



EQUITY ANALYSIS OF PHARMACEUTICAL SECTOR LISTED IN NSE

D.M. Lavanya

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.

Statement 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. R. Chitra (2011) in her study Technical Analysis on Selected Stocks of Energy Sector, finds that significant technical analysis of selected companies helps to understand the price behavior of the shares, the signals given by them and the major turning points of the market price. This in turn would help the investors to identify the current trend and risks involved with the scrip on par with market.
2. Ms. Anju bala (2013) in his study Indian Stock Market, facilitates to know the past, current and future trend or prospects of stock market. This study provides guidelines to investor to maximize the returns and minimizing the risks. As a result, high degree of volatility in the recent times in the Indian market has led to more development in the future.
3. Suresh A.S (2013) in his research Fundamental And Technical Analysis that unique nature of capital market instruments forces investors to depend strongly on fundamental factors in their investment decisions. These fundamental factors relate to the overall economy or a specific industry or a company.
4. Sakshi Varshney (2014) in her study Technical Analysis Of Indian Pharmaceutical Companies, states that stock markets act as a barometer of economy progress and it encourages the mobilization of funds, provision of equity capital to the corporate sector and provides adequate returns for the investors. Technical analysis were used in her study which is a price forecasting technique using past trends to project the future price movements of stock, trading in the stock market, this attempt has been made to forecast the company's return in forthcoming period by using the indicators.
5. Thangjam Ravichandra, Ashish Chacko & Shruti Ganguly (2016) from the study of technical analysis of selected equity shares through various method, is to advice any investor regarding the optimum situations in the market to buy and sell. This study suggests that investor how to react to various given situations in the market. The study concludes about predicting and investing on the shares by means of terms, patterns and indicators.

Analysis and Findings

Aurobindo Pharma Ltd

Aurobindo Pharma Ltd., incorporated in the year 1986, is a Large Cap company (having a market cap of Rs 35978.1 Cr.) operating in Pharmaceuticals and health care sector. Its key Products/Revenue Segments include Tablets & Capsules (Formulations) which contributed Rs 4421.38 Cr to Sales Value (53.62% of Total Sales), Active Pharma Ingredients which contributed Rs 2729.47 Cr to Sales Value (33.10% of Total Sales), Injections which contributed Rs 451.40 Cr to Sales Value (5.47% of Total Sales), Syrups which contributed Rs 413.85 Cr to Sales Value (5.01% of Total Sales), Export Incentives which contributed Rs 69.95 Cr to Sales Value (0.84% of Total Sales), Service Income which contributed Rs 3.79 Cr to Sales Value (0.04% of Total Sales), for the year ending 31-Mar-2015. For the quarter ended 31-Dec-2015, the company has reported Standalone sales of Rs. 2302.02 Cr., up 8.43% from last quarter Sales of Rs. 2122.97 Cr. and up 10.97% from last year same quarter Sales of Rs. 2074.36 Cr. Company has reported net profit after tax of Rs. 465.71 Cr. in latest quarter.



MACD Indicator

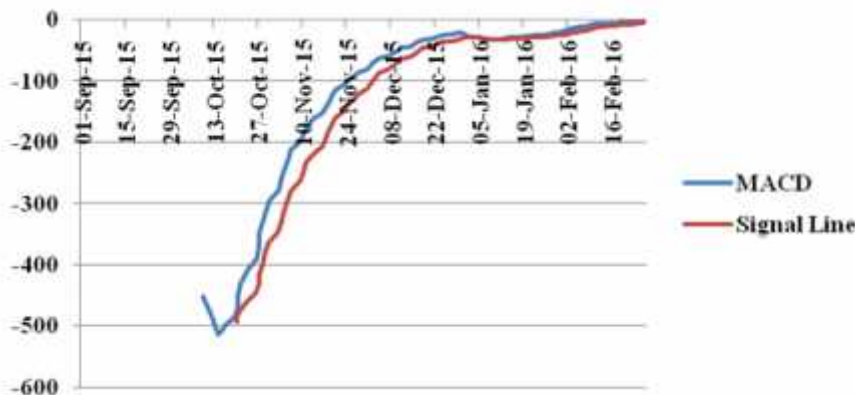


From the line Chart of Aurobindo Pharma Ltd., the MACD line is a above zero line and almost parallel with signal line, which indicates Bullish trend. During January 2016 MACDis in negative zone with declining trend in the market. So the shares can be sold in the near future period.

Cadila Healthcare Ltd

Cadila Healthcare Ltd., incorporated in the year 1995, is a Large Cap company (having a market cap of Rs 32836.54 Cr.) operating in Pharmaceuticals and health care sector. Its key Products/Revenue Segments include Tablets which contributed Rs 2133.40 Cr to Sales Value (39.78% of Total Sales), Others which contributed Rs 932.40 Cr to Sales Value (17.38% of Total Sales), Capsules which contributed Rs 864.50 Cr to Sales Value (16.12% of Total Sales), Other Operating Revenue which contributed Rs 559.90 Cr to Sales Value (10.44% of Total Sales), Injections which contributed Rs 439.90 Cr to Sales Value (8.20% of Total Sales), Bulk Drugs which contributed Rs 393.40 Cr to Sales Value (7.33% of Total Sales), Royalty Income which contributed Rs 38.40 Cr to Sales Value (0.71% of Total Sales), for the year ending 31-Mar-2015. For the quarter ended 31-Dec-2015, the company has reported a Standalone sales of Rs. 1585.00 Cr., down -9.47% from last quarter Sales of Rs. 1750.72 Cr. and up 27.45% from last year same quarter Sales of Rs. 1243.67 Cr. Company has reported net profit after tax of Rs. 469.50 Cr. in latest quarter.

MACD Indicator



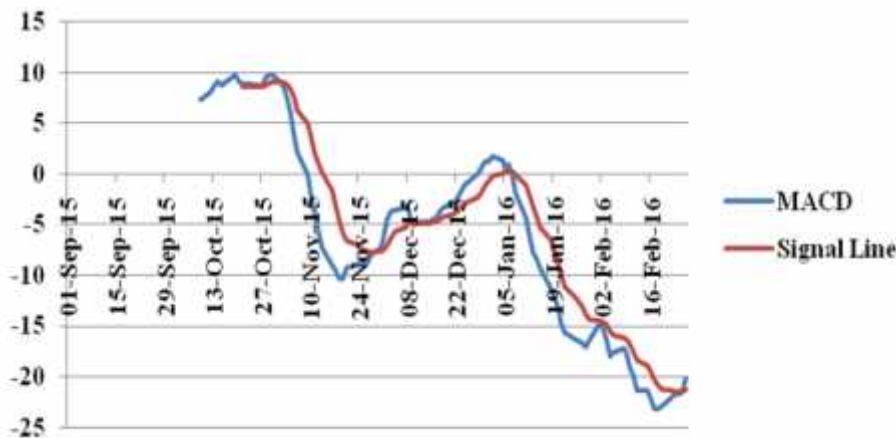


From the line Chart of Cadila Healthcare Ltd., the MACD line is a below zero line and almost parallel with signal line, which indicates Bearish trend. During February 2016 MACD line touches the zero line with increasing trend in the market. One should wait for the better signal in the near future period by holding the shares in the current period.

Cipla Ltd

Cipla Ltd., incorporated in the year 1935, is a Large Cap company (having a market cap of Rs 42076.73 Cr.) operating in Pharmaceuticals and health care sector. Its key Products/Revenue Segments include Tablets & Capsules which contributed Rs 5756.47 Cr to Sales Value (56.29% of Total Sales), Injections/Sterile Solution which contributed Rs 1119.92 Cr to Sales Value (10.95% of Total Sales), Aerosols which contributed Rs 1097.13 Cr to Sales Value (10.73% of Total Sales), Bulk Drugs which contributed Rs 941.28 Cr to Sales Value (9.20% of Total Sales), Liquids which contributed Rs 507.07 Cr to Sales Value (4.95% of Total Sales), Creams which contributed Rs 236.15 Cr to Sales Value (2.30% of Total Sales), Export Incentives which contributed Rs 159.48 Cr to Sales Value (1.55% of Total Sales), for the year ending 31-Mar-2015. For the quarter ended 31-Dec-2015, the company has reported a Standalone sales of Rs. 2603.66 Cr., down -12.69% from last quarter Sales of Rs. 2982.09 Cr. and up 11.98% from last year same quarter Sales of Rs. 2325.17 Cr. Company has reported net profit after tax of Rs. 265.98 Cr. in latest quarter.

MACD Indicator



From the line Chart of Cipla Ltd., the MACD line is a below zero line and almost parallel with signal line, which indicates Bearish trend. During November 2015, MACD lies below to the zero line as well as signal line indicates a negative signal with declining trend in the end of February it seems to remain in near future. So the shares can be sold in near future period.

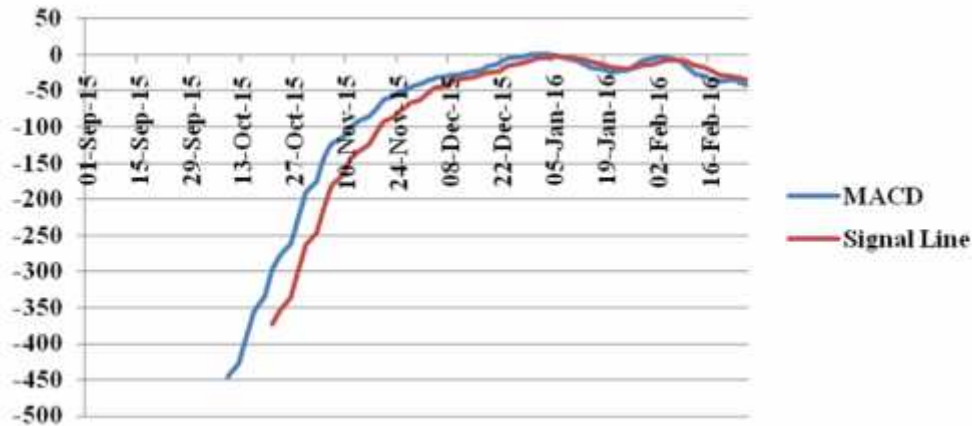
Divi's Laboratories Ltd

Divi's Laboratories Ltd., incorporated in the year 1990, is a Large Cap company (having a market cap of Rs 24741.67 Cr.) operating in Pharmaceuticals and health care sector. Its key Products/Revenue Segments include Active Pharma Ingredients which contributed Rs 3091.91 Cr to Sales Value (99.38% of Total Sales), Scrap which contributed Rs 10.08 Cr to Sales Value (0.32% of Total Sales), Contract Fees which contributed Rs 7.33 Cr to Sales Value (0.23% of Total Sales), Export Incentives which contributed Rs 1.62 Cr to Sales Value (0.05% of Total Sales), for the year ending 31-Mar-2015. For the quarter ended 31-Dec-2015, the company has reported a Standalone sales of Rs. 851.77 Cr., down -



11.45% from last quarter Sales of Rs. 961.87 Cr. and up 8.08% from last year same quarter Sales of Rs. 788.08 Cr. Company has reported net profit after tax of Rs. 246.56 Cr. in latest quarter.

MACD Indicator

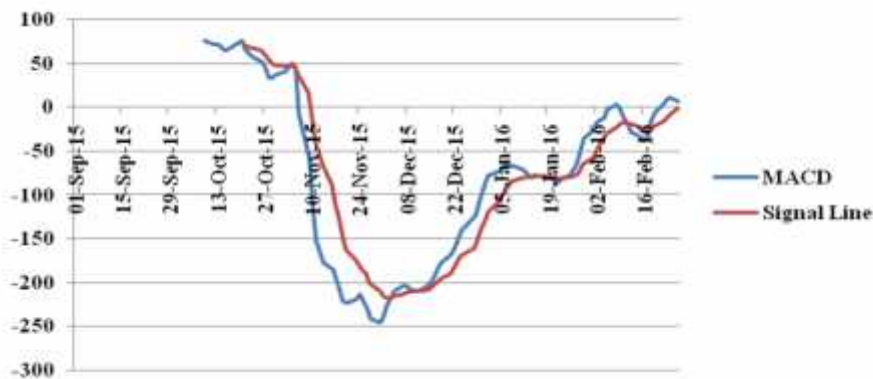


From the line Chart of Divi's Laboratories Ltd., the MACD line is a below zero line and almost parallel with signal line, which indicates Bearish trend. During February 2016 MACD is in negative zone with increasing trend in end of the period. One should buy the shares in near future period.

Dr. Reddy's Laboratories Ltd

Dr. Reddy's Laboratories Ltd., incorporated in the year 1984, is a Large Cap company (having a market cap of Rs 51061.16 Cr.) operating in Pharmaceuticals and health care sector. Its key Products/Revenue Segments include Pharmaceuticals which contributed Rs 9970.30 Cr to Sales Value (98.77% of Total Sales), Spent Chemicals which contributed Rs 52.10 Cr to Sales Value (0.51% of Total Sales), Scrap which contributed Rs 27.00 Cr to Sales Value (0.26% of Total Sales), Service Income which contributed Rs 24.70 Cr to Sales Value (0.24% of Total Sales), Licence Fees which contributed Rs 15.40 Cr to Sales Value (0.15% of Total Sales), Other Operating Revenue which contributed Rs 4.40 Cr to Sales Value (0.04% of Total Sales), for the year ending 31-Mar-2015. For the quarter ended 31-Dec-2015, the company has reported a Standalone sales of Rs. 2418.10 Cr., down -15.85% from last quarter Sales of Rs. 2873.47 Cr. and up 13.63% from last year same quarter Sales of Rs. 2127.96 Cr. Company has reported net profit after tax of Rs. 236.80 Cr. in latest quarter.

MACD Indicator





From the line Chart of Dr. Reddy's Laboratories Ltd., the MACD line is a above zero line and almost parallel with signal line, which indicates Bullish trend. But after November 2015, in the next period MACD below to the zero line as well as signal indicates a negative signal. But again after February 2016 MACD it reaches the zero line. So the shares can be hold in future.

Findings

1. During January 2016 Aurobindo Pharma MACD it seems to below the zero line with declining trend in 2016. So the shares can be sold at the future period.
2. During February 2016 Cadila, MACD line touches the zero line with increasing trend in the market. One should wait for the better signal in the near future period by holding the shares in the current period.
3. During February 2016 Cipla Ltd, MACD lies below to the zero line as well as signal line indicates a negative signal with declining trend. So the shares can be sold in near future period.
4. During February 2016 Divi's Laboratories, MACD it below the zero line with declining trend in 2016. But there is a chance for increase so the investors can buy the shares in future period.
5. Dr. Reddy's Laboratories February 2016 MACD it reaches the zero line. So the shares can be hold in future.

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. R. Chitra (2011) “Technical Analysis on Selected Stocks of Energy Sector”, International Journal of Management & Business Studies Vol. 1, Issue 1, ISSN – 2330 – 9519.
2. Ms. Anju bala (2013) “Indian Stock Market”, Asian Journal of Marketing & Management Research, Vol.2 Issue 7, July 2013, ISSN 2279-0667.
3. Suresh A.S (2013) “A Study On Fundamental And Technical Analysis”, International Journal of Marketing, Financial Services & Management Research ,Vol.2, No. 5, ISSN 2277- 3622
4. Sakshi Varshney (2014) “Technical Analysis Of Indian Pharmaceutical Companies”, International Journal of Research in Management & Technology (IJRMT), Vol. 4, No.2, ISSN: 2249-9563.
5. Thangjam Ravichandra, Ashish Chacko & Shruti Ganguly (2016) “Technical Analysis Of Equity Shares”, International Journal of Research in Finance & Marketing, Volume 5, Issue 1, ISSN 2231-5985.

Bibliography

1. Dhanesh khatri (2010), “Security Analysis and Portfolio Management”, Macmillan publishers India Ltd, New Delhi.
2. “Essentials of Human Resource Management and Industrial relations” SubbaRao, Himalaya Publishing House, Mumbai, (2005).