

## RSI ANALYSIS OF SELECT CONSTRUCTION COMPANIES IN NSE OF INDIA

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### ABSTRACT

Construction industry in India performs predominant role in the overall development of the country. This sector offers employment opportunity to about 40 million people in the Country and it contributes 8% of the GDP. Construction industry ranked third in terms of affecting other sectors. During the demonetization in India construction sector also affected and it reflected in performance of the construction companies. Investors aim is to gain profit out of their investments. Hence the investors should pay more attention to achieve their investment objectives. In this present study the researcher made an attempt to identify top three Construction Companies based on the total assets as per the last balance sheet. To achieve the output of the select construction companies, Relative Strength Index (RSI) was deployed and appropriate suggestions also made.

**Key words: GDP, Construction Industry, Demonetization, Relative Strength Index (RSI), NSE.**

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**INTRODUCTION:**

Stock market motivates fund from the investors both inside and outside of the country, and directly influences development of an economy. Construction industry influence different sectors like steel, cement etc. Hence investment analysis carries prospects in making better investment decision. Investment analysis provide clear idea to investors like when to invest and where to invest.

**STATEMENT OF THE PROBLEM:**

In India most of the retail investors failed to identify the right stock to invest. While investing in securities; investors have to identify what's the right time and what's the right portfolio to invest to book profit at right time. To achieve the investment objective they need to get an advice from the technical analyst.

**OBJECTIVES OF THE STUDY:**

Based on the above, the following are the objectives of the study;

1. To identify the better performing construction companies based on total assets.
2. To understand price movement of the construction company during the study period.
3. To analyse the share price relative strength index of select construction companies.
4. To offer better suggestions to investors to get a good return.

**DATA COLLECTION SOURCES:**

The pertinent data was collected from the secondary sources viz., Money Control.com and NSE official website. For the purpose of this research study, Daily closing prices of three construction companies listed in National Stock Exchange were taken namely Housing and Urban Development Corporation (HUDCO), DLF Limited and Housing Development and Infrastructure Limited (HDIL) and their price movements are computed and studied.

**TABLE NO. – I****TOP THREE CONSTRUCTION COMPANIES**

(Total Assets as per the latest Balance Sheet available)

S. No.	Name of the Company	Total Assets (INR in Cr.)	Rank
1	HUDCO	34,874.44	I
2	DLF	20,656.67	II
3	HDIL	10,732.14	III

**Source:** CNBC TV 18 Money Control.com

The share prices of above mentioned companies were taken for a period of 1<sup>st</sup> November 2017 to 28<sup>th</sup> February 2018 from the official website of National Stock Exchange (NSE).

### DATA ANALYSIS:

For the purpose of the present study the researcher made an attempt to analysis the pertinent data using Relative Strength Index (RSI). RSI is one of the mostly used momentum oscillator that measures the speed and change of price movements. RSI oscillates between zero and 100. RSI is considered overbought when above 70 and oversold when below 30. When RSI above 70 (over bought) investors are advised to sell the concerned securities, when it is below 30 (over sold), it is advised to buy the securities and when RSI lies between 30 and 70, investors may hold the securities for some period of time.

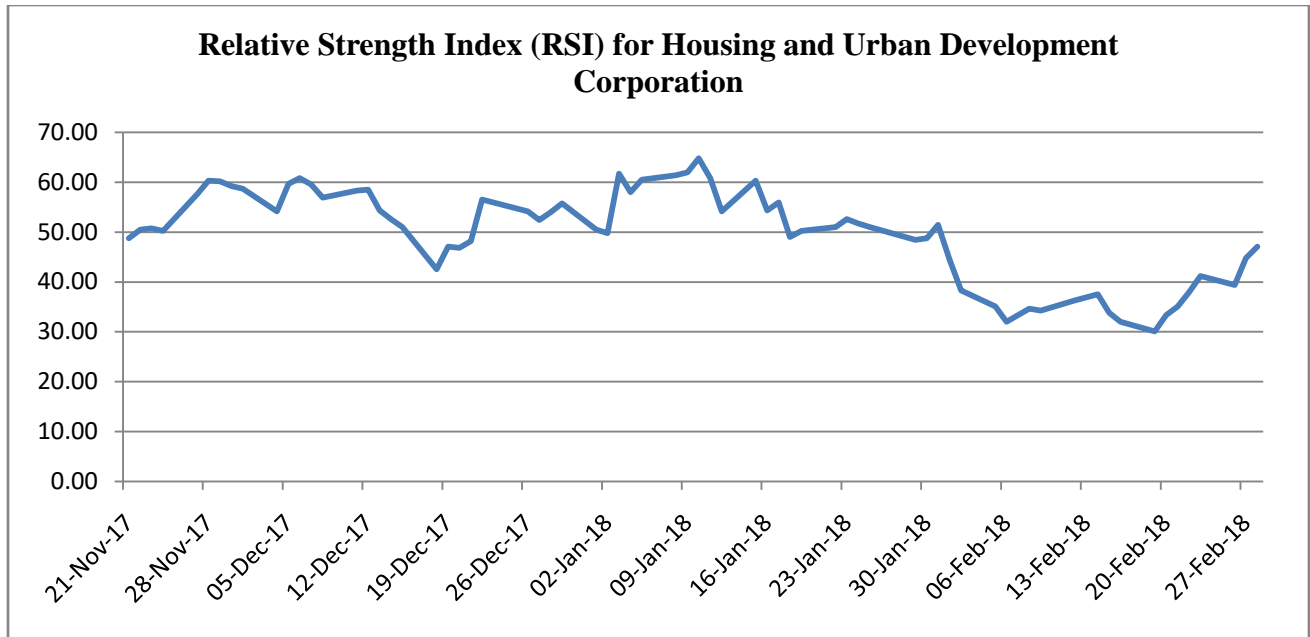
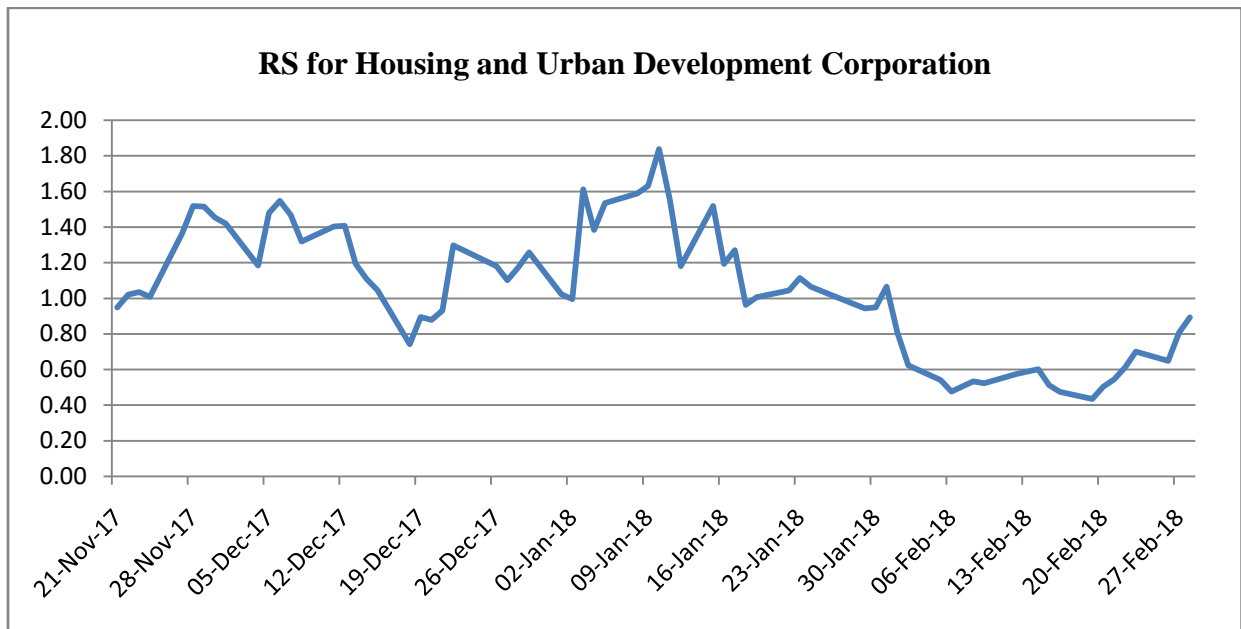
RSI Calculations:

$RSI = 100 - (100 / 1 + RS)$  Where,  $RS = \text{Average Gain} / \text{Average Loss}$

RSI calculation is based on 14 periods, which is the default suggested by Wilder.

### CHART NO. 1

#### 14 - Day RSI for Housing and Urban Development Corporation (HUDC)

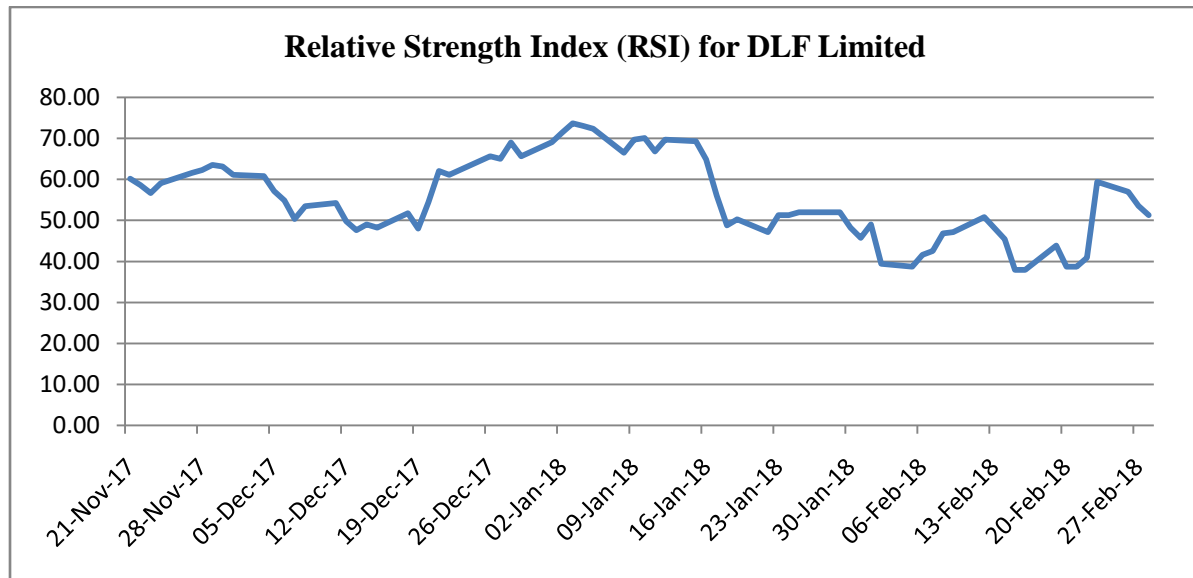
**CHART NO. 2****RS (Avg. Gain/Avg. Loss) for Housing and Urban Development Corporation**

It is observed from the above analysis that, Housing and Urban Development Corporation shares are more volatile during the study period and the share price is moving between 76.85 and 87.10 INR. During the study period average gain is more than the average loss and Average loss is more than average profit during the study period. This has been clearly proven in the RS chart.

But still Relative Strength Index (RSI) lies between 30 and 70. Hence it is concluded that, the investors may hold this share for some period.

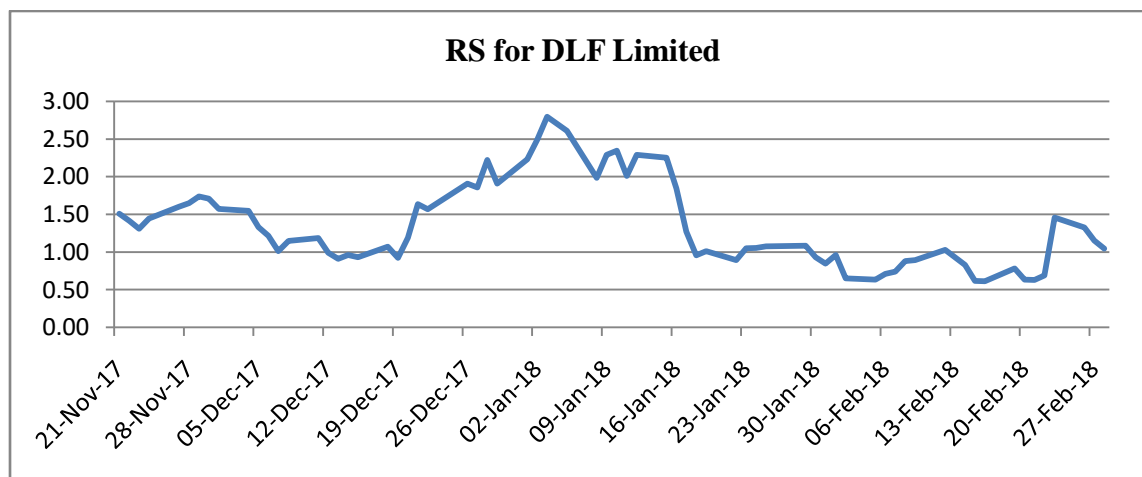
### CHART NO. 3

#### 14 - Day RSI for DLF Limited



### CHART NO. 4

#### RS (Avg. Gain/Avg. Loss) for DLF Limited

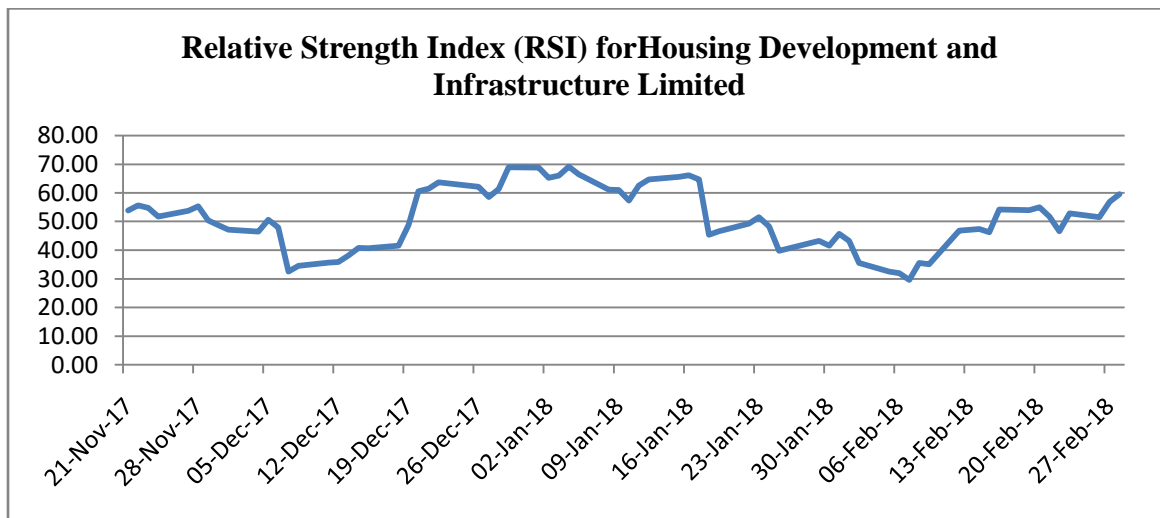


It is observed from the above analysis that, DLF shares shows average gain is higher than average loss during the study period and Relative Strength Index (RSI) crossed more than 70.

During the month of February Average loss is more than the average profit. It has been clearly shown in the RS chart; however Relative Strength Index (RSI) lies between 30 and 70. Hence it is suggested to hold it for some period of time.

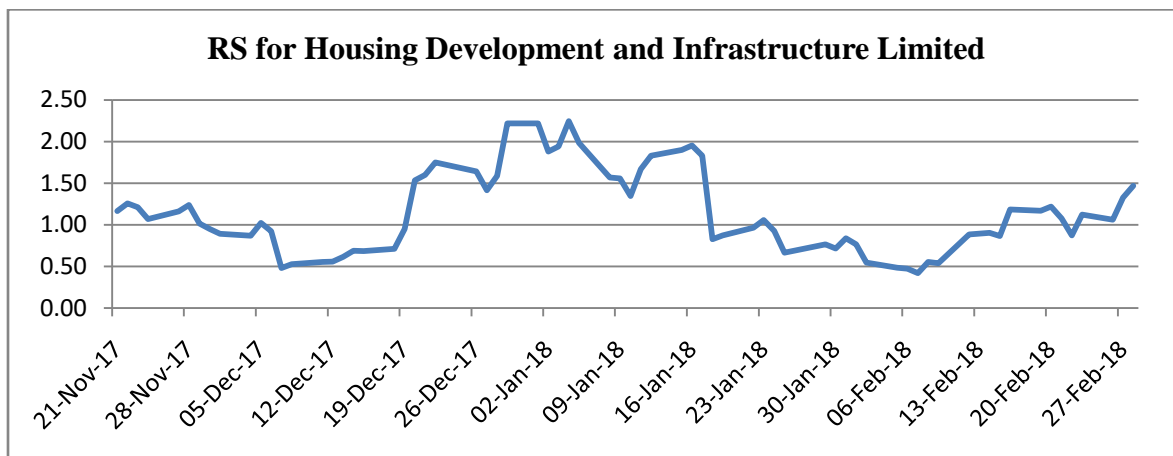
### CHART NO. 5

#### 14 – Day RSI for Housing Development and Infrastructure Limited (HDIL)



### CHART NO. 6

#### RS (Avg. Gain/Avg. Loss) for Housing Development and Infrastructure Limited



It is observed from the above analysis that, HDIL shares chart clearly shows loss during the month of November 2017 till mid of December 2017. Post mid of December market clearly

shows the increasing trend and RSI was almost reached 70 on beginning of January 2018. Hence it clearly noted that it was the right time to sell the share and book profit.

From Mid of January 2018 till mid of February 2018 RS ratio moved below 1 and also RSI moved below 30. Hence it is noted that it was the right time to buy the share, however again the end of February 2018 RS chart moved to more than 1 and Relative Strength Index (RSI) lies between 30 and 70. Hence it is suggested that the investors can hold this share.

### **DISCUSSIONS AND CONCLUSION:**

The present study made an attempt to identify the present position of the selected construction company's performance in the stock market by taking total assets as a parameter to select the company's in the National Stock Exchange of India.

In the present study, it is clearly understood that Housing and Urban Development Corporation shares are not over sold and over bought during the study period . Hence it is concluded that the investors may hold this share for some period.

DLF and Housing Development and Infrastructure Limited (HDIL) share price almost reached over bought position during the beginning of January 2018, Hence it is the right time to sell the share and earn return. During 07<sup>th</sup> February 2018 RSI reached 29.58 for HDIL hence it was the right time to buy the share to avail better returns. During the end the February 2018, Relative Strength Index (RSI) lies between 30 and 70. Hence it is suggested that the investors may hold this share for some period of time.

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