

Fundamental Analysis of Financial Industry Stocks Listed on NSE: Post-Pandemic Investment Insights

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Abstract:

After the pandemic situation of Covid-19, we can see that the interest of a large number of people in the stock market has increased. Before the pandemic situation, the stock market was limited to a small group of people who knew about the market and had even conducted some studies on it. But now, those who have no idea about how the market will move are also investing in the market. As a result, they are facing the risk of significant losses. Any company is mainly analysed in two ways: 1st, Fundamental analysis and 2nd, Technical analysis. This paper aims to study the fundamental analysis of financial industry listed on the NSE. Fundamental analysis is studied in three parts. Economic analysis deals with fundamental factors like GDP, IIP, fiscal deficit, inflation, current account deficit, etc. Industry analysis is based on entry barriers, type of industry, government interference and Porter's five-force model. Finally, company analysis deals with various ratios such as dividend pay-out ratio, EPS, P/E ratio and debt-equity ratio. It also focuses on the calculation of the intrinsic value of shares and compares it with the market value. If intrinsic value is greater than market value the share is said to be undervalued whereas if market value is greater than intrinsic value, the share is overvalued. From the study Angel One, Share India Sec., Motil.Oswal.Fin. and ICICI Securities shares are undervalued and suggested to buy and hold the shares.

Introduction:

In the dynamic world of financial markets, the selection of stocks for investment purposes is a crucial yet complex task

for investors. The pursuit of the best stock hinges on multiple criteria that reflect the company's financial health, growth potential, and market positioning. One of the most widely used methods of evaluating stocks is intrinsic value analysis, which estimates the true worth of a company based on its fundamentals rather than its market price. Intrinsic value is determined through careful analysis of a company's financial statements, growth projections, and economic environment, providing a comprehensive understanding of its potential.

Alongside intrinsic value, the Price-to-Earnings (P/E) ratio is one of the most commonly used metrics for stock evaluation. The P/E ratio measures a company's current share price relative to its earnings per share (EPS), serving as an indicator of market expectations and valuation. A low P/E ratio could suggest that a stock is undervalued relative to its earnings, while a high P/E ratio may indicate overvaluation or strong future growth potential.

In our paper we select five financial industry and they are Motilal Oswal Financial Services Limited (MOFSL), ICICI Securities Limited, Angel One, Prudent Corporate Advisory Services Limited and Share India Securities.

Motilal Oswal Financial Services Limited (MOFSL), founded in 1987, is a diversified financial services company offering wealth creation solutions across multiple domains (like Institutional Broking, Private Wealth Management, Investment Banking, etc.), headquartered at Motilal Oswal Tower, Mumbai, to leverage shared expertise. ICICI Securities Limited provides broking, financial product distribution, merchant banking, and advisory services. Angel One Ltd is a diversified financial services company offering broking, margin trading, depository services, mutual fund distribution, NBFC lending, and insurance agency services. Prudent Corporate Advisory Services Limited, established in 2003, offers retail wealth management services including mutual funds, insurance, stock broking, SIP with insurance, gold plans, asset allocation, and trading platforms. Share India Securities Ltd provides tech-driven capital market solutions, offering equity broking, derivatives, depository services, mutual fund advisory, and financial products for retail and corporate clients.

In this research, we aim to identify the best-performing company among a selected group of financial services firms, namely Motilal Oswal Financial Services, ICICI Securities, Angel One, Prudent Corporate Advisory Services, and Share India Securities. The analysis is conducted primarily through two key financial metrics: intrinsic value and price-to-earnings (PE) ratio. The intrinsic value of each company serves as a measure of its true worth, offering an objective basis for comparison. The PE ratio, on the other hand, provides insight into the market's valuation of the company's earnings. By first evaluating the companies based on their intrinsic value and then considering the PE ratio, this study aims to present a comprehensive assessment to determine the most promising investment opportunity.

Problem Statement

This research paper will help an investor determine whether a stock is fundamentally strong or weak before investing in the stock market. While conducting fundamental analysis, an investor can learn from this paper which fundamental factors are important. As a result, an investor can significantly protect their hard-earned savings from potential losses.

Objective

- To study the performance and growth of the financial industry.
- To study the fundamental analysis of five selected financial industries listed on the NSE.
- To analyze the intrinsic value and determine the future value through fundamental analysis.
- To analyze the P/E ratio and identify the fundamentally strong stocks among the selected five.

Literature Review

Verma et al., observed in detailed the growth of the Indian banking industry and current performance of the bank with the help of various ratios. (Verma, & Tiwari, 2009).

Kulkarni et al., explains about the relevance of fundamental

analysis along with the attempt to find the intrinsic value of shares. (Kulkarni, 2011).

C. K. et al., observed about different movement of share prices in comparison with fundamental and technical analysis. It also emphasized on the market capitalization and organizational structure.(C. k., & Tyagi, 2011).

Wafi et al., presented in third economic and finance conference in Rome. This paper aims to find the better stock valuation model using the fundamental analysis approach. (Wafi, Hassan, & Mabrouk, 2015).

Hema et al., observed that an investor should analyze the market fundamentally and technically before investing in shares. They also noticed growth in the pharmaceutical industry in India. (Hema, & Ariram, 2016).

S. et al., observed in their paper Indian's IT companies fundamental growth mainly focused on intrinsic value of shears. (S., J., Ambily, 2017).

Methodology

In this paper mainly secondary data is used. Data are collected from sources such as moneycontrol, screener, websites of selected companies, company balance sheets, annual reports, press release etc. Analysis of data is done with help of Fundamental tools for selected five companies.

Data Analysis

Economy Analysis

In economic analysis, the current performance of the economy as a whole is evaluated using economic factors such as the inflation rate, GDP, the Index of Industrial Production (IIP), the fiscal deficit, the balance of payments, the unemployment rate and the current account deficit. Table 1 presents five years of data for these economic factors, from 2020 to 2024, which can help investors make better investment decisions.

Table 1: Economic Factors

Year	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
GDP (%)	-5.78	9.69	7	7.2	
Inflation Rate (%)	6.62	5.13	6.7	5.49	5.09
Index of Industrial Production (IIP) (%)	-0.2	1.1	11.9	4.2	5.2
Balance of payment	42.7	22.2	-	13.6	7.3
Fiscal Deficit (%)	9.5	9.3	6.7	6.4	-
Current account deficit (%)	1.50	1.50	1.30	2.20	1.2
Unemployment rate (%)	8	7	7.8	3.2	3.2

The values for the year 2024 that have been taken from secondary sources cover the period from April 2023 to .December 2024

Economic growth can be assessed using a country’s GDP, which has shown an upward trend from 2020 to 2023. However, the GDP value for 2024 is not yet available. In the year 2020, the GDP value was the lowest at -5.78, whereas in 2021, the GDP value was the highest at 9.69.

Looking at the inflation rate, we can see that it has slightly decreased over the years. The highest inflation rate was in 2022, at 6.7, while the lowest was in 2024, at 5.09.

Industrial production in an economy reflects the overall productivity and industrial efficiency of the country. Examining the Index of Industrial Production (IIP) data over the past five years reveals an upward trend. The IIP value was at its lowest in 2020, at -0.2, and reached its highest in 2022, at 11.9.

The Balance of Payments represents the economic transactions between a country and the rest of the world, reflecting its financial and trade relationships on a global scale. Analyzing the Balance of Payments over time reveals a significant downward trend. In 2020, the Balance of Payments stood at 42.7, but after five years, it declined to 7.3 in 2024.

The fiscal deficit represents the excess of total expenditure over total receipts, excluding borrowings, during a given fiscal year. It has shown a downward trend over time, with the value decreasing from 9.5 in 2020 to 6.4 in 2024.

A current account deficit occurs when the value of imports – whether goods, services, or investments – exceeds the value of exports. The value of the current account deficit has shown a slight downward trend over the past five years. In 2023, the current account deficit reached its highest at 2.20, while in 2024, it decreased to its lowest at 1.2.

The unemployment rate has also shown a downward trend from 2020 to 2024. In 2020, the unemployment rate was at its highest, 8%, and by 2024, it decreased to its lowest point, 3.2%.

Industry Analysis

India's financial services industry is one of the most dynamic and rapidly growing sectors in the economy. It plays a critical role in mobilizing savings and channelling them into productive investments, thus fostering economic growth. Within this broad sector, Capital Markets and Financial Intermediaries form the backbone of financial transactions, providing platforms and services that facilitate investment, trading and financial planning.

Capital markets in India are divided into two main segments: primary markets (issuance of new securities) and secondary markets (trading of existing securities). Key institutions include the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE), which are among the largest in the world by trading volume.

- ***Existing Competition -***

The Indian financial services industry, especially in capital markets and financial intermediaries, is highly competitive. Dominant players in retail brokerage include Zerodha, Angel One, HDFC Securities, ICICI Direct, and Sharekhan, while institutional broking faces competition from foreign investment banks and domestic firms like Axis Capital and Kotak Institutional Equities.

Competition in the financial services industry is intensified by technological advancements, shifting customer preferences, and low entry barriers enabled by AI-driven tools and robo-advisors. Zero or low brokerage fees challenge cost differentiation, pushing firms toward value-added services. Low customer loyalty and easy platform switching further escalate the competitive pressure.

- ***Bargaining Power of Customers -***

Customers in the financial services industry wield significant bargaining power due to the abundance of similar platforms and enhanced transparency through digital tools. Retail investors drive competition with demands for features like free account opening and low fees, while institutional clients use large transaction volumes to negotiate better rates and tailored services.

- ***Bargaining Power of Suppliers -***

Suppliers in the financial services industry have moderate to low bargaining power due to diverse options and regulatory oversight. Stock exchanges like NSE and BSE and technology providers are key players, but competition among vendors limits their influence. While skilled talent is crucial, India's growing workforce helps mitigate their leverage. Competitive dynamics and regulations further constrain supplier power.

Supplier power in the financial services industry is limited by competition among stock exchanges and technology vendors, in-house platform development reducing external reliance, and automation reducing dependency on human resources. These factors enable companies to negotiate better terms and maintain flexibility.

- ***Threat of New Entrants -***

The threat of new entrants in the financial services industry is moderate, with regulatory hurdles, high initial investments, and the strong brand recognition of established players posing significant challenges. These barriers reduce the likelihood of disruption, especially in highly regulated and competitive segments.

The rise of fintech has lowered entry barriers in the financial services industry. Startups like Groww and Upstox disrupt traditional players with innovative, low-cost digital platforms targeting tech-savvy consumers. Partnerships with established institutions further help newcomers scale quickly, intensifying competition and challenging incumbents.

- *Availability of Substitutes*

The availability of substitutes in the financial services industry is rising, with alternatives like real estate, gold, crypto currencies, automated advisory services, and DeFi platforms offering diverse options. These substitutes reduce reliance on traditional broking and lending, intensifying competition as consumers explore new financial solutions.

The threat of substitutes in financial services is limited by strong regulatory oversight, which ensures trust, transparency, and security—qualities that substitutes like cryptocurrencies lack. Additionally, comprehensive platforms offering multiple services provide convenience, reducing reliance on alternatives and strengthening the value of traditional services.

Company Analysis

In company analysis, the financial performance of selected firms is examined to assess their profitability. Investors must understand a company's financial performance to evaluate the associated risks and returns of a particular share. Various financial ratios, such as EPS, book value, P/E ratio, return on equity, and dividend payout ratio, are employed to facilitate this analysis.

- *Earnings Per Share* - EPS is calculated by dividing the profit after interest and preferred dividends by the number of equity shares outstanding. EPS serves as an indicator of a company's earning capacity, reflecting its profitability on a per-share basis.

Table 2: Value of EPS

Company (EPS)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	Compound Annual Growth Rate (CAGR)
Motilal Oswal Financial Services	23.5	30.2	35.8	41	56.7	101.48
ICICI Securities	15	18.5	22	52.5	63.6	117.43
Angel One	10.5	12.5	15	134	151	168.87
Prudent Corporate Advisory Services	5	6.5	8	33.5	42.5	206.45
Share India Securities	7	8.5	10	22.2	23	74.11

Table 2 illustrates that the five stocks we selected have shown positive EPS based on data from 2020 to 2024. A positive CAGR indicates an increase in EPS over the years, while a negative CAGR reflects a decline in EPS over the same period

- *Price to Earnings Ratio* - The P/E ratio is a metric that compares the price paid for a share to the income or profit earned by the firm per share. A higher P/E ratio indicates that investors are paying a higher premium for each unit of income generated by the company.

Table 3 : Value of P/E ratio

Company (PE Ratio)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	CAGR
Motilal Oswal Financial Services	40.3	7.36	9.76	9.69	2.53	-3. 1
ICICI Securities	16.47	11.51	13.83	13.83	13.83	-2. 2
Angel One	17.43	8.03	20.3	10.88	22.69	0.4
Prudent Corporate Advisory Services	56.91	77.72	81.03	63.88	81.27	0.9
Share India Securities	14.58	20.4	15.88	14.31	11.89	-2. 2

Table 3 shows that the CAGR values for Motilal Oswal Financial Services, ICICI Securities, and Share India Securities are negative, indicating that the P/E ratios of these three companies have exhibited a downward trend over the past five years

- *Return on Equity* - Return on Equity (ROE) is a key measure of a company's profitability, indicating how effectively the company generates profit using the funds invested by shareholders. It is calculated by dividing the profit after tax by the net worth (or equity) of the company.

Table 4: Value of ROE

Company (ROE)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	CAGR
Motilal Oswal Financial Services	5.94%	28.10%	23.08%	14.90%	27.96%	0.9
ICICI Securities	39.10%	45.20%	57.50%	39.90%	44.20%	0.4
Angel One	38.52%	47.15%	45.20%	43.30%	38.70%	-0.3
Prudent Corporate Advisory Services	28.40%	30.10%	33.20%	37%	33.40%	0.4
Share India Securities	17.09%	47.25%	19.26%	49.56%	22.88%	0.4

Table 4 shows that the Return on Equity (ROE) of Motilal Oswal Financial Services, ICICI Securities, Prudent Corporation Advisory Services, and Share India Securities is on an upward trend, whereas Angel One has exhibited a downward trend.

- *Dividend Payout Ratio* - The Dividend Payout Ratio (DPR) measures the proportion of a company's earnings that is distributed to shareholders in the form of dividends. It is calculated by dividing the annual dividends per share (DPS) by the earnings per share (EPS).

Table 5: Value of DPR

Company (Dividend payout ratio)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	CAGR
Motilal Oswal Financial Services	55.11%	9.78%	9.78%	9.87%	16.15%	-3.1
ICICI Securities	55.35	55.4	55.35	55.4	55.35	-1
Angel One	37%	36%	33%	26%	16%	-2.8
Prudent Corporate Advisory Services	-	-	0.44%	4.30%	4.65%	0.61

Share India Securities	0.08	6.67	8.68	7.97	13.12	0.67
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Table 5 shows that the Dividend Payout Ratio of Motilal Oswal Financial Services, ICICI Securities, and Angel One is on a downward trend, whereas Prudent Corporation Advisory Services and Share India Securities are experiencing an upward trend.

- *Book Value* - This value indicates the portion of the company's equity that remains for common shareholders after all liabilities, including payments to creditors, debenture holders, and preference shareholders, have been settled.

Table 6 : Value of Book value

Company (Book Value)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	CAGR
Motilal Oswal Financial Services	63.52	74.53	94.61	104.99	145.93	141.7
ICICI Securities	54.47	68.67	86	111.79	137.38	141.9
Angel One	298.1	378.2	487.6	584.8	585	210.1
Prudent Corporate Advisory Services	75	90	105	120	137	128.3
Share India Securities	57.71	80.83	118.45	257.21	380.06	217.4

Table 6 shows that all five stocks—Motilal Oswal Financial Services, ICICI Securities, Angel One, Prudent Corporation Advisory Services, and Share India Securities—have demonstrated a positive CAGR value.

Result and Discussion

- *Result*

Table 7: Valuation

Ratio	Motilal Oswal Financial Services	ICICI Securities	Angel One	Prudent Corporate Advisory Services	Share India Securities
Average DPR (Σ DPR/No. of Years)	0.2	0.6	0.3	0.03	0.07
Average Retention Ratio (1- DPR)	0.8	0.4	0.7	0.97	0.93

Average ROE (Σ ROE/ No. of years)	0.2	0.5	0.4	0.3	0.3
Growth in Equity (Avg. Retention Ratio *Avg. ROE)	0.16	0.2	0.28	0.29	0.28
Normalized Average P/E ratio (Σ P/E ratio/ No. of years)	13.93	13.89	15.87	72.16	15.41
Projected EPS (Current EPS * (1 + Growth in equity))	65.77	76.32	193.28	54.83	30.46
Intrinsic Value (Projected EPS * Normalized Avg. P/E Ratio)	916	1060	3067	3956	469
Market Value (as on 15-JAN-2025)	898	829	2427	2741	276

• Discussion

• Intrinsic Value

Motilal Oswal Financial Services: Intrinsic Value > Market Value

We know that if Intrinsic Value is higher than Market value than it is called undervalued, so it is recommended that if one buyer buy this stock it is may be increase in future.

ICICI Securities: Intrinsic Value > Market Value

It is now in a position of undervalued, so it is recommended that if one buyer buy this stock it is may be increase in future.

Angel One: Intrinsic Value > Market Value

It is now in a position of Undervalued, so it is recommended that if one buyer buy this stock it is may be increase in future.

Prudent Corporation Advisory Services: Intrinsic Value > Market Value

It is now in a position of Undervalued, so it is recommended that if one buyer buy this stock it is may be increase in future.

Share India Securities : Intrinsic Value > Market Value

It is now in a position of Undervalued, so it is recommended that if one buyer buy this stock it is may be increase in future.

- *P/E Ratio*

The Price-to-Earnings (P/E) ratio plays a significant role in selecting the best stocks. Among the chosen stocks, the one with the lowest P/E ratio is often considered the best, as it reflects a valuation metric that indicates how much investors are willing to pay for a company's stock relative to its earnings.

Among our five selected stocks, we can see that ICICI Securities has the lowest P/E ratio. Therefore, we can conclude that this stock currently holds the most favorable position.

Conclusion

The stock market topic is now familiar to almost everyone. We can mainly analyze the stock market in three ways: 1. Fundamental, 2. Technical, and 3. Sentimental.

In this paper, we are performing a fundamental analysis of selected financial companies. I believe that conducting fundamental analysis is crucial before purchasing any strong stocks.

Financial markets play a vital role in helping individuals achieve their financial goals, foster job creation, and drive economic growth. They provide a platform for buying and selling various financial instruments, including stocks, bonds, and currencies, thereby facilitating efficient capital allocation and investment opportunities.

From our analysis, we can understand that the stocks we have selected are currently undervalued based on intrinsic value and market value. This means we can say that buying and holding these stocks now may lead to potential growth in the future.

From our analysis of the P/E ratio, we have determined that among the five stocks we selected, one stock is now in the best position. It can be concluded that companies in the financial sector are one of the most promising investment platforms in

the capital market, offering substantial returns for the risks taken by investors.

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