Risk-Return Analysis of Selected Media and Entertainment Sectors Stocks

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Abstract

The Media and Entertainment sectors is one of the fastest growing sector in Indian Stock Market. The study is organized to analyse the risk and returns of selected Media and Entertainment stocks listed on BSE and to compare their performance against the benchmark for the period of 5 years i.e. from 1st January 2013 to 31st December 2017. This paper analyses the performance of Media and Entertainment sector taking BSE Sensex as benchmark. This study is based on secondary data collected from BSE. The date were collected based on monthly prices of the Media and Entertainment sector and with the help of monthly prices, annual returns were calculated for a period of five years. The study shows that the shares of PVR Ltd and Inox Leisure Ltd has given the highest returns during the study period, whereas HT media ltd, has given the lowest return during the same period. The beta of all the stocks except PVR Ltd is positive, indicating that these shares carry a higher risk.

Key Words: Media and Entertainment, return, risk, benchmark, Sensex.

Introduction

Every investor is required to analyse the stock market fluctuation and based on this analysis he should decide which stock to buy and when to buy or sell. Many investors invest in various sectors like automobile, pharma, FMCG, IT, banking, and infrastructure etc., based on their knowledge and try their luck. But these sectors performance depends on the growth of the economy. If economy is doing well, it is assumed that some sectors will also perform well.

The review of literature shows that majority of the research has been conducted on the analysis of return and risk of banking, Information technology, Automobile & pharmaceutical sectors, but there are very less research paper concentrating on other performing sectors like Media and Entertainment, media and infrastructure sectors. This study is based on the performance of Media and Entertainment sector. The Media and Entertainment sector is selected for the study because it is one of the fastest growing sectors in our country and moreover the researcher wants to identify whether there is any investment opportunity in Media and Entertainment sector. Therefore an

effort has been made to evaluate and check whether there is any opportunity to make some gains from Media and Entertainment sector.

Investing in the stock market is a way to make profit in a short period and as well as in long period with right choices of stocks. New investor do not have clear ideas regarding the stocks selection and the lack of awareness leads to confusion and confusion leads to mistakes in stock selection and wrong selection of stock finally results in financial losses. Therefore an effort is made to help the investors in stock selection. For the purpose of the study five stocks are selected from Media and Entertainment sector and for each stock daily prices are collected for a period of 5 years i.e., from 1st Jan 2013 to 31st Dec 2017 and with the help of prices returns are calculated for the further analysis.

Analytical tools such as average return, variance, standard deviation, beta and alpha are calculated for each stocks and the performance of each stock is compared with BSE Sensex, further standard deviation and beta is calculated to compare the risk associated with each stock. Beta is used to check whether the stock is moving according to the market or not

LITERATURE REVIEW

Krishnaprabha and Vijayakumar (2015): The study of this papers analyse of risk and return, it's an important role for investors to invest in the stock market. This research is taken as long term where investors can enable to take merits of the market in some uncertainties. When a market is less volatility in equity or shares is estimated between market and its prices, in a investors are forecast about hike of shares. The most of information technology, FMCG and Pharmaceutical sectors give more return while comparing to banks and automobile sectors. This clearly shows high risk lead to high return and low risk lead to return.

Swapna (2016): The study creates awareness to the investors about the stock to invest in the best sector as it calculates the risk and return of particular stocks and also to assess the performance of return and risk of those companies. The objectives of investment is to get earn maximize return. More over the investment is depend upon the investor how much to invest in the stocks or companies stock based on risk. The author suggests to invest in Wipro is best and good to invest which lowest risk and highest return.

Pramod Kumar Patjoshi (2016): This paper studies about correlation between risk and return of BSE and Baking socks of 30. The analysis of risk and return are presence in Indian share market using linear regression, Descriptive statistics and T test. In the linear regression with BSE Sensex index and Banking stock index. Therefore the study found to compare the banking section indices and BSE Sensex is going to calculate risk-return off. Out of 4 stocks where AIXS bank gives good return.

Suresh and Harshitha (2017): This research is about comparing risk and return relationship of stocks by using Markowitz and Sharpe's model. The study aims to identify the level of deviation in returns by comparing these two models and to check whether the results obtained are constant or not. The result of beta will allow the investors to know about the market risk of the particular investments. The research shows that both the models give almost the same value for both individual return and risk and also portfolio.

Boobalan (2014): This paper carried out financial statement and their share movements in selected industries by analysing market demand stocks to forecast future stock market prices. According to the authors say that, technical analysis which gives a clear investment idea about shares prices in the future. As results, this paper analysis with the aim of technical analysis of the securities and also make investors to invest in the right companies.

OBJECTIVES OF THE STUDY:

➢ To analysis the return and risk of the selected shares of Media and Entertainment sector
➢ To compare the return and risk of selected Media and Entertainment stocks against benchmark
➢ To rank all the stocks based on return and risk
➢ To provide necessary suggestions for the investors in the Media and Entertainment sector for better decision making based on the study

RESEARCH METHODOLOGY:

The study mainly focuses on the price movement selected stocks from Media and Entertainment sector. The study is descriptive in nature. For the equity analysis, the data of monthly share price are collected from the BSE Sensex. The date were collected for past the past 5 year i.e. JAN-2013 to DEC-2017. Various tools such as Return, Standard deviation, Beta, Alpha etc., the data are collected from BSE Sensex, journals and websites.

DURATION OF THE STUDY:

The data is collected for a period of 5 years starting from 1st Jan 2013 to 31st Dec 2017

DATA COLLECTION

The study is based on secondary data collected from BSE website. Data is collected for a period of 5 years (i.e. from 1st January 2013 to 31st December 2017) from Media and Entertainment sector listed in BSE. Additionally the data are also collected from newspaper, websites, journals, books reports by researchers and scholars

SELECTION OF SAMPLE COMPANIES

MEDIA AND ENTERTAINMENT:

- PVR ltd
- Inox leisure ltd
- Prime focus ltd
- Eros international media ltd
- HT media ltd

ANALYTICAL TOOLS FOR DATA ANALYSIS:

1. Return
2. Standard deviation
3. Variance
4. Beta
5. Alpha

LIMITATIONS OF THE STUDY

➢ The study is limited to one sectors from BSE Sensex.

➢ Analysis is based on secondary data collected from BSE website, published literature etc.

➢ Only five companies have been selected for conducting this study.

Data analysis and interpretation

TABLE 1: Ranking of Media and Entertainment stocks based on Return

RANKING	STOCKS	AVERAGE RETURN (%)
1	PVR Ltd	37.58
2	Inox Leisure Ltd	32.44
3	Prime Focus Ltd	28.5
4	Eros International Media Ltd	14.32
5	HT Media Ltd	10.13

Source: Complied and Calculated

FIGURE 1: Ranking of Media and Entertainment sectors based on Return

RANKING OF MEDIA AND ENTERTAINMENT STOCKS

Stock	Value
PVR Ltd	37.58
Inox Leisure Ltd	32.44
Prime Focus Ltd	28.5
Eros International Media Ltd	14.32
HT Media Ltd	10.13
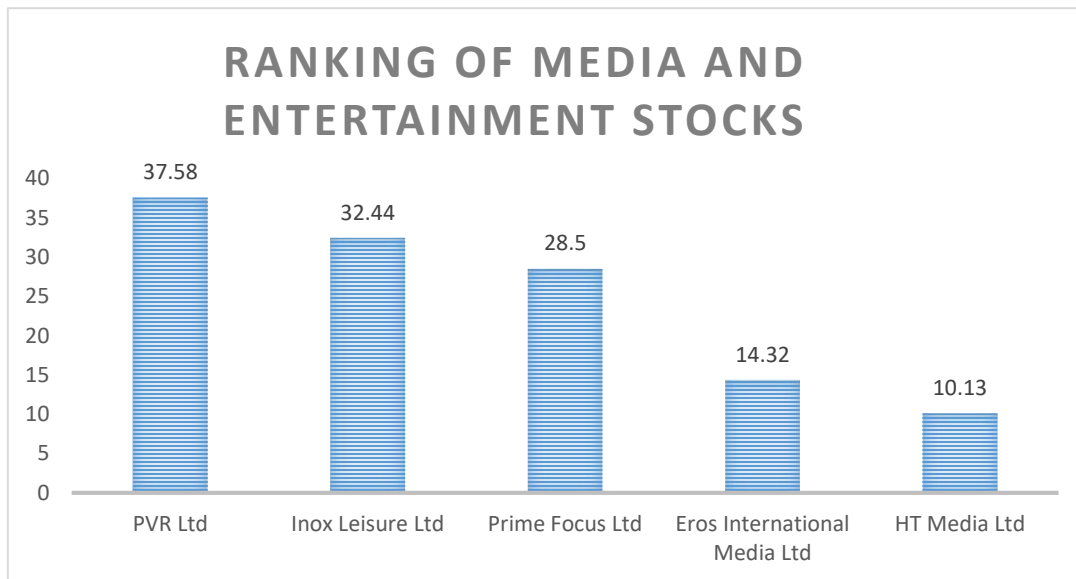
INTERPRETATION:

From the above table: 1 it is observed that during the study period, all the stocks have given positive returns. The return is highest in case of PVR Ltd. 37.58%. Followed by Inox Leisure Ltd, Prime Focus Ltd, Eros International Media Ltd and HT Media Ltd has the lowest yearly return that is 10.13%.

TABLE 2: Ranking of Media and Entertainment Stocks of based on Standard Deviation

RANKING	STOCKS	Standard Deviation
1	Inox Leisure Ltd	17.57
2	PVR Ltd	27.79
3	HT Media Ltd	35.72
4	Prime Focus Ltd	39.04
5	Eros International Media Ltd	43.90

Source: Complied and Calculated

INTERPRETATION:

From the above table is observed that the stock with lowest risk is Inox Leisure Ltd, second lowest risk is PVR Ltd followed by HT Media Ltd and Prime Focus Ltd. The sector which shows the highest risk is Eros International Media Ltd.

TABLE 3: Ranking of Media and Entertainment Stocks of based on Variance

RANKING	STOCK	Variance
1	Inox Leisure Ltd	308.53
2	PVR Ltd	772.22
3	HT Media Ltd	1275.76
4	Prime Focus Ltd	1523.92
5	Eros International Media Ltd	1926.99

Source: Complied and Calculated

INTERPRETATION:

From the above table is observed that the first stock with lowest variance is Inox Leisure Ltd, second lowest is PVR Ltd. The sector which shows the highest risk is Eros International Media Ltd.

TABLE 4: Ranking of Media and Entertainment Stocks of based on Beta and Alpha

RANKING	STOCK	Beta	Alpha
1	PVR Ltd	-0.49	43.47
2	Inox Leisure Ltd	0.65	24.59
3	Prime Focus Ltd	2.07	3.47
4	HT Media Ltd	2.36	-18.39
5	Eros International Media Ltd	3.07	-22.79

Source: Complied and Calculated

INTERPRETATION:

From the above table it is observed that PVR Ltd has lowest beta of -0.49, followed by Inox Leisure Ltd, Inox Leisure Ltd and HT Media Ltd. This sector shows that highest beta is Eros International Media Ltd. It can be concluded that all stocks except PVR Ltd and Inox Leisure Ltd carry higher market risk.

CONCLUSION:

This study mainly concentrates on the analysis of selected Media and Entertainment stocks listed in BSE Sensex. This study helps the investors to make decisions regarding the stocks to be bought or sold based on the return and risk analysis. From the point of return it is suggested to buy PVR Ltd, as it has highest average return of 37.58% for a period of 5 year and the stock has a risk of 27.79% with a beta value of -0.49, indicating that when market increases by 1% PVR Ltd. shares falls by 0.49%. During the same period, Inox Leisure Ltd has given a return of 32.44% with a lower risk of 17.57% when compared to PVR Ltd. Inox Leisure Ltd., has a beta value of 0.65, indicating that when market increases by 1% Inox Leisure Ltd. shares increase by 0.65%, and from the analysis it can be concluded that both PVR Ltd and Inox Leisure Ltd stock have highest return with moderate risk. From the point of risk, it is advised to select Inox Leisure Ltd., as it has lowest risk of 17.57% with an average return of 327.44% and has a beta value of 0.65.

From the above analysis it can be concluded that there are many sectors which provide good return and investors can invest on sector specific shares in order to enjoy higher returns. Apart from Media and Entertainment sectors there are other untapped sectors like logistics sector, infrastructure sector which can yield good returns and the investors are advised to analyse the other sectors also for investing.

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