

Trend Analysis of Stock Market: With Reference To Five Major Sectors (Banking, Automobile, Energy, It and Pharmaceutical) For the Year 2015-16

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ABSTRACT

Stock market is gaining importance day by day at a very fast pace. Trend analysis of Stock market is the broad area of interest for those who want to earn profit by dealing in stocks in the stock exchange market. This paper aims to study the trend analysis of stock prices of five major sectors i.e Banking, IT, Energy, Automobile and Pharmaceutical sector and also to get business insight for stock exchange. After trend analysis, various reasons of their performance are identified. The study is based upon secondary data.

Keywords: BSE, NSE, Securities, Stock Market.

I. INTRODUCTION

The Indian capital market has undergone significant change in the last two decades. It has become efficient through use of modern day technology and proactive legislation. It has attracted significant global interest and has managed to establish confidence of both global and local investors. However, as the economy grows, so does its requirements. Change is a constant and therefore the Indian capital markets also need to continue to evolve to ensure that it meets the challenges of the current day.

Trend analysis of stock market has been a big interest area for those people who want to earn profit by trading in the stocks in stock market. In general, investors believe that if higher the risk, higher the profits or return. As if we see the data, there are very few number of potential investors in the stock market due to improper guidance for preparing or drafting their portfolio. This paper aims to study the trend analysis of stock prices of five major sectors i.e Banking, IT, Energy, Automobile & Pharmaceutical sector and also to get business insight for stock exchange. After trend analysis, various reasons of their performance are identified. From the trend analysis it is found that Energy and Pharmaceutical sectors have perform different when compared with other three sectors. There are many private companies which yields high returns so before investing in companies investor should look at company's previous year performance and buy its share at low price to avoid the risk and loss.

II. REVIEW OF LITERATURE

Bala Anju in the paper entitled **Indian Stock Market (2015)** agreed that is one of the most vibrant among all sectors of the financial system, shown an important contribution to the economic development. It is a place where buyers of securities and sellers of securities enter into the transactions to purchase and also to sell shares, debentures etc. **Roy Sreemoyee** in the paper entitled **Equity Research: Fundamental and Technical Analysis (2013)** suggested that the important nature of capital market related instruments force investors to strongly dependent on the fundamental factors in the decisions related to investment. These factors related to the overall economy or company. The performance of securities in the stock market that represent any company can be said to be dependent on the performance of that company itself. Fundamental analysis is important to select an investment. It examines the economic environment, as well as company's performance before making any investment decision.

Arora Ekta in the paper entitled **A Study of Performance of NSE And BSE in India (2015)** said that stock market has grown exponentially if it can measured in terms of the total amount raised from market, total number of stock

exchanges and some other intermediaries, number of listed stocks, trading volumes, investor population, etc. Along this growth, the profiles and knowledge of the investors, and also intermediaries have also changed significantly. Stock market has witnessed several kinds of institutional changes that resulting in a drastic reduction in the transaction costs and an important improvement in efficiency, liquidity and safety as well. In a shorter span, Indian derivatives market has also got a place in list of top global exchanges.

Mukherjee Debjiban in the paper entitled **Comparative Analysis of Indian Stock Market with International Markets (2014)** agreed that the stock market is increasingly gaining importance and In the current context of globalization and the subsequent integration of the global markets this paper captures the trends, similarities and patterns in the activities and movements of the Indian Stock Market in comparison to its international counterparts.

Hemalatha, (2013) 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. The objective of the study is to analyze the price movement of share, to compare the stock price movements with the market and to discover the trend in the future.

Jayakumar & Sumathi, (2013) in their research found that the Indian Banking Sector is one of the wide sectors in the country and the various factors which affect the share prices of Banking Companies. In this result a detailed analysis of the trend in share price movement.

Becker (2013), in a report to **KPMG** states that the Indian automobile is poised to start an exciting phase of growth. A number of action points have also been given in the survey report which gives ideas to the automakers as to how to capitalize on the emerging scenarios in the future.

Another report by **Velury Vijay Bhasker (2013)** says that Indian Automobile Industry is globally one of the largest industries and a key sector of the Economy and that with the increasing number of foreign companies in the Indian market, the amount of employment have and will continue to increase significantly. It has attempted to study the FDI in this sector and how the government should work to increase this sectors efficiency.

Mahipat Ranawat and Rajnish Tiwari (2013) trace the evolution of the automotive industry from its beginning to the present day and identify the important policies made by the Indian government. They also study the influence of important policies on the development of the industry.

Dr. Govind Shinde and Dr. Manish Dubey (2013) analyzed the industry for the period of 2005 to 2010 and say that the Indian automobile industry has been able to sustain during the tough time of the recession and have had record breaking sales growth.

Madhuri Saripalle (2013) finds in her case study that speed of knowledge assimilation is more important in the liberalized policy regime vis-à-vis protection when knowledge assimilation per se was a more important economic goal with respect to the Indian automotive industry.

Sharma and Reddy (2012) have identified the factors influencing liquidity by conducting a study on the liquidity position of pharmaceutical companies for a period of eight years. It concluded that government policy with respect to input and outputs has the significant influence on the liquidity position of the company.

III. OBJECTIVES OF THE STUDY

- 1) To study the trend analysis on stock prices of 5 key sectors i.e Banking, IT, Energy, Automobile and Pharmaceutical Sector.
- 2) To study various aspects of Stock Exchange.
- 3) To get business acumen for Stock Exchange.

IV. SCOPE OF THE STUDY

The scope of the study is to know about the trend analysis of stock market. For this purpose five key sectors (Banking, Automobile, Energy, IT and Pharmaceutical) are chosen. Further, the selected banks & companies are taken from each sector with reference to their high & low share price and percentage changes in gain & loss for the year 2015-16.

V. INTRODUCTION OF THE COMPANIES IN TREND ANALYSIS

Banking Sector: Banking in India in the modern sense originated in the last decades, in this sector, banks included are Indus Ind Bank, Kotak Mahindra Bank, Bank of India, AXIS Bank, YES Bank, ICICI Bank, HDFC Bank, Canara Bank, Union Bank, PNB and Bank of Baroda.

Information Technology Sector: India is the world's biggest source destination for the information technology which accounts for approximately 67 per cent of the US market. This industry has also led the economic transformation of the country. In this sector, Companies taken for the study are HCL, Vakranjee software, Tata Consultancy Limited (TCS), Mind Tree, CMC, Core Education & Technology, Info Edge, Polaris Financial Tech and Educomp Solutions.

Energy Sector: Sustained economic growth of India is placing huge demand of its energy resources. Demand & supply imbalance in energy sources is requiring serious efforts by Government of India for augmenting energy supplies. In India, energy requirement is increasing at a very fast pace. For this research companies taken are Reliance Industries, ONGC, NTPC, Reliance Power, BPCL and GAIL.

Automobile Sector: India is a prominent exporter of automobiles and has strong growth expectations for the future. For this paper, Companies taken are Eicher Motors, Mahindra & Mahindra, Apollo Tyres, Bharat Forge, Bajaj Auto and BOSCH.

Pharmaceutical Sector: In India, Pharma Industry is growing at 8-9% annually and also known to be one of the highly organized sectors. For this Research, Lupin, Doctor Reddy's Lab, Cipla, Ranbaxy, Divis Lab and Glenmark Pharma Companies are taken.

VI. DATA ANALYSIS

Green – Top Gainers
 Red – Top Losers

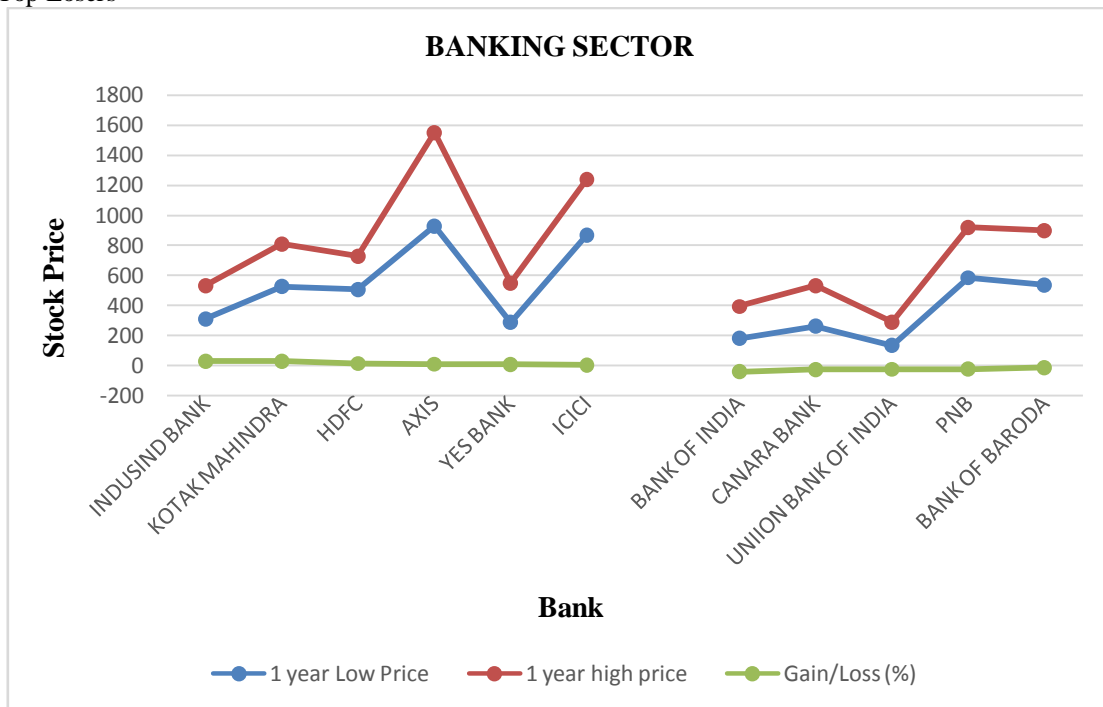


Figure 1: High & low share price of banking sector and percentage changes in gain & loss

Interpretation:

Private Banks have performed better than Nationalised Banks based upon their gain percentage. The reasons is private banks have performed better than nationalised banks is that their interest rate is higher when compared to nationalised banks. Loan recovery is made quicker, Penality rates are high, issue of credit & debit cards attract more customers and the salary is given to employees are less. These differences had let more Private Bankers to be gainers.

Top Gainer in 2015- 2016
IndusInd Bank

The top gainer of banking sector is Indusland Bank which offers gold loan to diversify its portfolio. Gold loan is the critical product in India, for many borrowers it has become a way to raise the short term capital.

Indusland Bank has tied up with the Western Business Solutions which will provide technology platform for effecting foreign exchange payment ans Small Medium Enterprises (SMEs) in India.

Indusland Bank has launched a Marguee Credit Card designed especially for High Net Worth Customers. It is the first credit card in Indian Sub – Continent. These factors made Indusland Bank to be ahead from their competitors and bank showed the gain of 38.38%.

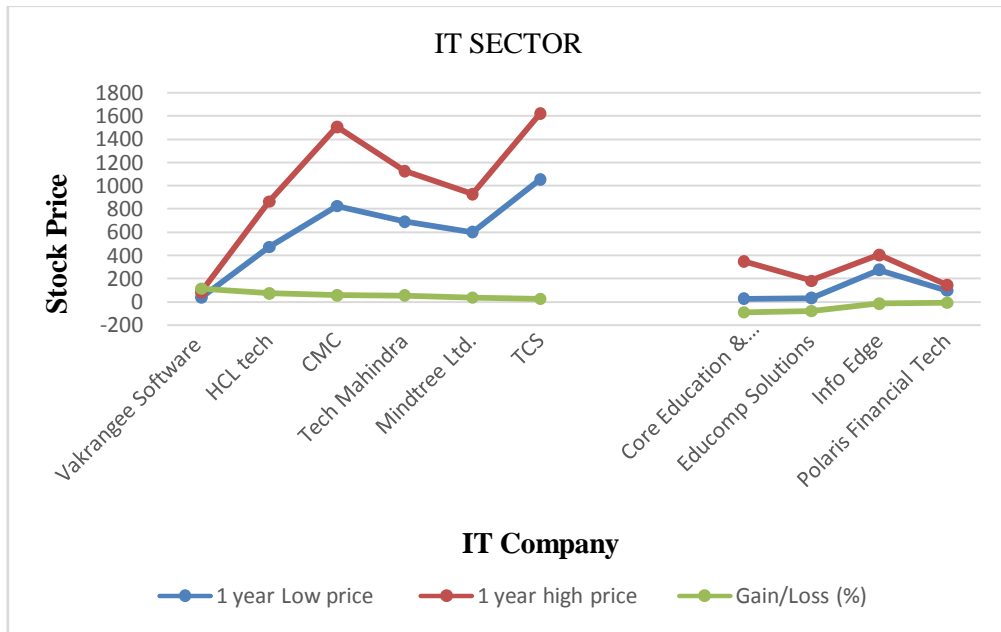


Figure 2: High & low share price of information technology sector and percentage changes in gain & loss

Interpretation:

In IT sector the profit of the company and the share price is based on the current and future projects of the company. Mostly MNCs companies play a great role. Many companies get government project worth many crores and earn huge profit. Like, TCS have government project like issue of Passport, Adhar enrollmen, etc. Other factors that affect the share price are FII which make many companiesto occur sudden gain or loss.

Top Gainer in 2015- 2016

Vakranjee Software

Vakranjee software have acquired shares aggregating to 4.53 % of share capital of the company through open market during the period May 13, 2015 to June 2015. Total promoter’s holding in the company stands at 38.80% . Vakranjee Software stands no. 1 in Adhaar Enrollment Project. The company is a wholly owned subsidiary and has bagged Financial InculSION project from Bank of Baroda and have the target to achieve 1258 crores during the contact of 5 years.

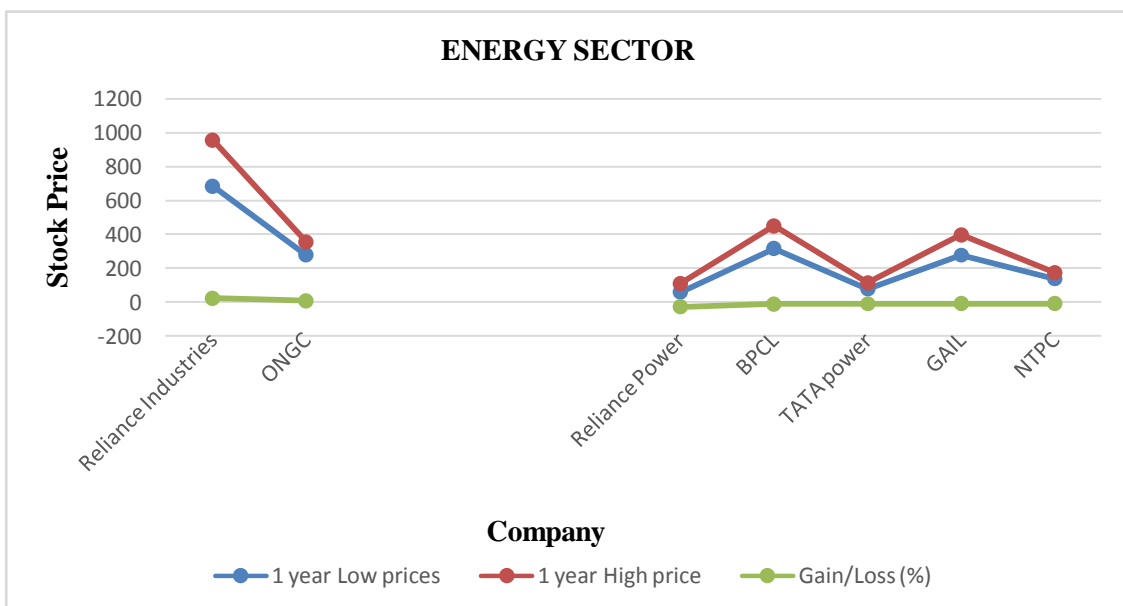


Figure 3: High & low share price of energy sector and percentage changes in gain & loss

Interpretation:

Energy sector has many government in play. There are many factors affecting the performance of this sector like, government policies, inflation, change in foreign currency rates, FII, etc. These factors make company red in the market. Government policies like giving subsidy to petrol, gas, electricity are one of the amongst greatest reasons for the sector performance but many companies have suffered loss in the energy sector as well.

Top Gainer in 2015- 2016

Reliance Industries

The company has posted the net profit of Rs. 55020 million for the quarter ended 31 Dec 2015 whereas the same was Rs. 44400.00 million for the quarter ended 31 Dec 2013. Total income is Rs. 956260 million for the quarter ended 31 Dec 2015. Reliance Industries Limited (RIL) and venezuelan state oil company, petroleoes de venezuela have signed 15 year heavy crude oil supply contract and the RIL has also awarded “International Refiner of The Year”.

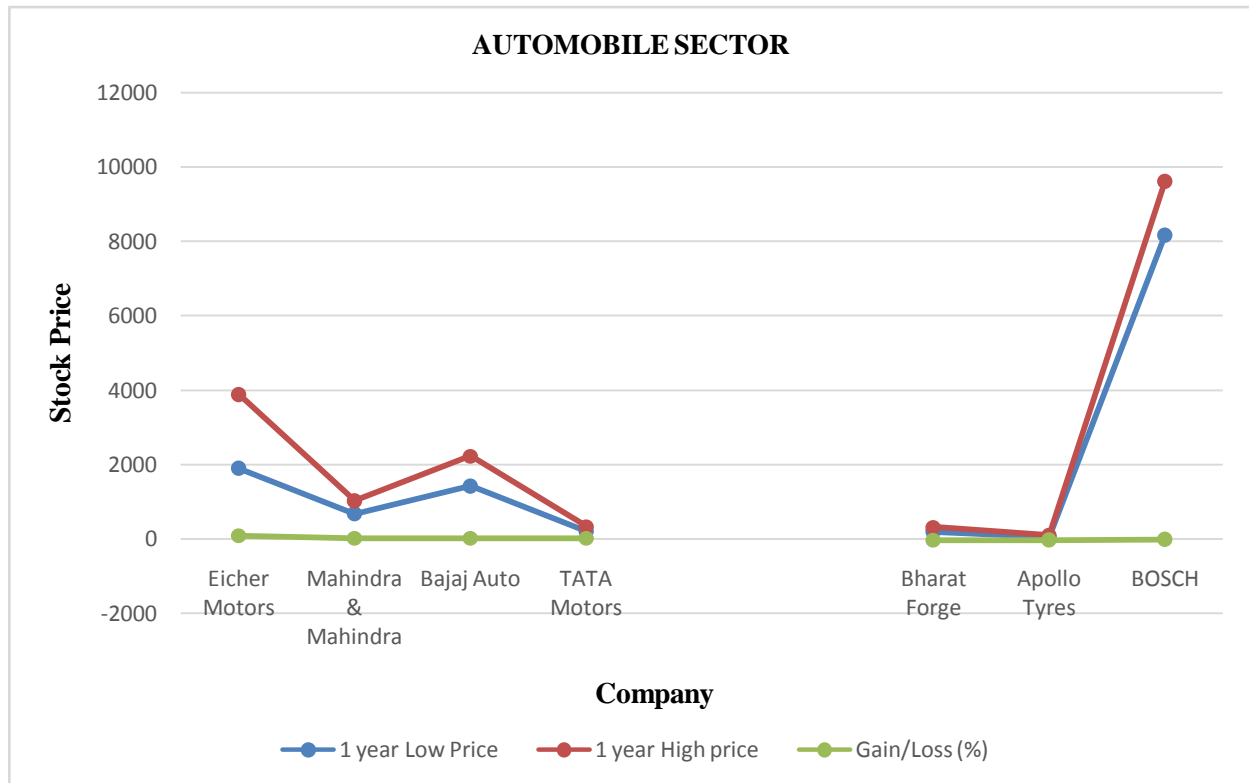


Figure 4: High & low share price of automobile sector and percentage changes in gain & loss

Interpretation:

The automotive industry in India is one of the larger markets in the world and had previously been one of the fastest growing globally, but is now seeing flat or negative growth rates India’s passenger car and commercial vehicle manufacturing industry is 6th largest in the world with the annual production of 3.9 million units in 2015. India is home to 40 million passenger vehicle, more than 3.7 million automotive vehicles were produced in India in 2014 (Increase of 33.9 %).

Top Gainer in 2015- 2016

Eicher Motors

Eicher motor incorporated in 1982, is the flagship company of the Eicher group in India and a leading player in automobile sector. It is 50-50 joint venture with the Volvo group, VE commercial vehicles limited designs and manufactures. The company manufacture the iconic Royal Enfield motorcycles and the company has the revenue of USD 1 million for the quarter ended in 2014.

The group has posted the net profit after tax of Rs. 341.60 million for the quarter ended 31 Dec 2015 as compared to Rs. 629.20 million for the quarter ended 31 Dec 2014. Total income has increases from Rs. 2281.00 million for the quarter ended 31 Dec 2014 to Rs. 3072.50 million for the quarter ended 31 Dec 2015.

The company has signed the startegic joint venture agreement with US Polaris Industries Inc. and they have the 50 – 50 partnership between the 2 companies.

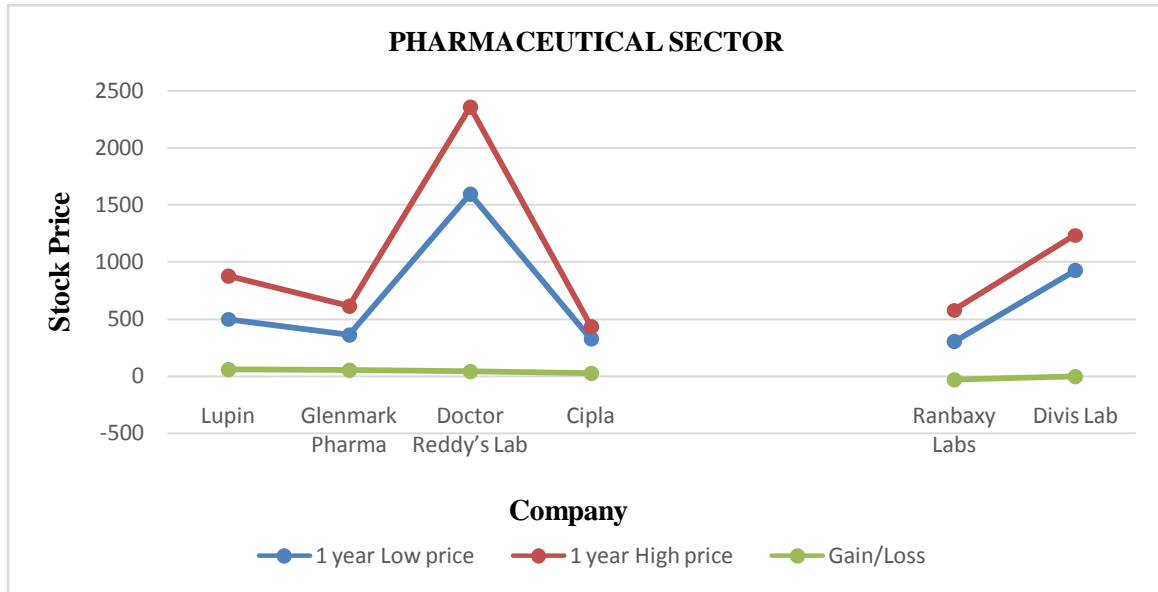


Figure 5: High & low share price of pharmaceutical sector and percentage changes in gain & loss

Interpretation:

In India the pharmaceutical is said to be an ever green sector in the stock market. The reason of growing pharmaceutical sector is population of the country. Indian pharma is very interested in exporting the pharmaceuticals. Developing countries have an important market for Indian manufactures because they produce high quality products at very competitive prices. India achieved average rates of economic growth for the last 20 years at 7 % annually.

Top Gainer in 2015- 2016

Lupin Limited

Lupin Ltd is a transactional pharmaceutical company based in Mumbai. It is 2nd largest Indian pharma company by market capitalisation and 14th largest generic pharmaceutical company. It has the distinction of being the fastest growing generic pharmaceutical player in 2 largest pharmaceutical markets of the US and Japan. It is a fully integrated company and their strong research base is Generics, new chemical entity and novel drug delivery system. Strong global footprint in US , Japan, India, Germany and Austrialia.

STOCK TURNOVER IN BSE AND NSE (IN CRORES)

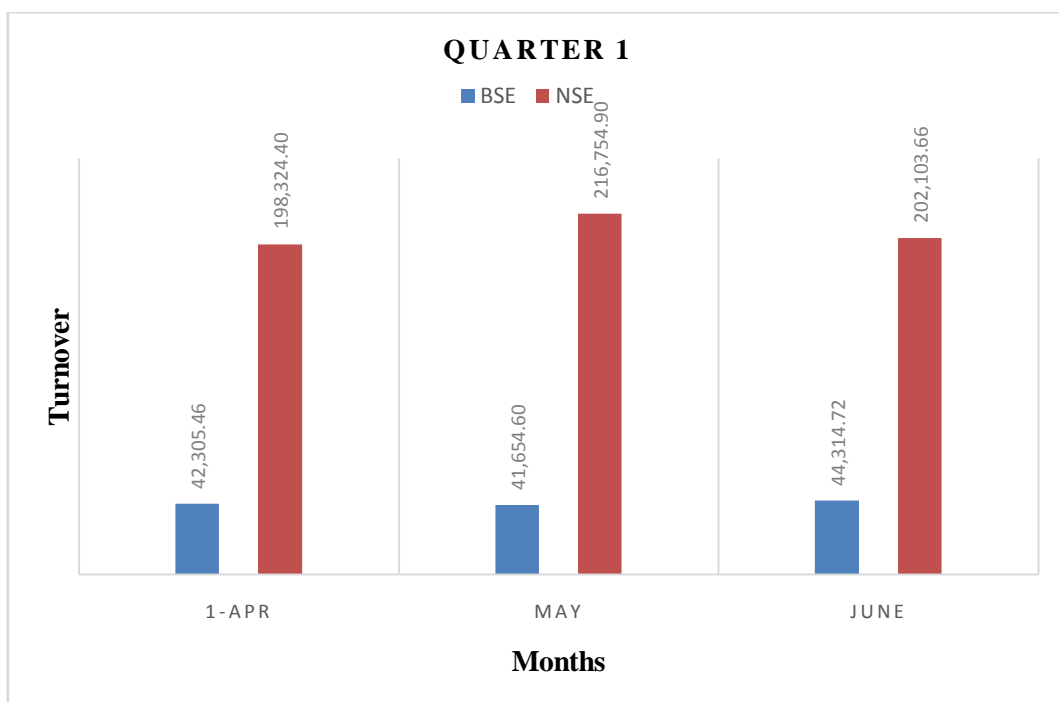


Figure 6: Stock turnover in BSE and NSE in quarter 1

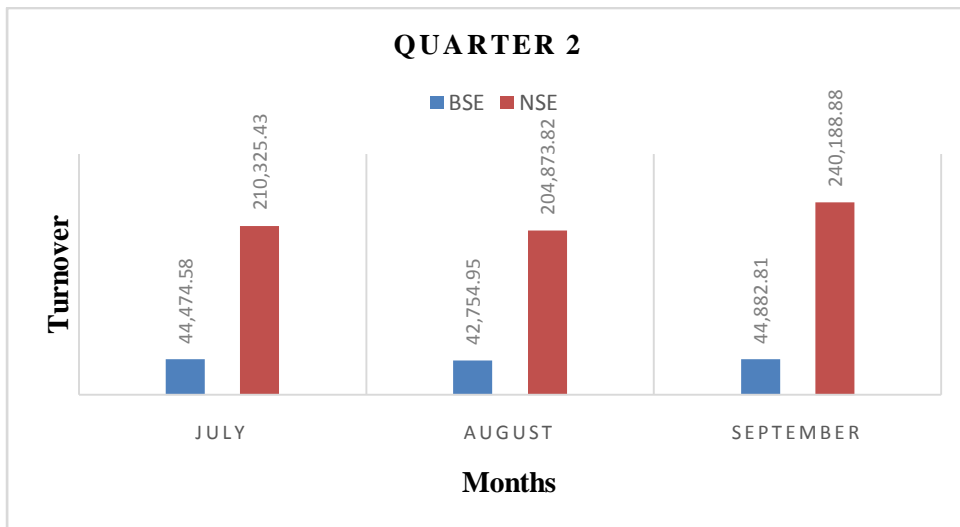


Figure 7: Stock turnover in BSE and NSE in quarter 2

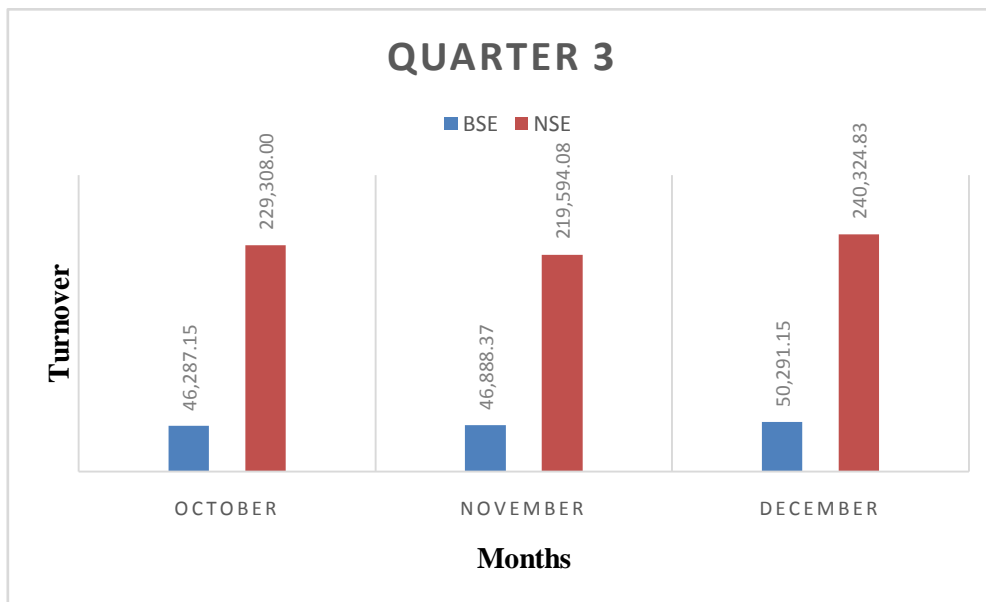


Figure 8: Stock turnover in BSE and NSE in quarter 3

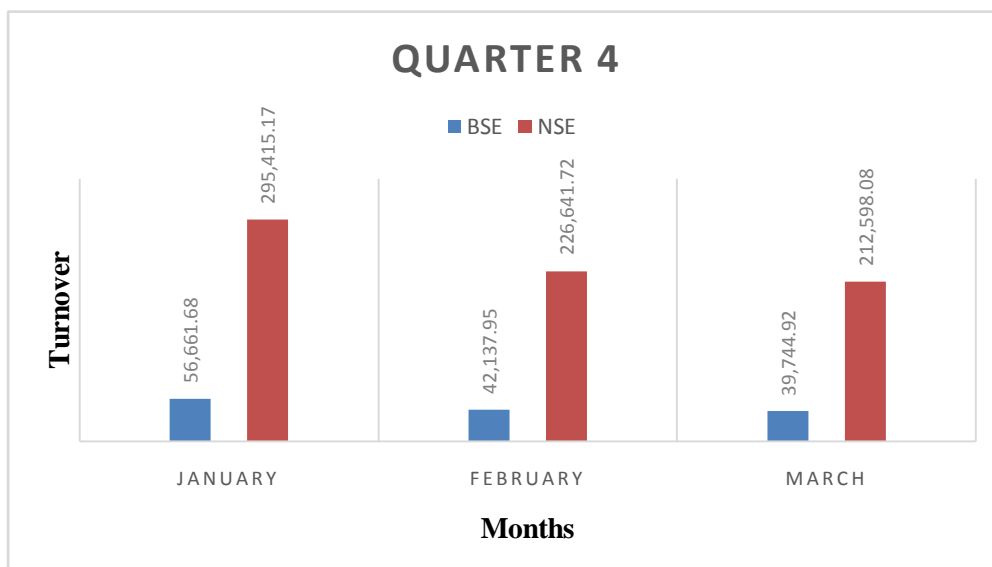


Figure 8: Stock turnover in BSE and NSE in quarter 4

Interpretation:

- In quarter 1, total BSE turnover is Rs. 128,274.78 crores and NSE is Rs. 617,182.96.
- In quarter 2, total BSE turnover is Rs. 132,112.34 and NSE turnover is Rs. 445,062.70.
- There is increase of Rs. 3837.56 crores from quarter 1 to quarter 2 in BSE which means there is increase of 2.99%.
- There is decrease in turnover of NSE from quarter 1 to quarter 2 of Rs. 172120.26 that means there is decrease of 27% approx.
- In quarter 3, total BSE turnover is Rs. 143,466.67 and of NSE is Rs. 689,226.91.
- In quarter 4, total BSE turnover is Rs. 138,544.55 and of NSE is Rs. 734,654.97.
- There is decrease in BSE turnover from quarter 3 to quarter 4 of Rs. 4922.12 crores and in terms of percentage is 3.4% approx.
- There is increase in NSE turnover from quarter 3 to 4 is Rs. 45428.06 crores.
- Overall total turnover in BSE is of Rs. 542,398.34 crores.
- Overall total turnover in NSE is Rs. 2486127.54 crores.

CONCLUSION

Stock market is considered as most suitable investment for the common people as they can invest their money into the diversified managed portfolio at relatively low cost. It may be concluded that due to number of reforms, the capital market of India has developed a lot, it has made it possible to compare Indian capital market with the international capital market. SEBI is doing a lot of work for the development of capital market. It has brought greater transparency in the affairs of organizations and stock exchanges, though not to the optimum mark. Still the investor doesn't have full confidence in capital market. It seems that SEBI worked slowly in transforming Indian stock market into a globally competitive and contemporary market.

Stocks are volatile. Prices change according to supply and demand. Many people have different opinions on why stock prices move the way they do. One of the most important factors that influence prices is earnings. Learning how to read stock tables or a stock quote is a must if you are planning to be a serious investor in stocks. It is not hard to read a stock quote once you know what the different terms and symbols stand for.

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