



FUNDAMENTAL AND TECHNICAL ANALYSIS OF BANKING AND SUGAR SECTOR

Dr. ARUNA N

Aruna.korra85@gmail.com

Assistant Professor, M.R.M Institute of Management, Ibrahimpatnam, Hyderabad

ABSTRACT:

The study is about analysis of volatility of shares in banking sector by using technical analysis. The technical analysis shows the turning points, which predicts when to buy or sell the stock. This paper helps to know which bank performs better compared to other banks based on the price fluctuation by using technical analysis. The Indian economy, but also for the entire world economy. Lots of investors have lost their money as the stock prices have fallen flat all over the world during this period. The banking sector has always been one of the important sectors for investment. In the time of uncertainty, when some are arguing that the economies are in the process of recovery, and while others are opining that the world is set for another recession soon, the present article attempted to study the fundamentals of the banking sector in India. An investment analysis is essential for the benefit of risk reduction and maximizes the gain. The investment analysis on stock market has two main approaches namely technical analysis and fundamental analysis. Technical Analysis is a tool to study and forecast the stock market movements. It is a method of measuring and evaluating the stocks by observing and analyzing Data or statistics provided by market activity, such as past prices and volume etc. Though it does not measure the securities intrinsic value, but help to understand the signals through charts and other tools.

1.0 INTRODUCTION:

Fundamental analysis is a tool which is used to determine a security's value by focusing on essential factors that affect a company's actual business. An investor can use the fundamental analysis on industries or the economy as a whole. The primary goal of fundamental analysis is to describe the nature of an economy, industry and company that an investor can compare with the securities, with the aim of figuring out what sort of position to take with that security in the future. Shares are the one of the best saving instrument to get maximum returns in future compare to any other instrument like Bank deposits, Debenture, Gold etc., but shares have high risk involved. Most of the investors fear about stock market because they don't know the full pledge knowledge in stock market. In share market only our investment make double or triple within a short period when compare to other instrument

Technical Analysis:

The Basic Assumptions Technical analysis is a method of evaluating securities by analyzing the statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. The field of technical analysis is based on three assumptions:

- The market discounts everything.
- Price moves in trends.



- History tends to repeat itself.

Principal Steps in Floating a Public Issue:

In a public issue, investors are allowed to subscribe to the shares being issued by the company during a specified period ranging from a minimum of three days to a maximum of ten days. The issue remains open during this period for subscription by the public. This is the principal activity in the process of a public issue. Before the issue is opened for public subscription, several activities/ legal formalities have to be completed. These are the pre-issue steps or obligations. Similarly, after the issue is closed, several activities are to be carried out to complete the process of public issue. These activities may be designated as the post-issue tasks. Thus, we can identify three distinct stages in the successful completion of a public issue

Types of Investors:

Investors may be individuals and institutions. Individual investors operate alongside institutional investors in the investment arena. However, their characteristics are different. Individual investors are large in number but their investable resources are comparatively smaller. They generally lack the skill to carry out extensive evaluation and analysis before investing. Moreover, they do not have the time and resources to engage in such an analysis. Institutional investors, on the other hand, are the organizations with surplus funds who engage in investment activities. Mutual funds, investment companies, banking and non-banking companies, insurance corporations, etc. are the organizations with large amounts of surplus funds to be invested in various profitable avenues.

Corporate Securities:

Corporate securities are the securities issued by joint stock companies in the private sector. These include equity shares, preference shares and debentures. Equity shares have variable dividend and hence belong to the high risk-high return category, while preference shares and debentures have fixed returns with lower risk.

Bank Deposits:

It is the simple investment avenue open for the investors. He has to open an account and deposit the money. Traditionally the banks offered current account, savings account and fixed deposit account. Current account does not offer any interest rate. The drawback of having large amounts in savings accounts is that the return is just 4.5 per cent. The savings account interest rate is regulated by the Reserve Bank of India and kept low because of the high cost of servicing them. The savings account is more liquid and convenient to handle. The fixed account carries high interest rate and the money is locked up for a fixed period.

2.0 LITERATURE REVIEW:

[1] **Mandal, A., &Sahoo, B. K.(2011).**The research found that,as far as the Indian banking is concerned it can be categorized in different modes such as government owned, private banking and specialized banking institution. In India Reserve Bank of India is the control body which



works above to all Indian banks. Since from 1969 the public sectors banks has cover-up the decades to establish the Indian banking sector due to the demand of customer value and customer base in her research found that technical analysis is a study of the stock market relating to factors affecting the supply and demand of stocks and also helps in understanding the intrinsic value of shares and to know whether the shares are undervalued or overvalued

[2] **Mark P. Bauman (1996)** Stated that the private sector Banks are expanding their products and services into various part of the country and are posing a real competition to the public sector Banks. A study was carried out to analyze the growth and trend of certain financial parameters of public and private sector Banks. in his paper research that Indian economy has been recording impressive growth rates since 1991. The main thrust of the financial sector reforms has been the creation of efficient and stable financial institutions and development of the markets, especially the money and government securities market. In addition, fiscal correction was undertaken and reforms in the banking and external sector were also initiated

[3] **Prakash Tiwari & Hemraj Verma (2009)** Concluded that technical analysis of securities is a study of past price and volume trends to judge the direction of future price movements of scrips. The goal is to produce predictions of price direction and magnitude such that large gains from the relatively few correct predictions are more than enough to offset the many smaller losses from incorrect predictions, leading to a positive return in the long run through proper risk control and money management with the tools. Conducted a study to analyze and understand the equity share of the Canara Bank. The study is fully based on the secondary data which have been collected from the company reports and websites. Today, Canara Bank occupies a premier position in the comity of Indian banks.

[4] **R. Amsaveni and S. Gomath (2013)** Opinion that banking companies in the service sector exhibit the problem of distinct results in terms of efficiency. This problem is a cause of concern for many big organizations in the service sector like hotels, courier companies, hospitals, banks and so on. In particular, the last decade has observed continuous amendment in regulation, technology and competition in the global financial services industry, and Indian banks are no exception.

3.0 METHODOLOGY:

The research is based on the stock prices of three Public Sector Banks listed under BSE i.e. State Bank of India. The study aims at analyzing the price movements of selected Banks scrips. The closing prices of share prices were taken and the future price movement was analyzed using various tools. Data has been collected from trading of equity market in NSE, various books, journals, magazines and websites. The research is based on tools of technical analysis and involves the calculation of MA, ROC & RSI. In this project simple moving average has been calculated by taking the difference of long-term moving average and short-term moving average i.e. short-moving average is average of 3 weeks and long-term moving average is the average of 7 weeks, RSI has been calculated by taking 6 weeks and weekly ROC has been calculated.



Financial Market:

A market is a place used for buying and selling goods. This is the commonest meaning of the word 'market'. The usual features of a market are a place, some buyers, some sellers, some commodity to be exchanged for money or some other commodity. What transpires in a market is an exchange of a commodity between a buyer and a seller. However, such an exchange can take place even without a common meeting place or physical space. Hence, a physical place is not an essential constituent of a market. It is rather the mechanism used for the exchange of goods. In an ordinary market what is usually exchanged is a physical commodity such as fruits, grains, etc. In modern day markets, these commodities are valued in monetary terms and exchanged for money. A commodity that is in demand is exchanged between buyers and sellers in the market. In an economy, the various economic units such as individuals in the household sector, business units in the industrial and commercial sector, and government organizations and departments in the government sector are engaged in various economic activities and transactions involving money. Some of them spend more money than they earn and end up in financial deficit while others earn more money than they spend, thus ending up in financial surplus

Segments of Financial Market:

Different types of securities are traded in the securities market. These may include ownership securities, debt securities, short-term securities, long-term securities, government securities, non-government or corporate securities. The nature of return and risk involved in short-term securities is vastly different from that of long-term securities. Hence, on the basis of the maturity period of securities traded in the market, the securities market is segmented into money market and capital market. Money market is the market for short-term financial assets with maturities of one year or less. Treasury bills, commercial bills, commercial paper, certificate of deposit, etc. are the short-term securities traded in the money market. These instruments being close substitutes for money, the market for their trading is known as money market.

Participants in the Financial Market:

A financial market is essentially a system by which financial securities are exchanged. This system is composed of participants, securities, markets, trading arrangements and regulations. The major participants are the buyers and sellers of securities or the investors (who are the buyers of securities) and the issuers (who are the sellers of securities). Financial intermediaries are the second major class of participants in the financial system. They play a crucial role in the smooth functioning of the financial system. The investors who are the primary lenders in the financial system would prefer to 'lend short', that is, invest their surplus for short durations as they generally have a preference for liquidity. On the contrary, the issuers of securities who are the ultimate borrowers would prefer to 'borrow long', that is, borrow for long durations as the funds are generally required for financing long-term investment in fixed assets.

4.0 RESULTS:

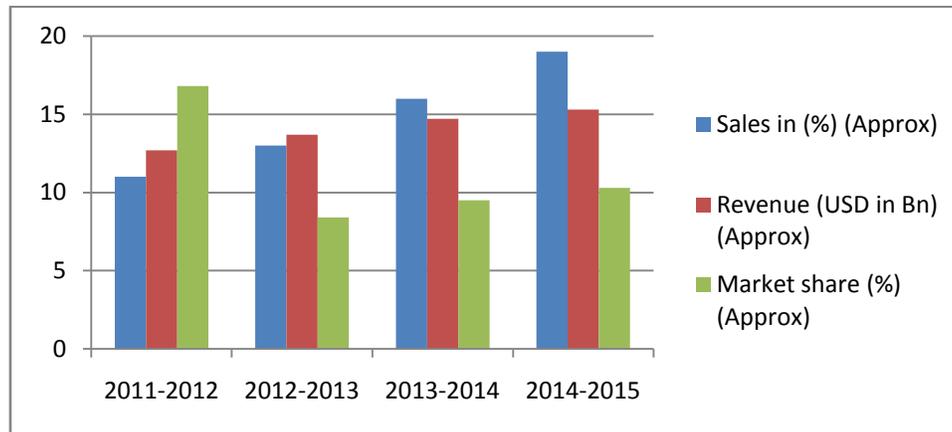
An export plays an important role in the country's economy and develops the level of economic growth, employment and the balance of payments. Export instability may affect the economic growth both positively and negatively. Increase in exports earnings introduces gains in the economy. An Indian export grows at compound annual growth rate of 4.38% and also increase in exchange rate can boost the revenue through exports, which influence in the compound annual growth rate of 6.94%. India is mainly an agricultural country, which contributes about sixteen percent (16%) of total GDP and ten percent (10%) of total exports. A proportion of India's export trade is based on the agricultural products, such as jute, tea, tobacco, coffee, spices, and sugar. It helps in increasing the foreign exchange and Even though, with the growth of other sectors, the overall share of agriculture on GDP of the country has decreased. Still, Agriculture continuously plays a dominant part in the overall Indian economic scenario and table 1 indicates the agriculture production is growing at the lowest compound annual growth rate of 0.49%. The health of the economy of any country can be measured by growth of stock market. The table 1 shows the compound annual growth rate on foreign investments inflows at 11.59 %, which indicates the confident on Indian stock market. The higher foreign investment inflow came in the year of 2014- 2016 about 73561 USD in million and same time foreign reserves also increased at 1.59% of Compound annual growth rate.

Industry analysis:

The Indian pharmaceuticals market share increased at a CAGR of 12.79 percent from 2005 to 2015 and Pharmaceutical exports from India have grown at a CAGR of 21 per cent over the last decade. India's cost of production is significantly lower than that of the US and almost half of that of Europe, which gives a competitive edge to India over others. Indian vaccines are exported to 150 countries. India produces 40-70 percent of the WHO demand. India has been accredited with approximately 1,105 Certificates of Suitability to the monographs of the European Pharmacopoeia (CEP), more than 950 Therapeutic Goods Administration (TGA) approvals and 584 sites approved by US-Food and Drug Association (USFDA). The Government of India is committed to setting up robust healthcare and delivery mechanisms. India accounts for 36.9 per cent (3,411) of the 9,296 Drug Master Files (DMFs) filed with the USA, which is the highest outside of the USA The drugs and pharmaceuticals sector attracted cumulative according to data released by the Department of Industrial Policy and Promotion (DIPP).

Table: Growth of Pharmaceutical Industry

Year	Sales in (%) (Approx)	Revenue (USD in Bn) (Approx)	Market share (%) (Approx)
2011-2012	11	12.7	16.8
2012-2013	13	13.7	8.4
2013-2014	16	14.7	9.5
2014-2015	19	15.3	10.3



Graph: Growth of Pharmaceutical Industry

CONCLUSIONS:

Financial performance through the financial ratios, which indicates that Lupin and Torrent pharm are financially in satisfactory position during the study period Through the fundamental analysis, investor can relate the possible factors to ensure investment risk and expect a reasonable return. But the fundamental analysis does not advice to investors for investment by basis on buying and selling of a particular security. So the investors can take only the decision whether the investment is to be worth or not. The main motto of fundamental analysis is to reduce the risk and maximize the return on investment Technical analysis gives investor a better understanding of the stocks and also gives them right direction to go on further to buy or sell the stocks .Investors must also take into account various factors like Government of India budget, company performance, political and social events, climatic conditions etc. before any decision is made. The scrip should also be fundamentally good. Therefore, the small investors and traders should not blindly make an investment rather they should analyses using the various tools to check if the scrip is technically strong.

REFERENCES:

- [1]Mandal, A., &Sahoo, B. K.(2011).Examining the performance of banks in India: Post transition period. *The IUP Journal of Bank Management*, 10 (2), 7-31.
- [2]Mark P. Bauman (1996) conducted a study named, “A Review of Fundamental Analysis Research in Accounting”. This paper has outlined the development of different accounting valuation model and reviewed related empirical work
- [3]PrakashTiwari&HemrajVerma (2009) conducted a study on “A Fundamental Analysis of Public sector Banks in India”. This article explains the position of the banks with reference to various ratios.
- [4]R. Amsaveni and S. Gomath (2013) conducted on “Fundamental Analysis of Selected FMCG Companies in India”. This study aims to analyze the fundamental analysis of BSE listed FMCG companies in India.