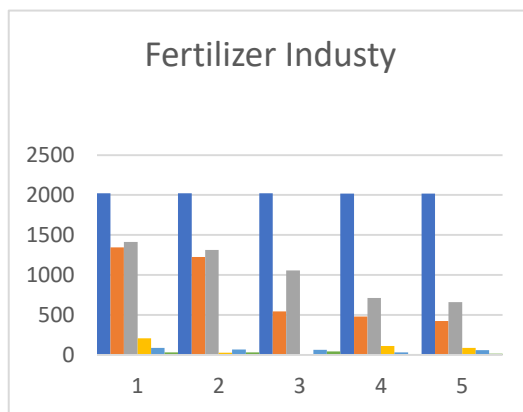
Interpretation: In the IT industry, comparing the profit IT industry, this year's overall profit increased by 2.3%. It shows the IT industry doing well in the Country.

Pharmaceutical Industry



Interpretation: - It shows the profit over the years, in this chart we can see, how Pharmaceutical Industry increased year by year. It shows the upward trend in the market

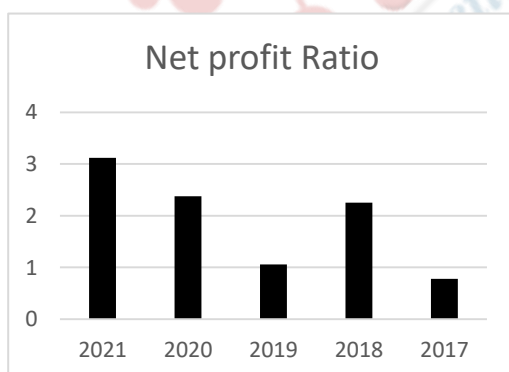
Fertilizer Industry



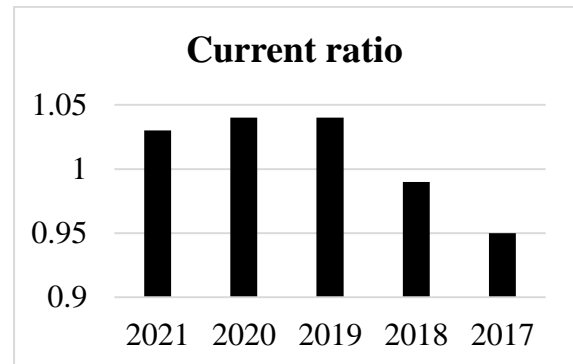
Interpretation: - In this chart, we can understand the fertilizers industries in India. How the profit of the fertilizer industries increases year by year.

It shows the increase in profit. It is a good sign to invest in the fertilizers industry.

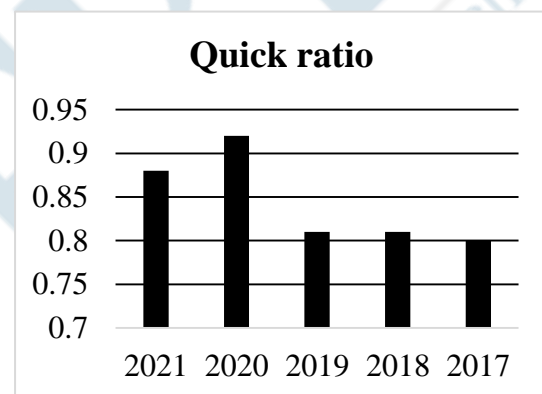
Company Analysis (Ratio analysis)



Interpretation:- On an average over the years, net profit of the company is increasing and hence it is good sign. An increasing Net profit ratio shows that company's performance is improving.

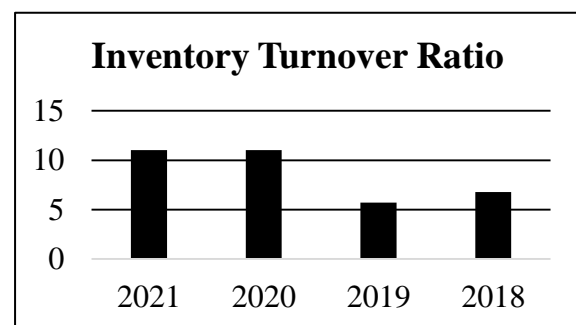


Interpretation: -The current ratio is the most common ratio for measuring liquidity. The ideal current ratio is 2:1. The ratio of the current assets to current liabilities doesn't satisfy the ideal ratio, in the above chart, it indicates that the company has problems meeting its short-term obligations.

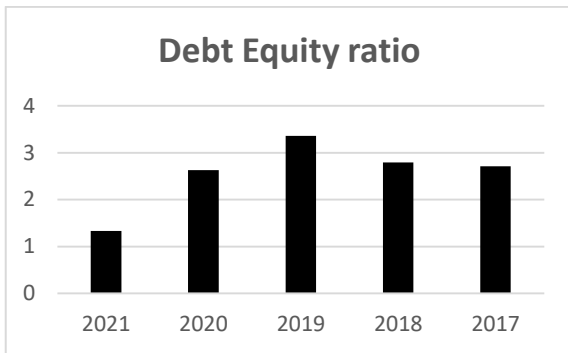


Interpretation: -

A quick ratio is a ratio between quick assets and quick liabilities. The ideal ratio is 1:1 If the quick ratio is significantly lower than the current ratio, current assets are primarily reliant on inventory. In this chart, we can see that in the year 2021 quick ratio is decreasing, which indicates that, it has no liquid assets to pay its current liabilities.



Interpretation: - The higher the inventory turnover, the better, because it indicates that a firm is selling things fast and that there is significant demand for its products. Low inventory turnover on the other hand, shows falling demand for a company's goods. In this chart, we can see that the inventory turnover ratio is decreasing compared to the previous year.



Interpretation:- Decreasing debt equity ratio shows reduction in the external long term liability risk. It is a good sign.

• Related Strength Index (RSI)

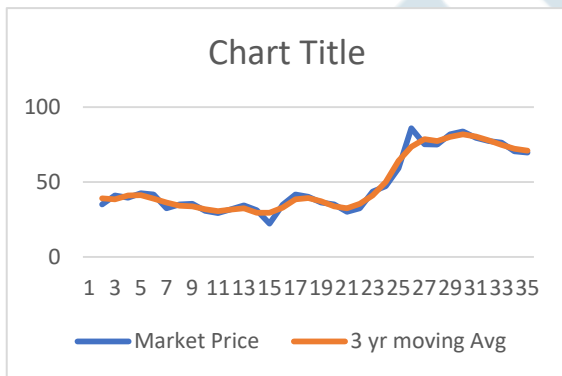
$$RSI = 100 - (100 / (1 + RS))$$

$$100 - (100 / 0.92) = 8.69$$

Interpretation: -

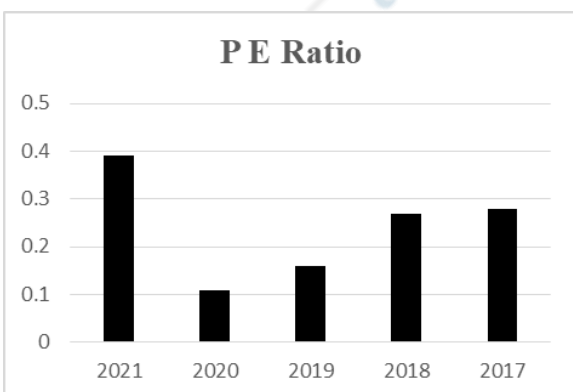
The broad rule is if RSI crosses 70 there may be a downturn and it is time to sell. If the RSI falls below 30, it's time to pick up the script. In the above table, we can see that the RSI is falling, if the RSI falls in the overbought zone, it gives a clear sell signal. Therefore, it gives a buying signal.

• Moving Average: -



Interpretation

Moving average here do not signal any opportunity for either buying or selling.



Interpretation

A higher P/E ratio shows that investors are willing to pay a higher share price today because of growth expectations in the future. Here P/E Ratio was decreasing from 2016-20. Afterwards it started increasing. Its shows investors hope on future price increase.

VII. FINDINGS

1. Most of the economic indicators suggest that this may not be the right time to invest in stock.
2. As far as investment in MCF is concerned, it may not be suitable for short-term investment. Moreover it is not an attractive stock to buy.
3. Since the RSI of the stock is very less, this maybe the right time to invest in the stock of MCF since there exists a possibility of increase but a great hike in short run cannot be expected.
4. Profitability and leverage position of the company is improving and therefore investor may pick up this scrip.

VIII. CONCLUSION

The stock market's movements can impact companies in a variety of ways. The rise and fall of share price values affect a company's market capitalization and therefore its market value. The higher shares are priced, the more a company is worth in market value and vice versa. When we consider Mangalore Chemical and Fertilizers' overall position, we can conclude that the company is well-known in the South Canara area and that it operates at a high degree of efficiency. It says that long-term investment in MCF is good, investors can buy the shares of MCF and they may make a profit in the future, and also, it has taken several steps to improve society and has increased Mangalore's reputation. It also offers its employees a variety of benefits.

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