A PROJECT REPORT ON FUNDAMENTAL AND TECHNICAL ANALYSIS OF EQUITY AT HDFC BANK, HYDERABAD

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ABSTRACT

Equity analysis is a critical process for investors aiming to make informed decisions in the stock market. This project focuses on understanding and applying the two primary approaches to equity analysis: fundamental analysis and technical analysis. These methods provide distinct yet complementary perspectives on evaluating and predicting stock performance.
 Key words: Equity analysis, Investors, Informed decisions

INTRODUCTION

A The banking sector is one of the most critical industries in any economy, serving as the backbone or economic growth by providing financial services, credit, and capital to businesses and individuals. With increasing financial market participation, investors seek efficient methods to evaluate and predict stock performance in this sector. Fundamental analysis and technical analysis are two widely used approaches that help investors assess the equity of banking companies.

REVIEW OF LITERATURE

Mark P. Taylor: 2024 Technical analysis, also known as chartist analysis, focuses on predicting market trends and offering trading recommendations primarily through the visual study of historical price patterns, without considering the underlying economic or fundamental factors. This summary presents findings from a questionnaire-based survey commissioned by the Bank of England, conducted in November 1988 among senior foreign exchange dealers in London.

YH Lui, D Mole : 2023 This article reports the results of a questionnaire survey conducted in February 2395 on the use by foreign exchange dealers in Hong Kong of fundamental and technical analyses to form their forecasts of exchange rate movements. Our findings reveal that>85% of

respondents rely on both fundamental and technical analyses for predicting future rate movements at different time horizons.

Sahu, P. & Rath, A. (2022)– Their empirical study showed that combining both approaches leads to superior returns compared to using either fundamental or technical analysis alone, especially during macroeconomic volatility.

T Oberlechner: 2023 This article presents findings of a questionnaire and an interview survey on the perceived importance of chartist/technical and fundamental analysis among foreign exchange traders and financial journalists in Frankfurt, London, Vienna, and Zurich. Results confirm that most traders use both forecasting approaches, and that the shorter the forecasting horizon, the more important chartist/technical analysis is. Financial journalists put more emphasis on fundamental analysis than do foreign exchange traders.

NEED OF THE STUDY

This study primarily aids investors in analyzing stocks both fundamentally and technically, offering insights into the position of stocks for both long-term and short-term investments. Fundamental analysis allows investors to assess a company's financial health, identify potential risks, and recognize undervalued stocks, thereby providing a competitive advantage over those who do not engage in such analysis. When combined with technical analysis, which helps in determining optimal entry and exit points, setting stop-loss orders, and identifying support and resistance levels, investors are better equipped to make informed buy, hold, or sell decisions. This dual approach enhances the ability to navigate volatile and dynamic market conditions, facilitates timely adjustments to investment strategies, and ultimately improves profitability. Furthermore, the study enriches the understanding of equity markets and strengthens analytical and decision- making skills, proving beneficial not only to investors but also to analysts and students.

SCOPE OF THE STUDY

The project titled "Fundamental and Technical Analysis of Equity" aims to provide a comprehensive understanding of equity analysis from an investor's perspective, focusing specifically on the performance and relative growth of selected banks. By analyzing both fundamental and technical aspects, the study helps investors make informed decisions about buying or selling particular stocks. The scope of the project is limited to a specific set of banks and a defined time period; hence, other institutions and broader analyses are not included.

OBJECTIVES OF THE STUDY

- To study the various theories of fundamental and technical analysis for banking stocks that are chosen.
- Analyze financial statements (income statement, balance sheet, cash flow) to assess company's financial health.
- Evaluate key financial ratios such as P/E ratio, ROE, and debt-to-equity to determine stock valuation.
- Utilize indicators like RSI, MACD, and moving averages to identify entry and exit points.
- Identify the strengths and limitations of fundamental and technical analysis in equity evaluation.
- Understand how each method applies to different investment horizons (long-term vs.short-term).

SOURCES OF DATA

This project on the fundamental and technical analysis of HDFC Bank equity uses data sourced from annual reports, stock exchanges (NSE/BSE), financial websites like Moneycontrol and TradingView, and regulatory bodies such as SEBI and RBI. Fundamental analysis involves evaluating financial ratios (like P/E, ROE, and EPS), trend analysis, and macroeconomic factors to assess the bank's intrinsic value. Technical analysis focuses on stock price movements using tools like candlestick charts, moving averages, RSI, MACD, and volume trends to identify trading signals and market sentiment. Together, these methods provide a comprehensive understanding of HDFC Bank's stock performance.

DATA SOURCES

Primary data

Primary data is personally developed data and it gives latest information and offers must greater accuracy and reliability.

Secondary data

The data is collected from the secondary sources like Websites and Books.

TOOLS & TECNIQUES USED FOR ANALYSIS

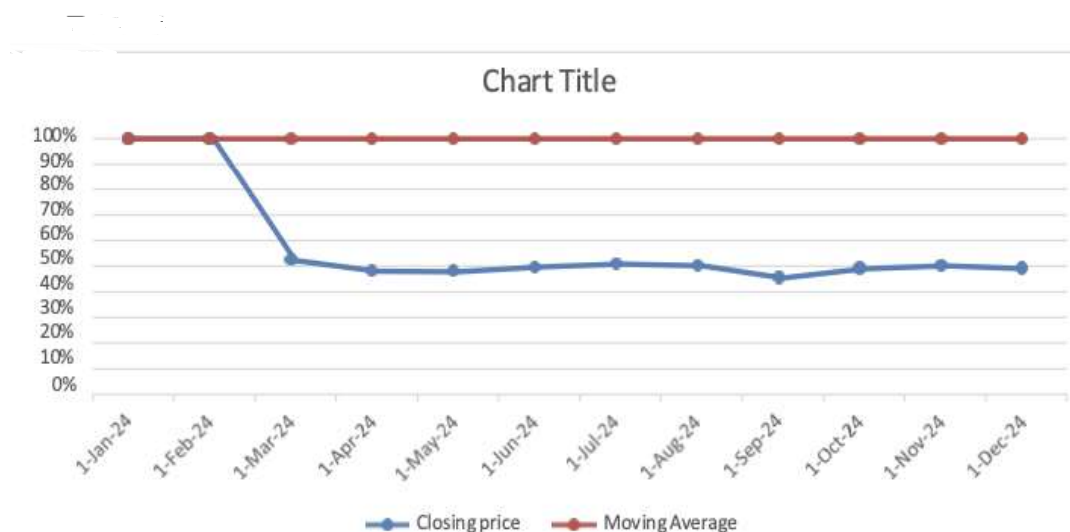- support and resistance
- correlation
- bar graphs.

LIMITATIONS OF THE STUDY

- The research is conducted using data collected from secondary sources.
- The data is confined to a specific time period portfolio returns.
- Collecting information during the research process was challenging due to the respondents' busy work schedules.
- Because of the large number of employees, gathering information from every individual.
- There was a possibility of biased responses, as employees might have expressed.

DATA ANALYSIS AND INTERPRETATION

Calculation of moving averages for HDFCBank in 2024

Date	Closing price	Moving Average
01-Jan-24	501.95	
01-Feb-24	623.05	
01-Mar-24	648	589
01-Apr-24	569.6	613.55
01-May-24	543.65	587.0833333
01-Jun-24	550.65	554.6333333
01-Jul-24	582.35	558.8833333
01-Aug-24	579.9	570.9666667
01-Sep-24	450.55	537.6
01-Oct-24	491.35	507.2666667
01-Nov-24	478.3	473.4
01-Dec-24	462.4	477.35

Interpretation:

In the abovetable it shows that the closing price of HDFC Bank in the year 2024 is slowly fluctuating from 501.95 to 462.4 and the moving average is fluctuated from 589 to 477.35.

Average return = 220.69/5= 44.14

Calculation of moving averages for Yes Bank in 2024

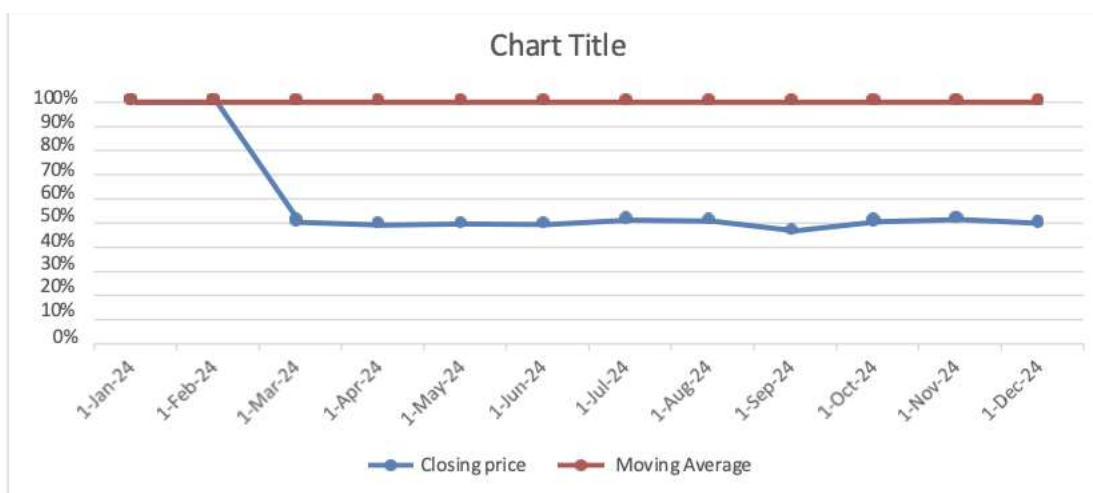| Date	Closing price	Moving Average
01-Jan-24	771.7	
01-Feb-24	800.9	
01-Mar-24	856.75	809.7833333
01-Apr-24	841.2	832.95
01-May-24	853.55	850.5
01-Jun-24	846.6	847.1366667
01-Jul-24	869.7	856.6236667
01-Aug-24	831.7	849.3333333
01-Sep-24	646.35	782.5833333
01-Oct-24	728.3	735.45
01-Nov-24	779.1	723.9236667
01-Dec-24	739.4	748.9333333

Interpretation:
In the abovetable it shows that the closing price of Yes Bank in the year 2024 is slowly fluctuating from 771.7 to 739.4and the moving average is fluctuated from 809.783 to 748.93.

Calculation of moving averages for ICICI Bank in 2024

Date	Closing price	Moving Average
01-Jan-24	352.7	
01-Feb-24	351.75	
01-Mar-24	348.85	351.1
01-Apr-24	322.9	341.2366667
01-May-24	314.1	327.95
01-Jun-24	296	310.3333333
01-Jul-24	314.95	307.0236667
01-Aug-24	310.23	306.3666667
01-Sep-24	249.25	290.7833333
01-Oct-24	278.45	279.2833333
01-Nov-24	279.3	269
01-Dec-24	266	274.5833333

Interpretation:

In the above table it shows that the closing price of ICICI Bank in the year 2024 is slowly fluctuating from 352.7to 266 and the moving average is fluctuated from 351.1 to274.58

FINDINGS SUGGESTIONS AND CONCLUSION
FINDINGS:

• During the year 2023 to 2024 return on HDFC Bank stock varies from 2.23 to 1.07 and risk for thesame period varies from 2.23 to 2.58 the return fluctuating and risk is high in this period.

• Comparison of HDFC shows increase in return 0.28 YES Bank shows increase in risk 6.69 and ICICIBank shows decrease in return -1.5235 and increase in risk 4.3.

• More return on HDFC Bank then profits on HDFC Bank, YES Bank and more risk in ICICI Bank.

• During the year 2022 to 2024 return on Yes bank stock varies from 1.82 to-14.26 and the risk for the same period varies from 2.99 to 1.89 the returns are low risk is high in this period.

• During the year 2022 to 2024 return on ICICI Bank stock varies from 2.23 to -23.86 and risk for the same period varies from 1.28 to 2.05 the return fluctuating and risk is high in this period.

• During the year 2022 to 2024 the moving average of HDFC Bank is increased and the year 2022 to 2024 the moving average of YES Bank is increased and the year 2022to 2024 the moving average of the ICICI Bank is increased.

SUGGESTIONS

• The HDFC Bank has to improve its performance as its returns are fluctuating and risk is high

• The Yes Bank has to improve its performance as its returns are fluctuating and risk is high

• The Yes Bank has to improve its performance as its returns are fluctuating and risk is high

• The companies need to maintain a proper balance of risk and returns to attract more investors

• Analyze Profit & Loss, Balance Sheet, and Cash Flow Statements.

• Focus on:

• Revenue Growth

• Net Profit Margins

• Debt-to-Equity Ratio

• Free Cash Flow

• EPS (Earnings per Share)

• P/E Ratio (Price to Earnings)

• ROE (Return on Equity

CONCLUSION

"Fundamental and Technical Analysis of Equity" is about estimating the Risk and Return associated with banking sector and to suggest the investors to invest in profit making companies which have high Return with less Risk. The actual Return he receives from a stock may vary from his expected return and the risk is expressed in terms of variability of return. Investors in general would like to analyze the risk helps him to plan his portfolio in such a manner so as to minimize the risk associated with the investment.

Fundamental Analysis:

• It concentrates on assessing a company's intrinsic worth by analyzing its financial statements, business strategies, economic climate, industry trends, and qualitative elements such as the competence of its management.

• Important indicators used in this analysis include Earnings Per Share (EPS), Price-to-Earnings (P/E) ratio, Return on Equity (ROE), and levels of debt.

• This approach is generally ideal for long-term investors who seek to identify undervalued or financially robust companies with the potential for consistent growth and income over time.

Technical Analysis:

• Analyzes past price trends, trading volumes, and market behavior through the use of charts and technical tools such as Moving Averages, Relative Strength Index (RSI), and MACD.

• This method is commonly applied to short- and medium-term trading strategies, enabling investors to take advantage of market sentiment, price movements, and optimal timing for buying and selling.

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• M. Ranganatham, R. Madhumathi: Security Analysis and Portfolio Management, 2nd Edition, Pearson, 2312.

• The Intelligent Investor" by Benjamin Graham A classic in value investing, emphasizing fundamental analysis and long-term investing strategies.

• "Common Stocks and Uncommon Profits" by Philip Fisher

• Focuses on the qualitative aspects of fundamental analysis, especially management quality and company growth.

• "Security Analysis" by Benjamin Graham and David Dodd

• A comprehensive guide on analyzing stocks from a value investing standpoint, covering both qualitative and quantitative factors.

• "The Little Book of Valuation" by Aswath Damodaran

• A practical guide on how to value companies, exploring key ratios and methods such as DCF, P/E ratio, etc.

• "Financial Statement Analysis and Security Valuation" by Stephen H. Penman

• Provides an in-depth understanding of using financial statements to make better investment decisions.

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