

TO STUDY THE FUNDAMENTAL AND TECHNICAL ANALAYSIS OF SELECTED HOUSING FINANCE COMPANIES

Dr .K.SAMUVEL (MBA,M.com, Msc(psy) M.phil, Ph D

HOD, Department of Management Sciences,

Hindusthan College Of Engineering And Technology, Coimbatore .Tamil Nadu, India

NEERAJ C- II (M.B.A),

Department of Management Sciences,

Hindusthan College Of Engineering And Technology, Coimbatore, Tamil Nadu ,
India

ABSTRACT

The growth in the hosing and housing finance activities in India reflects the buoyant state of housing market state in India. The real state sector is the second largest sector in the employment generation in India. The Housing finance sector in India has no doubt, experienced unprecedented change in its structure from its formulation stage. Indian Housing finance has far moved from the stages of being a solely government provided service during the 1970's to a very competitive sector with more than 45 housing finance entities providing housing loans worth Rs 781,000 million to home buyers across India.: Housing finance companies (HFCs) are likely to witness a growth of 8-10 per cent in fiscal 2022 helped by rise in economic and higher demand, says a report. In the first quarter of the current fiscal, HFCs registered nil sequential growth in the on-book portfolio as the second wave of COVID-19 impacted their disbursements and collection efficiency (CE), rating agency Icra Ratings said in a report released on Monday. However, the collection efficiency started bouncing back by the end of June 2021 and improved further in the second quarter of the financial year 2022.

Key words: Housing finance, fundamental analysis, technical analysisi

I.INTRODUCTION

1.1 Introduction

In the first 25 years of post-independence, India has concentrated on agricultural development only after the industrial revolution and the continuous shifting of rural population to the urban areas, the need for development of housing sector has been emphasized. It is always a dream to own a house however a majority of the population does not have the required financial assistance to own a house. Eyeing this as an opportunity, many firms have opted for extending housing loans not only to boost their bottom lines but also to reduce the prevailing demand and supply gap. The genuine demand arising out of the individual need for housing, together with the present boom in the housing sector it is all set to provide a platform for the housing finance companies to carve out a piece of fortune. What remained as a very low-profile sector in India is suddenly witnessing activity that is promising a bright future. Out of India's new housing units, 20 percent are financed through the housing financing institutions. With the gap between the required number of houses and the actual, government identified housing sector as a core and it is only with the timely intervention of the government that housing finance has become a major industry in India. With the establishment of National Housing Bank, the government has provided the much-needed boost to this sector. At present out of 380 odd HFIs in India, 42 housing finance companies are registered with the National Housing Bank out of them 20 are valid for acceptance of public deposits and remains are not. This number is going to increase in the near future with the industrial growth. Throughout the second part of the last decade, this sector has witnessed a growth of over 30 percent and promises to grow the same rate in the next couple of years. Recognizing the growing need of housing finance in India, the government has emphasized on housing and housing finance in the ninth five year plan to know that there is a short fall of more than 20 million house units. This is the first time that India has emphasized on the housing sector

1.2 Statement of the problem

Since not much research work has been done in the area of housing finance provided by various types of bank from the customers'. This study to analyse the financial performance of the selected housing finance companies in India and the working of the companies to know the best company for the purpose of investment. The study conducted by the

companies:

HDFC, LIC, INDIABULLS, AVAS, CAN FIN, PNB Housing Finance Ltd, so that a comparative analysis could be undertaken.

1.3 Objectives of the study

- 1) To study the financial performance of selected housing finance companies in India.
- 2) To study the fundamental analysis of selected housing finance companies in India.
- 3) To analyse the technical analysis of selected housing finance companies in India.

1.4 Research methodology

4.1 Secondary data

Research is a process of systematic inquiry that entails collection of data; documentation of critical information; and analysis and interpretation of that data or information, in accordance with suitable methodologies set by specific professional fields and academic disciplines. The data required for the study has been collected from secondary source. The relevant information were taken from annual reports, journals and internet.

4.2 Research Design

The present study deal with quantitative research. (Quantitative research is the process of collecting and analysing numerical data. It can be used to find patterns and averages, make predictions, test casual relationships, and generalize results to wider populations. Using fundamental and technical tools for analysis.

1.5 Time period

The present study was made for a period of 5 accounting years from 2018 to 2022

4.3 Method of data collection

The study is based on secondary data. Data of selected housing finance companies has been collected from their annual report of the companies, Balance sheet and profit and loss account with the help of internet (<https://moneycontrol.com/>, <https://money.rediff.com>)

4.4 Tools used for analysis

Tools used use for Fundamental analysis

- EPS
- PE
- PB
- PS
- ROE
- ROCE

Tools used for technical analysis

- RSI
- MACD
- OBV
- ADX

4.5 Scope of the study

The study is focused on the housing loan borrowers of HDFC, LIC, INDIABULLS, AVAS, CAN FIN, PNB Housing Finance Ltd india. The study is mainly intended to assess the perception of borrowers regarding the housing finance of HDFC, LIC, INDIABULLS, AVAS, CAN FIN, PNB Housing Finance Ltd and technical and fundamental analysis of The companies are also studied. Hence the study is focusing on the investment opportunity and deviation analysis of financial health of the listed companies.

4.6 Limitations of the study

- 1) This research study was time bound and due to this only a few aspects of the problem Were taken up in it.
- 2) Only few companies are taken for this study, because of that we can't take a good decision
- 3) Lack of time and resources for the study.

II REVIEW OF LITERATURE

(P.K.et.al, 2018)in this research paper the study included for examine the growth of housing finance institution, commercial banks and housing finance companies in India also analyze the performance of housing finance companies and scheduled commercial banks in terms of outstanding advances, disbursement of housing loan and the share of housing loan as percentage of total loan portfolio.

(Dr.ArchanaFulwari, 2018)This research paper extracted the study from Urban Development Corporation limited (HUDCO), National Housing Bank (NHB), Non Banking Finance Companies (NBFC), Housing Development Finance Corporation Limited (HDFC). It also included housing finance scenario in India and housing finance companies verses Scheduled Commercial Bank.

(Asif, 2016)investigated the predicting power of accounting information and the Share price by using OLS regression method. The accounting ratio included EPS, book value per share,capital employed per share and operating cash flow per share. Their finding showed that accounting information parameter have joint explanatory power to forecast the stock price. On the other hand, there are some studies that did not support the predicting power of fundamental analysis on stock return. ndPreeti (2009) suggested that fundamental analysis has statistically insignificant relationship with stock returns. Profitability of firm, cash performance, operating efficiency and liquidity are the fundamental signals that are used in the research, F-score is calculated and found that there is an insignificant relationship between fundamental signal and stock return of firm. A similar research is studies by Nadeem, Sajid and Muhammad (2013). They found that fundamental analysis has no predicting power on stock return for non-financial sectors in Pakistan. Five fundamental signals which are leverage ratio, profitability ratio, efficiency ratio, liquidity ratio and market based ratio have been tested by using simple regression in this research. They suggested that fundamental analysis is insufficient for forecasting stock, combination of fundamental analysis and technical analysis will have more predicting power in stock return. Fundamental analysis is widely used by investors to

forecast the movement of stock price. It examines all the factors that will give an impact on the stock return including micro and macroeconomic factors. The macroeconomic factors such as monetary policy, inflation, unemployment rate, gross domestic product and etc. (Suzana, Sinisa & Zoran, 2013).

(Dasgupta, 2015)in his paper he focused on Interest Rate Risk Management of HDFC which started off in 1977 as a new mortgage bank and operated like S&Ls in the first few years and raised retail deposits. This did not create much problem for the entity in the administered interest rate regime. The study offered a new paradigm shift in the financing pattern of HDFC for development of housing industry. The shift of financial strategy is suited to counter-shift risk profiles in the housing finance business in India and thus HDFC managed to create a niche in the industry. The author strongly felt that there is a need for extending liberal rate of interest to housing industry. The author strongly felt that there is a need for extending liberal rate of interest to housing industry.

(H.M, 2014)A Study On Individual Investors Behavior In Stock Markets Of India, IJMSS (Vol.02, Issue-02), ISSN:2321-1784: The paper proposes to study the behavior of individual investors in the stock markets and the factors that influence their investment decisions, which include awareness level, investment duration etc. The research was based on the primary data collected from the city of Mysore of 150 respondents, being stock market investors. The research paper observes that only 10 % of the respondents intended to stay invested into the stock market for a period of more than 5 years. In other words, the research paper observed that people do not want to stay committed for longer period of time into the stock market despite it giving better returns. The paper analyses that annual income and annual savings are given importance by investors, but the level of savings are decided by their level of income. He states that “investors are fully aware about the stock market and they feel that market movements also affect the investment pattern of investors in the stock market.” The paper however remains silent on its observation about the uneducated investors who are not aware of the market conditions, with market trends and the stock price movements. It focuses on the factors influencing savings and sources of information for decision making. The income level of an individual, also decide the investment pattern of the investor. The investor’s income level does determine the type of investment avenues the investor prefers.

III. FINDINGS OF THE STUDY

- PNB Housing Finance Ltd Aavas Financiers Ltd showing the lowest EPS in 2018 that is 13.31.
- Higher P/E ratio indicates stock is expensive to buy Aavas Financiers 2019 P/E ratio 146.5064 is Highest and Indiabulls housing finance Ltd
- Aavas financiers Ltd showing the highest P/B ratio at 2021 that is 7.914119 and PNB Housing finance Ltd is the lowest P/B ratio in 2020 that is 0.346089815.
- can fin Homes Ltd sowing the highest P/S ratio at 2020 that is 17.49
- PNB Housing finance Ltd in 2021 it has the highest ROE which 196.5258937.
- indiabulls finance Ltd shows the Highest ROCE in 2019 that is 18%, the Can fin homes Ltd LIC housing finance Ltd shows the lowest ROCE in 2022 that is 8%.
- Housing finance devolpoment finance corporation Ltd RSI In 2018 is above 70 that indicates over bought and in 2020 that indicates the oversold show's 30
- The RSI of LIC Housing finance Ltd, The middle of 2021-2022 over bought and the ending of 2018 shows the oversold conditions.
- The RSI of Indiabulls Housing finance Ltd 2018 shows 70 that indicates overbought indication and 2020 indicates the oversold because that shows 30
- RSI of Aavas Financiers Ltd.RSI, The 2021 shows above 70 that indicates the overbought condition and 2020 shows the 30 that indicates the oversold condition.
- RSI of Can Fin Homes Ltd 2021 shows above 70 that indicates overbought and the end of 2018 and 2020 showing 30 that indicates oversold condition.
- The RSI of PNB Housing Finance Ltd 2018 shows 70 and that indicates the overbought condition and 2020 shows 30 that indicates the oversold.
- MACD Of HDFC Ltd in 2020 had positive breakout, in ending of 2019 and starting of 2022 shows down trend.
- LIC Housing Finance Ltd in ending of 2019 and the middle of 2019 MACD line crosses the red line from upper side to below that shows down trend
- Indiabulls Housing Finance Ltd. In 2020 that indicates positive breakout
- The MACD of Aavas Financiers Ltd in 2022 shows down trend.

- The MACD Of Can Fin Homes Ltd in 2019 indicates positive breakout, in 2022 it had a down trend
- In 2022 the PNB Housing Finance Ltd indicates positive breakout on MACD
- in 2018 to 2021 the OBV of HDFC Ltd moving very sharply so the trades are done with a high volume and 2021 to 2022 the OBV going down
- From 2018 to 2020 the OBV of LIC Housing Finance Ltd moving normally and the after the middle of 2020 the OBV going up
- From 2018 to 2019 the OBV of Indiabulls Housing Finance Ltd moving normally.
- The OBV of Aavas Financiers Ltd From 2019 to 2021 the OBV moving normally and the after the middle of 2019 the OBV going up
- OBV of Can Fin Homes Ltd, the good OBV starts from the ending of 2018 to 2022 the OBV moving normally and the OBV going up
- 2020 to 2022 the OBV of PNB Housing finance Moving very sharply so the trades are done with a high volume
- At 2018 the ADX of HDFC Ltd had a strong trend.
- ADX of LIC Housing finance after 2020 shows a strong trend.
- ADX of Indiabulls Housing Finance Ltd at 2018 Shows a strong trend.
- ADX of Aavas Financiers Ltd in 2020 to 2022 the ADX have minimum trend increasing day by day.
- ADX of Can Fin Homes Ltd at 2018 it shows a strong trend.
- in 2020 the PNB Housing Finance Ltd had the high trend.

IV SUGGESTIONS

- Before going to invest, an investor should have clear and adequate knowledge of capital market.
- It is better to go for long term investment rather than the short-term investment because it is less risky and also provides sufficient return.
- The investor must know about the analytical tools. That help to decision making
- The investor should know the value of money.
- Practically stock market activities are very risky so investor should be careful while investing

- Analyse the EPS, Higher EPS ratio is always good because higher the EPS is the more money of shares of stock will be worth because investors are willing to pay more for higher profits
- Analysd RSI, RSI used to analyse when the shares are buy or sell, RSI are that values of 70 or above indicate that a security is becoming overbought or overvalued and may be primed for a trend reversal or corrective pullback in price.
- Analyse MACD, MACD used to analyse the entry and exit point of shares.
- The traders must analyse the trend, the ADX can use for analyse the trend.

V. CONCLUSION

Housing is generally viewed as a specific social good that requires some level of State intervention and regulation. In the field of housing finance, market-based tools such as mortgage loans and savings products are therefore mostly accompanied by different types of public subsidies intended to increase housing availability and affordability. In this study analysed both the fundamental and the technical analysis of selected Housing Finance companies in india, That is HDFC, LIC, INDIABULLS, AVAS, CAN FIN, PNB Housing Finance Ltd, The fundamental analysis include the tools like Tools for fundamental analysis, Price to earnings ratio (P/E), Price to book (P/B), Price to sales (P/S), Return on equity (ROE), Return on capital employed (ROCE), the technical analysis include the tools that is Relative Strength Index (RSI), Moving average convergence divergence (MACD), On-Balance Volume (OBV), The average directional index (ADX)

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