AN ANALYTICAL STUDY OF MOVEMENT OF STOCK OF AUTOMOBILE INDUSTRY IN NATIONAL STOCK EXCHANGE SINCE 2000

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SYNOPSIS

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INTRODUCTION

Stock Exchange is a place where stock brokers and traders can buy and sell stocks, bonds and other securities. Stock Exchanges may also provide facilities for issue and redemption of securities and other financial instruments and capital events including the payment of income and dividends. Securities traded on a stock exchange include stock issued by listed companies, unit trusts, derivates, pooled investment products and bonds. Stock exchanges often function as continuous auction markets with buyers and sellers consummating at a central location such as the floor of the exchange.

BOMBAY STOCK EXCHANGE

Bombay Stock Exchange was established in 1875. It is Asia’s first and fastest growing stock exchange in the world. Over the past 141 years, BSE has facilitated the growth of the Indian Corporate Sector by providing it an efficient capital raising platform. BSE provides an efficient and transparent market for trading in equity, currencies, debt instruments, derivatives and mutual funds. India INX, India’s 1st international exchange, located at GIFT CITY IFSC in Ahmedabad is a fully owned subsidiary of BSE. BSE is also the 1st listed stock exchange of India. BSE’s popularly equity index – the S&P BSE SENSEX is India’s most widely tracked stock market benchmark index. It is traded internationally on the EUREX as well as leading exchanges of BRICS nations (Brazil, Russia, China, and South Africa).

NATIONAL STOCK EXCHANGE

The National Stock Exchange (NSE) is the leading stock exchange in India and the 12th-largest stock exchange as of March 2016 in the world by market capitalization of more than US$1.41 trillion. It started operations in 1994 and is ranked as the largest stock exchanges in India in terms of total and average daily turnover for equity shares every year since 1995, according to annual report of Stock and Exchange Board of India.
NSE inaugurated electronic screen based trading in 1994, derivatives trading and internet trading in 2000. NSE has a fully integrated business model comprising our exchange listings, trading services, indices, technology solutions, clearing and settlement services, market data feeds and financial education offerings. NSE offers trading, clearing and settlement services in equity, equity derivatives, and debt and currency derivatives segments. NSE has 2500 VSATs and 3000 leased lines spread over more than 2000 cities across India.

BSE and NSE account for only around 4% of the Indian economy, which drives most of its income related activity from the unorganized and households.

INDIAN AUTOMOBILE INDUSTRY

The Indian automobile industry is one of the largest in the world. The industry accounts for 7.1% of the country’s GDP. The two wheeler segment with 81% market share is the leader of the Indian Automobile market owing to a growing middle class and a young population. Moreover, the growing interest of companies in exploring the rural markets further aided the growth of sector. The overall Passenger Vehicle (PV) segment has 13% market share.

India is also a prominent auto exporter and has strong export growth expectations in the coming days. In April-March 2016, overall automobile exports grew by 1.91%. Passenger Vehicles, Commercial Vehicles and Two Wheelers registered a growth of 5.24%, 16.97% & 0.97% respectively in April-March 2016 over the last year. Apart from this Government of India and Automobile Companies have taken various initiatives for making India as a leader in Two Wheeler & Four Wheeler market in the world by 2020.

AUTOMOBILE SECTOR AND STOCK MARKET

Indian Automobile sector stocks have emerged as one of the leading segments in the stock market as they are more attractive and regularly traded stocks in the largest and oldest Bombay Stock Exchange (BSE) in Asia. The Sensex is the first and foremost benchmark index in 1986, comprising the stocks of thirty blue chip companies of all sectors. There were four automobile companies in the BSE-Sensex in 1986, namely Cummins, Mahindra & Mahindra, Hindustan Motors and Tata Motors which are proxy for auto sector stocks. Considering the importance of auto stocks, BSE has formed an index
exclusively for auto stocks, named S&P BSE Auto. With the list of leading auto sector stocks, the index was formed in August, 2004. At present fourteen companies are listed in S&P BSE Auto.

REVIEW OF LITERATURE

The following literatures have been reviewed while conducting the study.

- INTERNATIONAL REVIEW OF LITERATURE
- NATIONAL REVIEW OF LITERATURE

INTERNATIONAL REVIEW OF LITERATURE

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Year</th>
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<th>Title of Study</th>
<th>Objectives</th>
<th>Major Findings</th>
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<tbody>
<tr>
<td>1</td>
<td>2017</td>
<td>Priviledge Cheteni</td>
<td>Stock Market Volatility using GARCH Models: Evidence from South Africa and China Stock Markets</td>
<td>To analyze the stock market volatility with the help of GARCH Models</td>
<td>It shows that the South African market and the Chinese market exhibit the same feature in terms of volatility clustering as there is more trading between these two economic systems.</td>
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<td>2</td>
<td>2015</td>
<td>AAMD Amarasinghe</td>
<td>Dynamic relationship between Interest rate and stock price: Empirical evidence from Colombo Stocks</td>
<td>To identify the dynamic relationship between Interest rate and stock price</td>
<td>This shows that interest rate is a significant factor for stock price changes and it shows significant negative relationship between variables.</td>
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<td>3</td>
<td>2015</td>
<td>Fatima Khan, Farhana Afrin and Mirza Arifur Rahman</td>
<td>Factors influencing Investors’ decisions in Stock Market investment in Bangladesh</td>
<td>To determine if the identified factors influence individual investors decision in share market</td>
<td>It tells that some factors greatly influence investors to put money into securities. The investors’ decision of investment is based on various factors like expected dividends, loss minimization &amp; chances of capital gain.</td>
</tr>
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<td>5</td>
<td>2014</td>
<td>Kolani Pamane and Anani Ekoue Vikossi</td>
<td>An analysis of relationship between risk and expected return in BRVM Stock Exchange: Test of the CAPM</td>
<td>To investigate the relation between securities portfolio risk and the return on investment.</td>
<td>This study tells that stocks with higher/lower risk will lead higher/lower expect rate of return is not confirmed.</td>
</tr>
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<td>6</td>
<td>2013</td>
<td>Pablo Martinez-Moya, Roman Ferrer-Lapena and</td>
<td>Relationship between interest rate changes and stock returns in Spain: A wavelet</td>
<td>To establish a relationship between interest rate changes and stock returns</td>
<td>This study tells that Spanish industries show significant interest rate sensitivity. The link between movement in interest rates and industry</td>
</tr>
<tr>
<td>Year</td>
<td>Authors</td>
<td>Title</td>
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<td>7</td>
<td>Christopher von Koch and Ola Nilsson</td>
<td>The impact of firm level shareholder protections on abnormal returns on Insider Trading</td>
<td>To investigate relationship between firm-level shareholder protections and abnormal returns on insider trading. It shows that firm-level shareholder protection has a significantly positive impact on abnormal returns on insider purchases.</td>
<td></td>
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<td>8</td>
<td>Veronika Caljkusic</td>
<td>Fundamental and Technical analysis on Croatian Stock Market</td>
<td>To investigate the basis of investor’s decisions on buying and selling shares. This study emphasizes that the success and profits in capital market than of knowledge and experience is important and no investor should base his decision on individual basis but combine them.</td>
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- **NATIONAL REVIEW OF LITERATURE**

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<tbody>
<tr>
<td>1</td>
<td>2014</td>
<td>Rakesh H M</td>
<td>A Study on Volatility of FMCG and Auto Indices of National Stock Exchange</td>
<td>To identify whether there is any difference in mean value of indices</td>
<td>It shows that there is difference in mean value of these indices.</td>
</tr>
<tr>
<td>2</td>
<td>2014</td>
<td>Neeraj Gupta &amp; Anurag Singh Gurjar</td>
<td>A study of systematic risk with reference of selected companies</td>
<td>To understand concept of risk and to evaluate Beta and return of selected stocks.</td>
<td>The study tells that the beta coefficient measures the relative systematic risk of an asset. Beta greater than one indicates more systematic risk than average, asset with greater betas implies greater systematic risk as well as greater expected return.</td>
</tr>
<tr>
<td>3</td>
<td>2014</td>
<td>Srinivasan Palamalai, Karthigai Prakasham</td>
<td>Stock Market Development and Economic Growth in India: An Empirical Analysis</td>
<td>To investigate the direction of causality between stock market development and economic growth in the Indian context.</td>
<td>This study shows that Stock market development indicators viz. market capitalization and turnover ratio have a positive influence on economic growth in India.</td>
</tr>
<tr>
<td>4</td>
<td>2014</td>
<td>C. Boobalan</td>
<td>Technical analysis in select stocks of Indian companies</td>
<td>To find out risk and return for selected securities</td>
<td>This study tells when to buy and to when to sell the selected stocks.</td>
</tr>
<tr>
<td>5</td>
<td>2014</td>
<td>Anubha Srivastava</td>
<td>A Comprehensive Study of Performance of Indian Automobile Industry - A stock Market Perspective</td>
<td>To analyze the financial performance of selected automobile companies in the Indian automobile sector.</td>
<td>The auto sector’s performance is directly related to the economic trends in the country. Another finding is that the Mahindra and Mahindra are the most correlated to the auto index than the others.</td>
</tr>
<tr>
<td>6</td>
<td>2015</td>
<td>Dr. S. Krishnaprabha and Mr. M. Vijaykumar</td>
<td>A study on risk and return analysis of selected stocks in India</td>
<td>To make comparative study of risk and return of selected stocks.</td>
<td>This study tells that IT, FMCG, Pharma Sector give more return than Banking and Auto Sector.</td>
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RESEARCH GAP

The past literature was basically focused on systematic studies of stock markets with financial factors and financial indicators, Study of stock market risk and Study of stock market contribution to economic growth, Systematic and technical analysis of stocks of Indian automobile companies, while some other aspects of stock markets were not being mentioned earlier.

In this study researcher tries to bridge up the some of the most significant research gaps of earlier research as stated below:

- In this proposed study, an attempt has been made to analyze the selective index related to Automobile sector in various Indian stock markets like BSE, NSE.
- In this proposed study, an attempt has been made to analyze various legal provisions related to Indian stock markets.
- In this proposed study, an attempt has been made to examine the relation between stock price and its market index and automobile sector index.
- In this proposed study, an attempt has been made to study the stakeholder perception regarding investment in automobile sector.

Therefore, in the current study, the effort of the researcher is to study and analyze the Indian stock market with special reference to Automobile sector.

NEED OF THE STUDY

The stock exchange plays a vital role in the growth of the economy of a country. Indian stock market consists of a large number of companies of various sectors which contribute in the development of the economy. And one such sector which has a huge share in economic development of our country is Automobile sector. India’s Automobile market has become 3rd largest in the world in the year 2016. It also covers 7.1% share of our country’s GDP (Gross Domestic Product). The Automobile sector contributes around 22% of country’s manufacturing GDP.

The empirical literature available shows that the past researches were merely focused on automobile sector contribution in the economy and there growth prospects in the future, while some aspects were not being raised in the past researches. Hence the researcher feels the need to find some new aspects
related to automobile sector and stock market (e.g. various legal provisions related to Indian stock market, relation between stock price, market index and automobile sector index, stakeholder perception regarding investment in automobile sector, volatility of return on shares of selected automobile companies) and researcher will also examine different factors affecting stock markets and automobile sector.

OBJECTIVES OF THE STUDY

The objectives of the study are given in following heads-

- To study various legal provisions related to Indian stock market.
- To examine the relation between market index and automobile sector index.
- To analyze the volatility of return on shares of selected automobile companies.
- To study the stakeholders perception regarding investment in automobile industry.

HYPOTHESIS

H$_{01}$: There is no significant relation between overall market index and automobile sector index

H$_{02}$: There is no significant impact of rate of dividend and market price of shares.

RESEARCH METHODOLOGY

RESEARCH DESIGN

The research design for this study will be theoretical as well as empirical in nature as it will be carried out with specific objectives and utilizes the large number of data of selected automobile companies.

SAMPLE SIZE

To study the Automobile sector stocks the following automobile companies will be taken into consideration-

LIST OF COMPANIES SELECTED AS SAMPLE

1. Maruti Suzuki
2. Tata Motors
3. Mahindra & Mahindra
4. Ashok Leyland
5. Eicher Motors
6. Hero Motorcorp
7. Bajaj Auto
8. TVS Motors
JUSTIFICATION OF THE SAMPLE SELECTION:

- On the basis of Market Capitalization as on 01.08.2017 exceeding worth Rupees 1000 crores.
- On the basis of top trading companies of Automobile Sector.

DURATION OF THE STUDY

For the purpose of the study a period of last eighteen years from April 2000 to April 2018 would be taken into consideration.

COLLECTION OF DATA

a. PRIMARY SOURCES: For the collection of primary data, questionnaire will be formulated in order to collect the relevant information. Sample size for the primary data will be 150 respondents taken for the study.

b. SECONDARY SOURCES: Secondary data will be collected from different sources like: magazines newspaper, annual financial reports of selected automobile companies and other required data will be taken from N.S.E and B.S.E “s web sites for research.

STATISTICAL TOOLS

For achieving the above mentioned set of objectives, different set of techniques and tools will applied.

As like mean, standard deviation and other specific tools for the support of the study.

In addition, the researcher will be using the following specific Research Methodology:-

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<td>To study various legal provisions related to Indian stock market</td>
<td>This will be covered by descriptive study of various legal provisions of Indian stock market.</td>
</tr>
<tr>
<td>2</td>
<td>To examine the relation between market index and auto sector index.</td>
<td>To complete this objective researcher will study the correlation between overall market index and auto sector index.</td>
</tr>
<tr>
<td>3</td>
<td>To analyze the volatility of return on shares of selected automobile companies.</td>
<td>To achieve this researcher will be examining the volatility of stock returns of the companies with the help of some statistical tools like mean, standard deviation, and variance &amp; with the help of MS Excel. The data of stock price will be taken from BSE website and NSE website i.e. <a href="http://www.bseindia.com/">http://www.bseindia.com/</a> and <a href="https://www.nseindia.com/">https://www.nseindia.com/</a></td>
</tr>
<tr>
<td>4</td>
<td>To study the stakeholders perception regarding investment in automobile industry.</td>
<td>To achieve this objective descriptive analysis and questionnaire will be taken into account.</td>
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PROPOSED CHAPTER PLAN

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<td>Introduction and Review of literature</td>
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<td>Chapter 3</td>
<td>Relation between market index and auto sector index.</td>
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<td>Chapter 4</td>
<td>Analysis of Volatility of return on shares of Automobile Companies</td>
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<td>Chapter 5</td>
<td>Stakeholders perception regarding investment in Automobile Industry</td>
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<td>Chapter 6</td>
<td>Summary, Conclusion and Suggestions</td>
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https://www.ibef.org/industry/india-automobiles.aspx

https://en.wikipedia.org/