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A Study on Fundamental and Technical Analysis of 'Suzlon Energy Ltd' to Forecast the Market Trends in the Stock Exchange for The Benefit of Investors

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ABSTRACT:

This study offers a comprehensive analysis of Suzlon Energy Ltd, examining fundamental, qualitative, quantitative, and technical aspects to aid investors. Through a review of existing research, we explore how these analyses contribute to predicting stock market trends, focusing on Suzlon Energy Ltd. Our research aims to forecast Suzlon's future stock price trends and provide actionable insights. Key findings indicate a positive outlook for Suzlon, driven by its strong position in renewable energy and improving financial metrics. However, cautious investment strategies are recommended due to potential challenges. In conclusion, this study serves as a guide for investors, emphasizing thorough analysis, risk management, and the integration of fundamental and technical analyses to navigate Suzlon Energy Ltd's stock effectively.

INTRODUCTION:

This study aims to enhance stock market trend prediction techniques, focusing specifically on SUZLON ENERGY Ltd through technical and fundamental analysis methods. It emphasizes the importance of understanding the Indian stock market basics and associated terminology. Highlighting the growing trend of equity investments among Indian investors, it underscores the need for effective risk management. The study stresses the significance of both fundamental and technical analyses in decision-making, leveraging technology for data processing and integrating various analytical approaches. Overall, it advocates for a combined approach to identify intrinsic value, patterns, and trends in equities for maximizing profits.

RESEARCH QUESTIONS

1. Identify the contribution of fundamental and technical analysis on the decision of investors.

2. Find out the financial and non-financial indicator that affects the price of stocks of SUZLON ENERGY Ltd.

3. What are the factors that influence the trend of the stock market?

RESEARCH OBJECTIVES

Primary Objective:

❖ To know the future increase and decrease of the stock price in SUZLON ENERGY Ltd company stocks through Fundamental and Technical Analysis.

❖ To forecast future trends and provide suitable suggestions to the investors on whether to hold, buy, or sell SUZLON ENERGY Ltd shares.

Secondary Objectives:

❖ To understand the effect of Industry specific factors on stock prices through

Industry Analysis.

❖ To forecast future trends and provide suitable suggestions to the investors

❖ To know how fundamental analysis tools are used to predict the future behavior of the stock

❖ By analysing charts of **SUZLON ENERGY Ltd** by candle stick method to predict the future trend of stock movement in the market.

✦   To have an overall knowledge of the stock market and its techniques to understand and predict for making better financial decisions.

REVIEW OF LITERATURE

1. Devshah et al. (2019): Discusses challenges in stock market prediction, exploring methods like machine learning. Highlights the debate between randomness and predictability, aiming to identify research avenues and obstacles.

2. Meiliani et al. (2020): Analyzes financial ratios for Indonesian manufacturing companies, showing relevance of EPS, PER, DER, and ROA. Reveals negative impact on stock price when ROA rises, emphasizing the importance of EPS for stock price positivity.

3. Erhan et al. (2018): Compares fundamental and technical indicators in stock price forecasting, proving effectiveness in predicting future prices. Employs machine learning to integrate past movements and predict future trends for better investment decisions.

4. Nozario and Silva (2017): Aims to systematize technical analysis knowledge, summarizing studies over 55 years. Focuses on stock analysis, identifies gaps, and suggests future research directions.

5. Slapk et al. (2019): Study fundamental analysis of NSE-listed companies to recommend better investment choices. Analyzes intrinsic value and forecasts future value through fundamental analysis.

6. Veliota (2016): Advocates for fundamental analysis in stock selection, emphasizing the importance of comparing intrinsic value to market price. Stresses the significance of fundamental analysis for informed investment decisions.

7. Sudheer (2015): Conducts empirical study on MACD techniques for recognizing stock trends and associated risks. MACD aids investors in identifying current trends and assessing associated risks in stock trading.

8. Roy (2015): Conducts fundamental analysis and emphasizes the importance of economic environment and industry performance evaluation before investment decisions. Highlights the ongoing debate between fundamental and technical research in security analysis.

RESEARCH METHODOLOGY:

Source of Data:

The study relies on secondary data from sources such as NSE data, the Company Annual Report, balance sheets, and various published sources and websites including nseindia.com, bseindia.com, investing.com, moneycontrol.com, karvyonline.com, screener websites, and chart nexus.

Techniques:

➤   Fundamental Analysis

➤   Technical Analysis

Fundamental Analysis (Qualitative and Quantitative):

Fundamental analysis assesses the intrinsic value of a stock by considering financial statements, external influences, events, and industry trends. It involves historical data analysis, publicly known information about the company, and other relevant undisclosed information. Two main types:

➤   Qualitative: Examines brand value, management decisions, and financial performance.

➤   Quantitative: Analyses financial statements, management, business concept, and competition.

Quantitative Factors:

1. Economy Analysis: World economy, Indian economy, IREDA's Expectations.

2. Industry and Company Analysis: Renewable Energy Industry overview, history of SUZLON ENERGY Ltd, products/services, awards, and achievements.

3. Financial Performance Analysis: Liquidity ratios, Financial Leverage ratios, Efficiency ratios, Market Valuation ratios, Earnings Per Share (EPS), Dividend Yield.

Technical Analysis:

➤   Utilized by traders, analysts, and investors for centuries, it's accepted among regulators and academics, focusing on behavioral finance aspects.

➤   Key tools include Price trends analysis, Candlestick chart patterns, Simple Moving Averages (SMA), and Relative Strength Index (RSI).

ANALYSIS

Fundamental Analysis

Qualitative analysis

1. Economic Analysis

1. **Renewable Energy Sector Favorability:** The global shift towards renewable energy, including wind and solar solutions, signals growth opportunities.

2. **Suzlon's Positioning:** Suzlon Energy Ltd, focusing on wind power solutions, is well-placed to benefit from rising demand in the renewable energy market.

3. **Policy Backing and Economic Trends:** Government support for renewable energy, driven by fossil fuel price increases, augments Suzlon Energy Ltd's growth prospects.

4. **Global Commitment:** Agreements like COP28 and India's renewable energy goals bolster Suzlon's market share by reinforcing the shift towards cleaner energy sources.

5. **Bullish Market Outlook:** Positive economic indicators and increasing emphasis on renewable energy adoption indicate a bullish trajectory for Suzlon Energy Ltd, presenting opportunities for investors.

2. SWOT Analysis based on economic and company analysis

1. **Robust Position:** Suzlon Energy Limited is a strong player in renewable energy, leveraging innovation and global presence.

2. **Challenges:** Facing reliance on government policies and significant debt.

3. **Utilization of Strengths:** Suzlon aims to maintain profitability despite challenges.

4. **Expansion Opportunities:** Growth potential in renewable energy demand and supportive policies.

5. **Threats:** Vigilance is needed against policy changes and technological disruptions.

6. **Strategic Approach:** Suzlon focuses on leveraging strengths, addressing weaknesses, seizing opportunities, and managing threats for sustained growth.

3. PESTLE Analysis based on the above economic and company analysis

1. **Political Stability and Trade Relations:** Favorable political stability and trade relations support Suzlon Energy Limited's expansion efforts.

2. **Economic Factors:** Tax policies and subsidies benefit Suzlon's operational costs, fostering growth.

3. **Social Trends:** Increasing awareness of renewable energy and technological advancements strengthen Suzlon's competitiveness.

4. **Environmental Concerns and Regulatory Compliance:** Adhering to environmental regulations is critical for Suzlon's sustainability and expansion.

5. **Leveraging Strengths:** Suzlon effectively utilizes its strengths to enhance market share and sustain growth in renewable energy.

6. **Addressing Challenges:** A proactive approach to overcoming obstacles like regulatory changes maintains Suzlon's competitive edge and market position.

Quantitative Analysis

4. Financial Ratios

1. **Current Ratio:** Suzlon Energy's current ratio exhibits an upward trend, indicating improved short-term liquidity from 2019 to 2023.

2. **Quick Ratio:** The quick ratio also shows consistent improvement, reflecting enhanced liquidity and ability to meet short-term obligations.

3. **Debt-to-Equity Ratio:** Fluctuations in the debt-to-equity ratio suggest varying levels of financial risk, with a recent decline indicating efforts to reduce debt.

4. **Interest Coverage Ratio:** Suzlon's interest coverage ratio shows improvement, suggesting a strengthened financial position and reduced risk of default.

5. **Asset Turnover Ratio:** The asset turnover ratio indicates improved efficiency in asset utilization, potentially influencing the company's financial health and share price positively.
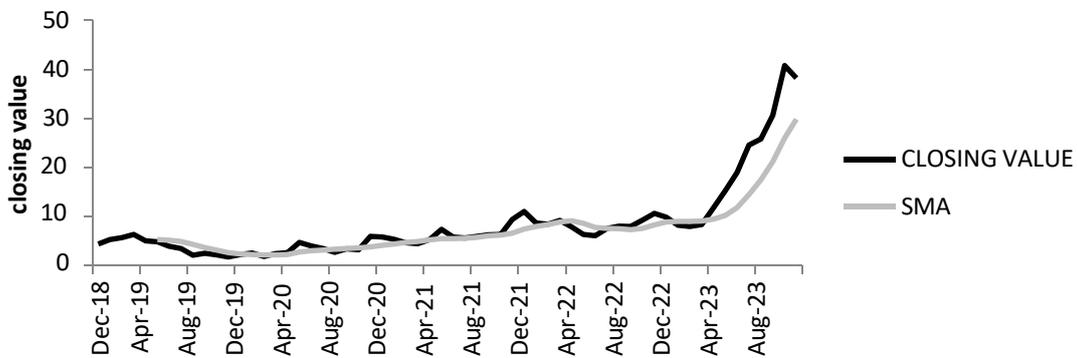
6. **Inventory Turnover Ratio:** Suzlon's inventory turnover ratio demonstrates enhanced efficiency in inventory management, leading to better profitability potential.

7. **Price-to-Earnings (P/E) Ratio:** The fluctuating P/E ratio suggests varying investor perceptions of Suzlon's earnings and valuation, with recent trends indicating potential optimism.

8. **Price-to-Book (P/B) Ratio:** Similar to the P/E ratio, fluctuations in the P/B ratio reflect changes in investor sentiment and valuation of Suzlon Energy Ltd.

9. **Earnings per Share (EPS):** Suzlon's EPS trajectory shows shifts from losses to profitability, indicating improved financial performance and a potential positive impact on the share price.

Technical Analysis

Simple Moving Average (SMA)

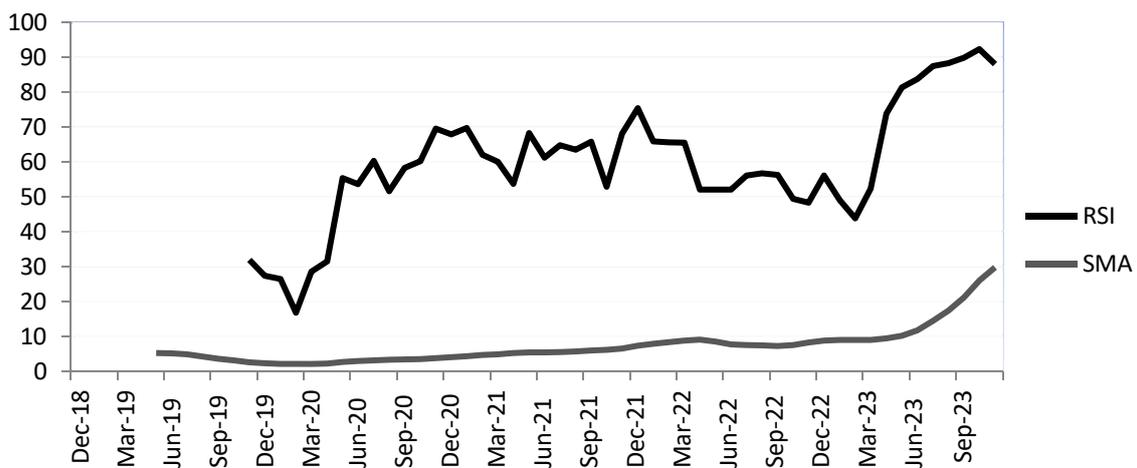**CLOSING VALUE AND SIMPLE MOVING AVERAGE (SMA) ANALYSIS:**

Chart 4.11 - SMA ANALYSIS

Investors may consider buying Suzlon Energy Ltd's stock, especially during the significant uptrend phase identified by the SMA analysis, as it suggests a potential bullish trend and buying opportunities for potential gains. However, thorough research and analysis of other factors are recommended before making investment decisions.

Comparison Of Relative Strength Index (RSI) And Simple Moving Average (SMA)

Chart 4.12 - SMA AND RSI ANALYSIS

Investors may consider buying during bullish periods when both RSI and SMA peak, indicating potential price gains. However, caution is advised during bearish periods characterized by significant declines and stable SMA, suggesting potential price losses. Thorough analysis and risk management are recommended before making investment decisions.

FINDINGS

Qualitative Insights: Global shift to renewable energy favors Suzlon; strong positioning, policy backing, and bullish market outlook.

SWOT & PESTLE Analysis: Suzlon's robust position in renewable energy, strategic approach to challenges, and leveraging of strengths amidst supportive political, economic, social, and environmental factors.

Quantitative & Technical Analysis:

Financial Ratios: Upward trends in liquidity ratios, declining debt-to-equity ratio, and improving interest coverage reflect enhanced financial health. Positive indicators such as EPS trajectory, fluctuating P/E and P/B ratios, suggest investor optimism.

Technical Insights: SMA analysis indicates potential bullish trend during uptrend phases, suggesting buying opportunities. RSI and SMA comparison advises caution during bearish periods to manage potential losses.

OVERALL SUGGESTION

Based on the comprehensive analysis, investors may consider Suzlon Energy Ltd as a potential investment opportunity, especially during bullish phases identified through technical indicators like moving averages and candlestick patterns. However, prudent investment strategies, including diversification and risk management, are essential to navigate potential challenges and capitalize on growth prospects in the renewable energy sector. Additionally, staying updated on market trends and company developments is crucial for informed decision-making and maximizing investment benefits.

CONCLUSION

The comprehensive study on Suzlon Energy Ltd reveals a strong position in the renewable energy sector, supported by favourable economic conditions, policy backing, and global commitments to clean energy. While challenges such as reliance on government policies and significant debt exist, Suzlon's strategic approach and growth prospects make it an appealing investment option, contingent upon careful risk assessment. Quantitative analysis highlights improving liquidity, reduced financial risk, and operational efficiency, although fluctuating ratios like P/E and P/B warrant further investigation into market sentiment and valuation trends. Technical analysis, including candlestick patterns and SMA analysis, provides valuable insights for investors, signalling bullish buying opportunities during uptrends while advising caution during bearish phases.