

23BAE707 – Security Analysis and Portfolio Management

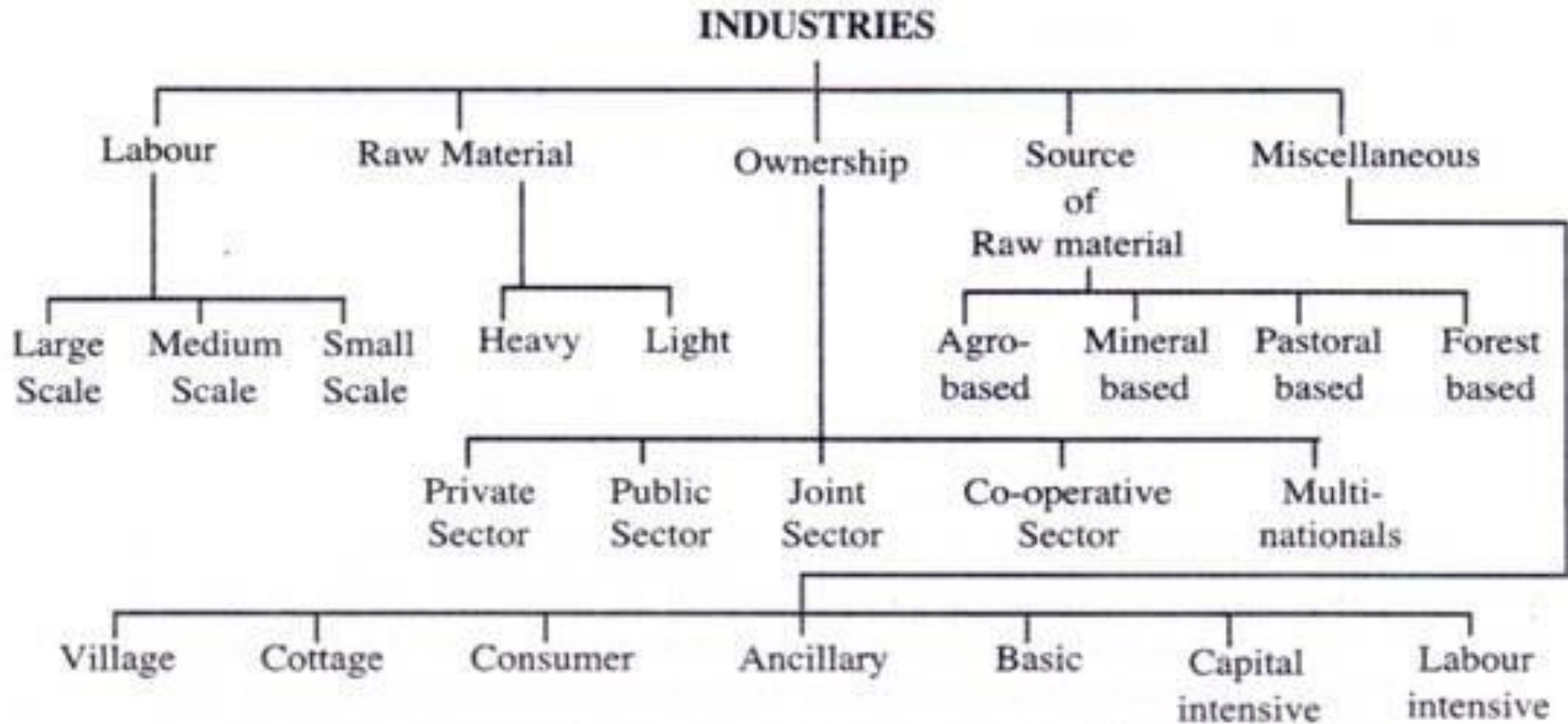
Unit 3 – Fundamental Analysis







Industry Classification





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- ▶ On the basis of strength of labour
- ▶ On the Basis of Raw-Material and Finished Goods
- ▶ On the basis of Ownership
- ▶ On the Basis of Source of Raw Material
- ▶ Miscellaneous Industries



On the Basis of Strength of Labour

- ▶ **Large scale industry:** Industries which employ a large number of labourers in each unit are called large-scale industries. Cotton or jute textile industries are large scale industries. With a capital of 10 Crores
- ▶ **Medium Scale industry:** The industries which employ neither very large nor very small number of labourers are put in the category of medium scale industries. Cycle industry, radio and television industries are some examples of medium scale industries. With a capital of 5 Crores
- ▶ **Small scale industry:** Industries which are owned and run by individuals and which employ a small number of labourers are called small scale industries. With a capital of 30 Lakhs



On the Basis of Raw–Material and Finished Goods

- ▶ **Heavy industry:** Industries which use heavy and bulky raw-materials and produce products of the same category are called heavy industries. Iron and steel industry presents a good example of heavy industries.
- ▶ **Light industry:** The light industry is responsible for small-scale manufacturing. It is concerned with production processes that do not require much capital or space. Rather than intermediaries or other sectors, these industries produce goods for end-users. Also, these industries are allowed to operate near residential areas, industrial parks, public places, etc.,
Examples include food units, paper making, electronic home appliances, etc.



On the basis of ownership

- ▶ **Private Sector Industries:** Industries owned by individuals or firms such as Bajaj Auto are called private sector industries.
- ▶ **Public Sector Industries:** Industries owned by the state and its agencies like Bharat Heavy Electricals Ltd., or Bhilai Steel Plant or Durgapur Steel Plant are public sector industries.
- ▶ **Joint Sector Industries:** Industries owned jointly by the private firms and the state or its agencies such as Gujarat Alkalies Ltd., Cochin Refineries or Oil India Ltd. fall in the group of joint sector industries.
- ▶ **Co-operative Sector Industries:** Industries owned and run co-operatively by a group of people who are generally producers of raw materials of the given industry such as a sugar mill owned and run by farmers are called co-operative sector industries. Example: Indian Coffee House, Indian Farmers Fertiliser Cooperative Limited (IFFCO).



On the basis of source of Raw Materials

- ▶ **Agro Based Industries:** Agro based industries are those industries which obtain raw-material from agriculture. Cotton textile, jute textile, sugar and vegetable oil are representative industries of agro-based group of industries
- ▶ **Mineral Based Industries:** The industries that receive raw materials primarily from minerals such as iron and steel, aluminium and cement industries fall in this category.
- ▶ **Pastoral-Based Industries:** These industries depend upon animals for their raw material. Skins, bones, horns, shoes, dairy, etc. are some of the pastoral-based industries.
- ▶ **Forest Based Industries:** Paper card-board, lac, rayon, resin, tanning of leather, basket industries are included in this type of industries.



Miscellaneous Industry

- ▶ **Village Industries:** Village industries are located in villages and primarily cater to the needs of the rural people. They usually employ local machinery such as oil extraction, grain grinding and agricultural implements.
- ▶ **Cottage Industries:** Industries which artisans set up in their own houses, work with wood, cane, brass, stone, etc. are called cottage industries. Handloom, khadi and leather work at the artisans house fall in this category.
- ▶ **Consumer Goods Industries:** Consumer industries convert raw materials or primary products into commodities directly used by the people. Textiles, bakeries, sugar, etc. are some of the consumer goods industries.
- ▶ **Ancillary Industries:** The industries which manufacture parts and components to be used by big industries for manufacturing heavy articles like trucks, buses, railway engines, tractors, etc. are called ancillary industries.



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- ▶ **Basic Industries:** Industries on which depend many other industries for their manufacturing processes are called basic industries. Iron and steel industry and power generating industry are included in this category.
- ▶ **Capital-Intensive Industries:** Industries requiring huge investments are called capital-intensive industries. Iron and steel, cement and aluminium are outstanding examples of capital-intensive industries.
- ▶ **Labour-Intensive Industries:** Industries which require huge labour force for running them are called labour-intensive industries. In these industries, labour is more important than capital. Shoe-making and bidi-manufacturing, etc. are included in these industries.



Classify the Industry Based on Ownership



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