

AN ANALYTICAL STUDY ON MOVEMENT OF STOCK OF AUTOMOBILE INDUSTRY IN NATIONAL STOCK EXCHANGE

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Abstract

Indian stock market has seen phenomenal and incredible growth in recent times. This is largely due to increased income level, change in investor's behavior. The impact of annual performance on the price movement of the shares of the companies continues to be an important research question in finance. Some companies enjoy high price earnings ratio but share price shows negligible movement. In this paper fundamental analysis of four companies has been performed for purpose of data analysis which includes economic analysis, industry analysis and company analysis. In this research GDP growth of India and industry, industrial output and growth rate have been analyzed. For analyzing the performance of the company quarterly financial reports are analyzed by using variables such as EPS, P/E, and Quality of Earnings ratio. Sample is chosen from the Automobile sector and listed companies with BSE. These companies have been selected as deliberate sample. This paper attempts to find the correlation between price movement of the shares and the performance of their respective companies. It is apparent that there are extremely wide day-to-day changes in the price quote on most of the stock exchanges. It is not possible to say whether it is economic or psychological realities which are the major causes of the price fluctuations in the stock markets. This is an important issue, as it brings into account the analyzing the annual performance of companies and the price movements of the shares of that particular companies to the investors.

Keywords: Performance, Price, Industrial, Selected, Analyze.

Introduction

Automobile industry is the business of producing and selling of self-vehicles, including passenger cars, trucks, farm equipment and other commercial vehicles. Automobile industry was started in 20s. The Chrysler Corporation was incorporated in 1925. The automobile industry in India is world's fourth largest, with the country currently being the world's 4th largest manufacturer of cars and 7th largest manufacturer of commercial vehicles in 2018. Indian automotive industry (including component manufacturing) is expected to reach Rs 16.16-18.18 trillion (US\$ 251.4-282.8 billion) by 2026. Two-wheelers dominate the industry and made up 81 per cent share in the domestic automobile sales in FY19. Overall, Domestic automobile sales increased at 6.71 per cent CAGR between FY13-18 with 26.27 million vehicles being sold in FY19. Indian automobile industry has received Foreign Direct Investment (FDI) worth US\$ 21.38 billion between April 2000 and March 2019.

Objectives

- To predict fluctuation in stock market.
- It helps to study current trend and strength selective industry
- It recapitulates for finding key and give exhibit suggestion to investor.

Scope of the Study

Automobile industry helps to understand the behaviour and analysis the fluctuation in equity market. According to the fame of automobile industry make investor to invest more in shares with in return helps to earn more profit capacity. Fluctuation is depend on both economic and non-economic factors. Its main aim is ascertaining the behaviour of shares return . it includes more risk and also more profit.

Automobile industry in india

The Indian automobile industry became the 4th largest in the world with sales increasing 9.5percent to 4.02 million units. It was the 7th largest manufacturer of commercial vehicles.

The Two Wheelers segment dominates the market in terms of volume owing to a growing middle class and a young population. Moreover, the growing interest of the companies in exploring the rural markets further aided the growth of the sector.

India is also a prominent auto exporter and has strong export growth expectations for the near future. Automobile exports grew 15.54 per cent during April 2018-February 2019. It is expected to grow at a CAGR of 3.05 per cent during 2016-2026. In addition, several initiatives by the Government of India and the major automobile players in the Indian market are expected to make India a leader in the two-wheeler and four wheeler market in the world by 2020.

Automobiles Sector Analysis Report

- The Indian automobile market can be divided into several segments viz., two-wheelers (motorcycles, geared and ungeared scooters and mopeds), three wheelers, commercial vehicles (light, medium and heavy), passenger cars, utility vehicles (UVs) and tractors.
- Demand is linked to economic growth and rise in income levels. Further, it is inversely related to the interest rates and fuel prices as 85% of the total vehicles are bought on credit. Per capita penetration at around eighteen cars per thousand people is among the lowest in the world (including other developing economies like Pakistan in segments like cars).
- India is also a prominent auto exporter and has strong export growth expectations for the near future. Automobile exports grew 26.5% during April-July 2018. It is expected to grow at a CAGR of 3% during 2016-2026.
- Overall domestic automobiles sales increased at 7% CAGR between FY13-18 with 25 million vehicles getting sold in FY18. Auto sales in July 2018 witnessed a year-on-year growth rate of 7.9% across segments, driven by 46.2% growth in three-wheeler sales in terms of percentage.
- Sales of electric two-wheelers are estimated to have crossed 55,000 vehicles in 2017-18.

The ways of research in automobile sector

- Supply
- The Indian automobile market has some amount of excess capacity.
- Demand
- Rise in middle class income and young population may result in strong growth.
- Barriers to entry
- High capital costs, technology, distribution network, and availability of auto components.
- Bargaining power of suppliers
- Low, due to stiff competition.
- Bargaining power of customers
- Very high, due to availability of options.
- Competition
- High. Expected to increase even further.

Research design

In descriptive Research design without affecting various sectors data is put forth as it is. this is the type of data where different factors cannot be changed. Hence, descriptive research design has been chosen. It consists of 30 companies of BSE'S sensex having different sectors. since BSE 30 index has companies which have good performance, significant market capitalization well corporated.

Secondary data of automobile industry

Secondary data was used for the analysis print media and internet has been for data collection. The data also obtained by the Bombay Stock Exchange website. For the purpose of this study the daily closing prices of 10 companies listed in Bombay stock exchange were taken and their price movements are computed and studied.

List of companies

➤ **Tata Motors Limited,**

Manufacturer of motorcycles and the Third-largest in India. It is the world's largest three-wheeler Tata Motors is India's largest and the only original equipment manufacturer (OEM) offering extensive range of integrated, smart and e-mobility solutions. Part of the USD100 billion Tata group founded by Jamsetji Tata in 1868, Tata Motors is among the world's leading manufacturers of automobiles. Tata Motors Limited, formerly Tata Engineering and Locomotive Company (TELCO), is an Indian multinational automotivemanufacturing company headquartered in Mumbai, Maharashtra, India. It is a part of Tata Group, an Indian conglomerate. Its products include passenger cars, trucks, vans, coaches, buses, sports cars, construction equipment and military vehicles.^[3]

Tata Motors has auto manufacturing and assembly plants in Jamshedpur, Pantnagar, Lucknow, Sanand, Dharwad, and Pune in India, as well as in Argentina, South Africa, Great Britain, and Thailand. It has research and development centres in Pune, Jamshedpur, Lucknow, and Dharwad, India and in South Korea, Great Britain, and Spain. Mr. Guenter Butschek is the Chief Executive Officer & Managing Director of the Tata Motors Limited.

➤ **Ashok Leyland**

Ashok Leyland is an Indian automobile company headquartered in Chennai, India. It is owned by the Hinduja Group. Founded in 1948, it is the second largest commercial vehicle manufacturer in India, fourth largest manufacturer of buses in the world and 10th largest manufacturer of trucks globally. Operating nine plants, Ashok Leyland also makes spare parts and engines for industrial and marine applications. Royal Enfield appoints Ashok Leyland's Vinod Dasari as CEO. New Delhi: Royal Enfield on Monday appointed former Ashok Leyland CEO Vinod Dasari as its chief executive, replacing Siddhartha Lal, who will continue "to support Vinod and the team on product and brand related areas",

➤ **Mahindra & Mahindra Limited**

Mahindra & Mahindra Ltd was incorporated on October 2, 1945 with the nameMahindra & Mohammed Ltd. The company was renamed as Mahindra & MahindraLtd in the year 1948. ... In the year 1963, International Tractor Company of India was established as a joint venture with International Harvester Company, USA. Mahindra's largest consumer base is in India, China, North America, and a growing market in Australia. The company is the largest manufacturer in India and has the capacity to build 150,000 tractors a year. M&M produced its first tractor in 1963, theMahindra B-275.

. Mahindra & India. It wastestablished in 1945 as Mohammad & Mahindra and later renamed as Mahindra and Mahindra Mahindra Limited is an Indian multinational car manufacturing corporation headquartered in Mumbai, Maharashtra,. Anand Gopal Mahindra (born 1 May 1955) is the Chairman of Mahindra Group, a Mumbai-based business conglomerate.

➤ **Maruti Suzuki Pvt Ltd.**

Maruti Suzuki India Ltd. primarily manufactures cars and has been the most favourite automobile brand among Indian people since its inception. The company had started in 1982; however, it commenced the production of automobiles a year later in 1983. The very first model of Maruti, Maruti Suzuki 800, made its way to Indian roads in December 1983. The very first unit was bought by Mr. Harpal Singh of Delhi and he was handed over the keys of the car by the then Prime Minister of India Indira Gandhi. The second in the series was India's first MUV Maruti Suzuki Omni that was launched in November 1984. The other models that came into market in subsequent years were Gypsy in 1985, Maruti 1000 in 1990, Zen in 1993, Esteem in 1994, WagonR in 1999, Swift in 2005, Grand Vitara in 2007, Maruti Suzuki A-Star in 2008, Ritz in 2009, Eeco in 2009, Alto K10 in 2010, Kizashi in 2011, Ertiga in 2012, Alto 800 in 2012, Stingray in 2013, Celerio in 2013 and Ciaz in 2014.

➤ **Hyundai Motor India Limited**

Hyundai Motor Company is famous all over the world. Vehicles, made by Hyundai gained tremendous popularity thanks to combination of a low price and a high reliability. ... Hyundai celebrates its birthday on 29th December. The company was founded on December 29, 1967 .The group was formed through the purchase of 51% of South Korea's second largest car company, Kia Motors, by Hyundai Motor Company in 1998. As of December 31, 2013, Hyundai owns 33.88% of Kia Motors It is the second largest automobile manufacturer with 16.2% market share as of February 2019 and US\$5.5 billion turn-over in India..

Period of the study

In this study, it is decided to analyse the equity shares of selected automobile companies in market for a period of 5 years, covering from 2014 to 2018. This period is selected by the Researcher because it gives a clear idea about the current regarding the equity shares of Indian automobile industry.

Government initiatives

The Government of India encourages foreign investment in the automobile sector and allows 100 per cent FDI under the automatic route.

Some of the recent initiatives taken by the Government of India are -

- The government aims to develop India as a global manufacturing centre and an R&D hub.
- Under NATRiP, the Government of India is planning to set up R&D centres at a total cost of US\$ 388.5 million to enable the industry to be on par with global standards
- The Ministry of Heavy Industries, Government of India has shortlisted 11 cities in the country for introduction of electric vehicles (EVs) in their public transport systems under the FAME (Faster Adoption and Manufacturing of (Hybrid) and Electric Vehicles in India) scheme. The government will also set up incubation centre for start-ups working in electric vehicles space.
- In February 2019, the Government of India approved the FAME-II scheme with a fund requirement of Rs 10,000 crore (US\$ 1.39 billion) for FY20-22.

Research Methodology

The purpose of the study is to examine the impact of earning per share and price earning ratio on market price of shares. Therefore in this study market price of share is dependent variable, while earning per share and price earnings ratio are dependent variables. Non probability sampling techniques is used to select the five companies of automobile sector.

In this study market price of share has been taken as the average price derived from the low and high value of share during the financial year from 2014-2018. Financial data were collected through the secondary data. (i.e) equity master and NSE.

Selection of variables

To examine the impact of EPS and price earnings ratio on the market price of share of select companies, independent variable are EPS and price earning and dependent variables is MPS. The measurement of independent variables chosen for the study has been shown in the table below.

| S.NO | Variables | Measurement |
|------|------------------------|--|
| 1 | Earning Per Share(EPS) | Profit After Tax-Preferred dividend / Weighted average share outstanding |
| 2 | Price Earning Ratio | Price per share / EPS |

| TATA MOTORS | |
|-------------|---------------------|
| YEAR | AVERAGE SHARE PRICE |
| 2014 | 445.31 |
| 2015 | 450.21 |
| 2016 | 446.69 |
| 2017 | 444.12 |
| 2018 | 283.33 |

The share price of tata motors is increased in 2015 and decreased in the year of 2018, the share level of increased from 283.33 to 4650.21.

ASHOK LEYLAND

| YEAR | Average price |
|------|---------------|
| 2014 | 32.69 |
| 2015 | 79.04 |
| 2016 | 93.21 |

| | |
|------|--------|
| 2017 | 102.58 |
| 2018 | 129.57 |
| 2019 | 87.13 |

The following are the average share price of Ashok Leyland Sources: www.equitymaster.com

Mahindra and Mahindra
The following are the average share price of Mahindra ltd

| Year | Average price |
|------|---------------|
| 2014 | 687.78 |
| 2015 | 657.28 |
| 2016 | 658.36 |
| 2017 | 696.53 |
| 2018 | 836.84 |
| 2019 | 662.47 |

Sources: www.equitymaster.com

The average share price decreased from 836.84 to 657.28 in 2019 .

MARUTI SUZUKI SHARE PRICE
The following are the average price of maruti ltd

| Year | Average price |
|------|---------------|
| 2014 | 2451.82 |
| 2015 | 4062.73 |
| 2016 | 4560.16 |
| 2017 | 7226.32 |
| 2018 | 8537.30 |
| 2019 | 6674.77 |

Sources: www.equitymaster.com

The share price of maruti is increased in 2019. It price increased from 2451.82 to 6674.77

The following are the average share price of Hyundai ltd

| year | Average price |
|------|---------------|
| 2014 | 62.37 |
| 2015 | 48.32 |
| 2016 | 41.62 |
| 2017 | 43.31 |
| 2018 | 37.43 |
| 2019 | 32.17 |

Sources: www.equitymaster.com

The share price increased from 32.17 to 62.37.the share price decreased from the year of 2014-2019.

The following are the average of the companies

| companies | Average price |
|---------------|---------------|
| Tata motors | 374.533 |
| Ashol Leyland | 87.37 |
| Mahindra ltd | 699.88 |
| Maruti | 5585.52 |
| Hyudai | 44.20 |

Sources: www.equitymaster.com

Ratio Analysis

| COMPANY | P/E RATIO | EARNING PER SHARE % |
|-----------------------|-----------|---------------------|
| TATA MOTORS | 10.67 | 2.46 |
| ASHOK LEYLAND | 8.72 | 6.23 |
| MAHINDRA AND MAHINDRA | 11.76 | 46.46 |
| MARUTI SUZUKI | 27.9 | 212.29 |
| HYUNDAI MOTORS | 20.43 | 4.61 |

Percentage of EPS was highest in 212.29 Maruti Suzuki and percentage of EPS was lowest in Hyundai Motors 4.61 due to the average share price of Maruti Suzuki was 5585 and Hyundai was 4420 rupees.

Conclusion

Investors are interested in predicting the future behavior of stock market. The investor should look at the price movements of the particular company over the years and should go for better portfolio. The actual status of the organization, information which can affect buying decisions etc. is available in financial results which is very vital for analysis. Speculative or sentimental factors do play a role in price movement of shares. But, it is only a short-term effect, long term annual performance is sole factor responsible for price movement.

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