EQUITY ANALYSIS OF BANKING SECTOR LISTED IN NSE

B.Nisha
Assistant Professor, Department of Management Studies, KG College of Arts and Science, Coimbatore.

Abstract
Each investment alternative has its own strengths and weaknesses. Some options seek to achieve superior returns (like equity), but with corresponding higher risk. Some of the events affect economy as a whole, while some events are sector specific. Even in one particular sector, some companies or major market player are more sensitive to the event. So, the new investors taking exposure in the market should be well aware about the maximum potential loss, i.e. Value at risk. An analysis of securities and the organization and operation of their markets. The determination of the risk reward structure of equity and debt securities and their valuation. Technical analysis is a method of predicting price movements and future market trends by studying charts of past market action which take into account price of instruments, volume of trading and, where applicable, open interest in the instruments. Fundamental analysis is a method of forecasting the future price movements of a financial instrument based on economic, political, environmental and other relevant factors and statistics that will affect the basic supply and demand of whatever underlies the financial instrument.

Keywords: Investors, Market and Price Prediction.

Introduction

Equity analysis is the act of making an ex-ante evaluation of different investment avenues, especially for the equity shares. The purpose of the analysis is to evaluate investment worthiness of the equity shares and find out the appropriate timing of investment in such share. There are two basic types of stock analysis: fundamental analysis and technical analysis. Fundamental analysis concentrates on data from sources including financial records, economic reports, company assets and market share. Technical analysis focuses on the study of past market action to predict future price movement.

Statemement of the Problem

Equity analysis is the study of price movement and trend in markets in order to forecast future prices. The investors face difficulty while identifying the opportunities. So this analysis is directed towards the use of different tools of equity analysis which helps the investor to identify and decide when to buy or sell. In the current economic scenario interest rates are falling and a fluctuation in the share markets has put investors in confusion. One finds it difficult to take decisions on investment. This is primarily, because investments are risky in nature and investors have to consider various factors before investing in investment avenues. Therefore the study aims to analyze the risks in equity schemes among the investors.

Objectives

1. Equity analysis of selected stocks listed in NSE.
2. It aims at analyzing the tools of technical analysis used for forecasting stock prices and interpreting whether to buy or sell them.
3. To know the movements (upward or downward) of stock prices of selected company stocks through Technical analysis using Relative Strength Index (RSI)& Moving Average Convergence and Divergence (MACD).

Review of Literature

1. K.S.Nemavathi & Dr. V.R Nedunchezhian, (2012) in their Study Technical Analysis the researchers finds that the selected securities had high fluctuations during the period to accomplish the objectives set out for this research, the effective tools are used.

2. Dr. Sreemoyee Guha Roy (2013) in her study Equity Research: Fundamental and Technical Analysis, examines the economic environment, industry performance and company performance before making an investment decision. The study arrived at a conclusion about the decision making behavior of the investors.

3. Mrs.J.Nithya & Dr.G.Thamizhchelvan (2014) has found in their study The Effectiveness of Technical Analysis in Banking Sector of Equity Market, aimed at undertaking technical analysis of selected companies included in the CNX Nifty. The purpose of the study demonstrates how technical analysis can be of valuable use for the investors in making their investment decisions. Various analyze tools of technical analysis have been used for forecasting stock prices.

4. P. Devika & Dr. S. Poornima (2015) found in their study of Fundamental Analysis as a Method of Share Valuation in Comparison with Technical Analysis, envisages on different trends of the stock market and it relates the trends towards the usage of Fundamental and Technical analysis.

5. Darshan Shivanand Gadag & Manas Mayur (2016) has founded in their study, Understanding Technical Analysis: A Conceptual Framework, the stock market indicators would help the investor to identify major market turning points. The indicators like Moving averages and MACD is a significant technical analysis tool on any index or stock which helps to understand the price behavior of the shares.

Analysis and Findings

Axis Bank Ltd

Axis Bank Limited (formerly UTI Bank) is the third largest private sector bank in India. The bank offers financial services to customer segments covering Large and Mid-Sized Corporates, MSME, Agriculture and Retail Businesses. Axis Bank has its registered office at Ahmedabad. The current market capitalization stands at Rs 96,542.16 crore. For the quarter ended 31-Dec-2015, the company has reported a Standalone Interest Income of Rs. 7529.37 Cr., up 2.52% from last quarter Interest Income of Rs. 7344.01 Cr. and up 15.80% from last year same quarter Interest Income of Rs. 6501.92 Cr. Company has reported net profit after tax of Rs. 2175.30 Cr. in latest quarter.
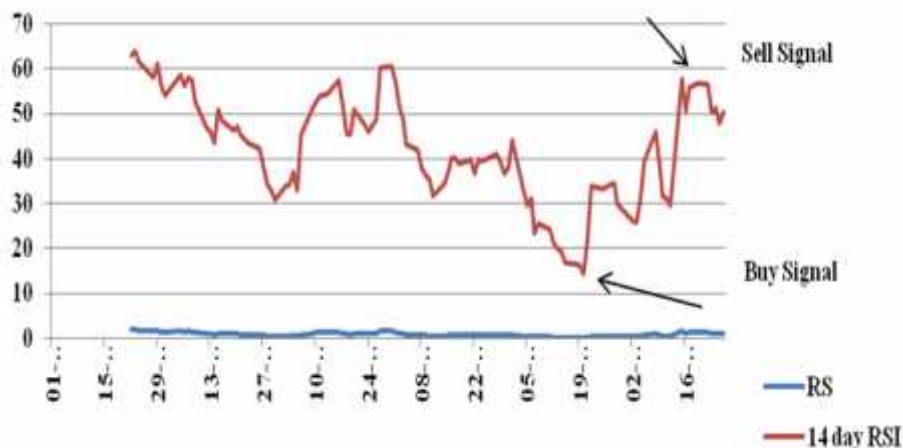
RSI
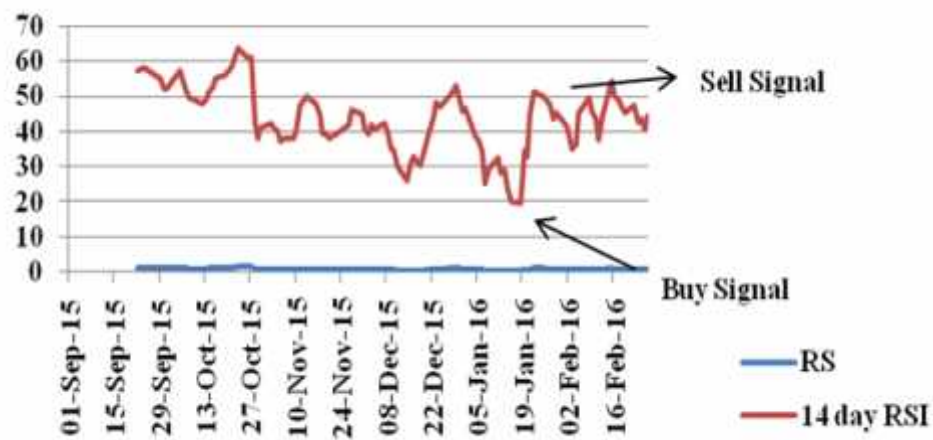
From the line Chart of Axis Bank Ltd., the 14 – day RSI line are plotted. The RSI line shown in the chart is used to identify the overbought and over sold situations. During January 2016, RSI is below 30 which is considered to be buy (i.e), indicates a bearish trend. While near the end of the period, it touches 40 with upward movement, which is considered Bullish, so investors can sell their shares.

Bank of Baroda
Bank of Baroda was founded by Maharaja Sayajirao Gaekwad in July 1908. It started with a paid up capital of Rs 10 lakh. Bank of Baroda is a pioneer in various customer centric initiatives in the Indian banking sector. Bank is amongst first in the industry to complete an all–inclusive rebranding exercise wherein various novel customer centric initiatives were undertaken along with the change of logo. As per the revised and rebased estimates for GDP data released by Central Statistical Office (CSO), the GDP is to grow at 7.4% in 2014–15 as against 6.9% in 2013–14 and 5.1% in 2012–13. While the industry and services sector are estimated to grow at a higher rate in 2014–15 than that in 2013–14, the agriculture sector was affected adversely by deficit and uneven spatial distribution of rains during kharif season and unseasonal rains in rabi season. The index of industrial production (IIP) which saw buoyant growth in first quarter of the year slipped sharply only to rise again in February 2015 at 5%.

RSI

From the line Chart of Bank of Baroda., the 14 – day RSI line are plotted. The RSI line shown in the chart is used to identify the overbought and over sold situations. During January 2016, RSI is below 30 which is considered to be buy (i.e), indicates a bearish trend. While near the end of the period, it is between 50 and 70, which is considered Bullish and again it touches the 50 so it is considered to be safe thus the investor can wait for better share price movement in future.

Bank of India
Bank of India is in the Banks - Public Sector. The current market capitalization stands at Rs 7,055.53 crore. It is listed on the BSE with a BSE Code of 532149 and the NSE with an NSE Code of BANKINDIA. It is incorporated in the year 1906, is a Mid Cap company (having a market cap of Rs 6,807.89 Cr.) operating in Banks sector. The Bank has reported a Gross Non Performing Assets (Gross NPAs) of Rs 36519.14 Cr. (9.18% of total assets) and Net Non Performing Assets (Net NPAs) of Rs

19978.60 Cr. (5.25% of total assets).For the quarter ended 31-Dec-2015, the company has reported a Standalone Interest Income of Rs. 7180.96 Cr., down -8.29% from last quarter Interest Income of Rs. 7830.33 Cr. and down -10.39% from last year same quarter Interest Income of Rs. 8013.20 Cr. Company has reported net profit after tax of Rs. -1505.58 Cr. in latest quarter.
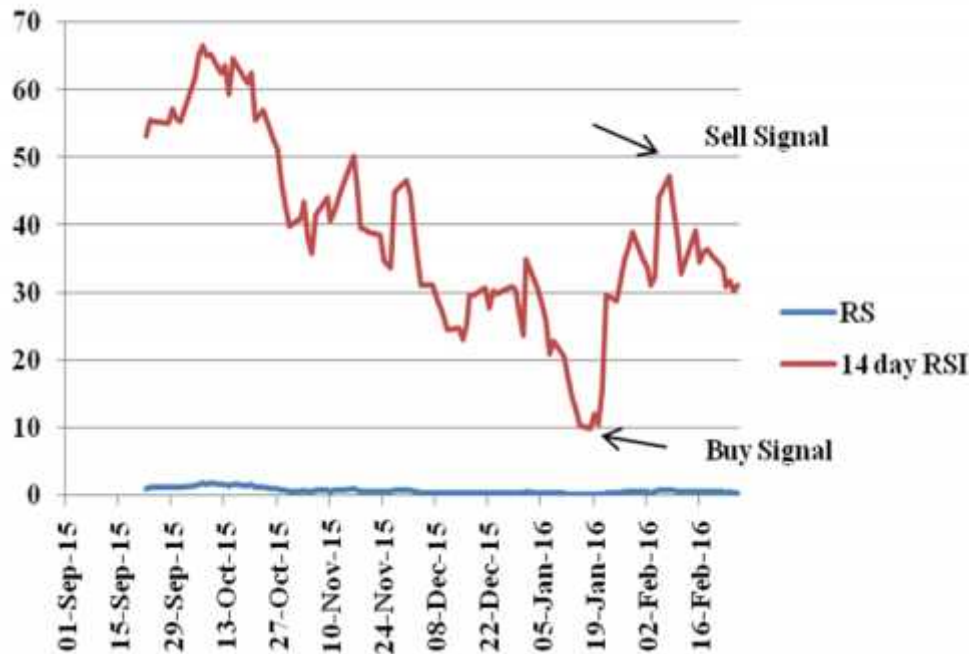
RSI

From the line Chart of Bank of India., the 14 – day RSI line are plotted. The RSI line shown in the chart is used to identify the overbought and over sold situations. After January 2016, RSI is below 30 which is considered to be buy (i.e), indicates a bearish trend. While near the end of the period, it reaches the 50 which is considered to be safe with pace of increase with upward movement so investors can sell their shares.

Canara Bank
Canara Bank, incorporated in the year 1996, is a Mid Cap company (having a market cap of Rs 8,763.88 Cr.) operating in Banks sector. Its key Products/Revenue Segments include Interest & Discount on Advances & Bills which contributed Rs 32066.12 Cr to Interest Income (73.29% of Total Interest Income),Income From Investment which contributed Rs 10923.75 Cr to Interest Income (24.96% of Total Interest Income),Interest On Balances with RBI and Other Inter-Bank Funds which contributed Rs 759.79 Cr to Interest Income (1.73% of Total Interest Income),Interest which contributed Rs 0.38 Cr to Interest Income (0.00% of Total Interest Income), for the year ending 31-Mar-2015. The Bank has reported a Gross Non Performing Assets (Gross NPAs) of Rs 19813.44 Cr. (5.84% of total assets) and Net Non Performing Assets (Net NPAs) of Rs 12940.10 Cr. (3.90% of total assets).For the quarter ended 31-Dec-2015, the company has reported a Standalone Interest Income of Rs. 7629.14 Cr., down -6.11% from last quarter Interest Income of Rs. 8126.01 Cr. and down -5.38% from last year same quarter Interest Income of Rs. 8063.26 Cr. Company has reported net profit after tax of Rs. 84.97 Cr. in latest quarter.

RSI

From the line Chart of Canara Bank., the 14 – day RSI line are plotted. The RSI line shown in the chart is used to identify the overbought and over sold situations. After January 2016, RSI is below 30 which is considered to be buy (i.e), indicates a bearish trend. While near the end of the period, it seems nearer to the 30, but again it leans to reaches up so one should sell their shares in near future period.

Federal Bank Ltd
Federal Bank Ltd., incorporated in the year 1931, is a Mid Cap company (having a market cap of Rs 7,915.49 Cr.) operating in Banks sector. Its key Products/Revenue Segments include Interest & Discount on Advances & Bills which contributed Rs 5446.83 Cr to Interest Income (73.41% of Total Interest Income),Income From Investment which contributed Rs 1835.92 Cr to Interest Income (24.74% of Total Interest Income),Interest which contributed Rs 74.35 Cr to Interest Income (1.00% of Total Interest Income),Interest On Balances with RBI and Other Inter-Bank Funds which contributed Rs 62.36 Cr to Interest Income (0.84% of Total Interest Income), for the year ending 31-Mar-2015.

 The Bank has reported a Gross Non Performing Assets (Gross NPAs) of Rs 1684.11 Cr. (3.15% of total assets) and Net Non Performing Assets (Net NPAs) of Rs 876.10 Cr. (1.66% of total assets).For the quarter ended 31-Dec-2015, the company has reported a Standalone Interest Income of Rs. 1385.54 Cr., down -1.04% from last quarter Interest Income of Rs. 1400.05 Cr. and down -0.96% from last year same quarter Interest Income of Rs. 1398.96 Cr. Company has reported net profit after tax of Rs. 162.72 Cr. in latest quarter.

Research Paper
Impact Factor: 4. 695
Peer Reviewed & Indexed Journal

IJMSRR
E- ISSN - 2349-6746
ISSN -2349-6738

RSI

From the line Chart of Federal Bank., the 14 – day RSI line are plotted. The RSI line shown in the chart is used to identify the overbought and over sold situations. During January 2016, RSI is below 30 which is considered to be buy (i.e), indicates a bearish trend. While near the end of the period, it is reaches 50 with upward movement which are considered to be Bullish, so one can sell their shares in near future period.

Findings
1. During December 2015 Axis Bank, RSI line indicates that near the end of the period lies between 50 and 70, which is considered Bullish. So investor can sell the shares at this period.
2. During December 2015 Bank of Baroda, . RSI line touches the 50 so it is considered to be safe thus the investors can wait for the better share price movement to sell their shares in future.
3. During January 2016 Bank of India, RSI it reaches the 50 which is considered to be safe again it grows up so investors can sell the shares in future period.
4. During November 2015 Canara Bank, RSI line reaches the 50 in certain period which is considered to be safe with pace of increase with upward movement so investors can sell their shares.
5. During January 2016 Federal Bank, RSI lies between 50 to 70 which are considered to be Bullish, so the investor can sell the shares in future period.

Suggestions
1. To get good return investors must invest considering the time horizon of at least two to three years. This will help him in getting good returns.
2. Before investing on any shares investors can use Technical analysis for safe investment and for better returns.

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 fluctuations in equity market helps in

understanding the behavior of equity market. It helps the investors to be aware about deviations in the returns of the stocks. The study also helps the Investors to ascertain the risk and return of the stocks. This will help the investors viz, individuals, Files in identifying the stocks which would yield them higher return and lesser risk.

Conclusion

Technical Analysis is a technique which gives an idea about the future share prices of selected companies in which we invest. On the basis of the knowledge of technical analysis one can predict the perfect investment decision of the stock market. By using the technical indicators the future market of securities would be known in which to invest. It allows them to get knowledge about financial market and to avoid facing high risk in the share market. On the basis of prediction of 5 different bank and its pattern of share price used to predict the possible future swings of price in the market. According to RSI, there is an increase in RSI value which indicates that there is increase in the share price. This states to the investor that it is a strong sell signal. Whenever there is a decrease in share price value, which indicates the investor that it is strong buy signal. We can conclude from the result that technical indicators can play useful role in the timing stock market entry and exit. By applying technical indicators investors enjoy substantial profit. Therefore, the small investors and traders should not blindly make an investment rather they should analyze using various tools to check if the scrip is technically strong.

References
1. K.S.Nemavathi & Dr. V.R Nedunchezhian (2012) "A Study on Technical Analysis with Special Reference to Cement Sector" International Journal of Software and Web Sciences (IJSWS), Vol. 2 (1), pp.30-32, ISSN : 2279 – 0071
2. Dr. Sreemoyee Guha Roy(2013)"Equity Research: Fundamental and Technical Analysis", International Journal of Science and Research (IJSR) Volume 4 Issue 9, ISSN : 2319-7064.
3. Mrs.J.Nithya & Dr.G.Thamizhchelvan (2014) "Effectiveness of Technical Analysis in Banking Sector of Equity Market", IOSR Journal of Business and Management (IOSR-JBM), Volume 16, Issue 7, PP 20-28, ISSN: 2319-7668.
4. P. Devika & Dr. S. Poornima (2015) "Fundamental Analysis as a Method of Share Valuation in Comparison with Technical Analysis", Journal of Exclusive Management Science, Vol 4, Issue 12, Page 1- 8, ISSN 2277 – 5684.
5. Darshan Shivanand Gadag & Manas Mayur (2016) "Understanding Technical Analysis: A Conceptual Framework", International Journal of Advanced Research in Management and Social Sciences, Vol. 4, No. 4, ISSN: 2278-6236.

Bibliography
1. Dhanesh khatri (2010), "Security Analysis and Portfolio Management", Macmillan publishers India Ltd, New Delhi.
2. www.nseindia.com.
3. www.moneycontrol.com.