# A Study on Analysis of Equity Share Price Behavior of the Selected Industries

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**Abstract: A capital market is a place where buyers and sellers indulge in trade(buying/selling) of financial securities like bonds, stocks, etc. The factors such as inflation, interest rates, Deflation and exchange rates influence the stock prices. Among the developing countries india has received considerable capital inflows in recent years. 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 most profitable investment opportunity. The behavior of stock returns will enable the investors to make appropriate investment decisions. The fluctuation of stock returns are due to several economic and non-economic factors. The study is aimed at ascertaining the behavior of share returns. This paper analyses the equity share fluctuation in india selected industry. Simple moving average model is applied for selected companies which would give the investor a sell signal or buy signal.**

**Speculation involves higher risk to get return on the other hand investment involves no such risks and returns will be fair. An investor can succeed in his investment only when he is able to select the right share. The investor 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 behavior of share prices and thus can succeed.**

**Keywords – Equity, share price, buyer, seller.**

## I. INTRODUCTION

The Indian capital market has witnessed a tremendous growth. There was an explosion of investor interest during the nineties and an equity guilt emerged in statutory legislations has helped the capital market. Foreign institutional investors are participants to the primary and secondary markets for the securities. In the past several years, investment in developing countries have increased remarkably. Among the developing countries india has received considerable capital inflows in recent years.

The liberalization policy of the government of india has now started fielding results and the country is poised for a big leap in the industrial and economic growth. The economy of the country is mainly based on the development of the corporate sectors. A capital market is a market for securities(debt or equity), where business enterprises(companies) and governments can raise long-term funds. It is defined as a market in which money is provided for periods longer than a year, as the raising of short-term funds takes place on other markets.

The following are some factors that affect stock prices

• **Inflation:**

The rate at which the general level of prices for goods and services is rising, and, subsequently, purchasing power is falling. Central banks attempt to stop serve inflation, along with severe deflation, in an attempt to keep the excessive growth of prices to a minimum.

• **Interest Rates:**

The amount charged, expressed as a percentage of principal, by amender to a borrower for the use of assets. Interest rates are typically noted on an annual basis, known as the Annual Percentage Rate (APR).

• **Deflation:**

A decline in prices, often caused by a reduction in the supply of money or credit. Deflation can be caused also by a decrease in government, personal or investment spending.

• **Exchange Rates:**

the value of one currency for the purpose of conversion to another.

## II.   REVIEW OF LITERATURE:

**Kamini Tandon, Nidhi Malhotra 2015** have conducted study on the determinates emprcial evidence from NSE 100 companies, a number of studies have been undertaken to identify the factors influencing stock prices in different stock market. The extant literature available strongly support the movement of stock price as a consequences of firm specific stock such as dividend, book value, earnings etc. the present study is undertaken with an attempts to the context of national stock exchanges {NSE} 100 companies. A samples of 95 companies is selected for the period 2007-12 and using linear regression model the results indicate that firms book value, earning per share and price earnings ratio are having a signature positive association with the market price of the firm`s stock.

**YUGHA RAJ BHATTARI 2016** have conducted study on the determinates of Nepalese commercial banks, the study examines the determinants of share price of commercial banks listed on Nepal stock exchanges limited over the period of 2006 to 2014. Data were sourced from the annual reports of the sample bank and analyzed using regression model. The results revealed that earnings per share and price-earning ratio have the significant positive association with share price. The major conclusion of the study is that divided yield, earning per share and price-earning ratio are the most influencing factor in determining share price in Nepalese commercial banks.

**Jack Clark Francis2 2017** revealed the importance of the rate of return in investments and reviewed the possibility of default and bankruptcy risk. He opined that in an uncertain world, investors cannot predict exactly what rate of return an investment will yield. However he suggested that the investors can formulate a probability distribution of the possible rates of return. He also opined that an investor who purchases corporate securities must face the possibility of default and bankruptcy by the issuer. Financial analysts can foresee bankruptcy. He disclosed some easily observable warnings of a firm's failure, which could be noticed by the investors to avoid such a risk

**Micko Tanaka Yamawaki et. Al., 2018** have conducted a study on the Adaptive use of Technical Indicators for predicting the Intra-Day price movements. The researcher has proposed a system to select the best combination of technical indicators and their parameter values adaptively by learning the patterns from the tick-wise financial data. In the paper, the researcher has shown that this system gives good predictions on the directors of motion with the hitting rate at 10 ticks ahead of the decision point as high as 70% for foreign exchange rates (FX) in five years from kl1996 to 2000 and 8 different stock prices in NYSE market in 1993 The study concludes that the tick-wise price time series carry a long memory of the order of at least a few minutes, which is equivalent to 10 ticks.

## III.   OBJECTIVES OF THE STUDY:

To study how the movement stock prices of selected securities

- To analyze the share price behavior of the selected industries.

- To understand fluctuations of share price over a period of time.

- To Study how fluctuations in stock prices influence the buy or sell decision.

- To predict the day today Fluctuations in the stock market using Technical Analysis and to study the price movements in the stock exchange.

- To study the current trend and strength of the trend of selected industry

## IV.   LIMITATIONS OF THE STUDY:

- The study is constrained to limited sectors only.

- Technical analysis is only is used

- This study is based on secondary data only and not on primary data

## V.   RESEARCH METHODOLOGY

**Research Design:**

The research design adopted is Analytical Design

**Data Collection:**

Secondary data was used for the analysis. The data that is the closing price of different stocks were obtained from the National stock exchange (NSE) website of 10 companies from two sectors has been taken for the study.

**Sample:**

For the study the top companies under the IT and Healthcare sectors have been selected.

The sectors are identified on the basis of their contribution to the country`s GDP

| IT SECTOR | HEALTHCARE SECTOR |
| --- | --- |
| TCS Limit | Sun Pharmaceutical industries ltd |
| Infosys pvt. Ltd. | Cipla Ltd. |
| Wipro | Lupin Pharmaceutical company |
| Mphasis | Apollo Hospital |
| Reliance Industries pvt. Ltd. | Max Healthcare |

## VI.   TOOLS USED FOR ANALYSIS:

The tools used to understand the price fluctuations of particular stocks are •
Simple Moving Average

• Relative Strength Index

## SIMPLE MOVING AVERAGE

Simple moving average is the most commonly used tool in technical analysis to understand the price movement of securities. The moving average helps the investor to make decisions whether to buy or sell a particular stock at a particular point of time. The average value is taken for a pre- determined time period is considered for analysis of the selected stocks. They create buy or sell signals when the move across the historical prices of those stocks. Downward penetration of the raising average indicates a possibility of further fall in the price of a particular stock. It creates a sell signal. Upward penetration of the falling average indicates the possibility of further raise in the price of a particular stock. It creates a Buy Signal.

## RELATIVE STRENGTH INDEX

The Relative strength Index (RSI) was developed by Wells Wilder. It is an escalator used to identify inherent technical strength and weakness of a particular stock in the market.

$$RSI = 100 - \frac{100}{[1+RS]}$$

Average gain = Total of Gains for the determined time period / Time period

Average Loss = Total of Loses for the determined time period / Time period

RS = Average Gain/Average Loss

The broad rule states, if the RSI crosses 70 it creates a sell signal since the script is overbought and it leads to a fall in the future stock prices. If the RSI falls below 30, it creates a buy signal since; the script is oversold which leads to a upward trend in the future stock prices.

## VII. DATA ANALYSIS AND DISCUSSIONS

Time simple moving average (SMA) for all selected stocks is calculated. The SMA of every individual stock is compared with its daily closing prices. The following chart represents the SMA's intersection with the closing price of **TCS Limit**.

## TCS LTD



Chart 1 - SMA for TCS
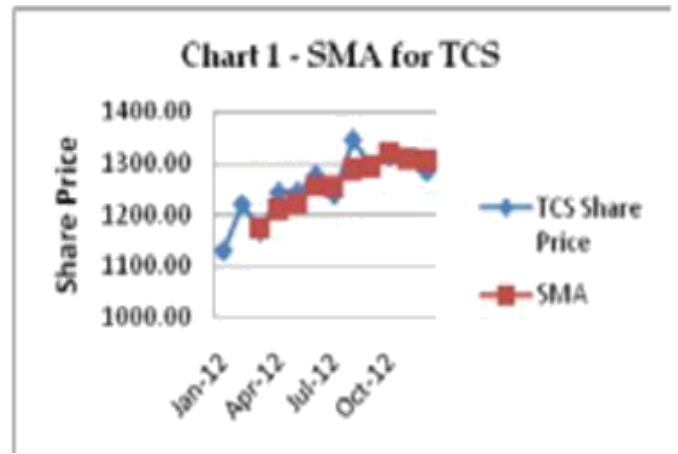
above Chart 1, the SMA trend line of TCS limited indicates a downward penetration with the share price line. This creates a sell signal for the investor.since there is a high possibility for fall in the future prices of the stock. Now, thehe investor can take a sell decision and buy at a later point of time.

## INFOSYS LTD



Chart - 2   SMA for Infosys Ltd
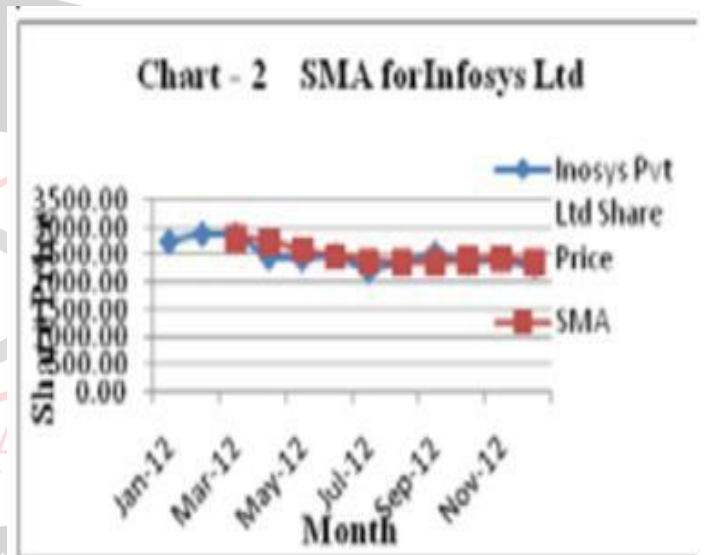
In the above Chart 2, the SMA trend line of Infosys limited indicates an upward penetration with the share price line. This creates a buy signal for the investor..since there is a high possibility for raise in the future price of the stock. Now, the investor proceeds to invest.

Therefore the investor can make investment not only following a particular indicator but by confirming the signal with several indicators for better returns.

### Wipro Limited

At the current market price of Rs,284, your Rs. 10,000/- investment in Wipro in 1980 will be worth a whopping Rs. **545 crore** today. ... Even in the 1% cases where you stock turns out to be Wipro, you do not have the patience and the financial wherewithal to wait patiently for 37 years
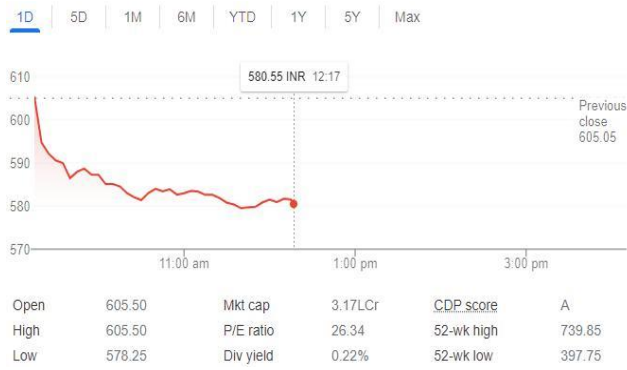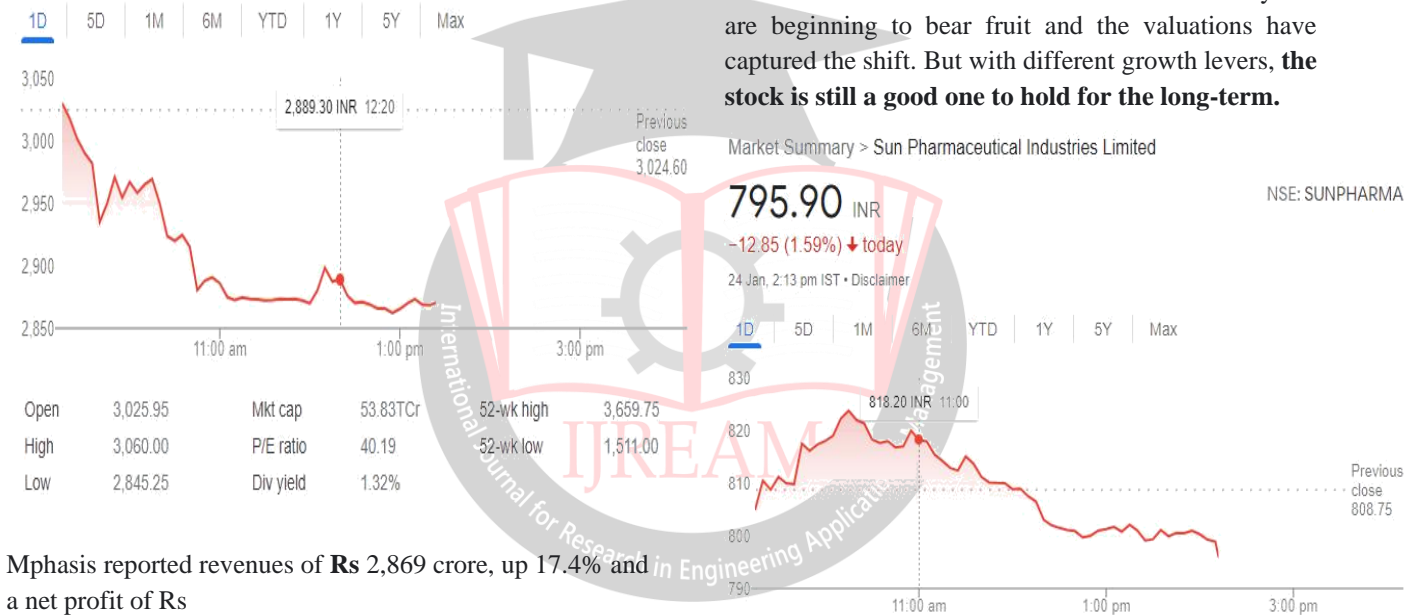
## Can I invest in Wipro?

Wipro shares can be purchased on the open market in India through either **a stock broker or any financial institution** that provides brokerage services at the BSE or NSE.

### Mphasis

The Mphasis Ltd stock price can go up from **3024.550 INR to 3876.150 INR in one year.**



Mphasis reported revenues of **Rs** 2,869 crore, up 17.4% and a net profit of Rs

341.5crore, up 14.1% without adjusting for M&A charges for the quarter ended September 2021. It reported new deal wins worth $241 million in direct business during the quarter, of which 68% was in new generation services.

### RELIANCE INDUSTRIES PVT. LTD.

Reliance Industries is India's largest private sector company on all major financial parameters. In 2004 Reliance Industries (RIL) became the first Indian private sector organisation to be listed in the Fortune Global 500 list.





### HEALTH CARE SECTOR

Sun Pharma's various initiatives over the last five years are beginning to bear fruit and the valuations have captured the shift. But with different growth levers, **the stock is still a good one to hold for the long-term.**



### CIPLA LTD

**Yes Securities has buy call on Cipla** with a target price of Rs 935.. The current market price of Cipla is Rs 894.85. Time period given by analyst is Intra Day when Cipla Ltd. price can reach defined target.

Market Summary > Cipla Ltd

**887.20** INR

NSE: CIPLA

+19.75 (2.28%) ↑ today

24 Jan, 2:20 pm IST • Disclaimer

| 1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max |

886.00 INR 14:19

Previous close 867.45

| | | | | | |
|---|---|---|---|---|---|
| Open | 871.50 | Mkt cap | 71.58TCr | 52-wk high | 1,005.00 |
| High | 892.50 | P/E ratio | 27.66 | 52-wk low | 738.10 |
| Low | 867.45 | Div yield | 0.56% | | |

At current level of ₹968, company's **growth prospects and balance sheet strength** provide support to the long-term story. The stock of pharmaceutical major, Cipla has gained 28 per cent since the YTD low of mid-March 2021.

### LUPIN LTD

"Technically, **the stock is very oversold**. Long-term investors should start accumulating Lupin at current prices for the near-term targets of Rs 1083-1160. While Rs 960-883 will be excellent support levels.

Market Summary > Lupin Limited

**920.60** INR

NSE: LUPIN

+17.20 (1.90%) ↑ today

24 Jan, 2:25 pm IST • Disclaimer

| 1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max |

919.65 INR 14:24

Previous close 903.40

| | | | | | |
|---|---|---|---|---|---|
| Open | 898.50 | Mkt cap | 41.77TCr | 52-wk high | 1,267.65 |
| High | 933.50 | P/E ratio | - | 52-wk low | 853.50 |
| Low | 898.50 | Div yield | 0.71% | | |

Lupin Limited quote is equal to 903.400 INR at 2022-01-23. Based on our forecasts, a long-term increase is expected, the "LUPIN" stock price prognosis for 2027-01-18 is **1620.510 INR**. With a 5-year investment, the revenue is expected to be around +79.38%. Your current $100 investment may be up to $179.38 in 2027.

### APOLLO HOSPITALS

The pandemic has been the biggest reason behind the boom of the healthcare sector in the equity markets, for around two years. So, **brokerage firm Motilal Oswal** has recommended buying stocks of Apollo Hospitals with a potential upside of 25%, within a target period of 12 months.

Market Summary > Apollo Hospitals Enterprise Limited

**4,510.00** INR

NSE: APOLLOHOSP

−181.65 (3.87%) ↓ today

24 Jan, 2:29 pm IST • Disclaimer

| 1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max |

4,545.00 INR 13:40

Previous close 4,691.65

| | | | | | |
|---|---|---|---|---|---|
| Open | 4,690.00 | Mkt cap | 65.10TCr | 52-wk high | 5,935.40 |
| High | 4,710.80 | P/E ratio | 62.59 | 52-wk low | 2,528.10 |
| Low | 4,470.00 | Div yield | 0.066% | | |

Apollo Hospitals Enterprise Limited (AHEL) is a leading **private sector healthcare provider** in Asia. It has a robust presence across the healthcare ecosystem including Hospitals Pharmacies Primary Care & Diagnostic Clinics.\

### MAX HEALTHCARE LTD

Max Healthcare share price was Rs 374.35 as on 21 Jan, 2022, 03:58 PM IST. Max Healthcare share price was down by 2.88% based on previous share price of Rs. 384.7. In last 1 Month, Max Healthcare share price moved up by 1.94%.

Market Summary > Max Healthcare Institute Ltd

**365.75** INR

NSE: MAXHEALTH

−8.60 (2.30%) ↓ today

24 Jan, 2:32 pm IST • Disclaimer

| 1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max |

360.70 INR 12:20

Previous close 374.35
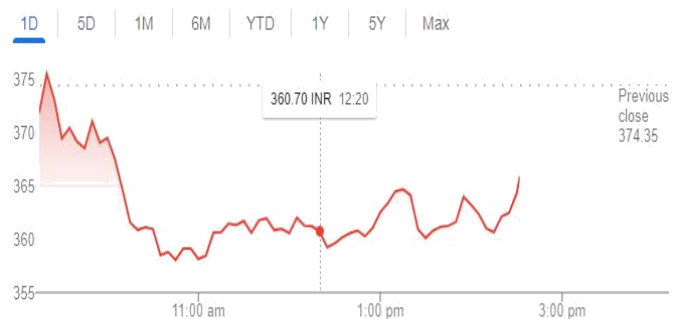
| | | | | | |
|---|---|---|---|---|---|
| Open | 370.20 | Mkt cap | 35.46TCr | 52-wk high | 458.05 |
| High | 376.45 | P/E ratio | 76.81 | 52-wk low | 158.70 |
| Low | 357.00 | Div yield | - | | |

Despite these risks, the overall outlook for **healthcare stocks appears very good for the long term**. Aging demographic trends across the world, combined with advances in technology, should open up tremendous

opportunities for healthcare stocks -- and provide healthy returns for patient investors.

## VIII. CONCLUSION

Volatile markets are characterized by wide price fluctuations and heavy trading. They often result from an imbalance of trade orders is one direction, wide price fluctuation are a daily occurrence on the world`s stock markets as investors react to economic business and political events. Market watchers see high volatility as a sign of investor nervousness which, in the counter-initiative world of market, is of course bullish. It is suggested that the investor can invest in the share that shows a definitive signal of buy or sell decisions. The investors can invest in the companies which are covering out of either over brought or oversold condition since there might be a definite trend reversal in those stocks.