

## **“A Study on Technical Analysis for Granules Ltd.”**

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**Abstract:** *Equity stock analysis is the systematic method and study of company performance in the Stock trading market with the help of fundamental and technical analysis tools. This study includes On Balance Volume, Relative Strength, Bollinger Band, Beta. Examine the relationship between the risk and returns of the Selected Scripts Data. In this research paper performance of Selected Company scripts has been investigated. Risk & Returns of Selected scripts are investigated using different statistical tools for the last Six months has been presented. Taking risk & returns into account, the analysis suggests that investors after considering the certain aspect of the fund could invest in the better performing fund.*

**Key Word:** Risk, Return, Investment, Stock Market, Equity

### **I. Introduction**

In share market the technical analyst has developed technical tools and methods to study the past patterns and performance of company to predict future patterns and performance. Technical analysts are sometimes referred to as chartists because they rely almost exclusively on charts for their analysis. Technical analysis is a method, tool and to analysis the past behavior of the market which then is used to predict the future. This paper purpose is to study the technical analysis the script of the Granules India Limited companies and to take an investment decision in Indian Stock Market for great return. Technical analysis is good technique and methods to analysis the scripts and forecast the future performance based on past performance and data of price and volume transaction in market.

#### **Risk**

Risk means that differ from the expected outcomes and returns. Risk can harm or loss happened while in investment. Risk and Return are related to each other, Higher the Risk and Higher the return, Lower the risk Lower the return.

#### **Return**

Return means that give something return back while investing in financial instruments or securities with safety. Return means it is profit of investing the amount in market.

#### **Investment**

Investment means some part of fund or extra profit put in the financial securities or instruments are available in market that giving great return with safety of money. Most of people invest their money for high return in short period of time with bearing the risk without losing the principal invested in market.

**Stock Market:**

Stock market is platform where investor putting their money and taking return through doing trading of companies stocks, i.e. buying and selling. It facilitates to exchange the securities or instruments.

**Equity:**

Equity share denote that it is small unit of equal denomination constituting the share of the company. It is most risky instrument in market for investing but give higher return also.

**II. Objective:**

- To study the present behavior pattern and forecast the future behavior pattern of equity in stock market.
- To analysis the risk and return of selected company on basis of shares price movement.
- To learn and understand the technical indicator of selected company.

**III. Research Methodology:**

Research methodology is specific procedures and techniques used to identify selecting the process and analyzing the information. “Research is a systematic inquiry to describe, explain, predict and control the observed phenomenon.”

**Research Design:**

The searcher used descriptive research design for the study.

**Sampling Frame:**

The sampling frame here is of six months. The data here is taken of six months i.e. from April 2020 to September 2020

**Sampling Method:**

The data for analysis are given randomly without any bias.

The researcher adopted Simple Random Sampling method to collect data. **Types of Data:**

This study is completely based on secondary data and mainly collect the data from websites, additional data are also collect from published sources, rating agencies, websites, journals, books, reports by researchers and scholars.

**Tools of Data Analysis:**

- a. Price Table
- b. Charts
- c. Technical Indicators
  - i. On Balance Volume
  - ii. Relative Strength
  - iii. Beta
  - iv. Bollinger Band

**IV. Statistical analysis**

**Granules India Limited** is an Indian pharmaceutical manufacturing company based in Hyderabad, India.

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- Granules manufactures several off-patent drugs, including Paracetamol, Ibuprofen, Metformin and Guaifenesin, on a large scale for customers in the regulated and rest of the world markets.
- Granules India Limited entered CRAMS segment, which focuses on contract research and manufacturing.

Price Table of Granules from April 2020 to September 2020

Sr. No.	Random Dates	Open	High	Low	Close	Volume in Millions
1	18/05/2020	156.00	158.70	154.15	153.30	6561856
2	10/06/2020	181.85	206.90	181.75	203.80	14301038
3	09/07/2020	211.00	229.00	209.25	226.45	8896169
4	06/08/2020	319.00	328.00	315.10	324.80	7023667
5	31/08/2020	312.05	318.75	282.15	313.75	5030010
6	28/09/2020	383.00	405.00	382.00	399.00	9872084

**Graph No. 1.** Granules India Ltd. Candlestick Chart from April 2020 to Sept 2020



As on 09/10/2020 Charts

Source: angelbrokingweb.com

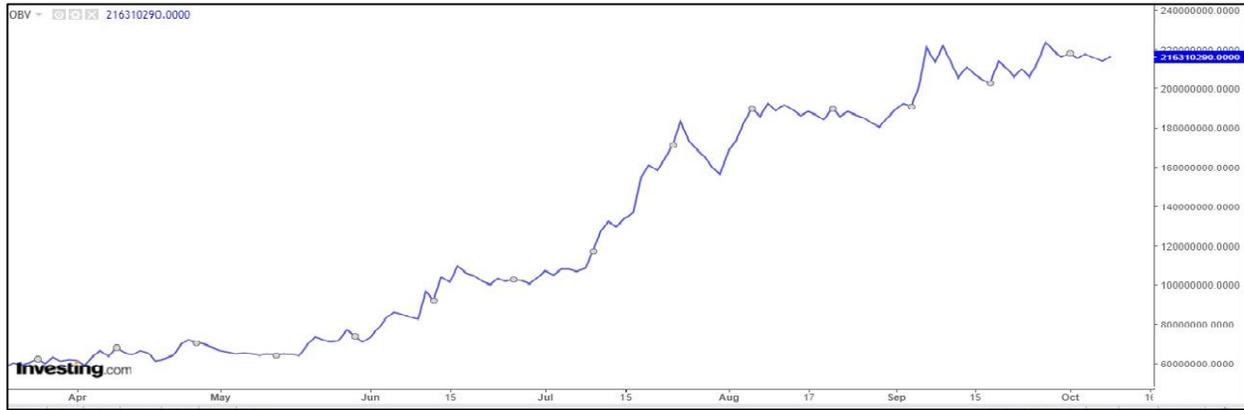
**Interpretations:**

Above shown is the candlestick chart of Granules India Ltd for the period of 6 months from April 2020 to September 2020. It indicates the high, low, and open price and also volume of scrip. The green candles show the buy volume of stocks and the red candles shows the sell volume of stocks. The chart indicates the performance of Granules India Ltd for the particular period and its trends in the share price. It shows an upward and downward trend from which the investors can understand the buying period and selling period of the scrip.

**1. On Balance Volume(OBV):**

On balance volume is trading momentum technical indicator that used to study the volume flow and predict the changes of stock price. It shows crowd sentiment that can predict a bullish and bearish outcomes results.

**Graph No.2. On Balance Volume of Granules Limited**



As on 09/10/2020 Charts

Source: [www.investing.com](http://www.investing.com)

On Balance Volume = Previous OBV – Today’s Volume

If today’s closing price is higher, then OBV = Previous OBV + Today’s Volume

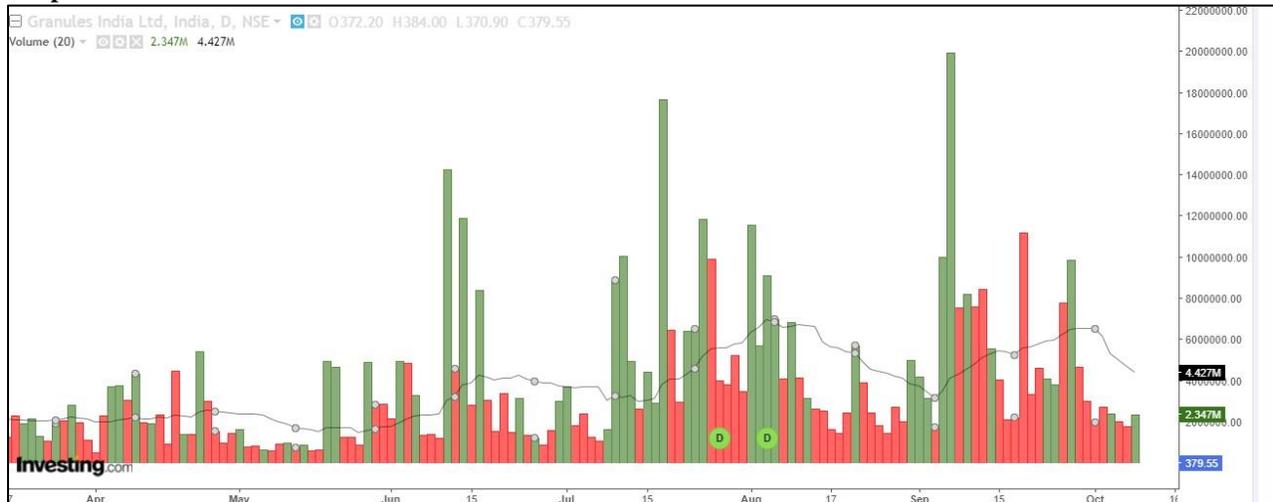
If yesterday closing price is higher, then OBV = Previous OBV – Today’s Volume

Following table showing OBV for the period of 10 days:

OBV on 22/09/2020 is 5160000(516M)

Volume on 22/09/2020 is 4657364 (4.65M)

**Graph No. 3. Volume of Granules India Limited**



As on 09/10/2020 Charts

Source: [www.investing.com](http://www.investing.com)

**Interpretation:**

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The candlestick chart indicates the trend of the stock. It shows a Fluctuations trend and the company has well performance in the market. Highest price of stock is 375.90 on 07<sup>th</sup> September 2020, from this price the market has sharply fall to 352.70 on 22<sup>nd</sup> September 2020. Numbers of sellers are more after specific period of time and then share price of Granules India Ltd sharply go downwards. It indicates the investors are not much interested with the stock of company to buy it. The RSI chart indicates where to buy stocks and where to sell it. If overbought happens it means, there are more numbers of buyers who expect high returns. If oversold situation arises it means investors not keen to hold stocks for more time period.

Beta shows the intensity of high and low fluctuations of shares prices, here the Beta of Granules India Ltd. has less than 1 beta. It means stocks are less risky but lower returns.

The numbers of shares shown in the OBV chart of Granules India Ltd are more, it indicates the reliability of stocks and investors sentiments about fluctuations of prices. On 28/09/2020, the price of the stock was higher i.e. 375.90 that's why OBV was also highest i.e. 516 Million.

In the volume chart, the fluctuation of number of shares is high. On 28<sup>th</sup> September 2020, the volume is highest i.e. 9.87 Million.

### **2. Relative Strength Index: (RSI)**

Relative Strength Index is technical indicator that indicate the momentum of recent price to evaluate overbought and oversold conditions in the price of stock or other asset. The RSI displayed as Oscillator on line graph that moves between two extremes and can have a reading from 0 to100.

**Graph No.4.** RSI of Granules India Ltd



Overbought (14) 70/Oversold (14) 30/Mon, 24<sup>th</sup> July 2020

As on 09/10/2020 chart.

Source: [www.investing.com](http://www.investing.com)

### **Interpretations:**

Above shown is the Relative Strength Index of Granules India Ltd. In the graph a reading above 70 (Overbought) indicates average gains and reading below 30 (Oversold) indicates average loss. Here, higher average gain occurred on 35.50 and lower average loss occurred on 27.35.

### **Calculation of RSI:**

**Calculation of RSI:**

$$RS = \frac{\text{Change in upward price over a period of time}}{\text{Change in downward price over a period of time}}$$

OR,  $RS = \text{Average Gain} / \text{Average Loss}$

$$= 35.50 / 27.35$$

$$= 1.30$$

**Now,**

$$RSI = 100 - (100 / (1 + RS))$$

$$= 100 - 100 / (1 + 1.30)$$

$$= 100 - 43.48$$

$$= 56.51$$

Here RSI of Granules India Ltd is below of 70 and above of 30 that is indicates that RSI indicating a good signal for buyer to buy the stock from market. It is right time to buy the stock.. This means the stocks proper valued and right volume trading.

**3. Bollinger Band:**

Bollinger Band indicator is identifying the volatility level for a currency pair. In sudden increase in volatility could predict the reversal trend. Bollinger Band are placed over a price chart to define pricing channels. It was not first to research moving averages. However, it was unique in taking the idea one step for further by adding the bands and above and below moving averages line to define upper and lower rate boundaries. These boundaries are then used to measure volatility.

**Graph No. 5** Bollinger Band Chart of Granules Limited



As on 09/10/2020 Charts

Source: [angelbrokingweb.com](http://angelbrokingweb.com)

**Interpretations:**

Bollinger Band (20,2) it is technical analysis tool defined by set of lines plotted two deviations positive and negative away from simple moving average. The upper and lower bands are typically 2 standards deviations from 20day simple moving

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average. It is believed the closer price move to upper band, the more overbought the market, and the closer the price move to the lower band, the more oversold the market. Approximately 90% of price action occurs between the two bands. Any breakout above or below the bands is a major event. The breakout is not a trading signal.

1. Bollinger Band Top Bollinger Band (20,2, ma, y) is 395.01.
2. Bollinger Band Median Bollinger Band (20,2, ma, y) is 358.95.
3. Bollinger Band Bottom Bollinger Band (20,2, ma, y) is 322.80.

**4. Beta:**

Beta is a measure of a stock volatility in relation to the market. The market has a beta of 1.0. A stock that swings more than the market over time has a beta above 1.0. If a stock moves less than the market, the stock’s beta is less than 1.0. Higher beta stocks are supposed to be riskier but provide a potential for higher returns, low beta stocks show less risk but also lower returns

**Graph No. .6.** Beta Chart of Granules Limited



**As on 09/10/2020 Charts**

**Source: angelbrokingweb.com**

**Interpretations:**

**Calculation of Beta:**

$$\text{Market Value of Beta} = P1 - P0 / P0 * 100$$

Where, P1= Today’s Closed Price of Stock

P0 = Previous Closed Price of Stock

$$\text{Beta} = 399.00 - 155.30 / 155.30 * 100$$

$$= 243.70 / 15530$$

$$= 0.0015$$

Beta shows the intensity of high and low fluctuations of shares prices, here the Beta of Granules India Ltd has less than 1 beta. It means stocks are less risky but lower returns.

#### **V. Findings:**

1. It analysis that Granules India limited is good company for investment and great return.
2. RSI of Granules India Ltd is below of 70 and above of 30 i.e. 56.51 that is indicates that RSI indicating a good signal for buyer to buy the stock from market.
3. Beta shows the intensity of high and low fluctuations of shares prices, here the Beta of Granules India Ltd has less than 1 beta i.e. 0.0015. It means stocks are less risky but lower returns.
4. The numbers of shares shown in the OBV chart of Granules India Ltd are more, it indicates the reliability of stocks and investors sentiments about fluctuations of prices. On 28/09/2020, the price of the stock was higher i.e. 375.90 that's why OBV was also highest i.e. 516 Million.

#### **VI. Suggestion:**

1. It suggests that to Investor to invest in this company and hold for long period for greater return.
2. It also suggests that the investor can earn good return in small period of time holding the share or by intraday transactions, if they want to invest their money for long period.

#### **VII. Conclusion**

Share market is one best investment platform to earn higher returns. All the mutual funds, banks, Insurance companies, individuals, organizations, and many more are investing on this platform to earn more. It concludes that to earn a good Granules India Limited is good company for investment. Technical Indicator of Granules India Limited are indicating a positive signal a return back of fund with extra amount of income. It is low risky company for investment. It is growing and good performer of the company in the market. This study helped the investor to analysis the company before investing on the basis of technical analysis.

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