An Analysis on Stock Prices of IT companies in the year 2020

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ABSTRACT

This research paper analyses the changes and fluctuations thathappened in the prices of the stocks in the Information Technology sector in India during the period January 2020 to December 2020 in the five companies:TCS, Infosys, Wipro, HCL and Tech Mahindra using the closing prices of NIFTY Index to analyse. Further, the study has analysed the performance of the stocks of these five companies and also investigated the factors influencing the fluctuations. The major factor appears to be the outbreak of the COVID-19 pandemic. The companies were found to encounter a dip in their stock prices as an impact. While comparing the result of the analysis, it has also been found that the major dip in the stock prices has occurred during the period of March to May 2020.

Keywords: IT Sector, NIFTY, NSE, Stock Exchange, COVID-19 pandemic, Stock market

II INTRODUCTION :

Stock market is a place that brings together thousands of market participants in order to buy and sell shares of public listed companies which is regulated by SEBI in order to ensure fair trade practices and transparency in transactions. The NSE and BSE are the two leading stock exchanges in the Indian market. The stock exchanges are the facilitators in order to raise their capital which probably leads to expansion in their business or help to achieve profit maximization. With the help of stock exchanges, general public will be aware of knowing the company's status and where does the company really stand while comparing with their competitors via their market prices listed in the exchanges. Indian stock market will be working from 9.15am-3.30pm from Monday till Friday.

An Index that helps to measure the prices in stock market in order to help the investors to know and compare their current prices with their past prices in order to analyse their market performance is known as Stock Index or Stock Market Index. Sensex and Nifty are the two top most stock market indices in India. Sensex contains top 30 stocks of public listed companies and Nifty contains 50 stocks of public listed companies.

The Indian IT sector has been playing a huge and eminent role in developing the economic growth of the country. The importance of IT sector is not only for the Nation but also for the whole world. Today, every other sectors in the country is depending on IT sectors because it not only plays a major role at work place but also in our everyday life say for example, we can take computers which is an appliance based on IT. The IT's footprints can be seen everywhere. While comparing with other developed countries, skilled professionals in India are considered as highest cost effective. Aggregate demand and aggregate supply has increased due to the increase in purchasing power of individual consumers. This eventually made the improvement in production of goods and services in India. So, IT sectors play a vital role in economic development in Indian Economy as a whole.

III OBJECTIVES:

- ➢ To analyze the progress and deviations of stocks in IT sector.
- ➢ To analyze the changes and fluctuations of IT sector in the selected year.
- ➢ To study the performance of the stocks of five IT sector companies.
- ➢ To find the causes or factors for the outbreak of stock prices.

IV REVIEW OF LITERATURE:

- According to Sameer Yadav (2017), on a study of stock market volatility in India, the investments are increasing day by day and hence the volatility estimation has to be emerged to plunge the funds in an appropriate manner.
- M.Raju (2019) has conducted a research on Stock market volatility of BSE and NSE in Indian Economy. The paper talks about the global standards before considering a stock volatility and also the NSE and BSE movements.
- Silpa KS, Arya mol J, Dr. A S Ambily (2017) have done a fundamental analysis of selected IT companies listed at NSE. The analysis covers three parts in the study as economic analysis, Industry analysis and company analysis. The paper advises to hold the shares and prevent undervaluation.
- Loveleen Gupta and Rohit Kumar Shrivatsav (2017) on an empirical study of testing the financial integration between stock market of India and Japan stated that the growth of the country is dependent on several factors like economic, financial environment and also the infrastructure.
- Adnan Miski (2016) on a comparative analysis of financial records between Software and Biopharmaceutical corporations stated the importance of liquidity ratio, EPS ratio, Profitability ratio and return on common Equity.
- According to Supratik Sarkar (2020), on a study of covid 19 impact on stock market and economy in India states that the covid-19 outbreak has led to a downfall in almost all the sectors starting from banking to tourism in India.
- Manamani Sahoo (2020) on a study of impact of covid 19 on stock market with evidence has stated the significant changes in the indices of Nifty 50, Nifty 50 midcap, Nifty 100, Nifty 100 midcap and Nifty 200. The study shows the Mondays and Tuesdays effects which have seen to be influenced by the covid sample examination period.
- Sajjan Choudhury (2020) on a study on impact of covid 19 on the stock market stated the fluctuations happened in the stock prices are evident that they are due to the outbreak of Covid – 19. The paper analyzed the study on three phases namely, the incubation phase, the outbreak phase and fever phase.
- Amal Jindal, Dr. Bhupinder, P S Chahal and Dr. Rajeev Prashar (2020) analyzed the impact of covid – 19 on Indian stock markets. It spoke about the reduction of prices in the crude oil due to the pandemic.

V RESEARCH METHODOLOGY :

This paper follows a fundamental analysis which has its source from the secondary data i.e., data that is already available in the internet, magazines, books and other Publications whereas primary data is the data which is collected by the researcher himself. The particulars for this fundamental analysis of the selected five companies were taken from the NSE listed companies' monthly stock prices.The financial figures for this paper comprises the top five companies of IT sector listed in the NSE in the year 2021. Data are collected from different sources on the internet including the NSE,

Investopedia and money control websites. The five top performing companies were selected from the IT sector of Indian stock market were taken. The closing prices of the stocks in NIFTY 50 were considered for this primary analysis.

VI ANALYSIS:

The closing stock prices of the five companies namely TCS, Infosys, Wipro, HCL and Tech Mahindra were taken for the fundamental analysis. The time period taken for the comparison ranges between January 2020 to December 2020.

Analysis on TCS:

YEAR - 2020	MARKET PRICE (INR)
January	2079
February	2000
March	1826
April	2014
May	1972
June	2082
July	2281
August	2257
September	2492
October	2664
November	2679
December	2862

Table 1: Table showing stock price of TCS
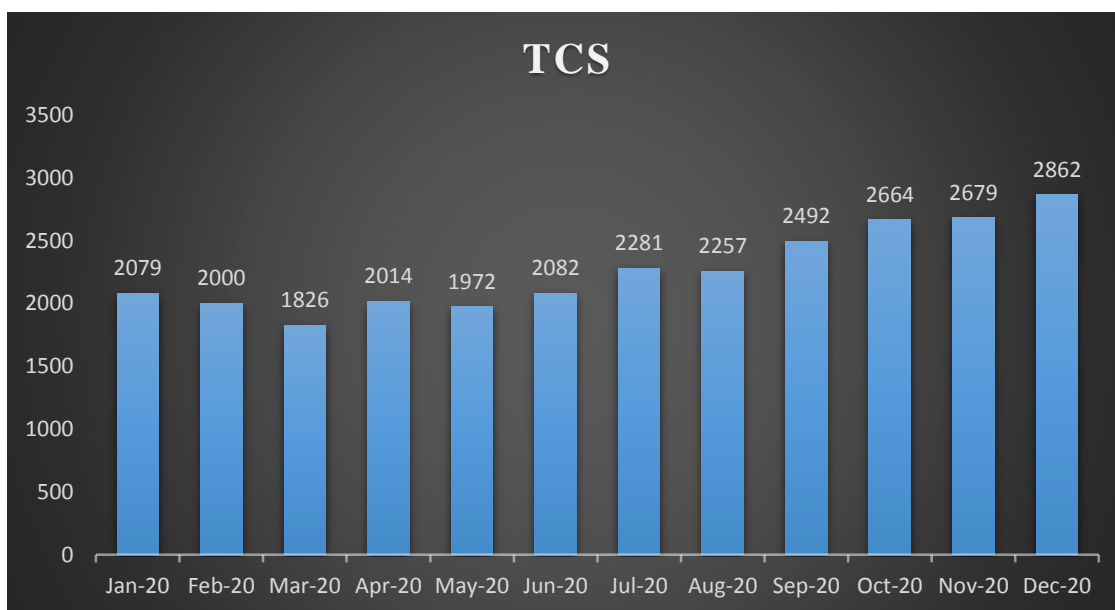
The Market price of the TCS was holding steady in the first month. While in the next following months it got decreased around 12% compared to January month.Later it picked up in the April month with 10% increment.In between April and June, the market price got decreased about 2%. After the month of June, the market price started increasing every month.From January to December, even it floated up and down in the market price but it stood with 8% profit for the investors.

Analysis on Infosys:

YEAR - 2020	MARKET PRICE (INR)
January	775
February	731
March	641
April	715
May	691
June	735
July	966
August	928
September	1008
October	1060
November	1100
Dec-20	1255

Table 2: Table showing stock prices of Infosys.
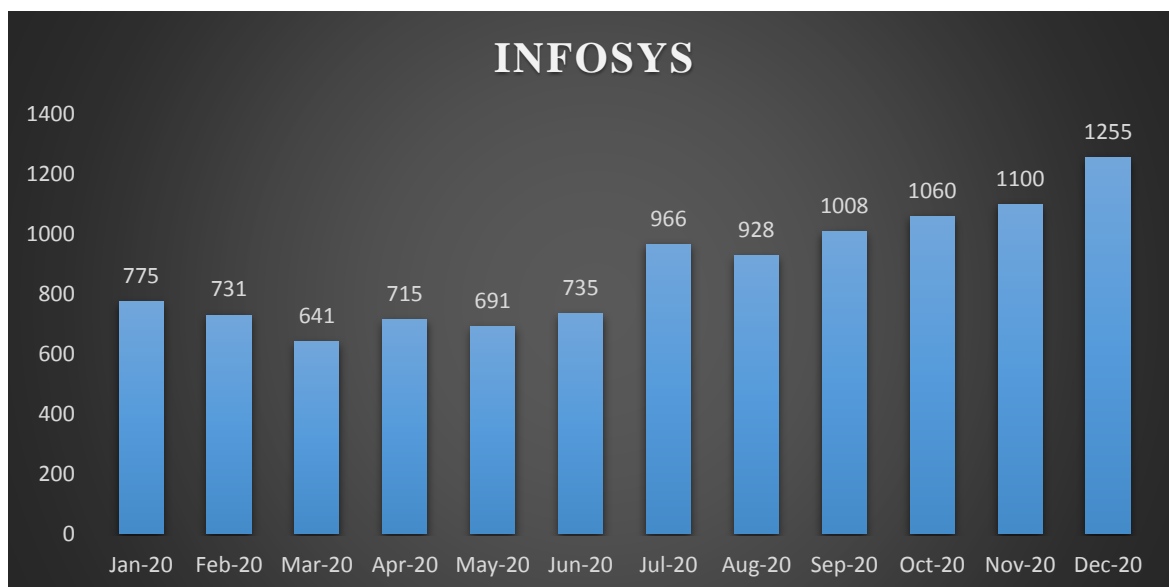
The first month market price of the INFOSYS was high.When it comes to second month and the following month the price got decreased comparatively.In April the market price increased 11% and the following month decreased to 3% of its price.After June, the share price of the Infosys

started to raise month by month without any drop of single unit. When compared with the whole year, the market price of the Infosys shares increased about 48% and made investors profitable.

Analysis on Wipro:

YEAR 2020	MARKET PRICE (INR)
January	248.3
February	240.25
March	223.7
April	180
May	190.05
June	215.85
July	224.2
August	281.55
September	282.85
October	313.05
November	334.8
December	352.85

Table 3: Table showing stock prices of Wipro

The Market price of Wipro was observed to be stable during the early phase of 3 months. Then there was a dip in the month of April. Later which it got recovered by the month of May and June but further got depleted in the month of July. The covid pandemic can be also the reason for the dip but further cases are to be analysed. In the 2nd half of the year 2020, the prices showed a controlled phase of growth and gradual recovery. Overall, the price has faced a dip during the mid-year and recovered towards the end of the year 2020.

Analysis on HCL:

YEAR - 2020	MARKET PRICE (INR)
January	571.95
February	579.1
March	549.7
April	413.55
May	514.25
June	559.75
July	692.75
August	692.65
September	689.6
October	812.95
November	822.4
December	834.1

Table 4: Table shows the stock prices of HCL.
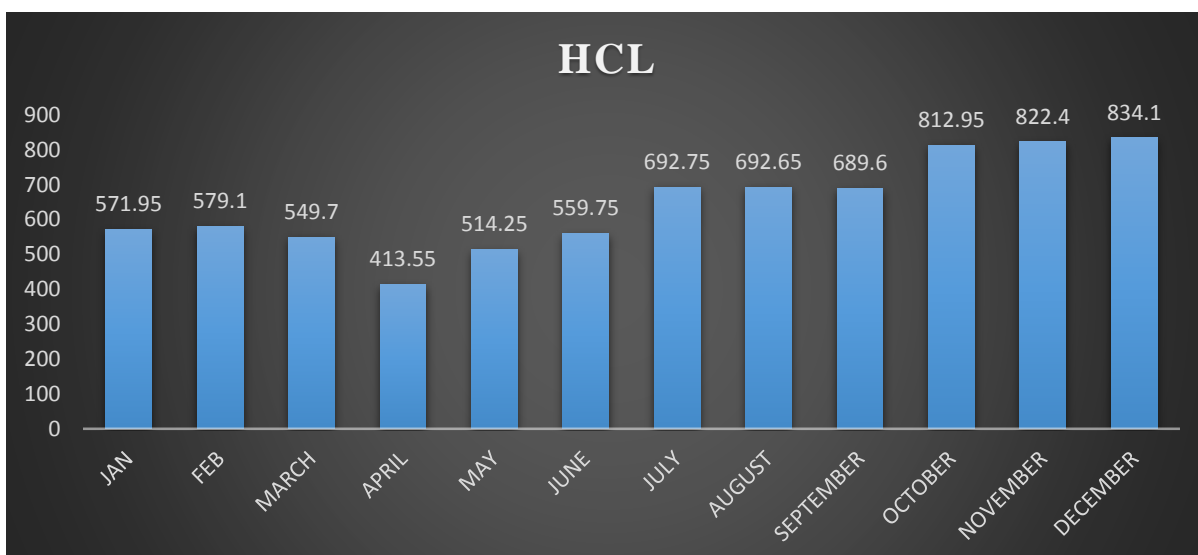
The stock prices of HCL faced a dip in the month of April after being steady for initial three months and recovered in the further months of May and June. The period between July to August was moderate without much fluctuations. The progression was steady during the mid-year. However, like the other companies in the IT sector, the stocks of the HCL faced a huge depletion during the months of March, April and May when the Covid-19 pandemic was at a peak.

The analysis also states that the major outbreak of this might be the less number of available projects for the Information Technology sector since the corona virus was wide spread across all the countries in the world and made survival the only priority to look for at that time.

Analysis on Tech Mahindra:

YEAR 2020	MARKET PRICE

January	762.1
February	793.15
March	744.55
April	511.2
May	502.45
June	543.55
July	545.9
August	673.6
September	727.85
October	822.5
November	814.65
December	907.3

Table 5: Table showing stock price of Tech Mahindra
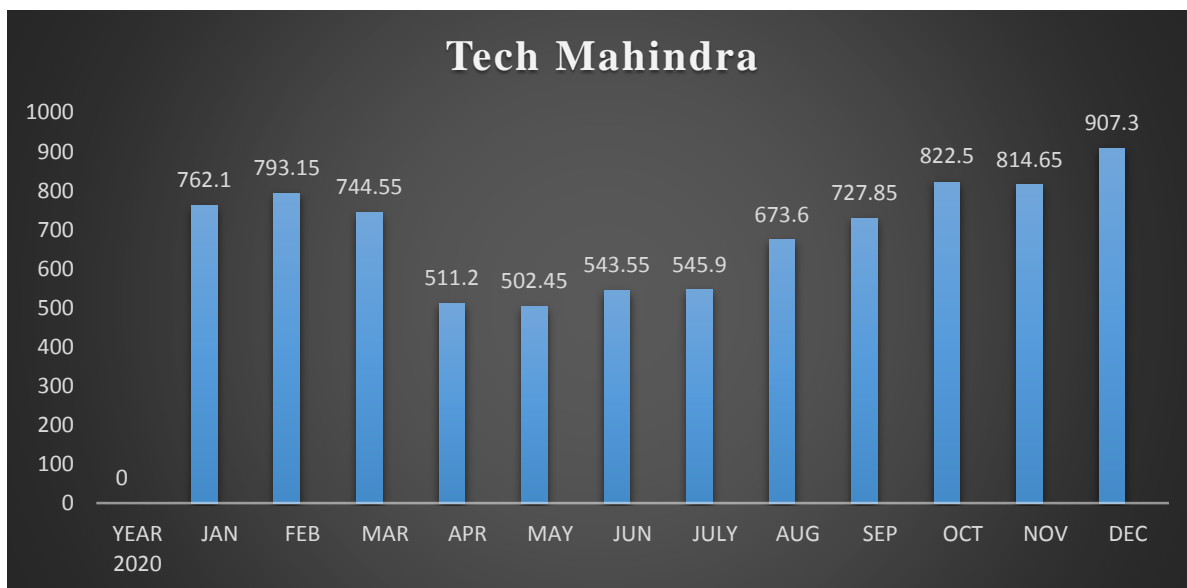
In January, the market price of Tech Mahindra started with a fair scale and in February, it reached a slightly higher phase but in the third month, a mild drop is seen. It went down in the month of April to July, during the peak period of covid and slowly it recovered in the month of August. The prices seem to be struggling in the period between March to May and got gradually recovered in the last phase of the year.

VII COMPARITIVE ANALYSIS OF THE COMPANIES:

On the basis of the fundamental analysis made on the performance of the stock prices, it can be evidently seen that the market has suffered a drop in prices especially during the months of March, April and May. Hence, a comparative analysis has been made exclusively for these three months below.

COMPANIES	TCS	INFOSYS	WIPRO	HCL	TECH MAHINDRA
YEAR-2020	MARKET PRICE	MARKET PRICE	MARKET PRICE	MARKET PRICE	MARKET PRICE
Mar-20	1826	641	224	550	744
Apr-20	2014	715	180	413	511
May-20	1972	691	190	514	502

Table 6: Table showing a comparative analysis of the 5 companies.
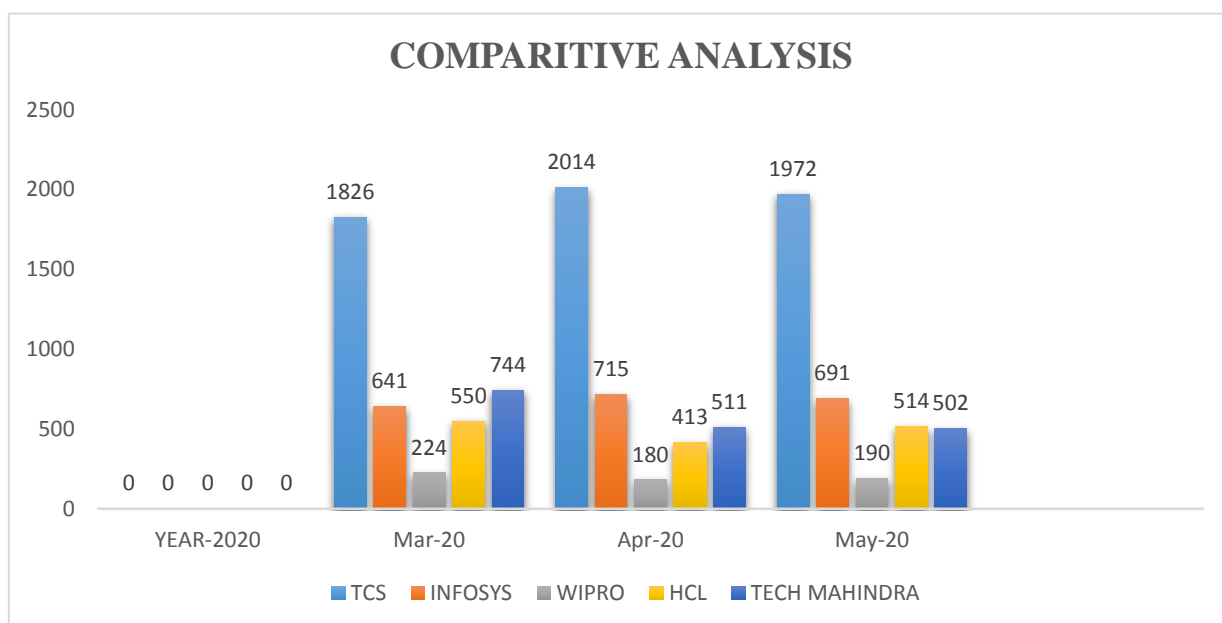
The comparative analysis was done for all the selected five companies exclusively for the time period from March to May 2020 since this period was found to be critical as all the companies seemed to experience drastic fluctuations in the stock prices. On further analysis of factors, it was noticed that the Covid pandemic was reaching a peak in India and it evidently played a major role in the fluctuations of these stock prices.

TCS stocks were found to maintain a decent range amidst the dip in prices. Similarly, the stocks of Infosys have also suffered a drop but managed to maintain the phase. The stocks of Wipro have dropped in the month of April but managed to surpass the month of May. The stocks of HCL were also seen suffering as a reflection of the pandemic and later was seen recovering in the month of May. Compared to the other four listed companies taken for the analysis, the stocks of Tech Mahindrahave drastically dropped its prices.

VIII FINDINDS AND SUGGESTIONS :

Due to the widespread pandemic situation, the share market got depleted drastically.These 5 companies especially depleted in the period of March to May, compared to other months in the year 2020. This might be due to shortage of funding due to lack of projects from their customers since the pandemic has spread across all the countries, creating a freeze in almost all the developmental areas. Hence companies might not be able to acquire projects across countries.The loss of the share market affected the shareholders.This made the people worry and lose hope in the sustainability of the stocks.

The pandemic can be taken as an instance to safeguard further investments in the future stock market by maintaining a fair deal of preparation.Stock market is not constant at any time and thus everyone must be aware of the bull and bear market conditions. To confront these type of situations, long term investments may help the investors to get rid of these conditions.

IX CONCLUSION :

The Information Technology sector has contributed a significant role in the development of the Indian economy. The fast growing industry in the world is the IT sector and the rate of return appears to be fairly moderate. Owing to its speedy growth, these stocks are highly valued for their persistent returns.

From the analysis made above, it is seen that the stocks of TCS, Infosys and Wipro are progressively improving despite the pandemic situation in the country. Meanwhile, the stocks of HCL and Tech Mahindra seem to be overvalued and is expected to drop their prices sooner or later. So it is advised to invest in the stocks of TCS, Infosys and Wipro since they seem to have a growth potential. For every investor who is looking to increase the value of his or her portfolio, the stocks from IT sector remains the answer due to its potential.

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