A COMPARATIVE STUDY ON INVESTMENT ANALYSIS WITH REFERENCE TO ELECTRO STEEL CASTING PUBLIC LIMITED, SRIKALAHASTI.

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ABSTRACT

This project delves into the investment analysis of Electro steel Casting Ltd., a prominent player in the manufacturing of ductile iron pipes, cast iron pipes, and other metallurgical products. With the company gearing up for significant capital expansion, this report evaluates its investment proposals, risk factors, and expected financial performance.The analysis encompasses various investment appraisal techniques such as Net Present Value (NPV), Internal Rate of Return (IRR), and Payback Period (PBP). By investigating these methodologies, the project aims to provide a comprehensive overview of how Electro steel Casting Ltd. strategies its capital investments. The findings underscore the importance of sound investment decisions in contributing to sustained profitability and market competitiveness. Furthermore, the report highlights the company's commitment to innovation and strategic growth that aligns with its long-term organizational goals.

Keywords: Revenue growth, Net Profit Margin, Earning per Share, Debt-to-Equity Ratio.

INTRODUCTION

Electro steel Castings Limited's Srikalahasthi Works, located in Rachagunneri Village near Tirupati, Andhra Pradesh, stands as a premier integrated manufacturing facility in India's ductile iron (DI) pipe industry. Spanning 242 acres, the plant boasts a 400,000 TPA DI pipe production capacity, supported by a 525,000 TPA mini blast furnace, a 280,000 TPA coke oven plant, a 22 MW waste heat recovery power plant, a 200,000 TPA cement plant, and a 16,000 TPA ferro silicon unit. Notably, the facility incorporates a 5 MLD municipal sewage water recycling plant, underscoring its commitment to sustainable operations. In 2024, the addition of a biogas plant processing 500 kg of organic waste daily further enhanced its green initiatives. Originally established as Srikalahasthi Pipes Limited, the unit merged with Electro steel Castings in 2022, reinforcing its position as a key player in the DI pipe sector.

Electro steel Castings Limited, Srikalahasti, is a leading manufacturer of Ductile Iron (DI) Pipes in India, playing a crucial role in water infrastructure development. Located in Andhra Pradesh, the Srikalahasti plant is known for its advanced production facilities and high-quality output. The company caters to both domestic and international markets, offering durable and efficient piping solutions. Electro steel emphasizes sustainable practices, innovation, and engineering excellence. With decades of experience, it continues to be a trusted name in the water supply and sanitation sector.

Investment analysis involves researching and evaluating a security or an industry to predict its future performance and determine its suitability to a specific investor. Investment analysis may also involve evaluating or creating an overall financial strategy.Investment analysis is a vital process of evaluating the potential and performance of investment opportunities to ensure maximum returns with minimum risk. This study focuses on analyzing the financial performance

and investment potential of Electro steel Castings Ltd., Srikalahasthi, a leading manufacturer of ductile iron pipes and fittings. The study aims to assess the company's profitability, growth prospects, and financial stability to help investors make informed decisions. Through this analysis, investors can understand the risk and return characteristics of investing in Electro steel Casting public Ltd.Investment analysis has evolved over decades, drawing from various financial theories, models, and empirical studies. Benjamin Graham (1949) laid the foundation for value investing in The Intelligent Investor, advocating for a margin of safety and intrinsic value assessments.

LITERATURE REVIEW

D.P. Warne (2012) This study explores the investment behaviors of individual investors in the stock market. It highlights how personal characteristics, risk tolerance, and financial literacy influence investment decisions. The findings suggest that investors often act irrationally, influenced by emotions and market sentiments. Behavioral biases like overconfidence and herd behavior are prominent.

Rajeev Jain (2012) This research examines investor attitudes towards secondary market equity investments with a focus on behavioral finance. It reveals that psychological factors such as loss aversion, mental accounting, and past experiences play a major role in shaping investment behavior. The study underscores the impact of market trends and media on decision-making.

Abdul Majeeb Pasha Shaik et al. (2012) The paper investigates the investment objectives of retail equity investors in India. It identifies wealth maximization, tax benefits, and long-term returns as key motivators. The research also finds that demographic factors such as age, income, and occupation influence investment goals. Risk perception significantly affects the selection of investment avenues.

Sukhwinder Kaur (2013) This study compares investor preferences between mutual funds and direct stock market investments. The results show a growing inclination toward mutual funds due to perceived safety and professional management. Investors with limited financial knowledge prefer mutual funds over direct equity due to lower involvement and reduced risk.

S. Umamaheswari et al. (2013) Focusing on salaried individuals in Coimbatore district, this study analyzes investment patterns and awareness levels. It finds that while there is moderate awareness, traditional instruments like fixed deposits and insurance are still popular. Education level and income significantly influence the level of financial awareness and investment diversification.

V.R. Palanivelu et al. (2013) This research identifies preferred investment avenues among salaried individuals in Namakkal Taluk, Tamil Nadu. The study notes a preference for low-risk investments like savings and fixed deposits. However, younger investors show a growing interest in equities. The study highlights the importance of financial planning and awareness programs.

Kaushal A. Bhatt (2013) The study examines the investment and trading patterns of individuals in the stock market. It finds that short-term gains often drive trading behaviors. Many investors lack a long-term strategy and are influenced by market news and peer opinions. The research also points to a low level of technical and fundamental analysis among retail investors.

Kartikey Koti (2014) This paper evaluates investor preferences for stock markets versus alternative investment options. It highlights that while the stock market is gaining popularity, many investors still prefer real estate, gold, and bank deposits. Risk appetite, financial literacy, and market transparency play a role in shaping these preferences.

The reviewed studies collectively highlight that individual investor behavior in the stock market is significantly influenced by psychological, demographic, and socioeconomic factors. Personal traits like risk tolerance, financial literacy, and behavioral biases such as overconfidence, herd mentality, and loss aversion play a crucial role in shaping investment decisions. While mutual funds and traditional savings instruments remain popular among risk-averse and less-informed investors, younger and more aware individuals are gradually shifting towards equity markets. Factors such as income, age, education, and professional guidance influence preferences and awareness levels. Overall, the literature underscores the growing importance of financial education and the influence of behavioral finance in determining investment patterns across various investor segments.

While financial statement analysis is a well-established method for assessing a company's performance, there is limited academic research focused specifically on mid-sized pharmaceutical companies like AXA Parenterals Ltd., especially within the Indian context. Most existing studies tend to concentrate on large multinational corporations or the broader pharmaceutical sector, overlooking the financial dynamics and challenges faced by regional players.

RESEARCH METHODOLOGY

The study is necessary to evaluate and understand how various factors such as risk, return, time horizon, industry trends, and market sentiment influence investment choices. Moreover, the rising interest in behavioral finance, ESG (Environmental, Social, and Governance) investing, and algorithmic trading in recent years (2019–2023) further intensifies the need for in-depth research and practical tools in investment analysis.

The analysis incorporates both fundamental and technical approaches, assessing company financials, industry trends, macroeconomic indicators, and market sentiments. Techniques such as ratio analysis, risk profiling, and portfolio optimization are employed to derive insights into investment performance.

Moreover, the study also explores the behavioral patterns of investors and the growing importance of ESG (Environmental, Social, and Governance) criteria in investment decision-making during the past five years. If focused on a particular firm—such as Electrosteel Castings Ltd.—the study extends to evaluating its financial health, stock performance, and its comparative standing within the steel and infrastructure sectors.

OBJECTIVES

➢ To evaluate the potential risks associated with the investments and determine their feasibility.

➢ To identify the customers associated with the projects & determine their financial viabilities.

➢ To figure out a mix of investments which helps in balancing the potential risks & returns.

➢ To recommend the possible suggestions which helps in improving the company's profitability.

The research design adopted for this study on investment analysis is both descriptive and analytical in nature. It seeks to explore, evaluate, and interpret various investment options, investor behaviors, and financial performance indicators over a defined time period—from 2019 to 2023. The study aims to understand how investment decisions are influenced by internal company fundamentals, external economic factors, and investor sentiments, especially in the aftermath of significant market events such as the COVID-19 pandemic and subsequent economic recovery phases. descriptive aspect of the study involves a detailed review of relevant literature, financial reports, and industry data to provide an overview of current investment strategies, tools, and trends. The analytical component includes ratio analysis, risk-return evaluation, trend analysis, and other financial metrics to assess the viability and performance of specific investment avenues or companies—such as Electrosteel Castings Ltd., if chosen as a case study.

➢ company annual reports,
➢ stock exchange filings (NSE/BSE),
➢ financial statements,
➢ Data Collection Methods

This study relies on secondary data obtained from company annual reports, financial statements, audit reports, and relevant industry reports. Additional financial data may be collected from company websites, stock market reports, and government publications. Quantitative Analysis, Examines financial ratios (liquidity, solvency, profitability), cash flow analysis, and capital budgeting techniques to assess investment viability and financial health. Qualitative Analysis, Evaluates market position, product diversification, operational efficiency, and management expertise to determine long-term growth potential and competitive advantage. Excel application is used for data analysis and all data utilized is publicly available, ensuring compliance with ethical research standards. Proper citations are provided for all secondary data sources.

DATA ANALYSIS AND INTERPRETATION

Investment analysis involves evaluating financial assets, markets, and strategies to make informed investment decisions. It aims to assess potential returns relative to risks, using tools like fundamental, technical, and quantitative analysis. This process supports portfolio construction and asset allocation. Modern approaches also consider behavioral and ESG factors for a comprehensive view.

The analysis of Table 1 the Profit and Loss Account over the five-year period from FY 2020 to FY 2024 reveals significant growth in the company's overall financial performance. Net sales consistently increased year-on-year, rising from ₹2,711.04 crore in FY 2020 to ₹7,478.01 crore in FY 2024, indicating a strong upward trajectory in revenue generation. Other income figures fluctuated during the period, with a notable negative figure of ₹-186.19 crore in FY 2021, suggesting extraordinary or non-operating losses, but this recovered in subsequent years, reaching ₹102.24 crore in FY 2024.

Stock adjustments showed inconsistency, with the highest positive adjustment of ₹386.79 crore in FY 2022, followed by a significant negative adjustment of ₹-108.67 crore in FY 2024. Total

income correspondingly increased from ₹2,842.23 crore in FY 2020 to ₹7,471.58 crore in FY 2024, mirroring the growth in sales and recovery in other income streams.

On the expenditure side, raw material costs represented a major portion of expenses, peaking at ₹4,646.74 crore in FY 2023 before declining to ₹3,648.75 crore in FY 2024. Power and fuel costs, while relatively smaller in magnitude, rose steadily until FY 2023 but were recorded as nil in FY 2024, possibly due to operational efficiencies or outsourcing strategies. Employee costs demonstrated a consistent upward trend, growing from ₹226.61 crore in FY 2020 to ₹477.33 crore in FY 2024, reflecting either expansion in workforce or wage increments. Miscellaneous expenses also rose sharply, particularly from ₹602.22 crore in FY 2020 to ₹2,064.85 crore in FY 2024, indicating increased operational activities or additional overheads.

Table 1 Profit & Loss A/C (All values in ₹ Cr).

PARTICULARS	FY 2024	FY 2023	FY 2022	FY 2021	FY 2020
Income					
Sales Turnover	7,478.01	7,275.51	5,280.95	3,470.56	2,711.04
Net Sales	7,478.01	7,275.51	5,280.95	3,470.56	2,711.04
Other Income	102.24	84.92	57.43	-186.19	33.24
Stock Adjustments	-108.67	160.02	386.79	-68.36	97.95
Total Income	7,471.58	7,520.45	5,725.17	3,216.01	2,842.23
Expenditure					
Raw Materials	3,648.75	4,646.74	3,269.80	1,792.78	1,444.47
Power & Fuel Cost	0.00	334.64	299.24	202.44	169.68
Employee Cost	477.33	430.41	397.69	313.48	226.61
Miscellaneous Expenses	2,064.85	1,286.18	1,003.13	662.63	602.22
Total Expenses	6,190.93	6,697.97	4,969.86	2,971.33	2,442.98

Source: Secondary Data

Total expenses increased from ₹2,442.98 crore in FY 2020 to ₹6,190.93 crore in FY 2024. Although expenses grew significantly, the growth in total income outpaced the rise in total expenses, suggesting improved operational scale and financial strength over the period.

Assumptions for FCF (Financial Cash Flows) Calculation

FCF = Total Income - Total Expenses

(We are ignoring taxes, depreciation, and capex for simplicity unless you want me to consider them.)

The Free Cash Flow (FCF), calculated as the difference between total income and total expenses, demonstrates the company's financial health and its ability to generate surplus cash after covering operational costs over the five-year period from 2020 to 2024. In 2020, the FCF stood at ₹399.25 crores, reflecting a positive cash generation despite operational expenses. However, a decline was

observed in 2021, with the FCF reducing to ₹244.68 crores, indicating tighter margins between income and expenses.

A significant improvement was noted in 2022, as FCF rose sharply to ₹755.31 crores, supported by a substantial increase in total income. This positive momentum continued in 2023, with FCF reaching ₹822.48 crores, further showcasing the company's growing operational efficiency. The most notable performance was recorded in 2024, where FCF peaked at ₹1,280.65 crores, indicating strong revenue generation and effective expense management. Overall, the trend reflects a progressive strengthening of the company's cash flow position, particularly in the later years, contributing to greater financial flexibility and the potential for reinvestment, debt repayment, or dividend distribution.

Table 2 THE BALANCE SHEET OF ELECTRO STEEL CASTING PUBLIC.LTD,

PARTICULARS	FY 24	FY 23	FY 22	FY 21	FY 20
Equity Capital	61.82	59.46	59.46	43.30	43.30
Reserves	4,930.08	4,186.00	3,927.97	2,561.36	2,505.25
Minority Interest	1.53	1.10	1.40	898.06	1.22
Non-Current Liabilities	1,078.69	1,174.62	1,350.80	1,028.90	1,074.51
Total Current Liabilities	2,517.44	2,646.98	2,867.27	1,322.70	1361.87
Total Capital & Liabilities	8,588.02	8,092.06	8,205.49	4,956.26	4,984.92
Non-Current Assets	4,482.99	4,179.98	4,120.60	3,405.74	3,412.65
Current Assets	4,105.04	3,912.27	4,084.90	1,550.52	1,572.27
Total Assets	8,588.02	8,092.06	8,205.49	4,956.26	4,984.92
Contingent Liabilities	1,493.74	2,204.82	1,567.78	779.92	864 .56

Source: Secondary Data

Table 2 Reveals that The balance sheet analysis of Electro Steel Casting Public Ltd. for the five-year period from FY20 to FY24 highlights significant growth in both capital structure and asset base. The equity capital witnessed a gradual increase from ₹43.30 crore in FY20 and FY21 to ₹61.82 crore in FY24, reflecting equity expansion efforts. Reserves demonstrated consistent growth over the years, rising from ₹2,505.25 crore in FY20 to ₹4,930.08 crore in FY24, indicating strong internal accruals and profitability retention. Minority interest remained relatively insignificant, fluctuating marginally during the period.

Non-current liabilities showed a mixed trend, peaking at ₹1,350.80 crore in FY22 before declining to ₹1,078.69 crore in FY24, suggesting efforts toward long-term debt reduction. Total current liabilities initially increased, reaching ₹2,867.27 crore in FY22, but later declined to ₹2,517.44 crore by FY24, indicating improved short-term financial management.

On the asset side, non-current assets steadily increased from ₹3,412.65 crore in FY20 to ₹4,482.99 crore in FY24, reflecting investments in long-term operational assets. Current assets also rose notably from ₹1,572.27 crore in FY20 to ₹4,105.04 crore in FY24, highlighting better liquidity and working capital management. Overall, the company's total assets grew from ₹4,984.92 crore in FY20 to ₹8,588.02 crore in FY24, aligning with the growth in total capital and liabilities.

Contingent liabilities fluctuated over the years, recording the highest value of ₹2,204.82 crore in FY23 before decreasing to ₹1,493.74 crore in FY24. Although contingent liabilities remain significant, the downward trend in the latest year points to a potential reduction in off-balance-sheet risks. Collectively, the balance sheet reflects a healthy expansion in the financial position of the company, marked by increased equity, reserve buildup, and asset growth, alongside controlled liability management.

ANALYSIS OF FINDINGS

The financial data reveals consistent growth in the company's total income and Free Cash Flow (FCF) from FY 2020 to FY 2024, with FCF increasing significantly from ₹399.25 Cr in FY 2020 to ₹1,280.65 Cr in FY 2024, indicating strong operational efficiency. Equity capital and reserves also show a steady upward trend, reflecting strengthened financial stability. Despite this growth, contingent liabilities remain high, suggesting potential future obligations. The balance sheet remains healthy with assets closely matching liabilities each year. Notably, the company has managed to control expenses while boosting income, highlighting robust financial management.

RECOMMENDATIONS

Managers

It is recommended that managers prioritize long-term strategic goals over short-term market fluctuations. A consistent review of financial fundamentals, both at the company and industry level, is essential in aligning investments with growth potential. Furthermore, the integration of Environmental, Social, and Governance (ESG) considerations into investment strategies has become increasingly important, not only to meet stakeholder expectations but also to mitigate non-financial risks. In today's digital age, leveraging technology for financial analysis and forecasting can offer a competitive edge. Managers should explore tools such as Excel-based financial models, automated dashboards, and even AI-driven platforms to optimize decision-making and improve operational efficiency. Transparency in investment reporting and regular performance reviews can also foster greater accountability and investor trust.

Policymakers

One of the foremost recommendations is the enhancement of financial literacy programs at a national level. A well-informed investor base is less susceptible to market speculation and more likely to make rational, long-term investment decisions. Government agencies, in collaboration with SEBI and educational institutions, should design accessible financial education campaigns targeting students, small investors, and rural populations. Secondly, regulatory simplification is essential to reduce the compliance burden on investors and financial institutions. Streamlining processes related to investment approvals, tax structures, and digital KYC (Know Your Customer) requirements can make investing more efficient and inclusive.

Industry development

To foster sustainable growth and attract long-term investment, several recommendations can be made to support the overall development of the industry. A robust and investment-friendly industrial ecosystem not only boosts economic output but also enhances investor confidence and competitiveness on a global scale. Firstly, the industry must prioritize technological modernization and innovation. Investment in automation, digital tools, and smart manufacturing processes can significantly improve productivity and reduce operational costs. Government and industry bodies should collaborate to offer incentives for research and development, especially in capital-intensive sectors like steel, infrastructure, and manufacturing. Secondly, there is a pressing need for skill development and workforce training to meet the evolving demands of modern industry. Training programs aligned with industry 4.0 technologies—such as AI, IoT, and data analytics—should be scaled up in partnership with educational institutions and private players to create a future-ready workforce.

Scholarly contribution

This study on investment analysis, focusing on the period from 2019 to 2024, contributes meaningfully to the academic discourse on financial decision-making, investor behavior, and market performance. However, there are several avenues through which future scholarly research can expand upon and deepen the insights derived from this work. Firstly, scholars are encouraged to explore interdisciplinary approaches by integrating insights from behavioral finance, psychology, and economics into investment analysis. This can provide a more holistic understanding of how investor sentiment, market psychology, and external socio-political events influence financial decisions beyond pure numerical indicators.

Scope for further study

While this study has provided valuable insights into investment analysis practices from 2019 to 2024, there remains considerable scope for further research in this field. Future studies can expand the time horizon to capture long-term investment trends and include data from both bullish and bearish market cycles to improve the reliability of forecasting models and risk-return assessments. Additionally, this research primarily relied on secondary data and focused on a specific sector and market (such as Electrosteel Castings Ltd. in the Indian context). Future researchers could incorporate primary data through investor surveys, interviews with fund managers, or expert panels to gain deeper behavioral insights and validate financial models from a practical standpoint.

Limitations

Firstly, the research heavily relies on secondary data sources, such as annual reports, stock exchange filings, and financial databases. While these are credible and widely accepted, they may lack the depth of insights that primary data—such as direct interviews or surveys with investors— could have provided, particularly in understanding behavioral and psychological investment factors. Secondly, the scope of the study is limited to a specific time frame and may not fully capture long-term investment cycles or the full impact of global economic fluctuations beyond this period. Events such as the COVID-19 pandemic and post-pandemic recovery were considered,

but rapidly changing market conditions and unforeseen global disruptions could affect future outcomes.

CONCLUSION

The present study on investment analysis, with a focus on the period from 2019 to 2023, offers valuable insights into the performance, risk, and return characteristics of investment options in the Indian capital market. By using tools such as ratio analysis, trend analysis, and risk-return evaluations, the study has provided a systematic understanding of how investors and financial managers can make informed decisions based on both historical performance and market dynamics. Through a detailed analysis of secondary data—including company financials, stock performance, and market indicators—the research highlights the importance of aligning investment strategies with long-term financial goals, rather than reacting solely to short-term market fluctuations. It also emphasizes the significance of diversification, data-driven decision-making, and the growing role of ESG considerations in shaping modern investment behavior.

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