



IJMIRD 2015; 2(3): 576-578
www.allsubjectjournal.com
Impact factor: 3.672
Received: 08-03-2015
Accepted: 23-03-2015
E-ISSN: 2349-4182
P-ISSN: 2349-5979

M. Prakash

Hod / Asst. Professor
Department Of Commerce with
Computer Applicatons
Dr. N.G.P. Arts and Science
College, Coimbatore

S. Namasivayam

Professor
Department Of Commerce with
Computer Applicatons
Dr. N.G.P. Arts and Science
College, Coimbatore

S. Ashwini

Research Scholar
Department Of Commerce
Dr. N.G.P. Arts and Science
College, Coimbatore

M. Gunasekaran

Research Scholar
Department Of Commerce
Dr. N.G.P. Arts and Science
College, Coimbatore

Correspondence:

M. Prakash

Hod / Asst. Professor
Department Of Commerce with
Computer Applicatons
Dr. N.G.P. Arts and Science
College, Coimbatore

Analysis on equity share behaviour of selected companies scrip in pharmaceutical sector and banking sector

M. Prakash, S. Namasivayam, S. Ashwini, M. Gunasekaran

Abstract

The recent development has been the entries of foreign institutional investors are participants to the primary and secondary markets for the securities. Among the developing countries India has received considerable capital inflows in recent years. The liberalisation policy of the government of India has now started fielding results. The economy of the country is mainly based on the development of the corporate sectors. A better understanding of the stock market trend will facilitate allocation of financial sources to the more profitable investment opportunity. The behaviour of stock will enable the investors to make appropriate investment decisions it measures the strength of the money involved in investing in the stocks. Simple moving average model is applied for selected companies which would give the investor a sell signal or buy signal. In India most of the industries require huge amount of investments. Funds are raised mostly through the issue of shares.

Keywords: Capital Inflows, Equity Share, Strength.

1. Introduction

The stock market has an important role in the allocation of the resources, both directly as a source of funds and as a determinant of firm's value and borrowing capacity. The large swings in equity prices in several countries during the 1980s provided additional evidence that market valuations were more variable then the earnings prospects of firms. A growing body of empirical evidence has raised some doubts about whether equity markets are efficient in the sense of appropriately reflective relevant and available information.

1.1 Factors Affected the Share Prices

- **Inflation**

An increase in the cost of goods and services over a period of time. Decreases the purchasing power of the dollar. It is usually measured by the consumer price index.

- **Deflation**

The drop in the cost of goods and services over a period of time. Usually caused by a shrinking supply of money or credit or reduced spending by consumers or government boosts purchasing power of the dollar.

- **Interest Rates**

The fee paid to a leader to borrow its money or a penalty charged for late payments usually shown as annual percentage rate.

- **Exchange Rates**

The price of one country's currency expressed in another country's currency. In other words the rate at which one currency can be exchanged for another.

1.2 Pharmaceutical Sector

The Indian pharmaceutical sector has an estimated market value of about 8 billion dollar. It's at 4th rank in terms of pharmaceutical productions and 13th in term of value it's rowing at the average rate of 7.2% and expected to grow to US\$ 12 billion by 2012.

1.3 Banking Sector

The Indian banking system is financially stable and resilient to the shocks that may arise due to higher non-performing assets (NPAs) and the global economic crisis, according to a stress test done by the Reserve Bank of India (RBI).

2. Literature Survey

Prof. Leopold A. Bernstein (1975) in his article had defended the function and value of fundamental investments analysis as the basis of successful investment in equity shares. He had argued that even though psychological and other factors accounted 50% of price changes the other 50% of it was only due to fundamental factors.

Balasubramaniam. K (1994) examined the behaviour of stock returns in India. He took the daily and weekly prices of 90 shares listed in BSE. He applied auto correlation analysis runs test and filter techniques for the study. He concluded that share price behaviour is not random walk hypothesis.

Chan Chen (1991) examined the difference in structural characteristics that lead firms of different size to react differently to the same economic news. By using time series analysis they found that return difference between small and large firms could be captured by the responses of high leverage firms and marginal firms to economic views.

Neeley (1998) reconciles the fact that using technical trading rules to trade against US intervention in foreign exchange market can be profitable yet long term intervention tends to be profitable.

Bennet, James A. et al (2001) have conducted a study on “can money flow predict is defined as the difference between up stick and down stick dollar trading volume. The study says that despite little published research regarding its usefulness, the measure has become an increasingly popular technical indicator because of its own means. The study summarizes its most important finding that money flow appears to predict cross-sectional variation in future returns.

3. Objectives of the Study

- To analyze the share price behaviour of the selected industries.
- To predict the day to day fluctuations in the stock market using technical analysis.
- To study the price movements in the stock exchange.
- To study the current trend and strength of the trend of selected industries.

- To recapitulate the key findings and offer suggestions to investors.

4. Scope of the Study

A better understanding of the stock market trend will facilitate allocation of financial resources to the most profitable investment opportunity. The study on fluctuation in equity market helps in understanding the behaviour of equity market. The simple moving average indicates the buy and sell signal to the investors. This helps investors in taking good decisions when investing in equity shares.

5. Research Methodology

Research methodology is the primary and basic aspect of any kind of project report. In this part we have to consider the method of data collection, tools and techniques which are going to applied in analysis and interpretation.

5.1 Research Design

This project analyses the equity market and fluctuations in India. It measures the risk involved in investing the stock. Moving Average is applied for selected companies which would give the investors a sell or buy signal. Money flow index is applied to know the strength of money flowing in and out of the security.

5.2 Data and Sources of Data

Secondary data was used for the analysis print media and internet has been used for data collection. The data also obtained NSE websites. The sectors selected are as follows

- **Pharmaceutical Sector-** Cipla, Ranbaxy, Sun Pharm, Glen Mark, Aura Pharm.
- **Banking Sector** –SBI, Yes Bank, IOB, Dena Bank, Axis Bank.

6. Tools Applied

6.1 Simple Moving Average

When the moving average moves above or below the daily chart it may generate buy or sell signal. We can interpret a moving average by comparing the relationship between the moving averages of security price with its security price itself.

- **Buy Signal:** When the securities price rises above its moving average.
- **Sell Signal:** When the securities price falls below its moving average.

Table 1: Moving Average of Pharmaceutical Sector

	CIPLA		RANBAXY		SUN PHARM		GLEN MARK		AURA PHARM	
	Avg closing	MA	Avg closing	MA	Avg closing	MA	Avg closing	MA	Avg closing	MA
May	227.035		210.91		1316.11		227.17		6.347	
June	247.90	244.19	315.002	262.44	1232.53	1246.7	237.70	266.96	6.652	8.259
July	257.65	258.88	260.76	292.09	1191.62	1206.8	336.10	248.49	11.777	11.293
Aug	271.11	260.63	300.51	309.67	1196.54	1227.6	171.76	219.55	15.450	14.571
Sep	253.15	271.13	367.75	375.42	1294.67	1228.9	150.89	156.02	16.487	15.234
Oct	289.15	283.07	390.68	412.28	1375.65	1368.1	145.40	158.29	13.765	15.634
Nov	306.91	308.20	418.43	440	1434.25	1433.1	178.58	221.10	16.650	17.212
Dec	328.56	323.89	511.96	475.69	1489.64	1505.6	339.31	323.37	21.222	20.078
Jan	336.22	326.49	496.68	490.38	1593.03	1509.6	452.22	352.04	22.363	22.133
Feb	314.70	326.13	432.21	485.96	1446.17	1572.4	264.61	338.16	22.816	25.544
Mar	327.47	325.72	468.99	422.93	1678.13	1619.3	297.67	288.19	31.453	28.065
Apr	335.005		367.59		1733.79		302.30		29.926	

Table 2: Moving Average of Banking Sector

	SBI		YES BANK		IOB		DENA BANK		AXIS	
	Avg closing	MA	Avg closing	MA	Avg closing	MA	Avg closing	MA	Avg closing	MA
May	1529.12		105.44		74.86		44.29		699.02	
June	1672.84	1626	140.56	132.99	86.30	82	55.17	50.43	751.24	766.37
July	1676.06	1704.4	152.99	151.23	84.85	84.48	51.85	52.94	848.86	810.36
Aug	1764.37	1806.5	160.16	164.99	82.30	90.05	51.80	54.02	830.98	864.27
Sep	1979.36	196.06	181.83	189.79	103	104.25	58.43	59.78	912.99	908.46
Oct	2139.47	2132.9	227.38	221.11	127.45	112.98	69.12	66.60	981.43	958.3
Nov	2280.12	2221.0	254.14	247.77	108.50	115.98	72.26	75.49	980.66	985.2
Dec	2243.56	2231.6	261.81	259.62	112	113.24	85.10	80.34	993.70	1022.6
Jan	2171.31	2086.3	262.91	254.26	109.23	103.75	83.67	83.41	1093.54	1049.5
Feb	1844.22	2020.1	238.06	250.06	90.04	96.87	81.48	82.01	1061.46	1101.8
Mar	2044.97	2012.4	249.23	251.20	91.34	92.71	80.88	81.47	1150.60	1138.3
Apr	2148.02		266.32		96.77		82.07		1202.99	

7. Results and Findings

The average closing price of Cipla is 335 which is more than the moving average which indicates the buy signal. In the case of Ranbaxy average closing price is lesser than the moving average 367.79 money flow shows the positive money flow. The average closing price of sun pharm is 1733.79 which greater than moving average this indicates security price has been trending up. Price fluctuation is a statistical measure of the tendency of market or security to rise or fall sharply within a short period of time generally higher the fluctuation of a security, greater is its price swings. The average closing price in the glen mark is greater than moving average which is 288.19 this indicates buy signal for the investors. Both positive and negative money flows over the three months. The aura pharm hence represents the securities price has been trending up. This shows the buy signal. In the case of Banking sector represents the trending up buy signal. The yes bank closing price is 266.32 which are more than moving average this shows the buy signal. By analysing this strength and weakness of the scrip is found and the investor can take the decisions.

8. Research Implications

The present study on simple moving average applied on selected scrip of the company's which guides investors to take investment decision. The relative strength index is used to find the strength and weakness of particular scrip. Based on this the investor can buy and sell the shares. RSI will indicate the signal. And also investor can invest in securities which involve less risk. Analysis on Pharmaceutical Sector and Banking Sector reveals that in Pharmaceutical Sector company's such Ranbaxy, Sun pharm and Cipla has a good Growth so the investors can invest in these companies. In Banking Sector Axis bank, State Bank of India, and Yes bank having a good growth the in the market it will give you satisfied return. So the investors can invest in these companies. Axis bank gains a steady growth. So that investing in banking sector would give the investors benefit.

Wide price fluctuations are a daily occurrence on the world stock markets as investors react to economic, business and political events markets have been showing extremely erratic movements, which are in no way tandem with the information that is fed to the markets Pharmaceutical sector is witnessing the tremendous which lead to expand of number of industries These growth lead the people to invest in the pharmaceutical companies except some companies like Aura Pharm which

growth is sliding backwards. So people should watch market updates. Axis bank has been exhibiting very strong growth bank had a growth of more than 17% year on year. In pharmaceutical sector, Sun pharm post strong growth with the launch of Elation. So investing in this company may bring a good return for the investors. SBI shares moving in steady growth. It shows good Sign of the company.

9. Conclusion

In India most of the industries requires huge amount of investment funds are raised through issue of shares. An investor is satisfied from the reasonable return from investment in shares. Speculation involves higher risks to get return on the other hand investment involves no such risks and returns will be fair. The investor should invest in companies by analysing the growth of the company. Technical analysis is used to find the growth and weakness of the share. So this is the duty of the investor to take proper investment decision. Banking industry and Pharmaceutical sector have fast growth in near future it because of policies laid by the government and initiative steps taken by the people. According to the Analyst banking sector set to outperform the market at average return of 20%. So the investors can get the benefit when they invested in this sector. An investor can succeed in his investment only when he is able to select the right shares. The investors should keenly watch the situations like market price, economy, company progress, returns, and the risk involved in a share before taking decision on a particular share. This study made will help the investors know the behaviour of share prices and thus can succeed.

10. Reference

1. Avadhani VA, Investment Management 2nd edition, New Delhi, Himalaya publishing house 1999.
2. Kothari CR. Research Methods and Techniques, (2nd edition, New Delhi, Wishwa Prakashan publishing 2001).
3. Uma Sekaran, Research Methods for Business, Newyork: John Wiley & Sons inc., 2000.
4. Bennet James. A and Sias Richard W. Financial Analyst Journal (vol 57 issue 6, pp 64- 78, 2001).