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A Study on Risk and Return Analysis in Nse With Special Reference To Fmcg Sector

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ABSTRACT

The mainstream of the organization is Shares, Commodity and Forex trading and Research. Their priority is to make people transform from ignorant to expertise in the chosen field. Everyone should be aware of investment opportunities in capital markets. Still, it is an untapped and an overflowing market, they create opportunities for clients and they teach clients how to make a raw chance into earning opportunities. I chose this topic to know about the current trend of a share with reference to FMCG industry by using technical methods which will be useful for the company to prescribe their clients about the shares that give high yield analytically. The main objective of the study is to find out the future price variations of shares of a different company from FMCG industry using the secondary data from the secondary market which is been available with SEBI and to analyze about the company compared with its own industries growth and decline. The conclusion is that in RSI is the tool used for analysis and the profit ratio of the tool is also high so it can be referred to the clients for desiring the long and short calls in the industry.

Keywords: *Shares, FMCG and Price variations*

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INTRODUCTION

Technical analysis has two main methods - one dependent on intuition and interpretation, the other on analysis of data. Under the first method, analysts interpret price charts depending on the pattern of movement - head-and-shoulders patterns, double-bottoms, flags, and pennants, etc. These patterns are used by analysts to predict share price movements.

In the case of the other method of technical analysis, analysts rely on complex calculations of numbers, to crunch raw price and volume data. After this analysis process, the secondary indicators, i.e., oscillators, moving averages, etc, are calculated and used to spot buying or selling opportunities. Analysts use the software, scientific methods, complex equations, and complex mathematical formulas to derive indicators.

REVIEW OF LITERATURE

Ranjit Kumar Paswani (2013) found that ITC, Emami, Dabur, and Colgate has been able to repay its debt during the study period. DTR of Nestle and Colgate show the efficiency of debt management Debt to Total Asset Ratio of Emami and Dabur shows that more asset of the co. is financed through debt.

Aartigargii (2015) analyzed the comparative profitability of companies selected through ratio analysis and ANOVA and also to reveal that profitability of Dabur, Colgate Palmolive, and Marico was satisfactory in some aspects and of Britannia and Godrej not satisfactory in certain aspects. Therefore the companies should put more effort to strive for improved productivity and optimal utilization of available resources. Profitability, in the long run, contributes to the sustained growth of the company.

Mohmad and Syediii (2016), aimed to analyze the liquidity and profitability performance of selected Indian telecom companies (Bharti Airtel, and Vodafone India). They used ratios and indicators to measure the performance and identify the financial health status of the companies. The profitability ratios show that return on assets was higher in Vodafone than that of Bharti Airtel which means the former has a higher rate of profits. And in terms of return on equity also Vodafone has performed far better than Bharti Airtel. And found that there was a vast difference in the performance of selected Telecom companies in terms of liquidity and profitability performance.

DR.K.V.Geetha Devi et.al., (2016) aimed to compare the stocks of selected companies from FMCG sectors in the form of their risk and return. This study is also creating awareness about stocks among the investors to invest in a particular company in this

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FMCG sectors. The risk and return relationship is a fundamental concept is not only financial analysis but in every aspect of life. It is necessary that every individual or institutions consider the combined influence of risk and return. This analysis using the standard deviation and average return tools to discuss and quantify the trade-off between risk and return.

Viral Chavda (2017) examined the financial performance of selected FMCG companies in India. In this study, the researcher uses a various ratio of profitability and liquidity to achieve our objective of the study. The Descriptive Statistics and One-way ANOVA analysis have been used for analyzing the collected data. There is a significant difference between profitability ratios as well as liquidity ratios of Goderj Ltd., Navneet Education, Colgate, Dabour Ltd., and Britannia Ind. Ltd.

STATEMENT OF PROBLEM

A better understanding of the stock market trend will facilitate the allocation of financial resources to the most profitable investment opportunity. The movement of stock returns will enable investors to make appropriate investment decisions. The fluctuations of stock returns are due to several economic and non-economic factors. The study is aimed at volatility will be high and It helps investors to be aware of deviations in the returns of the stocks. The simple moving average model indicates the buy and sells signal to the investors. This helps the investors in taking good decisions when investing in equity shares.

The study also helps the customers to ascertain the risk and return of the stocks. This will help the investors viz, individuals, FIIs in identifying the stocks which would yield them higher return and lesser risk. Also, the money flow index helps the people to know about the flow of money in and out of the security.

OBJECTIVES OF THE STUDY

- To analyze the stock price behavior of the FMCG industry.
- To analyze the degree of risk involved with the considered investments.
- To portfolio, the investment according to the risk and return involved in the market

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SCOPE OF THE STUDY

The study is conducted in a way to calculate the risk and return of the stocks of the selected 4 companies for 1 year. This will help the investors viz, individuals and mutual funds to the stocks which would yield them higher return and lesser risk.

NEED OF THE STUDY

The study is about analyzing the risk and return on the FMCG sector. The need of the study is that to analyze about the risk and return using technical analysis where it will be useful for the clients of the company to know about the market risk and to earn more profit out of the study.

RESEARCH METHODOLOGY

Research design: The propose is to conduct intensive secondary research to understand the full impact and implication of the industry, to review and critique the industry norms and reports, on which certain issues shall be selected, which I feel remain unanswered or liable to change, this shall be further taken up in the next stage of exploratory research. This stage shall help me to restrict and select only the important question and issue, which inhibit growth and segmentation in the industry.

Sample size:

The companies taken for research design are

- Hindustan Unilever
- Britannia Industries Limited
- Godreg
- Procter and gamble

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ANALYSIS AND INTERPRETATION

TABLE 1

INVESTMENT PORTFOLIO OF HINDUSTAN UNILEVER LIMITED

Investment	No of lots	Posit ion	Investing point in Rs	Target point in Rs	Profit in Rs
10000	10	Long	380	390	100
10000	10	Short	420	400	200
10000	10	Long	406	421	150
10000	10	Short	425	424	10
10000	10	Long	506	521	140
10000	10	Short	532	525	70
10000	10	Long	526	546	200

The table shows that Bollinger band technique of HUL for the period of December 2018 to December 2019. Here at all levels we had profits where we will be buying at the lower band and the target will be the middle band and selling at the upper band and the target will be the middle band.

CHART 1

INVESTMENT PORTFOLIO OF HINDUSTAN UNILEVER LIMITED



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TABLE 2

INVESTMENT PORTFOLIO OF BRITANIA

Investment	No of lots	Position	Investing point in Rs	Target point in Rs	Profit in Rs
10000	10	Long	427	432	50
10000	10	Short	525	521	40
10000	10	Long	493	498	50
10000	10	Short	508	497	110
10000	10	Long	491	496	50

The table shows that Bollinger band technique of Britania for the period of December 2018 to December 2019. Here at all levels we had profits where we will be buying at the lower band and the target will be the middle band and selling at the upper band and the target will be the middle band.

CHART 2

INVESTMENT PORTFOLIO OF BRITANIA



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TABLE 3

INVESTMENT PORTFOLIO OF GODREG

Investment	No of lots	Position	Investing point in Rs	Target point in Rs	Profit in Rs
10000	10	Long	479	492	130
10000	10	Short	561	539	220
10000	10	Long	642	661	190
10000	10	Short	669	660	90
10000	10	Long	629	659	300

The table shows that Bollinger band technique of Godreg for the period of December 2018 to December 2019. Here at all levels we had profits where we will be buying at the lower band and the target will be the middle band and selling at the upper band and the target will be the middle band.

CHART 3

INVESTMENT PORTFOLIO OF GODREG



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TABLE 4

INVESTMENT PORTFOLIO OF PROCTER AND GAMBLE

Investment	No of lots	Position	Investing point in Rs	Target point in Rs	Profit in Rs
10000	5	Long	1673	1783	550
10000	5	Short	2220	2209	55
10000	5	Long	2031	2183	760
10000	5	Short	2430	2409	105

The table shows that Bollinger band technique of Procter and Gamble for the period of December 2018 to December 2019. Here at all levels we had profits where we will be buying at the lower band and the target will be the middle band and selling at the upper band and the target will be the middle band.

CHART 4

INVESTMENT PORTFOLIO OF PROCTER AND GAMBLE



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MOVING AVERAGE

The interpretation of the moving average is derived from the 200-day moving average.

- **Hindustan Unilever Limited:** The first selling was initiated in February and the trade ended with a loss and out of five trades we got profit in four trades and on trade ended with a loss.
- **Britania:** Here in a maximum of cases we got correction but from February to April there was no trade initiated in the market. Due to consolidation phase totally 9 trades were initiated and out of 9 trades two trades ended with a break even and other trades was profit trades.
- **Godreg:** Only one trade is been initiated throughout the year and there was a huge correction for the technique.
- **Procter and gamble:** When the market closes below the average line and when it touches the line after closing we will go for short and when it is in vise versa we will prefer long. The only minimum of trades is been initiated and corrections are also low and in some cases, we met loss out of the trade.

FINDINGS

BOLLINGER BAND

- In HUL the total profit is Rs.870 where all trades ended with a profit and the frequency of trades are also high.
- In Britannia 5 trades was initiated and the total profit is 300 and all the five trades ended with a profit in the last one year.
- In Godrej, the first buying was initiated at 479 and the target was covered at 492, the second trade was initiated at 561 and the target was 539, the third long was initiated at 642 and the profit was 190 out of the trade.
- In P&G the first trade reached a profit of 550 and in the same year we had the highest profit of 760 and the total profit out of the script is 1470.

MOVING AVERAGE

- In HUL the first selling was initiated in February and the trade ended with a loss and out of five trades we got profit in four trades and on trade ended with a loss.

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- In Britania in a maximum of cases, we got correction but from February to April there was no trade initiated in the market. Due to consolidation phase totally 9 trades were initiated and out of 9 trades two trades ended with a break even and other trades was profit trades.
- In Godreg only one trade is been initiated throughout the year and there was a huge correction for the technique.
- In P&G the only minimum of trades is been initiated and corrections are also low and in some cases, we met loss out of the trade.

SUGGESTIONS

- In P &G the total profit is 1470 which had the highest profit in that technique in the last financial year. So a high priority of portfolio can be used in this script.
- The Godreg had a profit of 190 which was the lowest of all the counters and a low priority of portfolio can be used in this script.
- Using moving average in Britannia 9 trades are been initiated and from all the trades 7 trades met with profit and 2 trades were losing trades. So out of all the four scripts, Britannia can be used for a portfolio.

CONCLUSION

The FMCG industry is the largest industry in case of market capitalization. The technical analysis plays a vital role in deciding about the profit and loss of trade in the market. In our study we have used RSI, moving average, Bollinger band as a tool for analyzing the market. The conclusion is that in RSI is the tool used for analysis and the profit ratio of the tool is also high so it can be referred to the clients for desiring the long and short calls in the industry.

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