

Technical Analysis of Automobile and Steel Sectors in India

Kartikey Koti¹

¹Ishik University, Erbil, Iraq

Correspondence: Kartikey Koti, Ishik University, Erbil, Iraq. Email: kartikey.koti@ishik.edu.iq

Received: October 11, 2018 Accepted: November 24, 2018 Online Published: December 1, 2018

doi: 10.23918/ijsses.v5i2p185

Abstract: Securities exchange assumes an imperative job in the financial improvement of a nation. The examination is directed on an Indian securities exchange and two divisions have been considered. To watch the development, short interim execution of Auto and steel part specialized investigation has been estimated for a span of a year. The different test has been led on expected return and hazard. Amid the examination, it was seen that two portfolios that are Auto-area and steel division, Auto-segment portfolio is useful for the venture in light of its relatively favorable position of Risk and Return. Return will be higher i.e 124% in portfolio "A" and even risk involved in it.

Keywords: Systematic Risk, Returns in Stock Market, Capital Market, Fundamental Factors

1. Introduction

A securities exchange is the totality of purchasers and merchants of stocks, these stocks are the cases of the proprietor on business. Every individual stock are recorded in exchanging houses like BSE or NSE and numerous others. A portion of the information of 2017-18, there is the same number of as an aggregate of 60 stock trades in the whole world with an aggregate market capitalization of \$75 trillion. There are 16 trades with a market capitalization of \$1 trillion and more which represent 87% of worldwide market capitalization. The 16 trades are dominant part shrouded in mainland like North America, Europe, and Asia.

The stock trade is the sparing mainstays of any area. These stock exchanges are sorted out and are represented by an administrative body like Securities trade Board of India (SEBI). We have a diverse stock broking house, which is shaped by expert bodies, people which are again represented by SEBI. Which are enjoyed purchasing, the offering of securities? The different instruments in securities exchange are share, debentures which are as of now issued by open organizations. Metropolitan enterprises, government bodies issue instrument like bond and debenture for their enormous and uber ventures like the development of Bridges, Dams, Building Smart urban communities and some more. These business sectors make a considerable measure of liquidity and attractive items.

2. Literature Review

Koti and Naik (2014) at stock research chose two loads of BSE dependent on their value, volume, bunch and a plenty of building up specialized examination. The stock which is mulled over is Sensex, Cipla,

and ITC. A thorough report has been directed of these stock by examining one-month returns and their hazard. Amid the investigation, it was inspected that the general return of BSE for multi-month affirmed 1.54. Cipla stock and ITC At stock research, we picked two supplies of BSE reliant on their esteem, volume, group and on a lot of setting up specific examination. The stock which is examined is Sensex, Cipla, and ITC. A careful report has been opened these stock by inquiring about one-month returns and their risk. In the midst of the examination, it was assessed that the general return of BSE for multi-month certified 1.54. Cipla stock and ITC stock in like manner showed a positive insisted of 19.61 and 6.35.

Beta and Alpha evaluation are coordinated to impact the examination more to rise using a backslide show. BSE SENSEX, first arranged in 1986, was found out on a "Market Capitalization-Weighted" arrangement of 30 fragment stocks addressing immense, settled in and financially stable associations transversely over key parts. The "free-drift feature capitalization-weighted" procedure is an extensively sought after document improvement approach on which a lot of overall esteem records are based; all genuine document providers like MSCI, FTSE, STOXX, and Dow Jones use the free-skim. Cipla Ltd. likewise, ITC are one aggregate the solid associations in the Sensex. In the midst of the examination, it was seen that the entry quick Cipla Ltd. is enduring with 19.61% and even on consistently stock likewise demonstrated a positive affirmed of 19.61 and 6.35. Beta and Alpha appraisal are directed to influence the examination more to emerge utilizing a relapse show. BSE SENSEX, first ordered in 1986, was computed on a "Market Capitalization-Weighted" technique of 30 segment stocks speaking to huge, settled and fiscally solid organizations crosswise over key segments. The "free-drift showcase capitalization-weighted" philosophy is a generally pursued list development technique on which greater part of worldwide value records are based; all real list suppliers like MSCI, FTSE, STOXX, and Dow Jones utilize the free-skim. Cipla Ltd. also, ITC are one sum the powerful organizations in the Sensex. Amid the examination, it was seen that the arrival shrewd Cipla Ltd. is steady with 19.61% and even on every day

Suresh, Beta, and Alpha evaluation are coordinated to impact the examination more to rise using a backslide show. BSE SENSEX, first arranged in 1986, was found out on a "Market Capitalization-Weighted" arrangement of 30 fragment stocks addressing immense, settled in and financially stable associations transversely over key parts. The "free-drift feature capitalization-weighted" procedure is an extensively sought after document improvement approach on which a lot of overall esteem records are based; all genuine document providers like MSCI, FTSE, STOXX, and Dow Jones use the free-skim. Cipla Ltd. likewise, ITC are one aggregate the solid associations in the Sensex. In the midst of the examination, it was seen that the entry quick Cipla Ltd. is enduring with 19.61% and even on consistently stock likewise demonstrated a positive affirmed of 19.61 and 6.35. Beta and Alpha appraisal are directed to influence the examination more to emerge utilizing a relapse show. BSE SENSEX, first ordered in 1986, was computed on a "Market Capitalization-Weighted" technique of 30 segment stocks speaking to huge, settled and fiscally solid organizations crosswise over key segments. The "free-drift showcase capitalization-weighted" philosophy is a generally pursued list development technique on which greater part of worldwide value records are based; all real list suppliers like MSCI, FTSE, STOXX, and Dow Jones utilize the free-skim. Cipla Ltd. also, ITC are one sum the powerful organizations in the Sensex. Amid the examination, it was seen that the arrival shrewd Cipla Ltd. is steady with 19.61% and even on every day.

Kulkarni and Kulkarni (2013) in a study examined the descriptive gadgets in surveying sectoral stocks. In particular, the inside has been set to understand the start of the key and concentrated examination in surveying the sectoral stocks. To take in this effectively, the basic and specific examination has been done among heaps of picked divisions. Further, an effort has been made to make "stock decision criteria" for heaps of these sections. In like manner, the strategies used by the theorists in evaluating these sectoral stocks have been researched. Basic and Technical examination of five sectoral stocks has been finished. Interpretation of the helper data clearly shows Fundamental examination to be the most supported examination in picking stocks to get higher returns. This is reinforced by the manner in which that money-related authorities know, and are more arranged towards the fundamental examination as depicted from the examination and interpretation of the basic data. Moreover, real space stocks have created as the most supported stocks among the five sectoral stocks chosen for the reason. This clearly demonstrates the theorists immovably believe in the association's past execution and its genuine regard.

The Indian Automobile is a promising current division that is growing immensely every passing year (Sarwade, 2015). The vehicle business has a colossal open entryway for making new wealth by passing on a motivator to the world and besides to the private customer. The four-wheeler industry in India has not had the ability to organize to the execution of its accomplices in various parts of the world. The essential clarification behind this has been the regulatory condition that won till the deregulation in the mid-1990s. After the movement, the explorer auto area saw an impact and various associations from India and furthermore remote entered the market. With movement, Government invalidated approving and cleared restrictive trade approaches. Vehicle industry benefitted hugely from these measures. The vehicle business in India happens to be the ninth greatest on earth, following Japan, South Korea, and Thailand. In 2009, India created as the fourth greatest exporter of vehicles. A couple of Indian vehicle creators have spread their exercises all around additionally, asking for more interests in the Indian vehicle part by the MNC's. This examination makes us know the certified position of the undertakings in the current circumstance. Over the long haul, it will be seen from the present examination that this investigation framework and disclosures may help in better working of the undertakings and may give a good stage to support specific research practices in more detail. A review of the composition on related parts of the examination is presented.

Specific Analysis is the evaluating of future cash related esteem advancements subject to an examination of past esteem improvements (Boobalan, 2014). The specific examination does not result in absolute assumptions regarding the future as to deciding. Or maybe, a specific examination can empower budgetary experts to anticipate what is "possible" to happen to costs after some time. The particular examination is the examination of predicting expenses of securities for future; the essential purpose of the specific examination is to make returns by authorizing individual pick when to enter and when to exit in the security. Specific analysis is of the offer exchanging framework relating to components affecting the free market action of stocks. It helps in understanding the regular estimation of offers and knowing whether the offers are thought little of or overstated. Currency markets pointers would help the money related authority with distinguishing noteworthy market vital turning points. This is an enormous particular examination of picked associations which fathoms the esteemed lead of the offers, the signs given by them and the genuine vital turning points of the market cost. This paper is away to finish Technical Analysis of the securities of the picked associations and to help theory decisions in this Indian Market. The specific examination is a methodology which gives an idea with respect to future offer

expenses of picked associations in which we contribute. In light of the data of specific examination, one can anticipate the perfect endeavor decision of currency markets. By using the specific pointers the future market of securities would be known in which to contribute. The more exact desire for stock expenses of picked associations the monetary pro to do a fundamental examination of stock costs, they can predict of things to come to an example of stock expenses. In view of figure of five associations (i.e. WIPRO, SBIN, GAIL, ONGC, ITC) different case of stock expenses of these associations give an idea of future example of these associations could be poor down with the right specific examination gadgets, particular examination of most extraordinary importance to predict example of short and medium-term esteem improvement and help the theorists to pick the right course of action and decisions to place assets into the beneficial stocks. The master similarly required a focal realizing, which would clear an idea in regards to the hypothesis decision. Both Technical and Fundamental examination helps in hypothesis decision in currency advertises and anticipate the future example of the picked associations in which we have contributed. Both the examination offers heading to the budgetary masters.

Each individual dependably wishes to get a conventional profit for his/her ventures since financial specialist makes the speculation from the well-deserved investment funds (Gopalakrishnan & Akarsh 2017). Among the different plans of the venture, the value advertise is viewed as a standout amongst the most remunerating roads despite the fact that it includes more hazard. Since the hazard is high in value venture, the financial specialists need to make value examination that encourages them to think about the hazard return attributes of those value shares and those businesses in which he/she wishes to stop the investment funds. In this viewpoint, an investigation has been embraced to break down the value offers of organizations in the vehicle business of the Indian securities exchange. Indian vehicle industry is one of the biggest on the planet and viewed as one of the quickest developing segments. With the end goal to keep up the developing interest, numerous automakers have begun to put resources into this industry. So the investigation on value examination of this industry will help the potential speculators in making an educated and objective venture choice. This investigation is led for a time of 5 years, covering from 2012 to 2017. It takes just half of the aggregate organizations shaping NIFTY Auto record as on 21st April 2017; that is 8 organizations. From the investigation, it is discovered that among every single other organization Mahindra and Mahindra Ltd is the best organization to contribute on the grounds that its beta esteem is short of what one (0.9082) and it has a positive alpha esteem (0.0073). With the end goal to accomplish the target of expanding the arrival, the speculators need to consider both hazard factor and return capability of different organizations underthought. That will vary from organizations to organizations. Value investigation is a standout amongst the most critical strategies used to gauge the hazard and return factor of values of various organizations. From this examination, it is presumed that the Bosch Ltd value has a low beta esteem (0.5561) so it is less unsafe and the instability of cost is lesser than the market. In any case, its alpha esteem is low (- 0.0534). Goodbye Motors Ltd gives an exceptional yield when contrasted with different values however its beta esteem is additionally high. Consequently, it includes more hazard. Among every single other organization, Mahindra and Mahindra Ltd is the best organization to contribute in light of the fact that its beta esteem is short of what one (0.9082) and it has added a positive alpha esteem (0.0073).

3. Research Methodology

The investigation goes for removing the value developments and examining the value developments of chosen organizations stocks. The examining system was advantageous. The sampling technique has been utilized to gather the data. For the specialized investigation, day by day value developments of the chosen organizations was examined throughout the previous year; starting from April 2017 and shutting by March 2018. The best organizations which made benefits amid year were considered. Two Sectors, auto part and steel area, and three companies under every segment were considered. The information for calculation was one year. The information was gathered from stock trade markets. To see the execution of these organizations the two portfolios were considered. For the figuring execution instruments were utilized, for example, mean, return and the hazard associated with investing specifically stock. Financial formulas were used for calculation, these tools are often used to measure stand-in the risk and the standard deviation.

Expected Return:

Returns (X') = Total Share Prices / No of Days

$$(X-X')^2 = \sum(X-X')^2$$

$$\text{RISK } (\beta) = \sqrt{(X-X')^2}$$

Note: Risk & Return Percentage

$$\% = \text{Return} / \text{Risk} * 100$$

Table 1: Two divisions the study examined

Portfolio "A" (Auto Sector)	Portfolio "B" (Steel Sector)
Hero Moto Corp	Jindal Steel
Bajaj-Auto	Sail
TVS Motors	JSW Steel

Source: BSE India

The table clarifies the two divisions considered for the examination. Among these divisions; one of the parts is identified with the Automobile industry and the other with steel industry. These organizations are viewed as dependent on their execution amid the year.

4. Objectives of the Study

1. To examine the performance of each sector.
2. To study the risk and returned engaged in investing in each stock.
3. To choose an ideal portfolio for better speculation

5. Limitations

Amid the examination, just two divisions were considered for the investigation; auto and steel area. The examination time frame was just for one year and a specialized investigation was directed. As time was a noteworthy oblige, we could take just two segments which could be stretched out to different areas. The value variances were another confinement as reenactment ends up troublesome for calculation on every single shutting cost.

6. Approaches to Security Analysis

1. Fundamental Analysis

The real examination is a method for evaluating a security endeavoring to review its characteristic regard, by dissecting related fiscal, budgetary, and other emotional and quantitative factors.

2. Technical Analysis

The particular examination is a trading discipline used to evaluate adventures and recognize trading openings by separating quantifiable examples gathered from trading activity.

3. Efficient Market Hypothesis.

The Efficient Market Hypothesis (EMH) is an endeavor theory whereby share costs reflect all information and solid alpha age is shocking. Theoretically, neither particular nor vital examination can convey chance adjusted excess returns, or alpha, dependable and simply inside information can result in outsized danger adjusted returns. As demonstrated by the EMH, stocks reliably trade at their sensible motivation on stock exchanges, making it unfathomable for budgetary pros to either purchase thought little of stocks or offer stocks at swelled expenses. In that limit, it should be hard to beat the general market through ace stock assurance or market timing, and the fundamental way a budgetary authority can get higher returns is by getting less secure endeavors.

7. Data Analysis

7.1 Calculation of Return and Risk

During the study, one year was considered with the commencement from 3 April 2017 and closure by 28 March 2018. In total 246 working days of BSE were considered for the calculation.

Table 2: Computation of Risk and Return of Portfolio A

	Portfolio A		
Period	Hero Moto Corp	Bajaj-Auto	TVS Motors
Starting Date	3 April 2017	3 April 2017	3 April 2017
Closing Date	28 March 2018	28 March 2018	28 March 2018
Closing Price total for 1 year (X)	900978.8	741126.4	154514.8
Total of (X-X') ²	8690771	9023391	1865224
Computation of Expected Return And Risk			
Mean(\bar{X}^1) =Total Share Prices/No of Days	=900978.8/246 =3662	=741126.4/246 =3013	= 154514.8/246 = 628
($X - \bar{X}^1$) ² = $\sum(X - \bar{X}^1)^2$	8690771	9023391	1865224
RISK (β) = $\sqrt{\sum(X - \bar{X}^1)^2}$	= $\sqrt{8690771}$ = 2948	= $\sqrt{9023391}$ = 3004	= $\sqrt{1865224}$ = 1366

Source: Primary Survey

Table 2 shows the calculation of Risk and Return simple statistical tool. The study of the data took one year (from April 2017 to 2018). Portfolio A consists of three auto industries namely Hero Motor Corp, Bajaj-Auto and TVS Motors. The closing price of each industry is taken summation ($\sum X$ for a year is taken) and average of $\sum X$ is taken as \bar{X}^1 ($\bar{X}^1 = \sum X / \text{No. of days}$). Further to calculate Risk (β) ($\sqrt{\sum(X - \bar{X}^1)^2}$) is computed, which makes easy to know whether industry gives a good return and the risk involved in it.

7.2 Portfolio “B”

Table 3: Computation of Risk and Return of Portfolio B

	Portfolio B		
Period	Jindal Steel	Steel Authority of India	JSW Steel
Starting Date	3 April 2017	3 April 2017	3 April 2017
Closing Date	28 March 2018	28 March 2018	28 March 2018
Closing Price total for 1 year (X)	41375.75	17280.8	= 60386.7
Total of (X-X') ²	629858.2	41783.03	337159.4
Computation of Expected Return and Risk			
Mean(X ¹) =Total Share Prices/No of Days	= 41375.75 /246 = 168	=17280.8/246 = 70	= 60386.7/246 = 244
(X-X' ¹)= $\sum(XX')^2$	= 629858.2	= 41783.03	337159.4
RISK (β) = $\sqrt{\sum(X - \bar{X}^1)^2}$	= $\sqrt{629858.2}$ = 794	= $\sqrt{41783.03}$ = 204	= $\sqrt{337159.4}$ = 581

Source: Primary Survey

Table 3 shows calculation of Risk and Return simple statistical tool. The study of the data took one year (from April 2017 to 2018). Portfolio B consists of three auto industries namely Hero Motor Corp, Bajaj-Auto and TVS Motors. The closing price of each industry is taken summation ($\sum X$ for a year is taken) and average of $\sum X$ is taken as X^1 ($X^1 = \sum X / \text{No. of days}$). Further to calculate Risk (β) ($\sqrt{\sum(X - \bar{X}^1)^2}$) is computed, which makes easy to know whether industry gives a good return and the risk involved in it.

Table 4: Risk and Return of Both Portfolios

Portfolio	Companies	Risk	Return	Risk & Return %
"A" Auto Sector	Heromotocorp	2948	3662	124%
	Bajaj-Auto	3004	3013	100%
	TVS Motors	1366	628	45%
"B" Steel Sector	Jindal Steel	794	168	21%
	SAIL	204	70	34%
	JSW Steel	581	244	41%

Source: Primary Survey

The table demonstrates the risk and return engaged by investing in both portfolios A and B and in individual organizations. The count of Risk and Return appeared in Table 2 and 3. The last column in the table is computed by dividing Returns/Risk*100

8. Findings and Discussion

During the study, two sectors are taken ie Automobile and Steel. Automobile sector at present contributes in excess of 7 percent to India's GDP. The Auto Mission Plan 2016– 26 sets a goal to expand the commitment to 12 percent. Various monetary patterns could help in meeting this objective. Quick urbanization implies the nation will have more than 500 million individuals living in urban communities by 2030—1.5 of the present US population. Rising wages will likewise assume a job, as around 60 million families could enter the expending class (characterized as family units with wages more prominent than \$8,000 per annum) by 2025. In the meantime, more individuals will join the workforce. The investment could reach 67 percent in 2020, as more ladies and youth enter the activity advertise, raising the interest for portability. India is the third-biggest rough steel maker on the planet. In FY18, India delivered 104.98 million tons (MT) of completed steel. Unrefined Steel generation amid 2017-18 remained at 103.13 MT. Rough steel generation achieved 44.09 MT amid Apr-Aug 2018. From Table 4, it is clear that Portfolio "A" is giving high return than Portfolio "B" with high risk. There is a low return on portfolio "B" companies when compared with portfolio "A" companies The risk conveyed by this portfolio is more. According to the Markowitz, an effective portfolio is unified with "Greatest Profit, least Risk".

It is advised to the investors that they have to look for an optimum portfolio for investment so that they can trade between risk and return. When you observe both portfolios and their respective companies, risk has not spread at the same level across. In portfolio "A" Hero Moto Corp is smarter to put resources into as it furnishes an arrival of 124% with a better than average hazard associated with it. What's more, in portfolio "B" JSW steel is smarter to put resources into as it furnishes an arrival of 41% with a superior risk included. For investors who are not particular on high return, SAIL is superior for decision.

9. Conclusion

Technical examination helps in assessing the current pattern and dangers of the scrip. It helps the financial specialists in comprehension the learning of monetary market and vital budgetary data sources

for the better venture. With a fitting portfolio blend of different securities they can be manufactured an ideal Liquidity, Safety, Time horizon of the theory, Tax thought and demeanor of the examiner or a segment of the impediments in encompassing the objectives. The general focus of the portfolio comprehends the basic thoughts regarding the portfolio, to fathom the security examination thought, processing the hazard and return of the portfolio and to assurance of the perfect portfolio for the endeavor. The esteem parts of the portfolio are chosen for the examination. The front line approach uses the Markowitz appear, in which criticalness is given to the risk and returns examination.

References

- Boobalan, C. (2014). Specialized analysis in select stocks of Indian companies. *International Journal of Business and Administration Research Review*, 2(4), 26-36.
- Gopalakrishnan, M. M., & Akarsh, P. (2017). Analysis of Automobile Industry in Indian Stock Market Equity. *International Journal of Advance Research and Development*, 2(5), 166-171.
- Kulkarni, K. G., & Kulkarni, G. A. (2013). Major analysis versus specialized analysis: A Choice of sectoral analysis. *International of Engineering and Management*, 4(2), 234-246.
- Koti, K., & Naik (2014). Technical analysis of S and P BSE Sensex, Cipla and ITC. *Reviews of Literature*, 2(2), 1-11.
- Punithavathy, P. (2007). *Security Analysis and Portfolio Management*. Vikas Publishing.
- Sarwade, W. K. (2015). Evolution and Growth of Indian Auto Industry. *Journal of Management Research and Analysis*, 2(2), 136-141.
- Suresh, A. S. (2013). A study on fundamental and technical analysis. *International Journal of Marketing, Financial Services and Management Research*, 2(5), 44-59.